

CMP: ₹ 1691

Target: ₹ 2020 (20%)

Target Period: 12 months

February 9, 2024

BUY

## Operational performance to improve substantially...

**About the stock:** Birla Corporation Ltd (BCL), incorporated in 1919, is the flagship company of the M.P. Birla Group. The company is primarily engaged in the manufacturing of cement as its core business activity with presence in the jute goods industry as well. Cement business contributes ~95% to total revenues and has a total capacity of 20 million tonnes (mtpa) with 11 plants across Madhya Pradesh, Uttar Pradesh, Rajasthan, Maharashtra and West Bengal

- Company's consolidated revenue grew by ~8% CAGR over FY20-23 while EBITDA and PAT are down by ~17% and ~57% CAGR over the period (on account increase in operational costs during FY22 & FY23)

**Q3FY24/9MFY24 performance:** Revenue increased 14.7% YoY (+1.1% QoQ) to ₹ 2312.0 crore, led by 13.5% YoY (+0.5% QoQ) growth in cement volumes to 4.2 mtpa. Blended realisation at ₹ 5505/ton was up 1% YoY (+0.7% QoQ). EBITDA increased by 162.1% YoY (+31% QoQ) to ₹ 378.5 crore as margin improved substantially on lower energy cost and positive operating leverage. EBITDA/ton was up sharply to ₹ 901/ton (vs ₹ 390/ton in Q3FY23). PAT came at ₹ 109.1 crore (vs loss of ₹ 49.9 crore in Q3FY23). For 9MFY24, revenue is up 12.6% YoY (led by 13.5% volume growth) with EBITDA/ton at ₹ 755/ton (vs ₹ 442/ton in 9MFY23)

### Investment Rationale:

- Ramp-up of new capacity to drive volume growth:** BCL commissioned its new cement facility of 3.9 mtpa capacity at Muktaban (Maharashtra) in Apr-22. With this, company has expanded its reach into untapped markets of west region (Maharashtra & Gujarat) along with the existing North, Central and East India markets. The new capacity has been ramping up well as the capacity utilisation has remains better at 85% in 9MFY24 (with volume growth of 13.5% YoY). With further ramp-up, overall cement volumes to pick-up further with gaining access to newer growth markets of western India. We estimate volume CAGR of 7.3% over FY23-26E
- Profitability to improve sharply over FY24-26E:** Company has taken critical steps to improve its operational efficiencies like raw material sourcing, captive coal & power usage (solar & waste heat recovery). Moreover, with govt incentives entitled to Muktaban facility, lower fuel prices, increasing premium products share and further improvement in overall capacity utilisation, we believe that company's margins and profitability to improve significantly over FY24-26E. We estimate blended EBITDA/ton to improve to ₹ 993/ton by FY26E from ₹ 491/ton in FY23

### Rating and Target Price

- Company's operational and financial performance to improve significantly in the coming period. We estimate revenue, EBITDA and PAT to grow at ~8%, ~36% and ~174% CAGR respectively over FY23-26E
- Valuations look attractive considering the strong profitability growth over FY24-26E with balance sheet improvement & return ratios. We value BCL at ₹ 2020 i.e. 9.5x FY26E EV/EBITDA

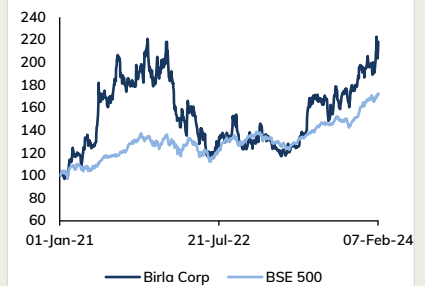
### Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	13,022
FY23 Gross Debt (Rs Crore)	4,350
FY23 Cash (Rs Crore)	675
EV (Rs Crore)	16,696
52 Week H/L (Rs)	1770 / 843
Equity Capital	77.0
Face Value	10.0

### Shareholding pattern

	Mar-23	Jun-23	Sep-23	Dec-23
Promoter	62.9	62.9	62.9	62.9
FII	5.7	7.2	6.6	6.5
DII	16.4	15.8	16.0	16.2
Others	15.0	14.1	14.5	14.5

### Price Chart



### Key risks

- slowdown in cement demand from housing & infra
- increase in commodity prices
- correction in cement prices

### Research Analyst

Vijay Goel  
vijay.goel@icicisecurities.com

### Key Financial Summary

Rs crore	FY20	FY21	FY22	FY23	3 Year CAGR (FY20-23)	FY24E	FY25E	FY26E	3 Year CAGR (FY23-26E)
Revenues	6,916	6,785	7,461	8,682	7.9	9,719	10,356	10,985	8.2
EBITDA	1,336	1,338	1,110	772	(16.7)	1,420	1,675	1,928	35.7
EBITDA margin (%)	19.3	19.7	14.9	8.9		14.6	16.2	17.6	
Net Profit	505	630	399	41	(56.9)	432	625	831	173.7
EPS (Rs)	65.6	81.8	51.8	5.3		56.1	81.2	107.9	
P/E (x)	25.8	19.1	30.9	321.5		30.1	20.8	15.7	
EV/EBITDA (x)	12.0	12.0	14.9	21.6		11.8	9.8	8.2	
RoCE (%)	12.5	11.7	7.9	3.6		8.9	10.9	12.8	
RoE (%)	10.5	12.4	7.0	0.7		6.8	9.2	11.0	

Source: Company, ICICI Direct Research

## Financial summary

### Exhibit 1: Profit and loss statement ₹ crore

Year-End March	FY23	FY24E	FY25E	FY26E
Revenue	8,682.3	9,718.7	10,355.8	10,985.4
% Growth	16.4	11.9	6.6	6.1
Other income	113.1	90.0	105.0	125.0
Total Revenue	8,682.3	9,718.7	10,355.8	10,985.4
% Growth	16.4	11.9	6.6	6.1
Total Raw Material Costs	1,094.1	1,398.0	1,400.2	1,417.4
Employee Expenses	521.3	576.0	633.7	690.7
other expenses	6,294.9	6,325.1	6,646.9	6,949.0
Total Operating Expenditure	7,910.3	8,299.1	8,680.7	9,057.0
Operating Profit (EBITDA)	772.0	1,419.6	1,675.1	1,928.4
% Growth	(30.5)	83.9	18.0	15.1
Interest	338.7	384.8	367.8	337.4
PBDT	546.3	1,124.8	1,412.2	1,716.0
Depreciation	509.9	563.7	600.6	637.2
PBT before Exceptional Items	36.5	561.1	811.6	1,078.8
Total Tax	2.6	129.1	186.7	248.1
PAT before MI	40.5	432.0	624.9	830.7
PAT	40.5	432.0	624.9	830.7
% Growth	(89.8)	966.8	44.6	32.9
EPS	5.3	56.1	81.2	107.9

Source: Company, ICICI Direct Research

### Exhibit 2: Cash flow statement ₹ crore

Year-End March	FY23	FY24E	FY25E	FY26E
Profit after Tax	40.5	432.0	624.9	830.7
Depreciation	509.9	563.7	600.6	637.2
Interest	338.7	384.8	367.8	337.4
Cash Flow before WC changes	889.1	1,380.5	1,593.4	1,805.2
Changes in inventory	(241.6)	(136.6)	(78.5)	(77.6)
Changes in debtors	(20.5)	(49.4)	(24.4)	(24.2)
Changes in loans & Advances	21.2	(39.1)	(38.9)	(38.4)
Changes in other current assets	23.5	(79.8)	(31.9)	(31.5)
Net Increase in Current Assets	(217.4)	(304.9)	(173.7)	(171.7)
Changes in creditors	157.8	92.1	66.3	65.6
Changes in provisions	(0.6)	4.4	0.3	0.5
Net Inc in Current Liabilities	104.4	218.7	69.8	80.1
Net CF from Operating activities	776.0	1,294.4	1,489.5	1,713.7
Changes in deferred tax assets	-	-	-	-
(Purchase)/Sale of Fixed Assets	(581.7)	(800.0)	(700.0)	(701.0)
Net CF from Investing activities	(390.1)	(805.5)	(752.1)	(709.4)
Dividend and Dividend Tax	(77.0)	(92.4)	(119.4)	(119.4)
Net CF from Financing Activities	(305.7)	(577.2)	(767.2)	(856.7)
Net Cash flow	80.3	(88.4)	(29.7)	147.5
Opening Cash/Cash Equivalent	138.0	218.3	129.9	100.2
Closing Cash/ Cash Equivalent	218.3	129.9	100.2	247.7

Source: Company, ICICI Direct Research

### Exhibit 3: Balance sheet ₹ crore

Year-End March	FY23	FY24E	FY25E	FY26E
Equity Capital	77.0	77.0	77.0	77.0
Reserve and Surplus	5,903.8	6,243.5	6,749.0	7,460.4
Total Shareholders funds	5,980.8	6,320.5	6,826.0	7,537.4
Total Debt	4,349.7	4,249.7	3,969.7	3,569.7
Total Liabilities	12,249.4	12,489.0	12,714.6	13,025.9
Gross Block	11,220.1	11,977.4	12,777.4	13,478.4
Acc. Depreciation	2,444.4	3,008.0	3,608.7	4,245.8
Net Block	8,775.7	8,969.4	9,168.7	9,232.6
Capital WIP	357.3	400.0	300.0	300.0
Total Fixed Assets	10,199.4	10,435.7	10,535.1	10,598.9
Non Current Assets	852.7	858.2	910.2	918.6
Inventory	1,061.6	1,198.2	1,276.7	1,354.4
Debtors	323.3	372.8	397.2	421.4
Other Current Assets	406.2	485.9	517.8	549.3
Cash	218.3	129.9	100.2	247.7
Total Current Assets	2,563.2	2,779.7	2,923.7	3,242.8
Current Liabilities	919.7	1,011.8	1,078.1	1,143.7
Provisions	77.7	77.7	90.0	90.0
Total Current Liabilities	1,822.6	2,041.3	2,111.1	2,191.2
Net Current Assets	740.6	738.4	812.5	1,051.6
Total Assets	12,249.4	12,489.0	12,714.6	13,025.9

Source: Company, ICICI Direct Research

### Exhibit 4: Key ratios

Year-End March	FY23	FY24E	FY25E	FY26E
EPS	5.3	56.1	81.2	107.9
Cash per Share	87.7	76.2	72.3	91.5
BV	776.7	820.8	886.4	978.8
EBITDA Margin	8.9	14.6	16.2	17.6
PAT Margin	0.5	4.4	6.0	7.6
RoE	0.7	6.8	9.2	11.0
RoCE	3.6	8.9	10.9	12.8
RoIC	2.6	8.2	10.0	11.9
EV / EBITDA	21.6	11.8	9.8	8.2
P/E	321.5	30.1	20.8	15.7
EV / Net Sales	1.9	1.7	1.6	1.4
Sales / Equity	1.5	1.5	1.5	1.5
Market Cap / Sales	1.5	1.3	1.3	1.2
Price to Book Value	2.2	2.1	1.9	1.7
Asset turnover	0.8	0.9	1.0	1.0
Debtors Turnover Ratio	27.7	27.9	26.9	26.8
Creditors Turnover Ratio	10.3	10.1	9.9	9.9
Debt / Equity	0.7	0.7	0.6	0.5
Current Ratio	1.6	1.7	1.7	1.7
Quick Ratio	0.9	0.9	0.9	0.9

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,  
ICICI Securities Limited,  
Third Floor, Brillanto House,  
Road No 13, MIDC,  
Andheri (East)  
Mumbai – 400 093  
research@icicidirect.com

## ANALYST CERTIFICATION

I/We, Vijay Goel, PGDBM, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

## Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

## Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal  
Contact number: 022-40701000 E-mail Address: [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com)

For any queries or grievances: Mr. Prabodh Avadhoot Email address: [headservicequality@icicidirect.com](mailto:headservicequality@icicidirect.com) Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.