

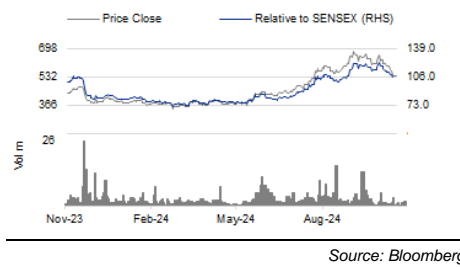
India

**REDUCE** (no change)

Consensus ratings*:	Buy 7	Hold 2	Sell 1
Current price:	Rs539		
Target price:	Rs261		
Previous target:	Rs264		
Up/downside:	-51.6%		
InCred Research / Consensus:	-57.7%		
Reuters:			
Bloomberg:	BRCM IN		
Market cap:	US\$1,499m		
	Rs108,824m		
Average daily turnover:	US\$19.0m		
	Rs1379.3m		
Current shares o/s:	204.0m		
Free float:	57.1%		
*Source: Bloomberg			

**Key changes in this note**

- Cut our PAT estimates by 8.4%/1.1%/0.5% for 25F/26F/27F.



<b>Price performance</b>	1M	3M	12M
Absolute (%)	(15.5)	3.2	23.2
Relative (%)	(10.9)	5.3	4.3

<b>Major shareholders</b>	% held
Promoter & Promoter Group	42.9
Nippon AMC	5.2
SBI AMC	4.4

**Research Analyst(s)**

**Nitin AWASTHI**  
 T (91) 22 4161 1550  
 E nitin.awasthi@incredresearch.com

# Balrampur Chini Mills Ltd

## Maintain our anti-consensus view; REDUCE

- We maintain our anti-consensus view on the sugar sector based on probable policy decisions that are not being factored in by consensus expectations.
- We hold our view - politics will override policies.
- We continue to have a REDUCE rating on Balrampur Chini Mills with a marginally lower target price of Rs261 or 10x FY26F EPS (from Rs264 earlier).

**Distillation segment's performance**

ESY25F (ethanol supply year) would be the first year of Balrampur Chini Mills (BMCL) utilizing its full capacity, with the shackles of feedstock removed by the Government of India or Gol. The grain-based operations of the company will be viewed sceptically as the capacity is limited and the expertise in grain procurement is yet to be proved. Currently, we have not factored in any increase in ethanol prices in EY25F.

**Sugar segment's performance**

In our view, sugar exports will not be allowed from India by the government, and thus the inventory will swell and remain on the balance sheet of sugar companies. With domestic sugar consumption stagnant, the segment's volume is not expected to increase. The pricing of sugar in the domestic market may remain below Rs40/kg in a scenario of nil exports, leading to a comfortable excess stock in the country. Good production of sugar in Brazil will also keep international sugar prices under pressure, in our view. However, we expect the pressure to build up on cane pricing and hence, the spreads in the segment will be at great risk. Currently, we have assumed the State Advised Price (SAP) for sugarcane in Uttar Pradesh for SY25 at Rs370/quintal.

**We cut our earnings estimates**

We have cut our EPS estimate for Balrampur Chini Mills by 1% for FY26F, mainly factoring in 2QFY25 results. If the Gol announces a price hike for ethanol in ESY25F, the said increase will result in a direct contribution to the PBT but if the SAP is changed, then the math needs to be assessed regarding the effect on the spreads of ethanol and sugar. With tight sugarcane supply in the coming years likely due to its diversion towards making ethanol, we are still studying the impact of sugar's diversion towards the polylactic acid operations of the company.

**Retain REDUCE rating with a slightly lower target price of Rs261**

We retain our REDUCE rating on Balrampur Chini Mills with a marginally lower target price of Rs261 (Rs264 earlier) or 10x FY26F EPS. We extremely disagree with the concise P/E assigned to the company, leading to a large variation in the target price. We have not considered any earnings from the PLA (polylactic acid) venture of the company, the implementation of which is slated in FY27F. Upside risks: 1) Rise in sugar prices and their sustenance in the domestic market above Rs40/kg. 2) Clear directives on FRP and SAP with no increase in pricing.

Financial Summary	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue (Rsm)	48,460	46,659	55,937	57,510	65,700
Operating EBITDA (Rsm)	6,997	5,120	7,862	5,836	8,485
Net Profit (Rsm)	4,092	2,725	4,119	2,841	5,265
Core EPS (Rs)	21.7	13.4	20.3	14.1	26.1
Core EPS Growth	(0.9%)	(38.3%)	52.0%	(30.6%)	85.3%
FD Core P/E (x)	27.29	40.38	26.57	38.30	20.67
DPS (Rs)	0.0	0.7	1.0	0.7	1.3
Dividend Yield	0.00%	0.12%	0.19%	0.13%	0.24%
EV/EBITDA (x)	17.68	23.54	15.04	19.88	13.31
P/FCFE (x)	(692.67)	21.92	53.79	90.40	30.04
Net Gearing	43.7%	34.8%	25.8%	19.5%	9.8%
P/BV (x)	3.99	3.65	3.19	2.96	2.60
ROE	16.7%	9.4%	12.8%	8.0%	13.4%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: 2QFY25 results

Rs m	2QFY25	2QFY24	% YoY	1QFY25	% QoQ
Revenue From Operations	12,979	15,395	-15.7%	14,216	-8.7%
Cost of Goods Sold	10,757	11,701	-8.1%	10,656	0.9%
Employee Expenses	935	929	0.7%	919	1.8%
Other Expenses	796	1,116	-28.7%	979	-18.7%
<b>EBITDA</b>	<b>491</b>	<b>1,649</b>	<b>-70.2%</b>	<b>1,661</b>	<b>-70.5%</b>
Depreciation	432	412	4.7%	426	1.4%
<b>EBIT</b>	<b>59</b>	<b>1,236</b>	<b>-95.2%</b>	<b>1,235</b>	<b>-95.2%</b>
Other Income - Total	649	1,095	-40.7%	77	745.2%
Other Income (Non-Investment)	83	382	-78.3%	77	8.0%
Other Income (Investments)	566	713	-20.6%	0	NA
Interest Expenses	200	172	16.5%	360	-44.4%
<b>Profit Before Tax</b>	<b>508</b>	<b>2,159</b>	<b>-76.5%</b>	<b>952</b>	<b>-46.7%</b>
Profit From associates	84	69	21.2%	72	16.7%
Tax Expenses	-80	566	NA	322.2	NA
<b>Profit After Tax</b>	<b>672</b>	<b>1,662</b>	<b>-59.6%</b>	<b>702</b>	<b>-4.2%</b>
<b>Key Ratios</b>	<b>2QFY25</b>	<b>2QFY24</b>	<b>% YoY</b>	<b>1QFY25</b>	<b>% QoQ</b>
EBITDA Margin	3.8%	10.7%	-693bp	11.7%	-790bp
EBIT Margin	0.5%	8.0%	-758bp	8.7%	-824bp
PBT Margin	3.9%	14.0%	-1012bp	6.7%	-278bp
PAT Margin	5.2%	10.8%	-562bp	4.9%	24bp
Tax Rate	-15.8%	26.2%	-4202bp	33.9%	-4965bp
<b>Segment-wise Results</b>	<b>2QFY25</b>	<b>2QFY24</b>	<b>% YoY</b>	<b>1QFY25</b>	<b>% QoQ</b>
Sugar	10,486	11,094	-5.5%	11,316	-7.3%
Distillery	2,645	5,597	-52.7%	4,241	-37.6%
<b>Segment-wise EBIT</b>	<b>2QFY25</b>	<b>2QFY24</b>	<b>% YoY</b>	<b>1QFY25</b>	<b>% QoQ</b>
Sugar	15	391	-96.0%	747	-97.9%
Distillery	330	1,093	-69.8%	811	-59.3%
<b>Segment-wise EBIT %</b>	<b>2QFY25</b>	<b>2QFY24</b>	<b>% YoY</b>	<b>1QFY25</b>	<b>% QoQ</b>
Sugar	0.15%	3.53%	-338bp	6.60%	-646bp
Distillery	12.47%	19.53%	-707bp	19.12%	-665bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

Rsm	Old estimates			New estimates			Change (%)		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Revenue	56,173	65,700	65,700	57,510	65,700	65,700	2.4%	0.0%	0.0%
EBITDA	6,064	8,485	8,468	5,836	8,485	8,468	-3.8%	0.0%	0.0%
EBITDA Margin (%)	10.8%	12.9%	12.9%	10.1%	12.9%	12.9%	-65bp	0bp	0bp
PAT	3,103	5,325	5,461	2,841	5,265	5,434	-8.4%	-1.1%	-0.5%
EPS (Rs)	15	26	27	14	26	27	-8.4%	-1.1%	-0.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Our key assumptions

Key assumptions	FY25F	FY26F	FY27F
SAP (Rs/t)	3,700	3,700	3,700
Sugar Sales (lakh quintals)	94	100	100
Sugar Price (Rs/kg)	40.0	40.0	40.0
Ethanol & ENA Sales (mL)	232.9	379.0	379.0
Ethanol Price - Direct (Rs/L)	65.6	65.6	65.6
Ethanol price - B Heavy (Rs/L)	60.7	60.7	60.7
Ethanol price - C Heavy (Rs/L)	56.3	56.3	56.3
Ethanol price - Grain (Rs/L)	71.9	71.9	71.9

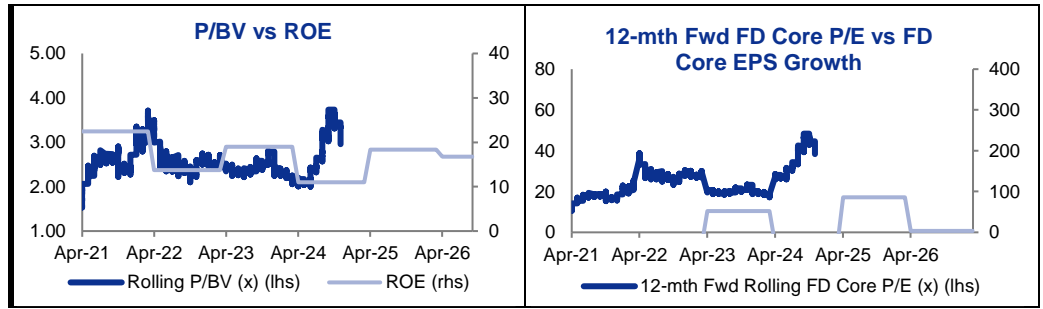
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: One-year forward P/E



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
<b>Total Net Revenues</b>	48,460	46,659	55,937	57,510	65,700
<b>Gross Profit</b>	13,899	12,566	16,768	13,407	17,026
<b>Operating EBITDA</b>	6,997	5,120	7,862	5,836	8,485
Depreciation And Amortisation	(1,139)	(1,295)	(1,664)	(1,583)	(1,501)
<b>Operating EBIT</b>	5,858	3,825	6,198	4,253	6,984
Financial Income/(Expense)	170	141	(96)	(360)	228
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
<b>Profit Before Tax (pre-EI)</b>	6,029	3,967	6,102	3,893	7,213
Exceptional Items	(527)				
<b>Pre-tax Profit</b>	5,501	3,967	6,102	3,893	7,213
Taxation	(1,409)	(1,241)	(1,983)	(1,052)	(1,947)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	4,092	2,725	4,119	2,841	5,265
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	4,092	2,725	4,119	2,841	5,265
Recurring Net Profit	4,484	2,725	4,119	2,841	5,265
<b>Fully Diluted Recurring Net Profit</b>	4,484	2,725	4,119	2,841	5,265

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
<b>EBITDA</b>	6,997	5,120	7,862	5,836	8,485
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,778)	1,554	(4,067)	(689)	(3,590)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	170	141	(96)	(360)	228
Tax Paid	(1,139)	(1,295)	(1,664)	(1,583)	(1,501)
<b>Cashflow From Operations</b>	4,250	5,521	2,034	3,204	3,623
Capex	(4,041)	(2,500)		(2,000)	
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
<b>Cash Flow From Investing</b>	(4,041)	(2,500)		(2,000)	
Debt Raised/(repaid)	(371)	2,000			
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(510)	(136)	(206)	(142)	(263)
Preferred Dividends					
Other Financing Cashflow	2,661		2		
<b>Cash Flow From Financing</b>	1,780	1,864	(204)	(142)	(263)
Total Cash Generated	1,989	4,884	1,831	1,062	3,359
<b>Free Cashflow To Equity</b>	(161)	5,021	2,034	1,204	3,623
<b>Free Cashflow To Firm</b>	518	3,507	2,871	2,032	4,158

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

**Balance Sheet**

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Cash And Equivalents	33	3,604	5,290	6,913	9,984
Total Debtors	1,367	1,278	1,533	1,576	1,800
Inventories	22,007	20,453	24,520	25,210	28,800
Total Other Current Assets	358	350	420	431	493
<b>Total Current Assets</b>	<b>23,765</b>	<b>25,685</b>	<b>31,762</b>	<b>34,130</b>	<b>41,076</b>
Fixed Assets	16,336	19,584	17,921	18,337	16,836
Total Investments	1,575	1,575	1,575	1,575	1,575
Intangible Assets					
Total Other Non-Current Assets	3,092	933	1,119	1,150	1,314
<b>Total Non-current Assets</b>	<b>21,003</b>	<b>22,093</b>	<b>20,615</b>	<b>21,063</b>	<b>19,725</b>
Short-term Debt	10,654	10,654	10,654	10,654	10,654
Current Portion of Long-Term Debt					
Total Creditors	4,127	3,257	3,904	4,014	4,585
Other Current Liabilities	847	140	168	173	197
<b>Total Current Liabilities</b>	<b>15,628</b>	<b>14,051</b>	<b>14,726</b>	<b>14,841</b>	<b>15,437</b>
Total Long-term Debt	1,442	3,442	3,442	3,442	3,442
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>1,442</b>	<b>3,442</b>	<b>3,442</b>	<b>3,442</b>	<b>3,442</b>
Total Provisions	117	114	127	129	141
<b>Total Liabilities</b>	<b>17,187</b>	<b>17,607</b>	<b>18,295</b>	<b>18,412</b>	<b>19,020</b>
Shareholders Equity	27,582	30,171	34,081	36,780	41,782
Minority Interests					
<b>Total Equity</b>	<b>27,582</b>	<b>30,171</b>	<b>34,081</b>	<b>36,780</b>	<b>41,782</b>

**Key Ratios**

	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue Growth	0.7%	(3.7%)	19.9%	2.8%	14.2%
Operating EBITDA Growth	(1.8%)	(26.8%)	53.5%	(25.8%)	45.4%
Operating EBITDA Margin	14.4%	11.0%	14.1%	10.1%	12.9%
Net Cash Per Share (Rs)	(59.12)	(51.42)	(43.65)	(35.61)	(20.38)
BVPS (Rs)	135.18	147.87	168.93	182.31	207.10
Gross Interest Cover	18.98	7.86	7.41	5.13	13.04
Effective Tax Rate	25.6%	31.3%	32.5%	27.0%	27.0%
Net Dividend Payout Ratio		3.4%	3.4%	3.6%	3.6%
Accounts Receivables Days	14.39	10.35	9.17	9.86	9.38
Inventory Days	241.80	227.29	209.54	205.79	202.51
Accounts Payables Days	47.59	30.19	26.19	25.72	25.31
ROIC (%)	16.4%	10.0%	15.8%	10.3%	16.4%
ROCE (%)	15.0%	9.1%	13.4%	8.6%	13.1%
Return On Average Assets	12.1%	8.3%	12.4%	7.9%	12.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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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.

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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.