



Birla Corporation Limited

Corporate Office:

1, Shakespeare Sarani,
A.C. Market (2nd Floor), Kolkata 700 071

P: 033 6603 3300-02

F: +91 332288 4426

E: Coordinator@birlacorp.com

2nd August, 2024

Corporate Relationship Department
BSE Limited
1st Floor, New Trading Ring,
Rotunda Building,
P.J. Towers, Dalal Street, Fort,
Mumbai- 400 001

Scrip Code: 500335

Manager
Listing Department
National Stock Exchange of India Limited
'Exchange Plaza', C-1, Block G,
Bandra-Kurla Complex, Bandra (East),
Mumbai- 400 051

Scrip Symbol: BIRLACORPN

Dear Sir(s),

Sub: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015- Intimation of Credit Rating of RCCPL Private Limited (Wholly-Owned Material Subsidiary)

Pursuant to Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find below the details of the ratings that are reaffirmed and credit rating assigned for the proposed term loan of RCCPL Private Limited, Wholly-Owned Material Subsidiary of the Company:

| Name of Credit Rating Agency | Facilities | Size of Issue (billion) | Rating/ Outlook | Rating Action |
|--|--------------------|-------------------------------------|------------------------|----------------------|
| India Ratings & Research Private Limited | Term Loan | INR17.52 (reduced from INR21.32) | IND AA/ Stable | Re-affirmed |
| | Proposed Term Loan | INR1.15 | IND AA/Stable | Re-affirmed |
| | Proposed Term Loan | INR0.75 | IND AA/Stable | Assigned |

The report received from India Ratings & Research Private Limited is enclosed. The Company received the aforesaid information on 1st August, 2024 at around 3.33 p.m. (IST).

This is for your information and record please.

Thanking you,

Yours faithfully,
For **BIRLA CORPORATION LIMITED**

(MANOJ KUMAR MEHTA)
Company Secretary & Legal Head

Encl: As above

India Ratings Affirms RCCPL's Bank Loans at 'IND AA'/Stable; Rates Additional Proposed Loan

Ind-Ra-Mumbai-31 July 2024: India Ratings and Research (Ind-Ra) has taken the following rating actions on RCCPL Private Limited's (RCCPL) debt facilities:

| Instrument Type | Date of Issuance | Coupon Rate (%) | Maturity Date | Size of Issue (billion) | Rating assigned along with Outlook/ Watch | Rating Action |
|--------------------|------------------|-----------------|---------------|----------------------------------|---|---------------|
| Term loan | - | - | FY31 | INR17.52 (reduced from INR21.32) | IND AA/Stable | Affirmed |
| Proposed term loan | - | - | - | INR1.15 | IND AA/Stable | Affirmed |
| Proposed term loan | - | - | - | INR0.75 | IND AA/Stable | Assigned |

ANALYTICAL APPROACH

Ind-Ra continues to take a fully consolidated view of RCCPL's 100% parent [Birla Corporation Limited \(BCL, 'IND AA/Stable'\)](#) and its subsidiaries (including step-down subsidiaries), while arriving at the ratings, on account of the strong operational and strategic linkages among them.

BCL had acquired RCCPL in FY17. RCCPL remains strategically important to BCL, as it strengthens the latter's market presence in the central and western region and provides entry into premium cement segments and access to limestone mining licences for growth of the group in different regions. RCCPL accounts for around 50% of the consolidated cement capacity and contributed around 62% (FY23: 66%) to the consolidated EBITDA in FY24, indicating its continued importance in the consolidated credit profile. Both the entities sell cement under the MP Birla Cement brand. Moreover, the two entities have a common chairman and several common directors.

DETAILED RATIONALE OF THE RATING ACTION

The affirmation reflects the continued strong business and credit profile of BCL with a robust market position, geographical diversification and substantial deleveraging in FY24, in line with Ind-Ra's expectations. The capacity utilisation was strong at 90% compared to the industry average of under 70% in FY24. The entity has a strong liquidity profile with cash and cash equivalents of INR7.64 billion at FYE24.

LIST OF KEY RATING DRIVERS

Strengths

- Strong market position
- Well-diversified presence in four regions
- Comfortable operating performance, Mukutban ramp-up and expansions to drive near-to-medium term growth
- EBITDA improves on receding cost headwinds; sustainability key as realisations to remain muted
- Capex completion, EBITDA recovery leads to de-leveraging; credit profile to remain robust

Weaknesses

- Fluctuations in input costs; cyclical demand

DETAILED DESCRIPTION OF KEY RATING DRIVERS

Strong Market Position: BCL is among India's leading cement manufacturers with a total capacity 20 million tonnes (mnt). It has a robust market position in the central region where it is the second-largest player. It is also

among the top 10 players in east, west and north markets. Moreover, BCL is one of the few cement companies to have operational captive coal mines and the increasing extraction at these is likely to result in cost savings by enhancing its backward integration. BCL meets around 80% of its limestone requirement through captive sources and the external purchase is blended with the captive limestone. The company also has limestone concessions that can be used for expansion, if needed.

Well-diversified Presence in Four Regions: BCL is one of India's few cement players to have a presence in four of the country's five cement markets; it has a significant presence in the central (around 50% of sales in FY24), followed by northern (about 21%), western (about 22%) and eastern (about 10%) regions. With the continued ramp-up of its integrated cement plant in Mukutban, Ind-Ra believes BCL will be able to generate around 25% of its sales from the western region over the medium term, leading to a balanced presence across all the regions.

Comfortable Operating Performance, Mukutban Ramp-up and Expansions to Drive Near-to-medium Term Growth: BCL's overall operating performance has improved over the years with capacity utilisations close to 90% in FY24 (FY23: 80%) despite a lower capacity utilisation in the Mukutban plant that started operations in FY23.

BCL's consolidated volumes grew around 12% yoy to 17.7mnt in FY24, better than the industry average of around 8%-9%. Therefore, the consolidated revenue rose to INR96.6 billion in FY24 (FY23: INR86.8 billion, FY22: INR74.6 billion). The agency expects the cement industry's demand to remain healthy in FY25, supported by continued infrastructure creation and housing demand, although the pace of growth will moderate yoy from the pre-election year of FY24. The recent budget announcements for the eastern region, particularly Bihar, towards various infrastructure projects, are likely to push the underpenetrated eastern region as well.

The consolidated capacity utilisation remained strong at close to 90% in FY24 (FY23: 80%, FY22: 88%, FY21: 86%, FY20: 88%), significantly higher than Ind-Ra's estimated industry average of 65%-70%. The utilisation is likely to improve in FY25 as the Mukutban plant's operations ramp-up. Ind-Ra expects BCL to grow in line with the industry growth rate in FY25, with volume growth primarily driven from the ramp-up of Mukutban project.

EBITDA Improves on Receding Cost Headwinds; Sustainability Key as Realisations to Remain Muted: The moderation in costs, especially power and fuel costs, led to an overall improvement in the profitability margins with the EBITDA/mt rising to INR814/mt in FY24 (FY23: INR491/mt). The EBITDA/tonne had declined to INR781/tonne in FY22 and further to INR491/tonne in FY23 (FY21: INR999/tonne); however, with the easing of coal prices from 4QFY23, the profitability has started recovering. The fuel prices fell further in FY24, leading to an overall improvement in the EBITDA. The EBITDA/mt, at the consolidated level, stood at INR814/mt in FY24, primarily on account of reduced power and fuel prices even though the realisation fell around 1% yoy. Ind-Ra expects the realisations to decline slightly year-on-year in FY25, given the increasing competitive intensity with the EBITDA/mt likely to be linked with synergies as the ramp up improves and the extraction of captive coal increases.

Capex Completion, EBITDA Recovery leads to De-leveraging; Credit Profile to remain Robust: With an increase in the EBITDA to INR14.4 billion in FY24 (FY23: INR7.7 billion) and capex completion, BCL's net debt reduced to around INR30.1 billion (INR36.7 billion). As a result, the net leverage (net debt/EBITDA), improved to 2.1x in FY24 (FY23: 4.8x), in line with Ind-Ra's expectations. BCL, at a consolidated level, has a few capex plans lined up over the medium term to enhance its capacity as well as towards cost reduction measures which include the development of its existing coal mines and the self-sustenance of its limestone reserves for captive consumption. At the consolidated level, BCL is likely to incur INR10 billion in FY25 as sustenance and maintenance capex. The management is also likely to increase its overall cement grinding capacity over the medium term. The consolidated interest coverage (EBITDA/gross interest expense) improved to 3.9x in FY24 (FY23: 2.3x, FY22: 4.6x). The management has indicated some capex plans over FY25-FY27, contingent to market conditions.

Fluctuations in Input Costs; Cyclical Demand: Given the competitive business, any sharp increase in the key input prices, including pet coke, coal and diesel, without a corresponding increase in cement prices, could affect

the profitability margins. Also, BCL remains exposed to the inherent cyclicity in the cement industry, which is dependent on the country's infrastructure and housing demand.

LIQUIDITY

Adequate: BCL's liquidity position is backed by the availability of free cash and cash equivalents, substantial unused working capital lines and strong cash flow generation.

The liquidity position of the entity is adequate on the back of the availability of surplus cash and equivalents in the form of investments in mutual funds, bonds and other listed equities. These current investments stood at around INR5.8 billion at FYE24. BCL also holds sufficient unused working capital lines and strong cash flow generation. Almost the entire the secured fund-based working capital limits of around INR7 billion (BCL standalone: INR4 billion; RCCPL: INR3 billion) were unused at end-March 2024. The non-fund-based utilisations stood at around 65% in FY24. The free cash and cash equivalents stood at INR7.64 billion at FYE24, including the current investments in mutual funds, bonds and other listed equities. The group also has investments in non-current assets like listed equities, bonds, non-convertible debentures and legacy equity shares to the tune of INR7.0 billion as on 31 March 2024. Ind-Ra believes the adequate liquidity position, along with the cash flow from operations, will support the total scheduled repayment of around INR5.7 billion in FY25 and INR 6.7 billion in FY26. Also, BCL's management has indicated that it is likely to maintain minimum consolidated cash and cash equivalents of INR2 billion at any point.

The consolidated cash flow from operations (CFO) grew significantly to INR12.4 billion on account of better profitability, lower power and fuel costs and continued efficient working capital. With estimated capex of around INR55 billion over FY25-FY27, the free cash flow is likely to remain negative, after which an increase in cash flow from operations and a reduction in capex spends could lead to positive free cash flow.

RATING SENSITIVITIES

Positive: The ramp-up of the completed project and healthy EBITDA generation, resulting in the net leverage reducing below 2x, all on a sustained and consolidated basis, could lead to a positive rating action.

Negative: Lower-than-Ind-Ra-expected EBITDA generation and/or a better-than-Ind-Ra-expected net debt position, resulting in the net leverage increasing and staying above 2.75x, all on a sustained and consolidated basis, could lead to a negative action.

ANY OTHER INFORMATION

Comfortable Standalone Performance: RCCPL's standalone net leverage improved to 3.0x in FY24 (FY23: 6.1x) due to an overall improvement in the EBITDA to INR8.8 billion (INR5.0 billion). The company earned revenues of INR44 billion in FY24 (FY23: INR38 billion).

Ownership Issue: The MP Birla Group was run by Priyamvada Birla until her death in 2004. She had named Rajendra Singh Lodha (the then co-chairman) as her successor in her will and his son Harsh Vardhan Lodha is the chairman of BCL. The ownership is being contested by the Birla family and the matter has been subjudice since more than a decade. Ind-Ra will continue to monitor the developments on this issue.

ABOUT THE COMPANY

Incorporated in 2007, RCCPL has an integrated cement plant in Maihar (Madhya Pradesh) and Mukutban (Maharashtra) and grinding units at Butibori (Maharashtra) and Kundanganj (Uttar Pradesh) with an aggregate capacity of 9.8mnt of cement and 6mnt of clinker.

BCL, established in 1919, is a part of the MP Birla Group which has business interests in the cement, power & telecom cables, jute, guar gum, healthcare and education. Cement constitutes over 95% of the company's revenues

with manufacturing units located across Rajasthan, Madhya Pradesh, Uttar Pradesh and West Bengal. BCL has a capacity of 10.2mnt of cement and 7.0mnt of clinker.

KEY FINANCIAL INDICATORS

| Particulars (INR billion; Consolidated) | FY24 | FY23 |
|---|-------|------|
| Net revenue (INR billion) | 96.6 | 86.8 |
| EBITDA (INR billion) | 14.38 | 7.72 |
| EBITDA margin (%) | 14.9 | 8.9 |
| Gross interest coverage (x) | 3.9 | 2.3 |
| Net adjusted leverage (Net Debt/EBITDA) (x) | 2.1 | 4.8 |
| Source: Company, Ind-Ra | | |

APPLICABLE CRITERIA

Parent and Subsidiary Rating Linkage
 Evaluating Corporate Governance,
 Corporate Rating Methodology,
 The Rating Process

STATUS OF NON-COOPERATION WITH PREVIOUS RATING AGENCY

Not applicable

COMPLEXITY LEVEL OF THE INSTRUMENTS

| Instrument Type | Complexity Indicator |
|-----------------|----------------------|
| Term loan | Low |

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

CORRECTION

Ind-Ra updates the disclosure on the list of entities being consolidated to include all the subsidiaries (and step-down subsidiaries) for the [rating action commentary](#) published on 22 August 2023.

RATING HISTORY FOR LAST THREE YEARS

| Instrument Type | Rating Type | Rated Limits (billion) | Current Rating/ Outlook | Historical Rating/Outlook | | | |
|-----------------|-------------|------------------------|-------------------------|---------------------------|----------------|-------------------|------------------|
| | | | | 22 September 2023 | 22 August 2023 | 22 September 2022 | 26 November 2021 |
| Issuer Rating | Long-term | - | - | WD | IND AA/Stable | IND AA/Stable | IND AA/Stable |
| Term loan | Long-term | INR19.42 | IND AA/Stable | - | IND AA/Stable | IND AA/Stable | IND AA/Stable |

ANNEXURE I- BANK WISE FACILITIES DETAILS

[Click here](#) to see the details

NAME AND CONTACT DETAILS OF THE RATING ANALYST(S):**Primary Analyst**

Sarthak Bhauwala
Senior Analyst
+91 22 40356154

India Ratings and Research Pvt Ltd Wockhardt Towers, 4th Floor, West Wing,
Bandra Kurla Complex, Bandra East, Mumbai - 400051
For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst

Siddharth Rego
Senior Analyst
+91 22 40356115

Media Relations

Ameya Bodkhe
Marketing Manager
+91 22 40356121

SOLICITATION DISCLOSURES

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

ABOUT INDIA RATINGS AND RESEARCH

India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has six branch offices located at Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad and Kolkata. Ind-Ra is recognized by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.

DISCLAIMER

ALL CREDIT RATINGS ASSIGNED BY INDIA RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://WWW.INDIARATINGS.CO.IN/RATING-DEFINITIONS](https://www.indiaratings.co.in/rating-definitions). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE WWW.INDIARATINGS.CO.IN. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. INDIA RATINGS' CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE.