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BCL Industries Ltd

CMP : Rs. 490

Target : Rs. 960

Stop loss : Rs. 310

Buying Range: Rs. 490 - 520

NSE : BCLIND

Market Cap : Rs. 1,188 Cr.

Introduction

BCL Industries Ltd Limited is a part of the Mittal group. The company is in the edible oil and grain-based distillery business in India. BCL has the expertise in producing ENA/ Ethanol from multiple crops. This allows to reduce dependency on a single crop & avoid the vagaries of raw material's price fluctuation. BCL is the only company in India and the South Asian region that has a forward & backward integrated Distillery-Ethanol plant. We are bullish on this counter due to following reasons.

Manufacturing capacities & Marque cliental base

For Edible oil, the BCL's manufacturing plant is located in Bathinda, Punjab, with a capacity of processing 1,020 metric tonnes per day. In the distillery segment, the company's plant is located at Bathinda. The manufacturing unit is grain-based with a 200 KLPD capacity. Company has long standing relationship with key clients like Pernod Ricard, Radico Khaitan, Punjab Chemicals and Crop protection limited, Wonder healthcare.

The Ethanol play

India has set a target of 20% ethanol-blending with petrol by 2023-24. In order to meet this target government has been coming up with a scheme for Ethanol producers along with increasing the price of ethanol. Current production capacity of ethanol in India of 4.26 BnL derived from molasses-based distilleries, and 2.58 BnL from grain-based distilleries. It is proposed to be expanded to 7.60 BnL and 7.40 BnL, respectively (as per the Roadmap for Ethanol Blending in India 2020-25 released in Jun 2021). This requires 6 MMT of sugar and 16.5 MMT of grain per annum in ESY 2025F for producing ethanol.

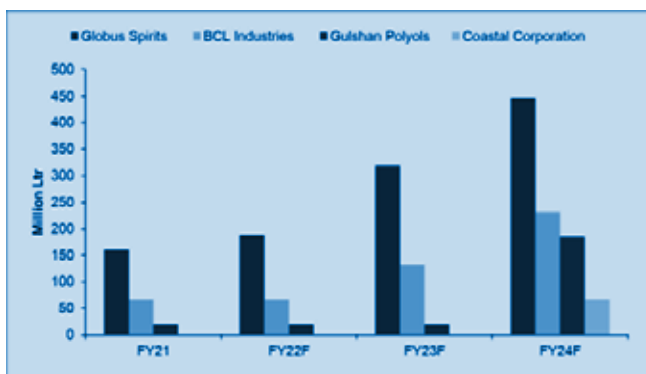
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Addition of ethanol capacity based on raw material - CAGR will be 28% and 13% for grain & molasses, respectively

BCL Industries stand

The Company has moved forward to expand the distillery capacity in the Bathinda unit by adding another Grain Based Biofuel Distillery with a capacity of 200 KLPD. The CLU for the land has been approved, the interest subvention file has also been approved and the file for environmental clearance is under process by MOEF. Company has already incurred Rs 18 Cr on Capex in distillery unit during FY21. The distilleries have also started producing ethanol instead of ENA, which forced the prices of ENA to rise to all-time highs while the manufacturing cost remained unchanged. This provides unique opportunity for BCL. West Bengal market should provide higher realization as the cost of raw materials (rice and maize) in the state is set to be on the lower side, thereby providing excellent spreads.



Based on our view BCL will continue to remain 2nd largest grain based distiller.

Financials :

P/L Summary (Rs in Cr)

Particulars	FY19	FY20	FY21	cc
Revenue	890	913	1,427	913
EBITDA	82	63	87	60
PAT	41	26	45	38

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Balance sheet (Rs in Cr)

Particulars	FY19	FY20	FY21	6MFY22
Share Capital	17	19	24	24
Reserves	166	199	266	300
Borrowings	187	173	179	159
Other Liabilities	185	207	159	124
Total	555	599	628	607
Fixed Assets	138	129	125	121
CWIP	-	-	-	2
Investments	35	36	35	37
Other Assets	382	434	468	447
Total	555	599	628	607

Fundamentals :

Company has good ROE of 17.8% & ROCE of 17.2%. Company is available at PE of just 17.9x against Industry PE of 49.6x. Company has DE ratio of 0.49x. Company has delivered superb AT growth of 50% CAGR over last 5 years. Company's cash conversion cycle has reduced significantly from 103 days in FY20 to 80 days in FY21. Promoters are majority stakeholders in company holding 61.36% stake. Considering the above points and the Ethanol story, we initiate **BUY** call on **BCL INDUS-TRIES LIMITED** with target price of Rs. 960.

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Disclosure & Disclaimer :

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