

India

ADD (no change)

Consensus ratings*: Buy 2 Hold 0 Sell 0

Current price:	Rs54
Target price: ▲	Rs94
Previous target:	Rs93
Up/downside:	74.1%
InCred Research / Consensus:	73.8%
Reuters:	
Bloomberg:	BCLIL IN
Market cap:	US\$165m Rs13,718m
Average daily turnover:	US\$1.1m Rs94.8m
Current shares o/s:	297.3m
Free float:	39.6%

*Source: Bloomberg

Key changes in this note

- Increase PAT estimates by 11.1%/1.7%/3.0% for FY24F/25F/26F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	8.7	10.3	43.0
Relative (%)	3.7	7.2	33.3

Major shareholders	% held
Promoter & Promoter Group	60.4

Research Analyst(s)



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BCL Industries Ltd

It's time to reap rich returns

- OMCs opened the tenders for ESY (ethanol supply year) two months ago, but the price revision hopes have diminished with no announcement on the same.
- 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 for BCL Industries, in our view.

Expanded capacity to fire on all cylinders

BCL Industries has kick-started ESY24 with 2x workable capacity, compared to the beginning of ESY23, and a 23.6% hike in maize-based ethanol prices. There were market expectations of a standard hike before ESY24, but that has not played out. The demand for ENA (extra neutral alcohol) is strong within the operational territory of the company.

Seeding the future

BCL Industries plans to systematically enter the PML (Punjab Made Liquor) segment, which was introduced in the last excise policy of the state government. The company's liquor brands are getting accepted in the market with the segment stabilizing. In terms of operating margin, ENA, its forward integration product, should gain 200-500 bp. While the PML market may be working-capital intensive, the easing working capital requirement of the company's edible oil segment should play a balancing act.

Change in our earnings estimates

We have increased our PAT estimates for BCL Industries by 11.1%/1.7%/3.0% for FY24F/25F/26F, respectively, considering the better spreads for the ethanol/ENA businesses. The higher increase in the top-line and bottom-line for FY24F is mainly due to the postponement of major maintenance work on an old plant. The movement, in terms of topline and margin accretion from the PML business, has not been considered by us as we wait and watch the developments of the newly implemented policy. Also, the current prices of ethanol derived from grain have been considered as no announcement 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 of the company. An increase in the ethanol price by Re1/L will result in Rs55m/Rs165m/Rs200m & 18/55/67 paise addition to PAT & EPS for FY24F/25F/26F, respectively.

Retain ADD rating with a marginally higher target price of Rs94

We retain our ADD rating on BCL Industries with a marginally higher target price of Rs94 (Rs93 earlier) or 14x FY25F EPS. We have not considered any growth in the PML segment and any upside in this segment is an additional gain, in our view. Downside risks: Broken rice and maize are mainly used to produce ENA 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-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (Rsm)	19,797	18,183	21,316	27,196	30,776
Operating EBITDA (Rsm)	1,296	1,236	2,157	3,309	3,936
Net Profit (Rsm)	848	663	1,121	1,999	2,618
Core EPS (Rs)	3.5	2.7	4.2	6.7	8.8
Core EPS Growth	80.3%	(21.8%)	52.1%	61.0%	31.0%
FD Core P/E (x)	15.41	19.72	13.00	8.05	6.14
DPS (Rs)	1.8	0.8	0.1	0.1	0.2
Dividend Yield	0.32%	0.15%	0.17%	0.25%	0.33%
EV/EBITDA (x)	12.02	13.71	7.64	5.00	3.62
P/FCFE (x)	25.36	7.18	(8.52)	6.85	4.69
Net Gearing	63.3%	128.3%	27.8%	0.4%	(22.4%)
P/BV (x)	3.56	4.59	2.71	2.04	1.54
ROE	26.1%	20.3%	25.6%	28.9%	28.5%
% Change In Core EPS Estimates			(0.94%)	(0.92%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Our revised earnings estimates

(Rs m)	Old estimates			New estimates			Change (%)		
	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
Revenue	20,491	28,396	32,544	21,316	27,196	30,776	4.0%	-4.2%	-5.4%
EBITDA	1,870	3,259	3,852	2,157	3,309	3,936	15.4%	1.5%	2.2%
EBITDA Margin (%)	9.1%	11.5%	11.8%	10.1%	12.2%	12.8%	99bp	69bp	95bp
PAT	1,010	1,965	2,541	1,121	1,999	2,618	11.1%	1.7%	3.0%
EPS (Rs)	3.4	6.6	8.5	3.8	6.7	8.8	11.1%	1.7%	3.0%

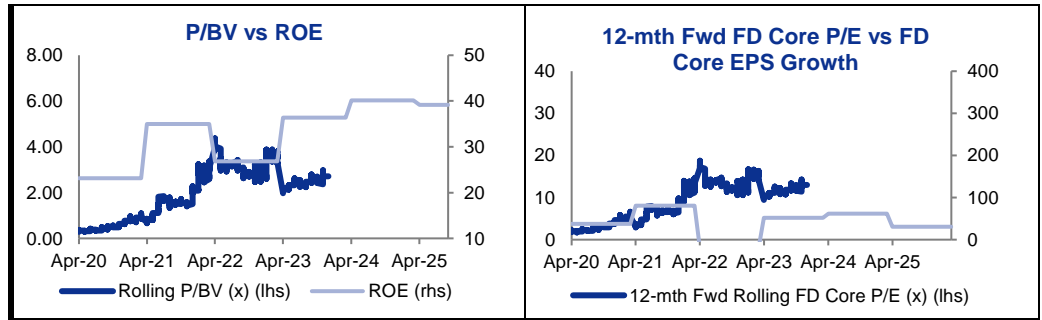
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our key assumptions

Key assumptions	FY24F	FY25F	FY26F
Bulk alcohol sales (mL)	150	226	273
DDGS price (per kg)	30	30	30
ENA price (per L)	64.8	66.0	66.0
Ethanol price (per L)	61.8	64.0	64.0

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Net Revenues	19,797	18,183	21,316	27,196	30,776
Gross Profit	3,229	4,097	5,861	8,654	10,373
Operating EBITDA	1,296	1,236	2,157	3,309	3,936
Depreciation And Amortisation	(147)	(250)	(290)	(272)	(204)
Operating EBIT	1,149	986	1,867	3,037	3,732
Financial Income/(Expense)	(15)	(131)	(170)	(45)	88
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	1,134	855	1,697	2,992	3,820
Exceptional Items		(5)			
Pre-tax Profit	1,134	855	1,692	2,992	3,820
Taxation	(286)	(211)	(470)	(778)	(976)
Exceptional Income - post-tax					
Profit After Tax	848	644	1,222	2,214	2,845
Minority Interests		19	(101)	(215)	(227)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	848	663	1,121	1,999	2,618
Recurring Net Profit	848	663	1,125	1,999	2,618
Fully Diluted Recurring Net Profit	848	663	1,125	1,999	2,618

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	1,296	1,236	2,157	3,309	3,936
Cash Flow from Invt. & Assoc.					
Change In Working Capital	552	(36)	(343)	(644)	(392)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(15)	(131)	(170)	(45)	88
Tax Paid	(147)	(250)	(290)	(272)	(204)
Cashflow From Operations	1,686	819	1,354	2,347	3,428
Capex	(1,671)	(1,500)	(1,000)		
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	(1,671)	(1,500)	(1,000)		
Debt Raised/(repaid)	500	2,500	(2,065)		
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(119)	(864)	(245)	(2,174)	(3,023)
Preferred Dividends					
Other Financing Cashflow	363	(1,482)	1,987	215	227
Cash Flow From Financing	744	154	(323)	(1,959)	(2,796)
Total Cash Generated	759	(527)	31	388	632
Free Cashflow To Equity	515	1,819	(1,711)	2,347	3,428
Free Cashflow To Firm	110	(483)	615	2,499	3,580

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	211	1,327	1,332	3,006	5,532
Total Debtors	1,017	996	1,168	1,490	1,686
Inventories	1,956	1,993	2,336	2,980	3,373
Total Other Current Assets	659	455	533	680	769
Total Current Assets	3,843	4,771	5,369	8,156	11,360
Fixed Assets	1,298	4,211	4,922	4,649	4,445
Total Investments	288	238	238	238	238
Intangible Assets					
Total Other Non-Current Assets	2,147	273	320	408	462
Total Non-current Assets	3,732	4,722	5,479	5,295	5,145
Short-term Debt	1,565	2,065			
Current Portion of Long-Term Debt					
Total Creditors	1,015	1,269	1,488	1,898	2,148
Other Current Liabilities	51	55	64	82	92
Total Current Liabilities	2,632	3,389	1,552	1,980	2,240
Total Long-term Debt	1,040	3,040	3,040	3,040	3,040
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	1,040	3,040	3,040	3,040	3,040
Total Provisions	120	119	120	121	122
Total Liabilities	3,791	6,548	4,711	5,141	5,402
Shareholders Equity	3,667	2,847	5,937	7,896	10,461
Minority Interests	117	98	199	415	641
Total Equity	3,784	2,945	6,137	8,310	11,103

Key Ratios					
	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	38.7%	(8.1%)	17.2%	27.6%	13.2%
Operating EBITDA Growth	58.4%	(4.6%)	74.6%	53.4%	18.9%
Operating EBITDA Margin	6.5%	6.8%	10.1%	12.2%	12.8%
Net Cash Per Share (Rs)	(9.91)	(15.64)	(5.74)	(0.11)	8.38
BVPS (Rs)	15.18	11.79	19.97	26.56	35.18
Gross Interest Cover	12.08	4.97	7.13	19.98	24.55
Effective Tax Rate	25.2%	24.7%	27.8%	26.0%	25.5%
Net Dividend Payout Ratio	3.7%	2.3%	1.8%	1.4%	1.5%
Accounts Receivables Days	21.80	20.20	18.53	17.84	18.84
Inventory Days	49.18	51.16	51.12	52.33	56.83
Accounts Payables Days	19.63	23.10	25.56	26.16	28.41
ROIC (%)	27.5%	16.4%	28.3%	39.3%	45.4%
ROCE (%)	20.8%	13.4%	21.4%	29.3%	29.0%
Return On Average Assets	16.5%	11.6%	18.4%	25.0%	24.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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