

India

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Underweight (no change)**Highlighted Companies****Balrampur Chini Mills Ltd****REDUCE, TP Rs229, Rs414 close**

We feel the company's heavy investment in direct-route ethanol may not bear any fruit, given the current pricing of the same.

Triveni Engineering and Industries Ltd**REDUCE, TP Rs191, Rs278 close**

Liquor/ENA and grain ethanol may turn the fortunes of the company for the better, but we feel its early days for these segments.

Summary Valuation Metrics

P/E (x)	Mar22-A	Mar23-F	Mar24-F
Balrampur Chini Mills Ltd	20.94	46.56	18.07
Triveni Engineering and Industries Ltd	17.79	3.94	15.36

P/BV (x)	Mar22-A	Mar23-F	Mar24-F
Balrampur Chini Mills Ltd	3.06	2.88	2.5
Triveni Engineering and Industries Ltd	3.52	1.86	1.9

Dividend Yield	Mar22-A	Mar23-F	Mar24-F
Balrampur Chini Mills Ltd	0%	0.11%	0.28%
Triveni Engineering and Industries Ltd	0%	0.13%	0.34%

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Agribusiness

Not so sweet news on sugar

- Sweet sugar is all set to give an unpleasant surprise.
- The Government of India (GoI) has just flexed its muscles, asking sugar companies to fall in line with its latest notification.
- We continue to hold a negative stance on the sugar sector, with a REDUCE rating on Balrampur Chini Mills & Triveni Engineering and Industries.

The undercurrent

- Buy sugar shares at any price.
- Contrary to market, we have maintained our REDUCE rating on the sector.
- Almost a month ago, we had stated in our report: "Don't bet against the government when it has the magic wand – the release mechanism."

The news

- The GoI has issued a notification stating that sugar companies must comply with timely filing of online stock data before the 10th of every month.
- The filing of stock data was mandatory earlier as well, but we are given to understand that this norm was not being adhered to.
- The GoI has rolled up its sleeves and stated that it will not allot any monthly release quota to companies failing to comply with this requirement.

Connotation

- The GoI is watching closely and does not like any surprises.
- Any bet in favour of sugar price rise is thus a bet against the GoI's stance.

Our view

- We currently have a negative view on the sugar sector and a REDUCE rating on Balrampur Chini Mills & Triveni Engineering and Industries.

Factors supporting our stance:

- Further exports have not taken place.
- Additional allocation of sugar is being made.
- Food Secretary Mr. Sanjeev Chopra has clearly stated, "We are mindful of the fact that we must also look at the export markets, but that can't be at the cost of national food security. As of now, wheat exports are banned and there's no proposal to open them up."
- Now that the GoI has asked sugar companies to fall in line, we feel there is no scope for any hanky-panky business.

Figure 1: Excerpts from the GoI notification on monthly stock reporting

2. In view of the above, all the sugar mills have been advised to strictly adhere to the timeline of filling online P-II on NSWS portal by 10th of every month. In case sugar mill does not fill the online P-II on the NSWS portal for the month of April, 2023 (to be filed by 10th May, 2023); such sugar mills will not be allotted any monthly release quota for the month of June, 2023.

3. It is reiterated that from June, 2023 and onwards, the calculation of monthly stock holding limit will be done on the basis of data filled in P-2 form of NSWS portal only. Further, it is also informed that there is no option for any correction in the new P-II form on NSWS portal; therefore, sugar mills are advised to carefully fill their data on the NSWS portal and no request for correction of data on NSWS portal will be entertained.

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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