

India

REDUCE (no change)

Consensus ratings*: Buy 7 Hold 2 Sell 1

Current price: Rs596
 Target price: ▲ Rs521
 Previous target: Rs261
 Up/downside: -12.6%
 InCred Research / Consensus: -22.8%

Reuters:
 Bloomberg: BRCM IN
 Market cap: US\$1,400m
 Rs120,263m
 Average daily turnover: US\$3.7m
 Rs321.9m
 Current shares o/s: 204.0m
 Free float: 57.1%

*Source: Bloomberg

Key changes in this note

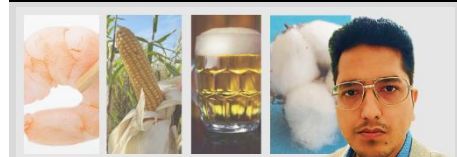
- Valuation benchmark shifted to FY28F PAT.
- NBFC associate valued at mark-to-market (20% discount).
- Introduce FY28F estimates.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	8.8	35.1	63.6
Relative (%)	8.5	23.0	50.2

Major shareholders	% held
Promoter & Promoter Group	42.9
SBI AMC	6.9
Nippon AMC	5.6

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Balrampur Chini Mills Ltd**Anti-consensus: Volatility warrants caution**

- The 4QFY25 performance of Balrampur Chini Mills was stable, but NBFC-related valuation swings require a revised approach.
- The P/E multiple ignores uniform input risks across sugar, ethanol, and PLA—gross profit remains the key driver.
- Weak sugar prices and rising political risk in cane pricing undermine the case for a valuation upgrade. Maintain REDUCE rating on the stock.

In-line 4Q performance; NBFC (associate co) adds volatility to results

Balrampur Chini Mills (BCML) reported an in-line 4QFY25 performance, with revenue at Rs. 15,036.8m (+4.8% YoY). EBITDA stood at Rs3,652.4m (+5.9% YoY), with an EBITDA margin of 13.0%, slightly down from 14.1% in 4QFY24. PAT came in at Rs2,163.5m, up 6.7% YoY. However, the market valuation gains from an associate non-banking finance company or NBFC (Auxilo Finserve) was not factored in our earlier estimates. As a corrective measure, we have now assigned a separate per-share value to this associate company, applying a holding company discount to reflect its contribution more accurately.

Unified cost structure warrants a cohesive valuation methodology

We disagree with the complex P/E logic currently applied to the company by consensus, which, we believe, has led to significant discrepancies in target valuation. In our view, the input dynamics across segments—sugar, ethanol, and PLA—are fundamentally similar, with comparable risks relating to input pricing and availability. We believe that **gross profit** remains the primary profitability matrix across segments, serving as the core driver of overall performance.

No justification for P/E multiple expansion

We see no justification for an expansion in the P/E multiple. Our long-standing hypothesis on the sugar industry has been three-pronged: 1) Persistently low domestic sugar prices. 2) Absence of consistent sugar exports from India. 3) Rising sugarcane prices, leading to compressed spreads in both sugar and ethanol segments. Given the current weather pattern and forecasts, we now add a **fourth prong**: sugarcane is an extremely climate-sensitive crop. The unprecedented heatwave in CY25, likely to be followed by record rainfall, reinforces our cautious stance, we also see a high likelihood of an increase in cane prices—where political compulsions are expected to override policy logic.

Maintain REDUCE rating, but with a higher target price of Rs521

We maintain our REDUCE rating on BMCL, but with a higher target price of Rs521 (Rs261 earlier), based on 10x FY28F EPS. Our valuation includes projected earnings from the company's PLA (polylactic acid) venture in FY28F and hence, we benchmark our valuation to FY28F PAT. We have assigned a per-share value of Rs38 to BMCL's stake in Auxilo Finserve, applying a 20% discount to the last mark-to-market investment value. The earlier target price of Rs261 was based on a 10x P/E applied to FY26F EPS of Rs26.1, assigning no value to the associate company. Upside risks: Rise in sugar prices above Rs40/kg in the domestic market and clear government directives on FRP and SAP.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	55,937	54,154	55,045	55,045	70,245
Operating EBITDA (Rsm)	7,862	7,042	8,261	8,255	17,064
Net Profit (Rsm)	4,332	3,408	4,108	3,936	9,755
Core EPS (Rs)	21.4	16.9	20.4	19.5	48.3
Core EPS Growth	59.9%	(20.9%)	20.6%	(4.2%)	147.8%
FD Core P/E (x)	27.90	35.26	29.25	30.53	12.32
DPS (Rs)	0.0	0.8	1.0	0.0	0.0
Dividend Yield	0.00%	0.14%	0.17%	0.16%	0.41%
EV/EBITDA (x)	17.92	20.79	19.09	19.21	9.26
P/FCFE (x)	(1,106.93)	21.08	38.03	1,306.62	73.56
Net Gearing	59.0%	69.1%	89.6%	84.2%	69.0%
P/BV (x)	3.53	3.17	2.87	2.64	2.19
ROE	13.8%	9.5%	10.3%	9.0%	19.4%

% Change In Core EPS Estimates

InCred Research/Consensus EPS (x)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: 4QFY25 results

Rs m	4QFY25	4QFY24	% YoY	3QFY25	% QoQ
Revenue From Operations	15,037	14,343	4.8%	11,921	26.1%
Cost of Goods Sold	8,687	8,164	6.4%	8,480	2.4%
Employee Expenses	1,133	1,077	5.2%	1,062	6.7%
Other Expenses	1,565	1,654	-5.4%	1,142	37.1%
EBITDA	3,652	3,447	5.9%	1,238	195.0%
Depreciation	431	426	1.3%	436	-1.1%
EBIT	3,220	3,021	6.6%	802	301.8%
Other Income - Total	94	43	119.1%	68	39.1%
Interest Expenses	305	250	21.9%	69	338.5%
Profit Before Tax	3,010	2,814	7.0%	800	276.3%
Tax Expenses	810	872	-7.1%	173	369.2%
Profit After Tax	2,200	1,943	13.2%	627	250.7%
Key Ratios	4QFY25	4QFY24	% YoY	3QFY25	% QoQ
EBITDA Margin	24.3%	24.0%	25bp	10.4%	1390bp
EBIT Margin	21.4%	21.1%	35bp	6.7%	1469bp
PBT Margin	20.0%	19.6%	40bp	6.7%	1331bp
PAT Margin	14.6%	13.5%	108bp	5.3%	937bp
Tax Rate	26.9%	31.0%	-406bp	21.6%	533bp
Segment-wise Results	4QFY25	4QFY24	% YoY	3QFY25	% QoQ
Sugar	14,473	13,108	10.4%	12,698	14.0%
Distillery	5,301	4,129	28.4%	2,114	150.7%
Segment-wise EBIT	4QFY25	4QFY24	% YoY	3QFY25	% QoQ
Sugar	2,710	2,331	16.3%	1,204	125.1%
Distillery	868	972	-10.7%	-85	NA
Segment-wise EBIT %	4QFY25	4QFY24	% YoY	3QFY25	% QoQ
Sugar	18.72%	17.78%	94bp	9.48%	924bp
Distillery	16.38%	23.55%	-717bp	-4.03%	2041bp

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

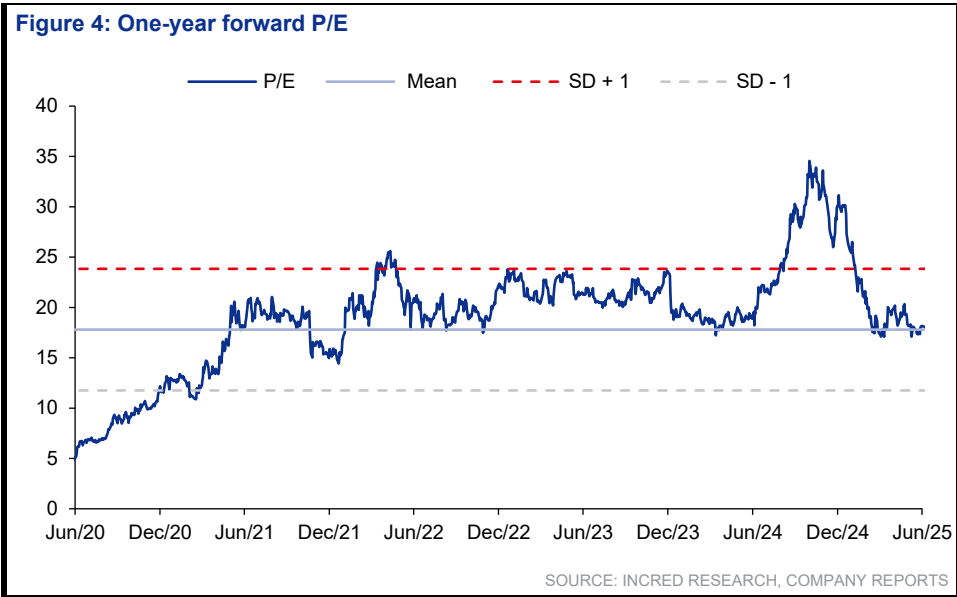
Rsm	Old estimates			New estimates			Change (%)		
	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F
Revenue	63,844	63,844	-	55,045	55,045	70,245	-13.8%	-13.8%	NA
EBITDA	8,336	8,320	-	8,261	8,255	17,064	-0.9%	-0.8%	NA
EBITDA Margin (%)	13.1%	13.0%	-	15.0%	15.0%	24.3%	195bp	197bp	NA
PAT	5,270	5,308	-	4,108	3,936	9,755	-22.0%	-25.9%	NA
EPS (Rs)	26	26	-	20	20	48	-22.0%	-25.9%	NA

SOURCE: INCRED RESEARCH, COMPANY REPORTS

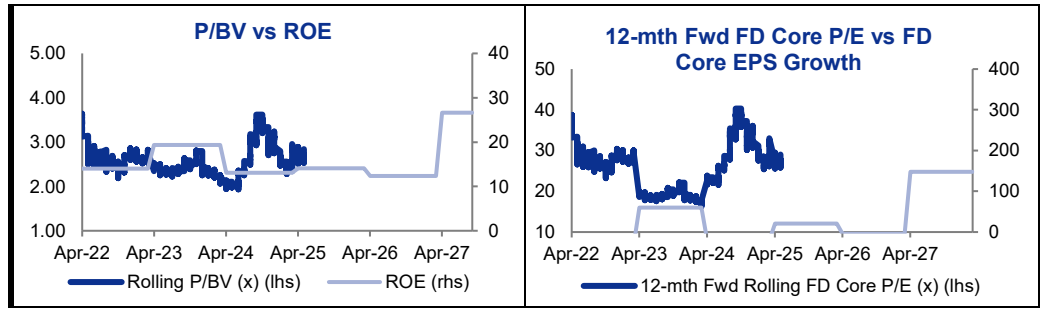
Figure 3: Our key assumptions

Key assumptions	FY26F	FY27F	FY28F
State-advised price or SAP (Rs/t)	3,700	3,700	3,700
Sugar sales (lakh quintal)	92	92	80
Sugar price (Rs/kg)	40	40	40
Ethanol & ENA sales (mL)	252	252	252
Ethanol price - direct (Rs/L)	66	66	66
Ethanol price - B heavy (Rs/L)	61	61	61
Ethanol price - C heavy (Rs/L)	56	56	56
Ethanol price - grain (Rs/L)	72	72	72
Sales PLA (mt)	-	-	70,000
Per-share value (Rs) of Auxilo Finserve	47.50	47.50	47.50

SOURCE: INCRED RESEARCH, COMPANY REPORTS



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	55,937	54,154	55,045	55,045	70,245
Gross Profit	16,768	15,573	18,719	18,714	30,411
Operating EBITDA	7,862	7,042	8,261	8,255	17,064
Depreciation And Amortisation	(1,664)	(1,725)	(1,729)	(1,754)	(2,405)
Operating EBIT	6,198	5,316	6,532	6,501	14,659
Financial Income/(Expense)	(96)	(616)	(904)	(1,109)	(1,297)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	6,102	4,700	5,628	5,392	13,362
Exceptional Items					
Pre-tax Profit	6,102	4,700	5,628	5,392	13,362
Taxation	(1,770)	(1,293)	(1,519)	(1,456)	(3,608)
Exceptional Income - post-tax					
Profit After Tax	4,332	3,408	4,108	3,936	9,755
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	4,332	3,408	4,108	3,936	9,755
Recurring Net Profit	4,332	3,408	4,108	3,936	9,755
Fully Diluted Recurring Net Profit	4,332	3,408	4,108	3,936	9,755

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	7,862	7,042	8,261	8,255	17,064
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(5,520)	(2,483)	1,032		(8,329)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(96)	(616)	(904)	(1,109)	(1,297)
Tax Paid	(1,664)	(1,725)	(1,729)	(1,754)	(2,405)
Cashflow From Operations	582	2,217	6,660	5,392	5,034
Capex	(1,980)	(2,695)	(15,000)	(6,000)	(3,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	(1,980)	(2,695)	(15,000)	(6,000)	(3,000)
Debt Raised/(repaid)	1,289	6,177	11,500	700	(400)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid		(170)	(205)	(197)	(488)
Preferred Dividends					
Other Financing Cashflow	733	701			
Cash Flow From Financing	2,022	6,707	11,295	503	(888)
Total Cash Generated	624	6,230	2,954	(105)	1,146
Free Cashflow To Equity	(109)	5,699	3,160	92	1,634
Free Cashflow To Firm	(562)	457	(7,220)	726	3,564

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	31	28	250	62	187
Total Debtors	1,254	1,432	1,478	1,478	1,886
Inventories	28,711	31,194	30,162	30,162	38,491
Total Other Current Assets	1,682	3,426	3,895	4,022	4,157
Total Current Assets	31,677	36,080	35,785	35,724	44,721
Fixed Assets	26,028	26,458	26,729	25,975	45,569
Total Investments	3,394	4,321	4,494	4,674	4,861
Intangible Assets					
Total Other Non-Current Assets	6,896	5,556	18,954	24,064	5,620
Total Non-current Assets	36,318	36,334	50,177	54,713	56,050
Short-term Debt	16,822	21,370	17,870	17,570	15,670
Current Portion of Long-Term Debt					
Total Creditors	5,409	4,594	4,556	4,556	5,814
Other Current Liabilities	5,026	2,402	550	550	702
Total Current Liabilities	27,257	28,366	22,976	22,676	22,187
Total Long-term Debt	3,261	4,890	19,890	20,890	22,390
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	3,261	4,890	19,890	20,890	22,390
Total Provisions	3,462	1,204	1,239	1,274	1,331
Total Liabilities	33,980	34,460	44,106	44,840	45,908
Shareholders Equity	34,016	37,954	41,857	45,596	54,863
Minority Interests					
Total Equity	34,016	37,954	41,857	45,596	54,863

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	19.9%	(3.2%)	1.6%		27.6%
Operating EBITDA Growth	53.5%	(10.4%)	17.3%	(0.1%)	106.7%
Operating EBITDA Margin	14.1%	13.0%	15.0%	15.0%	24.3%
Net Cash Per Share (Rs)	(99.39)	(130.02)	(185.92)	(190.33)	(187.72)
BVPS (Rs)	168.60	188.12	207.47	226.00	271.94
Gross Interest Cover	7.41	5.69	5.83	4.87	9.58
Effective Tax Rate	29.0%	27.5%	27.0%	27.0%	27.0%
Net Dividend Payout Ratio		3.6%	3.6%	3.6%	3.6%
Accounts Receivables Days	8.18	9.05	9.65	9.80	8.74
Inventory Days	241.82	283.37	308.25	303.02	314.53
Accounts Payables Days	27.69	26.27	32.66	37.48	38.90
ROIC (%)	13.4%	9.8%	10.7%	8.5%	18.2%
ROCE (%)	11.8%	8.7%	8.9%	7.8%	16.3%
Return On Average Assets	9.6%	7.6%	8.2%	7.4%	15.3%

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.