BIRLA CORPORATION Ltd (BCORP)

MP BIRLA GROUP | BIRLA CORPORATION LIMITED

Initiating Coverage

Rating: BUY (Target Price: ₹ 2,055)

Growth Momentum To Continue...

Asit C. Mehta
INVESTMENT INTERRMEDIATES LTD.

PANTOMATH Financial Services Group

Improved efficiency to lead profit maximisation

We initiate coverage on Birla Corporation Ltd (BCORP) with a strong "BUY" recommendation and target price of Rs2055 based on 8x FY26E EV/EBITDA. Our recommendation is primarily based on 1). Leading player in demand-rich region, i.e., Central India, 2). Capacity addition and volume growth higher than the industry average, 3). Improved cost-efficiency, 4). Less dependency on grid on the back of higher usage of captive coal mines, 5). Strong focus on premiumisation, 6). Incentive-based plants and 7) Healthy balance sheet with better return ratios. Despite having an intense competition in central region, BCORP's major focus on premium segment sale, cost optimization, and strong branding with marketing strategy has enable it to strengthen the market share. BCORP's Mukutban Plant (unit of RCCPL) utilization rate has improved to 60% in 3QFY24 vs. 40% in 2QFY24 and has started delivering positive EBITDA. We believe that there will be continued focus on plant modernization and improvement in cost structure to deliver higher EBITDA for Mukutban Plant, going forward. We expect revenue/EBITDA growth of 8%/ 40% CAGR over FY23-FY26E, driven by strong volumes and improved cost efficiency.

Better than industry growth: Indian cement industry to reach 618mtpa (Exhibit: 7) installed capacity in FY24E implies a CAGR of ~5% CAGR over FY16-FY24E, while BCORP's capacity addition is higher than industry at ~9% CAGR. Also, the targeting to enhance the installed capacity to 25mtpa/ 30mtpa by end of FY27E/ FY30E. BCORP's strong presence in its key market have resulted a volume growth of ~10% CAGR vs. industry CAGR of 6% over FY16-FY24E. We are factoring 90%/ 88% capacity utilization for FY25E/ FY26E to arrive a volume CAGR of 6% over FY23-FY26E, mainly driven by demand uptick in the key market regions, capacity ramp-up at Mukutban Plant and new capacity addition at Prayagraj.

Various cost saving programmes to lead margin expansion: BCORP's continuous focus on 1). Higher usage of green energy (WHRS & Solar), 2). Cost rationalization at Mukutban plant, 3). Use of captive coals, 4). Logistic cost optimisation and 5) Premiumisation are the key driver of profit maximisation, going forward. ~20% of coal requirement in central operation would be met through its captive coal mining at Sial Ghoghri and Bikarm Coal Mining. However, after commencement of Marki Barka and Brahmapuri Coal Mining in near term, it would become one of the highest captive coal sourcing (60-65%) company. Project Shikhar has helped in cost saving of ~Rs55/tn and expected to reach ~Rs100/tn in next two years.

Valuation & Outlook: At CMP Rs1507, The stock trades at 11x/8x/6x FY24E/25E/26E EV/EBITDA and USD 85/84/74 EV/ton. It has traded at an average EV/EBITDA of 10x in the last 10 years. With an improvement in profitability, return ratios & balance sheet and a continued focus on capacity addition, we expect it to trade at higher-than-historical multiples going forward. We value the company at 8x FY26E EV/EBITDA to arrive at a target price of Rs 2055 (an upside of 36% from the CMP) and initiate coverage with a **BUY** rating. While, Delay in capex plan, slower than expected demand, regional pricing pressure from new entrant are key downside risks to our call.

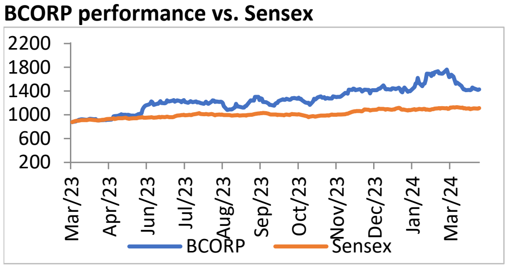
Key Data	
Bloomberg code:	BCORP IN
Target price (₹)	2055
CMP (₹) as on 08-APR-2024	1507
Upside/ (Downside)	36%
Rating:	BUY
Shares outstanding (mn):	77
Mcap :	Rs.116bn
52-week H/L (Rs):	1802/ 865

Price Performance (%)	
1 month	-8%
3 months	+6%
12 months	+66%

Shareholding Pattern (%)			
Promoter	62.9	62.9	62.9
FIIs	7.2	6.6	6.5
DIIs	15.8	16.0	16.2
Public/other	14.1	14.5	14.5
Pledge	-	-	-

Sources: BSE

BCORP performance vs. Sensex



Sources: BSE

YE March	FY22	FY23	FY24E	FY25E	FY26E
Revenue	74,612	86,823	96,900	1,02,240	1,10,185
Growth (%)	10.0	16.4	11.6	5.5	7.8
EBITDA	11,100	7,720	12,998	16,783	21,030
EBITDA (%)	14.9	8.9	13.4	16.4	19.1
Adj. PAT	3,986	405	4,080	7,015	10,310
Adj. EPS	51.8	5.3	53.0	91.1	133.9
Adj. EPS Growth (%)	(36.7)	(89.8)	907.3	72.0	47.0
ROE (%)	6.9	0.7	6.6	10.5	13.7
ROCE (%)	6.3	4.4	7.0	9.5	12.0
P/E (x)	20.2	212.9	28.5	16.6	11.3
P/B (x)	1.3	1.4	1.8	1.7	1.5
EV/EBITDA (x)	10	16	11	8	6
Dividend Yield (%)	1.0	0.9	0.7	0.7	0.7

Sources: Company, ACMIIL reseach

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Company Overview

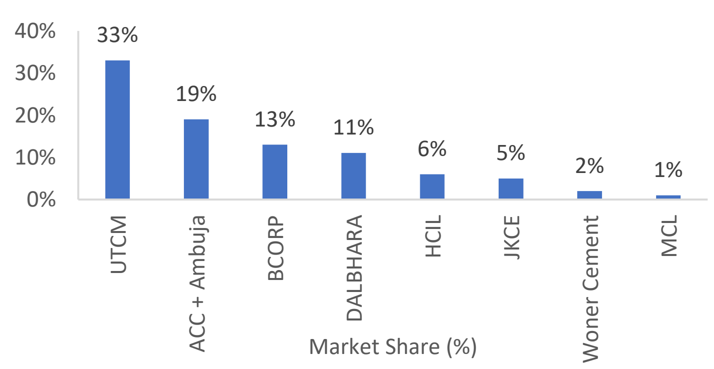
- Incorporated in 1919, Birla Corporation Limited (the parent company) is the flagship company of the M. P. Birla Group. With ~20mtpa consolidated cement installed capacity, BCORP is well-poised in central, western, northern and eastern regions. ~47% of the total installed capacity located in demand-rich regions i.e., central. It is mainly engaged in cement (95% of total revenue) as its core business and has a presence in jute (5%) business
- In 2016, BCORP acquired 9.81mtpa cement assets of Reliance Cement Co (RCCPL), which has further strengthened its central presence and entered into western market.
- After commencement of Mukutban Plant (3.9mtpa), a part of RCCPL's asset, at Maharashtra, the total active capacity has increased from 15.5mtpa to 20mtpa as in 3QFY24. Also, the company is targeting to reach 25mtpa/ 30mtpa by end of FY25E/ FY30E. Currently, it has 11 pants in eight location across Madhya Pradesh, Uttar Pradesh, Rajasthan, Maharashtra and West Bengal (Ref Exhibit: 10)
- It has 94MW of Captive Power Plant (CPP) along with 44.85MW of WHRS and 41.2MW solar plants. By end of FY26E, the company will add three solar plants, at Mukutban, Kundanganj and Maihar.
- BCORP's distribution network and consumer base has improved significantly on the back of strong branding and better product mix (Ref Exhibit: 32). It manufactures OPC, PPC and PSC category cements. The company produce ~90% of blended cement and ~45% of the total trade sales is premium segment sales.

Investment Argument

Leading cement manufacturer in central India with regional pricing benefits

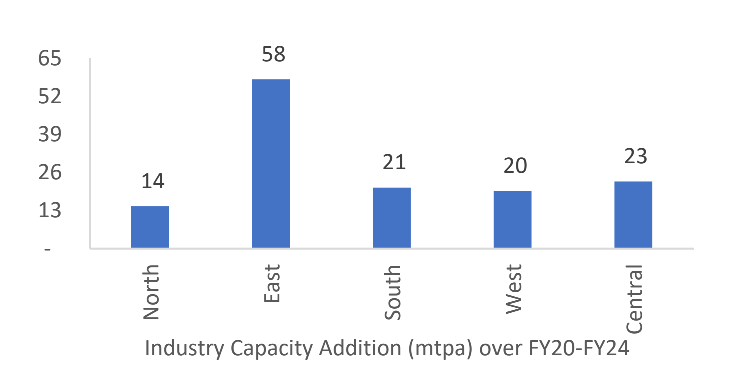
- BCORP enjoys 13% of market share in central India, while large players such as UltraTech (33%), Adani Cements (19%) and Dalmia Bharat (11%) have fuelled competition. However, focus on premium segment sale, cost optimisation and strong branding and marketing strategy has enabled BCORP to strengthen its market share. In addition to this, BCORP's plants are strategically located in western/northern and eastern regions to cater incremental demand in the region.
- Central India demand remains robust and growing at ~9-10% YoY and expected to grow further. At ~76% capacity utilisation rate (CUR), central India's per capita cement consumption remains low at ~134kg. And, we believe, there is enough headroom for demand creation in the near term.

Exhibit 1: Cement players' market share in central region



Sources: Company, ACMIIL reseach

Exhibit 2: Central & eastern regions have the highest capacity addition over five years



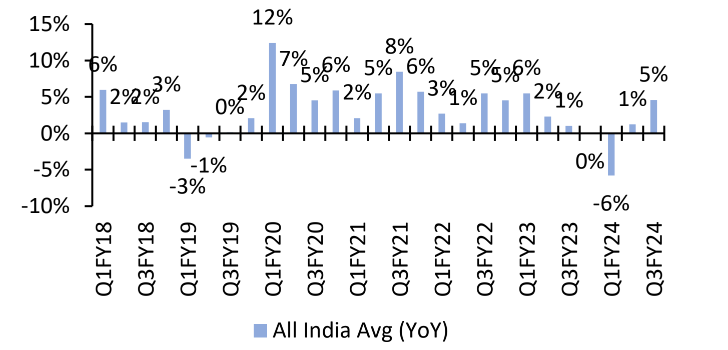
Sources: Company, ACMIIL reseach

- The industry has added ~121mt of capacity (5% CAGR FY19–FY24), of which central (7% CAGR FY19–FY24) and eastern (11% CAGR FY19-FY24) regions witnessed the highest capacity addition among all regions. We estimate the industry to add ~90–100mt cement capacity in the next three years and ~40–45% would be central India.
- Large players, such as UltraTech Cement, Adani Cement (ACC + Ambuja) and Dalmia Bharat, are aggressively adding capacity in the central region through organic or inorganic way. JK Cement and JK Lakshmi Cement are setting up

greenfield plants in central region in coming days. Although organic expansion is cheaper than inorganic acquisition but the former takes time (~3–3.5 years) to commission due to delay in government approvals and unavailability of limestone. Therefore, we believe, a major expansion would happen through the inorganic route by larger players for a fast gain in market share.

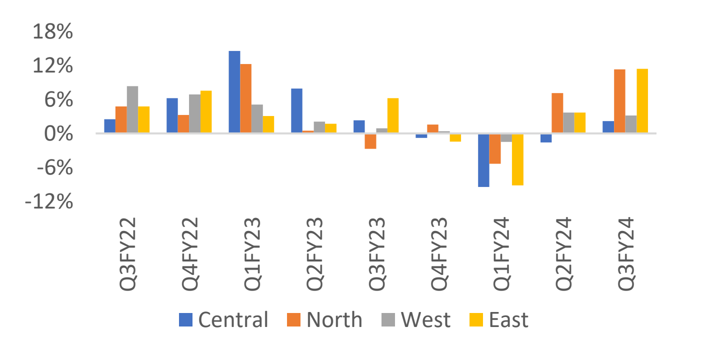
- In an environment of intense competition, we believe 1). Strong branding, 2). Better product mix (especially premiumisation) and 3). Strong distribution network has strengthened BCORP's footprint in its key market regions.
- The industry has witnessed a significant price increase in FY20-21, but has declined since then, which was mainly due to weak pricing in southern and eastern regions. Whereas, prices in northern, western and central regions are relatively stable. BCORP's strong presence in central India followed by north, west and eastern regions will see pricing benefits.

Exhibit 3: Barring south and east, prices are stable in other regions



Sources: Company, ACMIIL reseach

Exhibit 4: No major correction in central/northern/western prices

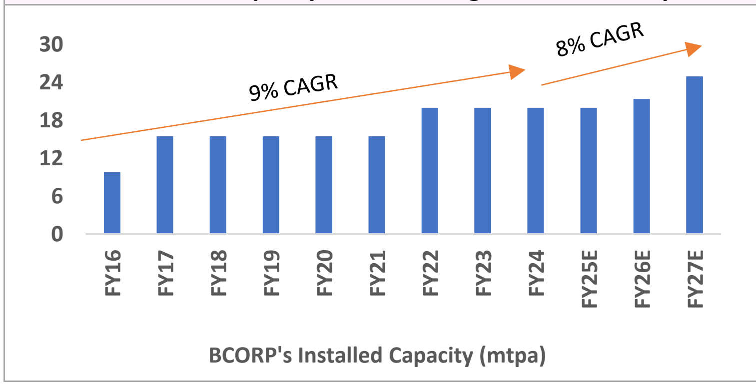


Sources: Company, ACMIIL reseach

Capacity addition above industry benchmark, while volume to expand at 5% CAGR FY23-FY26E

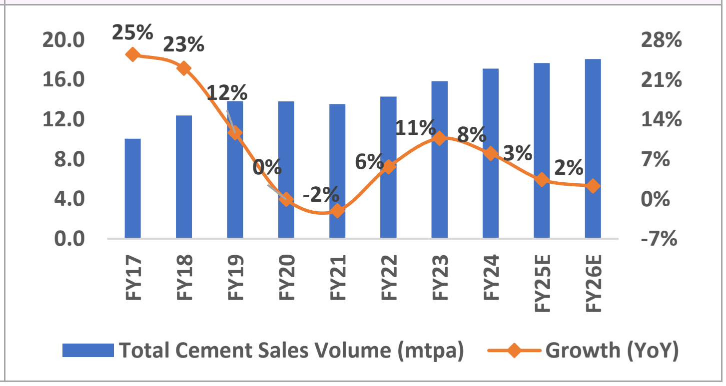
- BCORP's capacity addition expanded at 9% CAGR over FY16–FY24 is above the average industry capacity addition of 5% CAGR. This has helped in strengthening its market share in the central region and increased its footprint in the western region. Also, it is targeting to achieve 25mtpa by the end of FY27E, from the existing level of 20mtpa. The said 5mtpa incremental capacity includes 'Integrated Units' and 'Split Grinding Units (SGU).' So as to achieve this goal, a 1.4mtpa grinding unit (GU) at Prayagraj, Uttar Pradesh, will start by the end of FY25E-26E, while 2mtpa SGU in Bihar and 1.5mtpa SGU in western region is expected to commission by FY27E. Also, there is a plan to double the clinker installed capacity to 20K TPD in Maihar district in Madhya Pradesh. We believe, the existing and upcoming capacity together could accomomodate the incremental demand in BCORP's key market region. Also, the long-term target is to reach 30mtpa by FY30E, which is expected to be announced after completion of the first phase of the above-mentioned expansion. We believe, the planned capacity expansion in the eastern region would be advantageous to cater to the incremental demand, where per capita cement consumption is the lowest at ~131/kg and has seen a demand growth of 8.5-9% YoY in FY24.

Exhibit 5: BCORP's capacity addition is higher then industry



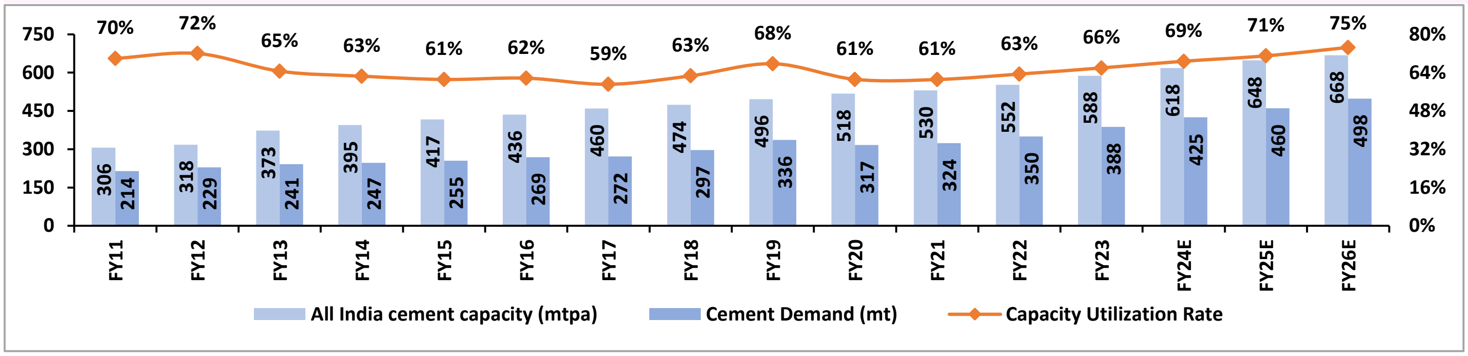
Sources: Company, ACMIIL reseach

Exhibit 6: BCORP's volume to clock at 5% CAGR over FY23-26E



Sources: Company, ACMIIL reseach

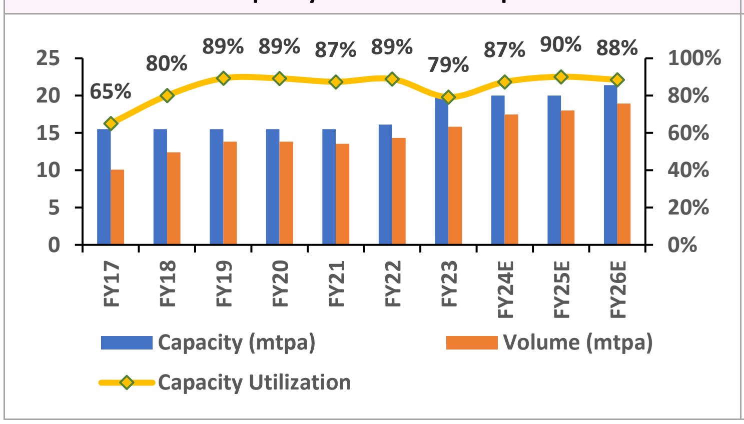
Exhibit 7: Industry Demand, Supply and Capacity Utilization



Source: Ultratech Cement, ACMIIL Research

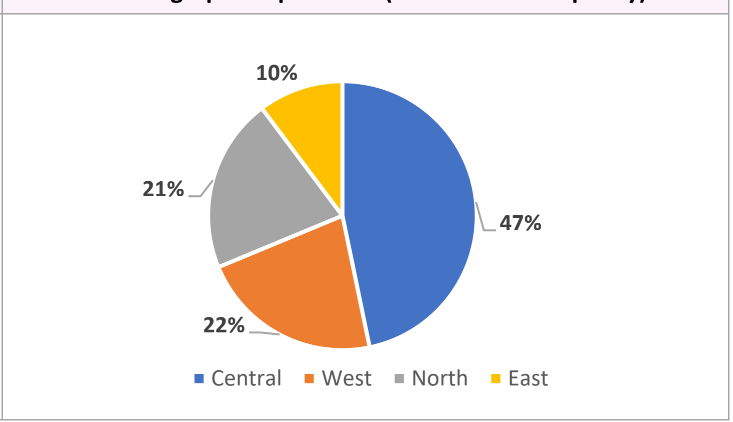
- BCORP's (ex-Mukutban) CUR stands at ~79% in FY23E vs. Industry avg. CUR of ~66%. We believe the overall CUR of BCORP to improve supported by capacity ram-up at Mukutban plant. Through various plant modification programmes at Mukutban Plant have seen a gradual improvement in utilization level from 40% in 2QFY24 to 60% in 3QFY24. The plant is well-poised to cater to the Gujarat and Maharashtra markets. In the past two quarters, the plant started making positive EBITDA and expect further improvement in the near term led by better demand creation and volume sales in the Gujarat market.

Exhibit 8: BCORP's capacity utilisation to improve



Sources: Company, ACMIIL reseach

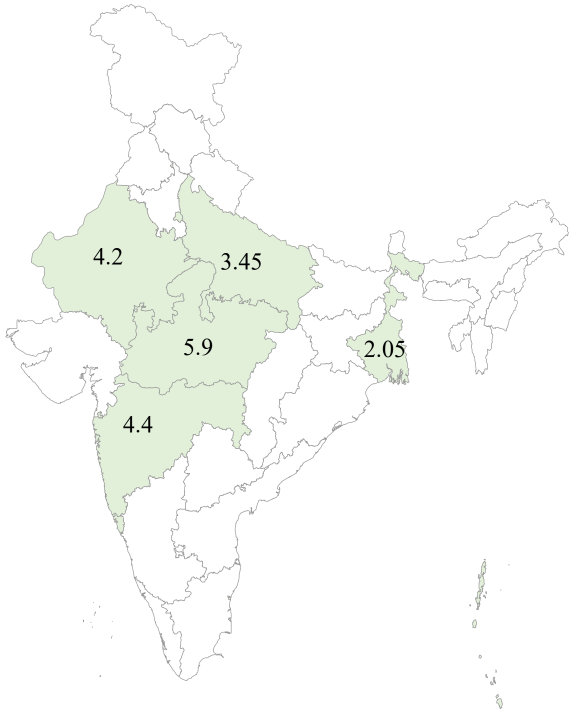
Exhibit 9: Geographical presence (% of installed capacity)



Sources: Company, ACMIIL reseach

- BCORP's plants are located strategically across the demand-rich regions, i.e., central, northern, western and eastern parts of India. ~47% of total installed capacity is fragmented in the central region, while western region (in Maharashtra) plants are well-positioned to cater to neighbouring states, i.e., Gujarat, southern Madhya Pradesh, Telangana and some parts of Chattisgarh. Also, BCORP plans to add two SGUs in the eastern region. Penetration into new markets would enhance the volume and top-line growth, going forward.

Exhibit 10: BCORP's plants are strategically located in central, northern, western and eastern parts of India.



Name	Location	State	Region	Type	Cement Capacity (mtpa)	Clinker Capacity (mtpa)
RCCPL	Maihar	Madhya Pradesh	Central	IG	3.20	3.30
	Kundanganj	Uttar Pradesh	Central	GU	2.21	
	Butibori	Maharashtra	West	GU	0.50	
	Mukutban	Maharashtra	West	IG	3.90	2.60
BCORP	Satna	Madhya Pradesh	Central	IG	2.70	3.00
	Raebareli	Uttar Pradesh	Central	GU	1.24	
	Chanderia	Rajasthan	North	IG	4.20	3.80
	Durgapur	West Bengal	East	GU	2.05	
Upcoming	Prayagraj	Uttar Pradesh	Central	SGU	1.40 mtpa, by FY25E	
	NA	Bihar	East	SGU	2.00 mtpa, by FY27E	
	NA	NA	West	SGU	1.50 mtpa, by FY27E	
	Maihar	Madhya Pradesh	Central	IG		10000 TPD, by FY27E

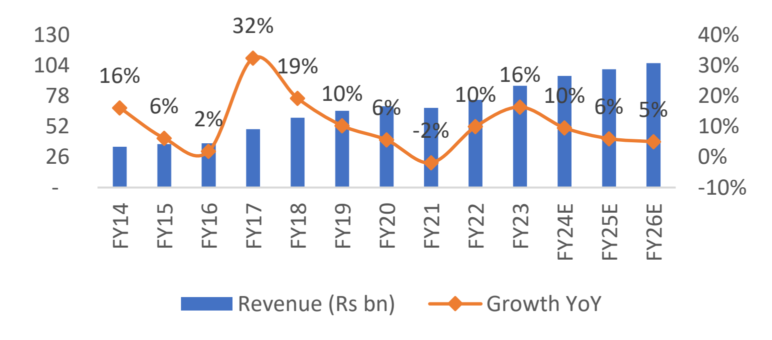
Source: Company, ACMIIL Research

**IG - Integrated Unit, GU - Grinding Unit, Source: Company, ACMIIL reseach*

Various cost initiatives to lead margin expansion

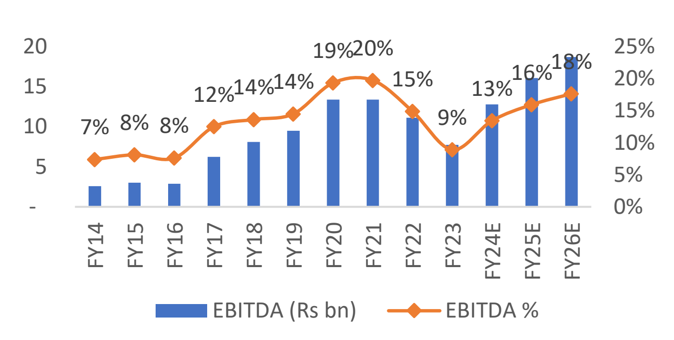
- Despite the existence of multiple challenges in the industry, such as 1). Pricing pressure, 2). Sluggish demand, 3). Intense competition and 4). Regional issues, BCORP's revenue has grown at 13% CAGR over 10 years (FY13–FY23) vs. above average industy revenue growth CAGR of 11%. Also, continuous focus on 1). Increased usage of green energy (WHRS & Solar Power), 2). Ramp-up of Mukutban plant, 4). Higher usage of captive coal, 3). Logistics cost optimisation and 4) Premiumisation are the key driver of margin expansion, going forward. We are estimating Revenue/EBITDA expansion at 7%/34% CAGR over FY23–FY26E owing to higher volume coupled with cost-efficiency in a weak pricing environment.

Exhibit 11: Revenue at 7% CAGR over FY23–26E



Sources: Company, ACMIIL reseach

Exhibit 12: EBITDA & EBITDA % to improve further

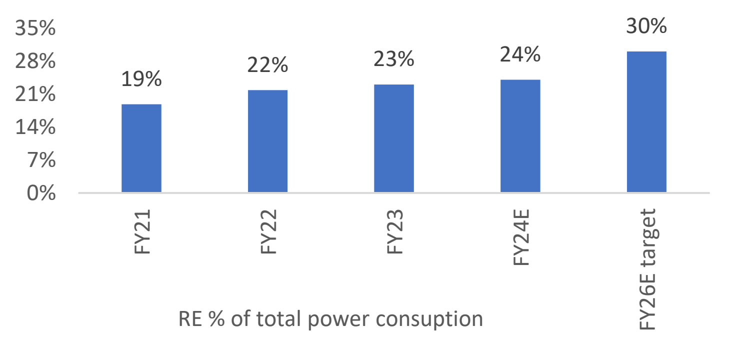


Sources: Company, ACMIIL reseach

Cost optimisation on card through project 'Shikhar' and 'Unnati':

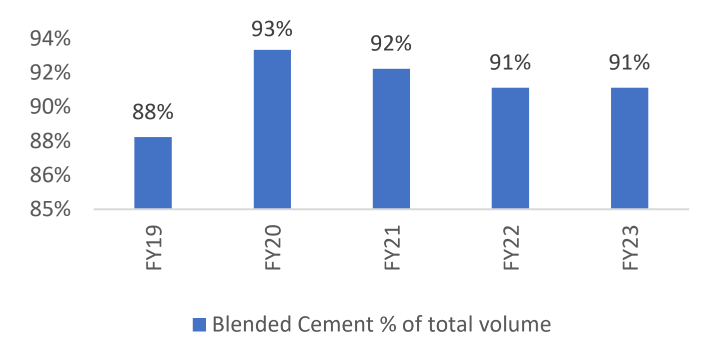
- Over the years, BCORP's green energy share has improved and expected to reach 30% by the end of FY26E. It has 94MW of captive power plant along with 44.85MW of WHRS and 41.2MW solar plants. By the end of FY26E, the company will add three solar plants, at Mukutban, Kundanganj and Maihar, which will further reduce the grid dependency. Also, higher usage of Alternative Fuel Sources (AFR) has resulted in a gradual improvement in Thermal Substitution Rate (TSR) and targeting TSR of 25%-30% from the existing level of 8.5% by over 2026-2030.

Exhibit 13: RE usage has increased gradually



Sources: Company, ACMIIL reseach

Exhibit 14: Higher blending ratio to rationalization of RM cost



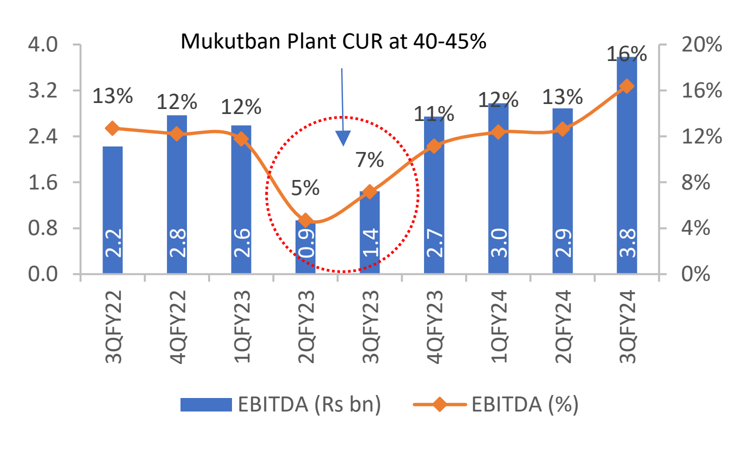
Sources: Company, ACMIIL reseach

Project Shikhar has helped BCORP in cost saving in the area of energy and raw material. In 3QFY24, the company was able to achieve ~Rs55/tn of cost saving through 'Project Shikhar.' Also, further benefits are expected after the completion of Phase II by the end of FY24. A cost-saving of ~Rs100/tn is anticipated in the next two years. 'Project Unnati' is mainly focussed on sales, logistics and marketing areas, which has helped the company to increase its geographical footprint.

Continuous focus on scaling up Mukutban Plant to lead profit maximisation:

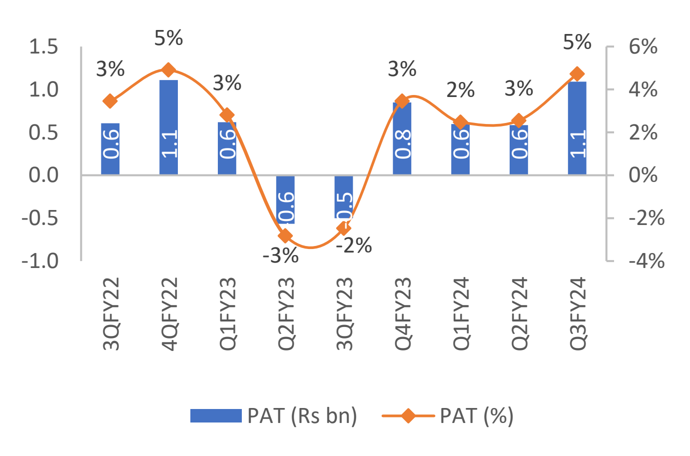
- BCORP's Mukutban Plant (a unit of RCCPL) started operation in April 2022 and was running at higher operating cost for a few quarters due to low capacity utilisation. However, the utilisation rate has improved from 40% in 2QFY24 to 60% in 3QFY24 and has started delivering positive EBITDA. The plant sells ~65–70% of cement volume in Maharashtra, while penetration into new markets, such as southern MP, Gujarat, Telangana and Chhattisgarh would be a big advantage. BCORP's EBITDA/ PAT has improved from Q4FY23 mainly owing to improved CUR and cost-efficiency at Mukutban plant.
- Although, the lead distance for the new market, i.e., Gujarat (750-800kms) is bit higher than Maharashtra and southern MP (250-300kms) but the pricing in Gujarat market which is better then other two markets always compensates it. So, we believe, continuous focus on 1). Ramping-up of production, 2) Scaling-up of captive limestone mines, 3) Optimisation of rail/road mix and distribution network, 4) Higher volume sales in southern MP and Gujarat, 5). Increase in premium segment sales (current level of 40%) and 6) Flow of Maharashtra government's GST incentive of Rs600/tn (est.) from 4QFY24 are the key drivers of profit maximisation from Mukutban plant.

Exhibit 15: EBITDA & EBITDA margin to improve further



Sources: Company, ACMIIL reseach

Exhibit 16: PAT vs. PAT margin



Sources: Company, ACMIIL reseach

Captive coal mines to facilitate:

- BCORP owns four captive coal mines in central India, i.e., Madhya Pradesh (MP), of which Sial Ghoghri Coal Mine is operational, while the opencast mine at Bikram Coal Block is expected to start in 2QFY25E. So, ~20% of coal requirement in central operations would be met through Sial Ghoghri and Bikram Coal Mine. However, after the commencement of Marki Barka and Brahmapuri coal mining, BCORP would become one of the highest captive coal sourcing (60–65%) company for both, kiln and CPP, requirements in central India operations
- On a sequential basis, imported fuel consumption has come down, from 35% to 25% in 3QFY24, while domestic coal share in fuel mix increased to 75%. So, we believe, imported fuel dependency will further reduce in the near term. The estimated cost of mining at Sial Ghoghri, Bikram and Marki Barka would be ~Rs1.45, ~Rs1 and ~Rs1.25 per Kcal, respectively, which is cheaper than imported pet-coke and coal prices. The coal mines are strategically located to feed integrated grinding units, especially in central and western regions
- At present, Sial Ghoghri coal mine's average distance respectively is ~397kms, ~660kms and ~288kms to MP, UP and Maharashtra plants. However, after the commencement of Bikram Coal Mine, the distance would be reduced to ~220kms, ~430kms and ~288kms to MP, UP and Maharashtra plants, respectively. There will be more benefits for the plants in UP and Maharashtra after Bikram Coal Mine goes on stream

Exhibit 17: Captive coal mines are strategically located to cater to UP, MP and Maharashtra kilns & CPP requirements

Mining Location Details				Reserves & PRC (mtpa)				Leased Area
Mining Name	Coal Field Name	Location	State	Geological	Mineable	Extractable	PRC	(in Hectares)
Sial Ghoghri	Pench Kanhan Coalfield	Chhindwara	MP	29.38	15.56	5.69	0.30	429
Bikram	Sohagpur Coalfield	Shahdol	MP	20.98	18.08	9.44	0.36	239
Brahampuri	Pench Kanhan Coalfield	Chhindwara	MP	55.00	37.97	12.40	0.36	360
Marki Barka	Singrauli Coalfield	Singrauli	MP	70.22	35.13	35.13	1.00	700

Sources: Company, ACMIIL reseach

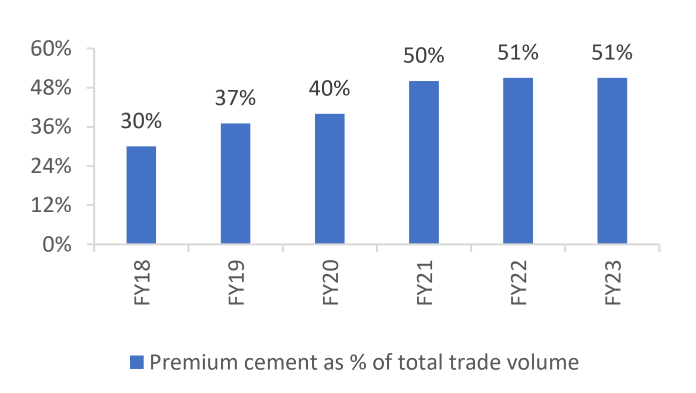
Coal Mine Location	Plant Location	Apx. Distance (Mine-to-Plant)	Plant Location (State)
Sial Ghoghri	Maihar	375	MP
Sial Ghoghri	Kundanganj	681	UP
Sial Ghoghri	Satna	419	MP
Sial Ghoghri	Raebareli	650	UP
Bikram	Maihar	198	MP
Bikram	Kundanganj	445	UP
Bikram	Satna	242	MP
Bikram	Raebareli	415	UP
Sial Ghoghri	Mukutban	288	MAHA
Sial Ghoghri	Chanderia	759	RAJ
Bikram	Mukutban	610	MAHA
Bikram	Chanderia	949	RAJ

Sources: Company, ACMIIL reseach

Premiumisation and incentive to continue add value in the long run

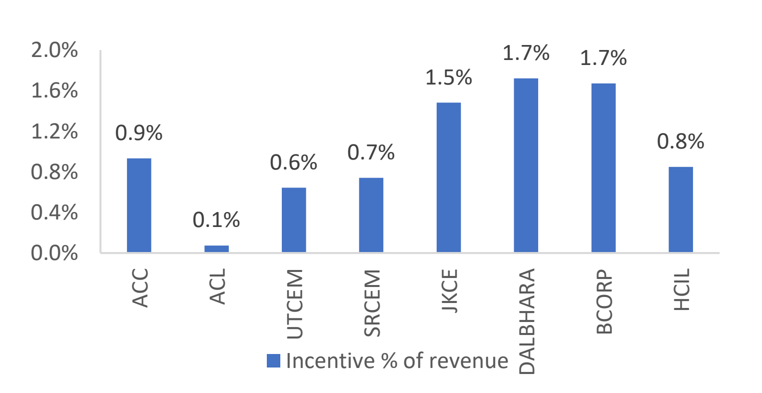
- Augmentation of premium segment has helped BCORP to deliver better top-line growth. Consistent focus on premium brands and sales push were able to create a strong footprint in its key markets although the demand environment was sluggish. As a result, Perfect Plus premium brand has gained market share and became BCORP's national flagship brand. The company's Mukutban unit manufactures Perfect Plus and supplies it to ~570 dealers and ~1800 retailers in the western region. Its premium product pricing is at par or Rs1-2 higher than its leading A category brands in its core market. BCORP's Kundanganj facility (a part of RCCPL) incentives are expiring in Mar'23, while Mukutban facility incentives are expected (~Rs600/tn) to accrue from 4QFY24. Additionally, the Prayagraj facility with an estimated capex of Rs4bn is expected to come on stream by the end of FY25E, is eligible for UP government incentives of 300% of BCORP's investment.

Exhibit 18: One of the highest premium segment player…



Sources: Company, ACMIIL reseach

Exhibit 19: …with highest incentive based plants

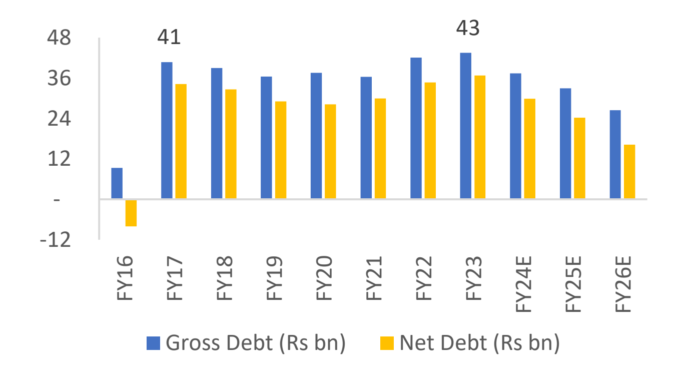


Sources: Company, ACMIIL reseach

Strong balance sheet with a proven track record of financial performance:

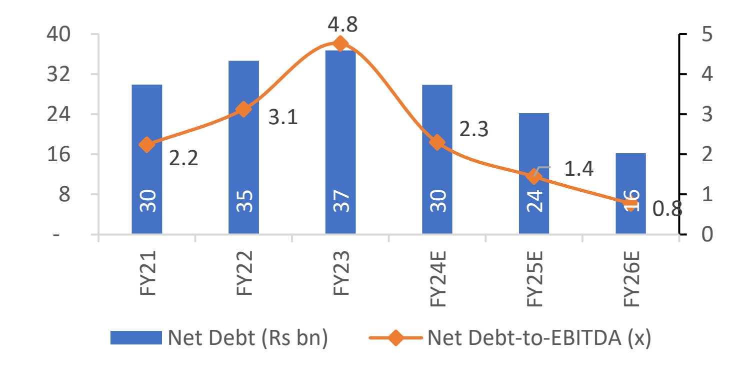
- BCOPR's gross debt level shut up to Rs43.5bn due to Greenfield expansion at Mukutban in FY22/ FY23, however, company has made a debt-repayment over 1Q/2Q/3Q FY24 and as on 31st Dec'23, gross debt level has came down to Rs34.7bn. We believe major capex is over and further reduction of debt is expected. And, since the peak debt level of Rs35-40bn is a comfort zone for the company, we assume higher cash generation from the newly-commissioned capacity would help futher reduction in debt.
- Net-Debt/EBITDA deteriorated to 5.5x in FY17/ 4.8x in FY23 owing to RCCPL acquisitions/ Mukutban expansion respectively. However, We expect net debt/EBITDA to improve to 1.4x in FY25E/ 0.8x in FY26E backed by higher cash generation; and this would lead to substantial debt reduction.

Exhibit 20: Debt level at comfort zone



Sources: Company, ACMIIL reseach

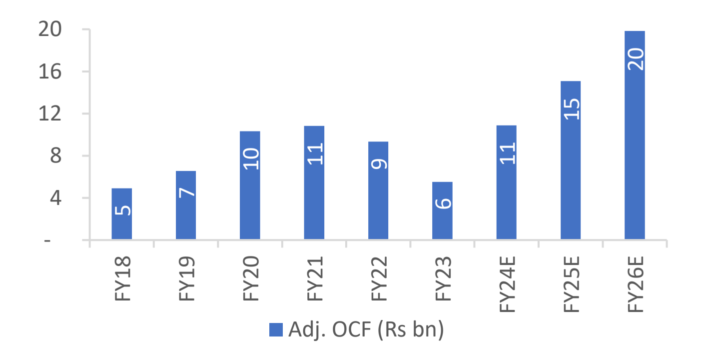
Exhibit 21: Net Debt/EBITDA to improve further



Sources: Company, ACMIIL reseach

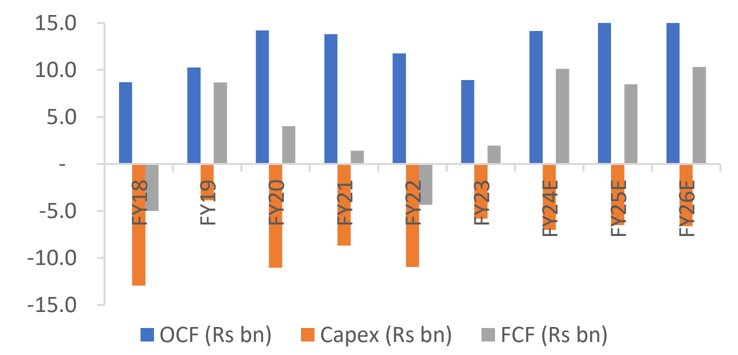
- BCORP has witnessed a strong OCF generation with an adjusted cumulative OCF of Rs67bn (FY13-FY23), which implies ~8-10mtpa capacity addition through internal accrual. We expect higher OCF generation FY25E onwards led by higher volume and cost benefits. Early ramp-up of RCCPL's capacities coupled with improved efficiency of Mukutban plant has resulted in positive FCF in FY23. Over the past 10 years, BCORP generated seven positive FCF despite having a substantial capex programme to double the capacity. We expect the company to generate Rs54.3bn of OCF and incur a capex of Rs20bn in next three years. We believe higher cash generation is likely to provide major capex funding through internal accrual in future.

Exhibit 22: Higher OCF to lead internal accrual capex funding



Sources: Company, ACMIIL reseach

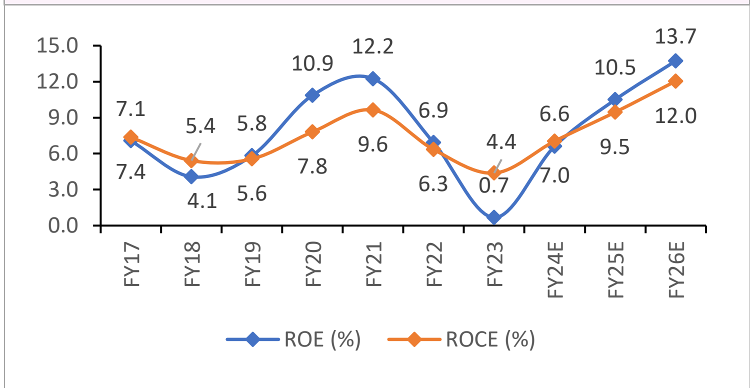
Exhibit 23: OCF, Capex and FCF trend



Sources: Company, ACMIIL reseach

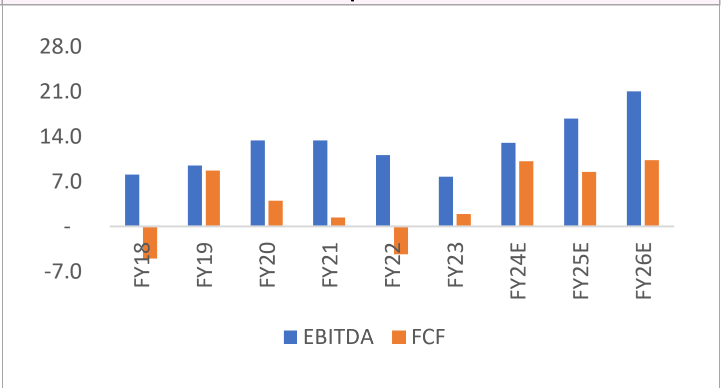
- Significant increase in energy costs (i.e., pet coke/ coal prices) and weak realization during FY22/ FY23 resulted in lower profitability and return ratio. However, we believe the return ratio of BCORP will improve going ahead led by 1). Higher volume addition from Mukutban ramp-up and new capacity additions, 2). Cost reductions 3). Lowering debt and 4). Inherited operating leverage benefits. We expect RoE/ RoCE to 13.7%/ 12% led by improved assets turnover and EBIT margin. BCORP is already well positioned in central region and further capacity addition in the region may dent RoE/ RoCE owing to low-capacity utilisation. However, we do not see any significant capacity addition in the regions except at Prayagraj, and some debottlenecking. Rather, the company may focus on the eastern region expansion.

Exhibit 24: Profit maximization to lead better return ratio



Sources: Company, ACMIIL reseach

Exhibit 25: EBITDA & FCF to improve further

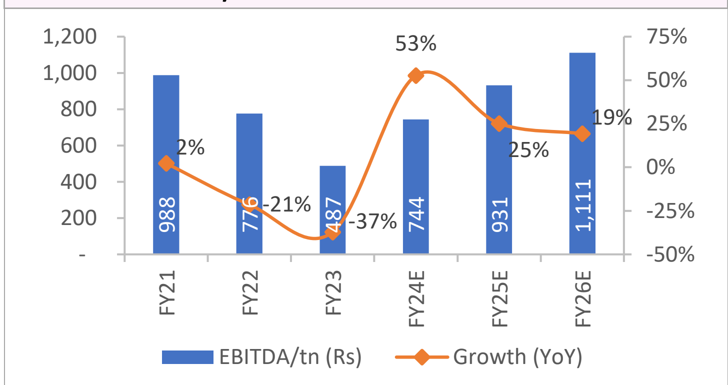


Sources: Company, ACMIIL reseach

Per tonne Analysis

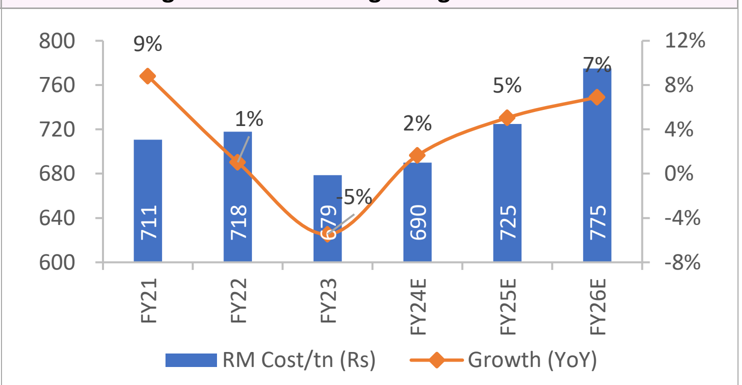
- BCORP has witnessed a gradual increase in EBITDA/tn since RCCPL acquisition, primarily led by better volume, higher premium segment sale, strong market presence and cost cooling off. While, FY22/ FY23 it has reported lower EBITDA/tn due to higher energy cost and lower realization. As per 3QFY24 con-call details, the management has indicated EBITDA/tn guideline of Rs 850 for FY24E. However, we have conservative view with regards to cement prices across the geography and estimating EBITDA/tn of Rs 744 for FY24E. But we believe, better top-line growth and cost optimisation to expand EBITDA/tn (~32% CAGR over FY23-FY26E) going ahead.

Exhibit 26: EBITDA/tn to moderate from FY25E onwards



Sources: Company, ACMIIL reseach

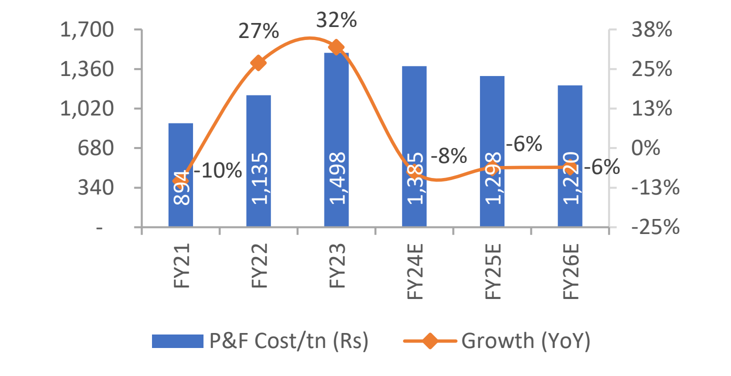
Exhibit 27: Higher RM cost owing to higher volume



Sources: Company, ACMIIL reseach

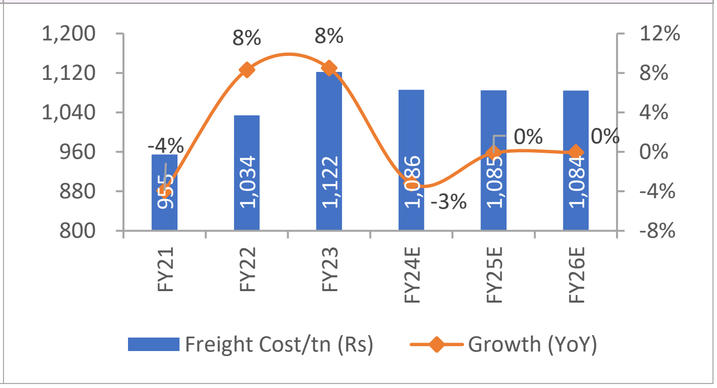
- We believe, further decline in energy cost (international pet-coke and coal), increase usage of captive coal, better fuel mix, stable diesel prices, and reduction in lead distance to rationalise P&F cost and Freight cost per tonne going forward.
- The imported fuel consumption has reduced to 25% in 3QFY24 from 43% in 3QFY23 in the fuel mix. This is primarily led by increase in green energy usage and captive coal sourcing. Also, the company is open for imported or domestic fuel procurement as and when its cheaper. Imported pet-coke and coal prices have come down from its peak of USD 360-370/tn level in Sep'22 to USD 110-120/tn in Mar'24, and expected further correction in near-term, while domestic pet-coke prices have corrected by ~25% YoY to ~Rs13200/tn in Mar'24. But, domestic coal prices are remains costlier (Coal India E-auction prices up by ~17% QoQ). Nonetheless, BCORP is well poised with captive coal sourcing to reduce grid and outside energy sourcing.
- We believe, BCORP's opex/tn to decline by ~Rs191/ ~Rs61/ ~Rs33 in FY24E/ FY25E/ FY26E mainly led by ~Rs113/ ~Rs87/ ~Rs78 decline in P&F cost in FY24E/ FY25E/ FY26E coupled with marginal decline in freight cost and other expenses per tonn.

Exhibit 28: Further decline in P&F cost



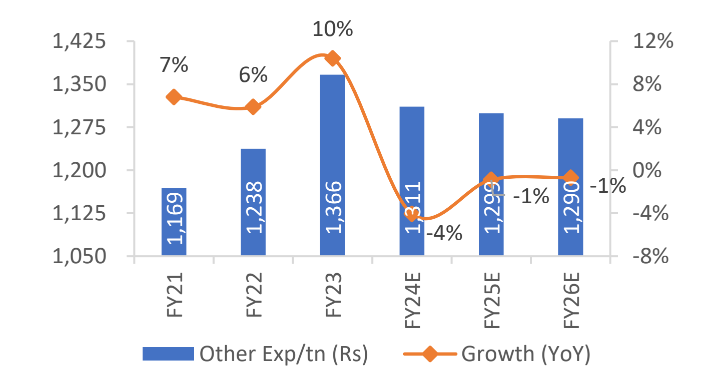
Sources: Company, ACMIIL reseach

Exhibit 29: Stable disesl price and reduction in lead distance



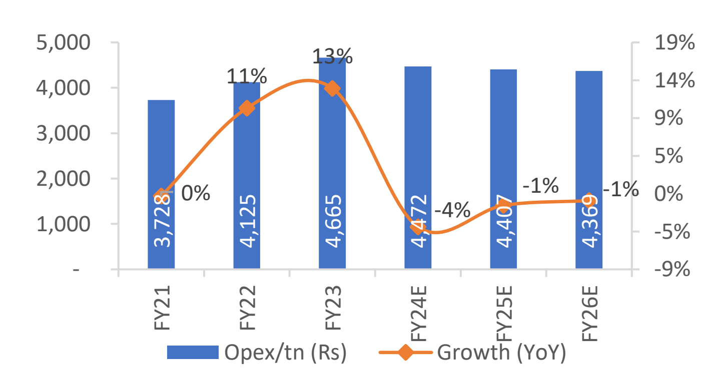
Sources: Company, ACMIIL reseach

Exhibit 30: Minimal operating leverage benefits



Sources: Company, ACMIIL reseach

Exhibit 31: Normalisation in overall operating cost



Sources: Company, ACMIIL reseach

Product Portfolio and Footprint

Exhibit 32: Better product mix with strong branding coupled with the mother brand Perfect Plus pricing have not only enhanced BCORP's ma

BRAND	PRODUCT FOOTPRINT
MP BIRLA CEMENT PERFECT PLUS	Delhi (NCR) | Uttar Pradesh | Madhya Pradesh | Maharashtra Rajasthan | Haryana | Gujarat | West Bengal | Jharkhand | Bihar
MP BIRLA CEMENT UNIQUE PLUS	West Bengal | Bihar | Jharkhand
MP BIRLA CEMENT SAMRAT	Telangana | Uttar Pradesh | Madhya Pradesh | Uttarakhand | Bihar Jharkhand | West Bengal | Rajasthan
MP BIRLA CEMENT SAMRAT ADVANCED	Uttar Pradesh | West Bengal | Bihar | Jharkhand Rajasthan | Madhya Pradesh | Haryana
MP BIRLA CEMENT RAKSHAK	Bihar | Uttar Pradesh | Madhya Pradesh West Bengal - To be launched soon
MP BIRLA CEMENT ULTIMATE ULTRA	West Bengal | Jharkhand
MP BIRLA CEMENT CHETAK	Rajasthan | Haryana | Punjab | Delhi (NCR) | Gujarat | Madhya Pradesh Uttar Pradesh | Maharashtra | Bihar
MP BIRLA CEMENT ULTIMATE	Bihar | Uttar Pradesh | Madhya Pradesh
MP BIRLA CEMENT CONCRECEM	Delhi (NCR) | Bihar | Uttar Pradesh | Rajasthan | Haryana Uttarakhand | Gujarat | Maharashtra | Madhya Pradesh
MP BIRLA CEMENT MULTICEM	West Bengal | Bihar | Uttar Pradesh | Madhya Pradesh Maharashtra | Rajasthan | Haryana | Uttarakhand | Gujarat
MP BIRLA CEMENT PSC	West Bengal

Sources: Company, ACMIIL reseach

Peer Comparision

Peer Comparision	Market Cap	7 Years CAGR			EV/EBITDA	EV/tonne	ROE	ROCE
	(Rs Bn)	Capacity	Revenue	EBITDA	(x)	(USD)	(%)	(%)
UTCEM	2,794	10.4%	14.1%	11.7%	27	257	9.3	12.0
Ambuja	1,207	0.8%	9.9%	7.0%	23	453	9.4	12.8
ACC	468	1.8%	10.6%	4.0%	24	155	6.2	9.5
BCORP	**116**	**10.7%**	**15.0%**	**15.5%**	**16**	**88**	**0.7**	**4.4**
DALBHARA	371	6.4%	9.3%	3.5%	16	117	6.7	5.9
JKCE	316	6.8%	11.8%	14.6%	25	247	11.3	5.2
JKLC	101	3.6%	12.8%	14.6%	14	87	12.6	16.7
SRCM	937	7.4%	18.3%	11.2%	31	237	5.5	5.6
HCIL	44	2.1%	4.5%	1.1%	16	78	6.6	13.1

Source: Company, ACMIIL Research
Peer Comparision: * EV/EBITDA, EV/mt calculated based on CMP as on 08th April 2024 & Current USD/INR.

Corporate Governance

Good corporate governance helps to build trust with investors and stakeholders, it also gives a clear idea of the company's direction and business integrity with long-term financial viability, opportunity and returns. Therefore, we are presenting a detailed framework for the benefits of BCORP's investors which covers details of directors, remuneration, CSR expenditure and related party transactions.

Promotors' shareholding:

The promoters' ownership stake in the company remained at 62.9% over FY17 to 9MFY24. We don't observe any promoters stake sell or promoters stake plading so far. The highest holdings in the promoters group is by Hindustan Medical Institution (9.3%), Vindhya Telelinks Ltd (8.29), Laneseda Agents Ltd (7.78%), Insilco Agents Ltd (7.8%), August Agents Ltd (7.81%) in the promoters group.

Board of Directors

As of of 31st Mar'23, the strength of the Board of Directors is 8, out of which 1 is Executive Director and more than 50% are Non-Executive Directors. Out of total Non-Executive Directors 5 are Independent Directors (incl. one women director). The chairman of the Board is a Non-Executive Director and is not related to the MD & CEO of the company. We have considerd the information given in the web-site instead of FY23 Annual Report due to demise of one of the BOD on 7th Nov'23. The BOD The detailed designations, qualification and experience of the directors are as follows

Shri Harsh V. Lodha, Chairman: 37 years of experience in the fields of business, finance, advisory and consultancy.He is the Chairman of Birla Corporation Limited, RCCPL Private Limited, Universal Cables Ltd., Vindhya Telelinks Ltd., Birla Cable Limited, Birla Furukawa Fibre Optics Pvt. Ltd. and Hindustan Gum & Chemicals Limited. He has served as the Honorary Consul of the Govt. of Romania for West Bengal, Orissa and Bihar and as Vice Consul of the Republic of Philippines for Eastern India.

Smt Shailaja Chandra: A former IAS officer, and career civil servant for 38 years, she has distinguished herself in several positions, including Delhi's first woman Chief Secretary. Apart from 15 years with the Government of India, where she held positions in the Ministries of Defence, Power and Health, she worked in different parts of the country with various State Governments. She was Secretary to the Union Ministry of Health and Family Welfare and Chairman, Public Grievances Commission, and Appellate Authority under the Delhi Right to Information Act.

Shri Dilip Ganesh Karnik: Arbitrator and Legal Consultant, retired as a Judge of Bombay High Court in May 2012. He was elevated as Additional Judge of the Court in October 2001. A practicing advocate from 1972 to 2001, he was a Gold Medalist in Law from the University of Pune. He is currently serving on the Board of the ICICI group of companies and M.P. Birla group of companies.

Mr. Anup Singh: Shri Anup Singh is a B. Tech (Hons.) in Electric Engineering from IIT, Kharagpur. He was associated with ITC for more than four decades and served as an Executive Director on the Board of ITC as well. He had played a key role in strategy formulation, modernization, quality and technology upgradation in various businesses of ITC.

Smt. Chitkala Zutshi: Smt. Chitkala Zutshi, IAS, is a post-graduate in Sociology from the University of Rajasthan, retired from the Indian Administrative Service with four decades of experience in diverse fields. She held various posts with the Government of India and the Government of Maharashtra. She was awarded a certificate in Applied International Systems in 1991 by the Swedish Institute of Management, Stockholm.

Smt. Rajni Sekhri Sibal: Smt. Rajni Sekhri Sibal, IAS, is the first lady to top the Civil Services Examination in the 1986 Batch. An M.A in Economics and Psychology. she is an Independent External Monitor of SEBI. She framed India's milk policy and was a Director on the Board of National Dairy Development Board. She was in charge of International Cooperation and Disaster Management and Disaster Risk Reduction in India.

Dr. Rajeev Malhotra: Dr. Rajeev Malhotra is a Ph D (Economics) from Jawaharlal Nehru University, New Delhi. A development economist and civil servant with more than 35 years of experience, he has worked with the Government of India where until August 2012 he was an Economic Adviser to the Union Finance Minister. He also worked at the UN Office of the High Commissioner for Human Rights in Geneva from 2002 to 2008. He has also penned various books and papers.

Shri Sandip Ghose, MD & CEO: A qualified Chartered Accountant with All India Merit Rank has over 40 years of professional experience in industries ranging from Consumer Goods (FMCG), Media and Cement. He does not have any pecuniary relationship (except managerial remuneration), directly or indirectly with the Company and does not hold any relationship with any managerial personnel.

Other Key Management Personnel:

Shri Aditya Saraogi, CFO: Mr. Saraogi is a Chartered Accountant with more than 36 years of diverse experience in fields of financial operations, accounting, taxation, governance, compliance and internal controls. Prior to joining Birla Corporation Limited, he was with the Indian associate firms of Ernst & Young and BDO. He served several large clients, including ITC, Bharti Airtel, Lafarge India, Peerless, iGate and Reliance Communications. He is responsible for the financial oversight of the Company and its subsidiaries, acquisition integration activities and roll-out of finance activities including cash flow management. He also played a key role in the integration of operations of RCCPL Private Limited, material subsidiary of the Company.

Shri Manoj Kumar Mehta, CS & Legal Head: He is a Chartered Accountant & Company Secretary by qualification, having more than 28 years of post-qualification experience in diversified industries in the fields of Secretarial, Legal, Taxation, Accounts & Finance and general compliance. He has been in senior leadership positions at the MP Birla Group Companies since 2006.

Directors shareholdings in the company:

- As per FY23 Annual report, Shri Harsh V. Lodha holds 1260 number of share in BCORP jointly with other shareholders, while Shri Vikram Swarup, Shri Anand Bordia, Shri Dhruba Narayan Ghosh (demise on 7th Nov'23) , Dr. Deepak Nayyar and Smt. Shailaja Chandra each holds 500 number of share in the company jointly with other shareholders. Shri Dilip Ganesh Karnik & Shri Sandip Ghose each holds 500 number of shares independently.

Details of remuneration

- There was an increase of 7.78% in the median remuneration of employees during the FY23 vs. 1.13% increase in FY22. The median remuneration of employees of the company during the FY23 was Rs0.26mn. There were 6,920 permanent employees (3.4% decline YoY) on the rolls of company as on 31st Mar'23. Average percentage increase made in the salaries of employees other than the Managerial Personnel in FY23 was 11.07% as compared to 6.33% YoY increase in FY22. whereas the increase in the managerial remuneration was 12.08% in FY23 vs. 17.13% in FY22. The CFO's remuneration increased by 7.49% YoY and CS & legal head's salary increased by 13.37% YoY.

YE March	FY19	FY20	FY21	FY22	FY23
Directors & KMPs Remuneration (Rs mn)	76.6	69.6	56.2	70.8	83.0
% of PBT	*2.4%*	*1.0%*	*0.7%*	*1.2%*	*22.8%*
Auditors' Remuneration (Rs mn)	9.2	9.8	10	11.3	12.8
% of PBT	*0.3%*	*0.1%*	*0.1%*	*0.2%*	*3.5%*

Source: Company, ACMIIL Research

Contingent Liabilities

YE March (Rs mn)	FY19	FY20	FY21	FY22	FY23
Sales Tax, VAT, CST and Entry Tax matters	16.6	16.6	15.3	11.4	11.4
Excise Duty, Service Tax, Goods & Service Tax and Custom Duty matters	10.0	10.1	13.5	13.6	13.7
Income Tax matters	1.1	0.5	0.5	2.8	2.8
Electricity Duty and Renewable Energy Surcharge matters	2.2	2.2	2.2	2.2	2.2
Royalty on Limestone	6.8	6.8	6.8	6.8	-
Others	5.2	6.1	6.5	6.5	7.4
Total	41.8	42.1	44.7	43.3	37.4
% of net-worth	0.1%	0.1%	0.1%	0.1%	0.1%

Source: Company, ACMIIL Research

Related Party Transactions (RTP)

- We have not observed any major related party transactions involving its subsidiaries. Here are the details:

YE March (Rs mn)	FY22	FY23
Ordinary course of business		
Sales of goods/ services provided - Vindhya Telelinks Limited	1	6
Purchase of goods/ services received - Vindhya Telelinks Limited	27	13
Payment of rent	1	1
Receipt of rent - Vindhya Telelinks Limited	1	1
Paid to Trust-Employees Provident Fund Contribution	78	89
Paid to Trust-Employees Gratuity Fund Contribution	60	15
Paid to Trust-Employees Superannuation Fund Contribution	26	25
Dividend Paid	244	244
Key Management Personnel compensation		
Short-Term Employee Benefits	44	53
Post-Employment Benefits	1	2
Director's Sitting Fees	9	10
Director's Commission	8	7
Balance Outstanding as at the balance sheet date		
Trade Payables	3	5
Provision for Employees benefit	7	7
Trade Receivables	-	-
Other Receivables	59	25
Advances Given / Security Deposited	0	0
Short-term employee benefits	12	12

Source: Company, ACMIIL Research

CSR Expenses

YE March (Rs mn)	FY21	FY22	FY23
Prescribed Expenditure (2% of Avg. Net Profit)	43	67	77
Total Spends	45	66	76
% of prescribed limit	***106%***	***99.2%***	***99.6%***
Avg. Net Profit	2,140	3,348	3,833

Source: Company, ACMIIL Research

ACMIIL vs. Consensus

- Our revenue and margin estimates are in-line with Bloomberg consensus for FY24E/FY25E/FY26E. We estimate BCORP's EBITDA to expand at a 10.3% CAGR during FY23-FY26E led by 1) higher volume owing to improved CUR at Mukutban and Prayagraj plant, 2) Cost savings led by the higher share of green energy and usage of captive coals and 3) Logistic cost synergies from Mukutban unit, 4) Increasing share of premium segment sale and 5) Stable pricing in key market region especially in north and western regions.

Exhibit 33: Bloomberg vs. our estimates (Consolidated financials)

YE March	FY24E	FY25E	FY26E
Revenues (Rs bn)			
Consensus	97	105	114
ACMIIL. Est	97	102	110
% Difference	*-0.1*	*-2.5*	*-3.0*
EBITDA (Rs bn)			
Consensus	14	17	19
ACMIIL. Est	13	17	21
% Difference	*-8.0*	*-0.5*	*9.0*
EBITDA Margin (%)			
Consensus	13.4	16.4	19.1
ACMIIL. Est	13.4	16.4	19.1
Difference (bps)	*0bps*	*0bps*	*0bps*

Source: Company, ACMIIL Research

Exhibit 34: Key forecast drivers

YE March	FY19	FY20	FY21	FY22	FY23	FY2E	FY25E	FY26E
Volume (mt)	13.8	13.8	13.5	14.3	15.8	17.5	18.0	18.9
YoY (%)	*11.6*	*(0.1)*	*(2.1)*	*5.7*	*10.7*	*10.3*	*3.2*	*5.1*
Utilization (%)	89	89	87	91	88	87	90	91
Realization (Rs/tn)	4,527	4,934	4,976	5,206	5,456	5,500	5,583	5,694
YoY (%)	*2.7*	*9.0*	*0.8*	*4.6*	*4.8*	*0.8*	*1.5*	*2.0*
Cost per tonne (Rs)								
Raw Material Cost	681	653	711	718	679	690	725	775
Employee cost	268	295	294	313	329	331	335	341
P&F Cost	1,073	999	894	1,135	1,498	1,385	1,298	1,220
Freight Cost	980	994	955	1,034	1,122	1,086	1,085	1,084
Other Expenses	1,045	1,094	1,169	1,238	1,366	1,311	1,299	1,290
Blended EBITDA(Rs/tn)	686	966	988	776	487	744	931	1,111

Source: Company, ACMIIL Research

Key Risk Analysis

- **Subdued demand:** Indian cement demand has grown by 12.7% YoY in 9MFY24 vs. 12.4% YoY in 9MFY23, the double digit growth mainly led by pre-general election demand. However, we believe the momentum to continue backed by demand uptick from IHB, real estate and various government infrastructure spending. BCORP's volume growth remain strong in 9MFY24 (13.3% YoY) at 85% capacity utilization, is better than industry. However, lower than anticipated utilization rate can be a key downside risk to our volume assumptions.
- **Further decline in cement prices:** All India cement average prices are down by ~1.5%-2% MoM in Feb'24 (~Rs6-7 drop for 50kg bag). While, the prices have improved by ~Rs13-14 per bag from the level of ~Rs365 in FY21. We are assuming the pricing pressure would remain there due to higher capacity addition in the industry. However, regional strength and higher premium segment sale to increase realization. We are quite conservative on cement price hike and any further cement price correction is a key risk to our assumption.
- **Delay in capex programme:** We have factored early ramp-up with higher capacity utilization at Mukutban Plant and estimated volume addition from Prayagraj Plant (expected to commission by end of FY25E). Any delay in the planned capex and capacity addition is a key risk to our assumptions.
- **Any increase in cost structure:** The major costs associated with manufacturing cement are 1) power & fuel (P&F), and 2) logistic costs followed by 3) raw material (RM) costs. Power and fuel costs contribute ~30% of the overall operating cost while ~25% is logistic costs and ~22% is raw material costs. A gradual decline in energy costs (pet coke and coal prices both domestic and international) from its peak level in Sep'22 have provided cost respite to the cement manufacturers. We believe BCORP's P&F costs to be moderate going forward. While, stable diesel prices and a reduction in the lead distance would provide comfort for logistic costs. Any increase in energy cost/ raw material cost/ diesel price/ lead distance are the key risk to our valuation.
- **Delay in incentive:** BCORP's Kundanganj facility (part of RCCPL) incentives are expiring in Mar'23, However, Mukutban facility incentives are expected (~Rs600/tn) to accrue from 4QFY24. Additionally, the Prayagraj facility (1.4mtpa) is expected to come on stream by the end of FY25 also eligible for UP government incentives. Any delay in incentive would lead an increase of receivable.

Quaterly Performance:

Y/E March (Rs mn)	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Net Sales	**22,642**	**22,038**	**19,998**	**20,161**	**24,626**	**24,085**	**22,858**	**23,120**
Raw Material Cost	4,706	2,221	2,154	2,208	4,358	4,223	3,835	3,285
Employee Cost	1,133	1,279	1,315	1,321	1,299	1,396	1,424	1,412
Power & Fuel Cost	4,501	6,146	6,084	5,764	5,732	5,083	4,946	4,597
Freight Cost	5,309	5,228	4,955	4,931	5,952	5,824	5,185	5,565
Other Expenses	4,226	4,571	4,551	4,494	4,542	4,580	4,580	4,476
Total Expenses	**19,875**	**19,445**	**19,059**	**18,717**	**21,882**	**21,106**	**19,970**	**19,335**
EBITDA	**2,767**	**2,593**	**940**	**1,444**	**2,743**	**2,978**	**2,889**	**3,785**
EBITDA (%)	*12.2*	*11.8*	*4.7*	*7.2*	*11.1*	*12.4*	*12.6*	*16.4*
Depreciation	997	1,145	1,254	1,299	1,401	1,403	1,435	1,448
Other Income	693	143	418	79	491	162	274	163
Interest	547	703	928	869	887	974	954	965
PBT (Incl. OEI)	**1,916**	**888**	**(825)**	**(645)**	**946**	**763**	**774**	**1,535**
Exceptional items	(384)	(117)	-	-	183	-	(3)	-
PBT (Excl. OEI)	**1,532**	**771**	**(825)**	**(645)**	**1,129**	**763**	**771**	**1,535**
Tax	421	152	(260)	(146)	280	166	188	443
Tax rate (%)	*27.5*	*19.7*	*31.5*	*22.6*	*24.8*	*21.7*	*24.3*	*28.9*
Rep. PAT	**1,111**	**619**	**(565)**	**(499)**	**850**	**597**	**584**	**1,091**
Adj. PAT	**1,495**	**736**	**(565)**	**(499)**	**667**	**597**	**586**	**1,091**
Adj. PAT (%)	*6.6*	*3.3*	*(2.8)*	*(2.5)*	*2.7*	*2.5*	*2.6*	*4.7*
No. of share	77	77	77	77	77	77	77	77
EPS (Rs)	*14.4*	*8.0*	*(7.3)*	*(6.5)*	*11.0*	*7.8*	*7.6*	*14.2*

Source: Company, ACMIIL Research

Per Tonne Analysis	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Volume (mt)	4.24	3.93	3.64	3.72	4.44	4.41	4.18	4.20
Blended Realization (Rs)	5,340	5,608	5,494	5,420	5,546	5,461	5,468	5,505
RM Cost (Rs)	1,110	565	592	593	982	958	917	782
Employee cost (Rs)	267	325	361	355	293	317	341	336
P&F Cost (Rs)	1,062	1,564	1,671	1,549	1,291	1,153	1,183	1,094
Freight Cost (Rs)	1,252	1,330	1,361	1,325	1,340	1,321	1,240	1,325
Other Exp (Rs)	997	1,163	1,250	1,208	1,023	1,038	1,096	1,066
Opex (Rs)	4,688	4,948	5,236	5,031	4,928	4,786	4,777	4,604
Blended EBITDA (Rs)	653	660	258	388	618	675	691	901

Source: Company, ACMIIL Research

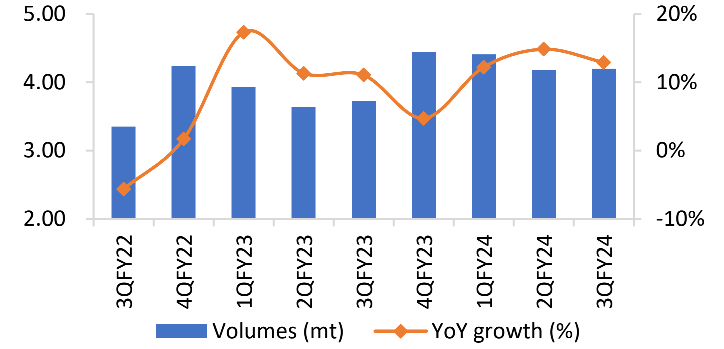
YoY Growth (%)	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Revenue	6.2	26.0	17.8	15.2	8.8	9.3	14.3	14.7
EBITDA	(29.4)	(24.5)	(64.8)	(35.1)	(0.9)	14.9	207.4	162.1
Adj. PAT	(51.3)	(48.0)	(166.0)	(193.4)	(55.4)	(18.8)	(203.8)	(318.7)
Adj. EPS	(55.4)	(56.2)	(166.0)	(182.5)	(23.5)	(3.6)	(203.4)	(318.7)

Source: Company, ACMIIL Research

QoQ Growth (%)	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Revenue	29.4	(2.7)	(9.3)	0.8	22.1	(2.2)	(5.1)	1.1
EBITDA	24.4	(6.3)	(63.8)	53.7	90.0	8.6	(3.0)	31.0
Adj. PAT	179.7	(50.8)	(176.7)	(11.6)	(233.6)	(10.4)	(1.8)	86.2
Adj. EPS	83.8	(44.3)	(191.2)	(11.6)	(270.2)	(29.7)	(2.2)	87.0

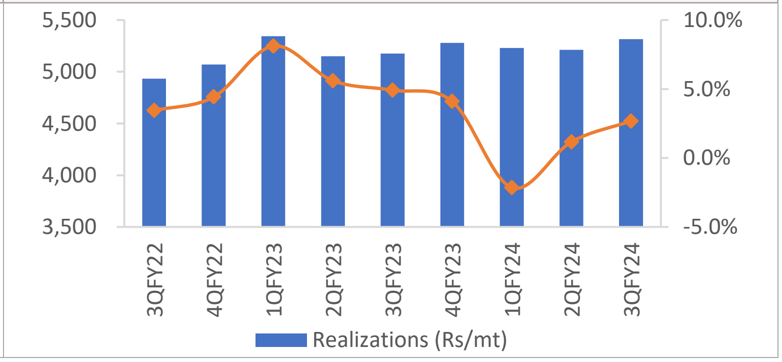
Source: Company, ACMIIL Research

Exhibit 35: Mukutban ramp-up helps to volume increase



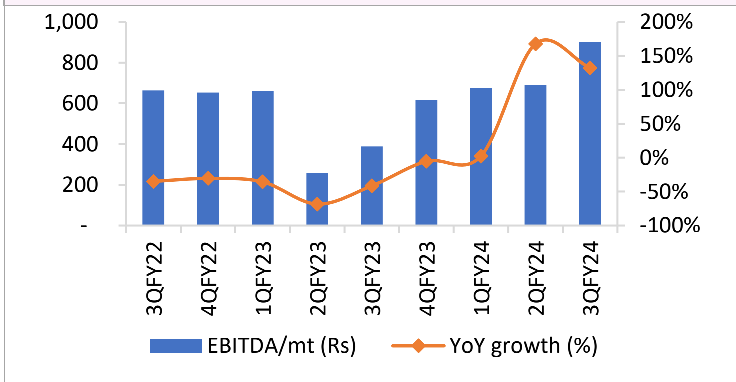
Sources: Company, ACMIIL reseach

Exhibit 36: Pricings is stable in the key market regions



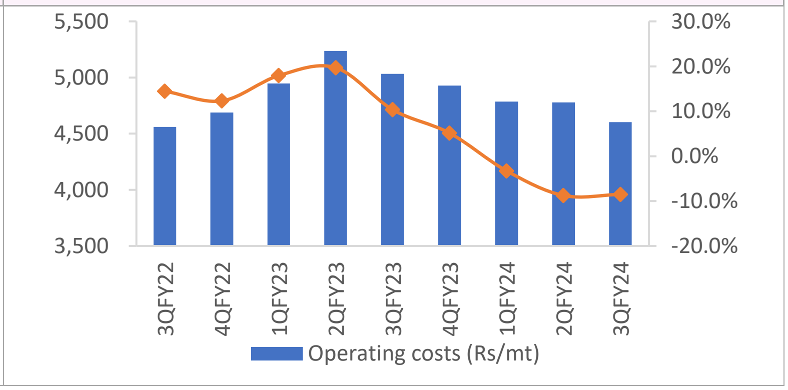
Sources: Company, ACMIIL reseach

Exhibit 37: Cost efficiency resulted in better EBITDA/tn



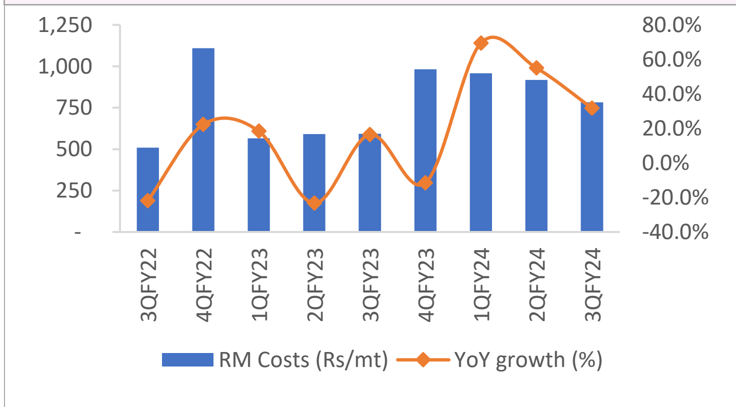
Sources: Company, ACMIIL reseach

Exhibit 38: Overall cost efficiency has improved



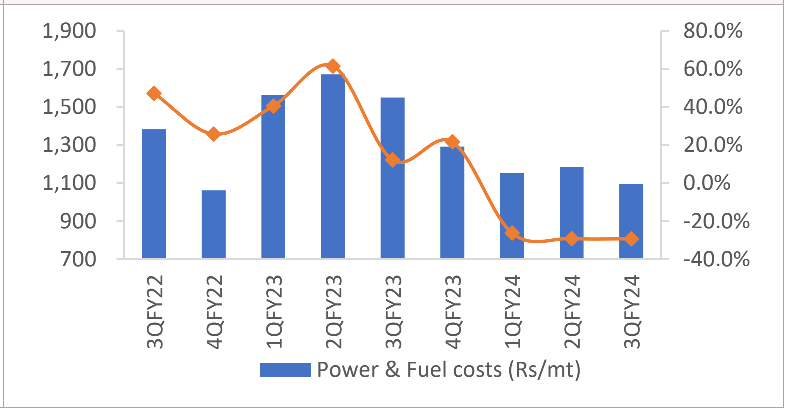
Sources: Company, ACMIIL reseach

Exhibit 39: RM cost declined despite higher volume



Sources: Company, ACMIIL reseach

Exhibit 40: Cooling off energy cost and captive coal use impact

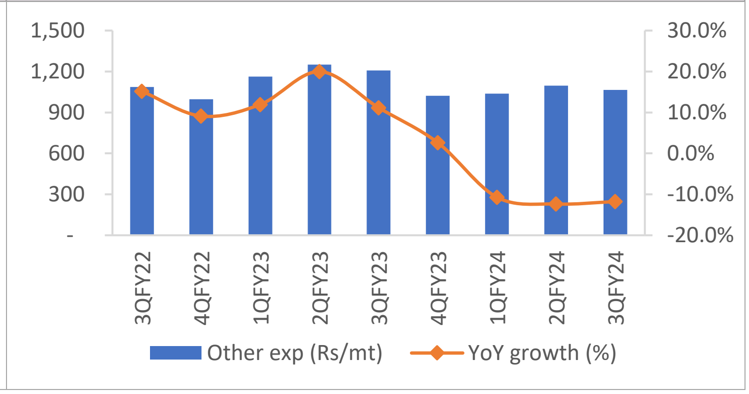


Sources: Company, ACMIIL reseach

Exhibit 41: Respite in logistic cost led by stable diesel prices

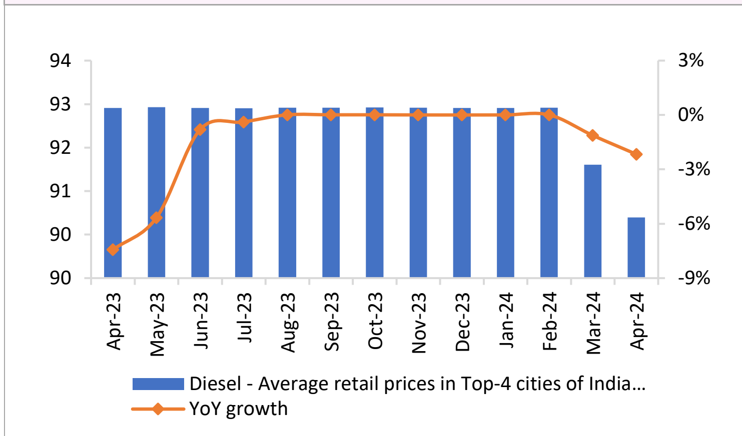
Sources: Company, ACMIIL reseach

Exhibit 42: Other expenses remained at comfort level



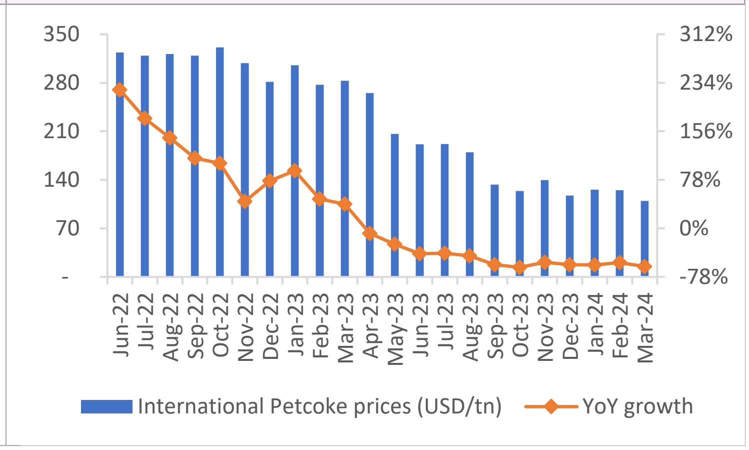
Sources: Company, ACMIIL reseach

Exhibit 43: Diesel prices fall by 2% YoY in Apr'24



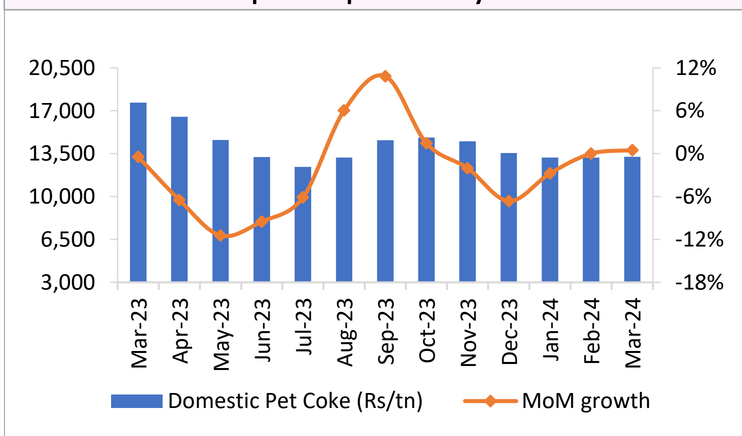
Sources: Company, ACMIIL reseach

Exhibit 44: International petcoke price fall by ~61% YoY in Mar'24



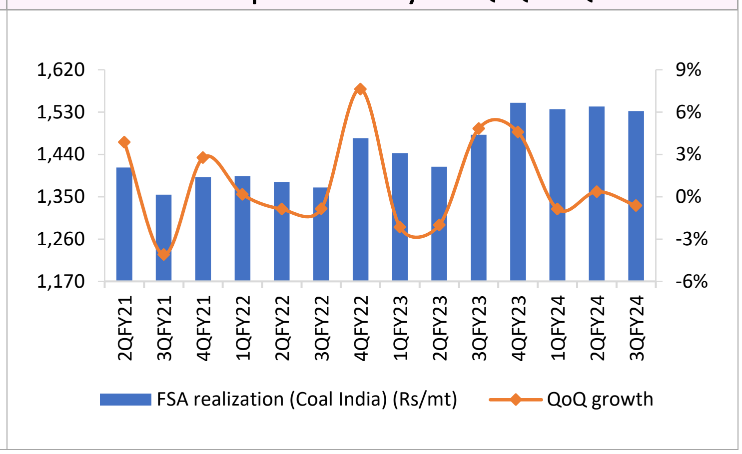
Sources: Company, ACMIIL reseach

Exhibit 45: Domestic petcoke prices fall by ~25% YoY in Mar'24



Sources: Company, ACMIIL reseach

Exhibit 46: CIL's coal prices down by ~1% QoQ in 3QFY24



Sources: Company, ACMIIL reseach

Valuation and View:

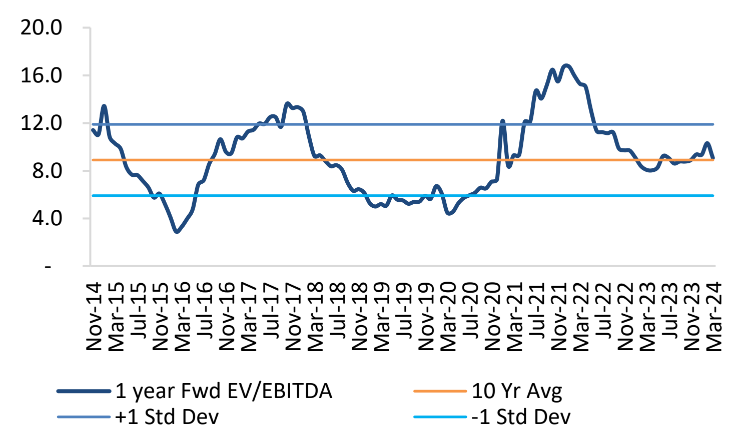
At CMP Rs1510, The stock trades at 11x/8x/6x FY24E/25E/26E EV/EBITDA and USD 88/84/74 EV/ton. It has traded at an average EV/EBITDA of 10x in the last 10 years. With an improvement in profitability, return ratios & balance sheet and a continued focus on capacity addition, we expect it to trade at higher-than-historical multiples going forward. We value the company at 8x FY26E EV/EBITDA to arrive at a target price of Rs 2055 (an upside of 36%) and initiate coverage with a **BUY** rating.

Exhibit 47: Valuation Summary

Valuation	Rs (in mn)
FY26e EBITDA (Rs mn)	21,030
Target Multiple (x)	8
EV (Rs mn)	1,68,240
Less: Net Debt (Rs mn)	10,019
Equity Value (Rs mn)	1,58,221
No of Shares (in mn)	77
Value of shares (Rs)	**2,055**
CMP (Rs)	1,507
Upside / (downside) %	36%

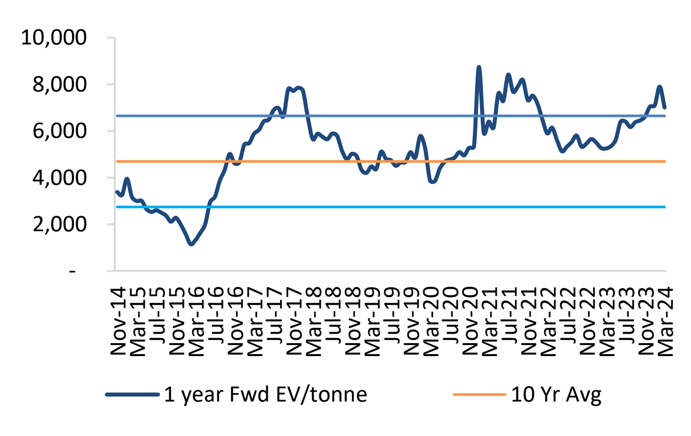
Source: Company, ACMIIL Research

Exhibit 48: 1-year forward EV/EBITDA



Sources: Company, ACMIIL reseach

Exhibit 49: 1-year forward EV/tonne



Sources: Company, ACMIIL reseach

Financial Tables (Consolidated)

Income Statement

YE March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	**74,612**	**86,823**	**96,900**	**102,240**	**110,185**
Growth (%)	*10.0*	*16.4*	*11.6*	*5.5*	*7.8*
RM Cost	10,276	10,751	12,052	13,060	14,668
Employee Cost	4,481	5,213	5,783	6,043	6,446
Power & Fuel Cost	16,246	23,726	24,197	23,396	23,094
Freight Cost	14,798	17,770	18,971	19,546	20,523
Other Expenses	17,711	21,642	22,899	23,412	24,424
Total Expenditure	63,512	79,103	83,902	85,457	89,155
EBITDA	**11,100**	**7,720**	**12,998**	**16,783**	**21,030**
Growth (%)	*(17.0)*	*(30.5)*	*68.4*	*29.1*	*25.3*
EBITDA margin (%)	*14.9*	*8.9*	*13.4*	*16.4*	*19.1*
Depreciation	3,969	5,099	5,571	5,854	6,211
EBIT	**7,131**	**2,621**	**7,427**	**10,929**	**14,819**
EBIT margin (%)	*9.6*	*3.0*	*7.7*	*10.7*	*13.4*
Other Income	988	1,131	1,150	1,168	1,187
Interest Expenses	2,427	3,387	3,265	2,872	2,389
PBT (Incl. EOI)	5,692	365	5,311	9,226	13,618
Exceptional Items	(314)	67	-	-	-
PBT (Excl. EOI)	5,377	431	5,311	9,226	13,618
Tax	1,392	26	1,232	2,210	3,308
Effective tax rate (%)	*25.9*	*6.1*	*23.2*	*24.0*	*24.3*
Rep. PAT	3,986	405	4,080	7,015	10,310
Rep. PAT Growth (%)	*(36.7)*	*(89.8)*	*907.3*	*72.0*	*47.0*
Rep. PAT (%)	*5.3*	*0.5*	*4.2*	*6.9*	*9.4*
Adj. PAT	4,300	338	4,080	7,015	10,310
Adj. PAT Growth (%)	*(37.5)*	*(92.1)*	*1,105.2*	*72.0*	*47.0*
Adj. PAT (%)	*5.8*	*0.4*	*4.2*	*6.9*	*9.4*

Source: Company, ACMIIL Research

Balance Sheet

YE March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Equity share capital	770	770	770	770	770
Reserves & surplus	*59,719*	*59,038*	*62,733*	*69,364*	*79,288*
Net worth	**60,489**	**59,808**	**63,503**	**70,134**	**80,058**
Debt	37,906	38,383	36,760	32,196	25,902
Net deferred tax	9,722	9,712	9,712	9,712	9,712
Total Liabilities	**108,117**	**107,904**	**109,975**	**112,042**	**115,672**
Net block	75,756	98,410	96,916	97,942	98,262
CWIP	*25,519*	*3,584*	*6,512*	*6,137*	*6,212*
Investment	*10,093*	*8,683*	*8,683*	*8,683*	*8,683*
Cash & Bank Balances	1,380	2,183	2,952	4,144	5,638
Other Current Assets	25,777	27,860	30,402	31,676	34,145
Other Current Liabilities	*30,409*	*32,816*	*35,491*	*36,540*	*37,267*
Net Current Assets	*1,297*	*2,292*	*3,329*	*5,179*	*8,868*
Total Assets	**108,117**	**107,904**	**109,975**	**112,042**	**115,672**

Source: Company, ACMIIL Research

Cash Flow

YE March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	5,377	431	5,311	9,226	13,618
Add: Depreciation	3,969	5,099	5,571	5,854	6,211
Add: Interest	2,427	3,387	3,265	2,872	2,389
Chg in working cap	(3,762)	(1,131)	4,217	(766)	(1,982)
Tax	(1,392)	(26)	(1,232)	(2,210)	(3,308)
Operating Cash flow	**6,620**	**7,760**	**17,133**	**14,975**	**16,927**
Capex	(10,962)	(5,818)	(7,005)	(6,505)	(6,605)
Free Cash Flow	(4,342)	1,943	10,129	8,470	10,322
Investments	(1,968)	1,502	(98)	(100)	(120)
Investing Cash flow	**(12,931)**	**(4,316)**	**(7,102)**	**(6,605)**	**(6,725)**
Equity Capital	-	-	-	-	-
Debt	5,732	1,416	(6,109)	(4,456)	(6,507)
Dividend paid	(770)	(770)	(809)	(847)	(886)
Interest Paid	(2,427)	(3,387)	(3,265)	(2,872)	(2,389)
Others	3,383	100	921	996	1,073
Financing Cash flow	**5,918**	**(2,641)**	**(9,262)**	**(7,179)**	**(8,708)**
Net chg in cash	(393)	803	769	1,192	1,494
Opening cash position	1,772	1,380	2,183	2,952	4,144
Closing cash position	1,380	2,183	2,952	4,144	5,638

Source: Company, ACMIIL Research

Key Ratios

YE March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Per Share Data (Rs)					
EPS	51.8	5.3	53.0	91.1	133.9
CEPS	103.3	71.5	125.3	167.1	214.5
BVPS	785	777	825	911	1040
DPS	10.0	10.0	10.0	10.0	10.0
Valuations (x)					
PER	20.2	212.9	28.5	16.6	11.3
P/CEPS	10.1	15.7	12.0	9.0	7.0
P/BV	1.3	1.4	1.8	1.7	1.5
EV / Sales	1.5	1.4	1.5	1.4	1.2
EV / EBITDA	10.4	15.9	11.2	8.4	6.3
Dividend Yield (%)	1.0	0.9	0.7	0.7	0.7
Return Ratio(%)					
RoCE	6.3	4.4	7.0	9.5	12.0
RoE	6.9	0.7	6.6	10.5	13.7
RoIC	6.2	2.5	5.2	7.6	10.0
Gearing Ratio (x)					
Net Debt/ Equity	0.6	0.6	0.5	0.3	0.2
Net Debt/EBITDA	3.1	4.8	2.3	1.4	0.8
Working Cap Cycle (days)	48	41	30	22	22
Profitability (%)					
EBITDA Margin	14.9	8.9	13.4	16.4	19.1
EBIT Margin	9.6	3.0	7.7	10.7	13.4
Adj. PAT Margin	5.8	0.4	4.2	6.9	9.4

Source: Company, ACMIIL Research

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	<-10%
HOLD	<-10% to 15%

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Research Analyst Registration Number: INH000002483

CIN: U65990MH1993PLC075388

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