

INDIAN SUGAR SECTOR

Moderate revenue growth; margins to remain range-bound in the near term

MARCH 2026

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International sugar prices in SY2026 remained lower than the current cost of sugar production and the ongoing domestic prices, mainly due to surplus sugar supply from Brazil.

With rising crude oil prices, Brazil may increase the allocation of sugarcane to ethanol production for SY2027 (starting April 2026), possibly leading to reduction in exports and creating price parity for Indian sugar.



Sugar production – For SY2026*, sugar production stood at 24.75 million MT till February 28, 2026, marking a YoY increase of 12% compared to 22.02 million MT during the same period last year. The increase in sugar production was supported by adequate sugarcane availability and improved yield across key sugar producing regions over the previous year. At present, Maharashtra leads sugar mill operations, followed by Uttar Pradesh and Karnataka.



Sugar demand and closing stock – As per ISMA's* third advance estimates, gross sugar production for SY2026 is projected to increase by 9.4% at 32.41 million MT (P.Y. 29.6 million MT). The net sugar production, after an estimated diversion of 3.1 million MT towards ethanol production, is likely to remain at 29.3 million MT. Considering the domestic consumption of 28.3 million MT and export of 0.7 million MT, the closing sugar stock is expected to be 5.6 million MT (P.Y. 5.3 million MT), which is about two 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 178.1 million MT (1% higher than last year). International prices declined substantially with raw sugar prices at \$313/MT in February 2026 against \$445/MT in February 2025, while the prices of white sugar declined to \$408/MT in February 2026 over \$532/MT in February 2025. The premium between white and raw sugar stood at \$95/MT in February 2026, which is higher than \$87/MT in February 2025.



Domestic sugar prices – Domestic sugar prices (Uttar Pradesh) remained firm at Rs. 40-41/kg during December 2025-February 2026.

*SY: Sugar Year (from October 01 to September 30); ISMA: Indian Sugar Mills Association

Operating profits in FY2026 are expected to remain 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 – India achieved a blending ratio of 19.98% in 3M ESY*2026. For 3M ESY2026, 239 crore litres have been blended, with 59.2 crore litres blended in January 2026.



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 increase in cane availability, firmed up sugar prices along with comfortable performance of the distillery segment.



Profitability – The operating margin for ICRA's sample set is likely to remain range-bound at around 10.0-10.5% in FY2026 since H1 FY2026 was impacted by early closure of sugar operations for most of the mills along with sale of high-value opening sugar inventory. Further, cane prices for SY2026 have increased while ethanol prices have remained stagnant, which is likely to keep margins stable in FY2027 as well.



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 anticipated to improve mainly due to lower interest expense along with stable operating profits.



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