NEWS FLASH – 15TH July, 2016

SUGAR

Local demand sweetens sugar

Sugar prices at Vashi gained by ₹5-10 a quintal on back of improved local demand. Naka and mill tender rates were unchanged on routine activities. At Vashi arrivals and local dispatches remained at par keeping stockists away from bulk buys. Freight rates were stable. Arrivals to the Vashi were about 62-63 truck loads and local dispatches were at same level. The Bombay Sugar Merchants Association's spot rates: S-grade ₹3,622-3,702 (3,616-3,692) and M-grade ₹3,700-3,852 (3,696-3,832). Naka delivery rates: S-grade ₹3,580-3,670 (3,580-3,670) and M-grade ₹3,640-3,770 (3,640-3,770).

(Source- http://www.thehindubusinessline.com/markets/commodities/local-demand-sweetens-sugar/article8849356.ece, published on 14th July, 2016)

Cuba eyes India help to kick start sugar mills; awaits Narendra Modi push

Cuba is seeking India's assistance to modernise its sugar mills after the end of the US trade embargo, its envoy to New Delhi said, ahead of a planned visit by Prime Minister Narendra Modi in September.

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India and Cuba are both members of NAM but commercial ties were limited due to the US sanctions on the communist country.

But Modi, who will attend the NAM summit in Venezuela, is expected to lay the ground for a bigger commercial relationship with Cuba in various sectors including pharmaceutical, healthcare and transport.

Cuba's ambassador to India Oscar I Martínez Cordovés told FE in an interview that sugar was the most important product in Cuban economy. "Earlier we had 160 sugar mills. But we had to reduce the numbers due to the American embargo. Now, we are looking at India to help us modernise these sugar mills."

To meet its increasing gold demand, India could also explore opportunities in getting gold from that country as well as seek joint co-operations in copper, nickel and cobalt mining operations.

"There are several areas where the two countries can cooperate. With a new container port in the expanded Panama Canal and with plans to have a special economic zone, Cuba can be a gateway to not only Central America, but to the US and the Caribbean. Logistically we are located at the best place," the envoy said.

The Modi visit to that country could show what Cuba has to offer in the health sector, including high level medical education, bio-tech and pharmaceuticals. "Besides tourism, both countries can collaborate in various sectors like renewable energy, bio-technology, pharmaceuticals, Information Technology, etc.

We are seeking Indian investments in sectors like building and improving our infrastructure, agro business, IT, electronics, packaging industry and modernisation of the sugar industry," Cordovés said.

As reported by FE earlier, during the Cuban first vice-president Miguel Diaz-Canel's trip, a senior Indian diplomat had said: "This is the right time for India to step in and take advantage of the huge opportunities that are opening up in that country with a population of over 11 million."

India has approved a Line of Credit (LOC) of $5 million for setting up a milk powder processing plant, another $2.712 million for setting up a Bulk Blending Fertiliser Plant project and $ 5.0492 million for modernisation of injectable products plant in Havana, the Cuban envoy added.

The government of Cuba has presented some projects to Indian government in sectors like milk products, wind energy and coal generation against the credit line provided by the government here.

(Source- http://www.financialexpress.com/markets/commodities/cuba-eyes-india-help-to-kick-start-sugar-mills-awaits-narendra-modi-push/317115/, published on 15th July, 2016)

Jump in sugar prices, drop in output pull out most UP sugar mills from red

Centre's soft loan and SARFAESI loan amounting to around Rs 10,000 cr disbursed over the last few years has also helped in easing the dues

Sugarcane dues in Uttar Pradesh, country's second biggest sugar producing state, are coming down thick and fast.

UP mills, as per official estimates, had to pay around Rs 14,000 crore to farmers at the start of the 2015-16 sugar season in October.

Of this, just around 14%, or around Rs 1,975 crore, is pending as on end June.

Some like DCM Shriram Ltd have cleared the entire 2015-16 cane dues amounting to around Rs 794 crore recently, while there are few more who are likely to clear all their dues by end of July or early August.

Meanwhile, of the Rs 1,975 crore still to be paid as per official estimates, over Rs 1,600 crore accrues to just five mills, which are Modi Sugars, Mawana, Rana Sugars, Simbhaoli and Bajaj Hindustan.

Bajaj Hindustan is the biggest sugar producer in the state and has more than 10 plants spread across the state.

More than 45% increase in ex-factory sugar rates since January 2016, along with a pick up in ethanol-blending programme, with mills supplying almost 120 crore litres of ethanol for the first time ever ,as against a usual supply of 60-70 crore litres, has ensured that mills have some operational leeway to clear their dues.

The Centre's soft loan and SARFAESI loan amounting to around Rs 10,000 crore disbursed over the last few years has also helped in easing the dues. The mills have exported around 1.7 million tonnes of sugar under a incentive programme, which was transferred directly into the bank account of sugarcane farmers.

The direct incentive amounted to around Rs 4.50 per 100 kilograms of sugar.

The Uttar Pradesh government too played a big part in easing the crisis. In 2015-16, it created three slabs for disbursal of relief to sugar millers.

As per the slabs if the ex-mill price of sugar dropped below Rs 3,100 per quintal, the state government provided a Rs 50 per quintal relief on the fixed price of RS 280 per quintal. In this relief, around Rs 28.60 was transferred directly into the bank account of farmers, while the remaining was passed on to millers in the form of tax incentives.

The second slab said that if the ex-mill price of sugar was more than Rs 3,100 per quintal, but less than Rs 3,400 per quintal, the sugar mills got a relief of Rs 12.50 per quintal. And, if the ex-mill price was above Rs 3,400 per quintal, no relief was provided.

With sugar prices remaining below Rs 3,100 per quintal atleast during the start of season, the mills managed to get some benefit.

More than this year, the Rs 2,300-crore package announced by the state for 2014-15 sugar season, which included a rebate of Rs 40 per quintal on the SAP by way of direct transfer and tax relief proved to be a big boost to the sugar factories, in clearing their 2014-15 dues and also somewhat easing the situation in 2015-16.

These steps and an overall drop in production in 2015-16 due to drought in several parts of Maharashtra and Karnataka pushed up sugar prices.

However, when the prices showed an unnatural increase, the Centre intervened and climbed down on export incentives and hoarding.

Officials said the Centre feels that mills charging anything more than Rs 34 per kg (ex-factory) for sugar is unjustified and should be controlled.

On the other hand, millers feel, given the rate of recovery from cane and falling cane supplies, an ex-factory price of at least Rs 37 a kg is justified.

This should translate into a retail sugar price of about Rs 44 a kg or Rs 3-4 a kg more than the prevailing rate. India's sugar production in 2015-16 is estimated to be 25-25.5 million tonnes, while consumption is estimated at 26 mt.

(Source- http://www.business-standard.com/article/markets/jump-in-sugar-prices-drop-in-output-pull-out-most-up-sugar-mills-from-red-116071300383_1.html, published on 13th July, 2016)

Sugar, the new smoking: Kerala's 'fat tax' is a start towards reversing India's status as the world's Diabetes Central

Indian religion and culture celebrate sugar and its sickly sweetness despite its deleterious effect on the health of the country, which is now the world's Diabetes Central. Our languages are replete with idioms calling for a sugary response to every auspicious occasion – from exhortations of "muh meetha karna" (sweeten one's mouth) when someone brings good news, to "aap ke muh mein ghee shakkar" (clarified butter and sugar in your mouth) when someone speaks well of a situation.

Every festive occasion, from Diwali to Eid to Christmas, sees India on a sugar high. There is a good reason for this. Sugar is believed to have taken root first in India. There is a reference to sugarcane cultivation in the Vedas, and the words sugar and jaggery are both derived from the Sanskrit "sarkara".

Indians were storing crystallised and granulated sugar when the army of Alexander the Great arrived on the shores of Indus in 327 BC. Surprised to see a sweet alternative to honey, they described sugarcane as a "reed that gives honey without bees". From the Persian "shakkar" to the Spanish "azucar" sugar trails have led out of India.

But the buzz over sugar and belittling of fat is ending across the world, and it is back to full-fat milk and honey.

Word out of medical science is that fat has been framed and unfairly tossed into the fire. Apparently, our ghee-whiz grandmas were right; there is much to recommend in fat, including clarified butter.

Many physicians, such as UK cardiologist Dr Aseem Malhotra, have had a change of heart and have been rebelling against what they were taught in med school. Some fats, such as those naturally occurring in dairy, nuts, fish (salmon and sardine), avocado, etc are actually beneficial to health.

The real demon turns out to be sugar. Much of it comes stealthily through starch from refined grains and sodas (soft drinks) that have swept over our diets. Sugar in fact is being described as the new smoking.

Subverted in the 60s with the eclipse of indigenous coarse grains (finger millet, barley, oats, etc) the Indian diet – now carb-rich and sugar-heavy – has settled into our hips and midriff as fat (under instruction from the hormone insulin), to make us the world leaders in diabetes and heart disease. The fat is truly in the fire.

So the Kerala government's move to impose a 'fat tax' – which should more accurately be called 'starch tax' or 'junk food tax' – on food items such as pizzas, burgers and tacos, is essentially a step in the right direction. As with most such well-intentioned moves in India, it is half-assed, incomplete and misdirected. Just as it takes more than an odd- and-even licence plate traffic scheme to reduce congestion and pollution on India's roads, it needs more than a tax on starch and sugar to get India healthy.

Why just pizza and burgers of which there are healthy versions? Why not samosas and parathas, some of which can be as lethal? And if they can make the cut, what about pooris and bhaturas, cakes and pastries? And what about sugar itself, which our "halwais" and "sweet meat" experts so generously lace on top of refined flours and trans fat to make our arteries thicken and pulses quicken?

Various countries, cities and even municipalities have tried what the West has called a sugar tax or soda tax, with mixed results. Denmark, Japan, Mexico, the US among other countries have tried to change consumer behaviour through taxes, but both monitoring and enforcement have proved to be difficult. For India, a good start would be to revert to indigenous grain and drink – and diet – that were healthy, but were overrun by the Green Revolution and liberalisation in the interest of greater productivity and open markets.

There is little doubt that India is reaping just desserts for allowing sodas to sweet talk their way into the country with their trash. Nowhere is this more starkly visible than Kerala itself, where its classic indigenous drink, the tender coconut (replete with good fat and electrolytes) has been supplanted by sugary "soft" drinks – each stacked with 10 or more spoons of sugary sweeteners. The West has realised the damage this is doing to their kids and society. Soft drink sales have been falling sharply in the US, as it happened with smoking. Guess who's picking up the slack.

So while both the central government and state government would be correct to take aim at the garbage food dispensers who have wormed their way into India (and into much of the developing world), New Delhi also has to take care of business at the bottom end. The battle should essentially begin from its farms, where we are now the world's second largest sugar producer (nearly 30 million tonnes), a figure that has nearly doubled over the past decade through government subsidy and support for a crop that sucks water from the ground and health from our bodies.

In its place promote coarse, indigenous grains such as ragi (finger millet), bajra (pearl millet), jowar (sorghum), all of them being sold now in western countries for top dollar.

Of course, the sugar lobby will argue that eating sugar does not cause diabetes per se if you limit your intake. That is akin to the gun lobby's case that it's not guns that cause deaths but people who use guns. People use it because the country is awash in the stuff, whether it is guns or sugar.

(Source- http://blogs.timesofindia.indiatimes.com/ruminations/sugar-the-new-smoking-keralas-fat-tax-is-a-start-towards-reversing-indias-status-as-the-worlds-diabetes-central/, published on 13th July, 2016)

Co-gen/Power

Power engineers demand review of power sector policies of last 25 years

Say discoms were in poor financial health with accumulated debt and losses over years despite successive policies

All India Power Engineers Federation (AIPEF) today demanded the Centre to review all power sector policies introduced over the last 25 years.

AIPEF chairman Shailendra Dubey said power sector policies should be first reviewed before proceeding with any amendments or fresh initiatives in the country's ailing power sector.

He mentioned it was well established that the power distribution companies (discoms) were in poor financial health with accumulated debt and losses over the years despite successive policies.

Meanwhile, AIPEF has welcomed the decision of the central government to modify the Electricity (Amendment) Bill 2014. It has urged the Centre to put on hold the proposed Bill until the modified draft was discussed with all the state governments and other stakeholders including power engineers and employees.

He welcomed the statement of union power minister Piyush Goyal that the modified draft was being sent to the state governments for their comments.

AIPEF has demanded without detailed discussion with the power engineers and employees, the Centre should refrain from introducing the Bill in Parliament.

Dubey observed although Electricity Act 2003 was enacted for restoring the financial health of the domestic power sector, it had failed to achieve its objective and instead resulted in massive losses and debt on discoms.

Without analysing the causes and circumstances of failure to achieve its objective, the Centre had now undertaken an exercise to introduce more amendments, which would only deteriorate the already precarious financial health of discoms, he warned.

The Centre has introduced Ujjwal Discom Assurance Yojna (UDAY) for making the state governments own the responsibility of improving the discoms' financial condition and takeover their outstanding debt in a phased and time bound manner.

AIPEF reiterated under such circumstances, introducing the concept of supply licensee to isolate carriage and content, would lead to exodus of high paying and profitable consumers to private licensees, while putting extra burden on the state owned supply licensee.

(Source- http://www.business-standard.com/article/companies/power-engineers-demand-review-of-power-sector-policies-of-last-25-years-116071300744_1.html, published on 13th July, 2016)

Process to get electricity connection made easier: Power Ministry

Power Ministry today said it has been mandatory to provide an electricity connection within 15 days of application as part of steps taken in last two years to ease the process of getting connections.

"Ministry of Power has undertaken several reforms measures to ease the process of 'Getting Electricity' over a period of last two years. These measures will drastically reduced the time taken for getting an electricity connection and will benefited citizens and industry alike," Power Ministry said in a statement.

It has been made mandatory to provide electricity connection within 15 days to the consumers in normal conditions, it added.

A simplified procedure for getting electricity connection has been adopted after detailed discussions with Delhi and Maharashtra Discoms and other concerned agencies.

Delhi Electricity Regulatory Commission (DERC) has made the necessary changes to allow Low Tension connection up to 150 KVA and had also rationalized the tariff for the same in 2015.

The Ministry has also stipulated time for each step in providing the connection. Within three days of online form submission for electricity connection, the field inspection of the site will be done, which will lead to the process to estimate preparation, load sanction and intimation for fee deposit to be completed in next four days.

After this, installation work including meter and flow of electricity will be done in eight days, thus completing the whole process in 15 days.

While applying for connection, consumers in Delhi and Mumbai will be required to provide the self certification for type of consumer along with ID proof and premises ownership.

It said that an amendment to CEA (Central Electricity Authority) notification have been made to waive off electrical approval for 11 KV installation carried out by discoms and allowing self certification by discoms engineers in such cases.

It has been agreed by the discoms that reliability of power supply will be improved progressively each year till international benchmark is achieved.

An amendment in CEA notification for allowing installation of transformers up to 500 KVA on double pole structure has also been made.

Apart from these initiatives, a simplified online mechanism for Right of Way (RoW) approval process for electrical works is also under process, it added.

(Source- http://economictimes.indiatimes.com/industry/energy/power/process-to-get-electricity-connection-made-easier-power-ministry/articleshow/53212172.cms, published on 14th July, 2016)

How solar energy and power markets are unsettling the thermal sector

As India's renewable energy strategy unfolds, the thermal power sector's stable long-term power purchasing agreements, or PPAs, are coming under threat.

Data compiled by Religare Capital Markets Ltd shows that long-term PPAs, spanning more than 25 years, were all signed by solar power firms in 2015-16 and in the first quarter of the current fiscal year. Thermal or coal-based plants were given only short- to medium-term contracts. That is a remarkable change for the sector, which currently constitutes almost 70% of India's installed capacity.

A combination of factors is at work. The central government's push for renewable energy capacity addition and the states' obligation to include solar in their energy basket is driving long-term contracts to solar. For these projects to be viable at competitive rates, they require the certainty of long-term contracts. Otherwise state power distribution companies (discoms), given their weak financial position, would be less inclined to buy relatively expensive solar power (compared with thermal), said a Religare Capital analyst. Even then, if discoms were to plan their peak load requirement, 25 states may need to sign 39,000 megawatts of PPAs by 2019-20, pointed out Motilal Oswal Securities Ltd.

But as Motilal Oswal said, this may not happen as states are meeting the demand through merchant or short-term power markets, which are offering electricity at competitive rates.

"Merchant prices for electricity have been under pressure on account of declining coal prices and increased competition. This has discouraged the struggling discoms from entering into long-term PPAs that carry higher power tariffs," Religare Capital said in a note.

(Source- http://indianpowersector.com/2016/07/how-solar-energy-and-power-markets-are-unsettling-the-thermal-sector/, published on 15th July, 2016)

Business quote of the day

'Effort only fully releases its reward after a person refuses to quit.'-Napoleon Hill