AXIS SECURITIES

Result Update
13th May, 2025

Birla Corporation Limited
Cement

BUY
Target Price
1,560

Beat on All Fronts; New Capacity Announced

Est. Vs. Actual for Q4FY25: **Revenue** – BEAT; **EBITDA Margin** – BEAT; **PAT** – BEAT

Change in Estimates post Q4FY25 (Abs.)

FY26E/FY27E: Revenue: 1%/0%; **EBITDA:** 10%/0%; **PAT:** 21%/0%

Recommendation Rationale

- **New capacity announced:** With earlier expansions stabilising at Mukutban (Maharashtra) and Chanderia (Rajasthan), and a strong foothold in central India, Birla Corporation Limited is entering its next growth phase. The Board, along with subsidiary RCCPL Private Limited, has approved a Rs 4,335 Cr investment to increase production capacity from 20 Mn tons to 27.6 Mn tons by 2028–29. This will involve expanding an integrated unit and setting up three new grinding units in Prayagraj (1.4 mtpa), Gaya (2.8 mtpa), and Aligarh (2 mtpa). Additionally, a Clinker grinding unit of 3.7 mtpa will be set up at the existing unit at Maihar, MP. The ongoing Kundanganj expansion remains on track. We forecast volume growth at a CAGR of 7% over FY25-27E.
- **Robust operating performance:** During the quarter, the company reported EBITDA/tonne of Rs 1,017, up 85% QoQ, driven by lower costs, better realisation, and the benefit of operating leverage. The cost of cement production decreased by 3%/4% YoY/QoQ to Rs 4,345/tonne. Current prices are similar to Q4FY25 exit prices and are expected to sustain, subject to higher demand. Consequently, we pencil in EBITDA/tonne growth of 12% CAGR over FY25-FY27E at Rs 850/tonne
- **Robust cement demand in the country:** Cement demand in the country is expected to remain robust, driven by increased capital spending by the central government on roads, railways, housing, and strong real estate demand. Rising investment in infrastructure development is anticipated to act as a catalyst for higher cement demand. The industry is projected to grow at a 7-8% CAGR during FY24-27E.

Sector Outlook: Positive

Company Outlook & Guidance: Pricing is expected to remain dynamic, reflecting ongoing market conditions. We expect cement demand to grow at a CAGR of 6–7% over the next few years. To strengthen its leadership in high-growth markets, the company is entering the next phase of expansion. New capacity additions will boost profitability and reduce lead distances, with grinding units strategically located closer to key markets.

Current Valuation: 9x FY27E EV/EBITDA (Earlier Valuation: 9x FY26E EV/EBITDA). We roll over our estimate to FY27.

Current TP: Rs 1,560/share (Earlier TP: Rs 1,340/share)

Recommendation: We maintain our **BUY** recommendation on the stock.

Alternative BUY Ideas from our Sector Coverage: UltraTech Cement Ltd (TP-13,510/share), Dalmia Bharat (TP-2,260/share), Ambuja Cements (TP-655/share), ACC Ltd (TP-2,420/share)

Financial Performance

BCL reported a stellar set of numbers, beating expectations on all fronts. Volume/Revenue/EBITDA/PAT were above our expectations, growing at 8%/6%/13%/33% YoY. The company reported a profit of Rs 257 Cr compared to Rs 193 Cr in the previous year.

Notably, the company's cost/tonne decreased by 4%/3% YoY/QoQ to Rs 4,345/tonne. BCL's EBITDA/tonne stood at Rs 1017, up 4%/85% YoY/QoQ. The company reported an EBITDA margin of 19%, compared to an estimated 14% and 17.8% YoY. Sales volumes for the quarter increased by 8% YoY to 5.25 mntpa. Blended realisation stood at Rs 5,362 per tonne, down 2% YoY but higher by 7% QoQ.

Key Financials (Consolidated)

(Rs Cr)	Q4FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	2,815	25	6	2,711	4%
EBITDA	534	115	13	376	42%
EBITDA Margin	19.0%	800bps	120bps	13.9%	510bps
Net Profit	257	723	33	132	94%
EPS (Rs)	33.3	723	33	17.2	94%

Source: Company, Axis Securities Research

(CMP as of 12th May, 2025)

CMP (Rs)	1,269
Upside /Downside (%)	23%
High/Low (Rs)	1657/902
Market cap (Cr)	9,771
Avg. daily vol. (6m)Shrs.	1,70,000
No. of shares (Cr)	7.7

Shareholding (%)

	Sep-24	Dec-24	Mar-25
Promoter	62.9	62.9	62.9
FIIs	5.5	5.6	6.3
MFs / UTI	14.4	14.5	13.9
Banks / FIs	0.0	0.0	0.0
Others	17.2	16.9	16.9

Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	9,214	10,270	10,999
EBITDA	1,217	1,595	1,769
Net Profit	295	553	610
EPS (Rs)	38.3	71.8	79.2
PER (x)	29	14	12
P/BV (x)	1.4	1.3	1.2
EV/EBITDA (x)	10	8	7
ROE (%)	4%	7%	8%

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	1%	0%
EBITDA	10%	0%
PAT	21%	0%

Relative Performance

Source: Ace Equity,

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Outlook

The company has announced plans to increase its cement production capacity to 27.6 MTPA by FY28–29, a 38% rise from current levels. In the near term, a 1.4 MTPA expansion at the Kundanganj plant will be operational in Q2FY26, supporting volume growth alongside the ramp-up of the Mukutban unit. Based on this, we project volume, revenue, EBITDA, and PAT growth of 7%, 9%, 21%, and 44%, respectively, over FY25-FY27E. Cement demand is expected to remain strong, driven by government initiatives. Pricing, however, remains a key variable to watch.

Valuation & Recommendation

The stock is currently trading at 8x and 7x FY26E/FY27E EV/EBITDA and EV/tonne of $71 and $63, respectively, which we believe to be attractive. **We maintain our BUY rating on the stock with a target price of Rs 1,560/share, implying an upside potential of 23% from the current market price (CMP).**

Key Concall Highlights

- **Volume Growth:** During the quarter, the company experienced an 8% improvement in volume to 5.3 mtpa YoY, achieving a 105% capacity utilisation rate. In the core markets of central India, the company retained its premium positioning despite increased competition. The Mukutban plant of the company's subsidiary, RCCPL Pvt. Limited registered a sequential volume growth of almost 20% and has established itself as one of the most efficient cement plants. It is now a significant contributor to the company's overall performance. The company expects Mukutban's capacity utilisation to be at 85% in FY26.
- **Capacity Expansion:** With earlier expansions stabilising at Mukutban (Maharashtra) and Chanderia (Rajasthan), and a solid foothold in central India, Birla Corporation Limited is entering its next growth phase. The Board, along with its subsidiary, RCCPL Private Limited, has approved a Rs 4,335 Cr investment to increase production capacity from 20 Mn tons to 27.6 Mn tons by 2028–29. This will involve expanding an integrated unit and setting up three new grinding units. The ongoing Kundanganj expansion remains on track.
- **RCCPL Private Limited will invest Rs 2,300 Cr to expand clinker production** at its Maihar unit in Madhya Pradesh. The clinker will be supplied to these three new grinding units planned for Prayagraj, Gaya, and Aligarh from the Maihar unit. Birla Corporation Limited and RCCPL have allocated Rs 2,035 Cr for these units. The addition of fresh capacity is expected to have a favourable impact on profitability, as well as reduce lead distances, with the grinding units located closer to the market.
- **Project Shikhar & Unnati:** Over the years, the company has pursued various cost rationalisation and efficiency improvement initiatives, such as Project Shikhar and Project Unnati. Cost optimisation helped improve profitability sequentially.
- **Trade-Non-Trade Mix**: During the quarter, the percentage of cement mix sold was 82%, down from 85% last year, with the remainder being Ordinary Portland Cement (OPC). The trade and non-trade sales mix was 73% and 27%, respectively, compared to 71% and 28% YoY. The company has been implementing a balanced portfolio strategy, focusing equally on premium and value segments. The share of premium brands now stands at 60%, reflecting a 6% YoY increase.
- **Cement Realisation Lower YoY:** The company's realisation from cement sales during the March quarter at Rs 5,103 per ton was 1.5% lower than last year, due to lower prices in Maharashtra and a flattish trend in Central India. Nevertheless, it represents a sequential growth of 6.6% (Rs 4,785 per ton in the Dec'24 quarter) owing to better prices in the North and East regions. Prices have started to firm up, and improved realisation is expected to support healthy growth in the quarters ahead. The cement industry faced heavy pricing pressure in the first eight months of FY25, with prices dropping 11% on average by December. For the full year, average prices were 4–5% lower than the previous year. Birla Corporation's price realisation fell 7% to Rs 4,866 per ton. Industry-wide, profit margins are estimated to have shrunk by 130–180 basis points due to weak pricing.
- **Ready-Mix Concrete (RMC)**: Birla Corporation Limited has entered the ready-mix concrete (RMC) business, starting with promising results in the Uttar Pradesh market. The Company now plans to scale up operations. The RMC venture is also expected to boost sales of its premium cement products.
- **Power/Fuel:** The cement industry gained from lower power and fuel costs. Birla Corporation's power and fuel expenses dropped 12% YoY to Rs 884 per ton in the March quarter. For the full year, these costs fell 14% to Rs 1,035 per ton. Renewable energy accounted for 24.8% of the company's total power consumption, up from 23.8% the previous year. On a

kcal basis, fuel cost stood at Rs 1.39 against Rs 1.59 in the previous quarter.

- **Freight:** Freight cost on a tonne basis was higher by 3% YoY and flattish QoQ at Rs 1,324. Additionally, during the quarter, the lead distance was reported at 350 km.
- **Incentives:** The entire project cost of Rs 2,300 Cr for the Mukutban plant is refundable through incentives over the next 20 years. During the quarter, the company accrued incentives of Rs 41 Cr, and a total of Rs 104 Cr in incentives was received for FY25, including Mukutban.
- **Capex:** During FY25, the company incurred Rs 437 Cr on Capex and is expected to incur Rs 1,100 Cr in FY26 towards growth and maintenance capex.
- **Debt:** Strong cash flow helped Birla Corporation Limited reduce its net debt to Rs 2,244 Cr by the end of March, down from Rs 3,003 Cr a year earlier. The company also lowered its cost of borrowing to 7.56%, a drop of 35 basis points YoY. Despite ongoing capacity expansion, the company expects net debt to remain stable at around Rs 3,000 Cr over the coming years.
- **OCF/FCF:** During FY25, the company generated OCF of Rs 1670 Cr and FCF of Rs 1224 Cr. Its OCF/EBITDA conversion stood at 137%, higher than the previous year's 113%.

Key Risks to Our Estimates and TP

- Higher competitive intensity may lower realisation and demand in its key markets.
- Higher input costs may impact margins.

Change in Estimates

	New		Old		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	10,270	0	10218	0	1%	0
EBITDA	1,595	0	1444	0	10%	0
PAT	553	0	459	0	21%	0

Source: company, Axis Securities Research

Result Review Q4FY25

(Rs Cr)	Quarterly Performance				
	Q4FY25	Q3FY25	Q4FY24	% Chg QoQ	% Chg YoY
Net sales	2815	2257	2,656	25%	6%
Expenditure	2281	2009	2,184	14%	4%
EBITDA	534	248	472	115%	13%
Other income	48	15	26	213%	88%
Interest	73	83	82	-12%	-11%
Depreciation	142	139	150	2%	-5%
PBT	367	41	273	787%	34%
Tax	72	10	80	605%	-10%
APAT	257	31	193	723%	33%
EBITDA margin (%)	19.0%	11.0%	17.8%	800bps	120bps
EPS (Rs)	33.3	4.1	25.1	723%	33%

Source: company, Axis Securities Research

Volume/Realisation/Cost Analyses

(Rs Cr)	Quarterly Performance				
	Q4FY25	Q3FY25	Q4FY24	% Chg QoQ	% Chg YoY
Volume/mnt	5.25	4.50	4.85	17%	8%
Blended Realisation/tonne (Rs)	5362	5015	5477	7%	-2%
Cost/tonne (Rs)	4345	4464	4503	-3%	-4%
Raw material/tonne (Rs)	896	749	921	20%	-3%
Staff Cost/tonne (Rs)	251	320	274	-21%	-8%
Power & Fuel/tonne (Rs)	884	1025	1000	-14%	-12%
Freight/tonne (Rs)	1324	1319	1284	0%	3%
Other Expenses /tonne (Rs)	990	1051	1024	-6%	-3%
EBITDA/tonne (Rs)	**1017**	**551**	**974**	85%	4%

Source: company, Axis Securities Research

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY25	FY26E	FY27E
Net sales	**9214**	**10270**	**10999**
Other operating income	0	0	0
Total income	**9214**	**10270**	**10999**
Raw Material	1385	1528	1620
Power & Fuel	1772	1782	1889
Freight & Forwarding	2364	2670	2831
Employee benefit expenses	564	604	664
Other Expenses	1913	2090	2226
EBITDA	**1217**	**1595**	**1769**
Other income	98	80	99
PBIDT	**1315**	**1675**	**1868**
Depreciation	572	600	707
Interest & Fin Chg.	327	328	336
E/o income / (Expense)	38	0	0
Pre-tax profit	**378**	**747**	**824**
Tax provision	83	194	214
(-) Minority Interests	0	0	0
Associates	0	0	0
Profit after Tax	**295**	**553**	**610**
Other Comprehensive Income	0	0	0
PAT after Comprehensive Income	**295**	**553**	**610**

Source: company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY25	FY26E	FY27E
Total assets	14331	14887	15485
Net Block	9096	9626	10129
CWIP	560	560	560
Investments	695	545	545
Wkg. cap. (excl cash)	-1379	-1332	-1299
Cash / Bank balance	118	175	180
Misc. Assets	5240	5312	5369
Capital employed	**14331**	**14887**	**15485**
Equity capital	77.01	77.01	77.01
Reserves	7015	7499	8039
Minority Interests	0	0	0
Borrowings	3290	3290	3290
Def Tax Liabilities	1040	1040	1040
Other Liabilities and Provisions	2909	2982	3039

Source: company, Axis Securities Research

Cash Flow (Rs Cr)

Y/E March	FY25	FY26E	FY27E
Profit before tax	378	747	824
Depreciation	572	600	707
Interest Expenses	327	328	336
Non-operating/ EO item	0	-80	-99
Change in W/C	148	-47	-33
Income Tax	-72	-194	-214
Operating Cash Flow	1352	1354	1521
Capital Expenditure	-445	-1130	-1210
Investments	0	0	0
Others	0	80	99
Investing Cash Flow	-62	-900	-1111
Interest Expenses	-315	-328	-336
Dividend paid	-77	-69	-69
Others	0	0	0
Financing Cash Flow	-392	-397	-406
Change in cash	-392	-397	-406
Opening Cash	157	118	175
Closing Cash	118	175	180

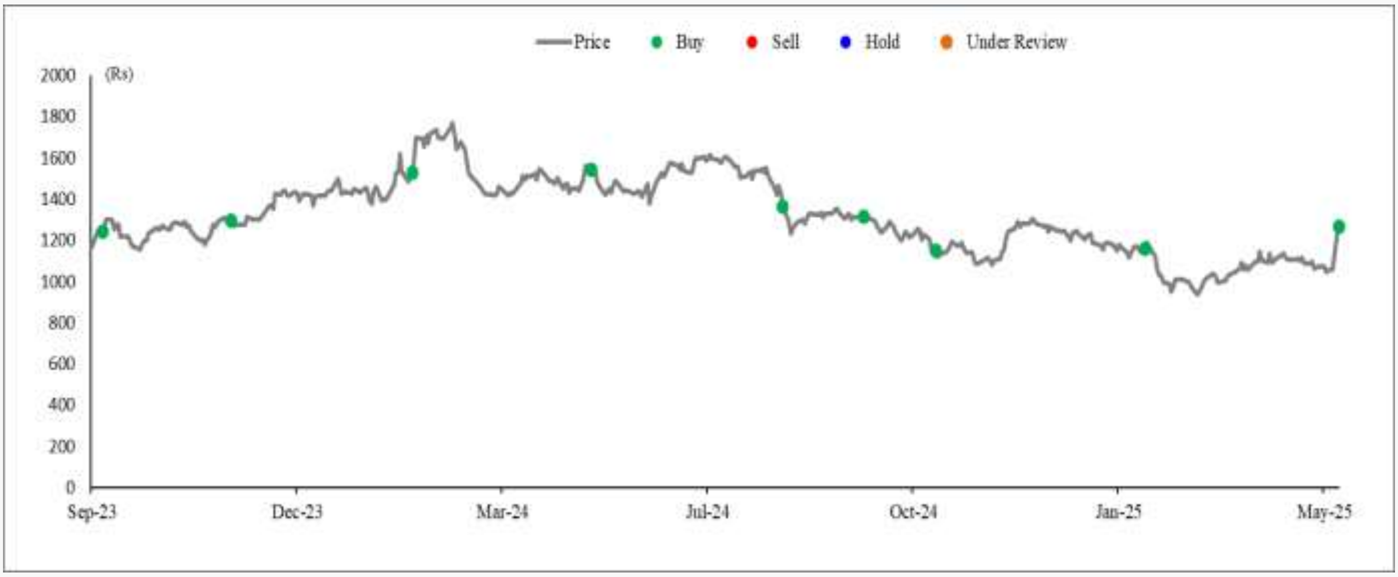
Source: company, Axis Securities Research

Ratio Analysis (%)

Y/E March	FY25	FY26E	FY27E
Sales growth	**-5%**	**11%**	**7%**
OPM	13.2%	15.5%	16.1%
Op. profit growth	-15%	31%	11%
COGS / Net sales	60%	58%	58%
Overheads/Net sales	27%	26%	26%
Depreciation / G. block	5%	5%	5%
Effective interest rate (%)	10%	9%	10%
Efficiency Ratios			
Total Asset Turnover (x)	0.64	0.69	0.71
Sales/Gross block (x)	0.74	0.76	0.75
Sales/Net block(x)	**1.01**	**1.07**	**1.09**
Working capital/Sales (x)	0.01	0.00	0.01
Valuation Ratios			
P/E (x)	29.4	13.7	12.4
P/BV (x)	1.39	1.30	1.21
EV/Ebitda (x)	**10**	**8**	**7**
EV/Sales (x)	1.34	1.24	1.16
EV/Tonne $ (x)	72	71	63
Return Ratios			
ROE (%)	4%	7%	8%
ROCE (%)	6	9	9
ROIC (%)	6	7	8
Leverage Ratios	0.48	0.45	0.42
Debt/equity (x)	0.36	0.40	0.37
Net debt/ Equity (x)	2.09	1.88	1.70
Net debt/EBITDA (X)	2.3	3.3	3.5
Interest Coverage ratio (x)	2.3	3.3	3.5
Cash Flow Ratios			
OCF/Sales	18%	13%	14%
OCF/Ebitda	137%	85%	86%
OCF/Capital Employed	14%	11%	12%
FCF/Sales	13.3%	2.2%	2.8%
Payout ratio (Div/NP)			
AEPS (Rs.)	38	72	79
AEPS Growth	-40	115	10
CEPS (Rs.)	113	150	171
DPS (Rs.)	8	9	9

Source: company, Axis Securities Research

Birla Crop Price Chart and Recommendation History



Date	Reco	TP	Research
07-Sep-23	BUY	1,400	AAA
10-Nov-23	BUY	1,440	Result Update
08-Feb-24	BUY	1,835	Result Update
07-May-24	BUY	1,800	Result Update
12-Aug-24	BUY	1,505	Result Update
19-Sep-24	BUY	1,500	AAA
25-Oct-24	BUY	1,390	Result Update
06-Feb-25	BUY	1,340	Result Update
13-May-25	BUY	1,560	Result Update

Source: Axis Securities Research

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HOLD	Between 10% and -10%
SELL	Less than -10%
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UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.