

## **'Sugar MSP hike to improve mills' profit margins by 6%'**

THE GOVERNMENT'S MOVE to increase the minimum selling price of sugar will augur well for the mills and is expected to increase their operating profit margins by 6%, says a report. The government has increased the minimum selling price (MSP) of sugar to ₹31,000/MT from ₹29,000/MT (announced in June 2018), to support the oversupply hit sugar industry. Rating agency Icra said that this is likely to translate to an increase in operating profits by around ₹2/kg sugar sold which is around 6% increase in operating margins. "The increase in MSP of sugar is positive for mills and expects the hike to improve the operating profit margins of sugar mills by around 6% from the current levels and also aid them in clearing cane dues to farmers," Icra said. It noted that the sugar prices were relatively subdued at around ₹29,000/MT in the recent months, resulting in high cane arrears of around ₹20,000 crore as on January 2019 end. Icra noted that as per the latest estimates on domestic sugar stocks, the production for sugar year 2018-19 is likely to be 30.7 MT as against the earlier estimates of 31.5 MT.