NEWS FLASH –15th March, 2016

SUGAR

CACP for keeping cane FRP unchanged at Rs 230/qtl for 2016-17

The Commission for Agricultural Costs and Prices (CACP) has recommended the government to keep the fair and remunerative price for sugarcane unchanged at Rs 230 per quintal for the 2016-17 season (October-September).

The CACP is a statutory body that advises the government on the pricing policy for major farm produce.

"The CACP has suggested sugarcane fair and remunerative price (FRP) at Rs 230 per quintal for the 2016-17 season after carefully examining the cost of production, surplus availability and international prices of sugar and other factors," sources said.

For the ongoing 2015-16 season, the government had raised the FRP of cane by Rs 10 to Rs 230 per quintal.

The fair and remunerative price is the minimum price that sugarcane farmers are legally guaranteed. However, state governments are free to fix their own state-advised price (SAP) and millers can offer any price above the FRP.

The FRP is fixed after taking into consideration the margins for sugarcane farmers, based on the cost of production of sugarcane including the cost of transportation.

It is linked to a basic sugar recovery rate of 9.5 per cent, subject to a premium of Rs 1.46 for every 0.1 percentage point increase in recovery above 9.5 per cent. The recovery rate is the quantity of sugar produced from the crushed cane.

Usually, the government accepts the cane price recommended by the CACP.

(Source-http://www.business-standard.com/article/pti-stories/cacp-for-keeping-cane-frp-unchanged-at-rs-230-qtl-for-2016-17-116031400792_1.html, published on March 14, 2016)

Sugar Industry Sees Light at End of the Tunnel

The next six months are going to be crucial for the Indian sugar industry. Global and domestic markets are witnessing a reversal of the two-year supply glut leading to fall in prices. Sugar prices in the domestic market have risen by Rs 8-10 per kg across India. However, the industry itself is being highly cautious about building up hopes. While sugar prices have risen by more than 50% in certain areas, it still hover significantly below the cost of production in the largest sugar producing states.

“If we take an all India average, the cost of production (CoP) of sugar (Rs 32 per kg) is still higher by Rs 5-8 per kg than the prevailing ex-mill prices,” admitted Abinash Verma, Director General of the Indian Sugar Mills Association (ISMA). Though the gap in CoP and ex-mill prices might seem large, it is nothing when compared to the lows that the sugar industry faced during August 2015, when prices hit Rs 19 per kg - almost half that of CoP.

The following months have witnessed a race by sugar companies to remove excess stock from the market and prop up prices. The government’s push to increase exports by offering a ‘Rs 45 per tonne of cane’ subsidy for mills that completed their export quotas has contributed to the reducing stock. But, the major factor has been the decreased domestic production during the current crop season.

The continued upswing in sentiment in both the commodities market and the stock market has been buttressed by market speculation that the acreage for cane for the next crop season, to begin in six months, will be even lower than this year's. “But that is where we are cautious, the price increase is being driven by reducing stocks. But there will be no true recovery unless global prices keep increasing and exports become remunerative again combined with a continuing decrease in domestic production,” said a owner of a leading South Indian sugar mill.

ISMA is a bit more optimistic. “Indian sugar mills have already contracted for 1.2 - 1.3 million tonnes of exports. And there is another six months left to reach the 3.2 million tonne export target set by the government.

(Source- http://www.newindianexpress.com/business/news/Sugar-Industry-Sees-Light-at-End-of-the-Tunnel/2016/03/10/article3319036.ece, published on March 10, 2016)

Dwarikesh Sugar extends rally; zooms over 80% in two weeks

The stock is trading at its 52-week high, zooms 81% since February 29, as compared to 8% rise in Sensex.

Dwarikesh Sugar Industries has surged 6% to Rs 184, extending its past two weeks rally on the BSE, after the rating agency ICRA upgraded the long-term rating of the Line of Credit (LOC). The outlook on the long term rating has been changed to positive from stable.

The stock currently trading at its 52-week high and zoomed 81% from Rs 102 on February 29, as compared to nearly 8% rise in the S&P BSE Sensex.

“The rating action factors in the improved outlook for the company’s core sugar business arising out of the significant increase in domestic sugar prices coupled with an improvement in the recovery of sugar from sugarcane leading to lower cost of production during SY16,” ICRA said in a statement.

Expectations of lower domestic sugar output in SY16 owing to drought conditions in major producing states together with mandatory exports of 4 million tone notified by the Government of India have led to an uptrend in domestic sugar prices. Further, with the Uttar Pradesh State Administered Price (SAP) for cane being retained at previous year’s levels of Rs 280/ quintal for SY16 along with a significant subsidy, the company's profitability and cash accruals are expected to improve from the earlier estimates, it added.

The company had reported a net profit of Rs 2.84 crore for the quarter ended December 2015 against a loss of Rs 23.43 crore in the same quarter last year.

According to the unaudited financials, Dwarikesh Sugars reported an operating income of Rs. 568 crore and net loss of Rs 13.86 crore during 9MFY16 as against an operating income of Rs 517 crore and net loss of Rs 33.40 crore in 9M FY15.

(Source: http://www.business-standard.com/article/markets/dwarikesh-sugar-extends-rally-zooms-over-80-in-two-weeks-116031400452_1.html, published on 14th March, 2016)

Co-gen/ Power

China January-February coal output falls 6.4 percent on year

China produced 513 million tonnes of coal over the January-February period, down 6.4 percent compared with the same period last year, according to figures published by the National Bureau of Statistics on Saturday.

China's coal production fell 3.5 percent to 3.68 billion tonnes in 2015, with major miners slashing output as a result of waning demand, falling prices and a concerted effort by authorities to cut the country's dependence on fossil fuels.

The production of coking coal, used in steel, fell 10.4 percent annually in the first two months of the year to 66.5 million tonnes. It fell 6.5 percent in the whole of 2015.

(Source -http://indianpowersector.com/2016/03/china-january-february-coal-output-falls-6-4-percent-on-year/, March 14, 2016)

Government to launch portal to ease procedure to lift coal

Seeking to address the issue of a fall in lifting of coal by medium and small scale industries, government is planning to launch a web portal on which consumers can place their requirements and get the supply by self-certification.

Replying to supplementaries during Question Hour in Rajya Sabha, Coal Minister Piyush Goyal said the government has assessed the reasons for the fall, which include lack of sensitivity for small consumer and elaborate paper work.

"This time we have held thorough discussion with consumer organisations and state governments and after talking to all, we are very soon going to place a new proposal under which all information about state agencies will be put on a web portal. Consumers can place their requirement on the portal and on the basis of self certification, they will get the coal at price including nominated prices added by freight and 5 per cent service charge," Goyal said.

The Minister said this will not only enhance transparency but also establish control over state agencies not carrying out coal distribution properly.

"There will be a check on any wrong-doing by them due to the entire information being in public domain," Goyal said.

Medium and small scale industries whose requirement is less than 4200 tonnes per annum are required to take coal through agencies nominated by state governments.

Under the new Coal Distribution Policy (NCDP 2007), the scope of coverage through state agencies was increased from 500 tonnes per annum to 4200 tonnes per annum. At present, there is no proposal to review and revise NCDP 2007 for supply of coal to small and medium industries, he said.

An aggregate of eight million tonne of coal is earmarked per annum for distribution to medium and small scale industries. The earmarked quantity is divided amongst various states/union territories depending on their past trend.

Giving figures of the gap between the applications for coal supply and their actual lifting, Goyal said "the main reasons are that sensitivity that should have been there for the small consumers was not there, and very elaborate paper work is required. We are now making it much easier in the new portal."

(Source:http://economictimes.indiatimes.com/articleshow/51396031.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst , published on March 14, 2016)

THOUGHT OF THE DAY:

"We are shaped by our thoughts; we become what we think. When the mind is pure, joy follows like a shadow that never leaves." -Buddha