

NEWS FLASH –19th March, 2016

SUGAR

Quality sugar stocks to help reap much better returns in the next 6 to 12 months

Many good sugar stocks moved up by 20% to as high as 40% from their small base as they were left out of the bull run seen in the overall domestic stock market in early 2015. In the same period, the Sensex is down by 15%.

Thailand, the second-largest producer of sugar is going through the problem of widespread dryness across the sugar cane belt. On the other hand, Brazil, the world's largest producer of sugar, has seen its currency rising to a 3-year high against the US dollar. Appreciation of its currency discourages sugar exports, and hence, there is a likelihood that a larger proportion of Brazilian cane would be diverted for ethanol-making, rather than sugar. (In India, ethanol is produced from molasses, which is a by-product of sugar. However, in Brazil, cane is used independently for producing either ethanol or sugar). Sharp recovery in crude oil price in the last one month is also conducive for the diversion of cane for ethanol in Brazil as ethanol competes with oil-based fuel.

Consequently, the International Sugar Organization is forecasting that the world production of sugar will fall short of demand this year for the first time in the last 6 years. Raw sugar price in the international markets has gained for a 3rd week in a row last week to touch 2016 year high and is headed for the longest rally in the last 4 years.

On the domestic front, already sugar prices are up about 7% in 2016 and saw 20% rise on year-on-year basis. Now the sugar output for the current crop year (October-September) may fall by 1 or 2 million tonne if many more mills shut down operations early this year. Recent depreciation of rupee augurs well for higher quantity of sugar exports from India. Unfortunately, the Maharashtra state, which is the country's largest and also the lowest-cost producer of sugar, is estimated to see its cane output falling by nearly 25% this year due to major failure of monsoon in the state. Fall in output, especially by the low-cost producers, would arithmetically shift the average cost vertically upward for the industry as a whole, and hence, the overall average sugar price realisation for the mills in the industry. The investors can continue to hold and even accumulate quality sugar stocks (of companies with lower debt, higher sugar recovery rate and good management quality) for reaping much better returns in the next 6 to 12 months.

(Source- <http://sugarnews.in/quality-sugar-stocks-to-help-reap-much-better-returns-in-the-next-6-to-12-months/>)

India contracted 1.3 million tonnes of sugar exports so far in 2015/16: Trade body

India has so far contracted to export 1.3 million tonnes of sugar in the 2015/16 marketing year started on Oct. 1, of which 1 million tonnes have already been exported, head of a trade body said on Thursday.

Exports from the world's second biggest producer could limit a rally in global prices .

Chinese imports via Myanmar are helping Indian mills in their efforts to sell overseas, said Abinash Verma, director general of the Indian Sugar Mills Association.

The government has previously set a target of 3.2 million tonnes of exports for this season.

Volumes of white sugar shipped to Myanmar have been rising due to a jump in smuggling to China because of high domestic prices.

A rebound in sugar prices in India on the expectation of lower production has slowed down exports, Verma told Reuters on the sidelines of an industry conference in Moscow on Thursday.

The first back-to-back drought in nearly three decades has hit cane plantations in the top producing western state of Maharashtra and the third biggest producer Karnataka.

"These reports suggest that the next year's cane crop might be lower than this year," Verma said.

He declined to estimate the size of next year's crop. In the current season the south Asian country could produce 26 million tonnes of sugar, he said.

(Source-<http://sugarnews.in/india-contracted-1-3-million-tonnes-of-sugar-exports-so-far-in-201516-trade-body/>, published in The Economic Times dated 17th March, 2016)

CO-GEN/ POWER

Energy efficiency will help save \$6.5 billion a year: Piyush Goyal

The government has reduced the procurement price of these LED bulbs to Rs 64.41 in January 2016 from the market rate.

The Centre's Domestic Efficient Lighting Programme will result in savings of up to \$6.5 billion annually through energy efficiency and also help reduce carbon dioxide emission by 80 million tonnes (MT), Power and Coal Minister Piyush Goyal said today.

"Energy efficiency has been a serious priority of this government. In fact, it has more potential than any other programme. The LED programme can lead to a USD 6.5 billion

savings and reduction of 80 MT carbon dioxide emission per year," Goyal said at the India Today Conclave here.

The government initiated the Domestic Efficient Lighting Programme (DELP) last year under which it has already provided over 7.9 crore LED bulbs to families through power distribution companies through an EMI of Rs 10 per month per each bulb. The discoms add the EMI to consumers' electricity bills.

Through bulk tendering, the government has reduced the procurement price of these LED bulbs to Rs 64.41 in January 2016 from the market rate of Rs 310 in February 2014.

Goyal, who also holds the portfolio of New and Renewable Energy, said the government will achieve its target to electrify 18,452 villages within the set deadline.

The government has so far electrified over 6,700 villages out of the total 18,452 unelectrified villages, and with 409 days still to go, the target will be achieved, he said.

Prime Minister Narendra Modi in his Independence Day speech last year announced the initiative to electrify these 18,452 villages in 1,000 days - by May 2018.

Explaining the benefits of the Ujwal Discom Assurance Yojana (UDAY), the Minister said: "I am confident that by 2019 every state discom will make profits," he said.

The Centre had launched the UDAY scheme in November 2015 for the revival of power distribution companies across India, which have cumulative debt of over Rs 4.37 lakh crore.

Referring to the debate on intolerance, Goyal said: The Prime Minister is intolerant about underperformance. He is intolerant about failure. What he needs is clear outcomes and he is setting very aggressive goals for all of us and that percolates down in the system."

Source- <http://energy.economicstimes.indiatimes.com/news/power/energy-efficiency-will-help-save-6-5-billion-a-year-piyush-goyal/51444166>, published March 17, 2016)

Reliance Infrastructure to demerge REGSPL for Rs 6,282.50 crore

Reliance Infrastructure Ltd today announced the demerger of certain power generation and supply businesses in Mumbai, Goa and Andhra Pradesh into a subsidiary for a consideration of Rs 6,282.50 crore.

"The Board of Directors of the Company at its meeting held on March 16, 2016, has approved a Scheme of Arrangement between Reliance Infrastructure Ltd and Reliance Electric Generation and Supply Private Ltd (REGSPL) and their respective shareholders and creditors subject to requisite approvals," Reliance Infrastructure Ltd has informed BSE.

Under the scheme, Mumbai Power Generation, Transmission and Distribution Division, Goa Power Station Division and windmill Division of the Reliance Infra will be transferred to the REGSPL.

“REGSPL shall pay aggregate lump sum cash consideration of Rs 6,282.50 crore to the company,” it said.

According to the statement, the REGSPL will not be listed separately.

As per R-Infra, the demerger is aimed at increasing shareholders' value by leveraging diversified investment opportunities; attribution of appropriate risk and valuation to different businesses based on their respective risk-return profile and cash flows; pooling of resources at the company level and allocation of capital to each of the businesses based on risk-return; and simplified and transparent businesses and achieving operational synergies.

It also said that there will be no change in shareholding pattern of the company and of the REGSPL after this demerger.

It also stated that the turnover of Mumbai Power Generation, Transmission and Distribution Division was Rs 7,640.52 crore in last financial year, which was 63.15 per cent of the total turnover of the company.

(Source-<http://indianpowersector.com/2016/03/reliance-infrastructure-to-demerge-regspl-for-rs-6282-50-crore/>, published on March 18, 2016)

ETHANOL

Karnataka budget proposes costlier fuel, liquor, soft drinks

Petrol, diesel, beer, liquor and soft drinks will be costlier in Karnataka from April 1, as the state budget for the coming fiscal (2016-17) seeks to hike various taxes on them.

Presenting the budget for the next fiscal, Chief Minister Siddaramaiah told lawmakers in the legislative assembly here on Friday that petrol price would go up by Rs.1.89 per litre, with four percent increase in tax to 30 percent from 26 percent.

"Similarly, diesel price will be 89 paise costlier per litre with increase in tax to 19 percent from 16.65 percent," Siddaramaiah, who also holds the finance portfolio, said in his two-hour-long budget speech delivered in Kannada.

Justifying the increase in fuel taxes, the chief minister said though the central government had increased excise duty three times on petrol and diesel during the current fiscal (2015-16) despite steady fall in crude oil prices in the international market, the state government did not raise tax on them.

While doubling excise duty on beer to Rs.10 from Rs.5 and increasing same duty by Rs.5 on Indian made liquor to Rs.50 from Rs.45, the chief minister has also hiked additional excise duty on liquor by four percent to 12 percent across all the 17 slabs.

"I propose to increase additional excise duty on beer to 150 percent from 135 percent. I also propose to levy an administrative fee of Rs.2 per litre on export and Re.1 per litre on import of spirit, excluding ethanol.

To mobilise additional resource, the budget has increased value added tax (VAT) to 20 percent from 14.5 percent on aerated and carbonated non-alcoholic beverages, including soft drinks and soft drinks concentrates.

The budget also increased motor vehicle tax on transport vehicles to mobilise Rs.121 crore additional revenue next fiscal.

"As the motor vehicle taxes have not been revised since 2010, I have proposed to enhance taxes on private stage carriage by Rs.300 to Rs.900 from Rs.600 per seat, on private city service stage carriage by Rs.150 to Rs.450 from Rs.300 per seat, on contract carriages by Rs.500 to Rs.1,500 from Rs.1,000 per seat," Siddaramaiah said.

Vehicle tax on all India tourist omni buses has been increased by Rs.750 to Rs.3,500 from Rs.2,750 per seat and tax on stage carriages operating on special permit to Rs.1,500 to Rs.1,000 per seat.

"As transport and non-transport electric vehicles are eco-friendly, I propose to exempt them fully from taxes," Siddaramaiah added.

The budget proposals also raise entertainment tax by four percent to 10 percent from six percent collected from multi-system operators and direct-to-home service providers. <http://timesofindia.indiatimes.com/city/bengaluru/Karnataka-budget-proposes-costlier-fuel-liquor-soft-drinks/articleshow/51455779.cms>, published on March 18, 2016)

THOUGHT OF THE DAY:

"Yesterday is not ours to recover, but tomorrow is ours to win or lose."

-Lyndon B. Johnson