

**NOT
RATED**
BALRAMPUR CHINI

| Agriculture

| 29 December 2020

Enhanced 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 expected to be ~30mn tonnes for sugar season 2020-21 (from ~27.4mt in SS19-20) mainly due to higher output in Maharashtra, Karnataka whereas Uttar Pradesh will see a decline due to lower yield and recovery.
- Exports from India are projected at ~5mn tonnes this season aided by improvement in international sugar prices and govt. subsidy of ~Rs 6/kg.
- BRCM has already received ~50% of its last year sugar export subsidy dues from the government and would get the remaining amount by Jan, 2021.
- The company expects debt to reduce by ~Rs 5bn in FY21.

Sugar

- BRCM expects to crush ~10% lower sugarcane (~9.4mn quintals) in SS20-21 and produce ~100bn kg of sugar. Output of the sweetener is likely to decline YoY due to diversion of cane to produce B-heavy molasses and lower sugar recovery.
- Management estimates sugar recovery at 10.6% for the season despite diversion of ~65% of cane for B-heavy molasses (~11.6% if no diversion).
- Management expects its cost of sugar production to average at ~Rs 32/kg at the EBIT level. Current selling prices are at Rs 32.5-33/kg.

Ethanol

- BRCM plans to sell ~170mn litres of ethanol/ENA in FY21 and ~180mn litres in FY22. About 70% of sales are planned via the B-heavy molasses route in FY22. The increase in ethanol sales is due to the commissioning of the Gularia plant in Jan'20.
- The increase in ethanol prices for B-heavy and C-heavy molasses route of ~4%-6% from Dec'20 by the government will help aid profitability.
- The Maizapur plant ethanol capacity addition of 320 KLPD will require a capex of Rs3.2bn and will commence production from 1st Dec, 2022. This plant will directly produce ethanol from sugarcane during crushing season and from food grains during off season.

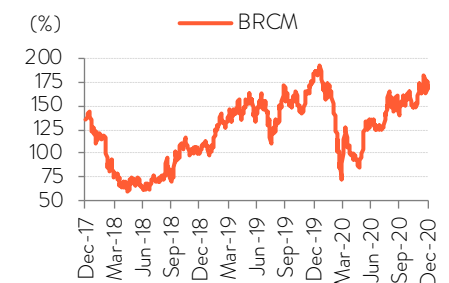
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Ticker/Price	BRCM IN/Rs172
Market cap	US\$ 491mn
Shares o/s	220mn
3M ADV	US\$ 3.3mn
52wk high/low	Rs 195/Rs 69
Promoter/FPI/DII	41%/20%/39%

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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