NEWS FLASH –2nd April, 2016

SUGAR

Oct-March sugar output dips 4%; 1.15 mt exported

India's sugar production fell by 4 per cent to 23.7 million tonne (mt) in the first six months of the current marketing year ending September due to lower cane availability. The country exported 1.15 mt during the October-March period and another 3,00,000 tonnes is expected to be shipped in next couple of months, sugar industry body ISMA said.

Based on the estimates of production, consumption and exports, ISMA has pegged the closing stock of sugar in September this year at around 7.5 mt. "The All India sugar production up to 31st March 2016 is 23.7 mt. This is about 1.1 mt less than last year, which was expected, since the estimated sugar production in the current season is lower than last year," Indian Sugar Mills Association (ISMA) said in a statement.

Sugar production of India, the world's second largest producer after Brazil, is estimated to decline to about 26 mt in 2015-16 marketing year (October-September) as against 28.3 mt in the previous year.

(Source-http://www.indiansugar.com/NewsDetails.aspx?nid=5380)

Turnaround in sight for sugar mills

Price rises sharply following lower production estimates in India and forecast for widening global deficit

Sugar companies are likely to see a turnaround in their financial performance in coming quarters on a sharp spurt in realisations from the sweetener following global deficit forecast by the International Sugar Organisation (ISO).

Sugar price jumped to hit the highest in four years on Thursday to trade at Rs 3,620 a kg in Vashi wholesale markets near Mumbai.

After hitting the low of Rs 2,503 a quintal for the quarter ended September 2015, the average price of M 30 grade sugar shot up to Rs 3,317 a quintal in the March quarter.

The prevailing price, therefore, indicates 18% jump from its respective level in March 2015.

The spurt in physical market price has also supported proportionate increase in its realisation at mill gate as well with ex-factory price of sugar recorded a sharp jump of nearly 20% to Rs 3,000 - 3,100 a quintal.

Although, the prevailing price claims to be slightly lower than the average cost of production in India between Rs 3200 and 3300 a quintal yet, sugar producers would generate some profits considering various incentives offered by their respective state governments and higher realisation from byproducts.

"Sugar mills certainly on the path of turnaround due to lower production estimates in India in the current crushing season and overall 5 million tonnes of global deficit forecast by the ISO. Next year too, production in India is estimated to decline by over 2 million tonnes which is expected to keep sugar price elevated. Thus, sugar mills' realisation would also go up proportionately," said Afshan Sayyad, an analyst with Dolat Capial.

In fact, share prices of most sugar companies have started reacting to price rises. In March alone, share prices of a number of sugar companies have doubled with analysts estimating the trend to continue in future as well.

Several global consultancy firms had last year forecast 2.5 - 3 million tonnes of deficit for the current year. But, the ISO deepened the deficit forecast at 5 million tonnes early March. Consequently, average sugar prices on the benchmark InterContinental Exchange (ICE) shot up to over cents 14.37 a pound in March 2016 from cents 11.30 a pound in September 2015.

Sugar prices are going up in India because of lower production estimates for the current year and forecast of further decline in output next year. While the apex industry body Indian Sugar Mills Association (ISMA) has estimated 26 million tonnes of sugar output for the current year, the Union Food Ministry is understood to have cut production estimate of sugar further at 25.6 million tonnes. Last year, overall sugar production was recorded at 28.3 million tonnes.

"The International Sugar Organisation (ISO) has estimated global sugar deficit of 5 million tonnes for this year. This will be the first year of deficit after several years of surplus with expectations of deficit next year too. This has helped a rebound in global sugar prices from cents 11.5 a lb about three months ago to $16 a lb now. In India also, sugar prices have been rising steadily. So, when India wants to export sugar, its prices need to follow global move," said Abinash Verma, Director General, ISMA.

Sugar output in Maharashtra is estimated to decline by a staggering 24% in the crushing season 2016-17 to just 6 million tonnes from an estimated 8.5 million tonnes in the season 2015-16 and 9.3 million tonnes in 2013-14. Cane area is likely to remain lower due to drought in several major growing regions of Maharashtra and many other states.

"Sowing of cane has been very low this year due to drought in most growing centres in the state. So, we estimate sugar output to decline to 6 million tonnes next crushing season," said Sanjiv Babar, managing director, Maharashtra State Federation of Co-operative Sugar Factories. This raised hopes for a surge in sugar prices and relisation of sugar mills that have been reeling under severe profit pressure.

(Source- http://www.business-standard.com/article/companies/turnaround-in-sight-for-sugar-mills-116033100580_1.html)

Sugar production in FY16 falls to 11 lakh tons

The fall in the sugar production was widely expected with only 215 sugar mills operating in the current season

The sugar production in the country in 2015-16 stood at 237 lakh tons, down by about 11 lakh tons as compared to the previous financial year, as per data released by Indian Sugar Mills Association (ISMA).

The fall in the sugar production was widely expected with only 215 sugar mills operating in the current season as compared to 366 mills last year, ISMA said.

Maharashtra produced 82 lakh tons sugar till Thursday (the last day of the current financial year), as compared to 93.6 lakh tons sugar in the last year. Only 58 sugar mills are currently operative in the state as compared to 135 sugar mills working last year, while drought-like conditions are said to have affected the sugar production in the state.

Sugar mills in Uttar Pradesh produced 65.7 lakh tons in the current financial year, as compared to 63.4 lakh tons last year with only 48 operational as against 76 sugar mills last year. Due to the good weather conditions in the state and substantial improvement in cane varieties and their acreage, the average sugar recovery from the state in fact, has been significantly higher, said ISMA.

The sugar mills in Karnataka have produced 40.16 lakh tons in the current season while Tamil Nadu has produced 8 lakh tons, it said.

The current year's sugar production has been almost equal to the domestic consumption with 11.5 lakh tons of sugar exported in the current season, it added.

ISMA also said that there are reports which suggest that due to less rainfall and lower water availability in reservoirs in some districts in Maharashtra and North Karnataka, sugar production during 2016-17, will be lower than the current fiscal.

However, the acreage under early variety of sugarcane in UP is expected to go up to around 40 percent in 2016-17.

Similarly, after two years of drought-like conditions in Tamil Nadu, the state has received good rainfall in 2015 and, therefore, the acreage in Tamil Nadu is expected to increase in the next season.

Thus, the lower expected sugar production from Maharashtra and Karnataka is expected to be significantly compensated by higher production from Uttar Pradesh and Tamil Nadu, reducing the net fall for the country in next fiscal significantly, said ISMA.

Reports from international as well as domestic agencies suggests that the dry spell in India is over and the monsoon this year will be normal, which is likely to bring good tidings for sugarcane planting next year.

(Source- http://www.business-standard.com/article/news-ians/sugar-production-in-2015-16-falls-11-lakh-tons-116033101051_1.html)

CO-GEN/ POWER

Creating demand for surplus energy key challenge of government policies: Secretaries

India's energy sector has turned around from an era of scarcity and faces a problem of plenty, making demand creation a key driver of government policy, secretaries of power, coal and renewable energy said.

The country has about 25,000 Mw of idle and underutilised electricity generation capacity as private companies set up power plants in anticipation of high prices, Power Secretary PK Pujari said at the launch of ETEnergyworld.com.

Surplus production was also a problem in the coal sector, Coal Secretary Anil Swarup said. "Earlier, I was pressurised for coal deficit, now for surplus... I have coal, I have rakes, I don't have demand," Swarup said at a panel discussion on his sector.

In the renewable energy sector, the ambitious expansion of solar energy was worrying distribution companies, which had their own power generation units, but the government would resolve the matter, Renewable Energy Secretary Upendra Tripathy said.

He said the government was in talks with distribution companies for faster adoption of rooftop solar projects. India plans to achieve 100 Gw of solar power generation and 60 Gw of wind power by 2022.

Currently, installed solar capacity is around 5,700 Mw and wind over 25,000 Mw. Sector experts and officials say that the rapid expansion in renewable energy poses several challenges of transmission and grid stability as well as reluctance of state discoms to support the sector.

"We do understand that some discoms have a lot of opposition to rooftop solar, because the moment customers start producing their own power on their rooftops, they will not be buying from the discom anymore. But we will resolve this issue," he said.

Panelists said capacity utilisation of thermal plants had fallen sharply due to sluggish industrial growth and inefficiency of state discoms. The power secretary said the demand-supply mismatch in the sector is likely to balance out in the next four to five years as industrial growth picks up.

Pujari said the average capacity utilisation of thermal power plants is 61%. While central public sector units have load utilisation of about 70% and private producers around 65%, power plants owned by states proved to be laggard by operating at 53% of their capacity. He said capacity utilisation had fallen in the small, inefficient units.

Association of Power Producers Director-General Ashok Khurana said there was a need to change coal supply policy to supply coal to power plants with medium-term power purchase contracts with distribution utilities. The other speakers in the session were Sterlite Grid Vice-Chairman Pratik Agarwal and ICRA Senior Vice-Pesident Sanyasachi Majumdar.

In-principle nod to reallocate three coal mines for UMPP in Odisha

The Coal Ministry has given in-principal approval to reallocate three mines for Bhedabahal ultra mega power project (UMPP) in Odisha.

"The Coal Ministry had on February 17 given in-principle approval to reallocate Meenakshi, Meenakshi-B and dip side of Meenakshi coal blocks for Bhedabahal UMPP in Odisha," said a source.

The ministry had taken back the coal blocks about 6 months ago because of some legal provisions with regard to the coal blocks allocation.

It had, however, assured the Power Ministry to give back the coal blocks, the source said.

PFC is the nodal agency for implementing UMPPs. Meenakshi, Meenakshi-B and the dip side of Meenakshi blocks were allocated in 2006 for the 4,000 Mw plant to be built at Bhedabahal in western Odisha's Sundargarh district, the source added.

The Power Ministry was planning to bid out three UMPPs, Cheyyur in Tamil Nadu, Bedabahal in Odisha and Banka in Bihar, in FY'16 to attract an investment of about Rs 90,000 crore.

However, last month the government had said that it may not be able to float tenders for three UMPPs entailing an investment of Rs 90,000 crore by March-end due to some legal glitch.

"(It) got delayed at the last minute due to some legal issues. We will sort it out. We will still try for March but if it is not done then we will do it in April," Power Secretary P K Pujari had told reporters last month.

The Power Ministry had also planned Deoghar and Tilaiya UMPPs in Jharkhand in FY'17 at an investment of Rs 60,000 crore.

In the last year's budget speech, Finance Minister Arun Jaitley had said the government proposes to set up five new UMPPs of 4,000 MW each in the plug-and-play mode.

(Source-http://indianpowersector.com/2016/04/in-principle-nod-to-reallocate-three-coal-mines-for-umpp-in-odisha/)

India seeks $500 million loan from AIIB

India has sought USD 500 million from the newly created, China-led Asian Infrastructure Investment Bank (AIIB) for solar power projects.

"We have applied for USD 500 million funding from AIIB. Besides, USD 1 billion loans each from the World Bank and ADB has also been sought energy projects," Tarun Kapur, joint secretary at the Ministry of New and Renewable Energy told PTI.

India, one of the founding members of the AIIB, has been elected to the board of directors of the China-sponsored AIIB which is expected to begin loan approvals before the end of this year.

The government is also negotiating USD 250 million loan from New Development Bank.

All these are at advanced stage, he said.

Last year, the Cabinet approved a Memorandum of Understanding (MoU) signed between India and Germany to expand bilateral development cooperation in the field of Solar Energy by increasing use of solar energy in India through technical as well as financial cooperation.

Under the agreement, Germany would provide concessional loans in the range of one billion Euros over the next five years through KfW.

The funds of KfW will also be utilised for providing soft loans to the end-users through partner banks. The MoU will help in strengthening bilateral cooperation between the two countries.

India has set an ambitious target of having 100 GW solar power generation capacity by 2022 under the National Solar Mission.

(Source- http://indianpowersector.com/2016/04/india-seeks-500-million-loan-from-aiib/)

Oil marketing firms close in on 5% ethanol blending in FY16: IIFL report

Oil marketing companies would have blended ethanol in close to five per cent of the petrol sold in India by March-end, according to estimates made in a report by financial services firm IIFL. This is ahead of the October 2016 deadline that Union Petroleum and Natural Gas Minister Dharmendra Pradhan had recently set for OMCs to meet the blending target, besides being the first time the industry is achieving this after the ethanol blending programme was introduced more than a decade ago.

The ethanol blending programme is supposed to make fuel cleaner, reduce the crude oil import bill and create a new domestic market for sugar manufacturers. (Ethanol is made from molasses, a thick syrupy by-product of the sugar refining process.) For several years, however, oil marketing companies only managed to blend about 1-2 per cent of petrol with ethanol because of a continued disagreement on a procurement price between OMCs and sugar mills, even as the government doubled the blending target to 10 per cent.

The IIFL report says, "India's ethanol blending fell well short of the target in the past as the price paid by OMCs was lower than the prevailing market price. The government's move to increase the regulated price of ethanol in Q3FY15 to ₹ 49/litre and scrap excise duty on ethanol in Q2FY16 made it lucrative for ethanol producers." OMCs have been able to contract adequate volume for five per cent blend rate in FY16 (estimated at over 136 crore litres for the year), the first time ever since this policy was created.

While historically ethanol has been cheaper than petrol, the government's new mandated price for ethanol of ₹ 49/litre is now higher than the petrol price of ₹ 42/litre (refinery transfer price plus excise duty), as global crude oil prices have crashed over the past 12 months.

(Source- www.thehindubusinessline.com/companies/oil-marketing-firms-close-in-on-5-ethanol-blending-in-fy16-iifl-report/article8423503.ece)

THOUGHT OF THE DAY:

Courage is what it takes to stand up and speak; courage is also what it takes to sit down and listen.

-Winston Churchill