

WEALTH WEEKLY

Weekly Alerts You Can Use!

Weekly View: Nifty, Bank Nifty:

Indices	CMP	Support	Resistance	50 DMA	200 DMA	Range	Preferred Trade
NIFTY	17158	16800	17501	16139	17025	16901 - 17475	Buy at CMP. Targets at 17475/17651/17801. Stop at 16755.
BANK NIFTY	37491	36001	38501	34730	36401	36201-38401	Buy at CMP. Targets at 38001/38301/39001. Stop at 35751.

Medium Term Pick:

Stocks	CMP	Support	Resistance	50 DMA	200 DMA	Bias	Preferred Trade
BALRAMPUR CHINI	395	343	421	378	396	Positive	Balrampur Chini Mills was incorporated in the year 1975 and now having a market cap of Rs 8059 Crore — is one of the largest integrated sugar manufacturing companies in India — in a largest sugar consuming country. The firm is also engaged in the ancillary businesses of ethanol manufacture and co-generation. Rise in supply for ethanol manufacturing is likely to drive growth. Simply buy at CMP, and on dips between 365-375 zone, targeting 421/450 mark and then aggressive targets at psychological 500 mark. Stop below 343. Holding Period: 3-5 Months

Balrampur Chini Mills (BCM) was incorporated in the year 1975 and now having a market cap of Rs 8059 Crore — is one of the largest integrated sugar manufacturing companies in India — in a largest sugar consuming country. Meanwhile, Cane crushed in FY2022 stood at 885 lakh quintals and recovery rate stood at 10.3%.

The firm is also engaged in the ancillary businesses of ethanol manufacture and 8 co-generations capacity of 168.7 megawatts. The Company has a crushing capacity of 76500 tonnes of cane per day across its 10 sugar factories in UP with a collective capacity of 520 kilo litre per day. Ethanol production stood at 14.5 crore litre in FY2022. BCM was among the first companies to moderate dependence on sugar and venture into distillery and cogeneration.

BCM registered a soft and mixed performance in Q4FY2022 affected by lower sugar production and lesser recovery due to weather vagaries. Revenue for the quarter grew by 25.5% y-o-y to Rs. 1,279.6 crore, while EBITDA was flat at 331 crores as margin fell by 672 bps y-o-y to 25.9%, resulting in just 4.6% growth in PAT to Rs. 242.5 crore.

BCM has a strong balance sheet which is primarily driven by structural changes in the industry and increased focus on working capital management. Improved working capital management also helped the firm maintain its ROCE at ~15% in the past three years.

With sugar prices likely to stay firm after the government putting a cap of 10 million tonnes on sugar exports, the financial performance of sugar companies in FY2023 likely to be limelight.

Rise in supply for ethanol manufacturing is likely to drive growth for BCM as the government has increased focus on promoting ethanol blending with petrol. BCM is likely to produce 35 crore litre of ethanol, led by the expected increase in capacity to 1,050 KLPD in FY2024. Amidst this backdrop, BCM is likely to achieve its target of 35% share of revenue from the high-margin ethanol business in the medium term from 19% of total revenue in FY22.

Technically, brace yourselves for an oversold conditions play on the daily time frames. The stock price should now attempt to rebound on the daily/weekly time-frame. An impulse uptrend quite likely above 409 mark. Above 409 mark positive SAR series likely.

Add to that a bullish divergence and a rising stochastic signal (on daily charts) with recent increase in volumes signaling a larger rebound. The 200 days Exponential Moving Average (EMA) of the stock on the daily chart is currently at 395 zone. The level of 395-401 zone will act as a hurdle zone and any successive close above 409 will bigger buying momentum for aggressive long term investors.

Simply buy at CMP, and on dips between 365-375 zone, targeting 421/450 mark and then aggressive targets at psychological 500 mark. Stop below 343. Holding Period: 3-5 Months.

Daily Chart of BALRAMPUR CHINI :



Mehta Equities

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