

CMP: INR 1,161

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)	89,380
52w H/L (INR)	1,802 / 1,073
Avg Yearly Volume (in 000')	157

Shareholding Pattern %

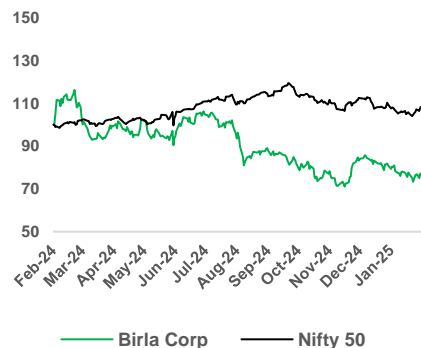
(As on September, 2024)

Promoters	62.9
DII	5.6
FII	16.24
Public & Others	15.24

Stock Performance (%) 1m 6m 12m

BIRLACORPN	-3.12%	-17.9%	-23.2%
NIFTY	0.62%	-0.96%	8.36%

BIRLACORPN vs Nifty



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Birla Corporation Ltd reported muted Q3FY25 numbers, with topline and profitability missing our estimates due to lower-than-expected realizations and margin pressures. Revenue stood at INR 22,567 Mn, reflecting a 15.6% YoY growth but a 2.3% sequential decline, missing our estimate of INR 24,738 Mn. Sales volume growth remained strong at 4.5 MnT (+7% YoY / +13% QoQ), exceeding expectations of 4.0 MnT, supported by demand recovery post-monsoon. However, realization was INR 5,015/T, down 9% YoY but up 2% QoQ, surpassing our expectation of INR 4,681/T.

Margins Under Pressure Despite QoQ Recovery: Gross Margin came in at 85.4%, declining 71bps YoY and 31bps QoQ, impacted by higher raw material costs.

EBITDA stood at INR 2,479 Mn, with margins at 11%, down 540bps YoY, though improving 191bps QoQ, aided by operating leverage from volume growth.

EBITDA per ton at INR 551, declined 39% YoY, but recovered 23% QoQ with price stability and cost initiatives. PAT at INR 312 Mn, de-growing 71% YoY but improving 224% QoQ, reflecting operational efficiencies and lower costs.

Strong Volume Growth Despite Industry Challenges: Birla Corp delivered 7% YoY and 13% QoQ volume growth in Q3FY25, outperforming expectations (4.0 MnT vs. 4.5 MnT achieved). This was driven by strong demand recovery post-monsoon, improving traction in rural markets, and increased infrastructure activity. The company's ability to grow volumes in a competitive market highlights its strong market positioning.

Capacity Expansion & Cost Optimization to Drive Growth: Mukutban has emerged as a key growth driver, operating at 60%+ utilization, enhancing geographical diversification and mitigating pricing pressures in Central India. The 1.4 MnT Kundanganj expansion remains on track for Q1FY26, reinforcing Birla Corp's 25 MTPA capacity target by FY27. Additionally, investments in renewable energy (12 MW at Maihar by FY25-end) and captive coal sourcing (30-32% by FY27) are expected to drive cost efficiencies and margin expansion.

Outlook & Valuation: Cement demand is expected to improve in H2FY25, driven by post-festive season recovery, increased government infrastructure spending (including initiatives like the Pradhan Mantri Awas Yojana and various road and housing projects), and anticipated moderate price hikes, which should aid profitability. Given Birla Corp's strong volume growth trajectory, cost optimization focus, and upcoming capacity expansion, we remain optimistic about the company's long-term prospects. We estimate a revenue/EBITDA CAGR of 8%/11.2% over FY25-FY26E and maintain 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

Q3FY25 Concall Highlights

Management Commentary

- Management remains constructive on demand momentum, with Mukutban emerging as a key profitability driver.
- Geographic diversification has helped offset competitive intensity in Central India, with the Chanderia unit benefiting from strong traction in the North.
- Premium product mix remains a key focus, with premium sales contribution at ~59%, among the highest in the industry.
- Expansion roadmap remains intact, with Kundanganj (1.4 MTPA) commissioning expected in Q1FY26 and long-term target of 25 MTPA by FY27 unchanged.

Financial Highlights – Q3FY25

- Revenue for Q3FY25 came in at INR 22,567 Mn, growth of 15.6% YoY/ de-growth of 2.3% QoQ as against expectation of INR 24,738 Mn
 - Sales Volume was at 4.5 MnT with growth of 7% YoY and growth of 13% QoQ as against expectation of 4.0MnT.
 - Realization stood at INR 5,015/T de-growth of 9% YoY/ growth of 2% QoQ above our expectation of INR 4,681/T.
 - Gross margin at 85.4%, decline by 71bps YoY / decline of 31bps QoQ.
 - EBITDA margin at 11% decline of 540bps YoY / increase of 191bps QoQ
 - EBITDA/ton at INR 551/T decline of 39% YoY / increase of 23% QoQ.
 - The company reported Profit on the bottom-line with PAT at INR 312Mn(-71%YoY/+224% YoY)
- Operational & Market Highlights

Regional Trends:

- North has robust price recovery and demand uptick supported strong performance at Chanderia.
- Central is Competitive intensity persisted amid oversupply, though rural demand and state infrastructure spending provide tailwinds.
- East: has Positive pricing momentum seen in Bihar and other Eastern markets.
- West (Mukutban)has given significant volume contribution, with utilization at high-60% levels.

Cost & Efficiency Initiatives:

- Freight cost marginally impacted due to market reallocation of dispatches.
- Lead distance: 360 km, Fuel cost: INR 1.50/mn kcal.
- Incentive accrual at INR 100 Cr for FY25, primarily from Mukutban.
- Own coal contribution: 15%, expected to rise to 30-32% post Bikram mine ramp-up (FY26-27).

Pricing & Demand Outlook:

- Price hikes implemented in Q3, with further traction expected in Q4.
- Government rural infra push (Pradhan Mantri Awas Yojana, state-level spending) to drive demand recovery.
- Premiumization strategy remains a key margin lever, with premium cement mix at ~59%.

Capex & Expansion Plans

- FY25 CapEx guidance at INR 500o mn (INR 3000 mn spent in 9M FY25).
- Kundanganj expansion (1.4 MTPA) on track for Q1FY26 commissioning.
- Green energy transition in progress, with current renewable power share at 26%, targeted at 35% over the next 12-18 months.
- Long-term capacity expansion to 25 MTPA by FY27 remains on track.

Q3FY25 - Quarterly Performance (Consolidated)

INR Mn (Consolidated)	Q3FY25	Q2FY25	Q-o-Q	Q3FY24	Y-o-Y
Net Revenue	22,567	19,526	16%	23,104	-2.33%
Raw Material Costs	3,369	2,854	18%	3,285	2.55%
Gross Profit	19,198	16,672	15%	19,820	-3.14%
Gross Margin	85%	85%	-31bps	86%	-71bps
Employee costs	1,440	1,406	2%	1,412	1.97%
Fuel Cost	4,612	4,068	13%	4,597	0.32%
Frieght & Forwarding	5,937	4,957	20%	5,638	5.29%
Other Expenses	4,731	4,469	6%	4,388	7.82%
EBITDA	2,479	1,772	40%	3,785	-34.49%
EBITDA margin	11%	9%	191bps	0	-540bps
Other Non Operating Income	154	172	-10.5%	163	-5.46%
Depreciation	1,391	1,450	-4.1%	1,448	-3.98%
EBIT	1,243	494	151.7%	2,500	-99.94%
Finance costs	830	851	-2%	965	-14.05%
Share of profit of joint venture and associate	-	-	0%	-	0.00%
Exceptional Items	-	-	0%	-	0.00%
PBT	413	(357)	-216%	1,535	-73.06%
Tax Expense	101.50	-105.00	-197%	443	-77.10%
Effective tax rate	25%	29%	-487bps	0	-433bps
PAT	311.90	-251.90	-224%	1,091	-71%
PAT margin	1%	-1%	267bps	0	-334bps

INR Mn (Consolidated)	Q3FY25	Q2FY25	Q-o-Q	Q3FY24	Y-o-Y
Sales Volume (MT)	4.5	3.97	13%	4.2	7%
Realization/Ton (Rs)	5,014.78	4,918.29	2%	5,501.05	-9%
EBITDA/Ton (Rs)	550.98	446.35	23%	901.19	-39%
Total Cost/Ton (Rs)	4,463.80	4,471.94	0%	4,599.86	-3%
Fuel Cost/Ton (Rs)	1,024.80	1,024.69	0%	1,094.47	-6%
Frieght & Forwarding/Ton (Rs)	1,319.22	1,248.69	6%	1,342.40	-2%

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

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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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