

# Birla Corporation Ltd

BUY

CMP Rs1,043

Target Rs1,480

Upside 42%

## Our View:

- ✓ Birla Corp during the quarter delivered volume growth of 24.5% y/y to 4.17 MT which was 6.5% higher than our estimates and in-line with industry trends. Accordingly, capacity utilization for the company during the quarter stood at 108%. However, EBITDA was broadly in-line with our estimates at Rs 3.92 bn which was up 14% y/y. Blended EBITDA/te came in at Rs 940 which declined by 8.6% y/y and 7.5% lower than our estimates due to higher than expected clinker cost.
- ✓ Company's 4 MTPA greenfield plant at Mukutban, Maharashtra has witnessed some bottlenecks in commissioning on account of second wave of COVID (industry wide trend) and accordingly, BCORP now expects to complete the project by CY21 end post which total capacity of the company would increase to ~19.5 MTPA.
- ✓ BCORP's sublime cash flow management continues as the company has incurred a cumulative capex of ~Rs 18 bn over the last two years without increasing their net debt. Absolute net debt remains stagnant at ~Rs 33 bn. Accordingly, net debt/EBITDA has declined from 3.5x to 2.43x over FY19 to FY21.
- ✓ Going ahead, although our volume estimates remain largely intact, we upgrade our EBITDA estimates by 3.2%/10.5% for FY22E/FY23E respectively. Accordingly, we factor in volume/EBITDA CAGR of 14.1%/13.7% over FY21-FY23E. Further, we expect the CFI to sharply fall post commissioning of Mukutban plant and accordingly estimate that net debt/EBITDA should decline to 1.58x by FY23E.
- ✓ At CMP of Rs 1,043, BCORP is trading at EV/EBITDA of ~6.1x on FY23E. We assign an EV/EBITDA multiple of 8x on FY23E and arrive at TP of Rs 1,480/share with potential upside of 42%. **We maintain our BUY rating on the stock.**
- ✓ **Key Risk:** Further lockdowns across states due to second wave of COVID would hamper volume growth and timelines of capex commissioning.

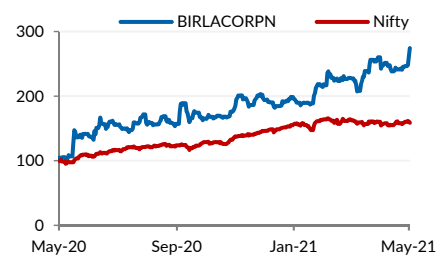
## Exhibit 1: Result table

Y/e 31 Mar (Rs mn)	Q4FY21	Q3FY21	qoq(%)	Q4FY20	yoy (%)
Revenue	21,326	17,766	20.0	16,900	26.2
Operating Profit	3,920	3,624	8.2	3,446	13.8
OPM (%)	18.4	20.4	(201) bps	20.4	(201) bps
Other Income	135	462	(70.8)	281	(51.9)
Depreciation	1,005	908	10.8	894	12.5
Interest	674	730	(7.6)	909	(25.9)
PBT	1,798	2,122	(15.3)	1,924	(6.5)
Tax	(696)	638	-	(24)	-
PAT	2,493	1,484	68.0	1,947	28.0

Source: Company, YES Sec - Research

Nifty	14,697
52 Week h/l (Rs)	1050 / 382
Market cap (Rs/USD mn)	80313 / 1094
Outstanding Shares	77
6m Avg t/o (Rs mn):	210
Div yield (%):	0.7
Bloomberg code:	BCORP IN
NSE code:	BIRLACORPN

## Stock performance



	1M	3M	1Y
Absolute return	13.1%	26.5%	165.7%

## Shareholding pattern (As of March'21 end)

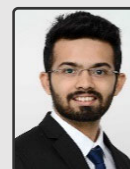
Promoter	62.9%
FII+DII	17.4%
Others	19.7%

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	1,480	1,108

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## Key Presentation highlights:

- ✓ During the year, company has benefitted from sharp recovery in volume dispatches from Q2FY21 onwards due to robust demand in rural segment and enhanced thrust of Government towards infrastructure segment.
- ✓ Capacity utilization for BCORP during the quarter stood at 108% and the same for FY21 stood at 85% as against industry average of 50-55%.
- ✓ Trade mix stood at 78% during the quarter while share of premium segment in trade channel was at 53% vs 43% in Q4FY20. Company has scaled up regional brands such as Samrat in East and Samrat advanced in Uttar Pradesh. Perfect plus continued to grow across key markets while Samrat Advanced witnessed an unprecedented sales growth of more than 300% in East Uttar Pradesh.
- ✓ Birla Corp has managed to significantly reduce consumption of thermal power by shifting to renewable sources. In FY21, WHRS and solar power accounted for 17% and 3% of total power consumed as against 14% and 1% during FY20.
- ✓ Greenfield project at Mukutban, Maharashtra of 4 MTPA has witnessed bottlenecks due to second wave of COVID. The company now expects to complete the project by CY21 end.
- ✓ Gross borrowings stood at Rs 40.5 bn as of FY21 vis-à-vis Rs 42.8 bn during last year despite investing Rs 6.44 bn towards Mukutban project. Borrowing cost stood at 7.83% in FY21 vs 9.26% during previous year and accordingly, company managed to reduce its finance cost by 23.6% y/y during FY21.

## Exhibit 2: Per tonne analysis (blended)

Per te (in Rs)	Q4FY21	Q3FY21	qoq(%)	Q4FY20	yoy (%)
Cement volumes (MT)	4.17	3.55	17.5	3.35	24.5
Net realization	5,114	5,005	2.2	5,045	1.4
Raw Material cost	1,169	822	42.2	724	61.4
Employee cost	255	289	(12.0)	291	(12.6)
Power and fuel cost	844	940	(10.1)	988	(14.6)
Freight cost	992	989	0.3	1,049	(5.4)
Other expenses	913	944	(3.2)	963	(5.2)
<b>EBITDA</b>	<b>940</b>	<b>1,021</b>	<b>(7.9)</b>	<b>1,029</b>	<b>(8.6)</b>

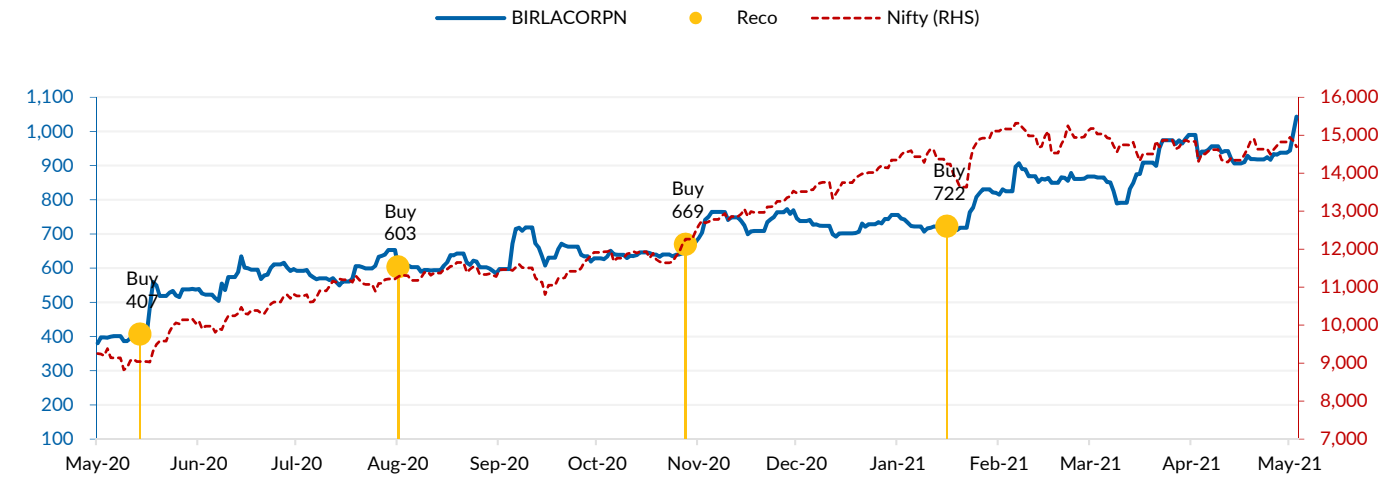
Source: Company, YES Sec – Research

## Exhibit 3: Financial Summary

Y/e 31 Mar (In Rs mn)	FY20A	FY21A	FY22E	FY23E
Cement volumes (MT)	13.82	13.39	15.19	17.42
Revenues	69,157	67,855	78,701	91,418
EBITDA	13,360	13,702	15,136	17,720
EBITDA/te (Rs)	967	1,024	996	1,017
CFI	(9,907)	(8,035)	(10,350)	(3,500)
Net debt	33,500	33,241	34,532	27,969
Net debt/Equity (x)	0.70	0.61	0.57	0.41
Net debt/EBITDA (x)	2.51	2.43	2.28	1.58
ROE (%)	10.5	11.5	10.6	11.2
ROCE (%)	14.3	15.0	12.8	14.3
EV/EBITDA (x)	4.9	7.9	7.6	6.1

Source: Company, YES Sec – Research

## 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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