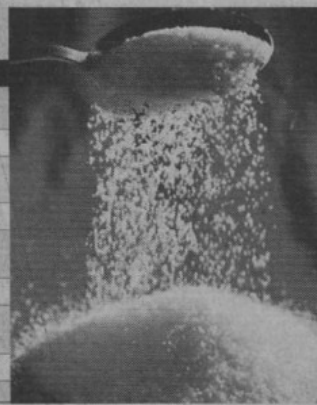


Business Standard - Money & Markets

Sugar stocks plunge on low rain, softening global prices

NOT SO SWEET

Company	Closing Price	Decline (%)
Bajaj Hindusthan	29.25	2.82
Dhampur Sugar	51.60	7.19
Dwarikesh Sugar	66.40	9.48
Mawana Sugar	26.85	9.29
Oudh Sugar	46.00	5.45
Shree Renuka	123.90	7.61
Simbhaoli Sugars	35.10	6.40
Prices on Monday	Source : Bombay Stock Exchange	



BS REPORTER
Mumbai, 13 July

Sugar stocks declined today on fears of deficient rain in major producing regions, softening global prices and likelihood of the government extending duty-free imports of white sugar beyond July 31.

Stock prices of Dhampur Sugar Mills, Dwarikesh Sugar, Mawana Sugar, Shree Renuka Sugars and Simbhaoli Sugars dipped by as much as 9 per cent each. Bajaj Hindusthan dipped around 3 per cent.

In February, the government had allowed duty-free import of raw sugar till September 2009. But this was on the condition that an equal quantity would be exported within three years. In April, mills were exempted from the export condition till July 31.

Last year, the country's sugar production dipped over 45 per cent to around 14 million tonnes from 26 million tonnes in the previous year.

Commodity experts said if private traders were allowed

to import white sugar and mills to buy duty-free raw sugar, the country would have enough sugar in the next season beginning October 2010.

Amol Tilak, research analyst at Kotak Commodities,

In February, the government had allowed duty-free import of raw sugar till September 2009. In April, the mills were exempted from the export condition till July 31

said, "If rain remains lacklustre, we could see a drop in production and the country will have to import more."

The international market has seen a correction in prices in the last fortnight. For instance, the London LIFFE price of white sugar for the October contract is trading at \$ 464 a tonne. It was \$478 a

tonne on July 1. Raw sugar is trading at 17.16 cents per pound on the International Commodity Exchange, as against 18.01 cents on July 1.

Mukesh Kuvadia, secretary of the Bombay Sugar Merchants' Association, said the recovery ratio was the main issue. "Inadequate rain will affect the recovery ratio. While the mills will have to pay for sugarcane, they will get less output. This will add to the burden of the mills," he added.

Meanwhile, sugar prices in the spot market are on the rise. In New Delhi, Kolhapur, Kolkata and Vijaywada, the prices today rose by Rs 22, Rs 12, Rs 7 and Rs 40 a quintal respectively. Mumbai spot prices are reported to be between Rs 2,300 and Rs 2,350 a quintal.

Though international sugar prices have corrected recently, commodity experts say the rates may bounce back in case the country imports heavily. International prices, including the freight cost, are around Rs 25 a kg in the wholesale market. Rs 2 more than the domestic wholesale prices.