

21st February 2022

CMP – ₹1124.7/-

View – Accumulate on dips

Q3FY22 Performance

Birla Corp's (BCL) Q3FY22 consolidated revenue were down ~2% Y-o-Y while up 3.1% Q-o-Q at ₹17,501mn respectively, on account of de-growth in realisations. Cement realization were down 43.4% Y-o-Y/18.8% Q-o-Q to ₹664/ton, as the company channelized its products outside its core markets.

EBITDA declined 32.5% Y-o-Y and 16.8% Q-o-Q to ₹2,225mn on account of higher operating costs. EBITDA margins stood at 12.7% down ~585 bps and ~303 bps from 15.7% and 18.6% in Q2FY22 & Q3FY21 respectively.

Other Income dropped by 85% Y-o-Y and 48% Q-o-Q to ₹69mn in Q3FY22 further pushing down EBITDA.

PAT stood at ₹605mn down 59.3%Y-o-Y and 29.3% Q-o-Q and PAT margins fell to ~3.5% in Q3FY22 on the back of lower operating profit.

Important Statistics

MCap (₹ Cr)	₹8,660.79
52 Week H/L (₹)	1649.00/753.55
NSE Code	BIRLACORPN
BSE Code	500335

Shareholding pattern (%)	Dec'21
Promoter Holding	62.90
FII	3.72
DII	16.32
Public	17.06

Key Concall Highlights

- BCL's upcoming 3.9MTPA capacity at Mukutban (Maharashtra) remains on track and is expected to get commissioned in Q4FY22.
- Capacity utilisation stood at 85% in Q3FY22 lower from 90% in Q3FY21.
- 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.
- Net debt increased by ₹1,600mn to ₹36,000mn 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 Q4FY22E.
- **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

	(₹ mn)		
Particulars	FY19	FY20	FY21
Net Sales	65,487	69,157	67,855
EBITDA	9,487	13,360	13,690
EBITA Margins%	14.5%	19.3%	20.0%
PAT	2,557	5,053	5,620
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	33.90	17.1	16.2
EV/EBITDA	12.8	9.1	9.2

Key Risks

- Slower than expected demand recovery in its key markets
- Increase in RM prices sharply could impact the performance of company

View

Heavy monsoon, shortage of sand in its key markets (UP and Bihar) and lower realizations impacted company's overall performance in Q3FY22. Management expects a quick demand revival, except in Uttar Pradesh, where elections may lead to slowdown in construction activity till mid-March. We expect the weakness in volumes to be temporary blip as industry enters a period of strong growth. We remain optimistic on growth prospects of the company driven by demand recovery in its markets, capacity expansion, cost optimization plans and central and local governments' thrust on infra and housing as positive triggers for real estate/cement sector. **At CMP of ₹1124.7, Birla Corporation Ltd is trading at ~9.2x FY21EV/EBITDA, which is at discount to its peers (trading at >10 EV/EBITDA), thus we recommend investors to Accumulate the stock on Dips.**


 21st February 2022

CMP – ₹1124.7/-

View – Accumulate on dips

Financial Highlights

	Q3FY22	Q2FY22	Q3FY21	Y-o-Y	Q-o-Q
	(₹ mn)				
Net Sales	17,501	16,978	17,766	-1.5%	3.1%
Total Expenses	15,276	14,306	14,469	5.6%	6.8%
EBITDA	2,225	2,673	3,297	-32.5%	-16.8%
EBITDA Margin	12.7%	15.7%	18.6%	(584 bps)	(303 bps)
Depreciation	1007	982	908	11.0%	2.6%
EBIT	1,218	1,691	2,390	-49.1%	-28.0%
EBIT Margin	7.0%	10.0%	13.5%	(649 bps)	(300 bps)
Interest	608	632	730	-16.6%	-3.7%
Other income	69	133	462	-85.1%	-48.0%
PBT	748	1,192	2,122	-64.8%	-37.2%
Tax	144	336	638	-77.5%	-57.3%
PAT	605	856	1,484	-59.3%	-29.3%
PAT Margin	3.5%	5.0%	8.4%	(490 bps)	(158.5 bps)
EPS(₹)	7.85	32.38	19.28	-59.3%	-75.8%

Source: Company Filing, Way2wealth Research

	Q3FY22	Q2FY22	Q3FY21	Y-o-Y	Q-o-Q
Sales volume (MT)	3.35	3.27	3.26	2.8%	2.4%
EBITDA (₹/MT)	5,224	5,192	5,074	2.9%	0.6%
Realisation (₹/MT)	664	817	1,174	-43.4%	-18.8%
Cost per tonne (₹/MT)	4,560	4,375	3,900	16.9%	4.2%

Source: Company Filing, Way2wealth Research

21st February 2022

CMP – ₹1124.7/-

View – Accumulate on dips

Disclaimer

Analyst Certification: I, Yogita Desai, the research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed that Yogita Desai, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient, you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Disclosure of Interest Statement Birla Corporation Ltd. as on February 21st, 2022

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
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.