

CMP: INR 1,152

Rating: Buy

Target: INR 1,497

Stock Info

BSE	500335
NSE	BIRLACORPN
Bloomberg	BCORP:IN
Sector	Cement
Face Value (INR)	10
Equity Capital (INR mn)	770
Mkt Cap (INR mn)	88,710
52w H/L (INR)	1,802 / 1,103
Avg Yearly Volume (in 000')	157

Shareholding Pattern %

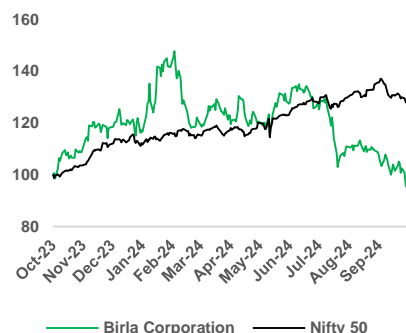
(As on September, 2024)

Promoters	62.9
DII	5.46
FII	16.2
Public & Others	15.44

Stock Performance (%) 1m 6m 12m

BIRLACORPN	-10.7%	-21.7%	-3.7%
NIFTY	-5.9%	8.91%	27.6%

BIRLACORPN vs Nifty



Abhishek Jain

abhishek.jain@arihantcapital.com
022-422548871

Nirvi Ashar

nirvi.ashar@arihantcapital.com

Kunjai Agarwal

kunjai.agarwal@arihantcapital.com

Birla Corporation Ltd reported muted Q2FY25 numbers which came in below our estimates. Revenue for Q2FY25 came in at INR 19,526 , de-growth of 14.6% YoY/ de-growth of 10.9% QoQ as against expectation of INR 20,370 Mn because of lower realizations and volumes. Sales Volume was at 3.97 MnT with de-growth of 5% YoY and de-growth of 9.4% QoQ as against expectation of 4.2MnT, it is due to monsoon impact. Realization stood at INR 4,918/T de-growth of 10.1% YoY/ de-growth of 1.7% QoQ as against expectation of INR 4,850/T.

Gross profit & margin witnessed a decline: Gross profit came in at INR 16,671 Mn, de-growth of 12% YoY & decline of 12% QoQ while its Gross margin at 85.4%, improved by 216bps YoY / decline of 130bps QoQ. The impact was because of increase in raw material cost by 26% YoY and also muted topline growth.

Subdued operating performance: Birla Corp's operating performance also remained below our expectation due to increase in employee cost wherein annual and quarterly increment were introduced and expectational penalty cost. EBITDA de-grew by 38.7% YoY/31.4% QoQ to INR 1,771 Mn while margins was decline of 356bps YoY / decline of 272bps QoQ to 9%. EBITDA/t at INR 446/t decline of 35.4% YoY / decline of 24.3% QoQ. Further, PAT seen a de-growth of 143.3% YoY/177.4% QoQ ,giving loss of 252 Mn with PAT margin at -1% which decreased by 385bps YoY/278bps QoQ.

Strategic Growth and Operational Excellence: Birla Corp. is actively progressing with its capacity expansion initiatives. The company's ongoing project at the Kundangunj plant, with a capacity of 1.4 MnT, is expected to be commissioned by the first quarter of FY26. the company's manufacturing assets, especially at its RCCPL plants are among the most efficient in the industry, and will drive future growth. The company aims to further enhance its operational efficiency and focus on cost rationalization through initiatives like Project Shikhar, which delivered savings of ₹42 per ton in Q2 FY25. Furthermore, the company is ramping up renewable energy usage, with plans to source 12 MW of green power at its Maihar unit by the end of FY25

Outlook & Valuation: Birla Corp reported muted numbers for Q2FY25, however going ahead the management remains optimistic for the Q3FY25 and FY25. We believe the growth is expected to be driven by demand recovery in late November, following the festive season and state elections in Maharashtra. Additionally, increased infrastructure spending by the central government and pickup in housing & real-estate demand will continue to drive economic activity and growth for the cement sector. Additionally in H2, anticipation of moderate price increases and uptick in demand together will aid cement industry to recover from losses. We estimate revenue/EBITDA to grow at a CAGR of 8%/11.2% over FY24-FY26E and assign a Buy rating with a target price of INR 1,497.

Key Financials

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E
Net Sales	86,822	96,627	103,672	112,715
EBITDA	7,720	14,376	15,673	17,760
EBITDAM (%)	8.9%	14.9%	15.1%	15.8%
APAT	405	4,206	5,454	7,094
APATM (%)	0.5%	4.4%	5.3%	6.3%
EPS (Rs)	5.3	54.6	70.8	92.1
EV/EBITDA	15.7	7.8	6.8	5.6
RoE (%)	0.6%	6.5%	7.9%	9.5%

Source: Arihant Research, Company Filings

Q2FY25 Concall Highlights

Industry Dynamics:

- **Subdued H1FY25:** Similar to the broader cement industry, Birla Corp also faced a subdued first half due to the monsoon and upcoming elections, which impacted demand.
- **Outlook Positive:** The second half of FY25 is expected to show demand improvement due to a resurgence in infrastructure projects and continued demand from the real estate sector.
- Government initiatives such as metro projects (Chennai, Bangalore), ring roads (Mumbai, Pune, Thane), and increased commercial construction activity are expected to boost demand.
- The non-trade sector, particularly in OPC, experienced sharp price declines across key regions like Rajasthan and UP, which negatively impacted profitability. Birla Corp limited its participation in these segments to avoid losses, but the company anticipates a potential price correction in the non-trade sector, which could improve market conditions and positively influence overall pricing dynamics moving forward.

Capacity Expansion:

- Birla Corp's capacity utilization stood at about 60% in the central India plants, with plans to bring it back to full capacity as demand rises.
- **Kundanganj's Third Line:** On track for completion by FY26, which is expected to restore some lost incentives and contribute to enhanced capacity.
- The company expects a **7-8% YoY** volume growth in H2FY25, with a full-year target of 3-4%.

Cost Saving Initiatives:

- Projected cost-saving efforts through efficiency projects like **Project Shikhar** and **Project Unnati** are expected to save about **INR 70/ton** in the second half.
- Expecting an improvement in EBITDA of INR 170/ton in H2FY25 through a combination of cost savings and price improvements.
- The first coal production from its Vikram coal block is expected in Q1FY26, projected to lower coal costs to INR 1.10 per kilocalorie.

Other Highlights:

- **Green Power Mix:** 32% of the company's power is from renewable sources, and the company strongly emphasises sustainability.
- Current pricing levels are seen as bottoming out, with expectations of improvement by the second half of FY25. Trade pricing, while impacted by the non-trade sector, has shown some resilience.
- Birla Corp is focusing on its premium product portfolio, leveraging its strong brand positioning, with a premium mix at **61%** of total sales.
- The company expects to close FY25 with a net debt of around **INR 3,000 crore**, slightly higher due to weaker-than-expected operating cash flows, but mitigated by reduced CapEx spending.

Q2FY25 - Quarterly Performance (Consolidated)

Particulars (INR Mn)	Q2FY25	Q2FY24	YoY	Q1FY25	QoQ
Net Revenue	19,525	22,858	-14.6%	21,904	-10.9%
Cost of Raw Materials	3,293	3,764	-12.5%	3,672	-10.3%
Purchase of Finished Goods	35	16	121.2%	37	-6.2%
(Increase) / Decrease In Stocks	-474	55	-964.8%	-791	-40.1%
Total Raw material cost	2,854	3,835	-25.6%	2,918	-2.2%
Gross Profit	16,671	19,024	-12.4%	18,986	-12.2%
Gross Margins %	85.4%	83.2%	220	86.7%	-130
-Power & Fuel	4,068	4,946	-17.8%	4,398	-7.5%
-Freight Handling	4,957	5,185	-4.4%	5,791	-14.4%
-Other Expenses	4,469	4,580	-2.4%	4,740	-5.7%
Total Operating Expenses	17,754	19,970	-11.1%	19,321	-8.1%
EBITDA	1,771	2,889	-38.7%	2,583	-31.4%
Adj EBITDA	1,771	2,889	-38.7%	2,583	-31.4%
<i>EBITDA margin %</i>	<i>9.1%</i>	<i>12.6%</i>	<i>-354</i>	<i>11.8%</i>	<i>-272</i>
Depreciation	1,450	1,435	1.1%	1,455	-0.3%
EBIT	321	1,454	352.7%	1,127	29.0%
Other Income	172	274	-37.2%	170	1.1%
Finance cost	851	954	-10.8%	858	-0.8%
Exceptional Item	-	3		-	
PBT	-357	771	-146.4%	440	-181.3%
Tax Expense	-105	188	-	114	-
Effective tax rate %	29.4%	24.3%	-	25.9%	-
PAT	-252.5	583.7	-143.3%	326.2	-177.4%
<i>PAT margin %</i>	<i>-1.3%</i>	<i>2.6%</i>	<i>-384</i>	<i>1.5%</i>	<i>-278</i>

Source: Arihant Research, Company Filings

Per ton (Rs/t)	Q2FY25	Q2FY24	YoY	Q1FY25	QoQ
Sales Volume (mt)	3.97	4.2	5%	4.38	10%
Realization/tonne	4,918	5,468	11%	5,001	2%
EBIDTA/tonne	446	691	55%	590	32%
Fuel Cost/ton	1025	1183	15%	1004	-2%
Total cost/ ton	1,126	1,096	-3%	1,082	-4%
Freight cost/ton	1,249	1,240	-1%	1,322	6%

Source: Arihant Research, Company Filings

Profit & Loss Statement (Consolidated)

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E
Net sales	86,822	96,627	1,03,672	1,12,715
Expenditure				
Cost of materials	11,970	14,818	16,380	17,584
Purchase of stock in trade	190	238	207	225
(Inc)/Dec In Stocks	(1,219)	753	500	500
Total raw materials	10,941	15,809	17,088	18,309
Gross Profit	75,881	80,818	86,585	94,406
Gross Profit M (%)	87.4%	83.6%	83.5%	83.8%
Employee cost	5,213	5,562	6,013	6,537
Fuel cost	23,726	19,474	20,734	22,318
Freight & Forwarding	17,770	20,089	21,356	22,994
Other expenses	21,452	21,317	22,808	24,797
Total expenditure	68,161	66,442	70,912	76,646
EBITDA	7,720	14,376	15,673	17,760
EBITDAM (%)	8.9%	14.9%	15.1%	15.8%
Depreciation	5099	5783.1	5,972	6,315
PBIT	2,621	8,593	9,701	11,445
Other income	1130	855.7	1,037	1,127
Interest expenses	3387	3717.1	3,217	2,789
PBT	364	5,731	7,520	9,782
Tax	26	1593.7	2066.6	2688.3
Reported PAT	338	4,138	5,454	7,094
Except. Inc/Exp	-67	-67.8	0	0
PAT (after Exceptional)	405	4,206	5,454	7,094
PAT Margin %	0.5%	4.4%	5.3%	6.3%
EPS	5.3	54.6	70.8	92.1

Source: Arihant Research, Company Filings

Balance Sheet (Consolidated)

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E
Share Capital	770	770	770	770
Reserves & Surplus	59038	65968	70921	77437
Net worth	59808	66738	71691	78207
Minority Interest	0.4	0.4	0.4	0.4
Long term borrowings	38383	31853	27075	23014
Short term borrowing	5113	5845	5552	5275
Total Debt	43496	37697	32627	28288
Deferred tax liabilities	9712	11042	11042	11042
Current Liabilities	26796	27924	29824	32425
Provisions	906	960	1136	1235
Total	37415	39926	42002	44702
Total liabilities	140719	144361	146320	151198
Application of Funds				
Net Block	98432	97907	97006	97691
Capital work in process	3573	4802	4802	4802
Investments	8672	12870	13996	15217
Current Assets				
Inventories	10617	9646	10509	11426
Sundry Debtors	3234	4149	4545	4941
Cash and Bank	2184	1592	1090	1496
Loans and Advances	14007	13396	14372	15626
Total	30042	28783	30516	33489
Total assets	140719	144362	146320	151199

Source: Arihant Research, Company Filings

Cash Flow Statement (consolidated)

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E
Profit before tax	431	5799	7520	9782
Add: Depreciation	9511	5783	5972	6315
Add: Interest cost	3387	3717	3217	2789
Others	-5047	-376	0	0
Operating profit before WC changes	8282	14924	16710	18887
Changes in working capital	279	2021	342	-272
Cash from Operations	8562	16945	17052	18615
Less: Taxes	-508	-751	-2067	-2688
Cash flow from Operations	8054	16195	14985	15927
Cash flow from investing	-3650	-7001	-7174	-8392
Cash flow from Financing	-3183	-9691	-8287	-7128
Net cash Inflow/Outflow	1220	-498	-476	406
Opening cash	843	2064	1566	1090
Closing cash	2064	1566	1090	1496

Source: Arihant Research, Company Filings

Ratio Analysis

Particulars	FY23	FY24	FY25E	FY26E
Per share Data				
EPS (Rs)	4	54	71	92
Book value per share (Rs)	777	867	931	1016
Profitability Ratios				
EBITDAM(%)	8.9%	14.9%	15.1%	15.8%
PBTM (%)	0.4%	5.9%	7.3%	8.7%
NPM (%)	0.5%	4.4%	5.3%	6.3%
RoE (%)	0.6%	6.5%	7.9%	9.5%
RoCE (%)	2.3%	7.5%	8.4%	9.8%
Efficiency Data				
Debt-Equity (x)	0.7	0.6	0.5	0.4
Net Debt/Equity(x)	0.5	0.3	0.2	0.1
Interest Cover (x)	0.8	2.3	3.0	4.1
Debtors (Days)	14	16	16	16
Inventory (Days)	45	36	37	37
Payable (Days)	113	105	105	105
Valuation				
P/E (x)	262.2	21.4	16.3	12.5
P/BV	1.5	1.3	1.2	1.1
EV/EBITDA	15.7	7.8	6.8	5.6
EV/Sales	1.4	1.2	1.0	0.9

Source: Arihant Research, Company Filings

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	6 Lad Colony, Y.N. Road, Indore - 452003, (M.P.) Tel: (91-731) 4217100 Fax: (91-731) 4217101

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%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

Disclaimer: This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880