

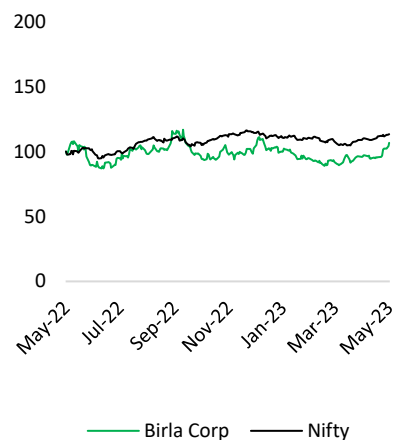
**CMP: INR 1000**

**Rating: Buy**

**Target Price: INR 1307**

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)	76780		
52w H/L (INR)	1143/ 823		
Shareholding Pattern % (As on Dec, 2022)			
Promoters	62.90		
Public & Others	37.1		
Stock Performance (%)			
	1m	3m	12m
Birla Corp	8.69	10.0	2.20
Nifty 50	-1.08	-1.30	3.29

#### Birla Corp VS Nifty



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Source: Arihant Capital Research

Birla Corporation Ltd is engaged in cement and jute goods. 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 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.

#### Key Rationale

**Profit turn-around despite challenges:** There were challenges regarding realisations, demand remained sluggish but the company managed to grow its volumes by 4.5% YoY. The company reported volume growth of 10.6% YoY to 15.73 million tons for Fy23. Our channel check suggests that all India cement prices remained flattish during Q4, the companies did try taking price hikes by INR 10-20 per bag but could not sustain the hikes. In this scenario the company managed to take decent price hikes and realisation grew by 4.3% YoY.

**Premium products:** The company is focussing on increasing market share of its premium and blended cement in its Northern and Central markets. The company's utilisation 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. The premium product sales for Q4Fy23 was 54% while for FY23 it was 51%.

**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 year, 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 gone up by 32% on yearly basis.

**Production planning to combat costs:** 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, which accounted for 22% of total fuel consumed.

**Mukutban unit:** 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 this March in spite of market challenges in Maharashtra like subdued demand and weak pricing power. There has been reduction in clinker cost driven by 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 utilisation and pricing power.

**Outlook and Valuation:** We believe the Mukutban unit continue ramp up and incentive accruals will contribute significantly to the margins. The demand seems to be good with flattish to marginal increase in price expected. **At CMP of INR 1000, stock is trading at a EV/EBIDTA multiple of 8.0(x) and 6.7(x) to its FY24E and FY25E. We value the stock at a EV/EBIDTA of 8.2x) to its FY25E with a BUY recommendation and a Target Price of INR 1307/share, implying an upside of 31%.**

### **Q4FY23 Highlights and Outlook**

The company posted decent Q4FY23 results with Revenue at INR 2462 cr up by 8.7% YoY/22.1% QoQ driven by good volumes from the key markets.

**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 expected to contribute 2mnt for the next year.

**EBITDA** stood at INR 275 cr down by -1% YoY/+89% QoQ; margins at 11.2% contracted by 109 bps YoY/+395 bps QoQ, despite cost headwinds the company managed to register an EBITDA per ton of INR 615 for the March quarter, versus INR 650 last year, it excludes Mukutban unit contribution.

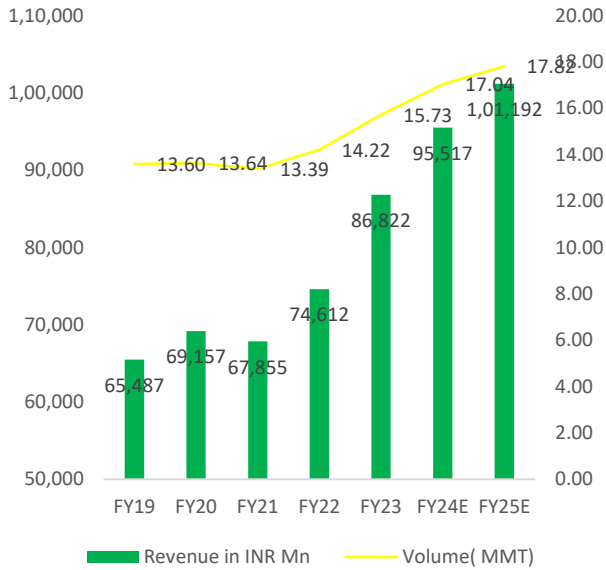
**Demand and Volume:** in key markets were sluggish in Q4FY23, currently the demand has improved on account and expected to improve further in North and Central regions due to increased housing and infra activities in their operating regions. The volumes grew by 4.5% YoY to 4.44mnt in Q4FY23. going forward, riding on industry tailwinds on the back of large Government outlay on infrastructure, Central welfare schemes such as Urban and Rural PMAY, affordable housing and a bounce back of the residential real estate we expect the revenues to grow by 15% YoY for the next financial year.

**Realizations:** The demand and price situation remained sluggish, still the company could take up 4.3% price YoY which stood at INR 5261/t for Q4FY23. The pricing scenario improved only by the end of Q4FY23 giving some headroom for marginal hike in prices. Currently, the prices are flattish with marginal drop in Q1FY24.

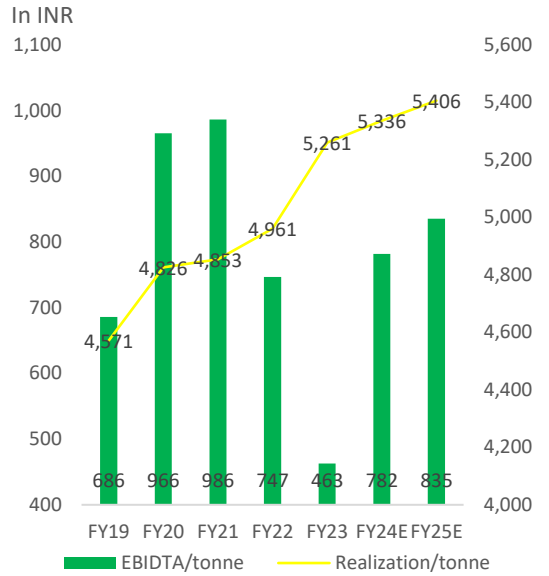
**Costs: Power and Fuel costs** forms 29% of total manufacturing cost and the cost of the same was up by 32% YoY and 3% decline on sequential basis. The company is working on scaling up coal extraction from RCCPL's Sial Ghoghri captive coal mine and also working on WHRS and solar power resources to scale up the usage, for the full year the WHRS and solar power contributed to 22% of total power consumption for the company. The cost for domestic coal stood at 1.55 and petcoke price at 1.7 on kcal basis.

**Capacities, Capex and utilisation:** Capacity utilization was at 89% in Q4FY23 as compared to 108% in Q3FY22 and for the full year it was at 81% against 92% in preceding year. Current capacity in kundanganj is 2 mnt just by internal optimization the company will be able to ramp it up to 2.5mnt, the 25mnt target remains. The company plans to set up 2<sup>nd</sup> line in mayyar and also start putting GU for traditional clinker, though the company has enough elbow room to optimize the clinker availability. The company is planning a capex of INR 200cr for Mukutban, INR 300cr for coal blocks which are under development and additional INR 500cr for other sustenance projects.

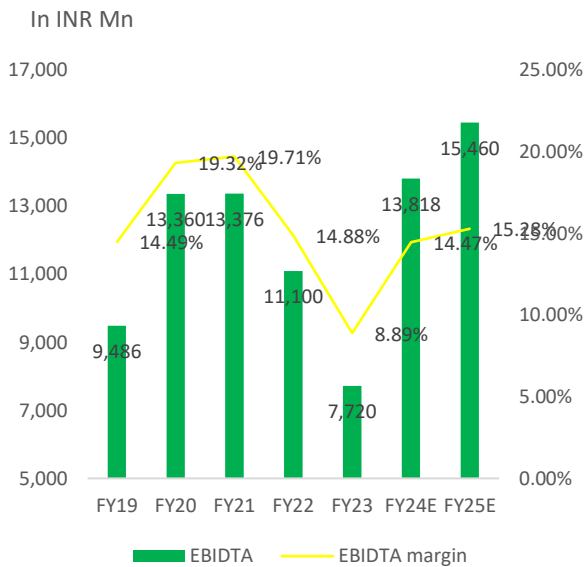
Story in charts



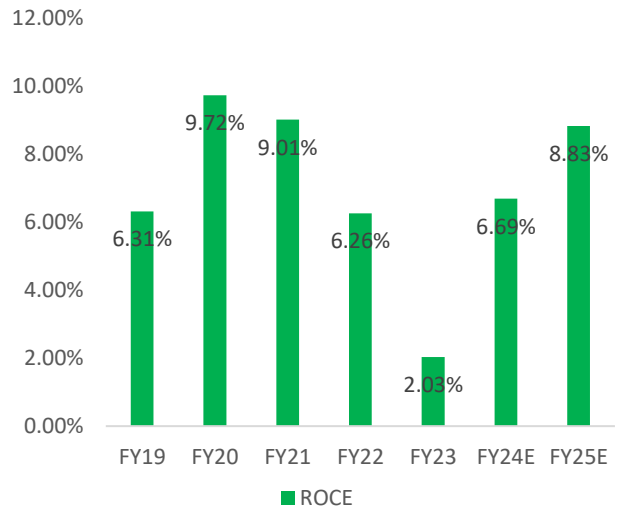
Source: Company Reports, Arihant Capital Research



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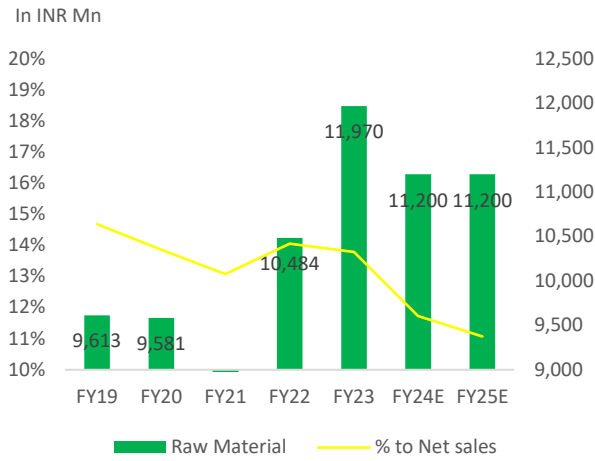


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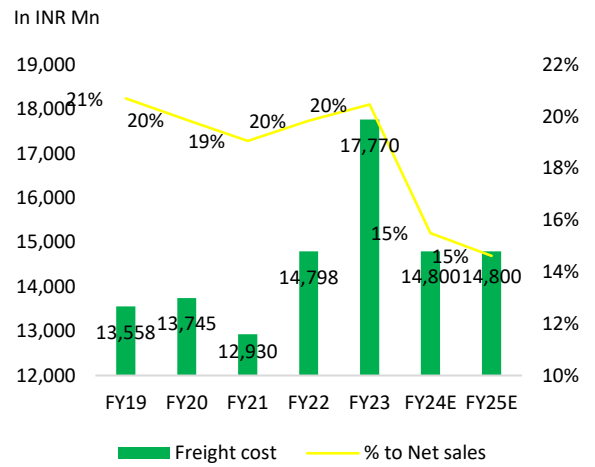


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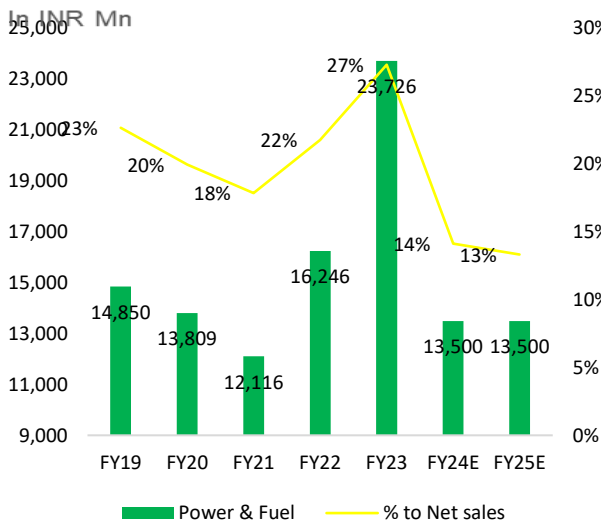
Cost Analysis



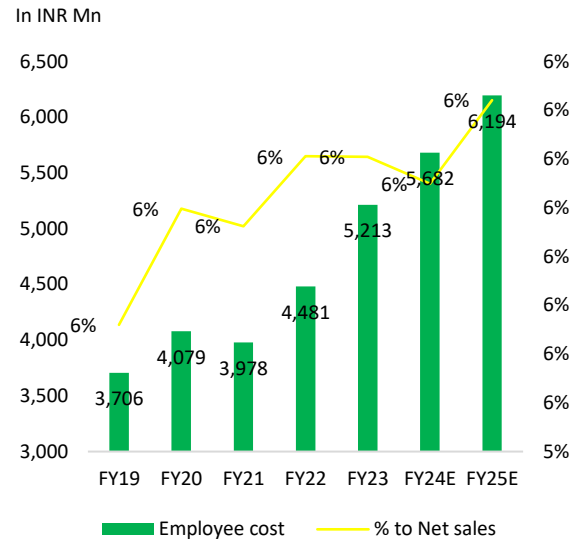
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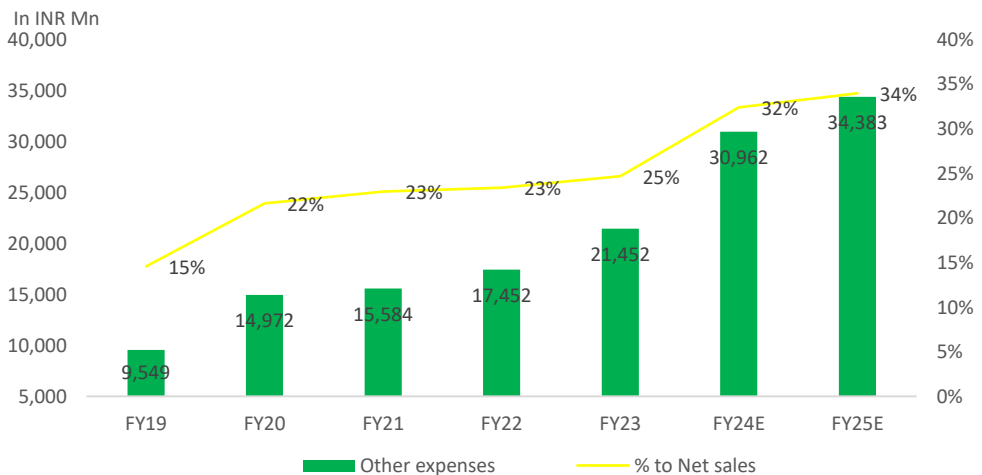
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## Financial Statement

## Income Statement

Y/E March (INR Mn)	FY22	FY23	FY24E	FY25E
<b>Revenues</b>	<b>74,612</b>	<b>86,822</b>	<b>95,517</b>	<b>1,01,192</b>
Cost of Goods Sold	41788	53656	45005	45105
Employee costs	4,481	5,213	5,682	6,194
<b>Other expenses</b>	<b>17,452</b>	<b>21,452</b>	<b>30,962</b>	<b>34,383</b>
Total operating Expense	<b>63,512</b>	<b>79,102</b>	<b>81,699</b>	<b>85,732</b>
<b>EBITDA</b>	<b>11,100</b>	<b>7,720</b>	<b>13,818</b>	<b>15,460</b>
Other Income	988	1,130	1,146	1,214
Depreciation	3,969	5,099	5,271	5,402
Interest	2,427	3,387	2,959	2,487
<b>PBT</b>	<b>5,378</b>	<b>431</b>	<b>6,734</b>	<b>8,785</b>
Tax	629	26	1,684	2,196
<b>PAT</b>	<b>3,986</b>	<b>405</b>	<b>5,051</b>	<b>6,589</b>

## Balance Sheet

Y/E March (INR Mn)	FY22	FY23	FY24E	FY25E
<b>Sources of Funds</b>				
Share Capital	770	770	770	770
Reserves & Surplus	59,718	59,038	63,588	69,676
<b>Net Worth</b>	<b>60,488</b>	<b>59,808</b>	<b>64,358</b>	<b>70,446</b>
Borrowings	43,260	44,620		
Other liabilities	34871	36292		
<b>Capital Employed</b>	<b>138622</b>	<b>1,40,718</b>	<b>1,14,912</b>	<b>1,13,001</b>
<b>Application of Funds</b>				
FA	75,769	98431	96,409	94,207
CWIP	25510	3578		
Other Non-Current Asset	27262	30048	32,213	33,965
Investments	10,089	8670	10,089	10,089
Debtors	3,028	3,233	3,402	3,604
<b>Total Assets</b>	<b>138622</b>	<b>1,40,718</b>	<b>1,14,912</b>	<b>1,13,001</b>

## Key Ratios

Y/E March (INR Mn)	FY22	FY23	FY24E	FY25E
<b>Per share (INR)</b>				
EPS	51.8	5.3	65.6	85.6
CEPS	107	71	134	156
<b>Valuation (x)</b>				
P/E	21.1	198.0	13.2	11.7
EV/EBITDA	11.8	14.0	8.0	6.7
<b>Return Ratios (%)</b>				
EBIDTA Margin	14.9%	8.9%	14.5%	15.3%
PAT Margin	5.8%	0.4%	5.3%	6.5%
ROCE	6.3%	2.03%	6.7%	8.8%
<b>Leverage Ratio (%)</b>				
Net D/E	0.78	0.71	0.47	0.31

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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