

Birla Corporation Limited

BUY

Date: 31 March 2010

C.M.P:
Rs.397.30

Target Price:
Rs.457.00

1 Year Comparative Graph



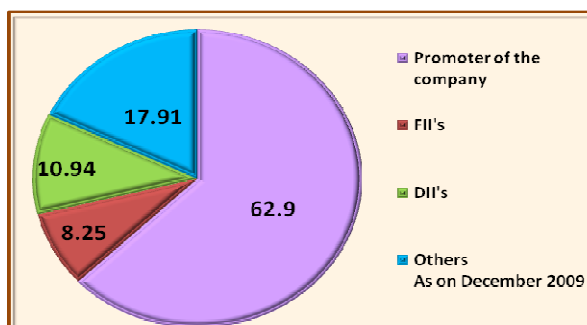
BIRLA CORPORATION

BSE SENSEX

Stock Data

Sector	Cement
Face Value	10.00
52 wk. High/Low (Rs.)	404.40/171.55
Volume (2 wk. Avg.)	17000
BSE Code	500335
Market Cap	30596.07

Share Holding Pattern



V.S.R. Sastry
Equity Research Desk
vsrsastry@firstcallindiaequity.com

Dr. V.V.L.N. Sastry Ph.D.
Chief Research Officer
drsastry@firstcallindia.com

SYNOPSIS

- Birla Corporation (BCL), a flagship company of M P Birla Group, operates four division cement, jute, vinoleum and auto trim division.
- The cement division has seven plants. The total installed capacity of these plants is 57.8 lakh tones. The cement is marketed under the brand names of Birla Cement Samrat, Birla Ccement Khajuraho, Birla Cement Chetak, Birla Cement and Birla Premium Cement, bringing the product under the common brand of Birla Cement.
- To maintain the growth momentum the Company is in the process of implementing several capacity enhancement and infrastructure development projects.
- The revenue of the company for the quarter ended on Dec 31th increased 24 % YoY while profit increased 38%.
- The Company recorded the highest ever cement dispatch at 1.5 million tones in the third quarter of 2009-10.
- The topline of the company are expected to grow at a CAGR of 12% over 2008A to 2011E.

Financials	FY09	FY10E	FY11E
Net Sales	18097	21922	24114
EBIDTA	5019	8283	9025
PAT	3235	5412	5895
EPS	42.01	70.2	76.5
P/E	9.46	5.65	5.19

Financials	Dec09	Dec08	% Change
Net sales	5640.8	4562.4	24
Net profit	1122.9	813.8	38
EPS	14.58	10.57	38

The Company recorded the highest ever cement dispatch at 1.5 million tones in the third quarter of 2009-10.

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The company could economize on the power and fuel costs on account of effective use of Captive Thermal Plant coupled with softening fuel prices. On the basis of the strong performance, the Company retains its place amongst the best performing cement companies in India.

Investment Rationale

- At Satna, replacement of the age-old cement ball mills with a 330 TPH roller press, along with installation of a coal washery and 35 MW captive power plant, has been undertaken. Also, a 22.5 MW WHR plant is in an advanced stage of implementation at Satna. At Chanderia(Rajasthan)a, 1.2 million ton-brown field plant, along with power generation from Waste Heat Recovery and 35 MW captive power plant, is being set up. Work is on to increase the grinding capacity at Durgapur by 0.6 million tons per annum along with the installation of a 17.5M W captive power plant. After expansion the effective annual capacity of the Cement Division will stand at about 9 million tons.
- Birla Corporation has received 'P1+' rating from CRISIL for Rs 125-crore short term debt programme, including commercial paper programme. The rating indicates that the degree of safety with regard to timely payment of interest and principal on the instrument is very strong.

Valuation

- At the current market price of Rs.397.30, the stock trades at a P/E of 5.65x and 5.19x for FY10E and FY11E respectively. On the basis of EV/EBDITA, the stock trades at 4.06x and 4.03x for FY10E and FY11E respectively. Price to Book Value of the stock is expected to be at 1.68 and 1.27 respectively for FY10E and FY11E.EPS of the company is expected to be at Rs.70.29 and Rs. 76.55 for the earnings of FY10E and FY11E respectively. The Net sales of the company are expected to grow at a CAGR of 12% over 2008 to 2011E.We expect that the company will keep its growth story in the coming quarters also. We recommend **'BUY'** in this particular scrip with a target price of Rs.**457.00**. for Medium to Long Term Gains.

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For Further Details Contact:

3rd Floor,Sankalp,The Bureau,Dr.R.C.Marg,Chembur,Mumbai 400 071

Tel. : 022-2527 2510/2527 6077/25276089 Telefax : 022-25276089

E-mail: info@firstcallindiaequity.com

www.firstcallindiaequity.com



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