

### SUGAR

#### Indian sugar mill group sees no cause for concern as stocks slide

Indian sugar stockpiles will fall to their lowest in over a decade next year as consumption outstrips supply, but will still be sufficient for the world's top sugar consumer, India's sugar millers said on Friday.

Drought in the past two years in India and in the world's second-largest sugar producer Thailand has shrivelled sugar cane and cut supply. International sugar futures reach a near four-year high in late June.

Indian output in the 2016-2017 crop year should fall to around 23.3 million tonnes, down from 25.1 million tonnes the year earlier due to the drought, said Indian Sugar Mills Association President Tarun Sawhney in an interview with Reuters in Bangkok on Friday.

With consumption at 26 million tonnes, India would draw down around 2.7 million tonnes from stocks to leave them at 4.3 million tonnes at the end of the 2016-2017 crop year, Sawhney said. That was around two months of consumption, the lowest since 2005, and a level lower than India had traditionally kept of at least 3 months to deal with any supply shocks.

Indian sugar prices have surged over 50 percent since October and contributed to inflation, but Sawhney said there was no reason for a change in government policy to encourage sugar imports.

"The concern of the government, and rightly so, is that prices don't increase dramatically at any given time," Sawhney said. "But we have enough sugar, so there is no reason why domestic prices should increase in a hurry."

Government controls on sugar were relaxed in 2012, meaning that sugar produced once the crushing season begins in October would get to market at least a month earlier than previously. This meant there was no need to hold stocks equivalent to three months of consumption, he said.

Early monsoon rains this year have been above average, he said, so output could exceed forecasts both in this crop year and the next.

All that meant there was no reason for imports, he said.

The sugar market in India has changed rapidly this year. From December through April, the government ordered sugar mills to export excess supplies to draw down on large stockpiles. Total exports amounted to 1.6 million tonnes during that period, Sawhney said.

The government rescinded the order and slapped a 20 percent tax on exports to discourage them in June as prices rose.

Sawhney said that after three years of running losses with prices below the cost of production, the government needed to let the industry recover.

The industry would pay off some \$2 billion of its around \$7 billion debt over the next five quarters if prices remained above cost, he estimated.

"We need to continue with this positive cash flow at all costs, so the industry can repair itself and rebuild its balance sheet," he said.

(Source- <http://in.reuters.com/article/india-sugar-stockpiles-concern-idINKCN0ZV20K>, published on 15th July, 2016)

## **Uptick in demand lifts sugar futures by 0.47%**

**Sugar for delivery in July was trading higher by Rs 17, or 0.47%, to Rs 3,620 per quintal, with an open interest of 2,620 lots**

Sugar prices were up by 0.47% to Rs 3,620 per quintal in futures trading on Thursday as speculators built up fresh positions, driven by pick-up in demand in the spot market.

At the National Commodity and Derivatives Exchange, sugar for delivery in July was trading higher by Rs 17, or 0.47%, to Rs 3,620 per quintal, with an open interest of 2,620 lots.

Similarly, the sweetener for delivery in October edged up by Rs 9, or 0.23%, to Rs 3,860 per quintal in 35,500 lots.

Analysts attributed the rise in sugar futures to fresh positions created by traders due to pick up in demand from bulk consumers as well as retailers in the spot market.

(Source- [http://www.business-standard.com/article/pti-stories/uptick-in-demand-lifts-sugar-futures-by-0-47-116071400984\\_1.html](http://www.business-standard.com/article/pti-stories/uptick-in-demand-lifts-sugar-futures-by-0-47-116071400984_1.html), published on 14th July, 2016)

## **Co-gen/Power**

### **Coal prices bounce back this year, but not for good**

A rally in thermal coal prices over the past few months, after years of decline, should continue into next year but a cloud still hangs over the market in the form of weakening global demand due to more clean energy and increased energy efficiency.

All major benchmarks for thermal coal have risen above \$60 a ton in the past few weeks, an increase of around 50 percent since record lows earlier this year, due to output cuts, supply disruptions, and increases in demand in some parts of the world.

Many analysts expect prices to keep gaining for the rest of this year and into some of next year, but they will then likely go back into decline because the overall trend is one of global demand falling and production cuts could be difficult to enforce when prices are on their way up.

The coal market has been oversupplied for years, which dragged prices down by around 80 percent between 2008 and early this year, forcing producers to cut back investment into new capacity and close unprofitable mines.

China, the world's biggest coal producer, is restricting output to reduce a supply glut, lowering output by 280 million tonnes this year as part of a wider plan to close 500 million tonnes of production in three to five years.

Analysts at Citigroup expect Australia's thermal coal, the Asian benchmark, to rise further as the Pacific Basin market tightens due to Chinese output cuts and weak Indonesian exports. Falling European demand may also divert more coal to Asia.

"Adding fuel to the fire would be if rainfall due to La Niña was larger than expected, affecting production in Australia and Indonesia, quickly tightening the market," they said.

(Source- <http://indianpowersector.com/2016/07/coal-prices-bounce-back-this-year-but-not-for-good/>, published on 15th July, 2016)

## Renewable energy sector in consolidation mode

As the entire renewable energy sector is going through a consolidation phase, mergers and acquisitions are poised to accelerate, say sector players.

The acquisition of Welspun Energy assets by Tata Power's renewable arm, and the induction of China Light Power as a strategic partner by Suzlon Energy for a solar project in Telangana are two of the recent developments pointing towards consolidation.

The M&A activity is aimed at churning the projects, divesting completed ones, and freeing up debt and equity to redeploy in other projects.

### Recycling capital

Sujoy Ghosh, First Solar India Head, said, "One of the main drivers of M&A is the inability of firms to recycle capital. This contributes to stagnation. As the solar sector expands and matures in the country, it brings in a new set of market participants who would be keen to invest in operational or semi-development assets where the initial risks of development, construction and financing and technology are mitigated."

Sembcorp hiking stake in Green Infra and Welspun acquisition by utility companies and long term asset owners shows that this is just the beginning.

The recent developments at the US-based major SunEdison at the global level has opened up another potential channel for merger or joint development of projects in AP and Telangana, where the company had aggressively bid out others.

Though names of a couple of suitors for joint development and stake sale are doing the rounds, there has not been any announcement as yet. Seeking anonymity, a sector player said SunEdison is poised for joint development by roping in a strategic/global partner.

(Source- <http://indianpowersector.com/2016/07/renewable-energy-sector-in-consolidation-mode/>, published on 15th July, 2016)

## **Contract signing for Maitree Super Thermal Power Project crucial milestone between India & Bangladesh**

The signing of the EPC contract on Tuesday for the Maitree Super Thermal Power Project at Rampal, Bagherhat represents an important milestone in the cooperation between India and Bangladesh in the power sector.

The success of Indo-Bangla multifaceted and extensive cooperation in the power sector is increasingly being regarded as a new paradigm for mutually beneficial cooperation between two neighbouring countries. India is already transmitting power to Bangladesh's on the Behrampore - Behramara line. Recently, the second grid interconnection from Agartala, India to Comilla, Bangladesh was inaugurated jointly by our two Prime Ministers. Several far reaching proposals in the power sector are under the consideration of both sides.

"I am extremely happy that Bharat Heavy Electrical Ltd has been awarded the EPC Contract for the 2X600 MW Maitree Super Thermal Power project in Rampal. With its cumulative overseas installed capacity of approximately 10,000 MW spread across 21 countries, I am confident that BHEL BSE -1.18 % will complete the project on time and in conformity with international quality standards.

BHEL's vast experience of working in the sub-continent will give it an added advantage," Indian High Commissioner to Bangladesh H V Shringla said on the occasion of signing ceremony.

"Let me take this opportunity to thank the Government of Bangladesh for its unflinching support and commitment to the project. Prime Minister Shri Narendra Modi has conveyed that India stands committed to working "shoulder to shoulder" with Bangladesh to achieve its vision of 'power to all' by 2021," noted Shringla.

It is also significant to note that financing for the project has been arranged by EXIM Bank under the special financing package for strategic projects approved by the Government of India.

The Bangladesh India Friendship Power Company is the flagship enterprise of our two countries in the power sector.

(Source- <http://economictimes.indiatimes.com>, published on 15th July, 2016)

## Smart software to enhance solar and storage for Australian customers

A Silicon Valley startup is establishing a regional hub in Australia to offer power management software that could encourage more businesses and households to invest in renewable energy.

The Southern Cross Renewable Energy Venture Capital Fund has made a USD \$3 million investment in Geli, backed by ARENA and Softbank China Venture Capital.

Geli's software platform can bring energy storage together with different sources of electricity generation, operating them as efficiently as possible and achieving cost savings.

Acting ARENA CEO Ian Kay said that as battery storage became more prolific in Australia, effective software tools would become increasingly important.

"There is an abundance of unused space on office, warehouse and factory rooftops around Australia where new solar panels could be installed. Many companies have also already invested in solar, and would benefit from adding storage," Mr Kay said.

"Geli's solution will give customers more value from their solar and storage systems, and could present a compelling case for more Australian businesses to invest in renewable energy."

Off-grid customers could also better manage their micro grids with smart software and install more renewable energy without compromising on reliability.

(Source- <http://indianpowersector.com/2016/07/smart-software-to-enhance-solar-and-storage-for-australian-customers/>, published on 15th July, 2016)

## Unscheduled power cuts return to Hyderabad

The ruling Telangana Rashtra Samithi government's repeated promises notwithstanding, unscheduled power cuts seem to have become the order of the day this monsoon. From short, frequent bouts of power cuts to blackouts that sometimes last the whole day, complaints of unscheduled outages are pouring in from all parts of the city.

"Over the last few weeks, there have been sporadic power cuts throughout the day. The power supply usually gets affected as soon as it starts raining, but now even heavy winds cause blackouts that last more than four hours. It is the sheer unpredictability of the power cuts that has made life harder. Daily routines go for a toss," rued Anand Sathish, a resident of Venkatadri Colony in Masab Tank.

The frequent blackouts haven't spared the posh homes and gated communities along the city's IT belt either. Residents say the maintenance costs they have to shell out for uninterrupted power supply have shot up lately.

"As the power cuts usually occur between 9 am and 4 pm, the maintenance fee, which includes charges for 24-hour power supply, has jumped from Rs 4,000 to Rs 6,000 per month," lamented Rashni Seshadri, an IT professional and resident of Hill Ridge Springs in Gachibowli. "Oddly, there are blackouts even when it isn't raining," she added.

Calling for quick action from the state government, several residents have charted out their concerns. Faulty, age-old transformers that burst with the slightest drizzle and overhead wires that snap and then are left unrepaired for days, are among some of the inadequacies that denizens hope will be rectified soon.

"The chief minister's claims of Telangana becoming a power surplus state seems lofty, if the present conditions are taken into consideration. It is understandable that an instance of excessive, heavy rainfall can cause some havoc. However, even after a short drizzle, the transformers in our area burst and we experience long bouts of blackouts," said Syed Raheem, a resident of Salarjung Colony in Tolichowki.

"The issue of power cuts is especially severe in the Old City. Adding to the problem are faulty transformers and wires," said Sandesh Jhaver, a textile merchant and resident of Dayanand Nagar in Malakpet. He pointed out that the livelihoods of many small businessmen and shop owners in the area are under threat due to such unscheduled power cuts.

(Source-<http://timesofindia.indiatimes.com/city/hyderabad/Unscheduled-power-cuts-return-to-Hyderabad/articleshow/53219478.cms>, published on 15th July, 2016)

### **Business quote of the day**

*'One of the tests of leadership is the ability to recognize a problem before it becomes an emergency.'*  
*-Arnold H. Glasow*