

## NEWS FLASH – 8<sup>th</sup> June, 2016

### SUGAR

#### **Maha: Mills managed by bigwigs face action for not clearing dues**

Non-payment of fair and remunerative price (FRP) to cane growers has resulted in suspension of crushing licence of 23 sugar mills on Monday while two mills had their crushing licences cancelled by the sugar commissioner.

Mills managed by senior leaders like former revenue minister Balasaheb Thorat, NCP MP from Madha Vijaysinh Mohite Patill, NCP MLA Jaiprakash Dandegaonkar and former cooperative minister Harshvardhan Patil are also on the list of mills which have faced the axe.

Officially, the crushing season in the state ended in early May with 740.76 lakh metric tonnes of cane being crushed and 836.88 lakh quintal of sugar being produced. However, the end of the season has not seen mills clearing their dues with many mills running into unpaid cane dues.

Prior to Monday's action, sugar commissioner Dr Vipin Sharma had cancelled the licence of 11 mills and suspended the licence of at least 39 mills during the present crushing season. Also, auction of sugar stock of more than 12 mills was ordered by the commissioner.

Monday's action was against mills which have paid below 90 per cent of the FRP. A majority of the mills which faced action were in Marathwada with few others in Pune, Solapur and Ahmednagar, among other districts. The two mills which had their licences cancelled were also fined with the total quantum of fine being at least Rs 40 crore.

Cancellation of licence results in levying of fine of Rs 500 per quintal of cane crushed which the mill has to pay in order to get a crushing licence for the next crushing season.

As of May 31, the state had to clear unpaid FRP worth Rs 16,489 crore of which Rs 15,586 crore has been paid. Of the 177 mills which had started crushing this season, 31 mills have paid 100 per cent FRP while six mills have paid more than the FRP.

Last week, during the meeting of the cane control board, millers and growers led by Swabhimani Paksha MP Raju Shetti had locked horns over the payment of FRP. Citing the rise in sugar price in the market, Shetti had asked for payment well and above the FRP, which millers have flatly refused.

(Source- <http://sugarnews.in/maha-mills-managed-by-bigwigs-face-action-for-not-clearing-dues/>, published on 7th June, 2016)

## Sugar stocks hit 52-week high

Most sugar companies' share prices hit a new 52-week high on Monday, after a sharp rise in the sweetener's price in global markets. Falling production in India this crushing season has narrowed the estimate of carryover stocks for the next season and analysts expect a rally in sugar prices.

The share of Dharani Sugars jumped by 20 per cent on Monday, to close at Rs 56.30. Uttam Sugar and DCM Shriram rose 10.6 per cent and 7.2 per cent to Rs 60.25 and 159.35, respectively. Other sugar stocks also jumped.

The markets remain favourable, with an expected global deficit of a little over four million tonnes. And, output in India is expected to remain below 25.2 mt, an over 10 per cent decline from last year's 28.3 mt.

Prices on the benchmark InterContinental Exchange (ICE) jumped 12 per cent in the past two weeks, after global consultancy Societe General said the deficit would widen next year. ICE futures for delivery in the near month was trading at a many months' high at 19.13 cents/lb on Monday.

In the Indian markets, the latest global price spike is yet to percolate but strong fundamentals have supported a level of Rs 3,722 a quintal in the domestic wholesale markets in the past two weeks.

A study by rating agency ICRA expects supply correction during sugar year 2015-16 to benefit domestic manufacturers. It estimates production at 25.2 mt, down 11 per cent over a year before. Lower production and exports of around 1.6 mt are likely to bring down closing stocks to 7.6 mt from 9.5 mt in sugar year 2015. While it is too early to estimate production for the 2017 season, ICRA expect this to fall by 48 per cent, to 23-24 mt.

### SWEET DEAL

	BSE price in ₹			
	Jun 3	Jun 6	%chg	
Dharani Sugars	46.9	56.3	19.9	
Thiru Arooran Sugars	71.3	85.2	19.5	
Uttam Sugar	54.5	60.2	10.5	
K M Sugar Mills	8.0	8.8	9.8	
Kesar Enterprises	38.5	42.0	9.2	
DCM Shriram Inds	148.6	159.3	7.2	
Rajshree Sugar	50.4	53.7	6.4	
Riga Sugar	19.1	20.2	6.0	
Piccadily Agro Ind	15.0	15.9	6.0	
Dwarikesh Sugar	220.9	233.3	5.6	

Compiled by BS Research Bureau

"We estimate better year-on-year profitability trends ahead for most sugar mills for the next two to three quarters, driven mainly by the improving price trends since August 2015 and stock correction. However, the absolute profit levels and net margins would continue to be weighed down by high amounts of debt dues and/or cane dues, incurred to cover losses in the previous sugar years. Further, the extent of profitability improvement is going to vary substantially, not only from state to state but also across mills within the same state," said Sabyasachi Majumdar, senior vice-president, ICRA.

The rising trend in sugar prices since August 2015 was driven by a number of factors. Among these were a government notification on mandatory exports in September, followed by announcement of a cane production subsidy in December, market anticipation of supply correction driven by drought conditions in certain key growing regions and the impact of a global deficit scenario. Prices climbed to about Rs 34,000 a tonne by May, an almost 50 per cent high over the July 2015 lows.

Majumdar added, "With renewed focus on the ethanol blending programme and mandatory ethanol blending having been revised from five per cent to 10 per cent, the new fixed pricing mechanism for ethanol supplied to oil marketing companies and removal of central excise duty should augur well for profitability of the industry as a whole."

Revenues of most mills increased in FY16 from a year before, with higher sugar and byproduct sales.

(Source- <http://sugarnews.in/sugar-stocks-hit-52-week-high/>, published on 7<sup>th</sup> June, 2016)

## Co-gen/Power

### Fuel adjustment charges leave consumers miffed in Maha

Consumer organisations have stepped up their agitation against the Mahadiscom state electricity distribution company for collecting fuel adjustment charges (FAC) from buyers in excess of Rs 6,000 crore for 2014-15 and 2015-16.

"The FAC charged by the company is in excess of Rs 6,000 crore as claimed by the company itself through its accounts presented to the Maharashtra Energy Regulatory Commission (MERC) while seeking tariff hike . We first appealed to the company to declare that it was returning the excess FAC recovered from the consumers. Since that is not happening, we have urged MERC to verify if the charges collected by the company for the past two years were correct," said Pratap Hogade of the Maharashtra Veej Grahak Sanghatana.

The FAC is collected by the company with the permission of MERC to compensate for the difference between the cost of power while purchasing from the market and the actual sanctioned cost to the company.

(Source- <http://indianpowersector.com/2016/06/fuel-adjustment-charges-leave-consumers-miffed-in-maha/>, published on 6th June, 2016)

## **US-based Westinghouse to build 6 nuclear power plants in India**

The Nuclear Power Corporation of India and US firm Westinghouse have agreed to begin engineering and site design work immediately for six nuclear power plant reactors in India and conclude contractual arrangements by June 2017, the White House said on Tuesday.

Culminating a decade of partnership on civil nuclear issues, Prime Minister Narendra Modi and US President Barack Obama during their White House meeting "welcomed" the start of preparatory work on site in India for six reactors to be built by Westinghouse, officials here said.

The two leaders also noted the intention of India and the US Export-Import Bank to work together toward a competitive financing package for the project, the White House said.

Once completed, the project would be among the largest of its kind, fulfilling the promise of the US-India civil nuclear agreement and demonstrating a shared commitment to meet India's growing energy needs while reducing reliance on fossil fuels.

Obama and Modi also welcomed the announcement by the Nuclear Power Corporation of India (NPCIL) and Westinghouse that engineering and site design work will begin immediately and the two sides will work toward finalising the contractual arrangements by June 2017, the White House said.

These reactors would bring clean energy to India and generate thousands of jobs in the US, Brian Deese, Senior Advisor to the US President, told reporters in a conference call.

The White House said the steps that the two governments have taken in the last two years through the US-India Contact Group, including by addressing the nuclear liability issue, inter alia, through India's ratification of the Convention on Supplementary Compensation for Nuclear Damage, have laid a strong foundation for a long-term partnership between US and Indian companies for building nuclear power plants in India.

(Source- <http://timesofindia.indiatimes.com/india/US-based-Westinghouse-to-build-6-nuclear-power-plants-in-India/articleshow/52644065.cms>, published on 7th June, 2016)

## **India's solar power generation capacity to go up by 5GW in 2016: report**

**India's solar project pipeline has now surpassed 22 GW with 13 GW under construction and 9 GW in the Request for Proposal (RfP) process, it said.**

India is expected to see an additional solar power generation capacity of 5 GW this year, much higher than witnessed in 2015, according to a report.

"The Indian solar market is growing in size but the question is: is it too much too fast, as infrastructure and systems have not kept pace with auction announcements. For the sector to move from 2 GW to a 10 GW a year market, work still needs to be done," Mercom Capital Group CEO and Co-Founder Raj Prabhu said in a statement.

Cumulative solar installations in India crossed the 7.5 GW mark as of May 2016, with about 2.2 GW installed so far this year, more than all of the solar installations in 2015, the clean energy consultant Mercom Capital said.

India's solar project pipeline has now surpassed 22 GW with 13 GW under construction and 9 GW in the Request for Proposal (RfP) process, it said. The government has shown a strong commitment to renewables and its push towards solar is beginning to show results.

At the end of 2015-16 fiscal, solar represented 2.5 per cent of the net installed capacity in India, up from 1.4 per cent a year ago, and was the fastest growing new energy source in the country. Solar accounted for 17.4 per cent of all renewable energy generation last financial year compared to 10.5 per cent in 2014-15.

(Source- <http://indianexpress.com/article/india/india-news-india/indias-solar-power-generation-capacity-to-go-up-by-5gw-in-2016-report-2839254/>, published on 7th June, 2016)

## **5 subsidiaries of Coal India to buyback up to 25 per cent shares**

Five subsidiaries of Coal India will buy back up to 25 per cent of their shares from the parent so that the coal monopoly can go ahead with its own share buyback offer to the government and the public, officials said.

Central Coalfields, Mahanadi Coalfields, Northern Coalfields, South Eastern Coalfields and Western Coalfields will buy back more than 10 per cent of their shares from Coal India, adding around Rs 5,000 crore to the latter's kitty, it was decided at a nine-hour meeting between Coal India and government officials last week, sources said.

The government is looking at raising at least Rs 6,000 crore from Coal India buyback.

A senior government official said the quantum of CIL BSE -0.89 %'s buyback offer will depend on the amount of money that Coal India receives through share buyback by subsidiaries. "Subsidiaries have been asked to start the process as soon as possible," the person said on condition of anonymity.

If Coal India's buyback offer is for less than 10 per cent stake, then its board can approve the decision. However, if it's more then the company would need to seek shareholders' approval through an extraordinary general meeting.

It has eight wholly owned subsidiaries. Although all these are profit making firms, three of them are spared from the buyback exercise — Eastern Coalfields and Bharat Coking Coal, both of which have just come out of the ambit of BIFR, and Central Mine Planning & Design Institute, a consultancy and exploration arm that is not financially strong. Being 100 per cent owned by Coal India, boards of the five subsidiaries will decide the quantum and price at which they would buy back shares, depending on their cash reserve position.

According to officials, Mahanadi Coalfields, Northern Coalfields and South Eastern Coalfields are expected to buy back 25 per cent of their shares from CIL, while the percentage of share

to be bought back by Western Coalfields and Central Western Coalfields will be decided on the basis of funds available with these companies as of March 2016, since they are financially not very strong.

(Source- <http://economictimes.indiatimes.com/industry/indl-goods/svs/metals-mining/5-subsidiaries-of-coal-india-to-buyback-up-to-25-per-cent-shares/articleshow/52628043.cms>, published on 7th June, 2016)

### **Thought of the day**

'Step with care and great tact, and remember that Life's a Great Balancing Act.' -Dr. Seuss