

India

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**Overweight** (no change)

**Highlighted Companies**

**BCL Industries Ltd**

**ADD, TP Rs98, Rs53 close**

The one-step approach of BCL Industries has led it to become a 700ktpd giant from 200ktpd. Currently, plans have been chalked up for 1,000ktpd distillation capacity, making it a giant in the distillation space.

**Globus Spirits Ltd**

**ADD, TP Rs1562, Rs766 close**

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

**Gulshan Polyols Ltd**

**ADD, TP Rs380, Rs200 close**

With a mega manufacturing set-up approach, the company has entered the giant space of distillation, but execution in this space has to be monitored closely.

**Summary Valuation Metrics**

P/E (x)	Mar24-A	Mar25-F	Mar26-F
BCL Industries Ltd	15.78	10.09	7.54
Globus Spirits Ltd	17.01	8.23	7.36
Gulshan Polyols Ltd	58.25	10.19	5.27
P/BV (x)	Mar24-A	Mar25-F	Mar26-F
BCL Industries Ltd	2.75	2.17	1.69
Globus Spirits Ltd	2.19	1.74	1.42
Gulshan Polyols Ltd	1.76	1.51	1.18
Dividend Yield	Mar24-A	Mar25-F	Mar26-F
BCL Industries Ltd	0.14%	0.2%	0.27%
Globus Spirits Ltd	0.35%	0.49%	0.54%
Gulshan Polyols Ltd	0.09%	0.39%	0.76%

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# Agribusiness

## Consolidation to create giants

- The cumulative ethanol market is projected to grow by ~14% & ~35% YoY in ESY24F & ESY25F, respectively, in volume terms.
- The trio - BCIL, GSL & GPL - are expected to increase their market share by 100bp from ~3.5% in ESY24F & in ESY25F by ~200bp to ~6.5%.
- Rapid consolidation of the grain distillation industry is a tailwind for our coverage universe. Retain our Overweight rating on the sector.

### Our long-standing preference for grain distillation cos holds strong

- While backing the Government of India or Gol's ethanol blending initiative, we have maintained our bias towards grain-based distillation.
- As per media reports, grain-based ethanol accounts for 51% of the delivered ethanol in ESY24F at 1,814mL (million litres), compared to 1,757mL from the sugar-based ethanol route.

### Current industry statistics

- Total ethanol requirement, as per Gol, to meet its 15% ethanol blending program is 7,000mL.
- However, the accepted tenders account for 6,500mL, or 13.9% blending.
- The growth in fuel consumption outpaced the initial forecast and hence, 13% blending seems like a realistic target for ESY24F.

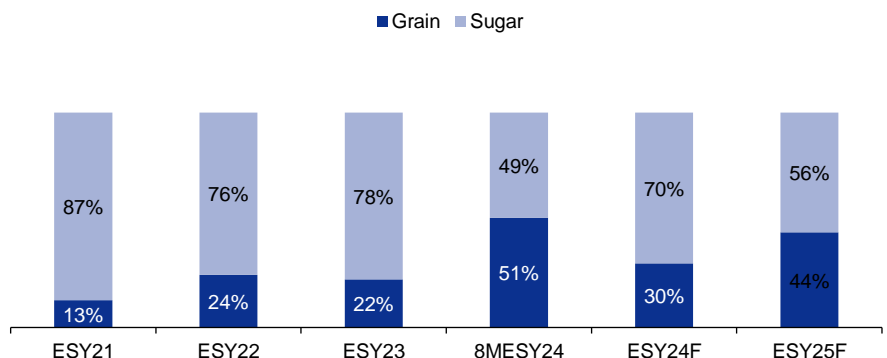
### Giants club

- BCL Industries, Globus Spirits & Gulshan Polyols are in line to deliver ~82mL, ~10mL & ~10mL, respectively, of ethanol for blending in ESY24F.
- The share in the blending space would stand at ~1.3% for BCL Industries, ~1.5% for Globus Spirits & ~1.6% for Gulshan Polyols.
- The cumulative share in extra neutral alcohol or ENA, accounting for the rise in base volume, would be ~1.3% for BCL Industries, ~2.1% for Globus Spirits and ~1.1% for Gulshan Polyols in ESY24F.
- Refer Fig. 2 for viewing the entire ecosystem along with market share of respective companies in ESY24F.
- However, in ESY25F, the likely share on a cumulative basis is set to rise further to ~1.9% (240mL) for BCL Industries, ~2.6% (300mL) for GSL and ~2.5% (293mL) for GPL.

### Retain ADD rating on grain-based distilleries

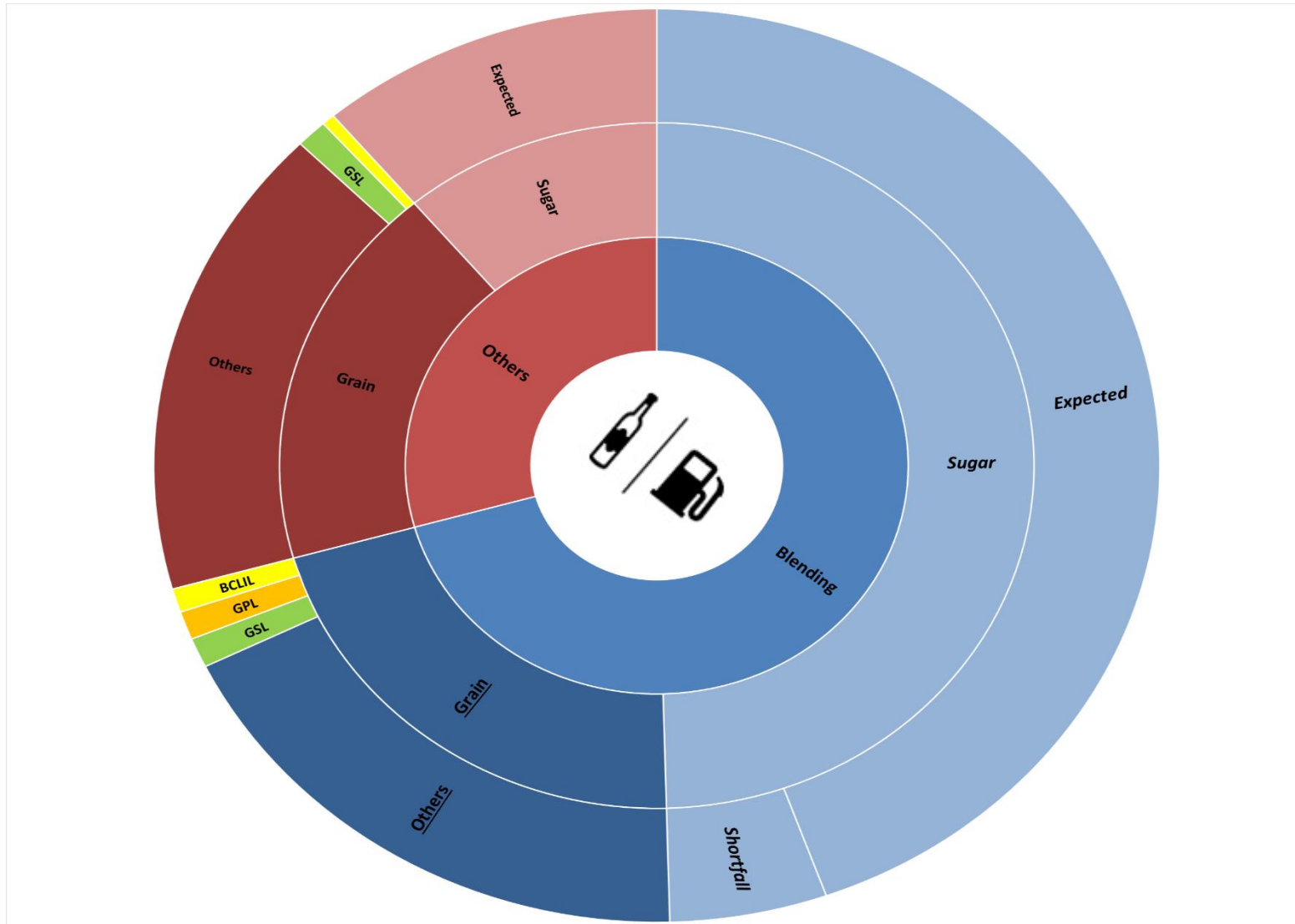
- We retain our ADD rating on BCL Industries, GSL & GPL with their target prices at Rs98 or 14x FY26F EPS, Rs1,562 or 15x FY26F EPS, & Rs380 or 10x FY26F, respectively.
- Our pecking order, considering the turnaround in PAT as a factor, is BCL Industries, Globus Spirits & Gulshan Polyols
- Downside risk: Grain, mainly maize, price rise will lead to a direct hit on gross profit. The rise in energy costs has a direct bearing on the EBITDA margin of these companies.

**Figure 1: Grain-based ethanol leads the way in the blending space during the eight-month period of ESY24**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: ESY24F (Ethanol Supply Year), dynamics along with ethanol/ENA for other than blending usage point towards consolidation going ahead



SOURCE: INCRED RESEARCH

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