NEWS FLASH – 17th June, 2016

SUGAR

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 Srilanka 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://sugarnews.in/indian-sugar-refiners-can-benefit-from-export-tax/, published on 15th June, 2016)

Government imposes 20% export duty on sugar

The duty was imposed to check rising prices sugar

Stepping in to check rising prices of sugar, the government on Thursday imposed a 20% export duty on the sweetener.

The duty was imposed on the export of raw sugar, white and refined sugar, the central board of excise and customs said in a notification.

Sugar prices have been rising over the last few months. India, a major sugar producer, saw its output falling on account of a dry weather.

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, Mint reported on 15 June. This has been reflected in the prices with wholesale data for May showing a 22% increase in sugar prices over a year ago.

To counter rising prices, the government has already taken steps including withdrawing a production subsidy given to mills and imposing stock holding limits to check hoarding.

(Source- http://www.livemint.com/Politics/gSXSLQdGbXVs1wmqzTtN7L/Government-imposes-20-export-duty-on-sugar.html, published on 16th June, 2016)

Sugar stocks hit fresh highs on high prices, positive outlook

Shares of companies engaged in sugar production continued to rally on the bourses with as many as 15 scrips touching their fresh 52-week highs on Thursday.

The rally is being driven by rising sugar prices, which would impact the financial health of sugar companies positively. Sugar prices have soared 47% since last September. Interestingly, scrips of leading sugar companies touched their 52-week high only on June 13.

Rajshree Sugars and Chemicals Ltd and Rana Sugars Ltd led the list of gainers with their scrips surging 19.2% and 19.9% respectively. The counters of sugar companies also saw a spurt in volumes.

More than 1 crore shares of Rana Sugars were traded on the BSE on Thursday compared to the two-week average trading volume of 5.85 lakh shares. While more than 15 lakh shares of Rajshree Sugars were traded compared to the two-week average of about 1.2 lakh shares, 18 lakh shares of Sakthi Sugars Ltd changed hands on Thursday compared to the fortnightly average of about 4 lakh shares.

Stocks of frontline sugar companies such as Bajaj Hindusthan Sugar Ltd, Balrampur Chini Mills Ltd and E.I.D-Parry (India), which hit their 52-week highs on June 13, however, closed the day lower on profit booking. Incidentally, sugar firms saw their stock prices plunge to their 52-week lows only in August-September. The Bannari Amman Sugars scrip has more than trebled in value since touching its 52-week low on September 8. While the Bajaj Hindusthan stock has more than doubled from its yearly low hit on August 25, the Simbhaoli Sugars scrip has trebled in value from its 52-week low touched on September 29.

With the government notifying mandatory exports, sugar prices started improving — from 25,500 per tonne in September last year to around 37,500 per tonne now. Sugar prices stood at nearly 35,500 per tonne in May. Prices have been on a strong uptrend in anticipation of stock clearance backed by exports and lower production in Maharashtra, the largest producer of the commodity.

Surplus domestic production and limited exports resulted in a steep decline in sugar prices, which hit a three-year low of 23,000 per tonne in July last year. This prompted the Centre to notify minimum indicative export quota (MIEQ) for sugar mills to export 4 million tonnes of sugar during the 2015-16 season (October-September).

(Source- http://timesofindia.indiatimes.com/business/india-business/Sugar-stocks-hit-fresh-highs-on-high-prices-positive-outlook/articleshow/52787488.cms, published on 17th June, 2016)

Co-gen/Power

India's utilities seen holding up $360 million for renewables

Some of India's clean-energy companies say they haven't received payment for the electricity they generate for as many as 10 months, racking up deficits of $360 million that may put the country's green power ambitions at risk.

Companies that say they're impacted include ReNew Power Ventures Pvt, back by Goldman Sachs Group Inc., Morgan Stanley's Continuum Wind Energy, Orange Renewable Power Private Ltd and CLP India Pvt, part of Hong Kong's CLP Holdings. Each are working in three states accounting for 40% of India's capacity where payments are delayed.

Halted payments may already be choking off credit for new projects, raising questions about whether Prime Minister Narendra Modi can achieve his targets to reduce pollution by spreading renewables.

"We're noticing substantial slow down in new credit to renewable industry compared to what we were seeing two quarters ago," Arvind Bansal, co-founder of Continuum, wrote in an e-mail. He said the overdue payments are making lenders risk avert to renewable energy.

The world's second-most-populous country wants to install 60 gigawatts of wind and 100 gigawatts of solar of solar by 2022.

The snafu with payments means "this year will be difficult" for the industry, said Sunil Jain, president of the Wind Independent Power Association. It estimated that power distributors in Maharashtra and Rajasthan owe the companies a combined $360 million.

Utilities respond

B.K. Dosi, the managing director of Rajasthan Renewable Energy Corp., said by telephone that payments have been delayed to some wind, solar and thermal power generators.

Anil Kumar Bohra, managing director at Jaipur Vidyut Vitran Nigam Ltd, a utility working in Rajasthan, declined to immediate comment when reached by phone. Text messages and calls to Manu Srivastava, managing director at M.P. Urja Vikas Nigam Ltd in Madhya Pradesh province, went unanswered.

"Maharashtra has dues since October, which are quite considerable given the fact that all 4.7 gigawatt installation is affected," ReNew Power founder Sumant Sinha.

An official at CLP confirmed that company was affected by the delay but declined to comment further. A spokeswoman for Orange Renewables confirmed the issue is an industrywide problem and that the company backs the views of the industry association.

Generation peak

As India enters its monsoon season, when renewable-power-generating capacity peaks, unpaid bills may swell, according to Bansal. That could lead to even more wariness on the behalf of lenders.

"More risk for lenders will have higher cost so it will make loans unattractive to investors," said KS Popli, chairman of Indian Renewable Energy Development Agency Ltd.

Indian power retailers have racked up more than Rs.2.5 trillion of losses partly because they're forced to sell below cost to keep energy affordable. Their reliance on loans and subsidies has made them slower to embrace solar and wind over cheaper coal-fired plants.

Ashok Haldia, who heads PTC India Financial Services Ltd. said the risk in Maharashtra may be bigger than just delayed payments.

"They haven't signed power purchase agreements for many generating projects and it's a bigger problem not to find a buyer after installing capacity," Haldia said.

(Source-http://indianpowersector.com/2016/06/indias-utilities-seen-holding-up-360-million-for-renewables/, published on 16th June, 2016)

Thought of the day

'I have always thought the actions of men the best interpreters of their thoughts.' -John Locke