

## NEWS FLASH –4<sup>th</sup> June, 2016

### SUGAR

#### Sugarcane Farmers Wage Battle With Mills

The sugarcane farmers in Karnataka's Gulbarga district have been waging a long battle with mills and the state government, which owe them money for the crops purchased from them. Deep in debt and facing repayment pressures, desperation has driven many of them to end their lives. Gulbarga district collector Vipul Banshal said Rs. 40 crore is pending on NSL Sugars, Renuka Sugars and Ugur Sugars. The prevailing drought conditions have added to the miseries of the farmers.

(Source- <http://sugarnews.in/sugarcane-farmers-wage-battle-with-mills/>, published on 2nd June, 2016)

#### Maha state cooperative bank keeps sugar valuation steady, helps in stabilising prices

The Maharashtra State Cooperative Bank, premier bank in the cooperative sector, has kept the sugar valuation unchanged at Rs 3,100 per quintal. This has helped in stabilising prices in wholesale as well as retail market. The actual market prices are hovering around Rs 3,550 to Rs 3,600 per quintal at present.

The crushing season of 2015-16 came to an end in the first week of May.

Pramod Karnad, managing director of the bank said, "There will be no more sugar production; the already produced sugar is going to be released in the market. Hence, we have decided not to change the valuation. This would offer steady market conditions for the next couple of months."

The demand for sugar would surge during the festive season starting with Ganeshotsav and it would remain high till New Year. The food, beverage and confectionery makers are the major bulk customers of sugar.

Traders said that they will be buying sugar as per requirement in the coming weeks. "There are limits on sugar stocking and all factories have surplus sugar, which will be available easily," they said.

In November last year, the union government had asked mills to export sugar on priority and had promised that it would transfer Rs 45 per tonne to the farmers' accounts as compensation, providing relief to both mills and farmers. However, the government withdrew the subsidy on May 19, citing increased domestic prices for sugar. Mills have expressed their disappointment over the decision.

On the other hand, sources in the state government said, "The state wants to keep sugar prices at a certain level, which will benefit the factories while not becoming a burden on consumers.

(Source-<http://sugarnews.in/maha-state-cooperative-bank-keeps-sugar-valuation-steady-helps-in-stabilising-prices/>, published on 3<sup>rd</sup> June, 2016)

## **Sugar will in Rs 3,300-3,900 range till April 2017: Smera Perspective**

Credit rating agency Smera Rating Limited estimates that sugar prices will be range bound between Rs 3,300 and Rs 3,900 per quintal based on a standard deviation of Rs 330 and average at Rs 3,600 by the next seasonal cycle that starts from September 2016 and ends at April 2017. A forward contract price of Rs 4,000 will trigger a response from the government to cut import duty on raw sugar and ease imports.

However, Smera believes that this price point will fall further if, as expected, the monsoon remains healthy. Apart from India and other South Asian nations, sugarcane production has been very strong in Brazil and Latin American countries. Due to low Ethanol prices, Brazil has been using most of its sugarcane produce to manufacture sugar putting downward pressure on prices. The recent upward trend (although not substantial) in future contracts is not only a result of adverse conditions prevailing in India but is also due to the appreciation of the Brazilian Real (Vs \$).

According to Smera perspective on Sugar, the currency will undoubtedly depreciate since the national economy is in contraction mode, thereby increasing export of sugar again. Furthermore, with Cuban trade restriction on the verge of being lifted, Cuban cane sugar will flood the market, cooling prices substantially.

"Getting back to the domestic market, sugarcane remains an attractive crop and in Maharashtra alone, areas under sugarcane cultivation have grown on an average rate of 40 per cent in the last five decades. Even in drought years, production of sugarcane (harvested) increased on an average rate of 6-7 per cent," said Smera.

In the September-April 2015-16 cycle, the production was roughly 26 million tons (just 2 million tons less than the previous year's) considering that the estimated annual demand in India is 25 million tons. Also, the rating agency believe that should monsoon be encouraging, farmers will cultivate sugarcane as their preferred crop since it offers better prices. The government is likely to take action once prices stabilise at the Rs 3,500 levels in order to offset rising production costs.

## **Include crop loss owing to wild animals under insurance scheme'**

A farmer leader from Mysuru has urged the Centre to include crops damaged by wild animals under the Pradhan Mantri Fasal Bhima Yojana.

Kurubur Shanthkumar, president, State Sugarcane Growers' Association, who is also president of Indian Sugarcane Farmers' Association, met Union Agriculture Minister Radha Mohan in New Delhi recently and urged him to take measures to include crops that had

been left out under the insurance scheme in the interest of farmers from the State. He presented a memorandum to the Minister.

Mr. Shanthkumar also met Union Law Minister D.V. Sadananda Gowda and briefed him on the problems faced by farmers and how the scheme can benefit them if changes were done. He said the scheme did not cover sericulture and sugarcane and urged the Centre to include these crops. The State has over 30 per cent of farmers who practice farming on leased lands. But the scheme covers only those who have land holdings. This should be corrected, he added.

He said Mysuru and Chamarajnagar districts had large areas of forests and crop damage due to straying of wild animals on the forest boundaries were common.

(Source-<http://sugarnews.in/7096-2/>, published on 1<sup>st</sup> June, 2016)

## Co-gen/Power

### **Sterlite Power plans ₹ 2,500-crore mop up via infra investment trusts**

Sterlite Power Transmission (SPTL), a company that was demerged from Sterlite Technologies, has initiated a process to raise ₹ 2,500-3,000 crore through Infrastructure Investment Trusts (InvITs). The company has mandated Morgan Stanley and Edelweiss Financial Services as merchant bankers for the process.

The company would use the proceeds to pare debt and for funding existing projects in the power transmission business, as many as three sources close to the development told BusinessLine.

“The process has begun, but it's in the early stages. At present, the company is looking at raising about ₹ 2,500-3,000 crore, but that number is yet to be finalised. The final figure could change, but I expect it to be around these figures only,” one of the sources said.

An InvIT, much like mutual funds, enables individuals to pool in investments into the infrastructure sector and earn a return on the income (after deducting expenditures). InvITs can invest in infrastructure projects, either directly or through special purpose vehicles (SPVs). In case of public private partnership (PPP) projects, such investments can only be through SPVs.

#### **Process to begin soon**

The process for registration with securities market regulator SEBI will commence soon, probably this quarter itself, another source added.

In India, InvITs are regulated by SEBI and are mandated to be listed.

The sources declined to comment as the discussions are private, while Sterlite Power, Morgan Stanley and Edelweiss Financial Services also declined to comment.

Unlisted SPTL, which is in the businesses of power products (conductors and cables) and power transmission grid, operates about eight power transmission projects and has debt of about ₹ 5,500 crore.

Sterlite Technologies had commenced the demerger of SPTL into an independent and unlisted entity, effective April 2015. Following the demerger, completed in May 2016, Sterlite Technologies became a pure play telecom and integrated network provider.

Sterlite Technologies has retained about 1,500-1,600 people, while Sterlite Power has about 700 employees.

Sterlite Power has assets in Silvassa, Haridwar and Jharsuguda, while Sterlite Technology has retained the optical fibre cable manufacturing plant in Silvassa and Brazil and optical fibre plants in Aurangabad and China.

(Source- <http://www.thehindubusinessline.com/markets/stock-markets/sterlite-power-plans-2500crore-mop-up-via-infra-investment-trusts/article8687273.ece>, published on 3rd June, 2016)

## Delhi Metro to buy power from MP's Rewa Ultra Mega Solar

The Delhi Metro Rail Corporation (DMRC) has signed a power purchase agreement (PPA) with Madhya Pradesh's Rewa Ultra Mega Solar Ltd (RUMSL) to get green power from the latter to run its trains in the national capital.

Managing Director of DMRC Mangu Singh inked the PPA with MP New and Renewable Energy Department Principal Secretary Manu Shrivastava on behalf of RUMSL in Delhi yesterday.

DMRC will get 150 to 200 MW green power daily from RUMSL from next year, Shrivastava told PTI.

### Largest solar station

RUMSL is raising the world's largest solar power station of 750 MW in Rewa district and its three units of 250 MW each are expected to go on stream by June, 2017, he said.

Significantly, the development has come at a time when the Delhi government is battling to arrest pollution levels in the national capital, which is one of the world's most polluted cities, and even experimented the 'odd-even' number scheme to limit vehicular traffic — a major pollutant.

### World Bank aid

The Solar Energy Corporation of India and Madhya Pradesh Urja Vikas Nigam (MPUVN) have joined hands to facilitate setting up of the green power station, christened RUMSL, on 1,500 hectares area at Bandwar region in Gudh tehsil of Rewa district, said Shrivastava, who is also the Managing Director of MPUVN.

"World Bank will provide ₹ 250 crore for the project," he said.

Shrivastava said that the cost of the set-up for 1 MW solar energy comes to around ₹ 6 crore.

At present, the world's largest solar power project — Ivanpah Solar Power Facility of 392 MW — is at Mojave deserts in the US state of California, officials said.

In February 2014, Narendra Modi had inaugurated Asia's largest solar power project in Neemuch district of Madhya Pradesh.

(Source-<http://www.thehindubusinessline.com/news/national/delhi-metro-to-buy-power-from-mps-rewa-ultra-mega-solar/article8687006.ece>, published on 3rd June, 2016)

## **Hike in low-grade coal prices to negatively impact thermal power plants in India: Ind-Ra**

Coal India's hike in base prices of low-grade coal by 13% to 19% is likely to have a negative impact on the ailing thermal power generators in the country, India Ratings (Ind-Ra) said on Friday.

The increase in prices of the low-grade coal (G6 to G17) is also likely to result in the generators shifting to imported coal, especially by the coastal power plants, the rating agency said in a report.

"This increase will squeeze thermal power generators' operating margins, since they will need to absorb some of the increase in costs. Also, some generators may be forced to reduce their plant load factors to cut losses," it said.

Prices of the most consumed varieties of G11 to G13 grade coal will move up by Rs 100-150 per tonne, translating into an increase of around eight paise per unit.

"This comes over and above the Rs 300 per tonne increase caused by the clean energy cess since 2015 and the recent increase in royalty to 18% from 14%," it said.

Ind-Ra estimates that on an average post the increase in domestic prices by CIL, the fuel will cost around 5.75% more compared to imported stock for coastal plants.

According to the agency, energy charge based on the domestic coal at Rs 1.66 per unit in the current financial year across a sample of power plants on the eastern and western coasts of India, is around the same for imported coal for coastal plants due to their proximity to ports.

Around 10% of the total coal consumed by the thermal power sector in India was imported last year.

On a pan-India basis (apart from coastal power plants), there exists an overhang in electric supply in the short-term market due to the paucity of long term power purchase agreements for the last five years forcing plants to supply power on a short term/merchant basis, the report said.

The summer of 2016 has witnessed short-term/merchant rates as low as Rs 1.6 per unit on the power exchanges, which is barely sufficient to cover the variable expenses of these plants under the current cost scenario.

"Considering the unfavourable demand-supply situation and the overall scenario for thermal power generators, it is unlikely that they will be able to pass on the full impact of this price rise to end consumers.

"Despite the negative impact of the price hike it will not materially impact the credit profiles of large thermal power generators," it added.

(Source- <http://www.dnaindia.com/money/report-hike-in-low-grade-coal-prices-to-negatively-impact-thermal-power-plants-in-india-ind-ra-2219629>, published on 3rd June, 2016)

### **Thought of the day**

'Kindness is the language which the deaf can hear and the blind can see.' -Mark Twain