

Q4 & FY19 Result Analysis

CMP (INR) (As on 6th June 2019)	222
Previous Target (INR)	275
Current Target (INR)	275
Upside(%)	24%
Recommendation	Strong Buy

BSE Code	500119
NSE Code	DHAMPURSUG
Reuters Ticker	DSM IN
Bloomberg Ticker	DAMS.BO

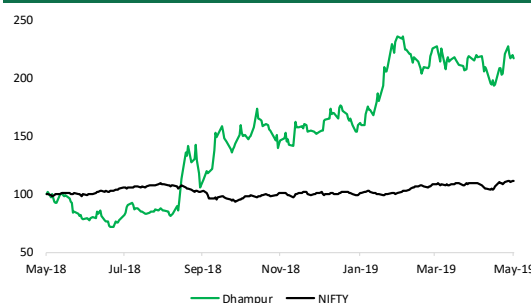
Stock Scan

Market cap (INR Cr.)	1476
Outstanding Shares (Cr.)	6.64
Face Value (INR)	10.00
Dividend Yield(%)	1.31
TTM P/E (x)	6.04
Industry P/E (x)	7.79
Debt/Equity	1.3
Beta vs. Nifty	0.81
52 Week High/ Low (INR)	252/72
Avg. Daily Vol. (NSE)/1 yr.	895510

Shareholding Pattern (%)

	Mar-19	Dec-2018	Sep-2018
Promoters	49.08	49.08	49.08
Institutions	5.47	2.45	1.37
Non-institutions	45.44	48.22	49.35

Stock vs. Nifty (Relative Returns)



Company Overview

Dhampur Sugars Mills Limited (DSML) is one of India's largest sugar manufacturing companies with an aggregate crushing capacity of 45,500 TCD, distillery and co-generation operations of 400 KLPD and 125 MW (Saleable) respectively post expansion, spread across five plants in the cane-growing districts of Uttar Pradesh.

Key Highlights

- Net revenue decreased by 8% to INR816 crore against INR888 crore for the same quarter last year. Segmentwise, Sugar business declined 2% to INR772 crore vs INR788 crore last year. Ethanol/Chemicals grew 29% to INR139.25 crore, whereas Power grew by 4.6% to INR270 crore during the same period.
- In Q4FY19, 19 crore Kg of sugar was sold at an average realization of INR31.41/Kg against 20.4 crore Kg of sugar sold at an average realization of INR31.47/Kg last year.
- In terms of ethanol, 2.73 crore litres were sold at an average price of INR50.91/litre against 2.43 crore litres at an average price of INR44.39/litre.
- The Company sold 19.67 crore unit of Power against 19.97 crore unit last year at an average rate of INR5.22/unit against INR4.97/unit last year.
- EBITDA grew multiple fold to INR187 crore vs INR15 crore. Similarly, PAT grew to INR103 crore vs loss of INR9 crore last year.
- Sugar Sale in FY19 of 6.6 lac tons includes exports of raw Sugar of 0.52 lac tons.
- The Company repaid long term loans of INR39.97 crores during Q4FY19. Total repayment of long term loan during the year FY19 is INR121.37 Crores.
- Long Term Debt-Equity ratio at 0.56 as on 31st March 2019.

Exhibit 1: Financial Performance at a glance (Standalone)

Particulars (INR Cr)	FY18	FY19	FY20E	FY21E	FY22E
Net Sales	3,279	2,754	3,422	3,601	3,747
Growth %	29.4%	-16.0%	24.2%	5.2%	4.0%
EBITDA (Ex. OI)	364	480	749	798	824
EBITDA Margin (%)	11.1%	17.4%	21.9%	22.2%	22.0%
Adj. Net Profit	157	255	483	523	562
Net Profit Margin (%)	4.8%	9.3%	14.1%	14.5%	15.0%
EPS	23.65	38.36	72.64	78.67	84.50
BVPS	152.91	187.05	253.76	325.30	396.73
P / E (x)	9.4	5.8	3.1	2.8	2.6
P / BV (x)	1.5	1.2	0.9	0.7	0.6
EV / EBITDA (x)	7.8	6.6	4.0	3.4	2.9
ROE (%)	16.3%	22.6%	33.0%	27.2%	23.4%
ROCE (%)	17.3%	21.1%	28.4%	25.7%	23.3%

Source: Company Data, SMIFS Research

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Exhibit 2: Financial performance

Particulars	Quarter Ended (Standalone)					Year Ended (Standalone)		
	Mar-19	Mar-18	YoY(%)	Dec-18	QoQ(%)	Mar-19	Mar-18	YoY(%)
Net Revenue	816	888	-8%	730	12%	2754	3279	-16%
COGS	1150	1240	-7%	711	62%	2395	2319	3%
Changes in Inventories	-643	-483	33%	-212	203%	-504	256	297%
Employee benefit expenses	41	34	21%	38	8%	138	118	17%
Other expenses	81	81	0%	68	20%	245	222	10%
EBITDA	187	15	1143%	126	49%	480	364	32%
EBITDA Margin	22.9%	1.7%	2118bps	17.2%	567bps	17.4%	11.1%	634bps
Depreciation & Amortisation	27	16	66%	16	68%	70	57	23%
Other Income	11	13	-15%	1	1125%	17	25	-32%
EBIT	171	12	1348%	110	55%	428	332	29%
Finance Cost	28	28	0%	15	90%	91	121	-25%
Exceptional Item	16	-	-	-	-	16	-	-
PBT	127	-16	881%	96	32%	321	211	52%
Tax Expense	23	-7	-422%	8	184%	66	54	23%
PAT	103	-9	1252%	87	18.3%	255	157	62%
PAT Margin	12.7%	-1%	1367bps	12%	70bps	9.3%	5%	446bps
EPS	15.56	-1.35	1253%	13.16	18%	38.40	23.67	62%

Source: Company Data

Exhibit 3: Actual v/s Estimate

Stewart & Mackertich Estimates	Q4FY19			INR Cr.
Particulars	Actual	Estimates	Variance	Remarks
Net Revenue	816	1165	-29.9%	Lower realisation than expected in Sugar and Ethanol has led to unfavourable variance in revenue. However, lower COGS than estimated has led to higher margins
EBITDA	187	103	81.2%	
EBITDA margin(%)	22.9%	8.8%	1403bps	
Net Income	103	63	64.0%	
Net Income margin (%)	12.7%	5.4%	725bps	

Source: Company Data and SMIFS Research

Exhibit 4: Change in Estimates

Particulars	FY20E			FY21E		
	Revised	Old	Change	Revised	Old	Change
Net Revenue	3422	3365	1.7%	3601	3524	2.2%
EBITDA	749	727	3.0%	798	816	-2.2%
EBITDA margin (%)	21.9%	21.6%	27bps	22.2%	23.2%	-99bps
PAT	483	492	-1.9%	523	570	-8.3%
PAT margin (%)	14.1%	14.6%	-51bps	14.5%	16.2%	-166bps

- We are slightly revising our Revenue estimates on the back of higher expected Sugar realizations.
- We are also slightly lowering down our profit estimates for FY20E & FY21E on back of higher probability of UP SAP to rise.

Outlook & Valuation

Outlook & Valuation:

The company has posted healthy set of numbers in Q4FY19, with a strong positive visibility of earnings for the upcoming quarters. The UP SAP prices were stable from the previous year and now that the elections are over, we expect the cane prices to slightly go up. Also Maharashtra could witness a draught situation in FY20 and hence, the area of sugarcane under cultivation can go down. This would lead to lower production of sugar in the country which could eventually keep MSP for Sugar at high levels. Moreover for the company more diversion towards B grade ethanol production could improve the profitability going forward.

On the back of reduced cyclicalities in earnings, lower cost of production compared to peers, sustainable cash flows and increasing return ratios, we assign a P/E multiple of 3.5x to FY21E EPS and maintain our Target price of INR275.

Please find below the link of our previous report:

[Stewart & Mackertich Research– Q3FY19 Result Analysis](#)

Date: 21st Feb 2019

CMP: 216

Target Price: INR275

[Stewart & Mackertich Research– A Report on Sugar Industry](#)

Date: 9th Nov 2018

CMP: 143

Target Price: INR274

Key Risks

Regulation Risk (High): The UP Govt is in talks to reduce the power tariff for power purchased from Sugar mills. The power segment contributes 12-15% to total revenue and 50% to total PBIT. Hence, any reduction in power tariffs would adversely affect the company.

Pricing Risk (Low): Currently the industry is facing high sugar inventory levels and if no production is not reduced there could be excess supply and sugar prices could go down, adversely affecting the profitability of the company.

Working Capital Risk (Low): The capital-intensive nature of the sugar business can impact organizational liquidity.

Financials

Income Statement (Standalone)					INR Cr.
Particulars (Y/E March)	FY18A	FY19A	FY20E	FY21E	FY22E
Net Sales	3,279	2,754	3,422	3,601	3,747
Cost of Raw Materials	2,295	2,395	2,437	2,565	2,603
Change in Inventories	280	(504)	(116)	(133)	(69)
Gross Profit	704	863	1,100	1,169	1,213
Employee Benefit Expenses	118	138	146	155	164
Other Expenses	222	245	205	216	225
Total Expenses	2,915	2,274	2,673	2,803	2,923
EBITDA	364	480	749	798	824
Other Income	25	17	21	22	23
Finance Costs	121	90	90	89	65
Depreciation & Amortization	57	70	72	73	75
Profit Before Tax	211	321	608	658	707
Tax Expense	54	66	125	135	145
Profit After Tax	157	255	483	523	562
EPS	24	38	73	79	85
Balance Sheet (Standalone)					INR Cr.
Particulars (Y/E March)	FY18A	FY19A	FY20E	FY21E	FY22E
Share Capital	66	66	66	66	66
Reserves & Surplus	950	1,177	1,620	2,095	2,570
Shareholders Fund	1,016	1,243	1,686	2,162	2,636
Borrowings	421	530	451	315	158
Other Non-Current Liabilities	7	23	23	23	23
Total Long Term Liabilities	491	620	550	433	317
Short Term Borrowings	931	1,139	1,057	961	777
Trade Payables	502	561	451	439	422
Other Current Liabilities & Provisions	183	264	257	235	253
Total Short Term Liabilities	1,615	1,965	1,765	1,635	1,452
Total Equities & Liabilities	3,123	3,827	4,002	4,230	4,406
Fixed Assets & Capital WIP	1,616	1,627	1,617	1,597	1,597
Investments	7	33	33	33	33
Long Term Loans	9	4	4	4	4
Other Non-Current Assets	48	29	29	39	49
Total Non-Current Assets	1,680	1,692	1,682	1,673	1,683
Inventories	1,146	1,656	1,807	1,962	2,045
Trade Receivables	243	315	380	450	520
Cash & Bank Balances	10	10	35	62	71
Other Current Assets	44	155	97	83	87
Total Current Assets	1,443	2,135	2,320	2,557	2,723
Total Assets	3,123	3,827	4,002	4,230	4,406

Source: Company Data, SMIFS Research

Financials

Cash Flow Statement (Standalone)					INR Cr.
Particulars (Y/E March)	FY18A	FY19A	FY20E	FY21E	FY22E
Profit before Tax	211	321	608	658	707
Adjustments:					
Depreciation & Amortization	57	70	72	73	75
Finance Cost	121	90	90	89	65
Other Costs & Provisions	(1)	-	-	-	-
Operating Profit before WC Changes	387	481	770	821	847
Adjustments to WC	474	(544)	(277)	(245)	(163)
Operating Profit after WC Changes	861	(63)	492	576	684
Direct Taxes Paid & Exceptional Items	(56)	(66)	(125)	(135)	(145)
Cash Flow from Operating Activities	805	(129)	367	440	539
Cash Flow from Investing Activities	(166)	(70)	(62)	(54)	(75)
Cash Flow from Financing Activities	(648)	199	(280)	(360)	(455)
Net Change in Cash & Cash Equivalents	(9)	0	26	26	9
Opening Cash & Cash Equivalents	11	2	3	28	55
Closing Cash & Cash Equivalents	2	3	28	55	63
Key Ratios (Standalone)					
Particulars (Y/E March)	FY18A	FY19A	FY20E	FY21E	FY22E
Profitability Ratios (%)					
ROA	4.9%	7.3%	12.3%	12.7%	13.0%
ROE	16.3%	22.6%	33.0%	27.2%	23.4%
ROCE	17.3%	21.1%	28.4%	25.7%	23.3%
Per Share (INR)					
EPS	23.65	38.36	72.64	78.67	84.50
DPS	6.50	3.55	5.00	6.00	11.00
BVPS	152.91	187.05	253.76	325.30	396.73
Valuation Parameter (x)					
P/E	9.4	5.8	3.1	2.8	2.6
P/BV	1.5	1.2	0.9	0.7	0.6
Mcap/Sales	0.5	0.5	0.4	0.4	0.4
EV/EBITDA	7.8	6.6	4.0	3.4	2.9
Liquidity Ratios (x)					
Current Ratio	0.9	1.1	1.3	1.6	1.9
Acid Test Ratio	0.2	0.2	0.3	0.4	0.5
Debt/Equity	1.3	1.3	0.9	0.6	0.4
Efficiency Ratios (x)					
Asset Turnover	1.0	0.8	0.9	0.9	0.9
Inventory Turnover	2.0	1.4	1.3	1.3	1.3
Margin Ratios (%)					
Gross Margin	21.5%	31.3%	32.1%	32.5%	32.4%
EBITDA Margin	11.1%	17.4%	21.9%	22.2%	22.0%
PAT Margin	4.8%	9.3%	14.1%	14.5%	15.0%

Source: Company Data, SMIFS Research

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