



FINANCIAL PERFORMANCE AND REASONS FOR THE RALLY OF SUGAR STOCK PRICE IN INDIA

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ABSTRACT

India is the second largest producer of sugarcane in the world and the major sugar producing states in India are Uttar Pradesh (UP), Maharashtra, Karnataka etc. This article takes an initiative to analyse the financial performance and reasons for the rally of sugar stock prices in India. The government has provided a subsidy of 6268 crores in financial year 2019-2020 for supporting sugar industries in India. The government has already approved a subsidy of 3500 crore in the last December. Sugar industry is an example of cyclical industry, that is, its demand doesn't change very quickly. Sugar shares are increasing over the last year. During good monsoon period the production of sugarcane increases rapidly. Sugar stock prices are now in an uptrend because of many reasons. The shares of sugar companies such as Andhra Sugars, Dalmia Bharat sugar, Dwarikesh Sugar Industries, Bajaj Limited Sugar Limited etc. have witnessed more than 50% growth in the last few months. These growths resulted in reasonable profit and better balance sheet position to such companies by comparing the previous year's performance.

INTRODUCTION

The central government of India announced a project of 10% ethanol blending with petrol for 2022 and 20% ethanol blending with petroleum by 2025. Sugar is extracted from sugarcane. Apart from sugar, ethanol is one of the major by-product of sugarcane which can be used as an alternative fuel. India has an excess supply of sugarcane. However, these excess sugars cannot be exported to other countries due to lower international price of sugar. In order to support sugar industry, the government is trying to subsidize exports. The government has set a target of exporting 60 lakhs tonnes of sugar for the current financial year. The major reason for the rally of sugar stock prices in India are classified below;

- Short fall in global sugar production.

The largest sugar exporters are expected to witness lower production due to lower crop yield owing to poor monsoon. It is a golden opportunity for India, the second largest producer of sugar, to increase the export of sugar and thereby achieving a higher growth in this field.

- Project of blending ethanol with petrol.

After the announcement of central government of India, that the higher amount of sugar is expected to be utilized for the conversion to ethanol resulted in further increase in global sugar price. Ethanol can be used as an alternative fuel which helps to reduce the dependence of foreign oil.

Due to these two reasons, sugar stock price in India show an upward trend.

OBJECTIVES OF THE STUDY

- ❖ To find out the reasons for the rally of sugar stock prices.
- ❖ To understand the financial health of such companies.

REASERCH METHODOLOGY

1. Source of data.

The data required for the study are collected from the secondary sources.

It includes;

- ✓ Information is mostly taken from websites and journals.
- ✓ Published materials and annual report of sugar companies.
- ✓ Research based online portal.

2. Sample schemes.

In order to analyse the performance of the sugar stock prices in India top three sugar companies listed in BSE are taken for the study on the basis of net profit, operating profit, turnover and expenses. The listed companies are as follows;

- ✓ Balarampur chini
- ✓ Avadh sugar and energy
- ✓ Dalmia Bharat

3. Period of study

The performance of the selected companies is analysed on the basis of data collected from 1st April 2020 to 31st march 2021. For convenience data are divided into four quarters;

Sl.no	Particulars	Details
1	Types of data	Secondary data
2	Population	Sugar industry
3	Sampling area	Top 4 selected sugar companies
4	Period of study	1 st April 2020 to 31 st march 2021
5	Statistical analysis	Net profit, operating profit, turnover, expenses, sugar prices.

LIMITATIONS OF THE STUDY

- ❖ The study is purely based on secondary data
- ❖ The study is conferred with only three companies
- ❖ The period of study is limited to one year
- ❖ The accuracy of the study depends upon the accuracy of the data published in company's financial statement

REVIEW OF LITERATURE

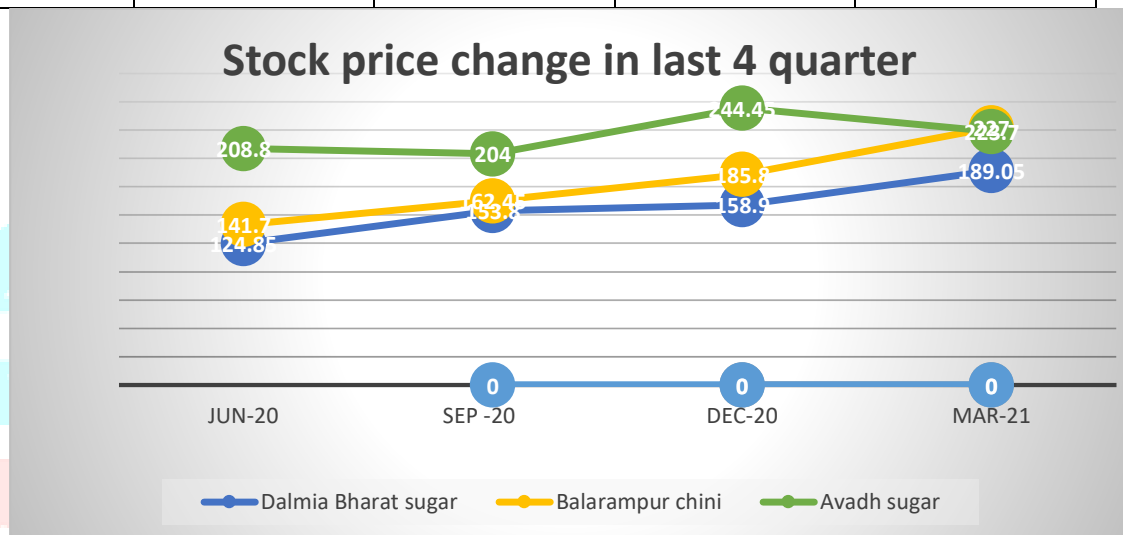
A number of research paper have been published on the topic “financial performance and reasons for the rally of sugar stock prices in India

- Basavaraj S. Benni, Econometric Analysis of financial and Physical performance indicators of sugar factories in Kolhapur District, ‘co-operative sugar’.
- Dr Nikam GA. ‘Indian Sugar Industry- A comparative study’. ‘Shree publishers and distributors, New Delhi. 2006
- Annual report (2020-21) Dept of food and public distribution, ministry of consumer Affairs, government of India

ANALYSIS AND INTERPRETATION

Highest stock price in last four quarters

Companies name	June 2020	September 2020	December 2020	March 2020
Dalmia Bharat sugar	124.85	153.8	158.9	189.05
Balarampur chini	141.7	162.45	185.8	227
Avadh sugar	208.8	204	244.45	223.7



Financial performance of Dalmia Bharat sugar

Particulars	June 2020	Sep 2020	Dec2020	Mar 2021
Sales	882	720	606	489
Expenses	685	628	550	362
Operating profit	197	92	56	127
Net profit	126	56	37	52

The table shows the financial performance of Dalmia Bharat sugar.

Financial performance of Balarampur Chini

Particulars	June 2020	Sep 2020	Dec2020	Mar 2021
Sales	1430	1290	1072	1019
Expenses	1213	1162	1036	687
Operating profit	217	128	36	332
Net profit	139	78	27	236

Financial performance of Avadh sugar & Energy

Particulars	June 2020	Sep 2020	Dec2020	Mar 2021
Sales	563	620	696	831
Expenses	508	566	653	724
Operating profit	55	54	43	107
Net profit	10	7	4	57

REFERENCE

- www.nsc.com
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