

UP-based sugar stocks rise up to 61% since Jan

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STOCKS of Uttar Pradesh-based sugar companies which have rallied in the range of 14 per cent to 61 per cent in last two-month period since five state assembly election dates were announced, were again in focus on Thursday in anticipation of the government's announcement of measures to cap rising sugar prices.

Stocks of Uttar Pradesh-based sugar companies rose between 14 per cent to 61 per cent since January 4, 2017, the day five state assembly election dates were announced.

On Thursday 100 sugar stocks were in focus and stocks of UP based sugar companies were volatile as out of 14 companies,

shares of eight companies rose between in the range of 1 per cent to 5 per cent while six companies saw share prices fall up to 5 per cent.

Paras Bothra, president, Equity Research, Ashika Stock Broking said, "The key driving force behind the sugar stocks' rally is that this year the production is lower than estimated, so prices will remain firm." The Indian Sugar Mills Association (ISMA) in a press release estimated that the production of sugar is down by 18.5 per cent to 16.25 million tonnes during October-February period, compared to 19.94 mt produced a year ago, analyst from Angel Broking said.

Sugar production in Maharashtra and Karnataka is going to be lower which is likely to benefit UP-based sugar companies. Sabyasachi Majumdar, head,

Corporate Ratings, ICRA said, "Continued healthy realisations and healthy recovery rates are likely to result in healthy contribution margins for UP-based mills, while the mills in Maharashtra and Karnataka may see an adverse impact on volume sales arising out of lower production, thus partly offsetting the benefit from rising sugar prices and the relatively stable cane costs."

As imported raw sugar with duties levied will have higher prices than domestic sugar, government may look at waiving import duty, analysts feel. Ritesh Kumar Sahu, fundamental analyst - Agri Commodities, Angel Broking said, "There is fear that the government may take immediate policy action to scrap the import duty to control prices if they rise beyond certain levels. Currently, the import of raw

and white sugar attracts 40 per cent customs duty. The sugar mill in the country is not keen in the idea if allowing sugar imports. Thus, they are keeping adequate supplies in the physical market to keep the prices under control."

"As per government sources, it may allow duty-free import of sugar up to 1 million ton in current season under open general license if the wholesale price rise above Rs. 4,100 a quintal," Sahu said.

Sugar prices on National Commodities and Derivative Exchange (NCDEX) have been trading in a tight range between Rs 3,780 and Rs 3,950 per quintal during the first two months of 2017. Sugar price on NCDEX touched a life time high of Rs 3,950 per quintal twice but was not able to cross this level, Angel Broking said.

UP-based sugar companies rallies since poll dates were announced on Jan 4, 2017

Sugar Company	Current Market Price	Change Since (Jan. 4, 2017) poll dates announced till March 8, 2017 (%)	Change on Thursday (%)
Bairampur Chini Mills	154.15	14.11	5.04
Triveni Engineering and Industries	73.80	14.55	(0.81)
Bojaj Hindusthan Sugar	14.34	(7.34)	1.49
Dhampur Sugar Mills	224.90	50.58	(1.12)
Dalmia Bharat Sugar & Industries	182.10	24.16	0.66
Dwarkanesh Sugar Industries	427.60	19.73	0.46
DCM Shriram Industries	300.50	26.63	(1.25)
Upper Ganges Sugar & Industries	358.20	5.47	(0.20)
Oudh Sugar Mills		30.09	1.12
Uttam Sugar Mills	97.75	40.40	2.09
Mawana Sugars	87	61.58	5.26
Simhaoli Sugars	32.65	(1.99)	2.19
Dhampur Speciality Sugars	18.10	3.22	(5.97)
Rana Sugars	10.06	(10.72)	(0.20)

Source: Capitaline & BSE