NEWS FLASH – 11th June, 2016

SUGAR

Sugar stocks surge upto 20% despite proposed duty on its export

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Shares of sugars companies such as Andhra Sugars, Bajaj Hindusthan Sugar, Bannari Amman Sugars, Dwarikesh Sugar Industries and Dhampur Sugar Mills soared by 7.65 per cent, 5.54 per cent, 6.09 per cent, 6.53 per cent and 6.02 per cent, respectively.

Food minister Ram Vilas Paswan stated that there is an increasing trend in the price of sugar in the international market and traders may increase the export of sugar to make profit. Therefore, to keep the export of sugar in control, it is purposed to levy 25 per cent custom duty on export of sugar. He further added, this move will keep sufficient availability of sugar in domestic market and the price will be under control.

Reportedly the global prices have increased by 50 per cent in last three months due to disruption in supply from Brazil. India exported 1.4 million tonnes of sugar so far in the 2015-16 marketing year (October-September). Whereas, retail sugar prices last month had crossed Rs 40 per kg due to 11 per cent fall in domestic sugar output in the ongoing 2015-16 season.

India is the world's second largest producer of sugar with estimated production of about 25 million tonnes in 2015-16, as against 28.3 million tonnes last year. Sugar production is likely to be lower this year due to a drought in major growing regions.

(Source- http://www.financialexpress.com/article/markets/indian-markets/sugar-stocks-rise-despite-export-duty-proposal-on-bse-sensex-nse-nifty-on-june-10-2016/280365/, published on 10th June, 2016)

Sugar Price Surge Takes India Mills From Brink to 200% Gain (1)

A year ago Balrampur Chini Mills Ltd.'s stock was languishing as sugar mills in India reached for government hand-outs to survive. Its shares have since surged almost 200 percent.

Balrampur Chini is symbolic of a reversal that's swept through the industry -- lifting rivals including Dhampur Sugar Mills Ltd. and Triveni Engineering & Industries Ltd. -- as the price of refined sugar in the local market surged about 60 percent in the past year. The boost is helping the sector shake off years of losses when earnings were squeezed between high government-mandated cane costs and a global slump in the price of the sweetener.

Analysts and traders estimate Indian sugar production will drop to a seven-year low in the year beginning Oct. 1, part of a global deficit, as drought conditions shrink acreage under cane in the nation's second-biggest growing region of Maharashtra.

Top producers including Bajaj Hindusthan Sugar Ltd. and Balrampur stand to benefit as their mills in the northern state of Uttar Pradesh will probably maintain or increase production, according Sabyasachi Majumdar, a senior vice president with ICRA Ltd., the local unit of Moody's Investors Service.

"We will definitely see robustness in profits and cash flow," said Tarun Sawhney, president of the Indian Sugar Mills Association and vice chairman of Triveni Engineering, India's third-largest producer. "The long-term story in the sugar industry is extremely good. There is clearly a sign of renewed energy in the sector."

Global sugar prices have advanced for four straight months as drought conditions hurt supplies in Thailand and India, the second-biggest grower, and heavy rains disrupted harvesting and shipping in the top producer Brazil.

Sugar sells in India, the world's largest consumer, for as much as $40 a ton more than the global price, according to Kiran Wadhwana, a director at New Delhi-based broker Comdex India Ltd.

Current planting estimates indicate there will be a decline in cane availability in Maharashtra and northern Karnataka, with states including Uttar Pradesh, Tamil Nadu and possibly Bihar picking up the slack, according to the sugar mills association.

An anticipated further increase in sugar prices will spur earnings at mills in Uttar Pradesh while an improvement in cane quality will boost sugar production, said Rohit Agarwal, an analyst with SPA Securities Ltd. in Kolkata, who has a buy rating on Balrampur Chini and Triveni Engineering.

Balrampur has been the best performer on India's S&P BSE Fast Moving Consumer Goods index this year and traded at 121.45 rupees at 10:49 a.m. on Thursday in Mumbai after falling to a low of 38.90 rupees in 2015.

The turnaround follows a period when mills were being squeezed by rising payments to farmers at a time when prices were low, causing a debt pile up of about 510 billion rupees ($7.6 billion), Triveni's Sawhney said in a phone interview on May 26.

The government last year granted interest-free loans to mills and offered a subsidy on sugar exports to enable mills to clear the money they owed the nation's 50 million cane growers. India also scrapped a 12.5 percent excise duty on ethanol to promote the sale of blended fuel and improve the operating environment for sugar producers.

"By and large everybody will return to profit but utilization of profits will be in paying sugar cane arrears, repaying loans, up-gradation of technology and plant repairs," Sawhney said. "We need a few sustained years of positive cash flow in order to be able to improve the financial health of the industry, invest in farms and technology."

(Source-http://washpost.bloomberg.com/Story?docId=1376-O850C06K50XY01-099NDJ4P5ELL6VPF6U8CPHQJ43., published on 10th June, 2016)

World Sweetener Market (Sugar Substitutes) Growing at 4.78% CAGR to 2020

Global sweetener market is forecast to rise in next 5 years driven by demand for naturally-derived sweeteners with stevia emerging as popular sugar substitute in light of increased availability of low-calorie naturally derived sweeteners and rising awareness about them. Stevia is derived from the plant of the same name. The active compounds present in this plant are nearly 150 times sweeter than sugar and have a negligible effect on blood glucose levels. Stevia also does not because the side effects usually associated with artificial sweeteners like aspartame.

Complete report on sweetener market spread across 74 pages, analyzing 5 major companies and providing 37 data exhibits is now available at http://www.rnrmarketresearch.com/global-sweetener-market-2016-2020-market-report.html

The analysts forecast global sweetener market to grow at a CAGR of 4.78% during the period 2016-2020. A key growth driver is the high incidence of obesity and diabetes. Obesity and diabetes are lifestyle disorders found in a large segment of the world population. These disorders lead to other health problems, including heart ailments, respiratory disorders, and anxiety, among others. Childhood obesity and juvenile diabetes are on the rise, especially in developed economies like the US and the UK. In 2013, approximately 347 million individuals had diabetes worldwide. The diabetic population is increasing widely in developed and developing nations of the world. China and India have the largest number of diabetic cases among developing nations.

Increase in consumer awareness has resulted in consumers paying closer attention to food labels to ensure that the calorie content is within the recommended range. As a consequence of this development, manufacturers of various products are now replacing their old product lines or adding new products to their portfolios to cater to this segment of health-conscious consumer

The sweetener market in the Americas is expected to exceed USD 45 billion by 2020, growing at a CAGR of over 5%. The Americas is the leading producer and consumer in the sweetener market due to the increased demand for convenience food, functional food, and alternative sugar sources. In APAC is expected to exceed USD 35 billion by 2020, growing at a CAGR of over 5%. The region has emerged as one of the fastest-growing market for artificial sweeteners driven by two leading countries, China and India. Europe is predicted to generate approximately 26 billion by 2020, growing at a CAGR of over 4%. The European sweetener market has been witnessing an increase in sugar prices that is above the stated preferential pricing of the European Union. The sweetener market in ROW is expected to exceed USD 5 billion by 2020. The sweetener market in ROW will grow at a moderate pace during the forecast period. Despite low per capita consumption, many countries in the Middle East import sugar.

The following companies are the key players in the global sweetener market: Cargill, Cumberland Packing, Ingredion, Roquette, and Tate & Lyle. Other Prominent Vendors in the market are: ADM, Ajinomoto, Amalgamated Sugar, American Crystal Sugar, Beckmann-Kenko, Danisco, Evolva Holding, Florida Crystal, Galam, GLG Life Tech, Herboveda, Hermes Sweetener, Imperial Sugar, Ingredion, JK Sucralose, McNeil Nutritionals, Morita Kagaku Kogyo, NutraSweet, Pure Circle, Sunwin Stevia International, Wisdom Natural Brands, and Zydus Wellness.

Global Sweetener Market 2016-2020, has been prepared based on an in-depth market analysis with inputs from industry experts. The report covers the market landscape and its growth prospects over the coming years. The report also includes a discussion of the key vendors operating in this market. The report covers the present scenario and the growth prospects of the global sweetener market for 2016-2020. To calculate the market size, the report considers the revenue generated through the sales of both natural and artificial types of sweeteners.

Another related report is Global Sugar Substitutes Market 2015-2019, which forecasts the industry to grow at a CAGR of 4.45% over the period 2014-2019. The beverage industry is the biggest contributor to the application market of sugar substitutes. The cost-cutting advantage provided by sugar substitutes is leading to its increased demand

(Source- http://sugarnews.in/world-sweetener-market-sugar-substitutes-growing-at-4-78-cagr-to-2020/, published on 10th June, 2016)

Co-gen/Power

India cancels four major new coal plants in move to end imports

The Indian Energy Ministry has this week announced plans to cancel four proposed coal-fired power plants with a combined capacity of 16 gigawatts (GW).

The plans previously called for four ultra mega power plants (UMPP) across Chhattisgarh, Karnataka, Maharashtra and Odisha, but these are now to be cancelled due to lack of interest from the host states.

This is yet another major policy shift underscoring how seriously India is working to transform, modernize and diversify its electricity sector away from coal.

For eight years, these four proposed plants remained in the planning, preparation and land acquisition stage. However, community resistance to compulsory land acquisition and forced resettlement combined with electricity power surpluses to push the government to issue a cancellation order.

Moreover, two of the UMPPs (8GW) were planned for coastal locations, aimed to run on imported coal. As such, the announcement is in line with Indian Energy Minister Piyush Goyal target of eliminating thermal coal imports into India.

His motivation in eliminating thermal imports is to drive delivered cost of electricity down, reduce the current account burden, improve energy security and the straight out lack of need in light of increased domestic production.

April 2016 coal imports fell 15% year on year.

To operate, these four UMPPs would have required upwards of a total of 46 million tonnes per annum of coal (approx. 12Mtpa per plant), half of which was to have been imported.

For 2016/17, the Ministry of New and Renewable Energy (MNRE) has set the highest ever capacity addition target for the clean power sector, that being up to 16,660 megawatts (MW). Of this, the solar installs target is set at 12GW, wind at 4GW, biomass power at 400MW, small scale hydro-electricity at 250MW and waste-to-power at 10MW.

(Source- http://indianpowersector.com/2016/06/india-cancels-four-major-new-coal-plants-in-move-to-end-imports/, published on 10th June, 2016)

Power-surplus Gujarat seeks second UMPP

Demand for power within a state may no longer be a criterion for seeking mega power projects. Gujarat, the most energy surplus state in the country, wants another mega investment in power generation even as other states seem to be no longer interested in hosting ultra mega power projects (UMPP).

Gujarat housed the first UMPP in the country when Tata Power started generation from Mundra unit in 2012. If the second UMPP goes through, it would be the first thermal power generation project to be tendered by Narendra Modi-led NDA government, with amended bidding parameters.

WHY GUJARAT CAN SELL POWER TO OTHER STATES

- Southern region faces power deficit of 10%
- North and northeast have power deficit of 1.6% and 3.8%, respectively
- West and east are power surplus regions, with Gujarat and Maharashtra facing no deficit
- Gujarat has Tata Power-promoted Mundra UMPP

Against the peak demand of 14,860 million units (kilowatt per hour), the peak availability in Gujarat is 15,480 million units. The state has 29,867.60 Mw of installed generation capacity, including renewable capacity of about 1,000 Mw. The state is, in fact, a leader in renewable power generation.

Power ministry has lowered its demand projection for 2022 by 17.3 per cent to 239 Gw.

Power ministry officials said the state has asked for an imported coal-based UMPP. An inter-ministerial group, representing power and coal ministries, visited the proposed site of the plant at Gir Somnath district in southern Gujarat. The site is close to the upcoming port facility being built by Shapoorji Pallonji group. This would facilitate transportation of imported coal, said the official.

With this project, the Centre is also likely to change its procedure for awarding UMPPs. "The Gujarat government requested the Centre for a UMPP. From now onwards, the Centre will plan power projects when states demand. Gujarat is anticipating increase in industrial demand. Also, it can export electricity to power-starved states in southern India and Rajasthan," said a senior government official.

The United Progressive Alliance (UPA) government had planned for 16 UMPPs across India, only four which could be awarded. While Reliance Power bagged three of these UMPPs, only Sasan facility in Madhya Pradesh is generating at full capacity.

While Tata Mundra and Reliance Krishnapatnam are imported coal based, Tilaiya and Sasan have captive coal mines. Gujarat's interest in UMPP comes at a time when both operational UMPPs and those, which were awarded but are yet to come up, are facing hurdles.

Mundra has been fighting a case seeking compensatory tariff for five years now with no closure in sight. Reliance has exited the Tilaiya project due to regulatory delays and procurers of Krishnapatnam are looking for cancelling power purchase agreements (PPAs) on grounds of delay in commencement of the project.

The two planned UMPPs in Odisha and Tamil Nadu could not be successfully awarded as private companies pulled out of bidding in 2014. Private players had raised concerns on the Design, Build, Finance, Operate, and Transfer (DBFOT) model. These projects were to be awarded on a competitive tariff-based bidding.

Even though Adani Power, CLP India, Jindal Steel & power, JSW Energy, Sterlite Energy and Tata Power showed interest in Tamil Nadu UMPP worth Rs 25,000 crore, none of them presented financial bid for it.

Even Odisha UMPP, which saw initial interest from Adani Power, CLP India, GMR Energy, Jindal Steel & Power, JSW Energy and Sterlite Energy, did not elicit financial bidding from any of these companies. Government-controlled NTPC and NHPC were the only ones left in the fray for Odisha UMPP, forcing Power Finance Corporation to cancel the bidding process. Power sector experts said the government needs to aim for securing offtake of power at this point of time, rather than creating more generation.

"There is no power purchase agreement for around 20,000 Mw generation capacity. The government needs to provide clarity on that and create demand. It is pertinent to source power from cheaper sources rather than just creating more sources," said Rupesh Agarwal, Partner, BDO India.

Another Delhi-based power sector analyst said Gujarat is an ideal spot for another UMPP as demand is likely to surge. He, however, added captive coal-based plants should be pushed as there is surplus availability of domestic coal.

The central government recently notified guidelines for the imported coal-based UMPPs. The UMPP would be awarded as 'plug & play', i.e. the government would facilitate land, environment clearances and evacuation. The developer would just set up project, import coal and sell power (Build-Own-Operate).

The guidelines propose pass through of variation in input cost to the final consumer. Also in a novel approach, to cushion the power buyers from the fluctuating coal prices, the central government would help with coal supply for five years and the option of blending cheap domestic coal would be provided. The amended guidelines are likely to be placed in Cabinet in a month's time, said officials.

(Source- http://www.business-standard.com/article/economy-policy/power-surplus-gujarat-seeks-second-umpp-116061100038_1.html, published on 11th June, 2016)

Thought of the day

"When a wall blocks your path, knock it down and build steps." -Michael Woodcroft