

Price: 536

Recommendation: Buy

Industry: Sugar

Sector: Fast Moving Consumer Goods

Report Date: 07-Apr-2025

Balrampur Chini Mills Limited is enhancing operational efficiency and expanding into bioplastics. The company is strengthening farmer relationships and addressing distillery challenges. A PLA project aims to boost capacity with lower costs, generating significant revenue. The focus on sustainability and competitive costs positions the company for growth. Challenges include ethanol pricing and distillery recovery rates, but strategic diversification supports long-term value creation.

Sales		Profit & Loss		Profitability Matrix	
Current Year	5346 Cr	Operating Profit(Year)	684 Cr	Operating Profit Margin	12.8 %
Previous Year	4666 Cr	Operating Profit(Quarter)	124 Cr	EBITDA Margin	15.45 %
Current Quarter	1192 Cr	PAT (Year)	409 Cr	Net Profit Margin	7.31 %
Previous Quarter	1298 Cr	PAT (Quarter)	62.7 Cr	EPS	15.9
Revenue (QYoY)	1230 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	33.7	Sales Growth	-5.40 %	Sales Growth	-8.17 %
PEG Ratio	-5.47	PAT Growth	48.73 %	Sales Growth QYoY	-3.09 %
EV/EBITDA	16.0	EPS Growth	-26.05 %	PAT Growth	-1891.43 %
P/B	3.23	Dividend Yield	0.56	PAT Growth QYoY	3.98 %
Capital Allocation		Holdings		Leverage	
RoE	13.3 %	Promoter	42.9 %	Debt/Equity	0.18
RoA	7.21 %	FII	12.1 %	Debt	604 Cr
RoCE	13.1 %	DII	26.5 %	Market Cap	10826 Cr
RoIC	8.94 %	Public	18.5 %	Enterprise value	11394 Cr
		No of Shares	20.2 Cr	Cash Equivalents	35.7 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Balrampur Chini Mills Limited's recent earnings call highlighted several strategic initiatives and business strategies aimed at enhancing operational efficiency and expanding into new sectors. The company is focusing on driving operational efficiency, strengthening farmer relationships, and exploring new sectors such as bioplastics. The integrated business model and commitment to sustainability are expected to strengthen the company's position and long-term value creation. The company is also addressing challenges in the distillery segment due to lower recovery rates, which are now showing an uptrend. Cane crushing during the quarter increased by 10.4%, although recovery was down by 48 basis points due to adverse weather conditions. The company is optimistic about improving recovery rates as the season progresses.

The company is undertaking significant diversification efforts, particularly in the bioplastics sector. The PLA project, which is on schedule, is expected to enhance capacity from 75,000 to 80,000 tons with a much lower conversion cost than initially envisaged. The project cost is estimated at Rs. 2,850 crore, with a capital subsidy of around Rs. 1,100 crore. The project is expected to generate approximately Rs. 2,000 crore in revenue at full capacity, with targeted EBITDA margins of 35% plus. The commissioning schedule remains on track for October 2026. The company is also exploring feedstock flexibility for future expansion, including the use of rice and corn stock.

In terms of future growth and scaling perspectives, Balrampur Chini Mills is confident in its ability to maintain competitive operational costs and achieve high efficiency. The company has mapped everything globally and believes its operational expenditure will be highly competitive, potentially the lowest, due to the reconfiguration of its plant and the use of its own bagasse. The project is expected to be funded through long-term debt and internal accruals, with a focus on achieving milestone achievements and stringent penalties and payment conditions on suppliers.

From a positive perspective, the company's strategic expansion into bioplastics and its focus on operational efficiency are commendable. The integrated business model and commitment to sustainability are expected to drive long-term value creation. However, there are areas for improvement, such as addressing the challenges in the distillery segment and ensuring the successful implementation of the PLA project. The company should also continue to engage with the government to address issues related to ethanol pricing, which could impact the attractiveness of ethanol diversion. Overall, Balrampur Chini Mills is well-positioned for future growth, with a clear focus on diversification and operational efficiency.

BALRAMCHIN Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Triven.Engg.Ind.	7986.22	37.08	14.21%	-14.93%	-3.27%	321.72%	-69.02%
Sh.Renuka Sugar	5613.22			1.44%	-14.79%	-813.00%	-18.58%
Bannari Amm.Sug.	4648.78	50.90	9.36%	-11.04%	-45.14%	-15.93%	-57.68%
Dalmia Bharat	2887.31	10.63	8.52%	-9.19%	44.15%	-10.08%	-8.33%
Bajaj Hindusthan	2230.61		-1.90%	27.26%	-15.22%	-34.54%	-604.18%

Aspect	Commentary
Revenue	The company experienced a revenue increase from the previous year, indicating growth. However, the current quarter's revenue shows a decline compared to the previous quarter, suggesting potential seasonal or operational challenges. The year-over-year growth remains positive, reflecting overall business expansion.
Profit & Loss	Operating profit and PAT have shown positive growth year-over-year, indicating improved operational efficiency. However, the quarter-over-quarter figures suggest a decline, which may be due to temporary factors. The overall profitability remains strong, supporting the company's financial health.
Profitability Matrix	The company maintains healthy profitability margins, with an operating profit margin of 12.8% and a net profit margin of 7.31%. The EBITDA margin of 15.45% reflects efficient cost management. The EPS indicates stable earnings, supporting investor confidence.
Valuation Matrix	The valuation metrics show a high trailing P/E ratio, suggesting the stock may be overvalued. The negative PEG ratio indicates potential growth concerns. The EV/EBITDA and P/B ratios are moderate, reflecting a balanced valuation perspective.
Growth (YoY)	Year-over-year growth shows a decline in sales but a significant increase in PAT, indicating improved profitability. The EPS growth is negative, which may concern investors. The dividend yield remains low, suggesting limited income returns for shareholders.
Growth (QoQ)	Quarter-over-quarter growth shows a decline in sales and a significant drop in PAT, indicating potential operational challenges. However, the QYoY PAT growth is positive, suggesting long-term improvement. The sales growth QYoY is slightly negative, reflecting market conditions.
Capital Allocation	The company demonstrates efficient capital allocation with a RoE of 13.3% and RoA of 7.21%. The RoCE and RoIC indicate effective use of capital, supporting long-term value creation. The focus on sustainable returns is evident in these metrics.
Holdings	The promoter holding is strong at 42.9%, indicating confidence in the company's prospects. Institutional investors hold a significant portion, reflecting market trust. The public holding is moderate, suggesting a balanced ownership structure.
Leverage	The company maintains a low debt/equity ratio of 0.18, indicating prudent financial management. The debt level is manageable, supporting financial stability. The market cap and enterprise value reflect the company's market position and growth potential.

Analyst viewpoint: Balrampur Chini Mills Limited is poised for growth from a short to mid-term perspective, showcasing a robust strategy centered around operational efficiency and sectoral expansion. The company has demonstrated commendable quarter-on-quarter growth with refined capital allocation strategies, leading to strong profit margins. Despite a slight decline in quarterly sales, their year-over-year growth in PAT reflects improved operational efficiency and profitability. Balrampur Chini is also venturing into bioplastics, which aligns with market demand shifts towards sustainable solutions, promising significant long-term value creation. Their navigation through distillery challenges, with strategic diversification and enhanced farmer relationships, has placed them in a strong position against their peers within the sugar and bioplastics industry.

The company maintains a healthy balance sheet with manageable debt levels, reflected in a debt/equity ratio of 0.18, which underscores their stable financial footing and ability to fund growth through internal accruals and long-term debt. Despite a high P/E ratio, suggesting overvaluation concerns, their focused expansion and operational strategies, such as the PLA project aimed at achieving substantial revenue, provide a compelling growth outlook. While the distillery segment poses hurdles, the company's proactive steps to optimize recovery rates and engage with government policies on ethanol pricing illustrate their adaptable approach. Overall, Balrampur Chini Mills' strategic initiatives, competitive cost structures, and expansion efforts solidify its potential for sustainable growth, signaling a strong buy recommendation, albeit with cautious monitoring of ethanol pricing impacts.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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