ANNUAL REPORT

2019 -2020

RIGA SUGAR COMPANY LIMITED

RIGA SUGAR COMPANY LIMITED

CIN : L15421WB1980PLC032970

Annual Report : 2020

Board of Directors	:	**Shri O. P. Dhanuka** (DIN : 00049947) **-** Chairman & Managing Director **Shri Dilip Datta** (DIN : 00406151) **Shri P. J. Bhide** (DIN : 00012326) **Smt. Sulekha Dutta** (DIN : 07114240) **Shri N. K. Parasramka** (DIN : 00086584)
Company Secretary	:	**Shri B. K. Bhartia**
Auditors	:	**Salarpuria & Partners** Chartered Accountants Kolkata
Bankers	:	**Bank of India** **Union Bank of India**
Registered Office	:	14, Netaji Subhas Road, 2nd Floor, Kolkata - 700 001 Phone : 2231 3414/15 E-mail : sprasad@rigasugar.in Website : www.rigasugar.com
Registrars & Share Transfer Agent	:	**S. K. Infosolutions Pvt. Ltd.** 34/1A, Sudhir Chatterjee Street Kolkata - 700 001 E-mail : skcdilip@gmail.com
Shares Listed at	:	**The Calcutta Stock Exchange Ltd.** 7, Lyons Range Kolkata - 700 001 **BSE LIMITED** Phiroze Jeejeebhoy Towers Dalal Street Mumbai - 400 001
Legal Advisor and Solicitor	:	**Khaitan & Co.** Emerald House 1B, Old Post Office Street Kolkata - 700 001

DIRECTORS' REPORT

To
THE SHAREHOLDERS

Your Directors have pleasure in presenting their Report and audited Accounts of the Company for the financial year ended 31st March, 2020.

FINANCIAL & OPERATIONAL RESULTS (Rs. in Lacs)

		Financial Year 31st March, 2020	Financial Year 31st March, 2019
FINANCIAL RESULTS			
(a)	Gross Turnover	15,313.22	15,487.31
(b)	Operating Profit Before Finance Cost & Depreciation	(407.77)	(2,189.13)
(c)	Finance Cost	1,481.02	1,963.44
(d)	Cash Accruals	(1,888.79)	(4,152.57)
(e)	Depreciation & Amortization	521.18	490.55
(f)	Profit (Loss) before extraordinary items	(2,409.97)	(4643.12)
(g)	Extraordinary Item of Exp./Income	---	--
(h)	Profit (Loss) Before Tax	(2,409.97)	(4,643.12)
(i)	Provision for Tax		
	- Deferred Tax	--	--
	- Income Tax of earlier year	--	--
(j)	Profit (Loss) After Tax	(2,409.97)	(4,643.12)
(k)	Other comprehensive Income (net of tax)	(59.24)	(1.66)
(l)	Total Comprehensive Income for the year	(2,469.20)	(4,644.78)

DIVIDEND:

In view of losses company is unable to pay Dividend.

OPERATIONAL RESULTS

Sugar Unit

The comparative figures in regard to duration of season, cane crush, sugar recovery and production for the year ended 31st March, 2020 vis -a-vis previous financial year ended 31st March, 2019 in respect of the Sugar Factory of your Company are given below:-

		Financial Year 31st March, 2020	Financial Year 31st March, 2019
1.	Duration of crushing (gross days)	120	110
2.	Cane crushed (Lac Qtls.)	33.17	35.28
3.	Recovery (%)	8.10	8.78
4.	Production (Lac Qtls.) -	2.69	3.10

The sales of sugar unit increased by 6% from Rs.127.52 Cr. to Rs. 135.02 Cr.

The crushing season 2019-20 started from 18th December, 2019 and concluded on 29th February, 2020. Due to labour problems and strike during season period the recovery of sugar affected resulting higher cost of production.

The crushing season for 2018-19 was extended till 16th May, 2019. Due to the extreme hot weather in the months of April and May, the recovery of sugar was abysmally low & at 8%. During the months of April and May, 2019 the recovery falls below 5%. The labour problems and strike during season period also contributed to adverse working and loss of recovery of sugar and thus resulting higher cost of production.

The state government had promised to compensate for the loss due to the extended running period of sugar factory during the scorching summer heat and the company has also made a claim against the same. However, the claim of the company of Rs. 7.45 Cr was not honoured by the state government. The company filed writ petition in High Court and as per direction of High Court directed The Principle Secretary for hearing. However Principle Secretary rejected the valid claim of the company and thus company again went to High Court for relief.

Sugar sale price remained subdued during the year, much below cost of production of sugar.

The sale price of sugar was lower than cost of production. The central government fixed minimum floor price of sugar at Rs. 31 per kg which was announced to revise Rs.33 per kg from 1st October, 2020. However the cost of production of sugar on all India basis was much higher and industry demanded floor price of Rs. 35-36 per kg which was not accepted by the government, thus resulted in a loss on realizations. The parity between cane price and sugar price is yet to be established.

For season 2019-20 the sugar factory run only for 74 days and crushed only 21 Lac qtl of sugarcane at average capacity utilization of 28,378 qtl per day against installed capacity of 50,000 qtl per days and annual capacity of 150-160 days running and cane crush of 50-60 Lac qtl. The recovery is abysmally low at 8.86% against Bihar average of 10.8% and thus there was huge loss due to lower recovery and cane availability for season 2019-20.

The Recovery of sugar during last 3 years has been abysmally low:--

	Narkatiaganj	Sidhwalia	Hasanpur	Harinagar	Riga	Majhaulia	Gopalganj	Bagaha
2017-18	10.25	9.24	10.47	10.16	8.78	9.00	9.45	9.19
2018-19	11.31	10.33	11.23	10.71	8.01	10.00	10.36	10.35
2019-20	11.54	10.92	11.00	11.42	8.86	9.91	10.18	11.24

Due to lower recovery during last 3 years company has incurred huge loss.

Continuing Losses

During last 9 years company has incurred Loss of Rs. 127 Cr. but still made repayment of Term Loan of Rs. 79 Cr. and interest of Rs. 142 Cr., whereas fixed assets investment were Rs. 50 Cr as enumerated below:-

Rs. in Lacs

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Total
Net Profit (Loss)	(524)	(350)	(272)	(1,442)	(506)	(409)	(2081)	(4,643)	(2,410)	(12,637)
Term Loan Repayment	1,432	492	477	1,066	786	1,205	1,410	1,039	21	7,928
Payment of Interest	1,571	1,559	1,318	1,607	1,435	1,502	1,765	1,963	1481	14,201
Fixed Assets Investment	702	209	546	412	195	1,325	1,114	342	155	5,000

Due to continuous losses for last 9 years there are cane price arrears to farmers. However the company has totally repaid the sugar cane price till last season 2017-18.

Riga Sugar for last 6-7 years due to natural calamities, disparity in sugar price & cane price, closure of distillery on CPCB directions have faced tremendous problem. Cyclone Phailin in 2013, Cyclone Hud-Hud in 2014, Earthquake in 2015, Flood in 2017 and 2019 have made great loss to company. The State Government had given assurance to help and visited the area but no compensation was granted. In August 2017 and 2019 heavy flood also caused huge damage to our plant and sugarcane.

The incentive claim as declared by the State Government and other receivable from state government is pending for long time which the Government is not releasing. The same amount could have been used for payment of cane price arrears for the season 2018-19.

Since the entire bank loans of the company had became an NPA in the year 2018-19, the bankers allowed holding on operation which is still going on.

Due to continuous losses, the Net worth of the company is fully eroded which may have an effect on the entity's ability to continue as a going concern. However, the Management is still hopeful that with financial restructuring by the banks and financial assistance from the state and central government, the company can still revive.

The company has made request for following support from central and state government, if provided the company can be revived:-

CENTRAL GOVERNMENT

1. **Ethanol Loan to NPA sugar factory who has defaulted in SDF**

   To increase the no of days of operation of Ethanol Plant from present restricted 270 days to 330 days and consequential increase in plant capacity company have to install Incineration boiler and also install Modification System.

2. **Company have been deprived from Soft Loan Scheme announced by the Central Government to Sugar Industry.**

3. **MIEQ & Cane price Subsidy by the Central Government for the season 2018-19**

   The central government had announced cane price subsidy for the season 2018-19 at the rate of Rs.13.88 per qtl. However it was linked with compulsory export obligation known as MIEQ. However there was loss on making export of sugar which the majority of weak companies like your company could not bear and thus could not pay cane price subsidy to the farmers and thus farmers are deprived of cane price subsidy. Company has demanded that central government to pay Rs.13.88 for season 2018-19 directly to farmers without linking with prior export obligation to weak and small sugar companies.

4. **SDF Loan Restructuring & withdrawal of DRT Case**

   Company have become totally weak and Sick Sugar Unit and has become NPA from 30th September, 2018. As per SDF Rules our company is fit case for restructuring of the Loan by way of :-

   (a) extension of repayment period;

   (b) waiving of all penal and additional interest;

   (c) Providing Loan for Clearance of Cane Price Arrears;

   (d) Loan for plant rejuvenation and balancing;

   (e) Loan for Ethanol and Power Plant; and

   (f) withdrawal of Recovery case in DRT

   Company seek aforesaid relief and assistance as the SDF Rules provides for this under Chapter X of SDF Rules regarding - Loans for potentially viable sick sugar undertaking and Chapter XV of SDF Rules regarding Restructuring of loans of potentially viable sick sugar undertaking.

5. **Non-payment of 3rd and 4thqtr Buffer Stock Claim of 2018 Scheme and other penalties**

   Buffer Stock claim for 3rd and 4th quarter as per Scheme of Buffer Stock dated 15th June, 2018 has been withheld because the company have not able to export sugar in 2018-19 as per MIEQ, because there was upfront loss on such export which company could not bear.

For one fault of non-export which is reason beyond control, the Company is penalized by multiple ways as follow:-

i) Not given cane price subsidy of Rs. 13.88/- per quintal on cane crush of 45.25 Lacsqtl. in 2018-19 i.e Rs. 6.29 Cr. which could have gone to farmers directly.

ii) Withholding of Buffer subsidy of 3rd and 4th quarter of Rs. 1.24 Cr, which will go to the cane price arrears.

iii) Reduction of subsequent Buffer qty created in 2019.

iv) Non-eligibility of the company to avail subsidized soft loan to pay cane price arrears as per scheme dated 2nd March, 2019 to pay cane price arrears to farmers of 2018-19.

STATE GOVERNMENT

The company has made request for the following support from the State government. If provided, the company can be revived and it can come out of NPA:-

(a) Provide additional cane price subsidy of Rs.40 per qtl. for the season 2017-18 and additional cane price subsidy of Rs.30 per qtl. for the season 2018-19 over and above the subsidy announced for all Bihar sugar mills- This will ward-off the additional losses incurred by company on account of lower Recovery for payment of cane price to Farmers.

OR

Provide company soft term loan of Rs. 70 crores at interest rate of 4% for period of 10 years with moratorium of 5 years, so that we can pay cane price for last season and current season. The Bank has already agreed to provide second charge on Fixed Assets of the company toward security of loan.

The aforesaid amount can be paid directly to the farmers.

(b) Release of Bihar Soft Loan Interest subvention for the FY 2016-17, 2017-18 and 2018-19 and 2019-20 -Rs. 447 Lacs.

(c) Reimbursement of Co-gen subsidy of Rs.156 lacs pending since last 2 years.

(d) Help farmers directly for procurement of High Yield variety of cane seed of CO 238 for 2 year of Rs. 10 Cr.

(e) Compensation towards running sugar plant in scorching heat of April and May, 2019 as per direction of the state government in the interest of farmers in season 2018-19 and consequent loss by way of extremely lower recovery estimated at Rs. 7.45 Cr.

CENTRAL GOVERNMENT ACTION DURING THE YEAR

FRP: The FRP for 2019-20 remained at same at Rs. 275 per quintal against last year Rs. 255 per qtl. linked to a basic recovery of 10% subject to a premium of Rs. 2.75 per quintal for every 0.1 percentage point increase above that level.

In Bihar the cane Price for the season 2019-20 remained at same at Rs.290 per qtl. for normal varieties, Rs. 265 per qtl. for lower varieties and Rs.310 for premium variety. Transport rebate on out center cane is at Rs.20 per qtl.

MAEQ Scheme: The Central government with a view to facilitates export of sugar during the season 2019-20 thereby improving the liquidity position of the sugar mills to enabling them to clear cane price arrears of farmers for sugar season 2019-20 , announced a mill-wise Minimum Admissible Export Quantity (MAEQ) totaling 60 Lacs tonnes, for the sugar season 2019-20 with compliant WTO subsidy.

Floor Price of Sugar: The Government set floor price of sugar at Rs. 31 per kg below which sugar factory cannot sell sugar, which has been increased to Rs. 33 per kg from 1st October, 2020. However the cost of production of sugar is between Rs. 3,700 to Rs.4,000 per qtl.

Pricing of Ethanol: The pricing methodology for ethanol also remained unchanged. Ethanol prices are announced annually by the Central Government based on a formula, which considers the price of sugar and FRP of sugarcane to calculate the ethanol procurement prices. The ethanol prices are delinked with the crude or petrol prices. Prices for ethanol for the supply period December 2019 to November 2020, were increased to Rs. 43.75, Rs. 54.27 and Rs. 59.48 per BL for Ethanol produced from C-heavy molasses, B-heavy molasses and Direct Cane Juice/Sugar syrup respectively as compared to Rs. 43.46, Rs. 52.43 and Rs. 59.13 per BL in the previous year.

Loan for Ethanol Production: Soft loans through banks for setting up of new distillery capacities as well as augmentation of existing capacities, which could facilitate higher production of ethanol on one hand and reduce production of surplus sugar through diversion of B-heavy molasses and Direct Cane Juice/Sugar Syrup away from sugar into ethanol.

Custom Duty on Sugar: Higher custom duty on import of sugar and Zero custom duty on export of sugar.

Buffer Stock creation: The government created buffer stock of 40 lac MT from 1st August, 2019 for a period of one year.

SUGAR SCENARIO

Sugar production for the season 2019-20 is estimated at 272 Lac MT against previous year 332 Lac MT.

In spite of plethora of steps taken by the Government, the sugar industry is still passing through a difficult phase in view of very high sugar inventory and higher expected production of around 310 Lac MT of sugar in the next season.

As an immediate solution following steps are required to be taken:-

- Increase the Minimum Selling Price to Rs.3,600/- per Qtl to cover the all India average cost of production of sugar.
- Announce buffer stock and subsidy for next year too.

For long-term solution, further proactive steps are required to be taken again on priority basis in order to protect the interest of various stakeholders:

- Most of the sugar producing countries in the world including some of the largest viz. Brazil, Thailand, Australia and USA follow the Revenue Sharing Formula (RSF) to pay cane price to farmers. India should also follow the same so as to achieve its competitiveness on the global front.
- Dr. Rangarajan committee as well as Niti Ayog have recommended the concept of joint implementation of FRP, RSF and PSF (Price Stabilization Fund) as a permanent long term solution for the sector; otherwise the sector would continue to require Government support. Once the above formula is in place, miller's liability for cane price to be limited to the amount arrived at as per RSF, farmers will continue to get FRP and the difference between the FRP and the RSF to be paid from PSF. PSF has to be on a self-financing mechanism. State Advised Price (SAP) to be done away with. Cane price to be allowed to be paid in instalments across the country so as to ease the pressure on the working capital requirements of the sugar mills which will also support the sugar prices.

The All India sugar price and sugarcane price announced by Central Government as per FRP for last 9 years are depicted below:-

Year	Sugar	PriceSugarcane Price (FRP)
2011-12	2,951	145.00
2012-13	3,148	170.00
2013-14	2,917	210.00
2014-15	2,492	220.00
2015-16	3,121	230.00
2016-17	3,620	230.00
2017-18	3,136	255.00
2018-19	3,050	275.00
2019-20	3,250	275.00

The sugar price during last 9 years increased by 10%, whereas the sugarcane price increased by 90%.

Distillery Unit	**Financial Year 31st March, 2020**	**Financial Year 31st March, 2019**
1. Production of Ethanol from Molasses (Lac BL)	77.80	71.70
2. Supply of Ethanol (Lac BL)	58.73	81.35

Ethanol

The Distillery of the company run for higher nos. of days of 158 days against 157 days last year.

Co-Gen of Power

The Company is supplying surplus power upto 3 MW from its co-generation plant. This forward integration contribute to the bottom-line of the company .

Bio-Compost Fertiliser

The company is using distillery effluent and press mud from sugar and other agricultural waste to produce bio-compost which is very cost efficient. Thus the company apart from treatment of effluent and zero discharge adding value. The company got Registration of Bio-compost under Fertiliser Control Order, 1985 with Ministry of Agriculture as per requirement of CPCB.

SEGMENT-WISE PERFORMANCE:

During the reporting period sugar segment contributed 74 percent of net sales of the company whereas Distillery accounted for 16 percent. The company identified two business segments in line with the Accounting Standard on Segment Reporting, Segment-wise Revenue, Results and Capital Employed as stated in Note No.25 (5) of financial statement enclosed with the Annual Report.

Significant changes in key financial ratio:

i) Debtor Turnover ratio increased from 20 to 26 due to lower outstanding in Distillery sales.

ii) Inventory Turnover improved from 1.06 to 1.50 due to higher sales in sugar and lower inventory level of sugar.

iii) Interest Coverage Ratio improved from (1.11) to (0.28), this is due to lower operating loss and interest cost.

iv) Current Ratio deteriorated from 0.45 to 0.33 due to further in loss during the year and consequent depletion in Current Asset.

v) Debt Equity Ratio The total Debt of the company vis-à-vis shareholder point are negative both years and are (2.95) in 2019-20 and (4.01) in 2018-19 respectively.

vi) The Operating Profit Margin Percentage was negative both year which was (5.91) in 2019-20 and (16.76) in 2018-19. The improvement was due to higher realization of Sugar sales and Distillery.

vii) Net Profit Margin was negative in both year (15.34%) in 2019-20 and (29.04%) in 2018-19 and the improvement was due to better operating margin and lower interest expenses.

viii) Return on Net Worth - There was losses in current year as well as previous year. There is negative Net Worth.

INDUSTRY STRUCTURE & POLICY

Structure

Sugar Industry, is seasonal in nature and directly dependent on monsoon for availability of adequate sugar cane. India is the largest consumer and second largest producer of sugar in the world, contributing over 15 percent of the world's sugar production through over 600 sugar factories situated in different parts of the country. The sugar Industry is the largest agro based industry in India. This industry also provides valuable by-products like bagasse, molasses and press mud. The availability of these by-products had led to setting up of Alcohol/Ethanol/co-generation of Power and Organic Manure plants. Over 5 Crore farmers, large number of agricultural labourer are involved in sugarcane cultivation and its harvesting operations. The growth of sugar industry has a powerful impact on the rural economy. Integrated Sugar Industry (comprising sugar, molasses, alcohol, power and bio-fertilizer) enjoys annual turnover of over Rs.1,00,000 Crore and contribute about Rs.5,000 crore to the Central Government Exchequer by way of GST beside state taxes on sugarcane and hefty taxes collected by state as excise and VAT on sale of spirit in the state which run an estimated Rs.10,000 crores annually. The Income tax also contributes to the government coffer. Industry accelerates rural development through farm employment as well as business opportunities in transport and communication.

Sugar has been declared as an 'essential commodity' under the Essential Commodities Act, 1955. Under Sugarcane (Control) Order, 1966, the Government of India fixes cane price called Fair and Remunerative Price (FRP) for sugarcane every year based on the recommendations of the Commission on Agricultural Costs & Prices. However many state government fixes higher cane price for the sugar factories in their state. CACP gives recommendation of cane price , but government do not implement due to political consideration. Since last few year Central government is also fixing floor price of sugar below which no sugar factory sale sugar. This is to check the free fall of sugar price. However floor price is still lower than cost of production.

Sugar Cycle

The Indian sugar industry is characterized by cycle of high and low sugar production. This cycle of 3-4 years is broadly of two types viz. Natural comprising climatic variation, water availability and pest attacks. The other is induced cyclicality which have sequence like -- higher sugar production and accumulation of stock -- decline in sugar prices & profitability -- higher sugarcane arrears -- decline in area under cultivation & Lower cane production -- lower sugar production -- lower sugar availability and stock and thus increase in sugar prices --- improved profitability & low cane arrears -- higher cane production -- higher sugar production and so on. Every time the cyclicality reaches its low, government have to step in to provide Fiscal support in the form of Export subsidy, Buffer Stock creation, Interest Free Loans etc.

The fundamental problem of the Indian Sugar Industry is that there is no parity between the price of raw material i.e. sugarcane and its finished goods of sugar i.e. Illogical intervention of state government cause wide economical distortation in sugar industry. In almost all major sugar producing countries of the world the price of cane paid to the farmers depends on realization from sugar.

Rangrajan Committee Report-Linkage of Raw Material Costs and Sugar Realization

The main recommendation of Rangrajan Committee report of the year 2012 regarding linkage of cane price with sugar price and its by products has not been implemented so far. The committee has suggested for revenue sharing model under which 70% of sugar value and each of its major three by-products would be paid to farmers. Rangrajan Committee has indicated a derived cane price formula. It indicates that cane price will not be an absolute but linked to another variable. Cane price will be linked to the price of sugar in the market place. The higher the sugar realizations, the greater will be the cane price. This is an internationally tested model. This ensures that any increase in sectors profitability is equitably shared between its manufactures and growers. The cane grower will not be treated outsider, but as partner of entire value chain. The Rangrajan committee has gone a step further in this proposed linkage; it has proposed a sharing percentage at a level higher than what is practiced abroad, which more than secures the interest of farmers.

Fixation of cane price at high level than the market price of sugar should be made illegal. Various committees and high-level committee like Rangarajan have said so. According to Rangrajan Commitee, "A sugar unit without any by-products' business will have to pay cane price of 70% of its revenue realisation, while it will have to spend 30% on its functioning. On the other hand, a sugar factory with by-products business will have to pay cane price of 75% of its revenue realization from sugar. The cane price to be fixed taking into account this formula."

Pollution Control- Zero Discharge Company

The Sugar and Distillery factories of the company are Zero Discharge Plants as per norms of Central Pollution Control Board and Ministry of Forest and Environment. The company treat the entire solid waste generated from Sugar factory which is generated in the form of Press-mud and liquid generated from Distillery in the form of spent wash for production of Bio-Compost. For this the company has set-up Digesters, MEE, RO, Lagoon and Bio-compost facilities on more than 17 Acres of Land. The Digesters is capable of generating bio-gas which is replacement of fossil fuel. The Bio-compost produced is rich in all organic nutrients required for fertility of the land. The said bio-compost is sold to farmers who supply sugarcane to company and also to other farmers and even used in Tea Gardens of Assam and Darjeeling.

The company is not only zero discharge company, but is also generating economic value from such waste products and rejuvenating the farm land through use of organic fertilizer.

As per revised norms of CPCB, Distillery of the company is also installed CPU. Now to increase no of permitted days of Distillery operation from present 270 days to 330 days CPCB has prescribed installation of Incineration. Due to financial constraints company has not been able to install the same. However the Central government has notified scheme for interest subvention Loan from the Bank for financing of Incineration. The company is applying for in-principle approval of the same from Ministry.

OPPORTUNITIES AND THREATS

OPPORTUNITIES

Sugar

India is largest consumer and second largest producer of sugar in the world. Major consumers are manufacturer of cold drink, Biscuits, Confectioneries and Halwais which constitute 70% of total consumption and rest 30% by ordinary consumer. There are huge scope for further increase in demand as India is still lagging behind from many advanced countries in respect of per capita consumption of sugar. Thus there are opportunity in production and consumption of higher quantity of sugar in coming period.

Distillery

The mandatory provision of ethanol blending of 10% have strong support for growth of sugar industry. Ethanol production improves oil security and contributes to environmental protection. The Government has announced its policy decision and set aim to increase the ethanol mixing with petrol at 20% by the year 2030 and also mixing with Diesel. The Government of India has announced package for financing of Ethanol Production Capacity including new Ethanol plant and expansion including financing of Pollution Control Equipment. Thus coming years the Ethanol is going to be major driver for growth of sugar industry in the country.

Power

Sugar Industry offer immense scope for renewal energy project on co-generation basis, which provide clean energy. Due to this the increased demand of surplus bagasse has added imputes to revenue generation. The Tariff policy for co-gen renewal power is also lucrative in comparison to conventional power based on fossil fuel. At present sugar industry in India is producing about 4000 MW of surplus power and supplying to grid. However there is potential of 8000 MW co-gen surplus power with the sugar industry.

Bio-Compost Fertiliser

The bio-compost fertilizer being produced by the company has got immense scope of demand in all major agriculture cultivation as it not only preserve the soil from excessive use of chemical fertilizer but also increase its fertility.

THREATS

- No linkage of Sugar Price with cane price
- Unreasonable high cane price in comparison to sugar selling price.
- The sugar sector is exposed to political intervention and cyclical downtrend.
- Natural Calamity.

FUTURE PROSPECTS/OUTLOOK

As per ISMA's latest estimates, production of sugar for the season 2019-20 estimated at 272 Lacs MT and consumption of 255 Lac MT. With opening balance of 146 Lac MT and estimated export under MAEQ of hardly 57 Lac MT, the closing balance in the current season is estimated to be around 106 Lac MT, which is equivalent to 5 months of consumption and is very high in comparison to 3 months ideal norms.

However the by-products of Power and Ethanol support the sugar industry to some extent. The proactive policy of the central government to promote the production capacity of Ethanol will have far reaching positive impact on sugar industry.

Ethanol sector in India A steady rise in ethanol blending is not only likely to moderate crude oil import, saving precious foreign exchange reserves, but also encourage the use of additional cane juice and other raw materials efficiently while protecting the environment from the release of poisonous vehicular exhaust gas. The new National Biofuel Policy 2018 has fixed a target of achieving 20% ethanol blending with petrol by 2030 with the government targeting to achieve the 10% milestone of ethanol blending with petrol by 2022.