

India

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Overweight (no change)

Highlighted Companies

Balrampur Chini Mills Ltd

ADD, TP Rs443, Rs338 close

We believe that addition of new distilleries at a rapid pace with an eye on segment leadership will result in steady topline and bottom-line growth for the company.

Triveni Engineering and Industries Ltd

ADD, TP Rs394, Rs271 close

TEIL had been investing and growing its other businesses apart from sugar business, the divestment of which, in our view, makes its balance sheet the healthiest in the sector.

Summary Valuation Metrics

P/E (x)	Mar22-A	Mar23-F	Mar24-F
Balrampur Chini Mills Ltd	17.08	17.56	9.92
Triveni Engineering and Industries Ltd	17.31	3.17	10.16

P/BV (x)	Mar22-A	Mar23-F	Mar24-F
Balrampur Chini Mills Ltd	2.5	2.2	1.82
Triveni Engineering and Industries Ltd	3.42	1.65	1.43

Dividend Yield	Mar22-A	Mar23-F	Mar24-F
Balrampur Chini Mills Ltd	0%	0.28%	0.5%
Triveni Engineering and Industries Ltd	0%	0.16%	0.49%

Analyst(s)

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Agribusiness

Sugar export quota - too little, too late

- The Indian government's export policy for Sugar Year 2023F or SY23F limits sugar exports to 6mmt as against the expected 9mmt.
- There will be excess sugar stock in the system with production getting a boost because of payment of sugarcane arrears to the farmers on time.
- In our view, it's prudent to export at least 9mmt of sugar from India as fast as possible to take advantage of firm international prices.

Export policy

- All grades of sugar - raw, white as well as refined sugar - can be exported by a sugar mill / refinery / exporter up to the extent of allocated 6mmt.
- Sugar mills have been allocated a uniform export quota at 18.23% of their three years' average sugar production in the operational sugar season.
- New sugar mills which have commenced sugar production for the first time during the sugar season 2022-23, or the mills that remained closed in the previous three seasons but restarted operations in the 2022-23 season, or the mills that have not been allocated any quota will be allocated export quota at 18.23% of their estimated sugar production in the 2022-23 sugar season.

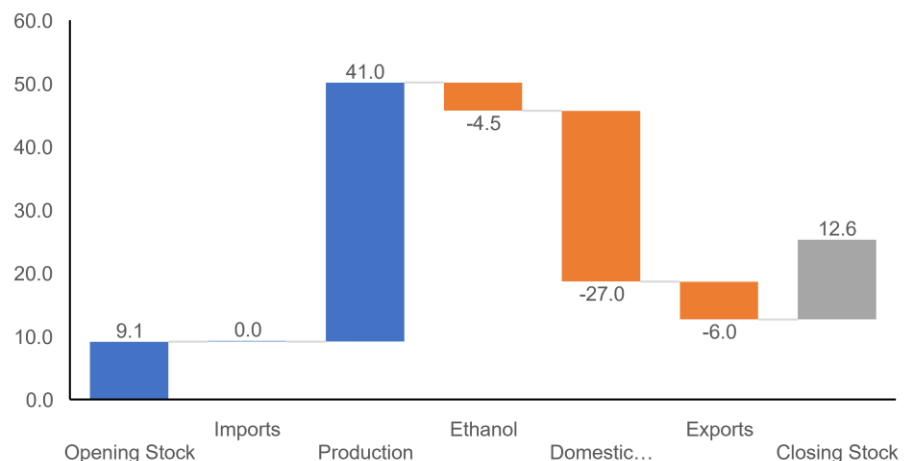
The impact

- It was expected that the export quota would be in the range of 8-9mmt, but the announced quota falls short at 6mmt.
- Excess stocks in India will exert pressure on domestic sugar prices.
- Sugar mills will not be able to take full advantage of high international prices.
- However, prices in the export market could get stronger because of lower exports from India.

The reasons behind excess sugar production

- Sugar production estimate for SY22 has been revised several times during the year, and every time it was revised upwards.
- We expect the same to happen in SY23F as well and hence, it's prudent to export as much sugar as India can while the global prices are firm.
- The probable reason behind more sugar production, in our view, is timely payment of cane arrears.
- Sugar production in the country over the years has taken place despite non-payment of cane arrears and thus, when there is prompt payment of arrears, every piece of land that is suitable for sugarcane cultivation will be utilized.
- Hopefully, a second tranche of export quota may be announced soon to save SY23F.

Figure 1: SY23F balance sheet with the current export quota



SOURCE: INCRED RESEARCH, COMPANY REPORTS

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