

# Sugar Stocks Hit 52-week Highs on Talk Govt to Retain Import Duty

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**Mumbai:** Stocks of eight sugar companies hit 52-week highs on Tuesday with higher-than-average volumes on reports that the government may not reduce import duty on sugar in the current season. Analysts said there could also be a higher-than-expected crunch in supply, leading to higher prices.

Simbhaoli Sugars jumped 14.8% on Tuesday. Dwarikesh Sugar gained 6.65% and Balrampur Chini advanced 2.20%.

"The actual supply figure for 2016-17 season falls below 200 L tonnes. This is good news for companies with a low cost of production," said AK Securities director Aman Sonthalia.



Sugar stocks have rallied more than 60% in the last month driven by hopes of increased profits in the wake of the rise in sugar prices. Balrampur Chini, Dwarikesh Sugar, Dhampur and Dalmia Bharat are best placed to benefit from the situation, said analysts.

Dwarikesh Sugar may be able to deliver higher earnings per share compared to peers, as its cost of production per kg of sugarcane is ₹5 lower, said analysts. Its sugar volumes also continue to remain as high as last year.

"The company has very good sugar recovery rates and is known to be one of the most efficient in the sector. It also has a very small debt," said Daljeet Kohli, head-research, IndiaNivesh Securities.

Dwarikesh Sugar could gain between 15% and 20% in the coming month, he said.

Dhampur Sugar's production cost is cheaper than 80% of the sugar mills. "The company will make a great profit when others may lose out as sugar price goes up to ₹37 per kg," said Sonthalia of AK Securities.

Dalmia Bharat will have good production numbers in the coming quarters, said analysts. "Dalmia Bharat reported the highest cane recovery in both states, accounting for a sizable portion of its 2015-16 surpluses," said Axis Capital in a note.

"Balrampur has one of the most effective managements. It can give 10-15% more returns in the coming months," said Debashish Mazumdar, analyst, Edelweiss Securities.