

13<sup>th</sup> Feb 2024

₹1691/-

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**Q3FY24 Performance**

- Birla Corporation Ltd (BCL) delivered a strong performance in Q3FY24, reporting a net profit surge of 87% sequentially. This impressive climb was fuelled by increased sales and successful efforts to reduce operating expenses.
- BCL reported a remarkable 13% YoY growth in volume taking revenues up by 15%, fuelled by robust demand. EBITDA at ₹379crs surged by an impressive 163% YoY.
- Consolidated PAT for the quarter amounted to ₹109crs, a significant turnaround from the net loss of ₹50crs recorded in Q3FY23.
- Capacity utilisation has significantly increased to 85% compared to 74% a year ago. Additionally, for the nine-month period ending in Dec2024, it reached an impressive 86% as opposed to 79% last year. This remarkable improvement is primarily attributed to the on track scaling up of production at Mukutban, Maharashtra.
- Cost/tonne decreased by 9% YoY, 4% QoQ at ₹4604crs, internal efficiency drives profit surge. BCL's EBITDA/tonne was ₹902, increasing 133%/31%, YoY/QoQ, and this trend is likely to continue in Q4FY24.
- Project Shikhar, a multifaceted initiative aimed at enhancing operational effectiveness and optimizing expenses has prompted several minor adjustments, which have so far saved the cost of producing cement for the quarter by at least ₹55/ton.

**Key Concall Highlights**

- **Capacity Expansion** – Business is setting up a 1.4mtpa greenfield grinding facility in Prayagraj. This unit should be put into service by the end of FY25 and begin commercial production at around the start of FY26. The business wants to reach 30 mtpa of production capacity by FY30 from the current capacity of ~20mtpa.
- **Volume** – With 4.2mn tons sold, cement sales by volume increased 13.2% YoY. During Q3FY24, the Company's capacity utilization was 85%, up from 74% a year earlier and 83% in the Q2FY24. Moreover, management has trimmed its volume guidance for FY24 to 13% from earlier 15% due to tepid market conditions.
- **Cement prices** – Despite strong demand, cement manufacturers struggled to raise prices. Prices raised in Sep-Oct'23 had to be partially rolled back later in the quarter.
- **Premium cement Sales** – The super premium offering of waterproofing cement Rakshak is steadily gaining share in the niche super-premium category the premium cement sales have experienced a YoY increase of 2%. Trade sales declined from 75% last year to 69% in Q3FY24. The premium cement portfolio of the company achieved impressive results with a remarkable increase in growth across all regions. Premium brands now stand at 52%, with almost equal volume of both value and premium brands.
- **Jute Vertical** - Due to the weak demand for value-added products in both the local and international markets, jute had a challenging quarter. In comparison to ₹7.04cr a year earlier, the division recorded a cash profit of ₹1.38cr for Q3FY24. Nonetheless, the demand and price landscape is changing, and a notable improvement in performance is anticipated for Q4FY24.

**Important Statistics**

<b>Nifty</b>	21,616
<b>Sensex</b>	71,072
<b>MCap (₹ Cr)</b>	~12,813.30
<b>52 Week H/L (₹)</b>	1770/843
<b>NSE Code</b>	BIRLACORPN
<b>BSE Code</b>	500335
<b>Bloomberg</b>	BCORP:IN

Shareholding %	Mar'23	Jun'23	Sep'23	Dec'23
Promoters	62.90	62.90	62.90	62.90
FII	5.74	7.18	6.58	6.45
DII	16.37	15.79	16	16.17
Public	15	14.15	14.51	14.48

**Important Ratios**

Particulars	9MFY24	9MFY23	YoY
Debt Equity Ratio (x)	0.71	0.87	-18%
Debt Service Coverage Ratio (x)	1.27	1.35	-6%
Interest Service Coverage Ratio (x)	3.54	2.2	61%
Debenture Redemption Reserve (₹ Cr)	24.96	24.96	0%
Net Worth (₹ Cr)	5,410	4,850	12%
Net Profit / (Loss) after Tax (₹ Cr)	227	-44	611%
Basic and Diluted EPS	29.51	-5.77	611%
Current Ratio (x)	1.12	1.15	-3%
Long Term Debt to Working Capital (x)	4.44	5.12	-13%
Current Liability Ratio (x)	0.33	0.32	3%
Total Debts to Total Assets (x)	0.27	0.3	-10%
Debtors Turnover (x)	19.06	20.65	-8%
Inventory Turnover (x)	8.91	8.18	9%
Operating Margin (%)	14.05%	8.15%	590 bps
Net Profit Margin (%)	3.31%	-0.73%	404 bps

Source: Company, Way2Wealth

**Relative Performance**

Return (%)	1Yr	3Yr	5Yr
<b>Birla corp</b>	<b>86</b>	<b>105</b>	<b>270</b>
<b>Nifty 50</b>	21	43	99
<b>Sensex</b>	17	38	97

Source: Company, Way2Wealth

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- **Energy cost** – The power and fuel cost per tonne of cement production significantly decreased 29% from ₹1,549 in Q3FY23 to ₹1,094 in Q3FY24, representing an 8.6% sequential decline from ₹1,183 in Q2FY24. The company's own thermal plants supplied 60% of the power consumed by the integrated units compared to 12% in the same period last year. Power generated from Waste Heat Recovery System was up 1% YoY. Renewables accounted for 23% of the power consumed by BCL in Q3FY24, almost the same as last year.
- **Freight cost** – Freight and forwarding costs per tonne for Q3FY24 at ₹1,325 nearly the same as last year, because of the implementation of the Integrated Logistics Management System and geo-mix optimization. However, increased slightly from ₹1,240 in Q2FY24 despite the busy season surcharge being charged during the quarter.
- **Debt & Interest** The company's total net debt as of December 31, 2023, was ₹3,450crs and estimates to end FY24 with a net debt total of less than ₹3,400crs.
- **Capex** – 9MFY24 capex was ₹450crs, while the full-year (FY24) capex was projected to be around ₹700crs.
- **Incentive** – The Mukutban plant is eligible for fiscal incentives for 20 years, which management expects to begin accruing from Q4FY24.

#### Key Risks

- Inflation in input costs mostly from Power, Freight and Fuel
- Slower than expected demand recovery in its key markets

#### View

The Q3FY24 outcomes demonstrate BCL's commitment to raising operating efficiency across all parameters. Through a balanced brand portfolio that places equal emphasis on premium and value sectors, geo-mix and go-to-market supply chain optimization, and an expedited ramp-up of Mukutban. Management is strongly focused on cutting costs and enhancing capacity utilization and realization. Simultaneously, dedicated to achieving the Sustainable Development Goal of raising the proportion of renewable energy. BCL has one of the highest share of green and blended cement, which accounts for more than 80% of their cement sales. The company is now prepared for the next stage of its path to become a 30mpta player by 2030, having built a solid foundation throughout North India. The EBITDA per tonne for the third quarter was around ₹903/tonne and for 9MFY24 it was ₹749/tonne. This means the company will have to earn an EBITDA of ₹1,050-1,100 per tonne in Q4FY24. BCL believes the EBITDA per tonne target is achievable as the new cement plant at Mukutban is increasingly contributing to the profitability, with costs declining and volumes ramping up. Hence, we continue to maintain our **ACCUMULATE** stance, with the stock trading at EV/EBITDA 8.5x FY26E.



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**Operational Metrics**

Particulars	Q3FY24	Q3FY23	YoY	Q2FY24	QoQ
Volume/mt	4.2	3.72	13%	4.18	0%
Blended Realisation/tonne (₹)	5505	5420	2%	5468	1%
Cost/tonne (₹)	4604	5031	-9%	4777	-4%
Raw material/tonne (₹)	782	593	32%	917	-15%
Staff Cost/tonne (₹)	336	355	-5%	341	-1%
Power & Fuel/tonne (₹)	1094	1549	-29%	1183	-8%
Freight/tonne (₹)	1325	1325	0%	1240	7%
Other Expenses /tonne (₹)	1066	1208	-12%	1096	-3%
EBITDA/tonne (₹)	902	387	133%	691	31%

Particulars	Q3FY24	Q3FY23	YoY	9MFY24	9MFY23	YoY
Sales (by volume) mt	4.2	3.72	13%	12.79	11.29	13%
Capacity utilisation	85%	74%	11 bps	86%	79%	7 bps
Blended cement	83%	89%	-6 bps	85%	90%	-5 bps
Trade channel	69%	75%	-6 bps	73%	77%	-4 bps
Premium cement	52%	51%	1 bps	53%	49%	4 bps

Source – Company, Way2Wealth

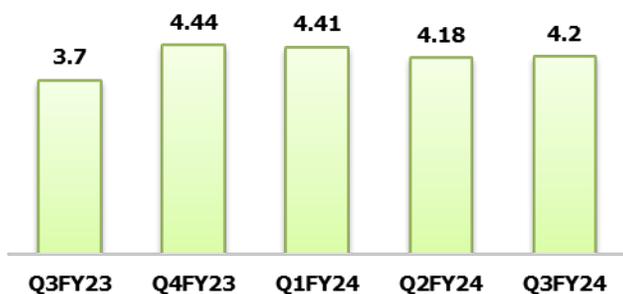
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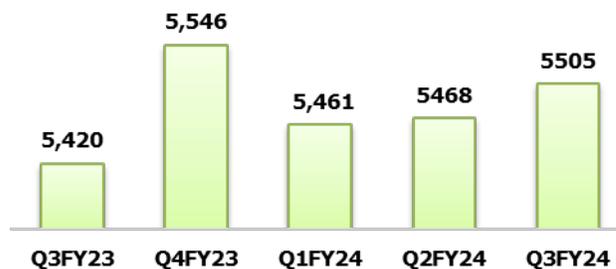
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**Story in Charts**

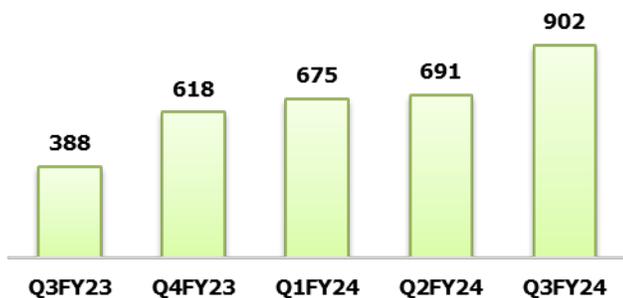
**Total Volumes (MMT)**



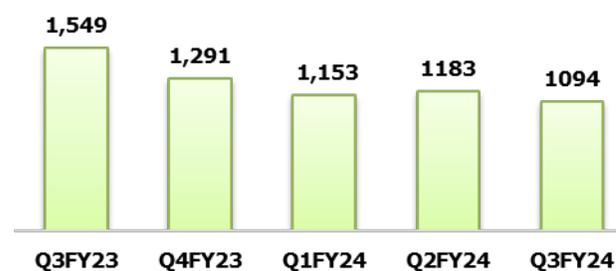
**Realisation/te (Blended)**



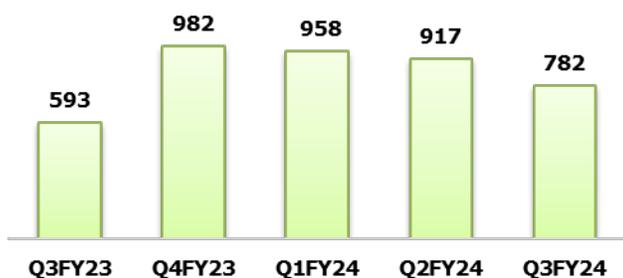
**EBITDA/te (Blended)**



**Power/te**



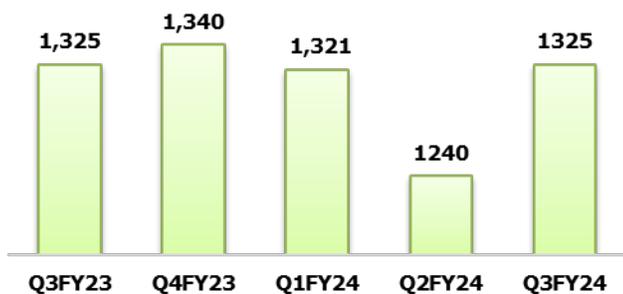
**RM/te**



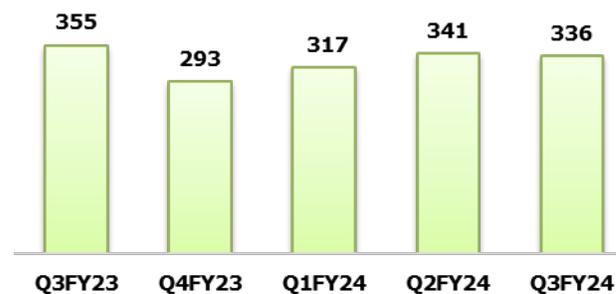
**Other expenses/te**



**Freight/te**



**Employee Cost/te**



Source – Company, Way2wealth Research

W2W Lighthouse – A Quick Perspective

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**Financials**

(₹ Cr)

Particulars	Q3FY24	Q3FY23	YoY	Q2FY24	QoQ	9MFY24	9MFY23	YoY	FY23	FY22	YoY
<b>Income</b>											
Revenue from operations	2,312	2,016	15%	2,286	1%	7,006	6,220	13%	8,682	7,461	16%
Other income	16	8	107%	27	-40%	60	64	-6%	113	99	14%
<b>Total income</b>	<b>2,328</b>	<b>2,024</b>	<b>15%</b>	<b>2,313</b>	<b>1%</b>	<b>7,066</b>	<b>6,284</b>	<b>12%</b>	<b>8,795</b>	<b>7,560</b>	<b>16%</b>
<b>Expenses</b>											
Cost of materials consumed	354	317	12%	376	-6%	1,083	915	18%	1,197	1,048	14%
Purchases of stock-in-trade	5	3	68%	2	196%	15	16	-7%	19	26	-27%
Changes in Inventories	-30	-99	-69%	5	-652%	37	-273	-113%	-122	-21	486%
Employee benefits expense	141	132	7%	142	-1%	423	391	8%	521	448	16%
Finance costs	97	87	11%	95	1%	289	250	16%	339	243	40%
Depreciation and amortisation expense	145	130	12%	143	1%	429	370	16%	510	397	28%
Power & fuel	460	576	-20%	495	-7%	1,463	1,799	-19%	2,373	1,625	46%
<b>Transport &amp; forwarding expenses</b>											
On finished products	488	425	15%	453	8%	1,449	1,277	13%	1,777	1,480	20%
On Internal material transfer	68	69	-1%	65	5%	208	234	-11%	330	270	22%
Other expenses	448	449	0%	458	-2%	1,364	1,362	0%	1,816	1,475	23%
<b>Total expenses</b>	<b>2,175</b>	<b>2,088</b>	<b>4%</b>	<b>2,236</b>	<b>-3%</b>	<b>6,759</b>	<b>6,342</b>	<b>7%</b>	<b>8,759</b>	<b>6,991</b>	<b>25%</b>
Profit/(Loss) before exceptional items & tax	153	-64	338%	77	98%	307	-58	628%	36	569	-94%
Exceptional items							12		-7	31	-121%
Profit/(Loss) before tax	153	-64	338%	77	99%	307	-70	570%	43	538	-92%
<b>Tax expenses</b>											
Current tax	13	-	NA	13	1%	36	0	-	10	77	-87%
Deferred tax	31	-13	341%	5	466%	44	-24	285%	1	63	-98%
Income tax relating to earlier years	-	-2	NA	-	-	-	-2	-	-9	-1	867%
<b>Profit/(Loss) for the period</b>	<b>109</b>	<b>-50</b>	<b>319%</b>	<b>58</b>	<b>87%</b>	<b>227</b>	<b>-44</b>	<b>611%</b>	<b>41</b>	<b>399</b>	<b>-90%</b>
Paid-up Equity Share Capital (FV ₹10)	77	77	0%	77	0%	77	77	0%	77	77	0%
Other Equity									5,904	5,972	-1%
Basic and Diluted EPS (FV ₹10/- each)	14.17	-6.48	319%	7.58	87%	29.51	-5.77	611%	5.26	51.76	-90%

Source: Company, Way2wealth Research

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**Disclosure of Interest Statement Birla Corporation Ltd. as on February 13<sup>th</sup>, 2024**

Name of the Security	Birla Corporation Ltd.
Name of the analyst	Dhananjay Kansara
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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