

## NEWS FLASH – 19<sup>th</sup> FEBRUARY, 2016

### SUGAR

#### Sugar: Tide turning in favour

The sugar sector, which has remained beaten down for a long time now, is seeing the tide moving in its favour. With two consecutive years of weak monsoon, not only has it impacted sugar production in India but global output, too. Thus, sugar prices in the country have gained momentum and are much higher (Rs 5-6 a kg) than what they were last year. International prices, too, have inched up but shed some gains recently.

With improved realisations, sugar companies have reported better profitability in the December 2015 quarter and consequently, share prices of most sugar companies are significantly up from their lows. With firm sugar prices, the outlook remains healthy.

#### ***Lower output, both globally and in India***

Analysts remain upbeat on the sector as they expect further revival in profitability moving forward helped by better realisations. International sugar production is likely to decline by three million tonnes (mt). India, which had seen surplus inventory of about 10 mt at the start of sugar year (SY) 2016 (October to September), after mandatory exports of 4 mt, is expected to see the surplus inventory decline, thereby supporting prices. So far, exports have been a little over a million tonnes.

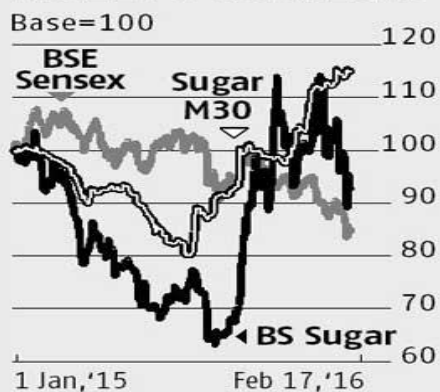
Analysts at Edelweiss say during the previous two down cycles (SY04-05 and SY09-10), lower sugar output due to rainfall deficit led to below-normal inventory days (about 70 days), resulting in significant increase in sugar prices. In SY16, they expect a similar scenario for sugar inventory (76 days) on account of fall in sugar production to 26.5 mt (down six per cent year-on-year) and the government's directive towards mandatory exports of 4 mt sugar. Global sugar production is also expected to fall 3 mt in SY16, resulting in lower international sugar inventory of 67 days. All these should support prices.

## QUARTER-WISE SUGAR PRICE

Quarter	Sugar M Kolhapur ₹/Qtl	Sugar 11 US Cent / lbs
Sep 2014	3,283	19.06
Dec 2014	3,020	17.59
Mar 2015	2,782	15.90
Jun 2015	2,611	14.17
Sep 2015	2,506	12.47
Dec 2015	2,873	14.33
Mar 2016	3,193*	13.67*

\*Average up to Feb 17, Source: Bloomberg  
Compiled by BS Research Bureau

## SWEET PROSPECTS



(Source- <http://www.indiansugar.com/NewsDetails.aspx?nid=5267>, published in The Business Standard on 18<sup>th</sup> February, 2016)

### Stockists stay away from sugar

Sugar market was steady on Thursday on routine activities. Supply remained ample while stockists stayed away from fresh bulk buys. At Vashi market, higher local dispatches kept prices unchanged.

Arrivals were stable at 60-61 truck loads while local dispatches were at 61-62 loads. The Bombay Sugar Merchants Association's spot rates: S-grade ₹ 3,176-3,252 (3,176-3,252) and M-grade ₹ 3,242-3,382 (3,242-3,382). Naka delivery rates: S-grade ₹ 3,160-3,200 (3,170-3,200) and M-grade ₹ 3,210-3,280 (3,240-3,300).

(Source- This article was published in the Business Line print edition dated February 18, 2016. <http://www.thehindubusinessline.com/markets/commodities/stockists-stay-away-from-sugar/article8252902.ece>)

## COGEN

### Power purchase rate from units run by coop sugar mills hiked

Maharashtra Government has hiked the rate of electricity purchased by it from captive units of cooperative sugarcane mills which use bagasse (crushed sugarcane residue) to generate power.

Speaking to reporters at Mantralaya (secretariat) here today, Minister for Cooperation Chandrakant Patil said the power purchase rate has been hiked by 32 paise per unit.

At present, the government pays Rs 6.27 per unit of power purchased from the mills and the rate has been raised by 32 paise to Rs 6.59 a unit, he said.

The move will mean an additional burden of Rs 53 crore annually on the state exchequer, he said. Patil rejected suggestions that the move favours cooperative sugar mills and said instead it was a pro-farmer decision, and would also help in meeting the energy requirements of the State. The decision would enable the mills to pay Fair and Remunerative Price (FRP) to the sugarcane-growing farmers, the Minister said.

Also, by buying power from bagasse-based units, the Government is promoting non-conventional sources of energy, Patil maintained.

Out of the 114 cooperative sugar mills in the State, 101 are in operation. The 114 cooperative sugar mills have a combined captive generating capacity of around 199 MW.

The mills currently in operation have a total generating capacity of 143 MW. Bagasse is the fibrous matter that remains after sugarcane or sorghum stalks are crushed to extract their juice.

**(Source- This article was published in Business Standard on 17<sup>th</sup> February, 2016, <http://www.business-standard.com/article/pti-stories/power-purchase-rate-from-units-run-by-coop-sugar-mills-hiked-11602170123>)**

***THOUGHT OF THE DAY:***

"If you can't explain it simply, you don't understand it well enough"

– Albert Einstein

***HEALTH TIP OF THE DAY:***

Wake up early to practice simple meditation. It harmonizes body, mind and soul.