

## Distillery capex to take annual capacity to 22 crore litre

**About the stock:** Dhampur Sugar (DSL) is one of the integrated sugar companies in Uttar Pradesh with sugar crushing capacity of 45,500 tonnes crushed per day (tcd), distillery capacity of 400 kilolitre per day (KLD) and 220 MW of co-generation capacity (out of this 125 MW is saleable capacity).

- Dhampur Sugar is undertaking a capacity expansion of 100 KLD distillery in its Asmoli plant with a capex of ₹ 130 crore. Further, it has also announced capex of 150 KLD distillery at Dhampur (including 50 KLD grain)

**Q2FY22 Results:** DSL reported sales, earnings de-growth due to high base quarter.

- Sales were down 18.1% YoY, due to lower domestic sugar sales quota
- EBITDA was at ₹ 66 crore, dip of 8.4% YoY, with margins at 8.7%
- Consequent PAT was at ₹ 26.7 crore (down 4% YoY)

**What should investors do?** DSL's share price has gone up 2.7x in the last five years (from ₹ 113 in November 2016 to ₹ 308 in November 2021).

- We expect 2x increase in distillery volumes to boost earnings with CAGR of 18% during FY21-24E
- We maintain our BUY rating on the stock

**Target Price and Valuation:** We value the stock at ₹ 430, valuing the business at 1.4x FY23 BV

**Key triggers for future price performance:**

- DSL is increasing its ethanol capacity by 2x to 22 crore litre by FY24, which would result in distillery sales CAGR of 24% to ₹ 1535.4 crore in FY21-24E. The company generates 35% of its revenues from the distillery business
- The company would be increasing its sugarcane crushing by 5-10% in the next one year. This would help it utilise the additional sugarcane for the production of ethanol through sugarcane juice
- We expect cumulative free cash flow of ₹ 656 crore in the next three years, which would reduce the debt levels and drive earnings growth

**Alternate Stock Idea:** We also like Dwarikesh Sugar in our sugar coverage.

- The company is one of the most efficient companies with highest sugar recovery and abundant sugarcane availability. It is increasing its distillery capacity to 3x in the next three years
- We value the stock at ₹ 110/share with BUY recommendation



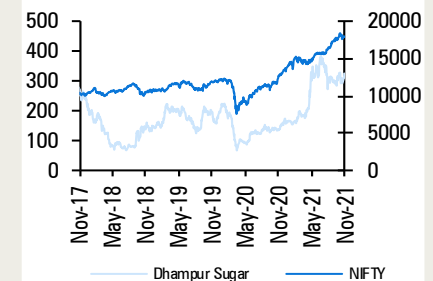
### Particulars

Particulars (₹ crore)	Amount
Market Capitalization	2,049.7
Total Debt (FY21)	1,030.8
Cash and Investments (FY21)	79.9
EV	3,000.6
52 week H/L (₹)	395 / 138
Equity capital	66.5
Face value (₹)	10.0

### Shareholding pattern

(in %)	Dec-20	Mar-21	Jun-21	Sep-21
Promoter	49.1	49.1	49.1	49.1
FII	2.7	2.9	5.8	5.3
DII	0.8	0.7	0.8	0.6
Others	47.4	47.4	44.3	45.1

### Price Chart



### Recent event & key risks

- Dhampur Sugar would be de-merged into two separate entities
- Key Risk:** (i) Any delay in distillery capacity expansion (ii) Any significant decline in sugar recoveries due to unseasonal rains

### Research Analyst

Sanjay Manyal  
sanjay.manyal@icicisecurities.com

### Key Financial Summary

Key Financials	FY20	FY21E	FY22E	FY23E	FY24E	CAGR (FY21-24E)
Total Operating Income	3485.3	4156.6	3672.9	4135.6	4416.5	2.0%
EBITDA	362.2	455.4	510.8	561.6	605.7	10.0%
EBITDA Margin %	10.4	11.0	13.9	13.6	13.7	
Net Profit	215.6	228.1	283.7	333.1	374.9	18.0%
EPS (₹)	32.48	34.36	42.74	50.18	56.48	18.0%
P/E	9.5	9.0	7.2	6.1	5.5	
RoNW %	15.8	14.6	15.9	16.3	16.0	
RoCE (%)	10.4	14.8	15.3	16.8	18.2	

Source: Company, ICICI Direct Research

## Key takeaways of recent quarter

### Q2FY22 Results: Lower domestic sales quota impacts topline growth

- Consolidated revenue witnessed de-growth of 18.1% to ₹ 762.5 crore on account of 27.4% dip in sugar sales due to 33.6% decline in sugar volumes. The company sold 1.44 lakh tonnes (lt) of sugar during the quarter. However, sugar prices started moving up from August 2021 onwards, which resulted in 3.9% increase in sugar realisation to ₹ 34.6/kg. The current prevailing prices are ₹ 36/kg
- Distillery (ethanol, chemical, country liquor) sales witnessed growth of 41.7% on account of higher 5.5% increase in ethanol volumes, 10% increase in ethanol realisation with higher proportion B-heavy ethanol. Out of the total 3.09 crore litre of ethanol, B-heavy ethanol was 2.93 crore litre (95%) & 0.16 crore litre was C-heavy ethanol. Chemical business volumes have also increased by 7% to 66.6 lakh kg with 70.8% increase in average realisation
- Given it was the off-season (crushing operations were closed), the company did not sell any power during the quarter and sold excess bagasse in the open market
- The company is holding 1.88 lakh tonnes of sugar valued at 29.47 / kg. With prevailing sugar prices at ₹ 36 / kg, DSL would be able to make ₹ 6.5/kg margin in Q3FY22. We believe the company would be able to exhaust 2020-21 sugar inventory by January 2022
- Long term debt of the company is at ₹ 371.5 crore, out of which ₹ 240 crore is at the concession interest rate availed under SDF, soft loans & distillery expansion loans. Working capital debt came down from ₹ 888.6 crore in September 2020 to ₹ 513.3 crore in September 2021 with strong cash flow generation through liquidation of excess inventories
- Operating profit witnessed de-growth of 8.4% to ₹ 66 crore impacted by lower sugar sales volumes. However, operating margins improved 100 bps to 8.7% aided by improvement in sugar prices, higher distillery volumes & uptick in distillery realisation. Interest cost was down 15.6% to ₹ 17.8 crore with reduction in debt & lower interest rates. PAT dipped 4% to ₹ 26.7 crore
- The company announced a distillery capex of 150 KLD, which includes 50 KLD grain based distillery, at an investment of ₹ 140 crore. DSL would utilise this capacity for producing B-heavy & sugarcane juice ethanol. The consolidate capacity after this capex would be 650 KLD by November 2022, which would be able to generate 22 crore litre of ethanol in FY24. It is also adding one country liquor plant of 12 lakh cases with capex of ₹ 12 crore in its Asmoli unit
- With the reduction in industry wide sugar inventories, domestic sugar prices are likely to remain firm above ₹ 35/kg. Moreover, higher global raw sugar prices would help millers to exports 5-6 million tonnes (industry wide) in 2021-22 sugar season
- Sugar production in the country is likely to be 30.5 million tonnes after the 3.4 MT equivalent diversion towards ethanol. With the increased mobility after the two consecutive years of restricted consumption, sugar demand is likely to increase to 27 MT. The industry would be able to export 5.5 MT of sugar with remunerative global sugar prices. This would lead to further reduction in sugar inventories to 6.2 MT by September 2022
- The UP government has announced an increase in sugarcane price by ₹ 25/ quintal to ₹ 350/quintal. This would increase the cost of production by ~₹ 2/kg (considering 12% recovery). However, sugar prices have moved up by ₹ 4/kg in last four months, which would more than compensate the increase in cost

- The country has achieved ethanol blending (with petrol) levels of 7.8%. Total requirement of ethanol / ENA / rectified spirit would reach 1500 crore litre by 2025 to achieve 20% blending levels. Out of which 850 crore litre would be sugar (molasses, juice) based ethanol & 650 crore litre would be grain based ethanol. This would lead to the sugar equivalent diversion of 6 MT by 2025
- The government has announced the increase in B-heavy ethanol prices by ₹ 1.47 / litre, C-heavy ethanol prices by ₹ 0.97 / litre & Sugarcane Juice ethanol prices by ₹ 0.8 / litre for the December 2021 to November 2022. This would further encourage sugar millers to divert more sugarcane towards ethanol (through B-heavy & sugarcane juice route)
- With revival in global sugar consumption and reduction in Brazil's production, global sugar prices to remain firm ~20 cents / lb. The Indian millers would get the opportunity to export 5-6 million tonnes in next one years (2 MT is already contracted)

Exhibit 1: Peer Comparison

Sector / Company	CMP	TP	M Cap	EPS growth (%)				EBITDA margins (%)				PE (x)				P/B (x)				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)	340	500	Buy	7132	-3.2	12.6	30.0	37.4	14.8	16.1	19.3	21.5	14.9	13.2	10.2	7.4	2.6	2.4	2.1	1.9	16.4	18.2	20.5	25.2
Dalmia Bharat Sugar (DALISUG)	407	610	Buy	3297	39.9	18.2	11.8	18.5	17.6	19.1	19.6	19.3	12.2	10.3	9.2	7.8	1.5	1.5	1.3	1.2	13.3	14.2	15.3	16.3
Triveni Engineering (TRIENG)	216	270	Buy	5229	-9.9	45.0	21.9	17.8	11.9	12.8	14.5	15.1	17.7	12.2	10.0	8.5	2.9	2.5	2.1	1.7	19.4	19.2	22.4	23.7
Dwarikesh sugar (DWASUG)	74	110	Buy	1398	24.5	57.3	14.6	50.7	10.9	12.4	14.7	19.2	15.3	9.7	8.5	5.6	2.4	2.0	1.7	1.4	14.4	20.0	20.7	28.5
Avadh Sugar (AVASUG)	455	680	Buy	909.9	-12.4	71.1	44.1	14.3	9.6	12.6	13.9	14.7	11.7	6.9	4.8	4.2	1.4	1.2	0.9	0.8	11.5	15.2	18.4	19.2
Dhampur Sugar (DHASUG)	308	430	Buy	2049	5.8	24.4	17.4	12.6	11.0	13.9	13.6	13.7	9.0	7.2	6.1	5.5	1.3	1.2	1.0	0.9	14.8	15.3	16.8	18.2

Source: Company, ICICI Direct Research

The sugar industry is going through a transformation from a cyclical industry to a structural growth sector by increasing distillery capacities over the next three years. The industry has been able to reduce the sugar inventories from 14.5 million tonnes in September 2019 to 8.2 million tonnes in September 2021 through aggressive exports & diversion of sugarcane towards ethanol production. This has resulted in uptick in domestic sugar prices from ₹ 32-33/kg levels to ₹37/ kg in last four months. With the aggressive expansion of distillery capacities, the company would be able to utilise the excess sugarcane in its catchment area for ethanol production. We believe firm sugar prices & increasing ethanol capacities would result in strong earnings growth over the next three years. Dhampur Sugar would be demerged into two separate entities with equal assets. The resultant company 'Dhampur Bio Organics' would list on exchanges with mirror shareholding. We maintain our BUY recommendation on the stock with a target price of ₹ 430 / share (earlier ₹ 500).

Exhibit 2: Variance Analysis

	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	Comments
Total Operating Income	762.5	931.3	-18.1	810.8	-6.0	Net sales were down mainly on account of lower domestic saels quota
Other Operating Income	0.0	0.0	N.A.	0.0	N.A.	
Raw Material Expenses	606.6	784.2	-22.7	601.2	0.9	
Employee Expense	30.8	31.3	-1.4	36.1	-14.7	
Other operating Expenses	59.1	43.7	35.2	69.2	-14.7	
EBITDA	66.0	72.1	-8.4	104.2	-36.6	
EBITDA Margin (%)	8.7	7.7	92 bps	12.9	-419 bps	Operating margins improved mainly on account of higher sugar prices & increase in distillery volumes
Depreciation	15.6	16.1	-2.9	19.9	-21.7	
Interest	17.8	21.1	-15.6	26.0	-31.6	With debt reduction, interest costs have come down considerably
Other Income	2.9	2.1	36.3	3.4	-16.1	
PBT	35.5	37.1	-4.2	61.7	-42.5	
Tax Outgo	8.8	9.3	-4.7	16.3	-45.8	
PAT	26.7	27.8	-4.0	45.4	-41.3	Net profit dipped due to lower operating profits
<b>Key Metrics</b>						
Sugar sales volume (in lakh tonnes)	1.4	2.2	-33.6	1.7	-15.3	The company received very high sugar sales quota in base quarter
Sugar realisation (₹ per kg)	34.6	33.3	3.9	33.2	4.1	Sugar realisations were up by ~4%
Distillery volumes (in crore litre)	3.1	2.9	5.5	2.6	20.8	Ramping up of existing distillery capacity utilisation, distillery volumes grew by 5.5%
Distillery realisation (₹ per litre)	55.5	50.5	10.0	54.3	2.3	Higher proportion of B-heavy ethanol aided distillery realisation

Source: Company, ICICI Direct Research

Exhibit 3: Change in estimates

(₹ Crore)	FY22E			FY23E			FY24E			Comments
	Old	New	% change	Old	New	% change	Old	New	% change	
Net sales	3915.3	3672.9	-6.2	4,101.3	4,135.6	0.8	4,193.9	4,416.5	5.3	We change our sales estimates downwards for FY22 due to lower domestic sugar sales & increase our FY24 estimates given the company has annouced distillery capex
EBITDA	514.8	510.8	-0.8	559.5	561.6	0.4	598.6	605.7	1.2	
EBITDA Margin (%)	13.1	13.9	76 bps	13.6	13.6	-6 bps	14.3	13.7	-56 bps	
PAT	297.9	283.7	-4.8	352.7	333.1	-5.6	382.4	374.9	-2.0	We change our interest cost estimates after annoucement for distillery capex & expected increase in crushing
EPS (₹)	44.9	42.7	-4.8	53.1	50.2	-5.5	57.6	56.5	-1.9	

Source: ICICI Direct Research

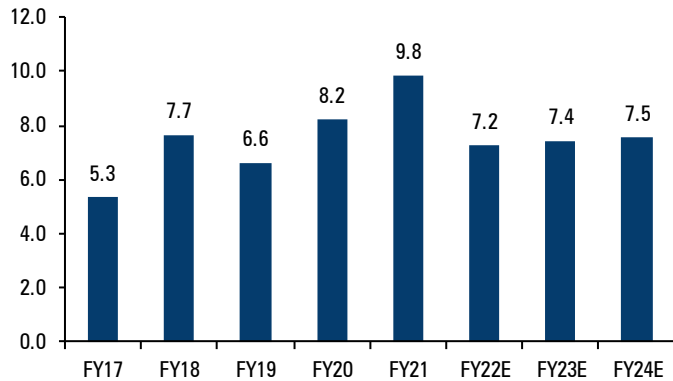
Exhibit 4: Assumptions

	Current						Earlier			Comments
	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	
Sugar Sold (in tonne)	660,000	821,700	983,000	723,780	742,469	753,086	797,960	796,239	783,201	We change our sugar sales estimates downwards given lower domestic sugar sales quota. We also reduced our exports volumes estimates
Sugar Price (₹ per tonne)	30,680	32,660	32,610	34,659	35,500	36,000	33,541	34,498	35,489	We change our sugar realisation estimates upwards
Distillery volume	89,995	97,734	110,400	132,000	187,000	221,000	145,600	165,000	170,000	We change our distillery volumes estimates after the company annouced new capex
Distillery price (₹ per KL)	42,450	45,790	52,290	55,950	58,188	58,188	56,024	56,024	57,705	
Power Units sold	42.9	35.2	35.4	35.6	36.5	36.5	36.5	36.5	36.5	
Price per unit (₹ per units)	5.2	3.2	3.2	3.3	3.4	3.4	3.3	3.4	3.4	

Source: ICICI Direct Research

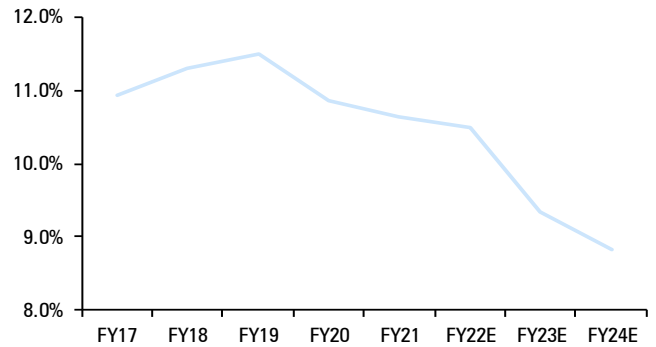
## Key Metrics

**Exhibit 5: Sugar sales volume (in lakh tonne)**



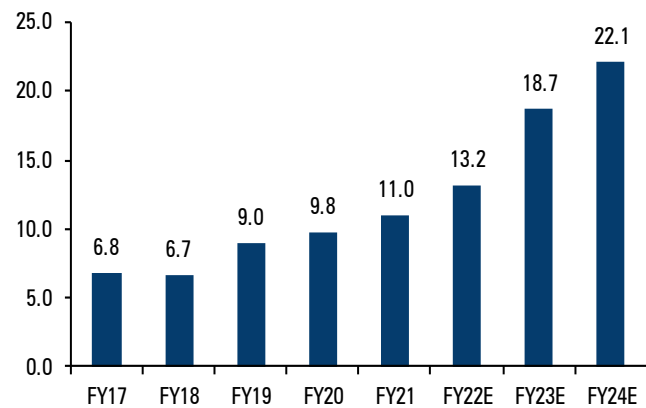
Source: ICICI Direct Research, Company

**Exhibit 6: Reduction in sugar recovery rate after higher proportion of sugarcane diversion towards B-heavy ethanol**



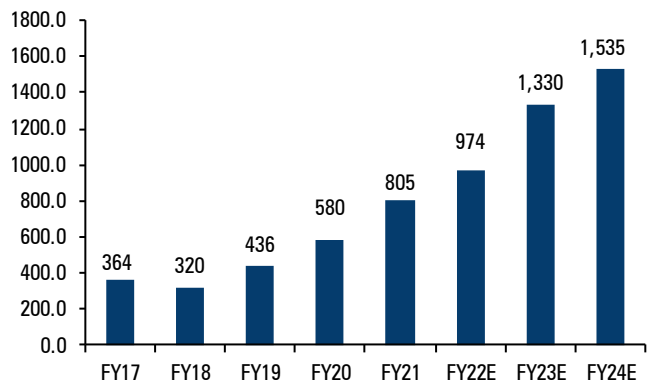
Source: ICICI Direct Research, Company

**Exhibit 7: Ethanol volumes (in crore litre)**



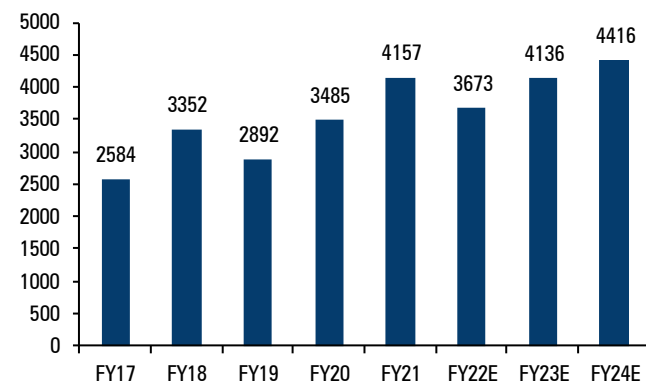
Source: Company, ICICI Direct Research

**Exhibit 8: Distillery segment (ethanol, chemical, liquor) sales (₹ crore)**



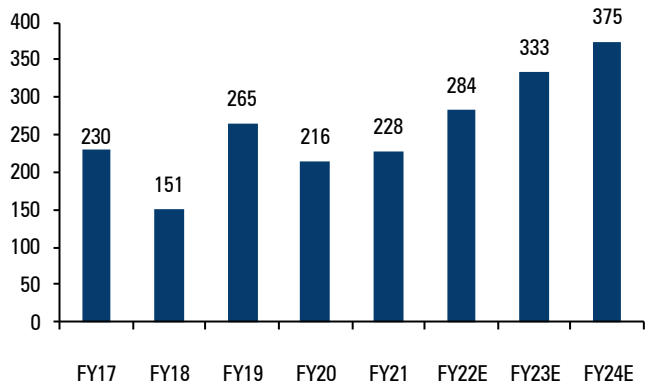
Source: Company, ICICI Direct Research

**Exhibit 9: Revenue trend (₹ crore)**



Source: Company, ICICI Direct Research

**Exhibit 10: Adjusted PAT trend (₹ crore)**



Source: Company, ICICI Direct Research

**Exhibit 11: Valuation**

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY21	4156.6	19.3	34.4	5.8	9.0	6.5	14.6	14.8
FY22E	3672.9	-11.6	42.7	24.4	7.2	6.0	15.9	15.3
FY23E	4135.6	12.6	50.2	17.4	6.1	5.0	16.3	16.8
FY24E	4416.5	6.8	56.5	12.6	5.5	4.2	16.0	18.2

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 12: Profit and loss statement ₹ crore

(Year-end March)	FY21	FY22E	FY23E	FY24E
<b>Total Operating Income</b>	<b>4,156.6</b>	<b>3,672.9</b>	<b>4,135.6</b>	<b>4,416.5</b>
Growth (%)	19.3	-11.6	12.6	6.8
Raw Material Expenses	3,225.7	2,652.2	3,047.0	3,237.4
Employee Expenses	147.1	154.5	163.7	175.2
Other expenses	328.4	279.1	285.4	318.0
Total Operating Expenditure	3,701.2	3,162.2	3,574.0	3,810.8
<b>EBITDA</b>	<b>455.4</b>	<b>510.8</b>	<b>561.6</b>	<b>605.7</b>
Growth (%)	25.7	12.2	10.0	7.8
Depreciation	77.7	83.1	93.1	86.9
Interest	79.9	73.6	51.4	39.1
Other Income	17.5	19.2	21.1	16.9
PBT	297.8	354.1	417.1	479.7
Exceptional items	0.0	0.0	0.0	0.0
Total Tax	86.2	89.6	105.2	121.7
<b>PAT</b>	<b>228.1</b>	<b>283.7</b>	<b>333.1</b>	<b>374.9</b>
Growth (%)	5.8	24.4	17.4	12.6
EPS (₹)	34.4	42.7	50.2	56.5

Source: Company, ICICI Direct Research

Exhibit 13: Cash flow statement ₹ crore

(Year-end March)	FY21	FY22E	FY23E	FY24E
Profit/Loss after Tax	228.1	283.7	333.1	374.9
Add: Depreciation	77.7	83.1	93.1	86.9
Add: Interest	0.0	0.0	0.0	0.0
(Inc)/dec in Current Assets	450.9	-155.8	27.4	84.7
Inc/(dec) in Current Liabilities	-10.0	-24.1	119.4	-37.2
<b>CF from operating activities</b>	<b>746.6</b>	<b>186.9</b>	<b>573.0</b>	<b>509.3</b>
(Inc)/dec in Investments	3.4	-5.0	-5.0	-5.0
(Inc)/dec in Fixed Assets	-69.0	-213.1	-233.1	-166.9
Others	-2.4	7.8	0.0	0.0
<b>CF from investing activities</b>	<b>-68.0</b>	<b>-210.4</b>	<b>-238.1</b>	<b>-171.9</b>
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	-586.6	20.0	-260.0	-270.0
Dividend paid & dividend tax	-39.9	-53.2	-66.5	-79.7
Inc/(dec) in Sec. premium	10.2	-10.7	0.0	0.0
Others	0.0	0.0	0.0	0.0
<b>CF from financing activities</b>	<b>-616.3</b>	<b>-43.8</b>	<b>-326.5</b>	<b>-349.7</b>
Net Cash flow	62.3	-67.3	8.5	-12.3
Opening Cash	9.9	72.1	4.8	13.3
Cash & cash equivalents	0.0	0.0	0.0	0.0
Cash with bank	7.8	0.0	0.0	0.0
<b>Closing Cash</b>	<b>79.9</b>	<b>4.8</b>	<b>13.3</b>	<b>1.0</b>

Source: Company, ICICI Direct Research

Exhibit 14: Balance Sheet ₹ crore

	FY21	FY22E	FY23E	FY24E
<b>Liabilities</b>				
Equity Capital	66.5	66.5	66.5	66.5
Reserve and Surplus	1,493.6	1,713.5	1,980.1	2,275.3
Total Shareholders funds	1,560.1	1,779.9	2,046.6	2,341.8
Total Debt	1,030.8	1,050.8	790.8	520.8
Long Term Provisions	32.8	30.8	28.8	26.8
Other Non-current Liabilities	54.0	54.0	54.0	54.0
<b>Total Liabilities</b>	<b>2,677.6</b>	<b>2,915.5</b>	<b>2,920.2</b>	<b>2,943.4</b>
<b>Assets</b>				
Gross Block	2,691.7	2,894.9	3,117.9	3,274.9
Less: Acc Depreciation	1,080.1	1,163.2	1,256.3	1,343.2
Net Block	1,611.7	1,731.7	1,861.7	1,931.7
Capital WIP	21.2	31.2	41.2	51.2
Intangible assets	2.8	2.8	2.8	2.8
Non Current Investments	2.6	7.6	12.6	17.6
Other non-current assets	27.2	27.2	27.2	27.2
<b>Current Assets</b>				
Inventory	1,292.6	1,479.4	1,436.0	1,349.5
Debtors	296.7	285.7	321.7	343.5
Cash	79.9	4.9	13.3	1.0
Loans & Advances	8.0	8.0	8.0	8.0
Other Current Assets	128.3	108.3	88.3	68.3
<b>Current Liabilities</b>				
Creditors	599.0	624.4	664.6	547.1
Provisions	9.2	9.2	9.2	9.2
Other CL	185.0	137.5	218.8	301.1
Net Current Assets	1,012.2	1,115.1	974.7	912.9
<b>Total Assets</b>	<b>2,677.6</b>	<b>2,915.5</b>	<b>2,920.2</b>	<b>2,943.4</b>

Source: Company, ICICI Direct Research

Exhibit 15: Key ratios

	FY21	FY22E	FY23E	FY24E
<b>Per share data (₹)</b>				
EPS	34.4	42.7	50.2	56.5
Cash EPS	46.0	55.2	64.1	69.5
BV	234.8	267.9	308.0	352.4
DPS	6.0	8.0	10.0	12.0
Cash Per Share	162.5	175.1	189.1	202.1
<b>Operating Ratios (%)</b>				
EBITDA Margin	11.0	13.9	13.6	13.7
PBT / Net Sales	0.1	0.1	0.1	0.1
PAT Margin	5.5	7.7	8.1	8.5
Inventory days	113.5	147.0	126.7	111.5
Debtor days	26.1	28.4	28.4	28.4
Creditor days	52.6	62.0	58.7	45.2
<b>Return Ratios (%)</b>				
RoE	14.6	15.9	16.3	16.0
RoCE	14.8	15.3	16.8	18.2
<b>Valuation Ratios (x)</b>				
P/E	9.0	7.2	6.1	5.5
EV / EBITDA	6.5	6.0	5.0	4.2
EV / Net Sales	0.7	0.8	0.7	0.6
Market Cap / Sales	0.5	0.6	0.5	0.5
Price to Book Value	1.3	1.2	1.0	0.9
<b>Solvency Ratios</b>				
Debt/EBITDA	2.3	2.1	1.4	0.9
Debt / Equity	0.7	0.6	0.4	0.2
Current Ratio	2.7	2.6	2.3	2.4
Quick Ratio	0.7	0.6	0.5	0.6

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)	340	500	Buy	7,132	22.8	25.7	33.4	46.0	14.9	13.2	10.2	7.4	11.2	10.1	8.1	6.0	2.6	2.4	2.1	1.9	16.4	18.2	20.5	25.2
Dalmia Bharat Sugar (DALSUG)	407	610	Buy	3,297	33.4	39.5	44.1	52.3	12.2	10.3	9.2	7.8	8.5	7.8	6.5	5.7	1.5	1.5	1.3	1.2	13.3	14.2	15.3	16.3
Triveni Engineering (TRIENG)	216	270	Buy	5,229	12.2	17.7	21.5	25.4	17.7	12.2	10.0	8.5	9.6	8.6	6.9	5.9	2.9	2.5	2.1	1.7	19.4	19.2	22.4	23.7
Dwarikesh sugar (DWASUG)	74	110	Buy	1,398	4.9	7.6	8.8	13.2	15.3	9.7	8.5	5.6	9.7	7.0	5.8	3.9	2.4	2.0	1.7	1.4	14.4	20.0	20.7	28.5
Dhampur Sugar (DHASUG)	308	430	Buy	2,049	34.4	42.7	50.2	56.5	9.0	7.2	6.1	5.5	6.5	6.0	5.0	4.2	1.3	1.2	1.0	0.9	14.8	15.3	16.8	18.2
Avadh Sugar (AVASUG)	455	680	Buy	910	38.8	66.4	95.7	109.3	11.7	6.9	4.8	4.2	8.1	5.8	4.4	3.7	1.4	1.2	0.9	0.8	11.5	15.2	18.4	19.2

Source: Bloomberg, 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**

**ICICI Direct Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruiti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
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 an 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.