



INDIA

A NEW SCENARIO

NARENDRA MURKUMBI

SHREE RENUKA SUGARS LTD.

MAY 6, 2009

Agenda

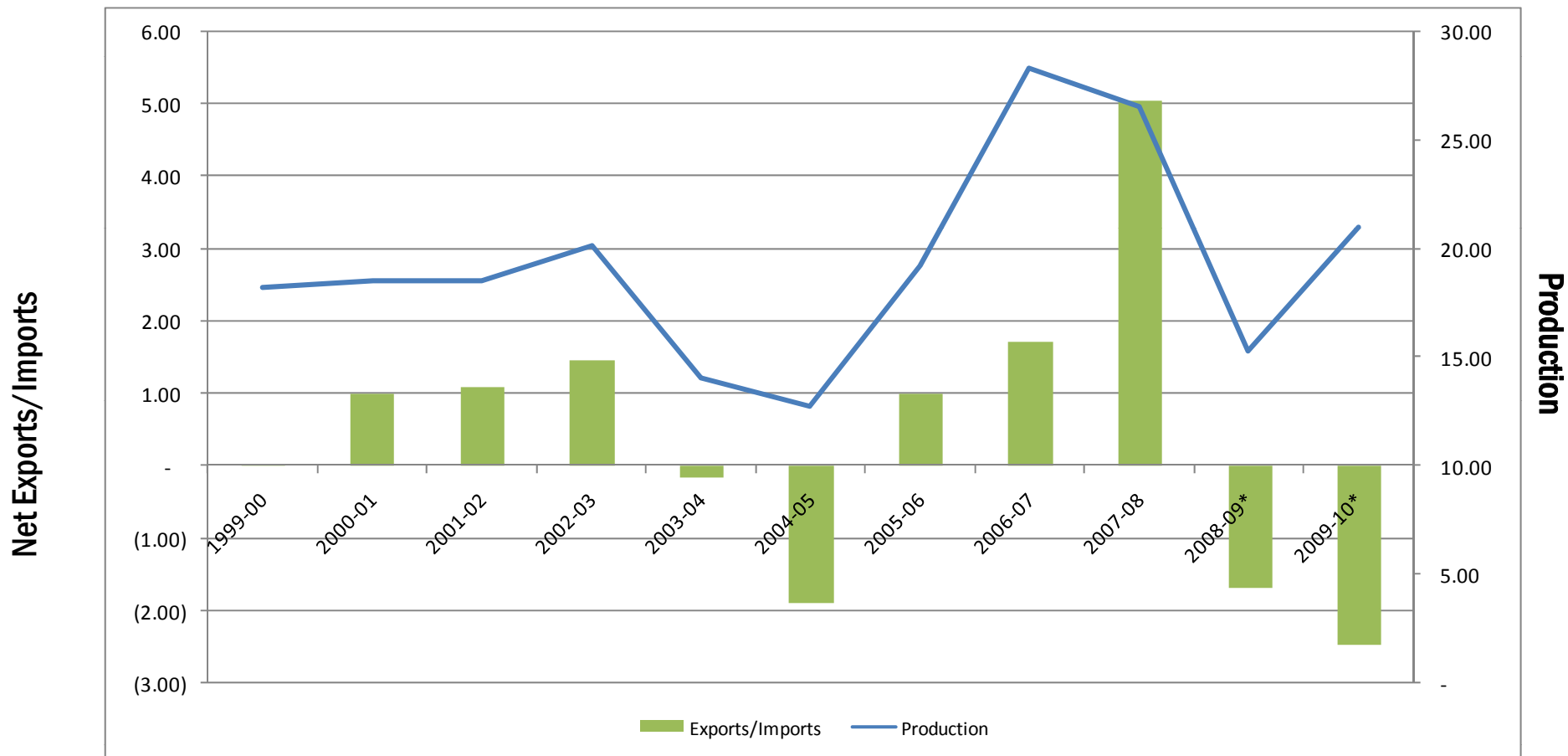
- *How did we get here?*
- *What are we doing about it?*
- *What can happen in the future?*

Section 1

- *How did we get here?*
 - ▣ **Crops and Stocks**
- *What are we doing about it?*
- *What can happen in the future?*

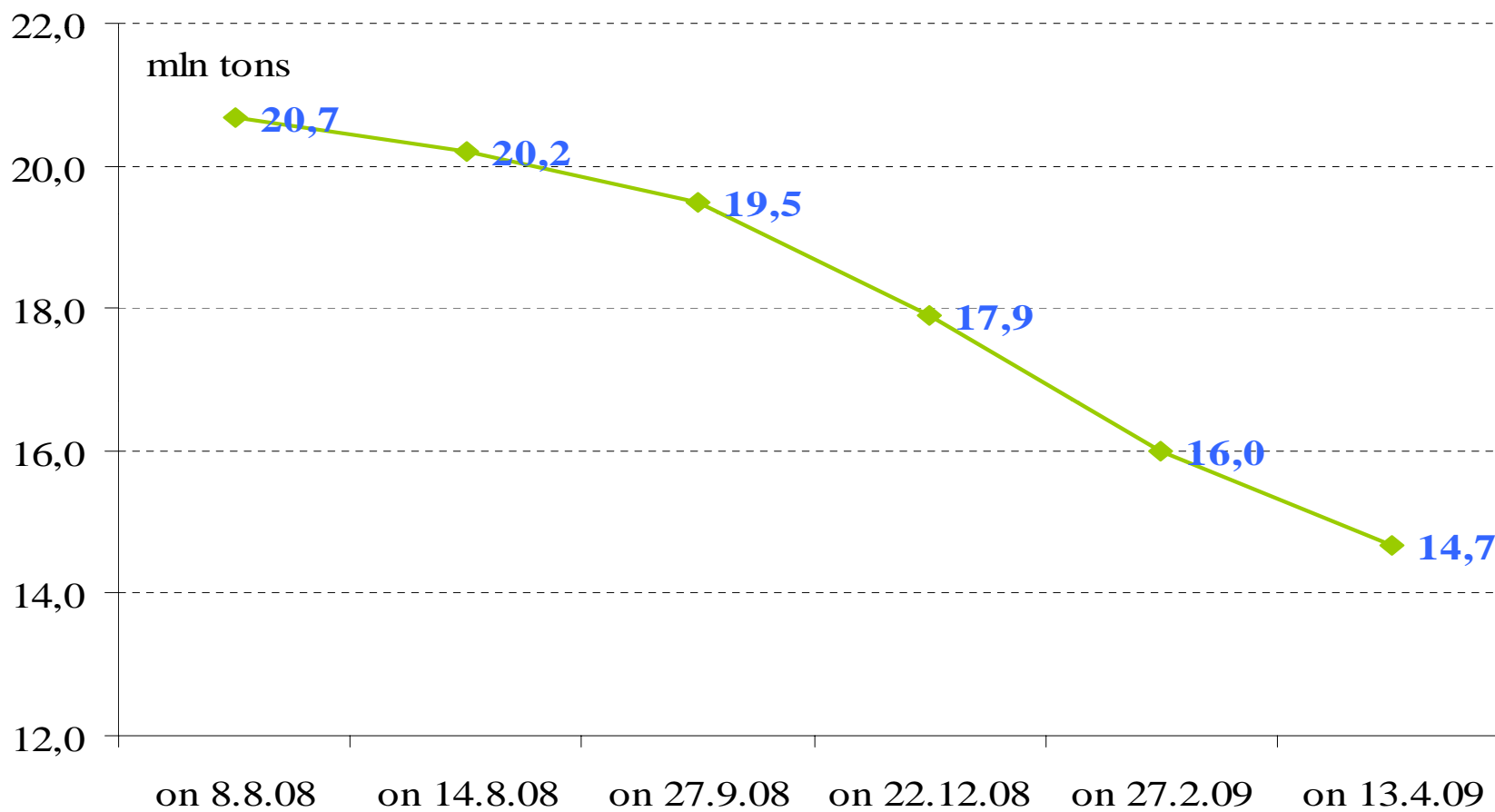


Changing Landscape



Source: ISMA, SRSL estimates

Estimates of Indian Production for 2008-09



Consensus Estimate of Indian Opening Stocks as on 1st Oct 08



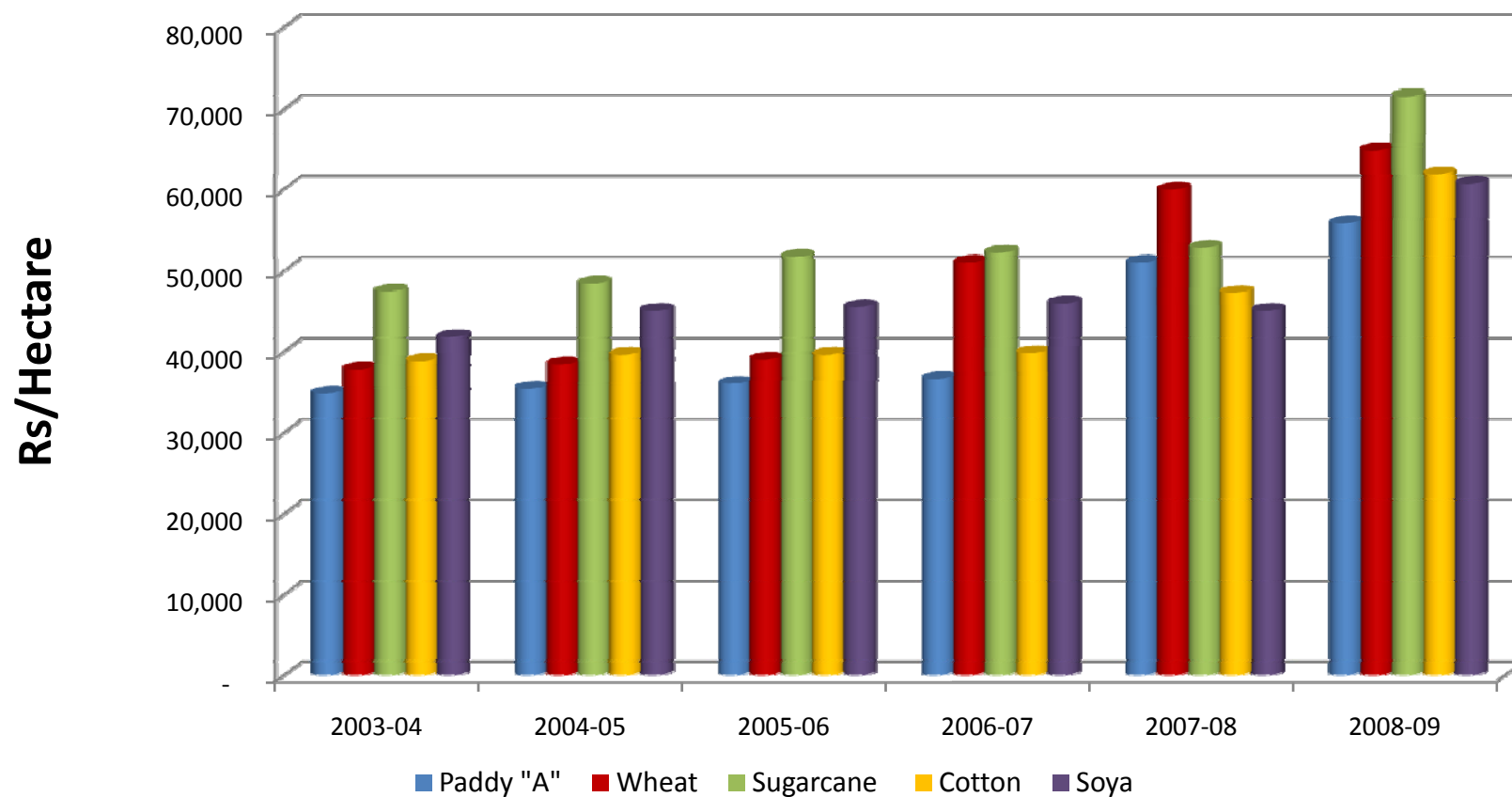
Reasons for a sharp swing in crop

- **Increase in Cane Arrears**
- **Uncertainty due to court action by millers in some states**
- **Better returns from other crops**
- **Extreme volatility in agri-commodity prices in 2008**



Swing factors (contd.)

□ Relative returns of crops in India



Source: SRS estimates

Weather and Crop Care

□ Weather Effects

Both tonnage and yield of sugar were affected

□ In North India

- Heavy and late rain

□ In South India

- Dry first half of the monsoon followed by heavy rain
 - Normal Yields 80 tons/Ha
 - Early season yields (Nov-Dec 2008) were 60 tons/Ha
 - Later season yields (Jan-Feb 2009) were 45 tons/ Ha

□ Poor Crop Care across the country

- Low and /or late cane prices in 2007/08
- Some fertilizer shortages



Effect of yields and recovery

	Cane Acreage	Agricultural yields	Industrial recovery	Sugar Impact
Maharashtra	-35%	-16%	-6%	-4,6 mln ton
Uttar Pradesh	-13%	-10%	-10%	-3,2 mln tons
Tamil Nadu	-20%	-3%	+2%	-0,5 mln tons
Karnataka	-25%	0	-3%	-0,8 mln tons
Andra Pradesh	-59%	0	0	-1 mln tons
Total India	-20%	-9%	-7%	-11,8 mln tons

Courtesy : Sucden

Section 2

- *How did we get here?*

- ***What are we doing about it?***
 - ▣ Import Policy
 - ▣ Inventory Policy

- *What can happen in the future?*

Evolution of Govt's Exim Policy

Advance Licence Scheme: Import of Raw sugar duty-free; to be refined and sold in the domestic market with an obligation to re-export equal quantity in the next 3 years

17feb
2009

Duty Free Raw Sugar Imports : Allowed without export obligation or quantity restriction upto 1st August 2009

11 Apr
2009

Duty-Free White Sugar Imports : 1 million mt of white sugar imports allowed duty-free but channelized through the 4 Public sector companies

Why are raws imports dominating



	Units	Import Parities	
		Brazilian Whites	Raws
NY futures price	c/lb	15.00	15.00
Prem/disc for prompt delivery	\$	80	
FOB Price	\$/mt	410.8	344.1
Freight	\$/mt	55.0	35.0
CNF price	\$/mt	465.8	379.1
CNF	Rs/mt	23,288	18,955
Logistics and Other Costs	Rs/mt	900	1,500
Refining Costs	Rs/mt		2500
Sales tax 4%		932	
Freight to Delhi from Origin	Rs/mt	850	500
Ex Delhi Cost of white sugar	Rs/mt	25,969	23,455
Today's price in Delhi *	Rs/mt	23,000	23,000
Cost saving for refining raw sugar vs importing white sugar	Rs/mt	2,514	
In USD	\$/mt	50.3	

*excludes central excise duty

The joys of bulk handling





Refining Capacity State-wise

States	Off Season	In Season	Standalone
Karnataka	0.4	0.3	
Maharashtra	0.3	0.6	
UP	0.2	0.4	
Andhra Pradesh	0.2	0.2	
Tamil Nadu	0.6	0.2	
West Bengal	-	-	0.8
Total	1.7	1.7	0.8
Grand Total			4.2

Source: SRSL estimates

All figures in million tons

Govt's inventory Policy

- A key focus area for govt has been to discourage speculation and control the trade-flow
 - Stocks Limits on traders
 - Producers to sell govt-stipulated quantities every week
 - Monitoring of stocks and sales of mills
 - Higher margins on domestic futures markets

**Net Result : Pipeline has shrunk
and released about 1 million tons
of stock**

Section 3

- *How did we get here?*
- *What are we doing about it?*
- *What can happen in the future?*
 - ▣ Stock drawdowns
 - ▣ Imports
 - ▣ Crop Innovations



Likely effect of India on the world market

□ Indian Raw Sugar import program

Figures in '000 mt

Brazil Crop Year	Q4, 2008	Q1, 2009	Q2, 2009	Q3, 2009	Q4, 2009	Q1, 2010	Q2, 2010	Q3, 2010	Totals
2010 crop	-	-	-	-	-	-	750	500	1,250
2009 crop	-	-	300	400	500	500	250	-	2,500
2008 crop	245	630	225	-	-	-	-	-	1,100
Indian Imports	1,800			2,500					4,300
Brazilian Exports	22,000			26,000					

Source: SRSL Estimates



India – S&D Scenario

All figures in mln tons

	2005-06	2006-07	2007-08	2008-09*	2009-10*
Opening Stock as on 1st Oct.	4.60	4.00	10.10	9.55	4.00
Production during the Season	19.20	28.30	26.50	15.25	21.00
Imports	0.10	-	-	1.80	2.50
Total Availability	23.90	32.30	36.60	26.60	27.50
Off-take					
1) Internal Consumption	18.80	20.50	22.00	22.50	23.00
2) Exports	1.10	1.70	5.05	0.10	-
Total offtake (I) + (II)	19.90	22.20	27.05	22.60	23.00
Closing Stock as on 30th Sept.	4.00	10.10	9.55	4.00	4.50
Inventory (months consumption)	2.3	5.5	5.1	2.1	2.3

* *Estimates*

The Evolving Solution

- Manage with much lower stocks than in the past
 - ▣ Conventional wisdom requires three months of stock on 1st October
 - ▣ Pipeline is being squeezed to the bare minimum (2 months consumption) by regulation
- Buying on dips
 - ▣ The industry has not chased the world market at all

Crop Innovations

- Early Crushing
 - Can add 1 million tons of sugar in October-November
 - at the cost of 100,000tons in lower recovery (sugar yield)
- Short-Duration Cane (*Mirgi*)
 - *April-July planted cane can be harvested in March-June 2010*
 - *Possible 750,000 tons in Maharashtra and Karnataka*



Thank You