

NEWS FLASH –23rd FEBRUARY, 2016

SUGAR

Sugar stocks turn sweet after 5-year hiatus

Price recovery in home and global markets, weak rupee bring in cheer

Even as the Sensex and Nifty saw a sharp 16 per cent slide in the past six months, sugar stocks have been doing well. The stocks of most sugar makers have made healthy gains of 15 to 75 per cent. Among the large players, Oudh Sugar Mills gained 95 per cent, followed by Balrampur Chini Mills that gained about 74 per cent.

The stocks of a few lesser-known sugar mills, such as Dwarikesh Sugar Industries, delivered multi-fold returns during the period. Bajaj Hindustan was an exception — the stock declined 3 per cent over the past six months.

So what made sugar stocks turn sweet after a five-year hiatus?

One, a sharp recovery in domestic sugar prices came in as a big sentiment booster. The spot price of sugar in the NCDEX has jumped from about Rs. 24 a kg in August 2015 to about Rs. 32 currently, clocking 33 per cent gains.

A weak monsoon in 2015 for the second consecutive year and the expectation of a drop in sugarcane harvest and sugar production aided the price increase.

Two, a recovery in sugar price in the global market and the weakness of the rupee against the US dollar have helped boost sentiment on the export front.

From around 11.5 cents a pound, the price of sugar in the global market rose to over 15 cents by December 2015, before falling to around 12.7 cents now.

Though prices have softened in the past month, a weakening rupee against the dollar should provide some cushion to the mills.

Export target

The Centre has set an export target of 3.2 million tonnes for 2015-16. Domestic mills have contracted to export 1 million tonnes and have shipped about 0.85 million tonnes. Higher realisation in the home market and higher exports have had a positive rub-off on the profitability of sugar mills. The performance of 40 Indian sugar mills over the past nine months supports this.

Better performance

The aggregate revenue of these mills has risen 2 per cent during the nine-month period ended December 2015, compared with the same period last year.

The aggregate operating profit margin for these companies improved to 3.5 per cent from 2.6 per cent, while the net loss narrowed by about 14 per cent. Besides better operating performance, rate cuts by the Reserve Bank of India also helped mills save on the interest outgo, providing a leg-up to profits.

Looking ahead, the expectation of a lower sugar output in 2016 should continue to support domestic prices.

Also, higher exports to meet the Centre's target should help the ailing industry wipe off some losses.

(Source- <http://www.thehindubusinessline.com/todays-paper/tp-news/sugar-stocks-turn-sweet-after-5year-hiatus/article8268926.ece>. This article was published in the Business Line print edition dated February 23, 2016)

COGEN

Bihar sixth state to join UDAY, benefit pegged at Rs 117 crore

Bihar has joined the Centre's power distribution sector revival scheme that targets operational and financial turnaround of state discoms.

Bihar has joined the Centre's power distribution sector revival scheme that targets operational and financial turnaround of state discoms, starting with restructuring of their debt.

Bihar on Monday signed a memorandum of understanding with the Central government under the Ujjwal Discom Assurance Yojana (UDAY), becoming the sixth state second with a non-BJP government after Uttar Pradesh to do so. Other states that have become a part of the scheme are Rajasthan, Chhattisgarh, Jharkhand and Gujarat.

Under the scheme, Bihar government would take over 75%, or Rs 2,332 crore, of the state discom's debt of Rs 3,110 crore as of September 2015. The balance Rs 778-crore outstanding will be re-priced or issued as state guaranteed discom bonds at coupon rates of around 3% less than the average existing interest rate.

The debt restructuring will lead to annual saving in interest cost to the tune of around Rs 117 crore.

The scheme is expected to help Bihar speedily provide power to around 1,152 villages and 160.60 lakh households that are still without electricity.

"Availability of 24x7 power to hitherto unconnected villages/households, etc. would boost the economy, promote industries, thereby improving employment opportunities and see Bihar develop into one of the leading industrialised States in India," an official release said. With Bihar

joining UDAY, it is estimated that around 33% all discom debt in the country, or Rs 1.40 lakh crore of outstanding, is covered.

Distribution utilities are reeling under heavy debt burden, which as on September, 2015, stands at Rs 4.3 lakh crore. UDAY, launched in November, 2015, seeks to ensure a permanent solution to debt-ridden discoms to achieve financial stability and improve operational efficiencies, for sustained growth.

Demand side interventions in UDAY such as usage of energy-efficient LED bulbs, agricultural pumps, fans and air-conditioners and efficient industrial equipment through PAT (perform, achieve, trade) would help in reducing peak load, flatten load curve and thus help in reducing energy consumption in the State of Bihar. The gain is expected to be around Rs 720 crore.

<http://energy.economictimes.indiatimes.com/news/power/bihar-sixth-state-to-join-uday-benefit-pegged-at-rs-117-crore/51100269>, published on 23rd February, 2016)

THOUGHT OF THE DAY:

Believe in team work. No one can whistle a symphony alone. It takes a whole orchestra to play it.

HEALTH TIP OF THE DAY:

Consumption of Almonds lowers cholesterol and also reduces the risk of life style diseases.