NEWS FLASH – 23rd March, 2016

SUGAR

Revenues of Sugar Industry Have been Projected to Increase to INR 1,033 Billion in FY'2020 – Ken Research

According to the Research Analyst Ken Research Sugar is also known as the common sweetener which is consumed in large quantities across the globe. Sugar industry constitutes one of the most important agro based industries in India. It has been witnessed that the sector supports over 50 million farmers and their families, and delivers value addition at the farm side. Sugar industry in India has been highly regulated since being declared as an essential commodity during 1995. Over the years, there have been regulations across the entire value chain land demarcation, sugarcane procurement, sugarcane price, sugar production and sale of sugar by mills in domestic and international markets. Despite various controls and regulations, the growth in the sugar industry was not hampered. India is the second largest producer of sugar in the world after Brazil.

India sugar industry has been one of the major contributors to the country's GDP and also has been providing many employment opportunities to millions of people over the years. The demand for sugar in India and worldwide has been moving at an incremental rate as the product is very essential in most of the food items. Indian sugar industry is known by seasonal raw material supply, competition from various units for raw materials and lack of control for quality and quantity for cane supply from numerous farmers. It's nearly impossible for sugar consumption in India to fall as sugar is a main ingredient in soft drinks, confectionaries and other sweet products such as dairy products and candies.

Indian sugar consumption is majorly dominated by the industrial sector followed by the household or the consumers sector. The industrial sector includes all the major factories and companies that produce products which require sugar in the production process such as confectionary, carbonated beverages, dairy processing, bakery and others. The consumer or the household sector has been further subdivided into lower and higher income group. The lower income group in the household sector consumed the maximum sugar with 3.0 million tons which is followed by the higher income group which consumed around 1.4 million tons of sugar in FY'2015.

The different types of sugar that are produced in India are White sugar, Refined Sugar and Raw Sugar. Refined sugar is considered as the high quality sugar that is produced by the sugar mills in India. It is more white and rich in color. Raw sugar is the least produced sugar in the country as it is the unprocessed sugar which cannot be directly consumed; it needs to be converted to white or refined sugar for consumption. The raw sugar is mainly imported from other countries such as Brazil and Netherlands to convert it into white sugar, then reselling it to other African countries. White sugar is the most produced sugar in India as it is primarily used in the production of various food items.

There are three identifiable structures present in the sugar Factories, which are mainly Co-operative, Private and Public. Private sugar mills have been defined as those which are fully owned and funded by a private company. The development and growth of these mills are primarily governed by the private companies whereas a public factory is fully owned by the government and its development and growth are all under consideration by the government. On the other hand, co-operative sugar mills are those which operate on a joint partnership between the private company and the government.

(Source-http://sugarnews.in/revenues-of-sugar-industry-have-been-projected-to-increase-to-inr-1033-billion-in-fy2020-ken-research/)

Raw sugar exports rise to 2 m tonnes

Rising international prices for raw sugar and a recent budget announcement by the Maharashtra government is seen pushing up exports of the commodity to 2 million tonnes this year. In its budget announcement on Friday, the Maharashtra government proposed that only those sugar mills that export sugar equal to their mandatory quota will be eligible for exemption on purchase tax.

At 3% of the fair and remunerative price (FRP), mills have to pay Rs 80-100/tonne as purchase tax. The announcement saw ex-mill sugar prices increase by about 2.5% last week. "The export prices are attractive. Already a few mills have signed export deals this week and we expect more contracts to happen in March," said Sanjiv Babar, managing director of Maharashtra Cooperative Sugar Mills Association.

"As Brazil enters the market in April, mills will like to export now." Thanks to demand for white sugar in the international market, mainly from Myanmar, exporters have started offering a higher rate of Rs 2,650-2,700/quintal to sugar mills.

(Source-The Economic Times, 21st March, 2016)

Govt permits export of 723 tonne of more sugar to US under low tariff rates

The government Monday permitted export of additional 723 tonne of raw cane sugar to the US under the tariff rate quota, which entitles shipments to low tariff rates.

“Additional quantity of 723 tonne of raw cane sugar to be exported to the US under TRQ (tariff rate quota) up to September 30, 2016 has been notified,” the Directorate General of Foreign Trade (DGFT) said in a public notice.

DGFT, an arm of the Commerce Ministry, deals with export and import related activities.

TRQ is a quota for a volume of exports that enters the US at low tariffs. After the quota is reached, a higher tariff is applied on additional imports.

The DGFT also said that a certificate of origin, if required, for export of preferential sugar to the US, shall be issued by additional director general of foreign trade, Mumbai.

Sugar exports from India, the world's second-largest producer, are likely see an over 80% jump to 20 lakh tonnes in 2015-16 marketing year, even as the production is set to drop by 9%.

Sugar production in India, second to the Brazil's, fell for the first time this year with output dipping to 221.30 lakh tonnes till March 15 as against 221.57 lakh tonnes in the year-ago period

(Source-http://energy.economictimes.indiatimes.com/news/power/sembcorp-gayatri-looks-to-double-andhra-power-plant-capacity/51505076/, published on 22nd March, 2016)

CO-GEN/ POWER

Sembcorp, Gayatri looks to double Andhra power plant capacity

Sembcorp Gayatri Power Complex, which houses 2,640 MW thermal projects in Krishnapatnam in Andhra Pradesh is mulling to double capacity at an investment of up to Rs 12,000 crore, a senior official said today.

"We have enough land to double the capacity. In the next five years, we will probably invest another Rs 10,000 to Rs 12,000 crore to double the capacity depending on market conditions," TV Sandeep Kumar Reddy, Managing Director of Gayatri Projects told reporters here.

"We have the capacity to expand. All the infrastructure is ready. We need some clarity on issues such as coal bidding and Power Purchase Agreements," he added.

The official said the existing land of 2,600 acres in which the power complex is located is sufficient for expansion.

"The complex houses two 1,320 MW supercritical coal-fired power plants - Thermal Powertech Corporation India (TPCIL), first power plant successfully completed and commenced full commercial operation in September 2015, while NCC Power Projects, the second plant is expected to be fully operational in 2016," he explained.

TPCIL has secured over 85 percent of its net total generating capacity under long-term power purchase agreements - 570 MW agreement with Telangana Power Distribution Companies and 500 MW agreement with Power Distribution Companies of Andhra Pradesh and Telangana.

Singapore-based Sembcorp holds about 70 per cent on both the power projects while the rest is held by Gayatri.

Reddy added the order book of Gayatri stands at Rs 11,000 crore including Rs 6,000 crore worth road projects.

(Source-http://energy.economictimes.indiatimes.com/news/coal/policy-on-auction-of-coal-linkages-to-power-sector-in-2-3-months/51450863)

50 lakh LED bulbs distributed under UJALA in Karnataka

The state energy department in association with Energy Efficiency Services Limited (EESL), a public energy service company under the union ministry of power has distributed 2.95 lakhs LED bulbs in Dakshina Kannada district.

In Mangaluru, the LED bulbs are available in one third the market prices at MESCOM sub division offices behind Nehru Maidan, Attavar, Mannagudda, behind MCC office, Kadri and Kavoor. Customers can also avail this offer at MESCOM corporate office near A B Shetty circle and Ullal sub division office at Thokkottu-Konaje road.

All over the state over 50 lakh LED bulbs under the UJALA (Unnat Jyoti by Affordable LEDs for all) scheme popularly known as 'Hosa Belaku' scheme has been distributed. This has led to daily energy savings of over 17 lakh kWh, which is capable of lighting over 1.2 lakh homes for 365 days. Alongside the savings in units, the state has also benefitted from daily CO_2 emission reduction of 1,440 tonnes. "Karnataka has been the fastest state to distribute 50 lakh LED bulbs. Undoubtedly, energy efficiency has become a national mission. Switching to LED bulbs will not only bring down our carbon footprint, but ensure savings and will also help in government's vision of providing power to all", said Saurabh Kumar, managing director, EESL. Bengaluru stands first in the state with 27.92 lakh bulbs, followed by Mysuru (15.17 lakh) and Mangaluru (2.95 lakh). Kalaburagi and Hubballi have distributed 2.63 lakhs and 1.55 lakhs respectively.

Consumers can visit www.delp.in and click on Karnataka to locate the distribution kiosk closest to their place. Every person who switches to LED bulbs will help lighting up someone's home through energy savings. The union government is committed to achieving its target of replacing all the 77 crore inefficient bulbs in India with LEDs. This will result in reduction of 20,000 MW load, energy savings of 100 billion kWh and Green House Gas (GHG) reduction of 80 million tonnes every year.

(Source- www.indianpowersector.com)

Cabinet note soon on linkage auction for power plants: Source

The Coal Ministry will soon move a draft Cabinet note for auctioning linkages for the dry fuel to the power sector.

This assumes significance in the backdrop of the government's commitment to provide affordable round-the-clock electricity to all.

"The Coal Ministry will soon seek suggestions of various ministries including power on the draft Cabinet Committee on Economic Affairs (CCEA) note for auction of coal linkages to the power plants," a source said.

Last month, CCEA had approved allocation of coal linkages for non-regulated sector only through auction. Sectors included were cement, steel/sponge iron, aluminium, and others (excluding fertiliser, urea).

Coal and Power Minister Piyush Goyal has said that the framework attempts to make coal available in a fair manner to end-users.

"Proposed auction methodology leads to price through a market mechanism; it does not seek to maximise revenue", the minister had said, adding, "it ensures that all market participants of non-regulated sector have a fair chance to coal linkage, irrespective of size".

Coal Secretary Anil Swarup had said that coal linkages for 24 million tonnes will go under the hammer in the first year.

Till now, Standing Linkage Committee has been deciding on allocation of long-term and short-term linkages for the sectors, including power and steel.

The government aims to provide 24x7 power by 2019 by creating cost-effective infrastructure which will be sustainable and inclusive of clean energy solutions.

(Source-http://energy.economictimes.indiatimes.com/news/coal/cabinet-note-soon-on-linkage-auction-for-power-plants-source/51495128)

Odisha Chief Minister Naveen Patnaik writes to PM Narendra Modi for fresh coal block to OTPCL

Odisha Chief Minister Naveen Patnaik today sought Prime Minister Narendra Modi's help for cancellation of Tentuloi coal block and allocation of another suitable block to Odisha Thermal Power Corporation Ltd (OTPCL) for its upcoming project in Dhenkanal district.

Tentuloi coal block was allocated to OTPCL, which is setting up a 3,200 MW super critical thermal power plant in Dhenkanal, as no other alternative block was available at that point of time, Patnaik said in a letter to Modi.

As the cost of extracting coal from this deep cast mine would be prohibitively high, Union Ministry of Coal had been requested several times for cancellation of the block, the chief minister said, referring to the letters he had written to the Coal Minister in September 2013 and November 2015.

"I had requested to allot Chhendipada and Chhendipada-II coal block in lieu of Tentuloi block to OTPCL. But no coal block has been allocated to OTPCL so far," he said.

Stating that Odisha has the largest deposits of power grade coal in the country, Patnaik said the demand for power in the state is growing rapidly.

He added that Baitarani East Coal Mine, having a tentative reserve of about 600 MT, has been allocated to MCL but is situated far away from the company's operational area.

On the other hand, it would be easier on the part of the state PSU to develop this coal mine as it borders Baitarani West Coal Mine, recently allocated to the state government.

"I would, therefore, request you to kindly consider allocating Baitarani East Coal Block in favour of OTPCL to cater to the requirement of the power project being set up by it in Dhenkanal district," Patnaik said.

Alternatively, Karadabahal and Brahmanibil Coal Blocks, which are located nearby and have adequate reserves, may be considered for allocation to OTPCL, he said.

(Source- www.indianpowersector.com)

ETHANOL

Ethanol blending to touch 5 per cent for the first time

Almost 13 years after the government first mooted the blending of ethanol with petrol at a 5:95 ratio and endorsed it at various stages, the country is finally set to achieve it in the current marketing year that started on October 1. Sources said oil marketing companies have contracted to buy over 136 crore litres of ethanol in 2015-16, which will be marginally higher than the requirement for 5% ethanol blending with petrol, thanks to persistent nudging by the Prime Minister's office.

According to an estimate by the Indian Sugar Mills Association (Isma), the blending of over 136 crore litres of ethanol will save the country foreign exchanges of roughly R6,000 crore in the form of a reduction in the net oil import bill to that extent. However, India's ethanol blending level will still be much lower than that of 25-30% in Brazil, 15% in the US and a whopping 85% being planned by Thailand, according to senior executives of the sugar industry, which is the largest producer of ethanol, a cane by-product.

The sources said 43 producers have offered a quantity of 16.75 crore litres against the third expression of interest opened last week. Earlier this marketing year, almost 120 crore litres were contracted by the OMCs in two EOIs. In 2014-15, the OMCs lifted 67.4 crore litres of ethanol although they had contracted more, and the country achieved 2.5% ethanol blending with petrol.

The government had first proposed the 5% blending of ethanol with petrol in 2003 and made it mandatory in 2007. In December 2013, the Sharad Pawar panel mooted doubling the blending limit to 10%, which was re-iterated by the Cabinet committee on economic affairs in April 2015. In August last year, Prime Minister Narendra Modi directed ministries concerned to look for ways to make the proposed blending programme a reality soon.

Apart from reducing reliance on oil imports and cutting pollution levels, the decision was also expected to help cash-starved sugar industry improve liquidity so that its cane dues to farmers — a result of a flawed cane pricing policy by states like Uttar Pradesh — could be cleared at the earliest.

Programme resisted by alcohol industry

Despite the proactive steps by the PMO, the blending programme has witnessed resistance from the chemical and potable alcohol industries, which fear a shortage of raw materials.

In response to a recent tweet by the PMO on the "highest-ever production of ethanol as blended fuel" in 2015 benefiting cane farmers, Rakesh Bhartia, president of the Indian Chemical Council, tweeted: "This is the biggest fraud being played on the Indian consumer in the garb of green fuel to benefit sugar."

When contacted, Bhartia said: "The ethanol-based chemical industry is opposed to the manner in which the ethanol blending policy has been implemented by the government, particularly with regard to the fixing of an exorbitantly high administered price of ethanol, which not just results in the cross-subsidisation of the cane industry by consumers but also deprives the chemical industry of a principal raw material."

However, Isma director general Abinash Verma said ethanol production and its blending with petrol is being encouraged to achieve the government's target of cutting oil imports by 10% by 2022. "The price of ethanol has been accordingly fixed by the government for its own oil companies. Being a farmer-friendly government, it's also trying to ensure the timely payment of remunerative cane prices to farmers by promoting ethanol (a by-product of cane)."

Verma stressed that enough alcohol and ethanol is available for all users "if they are willing to enter into contracts and pay the prevailing market prices". "Fuel ethanol reduces environmental pollution in a big way. Vested interests should not be allowed to block a national programme, which is beneficial to all citizens, only to serve their personal and selfish motives," he added.

On charges of over-pricing of ethanol, saying it factors in the costs of transportation to the depots of OMCs, various levies and taxes, and the costs of obtaining all permits. In December 2014, the government had fixed ethanol prices for OMCs (to be delivered at their depots) at R48.50-49.50 per litre, depending on the distance to depots.

According to industry estimates, the chemical industry needs roughly 80 crore litres of molasses, while the potable alcohol industry requires around 130 crore litres a year. OMCs need roughly 133 crore litres to implement the 5% blending programme. The sugar industry says it can produce roughly 280-300 crore litres of ethanol a year at present, which can be ramped up significantly if there is adequate demand. Sugar industry executives say roughly a third of raw material demand of chemical and potable alcohol industry is met from sources other than cane.

THOUGHT OF THE DAY:

"A warm smile is the universal language of kindness."

-William Arthur Ward