

# NEWS FLASH – 16<sup>th</sup> Oct, 2015

## SUGAR

### Sugar rebounds as selling pressure eases

Sugar prices on the Vashi spot market rebounded on Thursday as lifting pressure on stockists eased. Spot rates were up by ₹ 20-30 a quintal while naka and mill tender prices were steady.

A Vashi dealer said activities remained routine with normal arrivals and dispatches. Freight rates inched up by ₹ 5 to ₹ 90-100 for Sangli, Kolhapur and Karad side on higher demand. Inventory at Vashi market remained stable at 105-110 truck loads as arrivals remained at par. Producers were quoting higher rates as bulk demand from cold drinks, sweet and confectionery makers is expected to rise further from current level during festivals. Arrivals at Vashi market remained routine at 62-63 truck loads and local dispatches were 61-62 loads. The Bombay Sugar Merchants Association's spot rates: S-grade ₹ 2,702-2,805 (2,685-2,802) and M-grade ₹ 2,802-3,025 (2,802-2,996). Naka delivery rates: S-grade ₹ 2,650-2,740 (2,650-2,740) and M-grade ₹ 2,750-2,880 (2,750-2,880).

Source: <http://www.thehindubusinessline.com/markets/commodities/sugar-rebounds-as-selling-pressure-eases/article7766340.ece>, Dated 15<sup>th</sup> October 2015

### Now a sugar scam?

After an alleged scam related to procurement and sale of onions, the Delhi government's Anti-Corruption Branch (ACB) has received a complaint about large-scale financial irregularities in the procurement of Centrally-subsidised sugar.

Filed by Right to Information (RTI) activist and Bharatiya Janata Party (BJP) member Vivek Garg, the Delhi government is alleged to have favoured two private firms in the procurement of one lakh kilograms of sugar in what is now being dubbed the "sugar scam".

Sources in the ACB said a preliminary enquiry had been registered and investigation initiated after Mr. Garg alleged that the consignment, as per an RTI reply by the Delhi government, was stated to have been procured at a cost of Rs.33 crore as per market rates even as the Centre is understood to have provided a 90 per cent subsidy to the Delhi government for the same.

"In his complaint, Mr. Garg has alleged that the government procured sugar from the first company at a cost of Rs.30 per kg, while the other was paid Rs.33 per kg, which

clearly equalled the existence of financial irregularities in the transactions," said a senior ACB official.

On its part, the Delhi government vehemently denied the allegations against the Delhi State Civil Supplies Corporation Limited (DSCSC), the Department which procured the consignment of sugar on its behalf, and claimed that the entire procurement procedure had been executed through e-tendering which ruled out any bias towards potential bidders to fulfil the requirement of sugar.

The matter, according to a senior Delhi government official, was even discussed at length at a meeting of the Cabinet of Ministers on Wednesday, following which the decision to slap a defamation notice worth Rs.500 crore against a prominent media group for broadcasting a televised story related to the scam was also taken.

"The DSCSC has taken exception to some baseless, false, misleading and defamatory allegations telecast against it by a few TV channels on Wednesday regarding procurement of sugar...The Corporation strongly denies all such baseless allegations and reserves the right of legal action against such misleading news items," the Corporation said in a statement.

The nodal agency for procurement and distribution of sugar under open market scheme of Central Government, the Corporation said it procured sugar "in a transparent manner through e-tenders under two bid system of technical and financial bid by giving the wide publicity in the leading newspapers".

"After following the due procedure of e-tender, the sugar is purchased from the lowest bidder [L-1] at market competitive rates, hence the question of procuring sugar at any other rate does not arise," the DSCSC added.

Source: <http://www.indiansugar.com/NewsDetails.aspx?nid=4867>, dated 15<sup>th</sup> October 2015

## POWER

### Railways begin direct power purchase costs

Indian Railways (IR) on Thursday switched to a new low-cost model of power purchase, in which electricity would be bought directly from generating companies through open competitive bidding, as against the current practice of sourcing traction power from state utilities and state electricity boards. The move is likely to lead to 20 per cent savings in power for the transporter.

IR consumes around 4,000 Mw power annually at a cost of around Rs 12,000 crore. Kick-starting the process, North Central Railway on Thursday signed a Power Purchase Agreement (PPA) with Adani Power for sourcing 50 Mw at Rs 3.69 per unit over three years. Through this PPA railways could save upto Rs 150 crore on electricity bill this fiscal. Adani Power will supply the electricity from its 4,620 Mw power plant at Mundra in Gujarat.

"Railways have been procuring power through state utilities at an average Rs 6.75 per unit. Adani Power have been awarded the contract at a landed tariff of Rs 3.69 per unit for three years," the rail ministry said in a statement.

The electricity will be received at Dadri and Phaphund powergrids from where Indian Railways will take the power, when the supply commences before March 2016. The ministry said the agreement between North Central Railway and Adani Power was signed after successful bidding using the model document issued by the Power Ministry. Railways had embarked on the new model of direct sourcing from generators after a clarification from the Power Ministry regarding its "deemed licensee" status.

"It is a big challenge. We have to augment revenue and rationalise cost of operation. We will use a mix of energy including solar and buying power directly," rail minister Suresh Prabhu said. He had in this year's rail budget suggested railways can save around Rs 3,000 crore annually by rationalising power cost.

In the next phased of power procurement under the new model, railways will seek to sign PPAs for procuring 440 MW of power for the western region, 350 MW for the eastern region and 220 MW for the northern region. Officials said the initiatives are likely to lead to reduction in power cost to less than Rs 4 per unit from around Rs 6.75 per unit currently.

In addition, railways has also tied-up with Ratnagiri Gas and Power Ltd (RGPPL), the operator of the Dabhol power plant in Maharashtra, for procuring 500 Mw power at Rs 4.70 per unit. It has also floated tender seeking 585 MW power for various states on behalf of Zonal Railways.

Source: [http://www.business-standard.com/article/economy-policy/railways-begin-direct-power-purchase-costs-115101500886\\_1.html](http://www.business-standard.com/article/economy-policy/railways-begin-direct-power-purchase-costs-115101500886_1.html), dated 15<sup>th</sup> October 2015

## Adani to supply 50 MW to Railways at Rs 3.69 per unit

Indian Railways today entered into a agreement with AdaniPower for supplying 50 MW electricity at Rs 3.69 per unit for three years, which will result in saving of around Rs 150 crore annually.

"Indian Railways have been procuring power through the State Utilities at an average rate of Rs 6.75 per unit. Adani Power Ltd have been awarded the contract at a landed

tariff of Rs 3.69 per kWh (unit) for a period of three years," Indian Railways said in press statement issued after inking the pact.

Adani Power will supply 50 MW of power from its 4,620 MW Mundra plant in Gujarat. According to the statement, the agreement between North Central Railway and Adani Power is signed after successful bidding using the model document issued by the Power Ministry.

After clarification from Power Ministry regarding deemed licensee status, Indian Railways have embarked to procure electricity directly from the generators to tariff.

The statement said that this is the first step in migration strategy of Railways for procuring power directly from generators as 'deemed licensee' instead of discoms as per the recommendation of Central Electricity Authority (CEA).

Railway Minister Suresh Prabhu said, "It is a big challenge. We have augment revenue and rationalise cost (of operation). We will use mix of energy like solar and buying power directly (as deemed licensee status)."

In his rail budget speech he had suggested that Railways can save around Rs 3,000 crore by rationalising power cost.

"Indian Railways peak consumption is around 4,000 MW which costs Rs 12,000 crore every year. With these initiatives, railways's cost of power will come down to less than Rs 4 from Rs 6.75, at present," a senior official said.

The official added, "Railway will buy over 1,000 MW power at around Rs 4 per unit by the next financial year, which will help it save over Rs 1,000 crore annually."

India Railways is in process of awarding three contracts for supply of 585 MW of power by early next year at less than Rs 4 per unit and save around Rs 700 crore annually.

"19 companies have submitted 44 bids for three contract of supply of 205 MW to Western Railway, 220 MW to Northern Railway and 160 MW to Eastern Railways," the official said.

Besides, Railway has already inked pact with Ratnagiri Gas & Power Private Limited (RGPPL) for supply of 300 MW at Rs 4.79 per unit. It will eventually get supply of 500 MW from RGPPL at this rate and save Rs 500 crore annually.

The RGPPL is expected to start generating power from November 1. It has been shut since November 2013 due to unavailability of gas.

Source: [http://www.business-standard.com/article/economy-policy/adani-to-supply-50-mw-to-railways-at-rs-3-69-per-unit-115101500493\\_1.html](http://www.business-standard.com/article/economy-policy/adani-to-supply-50-mw-to-railways-at-rs-3-69-per-unit-115101500493_1.html), dated 15<sup>th</sup> October 2015

## Government to auction large coal reserves for commercial mining

The Centre plans to auction a few large coal reserves to commercial miners in an effort to introduce competition in the sector, a senior coal ministry official said on Monday. The ministry has yet to finalise the fine prints of the process but some blocks with proven reserves upwards of 500 million tonnes could be offered, Joint Secretary SK Shahi said while addressing the Indian Coal Conference. The event was organised by mjunction, a provider of e-auction services.

Large mines would allow commercial miners to achieve economies of scale, allowing them to compete with the only commercial producer, state-run Coal India. However, blocks would first be offered to state government-owned entities so that they could commercially mine the dry fuel and sell it in the open market. Private miners will be given the next chance. The country has been following the model of offering coal blocks to end users - like power producers or cement and steel manufacturers, Shahi said. Successive governments continued to follow the model despite limited success.

"World over, commercial miners take care of mining with their superior mining technologies," said Partha Bhattacharyya, former chairman and managing director of Coal India. The idea of commercial mining has been gaining ground because private users have not been able to achieve much even after they were allotted blocks either on nomination basis or through auction. In fact, several operators have not even been able to start production from blocks that are ready to produce. This is a concern for the coal ministry, Shahi said.

After a company wins a block, it has to procure some 19-odd clearances which also involve state governments. Different sorts of problems have emerged in different states. For example, in Chhattisgarh, an issue of stamp duty has cropped up because the state government wanted to levy it on vested block at current land value, which would be astronomically high. Mutation of the blocks is an issue in Jharkhand. As per state rules, mutation is possible only on sale or transfer of land.

Nevertheless, the Centre is working on quicker clearances of mining projects and the official said in the past six months, the environment ministry had cleared 18 projects of Coal India. Once operational, these mines will add 21 million tonnes to Coal India's annual production.

Source: <http://economictimes.indiatimes.com/industry/indl-goods/svs/metals-mining/government-to-auction-large-coal-reserves-for-commercial-mining/articleshow/49334585.cms?prtpage=1>, Dated 14<sup>th</sup> October 2015