

RESEARCH
BOB ECONOMICS RESEARCH | STATE BORROWINGS

Borrowing in H1 FY24

BIGBLOC CONSTRUCTION | NOT RATED

Plant visit: Ramping up AAC capacity

Daily macro indicators

Indicator	06-Oct	09-Oct	Chg (%)
US 10Y yield (%)	4.72	4.80	8bps
India 10Y yield (%)	7.34	7.38	4bps
USD/INR	83.19	83.27	(0.1)
Brent Crude (US\$/bbl)	84.6	88.2	4.2
Dow	33,408	33,605	0.6
Hang Seng	17,486	17,517	0.2
Sensex	65,996	65,512	(0.7)
India FII (US\$ mn)	05-Oct	06-Oct	Chg (\$ mn)
FII-D	33.2	121.5	88.2
FII-E	(40.5)	32.5	73.1

Source: Bank of Baroda Economics Research

SUMMARY
INDIA ECONOMICS: STATE BORROWINGS

State governments recently concluded their borrowing program for Q2FY24 and announced planned borrowing for Q3FY24. As per plan, states were estimated to borrow Rs 2.4 lakh crore in Q2 and they managed to achieve 90% of their target with Rs 2.1 lakh crore of borrowing. In Q3, states have projected to raise another Rs 2.4 lakh crore from the markets. With this, total planned borrowing for states in FYTD24 (Apr-Dec) stands at Rs 6.7 lakh crore, of which Rs 3.8 lakh crore has been raised till 3 Oct 2023. Cost of borrowing for states in FYTD24 remained 17-35bps higher than G-Sec rates, and ranged from 7.31% (Gujarat) to 7.48% (Uttarakhand).

[Click here](#) for the full report.

BIGBLOC CONSTRUCTION

- Autoclaved aerated concrete (AAC) block production targeted to reach 5,00,000cbm 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

[Click here](#) for the full report.

BOBCAPS Research

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STATE BORROWINGS

10 October 2023

Borrowing in H1 FY24

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Sonal Badhan
Economist

Gujarat being one of the better fiscally managed state was able to raise money through short-term papers also at a lower rate. On the other hand, states with higher fiscal imbalances, like Punjab, Rajasthan, W. Bengal, Andhra Pradesh, borrowed through longer-tenured papers to manage cost. Further, states like Tamil Nadu, Telangana, and Andhra Pradesh also exceeded their targeted level of borrowing in FYTD24, while states like Gujarat and Maharashtra borrowed much less than planned.

In comparison, central government raised money in H1FY24 through long-term borrowing at an average yield of 7.2%. Other instrument for borrowing such as WALR show that cost of borrowing from SCBs was at 9.47% (as of Aug'23) and Corporates with AAA rated 10Y bonds could raise money at 7.64% in Q2. In FYTD24, WALR has increased by 15bps for SCBs and by 13bps for PSBs.

Actual versus planned borrowing-FYTD24

In FYTD24 state governments have together raised Rs 3.8 lakh crore from the markets so far (till 3 Oct 2023). Of this amount, Rs 2.1 lakh crore (~56%) was raised in Q2FY24 (Jul-Sep'23) by 23 states. Notably, this is slightly lower than Rs 2.4 lakh crore planned by in the indicative calendar. State-wise analysis for FYTD24 shows that:

- Out of 23 states, 12 states accounted for 90% of the borrowing and these included: Tamil Nadu, Andhra Pradesh, Maharashtra, Rajasthan, Punjab, Telangana, Haryana, Kerala, W. Bengal, Uttar Pradesh, Madhya Pradesh and Bihar.
- Tamil Nadu and Andhra Pradesh raised the maximum amount from the market, and both exceeded their planned target of borrowing in FYTD24.
- Other states which exceeded their target were: Rajasthan, Punjab, Telangana, Kerala, Bihar, J&K, Manipur, Nagaland and Mizoram.
- Most significant increase in actual borrowing compared to planned borrowing was done by Andhra Pradesh (+Rs 8,500 crore), Telangana (+Rs 6,300 crore) and Tamil Nadu (+Rs 5,000 crore).



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CONSTRUCTION**

| Construction Materials

| 10 October 2023

Plant visit: Ramping up AAC capacity

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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 ~500,000 cbm at a capex of Rs 180mn-200mn. Per management, expansion at Wada along with the concurrent addition of ~300,000mn cbm at Ahmedabad will make Bigbloc the largest AAC producer in India at ~14,00,000mn cbm. The goal is to boost capacity to 30,00,000 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 864m. 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%

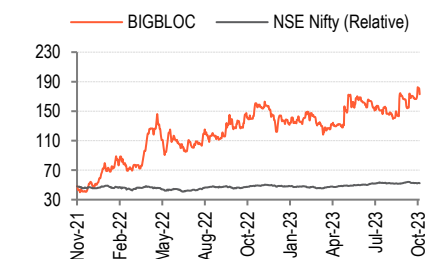
Source: NSE | Price as of 10 Oct 2023

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

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