

# Another dose of sweetener for sugar mills on the anvil

MSP may be raised by ₹4-5/kg; package for cooperatives under consideration

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**A**fter last week's incentives package which saw ethanol prices being raised, yet another dose of sops are on the cards for sugar mills.

The package being considered include raising the minimum selling price (MSP) of sugar by mills to ₹34 and loan restructuring or similar incentives for mills in the cooperative sector.

Mills have been asking for raising the MSP to ₹37 and earlier, the government of UP, the largest sugar producing state, had recommended a price of ₹34 as MSP. However, the government seems to be settling for ₹34-35 as MSP. The market price is prevailing closer to this level. A need was also felt for supporting cooperatives.

These measures will have a side effect in the form of a rise in open market price of sugar in the wholesale market as well as for consumers.

However, the idea is to support the sugar industry in times of successive years of excess production and help clear farmers' cane dues.

The government already announced a package for sugar mills in early June when the government announced the creation of 3 million tonnes of buffer stock of sugar for a year. It introduced MSP of ₹29 per kg below which mills cannot sell.

Last week's package has helped



## HOW THE STOCKS MOVED

Company	Price in ₹		% Change
	Sep 12, '18	Sep 17, '18	
Avadh Sugar	393.9	567.2	44.0
Dalmia Bharat	65.1	93.7	44.0
Dhampur Sugar	97.7	140.5	43.8
Dwarikesh Sugar	20.6	29.6	43.4
Bajaj Hindusthan	7.2	10.2	42.7
Sh. Renuka Sugar	12.8	17.8	39.2
Triven. Engg. Ind.	42.6	54.2	27.4
Balrampur Chini	77.9	95.8	23.0
Bannari Amm. Sug.	1,503.2	1,789.5	19.0
EID Parry	214.1	236.5	10.5

Filtered on top 10 by market cap, Compiled by BS Research Bureau Source: Capitaline, Exchange

sugar companies share price skyrocket in the last seven days. In one week, sugar mills' share price composite index prepared by Business standard research bureau increased 27.5 per cent compared to a 0.35 per cent decline in Sensex.

Share prices of top 10 big sugar companies from market capitali-

sation have increased around 40 per cent in a week. Increase in MSP is a direct increase in factory price of mills and recovery will increase near to a level of their cost of production.

Increase in MSP is also expected to indirectly facilitate quicker export of surplus sugar. Officials

said a formal decision regarding the proposals could be considered soon.

However, how much impact a higher base could have on the retail price and whether government fits the bullet ahead of the big festival season, when consumption of sugar goes up, remains to be seen.

Even if retail prices go up reflecting a rise in MSP, they will be lower than the prevailing ones a year ago.

Industry players have been demanding that the Centre immediately raise the MSP of sugar by at least ₹7 per kg and fix a mandatory export quota of 7 million tonnes in 2018-19 to absorb the surplus.

The surplus is poised to reach a whopping 10 million tonnes ahead of the new season, which starts next month.

The increase in MSP will take care of their financial requirements and they won't need any additional subsidy from the government. Sugar export is still unviable and the industry had also asked for higher incentives for exports which can help reduce the surplus. However, for that, the government has to bear the burden of subsidy. If the MSP is raised, mills will get the required support and the burden will be borne by consumers.

"Somebody has to pay - either the government does it through direct subsidy or consumers pay by way of higher retail price - which will still be lower than last year," a senior industry official said.

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