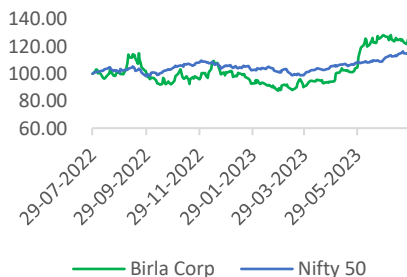


CMP: INR 1201

Rating: Buy

Target Price: INR 1480

Stock Info			
BSE	500335		
NSE	BIRLACORPN		
Bloomberg	BCORP:IN		
Reuters	BRLC.BO		
Sector	Cement		
Face Value (INR)	10		
Equity Capital (INR mn)	770		
Mkt Cap (INR mn)	92390		
52w H/L (INR)	1268/843		
Shareholding Pattern % (As on June, 2023)			
Promoters	62.90		
Public & Others	37.1		
Stock Performance (%)			
	1m	3m	12m
Birla Corp	-0.83	34.11	26.14
Nifty 50	3.55	8.75	16.05



Source: Arihant Capital Research

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The company has 11 cement plants in 9 location across the country and have a subsidiary RCCPL Pvt Ltd with an installed capacity of 20 mnt. The company has a variety of cement products along with construction chemicals and wall putty. The company has large retail presence in their core areas of central and north region.

Guidance: The company has guided for 15% growth in revenue and volumes in FY24 YoY, also the management indicated of touching EBITDA/t of INR 850/t to be driven by Mukutban contribution and impact of incentives. Volumes from Mukutban are expected to contribute 2mnt for the next year.

Revenues at INR 2425 cr up by 9.3% YoY/-2.2% QoQ (Our estimates INR 2398); **Volumes** reported at 4.41mt up by 12.2% YoY despite subdued cement prices in core markets.

Demand for cement was robust apart from June, prices remained soft and realisation/t was at INR 5183 down by 2.4% YoY.

Premium sales that is perfect plus, contributed 54% which has increased from 51% as compared to last quarter and 47% in Q1FY23. The company is focussing on increasing market share of its premium and blended cement in its Northern and Central markets. The company's utilization level also increased owing to increase in demand led by increased housing and infra activities in its core markets. The company ramped up sales of premium cement along with maintaining high utilisation.

Realisation stood at INR 5183 down by 2.4% YoY basis.

Margins: EBITDA at INR 298 cr up by 14.8% YoY/+8.7% QoQ(Our estimates INR 320) EBITDAM at 12% expanded by 100 bps QoQ led by decline in mukutban costs and decline in overall cost, the contribution from premium products increased from 51% to 54% on YoY basis volumes increased by 12% though the realizations were flattish. EBITDA/t stood at INR 664/t up by 2.9% YoY basis on account of moderation in fuel costs.

Power and fuel costs per ton for cement in Q1FY24 declined by 19% YoY/16.3% QoQ and is expected to decline further.

NP was lower on YoY basis as due to higher depreciation and interest cost.

RCCPL Sial captive coal mine: The company has ramped up coal extraction from RCCPL's Sial Ghoghri captive coal mine and optimum mixing of fuels such as imported and domestic coal and pet coke. Production of coal at Sial Ghoghri reached 351,565 tons during the FY23, up 72% over the previous year. This is a positive move as power and fuel costs forms 29% of total production cost and fuel costs have been volatile in recent past.

Outlook and Valuation: The company has launched project shikhar to achieve manufacturing and operational efficiencies and will also aim at reducing costs. On logistics side the company is working towards complete atomisation for flyash transportation by specialised BTAP wagons which will bring in additional cost savings. The company is investing in WHRS and solar power generation alternatives to fuel to reduce cost. The company is working to ramp up sales of premium products in high realisation geographies which will lead to a healthy and profitable mix. **At CMP, stock is trading at a EV/EBIDTA multiple of 8.9(x) and 7.5(x) to its FY24E and FY25E. We value the stock at a EV/EBIDTA of 8.9x) to its FY25E with a BUY recommendation and a Target Price of INR 1480/share, implying an upside of 23%.**

Q1FY24 result

INR cr	Q1FY24	Q4FY23	Q1FY23	YOY	QOQ
Net Revenue	2,408	2,463	2,204	9.3%	-2.2%
Operating Costs	2,111	2,188	1,944	8.6%	-3.5%
Employee cost	140	130	128	9.2%	7.5%
Other Expenses	458	454	457	0.2%	0.8%
EBITDA	298	274	259	15.1%	8.8%
<i>EBITDA margin %</i>	<i>12.4%</i>	<i>11.1%</i>	<i>11.8%</i>	<i>62bps</i>	<i>125bps</i>
Depreciation	140	140	115	21.7%	0.0%
EBIT	158	134	144	9.7%	
Other Income	16	67	3	-76.1%	433.3%
Finance cost	97	89	70	9.0%	38.6%
Exceptional Item				-	-
PBT	77	112	77	0.0%	
Tax Expense	17	27	15	13.3%	
Effective tax rate %	22.1%	24.1%	19.5%	<i>260bps</i>	<i>-203bps</i>
PAT	60	85	62	-3.2%	-29.4%
<i>PAT margin %</i>	<i>2.5%</i>	<i>3.5%</i>	<i>2.8%</i>	<i>-32bps</i>	<i>-96bps</i>
<i>No of shares</i>	<i>204.86</i>	<i>204.86</i>	<i>204.86</i>		
EPS (Rs)	0.29	0.41	0.30		

Q1FY24 call other KTAS

- **Mukutban unit:** In the Mukutban plant the cost declined by 48% YoY and 3% QoQ and volumes increased by 21% YoY, Mukutban plant has created opportunities to enter new markets and the company expects its profitability to improve further. There has been a substantial reduction in cost in mukutban plant with increase in sale of premium products.
- The capacity of Mukutban unit is 3.9mnt and started its commercial production in the beginning of FY2022-23. The unit has turned EBITDA positive in March 2023 in spite of market challenges in Maharashtra like subdued demand and weak pricing power. There has been a reduction in clinker cost driven by the commissioning of the Waste Heat Recovery System (WHRS) at Mukutban, weakening fuel prices and improved production planning. The company is planning to increase its presence in markets such as Telengana, Madhya Pradesh and Gujarat in order to further increase Mukutban's capacity utilization and pricing power.
- The capacity utilization was up from 88% in Q1FY23 to 91% in Q1FY24 due to strong demand in all the core markets including East UP, West Bihar and Madhya Pradesh .
- The company has managed to reduce its dependency on imported coal from 41% to 21% as the company's usage of coal from captive mines have increased, this will insulate the company from future imported coal price fluctuations.
- Trade segment contributed 54% of total sales in Q1FY24as compared to 47% in Q1FY23.

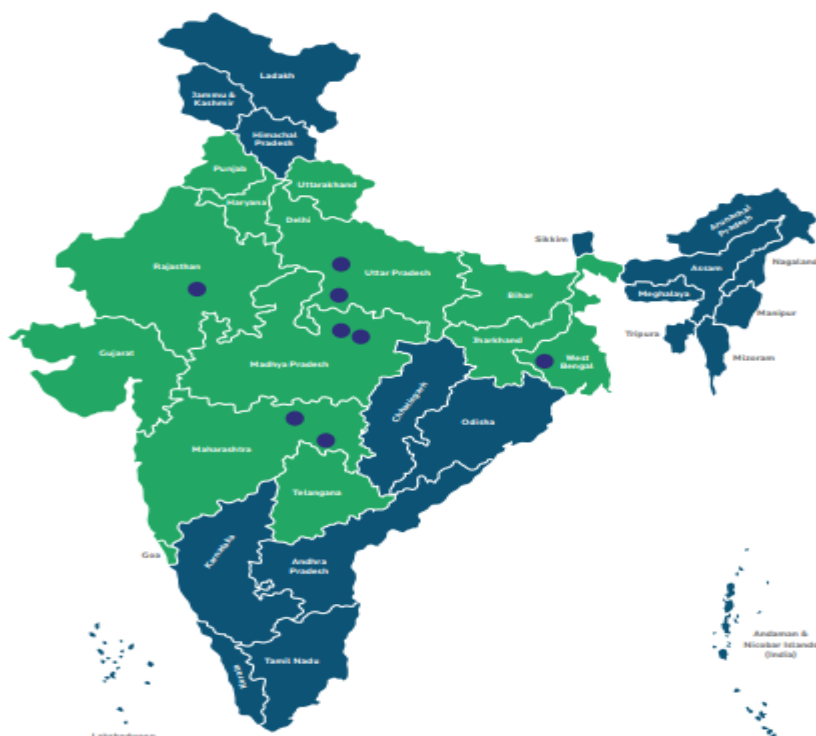
Rs Mn	FY20	FY21	FY22	FY23	FY24e	FY25e
Operating matrix	0%	-2%	6%	11%	8%	5%
EBITDA Per Tonne	966	986	747	463	782	835
EBIT Per Tonne	767	723	507	222	534	595
EBIT Per Tonne (Excl. OI)	704	649	437	150	466	526
Cost per ton	3,860	3,867	4,214	4,798	4,554	4,570
Power& Fuel/ton	1,012	905	1,142	1,508	792	758
Freight/ton	1,008	966	1,041	1,130	869	831
Net Realisation Per Tonne	4,826	4,853	4,961	5,261	5,336	5,406

BCL Plants

LOCATION	OPERATIONAL CAPACITY (MILLION TONS)
Satna, Madhya Pradesh	2.70
Chandera, Rajasthan	4.20
Durgapur, West Bengal	2.05
Raebareli, Uttar Pradesh	1.24
Total	10.19

RCCPL Plants

LOCATION	OPERATIONAL CAPACITY (MILLION TONS)
Maihar, Madhya Pradesh	3.20
Mukutban, Maharashtra	3.90
Kundanganj, Uttar Pradesh	2.21
Butibori, Maharashtra	0.50
Total	9.81



Financial Statement

Balance Sheet	FY22	FY23	FY24e	FY25e
SOURCES OF FUNDS :				
Share Capital	770	770	770	770
Reserves	59,718	59,038	59,032	59,025
Total Shareholders Funds	60,488	59,808	59,802	59,795
Minority Interest	0.4	0	0	0
- Secured Loans	43,668	38,383	38,383	38,383
- Unsecured Loans	4,175	5,113		
Total Debt	47,842	43,496	38,383	38,383
Deferred Tax Liability / (Asset)	9,722	9,712	9,712	9,712
Total Liabilities	1,18,053	1,13,016	1,07,897	1,07,890
APPLICATION OF FUNDS :				
Net Block	75,769	98,432	87,020	72,374
- Capital Work in Progress	25,511	3,573	-	-
Preoperative expense				
Investments	10,089	8,672	8,672	8,672
Current Assets, Loans & Advances				
- Inventories	8,200	10,617	-	-
- Sundry Debtors	3,028	3,234	-	-
- Cash and Bank	1,380	2,184	12,205	26,844
- Loans and Advances	14,539	14,007	-	-
- Other Current assets				
Total Current Assets	27,147	30,042	12,205	26,844
Less : Current Liabilities and Provisions				
- Current Liabilities	19,691	26,796	-	-
- Provisions	772	906	-	-
Total Current Liabilities	20,463	27,703	-	-
Net Current Assets	6,684	2,340	12,205	26,844
Total Assets	1,18,053	1,13,017	1,07,897	1,07,890

Rs Mn	FY22	FY23	FY24e	FY25e
Net Sales	74,612	86,822	96,921	1,05,878
Total Income	75,600	87,952	98,084	1,07,148
- (Inc.)/Dec. in Stock	(208)	(1,219)	50	50
- Consumption of Raw Material (% of Net Sales)	10,484 14.1%	11,970 13.8%	13,000 13.4%	15,000 14.2%
- Purchase of traded goods	260	190	5	5
- Power & Fuel	16,246	23,726	18,000	19,000
- Staff Cost	4,481	5,213	5,682	6,194
- Transport & Fwd Charges	14,798	17,770	18,000	18,500
- Other Expenditure	17,452	21,452	23,000	26,000
Total Expenditure	63,512	79,102	83,237	90,349
EBITDA	11,100	7,720	13,684	15,529
EBITDA Margin	14.9%	8.9%	14.1%	14.7%
<i>yoy growth</i>	-17.0%	-30.4%	77.2%	13.5%
Interest	2,427	3,387	2,959	2,487
Depreciation	3,969	5,099	3,960	4,182
Other Income	988	1,130	1,163	1,271
Extra ordinary Item	314	(67)		
PBT	5,378	431	6,874	9,301
Current Tax	762	26	1,719	2,325
Deferred Tax	630			
Profit after Tax	3,986	405	5,156	6,975
Adjusted PAT	4,300	338	5,156	6,975
PAT Margin	5.8%	0.4%	5.3%	6.6%
EPS	51.8	5.3	67.0	90.6

Source: Company Reports, Arihant Capital Research

Ratios	FY21	FY22	FY23	FY24E	FY25E
LIQUIDITY RATIOS					
Current Asset Ratio	1.43	1.33	1.08	1.32	1.37
Quick Ratio	1.04	0.96	0.72	0.91	0.97
Cash Ratio	0.10	0.07	0.08	0.04	0.10
LEVERAGE RATIOS					
Net Debt to Equity Ratio	0.68	0.60	0.55	0.41	0.30
Interest coverage ratio	3.26	2.94	0.77	3.29	4.56
ACTIVITY RATIOS					
Inventory Turnover Ratio	6.82	7.79	8.41	7.65	7.74
Days inventory O/S	54	47	43	48	47
Working Capital Turnover ratio	10.9	12.8	31.8	27.5	14.7
Debtors Turnover Ratio	25.6	25.6	27.7	29.0	29.3
Debtors Collection Period	14	14	13	13	12
Payables turnover ratio	93	93	98	95	86
Asset Turnover ratio	0.5	0.6	0.6	0.7	0.8
Days payable o/s	93	93	98	95	86
Operating Cycle/Cash Conversion Cycle	(25)	(32)	(41)	(35)	(27)
WC days	34	26	1	26	26
PROFITABILITY RATIOS					
Operating Profit Margin	19.7%	14.9%	8.9%	14.1%	14.7%
Net Profit Margin	10.1%	5.8%	0.4%	5.3%	6.6%
ROCE	9.0%	6.3%	2.3%	8.7%	10.1%
ROA	5.0%	3.0%	0.3%	3.7%	5.1%
Valuation & Growth Ratios					
PE Ratio	10.6	21.1	227.6	14.9	11.0
EV/EBITDA	8.46	11.83	14.55	7.73	6.52
EV/ Capital Employed	1.03	1.11	0.99	0.96	0.89
EV/Ton (\$)	91.44	84.72	72.47	68.28	65.32

Source: Company Reports, Arihant Capital Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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