

20<sup>th</sup> November 2023

₹1,313.15/-

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### Q2FY24 Performance

- Birla Corporation Limited's (BCL) profit increases significantly as a result of the Mukutban ramp up.
- BCL reported a remarkable 14% YoY growth in both volume and revenue, fuelled by robust demand. EBITDA surged by an impressive 133% YoY.
- Consolidated cash profit for Q2FY24 at ₹221crs, marking a remarkable increase of 414% YoY. Additionally, the net profit for the quarter amounted to ₹58crs, a significant turnaround from the net loss of ₹56crs recorded in Q2FY23.
- Capacity utilisation has significantly increased to 83% compared to 74% a year ago. Additionally, for the six-month period ending in September, it reached an impressive 87% as opposed to 81% last year. This remarkable improvement is primarily attributed to the successful scaling up of production at Mukutban.
- Cost/tonne decreased by 9% YoY but remained flat QoQ at ₹4,777. BCL's EBITDA/tonne was ₹690, increasing 2%/167%, YoY/QoQ, and this trend is likely to continue in 2HFY24.
- Project Shikhar achieved savings of ₹50/tonne in Q2FY24 through process improvements in power and fuel consumption, fly ash absorption, limestone costs, and plant overheads.

### Important Statistics

<b>Nifty</b>	19,732
<b>Sensex</b>	65,795
<b>MCap (₹ Cr)</b>	₹9802
<b>52 Week H/L (₹)</b>	1337/843
<b>NSE Code</b>	BIRLACORPN
<b>BSE Code</b>	500335
<b>Bloomberg</b>	BCORP:IN

Shareholding %	Dec'23	Mar'23	Jun'23	Sep'23
Promoters	62.90	62.90	62.90	62.90
FII	4.49	5.74	7.18	6.58
DII	16.03	16.37	15.79	16
Public	16.57	15	14.15	14.51

### Key Concall Highlights

- **Capacity Expansion** – The company has given green light to establish a 1.4 mt greenfield grinding unit in Prayagraj. The unit is expected to start production by Q2FY26, replacing current supplies from Satna and Maihar in existing markets with a strong presence.
- **Volume** – The company achieved a 15% YoY increase in volume during Q2FY24 at 4.18mta, with 83% capacity utilisation compared to 74% last year. This is driven by both strong demand from the Mukutban ramp-up and healthy growth in the north and central regions. Mukutban's variable costs have been cut by 50% since the plant's commissioning. From Mukutban, the business hopes to generate 200k tonne per month. Mukutban's present utilisation rate is 40%, with a goal of reaching 60% in the near future.
- **Cement prices** – Cement prices have seen a notable improvement, surpassing the Q2FY24 exit prices by a solid 3%. Moving forward, it is crucial to ensure the long-term sustainability of prices to further enhance profitability.
- **Premium cement Sales** – Premium cement sales have experienced a remarkable YoY increase of 3%. Trade sales increased from 51% last year to an impressive 54% this year. The premium cement portfolio of the company achieved impressive results with a remarkable increase in growth across all regions. The Mukutban plant's premium cement sales represented a substantial 40% of the unit's overall trading sales.
- **Jute Vertical** - The jute business continues to be negatively affected by weak international demand for Value-Added Products. In Q2FY24, the division's operating profit was ₹2.88crs, which is a significant decrease from the ₹ 8.60crs in Q2FY23. The cash profit for the quarter stood at ₹4.45crs, marking a substantial decrease from ₹13.45crs YoY.

### Important Ratios

Particulars	1HFY24	1HFY23
Debt Equity Ratio	0.75	0.86
Net Worth (₹ Cr)	5258	4895
EBITDA (₹ Cr)	630	409
EPS	15.33	0.71
Current Ratio	1.15	1.25
Long Term Debt	5	4.41
Current Liability Ratio	0.31	0.31
Total Debts/Total Assets	0.28	0.29
Debtors Turnover	23.18	21.25
Inventory Turnover	9.14	7.83
OPM %	12.75%	8.57%
NPM %	2.57%	8.57%

Source: Company, Way2Wealth

### Relative Performance

Return (%)	1Yr	3Yr	5Yr
<b>Birla corp</b>	<b>38</b>	<b>75</b>	<b>101</b>
<b>Nifty 50</b>	7.6	53	84.8
<b>Sensex</b>	6.5	49	85

Source: Company, Way2Wealth

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- **Energy cost** – Power and fuel costs per ton of production declined 24.4% YoY in Q2FY24. With coal prices easing, the company switched from grid to its own thermal power plants. Thermal power plants provided 60% of the power consumed by the company's integrated units against 22% in the same period a year ago. The share of renewable power in the total power consumed in the Q2FY24 was at 23%, the highest ever, against 21% a year ago.
- **Freight cost** – Due to efficient logistics planning, freight costs were reduced by 9%/6% YoY/QoQ to ₹1,240/tonne. The overall lead for Q2FY24 stood in the range of 350 to 400 kms. With constant fuel prices and shorter lead times, the firm was able to reduce the impact of the Railways' "busy season surcharge" and achieve a modest reduction in logistical expenses.
- **Debt & Interest** The company's total debt as of 30th September 23 was ₹3,990crs, compared to ₹4350crs in Mar'23 and constantly strives to lower its borrowing cost, which was 8.02%.
- **Capex** – During FY24, the company is expected to spend ₹1000crs on capital expenditures. Chanderia's recent expansion is now fully operational, and the next clinker capacity expansion will take place at Maihar's location within upcoming 2 years.

### 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)	Q2FY24	Q2FY23	YoY	Q1FY24	QoQ
Volume/mn tonnes	4.18	3.64	15%	4.41	-5%
Realisation/tonne (₹)	5211	5151	1%	5229	-0.3%
Cost/tonne (₹)	4777	5236	-9%	4786	-0.2%
Raw material/tonne (₹)	917	592	55%	958	-4%
Staff Cost/tonne (₹)	341	361	-6%	317	8%
Power & Fuel/tonne (₹)	1183	1671	-29%	1153	3%
Freight/tonne (₹)	1240	1361	-9%	1321	-6%
Other Expenses /tonne (₹)	1096	1250	-12%	1038	6%
EBITDA/tonne (₹)	691	258	168%	675	2%

Source – Company, Way2Wealth

	Q2FY24	Q2FY23	YoY	Q1FY24	QoQ	1HFY24	1HFY23	YoY	FY23	FY22	YoY
Sales (volume in mt)	4.18	3.64	15%	4.41	-5%	8.59	7.58	13%	15.73	14.22	10.6
Capacity utilisation	83%	74%	9 bps	91%	-8 bps	87%	81%	6 bps	81%	92%	-11 bps
Blended cement	86%	90%	-4 bps	88%	-2 bps	87%	91%	-4 bps	90%	91%	-1 bps
Trade channel	72%	78%	-6 bps	76%	-4 bps	74%	79%	-5 bps	77%	79%	-2 bps
Premium Cement	54%	51%	3 bps	54%	0 bps	54%	49%	5 bps	51%	51%	0 bps

Source – Company, Way2Wealth



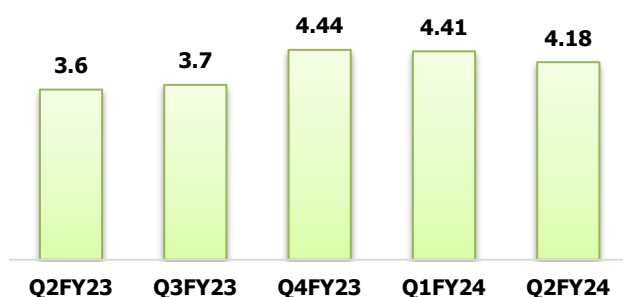
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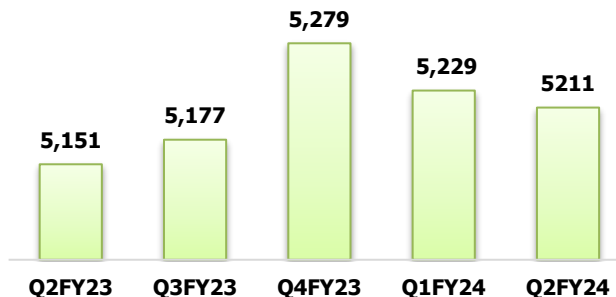
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**Story in Charts**

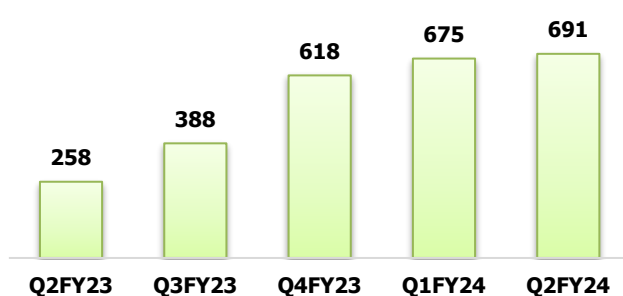
**Total Volumes (MMT)**



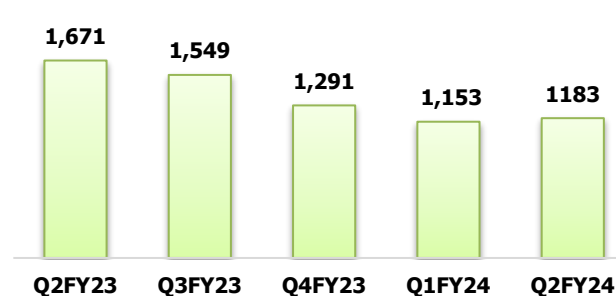
**NSR/tonne (Blended)**



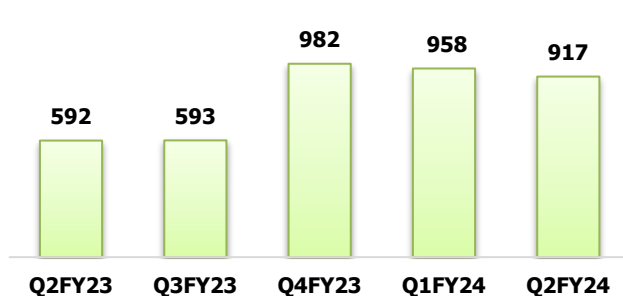
**EBITDA/tonne (Blended)**



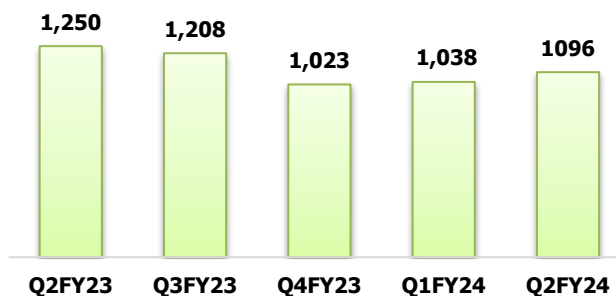
**Power/tonne**



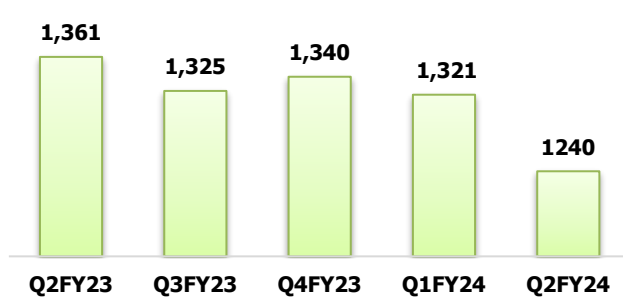
**RM/tonne**



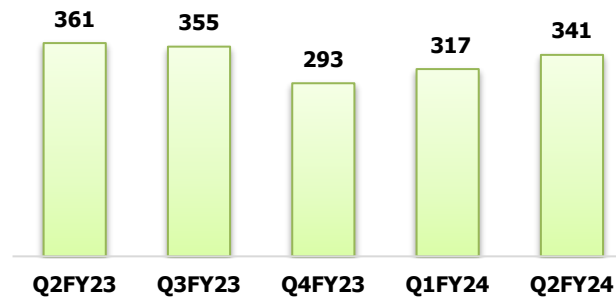
**Other Expenses/tonne**



**Freight/tonne**



**Staff Cost/tonne**



Source – Company, Way2wealth Research


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Birla Corporation Limited's Q2FY24 profitability increased despite seasonal constraints, owing to Mukutban ramp-up, cost-cutting efforts, premiumization, and optimisation of the power and fuel mix, and supported by lower fuel costs. Mukutban's ramp-up strategy, which focuses on premium products and improving sales from Maharashtra region, has shown positive results. BCL expects Mukutban's lucrative incentives to increase its profitability as usage increases.

Management has reaffirmed its guidance of 15% volume growth and an expected EBITDA/MT of ₹850 in FY24 due to lower fuel costs, increased contributions from higher sales of blended and premium goods from the Mukutban Unit, and other cost reductions through internal efficiency are expected to significantly boost the company's profitability. Hence, we continue to maintain our **ACCUMULATE** stance, with the stock trading at EV/EBITDA 8x FY25E.


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## Financial Highlights

(₹ Cr)

Particulars	Q2FY24	Q2FY23	YoY	Q1FY24	QoQ	1HFY24	1HFY23	YoY	FY23	FY22	YoY
<b>Income</b>											
Revenue from operations	2,286	2,000	14%	2,408	-5%	4,694	4,204	12%	8,682	7,461	16%
Other income	27	42	-34%	16	69%	44	56	-22%	113	99	14%
Total income	2,313	2,042	13%	2,425	-5%	4,738	4,260	11%	8,795	7,560	16%
<b>Expenses</b>											
Cost of materials consumed	376	291	29%	352	7%	729	598	22%	1,197	1,048	14%
Purchases of stock-in-trade	2	4	-62%	9	-82%	10	13	-22%	19	26	-27%
Changes in inventories	5	-80	-107%	61	-91%	67	-174	-138%	-122	-21	486%
Employee benefits expense	142	131	8%	140	2%	282	259	9%	521	448	16%
Finance costs	95	93	3%	97	-2%	193	163	18%	339	243	40%
Depreciation and amortisation expense	143	125	14%	140	2%	284	240	18%	510	397	28%
Power & fuel	495	608	-19%	508	-3%	1,003	1,223	-18%	2,373	1,625	46%
<b>Transport &amp; forwarding expenses</b>											
On finished products	453	415	9%	507	-11%	961	852	13%	1,777	1,480	20%
On internal material transfer	65	80	-19%	75	-13%	140	166	-16%	330	270	22%
Other expenses	458	455	1%	458	0%	916	912	0%	1,816	1,475	23%
Total expenses	2,236	2,124	5%	2,348	-5%	4,584	4,253	8%	8,759	6,991	25%
Profit/(Loss) before exceptional Items and tax	77	-82	-194%	76	1%	154	6	2335%	36	569	-94%
Exceptional items	0					0	12	-98%	-7	31	-121%
Profit/(Loss) before tax	77	-82	-194%	76	1%	153	-5	-2973%	43	538	-92%
<b>Tax expenses</b>											
Current tax	13	-12	-209%	9	43%	23	0	56275%	10	77	-87%
Deferred tax	5	-14	-140%	7	-25%	13	-11	-218%	1	63	-98%
Income tax relating to earlier years									-9	-1	867%
<b>Profit/(Loss) for the period</b>	58	-56	-203%	60	-2%	118	5	2063%	41	399	-90%
Paid-up Equity Share Capital	77	77	0%	77	0%	77	77	0%	77	77	0%
Other Equity						6,211	5,876	6%	5,904	5,972	-1%
<b>Basic and Diluted Earnings Per Share</b>	7.58	-7.33	-203%	7.75	-2%	15.33	0.71	2059%	5.26	51.76	-90%

Source: Company, Way2wealth Research



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#### Disclosure of Interest Statement Birla Corporation Ltd. as on November 20<sup>th</sup>, 2023

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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