

# Sugar mills approach govt for restructuring of loans

**Banikinkar Pattanayak**

**New Delhi, Feb 23:** Cash-starved sugar mills have approached the Reserve Bank of India and the finance ministry for a restructuring of their debt, which has risen 266% in seven years through March 2015, thanks to high state-fixed cane prices in times of the global commodity price crash and plentiful supplies.

In separate presentations to finance minister Arun Jaitley and Reserve Bank Of India governor Raghuram Rajan, the industry while apprising them of the crisis in the sector, has sought the restructuring of loans under the 5/25 scheme.

The scheme typically relaxes the repayment schedule for borrowers. The combined debt of sugar mills' jumped to Rs 40,300 crore as of March 2015 from roughly Rs 11,000 crore in March 2008. Factoring in the loans taken by sugar co-operatives, the total debt burden of the industry stands at a staggering Rs 55,000 crore. The annual turnover of the industry, which has been incurring losses since 2012-13, is around Rs 85,000 crore.

The loan restructuring has been urgently necessitated by the fact that mills will soon have to start making



payments for the two loan packages (totalling Rs 12,600 crore) offered to them since the 2013-14 marketing year (October-September), and the moratorium on repayment is set to be over for some mills by as early as March. Moreover, mills are still constrained to sell sugar far below costs, despite an improvement in prices of late, due to high raw material prices and a glut.

However, since sugar isn't exactly a core or infrastructure industry for which the 5/25 scheme can be applied, the industry delegation, led by Indian Sugar Mills Association president Tarun Sawhney, has conveyed to both Jaitley and Rajan that the sugar industry also generates electricity apart from producing fuel ethanol to replace a part of ethanol under the government's blending programme. The industry also

fulfils the most important criterion under the 5/25 flexible restructuring scheme of acting as a catalyst for overall socio-economic development, and that too directly in rural areas, Sawhney is learnt to have said.

Rajan told the delegation that there is a need to find an economic solution to the persistent problem in the sugar industry, which, he agreed, was "the unreasonably high cane prices unmatched with revenue realisation," said a source.

As per the 5/25 flexible restructuring scheme formulated by the central bank, lenders are allowed to fix longer amortization period for loans to projects in the infrastructure and core industries sector, for say 25 years, based on the economic life or concession period of the project, with periodic refinancing, say every 5 years.