

Bloomberg Code	BCML.IN
No of share O/S (Cr)	20.4
Market Cap (Rs Cr)	7,193
Face Value (Rs)	1.0
Dividend Yield (%)	0.57
52 Wk High/Low (Rs)	526/298

Crushing for the season was lower due to lower cane availability which impacted the results for the quarter

Key result highlights

Balrampur Chini Mills Ltd (BCML) reported a YoY revenue growth of 5.3% to INR 1,080 cr in Q1FY23 on account of 3.1% decline in sugar production and slower than expected growth in distillery revenues. The lower sugarcane availability in the current season due to weather conditions and red-hot disease in the company's catchment areas reduced the sugar production and impacted the sales volumes. Cane crushing activity increased at a YoY rate of 6.7% to 46.2 lac quintals while sugar production declined at a YoY rate of 8.0% to 4.5 lac quintals. BCML's gross sugar revenue (including bagasse) stood at INR 922 cr, a YoY decline of 2.6%.

Shareholding (%)	
Promoters	42.4
Institutional	35.5
Public	22.1
Total	100

Distillery revenue grew at a YoY rate of 11.6% to INR 298 cr, while distillery volumes (B-heavy & C-heavy ethanol) recorded a YoY growth of 6.3% to 4.6 cr litres. The impact on revenue was lower than the sales volume due to the higher proportion of B-heavy ethanol volume in the segment. The share of B-heavy ethanol stood at 95.0% in Q1FY23. The company commissioned a smaller 40 KLPD distillery in its Gularia plant in Q3FY22, which took the total distillery capacity to 560 KLPD. With commissioning of Maizapur distillery & expansion in Balrampur distillery in Nov 2022, its total distillery capacity would reach 1050 KLD (35 cr litres annually)

Profitability to improve with the better product mix

Gross profit reported a YoY decline of 34.2% to INR 190 cr, while the gross margins declined at a YoY rate of 773bps to 17.6% mainly on account of substantial increase in cost of production due to increase in sugarcane prices in 2021-22 sugar season, lower sugarcane crushing & decline in sugar recovery due to adverse weather conditions.

Similarly, EBITDA witnessed a YoY decline of 66.9% to INR 44 cr, while EBITDA margins declined by 764bps YoY to 4.1% during the quarter. Interest cost declined at a YoY rate of 5.6% to INR 14 cr owing to increase in debt for new capex. As a result, net profit reported a YoY growth of 83.9% to INR 12 cr, while net margins declined by 560bps YoY to 1.1% during the quarter.

Concall Highlights

- The company has significantly improved the sugarcane development & disease management in its catchment area. Besides, BCML has been able to replace ~20% Co-0238 variety with newer sugarcane varieties, which is expected to improve sugarcane yield in SS23.
- BCML witnessed 8% increase in sugarcane area near its factories. Further, rainfall in eastern UP is favourable for yield and sugar recovery. With the increase in area under sugarcane and expected improvement in sugarcane yield, the company is estimating 105 lac tonnes of sugarcane crushing for SS23.
- Transfer pricing for B-heavy molasses has been increased from INR 7/kg in June 2021 to INR 10.3/ kg in June 2022. The company has already supplied 12.17 cr litre of B-heavy ethanol out of 14.82 cr litre contracted quantities for ethanol season 2021-22. Similarly, it has supplied 0.68 cr litre of C-heavy ethanol out of contracted quantities of 0.9 cr litre for ethanol season 2021-22.
- In India, ethanol blending has reached 10.17% in 2021-22 with OMCs contracting for 446 cr litre of ethanol, which includes 366 cr litre from sugar industry. OMCs would be floating tender for 2022-23 ethanol blending year to the tune of 545 cr litre for 12% blending levels. Ethanol blending of 20% is possible given material compatibility of new 4W & 2W would get implemented by March 2023. With 20% blending by 2025-26, sugar industry would be sacrificing 7 MT of sugar.
- The government has allowed additional 1.2 MT of exports in 2021-22, which would take the exports in the season to 11 MT. This would bring down sugar inventory to 5.8 MT (sufficient for two months of consumption) by September 2022
- With the completion of capex for sugar refinery, the company would be able to produce 45% of its total production as refined sugar. High grade refined sugar for exports would be closer 10% of its total volumes. 'London 5' refined white sugar prices are prevailing at INR 38/ kg (ex-factory)

Valuation

BCML is currently trading at a FY24 forward EV/EBITDA of 6.7x.

Financial Summary

Figures are in Rs Cr	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	FY19	FY20	YoY (%)	FY21	YoY (%)	FY22	YoY (%)
Net Sales	1,080.1	1,140.4	-5.3	1,279.6	-15.6	4,285.8	4,741.3	10.6	4,811.7	1.5	4,846.0	0.7
Raw Material Cost	890.4	852.0	4.5	728.5	22.2	3,057.1	3,501.5	14.5	3,456.0	-1.3	3,456.1	0.0
RM Cost to Sales (%)	82.4	74.7		56.9		71.3	73.9		71.8		71.3	
Employee Cost	74.0	65.6	12.7	88.9	-16.8	230.5	254.0	10.2	281.6	10.9	307.8	9.3
Employee Cost to Sales (%)	6.8	5.8		6.9		5.4	5.4		5.9		6.4	
Other Expenses	71.4	88.8	-19.6	131.2	-45.6	309.2	303.8	-1.7	360.1	18.5	382.4	6.2
Other Exp to Sales (%)	6.6	7.8		10.3		7.2	6.4		7.5		7.9	
EBITDA	44.4	134.0	-66.9	331.0	-86.6	689.1	682.0	-1.0	713.8	4.7	699.7	-2.0
EBITDA Margin (%)	4.1	11.8	-7.64	25.9	-21.8	16.1	14.4		14.8		14.4	
Depreciation	28.2	29.3	-3.7	28.4	-0.7	95.9	101.4	5.8	111.9	10.3	113.9	1.8
Interest	13.8	13.1	5.6	7.8	77.9	40.9	64.2	56.8	39.3	-38.8	30.9	-21.4
Interest Coverage	1.2	8.0		38.9		14.5	9.0		15.3		19.0	
Other Income (incl Excep)	14.5	5.2	177.0	11.8	23.3	42.7	43.9	2.7	26.9	-38.7	33.0	22.6
Other Income to Sales (%)	1.3	0.5		0.9		1.0	0.9		0.6		0.7	
Profit Before Tax	16.9	96.9	-82.6	306.6	-94.5	595.0	560.3	-5.8	589.6	5.2	588.0	-0.3
Tax Rate (%)	32.5	25.8		20.9		4.4	8.7		21.9		22.8	
Profit After Tax	11.4	71.9	-84.2	242.6	-95.3	569.1	511.6	-10.1	460.2	-10.0	453.9	-1.4
PAT Margin (%)	1.1	6.3	-5.2	19.0	-17.9	13.3	10.8		9.6		9.4	
Share of Assoc / Minority Int	1.0	5.1		0.1		6.8	7.8		19.6		13.0	
Net Profit	12.4	76.9	-83.9	242.8	-94.9	575.8	519.4	-9.8	479.8	-7.6	466.9	-2.7
Net Margin (%)	1.1	6.7	-5.60	19.0	-17.8	13.4	11.0		10.0		9.6	
Adjusted EPS (Rs)	0.6	3.8	-83.9	11.8	-94.9	28.1	25.3	-9.8	23.4	-7.6	22.8	-2.7
Shareholder's Funds						2,117.8	2,415.7	14.1	2,619.1	8.4	2,769.7	5.7
BV per share (Rs)						103.3	117.8	14.1	127.8	8.4	135.1	5.7
Net Debt						1,669.0	1,388.7	-16.8	1,131.8	-18.5	1,159.8	2.5
Net Debt to Equity (X)						0.8	0.6		0.4		0.4	
Net Debt to EBITDA (X)						2.4	2.0		1.6		1.7	
RoE (%)						27.2	21.5		18.3		16.9	
RoIC (%)						15.0	13.9		12.5		11.5	
P/E (X)						12.6	13.9		15.1		15.5	
EV/EBITDA (X)						12.9	12.6		11.7		12.0	

Segmental Performance

Figures in INR Crores	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	FY19	FY20	FY21	FY22
Sugarcane Crushing Capacity (TPD)	76,500	76,500	76,500	76,500	76,500	76,500	76,500	76,500	76,500	76,500	76,500	76,500	76,500	76,500	76,500	76,500	76,500
Sugarcane Crushed (Lakh Quintals)	167.3	0.0	262.2	590.8	200.8	0.0	263.2	568.6	43.3	0.0	259.5	582.6	46.2	1,103.6	1,020.3	1,032.6	885.4
<i>Capacity Utilization</i>	<i>24.3%</i>	<i>0.0%</i>	<i>38.1%</i>	<i>85.8%</i>	<i>29.2%</i>	<i>0.0%</i>	<i>38.2%</i>	<i>82.6%</i>	<i>6.3%</i>	<i>0.0%</i>	<i>37.7%</i>	<i>84.6%</i>	<i>6.7%</i>	<i>160.3%</i>	<i>148.2%</i>	<i>150.0%</i>	<i>128.6%</i>
Sugar Produced (Lakh Quintals)	20.1	0.0	28.2	68.4	22.2	0.0	25.7	61.9	4.9	0.0	24.9	61.1	4.5	127.8	116.7	109.8	91.0
<i>Sugar Recovery</i>	<i>12.0%</i>	<i>0.0%</i>	<i>10.8%</i>	<i>11.6%</i>	<i>11.1%</i>	<i>0.0%</i>	<i>9.8%</i>	<i>10.9%</i>	<i>11.3%</i>	<i>0.0%</i>	<i>9.6%</i>	<i>10.5%</i>	<i>9.7%</i>	<i>11.6%</i>	<i>11.4%</i>	<i>10.6%</i>	<i>10.3%</i>
Sugar Domestic Sales (Lakh Quintals)	21.9	21.3	22.9	28.5	30.3	30.8	27.4	19.3	23.7	26.8	25.7	21.1	21.3	98.6	94.6	107.7	97.3
Sugar Export Sales (Lakh Quintals)	0.0	0.0	9.1	16.9	5.4	0.0	0.0	0.2	0.4	0.0	1.5	3.5	0.0	16.7	26.0	5.6	5.4
Total Sugar Sales Volume (Lakh Quintals)	21.9	21.3	32.0	45.4	35.7	30.8	27.4	19.5	24.1	26.8	27.2	24.6	21.3	115.3	120.6	113.3	102.7
<i>Avg Realization (Rs/Kg)</i>	<i>32.8</i>	<i>33.4</i>	<i>29.5</i>	<i>28.3</i>	<i>30.8</i>	<i>33.0</i>	<i>32.5</i>	<i>32.0</i>	<i>33.2</i>	<i>34.5</i>	<i>36.3</i>	<i>34.5</i>	<i>35.6</i>	<i>29.6</i>	<i>30.3</i>	<i>32.0</i>	<i>34.7</i>
Total Sugar Revenue	720.0	710.4	944.2	1,283.1	1,099.5	1,014.2	887.8	623.6	800.9	927.1	986.2	847.9	757.2	3,407.7	3,657.7	3,625.1	3,562.1
Govt Grants & Other Revenue	117.6	40.2	208.8	489.3	241.7	49.3	144.4	415.3	145.3	97.8	141.3	333.6	164.5	413.9	856.0	850.6	718.0
Gross Sugar Revenue	837.6	750.6	1,153.0	1,772.4	1,341.1	1,063.4	1,032.2	1,038.9	946.2	1,024.9	1,127.6	1,181.5	921.7	3,821.6	4,513.7	4,475.7	4,280.1
Power Generated (Crore Units)	27.1	4.5	19.8	38.9	17.6	4.2	20.2	38.7	8.4	3.4	18.8	42.3	8.5	105.0	90.2	80.7	72.8
Power Used for Captive (Crore Units)	8.7	2.5	8.5	17.9	8.6	2.8	8.9	17.7	4.6	2.7	9.4	21.2	5.5	38.6	37.6	38.0	37.8
Power Sold (Crore Units)	18.4	2.0	11.2	21.0	9.0	1.3	11.3	21.0	3.8	0.7	9.4	21.1	3.0	66.4	52.6	42.6	34.9
Power Revenue from Power Sold Outside	54.8	6.4	34.9	63.1	28.8	4.3	36.2	66.2	12.6	2.3	30.8	69.6	0.0	328.0	159.2	135.5	111.8
<i>Per unit realization on power sold (Rs/unit)</i>	<i>3.0</i>	<i>3.1</i>	<i>3.1</i>	<i>3.0</i>	<i>3.2</i>	<i>3.2</i>	<i>3.2</i>	<i>3.2</i>	<i>3.3</i>	<i>3.4</i>	<i>3.3</i>	<i>3.3</i>	<i>0.0</i>	<i>4.9</i>	<i>3.0</i>	<i>3.2</i>	<i>3.2</i>
Gross Power Revenue (Sold & Utilized)	110.6	25.0	109.2	205.8	95.7	30.8	111.6	199.5	42.8	27.7	0.0	0.0	0.0	615.8	450.5	437.6	70.6
Distillery Capacity (KLPD)	520.0	520.0	520.0	520.0	520.0	520.0	520.0	520.0	520.0	520.0	560.0	560.0	560.0	360.0	520.0	520.0	560.0
B-heavy ethanol sales volume (Cr Litres)	0.0	0.0	0.1	2.5	3.1	2.6	1.0	2.9	4.1	3.7	2.3	4.4	4.4	0.0	2.6	9.6	14.6
<i>Share of B-heavy ethanol volume</i>	<i>0.0%</i>	<i>0.0%</i>	<i>5.5%</i>	<i>78.8%</i>	<i>77.5%</i>	<i>53.9%</i>	<i>40.6%</i>	<i>88.3%</i>	<i>95.1%</i>	<i>91.4%</i>	<i>90.0%</i>	<i>94.0%</i>	<i>95.0%</i>	<i>0.0%</i>	<i>23.4%</i>	<i>66.0%</i>	<i>93.0%</i>
C-heavy ethanol sales volume (Cr Litres)	3.0	2.9	1.8	0.7	0.9	2.2	1.5	0.4	0.2	0.4	0.3	0.3	0.2	10.8	8.4	5.0	1.1
<i>Share of C-heavy ethanol volume</i>	<i>100.0%</i>	<i>100.0%</i>	<i>94.5%</i>	<i>21.2%</i>	<i>22.5%</i>	<i>46.1%</i>	<i>59.4%</i>	<i>11.7%</i>	<i>4.9%</i>	<i>8.6%</i>	<i>10.0%</i>	<i>6.0%</i>	<i>5.0%</i>	<i>100.0%</i>	<i>76.6%</i>	<i>34.0%</i>	<i>7.0%</i>
Distillery Revenue	139.2	133.9	113.0	173.2	223.3	262.8	134.8	204.6	267.2	253.1	172.1	302.8	298.1	467.7	559.4	825.5	995.2
<i>Avg Realization (Rs/Kg)</i>	<i>46.1</i>	<i>47.0</i>	<i>58.5</i>	<i>55.7</i>	<i>55.8</i>	<i>55.6</i>	<i>54.1</i>	<i>61.6</i>	<i>61.9</i>	<i>62.0</i>	<i>66.4</i>	<i>64.4</i>	<i>64.9</i>	<i>43.4</i>	<i>51.3</i>	<i>56.8</i>	<i>63.4</i>
Less: Intersegment Revenue	(138.8)	(52.6)	(179.5)	(411.4)	(229.7)	(67.3)	(206.5)	(423.7)	(115.8)	(91.8)	(87.5)	(204.7)	(139.7)	(619.3)	(782.3)	(927.1)	(499.8)
Net Revenue	948.5	857.0	1,195.8	1,740.0	1,430.3	1,289.8	1,072.2	1,019.4	1,140.4	1,213.8	1,212.2	1,279.6	1,080.1	4,285.8	4,741.3	4,811.7	4,846.0
EBITDA	175.9	154.6	110.2	241.3	217.5	127.7	36.4	332.2	134.0	134.8	99.8	331.0	44.4	689.1	682.0	713.8	699.7
<i>EBITDA Margin (%)</i>	<i>18.5</i>	<i>18.0</i>	<i>9.2</i>	<i>13.9</i>	<i>15.2</i>	<i>9.9</i>	<i>3.4</i>	<i>32.6</i>	<i>11.8</i>	<i>11.1</i>	<i>8.2</i>	<i>25.9</i>	<i>4.1</i>	<i>16.1</i>	<i>14.4</i>	<i>14.8</i>	<i>14.4</i>
Net Profit	105.6	99.8	72.5	241.4	139.1	78.3	26.9	235.5	76.9	83.1	64.1	242.8	12.4	575.8	519.4	479.8	466.9
<i>Net Margin (%)</i>	<i>11.1</i>	<i>11.6</i>	<i>6.1</i>	<i>13.9</i>	<i>9.7</i>	<i>6.1</i>	<i>2.5</i>	<i>23.1</i>	<i>6.7</i>	<i>6.8</i>	<i>5.3</i>	<i>19.0</i>	<i>1.1</i>	<i>13.4</i>	<i>11.0</i>	<i>10.0</i>	<i>9.6</i>

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