

# Upper Ganges Sugar & Industries Ltd



## Key Stock Indicators

NSE Ticker:	UPERGANGES	CMP (as on 02 May 2011 Rs/Share):	60.0	Shares outstanding (mn):	11.6
Bloomberg Ticker:	UGSI:IN	52-weekrange up to 02 May 2011 (rs)(H/L):	68.80/42.40	Free Float (%):	48.8
Face value / Share:	10.0	Market Cap as on 02 May 2011 (Rs Mn):	693	Average daily volumes (12 months):	18,738
Div. Yield (%):	0.0	Enterprise Value as on 02 May 2011 (Rs Mn):	5,606	Beta (2 year):	1.1

Upper Ganges Sugar & Industries Limited (UGSIL) was incorporated in 1932. It belongs to the K.K. Birla group of companies. The company is into sugar and its integrated products and tea production. It has its manufacturing facilities in Uttar Pradesh, Bihar and Assam.

## KEY HIGHLIGHTS

Into tea production apart from sugar and its integrated products

UGSIL has aggregate capacity to crush about 18,000 tonnes of sugarcane per day (TCD), distillery capacity of 100 kilolitres per day (KLPD) of industrial alcohol/ ethanol. The company also has two co-generation plants with a total capacity of 42 MW power, a bio-compost plant producing organic fertiliser and a tea garden —Cinnatollah Tea Garden — spread over an area of 746 hectares at North Lakhimpur, Assam.

Part of a well diversified group

UGSIL belongs to the K. K. Birla group, which has presence across industries like fertilisers, chemicals, heavy engineering, textiles, shipping and media as well. The K. K. Birla group of sugar companies is one of the largest players in the Indian private sector, with a crushing capacity of around 40,000 tonnes daily. The group produces plantation white crystal sugar through its network of highly efficient seven plants located in the states of Uttar Pradesh and Bihar in northern India.

## KEY RISKS

- Availability of sugarcane
- Product concentration risk as ~78% of revenue comes from sugar segment
- Fluctuations in monsoon can affect the operations of the company
- Change in government regulations

## Stock Performances vis-à-vis market

	Returns (%)			
	YTD	1-m	3-m	12-m
UPERGANGES	8	12	16	11
NIFTY	9	-4	5	9

Note:

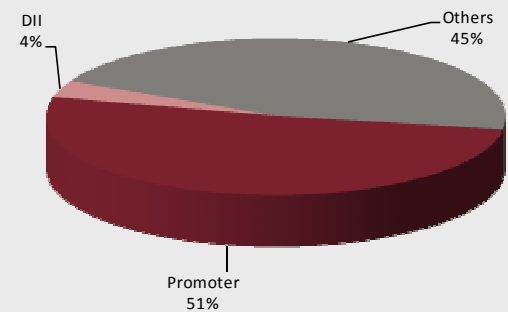
- 1) YTD returns are since Jul 01, 2010 to May 02, 2011.
- 2) 1-m, 3-m and 12-m returns are up to May 02, 2011.

## Key Financial Indicators

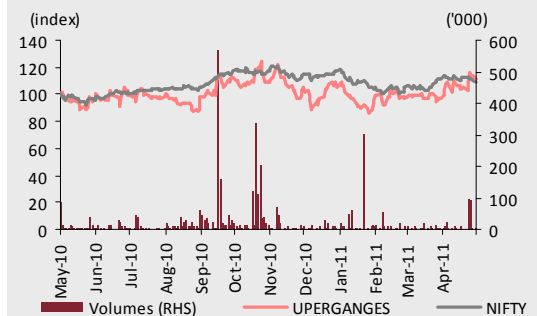
	Jun-08	Jun-09	Jun-10
Revenue (Rs mn)	2,997.9	4,445.4	3,984.4
EBITDA margins (%)	11.9	17.0	2.1
PAT (Rs mn)	-51.3	71.8	-374.1
PAT margins(%)	-1.7	1.6	-9.4
Gearing (x)	3.5	2.7	4.2
EPS (Rs/share)	-4.4	6.2	-32.4
PE (x)	n.m	11.2	n.m
P/BV (x)	0.6	0.5	0.6
RoCE (%)	4.8	9.2	n.m.
RoE (%)	n.m.	4.7	n.m.
EV/EBITDA (x)	16.9	6.5	67.5

n.m.: Not meaningful

## Shareholding (As on March 31,2011)



## Indexed price chart



# Upper Ganges Sugar & Industries Ltd

## BACKGROUND

UGSIL was incorporated on August 10, 1932, under the name Upper Ganges Sugar Mills Ltd. The name was changed to Upper Ganges Sugar & Industries Ltd on September 3, 1984. The company is part of the K. K. Birla group, which is a major player in fertilisers, chemicals, heavy engineering, textiles, shipping, etc. UGSIL began with a 5,000 TCD capacity sugar mill at Seohara in Uttar Pradesh. Today, the company has aggregate crushing capacity of 18,000 TCD, distillery capacity of 100 KLPD of industrial alcohol/ethanol, two co-generation plants of 42 MW of power, a bio-compost plant producing organic fertiliser and a tea garden. It has three sugar manufacturing units, one in Uttar Pradesh and two in Bihar. In FY10, sugar contributed to ~78% of revenue, spirits ~9%, co-generation ~7%, tea ~4% and others ~1%.

## COMPETITIVE POSITION

### Peer Comparison

	Upper Ganges Sugar & Ind. Ltd. Jun-10	Simbhaoli Sugars Ltd Sep-10	Balrampur Chini Mills Ltd Sep-09	Oudh Sugar Mills Ltd Jun-10
Revenue (Rs mn)	3,984.4	12,984.3	17,709.8	5,332.8
EBITDA margins (%)	2.1	-2.3	26.1	1.8
PAT (Rs mn)	-374.1	-744.6	2,090.5	-816.7
PAT margins (%)	-9.4	-5.7	11.8	-15.3
Gearing (x)	4.2	16.7	0.9	10.5
EPS (Rs/share)	-32.4	-31.9	81.4	-31.4
PE (x)	n.m	n.m	1.0	n.m
P/BV (x)	0.6	2.4	0.2	0.9
RoCE (%)	n.m.	n.m	14.8	n.m
RoE (%)	n.m.	n.m	19.8	n.m
EV/EBITDA (x)	67.5	n.m	2.5	105.0

n.m: Not meaningful

## FINANCIAL PROFILE

### Decline in top line, sharp drop in EBITDA margin, company reports loss

Top line declined ~10% year-on-year to Rs 3.98 bn in FY10 from Rs 4.44 bn in FY09. Revenues from the sugar segment decreased ~8%, which was partially compensated by increase in revenues from other segments like spirits, tea and co-generation. Sugar division contributed ~78% to total revenue in FY10, so decline in this division impacted total revenues.

EBITDA margin declined 1,490 basis points to 2.1% from 17% in FY09, mainly due to increase in raw material costs, employee costs and lower sales realisations.

The company reported a net loss of Rs 374.1 mn in FY10, against a net profit of Rs 71.8 mn in FY09. The company incurred a net loss due to lower operating profit and higher depreciation charges.

## Key Financial Indicators

	Units	Jun-08	Jun-09	Jun-10
Revenue	Rs million	2,997.9	4,445.4	3,984.4
EBITDA margins	Per cent	11.9	17.0	2.1
PAT	Rs million	-51.3	71.8	-374.1
PAT margins	Per cent	-1.7	1.6	-9.4
Revenue growth	Per cent	-6.2	48.3	-10.4
EBITDA growth	Per cent	277.8	112.5	-89.0
PAT growth	Per cent	n.m.	n.m.	n.m.
Gearing	Times	3.5	2.7	4.2
RoCE	Per cent	4.8	9.2	n.m.
RoE	Per cent	n.m.	4.7	n.m.

## INDUSTRY PROFILE

### Sugar

India is the world's largest consumer of sugar and it is also among the world's leading sugarcane and sugar producers. Sugar production in India is concentrated in six states namely, Maharashtra (30-35 per cent), Uttar Pradesh (30-35 per cent), Tamil Nadu (10 per cent), Karnataka (10 per cent), Gujarat (5 per cent) and Andhra Pradesh (4 per cent). The industry is fragmented, with close to 500 mills operating in the country. Being an agricultural commodity, the production of sugarcane – the main input in the manufacture of sugar - is vulnerable to weather vagaries. The sugar industry is also highly regulated. The government controls the distribution of sugar in the open market, i.e. free sale of sugar, through a regulated release mechanism. The government controls sugarcane pricing through the Fair and Remunerative Price (F&RP) (earlier the statutory minimum price). The F&RP for sugarcane for SS 2010-11 has been pegged at Rs 139.12 per quintal, linked to a recovery rate of 9.5 per cent. Players with integrated operations (distillery and co-generation) are better placed to tackle the cyclicity in the business, as the distillery and co-generation businesses provide a steady revenue stream throughout the cycle.

### Distillers and Brewers

Factors such as rising disposable income, changing lifestyle coupled with increasing social acceptance of alcohol consumption are expected to drive growth in this industry. Regulations play an important role in the Indian alcohol industry and every state has its own regulations primarily with respect to distribution channels, taxation and pricing of alcohol. Over the past 5 years, IMFL consumption has grown at around 15 percent CAGR and stood at 210-240 million cases in 2009-10. IMFL can be further divided into sub-segments- whiskey, brandy, rum, gin and vodka, whiskey being the largest, contributing more than 50 percent of the total IMFL demand. Beer consumption in India has demonstrated a CAGR of around 17 per cent over the past 5 years, clocking sales of 180-200 million cases in 2009-10. In India, strong beer is preferred over mild beer. The Indian wine industry is still at a nascent stage and has registered a CAGR of around 25 percent in consumption over the past 5 years. In 2009-10, consumption of wine (across all price points) was approximately 1 million cases. Different types of wines are available, prominent being - red, white and rose

# Upper Ganges Sugar & Industries Ltd

## ANNUAL RESULTS

### Income Statement

(Rs million)	Jun-08	Jun-09	Jun-10
Net Sales	2,700.5	4,315.2	3,814.8
<b>Operating Income</b>	<b>2,997.9</b>	<b>4,445.4</b>	<b>3,984.4</b>
<b>EBITDA</b>	<b>355.6</b>	<b>755.8</b>	<b>83.1</b>
<b>EBITDA Margin</b>	<b>11.9</b>	<b>17.0</b>	<b>2.1</b>
Depreciation	206.3	259.8	263.2
Interest	358.7	477.1	475.7
Other Income	79.9	70.2	100.3
PBT	-76.4	94.6	-560.1
<b>PAT</b>	<b>-51.3</b>	<b>71.8</b>	<b>-374.1</b>
<b>PAT Margin</b>	<b>-1.7</b>	<b>1.6</b>	<b>-9.4</b>
No. of shares (Mn No.)	11.6	11.6	11.6
Earnings per share (EPS)	-4.4	6.2	-32.4

### Cash flow

(Rs million)	Jun-08	Jun-09	Jun-10
Pre-tax profit	-129.5	89.2	-555.5
Total tax paid	-5.7	-4.8	-12.9
Depreciation	206.3	259.8	263.2
Change in working capital	-920.7	912.8	-560.9
<b>Cash flow from operating activities</b>	<b>-849.6</b>	<b>1,257.0</b>	<b>-866.1</b>
Capital Expenditure	-980.3	-114.8	45.2
Investments and others	-2.6	-33.5	-11.3
<b>Cash flow from investing activities</b>	<b>-982.9</b>	<b>-148.3</b>	<b>33.9</b>
Equity raised/(repaid)	0.0	0.0	0.0
Debt raised/(repaid)	1,757.9	-1,076.7	838.6
Dividend (incl. tax)	0.0	-16.2	0.0
Others (incl extraordinary)	53.0	5.4	-4.6
<b>Cash flow from financing activities</b>	<b>1,810.9</b>	<b>-1,087.5</b>	<b>834.0</b>
Change in cash position	-21.6	21.2	1.8
Opening cash	45.7	24.1	45.3
Closing cash	24.1	45.3	47.2

n.m : Not meaningful;

### Balance sheet

(Rs million)	Jun-08	Jun-09	Jun-10
Equity share capital	115.6	115.6	115.6
Reserves and surplus	1,382.1	1,437.7	1,063.6
<b>Tangible net worth</b>	<b>1,497.7</b>	<b>1,553.3</b>	<b>1,179.2</b>
Deferred tax liability: asset	44.6	62.5	-136.3
Long-term debt	2,799.0	2,740.8	2,665.7
Short-term-debt	2,399.3	1,380.8	2,294.5
<b>Total debt</b>	<b>5,198.3</b>	<b>4,121.6</b>	<b>4,960.3</b>
Current liabilities	732.4	779.4	1,136.6
Total provisions	8.6	23.8	23.6
<b>Total liabilities</b>	<b>7,481.6</b>	<b>6,540.6</b>	<b>7,163.4</b>
Gross block	4,940.0	5,617.7	5,710.9
Net fixed assets	4,509.9	4,364.8	4,056.5
<b>Investments</b>	<b>352.0</b>	<b>385.4</b>	<b>396.7</b>
<b>Current assets</b>	<b>2,619.7</b>	<b>1,790.4</b>	<b>2,710.1</b>
Receivables	109.4	156.5	104.3
Inventories	2,154.5	1,260.1	2,213.7
Cash	24.1	45.3	47.2
<b>Total assets</b>	<b>7,481.6</b>	<b>6,540.6</b>	<b>7,163.3</b>

### Ratio

	Jun-08	Jun-09	Jun-10
Revenue growth (%)	-6.2	48.3	-10.4
EBITDA growth(%)	277.8	112.5	-89.0
PAT growth(%)	n.m.	n.m.	n.m.
EBITDA margins(%)	11.9	17.0	2.1
Tax rate (%)	-7.5	5.1	-2.3
PAT margins (%)	-1.7	1.6	-9.4
Dividend payout (%)	0.0	19.3	0.0
Dividend per share (Rs)	0.0	1.2	0.0
BV (Rs)	129.6	134.4	102.0
Return on Equity (%)	n.m.	4.7	n.m.
Return on capital employed (%)	4.8	9.2	n.m.
Gearing (x)	3.5	2.7	4.2
Interest coverage (x)	1.0	1.6	0.2
Debt/EBITDA (x)	14.6	5.5	59.7
Asset turnover (x)	0.7	0.8	0.7
Current ratio (x)	0.8	0.8	0.8
Gross current assets (days)	317	146	246

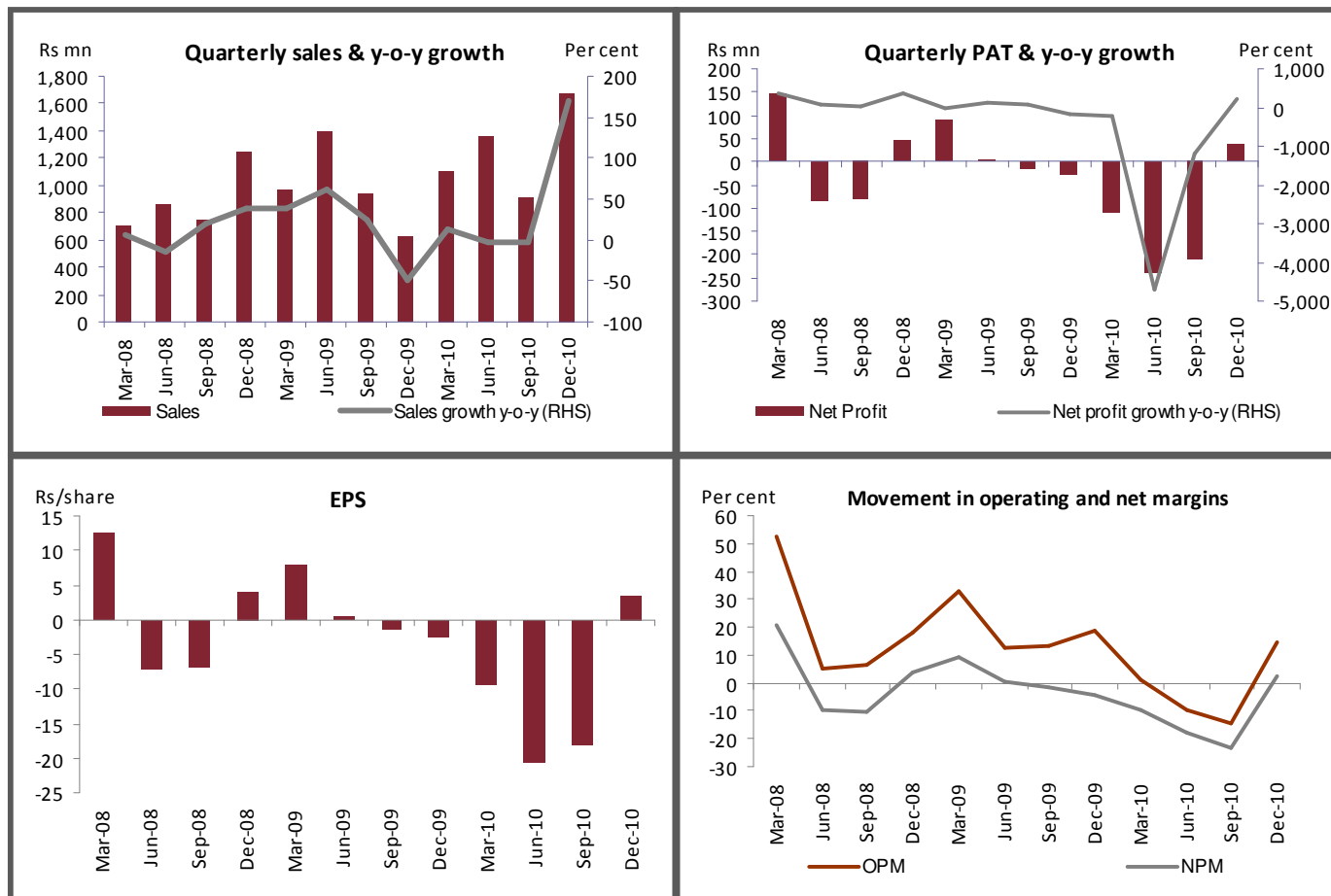
## QUARTERLY RESULTS

### Profit and loss account

(Rs million)	Dec-10	% of Rev	Dec-09	% of Rev	Sep-10	% of Rev	Dec-10	% of Rev	Dec-09	% of Rev
No of Months	3		3		3		6		6	
<b>Revenue</b>	<b>1,680.4</b>	<b>100.0</b>	<b>622.5</b>	<b>100.0</b>	<b>909.3</b>	<b>100.0</b>	<b>2,589.6</b>	<b>100.0</b>	<b>1,563.6</b>	<b>100.0</b>
<b>EBITDA</b>	<b>250.9</b>	<b>14.9</b>	<b>115.8</b>	<b>18.6</b>	<b>(129.9)</b>	<b>(14.3)</b>	<b>121.0</b>	<b>4.7</b>	<b>243.9</b>	<b>15.6</b>
Interest	131.0	7.8	92.3	14.8	117.6	12.9	248.6	9.6	182.0	11.6
Depreciation	66.2	3.9	70.4	11.3	66.0	7.3	132.2	5.1	134.8	8.6
PBT	53.8	3.2	(46.8)	(7.5)	(313.5)	(34.5)	(259.8)	(10.0)	(73.0)	(4.7)
<b>PAT</b>	<b>39.3</b>	<b>2.3</b>	<b>(28.2)</b>	<b>(4.5)</b>	<b>(208.8)</b>	<b>(23.0)</b>	<b>(169.5)</b>	<b>(6.5)</b>	<b>(44.6)</b>	<b>(2.9)</b>

# Upper Ganges Sugar & Industries Ltd

## FOCUS CHARTS & TABLES



### Shareholding Pattern (Per cent)

	Jun 2010	Sep 2010	Dec 2010	Mar 2011
Promoter	48.2	48.2	48.6	51.2
DII	3.8	3.8	3.8	3.5
Others	48.0	48.0	47.6	45.4

### Board of Directors

Director Name	Designation
Nandini Nopany (Ms.)	Chairperson & Managing Director
Gopal Krishna Bhagat (Mr.)	Non-Executive Director
Ram Kishore Choudhury (Mr.)	Director
Sunil Kanoria (Mr.)	Non-Executive Director
Pushpendra Kumar Lakhota (Mr.)	Director
Chandra Shekhar Nopany (Mr.)	Director
Kanwar Chiman Singh (Mr.)	Non-Executive Director
Ishwari Prosad Singh Roy (Mr.)	Non-Executive Director
Gaurav Swarup (Mr.)	Non-Executive Director

### Additional Disclosure

This report has been sponsored by NSE - Investor Protection Fund Trust (NSEIPFT).

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