

Price rise, ethanol demand lift sugar stocks

SENTIMENT SWEETENER.

Traders turn buoyant on hopes of relaxation in export quota, commodity prices jumping to six-year high

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Sugar company stocks rallied on hopes of rise in retail price following the global trend and strong demand for ethanol.

Globally, sugar prices have hit a six-year high due to lower production in a few countries.

Besides, expectation of relaxation in export quota by the Centre lifted the spirit for the stocks.

Balrampur Chini and Dwarikesh Sugar were up seven per cent each at ₹400 and ₹94, respectively, while Dhampur Sugar Mills increased eight per cent at ₹235 and Dalmia Bharat and Sugar Industries also jumped eight per cent to ₹353.

Sugar stocks surging ahead

Company name	BSE close (₹)	% change	Company name	BSE close (₹)	% change
Mawana Sugars	97.34	19.46	India Sucrosen	61.08	8.14
Rana Sugars	25.33	14.98	Dalmia Sugar	353.30	8.13
KCP Sugar	27.35	10.77	Dhampur Sugar	235.50	7.98
Avadh Sugar	490.6	10.68	Uttam Sugar	252.95	7.87
Rajshree Sugars	46.03	9.99	Shree Renuka	50.57	7.21
Simbhaoli Sugar	22.82	9.98	Vishwaraj Sugar	16.69	7.19
Sakthi Sugars	22.61	9.97	Dwarikesh Sugar	93.85	7.11
Bajaj Hindustha	14.58	9.95	Bannariamman	2932.00	6.80
Dhampur Bio	158.80	9.07	Balrampur Chini	400.50	6.59
KM Sugar Mills	28.00	8.74	Ugar Sugar Work	99.93	6.41

The country's sugar production rose 2.8 per cent to 228 lakh tonne till February 15 of the ongoing marketing year (October to September), according to industry body Indian Sugar Mills Association.

Sugar production in Uttar Pradesh rose marginally

to 61 lakh tonne (59 lakh tonne), while in Maharashtra it was down marginally at 85 lakh tonne (86 lakh tonne).

Buoyed by higher sugar production, the government had indicated that it will consider allowing an addition of one million

tonne of sugar if the domestic sugar production reaches its estimate of 336 lakh tonne.

S Ranganathan, Head of Research, LKP Securities, said sugar stocks are seeing renewed buying interest as globally sugar prices have hit a six-year high. Manish

Chowdhury, Head of Research, Stoxbox, said any relaxation in export quota by the government would provide a boost to the operating performance of these companies.

ETHANOL BLENDING

"We believe that a structural story is at play in the sugar sector due to continued government support and increased focus on the production of ethanol to promote Ethanol Blending Programme," he added.

The government plans to create a buffer of ethanol stock for the next year in anticipation of rise in E20 fuel, which is a blend of 20 per cent ethanol with petrol. E20 fuel is currently sold in about 100 outlets in 31 cities. Kayomarz Sadri, Assistant Vice-President

(Agri commodities), Abans Broking Services, said there were unconfirmed news that the government may increase ethanol procurement price by ₹2 per litre to ₹67.60 per litre. The last increase of ethanol prices was done last November, he said.

For this financial year, about 5 million tonnes of sugar is estimated to be diverted for ethanol production, higher than 3.6 million tonnes in FY22.

The government targets 12 per cent ethanol blending for this fiscal and 15 per cent for next year. About 120 crore litres has been blended with petrol till February-end. To meet the 15 per cent blending target, an additional 150 crore litres of ethanol would be required.