

'This year we'll be producing 20.2 mt of sugar'

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Vivek Saraogi, managing director of Balrampur Chini Mills, said that with the Uttar Pradesh chief minister keenly aware of the problems facing the sugar industry and supply and demand on an even keel, good times are in store for the industry. Edited excerpts from an interview:

What exactly is happening because we understand that Uttar Pradesh sugar companies met the Chief minister (CM) in the last few days? What has the takeaway been and what do you see coming from the government's end?

From the first meeting with the CM we left with a lot of enthusiasm and I felt that the CM is a person with tremendous understanding of ground realities. He is focusing on the fact that we should increase the yield for the farmer, we should work with the farmer to increase income rather than going for fixation of price.

I wanted to understand whether the CM was sympathetic to the fundamental point that the industry has been asking for—that cane price should be aligned to the end product price, basically something like the Rangarajan formula. Was he agreeable to that?

The take-home is that the CM is very clear that cane price must be paid in 14 days. He is extremely rational in his



A file photo of a worker filling sugar into a machine that makes sugar cubes at a mill in Ghaziabad, Uttar Pradesh. Sugar production should increase by 4 million tonnes next year, says Balrampur Chini Mills MD Vivek Saraogi. **BLOOMBERG**

thinking on what the price should be and the proof is when he released the press note, he said we are willing to look at the good points of cane price fixation of Maharashtra and Karnataka. So he is clear that if there is no congruity between sugar price and sugarcane price, the ability to pay within 14 days doesn't last. He wants the farmers' incomes to increase through good varieties which increase farmers' yield. I see an extremely practical man with great understanding of the grassroots.

This year is a record year, things have changed. Three-four years back we were discussing the feasibility of running sugar operations and now we are at record profits. I was asking about next year. Do you see further improvement?

What I am looking at and what we as a company are focusing on is how to deal with

and understand and create a model where one can look at sustainable income or sustainable profitability. Let me put on record the appreciation I have in my mind for both the centre and the state government.

If you see the central government, let us not forget that they have studied in depth the demand-supply gap and they have come out with an import announcement. It is an extremely well calibrated announcement.

It has dealt with the shortage at each spot.

Coming back to the state, one sees a lot more rationality in cane price fixation. In ethanol pricing, centre has been rational. So it's a sustainable business model.

Coming back to the point you were making about UP chief minister meeting that you. The other thing on the agenda that was expected was a freeing up of the sale of molasses. What was the CM's viewpoint and what

do you see as the way forward?

He did deal with that; he has told his people that we must review the freeing up of molasses as well.

I want some visibility on how sugar prices will move and therefore sugar company margins. You are a practised eye here. Does it look like, given the kind of remuneration farmers have got, we should be having more output? When the sugar year starts on 1 October, is it likely to be good or better than the current sugar year?

This year we will be producing about 20.2 million tonnes (mt) and with the opening stock and the demand and the import, we should have a closing balance of about 4.2 million. Going into the next year, I personally expect that production and consumption should be very well balanced. The production should increase by 4 mt.

So my very initial target, this is not a formal target, is production next year is 24.5 mt, consumption 24 to around 25 mt. So there will be a balance, and no pressure on sugar prices.

Twenty million tonnes, are you sure you will be able to achieve that because some experts tell us that the number could be around 18.5 mt. What about net realisations—imports may be allowed. Will you have an impact on the net realisations?

We have already produced 19-plus. We will go to 20. So there is no need to rely on expertise.

The data is available. So we will definitely get to 20-plus.