INSTITUTIONAL RESEARCH

Birla Corporation

Demand and pricing looking up

BUY

CMP *(as on 28 Mar 2025)*	INR 1,056
Target Price	INR 1,490
NIFTY	23,519

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,490	INR 1,490
EBITDA revision %	FY25E *NA*	FY26E *NA*

KEY STOCK DATA	
Bloomberg code	BCORP IN
No. of Shares (mn)	77
MCap (INR bn) / ($ mn)	81/951
6m avg traded value (INR mn)	139
52 Week high / low	INR 1,682/902

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(15.3)	(14.6)	(25.8)
Relative (%)	(13.7)	(5.1)	(30.9)

SHAREHOLDING PATTERN (%)

	Sep-24	Dec-24
Promoters	62.90	62.90
FIs & Local MFs	16.20	16.20
FPIs	5.47	5.61
Public & Others	15.43	15.24
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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We maintain a BUY rating on Birla Corporation (BCORP) with an unchanged target price of INR 1,490/share (8x its FY27E consolidated EBITDA). In our recent interactions, the management noted that cement demand has firmed up in Q4FY25 and BCORP is on track to deliver 6-8% YoY volume growth in H2FY25, as per its recent guidance. We estimate the company will deliver 7% YoY volume growth (+15% QoQ) in Q4FY25 as against -3/7% growth in H1/Q3FY25. Even its margin expansion (by INR 150/MT in H2 over H1FY25) is also on track, led by better pricing QoQ in Q4FY25. We estimate BCORP's operating costs will reduce by ~INR 200/MT during FY24-27E, aided by fuel cost moderation, gradual rise in green power consumption, rise in captive coal mining, and logistics cost savings. These, along with expected improvement in cement prices, should drive unit EBITDA recovery to INR 857 per MT in FY27E, from INR 616 per MT in FY25E. As BCORP has slowed down its expansion plans, we estimate net debt to EBITDA will peak out in FY25E at 2.6x and will gradually cool off to 1.6x in FY27E. The management has maintained its target of expanding capacity to 25mn MT by 2027.

- **Demand firms up in Q4FY25:** Management noted that the overcall cement demand has firmed up across all its regions of operations in the quarter. Barring small disruptions in the UP region at the time of the Mahakumbh, BCORP sales have firmed up in the central region. We estimate the company will deliver 7% YoY volume growth (+15% QoQ) in Q4FY25 as against -3/7% growth in H1/Q3FY25. This should also aid op-lev gains. Even cement prices have recovered QoQ, which should boost margin. Thus, the company is on track to achieve ~INR 150/MT margin improvement for H2FY25 vs H1FY25, in our view. Mukutban operations are ramping up well and BCORP is selling >40% of its cement from this factory as premium cement.
- **Various cost levers**: BCORP's FY25E fuel costs should be lower by ~INR 100/MT YoY, owing to the cool-off in landed fuel prices and should remain stable YoY in FY26E. The share of low-cost green power is expected to increase to 35% by the end of FY26 from 24/26% in FY24/25. This should lead to ~INR 35/MT savings in power cost in FY27E (over FY24). BCORP's captive coal consumption will significantly increase over the next 2-3 years as its Bikram coal mines (0.3mn MT pa capacity) become operational by the end of FY26 and Marki Barka (1mn MT pa capacity) becomes operational by mid-FY28E (as expected). Thus, the share of low-cost captive coal usage will double to ~30% by late FY27 (from 15% in FY25) and to 55-60% once Marki Barka mines achieve optimum utilization. These should lower BCORP's FY27 fuel costs by another ~INR 40/MT (over FY24). Thus, we estimate BCORP's variable costs will reduce by ~INR 175/MT during FY24-27E. Additionally, BCORP is also working on logistics cost reduction through its ongoing *Project Unnati,* which should add another ~INR 25-30/MT in cost savings, in our view.
- **Plans on track to expand to 25mn MT bv 2027**: BCORP's brownfield SGU expansion (line-3) in Kundanganj is on track and should be operational by the end of Q1FY26. The company remains committed to expanding its cement capacity to 25mn MT by 2027. This includes 3mn MT brownfield clinker expansion at Maihar (MP) and two SGUs in UP and MP (~1.5mn MT each). BCORP is spending INR 5bn on Capex in FY25E (INR 3bn spent during 9MFY25). We expect Capex to accelerate FY26 onwards.

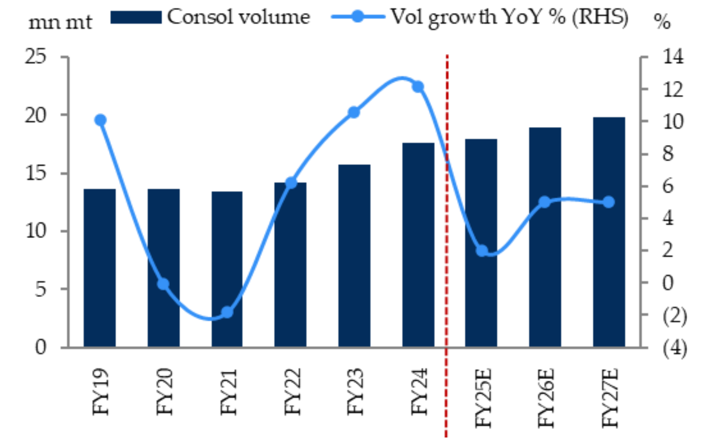
- **Gearing to cool off:** We estimate BCORP will deliver modest volume CAGR of 4% during FY24-27E in the absence of any significant capacity expansion. However, aided by cost reductions and expected improvement in cement realization, we estimate unit EBITDA will recover to INR 857 per MT in FY27E, from INR 616 per MT in FY25E. As BCORP has slowed down its expansion plans, we estimate that net debt to EBITDA will peak out at 2.6x at end of Sep-24E and should gradually cool off to 1.6x by end of FY27E.
- **Maintain BUY with unchanged target price:** We value BCORP at 8x its FY27E consolidated EBITDA, in line with its 5/10year mean multiple (1-yr forward), implying unchanged target price of INR 1,490/share. Our target valuation implies a replacement value of ~USD 74/MT on FY26E. We believe the target valuation has room for expansion if BCORP is able to deliver higher-than-estimated margins and execute its planned expansion by 2027.

Key operational assumptions

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Sales Volume (mn MT)	**12.4**	**13.6**	**13.6**	**13.4**	**14.2**	**15.7**	**17.7**	**18.0**	**18.9**	**19.8**
YoY change (%)	*23.0*	*10.1*	*(0.1)*	*(1.8)*	*6.2*	*10.6*	*12.2*	*2.0*	*5.0*	*5.0*
(Rs/ MT trend)										
NSR	**4,367**	**4,551**	**4,819**	**4,848**	**4,955**	**5,237**	**5,239**	**4,862**	**4,983**	**5,083**
YoY change (%)	*9.7*	*4.2*	*5.9*	*0.6*	*2.2*	*5.7*	*0.0*	*-7.2*	*2.5*	*2.0*
Input cost	1,598	1,657	1,564	1,535	1,740	2,065	1,882	1,677	1,657	1,614
Logistics costs	1,164	1,211	1,191	1,164	1,230	1,339	1,292	1,292	1,266	1,279
Fixed cost	980	1,007	1,108	1,147	1,242	1,371	1,264	1,277	1,286	1,334
Total Opex	**3,747**	**3,870**	**3,857**	**3,838**	**4,209**	**4,775**	**4,438**	**4,246**	**4,209**	**4,227**
YoY change (%)	*10.1*	*3.3*	*-0.3*	*-0.5*	*9.6*	*13.5*	*-7.0*	*-4.3*	*-0.9*	*0.4*
EBITDA	**620**	**680**	**962**	**1,010**	**746**	**462**	**801**	**616**	**774**	**857**

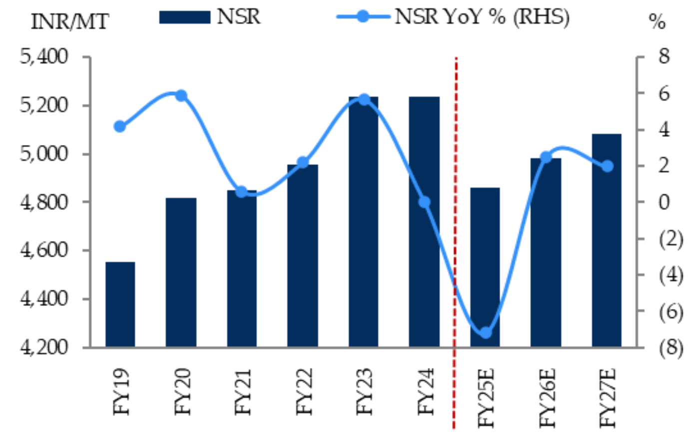
Source: Company, HSIE Research

Consolidated volume is expected to clock 4% CAGR during FY24-27E



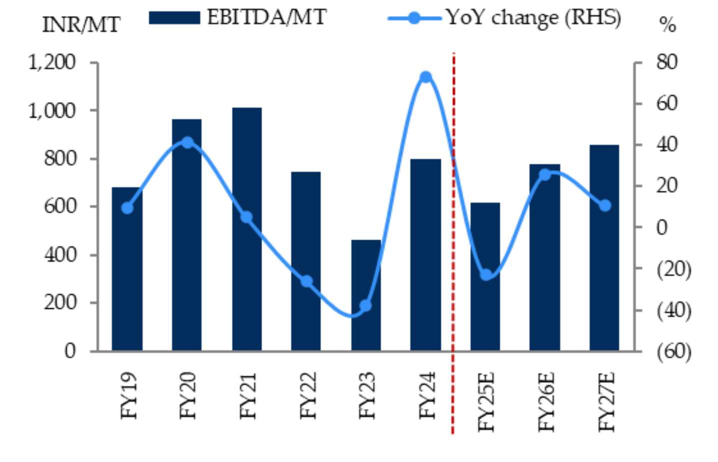
Source: Company, HSIE Research

We estimate NSR to gradually recovery during FY26/27E after a sharp fall in FY25E



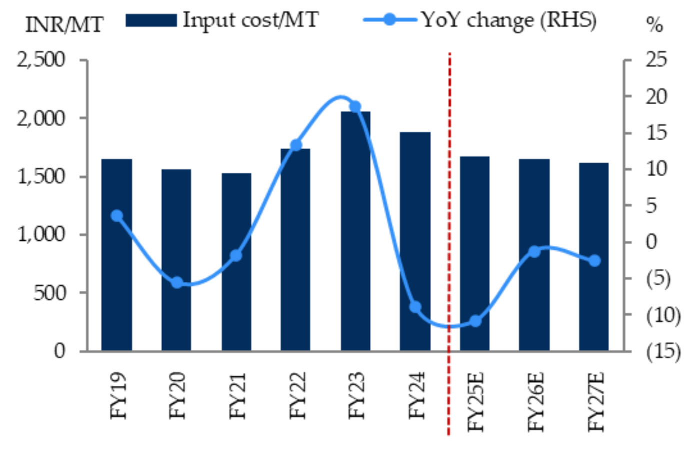
Source: Company, HSIE Research

Margin decline in FY25E (weak pricing); but increase likely in FY26/27E to reach INR 857/MT in FY27E



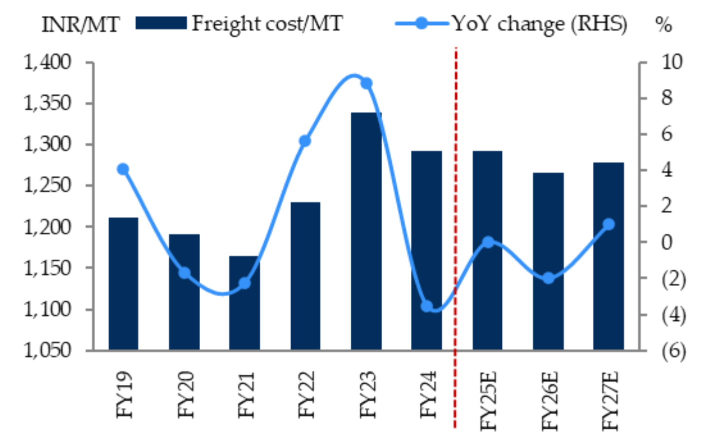
Source: Company, HSIE Research

Input cost to cool off by ~INR 100 per MT during FY25-27E owing to lower fuel prices



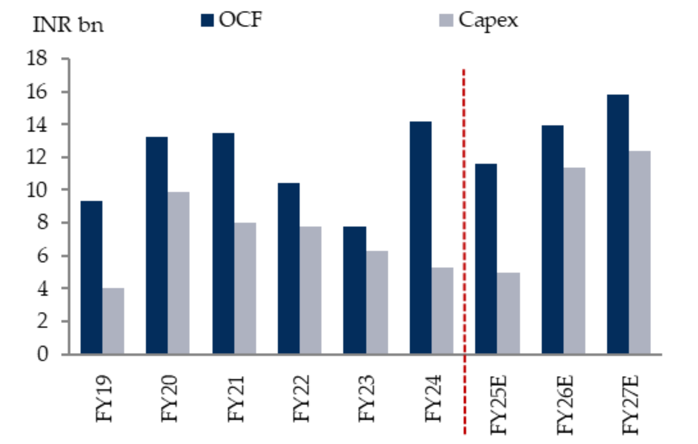
Source: Company, HSIE Research

Freight cost should also cool off marginally during FY24-27E



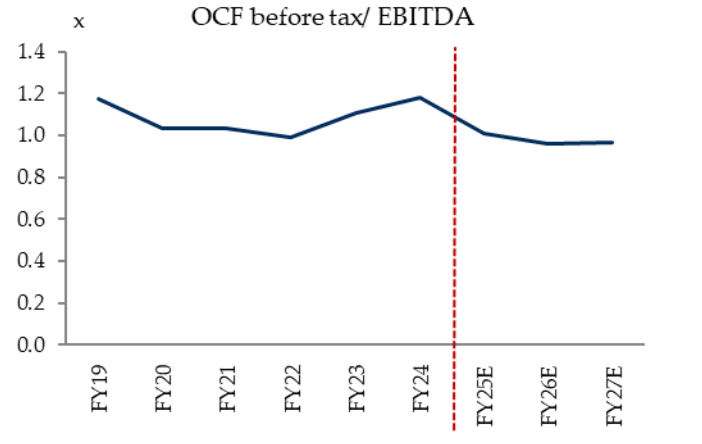
Source: Company, HSIE Research

Internal accruals to fund majority of the Capex in FY26/27E



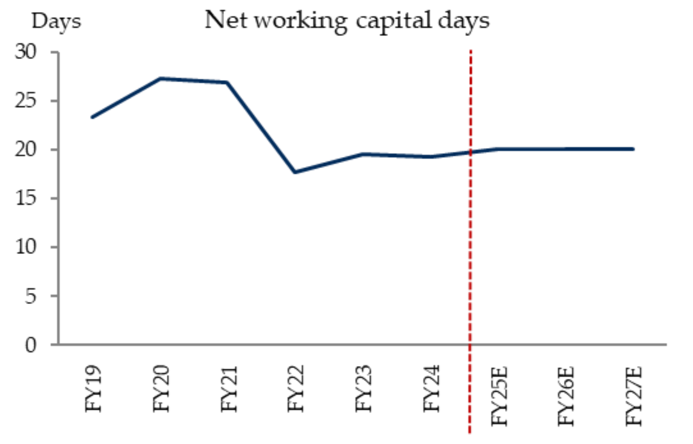
Source: Company, HSIE Research

OCF before tax/ EBITDA continues to be healthy



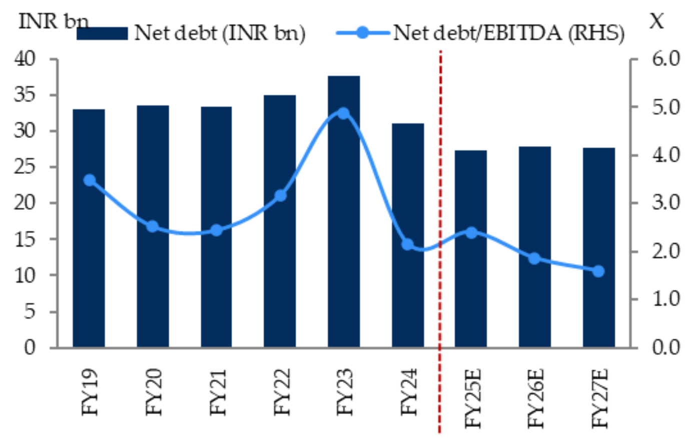
Source: Company, HSIE Research

Working capital to remain stable during FY25-27E



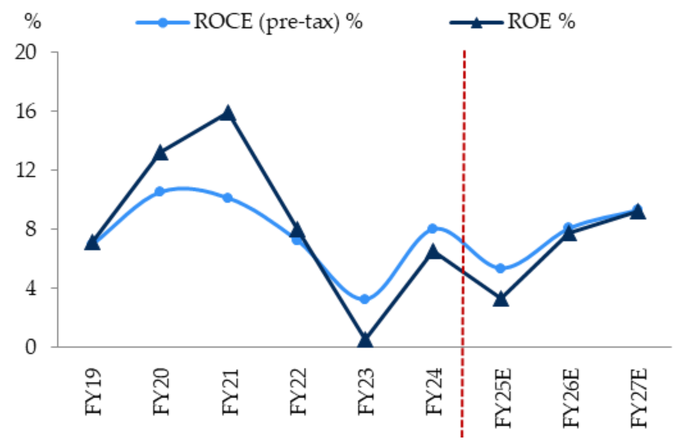
Source: Company, HSIE Research

Net debt/EBITDA to cool off below 2x in FY26-27E



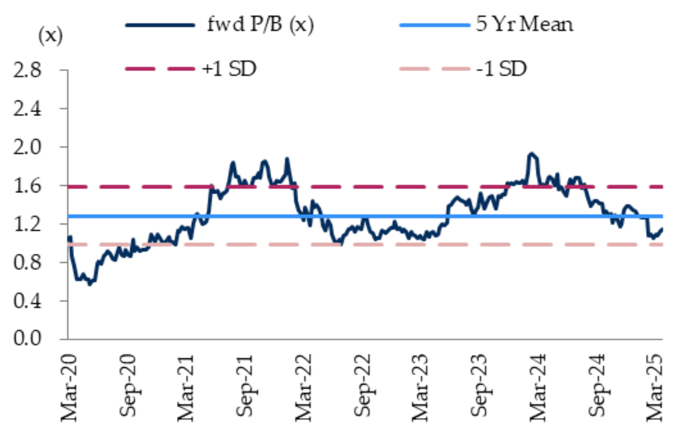
Source: Company, HSIE Research

Return ratios to improve (still sub-par)



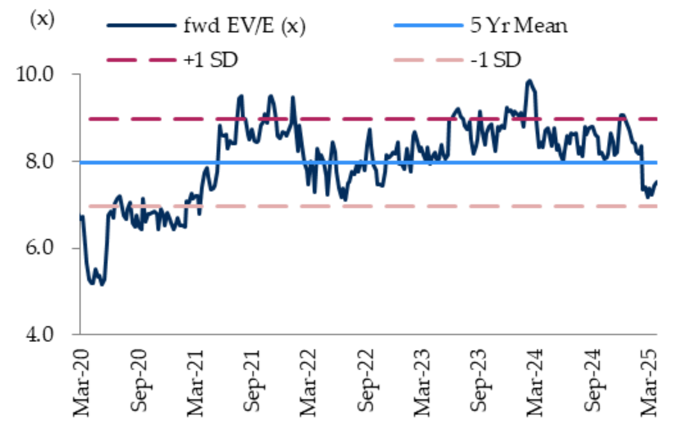
Source: Company, HSIE Research

1-year forward P/B trend



Source: Company, HSIE Research ; Bloomberg

1-year forward EV/EBITDA trend



Source: Company, HSIE Research ; Bloomberg

Financials

Consolidated Income Statement

YE Mar (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenues	**86,823**	**96,627**	**91,648**	**98,528**	**105,433**
Growth %	*16.4*	*11.3*	*(5.2)*	*7.5*	*7.0*
Raw Material	10,941	15,809	13,980	14,679	15,544
Power & Fuel	23,726	19,474	18,275	18,805	18,758
Freight Expense	17,770	20,089	23,259	23,934	25,382
Employee cost	5,213	5,562	5,895	6,190	6,500
Other Expenses	21,453	21,317	18,857	19,980	21,930
EBITDA	**7,720**	**14,376**	**11,381**	**14,941**	**17,319**
EBIDTA Margin (%)	*8.9*	*14.9*	*12.4*	*15.2*	*16.4*
EBITDA Growth %	*(30.5)*	*86.2*	*(20.8)*	*31.3*	*15.9*
Depreciation	5,099	5,783	5,696	5,877	6,152
EBIT	**2,621**	**8,593**	**5,685**	**9,064**	**11,167**
Other Income	1,131	856	635	661	619
Interest	3,387	3,717	3,318	2,239	2,239
PBT	**365**	**5,731**	**3,002**	**7,486**	**9,548**
Tax	26	1,594	751	1,984	2,530
RPAT	**405**	**4,206**	**2,252**	**5,502**	**7,017**
EO (Loss) / Profit (Net Of Tax)	67	68	-	-	-
APAT	**339**	**4,138**	**2,252**	**5,502**	**7,017**
APAT Growth (%)	*(92.1)*	*1,122.4*	*(45.6)*	*144.3*	*27.5*
AEPS	**4.4**	**53.7**	**29.2**	**71.4**	**91.1**
AEPS Growth %	*(92.1)*	*1,122.4*	*(45.6)*	*144.3*	*27.5*

Source: Company, HSIE Research

Consolidated Balance Sheet

YE Mar (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS					
Share Capital	770	770	770	770	770
Reserves And Surplus	59,038	65,968	67,882	72,559	78,523
Total Equity	**59,808**	**66,738**	**68,652**	**73,329**	**79,293**
Long-term Debt	44,417	38,910	34,573	34,573	34,573
Short-term Debt	205	125	125	125	125
Total Debt	**44,623**	**39,035**	**34,697**	**34,697**	**34,697**
Deferred Tax Liability	9,712	11,042	12,042	13,042	14,042
TOTAL SOURCES OF FUNDS	**114,143**	**116,815**	**115,391**	**121,068**	**128,033**
APPLICATION OF FUNDS					
Net Block	98,432	97,907	96,211	94,734	96,982
Capital WIP	3,573	4,802	5,802	12,802	16,802
Total Non-current Investments	4,105	7,024	7,024	7,024	7,024
Total Non-current Assets	**106,111**	**109,733**	**109,037**	**114,560**	**120,808**
Inventories	10,616	9,646	10,081	10,838	11,598
Debtors	3,233	4,149	3,208	3,448	3,690
Cash and Cash Equivalents	7,049	7,941	7,342	6,878	6,987
Other Current Assets (& Loans/adv)	13,711	12,894	13,990	14,789	15,633
Total Current Assets	**34,609**	**34,629**	**34,621**	**35,954**	**37,908**
Creditors	9,197	8,680	8,248	8,868	9,489
Other Current Liabilities & Provns	17,380	18,867	20,018	20,578	21,194
Total Current Liabilities	**26,577**	**27,547**	**28,266**	**29,446**	**30,683**
Net Current Assets	**8,032**	**7,082**	**6,355**	**6,508**	**7,225**
TOTAL APPLICATION OF FUNDS	**114,143**	**116,815**	**115,391**	**121,068**	**128,033**

Source: Company, HSIE Research

Consolidated Cash Flow

YE Mar (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Reported PBT	431	5,799	3,002	7,486	9,548
Non-operating & EO Items	(634)	(376)	(635)	(661)	(619)
Interest Expenses	3,387	3,717	3,318	2,239	2,239
Depreciation	5,099	5,783	5,696	5,877	6,152
Working Capital Change	280	2,021	129	(617)	(608)
Tax Paid	(508)	(751)	249	(984)	(1,530)
OPERATING CASH FLOW (a)	**8,055**	**16,195**	**11,759**	**13,340**	**15,181**
Capex	(6,263)	(5,255)	(5,000)	(11,400)	(12,400)
Free Cash Flow (FCF)	1,791	10,939	6,759	1,940	2,781
Investments	2,542	(1,899)	-	-	-
Non-operating Income	71	154	635	661	619
INVESTING CASH FLOW (b)	**(3,650)**	**(7,001)**	**(4,365)**	**(10,739)**	**(11,781)**
Debt Issuance/(Repaid)	980	(5,998)	(4,337)	-	-
Interest Expenses	(3,393)	(3,501)	(3,318)	(2,239)	(2,239)
FCFE	(622)	1,440	(896)	(299)	542
Share Capital Issuance	-	-	-	-	-
Dividend	(770)	(193)	(338)	(825)	(1,053)
FINANCING CASH FLOW (c)	**(3,183)**	**(9,691)**	**(7,993)**	**(3,064)**	**(3,292)**
NET CASH FLOW (a+b+c)	**1,221**	**(497)**	**(599)**	**(464)**	**108**

Source: Company, HSIE Research

Key Ratios

	FY23	FY24	FY25E	FY26E	FY27E
PROFITABILITY %					
EBITDA Margin	8.9	14.9	12.4	15.2	16.4
EBIT Margin	3.0	8.9	6.2	9.2	10.6
APAT Margin	0.4	4.3	2.5	5.6	6.7
RoE	0.6	6.5	3.3	7.8	9.2
RoIC (pre-tax)	2.8	8.1	5.4	8.7	10.6
RoCE (pre-tax)	3.2	8.0	5.3	8.1	9.3
EFFICIENCY					
Tax Rate %	7.2	27.8	25.0	26.5	26.5
Fixed Asset Turnover (x)	0.8	0.8	0.7	0.7	0.7
Inventory (days)	45	36	40	40	40
Debtors (days)	14	16	13	13	13
Other Current Assets (days)	58	49	56	55	54
Payables (days)	39	33	33	33	33
Other Current Liab & Provns (days)	73	71	80	76	73
Cash Conversion Cycle (days)	4	(3)	(4)	(1)	1
Net Debt/EBITDA (x)	4.9	2.2	2.4	1.9	1.6
Net D/E	0.7	0.6	0.5	0.5	0.4
Interest Coverage	0.8	2.3	1.7	4.0	5.0
PER SHARE DATA (Rs)					
EPS	4.4	53.7	29.2	71.4	91.1
CEPS	70.6	128.8	103.2	147.8	171.0
Dividend	2.5	10.0	4.4	10.7	13.7
Book Value	776.6	866.6	891.5	952.2	1,029.7
VALUATION					
P/E (x)	241.8	19.8	36.4	14.9	11.7
P/Cash EPS (x)	14.9	8.2	10.3	7.2	6.2
P/BV (x)	1.4	1.2	1.2	1.1	1.0
EV/EBITDA (x)	15.2	7.7	9.3	6.9	5.8
EV/MT (Rs bn)	5.77	5.42	5.21	4.74	4.11
Dividend Yield (%)	0.2	0.9	0.4	1.0	1.3

Source: Company, HSIE Research

1 Yr Price History

Rating Criteria

BUY:	>+15% return potential
ADD:	+5% to +15% return potential
REDUCE:	-10% to +5% return potential
SELL:	>10% Downside return potential

Disclosure:
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