NEWS FLASH – 08th Oct, 2015

SUGAR

Sugar companies in that sweet spot

	Price (₹)	1Day Chg (%)	2Day Chg (%)	Mcap (₹ cr)
Dwarikesh Sugar	40.80	20.0	35.5	66.56
Dalmia Bharat Sugar	32.25	19.9	28.5	261.03
Shree Renuka	10.12	18.1	33.3	939.96
Rajshree Sugars	23.60	12.4	28.3	56.15
Bajaj Hindustan	18.23	10.6	24.9	1,488.94
Simbhaoli Sugars	11.28	10.6	21.4	31.84
Sakthi Sugars	19.70	8.2	29.6	189.54
Dhampur Sugar Mills	42.45	7.6	25.0	249.24
Bannari Amman Sugars	852.50	4.8	11.6	975.23
Balrampur Chini	61.60	3.9	12.9	1,508.68

Source: Bloomberg

Shares of sugar companies jumped 20% on Wednesday as stockists and retailers continued their purchases ahead of the festival season. Forecasts for lower production and reports of government subsidies have boosted the price of the commodity in domestic markets, which, in turn, reflects the positive momentum in shares prices of listed sugar companies.

Shree Renuka Sugars surged 18% on Wednesday and has rallied more than 40% in the last four sessions with large trading volume to close at Rs 10.12 per share. More than 2.69 crore shares changed hands on the BSE and NSE, up 8.19 times the 30-day average daily volume.

Dwarikesh Sugar Industries hit its upper circuit limit of 20%, while Dalmia Bharat Sugar gained 15%. Bajaj Hindusthan ended with a 10.62% gain while KM Sugar Mills surged 16%.

Sugar cane production in Brazil, the world's largest sugar producer, has declined 2.1% to 412,624 million tonne and sugar output is down 11% on year, as sugar mills have been converting more cane to ethanol, according to global industry body International Sugar Organization. Traders are focussed on an expected decline in production in India, the second largest producer of sugar from cane.

The ISO has forecast a deficit of 2.5 million tonne and the US Department of Agriculture has predicted a shortfall of 3.8 million tonne for the 2015-16 season. The Indian Sugar

Mills Association is predicting production to fall 5% this year to 28.3 million tonne because of insufficient rainfall, with rains down 14% from normal because of the El Nino weather phenomenon.

Prices of sugar have risen 31% since dropping to a seven-year-low on August 24, driven down by a weakening Brazilian real against the dollar, as experts foresee the world slowly depleting its stockpiles that stand the highest level in 35 years.

Morgan Stanley said in a note on Monday that the real's influence on sugar prices is waning as traders eye the first season in six years in which demand is expected to outstrip production. The firm said it expects demand to top production by 3.7 million tonne in the year beginning October 1.

UK-based financial services firm Marex Spectron said the deficit is probably here to stay for at least a couple of years, and production will only increase substantially if the price moves high enough to encourage it.

On Wednesday, stocks such as Bannariamman Sugars, Balrampur Chini Mills, Dharani Sugars, EID Parry, Oudh Sugar Mills, and Sakthi Sugars each ended with 2-5% gains.

Source: http://www.financialexpress.com/article/markets/indian-markets/sugar-companies-in-that-sweet-spot/147561/, Dated 8th October 2015

Maharashtra guarantees Rs 180 crore loans to sugar factories

The Maharashtra government has guaranteed loans worth Rs 180 crores to sugar factories in the state to help them raise finances for this year's crushing season. The move will primarily benefit 22 sugar factories that are in the red.

However, the offer is open only to those factories that have paid 90% of their dues to farmers in 2014-15. Also, the factories will have to show that they have no pending guarantees from the last season to be eligible for the new guarantee

Source: http://timesofindia.indiatimes.com/india/Maharashtra-guarantees-Rs-180-crore-loans-to-sugar-factories/articleshow/49259879.cms, Dated 7th October 2015

Govt working to resolve arrears issue: Rajnath Singh

Government is working on a solution to ensure that cash-starved mills make timely payments of over Rs 12,200 crore dues to farmers, Home Minister Rajnath Singh said today.

"Sugarcane farmers' issue (cane arrears) is a serious issue. The government approved a Rs 6,000-crore soft loan to facilitate mills make payment to farmers, but it has not been much successful. We are discussing this issue and will find solution," Singh said.

He was speaking at the 80th birth anniversary of Bharat Kisan Union founder, Mahendra Singh Tikait.

Minister of State for Agriculture Sanjeev Balyan said a few things have been done to improve the situation of sugarcane farmers in western Uttar Pradesh but still there is need to done lot.

Hinting that government needs to buy more agriculture commodities, Balyan said: "We declare MSP for 22 crops whereas we buy mainly two crops wheat and rice. Then crops sell below MSP...System started deteriorating when farmers were left to open market."

Cane arrears were still to the tune of Rs 12,248 crore at the end of the 2014-15 season (October-September) despite government measures, including a soft loan of Rs 6,000 crore, to improve mills' liquidity position, which has been affected due to lower sugar prices and high cane rates.

Since the soft loan of Rs 6,000 crore was approved in the middle of the season, mills applied to avail loans for only Rs 2,700 crore. However, banks have been able to disburse only Rs 800 crore till the September 30 deadline and the rest Rs 1,900 crore is still to be given.

Keeping the interest of farmers, the government has given 15 more days to banks for disbursing Rs 1,900 crore soft loans to sugar mills to help them clear cane arrears to farmers, a senior Food Ministry official had said last week.

As per the policy, banks were asked to disburse soft loan by September-end. Mills that cleared 50% of their outstanding dues to farmers by August 31 were eligible for the loan.

Other measures taken by the government to ensure that mills make payment of cane arrears include hike in import duty, export subsidy on raw sugar and raising ethanol blending with petrol to 10% among others.

Sugar production is estimated at record 28.3 million tonnes in 2014-15 marketing year (October-September), as against 24.3 million tonnes in the previous year, while the total annual demand is pegged at 24.5 million tonnes.

Source: http://www.indiansugar.com/NewsDetails.aspx?nid=4832, Dated 8th October 2015

Sugar stays flat in routine trade

The bull run in sugar prices took a halt as prices remained unchanged at Vashi market on routine local demand. Arrivals from mills jumped on higher lifting, while local dispatches remained routine. Arrivals at Vashi market increased to 80-85 truck loads and local dispatches remained at 58-60 loads. On Tuesday, about 16-17 mills offered tenders and sold about 80,000-85,000 bags at ₹ 2,545-2,630 (2,545-2,630) for S-grade and ₹ 2,625-2,750 (2,625-2,720) for M-grade.

The Bombay Sugar Merchants Association’s spot rates: S-grade ₹2,680-2,782 (2,680-2,812) and M-grade ₹2,770-2,942 (2,770-2,942). Naka delivery rates: S-grade ₹2,650-2,700 (2,650-2,700) and M-grade ₹2,750-2,800 (2,750-2,800).

Source: http://www.thehindubusinessline.com/markets/commodities/sugar-stays-flat-in-routine-trade/article7734914.ece, Dated 7th October 2015

Sugar edge 0.75% higher on spot demand

Speculators widen positions on higher festive and wedding season offtake

Supported by festive seasonal demand in spot markets,sugar prices were up by 0.75 per cent to Rs 2,682 per quintal in futures trade today as speculators widened positions.

At the National Commodity and Derivatives Exchange, sugar for delivery in far-month December rose Rs 20, or 0.75 per cent to Rs 2,682 per quintal with an open interest of 48,070 lots.

The October contract edged up by Rs 17, or 0.65 per cent, to Rs 2,619 per quintal in 25,000 lots.

Analysts attributed the rise in sugar futures to uptick in demand in the spot market, triggered by ongoing festive and wedding season.

Source: http://www.business-standard.com/article/markets/sugar-edge-0-75-higher-on-spot-demand-115100700231_1.html, Dated 7th October 2015

How real is the sugar rally?

A 24% rebound in prices and reports pointing to a fall in international and domestic output have boosted stocks but it might be a bit early to rejoice

After a nine-year downtrend, sugar stocks are seeing increased activity on the bourses, also reflecting in the bounce many of these have recently seen from multi-year lows. Since end-August, those of Balrampur Chini and Bajaj Hindusthan have gained 56 per cent and 47 per cent, respectively, to Rs 61.60 and Rs 18.23. Shree Renuka has risen 36 per cent to Rs 10.12.

The trigger for this started building after the Uttar Pradesh government in early September adhered to a promise of a Rs 40 a quintal incentive for mills. A fortnight earlier, the Union government provided an export incentive. The latest buzz of lower production here and abroad has further boosted sentiment.

Prices have risen sharply since their lows in July. The M-30 variety has risen 24 per cent from Rs 2,307 a quintal on July 31 to Rs 2,856 a quintal on Tuesday, good news for profitability. The latter had been on a downward trend and high sugarcane costs had led to most manufacturers reporting a loss in the previous two years.

Investors, however, will have to keep a close watch on how events unfold. With realisations improving and assuming exports take place, the surplus of 9.8 million tonnes at the end of Sugar Year (SY) 2014-15 (the season begins every October) might come down bit not disappear. Each sugar year has, on average, ended with slightly over 28 mt of production, against consumption of around 24 mt. With talk of lower cane production impacting sugar output, production in SY16 is pegged at close to 27 mt. To reduce the domestic surplus, export is the only viable option.

However, some issues on export need clarity. In February, the central government had announced an incentive of Rs 4,000/tonne for export of raw sugar; the Maharashtra government said it would give an additional subsidy of Rs 1,000 a tonne, valid till end-September. No subsidy has been announced since. In mid-September, the central government announced a factory-wise minimum export indicative quota (MIEQ) under the tradable export scrip scheme that requires mills to compulsorily export about four mt but there is no clarity on the incentives for millers.

Also, if export does take place, analysts expect the benefit to accrue for millers close to ports, with UP millers selling their quota to the former. Achal Lohade at JM Financial anticipates the ex-mill realisation to go up by Rs 2-3/kg from Rs 22.5 a kg (in Maharashtra) and Rs 24.5-25 a kg in UP in the near term, as domestic supply is being artificially reduced by four mt.

Further, more upside in sugar realisation is crucial for companies to make meaningful profits, as at current prices, the mills might break even, at best, feel experts.

If the cycle turns favourable, Balrampur Chini, having the least leverage (debt-equity ratio of 0.39) remains the preferred bet. For Bajaj Hindusthan, interest costs will remain high, looking at its long-term debt to equity ratio of 2.2, which will limit its profit growth. For this UP-centric company, the state government-set cane price will have a bearing on profitability.

Shree Renuka might benefit from export but about 60 per cent of its operations are in Brazil. Its subsidiary there has been unable to service debt and recently filed for judicial protection, which might prove an overhang for the stock. At a standalone level, too, the company's long-term debt to equity ratio stood at 1.08 at the end of March, which is on the higher side.

WEAK FINANCIALS

Figures in ₹ crore	Year	Net sales	PBIDT	Net profit
Balrampur Chini	FY13	3,275	462	161
	FY14	2,665	245	8
	FY15	2,987	142	-58
Bajaj Hindusthan	FY12*	4,344	661	-320
	FY14*	6,645	-1	-1,625
	FY15	4,535	-45	-1,192
Shree Renuka Sugars	FY13	10,358	1,265	-374
	FY14	11,546	356	-1,478
	FY15	10,088	-175	-1,813

PBIDT: Profit before interest, depreciation and tax
*Bajaj Hindusthan earlier followed September ending financial year, which was changed to March ending from FY14. Consequently, FY14 figures are for 18 months
All financial figures are rounded off; negative sign denotes loss.
Source: Capitaline Compiled by BS Research Bureau

Source: http://www.business-standard.com/article/markets/how-real-is-the-sugar-rally-115100701155_1.html, Dated 7th October 2015

POWER

Power lines for Rs 9k crore up for bidding

In line with the plan to award transmission projects through tariff-based competitive bidding (TBCB), the Centre will put two projects - Rs 7,032-crore Vemagiri-II transmission and Rs 2,240-crore Bhutan interlink project - under the hammer. These projects are set to attract investment for the power sector, which has been devoid of private sector participation lately.

Those eyeing Vemagiri are PowerGrid (PGCIL), Adani Transmission, Sterlite Grid, Essel Infra, Kalpataru Power and Gayatri Projects, said a senior official with Rural Electrification Corporation (REC). The project, located in Andhra Pradesh, is of strategic importance to the national grid as the south region faces congestion in power network due to lack of evacuation and demand-supply mismatch. Vemagiri is also one of the costliest projects to come under the bidding route this year.

For the Bhutan link project, the qualified bidders are PowerGrid, Sterlite Grid, Adani Transmission, Essel Infra and Kalpataru. The project, based in West Bengal, would help in evacuation of power from upcoming hydro projects in Bhutan.

REC is the designated authority for the bidding of these two projects. The date for submitting the request for proposal is October 9. These projects form part of the eight lines earmarked to be awarded through TBCB. However, the largest power transmission project of Rs 26,000 crore was awarded to state-owned PowerGrid on nomination basis. These projects come in the wake of government nominating PGCIL for big-ticket projects. Business Standard had reported in July that of the Rs 1 lakh crore of transmission projects announced to be built by the central government, less than half fall in category of competitive bidding.

Union minister for power, coal and renewable energy Piyush Goyal said that an opportunity worth Rs 1 lakh crore projects would be opened up for transmission sector during this year. However, the first tranche of Green Corridor Project and several other projects cumulatively costing Rs 35,000 crore are nominated to PGCIL already.

Industry experts said this would lead to private players bidding aggressively for the projects on offer for them. The last bidding for four major lines in July saw stiff fight between sector majors. Adani won three and Sterlite one of the projects. Adani bid around 15 per cent lower than the second bidder. Also, in a first, state-owned Power Grid pulled out of the bidding for two projects and also didn't win any.

This bid is likely to set new trend for the sector with private companies taking lead and putting aggressive bids to win key power infra projects which have been devoid of investment for long, said a Delhi-based power market expert.

In the last bidding held in July, some noted private companies pulled out of the bidding. Sector experts said skewed opportunity is pushing away potential investors.

As opposed to the power generation sector where private sector participation is close to 30 per cent, in transmission it is 3 per cent with majority of projects owned and operated by PGCIL. The sector was opened for private participation in 2010 but the private players rue the fact that no major projects are awarded through TBCB.

Source: http://www.business-standard.com/article/economy-policy/power-lines-for-rs-9k-crore-up-for-bidding-115100701584_1.html, Dated 7th October 2015

Germany enters into partnership with India on solar power for Rs. 7500 cr

Today, a landmark Memorandum of Understanding was signed by representatives of the two Governments; Mr Piyush Goyal, Minister of State with Independent Charge for Power, Coal and New Renewable Energy in the Government of India and German Development Minister Mr. Gerd MIler, establishing the Indo-German Solar Partnership. Renewable energy is a major focus of bilateral cooperation and both countries share the vision to extend their role in the national energy mix. Through this partnership, the Government of Germany envisages to extend concessional loans to India in the range of Euro 1 billion (INR 7500 crore) over the next 5 years through KfW Development Bank (KfW). The loans will be accompanied by capacity building measures of GIZ KfWs development sister organization in technical cooperation, read a statement issues by German authorities.

The partnership is envisaged to be built upon three pillars of implementation, with the major pillar being (i) cooperation in the field of solar rooftops, read the statement.

The other two pillars shall be (ii) the development of solar parks or solar zones and (iii) solar off-grid applications to improve the access to clean and sustainable energy, it said.

The Indian Renewable Energy Development Agency Limited (IREDA) and KfW signed an agreement today for financial assistance of EUR 100 million (INR 750 crore) for promotion of Green Power. IREDA will deploy the loan to support Solar PV projects (including grid interactive, open access, viability gap funding and rooftop systems) and renewable energy projects in regions with currently limited use of their renewable energy potential. The financing conditions of loans for solar-rooftop installations shall follow IREDAs Loan Scheme for Rooftop Solar PV Power Projects.

KFWs Director General Europe and Asia, Roland Siller emphasized: This is a great day for India and our Renewable Energy cooperation, committing a new loan on the day of our country leaders entering into the Solar Partnership. The loan agreement signed today is KfW 5th line of credit to IREDA for promoting renewable energy projects in India. IREDA has successfully utilized 3 lines of credits worth EUR 131 million and is currently drawing from the ongoing 4th line of credit worth EUR 200 Million. KfW and IREDA have been cooperating with each other since 1999. Roland Siller, Director General Europe and Asia of KFW commented, IREDA is our most trusted and longstanding partner in Renewable Energy. We are looking at IREDA as a major partner in the implementation of the Indo-German Solar Partnership, with MNRE as the political driving force behind it.

Supporting the expansion plans for renewable energy generation, the Indian government set up Green Energy Corridors (GEC) for transmission infrastructure to effectively manage a larger share of renewables in the power mix. Today, two more loan agreements totaling Euro 125 million were signed with the Government of India for financing the intrastate transmission infrastructure in the states of Andhra Pradesh and Himachal Pradesh. The EUR 68 million (approx. INR 500 crore) to APTRANSCO and EUR 57 million (approx. INR 420 crore) to HPPTCL will evacuate the additional wind and hydro power planned in the two states These loans will finance the new switchgear substations, power systems and transmission lines especially for transporting renewable energy in India.

In 2013, the German Federal Government had expressed its willingness to provide up to EUR 1 billion for financing Green Energy Corridors to ensure that renewable energies play a significant role in this growth. In this context, KfW under the Financial Cooperation (FC) with India has put together one of the biggest loan packages in its history to finance the Green Energy Corridors. Last year, three loan agreements totaling Euro 625 million for financing the Green Energy Corridors (GEC) in India had been signed and with these new loans, the total financing by KfW on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ) for the Green Energy Corridor project reaches Euro 750 million.

Source: http://www.newkerala.com/news/2015/fullnews-130697.html, Dated 6th October 2015