NEWS FLASH –31th August, 2016

SUGAR

India’s sugar output to fall by 3.7 MT due to droughts: Report

Sugar output in India, the world's second largest producer, is likely to fall by 3.7 million tonnes in 2016-17 due to droughts in the previous two years, a report said.

Sugar output in India, the world’s second largest producer, is likely to fall by 3.7 million tonnes in 2016-17 due to droughts in the previous two years, a report said.

It added that the country will become a net sugar importer in the current fiscal.

“The world’s second largest producer of sugar, will witness a fall in production by 3.7 million tonnes due to consecutive droughts in 2014-15 and 2015-16 and will become a net sugar importer in 2016-17,” a Rabo Bank report said.

Sugar production in Asia is expected to be significantly lower in the 2016-17 sugar season as the 2015 El Nino-induced drought pulled output down to a five-year low, it added.

In 2015-16, Asia will witness its first deficit year in over five years as Chinese sugar production has declined by over 2.3 MT (raw value) over the previous year and Indian sugar production will decline by over 4 million tonnes, pushing Asia into an overall deficit of 2 million tonnes, it said.

“World raw sugar prices have risen by 30 per cent since mid-April, from 14.3 US cents per pound (c/lb) to 18.8 US c/lb (basis July futures), as the market started factoring in potentially lower global sugar output in 2016-17,” the report said.

Sugar prices across Asia have also started to reflect tighter fundamentals.

Higher price trend is likely to persist over the next few quarters and will have substantial impact on Asian food and beverage (F&B) corporate margins, it added.

The report said industrial demand for sugar remains strong and is expected to rise as increasing prosperity in Asia continues to drive growth in packaged F&B consumption.

While most countries have created policy frameworks like import tariffs and minimum cane purchase prices to influence and stabilise domestic supply and sugar prices, industrial users remain open to the risk of higher prices or supply disruptions.

Industrial buyers, therefore, will need to consider financial and operational strategies to mitigate these price risks, it opined.

Despite being the largest sugar consumer, India remains one of the fastest-growing markets for non-household sugar.

Confectionery and soft drinks are the two key sectors driving non-household sugar consumption in the country.

However, as the largest non-household consuming sectors, processed fruit-based products, confectionery and the traditional sweet-making industry will continue to drive absolute volume growth in this market, said the report.

(Source- www.financialexpress.com/markets/commodities/indias-sugar-output-to-fall-by-3-7-mt-due-to-droughts-report/362232/, published on 30th August, 2016)

Sugarcane growers take crop rate war to streets

As talks with the Punjab chief secretary had failed on the crop price issue, sugarcane growers blocked the Jalandhar-Pathankot National Highway (NH) at Dasuya on Monday, demanding Rs 375 per quintal for the produce in the coming crushing season.

A few thousand farmers, who had gathered at Dasuya grain market, marched towards the highway and blocked it at Hajipur Chowk. They lifted the blockade after three hours.

Earlier, Hoshiarpur deputy commissioner Anindita Mitra informed the farmers at the grain market that the state government had released Rs 43 crore for the pending payment of cooperative mills and Rs 113 crore for farmers, who had supplied cane to the private mills. The money would also reach them by September 10, the DC added.

She also informed the farmers that the state government had formed a committee to look into their demand of fixing the cane price at Rs 375 per quintal for the coming season.

However, farmers said they would block the traffic if the new rate was not decided by Monday itself. Later, officials managed to persuade the farmers to lift the blockade.

(Source- http://sugarnews.in/sugarcane-growers-take-crop-rate-war-to-streets-times-of-india/, published on 30th August, 2016)

Co-gen/Power

TN: Co-generation power plant at Alanganallur yet to see light of day

The project for co-generating electricity from sugarcane waste through smaller power plants at government sugar mills was conceived when the state was literally crippled due to power crisis. If completed on time, the 15MW power plants would have helped the electricity board a great deal. Even after six years, the co-generation plant at Alanganallur National Cooperative Sugar Mills, like many other plants in Tamil Nadu, is yet to commence power generation.

In 2010, the DMK regime had laid foundation stones for co-generation plants inside sugar mills in the state. The power plants were to utilise sugarcane waste from crushed canes during the crushing period and use coal when sugar mills are closed for maintenance. On an average, the sugarcane waste would have lasted to produce power for eight months.

As much as 110 crore was sanctioned for the construction of the power plants with a deadline of 18 months. If they were completed on time, they could have produced collectively 183MW power.

State president of Tamil Nadu sugarcane Farmers Association, N Palanisamy said that nearly 80% works have been completed in the power plant at Alanganallur and the remaining 20% of works need more fund. "Once completed, the power plant will be of great use. The excess power will be supplied to the power grid of the electricity board and the entire Madurai could be supplied electricity from the plant. sugarcane farmers will also benefit from the dividends of power generation," he told TOI.

Out of the 15MW power produced, the sugar mill will utilise 5MW for functioning and the rest will be given to the electricity board. During the non-crushing months, the entire power generated will be send to the grid.

(Source- sugarnews.in/tn-co-generation-power-plant-at-alanganallur-yet-to-see-light-of-day/, published on 30th August, 2016)

India's Orient Green plans to sell assets, not company – reports

Contrary to market speculation, Indian renewable power producer Orient Green Power Co Ltd (BOM:533263) is not up for sale, its managing director S Venkatachalam said, as cited by The Economic Times (ET).

Venkatachalam believes that the worst is behind the loss-making company, which will now focus on a plan to expand its 50.5-MW wind park at Tadipatri in Andhra Pradesh by 47 MW, the ET said.

The director has also mentioned that the firm needs to raise an additional INR 3.2 billion (USD 47.7m/EUR 42.6m) of debt, and that it has already arranged INR 2 billion from lenders.

At the same time, Venkatachalam told The Hindu Business Line that Orient Green intends to sell five or six out of the 12 plants it owns to secure cash needed to operate the remaining facilities profitably at full capacity. It will start by divesting its 20-MW biomass plant near Kolhapur in Maharashtra to Singapore-based Sindicatum Captive Power for INR 810 million.

The company also plans to de-merge its wind and biomass operations.

(Source- http://indianpowersector.com/2016/08/indias-orient-green-plans-to-sell-assets-not-company-reports/, published on 30th August, 2016)

Volumes jump at Kalpataru Power Transmission counter

Solar Industries India, Ashoka Buildcon, Nirvikara Paper Mills and Eclerx Servicesare among the other stocks to see a surge in volumes on Bsetoday, 30 August 2016.

Kalpataru Power Transmission clocked volume of 33.90 lakh shares by 13:41 IST on BSE, a 333.83-times surge over two-week average daily volume of 10,000 shares. The stock rose 3.1% to Rs 266.30. A large bulk deal of 32.62 lakh shares was executed on the scrip at Rs 275 per share in early trade on BSE.

Solar Industries Indianotched up volume of 3.44 lakh shares, a 150.88-fold surge over two-week average daily volume of 2,280 shares. The stock rose 1.95% to Rs 645.

Ashoka Buildcon saw volume of 9.73 lakh shares, a 68.92-fold surge over two-week average daily volume of 14,000 shares. The stock rose 0.51% to Rs 156.25.

Nirvikara Paper Mills clocked volume of 11.10 lakh shares, a 21.56-fold surge over two-week average daily volume of 51,000 shares. The stock rose 19.94% to Rs 62.25.

Eclerx Servicessaw volume of 56,000 shares, a 3,162-fold rise over two-week average daily volume of 53,000 shares. The stock fell 0.93% to Rs 1617.55. Eclerx Servicessaid that the company's board approved buyback of equity shares for an aggregate amount not exceeding Rs 234 crore. The announcement was made after market hours yesterday, 29 August 2016. On a consolidated basis, net profit of Eclerx Servicesrose 27.25% to Rs 95.92 crore on 14.09% rise in net sales to Rs 340.33 crore in Q1 June 2016 over Q1 June 2015. The company declared its Q1 June 2016 results yesterday, 29 August 2016.

(Source-http://www.business-standard.com/article/news-cm/volumes-jump-at-kalpataru-power-transmission-counter-116083000426_1.html, published on 30th August, 2016)

Gujarat solar cooperative: Model for generating additional farm income, conserving ground water, says experts

Farmers of India's first solar cooperative set up in Dhundi village of Kheda district of Gujarat received their initial payments for harvesting solar power on their farms, Monday, as experts put forth this experimental cooperative model as a effective solution for providing farmers with an additional income and conserving ground water.

Describing the solar cooperative, Dhundi Saur Urja Utpadak Sahakari Mandali, as a beginning of an "orange revolution" in a region that gave the country it's first milk cooperative RS Sodhi, managing director of Gujarat Cooperative Milk Marketing Federation Limited (GCMMF) said, "If the income of farmers have to be doubled as envisaged by Prime Minister Narendra Modi, then this is one of the steps towards achieving it. The region that gave India its White Revolution is now inspiring an Orange Revolution powered by solar farmers."

(Source-http://indianpowersector.com/2016/08/gujarat-solar-cooperative-model-for-generating-additional-farm-income-conserving-ground-water-says-experts/, published on 30th August, 2016)

Coal India: Govt's cash cow

Government is taking away whatever it can from the biggest cash generating listed entity

Coal India is turning out to be a classic case of government milking its cash cow. Left with a few profitable public sector listed companies, government is taking away whatever it can from the biggest cash generating listed entity.

The latest in the series of such measures is the buyback announcement which will reduce Coal India's cash by Rs 3,650 crore. The open offer is for 10.89 crore shares at a price of Rs 335 per share. Since the current price is around the buyback price there is no arbitrage opportunity to capitalise on.

But benefit to its shareholders seems to be the last thing on the mind of Coal India's promoters – the government of India. The current price of Rs 335 is lower than the price at which government divested its stake at Rs 358 in 2015. Given the current market price, it is very likely that government would be the only shareholder willing to submit its shares.

Government currently owns 79.65 per cent equity in the company. Post the current buyback, government is expected to announce another divestment to help it reduce its holding to 75 per cent by April 2017.

By listing Coal India, government has been the only beneficiary. Coal India was first traded at a price of Rs 352 on November 8, 2010 and touched a high of Rs 447.25 but currently trades at Rs 334. Apart from the high dividends, the stock has underperformed the broader market which is near its all-time high levels. Non-performance of the stock raised problems for the government in the past during its divestment roadshows.

But more than its lacklustre performance on the bourses, the government's use of Coal India to fund its fiscal gap has hampered the company. Coal India's net worth (sum of equity capital and reserves) touched a value of Rs 48,471.99 crore at the end of FY13. Since then it has continuously fallen and by the end of FY16 it stood at Rs 27,581.24 crore. This is despite the fact that every year Coal India has deposited its profits in the reserves.

Cash levels in its strongest year of FY13 stood at Rs 62,236 crore, these have been depleted to Rs 38,312.77 crore by the end of FY16. In the past four financial years, the company has shelled out Rs 57,542 crore by way of dividends only, most of it has gone to the government since they were the largest shareholders.

To some extent, Coal India is to be blamed for its non-performance both in the market and on the business front. The company has been hoarding cash with no idea on how to utilise it. Private sector players have been more aggressive, realising that Coal India is a monopoly and has not been able to increase its production to meet domestic demand they went looking for coal in other countries. Coal India's attempt to search for coal in Africa has come to nothing.

Coal India's acquisition in Mozambique six years ago has yielded an embarrassment. The nominal valuation of its investment has come down from Rs 4,500 crore to Rs 2 crore in its balance sheet during this period. Coal India now wants to invest in setting up super critical thermal plants and reviving fertiliser units. One cannot be blamed into thinking that perhaps dividend payout is a better use of money.

(Source-http://www.business-standard.com/article/companies/coal-india-govt-s-cash-cow-116083000672_1.html, published on 30th August, 2016)

Quote of the day

‘Education is what remains after one has forgotten what one has learned in school.’

-Albert Einstein