

Balrampur Chini Mills

Incremental positive developments on the horizon

BRCM marginally exceeded our expectations in 1QFY25, primarily driven by higher-than-anticipated revenue and sugar division margin. Consolidated revenue posted 2.3% YoY growth to Rs14.2bn, marginally higher than our expectations. EBITDAM print came in at 11.7%, vs. our expectations of 10.5%. Resultantly, BRCM reported a profit of Rs702mn, surpassing our estimate of Rs648mn. In our previous notes ([LINK](#)), we predicted that the sector would see an increase in positive developments, such as greater sugarcane diversion for ethanol production and potential upward revisions in MSP and ethanol prices. Consequently, we upgraded the stock following the 4QFY24 results, and since then, it has generated returns of more than 30%. Looking ahead, the constrained sugar supply has bolstered the pricing power of industry players, with prices remaining stable at Rs39/kg. With no excess sugar supply on the horizon, this continues to support strong margins for the sugar division. As a result, we are revising our earnings estimates upward and increasing the PE multiple from 14x to 18x (mean +1sd) based on FY26E earnings. We maintain our ADD rating with a revised TP of Rs524.

Revenue numbers beat our expectations primarily due to higher volumes

Consolidated revenue reported as on 1QFY25 at Rs14.2bn (CentrumE's Rs13.2bn) and gross margin came above our expectation at 25%. Similarly, on EBITDAM front, it posted numbers above our expectations. EBITDA for the quarter came at 11.7% in 1QFY25 (CentrumE's 10.5%). On the earnings front BRCM posted profit of Rs702mn vs our estimates of Rs648mn.

Sugar segment margins were higher than expectations thanks to higher realization

Sugar segment witnessed a revenue increase of ~1.4% to Rs11.3bn which was in line with our estimates of Rs11.3bn. The distillery segment's revenue came in at Rs4.2bn, which was down by 9.0% YoY. Sugar Segment EBITDAM stood at 6.6% primarily due to higher sugar realizations (ASP – YoY increase of 5.5%). Further, Distillery segment EBIT margins improve by ~96 bps YoY to 19.1% (CentrumE's 20%) primarily due to change in product mix.

BRCM's associate: Auxilo issues convertible shares

Auxilo, a BRCM associate, is issuing 48 million Series A1 CCPS at Rs58.04 per share, raising Rs279cr. This issuance values Auxilo at over Rs31bn. As a result, BRCM's stake in Auxilo will decrease from 33.7% to 30.7%. BRCM's total investment in Auxilo stands at Rs175 crore, with an average cost of Rs10.59 per share. Therefore, its stake is getting now valued at nearly Rs10bn which we have included in our SOTP.

Maintain ADD; TP 524

Looking forward (FY26), we anticipate positive developments in the sector, with stable sugar prices, enhanced ethanol realisations and increased sugarcane diversion for ethanol production. We forecast a significant +3.5 MMT sugar diversion, facilitating BRCM's efficient use of its distillery assets, aiming for 34 crore litres of ethanol sales in FY26. Also, we anticipate a 5% ethanol price hike next season (BH/Direct). Moreover, we expect the market to positively assess BRCM's investments in the PLA division as clarity on government benefits emerges. Key risks to our recommendations include: 1) sugar prices fall from current levels; 2) absence of upward revision in ethanol prices for next ESY; and 3) delays in PLA division. **We maintain ADD with revised TP of Rs524.**

Financial and valuation summary

YE Mar (Rs mn)	1QFY25A	1QFY24A	YoY (%)	4QFY24A	QoQ (%)	FY24A	FY25E	FY26E
Revenues	14,216	13,896	2.3	14,343	(0.9)	55,937	56,899	64,117
EBITDA	1,661	1,632	1.8	3,447	(51.8)	7,862	7,757	9,207
EBITDA margin (%)	11.7	11.7	(6bps)	24.0	(1,235bps)	14.1	13.6	14.4
Adj. Net profit	702	735	(4.6)	2,034	(65.5)	5,034	4,170	5,379
Adj. EPS (Rs)	3.5	3.6	(4.6)	10.1	(65.5)	25.0	20.7	26.7
EPS growth (%)						77.1	(17.2)	29.0
PE (x)						19.8	23.9	18.6
EV/EBITDA (x)						15.4	15.8	13.7
PBV (x)						3.0	2.7	2.4
RoE (%)						16.0	11.7	13.6
RoCE (%)						10.5	8.9	9.8

Source: Company, Centrum Broking

Result Update

India I Mid Cap

13 August, 2024

ADD

Price: Rs495

Target Price: Rs524

Forecast return: 6%

Institutional Research

Market Data

Bloomberg:	BRCM IN
52 week H/L:	506/343
Market cap:	Rs99.9bn
Shares Outstanding:	201.7mn
Free float:	57.1%
Avg. daily vol. 3mth:	24,18,534

Source: Bloomberg

Changes in the report

Rating:	Unchanged: ADD
Target price:	Changed from Rs394 to Rs524
EPS:	FY25E: Rs20.7 Changed by 19%
	FY26E: Rs26.7 Changed by 2%

Source: Centrum Broking

Shareholding pattern

	Jun-24	Mar-24	Dec-23	Sep-23
Promoter	42.9	42.9	42.9	42.9
FII's	12.2	11.3	10.5	14.2
DII's	22.6	20.8	21.6	22.1
Public/other	22.3	25.1	25.0	20.8

Source: BSE

Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum 1QFY25	Actual 1QFY25	Variance (%)
Revenue	13,201	14,216	7.7
EBITDA	1,386	1,661	19.9
EBITDA margin %	10.5	11.7	119bps
PAT	648	702	8.2

Source: Bloomberg, Centrum Broking

Mid Cap



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Thesis Snapshot

Estimate revision

YE Mar (Rs mn)	FY25E New	FY25E Old	% chg	FY26E New	FY26E Old	% chg
Revenue	56,899	56,700	0.4	64,117	63,793	0.5
EBITDA	7,757	6,562	18.2	9,207	8,790	4.8
EBITDA margin %	13.6	11.6	206bps	14.4	13.78	58bps
Adj. PAT	4,170	3,506	18.9	5,379	5,253	2.4
Adj. EPS (Rs)	20.7	17.4	18.9	26.7	26.0	2.4

Source: Centrum Broking

Balrampur Chini Mills versus NIFTY Midcap 100

	1m	6m	1 year
BRCM IN	16.1	37.5	30.9
NIFTY Midcap 100	(3.9)	16.4	54.9

Source: Bloomberg, NSE

Key assumptions

Y/E Mar	FY25E	FY26E
Sugar Division		
Volume (mn tonnes)	1.00	1.02
Realisations (Rs tonne)	39,144	39,144
EBITM (%)	7.4%	8.0%
Distillery Division		
Volume (crore litres)	23.03	34.21
Realisations (Rs litre)	60.3	61.6
EBITM (%)	15.0%	23.0%

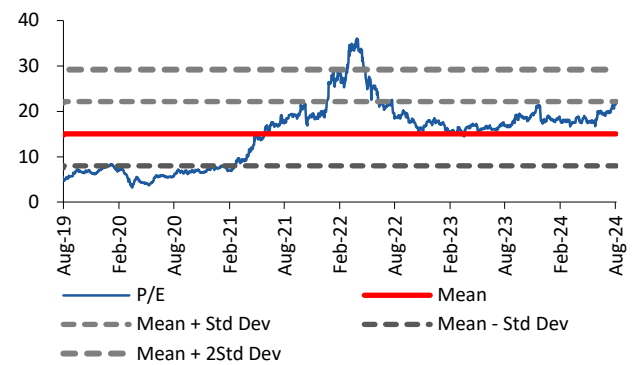
Source: Centrum Broking

Valuations

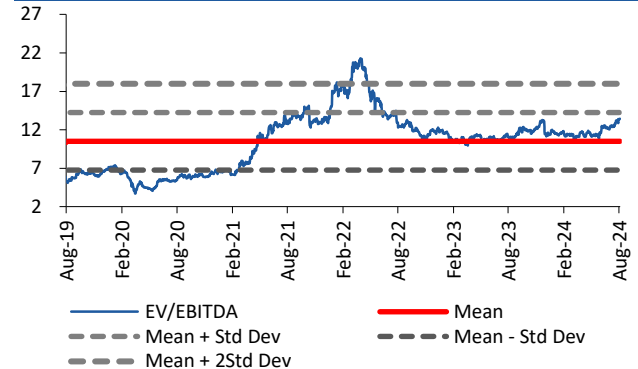
We are revising our earnings estimates upward and increasing the PE multiple from 14x to 18x based on FY26E earnings, in line with the peak multiples the stock has historically achieved. We maintain our ADD rating, with a revised target price of Rs524.

Valuations	Multiple	Value/share
PE	18	452
PLA (FY26E)	1.0x BV	30
NBFC stake	@10% disc.	42
Target price per share (Rs)		524/-
Upside from CMP (%)		6%

P/E mean and standard deviation



EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

Peer comparison

Company	Mkt Cap (Rs bn)	CAGR FY2024-26E (%)				PE (x)				EV/EBITDA (x)				RoE (%)			
		Sales	EBITDA	EPS		FY23A	FY24	FY25E	FY26E	FY23A	FY24	FY25E	FY26E	FY23A	FY24	FY25E	FY26E
TRE	8.5	12.6	16.8	16.8	4.8	21.6	19.5	15.8	15.2	15.8	14.1	11.6	17.1	14.2	14.2	15.3	
Dwarikesh Sugar	1.3	4.5	9.0	22.8	15.3	15.8	14.0	10.4	8.8	8.4	8.8	7.1	14.8	10.7	11.0	13.4	
Average		8.6	12.9	19.8	10.1	18.7	16.8	13.1	12.0	12.1	11.5	9.4	16.0	12.5	12.6	14.4	
BRCM	10.0	7.1	8.2	0.3	35.1	19.8	23.9	18.6	23.4	15.4	15.8	13.7	10.0	16.0	11.7	13.6	

Source: Company, Centrum Broking

Earnings call KTAs

- For the ensuing season, IMD is forecasting a normal monsoon which will aid to better yields. **Lower diversion of cane towards Gur- Khandsari and better yield should translate to higher cane availability in U.P.** In contrast, lower cane is expected in Maharashtra and Karnataka due to lower acreage.
- **The Company carried forward higher inventory of 51.2 lakh quintals as of 1QFY25 valued at Rs.34.88/kg. (1QFY24 - 41.1 lakh quintal valued at Rs33.79/kg).**
- Sugar prices outlook remains positive and current prices in UP are at ~Rs39/kg.
- Expected sugar inventory at ~8.55 MMT as on 30th September 2024 in the country along with expected production of 32 MMT (pre-diversion) for the SS 24-25 and domestic consumption of around 29 MT provides enough headroom to the Government to carry on the blending programme under Juice & B-heavy route unhindered and possibly leave room for exports too. In the past, we have seen that closing stock of 5.5 MMT has been considered sufficient.
- Cane development is expected to be better given better rainfall/outlook and lower pest impact. Early closure of factory in last season would help ratoon plantation this season. However, lower sugarcane planting due to delayed harvesting of mustard crop will have a negative impact.
- For PLA facility, 86.67 acres of land has been acquired till date. As of 1QFY25, ~Rs300cr has been spent from internal accruals. Company is in advance stage of achieving financial closure to raise debt for the Project. Expected COD is October/November 2026.
- **Sugarcane crushing guidance is not shared given crop uncertainty.**

Exhibit 1: Key conference call takeaways and metric tracker

Centrum Quarterly Monitor	Q4FY24	Q1FY25	Our Comments
Sugar and ethanol price	Current sugar prices are at Rs39/kg which should inch up. Ethanol revision expected in ESY25.	Current sugar prices are at Rs39/kg and should hold for the season. Ethanol revision expected in ESY25.	We have increased the sugar realizations for FY25. Similarly we have factored in higher ethanol prices for ESY25.
Sugar and ethanol volumes	Total Ethanol volumes to be +25cr litres.	Ethanol volume guidance of +25cr litres maintained.	In line with management guidance.
Outlook and guidance	For the ensuing season, IMD is forecasting a normal monsoon which will aid to better yields. Expected sugar inventory at ~8.85 MMT as on end of SSY24* in the country along with expected production of *31 MMT (pre-diversion)* for the SSY25 and domestic consumption of around 29.5 MT provides enough headroom to the Government to carry on the blending programme under Juice & B-heavy route (expected sugar diversion >3.5MMT).	Lower diversion of cane towards Gur-Khandsari and better yield should translate to higher cane availability in U.P. Expected sugar inventory at ~8.55 MMT as on 30th September 2024 in the country along with expected production of 32 MMT (pre-diversion) for the SS 24-25 and domestic consumption of around 29 MT provides enough headroom to the Government to carry on the blending programme under Juice & B-heavy route unhindered and possibly leave room for exports too. In the past, we have seen that closing stock of 5.5 MMT has been considered sufficient.	We believe second half of the year would give a clearer picture about the season.

Source: Centrum Broking

Balrampur Chini's NBFC associate raises growth capital

Auxilo (BRCM associate with 33.7% stake) has come out with fresh issue of Series A1 CCPS (Compulsorily and fully convertible preference shares) wherein Jade Inclusion Limited, Xponentia Opportunities Fund-II and Trifecta Leaders Fund - I are investing in Auxilo and the other existing investors and shareholders are consenting to such issue by signing the DOAA to the Agreement.

Auxilo shall be issuing: - 480,78,529 Series A1 CCPS of FV of Rs10 aggregating to Rs279cr. Each Series A1 CCPS shall be non-cumulative, compulsorily, and fully convertible preference share and shall convert into 1 Equity Share at an effective price of Rs58.04. This transaction values Auxilo at more than Rs31bn.

As a result, BRCM's stake in Auxilo will decrease from 33.7% to 30.7% following the allotment of the aforementioned securities to investors. Please note that BRCM's total investment in its associate company, Auxilo, amounts to Rs175 crore at an average cost of Rs10.59 per share.

Exhibit 2: Consolidated Financial Snapshot 1QFY25

YE Mar (Rs mn)	1QFY25A	1QFY24A	YoY (%)	4QFY24A	QoQ (%)	FY24	FY23	YoY (%)
Revenues	14,216	13,896	2.3	14,343	(0.9)	55,937	46,659	19.9
Raw material	10,656	10,342	3.0	8,164	30.5	39,169	34,092	14.9
Gross margins (%)	25.0	25.6	(54bps)	43.1	(1,804bps)	30.0	26.9	304bps
Staff costs	919	889	3.4	1,077	(14.7)	3,986	3,638	9.6
Other Mfg. expenses	979	1,033	(5.2)	1,654	(40.8)	4,921	3,808	29.2
Total expenditure	12,555	12,264	2.4	10,895	15.2	48,076	41,538	15.7
EBITDA	1,661	1,632	1.8	3,447	(51.8)	7,862	5,120	53.5
EBITDAM (%)	11.7	11.7	(6bps)	24.0	(1,235bps)	14.1	11.0	308bps
Depreciation	426	406	5.0	426	0.1	1,664	1,295	28.5
Interest	360	335	7.5	250	44.2	836	486	71.9
Other income + Income from Associates + Prior period item + Extraordinary income	149	176	(15.6)	122	21.8	2,060	745	176.7
PBT	1,024	1,067	(4.1)	2,894	(64.6)	7,422	4,083	81.8
Tax	322	332	(2.9)	860	(62.5)	2,077	1,241	67.3
Reported Net profit	702	735	(4.6)	2,034	(65.5)	5,345	2,842	88.1
EPS (Rs.)	3.5	3.6	(4.6)	10.1	(65.5)	26.5	14.1	88.1

Source: Centrum Broking, Company Data

Segmental performance

Sugar division performance

- The sugar segment witnessed a +1% increase in revenue to Rs11.3bn, which was in line with our estimates of Rs11.3bn.
- Sugar volumes for the 1QFY25 came in at 2.46 Lakh tonnes vs. CentrumE's of 2.43lakh tonnes in line with the allotted quota.
- EBIT margin for the segment came in at 6.6% vs 6.4% in 1QFY24 which was above our expectations primarily due to higher realisations.
- Sugar Realizations for the quarter came in at Rs38.9/kg a YoY increase of ~5.5%.
- Sugar inventory stood at 5.1Lakh tonnes as on 1QFY25 vs. 4.1/6.9 lakh tonnes as on 1QFY25/4QFY24, respectively.

Exhibit 3: Financial Snapshot 1QFY25 - Sugar Division

YE Mar (Rs mn)	1QFY25A	1QFY24A	YoY (%)	4QFY24A	QoQ (%)	FY24	FY23	YoY (%)
Revenues	11,316	11,161	1.4	13,109	-13.7	46,973	43,386	8.3
EBIT	747	714	4.7	2,331	-67.9	4,197	2,385	76.0
EBITM (%)	6.6	6.4	0.21	17.8	-11.18	8.9	5.5	3.44
Total Sugar Volumes (lakh tonnes)	2.5	2.4	3.1	2.2	9.2	9.47	9.04	4.8
Domestic	2.5	2.4	3.1	2.2	9.2	9.47	7.64	24.0
Export	-	-	-	-	-	-	1.40	n.a
Blended Sugar Realizations (Rs/t)	38.9	36.9	5.5	38.2	1.7	38.0	35.9	6.0
Sugar Inventory (lakh tonnes)	5.1	4.1	24.6	6.9	25.4	6.9	5.1	34.0

Source: Company Data, Centrum Broking

Distillery division

- The distillery segment's revenue came in at Rs4.2bn, down 9.0% YoY (CentrumE Rs4.5bn).
- Total alcohol production came in at 7.2cr BL a YoY decline of +13%.
- The distillery segment performed below with our expectations with an EBIT margin of 19.1% (CentrumE 20%).
- Average alcohol realisations for the Distillery division came at Rs61.1/litre a YoY decline of 1.1%.

Exhibit 4: Financial Snapshot 1QFY25 – Distillery Division

YE Mar (Rs mn)	1QFY25A	1QFY24A	YoY (%)	4QFY24A	QoQ (%)	FY24	FY23	YoY (%)
Revenues	4,241	4,660	(9.0)	4,129	2.7%	16,890	11,640	45.1
EBIT	811	846	(4.2)	972	(16.6%)	3,262	2,613	24.8
EBITM (%)	19.1	18.2	96bps	23.5	(443bps)	19.3	22.4	(313bps)
Total Alcohol Sales (lakh litres)	686	738	(7.0)	667	2.8%	2,731	1,978	38.1
BH + CH	608	666	(8.7)	592	2.7%	2,455	1,706	43.9
Others	78	72	8.3	75	4.0%	276	272	1.5
Blended Ethanol Realizations (Rs/litre, excluding ENA)	61.1	61.8	(1.1)	62	(1.6%)	-	-	nm

Source: Centrum Broking, Company Data

P&L					
YE Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenues	48,460	46,659	55,937	56,899	64,117
Operating Expense	41,463	41,538	48,076	49,142	54,909
Employee cost	3,078	3,638	3,986	4,185	4,394
Others	740	653	0	0	0
EBITDA	6,997	5,120	7,862	7,757	9,207
Depreciation & Amortisation	1,139	1,295	1,664	1,750	1,800
EBIT	5,858	3,825	6,198	6,007	7,407
Interest expenses	309	486	836	1,573	1,656
Other income	330	628	1,488	744	1,000
PBT	5,880	3,967	6,850	5,177	6,752
Taxes	1,341	1,241	2,077	1,294	1,688
Effective tax rate (%)	22.8	31.3	30.3	25.0	25.0
PAT	4,539	2,725	4,773	3,883	5,064
Minority/Associates	119	116	261	287	316
Recurring PAT	4,658	2,842	5,034	4,170	5,379
Extraordinary items	(12)	0	311	0	0
Reported PAT	4,646	2,842	5,345	4,170	5,379
Ratios					
YE Mar	FY22A	FY23A	FY24A	FY25E	FY26E
Growth (%)					
Revenue	0.7	(3.7)	19.9	1.7	12.7
EBITDA	(1.8)	(26.8)	53.5	(1.3)	18.7
Adj. EPS	(0.1)	(38.3)	77.1	(17.2)	29.0
Margins (%)					
Gross	28.7	26.9	30.0	30.5	30.5
EBITDA	14.4	11.0	14.1	13.6	14.4
EBIT	12.1	8.2	11.1	10.6	11.6
Adjusted PAT	9.6	6.1	9.6	7.3	8.4
Returns (%)					
ROE	17.3	10.0	16.0	11.7	13.6
ROCE	12.4	7.0	10.5	8.9	9.8
ROIC	9.8	5.4	7.7	7.4	8.0
Turnover (days)					
Gross block turnover ratio (x)	2.1	1.4	1.6	1.5	1.6
Debtors	14	10	8	8	8
Inventory	242	242	242	255	221
Creditors	46	32	28	28	28
Net working capital	191	179	152	158	135
Solvency (x)					
Net debt-equity	0.4	0.6	0.6	0.6	0.6
Interest coverage ratio	22.7	10.5	9.4	4.9	5.6
Net debt/EBITDA	1.7	3.6	2.6	2.7	2.7
Per share (Rs)					
Adjusted EPS	22.8	14.1	25.0	20.7	26.7
BVPS	135.7	143.5	167.4	184.6	207.7
CEPS	28.4	20.5	33.2	29.3	35.6
DPS	2.5	2.5	3.0	2.0	2.0
Dividend payout (%)	11.0	17.7	11.3	9.7	7.5
Valuation (x)					
P/E	21.7	35.1	19.8	23.9	18.6
P/BV	3.6	3.4	3.0	2.7	2.4
EV/EBITDA	12.3	23.4	15.4	15.8	13.7
Dividend yield (%)	0.5	0.5	0.6	0.4	0.4

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
Equity share capital	204	202	202	202	202
Reserves & surplus	27,493	28,754	33,568	37,048	41,708
Shareholders fund	27,697	28,956	33,770	37,250	41,910
Minority Interest	0	0	0	0	0
Total debt	12,107	18,796	20,091	22,880	26,570
Non Current Liabilities	5,712	108	111	111	111
Def tax liab. (net)	755	1,282	2,268	2,268	2,268
Total liabilities	46,271	49,141	56,240	62,508	70,858
Gross block	23,486	34,430	36,014	37,514	39,114
Less: acc. Depreciation	(7,149)	(8,444)	(9,628)	(11,378)	(13,178)
Net block	16,336	25,986	26,386	26,136	25,936
Capital WIP	2,043	243	455	7,955	15,455
Net fixed assets	18,379	26,229	26,841	34,091	41,391
Non Current Assets	935	266	267	267	267
Investments	1,726	2,013	3,394	3,394	3,394
Inventories	22,005	23,187	28,688	26,544	27,469
Sundry debtors	1,367	1,248	1,256	1,117	1,658
Cash & Cash Equivalents	33	119	30	1,565	1,561
Loans & advances	5,709	0	0	0	0
Other current assets	360	1,223	376	376	376
Trade payables	2,778	3,160	2,784	3,250	3,663
Other current liab.	1,396	1,910	1,535	1,535	1,535
Provisions	67	74	60	60	60
Net current assets	25,232	20,633	25,970	24,756	25,806
Total assets	46,271	49,141	56,472	62,508	70,858

Cashflow					
YE Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
Profit Before Tax	5,868	3,967	7,161	5,177	6,752
Depreciation & Amortisation	1,139	1,295	1,664	1,750	1,800
Net Interest	309	486	836	1,573	1,656
Net Change – WC	732	(583)	(5,831)	2,749	(1,054)
Direct taxes	(1,341)	(678)	(995)	(1,294)	(1,688)
Net cash from operations	6,946	4,529	1,778	9,955	7,465
Capital expenditure	(3,387)	(8,561)	(2,688)	(9,000)	(9,100)
Acquisitions, net	0	0	0	0	0
Investments	766	(147)	(60)	0	0
Others	(472)	120	500	0	0
Net cash from investing	(3,094)	(8,588)	(2,248)	(9,000)	(9,100)
FCF	3,853	(4,059)	(469)	955	(1,635)
Issue of share capital	0	0	0	0	0
Increase/(decrease) in debt	(371)	6,638	1,273	2,788	3,690
Dividend paid	(510)	(508)	(605)	(403)	(403)
Interest paid	(304)	(409)	(835)	(1,573)	(1,656)
Others	(2,693)	(1,575)	637	(232)	0
Net cash from financing	(3,878)	4,145	470	580	1,631
Net change in Cash	(25)	86	0	1,535	(4)

Source: Company, Centrum Broking

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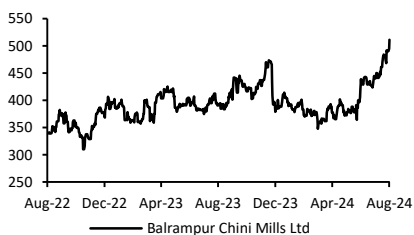
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Balrampur Chini Mills



Source: Bloomberg

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