

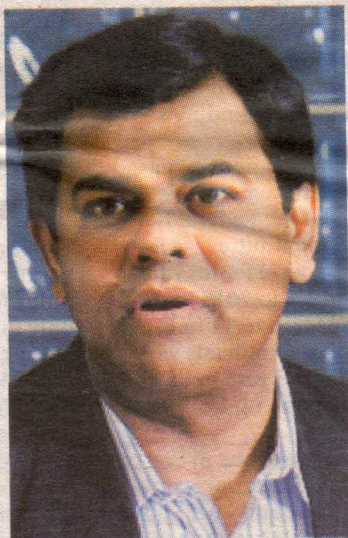
I expect sugar prices to rise by a couple of rupees

By ANUJ SINGHAL,
VARINDER BANSAL &
SONIA SHENOY
CNBC-TV18

In a move to boost the ailing sugar industry, food minister Ram Vilas Paswan increased import duty on sugar to 40% from 15%. While taking the decision at a high-level meeting on Monday, the minister also extended sugar export incentives till September 2014. The government also decided to double the level for blending ethanol with petrol to 10%. Shares of **Bajaj Hindusthan Ltd**, **Shree Renuka Sugars Ltd** and **Balrampur Chini Mills Ltd** gained after the decision.

Lobby group Indian Sugar Mills Association (ISMA) welcomed the decision, which it had been seeking for the past 18 months. In an interview, ISMA director general Abinash Verma said sugar prices will go up by ₹3 per kg in the near term. The move does not need approval from Cabinet as the finance ministry can take a final call on the matter, he said.

What are your first thoughts on



Looking ahead: Abinash Verma.

INTERVIEW

this? Is this what the industry had asked for?

Yes, that is what we have been asking for last one to one and a half year.

One is increasing import duty to 40% because we do not want even one kilogram of sugar to be imported into India. Second is we want the export incentives to

be announced and continue for the next one year.

Third is, it is a very positive decision again from the government that they want to implement the ethanol blending programme very strongly.... even though it was a 5% mandatory blending previously, implementation was not strong and we have not even reached 3%.

So the decision to move on to 10%, which is already an approval of the previous government, is an excellent step.

What kind of pricing do you expect over the next few months now? What kind of impact will this have?

First, we will have to wait for the notification from the government to come out increasing the import duty to 40%.

Once that notification comes in, we see that there is going to be a higher demand from the domestic traders and they will take some stocks and increase their pipeline.

So I expect the domestic prices to improve by a couple of rupees because we are still about ₹2-4 below our cost.

How much time do you see it taking to implement what has come

today in terms of import hike ethanol blending and everything and second, do you hear anything in increase of ethanol blended pricing. I hear that it was early ₹37 per litre and it could also inch higher going ahead, did you hear something on that as well?

There are two things—one is the increase in import duty; that decision can be taken by the ministry of finance.

It need not be a part of the budget, it need not be approved by the Cabinet, it is a decision that the ministry of finance can take.

My information is that ministry of food has already officially requested the ministry of finance to increase the import duty from the current 15%.

So that notification can come out tomorrow (Tuesday) or in 3-4 days—whatever time the ministry of finance takes so that is number one.

Number two, the price for ethanol—last year our information was the oil companies were putting some kind of a ceiling price on the purchased price of ethanol because of which we were not getting more than ₹37-38 at our ex-mill for ethanol price but there has been a decision to review this ceiling price that the oil companies are following and because of a change in the policy to our calculation to arrive at the ceiling price, we believe that the prices that can be offered from the next tender that ceiling price can go up by ₹4 also.

mint
24/6/14