

# NEWS FLASH – 5<sup>th</sup> Nov, 2015

## SUGAR

### No SC relief to Maharashtra sugar factories and farmers in Jayakwadi dam water release case

The Supreme Court on Tuesday declined any relief to farmers and sugar factories who wanted to challenge a Bombay high court order passed last week that permitted release of water only for drinking purposes to the Jayakwadi dam. The SC dismissed five special leave petitions filed by sugar factories including one belonging to Vikhe-Patil and farmers against the HC order as they wanted water to be released for agriculture and industry use.

The HC had declined to stay a recent October 17 order passed by the Godavari Marathwada Irrigation Development Corporation, which directed that 12.84 TMC (Thousand million cubic feet) water be released from upstream reservoir to Jayakwadi Reservoir which provides water primarily to Aurangabad civic corporation area, Jalna, Ambad, Paithan and several villages around Paithan.

The water is to be released from several reservoirs including Mula, Pravara, Darna and Gangapur. The corporation's order allowing release of water was not for irrigation purposes and it had been a conscientious decision after taking into account all relevant considerations of water requirement, said its counsel S B Talekar.

While the high court had not disturbed the GMIDC order entirely, it allowed release of drinking water based on principles of equitable distribution of water.

For any other purpose including irrigation, water release would need high court permission.

Anil Dhikle a Nasik Panchayat Samiti member had moved the HC to challenge GMIDC order. A division bench headed by Justice Abhay Oka heard his counsel Rameshwar Gite and counsel for the corporation S B Talekar and while allowing limited release of water to Jayakwadi on Friday posted the matter for further hearing to December 17.

The corporation had based its order on two earlier orders issued last September and this March by the Maharashtra Water Resources Regulatory Authority which dealt with equitable water distribution in the area. Gite argued that the release of water would adversely affect the interest of agriculturists in Nashik District and those farming

around the Gangapur and other dam, but Talekar said the release was essential and ordered in public interest.

With hardly any rains in Nashik district the water levels in dams remained low and the Jayakwadi reservoir was permitted to be constructed with a 102 TMC capacity with dead stock of 26 TMC. There are three other dams, clearly smaller--Darna, Gangapur and Upper Godavari which have a water storage capacity of less than 5 T.M.C.

"In past several years, there has been increase in demand for water from other industries leading to unrest and resultant shortage of water for farmers," said the petition adding that the Jayakwadi dam has a live full storage of 76 TMC but release of this water to upstream projects is uncalled for given that the drinking water requirement for Aurangabad city and Jalna is less than 5 TMC.

The SLPs in SC were argued by senior counsel Shekhar Naphade and Kapil Sibal. The SC said it would not interfere with the HC order but directed that the HC prepone its next hearing on the issue from December 17 to November 18 and directed, on Sibal's request that the Maharashtra chief secretary monitor the water release to ensure there is no wastage in transmission and that it is used for no other purpose, than drinking water supply.

Source: <http://www.indiansugar.com/NewsDetails.aspx?nid=4904>, dated 3 Nov 2015

## Centre likely to give cash subsidy to sugarcane farmers

The Narendra Modi government is likely to announce a direct cash subsidy for sugarcane growers, a significant farm-policy decision amid a lingering agrarian crisis that has roiled the rural economy.

The government is also planning an overhaul of some regulations in the influential sugarcane sector in the world's second-biggest producer, said an official who wished to remain anonymous. The measures are aimed at blanching growing farmer dissent as well criticism from struggling mill owners, ever since a glut touched off a serious crisis in major sugar-producing states, such as Uttar Pradesh, Maharashtra and Karnataka.

Nearly 800 crisis-ridden farmers have committed suicide this year, including canegrowers, according to figures disclosed in Parliament.

India is also the world's largest sugar consumer, but 90% of the country's output goes into commercial food products while only 10% is bought by household consumers. So, sugar prices impact almost every other food item, for instance biscuits.

Plentiful stocks, the highest since 2012, cheaper imports and mounting dues millers owe to farmers have accentuated the farm crisis. The dole would help farmers get timely payments and millers to stay profitable, while some specific steps are aimed at preventing similar gluts from building up or prices from swinging wildly, said an official.

The so-called "production subsidy" will be the government's contribution towards the state-determined price of cane, which miller-owners must pay to farmers, a politically influential lobby.

The subsidy will lessen financial burden of cash-strapped millers while ensuring part of farmer dues are regularly paid by the government to farmer accounts. Mill owners owe over

₹ 12,000 crore in delayed payments to thousands of farmers. "The subsidy, which could be to the tune of ₹ 1,200 crore, will not require additional budgetary provisions because it would be used up from an existing Sugar Development Fund," an official said.

The government will also make the sugar cess a dynamic one: when prices are high, the levy will be low and vice versa. This will help keep sugar prices within a certain range. Along with this, the Centre will also put out advisories of how much mills should export to avoid gluts or devote resources to produce ethanol, a cane byproduct used to blend with fuel, to stay financially viable.

India produced 28.1 million tonnes of sugar in the 2014-15, against a domestic requirement of 24 million tonnes.

Although the government estimates the country's output for 2015-16 will be lower at 26 million tonnes, oversupply caused prices to crash.

Source: <http://www.indiansugar.com/NewsDetails.aspx?nid=4902>, Dated 3 Nov 2015

## Raw sugar hits 9-months high

ICE raw sugar futures jumped to a nine-month high on fund buying and trade short covering on Tuesday, while robusta coffee eased due to the onset of the harvest in top producer Vietnam.

Cocoa was little changed in light volumes, underpinned by concerns over the potential impact of dry weather on main crop production in leading growers Ivory Coast and Ghana.

Raw sugar futures hit the nine-month peak of 15.33 cents a lb on buying triggered by a lower than expected increase in speculators' net long position, combined with wet weather hampering cane harvesting in centre-south Brazil.

"With the rains there will be a dilution of the sugar content and a likely increase in allocation of cane to ethanol," said Tracey Allen, a commodity analyst with Rabobank.

Dealers also referred to trade short covering on the view that India was unlikely to emerge as a major raw sugar exporter this season.

ICE spot raw sugar futures traded up 0.17 cents, or 1.1 percent, at 15.28 cents per lb at 1226 GMT, after touching 15.33 cents, the highest since late January.

December white sugar futures were up \$3.20, or 0.8 percent, at \$410.70 per tonne.

Robusta coffee futures eased, weighed down by the start of the harvest in Vietnam and a stronger dollar.

January robusta coffee traded down \$8, or 0.5 percent, at \$1,621 per tonne.

"Any additional selling pressure could see moves on the downside breach \$1,600 and then target the moving averages around \$1,590," said Kash Kamal, senior research analyst with Sucden Financial Sugar.

December arabica traded down 0.7 cents, or 0.6 percent, at \$1.181 per lb, weighed down by the firmer dollar which makes the dollar-based commodity more expensive in terms of other currencies.

New York March cocoa were down \$13, or 0.4 percent, at \$3,282 per tonne, having touched a five-week high of \$3,299 per tonne on Monday.

London March cocoa futures were down 1 pound, or 0.05 percent, at 2,204 pounds a tonne. (Editing by David Evans)

Source: <http://www.indiansugar.com/NewsDetails.aspx?nid=4903>, Dated 4<sup>th</sup> Nov 2015

## State not to buy power generated by sugar mills

In a major setback to Uttar Pradesh sugar mills, which have defaulted on payment of dues to cane farmers, the state government has announced that it would not purchase electricity generated by the mills during this crushing season.

Uttar Pradesh has 119 sugar mills, of which 40 of them generate electricity from bagasse during the crushing season. These mills produce close to 2,000 Mw of electricity which the power-deficient state purchase readily. Bijnor holds the distinction of housing nine sugar mills, of which six produce electricity. These mills in Bijnor alone produced 150-200 Mw of electricity.

The decision by the state government to not purchase any electricity this crushing season is expected to further worsen the financial condition of these mills, which are facing fund crunch.

Executive president of DCM sugar mill group, Sandeep Sharma, said, "This is the first time that the power corporation has refused to purchase electricity from us. This comes at a time when sugar mills are facing fund crunch. Now, another source of revenue has been taken away from us."

The crushing season is all set to start from November 20. UP Power Corporation purchases the electricity from these mills at Rs 4.5 per unit. According to officials of power corporation, the total consumption of power in the state is 8,000 Mw during the winter season while the state currently generating close to 9,000 Mw.

Rashtriya Lok Dal (RLD) West UP spokesperson, Praveen Deshwal, said, "Rural Bijnor gets not more than six hours of electricity and the power corporation is claiming that there is surplus power. Are they not in touch with the ground reality?"

Power corporation officials do not wish to admit that there is a power crisis in the state. Executive engineer of Transmission Branch power corporation, Akhil Malhotra, said, "Adequate power is being supplied to Bijnor as per the schedule."

Source: <http://www.indiansugar.com/NewsDetails.aspx?nid=4905>, 2 Nov 2015

## Sugar rules steady in routine trade

Sugar prices ruled steady on Wednesday on back of routine demand-supply and volumes. On the Vashi market, spot and naka rates were unchanged. Mill tender prices ruled steady. Arrivals and local dispatches remained at par keeping inventory stocks

stable. Arrivals to the Vashi market were at 61-62 truck loads and local dispatches were at 61-62 loads. On Tuesday evening, 14-15 mills offered tenders and sold about 28,000-30,000 bags at ₹ 2,540-2,640 (2,540-2,640) for S-grade and ₹ 2,650-2,750 (2,650-2,750) for M-grade.

The Bombay Sugar Merchants Association's spot rates: S-grade ₹ 2,682-2,792 (2,682-2,792) and M-grade ₹ 2,786-2,912 (2,780-2,912). Naka delivery rates: S-grade ₹ 2,620-2,730 (2,620-2,700) and M-grade ₹ 2,730-2,830 (2,730-2,830).

Source: <http://www.thehindubusinessline.com/markets/commodities/sugar-rules-steady-in-routine-trade/article7842220.ece>, Dated 4<sup>th</sup> Nov 2015

## Sugar futures remain up on spot demand

Sugar prices rose further by 0.29 per cent to Rs 2,757 per quintal in futures trade today as speculators enlarged positions, driven by pick up in demand in the spot market supported by festive and wedding season.

At the National Commodity and Derivatives Exchange, sugar for delivery in December gained Rs 8, or 0.29 per cent, to Rs 2,757 per quintal with an open interest of 56,510 lots.

In a similar fashion, the sweetener for delivery in far-month March next year traded higher by Rs 6, or 0.21 per cent to Rs 2,888 per quintal in 39,760 lots.

Analysts said pick up in demand from retailers as well as bulk consumers in view of ongoing festive and wedding season, mainly kept sugar prices higher at futures trade.

They said, however, adequate stocks on account of higher supplies from mills restricted the gain.

Source: <http://economictimes.indiatimes.com/markets/commodities/sugar-futures-remain-up-on-spot-demand/articleshow/49656678.cms>, Dated 4 Nov 2015

## India seen unlikely to emerge as major raw sugar exporter

Sugar mills are prioritising exports of low-quality white sugar, signalling that the world's second biggest producer is unlikely to emerge as a major raws exporter this season, European traders said on Tuesday.

The trade is focused on how much of the country's exports will be raws and/or whites, and sentiment is growing that mills prefer to offer low-quality, 150-ICUMSA whites.

The latest export deals for more than 200,000 tonnes of locally produced white sugar have coincided with a rally in world raw sugar futures prices to a nine-month peak of 15.33 cents a pound on Tuesday.

The country has been pushing mills to sell sugar on the international market and use the proceeds to clear huge debts they owe farmers for sugarcane.

Many traders expect the country to support exports by paying cane growers. The Food Minister last week proposed that a direct subsidy of Rs 47.5 per tonne be paid directly to cane farmers.

Some traders believe the latest world sugar price rally has been driven partly by trade houses covering short positions, taking the view that the country may not emerge as a major exporter of raws.

Low quality Indian whites traded at a premium of \$77 per tonne over March ICE raw sugar futures this week.

"Indian millers are happy selling low-quality whites at such premiums over New York and during the start of the campaign are not focused on making raws," one London-based analyst said.

"The traders are increasingly of the opinion that India will not be a major exporter of raws, if at all.

"This changing perception of Indian raw sugar export supply is a major part of this fundamentally driven rally which threatens to take March New York to 16 cents a pound."

Another European trader said he expected zero Indian raw sugar exports without a raw sugar export subsidy, and he doubted Indian authorities would approve such a subsidy.

Sugar mills were stepping up white sugar exports.

"Many mills are making export enquiries as they need money to start crushing in the new season. They are keen to sell last season's white sugar," a Mumbai-based dealer said.

"The rally in world prices and the drop in the Indian rupee have been encouraging them to enter into export contracts. Still they are making losses on exports, but far lower than what they were making four months back."

Source:[http://economictimes.indiatimes.com/articleshow/49645721.cms?prtpage=1&utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](http://economictimes.indiatimes.com/articleshow/49645721.cms?prtpage=1&utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst), Dated 3 Nov 2015

## Maha sugar season off to slow start, 31 mills start operation

*Around 50 crushing licences have been issued so far and about 10-12 licences are being issued on a daily basis, state sugar commissioner Vipin Sharma said.*

With the casual cane workers calling off their agitation, Maharashtra's sugar season this year has got off to a slow start. As many as 31 mills have started crushing 8 lakh tonne of cane to produce 65,000 quintals of sugar, top officials of the Maharashtra Sugar Commissionerate said.

Around 50 crushing licences have been issued so far and about 10-12 licences are being issued on a daily basis, state sugar commissioner Vipin Sharma said. Around 164 mills had applied for crushing licences.

Of the 31 mills which have commenced operations, 16 are cooperative and the remaining are private millers, Sharma said. "We are hopeful that most cane workers would start reporting to their respective mills after Diwali," he said.

Meanwhile, cane workers are in a jubilant mood and have called off their agitation after their demand for a wage hike was met. A two-member arbitration panel of Maharashtra women and child welfare minister Pankaja Munde and NCP leader Jayant Patil capped the wages of sugarcane workers at R270 per tonne for a period of five years, while approving a hike of 20% this year.

Munde represented the government while Patil and former Congress minister Harshvardhan Patil represented the sugar mills. Nobody represented the sugarcane workers.

Source: <http://www.financialexpress.com/article/markets/commodities/maha-sugar-season-off-to-slow-start-31-mills-start-operation/161384/>, Dated 5 Nov 2015



## Sugar, corn syrup face off over 'natural' claims in U.S. trial

Corn refiners cannot "make stuff up" and claim that high fructose corn syrup is the same as sugar, an attorney for big sugar processors said in court on Wednesday.

Lawyers delivered opening statements in a trial pitting sugar processors against major corn refiners including Archer Daniels Midland Co and Cargill Inc [CARG.UL]. The billion-dollar lawsuit could shape how consumers view two bitter foes in a deteriorating U.S. sweetener market.

Several sugar refiners including global leader ASR Group sued in 2011, alleging that a corn trade group's ad campaign describing high fructose corn syrup as "corn sugar" and "natural" was false. The corn refiners countersued, saying the Sugar Association falsely claimed in its newsletter that corn syrup causes obesity and cancer.

The case comes amid a decline in sweetener demand. The U.S. slowdown is due in part to concerns about high rates of obesity and diabetes.

In a Los Angeles federal courtroom on Wednesday, sugar attorney W. Mark Lanier said sugar is sugar and corn syrup is not.

"You can look at Beyonce and (Arnold) Schwarzenegger," Lanier said. "They both are human and they both have bodies, but you can see the difference."

But Dan Webb, an attorney for the corn refiners, said both sugar and corn syrup have the same impact on the body, and the same amount of calories.

"One is crystal, one is liquid. They both are sugars," Webb said.

Webb said sugar processors were not damaged because of any statements made by corn refiners, having posted "record profits and record sales."

In 1999, the average American consumed 85.3 lb of corn sweeteners per year, compared with 66.4 lb of sugar, according to U.S. Department of Agriculture Data. However, by 2014 corn sweetener consumption had dropped to 60.7 lb, while sugar consumption stood at 68.4 lb.

Overall, the average American consumed 131.1 lb of sweetener in 2014, down from 153.2 lb in 1999.

The U.S. Food and Drug Administration in 2012 ruled that corn syrup, used to sweeten foods including soda, could not be called sugar. The sugar growers are seeking \$1.1 billion in compensatory damages over the prior advertising campaign, plus punitive damages and fees, Lanier said on Tuesday.

The corn refiners are seeking about \$530 million in their countersuit.

Asked if a negative verdict would materially impact ADM, spokesman David Weintraub told Reuters on Tuesday that the Company has "ample flexibility to handle any range of situations" with access to \$6.4 billion of short-term liquidity.

The sugar processors in their lawsuit argue that corn syrup is a man-made product, while sugar is natural sucrose found in cane and beet plants.

Corn refiners launched an advertising campaign in 2008 calling syrup "corn sugar," and saying it is natural and "nutritionally the same as table sugar." The sugar processors' lawsuit said those statements are false.

In their countersuit, ADM and corn refiners said that sugar and corn syrup are nutritionally equivalent.

"The Sugar Association preys on consumers' fears by falsely representing that HFCS will cause obesity, cancer, and cirrhosis of the liver," the counterclaim said, "while at the same time creating a health halo for processed sugar."

Corn refiners say sugar growers benefit from generous U.S. government subsidies. The Corn Refiners Association, one of the defendants, said earlier this year it had hired a Washington lobbyist to challenge sugar's protected status.

The trial is expected to last about a month.

Source: Reuters <http://www.reuters.com/article/2015/11/05/us-sugar-corn-lawsuit-idUSKCN0ST2BU20151105#xdMbBurM7VGufcMb.99>, Dated 4 Nov 2015

## POWER

### Coal India announces provisional production & offtake performance for October 2015

Actual coal production at 44.37 mt; Actual offtake at 44.41 mt

Coal India has announced the provisional production and offtake performance for the month of October 2015.

The Company and its subsidiaries have achieved 95% of the targeted coal production at 44.37 million tonnes in October 2015.

The Company and its subsidiaries have achieved 100% of the targeted offtake at 44.41 million tonnes in October 2015.

For the period April 2015 - October 2015, the Company and its subsidiaries have achieved 97% of the targeted coal production at 273.91 million tonnes and has achieved 97% of the targeted offtake at 295.80 million tonnes

Source: [http://www.business-standard.com/article/news-cm/coal-india-announces-provisional-production-offtake-performance-for-october-2015-115110200502\\_1.html](http://www.business-standard.com/article/news-cm/coal-india-announces-provisional-production-offtake-performance-for-october-2015-115110200502_1.html), dated 2 Nov 2015

## PM Modi reviews progress of Kishanganga Hydro Electric Project

Prime Minister Narendra Modi on Wednesday reviewed the progress of the 330 MW Kishanganga Hydro Electric Project, especially the Resettlement and Rehabilitation Plan prepared by the state government for the project affected families, officials said here.

The Prime Minister held his monthly review meeting via video-conference under his Pro-active Governance and Timely Implementation (PRAGATI) initiative, with Union Secretaries of various Ministries and Chief Secretaries of states, an official spokesman said here.

He said Jammu and Kashmir Chief Secretary B R Sharma participated in the meeting.

The Prime Minister in respect of the state reviewed further progress on the 330 MW Kishanganga Hydro Electric Project and the Resettlement and Rehabilitation Plan prepared by the state government for the project affected families, the spokesman said.

He said the chief secretary briefed the Prime Minister about the overall progress of the project and the status of the R&R Plan.

"The revised R&R Plan for the project has been finalised and is ready to be placed before the next state cabinet meeting for its consideration and approval," Sharma informed the Prime Minister.

The Prime Minister also reviewed the progress with respect to Aadhaar enrollment in the states, urging the Chief Secretaries to ensure early linking of services to citizens with the Aadhaar based system and to start the process immediately, the spokesman said.

Source: <http://www.dnaindia.com/india/report-pm-modi-reviews-progress-of-kishanganga-hydro-electric-project-2142120>, Dated 4 Nov 2015

## Solar tariffs decline to all-time low of of Rs 4.63 per kWhr: Piyush Goyal

Solar power tariff in India touched record low as US-based SunEdison won a contract to sell electricity from a 500 Mw project at Rs 4.63 per unit, accelerating India's \$160 billion clean energy drive and casting a shadow on fossil-fuel plants that pollute the air and sometimes charge a higher rate.

The winning tariff, for a project of NTPC, came in the Narendra Modi government's first round of auction under the solar mission. India has already attracted big-ticket solar energy investments. These include \$3 billion plans of China's Sany group and \$20 billion planned by Japan's SoftBank Corp along with Bharti Enterprises and Taiwan's Foxconn Technology. SunEdison's bid is about 15% cheaper than the industry average and about 8% less than the previous lows achieved a few months ago in India's solar energy space. It betters the previous lowest solar tariff in India — Rs 5.05 per unit — quoted by Canadian SkyPower for a tender in Madhya Pradesh while current average solar tariff in the country is Rs 5.5-6 per kWh. Experts said the tariff offered under the Centre's National Solar Mission reflects the bidders' confidence on NTPC's 0.89 % that called the bids and the solar parks where the plants would come up. Sources said SunEdison won the entire contract for 500 Mw solar power supply after an aggressive bidding among 28 companies, including Japan's SoftBank Corp, China's Trina Solar, ReNew Power, Reliance Power and First Solar, which were in fray for the NTPC tender for solar capacity to be developed in Ghani Solar Park at Kurnool in Andhra Pradesh.

The 28 companies had qualified for the reverse e-auction that started Tuesday afternoon and ended in the early hours of Wednesday. At least nine firms bid lower than Rs 5 per unit during the reverse auction, sources said. "Delighted that an all time low solar tariff

has been achieved during reverse e-auction conducted by NTPC," renewable energy minister Piyush Goyal tweeted on Wednesday morning. The minister had earlier told ET in an interview that the country's energy investment thrust would clearly be skewed towards the renewable sector.

PricewaterhouseCoopers energy leader Kameswara Rao said the latest solar auction reflects continued decline in solar module prices. "But it owes as much to higher creditworthiness of the buyer, and to the concept of solar parks, which are relatively costlier but take out development risks," he said. The government has increased its thrust on renewable energy projects with an ambitious target of raising renewable energy generation to 175 GW by 2020.

Source:[http://economictimes.indiatimes.com/articleshow/49658820.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](http://economictimes.indiatimes.com/articleshow/49658820.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst), Dated 5 Nov 2015

## Private metal firms see red over coal block allotment to PSUs

The discretionary allocation of coal mines to public sector metal companies such as Nalco and SAIL has upset some private companies, which paid a huge premium for coal blocks at the recent e-auction.

These firms are set to write to the Centre complaining that allocation of mines to the unregulated sector would distort the playing field between public and private sector firms as the final product price is market driven.

The Centre recently allocated Utkal D & E coal mines in Odisha with 200 million tonnes (mt) of reserves to Nalco. Similarly, SAIL was allotted Sitanala coal block with estimated reserves of 100 mt under the new Mines and Minerals (Amendment) Act.

The discretionary coal allocation will bring down the cost of production for state-owned metal companies. The production cost for private steel companies will 4-20 per cent higher depending on how they source coal. Except SAIL and Tata Steel, most steel producers buy iron ore at a premium from NMDC, incurring a higher cost of 12-15 per cent.

"The government had devised a much more equitable policy in the spectrum auction in the telecom sector by making both BSNL and MTNL pay discovered auction price for spectrum. In the case of coal, the PSUs are not only getting it free but mines are also close to their place of operations," said the CEO of an aluminium company.

Power, a key cost component

Power accounts for 40 per cent of overall aluminium production costs. Some of the companies that bought coal mines in the e-auction have to incur an additional freight cost as the mines are far from their plants.

### Uneven playing field

Overall, the production cost of private sector aluminium companies will be 20-30 per cent higher than those of public sector undertakings because of the higher price they pay for coal.

“On the one hand, the government wants private sector companies to play a major role in Make in India, but on the other it is creating a non-level playing field by showering spots on PSUs,” said the CEO of another metals company.

### CRYING FOUL

- Private steel firms’ production costs will exceed that of PSUs’
- Aluminium firms’ freight costs will rise as the coal mines are far from the plants

Source: <http://www.thehindubusinessline.com/todays-paper/private-metal-firms-see-red-over-coal-block-allotment-to-psus/article7843392.ece>, Dated 5 Nov 2015

## PowerGrid: subdued project commissioning dulls September quarter

*In July-September, it commissioned projects worth Rs5,100 crore, which is only 8.5% higher than the year ago*

Power Grid Corp. of India Ltd’s shares were dull after the company released its September quarter results. The stock, which gained 2% on Tuesday, closed marginally lower on Wednesday. The 18% revenue growth and 21% expansion in both operating profit and net profit, are in line with Street estimates.

However, PowerGrid lagged in project commissioning. During July-September, it commissioned projects worth Rs.5,100 crore, which is only 8.5% higher than a year ago. After the first quarter, the company indicated that project commissioning in the second quarter would be substantially higher as it began capitalizing a large project worth Rs.7,500 crore. But as it turns out, that project was commissioned only this month.

The delay weighed on GFA (gross fixed asset) expansion. According to Nomura, including the exchange rate variation, the GFA accretion is flat in the first half of the current fiscal year. “GFA accretion is arguably disappointing as its Rs.75 billion asset began commercial operations only from November onwards,” added Nomura. Growth

in capitalized assets is important as it improves earnings visibility. Once operational, PowerGrid will be allowed to make a fixed return on the asset.

Of course, with the project now commissioned, the capitalized assets stand higher. The asset is expected to contribute to PowerGrid's earnings from the current quarter itself. While that should support revenue momentum, continuation of positive momentum in asset additions is crucial for the stock. That will help ensure the rosy double-digit earnings growth estimates are maintained by analysts.

The capitalized assets add up to Rs.17,100 crore so far this fiscal year. For the full year, analysts expect PowerGrid to commission assets in the range of Rs.22,000-26,000 crore. If the company commissions Rs.25,000 crore of assets in the current and next fiscal years, then the generated profits would be sufficient for capital expenditure needs, helping it avoid equity dilution, Antique Stock Broking Ltd said in a note.

That sounds interesting, but it should be noted that project capitalization was not particularly good in the first half of the current fiscal year. According to IIFL Institutional Equities, PowerGrid's project completion is "lumpy and back-ended". While that makes the second half of the year crucial, proof that the company is on track to achieve the capitalization estimates will help it revive the stock, which is down 8% in the last one year.

Source: <http://www.livemint.com/Money/R7iqss982AW6OMDvakdBSL/PowerGrid-subdued-project-commissioning-dulls-September-qua.html>, Dated 5Nov 2015

## DISTELLERY

### DuPont opens world's largest cellulosic ethanol plant in US

*Newest ethanol plant makes fuel from husks, not corn*

*The biorefinery will use corn stover (the stalks, leaves and cobs left in a field after harvest) as raw material to produce the ethanol*

DuPont has opened its cellulosic biofuel facility in Nevada, Iowa. The biorefinery, which is the world's largest cellulosic ethanol plant, will have the capacity to produce 30 million gallons per year of clean fuel that offers a 90 percent reduction in greenhouse gas emissions as compared to gasoline.

The raw material used to produce the ethanol is corn stover - the stalks, leaves and cobs left in a field after harvest. The facility will demonstrate at commercial scale that non-food feedstocks from agriculture can be the renewable raw material to power the future energy demands of society. Cellulosic ethanol will further diversify the transportation fuel mix just as wind and solar are expanding the renewable options for power generation.

Vital to the supply chain and the entire operation of the Nevada biorefinery are close to 500 local farmers, who will provide the annual 375,000 dry tonnes of stover needed to produce this cellulosic ethanol from within a 30-mile radius of the facility. In addition to providing a brand-new revenue stream for these growers, the plant will create 85 full-time jobs at the plant and more than 150 seasonal local jobs in Iowa.

Biomass-based businesses can bring new sources of revenue and high-tech opportunities to rural economies around the world. As a global company with operations in more than 90 countries, DuPont is uniquely positioned to deploy its cellulosic technology for a global rollout, in transportation fuel and other industries.

“Today, we fulfill our promise to the global biofuels industry with the dedication of our Iowa facility. And perhaps more significantly, we fulfill our promise to society to bring scientific innovation to the market that positively impacts people’s lives. Cellulosic biofuel is joining ranks with wind and solar as true alternatives to fossil fuels, reducing damaging environmental impacts and increasing our energy security,” said William Feehery, president of DuPont Industrial Biosciences.

The majority of the fuel produced at the Nevada facility will be bound for California to fulfill the state’s Low Carbon Fuel Standard where the state has adopted a policy to reduce carbon intensity in transportation fuels.

DuPont’s achievement provides the technology that will transform the US fuel supply enabling a transition to fulfill the original cellulosic ethanol volume targets as Congress intended when it passed the Renewable Fuel Standard, a regulation established in 2005 to encourage growth and investment in sustainable fuel solutions.

Source: [http://www.business-standard.com/content/b2b-chemicals/dupont-opens-world-s-largest-cellulosic-ethanol-plant-in-us-115110201022\\_1.html](http://www.business-standard.com/content/b2b-chemicals/dupont-opens-world-s-largest-cellulosic-ethanol-plant-in-us-115110201022_1.html), 2 Nov 2015

## Thought of the Day

*“ Feed the mind a positive seed in the morning and harvest the reward all day.”*

- *Bob Miglani*