

Sector Report - Sugar

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Sugar investment sweetens

□Sugar investment sweetens:

India reaps the benefits of being the second largest producer of inevitable agro commodity, Sugar. With 642 operational sugar mills, Indian sugar industry stands worth of Rs. 80,000 crores after Brazil. However, banking upon the precarious and shaky fundamentals of statutory regulations, irregular availability of raw material and uneven movement of demand-supply curve, the Indian sugar industry provides intermittent but lucrative investment opportunities. Therefore, at the juncture when the domestic wholesale sugar prices touched the new 7 year's high level, we bring you an advert on the recent trajectory building up in the sugar industry.

□Conducive industry dynamics for the manufacturers:

Indian sugar manufacturers are all set to enjoy the widening gap between the rates of sugar price rise and the rates of sugarcane FRP rise. Hampered production due to drought in the key plantation areas have shoot up the wholesale prices of sugar between 8%-15% across the zones in India against the ~4.5% rise in sugarcane FRP for the current sugar season.

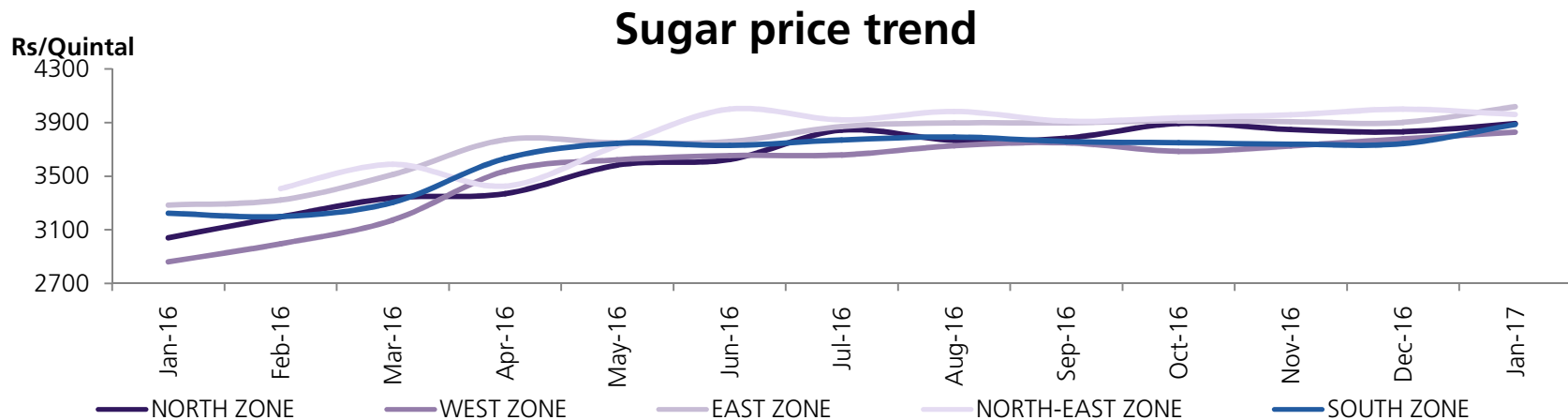
□According to Indian Sugar Mills Association (ISMA), Maharashtra and Karnataka will lose 25% and 22% of its production to 6.27 million tonnes and 3.19 million tonnes respectively for the current season. Total India's sugar production could fall 9% to 21.3 million tonnes for the current sugar season. At present, Indian sugar production stands down 5.3% YoY to 10.5 million tonnes

Sugarcane Price trend

Sugar Season	FRP(Rs. per quintal)	Basic Recovery Level
2005-06	79.5	9.0%
2006-07	80.3	9.0%
2007-08	81.2	9.0%
2008-09	81.2	9.0%
2009-10	129.8	9.5%
2010-11	139.1	9.5%
2011-12	145.0	9.5%
2012-13	170.0	9.5%
2013-14	210.0	9.5%
2014-15	220.0	9.5%
2015-16	230.0	9.5%

Source: Destimoney Research

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Statutory framework auguring well:

India is also the biggest consumer of Sugar. The scarcity of the sugar production is failing short of meeting domestic demand. However; enhanced import duty from 25% to 40% would further support the domestic sugar prices remain high. Abolished export duty opens up the wider opportunity for domestic sugar manufacturers to capitalize the short lived benefits of spiked up global prices.

The government initiatives of achieving the ethanol blend in fuel to 10% starting with 5% has helped the sugar companies during bad times earning extra income. Improved recovery rate of above 11% would help the sugar companies report impressive performance in the near term.

Sugar prices could be seen hovering around the current higher levels in the near term before the new sugar season starts up. However, the healthy rainfall in the 2016 monsoon would bring up the sugarcane production to normalcy. Therefore a short term investment bate could be seen building up in the sugar industry. Therefore we depict a financial snapshot of select sugar manufacturers for your perusal. Going by the current trends, returns in the range of 15%-20% could be expected in the near term.

Source: Destimoney Research

Top Picks

Balrampur Chini Mills Ltd.

Earnings Summary

(In ₹ mn)	FY13	FY14	FY15	FY16
Net Sales	32,748	26,649	29,870	27,567
Sales Growth	41.8%	-18.6%	12.1%	-7.7%
EBITDA	4,198	2,181	1,264	4,176
EBITDA Margin	12.8%	8.2%	4.2%	15.1%
PAT	1,613	84	-579	993
PAT Margin	4.9%	0.3%	-1.9%	3.6%
EPS (₹)	6.6	0.3	(2.4)	4.1
Price Performance	CY13	CY14	CY15	YTD
Absolute	-7%	30%	17%	120%
Relative	-14%	-2%	21%	112%

Key Ratios

	FY13	FY14	FY15	FY16
P/E (x)	18.2	348.9	NA	29.6
P/B (x)	2.2	2.4	2.6	2.4
EV/Sales	1.4	1.7	1.5	1.7
EV/EBITDA	10.9	20.9	36.1	10.9
ROCE	11.3%	4.5%	0.9%	6.3%
ROE	12.8%	0.3%	NA	8.4%

KCP Sugar and Industries Corp. Ltd

Earnings Summary

(In ₹ mn)	FY13	FY14	FY15	FY16
Net Sales	4,508	3,855	4,265	4,019
Sales Growth	25.4%	-14.5%	10.6%	-5.8%
EBITDA	694	502	-202	188
EBITDA Margin	15.4%	13.0%	-4.7%	4.7%
PAT	409	331	-139	119
PAT Margin	9.1%	8.6%	-3.3%	3.0%
EPS (₹)	3.6	2.9	(1.2)	1.1
Price Performance	CY13	CY14	CY15	YTD
Absolute	-28%	44%	9%	51%
Relative	-35%	12%	14%	43%

Key Ratios

	FY13	FY14	FY15	FY16
P/E (x)	10.9	13.4	NA	37.4
P/B (x)	2.0	1.9	2.1	2.0
EV/Sales	1.1	1.3	1.2	1.2
EV/EBITDA	7.1	9.8	-31.51	26.3
ROCE	21.6%	12.8%	NA	4.9%
ROE	18.8%	12.2%	NA	4.0%

Source: Destimoney Research

Top Picks

E.I.D-Parry (India) Ltd Ltd.

Earnings Summary				
(In ₹ mn)	FY13	FY14	FY15	FY16
Net Sales	113,829	121,141	139,526	153,985
Sales Growth	-8.9%	6.4%	15.2%	10.4%
EBITDA	10,162	8,994	10,080	8,432
EBITDA Margin	8.9%	7.4%	7.2%	5.5%
PAT	3,633	2,186	2,764	1,555
PAT Margin	3.2%	1.8%	2.0%	1.0%
EPS (₹)	11.8	4.4	6.6	0.8
Price Performance	CY13	CY14	CY15	YTD
Absolute	-32%	43%	-2%	45%
Relative	-39%	12%	2%	37%

Key Ratios				
	FY13	FY14	FY15	FY16
P/E (x)	13.9	23.1	18.3	32.5
P/B (x)	3.7	3.9	3.7	3.9
EV/Sales	0.5	0.4	0.4	0.4
EV/EBITDA	5.4	6.0	5.4	6.4
ROCE	18.9%	5.1%	8.9%	1.6%
ROE	26.0%	2.0%	11.2%	7%

Dhampur Sugar Mills Ltd

Earnings Summary				
(In ₹ mn)	FY13	FY14	FY15	FY16
Net Sales	14,812	18,228	17,774	22,330
Sales Growth	-3.7%	23.1%	-2.5%	25.6%
EBITDA	2,213	1,282	1,329	2,103
EBITDA Margin	14.9%	7.0%	7.5%	9.4%
PAT	227	-784	-128	259
PAT Margin	1.5%	-4.3%	-0.7%	1.2%
EPS (₹)	3.9	(13.7)	(2.2)	4.3
Price Performance	CY13	CY14	CY15	YTD
Absolute	-34%	25%	53%	204%
Relative	-41%	-7%	57%	197%

Key Ratios				
	FY13	FY14	FY15	FY16
P/E (x)	58.5	NA	NA	51.3
P/B (x)	2.7	3.0	3.1	1.8
EV/Sales	2.0	1.6	1.7	1.3
EV/EBITDA	13.3	23.0	22.2	14.0
ROCE	8.9%	3.3%	5.2%	9.6%
ROE	4.9%	NA	NA	8.1%

Source: Destimoney Research

Company Name	Total Income (Rs. Mn)	PBIDT(Rs. Mn)	PAT (Rs. Mn)	Total Debt (Rs. Mn)	Latest Price (Rs.)	52 Week High (Rs.)	52 Week Low (Rs.)	5 Year's High (Rs.)	5 Year's Low (Rs.)	TTM PE (x)	Industry PE (x)
Bajaj Hindusthan Sugar Ltd.	47803	8756	-2067	70766	15.8	24.2	12.0	37.2	11.0	0.0	8.2
Balrampur Chini Mills Ltd.	28044	4653	993	16742	153.5	160.7	70.3	160.7	34.5	7.7	8.2
Bannari Amman Sugars Ltd.	14585	2073	318	15341	2243.9	2340.0	963.0	2340.0	481.0	19.0	8.2
Dalmia Bharat Sugar & Industries Ltd.	11880	2483	584	11377	181.9	202.0	55.1	202.0	11.6	7.3	8.2
Dhampur Sugar Mills Ltd.	22577	2350	259	16565	204.6	214.8	46.8	214.8	27.3	5.6	8.2
Dharani Sugars & Chemicals Ltd.	3697	473	-117	6153	37.7	70.8	11.5	70.8	9.2	35.4	8.2
Dwarikesh Sugar Industries Ltd.	8030	1168	390	6556	423.4	461.0	92.5	461.0	14.1	4.8	8.2
E.I.D. Parry (India) Ltd.	155166	9613	1555	47476	290.0	309.8	147.8	309.8	103.0	19.3	8.2
KCP Sugar & Industries Corporation Ltd.	4148	316	119	1069	40.3	46.0	17.6	46.0	13.5	9.7	8.2
Khaitan (India) Ltd.	274	11	-56	467	11.7	13.4	9.8	28.5	6.2	0.0	8.2
KM Sugar Mills Ltd.	3590	361	117	947	31.6	37.5	3.7	37.5	0.9	8.0	8.2
Kothari Sugars & Chem Ltd.	2536	246	12	1738	16.1	22.3	7.9	22.3	4.9	7.8	8.2
Mawana Sugars Ltd.	14947	1155	8	4818	64.1	71.8	16.3	71.8	5.1	4.4	8.2
Oudh Sugar Mills Ltd.	11723	1450	99	10960	156.4	169.8	33.0	169.8	14.7	2.8	8.2
Parrys Sugar Industries Ltd.	2926	-33	-260	845	62.0	72.9	20.6	91.5	13.2	3.9	8.2
Ponni Sugars (Erode) Ltd.	1708	33	19	766	222.4	357.1	130.0	415.0	87.1	6.4	8.2
Rajshree Sugars & Chemicals Ltd.	7171	440	-193	7800	62.6	89.5	19.3	89.5	14.3	5.6	8.2
Rana Sugars Ltd.	8568	1401	167	8233	13.9	17.6	3.2	17.6	1.8	7.5	8.2
Sakthi Sugars Ltd.	8577	800	-551	10829	39.0	55.9	20.0	55.9	11.0	13.3	8.2

Company Name	Total Income (Rs. Mn)	PBIDT(Rs. Mn)	PAT (Rs. Mn)	Total Debt (Rs. Mn)	Latest Price (Rs.)	52 Week High (Rs.)	52 Week Low (Rs.)	5 Year's High (Rs.)	5 Year's Low (Rs.)	TTM PE (x)	Industry PE (x)
Shree Renuka Sugars Ltd.	99166	-2252	-18026	91041	15.9	19.2	9.9	42.3	7.1	8.0	8.2
Simbhaoli Sugars Ltd.	11241	934	-1138	13781	36.6	61.5	24.5	61.5	24.5	0.0	8.2
Thiru Arooran Sugars Ltd.	5800	-169	-474	3162	73.1	118.9	29.9	118.9	23.5	16.1	8.2
Triveni Engineering & Industries Ltd.	19515	1614	-98	17060	73.8	85.2	34.1	85.2	10.4	8.0	8.2
Ugar Sugar Works Ltd.	8465	593	113	2784	36.8	73.2	10.6	73.2	7.4	6.5	8.2
Upper Ganges Sugar & Industries Ltd.	8450	830	147	6197	379.7	532.0	50.1	532.0	23.4	3.8	8.2
Uttam Sugar Mills Ltd.	8145	852	155	6210	98.2	103.7	16.3	103.7	8.6	3.3	8.2

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