Balrampur Chini Mills

BUY

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Result Update

Muted Quarter

- Balrampur Chini Mills Limited reported a weak quarter, lower than our estimates on all fronts. Sales de-grew by 20.3% YoY to Rs 11.40 bn impacted by lower sugarcane yields and lower off-take of sugar (owing to lower allocations of monthly quota).
- EBITDA was down by 38.4% YoY to Rs 1.34bn on account of lower cane production due to erratic weather conditions and higher other expenses (up by 21.2% YoY to Rs 888mn)
- Sugar sales were down by 29.7% YoY to Rs 9.43bn, with an EBIT of Rs 144mn, Distillery sales were up by 19.7% YoY to Rs 2.67bn with an EBIT of Rs 1.18bn. Co-generation segment sales de-grew by 51.6% YoY to Rs 29mn, registering a negative EBIT of Rs (78)mn.
- Management is positive on the cabinet approving an upward revision in Sugar MSP prices from current level of Rs 31/kg to Rs 33/kg. Company will be participating in the Export policy for new sugar season 21-22 which is expected to be announced in Sept 21 as international sugar prices continue to remain buoyant at ~18-18.5 c/lb.

Outlook and Valuation

The company has announced a total capex plan of Rs 9.93 bn towards expanding its Distillery capacity from 520 KLPD to 1050 KLPD and modernization and upgradation of its Sugar factories. This will be funded using a combination of Rs 5bn in debt and the balance Rs 4.93bn through internal accruals and all projects are expected to be completed by Nov 22. We estimate the company to generate cumulative Free cash flow of Rs 9.16bn over FY22-23E. On the back of expansion of its distillery capacities we have revised our Sales/EBITDA/PAT estimates upwards by 1.1/-6.0/1.3% for FY22 and 12.7/17.1/14.2% for FY23. We expect that at peak utilization levels the new projects will result in EBIT increasing from Rs 2.11bn to Rs 2.40bn in Sugar and for Distillery EBIT is expected to grow from Rs 4.44bn to Rs 7.91bn. With multiple triggers in place for stock performance we expect re-rating in the stock. We are positive on the stock and have revised our target price to Rs 448 on a SOTP basis. **Maintain Buy.**

Q1FY22 Result (Rs Mn)

Particulars	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Revenue	11,404	14,303	(20.3)	10,194	11.9
Total Expense	10,064	12,129	(17.0)	6,871	46.5
EBITDA	1,340	2,175	(38.4)	3,322	(59.7)
Depreciation	293	278	5.4	278	5.5
EBIT	1,047	1,897	(44.8)	3,045	(65.6)
Other Income	52	33	57.1	79	(33.6)
Interest	131	156	(16.0)	96	36.3
EBT	968	1,774	(45.4)	3,027	(68.0)
Tax	250	442	(43.4)	707	(64.7)
RPAT	769	1,391	(44.7)	2,355	(67.3)
APAT	769	1,391	(44.7)	2,355	(67.3)
			(bps)		(bps)
Gross Margin (%)	25.3	24.8	48	54.7	(2943)
EBITDA Margin (%)	11.8	15.2	(345)	32.6	(2084)
NPM (%)	0.0	0.0	0	0.0	0
Tax Rate (%)	25.8	24.9	90	23.4	243
EBIT Margin (%)	9.2	13.3	(408)	29.9	(2069)

CMP	Rs 341
Target / Upside	Rs 448 / 31%
NIFTY	16,280

Scrip Details

Equity / FV	Rs 210mn / Rs 1
Market Cap	Rs 70bn
	USD 939mn
52-week High/Low	Rs 387/ 139
Avg. Volume (no)	1,862,660
Bloom Code	BRCM IN

Price Performance	1M	3M	12M
Absolute (%)	0	2	150
Rel to NIFTY (%)	(4)	(8)	107

Shareholding Pattern

	Dec'20	Mar'21	Jun'21
Promoters	41.2	41.2	41.2
MF/Banks/FIs	13.8	15.1	14.4
FIIs	20.1	21.6	20.8
Public / Others	25.0	22.2	23.6

Valuation (x)

	FY21A	FY22E	FY23E
P/E	14.9	12.3	8.7
EV/EBITDA	11.5	9.6	6.5
ROE (%)	19.1	20.7	25.0
RoACE (%)	12.4	13.8	17.6

Estimates (Rs mn)

	FY21A	FY22E	FY23E
Revenue	48,117	45,246	57,596
EBITDA	7,138	8,419	12,742
PAT	4,798	5,794	9,181
EPS (Rs.)	22.8	27.8	39.3

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Exhibit 1: Sugar Sales and EBIT

Particulars	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Sales (Rs Mn)	8,370	7,506	11,530	17,724	13,411	10,634	10,322	10,313	9,433
Sales Growth YoY (%)	(0.1)	(15.0)	38.1	40.0	60.2	41.7	(10.5)	(41.8)	(8.5)
EBIT (Rs Mn)	733	901	487	1,321	950	235	(330)	1,924	144
EBIT Growth YoY (%)	1,700.7	43.6	133.8	68.2	29.6	(73.9)	NA	45.6	(92.5)
EBIT Margin (%)	8.8	12.0	4.2	7.5	7.1	2.2	NA	18.7	1.5

Source: DART, Company

Exhibit 2: Sugar Volume and Realizations

Particulars	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Sugar Sales(Mn Quintals)	2.2	2.1	3.2	4.5	3.6	3.1	2.7	1.9	2.4
Sugar Realisations(Rs/Kg)	32.9	33.4	33.3	32.2	31.9	33.0	32.5	32.1	33.2
Sugar Inventory (Mn Quintals)	7.1	4.9	4.4	6.8	5.5	2.4	2.1	6.4	4.6

Source: DART, Company

Exhibit 3: Distillery Sales and EBIT

Particulars	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Distillery Sales (Rs Mn)	1,392	1,339	1,028	1,732	2,233	2,628	1,348	2,046	2,672
Distillery Growth YoY (%)	13.7	21.4	(15.7)	53.2	60.4	96.3	31.2	18.1	30.6
EBIT (Rs Mn)	851	674	395	695	959	1,010	489	954	1,178
EBIT Growth YoY (%)	38.0	(9.5)	(57.4)	(20.8)	12.6	49.9	23.7	37.3	23.5
EBIT Margin (%)	61.2	50.3	38.4	40.1	42.9	38.4	36.2	46.6	44.1

Source: DART, Company

Exhibit 4: Distillery Volume and Realisation

Particulars	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Ethanol Sales(KL)	**30,160**	**28,426**	**19,318**	**31,100**	**40,000**	**47,300**	**24,900**	**33,200**	**43,200**
B- Heavy Sales (KL)	-	-	1,065	24,500	31,000	25,500	10,100	29,300	41,100
C-Heavy Sales (KL)	30,160	28,426	18,253	6,600	9,000	21,800	14,800	3,900	2,100
Avg Realisations (Rs/BL) - Ethanol	43.5	43.5	43.5	52.0	51.9	49.0	49.0	54.0	57.0
ENA Sales (KL)	**1,025**	**1,837**	**4,432**	**2,900**	**3,400**	**8,400**	**3,400**	**4,700**	**4,900**
Total Sales(KL)	**31,185**	**30,263**	**23,750**	**34,000**	**43,400**	**55,700**	**28,300**	**37,900**	**43,200**
Avg.Realisation(Rs/BL) - Total Alcohol	43.1	42.8	41.7	50.0	49.9	45.6	46.0	52.3	53.7

Source: DART, Company

Concall Highlights

Sector Outlook

Sugar Balance Sheet SS – 21-22

- Opening Balance – 8.8mn tons
- Production – 31mn tons (post 3.4mn diversion towards B heavy/Juice)
- Consumption – 26.5mn tons
- Export – 6.0mn tons
- Closing Balance – 7.3mn tons

- Key sugar producing regions of Maharashtra, Uttar Pradesh and Karnataka are expected to report high sugar production for SS 21-22.
- International sugar prices continue to remain at elevated levels ~18-18.5c/lb on the back of lower production from Brazil which has been impacted by severe drought.

Sugar Segment

- Revenues were down by 29.7% YoY to Rs 9.43bn owing to lower sugarcane crush and lower off take of sugar due to lower quota allocations.
- This is expected to be a one-off quarter where sugar season has a muted run and is expected to be back at pace in the ensuing quarters.

Distillery Expansion

- Company will be further expanding its Ethanol capacity from 840KLPD to 1050KLPD by taking up capacity expansion of 210 KLPD (40 KLPD at Gularia and 170 KLPD at Balrampur).
- This will entail a total outflow of ~Rs 2.05bn of which Rs 1.4bn will be financed through loans and balance through internal accruals.
- Timeline for completion – Gularia expansion – By Nov 2021; Balrampur Expansion – By Nov 2022
- Post expansion of its Ethanol capacity to 1050KLPD the company will be able to produce 35 crore litres of Ethanol, doubling its distillation capacity vis B heavy and Direct juice route.

Modernisation and Upgradation of Sugar Factories

- Also the company will be incurring additional capex of Rs 3.63bn towards modernisation and upgradation of its Sugar factories and setting up of refinery at sugar plants.
- This amount will be financed through a Rs 1.4bn debt and balance from its internal accruals and is expected to be completed by Nov 2022.
- Post completion of this activity the company will be able to crush higher quantum of sugarcane over a shorter time frame.
- Average Payback period on its total capex of Rs 9.93 bn is expected to be ~3.5 years.
- Cumulative distillery expansions of 530KLPD will result in ~18 crores ltrs of ethanol production comprising of 5 crore ltrs using damaged grains, 10 crore ltrs using Sugarcane Juice/Syrup and 3 crores ltrs though the B heavy route.

- Annual capex run rate for next 2 years will be ~Rs 2.0-2.5bn for each year.

FY24 targets – (Post completion of its capacity expansion and modernisation activities)

- Cane Crushing - 11.5 crores tons
- Ethanol Production – 35 crores litres
- Sugar Production - 11 lac tons

Other Key Updates

- More than 1/3rd of the total sugarcane varieties produced this year were out of its newer cane variants the proportion of which is expected to reach 60-70% once the next crushing season begins.
- Company targets to achieve a total crushing volume of 9.5 crores tons for FY22.
- Company currently has an average sugar realisation of Rs 34/kg which is expected to stay at similar level over the remainder of the year.

Exhibit 5: SOTP Valuation

Segments	FY20	FY21	FY22E	FY23E	FY24E	EV/EBIT	EV (Rs mn)
Sugar	3,442	2,778	2,109	2,598	2,395	7.0	16,762
Distillery	2,615	3,411	4,444	6,917	7,913	10.0	79,128
Power	475	547	345	351	359	5.0	1,793
Total	6,532	6,736	6,897	9,867	10,666		97,683
Net Debt	14,777	12,374	11,023	12,318	5,903		5,903
M-Cap							91,780
No of Shares							204.75
Target Price							**448**
Book value/Share							174
Implied P/BV							2.6

Source: DART, Company

Exhibit 6: Actual vs Estimates (Rs Mn)

Particulars	Actual	Estimated	Variance	Comments
Revenue	11,404	17,630	(35.3)	Lower sugar cane yields and lower offtake in sugar due to lower allotment of qouta
EBITDA	1,340	2,815	(52.4)	
EBITDA Margin (%)	11.8	16.0	(421)	
PAT	769	1,879	(59.1)	

Source: DART, Company

Exhibit 7: Change in Estimates (Rs Mn)

Particulars (Rs Mn)	FY22E			FY23E		
	New	Previous	Chg %	New	Previous	Chg %
Revenue	45,246	44,733	1.1	57,596	51,096	12.7
EBITDA	8,320	8,850	(6.0)	12,611	10,769	17.1
EBITDA Margin(%)	18.4	19.8	(140) bps	21.9	21.1	82 bps
PAT	5,696	5,622	1.3	8,051	7,052	14.2
EPS(Rs)	27.8	27.5	1.3	39.3	33.6	14.2

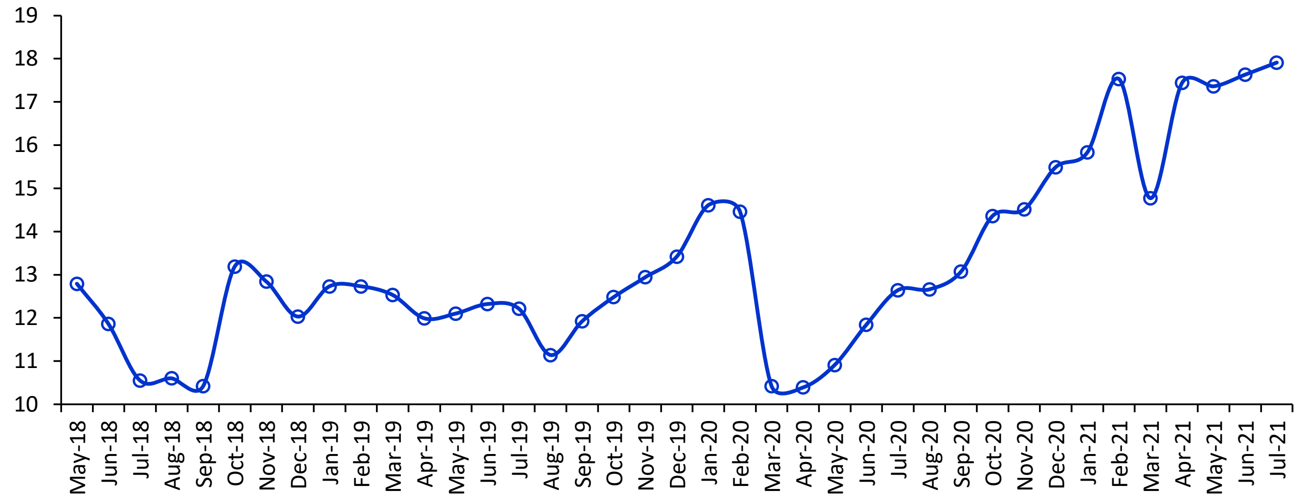
Source: DART, Company

Exhibit 8: Sugar Balance Sheet

Particulars	SS 12	SS 13	SS 14	SS 15	SS 16	SS 17	SS 18	SS 19	SS 20	SS 21E	SS22P
Opening Stock	6.2	7.0	9.6	7.9	9.7	8.3	4.5	10.8	14.7	10.7	8.8
Production	26.3	25.2	24.6	28.5	25.1	20.2	32.1	33.2	27.4	30.9	31.0
Consumption	22.6	22.8	24.2	25.6	24.8	24.5	25.4	25.5	25.7	26.0	26.5
Imports	-	0.7	0.1	-	-	0.5	-	-	-	-	-
Exports	3.0	0.4	2.1	1.1	1.7	-	0.5	3.8	5.7	6.8	6.0
Closing Stock	7.0	9.6	7.9	9.7	8.3	4.5	10.8	14.7	10.7	8.8	7.3

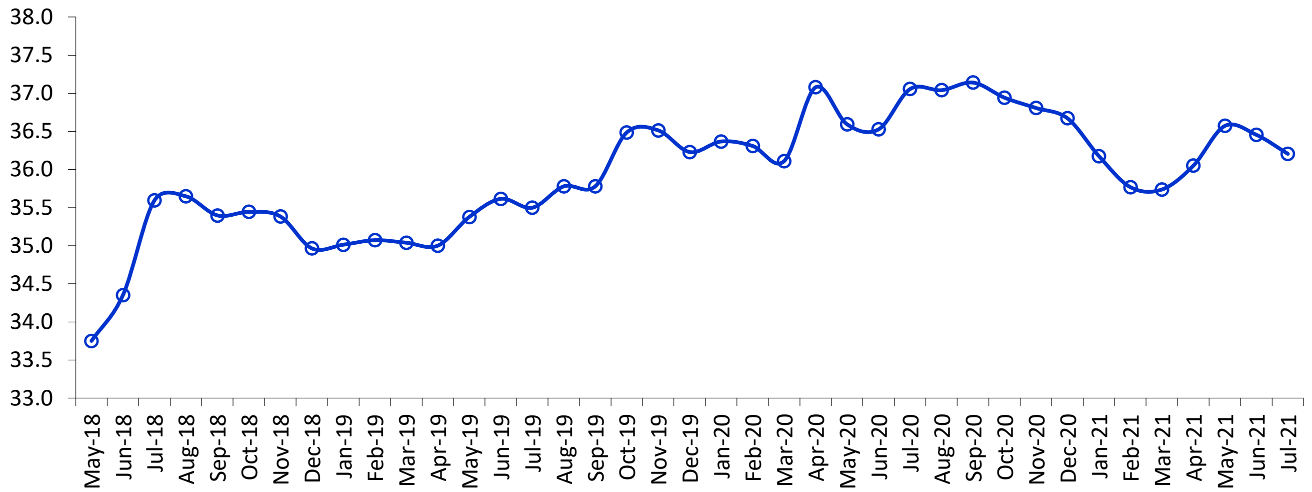
Source: DART, Company

Exhibit 9: Global Sugar Prices (Cents/Lb)



Source: DART, Company

Exhibit 10: Average Domestic Wholesale Sugar Prices (Rs/Kg)



Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
Revenue	**47,413**	**48,117**	**45,246**	**57,596**
Total Expense	**40,593**	**40,978**	**36,827**	**44,855**
COGS	35,015	34,560	29,496	37,132
Employees Cost	2,540	2,816	3,014	3,315
Other expenses	3,038	3,601	4,317	4,407
EBIDTA	**6,820**	**7,138**	**8,419**	**12,742**
Depreciation	1,014	1,119	1,371	1,692
EBIT	**5,806**	**6,020**	**7,048**	**11,050**
Interest	642	393	401	451
Other Income	439	269	375	400
Exc. / E.O. items	0	0	0	0
EBT	**5,603**	**5,896**	**7,022**	**10,998**
Tax	487	1,294	1,424	2,013
RPAT	5,194	4,798	5,794	9,181
Minority Interest	0	0	0	0
Profit/Loss share of associates	**78**	**196**	**196**	**196**
APAT	**5,194**	**4,798**	**5,794**	**9,181**

Balance Sheet

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
Sources of Funds				
Equity Capital	220	210	205	205
Minority Interest	0	0	0	0
Reserves & Surplus	23,937	25,981	28,540	35,482
Net Worth	**24,157**	**26,191**	**28,745**	**35,687**
Total Debt	14,823	12,402	11,446	12,896
Net Deferred Tax Liability	592	794	794	794
Total Capital Employed	**39,572**	**39,388**	**40,985**	**49,377**
Applications of Funds				
Net Block	**16,240**	**15,986**	**18,820**	**22,815**
CWIP	124	145	2,145	500
Investments	2,540	2,665	4,665	6,665
Current Assets, Loans & Advances	**29,164**	**27,544**	**22,001**	**27,835**
Inventories	22,950	23,785	14,708	18,515
Receivables	2,393	2,455	4,606	5,892
Cash and Bank Balances	47	28	423	579
Loans and Advances	0	0	0	0
Other Current Assets	3,718	1,277	2,263	2,849
Less: Current Liabilities & Provisions	**8,496**	**6,952**	**6,645**	**8,438**
Payables	6,780	5,964	5,454	6,943
Other Current Liabilities	1,716	987	1,191	1,495
sub total				
Net Current Assets	20,668	20,592	15,356	19,397
Total Assets	**39,572**	**39,388**	**40,985**	**49,377**

E – Estimates

Important Ratios

Particulars	FY20A	FY21A	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	26.1	28.2	34.8	35.5
EBIDTA Margin	14.4	14.8	18.6	22.1
EBIT Margin	12.2	12.5	15.6	19.2
Tax rate	8.7	21.9	20.3	18.3
Net Profit Margin	11.0	10.0	12.8	15.9
(B) As Percentage of Net Sales (%)				
COGS	73.9	71.8	65.2	64.5
Employee	5.4	5.9	6.7	5.8
Other	6.4	7.5	9.5	7.7
(C) Measure of Financial Status				
Gross Debt / Equity	0.6	0.5	0.4	0.4
Interest Coverage	9.0	15.3	17.6	24.5
Inventory days	177	180	119	117
Debtors days	18	19	37	37
Average Cost of Debt	4.0	2.9	3.4	3.7
Payable days	52	45	44	44
Working Capital days	159	156	124	123
FA T/O	2.9	3.0	2.4	2.5
(D) Measures of Investment				
AEPS (Rs)	23.6	22.8	27.8	39.3
CEPS (Rs)	28.2	28.2	34.5	47.6
DPS (Rs)	2.5	2.5	4.0	4.5
Dividend Payout (%)	12.8	10.9	14.4	11.4
BVPS (Rs)	109.8	124.7	140.4	174.3
RoANW (%)	22.9	19.1	20.7	25.0
RoACE (%)	13.4	12.4	13.8	17.6
RoAIC (%)	13.1	10.8	12.6	16.5
(E) Valuation Ratios				
CMP (Rs)	341	341	341	341
P/E	14.5	14.9	12.3	8.7
Mcap (Rs Mn)	69,881	69,881	69,881	69,881
MCap/ Sales	1.5	1.5	1.5	1.2
EV	84,601	82,255	80,904	82,199
EV/Sales	1.8	1.7	1.8	1.4
EV/EBITDA	12.4	11.5	9.6	6.5
P/BV	3.1	2.7	2.4	2.0
Dividend Yield (%)	0.7	0.7	1.2	1.3
(F) Growth Rate (%)				
Revenue	10.6	1.5	(6.0)	27.3
EBITDA	(1.0)	4.7	17.9	51.3
EBIT	(2.1)	3.7	17.1	56.8
PBT	(5.8)	5.2	19.1	56.6
APAT	(9.8)	(7.6)	20.8	58.5
EPS	(6.3)	(3.2)	21.8	41.4

Cash Flow

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
CFO	8,656	6,663	13,099	6,309
CFI	(3,169)	(1,030)	(8,205)	(6,043)
CFF	(5,490)	(5,652)	(4,499)	(111)
FCFF	5,952	5,778	6,894	2,266
Opening Cash	49	47	28	423
Closing Cash	47	28	423	579

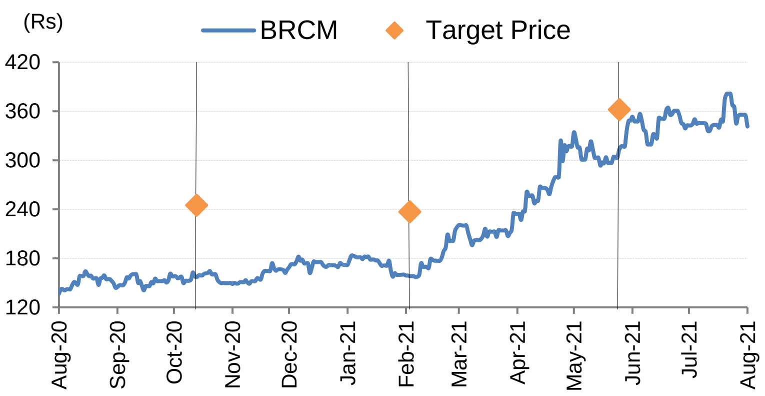
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	**> 20%**
Accumulate	**10 to 20%**
Reduce	**0 to 10%**
Sell	**< 0%**

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Oct-20	BUY	245	157
Feb-21	BUY	237	158
Jun-21	BUY	362	313

*Price as on recommendation date

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