

Birla Corporation

Estimate change



TP change



Rating change



Bloomberg	BCORP IN
Equity Shares (m)	77
M.Cap.(INRb)/(USD\$b)	76.5 / 1
52-Week Range (INR)	1649 / 823
1, 6, 12 Rel. Per (%)	5/-26/-36
12M Avg Val (INR M)	178

Financial Snapshot (INR b)

Y/E MARCH	2022	2023E	2024E
Sales	74.6	87.0	90.6
EBITDA	11.1	10.5	13.9
Adj. PAT	4.3	2.3	4.7
EBITDA Margin (%)	14.9	12.0	15.3
Adj. EPS (INR)	56.0	29.6	61.5
EPS Gr. (%)	-21.0	-47.2	107.8
BV/Sh. (INR)	785	807	856

Ratios

Net D:E	0.5	0.5	0.4
RoE (%)	7.5	3.7	7.4
RoCE (%)	5.5	4.0	6.1
Payout (%)	19.3	24.9	19.5

Valuations

P/E (x)	17.7	33.6	16.2
P/BV (x)	1.3	1.2	1.2
EV/EBITDA(x)	9.7	10.0	7.4
EV/ton (USD)	88	64	63
Div. Yield (%)	1.0	0.7	1.2

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	62.9	62.9	62.9
DII	16.1	16.3	13.8
FII	4.3	4.2	4.0
Others	16.7	16.7	19.4

FII Includes depository receipts

CMP: INR994
TP: INR1,275 (+28%)
Buy

Higher volume and realization drive EBITDA beat

Mukutban plant likely to achieve EBITDA break-even by end-FY23

- Birla Corporation (BCORP)'s 1QFY23 earnings were above our estimate led by higher volume/realization (3%/2% beat); EBITDA/OPM/profit stood at INR2.6b/12%/INR736m (est. INR2.3b/11%/INR418m), respectively.
- The Mukutban plant started commercial production from 30th Apr'22 and should achieve EBITDA break-even by end-FY23. Its cement EBITDA/t would have been INR751 (v/s reported INR645), excluding start-up costs of this plant.
- We raise our FY23E/FY24E EBITDA by 7% each on higher volume/realization, thus driving our EPS increase of 43%/22%, respectively. **We retain our BUY rating, given its attractive valuation (trading at 7.4x FY24E EV/EBITDA).**

Cost escalation hurts profitability; EBITDA/t at INR660

- BCORP's revenue/EBITDA/adjusted PAT stood at INR22b/INR2.6b/INR736m (+26%/-25%/-48% YoY and 4%/12%/76% above our estimates), respectively. Cement realization improved 8% YoY/5% QoQ. Sales volume rose 17% YoY to 3.93mt. Revenue from the Jute segment grew 10% YoY (down 10% QoQ).
- Blended cost of production/t grew 18% YoY, led by a 34% YoY increase in variable cost (due to higher power and fuel prices) and 7% rise in freight cost in 1QFY23. Other expenses/t grew 12% YoY/17% QoQ partly due to start-up cost of the new plant and increased spending on coal mining.
- EBITDA declined 25% YoY and OPM contracted 8pp YoY to 12%. EBITDA/t stood at INR660 v/s INR1,026/INR653 in 1QFY22/4QFY22, respectively. Interest expense and depreciation jumped 10% and 16% YoY, respectively.
- Net debt stood at INR37b v/s INR34b as of Mar'22. Average cost of borrowing was down 65bp YoY to 6.68%.

Highlights from the management commentary

- Capacity utilization (CU) stood at 88% (including Mukutban capacity) v/s 90% in 1QFY22. On a like-for-like basis, CU reached 101% in 1QFY23.
- Coal extraction from captive mine at Sial Ghogri was 19% above its quarterly rated capacity. AFR usage stood at 12% of fuel consumption v/s 4%/7% in 1QFY22/FY22, respectively.

Valuation attractive; maintain BUY

- BCORP has been consistent with its capacity addition plans through both organic and inorganic routes. The management aims to expand the installed capacity to 30mtpa by CY27E (current capacity: 19.5mtpa).
- We expect leverage to improve going forward (1.9x in FY24E v/s 2.8x in FY22). The management's continued focus on capacity expansion should drive a re-rating in its valuation multiples.
- BCORP trades at 7.4x FY24E EV/EBITDA (v/s one-year forward EV/EBITDA of 8x over FY14-22), at a much lower valuation than the average for peer companies with similar capacities. We retain our BUY rating with a revised TP of INR1,275 (up from INR1,145 earlier), valuing it at 9x FY24E EV/EBITDA.

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

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

Consolidated performance

(INR b)

Y/E March	FY22				FY23				FY22	FY23E	FY23	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Cement Sales (MT)	3.35	3.27	3.35	4.24	3.93	3.62	3.90	4.43	14.22	15.88	3.82	3
YoY Change (%)	39.0	0.3	(5.6)	1.7	17.3	10.6	16.6	4.5	6.2	11.7	13.9	
Cement Realization	4,943	4,878	4,934	5,071	5,344	5,244	5,174	5,070	4,961	5,203	5,251	2
YoY Change (%)	0.2	(0.0)	3.4	4.4	8.1	7.5	4.9	(0.0)	2.2	4.9	6.2	
QoQ Change (%)	1.8	(1.3)	1.2	2.8	5.4	(1.9)	(1.3)	(2.0)			3.5	
Net Sales	17.5	17.0	17.5	22.6	22.0	20.1	21.2	23.7	74.6	87.0	21.1	17.5
YoY Change (%)	43.1	2.6	(1.5)	6.2	26.0	18.3	21.3	4.5	10.0	16.6	20.7	43.1
Total Expenditure	14.1	14.3	15.3	19.9	19.4	18.2	18.8	20.1	63.5	76.5	18.8	14.1
EBITDA	3.4	2.7	2.2	2.8	2.6	1.9	2.4	3.5	11.1	10.5	2.3	3.4
Margin (%)	19.6	15.7	12.7	12.2	11.8	9.4	11.5	14.9	14.9	12.0	11.0	19.6
Depreciation	1.0	1.0	1.0	1.0	1.1	1.3	1.3	1.3	4.0	5.0	1.2	1.0
Interest	0.6	0.6	0.6	0.5	0.7	0.8	0.8	0.8	2.4	3.1	0.7	0.6
Other Income	0.1	0.1	0.1	0.7	0.1	0.2	0.2	0.2	1.0	0.7	0.1	0.1
Profit before Tax	1.9	1.2	0.7	1.9	0.9	0.0	0.5	1.7	5.7	3.1	0.6	1.9
EO (Income)/Expense	-	-	(70)	341	117	-	-	-	271	117	-	-
Profit before Tax after EO	1.9	1.2	0.7	1.6	0.8	0.0	0.5	1.7	5.4	3.0	0.6	1.9
Tax	0.5	0.3	0.1	0.5	0.2	0.0	0.1	0.5	1.4	0.8	0.1	0.5
Rate (%)	25.7	28.2	19.2	29.5	19.7	26.0	26.0	30.8	26.5	27.0	26.0	25.7
Reported PAT	1.4	0.9	0.6	1.1	0.6	0.0	0.4	1.1	4.0	2.2	0.4	1.4
Adj. PAT	1.4	0.9	0.7	1.4	0.7	0.0	0.4	1.1	4.3	2.3	0.4	1.4
Margin (%)	8.1	5.0	3.8	6.1	3.3	0.0	1.9	4.8	5.8	2.6	2.0	8.1
YoY Change (%)	115.3	(48.7)	(55.7)	(16.0)	(48.0)	(101.1)	(38.8)	(17.0)	(21.0)	(47.2)	(70.4)	115.3
Per tonne analysis (INR)*												
Blended Realization	5,221	5,192	5,224	5,340	5,608	5,554	5,436	5,339	5,247	5,478	5,531	1
YoY Change (%)	3.0	2.3	4.4	4.4	7.4	7.0	4.1	(0.0)	3.5	4.4	5.9	
Raw Material	477	772	510	1,110	565	765	665	1,076	741	778	900	(37)
Staff Cost	324	341	343	267	325	337	320	266	315	310	328	(1)
Power and Fuel	1,113	1,035	1,383	1,062	1,564	1,664	1,514	999	1,142	1,417	1,412	11
Transport and Forwarding	1,242	1,185	1,238	1,252	1,330	1,200	1,260	1,228	1,230	1,255	1,275	4
Other Exp.	1,039	1,042	1,087	997	1,163	1,063	1,050	971	1,038	1,059	1,010	15
Total Expenditure	4,196	4,375	4,560	4,688	4,948	5,029	4,809	4,541	4,466	4,819	4,924	0
EBITDA/t	1,026	817	664	653	660	525	627	797	781	659	607	9

Source: Company, MOFSL Estimates; Note: ** including non-cement business



Highlights from the management commentary

- Mukutban plant:** Mukutban plant started commercial production from 30th Apr '22 and should become EBITDA break-even by end-FY23. This plant is eligible for 100% reimbursement of SGST, electricity duty and royalty on limestone. Incentive on account of SGST reimbursement will start to accrue after exhaustion of the input tax credit on capital expenditure from FY24. It will significantly boost the Company's profitability. Cement EBITDA/t would have been at INR751 (v/s reported INR645/t) excluding start-up costs of this plant.
- Coal, power cost and cost saving initiatives:** Cost of power generation at captive power plants at Satna and Chanderia plants shot up sharply (INR433/t of production v/s INR372 last year) due to poor availability of linkage coal. Coal extraction from captive mine at Sial Ghogri was 19% above its quarterly rated capacity of 75,000tons. This led to higher cost of extraction of INR430m v/s INR140m in 1QFY22. AFR usage was at 12% of fuel consumption v/s 4%/7% in 1QFY22/FY22. Green power consumption was at 22.8% v/s 22.3%/21.8% in 1QFY22/FY22. Fly ash transportation through wagons was increased which led to INR35/t YoY cost reduction to INR437/t.

- **Sales-mix:** Blended cement sales was at 91% v/s 92% in 1QFY22. Trade sales were at 79% v/s 83% in 1QFY22 with premium cement contributing to 47% of trade sales v/s 51% last year. Sales volume of premium cement was up 3% YoY while that of blended cement was up 15%.
- **Capacity utilization** was at 88% v/s 90% in 1QFY22. On a like-for like basis CU reached at 101%. The company registered volume growth in all its key markets in north, central and east India, driven largely by infrastructure sector
- **Net debt** stood at INR37b v/s INRINR34b in Mar-22. Cost of borrowing was at 6.68%, down 65bps YoY.
- **Jute segment** reported 17% YoY decline in cash profit to INR85.2m in 1QFY23, due to a sharp increase in raw jute prices (rose 11.4% YoY). The division continues to focus on exports of value-added jute products as a measure to reduce dependence on government orders at regulated prices.

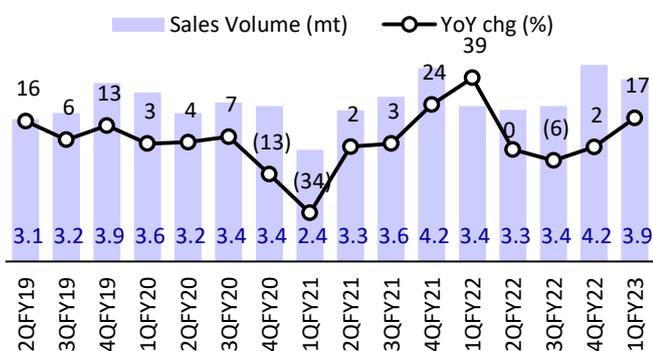
Exhibit 1: Revisions to our estimates

(INR b)	Revised		Old		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Revenue	87.0	90.6	84.6	88.9	3	2
EBITDA	10.5	13.9	9.8	12.9	7	7
PAT	2.3	4.7	1.6	3.8	44	24
EPS (INR)	29.6	61.5	20.5	49.6	44	24

Source: Company, MOFSL estimates

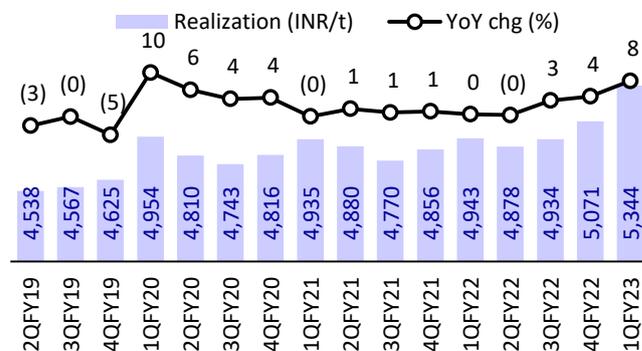
Story in charts

Exhibit 2: Sales volume up 17% YoY but declined 7% QoQ



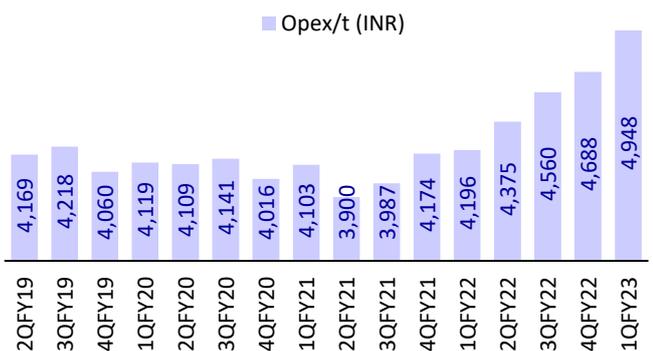
Source: Company, MOFSL

Exhibit 3: Cement realization up 8% YoY and 5% QoQ



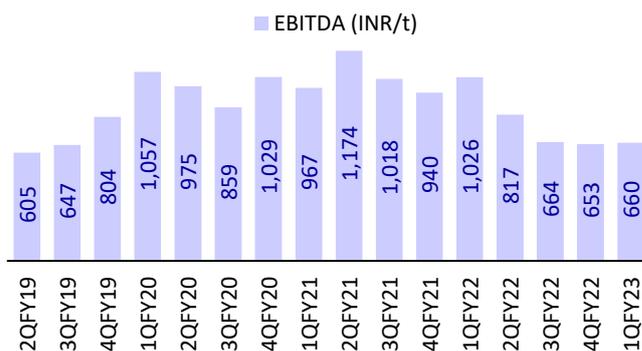
Source: Company, MOFSL

Exhibit 4: OPEX/t increases by 18% YoY....



Source: Company, MOFSL

Exhibit 5:leading to 36% YoY EBITDA/t drop



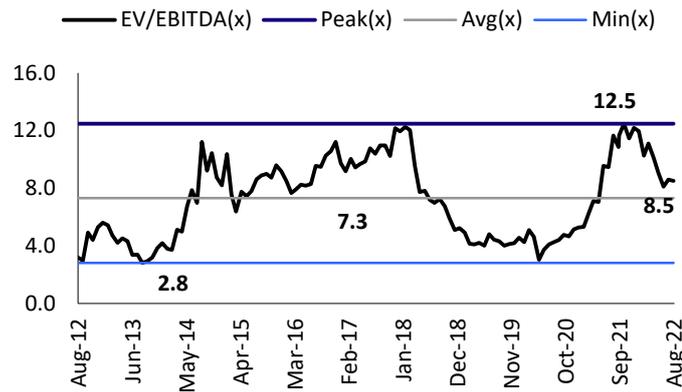
Source: Company, MOFSL

Exhibit 6: Key performance indicators – per ton analysis

INR/t	1QFY23	1QFY22	YoY (%)	4QFY22	QoQ (%)
Blended realization	5,608	5,221	7	5,340	5
RM Cost	565	477	18	1,110	(49)
Employee Expenses	325	324	0	267	22
Power, Oil, and Fuel	1,564	1,113	41	1,062	47
Freight and Handling Outward	1,330	1,242	7	1,252	6
Other Expenses	1,163	1,039	12	997	17
Total Expenses	4,948	4,196	18	4,688	6
EBITDA	660	1,026	(36)	653	1

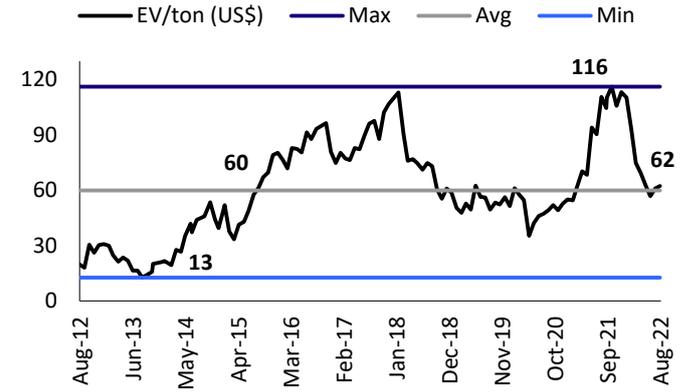
Source: Company, MOFSL

Exhibit 7: One-year forward EV/EBITDA trend



Source: Company, MOFSL

Exhibit 8: One-year forward EV/t trend



Source: Company, MOFSL

Financials and valuations

Consolidated Income Statement

	(INR m)							
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Net Sales	43,477	57,342	65,487	69,157	67,855	74,612	87,003	90,609
Change (%)	33.0	31.9	14.2	5.6	-1.9	10.0	16.6	4.1
Total Expenditure	37,241	49,275	56,001	55,797	54,163	63,512	76,534	76,758
EBITDA	6,235	8,066	9,486	13,360	13,691	11,100	10,470	13,851
Margin (%)	14.3	14.1	14.5	19.3	20.2	14.9	12.0	15.3
Depreciation	2,555	3,322	3,391	3,519	3,708	3,969	4,966	5,190
EBIT	3,680	4,745	6,095	9,841	9,984	7,131	5,504	8,660
Int. and Finance Charges	2,768	3,776	3,705	3,877	2,963	2,427	3,122	2,989
Other Income - Rec.	1,459	755	785	851	673	988	696	725
PBT after EO	2,303	1,598	3,174	6,815	8,375	5,421	2,961	6,396
Change (%)	14.6	-30.6	98.6	114.7	22.9	-35.3	-45.4	116.0
Tax	108	59	617	1,763	2,074	1,435	800	1,663
Tax Rate (%)	4.7	3.7	19.4	25.9	24.8	26.5	27.0	26.0
Reported PAT	2,195	1,540	2,557	5,052	6,301	3,986	2,161	4,733
Extra-Ordinary Expenses	68	124.8	0.0	0.0	-681.1	270.7	116.5	0.0
PAT Adjusted for EO Items	2,263	1,664	2,557	5,052	5,460	4,313	2,278	4,733
Change (%)	13.8	-26.4	53.6	97.6	8.1	-21.0	-47.2	107.8
Margin (%)	5.2	2.9	3.9	7.3	8.0	5.8	2.6	5.2

Balance Sheet

	(INR m)							
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	770	770	770	770	770	770	770	770
Reserves	32,092	42,028	44,182	47,291	54,090	59,718	61,341	65,150
Net Worth	32,862	42,798	44,952	48,061	54,860	60,488	62,111	65,920
Loans	40,705	38,951	40,492	42,820	40,464	42,080	40,080	38,580
Deferred Liabilities	5,645	7,452	7,422	8,568	8,668	9,722	9,722	9,722
Capital Employed	79,212	89,201	92,866	99,449	1,03,992	1,12,291	1,11,913	1,14,222
Gross Block	67,689	81,071	83,400	87,430	91,087	97,586	1,24,597	1,28,597
Less: Accum. Deprn.	4,042	7,361	10,738	14,158	17,852	21,821	26,787	31,978
Net Fixed Assets	63,647	73,710	72,662	73,273	73,235	75,765	97,809	96,619
Capital WIP	8,034	7,599	9,119	16,020	21,048	25,511	3,000	3,000
Investments	5,644	6,723	8,769	8,363	7,526	10,093	10,093	10,093
Curr. Assets	19,653	22,717	22,765	24,098	27,147	27,147	27,650	28,086
Inventory	6,302	6,870	7,830	7,876	8,101	8,200	8,700	8,608
Account Receivables	1,325	1,914	2,622	2,504	2,795	3,028	3,306	3,171
Cash and Bank Balance	3,125	2,198	1,390	2,558	1,773	1,380	1,828	2,077
Others	8,901	11,735	10,924	11,160	14,479	14,539	13,815	14,230
Curr. Liability and Prov.	17,766	21,548	20,450	22,306	24,964	26,225	26,640	23,576
Account Payables	17,215	21,056	19,911	21,637	24,230	25,453	26,101	22,652
Provisions	551	492	538	669	734	772	539	924
Net Current Assets	1,887	1,169	2,316	1,793	2,184	922	1,010	4,510
Appl. of Funds	79,212	89,201	92,866	99,449	1,03,992	1,12,291	1,11,913	1,14,222

Source: Company, MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)								
EPS	29.4	21.6	33.2	65.6	70.9	56.0	29.6	61.5
Cash EPS	62.6	64.7	77.2	111.3	119.0	107.6	94.1	128.9
BV/Share	426.7	555.8	583.7	624.1	712.4	785.5	806.5	856.0
DPS	6.5	6.5	7.5	7.5	10.0	10.0	7.0	12.0
Payout (%)	26.5	37.8	26.2	13.3	12.2	19.3	24.9	19.5
Valuation (x)								
P/E			29.9	15.2	14.0	17.7	33.6	16.2
Cash P/E			12.9	8.9	8.3	9.2	10.6	7.7
P/BV			1.7	1.6	1.4	1.3	1.2	1.2
EV/Sales			1.5	1.3	1.3	1.1	1.2	1.1
EV/EBITDA			11.3	8.1	7.9	9.7	10.0	7.4
EV/t - Cap (USD)			88	89	88	88	64	63
Dividend Yield (%)			0.8	0.8	1.0	1.0	0.7	1.2
Return Ratios (%)								
RoE	7.3	4.4	5.8	10.9	10.6	7.5	3.7	7.4
RoCE	8.2	6.3	6.1	8.2	7.9	5.5	4.0	6.1
RoIC	8.6	6.8	6.7	10.0	10.3	7.0	4.7	6.5
Working Capital Ratios								
Inventory (Days)	53	44	44	42	44	40	37	35
Debtor (Days)	11	12	15	13	15	15	14	13
Working Capital Turnover (Days)	0.5	0.6	0.7	0.7	0.7	0.7	0.8	0.8
Leverage Ratio								
Current ratio	1.1	1.1	1.1	1.1	1.1	1.0	1.0	1.2
Debt/Equity (x)	1.2	0.9	0.9	0.9	0.7	0.7	0.6	0.6

Cash Flow Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	2,303	1,598	3,174	6,815	7,126	5,378	2,961	6,396
Depreciation	2,555	3,322	3,391	3,519	3,708	3,969	4,966	5,190
Interest and Finance Charges	2,768	3,776	3,705	3,877	2,963	2,427	3,122	2,989
Direct Taxes Paid	-505	-552	-469	-418	-843	-610	-800	-1,663
(Inc.)/Dec. in WC	1,066	481	1,309	207	-201	-2	361	-3,251
CF from Operations	8,187	8,625	11,111	14,000	12,752	11,162	10,610	9,662
Others	-1,414	-577	-470	-588	532	-770	0	0
CF from Operating incl. EO	6,773	8,049	10,641	13,412	13,284	10,392	10,610	9,662
(Inc.)/Dec. in FA	-2,041	-2,754	-4,030	-9,860	-8,028	-7,762	-4,500	-4,000
Free Cash Flow	4,732	5,295	6,611	3,552	5,256	2,629	6,110	5,662
(Pur.)/Sale of Investments	13,119	-541	-1,521	-446	2,438	-1,269	0	0
Others	-21,163	-129	-550	74	-1,699	950	0	0
CF from Investments	-10,085	-3,423	-6,101	-10,232	-7,289	-8,082	-4,500	-4,000
Issue of Shares	0	0	0	0	0	0	0	0
Inc./(Dec.) in Debt	6,102	-1,391	-1,297	1,860	-2,252	1,246	-2,000	-1,500
Interest Paid	-2,744	-3,558	-3,448	-3,872	-3,493	-3,179	-3,122	-2,989
Dividend Paid	-462	-501	-501	0	-1,036	-770	-539	-924
Others	-94	-102	-103	0	0	0	0	0
CF from Fin. Activity	2,803	-5,552	-5,349	-2,012	-6,781	-2,703	-5,661	-5,413
Inc./Dec. in Cash	-509	-926	-808	1,169	-786	-393	449	248
Opening Balance	3,634	3,125	2,198	1,390	2,559	1,772	1,380	1,828
Closing Balance	3,125	2,198	1,390	2,559	1,772	1,380	1,828	2,077

Source: Company, MOFSL estimates

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

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