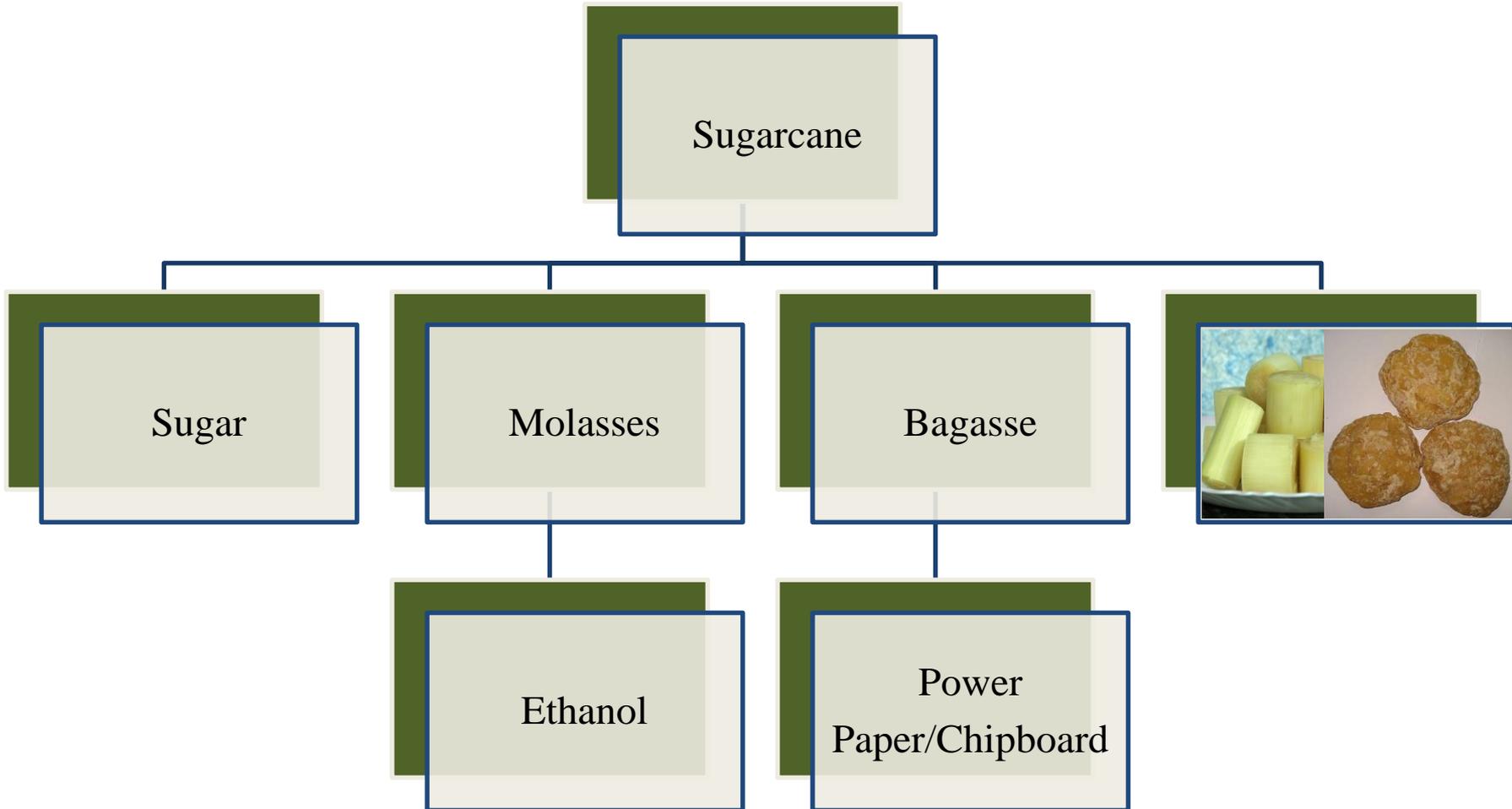


INDUSTRY ANALYSIS – *SUGAR IN PAKISTAN*



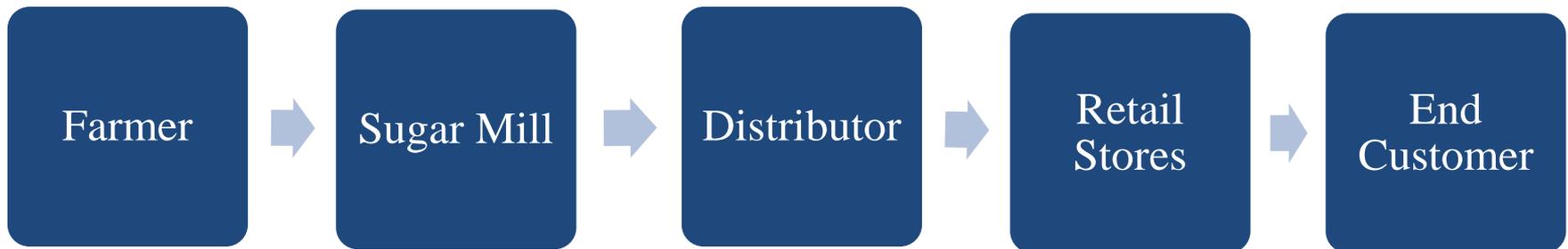
MARCH 2017

Sugarcane – *Sugar & By Products*



Value Chain – Where do they fall?

SUPPLY CHAIN



Key Attributes

DYNAMICS OF SUGAR INDUSTRY

Contribution to
GDP (*Sugarcane*):
0.6%

No. of Players: 75
Prime Location:
Punjab (44 Plants)

25 Sugar
Companies Listed
on Stock
Exchanges

Industry Installed
Capacity: 7 mln
tonnes

Sugar Production:
5.1 mln tonnes

Sugar
Consumption: 4.9
mln tonnes

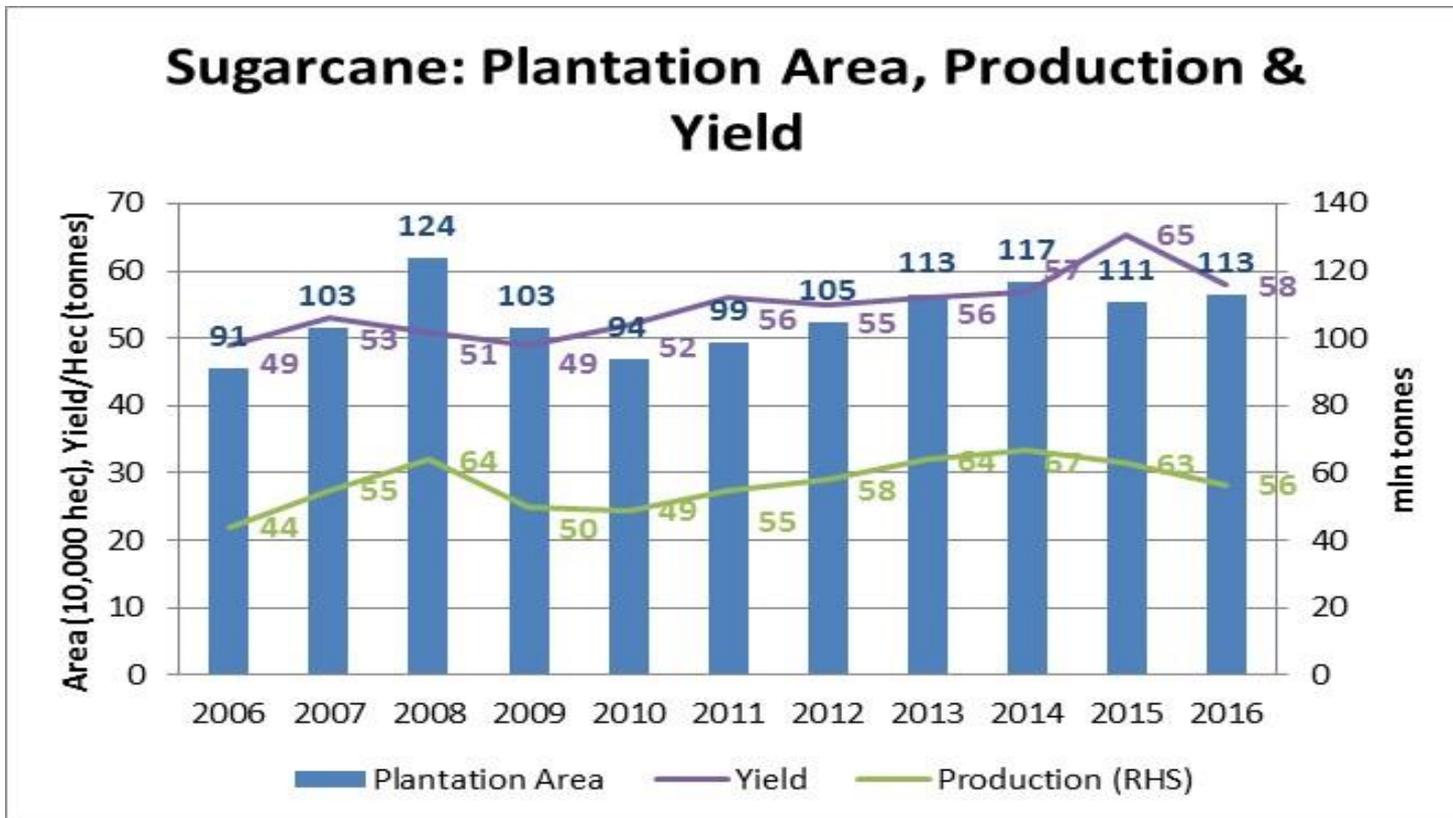
Sugar Industry – *Operational Capacity*

MARKET SHARE OF TOP 20 PLAYERS

Sr.#	Company	Production (metric tonnes)	Market Share	Status	Region
1	J.D.W (I, II & III)	475,414	8%	Listed	Punjab & Sindh
2	HAMZA	360,796	6%	Listed	Punjab
3	DEHARKI	175,612	3%	Unlisted	Sindh
4	TANDLIANWALA (I & II)	173,487	3%	Listed	Punjab
5	SHEIKHOO	153,560	3%	Unlisted	Punjab
6	ETIHAD	145,240	3%	Unlisted	Punjab
7	INDUS	135,500	2%	Unlisted	Punjab
8	R.Y.K	129,144	2%	Unlisted	Punjab
9	AL-NOOR	126,719	2%	Listed	Sindh
10	ASHRAF	126,610	2%	Unlisted	Punjab
11	MEHRAN	123,210	2%	Listed	Sindh
12	LAYYAH	117,640	2%	Unlisted	Punjab
13	HABIB	116,513	2%	Listed	Sindh
14	SHAKARGANJ (I & II)	112,271	2%	Listed	Punjab
15	FATIMA	109,940	2%	Unlisted	Punjab
16	CHASHMA (Unit-I & II)	107,775	2%	Listed	KPK
17	HUNZA(I & II)	93,095	2%	Unlisted	Punjab
18	FARAN	92,824	2%	Listed	Sindh
19	TANDLIANWALA (ZAMAND)	90,720	2%	Listed	KPK
20	KHAIRPUR	84,430	2%	Unlisted	Sindh
55	OTHERS	2,564,457	46%		
75	Total	5,614,957	100%		

Raw Material | Sugarcane – *Statistics*

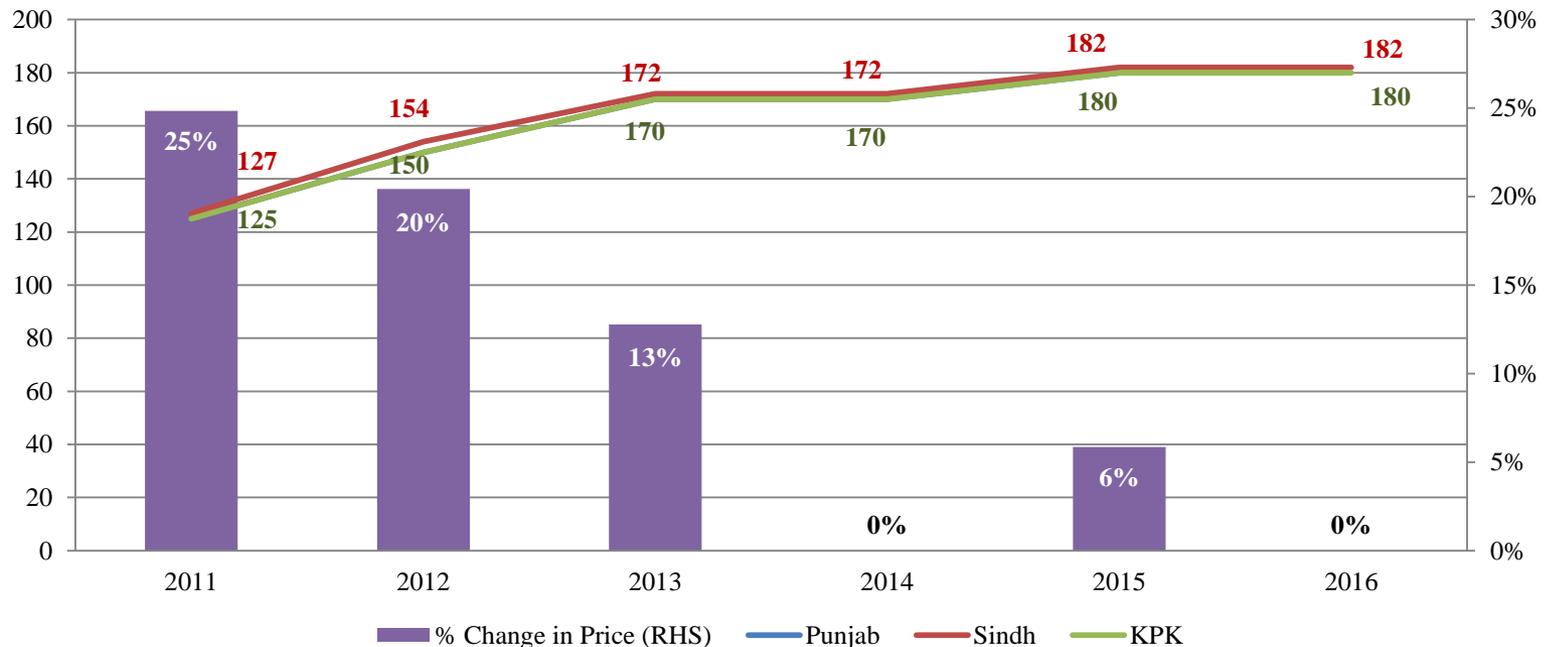
Declining availability of sugarcane due to unfavourable weather conditions and shortage of water



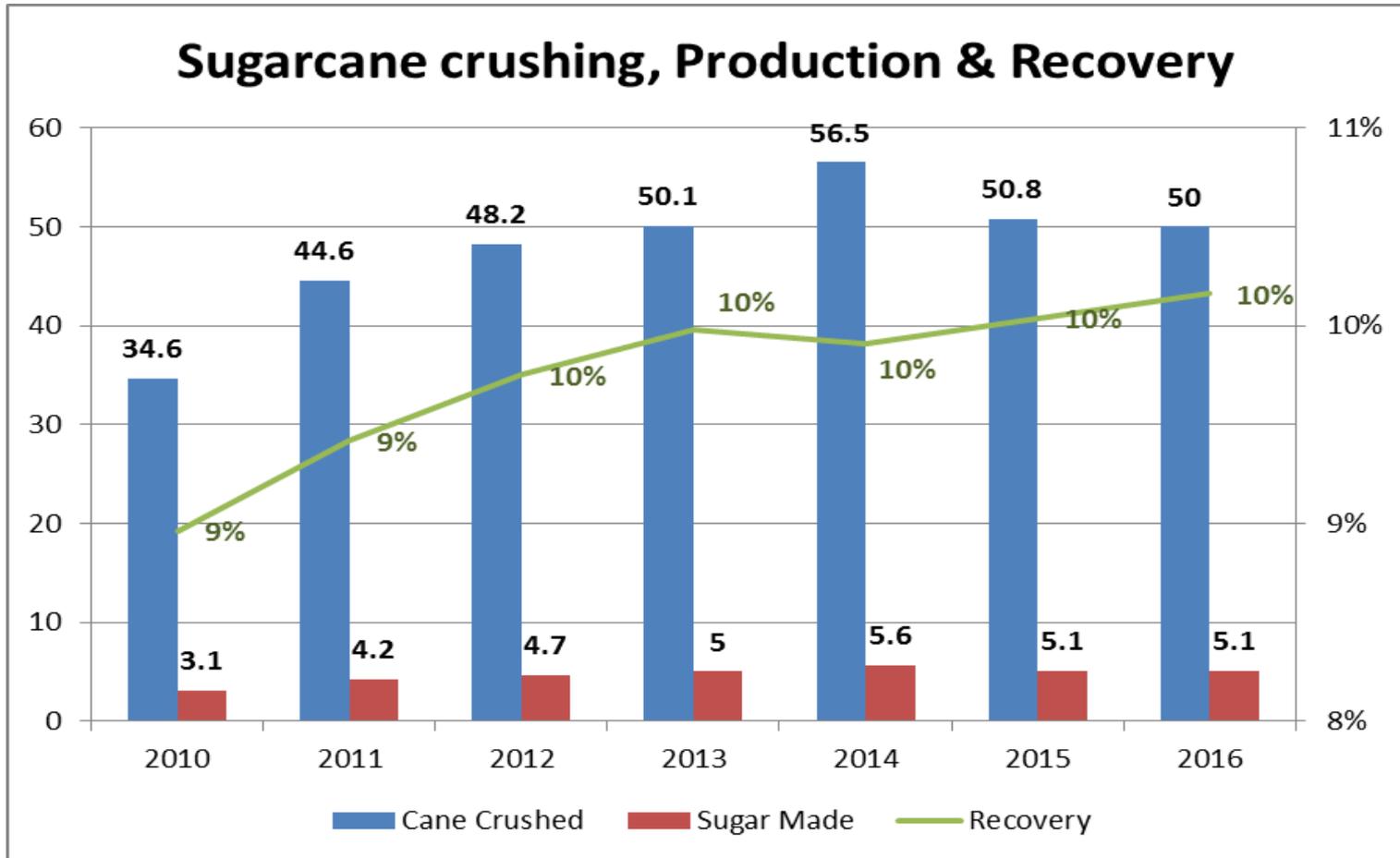
Sugarcane Price / Controlled by Government

- Sindh cane price is kept a little higher than Punjab and KPK because of better quality sugarcane produces higher sugar recovery
- Cane Commissioner Sindh fixed the price at 172 – lower than Punjab and Sindh – which was challenged by growers in High Court Sindh, Hyderabad. Subsequently, the Sindh government announced prices at previous year level.

Mill Gate Delivery Prices

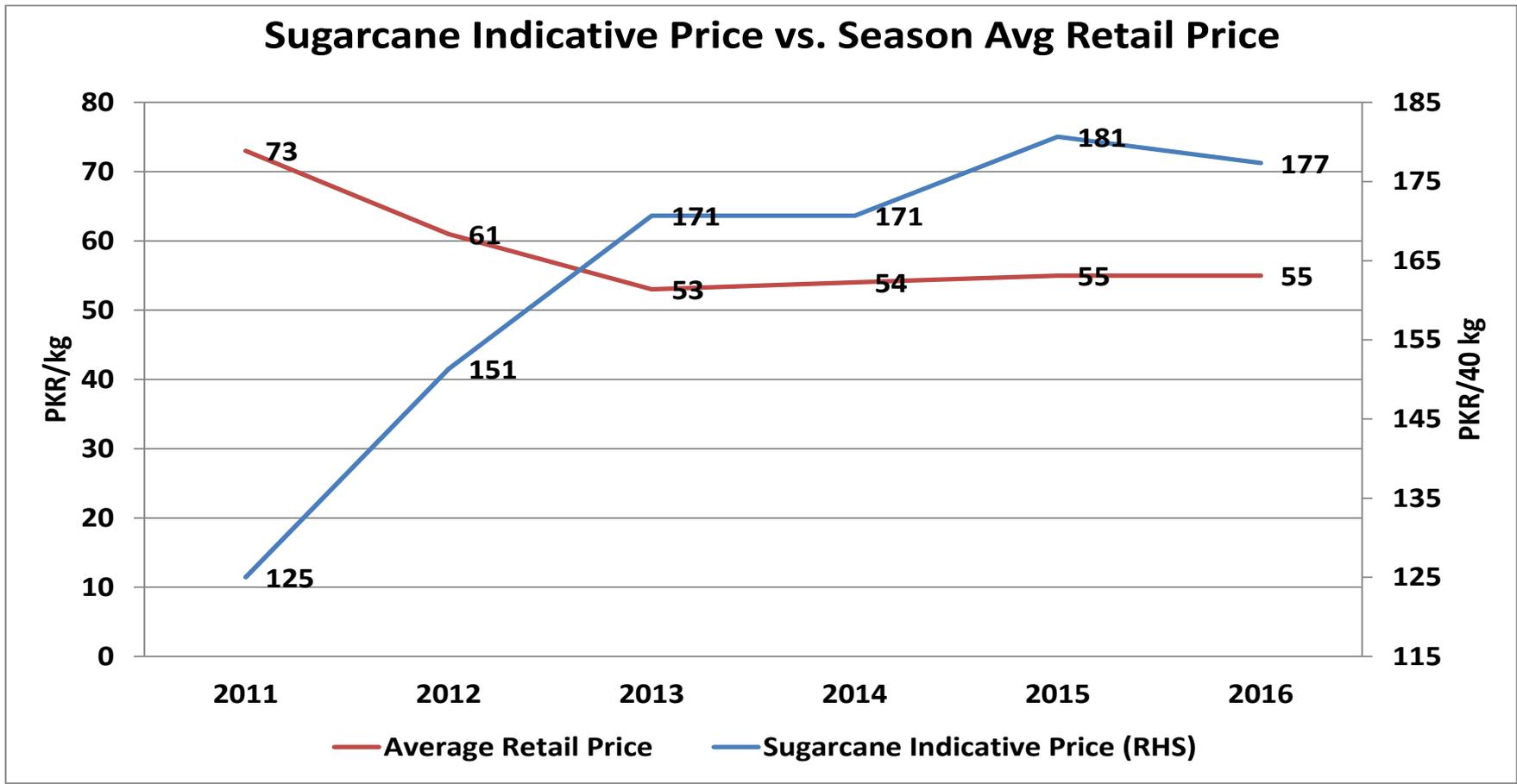


Sugarcane – Processing



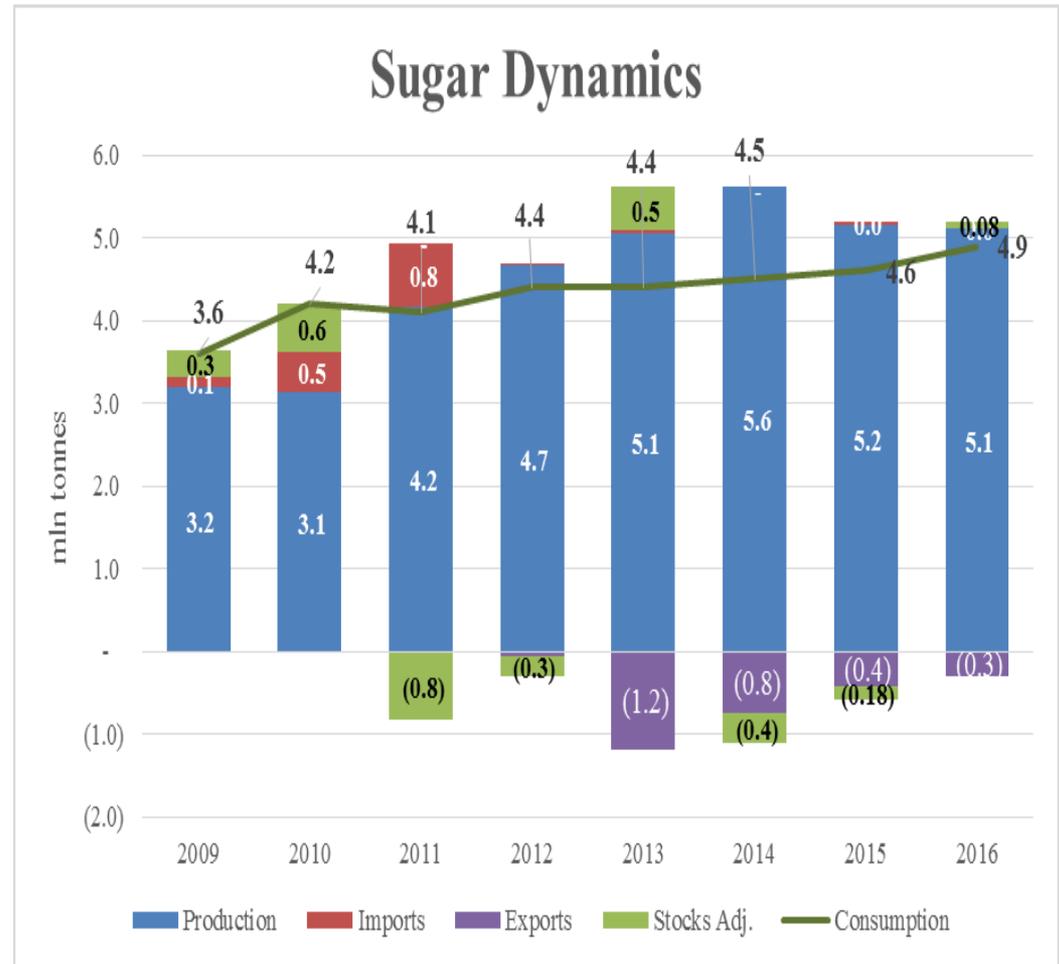
Sugar Cost-Price Comparison

- Cost of sugarcane – essential raw material – has increased tremendously in recent years, however, declined YoY in FY16 for Sindh only
- Selling Price of sugar remained depressed for a longer time but have improved recently with average retail price of PKR 64/kg recently



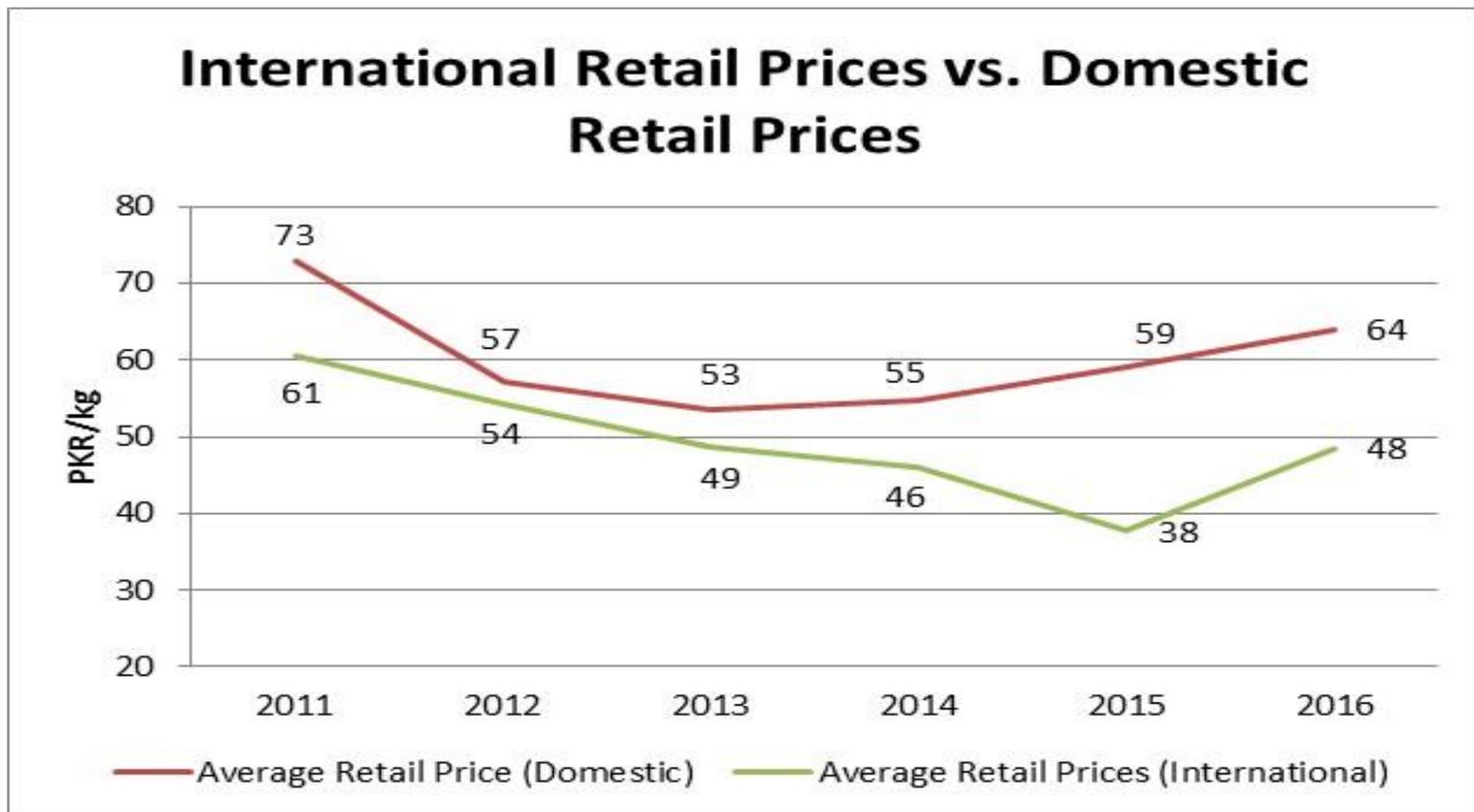
Sugar Industry – Performance¹

- Sugar availability in surplus of consumption
- Though production declined, opening stock of 1.3mln tonnes kept availability higher
- GoP allowed sugar export (0.3mln tonnes). Industry players want unrestricted exports since prices in the international market have recovered. GoP not allowing unrestricted exports as it may cause shortage in the local market or push prices up
- Local consumption also increased slightly compared to previous years resulting in higher local prices than last year



Sugar Industry – *Retail Sugar Price*

- Local price 33% higher than international price
- The difference in local and international prices shrinking in last one year



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*
- **Export of Molasses Regulatory Duty (15%) on export of molasses**
- + **Restriction on import of sugar;** *imposition of regulatory duty on import of sugar*
- + **Increasing local prices;** *Increasing prices in the local market (8,5% YoY increase in local prices). Price recovery in international market reducing the gap between local and international prices*
- + **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*

Bibliography

1. Pakistan Sugar Mill Association Annual Report 2016
 - a) Sugarcane : Plantation area, production and yield Page 15-16
 - b) Sugar Indicative Price Millgate Delivery Price Page 15-16
 - c) Sugarcane Crushing, Production and Recovery Page 15-16
 - d) Sugarcane Indicative Prices Page 13, Page 16
 - e) Sugar Dynamics- Sugar Production, Marketing and Stock Summary Page 13, Page 15-16
 - f) International Retail Price vs Domestic Retail Price Page 15-16

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