

## Sugar Industry Is Not So Sugary: B2K Analytics

The sugar industry witnessed a watershed moment in Sugar Season (SS) 2021-22, with India becoming the world's second-largest exporter of cane sugar. From a financially distressed sector in 2017-18, the Indian sugar industry was transformed into a state of self-sufficiency, breaking records in sugarcane and sugar production. This outcome was not accidental but predominantly due to a supportive ecosystem provided by collaborative efforts, timely interventions, and governmental policies.

Based on the recent trends, the ***Sugar Sector Report*** presented by ***B2K Analytics*** indicates that although the area of production of sugarcane has increased by 6%, the country will see a lower output and exports of sugar in 2022-23 after the diversion of 45 lakh tonne for ethanol production. However, the Government's commitment to reducing the dependency on fossil fuel through ethanol blending will improve the financial position of sugar mills due to faster payments, reduced working capital requirements, and more liquidity due to a lower surplus of sugar with mills.

Diversion into the ethanol segment is enabling companies to deleverage their balance sheet by motivating large sugar mills to increase distillery capacities. Going by the favourable indicators such as moderate debt levels, and government policies like lower interest rates on loans to encourage new capex in distilleries, the sugar companies are likely to enter a capex cycle in the coming years. The industry is also likely to attract investments following the diversification in the business.

The ***Sugar Sector Report by B2K Analytics*** indicates that despite favourable structural changes, the near-term outlook for the sugar industry will experience a decline in production of 5-8% in SS 2022-23. As an essential commodity, the control on prices by the Government is likely to continue, and any additional relief on the export front is unlikely. We expect this industry to witness a further reduction in sugar production, while the higher ethanol blending will likely compensate for the profitability of the companies.

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**About B2K**

B2K Analytics is a boutique consulting firm that helps clients profit from analytical insights. B2K provides services and solutions in the areas of Risk Management, Research, Analytics, Investment Management, Education, and Infrastructure.

The B2K team has experienced domain experts and industry practitioners who have provided such services and implemented solutions across institutions in different countries. As such, team members are experts in regulatory and management practices in these areas and have helped many clients in adopting best practices.

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