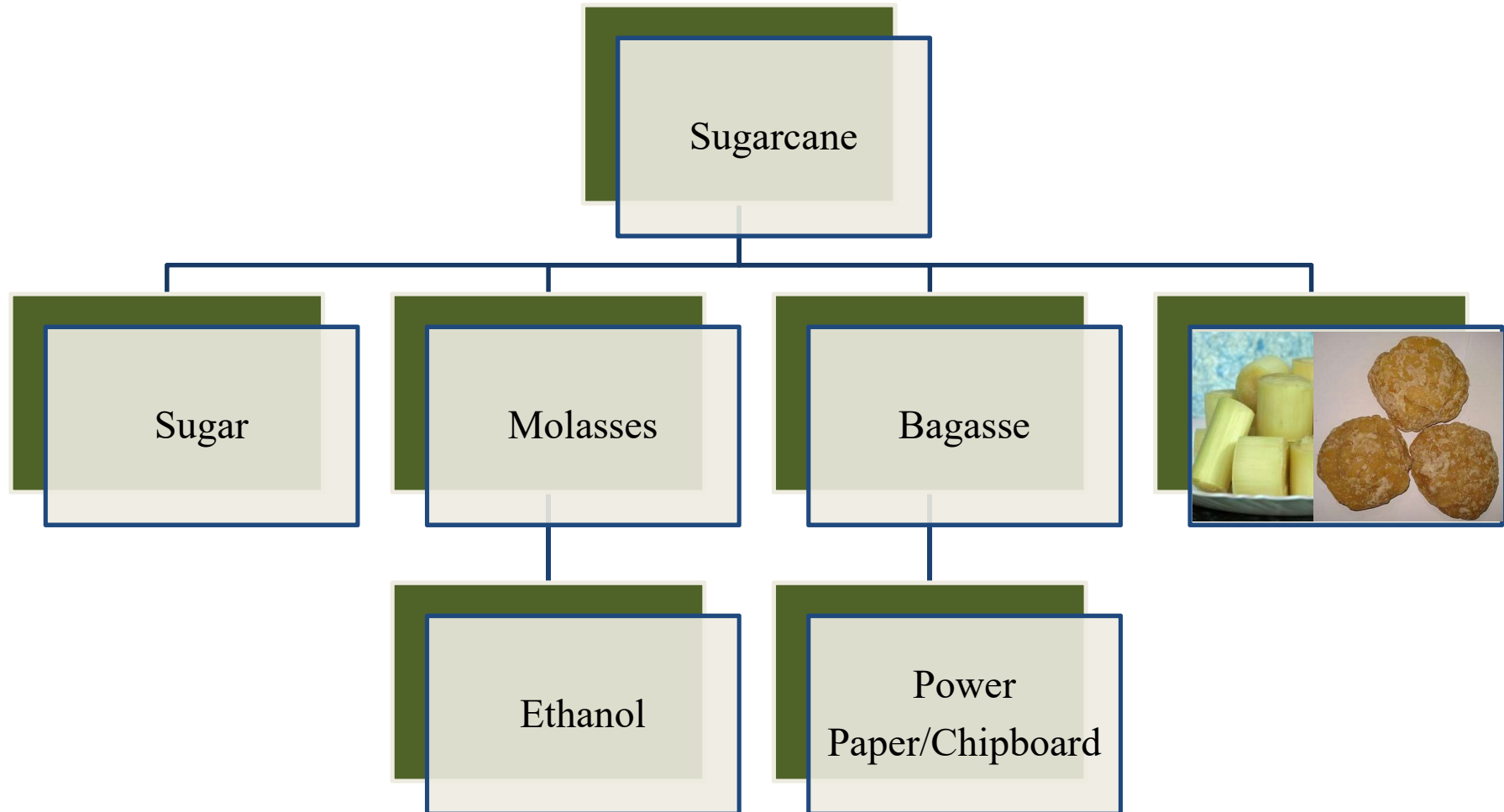


INDUSTRY ANALYSIS – *SUGAR IN PAKISTAN*



MARCH 2018

Sugarcane – *Sugar & By Products*



Value Chain – Where do they fall?

SUPPLY CHAIN



Key Attributes

DYNAMICS OF SUGAR INDUSTRY

Contribution to
GDP (*Sugarcane*):
.7% of GDP

No. of Players: 75
Total Number of
Mills: 89

34 Sugar
Companies Listed
on Stock
Exchanges

Sugar Production:
7 mln tonnes

Sugar
Consumption: 5.1
mln tonnes

Sugar Industry – *Operational Capacity*

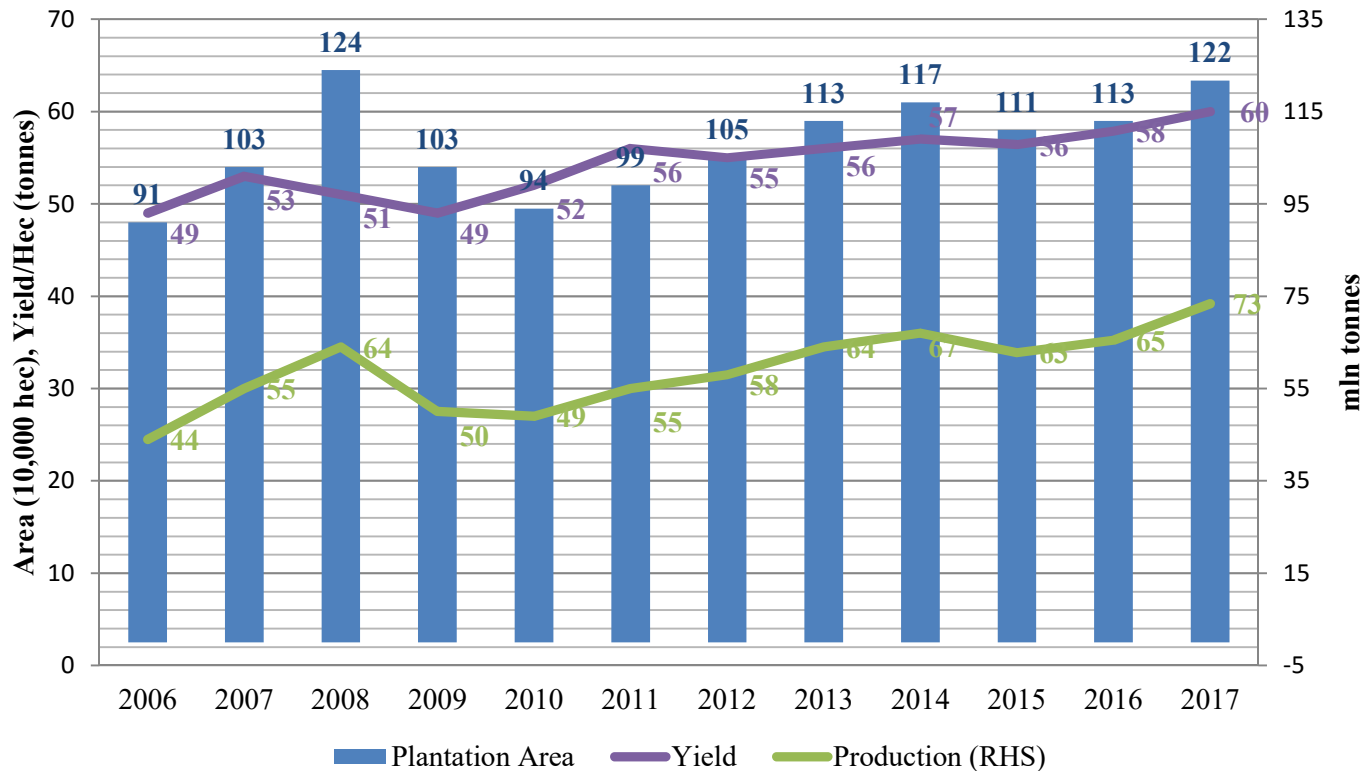
MARKET SHARE OF TOP PLAYERS

Sr.#	Company	Production in(metric tonnes)	Recovery Rate %	Region	Market Share
1	J.D.W (United)	813,406	10.30	Punjab & Sindh	12.4%
2	HAMZA	399,999	10.21	Punjab	5.7%
3	SHE1KHOO	222,539	9.51	KPK	3.2%
4	DEHARKI	205,041	10.51	Sindh	2.9%
5	CHASHMA	203,686	9.16	KPK	3.1%
6	TANIDLIANWALA	193,118	9.2	Punjab	2.7%
7	LAYYAH	176,520	9.64	Punjab	2.5%
8	R.Y.K	168,116	9.73	Punjab	2.4%
9	TWO STAR	164,650	9.4	Punjab	2.3%
10	FATIMA	162,925	10.14	Punjab	2.3%
11	ASHRAF	151,585	9.91	Punjab	2.2%
12	INDUS	146,699	10.12	Punjab	2.1%
21	SHAKARGANJ	144,444	9.37	Punjab	2.0%
22	AL-NOOR	127,798	9.1	Punjab	1.8%
23	Gulf	125,165	10.40	Sindh	1.8%
24	MEHRAN	116,780	11.06	Punjab	1.7%
25	SHAHTAJ	115,754	10.08	Punjab	1.6%
26	MADINA	115,416	9.57	Sindh	1.6%
27	NOON	113,308	10.16	Punjab	1.6%
28	HUNZA	96,375	9.195	Punjab	1.4%
29	ETIHAD	177.316	10.43	Punjab	0.0%
75	Others	3,085,171			43.8%
Total Sugar Produced		7,048,673			

* New Entrants- Two Star, Madina, Gulf, Shahtaj and Noon in place of Habib, Faran, Khairpur

Raw Material | Sugarcane – *Statistics*

Sugarcane: Plantation Area, Production & Yield



- Shift from Cotton cultivation to Sugarcane cultivation due to its resilient nature to pest infestation and weather conditions.
- Government intervention to support sugarcane prices guarantees a better return to farmers.
- Adequate weather and water Conditions, with adequate monsoon resulted in better yields.

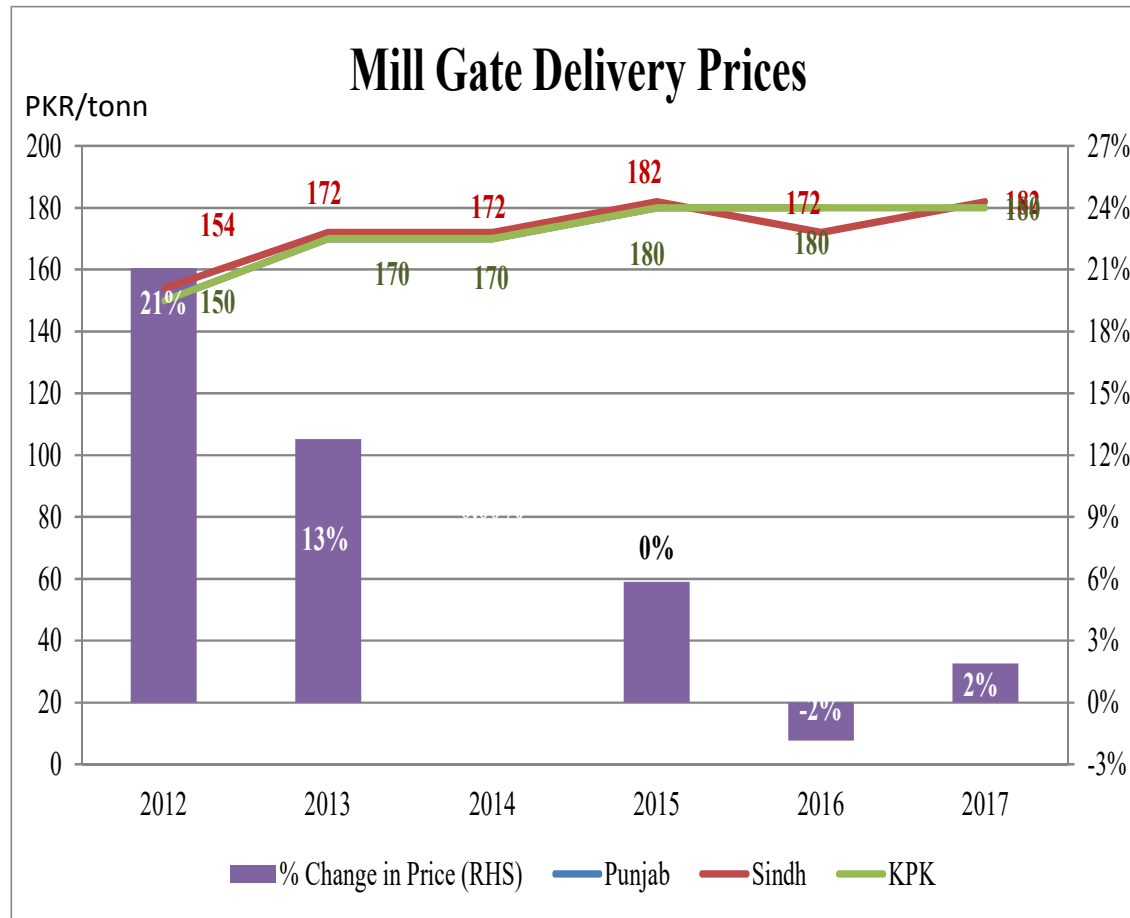
**Forecast
2018**

131
(10,000hec)
Plantation Area

78
(mln tonns)
Sugarcane Production

7.5
(tonns/hec)
Sugar Production

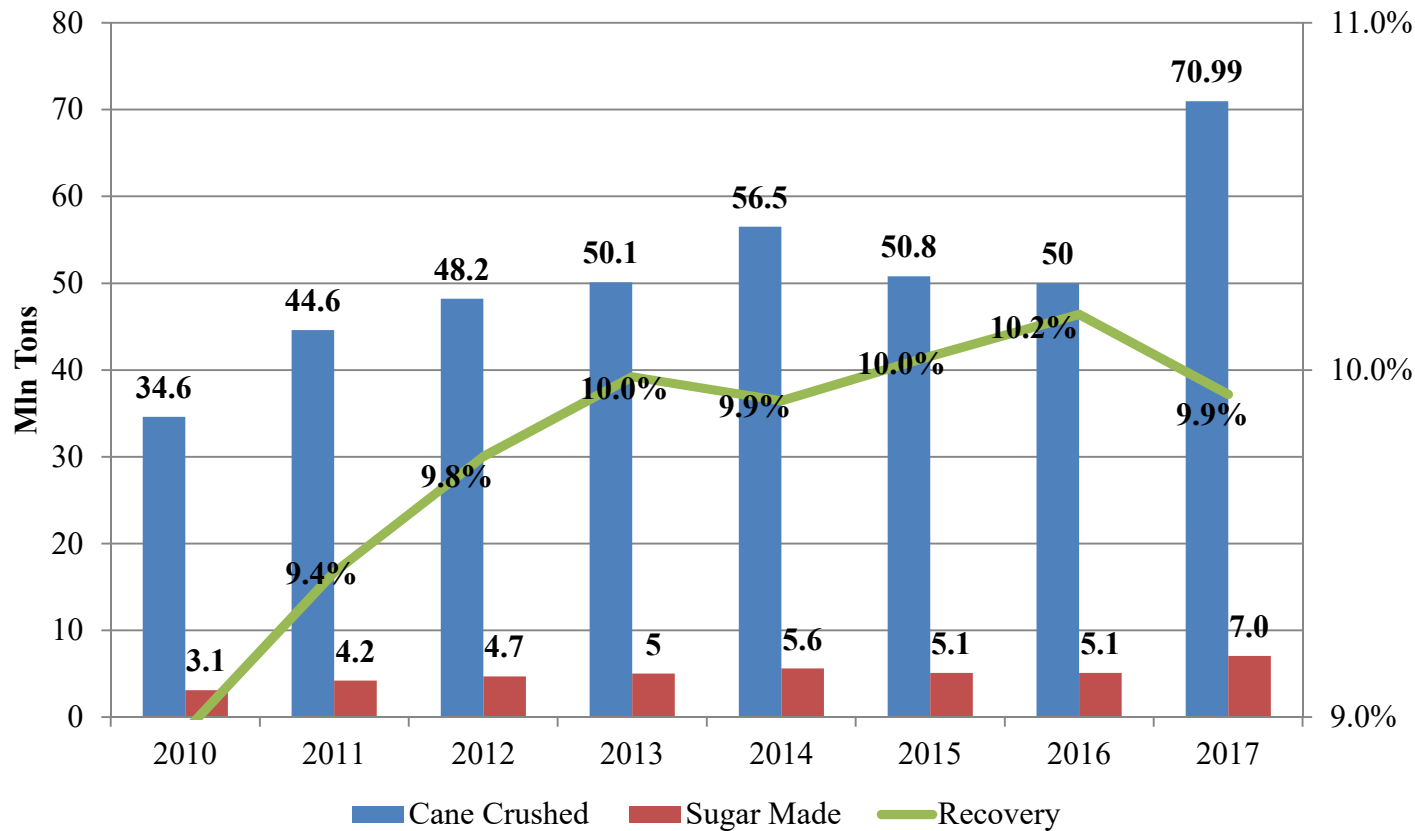
Sugarcane Price | Controlled by Government



- Sindh cane price is kept a little higher than Punjab and KPK because of better quality sugarcane results in better sugar recovery
- In 2016 Cane Commissioner Sindh had fixed the price at PKR 172 – lower than Punjab and Sindh –which was challenged by growers in High Court Sindh, Hyderabad. During 2017, as per norm the Prices fixed by Sindh Government are 1% higher than those fixed by Punjab & KPK.

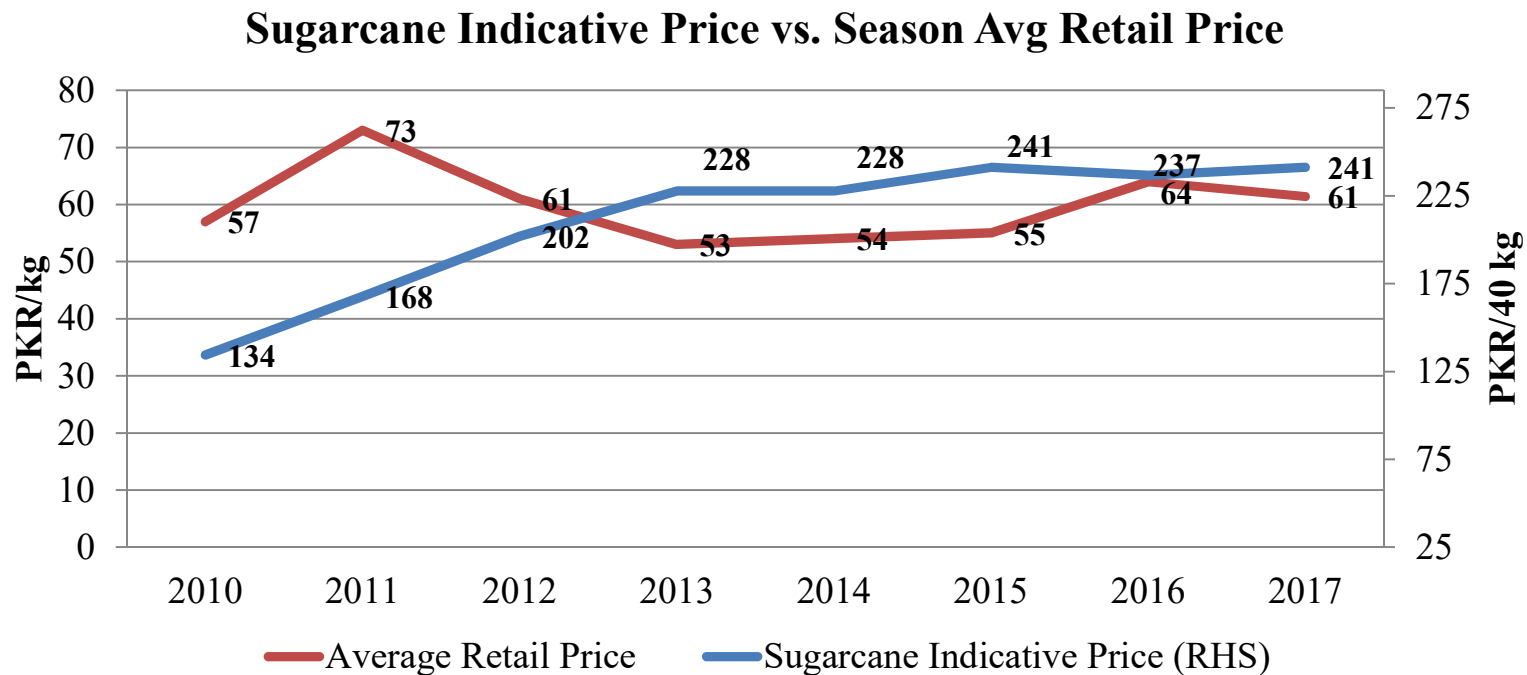
Sugarcane – *Processing*

Sugarcane crushing, Production & Recovery



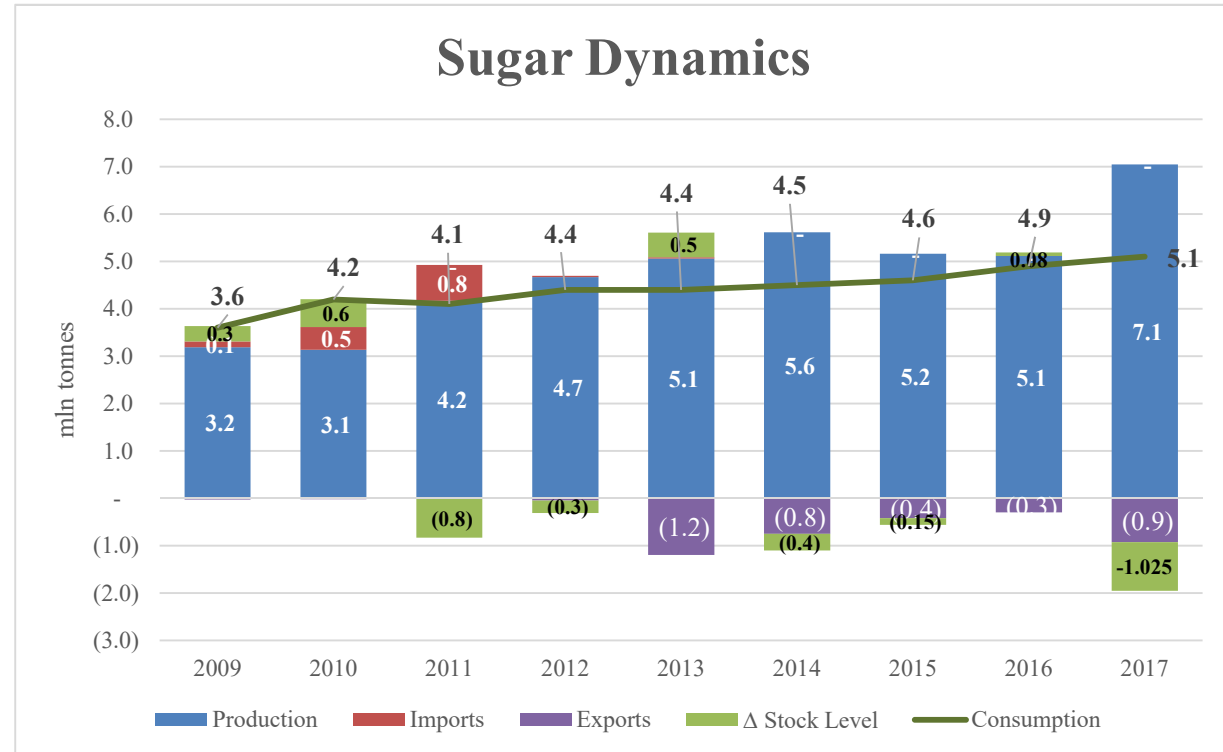
Sugar Cost-Price Comparison

- Cost of sugarcane – essential raw material – has increased in recent years. The decrease in Sugarcane indicative in 2016 is due to Sugarcane support price in Sindh was fixed 4% lower than that of Punjab and KPK. During 2017 the Sindh sugarcane support price was increased to PKR 182 per 40Kgs.
- Selling Price of sugar determined by market dynamics stood at an average of PKR 61/Kg. The decrease can be attributed to excess supply in the market.



Sugar Industry – *Performance*

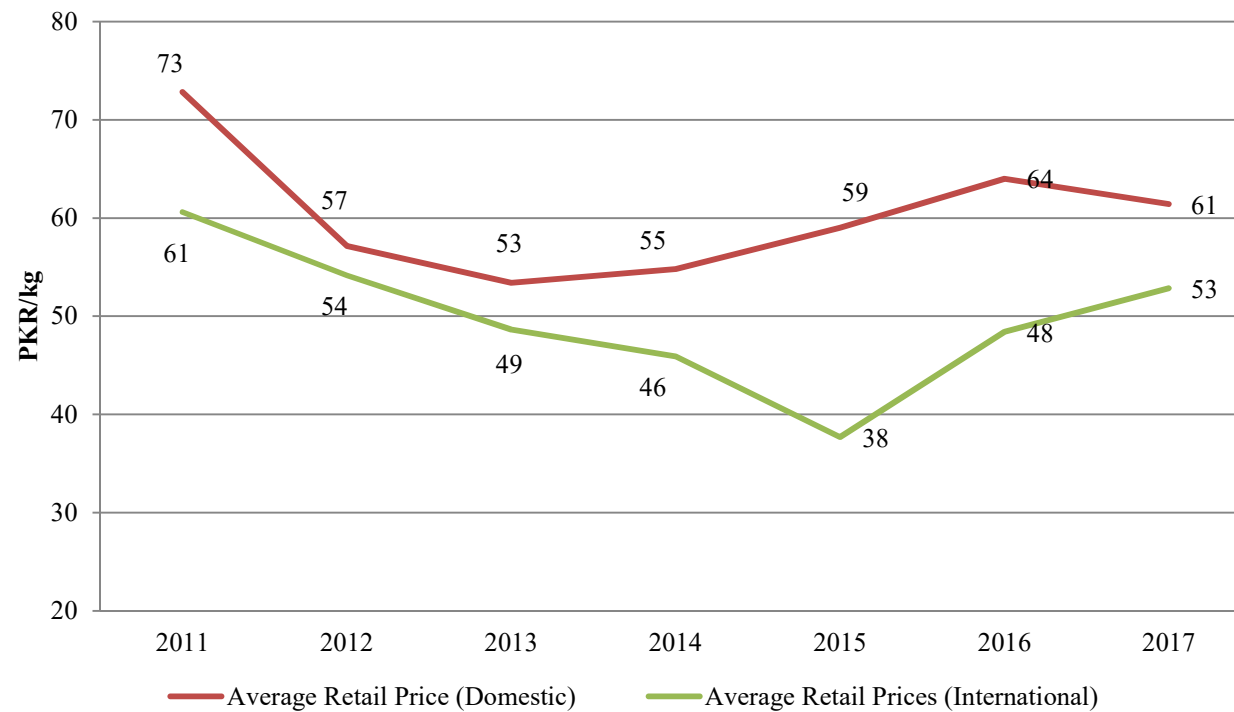
- Sugar production increased by 38% YoY basis whereas consumption grew by meagre 4% YoY basis leading to a significant build up of stocks.
- GoP allowed sugar export (0.73mln tonnes) in Oct-Sept 17 without any export subsidy.
- Supply situation continued to be controlled by Government restricting imports. Regulatory duty was remained at 40% in comparison to last year.



Forecast FY18: Cultivated land & production continues to increase in FY 18 with the figures available to date. Export Quota has been allowed for upto 1.5mln tons to date with restrictions pertaining to domestic prices and international prices. Further, due to low prices in the international market, subsidy of PKR 10.7 has also been announced in FY18.

Sugar Industry – *Retail Sugar Price*

International Retail Prices vs. Domestic Retail Prices





Risk Analysis | Sugar Industry

- **Fluctuating gross margins due to cost-price disparity:** *Higher price of sugarcane (controlled by Government) with no solid mechanism for corresponding increase in the prices of sugar*
- **Supply surplus with unfeasible export avenues:** *difficulty in selling sugar abroad at better prices despite subsidy on export, recently granted by the Government*
- **Purchase of Surplus Sugar By TCP :** *The industry no responded well at low of Rs 48/Kg. The TCP received no tenders.(Feb)*
- **on import of sugar;** *imposing 40 % regulatory duty Ad Volarem in Jun-15 (previously: 20%)*
- + **Export;** *export subsidy of PKR 10.7/kg with freight support at 50:50 basis by Federal & Provincial Govt.*
- + **Diversification through revenues from co-generation projects:** *(i) molasses is also used in the production of pharmaceutical and fuel grade ethanol while (ii) bagasse is used in paper/chip board and electricity generation*