

# HIGHLIGHTS FOR MARCH 2007

## BIRLA SUGAR

### SNAPSHOTS

This month, the much neglected Indian Sugar sector was the focus of attention for the government & the Food ministry. The demand-supply gap continued to persist but a host of sops was offered to the sector as an attempt by the ministry to bail it out of the crisis ridden situation. The ministry's move to create a buffer stock & offer export incentives has been an effective political initiative to tide over the glut in this sector. It is anticipated that 5% mandatory blending of ethanol will further provide a boost to this sector.

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

***Sugar barons set to raise wholesale prices-*** At a time when inflation is killing the consumer, some of India's largest sugar barons have decided to raise wholesale prices by informally agreeing to only sell above a certain price. The equity market seems to have given its thumbs up to this move. The shares of all the large players have risen between 5%-20% in the last one week. Top gainers include **Triveni, Dhampur, Bajaj Hindusthan, Uttam Sugar, Oudh Sugar & Balrampur Chini.**

***Dwarikesh sugar declares 60%-*** Dwarikesh Sugar Industries declared 60% dividend for the year ended September 30, 2006. The company also declared a dividend of 12% on redeemable non-cumulative preference shares.

***Sugar, fertilizer sectors 'disappointed'-*** The Budget fails to provide much needed relief to the sugar and fertilizer industry. The budget fails to support the sugar industry, which is in a bad shape. Any help to the industry would have benefited lakhs of farmers.

***Sugar firms seek permits for 6 lakh tonne exports-*** The domestic sugar industry has sought permits for exporting nearly 6 lakh tonne sugar since the ban withdrawal. More than half of that-about 3.31 lakh tonne- is under the open general license scheme, while the rest is under advance license.

***Sugar production rises 20% to 17 million tonne-*** The country's sugar production climbed 20% to 16.6 million tonne in the five months ended February 28 as mills crushed more cane from a record crop, according to the National Federation of Cooperative Sugar Factories. Sugar output may reach a record 24 million tonne in the year to September, leaving a surplus of at least 3 million tonne for exports.

***Bumper cane harvest to prolong crushing till May-*** A bumper cane crop-much more than what either the Government or the industry had bargained for- has meant that mills this year will end up crushing well onto the peak summer period. Last year, mills in Uttar Pradesh had stopped operations by the middle of April. This time, they will continue to run till mid-May.

***Sugar exports put at 15 lakh t-*** With production estimated to be around 230-240 lakh tonne in the 2006-07 season, sugar industry may soon be facing a glut of the sweetener in the market, despite the government saying it expects sugar exports to be around 15 lakh tonne.

***Sugar production may rise to new high in 2007-08-*** India's sugar output may rise to a record next year as farmers in the world's second largest producer boost planting, increasing prospects for a bigger global surplus. Output may climb to 27 million metric tonne during the season that ends on September 30, 2008.

***It's not sugary sweet-*** Sugar shares extended weakness on fears the companies are likely to report losses for the January- March quarter, as against profits in the same period last year, due to sharp fall in prices.

***Credit-starved UP sugar mills piling up payment arrears-*** With barely three weeks to go for the first phase of a month long electoral battle to the Uttar Pradesh Assembly,

payment of arrears to sugarcane growers is expected to emerge as a key campaign issue. The mills in the State have accumulated payment dues of Rs 395 crore for the current crushing season- a figure that is bound to mount due to drying up of cash credit limits from banks.

***Hooda announces welfare measures for ailing sugar mills-*** Haryana Chief Minister Bhupinder Singh Hooda announced welfare measures to improve the financial condition of ailing sugar mills. Government loans worth Rs 365 crore, pending towards sugar mills, would be converted into share capital besides waiving off the interest amount of Rs 153 crore.

***Centre may double sugar buffer stock size-*** To deplete the mammoth stocks with the sugar industry, the Centre is mulling a proposal to double the current buffer stock. The issue is listed for Cabinet attention along with two others involving the sugar industry including ocean freight and domestic transport subsidy to the industry for exports. The third proposal involves per tonne incentive bonus directly to farmers who fall within cane regions of mills that have a consistently high recovery rate. In turn, the buffer stock move is expected to allow sugar mills to borrow more from banks and clear this year's mammoth cane arrears to farmers.

***Pawar declares Rs 850-cr sugar package sans EC nod-*** Agriculture minister Sharad Pawar announced Rs 850 cr sugar relief package, which holds the potential of appeasing the powerful sugar lobby in poll-bound Uttar Pradesh, without waiting for a clearance from the election commission. Pawar's announcement can invite the ire of the Election Commission as the package is going to benefit millions of sugarcane farmers in Uttar Pradesh, which is going to the polls next month.

***At last, a booster dose for the sugar industry-***With growing arrears in payments to sugarcane growers causing concern, the Cabinet Committee on Economic Affairs gave its nod to a host of measures to salvage the glut-hit sector. The decision included setting up a buffer stock of 2 million tonnes and opening up exports of sugar and differential export subsidies to coastal & non-coastal mills. Immediate impact of this package could be a change in the attitude of lending institutions towards the sugar industry. The decision to

make money available for creating buffer stock and to meet other costs is likely to improve the creditworthiness of the industry.

***Inconsistent policies, data affecting sugar sector-*** There is something seriously wrong with our sugar sector policies and data. While policies- cane pricing, free sale quota and export restriction- have left no stakeholder happy, changes in output data have led to confusion. Cane output and sugar production estimates have been revised from time to time and there is no guarantee that the numbers reflect the reality. The latest number to hit the news circuit is 260 lakh tonnes.

***Sugar exports may double this year on subsidy-*** Sugar exports may jump to as much as 2 million metric tonne this year, twice the initial forecast, because of the incentives proposed by the government to boost shipments amid a record production. The government will pay exporters up to Rs 1400 a tonne to help meet the transportation costs to the ports.

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**The sugar industry has expressed dissatisfaction with the government's export incentives,** saying a Rs 100 per tonne extra subsidy for mills in northern region as compared to those for coastal areas was not enough as the freight difference between non-coastal and coastal states is RS 500-600 per tonne while the government is giving only RS 100 extra subsidy .The government should either have provided for the actual difference or kept a single rate for all sugar factories in the country.

***Supply rise makes sugar bitter-*** White sugar declined in London as speculation of increased supply from the world's biggest producers. Global output is forecast to increase 4.9% this year to 160.2 million tonnes, led by Brazil, Thailand and India. The gain will result in a projected 7.2 million tonne surplus.

***ISO economist sees sugar surplus-*** International Sugar Organization senior economist said that he expected the world sugar surplus in 2006/07 to be about eight million tonne.

***Brazil plans to triple ethanol exports in 7 years-*** Brazil plans to almost triple ethanol exports in the next seven years and will need investments of about \$13.4 billion to boost output. It plans to more than double output of ethanol to 35 billion litre.

***Ethanol blending is only answer to sugar oversupply-*** India no doubt could have contended with the crisis spelt by a huge oversupply of sugar in the current season had its cane crushing mills been equipped to make ethanol directly from the crop. Sugar factories in Brazil have the flexibility to derive ethanol, a substitute of fossil fuel, from cane itself instead from sugar by product- alcohol. Because of the sensitivity of the commodity and periodic fluctuation in production and also in the absence of expert views on the subject, it will be a knee-jerk reaction for India to emulate the Brazilian experience of deriving ethanol directly from sugarcane. KPMG is doing a holistic study of the country's sugar industry. Once this report is available, the industry will be in a better position to decide whether some factories located in high cane growing centers should be adopting the Brazilian route. The underlying logic will be to strike a balance between demand & supply of sugar.

## COMPETITORS IN NEWS

***Sugar barons set to raise wholesale prices-*** At a time when inflation is killing the consumer, some of India's largest sugar barons have decided to raise wholesale prices by informally agreeing to only sell above a certain price. The equity market seems to have given its thumbs up to this move. The shares of all the large players have risen between 5%-20% in the last one week. Top gainers include **Triveni, Dhampur, Bajaj Hindusthan, Uttam Sugar, Oudh Sugar & Balrampur Chini.**

***Shree Renuka Sugar-*** All sugar stocks, including Shree Renuka Sugar, were up after sugar prices rose globally recently. Global sugar supplies may remain tight in the first half of 2007 after expected fall in output in Mexico due to unusual wet weather.

***Dhampure Specialty raises Rs 3.6 cr*** - Dhampure Specialty Sugars has raised around Rs 3.60 crore through allotment of 9 lakh shares on preferential basis to proposed allottees.

***Dwarikesh sugar declares 60%***- Dwarikesh Sugar Industries declared 60% dividend for the year ended September 30, 2006. The company also declared a dividend of 12% on redeemable non-cumulative preference shares.

***Sugar mill's plea dismissed-***The Supreme Court has dismissed the appeal of Balrampur Chini Mills Ltd against the order of the Allahabad High Court in its dispute with Bajaj Hindusthan Sugar & Industries Ltd.

***Sugar, FMCG stocks rise on day of gains-***Sugar stocks were in the limelight once again this week, with Sakhthi Sugar, Rana Sugars, Shree Renuka Sugars and Bajaj Hindusthan recording a jump in prices.

## INDIAN SUGAR INDUSTRY NEWS

***Sugar, fertilizer sectors 'disappointed'***- The Budget fails to provide much needed relief to the sugar and fertilizer industry. The budget fails to support the sugar industry, which is in a bad shape. Any help to the industry would have benefited lakhs of farmers.

***No sweeteners for crisis-ridden sugar sector-*** The crisis-ridden Indian sugar industry has expressed strong disappointment as the finance minister has failed to address various issues raised by it. The industry which had strongly argued for reduction in excise duty on

molasses. It had also sought export subsidy and removal of sugar from Essential Commodities Act to keep the co-operative sugar sector owned by farmers outside the purview of income tax. It had made a strong pitch for the creation of a BIFR like platform for the rehabilitation of cooperative sugar sector, creation of buffer stock and correcting the misnomer of wholesale price index of sugar. The FM has simply not considered any demands made by the industry. However industry players like Balarampur Chini hopes that the ministry would surely do something about the sector in the near future.

***Sugar firms seek permits for 6 lakh tonne exports-*** The domestic sugar industry has sought permits for exporting nearly 6 lakh tonne sugar since the ban withdrawal. More than half of that-about 3.31 lakh tonne- is under the open general license scheme, while the rest is under advance license.

***Sugar stocks stage comeback amid bearish condition-*** Taking a cue from futures prices on New York Board of Trade, sugar company stocks on the BSE, which were hovering near their 52 week low, staged comeback even as the market remained bearish through the week. Sugar on May delivery on NYBOT rose 0.41% cent, or 3.9%, to 10.97 cents a pound, the biggest rise since December 18. The global development opens up an opportunity for Indian sugar companies.

***Maharashtra sugar co-ops plan pressure group to seek relief -*** The cooperative sugar units from Maharashtra have taken a lead after being disheartened by the finance minister's failure to provide the much needed bail out for the ailing sugar industry and will soon launch a massive exercise to take up their pressing issues.

***Ex - factory sugar prices see sweeter look -*** The sugar commissioner's order of February 27, asking mills on Maharashtra not to sell below levy rates, has helped arrest the slide in ex-factory prices.

***Sugar cos taste sweet success-***Investors in the Rs 20,000 crore sugar sector may soon get a bigger bang for their buck. The government tends to get rid of the levy quota system

from April 1, 2007, allowing mills to sell their entire produce in the open market. The Centre will spend more than Rs 1,000 crore to subsidize sugar for India's poorest families through ration shops. This may be partly paid for by an increase in excise duty. The government may also do away with the minimum support price for cane to allow farmers to get a much better deal. Within a couple of seasons, growers may also be allowed to do contract farming instead of being tied to the fortunes of just one mill through cane area reservation. The proposal to decontrol the sugar industry is now being circulated among various ministries for comments. It is expected to be placed before an empowered group of ministers shortly.

***Sugar production rises 20% to 17 million tonne-*** The country's sugar production climbed 20% to 16.6 million tonne in the five months ended February 28 as mills crushed more cane from a record crop, according to the National Federation of Cooperative Sugar Factories. Sugar output may reach a record 24 million tonne in the year to September, leaving a surplus of at least 3 million tonne for exports.

***Maha sugar prices firm up on lower FSQ-*** Despite the higher national free sale quota [FSQ] sugar release by the Centre for the current month, Maharashtra has been allocated lower FSQ of 3.90 lakh tonne, down from 3.92 lakh tonne allocated for the last month.

***Sugar output estimate to be revised upwards-***If current crushing and production trends are any indication, the country's sugar output during the 2006-07 season is likely to be much more than the Center's initial projection of 227 lakh tonnes.

***Bumper cane harvest to prolong crushing till May-*** A bumper cane crop-much more than what either the Government or the industry had bargained for- has meant that mills this year will end up crushing well onto the peak summer period. Last year, mills in Uttar Pradesh had stopped operations by the middle of April. This time, they will continue to run till mid-May.

**No plan to withdraw levy on sugar-** The government has no plans to withdraw the levy obligation in the sugar industry. This was in response to newspaper reports about government's plans to relieve the sugar industry from its levy obligation.

**Finmin backs sugar decontrol with rider-** While the food ministry has developed cold feet over its proposal to fully decontrol the multi-crore sugar sector, the finance ministry appears to be backing it. The only suggestion that has met resistance with the department of revenue is a flexible tariff mechanism suggested for import and export of sugar.

**Bangalore to host all-India seminar on sugarcane-** A two day all India seminar on mechanized cultivation of sugarcane and safety-quality management in sugar industry will be held in Bangalore from March 10. The seminar will bring together farmers, agricultural scientists, engineers, R&D institutions and technical personnel.

**Sugar exports put at 15 lakh t-** With production estimated to be around 230-240 lakh tonne in the 2006-07 season, sugar industry may soon be facing a glut of the sweetener in the market, despite the government saying it expects sugar exports to be around 15 lakh tonne.

**Rs 750 crore bailout ready for sugar cos-** The Centre is set to announce a Rs 750 crore bail out package for the crisis-ridden sugar industry before the end of this month. The package is expected to create a buffer stock of 1.15 million tonne of sugar and another Rs 400 crore as export subsidy when there are few takers overseas. The package is expected to be similar to the one provided in 2002-03.

**Govt permits 8 lakh tn of sugar export since Jan3-** The Centre has issued export permits for 8 lakh tonne sugar since January 3 till the week ended March 9. Of the total 800,000 tn sugar export approved, only 100,000 tonne has been exported so far.

**Sugar output to reach record 25 million tonne-** India's sugar production may reach a record 25 million tonne this year, exceeding an earlier estimate, as farmers harvest more cane, according to the Indian Sugar Mills Association.

***Sugar production may rise to new high in 2007-08-*** India's sugar output may rise to a record next year as farmers in the world's second largest producer boost planting, increasing prospects for a bigger global surplus. Output may climb to 27 million metric tonne during the season that ends on September 30, 2008.

***Bihar funds for sugarcane-*** Amid the continuing opposition boycott of the Bihar assembly over their censure, the house has passed by voice vote the budgetary demand of sugarcane department totaling over Rs 25 crore.

***It's not sugary sweet-*** Sugar shares extended weakness on fears the companies are likely to report losses for the January- March quarter, as against profits in the same period last year, due to sharp fall in prices.

***Govt not to create buffer sugar stock...-*** The government ruled out that it was considering a proposal to create a buffer stock of sugar worth Rs 250 crore to bail out the industry.

***Credit-starved UP sugar mills piling up payment arrears-*** With barely three weeks to go for the first phase of a month long electoral battle to the Uttar Pradesh Assembly, payment of arrears to sugarcane growers is expected to emerge as a key campaign issue. The mills in the State have accumulated payment dues of Rs 395 crore for the current crushing season- a figure that is bound to mount due to drying up of cash credit limits from banks.

***AP Govt fiat to sugar mills-*** The Andhra Pradesh Government has asked sugar mills to crush the entire agreed amount of cane at the earliest and advised them to take up the crushing of excess cane also.

***1.5 m tonnes sugar export likely-*** India may export 1.5 million tonnes [mt] sugar in the year through September, Czarnikow Sugar Ltd has said in a report. India has sold 2, 50,000 tonnes abroad since it lifted an export ban in January.

***Sugar exports likely to be around 8 lakh tonne-*** With only six months left for the sugar season to end, the country would be able to export only 8 lakh tonne of the sweetener in 2006-07 mainly due to low global prices and capacity at ports.

***Sugar output estimate raised-*** The Centre has officially raised its estimate of sugar production for the ongoing 2006-07 season to 238.34 lakh tonnes from the earlier level of 227.34 lt. The upward revision is on account of the Maharashtra Government estimating output in the State at 81 lt, which is a sharp jump from the previous 70 lt.

***Sugar surplus at 3-4 mt, sector eyes govt purchase-*** New additions to the crushing capacity in India are likely to lead to sugar surplus of over three to four million tonne this year. Expectations of such surplus have created downward pressure on sugar prices in the country. The government and stakeholders are a worried lot now. They are likely to discuss the issue in the ministry. Crushers have demanded sops on exports, transport subsidies in carrying the sugar from the factory to the port.

***Hooda announces welfare measures for ailing sugar mills-*** Haryana Chief Minister Bhupinder Singh Hooda announced welfare measures to improve the financial condition of ailing sugar mills. Government loans worth Rs 365 crore, pending towards sugar mills, would be converted into share capital besides waiving off the interest amount of Rs 153 crore.

***Centre may double sugar buffer stock size-*** To deplete the mammoth stocks with the sugar industry, the Centre is mulling a proposal to double the current buffer stock. The issue is listed for Cabinet attention along with two others involving the sugar industry including ocean freight and domestic transport subsidy to the industry for exports. The third proposal involves per tonne incentive bonus directly to farmers who fall within cane regions of mills that have a consistently high recovery rate. Inturn, the buffer stock move is expected to allow sugar mills to borrow more from banks and clear this year's mammoth cane arrears to farmers.

***M'ashtra state co-op bank to sell off 25 sick sugar mills-*** For the first time in the history of the cooperative banking sector in the state, the Maharashtra State Cooperative

Bank Limited has decided to sell off 25 sick sugar co-operative mills to recover dues worth a staggering Rs 1,100.

***Sugar production to cross 30%***- Sugar production in India is likely to jump nearly 30% to cross 250 lakh tonne in 2006-07 against 193 lakh tonne in 2005-06.

***Industry striving to export 20 lakh tonne of sugar***- The sugar industry is targeting to export 20 lakh tonne of the sweetener in 2006-07 season ending September this year.

***Cartels may fuel sugar prices***- Sugar prices may go up by Rs 100 a quintal in a month in the wake of a likely supply constraint. Market sources believe that sugar mill cartels in Maharashtra, Uttar Pradesh and Karnataka are at work to squeeze the supplies.

***Bumper crop to hit sugar mills***- The sugar industry's fortunes are set to worsen with another anticipated bumper crop adding to the glut in the market. Analysts say sugar prices could fall 5-10%, which, in turn, could see sugar mill valuations crash further.

***Indian sugar output to cross 25 million tonnes this year***- India is set to produce more than 25 million tonnes of sugar in the current season ending in September, up 30% from the previous year and higher than earlier estimates. Brazil had reaped a poor harvest of 19.3 million tonnes in the previous season, after floods and bad weather in some growing regions hit the sugarcane crop.

***Centre clears 20-lakh tonne sugar buffer, export sops***- Ahead of crucial elections to the Uttar Pradesh Assembly, the Centre has approved the creation of a 20-lakh tonne sugar buffer, besides providing export incentives of Rs 1350 to Rs 1450 per tonne to mills.

***Pawar declares Rs 850-cr sugar package sans EC nod***- Agriculture minister Sharad Pawar announced Rs 850 cr sugar relief package, which holds the potential of appeasing the powerful sugar lobby in poll-bound Uttar Pradesh, without waiting for a clearance from the election commission. Pawar's announcement can invite the ire of the Election

Commission as the package is going to benefit millions of sugarcane farmers in Uttar Pradesh, which is going to the polls next month.

***Sops for sugar mills in Maharashtra-*** The Maharashtra government has announced fiscal incentives for the state sugar mills to ensure that they continue crushing till all the sugarcane available is consumed. The mills that will continue crushing operations beyond April 16 will get Rs 100 a tonne for every one percent drop in average recovery rate. The mills will further get transport subsidy for crushing additional cane outside their area of operation. For mills bringing cane from a distance between 0-50 km from their location, there will be no subsidy.

***At last, a booster dose for the sugar industry-***With growing arrears in payments to sugarcane growers causing concern, the Cabinet Committee on Economic Affairs gave its nod to a host of measures to salvage the glut-hit sector. The decision included setting up a buffer stock of 2 million tonnes and opening up exports of sugar and differential export subsidies to coastal & non-coastal mills. Immediate impact of this package could be a change in the attitude of lending institutions towards the sugar industry. The decision to make money available for creating buffer stock and to meet other costs is likely to improve the creditworthiness of the industry.

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**Maharashtra waives purchase tax on sugarcane-** The Maharashtra Government has waived purchase tax on sugarcane for 2006-07. The waiver will be at a cost of Rs 100 crore to the State Exchequer.

**Spot sugar prices improve on lower FSQ-**Sugar spot prices have moved up by Rs 10-15 per quintal mainly on fresh seasonal buying from retailers and bulk consumer supported by average lower inflows from mills in response to lower than expected free sale quota of 12 lakh tonne released by the centre for the next month.

**Akola sugar factory seized-** A cooperative sugar factory has been sealed and seized by Maharashtra State Cooperative Bank for non-payment of loan amounting to Rs 106 crore.

## INTERNATIONAL SUGAR INDUSTRY

**Sugar firm on trade buying-** London sugar futures firmed on trade and speculative buying, buoyed by a revival in stock and oil markets, and traders talked of arbitrage with the ICE raws market.

**Sugar up on fund buying-** LIFFE white sugar trades slightly higher on light fund and trade buying. The market is waiting for "any kind of news" to inspire moves out of its recent range.

**Brazil sugarcane crop seen up-** Brazil's 2007-08 [May- April] center-south sugarcane crop is expected to rise by 10.8% to 410 million tonnes, from 370 million tonnes in 2006-07.

***Sugar falls on arbitrage trading-*** Refined sugar fell in London as some traders sold their future contracts to take advantage of the increasing price difference between white sugar futures in London and raw in New York.

***Supply rise makes sugar bitter-*** White sugar declined in London as speculation of increased supply from the world's biggest producers. Global output is forecast to increase 4.9% this year to 160.2 million tonnes, led by Brazil, Thailand and India. The gain will result in a projected 7.2 million tonne surplus.

***ISO economist sees sugar surplus-*** International Sugar Organization senior economist said that he expected the world sugar surplus in 2006/07 to be about eight million tonne.

***Sugar firm on speculative buying-*** London white sugar futures firmed on light speculative buying underpinned by political tension over Iran.

***'White sugar premium won't drop'***- The premium of white sugar over raw is unlikely to drop from current levels as the European Union cuts its exports of the sweetener, reducing supply of high-quality refined sugar on the market. The EU is cutting exports to a maximum of 1.4 million tonnes this year, from five million to six million tonnes.

## ETHANOL

***Brazil- Japan ethanol investment can hit \$8bn-*** A project between Brazil and Japan to help supply Brazilian ethanol made from sugarcane to the Japanese market could cost \$8 bn.

***Brazil plans to triple ethanol exports in 7 years-*** Brazil plans to almost triple ethanol exports in the next seven years and will need investments of about \$13.4 billion to boost output. It plans to more than double output of ethanol to 35 billion litre.

***Icrisat mulls pacts to form 'sweet sorghum' for ethanol consortia-*** ICRISAT [ International Crops Research Institute for the Semi-Arid Tropics] , in association with the Hyderabad based Rusni Distilleries, is contemplating agreements with private companies in Africa to form 'sweet sorghum for ethanol' consortia in the continent.

***Oil ministry pushes for ethanol, biofuel imports-*** In a bid to arm twist the suppliers of ethanol, the petroleum ministry is pushing for allowing import of ethanol for blending with petrol, reversing an earlier policy stand of relying on local production.

***Sugar traders eye new ethanol export markets-*** Though the world is sitting on a huge mountain of sugar, traders are hopeful it would dwindle fast as Brazil ramps up ethanol production to meet demand from new markets like Japan, Sweden & China. Brazil is expected to cut new trade deals with Japan and China that could open up demand for close to another 10 billion liters ethanol. That may be good news for Indian mills, which have shipped out 7.5 lakh tonne sugar in two months, and are eager for more business.

***Ethanol blending is only answer to sugar oversupply-*** India no doubt could have contended with the crisis spelt by a huge oversupply of sugar in the current season had its cane crushing mills been equipped to make ethanol directly from the crop. Sugar factories in Brazil have the flexibility to derive ethanol, a substitute of fossil fuel, from cane itself instead from sugar by product- alcohol. Because of the sensitivity of the commodity and periodic fluctuation in production and also in the absence of expert views on the subject, it will be a knee-jerk reaction for India to emulate the Brazilian experience of deriving ethanol directly from sugarcane. KPMG is doing a holistic study of the country's sugar industry. Once this report is available, the industry will be in a better position to decide whether some factories located in high cane growing centers should be adopting the Brazilian route. The underlying logic will be to strike a balance between demand & supply of sugar.