

Birla Corporation

BSE SENSEX 70,506 S&P CNX 21,150



Bloomberg	BCORP IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	105.1 / 1.3
52-Week Range (INR)	1474 / 843
1, 6, 12 Rel. Per (%)	-2/1/17
12M Avg Val (INR M)	145

Financial Snapshot (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Sales	98.6	105.0	110.7
EBITDA	14.0	16.6	18.0
Adj. PAT	3.8	5.6	6.8
EBITDA Margin (%)	14.2	15.8	16.3
Adj. EPS (INR)	48.9	72.9	88.4
EPS Gr. (%)	944.0	49.0	21.2
BV/Sh. (INR)	816	876	953

Ratios

Net D:E	0.6	0.5	0.3
RoE (%)	6.1	8.6	9.7
RoCE (%)	5.8	7.2	7.8
Payout (%)	20	16	14

Valuations

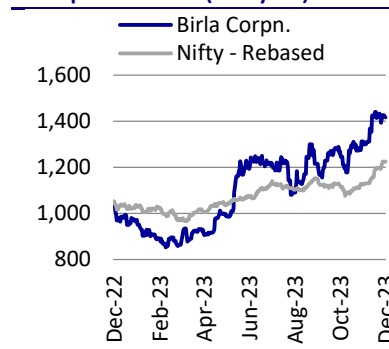
P/E (x)	27.8	18.7	15.4
P/BV (x)	1.7	1.6	1.4
EV/EBITDA(x)	9.9	8.0	7.0
EV/ton (USD)	83	80	71
Div. Yield (%)	0.7	0.9	0.9

Shareholding pattern (%)

As On	Sep-30	Jun-30	Dec-31
Promoter	62.9	62.9	62.9
DII	16.0	15.8	16.1
FII	6.6	7.2	4.5
Others	14.5	14.1	16.5

FII Includes depository receipts

Stock performance (one-year)



CMP: INR1,360 TP: INR1,700 (+25%) Buy

Navigating growth in a changing market environment

Scaling up Mukutban plant operations

- Birla Corporation (BCORP) is seeing steady progress in its Mukutban plant operations, with the capacity utilization of the plant reaching ~46% by Sep'23-end. Moreover, there has been continued improvement in Oct'23. Capacity utilization is likely to reach ~65-70% by FY24-end. Variable costs have reduced by ~50% at this plant since its commencement of operations.
- The company is targeting EBITDA/t improvement of INR300-350 in FY24E led by cost saving initiatives and increasing share of premium products. It is ramping up coal extraction from captive coal mines to optimize fuel cost. It is investing in kilns to equip them to increase AFR usage. It is optimizing logistics cost by increasing direct dispatches from the plant and re-routing clinker distribution (including clinker swapping) to its grinding units.
- BCORP plans to increase grinding capacity to 25mtpa by FY26 from the existing capacity of 20mtpa. According to available data on environmental clearance (EC) received by the company, we believe the next phase of expansion will be in north/central India. We believe the company has EC for an extra 5.6mtpa/6.5mtpa clinker/cement capacity at its current locations. Apart from this, the company has announced a greenfield grinding capacity expansion of 1.4mtpa in Prayagraj, Uttar Pradesh, at an estimated capex of INR4b. This facility is likely to be commissioned by 1QFY26.
- We raised our EBITDA estimates by 3%/2% for FY24/FY25 driven by cost efficiencies, which led to increase in EPS estimate by 6%/3% for FY24/FY25. The stock currently trades at 8x/7x FY25E/26E EV/EBITDA, a lower valuation compared to its similar-sized peers. **We value the stock at 9x Sep'25E EV/EBITDA to arrive at our TP of INR1,700 (EV/t of USD90). Reiterate BUY.**

Reconstructed ramp-up strategy of Mukutban plant

- Commissioning and ramping up of the Mukutban plant witnessed multiple challenges in the recent past. Initially, during the construction phase, the project was affected by the slowdown caused by Covid-19. Subsequently, after the plant's commissioning at the start of FY23, higher input costs and muted realization adversely impacted profitability.
- However, with the joining back of Mr. Ghose as MD and CEO from Jan'23, it has reconstructed ramp-up strategy of this plant (leveraging its well-known premium brand Perfect Plus, selling in the markets outside Maharashtra to expand its reach and increasing direct sales from the plant), and hit EBITDA positive in Mukutban in Mar'23.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- It is seeing steady growth in its Mukutban plant operations ramp-up as capacity utilization reached ~46% by Sep'23-end. Following further improvement in Oct'23, capacity utilization is likely to increase 65-70% by FY24-end. The company is selling +65% of its volume within Maharashtra, with the remaining sales distributed across other markets, with higher sales in southern Madhya Pradesh, Telangana, and Chhattisgarh.
- Variable costs declined 50% at this plant since the commencement of its operations, led by operational efficiencies, the successful commissioning of WHRS, savings in raw material costs, and positive operating leverage. Its captive mine at Mukutban is now fully operational and it is focused on scaling up its mining operations to further minimize raw material expenses. Further, the Mukutban plant qualifies for state incentives (in terms of SGST refund), providing a competitive advantage over peers.

Targeting EBITDA/t improvement of INR300-350 in FY24E

- The company has implemented various cost-reduction initiatives under "Project Shikhar" and achieved cost savings of up to INR50/t in the areas of power and fuel, fly ash, and limestone cost. Further savings under Phase 2 is expected in the coming period under plant overheads and fixed overheads.
- Secondly, "Project Unnati" has been launched with an intent to increase "Go-to-Market" strategy, with a focus on sales, logistics, and marketing domains. It aims to expand the market footprint and increase the intensity of coverage in core geographies by improving reach and penetration.
- The company scaled up its production from Sial Ghoghri captive coal mine, thereby, reducing dependence on imported coal. The company has been allotted two additional coal mines, Bikram and Marki Barka, with production expected to start in 4QFY24 and 2HFY26, respectively. Upon the commissioning of these mines, ~55-60% of the company's total fuel requirement for kiln operations will be fulfilled through captive sources.
- In logistics, the company is investing in integrated logistics management system, which provides visibility of materials movement, optimize routes, reduce turnaround time, and thereby, control costs. We estimate the company's EBITDA/t to improve to INR755/INR865/INR900 in FY24/FY25/FY26 vs. INR490 in FY23.

Target to increase cement capacity to 25mtpa by FY26

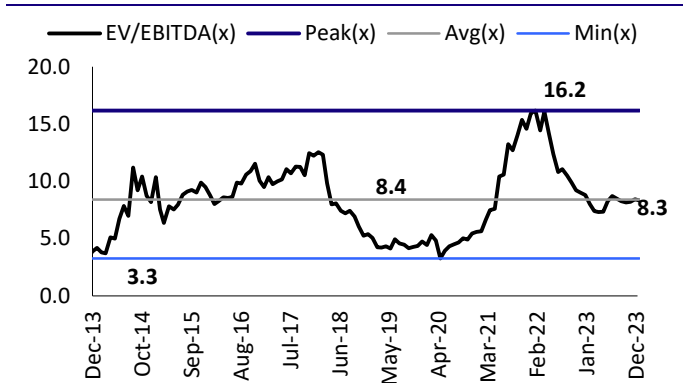
- BCORP plans to increase grinding capacity to 25mtpa by FY26 from its existing capacity of 20mtpa. Post commissioning and ramping up of the Mukutban capacity, it is planning to set up a second clinker line at Maihar, MP, and grinding units in North and Central India.
- According to available data on environmental clearance (EC) received by the company, the company has EC for an extra 5.6mtpa/6.5mtpa clinker/cement capacity at its current locations. It should be noted that in May'23, BCORP acquired the mining rights at Katni, MP. We believe the land contains limestone reserves of 111mt (reserves can help to set up a grinding capacity of 3.5mtpa, considering limestone reserves for 30 years).
- Apart from this, the company has announced a greenfield grinding capacity expansion of 1.4mtpa in Prayagraj, Uttar Pradesh, at an estimated capex of

INR4b, which is likely to be commissioned by 1QFY26. This facility will be entitled to the government incentive of 300% of investment.

Valuation attractive; reiterate BUY

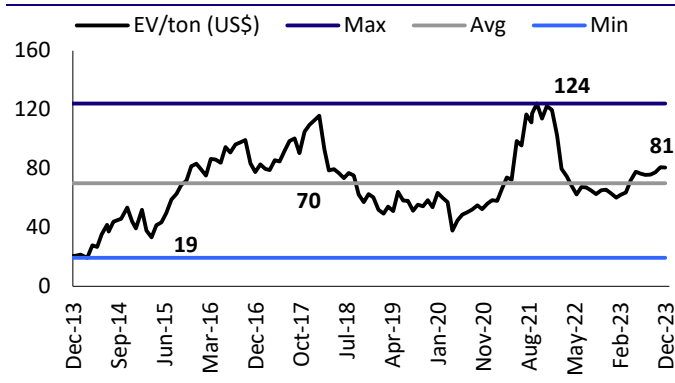
- We estimate consol. revenue/EBITDA CAGR at 8.5%/33% over FY23-26, driven by higher sales volume, improvement in realization, and cost savings. We estimate BCORP's consolidated volume to report ~8% CAGR over FY23-26. We further estimate its EBITDA/t at INR780/INR880/INR910 in FY24/FY25/FY26 vs. INR490 in FY23 (average EBITDA/t was at INR825 over FY18-22). EBITDA margin is likely to increase to 14-16% in FY24-26 vs. 9% in FY23. PAT is estimated to grow at 2.7x annually over FY23-26, aided by a low base of FY23. We estimate its ROE/ROCE to improve to 10%/8% in FY26 vs. 1%/3% in FY23, supported by better margins and higher asset turnover ratio.
- BCORP has experienced higher net debt in recent years due to elevated capex and weak profitability. The net debt is estimated to have reached its peak in FY24 at INR37b and is anticipated to decline over FY25-26. The management guided net debt to EBITDA to be maintained within 3x on a sustainable basis. We expect the company to generate strong OCF (estimated cumulative OCF of INR49b), which will support its future growth plans (both capacity expansion and efficiency improvement).
- The stock currently trades at 8x/7x FY25E/FY26E EV/EBITDA, lower valuation compared to its similar-sized peers. **We value the stock at 9x Sep'25E EV/EBITDA to arrive at our TP of INR1,700 (implying EV/t of USD90). Reiterate BUY.**

Exhibit 1: One-year forward EV/EBITDA trend



Source: Company, MOFSL

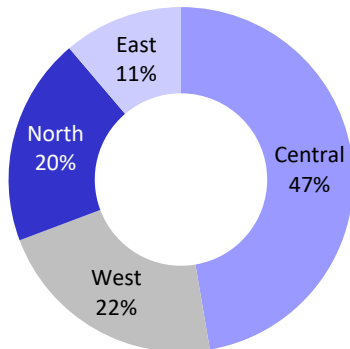
Exhibit 2: One-year forward EV/t trend



Source: Company, MOFSL

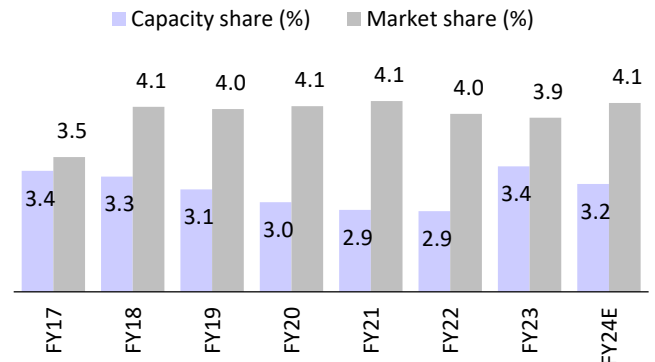
Operating metrics

Exhibit 3: BCORP's regional capacity mix



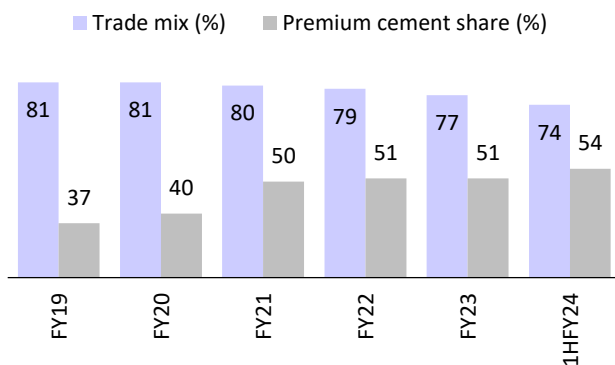
Source: MOFSL, Company, *based on installed cement capacity

Exhibit 4: BCORP market share is estimated to rise in FY24



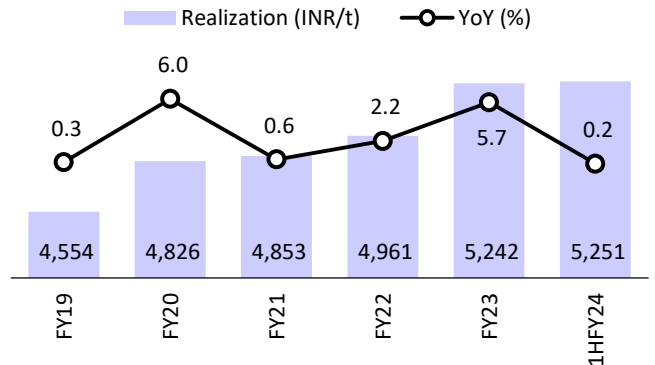
Source: MOFSL, Company, Industry

Exhibit 5: BCORP's premium cement share rises...



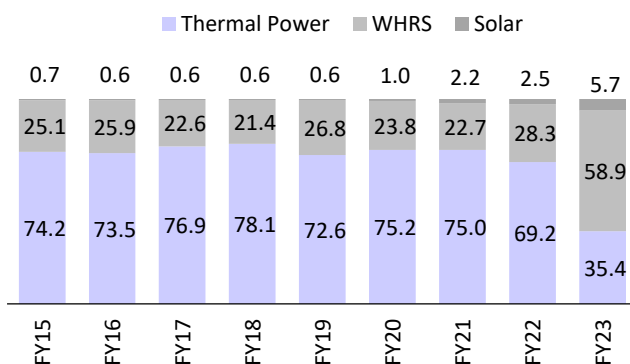
Source: MOFSL, Company, *Premium cement as a % of trade sales

Exhibit 6: ...driving improvement in realization



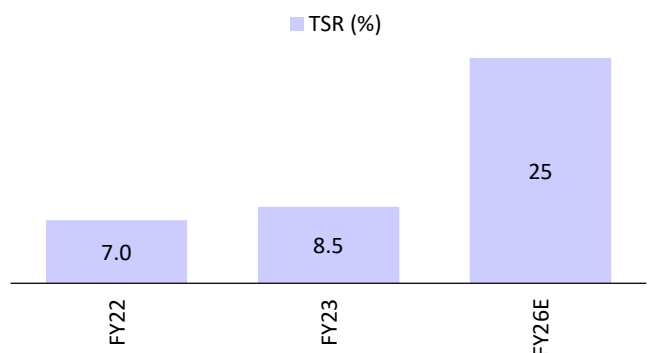
Source: MOFSL, Company

Exhibit 7: Captive power source mix, green power share rises (%)

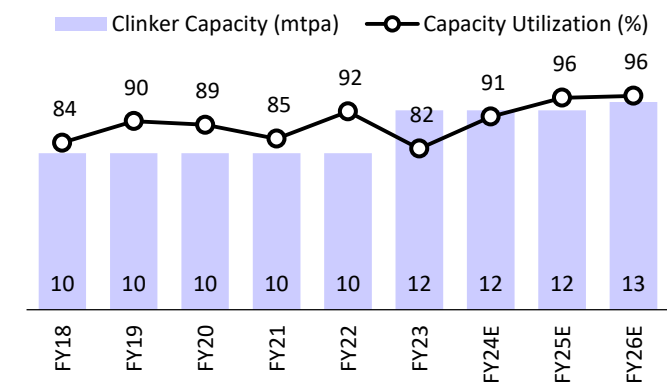


Source: MOFSL, Company, Note: in FY23 lower thermal power generation was mainly due to higher coal prices and the company increased grind purchases during the year

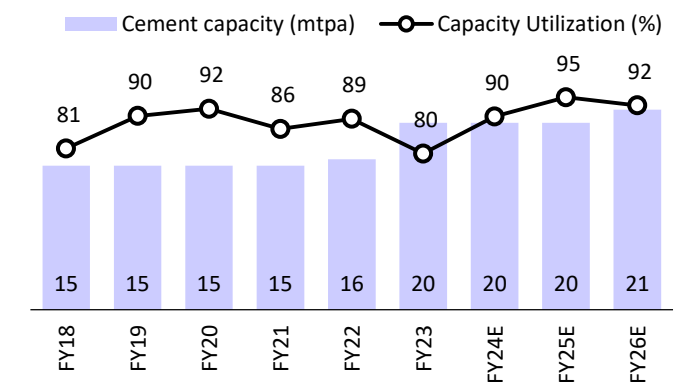
Exhibit 8: Target to increase thermal substitution rate to 25%



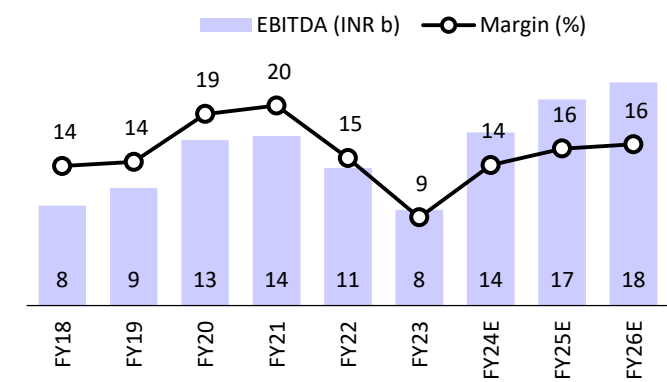
Source: MOFSL, Company

Exhibit 9: Clinker utilization is estimated at optimum levels

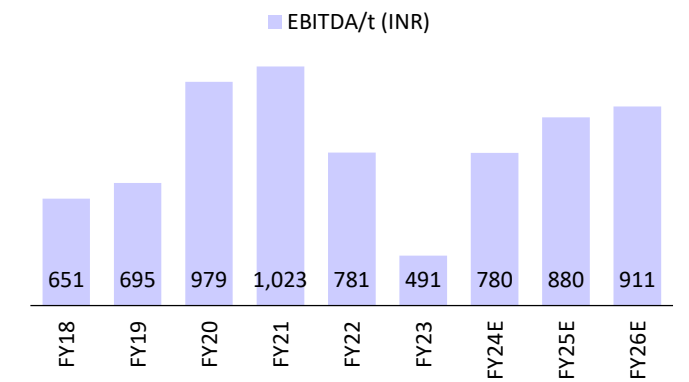
Source: MOFSL, Company,

Exhibit 10: Cement utilization should also increase

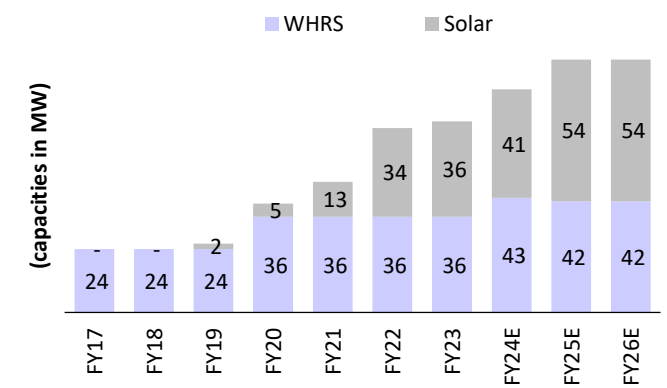
Source: MOFSL, Company

Exhibit 11: Estimate 33% EBITDA CAGR over FY23-26

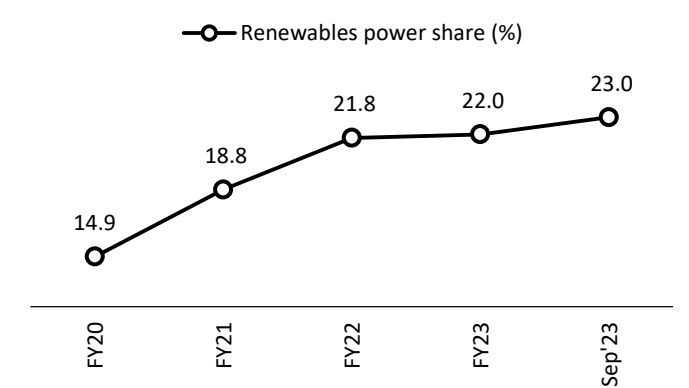
Source: MOFSL, Company

Exhibit 12: Estimate EBITDA/t to improve over FY24-26

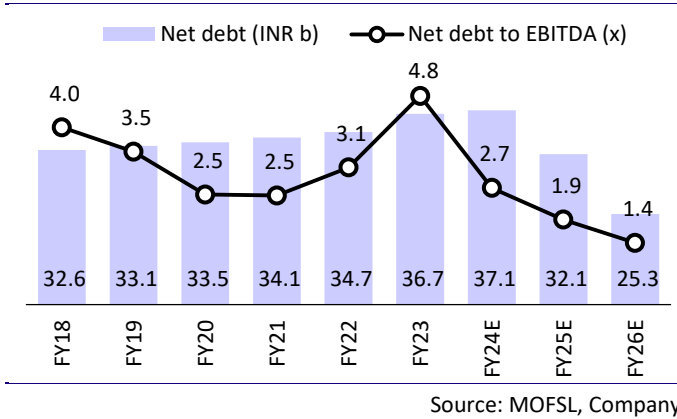
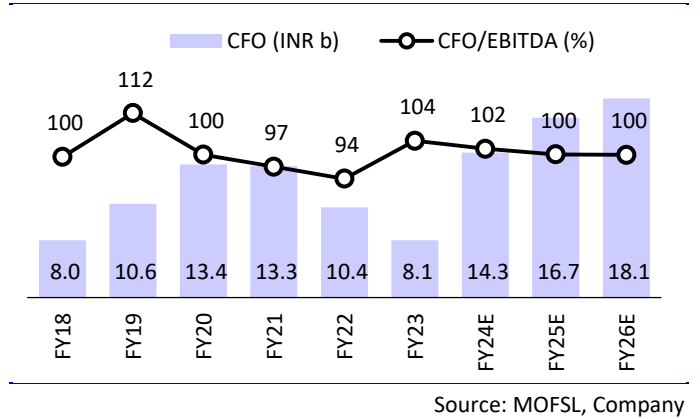
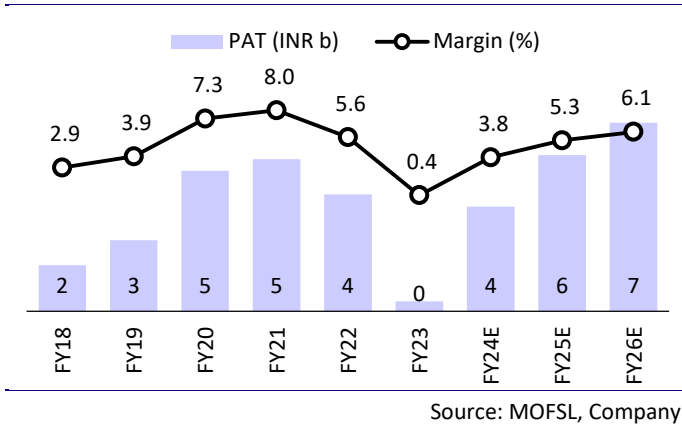
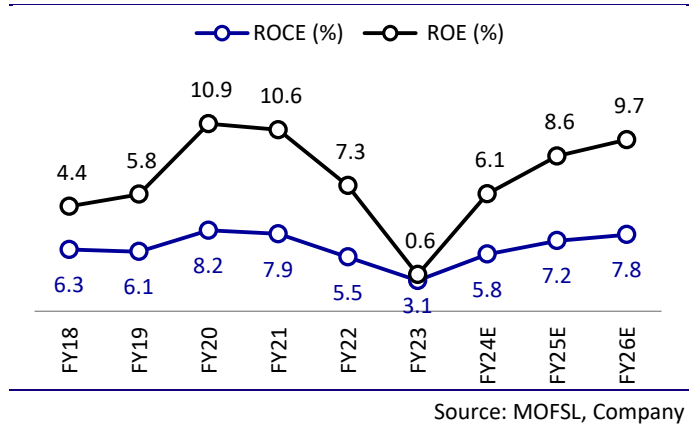
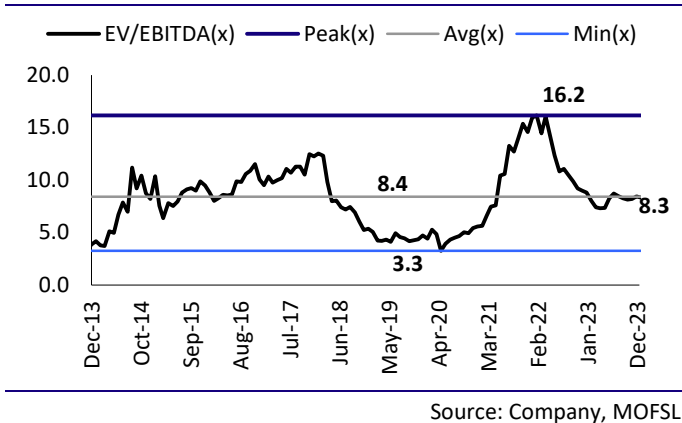
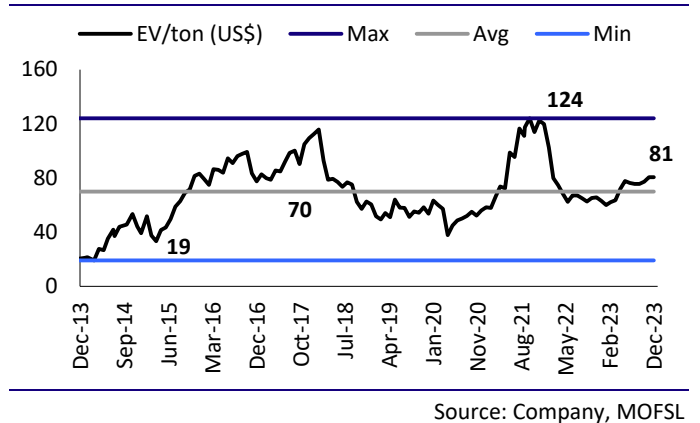
Source: MOFSL, Company

Exhibit 13: Increasing green power capacity

Source: MOFSL, Company

Exhibit 14: Renewable power share increasing over the year

Source: MOFSL, Company

Exhibit 15: Net debt is estimated to peak out in FY24**Exhibit 16: ~100% of EBITDA gets converted into cash****Exhibit 17: Profit margin to increase...****Exhibit 18: ...will drive material increase in return ratio****Exhibit 19: One-year forward EV/EBITDA trend****Exhibit 20: One-year forward EV/t trend**

Financials and valuations

Consolidated Income Statement

	(INR m)							
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	65,487	69,157	67,855	74,612	86,823	98,580	1,04,998	1,10,745
Change (%)	14.2	5.6	-1.9	10.0	16.4	13.5	6.5	5.5
Total Expenditure	56,001	55,797	54,163	63,512	79,103	84,611	88,369	92,733
EBITDA	9,486	13,360	13,691	11,100	7,720	13,969	16,629	18,012
Margin (%)	14.5	19.3	20.2	14.9	8.9	14.2	15.8	16.3
Depreciation	3,391	3,519	3,708	3,969	5,099	5,813	6,137	6,404
EBIT	6,095	9,841	9,984	7,131	2,621	8,156	10,492	11,608
Int. and Finance Charges	3,705	3,877	2,963	2,427	3,387	3,893	3,782	3,332
Other Income - Rec.	785	851	673	988	1,131	760	827	859
PBT after EO	3,174	6,815	8,375	5,421	431	5,021	7,537	9,135
Change (%)	98.6	114.7	22.9	-35.3	-92.0	n/m	50.1	21.2
Tax	617	1,763	2,074	1,435	26	1,255	1,922	2,329
Tax Rate (%)	19.4	25.9	24.8	26.5	6.1	25.0	25.5	25.5
Reported PAT	2,557	5,052	6,301	3,986	405	3,766	5,615	6,806
Extra-Ordinary Expenses	0	0	-681	271	-67	3	0	0
PAT Adjusted for EO Items	2,557	5,052	5,460	4,200	361	3,767	5,615	6,806
Change (%)	53.6	97.6	8.1	-23.1	-91.4	944.0	49.0	21.2
Margin (%)	3.9	7.3	8.0	5.6	0.4	3.8	5.3	6.1

Balance Sheet

	(INR m)							
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	770	770	770	770	770	770	770	770
Reserves	44,182	47,291	54,090	59,718	59,038	62,033	66,724	72,606
Net Worth	44,952	48,061	54,860	60,488	59,808	62,804	67,495	73,376
Loans	40,492	42,820	40,464	42,080	43,497	43,997	40,997	36,497
Deferred Liabilities	7,422	8,568	8,668	9,722	9,712	9,712	9,712	9,712
Capital Employed	92,866	99,449	1,03,992	1,12,291	1,13,017	1,16,512	1,18,203	1,19,585
Gross Block	83,400	87,430	91,087	97,586	1,25,338	1,35,914	1,39,914	1,47,914
Less: Accum. Deprn.	10,738	14,158	17,852	21,821	26,920	32,733	38,870	45,274
Net Fixed Assets	72,662	73,273	73,235	75,765	98,418	1,03,181	1,01,044	1,02,640
Capital WIP	9,119	16,020	21,048	25,511	3,576	3,000	6,000	5,000
Investments	8,769	8,363	7,526	10,093	8,683	8,683	8,683	8,683
Curr. Assets	22,765	24,098	27,147	27,147	30,042	31,992	35,425	37,963
Inventory	7,830	7,876	8,101	8,200	10,616	11,830	12,600	12,182
Account Receivables	2,622	2,504	2,795	3,028	3,233	3,450	3,675	3,876
Cash and Bank Balance	1,390	2,558	1,773	1,380	2,183	2,280	4,285	6,593
Others	10,924	11,160	14,479	14,539	14,010	14,432	14,865	15,312
Curr. Liability and Prov.	20,450	22,306	24,964	26,225	27,703	30,344	32,949	34,701
Account Payables	19,911	21,637	24,230	25,453	26,797	29,574	32,024	33,777
Provisions	538	669	734	772	906	770	924	924
Net Current Assets	2,316	1,793	2,184	922	2,340	1,648	2,476	3,262
Appl. of Funds	92,866	99,449	1,03,992	1,12,291	1,13,017	1,16,512	1,18,203	1,19,585

Source: Company, MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
EPS	33.2	65.6	70.9	54.5	4.7	48.9	72.9	88.4
Cash EPS	77.2	111.3	119.0	106.1	70.9	124.4	152.6	171.5
BV/Share	583.7	624.1	712.4	785.5	776.6	815.5	876.5	952.8
DPS	7.5	7.5	10.0	10.0	2.5	10.0	12.0	12.0
Payout (%)	26.2	13.3	12.2	19.3	47.5	20.5	16.5	13.6
Valuation (x)								
P/E	41.0	20.7	19.2	24.9	290.3	27.8	18.7	15.4
Cash P/E	17.6	12.2	11.4	12.8	19.2	10.9	8.9	7.9
P/BV	2.3	2.2	1.9	1.7	1.8	1.7	1.6	1.4
EV/Sales	1.9	1.7	1.7	1.5	1.5	1.4	1.2	1.1
EV/EBITDA	14.2	10.2	9.9	12.2	17.8	9.9	8.0	7.0
EV/t - Cap (USD)	106	107	107	102	83	83	80	71
Dividend Yield (%)	0.6	0.6	0.7	0.7	0.2	0.7	0.9	0.9
Return Ratios (%)								
RoE	5.8	10.9	10.6	7.3	0.6	6.1	8.6	9.7
RoCE	6.1	8.2	7.9	5.5	3.1	5.8	7.2	7.8
RoIC	6.7	10.0	10.3	7.0	2.8	6.1	7.7	8.7
Working Capital Ratios								
Inventory (Days)	44	42	44	40	45	44	44	40
Debtor (Days)	15	13	15	15	14	13	13	13
Working Capital Turnover (Days)	0.7	0.7	0.7	0.7	0.8	0.8	0.9	0.9
Leverage Ratio								
Current ratio	1.1	1.1	1.1	1.0	1.1	1.1	1.1	1.1
Debt/Equity (x)	0.9	0.9	0.7	0.7	0.7	0.7	0.6	0.5

Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
(INR m)								
OP/(Loss) before Tax	3,174	6,815	7,126	5,378	431	5,021	7,537	9,135
Depreciation	3,391	3,519	3,708	3,969	5,099	5,813	6,137	6,404
Interest and Finance Charges	3,705	3,877	2,963	2,427	3,387	3,893	3,782	3,332
Direct Taxes Paid	-469	-418	-843	-610	-508	-1,255	-1,922	-2,329
(Inc.)/Dec. in WC	1,309	207	-201	-2	280	789	1,176	1,523
CF from Operations	11,111	14,000	12,752	11,162	8,689	14,261	16,711	18,065
Others	-470	-588	532	-770	-634	0	0	0
CF from Operating incl. EO	10,641	13,412	13,284	10,392	8,055	14,261	16,711	18,065
(Inc.)/Dec. in FA	-4,030	-9,860	-8,028	-7,762	-6,263	-10,000	-7,000	-7,000
Free Cash Flow	6,611	3,552	5,256	2,629	1,791	4,261	9,711	11,065
(Pur.)/Sale of Investments	-1,521	-446	2,438	-1,269	1,595	0	0	0
Others	-550	74	-1,699	950	601	0	0	0
CF from Investments	-6,101	-10,232	-7,289	-8,082	-4,068	-10,000	-7,000	-7,000
Issue of Shares	0	0	0	0	0	0	0	0
Inc./(Dec.) in Debt	-1,297	1,860	-2,252	1,246	980	500	-3,000	-4,500
Interest Paid	-3,448	-3,872	-3,493	-3,179	-3,393	-3,893	-3,782	-3,332
Dividend Paid	-501	0	-1,036	-770	-770	-770	-924	-924
Others	-103	0	0	0	0	0	0	0
CF from Fin. Activity	-5,349	-2,012	-6,781	-2,703	-3,183	-4,164	-7,706	-8,756
Inc./Dec. in Cash	-808	1,169	-786	-393	803	97	2,004	2,309
Opening Balance	2,198	1,390	2,559	1,772	1,380	2,183	2,280	4,285
Closing Balance	1,390	2,559	1,772	1,380	2,183	2,280	4,285	6,593

Source: Company, MOFSL estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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