

## **Synopsis**

### *Indian sugar Industry.....in limelight*

Indian sugar industry has entered the strongest up cycle (lowest stock to use ratio) in the history of 50 years after witnessing supply glut in previous two sugar seasons in a row (SS 2006-08). In SS2006-07, sugar production reached all-time high of 28.3 mn tonnes, registering a growth of 46.6% on yoy basis and it declined marginally by 7.1% to 26.3 mn tonnes in SS2007-08. Sugar production reached an all-time low of 14.7 mn tonnes during SS2008-09 due to sharp fall in the sugarcane acreage. However, sugar consumption continued to grow at a steady pace. It grew at a CAGR of 4% during SS 07-09.

In SS2008-09, on account of a steep fall in sugar production and fall in the stock to use ratio, the average wholesale prices increased by almost 50% on yoy basis. This had a positive impact on the margins of sugar companies in the Q4FY09.

The production of sugar is spread across the country. Maharashtra, Uttar Pradesh, Karnataka, Tamil Nadu, Gujarat and Andhra Pradesh are the major sugar producing states in the country. In SS2007-08, these six states together accounted for almost 92% of the total sugar produced in India. In SS2007-08, the State of Maharashtra produced the highest sugar at 9.1 mn tonnes followed by UP with 7.3 mn tonnes. These two states together account for almost 62% of the total sugar produced in India.

Sugarcane is the primary raw material for the sugar industry. It accounts for almost 75%-80% the total operating cost of the sugar industry. UP is the largest sugarcane-producing state in the country and accounted for about 37% of the total sugarcane output in SS 2007-08 followed by Maharashtra with 24%. Even though, UP is the largest sugarcane-producing state in the country it is the second-largest sugar producer in India as drawal and recovery rates in UP are one of the lowest in India.

CARE Research expects sugar deficit situation in India to continue in SS2009-10 and SS2010-11. We believe that India will bridge the gap between demand and supply through imports. CARE Research expects that sugar prices will continue to rise till SS2009-10 on account of tight demand and supply situation in country.

All Rights Reserved. No part of this report may be reproduced or transmitted in any form without prior written permission from CARE

**DISCLAIMER**

This report is prepared by CARE Research, a division of Credit Analysis & REsearch Limited [CARE]. CARE Research has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in this report is guaranteed. CARE Research operates independently of ratings division and this report does not contain any confidential information obtained by ratings division, which they may have obtained in the regular course of operations. The opinion expressed in this report cannot be compared to the rating assigned to the company within this industry by the ratings division. The opinion expressed is also not a recommendation to buy, sell or hold an instrument. CARE Research is not responsible for any errors or omissions in analysis/inferences/views or for results obtained from the use of information contained in this report and especially states that CARE (including all divisions) has no financial liability whatsoever to the user of this product. This report is for the information of the intended recipients only and no part of this report may be published or reproduced in any form or manner without prior written permission of CARE Research.

Published by Credit Analysis & REsearch Ltd. 4th Floor Godrej Coliseum, Off Eastern Express Highway, Somaiya Hospital Road, Sion East, Mumbai – 400 022. Tel:+91- 22-6754 3456 Fax:+91-22-6754 3457