

**NOT
RATED**
**BIGBLOC
CONSTRUCTION**

| Construction Materials

| 10 October 2023

Plant visit: Ramping up AAC capacity

- Autoclaved aerated concrete (AAC) block production targeted to reach 0.5mn cbm per annum by end-FY24 at Wada plant
- Expansion sets company on course to becoming the largest producer of AAC in India, ahead of Hyderabad Industries
- Management expects EBITDA margin to remain in the range of 23-25%, ahead of competition

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We visited the Wada (Maharashtra) plant of Bigbloc Construction (Bigbloc, Not Rated), which is primarily engaged in the manufacture of AAC blocks – a strong yet lightweight concrete building material. Key takeaways:

AAC blocks cheaper than traditional red bricks...: Red bricks sell for Rs 4,500-5,000/cbm and Bigbloc's management expects prices to rise in the near future. AAC blocks are available for ~Rs 4,100/cbm, much cheaper than traditional bricks.

...and more environment-friendly: AAC blocks are lightweight, thermally efficient, earthquake- and fire-resistant, consume less coal and emit less carbon dioxide than bricks. Further, bricks have a 10-15% higher rejection rate than AAC.

Low rejection rate; high carbon credits: Product rejection at the industry level is 7-8% and Bigbloc's is sub-4%. Per the company, rejection at its Wada plant is just 1-1.25%, offering an edge over competitors on margins. Its EBITDA margin ranges from 23% to 25%, which management expects will be sustained. The company generates 60k-65k of carbon credits per year from its Umargam plant in Vapi (Gujarat) and is aiming for ~100k credits from Wada at full capacity and 200k-300k p.a. overall.

Expansion underway: Wada plant Phase-2 is due to commence by end-FY24, doubling the unit's annual capacity to ~0.5mn cbm at a capex of Rs 180mn-200mn. Per management, expansion at Wada along with the concurrent addition of ~0.3mn cbm at Ahmedabad will make Bigbloc the largest AAC producer in India at ~1.4mn cbm. The goal is to boost capacity to 3.0mn cbm in 4-5 years.

Diverse order book: Bigbloc markets two types of AAC blocks – Grade-1 (~75% of revenue) and Grade-2 (~25%). No single customer forms more than 3-4% of volumes. Key clients include Lodha, Adani, Godrej and the Mahindra group, which the company caters to via its own fleet of 65-70 trucks (transport cost is 18-24% of the topline).

Leveraged balance sheet: The company's debt/equity ratio is 1.1x (FY23) with gross debt at Rs 864mn. The average working capital cycle runs for 35-45 days.

Ticker/Price	BIGBLOC IN/Rs 172
Market cap	US\$ 1mn
Free float	39%
52wk high/low	Rs 190/Rs 116
Promoter/FPI/DII	72%/0%/0%

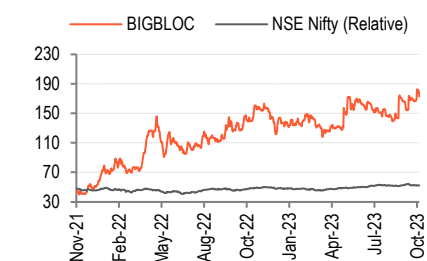
Source: NSE | Price as of 10 Oct 2023

Key financials

Y/E 31 Mar	FY21A	FY22A	FY23A
Total revenue (Rs mn)	1,030	1,752	2,001
EBITDA (Rs mn)	121	271	500
Adj. net profit (Rs mn)	25	161	301
Adj. EPS (Rs)	1.7	2.3	4.3
Consensus EPS (Rs)	1.7	2.3	4.3
Adj. ROAE (%)	8.0	40.7	49.3
Adj. P/E (x)	100.0	76.8	41.0
EV/EBITDA (x)	25.0	46.8	26.4
Adj. EPS growth (%)	0.4	30.3	87.4

Source: Company, BOBCAPS Research

Stock performance



Source: NSE

AAC block manufacturing process

Fig 1 – Storage of fly ash – procured from government thermal plants in Ukai, Surat



Source: BOBCAPS Research, Company

Fig 2 – Ash and water slurry storage tanks



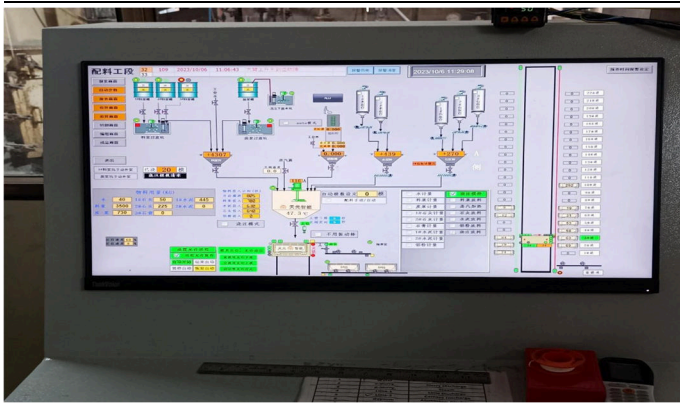
Source: BOBCAPS Research, Company

Fig 3 – Raw material mixer where fly ash, water, cement and lime are mixed to form AAC slurry



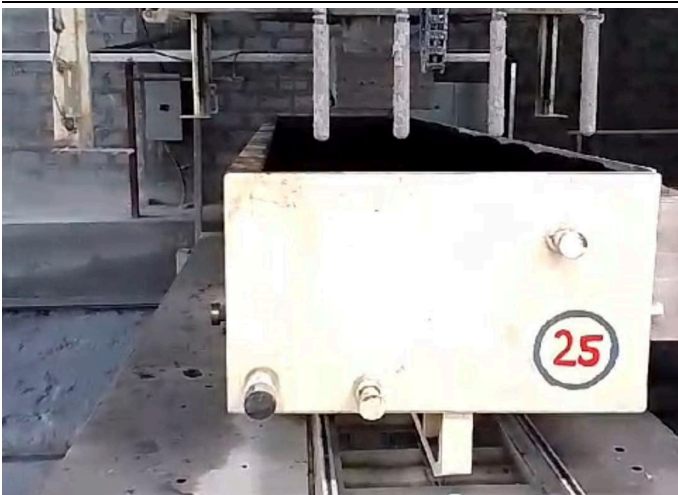
Source: BOBCAPS Research, Company

Fig 4 – State-of-the art equipment in place, including LED display to track the mixing process



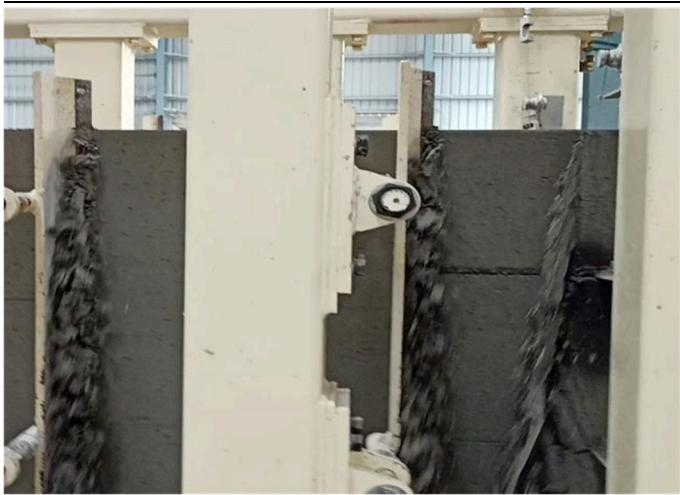
Source: BOBCAPS Research, Company

Fig 5 – AAC slurry is collected in an oiled mould and cooled to form a cake



Source: BOBCAPS Research, Company

Fig 6 – Cake is cut into blocks and waste is recycled; AAC blocks are then transported for shipping or further storage



Source: BOBCAPS Research, Company

Company profile

Incorporated in 2015 in the state of Gujarat, Bigbloc Construction (Bigbloc) is primarily engaged in the manufacture of AAC blocks – a strong, lightweight concrete building material that is eco-friendly, thermally efficient and fire resistant. Bigbloc is one of the largest manufacturers of AAC blocks in India and is in the process of raising production capacity to ~1.4mn cubic metres (cbm) by end-FY24. The company markets its product under the brand *Nxtbloc* and counts marquee names such as Adani Realty, Lodha, Godrej, Mahindra Group and Piramal Realty as clients.

Manufacturing plants and process

Bigglob's Wada plant in Maharashtra commenced phase-1 operations from Apr'23 with production capacity of ~0.25mn cubic metres (cbm) per annum. Apart from Wada, the company has manufacturing units at Umargam (Vapi) and Kapadvanj (Ahmedabad) in Gujarat with aggregate capacity of ~0.6mn cbm per annum. Phase-2 expansion at Wada totalling ~0.25mn cbm and the addition of ~0.3mn cbm at Kapadvanj are due to become operational by end-FY24, which will take the company's overall capacity to ~1.4mn cbm per annum.

In terms of the manufacturing process, a typical AAC block at the plant is made from fly ash (daily consumption ~450-500t), water, cement (~125t) and lime (~40-50t). The ingredients are mixed and the resulting slurry is poured into a mould to form an AAC block. At the Wada unit, the company currently produces 700-800cbm daily (~24k-25k cbm per month) and expects to reach ~1,600cbm post expansion (~48k cbm per month).

Fly ash is procured from government thermal plants in Ukai, Surat (ash and water constitute 70-75% of the final product), whereas cement is procured from quantity contracts with Nuvoco and Wonder Cement (~19% of the final product).

Promoter background

- **Narayan Sitaram Saboo** is Chairman & Executive Director of the company with 34 years of experience in management and operations of the textile business and 10 years in the AAC block business. He holds a law degree (LLB) and specialises in providing industry-wise leadership and management strategy.
- **Naresh Sitaram Saboo** is Managing Director of the company with over 25 years of experience in the textile business and 10 years in AAC. His expertise lies in providing strategic direction in the selection of technology and machinery for the setup of manufacturing facilities, improvement of production processes and new ventures.
- **Mohit Narayan Saboo** is Director and CFO of the company with 7 years of experience in corporate taxation, finance and accounts. He is a Chartered Accountant and is responsible for handling corporate finance and accounting, secretarial and legal matters.
- **Manish Saboo** is Marketing & Strategy Head with over 10 years of experience as a commercial manager. He handles the company's financial and marketing operations. His functions as executive director includes planning and execution of the company's marketing and financial strategy.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY19A	FY20A	FY21A	FY22A	FY23A
Total revenue	1,001	1,188	1,030	1,752	2,001
COGS	598	677	586	1,028	1,023
Employee Expense	106	127	102	137	146
Other expense	228	280	220	316	333
EBITDA	69	103	121	271	500
EBITDA margin (%)	6.9	8.7	11.8	15.5	25.0
Depreciation	38	48	52	59	61
EBIT	31	56	69	213	439
Net interest inc./(exp.)	43	44	44	34	36
Other inc./(exp.)	3	3	2	2	2
Exceptional items	-	-	-	-	-
EBT	(9)	15	27	181	406
Income taxes	5	(10)	2	20	105
Extraordinary items	-	-	-	-	-
Min. int./Inc. from assoc.	-	-	-	-	-
Reported net profit	(14)	25	25	161	301
Adjustments	-	-	-	-	-
Adjusted net profit	(14)	25	25	161	301

Balance Sheet

Y/E 31 Mar (Rs mn)	FY19A	FY20A	FY21A	FY22A	FY23A
Accounts payables	155	173	159	162	179
Other current liabilities	93	40	72	92	40
Provisions	10	3	3	22	106
Debt funds	446	519	556	368	864
Other liabilities	43	29	28	27	31
Minority Interest	-	-	-	-	18
Equity capital	142	142	142	142	142
Reserves & Surplus	132	157	178	329	612
Shareholders Fund	274	299	320	470	753
Total liab. and equities	1,022	1,063	1,138	1,140	1,991
Cash and cash eq.	6	3	3	3	17
Accounts receivables	248	245	239	263	311
Inventories	75	69	88	63	110
Investments	0	0	0	5	4
Net fixed assets	644	678	708	701	862
CWIP	-	-	-	-	410
Other assets	50	68	101	106	277
Total assets	1,022	1,063	1,138	1,140	1,991

Cash Flows

Y/E 31 Mar (Rs mn)	FY19A	FY20A	FY21A	FY22A	FY23A
Cash flow from operations	194	7	47	255	141
Capital expenditures	(298)	(82)	(81)	(52)	(623)
Change in investments	(0)	-	(0)	(4)	1
Other investing cash flows	-	-	-	-	(18)
Cash flow from investing	(298)	(82)	(81)	(56)	(640)
Equities issued/Others	-	-	-	-	-
Debt raised/repaid	84	72	37	(189)	496
Other financing cash flows	18	-	(4)	(11)	18
Cash flow from financing	102	72	34	(199)	514
Chg in cash & cash eq.	(2)	(3)	0	(0)	15
Closing cash & cash eq.	6	3	3	3	17

Per Share

Y/E 31 Mar (Rs)	FY19A	FY20A	FY21A	FY22A	FY23A
Reported EPS	(1.0)	1.7	1.7	2.3	4.3
Adjusted EPS	(1.0)	1.7	1.7	2.3	4.3
Dividend per share	0.3	0.0	0.3	0.1	0.2
Book value per share	19.4	21.1	22.6	6.6	10.6

Valuations Ratios

Y/E 31 Mar (x)	FY19A	FY20A	FY21A	FY22A	FY23A
EV/Sales	2.9	2.5	2.9	7.3	6.6
EV/EBITDA	42.2	28.9	25.0	46.8	26.4
Adjusted P/E	-	100.4	100.0	76.8	41.0
P/BV	9.0	8.3	7.7	26.3	16.4

DuPont Analysis

Y/E 31 Mar (%)	FY19A	FY20A	FY21A	FY22A	FY23A
Tax burden (Net profit/PBT)	1.5	1.7	0.9	0.9	0.7
Interest burden (PBT/EBIT)	(0.3)	0.3	0.4	0.9	0.9
EBIT margin (EBIT/Revenue)	0.0	0.0	0.1	0.1	0.2
Asset turnover (Rev./Avg TA)	1.1	1.1	0.9	1.5	1.3
Leverage (Avg TA/Avg Equity)	3.3	3.6	3.6	2.9	2.6
Adjusted ROAE	(5.1)	8.6	8.0	40.7	49.3

Ratio Analysis

Y/E 31 Mar	FY19A	FY20A	FY21A	FY22A	FY23A
YoY growth (%)					
Revenue	40.1	18.7	(13.3)	70.2	14.2
EBITDA	(0.1)	49.8	17.2	124.0	84.3
Adjusted EPS	(135.0)	-	0.4	30.3	87.4
Profitability & Return ratios (%)					
EBITDA margin	6.9	8.7	11.8	15.5	25.0
EBIT margin	3.1	4.7	6.7	12.1	22.0
Adjusted profit margin	(1.4)	2.1	2.4	9.2	15.1
Adjusted ROAE	(5.1)	8.6	8.0	40.7	49.3
ROCE	4.3	6.8	7.9	25.4	27.2
Working capital days (days)					
Receivables	90	75	85	55	57
Inventory	27	21	31	13	20
Payables	56	53	56	34	33
Ratios (x)					
Gross asset turnover	1.6	1.8	1.5	2.5	2.3
Current ratio	1.3	1.5	1.4	1.3	2.0
Net interest coverage ratio	0.7	1.3	1.6	6.2	12.3
Adjusted debt/equity	1.6	1.7	1.7	0.8	1.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets | There was a stock split undertaken by company in FY22

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