

## NEWS FLASH – 18<sup>TH</sup> July, 2016

### SUGAR

#### Ample supplies hold sugar flat

Sugar prices rule flat on Monday with minor changes as per quality on routine demand-supply. Sugar futures on NCDEX remained under pressure by losing ₹ 7-15 till noon. As producers are continuously selling, supply remained ample and stockists preferred need-based fresh bulk buys.

Vashi market currently carries about 110-115 truck loads stocks. Freight rates were steady. The Bombay Sugar Merchants Association's spot rates: S-grade ₹ 3,622-3,712 (3,622-3,702) and M-grade ₹ 3,712-3,852 (3,712-3,852). Naka delivery rates: S-grade ₹ 3,610-3,670 (3,610-3,670) and M-grade ₹ 3,670-3,780 (3,670-3,780).

(Source-<http://www.thehindubusinessline.com/markets/commodities/ample-supplies-hold-sugar-flat/article8866182.ece>, published on Business Line on 18th July, 2016)

#### Sugar stock comfort

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 reached a near four-year high in late June.

India's production in the 2016-17 crop year should fall to around 23.3 million tonnes (mt), down from 25.1mt a year ago because of the drought, said Tarun Sawhney, president of Indian Sugar Mills Association, in Bangkok on Friday.

With consumption at 26mt, India would draw down about 2.7mt from stocks to leave them at 4.3mt at the end of the 2016-17 crop year, he said.

That was around two months of consumption, the lowest since 2005, and a level lower than India had traditionally kept of at least three months to deal with any supply shocks.

Sugar prices in India have surged over 50 per cent since October and contributed to inflation, but Sawhney said there was no reason for a change in the government's policy to encourage imports.

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

(Source- [http://www.telegraphindia.com/1160717/jsp/business/story\\_97110.jsp#.V42vaaJkY6Y](http://www.telegraphindia.com/1160717/jsp/business/story_97110.jsp#.V42vaaJkY6Y), published on 16<sup>th</sup> July, 2016)

## Co-gen/Power

### Chandigarh gets floating SPV power plant

In a unique initiative in the region, Chandigarh Renewal Energy and Science & Technology Promotion Society (CREST) has installed a 10 kw peak (kWp) floating solar photovoltaic (SPV) power plant at Dhanas lake.

The plant, which has been set up as a pilot project at a cost of Rs 12 lakh, will be commissioned next week.

The floating plant has a total of 34 photovoltaic of 300 watts each. The plant has been set up on a platform that includes a large outer ring that floats on water, and grid supporting 34 panels which are arranged on 7 rows in a hexagonal pattern.

Explaining the technology, 36-year-old Vivek Jha, director of Yellow 2 Gen Energy Pvt Ltd – which installed the plant – said several motors were attached to the plant for regulating the vertical position of the panels to ensure that the tilt of the panel is equivalent to the altitude angle of the sun.

(Source- <http://indianpowersector.com/2016/07/chandigarh-gets-floating-spv-power-plant/>, published on 18<sup>th</sup> July, 2016)

### BHEL Commissions 250 MW power plant in Gujarat

State-run BHEL has commissioned another 250 MW unit based on eco-friendly Circulating Fluidized Bed Combustion (CFBC) technology, using low-quality coal (lignite) as the primary fuel.

The unit has been commissioned at Bhavnagar Energy Company (BECL) 2×250 MW thermal power project, located at Padva village in Bhavnagar district, Gujarat, the company said in a statement.

The project is equipped with CFBC technology that enables use of low-quality lignite as fuel. The second unit of this project is also at an advanced stage of completion.

This is the third 250 MW unit based on CFBC technology, commissioned by BHEL, with two others commissioned earlier in Tamil Nadu.

CFBC boilers are highly fuel-flexible and can burn a wide variety of fuels, including lignite, efficiently. These boilers are also highly environment-friendly with very low pollutant emissions.

(Source- <http://indianpowersector.com/2016/07/chandigarh-gets-floating-spv-power-plant/>, published on 18<sup>th</sup> July, 2016)

## In utilities, PSUs beat private firms on consistency in return on equity

Public sector enterprises are not known to be investor-savvy. In the last three years, the S&P BSE PSU index, which tracks shares of public sector units (PSUs), gained 18.6%, half of what the benchmark Sensex delivered (38.9%). But one business bucking this trend is the power sector.

Shares of notable central PSUs—Power Grid Corp. of India Ltd, NTPC Ltd, Neyveli Lignite Corp. Ltd, SJVN Ltd and NHPC Ltd—delivered double digit returns in the last three years, whereas shareholders of private sector firms Tata Power Co. Ltd and Adani Power Ltd have lost out. The divergence can be partly explained by the return on equity (RoE). The higher the ratio, the better it is for investors. The average RoE of the five PSUs stood at 11% in the past fiscal. A similar calculation of nine private sector firms stood at 4%, data from Motilal Oswal Securities Ltd show.

While returns of PSUs have been consistent, private firms' returns have been volatile. Three of the five PSUs generated double-digit RoEs in each of the last five years, a feat matched by none of the private firms, except JSW Energy Ltd which delivered double-digit returns in four of the last five years.

The reasons are not hard to find. PSU utilities work mostly on the cost-plus model—investments, assets are assured of minimum returns.

(Source- <http://indianpowersector.com/2016/07/in-utilities-psus-beat-private-firms-on-consistency-in-return-on-equity/>, published on 18th July, 2016)

## Govt aims to cut MSEDCL power purchase

Rattled by hue and cry over high power rates of Mahagenco and payment of huge capacity charges by MSEDCL to power generation companies, energy minister Chandrashekhar Bawankule has asked the MSEB Holding Company's power purchase committee to sort out the mess. The first ever meeting of the committee will be held this week.

MSEDCL has signed too many power purchase agreements (PPAs) and does not need a large percentage of this power. However, as per PPA clauses the state discom has to pay capacity charges to the generation companies for not buying power. The total amount to be paid thus is around Rs 4,000 crore per year.

A source in the MSEDCL said that one of the solutions to the problem was asking Mahagenco to go for economic shutdown of units having high generation cost. "If that happens then MSEDCL will not have to pay capacity charges to Mahagenco. Only the salary burden of employees working in the shut down units will have to be borne. Some old units have already been economically shut down," he added.

Private power companies can't be asked to go for economic shutdown but their power sale conditions can be relaxed. "At present, these companies can sell power only within the state. If this restriction is removed then these companies can sell power in the exchanges or directly to outside consumers. This will reduce the amount of capacity

charges to be paid to these companies to the extent of power sold outside," the source said.

(Source- <http://indianpowersector.com/2016/07/govt-aims-to-cut-msedcl-power-purchase/>, published on 18th July, 2016)

## **Power Grid Corporation of India: Transmitting the right signals**

The stock of Power Grid Corporation of India (Power Grid), the country's principal power transmission utility, has gained 24 per cent since our buy call in October 2015. This is thanks to the company's good performance in the last financial year.

Still at Rs. 164, the stock trades cheap at 12 times its estimated consolidated earnings for 2016-17. This is at the lower end of its five-year historical valuation band of 11-17 times. Investors can, therefore, take exposure in the stock of Power Grid, a safe bet in the Indian power sector.

Power Grid, which enjoys near monopoly on the country's inter-state and inter-regional power transmission network, earns an assured return, as determined by the Central Electricity Regulatory Commission (CERC), on its commissioned projects. This ensures revenue certainty for the company unlike most other companies in the sector.

Timely project completion and commissioning, therefore, hold the key to the company's revenue and earnings growth. Power Grid has fared well on this front.

For 2016-17, it has planned capital expenditure of Rs. 22,550 crore, which is broadly in line with that of the previous fiscal. As of April 2016, Power Grid had projects, mostly ongoing, worth Rs.1,44,000 crore lined up.

(Source- <http://indianpowersector.com/2016/07/power-grid-corporation-of-india-transmitting-the-right-signals/>, published on 18th July, 2016)

## **TNERC to fix tariff for power from municipal solid waste**

The Tamil Nadu Electricity Regulatory Commission (TNERC) has proposed to fix tariff for electricity generated through Municipal Solid Waste (MSW) and has invited suggestions for the same on its website.

The commission decided to come up with a tariff proposal for MSW power, as there is a potential for such electricity in the coming years and also to provide some direction to MSW power producers who connect the electricity to the grid, an official said.

"At present, there is no specified tariff fixed for this. Those who are generating electricity through municipal solid waste and connecting it to the grid are complaining about not being paid by Tangedco. Once we fix the tariff, the issue will be resolved," a TNERC official told The Hindu.

A case filed by a private company seeking fixation of tariff for 2.90 MW power generated from Municipal Solid Waste is being heard by the TNERC. The TNERC, in its paper, has proposed to fix Rs. 5.79 per kWh with accelerated depreciation (AD) benefit and Rs.5.34

per kWh without the AD. The control period has been proposed for a period of two years and the tariff will be applicable for 20 years, as per the consultative paper posted on the site.

(Source-<http://indianpowersector.com/2016/07/tnerc-to-fix-tariff-for-power-from-municipal-solid-waste/>, published on 18th July, 2016)

## Debate intensifies ahead of hearing on power tariff hike

Ahead of the regional public hearing of the Maharashtra Electricity Regulatory Commission (MERC) on proposed increase in power tariff here on Monday, both the Maharashtra State Electricity Distribution Company Limited and the consumers are pushing their points.

In a petition submitted before for the MERC, the MSEDCL has sought 5.5% increase in tariff for a period between 2016-17 and 2019-20. Senior power utility officials said the MSEDCL would incur losses to the tune of Rs 56,594 crore over a period of three years if charges are not revised.

"The average annual rate of inflation in the past few years is around 6% and, naturally, the expenditure of the MSEDCL is also rising due to escalation in costs. So, it is very much essential to increase the tariff. Otherwise, the financial condition of the power utility may deteriorate further and may impact the distribution network and, in turn, adversely affect services," a senior official said.

(Source- <http://indianpowersector.com/2016/07/debate-intensifies-ahead-of-hearing-on-power-tariff-hike/>, published on 18<sup>th</sup> July, 2016)

## Indian State Plans To Increase Solar Power Use In Agriculture

One of the largest state in India is planning to shift all its electricity consumers in the agricultural sector to shift from thermal power to solar power.

According to media reports, the government of Maharashtra is working on a long-term proposal to shift all agricultural power consumers to solar power. This motive behind this plan is to reduce the subsidy being provided to farmers for electricity supply.

Farmers are being supply electricity at prices about a tenth of what some other consumers in the industrial and domestic sectors. Subsidy being provided to the farmers is around Rs 5,000 crore (US\$750 million). This subsidy is recovered from other consumer classes in the form of higher tariff rates. At present, the unrecovered dues stand at Rs 15,000 crore (US\$2.25 billion).

Shifting a large consumer base from thermal to solar power will not only result in environmental sustainable electricity production but will also rid the state government and utilities of the huge financial burden they are struggling with.

Some other Indian states have proposed similar measures as subsidy in the agricultural sector has risen significantly over the years. The central government has directed state

governments to improve the financial condition of power utilities by reducing subsidies and regularly increasing tariffs.

Among the ideas floated for integration of solar power into the agriculture sector is a proposal that allows farmers to lease out land to project developers who set up small-scale solar power projects. Electricity generated from those projects will be used by the farmers and any surplus electricity would sold to the grid. This will ensure a sustainable power supply and an additional source of income for the farmers especially during the droughts.

(Source- <http://planetsave.com/2016/07/17/indian-state-plans-increase-solar-power-use-agriculture/>, published on 17th July, 2016)

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

*“Diligence is the mother of good luck.” —Benjamin Franklin*