

Import duty hike on raw sugar may boost domestic prices: Care Ratings

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MUMBAI: The recent hike in the [import duty on raw sugar](#) from 15 per cent to 40 per cent is likely to boost the domestic prices, agency [Care Ratings](#) said in its report.

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"The recent hike in the import duty on raw sugar from 15 to 40 per cent is likely to boost the domestic prices. Also, the hike in [ethanol blending requirements](#) from 5 to 10 per cent will augment the profitability of the sugar companies," Care Ratings said here.

The rising inventory level coupled with virtually no export because of relatively lower international prices since 2012-13 (October to September) led to sluggish sugar price trend till February 2014. The sugar prices was quoted at Rs 30 per kg in April 2012 and shot up to Rs 37 per kg in October 2012 and slipped to Rs 30 per kg in February 2012. The average sugar price is hovering around Rs 34 per kg in April 2014, it said.

Though measures like hike in the import duty may provide some respite to the ailing sugar industry in the short-term, the revival of the industry is still dependent on the regulatory environment.

In order to provide a viable and robust business model to the industry, the unscientific way of fixation of [State Advised Price \(SAP\)](#) has to be replaced with linking sugarcane procurement price with the sugar price, the report said.

The agency said that the real turnaround of the Indian sugar industry will depend much on the full implementation of the Rangarajan Committee's recommendation especially implementation of sugarcane price-sugar price linkage formula.

In a move to decontrol the industry, a Committee headed by C Rangarajan was formed which submitted its report in October 2012. The major recommendations included, dispensing with the levy sugar obligation, dismantling the present monthly release mechanism of non-levy sugar, replacement of SAP with sugarcane price-sugar price linkage formula and phasing out of sugarcane area reservation.

The industry was partially decontrolled in April 2013 by implementing the first two recommendations. However, it failed to bring in major changes with situation remaining almost same or even worse with further dip in the profitability parameters of sugar companies, it said.

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