

Retail Equity Research

Shree Renuka Sugars Ltd

CMP Rs. 49

Rating: Overweight

Sugar

BSE CODE: 532670 NSE CODE: RENUKA

The company reported a 24% increase in total domestic sugar sales volumes, reaching 165,764 MT, compared to 107,572 MT in the same quarter last year. Refinery sales also saw significant growth, up 29% to 404K MT from 313K MT. On a standalone basis, revenue rose by 27.5% to INR 29,177 million, while consolidated revenue increased by 30%. However, EBITDA declined to INR 1,070 million, down from INR 1,468 million, primarily due to pressures in the ethanol segment and losses related to commodity hedging. The company faced a consolidated loss before tax of INR 1,781 million, compared to a standalone loss of INR 1,485 million. Total expenses surged to INR 30,663 million, up from INR 23,925 million, driven by rising material costs and finance expenses. Despite the strong sales performance, the increase in costs significantly impacted profitability. The results indicate that while Shree Renuka Sugars is experiencing growth in sales volumes and revenues, it must address the underlying cost challenges to improve its financial health moving forward.

Company Data

Market Cap (cr)	Rs.	10,418.97
Enterprise Value (cr)	Rs.	14,190.56
Outstanding Shares (cr)		212.85
52 week high	Rs.	56.50
52 week low	Rs.	36.60
1m average volume (lacs)		486.50
Face value	Rs.	1.00

Consolidated (cr)	FY22	FY23	FY24
Sales	6431.29	9017.19	11311.08
Growth(%)	14%	40%	25%
EBITDA	461.96	649.49	722.4
EBITDA Margin(%)	7.2%	7.2%	6.4%
PAT	-138.54	-196.97	-627.15
Growth(%)	-21%	-42%	-218%
EPS	-0.7	-0.9	-2.9
P/E	-54.7	-47.7	-13.5
P/B	-12.5	-10.7	-5.9
EV/EBITDA	27.6	22.7	19.6
ROE(%)	23%	22.4%	44%
ROCE(%)	5%	8.8%	10.5%
ROIC(%)	5%	9.7%	14.3%
D/E	-8.61	-6.32	-4.03

- **Revenue Growth with Declining Margins:** The company's sales grew significantly from ₹6,431.29 crore in FY22 to ₹11,311.08 crore in FY24, but EBITDA margins fell slightly from 7.2% to 6.4%, signaling cost pressures despite higher revenues.
- **Worsening Profitability:** Despite revenue growth, profitability declined, with PAT worsening from ₹-138.54 crore in FY22 to ₹-627.15 crore in FY24. EPS fell to ₹-2.9, indicating increasing financial challenges.
- **Improved Returns but Lower Financial Leverage:** ROE increased from 23% to 44%, and ROIC from 5% to 14.3%. However, the D/E ratio, though still negative, improved from -8.61 to -4.03, reflecting reduced financial leverage.

Key Highlights

Strong Revenue Growth with a Focus on Sugar Refining: Shree Renuka Sugars Ltd's sugar business has expanded significantly, contributing 92% of total revenue in Q1 FY25, up from 76% in FY22. The company has established itself as a leader in the branded sugar market, with its flagship brand, Madhur, holding approximately one-third of the market share. Refinery segment revenue surged by 116% between FY22 and FY24, driven by a 9% increase in sales volume and improved realizations, with prices rising from ₹27,913 per MT in FY22 to ₹55,426 per MT in FY24. However, the sugar milling business saw a decline in cane crushing volumes, dropping to 4.6 Mn MT in FY24 from 5.67 Mn MT in FY22 due to adverse weather conditions affecting cane availability.

Challenges in the Distillery and Co-Generation Segments: Shree Renuka produces ethanol in three grades, including rectified spirit, extra neutral alcohol, and absolute alcohol used for fuel blending. Despite being an important part of the company's diversification, ethanol production declined from 164.84 Mn liters in FY22 to 156.36 Mn liters in FY24 due to restrictions on the production of ethanol from cane juice and B-heavy molasses. The co-generation segment also saw a decline, with power sales falling to 177 Mn units in FY24 compared to 257 Mn units in FY22. This decrease was driven by a reduction in bagasse availability, which is a by-product of sugar milling used for power generation. However, the company is focused on scaling up its distillery operations, with distillery capacity reaching 1,250 KLPD in FY24 as part of its plan to expand to 1,400 KLPD.

Geographical Focus and Export Growth: The company has strengthened its export capabilities, with exports accounting for 75% of total sales in FY24, up from 69% in FY22. Domestic sales, in contrast, have decreased from 31% to 25% over the same period. This geographical shift highlights Shree Renuka's strategy to capitalize on global demand for refined sugar and improve margins through premium international markets. The company operates 8 sugar mills in Karnataka with a combined crushing capacity of 37,500 TCD, as well as two sugar refineries in Gujarat and West Bengal with a total capacity of 5,500 TPD. Its significant presence in these regions supports its robust export-driven business model.

Debt-Fueled Expansion and Strategic Acquisitions: The company's debt levels rose from ₹5,234 crore in FY22 to ₹5,794 crore in FY24, largely due to its acquisition-driven strategy. In October 2023, Shree Renuka acquired a 100% stake in Anamika Sugar Mills Pvt. Ltd. for ₹345 crore, gaining access to a 4,000 TCD crushing capacity. This acquisition allows Shree Renuka to tap into existing sugarcane catchment areas in Uttar Pradesh, reducing lead time and providing a strategic foothold in a key sugar-producing region. The company plans to expand Anamika's crushing capacity further, enhancing its production capabilities and supporting future growth.

Operational Focus and Profitability Enhancement: Shree Renuka is keen on improving profitability in its refining segment by capitalizing on elevated white sugar premiums and broadening its distribution network. The company is also exploring both organic and inorganic growth opportunities to further strengthen its market position. To bolster its financial flexibility, Shree Renuka proposed raising ₹2,500 crore through a qualified institutional placement in February 2024. The funds raised will likely support future expansion plans, debt reduction, and working capital needs, positioning the company to benefit from rising demand in the sugar sector.

Quarterly Financial Consolidated

Profit and loss account

(Rs Cr)

	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Sales	2,284.00	2,554.70	3,014.00	3,466.30	3,033.90
Growth(%)	-2%	12%	18%	15%	-12%
Expenses	2,213.40	2,491.00	2,822.20	3,208.70	2,970.00
Operating Profit	70.60	63.70	191.80	257.60	63.90
Growth(%)	-73%	-10%	201%	34%	-75%
Other Income	70.60	10.00	48.10	10.00	41.10
Depreciation	64.10	64.10	69.10	68.90	69.10
Interest	214.00	216.80	244.40	242.80	214.00
Profit before tax	-136.90	-207.20	-73.60	-44.10	-178.10
Tax	2.00	-1.60	98.10	66.90	-11.90
Net profit	-138.20	-204.90	-172.30	-111.70	-165.50
Growth(%)	-131%	-33%	19%	54%	-33%

Financial Consolidated

Profit & Loss

(Rs Cr)

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Sales	4,876.49	5,644.60	6,431.29	9,017.19	11,311.08
Growth(%)	8%	16%	14%	40%	25%
Expenses	4,816.18	5,073.95	6,030.27	8,427.00	10,634.18
Operating Profit	60.31	570.65	401.02	590.19	676.90
Growth(%)	104%	846%	-30%	47%	15%
Other Income	2,823.10	73.80	60.94	59.30	45.50
Depreciation	210.77	208.51	207.91	237.65	266.23
Interest	511.25	384.18	392.62	591.40	917.98
Profit before tax	2,161.39	51.76	-138.57	-179.56	-461.81
Tax	211.63	168.28	-1.85	17.10	165.39
Net profit	2,099.17	-114.77	-138.54	-196.97	-627.15
Growth(%)	245%	-105%	-21%	-42%	-218%

Balance Sheet

(Rs Cr)

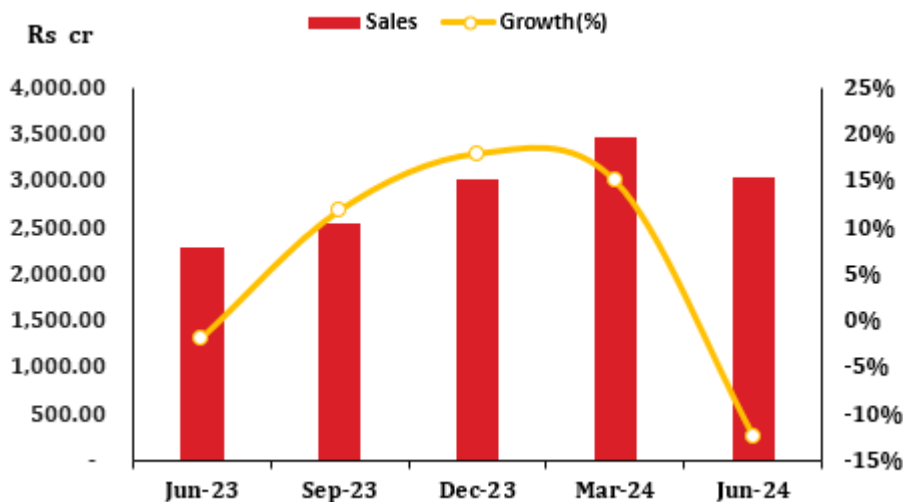
Report Date	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Equity Share Capital	191.68	212.85	212.85	212.85	212.85
Reserves	-1,074.29	-875.44	-820.58	-1,094.07	-1,650.70
Borrowings	3,092.65	4,446.92	5,233.65	5,568.65	5,793.97
Other Liabilities	4,460.39	3,122.25	2,477.46	2,916.75	5,807.18
Total	6,670.43	6,906.58	7,103.38	7,604.18	10,163.30
Net Block	3,886.26	3,776.47	4,003.87	4,296.05	4,561.28
Capital Work in Progress	142.29	7.34	217.07	114.34	50.41
Investments	18.52	60.11	43.25	42.38	34.29
Other Assets	2,623.36	3,062.66	2,839.19	3,151.41	5,517.32
Total	6,670.43	6,906.58	7,103.38	7,604.18	10,163.30

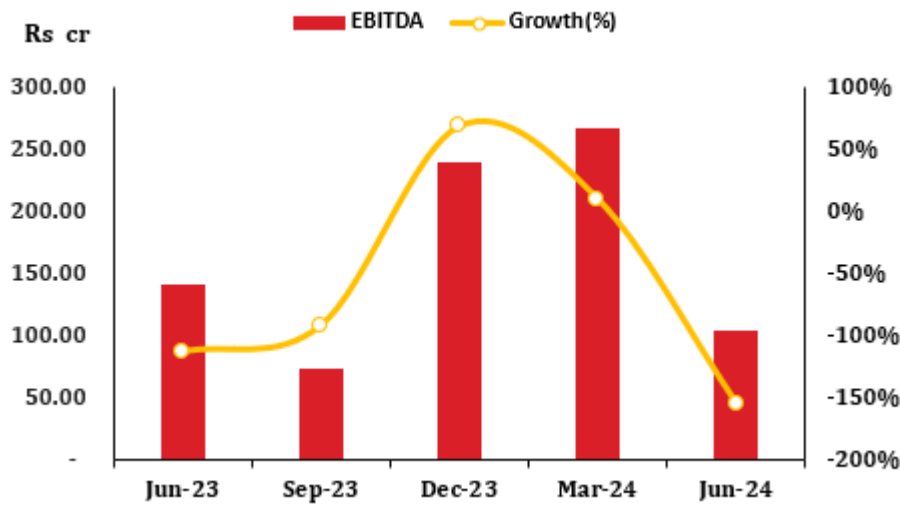
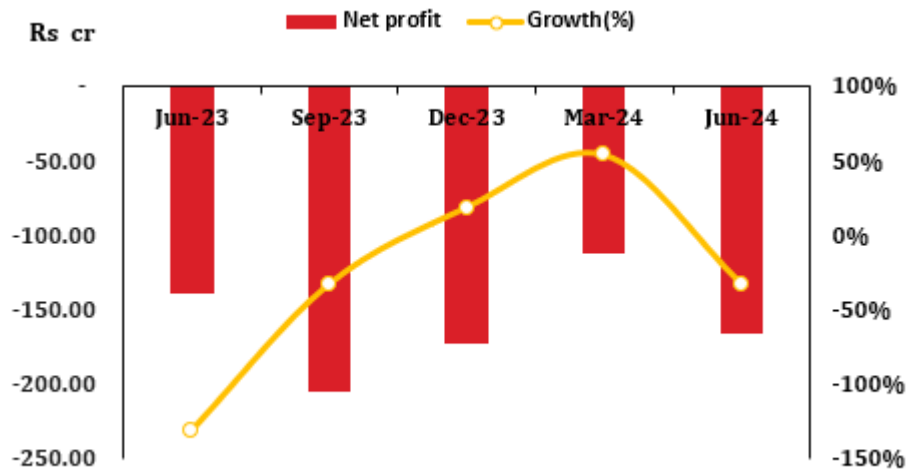
Cash Flow

(Rs Cr)

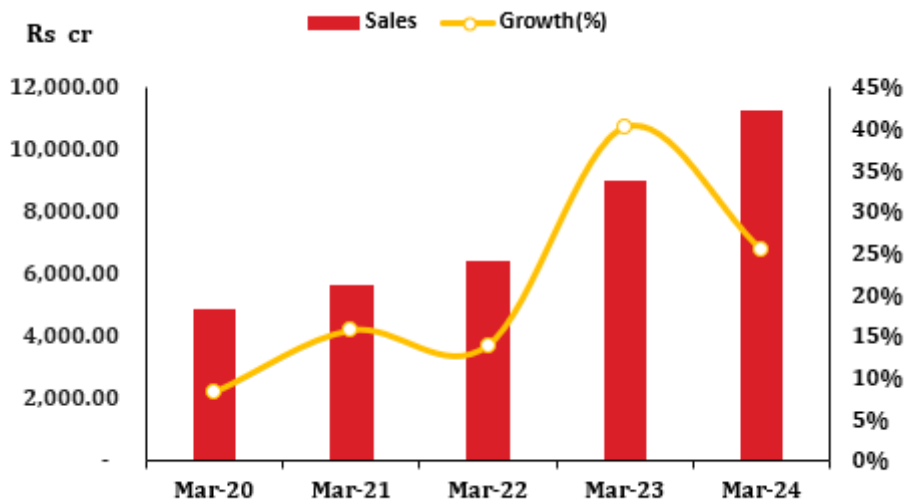
	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Cash from Operating Activity	561.28	-1564.13	-133.7	926.42	913.36
Cash from Investing Activity	137.62	-108.31	-337.18	-450.04	-373.36
Cash from Financing Activity	-664.7	1640.55	454.48	-331.58	-669.16
Net Cash Flow	34.2	-31.88	-16.39	144.8	-129.16

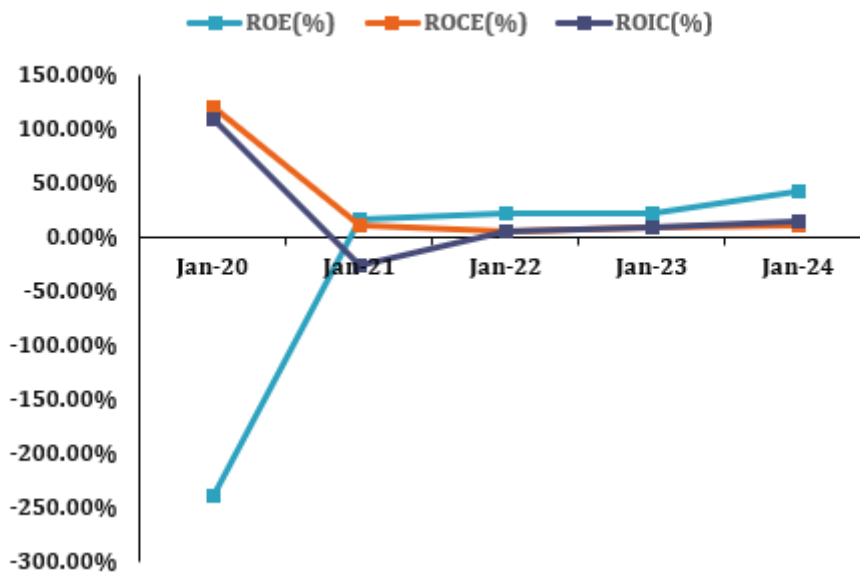
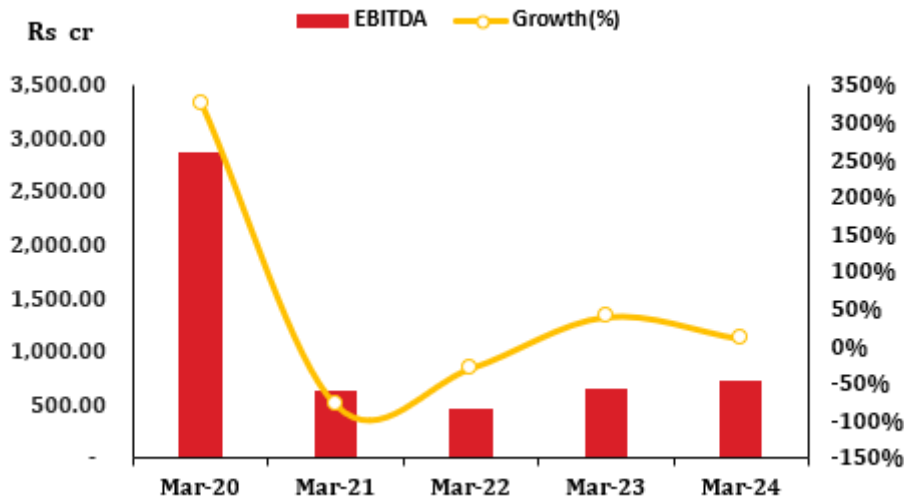
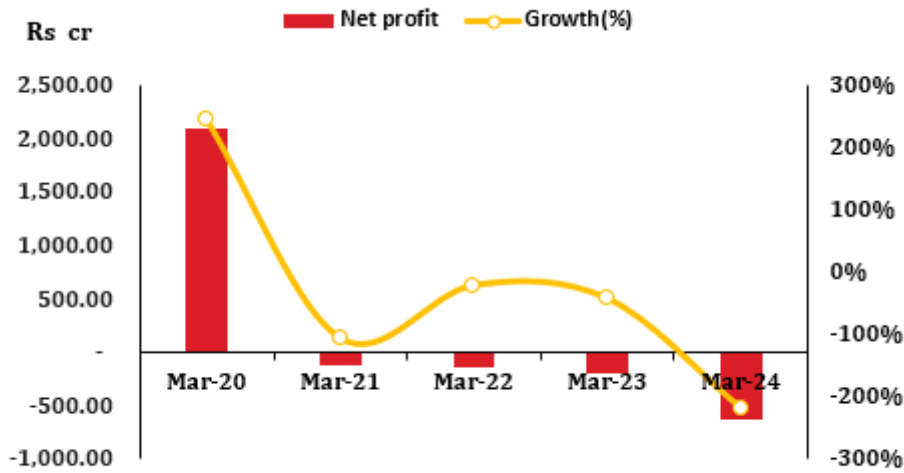
Key Metrics: Quarterly





Key Metrics: Yearly





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