Birla Corporation Limited
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19th June, 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- Revision in Credit Ratings Outlook 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 revision in outlook for the bank facilities of RCCPL Private Limited, Wholly-Owned Material Subsidiary of the Company:

Name of Credit Rating Agency	Facilities	Rating/ Outlook	Rating Action
CARE Ratings Limited	Long Term Bank Facilities	CARE AA, Outlook: Stable	Rating Re-affirmed, Outlook changed from Negative to Stable
	Long Term/ Short Term Bank Facilities	CARE AA, Outlook: Stable/CARE A1+	Rating Re-affirmed, Outlook changed from Negative to Stable

The report from CARE Ratings Limited for revision in credit rating Outlook is enclosed. The Company received the aforesaid information on 18th June, 2024 at around 6.37 p.m. (IST).

This is for your information and record please.

Thanking you,

Yours faithfully,
For **BIRLA CORPORATION LIMITED**

MANOJ MEHTA Digitally signed by MANOJ MEHTA Date: 2024.06.19 13:14:42 +05'30'

(MANOJ KUMAR MEHTA)
Company Secretary & Legal Head

Encl: As above

RCCPL Private Limited

June 18, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long term bank facilities	1,169.76 (Reduced from 1,399.83)	CARE AA; Stable	Reaffirmed; Outlook revised from Negative
Long term / short term bank facilities	1,020.00	CARE AA; Stable / CARE A1+	Reaffirmed; Outlook revised from Negative

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed its ratings to bank loan facilities of RCCPL Private Limited (RCCPL), while the outlook has been revised to 'Stable' from 'Negative'.

The rating assessment continues to consider RCCPL's healthy competitive position derived from business synergies with its parent, Birla Corporation Limited (BCL), which has a similar product profile, branding and distribution network. In the grey cement manufacturing business, RCCPL's 9.81 MTPA capacity supplements BCL's 10.19 MTPA capacity which are majorly spread across central, northern, western and eastern India. Its strong market position is amplified by the group's (referred to as BCL at a consolidated level, which includes RCCPL) significant penetration in central, followed by eastern and northern India. The group has established a healthy brand recall of its cement products, which is supported on ground by its distribution network, leading to higher retail trade mix. RCCPL's sound operating efficiencies is driven by the presence of captive limestone mines, coal block mines, and power generation with a mix of thermal, Waste Heat Recovery System (WHRS) and solar power. The company's new age plants are efficient in power & fuel consumption. These operational factors allow the company to operate at healthy profitability.

These strengths are partially tempered by volatile input cost and cement price realisation. With improvement in profitability and moderation in debt in FY24 (refers to April 01 to March 31), the company's debt coverage metrics strengthened in FY24. However, it still remains moderate and is sensitive to future capex and debt raising programmes.

Revision in outlook from 'Negative' to 'Stable' is largely driven by the reversion of the group's debt coverage metrics to historical levels and its expected sustenance. RCCPL's rating sensitivities factor movement of credit profile of its parent; BCL (rated CARE AA; Stable/CARE A1+). Net debt to profit before interest, lease rentals, depreciation, and taxation ([Net Debt/PBILDT] inclusive of Security Deposits (SD) and LC acceptances (LC)) of BCL group was 2.62x in FY24, strengthening significantly from 5.55x in FY23 and meaningfully below the negative sensitivity trigger of 3.5x. The group witnessed significant improvement in operating profitability in FY24, supported by softened power & fuel costs and improved operational efficiency of Mukutban plant (Maharashtra), housed in RCCPL, as it ramped up production and improved utilisation of Waste Heat Recovery system, leading to lower cost of power per tonne at the Mukutban plant. The group restricted its capital expenditure (capex), which and, improvement in internal accruals led to debt reduction in FY24. Currently, CARE Ratings expects Net Debt/PBILDT (inclusive of SD and LC) of the group to remain within 3.5x, as BCL's management is expected to cautiously take up capacity expansion project(s).

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the credit profile of BCL (parent).

Negative factors

- Deterioration in the credit profile of BCL (parent).
- Large debt programme, which can significantly deteriorate capital structure of RCCPL, i.e. overall gearing more than 3x, on a sustained basis.
- Substantially reducing shareholding or financial/ operational linkages between the two entities, which may impact its credit profile.

Analytical approach: CARE Ratings has considered consolidated financials of RCCPL to arrive at its ratings along with factoring linkages with its parent, BCL. RCCCPL's consolidated financials consider significant business, operational, and financial linkages between RCCPL and its subsidiaries. Details of subsidiaries consolidated in RCCPL are listed in Annexure-6.
Parentage of BCL (owns 100% in RCCPL) is also factored, in while arriving at ratings of RCCPL, as these companies are engaged in similar line of operation under a common management, having financial linkage, and sell its products under a common brand and marketing team. RCCPL provides significant strategic strength to the BCL group.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Earlier approach: Earlier, standalone financials of RCCPL were considered, factoring linkages with the parent, BCL.

Outlook: Stable
The 'stable' outlook reflects CARE Ratings' belief that RCCPL will continue to hold strategic importance for BCL, contributing significantly to group's revenue and profitability. This will be considering the expectation of sustaining the current financial risk profile by BCL group, particularly, its debt coverage metrics, while continuing its strong operating performance. New debt-funded capex project(s) of the group are expected to be undertaken with Net Debt/PBILDT (inclusive of SD and LC) to remain within 3.5x.

Detailed description of the key rating drivers
Key strengths

Shared marketing and branding strategies with BCL
Despite being a commoditised business, BCL has been able to establish its brand over the years with its flagship cement brand, "MP Birla Cement". M.P Birla Perfect Plus and Rakshak are its premium brands. Products of both BCL and RCCPL are sold under the same brands. The group has 11 brands of cement products with varied characteristics and has distribution network of 278 sales promoters and 8500+ dealers, which significantly supports on-ground sales. RCCPL houses almost 50% of the total cement capacity, allowing the company to further penetrate the central region and providing presence in western India. All sales, procurement, and other operational decisions by the management of the group factor in all plants housed under BCL including RCCPL's plants.
The group largely sells blended cement, which is consumed by retail trade segment. Accordingly, the group's retail trade mix was 72% (77%) in the overall volumes in FY24 (FY23).

Healthy competitive position supported further by diversified geographical profile
BCL is among the oldest cement manufacturing companies in India and over the years established, it has a strong presence in cement markets of central, eastern and northern India. RCCPL's standalone cement capacity of 9.81 MTPA supplements 10.19 MTPA capacity of its parent BCL. The group derives about 50%-55% of its sales volumes from central India dedicated 9.35 MTPA of cement capacity in the region, followed by the eastern region 19%-23% and the northern region 14%-16%. In May 2022, the group started operations of its Mukutban plant of 3.90 MTPA in Maharashtra, which largely caters to proximate regions of Vidharba, Marathwada, and Khandesh in Maharashtra and adjoining markets of Madhya Pradesh, Nizamabad, Telangana and adjoining markets of South Gujarat. This has increased its presence in the western region with share of volume from the western region rising from just 3% in FY22 to around 13% in FY24. Its benefit is already accruing, with the group growing its cement volumes by 12% year-on-year (Y-o-Y) to 17.65 MT in FY24. However, realisations remained muted, leading to net sales growth of 11% y-o-y to ₹9476 crore in FY24. RCCPL itself grew its volume by 20% to 8.03 million tonnes, though realisations remained subdued. RCCPL's net sales grew by 17% to ₹4211 crore. Volume growth was largely driven by healthy demand witnessed in residential real estate and government's push towards infrastructure, which also led to increase in proportion of non-trade sales in FY24.
No major price hikes are expected for FY25 amidst intense competition between existing players and softened overall demand growth against earlier years. The Mukutban plant is expected to further ramp up its production, providing overall support in volumetric growth for the company and the group in FY25.

Integrated units with captive limestone mines, coal mines and power generation allowing cost competitiveness
Integrated units with captive limestone reserves, coal mine blocks, captive power sources supported by split grinding units allow company to remain cost competitive. The company has limestone mines near its Maihar and Mukutban plant, which met over 85% of total limestone requirements in FY24. The company's Persoda limestone catering to the Mukutban unit has also been operational, which is expected to further reduce limestone requirements from outside in FY25. The currently operational coal mine provided about 55%-60% of the Maihar unit's fuel requirements in kiln in FY23-FY24.
The company has multiple power sources, having installed 40 MW captive thermal power plant, 20.85 MW of WHRS and 23.70 MW of Solar plant. Of these, the 40 MW of thermal power plant and 8.60 MW of WHRS was largely operationalised in Q4FY23 catering to Mukutban plant requirements. RCCPL's plants have the latest technology and hence ensure optimum efficiency in terms of operations. This is evident from low power requirement per tonne of production of cement in the range of 65-67 kw/ton in FY23 and FY24.

Healthy operating profitability
Post significant cost pressures in FY23, the company has returned to its historical operating profitability margins. This was reflected in the PBILDT per tonne metric improving to ₹1101 in FY24 from the lows of ₹773 per tonne in FY23. Power and fuel cost reduced from ₹1179 per tonne in FY23 to ₹811 per tonne in FY24 supported by significant softening of pet coke and coal prices in the last 12 months. Efficient units under RCCPL leads to optimum fuel consumption. Operations of newly commissioned plant in Mukutban significantly ramped up operations in FY24 and commissioning cost-efficient Waste Heat Recovery System for power requirements, leading to turnaround in operating profit at plant level compared to operational loss in FY23.

In FY25, the company is expected to further benefit from incremental volumes from Mukutban and expected lower outside limestone procurement for Mukutban clinker operations. The company has inventory of low-cost fuel at the start of FY25 compared to FY24, leading to expectation of continued lower power & fuel cost per tonne in FY25. However, muted realisations due to softened demand for cement expected in H1FY25 and possible price competition in H2FY25 for pushing volumes by cement players may lead to status quo in operating profitability.

Key weaknesses

Moderately leveraged capital structure and debt coverage metrics

The company has strong tangible net worth as on March 31, 2024 (2023) at ₹2316 crore (₹2078 crore). Debt funded projects have kept the company's capital structure moderately leveraged with overall gearing 1.37x (1.74x) as on March 31, 2024 (2023). Improvement in FY24 was driven by restricted capex and healthy accruals leading to debt reduction. RCCPL's net debt to PBILDT, improved from 6.42x in FY23 to 3.27x in FY24. Similarly, interest coverage improved to 3.37x in FY24 from 2.14x in FY23. Though, the company is going to undertake debt funded capex over the medium term, its net debt to PBILDT is expected to be below 3.5x.

Profitability exposed to volatile input costs and price realisations

The company is exposed to commodity price risk arising from raw material price fluctuation (gypsum, fly ash and iron slag) and fuel (coal and pet coke). Coal (indigenous and international) is used for power generation to run its plants and fuel for kilns. In recent years, the cement industry has witnessed significant spike in power & fuel costs post pent-up demand for fuel after the world started opening post multiple COVID-19 waves and vaccinations. Thereafter, the Russia-Ukraine war exacerbated the fuel cost in FY22 and FY23. However, fuel costs have moderated in the last 12 months, which reflected in RCCPL's improving profitability. The company's profitability will remain exposed to significant input cost volatility and cement price realisation, which depends on each region's demand and supply dynamics (volume growth and installed capacity) to cater to the demand in a particular region.

Cyclicality of the cement industry

The cement industry is highly cyclical and depends largely on the country's economic growth. There is a high degree of correlation between the GDP growth and the growth in cement consumption. Cement, being a cyclical industry, goes through phases of ups and downs, and accordingly impacts unit realisations.

Liquidity: Adequate

RCCPL's adequate liquidity is supported by adequate cash and cash equivalents and healthy cushion between gross cash accruals (GCA) against repayment obligations and modest bank limit utilisation. The company has generated GCA of ₹645 crore in FY24 which is expected to be sustained over the medium term. Against this, the company has repayment obligations (including lease liabilities) of ₹338 crore in FY25 rising to about ₹470 crore in FY26.

The company has cash and cash equivalents of ₹96 crore (₹135 crore) as on March 31, 2024 (2023) and liquid investments of ₹165 crore (₹141 crore). Despite, the rise in working capital requirements due to increased power & fuel costs, the company modestly utilised its fund based working capital limits around 10% in the last 12 months through March 2024. Apart from sanctioned working capital limits, the company has unsecured limits of more than ₹350 crore in RCCPL available.

RCCPL enjoys additional financial flexibility from being part of the MP Birla Group, particularly its funding support from its parent BCL, when required.

Environment, social, and governance (ESG) risks of the BCL group

The cement sector has a significant impact on the environment, considering higher emissions, waste generation and water consumption. Cement manufacturing is energy intensive and its high dependence on natural resources, such as limestone, coal as key raw materials are key reasons. Due to the nature of operations affecting the local community and health hazards involved in cement manufacturing, the sector also has a social impact. BCL has continuously focused on mitigating its environmental and social risks. CARE Ratings believes BCL's commitment to ESG will support its strong credit profile.

Few steps are as below –

Environment

- Boosted renewable power generation and focused on utilising industrial waste as alternative fuel and raw materials (AFR). Solar power generation capacity stands at 41.2 MW, combined with 43.35 MW from Waste Heat Recovery System (WHRS). BCL installed Solar Power Plants at different factories for increasing the share of renewable power in captive power consumption.
- Employed leak-proof BTAP rakes for flyash transportation, reducing truck trips by 25,000 a year and carbon footprint.
- Planted close to 81,000 trees at Mukutban to mitigate environmental impact of operations.

Social

- At Mukutban, the company collaborated with Central Institute of Petrochemicals Engineering and Technology (CIPET) to impart technical skills that make people employable.
- Under the healthcare programme, Arogyatai, the company supports the health of young mothers and children, making an impact on at least 20,000 people across nine villages in Yavatmal, Maharashtra.

Governance

- The Board of Directors reaffirmed their continued commitment to good Corporate Governance Practices as set out by the Securities and Exchange Board of India ('SEBI') per annual report FY23. The company has complied with the Corporate Governance Code as stipulated under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Applicable criteria

[Consolidation](#)
[Definition of Default](#)
[Factoring Linkages Parent Sub JV Group](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Manufacturing Companies](#)
[Financial Ratios – Non financial Sector](#)
[Short Term Instruments](#)
[Cement](#)

About the company and industry

Industry classification

Macro economic indicator	Sector	Industry	Basic industry
Commodities	Construction materials	Cement & cement products	Cement & cement products

RCCPL (erstwhile Reliance Cement Company Private Limited) was incorporated in 2007 and is engaged in manufacturing cement with major presence in Madhya Pradesh, Uttar Pradesh, and Maharashtra. RCCPL's aggregate installed cement capacity is of 9.81 million tonnes per annum (MTPA). The company was initially a wholly owned subsidiary of Reliance Infrastructure Limited. However, on August 22, 2016, 'Birla Corporation Limited', took over 100% shares of RCCPL held by RIL to expand its existing operations, market presence and gain synergies as apart from its cement manufacturing facilities in Rajasthan, BCL, like RCCPL, also has significant operations in central India.

RCCPL - Consolidated

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	3758	4364
PBILDT	517	885
PAT	-4	220
Overall gearing (times)	1.74	1.37
Interest coverage (times)	2.14	3.37

A: Audited UA: Unaudited; Note: these are latest available financial results
* Abridged financials
Please note Overall gearing and Net Debt/PBILDT ratios factor in security deposits and Creditors on LC

RCCPL - Standalone

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	3,758	4,363
PBILDT	517	885
PAT	22	250
Overall gearing (times)	2.15	1.67
Interest coverage (times)	2.14	3.38

A: Audited UA: Unaudited; Note: these are latest available financial results
* Abridged financials
Please note Overall gearing and Net Debt/PBILDT ratios factor in security deposits and Creditors on LC

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	31-12-2028	849.01	CARE AA; Stable
Fund-based - LT-Term Loan	-	-	-	30-08-2028	179.00	CARE AA; Stable
Fund-based - LT-Term Loan	-	-	-	31-12-2028	141.75	CARE AA; Stable
Fund-based - LT/ ST-Working Capital Limits	-	-	-	-	280.00	CARE AA; Stable / CARE A1+
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	-	-	-	-	740.00	CARE AA; Stable / CARE A1+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	849.01	CARE AA; Stable	-	1)CARE AA; Negative (29-Aug-23) 2)CARE AA; Negative (04-Jul-23)	1)CARE AA; Stable (05-Jul-22)	1)CARE AA; Stable (05-Jul-21)
2	Fund-based - LT/ ST-Working Capital Limits	LT/ST	280.00	CARE AA; Stable / CARE A1+	-	1)CARE AA; Negative / CARE A1+ (29-Aug-23) 2)CARE AA; Negative / CARE A1+ (04-Jul-23)	1)CARE AA; Stable / CARE A1+ (05-Jul-22)	1)CARE AA; Stable / CARE A1+ (05-Jul-21)
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	740.00	CARE AA; Stable / CARE A1+	-	1)CARE AA; Negative / CARE A1+ (29-Aug-23)	1)CARE AA; Stable / CARE A1+ (05-Jul-22)	1)CARE AA; Stable / CARE A1+ (05-Jul-21)

						2)CARE AA; Negative / CARE A1+ (04-Jul-23)		
4	Fund-based - LT-Term Loan	LT	179.00	CARE AA; Stable	-	1)CARE AA; Negative (29-Aug-23) 2)CARE AA; Negative (04-Jul-23)	1)CARE AA; Stable (05-Jul-22)	1)CARE AA (CE); Stable (05-Jul-21)
5	Fund-based - LT-Term Loan	LT	141.75	CARE AA; Stable	-	1)CARE AA; Negative (29-Aug-23) 2)CARE AA; Negative (04-Jul-23)	1)CARE AA; Stable (05-Jul-22)	1)CARE AA; Stable (05-Jul-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of all the entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1.	AAA Resources Private Ltd	Full	Wholly owned Subsidiary
2.	Utility Infrastructure & Works Private Ltd	Full	Wholly owned Subsidiary
3.	SIMPL Mining & Infrastructure	Full	Wholly owned Subsidiary

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information,
please visit www.careedge.in