Healthy sugar exports to cut inventory despite higher output

OUR BUREAU

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Sugar manufacturers operating margins are expected to be 12.7-13.7 per cent higher during the current fiscal compared to the previous one.

Domestic sugar production is estimated higher at 333 lakh tonnes (lt) this season against 312 lt last year after considering 34 lt (21 lt) of sugar sacrifices towards juice/B-heavy molasses-based ethanol.

This is six per cent higher than the second advance estimates of Indian Sugar Manufacturers Association. However, with domestic consumption estimated at about 272 lt and exports of 75 lt, the closing stock is expected at 68 lt as of September-end against 82 lt last year. This would be equivalent to three months of consumption, improving the domestic demand-supply balance. Sabyasachi Majumdar, Senior Vice-President, ICRA, said with the current favourable international sugar realisations in light of global demand-supply balance and geo-political tensions, the industry is likely to manage its closing inventory levels for the current season.

However, higher sucrose diversion towards ethanol would support sugar realisations and push up profit of companies.

Despite ongoing debt-funded capex plans, higher diversion towards ethanol coupled with healthy export prospects would result in lower inventory levels and better balance sheet.

The domestic sugar prices (in Uttar Pradesh) were range-bound between ₹31,800 and ₹32,500 a tonne during April-July last. However, the prices rose to about ₹33,500 in August In last September-October, it touched ₹35,700-₹37,000 a tonne, but slipped to ₹33,600-34,200/tonne in February.

Sugar production is estimated to be higher this season

Anupama Arora, Vice-President, ICRA, said while India has achieved encouraging levels of average ethanol blending with petrol at 9.6 per cent in March, it needs timely expansion of sufficient ethanol capacities for adequate supply.