

# Surging sugar prices take mills to 200 per cent gain

## Higher prices helping sector shake off years of losses

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A YEAR ago Balrampur Chini Mills' stock was languishing as sugar mills in India reached for government handouts to survive. Its shares have since surged 208 per cent.

Balrampur Chini is symbolic of a reversal that's swept through the industry — lifting rivals, including Dhampur Sugar Mills and Triveni Engineering & Industries — as the price of refined sugar in the local market surged about 60 per cent in the past year.

The boost is helping the sector shake off years of losses when earnings were squeezed between high government-mandated cane costs and a global slump in the price of the sweetener.

Analysts and traders estimate Indian sugar production will drop to a seven-year low in the year beginning October 1, part of a global deficit, as drought conditions shrink acreage under cane in the nation's second-



### So sweet

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biggest growing region of Maharashtra.

Top producers, including Bajaj Hindusthan Sugar and Balrampur stand to benefit as their mills in the northern state of Uttar Pradesh will probably maintain or increase production, according to Sabyasachi Majumdar, a senior vice-president with Iera.

We will definitely see robustness in profits and cash flow, said Tarun Sawhney, president of the Indian sugar mills association and vice-chairman of Triveni

Engineering, India's third-largest producer.

The long-term story in the sugar industry is extremely good. There is clearly a sign of renewed energy in the sector. Global sugar prices have advanced for four straight months as drought conditions hurt supplies in Thailand and India, the second-biggest grower and heavy rains disrupted harvesting and shipping in the top producer Brazil.

Sugar sells in India, the world's largest consumer,

for as much as \$40 a tonne more than the global price, according to Kiran Wadhwa, a director at Comdex India.

Current planting estimates indicate there will be a decline in cane availability in Maharashtra and northern Karnataka, with states including Uttar Pradesh, Tamil Nadu and possibly Bihar picking up the slack, according to the sugar mills association.

An anticipated further increase in sugar prices will spur earnings at mills in Uttar Pradesh while an improvement in cane quality will boost sugar production, said Rohit Agarwal, an analyst with SPA Securities in Kolkata, who has a buy rating on Balrampur Chini and Triveni Engineering.

Balrampur has been the best performer on India's S&P BSE fast moving consumer goods index this year and traded at Rs 119.85 on Wednesday after falling to a low of Rs 38.90 in 2015.

BALRAMPUR CHINI/BSE Rs 119.55 ▼  
NSE Rs 119.60 ▼