

Shubh Nivesh



Operational performance to improve substantially...

About the stock: Birla Corporation Ltd (BCL), flagship company of the M.P. Birla Group, is primarily engaged in the manufacturing of cement as its core business activity with presence in the jute segment as well

- Cement business contributes ~95% to total revenues and has a total capacity of 20 million tonnes (mtpa) with 11 plants across Madhya Pradesh, Uttar Pradesh, Rajasthan, Maharashtra and West Bengal
- Company's revenue has grown by 12.5% CAGR over FY21-24, while EBITDA have grown at 2.4% CAGR each over the same period

Investment Rationale:

- Ramp-up of new capacity to fuel volume growth:** The company commissioned its new cement facility of 3.9 mtpa capacity at Muktaban (Maharashtra) in Apr-22 to reach 20 mtpa. With this, company has expanded its reach into untapped markets of west region (Maharashtra & Gujarat) along with the existing North, Central and East India markets. The new capacity has been ramping up well (current capacity utilisation at ~65%). With the ramp-up of new capacity, company's volume growth stood strong at 12.3% YoY in FY24. Company is also in process of increasing its Kundangunj unit's capacity by 1.4 mtpa over two years and targets to achieve 25 mtpa by FY27E. With further ramp-up of Mukutban capacity (management guides ~70% capacity utilisation) and further capacity expansions, overall cement volumes are to pick-up further with gaining access to newer growth markets of western India. We estimate volume CAGR of 8.7% over FY24-26E to 20.9 mtpa in FY26E from 17.6 mtpa in FY24
- Focus on operational efficiencies to drive further improvement in EBITDA/ton over FY25-26E:** Company's EBITDA/ton improved sharply in FY24 to ₹ 815/ton (from ₹ 491/ton in FY23), led by focus on operational efficiency measures like raw material sourcing, captive coal & power usage (solar & waste heat recovery). Moreover, with govt incentives entitled to Muktaban facility, lower fuel prices, increasing premium products share and further improvement in overall capacity utilisation, we believe that company's margins and profitability to improve significantly over FY25-26E. We estimate blended EBITDA/ton to improve to ₹ 925/ton in FY25E and ₹ 1017/ton in FY26E

Rating and Target Price

- Company's operational and financial performance to improve significantly in the coming period. We estimate revenue, EBITDA and PAT to grow at ~9%, ~21% and ~51% CAGR respectively over FY24-26E. Net debt/EBITDA (2.1x in FY24 vs 4.8x in FY23) is expected to come down further to 1x by FY26E
- Valuations look attractive considering the strong profitability growth over FY24-26E with balance sheet improvement & return ratios. We value BCL at ₹ 1870 i.e. 8.5x FY26E EV/EBITDA

Key Financial Summary

Rs crore	FY21	FY22	FY23	FY24	3 Year CAGR (FY21-24)	FY25E	FY26E	3 Year CAGR (FY24-26E)
Revenues	6,785	7,461	8,682	9,663	12.5	10,427	11,483	9.0
EBITDA	1,338	1,110	772	1,438	2.4	1,779	2,121	21.5
EBITDA margin (%)	19.7	14.9	8.9	14.9		17.1	18.5	
Net Profit	630	399	41	421	(12.6)	699	954	50.6
EPS (Rs)	81.8	51.8	5.3	54.6		90.7	123.9	
P/E (x)	16.7	26.9	280.6	27.0		16.3	11.9	
EV/EBITDA (x)	11.1	13.9	20.2	10.4		8.2	6.6	
RoCE (%)	11.7	7.9	3.6	9.0		11.7	14.1	
RoE (%)	12.4	7.0	0.7	6.3		9.6	11.9	

Source: Company, ICICI Direct Research



Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	11,371
FY24 Gross Debt (₹ Crore)	4,250
FY24 Cash (₹ Crore)	598
EV (₹ Crore)	15,022
52 Week H/L (Rs)	1802/ 1061
Equity Capital	77.0
Face Value	10.0

Shareholding pattern

	Jun-23	Sep-23	Dec-23	Mar-24
Promoter	62.9	62.9	62.9	62.9
FII	7.2	6.6	6.5	6.8
DII	15.8	16.0	16.2	15.6
Others	14.1	14.5	14.5	14.7

Price Chart



Key risks

- (i) Slowdown in demand (ii) Delay in capacity expansion plan (iii) Increase in commodity prices (iv) prolonged correction in cement prices (v) Increasing competitive intensity

Research Analyst

Vijay Goel
vijay.goel@icicisecurities.com

Ankit Shah
ankit.shah1@icicisecurities.com

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Prabodh Avadhoot Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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