

Working capital of sugar mills to rise by 10-14% as crushing in UP goes up: ICRA

MUMBAI: The working capital requirements of sugar mills are likely to increase 10-14 per cent as crushing in Uttar Pradesh goes up because of cane, used by the local gur and khandsari manufacturers, being diverted to the mills, according to a report.

"We expect the working capital requirements of sugar mills to increase by 10-14 per cent given the demand squeeze in April-May, owing to the lockdown and also the increase in the sugar production in UP," ICRA Ratings Senior Vice-President and Group Head Sabyasachi Majumdar said quoting a report on the sugar sector.

He added that the state is set to record the highest-ever production in the sugar year 2020 (October 2019-September 2020) of around 12.5 mil-



lion tonne, 6 per cent higher on a year-on-year basis.

He said the production in UP went up majorly as cane, which was generally used by the local gur and khandsari manufacturers, got diverted to sugar mills.

"These factors resulted in the moderation of liquidity for the sugar mills, thus increasing the cane dues to farmers," he added.

With the relaxation in the lockdown rules, the exports are likely to normalise from next month and the domestic demand is also likely to pick

up to an extent, the report by ICRA said.

This could support liquidation of sugar stocks to some extent but the adverse impact on demand due to closure of restaurants and restrictions on large gathering celebrations continue, it added.

The domestic sugar mills have contracted close to 4.2 million tonnes of sugar for exports during the seven months of SY2020 (until April 2020). ICRA expects the exports to be around 5 million tonnes given the demand from Indonesia and Iran. "However, with most countries under lockdown globally, the demand has declined resulting in a fall of the global sugar prices. However, the mills exporting sugar are likely to gain on rupee depreciation to an extent," Majumdar added. P11