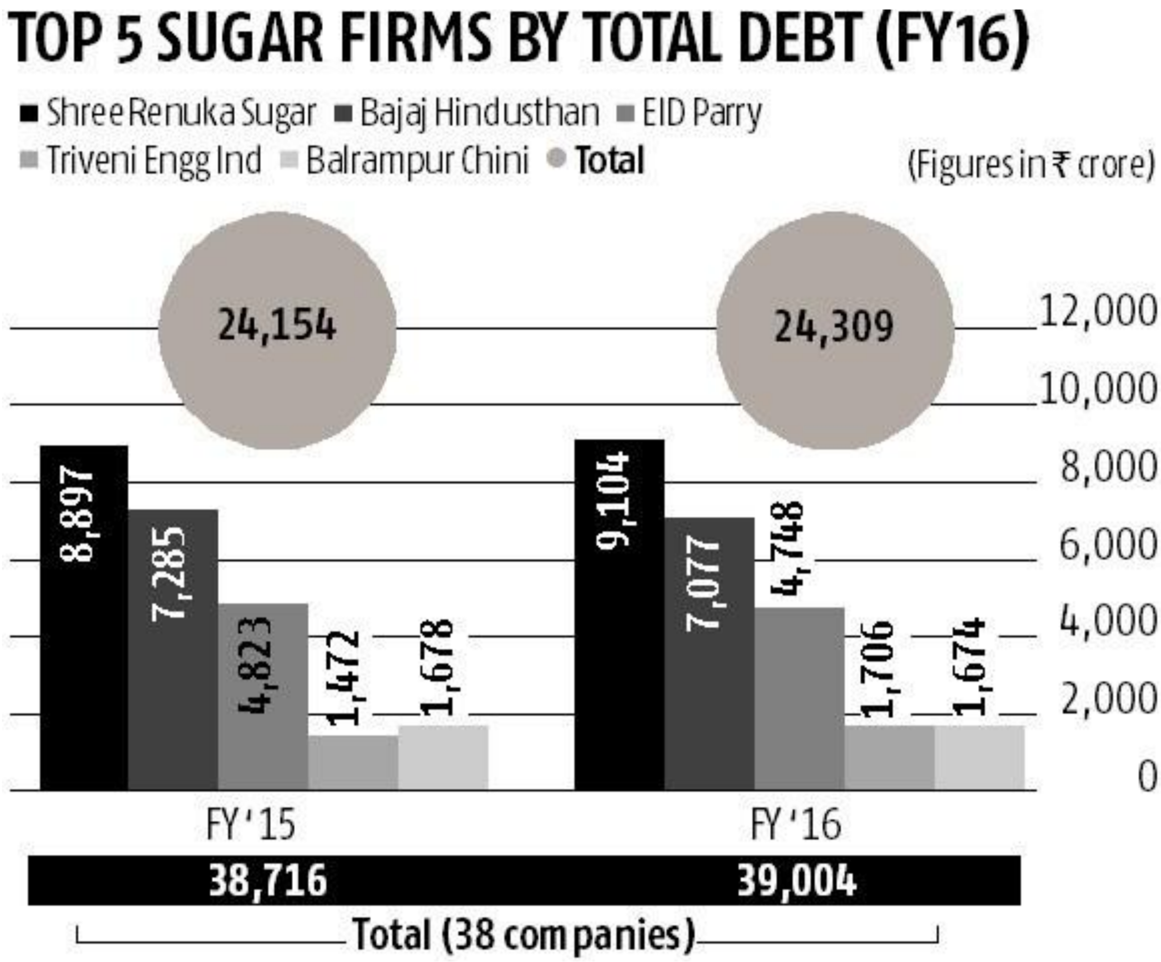
NEWS FLASH –31st December, 2016

SUGAR

Finance Ministry considering debt restructuring for sugar sector

The Union finance ministry is considering a proposal to restructure sugar mills' debt, which is under severe stress due to lack of capacity utilisation. While sugar crushing begun two months ago, some mills in Maharashtra and Karnataka don't have enough sugarcane to crush and are said to be closing operations. The sugar sector's total debt is estimated at Rs 50,000 crore.

In a meeting with sugar sector representatives on Tuesday, Finance Minister Arun Jaitley stressed the need for debt restructuring. T Sarita Reddy, president of Indian Sugar Mills Association (Isma), told Business Standard: "The FM gave us a patient hearing. He sounded positive. The FM said that the key issue is debt restructuring. He marked a copy to the finance department to take it forward."



Isma requested the government to restructure sugar mills' debt under a scheme similar to S4A, which is for major industries having exposure of Rs 500 crore and above. "As most sugar mills individually will not have exposure of Rs 500 crore, we request to modify the scheme specifically suitable for the sugar industry by modifying the exposure to Rs 100 crore and taking internal cash accruals of one year period as the basis since sugar is a seasonal business", it added.

Sugar prices have started rising but the industry is unable to make money because capacities are not fully utilised owing to lower availability of cane. In the meeting with the finance minister, the issue of lower production was also discussed. Isma's estimate for October-September 2016-17 sugar season is 23.4 million tonnes (mt) against the government's 22.5 mt. Last year, sugar production was 25.2 mt. Among the other demands of Isma is keeping the industry under the lowest goods and service slab, which could be 5%.

(Source-http://sugarnews.in/finance-ministry-considering-debt-restructuring-for-sugar-sector/, published on 30th December, 2016)

AP: Cane growers resent move to sell cooperative factories

Sugarcane farmers are up in arms against the government for its move to sell the cooperative factories to benefit private players.

The farmers made known their displeasure at the State-level all-party meeting conducted here on Thursday under the banner of Federation of Farmers' Associations (FFA).

It was a circular from the Director of Sugar and Cane Commissioner that threw light on the government's intentions.

The circular sent to Chittoor Sugars, Sri Venkateswara Sugars (Tirupati), Cuddapah Cooperative Sugars, Kovur Cooperative Sugars (Nellore), Anakapalle Cooperative Sugars, and Nannapaneni Venkat Rao Sugars (Tenali) required the factories to disclose details such as the extent of their landed property, registration and market value, number of employees (on regular rolls and on contract), and the likely financial outgo if they were to be given a golden handshake through voluntary retirement.

"The government has set its eyes on landed property of the factories. The circular reveals its mischievous game plan," alleged FFA State president Mangati Gopal Reddy.

While the undivided State had 18 sugar factories in the cooperative sector, it came down to 11 post bifurcation.

With 25-30 lakh tonnes, Chittoor district ranks first in terms of annual cane production. This is precisely the reason for the presence of six sugar factories in the district — two in the cooperative and four in private sectors.

"Though the private players make profits, the cooperative factories always end up in losses," said Lok Satta State general secretary K. Balasubramanyam.

"The government will pay heed only if all cane-growers join hands," said K. Kumar Reddy and A. Rama Naidu, Chittoor district secretaries of the CPI(M) and CPI respectively.

Farmer leaders owing their allegiance to the YSR Congress — Chakrapani Reddy and Rajaratnam Reddy called the move "anti-farmer."

FFA former president G.V. Jayachandra Chowdary said that the mounting losses were "man-made."

"The losses would remain the same, irrespective of whether a factory runs or not. If it runs, it saves lives," said N. Nagi Reddy, a cane grower and former Chief Accounts Officer of S.V. Sugars.

He alleged that the mutually-acceptable financial package worked out by him was put in cold storage.

(Source-http://sugarnews.in/ap-cane-growers-resent-move-to-sell-cooperative-factories/, published on 30th December, 2016)

With exports in check, sugar import duty may not be pruned for now

The Central government doesn't have immediate plans to lower import duties on sugar as it did with wheat. The export duty imposed in June this year has managed to contain exports and ensure adequate availability of the sweetener in the domestic market for the present, a government official said.

However, if a subsequent review in production number shows a lower output than the estimated 22-23 million tonnes (mt) and there is a spike in the domestic prices which have been slightly hardening, the Centre could re-consider its options.

With import duty on sugar fixed at 40 per cent, there are no imports taking place.

"The idea behind imposing the export duty of 20 per cent in June this year was that if we don't have any exports then we may be able to manage without imports. Right now there is no pressing need to encourage imports as with production estimated at 22-23 mt in the 2016-17 sugar season (beginning October), the shortfall of 2-3 mt could be made good by the carryover stock if exports don't happen," the official said.

Export prospects sour

According to industry body Indian Sugar Mills Association, exports have stopped since a 20 per cent import duty was imposed in June as shipments from India are no longer viable in the global market.

India, which is the world's second largest sugar producer after Brazil, exported 1.6 mt of the sweetener till May in the 2015-16 marketing year (October-September).

With no exports happening, India could manage with a sugar output of 234 lakh tonnes (23.4 mt), as estimated by the industry, with a carryover stock of 77 lakh tonnes as on October 1, 2016 as it would result in total sugar availability of 311 lakh tonnes against estimated consumption of 255 lakh tonnes.

However, things could change if the estimates go wrong. "We don't have an accurate system of data collection for agriculture. Now that crushing season has started, after two-three months different data could emerge on production. But as of now, there are no intentions to import," the official said.

Sugar prices are ruling at about ₹ 40/kg in the open market, about the same level as was in June this year, but there have been fluctuations following the government's decision to demonetise high-value notes in November.

(Source-http://sugarnews.in/with-exports-in-check-sugar-import-duty-may-not-be-pruned-for-now/, published on 29th December, 2016)

Bitter start to 2017 for Maharashtra sugar millers? Kolhapur, Pune mills have failed to pay farmers completely

The New Year may not begin on a sweet note for sugar millers in Maharashtra. Although the mills have made payments to the tune of R1,299.069 crore, about 60% of the Fair and Remunerative Price (FRP) payments to farmers as against the total of R2,180.68 crore, there are still several mills that have failed to make payments in farmers in full. These mills will be called for hearings in the first week of January, top officials of the Maharashtra Sugar Commisisonerate said.

Around 11 mills in Nanded region have paid R9.40 crore as against targeted payment of R8.19 crore. Three mills in Amravati have paid R10.27 crore as against the expected R8.63 crore. Four mills in Nagpur have paid R11.25 crore as against the stipulated payment of R4.25 crore. However, mills across Kolhapur and Pune regions have failed to pay the complete amount owed to farmers. According to Vipin Sharma, Maharashtra Sugar Commissioner, this time because of the paucity of cane, there has been a compulsion on mills to make more payments and many of them have made payments over and above the fixed FRP. Some of the mills are paying between R2,600-2,700 per quintal while the FRP is fixed at R2,300 per quintal. Maharashtra has an area of 6.33 lakh hectares under cane production, and is set to produce only 445 lakh tonnes as compared to 742 lakh tonnes the previous season. The Commissioner said that notices for the hearings would be sent according to the payment reports made by mills until December 30.

Sanjeev Babar, MD of the Maharashtra Sugar Federation had earlier agreed and said that mills have been declaring first cane installments in the range of R2,500-2,900 per tonne in some cases which could end up causing problems. While millers in western Maharashtra's cane-rich Sangli in Kolhapur region agreed to pay R175 per tonne over and above the fair and remunerative price fixed by the Centre, other millers were forced to follow suit because of cane shortage.

Overall, the cane shortage in the state is to the tune of 31-42% as compared to the last season and mills in Maharashtra and Karnataka are likely to face losses. With less cane availability, mills in Solapur, Ahmednagar, Pune, Nashik, Marathwada and Vidarbha regions could end up shutting early, either by January-end or February 15, federation officials have said. Only mills in western Maharashtra are likely to run till April-May.

The Commisisonerate has also imposed a fine of R1.25 crore on Warana Sahakari Sakhar Karkhana for starting the season before the stipulated date. Sharma said that the Commissionerate normally imposes a fine of R500 per tonne of cane that is crushed and accordingly has taken action against the factory for starting crushing season ahead of time. The factory had crushed some 25,909 tonnes of cane and therefore the fine has been imposed, he explained. The factory is expected to pay the fine at the District Collectors office soon.

(Source-http://sugarnews.in/bitter-start-to-2017-for-maharashtra-sugar-millers-kolhapur-pune-mills-have-failed-to-pay-farmers-completely/, published on 30th December, 2016)

Sugar stocks surge up to 10% as government may consider debt restructuring

Sugar stocks hogged limelight and surged up to 10 per cent on the last trading session of 2016 after reports saying the government was considering a proposal to restructure sugar mills' debt surfaced.

Share price of Shree Renuka Sugars, Bajaj Hindusthan Sugar, EID Parry, Triveni Engineering and Balrampur Chini Mills surged as much as 7.56 per cent, 10 per cent, 3.40 per cent, 3.50 per cent and 3.70 per cent, respectively, in Friday's trade.

Total debt of sugar companies were around Rs 42,000 crore at the end of FY2016, according to the corporate database Capitaline.

On a year-to-date basis, share price of sugar companies have surged up to 444 per cent till December 29. KM Sugar Mills surged the most 443.19 per cent, followed by Indian Sucrose (up 306.71 per cent), Upper Ganges (up 285.60 per cent), Gayatri Sugar (up 266.80 per cent) and Dwarikesh Sugar (up 192.64 per cent).

Overall, 2016 stood a turnaround year for most of the sugar companies in terms of profit growth. For the half year ended September 30, 2016, companies like Shree Renuka Sugar, EID Parry, Dhampur Sugar, Balrampur Chini, Oudh Sugar Mills and Bannari Amman reported net profit of Rs 5.70 crore, Rs 141.28 crore, Rs 72.95 crore, Rs 216.70 crore, Rs 37.83 crore and Rs 67.40 crore, respectively, against net losses of Rs 301.40 crore, Rs 172.40 crore, Rs 95.14 crore, Rs 83.95 crore, Rs 81 crore and Rs 59.97 crore in the year-ago period.

(Source-http://sugarnews.in/sugar-stocks-surge-up-to-10-as-government-may-consider-debt-restructuring/, published on 30th December, 2016)

COGEN

India to supply additional 80 MW power to Nepal from Jan 1

India will supply an additional 80 MW of power to Nepal from January 1, which will increase the total total transmission of electricity to the neighbouring nation to 400 MW.

"From the first day of the new year, January 1, 2017, additional power transfer of 80 MW to Nepal is expected to commence. With this, the total supply of electricity to Nepal from India will be about 400 MW," Power Ministry said in a statement today.

According to the statement, Nepal Energy Minister Janardan Sharma held discussions with Power Minister Piyush Goyal during his recent visit to India.

Besides reviewing cooperation and expanding ties between the two countries in the power/energy sector, Sharma had asked for an additional supply of 80 MW to alleviate power shortage in Nepal due to seasonal reduction in supply from domestic hydro projects in winter months, it said.

In a swift response, within 20 days the Power Grid Corp installed an additional 220/132kV, 100MVA transformer at Muzaffarpur substation in India.

This transformer will facilitate additional power supply up to 80 MW to Nepal through the Muzaffarpur-Dhalkebar (Nepal) transmission line. With this augmentation, a total of 160 MW can now be supplied to Nepal through this transmission line, it added.

The electrical grids of India and Nepal are connected through various radial lines at 132kV, 33kV and 11kV voltage levels.

Prior to February 2016, as per the request received from Nepal from time to time, various short-term augmentation schemes were carried out which resulted in enhancement of power flow to Nepal from 50 MW to about 240 MW.

In February 2016, Prime Ministers of India and Nepal inaugurated the first high capacity 400kV cross-border line, initially being operated at 132kV, from Muzaffarpur to Dhalkebar.

This had resulted in additional flow of 80 MW, enhancing the total power supply to Nepal to about 320MW.

The Muzaffarpur-Dhalkebar line is planned to be charged at 220kV with the commissioning of 220kV Dhalkebar substation in Nepal by March 2017.

This will facilitate additional 150 MW of power transfer to Nepal. This would be followed by commissioning of 400 kV substation at Dhalkebar, which would enable operation of Muzaffarpur-Dhalkebar 400 kV DC line at its rated voltage, leading to increase in power transfer to Nepal by 300-400 MW.

India, through PGCIL, has also assisted Nepal in preparation of electricity Master Plan for Nepal- short term (up to 2018-19), medium term (up to 2021-22) and long term (up to 2035).

Accordingly, a number of high capacity cross-border interconnections are being considered between India and Nepal. Initially, these interconnections would be utilised for transfer of power from India to Nepal and later with the development of hydro projects in Nepal, these links would be utilised for transfer of surplus power from Nepal to India.

(Source-http://economictimes.indiatimes.com/industry/energy/power/india-to-supply-additional-80-mw-power-to-nepal-from-jan-1/articleshow/56258884.cms, published on 30th December, 2016)

GE Power India bags Rs 271-cr contract from BHEL

GE Power India Ltd, which was formerly know as Alstom India LtdBSE 6.25 %, has bagged a contract of nearly Rs 271.1 crore from BHELBSE 1.72 % in Tamil Nadu.

"GE Power India Ltd has been awarded a contract worth approximately RS 271.1 crore by Bharat Heavy Electricals LtdBSE 1.72 % (BHEL) to supply components and services for the supercritical steam generator island packages for 2x800 MW coal-based Uppur Thermal Power Project and 1x800MW coal-based North Chennai Supercritical Thermal Power Project Stage-III," the company said in a BSE filing.

It further said: "Both the thermal power projects are located in Tamil Nadu. This is in line with the government's focus on upgrading the power infrastructure in the country."

(Source-http://economictimes.indiatimes.com/industry/indl-goods/svs/engineering/ge-power-india-bags-rs-271-cr-contract-from-bhel/articleshow/56251601.cms,published on 30th December, 2016)

Quote of the day

'Be at war with your vices, at peace with your neighbors, and let every new year find you a better man.' -Benjamin Franklin