

Birla Corporation

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	BCORP IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	105.1 / 1.3
52-Week Range (INR)	1802 / 1061
1, 6, 12 Rel. Per (%)	-13/-31/-12
12M Avg Val (INR M)	240

Financial Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	92.8	102.6	111.2
EBITDA	12.8	17.2	19.6
Adj. PAT	3.2	6.3	8.1
EBITDA Margin (%)	13.7	16.7	17.7
Adj. EPS (INR)	42.1	82.2	105.4
EPS Gr. (%)	-22.0	95.0	28.3
BV/Sh. (INR)	897	967	1,060

Ratios

Net D:E	0.4	0.3	0.3
RoE (%)	4.8	8.8	10.4
RoCE (%)	5.0	7.3	8.5
Payout (%)	28	15	11

Valuations

P/E (x)	32.3	16.6	12.9
P/BV (x)	1.5	1.4	1.3
EV/EBITDA(x)	9.7	6.7	5.8
EV/ton (USD)	75	65	61
Div. Yield (%)	0.9	0.9	0.9

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	62.9	62.9	62.9
DII	16.3	15.6	15.8
FII	6.0	6.8	7.2
Others	14.9	14.7	14.1

FII Includes depository receipts

CMP: INR1,365 TP: INR1,850 (+36%) Buy

Earnings miss due to lower realizations and volumes

Reiterates capacity target of 25mtpa by FY27E

- Birla Corporation (BCORP)'s 1QFY25 performance was below our estimates due to lower-than-estimated realizations and volumes. The consol. EBITDA declined 13% YoY to INR2.6b (vs. est. INR3.5b) and EBITDA/t declined 13% YoY to INR590 (est. INR758). OPM dipped 60bp YoY to 11.8% (est. 14.2%) for the quarter. Adj. PAT stood at INR326m vs. estimated INR942m for 1QFY25.
- Management indicated that general elections and extended heat waves have resulted in demand slowdown. Cement prices have seen corrections due to low demand and aggression from the market leaders. Currently, it is increasing capacity in its core market (eastern UP) by expanding capacity at the Kundanganj plant. It is likely to be commissioned in 1HFY26. BCORP reiterated its capacity target of 25mtpa by FY27E vs. 20mtpa currently.
- We cut our EBITDA estimate by 19% for FY25 and 4-3% for FY26/27 due to the underperformance in 1Q, cautious commentary by the management on demand and pricing, and rising competitive intensity in its core markets. We value the stock at 9x Jun'26E EV/EBITDA to arrive at our revised TP of INR1,850 (earlier 1,970). **Reiterate BUY.**

Volume down 1% YoY; Cement realization/t declines 7% YoY/QoQ each

- Consol. revenue/EBITDA/adj. PAT stood at INR21.9b/INR2.6b/INR326m (down 9%/13%/45% YoY and down 11%/26%/65% vs. our estimates) in 1QFY25. Sales volumes declined 1% YoY to 4.38mt. Cement realization declined 7% YoY/QoQ to INR4,843.
- Opex/t declined 8% YoY (4% below our estimate), driven by a 21% decline in variable costs. Other expense/t rose 5% YoY, while freight cost/t remained flat YoY. OPM was down 60bp YoY at 11.8% and EBITDA/t fell 13% YoY to INR590. Depreciation increased 4% YoY, while interest costs declined 12% YoY. 'Other income' grew 5% YoY. ETR stood at 25.9% vs. 21.7% in 1QFY24.

Highlights from the management commentary

- The dip in realization was due to a change in market mix and a sharp correction in cement prices in BCORP's core markets (Rajasthan and Uttar Pradesh). The current avg. cement price is down ~1.5-2.0% vs. Jun'23-exit.
- Fuel consumption costs stood at INR1.48/Kcal vs. INR1.56/Kcal in 4QFY24. It expects a reduction of up to INR0.05/kcal in the current quarter.
- SGST incentive accrued at INR210m in 1QFY25 (mainly from the Mukutban plant). It maintains its full-year incentive guidance of INR1.1b in FY25.

Valuation and View

- We estimate a consol. revenue/EBITDA/PAT CAGR of 5%/11%/25% over FY24-27. We estimate BCORP's net debt to decline to INR21.5b by FY27 from INR30.0b in FY24 and net debt-to-EBITDA at 1.1x by FY27 vs. 2.1x in FY24.
- BCORP trades inexpensively at 6.7x FY26E EV/EBITDA, at a lower valuation than its similar-sized peers. We reiterate our BUY rating with a revised TP of INR1,850 (vs. earlier 1,970), based on 9x Jun'26E EV/EBITDA.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

MotilalOswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Consolidated performance

(INR b)

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	
Cement Sales (MT)	4.4	4.2	4.2	4.9	4.4	4.2	4.5	4.9	17.7	18.0	4.6	(5)
YoY Change (%)	12.2	14.8	12.9	9.2	(0.7)	1.0	6.0	2.0	12.2	2.0	4.0	
Cement Realization	5,229	5,211	5,316	5,218	4,843	4,818	4,998	5,075	5,239	4,939	5,118	(5)
YoY Change (%)	(2.2)	1.2	2.7	(1.2)	(7.4)	(7.5)	(6.0)	(2.7)	(0.0)	(5.7)	(2.1)	
QoQ Change (%)	(0.9)	(0.3)	2.0	(1.8)	(7.2)	(0.5)	3.7	1.5			(1.9)	
Net Sales	24.1	22.9	23.1	26.6	21.9	21.3	23.3	26.3	96.6	92.8	24.5	(11)
YoY Change (%)	9.3	14.3	14.7	7.9	(9.1)	(6.8)	0.9	(1.1)	11.3	(4.0)	1.9	
Total Expenditure	21.1	20.0	19.3	21.8	19.3	19.1	20.0	21.7	82.3	80.0	21.1	(8)
EBITDA	3.0	2.9	3.8	4.7	2.6	2.2	3.4	4.6	14.4	12.8	3.5	(26)
Margin (%)	12.4	12.6	16.4	17.8	11.8	10.3	14.5	17.5	14.9	13.7	14.2	(237)
Depreciation	1.4	1.4	1.4	1.5	1.5	1.5	1.5	1.5	5.8	5.9	1.5	(4)
Interest	1.0	1.0	1.0	0.8	0.9	0.9	0.9	0.8	3.7	3.4	0.9	1
Other Income	0.2	0.3	0.2	0.3	0.2	0.2	0.2	0.3	0.9	0.9	0.2	(8)
Profit before Tax	0.8	0.8	1.5	2.7	0.4	0.1	1.3	2.6	5.7	4.4	1.3	(66)
EO (Income)/Expense	-	0.0	-	(0.1)	-	-	-	-	(0.1)	-	-	
Profit before Tax after EO	0.8	0.8	1.5	2.7	0.4	0.1	1.3	2.6	5.8	4.4	1.3	(66)
Tax	0.2	0.2	0.4	0.8	0.1	0.0	0.3	0.6	1.6	1.1	0.4	(68)
Rate (%)	21.7	24.3	28.9	29.2	25.9	25.9	25.9	25.2	27.5	25.5	27.5	
Reported PAT	0.6	0.6	1.1	1.9	0.3	0.1	0.9	1.9	4.2	3.2	0.9	(65)
Adj. PAT	0.6	0.6	1.1	1.9	0.3	0.1	0.9	1.9	4.2	3.2	0.9	(65)
Margin (%)	2.5	2.6	4.7	7.1	1.5	0.3	4.1	7.3	4.3	3.5	3.8	
YoY Change (%)	(16.2)	NM	NM	164.6	(45.4)	(90.0)	(13.3)	1.5	1,052.2	(22.0)	57.8	

Per tonne analysis (INR)

Blended Realization	5,461	5,468	5,505	5,477	5,001	5,048	5,240	5,309	5,475	5,156	5,350	(7)
YoY Change (%)	(2.6)	(0.5)	1.6	(1.2)	(8.4)	(7.7)	(4.8)	(3.1)	(0.8)	(5.8)	(2.0)	
Raw Material	958	917	782	921	666	716	741	739	896	717	891	(25)
Staff Cost	317	341	336	274	337	359	346	320	315	340	327	3
Power and Fuel	1,153	1,183	1,094	1,000	1,004	1,020	1,030	1,007	1,103	1,015	1,010	(1)
Transport and Forwarding	1,321	1,240	1,325	1,284	1,322	1,295	1,310	1,293	1,292	1,305	1,300	2
Other Exp.	1,038	1,096	1,066	1,024	1,082	1,135	1,055	1,019	1,061	1,071	1,065	2
Total Expenditure	4,786	4,777	4,604	4,503	4,411	4,526	4,482	4,380	4,660	4,447	4,593	(4)
EBITDA	675	691	901	974	590	522	757	929	815	709	758	(22)

Source: Company, MOFSL Estimates



Highlights from the management commentary

Demand and pricing outlook

- General elections and extended heat wave have resulted in low cement demand in 1Q. It expects industry volume to grow ~6-7% YoY in FY25.
- Cement prices corrected due to low demand and aggression from the market leaders. The company's realization drop was due to a change in market mix and sharp correction in cement prices in the company's core markets. It hurt more in Rajasthan and Gujrat markets.
- In Uttar Pradesh (central India), the pricing pattern was unchanged until 3QFY24. But pricing dynamics changed from the beginning of CY24, and prices reduced sharply. Leading players wiped out the premium over normal brand. PE/RD shot up exponentially, resulting in a plunge in WSP.
- Current cement price is down ~1.5-2% vs. Jun'23-exit. The company does not change its pricing strategy and believes current pricing trend is a temporary. It expects pricing to improve and it continued to place its product in 'A category'.
- The management refrained from giving any guidance on the volume growth and profitability due to the current market conditions.

Operational data points and cost-saving initiatives

- The company's capacity utilization stood at 91% in 1QFY25 vs. 91%/97% in 1QFY24/4QFY24. Blended cement sales stood at 84% in 1QFY25 vs. 88%/84% of total volumes in 1QFY24/4QFY24. Trade share stood at 72% of total volumes in 1QFY24 vs. 76%/72% in 1QFY24/4QFY24. Decline in trade share was mainly due to market conditions. Premium products contributed 59% of trade volumes in 1QFY25 vs. 54%/55% in 1QFY24/4QFY24. At Mukutban 40% of trade volume is in premium segment.
- The share of renewable power stood at ~27% in 1QFY25 vs. ~23%/25% in 1QFY24/4QFY24. Fuel consumption costs stood at INR1.48/Kcal vs. INR1.56/Kcal in 4QFY24. It expects a reduction upto INR0.05/kcal in the current quarter. The lead distance stood at 350Km. Lead distance is likely to increase due to further ramp up of Mukutban plant.
- The company's cost reduction initiatives under "Project Shikhar" and "Project Unnati" yielding desired results. It remained focused to drive cost efficiencies and investment in GTM strategy to improve profitability.
- SGST incentive accrued to INR210m in 1QFY25 (mainly from the Mukutban plant) vs. INR440m in 4QFY24 (included incentive from Kundanganj plant which is now expired).

Capacity expansion and net debt

- The company is expanding capacity in its core market eastern UP by expanding capacity at Kundanganj plant and the same is expected to be commissioned in 1HFY26. This will strengthen the company's position and competitiveness as this plant will be eligible for incentive for the new capacity.
- Currently, the management has not provided any timeline for the Greenfield expansion at Prayagraj, Uttar Pradesh. However, it reiterated its capacity target of 25mtpa by FY27. The management will further update on expansion plans in coming months. Capex is pegged at INR8b in FY25E.
- It is completing land acquisition in Bihar for its Gaya grinding unit. Though it refrains from giving any guideline about the capacity, investment and timelines.

Jute division

- It witnessed unprecedented downturn in the jute industry as the Government scaled back orders for jute bags and export of shopping bags was hobbled by logistical constraints. It registered a cash loss of INR39m in 1QFY25 vs. a cash profit of INR64m in 1QFY24.
- The jute goods industry is faced with multiple challenges, which forced major mills to scale back production. Government orders have fallen sharply, leading to an inventory pile-up. Most mills are currently running at partial capacity

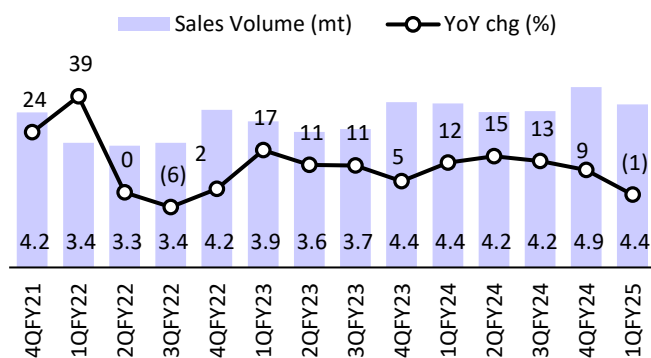
Exhibit 1: Revisions to our estimates

(INR b)	Revised			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	92.8	102.6	111.2	100.4	107.5	116.4	(7.5)	(4.6)	(4.5)
EBITDA	12.8	17.2	19.6	15.7	17.8	20.2	(18.8)	(3.5)	(3.0)
PAT	3.2	6.3	8.1	5.1	6.7	8.4	(36.9)	(5.7)	(3.6)
EPS (INR)	42.1	82.2	105.4	66.8	87.2	109.3	(36.9)	(5.7)	(3.6)

Source: Company, MOFSL

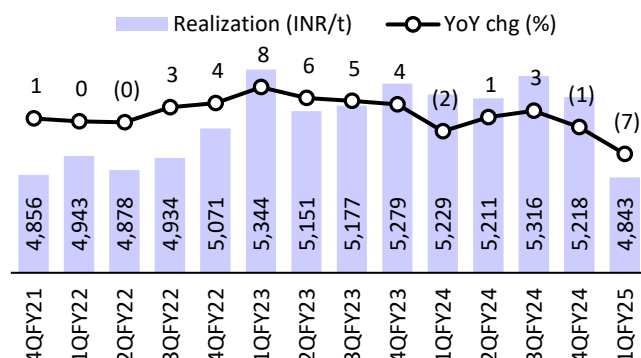
Story in charts

Exhibit 2: Sales volume declined ~1% YoY



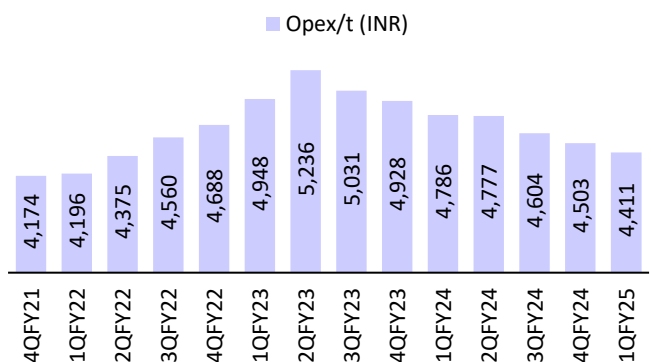
Source: Company, MOFSL

Exhibit 3: Cement realization was down ~7% YoY



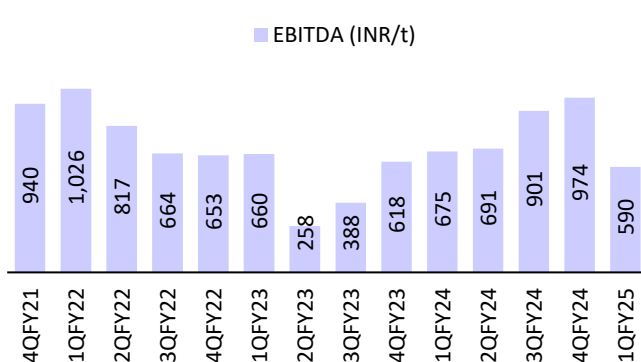
Source: Company, MOFSL

Exhibit 4: Opex/t declined ~8% YoY



Source: Company, MOFSL

Exhibit 5: EBITDA/t declined ~13% YoY



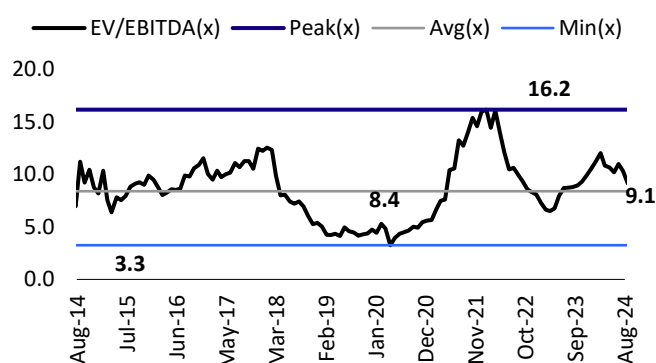
Source: Company, MOFSL

Exhibit 6: Key performance indicators – per tonne analysis

INR/t	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)
Blended Realization	5,001	5,461	(8)	5,477	(9)
RM Costs	666	958	(30)	921	(28)
Employee Expenses	337	317	6	274	23
Power and Fuel	1,004	1,153	(13)	1,000	0
Freight and Handling Outward	1,322	1,321	0	1,284	3
Other Expenses	1,082	1,038	4	1,024	6
Total Expenses	4,411	4,786	(8)	4,503	(2)
EBITDA	590	675	(13)	974	(39)

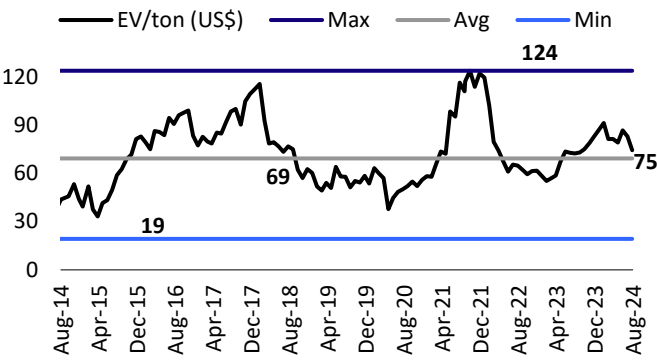
Source: Company, MOFSL

Exhibit 7: One-year forward EV/EBITDA trend



Source: Company, MOFSL

Exhibit 8: One-year forward EV/t trend



Source: Company, MOFSL

Financials and valuations

Consolidated Income Statement

	(INR m)							
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	69,157	67,855	74,612	86,823	96,627	92,801	1,02,588	1,11,226
Change (%)	5.6	-1.9	10.0	16.4	11.3	-4.0	10.5	8.4
Total Expenditure	55,797	54,163	63,512	79,103	82,251	80,046	85,435	91,594
EBITDA	13,360	13,691	11,100	7,720	14,376	12,755	17,153	19,633
Margin (%)	19.3	20.2	14.9	8.9	14.9	13.7	16.7	17.7
Depreciation	3,519	3,708	3,969	5,099	5,783	5,891	6,603	6,941
EBIT	9,841	9,984	7,131	2,621	8,593	6,864	10,550	12,691
Int. and Finance Charges	3,877	2,963	2,427	3,387	3,717	3,415	3,048	2,853
Other Income - Rec.	851	673	988	1,131	856	906	989	1,054
PBT after EO	6,815	8,375	5,421	431	5,799	4,355	8,492	10,893
Change (%)	114.7	22.9	-35.3	-92.0	1,245.2	-24.9	95.0	28.3
Tax	1,763	2,074	1,435	26	1,594	1,110	2,165	2,778
Tax Rate (%)	25.9	24.8	26.5	6.1	27.5	25.5	25.5	25.5
Reported PAT	5,052	6,301	3,986	405	4,206	3,244	6,327	8,115
Extra-Ordinary Expenses	0	-681	271	-67	-68	0	0	0
PAT Adjusted for EO Items	5,052	5,460	4,200	361	4,158	3,244	6,327	8,115
Change (%)	97.6	8.1	-23.1	-91.4	1,052.2	-22.0	95.0	28.3
Margin (%)	7.3	8.0	5.6	0.4	4.3	3.5	6.2	7.3

Balance Sheet

	(INR m)							
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	770	770	770	770	770	770	770	770
Reserves	47,291	54,090	59,718	59,038	65,968	68,288	73,690	80,881
Net Worth	48,061	54,860	60,488	59,808	66,738	69,058	74,460	81,651
Loans	42,820	40,464	42,080	43,497	37,697	38,197	33,197	30,197
Deferred Liabilities	8,568	8,668	9,722	9,712	11,042	11,042	11,042	11,042
Capital Employed	99,449	1,03,992	1,12,291	1,13,017	1,15,477	1,18,297	1,18,700	1,22,890
Gross Block	87,430	91,087	97,586	1,25,338	1,30,596	1,38,401	1,43,901	1,57,901
Less: Accum. Deprn.	14,158	17,852	21,821	26,920	32,703	38,594	45,197	52,139
Net Fixed Assets	73,273	73,235	75,765	98,418	97,893	99,807	98,704	1,05,762
Capital WIP	16,020	21,048	25,511	3,576	4,805	5,000	7,500	5,000
Investments	8,363	7,526	10,093	8,683	12,881	12,881	12,881	12,881
Curr. Assets	24,098	27,147	27,147	30,042	28,783	29,838	31,828	34,096
Inventory	7,876	8,101	8,200	10,616	9,646	10,208	11,285	12,235
Account Receivables	2,504	2,795	3,028	3,233	4,149	3,712	4,104	4,449
Cash and Bank Balance	2,558	1,773	1,380	2,183	1,592	1,854	2,094	2,777
Others	11,160	14,479	14,539	14,010	13,396	14,064	14,346	14,635
Curr. Liability and Prov.	22,306	24,964	26,225	27,703	28,884	29,228	32,213	34,848
Account Payables	21,637	24,230	25,453	26,797	27,924	28,304	31,289	33,924
Provisions	669	734	772	906	960	924	924	924
Net Current Assets	1,793	2,184	922	2,340	-102	610	-385	-753
Appl. of Funds	99,449	1,03,992	1,12,291	1,13,017	1,15,477	1,18,297	1,18,700	1,22,891

Source: Company, MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	65.6	70.9	54.5	4.7	54.0	42.1	82.2	105.4
Cash EPS	111.3	119.0	106.1	70.9	129.1	118.6	167.9	195.5
BV/Share	624.1	712.4	785.5	776.6	866.6	896.8	966.9	1,060.3
DPS	7.5	10.0	10.0	2.5	10.0	12.0	12.0	12.0
Payout (%)	13.3	12.2	19.3	47.5	18.3	28.5	14.6	11.4
Valuation (x)								
P/E	20.8	19.2	25.0	290.6	25.2	32.3	16.6	12.9
Cash P/E	12.2	11.4	12.8	19.2	10.5	11.5	8.1	7.0
P/BV	2.2	1.9	1.7	1.8	1.6	1.5	1.4	1.3
EV/Sales	1.7	1.7	1.5	1.5	1.3	1.3	1.1	1.0
EV/EBITDA	9.0	8.4	9.9	17.3	8.6	9.7	6.7	5.8
EV/t - Cap (USD)	95	90	83	81	75	75	65	61
Dividend Yield (%)	0.6	0.7	0.7	0.2	0.7	0.9	0.9	0.9
Return Ratios (%)								
RoE	10.9	10.6	7.3	0.6	6.6	4.8	8.8	10.4
RoCE	8.2	7.9	5.5	3.1	6.0	5.0	7.3	8.5
RoIC	10.0	10.3	7.0	2.8	6.4	5.3	8.1	9.5
Working Capital Ratios								
Inventory (Days)	42	44	40	45	36	40	40	40
Debtor (Days)	13	15	15	14	16	15	15	15
Working Capital Turnover (Days)	0.7	0.7	0.7	0.8	0.8	0.8	0.9	0.9
Leverage Ratio								
Current ratio	1.1	1.1	1.0	1.1	1.0	1.0	1.0	1.0
Debt/Equity (x)	0.9	0.7	0.7	0.7	0.6	0.6	0.4	0.4

Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
(INR m)								
OP/(Loss) before Tax	6,815	7,126	5,378	431	5,799	4,355	8,492	10,893
Depreciation	3,519	3,708	3,969	5,099	5,783	5,891	6,603	6,941
Interest and Finance Charges	3,877	2,963	2,427	3,387	3,717	3,415	3,048	2,853
Direct Taxes Paid	-418	-843	-610	-508	-751	-1,110	-2,165	-2,778
(Inc.)/Dec. in WC	207	-201	-2	280	2,021	-449	1,234	1,051
CF from Operations	14,000	12,752	11,162	8,689	16,570	12,101	17,212	18,960
Others	-588	532	-770	-634	-376	0	0	0
CF from Operating incl. EO	13,412	13,284	10,392	8,055	16,195	12,101	17,212	18,960
(Inc.)/Dec. in FA	-9,860	-8,028	-7,762	-6,263	-5,255	-8,000	-8,000	-11,500
Free Cash Flow	3,552	5,256	2,629	1,791	10,939	4,101	9,212	7,460
(Pur.)/Sale of Investments	-446	2,438	-1,269	1,595	-1,053	0	0	0
Others	74	-1,699	950	601	-786	0	0	0
CF from Investments	-10,232	-7,289	-8,082	-4,068	-7,094	-8,000	-8,000	-11,500
Issue of Shares	0	0	0	0	0	0	0	0
Inc./(Dec.) in Debt	1,860	-2,252	1,246	980	-5,998	500	-5,000	-3,000
Interest Paid	-3,872	-3,493	-3,179	-3,393	-3,501	-3,415	-3,048	-2,853
Dividend Paid	0	-1,036	-770	-770	-193	-924	-924	-924
Others	0	0	0	0	0	0	0	0
CF from Fin. Activity	-2,012	-6,781	-2,703	-3,183	-9,691	-3,839	-8,972	-6,777
Inc./Dec. in Cash	1,169	-786	-393	803	-591	262	240	683
Opening Balance	1,390	2,559	1,772	1,380	2,183	1,592	1,854	2,094
Closing Balance	2,559	1,772	1,380	2,183	1,592	1,854	2,094	2,777

Source: Company, MOFSL estimates

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