NEWS FLASH – 15th June, 2016

SUGAR

Sugar Stocks Extend Rally but Analysts Suggest Caution

Sugar stocks extended their rally on Tuesday with shares of six companies hitting fresh 52-week highs. Dwarikesh Sugar, Mawana Sugars, Oudh Sugar Mills, Shree Renuka Sugars, Bannari Amman Sugars and Ugar Sugar Works rose between 2 per cent and 20 per cent to hit fresh 52-week highs today.

Hopes of improving financial health of sugar prices on the back of rising sugar prices have been attributed to the rally in shares of sugar companies, traders say.

Sugar production in India was impacted in last two years due to drought which pushed up prices. Globally, too sugar production also declined in last two years, supporting the price gain in the commodity.

The rally in sugar shares in the past one year has multiplied investor's wealth. Ugar Sugar Works, which produces both sugar and ethanol, for example, has delivered close to 600 per cent return in last one year.

However, some analysts advise caution after the sharp run-up in some sugar stocks.

"Sugar shares have already run up, so this is the time to be cautious. There is a bubble in two-third of the sugar stocks," G. Chokkalingam of Equinomics Research & Advisory told NDTV Profit.

Mr . Chokkalingam said sugar is a cyclical sector, which has created and destroyed wealth as well. If investors get trapped at the peak of the cycle they will end up losing money, he said.

"From 2006 sugar peak to last year, there are many stocks, which have lost 70-90 per cent. So one should not be too late in the cyclical sector," he added.

Abinash Verma, director general of Indian Sugar Mills Association (ISMA) told NDTV that sugar prices may continue to remain firm over next 12-18 months. However, he does not expect the rally in sugar prices to continue beyond that. Good weather could lead to higher production of the commodity during the 2017 season, he added. (Watch)

As of 12.21 p.m., Ugar Sugar was locked at upper circuit with 20 per cent gain, while Dwarikesh Sugar, Mawana Sugars, Oudh Sugar Mills were up between 2-13 per cent. In comparison the broader Nifty was down 0.13 per cent.

(Source- http://sugarnews.in/sugar-stocks-extend-rally-but-analysts-suggest-caution/, published on 14th June, 2016)

Sugar exports up at 1.6 MT so far in 2015-16 season

India has exported over 1.6 million tonnes of sugar so far in 2015-16 marketing year that started from October last, up 46% from the whole of previous year, according to industry body ISMA.

The country had exported 1.1 MT of sugar in the 2014-15 marketing year (October-September).

India is the second-largest producer of the commodity after Brazil but the biggest consumer of the sweetener.

"As per the information available with ISMA, around 1.6 MT have been exported so far in 2015-16 season," Indian Sugar Mills Association (ISMA) Director General, Abinash Verma, told PTI.

Sugar production is estimated to decline to about 25 MT in 2015-16 marketing year, from 28.3 MT in the previous year.

The production may drop to 23-24 MT in the next marketing year due to drought in Maharashtra and Karnataka — the two major sugarcane and sugar producing states.

In order to restrict exports, the Food Ministry has proposed imposing a 25 per cent duty on sugar to ensure sufficient supply in the domestic market.

"To keep the export of sugar under control, it is proposed to levy 25% customs duty on the export of sugar," Food Minister Ram Vilas Paswan had said last week.

Prices of sugar in the international markets are rising and therefore, traders might increase the export to maximise profits, the minister had said.

The proposed move would ensure sufficient availability of sugar in the domestic market and prices will be under control, Paswan had said.

According to trade sources, sugar exports have become viable now as global prices have increased by about 50% in the last three months due to disruption in supply from Brazil.

However, exports would become unviable if customs duty is slapped on sugar shipments.

The government has pegged sugar production at 23-24 MT for 2016-17 marketing year. However, the total availability would be 30-31 MT on the back of opening stocks of over 7 MT.

"… Notwithstanding any shortfall in sugar production during 2016-17 sugar season (estimated 23-24 million tonnes), the total availability in India (30-31 MT) would be sufficient to meet the domestic consumption. There is, therefore, likely to be no shortage of domestically produced sugar in India," the Food Ministry had said in late April.

With retail prices crossing the Rs 40 per kg mark, the government has imposed stock holding limit on traders and withdrawn export-linked production subsidy to control prices.

(Source- http://sugarnews.in/sugar-exports-up-at-1-6-mt-so-far-in-2015-16-season/, published on 13th June, 2016)

TN: Sugar industry urged to clear farmers' dues

Sugar industry in Tamil Nadu is under strong pressure from the State government to pay last three years' cane dues to farmers.

The new government formed last month held its first meeting with sugar industry representatives today.

The Industry Minister MC Sampath and senior officials met sugarcane farmers and senior executives of mills represented by the South Indian Sugar Mills Association separately at the Secretariat.

According to reliable sources, the government urged the sugar mills to pay arrears totalling about ₹ 1,500 crore, including the recommendatory State Advised Price (SAP) of ₹ 900 crore and the statutory Fair and Remunerative Price (FRP) of about ₹ 550 crore owed by a few mills. The government has taken the stand that any support to the cash-strapped industry will follow only if sugarcane dues are paid.

For instance, in 2015-16, the State government pegged the sugarcane SAP at ₹ 2,850 a tonne, against the Centre-fixed FRP of ₹ 2,300 which is mandatory. In the previous year, it was ₹ 2,650 a tonne with the FRP at ₹ 2,200.

Price decline

Over the last few seasons, sugar prices had dipped to lows that resulted in mills losing up to ₹ 500 on every tonne of cane crushed. As of now, with sugar prices at ₹ 33 a kg, sugar mills representatives say they are at just above breakeven levels.

Sugarcane farmers are also under pressure as cultivation costs are on the increase.

The industry represented that the State government support the industry in sugarcane payment and bring in a revenue sharing formula for sugarcane based on sugar prices.

Pricing mechanism

RV Giri, General Secretary, Consortium of Indian Farmers Associations Tamil Nadu, said the mills owe farmers more than 1,200 crore towards sugarcane payment since 2013-14 season. The farmers have also demanded the payment of additional cane price for 2004-05 to 2008-09 season under an earlier pricing mechanism. These arrears amount to about ₹ 450 crore.

The farmers asked the government to allow sugar mills to participate in the ethanol-blended fuel programme which will augment revenue to the industry and improve liquidity.

(Source- http://sugarnews.in/tn-sugar-industry-urged-to-clear-farmers-dues/, published on 13th June, 2016)

9 sugar stocks zoom over 100% in 2016

Shares of 9 sugar companies have more than doubled thus far in the calendar year 2016.

Hope of strengthening of their financial health further owing to higher sugar prices due to a fall in production, both in India and other major producing countries, resulted in the appreciation, reports suggest.

Upper Ganges Sugar & Industries, Mawana Sugars, Oudh Sugar Mills, Ugar Sugar Works, Dharani Sugars, Dwarikesh Sugar Industries, Uttam Sugar Mills, Thiru Arooran Sugars and Rajshree Sugars have rallied up to 350% so far in the current calendar year.

Total 34 sugar companies had posted an aggregate net profit of Rs 1,408 crore for the second half (October-March) of financial year 2016 (H2FY16), against a combined net loss of Rs 1,700 crore in the first half (April-September) or H1FY16. These companies had loss of Rs 1,268 crore in H2FY15 & Rs 979 crore in H1FY15.

According to Business Standard reports, industry officials fear that if yields (finished sugar output from cane) come lower than expected, production might fall further. This would help prices stay at elevated levels, which means companies will first generate a good amount of profit and cash to pay arrears and then repay debts.

(Source- http://sugarnews.in/9-sugar-stocks-zoom-over-100-in-2016/, published on 13th June, 2016)

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Co-gen/Power

Green power policy: Scaling up hydel’s share in energy mix

The government is redoubling its efforts to scale up the share of the hydro energy sector in the country’s overall energy mix. Two new sub-committees have been formed to specifically look at ironing out the legal and regulatory framework that is throttling the sector

A hydropower policy push is in the works, with the government specifically focusing on ironing out the regulatory impediments and catalysing financing options, specifically tuned to the long-gestation hydel sector. The focus on hydro generation comes at a time when the sector has plumbed to its lowest in the overall energy mix since Independence. Also, a renewed push for hydro is cited as being absolutely essential in beefing up the green component in India’s base-load capacity as a counterbalance to the rising share of intermittent green power sources such as wind and solar. Power stations comprising thermal and nuclear units that are operated on a continuous basis to generate electrical power to meet the basic minimum demand is termed as the base load capacity.

The power ministry, officials said, has formed two sub-committees to look at the overall legal and regulatory framework of hydropower, while another panel has been constituted with the objective of looking into the various financing options. "A specific mandate in the legal regulatory framework is being considered. The other committee is constituted with the terms of reference of looking at innovative financing instrument for funding the hydropower projects."

(Source- http://indianpowersector.com/2016/06/green-power-policy-scaling-up-hydels-share-in-energy-mix/, published on 15th June, 2016)

Tata Power-Welspun deal may become benchmark for clean energy deals

Tata Power Co's acquisition of Welspun Renewable Energy Pvt Ltd (WREPL) is likely to serve as a benchmark for future deals that are likely to follow in India's vibrant clean energy sector, as other large power producers scout for a slice of the pie.

The $108 billion-Tata Group's energy generation arm announced late on Sunday evening that it will acquire the BK Goenka-led Welspun Group's renewable power assets in a deal valued at Rs 9,250 crore (including Rs 5,500 crore of debt).

This is the largest transaction in the country's renewable energy sector to date, and the valuation of any deal of this magnitude tends to become a benchmark for other deals to come, says Arvind Mahajan, partner and national head of the energy practice at KPMG in India.

In US dollar terms, this single deal worth $1.4 billion is half the size of the cumulative investments recorded by India's wind and solar power sector in 2015, through 31 deals.

WREPL has one of the largest portfolios of clean energy assets in the country with a total capacity of 1,140 MW, including 990 MW of solar power, and the remaining capacity in wind energy. Of this, 1,000 MW is already operational and the rest is likely to be commissioned over the next couple of months. A back-of-the-envelope calculation shows that Tata Power is paying around Rs 8.11 crore per MW of power. The cost of setting up 1 MW of clean energy capacity in the country, at present, stands between Rs 5.5 crore to Rs 6 crore. This implies that Tata Power is paying a 35 percent premium to acquire these assets over what it would have had to shell out, had it built this capacity ground-up.

(Source- http://indianpowersector.com/2016/06/tata-power-welspun-deal-may-become-benchmark-for-clean-energy-deals-2/, published on 15th June, 2016)

ETHANOL

Govt plans to spend Rs10,000 crore during FY18-22 on integrated bio energy mission

The mission will focus on progressive blending and substitution of fossil fuels like petrol and diesel with greener fuels like biodiesel

The central government on Tuesday proposed an integrated bio energy mission which will focus on progressive blending and substitution of fossil fuels like petrol and diesel with greener fuels like bioethanol and biodiesel.

The Union ministry of new and renewable energy (MNRE), which made the proposal, also recommended spending Rs.10,000 crore from 2017-18 to 2021-22 for initiatives in this field. It will also approach the finance ministry to request that the biofuels sector gets benefits such as customs and excise duty exemptions and tax holidays, currently available to other renewable energy sectors.

The renewable energy ministry also unveiled a draft of the National Wind-Solar Hybrid Policy, which aims to encourage new technologies involving combined operation of wind and solar plants.

The ministry has sought comments on the draft policy from all stakeholders by 30 June. The draft policy aims to achieve 10 gigawatts (GW) of wind-solar hybrid capacity by 2022.

The need for a wind-solar hybrid policy was felt because, the draft policy said, "studies revealed that solar and wind are almost complementary to each other and hybridization of two technologies would help in minimizing the variability apart from optimally utilizing the infrastructure including land and transmission system".

"Superimposition of wind and solar resource maps shows that there are large areas where both wind and solar have high to moderate potential. Existing wind farms have scope of adding solar PV capacity and similarly, there may be wind potential in the vicinity of existing solar PV plant... Suitable policy interventions are required not only for new wind-solar hybrid plants but also for encouraging hybridization of existing wind and solar plants," the draft policy added.

Since coming to power in May 2014, Prime Minister Narendra Modi-led National Democratic Alliance government has repeatedly pushed for greater use of renewable power to reduce India's dependence on fossil fuels.

As per India's Intended Nationally Determined Contribution (INDC) submitted to United Nations in the run-up to the December 2015 Paris Climate Summit, India aims to have 350GW of installed capacity from renewable power by 2030 and 175GW by 2022. India crossed 26.8GW of wind and 7.6GW of solar power installed capacity in May 2016.

According to MNRE joint secretary Varsha Joshi, the draft renewable energy legislation places particular emphasis on non-electrical energy sources, primarily all bio-energy sources, which were not currently covered under any legislation.

According to the ministry, the integrated bio-energy mission will aim to help achieve greenhouse gas emission reduction targets as agreed in the INDCs through "the progressive blending/substitution of fossil fuels such as coal, petrol, diesel, natural gas and LPG (liquefied petroleum gas) with biomass pellets, bio-ethanol, biodiesel, bio-methane, and similar green fuels, both for electrical and non-electrical uses".

At a meeting of industry executives and government officials on 27 April, MNRE secretary Upendra Tripathy had sought "immediately actionable recommendations" which could be taken up as the first components of the integrated bio-energy mission. Tripathy had also directed that the National Institute of Bio-Energy at Kapurthala in Punjab be upgraded and developed into a world-class institution to support the mission.

Biodiesel and bioethanol manufacturers who attended the meeting, however, had raised concerns over the uneven taxation regime of these fuels across states.

"It was decided to request all the states, in writing, to create a rational and uniform taxation structure to support the growth of this sector. It was also decided to request the Ministry of Finance, Government of India, to extend all benefits available to other renewable sectors such as customs and excise exemptions, tax holiday to the biofuels sector," said the minutes of the 27 April meeting reviewed by Mint.

The ministry has also decided to undertake a study to determine the appropriate mechanism for collection and monitoring of used cooking oil from commercial establishments in major cities for use as raw material for biodiesel plants.

Thought of the day

"Success is not final, failure is not fatal: it is the courage to continue that counts."
- Winston Churchill