NEWS FLASH – 11th May, 2016

SUGAR

Sugar-coated promises in Tamil Nadu, but mills see no boon

India's sugar production is likely to fall by 4 per cent to about 24 million tonnes in the next marketing year starting October due to lower cane output, but there will not be any need to import as the country has sufficient stock, according to industry body ISMA.

Sugar production of India, the world's second largest producer after Brazil, is likely to fall at about 25 million tonnes in the ongoing 2015-16 marketing year (October- September) from 28.3 million tonnes in the previous year.

"Based on the sugarcane planting area, sugar production is expected at at least 24 million tonnes in the next season," Indian Sugar Mills Association (ISMA) President Tarun Sawhney told reporters here today on the sidelines of an event.

He said the production in Maharashtra and Karnataka is expected to fall due to lower cane plantation in the two drought-affected states, but the same would be compensated by the Uttar Pradesh and Tamil Nadu millers to some extent.

Asked about the need to imports in next season, Sawhney said: "We have more than enough sugar sugar in the country. We don't want any import of sugar in the country."

The association wants the sugar import duty to continue at 40 per cent, he added.

The closing stock at the end of the season would be around 7-7.5 million tonnes, taking the total sugar availability to over 31 million tonnes in the 2016-17 season, he said, while pegging the domestic demand at 26 million tonnes.

"Sugar stock at the end of 2016-17 season which is September next year would be around 5 million tonnes, which is sufficient for 2-3 months consumption," Sawhney explained.

On rising retail prices of sugar, ISMA President said that the trade margins have increased and same should not be more than Rs 6 per kg.

Sawhney said the mills would be comfortable with Rs 36 per kg ex-mill price of sugar, which means retail price of Rs 42 per kg. The average ex-mill price of sugar is currently at Rs 33 per kg.

Recently, the Centre had said that there would not be sugar shortage in the country in the 2016-17 season despite lower domestic output, as the total availability at 30-31 million tonnes would be suffice to meet the demand.

"…notwithstanding any shortfall in sugar production during 2016-17 sugar season (estimated 23-24 million tonnes), the total availability in India (30-31 million tonnes) would be sufficient to meet the domestic consumption," the Food Ministry had said in a statement.

As the sugar prices crossed Rs 40 per kg in the retail markets, the Centre has empowered state governments to impose stockholding limits on sugar traders.

(Source- http://sugarnews.in/sugar-coated-promises-in-tamil-nadu-but-mills-see-no-boon/, published on 10th May, 2016)

Sugar prices rule flat

Sugar prices at Vashi ruled flat on routine demand, as well as supply and volume. Prices declined by ₹2-4 on the lower side, remaining steady at the higher end. Arrivals at Vashi were about 60–62 truck loads and local dispatches at the same level. On Monday, 12-14 mills offered tenders and sold 30,000–32,000 bags at ₹3,470–3,550 (₹3,470–3,550) for S-grade and ₹3,550–3,610 (₹3,550-3,610) for M-grade. On NCDEX futures prices for May-16 were at ₹3,316 (₹3,317) and July-16 contracts declined to ₹3,519 (₹3,541) . On Bombay Sugar Merchants Association's spot rates were: S-grade ₹ 3,566-3,662 (₹3,570-3,662) and M-grade was ₹3,640–3,762 (₹3,642–3,762). Naka delivery rates were: S-grade ₹3,530–3,610 (₹3,530–3,610) and M-grade ₹3,600–3,720 (₹3,600–3,720).

(Source- http://www.thehindubusinessline.com/markets/commodities/sugar-prices-rule-flat/article8581485.ece, published on 10th May, 2016)

Sugar industry pitches for uniform cane pricing

Sugar millers are not in favour of imports for at least the next twenty four months, as they say there is enough sugar available domestically.

"Our estimation is that there will be an availability of 31 million tonnes of sugar during the 2016-17 sugar year, beginning in October. If the country consumes even the outer limit of 26 million tonnes, the sugar stock (carryover) on October 1, 2017 (beginning of the next sugar year) will be 5 million tonnes, which is a massive amount," Tarun Sawhney, President, Indian Sugar Mills Association (ISMA), told reporters on the sidelines of a seminar on sugarcane pricing on Monday.

While India allows import of sugar, at present there is a prohibitive 40 per cent duty which, ISMA says, should not be tinkered with.

Sugar production in the on-going year 2015-16 is likely to be 24 million tonnes, about 3 million tonnes less than the previous year due to dry conditions in Maharashtra and Karnataka, according to ISMA estimates.

"We will start the new sugar year with an opening balance of 7 million tonnes to 7.5 million tonnes," Sawhney said.

Sawhney pointed out that the Indian Meteorological Department (IMD) has predicted good monsoon, which could mean that all dams will be full, sub-soil moisture will be excellent, and water levels will be good.

"Even if there is 4-5 per cent variation in production numbers that we have estimated, we shall still have enough sugar," Sawhney said.

At the seminar, ISMA pushed for a standard formula for cane pricing across the country, with no variations among States.

A Sugar Development Board, on the lines of the Tea Board or the Coffee Board, was proposed to be set up by Bharat Krishak Samaj Chairman Ajay Jakhar.

Jakhar said the government could apply a small tax on sugar products and the money could be used for the Sugar Development Board. "It is only through the setting up of such a Board that the yield, quantity and quality of sugar will improve," he said.

(Source- http://www.thehindubusinessline.com/todays-paper/tp-agri-biz-and-commodity/sugar-industry-pitches-for-uniform-cane-pricing/article8577213.ece, published on 10th May, 2016)

Sugar prices strengthen on summer season demand

Marketmen said increased demand from stockists as well as bulk consumers, driven by ongoing summer season, mainly kept sugar prices higher

Sugar prices strengthened by Rs 10 per quintal at the wholesale market in the national capital today on sustained buying by stockists and bulk consumers to meet ongoing summer season demand.

Marketmen said increased demand from stockists as well as bulk consumers, driven by ongoing summer season, mainly kept sugar prices higher. Reports of lower output also supported the upside, they said.

Meanwhile, India's sugar production is likely to fall by 4% to about 24 million tonnes in the next marketing year, starting October due to lower cane output, but there will not be any need to import as the country has sufficient stock, according to industry body ISMA.

Sugar ready M-30 and S-30 prices edged up by Rs 10 each to Rs 3,650-3,730 and Rs 3,640-3,720 per quintal, respectively.

Following are today's quotations (in Rs per quintal)

Sugar retail markets - Rs 33.00-39.00 per kg.

Sugar ready: M-30 Rs 3,650-3,730, S-30 Rs 3,640-3,720.

Mill delivery: M-30 Rs 3,370-3,430, S-30 Rs 3,360-3,420.

Sugar millgate (including duty): Mawana Rs 3,410, Kinnoni Rs 3,430, Asmoli Rs 3,410, Dorala Rs 3,400, Budhana Rs 3,380, Thanabhavan Rs 3,370, Dhanora Rs 3,380, Simbholi Rs 3,410, Khatuli Rs 3,410, Dhampur Rs 3,380, Ramala Rs 3,420, Anupshaher Rs 3,420, Baghpat Rs 3,430, Morna Rs 3,430, Sakoti Rs 3,380, Chandpur Rs 3,370, Nazibabad Rs 3,420 and Malakpur Rs 3,370.

(Source-http://www.business-standard.com/article/pti-stories/sugar-prices-strengthens-on-summer-season-demand-116051000559_1.html, published on 10th May, 2016)

Maharashtra mills owe Cooperative Bank Rs 2,900 crore at season end

Significantly, the state has continued to step up pressure on millers for not making fair and remunerative price (FRP) payments for the 2015-16 season

With sugar prices on the higher side, the total outstanding amount owed by mills to the Maharashtra State Cooperative Bank (MSCB) at the end of the season is at an all time high of Rs 2,900 crore, top officials of the bank said. Significantly, the state has continued to step up pressure on millers for not making fair and remunerative price (FRP) payments for the 2015-16 season.

Normally, by the end of March and April, sugar mills end up selling stocks and outstandings get reduced to some Rs 1,300 crore-1,400 crore, Pramod Karnad, MD, MSCB, said. However, this time, the mills seem to be holding on to stocks and therefore the outstandings are nearly double, he said. This season, the bank had floated a special 5% margin money loan scheme to help mills recoup the gap in making FRP payments. Under the normal practice, the bank usually gives 85% funds to mills leaving 15% margins to overcome any volatility in the market.

Even as the state's sugar season has ended with the last mill completing crushing operations a couple of days ago, the apex cooperative bank of the state has raised valuations for sugar this month to Rs 3,100 per tonne as against Rs 2975 per tonne. Last month, the bank had increased valuations for sugar by Rs 210 per tonne to Rs 2,975 per tonne. This time valuations has been raised by Rs 125 per tonne. This is the ninth time this season that valuations have been raised for mills, Karnad said, adding that this leaves more money for making cane payments. However, millers are still sitting on stocks. Valuations were first raised at the start of the season to Rs 2,190 per tonne, which gave the mills some Rs 1,860 per tonne in hand for payments.

Meanwhile, the sugar commissionerate has stepped up pressure on mills for their failure to make the remaining 20% FRP payments for the season of 2015-16. Revenue and recovery certificate (RRC) orders were issued to four mills, crushing licences of two mills were cancelled, two licences were suspended for the season. Hearings were held for some 26 mills, of which 10 mills made payments, while two mills made marginal payments and so were given more time.

In the first week of May, the RRC orders have been issued against six mills, crushing licenses of six mills has been cancelled and crushing licences of another eight mills has been suspended. Of the eight mills, four mills have made payments. The total fine for crushing without licence comes up to Rs 116 crore, he said. Hearings were held for some 32 factories last week. According to the latest arrear report, around 84% of the FRP payments have been recovered while 14% millers still owe payments to farmers.The government has also taken action against 23 factories for not making FRP payments of 2014-15.

Unpaid dues

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* The state has continued to step up pressure on millers for not making fair and remunerative price payments for the 2015-16 season.

(Source- http://www.financialexpress.com/article/markets/commodities/maharashtra-mills-owe-cooperative-bank-rs-2900-crore-at-season-end/252535/, published on 11th May, 2016)

Co-gen/Power

TNB to invest in India's GMR Energy for US$300m

Tenaga Nasional Bhd (TNB) is planning to subscribe for a 30% stake in selected power assets in India's GMR Energy Ltd (GEL) on a fully diluted basis for US$300 million (RM1.2 billion).

In a stock exchange filing yesterday, TNB said it has entered into an agreement to subscribe for new equity shares in GEL through its wholly owned unit, Power and Energy International (Mauritius) Ltd (PEIML).

GEL is part of GMR Infrastructure Ltd (GMR Group), which is one of the largest diversified infrastructure conglomerates in India.

"At the time of TNB's investment, GEL will comprise a portfolio of best-in-class power assets, with a total capacity of c.4, 630MW. This will include an operating capacity of c.2, 300MW and, in the pipeline, capacity of c.2,330MW under construction/development assets," TNB said.

In addition, GEL has a balanced fuel mix of coal (2,000MW), gas (623MW) and renewable sources of hydro (1,980MW) and solar energy (25MW).

"TNB's investment in GEL Energy meets all its investment criteria as this deal delivers tremendous potential and unlocks significant value. It places TNB in prime position to benefit from India's superior long-term electricity consumption growth potential, in one of the world's largest emerging economies," TNB president and CEO Datuk Seri Azman Mohd said in a seperate statement yesterday.

(Source- http://indianpowersector.com/2016/05/tnb-to-invest-in-indias-gmr-energy-for-us300m/, published on 10th May, 2016)

Rays Power commissions 11mw solar unit in Telengana

Rays Power Infra Pvt. Ltd., one of India's leading solar energy company, has announced the commissioning of its latest solar photooltaic project in Telangana, a 11.5 MW project that was completed in 3 months.

Developed for Shining Sun Powers, it is one of the fastest-commissioned projects in the country. Undertaken by Rays Power Infra on turnkey basis, the project was executed from end-to-end, from land acquisition till its successful commissioning.

Additionally, it is one of the few projects, which has been commissioned out of the allotted 500 MW under Telangana's Solar Policy.

Commenting on the milestone, Ketan Mehta, CEO, Rays Power Infra said, "The successful commissioning of this ambitious project in record time places another feather in our cap. This is an extremely important win for both our enterprise and for the augmentation of solar energy in India. We are glad to make this dream come true for our prestigious client. I want to bestow my gratitude on all those who were involved with this project from the beginning and who worked together to make it such a massive success."

Spread over 46 acres of land in the Mahbubnagar district of Telangana, this project is commissioned under Telangana's solar power policy for procuring 500 MW through a tariff-based competitive bidding process.

(Source- http://timesofindia.indiatimes.com/india/Rays-Power-commissions-11mw-solar-unit-in-Telengana/articleshow/52206038.cms, published on 10th May, 2016)

Subsidy default rises to Rs 1,686.34 cr

Despite repeated 'adjustments' being made by the state government against the payment of subsidised power to Punjab Power Corporation, gap has again started to rise with the government failing to make cash payment against free power being supplied to the farm sector.As per the official figures, there was a subsidy default of Rs 753 crore at the end of the last fiscal year. As the state government failed to make a payment of Rs 466.67 crore, which is the monthly instalment fixed by the Punjab State Electricity Regulatory Commission (PSERC), for April and May, this year the total subsidy default has now increased to Rs 1,686.34 crore.

The sources said the PSERC in its tariff order for fiscal year 2015-16 had stated that a sum of Rs 5,599.61 crore was payable as monthly 'advance' instalments for subsidised power supplied in the state. However, the state government could only make an actual payment of Rs 4,847 crore, which was Rs 753 crore short of the complete payment to be made.During 2015-16, the last payment of subsidy in cash was made of February 29, 2016. After this, an amount of Rs 447 crore was adjusted in March to the PSPCL accounts. The adjusted amount included Rs 157 crore collected by the PSPCL as electricity duty, Rs 158 crore collected as dedicated social service fund and Rs 132 crore that was guarantee fee against loans taken by the PSPCL that was to be paid by the state government.

(Source- http://indianpowersector.com/2016/05/subsidy-default-rises-to-rs-1686-34-cr/, published on 10th May, 2016)

Thought of the day

'Peace is not absence of conflict; it is the ability to handle conflict by peaceful means.'

-Ronald Reagan