Birla Corporation

Cost pressure continues to rise

We maintain ADD on Birla Corp (BCORP) with a revised target price of INR 1,140/share (8x its Sep'28E consolidated EBITDA). We interacted with the management to understand demand and margin trends. BCORP remains confident of delivering volume growth of at least 5% YoY in Q2FY27, as seen in Q1FY27. However, management cautioned that cost pressure is rising for the industry, including BCORP, as both domestic and imported fuel costs are rising, and packing costs have also rebounded sharply. Cement prices have failed to increase in line with cost inflation amid intense competition from cement majors. Thus, we expect BCORP's margin to fall to ~INR 500/MT in Q2FY27E. We expect BCORP's ~40% capacity increase to 27.6mn MT to be pushed out to FY29-30E, as the company will go slow on expansion if internal accruals remain subdued.

- **Demand/cost trends in Q2FY27E:** BCORP delivered 5% YoY volume growth in Q1FY27 and has grown slightly ahead in the first two months of Q2FY27, remaining confident of delivering at least 5% growth. Competitive intensity remains high across regions and hence cement prices have not increased despite rising cost inflation, with management expecting NSR to be flattish QoQ. On the cost front, the resumption of the west Asia turmoil (after a brief pause at the start of Q2) has led to a rebound in coal/petcoke prices, which earlier appeared to have peaked and were expected to start cooling off. Both imported and domestic fuel prices have shot up, and availability has also been challenging for cement companies. Thus, BCORP expects variable cost to potentially increase by ~INR 150-200/MT QoQ owing to higher fuel and packing costs. Q2 is seasonally weak owing to op-lev loss and planned shutdowns of various plants for maintenance. We estimate BCORP's Q2 unit EBITDA to decline to ~INR 500/MT in Q2FY27E and subsequently recover to ~INR 770/MT in H2FY27E vs INR 590/MT in H1FY27E, aided by expected better pricing and cooling off in opex.
- **Treading cautiously on expansions:** The company remains committed to executing the planned expansions in the central and eastern region, leading to consolidated capacity rising to 27.6mn MT over the next 3–4 years (vs 21.4mn MT currently). This includes brownfield clinker expansion at Maihar (MP) by 3.7mn MT and cement expansion (a mix of greenfield and brownfield) of 6mn MT across Bihar and UP. BCORP desperately needs these expansions, as it is already operating at 90% clinker utilization (FY24–26 period), which has kept its volume growth subdued at 3% CAGR during FY24–26. However, management is clear that it will not accelerate its expansion plans if internal accruals remain subdued owing to weak pricing and elevated opex. We estimate capex outgo at INR 6.5/15.5/26bn during FY27/28/29E.
- **Outlook**: We trim our FY27E EBITDA estimates by 3%, factoring in rising cost pressure (fuel and packing costs), but maintain our FY28E estimates as we expect the cost curve to reduce as west Asia turmoil normalizes. We also introduce FY29E financials in this report. We expect consolidated EBITDA to grow at a subdued 3% CAGR during FY26–29E. We expect the planned expansions to be completed by FY29–30E and to drive 5% volume CAGR. However, we expect margin to remain flattish at ~INR 700/MT amid increased competition, mainly in the central region. We see net debt-to-EBITDA ratio gradually increasing to 2.3x in FY29E vs 1.5x in FY26. We roll forward our valuation base to Sep'28E from Mar'28E earlier and maintain our ADD rating with a revised target price of INR 1,140/share, based on 8x Sep'28E consolidated EBITDA.

ADD

CMP *(as on 11 Sep 2026)*	**INR 825**
Target Price	**INR 1,140**
NIFTY	**23,398**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 1,170	INR 1,140
EBITDA revision %	FY27E *(3.4)*	FY28E *0.1*

KEY STOCK DATA	
Bloomberg code	BCORP IN
No. of Shares (mn)	77
MCap (INR bn) / ($ mn)	64/675
6m avg traded value (INR mn)	104
52 Week high / low	INR 1,346/770

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	(10.3)	0.9	(35.2)
Relative (%)	(11.5)	5.1	(27.2)

SHAREHOLDING PATTERN (%)

	Mar-26	**Jun-26**
Promoters	62.90	62.90
FIs & Local MFs	16.72	16.97
FPIs	6.26	6.13
Public & Others	14.12	14.00
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Key financials (consolidated)

YE Mar (INR bn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net Sales	96.56	92.14	96.56	102.15	104.85	114.67
EBITDA	14.38	12.17	14.54	13.37	14.45	15.85
APAT	4.15	3.24	5.55	4.34	5.79	5.16
AEPS (INR)	54.0	42.1	72.0	56.4	75.2	67.0
EV/EBITDA (x)	8.3	9.1	7.6	5.9	5.3	6.0
EV/MT (INR bn)	5.97	5.57	5.14	3.66	3.56	3.64
P/E (x)	21.8	28.0	16.3	14.6	11.0	12.3
RoE (%)	*6.6*	*4.7*	*7.7*	*5.8*	*7.3*	*6.1*

Source: Company, HSIE Research

Key operational assumptions

	FY24	FY25	FY26	FY27E	FY28E	FY29E
Cement Cap (mn MT)	**20.0**	**20.0**	**21.4**	**21.4**	**21.4**	**26.2**
Sales Volume (mn MT)	**17.7**	**18.1**	**18.7**	**19.5**	**19.9**	**21.4**
YoY change (%)	*12.2*	*2.6*	*3.3*	*4.0*	*2.0*	*8.0*
Utilisation (%)	*88.3*	*90.6*	*87.5*	*91.0*	*92.8*	*81.9*
(Rs/ MT trend)						
NSR	**5,235**	**4,884**	**4,893**	**4,967**	**4,991**	**5,066**
YoY change (%)	*(0.0)*	*(6.7)*	*0.2*	*1.5*	*0.5*	*1.5*
Raw Materials	778	662	659	745	745	745
Power & Fuel	1,103	978	938	956	928	909
Freight costs	1,307	1,305	1,324	1,337	1,337	1,337
Employee cost	315	311	312	312	321	327
Other expense	929	951	885	938	947	1,023
Total Opex	**4,433**	**4,207**	**4,118**	**4,288**	**4,278**	**4,341**
YoY change (%)	*(7.2)*	*(5.1)*	*(2.1)*	*4.1*	*(0.2)*	*1.5*
EBITDA per MT	**802**	**676**	**776**	**678**	**713**	**725**
YoY change (%)	*73.6*	*(15.7)*	*14.7*	*(12.6)*	*5.2*	*1.6*

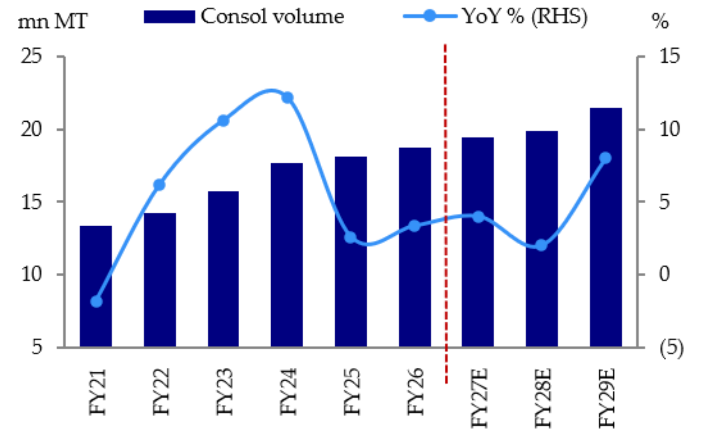
Source: Company, HSIE Research

Estimates revision summary (consolidated)

INR bn	FY27E New	FY28E New	FY27E Old	FY28E Old	FY27E *Chg %*	FY28E *Chg %*
Net Sales	102.15	104.85	102.62	104.84	*(0.5)*	*0.0*
EBITDA	13.37	14.45	13.84	14.44	*(3.4)*	*0.1*
APAT	4.34	5.79	4.69	5.75	*(7.5)*	*0.6*
AEPS	56.4	75.2	60.9	74.7	*(7.5)*	*0.6*

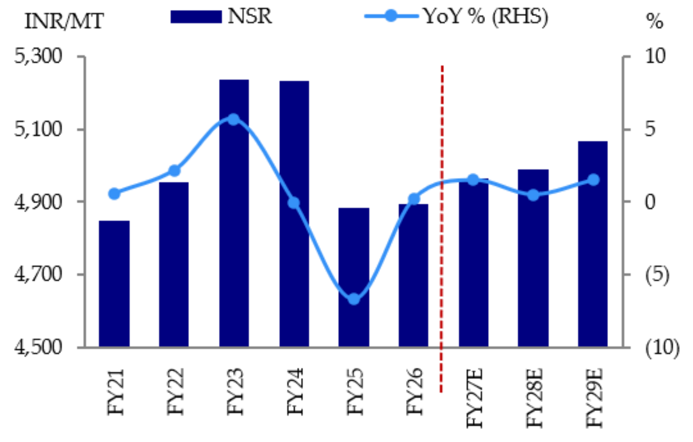
Source: Company, HSIE Research

Consolidated volume is expected to clock 5% CAGR during FY26-29E…



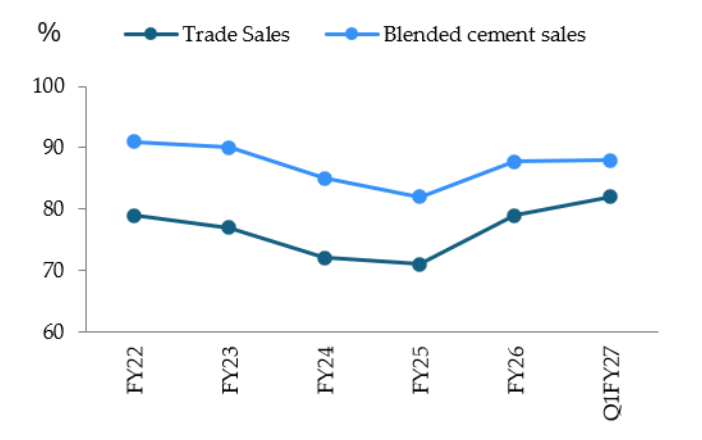
Source: Company, HSIE Research

…with NSR to expand by ~INR 173/MT in the same period



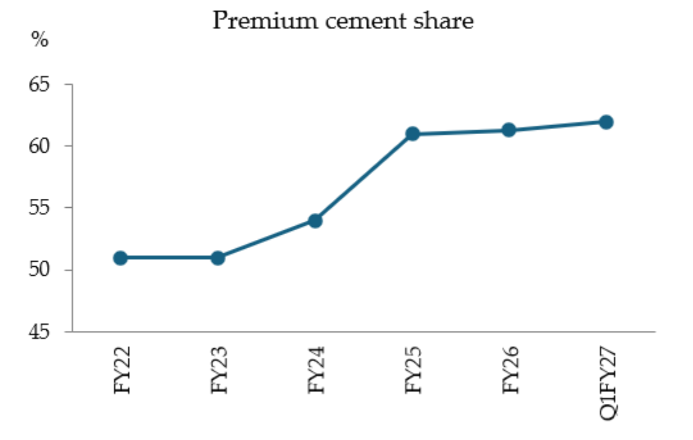
Source: Company, HSIE Research

Trade sales/ blended cement production trends



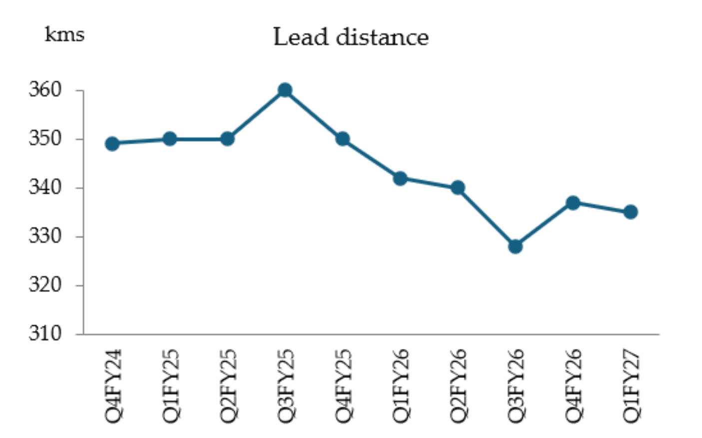
Source: Company, HSIE Research

Premium cement sales share continues to rise



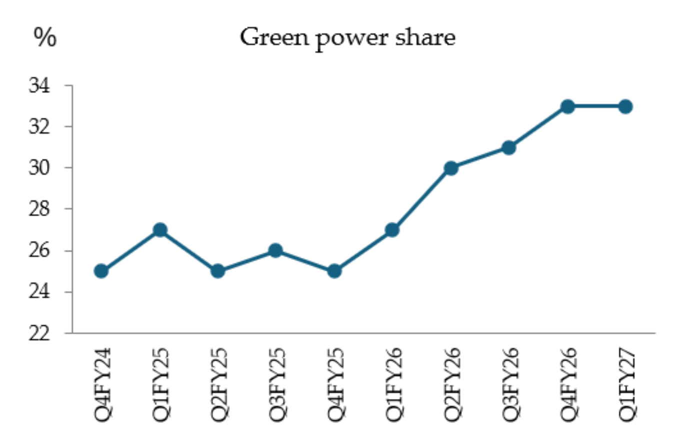
Source: Company, HSIE Research

Lead distance has reduced to ~335kms



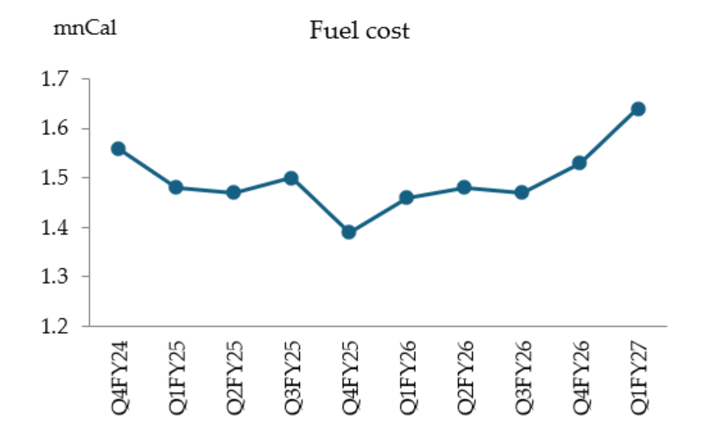
Source: Company, HSIE Research

Green power share to further increase to 33% in Q1FY27



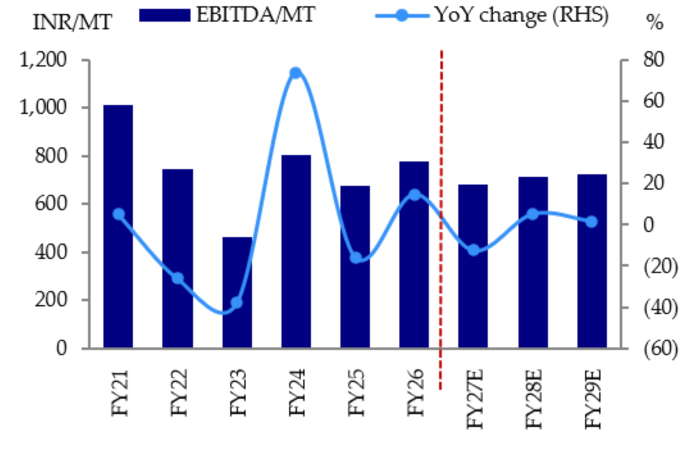
Source: Company, HSIE Research

Fuel cost pressure to continue owing to West Asia conflict



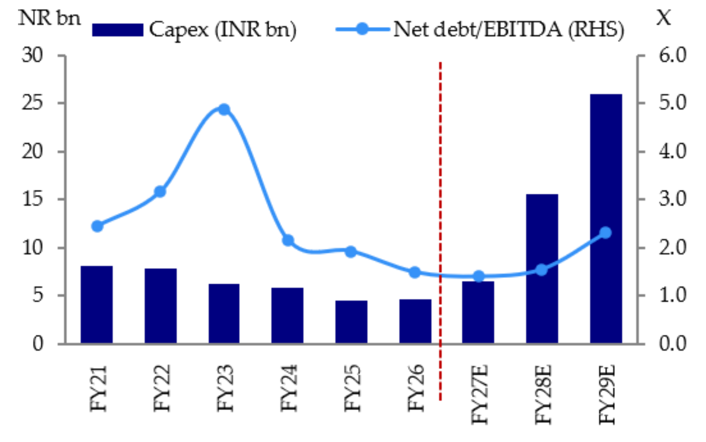
Source: Company, HSIE Research

We estimate flattish margin over next 3 years



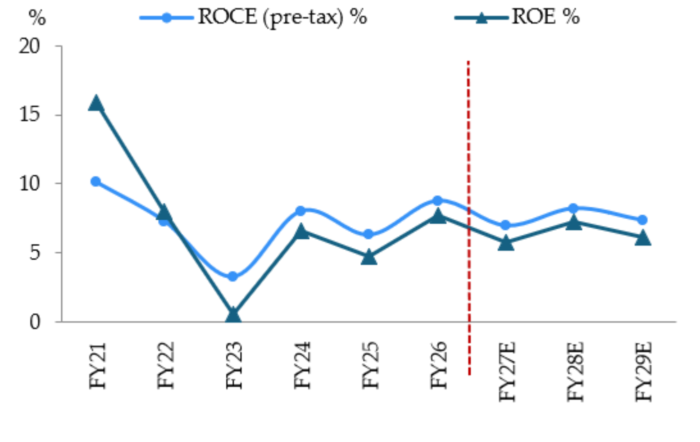
Source: Company, HSIE Research

Capex acceleration to drive an increase Net debt/EBITDA going forward



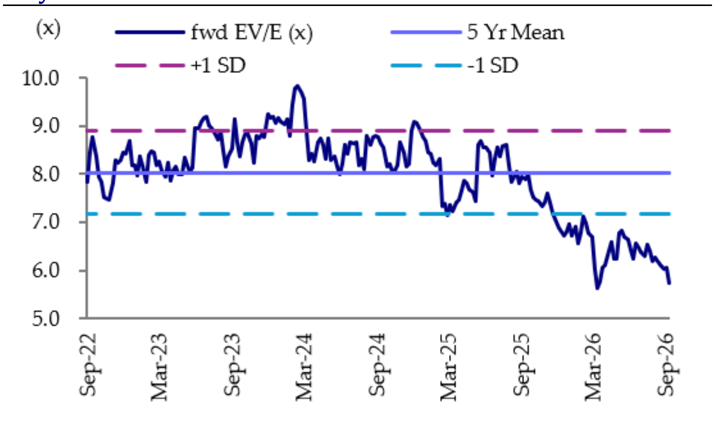
Source: Company, HSIE Research

Return ratios are expected to remain flat



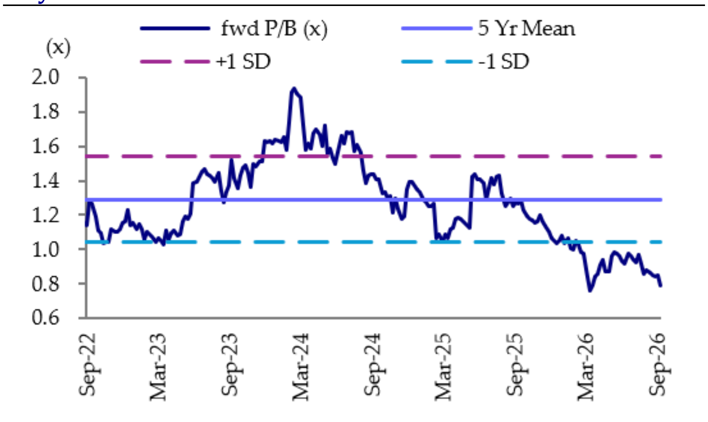
Source: Company, HSIE Research

1 year forward EV/EBITDA trend



Source: Bloomberg, HSIE Research

1 year forward P/B trend



Source: Bloomberg, HSIE Research

Financials

Consolidated Income Statement

YE Mar (INR mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenues	**96,562**	**92,145**	**96,556**	**1,02,148**	**1,04,849**	**1,14,669**
Growth %	*11.2*	*(4.6)*	*4.8*	*5.8*	*2.6*	*9.4*
Raw Material	15,809	13,845	14,833	17,244	17,671	18,999
Power & Fuel	19,474	17,717	17,547	18,614	18,417	19,493
Freight Expense	20,353	21,188	21,441	26,020	26,541	28,664
Employee cost	5,562	5,640	5,845	6,078	6,382	7,020
Other Expenses	20,988	21,583	22,346	20,825	21,390	24,648
EBITDA	**14,376**	**12,172**	**14,544**	**13,366**	**14,448**	**15,846**
EBIDTA Margin (%)	*14.9*	*13.2*	*15.1*	*13.1*	*13.8*	*13.8*
EBITDA Growth %	*86.2*	*(15.3)*	*19.5*	*(8.1)*	*8.1*	*9.7*
Depreciation	5,783	5,719	5,318	5,895	5,539	6,708
EBIT	**8,593**	**6,454**	**9,226**	**7,471**	**8,909**	**9,138**
Other Income	856	979	1,170	922	1,438	1,136
Interest	3,717	3,271	2,645	2,528	2,522	3,300
PBT	**5,731**	**4,162**	**7,751**	**5,865**	**7,825**	**6,974**
Tax	1,577	922	2,203	1,525	2,034	1,813
RPAT	**4,206**	**2,952**	**5,576**	**4,340**	**5,790**	**5,161**
EO (Loss) / Profit (Net Of Tax)	51	(288)	28	-	-	-
APAT	**4,155**	**3,240**	**5,547**	**4,340**	**5,790**	**5,161**
APAT Growth (%)	*1,127.4*	*(22.0)*	*71.2*	*(21.8)*	*33.4*	*(10.9)*
AEPS	**54.0**	**42.1**	**72.0**	**56.4**	**75.2**	**67.0**
AEPS Growth %	*1,127.4*	*(22.0)*	*71.2*	*(21.8)*	*33.4*	*(10.9)*

Source: Company, HSIE Research

Consolidated Balance Sheet

YE Mar (INR mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
SOURCES OF FUNDS						
Share Capital	770	770	770	770	770	770
Reserves And Surplus	65,968	69,381	72,877	76,447	81,467	85,665
Total Equity	**66,738**	**70,151**	**73,647**	**77,217**	**82,237**	**86,435**
Long-term Debt	38,910	34,286	33,027	30,873	32,873	47,873
Short-term Debt	125	600	880	880	880	880
Total Debt	**39,035**	**34,886**	**33,907**	**31,753**	**33,753**	**48,753**
Deferred Tax Liability	11,042	10,401	10,276	11,276	12,276	13,276
TOTAL SOURCES OF FUNDS	**1,16,815**	**1,15,439**	**1,17,830**	**1,20,245**	**1,28,266**	**1,48,464**
APPLICATION OF FUNDS						
Net Block	97,904	95,350	95,580	93,185	91,146	1,20,438
Capital WIP	4,805	5,605	4,709	7,709	19,709	9,709
Total Non-current Investments	7,024	8,568	7,111	7,111	7,111	7,111
Total Non-current Assets	**1,09,733**	**1,09,523**	**1,07,401**	**1,08,005**	**1,17,966**	**1,37,258**
Inventories	9,646	9,670	11,035	11,236	11,533	12,614
Debtors	4,149	3,391	3,166	4,086	4,194	4,587
Cash and Cash Equivalents	7,941	11,480	12,291	13,073	11,363	12,175
Other Current Assets (& Loans/adv)	12,894	9,246	11,208	11,839	12,507	13,213
Total Current Assets	**34,629**	**33,787**	**37,700**	**40,235**	**39,597**	**42,588**
Creditors	8,680	8,724	8,980	9,704	9,961	10,894
Other Current Liabilities & Provns	18,867	19,147	18,290	18,290	19,337	20,488
Total Current Liabilities	**27,547**	**27,871**	**27,270**	**27,994**	**29,298**	**31,382**
Net Current Assets	**7,082**	**5,916**	**10,430**	**12,240**	**10,300**	**11,206**
TOTAL APPLICATION OF FUNDS	**1,16,815**	**1,15,439**	**1,17,830**	**1,20,245**	**1,28,266**	**1,48,464**

Source: Company, HSIE Research

Consolidated Cash Flow

YE Mar (INR mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Reported PBT	5,799	3,779	7,685	5,865	7,825	6,974
Non-operating & EO Items	(369)	(90)	(279)	(922)	(1,438)	(1,136)
Interest Expenses	3,717	3,271	2,645	2,528	2,522	3,300
Depreciation	5,783	5,719	5,318	5,895	5,539	6,708
Working Capital Change	2,021	4,740	(4,109)	(1,029)	231	(94)
Tax Paid	(751)	(723)	(1,756)	(525)	(1,034)	(813)
OPERATING CASH FLOW (a)	**16,201**	**16,695**	**9,504**	**11,813**	**13,644**	**14,938**
Capex	(5,771)	(4,436)	(4,673)	(6,500)	(15,500)	(26,000)
Free Cash Flow (FCF)	10,430	12,259	4,832	5,313	(1,856)	(11,062)
Investments	(1,383)	(4,681)	(673)	-	-	-
Non-operating Income	154	260	385	922	1,438	1,136
INVESTING CASH FLOW (b)	**(7,001)**	**(8,857)**	**(4,961)**	**(5,578)**	**(14,062)**	**(24,864)**
Debt Issuance/(Repaid)	(5,998)	(4,303)	(1,123)	(2,155)	2,000	15,000
Interest Expenses	(3,507)	(3,154)	(2,532)	(2,528)	(2,522)	(3,300)
FCFE	925	4,802	1,176	630	(2,378)	638
Share Capital Issuance	-	-	-	-	-	-
Dividend	(193)	(770)	(770)	(770)	(770)	(963)
FINANCING CASH FLOW (c)	**(9,698)**	**(8,227)**	**(4,426)**	**(5,452)**	**(1,292)**	**10,737**
NET CASH FLOW (a+b+c)	**(497)**	**(389)**	**118**	**782**	**(1,710)**	**812**

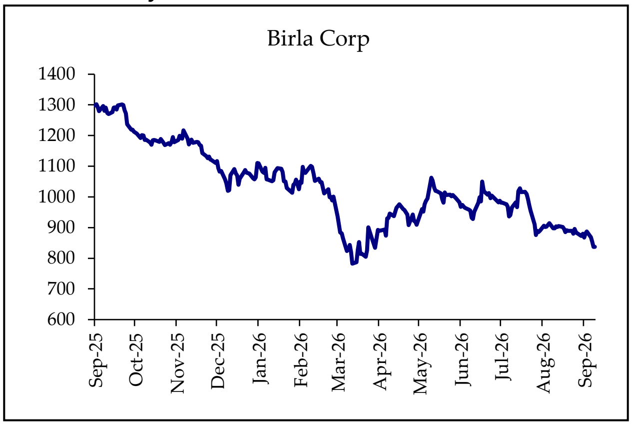
Source: Company, HSIE Research

Key Ratios

	FY24	FY25	FY26	FY27E	FY28E	FY29E
PROFITABILITY %						
EBITDA Margin	14.9	13.2	15.1	13.1	13.8	13.8
EBIT Margin	8.9	7.0	9.6	7.3	8.5	8.0
APAT Margin	4.3	3.5	5.7	4.2	5.5	4.5
RoE	6.6	4.7	7.7	5.8	7.3	6.1
RoIC (pre-tax)	8.1	6.2	9.1	7.3	8.9	8.0
RoCE (pre-tax)	8.0	6.3	8.8	6.9	8.2	7.3
EFFICIENCY						
Tax Rate %	27.5	22.2	28.4	26.0	26.0	26.0
Fixed Asset Turnover (x)	0.8	0.7	0.7	0.7	0.7	0.7
Inventory (days)	36	38	42	40	40	40
Debtors (days)	16	13	12	15	15	15
Other Current Assets (days)	49	37	42	42	44	42
Payables (days)	33	35	34	35	35	35
Other Current Liab & Provns (days)	71	76	69	65	67	65
Cash Conversion Cycle (days)	(3)	(22)	(7)	(3)	(4)	(3)
Net Debt/EBITDA (x)	2.2	1.9	1.5	1.4	1.5	2.3
Net D/E	0.6	0.5	0.5	0.4	0.4	0.6
Interest Coverage	2.3	2.0	3.5	3.0	3.5	2.8
PER SHARE DATA (Rs)						
EPS	54.0	42.1	72.0	56.4	75.2	67.0
CEPS	129.0	116.3	141.1	132.9	147.1	154.1
Dividend	10.0	10.0	12.5	10.0	10.0	12.5
Book Value	866.6	911.0	956.3	1,002.7	1,067.9	1,122.4
VALUATION						
P/E (x)	21.8	28.0	16.3	14.6	11.0	12.3
P/Cash EPS (x)	9.1	10.5	8.3	6.2	5.6	5.4
P/BV (x)	1.4	1.3	1.2	0.8	0.8	0.7
EV/EBITDA (x)	8.3	9.1	7.6	5.9	5.3	6.0
EV/MT (Rs bn)	5.97	5.57	5.14	3.66	3.56	3.64
Dividend Yield (%)	1.2	1.2	1.5	1.2	1.2	1.5

Source: Company, HSIE Research

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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