

India
Overweight (no change)

Highlighted Companies
BCL Industries Ltd
ADD, TP Rs925, Rs472 close

BCL Industries should gain massively on the topline front, with capacity addition firing on all cylinders and the benefits of innovation on the power cost front to fully accrue in the coming quarters.

Globus Spirits Ltd
ADD, TP Rs2929, Rs944 close

Globus Spirits should get back on the growth track, with its ENA and ethanol spreads improving because of dual factors like better pricing of ENA & ethanol and lower cost of grain due to the new harvest that will hit the market in the coming quarters.

Gulshan Polyols Ltd
ADD, TP Rs508, Rs224 close

Gulshan Polyols will be in a different league altogether with the stabilization of its new 500 klpd ethanol plant in Madhya Pradesh. The new plant is eligible for benefits under the Madhya Pradesh government's ethanol policy, which will give a further boost to margins.

Summary Valuation Metrics

P/E (x)	Mar22-A	Mar23-A	Mar24-F
BCL Industries Ltd	13.43	17.18	12.58
Globus Spirits Ltd	14.52	22.25	13.15
Gulshan Polyols Ltd	13.28	25.56	18.1

P/BV (x)	Mar22-A	Mar23-A	Mar24-F
BCL Industries Ltd	3.11	4	2.41
Globus Spirits Ltd	3.52	3.07	2.52
Gulshan Polyols Ltd	2.17	2.02	1.83

Dividend Yield	Mar22-A	Mar23-A	Mar24-F
BCL Industries Ltd	0.37%	0.17%	0.18%
Globus Spirits Ltd	0.41%	0.27%	0.46%
Gulshan Polyols Ltd	0.74%	0.39%	0.28%

Analyst(s)

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Agribusiness

Grain-based ethanol biz to take a giant leap

- Ad hoc policy changes by the government have shocked grain-based ethanol makers but the good thing is that clarity emerged later without any delay.
- The Food Corporation of India's decision to stop easy access to rice prepones the necessity for a parity in the prices of grain and sugar for producing ethanol.
- We expect grain-based ethanol companies under our coverage to excel under the parity price environment, given the grain-procuring network built by them.

Grain-based ethanol manufacturers have a rough start

The grain-based ethanol industry has experienced its fair share of ups and down because of ad hoc policy changes by the government of India (GoI), but clarity always emerged later without any delay. The prices set by the GoI for grain-based ethanol companies have been substantially lower than that of their sugar-based ethanol counterparts. The raw material procurement for the industry has experienced massive swings because of the China factor, which was highlighted by us in our earlier report ([link](#)) dated 18 Jul 2023. The coal crisis in FY23 was another nightmare, but grain-based ethanol companies survived and matched their sugar-based ethanol counterparts on the profitability front.

FCI pulls the plug on rice supply to ethanol manufacturers

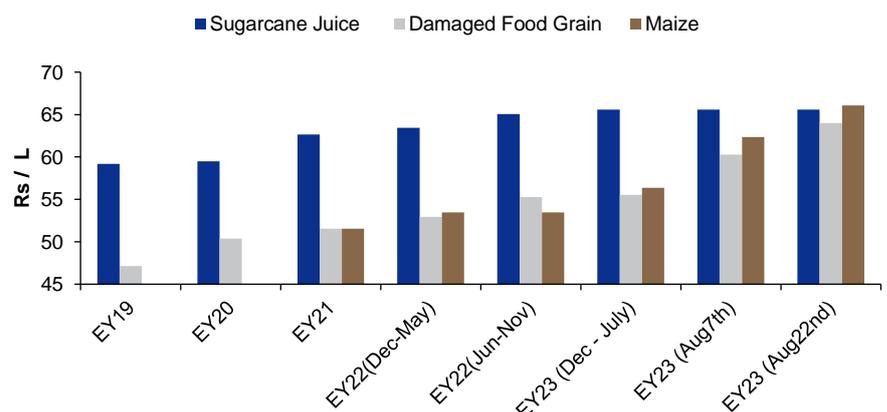
On 24 Jul 2023, the Food Corporation of India (FCI) stopped supplying rice to the ethanol industry. The decision shocked grain-based ethanol manufacturers who were already reeling from lower ethanol prices when compared to their sugar-based ethanol counterparts. Though it was largely agreed that FCI rice is a temporary buffer and that ethanol producers will have to return to the market for rice procurement, the ad hoc decision to suddenly stop the supply of rice came as a surprise.

Parity likely for grain-based & sugar-based ethanol firms going ahead

The GoI, however, acted swiftly in respect of the embargo on release of surplus rice by the FCI by directing oil marketing companies to declare an increase in the incentive amount on damaged rice and maize of Rs8.46/L and Rs9.72/L, respectively, in two tranches (the first on 7 Aug 2023, and the second on 22 Aug 2023) for the remaining period of Ethanol Supply Year or EY23. Following this decision, a parity has almost been achieved for grain-based ethanol manufacturers with their sugar-based ethanol counterparts.

Separating the grain from the chaff

As the easy access to FCI rice has been cut off, only serious players in the industry with grain market knowledge and sourcing ability can sustain and thrive. We expect the inevitable industry shakeout, with players having scale and sourcing ability dominating the business. We retain ADD ratings on grain-based ethanol companies in our coverage like BCL Industries, Globus Spirits and Gulshan Polyols.

Figure 1: Changes in ethanol pricing


SOURCE: INCRED RESEARCH, COMPANY REPORTS

ADD (no change)

Consensus ratings*: Buy 1 Hold 0 Sell 0	
Current price:	Rs224
Target price: ▲	Rs508
Previous target:	Rs444
Up/downside:	126.8%
InCred Research / Consensus:	127.1%
Reuters:	
Bloomberg:	GULP IN
Market cap:	US\$169m
	Rs13,952m
Average daily turnover:	US\$0.4m
	Rs36.9m
Current shares o/s:	52.0m
Free float:	33.4%
*Source: Bloomberg	

Key changes in this note

- Cut PAT estimate by 34.5% for FY24F and increased it by 2.8% for FY25F.
- Introduced FY26F estimates.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(3.8)	5.1	(0.5)
Relative (%)	(2.4)	(0.8)	(10.1)

Major shareholders

	% held
Promoter & Promoter Group	66.7
Aditya Birla AMC	2.1
Quant AMC	1.4

Analyst(s)



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Gulshan Polyols Ltd

To be in a different league from 3QFY24F

- Gulshan Polyols was hit by high-cost inventory in the grain processing segment in 1QFY24, and we expect normalization in earnings from 3QFY24F.
- The stabilization of its new 500klpd plant is expected to put the company into a different league altogether.
- Retain ADD rating on the stock with a higher target price of Rs508.

Weak 1QFY24 performance is a one-off event

Gulshan Polyols or GPL posted 1QFY24 revenue of Rs2,935m (-2.7% QoQ, +8.6% YoY) and PAT stood at Rs44m (-69.5% QoQ, -57.0% YoY). The hit during the quarter was on account of high-cost inventory in the grain processing segment. The ethanol segment, which was a drag on profitability last year, has turned around strongly during the quarter.

Stabilization of Madhya Pradesh plant to boost operations

Going ahead, we expect 2QFY24F to be negatively impacted by the ad hoc pricing policy changes for grain-based ethanol, which in turn will spill over to the grain processing segment as well. From 3QFY24F, the company will be in a different league altogether with stabilization of its new 500klpd ethanol plant in Madhya Pradesh. The new plant is eligible for benefits under the Madhya Pradesh government's ethanol policy, which will further boost margins. The grain processing segment could take a backseat, given the rush towards corn in the ethanol industry. The maize sourcing network used by the company in grain processing will massively help with the change in maize prices for ethanol, compared to the industry. The company has also informed that its 250klpd Assam unit has already incurred ~50% of capex.

Change in our earnings estimates

We have cut our PAT estimates for GPL by 34.5% for FY24F and increased it by 2.8% for FY25F considering the company's 1QFY24 performance, change in pricing dynamics in the grain-based ethanol industry, and also its impact on grain processing.

Retain ADD rating on the stock with a higher target price of Rs508

We retain ADD rating on GPL with a higher target price of Rs508 (from Rs444 earlier), at 14x FY25F EPS. Downside risks: 1) Broken rice is mainly used to produce extra neutral alcohol or ENA/ethanol and any rise in its price will directly impact the gross profit. 2) Final product prices are decided by state/central governments and/or OMCs (oil marketing companies) and hence, regular price hike is not a guarantee for profitability. 3) Power, a vital component of product economics, is generated mainly from coal and thus, any adverse movement in coal prices will hit GPL's profitability.

Financial Summary

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (Rsm)	11,007	11,797	16,638	28,302	32,453
Operating EBITDA (Rsm)	1,503	880	1,354	3,325	4,138
Net Profit (Rsm)	855	455	642	1,887	2,438
Core EPS (Rs)	16.8	8.8	12.4	36.3	46.9
Core EPS Growth	30.1%	(48.0%)	41.2%	193.7%	29.2%
FD Core P/E (x)	13.28	25.56	18.10	6.16	4.77
DPS (Rs)	1.3	1.6	0.9	0.6	1.5
Dividend Yield	0.74%	0.39%	0.28%	0.65%	0.84%
EV/EBITDA (x)	7.55	15.96	11.47	4.68	3.25
P/FCFE (x)	2.89	(11.71)	94.25	(29.34)	5.21
Net Gearing	(0.1%)	42.1%	61.5%	48.3%	17.5%
P/BV (x)	2.17	2.02	1.83	1.42	1.11
ROE	19.1%	8.2%	10.6%	26.0%	26.1%
% Change In Core EPS Estimates			(0.61%)	(0.20%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

Rs m	Old estimates			New estimates			Change (%)		
	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
Revenue	17,814	27,697	NA	16,638	28,302	32,453	-6.6%	2.2%	NA
EBITDA	1,896	3,254	NA	1,354	3,325	4,138	-28.6%	2.2%	NA
EBITDA Margin (%)	10.6%	11.8%	NA	8.1%	11.8%	12.8%	-250bp	0bp	NA
PAT	980	1,834	NA	642	1,887	2,438	-34.5%	2.8%	NA
EPS (Rs)	18.9	35.3	NA	12.4	36.3	46.9	-34.5%	2.8%	NA

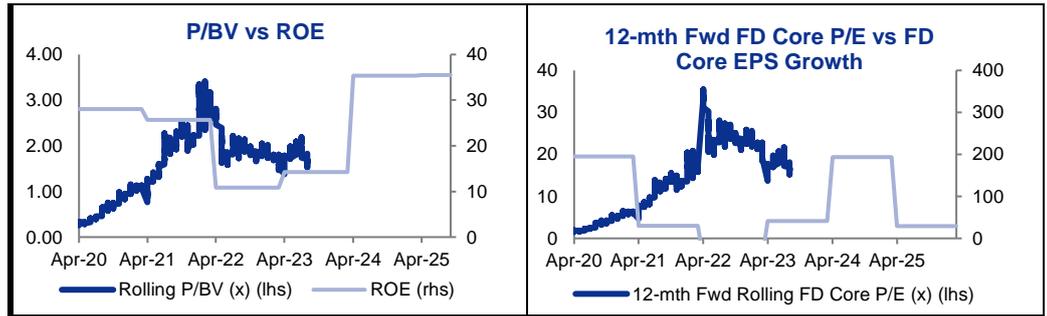
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Our key assumptions

	FY24F	FY25F	FY26F
Bulk alcohol sales (m L or million litre)	69	214	267
DDGS price (Rs/kg)	34	33	32
Ethanol price (Rs/L)	65	65	66

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	11,007	11,797	16,638	28,302	32,453
Gross Profit	5,272	4,811	6,763	12,453	14,604
Operating EBITDA	1,503	880	1,354	3,325	4,138
Depreciation And Amortisation	(324)	(287)	(379)	(547)	(622)
Operating EBIT	1,179	593	975	2,778	3,516
Financial Income/(Expense)	(29)	9	(114)	(211)	(199)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	1,150	602	861	2,567	3,317
Exceptional Items					
Pre-tax Profit	1,150	602	861	2,567	3,317
Taxation	(295)	(147)	(219)	(680)	(879)
Exceptional Income - post-tax					
Profit After Tax	855	455	642	1,887	2,438
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	855	455	642	1,887	2,438
Recurring Net Profit	855	455	642	1,887	2,438
Fully Diluted Recurring Net Profit	855	455	642	1,887	2,438

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	1,503	880	1,354	3,325	4,138
Cash Flow from Invt. & Assoc.					
Change In Working Capital	562	(554)	(399)	(2,330)	(829)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(29)	9	(114)	(211)	(199)
Tax Paid	(295)	(147)	(219)	(680)	(879)
Cashflow From Operations	1,741	188	623	104	2,231
Capex	1,169	(2,541)	(2,499)		
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	1,169	(2,541)	(2,499)		
Debt Raised/(repaid)	1,014	1,360	2,000	(500)	
Proceeds From Issue Of Shares	2				
Shares Repurchased					
Dividends Paid	(27)	(45)	(32)	(75)	(98)
Preferred Dividends					
Other Financing Cashflow	(50)	(61)	(152)	(211)	(199)
Cash Flow From Financing	939	1,253	1,816	(787)	(296)
Total Cash Generated	3,849	(1,100)	(61)	(683)	1,934
Free Cashflow To Equity	3,924	(993)	123	(396)	2,231
Free Cashflow To Firm	2,959	(2,292)	(1,725)	315	2,430

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	1,126	58	565	35	2,147
Total Debtors	1,196	1,416	1,997	3,398	3,896
Inventories	1,079	1,574	2,219	3,775	4,329
Total Other Current Assets	826	745	250	425	487
Total Current Assets	4,227	3,793	5,031	7,632	10,859
Fixed Assets	2,372	2,759	5,159	7,112	6,490
Total Investments	284	254	4	4	4
Intangible Assets					
Total Other Non-Current Assets	1,155	3,075	2,583	142	162
Total Non-current Assets	3,812	6,087	7,746	7,257	6,656
Short-term Debt	646	1,205	1,205	1,205	1,205
Current Portion of Long-Term Debt				1	2
Total Creditors	1,319	1,461	1,791	2,586	2,869
Other Current Liabilities	44	45			
Total Current Liabilities	2,009	2,710	2,996	3,791	4,075
Total Long-term Debt	473	1,275	3,275	2,775	2,775
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	473	1,275	3,275	2,775	2,775
Total Provisions	203	143	146	152	154
Total Liabilities	2,685	4,129	6,416	6,719	7,005
Shareholders Equity	5,354	5,751	6,361	8,172	10,512
Minority Interests					
Total Equity	5,354	5,751	6,361	8,172	10,512

Key Ratios					
	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	43.7%	7.2%	41.0%	70.1%	14.7%
Operating EBITDA Growth	15.0%	(41.5%)	53.9%	145.5%	24.4%
Operating EBITDA Margin	13.7%	7.5%	8.1%	11.7%	12.7%
Net Cash Per Share (Rs)	0.13	(46.60)	(75.32)	(75.92)	(35.29)
BVPS (Rs)	103.01	110.64	122.38	157.23	202.26
Gross Interest Cover	23.79	9.67	6.43	13.14	17.67
Effective Tax Rate	25.7%	24.4%	25.4%	26.5%	26.5%
Net Dividend Payout Ratio	7.4%	7.6%	3.7%	2.9%	2.9%
Accounts Receivables Days	36.88	40.41	37.44	34.79	41.02
Inventory Days	67.72	69.30	70.10	69.03	82.86
Accounts Payables Days	29.75	36.10	35.81	35.27	42.34
ROIC (%)	29.1%	11.3%	12.1%	26.7%	28.7%
ROCE (%)	22.0%	7.9%	10.1%	23.9%	26.1%
Return On Average Assets	18.5%	6.6%	8.6%	20.1%	21.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS



India

ADD (no change)

Consensus ratings*: Buy 3 Hold 0 Sell 0

Current price:	Rs944
Target price:	Rs2,929
Previous target:	Rs3,014
Up/downside:	210.3%
InCred Research / Consensus:	210.2%
Reuters:	GLOS.NS
Bloomberg:	GBSL IN
Market cap:	US\$329m Rs27,194m
Average daily turnover:	US\$2.5m Rs210.2m
Current shares o/s:	28.8m
Free float:	49.0%

*Source: Bloomberg

Key changes in this note

- PAT estimates cut by 26.1%/2.7% for FY24F/25F.
- Introduced FY26F estimates.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(20.8)	(3.6)	4.6
Relative (%)	(19.6)	(9.0)	(5.5)

Major shareholders	% held
Promoter & Promoter Group	51.0
MIT	3.8
Motilal Oswal AMC	2.6

Analyst(s)



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Globus Spirits Ltd

Strong recovery likely from 3QFY24F

- Globus Spirits' lower-than-expected growth in 1QFY24 came as a surprise, but we expect a strong recovery from 3QFY24F.
- However, we feel equal attention must be paid to new products that will be launched in the IMFL segment and the market's response towards the same.
- Retain ADD rating on the stock with a lower target price of Rs2,929.

Weak 1QFY24 results came as a surprise

Globus Spirits or GSL posted 1QFY24 revenue of Rs5,701m (+5.4% QoQ, +15.1% YoY) and PAT stood at Rs388m (+8.2% QoQ, +4.0% YoY). The growth in the bottom line was not much as expected, mainly because of the IMIL (Indian Made Indian Liquor) segment taking a hit from product withdrawal in Haryana and compression in ENA (Extra Neutral Alcohol) spreads during the quarter.

Recovery in growth likely from 3QFY24F

Going ahead, we expect 2QFY24F to be negatively impacted by the ad hoc pricing policy changes for grain-based ethanol. From 3QFY24F, the company should get back on the growth track, with ENA and ethanol spreads improving because of dual factors like better pricing of ENA & ethanol and lower cost of grain due to the new harvest hitting the market. However, we expect all eyes to be on product launches by the company in the IMFL (Indian Made Foreign Liquor) segment. GSL has launched vodka in some key markets and is gearing up for launches in the RTD (Ready To Drink) segment, but the much-awaited single malt whisky has been kept under wraps by the company. As regards ENA (Extra Neutral Alcohol) and ethanol businesses, we expect their dynamics to rise with a lot of mixing and matching of the grain (raw material) and the end-product.

Change in our earnings estimates

We have cut our PAT estimates for GSL by 26.1%/2.7% for FY24F/25F, respectively, considering its 1QFY24 performance and the change in pricing dynamics in the grain-based ethanol industry.

Retain ADD rating on the stock with a lower target price of Rs2,929

We retain ADD rating on GSL with a lower target price of Rs2,929 (25x FY25F EPS) from Rs3,014 earlier. Downside risks: 1) Broken rice is mainly used to make ENA/ethanol and any rise in its price will directly impact the gross profit. 2) Final product prices are decided by state/central governments and/or oil marketing companies and hence, profitability depends on the prices fixed by them. 3) There is already a ban on the sale and consumption of alcohol in Gujarat, Bihar, Nagaland, and Lakshadweep. If the governments in the states that GSL operates in decide to ban or restrict the use of alcohol, it will have an adverse impact. 4) Power, a vital component of product economics, is generated mainly from coal and thus, any adverse movement in coal prices will hit GSL's profitability.

Financial Summary

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (Rsm)	15,792	21,091	24,348	30,816	36,555
Operating EBITDA (Rsm)	3,286	2,456	3,501	5,270	6,200
Net Profit (Rsm)	1,873	1,222	2,067	3,374	4,003
Core EPS (Rs)	65.0	42.4	71.8	117.2	139.0
Core EPS Growth	30.7%	(34.7%)	69.2%	63.2%	18.6%
FD Core P/E (x)	14.52	22.25	13.15	8.06	6.79
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.41%	0.27%	0.46%	0.74%	0.88%
EV/EBITDA (x)	8.57	12.05	8.02	5.20	3.94
P/FCFE (x)	32.77	(20.20)	11.77	44.33	9.36
Net Gearing	12.7%	27.1%	8.1%	1.4%	(15.5%)
P/BV (x)	3.52	3.07	2.52	1.94	1.53
ROE	27.6%	14.7%	21.0%	27.2%	25.2%

% Change In Core EPS Estimates

InCred Research/Consensus EPS (x)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Our revised earnings estimates

Rs m	Old estimates			New estimates			Change (%)		
	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
Revenue	26,559	30,859	NA	24,348	30,816	36,555	-8.3%	-0.1%	NA
EBITDA	4,460	5,398	NA	3,501	5,270	6,200	-21.5%	-2.4%	NA
EBITDA Margin (%)	16.8%	17.5%	NA	14.4%	17.1%	17.0%	-241bp	-39bp	NA
PAT	2,798	3,469	NA	2,067	3,374	4,003	-26.1%	-2.7%	NA
EPS (Rs)	97.2	120.5	NA	71.8	117.2	139.0	-26.1%	-2.7%	NA

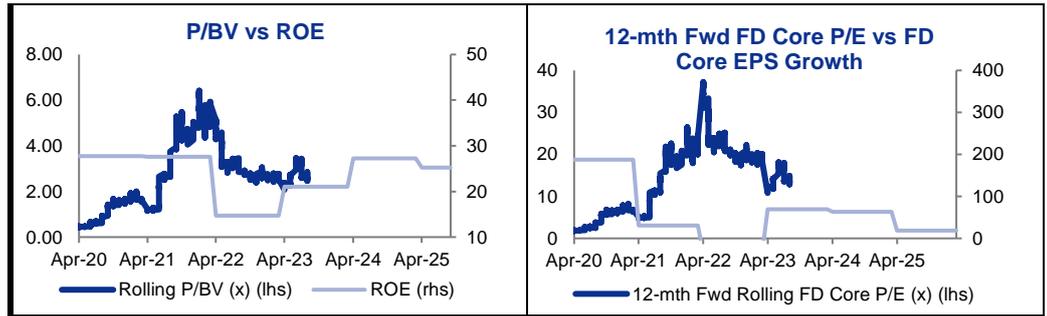
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Our key assumptions

	FY23A	FY24F	FY25F	FY26F
Bulk alcohol sales (m L or million litre)	226	251	312	372
IMIL (m case)	14	14	17	19
IMFL (m case)	0.2	0.4	1.0	2.0
DDGS price (Rs/kg)	30	30	30	30
ENA price (Rs/L)	63.7	63.8	67.1	67.2
Ethanol price (Rs/L)	53.9	63.2	66.0	66.0
IMFL price (Rs/case)	1,872	753	750	750
IMIL price (Rs/case)	492	555	555	555

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	15,792	21,091	24,348	30,816	36,555
Gross Profit	7,408	8,677	10,797	14,669	17,715
Operating EBITDA	3,286	2,456	3,501	5,270	6,200
Depreciation And Amortisation	(426)	(563)	(581)	(623)	(723)
Operating EBIT	2,860	1,893	2,920	4,647	5,477
Financial Income/(Expense)	(48)	(92)	(132)	(87)	(67)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	2,812	1,801	2,788	4,560	5,409
Exceptional Items					
Pre-tax Profit	2,812	1,801	2,788	4,560	5,409
Taxation	(940)	(579)	(721)	(1,186)	(1,406)
Exceptional Income - post-tax					
Profit After Tax	1,873	1,222	2,067	3,374	4,003
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,873	1,222	2,067	3,374	4,003
Recurring Net Profit	1,873	1,222	2,067	3,374	4,003
Fully Diluted Recurring Net Profit	1,873	1,222	2,067	3,374	4,003

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	3,286	2,456	3,501	5,270	6,200
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,106)	(1,387)	1,784	(611)	(542)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	1,888	(791)			
Other Operating Cashflow					
Net Interest (Paid)/Received	66	78	61	40	28
Tax Paid	(940)	(579)	(721)	(1,186)	(1,406)
Cashflow From Operations	3,194	(223)	4,626	3,513	4,279
Capex	(2,242)	(2,135)	(1,499)	(2,500)	(1,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	(2,242)	(2,135)	(1,499)	(2,500)	(1,000)
Debt Raised/(repaid)	(122)	1,012	(817)	(400)	(373)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	112	73	124	202	240
Preferred Dividends					
Other Financing Cashflow	(124)	2,021	(2,253)	(487)	(440)
Cash Flow From Financing	(134)	3,107	(2,946)	(684)	(573)
Total Cash Generated	818	749	182	329	2,706
Free Cashflow To Equity	830	(1,346)	2,310	613	2,906
Free Cashflow To Firm	952	(2,358)	3,127	1,013	3,279

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	761	352	1,059	1,343	3,914
Total Debtors	1,180	2,113	2,439	3,087	3,662
Inventories	1,085	1,578	1,821	2,305	2,735
Total Other Current Assets	844	1,052	243	308	366
Total Current Assets	3,871	5,094	5,563	7,044	10,676
Fixed Assets	7,671	9,242	10,160	12,037	12,314
Total Investments					
Intangible Assets	6	7	6	6	6
Total Other Non-Current Assets	818	1,568	365	462	548
Total Non-current Assets	8,495	10,817	10,532	12,505	12,868
Short-term Debt	650	1,643	1,443	1,243	993
Current Portion of Long-Term Debt					
Total Creditors	1,847	2,845	3,179	3,841	4,429
Other Current Liabilities					
Total Current Liabilities	2,498	4,488	4,622	5,084	5,422
Total Long-term Debt	1,089	1,109	492	292	170
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	100	1,285			
Total Non-current Liabilities	1,190	2,394	492	292	170
Total Provisions	955	161	171	191	209
Total Liabilities	4,642	7,044	5,285	5,568	5,800
Shareholders Equity	7,723	8,866	10,810	13,982	17,744
Minority Interests					
Total Equity	7,723	8,866	10,810	13,982	17,744

Key Ratios

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	28.3%	33.6%	15.4%	26.6%	18.6%
Operating EBITDA Growth	28.8%	(25.3%)	42.6%	50.5%	17.6%
Operating EBITDA Margin	20.8%	11.6%	14.4%	17.1%	17.0%
Net Cash Per Share (Rs)	(33.98)	(83.36)	(30.42)	(6.66)	95.55
BVPS (Rs)	268.18	307.87	375.34	485.49	616.14
Gross Interest Cover	25.01	11.13	19.37	53.56	81.22
Effective Tax Rate	33.4%	32.1%	25.8%	26.0%	26.0%
Net Dividend Payout Ratio	6.0%	6.0%	6.0%	6.0%	6.0%
Accounts Receivables Days	23.80	28.50	34.12	32.73	33.70
Inventory Days	45.85	39.15	45.78	46.64	48.82
Accounts Payables Days	58.69	53.94	62.68	63.86	66.84
ROIC (%)	39.2%	19.4%	23.0%	39.2%	38.1%
ROCE (%)	32.4%	17.9%	23.9%	32.7%	31.6%
Return On Average Assets	17.2%	9.3%	13.7%	19.4%	18.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

India

ADD (no change)

Consensus ratings*:	Buy 2	Hold 0	Sell 0
Current price:	Rs472		
Target price:	Rs925 ▲		
Previous target:	Rs790		
Up/downside:	96.0%		
InCred Research / Consensus:	96.1%		
Reuters:			
Bloomberg:	BCLIL IN		
Market cap:	US\$138m		
	Rs11,388m		
Average daily turnover:	US\$0.8m		
	Rs68.4m		
Current shares o/s:	29.7m		
Free float:	38.7%		
*Source: Bloomberg			

Key changes in this note

- ▶ Cut PAT estimate by 14.4% for FY24F and increased it by 11.8% for FY25F.
- ▶ Upgraded P/E multiple from 12x to 14x.
- ▶ Introduced FY26F estimates.



Price performance	1M	3M	12M
Absolute (%)	(1.7)	4.3	28.0
Relative (%)	(0.3)	(1.5)	15.6

Major shareholders	% held
Promoter & Promoter Group	61.3

Analyst(s)



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BCL Industries Ltd

Ethanol business regains its lost glory

- BCL Industries posted strong 1QFY24 results, limiting the downside from the edible oil segment and boosting the performance of the ethanol segment.
- We expect the coming quarters to be better on the back of stabilization of additional capacity and the investment in power sources yielding good results.
- Retain ADD rating on the stock with a higher target price of Rs925.

Edible oil segment subdued while ethanol segment gains momentum

BCL Industries posted 1QFY24 revenue of Rs4,287m (-6.2% QoQ, +14.3% YoY) and PAT stood at Rs191m (-21.3% QoQ, +7.8% YoY). The edible oil segment was under pressure, on the expected lines, due to a sharp decline in global edible oil prices but the company managed to avoid losses in this segment. The ethanol segment did the heavy lifting by regaining its lost glory.

All set to beat industry benchmarks

Going ahead, we expect 2QFY24F to be a stable quarter, despite the ad hoc pricing policy changes for grain-based ethanol. From 3QFY24F, the company should gain massively on the topline front, with capacity addition firing on full stream and the benefits of innovation on the power cost front fully kicking in. We feel BCL Industries' grain processing background and integration should help it to beat industry benchmarks every time.

Change in our earnings estimates

We have cut our PAT estimates for BCL Industries by 14.4% for FY24F and increased it by 11.8% for FY25F considering its 1QFY24 performance and the change in pricing dynamics in the grain-based ethanol segment. We have also increased our P/E multiple from 12x to 14x because of an earlier-than-expected shift in most of its earnings that were coming from the edible oil segment now coming from the ethanol or distillation segment.

Retain ADD rating with a higher target price of Rs925

We retain ADD rating on BCL Industries with a higher target price of Rs925 (Rs790 earlier) or 14x FY25F EPS. We have not considered any growth in the edible oil segment and any upside in this segment is an additional gain, in our view. Downside risks: Broken rice is mainly used to produce ENA (Extra Neutral Alcohol) and any rise in its price 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. We have repeatedly stated that BCL Industries faces execution risk as the expansion undertaken is massive, although after the stabilization of its West Bengal plant the risk has been mitigated to a certain extent.

Financial Summary

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (Rsm)	19,797	18,183	20,491	28,396	32,544
Operating EBITDA (Rsm)	1,296	1,236	1,870	3,259	3,852
Net Profit (Rsm)	848	663	1,010	1,965	2,541
Core EPS (Rs)	35.1	27.4	37.6	66.1	85.5
Core EPS Growth	80.3%	(21.8%)	37.1%	75.7%	29.3%
FD Core P/E (x)	13.43	17.18	12.58	7.14	5.52
DPS (Rs)	1.8	0.8	0.8	1.3	1.7
Dividend Yield	0.37%	0.17%	0.18%	0.28%	0.36%
EV/EBITDA (x)	10.73	12.35	7.83	4.54	3.28
P/FCFE (x)	22.11	6.26	(6.94)	6.77	4.31
Net Gearing	63.3%	128.3%	29.2%	4.7%	(18.3%)
P/BV (x)	3.11	4.00	2.41	1.81	1.37
ROE	26.1%	20.3%	23.4%	28.9%	28.2%
% Change In Core EPS Estimates			(0.43%)	(0.18%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Our revised earnings estimates

Rs m	Old estimates			New estimates			Change (%)		
	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
Revenue	22,144	26,770	NA	20,491	28,396	32,544	-7.5%	6.1%	NA
EBITDA	2,087	2,983	NA	1,870	3,259	3,852	-10.4%	9.3%	NA
EBITDA Margin (%)	9.4%	11.1%	NA	9.1%	11.5%	11.8%	-30bp	34bp	NA
PAT	1,179	1,757	NA	1,010	1,965	2,541	-14.4%	11.8%	NA
EPS (Rs)	39.7	59.1	NA	34.0	66.1	85.5	-14.4%	11.8%	NA

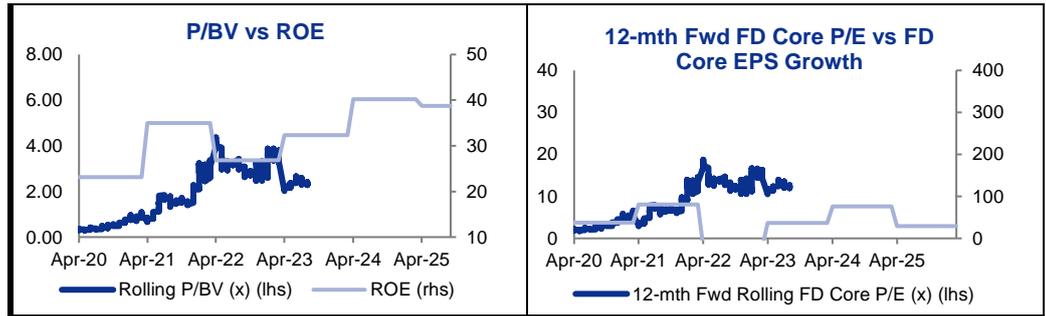
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Our key assumptions

Key assumptions	FY24F	FY25F	FY26F
Bulk alcohol sales (m L or million litre)	141	226	270
DDGS price (Rs/kg)	30	30	30
ENA price (Rs/L)	64.8	66.0	66.0
Ethanol price (Rs/L)	61.6	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	20,491	28,396	32,544
Gross Profit	3,229	4,097	5,269	8,702	10,341
Operating EBITDA	1,296	1,236	1,870	3,259	3,852
Depreciation And Amortisation	(147)	(250)	(260)	(272)	(204)
Operating EBIT	1,149	986	1,609	2,987	3,648
Financial Income/(Expense)	(15)	(131)	(122)	(49)	60
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	1,134	855	1,487	2,938	3,709
Exceptional Items		(5)			
Pre-tax Profit	1,134	855	1,482	2,938	3,709
Taxation	(286)	(211)	(387)	(764)	(947)
Exceptional Income - post-tax					
Profit After Tax	848	644	1,095	2,174	2,762
Minority Interests		19	(85)	(209)	(221)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	848	663	1,010	1,965	2,541
Recurring Net Profit	848	663	1,013	1,965	2,541
Fully Diluted Recurring Net Profit	848	663	1,013	1,965	2,541

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	1,296	1,236	1,870	3,259	3,852
Cash Flow from Invt. & Assoc.					
Change In Working Capital	552	(36)	(253)	(866)	(455)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(15)	(131)	(122)	(49)	60
Tax Paid	(147)	(250)	(260)	(272)	(204)
Cashflow From Operations	1,686	819	1,234	2,072	3,254
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)	(158)	(1,882)	(2,862)
Preferred Dividends					
Other Financing Cashflow	363	(1,482)	1,971	209	221
Cash Flow From Financing	744	154	(251)	(1,673)	(2,641)
Total Cash Generated	759	(527)	(17)	399	613
Free Cashflow To Equity	515	1,819	(1,831)	2,072	3,254
Free Cashflow To Firm	110	(483)	454	2,224	3,406

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	1,286	2,655	5,026
Total Debtors	1,017	996	1,123	1,556	1,783
Inventories	1,956	1,993	2,246	3,112	3,566
Total Other Current Assets	659	455	512	710	814
Total Current Assets	3,843	4,771	5,167	8,033	11,189
Fixed Assets	1,298	4,211	4,951	4,679	4,475
Total Investments	288	238	238	238	238
Intangible Assets					
Total Other Non-Current Assets	2,147	273	307	426	488
Total Non-current Assets	3,732	4,722	5,496	5,342	5,200
Short-term Debt	1,565	2,065			
Current Portion of Long-Term Debt					
Total Creditors	1,015	1,269	1,430	1,982	2,271
Other Current Liabilities	51	55	61	85	98
Total Current Liabilities	2,632	3,389	1,492	2,067	2,369
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	122	123
Total Liabilities	3,791	6,548	4,651	5,229	5,532
Shareholders Equity	3,667	2,847	5,828	7,754	10,244
Minority Interests	117	98	184	393	614
Total Equity	3,784	2,945	6,012	8,147	10,858

Key Ratios					
	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	38.7%	(8.1%)	12.7%	38.6%	14.6%
Operating EBITDA Growth	58.4%	(4.6%)	51.3%	74.3%	18.2%
Operating EBITDA Margin	6.5%	6.8%	9.1%	11.5%	11.8%
Net Cash Per Share (Rs)	(99.13)	(156.43)	(58.98)	(12.94)	66.79
BVPS (Rs)	151.82	117.87	196.02	260.78	344.54
Gross Interest Cover	12.08	4.97	7.32	19.65	24.00
Effective Tax Rate	25.2%	24.7%	26.1%	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	18.87	17.22	18.73
Inventory Days	49.18	51.16	50.81	49.65	54.89
Accounts Payables Days	19.63	23.10	25.41	24.82	27.45
ROIC (%)	27.5%	16.4%	24.4%	39.1%	43.4%
ROCE (%)	20.8%	13.4%	18.6%	29.2%	28.8%
Return On Average Assets	16.5%	11.6%	16.0%	24.9%	24.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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