

## HIGHLIGHTS FOR NOVEMBER, 2007

### BIRLA SUGAR

#### DIRECT NEWS - OSML & UGSIL

##### Upper Ganges Sugar Q1 results:

Coverage appeared in:

- Business Standard
- The Economic Times
- Dainik Jagran

*[The press releases on Financial Results, of Upper Ganges Sugar Industries Ltd. (UGSIL) and Oudh Sugar Mills Lid. (OSML) were issued in the month of October.]*

#### SNAP SHOTS

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

*The sugar industry is much affected by the excess production of sugarcane. The condition reflected in the financial results of the sugar companies.*

*The Allahabad High Court's decision to allow sugar mills in the State to clear their sugarcane arrears in a phased manner may provide temporary relief for these companies from ongoing cash.*

**Shree Renuka Sugars** - Shree Renuka Sugars declared that the qualified institutional placement Allotment Committee has allotted 21, 86, 667 equity shares of Rs 10 each at a price of Rs. 750 per share, aggregating to Rs. 164 crore, to Qualified Institutional buyers, as per the SEBI (Disclosure and Investors Protection) Guidelines.

***UP sugar mills get respite on cane arrears*** - Allahabad High Court granted major reprieve to sugar mills in UP by permitting them to discharge 25 percent of their cane arrears within a period of 5-6 weeks. On October 29<sup>th</sup>, a separate Lucknow bench under Mr. Justice A.N. Verma gave a five week period to K.K. Birla Group, Balrampur Chini, Dalmia Cement Bharat and Seksaria Biswan Sugar Factory for discharging 25 percent of their arrears. Triveni Engineering, DCM Shriram Industries (Daulara unit), Shamhaoli Sugars and Tikaula Sugar Mills would have to clear 25 percent cane arrears within six weeks. The mills which had filed individual petitions seeking stay against implementations of recovery certificates can now breathe easy.

***Tippling point*** - The Bombay High Court recently ruled that the baksheesh of Rs, 23 lakh paid by a Maharashtra sugar factory to sugarcane workers as a valid business expense to 'incentivise' the sugarcane workers in the harvesting season.

***HC decision: Not much relief for sugar*** - The Allahabad High Court's decision to allow sugar mills in the State to clear their sugarcane arrears in a phased manner may provide temporary relief for these companies from ongoing cash.

***Plea to raise MSP for cane farmers*** - The Bhartiya Kisan Union (BKU) demanded increasing minimum support price (MSP) for the sugarcane farmers in UP. The MSP which has been fixed at Rs 130 per quintal must be raised as the cost of cultivating the crop had gone up.

## OTHER PLAYERS

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**Four Bajaj sugar mills to start soon** - Sugar major Bajaj Hindustan's four sugar mills with a combined crushing capacity 41,000 tonnes a day will get operational well in time for the new sugar season.

**Triveni Engineering: Stagnant sugar sales** - Sugar & turbine player Triveni Engineering's operating profit margin fell from 13.1% in September 2006 to 1.6% this year.

**Balarampur Chini: Sugar glut** - Balarampur Chini reported a disappointing performance in the September 2007 quarter, given the weakness in sugar prices in a Y-O-Y basis. As a result its standalone operating loss was RS 1.51 crore in the last quarter ,given the weakness in sugar prices in a Y-O-Y, while its net sales declines 24.7 % Y-O-Y to Rs 291.5 crore.

**Simbhaoli to export 35,000 tn sugar** - Simbhaoli Sugars is aiming to increase its export by 75% in the current season on estimated higher production. The UP based company is exporting 45 ICUMSA sugar to Europe which has a great demand for high quality sweetener. An ICUMSA (International Commission for Uniform Method of Sugar Analysis) rating is an international unit for expressing the purity of sugar- less the ICUNSA, better the quality.

## INDIAN SUGAR INDUSTRY

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**UP Govt fixes cane prices at Rs 125 - 130** - The State Government under Ms. Mayawati, fixed a price of Rs. 125 per quintal for normal cane and Rs. 130 per quintal for early maturity varieties during the 2007 -2008 crushing season (October - September). The sugar prices are now ruling way below last year.

**UP Govt sticks to old cane price** - The state administered prices (SAP) for the current season has been kept unchanged though opposition parties decried the prices, demanding a price hike this year. The announcement was made by sugarcane development minister Naseemuddin Siddiqui in the State Assembly on 31<sup>st</sup> October. All mills should clear their debts by November 15. On failing to do so, the mill owners would be penalized and sent to jail.

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**Plea to raise MSP for cane farmers** - The Bhartiya Kisan Union (BKU) demanded increasing minimum support price (MSP) for the sugarcane farmers in UP. The MSP which has been fixed at Rs 130 per quintal must be raised as the cost of cultivating the crop had gone up.

**High cane price: Mills may further delay crushing** - The Announcement of State advices price (SAP) of sugarcane by the UP government failed to resolve the crisis over procurement and crushing by sugar mills. Straddled with huge arrears, the mills were hoping for a lower Sap, which the government kept last year's level of Rs 125-130 per quintal.

**Orissa set to announce new sugar policy** - The Orissa government is set to announce a policy to encourage sugar mills and cane farming in the state. Mr. Arabinda Padhi,

the state agriculture director declared so. The Federation of Sugar Industries, in a memorandum to the state government, had demanded that the government come out with a policy to promote sugar mills and cane farming. Pointing out that 12.5% VAT on cane, the highest in country, was killing sugar mills in the state, the federation demanded that the VAT rates be immediately rationalized.

**Carbon credit sale:** Earning potential pegged at \$ 4.2 b - About \$4.2 billion could accrue to the country by 2012 through sale of carbon credits if all the Indian projects that have received the host country approval from the Government were to be approved by the UN as clean development mechanism (CDM) projects, the government said here.

**Govt Plans model code for contract farming to safeguard small farmers** - The government wants to frame a model code of conduct for contract farming produces such as vegetables, fruits, flowers, medicinal plants, pulses, oilseeds, sugarcane, cereals and cotton.

**Farmers begin selling sugarcane below State advised prices** - As the Sugar prices declined to Rs. 1000 UP farmers started selling to the mills at less than the current State-recommended price of Rs. 1,250 - Rs. 1,300 per tonne. Some farmers were selling cane to gur manufacturers since they get cash immediately.

**UP sugar mills to begin crushing on Nov 11** - Ending week of uncertainty, the UP government had said 141 sugar mills in the state would start crushing sugarcane on phased manner from November 11. Sugar mills in the state had asked for relief on the state advised cane prices (SAP) on account of huge arrears in payments to sugarcane farmers.

**Carbon credits: Europe finds India cos tough sellers** - Major European buyers are unable to find Indian firms willing to sell carbon credits despite India being a global leader in clean development mechanism (CDM) projects.

***Sugar cos in UP idle due to low prices*** - Sugar mills in India's second largest producing state have been idle since early October, when the new crushing season should have begun, as prices are now lower than those they have to pay farmers for cane. The government for the Northern state which accounts for around 40% of India Sugar putout, said mills must continue to pay farmers at least Rs 1,300 per tonne for cane, while firms had been looking for a reduction.

***Maharashtra Sugar mills plan bio-CNG from cane biomass*** - German firm to extend finance, technological know-how. Three co-operative sugar factories from Maharashtra have decided to produce Bio-CNG from sugarcane biomass. The bio-CNG would be produced at Rs. 22-24 per KG and can be used as a transportation fuel like the regular CNG. The German Development Company has earmarked \$ 15 million for lending to the factories as debt for converting press mud and spent wash into bio-CNG. Dr Virendra K. Vijay of IIT Delhi has undertaken research on biogas.

***India stares at sugar glut, produces 30 MT against demand of 20 MT*** - The country is facing sugar glut following a record harvest of more than 30 million tonnes in the 2006-07 crop year to September 30, while annual domestic demand stands at only 20 million tonnes.

***Bihar puts 7 sick sugar mills on the block*** - Acting swiftly on a recommendation made by SBI Capital Markets that seven out of 15 sick sugar mills falling under the purview of the state-run Bihar Sugar Corporation Ltd. be privatized, Nitish Kumar led Bihar govt. has offered them to private sector on long lease.

***Sugar mills worried as prices move south*** - Sugar mills in India, already swamped by huge stocks and seeing margins wiped out, fear worse is to come with local prices likely to fall by Rs 1,000 a tonne.

***Karnataka sugar industry likely to get Rs 1,125 - cr funds*** - State to see an addition of over 15,000 tonne capacity per day of cane crushing over next 24-30 months.

**Indian sugar futures fall on global cues** - The ISO has forecast India's production in 2007-08 to touch 33.15 million tonnes, up from 29 million tonnes a year earlier. The annual domestic consumption is about 19.5 million tonnes.

**How true is the sugar sector's Catch - 22 situations?** - The proceeds of an efficiently managed sugar factory are large enough to meet even the comprehensive cost of production. There should be no difficulty for factories in paying at least the statutory minimum price fixed by the Union Government.

**AP sugar factories call for subsidy to farmers** - Pushed to the corner by low sugar prices, high cost of cane and increasing demands for enhanced returns to farmers, sugar factories have asked the Andhra Pradesh Government to give Rs 250 a tonne to farmers as subsidy.

**Sugar Crisis in UP** - The sugarcane crisis in Uttar Pradesh is taking ominous proportions. With private sugar mills, which buy over 80 percent sugarcane cultivated in the state, unwilling to start crushing in hurry, farmers started getting restive.

**Cane dues: Sugar mills not to get interest - free loans** - Finance ministry to provide only 5% interest subvention. Allahabad high Court lets mills pay Rs 110/qtl.

**ED & F Man to buy Indian sugar** - London-based merchant ED & F Man contracted one and a half months ago to buy 50,000 tonne of Indian raw sugar from India's sugar export corporation ISEC.

**AMR Agro diversifying into sugar** - AMR Agro Firms Ltd. (AMRAFL), into bio-fuels and contract farming, is diversifying into sugar through an acquisition from Shri Sangam Cooperative Sugar Factory, Belgaum district of Karnataka. The company intends to build a 5,000 tcd capacity sugar unit with a 30-32 MW co-generation of power and 60-80 KLPD ethanol plant at the same site in the next 1-2 years.

**UP sugar mills to move SC on interim price order** - UP sugar Mills Association planned to appeal to Supreme Court against Allahabad high Court's order.

***Sugar futures up on buying-*** Indian Sugar futures ended up as late buying emerge following demand from north Indian markets, analysts said. “There is a shortage of M-Grade sugar in northern markets as Uttar Pradesh is yet to begin crushing .the demand led to rise in the price late afternoon,” Amol Tilak an analyst with Kotak Commodity Services Ltd said.

***WTO seeks info on India’s sugar export sops*** - Leading global sugar producers have joined hands and approached the WTO, asking the multilateral body to seek details from India on subsidy to exporters at a time when the country is set to double the sweetener exports.

***Punjab sugar traders in strike*** - The wholesale sugar traders of Punjab observed strike to protest the imposition of entry tax on the sweetener in the state from November 5.

***Sugar subsidy within WTO norms: Nath*** - India has said that subsidies in transport of sugar given to exporters of the commodity are compatible with norms laid out by world Trade Organisation (WTO).

***Cane arrears of UP mills to treble next season*** - The private sugar mills of UP are expected to owe about Rs 3,000 crore in arrears to cane farmers at the start of the next season. This follows the Allahabad court order fixing the price at Rs 110 a quintal.

***Sugar mills to start crushing*** - Following the protests from farmers and strict government orders, most of the sugar mills in UP are in the process of starting the new crushing season 2007-08 in late November.

***Maharashtra mills crush less cane, produce less sugar*** - Sugar production in Maharashtra is down by 27%, with mills crushing almost 35% less cane so far during the current 2007-2008 seasons.

**Govt likely to raise sugar loan subsidy-** The Govt is mulling a proposal to raise the interest rate subsidy on loans against subsidy on loans against excise duty paid by sugar mills during the last and current financial years.

**Sugar industry set to get another relief-** The cabinet discussed the 11<sup>th</sup> plan document and is learnt to have cleared it with some changes.

**A fifth of UN carbon credits may be bogus, says WWF-** One in five carbon credits issued by the United Nations are going to support clean energy projects that may in fact have helped to increase greenhouse gas emissions. But credits are being delivered to projects that would have gone ahead anyway, even without the extra incentive provided by the UN approval under the scheme.

## ETHANOL

**3 new units to produce ethanol from sorghum** - Now that a successful model is in place where ethanol is produced from sweet sorghum, entrepreneurs from India and abroad are in the process of replicating the model in Nellore and Visakhapatnam. Rusni Distilleries, the company which incubated the idea at ICRISAT (International Crops Research Institute for Semi-Arid Tropics) and scaled-up later into a unit, itself is planning to double the capacity to 80 kilo liters a day(kld) after March next.

**Brazil's ethanol sales up in October** - Ethanol sales were 1.54 billion litres (406 million gallons), more than 1.45 - billion expected in an October estimate, the organization, known as Unica stated.

**Sops for ethanol makers ruled out** - The Government has no proposal to extend concessions to ethanol manufactures, although there is a growing awareness about the benefits of using bio-fuels.

**House panel for independent assessment of ethanol availability** - The standing committee on Petroleum and Natural Gas has asked the Centre to make its own 'independent' assessment of the indigenous availability of ethanol, while suggesting

that the ethanol blended petrol (EBP) programme be made mandatory for the private oil marketing companies.

***TN permits 5 sugar mills to raise alcohol output to raise alcohol output*** - 5 private sector sugar mills in Tamil Nadu and 3 standalone distilleries have been allowed to expand their alcohol production capacities, according to sources. The sugar mills are: Dharani Sugars and Chemicals Ltd. Sakthi Sugars and EID Parry (India) Ltd. The three standalone distilleries are: Mohan Breweries and Distilleries Ltd., Southern Agrifurane Industries Ltd. and Bhavani Distilleries and Chemicals Ltd.

***Ethanol turns out to be 2007's 'worst' energy investment*** - Ethanol, the centerpiece of US President, Mr. George W. Bush's, plan to wean the US from oil, is 2007's worst energy investment. The corn -based fuel tumbled 57% from last year's record of \$4.33 a gallon and drove crop prices to a 10 year high.

***No excise, ethanol may get 'declared goods' tag***- The government is likely to slash the 16% central excise duty on ethanol and classify it as declared goods in a bid to have a uniform levy on the products across the country .

***Ethanol advances in US spot markets*** - Ethanol advanced in regional spot markets as gasoline and crude oil closed at a record. The grain based fuel is blended with gasoline to augment supplies and meet clean air mandates. As an extender, ethanol demand mirrors that of crude oil and gasoline.

***Ethanol hub*** - Nitish is buoyant about investments proposals in ethanol, cement and farm sectors. So far, 108 proposals worth Rs 38,000 crore, mostly in farm and cement sectors, have been approved. Investors have been taking possession of land. Proposals for converting maize into ethanol, which can turn Bihar into an ethanol hub in eastern part of the country - is going to change the face of Bihar.

***Ethanol-free petrol burning Rs 1l cr for oil cos*** - India's cash-strapped oil marketing companies (OMCs) could save Rs 16 on every litre of petrol if they replace with ethanol. This adds up to 1,000 crore if they replace just 5% petrol with ethanol.

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## INTERNATIONAL NEWS

***Sugar futures up on speculation*** - Sugar, the third worst performing commodity this year, gained in London on speculation a 13 % drop this year no longer reflects supply and demand. Agricultural commodities such as sugar, wheat, corn are still "cheap on inflation-adjusted prices, Deutsche Bank AG said." Sugar export from Brazil fell 8.9% last month. While sugar for December delivery, the most actively traded futures contract on London's LIFFE exchange, gained 40 cents to \$ 282.70 a tonne.

***GM sugar could raise Brazil yield*** - Genetically modified sugarcane could increase Brazilian crop yields by up to 40 %. Brazil is likely to slow down in authorizing any varieties of GMO sugarcane.

***Dubai co buys more Indian Sugar*** - Dubai's Al Khaleej Sugar Co refinery concluded a deal last week to buy 500,000 tonnes of Indian raw sugar for delivery spread over the 2007-08 crop year.

***Global sugar demand may beat output*** -Sugar demand may exceed production next season, the first deficit in three years, as a 'severe financial crisis' in India's sugar industry prompts farmer to turn to other crops, the International Sugar Organization had said.

***Sugar may see more funds in '08***- Sugar, which missed out on a boom in commodities this year, could see increased fund investment in 2008, merchant ED&F said.

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