

HIGHLIGHTS FOR JULY, 2007

BIRLA SUGAR

SNAP SHOTS

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

Although the sugar industry is facing a crisis situation with Maharashtra seeking support from the Centre and the UP Govt issuing notices to defaulting sugar mills, sugar production in India, is likely to reach a record next year, boosting prospects for a bigger global surplus. Production may rise to 30 million tonne this year to September 30, 2008, from an estimated 28 million tonnes this year.

E&Y to advise UP govt on privatizing sugar mills- The government of Uttar Pradesh has hired Ernst & Young, a professional services firm, as the advisor to carry out the privatization of the state-owned sugar mills and distilleries.

Revenue dept, Plan panel oppose excise sops to sugar units- The department of revenue and planning commission have rejected two key proposals of the recently proposed sops for the sugar industry.

Rain may hit sugarcane crop in Maharashtra- Heavy rains during the last fortnight have severely affected sugarcane crops in Maharashtra, resulting in massive losses to the State's sugarcane industry.

Dollex may invest Rs 300-crore in sugar, power plants- Dollex industries, an integrated sugar, alcohol, ethanol and power generation entity, according to the latest buzz has signed an MoU with Andhra Pradesh government wherein the company will invest over Rs 300 crore

Sugar stocks leave a bad taste- Shares of companies have been on a steady downtrend over the past six months on the concern of supply-demand mismatch, falling prices and change of government in Uttar Pradesh.

Bihar Govt to invite bids for 15 sick sugar units- The Bihar Govt is going ahead with their plans for revival of 15 state- owned sick units lying close for months. It is said to invite bids for private players to take control of the sick units on a long term lease basis.

Rise in world raw sugar prices raises hopes for Indian mills- Brazilian mills have slashed production by 9 per cent. Indian mills have a freight advantage of about \$35 tonne over Brazil for supplying to the west Asian markets.

OTHER PLAYERS

Bajaj Hindusthan-HSBC Global Research has maintained an underweight rating on Bajaj Hindusthan reducing the target price from the earlier Rs 200 to Rs 147.HSBC has reduced EBITDA forecasts by 68% and 30% for FY07e and FY08e, respectively due to high staff costs and other expenditures.

Bajaj Hind to raise Rs 1,425 crore- Bajaj Hindusthan Sugar & Industries Ltd will raise Rs 1,425 crore from overseas market through issue of Foreign Currency Convertible Bond (FCCBs) or the other securities to foreign institutional investors (FIIs), qualified institutional buyers (QIBs), mutual funds, pension funds or any other investors, the largest sugar manufacturers said in a communiqué to the Bombay Stock Exchange.

Renuka Sugars buys two cos- Shree Renuka Sugars Ltd has drawn up a Rs 273 crore investment plan to grow its business. The company has acquired the Pune-based KBK Chemical Engineering, which is into ethanol engineering, procurement and Construction Company for Rs 35 crore.

Balaji plans Rs 100 crore ethanol refinery project in Orissa- Mumbai-based Balaji Group of Industries is planning to set up an ethanol refinery project with an investment of Rs 100 crore in Orissa. The capacity of the plant will be 40,000 lit/day ethanol. The company is also planning to go for an IPO to raise money from the capital market.

INDIAN SUGAR INDUSTRY

UP govt issues notices to defaulting sugar mills- A majority of small and medium size sugar mills in Uttar Pradesh, the second largest producer in the country, may not be able to commence commercial production next season, starting November 2007, because of mounting arrears of sugarcane farmers. The Uttar Pradesh government has issued recovery certificates against seven sugar mills to ensure payments of cane prices to the farmers. The govt has asked the mills to meet the deadline for clearing the outstanding dues to sugarcane growers by August 31.

E&Y to advise UP govt on privatizing sugar mills- The government of Uttar Pradesh has hired Ernst & Young, a professional services firm, as the advisor to carry out the privatization of the state-owned sugar mills and distilleries. However, industry sources are of the view that this is not the right time to carry out the privatization of mills as the industry is in deep trouble with deep losses.

GoM's dilemma: Finmin refuses to hike relief to sugar industry- The group of ministers (GoM) headed by the external affairs minister, Pranab Mukherjee, is faced with the problem of formulating new debt restructuring package for sugar mills as the Union finance ministry has refused to increase the interest subvention on loans beyond the estimated Rs 560 crore. This will also help other deserving cooperative sugar mills to avail benefits under the scheme.

Revenue dept, Plan panel oppose excise sops to sugar units- The department of revenue and planning commission have rejected two key proposals of the recently proposed sops for the sugar industry. The two are of the view that the law does not

provide for the deferment of duty or income tax relief and these concessions will lead to similar demands from other industries. Another proposal to make ethanol blending with petrol mandatory with immediate effect is also scheduled to be taken up at discussions at the GoM meeting.

Sugar no longer an essential commodity: KPMG report- with industry and small business segments consuming more than 61% of free sale sugar, KPMG's sugar industry report has questioned the logic of having sugar as an essential commodity. There is a strong need to examine whether sugar should continue to be considered as an essential commodity. It also makes a strong case for reduction in weightage for sugar in the wholesale price index.

Dollex may invest Rs 300-crore in sugar, power plants- Dollex industries, an integrated sugar, alcohol, ethanol and power generation entity, according to the latest buzz has signed an MoU with Andhra Pradesh government wherein the company will invest over Rs 300 crore along with an equity participation from AP government to construct an integrated sugar and power generation complex near Nizamabad. Acquisition is valued at Rs 25 crore, Dollex also plans to spend extra Rs 10 crore to up capacity.

Buying sugar from open market up- Poor availability of sugar in the public distribution system (PDS) is forcing people with marginal income, especially in the northern states to buy the sweetener from the open market at high prices. At an all India level the number of households buying sugar from PDS was 16% in rural areas and 12% in cities.

Sugar sector seeks credit support- Maharashtra's sugar industry, reeling under a margin decline of around Rs 1200 crore, wants the margin amount to be converted into medium-term loans for enabling the industry to begin fresh crushing season from October. The average benchmark price for the crushing season in 2007-08 was per quintal. However due to bumper production this year the price fell up to Rs 1,150 per quintal.

Rain may hit sugarcane crop in Maharashtra- Heavy rains during the last fortnight have severely affected sugarcane crops in Maharashtra, resulting in massive losses to the State's sugarcane industry. Out of 185 sugar manufacturing mills, nearly 130 still be able to get into the crushing season due to sufficient rainfall in other drought-prone areas of Maharashtra and are expected to yield about 5-6 mt of finished sugar

A bitter quarter for sugar firms- The April- June quarterly results of sugar companies are likely to see the bottom lines turning red for most of the players as sugar prices have continued to decline. There has been a 30 per cent decline in the sugar prices since last year and a 45 per cent jump in the annual sugar production to 28 million tonnes.

Sugar stocks leave a bad taste- Shares of companies have been on a steady downtrend over the past six months on the concern of supply-demand mismatch, falling prices and change of government in Uttar Pradesh. Analysts tracking the sector do not expect the trend to reverse anytime soon. Sugar being a commodity is expected to have peaked the upward trajectory in 2007.

Levy exemption to aid sugar exports- Exempting sugar exports from a mandatory levy for another six months would help mills maximize exports. Mills can now expect higher free sale quota for domestic sale. Sugar released for export would be treated as advanced non-levy and would be adjusted after 12 months instead of six months.

Global bourses eye lucrative carbon credit trading- As the demand for carbon credit is rising due to tighter compliance norms thereby pushing up the prices, exchanges worldwide are eyeing an entry into the lucrative emissions trading market.

TN sugar industry seeks Govt intervention- Soon after assuming office as the president of South Indian sugar Mills Association (SISMA), Ms Rajshree Pathy, reiterated that the Center's measures were not enough to bail out the sugar mills in the state from its crisis situation.

'Leader must take challenges'- Minister for sugar and major industries J. Geeta Reddy inaugurated a three day conference on information science technology and management (CISTM) 2007 organized by Confederation of Indian Industry (CII) in association with Virginia Commonwealth University and Osmania University at the University campus.

Bihar Govt to invite bids for 15 sick sugar units- With a situation of glut in the sugar market, the potential investors who till recently were upbeat on the sugar sector in Bihar may have kept their investment plans on hold for the time being . But the Bihar Govt is going ahead with their plans for revival of 15 state- owned sick units lying close for months. It is said to invite bids for private players to take control of the sick units on a long term lease basis.

WTO-complaint support to sugar industry to raise exports- India which is currently facing a sugar glut, can consider extending WTO-complaint support to problem ridden sugar industry to reduce stocks so that sugar prices recover in the domestic market. The KPMG report has suggested that the government needs to extend full support to the industry for enabling exports through appropriate subsidies and policy measures.

Jaggery traders move stocks outside Andhra- Anakapalli jaggery traders have begun moving their stocks to other states. They have already started getting orders from Orissa and Bihar and traders have already sold 100-150 loads in these and expect to clear all stocks before September.

Sugar Corp floats raw sugar tender- Indian Sugar Exim Corp Ltd has floated a tender to export 15,000- 20,000 tonnes of raw sugar. The company may agree to sell more than the tendered quantity if the prices were attractive. India may also look to step up exports of raw sugar to neighbouring countries as it offered better returns.

Rise in world raw sugar prices raises hopes for Indian mills- After a prolonged despondent phase, there is finally some bit of sweet news filtering in for the country's beleaguered sugar sector. Brazilian mills have slashed production by 9 per cent. Indian mills have a freight advantage of about \$35 tonne over Brazil for supplying to the west Asian markets.

Sugar cos shipping out to cut loses- Ship out to shape up. That's the new mantra the sugar industry is adopting with a vengeance to prop up the sagging bottom lines, even as the open market prices plunged below that of the levy this month.

Raw sugar exports on the rise- With more than two months left for the new sugar season to begin, the country is geared up to export higher amounts of raw sugar and the focus is shifting from plantation white sugar to raw sugar exports.

India lags behind China in CERS- Even though India may still be leader in number of carbon credits issued so far and the number of CMD (clean development mechanism) projects registered with international CMD body, it lags behind China in the volume of average annual credits expected till 2012.

ETHANOL

10% ethanol content plan will make cars expensive- Car makers are lukewarm to the Centre's proposal to make 10% ethanol blending of petrol (E10) mandatory by next year. The current blend in petrol at 5 per cent which means that to double the blending percentage would require alterations in the engines of both new as well as existing cars.

Ethanol-blended fuel- The Indian Sugar Mills Associations (ISMA) said that the ethanol-blended petrol poses no threat to car engines as the amount of water in ethanol-blended petrol will have no effect whatsoever.

5% ethanol-blending may become norm- There has been a surge in demand for fuel, chiefly from the EU companies. Responding to the global move towards bio-fuel, India is also planning to make 5 per cent ethanol blending mandatory by 2008, subject to availability.

Inflation fears smother China's ethanol drive - Beijing is putting brakes to China's ethanol production. A recent climb in the pork prices- blamed partly on swelling corn

feed costs- served as a wake-up call to Beijing, which has promoted biofuels as a means to wean the country off imported oil and secure income for hundreds of millions of farmers.

Next generation ethanol will come from agri-waste- India's ethanol is manufactured from sugarcane even though it affects the country's sugar production. The US and the UK use corn kernels and wheat which are again unfeasible options for India. According to a recent assessment by UNCTAD ethanol can be extracted from the agri wastes. Unlike hydrogen fuel cell technology, biofuel technology is well within our reach.

Sugar industry seeks higher price for ethanol from oil cos-The sugar industry urged the oil industry to increase the purchase price of ethanol to at least Rs 23 a litre from the existing price of Rs 21.50 a litre, when mandatory doping of auto-fuel comes into force.

INTERNATIONAL NEWS

Brazilian sugar exports fall 6.4% to 1.7 mt in June- Sugar exports from Brazil, the world's biggest producer, fell 6.4% in June from a year earlier after rains slowed the harvesting of cane. Exports of raw and refined sugar fell to 1.7 million metric tonne in June from 1.82 million tonne in the same month last year.

Sugar futures mixed- LIFFE sugar traded mixed with activity quiet as New York is closed for the July 4 holiday. The focus on London is on the August-October spread, with good buying on August and selling on October.

Global sugar- German analyst F.O. Licht has revised up its forecast for 2006-2007 world sugar output to 166.8 million tonnes against 147.8 million tonnes in 2005-2006. Total world cane sugar production in 2006-2007 is now forecast to reach 130.1 million tonne.

Sales peg down sugar futures- LIFFE white sugar traded lower due to selling on the August-October spread ahead of Monday's August contract expiry. August was down \$4.40, 1.4 per cent, at \$320.50/tonne with 1891 contracts traded. October was down \$0.20, or 0.1 per cent at \$313.40/tonne with 1936 contracts traded.

Surplus sugar production seen- The world's sugar market is headed for a 'sizeable' production surplus as weather in producing nations such as India and Thailand remains good, the International Sugar Organization said. India, the world's second biggest producer, may harvest 28 million tonnes this season, 8 million tonnes more than last season.

Brazil factor lifts sugar- Sugar gained in London as Brazil, the world's top grower, produced less sugar this crop year than during the same period last year. The centre-south region of Brazil has produced 5.4 million tonnes of sugar this year down from 6 million tonnes at the same point last year.

Indonesia buys Indian raw sugar- Indonesia bought 15,000 tonnes of raw sugar from India at \$305.50 a tonne, including the cost of freight. The shipment is to be delivered by the end of August to the East Javanese port of Tanjung Perak.

Sugar near 3-month low- Sugar fell to the lowest since April in London as some investors sold the commodity before the expiration of the August contract. Some traders are rolling over their positions or selling the August contract and buying the one for delivery in October.

Global sugar surplus to rise to 11 million tonne- The sugar market will have a global surplus of 11 million metric tonne for the current crop year and the next as planters in Brazil and India increase production in response to last year's price gains, said Caazmikow Sugar Ltd.

China's to buy via open sale sugar to boost domestic prices- China, Asia's second-biggest sugar producer after India, plans to purchase 0.3 million tonne of the sweetener from the domestic market to boost falling local prices, the country's top economic planner said.

Sugar futures drop- Sugar futures may fall for a second session in London because of increasing global production of the sweetener sugar futures for October delivery fell 69 cents or 02% to \$313 a ton. The prices are expected to continue at the same level until the next harvest.
