



EQUITY STRATEGISTS

INVESTMENT PICK

LOW RISK / HIGH RETURNS

HOLDING PERIOD – SIX MONTHS plus

Dated – 16th Feb 2004

ANDHRA SUGARS

Present Price – Rs.62.80

Projected Price – Rs.110

- **Andhra Sugars Ltd (ASL) located in Andhra Pradesh was established on the 11th of August 1947 (celebrated its Golden Jubilee last year) for production of sugar has now diversified into a large number of downstream products thereby adding a lot of value.**
- **It has its operations located at Tanuku, Kovvur and Guntur and now manufactures well over 25 products. Its sugar capacity is 7500 TCD and has bought a new unit which will further add to its capacity. MOLASSES which is a by-products from the sugar plant is used to produce INDUSTRIAL ALCOHOL & ETHANOL.**
- **MOLASSES which is a by-products from the sugar plant is used to produce INDUSTRIAL ALCOHOL & ETHANOL. The CARBON DIOXIDE that is a by-product at the Alcohol Plant is collected, scrubbed and used in the production of SALICYLIC ACID – an intermediate for ASPIRIN and also used in the sugar plant.**
- **BAGASSE which is another by – product from the Sugar Plant is used as fuel in CO – GENERATION to produce ELECTRICITY. With the use of a Cane Diffuser – Bagasse Dryer and High Pressure Boilers, our Sugar Unit – II generates surplus power by using bagasse and cane trash as fuel. This helps to produce lower cost electricity. **IN FACT, NOTHING GOES WASTE AT THE ANDHRA SUGARS LTD.****
- **SUGAR PRICES HAVE SHOT UP BY Rs.300 PER QUINTAL IN THE LAST ONE MONTH AND WE ARE OF THE STRONG VIEW THAT SUGAR INDUSTRY WILL BE FULLY DECONTROLLED VERY SHORTLY AND THIS WILL ACT AS A MAJOR CATALYST FOR SUPER PROFITS IN THE COMING YEARS.**

- It also manufactures Caustic Soda and with its recent expansion (Final Capacity – 175 TPD) it will have the second largest capacity of Caustic Soda after Gujarat Alkalies.
- It will be worth mentioning that Andhra Sugars is more of a Chemical Company and less of a Sugar Company. The range of products it manufactures is mindboggling – Acetic Acid, Acetic Anhydride, Ethyl Acetate, Aspirin, Salicylic Acid, Mono Methyl Hydrazine, Unsymmetrical Dimethyl Hydrazine, Ethanol, Industrial Alcohol, Carbon Dioxide, Caustic Soda, Chlorine, Hydrochloric Acid, Chlorosulphonic Acid etc.,.
- Very few investors will be aware that more than 25% of turnover comes from supplies to Pharamceutical companies like Divis Lab, Aurobindo Pharma, Suven Life Sciences, etc, and with prospects of pharma industry being very bright in the next two years, Andhra Sugars will be a direct beneficiary. WE ARE OF THE STRONG VIEW THAT MARKETS WILL GIVE A BETTER DISCOUNTING AS IT REALISES THAT ANDHRA SUGARS IS NOT JUST A SUGAR COMPANY.
- Andhra Sugars also manufactures Aspirin and it will get a USFDA approval in Q4 of the current year and this will give a major boost to its realizations.
- IT WONT BE OUT OF PLACE TO MENTION THAT ANDHRA SUGARS IS THE ONLY INDIAN COMPANY TO MANUFACTURE ROCKET FUEL FOR ISRO. THE ENTIRE CAPITAL EXPENDITURE HAS BEEN BORNE BY ISRO AND ANDHRA SUGAR EARNS AROUND Rs.1.5 cr EVERY YEAR. ISRO IS AN EXTEMEY SATISFIED CUSTOMER AND HENCE IT WILL BE EXPANDING THE CAPACITY IN FY2005 AND WE EXPECT THE PROFITS FROM THIS DIVISION HAVE THE POTENTIAL TO TRIPLE. THE ENTIRE CAPITAL EXPENDITURE WILL BE ONCE AGAIN BE BORNE BY ISRO. THIS FACT SPEAKS VERY HIGH OF THE TECHNICAL COMPETENCE OF ANDHRA SUGARS R&D TEAM.
- Andhra Sugar has taken care of its power requirements in a very optimal manner. Apart from generating nominal power through its Wind Farm Units, it has access to cheaper power as it has invested Rs.9.84cr in the Equity Capital of Andhra Gas Power Corporation Ltd. THE VALUE OF THIS INVESTMENT HAS MULTIPLIED OVER TEN TIMES TO AROUND RS.100 CR.
- BUY AT CURRENT LEVELS AND ALSO AT DECLINES.

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