

Birla Corporation

Estimate change	↔
TP change	↑
Rating change	↔

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Bloomberg	BCORP IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	106.9 / 1.4
52-Week Range (INR)	1560 / 559
1, 6, 12 Rel. Per (%)	11/60/74
12M Avg Val (INR M)	239

Financial Snapshot (INR b)

Y/E MARCH	2021	2022E	2023E
Sales	67.9	75.9	92.2
EBITDA	13.7	13.4	17.7
Adj. PAT	5.6	5.2	7.2
EBITDA Margin (%)	20.2	17.6	19.2
Adj. EPS (INR)	73.0	67.4	93.7
EPS Gr. (%)	11.3	-7.7	39.1
BV/Sh. (INR)	712	768	849
Ratios			
Net D:E	0.6	0.7	0.5
RoE (%)	10.9	9.1	11.6
RoCE (%)	9.5	6.9	9.0
Payout (%)	14.2	17.2	13.6
Valuations			
P/E (x)	19.0	20.6	14.8
P/BV (x)	1.9	1.8	1.6
EV/EBITDA(x)	9.8	10.4	7.4
EV/ton (USD)	116	96	85
Div. Yield (%)	0.7	0.7	0.8

Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	62.9	62.9	62.9
DII	13.8	13.8	14.6
FII	4.0	3.6	3.6
Others	19.4	19.7	18.9

FII Includes depository receipts

CMP: INR1,388 **TP: INR1,740 (+25%)** **Buy**

Expansion plans provide growth visibility

Reiterate Buy on attractive valuation

- BCORP's 1QFY22 result was in line, with EBITDA growing by 47% YoY to INR3.4b, led by 39% growth in volume and EBITDA/t at INR1,026 (+6% YoY).
- The ongoing 3.9mtpa greenfield expansion at Mukutban (to be commissioned in 4QFY22) provides strong volume growth visibility in FY23.
- We expect a 14% EBITDA CAGR in FY21-23E, led by 14% volume CAGR, as it expands capacity by ~30% over the next 12 months. Valuation is also attractive at 7.4x FY23E EV/EBITDA. We reiterate our **Buy** rating.

EBITDA up 47% YoY driven by 39% volume growth

- Revenue/EBITDA/PAT stood at INR17.5b/INR3.4b/INR1.4b in 1QFY22, up 43%/47%/115% YoY and was 3%/5%/7% above our estimate.
- Cement volume grew 39% YoY to 3.35mt (est. 3.25mt).
- While blended realization rose 3% YoY to INR5,221/t due to higher jute revenue, cement realization was flat YoY at INR4,943/t (+2% QoQ).
- Cost per tonne increased 1% QoQ to INR4,196 (up 2% YoY) due to fuel and freight cost inflation and higher other expenses.

Highlights from the management commentary

- In sales volume, Blended Cement accounted for 92% in 1QFY22 v/s 94% in 1QFY21, and trade sales accounted for 83% (v/s 85% in 1QFY21). Premium Cement accounted for 51% of trade sales volume v/s 43% in 1QFY21.
- Share of green power in power consumption improved to 22% in 1QFY22 as against 20% in FY21, which should control power inflation. It is also taking steps to increase the usage of alternative fuel.
- Mukutban 3.9mtpa greenfield integrated plant commissioning has been delayed further due to labor availability issues, and is now expected to be commissioned by 4QFY22. Project cost has been revised up to INR27.4b (from INR24.5b) on revision of commencement schedule, augmentation of infrastructure, and other factors (including commodity price inflation).

Valuation and view

- BCORP plans to increase capacity by ~30% over the next 12 months, which should support volume growth. Around 55% of its capacity is in Central India (a preferred market), which bodes well for the margin outlook.
- Valuation is reasonable at 7.4x FY23E EV/EBITDA (~10% discount to its 10-year average) and USD85/t of capacity (~15% discount to its replacement cost). We value BCORP at 8x Sep'23E EV/EBITDA to arrive at our TP of INR1,740. **Buy**.

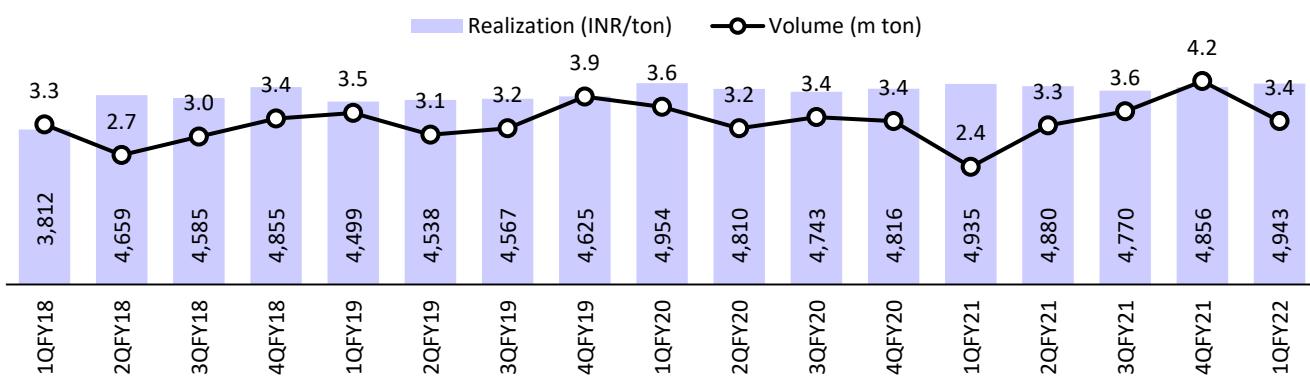
Consolidated performance (INR m)												
Y/E March	FY21				FY22				FY21	FY22E	FY22E	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	1QE	(%)		
Net sales	12,220	16,543	17,766	21,326	17,491	17,609	18,975	21,863	67,855	75,938	16,911	3
YoY change (%)	-35.1	1.7	3.6	26.2	43.1	6.4	6.8	2.5	-1.9	11.9	38.4	
Total expenditure	9,889	12,716	14,153	17,406	14,055	14,608	15,923	17,997	54,163	62,583	13,648	3
EBITDA	2,331	3,827	3,613	3,920	3,436	3,001	3,051	3,866	13,691	13,354	3,263	5
Margin (%)	19.1	23.1	20.3	18.4	19.6	17.0	16.1	17.7	20.2	17.6	19.3	0.3
Depreciation	877	918	908	1,005	984	990	990	1,114	3,708	4,078	980	0
Interest	800	760	730	674	639	614	589	877	2,963	2,719	650	-2
Other Income	190	212	136	135	93	110	120	131	673	454	155	-40
Profit before tax	845	2,361	2,112	2,376	1,906	1,507	1,592	2,005	7,694	7,010	1,788	7
EO (income)/expense	0	0	-11	579	0	0	0	0	568	0	0	
Profit before Tax after EO	845	2,361	2,122	1,798	1,906	1,507	1,592	2,005	7,126	7,010	1,788	7
Tax	188	694	638	-696	491	392	414	526	825	1,823	465	6
Rate (%)	22.2	29.4	30.1	-38.7	25.7	26.0	26.0	26.2	11.6	26.0	26.0	
Reported PAT	657	1,666	1,484	2,493	1,415	1,115	1,178	1,479	6,301	5,188	1,323	7
Adjusted PAT	657	1,666	1,474	1,823	1,415	1,115	1,178	1,479	5,620	5,188	1,323	7
YoY change (%)	-59.5	59.4	54.3	27.8	115.3	-33.1	-20.0	-18.8	11.2	-7.7	101.3	

E: MOFSL estimates

Key operating indicators (INR/t)												
(INR/t)*	FY21				FY22				FY21	FY22E	FY22E	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	1QE	(%)		
Blended realization	5,070	5,074	5,005	5,114	5,221	5,194	5,139	5,208	5,068	5,191	5,199	0
YoY change (%)	-2.0	-0.2	0.1	1.4	3.0	2.4	2.7	1.8	-0.1	2.4	2.5	
Raw material	879	507	652	908	477	700	750	912	737	722	730	-35
Staff cost	365	309	289	255	324	319	298	265	297	299	301	7
Power and fuel	866	973	940	844	1,113	1,050	1,070	949	905	1,041	1,030	8
Transport and forwarding	1,068	1,127	1,159	1,254	1,242	1,225	1,230	1,239	1,164	1,234	1,215	2
Other expenses	925	984	947	913	1,039	1,015	965	923	941	981	920	13
Total expenditure	4,103	3,900	3,987	4,174	4,196	4,309	4,313	4,288	4,045	4,278	4,196	0
EBITDA	967	1,174	1,018	940	1,026	885	827	921	1,023	913	1,003	2

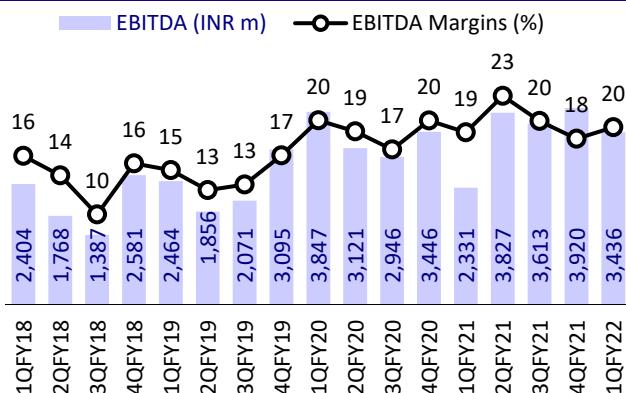
Key exhibits

Exhibit 1: Volumes/realization increase by 39%/flat YoY



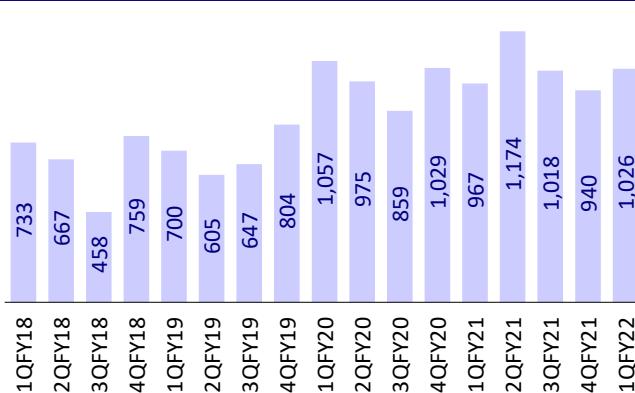
Source: Company, MOFSL

Exhibit 2: EBITDA margin improves by 57bp YoY



Source: Company, MOFSL

Exhibit 3: Trend in blended EBITDA/t (INR/t)



Source: Company, MOFSL

Exhibit 4: Blended per tonne analysis (including jute)

INR/t	1QFY22	1QFY21	YoY	4QFY21	QoQ
Net realization	5,221	5,070	3%	5,114	2%
RM cost	477	879	-46%	908	-47%
Employee expenses	324	365	-11%	255	27%
Power, oil, and fuel	1,113	866	29%	844	32%
Freight and handling outward	1,242	1,068	16%	1,254	-1%
Other expenses	1,039	925	12%	913	14%
Total expenses	4,196	4,103	2%	4,174	1%
EBITDA	1,026	967	6%	940	9%

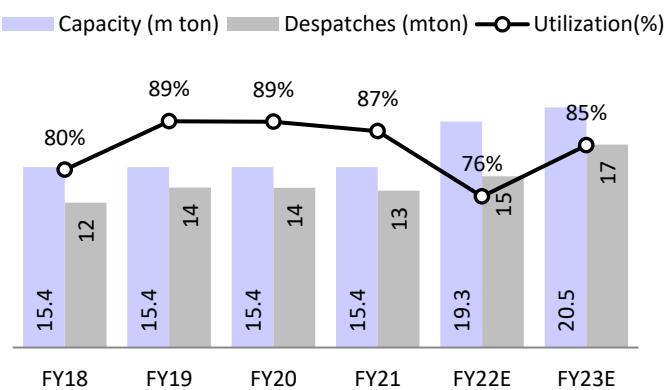
Source: MOFSL, Company

Valuation and view

- BCORP plans to increase capacity by ~30% over the next 12 months. The 3.9mtpa greenfield plant in Yavatmal (capex of INR27.4b, implying an EV/t of USD95) is guided to come on stream by 4QFY22. Clinker capacity expansion of 0.4mtpa in Chanderia (capex of INR1.5b) is nearly complete and would service the 1.2mt Kundanganj grinding unit (capex of INR2.5b) planned to be commissioned in FY23. We expect 14% volume CAGR over FY21-23E.
- Around 55% of its capacity is in Central India (a preferred market), which bodes well for the margin outlook.
- The higher share of Premium products (~50% of trade sales) should support blended realization. On the other hand, a higher share of Blended Cement (92% of volumes) and rising share of WHRS and solar in the power and fuel mix should aid cost control.
- Valuation is reasonable at 7.4x FY23E EV/EBITDA (~10% discount to its 10-year average) and USD85/t of capacity (~15% discount to its replacement cost). We value BCORP at 8x Sep'23E EV/EBITDA to arrive at our TP of INR1,740. **Buy.**

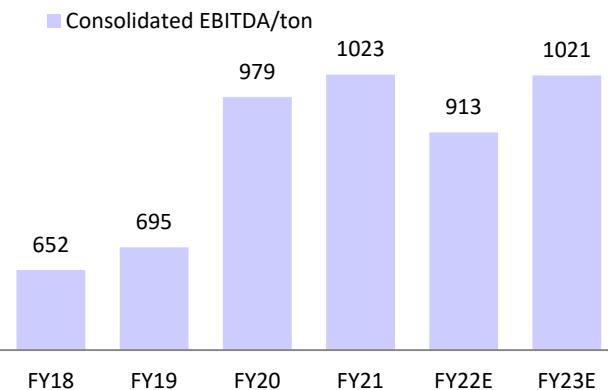
Story in charts

Exhibit 5: Expansion to drive volume growth



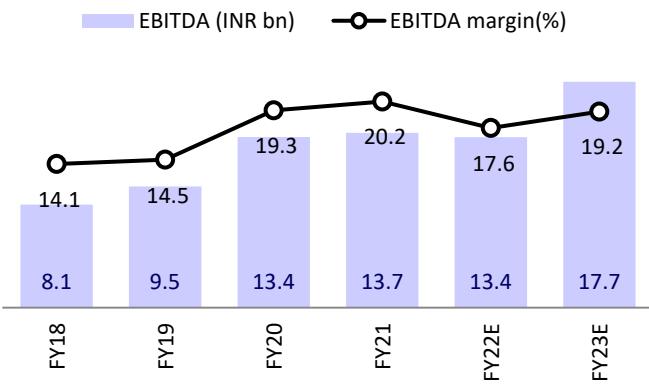
Source: Company, MOFSL

Exhibit 6: Consolidated EBITDA/t trends



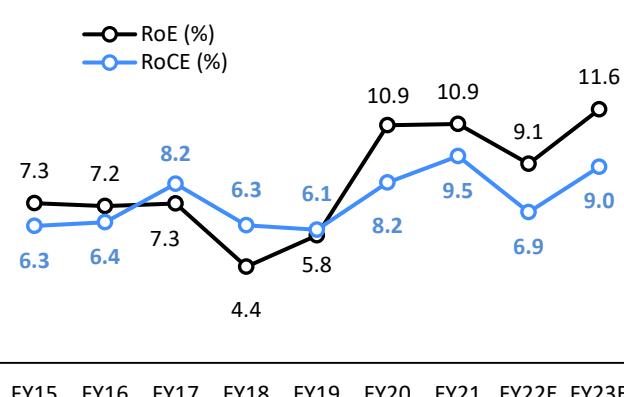
Source: Company, MOFSL

Exhibit 7: EBITDA to grow by ~14% CAGR over FY21-23E



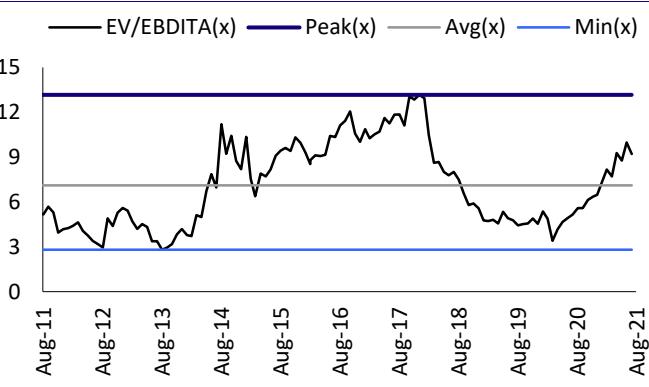
Source: Company, MOFSL

Exhibit 8: Return ratios to improve from FY23E



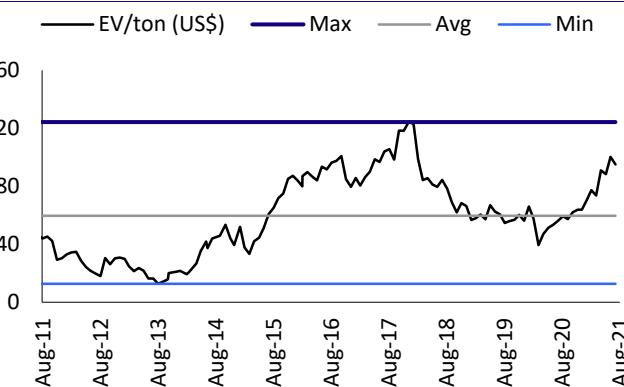
Source: Company, MOFSL

Exhibit 9: EV/EBITDA trend



Source: MOFSL, Company

Exhibit 10: EV/t trend



Source: MOFSL, Company

Financials and valuations

Consolidated Income Statement							(INR m)	
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Net Sales	32,682	43,477	57,342	65,487	69,157	67,855	75,938	92,194
Change (%)	1.8	33.0	31.9	14.2	5.6	-1.9	11.9	21.4
Total Expenditure	29,823	37,241	49,275	56,001	55,797	54,163	62,583	74,503
EBITDA	2,859	6,235	8,066	9,486	13,360	13,691	13,354	17,691
Margin (%)	8.7	14.3	14.1	14.5	19.3	20.2	17.6	19.2
Depreciation	1,485	2,555	3,322	3,391	3,519	3,708	4,078	5,094
EBIT	1,374	3,680	4,745	6,095	9,841	9,984	9,276	12,597
Int. and Finance Charges	823	2,768	3,776	3,705	3,877	2,963	2,719	3,361
Other Income - Rec.	1,772	1,459	755	785	851	673	454	519
PBT after EO	2,009	2,303	1,598	3,174	6,815	7,126	7,010	9,754
Change (%)	-5.5	14.6	-30.6	98.6	114.7	4.6	-1.6	39.1
Tax	335	108	59	617	1,763	825	1,823	2,536
Tax Rate (%)	16.7	4.7	3.7	19.4	25.9	11.6	26.0	26.0
Reported PAT	1,674	2,195	1,540	2,557	5,052	6,301	5,188	7,218
Extra-Ordinary Expenses	315	68	124.8	0.0	0.0	568.0	0.0	0.0
PAT Adjusted for EO Items	1,989	2,263	1,664	2,557	5,052	5,620	5,188	7,218
Change (%)	5.7	13.8	-26.4	53.6	97.6	11.3	-7.7	39.1
Margin (%)	6.1	5.2	2.9	3.9	7.3	8.3	6.8	7.8

Balance Sheet							(INR m)	
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Equity Share Capital	770	770	770	770	770	770	770	770
Reserves	28,483	32,092	42,028	44,182	47,291	54,090	58,383	64,617
Net Worth	29,253	32,862	42,798	44,952	48,061	54,860	59,153	65,387
Loans	9,324	40,705	38,951	40,492	42,820	36,348	41,348	33,348
Deferred Liabilities	1,830	5,645	7,452	7,422	8,568	8,668	8,668	8,668
Capital Employed	40,407	79,212	89,201	92,866	99,449	99,876	109,169	107,403
Gross Block	21,824	67,689	81,071	83,400	87,430	91,099	118,033	124,533
Less: Accum. Deprn.	1,485	4,042	7,361	10,738	14,158	17,865	21,943	27,037
Net Fixed Assets	20,339	63,647	73,710	72,662	73,273	73,235	96,090	97,496
Capital WIP	634	8,034	7,599	9,119	16,020	21,048	5,000	3,000
Investments	16,900	5,644	6,723	8,769	8,363	7,526	7,526	7,526
Curr. Assets	14,421	19,653	22,717	22,765	24,098	27,147	28,482	33,267
Inventory	5,674	6,302	6,870	7,830	7,876	8,101	8,733	10,602
Account Receivables	942	1,325	1,914	2,622	2,504	2,795	2,658	3,227
Cash and Bank Balance	3,634	3,125	2,198	1,390	2,558	1,773	1,164	2,393
Others	4,171	8,901	11,735	10,924	11,160	14,479	15,927	17,044
Curr. Liability and Prov.	11,886	17,766	21,548	20,450	22,306	29,080	27,929	33,886
Account Payables	11,451	17,215	21,056	19,911	21,637	28,346	26,578	32,268
Provisions	435	551	492	538	669	734	1,351	1,618
Net Current Assets	2,535	1,887	1,169	2,316	1,793	-1,932	553	-619
Appl. of Funds	40,407	79,212	89,201	92,866	99,449	99,876	109,169	107,403

E: MOFSL estimates

Financials and valuations

Ratios								
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Basic (INR)								
EPS	25.8	29.4	21.6	33.2	65.6	73.0	67.4	93.7
Cash EPS	45.1	62.6	64.7	77.2	111.3	121.1	120.3	159.9
BV/Share	379.9	426.7	555.8	583.7	624.1	712.4	768.1	849.1
DPS	6.0	6.5	6.5	7.5	7.5	10.0	10.0	11.0
Payout (%)	32.1	26.5	37.8	26.2	13.3	14.2	17.2	13.6
Valuation (x)								
P/E				41.8	21.2	19.0	20.6	14.8
Cash P/E				18.0	12.5	11.5	11.5	8.7
P/BV				2.4	2.2	1.9	1.8	1.6
EV/Sales				2.0	1.8	1.7	1.8	1.4
EV/EBITDA				14.5	10.4	9.8	10.4	7.4
EV/t - Cap (USD)				119	120	116	96	85
Dividend Yield (%)				0.5	0.5	0.7	0.7	0.8
Return Ratios (%)								
RoE	7.2	7.3	4.4	5.8	10.9	10.9	9.1	11.6
RoCE	6.4	8.2	6.3	6.1	8.2	9.5	6.9	9.0
RoIC	5.6	8.6	6.8	6.7	10.0	12.4	8.3	9.8
Working Capital Ratios								
Inventory (Days)	63	53	44	44	42	44	42	42
Debtor (Days)	11	11	12	15	13	15	13	13
Working Capital Turnover (Days)	0.8	0.5	0.6	0.7	0.7	0.7	0.7	0.9
Leverage Ratio								
Current ratio	1.2	1.1	1.1	1.1	1.1	0.9	1.0	1.0
Debt/Equity (x)	0.3	1.2	0.9	0.9	0.9	0.7	0.7	0.5
Cash Flow Statement								
								(INR m)
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
OP/(Loss) before Tax	2,010	2,303	1,598	3,174	6,815	7,126	7,010	9,754
Depreciation	1,488	2,555	3,322	3,391	3,519	3,708	4,078	5,094
Interest and Finance Charges	823	2,768	3,776	3,705	3,877	2,963	2,719	3,361
Direct Taxes Paid	-338	-505	-552	-469	-418	-843	-1,823	-2,536
(Inc.)/Dec. in WC	158	1,066	481	1,309	207	-201	-3,094	2,402
CF from Operations	4,139	8,187	8,625	11,111	14,000	12,752	8,892	18,075
Others	-1,652	-1,414	-577	-470	-588	532	0	0
CF from Operating incl. EO	2,487	6,773	8,049	10,641	13,412	13,284	8,892	18,075
(Inc.)/Dec. in FA	-1,640	-2,041	-2,754	-4,030	-9,860	-8,028	-10,886	-4,500
Free Cash Flow	848	4,732	5,295	6,611	3,552	5,256	-1,994	13,575
(Pur.)/Sale of Investments	-566	13,119	-541	-1,521	-446	2,438	0	0
Others	704	-21,163	-129	-550	74	-1,699	0	0
CF from Investments	-1,502	-10,085	-3,423	-6,101	-10,232	-7,289	-10,886	-4,500
Issue of Shares	0	0	0	0	0	0	0	0
Inc./(Dec.) in Debt	-616	6,102	-1,391	-1,297	1,860	-2,252	5,000	-8,000
Interest Paid	-847	-2,744	-3,558	-3,448	-3,872	-3,493	-2,719	-3,361
Dividend Paid	-462	-462	-501	-501	0	-1,036	-895	-984
Others	-94	-94	-102	-103	0	0	0	0
CF from Fin. Activity	-2,019	2,803	-5,552	-5,349	-2,012	-6,781	1,386	-12,346
Inc./Dec. in Cash	-1,034	-509	-926	-808	1,169	-786	-609	1,230
Opening Balance	4,668	3,634	3,125	2,198	1,390	2,559	1,772	1,164
Closing Balance	3,634	3,125	2,198	1,390	2,559	1,772	1,164	2,393

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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