

- Net sales increase by 19.5% yoy aided by higher distillery and co-gen revenues.
- Sugar segment EBIT posts a loss; Operating Profit declines by 52.8% yoy.
- Net profit falls sharply by nearly 75% yoy.

Financials Highlights

Period	03/07	03/06	Growth	03/07	03/06	Growth
(Rs mn)	(3)	(3)	(%)	(6)	(6)	(%)
Net Sales	3,969	3,323	19.5	7,340	6,190	18.6
Expenditure	(3,410)	(2,139)	59.4	(6,266)	(4,441)	41.1
Operating profit	559	1,184	(52.8)	1,074	1,749	(38.6)
Other income	22	22	3.3	39	28	37.1
Interest	(150)	(66)	126.4	(205)	(94)	119.2
Depreciation	(194)	(116)	68.1	(365)	(217)	67.8
PBT	237	1,024	(76.8)	543	1,467	(63.0)
Tax	(37)	(230)	(83.7)	(151)	(274)	(44.7)
PAT	200	794	(74.8)	392	1,193	(67.2)
OPM (%)	14.1	35.6		14.6	28.3	
Equity	248	248		248	248	
EPS (Rs)Annualized	3.2	12.8		3.2	9.6	
P/E (x)@61.6	19.2			19.5		

Topline grows by 19.5% yoy aided by robust distillery and co-gen sales

- Net sales for Q2 F9/06 stood at Rs3,969mn, up by 19.5% yoy, aided by higher revenues from distillery and co-gen segments.
- Sugar revenues increased by 13.6% from a year ago on the back of a 40.5% yoy increase in sugar production to 489,000MT during the quarter as Mankapur and Rauzagaon units started their contribution.
- Distillery capacity increased to 220KLPD from 160KLPD a year ago while co-gen capacity was also augmented which led to robust by-product sales during the quarter.

Segment wise revenues

Revenue (Rs mn)	03/07	03/06	Growth	03/07	03/06	Growth
	(3)	(3)	(%)	(6)	(6)	(%)
Sugar	3,753	3,305	13.6	6,957	6,080	14.4
Distillery	501	226	121.6	721	419	72.0
Co-gen	588	344	70.9	1,039	558	86.4
Others	5	9	(41.3)	15	18	(15.5)

Operating margins decline sharply

- For Q2 F9/07, sugar realizations declined by 19.9% yoy to Rs14,731/MT which, coupled with higher cane cost and marginally lower sugar recoveries, led to a steep fall in operating margins to 14.1% as compared to 35.6% a year ago.
- Although distillery and co-gen segments witnessed higher revenues with healthy margins, the EBIT loss in sugar segment, which accounts for over 80% of topline, led to a 52.8% fall in operating profit to Rs559mn.

Net profit declines by nearly 75% yoy

- The company commissioned fresh capacities in all three segments of its operation during the season which led to a higher depreciation charge while interest cost also increased as higher borrowings were resorted to fund expansion plans.
- A weak operational performance, coupled with higher interest and depreciation charges, led a 74.8% decline in net profit translating in to an annualized EPS of Rs3.2.

Conference Call Highlights

- Sugar production is estimated to be about 27mn tons in the ongoing crushing season while current sugar realization is about Rs13,250/MT which would continue to remain under pressure as bumper sugar production is projected for the next season 2007-08.
- Although subsidies announced by the government came in to effect from April 2007, these have been somewhat neutralized by recent strengthening of rupee against the dollar.
- About 96% of PBIT for H1 F9/07 came from co-gen and distillery, thus acting as a hedge against the downturn in the sugar segment.
- The company sold about 370,000MT of sugar in H1 F9/07. Ethanol accounted for about 10% of the total distillery sales which the company expects to increase to about 20%, post the commissioning of Mankapur distillery.
- The average cost of sugar production for H1 F9/07 is about Rs14,420/MT.
- BCML is expected to crush approximately 9mn tons of sugarcane this season.
- The company intends to dispatch about 30mn litres of ethanol for current year as well as expects similar volumes for next year. A 100KLPD distillery at Mankapur is likely to be operational by May 2007 taking total distillery capacity to 320KLPD.
- Long term debt as of quarter ended March 2007 is about Rs6.4bn while short term debt is about Rs6bn.

Outlook

- In the current season ending September 2007, sugar production is estimated in the range of 25-26mn tons. With an opening stock of about 4mn tons and projected domestic consumption of about 19mn tons, the resulting sugar surplus would continue to exert pressure on sugar prices.
- Although exports could relieve up to 2mn tons of stock but lower international prices, themselves a manifestation of global sugar surplus, would lead to unfavourable pricing scenario for exporters.
- We expect BCML's sugar segment to continue to face rising cane costs on one hand and falling sugar prices on another which could further increase losses, although to some extent contribution from distillery and co-gen could act as a buffer during the current downturn.

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