

India

September 08, 2023 - 8:36 AM

ADD (no change)

Consensus ratings*: Buy 2 Hold 0 Sell 0	
Current price:	Rs494
Target price:	Rs925
Previous target:	Rs925
Up/downside:	87.2%
InCred Research / Consensus:	0.0%
Reuters:	
Bloomberg:	BCLIL IN
Market cap:	US\$164m
	Rs11,931m
Average daily turnover:	US\$1.0m
	Rs71.7m
Current shares o/s:	29.7m
Free float:	38.7%
*Source: Bloomberg	

Key financial forecast

	Mar-24F	Mar-25F	Mar-26F
Net Profit (Rsm)	1,010	1,965	2,541
Core EPS (Rs)	37.61	66.08	85.47
Core EPS Growth	37.1%	75.7%	29.3%
FD Core P/E	13.14	7.48	5.78
Recurring ROE	23.4%	28.9%	28.2%
P/BV (x)	2.52	1.89	1.43
DPS (Rs)	0.85	1.32	1.71
Dividend Yield	0.17%	0.27%	0.35%



SOURCE: BLOOMBERG

Price performance	1M	3M	12M
Absolute (%)	4.2	3.9	39.2
Relative (%)	3.5	(1.4)	25.4

Major shareholders	% held
Promoter & Promoter Group	61.3

Analyst(s)

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BCL Industries Ltd

Paddy straw as fuel likely to aid bottom-line

- BCL Industries leads the way when it comes to innovation in meeting power needs for grain ethanol by bringing in tech for using the paddy straw as fuel.
- We have been conservative in accounting for the reduced fuel cost, as we wanted to first understand the new technology and then see its results.
- After seeing and understanding the power generation, we are now more optimistic on the stock. Retain ADD rating on it with a target price of Rs925.

Basics of fuel cost when it comes to ethanol production

- It has been a rollercoaster ride for the ethanol industry due to various obstacles on the path, changing the composition ratios of the costs involved in the production of ethanol.
- However, the raw material, grain, remains the largest contributor to costs followed by power.
- Simplifying the complex mathematical equation, we arrive at Rs10/L as the maximum power cost in order to be profitable for ethanol operations.

New technology

- The new technology involves using paddy straw, a waste material currently, and hence, available at a cheaper rate, instead of the traditional husk or coal route.
- The paddy straw boiler used by BCL Industries has brought the cost of power/L in the range of Rs5-6.
- The savings in power cost would directly add to PBT/L of ethanol, giving the bottom-line a healthy boost.

Challenges in using new technology

- The collection of paddy straw is a once-a-year task, involving a war-footing operation due to limited time and the massive scale involved.
- The required amount of paddy straw is stored by the company, with orders already out for the upcoming harvest season.
- The storage of paddy straw requires a large open space, as the whole year's collection happens in one go.
- BCL Industries has currently allocated 100 acres of land parcel for the storage of paddy straw.

Probable impact on BCL Industries

- We were impressed with what we saw at the Punjab distillation site of the company.
- Everything is fine till now. Although we expect the benefits of power cost savings, we will incorporate these in our numbers steadily because it's better to err on the side of caution.

Figure 1: One of the storage sites for paddy straw visited by us



SOURCES: INCRED RESEARCH, COMPANY REPORTS

Profit & Loss

(Rs mn)	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Net Revenues	18,183	20,491	28,396	32,544
Gross Profit	4,097	5,269	8,702	10,341
Operating EBITDA	1,236	1,870	3,259	3,852
Depreciation And Amortisation	(250)	(260)	(272)	(204)
Operating EBIT	986	1,609	2,987	3,648
Financial Income/(Expense)	(131)	(122)	(49)	60
Pretax Income/(Loss) from Assoc.				
Non-Operating Income/(Expense)				
Profit Before Tax (pre-EI)	855	1,487	2,938	3,709
Exceptional Items		(5)		
Pre-tax Profit	855	1,482	2,938	3,709
Taxation	(211)	(387)	(764)	(947)
Exceptional Income - post-tax				
Profit After Tax	644	1,095	2,174	2,762
Minority Interests	19	(85)	(209)	(221)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	663	1,010	1,965	2,541
Recurring Net Profit	663	1,013	1,965	2,541
Fully Diluted Recurring Net Profit	663	1,013	1,965	2,541

Balance Sheet

(Rs mn)	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	1,327	1,286	2,655	5,026
Total Debtors	996	1,123	1,556	1,783
Inventories	1,993	2,246	3,112	3,566
Total Other Current Assets	455	512	710	814
Total Current Assets	4,771	5,167	8,033	11,189
Fixed Assets	4,211	4,951	4,679	4,475
Total Investments	238	238	238	238
Intangible Assets				
Total Other Non-Current Assets	273	307	426	488
Total Non-current Assets	4,722	5,496	5,342	5,200
Short-term Debt	2,065			
Current Portion of Long-Term Debt				
Total Creditors	1,269	1,430	1,982	2,271
Other Current Liabilities	55	61	85	98
Total Current Liabilities	3,389	1,492	2,067	2,369
Total Long-term Debt	3,040	3,040	3,040	3,040
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities				
Total Non-current Liabilities	3,040	3,040	3,040	3,040
Total Provisions	119	120	122	123
Total Liabilities	6,548	4,651	5,229	5,532
Shareholders Equity	2,847	5,828	7,754	10,244
Minority Interests	98	184	393	614
Total Equity	2,945	6,012	8,147	10,858

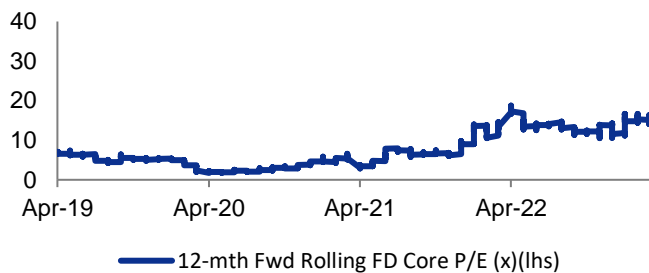
Cash Flow

(Rs mn)	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	1,236	1,870	3,259	3,852
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(36)	(253)	(866)	(455)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow				
Net Interest (Paid)/Received	(131)	(122)	(49)	60
Tax Paid	(250)	(260)	(272)	(204)
Cashflow From Operations	819	1,234	2,072	3,254
Capex	(1,500)	(1,000)		
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/Investments				
Other Investing Cashflow				
Cash Flow From Investing	(1,500)	(1,000)		
Debt Raised/(repaid)	2,500	(2,065)		
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(864)	(158)	(1,882)	(2,862)
Preferred Dividends				
Other Financing Cashflow	(1,482)	1,971	209	221
Cash Flow From Financing	154	(251)	(1,673)	(2,641)
Total Cash Generated	(527)	(17)	399	613
Free Cashflow To Equity	1,819	(1,831)	2,072	3,254
Free Cashflow To Firm	(483)	454	2,224	3,406

Key Ratios

	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	(8.1%)	12.7%	38.6%	14.6%
Operating EBITDA Growth	(4.6%)	51.3%	74.3%	18.2%
Operating EBITDA Margin	6.8%	9.1%	11.5%	11.8%
Net Cash Per Share (Rs)	(156.43)	(58.98)	(12.94)	66.79
BVPS (Rs)	117.87	196.02	260.78	344.54
Gross Interest Cover	4.97	7.32	19.65	24.00
Effective Tax Rate	24.7%	26.1%	26.0%	25.5%
Net Dividend Payout Ratio	2.3%	1.8%	1.4%	1.5%
Accounts Receivables Days	20.20	18.87	17.22	18.73
Inventory Days	51.16	50.81	49.65	54.89
Accounts Payables Days	23.10	25.41	24.82	27.45
ROIC (%)	16.4%	24.4%	39.1%	43.4%
ROCE (%)	13.4%	18.6%	29.2%	28.8%
Return On Average Assets	11.6%	16.0%	24.9%	24.5%

12-mth Fwd Rolling FD Core P/E (x)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

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