

## HIGHLIGHTS FOR OCTOBER, 2007

### BIRLA SUGAR

#### DIRECT NEWS - OSML & UGSIL

##### Oudh Sugar Q1 Results:

Coverage appeared in:

- The Economic Times

*[The press releases on Financial Results, of Upper Ganges Sugar Industries Ltd. (UGSIL) and Oudh Sugar Mills Ltd. (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

*Simbhaoli Sugars' registration with the United National Framework Convention on Climate Change (UNFCCC) to sell carbon credits from its power generation unit has been the biggest deal of the month under preview. Another notable movement in the sugar sector has been take over of Shri Dhanalaxmi Sahakari Sakkare Kharkhana Miyamit's sugar factory situated in Belagaum, Karnatak by GMR Industries Ltd (GIDL)'s*

*A glut in sugar production for successive second season forced Maharashtra Govt. to leave sugarcane growers at the mercy of factories and their bankers for the purchase price.*

***Meeting on Sugar price*** - The Centre had called a meeting of ten sugarcane producing states on October 3 to thrash out a consensus on two critical issues of aligning sugarcane prices with sugar prices and blending ethanol with petrol.

***Sugar: No respite despite sops*** - The sugar industry looked at Government to present a bailout package to assuage its woes. Among other things, sugar mills would be entitled to loans equivalent to excise duty paid by them and that the export subsidy would be extended by one year to April 2009 to target an additional export of 3mn tonnes. A record production of 30 mn tonnes sugar is expected in 2007-08 on the back of a record output of 27-28 mn tonnes in the previous year.

***Oil, sugar, maida at subsidized rate*** - The Kolkata State government announced a subsidy of Rs 7 crore on ration items including oil, maida, sugar and suji during the festive season.

***Sugar buffer stock likely to become unviable after 2010*** - The all-year round 'strategic' sugar buffer - the viability of which the Kelkar committee explored as one of the long term measures for sector - may not be viable until after 2010. And India's 'dubious' distinction of replacing Brazil as the world's sugar daddy may have much to do with it.

***Simbhaoli Sugars to sell carbon Credit*** - Simbhaoli Sugars said it has registered with the United National Framework Convention on Climate Change (UNFCCC) to sell carbon credits from its power generation unit bases on biomass. The selected project, which is located at the Company's Uttar Pradesh - based unit in Simbhaoli, involves 22 mw/hr back pressure type turbo generator.

***GMR Industries taking over sugar factory from co-op society*** - GMR Industries Ltd (GIDL) is taking over the sugar factory of Shri Dhanalaxmi Sahakari Sakkare Kharkhana Miyamit, a co-operative society registered under the Karnataka Cooperative Societies Act, 1959, in Belagaum district a build, own, operative and transfer (BOOT) basis.

## OTHER PLAYERS

***Dhampur Sugar appeal dismissed*** - The Supreme Court dismissed the appeal of Dhampur Sugar (Kashipur) Ltd. against the judgment of the Uttaranchal High Court upholding the grant of license to Indian Glycols Ltd. (IGL) for power driven manufacture of “rab” from sugarcane.

***Simbhaoli Sugars to sell carbon Credit*** - Simbhaoli Sugars said it has registered with the United National Framework Convention On Climate Change (UNFCCC) to sell carbon credits from its power generation unit bases on biomass. The selected project, which is located at the Company’s Uttar Pradesh - based unit in Simbhaoli, involves 22 mw/hr back pressure type turbo generator.

***Shree Renuka Sugars*** - Deutsche Bank has initiated coverage on Shree Renuka Sugars with a buy rating at a price target of Rs. 776. Backed by the timely and significant expansion in ethanol and power cogeneration, SRES will post an earning CGAR of 59% (FY07E-FY09E). SRES is also likely to post significantly higher profits compared to all other sugar producers.

***Ncdex plans raw sugar contracts*** - An Indian commodity exchange, part-owned by Goldman Sachs Group and Intercontinental Exchange, plans to trade raw sugar futures as output of the sweetener heads for a record in the second-biggest producing nation.

***Demand boost for Balarampur Chini*** - Sugar stocks gained across the board on news of a rise in international sugar prices. The record crude prices prompted speculation that demand for the alternative fuel, ethanol, will increase. Crude oil hit a record high of \$ 89 a barrel.

***GMR Industries taking over sugar factory from co-op society*** - GMR Industries Ltd (GIDL) is taking over the sugar factory of Shri Dhanalaxmi Sahakari Sakkare Kharkhana Miyamit, a co-operative society registered under the Karnataka Cooperative Societies Act, 1959, in Belagaum district a build, own, operative and transfer (BOOT) basis.

## INDIAN SUGAR INDUSTRY

***Meeting on Sugar price*** - The Centre had called a meeting of ten sugarcane producing states on October 3 to thrash out a consensus on two critical issues of aligning sugarcane prices with sugar prices and blending ethanol with petrol.

***Bihar to revive 8 sugar mills*** - Making a final call on the fate of the closed state-owned sugar mills, the Bihar government had formally decided to revive at least 8 of them by handing them over to private players in a long term lease basis.

***Sugar falls on export Concern*** - Sugar dropped in London on concern high freight rates and an increase in shipments from India, the world's second biggest grower, are deterring buyers. Sugar posted its sixth consecutive quarterly loss, partly on concern bumper crops in Brazil and India, the world's top producers, will widen a global surplus.

***UP seeks Rs 1,875 cr loan for Sugar Mills*** - The Uttar Pradesh Chief Minister, Ms. Mayawati had asked the prime Minister, Dr. Manmohan Singh to sanction interest free loan, of Rs 1,875 cr to sugar mills to enable them clear arrears to cane growers before the next crushing season beginning this month.

***Pak Court orders release of detained Indian sugar*** - The Lahore Court had ordered the release of nearly 6,800 tonnes of imported Indian sugar lying in railways godowns having been seized for allegedly containing high levels of sulphur dioxide and not confirming to required ICUMSA.

***Kelkar panel meets tomorrow to discuss sugar sector issues*** - Officials, farmers and industry representatives from the southern states were supposed to meet in Bangalore on October 9 to discuss and find solutions to the crisis in the sugar sector. The Bangalore meeting was to provide a platform for the stakeholders to discuss and suggest their opinions to the Vijay Kelkar committee.

***Privatization of sugar mills hits roadblock*** - The privatization programme of the corporation and cooperative sugar mills by the UP government got delayed because of legal hurdles.

***Maharashtra allows sugar mills to fix procurement price*** - A glut in sugar production for successive second season forced Maharashtra Govt. to leave sugarcane growers at the mercy of factories and their bankers for the purchase price. The Centre's Commission for agriculture costs and Prices (CACP) fixed SMP at Rs 802-850 per tonne for sugarcane this season.

***Govt offers sops to sugar sector*** - The government announced a series of relief measures for the sugar industry that included mandatory blending of 5% ethanol with petrol across the country with immediate effect. The decisions were taken at a meeting of the Cabinet Committee on Economic affairs (CCEA).

***Maharashtra sugar mills losing Rs 3.50 per kg*** - Sugar production became bitter for sugar mills in Maharashtra, which are incurring a net loss Rs 3.50 per kg during production. Sugar production in Maharashtra is a loss business reportedly.

***Sugar: No respite despite sops*** - The sugar industry looked at Government to present a bailout package to assuage its woes. Among other things, sugar mills would be entitled to loans equivalent to excise duty paid by them and that the export subsidy would be extended by one year to April 2009 to target an additional export of 3mn tonnes. A record production of 30 mn tonnes sugar is expected in 2007-08 on the back of a record output of 27-28 mn tonnes in the previous year.

***Oil, sugar, maida at subsidized rate*** - The Kolkata State government announced a subsidy of Rs 7 crore on ration items including oil, maida, sugar and suji during the festive season.

***Gur' a sweeter option for sugarcane farmers***- While the sugar mills are uncertain about crushing owing to high sugarcane prices in the new season, The farmers have started selling cane to the 'gur' and 'khandasri' units at rate almost half the last years' state advised price.

***Chini cum profit more from Ethanol-*** With the global and domestic markets facing a glut of sugar, millers have a crisis on hand. Following two successive bumper sugarcane crops, sugar production is expected to exceed domestic demand.

***Sugar package- a bonanza for Maharashtra?-*** The centre's recently announced sugar industry bailout package is likely to mainly benefit mills in Maharashtra, Gujarat, Karnataka and Andhra Pradesh, where growers are eligible to be paid only the centre's statutory minimum price for cane.

***Maharashtra sugar mills to double exports-*** Sugar mills in Maharashtra, the nation's biggest cane grower, may have more than double exports this year as prices decline amid record harvest. Mills may export as much as 2.4 tonnes of sugar in a year.

***Sugar output to rise by 4 % in FY08-*** Sugar production in India is estimated to grow by 3.9 % at a record 293 lakh tonnes in 2007-2008 against 282 lakh tonnes last season on high sugarcane output, the US department of agriculture has said in a report.

***Sugar mill gate price slips on reduce off take-*** Select sugar millgate prices softened in the wholesale sugar market in absence of buying support accompanied by frequent selling mills.

***Sugar prices dipping, UP mill owners' hope for low SAP -*** The sugar industry of UP faced rough weather this season due to high State Administered Price (SAP) and the plummeting price of sugar in the market. Besides, the sugar glut added to their woes. With sugar prices dipping, the Uttar Pradesh sugar Millers Association (UPSMA) made it clear that they would not be able to pay the price of cane to farmers at the present SAP. The announced SAP at present is Rs. 125 per quintal.

***Sugar buffer stock likely to become unviable after 2010 -*** The all-year round 'strategic' sugar buffer - the viability of which the Kelkar committee explored as one of the long term measures for sector - may not be viable until after 2010. And India's 'dubious' distinction of replacing Brazil as the world's sugar daddy may have much to do with it.

***Crushed by cane*** - Expecting last year's repeat of sugarcane glut, the Maharashtra government gets into preventive mode: advances crushing, operationalises more mills. After a glut of production sparked a series of suicides in the state last year, the spectre is looming large again with the production for the coming season slated to touch for the coming season slated to touch 845 tonnes, up from 798 lakh tonnes last year.

***Supreme Court relief for UP Sugar Mills*** - In a relief for several sugar mills in the largest sugar manufacturing state, Uttar Pradesh, the Supreme Court has ruled that it is not mandatory for all sugar mills to supply 20% molasses to the respective authority as stipulated under the Government Order of 1004.

***Sugar mills likely to face storage crisis, warns USDA*** - Sugar mills in India may face a severe storage crisis and may have to leave the sweetener under the open sky due to a large carryover stocks a swell as expected bumper production this year, a US government report warns

***Glut to dent sugar*** - The extra release of 1, 50,000 tonnes of sugar by the government in to the market brought a sharp decline in an otherwise firm sugar futures, with rates declining by Rs 9 a quintal in a single closing trading session.

***Gur prices decline on fresh arrivals*** - Gur prices tumbled in the wholesale gur market here today following new supply of gur from manufacturing areas amid reduced off take by stockists and local parties also dampened the market sentiments to some extent.

***UP mills owe sugarcane growers Rs 1,460 crore*** - Sugar mills in UP owe farmers a whopping Rs 1,460.21 crore as arrears towards cane payments during the just ended 2006-07 crushing season (October - September). Among individual companies, the larger defaulter is Bajaj Hindustan. As against a payable sum of Rs 1,870.74 crore, it has so far disbursed Rs 1,539.80 crore.

***HC rejects mills' plea*** - The Lucknow bench of the Allahabad High Court rejected application by the UP Sugar Mills Association to implead itself as a party to the case involving discharge of cane arrears by mills.

***Sugar output likely to decline*** - Tight profit margins for the Indian Sugar industry brought on by rising cane prices could cause a drop in the country's sugar output, the International Sugar Organization (ISO) said on Tuesday. The next sugar crop, which will begin planting in November, is expected to decline by at least 20 %.

***Sugar prices slip on increased supply*** - Sugar prices declined, marginally in the wholesale sugar market here on Wednesday following slackness in demand against increased arrivals. Ready sugar medium and second grade prices closed at Rs 1,500-1,580 and Rs 1,490-1,570 a quintal respectively. Mill delivery medium and second grade prices also settled lower at Rs 1,315 - 1,450 and Rs 1,410 - 1,440 a quintal respectively.

***Will bank claims get priority over cane dues?*** - The UP Government issued Recovery Certificates (RC) against 63-odd private sugar mills that have not made full payments to cane growers during the 2006-07 crushing season (October - September).

***UP sugar mills get respite on cane arrears*** - Allahabad High Court grants 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.

***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.

***Sugar exports to Kazakhstan*** - India plans to export raw sugar to Kazakhstan, as sugarcane growers and mills in the world's second-biggest producer of sweetener face declining prices in the wake of record output.

## ETHANOL

***Remove taxes on ethanol, States told*** - The centre asked the State Governments to remove impediments to movement of ethanol and avoid imposition of sales tax, while promising to make the alcohol unviable for potable purpose - the reason States cite for levying taxes.

***Making Ethanol: A dream come true*** - Dr. A.R. Palani Swammy, an engineer who returned to India from the US after retirement, wanted to set up a sweet sorghum-based ethanol plant. His dream has come true. Dr. William Dar, Director General of ICRISAT said Sorghum needed far less water than sugarcane, making it more accessible to the poor farmers.

***Govt's new ethanol policy lifts sugar stocks*** - Sugar stocks on BSE made a sweet recovery after the government rolled out new ethanol policy. Shree Renuka Sugar topped the list of major gainers with 11.84 % to Rs 814, Shakthi Sugar was up 1.19 % at Rs 84, Thiru Arooran Sugars gained 10.11 % at Rs 114, Dhampur Sugar gained 10.28 % at Rs 62, Uttam Sugar gained 9.73 % at Rs 89 and Bajaj Hindusthan went up 8.38 % at Rs 170. The government has earlier announced series of sops to sugar sector, which is facing glut in production.

***Exaggerated reaction to sugar sops?*** Sugar stocks have surged sharply on Wednesday's trading, reacting to the Finance Minister's statement suggesting that the sugar sector may receive policy cops.

Procurement costs - Players with substantial ethanol capacities such as EID Parry, Balarampur Chini, Shree Renuka, Bajaj Hindusthan may be able to capitalize on the new regulation.

***Ethanol promotion move fails to enthuse sugar mills-*** The central government's move to allow sugar mills to convert sugarcane directly into ethanol is hardly going to work for the beleaguered industry, according to the experts.

***Adding fuel to water stress*** - The Indian Government's recent decision to mandate 10 % blending of ethanol with petrol by 2008 may not be such good news, suggests a new study released by the International Water Management (IWMI) in Colombo.

***GMR targets ethanol market*** - GIDL has taken over a sugar factory in Karnataka with 2,500 tonnes capacity, in the line with aim to become a mid-size sugar producer over the next 3-4 years and tap the emerging opportunities in ethanol.

## INTERNATIONAL NEWS

***Brazil ethanol boom hides diseased lungs and deaths*** - About 5, 00,000 workers toil from march to November stopped over in the tropical sun harvesting sugar cane to ethanol in Brazil. Brazilian Ethanol production will jump 22 % in 2007 from a year earlier, to a record 5.6 billion gallons, the agriculture ministry predicts.

***Sugar on Imports*** - Sugar gained in London amid speculation about increased imports by the European Union. Refined sugar futures for December delivery climbed \$1.50.

***Russia to have adequate sugar stocks in a decade-*** Russia the world's biggest sugar importer may become practically self sufficient in sugar by 2015 should the country's import duty be raised, the international sugar organization said.

***Sugar gains on export tender*** - Sugar gained in London after an industry group in India set to be the world's biggest producer of the sweetener next year, said the country will not hold another tender for exports "in the near future".

***Sugar at 3-week low*** - Sugar dropped to a three-week low in London amid forecasts that production will increase in Brazil and Thailand, the world's two largest exporters. Refined or white sugar for December delivery, the most actively traded contract on London's LIFFE exchange, fell \$2.90, or 1.1 per cent, to \$ 272.10 a tonne.

***Sugar surplus to keep lid on prices*** - India may have an exportable sugar surplus of 11.5 million tonnes, raw value, in 2007-08, making significant price advances unlikely, the International Sugar Organization has said. The ISO said India's surplus should keep a lid on prices.

***Sugar futures unchanged*** - Sugar may advance in London on speculation refiners will limit new production. Refiners may cap output as the premium for white sugar over raw is down to about \$ 59 a tonne from \$ 144 in May.

***Sugar gains on low output fears*** - Sugar rose in London on speculation that lower output in Brazil's main growing region will buoy prices of the sweetener in the short term. Output in Brazil fell to 6.8% in the season ended Sep 16 as millers made more ethanol.

***EU to maintain sugar quota level*** - The European commission has decided against recommending another removal of quota sugar production from EU markets in 2007/2008 marketing year. The European commission has decided to maintain unchanged level of preventive withdrawal of 2 million tonnes of sugar decided in March 2007.

***Sugar drops to 4-week low***- Sugar fell to its lowest in more than four weeks in London as record shipping costs deterred buyers. The Baltic Dry Index, a global measure of commodity shipping costs, rose to a record for ninth consecutive day according to the London based Baltic -exchange.

***Sugar at one month high*** - Sugar rose the most in almost a month in London as record crude oil prices prompted speculation demand for alternative fuels made fro the crop will increase. At LIFFE, the price rose \$ 5 or 1.9 % to \$ 275 a tonne.

***Russia increases sugar import duty*** - Russia, world's biggest sugar importer, will increase taxes on imports of the sweetener by at least 57 % seeking to aid the country's beet farmers. The duty is being increased to between \$220 and \$ 270 a metric tonne, from \$ 140, the government said in its website.

***Sugar futures decline***- Sugar future declined in London on speculation that credit-market losses may stunt economic expansion, curbing demand for commodities. Refined or white, sugar for December delivery , the most actively traded contract on London's LIFFE exchange, fell 60 cents, or .2 % to \$ 275 a tonne at 12:52 pm.

***Sugar at one-month high*** - Sugar climbed to the highest in a month in London on speculation a crude-oil rally led to increased ethanol output at the expense of the sweetener. White, or refined, sugar for December delivery, the most-actively traded contract, gained \$2.20, or .8%, to \$ 281.50 a tonne at 12:51v p.m. on London's LOFFE. A close at that price would be the highest since September 25.

***India to export sugar to Kazakhstan*** - India recorded an unprecedented harvest of sugarcane this year and is ready to export extra sugarcane this year to countries which are in need.

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