

India

June 30, 2023 - 8:10 AM

Underweight (no change)

Highlighted Companies

Balrampur Chini Mills Ltd

REDUCE, TP Rs229, Rs382 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, Rs287 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-A	Mar24-F
Balrampur Chini Mills Ltd	19.33	28.6	15.32
Triveni Engineering and Industries Ltd	18.33	4.06	15.82

P/BV (x)	Mar22-A	Mar23-A	Mar24-F
Balrampur Chini Mills Ltd	2.83	2.58	2.2
Triveni Engineering and Industries Ltd	3.62	1.92	1.96

Dividend Yield	Mar22-A	Mar23-A	Mar24-F
Balrampur Chini Mills Ltd	0%	0.17%	0.33%
Triveni Engineering and Industries Ltd	0%	0.12%	0.33%



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Agribusiness

Retain negative stance contrary to market

- We hold an anti-consensus view on the sugar industry based on some policy decisions recently that are not being factored in by consensus.
- On 28th of the current month, the Government of India (GoI) announced its highest-ever FRP of Rs315/quintal for sugarcane which, in our view, is a gateway for further price hikes in sugarcane because of SAP.
- We continue to hold our negative stance on the sugar sector, with a REDUCE rating on Balrampur Chini Mills & Triveni Engineering and Industries.

The undercurrent is still 'buy sugar shares'

- Contrary to market perception, we have maintained our Underweight stance on the sector.
- On 10 May 2023, we came out with a report on the GoI flexing its muscles – [link](#), as it tries to contain inflation in an election year.
- Following the outcome of Karnataka assembly elections on 15 May 2023, we also came out with a report stating that the situation has turned more unfavourable for the industry. [link](#).

New development - FRP

- The Cabinet Committee on Economic Affairs (CCEA) chaired by Prime Minister Mr. Narendra Modi has approved the fair and remunerative price (FRP) of sugarcane for the sugar season 2023-24 (Oct-Sep) at Rs315/quintal for a basic recovery rate of 10.25%.
- It has also been decided to provide a premium of Rs3.07/quintal for each 0.1% increase in recovery over and above 10.25%, and a reduction in FRP by Rs.3.07/quintal for every 0.1% decrease in recovery.
- Most investors started to justify their biases with a broad view of 'no impact' on North India-based sugar companies as they are regulated by SAP (State-Advised Price).
- However, we differ and view the development as a precursor to the announcement of SAP hike.

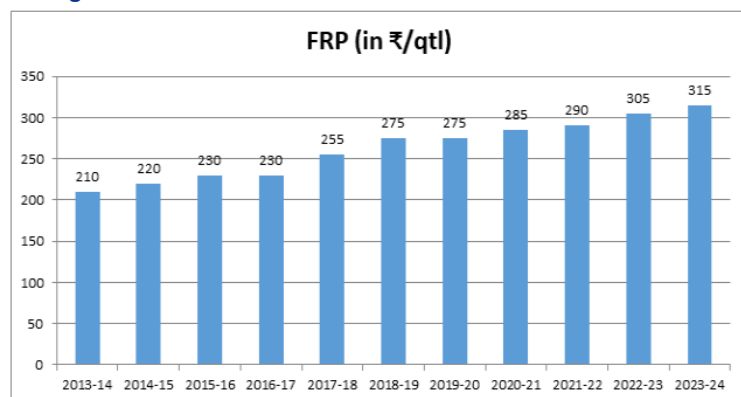
New development - sugar quota for Jul 2023

- On the day of CCEA's decision, the GoI, through the food ministry, allocated 24,00,000mt monthly sugar quota for Jul 2023 to 561 sugar mills, 2,56,000mt higher than the quantity allocated in Jul 2022.
- In our report dated 12 Apr 2023, we had stated that one should not bet against the GoI when it has the release mechanism, its magic wand.
- The GoI seems to be using this release mechanism,, as we had predicted, because it wants to contain inflation, especially before the general elections scheduled in the country in 2024.

Our view

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

Figure 1: Rising FRP trend



SOURCE: GOI

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