



SUGAR INDUSTRY IN INDIA: STATUS AND POLICY NEEDS

INDIAN SUGAR MILLS ASSOCIATION, NEW DELHI

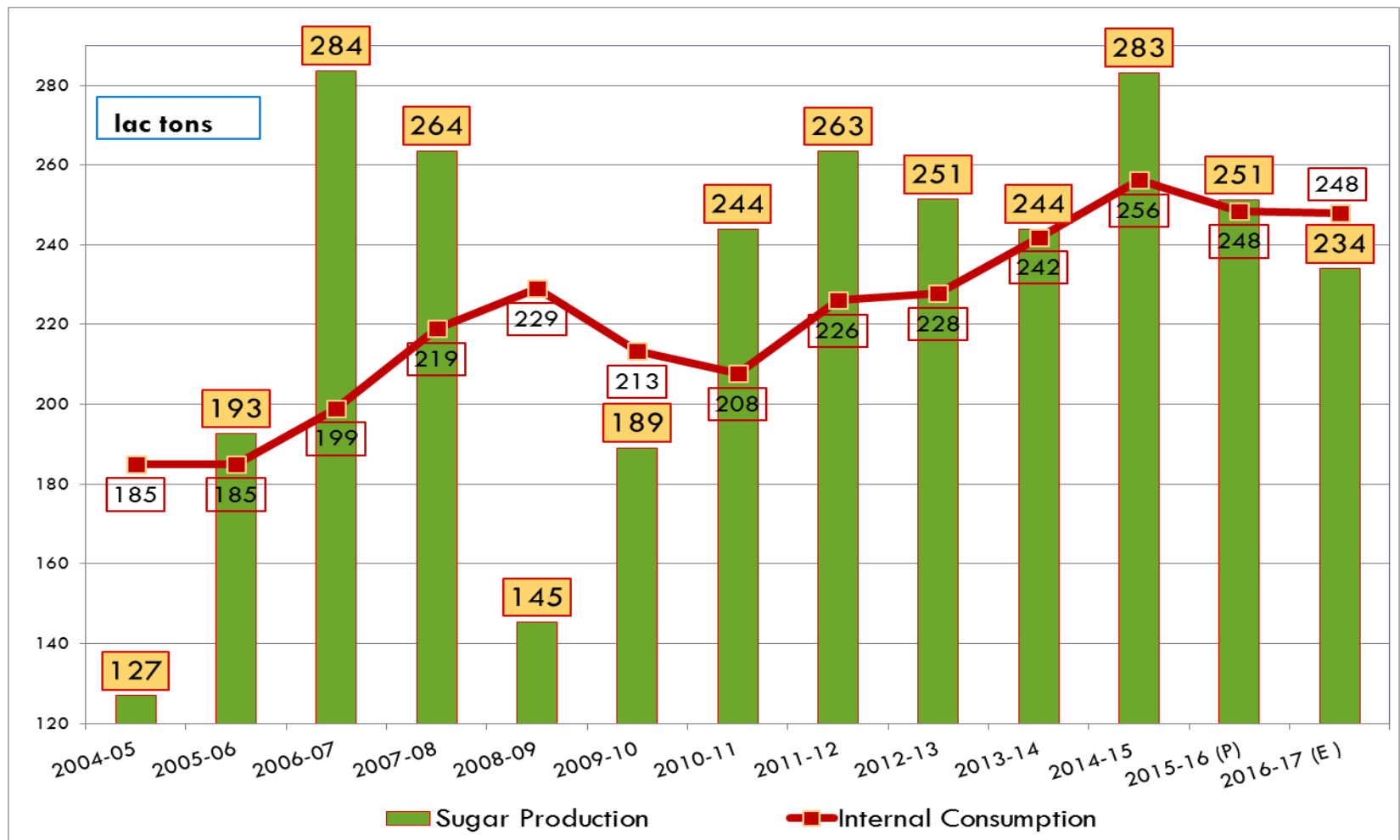
Indian sugar industry: contribution to the economy

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- ❖ 5 crore farmers and their families directly dependent
 - ❖ Rs.65,000 crore of cane price annually
- ❖ Direct & indirect employment to 2 mln. people.
- ❖ Enough sugar production for domestic requirement
 - ❖ Foreign exchange earnings of USD 5000 mn in last 5 years
- ❖ Green power, surplus of 5000 MW exported to grid
- ❖ 12 mn tons molasses giving 300 cr. litres of alcohol
 - ❖ Incl. 120 cr. litres ethanol to replace 5% petrol consumption
- ❖ Direct positive impact on rural economy
- ❖ **Annual direct & indirect contribution of Rs.75,000 cr. to the Exchequer**

Sugar Production & Consumption

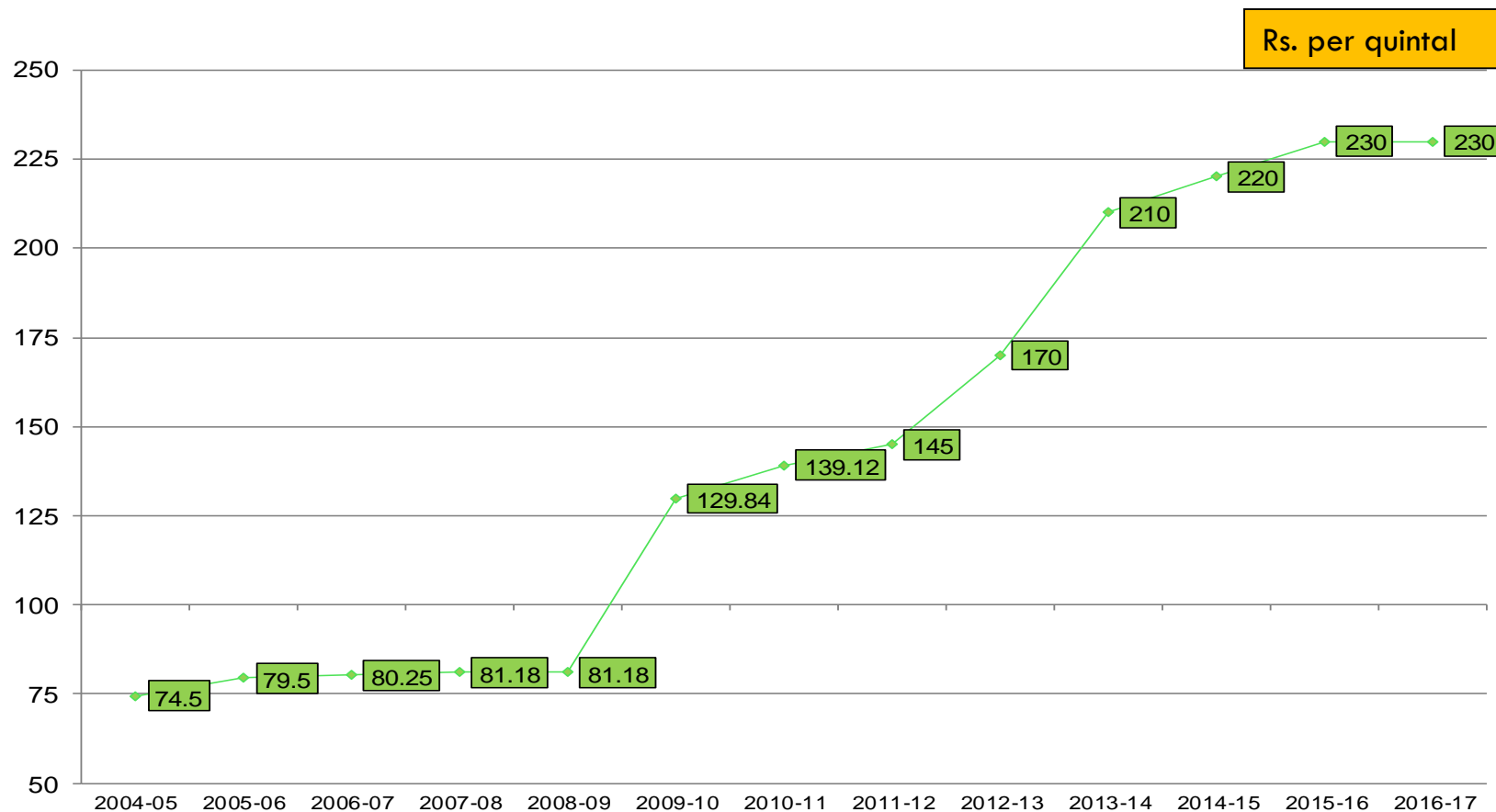
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Production in surplus over consumption continuously for 6 years since 2010-11

Cane Price fixed by Government of India as SMP/FRP

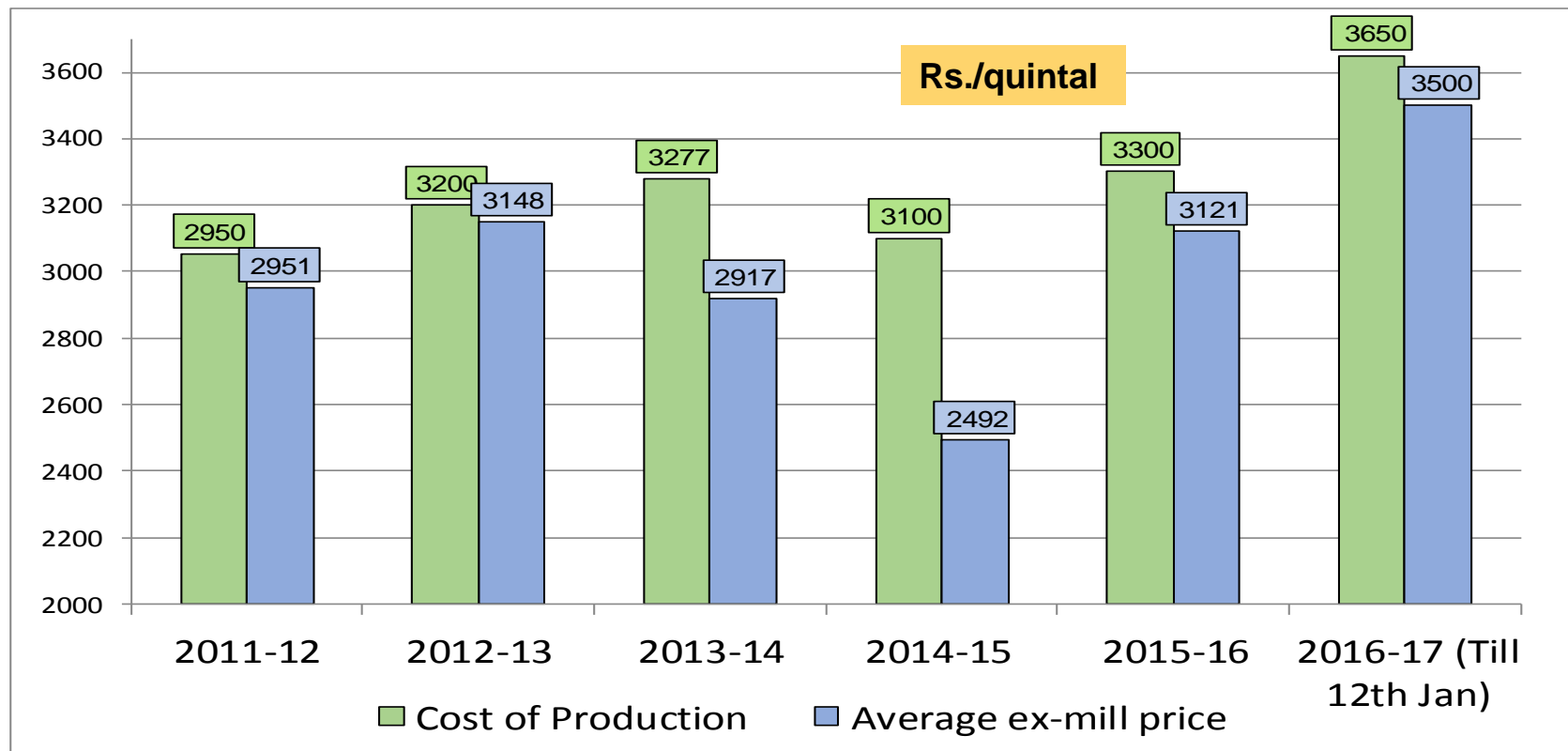
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- Step increase in the cane price fixed by Gol from 2009-10 SS has made cane price unaffordable.
- Additionally, some State Governments fix an even higher cane price (SAP) further burdening and making the industry unviable.

Cost of production vs. Average ex-mill prices

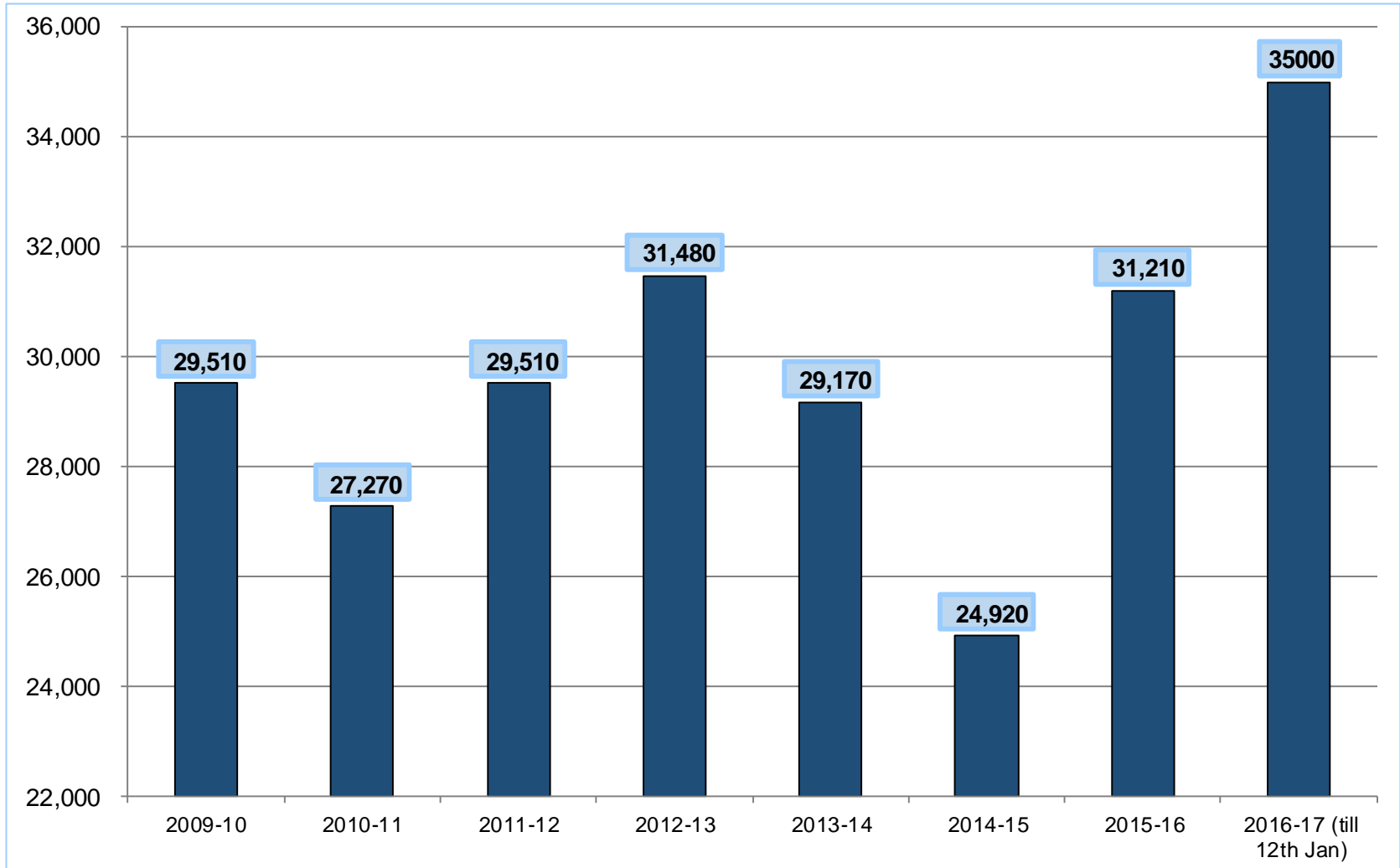
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- Cane prices increased steeply in 09-10, 12-13 & 13-14
- Increasing cost of production
- Ex-mill sugar prices were depressed, thanks to surplus sugar, due to both high domestic production as also imports
- **Sugar prices much lower to cost of production from 2013-14 to 2015-16**
- The Industry incurred massive losses

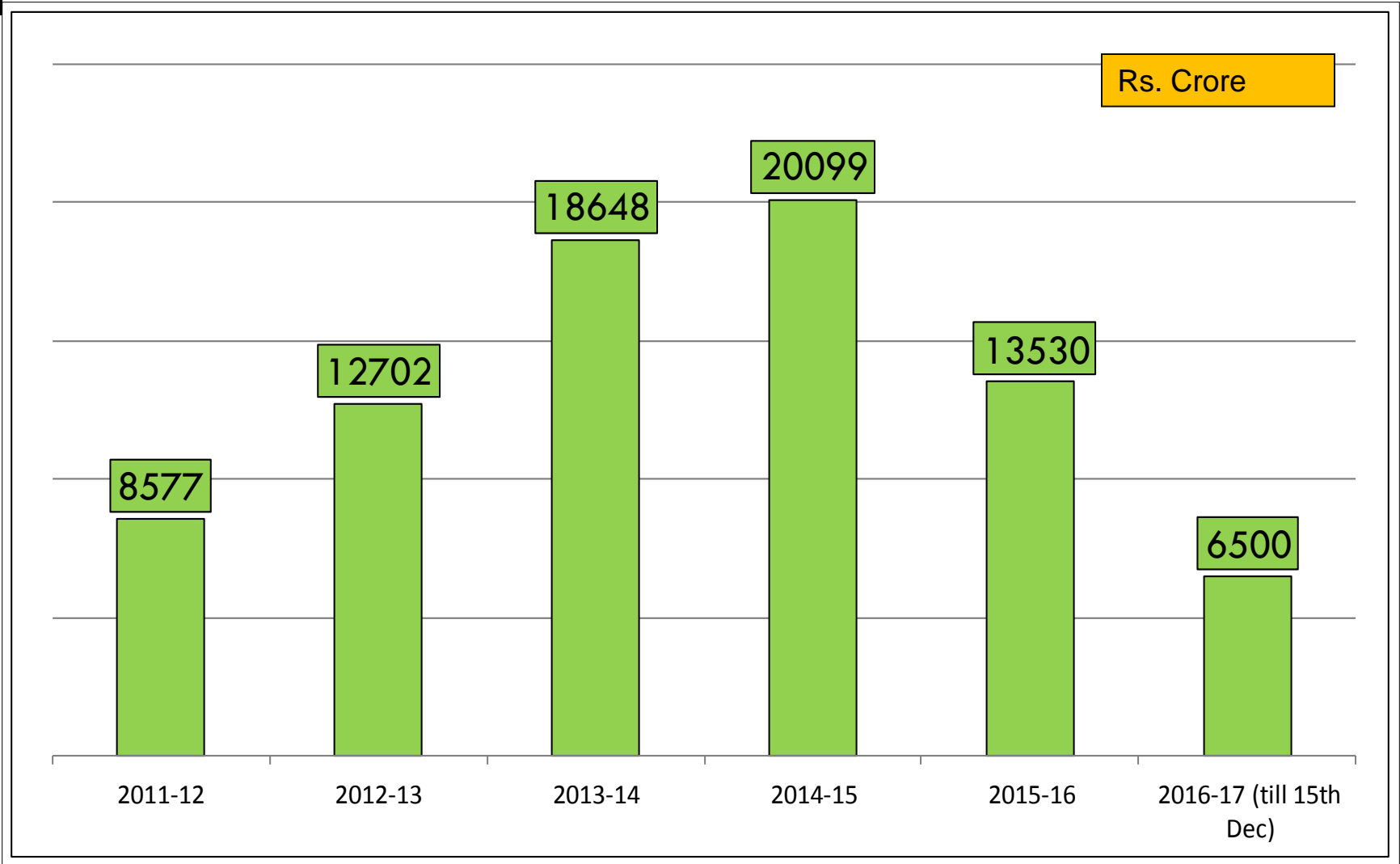
Average domestic sugar prices have been low in last few years

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Cane price arrears accordingly reached record levels in March end

6



Financial crisis in sugar industry

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- Surplus sugar continuously for the 6th year depressed sugar prices
- Massive losses to sugar industry in last 3 years due to
 - Increase in SAP in UP, Uttarkhand, Punjab & Haryana
 - Drought in Karnataka, Maharashtra, Telangana & Tamil Nadu.

Resulting in inability to service debt, resulting in sickness/BIFR and NPAs

- In about 5 years, the debt burden increased 4 times
 - Debt of private mills Rs.11,500 cr. in 07-08 to Rs.44,000 cr. in 12-13
 - Incl. cooperative mills, debt burden much higher at Rs.55,000 crore,

Concessional Soft & SEFASU loans to pay cane price helped

- But it also increased debt by over Rs.10,000 crore in 2 years
- Repayment due from 2016, but industry unable to repay now

Unable to pay both cane price and bank loans

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Expected cash flow for next 12 months

Outstanding debt as per RBI (Scheduled and Commercial banks)

		Unit	Apr. to Jun	July to Sep.	Oct. to Dec	Jan to Mar	Total			Rs. Cr)
1	Average sugar sales	Lac tons	66	62	65	63	256	1	Outstanding as on 31.10.2015	35800
2	Average domestic ex-mill price	Rs./ton	29000	29000	29000	29000	29000	2	Soft loan (sanctioned upto Oct. 2015)	4500
3	Realisation from sale of sugar	Rs.Cr.	19140	17980	18850	18270	74240	3	Total Bank Loans	40300*
4	Cane price payable to farmers (@ Rs.275 all India average and 10.3% recovery)	Rs. Cr.	17621	16553	17354	16820	68350	4	Outstanding cane price arrears as on 15th Jan.'16	12000
5*	Conversion cost @ average Rs. 3400 per ton of sugar*	Rs. Cr.	2244	2108	2210	2142	8704	5	Total current dues of banks & farmers	52300
6	Balance available with mills {3 minus 4 minus 5}	Rs. Cr.	-725	-681	-714	-692	-2814	* Above is regarding private sugar companies. There will be additional loan of another Rs. 10,000 crore for cooperative banks etc. to cooperative sugar mills.		

Note:

* Conversion cost (excluding interest on working capital) taken as per Tariff Commission Report (2012) @ Rs. 6500/ton (deducted Rs. 3100/ton towards revenue from by products). Conversion cost includes salaries/wages, power, chemicals, repair & maintenance, factory overheads etc.)

1 Mills have to pay the following loans:

- Outstanding term loans of Rs. 35800 crore
- Working capital loans taken with interest taken during the current 2015-16 SS
- SEFASU loan with interest from March/April 2016 onwards (Rs. 732 cr., Rs. 671 Cr., Rs. 655 cr. and Rs. 640 cr., respectively in 4 quarters)
- Soft Loan taken in 2015 will become due from 1st October, 2016. Mills have to repay Rs. 680 cr. in Oct - Dec.'16 qtr. And Rs. 596 Cr. in Jan-Mar'17 qtr.

2 Current cane dues of Rs. 12000 crore will also need to be cleared from above cash flows only.

3 Therefore, as per row (6) of above table, mills will not have funds to service the above debts

Debt Restructuring

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- Losses incurred last 3-4 years due to high production.
- Debt burden jumped from 12,000 cr in 2007-08 to 50,000 cr. now
- 10,000 crore of Soft/SEFASU loans along with Government interest subvention due for repayment 2016 onwards.
- Industry unable to service all debt burden and becoming sick.
- Request to get S4A scheme extended to sugar industry too
 - Only modification required is reduction of threshold limit to Rs.100 crore since most sugar companies in small/medium level.
 - Being a seasonal industry, cash flows of 12 months to be considered.

Concluding

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Debt of sugar industry be restructured under S4A with appropriate modifications.

Debt includes SEFASU, Soft Loan, SDF, Term Loans, & working capital loans.

Thank you