

## Strong cash flows; deleveraging balance sheet

Dhampur Sugar reported strong Q4FY21 results with 33.7% growth in operating profit. Revenue remained flat given sugar sales volumes fell 4.2% on account of lower domestic sales quota & delay in export subsidy announcement. Moreover, domestic sugar prices also remained subdued during the quarter given peak sugar crushing season & low winter demand. Distillery sales was up 23.6% mainly on account of 13% increase in volumes in Q4. The company contracted for ~9 crore litre of B-heavy ethanol for 2020-21 ethanol season (December 2020- November 2021). Power volumes and realisation remain flat. The company sold 2.48 lakh tonnes (lt) of sugar during the quarter. Out of this, domestic sales quota was 1.42 lt and remaining were export quantities. Distillery volumes increased 13.1% to 2.7 crore litre led by higher contribution of B-heavy ethanol. With strong operating profit growth & 21.8% dip in interest cost, PBT witnessed growth of 67.7% to ₹ 128.6 crore. PAT declined 14.6% to ₹ 91.5 crore due to tax write back in base quarter & ₹ 16 crore exceptional expense.

## Global, domestic sugar prices inching up

Domestic sugar prices have increased 7-8% in last one month mainly due to high summer demand & crushing season getting over reflecting no surprises on sugar production front. We believe domestic sugar prices would remain above ₹ 34/kg given aggressive exports & diversion of sugarcane towards ethanol production. Global sugar prices are also on rise (~15% in last two months). The current raw & white sugar prices are above cost of production for Indian millers. We believe global raw sugar prices can easily cross 20 cents/lb in the next six months given Brazil is expected to witness 20% production decline in 2021-22 season. This would ensure sustainable export dynamics in the next season as well. We believe India's sugar inventory levels would come down to ~7 million tonnes (MT) by September 2022.

## Strong cash flow generation; significant decline in WC debt

The company generated huge operating cash flow of ₹ 800 crore in FY21 resulting in repayment of ~₹ 600 crore of debt (including WC). Despite 100 KLD distillery capacity addition, the company would be able to repay ~₹ 400 crore of debt with strong cash flow generation in the next two years.

## Valuation & Outlook

Dhampur would be commissioning a new 100 KLD distillery by November-December 2021. After the capex, the company would have total 500 KLD distillery capacity, which would result in ~16 crore litre of distillery volumes. This capacity addition would eliminate dependency on sugar exports. Further, diversion of sugarcane towards ethanol would keep the sugar prices above ₹ 34 / kg & aid earnings for the company. We maintain our target price of ₹ 260/share & **BUY** rating on the stock.



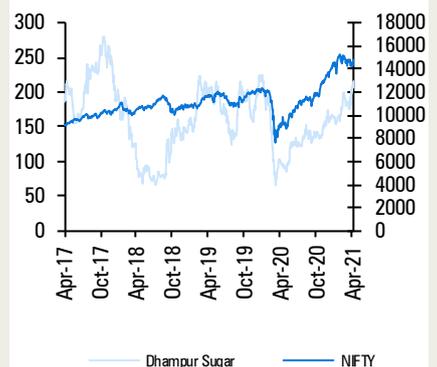
### Particulars

Particulars (₹ crore)	Amount
Market Capitalization	1,428.7
Total Debt (FY21)	1,030.8
Cash and Investments (FY21)	79.9
EV	2,379.6
52 week H/L (₹)	222 / 86
Equity capital	66.5
Face value (₹)	10.0

### Key Risk

- Any irrational increase in sugarcane prices in 2021-22 season could adversely impact earnings
- Sugar consumption could remain subdued in FY22 given localised lockdowns is expected to adversely impact consumption of soft drinks & ice-creams

### Price performance



### Research Analyst

Sanjay Manyal  
sanjay.manyal@icicisecurities.com

## Key Financial Summary

Key Financials	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E)
Total Operating Income	2892.3	3485.3	4156.6	3915.9	3789.5	2.8%
EBITDA	473.8	362.2	455.4	500.5	560.3	15.7%
EBITDA Margin %	16.4	10.4	11.0	12.8	14.8	
Net Profit	265.5	215.6	228.1	287.9	340.6	16.5%
EPS (₹)	39.99	32.48	34.36	43.38	51.31	
P/E	5.4	6.6	6.3	5.0	4.2	
RoNW %	21.7	15.8	14.6	16.1	16.5	
RoCE (%)	14.1	10.4	14.8	16.4	18.0	

Source: Company, ICICI Direct Research

Exhibit 1: Variance Analysis

	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	Comments
Total Operating Income	1,056.9	1,066.5	-0.9	1,089.3	-3.0	Net sales remained flat given lower domestic sales quota. However, distillery volumes & realisation was up
Other Operating Income	0.0	0.0	N.A.	0.0	N.A.	
Raw Material Expenses	741.2	811.4	-8.6	843.4	-12.1	
Employee Expense	39.6	40.8	-2.8	39.7	-0.3	
Other operating Expenses	117.8	95.9	22.8	95.1	23.9	
EBITDA	158.3	118.4	33.7	111.1	42.6	Operating profit was up mainly on account of higher B-heavy ethanol volumes & increase in its realisation
EBITDA Margin (%)	15.0	11.1	388 bps	10.2	479 bps	
Depreciation	20.0	21.3	-5.8	21.8	-8.0	
Interest	19.9	25.4	-21.8	12.9	54.5	
Other Income	10.2	5.0	105.4	1.2	717.5	
PBT	128.6	76.7	67.7	77.7	65.6	PBT grew 67.7%
Tax Outgo	37.1	-30.5	-221.7	22.1	68.0	
PAT	91.5	107.1	-14.6	55.6	64.6	PAT witnessed a decline of 14.6% mainly on account of tax write-back in base quarter
<b>Key Metrics</b>						
Sugar sales volume (in lakh tonnes)	2.5	2.6	-4.2	2.5	1.2	Sugar volume dipped due to lower exports during the quarter
Sugar realisation (₹ per kg)	32.1	32.8	-2.1	32.6	-1.6	
Distillery volumes (in crore litre)	2.7	2.4	13.1	3.2	-15.8	Distillery volumes increased with higher proportion of B-heavy ethanol sales
Distillery realisation (₹ per litre)	52.3	45.8	14.2	51.2	2.1	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY22E			FY23E			Comments
	Old	New	% change	Old	New	% change	
Net sales	3836.0	3915.9	2.1	3,727.4	3,789.5	1.7	No major change in our estimates
EBITDA	508.8	500.5	-1.6	574.0	560.3	-2.4	
EBITDA Margin (%)	13.3	12.8	-48 bps	15.4	14.8	-61 bps	
PAT	293.5	287.9	-1.9	348.5	340.6	-2.3	
EPS (₹)	44.2	43.4	-1.9	52.5	51.3	-2.3	

Source: Company, ICICI Direct Research

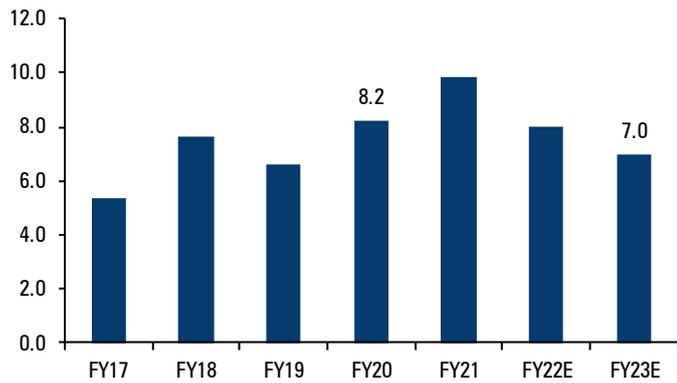
Exhibit 3: Assumptions

	Current				Earlier				Comments
	FY19	FY20	FY21	FY22E	FY23E	FY22E	FY23E		
Sugar Sold (in tonne)	660,000	821,700	983,000	797,960	696,239	798,248	696,536	No major change in our estimates	
Sugar Price (₹ per tonne)	30,680	32,660	32,610	32,694	33,500	32,694	33,500		
Distillery volume	106,224	114,351	135,672	142,000	165,000	132,000	165,000		
Distillery price (₹ per KL)	41,028	45,790	62,249	62,249	62,249	55,910	55,910		
Power Units sold	42.9	35.2	35.4	36.5	36.5	36.5	36.5		
Price per unit (₹ per units)	5.2	3.2	3.2	3.3	3.4	3.3	3.4		

Source: Company, ICICI Direct Research

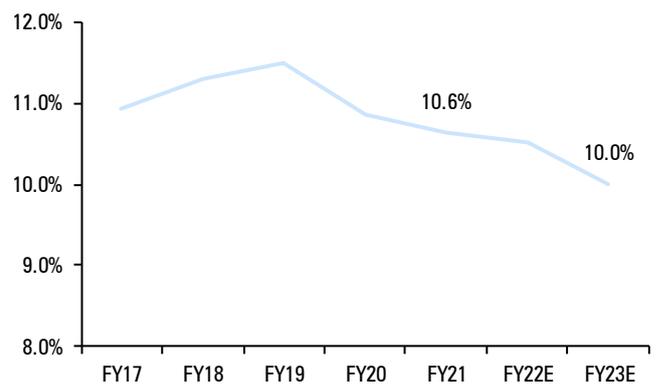
## Key Metrics

Exhibit 4: Sugar sales volume (in lakh tonne)



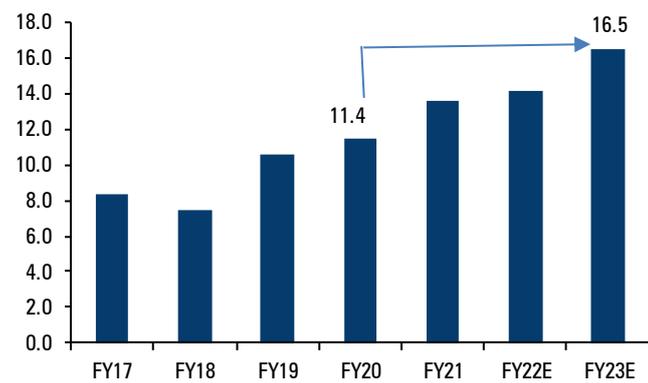
Source: ICICI Direct Research, Company

Exhibit 5: Sugar recovery rate (%)



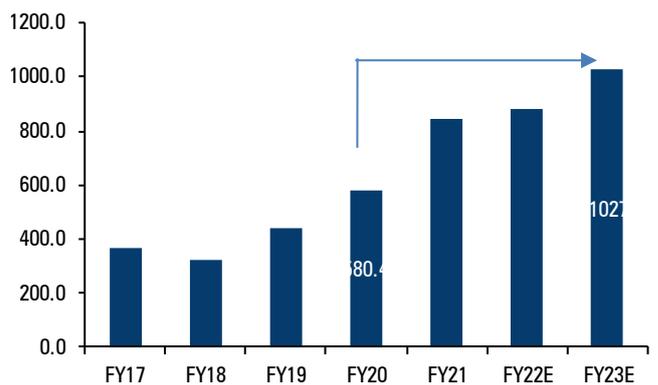
Source: ICICI Direct Research, Company

Exhibit 6: Ethanol volumes (in crore litre)



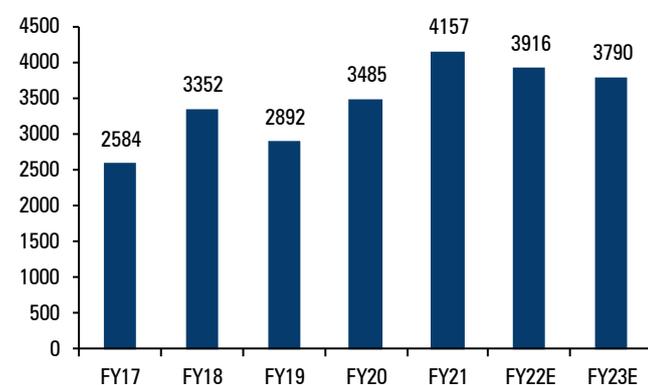
Source: Company, ICICI Direct Research

Exhibit 7: Ethanol sales (₹ crore)



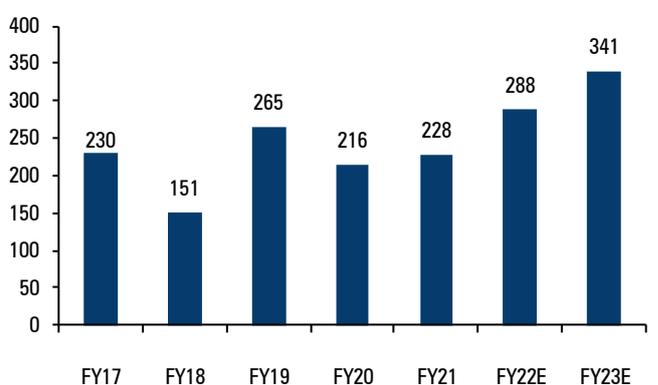
Source: Company, ICICI Direct Research

Exhibit 8: Revenue trend (₹ crore)



Source: Company, ICICI Direct Research

Exhibit 9: Net profit trend (₹ crore)



Source: Company, ICICI Direct Research

Exhibit 10: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY20	3485.3	20.5	32.48	-18.8	6.6	8.3	15.8	10.4
FY21E	4156.6	19.3	34.36	5.8	6.3	5.2	14.6	14.8
FY22E	3915.9	-5.8	43.38	26.3	5.0	4.4	16.1	16.4
FY23E	3789.5	-3.2	51.31	18.3	4.2	3.6	16.5	18.0

Source: Company, ICICI Direct Research

## Financial summary

### Exhibit 11: Profit and loss statement ₹ crore

(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Total Operating Income</b>	<b>3,485.3</b>	<b>4,156.6</b>	<b>3,915.9</b>	<b>3,789.5</b>
Growth (%)	20.5	19.3	-5.8	-3.2
Raw Material Expenses	2,714.9	3,225.7	2,929.8	2,751.8
Employee Expenses	140.7	147.1	160.6	166.7
Other expenses	267.6	328.4	325.0	310.7
Total Operating Expenditure	3,123.2	3,701.2	3,415.4	3,229.3
<b>EBITDA</b>	<b>362.2</b>	<b>455.4</b>	<b>500.5</b>	<b>560.3</b>
Growth (%)	-23.6	25.7	9.9	11.9
Depreciation	76.0	77.7	75.7	78.8
Interest	100.6	79.9	62.7	48.4
Other Income	30.1	17.5	19.2	21.1
PBT	185.5	297.8	362.2	433.0
Exceptional items	0.0	0.0	0.0	0.0
Total Tax	-8.4	86.2	93.4	113.5
<b>PAT</b>	<b>215.6</b>	<b>228.1</b>	<b>287.9</b>	<b>340.6</b>
Growth (%)	-18.8	5.8	26.3	18.3
EPS (₹)	32.5	34.4	43.4	51.3

Source: Company, ICICI Direct Research

### Exhibit 12: Cash flow statement ₹ crore

(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit/Loss after Tax	207.3	228.1	287.9	340.6
Add: Depreciation	76.0	77.7	75.7	78.8
Add: Interest	100.6	0.0	0.0	0.0
(Inc)/dec in Current Assets	59.6	450.9	-0.7	-85.9
Inc/(dec) in Current Liabilities	-55.9	-10.0	-7.0	79.7
<b>CF from operating activities</b>	<b>338.2</b>	<b>746.6</b>	<b>355.9</b>	<b>413.2</b>
(Inc)/dec in Investments	0.1	3.4	-5.0	-5.0
(Inc)/dec in Fixed Assets	-59.8	-69.0	-155.7	-158.8
Others	11.2	-2.4	7.8	0.0
<b>CF from investing activities</b>	<b>-48.5</b>	<b>-68.0</b>	<b>-152.9</b>	<b>-163.8</b>
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	-94.4	-586.6	-195.0	-190.0
Dividend paid & dividend tax	-71.7	-39.9	-53.2	-66.5
Inc/(dec) in Sec. premium	-6.8	10.2	-10.7	0.0
Others	-120.0	0.0	0.0	0.0
<b>CF from financing activities</b>	<b>-292.9</b>	<b>-616.3</b>	<b>-258.8</b>	<b>-256.5</b>
Net Cash flow	-3.2	62.3	-55.8	-7.1
Opening Cash	13.2	9.9	72.1	16.3
Cash & cash equivalents	-0.1	0.0	0.0	0.0
Cash with bank	6.5	7.8	0.0	0.0
<b>Closing Cash</b>	<b>16.4</b>	<b>79.9</b>	<b>16.3</b>	<b>9.2</b>

Source: Company, ICICI Direct Research

### Exhibit 13: Balance sheet ₹ crore

	FY20	FY21E	FY22E	FY23E
<b>Liabilities</b>				
Equity Capital	66.5	66.5	66.5	66.5
Reserve and Surplus	1,295.2	1,493.6	1,717.7	1,991.9
Total Shareholders funds	1,361.7	1,560.1	1,784.2	2,058.3
Total Debt	1,617.5	1,030.8	835.8	645.8
Long Term Provisions	32.4	32.8	30.8	28.8
Other Non-current Liabilities	32.3	54.0	54.0	54.0
<b>Total Liabilities</b>	<b>3,043.8</b>	<b>2,677.6</b>	<b>2,704.8</b>	<b>2,786.9</b>
<b>Assets</b>				
Gross Block	2,637.1	2,691.7	2,837.4	2,986.2
Less: Acc Depreciation	1,002.4	1,080.1	1,155.8	1,234.6
Net Block	1,634.7	1,611.7	1,681.7	1,751.7
Capital WIP	6.8	21.2	31.2	41.2
Intangible assets	2.9	2.8	2.8	2.8
Non Current Investments	2.3	2.6	7.6	12.6
Other non-current assets	29.7	27.2	27.2	27.2
<b>Current Assets</b>				
Inventory	1,603.7	1,292.6	1,305.3	1,421.1
Debtors	343.2	296.7	304.6	294.7
Cash	16.4	79.9	16.3	9.2
Loans & Advances	9.4	8.0	8.0	8.0
Other Current Assets	220.1	128.3	108.3	88.3
<b>Current Liabilities</b>				
Creditors	606.3	599.0	647.6	642.4
Provisions	7.6	9.2	9.2	9.2
Other CL	211.4	185.0	131.4	218.2
Net Current Assets	1,367.4	1,012.2	954.3	951.5
<b>Total Assets</b>	<b>3,043.8</b>	<b>2,677.6</b>	<b>2,704.7</b>	<b>2,786.9</b>

Source: Company, ICICI Direct Research

### Exhibit 14: Key ratios ₹ crore

	FY20	FY21E	FY22E	FY23E
<b>Per share data (₹)</b>				
EPS	32.5	34.4	43.4	51.3
Cash EPS	43.9	46.0	54.7	63.1
BV	204.9	234.8	268.5	309.8
DPS	9.0	6.0	8.0	10.0
Cash Per Share	150.8	162.5	173.9	185.8
<b>Operating Ratios (%)</b>				
EBITDA Margin	10.4	11.0	12.8	14.8
PBT / Net Sales	0.1	0.1	0.1	0.1
PAT Margin	6.2	5.5	7.4	9.0
Inventory days	167.9	113.5	121.7	136.9
Debtor days	35.9	26.1	28.4	28.4
Creditor days	63.5	52.6	60.4	61.9
<b>Return Ratios (%)</b>				
RoE	15.8	14.6	16.1	16.5
RoCE	10.4	14.8	16.4	18.0
<b>Valuation Ratios (x)</b>				
P/E	6.6	6.3	5.0	4.2
EV / EBITDA	8.3	5.2	4.4	3.6
EV / Net Sales	0.9	0.6	0.6	0.5
Market Cap / Sales	0.4	0.3	0.4	0.4
Price to Book Value	1.0	0.9	0.8	0.7
<b>Solvency Ratios</b>				
Debt/EBITDA	4.5	2.3	1.7	1.2
Debt / Equity	1.2	0.7	0.5	0.3
Current Ratio	3.4	2.7	2.3	2.3
Quick Ratio	0.9	0.7	0.6	0.5

Source: Company, ICICI Direct Research

**Exhibit 15: ICICI Direct coverage universe (Sugar)**

Sector / Company	CMP	TP	M Cap	EPS (₹)			P/E (x)			EV/EBITDA (x)			P/B			RoCE (%)			
	(₹)	(₹)		Rating	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
Balrampur Chini (BALCHI)	268	285	Buy	5,628	23.7	27.2	37.4	11.3	9.9	7.2	9.4	8.5	6.0	2.1	1.9	1.8	17.1	18.4	25.5
Dalmia Bharat Sugar (DALSUG)	235	225	Buy	1,902	38.2	36.7	44.2	6.1	6.4	5.3	5.4	5.4	4.4	1.0	0.9	0.8	17.3	14.8	16.4
Triveni Engineering (TRIENG)	116	125	Buy	2,800	15.2	17.1	21.2	7.6	6.8	5.5	6.0	5.7	4.7	1.7	1.5	1.2	20.7	20.5	23.3
Dhampur Sugar (DHASUG)	216	260	Buy	1,429	34.4	43.4	51.3	6.3	5.0	4.2	5.2	4.4	3.6	0.9	0.8	0.7	14.8	16.4	18.0
Dwarikesh sugar (DWASUG)	37	36	Hold	697	5.4	7.0	8.2	6.9	5.3	4.5	5.1	4.2	3.7	1.3	1.1	0.9	17.6	20.5	20.3
Avadh Sugar (AVASUG)	249	210	Hold	498	51.1	59.7	72.0	4.9	4.2	3.5	7.1	5.8	4.5	0.7	0.6	0.5	11.0	12.5	14.3

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)

ICICI Direct Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)

## ANALYST CERTIFICATION

I/We, Sanjay Manyal (MBA Finance) Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

### Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavor to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.