



India

ADD (no change)

Consensus ratings*:	Buy 1	Hold 0	Sell 0
Current price:	Rs57		
Target price:	Rs98		
Previous target:	Rs98		
Up/downside:	71.9%		
InCred Research / Consensus:	0.0%		
Reuters:	BCLIL IN		
Bloomberg:	US\$230m		
Market cap:	Rs16,709m		
Average daily turnover:	US\$2.6m		
	Rs192.0m		
Current shares o/s:	297.3m		
Free float:	42.2%		
*Source: Bloomberg			

Key changes in this note

- Increase our PAT estimates by 9.0%/0.0%/35.3% for 25F/26F/27F.



Source: Bloomberg

<b>Price performance</b>	1M	3M	12M
Absolute (%)	(2.3)	(10.0)	11.4
Relative (%)	2.5	(8.8)	(11.1)

<b>Major shareholders</b>	% held
Promoter & Promoter Group	57.8
Elara India Opportunities Fund	1.9

Research Analyst(s)

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# BCL Industries Ltd

## Metamorphosing into a green fuel giant

- Oil marketing companies have opened the tenders for ESY (ethanol supply year). BCL Industries was allotted 182.5mL (~2%) of the blending requirement.
- The PML policy may open new avenues for BCL Industries. We are studying the developments and have not considered any upside from the same.
- Investments in expansion, along with technology, namely power (paddy straw) and by-product (corn oil) to reap hefty returns, in our view, for BCL Industries.

### Firing on all cylinders

BCL Industries had kick-started ESY24 with 2x operational capacity, compared to the beginning of ESY23, but cost pressure and volatility led to subdued margins. However, we expect its margin to increase with raw material cost stabilization in ESY25F. The DDGS (distiller's dried grains with soluble) price was at the lowest level, at ~Rs13/kg, in ESY24, but ESY25F is likely to see better pricing for the product.

### Further expansion plan

BCL Industries has acquired Goyal Distillery Private Ltd (Fatehabad, Haryana). Goyal Distillery has the necessary land and permissions for establishing a 250klpd grain-based ethanol unit. Post-acquisition, Goyal Distillery will become a wholly-owned subsidiary of BCL Industries. The company plans to establish a 250klpd ethanol unit with paddy straw-based power plant and foray into the biogas segment with a 20mtpd biogas plant. We expect the 250klpd grain distillery to commence operations in FY27F, and biogas plant operations in FY28F. With this, BCL Industries has started its metamorphosis into a green fuel giant. Post-expansion, its distillation capacity will increase to 1,100klpd, along with refining (biodiesel) capacity of 150klpd and biogas capacity of 20mtpd.

### Change in our earnings estimates

We have increased our PAT estimates for BCL Industries by 9.0%/0.0%/35.3% for FY25F /26F/27F, respectively, considering the better performance in 2QFY25 & Haryana operations likely to start in FY27F. The movement, in terms of topline and margin accretion from the PML (Punjab made liquor) business, has not been considered by us as we wait and watch the developments. Also, current prices of ethanol derived from grain have been considered by us as no announcement regarding any revision has been made within the stipulated time frame, and any increase in grain-based ethanol prices going ahead will directly add to the bottom-line. An increase in the ethanol price by Re1/L will result in ~Rs50m/~Rs100m/~Rs150m addition to PAT.

### Retain ADD rating with a target price of Rs98

We retain our ADD rating on BCL Industries with an unchanged target price of Rs98 or 14x FY26F EPS. Downside risks: Broken rice and maize are mainly used to produce ENA (extra neutral alcohol) and any rise in their prices will directly impact the gross profit. Also, final product prices are decided by state/central governments and/or OMCs (oil marketing companies) and hence, profitability also depends on the prices fixed by them.

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	18,183	21,292	24,191	23,663	34,470
Operating EBITDA (Rsm)	1,236	1,914	2,490	3,519	5,170
Net Profit (Rsm)	663	903	1,279	2,085	3,183
Core EPS (Rs)	2.7	3.4	4.3	7.0	10.7
Core EPS Growth	(21.8%)	22.6%	27.8%	63.0%	52.7%
FD Core P/E (x)	20.63	16.89	13.16	8.07	5.29
DPS (Rs)	0.8	0.1	0.1	0.1	0.2
Dividend Yield	0.15%	0.13%	0.15%	0.25%	0.38%
EV/EBITDA (x)	14.20	10.51	8.75	6.02	4.27
P/FCFE (x)	7.52	(4.48)	38.92	14.58	7.96
Net Gearing	128.3%	80.0%	64.5%	41.1%	35.5%
P/BV (x)	4.80	2.94	2.41	1.87	1.39
ROE	20.3%	21.2%	20.1%	26.1%	30.1%
% Change In Core EPS Estimates			(0.95%)		
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: 2QFY25 results

Rs m	2QFY25	2QFY24	% YoY	1QFY25	% QoQ
Revenue From Operations	7,213	4,807	50.0%	6,357	13.5%
Cost of Goods Sold	5,654	3,468	63.0%	4,884	15.8%
Employee Expenses	122	91	34.2%	113	8.6%
Other Expenses	886	779	13.7%	822	7.9%
<b>EBITDA</b>	<b>550</b>	<b>468</b>	<b>17.3%</b>	<b>539</b>	<b>2.0%</b>
Depreciation	115	92	24.1%	110	3.8%
<b>EBIT</b>	<b>435</b>	<b>376</b>	<b>15.7%</b>	<b>428</b>	<b>1.6%</b>
Other Income	23	20	12.5%	18	27.9%
Interest Expenses	65	93	-30.3%	111	-41.6%
<b>Profit Before Tax</b>	<b>393</b>	<b>303</b>	<b>29.5%</b>	<b>335</b>	<b>17.3%</b>
Tax Expenses	94	107	-11.7%	90	4.7%
<b>PAT per MI</b>	<b>299</b>	<b>197</b>	<b>51.9%</b>	<b>245</b>	<b>21.9%</b>
Minority Interest (MI)	22	17	29.6%	19	17.3%
<b>PAT</b>	<b>277</b>	<b>214</b>	<b>29.4%</b>	<b>226</b>	<b>22.3%</b>
<b>Key Ratios</b>	<b>2QFY25</b>	<b>2QFY24</b>	<b>% YoY</b>	<b>1QFY25</b>	<b>% QoQ</b>
EBITDA Margin	7.6%	9.7%	-212bp	8.5%	-85bp
EBIT Margin	6.0%	7.8%	-179bp	6.7%	-71bp
PBT Margin	5.4%	6.3%	-86bp	5.3%	18bp
PAT Margin	3.8%	4.4%	-61bp	3.6%	28bp
Tax Rate	24.0%	35.2%	-1118bp	26.8%	-288bp
<b>Segment-wise Revenue</b>	<b>2QFY25</b>	<b>2QFY24</b>	<b>% YoY</b>	<b>1QFY25</b>	<b>% QoQ</b>
Oil & Vanaspati	2,664	1,910	39.5%	1,907	39.7%
Distillery - Punjab	2,960	1,983	49.3%	3,089	-4.2%
Distillery - Kolkata	2,154	1,141	88.8%	1,857	16.0%
Real Estate	17	19	11,491.2%	34	6,235.3%
<b>Segment-wise EBIT</b>	<b>2QFY25</b>	<b>2QFY24</b>	<b>% YoY</b>	<b>1QFY25</b>	<b>% QoQ</b>
Oil & Vanaspati	50	43	16.6%	43	15.2%
Distillery - Punjab	321	279	15.2%	295	8.8%
Distillery - Kolkata	195	171	14.5%	204	-4.3%
Real Estate	5	-4	-232.4%	1	305.0%
<b>Segment-wise EBIT %</b>	<b>2QFY25</b>	<b>2QFY24</b>	<b>% YoY</b>	<b>1QFY25</b>	<b>% QoQ</b>
Oil & Vanaspati	1.9%	2.2%	-37bp	2.3%	-40bp
Distillery - Punjab	10.9%	14.1%	-321bp	9.6%	130bp
Distillery - Kolkata	9.1%	15.0%	-589bp	11.0%	-192bp
Real Estate	31.3%	-22.1%	5,332bp	3.9%	2,731bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

Rsm	Old estimates			New estimates			Change (%)		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Revenue	22,667	23,663	26,193	24,191	23,663	34,470	6.7%	0.0%	31.6%
EBITDA	2,347	3,519	3,929	2,490	3,519	5,170	6.1%	0.0%	31.6%
EBITDA Margin (%)	10.4%	14.9%	15.0%	10.3%	14.9%	15.0%	-6bp	0bp	0.0%
PAT	1,174	2,085	2,353	1,279	2,085	3,183	9.0%	0.0%	35.3%
EPS (Rs)	3.9	7.0	8	4.3	7.0	10.7	9.0%	0.0%	35.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Our key assumptions

Key assumptions	FY25F	FY26F	FY27F
Ethanol/ENA sales (m litre or mL)	234	238	342
DDGS price (per kg)	15.0	18.0	18.0
ENA price (per L)	73.0	72.0	72.0
Ethanol price (per L)	71.9	71.9	71.9
Bio-diesel sales (mL)	0	14	37
Bio-diesel price (per L)	83.0	83.0	83.0

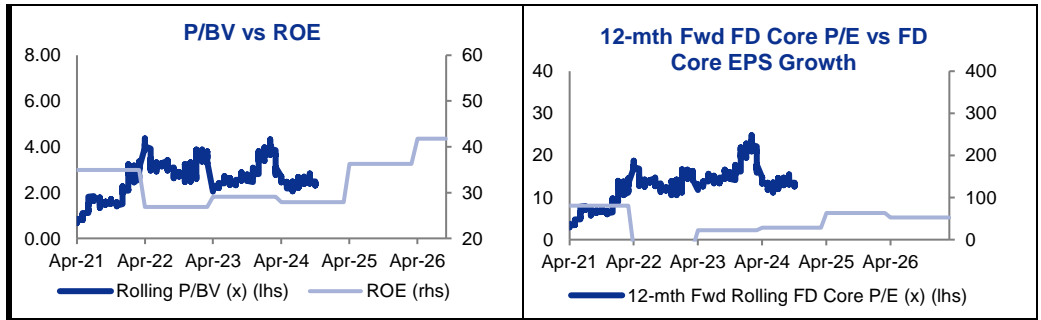
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: One-year forward P/E



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>Total Net Revenues</b>	<b>18,183</b>	<b>21,292</b>	<b>24,191</b>	<b>23,663</b>	<b>34,470</b>
<b>Gross Profit</b>	<b>4,097</b>	<b>5,390</b>	<b>6,363</b>	<b>8,243</b>	<b>11,789</b>
<b>Operating EBITDA</b>	<b>1,236</b>	<b>1,914</b>	<b>2,490</b>	<b>3,519</b>	<b>5,170</b>
Depreciation And Amortisation	(250)	(360)	(397)	(351)	(373)
<b>Operating EBIT</b>	<b>986</b>	<b>1,554</b>	<b>2,093</b>	<b>3,168</b>	<b>4,798</b>
Financial Income/(Expense)	(131)	(252)	(198)	(86)	(146)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
<b>Profit Before Tax (pre-EI)</b>	<b>855</b>	<b>1,302</b>	<b>1,895</b>	<b>3,082</b>	<b>4,652</b>
Exceptional Items		(5)			
<b>Pre-tax Profit</b>	<b>855</b>	<b>1,297</b>	<b>1,895</b>	<b>3,082</b>	<b>4,652</b>
Taxation	(211)	(338)	(493)	(817)	(1,233)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>644</b>	<b>959</b>	<b>1,401</b>	<b>2,266</b>	<b>3,419</b>
Minority Interests	19	(56)	(122)	(180)	(236)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>663</b>	<b>903</b>	<b>1,279</b>	<b>2,085</b>	<b>3,183</b>
Recurring Net Profit	663	907	1,279	2,085	3,183
<b>Fully Diluted Recurring Net Profit</b>	<b>663</b>	<b>907</b>	<b>1,279</b>	<b>2,085</b>	<b>3,183</b>

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>EBITDA</b>	<b>1,236</b>	<b>1,914</b>	<b>2,490</b>	<b>3,519</b>	<b>5,170</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(37)	(1,857)	536	72	(537)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(131)	(252)	(198)	(86)	(146)
Tax Paid	(250)	(360)	(397)	(351)	(373)
<b>Cashflow From Operations</b>	<b>818</b>	<b>(555)</b>	<b>2,431</b>	<b>3,155</b>	<b>4,115</b>
Capex	(1,500)	(2,500)	(1,998)	(2,000)	(2,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
<b>Cash Flow From Investing</b>	<b>(1,500)</b>	<b>(2,500)</b>	<b>(1,998)</b>	<b>(2,000)</b>	<b>(2,000)</b>
Debt Raised/(repaid)	2,500	(346)			
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(863)	(659)	1,643	(1,070)	164
Preferred Dividends					
Other Financing Cashflow	(1,482)	1	2,064	180	236
<b>Cash Flow From Financing</b>	<b>155</b>	<b>(1,004)</b>	<b>3,707</b>	<b>(889)</b>	<b>400</b>
Total Cash Generated	(527)	(4,059)	4,140	265	2,516
<b>Free Cashflow To Equity</b>	<b>1,818</b>	<b>(3,401)</b>	<b>433</b>	<b>1,155</b>	<b>2,115</b>
<b>Free Cashflow To Firm</b>	<b>(483)</b>	<b>(2,724)</b>	<b>721</b>	<b>1,381</b>	<b>2,341</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Total Cash And Equivalents	1,327	53	82	865	206
Total Debtors	996	1,230	1,326	1,296	1,888
Inventories	1,993	3,850	3,314	3,242	3,778
Total Other Current Assets	455	200	121	71	103
<b>Total Current Assets</b>	<b>4,770</b>	<b>5,333</b>	<b>4,843</b>	<b>5,473</b>	<b>5,975</b>
Fixed Assets	4,211	6,352	7,952	9,602	11,229
Total Investments	238	97			2,500
Intangible Assets					
Total Other Non-Current Assets	273	160	194	118	172
<b>Total Non-current Assets</b>	<b>4,722</b>	<b>6,609</b>	<b>8,146</b>	<b>9,720</b>	<b>13,902</b>
Short-term Debt	2,065	2,263	1,263	1,263	1,263
Current Portion of Long-Term Debt					
Total Creditors	1,269	1,120	784	767	2,060
Other Current Liabilities	55	64	73	71	103
<b>Total Current Liabilities</b>	<b>3,389</b>	<b>3,447</b>	<b>2,119</b>	<b>2,101</b>	<b>3,427</b>
Total Long-term Debt	3,040	2,496	3,496	3,496	3,496
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>3,040</b>	<b>2,496</b>	<b>3,496</b>	<b>3,496</b>	<b>3,496</b>
Total Provisions	119	120	118	118	120
<b>Total Liabilities</b>	<b>6,547</b>	<b>6,063</b>	<b>5,734</b>	<b>5,715</b>	<b>7,043</b>
Shareholders Equity	2,847	5,724	6,978	9,021	12,141
Minority Interests	98	155	277	457	693
<b>Total Equity</b>	<b>2,945</b>	<b>5,879</b>	<b>7,255</b>	<b>9,479</b>	<b>12,834</b>

<b>Key Ratios</b>					
	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Revenue Growth	(8.1%)	17.1%	13.6%	(2.2%)	45.7%
Operating EBITDA Growth	(4.6%)	54.9%	30.1%	41.3%	46.9%
Operating EBITDA Margin	6.8%	9.0%	10.3%	14.9%	15.0%
Net Cash Per Share (Rs)	(15.64)	(15.83)	(15.73)	(13.10)	(15.31)
BVPS (Rs)	11.79	19.25	23.47	30.34	40.83
Gross Interest Cover	4.97	4.70	7.25	14.02	21.22
Effective Tax Rate	24.7%	26.0%	26.0%	26.5%	26.5%
Net Dividend Payout Ratio	2.3%	1.8%	1.4%	1.4%	1.4%
Accounts Receivables Days	20.20	19.08	19.28	20.22	16.86
Inventory Days	51.17	67.06	73.33	77.59	56.48
Accounts Payables Days	23.10	22.33	16.51	15.52	20.41
ROIC (%)	16.4%	23.5%	19.7%	26.3%	35.6%
ROCE (%)	13.4%	16.4%	18.3%	23.9%	29.9%
Return On Average Assets	11.6%	14.5%	16.8%	22.5%	27.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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#### Recommendation Framework

##### Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

##### Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

##### Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.