

**NOT  
RATED**
**BALRAMPUR CHINI**

| Agriculture

| 12 March 2021

## Sugar prices subdued; ethanol sales to support profitability

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

- Sugar production in India is estimated to rise to ~29.7mn tonnes for sugar season 2020-21 (from ~27.4mt in SS19-20) aided by higher output in Maharashtra and Karnataka. Uttar Pradesh would see a decline due to lower yield, recovery and red rot disease in some parts of the state.
- Management estimates exports from India at ~6mt this season aided by improvement in international sugar prices and the government subsidy of ~Rs 6/kg. About 4mt of contracts have been executed to date.
- BRCM has already contracted its export quota obligation of ~0.25mt for this season at a profit. Physical movement of sugar through a third party is underway.

### Sugar

- The company expects to crush ~17% less sugarcane (~8.7mn quintals) in SS20-21 and produce ~90bn kg of sugar. Output of the sweetener is likely to decline YoY due to diversion of cane to produce B-heavy molasses and lower recovery.
- Sugar recovery is estimated at 10.5% for the season after factoring in diversion of ~70% of cane for B-heavy molasses (11.6-11.7% if not diverted).
- Management pegs production cost at Rs 31-31.25/kg on average at the EBIT level. Current selling prices of the sweetener are at ~Rs 32/kg and should increase with the onset of summer and end of the crushing season.

### Ethanol

- The company plans to sell ~160mn litres of ethanol/ENA in FY21.
- Per management, the government and OMCs have been supportive of the ethanol programme and are ensuring maximum offtake.
- The 4-6% hike in ethanol prices from B-heavy and C-heavy molasses by the government for the Dec'20 to Nov'21 period will aid profitability.
- The 320klpd ethanol capacity addition at BRCM's Maizapur (UP) plant is on track and is expected to capture ethanol supply year 2022-23 (Dec-Nov). This plant will directly produce ethanol from sugarcane during the crushing season and from food grains during the off season.

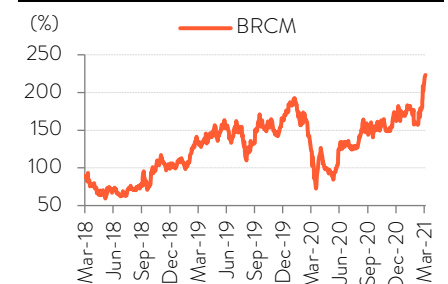
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Ticker/Price	BRCM IN/Rs 221
Market cap	US\$ 636mn
Shares o/s	220mn
3M ADV	US\$ 4.1mn
52wk high/low	Rs 225/Rs 69
Promoter/FPI/DII	41%/20%/39%

Source: NSE

### STOCK PERFORMANCE



Source: NSE



## Disclaimer

### 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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