NEWS FLASH –28th June, 2016

SUGAR

Sugar stocks jump up to 19%

Sugar stocks rose by up to 19 per cent on Monday, following expectations of better profitability. Dalmia Sugar and Dwarikesh Sugar moved up 19 per cent; Dhampur Sugar and DCM Shriram jumped nearly 17 per cent. Stocks of Shree Renuka Sugars and Bajaj Hindusthan Sugar rose nearly 12 per cent.

Following the 20 per cent export levy, there had been panic selling but traders seem to have realised that had nothing to do with domestic issues.

"The fundamentals remained absolutely unchanged over the past two months, with stable sugar prices. Hence, there is no particular trigger which drove stocks. Sugar prices remained between Rs 33 and Rs 34.50 a kg," said Abinash Verma, director-general, Indian Sugar Mills Association. Output in Maharashtra, the second largest producing state, is estimated to decline by 50 per cent during the next crushing season of 2016-17 (October–September), due to drought in major producing regions. Trade sources estimate output at 4.5 million tonnes in 2016-17, as against 8.4 mt the previous year.

A recent Rabobank report forecast India's output at 23 mt in 2016-17, as against a little over 25 mt in 2015-16. "India's output is estimated to decline, resulting in higher realisation for mills. In world markets, too, prices have not stabilised. Accumulating all, sentiment towards the sugar sector is positive," said Siddharth Deshpande, research analyst, HDFC Securities.

Global prices were $16.5 a pound by the end of May as compared to $13 a pound in September 2015, on a three to four mt supply deficit forecast.

At home, a recent study by rating agency ICRA forecast no major implications of the 20 per cent export duty on mills' profitability.

According to Sabyasachi Majumdar, senior vice-president: "Domestic sugar realisations (at around Rs 35,000 a tonne in northern India and Rs 33,000 a tonne in southern and western India) are already higher as compared to current export realisations (Rs 32,000 a tonne for shore-based players at current international prices of $500 a tonne), even without the impact of export duty. Further, with domestic consumption (at around 25.5 mt) likely to be higher than the domestic production (25.2 mt) for SY2016, marketability of domestic sugar is also unlikely to be a challenge."

"Thus, it is unlikely that mills would have been exporting any significant quantities of sugar even without this additional duty. However, this imposition might dampen prospects of further price rise, first by discouraging additional exports (which can result in a price rise in a tight market scenario) and, second, by demonstrating government intent to restrain price rise."

After a marginal decline in February, the price uptrend continued during March and April, following expectations of a decline in sugar output for 2016 from all leading producers. There also was a significant rise in international prices during May and June.

(Source- http://www.business-standard.com/article/markets/sugar-stocks-jump-up-to-19-116062700947_1.html, published on 27th June, 2016)

Karnataka : Sugarcane growers seek revised FRP

The Karnataka Sugarcane Growers Association has said that it will give a call to the growers not to cultivate sugarcane if the Union government fails to revise the fair and remunerative price (FRP).

Association president Kurubur Shanthkumar told presspersons here on Sunday that the Union government had fixed the FRP at Rs. 2,300 per tonne without taking into account the rise in prices of sugar and the cost of cultivation.

Cost of cultivation

The estimated cost of cultivation per tonne was Rs. 3,080. The government should fix the minimum FRP at Rs. 3,000 per tonne. Otherwise, the growers would incur losses, he said.

Last year's price

The Union government had retained last year's FRP this year too. It would be better if the growers give up cultivation if they could not get fair prices for their produce. The State-level farmer's conference to be held in Mysuru on July 5 would give a call to the farmers not to cultivate sugarcane this year if the Union government did not revise the FRP, Mr. Shanthkumar said.

He condemned BJP leaders for ignoring the interests of sugarcane growers.

"They are talking about taking a delegation of parliamentarians from the State to take up the issues of the coconut and arecanut farmers with the Union government. Have they failed to understand that sugarcane growers too are farmers? The Union government not bringing sugarcane and silk under the Prime Minister's Fasal Bima Yojna is an injustice to the growers," Mr. Shanthkumar said.

(Source- http://sugarnews.in/karnataka-sugarcane-growers-seek-revised-frp/, published on 27th June, 2016)

Maha: Administration warns traders against excess stock of sugar

The Nashik Municipal Corporation (NMC) on Friday said it has decided to plant 21,000 trees along ring roads and other major routes in the city by next month.

The tree plantation drive will be carried out as per the high court's order.

The civic administration has already given work orders to nine agencies for tree plantation. Accordingly, these agencies have procured trees from nurseries across the country. The plantation work will take place once the monsoon begins in a full-fledged manner. The first lot of 200 trees having a height of 15m arrived in the Panchavati division of the city on Friday.

The municipal corporation had cut trees while expanding roads during the Kumbh Mela. Environmentalists had moved the court against tree cutting. Accordingly, the Bombay high court directed the municipal corporation to plant 21,000 trees in the city.

Speaking to TOI, a senior NMC official said, "The plantation of 21,000 trees is estimated to cost Rs 4.9 core. We have already given work orders to nine agencies, which have procured trees from nurseries in Gujarat, Andhra Pradesh, West Bengal and other states. The tree plantation will take place by next month."

"Altogether 70 varieties of trees, including ficus benghalensis (vad), ficus religiosa (pimpal), mimusops elengei (bakul), bauhunia racemosa (kanchan) and caryota urens (bherli mad) among other varieties will be planted," he said.

On June 19 last year, the tree authority committee gave approval to plant 21,000 trees across the city at a cost of Rs 4.9 crore. As many as 17,500 trees having a height of 15ft are to be planted along the new roads (length 105km), which include inner, middle and outer ring roads. The plantation of these trees is estimated to cost Rs 3.67 crore.

The remaining 3,500 saplings are to be planted at open spaces, jogging tracks and other places in the city by spending Rs 1.23 crore, with five-year maintenance.

The court had ordered in May 2014 that the Nashik Municipal Corporation (NMC) should seek its permission to cut a single tree in the city limits. The NMC had sought the permission of the court to cut 2,400 trees for road widening as part of the Kumbh-related works. Thereafter, an expert committee including the chief conservator of forests (CCF) was appointed to conduct a survey of the trees.

The HC had permitted the civic body to cut or fell the trees recommended by the committee other than the trees which exist on road numbers 1 and 21 strictly in accordance with law and to the extent recommended by the expert committee on certain terms and conditions.

(Source- http://sugarnews.in/maha-administration-warns-traders-against-excess-stock-of-sugar/, published on 25th June, 2016)

TN: Farmers urge the government to prevail upon sugar mills to release arrears

Farmers staged a walkout from the grievance day meeting here on Friday demanding complete waiver of all crop loans and immediate disbursal of arrears to sugarcane growers from the mills.

It was the district president of the Tamilaga Vivasayigal Sangam Kakkarai Sukumaran, who led a section of farmers to besiege Collector N. Subbaiyan and demanded that Tamil Nadu must be declared drought-hit and all farm loans with all types of lending institutions for all sections of farmers must be waived as "farming has been affected in the past five years".

With mills having run up dues to growers for the sugarcane supplied to them, the sugarcane growers were not in a position to repay loans. Banks were discrediting defaulting sugarcane growers by publicising their photographs and names. It must be stopped and fresh loans released while the State government must ensure that water from the Mettur Dam was released for samba crop in time.

Raising slogans highlighting those issues, a group of farmers then staged a walkout from the meeting boycotting the proceedings.

Thanjavur District Cauvery Farmers' Protection Association members, led by secretary Swamimalai R. Vimalnathan, thanked Chief Minister Jayalalithaa for acceding to their long-pending demand of constructing a bed regulator across the Cauvery near Kumbakonam and for plans to establish a tender coconut trading centre and urged the State government to issue a proper Government Order in this regard.

They raised the issue of mounting arrears by sugar mills to growers.

Two private sugar mills had dues amounting to Rs. 90 crore. The administration must launch proceedings under the Revenue Recovery against the two mills to get payments quickly to farmers.

Another section of farmers coming under the banner of the Kurungulam Arignar Anna Sugar Mills Cane Growers' Association, led by president Peramalakudi Ramanathan, alleged that the mill was retaining Rs. 750 a tonne for the sugarcane supplied and that was depriving farmers from meeting other pressing expenses.

The practice must be discontinued and all amount due to growers must be given in one go, he urged and added that the inquiry and case pertaining to embezzlement of growers' money and the multi-crore scam that rocked the mill management was not moving as swiftly as expected. Decrying that, he and his association members staged a walkout.

Tamilaga Revolutionary Farmers' Front coordinators M. Pugalendi and Pon. Ravichandran, who were carrying a plough and a shovel, wanted June 12 to be declared Tamilaga farmers' day, demanded proper dredging of all rivers and channels and declaring Cauvery delta as protected agricultural zone. They staged a walkout.

(Source- http://sugarnews.in/tn-farmers-urge-the-government-to-prevail-upon-sugar-mills-to-release-arrears/, published on 25th June, 2016)

Co-gen/Power

Auctioning of UDAY bonds by Raj wins RBI praise

Successful auctioning of UDAY bonds by the state government has received appreciation from Reserve Bank of India (RBI). After assessing the whole process, RBI is now planning to introduce it as a model in other states too

Giving its approval on the whole auctioning process, RBI in its communication to the state government asserted that the process was completely transparent and impeccable. Bonds worth Rs 20,000 crore under UDAY scheme were issued by Rajasthan government on June 21. They were oversubscribed nearly doubled by the financial institutions on June 21. According to the sources, RBI is now planning to replicate the process in other states that are part of the Ujwal Discom Assurance Yojna (UDAY). The reason for Central Bank's enthusiastic response is that Punjab, Haryana and UP did not give encouraging results.
Earlier, Haryana had conducted auctioning of Rs 7,000 crore bonds but managed to sell only Rs 6,000 crore. Similar, experience was observed in Punjab and UP.
Bonds issued by Rajasthan and other states are a part of a tripartite agreement with the Central government and its three discoms for operational and financial turnaround of state power distribution companies. Under this, a state is expected to issue non-SLR bonds in the market directly to the respective banks and financial institutions holding the discom debt.

(Source- http://indianpowersector.com/2016/06/auctioning-of-uday-bonds-by-raj-wins-rbi-praise/, published on 27th June, 2016)

Reliance Power eyes Rs 714 cr from Tilaiya procurers

After pulling out of Tilaiya UMPP on a host of issues, Reliance Power is looking to secure a total of Rs 714 crore as bank guarantees and compensation from 18 procurers of the electricity project.

Of this, Rs 600 crore will be in the form of bank guarantees the procurers had offered to buy electricity and another Rs 114 crore as compensation for various expenses incurred by the Anil-Ambani led company.

The formalities with the 18 procurers in 10 states for the release of money are at final stage and the company hopes to achieve closure very soon, a person familiar with the matter said.

The power producer had in April last year given up the project, saying the host state,Jharkhand, had not co-operated in land acquisition, captive blocks and related infrastructure over the previous five years.

If it can get the bank guarantees of the procurers encashed, it would be a big relief for Reliance Power, which on June 21 was served a show-case by the Coal Ministryasking it to explain the reasons for delays in developing coal mines allocated for the Tilaiya project.

"You are called upon to show cause… as to why the delay in the development of the coal block should not be held as violation of the terms and conditions of the allocation of Kerandari B&C coal block and why the bank guarantee should not be deducted for non-achievement of milestones," the ministry said in the notice.

The Coal Ministry has a bank guarantee of Rs 208 crore for Kerandari B&C coal blocks allocated for the Tilaiya project.

(Source- http://indianpowersector.com/2016/06/reliance-power-eyes-rs-714-cr-from-tilaiya-procurers/, published on 26th June, 2016)

Here's how Modi govt plans to save Rs 36,000 cr, cut your power bill

The government is set to allow power generation units run by central and state governments and public-sector undertakings to transfer coal stocks among themselves to cut costs by optimum use of efficient plants. The move will enable these entities to cut fuel expenses by Rs 36,000 crore per annum.

"The transfer of coal between one state and another as well as between any state and central generating companies will be implemented as per mutually-agreed terms and conditions, under the ambit of the regulations of central and state regulators so as to reduce the cost of power generation," a committee set up by the power ministry under the Central Electricity Authority said.

While confirming that the scheme would soon be implemented in the interest of consumers, official sources said a view was yet to be taken on whether the facility should be extended to private power companies.

Nearly half of Coal India's estimated production of about 600 million tonne in the current financial year will come under the flexible transfer scheme, benefiting Centre-run firms such as NTPC and the Damodar Valley Corporation as well as plants run by state electricity boards.

If private power generators, which consume around 170 million tonne of coal annually, are given the same freedom, power tariffs could potentially come down.

Currently, even as many old power plants are severely under-utilised (the average pan-India plant load factor is just over 60%), coal received by these units under the government's so-called linkage policy remains with them, leaving more efficient plants starved of the fuel.

According to sources, the government would notify the rules for bringing private companies under the scheme only after it is convinced that they will reduce the cost of power for consumers. The committee, which drafted the scheme's methodology, includes stakeholders such as the power ministry, coal ministry, railways ministry, Central Electricity Regulatory Commission (CERC), NTPC, Coal India and POSOCO, the nodal agency for transmission of power.

(Source- http://indianpowersector.com/2016/06/heres-how-modi-govt-plans-to-save-rs-36000-cr-cut-your-power-bill/, published on 27th June, 2016)

Coal India asks subsidiary Central Coalfields Limited to clarify share valuation norm

The board of directors of Coal India is not too happy with the share price valuation norm adopted by its subsidiary Central Coalfields Limited and has asked for clarifications about the evaluation method used.

The board of directors of Central Coalfields, at its meeting held on June 16, 2016 considered and approved buyback of 23.5 lakh fully paid equity shares of face value Rs 1,000 each at price of Rs 4,800 per share totalling Rs 1,128 crore. The evaluation norm used by Central Coalfields is different from the evaluation norm used by other subsidiaries. Had Central Coalfields used the same valuation norm, the share price would have been higher and Coal IndiaBSE 0.84 % would have received a little larger sum through the buyback.

"All subsidiaries should have used the same share price evaluation method. However, Central Coalfields used a method that was different from the other four subsidiaries," said a senior CIL official.

The board of directors of Coal India, at a meeting held on June 18, have asked for clarification about the valuation norm used by CCL. The meeting was convened to accept the share buy-back proposals announced by the five subsidiaries of Coal India. The board has not yet accepted the proposals," he said.

Five subsidiaries have announced buybacks that would add Rs 5,095 crore to Coal India's kitty. South Eastern Coalfields, decided on a Rs 1,200-crore buyback. Its board approved buyback of 8.46 lakh fully paid equity shares of face value of Rs 1000 each at a price of Rs 14,180.57 per equity share.

(Source- http://economictimes.indiatimes.com/industry/indl-goods/svs/metals-mining/coal-india-asks-subsidiary-central-coalfields-limited-to-clarify, published on 27th June, 2016)

Thought of the day

'Learn from yesterday, live for today, hope for tomorrow. The important thing is not to stop questioning.' -Albert Einstein