

HIGHLIGHTS FOR DECEMBER 2009

BIRLA SUGAR

SNAP SHOTS

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

In Maharashtra, sugar output has increased by 15% due to more crushing of canes. Meanwhile, Uttar Pradesh has been asked by central government to lift its ban on imported sugar from Brazil as it will lead to higher sugar prices. India needs to import another 2 million tonnes of sugar in 2009-10 season to meet the domestic demand. The Indian sugar industry has made a fresh appeal to the Centre to reduce the present weight of 3.62 of the commodity in the wholesale price index. India's biggest sugar refiner Shree Renuka Sugars is negotiating to acquire Balrampur Chini Mills. The Shree Renuka-Balrampur combine, if the transaction takes place, will have a capacity equal to the country's largest sugar maker, Bajaj Hindusthan.

OTHER PLAYERS

Sugar companies cash in on power tariff bonanza - The Uttar Pradesh - based sugar companies are in a hurry to cash in on revised power tariffs. Most of them are converting bagasse fire boilers to multiple fuel boilers to double the revenues from power generation. Balrampur Chini Mills, the country's second biggest producer is in the process of converting the boilers at its various power generating facilities to multi-fuel boilers, said Vivek Saraogi, managing director.

Shree Renuka awaits sweet surrender from Balrampur - India's biggest sugar refiner Shree Renuka Sugars is negotiating to acquire Balrampur Chini Mills, barely one-and-a-half month after Bajaj Hindusthan failed to strike a similar deal. If a deal eventually materializes, Shree Renuka will buy the Kolkata-based Saraogi family's 36.5% stake in Balrampur and will subsequently launch an open offer to buy 20% from the minority

shareholders of Balrampur as required by rules governing takeovers in India. The Shree Renuka-Balrampur combine, if the transaction takes place, will have a capacity equal to the country's largest sugar maker, Bajaj Hindusthan.

Bajaj Hindusthan reports net profit - Riding on high sugar prices, Bajaj Hindusthan reported on Wednesday a net profit of Rs 69 crore for the quarter ended September 30, against a loss of Rs 87.46 during the corresponding quarter last year.

Sugar output may rise on lower cane diversion - Mawana Sugars Ltd expects to crush 10 percent more cane during the current 2009-10 season on the back of reduced diversion of raw material to makers of alternative sweeteners such as gur and khandsari. Mr. Sunil Kakria, Managing Director, MSL said that the company also plans to refine 25,000 tonnes of imported raw sugar during the season, which will overall translate into increased output.

INDIAN SUGAR INDUSTRY

Centre scraps limit on refined sugar import till fiscal-end- The government has allowed traders to import refined sugar at zero duty without restrictions on quantity till March 2010 to cater for domestic demand and rein in rising prices.

Maharashtra sugar output up 15%, at 11.6 lakh tonne - Sugar output in Maharashtra, the largest producing state, has increased by 15% to 11.6 lakh tonne so far this season, due to more crushing of cane. The output has increased as the mills have crushed 21 lakh tonne more sugarcane this season, said Maharashtra State Co-operative Sugar Factories Federation secretary Ajit Chogule.

Task force allows sugar mills to set up power plants - The Energy Task Force (ETF) has approved a proposal permitting sugar mills in the state to set up 11 mw coal based power plants. A senior officer said that necessary amendments will be made in the energy policy to facilitate setting up of coal-based units, after which sugar mills will be able to generate power during off season.

UP told to lift curb on imported sugar - To facilitate smooth flow of imported raw sugar, the central government has written a letter to Uttar Pradesh asking it to lift the restriction on import of raw sugar from Brazil. Citing severe shortage and skyrocketing prices of sugar, the central government is believed to have said that unless Raw sugar is imported and released in the market; the shortage will not cease to exist, which has already pushed up prices in the retail markets to around Rs 38-40 in the retail market.

Diversion of cane to gur units led to shortfall this year - The Union government has finally accepted that in spite of a major setback in cane production during the season ended September 2009, the country's sugar production would not have been as dismal as 14.6 million tonnes compared with 26.33 million tonnes in 2007-08, had there not been such a massive diversion of the crop to gur and khandsari units.

Mixed response to move on fixing levy sugar price - The law to fix the levy price of sugar-based on a 'fair and remunerative price' (FRP) of sugarcane has met with mixed response from sugar mills and sugarcane farmers. The Essential Commodities (Amendment and Validation) Bill, 2009, enacted by the Centre recently replaces an Ordinance, the Essential Commodities (Amendment and Validation) Ordinance, 2009 promulgated last October 21. However, the law does away with some of the controversial provisions proposed in the Ordinance and tries to strike a middle ground. But it has left the sugarcane farmers and sugar mills dissatisfied.

Controversial sugarcane law gets parliament nod - Parliament passed a bill that introduces a new sugarcane price regime, after the government allayed concerns of Opposition that the states will not be required to pay the difference between the Central and the State Advised price to farmers.

Sugar imports slow down as domestic prices fall - Indian buyers have stopped contracting new sugar import deals as local prices are lower than the landed cost of imports. Vinay Kumar, managing director of the National Federation of Cooperative Sugar Factories, said that no new deal has been signed in the past 45 days. He also

said that sugar mills and private traders have cancelled import contracts of as much as five lakh tonnes of raw sweetener due to space crunch at Indian ports.

Panel mulls up Govt for surge in sugar prices, seeks probe - As food inflation soared to a decade's high of 19.95 percent in the week to December 5, a Parliamentary panel has sought a "thorough investigation" into the "unduly high retail prices" of sugar. The Standing Committee on Finance, chaired by Mr. Murli Manohar Joshi, has said that the surge in sugar prices has been "fuelled by speculation and profiteering by the sugar lobby"

Sugar mills ask centre to free them from levy obligation - The Indian Sugar Mills Association (ISMA) has sought a level-playing field for domestically produced sugar vis-à-vis imported sugar. Currently, millers have to deliver 20 per cent of their sugar manufactured from domestic cane as levy for the public distribution system. Even the balance 80 per cent free sale sugar is subject to the release mechanism, with the Government fixing the quantity that each mill can sell in the open market during any particular month or within a fortnight.

India requires 2 mt more sugar to meet demand - India needs to import another 2 million tonnes of sugar in 2009-10 season to meet the domestic demand, an industry body said on Monday. Indian Sugar Mills Association president Sameer Somaiya said that the country has contracted to import 3.8 million tonnes of sugar so far this season, of which 1.8 million tonnes have arrived.

ISMA questions discriminatory treatment - The Indian Sugar Mills Association (ISMA) has questioned the discriminatory treatment meted out to domestically produced sugar vis-à-vis imported sugar. Currently millers have to deliver 20% of their sugar manufactured from domestic cane as levy at a cheaper rate for the public distribution system (PDS). These restrictions do not apply to imported sugar. Imported white sugar is duty free and also exempt from any levy or monthly release mechanism. Imported raw sugar, too, attracts no duty and there is no levy obligation on whites processed from such sugar. The only restriction is that whites refined from the imported raws are to be sold within 60 days of processing.

UP mills sell back raw sugar contracts - The sudden spike in international prices has led to some mills apparently opting for “washout” settlements of their previously entered lower sugar-priced raw sugar import contracts. The exact quantity of “washed-out” contracts is not known.

Industry expects 44% rise in sugar output next season - India’s sugar output is expected to rise by 44% to 23 million tonne in the crop year that starts from October 2010. As higher prices are likely to support cane cultivation. Vinay Kumar, managing director of National Cooperative Federation of Sugar Factories said that the output on 2010-11 would be substantially higher than an expected 16 million tonne during 2009-10. Bumper planting is going on in Uttar Pradesh because of higher prices.

Maharashtra sugar mills pay first advance of Rs 450/tn more than FRP - Maharashtra sugar mills, which contribute over 35 per cent to the total sugar production, are not affected by the controversy over the fair and remunerative price (FRP) and the subsequent ordinance issued by the Centre.

Industry makes fresh appeal to reduce sugar’s weight in WPI - The Indian sugar, industry, which is reaping the fruits of better prices, has made a fresh appeal to the Centre to reduce the present weight of 3.62 of the commodity in the wholesale price index. Various organizations, including Indian Sugar Mills Association, the National Federation of Cooperative Sugar Factories are at the forefront to take up the issue with the centre, especially when there has been much hue and cry over spurt in sugar prices.

Orissa goodies for sugarcane growers - Orissa will soon come up with a special package for sugarcane growers associated with the three government-run sugar mills in the state. Agriculture and Cooperation minister Damodar Rout said that in order to provide maximum support to the sugarcane farmers, the state government is planning to make raw materials available at their doorstep and is looking at the option of giving them easy credit inputs.

Raw sugar importers get time to meet obligations - In view of the shortage of sugar and high prices, the Cabinet Committee on Economic Affairs (CCEA) on Tuesday gave

more time to advance license holders who imported duty-free raw sugar between September 2004 & April 2008 for meeting their export obligation. Importers now have time till March 31, 2011 to meet their exports obligation.

Delayed interest hurt sugar firms - Sugar mills are in a fix since the Union Government has not disbursed the entire interest amount due to the banks under the Rs 4,000 crore interest-free loans granted in December 2007. An official of the India Sugar Mills Association (ISMA) said that this does affect the large companies but creates problem for smaller sugar mills.

INTERNATIONAL SUGAR INDUSTRY

Indonesia to buy 500k t sugar - Indonesia is expected to buy between 300,000 and 500,000 tonne of white sugar for household consumption in the early part of next year. Southeast Asia's largest sugar consumer had scaled back purchases of white sugar for direct consumption due to ample supplies, but a decline in production in the current crushing season would prompt the government to allow imports again.

Rain, Drought - Excess rain in Brazil and drought in India has hampered cane output, helping prices more than double this year. India may import 6 million to 8 million tonnes of sugar next year, Brazil's Agriculture ministry said this week, citing the head of the sugar and ethanol department.

Australia's Sugar Output Valued at Record in 2009, Group Says - Sugar production in Australia in 2009 was estimated to be valued at a record A\$2.2 billion, industry group Cane growers said in an e-mailed statement.

Ethanol

Ethanol blending order can't work, says chemical manufactures- the alcohol-based chemical industry, representing companies such as Jubilant Organosys and India

Glycols, among others, believes the recent Cabinet decision to continue the order on five percent mandatory ethanol blending with petrol is not realistic.

Fuel doping: Centre set to rework pricing formula for ethanol supply - In an urgent bid to revive the mandatory blending of 5% ethanol with petrol, the Centre is gearing up to rework the formula for pricing ethanol in order to activate the ethanol supply tenders from sugar factories to oil marketing companies (OMCs). The new formula is likely to include 'take or pay' clause, inviting a penalty of 10% to the supply value.

Ethanol at Rs 27 a litre cheers sugar mills - Ethanol producers are cheering the government's decision to raise the price of ethanol to Rs 27 a litre, as the decision may fetch long-term profits. Sugar companies, the main producers of ethanol, a by-product, have been selling it at Rs 21.50 a litre. According to Prakash Naiknavare, managing director of Maharashtra State Federation of Co-operative Sugar Factories, producers stand to lose over Rs 4 a litre by selling ethanol at the consented price of Rs 27 per litre. But, the industry is looking at long-term gains. Therefore, the Sugar Federation has urged the government to allow three-year contracts between ethanol producers and OMCs (the real consumers). In the second and third year, with increased availability of sugarcane and resultant rise in molasses and rectified spirits, the price of these by-products along with the cost of production would come down. Thus, producers could make profits in the second and third year, Naiknavare said.
