

HIGHLIGHTS FOR AUGUST' 2008

BIRLA SUGAR

SNAP SHOTS

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

With India buying sugar from Brazil for the first time since 2006, as the crop shrinks and the demand in world's top consumer rises, the Indian sugar industry is expected to turn into a major importer of the sweetener from October '09. Also, rising domestic prices coupled with expectation of lower production may lead to a decline in India's sugar exports by over 60% in the 2008-09 season. Subsidy on sugar exports provided by the Government may be withdrawn by the end of next month, as it has been challenged by Australia and Thailand for being incompatible with WTO norms.

Sugar may cool down by next year - The price of sugar was expected to rise over two-year highs as the output in the year ending September 09' may fall by 37% according to the industry estimates. Bajaj Hindusthan and Balrampur Chini made profitable turnovers in the last two quarters due to 10% rise in sugar shares in August 2008.

TVS Infotech launches SugarTec - An end - to - end cane management solution 'SugarTec' based on SAP was launched by TVS Infotech. It is targeted at the sugar and ethanol manufacturing businesses.

Sweetener on way - The government planned to release more sugar into the market to try and control the prices which have risen by 20% in the last month. The release of levy sugar currently pegged at 9 lakh tonnes could be raised to 12 lakh tonnes.

Subsidies on sugar exports may end - The subsidy on sugar exports which the government had been charging on the coastal states extending to Rs.1, 350 and Rs.1, 450 on other states may be withdrawn on 31st September 2008. The move will affect all sugar exporters including Bajaj Hindustan, DCM Shriram and EID Parry.

Sugar output in 2009-10 seen at 18-19 million tonne - India's sugar output in the cane crushing year beginning October 2009 may be 30% below 2008's level as poor rains cubed cane planting, making imports more likely. There is an expectation that the 2009-10 crops will be damaged because of deficient rainfall in south India.

Sugar export may dip by 60% due to low output - India's sugar export may decline by 60% to about 1.5 million tonne in 2008-2009 on expectation of lower production coupled with rising domestic prices .In 2007-2008 season the sugar output is likely to close at 26.5 million tonne against 28.3 million tonne in 2006-2007.The export may also be affected because of government's transport subsidy may not be extended to next year.

Sugar industry seeks long-term policy - The irregular nature of sugar shipments from India were resulting a low price realization so a long-term policy, a piece of legislation was to be framed by the government to enable sugar export regularly irrespective of variations in output .The centre had banned export of sugar in 2006 which was lifted in 2007 after a period of six months, though India produced a record output of 28.3 million tonnes in 2006-2007 season.

India buys sugar for first time since 2006 - Shree Renuka Sugars Ltd, country's biggest refiner, bought 30, 000 metric tonne of raw sugar from Brazil, the nation's first overseas purchase in two and a half years as domestic production declines. The sugar is scheduled for October arrival to Haldia. The commodity is being bought tax - free for turning into white sugar for export.

Upper Ganges Sugar cuts loss to Rs 6.29crore - Upper Ganges Sugar had cut its net loss to Rs.6.29 crore for the year ended June 30, 2008, compared to a net loss of Rs 26.26 crore the previous year.

Oudh Sugar cuts net loss on Rs.4.5 crore - Oudh Sugar Mills reduced its net loss to Rs 4.51 crore for the year ended June 30, 2008, compared to a net loss of Rs 26.89 crore in the previous fiscal despite of a drop in net sales revenue during July-June 2007-08 period.

COMPETITION

GMR Ind revenue dips; PBT up on high sugar prices - GMR Industries has registered a total revenue of 25.83 crore against 40.17 crore in the corresponding last year due to lower cane availability and consequential impact on cogeneration and distillery operations. Despite this problem the company could report a profit. The company has begun trial runs at 3,500-tcd green sugar fields in Haliyal.

Shree Renuka to invest more capital at Haldia and Mundra SEZ - Shree Renuka Sugars has earmarked a capital expenditure of Rs.560 crore at Haldia and Rs.350 crore at Mundra SEZ in Gujarat. SRSL is also increasing the crushing capacity at its plant in Athani and at Havalga in Karnataka .This would increase the total crushing capacity of Shree Renuka Sugars to 35,000 tcd, of which 24,750 tcd is the company's own capacity.

Sakhti Sugars tastes sweet - Sakhti Sugars was the top gainer among sugar stocks, up 36%, on a better than expected performance in the quarter ender June 2008. The company's net profit in the quarter ended June 2008 rose to Rs 22.49 crore from Rs 4.90 crore in the same quarter of the previous year.

TVS Infotech launches SugarTec - An end - to - end cane management solution 'SugarTec' based on SAP was launched by TVS Infotech. It is targeted at the sugar and ethanol manufacturing businesses.

HC ruling on cane price -The Allahabad High Court delivered its judgment to the Uttar Pradesh government seeking dismissal on a petition filed by Bajaj Hindusthan Ltd and Basi Sugar Mills challenging the State Advised Price (SAP) for sugarcane. The Uttar Pradesh Government has fixed Rs.125 a quintal and directed the state to speedily reassess it in accordance with an earlier order dated 19 December, 2007.

INDIAN SUGAR INDUSTRY

Sugar levels might increase to unreasonable levels -The increase in the sugar prices by 250 per quintal had made the traders (The Bombay Sugar Merchants Association) ask the government (Minister Sharad Pawar to release the 16 tonne monthly quota of sweetener for the next three months.

Sugar output in 2009-10 seen at 18-19 million tonne - India's sugar output in the cane crushing year beginning October 2009 may be 30% below 2008's level as poor rains cubed cane planting, making imports more likely. There is an expectation that the 2009-10 crops will be damaged because of deficient rainfall in south India.

Sugar export may dip by 60% due to low output - India's sugar export may decline by 60% to about 1.5 million tonne in 2008-2009 on expectation of lower production coupled with rising domestic prices .In 2007-2008 season the sugar output is likely to close at 26.5 million tonne against 28.3 million tonne in 2006-2007.The export may also be affected because of government's transport subsidy may not be extended to next year.

Sugar stocks up after Govt pegs free-sale quota- Sugar surged as the government has fixed the quota for free sale of sugar for August at 9 lakh tonnes, a lower level than the market expectations. The sugarcane production may fall further in the next two years, which may again increase the price of sugar.

Sugar Output likely at 230 lakh tonne next year - Allaying fears of a sharp fall in sugar production during 2008-2009, the production of sugar is expected to be around

220-230 lakh tonnes next year, slightly less than last year's actual production which was around 260-270 lakh tonnes. Sugar prices could rise in the coming weeks because of expectations of low production.

Government to release more sugar to tame soaring prices -The government would consider on releasing 5 lakh tonnes of sugar for the month of September if the prices continue to rise. Sugar prices have moved up by 25% since July 2008. The food ministry has arrived at a provisional sugar production estimate of 2 million tonnes for the 2008-2009 season.

Sugar imports may hit 40 lakh tonnes - Sugar production in India is likely to fall to 265 lakh tonnes this year from last years record which was 284 lakh tonnes. India might have to import 4 lakh tonnes of sugar for the crop year beginning from October 2009 as domestic output is likely to fall while demand continues to rise.

Sugar decontrol put on backburner - Owing to the increasing prices of sugar ahead of the festive season, the centre has put sugar decontrol on backburner. The decision deferred on the account of opposition expressed by some cabinet ministers. The scope of political backlash against decontrol would be all the more in the current situation.

Ministry wants jute packing made must for sugar -The Union ministry of textiles had now put a note for approval of the Cabinet Committee of Economic Affairs for full term compulsory use of jute for packing commodities like sugar.

Sugar prices soar ahead of the festive season - Sugar prices are expected to rise from Rs.16 to Rs 17 a kg to Rs.20 to Rs 22 a kg because of the strong demand ahead of the festive season. The government expects a production of 220 lakh tonnes in the 2008-2009 seasons with a possibility of 5 to 7 percent increase if the weather conditions remain favorable.

Sugar industry seeks long-term policy - The irregular nature of sugar shipments from India were resulting a low price realisation so a long-term policy, a piece of legislation was to be framed by the government to enable sugar export regularly irrespective of variations in output .The centre had banned export of sugar in 2006 which was lifted

in 2007 after a period of six months, though India produced a record output of 28.3 million tonnes in 2006-2007 season.

India may import 4m sugar in 2009-10 - India is likely to import up to 4 million tonnes of sugar in the crop year beginning October'09 as domestic output will fall while demand continues to rise.

Additional sugar for Aug-Sep - To contain rising sugar prices, the Govt has decided to release 5 lakh tons of sugar for Aug-Sep and would also consider additional supplies in the market if prices continued to rise.

Sugar industry seeks long-term export policy - Sugar industry has demanded a long term policy to enable it to export regularly irrespective of variations in output. It mentioned that the irregular nature of sugar shipments from India is resulting in a low price realization.

Subsidies on sugar exports may end - The subsidy on sugar exports, which is continuing to be doled out by the govt despite rising inflation, may be withdrawn before it lapses at the end of next month.

Government may curb sugar exports -The government considered a plan to restart the system that requires sugar exporters to seek release orders for export. India's sugar production in the next crop year that starts in October 2008 is expected to fall to around 22-23 million tonne.

Four sugar mills set to reopen in Bihar -The Bihar Government seemed to set for revival of four sugar mills that were declared sick to private entrepreneurs like HPCL, Reliance and Rollcon Projects private limited. The Centre withdrew its new cane control order which prohibited opening of sugar mills for production of ethanol. The State Government is now looking forward to revival of the rest of the closed sugar mills.

Government sweetens Onam and Durga Puja by releasing additional levy sugar

-The government has made an additional allocation of 2,400 and 1000 tonne of levy sugar to Kerala and Tripura for the festivals Onam and Durga puja respectively.

Sweetener on way - The government planned to release more sugar into the market to try and control the prices which have risen by 20% in the last month. The release of levy sugar currently pegged at 9 lakh tonnes could be raised to 12 lakh tonnes.

India buys sugar for first time since 2006 - Shree Renuka Sugars Ltd, country's biggest refiner, bought 30, 000 metric tonne of raw sugar from Brazil, the nation's first overseas purchase in two and a half years as domestic production declines. The sugar is scheduled for October arrival to Haldia. The commodity is being bought tax - free for turning into white sugar for export.

Sweet Reversal of Sugar- The sugar sector witnessed a sweet reversal of turn of events with most stocks trending higher. With crude prices currently hovering around \$118 per barrel, the government is considering to revive 10% mixing of ethanol in petrol in order to cut oil subsidy bill. Bannari Amman Sugars, Bajaj Hindustan, Dwarikesh Sugar, Shree Renuka Sugar and Simbhaoli Sugars were the prominent gainers.

ETHANOL

Ethanol not a Saviour - American sugar power will not be saved by producing the biofuel ethanol and the Doha round of farm trade talks has been a disappointment to the US sweetener industry. The Sugar to Ethanol programme set up by Washington will be able to keep the market stable and balanced by shifting access sugar to ethanol.

10% Ethanol blending unlikely by October -Government plans to make blending of ethanol in petrol mandatory for all the states including Jammu and Kashmir ,the northern States, Andaman and Nicobar Islands and Lakshwadeep.The ethanol that will

be blended with petrol will be produced from molasses unlike in countries like Brazil where it is produced from sugarcane.

Biodiesel, bioethanol to be declared goods -The Minister of Agriculture Mr Sharad Pawar stated that the government will bring biodiesel and bioethanol under the ambit of declared goods to help in the unrestricted movement of biofuels within and outside the states. The Cabinet had approved 10% compulsory blending of ethanol with petrol. For additional blending the availability of cane has to be taken into consideration.

INTERNATIONAL NEWS

Sugar advances on speculation - Sugar futures advanced in London and had risen by 24 % this year, partly on speculation rising crude- oil prices that would spur demand for cane- based ethanol. Brazil's sugar and ethanol industry declared that it may spend more than \$1 million to challenge a US tax on imported ethanol.

Indonesia sugar output to rise - The Sugar Revitalisation Plan has raised sugar output to reach 2.7million metric tonnes this year. It was likely to provide feedstock for ethanol production.

Sugar prices firm up as global supplies tighten - The main reason behind firming of sugar prices is the tightening of global supplies position, which renders even duty-free imports unviable. Therefore, imported sugar might cost Rs.19, 000 a tonne against ex-factory rates of Rs.18, 000.
