

CRISIL SME TRACKER

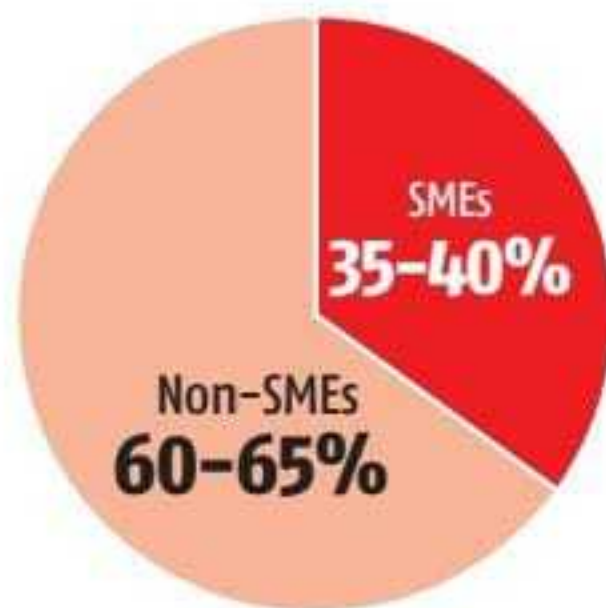
Increased sugar prices to lift MSMEs' margins

Lower-than-expected rainfall in key sugarcane producing districts of Maharashtra lowered cane yield in the state in sugar season/SS 2024 (October 2023 to September 2024). In fact, a dry spell in August impacted cane production in Maharashtra and Karnataka, which collectively contribute more than half the country's sugar production.

Lower cane availability is expected to reduce sugar production by 3-4 per cent, which will trigger a price rise. Sugar prices are likely to rise 2-3 per cent in the backdrop of weak supply and strong demand.

The government has banned sugar exports this season because of low supply. The Directorate General

SMEs MAKE UP A THIRD OF ALL SUGAR MILLS



Source: Industry, CRISIL MI&A and Research

of Foreign Trade issued a notification extending the restriction on sugar exports from October 31 onwards till

further notice.

Lower cane availability is expected to result in reduction in cane being diverted for ethanol production from 4.5 million tonne to 4 million tonne.

Despite reduced exports and decline in ethanol production, Ebitda margins of micro, small and medium enterprises (MSMEs) in the sugar industry are projected to increase in the upcoming quarters. This is due to their significant involvement in the sugar segment and limited exposure to exports and the distillery segment. Robust sugar prices will positively impact their financial performance this financial year.