

HIGHLIGHTS FOR DECEMBER, 2007

BIRLA SUGAR

SNAP SHOTS

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

The main highlight of the month had been when UP Government moved Supreme Court against the Allahabad High Court's interim order on sugarcane price, signaling that it was not willing to budge from the ongoing confrontation with private sugar mills in the state.

In this month the Government of India had been very supportive towards the sugar millers by providing them concessions on Sugar Exports and interest free loans.

Sugar prices are seen dribbling lower in 2008 as a world glut takes its toll, but a few wild cards such as Brazil's ethanol industry could skew where the market heads next.

Reliance, Tata, Bharti eye Bihar sugar mills - Reliance Industries, Tata Chemicals, Bharti Enterprises' Fieldfresh and Indian Oil are among several large companies that have evinced investment in leasing closed sugar mills that the Bihar Government is offering.

Dipping cane prices become a poll issue in Gujarat - In the run-up to Gujarat assembly elections, the dipping prices and rising cost of production of sugarcane has become a major poll issue in the rural belt of Surat, Nasari and newly formed Tapi district of South Gujarat.

UP takes cane battle with mills to Supreme Court-The UP Govt has moved Supreme court against the Allahabad High Court's interim order on sugarcane price, signaling that it was not willing to budge from the ongoing confrontation with private sugar mills in the state.

Sugar mills get interest-free loan - The government announced that it has notified a new scheme extending them financial assistance to the sugar mills. As part of the package, the sugar mills, which have been facing a crisis due to production glut and low prices, will get interest-free loans to help them pay the dues of the farmers who supply them sugarcane.

Sugar exports may double in 2007-08 at around 30 lt - Sugar exports of India are likely to double at around 30 lakh tonnes in the ongoing season as it enjoys freight advantage over Brazil for certain destinations.

Govt plays sugar daddy, offers interest-free loans to millers - The centre has finally issued the official notification for extending financial assistance to sugar undertakings with a view to improve their liquidity position, a full six months after a comprehensive relief package was first mooted by food minister Sharad Pawar.

Maharashtra cane growers demand payment of SMP - Sugarcane growers in Maharashtra have helped the state net a record yield of 85- lakh tonne sugarcane and 98 lakh tonne of sugar this season. But ironically, not all mills in these sugar-strong regions are paying even the statutory minimum price to the farmers though the crushing season began more than a month back.

Sugar counters court gains - Allahabad High Court's directive to UP Government to reconsider its decision to raise sugarcane procurement price sends stocks flying. Though most sugar companies are trying to de-risk their businesses by diversifying into sectors like ethanol production, power co-generation and other ancillary areas, the impact of such diversification would be very minimal.

Sugar industry demands rational cane pricing policy - The sugar industry upbeat with the recent Allahabad High Court order scrapping the state advised price for canes in UP, has demanded that central government take steps in formulating a “rational” sugarcane pricing policy.

Ex-Nabard chief Thorat to head panel on sugar industry - YDP Thorat is expected to replace Vijay Kelkar as the head of the committee that will look into various issues faced by the problem ridden Indian sugar industry and suggest long-term measures for its revival.

Sugar counters court gains - Allahabad High Court’s directive to UP Government to reconsider its decision to raise sugarcane procurement price sends stocks flying. Though most sugar companies are trying to de-risk their businesses by diversifying into sectors like ethanol production, power co-generation and other ancillary areas, the impact of such diversification would be very minimal.

UP has not presented correct facts on cane prices - In the current tussle between sugar mills and growers in UP, wherein the former have successfully contested the Rs 125-130 per quintal cane price fixed by the state Govt. for 2006-07 and 2007-08 seasons, few would give much chance to the latter.

Ranjit Puri is new ISMA President - Mr. Ranjit Puri, Chairman of Saraswati Suagr Mills Ltd, has been elected President of the Indian Sugar Mills Association.

Auto, oil firms not ready for more ethanol - The government’s plan to introduce mandatory 10% ethanol blended petrol from October next year has hit a roadblock with both the automobile and oil industry expressing reservations about the proposed roadmap.

OTHER PLAYERS

Internet buy to super change Sakthi group revenue mix - Last year the sugar business clocked turnover of about Rs800 crore, while auto components clocked Rs 200 crore. The group expects turnover of Rs 2,500 crore from its auto components and sugar business by the end of fiscal 2008.

Bajaj Hindustan sugar & industries Ltd. - BHSL made an announcement that two new sugar plants at Rudauli and Kunderki have commenced operations.

Dwarikesh Sugar gets volume boost - The commencement of cane crushing at Dwarikesh Sugar's new 7,500 tcd sugar plant, marks the final stage of the company's substantial expansion and integration plans, which have been set in motion over the past two years.

DCM Shriram allots Rs 6.30 -cr shares - DCM Shriram industries Ltd, which is battling a takeover bid by Delhi based HB Stockholdings Ltd said that it has allotted 6.30 crore to its promoters.

Simbhaoli to foray into specialty sugars next year - Simbhaoli Sugars Ltd. is planning to foray into specialty sugars sector, with the launch of flavored sugars as well as cane honey in the new year.

Bajaj Hind Sugar raises Rs 285 cr - Bajaj Hindusthan Sugar and Industries said that it has raised Rs 285 crore by approving allotment of 5.70 crore equity shares to Bajaj Hindusthan Ltd at a price of Rs 50 each on exercise of rights attached to the warrants issued earlier.

INDIAN SUGAR INDUSTRY

Sugar industry set to another relief- After the Govt approved a Rs.3800 crore package for the sugar industry, the cabinet Committee on economic affairs had provided another big relief to the industry that includes a 100% interest subvention for

the loan taken by sugar companies, equivalent to the estimated excise liabilities the industry during 2006-07 and 2007-08.

Sugar sops turn bitter- A sweet package aiming to award zero-interest loans to the beleaguered sugar industry that was mooted by the agriculture ministry ran into bitter opposition from finance minister at a late night cabinet meeting on Thursday.

Bihar to invite private bids for sugar mills-The Bihar Government is actually in the process of inviting private bidders for the revival of the of the closed sugar mills.

Cane crushing gets into top gear-Maharashtra is trying all the possibilities to crush all the cane this sugar year (October-September).

Delayed crushing benefits sugar mills in UP- The month long delay in crushing by sugar mills in U.P. has benefited them with a better recovery rate and stable sugar prices.

Maharashtra mills bullish on raw sugar exports-Maharashtra mills are hopeful of shipping out 7-9 lakh tonnes of raw sugar in addition to 15 lakh tonnes of plantation whites during the current 2007-08 crushing.

RBI offers sweetener for distressed sugar firms-RBI has allowed repeated restructuring of loans if past recast is settled according to CDR terms. RBI allowed banks to give ailing sugar companies a second chance to restructure their loans.

Reliance, Tata, Bharti eye Bihar sugar mills - Reliance Industries, Tata Chemicals, Bharti Enterprises' Fieldfresh and Indian Oil are among several large companies that have evinced investment in leasing closed sugar mills that the Bihar Government is offering.

Dipping cane prices become a poll issue in Gujarat - In the run-up to Gujarat assembly elections, the dipping prices and rising cost of production of sugarcane has become a major poll issue in the rural belt of Surat, Nasari and newly formed Tapi district of South Gujarat.

Sugar output likely to miss forecast- India, the world's second-biggest sugar producer, may make less of the sweetener than forecast by traders and millers because of delays in crushing cane, easing a glut that has slashed global prices.

Bank loans at cheaper rates for sugar mills-The Govt has decided to give bank loans to sugar mills at lower rates to help them tide over the crisis over the wake of falling prices of the sweetener.

UP takes cane battle with mills to Supreme Court-The UP Govt has moved Supreme court against the Allahabad High Court's interim order on sugarcane price, signaling that it was not willing to budge from the ongoing confrontation with private sugar mills in the state.

Sugar mills get interest-free loan - The government announced that it has notified a new scheme extending them financial assistance to the sugar mills. As part of the package, the sugar mills, which have been facing a crisis due to production glut and low prices, will get interest-free loans to help them pay the dues of the farmers who supply them sugarcane.

Corn, sugar, cotton set to gain on shortage of farmland - Corn, sugar and cotton may gain the most among agricultural commodities in 2008 because of a shortage of farmland, according to Diapason Commodities Management SA, the Swiss-based fund manager overseeing \$ 7.5 billion.

Sugar exports may double in 2007-08 at around 30 lt - Sugar exports of India are likely to double at around 30 lakh tonnes in the ongoing season as it enjoys freight advantage over Brazil for certain destinations.

Sugar stocks spring a sweet surprise - Until some weeks ago, sugar stocks were not so sweet an investment. However, the perception has seen a turnaround over the past one week on expectation that the central government is to announce subsidies/exemptions to the ailing sector.

Govt plays sugar daddy, offers interest-free loans to millers - The centre has finally issued the official notification for extending financial assistance to sugar undertakings with a view to improve their liquidity position, a full six months after a comprehensive relief package was first mooted by food minister Sharad Pawar.

Trial e-trade in sugar commences - National Commodity and Derivatives Exchange (NCDEX) has commenced trial run for electronic spot trading in sugar.

NCDEX subsidiary launches spot trading of sugar - NCDEX Spot Exchange, a wholly owned subsidiary of online multi commodity exchange, has kicked off its operations by launching spot trading in sugar (S-30) on a pilot basis in Maharashtra.

Maharashtra cane growers demand payment of SMP - Sugarcane growers in Maharashtra have helped the state net a record yield of 85- lakh tonne sugarcane and 98 lakh tonne of sugar this season. But ironically, not all mills in these sugar-strong regions are paying even the statutory minimum price to the farmers though the crushing season began more than a month back.

Sugar output down on crushing delay - The country's sugar output in the year to September 2008 is likely to be at least 3 million tonnes below earlier forecasts of 32 million as delays to crushing in a key state trim yields.

India Glycols buys UP sugar firm - In a bid to expand backward integration and get a strategic hold on ethanol costs, the Rs 1400-crore India Glycols Ltd, a leading petrochemicals and specialty chemical player controlled by the Bhartia group, has acquired a 96.6 % stake in UP -based Shakumbari Sugar & Allied Industries Ltd for Rs 47 crore.

UP Jaggery units plan stir against VAT levy - The owners of thousands of jaggery units in Uttar Pradesh are planning a statewide stir against Mayawati government's proposal to levy value-added tax (VAT) in the New Year.

Sugar counters turn active - Sugar counters turned active and saw sharp accumulation in open interest positions. Among them Triveni Engineering, Renuka

Sugars and Balarampur Chini are the most active counters. While Renuka Sugar future ended with a sharp gain of 5.53%, Triveni Engineering closed with a major fall of about 1%.

Uttar Pradesh to reduce sugarcane price - UP has acceded to numerous appeals by sugar millers to lower the minimum price of sugar cane to around Rs 900 a tonne.

India helps Fiji sugar mills adjust to global market regime - Even as India slammed the latest WTO Doha proposals, it is almost at the end of a process to help Fiji weather the new global trade regime that is going to hit the country's sugar industry.

Sugar counters court gains - Allahabad High Court's directive to UP Government to reconsider its decision to raise sugarcane procurement price sends stocks flying. Though most sugar companies are trying to de-risk their businesses by diversifying into sectors like ethanol production, power co-generation and other ancillary areas, the impact of such diversification would be very minimal.

Sugar output estimate lowered - The sugar industry today lowered its production estimate for the current season from 33-34 million tonnes to 30-31 million tonnes.

Sugar industry demands rational cane pricing policy - The sugar industry upbeat with the recent Allahabad High Court order scrapping the state advised price for canes in UP, has demanded that central government take steps in formulating a "rational" sugarcane pricing policy.

Ex-Nabard chief Thorat to head panel on sugar industry - YDP Thorat is expected to replace Vijay Kelkar as the head of the committee that will look into various issues faced by the problem ridden Indian sugar industry and suggest long-term measures for its revival.

Bad weather may hit sugar production - Sugar output in India, set to bypass Brazil as the world's biggest producer, may fall as bad weather lowered yields, likely boosting global prices of the commodity.

Sugar export sops -The government is likely to extend the sugar export subsidy by another year till April 2009 to help the industry liquidate surplus stock on expectations of a record output of over 30 million tonnes in 2007-08.

Govt likely to extend sugar export subsidy - The government said that it might consider extending the export subsidy given to sugar mills by another year. The country is on its way to another record production of over 30 million tonnes in the ongoing sugar seasons.

UP has not presented correct facts on cane prices - In the current tussle between sugar mills and growers in UP, wherein the former have successfully contested the Rs 125-130 per quintal cane price fixed by the state Govt. for 2006-07 and 2007-08 seasons, few would give much chance to the latter.

Sugar tastes bitter to industry in '07, but consumer smiles - India sugar sector tasted bitter this year as surplus production pulled down prices sharply in the domestic market, bringing cheers to consumers but forcing the government to give subsidies to the ailing industry.

Indian farmer loves George Bush - The US has sparked a rush for bio-fuels and put a premium on corn, soya, rapeseed & sugarcane. These commodities have turned into energy crops. The US energy bill has created a huge market for bio fuels squeezed out of food grains and oilseeds. Farmers growing these are enjoying an unprecedented transfer of wealth. However demand is increasing and if the companies act to meet demand requirements, there is potential for significant growth.

Sugar exports sops may not be extended beyond'09 - The government is unlikely to extend sops given to sugar mills for exporting the sweetner beyond April 2009. The government had earlier announced giving a freight subsidy of Rs 1,350 per tonne to mills located in coastal areas and Rs 1,450 per tonne to mills in other regions. The move was intended to boost exports in the wake of bumper sugar output and the consequent fall in prices in domestic market.

Govt may raise size of sugar stocks - The government may raise the size of sugar stocks, for which it pays storage costs, or extend the time period for which it will pick up the tab to help ailing mills swamped by excess inventories. It would also extend freight incentives for domestic sugar mills looking to export for a year beyond their planned expiry in April.

Ranjit Puri is new ISMA President - Mr. Ranjit Puri, Chairman of Saraswati Suagr Mills Ltd, has been elected President of the Indian Sugar Mills Association.

Gur-mandis to remain closed in UP - The Gur mandis of Western Uttar Pradesh, which provides jaggery worth Rs 2 crore daily, will remain closed indefinitely from January 1 in protest against the imposition of VAT in the State.

Bullish trend in agri commodities to continue - With Indian sugar supply situation being surplus, price outlook remains negative. Major sugar producing states like Maharashtra & Uttar Pradesh delayed crushing activity by almost a month which has brought down production from the estimated 30 mt to 28 mt.

ETHANOL

Praj joins hands with Brazil firm for ethanol production - Praj industries has signed an agreement to form a joint venture with Brazilian engineering company Jaragua Equipamentos Industria is to foray into Brazil's ethanol manufacturing sector.

Praj industries signs pact with ICRISAT - Praj Industries, the Pune based Bio-Fuel Technology Company, has joined ICRISAT backed consortium that seeks to promote ethanol production using sweet sorghum.

Auto, oil firms not ready for more ethanol - The government's plan to introduce mandatory 10% ethanol blended petrol from October next year has hit a roadblock with both the automobile and oil industry expressing reservations about the proposed roadmap.

Ethanol-blending can go beyond 10 % limit - The government said the threshold limit for blending ethanol with petrol can go beyond 10% provided the sugar industry can supply the required quantity for a longer period.

INTERNATIONAL NEWS

Pakistan hikes duty on sugar import-The Pakistan Government has withdrawn a 15% regulatory duty on exports of sugar and increased the duty on imports of the commodity from 15% to 25% to discourage the import of sugar.

Gradual recovery of sugar on the cards-Sugar prices are seen dribbling lower in 2008 as a world glut takes its toll, but a few wild cards such as Brazil's ethanol industry could skew where the market heads next.

Short US sugar positions cut, metal longs reduced - Large speculative funds in New York-traded sugar contracts unwound many of the short positions taken out a week earlier, lessening their bearish view of the sweetener as futures prices gained in the week.

Thai sugar exports may slow down - A surplus of Indian Sugar will slow Thailand's sugar exports to its traditional Asian markets this crop year.
