

Estimate change	↔
TP change	↑
Rating change	↔

CMP: INR998

TP: INR1,290 (+29%)

Buy

Mukutban plant performance improves; valuation attractive

Targets capacity ramp-up at Mukutban plant

Bloomberg	BCORP IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	76.9 / 0.9
52-Week Range (INR)	1142 / 823
1, 6, 12 Rel. Per (%)	5/4/-11
12M Avg Val (INR M)	126

Financial Snapshot (INR b)

Y/E MARCH	FY23	FY24E	FY25E
Sales	86.8	94.6	100.2
EBITDA	7.7	12.5	14.8
Adj. PAT	0.4	3.5	5.3
EBITDA Margin (%)	8.9	13.2	14.7
Adj. EPS (INR)	4.7	45.9	68.2
EPS Gr. (%)	-91.4	n/m	48.5
BV/Sh. (INR)	777	813	869

Ratios

Net D:E	0.6	0.6	0.5
RoE (%)	0.6	5.8	8.1
RoCE (%)	3.1	5.3	6.6
Payout (%)	48	22	18

Valuations

P/E (x)	213.1	21.7	14.6
P/BV (x)	1.3	1.2	1.1
EV/EBITDA(x)	14.2	8.7	7.0
EV/ton (USD)	69	65	61
Div. Yield (%)	0.3	1.0	1.2

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	62.9	62.9	62.9
DII	16.4	16.1	16.3
FII	5.7	4.5	4.2
Others	15.0	16.5	16.7

FII Includes depository receipts

- BCORP's 4QFY23 operating performance was above our estimates, driven by higher cement realization and lower opex/t. Consolidated EBITDA stood at INR2.7b v/s estimated INR2.5b. EBITDA/t came in at INR618 v/s estimated INR563. Adj. PAT stood at INR712m v/s estimated INR485m.
- The Mukutban plant turned EBITDA positive in Mar'23 with monthly volume of 0.10mt (capacity utilization of ~31%). The aim is to achieve average monthly volume of 0.15-0.16mt with exit-monthly volume of 0.20mt in FY24. The management targets EBITDA/t of INR850 (including Mukutban plant) and volume growth of 15% YoY in FY24.
- We maintain our earnings estimates for FY24/FY25 and remain watchful for the performance of Mukutban unit. We value BCORP at 8.5x FY25E (v/s Sep'24 earlier) EV/EBITDA and revise the TP to INR1,290 (from INR1,180).

Volume up 5% YoY; EBITDA/t at INR618 (est. INR563)

- Consolidated revenue/EBITDA/adj. PAT stood at INR25b/INR2.7b/INR712m (+9%/-1%/-48% YoY and +2%/+12%/+47% v/s our estimates). Sales volumes/cement realization grew 5%/4% YoY (+2%/+1% v/s our estimates).
- Opex/t was up 5% YoY due to a 5%/7%/3% rise in variable/freight/other costs. Employee costs/t increased 10% YoY. OPM declined 1.1pp YoY to 11.1% and EBITDA/t declined 5% YoY to INR618.
- In FY23, revenue grew 16% YoY, led by 11%/5% YoY growth in volume/realization. EBITDA declined 30% YoY to INR7.7b, due to cost pressures (opex/t up 13% YoY). OPM declined 6pp YoY to 9% and EBITDA/t fell 37% to INR491. Adjusted PAT was down 91% YoY at INR361m.
- BCORP's CFO declined 22% YoY to INR8b in FY23. Capex stood at INR6.3b v/s INR7.8b in FY22. Net debt was at INR36.7b v/s INR34.7b in Mar'22. The net debt-to-EBITDA ratio stood at 4.8x v/s 3.1x in Mar'22.

Highlights from the management commentary

- The decline in coal/petcoke prices should lead to savings of INR250/t+ for the company. The variable cost for the Mukutban plant fell to INR2,800/t v/s INR4,500/t when the plant was started. It will further reduce with higher volumes and the commissioning of WHRS.
- BCORP is eligible for SGST incentives for its Mukutban plant, which should start accruing from 2HFY24. Expected incentive is INR600/t for this plant.

Valuation attractive; maintain BUY

- The Mukutban unit's performance has improved and it became EBITDA positive in Mar'23. The company will now focus on ramping up utilization and improving profitability.
- BCORP trades at an attractive valuation of 8.7x FY24E EV/EBITDA. We maintain our BUY rating with a revised TP of INR1,290 (v/s INR1,180 earlier), based on 8.5x FY25E EV/EBITDA (v/s Sep'24E earlier).

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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	FY23	FY23 4QE	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Cement Sales (MT)	3.35	3.27	3.35	4.24	3.93	3.64	3.72	4.44	14.22	15.73	4.36	2
YoY Change (%)	39.0	0.3	(5.6)	1.7	17.3	11.3	11.0	4.7	6.2	10.6	2.8	
Cement Realization	4,943	4,878	4,934	5,071	5,344	5,151	5,177	5,279	4,961	5,242	5,221	1
YoY Change (%)	0.2	(0.0)	3.4	4.4	8.1	5.6	4.9	4.1	2.2	5.7	3.0	
QoQ Change (%)	1.8	(1.3)	1.2	2.8	5.4	(3.6)	0.5	2.0			0.9	
Net Sales	17.5	17.0	17.5	22.6	22.0	20.0	20.2	24.6	74.6	86.8	24.1	2
YoY Change (%)	43.1	2.6	(1.5)	6.2	26.0	17.8	15.2	8.8	10.0	16.4	6.3	
Total Expenditure	14.1	14.3	15.3	19.9	19.4	19.1	18.7	21.9	63.5	79.1	21.6	1
EBITDA	3.4	2.7	2.2	2.8	2.6	0.9	1.4	2.7	11.1	7.7	2.5	12
Margin (%)	19.6	15.7	12.7	12.2	11.8	4.7	7.2	11.1	14.9	8.9	10.2	94
Depreciation	1.0	1.0	1.0	1.0	1.1	1.3	1.3	1.4	4.0	5.1	1.3	5
Interest	0.6	0.6	0.6	0.5	0.7	0.9	0.9	0.9	2.4	3.4	0.9	0
Other Income	0.1	0.1	0.1	0.7	0.1	0.4	0.1	0.5	1.0	1.1	0.4	24
Profit before Tax	1.9	1.2	0.7	1.9	0.9	-0.8	-0.6	0.9	5.7	0.4	0.6	50
EO (Income)/Expense	-	-	(0.1)	0.3	0.1	-	-	(0.2)	0.3	(0.1)	-	
Profit before Tax after EO	1.9	1.2	0.7	1.6	0.8	-0.8	-0.6	1.1	5.4	0.4	0.6	79
Tax	0.5	0.3	0.1	0.5	0.2	-0.3	-0.1	0.3	1.4	0.0	0.1	91
Rate (%)	25.7	28.2	19.2	29.5	19.7	31.5	22.6	24.8	26.5	6.1	23.2	
Reported PAT	1.4	0.9	0.6	1.1	0.6	-0.6	-0.5	0.8	4.0	0.4	0.5	75
Adj. PAT	1.4	0.9	0.5	1.4	0.7	-0.6	-0.5	0.7	4.2	0.4	0.5	47
Margin (%)	8.1	5.0	3.1	6.1	3.2	-2.8	-2.5	2.9	5.6	0.4	2.0	
YoY Change (%)	115.3	(48.7)	(63.3)	(16.0)	(49.6)	NM	NM	(48.5)	(23.1)	(91.4)	(64.9)	

Per tonne analysis (INR)

Blended Realization	5,221	5,192	5,224	5,340	5,608	5,494	5,420	5,546	5,247	5,520	5,520	0
YoY Change (%)	3.0	2.3	4.4	4.4	7.4	5.8	3.7	3.9	3.5	5.2	3.4	
Raw Material	477	772	510	1,110	565	592	593	982	741	696	840	17
Staff Cost	324	341	343	267	325	361	355	293	315	331	315	(7)
Power and Fuel	1,113	1,035	1,383	1,062	1,564	1,671	1,549	1,291	1,142	1,508	1,241	4
Transport and Forwarding	1,242	1,185	1,238	1,252	1,330	1,361	1,325	1,340	1,230	1,339	1,347	(1)
Other Exp.	1,039	1,042	1,087	997	1,163	1,250	1,208	1,023	1,038	1,154	1,213	(16)
Total Expenditure	4,196	4,375	4,560	4,688	4,948	5,236	5,031	4,928	4,466	5,029	4,957	(1)
EBITDA	1,026	817	664	653	660	258	388	618	781	491	563	10

Source: Company, MOFSL Estimates



Highlights from the management commentary

Highlights of Mukutban operation

- The company's objective is to ramp up the Mukutban plant with profitability. The plant became EBITDA positive in Mar'23. FY23 was a challenging year due to higher costs and muted pricing in Maharashtra. As a result, the company was not able to spread volumes across markets and refrained from pushing more volumes into the infrastructure segment, which is seeing major demand for OPC cement under non-trade.
- The focus is to increase volumes and ramp up capacity utilization as costs have started coming down. The variable cost of this plant has declined to INR2,800/t now from INR4,500/t when the plant was started. The commissioning of WHRS and capacity ramp-up will further help to control costs of this plant.
- Cement volume of this plant reached to 0.1mt in Mar'23 (cement capacity utilization of ~31%) and the management targets a monthly run rate of 0.15-0.16mt in FY24 (exit volume of 0.2mt i.e. ~62% capacity utilization). Clinker utilization is expected to be higher as the company will swap clinker for its grinding units in other regions.

Demand and pricing outlook

- Cement demand is expected to remain healthy, driven by higher government spending toward infrastructure development. Demand is healthy in the West region, with the Gujarat markets witnessing exponential growth due to multiple infrastructure projects such as Bullet train, construction of Expressways, etc. The Maharashtra, Madhya Pradesh and Uttar Pradesh markets will witness higher pre-election government spending for infrastructure development. Government housing scheme PMAY is expected to increase demand in Rajasthan. BCORP has a good presence and market reach in these markets.
- The aim is to achieve 15% YoY volume growth in FY24. Volume growth will be fairly spread, with a higher share from the Mukutban unit and rationalization of clinker utilization at existing units in Rajasthan, West Bengal and Central India.
- Cement prices are stable and any significant price hike is unlikely in FY24, as players are looking to maintain their market position.
- Cement capacity utilization stood at 81%/89% in FY23/4QFY23. Its blended cement share remained high at 89%/90% in 4Q/FY23, aided by higher trade sales at 77% in 4Q/FY23 (each). Premium cement share stood at 54% (up 10% YoY) in 4Q and 51% (flat YoY) in FY23.

Profitability improvement

- The company expects a reduction in power and fuel costs by at least INR250/t YoY (v/s full year-average), driven by higher green energy share (commissioned WHRS at Mukutban) and increasing captive coal mining production. Currently Green energy share stand at ~22% of total power consumed. Further, BCORP is investing in kilns to equip them to consume AFR (industrial, agricultural and municipal waste).
- The company managed to control fuel costs by ramping up coal extraction from RCCPL's Sial Ghoghri captive coal mine and optimizing fuel mix. Production of coal at Sial Ghoghri increased to 0.35mt, up 72% YoY in FY23.

- Development work at Bikram/Brahmapuri coal mines is likely to be completed by 3QFY24/Nov'25. About 38-40% of kiln fuel requirement will be met through captive mines once the Bikram coal mine is fully operational. Further, ~60% of total kiln fuel requirement will be met through captive coal mines after the Brahmapuri coal mine becomes operational.
- The target is to achieve EBITDA/t of INR850 (including Mukutban) as compared to INR480/INR615 in FY23/4QFY23 on a like-to-like basis.

Capacity expansion

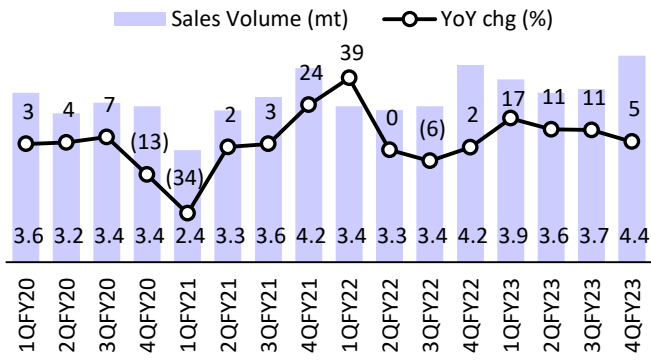
- The company aims to expand grinding capacity to 25mtpa from 20mtpa now and up to 30mtpa going forward, although a timeline has not been provided for the same. The priority would be to commission the second line at Maihar, MP. It has identified few locations for setting up grinding units, which will be dependent on market conditions. The Kundanganj GU rated capacity is 1mtpa which can be ramped up to 2.5mtp through internal optimization.

Incentive benefits

- The company is eligible for state incentives for its Mukutban expansion. It is eligible for 100% SGST incentive of up to 100% of project costs, which can be utilized in 20 years. As the company is availing input tax credit on capex, GST is not being paid, and hence incentives are not accruing. It expects incentive of INR600/t to start accruing from 2HFY24.
- Incentive benefits for its existing plant at Kundanganj will expire by end-FY24.

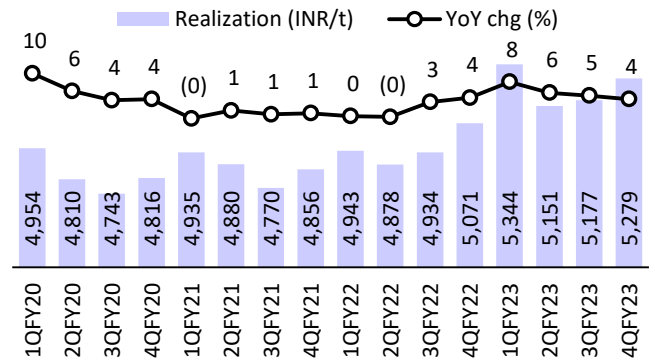
Story in charts

Exhibit 1: Sales volume up 5% YoY and 19% QoQ



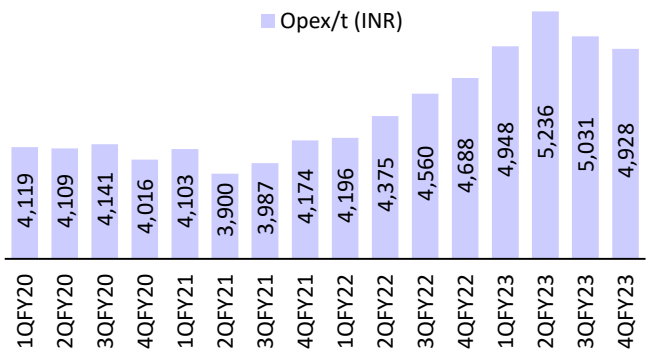
Source: Company, MOFSL

Exhibit 2: Cement realization up 4% YoY and 2% QoQ



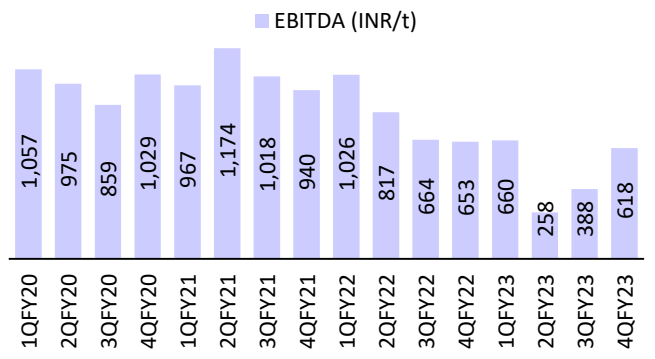
Source: Company, MOFSL

Exhibit 3: OPEX/t increased 5% YoY, but down 2% QoQ



Source: Company, MOFSL

Exhibit 4: EBITDA/t declined 5% YoY to INR618



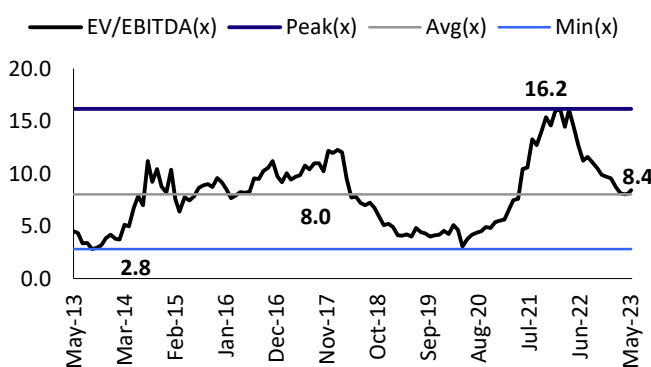
Source: Company, MOFSL

Exhibit 5: Key performance indicators – per tonne analysis

INR/t	4QFY23	4QFY22	YoY (%)	3QFY23	QoQ (%)
Blended realization	5,546	5,340	4	5,420	2
RM Cost	982	1,110	(12)	593	65
Employee Expenses	293	267	10	355	(18)
Power, Oil, and Fuel	1,291	1,062	22	1,549	(17)
Freight and Handling Outward	1,340	1,252	7	1,325	1
Other Expenses	1,023	997	3	1,208	(15)
Total Expenses	4,928	4,688	5	5,031	(2)
EBITDA	618	653	(5)	388	59

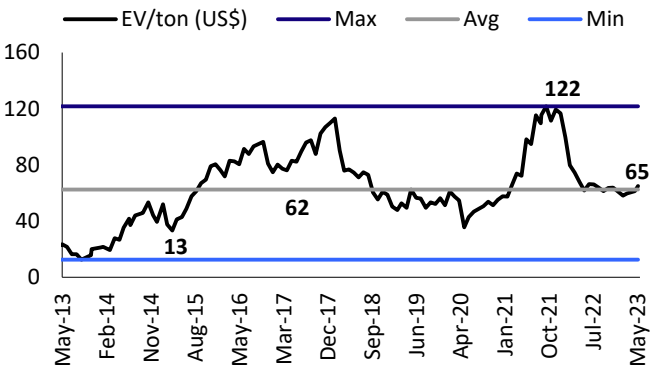
Source: Company, MOFSL

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	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Sales	57,342	65,487	69,157	67,855	74,612	86,823	94,639	1,00,221
Change (%)	31.9	14.2	5.6	-1.9	10.0	16.4	9.0	5.9
Total Expenditure	49,275	56,001	55,797	54,163	63,512	79,103	82,105	85,447
EBITDA	8,066	9,486	13,360	13,691	11,100	7,720	12,535	14,774
Margin (%)	14.1	14.5	19.3	20.2	14.9	8.9	13.2	14.7
Depreciation	3,322	3,391	3,519	3,708	3,969	5,099	5,488	5,672
EBIT	4,745	6,095	9,841	9,984	7,131	2,621	7,047	9,101
Int. and Finance Charges	3,776	3,705	3,877	2,963	2,427	3,387	3,412	3,202
Other Income - Rec.	755	785	851	673	988	1,131	1,144	1,200
PBT after EO	1,598	3,174	6,815	8,375	5,421	431	4,780	7,100
Change (%)	-30.6	98.6	114.7	22.9	-35.3	-92.0	n/m	48.5
Tax	59	617	1,763	2,074	1,435	26	1,243	1,846
Tax Rate (%)	3.7	19.4	25.9	24.8	26.5	6.1	26.0	26.0
Reported PAT	1,540	2,557	5,052	6,301	3,986	405	3,537	5,254
Extra-Ordinary Expenses	125	0	0	-681	271	-67	0	0
PAT Adjusted for EO Items	1,664	2,557	5,052	5,460	4,200	361	3,537	5,254
Change (%)	-26.4	53.6	97.6	8.1	-23.1	-91.4	n/m	48.5
Margin (%)	2.9	3.9	7.3	8.0	5.6	0.4	3.7	5.2

Balance Sheet

	(INR m)							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	770	770	770	770	770	770	770	770
Reserves	42,028	44,182	47,291	54,090	59,718	59,038	61,805	66,134
Net Worth	42,798	44,952	48,061	54,860	60,488	59,808	62,575	66,905
Loans	38,951	40,492	42,820	40,464	42,080	43,497	42,697	38,197
Deferred Liabilities	7,452	7,422	8,568	8,668	9,722	9,712	9,712	9,712
Capital Employed	89,201	92,866	99,449	1,03,992	1,12,291	1,13,017	1,14,984	1,14,813
Gross Block	81,071	83,400	87,430	91,087	97,586	1,25,338	1,29,914	1,33,914
Less: Accum. Deprn.	7,361	10,738	14,158	17,852	21,821	26,920	32,408	38,080
Net Fixed Assets	73,710	72,662	73,273	73,235	75,765	98,418	97,506	95,834
Capital WIP	7,599	9,119	16,020	21,048	25,511	3,576	3,000	3,000
Investments	6,723	8,769	8,363	7,526	10,093	8,683	8,683	8,683
Curr. Assets	22,717	22,765	24,098	27,147	27,147	30,042	30,224	32,274
Inventory	6,870	7,830	7,876	8,101	8,200	10,616	9,464	10,022
Account Receivables	1,914	2,622	2,504	2,795	3,028	3,233	3,880	4,109
Cash and Bank Balance	2,198	1,390	2,558	1,773	1,380	2,183	2,449	3,278
Others	11,735	10,924	11,160	14,479	14,539	14,010	14,431	14,865
Curr. Liability and Prov.	21,548	20,450	22,306	24,964	26,225	27,703	24,430	24,977
Account Payables	21,056	19,911	21,637	24,230	25,453	26,797	23,660	24,053
Provisions	492	538	669	734	772	906	770	924
Net Current Assets	1,169	2,316	1,793	2,184	922	2,340	5,794	7,296
Appl. of Funds	89,201	92,866	99,449	1,03,992	1,12,291	1,13,017	1,14,984	1,14,813

Source: Company, MOFSL Estimates

Financials and valuations

Ratios								
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
EPS	21.6	33.2	65.6	70.9	54.5	4.7	45.9	68.2
Cash EPS	64.7	77.2	111.3	119.0	106.1	70.9	117.2	141.9
BV/Share	555.8	583.7	624.1	712.4	785.5	776.6	812.6	868.8
DPS	6.5	7.5	7.5	10.0	10.0	2.5	10.0	12.0
Payout (%)	37.8	26.2	13.3	12.2	19.3	47.5	21.8	17.6
Valuation (x)								
P/E		30.1	15.2	14.1	18.3	213.1	21.7	14.6
Cash P/E		12.9	9.0	8.4	9.4	14.1	8.5	7.0
P/BV		1.7	1.6	1.4	1.3	1.3	1.2	1.1
EV/Sales		1.5	1.3	1.3	1.1	1.2	1.1	1.0
EV/EBITDA		11.3	8.1	7.9	9.7	14.2	8.7	7.0
EV/t - Cap (USD)		85	86	86	85	69	65	61
Dividend Yield (%)		0.8	0.8	1.0	1.0	0.3	1.0	1.2
Return Ratios (%)								
RoE	4.4	5.8	10.9	10.6	7.3	0.6	5.8	8.1
RoCE	6.3	6.1	8.2	7.9	5.5	3.1	5.3	6.6
RoIC	6.8	6.7	10.0	10.3	7.0	2.8	5.2	6.7
Working Capital Ratios								
Inventory (Days)	44	44	42	44	40	45	37	37
Debtor (Days)	12	15	13	15	15	14	15	15
Working Capital Turnover (Days)	0.6	0.7	0.7	0.7	0.7	0.8	0.8	0.9
Leverage Ratio								
Current ratio	1.1	1.1	1.1	1.1	1.0	1.1	1.2	1.3
Debt/Equity (x)	0.9	0.9	0.9	0.7	0.7	0.7	0.7	0.6

Cash Flow Statement								(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	1,598	3,174	6,815	7,126	5,378	431	4,780	7,100
Depreciation	3,322	3,391	3,519	3,708	3,969	5,099	5,488	5,672
Interest and Finance Charges	3,776	3,705	3,877	2,963	2,427	3,387	3,412	3,202
Direct Taxes Paid	-552	-469	-418	-843	-610	-508	-1,243	-1,846
(Inc.)/Dec. in WC	481	1,309	207	-201	-2	280	-3,189	-673
CF from Operations	8,625	11,111	14,000	12,752	11,162	8,689	9,248	13,455
Others	-577	-470	-588	532	-770	-634	0	0
CF from Operating incl. EO	8,049	10,641	13,412	13,284	10,392	8,055	9,248	13,455
(Inc.)/Dec. in FA	-2,754	-4,030	-9,860	-8,028	-7,762	-6,263	-4,000	-4,000
Free Cash Flow	5,295	6,611	3,552	5,256	2,629	1,791	5,248	9,455
(Pur.)/Sale of Investments	-541	-1,521	-446	2,438	-1,269	1,595	0	0
Others	-129	-550	74	-1,699	950	601	0	0
CF from Investments	-3,423	-6,101	-10,232	-7,289	-8,082	-4,068	-4,000	-4,000
Issue of Shares	0	0	0	0	0	0	0	0
Inc./(Dec.) in Debt	-1,391	-1,297	1,860	-2,252	1,246	980	-800	-4,500
Interest Paid	-3,558	-3,448	-3,872	-3,493	-3,179	-3,393	-3,412	-3,202
Dividend Paid	-501	-501	0	-1,036	-770	-770	-770	-924
Others	-102	-103	0	0	0	0	0	0
CF from Fin. Activity	-5,552	-5,349	-2,012	-6,781	-2,703	-3,183	-4,982	-8,626
Inc./Dec. in Cash	-926	-808	1,169	-786	-393	803	266	829
Opening Balance	3,125	2,198	1,390	2,559	1,772	1,380	2,183	2,449
Closing Balance	2,198	1,390	2,559	1,772	1,380	2,183	2,449	3,278

Source: Company, MOFSL estimates

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NOTES

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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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