5 February 2025

Birla Corporation

Rating: **Buy**
Target Price: Rs.1,481
Share Price: Rs.1,162

Better demand-pricing context to help; maintaining a Buy

Keener competition in Birla Corp's core regions affected its Q3 performance where revenue/EBITDA declined 2.3%/34.5% y/y chiefly due to lower realisations. The 7-8% volume growth guidance and Rs150-170 increase in EBITDA/ton in H2 FY25 were maintained. The greater focus on premiumisation, improving RE share, commissioned captive coal mines and Mukutban unit ramp-up are positives. We retain our Buy rating, at a lower 12-mth TP of Rs1,481 (earlier Rs1,689).

In line performance. Operating at 92% capacity, cement sales volumes grew 7% y/y to 4.5m tonnes, aided by better market conditions toward the quarter's end and by the ramp-up of the Mukutban unit. However, keen competition in its core Central market and more volumes in lower-realisation markets (Maharashtra/Vidarbha) led to realisation/ton falling 9.8% y/y and revenue slipping 2.3% y/y to Rs22.6bn. Lower realisations negated the benefit of low-cost fuel, with EBITDA falling 34.5% y/y to Rs2.5bn and EBITDA/tonne, 37.6% y/y to Rs559, though q/q it grew 24.5%.

Aiming at 25m-tonne capacity by FY27. Capacity now is 20m tonnes, with 25m targeted by FY27. While the 1.4m-tonne Kundanganj GU would begin by Q1 FY26, land acquisition for the Gaya GU, Bihar, is in process. Development has not yet started on the 1.4m-tonne Prayaraj GU expansion. While FY25 capex guidance was lowered to Rs7bn (Rs8bn earlier), peak net debt was guided to be Rs30bn by FY25.

Outlook, Valuation. Backed by better rural, IHB demand and more spending by government, H2 FY25 cement sales volume growth was guided to be 7-8% vs. H1. Lower fuel-consumption cost, cost-optimisation and a cement-price uptick would help H2 EBITDA/ton rise Rs150-170 from H1. The higher RE share (35% by FY27 vs 26% now) and more captive-coal consumption (30% by FY26, 60% by FY27) would further optimise costs. While Rs1bn incentives are expected in FY25, the Kundanganj expansion takes incentives to the earlier Rs1.4bn-1.6bn p.a. We expect volume/revenue/EBITDA to grow 6/5/6% over FY24-27. We retain our Buy at a 12-mth TP of Rs1,481, 8x FY27e EV/EBITDA. **Risks:** High pet-coke and diesel prices, slowing demand.

Key financials (YE Mar)	FY23	FY24	FY25e	FY26e	FY27e
Sales (Rs m)	86,823	96,627	92,411	1,03,134	1,11,921
Net profit (Rs m)	338	4,138	1,962	5,572	6,954
EPS (Rs)	4.4	53.7	25.5	72.4	90.3
P/E (x)	NA	26.5	45.6	16.1	12.9
EV / EBITDA (x)	14.2	10.2	11.3	7.7	6.6
EV / tonne ($) (cement)	56.6	75.2	64.2	58.1	54.9
RoE (%)	0.6	6.5	2.9	7.9	9.2
RoCE (%) after tax	2.1	5.2	3.3	6.0	6.8
Dividend yield (%)	1.4	0.7	0.9	0.9	0.9
Net debt / equity (x)	0.6	0.4	0.4	0.3	0.2

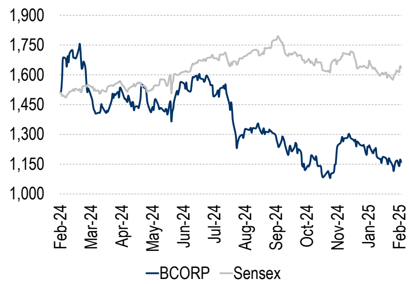
Source: Company, Anand Rathi Research

Key data	BCORP IN / BRLC.BO
52-week high / low	Rs.1,802 / 1,073
Sensex / Nifty	78,271 / 23,696
3-m average volume	$1.1m
Market cap	Rs.89bn / $1,021.8m
Shares outstanding	77m

Shareholding pattern (%)	Dec'24	Sept'24	Jun'24
Promoters	62.9	62.9	62.9
- of which, Pledged	-	-	-
Free float	37.1	37.1	37.1
- Foreign institutions	5.6	5.5	6.0
- Domestic institutions	16.3	16.2	16.3
- Public	15.2	15.4	14.8

Estimates revision (%)	FY25e	FY26e	FY27e
Sales	(1.3)	(0.5)	(0.0)
EBITDA	(7.1)	1.6	0.1
PAT	(18.5)	10.6	5.7

Relative price performance



Source: Bloomberg

Manish Valecha
Research Analyst

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Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Sales volume (m tons)	15.7	17.7	18.2	19.8	21.1
Net revenues	86,823	96,627	92,411	1,03,134	1,11,921
Growth (%)	*16.4*	*11.3*	*-4.4*	*11.6*	*8.5*
Direct costs	52,437	55,372	57,336	59,460	61,684
SG&A	26,666	26,879	24,042	27,995	32,940
EBITDA	**7,720**	**14,376**	**11,033**	**15,679**	**17,296**
EBITDA margins (%)	*8.9*	*14.9*	*11.9*	*15.2*	*15.5*
- Depreciation	5,099	5,783	5,716	5,793	5,993
Other income	1,131	856	739	825	895
Interest expenses	3,387	3,717	3,440	3,282	2,926
PBT	365	5,732	2,617	7,429	9,272
Effective tax rates (%)	*6.1*	*27.5*	*25.0*	*25.0*	*25.0*
+ Associates / (Minorities)					
Net income	405	4,206	1,962	5,572	6,954
Adjusted income	338	4,138	1,962	5,572	6,954
WANS	77	77	77	77	77
FDEPS (Rs)	4.4	53.7	25.5	72.4	90.3
FDEPS growth (%)	*-92.1*	*1122.4*	*-52.6*	*183.9*	*24.8*

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Share capital	770	770	770	770	770
Net worth	59,808	66,738	67,930	72,732	78,916
Debt	49,554	44,040	43,040	40,040	34,040
Minority interest	-	-	-	-	-
DTL / (Assets)	9,712	11,042	11,042	11,042	11,042
Capital employed	**1,19,074**	**1,21,820**	**1,22,012**	**1,23,814**	**1,23,998**
Net tangible assets	87,775	87,495	89,583	90,540	89,547
Net intangible assets	10,653	10,409	10,409	10,409	10,409
Goodwill	0	0	0	0	0
CWIP (tang. & intang.)	3,576	4,805	2,000	1,000	1,000
Investments (strategic)	4,105	7,024	7,024	7,024	7,024
Investments (financial)	4,567	5,847	5,847	5,847	5,847
Current assets (excl. cash)	27,860	27,190	27,850	31,081	33,730
Cash	2,183	1,592	1,832	3,061	3,732
Current liabilities	21,646	22,542	22,533	25,148	27,290
Working capital	6,214	4,648	5,317	5,934	6,439
Capital deployed	**1,19,074**	**1,21,820**	**1,22,012**	**1,23,814**	**1,23,998**
Contingent liabilities	-	-	-	-	-

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT (adj. OI and interest)	2621	8593	5317	9886	11303
+ Non-cash items	5099	5783	5716	5793	5993
Oper. prof. before WC	7720	14376	11033	15679	17296
- Incr. / (decr.) in WC	910	-1566	668	617	506
Others incl. taxes	12	565	654	1857	2318
Operating cash-flow	6798	15377	9711	13205	14473
- Capex (tang. + intang.)	5825	6487	5000	5750	5000
Free cash-flow	973	8890	4711	7455	9473
Acquisitions					
- Div.(incl. buyback & taxes)	963	770	770	770	770
+ Equity raised	0	0	0	0	0
+ Debt raised	1712	-5514	-1000	-3000	-6000
- Fin investments	-1417	4198	0	0	0
- Misc. (CFI + CFF)	2337	-1002	2700	2457	2031
Net cash-flow	803	-591	240	1228	672

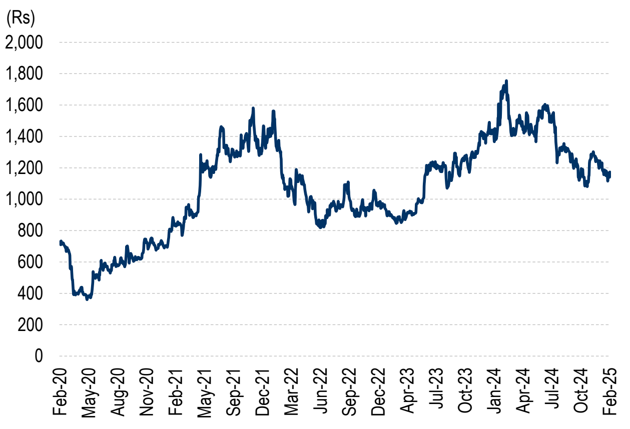
Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	NA	26.5	45.6	16.1	12.9
EV / EBITDA (x)	14.2	10.2	11.3	7.7	6.6
EV / Sales (x)	1.3	1.5	1.3	1.2	1.0
P/B (x)	1.1	1.6	1.3	1.2	1.1
RoE (%)	0.6	6.5	2.9	7.9	9.2
RoCE (%) - after tax	2.1	5.2	3.3	6.0	6.8
DPS (Rs)	12.5	10.0	10.0	10.0	10.0
Dividend payout (%) - incl. DDT	237.7	18.3	39.2	13.8	11.1
Net debt / equity (x)	0.6	0.4	0.4	0.3	0.2
WC days	24.2	20.5	19.7	19.9	20.2
EV / tonne ($) (cement)	56.6	75.2	64.2	58.1	54.9
NSR / tonne (Rs)	5242	5239	4889	5009	5129
EBITDA / tonne (Rs)	470	801	612	781	811
Volumes (m tonnes)	15.7	17.7	18.2	19.8	21.1
CFO : PAT (%)	2008.3	371.6	494.8	237.0	208.1

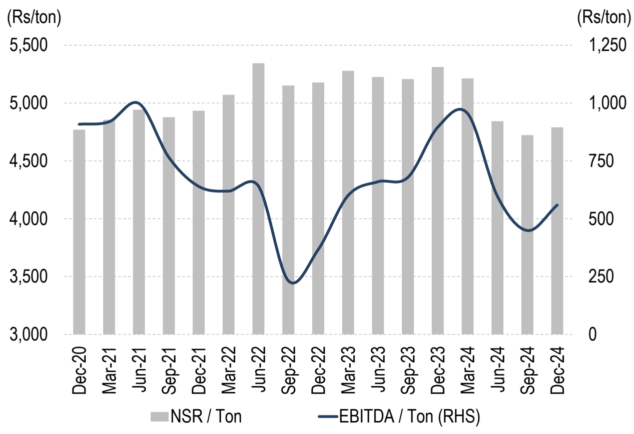
Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 6 – Quarterly per-tonne NSR and EBITDA

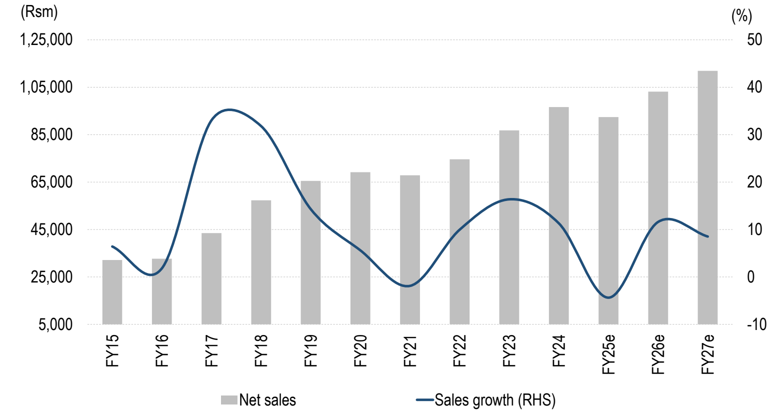


Source: Company, Anand Rathi Research

Key highlights

Birla Corp's Q3 revenue slipped 2.3% y/y to Rs22.6bn. The cement division's revenue declined 3% y/y to Rs21.6bn. Cement sales volumes grew 7% y/y to 4.5m tonnes whereas realisation/tonne fell 9.8% y/y to Rs4,790. Q3 FY25 capacity utilisation was 91.9% vs 85.3% the previous year. The share of premium products was 59% of trade sales (52% the quarter prior). Sales of high-yielding blended cement were 79%. The jute division revenue grew 7% y/y to Rs1,013m.

Fig 7 – Revenue and revenue growth



Source: Company, Anand Rathi Research

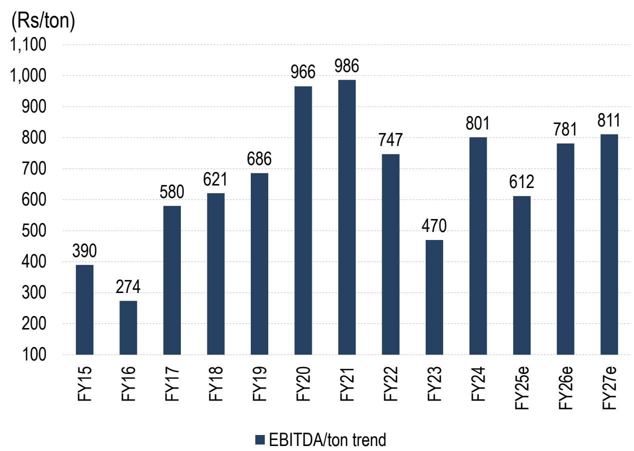
Q3 EBITDA fell 34.5% y/y to Rs2,479m (though q/q it was up 39.9%). EBITDA/tonne (cement) fell 37.6% y/y to Rs559 mainly on lower realisation. The operating performance was partially aided by lower power & fuel cost and various cost saving initiatives. The jute division suffered a Rs55m loss at the PBIT level., vs Rs4m profit a year back and registered a Rs46m cash loss. Adj. PAT plunged 71.4% y/y to Rs312m, mainly due to the lower operating performance.

Fig 8 – Operational details

Particulars (%)	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25
Blended cement, of overall sales	91	90	89	89	88	86	83	84	84	83	79
Trade channel, of overall sales	79	78	75	77	76	72	69	72	72	77	68
Premium cement, of trade sales	47	51	51	54	54	54	52	55	59	62	59
Capacity utilisation	88	74	74	89	91	83	85	97	91	78	92

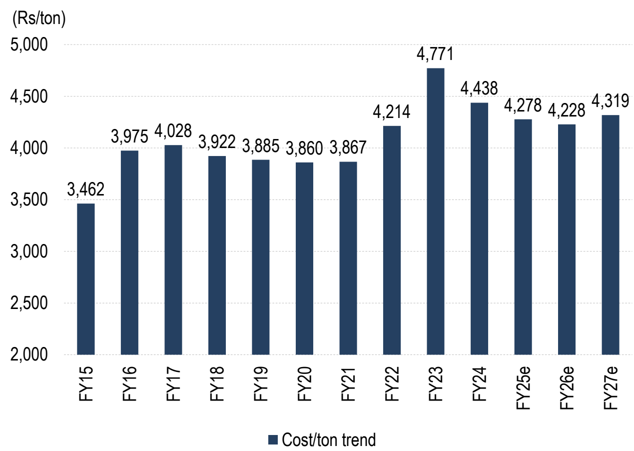
Source: Company

Fig 9 – EBITDA-per-tonne



Source: Company, Anand Rathi Research

Fig 10 – Cost-per-tonne



Source: Company, Anand Rathi Research

Results Highlights

Fig 11 – Quarterly trend

(Rs m)	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	% Y/Y	% Q/Q
Sales	22,038	19,998	20,161	24,626	24,070	22,843	23,104	26,544	21,904	19,526	22,567	*-2.3*	*15.6*
EBITDA	2,593	940	1,444	2,743	2,978	2,889	3,785	4,724	2,583	1,772	2,479	*-34.5*	*39.9*
EBITDA margins (%)	*11.8*	*4.7*	*7.2*	*11.1*	*12.4*	*12.6*	*16.4*	*17.8*	*11.8*	*9.1*	*11.0*	*-540bps*	*191bps*
EBITDA / tonne (Rs)	641	232	367	600	660	679	896	955	597	449	559	*-37.6*	*24.5*
Interest	703	928	869	887	974	954	965	824	858	851	830	*-14.0*	*-2.5*
Depreciation	1,145	1,254	1,299	1,401	1,403	1,435	1,448	1,497	1,455	1,450	1,391	*-4.0*	*-4.1*
Other income	143	418	79	491	162	274	163	257	170	172	154	*-5.5*	*-10.5*
PBT	888	(825)	(645)	946	763	774	1,535	2,660	440	(357)	413	*-73.1*	*L2P*
Exceptional items	117	-	-	(183)	-	3	-	(70)	-	-	-	*NA*	*NA*
Tax	152	(260)	(146)	280	166	188	443	797	114	(105)	102	*-77.1*	*NA*
Rep. PAT	619	(565)	(499)	849	597	584	1,091	1,933	326	(252)	312	*-71.4*	*L2P*
Adj. PAT	736	(565)	(499)	666	597	586	1,091	1,863	326	(252)	312	*-71.4*	*L2P*

Source: Company, Anand Rathi Research

Fig 12 – Segment-wise performance

(Rs m)	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	% Y/Y	% Q/Q
Revenue													
-Jute	1,032	1,240	904	1,190	1,021	1,076	796	1,258	691	784	1,013	*27.2*	*29.2*
-Cement	21,003	18,750	19,259	23,437	23,047	21,768	22,310	25,285	21,214	18,747	21,556	*-3.4*	*15.0*
-Others	10	18	23	28	14	24	13	15	6	11	13	*0.0*	*16.1*
Total	22,045	20,008	20,185	24,655	24,082	22,868	23,119	26,558	21,911	19,542	22,581	*-2.3*	*15.6*
Less: Inter-segment revenue	7	10	24	30	12	25	14	14	7	16	15	*3.5*	*-6.9*
Net sales	**22,038**	**19,998**	**20,161**	**24,626**	**24,070**	**22,843**	**23,104**	**26,544**	**21,904**	**19,526**	**22,567**	***-2.3***	***15.6***
PBIT													
-Jute	60	79	62	58	50	30	4	72	(52)	(29)	(55)	*P2L*	*NA*
% of revenue	*5.8*	*6.3*	*6.8*	*4.9*	*4.9*	*2.8*	*0.5*	*5.7*	*(7.5)*	*(3.7)*	*(5.4)*	*NA*	*NA*
-Cement	1,495	(185)	308	1,873	1,759	1,637	2,584	3,533	1,442	615	1,405	*-45.6*	*128.3*
% of revenue	*7.1*	*(1.0)*	*1.6*	*8.0*	*7.6*	*7.5*	*11.6*	*14.0*	*6.8*	*3.3*	*6.5*	*-506bps*	*324bps*
-Others	(7)	(7)	(5)	(6)	(7)	(4)	(6)	(6)	(6)	(8)	(7)	*NA*	*NA*
% of revenue	*(69.7)*	*(36.1)*	*(20.8)*	*(21.4)*	*(50.0)*	*(17.0)*	*(43.8)*	*(41.3)*	*(91.9)*	*(70.5)*	*(52.3)*	*NA*	*NA*
Total	**1,547**	**(113)**	**365**	**1,926**	**1,802**	**1,663**	**2,582**	**3,599**	**1,384**	**578**	**1,344**	***-48.0***	***132.3***
Less: Interest	703	928	869	887	974	954	965	824	858	851	830	*-14.0*	*-2.5*
Less: Other unalloc. exp. net of unalloc. inc.	73	(216)	140	(91)	65	(62)	82	45	87	85	101	*23.1*	*19.3*
PBT (after extraordinaries.)	**771**	**(825)**	**(645)**	**1,129**	**763**	**771**	**1,535**	**2,731**	**440**	**(357)**	**413**	***-73.1***	***L2P***

Source: Company, Anand Rathi Research

Concall highlights

Cement demand, pricing

- Greater demand toward the year-end and the Mukutban unit ramp-up (up 20% q/q) aided the volume uptick. 7-8% cement sales volume growth was guided to for H2 FY25. While overall capacity utilisation was 92%, the Mukutban unit capacity utilisation was 60%+
- Keen competition, especially in non-trade, and greater cement sales volumes in the low-realisation West (OPC market) kept prices pressured. The improving demand situation aided a price uptick in Dec, which persisted through Jan'25.

Cost optimisation

- EBITDA/tonne has been guided to be Rs150-170 higher in H2 FY25 than in H1 where Rs70/tonne savings were guided to at projects Shikhar and Unnati
- Project Shikhar was launched in Mar'23 for excellence in manufacturing and operations, and Project Unnati for greater efficiency in the 'go-to-market' operations, focusing on sales, logistics and marketing
- Project Shikhar (for manufacturing) and project Unnati (for sales, logistics and marketing) resulted in gross savings of respectively Rs660m and Rs1bn in FY24.

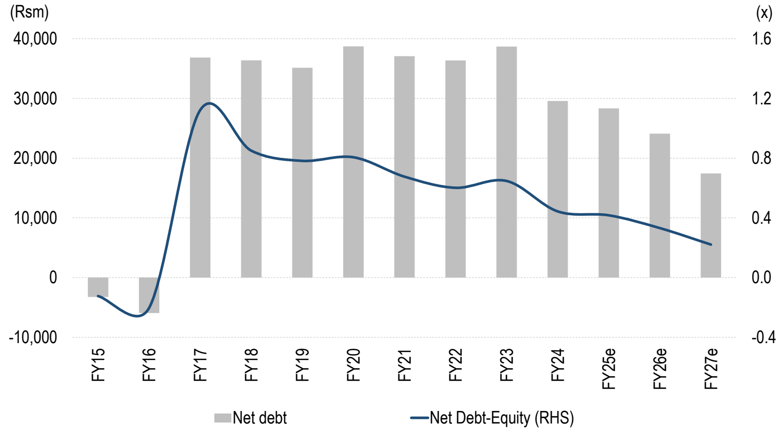
Incentives

- The incentive for the Mukutban unit over twenty years would be 100% of project cost (Rs23bn, ~Rs600/tonne)
- The company received Rs1.9bn incentive in 9M FY25. For FY25, Rs1bn accrued incentive is expected vs Rs1.6bn in FY24 (the Kundanganj GU incentive expired in Mar'24). On the beginning of the Kundanganj GU line III in Q1 FY26, previous level incentives would be restored
- The outstanding incentive at 31st Dec'24 was Rs4.35bn excl. the Rs1.18bn incentive due from the West Bengal government
- The approved 1.4m-tonne Prayagraj GU expansion would be eligible for an incentive of 300% of investment.

Expansion, capex and debt

- In the last six years, the company has doubled capacity to 20m tonnes, and aims at 25m tonnes by FY27. Its plants (each) have limestone reserves of 20 years
- The 1.4m-tonne cement capacity expansion at the Kundanganj GU at Rs4.25bn is expected to commence by Q1 FY26. No progress has been made on the 1.4m tonne Prayagraj GU, now expected to be completed after the Kundanganj GU expansion. Further, the land-acquisition process has begun for a GU in Gaya, Bihar
- The guided-to FY25 capex is Rs5bn. Net debt was Rs30bn and guided to be <Rs30bn by Mar'25. Peak net debt/EBITDA was earlier guided to be 3x (31st Mar'24 <2x).

Fig 13 – Net debt-to-equity



Source: Company, Anand Rathi Research

Coal Mines

- The current share of captive coal in the fuel mix is 15%. The Bikram coal mine would commence in Q1 FY26, Marki Barka in FY27. The former, at full capacity utilisation would use 30-32% of the coal required; the latter, at full capacity utilisation, 55-60%
- Captive coal cost is Rs1.1/kcal vs Rs1.4 in the Central region.

Renewable energy

- The share of RE rose to 26% in Q3 FY25 (from 24.15% in FY24 and 21.7% in FY23) and is guided to increase to 35% by FY27
- In its pursuit of using more green power, the company entered into an agreement with a private enterprise to provide 12MW of RE (wind/solar) at the Maihar unit. By end-Q4 RE will be 45% of Maihar's power needs.

The jute division

- The jute goods industry is faced with multiple challenges such as fewer government orders and, in jute-growing areas, several cottage-size mills. These have a substantial cost advantage over the formal sector mills and are fast eating into government orders. Further, higher raw material and conversion costs are impacting the performance
- While the division suffered a cash loss of Rs46m, overseas sales of value-added products grew 108% y/y.

Other operational highlights

- The lead distance was 350km, and freight costs increased due to the geo-mix change
- Sales of premium cement were 59% of trade sales (vs 52% for the year-ago quarter). The share of premium products at the Mukutban unit was 40%
- Fuel consumption cost was Rs1.5/kcal. While domestic coal prices have been range-bound, petcoke prices have risen from mid-$90 to $110/ton.
- The share of blended cement was 79% (83% a year back); the trade share was 68% (69% a year ago). The trade share is guided to increase, backed by improved rural and IHB demand.

Valuations

Keener competition in the company's core regions affected its performance where revenue and EBITDA declined respectively 2.3% and 34.5% y/y, mainly due to lower realisations. The 7-8% volume-growth guidance and Rs150-170 increase in EBITDA/ton in H2 FY25 were maintained. The sharper focus on premiumisation, improving RE share, captive coal mines commissioning and Mukutban unit ramp-up are positives.

Fig 14 – Change in estimates

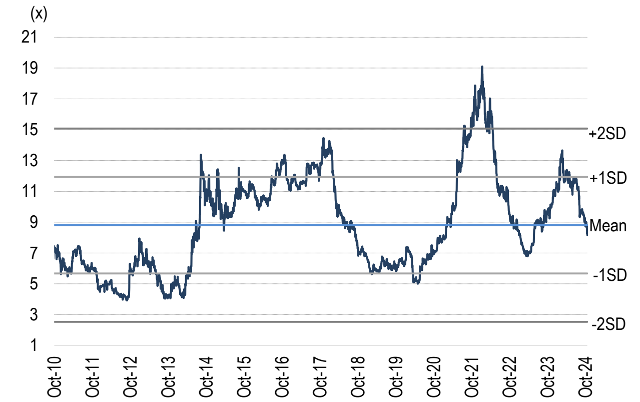
(Rs m)	Old			New			Variance (%)		
	FY25e	FY26e	FY27e	FY25e	FY26e	FY27e	FY25	FY26	FY27
Sales	93,663	1,03,653	1,11,929	92,411	1,03,134	1,11,921	(1.3)	(0.5)	(0.0)
EBITDA	11,878	15,433	17,272	11,033	15,679	17,296	(7.1)	1.6	0.1
PAT	2,408	5,039	6,576	1,962	5,572	6,954	(18.5)	10.6	5.7

Source: Anand Rathi Research

At the CMP, the stock quotes at 6.6x FY27e EV/EBITDA and an EV/tonne (cement) of $61.9. We retain our Buy rating, with a lower 12-mth target price of Rs1,481 (earlier Rs1,689), 8x FY27e EV/EBITDA, and an EV/tonne of $68.

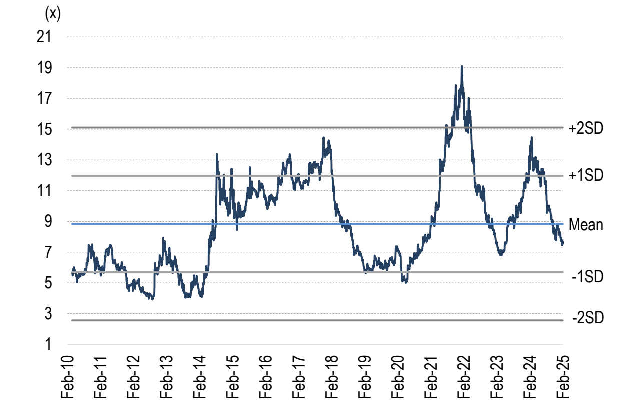
Risks. Demand slowdown, rise in prices of pet-coke and diesel.

Fig 15 – EV/EBITDA band, one-year-forward



Source: Bloomberg, Anand Rathi Research

Fig 16 – EV/EBITDA: Standard deviation, one-year-forward



Source: Bloomberg, Anand Rathi Research

Fig 17 – Peer comparison – valuations

	CMP	P/E (x)			EV / EBITDA (x)			EV / ton ($)		
	(Rs)	FY25e	FY26e	FY27e	FY25e	FY26e	FY27e	FY25e	FY26e	FY27e
Birla Corp	**1,162**	**45.6**	**16.1**	**12.9**	**11.3**	**7.7**	**6.6**	**64**	**58**	**55**
Shree Cement	28,298	93.7	52.5	38.5	26.3	19.9	16.0	203	159	150
Ramco Cement	897	73.1	46.8	25.5	17.9	15.0	11.2	129	103	99
Dalmia Bharat	1,886	49.9	35.3	25.7	14.9	12.0	9.9	88	84	82
JK Cement	4,921	54.7	40.2	28.9	23.5	18.8	14.6	197	161	160
JK Lakshmi	786	34.8	24.6	17.7	13.7	11.2	9.1	78	77	70
Heidelberg Cement	220	43.1	26.5	20.3	18.5	13.1	10.3	81	79	76
Prism Johnson	136	NA	NA	NM	17.5	13.1	NM	63	62	NM
Star Cement	214	53.0	39.9	21.6	17.1	12.6	8.5	136	107	85
NCL Industries	219	11.9	9.3	NM	7.5	5.2	NM	41	32	NM

Source: Company, Anand Rathi Research

Appendix

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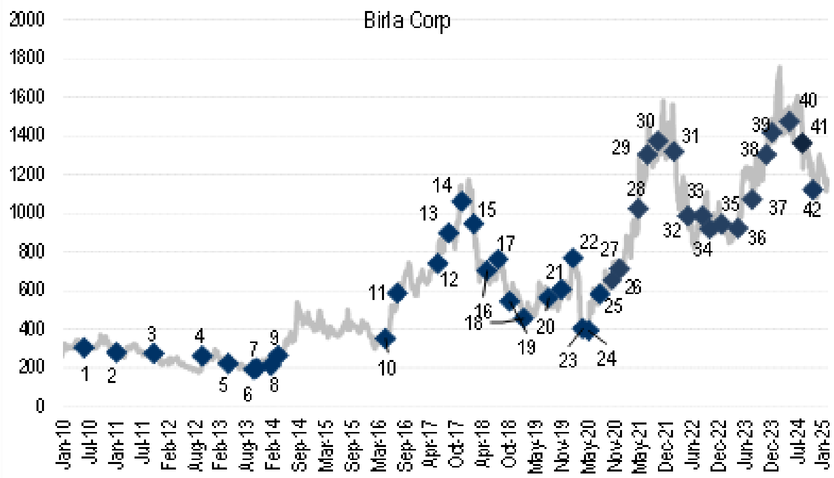

	Date	Rating	TP (Rs)	Share Price (Rs)
29	8-Aug-21	**Buy**	1,758	1,044
30	14-Nov-21	**Buy**	1,968	1,492
31	6-Feb-22	**Buy**	1,844	1,353
32	16-May-22	**Buy**	1,514	1,019
33	10-Aug-22	**Buy**	1,277	972
34	10-Nov-22	**Buy**	1,373	943
35	8-Feb-23	**Buy**	1,270	911
36	11-May-23	**Buy**	1,353	1,011
37	10-Aug-23	**Buy**	1,468	1,217
38	22-Nov-23	**Buy**	1,636	1,309
39	8-Feb-24	**Buy**	2,000	1,523
40	6-May-24	**Buy**	2,011	1,580
41	11-Aug-24	**Buy**	1,894	1,362
42	27-Oct-24	**Buy**	1,689	1,120

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Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

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