

23rd Aug 2023

₹1183/-

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Q1FY24 Performance

- Birla Corporation Limited's (BCL) Q1FY24 quarter EBITDA increased by 15% YoY because of increased sales volume and lower fuel costs, at ₹314Cr compared to ₹274Cr during Q1FY23.
- Cement sales by volume increased 12.2% YoY to 4.41 million tonnes, contributing to a 9.3% increase in overall revenue for the quarter to ₹2,425Cr.
- Cash profit increased 6.5% YoY to ₹217Cr, mostly due to better sales and a sharp drop in fuel and electricity expenses.
- Due to higher depreciation and interest costs, the combined net profit for the quarter, at ₹60Cr, was somewhat lower than the same period last year (₹62Cr).
- BCL achieved a capacity utilization of 91 % for the quarter, which was among the best in the industry. The company's subsidiary RCCPL Private Limited, continues to steadily ramp up production at its 3.9 million ton-Mukutban plant.
- Costs for power and fuel, which were abnormally high in Q4FY23, have begun to decline. For the Q1FY24, power and fuel costs per tonne for cement production decreased by 19% YoY, and it is expected that they will continue to decline over the next several months. Sequentially, power and fuel costs were down 16.3%.

Important Statistics

MCap (₹ Cr)	₹8973
52 Week H/L (₹)	1268/843
NSE Code	BIRLACORPN
BSE Code	500335

Shareholding pattern % Jun'23

Promoter Holding	62.90
FII	7.18
DII	15.79
Public	14.15

Key Concall Highlights

- **Capacity Expansion** – Based on market circumstances, BCL seeks to eventually reach a capacity of 30 MTPA from 20 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 clinkerisation 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 volume of the firm increased by 12% YoY throughout the Q1FY24 by achieving 91% capacity utilization. The overall utilisation for the quarter, excluding Mukutban, was 105%. The Mukutban plant, which was launched a year ago, is gradually increasing output at a rate of 3.9 mtpa.
- **Cement prices** – The prices in Maharashtra were unexpectedly depressed compared to other regions. Management expects the price to remain flat throughout the year.
- **Premium cement Sales** – Birla Corporation's sustained focus on premium products has resulted in a 25% YoY growth in sales by volume. Substantial growth in sales of premium cement was witnessed across geographies. "Perfect Plus" has positioned itself as the national flagship brand. Its sales in the June quarter grew 38% YoY. Premium products accounted for 54% of sales by volume through the trade channel as against 47% in Q1FY23.
- **Jute Vertical** – Due to the decline in demand for hessian fabric, Jute Vertical had a challenging quarter. Other income included, the cash profit for the June quarter fell by 25.1% to ₹6.38Cr. Despite this, the division increased shopping bag exports by 65% YoY. At ₹16.14Cr, overseas sales income decreased by 19.3%. To increase profitability, the Division plans to intensify its focus on value-added products.

Important Ratios

Particulars	FY23	FY22
Debt Equity Ratio	0.87	0.79
Net Worth (₹ Cr)	4,949	4,993
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

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- **Energy cost** – Costs for power and fuel, which were abnormally high in the FY23 have begun to decline. For the Q1FY24, power and fuel costs per tonne for cement production decreased 19%/16.3% YoY/QoQ, and it is anticipated to continue declining over the next several months. Additionally, the company has been increasing its use of renewable energy which reached a new high for the company during Q1FY24, accounting for 23.1% of overall power usage. The company completed the commissioning of a 5-MW solar power facility in Satna in the second quarter, bringing the total solar power capacity to 412 MW. Waste Heat Recovery System (WHRS) capacity for the company is 43.35 MW.
- **Freight cost** – The company has raised the effectiveness of its rake loading and has been transporting flyash using specialised, leak-proof BTAP rakes, which has boosted its contribution to cost savings—a benefit of ₹200 per tonne in the landed cost. Additionally, the firm has boosted its direct sales from the manufacturing plants; in Q1FY24, DSO at Mukutban grew to 65%.
- **Debt & Interest** – Net debt of the company as of 30 June 2023 was ₹3,600crs 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, which comprises sustaining capex, capex for the Shikhar project, and capex for the operationalization of the Bikram and Marki coal blocks.

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)	Q1FY24	Q4FY23	QoQ %	Q1FY23	YoY %
Volume/mn tonne	4.41	4.44	-1%	3.93	12%
Realisation/tonne (₹)	5229	5279	-1%	5344	-2%
Cost/tonne (₹)	4786	4928	-3%	4948	-3%
Raw material/tonne (₹)	958	982	-2%	565	70%
Staff Cost/tonne (₹)	317	293	8%	325	-2%
Power & Fuel/tonne (₹)	1153	1291	-11%	1564	-26%
Freight/tonne (₹)	1321	1340	-1%	1330	-1%
Other Expenses /tonne (₹)	1038	1023	1%	1163	-11%
EBITDA/tonne (₹)	675	618	9%	660	2%

Source – Company, Way2Wealth

Particulars	Q1FY24	Q1FY23	YoY %	Q4FY23	QoQ %	FY23	FY22	YoY
Sales (volume)	4.41	3.93	12%	4.44	-1%	15.73	14.22	10.6
Capacity utilisation	91%	88%	3%	89%	2%	81%	92%	-11.5
Blended cement	88%	91%	-3%	89%	-1%	90%	91%	-1.1
Trade channel	76%	79%	-4%	77%	-1%	77%	79%	-2.5
Premium Cement	54%	47%	15%	54%	0%	51%	51%	-

Source – Company, Way2Wealth

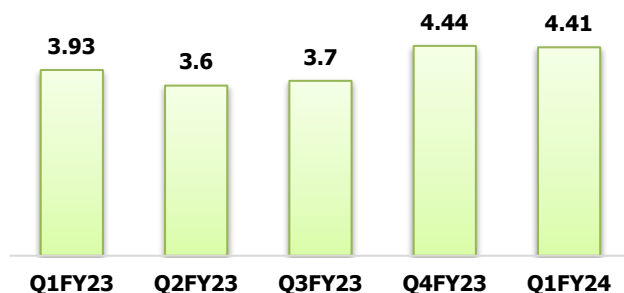
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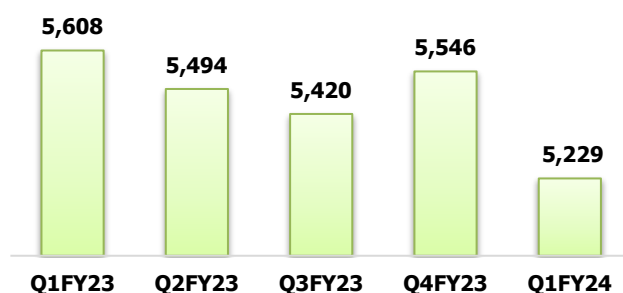
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Story in Charts

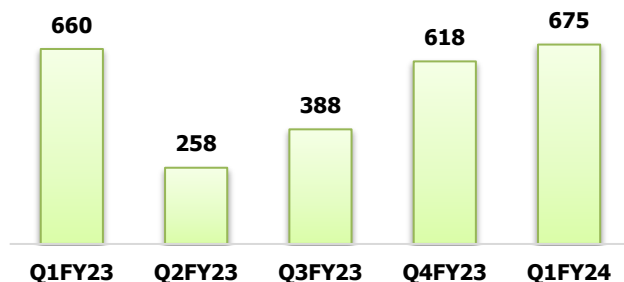
Total Volumes (MMT)



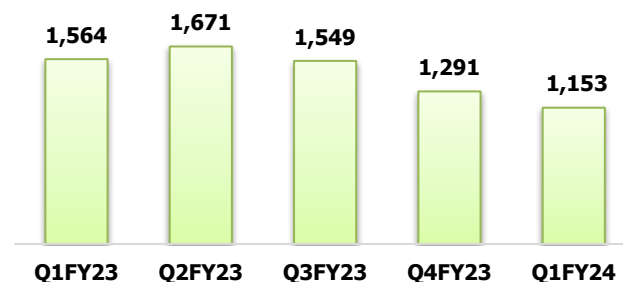
NSR/tonne (Blended)



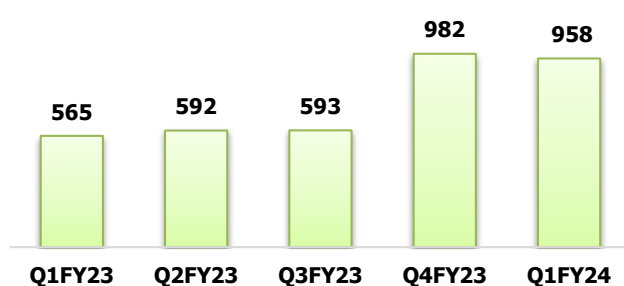
EBITDA/tonne (Blended)



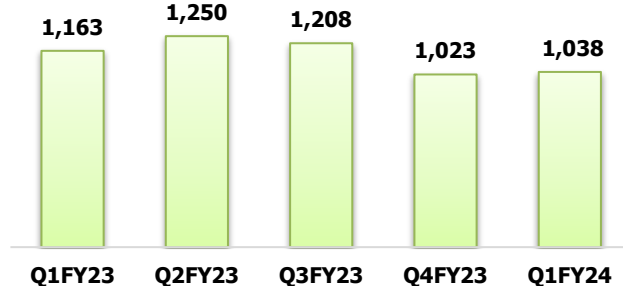
Power/tonne



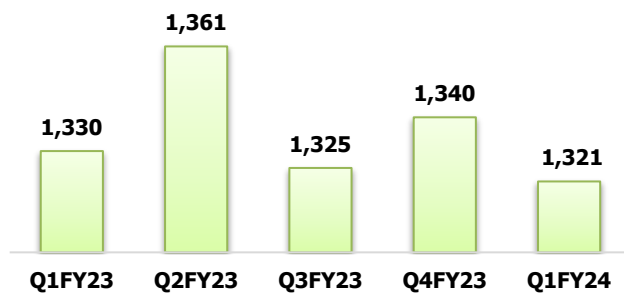
RM/tonne



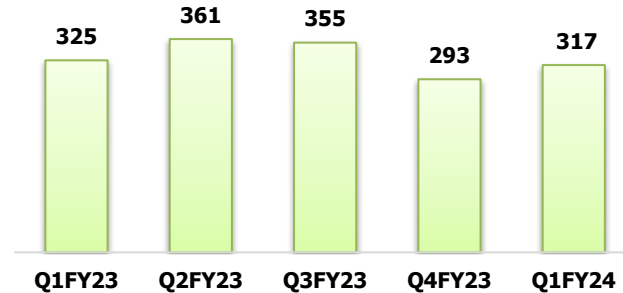
Other Expenses/tonne



Freight/tonne



Staff Cost/tonne



Source – Company, Way2wealth Research


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BCL reported 15% jump in EBITDA for Q1FY24 despite subdued cement prices in core markets. The revenue grew by 9.3% YoY as cement volume increased 12% YoY. Consolidated PAT was marginally lower YoY at ₹62crs due to higher depreciation and interest cost.

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 continue to maintain our **ACCUMULATE** stance, with the stock trading at EV/EBITDA 7.4x FY25E.

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Financial Highlights

(₹ Cr)

Particulars	Q1FY24	Q1FY23	YoY	Q4FY23	QoQ	FY23	FY22	YoY
Income								
Revenue from operations	2,408	2,204	9%	2463	-2%	8,682	7,461	16%
Other Income	16	14	13%	49	-67%	113	99	14%
Total income	2,425	2,218	9%	2512	-3%	8,795	7,560	16%
Expenses								
Cost of materials consumed	352	307	15%	282	25%	1,197	1,048	14%
Purchases of stock-in-trade	9	9	-4%	3	200%	19	26	-27%
Changes in Inventories	61	-94	-165%	151	-59%	-122	-21	486%
Employee benefit expense	140	128	9%	130	7%	521	448	16%
Finance costs	97	70	39%	89	10%	339	243	40%
Depreciation and amortisation expense	140	115	23%	140	0%	510	397	28%
Power & fuel	508	615	-17%	573	-11%	2,373	1,625	46%
Transport & forwarding expenses								
On finished products	507	437	16%	500	1%	1,777	1,480	20%
On Internal material transfer	75	86	-12%	95	-21%	330	270	22%
Other expenses	458	457	0%	454	1%	1,816	1,475	23%
Total expenses	2,348	2,129	10%	2417	-3%	8,759	6,991	25%
Profit before exceptional Items and tax	76	89	-14%	95	-19%	36	569	-94%
Exceptional items	-	12	-	-18	-	-7	31	-121%
Profit before tax	76	77	-1%	113	-32%	43	538	-92%
Tax expenses								
Current tax	9	12	-24%	10	-7%	10	77	-87%
Deferred tax	7	3	146%	25	-71%	1	63	-98%
Income tax relating to earlier years	-	-		-7		-9	-1	834%
Profit for the period	60	62	-3%	85	-30%	41	399	-90%
Paid-up Equity Share Capital	77	77	0%	77	0%	77	77	0%
Other Equity						5,904	5,972	-1%
Earnings Per Share	7.75	8.04	-4%	11.03	-30%	5.26	51.76	-90%

Source: Company, Way2wealth Research

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Disclosure of Interest Statement Birla Corporation Ltd. as on August 23rd, 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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