Sugar prices to stay firm on higher import duty, lower stocks: Ind-Ra

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SUGAR prices are expected to remain firm in the crop year 2017-18 on higher import duties and depleted sugar stocks, said India Ratings and Research (Ind-Ra) in its report released on Wednesday.

Expectations of higher domestic production and depressed global prices are unlikely to impact prices, the local arm of Fitch rating said. Expectations of firm sugar prices will be remunerative for sugar millers to pay higher cane costs declared for the current sugar season, the rating agency said.

"Owing to high fixed cost of production for Indian players, the government will have to continue to resort to protectionist measures in the form of higher import duties, in the environment of depressed global prices to safeguard the interests of Indian sugar millers," the report said.

The Fair & Remunerative Price (FRP) on sugarcane has been increased to Rs 2,550 per ton for sugar season 2017-18 compared to Rs 2,300 a ton for sugar season 2016-17.

While some states, which require sugar millers to pay state advised price, have not declared cane prices for SS 2017-18, they are likely to continue to be higher than FRP, India Rating said.

Maharashtra and Karnataka are the only states to have adopted a revenue sharing formula, which offers stability in terms of cane pricing. Therefore, the financial profile of key sugar producing states of UP, Karnataka and Maharashtra are expected to remain stable in 2017-18 on account of higher production, stable sugar realisations and little impact of cane costs.

However, the financial profile of millers will be impacted in the state with higher FRP, the rating firm said. "Tamil Nadu-based millers are expected to be impacted by higher FRP and lower production and recovery in 2017-18," said Geeta Mehta, senior research associate India Ratings & Research.

Meanwhile, financial performance of the sample set companies improved in financial year 2017 due to favourable market conditions, said India Rating after analysing the demand-supply scenario, ex-mill prices and regulatory support extended during sugar year 2016-17.

Meanwhile, the agency estimates the opening stock available for sugar season 2017-18 to have dwindled down to around four million tons from 7.5 million tons available at the start of the SS 2016-17.

As against a buffer stock equal to three months of consumption typically maintained, the sugar stock available at the start of SS 2017-18 is enough only to meet two months of consumption.

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Maharashtra sugar mills production up 73%

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SUGAR millers in Maharashtra recorded a 73 per cent jump in sugar production to 911,400 tons on increased crushing operations, industry sources said. During 2016-17, the state had produced around 526,500 tons sugar.

"Higher yield due to favourable weather helped millers to start crushing activity earlier which cause sugar output to rise," said Ravishankar Pandey an analyst with Karvy Comtrades.

Around 159 mills in the state crushed 10.4150 million tons sugarcane till November 22. In the same period a year ago, around 132 mills had crushed 6.054 million tonnes of sugarcane.

However, the recovery rate during the current sugar season increased marginally by 8.75 per cent compared to 8.70 per cent in the same period a year ago, said traders.

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