NEWS FLASH – 16th Nov, 2015

SUGAR

Centre in a fix over quantum of sugar to subsidise

While output-linked sops are WTO-compatible, selective disbursal could create problems

The government is in a bind over how much sugar to bring under the new production-linked subsidy scheme which is set to replace export sops that are non-compatible with World Trade Organisation (WTO) norms.

Double whammy

“Providing the subsidy for all sugarcane produced in the country may prove to be too big a burden for the ex-chequer, but limiting it to just quota exports could lead to action at the WTO,” a Commerce Ministry official told BusinessLine .

The Food Ministry’s proposal of switching over to production-linked sugar subsidies from an export sop regime was endorsed by the Commerce Ministry as production subsidies are allowed under WTO while export sops are banned.

However, the Commerce Ministry has warned that if the production subsidy is not provided to all cane farmers and given just for the quota amount that is to be mandatorily exported by millers, it could lead to action at the multilateral forum.

“If production-linked subsidy is provided for select exports, it could be seen as actually an export subsidy and action could be initiated against India,” the official said.

Export sops

An inter-ministerial panel of senior officials under the Department of Food and Public Distribution (DFPD) is now looking at how to sort out the problem of coverage, before placing the proposal before the Union Cabinet.

The DFPD has been forced to discontinue export sops for raw sugar that it had announced in the past two sugar years (October to September) as the sops were being questioned by competing sugar producing countries such as Australia, Colombia and Brazil at the WTO.

“If we would have continued to give sops in the new sugar year that started last month, one of the sugar producing countries would have dragged us to dispute at the WTO,” the official added.

The Centre, therefore, let the export sops lapse on September 30, and started working on an alternative scheme linked to production. The DFPD wants that even if it is not possible to give such subsidies to all sugarcane produced in the country, it should be at least given for the four million tonnes of sugar export quota mandatorily fixed by the government and imposed on sugar millers.

The quota has been imposed to get rid of some of the domestic glut and help millers pay cane arrears to farmers which stands at over an estimated Rs. 12,000 crore.

Sugar millers have said that they would suffer huge losses if they export sugar under prevailing market conditions without sops as the global prices for sugar is much lower than the domestic prices.

The DFPD has proposed to give a direct payment of Rs. 47.50 a quintal as production subsidy to farmers of sugarcane.

India’s sugar production in 2014-15 was 28.1 million tonnes against a domestic demand of 24 million tonnes.

Source: http://www.indiansugar.com/NewsDetails.aspx?nid=4927, Dated 13 Nov 2015

Sweeter Samvat ahead for sugar firms

Price of sugar is still 8% less than a year before

Sugar prices are up 25 per cent since August, after estimates of the cane crop being impacted due to less rain and strengthening of international prices, which opens export opportunities.

If less output does coincide with more export, this is good news for the industry, struggling with excess stock and heavy debt, with two years of arrears in farmer payments. Market believe a three-year bull cycle could be starting. The Business Standard index of sugar companies has risen 47 per cent from September, indicating the market has begun buying their shares.

The price of sugar is still eight per cent less than a year before; however, at the time, prices were at a peak, while these are now on a rising streak. Crushing has begun in Maharashtra and the south, while mills in Uttar Pradesh should be starting to crush by the end of this month. Export has begun, with global prices up 35 per cent after reports of crop losses in Brazil, the world's biggest producer, and in Indonesia.

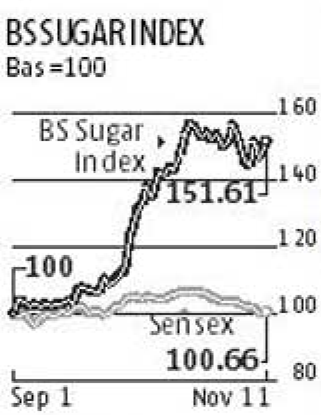
SUGAR PRICES

In ₹/quintal	Nov 6, 2014	Aug 1, 2015	Nov 6, 2015	Since Aug 15 chg (%)	Y-o-Y chg (%)
Sugar S	2,968	2,184	2,727	24.9	-8.1
Sugar M	3,094	2,312	2,837	22.7	-8.3

Compiled by BS Research Bureau   Source: Sugar Associations

Abinash Verma, director-general, Indian Sugar Mills Association, says, "The improved global prices do mean the opportunity to export from India is better. But, even at these improved prices, there is a loss of Rs 4,500-6,500 a tonne. "Even so, export makes sense due to the huge carry-forward stock from the earlier season. Which is where less of output is a help; with export, this would help keep domestic prices high. "Mills would recover export losses if domestic prices improve by Rs 1.5 a kg (Rs 1,500 a tonne)," said Verma. The likelihood is of 3.5-4 mt of export in the next 11 months.

SUGAR CHARTS



ALL STOCK

BSE price in ₹

Name	Sep 1	Nov 11	% chg
Dwarikesh Sugar	24.10	74.05	207.26
Dalmia Sugar	22.55	67.15	197.78
Dhampur Sugar	27.70	61.05	120.40
Uttam Sugar	10.00	21.00	110.00
Upper Ganges Sugar	33.79	65.35	93.40
Dharani Sugars	10.25	18.20	77.56
Rajshree Sugar	15.50	27.50	77.42
Sir Shadi Lal	19.95	35.25	76.69
Oudh Sugar Mills	17.30	29.60	71.10
Ponni Sugars(Erode)	133.00	225.20	69.32
Balrampur Chini	39.15	63.00	60.92
Sakthi Sugars	14.20	22.75	60.21
BannariAmman Sugars	660.00	1,044.50	58.26
EID Parry	129.25	177.00	36.94

Compiled by BS Research Bureau

Ethanol, a byproduct, contributes to about 12 per cent of mills' revenue. The recent excise duty removal on that would mean Rs 500 crore more revenue to the industry, at five per cent blending with petrol for the government's programme in this regard. This season, 3.5 per cent blending is likely.

Deven Choksey, chief executive of KRC Shares & Securities, said: "The sugar cycle is turning positive and is expected to last for three years. Southern companies are better bets than northern mills as the crushing season there is longer and promoters are conservative about the balance sheet, which helps them to sustain in bad times. Also, the price of cane is linked with products to a higher degree in the south. In the north, especially in UP, cane prices are decided politically, not in favour of the industry."

Source: http://www.indiansugar.com/NewsDetails.aspx?nid=4928, Dated 13 Nov 2015

Sugar prices end steady in thin trading

Sugar prices remained steady at the wholesale market in the national capital today in the absence of worthwhile activity amid ample stocks position.

Marketmen said absence of worthwhile activity as traders were in a festive mood that kept sugar prices at previous levels.

Following are today's quotations (in Rs per quintal)

Sugar retail markets - Rs 30.00-35.00 per kg.

Sugar ready: M-30 Rs 2,840-3,010, S-30 Rs 2,830-3,000.

Mill delivery: M-30 Rs 2,650-2,860, S-30 Rs 2,640-2,850.

Sugar millgate (including duty): Mawana Rs Not Quoted, Kinnoni Rs 2,860, Asmoli Rs 2,860, Dorala Rs 2,710, Budhana Rs 2,710, Thanabhavan Rs 2,700, Dhanora Rs 2,720, Simbholi Rs 2,860, Khatuli Rs 2,850, Dhampur 2,650, Ramala Rs 2,690, Bulandshaher Rs N.Q, Anupshaher Rs 2,670, Baghpat Rs 2,700, Morna Rs 2,700, Sakoti Rs 2,670, Chandpur Rs N.Q, Nazibabad Rs 2,680 and Malakpur NQ.

Source: http://economictimes.indiatimes.com/markets/commodities/sugar-prices-end-steady-in-thin-trading/articleshow/49779925.cms, Dated 14 Nov 2015.

Sugar output in Maharashtra to decline 18% this year

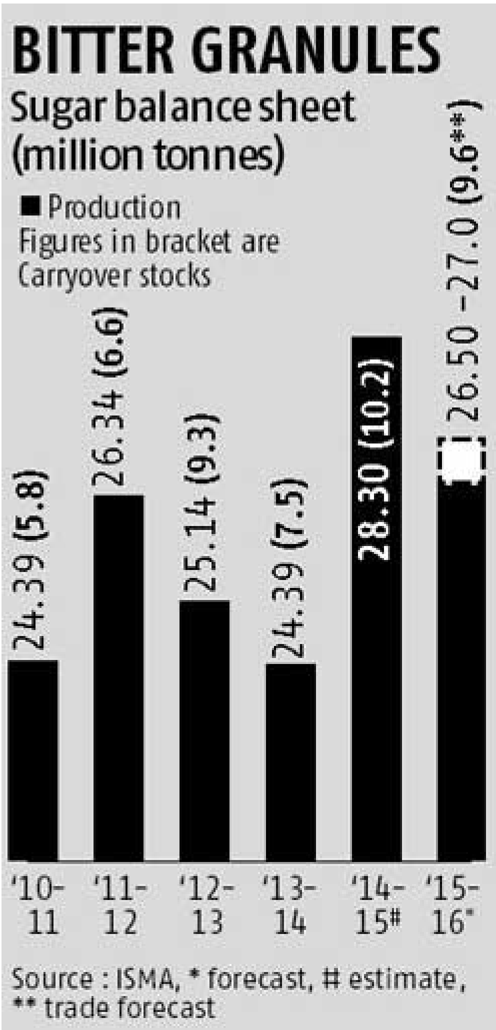
May lower overall output in India to 26.5 million tonnes, down 6.4% from last year

Sugar output in Maharashtra, India's largest producer, is likely to decline by 18 per cent this year due to low yield in drought-prone regions.

Early estimates by the Maharashtra State Federation of Cooperative Sugar Factories suggest sugar output in the state will be 8.6 million tonnes for the crushing season beginning October against 10.5 million tonnes last year.

The forecast is based on lower monsoon rainfall and its impact on cane productivity and sugar yield. If the forecast comes true, India's sugar production will dip nearly 2 million tonnes.

“We estimate sugar output in Maharashtra at 8.6 million tonnes this year, a decline of 1.9 million tonnes from the last year, because of drought conditions in major producing regions,” said Sanjiv Babar, managing director, Maharashtra State Federation of Cooperative Sugar Factories.



While the country received around 16 per cent less monsoon rainfall, Marathwada in Maharashtra, which contributes nearly 18 per cent of the state’s sugar output, had a 40 per cent deficit.

The Indian Sugar Mills’ Association (Isma) has factored in Maharashtra’s low output in its latest forecast of the country’s sugar production. Released on September 30, Isma forecast India’s sugar output in 2015-16 at 27 million tonnes against 28.3 million tonnes in the previous year. “Assuming lower yield, the overall sugar output in Maharashtra is estimated at 9 million tonnes,” said Abinash Verma, director-general, Isma.

Isma estimates overall cane acreage at 5.28 million hectares, 0.4 per cent less than in 2014-15. Domestic sugar consumption and exports in 2014-15 are estimated at 25.1 million tonnes and 1.1 million tonnes, respectively.

Prerna Sharma, an analyst with Emkay Commotrade, has forecast India’s sugar output in 2015-16 at 26.5 million tonnes, down 6.4 per cent from the previous year. For 2016-17, the estimates are worse as farmers fear with less water in reservoirs, cane may not be able to sustain for 12-18 months. Consequently, India's sugar output in the 2016-17 (October-September) season is likely to fall below 25 million tonnes. “If this happens we will witness the first shortfall after six years of surplus sugar production,” Sharma said.

Source: http://www.business-standard.com/article/markets/sugar-output-in-maharashtra-to-decline-18-this-year-115111000956_1.html, Dated 10 Nov 2015

POWER

Coal India to appoint consultant for Rs 10,000 crore power plant in Odisha

Going ahead with its plan to set up a Rs 10,000-crore power plant in Odisha, state-run miner Coal India in this fiscal will appoint a consultant who would provide help in setting up the project.

"We would appoint a consultant in the current fiscal which would help us in providing modalities for setting up of Rs 10,000 crore power plant," Mahanadi Coalfields Ltd (MCL) Chairman-cum-Managing Director A K Jha told PTI.

Coal India-arm Mahanadi Coalfields will set up the 1,600 MW super critical thermal power plant in Sundargarh district of Odisha.

The 2x800 megawatt (MW) plant at the mouth of a coal field in the Mahanadi basin will mark the coal producer's foray into the power sector.

Jha said the company is looking at setting up power plants at mines from where evacuation of coal in the absence of road and rail transport infrastructure is difficult.

Stating that the preliminary work for the proposed power project has already begun, Jha said that the land for the plant has been identified and the process for obtaining coal linkages is underway.

He further said CIL has set production target of 550 million tonnes for 2015-16 and MCL's share will be 150 MT.

MCL had earlier said it wished to set up a 2x800 MW pit-head super critical thermal power plant in the vicinity of the Basundhara-Garjanbahal coal mines with a joint venture partner.

A special purpose vehicle (SPV), namely, Mahanadi Basin Power Ltd (MBPL) has been incorporated as a wholly-owned subsidiary of MCL for setting up the project.

Source:
http://economictimes.indiatimes.com/articleshow/49789063.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst, Dated 15 Nov 2015

MSEDCL trying to justify costly power

Summary: The power tariff increased sharply because MSEDCL purchased power from costly units, from which MERC had banned power purchase. Maharashtra Electricity Regulatory Commission (MERC) had disallowed power purchase from many units since their power was costly. Hogade has decided to file an intervention against MSEDCL's petition to purchase costly power. However, MSEDCL has now filed a review petition seeking to purchase power from these units. "MSEDCL is violating MERC principle of merit order dispatch (MOD), which practically means that power should be purchased from cheap units first and costly power should be purchased only when all possible sources of cheap power are exhausted," he said.

Nagpur: On one hand, the state government is taking efforts to reduce power tariff and on the other MSEDCL authorities are doing their best to make electricity costlier. Maharashtra Electricity Regulatory Commission (MERC) had disallowed power purchase from many units since their power was costly. However, MSEDCL has now filed a review petition seeking to purchase power from these units. The company had recently increased the fuel surcharge sharply, which led to an average increase in power tariff by over 75 paise per unit after considering electricity duty. The power tariff increased sharply because MSEDCL purchased power from costly units, from which MERC had banned power purchase.

With consumers questioning the legality of this decision, MSEDCL now wants to get the commission's stamp of approval on its decision. The units that generate costly power mostly belong to Mahagenco and NTPC. MSEDCL has contended that MERC's assumption that the units whose cost of generation was low would generate at full load was erroneous. If Mahagenco was forced to start the closed down, costly units due to power shortage, their per unit cost would be even higher, it claims. It has also objected to many more rulings of MERC in the tariff order. The MSEDCL officials have clearly not considered short term power purchase from the market, even though the rates there are far lower than power generated by these units disallowed by MERC. Power consumer activist Pratap Hogade said the decision to increase fuel surcharge was illegal since it constituted a tariff shock.

"MERC had increased tariff in June by 8.5% and now MSEDCL has increased it by another 12.5% by increasing fuel surcharge astronomically. An increase by 21% is too much," he added. The activist slammed the government and said that while it was giving subsidy to MSEDCL for supplying cheaper power to powerlooms, increasing fuel surcharge sharply for powerlooms is negating the effect of the subsidy. Hogade has decided to file an intervention against MSEDCL's petition to purchase costly power. "MSEDCL is violating MERC principle of merit order dispatch (MOD), which practically means that power should be purchased from cheap units first and costly power should be purchased only when all possible sources of cheap power are exhausted," he said.. . .

Source: http://www.nyoooz.com/nagpur/260105/msedcl-trying-to-justify-costly-power, Dated 15 Nov 2015

DISTELLERY

Tamil Nadu sugar mills want cap on ethanol output to go

Tamil Nadu sugar mills are lobbying for permissions to produce more ethanol as they find a state government-cap for making the fuel ingredient is disappointingly low.

For millers in Tamil Nadu, the prospects in ethanol appear brighter than the bread and butter of the business -sugar.

A steady drop in prices and production exceeding demand for two years now have made selling sugar unviable now -mills lose over Rs 8 for every kg of sugar sold.

Sugar's raw material molasses can also be used for producing ethanol, for which oil marketing companies are floating tenders after the Modi-led government gave a concerted push for blended fuels to cut its oil imports.

Tamil Nadu was one of the few states a little behind in this etha nol push as the permissions, a state prerogative, came delayed.

Having arrived about a month back, the govt capped it at 5 lakh litres, a target sugar mills can meet in less than 10 days by running their factories at 625 kilolitres a day.

The sugar industry is invariably linked to liquor production and making biofuels. Besides the key commodity sugar, molasses can be used for liquor production or -with further distilling -ethanol.

State governments strike a balance in permitting ethanol manufacture keeping in mind the requirement of liquor manufacturers who procure raw alcohol from sugar factories.

"There is a peculiar situation in Tamil Nadu. A 14.5% VAT on raw alcohol makes domestic produce noncompetitive against imports from other states. Still, we find the state a little reluctant in promoting ethanol fearing that liquor makers will not have source for their alcohol," said Palani G Periyasamy , who heads the south Indian sugar mills association.

Industry sources also have an answer. The state should allow sugar factories to convert half of their molasses stock into ethanol while keeping the state's doors open for import of raw alcohol to keep up supply to liquor makers.

This will raise capacity utilisation for sugar plants, cut sugar surplus and also cut farmer arrears, three positives in one move.The low cap on ethanol comes at a time when a tender floated by a consortium of oil marketing companies BPCLBSE -0.17 %, HPCLBSE 0.94 % and IOCL is still open. TN sugar mills stand a decent chance for bagging the tender, considering the geographic requirements in the tender.

Source:
http://economictimes.indiatimes.com/articleshow/49733186.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst, Dated 10 Nov 2015

The Match between Power Rangers Vs Sugar Riders was very interesting.

Sugar Riders beat the Power Rangers comfortably.

Power Rangers Won the toss and opted to Bat and scored 83 losing all the wickets. They scored 50 runs without loss of any wicket later bundled for 83. Power Rangers lost all its 10 wickets just for 30 runs.

Sugar Riders started their batting with an explosive start by their captain Arun and support by the following batsmen seen them crossing the winning mark with quite a number of overs left.

Thought of the day

Success soon palls. The joyous time is when the breeze first strikes your sails, and the waters rustle under your bows.

-Charles Buxton