

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR1,529

TP: INR1,800 (+18%)

Buy

Strong performance; Mukutban plant utilizations improve

Targets to raise the grinding capacity to 25/30mtpa by FY27/FY30

Bloomberg	BCORP IN
Equity Shares (m)	77
M.Cap.(INRb)/(USD\$b)	117.7 / 1.4
52-Week Range (INR)	1631 / 843
1, 6, 12 Rel. Per (%)	6/14/46
12M Avg Val (INR M)	173

Financial Snapshot (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Sales	97.0	104.6	110.3
EBITDA	14.3	16.9	18.4
Adj. PAT	4.0	5.7	6.8
EBITDA Margin (%)	14.7	16.2	16.6
Adj. EPS (INR)	52.0	74.0	88.2
EPS Gr. (%)	NM	42.3	19.2
BV/Sh. (INR)	819	881	957

Ratios

Net D:E	0.5	0.5	0.4
RoE (%)	6.5	8.7	9.6
RoCE (%)	6.0	7.3	7.9
Payout (%)	19	16	14

Valuations

P/E (x)	29.4	20.6	17.3
P/BV (x)	1.9	1.7	1.6
EV/EBITDA(x)	10.3	8.6	7.6
EV/ton (USD)	89	88	79
Div. Yield (%)	0.7	0.8	0.8

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	62.9	62.9	62.9
DII	16.2	16.0	16.1
FII	6.4	6.6	4.5
Others	14.5	14.1	16.5

FII Includes depository receipts

- Birla Corporation (BCORP)'s 3QFY24 consol. EBITDA was up 162% YoY to INR3.8b (v/s estimated INR3.6b), and EBITDA/t was at INR901 (est. INR851). OPM stood at 16.4% (up 9.2pp YoY) for the quarter. PAT was at INR1.1b vs. estimated INR1b for 3QFY24.

- The company has ramped up its operations at the Mukutban unit, and surpassed 0.20mt of dispatches (~61% capacity utilization) in Jan'24. BCORP marginally cut its volume growth guidance to ~13% from ~15% in FY24. However, management maintained its EBITDA/t guidance at INR850 in FY24. State incentives for the Mukutban plant are likely to accrue in 4QFY24, and these incentives will boost profitability.

- In our [previous report](#), we highlighted that: 1) BCORP is witnessing steady progress in Mukutban plant operations; and 2) it is focusing on improving its profitability supported by cost-saving initiatives and increasing premium product share. We upgrade our FY24E EBITDA/PAT by 3%/6% due to the start of the state incentives from 4QFY24 (we estimated the same from FY25 beginning). We retained our estimates for FY25/FY26. **We value the stock at 9x FY26E EV/EBITDA to arrive at our TP of INR1,800. Reiterate BUY.**

Volumes rise 13% YoY; Opex/t declines 9% YoY

- BCORP's consolidated revenue/EBITDA stood at INR23b/INR3.8b (up 15%/162% YoY and down 2%/up 4% vs. our estimates) in 3QFY24. PAT stood at INR1.1b vs. a net loss of INR499m in 3QFY23. Sales volumes grew 13% YoY to 4.2mt (1% below our estimate). Cement realization grew 3% YoY/2% QoQ (in line with our estimates).

- Opex/t declined 9% YoY (2% below our estimate), driven by a 12% decline in variable/other expenses (each) and a 5% decline in employee costs/t. Freight cost/t was flat YoY. OPM improved 9.2pp YoY to 16.4%, while EBITDA/t was up 132% YoY to INR901. Depreciation/finance costs increased 12%/11% YoY, while other income grew 107% YoY.

- In 9MFY24, revenue grew 13% YoY to INR70b, mainly driven by volume growth. EBITDA grew 94% YoY to INR9.7b and OPM surged 5.8pp YoY to 13.8%. EBITDA/t was up 71% YoY to INR755. Net profit stood at INR2.3b vs. a net loss of INR351m.

Highlights from the management commentary

- Sales volume and realizations were partly hurt by unseasonal heavy rainfall and assembly elections in key markets in Nov'23. Prices increased during Sep-Oct'23, and partially rolled back in the later part of the quarter.

- Fuel consumption cost stood at INR1.58/Kcal vs. INR1.75/Kcal in 2QFY24. It estimates fuel costs to be at similar levels (INR1.58/kcal) in 4QFY24.

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- Capex stood at INR4.5b in 9MFY24 and estimated full-year (FY24) capex at ~INR7b. BCORP's net debt stood at INR34.7b as of Dec'23, and the company expects this to reduce to INR34b by FY24-end.

Valuation attractive; maintain BUY

- We believe the steady ramp-up of the Mukutban plant and improvement in profitability led the re-rating in the stock. We estimate a consolidated revenue/EBITDA CAGR of 8%/33% over FY23-26, driven by higher sales volume, improvement in realizations, and cost savings. We estimate BCORP's consolidated volume to report ~8% CAGR over FY23-26.
- BCORP currently trades at 8.6x/7.6x FY25E/26E EV/EBITDA, at a lower valuation than its similar-sized peers. **We maintain our BUY rating with a TP of INR1,800, based on 9x FY26E EV/EBITDA.**

Consolidated performance

Y/E March	FY23				FY24				FY23	FY24E	FY24	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		3QE		
Cement Sales (MT)	3.93	3.64	3.72	4.44	4.41	4.18	4.20	4.81	15.73	17.60	4.26	(1)
YoY Change (%)	17.3	11.3	11.0	4.7	12.2	14.8	12.9	8.3	10.6	11.9	14.6	
Cement Realization	5,344	5,151	5,177	5,279	5,229	5,211	5,316	5,361	5,242	5,282	5,321	(0)
YoY Change (%)	8.1	5.6	4.9	4.1	(2.2)	1.2	2.7	1.6	5.7	0.8	2.8	
QoQ Change (%)	5.4	(3.6)	0.5	2.0	(0.9)	(0.3)	2.0	0.8			2.1	
Net Sales	22.0	20.0	20.2	24.6	24.1	22.9	23.1	27.0	86.8	97.0	23.7	(2)
YoY Change (%)	26.0	17.8	15.2	8.8	9.3	14.3	14.7	9.5	16.4	11.8	17.3	
Total Expenditure	19.4	19.1	18.7	21.9	21.1	20.0	19.3	22.3	79.1	82.7	20.0	(3)
EBITDA	2.6	0.9	1.4	2.7	3.0	2.9	3.8	4.7	7.7	14.3	3.6	4
Margin (%)	11.8	4.7	7.2	11.1	12.4	12.6	16.4	17.3	8.9	14.7	15.3	103
Depreciation	1.1	1.3	1.3	1.4	1.4	1.4	1.4	1.5	5.1	5.7	1.5	(1)
Interest	0.7	0.9	0.9	0.9	1.0	1.0	1.0	1.0	3.4	3.9	1.0	(1)
Other Income	0.1	0.4	0.1	0.5	0.2	0.3	0.2	0.2	1.1	0.8	0.2	(9)
Profit before Tax	0.9	-0.8	-0.6	0.9	0.8	0.8	1.5	2.4	0.4	5.5	1.4	12
EO (Income)/Expense	0.1	-	-	(0.2)	-	0.0	-	-	(0.1)	0.0	-	
Profit before Tax after EO	0.8	-0.8	-0.6	1.1	0.8	0.8	1.5	2.4	0.4	5.5	1.4	12
Tax	0.2	-0.3	-0.1	0.3	0.2	0.2	0.4	0.7	0.0	1.5	0.3	30
Rate (%)	19.7	31.5	22.6	24.8	21.7	24.3	28.9	28.3	6.1	27.0	25.0	
Reported PAT	0.6	-0.6	-0.5	0.8	0.6	0.6	1.1	1.7	0.4	4.0	1.0	6
Adj. PAT	0.7	-0.6	-0.5	0.7	0.6	0.6	1.1	1.7	0.4	4.0	1.0	6
Margin (%)	3.2	-2.8	-2.5	2.9	2.5	2.6	4.7	6.4	0.4	4.1	4.3	
YoY Change (%)	(49.6)	NM	NM	(48.5)	(16.2)	NM	NM	142.7	(91.4)	NM	NM	
Per tonne analysis (INR)												
Blended Realization	5,608	5,494	5,420	5,546	5,461	5,468	5,505	5,608	5,520	5,513	5,549	(1)
YoY Change (%)	7.4	5.8	3.7	3.9	(2.6)	(0.5)	1.6	1.1	5.2	(0.1)	2.4	
Raw Material	565	592	593	982	958	917	782	798	696	862	900	(13)
Staff Cost	325	361	355	293	317	341	336	312	331	326	339	(1)
Power and Fuel	1,564	1,671	1,549	1,291	1,153	1,183	1,094	1,099	1,508	1,131	1,093	0
Transport and Forwarding	1,330	1,361	1,325	1,340	1,321	1,240	1,325	1,332	1,339	1,306	1,255	6
Other Exp.	1,163	1,250	1,208	1,023	1,038	1,096	1,066	1,099	1,154	1,075	1,110	(4)
Total Expenditure	4,948	5,236	5,031	4,928	4,786	4,777	4,604	4,639	5,029	4,700	4,697	(2)
EBITDA	660	258	388	618	675	691	901	969	491	813	851	6

Source: Company, MOFSL Estimates



Highlights from the management commentary

Highlights of the Mukutban operations

- Mukutban plant is seeing steady progress and beating the projections. It achieved a capacity utilization of more than 60% in Jan'24 (vs. Mar'24, which was estimated earlier). In Jan'24, the company crossed 0.2mt of dispatches from Mukutban plant. It estimates total dispatches from Mukutban plant of ~0.6mt in 4QFY24 vs. 0.49mt in 3QFY24 (growth of ~22% QoQ).
- Mukutban plant remained EBITDA positive through 9MFY24 and management expects improvement going forward. Premium products contributed ~40% of the trade volumes from this plant.
- The company has substantially increased its presence in Gujarat markets by leveraging Mukutban plant. Gujarat market seeing huge growth led by various government-led infra projects. Similarly, it increased presence in the Southern Madhya Pradesh and other adjacent markets (like Chhattisgarh and Telangana) through supplying from Mukutban. Although, it continues to sell ~65% of the sales volume of Mukutban plant in the Maharashtra markets.
- State incentives for the Mukutban plant are likely to accrue in 4QFY24, and these incentives will help to reach its annual EBITDA/t guidance of INR850/t in FY24E.

Demand and pricing outlook

- Sales volume and realizations were partly hurt by unseasonal heavy rainfall and assembly elections in key markets in Nov'23. Prices increased during Sep-Oct'23, and partially rolled back in the later part of the quarter.
- Cement demand was subdued in Jan'24 due to extreme winter and fog across north India. This also led to correction in cement prices in the past few days. Volumes are expected to pick up in the coming days; however, upcoming general elections and the imposition of model code of conduct may adversely impact demand in short-term.
- Accordingly, the management cut volume guidance marginally to ~13% YoY in FY24E (implying volume growth of ~12% in 4QFY24) vs. earlier estimate of ~15%. The major increase in the volumes will come from Mukutban plant.

Operational data points and progress on cost saving initiatives

- The company's capacity utilization stood at 85%/86% in 3QFY24/9MFY24 v/s 74%/79% in 3QFY23/9MFY23.
- Blended cement sales stood at 83%/85% of total volumes in 3QFY24/9MFY24 v/s 89%/90% in 3QFY23/9MFY23.
- Premium products contributed to 52%/53% of total volumes in 3QFY24/9MFY24 v/s 51%/49% in 3QFY23/9MFY23.
- The company stepped up generations of its captive power plants and share of captive power increased to ~60% of the power requirements of integrated unit v/s 12% in 3QFY23, supported by falling coal prices. Further, share of renewable power stood at ~23% (flat QoQ) in 3QFY24.
- Operations at Bikram coal block is expected to commence from 2QFY25, which will further reduce dependency on imported coal. During the quarter share of

imported coal come down from 31% to 25% sequentially and balance was domestic coal (linkage and captive mines).

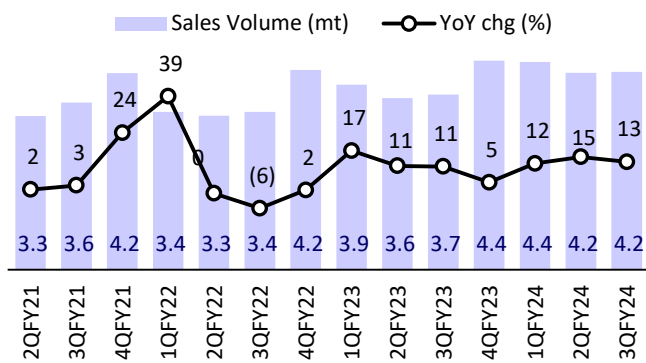
- "Project Shikhar" has yielded ~INR55/t of cost savings so far led by improvement in operating efficiency and cost optimization.
- "Project Unnati" mainly focused on reduction in logistics cost, increase in share premium product, identify high contribution zone with focus on "Go-to-Market" strategy, and network optimization.
- Despite capacity addition by peers, the company not only retained its market share in its key markets (eastern UP, MP) but also increasing premium product sales.

Capacity expansion and net debt

- The company is setting up a greenfield grinding unit of 1.4mtpa in Prayagraj, Uttar Pradesh with an investment of INR4b. This unit is likely to be commissioned by FY25-end and start commercial production from beginning of FY26.
- The next expansion plan includes doubling of clinker capacity at Maihar, MP and setup grinding units in Bihar/Uttar Pradesh or in West markets. The company targets to increase the capacity to 25mtpa/30mtpa by FY27/FY30. The capex guidance will be communicated post the board approval, which is likely in FY25-beginning.
- Capex stood at INR4.5b in 9MFY24 and estimated full-year (FY24) capex at ~INR7b. BCORP's net debt stood at INR34.7b as of Dec'23, and the company expects this to reduce to INR34b by FY24-end.

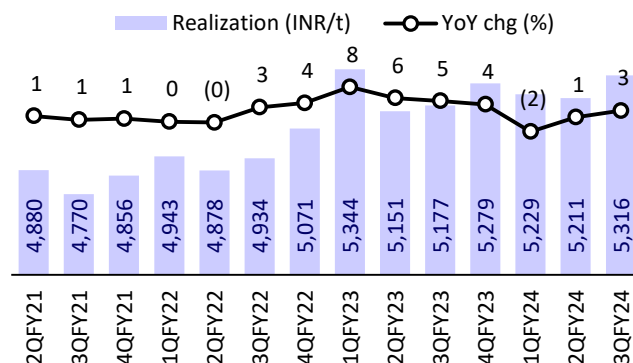
Story in charts

Exhibit 1: Sales volume up 13% YoY



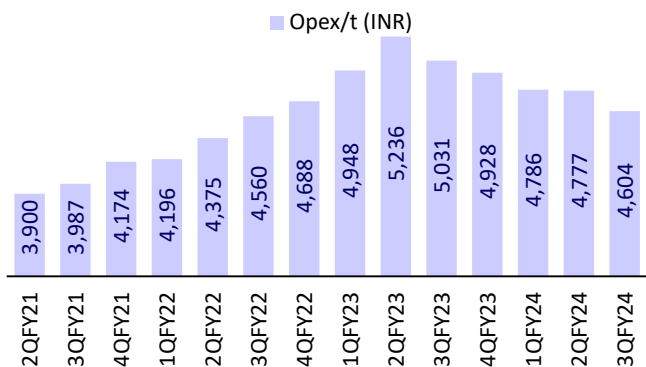
Source: Company, MOFSL

Exhibit 2: Cement realization up 3% YoY



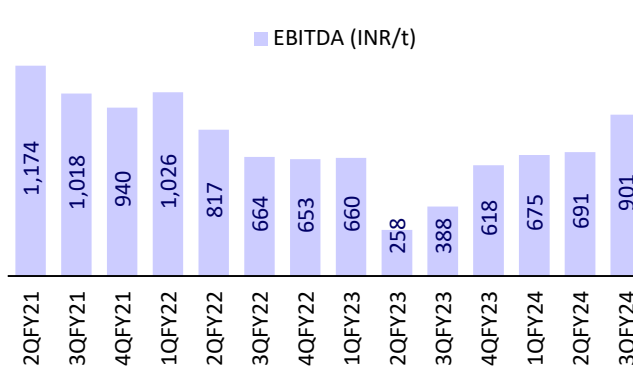
Source: Company, MOFSL

Exhibit 3: OPEX/t down 9% YoY



Source: Company, MOFSL

Exhibit 4: EBITDA/t up 132% YoY



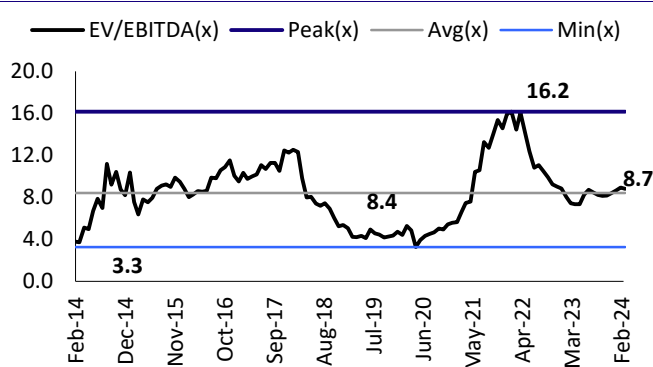
Source: Company, MOFSL

Exhibit 5: Key performance indicators – per tonne analysis

INR/t	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)
Blended realization	5,505	5,420	2	5,468	1
RM Cost	782	593	32	917	(15)
Employee Expenses	336	355	(5)	341	(1)
Power, Oil, and Fuel	1,094	1,549	(29)	1,183	(8)
Freight and Handling Outward	1,325	1,325	(0)	1,240	7
Other Expenses	1,066	1,208	(12)	1,096	(3)
Total Expenses	4,604	5,031	(9)	4,777	(4)
EBITDA	901	388	132	691	30

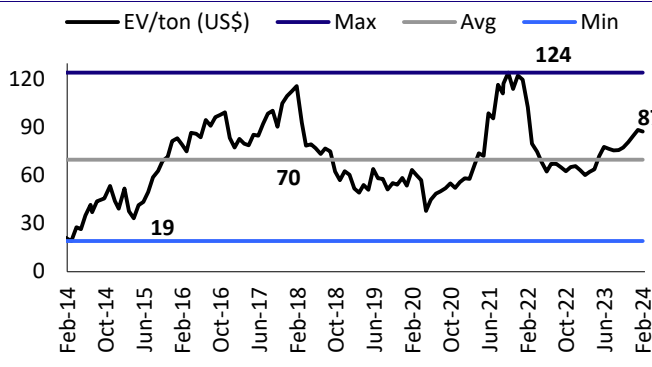
Source: Company, MOFSL

Exhibit 6: One-year forward EV/EBITDA trend



Source: Company, MOFSL

Exhibit 7: One-year forward EV/t trend



Source: Company, MOFSL

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	97,037	1,04,611	1,10,343
Change (%)	14.2	5.6	-1.9	10.0	16.4	11.8	7.8	5.5
Total Expenditure	56,001	55,797	54,163	63,512	79,103	82,724	87,700	91,983
EBITDA	9,486	13,360	13,691	11,100	7,720	14,313	16,911	18,360
Margin (%)	14.5	19.3	20.2	14.9	8.9	14.7	16.2	16.6
Depreciation	3,391	3,519	3,708	3,969	5,099	5,746	6,172	6,442
EBIT	6,095	9,841	9,984	7,131	2,621	8,566	10,739	11,918
Int. and Finance Charges	3,705	3,877	2,963	2,427	3,387	3,915	3,826	3,577
Other Income - Rec.	785	851	673	988	1,131	831	733	772
PBT after EO	3,174	6,815	8,375	5,421	431	5,479	7,646	9,113
Change (%)	98.6	114.7	22.9	-35.3	-92.0	n/m	39.5	19.2
Tax	617	1,763	2,074	1,435	26	1,479	1,950	2,324
Tax Rate (%)	19.4	25.9	24.8	26.5	6.1	27.0	25.5	25.5
Reported PAT	2,557	5,052	6,301	3,986	405	4,000	5,697	6,789
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	4,002	5,697	6,789
Change (%)	53.6	97.6	8.1	-23.1	-91.4	NM	42.3	19.2
Margin (%)	3.9	7.3	8.0	5.6	0.4	4.1	5.4	6.2

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	62,268	67,040	72,905
Net Worth	44,952	48,061	54,860	60,488	59,808	63,038	67,810	73,675
Loans	40,492	42,820	40,464	42,080	43,497	43,997	41,497	37,997
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	1,16,747	1,19,019	1,21,384
Gross Block	83,400	87,430	91,087	97,586	1,25,338	1,32,914	1,41,414	1,44,914
Less: Accum. Deprn.	10,738	14,158	17,852	21,821	26,920	32,666	38,839	45,281
Net Fixed Assets	72,662	73,273	73,235	75,765	98,418	1,00,248	1,02,575	99,633
Capital WIP	9,119	16,020	21,048	25,511	3,576	3,000	4,000	10,000
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	34,697	36,591	37,646
Inventory	7,830	7,876	8,101	8,200	10,616	11,644	12,553	12,138
Account Receivables	2,622	2,504	2,795	3,028	3,233	3,396	3,661	3,310
Cash and Bank Balance	1,390	2,558	1,773	1,380	2,183	5,224	5,511	6,886
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	29,881	32,830	34,579
Account Payables	19,911	21,637	24,230	25,453	26,797	29,111	31,906	33,655
Provisions	538	669	734	772	906	770	924	924
Net Current Assets	2,316	1,793	2,184	922	2,340	4,816	3,760	3,067
Appl. of Funds	92,866	99,449	1,03,992	1,12,291	1,13,017	1,16,747	1,19,019	1,21,384

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	52.0	74.0	88.2
Cash EPS	77.2	111.3	119.0	106.1	70.9	126.6	154.1	171.8
BV/Share	583.7	624.1	712.4	785.5	776.6	818.6	880.6	956.7
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	19.3	16.2	13.6
Valuation (x)								
P/E	46.0	23.3	21.5	28.0	326.0	29.4	20.6	17.3
Cash P/E	19.8	13.7	12.8	14.4	21.5	12.1	9.9	8.9
P/BV	2.6	2.4	2.1	1.9	2.0	1.9	1.7	1.6
EV/Sales	2.1	1.9	1.9	1.6	1.7	1.5	1.3	1.2
EV/EBITDA	15.6	11.2	10.9	13.4	19.5	10.3	8.6	7.6
EV/t - Cap (USD)	116	117	117	111	91	89	88	79
Dividend Yield (%)	0.5	0.5	0.7	0.7	0.2	0.7	0.8	0.8
Return Ratios (%)								
RoE	5.8	10.9	10.6	7.3	0.6	6.5	8.7	9.6
RoCE	6.1	8.2	7.9	5.5	3.1	6.0	7.3	7.9
RoIC	6.7	10.0	10.3	7.0	2.8	6.3	8.0	9.0
Working Capital Ratios								
Inventory (Days)	44	42	44	40	45	44	44	40
Debtor (Days)	15	13	15	15	14	13	13	11
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	1.2	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	5,479	7,646	9,113
Depreciation	3,391	3,519	3,708	3,969	5,099	5,746	6,172	6,442
Interest and Finance Charges	3,705	3,877	2,963	2,427	3,387	3,915	3,826	3,577
Direct Taxes Paid	-469	-418	-843	-610	-508	-1,479	-1,950	-2,324
(Inc.)/Dec. in WC	1,309	207	-201	-2	280	565	1,342	2,069
CF from Operations	11,111	14,000	12,752	11,162	8,689	14,227	17,036	18,877
Others	-470	-588	532	-770	-634	0	0	0
CF from Operating incl. EO	10,641	13,412	13,284	10,392	8,055	14,227	17,036	18,877
(Inc.)/Dec. in FA	-4,030	-9,860	-8,028	-7,762	-6,263	-7,000	-9,500	-9,500
Free Cash Flow	6,611	3,552	5,256	2,629	1,791	7,227	7,536	9,377
(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	-7,000	-9,500	-9,500
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	-2,500	-3,500
Interest Paid	-3,448	-3,872	-3,493	-3,179	-3,393	-3,915	-3,826	-3,577
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	-4,185	-7,250	-8,001
Inc./Dec. in Cash	-808	1,169	-786	-393	803	3,041	286	1,376
Opening Balance	2,198	1,390	2,559	1,772	1,380	2,183	5,224	5,511
Closing Balance	1,390	2,559	1,772	1,380	2,183	5,224	5,511	6,886

Source: Company, MOFSL estimates

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NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
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UNDER REVIEW	Rating may undergo a change
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