



3R MATRIX

	+	=	-
Right Sector (RS)	Green	Grey with check	Red
Right Quality (RQ)	Green with check	Grey	Red
Right Valuation (RV)	Green with check	Grey	Red

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS	Grey	↔	Grey
RQ	Green	↔	Green
RV	Green	↔	Green

Company details

Market cap:	Rs. 11,057 cr
52-week high/low:	Rs. 693/343
NSE volume: (No of shares)	24.2 lakh
BSE code:	500038
NSE code:	BALRAMCHIN
Free float: (No of shares)	11.5 cr

Shareholding (%)

Promoters	42.9
FII	13.6
DII	26.4
Others	17.1

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-16.2	7.1	47.0	28.4
Relative to Sensex	-11.0	8.7	40.3	8.8

Sharekhan Research, Bloomberg

Balrampur Chini Mills Ltd
Weak Q2; better outlook ahead

Miscellaneous	Sharekhan code: BALRAMCHIN		
Reco/View: Buy	↔	CMP: Rs. 548	Price Target: Rs. 673 ↑
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- ♦ Balrampur Chini Mills' (BCML's) Q2FY2025 numbers were affected by government restrictions in distillery operations and lower crushing volumes. Revenues fell by 16% y-o-y and EBITDA fell by 70% y-o-y (EBIDTA margins decreased to 3.8%).
- ♦ Maintained its sugar production guidance for SY2024-25 at 32 million tonnes (net of diversion at 28.3 million tonnes). With sufficient inventory of 5.5 million tonnes at the end of SY, 2 million tonnes are available for exports.
- ♦ Construction of PLA plant will start soon after receipt of regulatory approvals. Likely to be operational by October 2026. UP government has supported with capex subsidy and interest subvention.
- ♦ Stock trades at 24x/19x/17x its FY25E/FY26E/FY27E earnings, respectively. We maintain a Buy with a revised PT of Rs. 673.

BCML's Q2FY2025 was weak impacted by lower distillery volumes due to government's regulatory restrictions and lower crushing volumes. This decrease is owing to lower sugarcane availability during the season, which has also impacted the distillery segment. Further, fixed overheads could not be absorbed fully in this quarter owing to curtailed crushing/season days. Consolidated revenues decreased by 15.7% y-o-y to Rs. 1,298 crore due to 52.7% y-o-y decline in the distillery revenues. EBITDA margins stood substantially lower at 3.8% versus 10.7% in Q2FY2024. EBITDA decreased by 70.2% y-o-y to Rs. 49 crore. Adjusted PAT decreased by 24% y-o-y to Rs. 59 crore. In H1FY2025, revenues decreased by 7% y-o-y to Rs. 2,720 crore, EBITDA margins stood at 7.9% versus 11.2% in H1FY2024 and adjusted PAT fell by 16.3% y-o-y to Rs. 122 crore.

Key positives

- ♦ Sugar realisations stood at Rs. 38.5 per kg; grew by 2.2% y-o-y.

Key negatives

- ♦ Distillery sales volumes fell by 47% y-o-y to 4.6 crore BL.

Management Commentary

- ♦ Sugar inventory stood at 8.5 million tonnes at end of sugar season (SS) 2023-24. BCML expects sugar production to be 32 million tonnes (28.3 million tonnes post diversion for ethanol production) for SS 2024-25 and domestic consumption is expected to be at 29 million tonnes.
- ♦ Additional inventory provides good scope for government to avail sugar exports of 2 million tonnes in the current season.
- ♦ Industry is demanding an increase in sugar MSP, allowing sugar exports and revision in ethanol prices to improve distillery performance.
- ♦ Current sugar prices of Rs. 38.5 per kg is not sufficient; expects sugar prices to improve with likely increase in MSP and allowing of sugar exports.
- ♦ Company is making good progress on cane-based Polylactic Acid (PLA) project and has invested ~Rs. 333 crore till September 24 through internal accruals. Land for the project has been acquired, contracts with foreign technology partners and vendors for long lead items have been finalised. PLA facility is expected to be operational from October 2026.
- ♦ UP state government has announced a policy for bioplastics, which is 50% capex subsidy over seven years, a 5% interest subvention and an SGST net reimbursement for a period of 10 years, exemption on electricity duty for 10 years, stamp duty exemption on land purchased and Total capping on the subsidy/incentive should not exceed 200% of the eligible investment.
- ♦ Company expects to do ethanol production of 25 crore litre between November 2024 and October 2025. Around 9 crore litres of ethanol will be produced from sugar juice, 10-11 crore litres from B Heavy molasses, 1-1.5 crore litres from C-Heavy molasses and rest from Maize.

Revision in estimates - We have reduced our earnings estimates for FY2025 and FY2026 by 6% and 4% respectively to factor in lower sales volume in the distillery business and lower EBITDA margins. We have introduced FY2027 earnings estimates through this note.

Our Call

View - Retain Buy with a revised PT of Rs. 673: We like BCML among the sugar companies because of its strong balance sheet, which will take care of near-term headwinds. Better yields from new sugar variants and steady growth in realisation will drive sugar business performance in the near term. Distillery business performance is expected to fully recover by FY2026 while PLA business will help in adding value to its sugar business. Stock is currently trading at 24x/19x/17x its FY2025E/FY26E/FY27E earnings, respectively. We maintain a stance of preferring large sugar companies with better balance sheets in an uncertain environment. We maintain Buy rating on the stock with a revised PT of Rs. 673.

Key Risks

Any decline in sugar production or a change in government policies towards ethanol blending would be a key risk to our earnings estimates.

Valuation (Consolidated)

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Revenue	4,666	5,594	5,819	6,725	7,240
OPM (%)	11.0	14.1	14.7	15.0	14.8
Adjusted PAT	284	428	461	597	637
% YoY growth	-42.9	55.5	8.5	32.5	7.5
Adjusted EPS (Rs.)	14.1	21.2	22.8	29.6	31.6
P/E (x)	38.9	25.9	24.0	18.5	17.3
P/B (x)	3.8	3.3	2.9	2.5	2.2
EV/EBIDTA (x)	24.0	16.4	15.3	12.8	11.7
RoNW (%)	9.6	12.8	12.8	14.7	13.8
RoCE (%)	9.9	12.6	12.5	13.9	14.0

Source: Company; Sharekhan estimates