

August 07, 2022

RESULT REPORT Q1 FY23 | Sector: Cement

Birla Corporation

Improved NSR unable to offset fuel costs

Result Synopsis

Birla Corporation (BCORP) reported mixed bag performance. BCORP registered volume growth of 17% y/y to 3.93MT (YSEC est. 4.05MT) as Mukutban unit commercialized. Whereas, +7% y/y (+5% q/q) higher NSR was not sufficient to mitigate the increase in cost/te by +18% y/y (+6% q/q) resulting in Blended EBITDA/te to Rs660 declined by 36% y/y (+1% q/q; YSEC est. Rs707) in Q1FY23. To mitigate the impact of the fuel prices (imported coal/pet coke), BCORP ramped up production from its captive coal mine (Sial Ghoghri) has lowered the dependence over imported coal & Pet coke. Additionally, company has taken several steps to reduce costs: 1) Use of Alternative Fuel & Raw materials (AFR) was increased across all plants. AFR usage stood at 12% of total fuel consumption in 1QFY23 (v/s 4% in Q1FY22). 2) Reduction in landed cost of fly ash by increasing wagons transportation (Rs437/te in Q1FY23 from Rs472 in Q1FY22). 3) Consistently raising its share of renewable energy (WHRS & solar) scaled up to 22.8% in Q1FY23 against 22.3% in Q1FY22 v/s 21.8% in overall FY22. We believe with the newly commissioned 3.9MTPA of Mukutban plant in Maharashtra the volumes to grow at 15% CAGR over FY23-24E. Additionally, the demand from its key markets (Uttar Pradesh) set to improve given the infra project push by the state/central government. Recent CAPEX peaked the Net Debt/EBITDA to 3.3x in FY22, while we believe BCORP to generate healthy operating cash flow of Rs22bn over FY23-24E, would help to deleverage its B/S and lower the Net Debt/EBITDA to 1.7x by FY24E. At CMP stock trades at 7/6x EV/EBITDA for FY23/24E. Therefore, we retain our BUY recommendation with a TP of Rs1500, valuing the stock at 8x EV/EBITDA on the FY24E.

Result Highlights

- Reported volume growth of +17% y/y and decline by +7% q/q to 3.93MT against YSEC est. of 4.05MT and NSR grew by +7% y/y and +5% q/q (+1% higher than YSEC est.) translates in revenue of Rs22bn (2% lower YSEC est.) up by +26% y/y (-3% q/q) in Q1FY23.
- EBITDA/PAT de-grew by 6/44% q/q and 24/56% y/y to Rs2.6/0.62bn v/s YSEC est. of Rs2.9/1bn in Q1FY23.
- Surge in power cost by +47% q/q and +41% y/y driven the cost/te to Rs4948 (+2% higher than YSEC est) had resulted in EBITDA/te to Rs660 (-36% y/y and flat q/q) v/s YSEC est. to Rs707/te in Q1FY23.
- Blended cement volume grew by +15% y/y in Q1FY23 and its share stood at 91% v/s 92% Q1FY22. Also, premium cement volume grew by +3% y/y in Q1FY23 and its share stood at 47% v/s 51% Q1FY22.

Exhibit 1: Actual vs Estimates

Rs Mn	Actual	Estimate		% Variation		Remarks
		YSec	Consensus	YSec	Consensus	
Sales	22,038	22,493	21,506	(2.0)	2.5	Lower than expected volume and higher than expected power cost resulted in estimated miss.
EBITDA	2,593	2,861	2,257	(9.4)	14.9	
Margin (%)	11.8	12.7	10.5	(96 bps)	127 bps	
PAT	619	1,034	545	(40.1)	13.6	

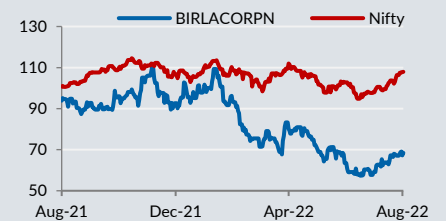
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 996
Target Price	: Rs 1500
Potential Return	: +51%

Stock data (as on August 05, 2022)

Nifty	17,398
52 Week h/l (Rs)	1650 / 823
Market cap (Rs/USD mn)	76670 / 967
Outstanding Shares (mn)	77
6m Avg t/o (Rs mn):	142
Div yield (%):	1.0
Bloomberg code:	BCORP IN
NSE code:	BIRLACORPN

Stock performance



	1M	3M	1Y
Absolute return	15.3%	-2.4%	-27.4%

Shareholding pattern (As of Jun'22 end)

Promoter	62.9%
FII+DII	20.4%
Others	16.7%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	1500	1732

Financial Summary

(Rs mn)	FY22P	FY23E	FY24E
Revenue	74,612	92,918	101,673
Growth	10.0	24.5	9.4
EBITDA	11,100	14,720	18,059
Margin	14.9	15.8	17.8
Adj PAT	4,300	5,312	8,138
Growth	(40.3)	23.5	53.2
EPS	51.8	69.0	105.7
ND/EBITDA	3.3	2.0	1.7
ROE	6.9	8.4	11.8
ROCE	7.2	8.9	11.4
EV/EBITDA	10.5	7.1	5.9

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Exhibit 2: Quarterly snapshot (Consolidated)

Particulars (Rs m)	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	y/y (%)	q/q (%)	FY22P	FY21	y/y (%)
Net Revenue	17,491	16,978	17,501	22,642	22,038	26.0	(2.7)	74,612	67,855	10.0
Total Expenses	14,055	14,306	15,276	19,875	19,445	38.3	(2.2)	63,512	54,153	17.3
COGS	1,599	2,523	1,707	4,706	2,221	38.9	(52.8)	13,233	12,534	5.6
Employee Expenses	1,085	1,115	1,148	1,133	1,279	17.8	12.9	4,481	3,978	12.6
Power & fuel	3,729	3,385	4,631	4,501	6,146	64.8	36.5	16,246	12,116	34.1
Freight Exp	4,162	3,876	4,149	5,309	5,228	25.6	(1.5)	14,798	12,930	14.5
Other Expenses	3,480	3,407	3,641	4,226	4,571	31.3	8.1	14,754	12,596	17.1
EBITDA	3,436	2,673	2,225	2,767	2,593	(24.5)	(6.3)	11,100	13,702	(19.0)
EBITDA (%)	19.6	15.7	12.7	12.2	11.8	(788 bps)	(45 bps)	14.9	20.2	(532 bps)
D&A	984	982	1,007	997	1,145	16.4	14.9	3,969	3,708	7
Other Income	93	133	69	693	143	53.8	(79.4)	988	999	(1)
Interest Expense	639	632	608	547	703	10.0	28.4	2,427	2,963	(18)
Exceptional/EO items	-	-	-70	384	117	-	(69.7)	314	905	(65)
Share JV/Associates	-	-	-	-	-	-	-	-	-	-
EBT	1,906	1,192	748	1,532	771	(59.5)	(49.6)	5,692	8,031	(29.1)
Tax	491	336	144	421	152	(69.0)	(63.8)	1,392	825	68.8
Reported PAT	1,415	856	605	1,111	619	(56.2)	(44.3)	3,986	6,301	(37)
Less: Minority Interest	-	-	-	-	-	-	-	-	-	-
Adj. PAT	1,415	856	605	1,111	619	(56.2)	(44.3)	3,986	6,301	(36.7)

Source: Company, YES Sec

Exhibit 3: Quarterly Operational Performance Analysis (Consolidated)

Particulars (Rs m)	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	y/y (%)	q/q (%)	FY22P	FY21	y/y (%)
Total Volumes (MMT)	3.4	3.3	3.4	4.2	3.9	17.3	(7.3)	14.2	13.4	6.2
NSR/te (Blended)	5,221	5,192	5,224.1	5,340	5,608	7.4	5.0	5,247	5,069	3.5
RM/te	477	772	509.5	1,110	565	18.4	(49.1)	931	936	(0.6)
Employees/te	324	341	342.8	267	325	0.5	21.8	315	297	6.0
Power/te	1,113	1,035	1,382.5	1,062	1,564	40.5	47.3	1,142	905	26.2
Freight/te	1,242	1,185	1,238.5	1,252	1,330	7.1	6.3	1,041	966	7.7
Others/te	1,039	1,042	1,086.7	997	1,163	12.0	16.7	1,038	941	10.3
Opex/te (Blended)	4,196	4,375	4,560.0	4,688	4,948	17.9	5.6	4,466	4,045	10.4
EBITDA/te (Blended)	1,026	817	664.0	653	660	(35.7)	1.1	781	1,024	(23.7)

Source: Company, YES Sec

Exhibit 4: Annual Operational Performance Estimates (Consolidated)

Particulars (Rs m)	FY20	FY21	FY22P	FY23E	FY24E
Total Volumes (MMT)	13.8	13.4	14.2	17.4	19.0
Net Realization/te (Blended)	5,003	5,069	5,247	5,333	5,361
RM/te	846	936	931	953	954
Power/te	295	297	315	310	301
Freight/te	999	905	1,142	1,164	1,118
Employees/te	994	966	1,041	1,077	1,098
Others/te	902	941	1,038	985	938
Opex/te (Blended)	4,037	4,045	4,466	4,488	4,409
EBITDA/te (Blended)	967	1,024	781	845	952

Source: Company, YES Sec

FINANCIALS

Exhibit 5: Balance Sheet (Consolidated)

Y/e 31 Mar (Rs m)	FY20	FY21	FY22P	FY23E	FY24E
Equity capital	770	770	770	770	770
Reserves	47,291	54,090	59,718	64,499	71,823
Net worth	48,061	54,860	60,489	65,269	72,593
Other LT Liabilities	6,935	8,517	8,415	8,415	8,415
LT provision.	500	619	637	637	637
Minority interest	0	0	0	0	0
Long-term Borrowing	36,690	36,044	37,906	32,044	32,044
Deferred tax liabilities. (net)	8,568	8,668	9,722	9,722	9,722
Current Liabilities					
Trades Payables	5,228	5,890	7,620	8,505	9,095
Short-term Borrowing	837	304	4,175	1,121	1,801
Other current liabilities	14,768	13,939	9,418	13,939	13,939
Short Term Provision	169	115	135	135	135
Total Liabilities	121,755	128,956	138,516	139,787	148,381
Assets					
Total Net Block	63,734	63,734	65,868	79,906	76,716
CWIP & Other Assets	25,560	30,549	35,408	19,034	29,034
Investments	1,600	2,891	4,077	4,077	4,077
Other Non-current Asset	3,921	5,101	4,502	4,502	4,502
Deferred tax asset (net)					
Current Assets					
Inventories	7,876	8,101	8,200	11,019	11,976
Trades Receivables	2,504	2,795	3,028	3,309	3,621
Other current assets	13,990	14,000	16,043	16,083	16,520
Short Term Loans & advances	11	12	10	10	10
Cash & Bank Balances	2,558	1,772	1,380	1,846	1,924
Total Assets	121,755	128,956	138,516	139,787	148,381

Source: Company, YES Sec

Exhibit 6: Income statement (Consolidated)

Y/e 31 Mar (Rs m)	FY20	FY21	FY22P	FY23E	FY24E
Revenue	69,157	67,855	74,612	92,918	101,673
Operating profit	13,360	13,702	11,100	14,720	18,059
Depreciation & Amortization	3,519	3,708	3,969	4,860	4,940
PBIT	9,841	9,994	7,131	9,861	13,119
Interest expense	3,877	2,963	2,427	3,321	2,844
Other income	851	999	988	542	577
Profit before tax	6,815	8,031	5,692	7,082	10,851
Taxes	1,763	825	1,392	1,771	2,713
Minorities/Share from Associates	-	-	-	-	-
Exceptional items	-	(905)	(314)	-	-
Reported profit	5,052	6,301	3,986	5,312	8,138
Adj. Net profit	5,052	7,206	4,300	5,312	8,138

Source: Company, YES Sec

Exhibit 7: Cash Flow (Consolidated)

Y/e 31 Mar (Rs m)	FY20	FY21	FY22P	FY23E	FY24E
Cash flow from operation	10,994	8,729	6,682	9,384	12,641
Profit before tax	6,815	7,126	5,378	7,082	10,851
Depreciation	3,519	3,708	3,969	4,860	4,940
Tax paid	(1,763)	(825)	(1,392)	(1,771)	(2,713)
Working capital Δ	2,424	(1,280)	(1,273)	(787)	(437)
Other operating items	-	-	-	-	-
Cash flow from Investing Activities					
Capital expenditure	(11,030)	(8,696)	(10,962)	(2,524)	(11,750)
Change in other non-current assets	(197)	(1,181)	599	-	-
Free cash flow	(233)	(1,147)	(3,681)	6,860	891
Cash flow from Financing activities					
Change in Equity & Reserves	(1,246)	1,267	2,413	46	(236)
Investments	1,164	(1,291)	(1,186)	-	-
Debt financing/disposal	457	(646)	1,862	(5,862)	-
Dividends paid	(696)	(770)	(770)	(578)	(578)
Other items	1,723	1,801	970	-	-
Net Δ in cash	1,169	(786)	(393)	467	78

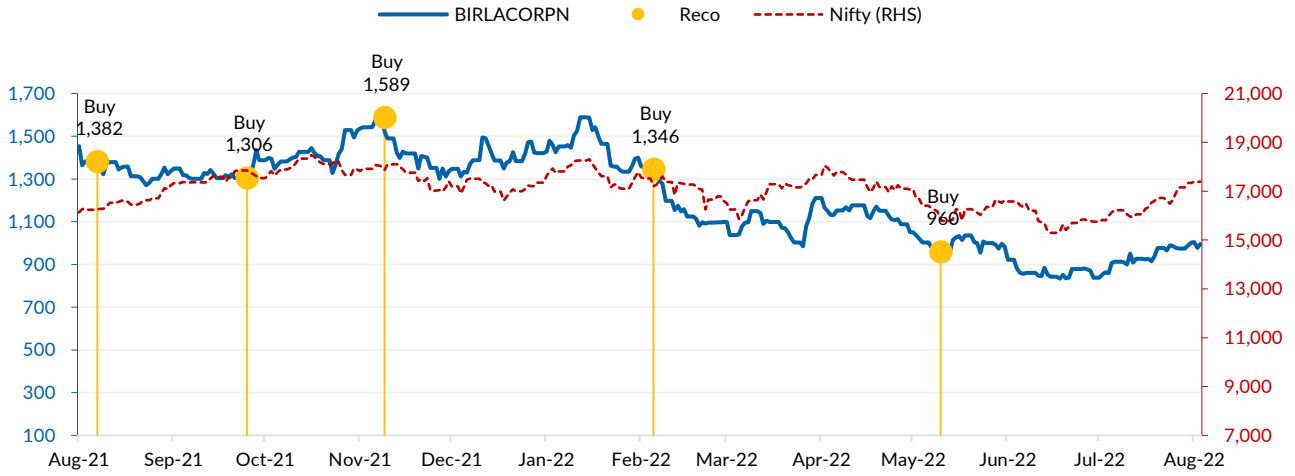
Source: Company, YES Sec

Exhibit 8: Growth and Ratio matrix (Consolidated)

Y/e 31 Mar	FY20	FY21	FY22P	FY23E	FY24E
Growth matrix (%)					
Revenue	5.6	(1.9)	10.0	24.5	9.4
EBITDA	40.8	2.6	(19.0)	32.6	22.7
EBIT	55.4	2.8	(26.2)	28.1	31.6
PBT	114.7	17.8	(29.1)	24.4	53.2
EPS	97.6	24.7	(36.7)	33.3	53.2
Profitability ratios (%)					
EBITDA (%)	19.3	20.2	14.9	15.8	17.8
EBIT (%)	15.5	16.2	10.9	11.2	13.5
PAT (%)	7.3	9.3	5.3	5.7	8.0
ROCE	10.9	10.5	7.2	8.9	11.4
ROE	10.9	12.2	6.9	8.4	11.8
ROA	4.3	5.0	3.0	3.8	5.6
Per share ratios (Rs)					
EPS	65.6	81.8	51.8	69.0	105.7
DPS	7.5	10.0	10.0	7.5	7.5
Cash EPS	19.9	33.7	0.2	5.9	41.5
BVPS	624.2	712.4	785.5	847.5	942.6
Payout (%)					
Dividend payout	13.8	12.2	19.3	10.9	7.1
Tax payout	25.9	10.3	24.4	25.0	25.0
Liquidity ratios					
Inventory days	42	44	40	43	43
Payable days	28	32	37	33	33
Receivables days	13	15	15	13	13
Leverage ratios (x)					
Interest Coverage	2.8	3.7	3.3	3.1	4.8
Net D/E	0.7	0.6	0.6	0.5	0.4
Net Debt/EBITDA	2.6	2.5	3.3	2.1	1.7

Source: Company, YES Sec

Recommendation Tracker



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