



BIRLA CORPORATION LIMITED

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Media Release (Q3: 2016-17)

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BIRLA CORPORATION DECLARES Q3 RESULTS

Birla Corporation Limited today declared its results for the Quarter and nine months ended 31 December 2016.

	Q3 FY 2016-17	Q3 FY 2015-16	9 months ending 31 Dec 16	9 months ending 31 Dec 15
Cement production (Lakh ton)	17.51	19.63	57.34	58.82
Cement despatches (Lakh ton)	17.47	19.65	56.79	58.80
Gross Sales/Income from Operations (Rs crore)	831.97	910.29	2,747.57	2,713.30
Profit After Tax (Rs crore)	2.09	13.99	154.85	62.14

During the quarter under review, revenue of the Company reduced by around 9% to Rs. 832 crores and cement despatches were lower by 11% at 17.47 lakh tons, compared to the corresponding period the previous year.

The drop in volumes was contributed primarily by the effect of demonetization in the key markets of North and Central India where the Company's operations are concentrated. Among the States, demand in Uttar Pradesh, which contributes over 80% of the Company's sales in Central India, was the most impacted. Shortage of currency took a major toll on rural consumption that constitutes bulk of channel-trade sales. Construction activities in large projects were impaired by an embargo on sand and aggregates mining in large parts of the State. Further, the ensuing State elections saw new projects being postponed or put on hold.

Owing to low demand, prices remained depressed in all markets, with competition intensifying and large-volume players undercutting on prices.

In response to the adverse market conditions, the Company, on one hand, focused on protecting market shares while working on measures to arrest slide in price realization with a series of marketing and commercial initiatives.

The period also saw the integration of the Reliance Cement operations. The Company embarked on a plan of reorganizing its portfolio and optimizing the supply chain in overlapping markets, to maximize the value of the acquisition.

Despite the fall in revenues, Earnings Before Interest, Depreciation, Taxation and Amortization from operations (EBIDTA) were almost flat (YOY) at Rs 57.96 crores. This was made possible by efforts of the management to improve efficiencies in operations and

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bring down operating costs, particularly those of power and fuel. EBIDTA for nine months ended 31 December 2016, was significantly higher at Rs 276.30 crores, compared to Rs 183.19 crores in the corresponding period the previous year.

Profit after Taxes during the quarter was lower at Rs.2.09 crores, primarily due to higher borrowing costs on account of acquisition of Reliance Cement Co. Pvt. Ltd. (RCCPL) and reduction of treasury income as internal accruals were utilized to fund the acquisition.

There are distinct signs of traction in demand across most markets with impact of demonetization tapering off. We have seen a substantial spurt in sales volume in January 2017 over December 2016, which gives us the confidence of markets returning to normalcy by the end of Q4 2017 when the major State elections would also have been concluded.

The Union Budget confirms the Government's commitment on infrastructure spends. This, combined with initiatives in low-cost rural housing, village roads and assets creation, smart cities and affordable housing, augurs well for the cement sector. We expect a spurt of activities in the core geographic footprint of the Company covering Madhya Pradesh, Rajasthan and Uttar Pradesh, which are likely to be beneficiaries of these initiatives.

Having regard to the prevailing macro environment, the operations of RCCPL have been quite satisfactory there being improvements in operating parameters across the board. All its plants are operating at high levels of efficiency and achieving optimal levels. Efforts to integrate its operations with the Company and realize synergy benefits are on course and have started yielding benefits. Even under the current scenario, when demand as well realizations continue to be soft in one of its key markets viz. Uttar Pradesh, EBIDTA per ton of RCCPL is fairly high owing to strong operating parameters, high levels of cost effectiveness and fiscal incentives it enjoys. Measures being undertaken by us such as installation of Waste Heat Recovery System and dispatches by rail in its grinding unit in Uttar Pradesh are expected to aid in further reduction in cost and increasing volumes. Once the volumes and realizations pick up in the coming months, its profitability would improve further and should be amongst the highest in the industry.

RCCPL has started the exercise of rebranding of the 'Reliance Perfect Cement' brand as 'MP Birla Perfect Cement'. The campaign has been well received in the markets. The initiative is expected to provide impetus to increase volumes and maintain the premium pricing of the brand in the trade segment.

The Jute Division continues to improve its performance. Despite decline in production owing to spurt in absenteeism of workers, cash profit for the quarter under review has been stable at Rs 6 crores. This could be achieved mainly on the back of improved man and machine productivity. The Division continues to lay emphasis on modernization and manufacturing of value-added products, giving better results.

DISCLAIMER

Statements in this release describing the Company's objectives, projections, estimates, expectations or predictions may be 'forward looking statements' within the meaning of applicable laws or regulations. Actual results could, however, differ materially from those expressed or implied. Important factors that could make a difference to the Company's Operations include global and domestic demand-supply conditions, finished goods prices, raw materials and fuel costs & availability, transportation cost, changes in Government regulations and tax structure, economic developments within India and the countries with which the Company has business contacts and other factors such as litigation and industrial relations. Neither our Company, our Directors, nor any of our affiliates, have any obligation to update or otherwise revise any statements reflecting circumstances arising after this date or to reflect the occurrence of the underlying events, even if the underlying assumptions do not come to fruition.
