


India

REDUCE (no change)

Consensus ratings*: Buy 8 Hold 1 Sell 1

Current price: Rs387
 Target price:  Rs229
 Previous target: Rs229
 Up/downside: -40.8%
 InCred Research / Consensus: -47.5%

Reuters:
 Bloomberg: BRCM IN
 Market cap: US\$1,074m
 Rs77,996m
 Average daily turnover: US\$12.0m
 Rs868.7m
 Current shares o/s: 204.0m
 Free float: 57.2%

*Source: Bloomberg

Key changes in this note

- Roll forward stock valuation to FY25F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(4.3)	4.6	(1.6)
Relative (%)	(6.8)	3.3	(16.2)

Major shareholders	% held
Promoter & Promoter Group	42.8
Nippon AMC	4.6
Kotak AMC	2.4

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Balrampur Chini Mills Ltd**Retain REDUCE with anti-consensus view**

- We hold an anti-consensus view on the sugar industry based on probable policy decisions that are currently not being factored in by consensus.
- The Indian National Congress Party winning Karnataka assembly elections, in our view, will lead to a difference of opinion on the sugar industry spread between the three big states of Uttar Pradesh, Maharashtra & Karnataka.
- We continue to have a REDUCE rating on Balrampur Chini Mills with an unchanged target price of Rs229 or 10x FY25F EPS (10x FY24F EPS earlier).

We differ from consensus view on Balrampur Chini Mills

We differ from the consensus view (BUY rating) on Balrampur Chini Mills (BCML) purely based on the stance of putting the industry before the company. We believe that sugar exports along with lower raw material costs had propelled the earnings of the sugar industry. Our last report on the industry highlighted the same. Please click [here](#) for full report.

INC coming into power in Karnataka increases probability of SAP

The Indian National Congress Party (INC) won the Karnataka assembly elections last week and is set to form the government in the state. Karnataka is the third-largest sugar-producing state in India, and the largest in South India. In the INC's manifesto, under the 'Agriculture and Farming' segment, it was stated that "Agriculture Price Commission will be set up in every revenue division." Also, it is important to note that sugarcane farmers in the state have been demanding SAP (State-Advised Price) of ~Rs350-400 per quintal, which it failed to receive from the previous state government. Former INC President Rahul Gandhi, a month ago, had met sugarcane farmers in Belgavi and told them: "It's true that the right rates aren't given to you. Inflation is rising. Prices of gas cylinders and fuel are rising, and you get little in your pocket. Farmers won't get relief with just one job. We have to increase the rates and better your marketing as well." Please click [here](#) for full article. Around 80% of the sugar belt (Uttar Pradesh, Maharashtra & Karnataka) was under the ruling BJP-led central and state governments earlier but that has changed now with the INC coming to power in Karnataka. Hence, the point to ponder is the likely introduction of SAP in Karnataka and the demand for higher SAP that may follow from the farmers of other states.

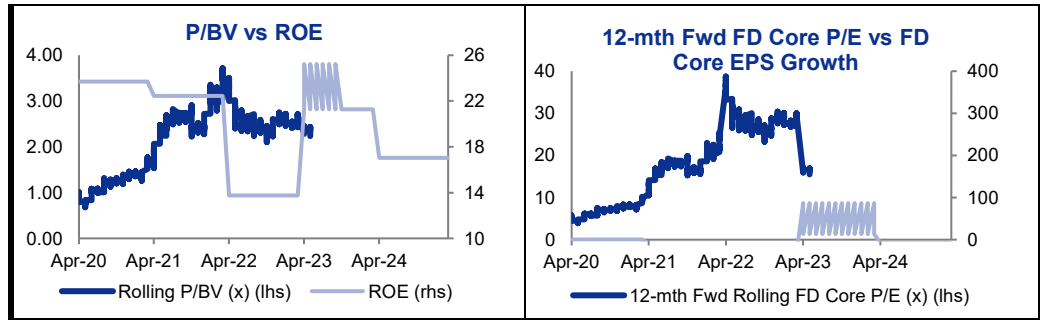
Valuation and risks

We continue to have a REDUCE rating on BCML with an unchanged target price of Rs229 or 10x FY25F EPS (10x FY24F EPS earlier). In our estimates, we have changed sugar price projection from a growth to a flat trend and have not considered any rise in SAP in Uttar Pradesh. Upside risks: 1) Rise in sugar prices and their sustenance in the domestic market above Rs38.5/kg. 2) Shortage in the global sugar market post May 2023F when other producers enter the market. 3) Clear directives on FRP and SAP with no increase in pricing.

Financial Summary	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
Revenue (Rsm)	48,117	48,460	46,659	61,282	61,314
Operating EBITDA (Rsm)	7,128	6,997	5,120	8,327	7,988
Net Profit (Rsm)	4,698	4,092	2,725	5,060	4,620
Core EPS (Rs)	21.8	21.7	13.4	24.9	22.9
Core EPS Growth	0.0%	(0.9%)	(38.3%)	86.7%	(8.2%)
FD Core P/E (x)	17.69	19.56	28.94	15.50	16.88
DPS (Rs)	0.0	0.0	0.7	1.3	1.1
Dividend Yield	0.00%	0.00%	0.17%	0.32%	0.30%
EV/EBITDA (x)	13.25	13.16	17.41	10.63	10.31
P/FCFE (x)	51.61	(496.45)	15.71	150.51	12.35
Net Gearing	43.2%	43.7%	34.0%	28.9%	11.0%
P/BV (x)	3.10	2.86	2.61	2.23	1.98
ROE	18.7%	16.7%	9.4%	15.5%	12.4%
% Change In Core EPS Estimates				(0.27%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs m)	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
Total Net Revenue	48,117	48,460	46,659	61,282	61,314
Gross Profit	13,556	13,899	12,566	16,294	15,958
Operating EBITDA	7,128	6,997	5,120	8,327	7,988
Depreciation And Amortisation	(1,119)	(1,139)	(1,295)	(1,401)	(1,401)
Operating EBIT	6,009	5,858	3,825	6,926	6,587
Financial Income/(Expense)	(48)	170	141	6	(258)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	5,961	6,029	3,967	6,932	6,329
Exceptional Items		(527)			
Pre-tax Profit	5,961	5,501	3,967	6,932	6,329
Taxation	(1,263)	(1,409)	(1,241)	(1,872)	(1,709)
Exceptional Income - post-tax					
Profit After Tax	4,698	4,092	2,725	5,060	4,620
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	4,698	4,092	2,725	5,060	4,620
Recurring Net Profit	4,698	4,484	2,725	5,060	4,620
Fully Diluted Recurring Net Profit	4,698	4,484	2,725	5,060	4,620

Cash Flow

(Rs m)	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
EBITDA	7,128	6,997	5,120	8,327	7,988
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(835)	(1,778)	1,554	(6,410)	(14)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(48)	170	141	6	(258)
Tax Paid	(1,119)	(1,139)	(1,295)	(1,401)	(1,401)
Cashflow From Operations	5,126	4,250	5,521	521	6,315
Capex	(1,009)	(4,041)	(2,500)		
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	(1,009)	(4,041)	(2,500)		
Debt Raised/(repaid)	(2,507)	(371)	2,000		
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(525)	(510)	(136)	(253)	(231)
Preferred Dividends					
Other Financing Cashflow	2,229	2,661		2	
Cash Flow From Financing	(803)	1,780	1,864	(251)	(231)
Total Cash Generated	3,315	1,989	4,884	270	6,084
Free Cashflow To Equity	1,611	(161)	5,021	521	6,315
Free Cashflow To Firm	4,511	518	3,507	1,057	6,851

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs m)	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
Total Cash And Equivalents	28	33	3,837	3,988	9,765
Total Debtors	2,455	1,367	1,278	1,679	1,680
Inventories	23,785	22,007	20,453	26,864	26,878
Total Other Current Assets	1,277	358	350	460	460
Total Current Assets	27,544	23,765	25,918	32,990	38,782
Fixed Assets	15,986	16,336	19,584	18,183	16,782
Total Investments	2,492	1,575	1,575	1,575	1,575
Intangible Assets					
Total Other Non-Current Assets	6,062	3,092	700	919	920
Total Non-current Assets	24,539	21,003	21,859	20,678	19,277
Short-term Debt	8,924	10,654	10,654	10,654	10,654
Current Portion of Long-Term Debt					
Total Creditors	7,954	4,127	3,257	4,277	4,279
Other Current Liabilities	5,897	847	140	184	184
Total Current Liabilities	22,775	15,628	14,051	15,115	15,118
Total Long-term Debt	2,423	1,442	3,442	3,442	3,442
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	2,423	1,442	3,442	3,442	3,442
Total Provisions	694	117	114	135	135
Total Liabilities	25,891	17,187	17,607	18,692	18,694
Shareholders' Equity	26,192	27,582	30,171	34,975	39,365
Minority Interests					
Total Equity	26,192	27,582	30,171	34,975	39,365

Key Ratios					
	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
Revenue Growth	1.5%	0.7%	(3.7%)	31.3%	0.1%
Operating EBITDA Growth	4.5%	(1.8%)	(26.8%)	62.6%	(4.1%)
Operating EBITDA Margin	14.8%	14.4%	11.0%	13.6%	13.0%
Net Cash Per Share (Rs)	(53.90)	(59.12)	(50.28)	(50.11)	(21.47)
BVPS (Rs)	124.72	135.18	147.87	173.36	195.12
Gross Interest Cover	15.29	18.98	7.86	12.93	12.30
Effective Tax Rate	21.2%	25.6%	31.3%	27.0%	27.0%
Net Dividend Payout Ratio			3.4%	3.6%	3.6%
Accounts Receivables Days	18.39	14.39	10.35	8.81	10.00
Inventory Days	246.79	241.80	227.29	191.94	216.24
Accounts Payables Days	66.69	47.59	30.19	23.99	27.03
ROIC (%)	16.6%	16.4%	10.0%	17.8%	15.1%
ROCE (%)	15.7%	15.0%	9.1%	14.8%	12.8%
Return On Average Assets	11.5%	12.1%	8.3%	13.7%	11.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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