Stock Update

Result Update

Sharekhan by BNP PARIBAS

Powered by the Sharekhan 3R Research Philosophy

Triveni Engineering & Industries Ltd

Mixed Q3; Focus on growth through capacity expansion

Miscellaneous	Sharekhan code: TRIVENI
Reco/View: Buy ↔	CMP: **Rs. 273**
	Price Target: **Rs. 340** ↔

↑ Upgrade ↔ Maintain ↓ Downgrade

3R MATRIX	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

ESG Disclosure Score NEW

ESG RISK RATING 40.15

Updated Dec 08, 2022

Severe Risk

NEGL	LOW	MED	HIGH	SEVERE
0-10	10-20	20-30	30-40	40+

Source: Morningstar

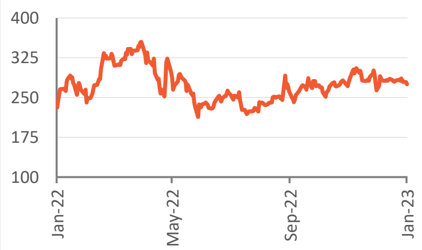
Company details

Market cap:	Rs. 6,600 cr
52-week high/low:	Rs. 374 / 211
NSE volume: (No of shares)	10.0 lakh
BSE code:	532356
NSE code:	TRIVENI
Free float: (No of shares)	9.4 cr

Shareholding (%)

Promoters	61.2
FII	7.1
DII	8.1
Others	23.6

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	0.3	1.4	10.9	12.2
Relative to Sensex	0.9	0.6	3.0	8.1

Sharekhan Research, Bloomberg

Summary

- Triveni Engineering & Industries Limited (TEIL) delivered mixed operating performance in Q3 with revenue growing in double digits by 34% y-o-y to Rs. 1,658.7 crore, while EBITDA margin declined by 476 bps y-o-y to 11.7%, leading to 13% y-o-y growth in reported PAT to Rs. 147 crore.
- Sugar recovery rate in Q3 was lower due to delayed rains, but it is expected to improve in Q4. This along with higher realisation, led by firming of domestic prices and higher export realisation, will help the sugar business's margins to improve in Q4.
- Ethanol capacity is expected to expand to 1,110 KLPD by FY2024-end from 660 KLPD currently. TEIL would do capex of Rs. 90 crore in the sugar business towards modernisation, debottlenecking, and efficiency improvement, while it will do capex of Rs. 100 crore in the power transmission business towards capacity expansion.
- TEIL's stock price is currently trading at 15.1x and 11.4x its FY2024E and FY2025E earnings, respectively. We maintain Buy with an unchanged PT of Rs. 340.

Triveni Engineering & Industries (TEIL) posted yet another quarter of mixed performance as strong revenue growth was driven by capacity expansion in the distillery business and export-led robust sales volume in the sugar business, while lower margins in the sugar and distillery business resulted in a 476 bps y-o-y decline in EBIDTA margin. Revenue grew by 34% y-o-y to Rs. 1,658.7 crore, led by 70%+ growth in the distillery business and 21.4% growth in the sugar business. TEIL achieved sugar exports of 1,35,034 tonne (including sale of quota for 72,988 tonne) during Q3FY2023, out of total export quota of 2,04,868 tonne. Gross margin and EBIDTA margin were down by 647 bps and 476 bps y-o-y to 26.3% and 11.7%, respectively. Operating profit declined by 5% y-o-y to Rs. 193.4 crore. However, higher other income led to 13% y-o-y growth in reported PAT to Rs. 147.3 crore. TEIL's revenue grew by 28% in 9MFY2023, while PAT decreased by 13% y-o-y to Rs. 230 crore. The company would do a capex of Rs. 90 crore in the sugar business towards modernisation, debottlenecking, and efficiency improvement, while it will do capex of Rs. 100 crore in the power transmission business towards capacity expansion. Ethanol capacity is expected to expand to 1,100 KLPD by Q4FY2024 from 660 KLPD currently.

Key positives

- Revenue of the sugar business grew by 21% y-o-y, driven by 15% growth in sugar sales volume, led by higher export sales.
- Net revenue of the distillery business grew by 83% y-o-y to Rs. 285.9 crore, led by capacity expansion.
- Revenue of the engineering business grew by 46% y-o-y; order book is strong at Rs. 1,766 crore for the year ahead.
- Total standalone debt stands lower at Rs. 389 crore in December 2022 vs. Rs. 525 crore in December 2021.

Key negatives

- Margins of the sugar and distillery business were down by 507 BPS and 544 BPS y-o-y, respectively, in Q3.

Management Commentary

- The current sugar season started with a declining trend of recoveries across Uttar Pradesh (UP) for ratoon crop due to late rains in October 2022. However, in view of a conducive weather condition, the catch-up will happen in the balance part of the season and the recovery gap will narrow down. TEIL has tried to mitigate the impact through de-bottlenecking and modernisation of three of its units, resulting in a 25% increase in cane crushing. Overall, the company is expecting cane crushing to be higher by 7-8% y-o-y for the current year.
- Profitability in the sugar business is lower as the cost of sugar sold pertaining to the previous season includes the impact of sugarcane price increase for the Season 2021-2022 and higher cost of sugar produced in the current season due to transitory lower recoveries. However, with expected improvement in sugar recovery and likely higher export sales, EBIDTA margin will improve in Q4FY2023.
- TEIL's board approved capex of Rs. 90 crore for the sugar business and Rs. 100 crore for the power transmission business. Capex in the sugar business will largely be done focusing on improving the cane crushing ability and operating efficiencies to achieve consistent improvement in profitability going ahead. Capex in engineering is focusing on growth opportunities in the various sectors, including defence, OEMs, cement, and infrastructure.
- Management has indicated that post capacity additions/enhancement, distillery production is expected to come in at 18 crore litre for FY2023 and 21 crore litre in FY2024. Moreover, the capacity will increase to 32 crore litre by FY2025 with increased capacity to 1,100 KLPD. Profitability of the distillery business will improve with a better mix.

Revision in earnings estimates – We have marginally reduced our earnings estimates for FY2023, FY2024, and FY2025 to factor in lower-than-expected EBIDTA margin.

Our Call

View: Maintain Buy with an unchanged PT of Rs. 340: TEIL is well poised to achieve strong double-digit earnings growth over FY2022-FY2025 with higher capacity utilisation in the expanded distillery facility, improved production for the sugar business, and better order book in engineering business. The company has maintained its thrust on its key business through sustained investment in operating efficiency and capacity expansion. The stock trades at 20.5x/15.1x/11.4x its FY2023E/FY2024E/FY2025E EPS. Structural change in the sugar industry, strong growth prospects of the distillery and engineering business, and a lean balance sheet will help maintain strong growth momentum in the long term. We maintain our Buy recommendation on the stock with an unchanged price target (PT) of Rs. 340.

Key Risks

Any significant decrease in sugar production or slow recovery in the engineering business would act as a key risk to our earnings estimates.

Valuation (Consolidated) Rs cr

Particulars	FY21	FY22	FY23E	FY24E	FY25E
Revenue	4,703	4,694	5,911	6,479	7,649
OPM (%)	11.9	13.5	9.0	11.5	12.2
Adjusted PAT	293	372	312	427	571
Adjusted EPS (Rs.)	12.2	17.8	13.3	18.1	24.0
P/E (x)	22.5	15.3	20.5	15.1	11.4
P/B (x)	4.2	3.5	1.8	1.7	1.5
EV/EBIDTA (x)	13.7	13.0	14.2	10.0	7.9
RoNW (%)	20.3	24.8	11.7	11.6	13.9
RoCE (%)	17.7	17.9	10.8	11.5	14.3

*Source: Company; Sharekhan estimates; * Return ratios drop in FY2023 due to higher one-time gain of Rs. 1,410 crore towards stake sell of Triveni Turbine Limited gets added to reserves, which will be utilised for buyback and future growth prospects.*

Mixed Q3 – Strong 34% y-o-y revenue growth; EBITDA margin down 476 bps y-o-y

TEIL's revenue grew by 34% y-o-y to Rs. 1,658.7 crore on account of 74% y-o-y growth in the distillery gross revenue to Rs. 481.6 crore, 21.4% y-o-y growth in the core sugar business to Rs. 1,131.6 crore, and a 45.8% y-o-y increase in the engineering business's revenue to Rs. 164.4 crore. Gross margin and EBITDA margin decreased by 647 bps and 476 bps y-o-y to 26.3% and 11.7%, respectively, impacted by weak operating performance by all businesses. EBIT margin of the sugar division was down by 507 bps y-o-y to 10% due to higher cane prices, increased transfer prices, and lower recovery. EBIT margin of the distillery business decreased by 544 bps y-o-y to 17.6%, impacted by increased transfer price of B-heavy molasses, initial stabilisation period of distilleries, and lower margin with grain as feedstock, while EBIT margin for the engineering business declined by 297 bps y-o-y to 17.5% due to weak profitability of the water business. The impact of strong revenue growth was mitigated by declining margins, which led to a 4.7% y-o-y dip in EBITDA to Rs. 193.4 crore. However, adjusted PAT grew by 20.4% y-o-y due to higher other income and lower interest and tax expense. TEIL's total debt reduced to Rs. 480 crore (net of FD of Rs. 128 crore made from operational surplus) as on December 31, 2022, from Rs. 592 crore as on December 31, 2021. TEIL's proposed buyback of Rs. 800 crore is pending statutory approval. The Board of Directors approved capex of Rs. 90 crore for the sugar business and Rs. 100 crore for the power transmission business.

Sugar business: Volume-led revenue growth; Margins impacted by multiple factors

In Q3FY2023, revenue of the sugar business grew by 21.4% y-o-y to Rs. 1,132 crore, with sales volume growing by 15.1% y-o-y. Domestic realisation stood largely flat y-o-y at Rs. 36.1/kg. The segment's EBIT declined by 19% y-o-y to Rs. 114 crore in Q3FY2023, while EBIT margin fell by 507 bps y-o-y to 10%. During the quarter, profitability of the sugar business was lower as the cost of sugar sold pertaining to the previous season includes the impact of sugarcane price increase for the season 2021-2022 and higher cost of sugar produced in the current season due to transitory lower recoveries. Sugar inventory as on December 31, 2022, was 23.93 lakh quintals, which is valued at around Rs. 34.4/kg. Co-generation operations (including incidental co-generation) achieved external sales of Rs. 36.5 crore during 9MFY2023 as against Rs. 33.1 crore in 9MFY2022, registering an increase of 10%.

Sugar business performance

Particulars	Q3FY23	Q3FY22	y-o-y %
Sugarcane Crush (mn tonne)	3.1	2.5	25.3
Net recovery (%)	9.4	10.1	
Sugar Production (tonne)	2,92,888	2,51,369	16.5
Sugar dispatches (tonne)			
Domestic	1,93,791	2,22,247	-12.8
Exports	62,046	0	-
Total	**2,55,837**	**2,22,247**	**15.1**
Domestic realisation (Rs./kg)	36.1	36.5	-1.1
Export realisation (Rs. /kg)	40.4	-	-
Revenue (Rs. crore)	**1,132**	**932**	**21.4**
PBIT (Rs. crore)	114	141	-19.3
PBIT margin (%)	**10.0**	**15.1**	**-507**

Source: Company; Sharekhan Research

Distillery business – Volume and realisation-led growth; Margins declined y-o-y

Net revenue of the distillery business grew by 83% y-o-y to Rs. 286 crore in Q3FY2023, driven by sales volume growth of 60% y-o-y, while realisations grew by 2.5% y-o-y to Rs. 56.6/litre. Ethanol produced from B-heavy constitutes 57% of the sales volume in Q3FY2023 against 88% in Q3FY2022. The business's PBIT margin decreased by 544 bps y-o-y to 17.6%, impacted by increased transfer price of B-heavy molasses, initial stabilisation period of distilleries, and lower margin with grain as feedstock. The sale of ethanol produced from grain accounted for 33% of total sales volumes in Q3FY2023. Sales volume of Indian Made Indian Liquor (IMIL) was 9.31 lakh cases in Q3FY2023, up 73% y-o-y.

Distillery business's performance

Particulars	Q3FY23	Q3FY22	y-o-y %
Operational details			
Production (KL)	46,275	24,713	87.2
Sales (KL)	42,615	26,638	60.0
Avg. Realisation (Rs./ltr)	56.6	55.2	2.5
Financial details			
Net Revenue (Rs. crore)	286	156	82.9
PBIT (Rs. crore)	50	36	39.6
PBIT margin (%)	17.6	23.0	-544

Source: Company; Sharekhan Research

Power transmission business – Revenue growth at 71% y-o-y; Margins up 376 bps y-o-y

Revenue increased by 70.9% y-o-y in Q3FY2023 to Rs. 60.5 crore. The segment's EBIT margin expanded by 376 bps y-o-y to 34.8%. In Q3FY2023, new order booking declined by 10.1% y-o-y to Rs. 79.6 crore, while closing order book was up 22.8% y-o-y to Rs. 262.7 crore (including long-duration orders of Rs. 120.6 crore). Outlook for the domestic product segment within high-speed gears is promising, driven by industrial capex in key sectors such as cement, energy, distillery, and steel, which are expected to grow, led by supportive government policies and economic growth. Following the expiration of High-Speed Licence Agreement with Lufkin Gears LLC in January 2023, the company will pursue the high-speed high-power segment independently and is confident of enhancing market share in its identified target markets. As per management, the company is focused on expanding its addressable market and market share both in domestic and international markets. In the defence segment, the business expects strong orders in areas such as propulsion shafting. According to management, in the long term, this strength combined with machining infrastructure is likely to show strong growth in the coming years.

Water business – Robust revenue growth; Business expected to pick up momentum

The water business's revenue grew by 34.4% y-o-y to Rs. 103.9 crore in Q3FY2023. Water business's PBIT margin declined by 820 bps y-o-y to 7.5%. The outstanding order book as on December 31, 2022, stood at Rs. 1,503.3 crore, which includes Rs. 930 crore towards O&M contracts for a longer time period. The water business is trying to expand its activities in the overseas market after achieving success in Maldives and Bangladesh. Domestic market opportunities are increasing in recycle and reuse of wastewater and water business is equipped to target this market. As indicated by the management, the outlook is positive for EPC and HAM projects, driven by large investments by governments, both at state level and at central. The market is witnessing increasingly more and more projects under Public Private Partnership (PPP) – HAM model – and the company would widely participate in this business segment.

Engineering business's performance

Segmental Revenue (Rs. crore)	Q3FY23	Q3FY22	Y-o-Y (%)
Engineering Business			
Power Transmission	60.5	35.4	70.9
Water	103.9	77.3	34.4
Total	164.4	112.7	45.8
Segmental Results (Rs. crore)	**Q3FY23**	**Q3FY22**	**Y-o-Y (%)**
Engineering Business			
Power Transmission	21.04	10.98	91.6
Water	7.74	12.1	-36.0
Total	28.78	23.08	24.7
EBIT margin (%)	**Q3FY23**	**Q3FY22**	**Y-o-Y (BPS)**
Power Transmission	34.8	31.0	376
Water	7.5	15.7	-820

Source: Company; Sharekhan Research

Board approval received for capex towards sugar and power transmission business

The Board of Directors approved capex of Rs. 90 crore for the sugar business and Rs. 100 crore for the power transmission business. The proposed capex of Rs. 90 crore for the sugar business is towards process change at Milak Narayanpur and modernisation, debottlenecking, and efficiency improvements at various sugar units, leading to cost optimisation. The proposed capex of Rs. 100 crore for the power transmission business is towards a new bay proposed to be set up along with a large grinder, hobber, and other supporting machines and equipment for the normal business and defence products etc. to enhance capacity from Rs. 250 crore to Rs. 400 crore (approximately).

Debt reduction on a y-o-y basis

The company's total debt on a standalone basis as on December 31, 2022, stood at Rs. 389.1 crore (net of Fixed Deposits (FD) of Rs. 128 crore made from operational surplus) as against Rs. 525 crore as on December 31, 2021, comprising term loans of Rs. 334.4 crore with almost all loans on interest subvention or at a subsidised interest rate. On a consolidated basis, total debt is at Rs. 480 crore (net of FD of Rs. 128 crore made from operational surplus) as on December 31, 2022, as against Rs. 592 crore as on December 31, 2021. Overall, the average cost of funds is at 4.75% during Q3FY2023 as against 4.15% in Q3FY2022.

Key conference call highlights

- **Sugar industry's outlook:** India's sugar production in Sugar Season (SS) 2022-2023 is at 35 million tonne with a diversion of ~4.5 million tonne for ethanol production. This is lower than street's estimates, which are in the vicinity of 36 million tonne. With an opening balance as on October 1, 2022, of around 5.5 million tonne, estimated sugar production for SS 2022-2023 of around 35 million tonne and estimated domestic sales of around 27.5 million tonne, around 7 million tonne of sugar needs to be exported to maintain the closing stock at similar levels.

- **TEIL's sugar business outlook:** The current sugar season started with a declining trend of recoveries across Uttar Pradesh (UP) for ratoon crop due to late rains in October 2022. However, in view of conducive weather conditions, the catch-up will happen in the balance part of the season and the recovery gap will narrow down. TEIL has tried to mitigate the impact through de-bottlenecking and modernisation of three of its units resulting in a 25% increase in cane crushing. Overall, the company is expecting cane crushing to be higher by 7-8% on a y-o-y basis for the current year and the same is expected to be higher in the next season, as the company is spending about Rs. 90 crore towards process change at Milak Narayanpur and modernisation and debottlenecking of the plant.

- **Profitability of the sugar business will gradually improve:** Profitability of the sugar business is lower as the cost of sugar sold pertaining to the previous season includes the impact of sugarcane price increase for the Season 2021-2022 and higher cost of sugar produced in the current season due to transitory lower recoveries. However, with expected improvement in sugar recovery in the coming months and likely export sales of the remaining quota, EBIDTA margin will improve in Q4FY2023. Further, the company is expecting sugar prices to rise with narrowing demand-supply gap in the domestic and international market. Management is hoping for MSP increase in the coming months. Further, 60% sugar produced is refined sugar and the contribution of pharma-grade sugar is increasing, which would help in posting better realisation ahead. Thus, higher realisation and expected efficiencies from the planned capex will help the sugar business's margins improve in the coming years.
- **Distillery business outlook:** Management has indicated that post capacity additions/enhancement, distillery production is expected to come in at 18 crore litre for FY2023 and 21 crore litre in FY2024; and with increased capacity to 1,100 KLPD, the capacity will increase to 32 crore litre by FY2025. Profitability of the distillery business will improve with better mix.
- **Power transmission business outlook:** The outstanding order book as of Q3FY2022 stands at Rs. 262.7 crore, including long-duration orders of Rs. 120.6 crore. Outlook for the domestic product segment within high-speed gears is promising, driven by industrial capex in key sectors such as cement, energy, distillery, and steel, are expected to grow led by supportive government policies and economic growth. In the defence segment, the business expects strong orders in areas such as propulsion shafting. Capex plan in the business will enable the company to achieve consistent growth in the power transmission business.
- **Water business outlook:** The outstanding order book as on December 31, 2022, stood at Rs. 1,503.32 crore, which includes Rs. 929.99 crore towards O&M contracts for a longer period of time. The company expects margins to substantially improve in Q4 with some orders getting executed at the end of the fiscal. The company is looking at multiple businesses in many key states such as Karnataka, UP, Punjab, Delhi, Telangana, and Maharashtra. The company is expecting the water business's margins to improve by over 10% in the long run.

Results (Consolidated) Rs cr

Particulars	Q3FY23	Q3FY22	Y-o-Y %	Q2FY23	Q-o-Q %
Revenues	**1,658.7**	**1,235.4**	**34.3**	**1,471.6**	**12.7**
Raw materials	1,223.0	830.9	47.2	1,211.3	1.0
Employee costs	87.2	75.5	15.6	84.2	3.6
Other expenditure	155.1	126.2	22.9	130.8	18.6
Total expenditure	1,465.3	1,032.6	41.9	1,426.2	2.7
Operating profit	**193.4**	**202.8**	**-4.7**	**45.4**	**-**
Other income	37.3	7.0	-	11.7	-
Interest expenses	8.1	12.2	-33.1	17.2	-52.6
Depreciation	23.8	20.5	16.4	23.4	1.7
Profit Before Tax	198.7	177.2	12.1	16.5	-
Tax	51.4	54.9	-6.3	-7.6	-
Adjusted PAT (before associates)	**147.3**	**122.3**	**20.4**	**24.1**	**-**
Share of profit from associates	0.0	7.8	-	8.0	-
Adjusted PAT	147.3	130.1	13.2	32.1	-
Extra-ordinary items	0.0	0.0	-	1,355.7	-
Reported PAT	**147.3**	**130.1**	**13.2**	**1,387.8**	**-89.4**
EPS (Rs.)	6.1	5.4	13.2	57.4	-89.4
			BPS		**BPS**
GPM (%)	26.3	32.7	-647	17.7	858
OPM (%)	11.7	16.4	-476	3.1	857
NPM (%)	8.9	9.9	-102	1.6	724
Tax rate (%)	25.9	31.0	-508	-45.9	-

Source: Company; Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Rise in supply for ethanol manufacturing to drive growth

As per ISMA's latest estimates for SY2022-SY2023, total sugarcane production is estimated at 36.5 million tonne (net of diversion to ethanol). Diversion to ethanol will be ~4.5 million tonne. With consumption expected at 27.5 million tonne, surplus sugar (available for export) in SY2022-SY2023 is expected at ~9 million tonne. India achieved 10% average blending percentage in June 2022, which is expected to improve in the ongoing sugar season. Sugar realisation is expected to be stable with the government expected to take care of surplus inventory by allowing exports of sugar or higher diversion for ethanol production. The government is targeting to achieve 20% blending of ethanol by 2024-2025, which would largely solve the problem of excess sugar over the medium term.

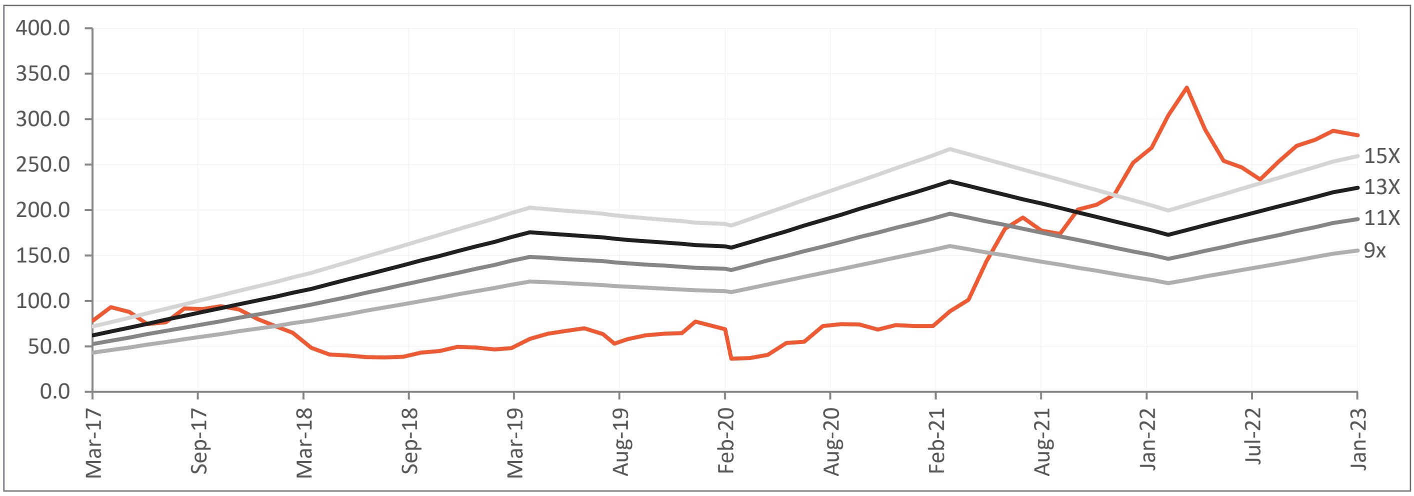
■ Company Outlook – Capacity expansion in the distillery business improves the growth outlook

Management expects higher sugarcane availability and crush (with increased sugarcane output) in the coming season, which is expected to be aided by a normal monsoon season as forecasted. Realisations are expected to stay high on a y-o-y basis. With capacity expansions, distillery production is expected to increase to 16 crore litre in FY2023 and 21 crore litre in FY2024 (30-32 crore litre by FY2025). The engineering business has a strong order book of close to Rs. 1,800 crore. Profitability is expected to improve because of cost-control measures and better operating efficiencies. Thus, the company is well poised to report steady revenue growth with sustained improvement in EBITDA margin in the coming years.

■ Valuation – Maintain Buy with an unchanged PT of Rs. 340

TEIL is well poised to achieve strong double-digit earnings growth over FY2022-FY2025 with higher capacity utilisation in the expanded distillery facility, improved production for the sugar business, and better order book in engineering business. The company has maintained its thrust on its key business through sustained investment in operating efficiency and capacity expansion. The stock trades at 20.5x/15.1x/11.4x its FY2023E/FY2024E/FY2025E EPS. Structural change in the sugar industry, strong growth prospects of the distillery and engineering business, and a lean balance sheet will help maintain strong growth momentum in the long term. We maintain our Buy recommendation on the stock with an unchanged price target (PT) of Rs. 340.

One-year forward P/E (x) band



Source: Sharekhan Research

Peer Comparison

Particulars	P/E (x)			EV/EBITDA (x)			RoCE (%)		
	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
Balrampur Chini	15.9	30.2	13.7	12.5	21.6	11.0	15.3	8.1	17.4
Dhampur Sugar	10.3	11.2	8.6	8.1	9.0	7.3	11.2	11.9	13.4
Triveni Engineering	15.3	20.5	15.1	13.0	14.2	10.0	17.9	10.8	11.5

Source: Company, Sharekhan estimates

About company

TEIL is the largest integrated sugar manufacturer in India and the market leader in its engineering businesses comprising high-speed gears, gearboxes, and water and wastewater treatment solutions. TEIL currently has seven sugar mills in operation at Khatauli, Deoband, Sabitgarh (in western UP), Chandanpur, Rani Nangal, and Milak Narayanpur (Central UP) and Ramkola (Eastern UP). While the company's gears manufacturing facility is located at Mysuru, the water and wastewater treatment business is located at Noida. The company currently operates six co-generation power plants located across five sugar units and two molasses-based distilleries in UP, located at Muzaffarnagar and Sabitgarh. The company has a multi-feed distillery at Milak Narayanpur. TEIL manufactures IMIL at its Muzaffarnagar distillery.

Investment theme

TEIL will be one of the key beneficiaries of improving fundamentals of the sugar industry in India with the government focusing on reducing the cyclicality in the industry to achieve stable realisation and better profitability in the coming years. Expansion in distillery capacity will drive strong growth for the distillery business, which will add to overall profitability. Further, increased MSPs and higher international sugar prices will keep sugar realisation stable despite higher sugar production. This will help EBITDA margin to improve from ~9% in FY2023 to ~12% in FY2025. Higher profitability along with stable working capital management will help cash flows to improve in the coming years. Thus, the balance sheet is expected to strengthen further in the coming years.

Key Risks

- Any significant increase in global sugar production would impact export realisation.
- Any change in sugar export or ethanol blending policies would affect business fundamentals.

Additional Data

Key management personnel

Dhruv Sawhney	Executive Director-Chairperson-MD
Sureja Taneja	Group CFO
Tarun Sawhney	Executive Director
Geeta Bhalla	Company Secretary & Compliance Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	DSP investment managers Pvt. Ltd.	4.98
2	Goel Anil Kumar	2.69
3	Nippon Life India Asset Management Company	1.33
4	Devabhaktuni Manohar	1.05
5	Dimensional Fund Advisors LP	0.78
6	Mahindra Manulife Investment Mgmt.	0.57
7	Aware Super Pty Ltd.	0.2
8	Blackrock Inc.	0.11
9	Vic Super Pty Ltd.	0.09
10	State Street Corp.	0.08

Source: Bloomberg

Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

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