NEWS FLASH – 16th June, 2016

SUGAR

Rising sugar prices may draw unwanted attention

The times are good for sugar companies. The global sugar demand-supply situation supports firm prices in the foreseeable future, which is good for profits. The fly in the ointment could be the Indian government's eagerness to keep food inflation under check.

Wholesale data for May shows a 22% increase in sugar prices over a year ago. Globally, sugar output has been less than forecast. Of course, India is a major producer. Its sugar output has been less than expected, as dry weather affected the crop. Poor forecasting too should be to blame, as actual output was much less than originally anticipated.

As of 30 April, sugar output was down by 11% during this season at 24.6 million tonnes with only 48 mills still crushing cane. In January 2016, the Indian Sugar Manufacturers' Association revised downwards its earlier forecast of sugar output to 26 million tonnes, from 27 million tonnes. The final number is set to fall short by another 1 million tonnes.

The government has taken some measures already. A production subsidy given to mills has been withdrawn. Stock holding limits have been imposed to improve supplies and limit hoarding. There is talk of an export duty on sugar, as exports rose sharply in FY16. More measures can follow.

Rising sugar prices have seen the performance of sugar mills improve, clearly visible in their March quarter results. This is set to continue as sugar prices continue to rule in their favour and their shares have risen in anticipation. In the past six months, Balrampur Chini Mills Ltd's share is up by 62%, that of Bajaj Hindustan Sugar Ltd is up by 28%, and Shree Renuka Sugars Ltd's share is up by 39%.

Government measures to control prices are a near-term risk. Good rainfall could also see the next season's sugar output (beginning October) improve. Still, the shortfall in this season is likely to keep the balance in favour of sugar mills. Right now, global market conditions are favouring sugar prices. The next sugarcane crop may change that, so output in countries such as Brazil and Thailand should be watched. Sugar mills have not had it so good for years now. A more gradual increase in prices would have been overlooked. If beating food inflation down becomes a priority, sugar makes for a soft target.

(Source-http://www.livemint.com/Money/0I1mTyqoJLZZcpNmH35XLJ/Rising-sugar-prices-may-draw-unwanted-attention.html, published on 16thJune, 2016)

Sugar crisis to end in next 2 days: CAPD Minister

Cutting across party lines, legislators in the upper house cornered the CAPD minister regarding unavailability of Sugar in CAPD depots. NC MLC Sajad Kitchloo sought an assurance from the minister that Sugar will be available to consumers during the ongoing holy month of Ramadan.

The four month long sugar crisis in ration depots is likely to end in next two days, as Consumer Affairs and Public Distribution (CAPD) Minister, Chowdhary Zulfikar Ali on Tuesday informed the Upper House that 2000 quintals of sugar have reached Kashmir and a large consignments will reach here in next few days.

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In response, the minister said the tender for procuring sugar from outside the Valley has been finalised. "The first consignment of 2000 quintals has reached here yesterday. In next two days all the depots will have sugar available," Chowdhary said.

Chowdhary also said that setting-up of 2700 new Fair Price Shop's (FPS') across the state is in the pipeline. "I assure the house that 2700 new FPS' will be set up inoder to make easy availibity of food grains to common people," Chowdhary said.

Earlier, legislator Saif-u-din Bhat highlighted that several areas in district Budgam in central Kashmir have been unable to receive food grains while MLC's from the opposition also raised the issue that people in areas such as Gurez don't have an access to ration even during summer months.

(Source- http://sugarnews.in/sugar-crisis-to-end-in-next-2-days-capd-minister/, published on 15th June, 2016)

National Sugar Institute team inspects Mysugar mill

A team of experts from the National Sugar Institute (NSI), the Central institute for research in sugar technology, inspected the State-owned Mysore Sugar Company Ltd. (Mysugar Mill) here on Tuesday for a first-hand assessment of the ongoing overhauling works of boiler and other machinery.

The 82-year-old mill, once one of the biggest sugar factories in Asia, is the lifeline of cane-growers in the district. It had developed major technical and mechanical snags and hence halted the cane crushing activities in 2014-15.

Subsequently, the State government had launched the overhauling works in August last year at a cost of Rs. 85 crore.

A Pune-based organisation has been repairing the faulty parts of the mill.

M.N. Ajay Nagabhushan, Deputy Commissioner, had requested NSI to visit the mill and submit a report regarding the revival of the mill, sources at the Mysugar told The Hindu.

The team comprising a chief design engineer, an assistant professor, a junior technical officer and an engineer inspected the machineries. The team had checked the condition and quality of various machineries at the cogeneration unit, boiler and the water purification plant.

The overhauling works are in the advanced stage of completion, sources added.

(Source- http://sugarnews.in/national-sugar-institute-team-inspects-mysugar-mill/, published on 15th June, 2016)

Indian sugar refiners can benefit from export tax

India's planned sugar export tax of 25 percent, intended to maintain local supplies, could boost opportunities for Indian refiners who unlike mills will not be subject to the tax, enabling them to sell to places such as Myanmar and Sri Lanka.

Global sugar refining margins have fallen after the latest ICE raw sugar rally, driven by a shift of the global market into deficit. Margins could recover, however, as Indian low quality white sugar exports from mills would halt after the planned imposition of the tax, traders said.

Sugar output in India, the world's number 2 producer behind Brazil, is expected to decline this year due to drought in major growing regions.

The rally in ICE raw sugar futures meant that white sugar futures struggled to keep up, eroding global refining, or whites-over-raws, margins, the so-called white premium.

ICE raw sugar futures hit a 2-1/2-year peak of 19.92 cents a lb on June 9.

The white premium, a measure of refining profitability, dropped below $100 per tonne as the raw sugar rally gathered momentum, after trading above $100 in recent months.

Trade sources said the white premium could rise again as Indian exports slow, tightening global availability of white sugar. That would boost margins for India's coastal refineries, which would not pay the export tax as they are import-export businesses.

"The export duty will be applicable only for domestic output (mills). For refiners, the duty will not be applicable," said an official at E.I.D-Parry (India), which operates a refinery on the east coast of India.

"If locally produced sugar exports halt, those markets can be catered to by refiners. Myanmar and Sri Lanka would be some destinations where refiners can raise their exports," he said.

Myanmar is believed to be a gateway for smuggled white sugar into China, traders say.

Tom McNeill, Australia-based director of Green Pool Commodities, said, "Many in the market were expecting the export of 150-ICUMSA (low quality) white sugar from India to dry up in any case.

"So the government's export tax just makes sure that is the case, just in case the rallying global market suddenly made it attractive. So I'd guess it's neutral to mildly supportive to the whites premium."

India has so far exported 1.7 million tonnes in the marketing year that began on Oct. 1.

(Source- http://in.reuters.com/article/india-sugar-refiners-idINKCN0Z11AP, published on 15th June, 2016)

Co-gen/Power

Draft wind-solar hybrid policy to boost renewable sector: Icra

The government's draft National Wind-Solar Hybrid Policy is a step in the right direction for promotion of renewable energy sector on a larger scale, ratings agency IcraBSE -1.41 % said.

The objective of the draft policy issued yesterday, which has a target of implementing 10 GW of such hybrid capacities by 2021-22, is to promote a large grid connected wind-solar PV system for optimal and efficient utilisation of transmission infrastructure and land.

It also aims at reducing the variability in renewable power generation and thus achieving better grid stability.

"The national hybrid policy, although still at draft stage now, is a step in the right direction for promotion of renewable energy sector on a larger scale," Icra Senior Vice President Sabyasachi Majumdar said.

Given that critical infrastructure such as land and evacuation network for wind or solar project accounts for about 10-12 per cent of overall project cost, hybrid projects would benefit from a reduction in capital cost to some extent due to common infrastructure and land use in place, he said.

Further, the variability in generation profile is likely to be reduced to some extent by the hybridisation of wind and solar projects at same site, given that generation from both the sources is at different intervals and in complimentary seasons.

This in turn would partially address the concerns of distribution utilities over the grid stability arising due to the intermittent nature of wind or solar generation, Majumdar said.

"While there are inherent advantages in hybrid projects in optimal utilisation of resources, the project economics for such projects would be critically dependent upon the tariff level which may be either feed-in tariff based or competitively bid based, as is proposed in the policy.

"We feel overall regulatory clarity in terms of tariff norms for hybrid projects remains a key," he noted.

The Central Electricity Regulatory Commission is hence required to lay down generic tariff principles as well as scheduling and forecasting framework norms for such projects which would in turn provide a guidance for State Electricity Regulatory Commission (SERCs) to follow, he said.

(Source- http://economictimes.indiatimes.com/industry/energy/power/draft-wind-solar-hybrid-policy-to-boost-renewable-sector-icra/articleshow/52764292.cms, published on 15th June, 2016)

Average costs for solar and wind electricity could fall 59% by 2025: IRENA

Average costs for electricity generated by solar and wind technologies could decrease anything between 26 per cent and 59 per cent by 2025, a report released by International Renewable Energy Agency (IRENA) indicated.

It estimates that by 2025, average electricity costs could decrease 59 per cent for solar photovoltaics (PV), 35 per cent for offshore wind, and 26 per cent for onshore wind compared to 2015.

Electricity prices for concentrated solar power could also decrease as much as 43 per cent, depending on the technology used. By 2025, the global average cost of electricity from solar PV and onshore wind will be roughly 5 to 6 US cents per kilowatt hour (Rs 3.36 per unit to Rs 4.03 per unit).

IRENA director-general Adnan Z Amin said: "We have already seen dramatic cost decreases in solar and wind in recent years and this report shows that prices will continue to drop, thanks to different technology and market drivers."

Given that solar and wind are already the cheapest source of new generation capacity in many markets around the world, this further cost reduction will broaden that trend and strengthen the compelling business case to switch from fossil fuels to renewables," he said.

Since 2009, prices of solar PV modules and wind turbines have fallen roughly 80 per cent and 30 to 40 per cent, respectively. With every doubling of cumulative installed capacity, solar PV module prices drop 20 per cent and cost of electricity from wind farms drops 12 per cent, due to economies of scale and technology improvements.

Importantly for policy makers, cost reductions to 2025 will depend increasingly on balance of system costs like inverters, racking and mounting systems and civil works, technology innovations, operations and maintenance costs and quality project management. The focus in many countries must therefore shift to adopting policies that can reduce costs in these areas.

Historically, cost has been cited as one of the primary barriers to switching from fossil-based energy sources to renewable energy sources, but the narrative has now changed," said Amin. "To continue driving the energy transition, we must now shift policy focus to support areas that will result in even greater cost declines and thus maximise the tremendous economic opportunity at hand."

(Source- http://economictimes.indiatimes.com/industry/energy/power/average-costs-for-solar-and-wind-electricity-could-fall-59-by-2025-irena/articleshow/52767702.cms, published on 15th June, 2016)

Coal India aims to buyback shares worth Rs 1,978 crore.

Coal IndiaBSE -0.71 %'s two subsidiaries Mahanadi Coalfields and Northern Coalfields will buyback total shares worth around Rs 1,978 crore from their shareholders.

The board of directors of Mahanadi Coalfields Limited on June 11 "has considered and approved the buyback of 4,43,973 fully paid equity shares of face value of Rs 1,000 each from the members of the company on a proportionate basis through tender offer," CIL said in a regulatory filing.

(Source-http://indianpowersector.com/2016/06/coal-india-aims-to-buyback-shares-worth-rs-1978-crore/, published on 15th June, 2016)

Thought of the day

Clouds come floating into my life, no longer to carry rain or usher storm, but to add color to my sunset sky. - Rabindranath Tagore