

Sugar Industry

Sugar production registers marginal YoY dip

As of February 15, 2024, the State-wise crushing data for SSY24 indicates an improvement in sugar production numbers, with a notable narrowing of the YoY difference. Sugarcane crushing activity has decreased by 4%, compared to a 7% reduction a month ago, reaching 227 MMT as opposed to 236 MMT during the same period in SSY23. Similarly, sugar production has decreased by only 2.3%, compared to a >3% reduction two weeks ago, totaling 22.4 MMT compared to 22.9 MMT in SSY23. On a national scale, the sugar recovery numbers for SSY24 have improved on YoY basis at 9.86% - thanks to UP which is witnessing an impressive 90bps improvement. Currently, the revised expectations for sugar production in SSY24 stands at 31.7 MMT, compared to 33.1 MMT in SSY23. This decline is primarily attributed to decreased sugar production in Maharashtra (down 8.4%) and Karnataka (down 6.6%). Our overall outlook on the sugar sector remains negative. This perspective is influenced by recent notifications from the Government of India affecting ethanol volumes, with a likelihood of a more significant impact next year. Additionally, the increase in sugar production is expected to exert downward pressure on sugar prices.

Sugarcane crushing lower...

As of February 15, 2024, there is a 4.0% decrease in sugarcane crushing compared to the previous year, primarily attributed to a significant decline in Maharashtra (down 8.8%) and decrease in Karnataka (down 3.2%). Notably, this reduction in crushing activity has led by lower count of operational mills in Karnataka. **Contrastingly, in the state of UP, sugarcane crushing has seen a growth of 2.1%. This uptick aligns with a modest increase in the number of operational mills for the SSY24, totaling 119 mills compared to 116 in SSY23 during the corresponding period.**

...leading to lower sugar production

Decline in sugarcane crushing has led to decrease in sugar production to 22.4 MMT vs. 22.9 MMT in SSY23 during the same period. **However, for UP state, sugar production has increased by impressive ~12% to 6.8 MMT vs. 6.1 MMT with recovery numbers at impressive 10.2% vs. 9.3% in SSY23 for last season during the same period.**

Expect higher sugar production at 31.7MMT

As per industry data, sugar production would be lower for SSY24 at ~31.7MMT vs. ~33MMT in SSY23 primarily due to lower sugar production in Maharashtra/Karnataka due to lower yields/recovery. However, due to lower diversion for ethanol production and no export quota it is expected to pile up the inventory levels.

Domestic prices have started to decline

Sugar prices were favorable in last few months have started to correct in line with increase in sugar production in recent times (Maharashtra sugar prices are quoting at ~Rs34 to Rs34.5/kg). We have been highlighting this risk in our earlier notes ([link](#)). This negative stance is shaped by recent notifications from the Government of India, particularly those affecting ethanol volumes (direct route contracts cancelled and BH suspended in future tenders) and CH ethanol pricing upward revision (to encourage higher sugar production).

Fig 1: SSY24 sugar season data as on 15.02.2024

State	Operational Mills			Cane crushed (MMT)			Sugar Production (MMT)			Avg. sugar Recovery (%)	
	SSY24	SSY23	YoY change (No.)	SSY24	SSY23	YoY change	SSY24	SSY23	YoY change	SSY24	SSY23
Uttar Pradesh	119	116	3	67.1	65.7	2.1%	6.8	6.1	11.9%	10.20	9.30
Maharashtra	203	194	9	80.3	88.0	(8.8%)	7.9	8.7	(8.4%)	9.90	9.85
Karnataka	59	66	(7)	43.9	45.3	(3.2%)	4.3	4.6	(6.6%)	9.75	10.10
RoI	126	127	(1)	35.6	37.2	(4.2%)	3	4	(6.4%)	na	na
All India	507	503	4	226.8	236.2	(4.0%)	22.4	22.9	(2.3%)	9.86	9.69

Source: National federation of cooperative sugar factories, Centrum Broking

Stock price performance (%)*

Company Name	1 Mth	3 Mth	6 Mth	1 Yr
BRCM	(5.3)	(14.5)	(5.5)	0.6
TRE	1.3	(5.9)	17.4	20.2
NIFTY Midcap 100	3.1	17.7	30.0	60.2

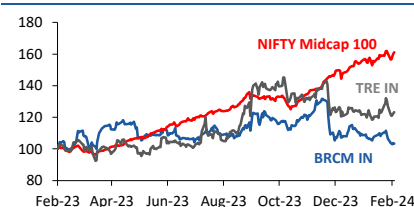
Source: Centrum Broking, *as on 16 February 2024

Rating and Target prices

Company Name	Rating	Price* (Rs)	TP (Rs)
BRCM	Reduce	372	335
TRE	Reduce	337	286

Source: Centrum Broking, *as on 16 February 2024

Nifty Midcap100 Vs BRCM Vs TRE



Source: Bloomberg



Shailesh Kanani

Research Analyst, Mid Cap

+91-022-42159001

shailiesh.kanani@centrum.co.in

Disclaimer

Centrum Broking Limited ("Centrum") is a full-service, Stock Broking Company and a member of The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Ltd. (NSE). Our holding company, Centrum Capital Ltd, is an investment banker and an underwriter of securities. As a group Centrum has Investment Banking, Advisory and other business relationships with a significant percentage of the companies covered by our Research Group. Our research professionals provide important inputs into the Group's Investment Banking and other business selection processes.

Recipients of this report should assume that our Group is seeking or may seek or will seek Investment Banking, advisory, project finance or other businesses and may receive commission, brokerage, fees or other compensation from the company or companies that are the subject of this material/report. Our Company and Group companies and their officers, directors and employees, including the analysts and others involved in the preparation or issuance of this material and their dependants, may on the date of this report or from, time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. Centrum or its affiliates do not own 1% or more in the equity of this company. Our sales people, dealers, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. We may have earlier issued or may issue in future reports on the companies covered herein with recommendations/ information inconsistent or different those made in this report. In reviewing this document, you should be aware that any or all of the foregoing, among other things, may give rise to or potential conflicts of interest. We and our Group may rely on information barriers, such as "Chinese Walls" to control the flow of information contained in one or more areas within us, or other areas, units, groups or affiliates of Centrum. Centrum or its affiliates do not make a market in the security of the company for which this report or any report was written. Further, Centrum or its affiliates did not make a market in the subject company's securities at the time that the research report was published.

This report is for information purposes only and this document/material should not be construed as an offer to sell or the solicitation of an offer to buy, purchase or subscribe to any securities, and neither this document nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. This document does not solicit any action based on the material contained herein. It is for the general information of the clients of Centrum. Though disseminated to clients simultaneously, not all clients may receive this report at the same time. Centrum will not treat recipients as clients by virtue of their receiving this report. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Similarly, this document does not have regard to the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The securities discussed in this report may not be suitable for all investors. The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Persons who may receive this document should consider and independently evaluate whether it is suitable for his/ her/their particular circumstances and, if necessary, seek professional/financial advice. Any such person shall be responsible for conducting his/her/their own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this document.

The projections and forecasts described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. Projections and forecasts are necessarily speculative in nature, and it can be expected that one or more of the estimates on which the projections and forecasts were based will not materialize or will vary significantly from actual results, and such variances will likely increase over time. All projections and forecasts described in this report have been prepared solely by the authors of this report independently of the Company. These projections and forecasts were not prepared with a view toward compliance with published guidelines or generally accepted accounting principles. No independent accountants have expressed an opinion or any other form of assurance on these projections or forecasts. You should not regard the inclusion of the projections and forecasts described herein as a representation or warranty by or on behalf of the Company, Centrum, the authors of this report or any other person that these projections or forecasts or their underlying assumptions will be achieved. For these reasons, you should only consider the projections and forecasts described in this report after carefully evaluating all of the information in this report, including the assumptions underlying such projections and forecasts.

The price and value of the investments referred to in this document/material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. Future returns are not guaranteed and a loss of original capital may occur. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Centrum does not provide tax advice to its clients, and all investors are strongly advised to consult regarding any potential investment. Centrum and its affiliates accept no liabilities for any loss or damage of any kind arising out of the use of this report. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk. Certain transactions including those involving futures, options, and other derivatives as well as non-investment-grade securities give rise to substantial risk and are not suitable for all investors. Please ensure that you have read and understood the current risk disclosure documents before entering into any derivative transactions.

This report/document has been prepared by Centrum, based upon information available to the public and sources, believed to be reliable. No representation or warranty, express or implied is made that it is accurate or complete. Centrum has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. The opinions expressed in this document/material are subject to change without notice and have no obligation to tell you when opinions or information in this report change.

This report or recommendations or information contained herein do/does not constitute or purport to constitute investment advice in publicly accessible media and should not be reproduced, transmitted or published by the recipient. The report is for the use and consumption of the recipient only. This publication may not be distributed to the public used by the public media without the express written consent of Centrum. This report or any portion hereof may not be printed, sold or distributed without the written consent of Centrum.

The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Neither Centrum nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information.

This document does not constitute an offer or invitation to subscribe for or purchase or deal in any securities and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. This document is strictly confidential and is being furnished to you solely for your information, may not be distributed to the press or other media and may not be reproduced or redistributed to any other person. The distribution of this report in other jurisdictions may be restricted by law and persons into whose possession this report comes should inform themselves about, and observe any such restrictions. By accepting this report, you agree to be bound by the foregoing limitations. No representation is made that this report is accurate or complete.

The opinions and projections expressed herein are entirely those of the author and are given as part of the normal research activity of Centrum Broking and are given as of this date and are subject to change without notice. Any opinion estimate or projection herein constitutes a view as of the date of this report and there can be no assurance that future results or events will be consistent with any such opinions, estimate or projection.

This document has not been prepared by or in conjunction with or on behalf of or at the instigation of, or by arrangement with the company or any of its directors or any other person. Information in this document must not be relied upon as having been authorized or approved by the company or its directors or any other person. Any opinions and projections contained herein are entirely those of the authors. None of the company or its directors or any other person accepts any liability whatsoever for any loss arising from any use of this document or its contents or otherwise arising in connection therewith.

Centrum and its affiliates have not managed or co-managed a public offering for the subject company in the preceding twelve months. Centrum and affiliates have not received compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for service in respect of public offerings, corporate finance, debt restructuring, investment banking or other advisory services in a merger/acquisition or some other sort of specific transaction.

As per the declarations given by him, Shailesh Kanani, research analyst and/or any of his family members do not serve as an officer, director or any way connected to the company/companies mentioned in this report. Further, as declared by him, he is not received any compensation from the above companies in the preceding twelve months. He do not hold any shares by him or through his relatives or in case if holds the shares then will not to do any transactions in the said scrip for 30 days from the date of release such report. Our entire research professionals are our employees and are paid a salary. They do not have any other material conflict of interest of the research analyst or member of which the research analyst knows of has reason to know at the time of publication of the research report or at the time of the public appearance.

While we would endeavour to update the information herein on a reasonable basis, Centrum, its associated companies, their directors and employees are under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Centrum from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or Centrum policies, in circumstances where Centrum is acting in an advisory capacity to this company, or any certain other circumstances. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Centrum Broking Limited or its group companies to any registration or licensing requirement within such jurisdiction.

Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market.

Disclosure of Interest Statement

1	Business activities of Centrum Broking Limited (CBL)	Centrum Broking Limited (hereinafter referred to as "CBL") is a registered member of NSE (Cash, F&O and Currency Derivatives Segments), MCX-SX (Currency Derivatives Segment) and BSE (Cash segment), Depository Participant of CDSL and a SEBI registered Portfolio Manager.
2	Details of Disciplinary History of CBL	CBL has not been debarred/ suspended by SEBI or any other regulatory authority from accessing /dealing in securities market.
3	Registration status of CBL:	CBL is registered with SEBI as a Research Analyst (SEBI Registration No. INH000001469)

Member (NSE and BSE). Member MSEI (Inactive)

Single SEBI Regn No.: IN-DP-537-2020

Depository Participant (DP)

CDSL DP ID: 120 – 12200

Single SEBI Regn. No.: IN-DP-537-2020

PORTFOLIO MANAGER

SEBI REGN NO.: INP000004383

Research Analyst

SEBI Registration No. INH000001469

Mutual Fund Distributor

AMFI REGN No. ARN- 147569

Website: www.centrumbroking.com

Investor Grievance Email ID: investor.grievances@centrum.co.in

Compliance Officer Details:

Ajay S Bendkhale

(022) 4215 9000/9023; Email ID: compliance@centrum.co.in

Centrum Broking Ltd. (CIN :U67120MH1994PLC078125)

Registered and Corporate Office:

Level -9, Centrum House, C.S.T. Road,

Vidyanagari Marg, Kalina,

Santacruz (East) Mumbai – 400098

Tel.: - +91 22 4215 9000