

VIJAY BANKA/DWARIKESH SUGAR INDUSTRIES

Sugar prices are at reasonable levels

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INTERVIEW

Sugar prices have recovered and is currently trading at ₹3,200 per quintal, says Vijay Banka, whole-time director and chief financial officer of Dwarikesh Sugar Industries.

He expects sugar production to be at 25.5-26 million tonnes in the current year with carry forward stock estimated at less than 9 million tonnes. Edited excerpts from an interview:

In the last three months, could you tell us what has been the quantum of increase in sugar prices and therefore what will be the realisations? Have you broken even?

The sugar prices have risen from ₹2,300 in the month of August 2015, presently sugar is traded with ₹3,200 per quintal. So that has been a remarkable recovery as far as the sugar prices are concerned.

Then sugar prices are at reasonable levels. I won't say they are too high, the kind of prices where companies would perhaps make decent money, we only hope and pray that the sugar prices remain at sustainable level in the times to come.

What is the arithmetic of carry forward stock and current year's estimate, what is the demand/supply arithmetic?

2015-2016 we commenced with a high sugar stock, at least stock of more than 9 million tonnes and current season we expect a production of about 25.5 to 26 million tonnes with a consumption of nearly 24.5 million tonnes and exports also happening, I think we should have stocks at reasonable levels, there is nothing to panic as far as stocks are concerned.

This year also the carry forward will be around 9 million tonnes?

No, it shouldn't be 9 million, it should be lesser than that because government is targeting an export of 4 million tonnes out of its 3.2 million tonnes it has made compulsory, so already contracts have been executed for nearly 1.35 million tonnes. So we expect about 2 million tonnes to at least move out.

So the stock level should be lesser than what was the opening stock then.

Next year again, the sugar production is going to be lesser which is mainly on account of

unfortunate drought in the state of Maharashtra and Karnataka which is how the prices are now at reasonable level.

At ₹3,200 per quintal, are you breaking even what is the cost of production for you?

We breakeven at the price of—if you factor for all the revenue that accrues to us from sell of power, ethanol etc.

We breakeven at around ₹3,000 a quintal but you must also consider the fact that this is the average realisation which we should have for the year. Now, like I said, at the beginning of the year, in the first half of the year, the prices were at abysmally lower level.

Going by the arithmetic you are giving me, what will be the carry forward stock? If 2-3 million tonnes move out as exports then by the time you get to Diwali and the sugar doesn't even come into the market by then, the new sugar year, doesn't it look like we are going to see a rise in sugar prices, what will be the carry forward this year?

The carry forward stock should be around 7 million tonnes, which is reasonable.

There is nothing to panic about the stock level and it is just that the sentiments are improved and things are looking good for the sugar sector.

I am asking you, do you expect the prices to remain at ₹3,300 or will it be higher?

I don't expect any runaway increase in the prices should remain at ₹3,200-3,300 level per quintal. I would expect them to remain at ₹3,300 levels.