

Sugar

Industry Code (as per CMIE Prowess): 0101011101150000'

June 2022

Overall Industry Risk Score: **13/20 | Marginally Favourable**

Sample Size: 38 Companies

Median Rating Value of sample size: BBB

Individual Parameters Contributing to the Score

Demand & Supply Balance



12/20

DS Equilibrium

As per Statistics from Sugar Development Fund (SDF), the sugar production in the country during current sugar season 2021-22 (October-September), as on 28.02.2022 was at 238 Lakh tonne as against 233 Lakh tonnes during the corresponding period of last sugar season 2020-21. During the Sugar Season 2020-21, 70 LMT sugar was exported and during the season 2021-22, sugar mills have contracted about 55 Lakh MT of sugar for export and sugar mills have dispatched about 40 lakh MT of sugar for exports during the period from 01.10 .2021, to 28.02.2022. The significant demand for ethanol from OMCs for fuel blending will support profitability.

Extent of Competition



8/20

Fragmented Industry

Clearly, a fragmented industry with presence of private sector players as well as cooperatives in certain states. Maharashtra & UP are the two major sugar producing states accounting for more than 50% of the output.

Regulatory Risk



16/20

Stable Regulatory environment

The regulatory environment has been fairly supportive to the industry while keeping the interests of the sugarcane growers in mind. The regulation has an influence on the key costs through FRP (Fair & Remunerative Price)/SAP (State Advised Price) to be paid to cane growers. The Government also stipulates MSP (Minimum Support Price) for sugar. The regulatory environment also favours ethanol production through measures like interest subvention scheme.

Input Related Risk



16/20

No supply disruptions / very narrow price band or fluctuations

Sugar cane is a water intensive crop; availability may vary depending on acreage and yield. Cane prices are regulated by the central and the state governments. Integrated units with Co-Generation plants & distillation facilities/ ethanol facilities are better placed in terms of profitability vis a vis standalone units.