

India

May 03, 2024 - 11:40 AM

Overweight (no change)

Highlighted Companies

BCL Industries Ltd

ADD, TP Rs95, Rs57 close

BCL Industries has moved from being a 200klpd distillation player in FY22 to 700klpd now, with 250klpd to be added soon, within which industry-leading innovation has been undertaken in terms of fuel efficiency. The IMIL segment of the company has become operational in Punjab.

Globus Spirits Ltd

ADD, TP Rs1562, Rs785 close

Globus Spirits was the largest grain distillery in India with a 535klpd capacity in FY22, which has been now increased to over 1,000klpd. The company has successfully made inroads into the whisky, vodka and gin segments of IMFL business.

Gulshan Polyols Ltd

ADD, TP Rs382, Rs205 close

Gulshan Polyols was only a 60klpd grain distillery in FY22, but now has 810klpd capacity. The IMIL division of the company has been repeatedly awarded territories in Madhya Pradesh.

Summary Valuation Metrics

P/E (x)	Mar24-F	Mar25-F	Mar26-F
BCL Industries Ltd	14.73	9.8	7.19
Globus Spirits Ltd	17.43	8.43	7.54
Gulshan Polyols Ltd	44.75	10.59	5.36
P/BV (x)	Mar24-F	Mar25-F	Mar26-F
BCL Industries Ltd	2.88	2.24	1.71
Globus Spirits Ltd	2.24	1.79	1.46
Gulshan Polyols Ltd	1.78	1.53	1.2
Dividend Yield	Mar24-F	Mar25-F	Mar26-F
BCL Industries Ltd	0.15%	0.2%	0.28%
Globus Spirits Ltd	0.34%	0.47%	0.53%
Gulshan Polyols Ltd	0.11%	0.38%	0.75%

Research Analyst(s)

Nitin AWASTHI

T (91) 22 4161 1550

E nitin.awasthi@incredresearch.com

Agribusiness

Our maize-ethanol thesis is on the right path

- We reiterated our bullish stance on grain-based ethanol while clearing the myths on feedstock shortfall in our [13 Apr 2024](#) report.
- Closely monitoring the ground and cropping patterns, we are satisfied with the movement towards the thesis we had laid earlier on the abundance of maize.
- Stabilization of raw material price (maize) for the industry may directly add ~750bp to gross profit in FY25F. Maintain ADD rating on BCL, GSL and GPL.

The feedstock problem

- Currently, average maize output in India is ~32mmt (five-year period ended FY23).
- The major usage of India's maize crop is in poultry and cattle feed businesses at ~12mmt or ~60% of the total output while the starch and processed food industry accounts for ~6.5mmt or ~20%, followed by human consumption of ~4mmt or 5% while the remaining ~15% is exported.
- Based on our calculations, 18mmt more maize is required for the ethanol blending policy's success (Fig.5).

The solution

- The green revolution led to a massive rise in foodgrain production in India at 87%, 60%, 39%, 8%, 13% and 19% over six stages from FY51.
- However, the 5x increase in grain production was largely due to a 5x rise in rice output and a 16x growth in wheat production from FY51, while maize production lagged since the middle of the green revolution.
- As per our analysis, maize did not lose the minimum support price or MSP announcement race but rather it lost the race of getting procured.
- Hence, once the procurement or minimum support price (MSP) floor is set for maize, Indian yields would rise to global standards and the country stands to produce the required addition of 18mmt of maize (Fig.1).

Movement on the ground

- National Agricultural Cooperative Marketing Federation of India (NAFED) and National Cooperative Consumer's Federation of India (NCCF) are getting on the front foot with their awareness campaigns (Figs.2 & 3).
- Bihar, the recent harvest ground and the state having the maximum scope for cultivation, is witnessing procurement centres being set up across villages, with Ms. Anice Chandra (IRS), managing director of NCCF, making it clear that her organisation will buy whatever is produced at MSP. [Link](#)

Retain ADD rating on grain-based distilleries

- The hypothesized scenario is turning into a reality with the rise in maize cultivation while the prices of the commodity remain steady.
- Retain ADD rating on BCL Industries (BCL), Globus Spirits (GSL) and Gulshan Polyols.

Figure 1: Massive gap in yields compared to global maize yields

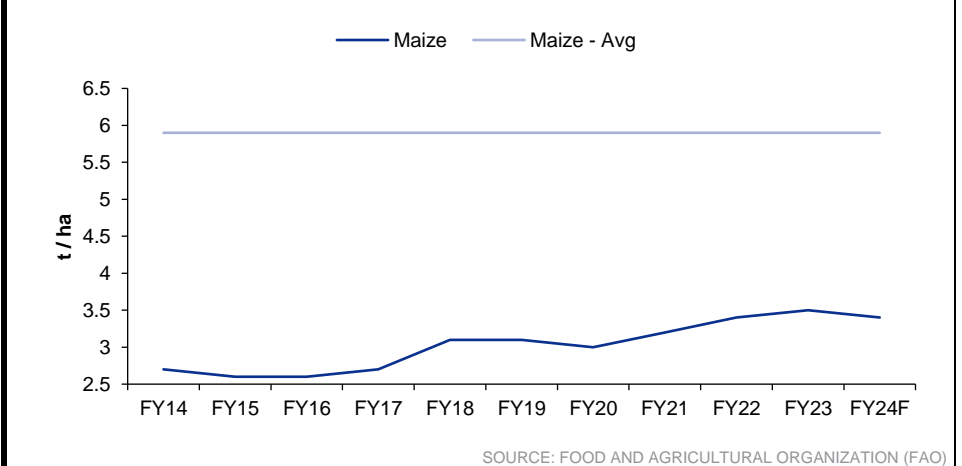
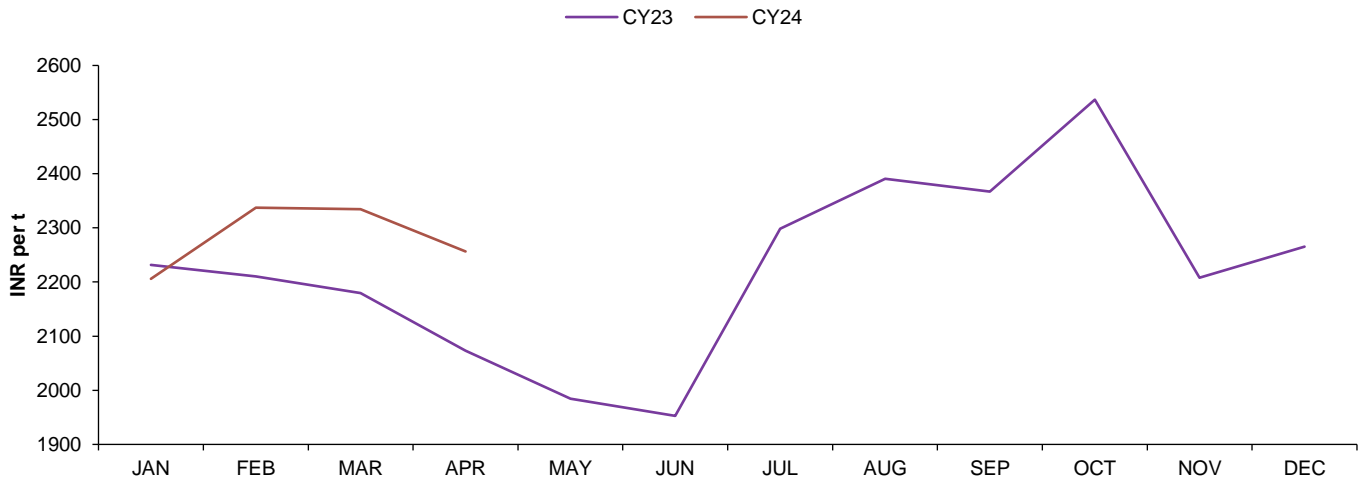


Figure 2: Maize prices remain at MSP because of steady supply in a high demand environment



SOURCE: GOI

Figure 3: Awareness campaign for maize procurement

उपभोक्ता मामले विभाग
 DEPARTMENT OF
CONSUMER AFFAIRS

NCCF

भारतीय राष्ट्रीय उपभोक्ता सहकारी संघ मर्यादित
 (भारतीय उपभोक्ता संघों का राष्ट्रीय संघ)
National Cooperative Consumers' Federation of India Limited
(National Federation of Consumer Welfare Producers and Suppliers, Government of India)

DO YOU KNOW?

nccfindia.com Portal offers pre-registration, ensuring maize farmers get guaranteed **MSP prices!**

Instagram: nccf1965 | Facebook: NCCF of India Limited | Twitter: Nccf_India

SOURCE: NCCF

Figure 4: Awareness campaign for maize MSP

उपभोक्ता मामले विभाग
 DEPARTMENT OF
 CONSUMER AFFAIRS

भारतीय राष्ट्रीय उपभोक्ता सहकारी संघ मर्यादित
 (ग्रामीण स्वयं सहायता समूहों के माध्यम से)
 NCCF
 National Cooperative Consumers' Federation of India Limited
 (ग्रामीण स्वयं सहायता समूहों के माध्यम से)

Why settle for less when you can
 sell your maize with **NCCF's** procurement portal **at MSP**

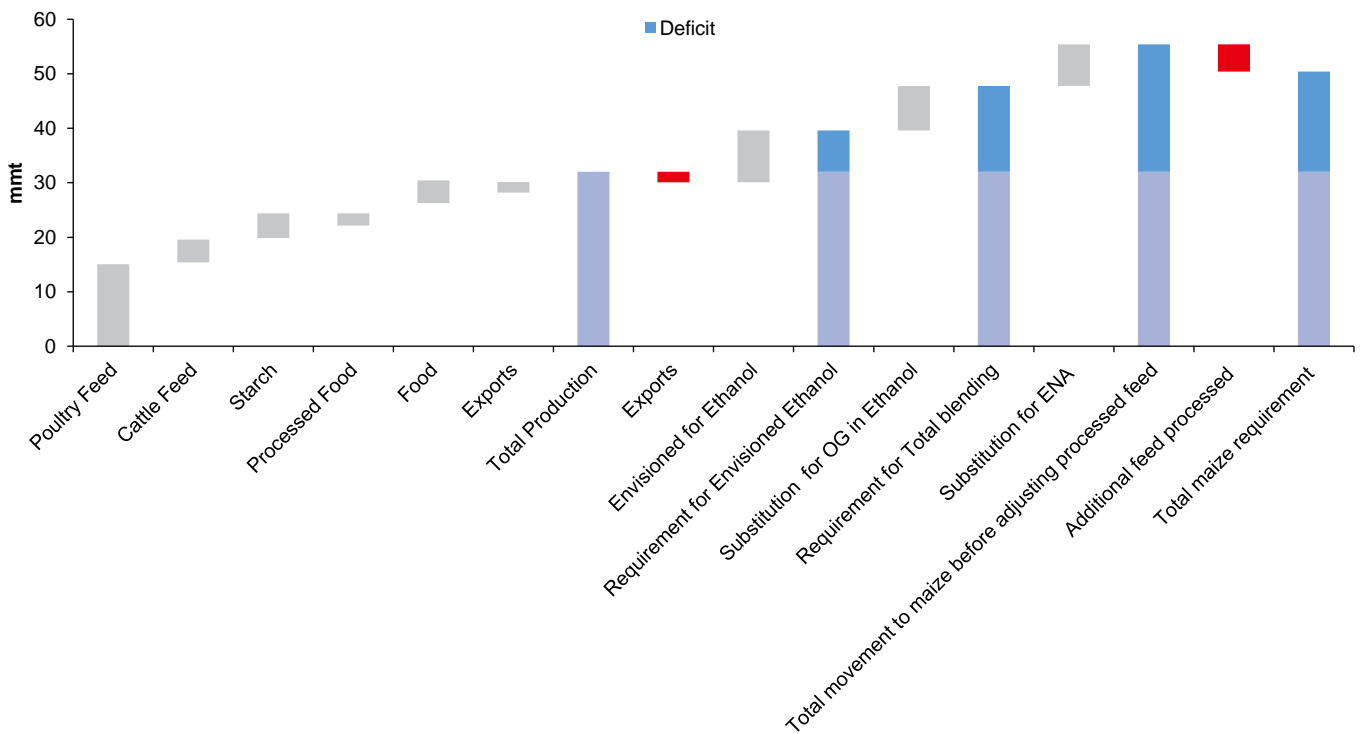
Join us and enjoy fair prices, transparent transactions, and unparalleled support for farmers.

Register: nccfindia.com

Instagram: nccf1965 | Facebook: NCCF of India Limited | Twitter: Nccf_India

SOURCE: NCCF

Figure 5: Maize requirement currently for E20 blending



SOURCE: INCRED RESEARCH

DISCLAIMER

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by Incred Research Services Private Ltd. (formerly known as Earnest Innovation Partners Private Limited) (hereinafter referred to as "IRSPL"). IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH000011024. Pursuant to a trademark agreement, IRSPL has adopted "Incred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IRSPL and its affiliates/group companies to registration or licensing requirements within such jurisdictions.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. IRSPL is not under any obligation to update this report in the event of a material change to the information contained in this report. IRSPL has not any and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies to any person to buy or sell any investments.

The opinions expressed are based on information which are believed to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made. (Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request. The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short term views etc.) that are inconsistent with and reach different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

	Analyst/ Relative	Entity/ Associates
any financial interests in the company covered in this report (subject company) and nature of such financial interest	NO	NO
actual/beneficial ownership of 1% or more in securities of the subject company at the end of the month immediately preceding the date of publication of the research report or date of the public appearance;	NO	NO
any other material conflict of interest at the time of publication of the research report or at the time of public appearance	NO	NO
received any compensation from the subject company in the past twelve months for investment banking or merchant banking or brokerage services or investment advisory or depository or distribution from the subject company in the last twelve months for products/services other than investment banking or merchant banking or broker- age services or investment advisory or depository or distribution from the subject company in the last twelve months	NO	NO
managed or co-managed public offering of securities for the subject company in the last twelve months	NO	NO
received any compensation or other benefits from the subject company or third party in connection with the research report	NO	NO
served as an officer, director or employee of the subject company	NO	NO
been engaged in market making activity for the subject company	NO	NO

Analyst declaration

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part.