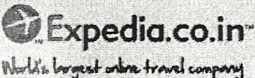


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
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Cement, sugar shares bleed on cartel scrutiny

Chandan Kishore Kant / Mumbai June 21, 2011, 0:33 IST

Shares of top majors in the cement and sugar sectors have nosedived this month as the government has initiated investigations into possible cartelisation in both commodities.

At a time when the benchmark indices have corrected a little less than 6 per cent during the current month, the value of cement stocks has been eroded by over 12 per cent while that of sugar stocks has lost as much as 15 per cent.

For instance, shares of the Swiss cement major Holcim-owned Ambuja Cements lost over 12 per cent of their value. Aditya Birla group's Grasim Industries has been hit the hardest as its stock has tumbled over 13.5 per cent. Similarly, the market leader in the sugar space Bajaj Hindusthan witnessed an erosion of nine per cent of its stock value while Simbhaoli Sugar and Dhampur Sugar lost over 15 per cent and 11 per cent, respectively.

EROSION OF VALUE

(FOR CEMENT AND SUGAR MAJORS)

	June 1	June 20	Chg (%)
CEMENT			
Grasim	2,327.800	2,012.300	-13.560
Ambuja	143.150	125.450	-12.370
ACC	1,043.300	936.500	-10.240
India Cements	86.050	77.400	-10.060
UltraTech	1,036.20	950	-8.32
SUGAR			
Simbhaoli	42.10	35.70	-15.21
Dhampur	59.20	52.50	-11.32
Balrampur	63.75	57.65	-9.57
Bajaj Hindusthan	69.45	63.15	-9.08
Shree Renuka	64.70	59.70	-7.73

*Closing price on Bombay Stock Exchange (BSE)

Source: BSE

"Cement stocks are likely to languish further from the current level as prices of the building commodity are in correction mode. Moreover, with the spreading monsoon hitting the already weak demand, margins will be under pressure for cement companies as input costs remain high," says Rav Sodah, an analyst at Elara Capital.

Last week, top cement majors came under the scanner of the Serious Fraud Investigation Office (SFIO) which, under the directions of the Corporate Affairs Ministry, is investigating allegations of cartelisation against cement makers.

"Sentimentally, the event is negative for the sector and hence the share prices of most of the cement players have underperformed the broader market," adds a report from Sharekhan. Shares of ACC lost 10.24 per cent while UltraTech's scrip slipped 8.32 per cent. The stock price of the southern major India Cements too moved 10 per cent south.

The competition watchdog, Competition Commission of India (CCI), is investigating cartelisation in the sugar industry. The sugar industry, particularly in Maharashtra (a leading producer), is under CCI's scanner. In the first half of last year, prices of sugar had skyrocketed to as high as Rs 45 a kg in the retail market.

According to Sageraj Bana, an independent analyst of the sugar industry, "The overall market is down. However, late last week's development from CCI has acted as a trigger, resulting in sugar stocks losing more value."

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