

Sugar price, shares surge on revival package buzz

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Mumbai, 22 May

Sugar rates as well as the share prices of its makers have started firming up on a buzz that the government is toying with the idea of coming up with a fresh package to support the ailing sugar industry.

This 'incentive' may be given so that sugar companies can pay their dues to the farmers.

In the spot market, sugar price increased in two days across mandis. Even in the last two days, the shares of sugar firms have headed northward after a long period of under-performance.

According to market rumours, the government is considering several proposals which it received from the industry and political heavy-weights.

One of them is to fix a price limit for sugar mills below which they cannot sell sugar. This will come with a condition that mills will clear cane farmers' dues which, according to Indian Sugar Mills Association (Isma), have already surpassed ₹210 billion and on April 15 it was to the tune of ₹216.75 billion.

There is a possibility of 2-3 million tonne of buffer being created but the problem is of the money to buy sugar.

However, if sugar price is fixed for mills at a certain limit below which sugar cannot be sold, that will help arrest distress selling

SUGAR STOCKS RALLY

(Price in ₹)

	May 18, '18	May 22, '18	% chg
Dwarikesh Sugar	20.8	25.8	24.1
Dhampur Sugar	85.5	101.3	18.4
Balrampur Chini	62.4	73.5	17.7
Avadh Sugar & Energy	328.6	375.9	14.4
Triveni Engineering	38.9	44.2	13.6
Dalmia Sugar	57.5	65.2	13.4
Bajaj Hindusthan Sugar	7.3	7.4	2.1
Shree Renuka Sugars	15.8	15.9	1.0
Bannari Amman Sugars	1,610.5	1,615.1	0.3
EID Parry	242.7	243.3	0.2

Top 10 Sugar companies on Mcap, Compiled by BS Research Bureau Source: Exchange

by mills to raise funds.

The issue may come up for discussion in a Cabinet Committee Of Economic Affairs meeting next week in which the sugar industry's woes may be discussed. According to trade experts, a political heavyweight has requested the government to build a sugar buffer stock, increase ethanol price and take other measures.

In the last two days, the Delhi market saw a bigger jump while price of sugar went up in Mumbai also. Price in Navi Mumbai's wholesale market increased to nearly 3 per cent to close on Tuesday at ₹28.5. In New Delhi, the mandi price went up nearly 6 per cent to around ₹28 per kg.

Isma has also said in a letter to the secretary, department of food in consumer affairs ministry, that if measures to reduce mills' burden

are not taken by March 2019, cane arrears could touch ₹400 billion.

Isma called for introducing a second leg of sugar reforms which was to link cane price with sugar rates and do away from government fixing the cane price or the fair and remunerative price.

Globally, the weather is said to be turning bad for major producers like Brazil and hence in December quarter, prices are likely to be traded 15-20 per cent higher from what it is currently.

In the last few days, prices have already surged in the ICE futures market by 9 per cent and trading price was above \$12 per pound. Analysts are projecting an average price for the December quarter at \$14.5. At that time, Indian exports will turn attractive and the glut situation is expected to ease, according to an industry official.

Business Standard

23/5/18