ANNUAL REPORT - 2011

RIGA SUGAR COMPANY LIMITED

An ISO 9001:2008 & ISO 14001:2004 Certified Company

RIGA SUGAR COMPANY LIMITED
Annual Report : 2011

Board of Directors	:	Shri O. P. Dhanuka – Chairman & Managing Director Dr. I. K. Saha Dr. Gora Ghose Shri Pankaj Tibrawalla Shri S. Borar Shri S. K. Goenka
CEO & Company Secretary	:	Shri S. Prasad
Auditors	:	K. N. Gutgutia & Co. Chartered Accountants Kolkata
Bankers	:	Bank of India Union Bank of India
Registered Office	:	14, Netaji Subhas Road 2nd Floor Kolkata-700 001
Works	:	Dhanuka Gram P. O. Riga Dist. Sitamarhi Bihar-843 327
Registrars & Share Transfer Agent	:	S. K. Computers 34/1A, Sudhir Chatterjee Street Kolkata-700 006
Shares Listed at	:	The Calcutta Stock Exchange Ltd. 7, Lyons Range, Kolkata-700 001 Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai-400 001
Legal Advisor and Soliciator	:	Khaitan & Co. Emerald House 1B, Old Post Office Street Kolkata-700 001

NOTICE

NOTICE is hereby given that the Thirtieth Annual General Meeting of the Members of RIGA SUGAR COMPANY LIMITED will be held on Saturday, the 20th August, 2011 at 11.45 A.M. at Kalakunj, 48, Shakespeare Sarani, Kolkata-700 017 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Accounts of the Company for the 18 Months Period ended 31st March, 2011 and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Dr. Gora Ghose, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Pankaj Tibrawalla, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

Registered Office :
14, Netaji Subhas Road
2nd Floor
Kolkata-700 001
Dated : 27th May, 2011

By Order of the Board

S. PRASAD
Company Secretary

NOTES :

1. A Member entitled to attend and vote is entitled to appoint a Proxy to attend and vote on poll instead of himself and the Proxy need not be a member of the Company. The enclosed Proxy Form, if intended to be used, should reach the Registered Office of the Company, duly completed, not less than forty eight hours before the scheduled time of the Meeting.
2. The Register of Members and the Register of Transfer will remain closed from 18.08.2011 to 20.08.2011 (both days inclusive).
3. Members intending to require information about accounts to be explained at the meeting are requested to write to the Company at least ten days in advance of the Annual general Meeting.
4. Members are requested to bring copy of the Annual Report to the Meeting.
5. The Equity Shares of the Company is under compulsory dematerialisation and the same have been activated in demat form on both the Depositories i.e NSDL and CDSL. Members are advised to get their Shares dematerialised. The ISIN No. is INE 909 C01010.
6. Members are hereby informed that Dividend(s) which remain unclaimed/ unencashed over a period of 7 years have to be transferred by the Company to Investor Education & Protection Fund of the Central Government. The shareholders who have not encashed their Dividend Warrant are requested to claim the outstanding dividend declared by the Company for the financial year 2003-04, 2004-05, 2005-06 and 2008-09.
7. Members holding shares in physical form are requested to advise the Company and the members holding shares in dematerialized form are requested to advise their Depository Participants immediately about any change in their address.

8. Members holding Shares in Physical Form and desirous of making a nomination in respect of their Share Holding in the Company, as permitted under Section 109A of the Companies Act, 1956 are requested to submit to the Company's Registered Office.

9. Appointment/Re-appointment of Director :

   Dr. Gora Ghose and Mr.Pankaj Tibrawalla, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

   Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, following information is furnished about the Director(s) proposed to be appointed/re-appointed:

   Dr. Gora Ghose is 63 years old. He is Ph.D., M.B.A., L.L.B, M.B.I.M., F.B.I.M., is a practicing Management & Economics Consultant, presently Director in Polar Pharma India Ltd., Steel Products Ltd., SPS Steels Rolling Mills Ltd., and Managing Director in Conam Management Consultants Pvt. Ltd.

   Dr.Gora Ghose does not hold any share of the Company.

   Mr. Pankaj Tibrawalla is 36 years old, a Commerce Graduate, having done M.Sc. in Business Management at the Strathclydo Graduate Business School, Glasgow, U.K. is presently Director in Shree Shyam Coal Co. Ltd., Accent Industries Ltd., Ramsarup Towers Ltd., Mica Pvt. Ltd., Ishaan Properties & Inv. Pvt. Ltd., Kejriwal Investment Co. Pvt.Ltd., Gap Infrastructure & Housing Pvt. Ltd.and Garima Developers Pvt. Ltd.

   Mr.Pankaj Tibrawalla does not hold any share of the Company.

11. As per Section 53 of the Companies Act, 1956, which provides for service of documents under 'Certificate of Posting' as one of the accepted mode of service, whereas the 'Department of Posts' has recently discontinued the postal facility under 'Certificate of Posting' vide their letter dated 23.02.2011. 'The Information Technology Act, 2000' also permits service of documents etc. in electronic mode. Keeping this in view the Ministry of Corporate Affairs vide their circular no. 17/2011 and 18/2011 dated 21.04.2011 and 29.04.2011 respectively clarified that a Company would have complied with Section 53 of the Companies, Act,1956, if the service of document has been made through electronic mode provided the Company has obtained email addresses of its members. However such members have given option to receive the documents in physical form.

    Members holding shares in electronic mode are therefore requested to ensure to keep their email addresses updated with the Depository Participants. Members holding shares in physical mode are also requested to update their email addresses by writing to the Registrar and Transfer Agent of the Company at the address as mentioned below quoting their folio number(s) :-

    S.K.Computers,
    34/1A, Sudhir Chatterjee Street,
    Kolkata - 700 006

DIRECTORS' REPORT

To

The Shareholders,

Your Directors have pleasure in presenting their Report and audited Accounts of the Company for the 18 months financial year ended 31st March, 2011.

FINANCIAL & OPERATIONAL RESULTS

FINANCIAL RESULTS

(Rs. in Lacs)

			For 18 months Financial Year 31st March, 2011	For 12 months Financial Year 30th September, 2009
(a)	Operating Profit Before Interest and Depreciation		1,803.94	1,831.56
(b)	Interest		1,092.51	949.36
(c)	Cash Accruals		711.43	882.20
(d)	Depreciation		597.11	585.67
(e)	Profit Before Tax		114.32	296.53
(f)	Provision for Tax	– Current Tax	11.13	—
		– Deferred Tax	52.85	74.12
		– Fringe Benefit Tax	—	4.00
		– Income Taxes of earlier year	(0.50)	6.94
(g)	Net Profit After Tax		50.84	211.47
(h)	Balance brought forward from last year		6.96	(136.26)
(i)	Profit available for appropriation		57.80	75.21
(j)	Appropriations :			
	Provision for Dividend		—	58.34
	Tax on Proposed Dividend		—	9.91
(k)	Balance Carried to Balance Sheet		57.80	6.96

DIVIDEND :

In view of insufficient profit your Directors do not recommend Dividend.

CHANGE IN FINANCIAL YEAR

The Company has extended the reporting financial year starting from 1st October, 2009 to an 18 months' period ending 31st March, 2011 which has been necessitated due to future alignment of financial year to March end in view of proposed implementation of IFRS by companies in phased manner, Income Tax provisions and compliance with the proposed provisions in the Companies Bill, 2009.

Accordingly approval was obtained from the Registrar of Companies, West Bengal, to extend the financial year 2009-10 of the Company to 18 months period ending 31st March 2011 and also extension of time to hold Annual General Meeting of the company. The financial results for the year under review covered a period of 18 months and are not comparable with the result of 2008-09, a financial year that cover 12 months.

OPERATIONAL RESULTS

SUGAR UNIT

The reporting 18 months financial year (1st October, 2009 to 31st March, 2011) cover two seasons viz. 2009-10 and 2010-11. The comparative figures in regard to duration of season, cane crush and sugar recovery for the reporting 18 months financial year ended 31st March, 2011 vis-a vis 12 months financial year ended 30th September, 2009 in respect of the Sugar Factory of your Company are given below :-

	18 Months Financial Year ended 31st March, 2011	12 Months Financial Year ended 30th September, 2009
1. Duration of crushing (gross days)	193	82
2. Cane crushed (Lac Qtls.)	70.21	25.58
3. Recovery (%)	9.13	8.92
4. Production (Lac Qtls.) – From Sugarcane	6.39	2.28

Season 2009-10

During the season 2009-10 the sugar factory operated for 74 days with cane crush of 22.21 Lac Qtls. with recovery of 9.10%. Due to lower availability of cane the sugar factory run at much lower capacity which increased cost of production tremendously owing to lower economy of scale. Not only sugar production reduced but related molasses and Alcohal production also slumped.

Before commencement of the sugar season 2009-10, the Central Government issued incorrect estimate in regard to sugar production in the country at 145 Lac M/T against annual consumption of 225 M/T, which created shortage psychosis and as a result the sugar prices shoot up to an all time high of Rs.3500/- to Rs.3,800/- per Quintal. Taking into consideration the high sugar prices, the sugarcane price was also increased from Rs.120/ per Quintal to Rs.205/- to 250/- per Qtl. i.e. hike of about 100% at the insistence and intervention of respective State Governments. Thereafter the Central Government with a view to cool down the prevailing high sugar prices allowed unrestricted sugar imports to the country by abolishing Customs Duty of 60%. Government of India imposed unprecedented restriction on the sale of sugar -weekly quota sale, stock limits on traders and compulsory import by bulk consumers etc. to cool high domestic price.

However the actual sugar production for season 2009-10 was much higher than the government estimates and touched 185 Lac M/T.

Due to comfortable opening stock, higher production and arrival of duty free imported sugar in the country, the prices started to fall sharply from Rs.3,800/- and touched to Rs.2,700/- per Quintal. On the other hand the cost of production of sugar increased to Rs.3,500/- per Quintal mainly due to about 100% increase in cane price besides considerable increase in the cost of other inputs, thereby huge gap between the cost of production and actual realization on sale of finished product.

Though the Central Government was well aware of the free fall in sugar prices and consequent acute hardship caused to the domestic Sugar Industry due to such cheap and unrestricted sugar imports in the country, but did not take any step in the matter. A belated decision has been taken to lapse the exemption of import duty of 60% on imported sugar from the month of February, 2011.

The aforesaid micro and macro factors resulted into lower sales and adverse margins.

Season 2010-11

During the whole season 2010-11 the sugar factory operated for 121 days with cane crush of 48.11 lacs qtl. and recovery of 9.16%. The sugar factory successfully achieved and ran at expanded crushing capacity of 5,000 TCD during the season 2010-11. The sugar factory made substantial saving of bagassee due to better operational performance during the season which has got good market apart from own requirement for power in off-season and in Distillery.

During the season the cane price was marginally increased by Rs. 5/- per qtl. from last year. The higher price of cane encouraged the farmers and they switched again to sugarcane farming and planted more areas under sugarcane. Since the cane price paid by sugar factory was very high so diversion to GUR was lower and thus higher supply to the sugar factory. Since the other sugar factories cane areas and cane production was good so there was lesser competition for procurement of sugarcane in free area (outside command area). Further the Central Government has taken effective steps on Indo-Nepal Border, as diversion of cane to Nepal was negligible as against about 7 lacs qtls. last year.

Sugar Industry is widely influenced by world demand-supply position not only in domestic market, but worldwide. The international price of sugar was firmed up to USD 800/MT, so the import of sugar was checked in later part of the year. Expecting better production in the season 2010-11 the central government decided to allow export against advance license and under OGL in the month of December, 2010. But government hold back the decision to export under OGL on the fear of spiraling inflation of commodities prices, although sugar was not contributory to it rather its price has substantially decreased. By the time the international sugar price started falling from January , 2011 onward after having news of better production in India and Brazil and it touched to USD 650 per MT in April, 2011. Government cleared the deck of allowing export under OGL, but by that time Indian sugar Industry lost much of the opportunity to en-cash in good international market and was deprived of making their losses good to some extent.

Sugar Industry Paradox

The ironic story of Indian sugar industry continued, in above two seasons, thanks to governments-central and state-inconsistence policy. When the domestic price was went up in line with cost of production, the import duty was removed, export was banned and unfettered import was allowed so that domestic price crashed well below cost of production in 2009-10.

In contrast in 2010-11 when the domestic production was more than comfortable level even than export was banned and industry was not allowed to en-cash the higher international price and make up their losses and reduce the inventory to comfortable level.

Expansion of Sugar Plant Capacity & Incentives

The sugar plant of the company successfully achieved expanded capacity from 3,500 TCD to 5,000 TCD during season 2010-11 and ran at enhanced capacity of 5,000 TCD. The company has also got certificate of commencement of production at expanded capacity to 5,000 TCD from state government authority for the purpose of availing Incentive Claim as per Bihar Sugar Incentive Policy, 2006. The company accordingly has made claim for 10% capital subsidy on fixed assets investment, exemption of purchase tax on sugarcane and reimbursement of excise duty on sugar for five years on additional production.

DISTILLERY UNIT

The Distillery Unit of your company produced 98.61 lacs B.L. of Industrial Alcohol during 18 months financial year ended 31st March, 2011 as against 54.98 Lac B.L. during previous 12 months financial year.

For the season 2009-10 there was lower production due to lower availability of Molasses from own factory as well as from the sugar factories of the state due to short season. Moreover the molasses produced in the state was not allotted proportionately according to the capacity amongst the state distilleries by the relevant state government authority.

However for current season the availability of molasses is better and expect to make much higher production.

The Ethanol Plant supplied only 0.20 Lac B.L. against 4.72 Lac B.L. in previous year.

ETHANOL

The ethanol price increased from Rs. 21.50 per BL to Rs. 27.00 per B.L.. The company participated in Tender floated by Oil Marketing Companies (OMC) and got LOI for supply of ethanol to the depot of OMC in Bihar. However the state government of Bihar has no policy on Ethanol and thus not allowing sufficient transfer of Rectified Spirit, which is under state control, for manufacture of Ethanol. Neither the state is issuing NOC to OMC for lifting of produced Ethanol.

Thus in the state of Bihar the ambitious Central Government Ethanol Blending scheme is failing, unlike other states where there are least restriction on Ethanol production.

SEGMENT-WISE PERFORMANCE :

During the reporting period sugar segment contributed 86 percent of net sales of the company whereas Distillery accounted for 14 percent. The company identified two business segments in line with the Accounting Standard on Segment Reporting, Segment-wise Revenue, Results and Capital Employed is stated in Note No.23 of Schedule 14 of Audited Accounts enclosed with the Annual Report.

INDUSTRY STRUCTURE & POLICY

Structure

Sugar Industry, is seasonal in nature and directly dependent on monsoon for availability of adequate sugar cane. India is the largest consumer and second largest producer of sugar in the world, contributing over 15 percent of the world's sugar production through over 500 sugar factories situated in different parts of the country. The sugar Industry is the largest agro based industries in India. This industry also provides valuable by-products like bagasse, molasses and press mud. The availability of these by-products had led to setting up of Alcohol/Ethanol/Co-generation of Power and Organic Manure plants. Over 5 Crore farmers, large number of agricultural labour are involved in sugarcane cultivation and its harvesting operations. The growth of sugar industry has a powerful impact on the rural economy. Integrated Sugar Industry (comprising sugar, molasses, alcohol, power and bio-fertilizer) enjoys annual turnover of about Rs. 75,000 Crore and contribute about Rs.3,000 crore to the Central Government Exchequer by way of central excise duty every year beside state taxes on sugarcane and hefty taxes collected by state as excise and VAT on sale of spirit in the state which run an estimated Rs.10,000 crores annually. Beside the direct taxes by way of income is additional source of revenue to the government from sugar industry. Sugar Industry accelerates rural development through farm employment as well as business opportunities in transport and communication.

Sugar has been declared as an 'essential commodity' under the Essential Commodities Act, 1955. Under Sugarcane (Control) Order 1966, the Government of India fixes the Statutory Minimum Price (SMP) replaced with Fair and Remunerative Price (FRP) for sugarcane every year based on the recommendations of the Commission on Agricultural Costs & Prices. From 2010-11, 10% of sugar production is earmarked as Levy sold under PDS to BPL families (which was 20% last year) and balance as free which is regulated by government through monthly release.

Sugar Cycle

The Indian sugar industry is characterized by cycle of high and low sugar production. This cycle of 5-7 years is broadly of two types viz. Natural comprising climatic variation, water availability and pest attacks. The other is induced cyclicality which have sequence like — higher sugar production and accumulation of stock — decline in sugar prices & profitability — higher sugarcane arrears — decline in area under cultivation & Lower cane production — lower sugar production — lower sugar availability and stock and thus increase in sugar prices — improved profitability & low cane arrears — higher cane production — higher sugar production and so on. Every time the cyclicality reaches its low government have to step in to provide Fiscal support in the form of Export subsidy, Buffer Stock creation, Interest Free Loans etc.

The fundamental problem of the Indian Sugar Industry is that there is no relation between the price of raw material i.e. sugarcane and its finished goods i.e. Sugar. In some states cane price is fixed by the state government unreasonably high. Sugar Price are regulated by Union Government through varieties of measures including regulation of monthly release and control on international trade. Illogical intervention of state government cause wide economical distortation in sugar industry. In almost all major sugar producing countries of the world the price of cane paid to the farmers depends on realization from sugar.

Fair and Remunerative Price of Sugarcane

In 2009-10 the Central Government rightly took decision to replace SMP (Statutory Minimum Price) with FRP (Fair & Remunerative Price) of sugarcane so as to pay fair and remunerative price of sugarcane by the mill as dictated by central government which is comparable with other crops realization to the farmers. The aim was to remove the intervention of the state government in fixation of cane price. However FRP price announced by central government since its introduction has been neither fair nor remunerative price from any angle. The industry was forced to pay price of Rs. 200-250 per qtl. last season and at Rs. 205 per qtl. this season against governments FRP of Rs. 129.84 and Rs. 139.12 respectively linked with basic recovery of 9.5%. The government has came out with FRP announcement for next season 2011-12 also at Rs. 145 per qtl. which has no basis, no comparison with other crops, no linkage to the cost of production to farmers, no relation with inflation rate and far from realistic. This has been done with single objective of keeping Levy price of sugar at lower level, far below than cost of production. The Levy sugar system to BPL families itself is suffering from serious lacuna.

Thus petty thinking of the central government is damaging the purpose of FRP and state government continue to intervene in cane price fixation arbitrarily which are inflicting heavy damage to the industry. The government should think to reintroduce well devised Bhargava Formula which state that whenever there is extra realization over and above the sugar price fixed on the basis of SMP the same should be shared equally between the farmers and factory.

Levy Sugar

The sugar industry is the only industry in the country which is made to bear the burden of food subsidy under which it is required to supply 10% of its production to the Government as levy sugar at a discounted price, which at present is about 2/3rd of the open market sugar price. The sizable quantity of levy sugar lifted by state government nominee is diverted by unscrupulous traders in the open market and not actually goes to concerned poor family. The levy sugar price fixed by the Government is unrealistic and is often below even the cost of sugarcane. There is no other industry in the country which is required to supply any part of its production for the public distribution system. The Government procures other commodities from the market like wheat, paddy, kerosene, pulses etc. for the PDS. The Food subsidy bill of the Central Government is around Rs. 70,000 crore. A rough calculation of the subsidy burden the Central Government will have to bear, if it procures sugar for its PDS directly from the market, indicates that the additional subsidy burden on account of sugar would be around Rs. 2,500 crore only.

Distillery & Ethanol

Movement and distribution of Molasses and Alcohol (co-products) are governed by the State Governments. Here also due to lack of clear cut cohesive policy which varies from state to state it take considerable time to even allot the sugar factory's own molasses to Distillery and allotment of finished goods Alcohol due to several bureaucratic hurdles. The ethanol blending program also suffer as states are reluctant to allow permission for allocation of alcohol for production of ethanol. The state authority put hurdles on ethanol production due to perceptible fear of losing revenue and meeting state requirement for potable.

Decontrol of Sugar Sector

The sugar industry is the most controlled industry in the country and sugar as a commodity, continues to be politically sensitive and strictly controlled by the Government of India. Right from the stage of setting up of sugar factory to area reservation of sugarcane, pricing of sugarcane, how much quantity a sugar factory can sell every month including bearing the cost of levy sugar at a discounted price, to compulsory packing of all sugar in jute bags, are decided by the Government. Unfortunately, such decisions of the Government are usually not based on pure economic consideration but are based on extraneous factors like inflation in other commodities or the general perception of the Government about production and demand in the country. The system has generally been seen to be to the disadvantage of the sugar industry, sugarcane farmers and also the consumers of sugar.

The Government has basically been ineffective in controlling the sugar prices especially when the sugar production has not been adequate. In the years of surplus production of sugar, Government releases often distorts the sugar market and kept the sugar prices below the cost of production causing losses to the sugar mills and resulting in building up of cane price arrears.

The sugar industry has been almost continuously agitating before the Government to deregulate the industry so that the sugar mills are able to plan not only their production of sugar but also sale of sugar and thereby cash flows.

The Government is considering introducing decontrol in sugar industry in phased manner and as first steps proposal to removing levy quota and monthly release mechanism.

Linkage of Sugarcane Price with Sugar Price

Almost all the countries follow a practice of cane price payment linked to the sugar price including one or both the by-products price. It is a general understanding that the linkage of cane price to sugar price will ensure a more stable sugar production and less volatility in the availability of sugar and price of sugar. The Prime Minister's Office has formed a Committee under the Chairmanship of Dr. Rangarajan to examine possibilities of such linkages in India also. The government has asked opinion from industry about sharing of sugar and by-product realization with the farmers by formulating a formula of sharing realization of about 60% and thereby fixing the most rational basis of cane price. This will be most positive steps by the government which will stabilize the sugar industry and will lessen the adverse effect of sugar cycle. The political consideration of fixing cane price will also be removed.

CANE & SUGAR POLICY

- The ratio of levy for the season 2009-10 was increased to 20% from 10% because of lower availability of levy quantity due to lower production. From 2010-11 levy restored to 10%.
- The Fair and Remunerative Price (FRP) was introduced for the season 2009-10 in place of Statutory Minimum Cane Price (SMP).
- The levy sugar price for the season 2009-10 was revised after 5 years at Rs. 1951.25 per qtl. and for season 2010-11 at Rs. 2052.01 per qtl..
- The stock holding limit of sugar for traders upto 30 days has been extended till September, 2011.
- Stockholding limit on bulk consumers was increased to 90 days.
- Ethanol price for the season 2010-11 has been provisionally fixed at Rs.27.00 per litre ex-factory from earlier Rs. 21.50 per litre.
- The ban on future market in sugar has been lifted from October, 2010.
- The weightage of sugar in Wholesale Price Index (WPI) has been reduced from 3.6% to 1.74%, means contribution of sugar in the inflation index is down by almost 50%.

Import & Export

- Allowed import of raw sugar at zero duty by sugar mills from 17th April, 2009, which was extended till 1st January, 2011. The government extended the custom duty exemption on raw sugar import by bulk consumer till 1st April, 2011.
- Allowed import of white or refined sugar at zero duty by some central PSU from 17th April, 2009. The said facilities was also extended to private traders from 31st July, 2009 till 31st March, 2010.

- Allowed discharge of export obligation under Advance Authorization from December, 2010.
- Allowed export under OGL and factory-wise export quota was fixed on pro-rata basis to the extent of 5 Lac MT, which was later reduced to 4.48 Lac MT plus balance 0.52 Lac MT to neighboring countries from April, 2011.

OPPORTUNITIES AND THREATS

OPPORTUNITIES

Sugar

India is largest consumer and second largest producer of sugar in world. Sugar is an essential item of mass consumption and with increase in income and spending power the consumption pattern of rural India is changing. The consumption of sugar is on increasing trend and there are huge scope for further increase in demand as India is still lagging behind from many advanced countries in respect of per capita consumption of sugar. Thus there are opportunity in production and consumption of higher quantity of sugar in coming period.

Distillery

The consistent increase of demand of Rectified Spirit /Ethyl Alcohol in varied segment and mandatory provision of ethanol doping of 5% and its proposed increase to 10% will have strong support for growth of sugar industry.

Power

The emergence of Renewal Energy Certificate (REC) mechanism and its certification by domestic institutions with tradability on exchange has given opportunity to sugar factories to start bagasse based co-generation at much lower capital investment which will be feasible.

Bio-Compost Fertiliser

The bio-compost and vermi-compost fertilizers being produced by the company has got immense scope of demand in all major agriculture cultivation as it not only preserve the soil from excessive use of chemical fertilizer but also increase its fertility. The company is using distillery effluent and press mud from sugar and other agricultural waste to produce bio-compost which is very cost efficient. Thus the company apart from treatment of effluent and zero discharge adding value and thus expect good cash flow in near future.

THREATS

- The sugar sector is exposed to political intervention.
- Unreasonable increase in cane price in comparison to sugar selling price.
- Industry cyclicality.

FUTURE PROSPECTS/OUTLOOK

The sugar year 2009-10 opened with a stock of 43 lac M/T against 105 lac M/T in 2008-09. The production for the season 2009-10 was at 189 lac M/T as against 145 lac MT during previous season. The import was 41 Lac MT. The domestic consumption of sugar for 2009-10 was at 213 lac M/T. The export of sugar was 2 Lac MT against 2 Lac MT in previous year. The closing stock was thus at 58 Lac MT.

The production for the season 2010-11 is estimated at 245 lac MT with estimated consumption of 225 to 230 Lac MT owing to increase in per capita income, growing population and economic growth. The export is expected at 20 Lac MT and thus there will be no further surplus. The international price of sugar is on increasing trend which will fetch better realization on export. The balancing of domestic sugar will strengthen the domestic price. Re-imposing of import duty will act as deterrent to free import.

The sugar industry's long standing demand of deregulation is under active consideration of the government. Deregulation will help the industry to grow. It would be in broader interest of all stakeholder-growers, millers, and consumers as would reduce the cyclic impact and minimize government interference.

Global Scenario :

The global forecast of sugar for 2011-12 is at around 176 Million MT against 165.5 Million MT in 2010-11. The forecast increase in sugar output is from EU, China, India and Russia. Brazil should have marginally more sugar availability for export in 2011-12.