

## Splendid profit growth aided by distillery volumes...

**About the stock:** Dwarikesh Sugar (DSL) is a UP based sugar company with sugar crushing capacity of 21500 TCD, distillery capacity of 163 KLD & co-generation capacity of 91 MW. It is undertaking a distillery capacity addition of 170 KLD with investment of ₹ 230 crore. The distillery will be commissioned by June-2022.

- The company would be able to increase distillery volumes to 11 crore litre in FY24 from 5.6 crore litre in FY22

**Q4FY22 Results:** DSL reported strong profit growth in Q4FY22.

- Sales were down 20.8% YoY on account of absence of exports
- EBITDA was at ₹ 102.4 crore, up 24.3% YoY, with margins at 21.6%
- Consequent PAT was at ₹ 59.6 crore (up 23.6% YoY)

**What should investors do?** DSL's share price has gone up 154% in the last five years (from ₹ 47 in May 2017 to ₹ 118 in May 2022).

- We expect 2x increase in distillery volumes to boost earnings with CAGR of 30.7% during FY22-24E
- We maintain our **BUY** rating on the stock

**Target Price and Valuation:** We value the stock at ₹ 145, valuing the business at 10x FY24 PE.

**Key triggers for future price performance:**

- Distillery revenue to grow at 42.7% CAGR in FY22-24E with 2x increase in ethanol volumes and 6.4% increase in distillery realisation led by better realisation from B-heavy & sugarcane juice ethanol
- Higher exports aided by rising global sugar prices. Sugarcane diversion towards ethanol has led to Industry wide 6 MT inventory reduction since 2019 (likely to further fall by 1.5 MT by Sept-22), leading to firm sugar prices
- With increasing profitability & reduction in sugar inventory, the company would be able to generate cumulative ₹ 407 crore free cash flows in the next two years. It would completely de-leverage the balance sheet

**Alternate Stock Idea:** We like Dalmia Bharat Sugar in our sugar coverage.

- It is fastest in utilising B-heavy & Sugarcane juice to produce ethanol. Distillery volumes to grow 2.5x to 21 crore litre by FY24. The company is aggressively exporting sugar & utilising higher global white sugar prices.
- We value the stock at ₹ 660/share with a BUY recommendation



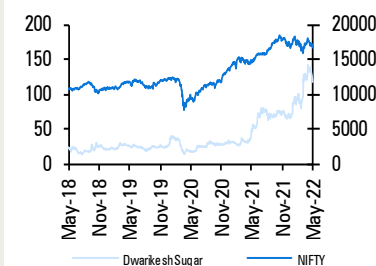
### Particulars

| Particulars (₹ crore)       | Amount   |
|-----------------------------|----------|
| Market Capitalization       | 2,216.3  |
| Total Debt (FY22)           | 520.7    |
| Cash and Investments (FY22) | 38.6     |
| EV                          | 2,698.4  |
| 52 week H/L (₹)             | 148 / 42 |
| Equity capital              | 18.8     |
| Face value (₹)              | 1.0      |

### Shareholding pattern

| (in %)   | Jun-21 | Sep-21 | Dec-21 | Mar-22 |
|----------|--------|--------|--------|--------|
| Promoter | 42.1   | 42.1   | 42.1   | 42.1   |
| FII      | 2.2    | 2.8    | 4.1    | 7.7    |
| DII      | 4.2    | 4.0    | 4.0    | 3.3    |
| Others   | 51.5   | 51.1   | 49.8   | 47.0   |

### Price Chart



### Recent event & key risks

- It would commission new 170 KLD distillery by June 2022
- Key Risk:** (i) Fall in global sugar prices could impact sugar exports from India in future (ii) Any further fall in recovery in next season

### Research Analyst

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### Key Financial Summary

| Key Financials         | FY20   | FY21   | FY22   | 5 Year CAGR (FY17-22) | FY23E  | FY24E  | CAGR (FY22-24E) |
|------------------------|--------|--------|--------|-----------------------|--------|--------|-----------------|
| Total Operating Income | 1336.2 | 1838.9 | 1974.1 | 10.6%                 | 2161.9 | 2262.9 | 7.1%            |
| EBITDA                 | 136.1  | 201.3  | 290.8  | 1.2%                  | 307.6  | 423.1  | 20.6%           |
| EBITDA Margin %        | 10.2   | 10.9   | 14.7   |                       | 14.2   | 18.7   |                 |
| Net Profit             | 73.5   | 91.5   | 155.2  | -0.1%                 | 179.6  | 265.2  | 30.7%           |
| EPS (₹)                | 3.9    | 4.9    | 8.2    |                       | 9.5    | 14.1   | 30.7%           |
| P/E                    | 30.2   | 24.2   | 14.3   |                       | 12.3   | 8.4    |                 |
| RoNW %                 | 15.2   | 15.8   | 23.1   |                       | 21.0   | 25.2   |                 |
| RoCE (%)               | 9.0    | 14.4   | 20.6   |                       | 20.3   | 30.0   |                 |

Source: Company, ICICI Direct Research

## Key takeaways of recent quarter

### Q4FY22 Results: Robust growth in distillery volumes driving profits

- Consolidated revenue declined 20.8% to ₹ 475 crore, mainly on account of 33.6% de-growth in sugar volumes due to absence of exports & lower domestic sales quota. Absence of exports was due to differential timing in sugar exports. The company exported large quantities of sugar in base quarter last year whereas it exported 25,000 tonnes of sugar in Q3FY22. Moreover, it would further export 50,000 tonnes in Q1FY23
- Sugar realisation was up 8.6% to ₹ 33.9 / kg compared to ~₹ 31.5 /kg in the corresponding period. Sugar realisation has increased due to continuous industry wide reduction in sugar inventories. The company is holding sugar inventory of 1.96 lakh tonnes as on March 2022 against 2.6 lakh tonnes valued in March -2021. The sugar inventory is valued at ₹32/kg.
- Distillery revenues grew 31.7% to 97.9 crore led by 28.9% growth in volumes & 2.6% growth in realisation. It sold 1.65 crore litre of ethanol at an average realisation of ₹ 59.1/litre. With ramping up capacity utilisation & higher diversion, DSL was able to increase volumes as well as realisation. There was small increase in ethanol realisation from December-2021 onwards
- Power sales was up 6.1% with similar increase in power tariffs. The company sold 7.7 crore units of power during the quarter (similar to Q4 FY21)
- Operating profit increased 24.3% to ₹102.4 crore, mainly on account of higher distillery volumes & increase in ethanol realisation given the company is entirely selling B-heavy ethanol. Moreover, ethanol prices were revised upwards from December 2021 onwards. Overhead spends were down 45% to 19.7 crore, mainly due to lower freight cost given the absence of exports during the quarter
- With inventory reduction due to higher exports in the last one year and increasing sugarcane diversion towards ethanol, the company witnessed significant reduction in debt and, in turn, 45% dip in interest cost. Consequently, net profit witnessed growth of 23.6% to ₹ 59.6 crore. On a full year basis, the company saw 69.5% growth in profits to ₹ 155.2 crore with considerable increase in distillery volumes & realisation
- The company expects to crush 37.5 lakh tonnes of sugarcane in 2021-22 sugar season with 25 bps reduction in gross recovery due to unseasonal rains in October-2021 & subsequent unfavourable weather conditions in January-2022. Sugar production is expected to be 3.96 lakh tonnes in the season
- The company would be commissioning 170 KLD distillery in June-2022. It is also planning to set-up refinery to produce high grade white sugar for international market. Further, capex in refinery would also increase its domestic sugar realisation. The company would also be taking small expansion of sugar crushing capacity to utilise excess sugarcane in catchment area. The capex would be to the tune of ₹35-40 crore
- Sugar industry is expected to witness high sugar production of 35.5 million tonnes (MT) in 2021-22 sugar season. However, simultaneously, sugar consumption is expected to remain close to 28 MT & sugar exports is expected to be ~9 MT. This would reduce the sugar inventory in the system by 1.5 MT to 6.7 MT. We expect sugar prices to firm up to ₹ 37-38 /kg in the next few months
- The company reduced its working capital requirement by ₹ 90 crore in the last one year. Further, farmer dues have also come down by ₹ 90 crore. The company has taken low interest rate long term debt of ₹ 50 crore for distillery capex. DSL has generated strong ₹ 352 crore of operating cash flow due to inventory reduction & strong profitability

Exhibit 1: Peer Comparison

| Sector / Company             | CMP<br>(₹) | TP<br>(₹) | Rating | M Cap<br>(₹ Cr) | EPS growth (%) |       |       |       | EBITDA margins (%) |       |       |       | PE (x) |       |       |       | P/B (x) |       |       |       | RoCE (%) |       |       |       |
|------------------------------|------------|-----------|--------|-----------------|----------------|-------|-------|-------|--------------------|-------|-------|-------|--------|-------|-------|-------|---------|-------|-------|-------|----------|-------|-------|-------|
|                              |            |           |        |                 | FY21           | FY22E | FY23E | FY24E | FY21               | FY22E | FY23E | FY24E | FY21   | FY22E | FY23E | FY24E | FY21    | FY22E | FY23E | FY24E | FY21     | FY22E | FY23E | FY24E |
| Balrampur Chini (BALCHI)     | 438        | 600       | Buy    | 9201            | -3.2           | 12.8  | 31.6  | 36.6  | 14.8               | 15.8  | 19.6  | 21.4  | 19.2   | 17.0  | 12.9  | 9.5   | 3.5     | 3.2   | 2.9   | 2.5   | 16.4     | 19.1  | 20.3  | 26.8  |
| Dalmia Bharat Sugar (DALSUG) | 449        | 660       | Buy    | 3635            | 39.9           | 24.2  | 12.6  | 14.8  | 17.6               | 18.5  | 20.5  | 20.4  | 13.4   | 10.8  | 9.6   | 8.4   | 1.7     | 1.8   | 1.5   | 1.3   | 13.3     | 14.4  | 15.7  | 16.7  |
| Triveni Engineering (TRIENG) | 310        | 350       | Buy    | 7489            | -9.9           | 48.9  | 20.2  | 23.3  | 11.9               | 14.6  | 15.4  | 17.2  | 25.4   | 17.1  | 14.2  | 11.5  | 4.8     | 4.2   | 3.6   | 3.1   | 19.4     | 19.6  | 23.5  | 26.4  |
| Dwarikesh sugar (DWASUG)     | 118        | 145       | Buy    | 2216            | 24.5           | 69.6  | 15.7  | 47.7  | 10.9               | 14.7  | 14.2  | 18.7  | 24.2   | 14.3  | 12.3  | 8.4   | 3.8     | 3.3   | 2.6   | 2.1   | 14.4     | 20.6  | 20.3  | 30.0  |
| Avadh Sugar (AVASUG)         | 670        | 970       | Buy    | 1341            | -12.4          | 75.6  | 46.0  | 12.8  | 9.6                | 12.7  | 14.0  | 14.8  | 17.3   | 9.8   | 6.7   | 6.0   | 2.0     | 1.7   | 1.4   | 1.1   | 11.5     | 15.4  | 18.6  | 19.3  |
| Dhampur Sugar (DHASUG)       | 495        | 475       | Buy    | 3286            | 5.8            | 30.2  | 20.1  | 15.9  | 11.0               | 15.4  | 14.4  | 14.9  | 14.4   | 11.1  | 9.2   | 7.9   | 2.1     | 1.8   | 1.6   | 1.3   | 14.8     | 16.6  | 17.6  | 19.5  |

Source: Company, ICICI Direct Research

Dwarikesh Sugar witnessed strong profit growth in Q4FY22 and FY22 given the company is continuously increasing its diversion toward ethanol, which is fetching better profitability for the company. Further, it would be commissioning 170 KLD distillery by June 2022, which would take its total distillery capacity to 11 crore litre per annum in FY24 from current ~5.6 crore litre per annum. This would give it further leeway to reduce sugar production and increase ethanol production in future. The company is one of the most efficient sugar companies in UP with highest recovery rate & abundance availability of sugarcane. Despite most UP millers witnessing lower sugar recovery in the current season and stagnant availability of sugarcane, the change in sugarcane variety would improve yields and recovery in future. We remain positive on the sugar industry and the company. We maintain our **BUY** rating with a revised target price of ₹ 145/share (earlier ₹ 135).

Exhibit 2: Variance Analysis

|                                       | Q4FY22  | Q4FY21  | YoY (%) | Q3FY22  | QoQ (%)  | Comments                                                                                                                               |
|---------------------------------------|---------|---------|---------|---------|----------|----------------------------------------------------------------------------------------------------------------------------------------|
| Total Operating Income                | 475.0   | 600.0   | -20.8   | 601.3   | -21.0    | Revenues dipped by 20.8% on account of absence of exports & lower domestic sale quota in Q4. However, sugar realisation was up by 8.6% |
| Other Operating Income                | 0.0     | 0.0     | N.A.    | 0.0     | N.A.     |                                                                                                                                        |
| Raw Material Expenses                 | 328.2   | 451.5   | -27.3   | 478.4   | -31.4    |                                                                                                                                        |
| Employee Expense                      | 24.6    | 29.8    | -17.6   | 30.7    | -19.9    |                                                                                                                                        |
| Other operating Expenses              | 19.7    | 36.3    | -45.6   | 37.2    | -47.0    |                                                                                                                                        |
| EBITDA                                | 102.4   | 82.4    | 24.3    | 55.1    | 86.0     | Operating profit increased by 24.3% led by strong growth in distillery revenue led by ramping up of distillery capacity utilisation    |
| EBITDA Margin (%)                     | 21.6    | 13.7    | 783 bps | 9.2     | 1241 bps |                                                                                                                                        |
| Depreciation                          | 11.8    | 10.4    | 13.5    | 11.0    | 6.7      |                                                                                                                                        |
| Interest                              | 5.5     | 10.1    | -46.1   | 3.9     | 40.1     | Significantly lower requirement of working capital debt resulted in lower interest cost                                                |
| Other Income                          | 0.5     | 1.3     | -61.5   | 1.0     | -46.8    |                                                                                                                                        |
| PBT                                   | 85.7    | 63.3    | 35.5    | 41.1    | 108.6    |                                                                                                                                        |
| Tax Outgo                             | 26.1    | 15.0    | 73.6    | 12.2    | NC       |                                                                                                                                        |
| PAT                                   | 59.6    | 48.2    | 23.6    | 28.9    | 106.4    | Net profit grew by strong 23.6% to ₹59.6 crore despite higher income tax provisioning                                                  |
| <b>Key Metrics</b>                    |         |         |         |         |          |                                                                                                                                        |
| Sugar sales volume (in tonnes)        | 101,090 | 152,310 | -33.6   | 141,740 | -28.7    | Sugar sales volume dipped by 33.6% due to absence of sugar exports & lower domestic quota in Q4                                        |
| Domestic Sugar realisation (₹ per kg) | 33.9    | 31.2    | 8.6     | 35.4    | -4.4     | Sugar realisation up by 8.6% to ₹33.9 / kg                                                                                             |
| Distillery volumes (in crore litre)   | 1.7     | 1.3     | 28.9    | 1.1     | 46.0     | With ramping up of distillery capacities, ethanol volumes increased significantly                                                      |
| Distillery realisation (₹ per litre)  | 59.1    | 57.6    | 2.6     | 58.6    | 0.9      | The small change in distillery realisation with revision in ethanol prices in december-2021                                            |

Source: Company, ICICI Direct Research

Exhibit 3: Change in estimates

| (₹ Crore)         | FY23E   |         |          | FY24E   |         |          | Comments                                                                                                                                                              |
|-------------------|---------|---------|----------|---------|---------|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                   | Old     | New     | % change | Old     | New     | % change |                                                                                                                                                                       |
| Net sales         | 1,966.4 | 2,161.9 | 9.9      | 2,135.3 | 2,262.9 | 6.0      | We change our revenue estimates upwards given the company is expected to continue exporting sugar in FY23 & FY24                                                      |
| EBITDA            | 303.1   | 307.6   | 1.5      | 401.3   | 423.1   | 5.4      | Despite higher exports, operating profit numbers to remain similar for FY23E due to lower recovery in current season. However, higher volumes to improve FY24E EBITDA |
| EBITDA Margin (%) | 15.4    | 14.2    | -119 bps | 18.8    | 18.7    | -9 bps   |                                                                                                                                                                       |
| PAT               | 180.8   | 179.6   | -0.7     | 253.2   | 265.2   | 4.7      | We tweak our depreciation number in FY23E & FY24E                                                                                                                     |
| EPS (₹)           | 9.6     | 9.5     | -0.7     | 13.5    | 14.1    | 4.7      |                                                                                                                                                                       |

Source: ICICI Direct Research

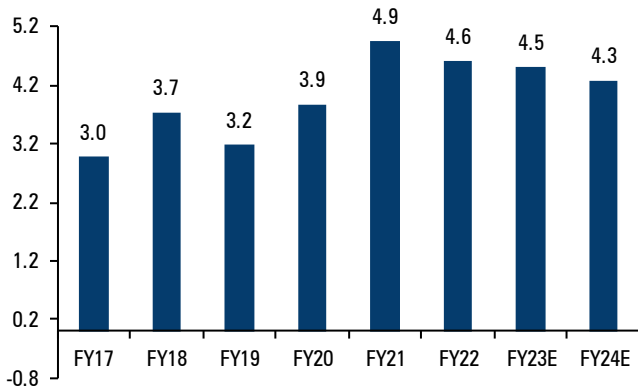
Exhibit 4: Assumptions

|                              | Current |         |         |         |         | Earlier |         |         | Comments                                                                                   |
|------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|--------------------------------------------------------------------------------------------|
|                              | FY19    | FY20    | FY21    | FY22    | FY23E   | FY24E   | FY23E   | FY24E   |                                                                                            |
| Sugar Sold (in tonne)        | 317,700 | 387,848 | 494,890 | 459,850 | 450,653 | 428,120 | 396,407 | 392,443 | We change our sugar volume estimates due to continuing exports                             |
| Sugar Price (₹ per tonne)    | 29,628  | 31,301  | 32,099  | 33,873  | 35,250  | 35,500  | 35,000  | 35,500  | Small change in our FY23E sugar realisation estimate                                       |
| Distillery volume            | 9,017   | 11,600  | 31,700  | 55,700  | 80,133  | 109,725 | 83,125  | 109,725 | We tweak our distillery volume numbers for FY23E according to guidance provided by company |
| Distillery price (₹ per KL)  | 40,278  | 48,276  | 50,223  | 58,200  | 59,946  | 60,545  | 60,117  | 61,320  |                                                                                            |
| Power Units sold             | 20.2    | 16.3    | 17.1    | 16.0    | 17.5    | 17.0    | 18.0    | 18.0    |                                                                                            |
| Price per unit (₹ per units) | 5.0     | 2.9     | 3.1     | 3.2     | 3.3     | 3.3     | 3.3     | 3.3     |                                                                                            |

Source: ICICI Direct Research

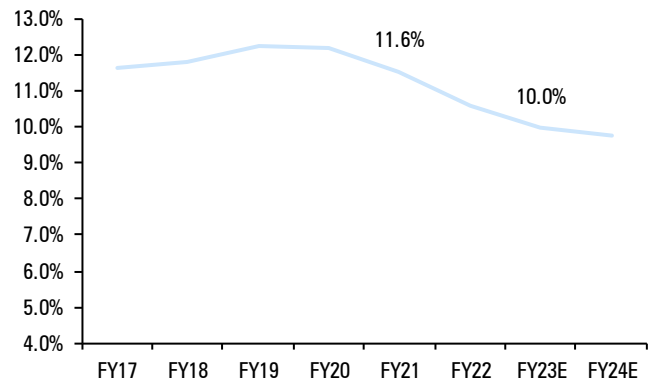
## Key Metrics

Exhibit 5: Sugar sales volume (in lakh tonne)



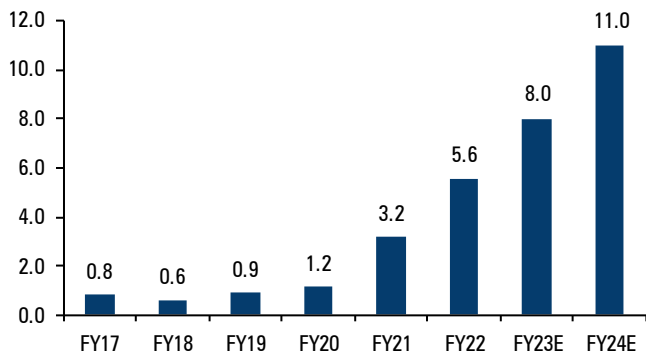
Source: ICICI Direct Research, Company

Exhibit 6: Sugar recovery rate (%)



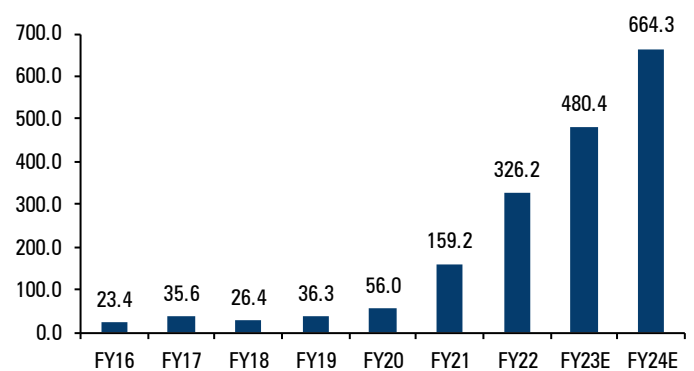
Source: ICICI Direct Research, Company

Exhibit 7: Ethanol volumes (in crore litre)



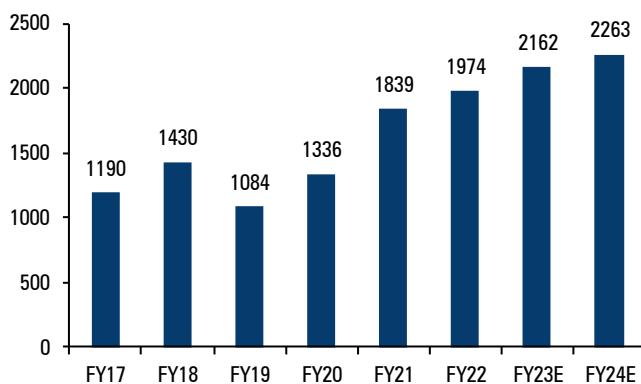
Source: Company, ICICI Direct Research

Exhibit 8: Ethanol sales (₹ crore)



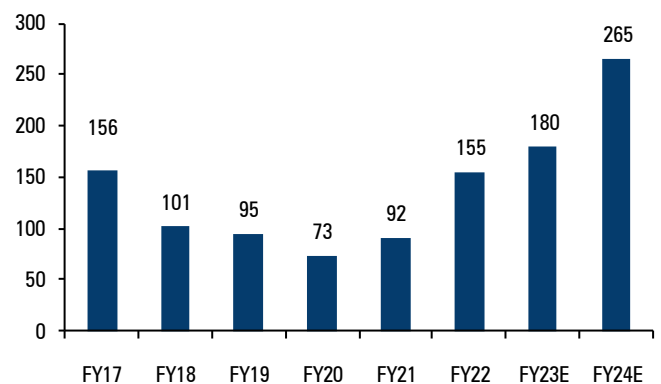
Source: Company, ICICI Direct Research

Exhibit 9: Revenue trend (₹ crore)



Source: Company, ICICI Direct Research

Exhibit 10: Net profit trend (₹ crore)



Source: Company, ICICI Direct Research

Exhibit 11: Valuation

|       | Sales<br>(₹ cr) | Growth<br>(%) | EPS<br>(₹) | Growth<br>(%) | PE<br>(x) | EV/EBITDA<br>(x) | RoNW<br>(%) | RoCE<br>(%) |
|-------|-----------------|---------------|------------|---------------|-----------|------------------|-------------|-------------|
| FY21  | 1838.9          | 37.6          | 4.9        | 24.5          | 24.2      | 13.8             | 15.8        | 14.4        |
| FY22  | 1974.1          | 7.4           | 8.2        | 69.6          | 14.3      | 9.2              | 23.1        | 20.6        |
| FY23E | 2161.9          | 9.5           | 9.5        | 15.7          | 12.3      | 8.4              | 21.0        | 20.3        |
| FY24E | 2262.9          | 4.7           | 14.1       | 47.7          | 8.4       | 10.1             | 25.2        | 30.0        |

Source: Company, ICICI Direct Research

## Financial Summary

| Exhibit 12: Profit and loss statement |                |                |                |                |
|---------------------------------------|----------------|----------------|----------------|----------------|
|                                       | ₹ crore        |                |                |                |
| (Year-end March)                      | FY21           | FY22           | FY23E          | FY24E          |
| <b>Total Operating Income</b>         | <b>1,838.9</b> | <b>1,974.1</b> | <b>2,161.9</b> | <b>2,262.9</b> |
| Growth (%)                            | 37.6           | 7.4            | 9.5            | 4.7            |
| Raw Material Expenses                 | 1,431.1        | 1,475.3        | 1,633.9        | 1,597.6        |
| Employee Expenses                     | 92.7           | 96.3           | 101.6          | 113.1          |
| Administrative Expenses               | 0.0            | 0.0            | 0.0            | 0.0            |
| Excise Duty                           | 0.0            | 0.0            | 0.0            | 0.0            |
| Other expenses                        | 113.8          | 111.7          | 118.9          | 129.0          |
| Total Operating Expenditure           | 1,637.6        | 1,683.3        | 1,854.4        | 1,839.7        |
| <b>EBITDA</b>                         | <b>201.3</b>   | <b>290.8</b>   | <b>307.6</b>   | <b>423.1</b>   |
| Growth (%)                            | 47.9           | 44.5           | 5.8            | 37.6           |
| Depreciation                          | 40.9           | 43.6           | 50.7           | 60.4           |
| Interest                              | 47.7           | 31.7           | 20.5           | 12.1           |
| Other Income                          | 7.1            | 3.2            | 3.8            | 3.8            |
| PBT                                   | 112.7          | 215.5          | 236.3          | 350.7          |
| Exceptional items                     | 0.0            | 0.0            | 0.0            | 0.0            |
| Total Tax                             | 28.3           | 63.5           | 60.5           | 89.3           |
| <b>PAT</b>                            | <b>91.5</b>    | <b>155.2</b>   | <b>179.6</b>   | <b>265.2</b>   |
| Growth (%)                            | 24.5           | 69.6           | 15.7           | 47.7           |
| EPS (₹)                               | 4.9            | 8.2            | 9.5            | 14.1           |

Source: Company, ICICI Direct Research

| Exhibit 13: Cash flow statement     |               |               |               |               |
|-------------------------------------|---------------|---------------|---------------|---------------|
|                                     | ₹ crore       |               |               |               |
| (Year-end March)                    | FY21          | FY22          | FY23E         | FY24E         |
| Profit/Loss after Tax               | 119.8         | 218.7         | 179.6         | 265.2         |
| Add: Depreciation                   | 40.9          | 43.6          | 50.7          | 60.4          |
| Add: Interest                       | 47.7          | 31.7          | 0.0           | 0.0           |
| (Inc)/dec in Current Assets         | 108.1         | 132.5         | 129.7         | 44.3          |
| Inc/(dec) in Current Liabilities    | -15.0         | -34.6         | -19.1         | 1.1           |
| <b>CF from operating activities</b> | <b>295.6</b>  | <b>352.5</b>  | <b>340.9</b>  | <b>371.0</b>  |
| (Inc)/dec in Investments            | 0.0           | 0.0           | 0.0           | 0.0           |
| (Inc)/dec in Fixed Assets           | -19.5         | -175.3        | -255.0        | -50.0         |
| Others                              | 1.9           | 0.7           | 38.3          | 0.0           |
| <b>CF from investing activities</b> | <b>-17.6</b>  | <b>-174.7</b> | <b>-216.7</b> | <b>-50.0</b>  |
| Issue/(Buy back) of Equity          | 0.0           | 0.0           | 0.0           | 0.0           |
| Inc/(dec) in loan funds             | -236.1        | -85.0         | -110.0        | -260.0        |
| Dividend paid & dividend tax        | 0.0           | -61.2         | -37.7         | -65.9         |
| Inc/(dec) in Sec. premium           | -0.3          | -0.2          | 38.8          | 0.0           |
| Others                              | -43.4         | -31.3         | 0.0           | 0.0           |
| <b>CF from financing activities</b> | <b>-279.8</b> | <b>-177.7</b> | <b>-108.9</b> | <b>-325.9</b> |
| Net Cash flow                       | -1.8          | 0.1           | 15.3          | -4.9          |
| Opening Cash                        | 1.9           | 0.1           | 0.2           | 15.5          |
| Cash with bank                      | 1.0           | 38.3          | 0.0           | 0.0           |
| <b>Closing Cash</b>                 | <b>1.2</b>    | <b>38.6</b>   | <b>15.5</b>   | <b>10.6</b>   |

Source: Company, ICICI Direct Research

| Exhibit 14: Balance Sheet     |                |                |                |                |
|-------------------------------|----------------|----------------|----------------|----------------|
|                               | ₹ crore        |                |                |                |
|                               | FY21           | FY22           | FY23E          | FY24E          |
| <b>Liabilities</b>            |                |                |                |                |
| Equity Capital                | 18.8           | 18.8           | 18.8           | 18.8           |
| Reserve and Surplus           | 560.1          | 654.5          | 835.1          | 1,034.4        |
| Total Shareholders funds      | 578.9          | 673.3          | 854.0          | 1,053.2        |
| Total Debt                    | 556.8          | 520.7          | 410.7          | 150.7          |
| Long Term Provisions          | 21.8           | 22.3           | 20.3           | 18.3           |
| Other Non-current Liabilities | 2.2            | 1.4            | 1.4            | 1.4            |
| <b>Total Liabilities</b>      | <b>1,159.7</b> | <b>1,217.7</b> | <b>1,286.4</b> | <b>1,223.6</b> |
| <b>Assets</b>                 |                |                |                |                |
| Gross Block                   | 931.5          | 953.2          | 1,208.2        | 1,258.2        |
| Less: Acc Depreciation        | 521.5          | 565.1          | 615.9          | 676.3          |
| Net Block                     | 409.9          | 388.1          | 592.4          | 582.0          |
| Capital WIP                   | 0.5            | 142.5          | 142.5          | 142.5          |
| Intangible assets             | 0.0            | 0.0            | 0.0            | 0.0            |
| Non Current Investments       | 0.1            | 0.3            | 0.3            | 0.3            |
| Other non-current assets      | 53.2           | 41.7           | 41.7           | 41.7           |
| <b>Current Assets</b>         |                |                |                |                |
| Inventory                     | 855.3          | 757.7          | 570.5          | 502.9          |
| Debtors                       | 67.9           | 34.5           | 72.1           | 75.4           |
| Cash                          | 1.2            | 38.6           | 15.5           | 10.6           |
| Loans & Advances              | 0.1            | 0.3            | 0.3            | 0.3            |
| Other Current Assets          | 57.2           | 15.8           | 35.8           | 55.8           |
| <b>Current Liabilities</b>    |                |                |                |                |
| Creditors                     | 187.2          | 96.3           | 79.3           | 82.4           |
| Provisions                    | 3.8            | 4.4            | 4.4            | 4.4            |
| Other CL                      | 94.7           | 101.1          | 101.1          | 101.1          |
| Net Current Assets            | 696.0          | 645.0          | 509.4          | 457.1          |
| <b>Total Assets</b>           | <b>1,159.7</b> | <b>1,217.7</b> | <b>1,286.4</b> | <b>1,223.6</b> |

Source: Company, ICICI Direct Research

| Exhibit 15: Key ratios      |       |       |       |       |
|-----------------------------|-------|-------|-------|-------|
|                             | FY21  | FY22  | FY23E | FY24E |
| <b>Per share data (₹)</b>   |       |       |       |       |
| EPS                         | 4.9   | 8.2   | 9.5   | 14.1  |
| Cash EPS                    | 7.0   | 10.6  | 12.2  | 17.3  |
| BV                          | 30.7  | 35.8  | 45.4  | 55.9  |
| DPS                         | 0.0   | 1.3   | 2.0   | 3.5   |
| Cash Per Share              | 27.7  | 30.0  | 32.7  | 35.9  |
| <b>Operating Ratios (%)</b> |       |       |       |       |
| EBITDA Margin               | 10.9  | 14.7  | 14.2  | 18.7  |
| PBT / Net Sales             | 6.5   | 11.1  | 11.1  | 15.7  |
| PAT Margin                  | 5.0   | 7.9   | 8.3   | 11.7  |
| Inventory days              | 169.8 | 140.1 | 96.3  | 81.1  |
| Debtor days                 | 13.5  | 6.4   | 12.2  | 12.2  |
| Creditor days               | 37.2  | 17.8  | 13.4  | 13.3  |
| <b>Return Ratios (%)</b>    |       |       |       |       |
| RoE                         | 15.8  | 23.1  | 21.0  | 25.2  |
| RoCE                        | 14.4  | 20.6  | 20.3  | 30.0  |
| <b>Valuation Ratios (x)</b> |       |       |       |       |
| P/E                         | 24.2  | 14.3  | 12.3  | 8.4   |
| EV / EBITDA                 | 13.8  | 9.2   | 8.4   | 5.5   |
| EV / Net Sales              | 1.5   | 1.4   | 1.2   | 1.0   |
| Market Cap / Sales          | 1.2   | 1.1   | 1.0   | 1.0   |
| Price to Book Value         | 3.8   | 3.3   | 2.6   | 2.1   |
| <b>Solvency Ratios</b>      |       |       |       |       |
| Debt/EBITDA                 | 2.8   | 1.8   | 1.3   | 0.4   |
| Debt / Equity               | 1.0   | 0.8   | 0.5   | 0.1   |
| Current Ratio               | 4.9   | 7.2   | 7.1   | 6.5   |
| Quick Ratio                 | 0.6   | 0.5   | 1.1   | 1.3   |

Source: Company, ICICI Direct Research

**Exhibit 16: ICICI Direct coverage universe (Sugar)**

| Sector / Company             | CMP | TP  | M Cap | EPS (₹) |        |      |       | P/E (x) |       |      |       | EV/EBITDA (x) |       |      |       | P/B   |       |      |       | RoCE (%) |       |      |       |       |
|------------------------------|-----|-----|-------|---------|--------|------|-------|---------|-------|------|-------|---------------|-------|------|-------|-------|-------|------|-------|----------|-------|------|-------|-------|
|                              | (₹) | (₹) |       | Rating  | (₹ Cr) | FY21 | FY22E | FY23E   | FY24E | FY21 | FY22E | FY23E         | FY24E | FY21 | FY22E | FY23E | FY24E | FY21 | FY22E | FY23E    | FY24E | FY21 | FY22E | FY23E |
| Balrampur Chini (BALCHI)     | 438 | 600 | Buy   | 9,201   | 22.8   | 25.8 | 33.9  | 46.3    | 19.2  | 17.0 | 12.9  | 9.5           | 14.5  | 13.0 | 10.5  | 7.6   | 3.5   | 3.2  | 2.9   | 2.5      | 16.4  | 19.1 | 20.3  | 26.8  |
| Dalmia Bharat Sugar (DALSUG) | 449 | 660 | Buy   | 3,635   | 33.4   | 41.5 | 46.7  | 53.6    | 13.4  | 10.8 | 9.6   | 8.4           | 9.4   | 8.8  | 7.1   | 6.2   | 1.7   | 1.8  | 1.5   | 1.3      | 13.3  | 14.4 | 15.7  | 16.7  |
| Triveni Engineering (TRIENG) | 310 | 350 | Buy   | 7,489   | 12.2   | 18.1 | 21.8  | 26.9    | 25.4  | 17.1 | 14.2  | 11.5          | 14.9  | 13.4 | 10.9  | 9.0   | 4.8   | 4.2  | 3.6   | 3.1      | 19.4  | 19.6 | 23.5  | 26.4  |
| Dwarikesh sugar (DWASUG)     | 118 | 145 | Buy   | 2,216   | 4.9    | 8.2  | 9.5   | 14.1    | 24.2  | 14.3 | 12.3  | 8.4           | 13.8  | 9.2  | 8.4   | 5.5   | 3.8   | 3.3  | 2.6   | 2.1      | 14.4  | 20.6 | 20.3  | 30.0  |
| Dhampur Sugar (DHASUG)       | 495 | 475 | Buy   | 3,286   | 34.4   | 44.7 | 53.7  | 62.3    | 14.4  | 11.1 | 9.2   | 7.9           | 9.2   | 7.8  | 6.7   | 5.6   | 2.1   | 1.8  | 1.6   | 1.3      | 14.8  | 16.6 | 17.6  | 19.5  |
| Avadh Sugar (AVASUG)         | 670 | 970 | Buy   | 1,341   | 38.8   | 68.1 | 99.4  | 112.2   | 17.3  | 9.8  | 6.7   | 6.0           | 9.8   | 7.0  | 5.4   | 4.6   | 2.0   | 1.7  | 1.4   | 1.1      | 11.5  | 15.4 | 18.6  | 19.3  |

Source: Bloomberg, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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