

17<sup>th</sup> May 2023

CMP – ₹995.50/-

View – Accumulate on Dips

#### Q4FY23 Performance

- Birla Corporation Limited (BCL) reported the highest-ever Total Income at ₹2,512Cr for Q4FY23, up from ₹2,334Cr YoY, grew by 7%.
- Consolidated cement sales by volume increased to 4.44 million tonne in the March quarter, up 4.5 per cent over the same period last year.
- Total expenses for Q4FY23 were ₹2,417Cr, up from ₹2,141Cr the previous year, representing a 13% increase.
- EPS declined 23% at ₹11.03 in Q4FY23 from ₹14.4 in the corresponding quarter of the previous year because of increased input costs.
- Consolidated net debt at the end of March was ₹3,659Cr, up 7.7% from ₹3,398Cr a year ago.
- Due to increasing volume as a result of the new capacity ramp-up, freight cost went up by 1%/7% to ₹1,340/tonne QoQ/YoY.

#### Important Statistics

<b>M Cap (₹ Cr)</b>	₹7651
<b>52 Week H/L (₹)</b>	1142/823
<b>NSE Code</b>	BIRLACORPN
<b>BSE Code</b>	500335

#### Shareholding pattern % Mar'23

Promoter Holding	62.90
FII	5.74
DII	16.37
Public	15

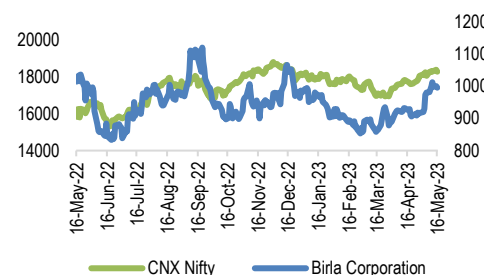
#### Key Concall Highlights

- **Capacity Expansion** – Based on market circumstances, BCL seeks to eventually reach a capacity of 30 MTPA from 15.73 MTPA in FY23. The company has increased its presence in nearby markets including Telangana, Madhya Pradesh, and Gujarat in order to boost Mukutban's capacity utilisation and revenue. Additionally, the company's clinkerization capacity has become more regionally balanced since the Mukutban facility was put into service, increasing the flexibility of clinker sourcing for its grinding units.
- **Volume** – The company's rise in volume for Q4FY23 was 5%/19% YoY/QoQ. The business's operations in traditional markets in northern and central India ran at full capacity while concentrating on growing its market share in premium and blended cement.
- **Cement prices** – Due to the next election year, management predicted volumes would stay robust while prices were less likely to rise.
- **Premium cement Sales** – Increased premium cement sales and the optimum geo-mixing of sales were employed to boost revenue while maintaining high capacity utilisation. Sales of premium cement increased to 54% in Q4FY23 after being at 51% for the whole FY23 year. . Perfect Plus has been positioned as the company's national flagship brand by BCL, and its high level of quality has been warmly received in its primary markets. Recent Perfect Plus regional marketing initiatives are yielding excellent results. In the value category, Samrat, Chetak, and Unique are being positioned as regional leaders. While Rakshak, a super-premium brand, is expanding in niche markets.
- **Jute Vertical** – The Division's sales of shopping bags and carry bags abroad are growing quickly, and overall exports by volume increased by 19.6% over the prior year. In value terms, the Division's exports increased by 26.3% in the years FY23. It is currently trying to extend the manufacture of carry bags and scale up sales of food-grade bags in international markets.
- **Energy cost** – Depending on the area, the company's average domestic fuel cost is between ₹1.55 and ₹1.7/kcal, while petcoke rates are typically between ₹1.9 and ₹2/kcal. Captive coal mines supply 40% of the overall coal needs. By

#### Important Ratios

Particulars	FY23	FY22
Debt Equity Ratio	0.87	0.79
Net Worth (₹ Cr)	4,949.34	4,993.31
EBITDA	1111	772
EPS	5.26	51.76
Current Ratio	1.29	1.34
Long Term Debt	3.68	4.38
Current Liability Ratio	0.29	0.27
Total Debts/Total Assets	0.31	0.29
Debtors Turnover	27.18	25.03
Inventory Turnover	9.04	8.94
OPM %	9.07%	15.23%
NPM %	0.48%	5.47%
ROE	1%	7%
ROCE	4	8

#### Relative Performance



Source: Company, Way2Wealth

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the time the Brahmapuri and Bikram coal mines are operational in November 2025 and 3QFY24, respectively, captive coal mines would have satisfied 60% of the overall coal needs. Consequently, the firm anticipates saving ₹200/t on fuel and power expenditures.

- **Freight cost** – The cost of freight rose by 12.1%/20.7%, YoY/QoQ. In order to reduce depots and stock transfers and promote direct road deliveries, the corporation has taken measures. Increased rail transport to markets with extensive lead times has resulted in significant trade and distribution cost reductions and increased realisation.
- **Debt & Interest** – The company's net debt as of March 31<sup>st</sup>, 23 was ₹3,659Cr. The management continually strives to lower its borrowing costs. Additionally, it is renegotiating term loans worth ₹2,200Cr.
- **Capex** – BCL expended ₹631Cr in capital in FY23 to complete the remaining works at the Mukutban unit. The management does not seem to have any significant capital expenditure planned in the near future.

**Key Risks**

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

**Operational Metrics**

Particulars (₹ Cr)	Q4FY23	Q3FY23	QoQ %	Q4FY22	YoY %
Volume/mnt	4.44	3.72	19%	4.24	5%
Realisation/tonne (₹)	5279	5177	2%	5071	4%
Cost/tonne (₹)	4928	5031	-2%	4688	5%
Raw material/tonne (₹)	982	593	65%	1110	-12%
Staff Cost/tonne (₹)	293	355	-18%	267	10%
Power & Fuel/tonne (₹)	1291	1549	-17%	1062	22%
Freight/tonne (₹)	1340	1325	1%	1252	7%
Other Expenses /tonne (₹)	1023	1208	-15%	997	3%
EBITDA/tonne (₹)	618	388	59%	653	-5%

Source – Company, Way2Wealth

	Q4FY23	Q4FY22	YoY %	FY23	FY22	YoY %
Sales (volume)	4.44	4.24	4.50	15.73	14.22	10.60
Capacity utilisation	89%	108%	-17.20	81%	92%	-11.50
Blended cement	89%	92%	-3.30	90%	91%	-1.10
Trade channel	77%	78%	-1.30	77%	79%	-2.50
Premium Cement	54%	49%	10.20	51%	51%	-

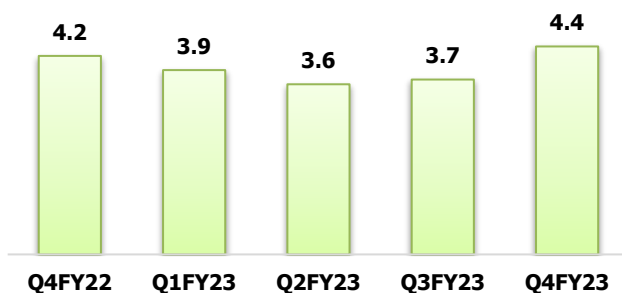
Source – Company, Way2Wealth

17<sup>th</sup> May 2023

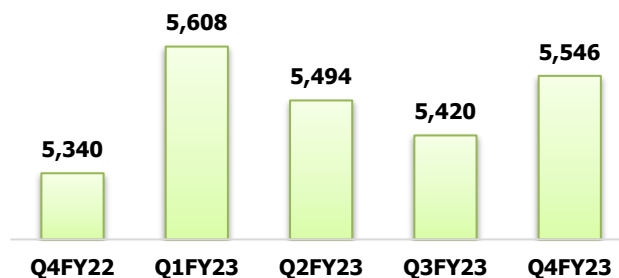
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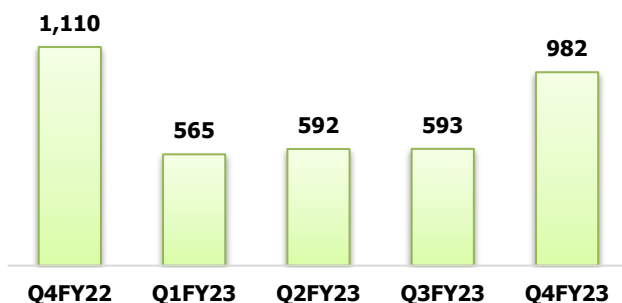
**Total Volumes (MMT)**



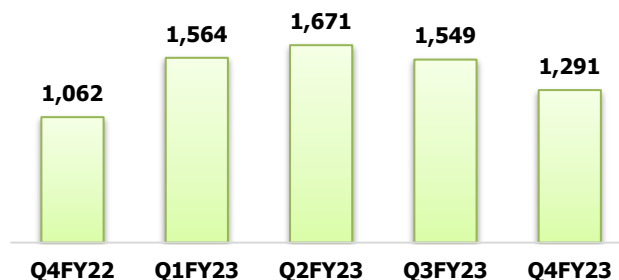
**NSR/te (Blended)**



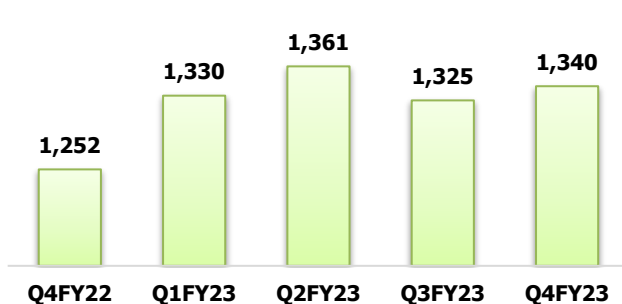
**RM/te**



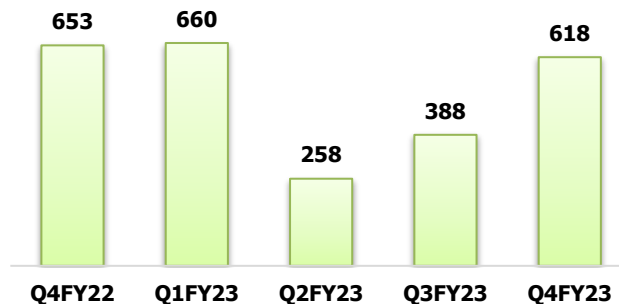
**Power/te**



**Freight/te**



**EBITDA/te (Blended)**



Source – Company, Way2wealth Research

17<sup>th</sup> May 2023

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#### View

BCL reported an all-time high revenue of ₹2463Cr for Q4FY23. Despite cost pressures, the cement division reported an EBITDA/tonne of ₹615 during Q4FY23, compared to ₹650 the previous year. BCL for FY23 reported a volume growth of 10.7%.

In order to optimise kiln operations, the completion of the Waste Heat Recovery System (WHRS) at Mukutban, declining fuel prices, enhanced production planning, and seamless cooperation between the manufacturing and marketing teams have led to a significant decrease in clinker cost. Increased direct road dispatches (fewer depots and stock transfers) and increased rail transit to long lead markets have resulted in significant trade and distribution cost reductions and increased realisation and taking realisation to a new high of ₹5261 per tonne, up 4.3% YoY. Though Mukutban incentives are around ₹600/t, they won't start to show up until the middle of H2FY24 and the incentive's full effects won't be felt until FY25.

Further, the Company has increased its footprint in nearby markets like Telengana, Madhya Pradesh, and Gujarat in order to boost Mukutban's capacity utilisation and revenue. Additionally, the Mukutban unit's commissioning has improved the geographical balance of the company's clinkerization capacity, increasing the flexibility of clinker procurement for its grinding units. Mukutban has already achieved positive EBITDA.

BCL is also taking the initiative to rationalise its brand portfolio and revamp its brand architecture. The Company is constantly working towards reducing its borrowing cost by renegotiating ₹2,200Cr of term loans.

Birla Corporation has acquired the mining rights comprising of 889.760 Hectares at Katni, Madhya Pradesh pursuant to a Tripartite Agreement executed with the Government of Madhya Pradesh and M/s. Sanghi Infrastructure M.P. Limited.

For FY24, the management has projected volume growth of more than 15% and EBITDA/tonne is anticipated to increase due to the easing of fuel costs, growing contributions from WHRS and AFRs (Alternative Fuels and Raw Material), larger sales of blended and premium goods from the Mukutban Unit, and other cost reductions through internal efficiency are anticipated to significantly boost the company's profitability, hence **we recommend to Accumulate the stock on dips.**

We had recommended this stock initially on 20 Feb 2021 when it was trading at ₹869 levels. Since then, it has reached a high of ₹1650 on 09 Nov 2021. At the current price of ₹995.50, it has appreciated +15% and is trading at 9x FY24E EV/EBITDA.

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 View – **Accumulate on Dips**
**Financial Highlights**

(₹ Cr)

Particulars	Q4FY23	Q3FY23	QoQ %	Q4FY22	YoY %	FY23	FY22	YoY %
Revenue from operations	2,463	2,016	22%	2,264	9%	8,682	7,461	16%
Other income	49	8	522%	69	-29%	113	99	14%
Total income	2,512	2,024	24%	2,334	7%	8,795	7,560	16%
Cost of materials consumed	282	317	-11%	315	-10%	1,197	1,048	14%
Purchases of stock-in-trade	3	3	7%	7	-61%	19	26	-27%
Changes in inventories	151	-99	-253%	148	2%	-122	-21	486%
Employee benefits exp	130	132	-2%	113	15%	521	448	16%
Finance costs	89	87	2%	55	62%	339	243	40%
Depreciation & amortisation exp	140	130	8%	100	41%	510	397	28%
Power & fuel	573	576	-1%	450	27%	2,373	1,625	46%
Transport & forwarding exp								
On finished products	500	425	18%	449	11%	1,777	1,480	20%
On internal material transfer	95	59	62%	82	16%	330	270	22%
Other expenses	454	449	1%	423	7%	1,816	1,475	23%
Total expenses	2,417	2,088	16%	2,142	13%	8,759	6,991	25%
Profit/(Loss) before tax	113	-64	-275%	153	-26%	43	538	-92%
Tax expenses								
Current tax	10	-	-	43	-77%	10	77	-87%
Deferred tax	25	-13	-295%	0	-	1	63	-98%
Income tax relating to earlier years	-7	-2	312%	-1	678%	-9	-1	867%
Profit/(Loss) for the period	85	-50	-270%	111	-24%	41	399	-90%
EBITDA	274	144	90%	277	-1%	772	1,110	-30%
EBITDA margin %	11.1	7	390.00 bps	12	-110 bps	9	15	-600 bps
NPM %	2.7	-2.5	-	5	-220 bps	0.40	5	-490 bps
EPS	11.03	-6.48	-270%	14.42	-24%	5.26	51.76	-90%

Source: Company, Way2wealth Research

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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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