



Birla Corporation Limited

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Birla Corporation December quarter EBIDTA jumps 48% on strong sales and higher realisation

Birla Corporation Limited, the flagship company of the MP Birla Group, on 5 February announced its financial results for the quarter and nine-months ended 31 December 2018, consolidated with the results of RCCPL Private Limited (formerly Reliance Cement Company Private Limited), a wholly-owned subsidiary.

Key highlights:

Net sales

	2018-19	2017-18	Change (in %)
December quarter	Rs 1,556.9 crore	Rs 1,387.8 crore	12.1
Nine months till 31/12	Rs 4,676 crore	Rs 4,079.2 crore	14.6

Net profit

	2018-19	2017-18	Change (in %)
December quarter	Rs 27.4 crore	(Rs 21.8 crore)	
Nine months till 31/12	Rs 127.5 crore	Rs 22.8 crore	459.2

EBIDTA

	2018-19	2017-18	Change (in %)
December quarter	Rs 217.7 crore	Rs 146.8 crore	48.3
Nine months till 31/12	Rs 693.1 crore	Rs 592 crore	17.1

Cement production

	2018-19	2017-18	Change (in %)
December quarter	32.1 lakh tons	29.8 lakh tons	7.7
Nine months till 31/12	98.6 lakh tons	89.2 lakh tons	10.5

Cement sales

	2018-19	2017-18	Change (in %)
December quarter	32.1 lakh tons	30.3 lakh tons	6
Nine months till 31/12	97.9 lakh tons	89.2 lakh tons	9.9

The operations of the Company in the December quarter showed remarkable improvement owing to higher sales and better realisations in key markets despite significant headwinds such as escalation in the cost of pet coke and coal.

Though the price of diesel has started to soften, it is still up by more than 20% from the beginning of the current financial year. It has pushed up transportation cost of both raw materials and finished goods.

Cement production in the quarter ended 31 December grew 8% year-on-year, while sales grew 6%. Production and sales could have grown faster but were impacted by kiln shutdown at all three integrated plants during the quarter.

The Company's consolidated EBIDTA for the December quarter shot up by 48% over the same period last year because of various factors such as increase in the share of blended cement in total sales, launch of premium products and improved efficiency in operations.

Blended cement now accounts for a healthy 89% of the Company's total sales by volume compared with 87% at the end of the September quarter and 85% a year ago. Realisation in the December quarter has gone up by 8% over the same period last year.

The Company has successfully created a unique identity for its offerings under the MP Birla Cement franchise. Its material benefits are now available in the form of significant opportunities in cross-branding and improved efficiency in trade distribution.

MP Birla Cement's flagship brand, Perfect Plus, was launched in the northern markets of Rajasthan and Haryana. It has shown good progress and within short time, this premium brand is contributing approximately 10% of total trade sales, or non-institutional sales, in these markets.

The Company's heritage brand, MP Birla Samrat, has now established clear leadership in markets of Central and Eastern Uttar Pradesh. Building on its equity, the Company has launched MP Birla Samrat Advanced to increase its value share in the market.

Also, the Company is increasingly benefitting from better management of sales logistics, which has helped tighten the working capital cycle.

Restrictions imposed on limestone mining at Chanderia in Rajasthan (near Chittorgarh) remain a challenge. Mechanical mining is more expensive than conventional means of extracting limestone by using explosives. Still, the Company is finding ways to rationalise costs and increase output, working within the court-imposed restrictions.

The Company and its subsidiary RCCPL Private Limited continue to focus aggressively on measures to streamline costs. Among others, the following initiatives have been taken and these are expected to bring substantial savings to the Company:

- a. 12.25 MW Waste Heat Recovery System at Maihar (expected to be commissioned in first quarter of 2019-20)
- b. Solar Power plants at Maihar (11 MW), Chanderia (3.6 MW) and Satna (1.2 MW)
- c. Ramp up of production at captive coal mine at Sial Ghogri
- d. Wagon loading platform at Kundanganj

Mukutban greenfield project

The bhoomi puja, or the ground breaking ceremony, for the Mukutban greenfield cement plant of RCCPL Pvt. Ltd, took place on 23 January 2019. Construction of the plant in Maharashtra's Yavatmal district has started, and, as approved by the Board earlier in this fiscal year, an integrated unit with an annual production capacity of 3.9 million tons is to be built at an estimated cost of Rs 2,450 crore. The budget includes construction of a 40 MW captive power plant and a power generation facility of 10.6 MW using waste heat recovery system. The cement plant is expected to be commissioned in 2021-22.

Kundanganj capacity ramp up

The Company is looking to scale up the operations of RCCPL's Kundanganj unit as well, where 1.2 million tons of production capacity is being added. On completion of these projects, RCCPL's production capacity will be augmented to 10.68 million tons from 5.58 million tons.

Launch of construction chemicals

The Company has launched construction chemicals to supplement its premium Perfect Plus brand of cement. Three products—Perfect Plus IWP (integral waterproofing), Perfect Plus SBR (styrene butadiene rubber) Latex and Perfect Plus Wall Putty—are now available in Lucknow and Indore. Perfect Plus IWP has unique water resistance properties whereas Perfect Plus SBR Latex is a multipurpose polymer-based waterproofing and repair solution.

Going forward, these products will create a significant new revenue stream for the Company and its trade partners. This will also create opportunities for the Company to foster new partnerships with retailers of construction materials other than cement.

Outlook

With the Union Government pushing to complete infrastructure projects, demand for cement is expected to strengthen. In the recent Budget, the Union Government has announced several incentives for the real estate sector, aimed at boosting demand for housing. Because housing accounts for around two-thirds of cement consumption in India, revival in demand will help cement manufacturers scale up sales. Also, cost pressures have started to ease and are expected to shore up margins going forward.

Jute Division

The Jute Division is turning 100 in 2019. Birla Jute Mills is the first jute mill started by an Indian entrepreneur. Highly manpower-intensive, the jute business is heavily dependent on government orders. Amid challenging market conditions, the Division has consistently turned in profits, focusing on value-added products.

In the December quarter, its net sales grew by 45.5% over the previous year from Rs 65.7 crore to Rs 95.6 crore. However, EBIDTA for the quarter was subdued at Rs 5.5 crore (compared to Rs 7.4 crore in the previous year) largely on account of a surge in raw jute prices.

About Birla Corporation Limited

Birla Corporation Limited is the flagship Company of the MP Birla Group. Incorporated as Birla Jute Manufacturing Company Limited in 1919, it was given shape and brought to its present form by Shri M P Birla. Birla Corporation Limited has interest in cement and jute. The Company's Birla Jute Mills is the first jute mill started by an Indian entrepreneur. The Company and its subsidiary, RCCPL Private Limited (the erstwhile Reliance Cement Company Private Limited), have ten cement plants spread across the country, with an annual installed capacity of 15.5 million tons. For more information, visit www.birlacorporation.com.

Cautionary statement:

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.