

## India

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**Underweight** (no change)**Highlighted Companies****Balrampur Chini Mills Ltd****REDUCE, TP Rs229, Rs388 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, Rs303 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	19.65	29.08	15.57
Triveni Engineering and Industries Ltd	19.38	4.29	16.74

P/BV (x)	Mar22-A	Mar23-A	Mar24-F
Balrampur Chini Mills Ltd	2.87	2.63	2.24
Triveni Engineering and Industries Ltd	3.83	2.03	2.07

Dividend Yield	Mar22-A	Mar23-A	Mar24-F
Balrampur Chini Mills Ltd	0%	0.17%	0.32%
Triveni Engineering and Industries Ltd	0%	0.12%	0.31%

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# Agribusiness

## The sun doesn't shine on local sugar prices

- We feel sugar is too sweet to be exported from India.
- The DFPD has allocated an increased amount of sugar for Sep 2023 and, in our view, will not shy away from further allocation.
- We continue to hold a negative stance on the sugar sector, with a REDUCE rating on Balrampur Chini Mills & Triveni Engineering and Industries.

**New development - sugar quota for Sep 2023**

- The Department of Food & Public Distribution (DFPD) has allocated 2.5mmt monthly sugar quota for Sep 2023, which is up by 0.15mmt YoY.
- In our report dated 12 Apr 2023, we had stated that one should not bet against the Government of India (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.
- There could be a debate whether the 0.15mmt increase in supply YoY will keep sugar prices under control. However, we do not want to participate in that debate as we have seen the GoI coming forward and allocating an additional monthly quota, when required, and this was witnessed even in Aug 2023.

**Sugar export ban**

- On 24 Aug 2023, media reports indicated that sugar exports will be banned in India, but the sugar industry refuted them stating that there was no official announcement regarding the same.
- We are of the strong view that if the GoI can ban rice exports to safeguard against inflation, sugar is not a big deal.
- It must be noted that India is not a steady exporter of sugar in the first place.

**The math**

- Food prices has been a worry for the GoI because they have been hogging the headlines in recent days.
- The Consumer Food Price Index (CPFI) comprises a basket of 10 commodities, namely cereals, meat/fish, egg, milk, oils, fruits, vegetables, pulses, sugar and spices.
- Sugar is the most controlled commodity in the CFPI basket and all the other nine items in the CFPI basket have already caused the consumers to shed tears.
- There are reasons why domestic sugar prices did not rise even as international sugar prices touched their 52-week high (already listed above), and so we feel domestic sugar prices will not rise, contrary to the belief of most investors.

**Our view**

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

**Figure 1: The tweet from DFPD about the monthly domestic sugar quota**

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