

Small Wonder – Turnaround Special Andhra Sugars Ltd.

June 26, 2025



Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Chemicals	Rs 80.49	Buy in Rs 79.5-82 band and add on dips in Rs 69.5-70.5 band	Rs 90	Rs 102.5	3-4 quarters

HDFC Scrip Code	ANDSUGEQNR
BSE Code	590062
NSE Code	ANDHRSUGAR
Bloomberg	ASG IN
CMP Jun 25, 2025	80.49
Equity Capital (Rs Cr)	27.1
Face Value (Rs)	2
Equity Share O/S (Cr)	13.55
Market Cap (Rs Cr)	1060
Book Value (Rs)	117
Avg. 52 Wk Volumes	735410
52 Week High	126
52 Week Low	65.5

Share holding Pattern % (March, 2025)	
Promoters	47.3
Institutions	2.7
Non Institutions	50
Total	100



* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst

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Our Take:

The Andhra Sugars Ltd. (ASL) is a diversified player, with presence in chlor-alkali and its derivatives, sugar and allied activities, other organic and inorganic chemicals etc. The company has presence in southern India, which is a relatively better chlor-alkali market in terms of the demand-supply dynamics. Though the name is Andhra Sugar, the industrial chemicals contribution stood at 40% while Chlor-Alkali business at 33%, Sugar segment at ~6% and the balance from others. Company had investments and cash balances of Rs 196 crore on a consolidated basis as of March-2025. The profitability had moderated in FY24 owing to decreased caustic soda realisations along with higher power costs. Operating performance continued to remain weak with further margin dip of 70bps YoY at 5.3% during FY25. It was due to lower realisations and adverse operating leverage.

The company has an integrated chemical complex at Saggonda, manufacturing Caustic Soda, Chlorine and allied products. Caustic Soda plant has a capacity of 600 TPD, and the company commissioned a 500 TPD expansion of Sulphuric Acid. The high cost of power is a matter of concern for the company as it accounted for ~18.5% of total revenue.

The company continues to work to increase global business in regulated markets, as the Aspirin plant meets international standards under current good manufacturing practices (cGMP) and approval from EDQM and TGA. It manufactures various grades of salicylic acid and sodium salicylate. The company had commissioned a 2640 TPA capacity of salicylic acid in FY24.

Increased imports from other countries and a weak demand environment also led to a lacklustre operational performance. We feel that power saving initiatives and improvement in demand scenario could lead to better operational performance in the coming quarters.

Valuation & Recommendation:

Andhra Sugars reported improvement in overall performance in Q4FY25 after a lackluster result in the past 4-5 quarters on the back of pricing pressures and weak demand. Improvement in realisation, better volume growth and cost control to drive better margin in the medium term, in our view. We estimate 9% CAGR in revenue led by healthy growth in volumes across business segments and better realisations. Earlier, the company had enjoyed a margin profile of 18-20% however, weak demand and a sharp reduction in realisations across businesses led to significant erosion in operating margin and profitability. We expect a gradual improvement in operational performance over FY25-27E, and that would drive a 58% CAGR in adjusted net profit over the same period. The company has a strong Balance sheet with cash and equivalents of around Rs 196 crore as of Q4 FY25, which also provides comfort. The company also announced a dividend of Rs 0.80 per share for FY25.

We believe that power-saving initiatives and improvements in the demand scenario could lead to economies of scale and operating leverage, as well as a rerating of the stock, in addition to significant earnings growth despite a largely commodity-based portfolio.

We feel investors can buy the stock in the band of Rs 79.5-82 and add more in the band of Rs 69.5-70.5 (8.5x FY27E EPS) for base case target of Rs 90 (11x FY27E EPS) and bull case target of Rs 102.5 (12.5x FY27E EPS) over the next 3-4 quarters.

Financial Summary

Particulars (Rs cr)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Revenue	500	433	15.5	511	-2.1	1,509	1,962	2,368	1,894	2,020	2,177	2,388
EBITDA	51.8	30	71.4	21	142.1	216	261	299	113	106	149	198
Depreciation	21	20	6.6	21	2.3	61	64	67	76	81	88	98
Other Income	11	9	29.4	6	80.3	26	38	29	38	46	41	46
Interest Cost	1	0	310.7	0	187.5	27	13	4	1	2	4	4
Tax	5	3	92.7	1	489	29	54	62	14	11	27	39
PAT	5.9	25	-76.8	1	635	135	242	186	75	26	74	111
EPS (Rs)						10.0	17.9	13.7	5.5	2.0	5.5	8.2
RoE (%)						11.0	17.2	12.2	4.8	1.7	4.6	6.7
P/E (x)						7.5	4.2	5.4	13.4	37.5	13.6	9.1
EV/EBITDA (x)						4.5	3.7	3.2	8.5	9.1	6.5	4.9

(Source: Company, HDFC sec)

Q4FY25 Result Update

Revenue for the quarter grew 15.5% YoY at Rs 500 crore. EBITDA was up 71.4% YoY at Rs 51.8 crore. Net profit declined 76.8% YoY at Rs 6 crore. The company reported an exceptional loss of Rs 23.9 crore in the quarter. Other Income was up 29.5% YoY at Rs 11 crore.

Exceptional items for the year included Rs 1.97 crore towards provision for impairment of assets at Power Generation Unit at Tanuku and Rs 22.85 crore towards provision on account of FPPCA charges demand raised by DISCOMS. This is likely to get reversed in the near term, in our view.

For FY25, Total revenue increased 6.6% YoY at Rs 2020 crore. EBITDA was down 6% YoY at Rs 106 crore. Operating margin slipped 70bps YoY at 5.3% mainly on the back of lower gross margin. Net profit declined 65% YoY at Rs 26 crore. It included one-off exceptional loss of Rs 24.9 crore in FY25. Other Income was up 22% YoY at Rs 45.5 crore.

Sugar segment and Chlor-Alkali business reported weak operational performance while industrial chemicals business was steady during FY25.

Recently, the company announced the closure of the sugar unit and the Co-Generation unit at Tanuku permanently, while the sugar unit at Bhimadole, Andhra Pradesh, has been suspended for FY26.

Key Triggers

Business Outlook

The Andhra Sugars (ASL) is a diversified player, with presence in chlor-alkali and its derivatives, sugar and allied activities, other organic and inorganic chemicals and wind power. ASL has integrated operations (resulting in operating efficiencies) with substantial research and development capabilities and a sound management background. This partly insulates it from the business cycles affecting its two main businesses - Sugar and Chemicals. It has a presence in southern India, which is a relatively stronger chlor-alkali market in terms of demand-supply dynamics. Company had liquid investments and cash balances of ~Rs 177 crore on a consolidated basis as of March, 2024, and the significant unutilised working capital limits. The profitability had moderated in FY24 owing to decreased caustic soda realisations along with higher power costs. Operating performance continued to remain weak with further margin dip of 70bps YoY at 5.3%. It was due to lower realisations and adverse operating leverage. Industrial chemicals revenue contribution stood at 40% while the Chlor-Alkali business at 33%, the Sugar segment at ~6% and the balance from power, soap and others.

The company has an integrated chemical complex at Saggonda, manufacturing Caustic Soda, Chlorine and allied products. Caustic Soda plant has a capacity of 600 TPD and the company commissioned 500 TPD expansion of Sulphuric Acid. The high cost of power is a matter of concern for the company as it accounted for ~18.5% of total revenue.

The company set up a 500 TPD Sulphuric Acid Plant at Chemical Complex, Saggonda, with a cost of about Rs 118 crore, largely through internal Accruals. The unit commenced operations in Q1FY25, after receipt of Consent to Operate (CTO) from Pollution Authorities. With this total capacity of Sulphuric Acid increased to 800 TPD at Saggonda.

The company continues to work on increasing global business in regulated markets, as the Aspirin plant meets international standards under current good manufacturing practices (cGMP) and has approval from the EDQM and TGA.

It manufactures various grades of salicylic acid and sodium salicylate. The company had commissioned a 2640 TPA capacity of salicylic acid in FY24.

Company had commissioned 2.5 MW Solar Power Plant at Kovvur. This led to an improvement in the power availability to the Chemical Plants at Saggonda. At Saggonda, the company has a 33 MW Coal Based Captive Power Plant.

Diversified business segments

Andhra Sugars (ASL) is a diversified player, with a presence in chlor-alkali and its derivatives, sugar and allied activities, as well as other organic and inorganic chemicals and wind power. At a standalone level, the chemical division, which includes caustic soda, caustic potash, sulphuric acid, chlorine, hydrochloric acid, and industrial alcohol, etc., accounts for a significant part of revenue. Company reported moderation in operating profitability in FY24 and 9M FY25, however overall performance witnessed improvement in Q4FY25. Sugar segment continues to drag overall operating performance with EBIT loss widened during FY25.

Capex stood at Rs 134 crore for FY24, and it was at Rs 95 crore for FY25. The company had cash & equivalents of Rs 196 crore vs. Rs 178 crore as of March 2024. It included Rs 139 crore of investment in Mutual Fund. The company has non-current investments worth Rs 183 crore, a large

part of which is a ~33% stake in Andhra Petrochemicals.

Business Segments

(Rs cr)	FY21	FY22	FY23	FY24	FY25
Sugar	135	129	135	160	127
Chlor Alkali	536	753	951	706	680
Chemicals	479	652	805	680	838
Soap	259	330	384	245	280
Others	81	86	78	89	105
Power	19	13	14	13	21

Capital Employed

(Rs cr)	FY25	FY24	FY23
Sugar	145	203	229
Chlor Alkali	667	641	663
Chemicals	313	274	230
Soap	46	38	29
Others	458	447	479
Power	60	78	93

(Source: Company, HDFC sec)

Key Risks

Exposed to volatility in ECU realization

The ECU realisations have been volatile in the past. International caustic soda prices moderated in FY20 and FY21. We note that in FY22 and H1 FY23, global caustic soda prices experienced an overall upward trend. However, moderation was observed in H2 FY23, FY24, and FY25 due to pressure on demand and increased capacity additions, which put pressure on realisations. The chloro alkali segment recorded a profitability (EBIT) of 6.8% in FY24 vs. 24.8% in FY23 due to a significant decline in the realisation of caustic soda. EBIT improved to 7.5% in Q1FY25.

Cyclical nature of sugar and chemical businesses

The profitability of the sugar business is exposed to cyclicity of the sugar industry, agro-climatic risks related to cane production and Government policies on sugar trade, cane cost and sugar realisation. The chemical industry is exposed to currency fluctuations and varying duty structures, in addition to the cyclicity associated with global and domestic demand-supply balances.

Higher power & fuel cost

Power and fuel costs stood at 18%, 20.9%, and 18.3% of sales in FY23, FY24, and FY25, respectively. We expect gradual moderation in expenses as overall business growth improves led by better realisations. This is likely to be at ~17% of sales in the next two years. It may see further improvement if the realizations increase significantly.

Company Background

The Andhra Sugars (ASL) is a diversified company, with presence in sugar and allied activities, chemicals, including chlor-alkali and its derivatives, other organic and inorganic chemicals and power. It was promoted by Late Dr. Mullapudi Harischandra Prasad and Late P. S. R. V. K. Ranga Rao. ASL commenced its operations as a sugar manufacturer in 1947 and gradually diversified into other businesses. At present, it has four operating divisions (i) Sugar and allied products (including co-products like bagasse and molasses, co-generation and distillery operations) (ii) Chlor-alkali products like caustic soda and its co-products, caustic potash and its co-products (iii) Industrial chemical liquid propellants and other related products, solid and liquid rocket propellants (iv) Power generation and other products.

Caustic Soda

Caustic soda, or sodium hydroxide, is an inorganic compound with the formula NaOH. It is a white consisting of sodium cations (Na⁺) and hydroxide anions (OH⁻). Caustic soda is a highly corrosive base and alkali that decomposes lipids and proteins even at ambient temperatures, which can cause severe chemical burns. It is readily soluble and hygroscopic, and the solid is usually noted to be a variable amount of water in the form of hydrates (NaOH·nH₂O).

Caustic soda is unique chemical properties, which make it highly utilised in various industrial applications. It is commonly used in the production of wood pulp and paper, as well as in the manufacture of textiles, drinking water, soaps, and detergents, and serves as a drain cleaner. Sodium hydroxide is also widely used in laboratory studies as an example of the pH scale, neutral water, and hydrochloric acid. It is also used in saponification, and you can read more about it by clicking on the function of caustic soda in soap making.

Jocil Ltd.

Jocil has over four decades of experience in manufacturing stearic acid flakes, fatty acids, toilet soap, soap noodles and refined glycerine. Jocil is a subsidiary of The Andhra Sugars Limited (TASL; holding ~55% stake), with established business operations based in South India. J. Murali Mohan, Managing Director, has over four decades of experience in the industry, and other directors of the company are also experienced and well-qualified.

Jocil's customers include a reputed client base, with its sales being to major players in India such as Hindustan Unilever Limited (HUL), Reckitt Benckiser Group (RB), ITC Limited, and MRF Limited, among others. The company established a long-standing relationship with these customers, resulting in repetitive orders. However, Jocil faces a customer concentration risk, with ~50% of its revenue derived from a single customer.

Risk is partially mitigated through repetitive orders from the customer.

Jocil has expanded capacity by 18,000 MT, with demand expected from FMCG, and the capex was funded through internal accruals. Management has articulated that the parent company will provide support to Jocil in short-term requirements.

Raw material price volatility could impact profitability

Major raw materials required for the manufacturing of soap noodles include non-edible oils, including palm oil, rice bran oil, shea olein and derivatives – fatty acids such as palm fatty acid distillate (PFAD), rice bran fatty acid, and lauric acid, among others, which contribute 80-83% of total revenue. These products are derivatives of crude vegetable oils and are volatile. Adverse changes in these prices could impact profitability.

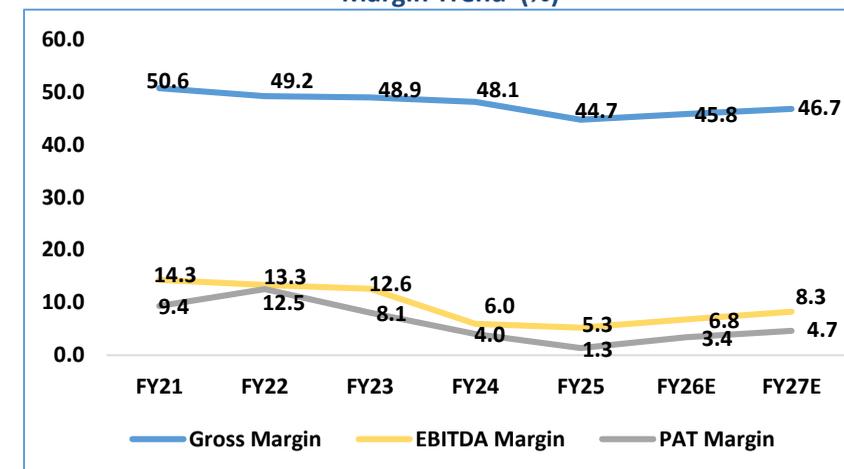
About Jocil

Jocil was incorporated in February 1978 as Andhra Pradesh Oil and Chemicals Limited which, in 1992, was renamed as Jocil Ltd. Jocil is primarily engaged in manufacturing fatty acids, stearic acid, refined glycerin, soap noodles, toilet soap and its byproducts and industrial oxygen at its manufacturing facility in Dokiparru village, Guntur, Andhra Pradesh. The company also has a 6 MW biomass cogeneration captive power plant at the same premises. Jocil has four Wind Energy Generators (WEG) in Tamil Nadu, the power generated is sold to Tamil Nadu Generation & Distribution Corporation Ltd (TANGEDCO).

Caustic Soda (Rs/50kg)



Margin Trend (%)



(Source: Company, HDFC sec)

Financials (Consolidated)

Income Statement

(Rs Cr)	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Revenue	1962	2368	1894	2020	2177	2388
Growth (%)	30.0	20.7	-20.0	6.6	7.8	9.7
Operating Expenses	1701	2069	1781	1914	2029	2191
EBITDA	261	299	113	106	149	198
Growth (%)	21.1	14.4	-62.2	-6.1	40.1	32.9
EBITDA Margin (%)	13.3	12.6	6.0	5.3	6.8	8.3
Depreciation	64	67	76	81	88	98
EBIT	197	232	37	25	61	99
Other Income	38	29	38	46	41	46
Interest expenses	13	4	1	2	4	4
PBT	300	253	90	38	102	150
Tax	54	62	14	11	27	39
APAT	242	193	75	43	74	111
Growth (%)	79.5	-23.2	-59.6	-65.2	175.6	49.8
RPAT	242	186	75	26	74	111
EPS	17.9	13.7	5.5	2.0	5.5	8.2

Balance Sheet

As at March	FY22	FY23	FY24	FY25	FY26E	FY27E
SOURCE OF FUNDS						
Share Capital	27.1	27.1	27.1	27.1	27.1	27.1
Reserves	1491	1514	1556	1565	1609	1677
Shareholders' Funds	1519	1541	1583	1592	1636	1704
Long Term Debt	9	4	1	0	0	0
Net Deferred Taxes	76	81	77	79	79	79
Long Term Provisions & Others	35	31	31	37	52	63
Minority Interest	94	96	98	96	96	96
Total Source of Funds	1732	1753	1790	1804	1862	1942
APPLICATION OF FUNDS						
Net Block	783	931	994	1009	1049	1031
Non Current Investments	283	178	195	183	189	199
Long Term Loans & Advances	58	52	43	47	52	60
Total Non Current Assets	1124	1161	1232	1239	1291	1290
Current Investments	126	129	122	139	150	172
Inventories	468	414	434	446	465	512
Trade Receivables	240	232	189	194	217	240
Cash & Equivalents	38	60	56	57	37	49
Other Current Assets	32	37	41	31	42	55
Total Current Assets	907	873	842	867	914	1033
Short-Term Borrowings	46	20	30	13	30	39
Trade Payables	165	151	171	208	218	230
Other Current Liab & Provisions	81	102	72	69	76	88
Short-Term Provisions	8	10	12	14	18	24
Total Current Liabilities	300	282	285	303	342	381
Net Current Assets	608	591	558	564	572	652
Total Application of Funds	1732	1753	1790	1804	1862	1942

(Source: Company, HDFC sec)

Cash Flow Statement

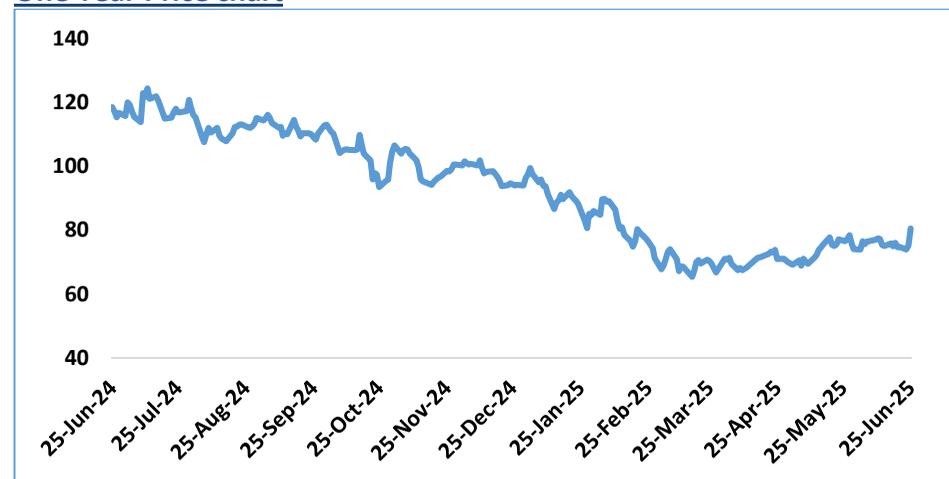
(Rs Cr)	FY22	FY23	FY24	FY25	FY26E	FY27E
Reported PBT	300	253	90	38	102	150
Non-operating & EO items	-38	-29	-38	-46	-41	-46
Interest Expenses	13	4	1	2	4	4
Depreciation	64	67	76	81	88	98
Working Capital Change	-105	51	41	55	-27	-68
Tax Paid	-57	-60	-19	-9	-27	-39
OPERATING CASH FLOW (a)	176	286	151	121	97	100
Capex	-93	-217	-135	-95	-128	-80
Free Cash Flow	83	69	7	33	-31	20
Investments	28	-17	-4	-44	-11	-17
Non-operating income	38	29	38	46	41	46
INVESTING CASH FLOW (b)	-27	-205	-102	-94	-98	-52
Debt Issuance / (Repaid)	-106	-33	5	-18	15	11
Interest Expenses	-13	-4	-1	-2	-4	-4
FCFE	-36	33	10	13	-19	27
Share Capital	0	0	2	0	0	0
Dividend/Buyback	-28	-55	-28	-14	-31	-43
FINANCING CASH FLOW (c)	-147	-91	-23	-34	-19	-36
NET CASH FLOW (a+b+c)	2	-10	27	-7	-20	12

Key Ratios

	FY22	FY23	FY24	FY25	FY26E	FY27E
Profitability (%)						
Gross Margin	49.2	48.9	48.1	44.7	45.8	46.7
EBITDA Margin	13.3	12.6	6.0	5.3	6.8	8.3
EBIT Margin	10.0	9.8	2.0	1.3	2.8	4.2
PAT Margin	12.5	8.1	4.0	1.3	3.4	4.7
RoE	17.2	12.2	4.8	1.7	4.6	6.7
RoCE	11.3	13.2	2.1	1.4	3.3	5.1
Solvency Ratio (x)						
Net Debt/EBITDA	-0.4	-0.6	-1.3	-1.7	-1.1	-0.9
D/E	0.0	0.0	0.0	0.0	0.0	0.0
Net D/E	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
PER SHARE DATA						
EPS	17.9	13.7	5.5	2.0	5.5	8.2
CEPS	22.6	18.7	11.1	7.9	12.0	15.5
BV	112	114	117	117	121	126
Dividend	4.0	2.0	1.0	0.8	1.3	2.2
Turnover Ratios (days)						
Debtor days	45	36	36	35	36	37
Inventory days	83	68	82	79	78	78
Creditors days	49	38	51	56	55	54
VALUATION (x)						
P/E	4.2	5.4	13.4	37.5	13.6	9.1
P/BV	0.7	0.7	0.6	0.6	0.6	0.6
EV/EBITDA	3.7	3.2	8.5	9.1	6.5	4.9
EV / Revenues	0.5	0.4	0.5	0.5	0.4	0.4
Dividend Yield (%)	5.4	2.7	1.3	1.1	1.7	3.0
Dividend Payout	22.4	14.6	18.0	40.3	23.8	26.8

(Source: Company, HDFC sec)

One Year Price chart



(Source: Company, HDFC sec)

HDFC sec Prime Research rating description

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This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions.

These stocks

have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

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