

16th November 2021

CMP – ₹1419/-

View – **Accumulate on dips**

Q2FY22 Performance

Birla Corp's (BCL) Q2FY22 consolidated revenue were up 3% Y-o-Y at ₹16,978mn respectively however Q-o-Q it fell by 3%, on account of flat sales volumes. Heavy monsoon, shortage of sand in its key markets (UP and Bihar) and extended shutdown at its new Chanderi Cement Works (NCCW) have impacted volumes in Q2FY22. Cement realization was flat Y-o-Y/ declined 3% Q-o-Q to ₹5,068, as the company channelized its products outside its core markets.

EBITDA declined 30% Y-o-Y to ₹2,673mn as operating cost increased by 12.5% YoY. Efficiency measures helped dampen the impact of cost inflation.

PAT stood at ₹856mn down 48%Y-o-Y and 39% Q-o-Q and PAT margins fell to ~5% in Q2FY22 on the back of lower operating profit.

Important Statistics

M.Cap (₹ Cr)	₹10,897
52 Week H/L (₹)	1649.0/661.25
NSE Code	BIRLACORPN
BSE Code	500335

Shareholding pattern (%)	Mar'21
Promoter Holding	62.9
FII	13.6
DII	3.8
Public	19.7

Key Concall Highlights

- BCL's upcoming 3.9mt capacity at Mukutban (Maharashtra) remains on track and is expected to get commissioned in Q4FY22.
- New capacity will lead to growth in the coming years and should drive deleveraging. Mukutban will also help in improving profitability of Butibori unit from Q4FY22 by reducing clinker freight costs.
- BCL also completed debottlenecking at Chanderia, expanding the clinker capacity by 0.6mtpa.
- Tax benefits for its Maihar unit expired in July 2021; however, expansion at Chanderia will be eligible for tax incentives from H2FY22.
- In H1FY22, FCF stood at negative ₹861mn post working capital blockage of ₹1200mn and capex spend of ₹3700mn. Accordingly, net debt increased by ₹1600mn to ₹36000mn as of Sep'21 post dividend payment of ₹770mn.
- Trade sales declined 150bps YoY to 79%, while premium product sales increased 500bps YoY to 53%.
- Increased cement prices and optimization of geographical mix to improve realization in H2FY22E.
- Availability of raw jute has dried up from Oct'21 and the unit may have to scale back production in H2FY22E.
- Management's aim is to increase the company's installed capacity to 30MTPA by FY27.
- Cost control initiatives by company include : the commencement of coal mining from the Bikram and Brahampuri coal blocks in Madhya Pradesh – savings of ~₹40/t and lower clinker freight costs for the Butibori, Maharashtra grinding unit after the commissioning of the Mukutban plant.

Financials

Particulars	<i>(Rs mn)</i>		
	FY19	FY20	FY21
Net Sales	65487	69157	67855
EBITDA	9487	13360	13690
EBITA Margins%	14.5%	19.3%	20.0%
PAT	2557	5053	5620
PATM%	3.9%	7.3%	7.9%
EPS (₹)	33.21	65.62	69.64
ROE (%)	5.7%	10.5%	9.9%
ROCE (%)	3.9%	5.9%	5.7%
P/E	42.7	21.6	20.4
EV/EBITDA	15.2	10.8	10.9

Key Risks

Slower than expected demand recovery in its key markets and 2nd or 3rd wave of Covid-19.

View

Heavy monsoon, shortage of sand in its key markets (UP and Bihar) and extended shutdown at its new Chanderi Cement Works (NCCW) impacted company's overall performance in Q2FY22. We expect the weakness in volumes to be temporary blip as industry enters a period of strong growth. Moreover, the Supreme Court removed the ban on sand mining in Bihar last week. We remain optimistic on growth prospects of the company driven by demand recovery in its markets, capacity expansion, cost optimization plans, price hikes taken in October 2021 etc. **At CMP of ₹1419, Birla Corporation Ltd is trading at ~10.9x FY21EV/EBITDA, which is at discount to its peers (trading at >10 EV/EBITDA), thus we recommend investors to Accumulate the stock on Dips.**

Financial Highlights

(₹ mn)					
Particulars	Q2FY22	Q1FY22	Q2FY21	Y-o-Y	Q-o-Q
Net Sales	16,978	17,491	16,543	2.6%	-2.9%
Total Expenses	14,306	14,055	12,716	12.5%	1.8%
EBITDA	2,673	3,436	3,827	-30.2%	-22.2%
EBITDA Margin	15.7%	19.6%	23.1%	(739 bps)	(390 bps)
Depreciation	982	984	918	6.9%	-0.3%
EBIT	1691	2,452	2,909	-41.9%	-31.0%
EBIT Margin	15.7%	14.0%	17.6%	(762 bps)	(405bps)
Interest	632	639	760	-16.9%	-1.2%
Other income	133	93	212	-37.3%	42.6%
PBT	1192	1,906	2,361	-49.5%	-37.5%
Tax	336	491	694	-51.6%	-31.5%
PAT	856	1,415	1,666	-48.6%	-39.5%
PAT Margin	12.2%	8.1%	10.1%	(503 bps)	(305 bps)
EPS (₹)	11.11	18.38	21.64	-48.6%	-39.5%

Particulars	Q2FY22	Q1FY22	Q2FY21	Y-o-Y	Q-o-Q
Sales volume	3.35	3.35	2.42	38.4%	0.0%
Realisation per tonne	5,068	5,221	5,049	0.4%	-2.9%
EBITDA / MT	798	1,026	963	-17.2%	-22.2%
Total cost per tonne	4270	4196	4086	4.5%	1.8%

Source: Company Filing, Way2wealth Research

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Disclosure of Interest Statement Birla Corporation Ltd. as on November 16th, 2021

Name of the Security	Birla Corporation Ltd.
Name of the analyst	Yogita Desai
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
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