

Birla Corporation Ltd.**BUY****Choice**

Premium product share to drive EBITDA/t

Birla Corporation reported consolidated volumes of 3.97mnt for Q2FY25, reflecting a decline of 5.0% YoY and 9.4% QoQ. The drop in sales volume was attributed to disruptions caused by extended monsoon, flood and slow pick-up in government projects. Revenue for the quarter stood at INR19,526mn, marking a decrease of 14.6% YoY and 10.9% QoQ. The company achieved a utilization rate of 78% for Q2FY25, compared with the 83% in Q2FY24. EBITDA/t for the quarter stood at INR446/t, down 35.5% YoY and 24.3% QoQ, largely due to lower top-line. Company had reported loss in Q2FY25 of INR252mn vs profit of INR584mn in Q2FY24. EPS for the quarter was INR (3.3).

- **Expansion Plan:** The management has changed its Capex guidance of INR7,000mn vs INR 10,000mn for FY25E. The third line at Kundangunj is progressing well and remains on schedule. The management expects that once it becomes operational next year, some of the incentives lost due to the expiry of the Kundangunj incentive in March will be restored. Additionally, the company has already started receiving incentives from Mukutban, the total incentives received as of now stands at Rs 1200mn. The approval has also been secured for a new grinding unit in Prayagraj, Uttar Pradesh, with a planned capacity of 1.4 million tons, which is expected to be commissioned after Kundangunj capex. Furthermore, a phase 2 expansion of the clinker line at Maihar is scheduled to begin in FY27E, with the aim of doubling its capacity from 10,000 TPD to 20,000 TPD. The company's overall goal is to achieve a cement production capacity of 25 million tons by FY27E.
- **EBITDA to improve by INR170/t in FY25E-** EBITDA/t for the quarter stood at INR446/t, marking a decline of 35.5% YoY and 24.3% QoQ. Management has guided an improvement of INR170/t over 1HFY25 in FY25E, driven by a strategic focus on cost reduction and optimizing the geographic mix. Out of the expected increase, INR70/t will be contributed by Project Unnati and Project Shikhar, which focus on operational improvements and efficiency gains. The remaining INR100/t is expected to come from a combination of better realizations, cost optimization initiatives, and improved operational efficiencies. Management is confident that these measures will not only offset rising input costs but also restore profitability to more sustainable levels. With this strategic approach, the company aims to enhance margins and maintain a competitive edge in the market through a more favorable cost structure and product mix.
- **Prices are expected to improve-** The company anticipates an improvement in both pricing and demand. Management hopes that market conditions will allow them to recover to around 60% of last year's levels. However, the non-trade sector has experienced a steep decline in prices, rendering it unviable for the company to compete in several markets. A key competitive advantage lies in the company's premium products which contributed 61% to the volumes, which have enabled a shift towards premium volumes in most regions, helping maintain higher realizations. While the company remains cautious about the possibility of a significant price hike, it is targeting a modest increase of around INR 100 per ton by the end of March.

Valuation and Outlook- The company remains cautiously optimistic about the December quarter. With the festive season lasting until mid-November and assembly elections taking place in Maharashtra, demand recovery is expected to be delayed until late November. However, a moderate price increase and a visible improvement in demand are anticipated. Management has guided for 3-4% volume growth in FY25E, reflecting a positive outlook. The cement industry is expected to recover the losses incurred over the past two quarters, with strong performance projected for Q4FY25E. As per our FY27E estimates we expect Revenue/EBITDA to grow at a CAGR of 1.6%/3.4% respectively over FY24-FY27E. Our target EV/EBITDA multiple is 8.5x on Sep FY26E EBITDA, hence we ascribe a target price of INR1,254, maintaining our rating to **BUY**.

Financial Snapshot

Quarter end: March	FY23	FY24	FY25E	FY26E	FY27E
Revenue (INR Mn.)	86,823	96,627	91,374	96,342	1,01,459
EBITDA (INR Mn.)	7,720	14,378	12,020	14,139	15,879
EBITDA Margins (%)	8.9	14.9	13.2	14.7	15.7
Adj. PAT	405	4,202	2,724	4,243	5,707
PAT Margins (%)	0.5	4.3	3.0	4.4	5.6
EPS	5.3	54.6	35.4	55.1	74.1

Source: Company, CEBPL

Oct 25, 2024

CMP (Rs.)	1,152
Target Price (Rs.)	1,254
Potential Upside (%)	9.1

Company Info

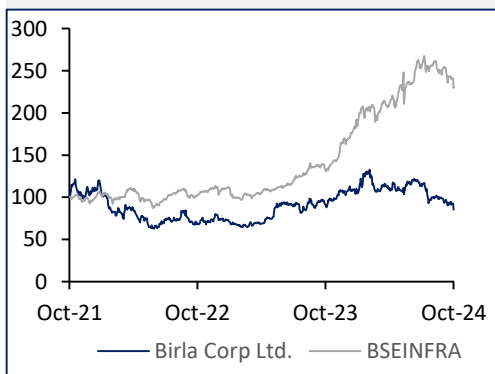
BB Code	BCORP IN EQUITY
ISIN	INE340A01012
Face Value (Rs.)	10
52 Week High (Rs.)	1,801.3
52 Week Low (Rs.)	1,101.0
Mkt Cap (Rs bn.)	88.7
Mkt Cap (\$ bn.)	1.05
Shares o/s (Mn.)/F.Float	77/37
FY24 EPS (Rs.)	54.6
FY27E EPS (Rs.)	74.1

Shareholding Pattern (%)

	Sep-24	Jun-24	Mar-24
Promoters	62.90	62.90	62.90
FII's	5.46	5.99	6.79
DII's	16.20	16.26	15.60
Public	15.44	14.85	14.71

Relative Performance (%)

YTD	3Y	2Y	1Y
BSEINFRA	130.6	125.5	73.8
BIRLA CORP.	(14.7)	23.1	(6.3)

Rebased Price Performance**Bharat Kumar Kudikyala, Analyst**

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Sequential Operating Performance

Operating Metrics INR/t	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Blended Realisation	5,461	5,468	5,505	5,477	5,001	4,918
Raw Material Cost	799	900	843	823	838	829
Employee Cost	317	341	336	274	337	354
Power & Fuel Cost	1,153	1,183	1,094	1,000	1,004	1,025
Freight & Handling Expense	1,321	1,240	1,325	1,284	1,322	1,249
Other Expenses	1,038	1,096	1,066	1,024	1,082	1,126
Total Costs	4,786	4,777	4,603	4,503	4,411	4,472
EBITDA	675	692	901	974	589	446

Source: Company, CEBPL

CEBPL Estimates vs Actual for Q2FY25

Birla Corp Ltd. (INR Mn.)	Q2FY25	Q2FY24	YoY(%)	Q1FY25	QoQ (%)	CEBPL Est.	Dev. (%)
Volumes	3.97	4.18	(5.0)	4.38	(9.4)	4.1	(2.0)
Revenues	19,526	22,858	(14.6)	21,903	(10.9)	19,612	(0.4)
COGS	2,854	3,834	(25.6)	2,918	(2.2)		
Power and Fuel Cost	4,068	4,946	(17.8)	4,398	(7.5)		
Freight Exp	4,957	5,183	(4.4)	5,791	(14.4)		
Employee Cost	1,406	1,424	(1.3)	1,475	(4.7)		
Other Expenses	4,469	4,580	(2.4)	4,740	(5.7)		
EBITDA (INR Mn.)	1,772	2,891	(38.7)	2,582	(31.4)	1,919	(7.7)
EBITDA Margin (%)	9.1	12.6 (357.1)bps		11.8 (271)bps		9.8	(71)bps
Depreciation	1,450	1,434	1.1	1,455	(0.3)		
EBIT (INR Mn.)	322	1,457	(77.9)	1,127	(71.4)	466	(31.0)
EBIT Margin (%)	1.6	6.4 (472.5)bps		5.1 (350)bps		2.4	(73)bps
Other Income	172	274	(37.2)	170	1.1		
Interest	851	962	(11.6)	858	(0.8)		
PBT	(357)	769	NA	439	NA		
Tax	(105)	187	NA	113	NA		
PAT (INR Mn.)	(252)	584	NA	326	NA	(69)	NA
Basic EPS (INR)	(3.3)	7.6	NA	4.2	NA	(0.9)	NA

	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)
NSR /t	4,918	5,468	(10.1)	5,001	(1.6)
Cement Cost /t	4,472	4,777	(6.4)	4,411	1.4
EBITDA/t	446	692	(35.5)	589	(24.3)

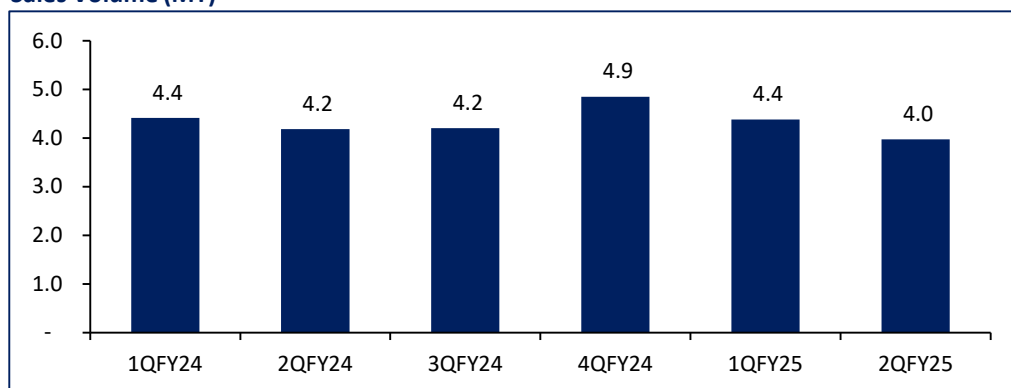
Source: Company, CEBPL

Change in estimates

Income Statement (INR Mn.)	FY25E			FY26E			FY27E
	Old	New	Dev. (%)	Old	New	Dev. (%)	New
Revenues	93,748	91,374	(2.5)	1,04,960	96,342	(8.2)	1,01,459
Gross Profit Margin (%)	85.9%	85.6%	(26)bps	85.9%	86.0%	7 bps	86.6%
EBIT	7,909	6,989	(11.6)	10,603	8,689	(18.1)	10,047
EBIT Margin (%)	8.4%	7.6%	(79)bps	10%	9%	(108)bps	10%
EPS	44.6	35.4	(20.7)	71.1	55.1	(22.5)	74.1

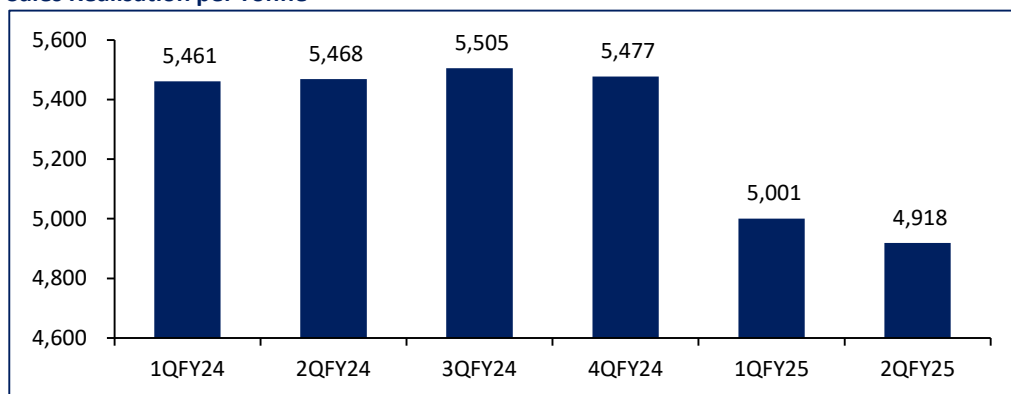
Source: Company, CEBPL

Sales Volume (MT)



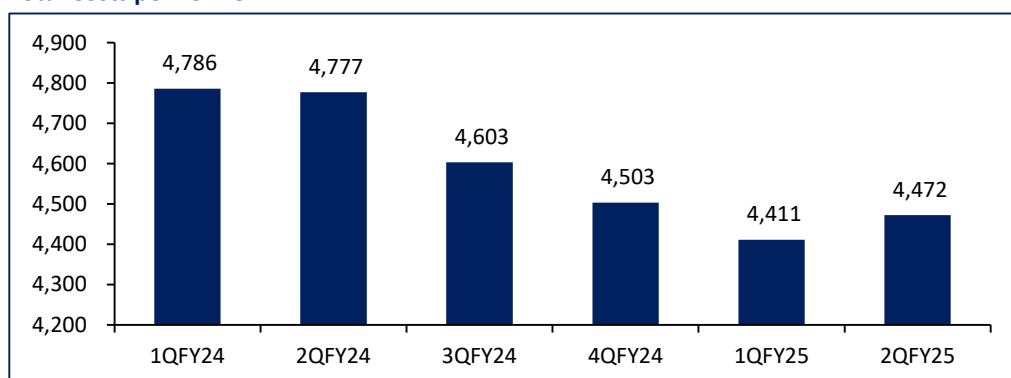
Source: Company, CEBPL

Sales Realisation per Tonne



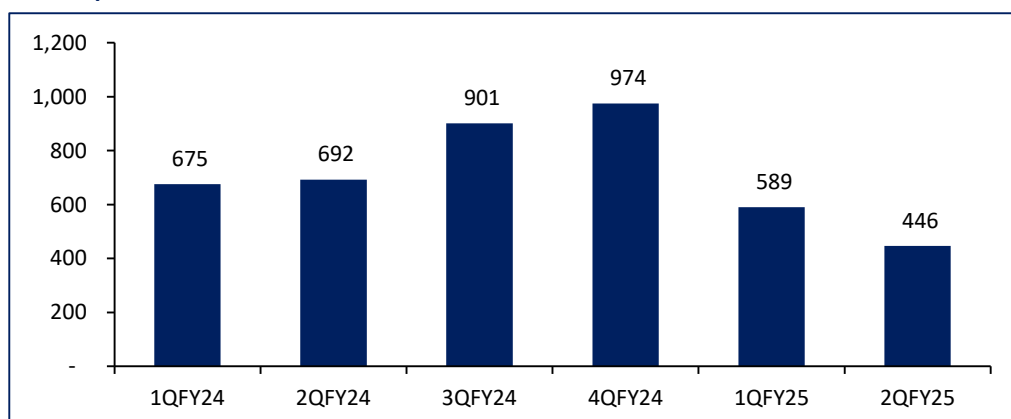
Source: Company, CEBPL

Total Costs per Tonne



Source: Company, CEBPL

EBITDA per Tonne



Source: Company, CEBPL

Management Call Highlights

- The company is maintaining its guidance of receiving total incentives of approximately INR1,000mn for the FY25E.
- The company reported coal prices of 1.47p/ kcal in the last quarter. The cost from the Bikram coal block is expected to be around INR1.10/ 1000/ Kcal, highlighting potential cost savings. Current fuel prices in the central region range between INR 140 and INR 150, indicating a notable cost differential. Additionally, the company has reduced its reliance on petcoke and is increasingly shifting towards the use of indigenous coal to optimize costs.
- Some competitors benefit from incentives, particularly in Uttar Pradesh, allowing them to participate more aggressively in the non-trade and OPC segments.
- The company believes it will achieve a level playing field once the Kundangunj third line is completed, incentives are restored, and the benefits from Mukutban are realized.
- The company is exercising caution in its pricing strategy due to regional factors, including the upcoming elections and their aftermath in Maharashtra, as well as the Maha Kumbh event in East Uttar Pradesh.
- The company observed a price improvement in the last quarter, attributed to a correction in non-trade prices that had previously been exerting downward pressure on trade prices.
- Jute Division: The Jute Division faced challenges from declining orders both domestically and internationally, resulting in a cash loss of INR20mn for the September quarter, compared to a cash profit of INR40mn in the same period last year. Production was reduced from the standard 77 days to 57 days, leading to a decrease in output from 8,738 tons a year ago to 6,592 tons this quarter. Although production of value-added goods increased to 1,512 tons from 1,069 tons in the previous year, export revenue fell by 41% YoY to INR120mn.

Financial Summary (Consolidated in INR Mn.)

Income Statement (INR Mn.)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	86,823	96,627	91,374	96,342	1,01,459
Gross profit	75,882	80,818	78,249	82,851	87,816
EBITDA	7,720	14,378	12,020	14,139	15,879
Depreciation	5,099	5,782	5,773	6,193	6,613
EBIT	3,752	9,452	6,989	8,689	10,047
Other income	1,131	856	742	743	782
Interest expense	3,387	3,725	3,346	3,256	3,263
PAT	405	4,202	2,724	4,243	5,707
EPS (INR)	5.3	54.6	35.4	55.1	74.1

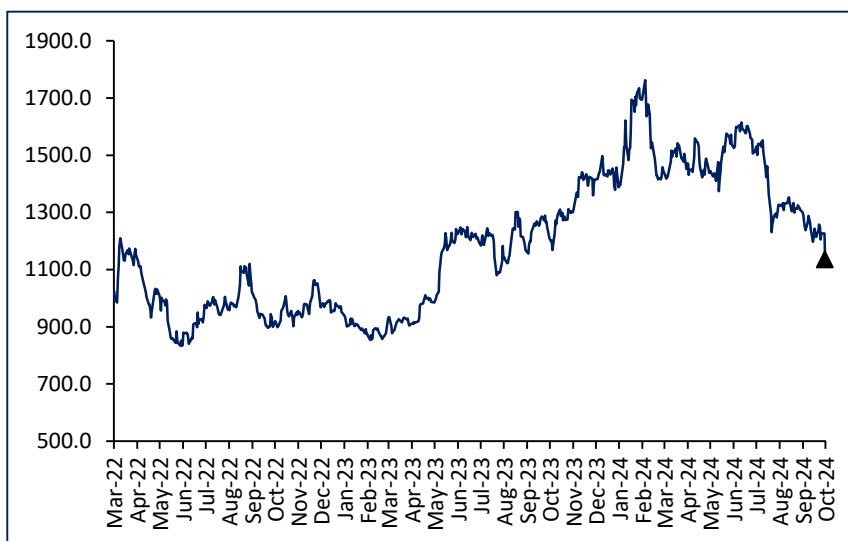
Balance Sheet (INR Mn.)	FY23	FY24	FY25E	FY26E	FY27E
Tangible fixed assets	98,418	97,904	99,130	1,02,937	1,06,324
Capital Work in Progress	3,573	4,802	4,322	3,025	1,513
Investments	8,672	12,870	12,506	12,804	13,111
Cash & Cash equivalents	2,183	1,592	2,025	2,820	2,786
Loans & Advances and Other Assets	14,023	13,398	13,398	13,398	13,398
Net Working Capital	4,652	5,116	6,632	6,916	7,160
Total assets	1,31,522	1,35,682	1,38,013	1,41,901	1,44,291
Shareholder's funds	59,808	66,738	69,462	73,704	79,411
Borrowings	38,588	37,784	36,784	35,784	31,784
Deffered Tax	9,712	11,042	11,042	11,042	11,042
Other Liabilities & Provisions	23,414	20,117	20,725	21,370	22,054
Total equity & liabilities	1,31,522	1,35,682	1,38,013	1,41,901	1,44,291
Capital Employed	98,737	1,01,057	1,04,884	1,07,367	1,08,342
Invested Capital	92,980	94,663	98,537	1,01,522	1,04,044

Cash Flows (INR Mn.)	FY23	FY24	FY25E	FY26E	FY27E
Cash flows from Operations	8,055	16,194	11,412	15,187	17,189
Cash flows from Investing	(3,650)	(7,001)	(5,894)	(9,555)	(9,525)
Cash flows from financing	(3,183)	(9,691)	(4,346)	(4,256)	(7,263)

Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios (%)					
Revenues	16.4	11.3	(5.4)	5.4	5.3
Gross Profit	18.4	6.5	(3.2)	5.9	6.0
EBITDA	(30.3)	86.2	(16.4)	17.6	12.3
EBIT	(53.8)	151.9	(26.9)	24.3	15.6
Margin Ratios (%)					
Gross Profit Margin	87.4	83.6	85.6	86.0	86.6
EBITDA Margin	8.9	14.9	13.2	14.7	15.7
EBIT Margin	4.3	9.8	7.6	9.0	9.9
Profitability (%)					
Return on equity	0.7	6.3	3.9	5.8	7.2
Return on invested capital	4.0	8.3	6.2	7.4	8.6
Return on capital employed	3.8	9.4	6.7	8.1	9.3
Valuation					
OCF / IC (%)	8.7	17.1	11.6	15.0	16.5
EV / EBITDA (x)	15.0	7.8	9.2	7.7	6.6
EV/IC (x)	1.2	1.2	1.1	1.1	1.0

Source: Company, CEBPL

Historical recommendations and target price: BCORP



Birla Corporation Ltd.z

1.	21-03-2022	ADD,	Target Price Rs. 1,532
2.	19-05-2022	OUTPERFORM,	Target Price Rs. 1,272
3.	08-08-2022	OUTPERFORM,	Target Price Rs. 1,146
4.	09-11-2022	ADD,	Target Price Rs. 1,094
5.	06-02-2023	ADD,	Target Price Rs. 1,007
6.	11-05-2023	OUTPERFORM,	Target Price Rs. 1,183
7.	10-08-2023	ADD,	Target Price Rs. 1,330
8.	10-11-2023	ADD,	Target Price Rs. 1,450
9.	07-02-2024	ADD,	Target Price Rs. 1,680
10.	06-05-2024	BUY,	Target Price Rs. 1,745
11.	12-08-2024	BUY,	Target Price Rs. 1,480
12.	25-10-2024	BUY,	Target Price RS. 1,254

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BUY	The security is expected to generate greater than 5% to less than 25% returns over the next 12 months
REDUCE	The security expected to show downside or upside returns by 0% to 5% over the next 12 months
SELL	The security expected to show Below 0% next 12 months

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