

Result Update: Q2FY13

Date 20th November 2012

CMP ₹65

52 week High / Low ₹143/32

Equity Cap (current) ₹24.43Cr

Face Value ₹1

Mkt. Capitalization ₹1697cr

Avg. Daily Vol. (lakh)
(12 M) 2.8

BSE SENSEX 18782

NSE - NIFTY BRCM IN

NSE Code BALRAMCHINI

Bloomberg Code JSTL IN

BSE Code 500038

Shareholding Pattern @ 31-09-12

Promoters 40.93%

Indian Institutions 32.35%

Public & Others 26.72%

	3-MTS	6-MTS	1-YR
BCML	9%	22%	29%
Nifty	3%	13%	15%
Sensex	2%	13%	13%

(₹ cr)

Brief Financials	FY11	FY12	FY13E
Net Sales	2973.7	2309.5	3384.7
Sales growth	74.9%	-22.3%	46.6%
EBITDA	531.4	265.6	444.8
PAT	163.58	6.25	213.33
EPS	6.38	0.26	8.73
P/E (x)	10.5	261.9	7.7
RONW (%)	6.1%	18.5%	12.8%
EV/EBITDA	6.2	12.4	7.4

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Balrampur Chini Mills Ltd.

ACCUMULATE

Q2FY13- Result Highlights

- Sugar division reported stellar performance during the quarter reporting 50% increase in sales volume at 2.39lakh t against 1.59lakh t reported in Q2FY12. The firm was holding 4.66lakh t of low cost sugar inventory valued at ₹28670/t at the end of Q1FY13 which has benefited them. AT the end of current quarter inventory stands at around 2.26lakh t.
- Buoyant sugar prices improved realization for the quarter at ₹34.3/kg as against ₹28.2/kg for the corresponding period. Blended realization stood at ₹33/kg during the quarter.
- This has improved EBIT/t to ₹3126/t improving EBIT to ₹74.94cr against loss of ₹3cr for the corresponding period.
- Improved crushing improved performance of the distillery division. RS and ENA volumes stood at 11215.8KL in Q2FY13 as compared to 5515KL in Q2FY12; Ethanol sales stood at 10122KL as compared to 4663KL in Q2FY12. Thus, profitability of the division improved from ₹9.2cr in Q2FY12 to ₹23.3cr in Q2FY13.
- Co-gen division was impacted due to reduced bagasse availability due to off-season. The division reported topline of ₹23cr and loss of ₹0.45cr at EBIT level.
- Interest cost during the quarter increased to ₹42.1cr due to increased working capital borrowings. PAT for the quarter stood at ₹48.88cr as against loss of ₹39.44cr during Q2FY12.

Future outlook:

- **Cane crushing to improve:** Management has given guidance of 9.3mnt for SY13 as against 8.6mnt crushed during SY12. The improvement is due to likely improved cane production in UP by 10% y-o-y. We expect firm to do volume of around 4.5lakh t in H2FY13.
- **Cane price: key determinant:** SAP in UP is likely to get announced during the next week. It will be key determinant to the profitability of sugar firms. At current inventory cost firm is making profit of around ₹3100/t. Cane price for the season is expected to be around ₹250-260/qrt. Thus, we expect EBIT/t to come down to ₹2500/t by Q4FY13e.
- **Imports not viable with import duty:** At current market price of \$520/t landed imported sugar price including freight cost and other cost comes at around ₹30000/t. Imposing 10% or 20% import duty makes imports of raw sugar unviable at current price.
- **Sugar price to remain stable:** Sugar production for SY13 is expected at 23-24mnt as against 26mnt in SY12. With consumption in the country rising to around 23mnt we expect inventory level in the system to remain stable. Stable inventory position to keep domestic sugar prices stable for the current year. Sugar production during SY14e will be key determinant towards sugar cycle. Early estimates for sugar cane planting for SY14e are not much encouraging as Adkali planting in Maharashtra and Karnataka has come 15-20% below last year level. Due to reduced planting in the current season ratoon availability will remain low in the next season. We expect sugar production for SY14e also to remain subdued.

- **Valuation:** BCML is the largest beneficiary of sugar cycle turnaround due to its integrated business model. As firm was holding low cost sugar inventory its has improved its profitability during upcycle. We expect H2FY13 to be better for the firms as improved cane production will increase sugar volume and improve by-product contribution. **We expect firm to post topline of ₹3384cr for FY13e. EPS for FY13e is expected at ₹8.7. Thus, at current price the stock is trading at 7.3x FY13e earnings. We recommend 'ACCUMULATE'.**

Standalone Quarterly Results

Segment Result (₹ Cr)	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY13	H1FY13
Sugar	470.19	614.5	517.94	581.92	824.3	1406.24
Distillery	49.78	23.6	45.34	53.37	59.1	100.26
Co-generation	71.77	17.6	130.87	79.89	20.4	112.45
Others	0.47	0.01	0.73	2.00	0.11	2.11
Total	592.21	655.71	694.88	717.18	903.91	1621.06
PBT (₹ Cr)						
Sugar	-17.27	-82.10	80.27	-22.77	74.90	52.17
Distillery	15.97	6.80	21.82	22.91	23.20	44.12
Co-generation	25.21	45.40	75.11	44.57	-0.05	46.14
Others	-0.21	8.40	0.01	0.10	0.00	0.01
Total	23.70	-21.50	177.21	44.81	98.05	142.44
Capital Employed (₹ Cr)						
Sugar	2100.88	1644.90	2432.52	2319.19	1760.00	1759.97
Distillery	139.47	123.80	149.06	138.44	118.80	118.80
Co-generation	545.08	532.20	606.30	619.69	574.10	574.05
Others	N.A.	37.30	3.70	8.30	10.30	10.27
Total	2785.43	2338.20	3191.58	3085.62	2463.20	2463.09
Segment Margin (%)						
Sugar	-3.7%	-13.4%	15.5%	-3.9%	9.1%	3.7%
Distillery	32.1%	28.8%	48.1%	42.9%	39.3%	44.0%
Co-generation	35.1%	258.0%	57.4%	55.8%	-0.2%	41.0%
Others	-44.7%	84000.0%	1.4%	5.0%	0.0%	0.5%
Total	4.0%	-3.3%	25.5%	6.2%	10.8%	8.8%
ROE (%)						
Sugar	-0.8%	-5.0%	3.3%	-1.0%	4.3%	3.0%
Distillery	11.5%	5.5%	14.6%	16.5%	19.5%	37.1%
Co-generation	4.6%	8.5%	12.4%	7.2%	0.0%	8.0%
Others	N.A.	22.5%	0.3%	1.2%	0.0%	0.1%
Total	0.9%	-0.9%	5.6%	1.5%	4.0%	5.8%

Particulars (₹ Cr)	Q2FY13	Q2FY12	y-o-y	Q1FY13	q-o-q
Gross Sales	888.22	502.75	76.7%	691.96	28.4%
Excise Duty	0	0		0	
Net Sales	888.22	502.75	76.7%	691.96	28.4%
Other Operating Income	0	0		0	
Other Income	5.59	8.64	-35.3%	5.67	-1.4%
Total Income	893.81	511.39	74.8%	697.63	28.1%
Raw Material Consumed	8.77	6.81	28.8%	66.19	-86.8%
Stock Adjustment	697.44	421.32	65.5%	508.06	37.3%
Employee Expenses	28.89	26.3	9.8%	26.25	10.1%
Other Expenses	32.46	33.47	-3.0%	34.27	-5.3%
TOTAL EXPENDITURE	767.56	487.9	57.3%	634.77	20.9%
PBIDT	126.25	23.49	437.5%	62.86	100.8%
Interest	42.1	35.36	19.1%	53.52	-21.3%
PBDT	84.15	-11.87	-808.9%	9.34	801.0%
Depreciation	27.56	27.57	0.0%	27.39	0.6%
Tax	7.71	0		0	
Reported Profit After Tax	48.88	-39.44	-223.9%	-18.05	-370.8%
EPS (Unit Curr.)	2.00	-1.61	-224.2%	-0.74	-370.3%

Particulars (₹ Cr)	FY11	FY12	FY13e
Net Sales	2973.7	2309.5	3384.7
% Change	74.9%	-22.3%	46.6%
Total Expenditure	2461.2	2071.6	2965.0
Operating Profit	512.4	237.9	419.8
% Change	14.3%	-53.6%	76.4%
Other Income	19.0	27.7	25.0
EBITDA	531.4	265.6	444.8
% Change	14.1%	-50.0%	-16.3%
Current Interest	138.1	147.4	140.0
PBT	225.2	7.4	304.8
% Change	-9.8%	-96.7%	4012.7%
Current Tax	38.0	1.2	91.4
Adjusted PAT	163.6	6.3	213.3
% Change	-27.8%	-96.2%	3313.2%

Balancesheet	FY11	FY12	FY13e
Equity and Liabilities			
Shareholders' funds	25.63	24.43	24.43
Share capital	25.63	24.43	24.43
Reserves and Surplus	1272.34	1193.68	1389.94
Shareholders account	-8.61	0.00	0.00
Non-current liabilities	0.00	0.00	0.00
Long-term borrowings	354.30	494.66	492.00
Deferred tax liabilities (net)	224.85	224.47	224.00
Other long-term liabilities	1.88	2.93	3.00
Long-term provisions	26.51	10.96	11.00
Total	607.54	733.02	730.00
Current liabilities	0.00	0.00	0.00
Short-term borrowings	1290.00	1221.22	1100.00
Trade payables	100.57	617.08	650.00
Other current liabilities	500.99	416.89	425.00
Short-term provisions	23.30	2.21	3.00
Total	1914.86	2257.40	2178.00
Total	3811.76	4208.53	4322.37
ASSETS	0.00	0.00	0.00
Non-current assets	0.00	0.00	0.00
Fixed assets	0.00	0.00	0.00
Tangible assets	1709.89	1611.67	1650.00
Intangible assets	0.04	0.81	1.00
CWIP	6.08	0.43	1.00
Total	1716.01	1612.91	1652.00
Non-current investments	3.61	44.24	45.00
Long-term loans and advances	60.61	62.08	63.00
Other non-current assets	1.38	0.85	1.00
Current Assets	0.00	0.00	0.00
Inventories	1491.30	1997.79	1948.00
Trade Receivables	89.88	146.95	160.00
Cash and bank balances	156.16	11.47	98.37
Short-term loans and advances	166.35	159.11	170.00
Other current assets	126.46	173.11	185.00
Total CA	2030.15	2488.43	2561.37
Total	3811.76	4208.51	4322.37

Margin Analysis	FY11	FY12	FY13e
Operating Margin(%)	17.2%	10.3%	12.4%
EBITDA Margin(%)	17.9%	11.5%	13.1%
PBDT Margin(%)	13.2%	5.1%	9.0%
EBIT Margin(%)	12.2%	6.7%	13.1%
PBT Margin(%)	7.6%	0.3%	9.0%
PAT Margin(%)	5.5%	0.3%	6.3%
Ratio Analysis			
EPS	6.38	0.26	8.73
Book Value Per Share	47.97	51.32	55.34
DPS	0.48	0.12	0.70
CEPS	12.94	4.79	13.64
Debtors Turnover(Times)	33.11	19.50	22.05
Creditors Turnover(Times)	29.57	3.74	5.21
Inventory Turnover (Times)	1.99	1.16	1.74
Average Collection period (Days)	11.02	18.71	16.55
Average Payment period (Days)	12.34	97.53	70.09
Inventory Turnover (DAYS)	183.05	315.74	210.07
Current Ratio (Times)	1.06	1.10	1.18
Debt Equity Ratio (Times)	1.56	1.63	1.31
Interest Coverage Ratio(Times)	2.63	1.80	3.18
Return On Average Net Worth(%)	12.7%	0.5%	15.1%
Return On Average Capital Employed (%)	12.4%	6.3%	8.2%
Dividend Payout (%)	7.6%	48.0%	8.0%
Dividend Yield (%)	0.8%	0.2%	1.1%
Valuation Ratios			
P/E Ratio Based On current Price	10.0	250.2	7.3
Price/Adjusted EPS	10.0	250.2	7.3
Price/CEPS	4.9	13.4	4.7
Price/Book Value	1.3	1.2	1.2
EV/OP	6.3	13.6	7.7
EV/EBITDA	6.1	12.1	7.2

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