

Birla Corporation

Margin buoyancy continues

Birla Corp's (BCORP) 3QFY21 consolidated revenue/EBITDA/APAT surged 4/23/83% YoY to Rs 17.77/3.62/1.50bn respectively, led by healthy realisation and lower opex. Thus, unitary EBITDA firmed up 19% YoY to Rs 998/MT. We continue to prefer BCORP in the mid-cap space for its large retail presence in the northern/central markets and ongoing opex reduction. Further, the ongoing expansion will increase its capacity to 21mn MT by 1QFY23, boosting volume growth visibility. We maintain BUY with an unchanged target price of Rs 1,371 (8.5x Dec'22E consolidated EBITDA).

- **Strong margin sustained in 3QFY21:** Sales volume picked up 3% YoY (in-line our estimates), mainly driven by higher sales in the central region. The share of premium cement sales increased to 53% vs 41% YoY. NSR stood 1% higher despite 2% QoQ dip. Adjusted for Rs 326mn write-off of certain receivables from the government, opex went up 1% QoQ, mainly led by fuel and diesel price increase. It still remained 3% lower YoY, bolstering unitary EBITDA by 19% YoY to Rs 998/MT (our estimate Rs 953/MT).
- **Capex updates and outlook:** BCORP noted that its 0.6mn MT clinker expansion in Rajasthan, 4mn MT Greenfield plant in Maharashtra, and 1.2mn MT SGU expansion in UP will get commissioned by 1QFY22, 3QFY22 and 1QFY23 respectively. These will bolster its volume growth FY22 onwards. We continue to prefer BCORP in the mid-cap space for its extensive retail presence in the north/central regions, substantial ongoing opex reduction initiatives, and stable balance sheet outlook despite significant expansion. We maintain our estimates and target price of Rs 1,371/share (8.5x Dec'22E consolidated EBITDA). We reiterate our BUY rating on the stock.

Consolidated Quarterly/Annual Financial summary

YE Mar (Rs mn)	3Q FY21	3Q FY20	YoY (%)	2Q FY21	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Sales (mn MT)	3.55	3.44	3.2	3.26	8.9	13.6	13.6	12.8	15.0	18.8
NSR (Rs/MT)	4,765	4,719	1.0	4,875	(2.3)	4,551	4,819	4,849	4,781	4,887
Opex (Rs/MT)	3,767	3,881	(3.0)	3,722	1.2	3,870	3,857	3,862	3,782	3,876
EBITDA(Rs/MT)	998	837	19.2	1,153	(13.4)	680	962	987	998	1,011
Net Sales	17,766	17,151	3.6	16,543	7.4	65,487	69,157	64,735	72,445	85,257
EBITDA	3,624	2,946	23.0	3,827	(5.3)	9,487	13,360	12,751	14,753	17,307
APAT	1,495	815	83.4	1,666	(10.3)	2,558	5,052	4,456	4,980	5,977
AEPS (Rs)	19.4	10.6	83.4	21.6	(10.3)	33.2	65.6	57.9	64.7	77.6
EV/EBITDA (x)						9.4	6.7	7.6	6.5	5.5
EV/MT (Rs bn)						5.69	5.71	6.21	4.89	4.57
P/E (x)						21.9	11.1	12.6	11.3	9.4
RoE (%)						7.2	13.2	10.7	10.0	10.2

Source: Company, HSIE Research

BUY

CMP (as on 22 Jan 2021)	Rs 728
Target Price	Rs 1,371
NIFTY	14,372

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 1,371	Rs 1,371
EBITDA %	FY21E	FY22E
	-	-

KEY STOCK DATA

Bloomberg code	BCORP IN
No. of Shares (mn)	77
MCap (Rs bn) / (\$ mn)	56/761
6m avg traded value (Rs mn)	192
52 Week high / low	Rs 808/372

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	13.1	28.8	(2.7)
Relative (%)	(7.5)	(0.2)	(21.6)

SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	62.90	62.90
FIs & Local MFs	15.15	13.59
FPIs	3.38	3.80
Public & Others	18.57	19.71
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

Rajesh Ravi

rajesh.ravi@hdfcsec.com
+91-22-6171-7352

Saurabh Dugar

saurabh.dugar@hdfcsec.com
+91-22-6171-7352

Disclosure:

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
Board: +91-22-6171-7330 www.hdfcsec.com