

HIGHLIGHTS FOR OCTOBER' 2008

BIRLA SUGAR

UPPER GANGES

UPPER GANGES 1st QUARTER FINANCIAL RESULT

- Appeared in *The Economic Times*
- Appeared in *The Hindu Business Line*
- Appeared in *Business Standard*
- Appeared in *Prabhat Khabar* &
- Appeared in *Dainik Jagran*

OUDH SUGAR

OUDH SUGAR MILLS 1st QUARTER FINANCIAL RESULT

- Appeared in *Hindustan Times*
- Appeared in *The Economic Times*
- Appeared in *The Financial Express*
- Appeared in *Business Standard* &
- Appeared in *Dainik Jagran*

**[Hindustan Times carried a corrigendum regarding the incorrect information carried by them]*

SNAP SHOTS

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

If there has been any one commodity close to being an odd ball in recent times, it is perhaps sugar. When prices of virtually every commodity are increasing, sugar is simply missing out. And now, even as the global turmoil in financial markets has triggered off the sell - offs in commodities, it is only sugar that seems to be holding out. It is said that the Global financial crisis will knock prices of sugar from New York to New Delhi, pushing prices below the cost of production. Top producers like Brazil will also be hit hard because of the crisis.

India eyes more after first big sugar deal - India, after buying 3, 50, 000 tonnes of Brazilian raw sugar in its first big purchase in more than 2 years, is in talks to buy another 7, 00, 000 - 8, 00, 000 tonnes from Brazil and Thailand. After flooding the world market with plentiful exports in recent years, India has turned into a sugar importer as trade officials expect a sharp decline in output because of erratic weather in the main growing regions in its south and west.

Unsold sugar buffer to be converted into levy - Further tightening its noose around erring sugar mills, the central government decide to convert into levy sugar any unsold quantity that remains with the mills out of the dismantled second buffer stock. It has also asked mills to furnish details of their sale of buffer by 10th of each month in a fixed format.

Global crisis may not affect sugar mills' working capital needs - The current global financial crisis is unlikely to affect the working capital requirement of sugar companies on the basis of the existing SAP of sugarcane. However, any upward revision in the SAP, as anticipated by the industry, may lower their borrowing capacity and hence the mills could face a shortage of working capital requirements.

Andhra sugar output falls on dip in cane plantation - Sugar output in Andhra Pradesh is set to come down to 7.5 lakh tonne this season against 14.5 lakh tonne last season, following a drastic dip in sugarcane plantation. Sugar millers are wary as they reckon the non-availability of sugarcane may force them to shut shop. South Indian sugar Mills Association is taking remedial measures such as giving subsidy to farmers and efforts are on to solve shortage of seeds.

COMPETITION

Rajshree Sugars to challenge Madras HC in derivatives case - The legal counsel for Coimbatore - based Rajshree Sugars and Chemicals said the company would appeal against the Madras High Court order which held that the company's derivatives contract with Axis Bank is valid. The company added that it would also challenge the court's order asking the bank to seek relief from the Debt recovery Tribunal. Since March this year, Rajshree Sugars and Axis Bank have been fighting a legal battle over forex derivatives contracts sold by the bank to the company which resulted in losses for the company.

Ponni Sugars takes distillery route to expansion - Ponni Sugars Erode Ltd has decided to set up a Rs 72 cr distillery to expand its sugar mill operations. The unit would be a standalone facility about 30 km from Erode, where Ponni Sugar's 3, 000 tonne sugar mill is located. The funding for the project would be through a Rs 38 cr bank loan, Rs 24 cr sugar development fund loan and Rs 10 cr internal accruals.

Shree Renuka Sugars - Shree Renuka Sugars Ltd has acquired a majority stake of 87% for Rs 69.3 cr in Gokak Sugars Ltd. The total lease payment of Rs 126 cr would be made over 30 years

INDIAN SUGAR INDUSTRY

Centre plays making of fuel from sugar cane juice - In a development that may give a big boost to the revival of the sugar sector in Bihar, Centre has relaxed the norms of the sugar control order allowing oil companies like HPCL and RIL to produce ethanol directly from the sugar cane juice from the close by state owned sugar units. The state Govt was optimistic that h revival of the sugar sector in Bihar was feasible only through ethanol route. The bids invited by the State Govt received encouraging response from oil companies like RIL and HPCL.

CBEC on trail of sugar cos evading excise duty - Sugar mills have come under the scanner of the govt for alleged excise duty evasion. CCP has asked CBEC to direct it field formations to keep a watch on sugar mills. Sugar commissioners have also been asked to monitor timely release of sugar in the domestic market. The direction comes following reports of some sugar mils deliberately withholding sale of buffer stock into the open market or exporting it without prior approval from the Government.

Karnataka sugar mills raise price by 50% - Sugar mills in Karnataka state have raised their offer price to sugarcane farmers by almost 50% on expectations of tight supplies after Maharashtra banned selling the crop in other states. Some mills in the state have started crushing almost a month in advance

India eyes more after first big sugar deal - India, after buying 3, 50, 000 tonnes of Brazilian raw sugar in its first big purchase in more than 2 years, is in talks t buy another 7, 00, 000 - 8, 00, 000 tonnes from Brazil and Thailand. After flooding the world market with plentiful exports in recent years, India has turned into a sugar importer as trade officials expect a sharp decline in output because of erratic weather in the main growing regions in its south and west.

UP growers seek Rs 160 a quintal for sugarcane - Sugarcane growers in UP have asked the State Govt to increase the State Advised Price for their produce by at least 25% to 160 a quintal. But the sugar mills have said they would not be able to pay more than Rs 112. The growers had demanded RS 160 based on rising input costs.

Punjab co-op sugar mills to generate power worth Rs. 200 cr - The Punjab govt has chalked out a plan to generate power to the tune of Rs 200 crore a year by setting up cogeneration power plants at all the state co-operative sugar mills. The minister has also decided to grant in principle, bottling license to three distilleries of the State co-operative sugar mills.

Refiners may boost raw sugar imports - Indian sugar refiners may boost imports of raw sugar after contracting to purchase 200,000 metric tonne in 2008 as a reduction in plantation areas cut domestic sugarcane output.

Unsold sugar buffer to be converted into levy - Further tightening its noose around erring sugar mills, the central government decide to convert into levy sugar any unsold quantity that remains with the mills out of the dismantled second buffer stock. It has also asked mills to furnish details of their sale of buffer by 10th of each month in a fixed format.

UP hikes cane price - UP Govt has raised the State Advised Price for sugarcane grown in the state by Rs 15 a quintal from last season's price. SAP for common variety sugarcane will be Rs 140 a quintal. Last year it was Rs 125 a quintal. The path-breaking move comes after a bitter struggle between the sugar industry, UP Govt and the growers over SAP payment during the 2006-07 and 2007-08.

Cane crushing delayed in Maharashtra - Sugar production of Maharashtra is likely to decline by over 30% to about 60 lakh tonne in the ongoing 2008-09 season mainly due to less production of sugarcane. It was scheduled to begin in mid-October, but it has been delayed due to Diwali and now it would begin in the state by October - end

Higher cane prices could dent margins of UP mills - The UP Govt's decision to hike the can procurement price advised by the State for the current season from Rs 125 to Rs 140 per quintal may pose a significant threat to the earnings of sugar mills located in the State.

TN fixes sugarcane price at Rs 1,050/ tonne - The TN Govt has announced a sugarcane SAP of Rs 1, 050 a tonne linked to a sugar recovery of 9% for 2008-09. This has left the farmers who want cane prices to be at least Rs 1500 a tonne, unhappy. However, sugar mills have cautiously welcomed it as a balance with sugar prices.

Global crisis may not affect sugar mills' working capital needs - The current global financial crisis is unlikely to affect the working capital requirement of sugar companies on the basis of the existing SAP of sugarcane. However, any upward revision in the SAP, as anticipated by the industry, may lower their borrowing capacity and hence the mills could face a shortage of working capital requirements.

Sugar output to fall over 30% in Maharashtra - Sugar production in Maharashtra is likely to decline by over 30% to around 6 MT in the ongoing 2008-09 season mainly due to a lower sugarcane produce. The delay in cane crushing would help increase sugar production. It would lead to higher productivity as sugarcane would remain in fields for a longer period.

UP sugar mills seeks subsidy for paying state advised rate - The UP sugar mills Association is seeking a subsidy of 22-25 on every quintal of sugarcane they will crush in the current season. Until the prices issue is resolved mills will not begin crushing. This will have serious implication for the sugarcane farmers who will be under pressure to vacate their fields so that they can be ready to sow wheat. A sharp drop in crude oil prices has affected the demand for ethanol. Brazil could look at diverting more sugarcane to sugar manufacturers which will put further pressure on prices.

I-T slaps Rs 20k-cr claim on sick Maharashtra sugar mills:

The income tax department has made a claim of around RS, 20,000 crore towards income tax from the ailing sugar industry in Maharashtra. This claim has been made for the period 1992-93 to 2007-2008. I-T dept's special bench and Bombay High Court had also ruled out that the cane payment made by sugar industry cannot be appropriation of profit.

UP sugar mills may fight price hike - Sugar millers in the northern state of UP may challenge the state government's decision to hike the minimum cane price in the court. SAP is the minimum price paid to the farmers for their produce. A possible legal action by the private millers may delay the sugar cane crushing in the state this year as well.

Sugar co-ops want to sell power in open market - Sugar cooperatives in the state, which have installed power plants for producing power from the waste product, bagasse, are now looking to sell the power in the open market at market rates. Cogeneration is the concept of generating two forms of energy from a single fuel. Higher rates for surplus power exported to the grid will boost returns for sugar cooperatives.

Andhra sugar output falls on dip in cane plantation - Sugar output in Andhra Pradesh is set to come down to 7.5 lakh tonne this season against 14.5 lakh tonne last season, following a drastic dip in sugarcane plantation. Sugar millers are wary as they reckon the non-availability of sugarcane may force them to shut shop. South Indian sugar Mills Association is taking remedial measures such as giving subsidy to farmers and efforts are on to solve shortage of seeds.

UP sugar mills may commence cane crushing next fortnight:

Sugar mills in UP are all set to commence cane crushing in the first half of November. Analysts connect this year's SAP raise with the forthcoming elections. The state will lose output in case of further delay in crushing.

Sugar regains sweetness on buffer stocks - Price volatility in sugar prices appear to have given way to a steadiness in the last fortnight in major metros, though the retail price still reigns around Rs 20 per kg in urban India. In rural India, prices have fallen below Rs 20 per kg on an average. The steadiness in sugar price may have come in October, despite mills not yet selling any sugar from the dissolved buffers into the market.

ETHANOL

Ethanol drops as economic slowdown curbs demand - Ethanol futures fell as corn, gasoline, and crude oil plummeted on concern consumption will drop amid slower economic growth. The Reuters/Jeffries CRB Index of 19 commodities tumbled to the lowest since Oct 10, 2007; in speculation the US Government's \$700 billion bailout plan won't spur growth.

INTERNATIONAL NEWS

Sugar demand to exceed supply - Global sugar production will exceed production by 2 million tonnes next year, ending two years of oversupply. Demand will rise 3.5% to 163.5 mt partly as consumption expands in Asia.

Brazil sells raw sugar to India - Brazil has booked some 3, 00,000 to 4 lakh tonnes of raw sugar sales to India, expected to be delivered in the next 2 months.

Global sugar output seen lower - World sugar production in 2008-09 is forecast at 160.0 million tonne raw value, down 5% on 2007-08 output. The reduced crop will be a result of lower output from the European Union & India.

Global sugar prices not to affect local rates - Despite a significant fall in global sugar prices, domestic prices would be stable or even firm during the current season due to expected fall in production. According to sector analysts, prices would range between Rs 16,00 - Rs 17,00 per quintal as against 13,00-1400 during the start of this year. Production in the sugar season is expected to decline to 20 million tonne [mt] - 22 mt from approximately 27 mt in year 2007-08.

Pak puts off raw sugar imports till Dec - Pakistan has delayed a decision until December on the import of raw sugar that millers proposed to meet an expected shortfall next year. Its sugar output is expected to fall to between 3.5million tonnes down from 4.7 million tonnes.
