

SUGAR

Higher sugar prices make cane price increase palatable

The taxation of sugar and its by-products is an important factor to watch for, as also any threat to rising sugar prices from higher global output

Sugar mills in Uttar Pradesh will have to pay 8.9% more to sugar cane farmers in the current season, after the state hiked the state advised price (SAP). The move was not a surprise, with elections round the corner as also because of a sustained increase in sugar prices. The increase does mean that profit margins will be lower but if prices increase further or mills get any state-funded concessions, then the impact may be less. One thing mills will find difficult to implement is the state's decision to ask mills to pay farmers in one shot rather than in instalments, as was the practice.

After its September quarter results, Balrampur Chini Mills Ltd said average sugar realization during the quarter was 36.1/kg, up by 48.6% over a year ago. Its inventory at the end of the quarter was valued at Rs27.5/kg. That gives it headroom to absorb higher costs. Rating agency Icra Ltd has estimated the industry's sugar production costs are likely to increase by Rs2.5 a kg. Healthy recovery rates are expected to see mills extract more sugar from cane, according to Icra, in the range of 10-11.5% from sub-10% levels in recent years.

Sugar prices have risen on the back of tight supply conditions globally, mainly due to the impact of weather on the crop in India and Brazil. Although the government had taken measures to rein in sugar prices, they have not had much impact, with wholesale sugar prices gaining 17% in 2016 so far.

Industry estimates suggest that the current year's crop will be lower than last year's, which should support higher prices. More clarity will emerge as the year progresses and data regarding the international sugar supply situation becomes available. Mills are happy with the current prices, reflecting in an early start to crushing in UP, with 55 mills working as of 15 November, compared to six mills a year ago. The enthusiasm to crush cane is also a risk to keep a watch on, to see if output exceeds expectations.

In the near term, the goods and services tax is a risk, depending on which tax bracket sugar is placed in. The Indian Sugar Mills Association has recommended it be placed in the lowest 5% bracket. The taxation of sugar and its by-products is an important factor to watch for, as also any threat to rising sugar prices from higher global output. Mills are likely to lobby against the decision to pay the entire sugar cane dues upfront. If they don't succeed, then they may have to borrow, which then results in higher interest costs.

For now, the increase in sugar prices has lifted sugar stocks all around. The increase in SAP also sends a signal for prices to remain high. Sugar division profits are looking better while the distillery and cogeneration businesses continue to provide support. While conditions look good, investors have already marked up sugar shares considerably in the past one year.

(Source-<http://www.livemint.com/Money/CV8Aklf3bEOnRV4Ff4SUFJ/Higher-sugar-prices-make-cane-price-increase-palatable.html>, published on 21st November, 2016)

Sugar factories in Belagavi owe farmers Rs 71 crore

The sugar factories in Belagavi began cane crushing for 2016-17 without waiting for the government to declare the support price for sugarcane. Authorities have not only failed in announcing support price for sugar cane but has also failed to recover pending cane bills of 2013-14.

Among total 23 sugar factories, six sugar factories have kept sugar bills of 2013-14 pending while one sugar factory has to pay farmers for 2015-16. As on October 31, 2016, Laila Sugar factory of Khanapur has to pay Rs 336 lakh, Gokak Sugars Ltd. of Gokak Rs 975 lakh, Renuka Sugars of Raibag Rs 492 lakh, Renuka Sugar's of Athani Rs 2092 lakh, Renuka Sugar's of Soudatti taluk Rs 2,458 lakh and Vishwaraj Sugar's of Hukkeri has to pay Rs 791 lakh for 2013-14. Similarly Shivsagar Sugar factory has to clear second installment of the farmers for 2015-16 which is Rs 11.65 crore.

These factories have paid the first installment while delayed the second installment amount which is Rs 100 to 200 per tonne. Beerappa Pujeri, general secretary, Karnataka State Farmers Association and Hasiru Sene, alleged that the district authority is in cahoots with politicians who run sugar factories. Hence it has failed to deliver justice to farmers. DC N Jayram said that they have taken action against sugar factories to recover pending sugar cane bills of farmers. Notices have been issued to factories which have not cleared the bills. "We cannot stop non-paying sugar factories from crushing cane this year," he said.

(Source-<http://sugarnews.in/sugar-factories-in-belagavi-owe-farmers-rs-71-crore/>, published on 22nd November, 2016)

UP mills to procure Rs 22,500-cr of sugarcane

In the backdrop of the Uttar Pradesh government announcing a hike of Rs 25/quintal in cane price for the 2016-17 crushing season, the value of sugarcane procurement by mills is likely to exceed Rs 22,500 crore.

This would be 25 per cent more than the value of cane procured by the 117 sugar mills in UP in the 2015-16 crushing season.

According to estimates, mills are likely to crush nearly 75 million tonnes (mt) and produce more than 7.60 mt of the sweetener in the current season, against 6.85 mt of sugar output in 2015-16.

The state Cabinet meeting chaired by Chief Minister Akhilesh Yadav on November 18 increased the State Advised Price (SAP) of cane from Rs 280/quintal for common variety to Rs 305.

Likewise, the price for early and unsuitable cane varieties had risen to Rs 315 and Rs 300 per quintal, respectively. Common variety account for the bulk of cane produced.

The UP sugar industry has been demanding a revenue sharing model for the state to insulate the sector from seasonal fluctuations of demand and supply dynamics. Currently, the wholesale sugar prices in UP are at the level of about Rs 3,300/quintal.

"Once fixed, cane prices do not decrease, while the sugar prices are subjected to market conditions. Besides, the sugar prices are likely to dip during 2017-18, which would put pressure on the mills' paying capacity going forward," a sugar industry insider told Business Standard.

Meanwhile, about 27 private sugar mills in UP have arrears of about Rs 1,300 crore for the last crushing season. The cane commissioner has already issued notices and recovery certificates (RC) to defaulters and the Allahabad High Court is hearing a case in this regard. UP SAP had not been revised in the past three years. The previous SAP hike in 2012-13 had put cane price at Rs 240/quintal to Rs 280/quintal.

Over and above SAP, the mills are required to incur entry tax (about Rs 2.80 per quintal), purchase tax (Rs 2 per quintal) and cane societies commission (Rs 4.50 per quintal), which would increase their payables to about Rs 315/quintal for the common variety.

Last year, the state had provided sops worth about Rs 11.70/quintal in tax subsidies to help mills overcome falling sugar prices.

However, the mills have now been asked to settle cane dues in a single payment unlike in instalments effected during previous years. The part payment facility was to support the sugar sector, when it was passing through rough patch due to falling sugar prices, glut in international market and arrears.

UP farmers had been demanding SAP of Rs 350/quintal due to rise in farm input costs. Sugarcane is a major cash crop in UP and there are over 4 million rural households engaged in cane farming. UP and Maharashtra are India's top sugarcane and sugar producers and contribute 50 per cent to India's annual production. Of the 117 sugar mills in the UP, 92 are in the private sector. The cooperative sector comprises 24 mills, while UP State Sugarcane Corporation Limited (UPPSCL) controls one mill.

(Source-<http://sugarnews.in/up-mills-to-procure-rs-22500-cr-of-sugarcane/>, published on 23rd November, 2016)

Silver lining for sugar industry? Mills pay off Rs 52 crore in a day

With the starting of sugarcane crushing season, three sugar mills in Bijnor paid an amount of Rs 52 crore to farmers through bank accounts on Tuesday alone. The payments made for the current season hint at a good sugar market this year. However, though the sugar mills have paid cane dues timely this year, farmers will still have to stand in queues at the banks to withdraw that money.

District sugarcane officer OP Singh said, "Twelve days after sugar mills started crushing cane, fresh sugarcane dues of Rs 52 crore were paid off to farmers on Tuesday morning. Of these, Dhampur sugar mill has paid off Rs 26 crore, Bundki Rs 12 crore and Afzalgarh mill Rs 14 crore. It is a good sign for the farmers as this year sugar factories may pay off their dues on time. The amount is being transferred into the farmers' bank accounts."

One of the reasons for the timely payment is the sudden spurt in sugar prices in the wholesale market. As against last year's Rs 2700-2800 per quintal, the prices this year have jumped to Rs 3,800 per quintal. Besides, the state government has also revised the state advisory prices from Rs 290 per quintal to Rs 315 per quintal.

Rajpal Singh, a sugarcane farmer in Kambhaur village, said, "It is a positive sign for the farmers that sugar mills have started making payment to them. However, we are unable to withdraw that amount as banks have long queues."

Sugarcane arrears is a major problem for the farmers as well as the industry. Though they arrears have come down significantly compared to that a year ago, sugar mills have to yet pay Rs 4,000 crore to the farmers across the country, more than half of it to farmers from UP. Most of the dues of UP farmers involve some big but sick sugar mills and there is government pressure to clear the outstanding arrears of Rs 2,100 crore.

Uttar Pradesh sugarcane arrears for the 2015-16 crushing season stand at Rs 1,736 crore even as the state government has warned the defaulting private sugar mills of strict action in days to come. Against the total payables of over Rs 18,000 crore pertaining to farmers' dues, the combined payment by the total 117 mills in UP stood at a little over Rs 16,266 crore, putting the payment percentage at 90.35%. Of the 117 mills, 78 mills had paid in full the requisite sugarcane State Advised Price (SAP). This includes all 24 cooperative mills and one UP State Sugarcane Corporation Limited (UPPSCL) unit in the state.

Earlier, FIRs had been lodged against big defaulters belonging to the Modi, Mawana, Simbhaoli and Rana groups under Section 3/7 of the Essential Commodities Act 1955. The state police had even raided the premises of the promoters of these groups, but they managed to evade arrest.

(Source-<http://sugarnews.in/silver-lining-for-sugar-industry-mills-pay-off-rs-52-crore-in-a-day/>, published on 23rd November, 2016)

Goa: Plans afoot to revive Sanjivani sugar factory with `30-35 crore: CM

In order to give a new lease of life to the Sanjivani Sugar Factory and make it financially viable, the government is planning to spend Rs 30 to 35 crore to upgrade the factory, Chief Minister Laxmikant Parsekar said on Monday. He was speaking as chief guest during the starting of 44th sugarcane crushing season at the factory in Dayanandnagar, Dharbandora.

Minister for Cooperation Mahadev Naik, Sanvordem MLA Ganesh Gaonkar, administrator of Sanjivani Sakhar Karkhana Damodar Morajkar, managing director Prasad Parab, registrar of cooperative societies Meena Goltekar, president of Sugarcane Producers Association Rajendra Desai and others were also present.

Addressing media persons, Parsekar said that the Kadamba Transport Cooperation Ltd has turned into profit-making corporation this year due to systematic management by the government. Likewise, the government is working on a plan for the factory. Plans for upgradation of technology at the factory are under process. The government is considering spending Rs 30 to 35 crore for bringing new technology, added Parsekar.

Mahadev Naik said that the financial state of the Sanjivani Sahakari Karkhana is not good, and hence they have taken measures to improve it. He also said that the BJP government is committed to resolve the issues of workers.

Ganesh Gaonkar said that in coming years many workers of Sanjivani Sakhar Karkhana will retire and hence there is need to appoint skilled workers. Earlier, Damodar Morajkar welcomed the gathering while Prasad Parab the proposed vote of thanks.

(Source-<http://sugarnews.in/goa-plans-afoot-to-revive-sanjivani-sugar-factory-with-30-35-crore-cm/>, published on 22nd November, 2016)

Power storage services, next in renewable energy sector'

Chairman of the Telangana State Electricity Regulatory Commission (TSERC) Ismail Khan said provisions related to ancillary/capacity services and the regulatory framework for the same need to be incorporated into the new Electricity (Amendment) Bill.

Delivering the keynote address at the 'Conference on Clean Power and Energy 2016' jointly hosted by Confederation of Indian Industry and British Deputy High Commission, Hyderabad, here on Wednesday, Mr. Khan emphasised the need to update the regulatory framework to keep pace with technological upgradation in the energy sector.

The Indian government's ambitious target of achieving 175 gigawatts of renewable energy capacity by 2022 comes with a challenge to the grid security, as the renewable energy is not dependable owing to unpredictable changes in climatic conditions, Mr. Khan said.

Storage of energy is one option to maintain grid security and stability. Development and innovation of storage services will require upgrading of regulatory framework.

While energy storage is not a new concept, and being used for a long time in the form of hydel and gas-based power generation, the time lag in both cases to pump to grid is longer when compared with the battery storage.

As of now, the renewable energy capacity of the country is very low, but as it grows, changes need to be brought in at policy levels. While Andhra Pradesh has taken some initiatives in this direction, Telangana is yet to adopt the technology, Mr. Khan said, and suggested a pilot project for storage of solar power which could serve as model project for future developers.

British Deputy High Commissioner Andrew McAllister, in his special address, spoke of the strides made by UK in the renewable energy sector, and said 13 per cent of the country's capacity is in this sector. It is aimed to be increased to 30 per cent by 2030.

"As part of the ecosystem that supports the uptake of renewable energy, energy storage solutions are very important as they offer flexibility and reliability to the grid system," Mr. McAllister said.

Senior policy analyst of the Renewable Energy Association (REA) Frank Gordon, in his address, delineated the technologies of energy storage.

(Source-http://www.thehindu.com/news/cities/Hyderabad/%E2%80%98Power-storage-services-next-in-renewable-energy-sector%E2%80%99/article16689298.ece?utm_source=RSS_Feed&utm_medium=RSS&utm_campaign=RSS_Syndication, published on 23rd November, 2016)

Narendra Modi's cash ban spells bonanza for power retailers

Electricity consumers who hadn't paid their bills for months are queuing up to square their accounts as the old notes can still be used to pay charges until 24 November

Prime Minister Narendra Modi's decision to scrap large bank notes have an unintended beneficiary: India's cash-strapped power companies.

Electricity consumers who hadn't paid their bills for months are queuing up to square their accounts as the old bills can still be used to pay charges until 24 November. In a surprise move,

Prime Minister Narendra Modi withdrew Rs500 and Rs1,000 bills as legal tender from 9 November. Since then, people have formed lines at banks, fuel retail stations and electricity billing offices to use or exchange their old notes.

Power retailers in the northern state of Haryana saw unexpected collections of Rs750 million (\$11 million) in the first ten days after the decision, Anurag Rastogi, principal secretary in the province's power department, said by phone. Other consumers paid bills well before the due date, causing a temporary surge in collections, he said. Neighbouring Punjab received extra collections of about Rs200 million, said S.C. Arora, finance director at Punjab State Power Corp.

Modi's government has been trying to revive the poorly-performing power distributors by reorganizing their debt, cutting costs and increasing revenue by reducing theft and improving collections. The retailers purchased electricity at an average price of Rs5.20 per kilowatt hour in the year ended March 2015 and earned an average Rs4.46 per kilowatt hour on sales, according to the latest data from Power Finance Corp.

Staying late

Uttar Pradesh state's power retailers have seen collections surge but don't have specifics, said Arvind Rajvedi, commercial director at Paschimanchal Vidyut Vitran Nigam Ltd, the state's biggest power retailer.

"There's definitely been a jump in collection of arrears, but we have not been able to assess how much they are," he said. "On some days, our staff has gone home only after midnight. The counters remain open until the last customer has been served."

The windfall is temporary at best, said Salil Garg, a director at India Ratings & Research, the local unit of Fitch Ratings. "There would be a very minuscule percentage of customers who didn't intend to pay, but paid back their arrears using the old notes," he said. "It's not going to make a material difference to their finances."

Some, more efficient distributors such as those in the states of Delhi and Kerala, haven't seen an impact. "Our collection efficiency is 100%," said Praveer Sinha, chief executive officer at Tata Power Delhi Distribution Ltd. The Rs500 and Rs1,000 bills accounted for 86% of the money in circulation in a country where 98% of consumer transactions in volume terms are done in cash.

(Source-<http://www.livemint.com/Industry/gKTUgSduWywjlp1lzNOdM/Narendra-Modis-cash-ban-spells-bonanza-for-power-retailers.html>, published on 24th November, 2016)

Quote of the day

"You don't choose your family. They are God's gift to you, as you are to them"- Desmond Tutu