

## HIGHLIGHTS FOR APRIL 2009

### BIRLA SUGAR

### DIRECT NEWS

#### UPPER GANGES SUGAR & INDUSTRIES LIMITED

#### UPPER GANGES SUGAR & INDUSTRIES LIMITED 3rd QUARTER FINANCIAL RESULT

- *Appeared in The Economic Times*
- *Appeared in Business Standard*
- *Appeared in The Financial Express*
- *Appeared in The Hindustan Times*

#### ODUH SUGAR MILLS LIMITED

**Oudh Sugar Q3 net dips 35%:** Oudh sugar mills said in a filing in BSE that its net profit fell by 35.13% in the third quarter ended march 31.09, to Rs 10.82 crore over the corresponding period a year ago. However, net sales of the sugar producer grew to Rs 104.83 crore in the third quarter of the current fiscal from Rs 89.93 crore a year ago. For the nine-month period ended March 31, 09, Oudh Sugar mills posted a net profit of Rs 17.50 crore, while it had a net loss of Rs 1.51 crore in the same period last year.

## SNAP SHOTS

### Important developments that has taken place in the Sugar Industry and in the business of the other players

Upper Ganges Sugar and Oudh Sugar Mills limited announced their 3rd quarterly financial results. Renuka sugars have reported their net profit growing by 3.75% in their second quarter ended 31 March. Simbhaoli sugars have contracted 40,000 tonne raw sugar from Brazil and will start processing from the third week of June. India's top two sugar producing states, Maharashtra and UP are likely to see lower output and more closure of mills owing to lower cane availability and poor recovery. Even the southern mills have halted their crushing due to cane shortage. The Election Commission decided to remove a 60% import tax on up to 1 million tonne of whites for the next four months and also waived a condition to export whites in lieu of duty-free purchases. This resulted in sugar prices touching a three-year high, reflecting the demand-supply mismatch in the commodity. In order to augment the domestic availability of the sweetener and curb domestic prices the centre has contracted to buy 20,000 tonnes of White Sugar and India is expected to import about 3 million tonne of raw sugar in 2008-09 season.

## COMPETITION

**Renuka Sugars Q2 net at Rs 33.2Cr:** Shree Renuka Sugars today said its consolidated net profit grew marginally by 3.75 per cent in the second quarter ended March 31 to Rs 33.2 crore over the corresponding period a year ago. The company has consolidated net profit of Rs 775.63 Crore in Q4 of FY'09 from Rs 663.78 crore in the same quarter of FY'08, the company said.

**Simbhaoli contracts sugar:** Simbhaoli sugars has contracted 40,000 tonne raw sugar from Brazil and will start processing the sweetener from the third week of June. The shipment is on its way and they will start refining the raw sugar from June third week.

## INDIAN SUGAR INDUSTRY

**Refined sugar import policy on course:** The Government's plan to allow duty-free import of refined sugar is still on course. The proposal should get cleared in the next cabinet meeting. As per the proposal, mills can import refined sugar at nil duty sell it in local market. The government is also working on another proposal to allow duty free import of raw sugar without re-export obligation to further ease sugar supplies and check the rise in prices.

**Maharashtra UP sugar output set to fall by half:** India's top two sugar producing states are likely to see output nearly halving to 8.66 million tonne in the year ending September 2009 on lower cane availability and poor recovery. Maharashtra, the biggest producer in the country, has produced 4.55 million tonne as on March 31, compared to 7.24 million tonne a year ago. Mills in Uttar Pradesh are estimated to have produced about 44% less sugar in the year to September 2009 compared with a year ago.

**Sugar output seen dropping to 4-year low; price s surge:** The Indian sugar mills association (ISMA) said that Sugar production is estimated further down due to lower availability of sugarcane, its diversion to competing sectors such as Gur and Khandsari and lower recovery. This would be the lowest production since 2004-05, when 12.7 million tonnes were produced. Trade sources said that only 5-7 factories were functioning in Maharashtra. Sugar mills in the country have to compulsorily give 10 per cent of the production to the centre for distribution through ration shops.

**Cabinet may take up duty-free sugar imports:** Food ministry wants duty-free import of refined sugar and import of raw sugar at zero duty, but without any re-export obligation, to ease sugar supplies and control the surge in prices that have moved up by over Rs 7/kg since October 2008.

**Sugar traders demand ban on futures:** Alarmed by the strident rise in sugar prices and fearing visits from food inspectors, traders have demanded a suspension of futures trading in sugar. Belief is gaining ground that the latest price increase of Rs 250 a

quintal in the wholesale market was unwarranted given that the government has released sufficient quantity of free-sale sugar for April-June months and storage restrictions are already in place.

***Unbridled speculation:*** The Bombay sugar merchants association has attributed the latest price spurt to unbridled speculation in the commodity futures market and has demanded a suspension of trading in the exchanges. The association has expressed apprehension that sugar prices may further rise by Rs 100-200 a quintal if immediate steps to curb speculation are not taken.

***Sugar stocks catch up with commodity price:*** Stocks of sugar companies, after failing to take a cue from the prices of the physical commodity over much of last year, have swiftly caught up with the underlying commodity in the recent rally. Though higher sugar prices did mean higher realizations for sugar companies, the stock markets remained skeptical of a recovery in profits for sugar companies, due to niggling worries about the sharp increases in cane procurement costs, litigation relating to SAPs of cane in UP and weather related problems that delayed crushing and threatened to cut effective margins.

***Sugar import move:*** The country may import 3 million tonnes of raw sugar this season till September-end because of the price parity with the International market and the government's decision to do away with the obligation to export an equivalent amount of refined sugar.

***High sugar prices fail to bring cheer to cane growers:*** sugar prices have surged in the last few months and some experts believe that it could even cross Rs 26 per kilogram in the ensuing months if supplies are not augmented immediately. Now, when food items like wheat, rice and edible oils are falling at a fast clip because of slump in global demand and a bumper harvest, sugar prices are rising, largely due to a sharp fall in production.

***Duty-free import of sugar:*** Election Commission has approved a proposal by the government to allow tax-free imports of white sugar. The cabinet last week decided to remove a 60% import tax on up to 1 million tonne of whites for the next four months and also waived a condition to export whites in lieu of duty-free purchases.

***Sugar climbs to 3-week high:*** Sugar prices rose to the highest in three weeks after India scrapped import duties on the sweetener, signaling a surge in demand. India, the world's biggest sugar consumer will list the 60 % import tax on white sugar soon.

***Short supply brews trouble for sugarcane millers:*** A sharp decline in sugarcane supply has forced 85% sugar mills in Maharashtra to close operations, And the situation is equally bad for the rest. The remaining will go the same way in a few weeks. 118 out of 135 mills have gone out of business.

***Sugar prices touch three-year high:*** Low output, import duty waiver on refined sugar cause rates to rise. Despite continued government efforts, sugar prices have touched a three-year high, reflecting the demand-supply mismatch in the commodity.

***Sugar Prices may hit Rs 30/kg on acute shortage of cane:***

The retail price of sugar has touched Rs 28.50/kg in parts of the country and is set to cross Rs 30/kg according to the trade. The reason being shortage of cane, which has seen its price climb to more than double the statutory minimum price (SMP)of Rs 81.50 per quintal. In wholesale markets, sugar prices have shot up Rs 30/qtl in the last fortnight.

***Now, Southern sugar mills halt crushing on cane shortage:*** Sugar mills in Karnataka, Andhra Pradesh and Tamil Nadu have stopped cane crushing in less than seven months of the current sugar season. The reason: lower production of sugarcane due to fall in acreage, lower productivity and drop in sugar recovery.

**Govt mulls banning sugar exports:** The government is seriously considering banning export of sugar from all channels. The government was worried over the acute shortage of cane which led to the doubling of the statutory minimum price of Rs 81.50 a quintal. The dire shortage of cane has also delayed the crushing season which began only in November- end instead October.

**Centre has announces extra 6lt as free sale quota for sugar mills, More sugar released in poll season:** Wary of the adverse impact of rising sugar prices during elections, the government today released 6 lakh tonnes of additional free sale sugar for the April-June quarter of the 2009-2010 fiscal and directed states to act suitably against hoarders. The government has also said sugar mills have been instructed to comply with the release orders, failing which the balance unsold quantity, will be converted into levy sugar and sold through PDS. The government is of the view that there is enough sugar already available for the current quarter for prices to remain at reasonable levels in the open market. The additional includes 2.5 lt each for April and May and 1 lt for June. Mills will be expected to report details of their sales.

**No ban on sugar futures for now:** A sudden increase in the traded volumes of sugar futures earlier this month, coinciding with a surge in spot prices, had almost forced the government to slap a ban on futures trading in the commodity. But the centre finally decided against enforcing a ban since it would have sent out a very negative signal to the market at an already difficult time.

**Tax free imports of sugar:** The Indian Government on Monday formally allowed duty-free imports of up to one million tonnes of white sugar by three state-run trading firms and a farmer's cooperative. The four firms would each import 250,000 tonnes of refined sugar.

**20,000 tonnes white sugar to be imported:** The centre has contracted to buy 20,000 tonnes of White Sugar, the latest in a series of moves to curb domestic prices. The Government has ordered 15,000 tonnes from Thailand and the balance from Brazil, and shipments were expected to reach by the third week of May.

***Nafed to import sugar:*** National Agriculture cooperative marketing Federation of India Nafed, plans to import 25,000 tonnes of tax-free white sugar next month and another 50,000 tonne by June. There will be back to back arrangements for imports of White Sugar.

***Sugar through Kendriya Bhandars:*** In order to further increase sugar availability in the market, the central government would start selling M-31 grade of sugar through the state-run Kendriya Bhandars in the next couple of days. The sugar would be sold at Rs. 25.50 to Rs. 26 per kilogram.

***India to import raw sugar:*** India is expected to import about 3 million tonne of raw sugar in 2008-09 seasons in order to augment the domestic availability of the sweetener.

***Sugar output to meet local need for 2008-09 at 22.7 mt:*** Total sugar production in 2008-09 may exceed 14.7 million tonnes, according to the latest industry estimate. With the opening stock of eight million tonnes, the total availability is now expected to work out to 22.7 million tonnes, almost meeting the entire annual domestic demand requirements. In addition, about 1.3 million tonnes of raw sugar has already been contracted for imports of which about 0.9 million tonnes have arrived in Indian ports.

***India rules out plans to ban Sugar Futures:*** Commodity Market regulator Forward Markets commission(FMC) has said it does not intend to suspend futures trading in sugar in the near future, even through traders' association are demanding a ban on sugar futures to arrest price rise.

## INTERNATIONAL NEWS

***Global sugar shortage may widen:*** The International sugar Organization said it will probably increase its estimate for the shortfall in supply in the year ending September 30 because of lower than expected output in India and China. The deficit will be 4.27 million tonnes, the London based group said in Feb, when it made its most recent forecast. The next estimate will be released in May.

***Pak to import refined sugar:*** Pakistan, Asia's third largest user of sugar, plans to import 1, 75000 metric tonne of the sweetener by July to avoid a shortage and reduce domestic prices.

***Import tax waiver ups London sugar to 7- month high:*** Refined sugar futures rallied to a seven month high on Tuesday after India's election commission approved a government proposal to allow tax-free imports. London May refined sugar rose more than 4 percent to \$420 a tonne, a seven month high.

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