

Q1FY20 Result Analysis

CMP (INR) (As on 14th Aug 2019)	116
Previous Target (INR)	174
Current Target (INR)	156
Upside(%)	34
Recommendation	Strong Buy

BSE Code	500038
NSE Code	BALRAMCHIN
Reuters Ticker	BACH.BO
Bloomberg Ticker	BRCM IN

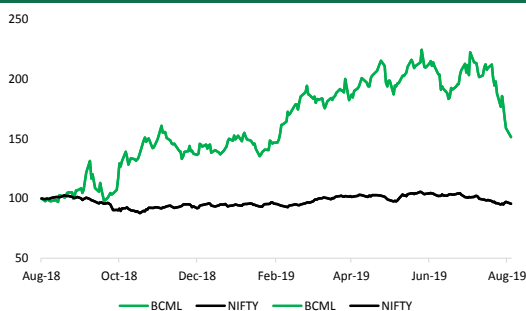
Stock Scan

Market cap (INR Cr.)	2427
Outstanding Shares (Cr.)	22.00
Face Value (INR)	1.00
Dividend Yield(%)	2.27%
TTM P/E (x)	4.22
Industry P/E (x)	5.36
Debt/Equity	0.8
Beta vs. Nifty	0.69
52 Week High/ Low (INR)	167/66
Avg. Daily Vol. (NSE)/1 yr.	5534852

Shareholding Pattern (%)

	June-19	Mar-19	Dec-2018
Promoters	40.10	40.98	40.98
Institutions	34.17	28.35	22.53
Non-institutions	24.73	30.67	36.49

Stock vs. Nifty (Relative Returns)



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Company Overview

Balrampur Chini Mills Limited (BCML) is one of the largest integrated sugar companies in India. The allied businesses of the Company comprise distillery operations and cogeneration. The Company presently has 10 sugar factories located in Uttar Pradesh having an aggregate sugarcane crushing capacity of 76,500 TCD, distillery and co-generation operations of 360 KLPD and 163.2 MW (Saleable) respectively.

Key Highlights

- Net revenue decreased by 5.4% to INR949 crore against INR1003 crore for the same quarter last year. Segment wise, Sugar business was flat YoY to INR837 crore. Ethanol grew by 14% to INR139 crore. However, Power business declined by 33% to INR111 crore respectively in Q1FY20.
- In Q1FY20, 21.9 crore Kg of sugar was sold at an average realization of INR32.89/Kg against 26.65 crore Kg of sugar sold at an average realization of INR28.42/Kg last year.
- In terms of ethanol, 3.02 crore litres were sold at an average price of INR43.46/litre against 2.91 crore litres at an average price of INR40.82/litre.
- The Company sold 18.39 crore unit against 21.11 crore unit last year at an average rate of INR2.98/unit against INR4.98/unit last year.
- The company has posted EBITDA positive at INR176 crore v/s INR129 crore. Similarly PAT for Q1FY20 stood at INR107 crore vs INR74 crore last year.
- EBITDA Margin for Q1FY20 stood at 18.5% as against 12.9% in Q1FY19. Segment wise there has margin improvement in Sugar and Distillery business but for Co-generation business margins fell because of lower tariff rate than last year.
- Sugar inventory as on 30th June 2019 was 70.51 crore kg. valued at an average rate of 29.21 per kg.

Exhibit 1: Financial Performance at a glance (Standalone)

Particulars (INR Cr)	FY18	FY19	FY20E	FY21E	FY22E
Net Sales	4,343	4,286	5,215	5,460	5,533
Growth %	25.6%	-1.3%	21.7%	4.7%	1.3%
EBITDA (Ex. OI)	452	698	766	969	1,125
EBITDA Margin (%)	10.4%	16.3%	14.7%	17.8%	20.3%
Adj. Net Profit	222	571	519	687	819
Net Profit Margin (%)	5.1%	13.3%	9.9%	12.6%	14.8%
EPS	10.09	25.94	23.59	31.24	37.21
BVPS	69.49	91.19	112.26	136.27	154.23
P / E (x)	12.5	4.8	5.3	4.0	3.4
P / BV (x)	1.8	1.4	1.1	0.9	0.8
EV / EBITDA (x)	8.3	6.5	5.8	4.0	3.2
ROE (%)	14.2%	31.1%	22.8%	25.1%	25.6%
ROCE (%)	15.7%	30.8%	22.2%	24.8%	25.7%

*figures adjusted after buy-back

Source: Company Data, SMIFS Research

Exhibit 2: Financial Performance

Particulars	Quarter Ended (Standalone)					Year Ended (Standalone)		
	Jun-19	Jun-18	YoY(%)	Mar-19	QoQ(%)	Mar-19	Mar-18	YoY(%)
Net Revenue	949	1003	-5.4%	1327	-28.5%	4286	4343	-1.3%
COGS	575	769	-25.2%	1904	-69.8%	3595	3065	17.3%
Changes in Inventories	86	-11	886.6%	-1002	-108.6%	-538	410	-231.4%
Employee benefit expenses	58	50	14.6%	67	-14.5%	230	204	13.0%
Other expenses	54	65	-17.3%	100	-46.1%	309	212	45.7%
EBITDA	176	129	35.9%	258	-31.9%	689	452	52.6%
EBITDA Margin	18.5%	12.9%	564bps	19.5%	-93bps	16.1%	10.4%	568bps
Depreciation & Amortisation	24	23	4.2%	24	3.0%	96	95	0.7%
Other Income	5	6	-13.5%	8	-37.4%	43	28	54.2%
EBIT	156	112	40.1%	243	-35.5%	636	384	65.5%
Finance Cost	23	17	37.1%	14	64.9%	41	52	-21.3%
PBT	134	95	40.6%	229	-41.5%	595	332	79.1%
Tax Expense	27	22	25.7%	-57	-147.5%	24	111	-78.0%
PAT	107	74	45.0%	286	-62.7%	571	221	158.1%
PAT Margin	11.2%	7%	391bps	22%	-1029bps	13.3%	5%	822bps
EPS	4.71	3.22	46.3%	12.51	-62%	24.98	9.41	165%

Source: Company Data

Exhibit 3: Actual v/s Estimate

Stewart & Mackertich Estimates	Q1FY20			INR Cr.
Particulars	Actual	Estimates	Variance	Remarks
Net Revenue	949	1262	-24.8%	Lower than expected cane crushed and lower tariff rate of power has led to lower than revenue than estimated.
EBITDA	176	180	-2.3%	
EBITDA margin(%)	18.5%	14.3%	428bps	
Net Income	107	133	-19.8%	
Net Income margin (%)	11.2%	10.5%	71bps	

Source: Company Data and SMIFS Research

Exhibit 4: Change in Estimates

Particulars	FY20E			FY21E			FY22E			Due to reduction in power tariff by INR2 per unit we are slightly lowering our estimates for upcoming years. Also we have slightly reduced cane crushing and increased sugar recovery rate.
	Revised	Old	Change	Revised	Old	Change	Revised	Old	Change	
Net Revenue	5215	5258	-0.8%	5460	5487	-0.5%	5533	5554	-0.4%	
EBITDA	766	921	-16.9%	969	1084	-10.6%	1125	1135	-0.9%	
EBITDA margin (%)	14.7%	17.5%	-283bps	17.8%	19.8%	-200bps	20.3%	20.4%	-10bps	
PAT	519	643	-19.3%	687	766	-10.3%	819	815	0.4%	
PAT margin (%)	9.9%	12.2%	-228bps	12.6%	14.0%	-138bps	14.8%	14.7%	12bps	

Key Conference call highlights

- As per draft resolution issued by the UP Govt, power tariff from bagasse based con-gen power has been reduced by INR2 per unit. Accordingly the company has taken retrospective effect from 1st April onwards.
- The final resolution shall be issued by the UP Govt sometime at the end of August. As per the management the UP Sugar millers are to going to file a petition in High Court to which the management expects a high chance of favorable verdict.
- For FY20, power sales will depend on the final tariff announced by the UP Govt. As per the management it is more profitable to sell bagasse in the open market where prices are hovering at around INR1850 per ton.
- The Sugar volumes are lower YoY basis due to a sale realisation mechanism being introduced in June of FY19 where the government has prescribed a limited quota within which an individual miller has to sell in order to curb over supply. Accordingly the effects were made from Q2FY19 onwards in books and hence, not comparable YoY basis.
- The management expects cane crushing to remain at similar levels of FY19.
- Long term debt as on 30th June 2019 stood at INR376 cr and Debt/Equity ratio of 0.18. Currently interest rate for Working capital loan is 7-7.2% pa.
- The management expects to produce around 15cr litres of ethanol in SS 2019-20. Also, the company plans to produce more ethanol from B-heavy molasses in FY20. The tender for procurement of ethanol by OMC's expected to out in Sept.

Outlook & Valuation

Outlook & Valuation:

The company has posted healthy set of numbers. We understand that the number from sugar business are not comparable with Q1FY19 as the new Sales realisation mechanism effect was not made in books in Q1FY19. Going forward we expect the cane crushing to slightly reduce and sugar recovery rate to increase going forward. The UP SAP for cane has been kept unchanged. Also as per ISMA sugar production for sugar season 2019-20 is estimated at about 282 lakh tons which is about 47 lac tons lower than the current 2018-19. This could eventually keep the sugar prices strong and above the MSP level leading to better realisation and margins for the company. Also higher diversion towards ethanol would further improve the profitability. Although reduction of INR2 per unit in UP bagasse based power tariff would be a significant hit in the earnings, higher sugar prices and higher rate of sugar recovery could slightly compensate for the loss in revenue.

We slightly reduce our Target Price to INR156 by assigning a P/E multiple of 5x to FY21E EPS.

Please find below the link of our previous report:

[Stewart & Mackertich Research– Q4FY19 Result Analysis](#)

Date: 31st May 2019

CMP: 152

Target Price: INR174

[Stewart & Mackertich Research– Q3FY19 Result Analysis](#)

Date: 21st Feb 2019

CMP: 126

Target Price: INR156

[Stewart & Mackertich Research– A Report on Sugar Industry](#)

Date: 9th Nov 2018

CMP: 85

Target Price: INR152

Financials

Income Statement (Standalone)					INR Cr.
Particulars (Y/E March)	FY18A	FY19A	FY20E	FY21E	FY22E
Net Sales	4,343	4,286	5,215	5,460	5,533
Cost of Raw Materials	3,065	3,596	3,678	3,639	3,674
Change in Inventories	410	(538)	90	129	(18)
Gross Profit	869	1,229	1,448	1,693	1,877
Employee Benefit Expenses	204	230	265	286	309
Other Expenses	212	300	417	437	443
Total Expenses	3,891	3,588	4,450	4,491	4,408
EBITDA	452	698	766	969	1,125
Other Income	28	34	41	43	44
Finance Costs	52	41	51	41	28
Depreciation & Amortization	95	96	99	102	105
Profit Before Tax	333	595	657	870	1,036
Tax Expense	111	24	138	183	218
Profit After Tax	222	571	519	687	819
EPS	10.09	25.94	23.59	31.24	37.21
Balance Sheet (Standalone)					INR Cr.
Particulars (Y/E March)	FY18A	FY19A	FY20E	FY21E	FY22E
Share Capital	22.8	22.8	22.8	22.8	22.8
Reserves & Surplus	1,564	2,060	2,446	2,975	3,370
Shareholders Fund	1,587	2,083	2,469	2,997	3,392
Deferred Tax	185	106	115	190	274
Long Term Borrowings	11	280	218	128	28
Provisions	4	5	6	7	7
Other Liabilities	3	2	2	2	2
Total Long Term Liabilities	203	392	340	325	310
Short Term Borrowings	866	1,395	1,329	906	665
Trade Payables	785	619	502	471	406
Other Current Liabilities & Provisions	221	171	164	167	166
Total Short Term Liabilities	1,872	2,185	1,995	1,544	1,238
Total Equities & Liabilities	3,662	4,660	4,805	4,867	4,941
Fixed Assets & Capital WIP	1,458	1,467	1,454	1,581	1,547
Investments	83	120	142	158	175
Non-Current tax assets (net)	48	53	158	99	67
Other Non-Current Assets	7	33	7	7	7
Total Non-Current Assets	1,597	1,674	1,760	1,845	1,796
Inventories	1,802	2,316	2,210	2,059	2,079
Trade Receivables	182	450	579	683	768
Cash & Bank Balances	9	8	11	18	21
Current Assets	72	212	244	264	277
Total Current Assets	2,065	2,986	3,045	3,022	3,145
Total Assets	3,662	4,660	4,805	4,867	4,941

Cash Flow Statement (Standalone)					INR Cr.
Particulars (Y/E March)	FY18A	FY19A	FY20E	FY21E	FY22E
Profit before Tax	333	595	657	870	1,036
Adjustments:					
Depreciation & Amortization	95	96	99	102	105
Finance Cost	52	41	51	41	28
Other Costs & Provisions	(5)	-	-	-	-
Operating Profit before WC Changes	476	732	807	1,013	1,169
Adjustments to WC	823	(1,195)	(140)	3	(299)
Operating Profit after WC Changes	1,298	(463)	667	1,016	869
Direct Taxes Paid & Exceptional Items	(118)	(24)	(152)	(201)	(239)
Cash Flow from Operating Activities	1,180	(487)	515	815	630
Cash Flow from Investing Activities	(159)	(107)	(107)	(125)	(100)
Cash Flow from Financing Activities	(1,020)	594	(405)	(684)	(527)
Net Change in Cash & Cash Equivalents	0	(0)	3	6	3
Opening Cash & Cash Equivalents	2	2	2	5	11
Closing Cash & Cash Equivalents	2	2	5	11	15
Key Ratios (Standalone)					
Particulars (Y/E March)	FY18A	FY19A	FY20E	FY21E	FY22E
Profitability Ratios (%)					
ROA	5.8%	13.7%	11.0%	14.2%	16.7%
ROE	14.2%	31.1%	22.8%	25.1%	25.6%
ROCE	15.7%	30.8%	22.2%	24.8%	25.7%
Per Share (INR)					
EPS	10.09	25.94	23.59	31.24	37.21
DPS	2.50	2.73	5.00	6.00	16.00
BVPS	69.49	91.19	112.26	136.27	154.23
Valuation Parameter (x)					
P/E	12.5	4.8	5.3	4.0	3.4
P/BV	1.8	1.4	1.1	0.9	0.8
Mcap/Sales	0.7	0.7	0.6	0.5	0.5
EV/EBITDA	8.3	6.5	5.8	4.0	3.2
Liquidity Ratios (x)					
Current Ratio	1.1	1.4	1.5	2.0	2.5
Acid Test Ratio	0.1	0.3	0.4	0.6	0.9
Debt/Equity	0.6	0.8	0.6	0.3	0.2
Efficiency Ratios (x)					
Asset Turnover	1.1	1.0	1.1	1.1	1.1
Working Capital Turnover	16.2	8.6	5.6	4.3	3.3
Inventory Turnover	1.7	1.5	1.7	1.8	1.8
Margin Ratios (%)					
Gross Margin	20.0%	28.7%	27.8%	31.0%	33.9%
EBITDA Margin	10.4%	16.3%	14.7%	17.8%	20.3%
EBIT Margin	8.9%	14.8%	13.6%	16.7%	19.2%
EBT Margin	7.7%	13.9%	12.6%	15.9%	18.7%
PAT Margin	5.1%	13.3%	9.9%	12.6%	14.8%

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