Sweeter days ahead for sugar companies

Many cut losses as price stabilises at higher levels

QUARTERLY PERFORMANCE

Company	Quarter ended Mar 2016 (₹ cr)			Y-o-Y change (%)		
	Net sales	PBIDT	Net profit	Net sales	PBIDT	Net profit
Upper Gang. Sug.	249.31	75.75	59.94	26.12	307.92	7,487.34
Oudh Sugar Mills	339.16	110.04	74.66	4.02	159.53	1,396.19
Parrys Sugar	92.39	25.54	19.93	272.54	131.76	276.04
Uttam Sug.Mills	412.69	87.55	67.51	119.13	104.37	195.45
EID Parry	4,405.69	463.21	230.93	21.02	33.98	67.88
Dhampur Sugar	561.47	171.83	111.83	30.70	78.43	48.53
Mawana Sugars	461.38	91.40	64.92	26.49	-	-
Triven.Engg.Ind.	464.32	80.47	44.14	4.51	-	-

PBIDT: Profit before interest, depreciation and tax; compiled by BS Research Bureau

Source: Capitaline

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Mumbai, 19 May

Sugar mills' finances turned around in the March quarter, on a sharp increase in prices of the sweetener after a forecast of lower output this season. The June quarter is expected to be even better.

Most companies announced a substantial rise in net profit. That of Upper Ganges Sugar, for example, was nearly ₹60 crore for the quarter, from ₹0.8 crore for the same period last year. That of Parry Sugar Mills was almost ₹20 crore, from ₹5.3 crore for the March 2015 quarter. Mawana Sugars and Triveni Engineering's net profits were ₹64.9 crore and ₹44.1 crore; they had losses for the same period a year before, of ₹68.4 crore and ₹85.6 crore, respectively.

"Profitability is likely to remain up in the June quarter. We expect the average ex-factory sugar price to remain elevated at ₹33–33.5 a kg for that quarter, as against ₹31–31.5 a kg for the March quarter. The increase in price would proportionately raise margins for mills," said Abinash Verma, director-general, Indian Sugar Mills Association (Isma).

After a low of ₹19 a kg in August last year, the ex-factory price was ₹33-34 a kg by end-March; the average rise in the quarter was 15 per cent. They stabilised thereafter and rose only one per cent more until this month.

"The industry's viability improved in the second half of FY16 with increase in sugar prices and lower cost of production, a result of higher sugar recovery. The governments at the Centre and states have evolved more rational policy frameworks in respect of cane pricing, ethanol and exports. It is desirable that the same approach continues for restoring the industry's health over the medium term," said Ajay Shriram, chairman, DCM Shriram.

Mills are also benefiting from the policy on ethanol, for blending with petrol. The government HAD announced a higher ethanol price payable by oil marketing companies (OMCs) at ₹48.5–49.5 a litre.

"Domestic ex-mill sugar prices hit a three-year high (crossed ₹34/kg) during the fortnight ended March 31, due to a continuous fall in domestic sugar production and tightness in the global market (global agencies have raised deficit expectations to five to seven million tonnes, on dryness in the top three producer countries). Resultantly, global prices scaled to a one-year high during March (raw sugar at $0.16/lb)," said Achal Lohade, an analyst with JM Financial.

Global firm Kingsman has forecast India's sugar production at 25.1 million tonnes, about 11 per cent lower than the 28.3 mt last year. An ICRA report estimates India's closing stock at 7.6 mt this year, as against 9.5 mt last year.