

13<sup>th</sup> May 2024

₹1459/-

View – Buy

**Q4FY24 Performance**

- Birla Corporation Limited (BCL) maintained its consistent growth from the initial three quarters into the final quarter of FY24, culminating the year with unprecedented cement sales volumes and achieving a remarkable 127% increase in net profit for the March quarter.
- Cement sales volume reached a new peak in Q4FY24, with 4.85 million tons, marking a 9% increase from the 4.4 million tons sold in Q4FY23.
- This surge in sales led to a capacity utilisation rate of 97% for the Q4FY24, a significant rise from the 89% recorded in Q4FY23. Over the entire fiscal year, the company achieved an average capacity utilization of 89%, which is an improvement over the 81% utilisation rate of FY23.
- This remarkable improvement is primarily attributed to the scaling up of production at Mukutban, Maharashtra.
- EBITDA at ₹473crs surged by an impressive 72% YoY.
- Consolidated PAT for the quarter amounted to ₹193crs, a significant rise from ₹85crs/₹109crs recorded in Q4FY23/Q3FY24.
- Uptick sales of its high-end products, with Perfect Plus, its leading brand, experiencing a 19% growth in sales compared to the previous year. Premium product sales accounted for 55% of the total in the March quarter and 54% for the entire fiscal year.
- Volume of high-margin blended cement sold rose to 4.08 million tons in the Q4FY24, a 3% increase YoY, and reached 15.01 million tons for FY24, marking a 6% growth. Project Shikhar, a multifaceted initiative aimed at enhancing operational effectiveness and optimizing expenses has prompted several minor adjustments, which have so far saved the cost of producing cement for the quarter by at least ₹55/ton.

**Important Statistics**

<b>Nifty</b>	22,055
<b>Sensex</b>	72,664
<b>MCap (₹ Cr)</b>	~10,950
<b>52 Week H/L (₹)</b>	1802/980
<b>NSE Code</b>	BIRLACORPN
<b>BSE Code</b>	500335
<b>Bloomberg</b>	BCORP:IN

Shareholding %	Jun'23	Sep'23	Dec'23	Mar'24
Promoters	62.90	62.90	62.90	62.90
FII	7.18	6.58	6.45	6.79
DII	15.79	16	16.17	15.6
Public	14.15	14.51	14.48	14.7

**Important Ratios**

Particulars	FY24	FY23	Var
Debt Equity Ratio (x)	0.67	0.87	-23%
Debt Service Coverage Ratio (x)	1.52	1.63	-7%
Interest Service Coverage Ratio (x)	4.12	2.63	57%
Debenture Redemption Reserve (₹ Cr)	24.96	24.96	0%
Net Worth (₹ Cr)	5,633	4,949	14%
Net Profit (₹ Cr)	421	41	927%
Basic and Diluted EPS	54.61	5.26	938%
Current Ratio (x)	1.18	1.29	-9%
Long Term Debt to Working Capital (x)	3.63	3.68	-1%
Current Liability Ratio (x)	0.32	0.29	10%
Total Debts to Total Assets (x)	0.26	0.31	-16%
Debtors Turnover (x)	25.67	27.18	-6%
Inventory Turnover (x)	9.35	9.04	3%
Operating Margin (%)	15.17%	9.07%	610 bps
Net Profit Margin (%)	4.44%	0.48%	404 bps

Source: Company, Way2Wealth

**Key Concall Highlights**

- **Capacity Expansion** – The company is setting its sights high with the goal of increasing its production capacity to 30 million tons per annum (mtpa) by the year 2030. To begin this ambitious journey, it plans to expand its capacity by 5 mtpa as an initial step towards achieving this target, with more information anticipated to be disclosed in FY25. Presently, the company has production capacity of 20 mtpa, and is further augmenting this with the construction of a new Grinding Unit in Prayagraj, which will add another 1.4 mtpa to its capabilities.
- **Volume** – The surge in volume is primarily driven by the enhanced capacity utilisation of the Mukutban Plant, while the other facilities are operating at full capacity. The management projects an annual volume growth of 8–11% for FY25 and an EBITDA per ton increase of 8–10% (including incentives). Additionally, the Mukutban Unit is anticipated to contribute 2.7 mn tons to the volume in FY25E, compared to the 2.5 million tons recorded at the end of FY24.

**Relative Performance**

Return (%)	1Yr	3Yr	5Yr
<b>Birla corp</b>	<b>49.8</b>	<b>58.5</b>	<b>171.5</b>
<b>Nifty 50</b>	20.4	48.3	94.5
<b>Sensex</b>	17.5	47.4	93.2

Source: Company, Way2Wealth

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- **Cement prices** – In anticipation of a flat pricing landscape, BCL proactively engaged in various initiatives aimed at boosting revenue and streamlining costs. These strategic efforts yielded substantial progress in key areas such as elevating product quality and pricing (premiumisation), refining the geographical sales mix for better margins (geo-mix optimisation), enhancing the efficiency of distribution channels (logistics), and reducing energy-related expenditures (power and fuel costs).
- **Premium cement Sales** – The super premium offering of waterproofing cement Rakshak is steadily gaining share in the niche super-premium category the premium cement sales have experienced a YoY increase of 2%. Trade sales declined from 75% last year to 69% in Q3FY24. The premium cement portfolio of the company achieved impressive results with a remarkable increase in growth across all regions. Premium brands now stand at 52%, with almost equal volume of both value and premium brands.
- **Jute Vertical** – The Jute Division's cash profit rose to ₹8.61crs this quarter, a 5% increase, driven by a jump in shopping bag sales to 2.68 million. However, annual cash profit fell to ₹20.82crs due to a 30% drop in exports. The company's new focus on jute shopping bags brought in ₹55.32crs, despite a decrease in export revenue to ₹56.05crs. Discussions are underway with supermarkets in the UK, France, Italy, and Australia, with an order pipeline of 1.61 million bags.
- **Energy cost** – BCL's Q4FY24 power and fuel costs/ton decreased by 27% and 24% respectively, compared to the previous quarter and year. The company's strategic shift in its fuel mix, with a 25% use of renewables for power, contributed to this cost efficiency. The full year saw renewables at 24.15%, up from 21.7%. The WHRS capacity stands at 43MW, and the cost per Kcal is expected to remain around ₹1.56.
- **Freight cost** – For the Q4FY24, company managed to keep the freight and forwarding costs per ton at ₹1,284, achieving a 4% YoY decrease and a 3% QoQ reduction. Moreover, the lead distance during this period was maintained at 350 kilometers.
- **Debt & Interest** – BCL made significant progress in debt reduction by repaying ₹ 600. As of March 31, 2024, the company's net debt was reported at ₹ 3025, with the current maturity of long-term debt (LTD) being ₹525crs. This reflects the company's ongoing efforts to strengthen its financial position and manage liabilities effectively.
- **Capex** – The capital expenditure (capex) forecast for FY25 is set at ₹800crs allocated as follows: ₹200crs for the Kundanganj Grinding Unit, ₹200crs for the development of coal mining, and ₹400crs for sustainable capex. Despite these significant investments, the management anticipates that the net debt will be less than ₹3025crs by the end of the period.
- **Incentive** – The total investment of ₹2300crs for the Mukutban plant is projected to be recouped via incentives over a span of 20 years. The commencement of these incentives is expected in FY25 following the completion of the company's registration process. The Mukutban plant's incentives are poised to make a substantial impact on the company's overall EBITDA. For FY25, the company is estimating to receive incentives amounting to ₹110crs, which includes the contributions from the Mukutban plant.


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**Key Risks**

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

**Operational Metrics**

Particulars	Q4FY24	Q4FY23	YoY	Q3FY24	QoQ
Volume/mn tonne	4.85	4.4	9.2%	4.2	15.2%
Blended Realisation/tonne (₹)	5477	5546	-1.2%	5492	-0.3%
Cost/tonne (₹)	4503	4928	-8.6%	4593	-2.0%
Raw material/tonne (₹)	921	982	-6.2%	780	18.0%
Staff Cost/tonne (₹)	274	293	-6.3%	335	-18.2%
Power & Fuel/tonne (₹)	1000	1291	-22.5%	1092	-8.5%
Freight/tonne (₹)	1284	1340	-4.2%	1322	-2.9%
Other Expenses /tonne (₹)	1024	1023	0.2%	1063	-3.7%
EBITDA/tonne (₹)	974	619	57.5%	899	8.4%

Source – Company, Way2Wealth

Particulars	Q4FY24	Q4FY23	YoY	FY24	FY23	YoY
Sales volume (mt)	4.85	4.44	9%	17.65	15.73	12%
Capacity utilization	97%	89%	-	89%	81%	-
Premium cement (mt)	1.9	1.84	3%	6.86	6.15	12%
Blended cement (mt)	4.08	3.96	3%	15.01	14.12	6%
Trade channel (mt)	3.47	3.41	2%	12.77	12.14	5%

Source – Company, Way2Wealth

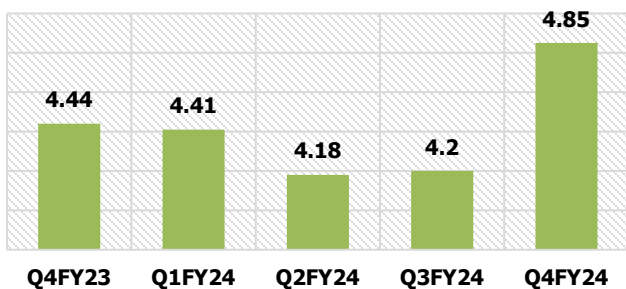
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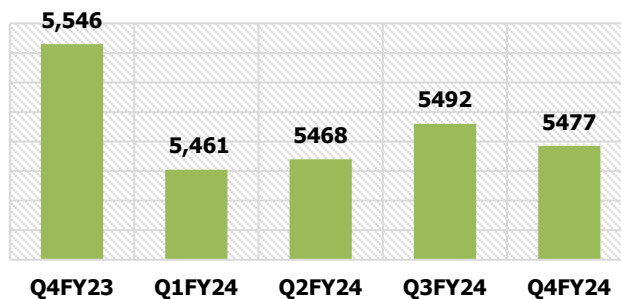
View – Buy

**Story in Charts**

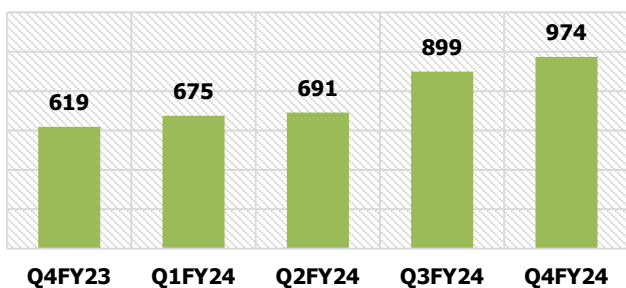
**Total Volumes (MMT)**



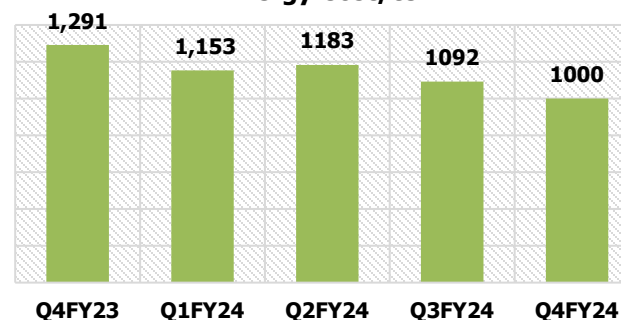
**Realisation/te (Blended)**



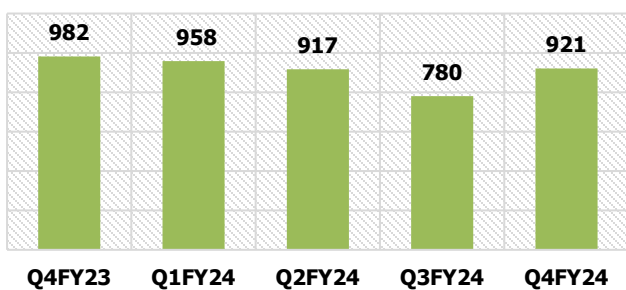
**EBITDA/te (Blended)**



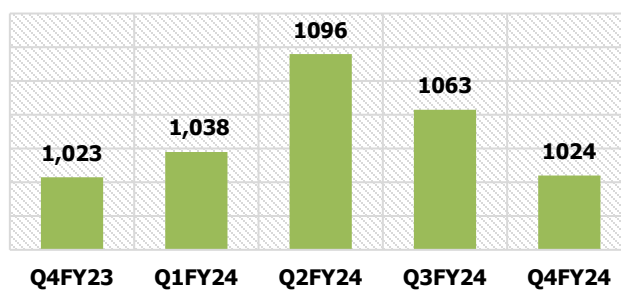
**Energy Cost/te**



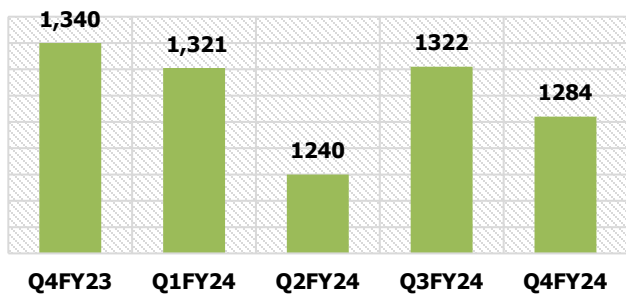
**RM/te**



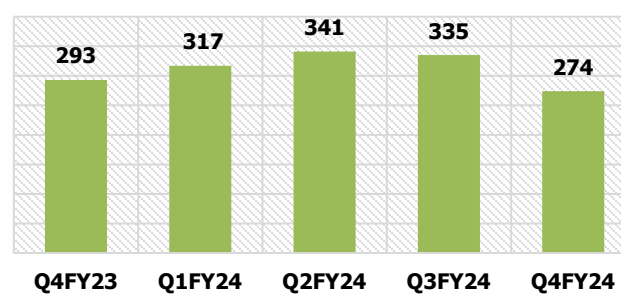
**Other expenses/te**



**Freight/te**



**Employee Cost/te**



Source – Company, Way2wealth Research

W2W Lighthouse – A Quick Perspective



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**View**

BCL is outpacing the industry with a capacity addition at approximately 9% CAGR and aims to boost its installed capacity to 25 mtpa by the end of FY27 & 30 mtpa by FY30, indicating a robust growth strategy. Cement demand is projected to decline in Q1FY25 due to elections and severe heat, with Q2 traditionally slow owing to the monsoon. Despite this, major companies are expected to maintain production due to low costs, which may prevent price increases. BCL plans to enhance Mukutban operations, focusing on Maharashtra for tax benefits, and increase its premium product market share in key states. Investments made in branding and distribution to boost the value of premium offerings. Additionally, cost-saving initiatives like Project Shikhar and Project Unnati will be prioritized to counteract market slumps. The stock has maintained an average EV/EBITDA ratio of 9.5x over the past five years. This valuation, coupled with the company's historical performance and its focus on capacity expansion, suggests a strong potential for the stock to trade at higher-than-historical multiples moving forward. Hence, we recommend to **BUY** the stock at current level as it is trading at attractive multiples of 8.8x for FY25E and 7.8x for FY26E EV/EBITDA.


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**Financial Highlights**

(₹ Cr)

Particulars	Q4FY24	Q4FY23	YoY	Q3FY24	QoQ	FY24	FY23	YoY
<b>Income</b>								
Revenue from operations	2656.4	2,463	8%	2,312	15%	9663	8,682	11%
Other income	25.7	49	-48%	16	58%	86	113	-24%
Total income	2682.1	2511.7	7%	2,328	15%	9748	8,795	11%
<b>Expenses</b>								
Cost of materials consumed	399	282	41%	354	13%	1482	1,197	24%
Purchases of stock-in-trade	8.9	3	207%	5	93%	24	19	26%
Changes in Inventories	38.7	151	-74%	-30	-228%	75	-122	-162%
Employee benefits expense	133	130	2%	141	-6%	556	521	7%
Finance costs	82.4	89	-7%	97	-15%	372	339	10%
Depreciation and amortisation expense	149.7	140	7%	145	3%	578	510	13%
Power & fuel	484.8	573	-15%	460	5%	1947	2,373	-18%
<b>Transport &amp; forwarding expenses</b>								
On finished products	559.8	500	12%	488	15%	2009	1,777	13%
On Internal material transfer	63	95	-34%	68	-8%	271	330	-18%
Other expenses	496.7	454	9%	448	11%	1860	1,816	2%
Total expenses	2416	2417.05	0%	2174.84	11%	9175	8,759	5%
Profit/(Loss) before exceptions & tax	266.03	95	181%	153	73%	573	36	1472%
Exceptional items	-7.03	-18	-62%	-	-	-7	-7	2%
Profit before tax	273.06	113	142%	153	78%	580	43	1245%
<b>Tax expenses</b>								
Current tax	20.6	10	106%	13	54%	57	10	463%
Deferred tax	59.2	25	136%	31	91%	103	1	7354%
Income tax relating to earlier years	-	-7	-	-	-	-	-9	-
Profit for the period	193.34	85	128%	109	77%	421	41	938%
Paid-up Equity Share Capital (FV ₹10)	77.01	77.01	0%	77	0%	77	77	0%
Other Equity						6597	5,904	12%
Basic and Diluted EPS (FV ₹10)	25.1	11.03	128%	14.17	77%	54.6	5.26	938%

Source: Company, Way2wealth Research

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**Disclosure of Interest Statement Birla Corporation Ltd. as on May 13<sup>th</sup>, 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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