

CMP: INR 161

Rating: BUY

TP: INR 671

Stock Info

BSE	500780
NSE	ZUARIIND
Bloomberg	ZUAR:IN
Reuters	ZUARIIND.NS
Sector	Holding Co.
Face Value (INR)	10
Equity Cap (INR Mn)	297.8
Mkt Cap (INR Bn)	4.6
52w H/L (INR)	192 / 104
Avg Yearly Volume (in 000')	78.2

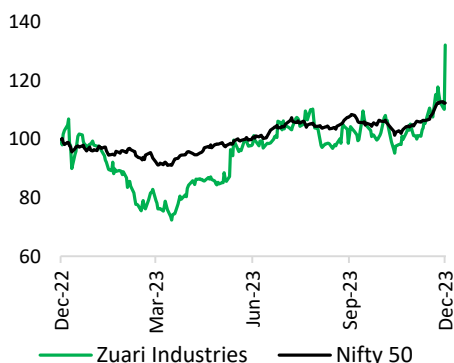
Shareholding Pattern %

(As on September, 2023)

Promoters	56.81
FII	1.36
DII	0.01
Public & Others	41.79

Stock Performance (%)	1m	3m	12m
Zuari industries	31	30	31
Nifty 50	6.4	4.3	11.6

ZIL Vs Nifty 50



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Zuari Industries Ltd (ZIL) is the holding company of the well-established and diversified Adventz Group. The Group has engineering expertise and offers technical consultancy, project management and contracting services to chemical, fertilizer, oil & gas, petrochemical, power, and other infrastructure projects. The Group has ventured into real estate and aims to create world-class yet affordable homes and office spaces. ZIL is the holding company of the group and apart from having financial investments into the group's operating entities, it also has SPE and real estate segment under ZIL.

Investment Rationale:

Improving Performance of the SPE segment (standalone): The earlier standalone Sugar mill is now forward integrated with distillery & cogeneration operations that allows derisk the highly regulated Sugar business while benefitting of the Ethanol Blending Program backed by the Government. The revenue from sugar segment increased 31.3% YoY in FY23. ZIL crushed 13.3 mn quintals (12.8 mn quintals in FY22) of sugar cane at a recovery rate of 9.85% (9.43% in FY22). Production of sugar was at 1.16 mn quintals (1.21 mn quintals in FY22) on account of higher diversion to B-heavy molasses for production of ethanol as better prices for ethanol were realized for B-Heavy & direct juice to ethanol conversion. Distillery plant of the company produced 26.5 mn litres of ethanol (26.2 mn litres in FY22) whereas the cogeneration unit produced 102.25 million units of power and sold 79.39 million units to the Uttar Pradesh Power Corporation Limited (UPPCL).

Large chunk of Land acres with ZIL and its Associates to be monetized in part: With around 1,000 acres of land parcels with ZIL & its Associates, the company is looking to monetize part of their land bank in order to de-leverage their financials. **The Group has around 630 acres of landbank in South Goa held through ZIL and Zuari Agro Chemicals.** ZIL has generated INR 597 mn in H1FY24 (INR 601 mn in FY23 for sale of 20.8 acres of land) from sale of part of their land, and will be selling some more in order to reduce the debt burden of the group.

Substantial Liquid Investments by the company: ZIL's has 20.05% in listed associate Texmaco Rail & Engineering, apart from significant stakes in other listed associates like Zuari Agro Chemicals and Texmaco Infrastructure & Holdings, and some marginal stake in Mangalore Chemicals & Fertilisers Ltd. The market value of their liquid assets alone is INR 19.15 bn, along with a diversified basket of Private subsidiaries contributing to the group's revenue.

Outlook: We expect the SPE business will remain stable in the future as the recent order on the prohibition of use of Sugar syrup for ethanol production will not affect their sugar business. ZIL has land bank of 630 acres in South Goa, and at a conservative valuation of INR 10 Mn per acres of value, the monetization of land will help reduce their debts substantially in the near to medium term. The Associates in the listed space are liquid assets with value at current Market Cap at INR 19 bn. Hence, at 50% Holding company discount to the assets and the land bank at INR 10 Mn per acre, we estimate a fair value of INR 671 per share.

Particulars (INR Mn)	FY19	FY20	FY21	FY22	FY23
Revenue	774.2	771	833.8	721.8	955.1
Other Income	99.8	124.7	148.7	225.4	182.3
Total Income	874	895.8	982.5	947.2	1137.4
EBITDA	81.4	133.2	204.6	237.6	210.1
EBITDA Margins (%)	9.3%	14.9%	20.8%	25.1%	18.5%
PBT	-52.7	-56	-48	-49.4	-65.7
PAT	-128.4	-366.9	-93	-35.8	306.3
PAT Margins (%)	-4.6%	-16.5%	-3.9%	-5.5%	-7.8%

Source: Company, Arihant Research

SOTP Valuation of Zuari Industries Holdings	% Stake	(in INR Mn)	
Indian Subsidiaries		Net Asset Value	
Indian Furniture Products Limited	86.05%		68
Simon India Limited	100%		661
Zuari Management Services Limited	100%		338
Zuari Infracore India Limited (ZILL)	100%		748
Zuari International Limited	100%		1,633
Zuari Sugar & Power Limited (0.25x of Revenue)	100%		9,864
Zuari Finserv Limited	100%		335
Zuari Envien Bioenergy Private Limited	100%		-2
Zuari Insurance Brokers Limited	100%		68
Zuari Infra Middle East Limited	100%		9
Zuari Infracore SJM Elysium Properties LLC	100%		-6
Zuari Investments Limited	100%		1,633
Total Net Assets (A)			15,350
Associates		Market Cap	Value for ZIL
Zuari Agro Chemicals Ltd	32.08%	7,963	2,555
Texmaco Infrastructure & Holdings Ltd	30.83%	13,577	4,186
Texmaco Rail & Engineering Ltd	20.05%	61,579	12,347
Mangalore Chemicals and Fertilisers Ltd	0.26%	14,501	38
Total Market Value (B)		97,620	19,125
Unlisted Associates		Profit / Loss	10X of Profit/Loss
New Eros Chemicals Ltd	100%	7	72
Darshan Nirmaan Private Limited	100%	0	0
Pranati Nirmaan Private Limited	100%	0	0
Brajbhumi Nirmaan Private Limited	100%	-1	-6
Total Value at 10x PE (C)		7	66
Total Value of All Holdings			34,540
Less: Total Standalone Debt			7,186
Total Value of Holding Company after Debt			27,354
At 50% Holding Co. Discount (D)			13,677
Land Bank 630 Acres (Valued at INR 10 Mn/Acre) (E)		630	6,300
Valuation incl. Land Bank (D+E)			19,977
Total Number of Shares (in Mn)			30
Target Price (INR per share)			671

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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