ICRA

INDIAN SUGAR SECTOR

Margin to remain modest in FY2026 mainly due to weak H1 performance

DECEMBER 2025

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Highlights

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India's sugar output is expected to rebound in SY2026, driven by improved crop quality. This progress results from a higher proportion of cane planting and adequate water availability.

*In ESY*2026, OMCs* had called for bids for 1,050 crore litres for the first cycle, attracting significant interest, with manufacturers placing bids for 1,776 crore litres.*

Sugar production – Sugar production in SY2025 fell by 7.2% to 29.61 million MT from 34.1 million MT in SY2024*, mainly due to lower sugarcane availability, adverse weather, and pest outbreaks in key states like Uttar Pradesh and Maharashtra. Output is projected to rebound by 16% to 34.4 million MT in SY2026, primarily driven by favourable monsoons and improved crop conditions across major regions. The increase is largely from Maharashtra and Karnataka, while Uttar Pradesh is expected to remain at previous year levels.

Sugar demand and closing stock – As per ISMA's* first advance estimates, gross sugar production for SY2026 is projected to increase by 16% at 34.4 million MT (P.Y. 29.6 million MT). The net sugar production, after an estimated diversion of 3.4 million MT towards ethanol production, is likely to remain at 31.0 million MT. Considering the domestic consumption of 28.5 million MT and export of 1.5 million MT, the closing sugar stock is expected to stand at 6.3 million MT (P.Y. 5.3 million MT), which is about three months of consumption, indicating a comfortable demand-supply scenario.

World sugar balance and international prices – The global production for SY2025-SY2026 is expected to remain at 189.3 million MT (5% higher than last year), while consumption is likely to remain higher at 177.9 million MT (1% higher than last year). International prices declined substantially with raw sugar prices at $322/MT in November 2025 against $477/MT in November 2024, while the prices of white sugar declined to $419/MT in November 2025 compared to $560/MT in November 2024. The premium between white and raw sugar stood at $97/MT in November 2025, which is higher than $83/MT in November 2024.

Domestic sugar prices – Domestic sugar prices (Uttar Pradesh) remained firm at Rs. 40-41/kg during October-November 2025 driven by increased demand during the festive season.

**SY: Sugar Year (from October 01 to September 30); ISMA: Indian Sugar Mills Association; ESY: Ethanol Supply Year; OMC: Oil Marketing Companies*

Highlights

Operating profits in FY2026 are expected to remain modest in the range of 10-10.5% for ICRA's sample set over 9.6% in the previous year, mainly supported by likely increase in cane availability and firmed up sugar prices along with comfortable performance estimated in the distillery segment.

Cane pricing – For SY2026, the FRP* was increased by Rs. 15 to Rs. 355/quintal for a basic recovery rate of 10.25% while UP-SAP* increased by Rs. 30 to Rs. 400/quintal for the early maturing variety and Rs. 390/quintal for the normal variety.

Ethanol – In ESY2025, India achieved a cumulative ethanol blending ratio of 19.2% while the October 2025 blending rate stood at 20.0%. For ESY2025, 1003.1 crore litres have been blended.

Revenues – The revenue growth for ICRA's sample set of integrated sugar mills is likely to show moderate revenue growth of 5-8% in FY2026 supported by expected rise in cane availability, firmed up sugar prices along with healthy performance of the distillery segment.

Profitability – The operating margin for ICRA's sample set is likely to remain modest in FY2026 since H1 FY2026 was impacted due to early closure of sugar operations for most of the mills along with sale of high-value opening sugar inventory. Further, the cane prices for SY2026 have increased while the ethanol prices have remained stagnant.

Working capital and debt – The borrowings of ICRA's sample set are likely to moderate in FY2026. Further, with accretion of profits along with repayments of distillery loans, the capital structure is estimated to remain comfortable. The coverage metrics of ICRA's sample set in FY2026 are expected to improve mainly due to lower interest expense along with improvement in operating profits.

*Note: ICRA's sample set was considered for the analysis; * FRP – Fair and Remunerative Price; UP-SAP – Uttar Pradesh State Advised Price*

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Thank You!