

## HIGHLIGHTS FOR AUGUST 2009

### BIRLA SUGAR

#### **OUDH SUGAR MILLS LIMITED**

**Coverage regarding the annual financial result has appeared in:**

- Equitybulls.com
- The Hindu Business Line
- The Hindu
- The Financial Express
- Hindustan Times
- Reuters.com
- RTT News.com
- The Economic Times
- Business Standard

#### **UPPER GANGES SUGAR & INDUSTRIES LIMITED**

**Coverage regarding its financial result has appeared in:**

- The Economic Times
- The Financial Express

## SNAP SHOTS

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

Sugar prices in India have been surging relentlessly for several weeks. Exacerbated by global cues, it seems to have gone completely out of the Government's control. The sweetness of the festival season is sure to be soured by the high prices of the sweetener. The country is likely to see a slump in output to about 15.5 million tons in 2008-09 as farmers refrained from taking to the cash crop in a major way after the food ministry suggested a smaller support price of sugarcane.

## OTHER PLAYERS

***Simbhaoli Sugars gets ready to meet deficit-*** Estimating low cane supply in ensuing crushing season (Oct-Sep), the specialty sugar manufacturer Simbhaoli Sugars (SSL) has started off season's raw refining campaign at its second sugar manufacturing plant Chilwaria, eastern Uttar Pradesh

***Shree may bid for Brazil's Moema-*** Shree Renuka sugars, an Indian sugar refining group, might bid for a stake in Brazilian ethanol and sugar producer Grupo Moema as part of a plan to expand into Latin America's largest economy, Valor Economica newspaper reported.

***Shree Renuka-*** Decks have been cleared for south based sugar processor Shree Renuka Sugars to buy 5 percent stake in NCDEX from Goldman Sachs and ICE with existing shareholders of NCDEX(LIC, NSE, Canara Bank, etc) were given the right of first of refusal but they did not show any interest in purchasing the five percent stake.

***Stake sale to Renuka Sugars-*** Renuka Sugars has picked up a 5 percent stake in NCDEX, but the deal is awaiting an approval from market regulator Forward Markets Commission (FMC)

***Shree Renuka gets nod for NCDEX stake-*** Renuka Sugars Ltd. has received an approval from commodity market regulator Forward Market Commission for buying 5% in National Commodity and Derivatives Exchange Ltd. The sugar maker will buy the stake for Rs 36.5 crore from Intercontinental Exchange Holdings And Goldman Sachs Investment (Mauritius), it said in a statement to the Bombay stock Exchange.

***Dharani Sugars' new plant to go on stream in Sep -*** Dharani Sugars and Chemicals Limited will commission its Rs 333 - cr integrated sugar mill complex by September end. Addressing shareholders at the company's AGM, the Executive Chairman said the third sugar mill coming up in Dharani Sugars' fold will start the mill and cogeneration plants by next month.

***Sugar stocks to sweeten your portfolio-*** The indices corrected for the first time after witnessing a strong rise since July 13, 2008. Shree Renuka is in the all time high level and the minor decline in the last week was a minor correction within the intermediate downtrend. Dharani Sugar has doubled in the current intermediate rise and has some more steam left in the current intermediate rise Shakti sugar is also in a major uptrend and is exhibiting a strong relative strength in line with most of the sugar stocks.

## INDIAN SUGAR INDUSTRY

**Traders allowed duty - free sugar import** - To avert a sugar shortage during the festival months and rein in prices view of poor cane sowing for the 2009 - 10 season, the Govt allowed private sugar duty - free import of raw sugar by Government agencies up to Mar 2010. The import window for private traders for white sugar has been opened till November'09. According to data from consumer affairs ministry, retail sugar prices in Delhi is being quoted at around Rs.28 a kg, almost Rs.11 more than last year

**Karnataka sugar mills directed to defer next season crushing-** Sugar mills in Karnataka have been asked to defer crushing for the new sugar season commencing October 2009 by one month. The direction has been issued by South Indian Sugar Mills Association (SISMA) after early commencement of crushing by couple of mills, namely, NSL and Chamundeshwari. The new direction is aimed at ensuring availability of matured canes to the mills.

**Maharashtra sugar output to fall 40%** - For a second successive season, Maharashtra's sugar production is estimated to drop 30% to 40% in 2009-10 from the state's record output in 2007-08. However, the sharp fall in the yield of sugarcane has resulted in farmers getting a better price.

**Distillery license for buyers of closed UP sugar mills-** At last, the U.P. government's effort to wash its hands off the 11 sugar mills of the Sugar Corporation and 24 sugar mills of the Sugar Cooperative Federation seem to be nearing fruition. More with the state government offering an olive branch in the form of granting distillery licences that would allow the private companies to produce industrial alcohol from cane juice.

**Sugar imports to touch 4.5m tonne-** The country is likely to import a record 4.5 million tonne of sugar in 2009-10, a jump of 80% over the previous season, as the sugarcane contracted for a second straight year, a Reuters poll forecasted.

***Sugar Output-*** India's sugar production may slump to about 13 million tons in the 2009-10 seasons as farmers refrained from taking to the cash crop in a major way after the food ministry suggested a smaller support price of sugarcane, according to a leading farmers' body. After producing about 26.4 million tons of sugar in the 2007-08, the country is likely to see a slump in output to about 15.5 million tons in 2008-09, according to an official projection.

***MNC's plan sugar imports to cash in on price boom-*** Prices of sweetener may go up by 15-20 per cent. Sensing a huge profit opportunity in rising sugar prices, which have touched a 28-year high, multinational trading firms are planning to import the sweetener in a big way. At least two such firms confirmed that they had signed contracts to import sugar for sale in the Indian market.

***Bleak future for sugar-*** Sugar may turn a bitter pill for the common man if the rising prices are any indication. It may turn out even worse, if the progress of South-West monsoon continues to remain weak till August-end. Prices have already touched Rs 37 a kg and are set to rise further with the festive season fast approaching.

***Sugar Prices: raising cane-*** The sugar lobby dominates politics in Maharashtra and is influential in a few other states as well. Sugar continues to be a tightly regulated activity, with successive governments imposing export curbs when prices climb and buying sugar from the world market when prices rise.

***High sugar prices set to take toll on confectionary industry-*** Following a sharp hike in sugar price, confectionery makers in India may opt for price hikes in the next two months. The rise in sugar prices has resulted in sharp increase in the production cost, thereby, leading to the erosion of profit margins.

***100 mt cane diverted for non-sugar purpose-*** India cut down heavily on the quantity of sugar cane used for producing sugar in 2008-09 season and diverted more than 100 million tonne of the crop for other purposes, even as the production of the sweetener recorded a huge shortfall.

***Sugar imports may be lower than ISO estimate-*** India's 2009-10 sugar imports may touch 3-4 million tonnes (mt) because of a price disparity lower than 5 mt estimated by the International Sugar Organization(ISO), a senior industry official reported.

***Sugar stocks dip, import may be viable soon-*** Country's sugar stocks dropped to 6 million tonne on July 31, down 21% since the start of the month, which traders said may soon raise local prices to a level that makes imports viable. Sugar stocks are 60% lower than 15 million tonne a year ago as they have been hurt by a sharp drop in domestic sugar output following a decline in cane area.

***Sugar rally seen sweetening mills' FY10 earnings-*** Indian sugar firms will see a profit surge in the year to September 2010 on soaring prices of the sweetener, and refiners, who sourced their raw cheaper are set to outdo the sector. Shree Renuka is amongst the top picks of most brokerages Dhampur Sugar and Balrampur Chini mills are among other favorites.

***Profits surge leads sugar firms to cut debt overhang-*** Riding on all time high realization and a sharp jump in profitability, domestic sugar companies are looking to strengthen their balance sheet by reducing debt. Prices are at an all time high and companies expect it to remain firm for at least the next 4-5 quarters.

***Panel advocates smooth imports of sugar stocks-*** A high-level committee has directed the food ministry to remove all hurdles to import of sugar into the country on priority in the wake of wholesale sugar prices shooting past psychological Rs 30/kg level last week on the back of domestic supply shortage.

***Tighten sugar import contract registration-*** It is know by common knowledge that after the Finance Ministry issued notification Bearing number 84/2009- Customs allowing refined or white Sugar up to an aggregate quantity of 10 lakh tonnes of total imports during the period up to the November 30,2009- the world sugar market sensed panic and prices got a booster dose.

***Centre mulls bonus on cane above statutory price-*** The centre is mulling granting sugarcane growers a bonus over and above its already announced statutory minimum

price (SMP) of Rs 107.76 a quintal for the ensuing 2009-10 crushing season (October-September). The move is meant to encourage growers to plant more cane in view of current domestic shortage of sugar, which has led to prices breaching the Rs 30a-kg-barrier, even as the sweetener is trading at 28-year-highs in the international market.

***Korean ship wanted to sell sugar for gain-*** After the announcement made by Sharad Pawar, allowing private firms to import sugar at zero duty, the Korean ship carrying 16,500-odd tonnes of sugar to Iraq, changed destination mid-course. Within hours after the announcement, the ship's charter in India decided to make a killing by diverting the sugar to Kakinada on the Andhra Pradesh coast.

***Govt planning to double levy sugar quota to 20%-*** In a concert bid to make sugar, currently retailing anywhere between Rs 33-35 per kg, more affordable to PDS consumers, the Centre is mulling doubling the levy quota for sugar to 20% of a mill's total output. Simultaneously, it could hike the price of levy sugar from Rs 13 to Rs 20.

***India gears up for third year of sugar imports-*** Reeling from dire monsoon rains that mean India has no choice but a second consecutive season of sizeable sugar imports, traders are now starting a price in a likely third year in 2010-11 as farmers fail to sow more sugar cane.

***Centre mulls distribution of sugar to APL families-*** With low rains in main sugarcane growing areas of western UP, sapping any chance of significant increase in sugar production in 2009-10, putting added pressure on already high prices, the central government in its ongoing meeting with sector representatives has proposed to extend sugar supply under the public distribution scheme to above poverty line (APL) ration card holders in addition to the BPL consumers.

***Sugar firms asked to up supply and stop price jump-*** Food & Agriculture minister Mr. Sharad Pawar met the country's sugar barons and asked them to increase supplies in the market to rein in soaring prices of the sweetener. The retail price has already exceeded the Rs30/kg mark and is expected to surge further with the increased

demand during the approaching festive season unless more stocks are released in the market.

***Apeda to keep track of sugar imports-*** Sugar importers will have to submit a report giving details about the quantity of sweetener purchased latest by the 10th of every month to the Apeda. The importer would be obliged to report to Apeda regarding actual imports in the prescribed format by 10th of each month as per the trade notice issued by the agri-export promotion body.

***F&B, pharma cos may need to import sugar-*** Some of the country's largest F&B and pharma companies may be forced to import sugar directly as the government plans to impose stock limits on industrial consumers to ease the shortage in grocery shops and cool down prices that are 28-year high. Local sugar prices have more than doubled over the last one year, touching Rs 32 kg now from Rs 15 a year back.

***Remove tax on imported sugar, States urged-*** As part of the measures to mitigate the impact of price rise on common man, the government has advised States to do away with sales tax/VAT on imported sugar.

***Sugar industry wants no restriction on open mkt sale-*** The government and the sugar mills have not yet sorted out the differences over the issue of raising the levy quota as the industry insists no restriction on open market sale.

***Deals to import 4 m t raw sugar-*** Sugar mills have contracted imports of four million tonnes of raw sugar in the current season. About half of the contracted imports had already landed.

***Loans at 4% for sugarcane growers-*** The centre will extend loans to sugar cane growers at 4 % towards purchase of seed, fertilizers and pesticides. The decision has been taken to provide an incentive to improve cane yields and sugar recovery levels keeping in view the projected shortfalls during the current 2008-09 and 2009-10 seasons (October-September)

***'Sugar bug' drug for bowel disease-*** A genetically modified bacterium that turns into a drug-delivery vehicle in the presence of a type of sugar may offer a new way to treat bowel disease, British scientists said. The new process uses an engineered form of *Bacteroides ovatus* to deliver human growth factor called KGF-2 directly to damage cells gut-but the process is only activated in the presence of xylan, a sugar that is rare in normal diet.

***MP to sell sugar at Rs 2/kg under police protection-*** Cheap sugar soon will be sold across Madhya Pradesh under police protection. The state government has asked collectors to emulate a local initiative in Gwalior where a few traders have been convinced by the district administration to set up a special camp to sell sugar at Rs 2 a kg.

***Soaring Prices a concern this festive season-*** The festive season is going to be a rather expensive one this year, with prices of essential commodities soaring. Consumers will feel the pinch as prices of apple, banana, sugar, jiggery and pulses are going through the roof. Prices of sweetmeats too, are seeing the same fate.

***Curb on sugar stocks for big buyers*** - The Government has allowed the country's large sugar buyers will be allowed to keep enough stocks to meet their demand for 15 days to prevent stockpiling and keep prices under control. It would be applicable to users whose monthly sugar use is at least 1, 000 kg.

***UP sugar mills want restriction on crushing by Khandsari units*** - Sugar mills in UP are seeking a restriction on the operation of gur and Khandsari units until January 15 next year so that more sugarcane is available for crushing by mills. The UP Sugar Mills Association has written a letter to the State in this regard. It has also sought a ban on the export of gur from UP to other states during period when crushing takes place.

***Govt may clear sugar stocks lying in ports-*** The Government on Tuesday cautioned importers that it may auction sugar and pulses consignments if not lifted from ports within a month, a move aimed at easing prices by increasing availability during the festival season.

***EGoM set up to decide on doubling sugar levy quota-*** The Government has entrusted an empowered group of ministers with the vexed decision of doubling the levy quota for sugar mills without significantly increasing the price or freeing the price for the open market quota. The EGoM is headed by finance minister Pranab Mukherjee.

***Mills in North contract raw sugar for imports at \$520/t-*** Indian mills, primarily those in the North, are said to have contracted 4-5 lakh tonnes of imported raw sugar within the last couple of weeks at prices ranging from \$510 to \$520 a tonne, cost and freight (c&f). The move to import at well above \$500-plus levels comes even as the centre has been working overtime to keep domestic sugar prices on a leash.

***J&K sets sugar stock limits-*** With a view to checking hoarding by traders in the backdrop of high prices of sugar, the Jammu and Kashmir Government has fixed stock holding limits of commodity with immediate effect. Stock holding limits for every wholesaler has been set at 2000 quintals, while 25 quintals of sugar has been fixed for every retailer.

***Gujarat Sugar Production-*** Sugar production in the state is estimated to be around 118 lakh quintals in the current year, Gujarat State Sugar Co-Operative Factories Federation (GSSCFF) has reported. In 2008-09 sugar cooperative factories crushed 94.25 lakh metric tonne (MT) of sugarcane and produced 101.48 lakh quintals sugarcane. In comparison, 126.9 lakh metric tonne sugarcane was crushed in 17 factories which produced 135.6 lakh quintals sugar last year.

***Sugar Stocks seized in MP-*** Continuing its drive against hoarders and black marketers, the Madhya Pradesh Government's Food Department raided two godowns at Mandideep town and seized 6,670 quintal of sugar worth over Rs 2 crore in the market.

## INTERNATIONAL SUGAR INDUSTRY

***Global white sugar breaches \$500 a tonne-*** With global white sugar prices breaching the \$500-a-tonne level and raws too trading at a three-and-a-half year high, the union government's room for maneuver with regard to controlling domestic prices is getting increasingly narrower. Government may have to reconcile to retail price of rs35 a kg.

***Global sugar surge may push local prices beyond Rs 30/kg-*** With global white sugar prices hitting a 25-year high at \$500/tonne and raw sugar prices following suit, the country's sugar mills may not find it economical to import despite the government's easing imports with an extended deadline to March-end 2010.

***Sugar climbs to 20-year high in London on Indian crop outlook-***

Sugar contracts surged to the most in at least two decades in London and jumped to a three-year high in New York as India's abnormally dry monsoon threatened to reduce its cane crop and prolong a global production deficit.

***Record sugar shortfall on cards due to bad crops-*** Global demand will exceed output by as much as 5 million metric tonnes in the year through September 2010, leading to a record two-year short-fall, according to International Sugar Organization in London. The number of options to buy sugar for delivery in March at 30 cents a pound, 44 percent higher than the August 7 price in New York has jumped more than 18-fold in four months

***Pak to import 300k t raw sugar-*** Pakistan is likely to import 300,000 tonne of raw sugar later this year as the next sugar crop will provide considerably less of the sweetener than annual consumption of over 4 mt. Pakistan's 2009-10 sugar crop is expected around 3 mt as against 3.2 mt in the last year, when it did not import raw sugar.

**1.5 lakh t raw sugar contracted-** India, the world's largest sugar consumer, has struck deal to buy up to 1.5 lakh tonne of South American raw sugar for prompt delivery, defying multi-year high futures prices.

**White sugar advances to record high-** Sugar rose to a record on London's LIFFE Exchange on speculation an improving economic outlook may buoy demand and on concern that a drop in production will worsen a supply shortfall. White, or refined, sugar for October delivery surged \$17.90 or 3.1 percent, to \$587.90 a tonne on the LIFFE Exchange in London.

**Food Firms warn of sugar shortage-** Some of America's biggest food companies say the U.S. could "virtually run out of sugar" if the Obama administration doesn't ease import restrictions amid soaring prices for the key commodity. The companies threatened to jack up consumer prices and lay off workers if the agricultural department doesn't allow them to import more tariff-free sugar.

**Commodities rise with surge in recovery hopes-** A full range of commodities such as oil, gold, soybeans, copper and cocoa posted gains. Red-hot sugar was among the few losers as a market took a breather. Commodities also got support from the dollar, which fell as the economic optimism eased the greenback's safe-haven appeal.

## Ethanol

***Ignition for Colombian yucca-ethanol car-*** After a three-year slog, Colombian scientists have revved up a car that runs on yucca-derived ethanol, spurring hopes that the Latin American staple could be transformed into an abundant fuel. Boffins at the International Center for Tropical Agriculture (CIAT) have adopted a commercial car to run on hydrated ethanol, based on yucca- a carbohydrate-rich plant root that is also known as cassava or manioc.

***UP sweetens sugar mills' sell-off terms to smoothen bidding-*** In addition to the earlier freebies like offering distillery licenses to produce industrial alcohol and ethanol to bidders for the UP sugar corporation and Co-operative Federation sugar mills, the UP government has now decided to reveal the expected sale price of the mills along with the VRS amount payable to employees as per the 6th pay committee recommendations.

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