

**NOT
RATED**
BALRAMPUR CHINI

| Agriculture

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Higher ethanol sales to support profitability

We recently met the management of Balrampur Chini Mills (BRCM). Below are the key takeaways:

- Sugar production in India is expected to decline to ~26.5mn tonnes for sugar season 2019-20 (from ~33.2mt in SS18-19) mainly due to lower output in Maharashtra and Karnataka.
- Exports from India are projected at ~5mt this season aided by higher international sugar prices and government subsidy of ~Rs 10.44/kg.

Sugar

- BRCM expects to crush ~5% lower sugarcane (~100mn quintals) in SS19-20 and produce ~1.14bn kg of sugar. Output of the sweetener is likely to decline YoY due to diversion of cane to produce B-heavy molasses.
- Management estimates sugar recovery at 11.4% for the season despite diversion of ~40% of cane for B-heavy molasses (~12% if no diversion).
- BRCM will fulfill its export entitlement by Q4FY20 and has got an additional export quota allotment of 85,000t in Feb'20. The company had sold the earlier export quota of 229,000 quintals at ~Rs 30/kg (incl. subsidies) and has also contracted the recently allocated quota at ~Rs 34/kg (incl. subsidies).
- Management expects its cost of sugar production to average at ~Rs 30/kg at the EBIT level. Current selling prices are at Rs 32-32.5/kg.

Ethanol

- BRCM plans to sell 120-125mn litres of ethanol in FY20 and ~150mn litres in FY21 (vs. ~111mn litres in FY19). About 60% of sales are planned via the B-heavy molasses route.
- The Gularia plant commenced production from Jan'20 and full benefits of this capacity should be seen in FY21, which should aid higher profitability.

Cogeneration

- Management expects to sell 570mn units of power in FY20/FY21 (664mn units in FY19) at an average price of ~Rs 3.1/unit (-38% YoY). Realisation will decline due to change in pricing by the government from Apr'19. Volumes will be lower owing to higher internal consumption of bagasse at enhanced distillery capacities and sale of more bagasse outside post the reduction in power tariff (case on tariff cut pending in Allahabad High Court).

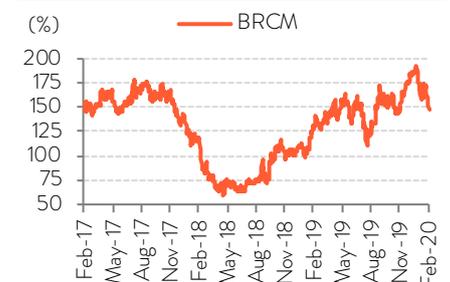
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Ticker/Price	BRCM IN/Rs 143
Market cap	US\$ 435mn
Shares o/s	228mn
3M ADV	US\$ 2.5mn
52wk high/low	Rs 195/Rs 110
Promoter/FPI/DII	41%/25%/34%

Source: NSE

STOCK PERFORMANCE



Source: NSE



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Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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