

Operational performance to improve...

About the stock: Birla Corporation, a MP Birla group company, is engaged in the business of manufacturing of cement & also has presence in the jute business. Currently, cement capacity stands at 20 mtpa with 11 plants across Madhya Pradesh, Uttar Pradesh, Rajasthan, Maharashtra & West Bengal. Cement business contributes 95% to total revenue, while jute business contributes 5%

- Birla Corp's revenue has grown by 12.5% CAGR over FY21-24, while EBITDA has grown by 2.4% over the same period

Q2FY25 performance: Consolidated revenue de-grew by 14.6% YoY (-10.9% QoQ) to ₹ 1953 crores. Volumes stood at 4 million tonnes (-5% YoY, -9.4% QoQ). EBITDA de-grew by 38.7% YoY (-31.4% QoQ) to ₹ 177.2 crores. EBITDA/ton stood at ₹ 446/ton (-35.4% YoY, -24.3% QoQ). Net loss of ₹ 25.2 crores (vs profit of ₹ 58.4 crores in Q2FY24)

Investment Rationale:

- Demand recovery, capacity expansion to help volume growth:** We believe that company's sales volume to witness meaningful recovery in H2FY25 (+8.5% YoY) after a muted H1FY24 (-2.8% YoY), led by improvement in demand (post Diwali & Maharashtra state assembly election) & ramp-up of existing capacities. Management expects capacity utilisation of 3.9 mtpa Mukutban facility to improve to 60% by FY25 end (currently running at 50%). Currently, company is in process of expanding its capacity by 1.4 mtpa at Kundanganj (expected to be commissioned by Q1FY26E) to reach 21.4 mtpa. By FY27E, company targets to increase its total capacity to 25 mtpa (~8% CAGR over FY24-27E), which provides medium to long term growth visibility. We expect volume growth of ~7% CAGR over FY24-27E to 21.6 mtpa in FY27E (from 17.6 mtpa in FY24)
- EBITDA/ton to improve considerably:** EBITDA/ton declined substantially by ~24% YoY to ₹ 521/ton in H1FY25, mainly led by lower sales realisation and negative operating leverage. Cost structure continued to see an improvement (total cost/ton declined by 7% YoY in H1FY25), led by various cost efficiency measures. Going ahead, we expect EBITDA/ton to improve to ₹ 721/ton in 2HFY25, led by improvement in realisation and continuous focus on cost reduction (including increase in share of green power, fuel cost and freight cost optimisation). Moreover, increasing share of premium products & positive operating leverage to help margin recovery over FY26E-27E. We estimate EBITDA/ton to improve to ₹ 873/ton in FY27E (vs ₹ 629/ton in FY25E)

Rating and Target Price

- After a muted H1FY25, overall operational performance to improve considerably going ahead, led by demand pick-up, improvement in prices and continuous focus on cost reduction
- We revise downgrade our EBITDA estimates for FY25E/FY26E by ~35.7%/~28.7% respectively, to factor in lower-than-expected volume & realisation in Q2FY25. We also cut our target price to ₹ 1375 (based on 8x EV/EBITDA on FY26E & FY27E average. Recommend BUY

Key Financial Summary

Rs crore	FY22	FY23	FY24	3 Year CAGR (FY21-24)	FY25E	FY26E	FY27E	2 Year CAGR (FY25E-27E)
Revenues	7,461	8,682	9,663	12.5	9,141	10,267	11,310	11.2
EBITDA	1,110	772	1,438	2.4	1,144	1,513	1,886	28.4
EBITDA margin (%)	14.9	8.9	14.9		12.5	14.7	16.7	
Net Profit	399	41	421	(12.6)	223	499	760	84.8
EPS (Rs)	51.8	5.3	54.6		28.9	64.8	98.7	
P/E (x)	20.7	216.0	20.8		39.3	17.5	11.5	
EV/EBITDA (x)	11.0	16.1	8.2		10.4	7.8	6.2	
RoCE (%)	7.9	3.6	9.0		6.1	9.3	11.9	
RoE (%)	7.0	0.7	6.3		3.3	6.9	9.7	

Source: Company, ICICI Direct Research



Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	8,748
FY24 Gross Debt (₹ Crore)	3,770
FY24 Cash (₹ Crore)	744
EV (₹ Crore)	11,774
52 Week H/L (Rs)	1802/ 1133
Equity Capital	77.0
Face Value	10.0

Shareholding pattern

	Dec-23	Mar-24	Jun-24	Sep-24
Promoter	62.9	62.9	62.9	62.9
FII	6.5	6.8	6.0	5.5
DII	16.2	15.6	16.3	16.2
Others	14.5	14.7	14.8	15.4

Price Chart



Key risks

- (i) Slowdown in demand (ii) Delay in capacity expansion (iii) Increase in commodity prices (iv) High competition

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Q2FY25 Result Highlights:

- Consolidated revenue de-grew by 14.6% YoY (-11% QoQ) to ₹ 1952 crores, primarily led by a drop of -10.1% YoY (-1.7% QoQ) in sales realisation, coupled with a drop of 5% YoY (-9.4% QoQ) in cement volume to 4 million tonnes
- Cost/ton declined by 6.4% YoY (+1.4% QoQ) to ₹ 446/ton, driven by lower raw material & power & fuel cost per tonne
- EBITDA/ton declined by 35.4% YoY to ₹ 446/ton, primarily led by lower sales realisation, despite lower cost/ton (majorly lower raw material & power & fuel cost). Sequentially, EBITDA/ton declined by 24.3% led by lower sales realisation & higher raw material cost/ton
- EBITDA declined by 38.7% YoY (-31.4% QoQ) to ₹ 177.2 crores. Net loss of Rs 25.2 crores (vs profit of Rs 58.4 crores)

Recent earnings call highlights:

- At present, the capacity of Birla Corp stands at 20 mtpa (expect to increase to 25 mtpa by FY27). Kundangunj (1.4 mtpa) is expected to be commissioned in Q1FY26 & Prayagraj (1.4 mtpa) is to be commissioned post that (yet to start work)
- The capex in 1HFY 25 stood at ₹ 210 crores & expects capex of ₹ 700 crores in FY25E (earlier ₹ 800 crores)
- Capacity utilization stood at 78% in Q2FY25 (vs 83% in Q2FY24 vs 91% in Q1FY25)
- Demand recovery is likely to be delayed till the end of Nov-24 due to ongoing festival season & Maharashtra assembly election.
- The company has guided for 7-8% volume growth in 2HFY25 with 4% YoY in FY25E
- Overall growth in volumes in FY24 was on account of 100% utilization in Mukatban facility. Volume of Mukatban was 5 lakh ton (of which share of premium is more than 40%) in Q2FY25 at 50% utilization level with a target to increase to 60% by the end of FY25
- Sales realisation declined due to poor demand & high competition. The company expects price to improve from Q4 with an improvement in demand
- Premium sales (% of trade sales) stands at 62% in Q2FY25 (vs 54% in Q2FY24). Blended Cement stands 83% in Q2FY25 (vs 85% in Q2FY24). Trade share stands at 71% in Q2FY25 (vs 72% in Q1FY25 & Q2FY24)
- Cost saving of ₹ 30-40/ton led by higher share of renewable, alternative fuel & other efficiencies
- Fuel cost declined to ₹ 1.47 kcal (vs ₹ 1.48 kcal in Q1FY25 vs ₹ 1.75 kcal). The company expects input cost reduction of 5 paise going ahead
- Lead distance remained at 350 kms. Expect lead distance to increase in Mukatban, but overall lead distance to decline
- Incentives booked during the quarter stood at ₹ 17 crores (vs ₹ 21 crores in Q1FY25 vs Rs 44 crores in Q4FY24). Incentives receivable stands at ₹ 450 crores
- The company expects EBITDA/ton to improve by ₹ 170/ton in 2HFY25 from 1HFY25 base of ₹ 522/ton (led by ₹ 100/ton on realisation & operating leverage +₹ 70/ton in cost reduction led by project Shikhar & Project Unnati)
- Net Debt is expected to be below ₹ 3000 crores in FY25E
- Vikram coal production is likely to start from Q1FY26

Exhibit 1: Quarterly Analysis

	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	Comments
Operating Income	1,952.6	2,285.8	-14.6	2,190.4	-10.9	Revenue declined due to lower sales realisation YoY coupled with lower volume growth on YoY basis.
Other income	17.2	27.4	-37.2	17.0	1.1	
Total Revenue	1,969.8	2,313.2	-14.8	2,207.4	-10.8	
Raw materials costs	285.4	383.5	-25.6	291.8	-2.2	
Employees Expenses	140.6	142.4	-1.3	147.5	-4.7	
Other Expenses	446.9	458.0	-2.4	474.0	-5.7	
Total Expenditure	1,775.4	1,997.0	-11.1	1,932.1	-8.1	
EBITDA	177.2	288.9	-38.7	258.3	-31.4	EBITDA declined due to lower sales realisation, despite lower cost.
EBITDA margins (%)	9.1	12.6	-356 bps	11.8	-271 bps	
Interest	85.1	95.4		85.8		
Depreciation	145.0	143.5	1.1	145.5	-0.3	
Tax	-10.5	18.8	-156.0	11.4	-192.1	
PAT	-25.2	58.6	-143.0	32.6	-177.3	

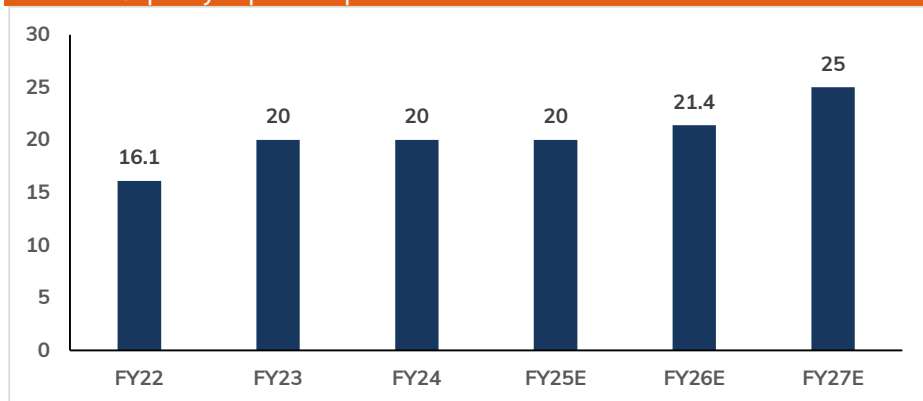
Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

Rs Crore	FY25E			FY26E			Comments
	Old	New	Change (%)	Old	New	Change (%)	
Revenue	10427.0	9141.5	-12.3	11483.0	10266.9	-10.6	Change in estimate due to lower than expected sales realisation
EBITDA	1779.0	1143.7	-35.7	2121.0	1512.6	-28.7	
EBITDA Margin (%)	17.1	12.5		18.5	14.7		
PAT	699.0	222.6	-68.2	954.0	499.1	-47.7	
EPS (Rs)	90.7	28.9	-68.1	123.9	64.8	-47.7	

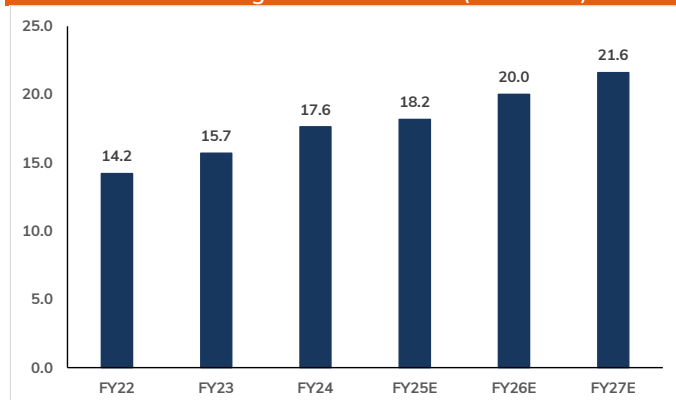
Source: Company, ICICI Direct Research

Exhibit 3: Capacity expansion plan over FY24-FY27



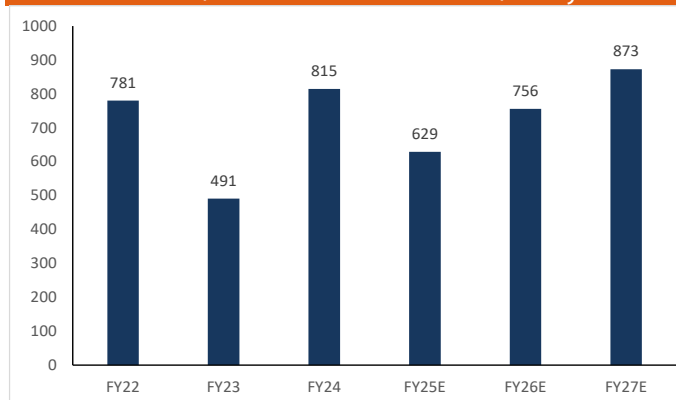
Source: Company, ICICI Direct Research

Exhibit 4: Volumes to grow at 7% CAGR (FY24-27E)



Source: Company, ICICI Direct Research

Exhibit 5: EBITDA/ton to inch towards ₹ 873/ton by FY27E



Source: Company, ICICI Direct Research

Financial summary

Exhibit 6: Profit and loss statement ₹ crore

Year-End March	FY24	FY25E	FY26E	FY27E
Revenue	9,662.7	9,141.5	10,266.9	11,310.0
% Growth	11.3	(5.4)	12.3	10.2
Other income	85.6	73.0	78.8	85.1
Total Revenue	9,662.7	9,141.5	10,266.9	11,310.0
% Growth	11.3	(5.4)	12.3	10.2
Total Raw Material Costs	1,580.9	1,290.0	1,440.4	1,555.7
Employee Expenses	556.2	598.1	657.9	723.7
other expenses	1,860.3	6,109.7	6,656.0	7,144.6
Total Operating Expenditure	8,225.1	7,997.8	8,754.3	9,423.9
Operating Profit (EBITDA)	1,437.6	1,143.7	1,512.6	1,886.1
% Growth	86.2	(20.4)	32.3	24.7
Interest	371.7	333.0	310.0	290.7
PBDT	1,151.5	883.7	1,281.4	1,680.5
Depreciation	578.3	586.9	616.0	667.3
PBT before Exceptional Items	573.2	296.8	665.4	1,013.2
Total Tax	159.4	74.2	166.4	253.3
PAT before MI	413.8	222.6	499.1	759.9
PAT	420.6	222.6	499.1	759.9
% Growth	938.4	(47.1)	124.2	52.3
EPS	54.6	28.9	64.8	98.7

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement ₹ crore

Year-End March	FY24	FY25E	FY26E	FY27E
Profit after Tax	420.6	222.6	499.1	759.9
Depreciation	578.3	586.9	616.0	667.3
Interest	371.7	333.0	310.0	290.7
Cash Flow before WC changes	1,370.6	1,142.5	1,425.1	1,717.9
Changes in inventory	97.1	(24.7)	(121.8)	(112.9)
Changes in debtors	(91.6)	(10.8)	(24.3)	(30.2)
Changes in loans & Advances	(36.7)	(24.9)	(42.4)	(67.9)
Changes in other current assets	138.5	(6.5)	(33.8)	(31.3)
Net Increase in Current Assets	107.2	(67.0)	(222.3)	(242.3)
Changes in creditors	(51.7)	8.6	107.9	100.0
Changes in provisions	30.4	0.5	5.4	5.0
Net Inc in Current Liabilities	111.3	8.8	139.0	152.3
Net CF from Operating activities	1,589.1	1,084.4	1,341.8	1,628.0
Changes in deferred tax assets	-	-	-	-
(Purchase)/Sale of Fixed Assets	(648.7)	(800.0)	(850.0)	(1,000.0)
Net CF from Investing activities	(968.9)	(413.4)	(687.1)	(1,046.2)
Dividend and Dividend Tax	(77.0)	(77.0)	(130.9)	(130.9)
Net CF from Financing Activities	(679.2)	(710.0)	(640.9)	(571.6)
Net Cash flow	(59.1)	(39.1)	13.8	10.1
Opening Cash/Cash Equivalent	218.3	159.2	120.1	133.9
Closing Cash/ Cash Equivalent	159.2	120.1	133.9	144.0

Source: Company, ICICI Direct Research

Exhibit 8: Balance sheet ₹ crore

Year-End March	FY24	FY25E	FY26E	FY27E
Equity Capital	77.0	77.0	77.0	77.0
Reserve and Surplus	6,596.8	6,742.4	7,110.6	7,739.6
Total Shareholders funds	6,673.8	6,819.4	7,187.6	7,816.6
Total Debt	3,769.7	3,469.7	3,269.7	3,119.7
Total Liabilities	12,502.3	12,347.9	12,516.0	12,995.0
Gross Block	11,770.6	12,350.8	13,200.8	14,200.8
Acc: Depreciation	3,022.7	3,609.5	4,225.6	4,892.9
Net Block	8,747.9	8,741.2	8,975.2	9,307.9
Capital WIP	480.2	700.0	700.0	700.0
Total Fixed Assets	10,269.8	10,482.9	10,716.9	11,049.6
Non Current Assets	1,184.8	1,148.2	1,185.3	1,231.5
Inventory	964.6	989.3	1,111.1	1,224.0
Debtors	414.9	425.8	450.1	480.3
Other Current Assets	267.7	274.2	308.0	339.3
Cash	159.2	120.1	133.9	144.0
Total Current Assets	2,396.9	2,424.8	2,660.9	2,913.3
Current Liabilities	868.0	876.6	984.5	1,084.5
Provisions	52.7	90.0	90.0	91.0
Total Current Liabilities	1,933.9	1,942.8	2,081.8	2,234.1
Net Current Assets	463.0	482.0	579.1	679.2
Total Assets	12,502.3	12,347.9	12,516.0	12,995.0

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios

Year-End March	FY24	FY25E	FY26E	FY27E
EPS	54.6	28.9	64.8	98.7
Cash per Share	96.6	46.1	21.9	23.2
BV	866.7	885.6	933.4	1,015.1
EBITDA Margin	14.9	12.5	14.7	16.7
PAT Margin	4.4	2.4	4.9	6.7
RoE	6.3	3.3	6.9	9.7
RoCE	9.0	6.1	9.3	11.9
RoIC	8.4	5.5	8.7	11.3
EV / EBITDA	8.2	10.4	7.8	6.2
P/E	20.8	39.3	17.5	11.5
EV / Net Sales	1.2	1.3	1.2	1.0
Sales / Equity	1.4	1.3	1.4	1.4
Market Cap / Sales	0.9	1.0	0.9	0.8
Price to Book Value	1.3	1.3	1.2	1.1
Asset turnover	0.9	0.9	1.0	1.0
Debtors Turnover Ratio	26.2	21.7	23.4	24.3
Creditors Turnover Ratio	10.8	10.5	11.0	10.9
Debt / Equity	0.6	0.5	0.5	0.4
Current Ratio	1.4	1.5	1.5	1.5
Quick Ratio	0.8	0.8	0.8	0.9

Source: Company, ICICI Direct Research

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Sell: <-15%



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