

Slow but steady ramp-up of new plant

Birla corp (BCORP) reported decent numbers for 2QFY24 but progression towards stated goal of achieving Rs850/mt EBITDA looks challenging. Mukutban plant in Maharashtra operated at 40% utilization after a year of operations and has started delivering better EBITDA numbers. We believe that the ramp-up at Mukutban is slow but the strategy to focus on premium products and maximize sales in Maharashtra is delivering good results. As utilization of Mukutban increases, we expect it to be one of the most profitable plants for BCORP given the lucrative incentives associated with it. Overall, utilization at 87% at current levels should necessitate a capex decision from the company soon. The stock remains attractively valued as its still trading at 7.5x FY25 EV/EBITDA. We have tweaked our estimates and now build in slightly higher volumes and lower costs. As a result, our FY24 EBITDA estimate is higher by 1.6% and FY25 estimate is lower by 3.4%. We have rolled our valuation forward to Sep25 and value the stock at 8x Sep25 EV/EBITDA to arrive at our revised TP of Rs1,600 (Rs1,525 earlier). We maintain our Buy rating on the stock.

2QFY24 results highlights

Revenue at Rs22.8bn is up 14.3% YoY and slightly ahead of estimate of Rs22.2bn. Volumes at 4.18mn mt reported 14.8% YoY growth whereas realizations was flat on QoQ basis (Volumes 2.5% ahead of our estimates while realizations were in-line). Operating cost/mt declined by 8.8% YoY on account of lower power & fuel costs. RM cost at Rs901 was Rs126/mt higher than our expectation resulting in lower than expected EBITDA. EBITDA/mt came in at Rs691/mt (up 167.7% YoY on a lower base) against our expectation of Rs748. Adj PAT at Rs586mn as against loss of Rs565mn last year.

Awaiting incentive accrual at Mukutban; new capex at Prayagraj also eligible

One of the key investment argument for Birla corp has been the accrual of incentives from Mukutban. The plant is eligible for incentives for its sales volumes in Maharashtra. The amount could be as high as Rs600/mt for Maharashtra sales. We expect accrual of incentives to start in 2HFY24 which will lead to better profitability. Additionally, the company is starting on a new grinding unit in Prayagraj (UP). This is also eligible for 300% of capital as incentives. The management expects that as Kundanganj incentives expire next year, the new plant will make up for it.

Slow but steady ramp up at Mukutban

The Mukutban plant has witnessed reduction in variable cost by 50% from the start. Current capacity utilization is 40% and it is expected to reach 60% by Year end. Captive mining at Mukutban is fully operational now and will result in reduction of RM costs. Out of total sales from the plant, almost 65-70% are in Maharashtra and rest in South MP and Gujarat. Some of the MP markets earlier serviced by the company's Maihar and Satna plants are now being serviced by Mukutban and some clinker has been freed which is used to address other profitable markets. Premium cement brand Perfect Plus is largely sold through Mukutban and focus is on trade sales only.

Valuation and outlook

We like BCORP for 1) volume growth through Mukutban ramp-up, 2) scope for further efficiency improvement, 3) impending accrual of incentives for Mukutban plant along with higher share of captive coal, 4) deleveraging potential and 5) attractive valuation. We expect earnings momentum to pickup speed from hereon and better pricing coupled with incentives accrual may result in better profitability for the company. We value the stock based on 8x Sep25 EV/EBITDA (rolled forward by 6 months), to arrive at our TP of Rs1,600. Maintain Buy.

Financial and valuation summary

YE Mar (Rs mn)	2QFY24A	2QFY23A	YoY (%)	1QFY24A	QoQ (%)	FY24E	FY25E	FY26E
Revenues	22,858	19,998	14.3	24,085	(5.1)	99,348	1,06,643	1,14,008
EBITDA	2,889	940	207.4	2,978	(3.0)	15,217	17,210	18,709
EBITDA margin (%)	12.6	4.7	169.0	12.4	2.2	15.3	16.1	16.4
Adj. Net profit	586	(565)	(203.8)	597	(1.8)	5,930	6,981	8,026
Adj. EPS (Rs)	7.6	(7.3)	(203.8)	7.8	(1.8)	77.0	90.6	104.2
EPS growth (%)						1,652.0	17.7	15.0
PE (x)						16.9	14.3	12.5
EV/EBITDA (x)						9.1	7.5	6.4
PBV (x)						1.5	1.4	1.3
RoE (%)						9.5	10.2	10.7
RoCE (%)						7.7	8.9	9.8

Source: Company, Centrum Broking

Please see Disclaimer for analyst certifications and all other important disclosures.

Result Update

India I Cement

10 November, 2023

BUY

Price: Rs1,299

Target Price: Rs1,600

Forecast return: 23%

Institutional Research

Market Data

Bloomberg:	BCORP IN
52 week H/L:	1,340/843
Market cap:	Rs100.1bn
Shares Outstanding:	77.0mn
Free float:	36.1%
Avg. daily vol. 3mth:	1,17,913

Source: Bloomberg

Changes in the report

Rating:	BUY (unchanged)
Target price:	+5% ; Rs1,525 to Rs1,600
EBITDA:	FY24: +2%; FY25: -3%

Source: Centrum Broking

Shareholding pattern

	Sep-23	Jun-23	Mar-23	Dec-22
Promoter	62.9	62.9	62.9	62.9
FII's	6.6	7.2	5.7	4.5
DII's	15.9	15.7	16.2	15.9
Public/other	14.6	14.2	15.2	16.7

Source: BSE

Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q2FY24	Actual Q2FY24	Variance (%)
Revenue	22,269	22,858	2.6
EBITDA	3,050	2,889	-5.3
EBITDA margin	13.7	12.6	(106) bps
Adj PAT	629	586	-6.9
EPS (Rs)	1.6	1.4	-6.9

Source: Bloomberg, Centrum Broking



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Cement

Thesis Snapshot

Estimate revision

YE Mar (Rs mn)	FY24E New	FY24E Old	% chg	FY25E New	FY25E Old	% chg
Revenue	99,348	97,163	2.2	1,06,643	1,05,943	0.7
EBITDA	15,217	14,974	1.6	17,210	17,807	-3.4
EBITDA margin	15.3	15.4	(9) bps	16.1	16.8	(67) bps
Adj. PAT	5,930	5,751	3.1	6,981	7,422	-6.0
Diluted EPS (Rs)	77.0	74.7	3.1	90.6	96.4	-6.0

Source: Centrum Broking

Birla Corp versus NIFTY Midcap 100

	1m	6m	1 year
BCORP IN	3.7	31.2	36.5
NIFTY Midcap 100	2.0	24.8	27.8

Source: Bloomberg, NSE

Key assumptions

Y/E Mar	FY24E	FY25E
Capacity (mn mt)	20.3	21.7
Volumes (mn mt)	18.1	19.2
Realizations (Rs/mt)	5,468	5,495
Operating expense (Rs/mt)	4,661	4,663
EBITDA/mt (Rs)	843	897
Capex	-9,586	-3,586
Net Debt	35,266	26,741

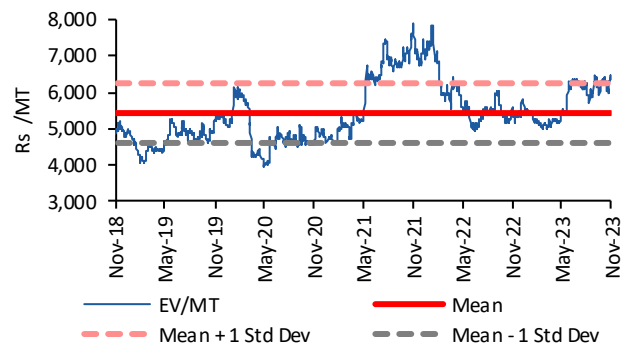
Source: Centrum Broking

Valuations

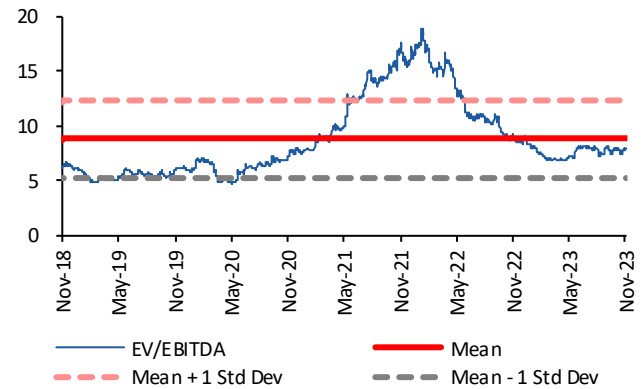
We are building in 10% revenue and 52% EBITDA CAGR for the company over FY23-25E from low base. We have tweaked our estimates for the company and continue to value the stock based on 8x FY25 EV/EBITDA to arrive at our revised target price of Rs1,525.

Valuations	Rs/share
Sep25 EBITDA	17,960
Target multiple (x)	8.0
Enterprise value	1,43,676
Less: Net debt and CWIP	20,609
Equity value	1,23,068
No of shares (mn)	77.0
Target Price (Rs)	1,600

EV/MT mean and standard deviation



EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

Peer comparison

Company	Mkt Cap		CAGR (FY23-25E)			EV/EBITDA (x)			EV/mt (US\$)			FY25E	
	(Rs bn)	Sales	EBITDA	EPS	FY23	FY24E	FY25E	FY23	FY24E	FY25E	RoE (%)	ROCE (%)	
ACC	346	-1.3%	32.9%	52.7%	16.5	10.5	8.7	105.4	94.3	90.2	12%	16%	
Ambuja Cement	1,030	0.3%	8.5%	-0.9%	29.4	24.5	22.4	367.6	269.1	201.4	5%	7%	
Birla Corporation	100	10.5%	51.9%	328.1%	17.7	9.1	7.1	81.8	81.1	76.0	11%	10%	
Heidelberg Cement	43	6.6%	18.3%	31.0%	12.9	9.5	8.5	75.5	72.1	69.3	15%	17%	
JK Cement	262	12.0%	25.0%	38.4%	21.8	15.5	13.8	149.2	148.1	127.2	18%	13%	
JK Lakshmi Cement	92	10.4%	19.3%	21.7%	12.1	10.3	8.8	88.1	91.7	77.3	16%	14%	
Nuvoco Vistas	122	7.2%	30.5%	469.3%	14.1	9.0	7.3	86.2	77.7	72.2	6%	9%	
Sagar Cements	34	23.8%	76.7%	384.3%	30.4	13.7	10.6	68.4	62.9	54.4	11%	9%	
Shree Cements	936	12.6%	25.8%	22.2%	31.2	22.9	19.7	239.6	210.4	164.7	10%	17%	
Star Cements	64	17.5%	24.0%	27.9%	13.1	12.9	9.1	131.4	104.5	82.3	14%	16%	
The Ramco Cements	241	11.2%	31.2%	47.2%	24.2	15.3	13.5	169.6	160.9	155.9	11%	11%	
Ultratech Cements	2,490	12.6%	22.1%	33.8%	23.7	16.9	15.5	230.0	227.6	193.2	14%	15%	

Source: Company, Centrum Broking

Exhibit 1: 2QFY24 result summary

Y/E March (Rs mm)	2QFY23	1QFY24	2QFY24	YoY (%)	QoQ (%)	1HFY23	1HFY24	YoY (%)
Net Sales	19,998	24,085	22,858	14.3	(5.1)	42,036	46,943	11.7
Expenditure								
Chg. in stock	(801)	613	55	NA	(91.1)	(1,739)	668	NA
RM consumption	2,914	3,522	3,764	29.2	6.9	5,981	7,287	21.8
Purchase of traded goods	41	88	16	(62.0)	(82.3)	133	104	(22.1)
Employee cost	1,315	1,396	1,424	8.3	2.0	2,593	2,820	8.8
Freight, packing etc	4,955	5,824	5,185	4.6	(11.0)	10,183	11,009	8.1
Power and fuel	6,084	5,083	4,946	(18.7)	(2.7)	12,230	10,030	(18.0)
Other exp	4,551	4,580	4,580	0.6	0.0	9,122	9,160	0.4
Total Operating Expenses	19,059	21,106	19,970	4.8	(5.4)	38,503	41,076	6.7
EBITDA	940	2,978	2,889	207.4	(3.0)	3,533	5,867	66.1
EBITDA Margin (%)	4.7%	12.4%	12.6%	794bps	27bps	8.4%	12.5%	409bps
Other Income	418	162	274	(34.4)	69.4	561	436	(22.3)
Interest Costs	928	974	954	2.8	(2.1)	1,631	1,928	18.2
Depreciation	1,254	1,403	1,435	14.4	2.3	2,399	2,838	18.3
PBT	-825	763	774	NA	1.4	63	1,536	2,335.0
Exceptional Items	-	-	(3)	NA	NA	117	(3)	NA
Tax	(260)	166	188	NA	13.2	(108)	353	NA
Reported PAT	-565	597	584	NA	(2.2)	55	1,181	2,062.6
Adjusted PAT	-565	597	586	NA	(1.8)	171	1,183	591.6
NPM(%)	-2.8%	2.5%	2.6%	NA	3.4	0.4%	2.5%	211bps
EPS (Rs.)	-7.3	7.8	7.6	NA	(2.2)	0.7	15.3	2,062.6

Source: Centrum Broking, Company Data

Exhibit 2: Operational data

Operational Data	2QFY23	1QFY24	2QFY24	YoY (%)	QoQ (%)	1HFY23	1HFY24	YoY (%)
Volume (mn mt)	3.64	4.41	4.18	14.8	(5.2)	7.57	8.59	13.5
Cement Realisation (Rs/mt)	5,151	5,229	5,211	1.2	(0.3)	5,553	5,465	(1.6)
Operating Costs (Rs/mt)	5,236	4,786	4,777	(8.8)	(0.2)	5,086	4,782	(6.0)
EBITDA (Rs/mt)	258	675	691	167.7	2.3	467	683	46.4

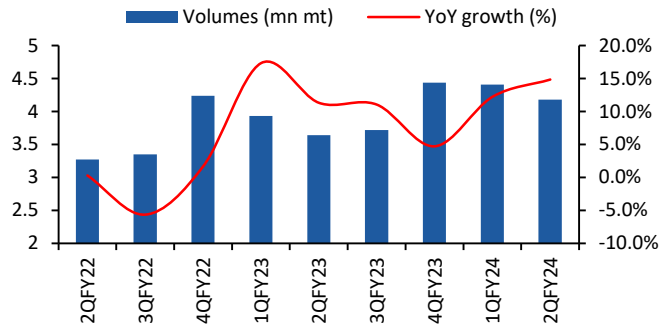
Source: Centrum Broking, Company Data

Exhibit 3: Trend in operating costs per tonne

Costs/mt (Rs)	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	YoY (%)	QoQ (%)
RM consumption	772	510	1,110	565	592	593	982	958	917	55.0	(4.2)
Employee cost	341	343	267	325	361	355	293	317	341	(5.7)	7.6
Freight, packing etc	1,185	1,238	1,252	1,330	1,361	1,325	1,340	1,321	1,240	(8.9)	(6.1)
Power and fuel	1,035	1,383	1,062	1,564	1,671	1,549	1,291	1,153	1,183	(29.2)	2.7
Other exp	1,042	1,087	997	1,163	1,250	1,208	1,023	1,038	1,096	(12.4)	5.5
Operating costs/mt	4,375	4,560	4,688	4,948	5,236	5,031	4,928	4,786	4,777	(8.8)	(0.2)
EBITDA/mt	817	664	653	660	258	388	618	675	691	167.7	2.3

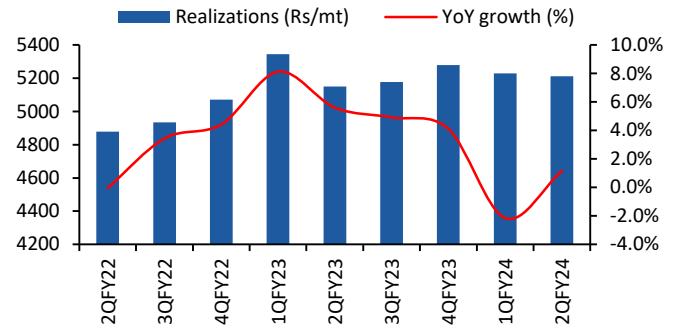
Source: Centrum Broking, Company Data

Exhibit 4: Volume growth of 14.8% YoY



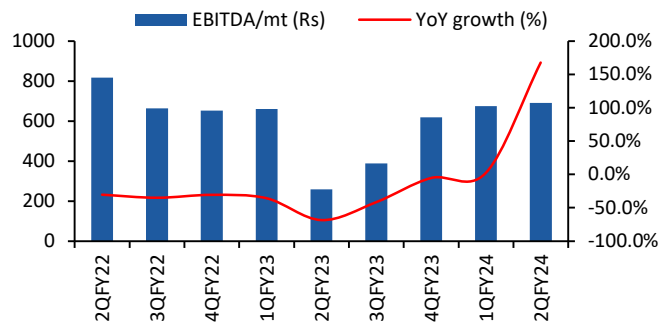
Source: Centrum Broking, Company Data

Exhibit 5: Realizations flat QoQ



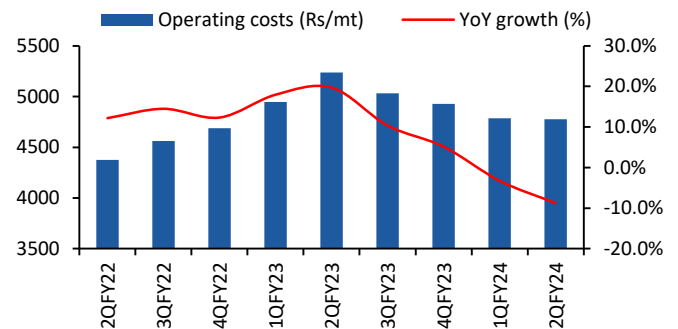
Source: Centrum Broking, Company Data

Exhibit 6: EBITDA/mt at Rs691



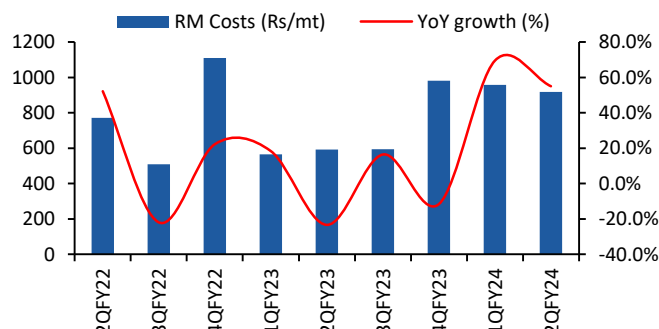
Source: Centrum Broking, Company Data

Exhibit 7: Operating costs off highs



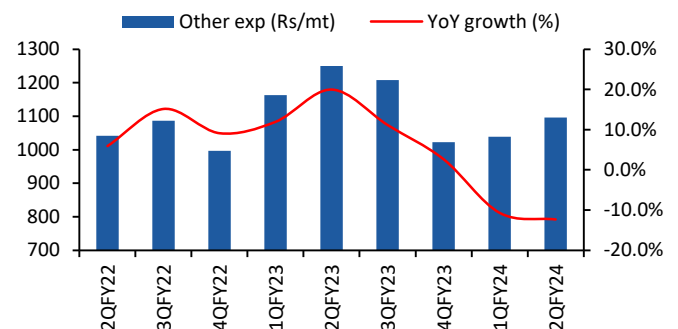
Source: Centrum Broking, Company Data

Exhibit 8: RM costs elevated



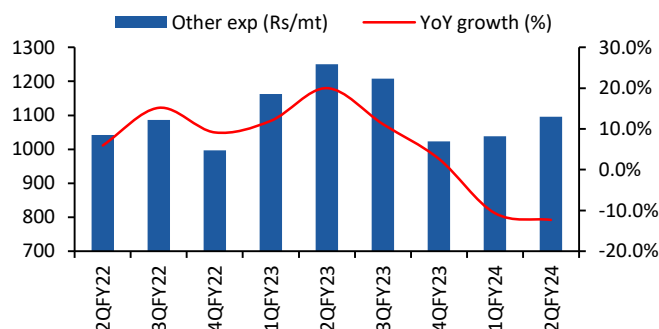
Source: Centrum Broking, Company Data

Exhibit 9: Other expenses down by 12.4% YoY



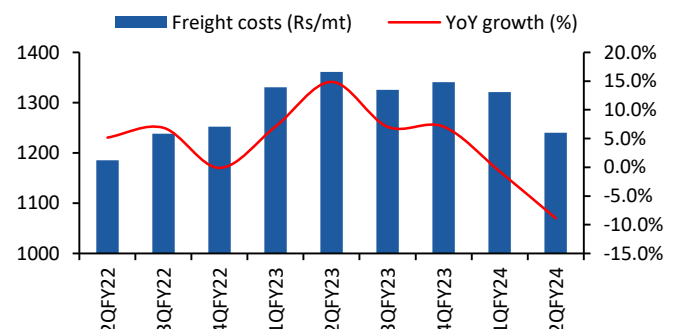
Source: Centrum Broking, Company Data

Exhibit 10: P&F costs down from peak



Source: Centrum Broking, Company Data

Exhibit 11: Freight costs down 8.9% YoY



Source: Centrum Broking, Company Data

2QFY24 conference call highlights

- **Cement brands:** Perfect plus is now 65% out of total premium sales. Rakshak brand launched in Maharashtra. Samrat advanced brand – positioned below perfect plus but higher than value segment. Trying to increase the value of perfect plus further. The company is evenly distributed between A category and B category brands. Launched RMC in UP under perfect plus brand.
- **Demand** - Rajasthan, MP demand can be affected due to festive season and elections. Demand is sustained in non-trade segment due to government spending.
- **Pricing:** The Company is able to maintain pricing despite weak pricing in central India. Premiumization has helped maintain pricing for the company. Cement prices increased in Maharashtra and Central markets last month but some slackening has happened in this month due to festival season. Prices in Maharashtra - little increase is there, MP prices flat. Realized some price gains in this quarter. Looking at ~3% pricing gain in this quarter.
- **Costs:** Project shikhar – resulted in Rs50/mt decline in operating costs. Phase 2 to tackle overhead parts of operations and will be detailed our later. Project unnati – will help address go-to market strategy of the company utilizing its plant location in optimum way. Fuel costs at Rs1.75/kcal in this quarter, expected to remain in same range in 3QFY24.
- **Capex:** Announced grinding capacity of 1.4mn mt in Prayagraj in UP which will come up by 2QFY25. This facility is eligible for 300% capital incentives under UP government's investment scheme. As incentives at existing location of Kundanganj expire next year, this new facility will help increase the amount of incentives further. Next clinker capacity expansion will happen at existing location of Maihar in 2 years' time. Recent expansion at Chanderia now fully utilized.
- **Others –**
 - Capacity utilizations at 87%, expected 2H utilization- 92%.
 - **Guidance: FY24-Ebitda-850/mt, 15% volume growth**

Exhibit 12: Key changes to our estimates and assumptions

YE Mar (Rs mn)	FY24E	FY24E	% chg	FY25E	FY25E	% chg
	New	Old		New	Old	
Revenue	99,348	97,163	2.2	1,06,643	1,05,943	0.7
EBITDA	15,217	14,974	1.6	17,210	17,807	-3.4
EBITDA margin	15.3	15.4	(9) bps	16.1	16.8	(67) bps
Adj. PAT	5,930	5,751	3.1	6,981	7,422	-6.0
Diluted EPS (Rs)	77.0	74.7	3.1	90.6	96.4	-6.0

YE Mar	FY24E	FY24E	% chg	FY25E	FY25E	% chg
	New	Old		New	Old	
Volumes (mn mt)	18.1	17.5	3.4	19.2	18.5	3.5
Realization (Rs/mt)	5,468	5,468	-	5,495	5,495	-
Operating exp/mt	4,661	4,710	-1.0	4,663	4,759	-2.0
EBITDA/mt	843	858	-1.8	897	961	-6.7

Source: Centrum Broking, Company Data

Exhibit 13: Valuation summary

Particulars	(Rs mn)
Sep25 EBITDA	17,960
Target multiple (x)	8.0
Enterprise value	1,43,676
Less: Net debt and CWIP	20,609
Equity value	1,23,068
No of shares (mn)	77.0
Target Price (Rs)	1,600

Source: Centrum Broking, Company Data

P&L					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenues	74,612	86,823	99,348	1,06,643	1,14,008
Operating Expense	59,031	73,890	78,709	83,794	89,435
Employee cost	4,481	5,213	5,422	5,638	5,864
Others	0	0	0	0	0
EBITDA	11,100	7,720	15,217	17,210	18,709
Depreciation & Amortisation	3,969	5,099	5,483	5,841	6,071
EBIT	7,131	2,621	9,734	11,370	12,638
Interest expenses	2,427	3,387	2,907	3,147	3,027
Other income	988	1,131	1,187	1,211	1,235
PBT	5,692	365	8,014	9,433	10,846
Taxes	1,392	26	2,084	2,453	2,820
Effective tax rate (%)	24.4	7.2	26.0	26.0	26.0
PAT	4,300	339	5,930	6,981	8,026
Minority/Associates	0	0	0	0	0
Recurring PAT	4,300	339	5,930	6,981	8,026
Extraordinary items	(314)	67	0	0	0
Reported PAT	3,986	405	5,930	6,981	8,026
Ratios					
YE Mar	FY22A	FY23A	FY24E	FY25E	FY26E
Growth (%)					
Revenue	10.0	16.4	14.4	7.3	6.9
EBITDA	(17.0)	(30.5)	97.1	13.1	8.7
Adj. EPS	(37.5)	(92.1)	1,652.0	17.7	15.0
Margins (%)					
Gross	85.9	87.4	87.1	87.5	87.4
EBITDA	14.9	8.9	15.3	16.1	16.4
EBIT	9.6	3.0	9.8	10.7	11.1
Adjusted PAT	5.3	0.5	6.0	6.5	7.0
Returns (%)					
ROE	7.5	0.6	9.5	10.2	10.7
ROCE	6.2	3.4	7.7	8.9	9.8
ROIC	4.5	2.0	5.8	6.9	7.9
Turnover (days)					
Gross block turnover ratio (x)	0.8	0.7	0.7	0.8	0.8
Debtors	14	13	13	13	14
Inventory	282	314	306	300	291
Creditors	234	281	268	270	263
Net working capital	56	50	40	39	47
Solvency (x)					
Net debt-equity	0.7	0.7	0.6	0.4	0.3
Interest coverage ratio	4.6	2.3	5.2	5.5	6.2
Net debt/EBITDA	3.7	5.4	2.6	1.7	1.1
Per share (Rs)					
Adjusted EPS	55.8	4.4	77.0	90.6	104.2
BVPS	785.5	776.6	848.6	929.3	1,021.0
CEPS	107.4	70.6	148.2	166.5	183.1
DPS	10.0	10.0	5.0	10.0	12.5
Dividend payout (%)	19.3	190.1	6.5	11.0	12.0
Valuation (x)					
P/E	23.2	295.3	16.9	14.3	12.5
P/BV	1.7	1.7	1.5	1.4	1.3
EV/EBITDA	12.7	18.3	9.1	7.5	6.4
Dividend yield (%)	0.8	0.8	0.4	0.8	1.0

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Equity share capital	770	770	770	770	770
Reserves & surplus	59,719	59,038	64,584	70,794	77,858
Shareholders fund	60,489	59,808	65,354	71,564	78,628
Minority Interest	0	0	0	0	0
Total debt	42,080	43,497	40,497	32,497	25,997
Non Current Liabilities	9,051	9,477	9,737	10,006	10,283
Def tax liab. (net)	9,722	9,712	9,712	9,712	9,712
Total liabilities	1,21,343	1,22,494	1,25,300	1,23,779	1,24,620
Gross block	97,536	1,25,697	1,36,270	1,41,270	1,46,270
Less: acc. Depreciation	(21,780)	(27,287)	(33,183)	(39,438)	(45,921)
Net block	75,756	98,410	1,03,087	1,01,832	1,00,350
Capital WIP	25,493	3,573	3,000	2,000	1,000
Net fixed assets	1,01,276	1,01,994	1,06,098	1,03,843	1,01,360
Non Current Assets	4,506	4,422	4,289	4,355	4,322
Investments	4,073	4,105	4,105	4,105	4,105
Inventories	8,200	10,616	10,887	11,103	11,869
Sundry debtors	3,028	3,233	3,729	4,090	4,373
Cash & Cash Equivalents	1,380	2,183	1,664	2,689	5,953
Loans & advances	5,740	5,538	5,593	5,649	5,706
Other current assets	10,313	8,629	7,710	7,293	6,877
Trade payables	7,620	9,197	9,657	10,140	10,647
Other current liab.	9,418	8,900	8,989	9,079	9,170
Provisions	135	129	129	129	129
Net current assets	11,488	11,973	10,808	11,476	14,832
Total assets	1,21,343	1,22,494	1,25,300	1,23,779	1,24,620

Cashflow					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Profit Before Tax	5,378	431	8,014	9,433	10,846
Depreciation & Amortisation	3,969	5,099	5,483	5,841	6,071
Net Interest	2,427	3,387	2,907	3,147	3,027
Net Change – WC	354	(1,131)	(355)	(143)	(592)
Direct taxes	(1,392)	(26)	(2,084)	(2,453)	(2,820)
Net cash from operations	10,736	7,760	13,965	15,826	16,531
Capital expenditure	(10,962)	(5,817)	(9,586)	(3,586)	(3,588)
Acquisitions, net	0	0	0	0	0
Investments	(2,568)	1,410	1,000	500	500
Others	599	91	133	(66)	33
Net cash from investing	(12,931)	(4,316)	(8,453)	(3,152)	(3,055)
FCF	(2,195)	3,444	5,512	12,674	13,476
Issue of share capital	0	0	0	0	0
Increase/(decrease) in debt	1,616	1,416	(3,000)	(8,000)	(6,500)
Dividend paid	(770)	(770)	(385)	(770)	(963)
Interest paid	(2,427)	(3,387)	(2,907)	(3,147)	(3,027)
Others	3,383	100	261	269	277
Net cash from financing	1,802	(2,641)	(6,031)	(11,648)	(10,213)
Net change in Cash	(393)	803	(519)	1,025	3,264

Source: Company, Centrum Broking

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Birla Corporation



Source: Bloomberg

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