

Plant Visit Note

We visited BigBloc Construction Limited's plant in Wada, Maharashtra, and had the opportunity to meet the management to discuss its business operations, pricing trends and capital expenditure plans. The visit was conducted to assess its production capabilities and evaluate the growth potential. The report outlines our observations and key findings from the visit.

Introduction

Established in 2015, BigBloc Construction Limited is a leading manufacturer of AAC blocks and related products in India, marketed under the name NXTBLOC. The company currently operates three state-of-the-art manufacturing facilities situated in Vapi and Kapadvanj (Gujarat), and Wada (Maharashtra). Currently, it has a capacity of 8,25,000 CBM per annum, making it one of the top three AAC manufacturers in the country. With ambitious plans for capacity expansion set to materialize by Q2FY25, BigBloc is poised to take the number one position.

Our key takeaways from the visit are as follows:

Production Lines:

Wada has a fully automated flagship plant with best-in-class machinery and safety features imported from China. The plant has four autoclaves that they use to make around 800 to 900 CBM of AAC blocks per day which comes to around 2.5 lac CBM per annum. The current capacity utilization of the plant is at around 70-75% which will increase 5-10% MoM to reach 85-90% on an average. The company produces blocks according to customer preferences, based on compressive strength. They generally produce two grades of AAC blocks - Grade 1 having 4+ N/mm² and Grade 2 having 3+ N/mm² of strength. They also make higher-grade blocks of 5+ N/mm² for special customers like Ambuja Cement Ltd., who then market the product as their own.

Quality Control:

As BigBloc focused on expansion of their facilities by importing best-in class machinery and technical capabilities from China along with higher focus on quality control, they were able to achieve an industry-low rejection rate of 4-5%. The average rejection rate for most plants in the industry is 7-8%.

Sustainability Initiatives:

The company's commitment to sustainability was evident throughout the facility. They have implemented eco-friendly practices such as recycling of waste materials and energy-efficient machinery. The company's facilities cumulatively earn around 3,00,000 carbon credits every year. The price of carbon credits is continuously changing due to the demand scenario. Last year, the company sold its carbon credits at an average price of \$4.2 per credit which directly gets added to the bottom line.

Capacity Expansion:

During discussion with the company's management, we learned about their plans for capacity expansion from 8.25 lac CBM to 13.75 lac CBM per annum which will catapult BigBloc to become the largest AAC manufacturer in India by FY24. The company also plans to further increase the product basket which includes ALC Panels, Block Jointing Mortar, Tile Adhesives and Gypsum Plaster, and other construction chemicals by ramping up manufacturing facilities at Vapi and Kapadvanj plants. The strategic tie-up with SCG International brings in the required technological expertise to expand its market share further.

⇒ Capacity addition of 2.5 lac CBM per annum at Wada, Maharashtra

The company plans to further add a capacity of 2.5 lac CBM per annum at Wada which would not be very challenging as the infrastructure is already adequate and only needs to install more autoclaves and increase the number of molds. It intends to complete the capacity addition in the next four to six months.

⇒ 3 lac CBM greenfield plant in Kapadvanj, Gujarat

The plant is a joint venture between BigBloc and SCG International (one of the largest producers of ALC panels in Thailand), with 48% holding with SCG and 52% with BigBloc. The progress at the Kapadvanj plant had slowed down due to the onset of monsoon but picked up speed in August and September and the process of getting the plant commercialized is already underway.

Sector Outlook

Neutral

Stock

CMP (Rs.)	172.6
NSE Symbol	BIGBLOC
BSE Code	540061
Bloomberg	BIGBLOC IN
Reuters	BIGB.BO

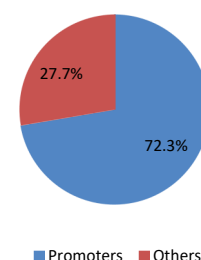
Key Data

Nifty	19,689
52WeekH/L(Rs.)	179.3 / 99.6
O/s Shares (Mn)	70.8
Market Cap (Rs bn)	11.6
Face Value (Rs.)	2

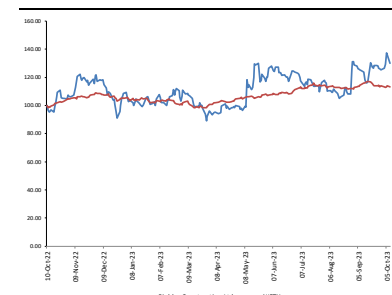
Average volume

3 months	247,660
6 months	228,150
1 year	156,110

Share Holding Pattern (%)



Relative Price Chart



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BigBloc Construction Ltd.

The production at the plant will start in January 2024. Apart from AAC blocks, the plant will also be producing ALC panels, which are 5-10% denser than blocks as they are reinforced with two-way welded steel meshes. These panels are next-generation versatile green building materials that possess superior technical and functional advantages over red bricks as well as AAC blocks. The state-of-the-art plant will have fungible capacity for both blocks and panels depending on the demand. The capex required for expansion is around Rs. 65 crores (mix of debt & equity) which will be divided between BigBloc and SCG International.

Efficient Logistics:

BigBloc Construction has a well-optimized logistics network, ensuring timely delivery to construction sites across the region. They have provided materials to projects as far as Udaipur in the north, Indore towards the east, and Kolhapur being the Southernmost delivery point yet. Logistics costs make up around 18-20% of the company's top line, out of which 10% is the cost of sourcing fly ash and another 10% is the delivery costs of the finished product. BigBloc currently owns a fleet of 65 to 70 trucks which helps them to curb the extent of the cost of transportation.

Industry Overview:

The Indian block industry which is the second largest in the world after China is almost entirely unorganized and characterized by the presence of a large number of small-scale manufacturers that compete with one another at the regional level. The Indian AAC blocks market is anticipated to grow at a CAGR of 14.3% during the forecast period 2020-27 to reach Rs. 11,095 crores. There are around 150-180 plants producing AAC blocks in India which can be attributed to the minimal barriers in setting up a plant and procuring raw materials for production (Fly Ash which is a waste product in thermal plants constitutes 60-65% of the finished product). The total capacity of AAC block production in India is around 1.5 to 1.7 crore CBM per annum out of which BigBloc commands a 5% market share. Despite the high growth of AAC block in building applications during the last decade, it is only 8-10% of the industry, while 85-90% of the industry is still dominated by red bricks, thereby offering enormous potential in the years to come.

Currently, the average price of red bricks per CBM comes to Rs.4,500 to 5,000, whereas AAC blocks can be purchased at anywhere between Rs.3,500 to 4,200. This means customers can save around 15% on an average in their cost for bricks if they opt for AAC blocks. The cost benefit also extends to logistics costs as AAC blocks are only 1/3 the weight of red bricks.

Conclusion:

BigBloc's rapid expansion of its capacity and distribution is owing to its ability to develop and maintain long-lasting relationships with marquee clients across residential, commercial, and hospitality. Their clientele includes more than 50% of the top seven developers in Mumbai namely Lodha Group, Kanakia Group, Regency Group etc. The company has also benefitted from the government's focus on sustainable and affordable housing with projects such as Pradhan Mantri Awas Yojana, Police Housing, Kanya Shiksha Parishad, etc. where the government has made mandatory to use AAC blocks. They have already supplied for state government projects by CIDCO and the Gujarat Housing Board. Going forward, the company is poised well to cater to the growing demand in AAC blocks with the largest production capacity in India, as penetration is still at 8-10%. This offers enormous potential in the years to come as builders and architects increasingly become aware of the cost, sustainability and structural advantages of AAC blocks. **The company is trading at 43x FY23 earnings and can be considered from a long-term horizon as the company is involved in new-age construction materials and is set to grab a chunk of the estimated \$1.3 trillion investment in the Indian construction industry over the next seven years.**

BigBloc Construction Ltd.

Profit and Loss Statement

Particulars (Rs. Mn)	FY21	FY22	FY23	Q1FY24
Revenue from operations	1,030	1,752	2,001	549
Operating Expenses	908	1,481	1,500	422
EBITDA	122	271	501	127
EBITDA Margin (%)	11.84%	15.47%	25.04%	23.13%
Depreciation	52	59	61	24
Finance Cost	44	37	42	22
Other Income	1	6	8	1
PBT	27	181	406	82
Taxes	2	20	105	23
PAT	25	161	301	59
PAT Margin (%)	2.43%	9.19%	15.04%	10.75%
Earnings Per Share (EPS)	0.35	2.27	4.28	0.85

Source: BSE, Company website

Cash Flow Statement

Particulars (Rs. Mn)	FY21	FY22	FY23
Cash Flow from operating activities	38	244	281
Cash flow from investing activities	-100	-50	-730
Cash flow from financing activities	62	-194	451
Net increase/(decrease) in cash and cash equivalents	0	0	2
Cash and cash equivalents at the beginning of the period	3	3	3
Cash and cash equivalents at the end of the period	3	3	4

Source: BSE, Company website

BigBloc Construction Ltd.

Balance Sheet

Particulars (Rs. Mn)	FY21	FY22	FY23
Equity and Liabilities			
Equity Share Capital	142	142	142
Other Equity	178	328	630
Total Equity	320	470	772
Non-Current Liabilities			
Long-term Borrowings	368	301	645
Deferred tax liabilities (net)	28	27	31
Other long term liabilities	1	1	7
Total Non Current Liabilities	397	329	683
Current Liabilities			
Short term Borrowings	242	125	225
Trade Payables	159	162	179
Other financial liabilities	1	1	2
Other current liabilities	17	32	31
Current tax liabilities	2	21	99
Total Current Liabilities	421	341	536
Total liabilities	818	670	1,219
Total Equity and Liabilities	1,138	1,140	1,991
Assets			
Non-Current Assets			
Property, plant and equipment	654	647	806
Capital work in Progress	0	0	410
Goodwill	54	54	54
Other Intangible Assets	0	0	2
Investments	0	5	4
Other Financial Assets	5	5	10
Other Non-Current assets	3	1	21
Total Non current assets	716	712	1,307
Current Assets			
Inventories	88	63	110
Trade Receivables	239	263	311
Cash and Bank Balances	3	3	4
Loans	18	15	99
Other current assets	74	84	147
Total Current Assets	422	428	684
Total Assets	1,138	1,140	1,991

Source: BSE, Company website



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