

# LIKELY DRY SPELL in Maharashtra, top producing state, to push prices up, benefiting millers

# Sugar Stocks in Sweet Spot with Supply Shortage Looming Large

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**Mumbai:** Shares of sugar companies soared on Thursday on news reports that output in Maharashtra, India's highest-producing state, could fall in the 2023-24 crop year to its lowest in four years. This could lead to higher sugar prices and boost the profitability of top companies in the sector, said analysts.

Sakthi Sugars jumped 11.3%, Dhampur Sugar gained 10.4%, Dwarikesh Sugar rose 9.8%, Bajaj Hindusthan advanced 7.2% and Balrampur Chini moved up 4.8%.

A Reuters report said Maharashtra's sugar output could fall 14% in the 2023-24 crop year due to lower cane yields following the driest August in more than a century.

Maharashtra, Uttar Pradesh, and Karnataka are among the top sugar-cane-producing states in the country, and a dry spell because of the El Nino effect will likely affect supply.

Sugar companies are expected to witness strong earnings growth till FY26, according to brokerage DAM Capital.

## Top Gainers

Stock	LTP (₹)	% Chg	1M Rtn (%)
Dhampur Sugar Mills	310.0	10.3	19.1
Dwarikesh Sugar Indus	102.4	9.8	14.0
Dalmia Bharat Sugar	461.1	8.2	33.9
Bajaj Hindusthan Sugar	27.6	7.0	28.1
Triveni Engineering	377.3	6.3	31.1
Shree Renuka Sugars	55.8	6.2	24.2
Bannari Amman Sugars	2,849.9	5.2	5.4
Uttam Sugar Mills	432.1	4.8	28.6
Balrampur Chini Mills	435.1	4.7	10.8
Davangere Sugar Co	109.9	1.4	8.2

"We believe fast developing El Nino conditions would further hamper sugar production in these states and keep domestic sugar prices above ₹37/kg," said DAM's analyst Sanjay Manyal in a note to clients. "This would benefit UP sugar companies with higher sustainable sugar volume and higher sugar realisation." The brokerage has buy ratings on Balrampur Chini, Triveni Engineering, Dalmia

Bharat Sugar and Dwarikesh.

Brokers said another reason for the increased investor interest in sugar companies could be higher ethanol blending targets announced by the government. "Nitin Gadkari (Road and Transport Minister) recently increased the ethanol blending target in petrol to a 20% level and also pushed the timeline to do the same," said Dharan Shah, founder of Tradono-

my, a Mumbai-based investment advisory firm. "This along with taking measures to make other competitive fuels more expensive have been key triggers for the rally of sugar stocks."

Sugar stocks have run up between 5% and 34% in the past month. Dalmia Bharat Sugar, Uttam Sugar and Triveni have been the top gainers in the period.

Shah advises against betting on sugar stocks aggressively for the short term after the recent run-up. "The sector already has had retail and institutional participation in the past three years," said Shah. "There have been management issues in the past and the sector is heavily dependent on geographical and climatic factors, which we need to price in as well."

He prefers Balrampur Chini Mills in the short term and EID Parry in the long run.

Some analysts are recommending selling sugar stocks. "India is already suffering from high core inflation and the government may not allow prices to rise further because of upcoming state and general elections," said G Chokkalingam, founder of Equinomics Research.

