

HIGHLIGHTS FOR JUNE 2007

BIRLA SUGAR

DIRECT NEWS- OSML & UGSIL

Corporate Profiling

- The Times of India- Mayawati stumps sugar barons.

Industry Article

- The Hindu Business Line- Cane arrears of UP's top sugar cos touch Rs1,500 crore.

Change of Name

- The Economic Times- New India Sugar to change name.
- The Times of India- KK Birla Group mulls apparel retail foray.
- Dainik Vishwamitra- New India Sugar ka naam badla.

SNAPSHOTS

Important developments that have taken place in the sugar Industry and in the business of competitors

The main highlight of the sugar industry this month was the government's announcement to raise the sugar buffer stock to 5 million tonnes. It is a huge stride for the sugar industry for the fact that it's the first time raw sugar will be exported to Dubai from the country. The Indian sugar industry has also emerged as a leading supplier of raw sugar as a result of which it would battle for market share against Brazil which is the largest sugar producer.

Indian sugar industry may take the Chinese route- The Indian sugar industry has suggested a model like China to regulate the availability of sugar based on the demand and supply in the domestic market, and maintain prices within a predetermined limit. The proposal involves creating an independent strategic stock company (a special purpose vehicle), to buy and sell sugar as and when the need arises.

India battles Brazil in raw sugar trade- India has emerged as the key supplier of raw sugar and will engage in the fierce battle for market share against dominant producer Brazil in a number of regional markets. Indian raw sugar exports of between 5-10 lakh tonne is expected in the next crop year.

Sugar mills no longer need ROs from food ministry- Sugar mills seeking desperately to lessen their load of the commodity in this glut year to exports will no longer have to wait to get release orders (ROs) from the food ministry. The government has decided to do away with the provision to give ROs to the exporters on a case-to-case basis with immediate effect, primarily to facilitate offloading of domestic white sugar in the global market expeditiously.

Sugar companies' exports touch 0.8 mt- The Directorate of Sugar in the Union food ministry has given permits for the export of 1.8 million tonnes of sugar since the ban was lifted last December. The country is estimated to produce sugar in excess of 27 million tones this time, about 40 percent higher over last year's 19.2 million tones while the consumption demand remains at 19-19.5 million tones.

Sugar cane juice gets retail makeover- Promoters of Nammura Hotels and other food outlets in Bangalore have initiated a project, Cane-O-La Foods, to help farmers create a dedicated band of entrepreneurs and make available fresh sugarcane juice in urban centres in Karnataka. The company plans to help set up 500 outlets through joint ventures, franchisees and convert family-run sugarcane juice centres in the first year of operations.

Sugar buffer stocks raised to 5 million tonnes- The country more than doubled the quantity of sugar that can be kept in reserve stocks to help mills hit by falling prices and weak exports, but traders said any benefits would be short-lived. Mills are now free to stock-pile up to 5 million tonnes of the sweetener on behalf of the government, up from an earlier cap of 2 million tonnes.

Dubai refinery signs deal for buying raw sugar- For the first time raw sugar will be exported from the country. Indian Exim Sugar Corporation (ISEC) Ltd has signed a deal with Al Khaleej refinery of Dubai to export it in bulk.

Petrol will soon be ethanol blended- India will now see petrol vehicles run on five percent ethanol. The government will soon mandate the blended fuel making gasoline more environment friendly and provide bigger business model for the sugarcane industry. India will start with the new fuel later this year and will then increase the percentage to ten by October 2008 except in the North-east, the island region and in Jammu and Kashmir.

PG degree programme on sugarcane technology- A PG degree programme on sugarcane technology is being introduced in the Tamil Nadu Agricultural University through the Open Distance Learning (ODL) mode from this academic year. It will benefit sugarcane research and development personnel working in research stations, sugar factories, state department and public and private undertakings.

COMPETITORS IN NEWS

Bajaj Hindustan

Bajaj Hindustan implements ERP- Bajaj Hindustan (BHL), the country's largest sugar and ethanol company, has successfully implemented SAP, a business software, in all its locations including the sugar factories and distilleries.

Bajaj Hind to raise Rs 1,425 cr- Bajaj Hindustan Sugar and Industries said that it is seeking shareholders' approval to raise up to Rs 1,425 crore through issue of shares in domestic and international markets.

GMR Industries

GMR jumps on sugar complex plan- GMR industries, the manufacturing arm of Hyderabad based GMR Group, hit the five per cent upper circuit to Rs 170.35, as it announced its plan to set up an integrated sugar complex in Andhra Pradesh.

INDIAN SUGAR INDUSTRY NEWS

Cabinet to weigh hike in sugar buffer- The Union cabinet is set to consider a proposal by the food industry that the sugar buffer be hiked up to 5 million tonne from the current 2 million tonne. In-house estimates by trade and industry indicate that India will end the sugar season this October with 7.86 million tonne.

Sugar quota raised for June- The government has increased the April-June quarterly quota on new levy (free sale) sugar from 38 lakh tonnes to 41 lakh tonnes keeping in view the increasing demand for sugar due to summer. The quota for June has been increased to 13 lakh tonnes to 16 lakh tonnes. The higher quota is expected to keep the sugar prices stable.

UP scraps sugar policy- In another major policy reversal, the Mayawati government in Uttar Pradesh decided to do away with the erstwhile Mulayam Singh administration's Sugar Policy 2004 on grounds that it was not comprehensive enough. The state has also said loss-making sugar mills run by State Sugar Corp would be privatised if they could not be financially revived.

Sugar turns sour for Centre- The Centre's problems over sugar- the primary commodity whose soaring price set alarm bells ringing in 2006-07 over rising inflation, leading to a prolonged export ban and subsequent announcement of export subsidies and creation of a two billion tonne buffer at an estimated cost of Rs 400 crore- may turn bitter in sugar year 2007-08.

Fall in EU sugar output likely; Ministry flags scope for exports-The Ministry of Commerce expects sugar production in the European Union to decrease 25 percent by 2009. EU is likely to provide the Indian sugar Industry with an excellent export opportunity, one that could be a natural hedge against domestic price fluctuations.

Sugar export sops: Overseas buyer real beneficiary- In case of export incentives for sugar, the real beneficiary has been the overseas buyer.

Indian sugar industry may take the Chinese route- The Indian sugar industry has suggested a model like China to regulate the availability of sugar based on the demand and supply in the domestic market, and maintain prices within a predetermined limit. The proposal involves creating an independent strategic stock company (a special purpose vehicle), to buy and sell sugar as and when the need arises.

Plans to push raw sugar exports to ease pressure- ISMA is planning to promote raw sugar exports to neighbouring countries, to reduce the excessive stocks weighing down the industry. As much as 1 lakh tonne of raw sugar could be exported soon and contracts to tune of 60,000 tonne have already been signed for exports to Gulf nations.

Government mulls raising of sugar buffer- The government is considering raising the sugar buffer stock to five million tonne to check a steep fall in prices.

Sugar mills asked to extend crushing period- The state government has asked all the mills in the areas where the standing crop remains uncrushed, to run till June 10-15, when the monsoon is expected to set in. the expectation is that by the time they finally stop crushing, the state's sugar production will touch a record 91 lakh tonne.

Sugar mills exploring options for tackling surplus- The sugar industry is exploring options as a mounting glut in sugar production and dropping prices threatens its viability and payment to farmers. Among the options being examined are a market intervention mechanism and raw sugar exports, apart from increasing the buffer stock.

UP sugar politics dampens industry expansion plan- The Mayawati government scrapped the UP sugar policy which offered numerous initiatives. The withdrawal of the policy dashed the dreams of some companies as without these incentives their projects will become unviable and they will end up incurring huge losses.

India battles Brazil in raw sugar trade- India has emerged as the key supplier of raw sugar and will engage in the fierce battle for market share against dominant producer

Brazil in a number of regional markets. Indian raw sugar exports of between 5-10 lakh tonne is expected in the next crop year.

Maharashtra likely to beat UP in sugar production- Maharashtra is likely to beat Uttar Pradesh by becoming the largest sugar producing state in the country in the ongoing season. The sugar production in Maharashtra stood at 8.7 million tonne while in Uttar Pradesh the output has touched 8.3 million tonne till May 15.

Govt health package for sugar sector- The food ministry has designed a key financial bailout package that spans a 24-month period to help revive the ailing sugar industry. A key part of the much awaited financial and debt restructuring package for mills includes excise duty relaxations to allow sugar companies to improve their financial health expeditiously and clear bank dues.

Sugar mills no longer need ROs from food ministry- Sugar mills seeking desperately to lessen their load of the commodity in this glut year to exports will no longer have to wait to get release orders (ROs) from the food ministry. The government has decided to do away with the provision to give ROs to the exporters on a case-to-case basis with immediate effect, primarily to facilitate offloading of domestic white sugar in the global market expeditiously.

Sugar companies' exports touch 0.8 mt- The Directorate of Sugar in the Union food ministry has given permits for the export of 1.8 million tonnes of sugar since the ban was lifted last December. The country is estimated to produce sugar in excess of 27 million tones this time, about 40 percent higher over last year's 19.2 million tones while the consumption demand remains at 19-19.5 million tones.

Sugar mills may get to retain excise for 3 years- The government is likely to allow sugar mills to retain central excise on the commodity for three years from July this year. The money will be retained by the industry interest-free and will be paid back in monthly installments in three years from July 2010.

PG degree programme on sugarcane technology- A PG degree programme on sugarcane technology is being introduced in the Tamil Nadu Agricultural University through the Open

Distance Learning (ODL) mode from this academic year. It will benefit sugarcane research and development personnel working in research stations, sugar factories, state department and public and private undertakings.

No more sugar coated pills- In a bid to avert a crisis in the sector, the government is reportedly toying with the idea of allowing sugar mills to retain central excise for three years from July 2007. If approved, this would be the second attempt, after the creation of a buffer stock and an export subsidy, to bail out the industry.

Mills bet on raw sugar exports of 10 lakh tones- Indian sugar companies hope to export at least 10 lakh tones (lt) of raw sugar during the coming 2007-08 season (October-September), taking advantage of the substantial new refining capacities creating in the West Asia and neighbouring South East Asian regions. The raw sugar, to be delivered from December will be shipped out from Mundra and Mumbai.

Sugarcane panel report soon- The panel set up by Maharashtra Pradesh Congress Committee (MPCC) to analyse the current sugarcane crisis, arising out of high production and the consequent fall in the prices, is likely to submit its report in next one week. The panel has recommended the sale of sugar at 10 per cent above the levy price in the market.

Sugar output up 45% at 27mt- The country's sugar production in the October-May period of the 2006-07 sugar season reached 27 million tones, 45 percent up over 18.6 million tones recorded in the year ago period. Industry associations are certain of the production crossing 28 mt. this is 5 mt over the preliminary estimate of 23 mt.

Higher raw sugar output planned next season- The Centre and the ailing sugar industry are together exploring the possibility of ear marking certain quantity of raw sugar production as India is expected to cross 300 lakh tonne in sugar production next crushing season which is to begin from October this year.

Sugar cane juice gets retail makeover- Promoters of Nammura Hotels and other food outlets in Bangalore have initiated a project, Cane-O-La Foods, to help farmers create a

dedicated band of entrepreneurs and make available fresh sugarcane juice in urban centres in Karnataka. The company plans to help set up 500 outlets through joint ventures, franchisees and convert family-run sugarcane juice centres in the first year of operations.

More raw sugar exports on cards- Indian Sugar Exim Corp (ISEC) has won contracts to export 200,000 tonnes of raw sugar to refiners in West Asia, Bangladesh and Sri Lanka starting December.

Sugar cos set to diversify after losses- With the current slump in the sugar industry expected to carry over the next two seasons, domestic sugar companies are planning to rejig their business model to reduce commercial reliance on sugar. New models include increasing co-generation capacity, diversifying into the retail segment and implementing IT solutions to cut costs.

Madras Cements applies for sugar mill license in TN- Madras Cement Ltd has applied for a license to set up a sugar mill in Tamil Nadu with a capacity to crush 5,000 tonnes of cane a day with a co-generation plant in Tamil Nadu's Villupuram district.

Domestic sugar exporters face Brazil threat- Sugar exporters are keeping an anxious watch over competition from Brazil, the largest producer of the sweetener, as it is expected to cut prices to capture a larger share of the international market. Sugar exporters have been advised to keep the price at \$250 per tonne, against the current international rate of about \$300 for white sugar, if they wanted to compete with Brazil.

No sugar policy in UP till farmers' arrears paid- The government of Uttar Pradesh will not declare a new sugar policy unless farmers are paid the cane arrears amounting to Rs 2,700 crore that sugar mills owe them.

Subsidy likely for raw sugar suppliers to EOU refineries- The Centre may extend export subsidy benefits to mills supplying raw sugar to domestic refineries holding advanced authorizations (AA) against their refined sugar export obligations. The move could benefit

companies such as EID Parry and Shree Renuka Sugars, which are setting up standalone port-based refineries.

ISEC to export 6000,000 tonnes of raw sugar for next season- Indian Sugar Exim Corporation has inked deals with overseas buyers to supply upto 600,000 tonnes of raw sugar for the next season beginning October 1. Mills in Maharashtra and southern states are gearing up to produce more raw sugar due to its higher export potential.

Use of bio fuel may cause mass hunger deaths- Diverting sugar and maize for bio fuels could lead to hundreds of thousands of deaths from hunger worldwide. Fears over climate change have boosted the demand for alternative fuels for wealthy countries, but the rise of bio-fuel has been criticized by some who say it will put a squeeze on land needed for food.

Govt sets up panel on loan repayment by sugar mills- The centre has set up a committee headed by the National Bank for Agriculture and Rural Development (Nabard) executive SK Mitra to look into the possibilities of rescheduling loan payment of sugar factories covered under the Vaidyanathan task force. The committee will also explore whether those sugar factories which remained under the revival package can be covered under the next crushing season.

Sugar may double by year-end on more ethanol use - Sugar may double by more than by the end of 2007 as gains in crude oil encourage ethanol use. More ethanol will be put into use in Brazil and the US as crude oil prices in New York rose to a nine-month high yesterday. Increased use of ethanol may help whittle down inventories of sugar, which is used as a feedstock to produce alternative fuel.

Record exports for sugar mills in Maharashtra- Sugar mills in Maharashtra, the nation's second biggest cane-grower, have contracted to export 1.03 million metric tonnes since January to run down stock-piles after production reached a record.

Indian sugar futures rose on hopes the government would increase the amount of the sweetener it keeps in buffer stocks, while soyoil fell in line with overseas market.

Sugar buffer stocks raised to 5 million tonnes- The country more than doubled the quantity of sugar that can be kept in reserve stocks to help mills hit by falling prices and weak exports, but traders said any benefits would be short-lived. Mills are now free to stock-pile up to 5 million tonnes of the sweetener on behalf of the government, up from an earlier cap of 2 million tonnes.

Scrapping of sugar policy deals double blow to mills- If the dip in sugar realizations and mounting cane arrears are not bad enough, mills in UP have been dealt by a double blow by Chief Minister, Ms Mayawati's decision to scrap the Sugar Industry Promotion Policy 2004 of her predecessor, Mr. Mulayam Singh Yadav's government. The policy had announced a host of incentives for setting up new capacities.

Govt sops fail to sweeten sugar stocks- The Government's decision to raise sugar buffer stock and extend concessions had apparently not delighted the capital market. Sugar stocks on the BSE have been on the slide for the last few months due to fall in price realization. Sugar tends continued the downtrend during the week. Over the week, **Oudh Sugar Mills fell 5.68 percent**; Thiru Arooran Sugars dropped 5.69 per cent; Dhampur Sugar Mills dipped by 5.42 per cent; and Balrampur Chini Mills closed lower by 4.11 percent.

New UP sugar policy critical- The new sugar policy to be announced by the recently elected Uttar Pradesh government holds the key to sugar prices, even though the Centre has decided to raise the buffer stocks by three million tonnes. Raising the sugar buffer to five million tonnes is expected to mitigate pressure on the sugar prices to some extent, even although a strong near term increase is ruled out.

Bihar to provide relief to sugar mills- In a bid to provide some relief to sugar companies facing huge losses due to the gult in production, the Bihar government has decided in principle to extend subsidy to them to pay off the arrears to the sugarcane growers. The government will provide subsidy to mill owners after going through the report and taking into account the paying capacity of the state.

UP asks sugar mills to clear arrears by August- The Uttar Pradesh government has directed the sugar mills in the state to clear their outstanding arrears by August. Asking them to submit a monthly schedule for payment of their cane dues by August, the

government has decided not to give any subsidy to help the mills tide over the losses. About 60 per cent of the mills have submitted their month-wise payment schedule and rest are in the process of doing the same.

Maharashtra sugarcane growers to switch to onion farming- Farmers in Maharashtra, who had shifted from onion farming to sugarcane in search of better returns, are likely to take up the cultivation of the vegetable again. Sugarcane farmers are facing a problem of plenty as the supply is greater than demand, causing a fall in sugar prices.

Govt rejects plea for excise relief to sugar mills- the Centre has rejected the food ministry's proposal for deferring the payment of excise duty by sugar mills by three years. The Cabinet rejected the proposal and approved creation of a buffer stock of 3 million tonnes.

Sugar not an essential commodity: KPMG- The sugar industry may soon be contesting the inclusion of the commodity under the Essential commodities Act and a higher rate given to it in the wholesale price index.

UP mulls over selling sick govt sugar mills- The Uttar Pradesh government said it was contemplating selling the sick government sector sugar mills in the state.

AP to diversify crop to boost agri output- The Andhra Pradesh government has decided to implement a three-year special crop diversification scheme to boost output. The government has also increased the targets for the 2007-08 crop year and plans to achieve growth in agriculture. It has set a target of 460.84 lakh tonnes for major crops and fixed a hectareage of 118.56 lakh hectares. The sugarcane target for 2007-08 is 211.92 lakh tonnes.

Mayawati to privatize ailing sugar mills- Mayawati has decided to privatize loss-making private sector and co-operative sugar mills, but has postponed transition to the Value Added Tax (VAT). The budget has also proposed sweeteners for the sugar industry, including a revival package. There are no new taxes in the budget. The Uttar Pradesh government plans to sell 28 loss-making sugar mills to the private sector. In addition, this

also sends out strong signals that the state wanted to give a strong booster shot to its sugar sector.

INTERNATIONAL SUGAR INDUSTRY

Sugar prices set for further falls- Global sugar prices are likely to fall as strong Brazilian and Indian crops come on to the market. Indian sugar harvest estimates were frequently being revised upwards, which would lead to the 2006-07 world sugar surplus swelling beyond the ISO's latest estimate of 9.1 million tonnes.

Net long positions up in sugar- Speculators in New York sugar futures turned into a net long or bullish position as prices of the sweetener hit a one month peak.

Sugar at one-month low- White sugar dropped to the lowest in a month in London on concern sales by producer countries is exacerbating a surplus of the commodity. Prices have dropped 28 percent in the past 12 months.

Sugar stocks to keep price down- With increased production each year and rebounding seasonal conditions in India and Thailand, there is a glut of sugar in the world market, which is bearing down on prices.

Dubai refinery signs deal for buying raw sugar- For the first time raw sugar will be exported from the country. Indian Exim Sugar Corporation (ISEC) Ltd has signed a deal with Al Khaleej refinery of Dubai to export it in bulk.

Sugar deficit seen in Far-East- The Far-East will face a sugar deficit until atleast 2015 as consumption of the sweetener rises faster than domestic production. The region's growing deficit will require imports to double by 2010 to 4 million tones. Net imports are forecast to rise to 6.3 million tones by 2015.

Raw sugar called slightly higher- Raw sugar futures were called to open 0.05 cent higher in open outcry trading in line with the steadier tone of screen business for the sweetener. The Intercontinental Exchanges NYBOT electronic market for sugar showed the July contract up 0.08 cent to 8.66 cents per 1b at 1149 GMT, dealing from 8.55 to 8.69 cents. In London, white sugar for August delivery gained 40 cents, or 0.1 per cent, to \$310 a tonne on the Euronext.liffe exchange.

Sugar at 6-week low- Sugar dropped to the lowest in six weeks in London on speculation-increased exports from India and Thailand will sell a global surplus. India, the world's second-biggest sugar producer, will have a 5.5 million tonne domestic surplus this year, while Thailand's may be 4.2 million tonnes.

Indonesia to seek bids for 25k tonne of raw sugar- Indonesia, the world's largest sugar buyer, will seek bids on June 20 to buy 25,000 metric tonne of raw sugar from overseas as local demand exceeds output.

Subsidy likely for raw sugar suppliers to EOU refineries- The Centre may extend export subsidy benefits to mills supplying raw sugar to domestic refineries holding advanced authorizations (AA) against their refined sugar export obligations. The move could benefit companies such as EID Parry and Shree Renuka Sugars, which are setting up standalone port-based refineries.

Brazil uses more cane for fuel- Brazil, the largest sugar-cane grower, uses more of the plant to make ethanol. The nation used 57% of the cane harvested in the main centre-south growing region to produce ethanol and 43% to make sugar in the first five months of the year.

Indonesia sugar output may rise- Indonesia, the world's largest sugar buyer, may produce 2% more of the sweetener this year as productivity increases. Output may reach 2.35 million metric tonne, compared with 2.31 million tonne last year.

ETHANOL

Ethanol to come under declared good status- In a bid to boost the flagging ethanol blending programme (EBP) countrywide, the food ministry has moved a proposal to bring ethanol under the declared goods status by amending the relevant sections of the Central sales Tax (CST). The suggestion that ethanol be brought under the list of special articles, already there in section 14 of the Central Excise, through an amendment was mooted by the food ministry the industry itself, it is understood.

Mandatory ethanol doping sweet news for sugar cos- The government is considering a proposal to make 5% doping compulsory with immediate effect. The objective of 5% mandatory ethanol blending is to give respite to the sugar industry.

Petrol will soon be ethanol blended- India will now see petrol vehicles run on five percent ethanol. The government will soon mandate the blended fuel making gasoline more environment friendly and provide bigger business model for the sugarcane industry. India will start with the new fuel later this year and will then increase the percentage to ten by October 2008 except in the North-east, the island region and in Jammu and Kashmir.

Blenders pride- A recent exercise undertaken by oil marketing companies (OMCs) suggests that 5% ethanol blended petrol would mean a gain of about Rs 0.35/lt for oil Cos. Ethanol doped petrol would not only help in checking pollution but also act as a price stabilizing factor for sugarcane producers and sugar mills.

Soros bets big on ethanol- US billionaire George Soros said that he is a 'speculator' in ethanol and that he is betting that the obstacles to international trade of this bio fuel will be lifted. US ethanol is largely corn based and is subsidized by the federal government.

India to allow mills to process ethanol- Indian sugar mills, hit by low prices and poor exports, would be allowed to process ethanol from sugarcane juice. Currently, mills are not allowed to produce ethanol from cane juice. They are allowed to make ethanol only from molasses.

India starts producing ethanol from sweet sorghum- The country's first plant for commercial production of ethanol from sweet sorghum, a rained multi-benefit crop, has gone on stream at Mohammed Shapur village in Andhra Pradesh. While the juice of sweet sorghum can be used to produce ethanol bio-fuel, the grains can be used as food or feed.

Ethanol blending can be lethal for your car- Ethanol, unlike sugar tends to mix with water. When water seeps into ethanol petrol mix, three layers of fluid are formed- clear water at the bottom. Petrol at the top and water-ethanol blend in the middle. Pumping out of ethanol-mixed water will result in losses for dealers. Water in the car could ruin it. The ethanol blended with petrol needs 99.99 per cent purity and the main problem with the blending programme is the infrastructure.

Dollex to buy Brazil's co's Indian biofuel subsidiary- Dollex Industries, one of the leading players in the ethanol, sugar and liquor segment, is set to acquire Brenco India, the biofuel subsidiary of Brenco, a leading renewable energy company in Brazil for Rs 55 crore in an all-cash deal.
