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SUGAR

Export duty unlikely to have any significant negative impact on profitability of sugar mills: ICRA

In ICRA's view export duty is unlikely to have any significant negative impact on the prices or profitability of sugar mills in the near-term, says ICRA in its latest release.

The Food and Consumer Affairs (FCA) ministry has implemented a 20 per cent duty on exports with an aim of checking the rise in domestic sugar prices by discouraging exports and thus maintaining adequate domestic sugar supplies.

According to Sabyasachi Majumdar, senior VP, Co-head, corporate sector ratings, "Currently, domestic sugar realisations (at around Rs. 35,000 per MT in Northern India and Rs. 33,000 per MT in Southern and Western India) are already higher as compared to current export realisations (estimated at around Rs. 32,000 per MT for shore based players at a current international sugar prices of $500 per MT), even without the impact of export duty. Further, with domestic consumption (at around 25.5 million MT) likely to be higher than the domestic production (25.2 million MT) for SY2016, marketability of domestic sugar is also unlikely to be a challenge. Thus, it is unlikely that domestic sugar mills would have been exporting any significant quantities of sugar even without this additional duty. However, this imposition may dampen prospects of further price rise, first by discouraging additional exports (which can result in price rise in a tight market scenario) and second, by demonstrating government intent to restrain price rise."

Consecutive years of surplus domestic sugar production since SY2013 had caused a surplus in the domestic sugar market, with stocks increasing to ~9.5 million MT by September 2015 (around 4.6 months of consumption), as against a preferred norm of 3-4 months stock position. This coupled with the international sugar surplus scenario and muted international sugar prices had led to sugar price reaching a three-year low of Rs. 23,000/MT in July 2015. This in turn had resulted to significant losses for most sugar mills which in turn resulted in stagnation in cane prices and build up of cane dues to farmers.

Against this backdrop, in December 2015, the union government fixed a mandatory sugar export quota for all the sugar mills in the country for SY2016 season, linking it with availing a subsidy of Rs. 45/MT for payment of sugarcane, in order to relieve the sugar industry from the distress scenario. In the initial months following the notification of this scheme, the sugar mills started exporting sugar to avail of this aforementioned benefit as well as relieve themselves of the excess stock. Thus, by May 2016, the country had exported almost 1.6 million MT sugar. This was also helped by the fact that during the aforementioned period, the international sugar prices were on an upswing with the international white sugar prices increasing from $410/MT to $480/MT in the same period. It is noteworthy that with unfavourable weather leading to erosion in sugar production in recent months across major suppliers (primarily Brazil, India and Thailand), and the resultant expectations of a global deficit in 2015-16 after five consecutive years of sugar surplus, there was been a rebound in international sugar prices during January 2016 after a period of over five years.

After a marginal decline in February, the price uptrend continued during the months of March and April, following expectations of decline in sugar output for 2016 from all the leading producers. There has also been a significant rise in international prices in May and June 2016.

Parallelly, however, there was also a significant upswing in domestic sugar prices from Rs. 27000/MT to Rs. 34000/MT in the same period. This price rise was driven mainly by expectations of substantial stock correction during SY2016, which itself was driven by both drought induced lower production; as well as the aforementioned exports themselves. Thus, by the month of March 2016, the domestic sugar realisations had reached a level which was higher than the export realisations and the resultant export benefits. Thus, sugar exports had dwindled to a trickle by May 2016 itself. Further, the GoI itself revoked the Rs. 45/MT cane incentive during May 2016.

At the current level of domestic and international sugar prices, exports are uncompetitive vis-a-vis domestic sales for most sugar mills, especially for those based in Northern India, which have an additional freight disadvantage of Rs. 1000-1500/MT vis-a-vis mills located closer to the shore in Southern and Western India. For instance, for Western and Southern Indian mills ex-mill realisation based on current prices even without export duty is Rs. 32,400/MT, while domestic sugar realisation for these mills is Rs. 33,500/MT and for UP based mills ex-mill realization without export duty is Rs. 31,000/MT vis-a-vis domestic sugar realization at Rs. 35,000/MT.

(Source- http://sugarnews.in/export-duty-unlikely-to-have-any-significant-negative-impact-on-profitability-of-sugar-mills-icra/, published on 21st June, 2016)

After 6 years of surplus, sugar runs short

Sugar could spell the next set of food-inflation woes, as a drought-induced deficit means India may have to turn to imports for the first time in six years.

Prices are firming up already. The wholesale inflation rate for May showed sugar prices rose 22% compared to a year-ago period.

India is the world's second-largest sugar producer after Brazil, but the largest consumer as well. Household demand accounts for barely 30% of consumption. About 70% of the sweetener goes into food products such as biscuits, beverages and snacks.

Back-to-back droughts have trimmed harvests in two of the country's biggest producer states, Maharashtra and Uttar Pradesh. Maharashtra's output is estimated to fall to 6.5 million tonne from 8.3 million tonne a year earlier, according to a forecast by the Maharashtra State Cooperative Sugar Factories Federation Ltd.

Second-biggest producer UP's output is estimated to decline to 6.8 million tonne in 2015-16 from 7.1 million tonne in the previous year.

Faced with a high deficit of pulses this year, the Narendra Modi government has publicly stocked over 1 lakh tonne to be distributed at subsidised rates by procuring domestically and through imports. That hasn't helped cool prices because demand-supply mismatch is high. India doesn't have a similar buffer stock for sugar.

Fresh estimates from the start of the 2015-16 sugar season until April 30 — when the majority of mills in the country had finished processing most of their cane stock — show millers have produced the smallest stock in four years.

They produced 24.6 million tonne, down 11% when compared to 27.6 million tonne of the previous year's corresponding period.

"With unfavourable weather leading to erosion in production across major suppliers, primarily Brazil, India and Thailand, and the resultant expectations of a global deficit in 2015-16 after five years of sugar surplus, there was a rebound in international sugar prices during January 2016. There has also been a significant rise in international prices in May and June 2016," said Sabyasachi Majumdar of ICRA, a market analyst.

Despite the shortfall, the government doesn't think imports are required at this stage.

"Full final estimates may take some more time. India should have a total stock of 30-31 million tonne at the end of the sugar season in October, which should suffice until the next stocks arrive. The government is taking all precautions," an official said.

The government has taken the first steps to tame prices. On Thursday, the government decided to impose a 20% duty on sugar exports.

The ministry also imposed stockholding limits as an anti hoarding measure. The government also rescinded a rule requiring mills to compulsorily export surpluses.

At the retail level, in May, prices of sugar and sugar products rose nearly 15% while food prices quickened to 7.5%, sharper than April's 6.4% rise.

(Source- http://sugarnews.in/after-6-years-of-surplus-sugar-runs-short/, published on 21st June, 2016)

Australian firm receives patent for extracts from sugar with low GI

Australia-based The Products Makers (Australia) Pty Ltd has bagged a patent in India for extracts from sugarcane and process for manufacturing it with low Glycemic Index (GI), which has various health benefits and could be incorporated directly and without further modification into a food, nutraceutical, cosmaceutical or beverage.

GI is a ranking of carbohydrate in a a particular food and its impact on a person's blood glucose level, which is important in analysing high blood sugar level, according to experts.

The company has various brands consisting of low GI sugar extracts in its kitty. It has a joint venture with D D Shah Group in India to sell the products in the country.

The patent application was filed by Australia-based Horizon Science Pty Ltd, which was focusing primarily on developing products derived specifically from sugarcane waste streams, in March 2009. The assets and patents of Horizon Science was later acquired by

The Product Makers and the newly acquired trade marked brands such as LoGiCane and Benecarb, which are low GI products, has been included into its Bioactive division. The company also have a range of new bioactives under development, said the company recently.

The company, in its patent specification said that the benefits are arrived at using various processes and by retaining several contents which are naturally present in the sugar cane. The extracts derived from sugar cane comprise a mixture of one or more of polyphenols, carbohydrates, minerals and organic acids. In addition, the invention relates to a process for refining sugar cane derived extracts as well as other phytochemical extracts.

"The extracts of the present invention represent new products which are economically useful and can be used in a wide variety of applications," it claims. The extracts described may be used in a therapeutic capacity in order to treat and/or prevent the many conditions which are considered to be responsive to antioxidants, including but not limited to, cardiovascular disease, atherosclerosis, hypertension, thrombosis.

Type II diabetes, obesity, dementia, cancer, HIV aids, degenerative conditions associated with aging, diseases caused by oxidative damage, and changing body composition as described in international patent application, it added.

The authority has raised some objections, and following some amendments and submissions related to this, the application was found to be in order for grant of patent and the patents is granted to the application, said the Assistant Controller of Patents & Designs in an order issued on Monday.

(Source- http://sugarnews.in/australian-firm-receives-patent-for-extracts-from-sugar-with-low-gi/, published on 21st June, 2016)

Karnataka: Satish Sugars announces additional payment for sugarcane

Satish Sugars Ltd., controlled by former minister and founder chairman Satish L. Jarkiholi, has belatedly announced to pay another Rs.100 per tonne of sugarcane to the growers who supplied cane to the mill during 2015-16.

However, the amount will be credited to the growers' bank accounts during October this year, according to a press release issued by the mill's Managing Director Siddu Vadennavar here on Tuesday.

He said the management had paid a total of Rs.2,100 per tonne to the growers for the season, which included Rs.100 per tonne as per the Fair and Remunerative Price (FRP) announced by the union government. The management, at a meeting presided over by Chairman Pradeep Indi in presence of Vice Presidents (Sugar) L.R. Kargi and P.D. Hiremath (Spirit division), took a decision to pay additional payment considering the plight of growers, he said.

(Source- http://sugarnews.in/karnataka-satish-sugars-announces-additional-payment-for-sugarcane/, published on 22nd June, 2016)

Co-gen/Power

Cabinet to take up tomorrow extension of UDAY scheme

Union Cabinet will tomorrow consider a proposal to extend timeline for joining UDAY scheme meant for revival of debt-laden discoms and issue bonds for paying their outstandings during this fiscal.

"The proposal to extend timelines for taking over 50 per cent of outstanding of discoms is listed on agenda for the Cabinet meeting scheduled tomorrow," a source said.

"The proposal is likely to be cleared to facilitate all states who want to benefit from the scheme and could not join scheme or issue bonds to pay off discoms' debt due to various reasons like elections and regulatory approvals," the source added.

Under the UDAY scheme, the states were required to join UDAY scheme formally last fiscal and issue bonds to pay off discoms' 50 per cent debt in 2015-16.

They were supposed to issue bonds to pay off additional 25 per cent of the discoms' debt in the current fiscal.

However, some states could not join the scheme and some could not issue bonds due to delay in regulatory approvals or other reasons like elections. Now with this decisions, these state would be able issue the bonds to pay of 75 per cent of state discoms' during the current fiscal itself.

Last fiscal, the states issued bonds worth Rs one lakh crore to pay off their discoms debt.

UDAY scheme was launched in November last year to deal with the burgeoning debt of discoms in the country.

(Source- http://indianpowersector.com/2016/06/cabinet-to-take-up-tomorrow-extension-of-uday-scheme/, published on 22nd June, 2016)

Tata Power's renewable arm bags 30 mw solar power project in Maharashtra

Tata PowerBSE -1.36 % Company's arm, Tata Power Renewable Energy, has won a solar grid connected photovoltaic project of 30 mw in Maharashtra, the Tata group utility said in a statement Tuesday.

The projects have been awarded under the Jawaharlal Nehru National Solar Mission (JNNSM) Phase-II Batch-III Tranche-1 under 'State Specific Bundling Scheme.'

Tata Power Renewable has received the letter of intent to develop the projects and will sign a 25 year power purchase agreement with NTPCBSE -3.19 % Vidyut Vyapar.

"As a company, we will continue to grow our capacity through organic and inorganic means over the next few years to contribute to Tata Power's aggressive target of 20,000 MW of total capacity by 2025," said Rahul Shah, chief executive officer and executive director of Tata Power Renewable.

This is the third project bagged by the company in recent months, taking its solar bid wins to 145 mw.

(Source- http://economictimes.indiatimes.com/industry/energy/power/tata-powers-renewable-arm-bags-30-mw-solar-power-project-in-maharashtra/articleshow/52852635.cms, published on 21st June, 2016)

Coal block auction unlikely in 3 months: Coal secretary Anil Swarup

The government is waiting for the economy to pick up before it can auction coal mines for captive and commercial use to private companies.

“Right now markets do not justify auction of coal blocks. Last round of auction has not seen many takers,” coal secretary Anil Swarup said. “I don’t see auction of coal blocks in the near future, at least in the next two to three months.”

He said the framework of commercial mining has been prepared by the coal ministry.

Swarup, however, said allocation of coal blocks to state utilities for commercial use is the first step towards opening up the coal sector.

The government has invited applications from state utilities for allotment of 16 coal blocks for commercial use. Eight blocks will be awarded to state utilities within the state, while the remaining eight will be allotted to state utilities other than those in the host state, he said. Allotments are expected to be made in August after the coal ministry scrutinises the applications and decides on the winners.

The Coal Mines Special Provision Act 2015 provides for opening up commercial coal mining to private and public entities. On March 20, Parliament passed the Coal Mines Special Provisions Bill that provides for opening up commercial coal mining to Indian and foreign private firms.

(Source- http://indianpowersector.com/2016/06/coal-block-auction-unlikely-in-3-months-coal-secretary-anil-swarup/, published on 22nd June, 2016)

ETHANOL

OMCs have been unable to procure adequate ethanol from sugar mills

The Centre's plans to bring in a greater blend of ethanol to petrol could hit a bump with national oil marketing companies finding it difficult to procure the compound.

The industry needs 266-crore litres of ethanol this year but sugar mills have not been able to provide the requisite supply.

Last year, about 68-crore litres were procured by the IOC, BPCL and HPCL for the fuel-blending programme, which only helped clock 3 per cent blending, against the targeted 5 per cent. This year, the target was raised to 10 per cent, but most mills are unable to increase ethanol production.

Bakshi Ram, Director of the Coimbatore-based Sugarcane Breeding Institute, a division of the Indian Council of Agriculture Research, said the sugar mills in the country have the capacity to support blending only up to five per cent.

Capactity addition

The mills will require additional distillery capacity to produce the ethanol required for a 10 to 15 per cent blending programme. However, banks are unwilling to finance the mills in adding capacity, given that the industry is in the red.

Ram pointed that due to drought in the Marathwada and Vidarbha regions of Maharashtra, sugarcane production has decreased, which will affect the production of sugar and ethanol. In Uttar Pradesh, the situation is slightly better, with mills reporting higher recovery rate from sugarcane. However, the cane arrears to be paid by the mills to the farmers have mounted to ₹ 5,000 crore, he said.

In the first phase of procurement in February, an expression of interest (EoI) was jointly floated by the three oil marketing companies for the supply of 91-crore litres of ethanol, but the response has been tepid. Sugar factories in Maharashtra had committed 35-crore litres but have managed to sell only 11-crore litres.

A game changer?

The shortage could therefore open a window of opportunity for companies that use farm waste, which is rich in lignocellulose and cellulose, for making ethanol. IOC and BPCL have also called for an EoI for setting up a lignocellulose-based refinery, senior officials at these firms said.

Cellulosic and lignocellulose ethanol — produced from farm waste through cellulose hydrolysis — are chemically identical to the first-generation ethanol, which is derived from sugarcane.

Praj Industries, for example, is in the process of setting up a lignocellulose biorefinery for ethanol and other bio-chemicals. Praj's initial investment is about ₹ 25 crore and will have a process capacity of 12 metric tonnes of biomass per day. Its Chairman Pramod Chaudhari told BusinessLine that the unfulfilled demand by the sugar mills would be met by lignocellulose bio-refineries, which will produce second-generation (2G) ethanol from farm waste.

Director of Punjab Renewable Energy Systems Ltd (PRESPL), Monish Ahuja, said that as sugarcane is grown in only a few States, therefore ethanol availability is limited. On the other hand, biomass is available across the country.

Thought of the day

"Everything has beauty, but not everyone sees it." – Confucius