

Retail Equity Research

Dalmia Bharat Sugar & Industries Ltd

CMP Rs. 508

Rating: Overweight

Sugar

BSE CODE: 500097 NSE CODE: DALMIASUG

The company's total income for the quarter reached ₹975.83 crore, reflecting a 23.9% increase from ₹787.24 crore in the previous quarter and a 15.9% rise compared to ₹843.89 crore in the same period last year. However, total expenses surged to ₹900.83 crore, up 32.3% from the previous quarter and 19.2% year-over-year, driven primarily by increased costs of materials consumed, which rose to ₹346.83 crore. Consequently, the profit before tax fell to ₹75.00 crore, down 29.6% from the previous quarter and 13.9% year-over-year, while net profit decreased by 58% to ₹54.73 crore compared to the last quarter and by 10% year-over-year. The sugar segment remained the largest revenue contributor at ₹748.86 crore, alongside distillery operations generating ₹281.44 crore. Despite revenue growth, rising expenses have impacted profitability significantly, highlighting ongoing challenges in managing operational costs amid fluctuating market conditions.

Company Data

Market Cap (cr)	Rs.	4,115.87
Enterprise Value (cr)	Rs.	3,651.79
Outstanding Shares (cr)		8.09
52 week high	Rs.	546.00
52 week low	Rs.	388.00
1m average volume (lacs)		6.03
Face value	Rs.	2.00

Consolidated (cr)

	FY22	FY23	FY24
Sales	3018.18	3252.01	2899.28
Growth(%)	12%	8%	-11%
EBITDA	540.76	557.84	539.24
EBITDA Margin(%)	17.9%	17.2%	18.6%
PAT	295.73	250.07	272.47
Growth(%)	9%	-15%	9%
EPS	36.6	30.9	33.7
P/E	13.2	10.9	10.1
P/B	1.6	1.0	0.9
EV/EBITDA	9.0	6.1	6.8
ROE(%)	13%	9.2%	9%
ROCE(%)	13%	12.4%	9.5%
ROIC(%)	12%	11.4%	8.3%
D/E	0.35	0.17	0.49

Sales have declined from ₹3252.01 cr in FY23 to ₹2899.28 cr in FY24, registering an 11% drop, following moderate growth of 12% and 8% in FY22 and FY23, respectively. Despite this, EBITDA margins improved to 18.6% in FY24, up from 17.2% in FY23, signaling better operational efficiency. However, the EBITDA itself marginally declined to ₹539.24 cr in FY24. Profit After Tax (PAT) showed a positive turnaround in FY24 with 9% growth, reaching ₹272.47 cr, after a 15% decline in FY23. This reflects effective cost control measures and improved profitability. The Earnings Per Share (EPS) stood at ₹33.7, and the stock remains attractively valued with a Price-to-Earnings (P/E) ratio of 10.1, offering a potential value opportunity for investors.

However, return ratios have softened, with ROE declining from 13% in FY22 to 9% in FY24, indicating a drop in shareholder value generation. The increase in Debt-to-Equity ratio to 0.49 signals higher leverage, which could pose risks if earnings growth remains subdued.

Key Highlights

Clientele:The company serves a distinguished list of clients, including global giants like Coca-Cola, PepsiCo, Mondelez, and Perfetti. On the domestic front, it supplies sugar to brands like Britannia, Dabur, Bacardi India, United Breweries, and D-Mart. Its clientele in the alcohol and FMCG sectors reflects the company's strong market presence and reputation as a reliable supplier.

Geographical Split FY23:Domestically, the company generates 80% of its revenue, with the remaining 20% coming from exports. Its international markets include regions like Indonesia, Malaysia, Bangladesh, China, Sri Lanka, Nepal, and several African and Mediterranean countries. This global presence helps mitigate risk and provides diversification in revenue sources.

Manufacturing Capabilities:The company operates 5 sugar mills in Maharashtra and Uttar Pradesh with a combined capacity of 37,150 TCD, positioning it as a significant player in India's sugar industry. It also owns 5 co-generation plants with a total capacity of 126 MW, enabling the company to generate power from bagasse, a by-product of sugar production. Additionally, it has 4 distilleries with a capacity of 710 KLPD (kiloliters per day), contributing to its diversification into ethanol production.

Capacity Expansion:The company is actively expanding its distillery capacity. In October 2022, it commissioned an additional 110 KLPD capacity, and it is further enhancing its Jawaharpur distillery capacity from 110 KLPD to 250 KLPD, with completion expected by December 2023. Moreover, another expansion project of 300 KLPD at its Nigohi facility is scheduled to be operational by September 2024. These expansions underscore the company's commitment to capitalizing on the growing demand for ethanol and biofuels in India.

Amalgamation:The company achieved a milestone with the amalgamation of its wholly-owned subsidiary, Himshikhar Investment Limited, which was approved by the NCLT, Chennai, in June 2022. This amalgamation is expected to streamline operations and improve financial synergies across the business.

Forward Integration:The company has strategically invested in forward integration into co-generation and distillery operations. This diversification helps hedge its revenues and reduces dependency on sugar alone for profitability. By extending its value chain, the company has also established a strong network for marketing and distributing sugar and ethanol products, ensuring more stable and consistent revenue growth across business cycles.

Quarterly Financial Consolidated

Profit and loss account

(Rs Cr)

	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Sales	833.89	731.85	583.59	750.04	960.26
Growth(%)	-27%	-12%	-20%	29%	28%
Expenses	715.41	666.36	474.35	631.32	849.06
Operating Profit	118.48	65.49	109.24	118.72	111.20
Growth(%)	-43%	-45%	67%	9%	-6%
Other Income	9.15	55.65	26.53	37.20	15.57
Depreciation	30.56	30.74	32.26	33.40	25.81
Interest	9.87	16.38	7.86	15.98	25.96
Profit before tax	87.20	74.02	95.65	106.54	75.00
Tax	25.86	19.12	30.73	15.22	20.27
Net profit	61.34	54.90	64.92	91.32	54.73
Growth(%)	-102%	-12%	15%	29%	-67%

Financial Consolidated

Profit & Loss

(Rs Cr)

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Sales	2,110.19	2,685.42	3,018.18	3,252.01	2,899.28
Growth(%)	5%	27%	12%	8%	-11%
Expenses	1,773.57	2,203.32	2,572.13	2,815.42	2,487.00
Operating Profit	336.62	482.10	446.05	436.59	412.28
Growth(%)	42%	43%	-7%	-2%	-6%
Other Income	56.46	43.60	63.97	77.27	128.18
Depreciation	57.23	95.53	94.71	121.25	126.96
Interest	88.38	61.86	34.82	37.68	50.09
Profit before tax	247.47	368.31	380.49	354.93	363.41
Tax	54.28	97.97	84.76	104.86	90.94
Net profit	193.19	270.34	295.73	250.07	272.47
Growth(%)	10%	40%	9%	-15%	9%

Balance Sheet

(Rs Cr)

Report Date	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Equity Share Capital	16.19	16.19	16.19	16.19	16.19
Reserves	1,502.56	2,126.50	2,342.89	2,688.76	2,915.97
Borrowings	1,277.20	957.89	818.51	454.07	1,430.17
Other Liabilities	642.15	632.13	644.68	643.89	799.81
Total	3,438.10	3,732.71	3,822.27	3,802.91	5,162.14
Net Block	1,352.78	1,308.03	1,531.11	1,652.00	1,846.67
Capital Work in Progress	6.18	27.13	58.81	21.49	132.65
Investments	358.83	620.46	593.80	736.20	628.97
Other Assets	1,720.31	1,777.09	1,638.55	1,393.22	2,553.85
Total	3,438.10	3,732.71	3,822.27	3,802.91	5,162.14

Cash Flow

(Rs Cr)

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Cash from Operating Activity	58.97	345.54	567.33	582.85	-239.31
Cash from Investing Activity	-179.25	37.13	-326.89	-192.18	-257.37
Cash from Financing Activity	145.25	-364.38	-217.12	-419.49	901.53
Net Cash Flow	24.97	18.29	23.32	-28.82	404.85

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