

Birla Corporation

Refer to important disclosures at the end of this report

Cost-pressure hits margins; new MD&CEO selected

CMP	Target Price
Rs 1,006 as of (November 8, 2022)	Rs 1,185 (▼) 12 months
Rating	Upside
BUY (■)	17.8 %

- Birla Corporation's (BCORP's) consolidated EBITDA declined 64-65% YoY and QoQ to Rs940mn, coming 47%/36% below Consensus/our estimates owing to higher-than-expected cost. Blended EBITDA/ton fell by 68% YoY/61% QoQ to Rs258 (Emkay estimate: Rs400). The Mukutban plant (commissioned at end Apr-22) is expected to support volume growth and help maintain BCORP's volume market-share in coming years. Arvind Pathak is stepping down as MD & CEO for personal reasons. For Dec-22, the Board has appointed Sandip Ghose as additional director and whole-time director (WTD); thereafter, effective Jan-23, Mr Ghose will take over as MD&CEO for a period of three years. Factoring-in the Q2 miss and higher start-up cost for the Mukutban plant, we reduce our FY23E EBITDA by 19% and by 2% for FY24-25E. We maintain BUY on the stock, with revised Sep-23E TP to Rs1,185 (Rs1,200 earlier). Our DCF-based TP implies one-year forward EV/EBITDA of 8x.**
- Results Summary:** Cement volumes rose 11% YoY to 3.6mt, in line with our estimates. Excluding Mukutban, volumes grew 8% YoY. Capacity utilization declined 1,000bps YoY to 74%; however, on like-to-like basis, it increased to 89%. Reported cement realization increased 6% YoY/declined ~4% QoQ to Rs5,151. Blended cement sales volumes increased 10% YoY to 90% of total volumes; while premium-product volumes increased 6% YoY to 51% of trade sales in Q2FY23. Trade volumes declined 200bps YoY to 78%. As construction activities start to gain momentum after Diwali, BCORP is looking to raise prices in Nov-22. Total cost/ton increased by 20% YoY/6% QoQ to Rs5,235 (Emkay Est: Rs4,991), mainly led by higher than expected other expenses owing to start-up cost of the Mukutban plant. EBITDA loss in the Mukutban plant stood at Rs580mn in Q2FY23 vs Rs386mn in Q1FY23. The Persoda mines near the Mukutban plant is expected to become operational from next year. Also, BCORP secured the coal mine at Marki Barka (Madhya Pradesh) in Oct-22 with geological reserves of 70mt of coal and peak rated production capacity of 1mtpa. Excluding Mukutban plant, cement EBITDA/ton (including other income) declined 46% YoY and QoQ to Rs409. BCORP reported a loss of Rs565mn. **What we liked:** Better than expected realization and favorable commentary on pricing and demand; cost mitigation efforts. **What we did not like:** Increase in leverage.
- H1FY23 Performance:** Cement volumes rose 14% YoY to 7.6mt, whereas realization grew 7% YoY to Rs5,553. This led to a 22% increase in revenue to Rs42bn. Management guided to ~1mt of cement production in FY23 at the Mukutban plant. Total costs increased by 36% YoY to Rs38.5bn. Total cost/ton increased 19% YoY to Rs5,086. Alternate Fuel and Resources (AFR) costs increased 300bps YoY to 9%, and Management cost is expected to rise to 12% by FY23-end. EBITDA declined 42% YoY to Rs3.5bn and blended EBITDA/ton declined 49% YoY to Rs467. BCORP generated negative FCF (consolidated) of Rs7.7bn post working-capital blockage of Rs5.8bn and capex spend of Rs3.2bn. Its net debt increased by Rs4.7bn QoQ to Rs41.7bn as of Sep-22.
- Management rejig:** Arvind Pathak is stepping down as MD & CEO due to personal reasons. Consequently, for Dec-22, the Board has appointed Sandip Ghose as additional director and whole-time director. Thereafter, w.e.f. Jan-23, Mr Ghose will be elevated as MD & CEO for a period of three years. Mr. Ghose has more than 35 years of management experience, spread across several industries such as FMCG, media and construction materials; previously over CY2015-20, he has been Chief Operating Officer at BCORP.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Cement & Building Materials \(Page 7\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	67,855	74,612	88,785	95,411	1,09,296
EBITDA	13,376	11,100	9,066	14,449	18,404
EBITDA Margin (%)	19.7	14.9	10.2	15.1	16.8
APAT	6,880	4,300	1,494	4,546	6,842
EPS (Rs)	89.3	55.8	19.4	59.0	88.8
EPS (% chg)	36.2	(37.5)	(65.3)	204.4	50.5
ROE (%)	13.4	7.5	2.4	7.2	10.0
P/E (x)	11.3	18.0	51.9	17.0	11.3
EV/EBITDA (x)	8.4	10.0	12.4	8.0	6.5
P/BV (x)	1.4	1.3	1.3	1.2	1.1

Source: Company, Emkay Research

Change in Estimates

EPS Chg FY23E/FY24E (%)	(52)/(13)
Target Price change (%)	(1.2)
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY23E	FY24E
Emkay	19.4	59.0
Consensus	44.2	
Mean Consensus TP (12M)	Rs1200	

Stock Details

Bloomberg Code	BCORP IN
Face Value (Rs)	10
Shares outstanding (mn)	77
52 Week H/L	1,650 / 823
M Cap (Rs bn/USD bn)	77 / 0.95
Daily Avg Volume (no. of)	1,51,904
Daily Avg Turnover (USD mn)	1.9

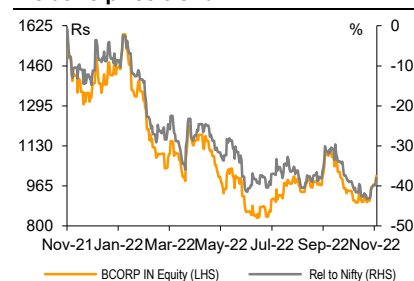
Shareholding Pattern Sep '22

Promoters	62.9%
FIIIs	4.3%
DIIIs	15.8%
Public and Others	17.0%

Price Performance

(%)	1M	3M	6M	12M
Absolute	7	1	-	(35)
Rel. to Nifty	1	(3)	(10)	(36)

Relative price trend



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Quarterly highlights

Exhibit 1: Actual vs. Estimates (Q2FY23)

(Rs mn)	Actual	Estimates		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Sales	19,998	19,744	19,965	1.3	0.2	In line
EBITDA	940	1,464	1,756	(35.8)	(46.5)	Owing to higher-than-expected cost
Adj. PAT	(565)	(329)	48	NA	NA	Led by lower EBITDA and higher -than-expected finance cost
Volume (mt)	3.6	3.7		(0.6)		
Cement Realization (Rs/ton)	5,151	5,098		1.0		
EBITDA (Rs/ton)	258	400		(35.4)		

Source: Bloomberg, Emkay Research

Exhibit 2: Quarterly financial highlights (Consolidated)

(Rs mn)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	YoY (%)	QoQ (%)	H1FY22	H1FY23	YoY (%)
Revenue	16,978	17,501	22,642	22,038	19,998	17.8	(9.3)	34,470	42,036	22.0
Expenditure	14,306	15,276	19,875	19,445	19,059	33.2	(2.0)	28,361	38,503	35.8
Total RM	2,523	1,707	4,706	2,221	2,154	(14.6)	(3.0)	4,122	4,375	6.1
Power & Fuel	3,385	4,631	4,501	6,146	6,084	79.8	(1.0)	7,114	12,230	71.9
Freight	3,876	4,149	5,309	5,228	4,955	27.8	(5.2)	8,038	10,183	26.7
Staff cost	1,115	1,148	1,133	1,279	1,315	17.9	2.8	2,200	2,593	17.9
Other expenditure	3,407	3,641	4,226	4,571	4,551	33.6	(0.4)	6,887	9,122	32.4
EBITDA	2,673	2,225	2,767	2,593	940	(64.8)	(63.8)	6,109	3,533	(42.2)
Depreciation	982	1,007	997	1,145	1,254	27.8	9.5	1,966	2,399	22.1
EBIT	1,691	1,218	1,770	1,448	(314)	NA	NA	4,143	1,133	(72.6)
Other Income	133	69	693	143	418	214.9	192.0	226	561	148.4
Interest	632	608	547	703	928	46.9	32.0	1,271	1,631	28.3
PBT	1,192	678	1,916	888	(825)	NA	NA	3,098	63	(98.0)
Total Tax	336	144	421	152	(260)	NA	NA	827	(108)	NA
Adjusted PAT	856	535	1,495	736	(565)	NA	NA	2,271	171	(92.5)
Extraordinary items	-	70	(384)	(117)	-			-	(117)	
Reported PAT	856	605	1,111	619	(565)	NA	NA	2,271	55	(97.6)
Adjusted EPS (Rs)	11.1	6.9	19.4	9.6	(7.3)	NA	NA	29.5	2.2	(92.5)

Margin (%)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	YoY (bps)	QoQ (bps)	H1FY22	H1FY23	YoY (bps)
EBITDA	15.7	12.7	12.2	11.8	4.7	(1,104)	(707)	17.7	8.4	(932)
EBIT	10.0	7.0	7.8	6.6	(1.6)	(1,153)	(814)	12.0	2.7	(932)
EBT	7.0	3.9	8.5	4.0	(4.1)	(1,114)	(815)	9.0	0.2	(884)
PAT	5.0	3.1	6.6	3.3	(2.8)	(786)	(616)	6.6	0.4	(618)
Effective Tax rate (%)	28.2	21.2	22.0	17.1	31.5			26.7	NA	

Source: Company, Emkay Research

Exhibit 3: Quarterly analysis on per-ton basis

(Rs/ton)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	YoY (%)	QoQ (%)	H1FY22	H1FY23	YoY (%)
Volumes (mt)	3.27	3.35	4.24	3.93	3.64	11.3	(7.4)	6.62	7.57	14.4
Cement Realization	4,878	4,934	5,071	5,344	5,151	5.6	(3.6)	4,911	5,251	6.9
Blended Realization	5,192	5,224	5,340	5,608	5,494	5.8	(2.0)	5,207	5,553	6.6
Raw Material	772	510	1,110	565	592	(23.3)	4.7	623	578	(7.2)
Power & Fuel	1,035	1,383	1,062	1,564	1,671	61.5	6.9	1,075	1,616	50.4
Freight	1,185	1,238	1,252	1,330	1,361	14.8	2.3	1,214	1,345	10.8
Staff cost	341	343	267	325	361	5.9	11.0	332	343	3.1
Other expenditure	1,042	1,087	997	1,163	1,250	20.0	7.5	1,040	1,205	15.8
Operating cost	4,375	4,560	4,688	4,948	5,236	19.7	5.8	4,284	5,086	18.7
EBITDA	817	664	653	660	258	(68.4)	(60.9)	923	467	(49.4)

Source: Company, Emkay Research

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Exhibit 4: We decrease our EBITDA estimates for FY23E by 19% and for FY24-25E by ~2%

Y/E Mar (Rs mn)	FY23E			FY24E			FY25E		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
Revenue	88,632	88,785	0.2	94,732	95,411	0.7	1,08,529	1,09,296	0.7
EBITDA	11,225	9,066	(19.2)	14,771	14,449	(2.2)	18,767	18,404	(1.9)
PAT	3,099	1,494	(51.8)	5,212	4,546	(12.8)	7,602	6,842	(10.0)

Source: Emkay Research

Exhibit 5: We maintain BUY with TP of Rs1,185/share, based on Sep-24E EV/E

EV/E valuation, backed by DCF analysis	
Sep-24E EBITDA (Rs bn)	16
EV/E (x)	8.0
Enterprise Value (Rs bn)	130
Net debt (Sep-23E, Rs bn)	39
Equity value (Rs bn)	91
No. of shares (mn)	77
Sep-23E Target Price (Rs/share)	1,185

Source: Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	67,855	74,612	88,785	95,411	1,09,296
Expenditure	54,479	63,512	79,719	80,962	90,891
EBITDA	13,376	11,100	9,066	14,449	18,404
Depreciation	3,708	3,969	5,005	5,873	6,378
EBIT	9,668	7,131	4,061	8,575	12,027
Other Income	999	988	991	994	997
Interest expenses	2,963	2,427	3,218	3,483	3,865
PBT	7,704	5,692	1,834	6,086	9,159
Tax	825	1,392	340	1,540	2,317
Extraordinary Items	(579)	(314)	(117)	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	6,301	3,986	1,377	4,546	6,842
Adjusted PAT	6,880	4,300	1,494	4,546	6,842

Balance Sheet

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	770	770	770	770	770
Reserves & surplus	54,090	59,718	60,945	64,677	70,293
Net worth	54,860	60,489	61,715	65,447	71,063
Minority Interest	0	0	0	0	0
Loan Funds	40,464	42,080	46,080	50,680	56,680
Net deferred tax liability	8,668	9,722	9,819	9,917	10,017
Total Liabilities	1,03,992	1,12,291	1,17,614	1,26,044	1,37,760
Net block	73,250	75,786	1,01,781	1,04,158	1,12,316
Investment	7,525	10,089	10,089	6,589	6,589
Current Assets	27,147	27,147	31,536	37,802	46,357
Cash & bank balance	1,773	1,380	2,275	6,598	11,289
Other Current Assets	11,953	12,227	13,808	14,726	16,589
Current liabilities & Provision	24,964	26,225	28,299	28,749	31,308
Net current assets	2,184	922	3,237	9,053	15,049
Misc. exp	0	0	0	0	0
Total Assets	1,03,992	1,12,291	1,17,614	1,26,044	1,37,760

Cash Flow

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT (Ex-Other income) (NI+Dep)	6,127	4,390	726	5,092	8,162
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(1,095)	2,025	(1,322)	(1,395)	(1,205)
Operating Cashflow	10,877	11,419	7,287	11,514	14,882
Capital expenditure	(8,697)	(10,965)	(8,013)	(11,988)	(12,098)
Free Cash Flow	2,180	454	(726)	(474)	2,784
Investments	837	(2,565)	0	3,500	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(6,861)	(12,542)	(7,023)	(7,494)	(11,101)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(2,355)	1,616	4,000	4,600	6,000
Dividend paid (incl tax)	(578)	(770)	(267)	(814)	(1,225)
Other Financing Cash Flow	2,657	2,311	117	0	0
Financing Cashflow	(3,239)	730	631	302	910
Net chg in cash	778	(393)	896	4,323	4,691
Opening cash position	995	1,773	1,380	2,275	6,598
Closing cash position	1,773	1,380	2,275	6,598	11,289

Source: Company, Emkay Research

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Key Ratios

Profitability (%)	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin	19.7	14.9	10.2	15.1	16.8
EBIT Margin	14.2	9.6	4.6	9.0	11.0
Effective Tax Rate	10.7	24.4	18.5	25.3	25.3
Net Margin	10.1	5.8	1.7	4.8	6.3
ROCE	10.5	7.5	4.4	7.9	9.9
ROE	13.4	7.5	2.4	7.2	10.0
RoIC	11.7	7.2	3.7	6.1	8.1

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	89.3	55.8	19.4	59.0	88.8
CEPS	137.5	107.4	84.4	135.3	171.7
BVPS	712.4	785.5	801.4	849.9	922.8
DPS	7.5	10.0	3.5	10.6	15.9

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	11.3	18.0	51.9	17.0	11.3
P/CEPS	7.3	9.4	11.9	7.4	5.9
P/BV	1.4	1.3	1.3	1.2	1.1
EV / Sales	1.7	1.5	1.3	1.3	1.1
EV / EBITDA	8.4	10.0	12.4	8.0	6.5
Dividend Yield (%)	0.7	1.0	0.3	1.1	1.6

Gearing Ratio (x)	FY21	FY22	FY23E	FY24E	FY25E
Net Debt/ Equity	0.6	0.6	0.6	0.6	0.6
Net Debt/EBIDTA	2.5	3.1	4.2	2.9	2.3
Working Cap Cycle (days)	2.2	(2.2)	4.0	9.4	12.6

Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	(1.9)	10.0	19.0	7.5	14.6
EBITDA	0.1	(17.0)	(18.3)	59.4	27.4
EBIT	(1.8)	(26.2)	(43.1)	111.2	40.2
PAT	24.7	(36.7)	(65.4)	230.1	50.5

Quarterly (Rs mn)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Revenue	16,978	17,501	22,642	22,038	19,998
EBITDA	2,673	2,225	2,767	2,593	940
EBITDA Margin (%)	15.7	12.7	12.2	11.8	4.7
PAT	856	535	1,495	736	(565)
EPS (Rs)	11.1	6.9	19.4	9.6	(7.3)

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
Promoters	62.9	62.9	62.9	62.9	62.9
FIs	3.7	3.7	4.2	4.3	4.3
DIs	15.4	16.3	16.3	16.1	15.8
Public and Others	18.1	17.1	16.7	16.7	17.0

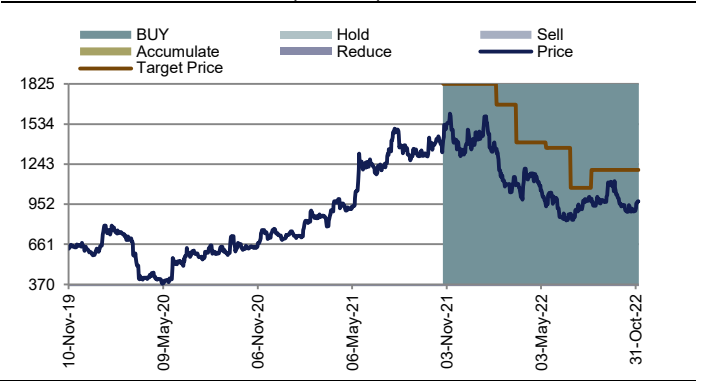
Source: Capitaline

RECOMMENDATION HISTORY (Rs/share)

Date	Closing Price	TP	Period	Rating	Analyst
05-Nov-22	972	1,200	12m	Buy	Dharmesh Shah
04-Oct-22	947	1,200	12m	Buy	Dharmesh Shah
04-Sep-22	969	1,200	12m	Buy	Dharmesh Shah
07-Aug-22	992	1,200	12m	Buy	Dharmesh Shah
04-Jul-22	855	1,070	12m	Buy	Dharmesh Shah
28-Jun-22	882	1,070	12m	Buy	Dharmesh Shah
12-May-22	935	1,360	12m	Buy	Dharmesh Shah
16-Mar-22	1,104	1,400	12m	Buy	Dharmesh Shah
06-Feb-22	1,353	1,675	12m	Buy	Dharmesh Shah
23-Jan-22	1,464	1,825	12m	Buy	Dharmesh Shah
31-Dec-21	1,422	1,825	12m	Buy	Dharmesh Shah
02-Dec-21	1,335	1,825	12m	Buy	Dharmesh Shah
10-Nov-21	1,594	1,825	12m	Buy	Dharmesh Shah
27-Oct-21	1,417	1,825	12m	Buy	Dharmesh Shah

Source: Company, Emkay Research

RECOMMENDATION HISTORY (Rs/share)



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Cement & Building Materials



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Sector

Cement & Building Materials

Analyst bio

Dharmesh is a CA and has around 10 years of experience in equity research. His team currently covers ten stocks in cement sector.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight based on Current NAV	Change vs last published EAP (bps)
Cement & Building Materials	2.26	2.26	0%	0	100.00	
ACC	0.19	0.19	0%	0	8.59	0
Ambuja Cements	0.38	0.37	-2%	-1	16.50	0
Birla Corporation	0.00	0.00	NA	0	0.00	0
Dalmia Bharat	0.13	0.07	-48%	-6	2.99	0
Grasim Industries*	0.61	0.61	0%	0	27.15	0
JK Cement	0.00	0.04	NA	4	1.97	0
Ramco Cements	0.00	0.00	NA	0	0.00	0
Shree Cements	0.21	0.21	0%	0	9.17	0
Star Cement	0.00	0.00	NA	0	0.00	0
Ultratech Cement	0.74	0.76	3%	2	33.64	0
Cash	0.00	0.00	NA	0	0.00	0

Source: Emkay Research

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	1-Apr-19	3-Nov-21	5-May-22	4-Aug-22	4-Oct-22	4-Nov-22
EAP - Cement & Building Materials	100.0	187.7	159.1	158.4	164.6	178.0
BSE200 Neutral Weighted Portfolio (ETF)	100.0	180.4	152.3	151.5	159.2	172.4

*Performance measurement base date 1st April 2019

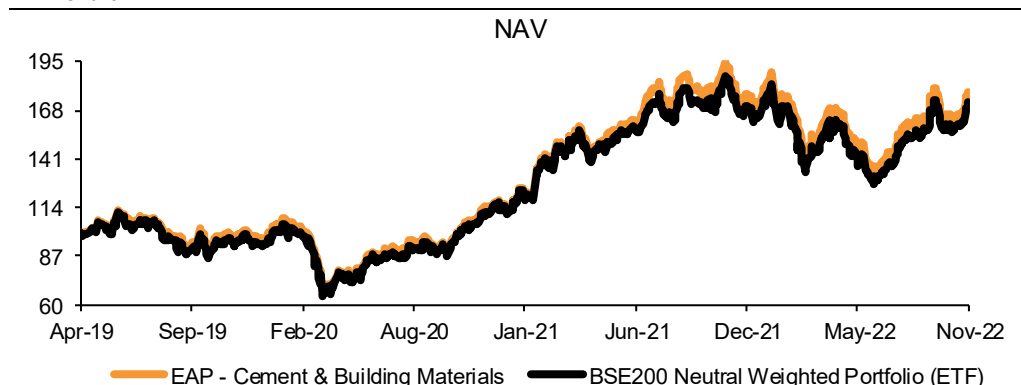
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Cement & Building Materials	8.2%	12.4%	11.9%	-5.2%
BSE200 Neutral Weighted Portfolio (ETF)	8.3%	13.8%	13.2%	-4.4%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

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