

Birla Corporation

Estimate change	
TP change	
Rating change	

Bloomberg	BCORP IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	88.7 / 1.1
52-Week Range (INR)	1802 / 1100
1, 6, 12 Rel. Per (%)	-5/-31/-31
12M Avg Val (INR M)	247

Financial Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	88.8	96.5	103.8
EBITDA	10.7	14.3	16.5
Adj. PAT	1.9	4.6	6.2
EBITDA Margin (%)	12.0	14.8	15.9
Adj. EPS (INR)	24.7	60.2	80.1
EPS Gr. (%)	-54.2	143.4	33.2
BV/Sh. (INR)	879	927	996
Ratios			
Net D:E	0.5	0.4	0.4
RoE (%)	2.8	6.7	8.3
RoCE (%)	3.8	6.0	7.0
Payout (%)	49	20	15
Valuations			
P/E (x)	46.6	19.2	14.4
P/BV (x)	1.3	1.2	1.2
EV/EBITDA(x)	10.1	7.3	6.2
EV/ton (USD)	64	58	54
Div. Yield (%)	1.0	1.0	1.0

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	62.9	62.9	62.9
DII	16.2	16.3	16.0
FII	5.5	6.0	6.6
Others	15.4	14.9	14.5

FII Includes depository receipts

CMP: INR1,152

TP: INR1,500 (+30%)

Buy

In-line performance; near-term headwinds hurt margins

Estimate volume growth at ~4% YoY in FY25

- BCORP's 2QFY25 EBITDA declined 39% YoY to INR1.8b (in line) and EBITDA/t fell 35% YoY to INR446 (est. INR436). OPM dipped 3.6pp YoY to 9%. The company reported a net loss of INR252m vs. PAT of INR586m in 2QFY24.
- The management is not much optimistic about the near-term outlook as the festive season and upcoming state elections could delay the expected recovery until Nov'24-end. It estimates volume growth at ~4% YoY in FY25, implying ~7-8% growth in 2HFY25. It estimates EBITDA/t improvement of up to INR150-170/t in 2H, out of which INR70/t would be from projects Unnati and Shikhar (combined), and the balance will be from better realization, positive operating leverage, and other cost savings.
- We cut our EBITDA estimates by ~8%/7%/5% for FY25/FY26/FY27 due to a slower-than-expected recovery in demand and prices. We value the stock at 9x Sep'26E EV/EBITDA to arrive at our revised TP of INR1,500 (earlier 1,650). **Reiterate BUY.**

Cement realization/t declines 9% YoY; opex/t down 6% YoY

- Consol. revenue/EBITDA stood at INR19.5b/INR1.8b (down 15%/39% YoY and +1%/+5% vs. our estimates) in 2QFY25. Sales volumes declined 5% YoY to 4.0mt. Cement realization declined 9% YoY to INR4,722. Opex/t declined ~6% YoY, led by a 17% decline in variable costs. Employee costs/other expenses/freight costs per ton rose ~4%/3%/1% YoY.
- OPM dipped 3.6pp YoY to ~9% and EBITDA/t fell 35% YoY to INR446. Interest costs declined 11% YoY and 'other income' fell 37% YoY. BCORP reported a net loss of INR252m vs. PAT of INR586m in 2QFY24.
- In 1HFY25, consol. revenue/EBITDA/PAT declined 12%/26%/94% YoY. OPM was down 2pp YoY at ~11% and EBITDA/t fell ~24% YoY to INR520. In 2HFY25, we estimate implied revenue/EBITDA/PAT to decline ~5%/26%/39% YoY and OPM to fall 4pp YoY to ~13% (up 2pp QoQ). We estimate EBITDA/t at INR685 vs. INR940/INR520 in 2HFY24/1HFY25.

Highlights from the management commentary

- Overall capacity utilization stood at ~80%, with ~90% utilization in core markets. It aims to again scale up the capacity utilization at its central India plant to ~100% and Mukutban plant to ~60%.
- In central and north regions, there has been a major shift toward the non-trade segment, which saw a sharp price correction during 1HFY25.
- SGST incentive accrued at INR170m in 2QFY25 from the Mukutban plant. It maintains its full-year incentive guidance of INR1.0b in FY25.

Valuation and View

- BCORP's reported performance was in line with our estimates. We expect a gradual recovery in profitability due to near-term challenges. We estimate a CAGR of 2%/5%/14% in consol. revenue/EBITDA/PAT over FY24-27.
- BCORP trades inexpensively at 7x/6x FY26E/FY27E EV/EBITDA, a lower valuation than its similar-sized peers. We reiterate our BUY rating with a revised TP of INR1,500 (earlier INR1,650), based on 9x Sep'26E EV/EBITDA.

Sanjeev Kumar Singh - Research analyst (Sanjeev.Singh@MotilalOswal.com)

Research analyst - Mudit Agarwal (Mudit.Agarwal@MotilalOswal.com) | **Abhishek Sheth** (Abhishek.Sheth@MotilalOswal.com)

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

Consolidated performance (INR b)												
Y/E March	FY24				FY25				FY24	FY25E	FY25	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	
Cement Sales (MT)	4.4	4.2	4.2	4.9	4.4	4.0	4.4	4.9	17.7	17.6	3.9	2
YoY Change (%)	12.2	14.8	12.9	9.2	(0.7)	(5.0)	4.0	0.7	12.2	(0.3)	(7.0)	
Cement Realization	5,229	5,211	5,316	5,218	4,843	4,722	4,842	4,911	5,239	4,834	4,743	(0)
YoY Change (%)	(2.2)	1.2	2.7	(1.2)	(7.4)	(9.4)	(8.9)	(5.9)	(0.0)	(7.7)	(9.0)	
QoQ Change (%)	(0.9)	(0.3)	2.0	(1.8)	(7.2)	(2.5)	2.5	1.4			(2.1)	
Net Sales	24.1	22.9	23.1	26.6	21.9	19.5	22.2	25.2	96.6	88.8	19.4	1
YoY Change (%)	9.3	14.3	14.7	7.9	(9.1)	(14.6)	(3.9)	(5.3)	11.3	(8.1)	(15.1)	
Total Expenditure	21.1	20.0	19.3	21.8	19.3	17.8	19.6	21.5	82.3	78.1	17.7	0
EBITDA	3.0	2.9	3.8	4.7	2.6	1.8	2.6	3.7	14.4	10.7	1.7	5
Margin (%)	12.4	12.6	16.4	17.8	11.8	9.1	11.9	14.7	14.9	12.0	8.7	34
Depreciation	1.4	1.4	1.4	1.5	1.5	1.5	1.4	1.4	5.8	5.8	1.5	(1)
Interest	1.0	1.0	1.0	0.8	0.9	0.9	0.8	0.8	3.7	3.3	0.9	(2)
Other Income	0.2	0.3	0.2	0.3	0.2	0.2	0.2	0.4	0.9	1.0	0.2	(20)
Profit before Tax	0.8	0.8	1.5	2.7	0.4	-0.4	0.6	1.9	5.7	2.6	-0.4	NA
EO (Income)/Expense	-	0.0	-	(0.1)	-	-	-	-	(0.1)	-	-	
Profit before Tax after EO	0.8	0.8	1.5	2.7	0.4	-0.4	0.6	1.9	5.8	2.6	-0.4	NA
Tax	0.2	0.2	0.4	0.8	0.1	-0.1	0.2	0.5	1.6	0.7	-0.1	
Rate (%)	21.7	24.3	28.9	29.2	25.9	29.4	29.4	24.9	27.5	25.5	25.9	
Reported PAT	0.6	0.6	1.1	1.9	0.3	-0.3	0.4	1.4	4.2	1.9	-0.3	NA
Adj. PAT	0.6	0.6	1.1	1.9	0.3	-0.3	0.4	1.4	4.2	1.9	-0.3	NA
Margin (%)	2.5	2.6	4.7	7.1	1.5	-1.3	1.9	5.6	4.3	2.1	-1.6	
YoY Change (%)	(16.2)	NM	NM	164.6	(45.4)	NM	(60.5)	(25.8)	1,052.2	(54.2)	(154.5)	

Per tonne analysis (INR)

Blended Realization	5,461	5,468	5,505	5,477	5,001	4,918	5,087	5,155	5,475	5,046	4,992	(1)
YoY Change (%)	(2.6)	(0.5)	1.6	(1.2)	(8.4)	(10.1)	(7.6)	(5.9)	(0.8)	(7.8)	(8.7)	
Raw Material	958	917	782	921	666	719	769	762	896	730	716	0
Staff Cost	317	341	336	274	337	354	338	304	315	332	390	(9)
Power and Fuel	1,153	1,183	1,094	1,000	1,004	1,025	1,015	1,017	1,103	1,015	1,020	0
Transport and Forwarding	1,321	1,240	1,325	1,284	1,322	1,249	1,310	1,307	1,292	1,298	1,295	(4)
Other Exp.	1,038	1,096	1,066	1,024	1,082	1,126	1,050	1,009	1,061	1,064	1,135	(1)
Total Expenditure	4,786	4,777	4,604	4,503	4,411	4,472	4,481	4,399	4,660	4,439	4,556	(2)
EBITDA	675	691	901	974	590	446	606	756	815	607	436	2

Source: Company, MOFSL Estimates



Highlights from the management commentary

Demand and pricing outlook

- BCORP is cautiously optimistic about demand recovery in the near term and expects it to be delayed until end-Nov'24. Festivals, the upcoming state elections in few states, and Maha Kumbh in Jan-Feb'24 in Uttar Pradesh are expected to impact full demand recovery in the near term.
- In the non-trade sector, prices had declined sharply during 1HFY25 in North and Center regions. Though it is not a major player in the non-trade/OPC segment as its non-trade/OPC sales remain below 20%/15%. Because of the market shift toward the non-trade segment at the industry level, overall industry capacity utilization declined. Prices in non-trade segment in Rajasthan, UP and Bihar were significantly lower, due to which it deliberately limited its exposure to not sales at such reduced prices. This also has led to lower capacity utilization to some extent. It likes to remain a stronger player/brand in the trade segment.

Operational data points and cost-saving initiatives

- The company's capacity utilization stood at 78% in 2QFY25 vs. 83%/91% in 2QFY24/1QFY25. Blended cement sales stood at 83% in 2QFY25 vs. 85%/84% of total volumes in 1QFY24/1QFY25. Trade share stood at 71% of total volumes in 1QFY24 vs. 72% each in 2QFY24/1QFY25. Premium products contributed 59% of trade volumes in 1QFY25 vs. 54%/55% in 1QFY24/4QFY24.
- The share of renewable power stood at ~25% in 2QFY25 vs. ~23%/27% in 2QFY24/1QFY25. Lead distance was ~350km and for Mukutban, it was ~425km.
- Fuel consumption costs stood at INR1.47/Kcal vs. INR1.48/Kcal in 1QFY25. It reduced the petcoke requirement using more of indigenous coal. It expects coal production at Bikram coal mines to start from 1QFY26. Coal cost is estimated at around INR1.1/Kcal vs. the current cost of ~INR1.4-1.5/Kcal in central regions.
- The company's cost reduction initiatives under Project Shikhar and Project Unnati are delivering the expected results. It expects cost savings of INR70/t (combined) from these projects and the balance INR100/t from better realizations, other cost optimization and efficiency improvements.

Capacity expansion and net debt

- The company is expanding capacity in its core market of eastern UP, at Kundanganj plant (line III), which is expected to be commissioned in 1QFY26. This will strengthen the company's position and competitiveness, as this plant will be eligible for incentive for the new capacity. Capex stood at INR2.0b in 1HFY25 and capex is pegged at INR7.0b in FY25E.
- Greenfield expansion in Prayagraj, UP, is in the pipeline, but it has not commenced construction work there. Hence, so far, not giving any guidance on an expected date of commissioning.
- As part of its efforts to increase the consumption of green energy, it has signed an agreement with a private entity to supply 12MW of renewable power to its Maihar unit. Power from this captive source is expected to commence within the current financial year.

Jute division

- Burdened by declining orders both domestically and internationally, the Jute division posted a cash loss of INR20m in 2QFY25 as compared to a cash profit of INR40m in 2QFY24.
- Production cut from the standard 77 days to 57 days, resulting in a drop in output from 0.87KT to 0.66KT in 2Q. Despite increasing the production of value-added goods to 0.15KT from 0.11KT YoY, export revenue fell by ~41% YoY to INR120m.

Story in charts

Exhibit 1: Sales volume declined ~5% YoY

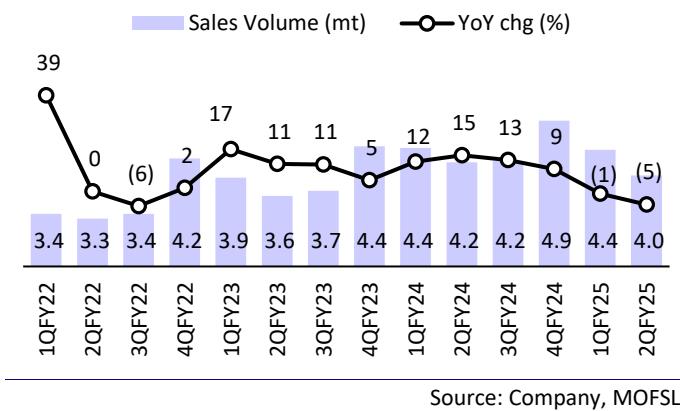


Exhibit 2: Cement realization was down ~9% YoY

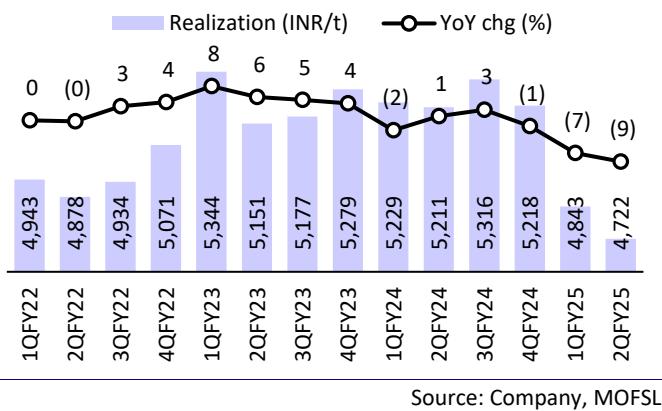


Exhibit 3: Opex/t declined ~6% YoY

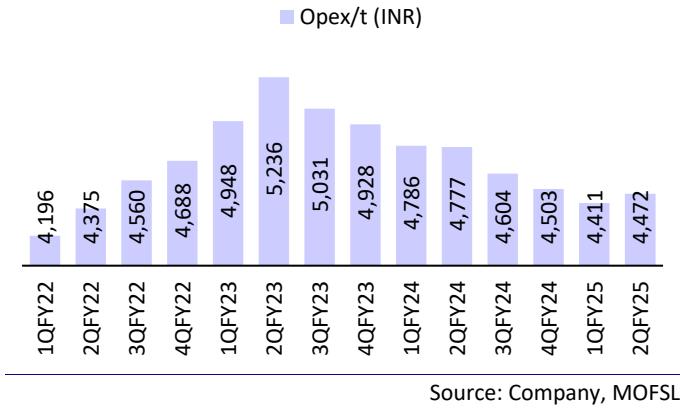


Exhibit 4: EBITDA/t declined ~35% YoY

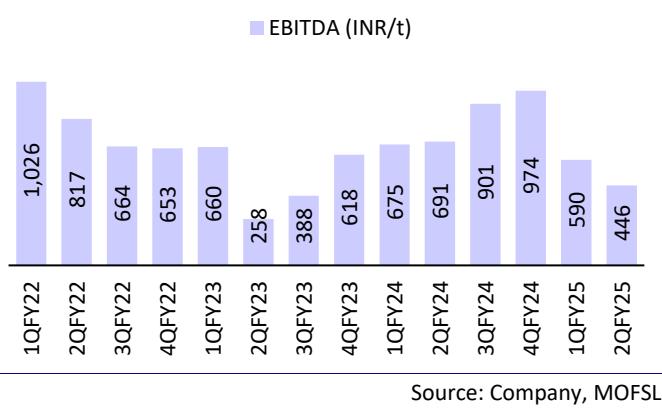


Exhibit 5: Key performance indicators – per tonne analysis

INR/t	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)
Blended Realization	4,918	5,468	(10)	5,001	(2)
RM Costs	719	917	(22)	666	8
Employee Expenses	354	341	4	337	5
Power and Fuel	1,025	1,183	(13)	1,004	2
Freight and Handling Outward	1,249	1,240	1	1,322	(6)
Other Expenses	1,126	1,096	3	1,082	4
Total Expenses	4,472	4,777	(6)	4,411	1
EBITDA	446	691	(35)	590	(24)

Source: Company, MOFSL

Exhibit 6: One-year forward EV/EBITDA trend

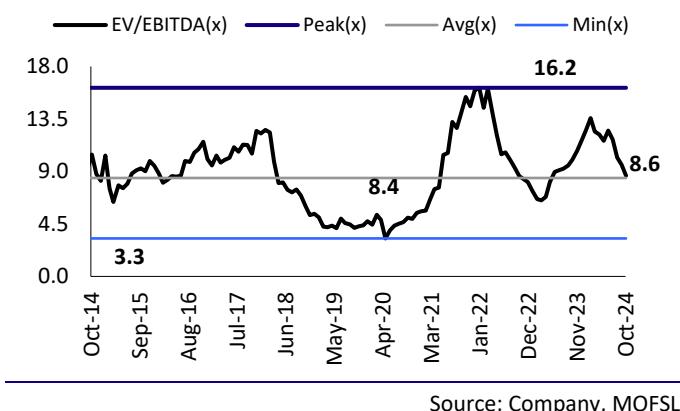
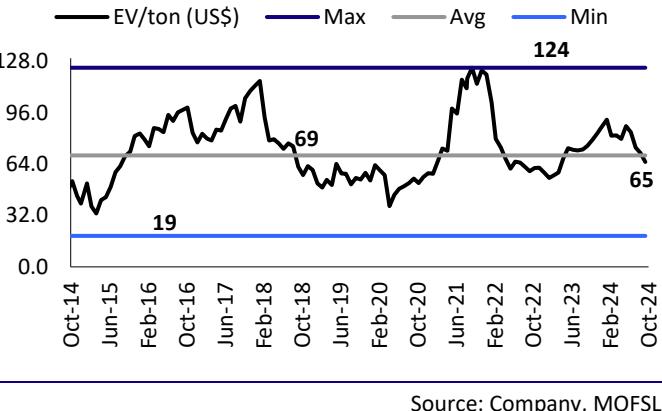


Exhibit 7: One-year forward EV/t trend



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	88,817	96,514	1,03,841
Change (%)	5.6	-1.9	10.0	16.4	11.3	-8.1	8.7	7.6
Total Expenditure	55,797	54,163	63,512	79,103	82,251	78,126	82,188	87,317
EBITDA	13,360	13,691	11,100	7,720	14,376	10,691	14,326	16,524
Margin (%)	19.3	20.2	14.9	8.9	14.9	12.0	14.8	15.9
Depreciation	3,519	3,708	3,969	5,099	5,783	5,762	5,914	6,201
EBIT	9,841	9,984	7,131	2,621	8,593	4,929	8,412	10,323
Int. and Finance Charges	3,877	2,963	2,427	3,387	3,717	3,339	3,215	3,141
Other Income - Rec.	851	673	988	1,131	856	965	1,020	1,103
PBT after EO	6,815	8,375	5,421	431	5,799	2,554	6,218	8,284
Change (%)	114.7	22.9	-35.3	-92.0	1,245.2	-56.0	143.4	33.2
Tax	1,763	2,074	1,435	26	1,594	651	1,585	2,112
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	1,903	4,632	6,172
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	1,903	4,632	6,172
Change (%)	97.6	8.1	-23.1	-91.4	1,052.2	-54.2	143.4	33.2
Margin (%)	7.3	8.0	5.6	0.4	4.3	2.1	4.8	5.9

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	66,946	70,654	75,902
Net Worth	48,061	54,860	60,488	59,808	66,738	67,717	71,425	76,672
Loans	42,820	40,464	42,080	43,497	37,697	38,197	36,197	35,197
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	1,16,956	1,18,664	1,22,911
Gross Block	87,430	91,087	97,586	1,25,338	1,30,596	1,37,401	1,42,901	1,52,401
Less: Accum. Deprn.	14,158	17,852	21,821	26,920	32,703	38,465	44,379	50,580
Net Fixed Assets	73,273	73,235	75,765	98,418	97,893	98,936	98,522	1,01,821
Capital WIP	16,020	21,048	25,511	3,576	4,805	5,000	7,500	8,000
Investments	8,363	7,526	10,093	8,683	12,881	11,881	10,881	9,881
Curr. Assets	24,098	27,147	27,147	30,042	28,783	29,152	32,122	35,805
Inventory	7,876	8,101	8,200	10,616	9,646	9,770	11,582	12,461
Account Receivables	2,504	2,795	3,028	3,233	4,149	3,553	3,861	4,154
Cash and Bank Balance	2,558	1,773	1,380	2,183	1,592	1,767	1,491	3,243
Others	11,160	14,479	14,539	14,010	13,396	14,063	15,188	15,948
Curr. Liability and Prov.	22,306	24,964	26,225	27,703	28,884	28,013	30,361	32,596
Account Payables	21,637	24,230	25,453	26,797	27,924	27,089	29,437	31,672
Provisions	669	734	772	906	960	924	924	924
Net Current Assets	1,793	2,184	922	2,340	-102	1,139	1,761	3,210
Appl. of Funds	99,449	1,03,992	1,12,291	1,13,017	1,15,477	1,16,956	1,18,664	1,22,912

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	24.7	60.2	80.1
Cash EPS	111.3	119.0	106.1	70.9	129.1	99.5	136.9	160.7
BV/Share	624.1	712.4	785.5	776.6	866.6	879.3	927.5	995.6
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	48.6	19.9	15.0
Valuation (x)								
P/E	17.6	16.2	21.1	245.8	21.3	46.6	19.2	14.4
Cash P/E	10.4	9.7	10.9	16.2	8.9	11.6	8.4	7.2
P/BV	1.8	1.6	1.5	1.5	1.3	1.3	1.2	1.2
EV/Sales	1.5	1.5	1.3	1.4	1.1	1.2	1.1	1.0
EV/EBITDA	7.8	7.2	8.5	15.3	7.5	10.1	7.3	6.2
EV/t - Cap (USD)	81	76	69	70	64	64	58	54
Dividend Yield (%)	0.7	0.9	0.9	0.2	0.9	1.0	1.0	1.0
Return Ratios (%)								
RoE	10.9	10.6	7.3	0.6	6.6	2.8	6.7	8.3
RoCE	8.2	7.9	5.5	3.1	6.0	3.8	6.0	7.0
RoIC	10.0	10.3	7.0	2.8	6.4	3.8	6.4	7.7
Working Capital Ratios								
Inventory (Days)	42	44	40	45	36	40	44	44
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	0.8	0.8
Leverage Ratio								
Current ratio	1.1	1.1	1.0	1.1	1.0	1.0	1.1	1.1
Debt/Equity (x)	0.9	0.7	0.7	0.7	0.6	0.6	0.5	0.5
Cash Flow Statement								
								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	6,815	7,126	5,378	431	5,799	2,554	6,218	8,284
Depreciation	3,519	3,708	3,969	5,099	5,783	5,762	5,914	6,201
Interest and Finance Charges	3,877	2,963	2,427	3,387	3,717	3,339	3,215	3,141
Direct Taxes Paid	-418	-843	-610	-508	-751	-651	-1,585	-2,112
(Inc.)/Dec. in WC	207	-201	-2	280	2,021	-1,066	-897	303
CF from Operations	14,000	12,752	11,162	8,689	16,570	9,938	12,863	15,817
Others	-588	532	-770	-634	-376	0	0	0
CF from Operating incl. EO	13,412	13,284	10,392	8,055	16,195	9,938	12,863	15,817
(Inc.)/Dec. in FA	-9,860	-8,028	-7,762	-6,263	-5,255	-7,000	-8,000	-10,000
Free Cash Flow	3,552	5,256	2,629	1,791	10,939	2,938	4,863	5,817
(Pur.)/Sale of Investments	-446	2,438	-1,269	1,595	-1,053	1,000	1,000	1,000
Others	74	-1,699	950	601	-786	0	0	0
CF from Investments	-10,232	-7,289	-8,082	-4,068	-7,094	-6,000	-7,000	-9,000
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	-2,000	-1,000
Interest Paid	-3,872	-3,493	-3,179	-3,393	-3,501	-3,339	-3,215	-3,141
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	-3,763	-6,139	-5,065
Inc./Dec. in Cash	1,169	-786	-393	803	-591	175	-276	1,751
Opening Balance	1,390	2,559	1,772	1,380	2,183	1,592	1,767	1,491
Closing Balance	2,559	1,772	1,380	2,183	1,592	1,767	1,491	3,243

Source: Company, MOFSL estimates

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Explanation of Investment Rating	
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BUY	>=15%
SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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Nainesh Rajani

Email: nainesh.rajani@motilaloswal.com

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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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