



16<sup>th</sup> August 2024

₹1261/-

View – Hold

**Q1FY25 Performance**

- Birla Corporation Limited (BCL) reported revenue of ₹2,207crs for Q1FY25, marking 9% degrowth from ₹2,424crs in Q1FY24.
- Cement sales volume remained flat in Q1FY25, with 4.38 mn tonnes, marking a 0.7% decline from the 4.41 mn tonnes sold in Q1FY24.
- Capacity utilisation rate of 91% for Q1FY25, signifies no change comparing on YoY basis.
- EBITDA at ₹258crs declined 13%/45% YoY/QoQ.
- The quarter experienced a downturn due to weak cement prices and low demand. Consolidated PAT for the period was ₹33crs, significantly lower than ₹60crs in Q1FY24 and ₹193crs in Q4FY24.
- Premium product sales saw a 5% rise at 59% in the June quarter from 54% in same quarter last year.
- Blended cement sales and Trade channel sales both saw a decline of 4bps on YoY basis.
- Despite challenging market conditions, BCL saw a benefit from a further decline in power and fuel costs, which dropped 13% YoY and 9% sequentially. By optimizing its fuel mix, the company increased the share of renewables in its total power consumption to 27%, compared to 23% in the same period last year and 25% sequentially.
- EBITDA/t declined 13% at ₹590 from ₹675 in Q1FY24.

**Important Statistics**

<b>Nifty</b>	24,144
<b>Sensex</b>	79,106
<b>MCap (₹ Cr)</b>	9,710.37
<b>52 Week H/L (₹)</b>	1802/1061
<b>NSE Code</b>	BIRLACORPN
<b>BSE Code</b>	500335
<b>Bloomberg</b>	BCORP:IN

Shareholding %	Jun'23	Sep'23	Dec'23	Mar'24	Jun'24
Promoters	62.90	62.90	62.90	62.90	62.90
FII	7.18	6.58	6.45	6.79	5.99
DII	15.79	16	16.17	15.6	16.26
Public	14.15	14.51	14.48	14.7	14.84

**Key Concall Highlights**

- **Capacity Expansion** – Over the past six years, the company has successfully doubled its capacity to 20 mn tonnes. Looking ahead, it aims to further increase this capacity to 25 mn tonnes by FY27. This ambitious goal reflects the company's commitment to growth and market expansion. The company is enhancing its capacity in its primary market, eastern Uttar Pradesh, by expanding the Kundanganj plant. This expansion is anticipated to be operational in the first half of FY26. This move will bolster company's market position and competitiveness, as the new capacity will qualify for incentives.
- **Volume** – During Q1FY25, cement sales volume remained relatively stable at 4.38mntonnes. This represents a slight decline of 0.7% compared to the 4.41mntonnes sold in Q1FY24.
- **Cement prices** – Overall cement prices in the Jun24 quarter decreased by 3-5% compared to the end of Mar24, as manufacturers competed for market share despite weak demand. Prices dropped significantly in Northern, Central, and Eastern India, and even Western India saw price pressures. Demand remains low in the current quarter, while new units coming online in Central and Eastern India are expected to increase supply. Consequently, cement prices are likely to stay under pressure until the third quarter of the current fiscal year
- **Premium cement Sales** – BCL increased its sales of premium products, which accounted for 59% of total sales volume through the trade channel. Premium product sales reached 1.85mntonnes in the June quarter, reflecting a 2% YoY growth. Additionally, sales volume of Perfect Plus, the company's flagship brand, grew by 8% compared to the same period last year.

**Relative Performance**

Return (%)	1Yr	3Yr	5Yr
<b>Birla corp</b>	<b>19.6</b>	<b>7</b>	<b>150</b>
<b>Nifty 50</b>	24	48.9	121
<b>Sensex</b>	20.6	46	114

Source: Company, Way2Wealth

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- **Jute Vertical** – The Jute Division of the company reported a cash loss of ₹3.9crs in the June quarter, compared to a cash profit of ₹6.4crs last year. The jute goods industry is facing multiple challenges, including a sharp decline in government orders, leading to inventory build-up and partial capacity operations at most mills. Additionally, new cottage-size mills with substantial cost advantages are capturing government orders. The company has been focusing on increasing the share of exports of value-added fabric and jute goods. However, despite improved production of value-added products, revenue from shopping bag exports dropped 26% to ₹11.9crs due to container shortages and increased freight costs.
- **Energy cost** – Despite challenging market conditions, there was a significant reduction in power and fuel costs, which decreased by 13% YoY and 9% sequentially. The company also optimized its fuel mix and increased the share of renewables in its total power consumption to 27%, compared to 23% in the same period last year and 25% in the March quarter. Fuel consumption costs were ₹1.48 per Kcal in Q1FY25, compared to ₹1.56 per Kcal in Q4FY24. The company anticipates a further reduction of up to ₹0.05 per Kcal in the current quarter.
- **Freight cost** – For the Q1FY25, company managed to keep the freight and forwarding costs/tonne flat at ₹1,322 indicating no change on YoY basis. Moreover, the lead distance during this period was maintained at 350 kms and is expected to increase as the Mukutban plant ramps up further.
- **Debt & Interest** – Net debt at Jun'24 was ₹3125crs and guided to reduce below ₹3000crs by Mar'25.
- **Capex** – BCL has maintained its guidance for a capital expenditure (CapEx) of ₹800crs for FY25. The company also reiterated its goal to achieve a total capacity of 25 mn tonnes by FY27. This includes the expansion plans for the Kundanganj plant and a project in Bihar, although specific timelines for these projects were not provided during the call.
- **Incentive** – Overall, ₹21crs incentive booked in this quarter against ₹43crs in Q4FY24.

### Key Risks

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

### Key Metrics

Particulars	Q1FY25	Q1FY24	Var
Sales ( volume ) mt	4.38	4.41	-1%
Capacity utilization	91%	91%	0 bps
Blended cement	84%	88%	-4 bps
Trade channel	72%	76%	-4 bps
Premium cement	59%	54%	5 bps

Source – Company, Way2Wealth



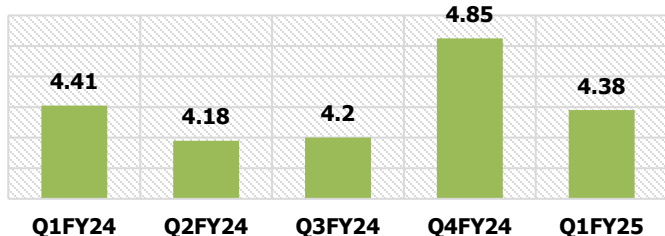
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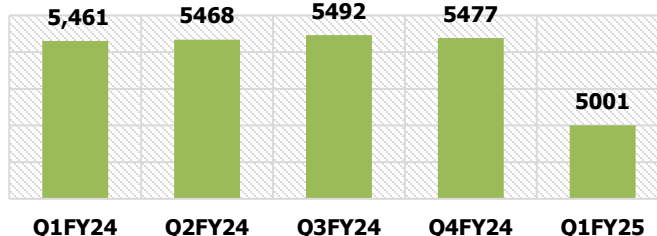
View – Hold

**Story in Charts**

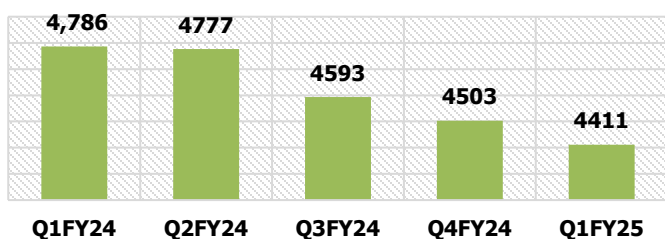
**Volumes (MMT)**



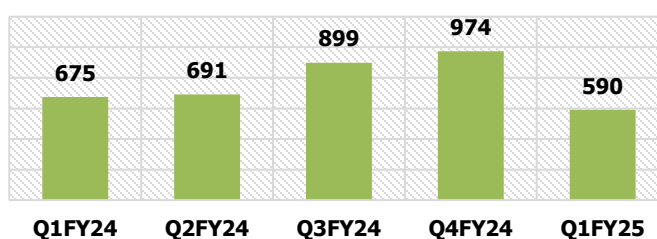
**Realisation/tonne**



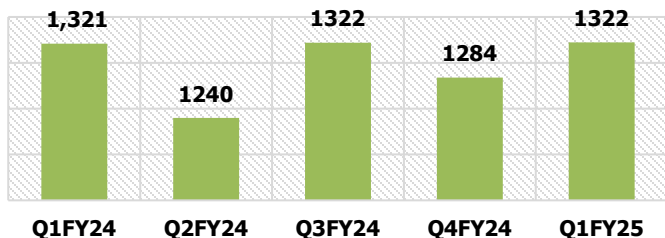
**Cost/tonne**



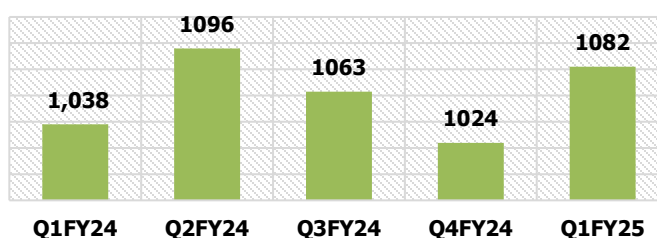
**EBITDA/tonne**



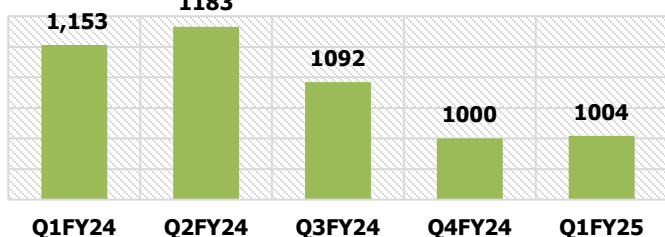
**Freight/tonne**



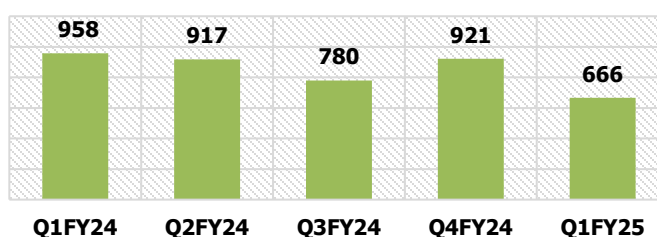
**Other expenses/tonne**



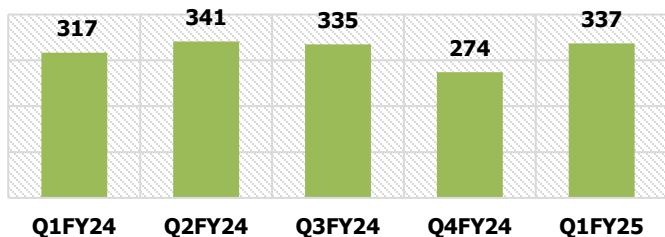
**Energy Cost/tonne**



**RM/tonne**



**Employee Cost/tonne**



Source – Company, Way2wealth Research

W2W Lighthouse – A Quick Perspective

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**Important Ratios**

Particulars	Q1FY25	Q1FY24	YoY	Q4FY24	QoQ	FY24	FY23	YoY
Debt Equity Ratio (x)	0.6	0.8	-25%	0.7	-9%	0.7	0.9	-23%
Debt Service Coverage Ratio (x)	1.0	1.0	1%	2.53	-61%	1.5	1.6	-7%
Interest Service Coverage Ratio (x)	3.2	3.2	0%	6.13	-48%	4.1	2.6	57%
Debenture Redemption Reserve (₹ Crs)	25	25	0%	24.96	0%	25	25	0%
Net Worth (₹ Crs)	5838	5084	15%	5,633	4%	5633	4949	14%
Net Profit After Tax (R Crs)	33	60	-45%	193	-83%	421	41	927%
Basic and Diluted EPS	4.2	7.8	-45%	25.1	-83%	54.6	5.3	938%
Current Ratio (x)	1.1	1.2	-7%	1.18	-3%	1.2	1.3	-9%
Long Term Debt to Working Capital (x)	4.1	4.3	-5%	3.63	14%	3.6	3.7	-1%
Current Liability Ratio (x)	0.3	0.3	10%	0.32	6%	0.3	0.3	10%
Total Debts to Total Assets (x)	0.2	0.3	-17%	0.26	-8%	0.3	0.3	-16%
Debtors Turnover (x)	18.5	23.3	-21%	19.81	-7%	25.7	27.2	-6%
Inventory Turnover (x)	8.5	9.1	-7%	10.65	-20%	9.4	9.0	3%
Operating Margin (%)	11.95%	12.63%	-68 bps	18.12%	-617 bps	15.17%	9.07%	610 bps
Net Profit Margin (%)	1.51%	2.53%	-102 bps	7.42%	-591 bps	4.44%	0.48%	396 bps

Source – Company, Way2wealth Research

**View**

India's cement demand is expected to remain strong, driven by high real estate demand and increased government spending on infrastructure projects. The industry is projected to grow at a CAGR of 8-9%. BCL aims to increase its capacity to 25 mtpa by FY27 and 30 mtpa by FY30. Cement demand declined in Q1FY25 due to elections and severe heat, with Q2 traditionally slow due to the monsoon. Despite this, major companies are expected to maintain production due to low costs, preventing price hike. Projects Shikhar and Unnati aim to enhance efficiency and generate savings of ₹40-50 per tonne for FY25 and FY26. Given the company's historical performance and focus on capacity expansion, the stock has strong potential to trade at higher multiples. **It is recommended to hold the stock at its current level, trading at 9.5x for FY26E EV/EBITDA.**

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**Financial Highlights**

(₹ Cr)

Particulars	Q1FY25	Q1FY24	YoY	Q4FY24	QoQ	FY24	FY23	YoY
<b>Income</b>								
Revenue from operations	2190	2408.46	-9%	2656	-18%	9663	8682	11%
Other income	17	16.17	5%	26	-34%	86	113	-24%
<b>Total income</b>	<b>2207</b>	<b>2424.63</b>	<b>-9%</b>	<b>2682</b>	<b>-18%</b>	<b>9748</b>	<b>8795</b>	<b>11%</b>
<b>Expenses</b>								
Cost of materials consumed	367	352.22	4%	399	-8%	1482	1197	24%
Purchases of stock-in-trade	4	8.79	-58%	9	-59%	24	19	26%
Changes in Inventories	-79	61.31	-229%	39	-304%	75	-122	-162%
Employee benefits expense	147	139.60	6%	133	11%	556	521	7%
Finance costs	86	97.42	-12%	82	4%	372	339	10%
Depreciation and amortisation expense	146	140.31	4%	150	-3%	578	510	13%
Power & fuel	440	508.31	-13%	485	-9%	1947	2373	-18%
Transport & forwarding expenses								
On finished products	516	507.37	2%	560	-8%	2009	1777	13%
On Internal material transfer	63	75.05	-16%	63	-1%	271	330	-18%
Other expenses	474	457.97	3%	497	-5%	1860	1816	2%
<b>Total expenses</b>	<b>2163</b>	<b>2348.35</b>	<b>-8%</b>	<b>2416</b>	<b>-10%</b>	<b>9175</b>	<b>8759</b>	<b>5%</b>
Profit/(Loss) before exceptional items and tax	44	76.28	-42%	266	-83%	573	36	1472%
Exceptional items	-	-		-7		-7	-7	2%
Profit/(Loss) before tax	44	76.28	-42%	273	-84%	580	43	1245%
<b>Tax expenses</b>								
Current tax	7	9.27	-23%	21	-65%	57	10	463%
Deferred tax	4	7.30	-42%	59	-93%	103	1	7354%
Income tax relating to earlier years	-	-		-		-	-9	
<b>Profit/(Loss) for the period</b>	<b>33</b>	<b>60</b>	<b>-45%</b>	<b>193</b>	<b>-83%</b>	<b>421</b>	<b>41</b>	<b>938%</b>
Paid-up Equity Share Capital (FV ₹10)	77	77	0%	77	0%	77	77	0%
Other Equity						6597	5904	12%
Basic and Diluted EPS (FV ₹10)	4.2	7.8	-45%	25.1	-83%	55	5	938%

Source: Company, Way2wealth Research

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**Disclosure of Interest Statement: Birla Corporation Ltd.as on August 16<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
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Broking relationship with company covered	NIL
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