Business Standard

# Sugar shares in focus; EID Parry hits 52-week high, Triveni surges 6%

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Shares of sugar companies were in focus in an otherwise range-bound market with EID Parry hitting a 52-week high of Rs 342.60, up 5 per cent, while Triveni Engineering Industries surging 6 per cent on the BSE in the intra-day deals on Thursday.

KCP Sugar & Industries, Uttam Sugar Mills and Avadh Sugar & Energy were up between 8 per cent and 18 per cent, while Dalmia Bharat Sugar and Industries, Dwarikesh Sugar Industries, Dhampur Sugar Mills and Balrampur Chini Mills were in the range of 3 per cent to 6 per cent on the BSE. In comparison, the S&P BSE Sensex was trading flat at 43,835 points at 10:45 am.

The performance of the sugar companies was better-than-expected in July-September quarter (Q2FY21) as compared to corresponding quarter of the previous year on account of better realisation and the cost reduction measures which continued from the Q1FY21. The most significant factor in the September quarter results was a significant increase in operating cash flow & reduction in working capital debt.

According to analyst at ICICI Securities, the sugar industry plans to sacrifice 2.0 million tonnes (MT) of sugar in 2020-21 season. With slew of capacity addition announcements, the brokerage firm believes industry would be able to sacrifice more than 4.0 MT of sugar in next two years, which would help in maintaining sugar balance in the country & also generate additional revenue, earnings from distillery operations.

Meanwhile, on 29 October 2020, the Cabinet Committee on Economic Affairs (CCEA) increased the ethanol prices in the range of 4 per cent-6 per cent on y-o-y basis for the ethanol supply year (ESY) December 2020-November 2021.

The primary aim behind the move is to divert sugar towards production of ethanol so as to reduce the supply glut of sugar in the country and to achieve the target of 10 per cent blending of ethanol with petrol set for the Ethanol Blended Petrol (EBP) Programme.

The higher ethanol prices will encourage sugar diversion towards ethanol (which is need of the hour). This will support the sugar industry's revenues and, in turn, will result in payment of sugarcane arrears, CARE Ratings said in a note.