ICRA

May 16, 2025

Birla Corporation Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)^	Rating action
Long-term – Non-convertible debenture	200.00	140.00	[ICRA]AA (Stable); reaffirmed
Long-term – Non-convertible debenture	50.00	35.00	[ICRA]AA (Stable); reaffirmed
Total	**250.00**	**175.00**	

**Instrument details are provided in Annexure I; ^No partial withdrawal and rated amount is reduced to outstanding amount due to scheduled repayments.*

Rationale

The rating reaffirmation for Birla Corporation Limited (BCL) factors in its established market position in the central region, wherein the company enjoys a capacity market share of 11% as of September 2024, healthy capacity utilisation for its installed capacity of around 20 million MT, supported by ramp-up of Mukutban plant in Maharashtra and strong liquidity position. BCL has geographically diversified presence across the central, western, northern and eastern markets, with a current total installed capacity of around 20 million MTPA, which insulates its performance from any downturn in a specific region. BCL's capacity utilisation improved to 91% in FY2025 (PY: 88%), backed by steady improvement in utilisation of Mukutban plant to 63% in FY2025 (48% in FY2024 and ~77% in Q4 FY2025). The company is expected to benefit from synergies derived from vertical integration of operations, aided by clinkerisation facility of 13 MTPA, captive limestone and coal mines as well as power generating capacity of around 192 MW through a mix of captive power plant, waste heat recovery system (WHRS) and solar power plant as on March 31, 2025.

In line with broader industry trends, BCL's profitability was impacted in 9M FY2025 in the backdrop of muted demand and consequent impact on realisation. However, the operating profitability has bounced back in Q4 FY2025 with operating profit of Rs. 1,017/MT compared to Rs. 534/MT during 9M FY2025. With expectation of stable realisations, the operating profitability is likely to improve by 15-17% in FY2026. BCL has capex plans of Rs. 2,500-3,000 crore over the next two fiscals, which will be partially funded by debt. Nonetheless, its leverage metrics, indicated by Total debt/OPBDITA (TD/OPBDITA) are projected to remain below 2.8 times in the medium term, supported by expected improvement in profitability. ICRA takes comfort from BCL's strong liquidity profile, driven by a sizeable liquid investment portfolio and significant undrawn working capital lines.

The credit profile remains exposed to the company's exposure to demand and pricing dynamics in the cement industry, which are influenced by the cyclical economic trends and capacity addition by the players during such periods. Further, its operating profitability remains susceptible to fluctuations in input prices and intense competition in the sector, which limits pricing flexibility.

The Stable outlook on the rating reflects ICRA's opinion that the company will maintain its healthy operational performance and strong liquidity position while improving its leverage metrics.

Key rating drivers and their description

Credit strengths

Healthy utilisation levels and efficient operating parameters aided by synergies across the units – The company's overall capacity utilisation remains healthy and improved to 91% in FY2025 (PY: 88%), backed by the steady improvement in the utilisation of Mukutban plant to 63% in FY2025 (48% in FY2024 and ~77% in Q4 FY2025). It is expected to benefit from synergies derived from vertical integration of operations, supported by clinkerisation facility of 13 MTPA, captive limestone and coal mines as well as power generating capacity of around 192 MW through a mix of captive power plant, waste heat recovery system (WHRS) and solar power plant as on March 31, 2025.

Geographically diversified capacities and established position in central market – BCL has geographically diversified presence across the central, western, northern, and eastern markets, with a current total installed capacity of around 20 million MTPA, which insulates the performance from any region-specific downturn. The company has a strong market presence in the central region, where it enjoys a capacity market share of ~11% as of September 2024. With commencement of the 3.9 million MTPA Mukutban plant in April 2022, the company has strengthened its position in the western region as well. Going forward, the planned capacity addition of 4.8 million MTPA and 2.8 million MTPA in the central and east regions respectively, in the medium to long term, will further strengthen the Group's position in these regions.

Favourable long-term growth prospects – The company witnessed subdued demand and weak cement realisations in 9M FY2025. This resulted in a decline in operating income (OI) by 5% in FY2025 at Rs. 9,214.5 crore (PY: Rs. 9,662.7 crore). Nevertheless, the demand and cement realisations improved in Q4 FY2025, and is expected to continue in FY2026, backed by housing and infrastructure sectors leading to an estimated improvement in OI by 6-8% YoY in FY2026. The company's OPBDITA/MT in 9M FY2025 was around Rs. 534/MT due to moderation in cement realisations. However, the same improved to Rs. 1,017/MT in Q4 FY2025, aided by cement hikes undertaken along with the easing of power and fuel costs. Overall, the company's OPBDITA/MT moderated by 17% YoY to Rs. 673/MT in FY2025 (PY: Rs. 815/MT) and is likely to improve by 15-17% in FY2026. ICRA takes comfort from BCL's comfortable liquidity profile, supported by a sizeable liquid investment portfolio and significant undrawn working capital lines. Further, the company is expected to receive incentives of Rs. 50-80 crore in FY2026 and FY2027 each, from the state governments.

Credit challenges

Moderate debt protection metrics due to debt-funded capex – While the operating profitability moderated in FY2025, the company's debt levels reduced by 11% YoY to Rs. 3,488.6 crore in FY2025 (PY: Rs. 3,903.5 crore) on account of scheduled debt repayments and deferment in capex plans. As a result, the TD/OPBIDTA levels remained moderate at 2.8 times in FY2025 (PY: 2.7 times). Although the company has debt-funded capex plans of around Rs. 1,000-1,200 crore in FY2026 (which is expected to be funded by a debt to equity mix of 2:1), primarily towards capacity expansion, coal block, debottlenecking, and sustenance capex, the TD/OPBDITA levels are projected to remain moderate at around 2.4-2.6 times as of March 2026, supported by expected improvement in profitability.

Vulnerability of revenues to cyclicality in economy – BCL remains exposed to demand and pricing dynamics in the cement industry, which are influenced by the cyclical economic trends and capacity addition by the players during such periods. When the capacity addition exceeds the incremental demand, the prices and consequently, the profitability of the players get impacted. Further, BCL's operating profitability remains susceptible to fluctuations in input prices.

Environmental and social risks

Environmental considerations – As a cement producer, the fuel and power consumption remain high, which results in greenhouse gas emissions and pollution. Hence, increasing regulatory requirements to reduce greenhouse gas emissions and stricter air pollution standards may lead to higher costs for cement producers. BCL has taken several initiatives, such as increasing the usage of renewable energy and the use of fly ash, slag (which are waste materials of the power and steel industries), and alternative fuel at its clinker manufacturing units, which help in reducing the carbon footprint and save power costs.

Social considerations – The social risks associated with the company are primarily the health and safety of its employees involved in the mining of limestone and the production of clinker and cement.

Liquidity position: Strong

BCL's liquidity position is strong, aided by unencumbered cash and investments (including investments in mutual funds and financial instruments) of Rs. 1,124.77 crore as on March 31, 2025, and the drawing power backed by moderately utilised fund-based working capital facilities with an average cushion of Rs. 560 crore during the last 12 months that ended in April 2025. The company has existing debt repayment obligations of Rs. 627.0 crore in FY2026, which can be comfortably serviced through its estimated cash flow from operations. It has capex plans of around Rs. 2,500-3,000 crore over the next two years, primarily towards capacity expansion, coal block, debottlenecking, and maintenance capex, which is expected to be funded through debt to equity ratio of 2:1.

Rating sensitivities

Positive factors – BCL's rating can be upgraded if there is a significant growth in its revenues and earnings and a consequent improvement in debt protection metrics and return indicators on a sustained basis. Additionally, total debt to OPBDITA of less than 1.75 times, on a sustained basis, may trigger a rating upgrade.

Negative factors – The rating can be downgraded if there is a material decline in profitability or significant increase in debt-funded capex resulting in weakening of debt protection metrics. The total debt to OPBDITA increasing beyond 3.0 times, on a sustained basis, can put pressure on the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology-Cement
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of BCL. Please refer Annexure II for the list of entities considered for consolidated analysis.

About the company

Birla Corporation Limited (BCL), the flagship company of the M.P. Birla Group, was incorporated on August 25, 1919. It manufactures cement and jute goods. After the death of Mrs. Priyamvada Birla, wife of Mr. Madhav Prasad Birla, in July 2004, BCL was headed by Mr. Rajendra Singh Lodha. Following his death in October 2008, his son, Mr. Harsh Vardhan Lodha, took over the charge as the company's Chairman. However, BCL's ownership is under legal dispute, being contested by Mr. Harsh Vardhan Lodha and the descendants of the Birla family.

BCL has an installed cement manufacturing capacity of 10 million MTPA, with presence in the central, northern and eastern markets. In August 2016, BCL acquired RCCPL Private Limited (RCCPL), which increased the Group's consolidated cement manufacturing capacity to 15.58 million MTPA. Further, in April 2022, RCCPL's 3.9 million MT integrated cement plant in Mukutban (Maharashtra) commenced operations, along with other debottlenecking projects, taking the total capacity to 20 million MT. The revenues from the cement business dominate BCL's top line, accounting for 95-97% of the consolidated turnover, while the jute business contributed to the balance 3-5% in FY2024 and FY2025.

Key financial indicators (audited)

BCL (consolidated)	FY2024	FY2025
Operating income	9662.7	9214.5
PAT	420.6	295.2

OPBDIT/OI	14.9%	13.3%
PAT/OI	4.4%	3.2%
Total outside liabilities/Tangible net worth (times)	1.4	1.2
Total debt/OPBDIT (times)	2.7	2.8
Interest coverage (times)	3.9	3.8

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	**Type**	**Amount rated (Rs. crore)**	**May 16, 2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Non-convertible debenture – 1	Long term	140.0	[ICRA]AA (Stable)	May 17, 2024	[ICRA]AA (Stable)	Aug 23, 2023	[ICRA]AA (Negative)	Aug 26, 2022	[ICRA]AA (Stable)
Non-convertible debenture – 2	Long term	35.0	[ICRA]AA (Stable)	May 17, 2024	[ICRA]AA (Stable)	Aug 23, 2023	[ICRA]AA (Negative)	Aug 26, 2022	[ICRA]AA (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Non-convertible debenture	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
INE340A07084	Non-convertible debenture	Aug 18, 2016	9.25%	Aug 18, 2026	140.0	[ICRA]AA (Stable)
INE340A07092	Non-convertible debenture	Sept 19, 2016	9.25%	Sept 19, 2026	35.0	[ICRA]AA (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company name	BCL Ownership	Consolidation approach
RCCPL Private Limited	100.00%	Full consolidation
Birla Jute Supply Company Limited	100.00%	Full consolidation
Talavadi Cements Limited	98.01%	Full consolidation
Lok Cements Limited	100.00%	Full consolidation
Budge Budge Floor coverings Limited	100.00%	Full consolidation
Birla Cement (Assam) Limited	100.00%	Full consolidation
M.P. Birla Group Services Pvt. Limited	100.00%	Full consolidation
AAA Resources Private Limited	100.00%	Full consolidation
Utility Infrastructure & Works Private Limited	100.00%	Full consolidation
SIMPL Mining & Infrastructure Limited	100.00%	Full consolidation

Source: Company data, ICRA Research

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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