

HIGHLIGHTS FOR DECEMBER'2008

BIRLA SUGAR

SNAP SHOTS

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

Sugar production in the country is likely to fall to 195 lakh tonne in 2008-09 season from 264 lakh tonne last year. With production likely to outstrip demand, the stocks may come down to over 50 lakh tonne. The current estimated output could be anywhere between 180 lakh tonne and 210 lakh tonne. As a result, India may soon be producing less sugar than what is needed for domestic consumption, for the first time in four years.

Bajaj's reach pact on Hindusthan stake: The six year old Bajaj family dispute is very close to a settlement with Rahul Bajaj set to sell a 29.6% stake in Bajaj Hindusthan to his brother Shishir Bajaj, thus giving him full control of the sugar company. According to sources, Rahul Bajaj will first buy 29.2% of the company's equity capital from group investment firms and other Bajaj family members at the market price as on Dec 30 and then sell it, to Shisir Bajaj for zero consideration in terms of a new family agreement signed between the brothers.

Shree Renuka Sugars set up arm - Shree Renuka Sugars Ltd has set up a subsidiary company - SRSL Ethanol Ltd - for setting up an integrated sugar and ethanol plant in Maharashtra.

Natural Sugar Factory develops ERP software: Osmanabad-based Natural sugar Factory developed a Enterprise Resource Planning (ERP) for all private and co-operative sugar units located in the district. Made by using the DOT technology, the software is aimed at linking all departments of the Sugar factory with each other bringing in more efficiency and accuracy in work. This is Maharashtra's first sugar factory to develop such a low cost software.

COMPETITION

Bajaj Hindusthan FY 08 net loss at Rs 198 cr: Bajaj Hindusthan, the country's largest sugar manufacturing firm, has a consolidated loss of 197.62 crore in the financial year ended September 2008. The board has declared a dividend of 60% at the rate of 60 paise on shares of face value of Re 1 for 2007-08

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Simbhaoli to export 10,000 t sugar - Simbhaoli Sugars Ltd has struck a deal to export 10, 000 t of white sugar to Greece at \$440 / tonne. The exports would be processed from the new crop.

Bajaj's brothers stand united in separation: The Bajaj Brothers stand united to make sure that the long-pending family settlement doesn't get scuttled again. No wonder, a move by minority shareholders of Bachraj & Company, a Bajaj group investment firm, to challenge the share transfer between Rahul Bajaj and his brother Shishir, has been opposed by the warring camps in equal measure.

INDIAN SUGAR INDUSTRY

Free sale sugar quota unchanged - The Central Govt has fixed the domestic sugar sale quota for December at 1.4 million tonne unchanged from a previously announced figure at the start of the quarter.

Sugar production pegged at 20 million tonne in 2008-09 - Sugar production is pegged at 20 million tonnes and opening stock at 9 MT in 2008-09 sugar seasons. Sugar production touched about 26.5 MT in the 2007-08 sugar season ending September. The Govt estimates sugar output to decline to 22 MT and 11 MT in opening stock for 2008-09

Volume dips 77% in 5 months - Sugar trade volume on the NCDEX declined 77% in the last 5 months on waning traders' interest because of uncertainty over cane prices in UP. According to the latest report by the National Institute of Commodity Research, total volume declined to 573, 550 tonnes in November from 2, 455, 400 tonnes in July.

Industry revises sugar exports for 2007-08 - The sugar industry has revised its exports estimate upward for 2007-08 season at nearly 50 lakh tonne as shipments have surged on the back of incentives by the govt to sell surplus stocks in overseas markets. Sugar exports from India are estimated at 49.56 lakh tonne for 2007-08 seasons.

Govt should build sugar inventory through imports - With sugar production expected to fall below the Govt estimate of 22 million tonnes, it may be the right time for the Govt to build up inventory through imports, particularly when the international process have plunged.

UP mills record drop in sugar recovery - Sugar recovery rates recorded by mills in UP during the ongoing 2008-09 crushing season are 50-100 basis point lower compared with last season. This could prompt further downward revision in output from the country's premier cane producing state.

Sugar industry split over raw sugar import norms - ISMA has opposed any relaxations in the existing advance license scheme allowing duty free imports of raw sugar linked to white sugar export obligation on a grain-to-grain basis.

Sugar Industry seeks price hike to keep wheels rolling: Sugar mills want the ex-factory price to be fixed at Rs 22 per kg to sustain operations. South Indian sugar mills association (SISMA), said from a 50% surplus in production, the last two years saw the sugar production dwindle to 30% deficit. Of the total 20 lakh tonne of sugar production, 60% is contributed by the private sector. To maintain normalcy price hike of Rs 4 per kg is imperative.

Natural Sugar Factory develops ERP software: Osmanabad-based Natural sugar Factory developed a Enterprise Resource Planning (ERP) for all private and co-operative sugar units located in the district. Made by using the DOT technology, the software is aimed at linking all departments of the Sugar factory with each other bringing in more efficiency and accuracy in work. This is Maharashtra's first sugar factory to develop such a low cost software.

Sugar output may come down to 195 lakh tonne - Sugar production in the country is likely to fall to 195 lakh tonne in 2008-09 season from 264 lakh tonne last year. According to Govt estimates, sugar output is seen in the range of 205-220 lakh tonne for the current season. However with production likely to outstrip demand this year, the stocks may come down to over 50 lakh tonne for the next season.

Sugar prices to be at 9-12 cents per pound - Global sugar prices will be between 9 and 12 cents per pound over the next 10-18 months, as the departure of funds from the market offsets lower output. A shortfall estimated to jump to 5-6 million tonnes in the next crop year, from 3.6 million tonne in the year to Sep 2009.

Sugar millers want more sweetener: Sugar millers have asked the government to set up an independent regulator to look into issues of cane pricing and allocation of sugarcane to different factories. The millers have expressed concern about the lack of correlation between the price of raw material and that of finished products. The cane price is fixed by the states who take no responsibility forth price of sugar.

Oct - Nov sugar exports put at Rs 52, 000 t - India's sugar industry executives estimates exports for the first 2 months of the new marketing year that began October 1 at 52, 000 tonnes. Exports were down sharply from 4, 50, 000 tonnes of white sugar

in the Oct-Nov period a year earlier, however as local production fell steeply in response to lower global prices.

Centre mulls deadline option for raw sugar re-export - The Centre is mulling the option of extending the re-export deadline for raw sugar imports to the tune of about 8 lakh tonne under Advanced License scheme, against a background of tight sugarcane output for 2008-09 sugar season. The decision by early January could be aimed at increasing the domestic sugar supply and keep a firm check on domestic sugar prices in the run upto the general elections in the first half of 2009.

Sugar mills may get to export beyond Dec - The Govt may allow sugar mills to export without permission from the food ministry beyond the extended deadline of Dec 31.

More Sugar for free sale during Jan-March: The centre has released 50 lakh tonnes of sugar as free sale quota for mills during the January-March 2008 quarter driven by low output estimate and increased demand in spot markets.

India buys 3 lakh t Brazil raw sugar: India has bought about 3, 00,000 tonnes of raw sugar from Brazil amid a sharp decline of domestic output. South Indian sugar mills were involved with the purchases. The Union Minister for Agriculture has estimated that country's output for 2008-09 is estimated to fall by 24%, to 20 million tonnes. Industry participants expect even lower output of around 18-19 mt due to reduced crop area and yields amid unfavorable weather

Sugar output may fall short of domestic consumption: India may soon be producing less sugar than what is needed for domestic consumption, for the first time in four years. Government sources said the current estimated output could be anywhere between 180 lakh tonne and 210 lakh tonne. The average domestic consumption in India hovers around 22-23 million tonne.

Brazil, low production burn raw sugar exports: Indian sugar millers' short-lived tryst with raw sugar exports is likely to come to an end in 2008-2009 just within one year of its start. Realizations on raw sugar exports and loss of freight advantage vis-à-vis its bigger rival Brazil would further restrict any raw sugar export.
