

HIGHLIGHTS FOR JUNE' 2008

BIRLA SUGAR

SNAP SHOTS

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

India may resume imports of the sugar after 4 years as farmer's plant less sugarcane because of declining prices.

Kolkata based P.K Ruia Group, which also manages Dunlop India and Jesop India, would be building what it claimed would be the largest Greenfield sugar complex in the country at Shariyatpur in east Champaran district of Bihar.

India is expected to export a record 4.2 million tonne (MT) of sugar in the crop year to September exceeding earlier estimates 3.5 MT. with the surge in exports, which have never been more than two million tonnes in a year.

India may import sugar after a four-year gap as output declines - India may resume imports of the sweetener after 4 years as farmer's plant less sugarcane because of declining prices. Purchase of raw sugar may total 4 million metric tonne in the year starting October 2009, SI Jalan, director General of ISMA said. Output may fall as low as 17 million tonne in 2009-10, from an estimated 22 million in the previous year.

Maharashtra sugar firms in trouble- In all 36 sugar barons in Maharashtra might face criminal proceedings if dues worth Rs 700 crore, calculated as per the statutory minimum price (SMP), are not paid to the sugarcane growers before June 30. The state commissioner's office has issued directives to file criminal cases and if necessary,

attach properties of directors of these 36 cooperative sugar factories, if the dues are not cleared before the deadline.

Sugar costlier in city than other metros- Sugar, a primary ingredient in most sweet dishes and beverages is costlier in Kolkata at Rs 16.20 a kg compared to other three metros. The sweetener in the Kolkata physical market was ruling at Rs 16.20 a kg on Monday. Whereas in Delhi, prices stood at Rs 15.55 a kg, in Mumbai at Rs 14.75 a kg and in Chennai at Rs 13.90 a kg.

Bihar's ethanol plans come a cropper- The latest decision by the Centre allowing only existing sugar mills to produce ethanol directly from sugarcane juice has adversely affected the Bihar government's efforts to revive the industrial sector and turn Bihar into an ethanol hub.

COMPETITION

Farmers lay siege to Bajaj Hindusthan mill in UP - Agitated over the non-payment of farmers have laid siege to a mill owned by Bajaj Hindusthan Ltd, The country's largest sugar producer, at Kenauni near Meerut.

Ruia to set up Rs 800 cr sugar plant in Bihar - Ruia Group of Companies will set up a sugar plant named, Kamalpur Sugar refinery ltd at Sharatipur village in East Champaran District. This will be a 10, 000 quintal crushing per day capacity sugar mill which will also manufacture 240 kilolitres of ethanol per day and co-generate 50 MW of power. This, incidentally, would be the first sugar factory in Bihar to produce ethanol & power from the same complex. Union Agriculture minister Sharad Pawar laid the foundation stone of the plant.

Ruia plans giant sugar unit in Bihar - Kolkata based P.K Ruia Group, which also manages Dunlop India and Jesop India, would be building what it claimed would be the largest Greenfield sugar complex in the country at Shariyatpur in east Champaran district of Bihar. The Rs 800 crore project along with the capacity of crushing 10,000

ton of cane per day would also include an ethanol manufacturing unit with a daily capacity of 240 kilolitres and a 50 mw power plant.

UP orders FIRs against 16 Bajaj sugar mills- The Uttar Pradesh government ordered first information reports to be lodged against all the 16 sugar mills that Bajaj Hindustan owns in the state for allegedly failing to honour farmers' payment commitments for the crushing season 2007-08. Shishir Bajaj-controlled Bajaj Hindustan is the country's largest sugar producer. A delegation of UP farmers had recently blockaded one of the factories in Meerut and then held a demonstration in front of the company's headquarters in Noida over payments.

Ruia counter-fuel to hedge price hike- The global oil shock has set off an adrenaline rush in Kolkata-based investor who is setting up the country's largest sugar complex to produce almost 9 crore litres of ethanol, which would be mixed with petrol to reduce dependence on crude luxury.

Shree Renuka Sugars hog limelight- Shree Renuka Sugars June future was the star performer in the trading volumes gaining close to 9 per cent to end at 108.45 against the spot close of 108.5. However, it shed 10.3 lakh shares in open interest positions while cost-of-carry remained positive. The July future ended at 109.2 indicating rollover of long positions.

Ruia enters Bihar sugar scene- Even after the Central directive, which allowed ethanol factories only to sugar manufacturing industries, has set the investments plans in Bihar off the track, Kolkata based Ruia group is open to the idea of running the closed sugar mills in Bihar. Ruia is expanding its presence in sugar with a Rs 800-crore integrated complex at Shariyatpur in Motihari district.

Empee to seek shareholders' nod for cogen foray- Empee Sugars and Chemicals Ltd plans to set up a cogeneration unit at the sugar mill coming up in Tamil Nadu. The company will invest Rs 515 crore on the integrated sugar mill with a crushing capacity of 5,000 tonnes crushed a day, a 50 MW cogeneration plant and a 100 kilolitres per day distillery.

Renuka Sugars price, open position jump- Shree Renuka Sugars June futures hogged the limelight at the Nifty closing at Rs 112.90, a gain of 7.12 per cent over the previous day's close and against the spot close Rs 112.65. It added about 9.75 lakh shares in open interest indicating short-term bullishness for the counter. Cost-of-carry also remained positive at 18.5 per cent.

Bajaj Hindustan rises after clarification- India's largest sugar producer, Bajaj Hindustan rose 5.12 per cent to close at Rs 187.85 after the company clarified on a news item which stated that the UP government has filed FIRs against 16 Bajaj group sugar mills for non payment of dues to the farmers. The company said it paid 100 per cent dues after deducting the transportation costs, as was permitted by the Allahabad High Court.

Praj industries- ICICI Direct has retained "buy" tag for Praj Industries on June 20. the futures prospects of the company are promising on the back of the following reasons: (i) high crude prices which would support 10 per cent ethanol blending, a key positive for Praj Industries; (ii) soaring order book (iii) the contribution from high margin overseas business to increase from 50 per cent in FY08 to 60 per cent FY09 and (iv) Technology development to use non-food grain feed stock to produce ethanol as a bio-fuel and thereby expanding business opportunities.

Haldia e Renuka chini shodhonagar chalu- Shree Renuka Sugar factory has started production in its Haldia plant. The total cost involved is Rs 250 crore and has a capacity of 2000 tonnes.

INDIAN SUGAR INDUSTRY

GMR Industries to buy Karnataka sugar company - GMR Industries, the agro arm of the GMR Group has decided to acquire Alagawadi Bireswar Sugars Pvt Ltd, which holds a license to set up and operate a 3,500 TCD sugar mill at Raibagh in Karnataka.

Sugar output down 6% during Oct-May - The country's sugar production has declined by over 6% at 254 lakh tonne till may 31 in this season compared to the pout put in the same period in the previous year mainly due to delay in crushing.

PWC, E&Y lead in race to assist UP govt in sugar corp's stake sale - pricewaterhouse coopers and Ernst & Young emerged as two forerunners among six companies which have come forward in response to the Uttar Pradesh government's call for assistance in the sale of the entire equity shares of the government in UP State Sugar Corp ltd to appropriate strategic purchasers.

UP mills seek time to clear cane dues - Faced with a Supreme Court order for clearing dues to sugarcane growers, sugar mills in Uttar Pradesh are seeking a fresh extension of eight weeks for clearing the dues. Last week UPSMA moved an application with the Supreme Court seeking extension for the period.

Centre mulling decontrol of sugar industry afresh - The centre is mulling over a fresh proposal for decontrol of the sugar industry. A draft note, recommending dismantling of the 10% 'levy' imposed on mills along with the 'release mechanism' governing their balance 90% free sale quota, is currently before the Union Agriculture and Food Minister, Mr. Sharad Pawar's consideration.

Maharashtra's sugar output down - Maharashtra has ended sugarcane crushing for the current year ending September 2008, and has produced 9.05million tonnes sugar.

Govt may relax jute packaging norms for grains, sugar - The Jute industry's apprehension of a dilution of the Jute Packaging Materials Act, 1987 - which makes it mandatory for food grains and sugar to be packed in jute bags -may turn out to be true of the Centre accepts the recommendations that have been made to it in this regard by the standing advisory committee of the Union Ministry of Textiles.

Export subsidy on sugar only till Sept, says Pawar- India will not extend export subsidy on sugar beyond September this year, the Union Agriculture and Food Minister, Mr. Sharad Pawar said. Export subsidy on sugar will be till only September 2008 and not beyond that.

India may import sugar after a four-year gap as output declines - India may resume imports of the sweetener after 4 years as farmer's plant less sugarcane because of declining prices. Purchase of raw sugar may total 4 million metric tonne in the year starting October 2009, S. I. Jalan, director General of ISMA said. Output may fall as low as 17 million tonne in 2009-10, from an estimated 22 million in the previous year.

AP Sugar mills warned against non-payment of SMP to farmers - In a stringent move, the Andhra Pradesh government has warned the sugar mills that it may have to invoke 'revenue recovery rules' against the mills for failing to pay the statutory minimum price to the farmers. The four mills - Ganapathi Sugars, Trident Sugars, Gayatri Sugars & Nizam Deccan Sugars - from telengana region maintain dues to the tune of Rs 32.5 crore for 2007-08 crushing season.

TN sugar sector on brink of major expansion- Five sugar mills in Tamil Nadu have been given the go-ahead by the State Government to set up new integrated sugar mill facilities. Empee Sugars and Chemicals, Dharani Sugars and Chemicals, Shree Ambika Sugars Bannari Amman Sugars and a new entrant into the sugar business, Dhanalakshmi Srinivasan Sugar, have been allocated sugarcane command areas- the area earmarked for the sugar mills to exclusively source sugarcane from farmers in different parts of the state.

Sugar daddies: Politicians are no friends of cane growers- While there has been considerable liberalization in agriculture, sugar tastes as ancient regime. The government, as before, fixes the quantity of sugar that each mill can sell in the open market every month. One of the reasons for this strict control is the fear of what the sugar price fluctuations can do to inflation indicators-sugar has a 3.6% weight in the WPI which is terribly misguided. The sugar industry worth around Rs 3000 crore and supporting more than 7.5% of the rural population, needs to be freer to boost its capacity. Of course, any decontrol of the sugar sector is not easy, given the massive political implications of any reformist decision. But politicians, some of whom are sugar entrepreneurs, are looking at an unsustainable status quo.

Sugar output seen below 265 lakh tonnes- The country's sugar production is likely to end up a shade below 265 lakh tonnes in the current season (October-September). According to official estimates, total output in the season up to May 31 amounted to 254.02 lt, down from the 271.09 lt for the corresponding period of 2006-07. Mills have closed down for the season in virtually all states, barring Tamil Nadu, Maharashtra and Karnataka.

Global buyers queuing up for Indian carbon credits- International buyers of carbon credits are making a beeline to buy carbon emission reduction sourced from India. Indian companies sitting on huge kitties of carbon credits are commanding steep premiums.

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Sugar firms charmed by allied sectors- Indian sugar markets are pumping more money into non-sugar segments-ethanol and power-to push profits higher and side-step the cyclicity of their core business. Sugar firms, which had reported losses in the financial year ended September 2007 due to a slump in the sugar prices, are also shifting focus to take advantage of the demand for ethanol as a result of near record crude prices.

Sugar costlier in city than other metros- Sugar, a primary ingredient in most sweet dishes and beverages is costlier in Kolkata at Rs 16.20 a kg compared to other three metros. The sweetener in the Kolkata physical market was ruling at Rs 16.20 a kg on Monday. Whereas in Delhi, prices stood at Rs 15.55 a kg, in Mumbai at Rs 14.75 a kg and in Chennai at Rs 13.90 a kg.

Small companies can join the carbon credit parties- When one Ahmedabad based small scale company, whose turnover last year was Rs 15 crore, shut its coal and

furnace oil furnaces and switched over to biomass-fired ones, it got luckier than it thought. The company produces alimino silicate used in the, manufacture of toothpaste and glucose. The company will generate at least 50,000 certified emission reductions annually, the value of which is not less than Rs 3.35 crore, or 20 per cent of its last year's turnover.

Sugar exports to touch 4.2 mt- India is expected to export a record 4.2 million tonne (MT) of sugar in the crop year to September exceeding earlier estimates 3.5 MT. with the surge in exports, which have never been more than two million tonnes in a year, India would sell more sugar abroad than Australia. Out of the projected exports of 4.2 MT, 3.6 MT have already been exported.

Cane no more sweet in Maharashtra- Better realization through inter-cropping is luring Maharashtra farmers away from sugarcane. This may result in an estimated 23 per cent reduction in crop output in the sugar year 2008-09. as a result, the total sugar output this year is expected to come down to 7 million tonnes as against 9.1 million tonnes last year., while the total area under sugarcane may come down to 950,000 hectares from 1.2 million hectares last year.

SC to hear sugarcane transport issue- The Supreme Court will on Friday, hear a petition challenging the Allahabad's high court's decision that allowed Bajaj Hindustan to deduct transportation cost of Rs 10.58 per quintal per km from sugarcane prices payable to sugarcane growers. The decision allegedly would lead to nil amount to be paid to sugarcane growers and would also result in recovery after adjusting state advisory price. The matter is likely to come up for hearing on Friday before a bench headed by Justice Altamas Kabir.

Soya, sugarcane lag as sowing enters 2nd month- Sowing of sugarcane has been around 4.10 million hectare, down from 4.75 million hectare a year earlier. Experts said that sugarcane acreage might drop this year because of low price to farmers from millers due to fall in sugar prices.

'Bitter' rates, inflation spoil sugar makers policy- Indian sugar firms are weighed down by an interest rate spike and double-digit inflation that promises to pressure

margins and raise projects costs. Most sugar firms such as Shree Renuka Sugars, Bajaj Hindustan and Bannari Amman are expanding and diversifying into non-sugar segments to side step the cyclical nature of their core business.

Sugar falls on rising export concerns- Sugar fell the most in three weeks on renewed speculation that exports will increase from Brazil and India, the world's two largest producers of the sweetener. Brazil's exports will jump 9.4 per cent to 21.6 million tonnes in the current marketing year. India, a net importer as recently as 2006, may export 4 million tonnes of sugar in the year ending September30, according to the Indian Sugar Mills Association.

ETHANOL

Nitish seeks relook at Sugar Control order amendment on ethanol - Investment in the sugar sector in Bihar has taken a hit to the amendment in the sugar control order (1966) of the Centre which has imposed a rise on ethanol production directly from sugarcane juice.

Bihar's ethanol plans come a cropper- The latest decision by the Centre allowing only existing sugar mills to produce ethanol directly from sugarcane juice has adversely affected the Bihar government's efforts to revive the industrial sector and turn Bihar into an ethanol hub.

Ethanol plant inauguration- The Andhra Pradesh Chief Minister inaugurated a grain-based ethanol unit at Gandepelli village Krishna district on Monday. Promoted by the Rs 450-crore Sentini Group based out of Hyderabad, a plant could produce 45,000 kl of ethanol and industrial alcohol from corn.
