

Birla Corporation Ltd

BUY

CMP Rs 721

Target Rs 1,108

Upside 54%

Key Result and Presentation highlights

- ✓ Birla Corp delivered volume growth of 3.2% y/y for Q3FY21 – at 3.55 MT vs our est. of 3.53 MT. Capacity utilization for the company stood amongst the highest in the industry at 92% during the quarter. Premium segment sales continue to be on the rise – at 53% of trade channel sales vs 41% in Q3FY20.
- ✓ Net sales realization/te stood at Rs 5,005 (+0.4% y/y and -1.4% q/q) vs our est. of Rs 5,004.
- ✓ Net sales for the quarter came in at Rs 17.76 bn; growing by 3.6% y/y – vs our est. of Rs 17.66 bn .
- ✓ Excluding one-off charges, BCORP's EBITDA stood at Rs 3.62 bn (vs our est. of Rs 3.56 bn) which was up by 23% y/y and down 5.3% q/q. Operational EBITDA/te was also broadly in-line with our estimates at Rs 1,021, witnessing an increase of ~19.2% y/y. On the back of efficiency improvement measures and softer input costs on y/y basis, BCORP's clinker production cost/te has declined by 10.2% y/y.
- ✓ In terms of capacity addition, BCORP plans to commission 3.9 MTPA IU at Mukutban, Maharashtra by Q3FY22E and 1.2 MTPA GU at Kundanganj, UP by Q1FY23E.
- ✓ Total debt of BCORP stood at Rs 40.99 bn vs Rs 41.72 bn in Q3FY20 despite investing a sum of Rs 7.32 bn for Mukutban plant – showcasing strong cash flow generation by the company. Borrowing cost stood at 7.82% in Q3FY21 – 104 bps lower than Q3FY20.

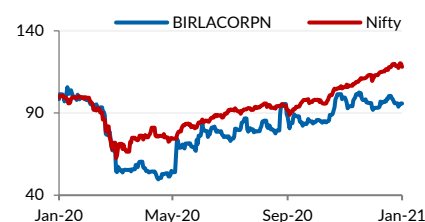
Valuation and Outlook

- ✓ Post scaling up from 15.4 MTPA currently to 20.5 MTPA by Q1FY23E, BCORP plans to further scale up to 25 MTPA by 2025. We believe the company would increase capacity by ~65% over FY21E-FY25E with 85% of capex being self-funded.
- ✓ We keep our financial projections intact with expectation of volume/EBITDA CAGR at 14.7%/8.8% respectively over FY21E-FY23E. Further, we expect increase in net debt to be limited to ~Rs 4 bn (bear case scenario) over FY20-FY23E with peak net debt/EBITDA of 2.74x in FY21E which should decline to 2.34x by FY23E translating into balance sheet stability.
- ✓ In terms of valuations, at CMP of Rs 721, BCORP is trading at EV/EBITDA of 5.8x and EV/te of ~\$65 on FY23E. We assign an EV/EBITDA multiple of 8x on Sep-22E and maintain our TP of Rs 1,108/share with potential upside of 54%. We maintain our BUY rating on the stock.
- ✓ Key Risk:
- ✓ Any adverse outcome of on-going legal tussle w.r.t legacy would result into de-rating of the stock.

Stock data (as on Jan 22, 2021)

Nifty	14,372
52 Week h/l (Rs)	807 / 372
Market cap (Rs/USD mn)	55536 / 761
Outstanding Shares (mn)	77
6m Avg t/o (Rs mn):	176
Div yield (%):	1.0
Bloomberg code:	BCORP IN
NSE code:	BIRLACORPN

Stock performance



	1M	3M	1Y
Absolute return	4.2%	13.1%	-1.5%

Shareholding pattern (As of Dec'20 end)

Promoter	62.90%
FII+DII	17.39%
Others	19.71%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	1,108	1,108

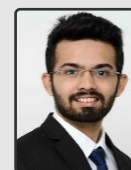
Financial Summary

	FY21E	FY22E	FY23E
Revenues	64,925	74,850	85,737
Growth	(6.1)	15.3	14.5
EBITDA	13,550	14,660	16,044
OPM (%)	20.9	19.6	18.7
Growth	1.4	8.2	9.4
PAT	5,403	5,701	6,111
P/B	1.0	1.0	0.9
EV/EBITDA	6.8	6.3	5.8
Debt/Equity	0.7	0.6	0.6
ROE	10.2	9.8	9.6
ROCE	11.1	11.0	10.7

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Exhibit 1: Quarterly financials

Y/e 31 Mar (Rs mn)	Q3FY21	Q2FY21	qoq(%)	Q3FY20	yoy (%)
Revenue	17,766	16,543	7.4	17,151	3.6
Operating Profit	3,624	3,827	(5.3)	2,946	23.0
OPM (%)	20.4	23.1	(274)	17.2	322
Other Income	462	212	118.3	203	127.1
Depreciation	908	918	(1.1)	884	2.7
Interest	730	760	(4.0)	977	(25.4)
PBT	2,122	2,361	(10.1)	1,289	64.7
Tax	638	694	(8.1)	474	34.7
PAT	1,484	1,666	(10.9)	815	82.1

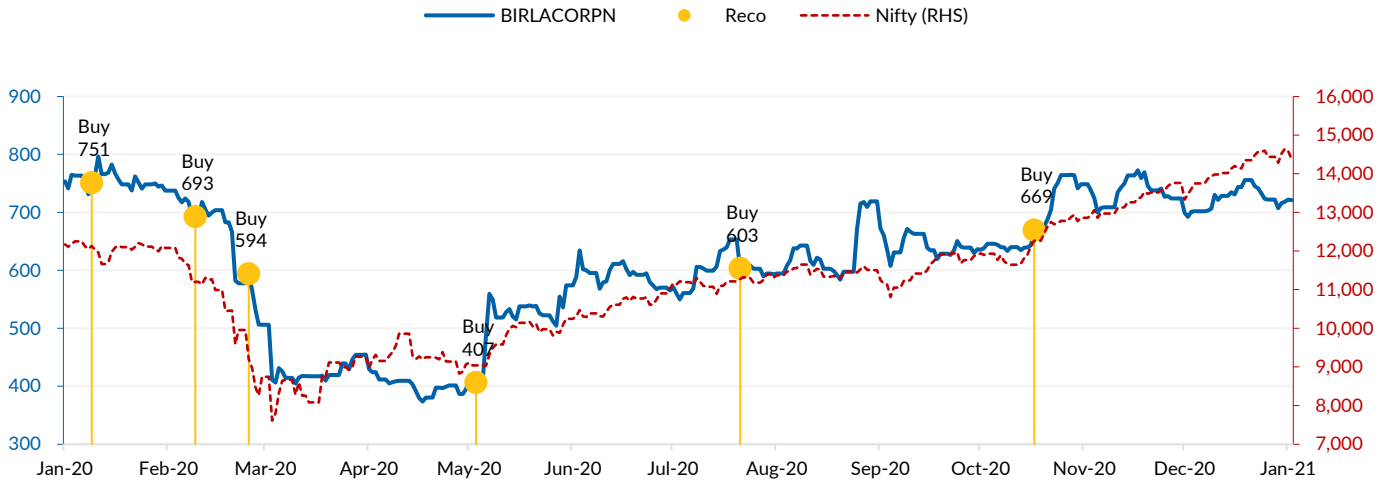
Exhibit 2: Per tonne analysis

Per te (in Rs)	Q3FY21	Q2FY21	qoq(%)	Q3FY20	yoy (%)
Cement volumes (MT)	3.55	3.26	8.9	3.44	3.2
Net realization	5,005	5,074	(1.4)	4,986	0.4
Raw Material cost	822	676	21.6	1,046	(21.4)
Employee cost	289	309	(6.4)	304	(4.9)
Power and fuel cost	940	973	(3.5)	916	2.5
Freight cost	989	958	3.2	973	1.7
Other expenses	944	984	(4.1)	890	6.0
EBITDA	1,021	1,174	(13.0)	856	19.2

Exhibit 3: Financial Summary

Y/e 31 Mar (Rs mn)	FY20	FY21E	FY22E	FY23E
Cement volumes (MTPA)	13.80	13.05	15.09	17.17
Revenues	69,157	64,925	74,850	85,737
EBITDA	13,360	13,550	14,660	16,044
EBITDA/te (Rs)	968	1,039	971	935
CFI	(11,840)	(9,159)	(7,950)	(9,750)
Net debt	33,500	37,184	36,654	37,480
Net debt/Equity (x)	0.70	0.70	0.63	0.59
Net debt/EBITDA (x)	2.51	2.74	2.50	2.34
ROE (%)	10.5	10.2	9.8	9.6
ROCE (%)	11.8	11.1	11.0	10.7
EV/EBITDA (x)	4.9	6.8	6.3	5.8
EV/ton (\$)	61	86	64	65

Recommendation Tracker



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BUY: Potential return >15% over 12 months

ADD: Potential return +5% to +15% over 12 months

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