

HIGHLIGHTS FOR SEPTEMBER, 2007

BIRLA SUGAR

DIRECT NEWS

Clarification- The Oudh Sugar Mills has clarified that it has achieved financial closure of all its projects including the Greenfield project near Gorakhpur in Uttar Pradesh at competitive rates and terms. It also enjoys the full confidence and support of the financial institutions and banks.

Sugar barons accumulate cane arrears- Some of sugar industry's barons have failed to clear their arrears for the current season and have held back cumulatively large sums of money due to cane growers. This included big corporates like Bajaj Hindusthan & Balrampur Chini among the various others. Other private sector mills that are in arrears include Mawana Sugars, **Oudh Sugar Mills** & DSCL Sugars among the others.

BSE may have to guide CSE second innings- The Bombay Stock exchange may soon find itself burdened with the responsibility of running a second exchange. The exchanged recently brought a 5% stake in the CSE has been asked to chalk out a revival plan for the regional bourse. Most of the other RSE have attracted bids from entities, around 25 investors who have applied for the stake in CSE. The interested parties include Emami Group and some **K K Birla** and B K Birla Group entities.

The news of annual financial result appeared in -

- The Economic Times
- Dainik Vishwamitra
- Dainik Jagran

SNAP SHOTS

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

Balarampur Chini's acquisition to the extent of 54 % in Gulf Industries Ltd. has been the biggest deal of the month in the sugar sector. Another major declaration on the sugar sector has been Government's announcement of soft loans of Rs 2000 crore for the sugar mills along with additional subsidy of Rs 420 crore on sugar export.

India to beat Brazil as No. 1 sugar producer- India is expected to overtake Brazil as the world's top sugar producer in 2007-08 and a lack of storage may force it to sell at lower prices later this year, the International Sugar Organization confirmed.

China buys sugar from India- India has sold sugar to China at around \$275- \$280 a tonne, basis cost and freight. Indian mills have contracted sales of around 150,000 tonnes white sugar to the buyers of China, at a rate of 50%, assessed on imports that do not fall within the tariff rate quota. A lack of storage may force India to export lower prices later this year.

Country set for record foodgrain production- The agriculture scene looks upbeat. In 2007-08 Kharif season, foodgrain production is estimated at 112.24 million tonnes. The country is set to witness a record production of soyabean, cotton, maize and sugarcane in the current season.

Bunge India to enter sugar manufacturing- Bunge India Private Limited manufacturer of the Dalda brand of vegetable oils, has firmed up plans to enter the sugar industry and is planning to acquire sugarcane crushing capacities in south India.

OTHER PLAYERS

Balrampur Chini buys 54% into Indo Gulf Industries- Balrampur Chini Mills Ltd. acquired 53.96 per cent of Indo Gulf Industries Ltd after settlement of shares under dispute representing six per cent of IGIL. The company has just completed a Rs 400 crore expansion by setting up a sugar plant with a crushing capacity of 8000 tonnes daily in Gonda district as well as a 34 MW power generation facility.

Trident invites consultants to sugar projects- Trident group invited Global project consultants for its proposed integrated sugar complex at Dhaula, Punjab. The complex will have the initial capacity of crushing 5000 tonnes of cane a day. This capacity would be doubled at a later stage. The project also envisages ethanol production of 60kL per day and a cogeneration of 35 MW power.

Dollex Ind acquires sugar factory- Dollex Industries has acquired Kalamber SSK, a cooperative sugar factory, from the Maharashtra Govt for Rs 14 crore under its expansion plans.

Simbhaoli Sugar to increase ethanol capacity- Simbhaoli Sugar Mills Ltd. will raise its ethanol capacity by 50 per cent to 1,80,000 litres per day by March 2008. Mills in India are increasingly focusing on the production of ethanol and power co-generation as sugar prices continue to stumble.

Sakthi Sugars projects on stream- Tamil Nadu based sugar producer Sakthi Sugars Ltd said that its sugar mill with crushing capacity of 3500 tonnes per day and a power generation plant of 25 MW began commercial production from September 7.

Renuka to buy 6 lakh t raw sugar- Shree Renuka Sugars Ltd plans to buy 6 lakh tonnes of raw sugar over the upcoming crushing from November to March 2008. Renuka is offering to buy raw sugar from mills at an average price of Rs 9000- 9500 per tonne.

Syngenta's beet tech may aid ailing sugar industry- Syngenta India, a leading agribusiness company, has introduced tropical sugar beet in the country after tying up

with a few sugar cooperatives in Maharashtra. The sugar beet has proved to be very economical and convenient for the farmers as it can be grown in dry areas where sugarcane cultivation is not possible.

Rakesh Bhartia is CEO of Bajaj Hindusthan- Bajaj Hindusthan has quietly taken some dramatic initiatives to bolster its organizational strength to seize growth opportunities in the countries and overseas. For one, it has just elevated its president Rakesh Bhartia as the new CEO.

Motilal replaces Dhampur Sugar in BSE 500- Dhampur Sugar Mills has been replaced with Motilal Oswal Financial Services in the BSE 500 index.

Recovery order against 3 Bajaj Hind sugar mills - The UP government issued recovery certificate (RC) for non-payment of cane price arrears against the three units of Bajaj Hindusthan, the country's biggest sugar producer. So far, RCs have been issued to 18 sugar mills in the state for non-payment of cane purchase made in the 2006-07 (October - September) crushing season.

Truce talks over, Shishir ups stake in Bajaj Hindusthan -The Bajaj family feud took a new twist with Shishir Bajaj strengthening his control over Bajaj Hindusthan, the country's largest sugar company. This had a negative impact on the company's share price listed at BSE.

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.

INDIAN SUGAR INDUSTRY

Al Khaleej to hike Indian sugar buy- Al Khaleej Sugar Co plans to increase imports of raw sugar from India as record harvest may help the South Asian nation overtake Brazil as the world's top producer of the sweetener. Al Khaleej has already agreed to buy 450,000 tonnes from India and will buy more in the coming months.

Sept free sale sugar at 1.3 mt- The Centre has released 1.3 million tonnes of non-levy or free sale sugar for September. The quantity is in line with the market expectations. Non-levy sugar is sold by millers in the open market but the quantity each mill can sell is fixed by the Govt.

UP Govt likely to review cane pricing- The UP Govt will consider the market price of sugar and its production cost before declaring the state advised price for the next season. Even if the SAP remains unchanged at Rs 125-130 a quintal, the cane cost in producing one quintal of sugar will be Rs 1350.

Govt fast-tracks soft loans for sugar mills- The GoM approved the soft loans of Rs 2000 crore for the sugar mills and providing additional subsidy of Rs 420 crore on sugar exports. The sops which need approval from the Cabinet include a cut in custom duty of ethanol to 5% and on molasses to 5%.

Uttar Pradesh issues notices to 6 sugar mills- The Uttar Pradesh Govt issued recovery certificates against six sugar mills, toughening its stance on the mills sitting on huge sugarcane arrears.

Sugar mills face credit woes- Sugar mills now face a severe working capital squeeze. Most of them have overdrawn from banks against existing sugar stocks the value of which has suffered erosion. As a result the banks are unlikely to extend fresh working capital.

Sugar mills unlikely to get fresh credit from banks- The ensuing 2007-08 sugar season may witness something unprecedented in UP- a piling up of cane arrears from day one and farmers offering their crop to mills on credit.

Delay in crushing hits Karnataka cane farmers- Karnataka's sugarcane growers are set to suffer further as mills in the state will delay crushing cane season. The sugarcane farmers are already burdened with a higher cost of cultivation and the pending cane arrears in excess of Rs 125 crore from sugar mills.

Pak court stays Indian sugar buys- The Pakistan Sugar Mills Association obtained a stay against the import of Indian sugar. But the curious fact is that it has got the order based on a report of the Pakistan Council of Scientific and Industrial Research dating back to July 30, 1996. The reports talk of higher sulphur dioxide content.

UP sugar mills want more credit- sugar mills in UP have demanded more credit facilities from the state Govt before the beginning of the season as a 3 million tonne fresh addition in buffer stocks have tightened their cash position.

Vijay Kelkar heads new sugar panel- The Centre has formed another committee, headed by the former finance secretary Vijay Kelkar, to look into the various issues faced by the problem-ridden Indian sugar industry and suggest long term measures for its revival. The Centre has asked the Kelkar led committee to give its report in six months.

More time to export sugar- The Food Ministry has favoured granting companies more time to export white sugar in lieu of having imported duty free raw sugar between January and September 2005, due to currently unfavorable market prices.

India extends deadline for white sugar exports- The Govt has extended a deadline for exports of white sugar by a year against the imports of raws by the mills. The Govt has allowed mills to import raw sugar free of duty between Jan-Sept 07 to tide over a shortage of the sweetener at that time. The Govt has given the obligation of 36 months instead of 24 months.

India to beat Brazil as No. 1 sugar producer- India is expected to overtake Brazil as the world's top sugar producer in 2007-08 and a lack of storage may force it to sell at lower prices later this year, the International Sugar Organization confirmed.

Monsoon effect to leave smile on farmers' face- The monsoon unleashed fierce floods and left the fields short of water in grain growing states this year, but promises bumper harvests of sugarcane, oilseeds and cotton, the officials and analysts confirmed.

Maharashtra sugar mills to start carbon credit trading- A small sugar mill in Kagal is all set to make its presence felt in the global map. The coming November, it will start its carbon credit trading, once the sugarcane crushing season gets underway in October and its co-generation power plant gets underway. The mill is in process of signing up with the Austrian Govt.

Sugar mills: Extend export sop- The Indian Sugar Mills Association has proposed that the Govt extend for another year a sugar export subsidy due to expire in April 2008. The Cabinet is considering the proposal and may come up with a decision by the end of the month.

Interest-free loans likely for sugar industry- The cash-crunched sugar industry is likely to get an interest free loan against the excise duty payable in the 2007-08 season, beginning October. Meanwhile the industry is planning to launch a media campaign advocating a national cane price that will help it in minimizing losses. The campaign will mainly be targeted in UP, where the major sugar mills are located.

Crashing sugar prices hit cane farmers- Profit-margins of the millers in South Gujarat are under serious pressure following the crashing prices of sugar. Prices ruling between Rs 1600- 1700 per quintal have come down to Rs 1100- 1000. The farmers seem to be the biggest loser in the whole story.

China buys sugar from India- India has sold sugar to China at around \$275- \$280 a tonne, basis cost and freight. Indian mills have contracted sales of around 150,000 tonnes white sugar to the buyers of China, at a rate of 50%, assessed on imports that

do not fall within the tariff rate quota. A lack of storage may force India to export lower prices later this year.

Centre readies field for common cane prices- The distortion in sugarcane prices in producer states is likely to be corrected with the Union Govt working towards a national price. Agriculture minister has called for a meeting of the state sugarcane and finance ministers on October 3rd for this.

More sweetener likely to bail out sugar industry- The Govt is planning to allow ethanol production directly from sugarcane juice instead of costlier molasses route. This may also help the farmers cope with falling prices following record output. Govt is also examining ways to provide a little more fiscal support to the industry.

Country set for record food grain production- The agriculture scene looks upbeat. In 2007-08 Kharif season, foodgrain production is estimated at 112.24 million tonnes. The country is set to witness a record production of soyabean, cotton, maize and sugarcane in the current season.

Sugar mills await subsidy sweetener- The agriculture ministry is planning to extend domestic freight subsidy to sugar mills for a year. The Union Minister plans to provide enough support to export the stock. These measures may help to keep the prices steady in short term but the medium term outlook still remains weak, according to the analyst.

Sugar sector: Getting the sweetness back- Widespread buying has seen sugar stocks soar by 15- 20% in the last two days. This sudden revival happens after a sustained beating which took on the bourses, and doubts about the sustainability of this spurt abound.

Bunge India to enter sugar manufacturing- Bunge India Private Limited manufacturer of the Dalda brand of vegetable oils, has firmed up plans to enter the sugar industry and is planning to acquire sugarcane crushing capacities in south India.

Indian sugar meets global standards, Pak Court told- Indian Sugar Mills Association has sent a letter to Lahore Civil court which has stayed import of Indian sugar into Pakistan, saying the sweetener from here is safe as per global food standards.

HC asks sugar mills to clear cane arrears in 3 weeks- The Allahabad Court has issued a mandamus directing the Uttar Pradesh Govt to ensure full payment of cane arrears owed to the growers by the mills within the next three weeks.

Bihar Govt to lease out 8 sugar mills- The Bihar Govt is likely to offer eight of the 15 sugar mills owned by the Bihar State Sugar Corporation on a long term lease.

Problems in store for sugar industry- The Finance Minister made it clear that more financial support coming in the beleaguered industry's way would be for liquidation of mill dues on cane purchase account. The storage of warehousing is likely to compound an inventory pile up in the country.

Sugarcane crushing to start in Oct- The first to start sugarcane crushing operations will be the mills in western Maharashtra, followed by those in Marathwada. A significant 41 cooperative sugar mills in Maharashtra have indicated they will start crushing sugarcane from the first week of October.

Buyers prefer bundles of carbon credit- India boasts about 800 CDM projects in various states offering additional income to small enterprises from the scale of emission reduction top buyers in the developed nations. It is tough for international players to talk to many small players, register them and validate them.

GoM on sugar on sugar discuss problems of mills and farmers- The GoM headed by the external affairs minister is understood to have discussed the proposal to allow sugar mills to retain the central excise duty on free sale sugar for three years from this October. Oil companies would be asked to increase procurement.

UP Govt likely to review cane pricing- The UP Govt will consider the market price of sugar and its production cost before declaring the state advised price for the next

season. Even if the SAP remains unchanged at Rs 125-130 a quintal, the cane cost in producing one quintal of sugar will be Rs 1350.

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How can the sugar economy improve? - This profiles

- V Shunmugam, Chief Economist, MCX
- Narendra Murkumi, Managing Director, Shree Renuka Sugars
- Chintan Modi, VP, India Infoline

The sugar industry tends to oscillate between boom and bust. Three experts debate on how heavily regulated sector can be put on a more sustainable path, helping the industry and the farmers.

Crashing sugar prices hit cane farmers- Profit-margins of the millers in South Gujarat are under serious pressure following the crashing prices of sugar. Prices ruling between Rs 1600- 1700 per quintal have come down to Rs 1100- 1000. The farmers seem to be the biggest loser in the whole story.

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Harbinger of times to come- As the Sensex soared, so did the sugar stocks. At least the top seven Sensex gainers were from the sugar industry. Record crop, better export potential and alternative revenues from the ethanol bring in the cheer.

Country set for record food grain production- The agriculture scene looks upbeat. In 2007-08 Kharif season, foodgrain production is estimated at 112.24 million tonnes. The country is set to witness a record production of soyabean, cotton, maize and sugarcane in the current season.

Sugar, jeera hit upper circuit as pepper dips- In domestic futures, turnover on MCX in the first session was Rs 4447.74 crores, down 7% from the turnover in the corresponding season. Sugar September contract closed up by 4.6% at Rs 1,442 per quintal, registering a turnover of Rs 94 crore.

Sugar mills await subsidy sweetener- The agriculture ministry is planning to extend domestic freight subsidy to sugar mills for a year. The Union Minister plans to provide enough support to export the stock. These measures may help to keep the

prices steady in short term but the medium term outlook still remains weak, according to the analyst.

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Bunge India to enter sugar manufacturing- Bunge India Private Limited manufacturer of the Dalda brand of vegetable oils, has firmed up plans to enter the sugar industry and is planning to acquire sugarcane crushing capacities in south India.

Carbon credit potential seen for small hydro projects- India sees a huge opportunity for small hydro power projects to get carbon credits for Certified Emission Reductions (CERs).

Indian sugar meets global standards, Pak Court told- Indian Sugar Mills Association has sent a letter to Lahore Civil court which has stayed import of Indian sugar into Pakistan, saying the sweetener from here is safe as per global food standards.

HC asks sugar mills to clear cane arrears in 3 weeks- The Allahabad Court has issued a mandamus directing the Uttar Pradesh Govt to ensure full payment of cane arrears owed to the growers by the mills within the next three weeks.

Sugar mills to be given interest-free loans against excise payments- The interest liability on the five year tenor loans would be borne by the Centre. Millers complain that the sops announced in April have not reached them yet.

Bihar Govt to lease out 8 sugar mills- The Bihar Govt is likely to offer eight of the 15 sugar mills owned by the Bihar State Sugar Corporation on a long term lease.

Sugar: a bitter pill to swallow- Sugar stocks were the toast of the markets for a good part of the week, before some profit booking trimmed those massive gains, unheard of in the recent times.

Problems in store for sugar industry- The Finance Minister made it clear that more financial support coming in the beleaguered industry's way would be for liquidation of mill dues on cane purchase account. The storage of warehousing is likely to compound an inventory pile up in the country.

Sugarcane crushing to start in Oct- The first to start sugarcane crushing operations will be the mills in western Maharashtra, followed by those in Marathwada. A significant 41 cooperative sugar mills in Maharashtra have indicated they will start crushing sugarcane from the first week of October.

Decision on sops to sugar mills today - The cabinet committee on economic affairs (CCEA) will decide on the recommendations of the group of ministers (GoM) for providing incentives to the loss-making sugar industry tomorrow. The GoM, headed by union Minister for external affairs Mr. Pranab Mukherjee, in its meeting earlier this month had recommended that 5 % ethanol blending be made mandatory with immediate effect and sugar mills be allowed to produce ethanol directly from sugarcane juice instead of taking the molasses route.

Interest-free loans likely for sugar industry - Given the supply glut and capital squeeze being faced by the sugar industry, the Union Cabinet is set to approve the recommendations by a group of ministers that the sugar industry be granted interest-free loan of an amount equivalent to excise duty paid in 2006-2007 and payable in 07-08 by each factory. India is set to become the largest producer of sugar in 2007-08, beating Brazil, with an estimated 300 lakh tonnes production. But sadly, the country's sugar industry is under a severe working capital squeeze, with mills weighed down by a production of 283 lakh tonnes against a requirement of 195 lakh tonnes and an opening stock of 43.64 lakh tonnes of sugar.

Sugar sector awaiting export subsidy norms - The domestic sugar sector is an unexpected predicament, with the Government sops not actually reaching the sector on the one hand and the stock rally in the bourses lifting shareholders expectations on the other. The buoyancy, industry sources say, can not last as the sector is already in neck-deep in trouble. Export subsidy claim apart, the industry is still loathing the

Government's call on ban of sugar exports. Left alone, the sector would probably have capitalized on the then booming commodity market.

Meeting on Sugar price - The Centre has 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.

ETHANOL

Ethanol blended petrol likely from October- The Govt is likely to make the blending of petrol with ethanol mandatory. A group of ministers on sugar has recommended to make 5 per cent blending of ethanol in petrol mandatory from the next sugar season starting from October 2007. 10 per cent blending of petrol with ethanol will be optional from November, 2007.

Bush's ethanol dreams turn corn a hot commodity- The reason for the sudden rise in the corn prices is the rapid production of ethanol in US. Ethanol made from sugarcane, in contrast, produces far more energy than is needed to grow it- an output-input ration of about 8:1.

Sugarcane control order to include ethanol- In effort to bail out the struggling sugar industry the Govt plans to amend the Sugarcane Order, 1996, to include ethanol, which will allow sugar companies to produce ethanol directly from the sugarcane juice.

Oil cos struggle to meet ethanol blending norm- Oil companies are struggling to meet even the existing 5 per cent blending norm. There have been hiccups in the implementations of the norms due to State levies. The industry is wondering if the proposed 10 per cent blending is really possible.

Making Ethanol- The model developed by Icrisat and Rusni Distilleries to produce ethanol from sweet sorghum on a mass scale has struck a chord with entrepreneurs in Philippines, China, Mozambique, Uganda, Tanzania and Mexico.

Sugar mills for ethanol in diesel- Faced with the worst-ever financial crisis owing to a glut, the sugar industry is working on ways to mix ethanol with diesel that allows ethanol to be directly produced from sugarcane without producing sugar.

Alcohol based industries oppose ethanol blending- Chemicals & alcohol based industries have strongly opposed the Centre's decision to make ethanol blending into auto fuel mandatory. The Industry feels that if the Govt makes blending mandatory OMC's will be forced to pay higher prices for ethanol which will benefit only a few sugar mills.

Govt mulls rise in ethanol buys- The Govt is considering ways to step up ethanol buys from sugar mills to insure the mandatory 5 % ethanol blending in petrol. The sugar industry is also urging the Govt to include ethanol in the list of goods under the Central Sales Tax, 1956.

DSM offers tech to draw ethanol from cellulose- Multi-billion Dutch chemicals major DSM has offered India its technology to derive ethanol from cellulose. The offer comes at a point when the Govt is examining ways to ensure adequate availability of ethanol at reasonable costs for the success of its Ethanol Blended Petrol Programme.

Brazil boosting ethanol production- Brazil's sugarcane industry is producing more ethanol at the expense of sugar to more attractive returns of the bio-fuel. Brazil has made 2007-08 an ethanol crop in response to price signals.

Centre's ethanol push fuels sugar stocks- With the Govt planning to allow direct conversion of sugarcane juice into ethanol, the move will fillip to most sugar companies that have been reeling under major losses due to falling prices.

Centre plans to introduce 4% uniform tax on ethanol- In a bid to push ethanol blending by the oil companies the Centre plans to bring ethanol under 'product of importance' category and impose 4% sales tax across the country to restrain states from imposing their own levies.

Classify ethanol as a declared good - National Federation of Cooperative Sugar Factories Ltd (NFCSF) has sought the classification of ethanol as a 'declared good' under section 14 of the Central Sales Tax, 1956. Currently, apart from varying rates of sales tax, the States charge a host of other levies, including 'import' and 'export' fees on ethanol entering or leaving their territory.

Punjab in talks with pvt firms for ethanol plant - To boost maize cultivation in the state, Punjab State Farmer's Commission, an advisory body on agricultural issues, is in talks with private players to set up an integrated ethanol plant based on maize crop in Punjab. As per the study conducted by TERI, the state is required to reduce area under rice cultivation from 2.6 million hectares to 1.8 million hectares.

INTERNATIONAL NEWS

Global sugar slump to stay on glut- Global sugar prices traditionally rise in September as the northern summer begins to wane, but recovery this year is threatened by a mountainous world sugar surplus, including rapidly rising stocks in India.

Sugar futures fall on supply glut- Sugar fell on expectation that a larger harvest from India, the world's second largest producer, will widen a global glut of the sweetener. India may increase sugar production by 15 per cent next year.

Thailand's sugar output, exports may rise to record- Thailand the biggest sugar-exporting country after Brazil, may produce and ship record volumes of the sweetener next year. The Southeast Asian nation's sugar output will probably rise by more than 14% to about 8 million metric tonnes in the marketing year beginning this December.

Portal carbon credit exchange- The UN has launched a Web portal to give boost to reduce global warming gases by facilitating carbon credit exchange, a trade mechanism that allows States which cut emission below treaty targets to sell their surplus allowances to others.

Global sugar surplus may leave India in bitter taste- The world sugar prices have taken a major hit in the wake of a bumper production in Brazil and in India. The price situation could have been grimmer but for Brazil, in the forefront of the world green energy campaign, committing more than half of cane crop into ethanol production.

Bangla firm to export raw sugar- Bangladesh's Deshbandhu Sugar Mills Ltd, a private refiner, will export 10,000 tonnes of raw sugar to the European Union. Deshbandhu will collect the sugar from the state owned Bangladesh Sugar and Food Industry Corporation (BSFIC).

Sugar gains most since 1989- Sugar gained most since 1989 in London as the investors brought speculation that record oil prices will spur demand for the alternative fuels such as ethanol that can be made for the sweetener.

Sugar may reach 10.5 cents/ lb- The sugar rally boosted by record high prices and the weak US dollar may see raw sugar prices on the New York and London Exchanges climb to a four month high at 10.5 US cents a pound over the next few weeks.
