

08th November 2024

₹1158/-

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Q2FY25 Performance

- Birla Corporation Limited (BCL) reported revenue of ₹1953crs for Q2FY25, marking 15% YoY degrowth from ₹2,284crs in Q2FY24, as the company faced challenging market conditions, leading to less-than-encouraging results.
- Cement sales volume also shrunk in Q2FY25, with 3.97mn tonnes, marking a 5%/9.4% decline YoY/QoQ.
- Capacity utilisation rate of 78% for Q2FY25, signifies 6% underutilisation comparing on YoY basis.
- EBITDA at ₹177crs declined 39%/31% YoY/QoQ.
- Consolidated Net revenue for the period ran into loss of ₹25crs, significantly reversing from profitable Q2FY24 at ₹58crs and Q1FY25 at ₹33crs.
- The share of premium products improved to 62% in Q2FY25 versus 54% in Q2FY24.
- Blended cement sales and Trade channel sales both saw a slight decline on YoY basis. Blended at 83% from 85% and Trade at 71% from 72%.
- Due to a significant drop in pet coke prices, the Cement Division's power and fuel costs for the Q2FY25 decreased by 16% YoY.
- While ramping up the share of renewables in total power consumption to 25%, against 23% a year ago, BCL rationalized its power and fuel costs by optimizing fuel mix and increasing generation from the Waste Heat Recovery System (WHRS)
- EBITDA/t declined 39% at ₹177crs from ₹289crs in Q2FY24 due to subdued demand and lower realizations during the Q2FY25.

Important Statistics

Nifty	24,199
Sensex	79,542
MCap (₹ Cr)	8763
52 Week H/L (₹)	1802/1100
NSE Code	BIRLACORPN
BSE Code	500335
Bloomberg	BCORP:IN

Shareholding %	Sep'23	Dec'23	Mar'24	Jun'24	Sep'24
Promoters	62.90	62.90	62.90	62.90	62.90
FII	6.58	6.45	6.79	5.99	5.46
DII	16	16.17	15.6	16.26	16.2
Public	14.51	14.48	14.7	14.84	15.44

Key Concall Highlights

- **Capacity Expansion** – The manufacturing assets of RCCPL plants at Maihar, Kundangunj, and Mukutban are among the industry's most efficient units and are set to be key growth drivers for the company moving forward. The work on Kundangunj Line 3, with a capacity of 1.4 mn tons, is progressing at full speed and is expected to be commissioned by Q1FY26.
- **Volume** – Volume for the Q2FY25 was 3.97mn tons, reflecting a 5% YoY compression. This decrease aligns with industry expectations of a similar drop in overall demand. The unusually weak demand was primarily due to extended monsoons, floods, and a slow recovery in government demand.
- **Cement prices** – There has been no significant price appreciation since the end of Q2, and an increase is only anticipated from mid-November. Additionally, non-trade prices have seen a sharp decline, which has created pressure within the trade segment as well.
- **Premium cement Sales** – Sales composition consists of 71% trade and 29% non-trade, slightly shifting from the previous year's 72% and 28% ratio. BCL have adopted a balanced portfolio strategy that emphasizes both premium and value segments. Currently, premium brands account for 62% of sales, marking a 15% increase compared to the previous year.
- **Jute Vertical** – Jute Division experienced a cash loss of ₹2crs in the September quarter, down from a cash profit of ₹4crs last year, due to declining orders domestically and internationally. Production days were reduced from 77 to 57, resulting in a drop from 8,738 tons to 6,592 tons. However, production of value-

Relative Performance

Return (%)	1Yr	3Yr	5Yr
Birla corp	-6.3	-24.5	99
Nifty 50	27	37.7	105
Sensex	25	35	100

Source: Company, Way2Wealth

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added goods increased to 1,512 tons from 1,069 tons. Despite this, export revenue fell by 41% YoY to ₹12crs.

- **Energy cost** – While increasing the share of renewables in total power consumption to 25% from 23% a year ago, the company optimized its power and fuel costs by adjusting its fuel mix and enhancing generation from the WHRS. A significant drop in pet coke prices contributed to a further reduction in power and fuel costs, which stood at ₹1,025 per tonne, reflecting a 13% decline on YoY basis.
- **Freight cost** – BCL managed to keep the freight and forwarding costs/tonne flat at ₹1249 indicating no change comparing with Q2FY24. Moreover, the lead distance during this period was maintained at 350 kms and for Mukutban, the lead distance was 425 kms.
- **Debt & Interest** – The company expects to end with a net debt of around ₹3,000crs. Due to lower-than-expected cash from operations, it has reduced its CAPEX from ₹1,000crs to ₹700crs, adjusting strategies accordingly.
- **Capex** – Due to lower-than-expected cash from operations, management has reduced its CAPEX from ₹1,000crs to ₹700crs, adjusting strategies accordingly.
- **Incentive** – BCL has reported booking ₹17crs in incentives for Mukutban during the second quarter. The management anticipates total incentives of approximately ₹100crs for the entire fiscal year.

Key Risks

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

Key Metrics

Particulars	Q2FY25	Q2FY24	Var	H1FY25	H1FY24	Var
Sales (by volume) mt	3.97	4.18	-5%	8.35	8.59	-3%
Capacity utilisation %	78	83	(500)	85	87	(200)
Blended cement %	83	85	(200)	83	87	(400)
Trade channel %	71	72	(100)	71	74	(300)
Premium cement %	62	54	800	60	56	400

Source – Company, Way2Wealth

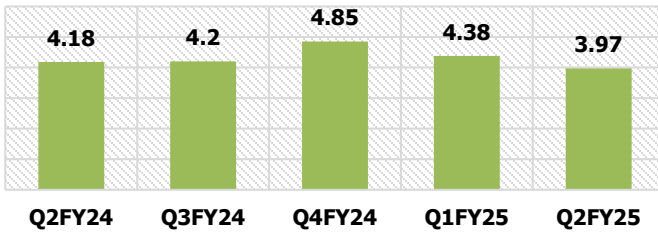
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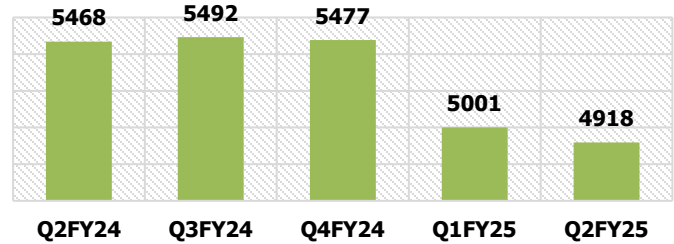
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Story in Charts

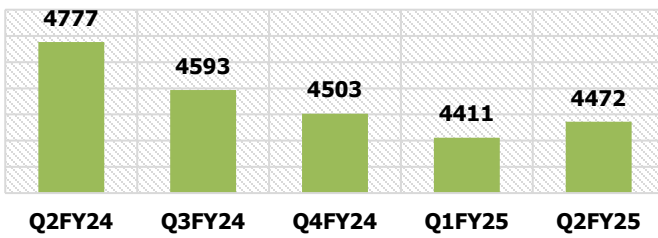
Volumes (MMT)



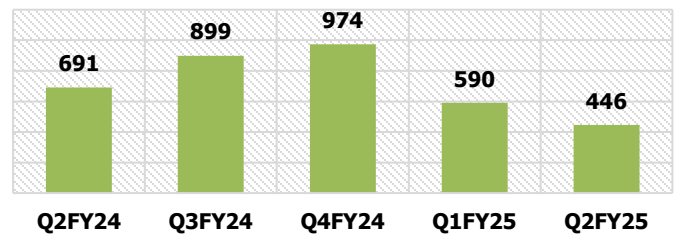
Realisation/tonne



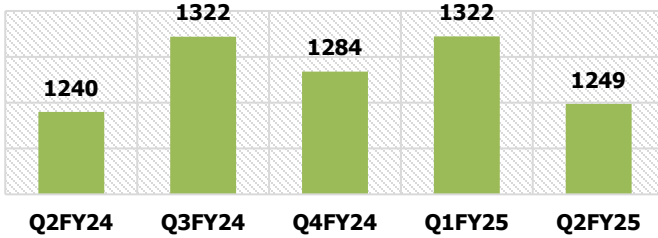
Cost/tonne



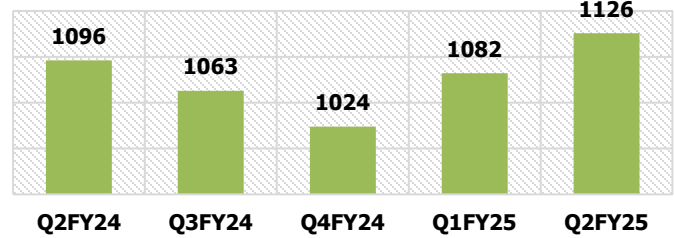
EBITDA/tonne



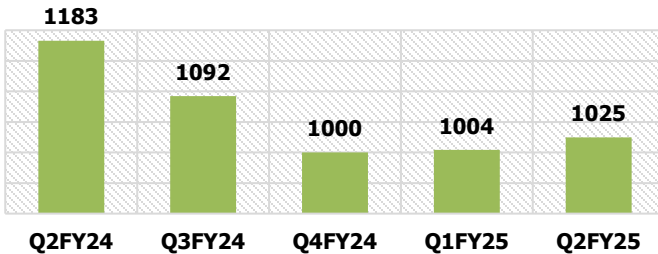
Freight/tonne



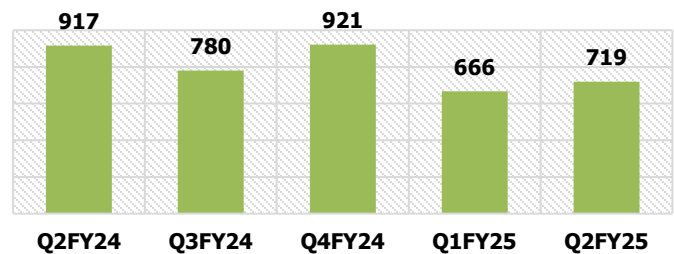
Other expenses/tonne



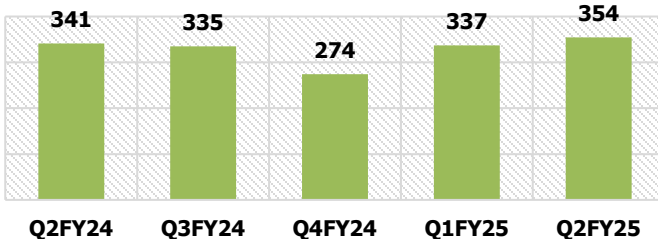
Energy Cost/tonne



RM/tonne



Employee Cost/tonne



Source – Company, Way2wealth Research

W2W Lighthouse – A Quick Perspective

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Important Ratios

Particulars	Q2FY25	Q2FY24	YoY	Q1FY25	QoQ	1HFY25	1HFY24	YoY
Debt Equity Ratio (in times)	0.63	0.75	(16.0)	0.61	3.3	0.63	0.75	(16.0)
Debt Service Coverage Ratio (in times)	0.71	1.17	(39.3)	0.99	(28.3)	0.85	1.06	(19.8)
Interest Service Coverage Ratio (in times)	2.29	3.31	(30.8)	3.21	(28.7)	2.75	3.27	(15.9)
Debenture Redemption Reserve (in Crs)	16.51	24.96	(33.9)	24.96	(33.9)	16.51	24.96	(33.9)
Net Worth (₹ in crs)	5,812	5,258	10.5	5,838	(0.4)	5,812	5,258	10.5
Net Profit / (Loss) after Tax (₹ in Crs)	-25	58	(143.2)	33	(177.2)	7	118	(93.7)
Basic and Diluted EPS	-3.27	7.58	(143.1)	4.24	(177.1)	0.96	15.33	(93.7)
Current Ratio (In times)	1.1	1.15	(4.3)	1.14	(3.5)	1.1	1.15	(4.3)
Long Term Debt to Working Capital (in times)	4.46	5	(10.8)	4.14	7.7	4.46	5	(10.8)
Current Liability Ratio (in times)	0.35	0.31	12.9	0.34	2.9	0.35	0.31	12.9
Total Debts to Total Assets (in times)	0.25	0.28	(10.7)	0.24	4.2	0.25	0.28	(10.7)
Debtors Turnover (in times)	14.93	18.74	(20.3)	18.52	(19.4)	17.59	23.17	(24.1)
Inventory Turnover (in times)	7.31	9.17	(20.3)	8.49	(13.9)	8.17	9.13	(10.5)
Operating Margin (in %)	9.18	12.89	(371 bps)	11.95	(277 bps)	10.64	12.76	(212 bps)
Net Profit Margin (in %)	-1.31	2.6	(391 bps)	1.51	(282 bps)	0.18	2.57	(239 bps)

Source – Company, Way2wealth Research
View

During the typically weak monsoon quarter, cement demand was sluggish, leading to record low prices in key markets. Factors such as prolonged monsoons, flooding, and slow government demand contributed to this decline. Due to weak cash flows, capital expenditure has been cut from ₹1,000crs to ₹700crs, with net debt anticipated to reach ₹3,000crs by year-end.

BCL achieved cost savings of ₹42 per tonne through Project Shikhar in Q2FY25 and expects a recovery in demand post-festival season, alongside ongoing capital expenditure completion, to drive growth. Management projects an EBITDA improvement of ₹170 per tonne and volume growth of 8-9% in H2FY25, resulting in an annual growth of 3-4%. BCL plans to enhance operations at Mukutban, focusing on Maharashtra for tax incentives. Increased renewable energy use and savings from captive coal mines are expected to improve margins in H2FY25. **The stock is recommended for accumulation at its current price, trading at 8x FY26E EV/EBITDA.**

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Financial Highlights

Particulars	(₹ Cr)							
	Q2FY25	Q2FY24	YoY	Q1FY25	QoQ	1HFY25	1HFY24	YoY
Income								
Revenue from operations	1953	2284	(15)	2190	(11)	4143	4691	(12)
Other income	17	27	(37)	17	1	34	44	(21)
Total income	1970	2312	(15)	2207	(11)	4177	4735	(12)
Expenses								
Cost of materials consumed	329	376	(13)	367	(10)	697	729	(4)
Purchases of stock-in-trade	3	2	121	4	(6)	7	10	(31)
Changes in Inventories	-47	5	(965)	-79	(40)	-127	67	(289)
Employee benefits expense	141	142	(1)	147	(5)	288	282	2
Finance costs	85	95	(11)	86	(1)	171	193	(11)
Depreciation and amortisation expense	145	143	1	146	(0)	291	284	2
Power & fuel	407	495	(18)	440	(8)	846	1003	(16)
Transport & forwarding expenses								
On finished products	449	459	(2)	516	(13)	965	972	(1)
On Internal material transfer	47	65	(28)	63	(25)	110	140	(22)
Other expenses	447	451	(1)	474	(6)	921	902	2
Total expenses	2005	2234	(10)	2163	(7)	4169	4581	(9)
Profit/(Loss) before exceptional items & tax	-36	77	(146)	44	(181)	8	154	(95)
Exceptional items	0	0	-	0	-	0	0	-
Profit/(Loss) before tax	-36	77	(146)	44	(181)	8	153	(95)
Tax expenses								
Current tax	-7	13	(152)	7	(197)	0	23	(99)
Deferred tax	-4	5	(165)	4	(184)	1	13	(95)
Profit/(Loss) for the period	-25	58	(143)	33	(177)	7	118	(94)
Paid-up Equity Share Capital (FV ₹10)	77	77	0	77	0	77	77	0
Other Equity	-	-	-	-	-	6858	6211	10
Basic and Diluted EPS (FV ₹10)	-3.3	7.6	(143)	4.2	(177)	1.0	15.3	(94)

Source: Company, Way2wealth Research

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Disclosure of Interest Statement: Birla Corporation Ltd.as on 08 November 2024

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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