

NEWS FLASH –30th May, 2016

SUGAR

Centre open to lowering import duty on sugar

Maharashtra imposes stock-holding limits on sugar to check prices from rising

The Centre had not closed the option of lowering the import duty on sugar and would explore it to boost supplies, as and when necessary, a senior official said.

He said a decision to this effect was taken at a recent meeting of the committee of secretaries, where it was decided to explore the option of lowering duties, whenever needed.

The government imposes a duty of almost 40 per cent on raw sugar imports. This was raised from 25 per cent in April 2015.

Sugar prices in retail markets have risen by Rs 4-7 per kg since April 2016 in anticipation of a shortfall in production due to last year's drought.

The output in the 2015-16 sugar crop season (October to September) is now estimated to be around 25.2 million tonnes, three million tonnes less than the previous year because of drought in the main growing regions of Maharashtra and Karnataka.

Production is expected to dip further as new crop planting in Maharashtra has been affected by water shortage. Industry players said in the 2016-17 crop year, sugar production in India might be only around 24 million tonnes.

"It is under these circumstances that the Centre wants to keep all its options of price control open," the official said.

He said not only rising prices of sugar but also those of edible oils and pulses were a cause of concern for the government, particularly during July-December, when most festivals occur.

"The PMO is regularly monitoring prices of essential commodities and also reviewing the steps needed to keep them under check," the official said.

He said the PMO was concerned about the prices of essential commodities, particularly in vulnerable areas prone to shortages such as Delhi.

A decision has also been made to engage the services of a private agency to monitor prices of essential commodities and evaluate production and supply trends.

States have been told to speed up action against hoarders and, if needed, joint action can be initiated by state and central agencies.

In a related development, Maharashtra has imposed stock-holding limits on sugar to check prices from flaring up.

According to an order issued late on Thursday, traders are prohibited from holding more than 500 tonnes of sugar. Maharashtra is India's biggest sugar producing state.

The Centre last month had empowered states to impose stock holding limits on sugar to prevent hoarding.

It had set a limit of 1,000 tonnes for traders in Kolkata and 500 tonnes for traders in all other parts of the country.

The Centre had also on May 23 notified an FRP (fair and remunerative price) of Rs 230 per quintal for sugarcane for the 2016-17 season, based on a 9.2 per cent recovery rate.

A Cabinet decision on this was taken in April, but a formal announcement was withheld because of ensuing state elections.

http://www.business-standard.com/article/economy-policy/centre-open-to-lowering-import-duty-on-sugar-116052800037_1.html, published on 28th May, 2016)

Sugarcane arrears at over Rs 2,500 cr in UP

Of total payables of about Rs 14,816 crore on UP sugar units, the mills have collectively paid Rs 12,237 crore

With sugarcane arrears topping Rs 2,500 crore for the just-concluded 2015-16 crushing season, the Uttar Pradesh government is gearing up to turn the heat on defaulters, especially those in the private sector. Of the total payables of Rs 14,816 crore, the mills had collectively paid Rs 12,237 crore, or 83 per cent, leaving Rs 2,579 crore as dues.

While some four dozen mills, both standalone and those belonging to big groups, have cleared their entire dues, 52 units have paid less than 90 per cent of the dues.

UP Cane Commissioner Vipin Kumar Dwivedi has summoned the representatives of the defaulting mills for a review meeting on June 1 to issue stern directives to make farmers' payments without further delay. The sugar sector in UP is dominated by the private sector with 92 units, followed by cooperative mills (24). The UP State Sugar Corporation Limited (UPSSCL) has one unit. While the lone UPSSCL unit had paid its full dues, the collective payment by the 24 cooperative units stands at 89 per cent. The private sector is the laggard with a payment percentage of 82 per cent. However, the actual payment this year has been better than last year's. Against total sugarcane payment of Rs 10,954 crore during the

corresponding period of 2014-15 crushing season, the payments this year stand at Rs 12,237 crore, higher by Rs 1,283 crore.

This is partly due to higher retail sugar prices this year, stagnant sugarcane prices, better cane recovery percentage of 10.50 per cent.

According to the preliminary estimates by the Indian Sugar Mills Association, the cane area in UP during 2015-16 was 2.3 million hectares. The state is trying to increase cane yield to 70 tonnes per hectare from the current level of 65 tonnes.

This year, UP mills had produced 6.9 million tonnes of sugar, compared to 7.04 mt in 2014-15.

(Source- http://www.business-standard.com/article/economy-policy/sugarcane-arrears-at-over-rs-2-500-cr-in-up-116052900337_1.html, published on 30th May. 2016)

Price rise: Govt caps sugar stocks

Under attack for its failure to control the price of tur dal, the state government has put a cap on the quantity of sugar that wholesalers and retailers can stock.

Last month, the sugar industry had expressed fears that retail prices will increase by over Rs 10-15 due to the drop in production. Retailers are currently selling sugar between Rs 30 and Rs 35 per kg.

The government on Friday issued the Maharashtra Scheduled Commodities Wholesale Dealers' Sugar (Storage Control) Licensing Order, 2016, which applies to the entire state and will be in effect till October 25, 2016. The order forbids a wholesale dealer from holding stocks of sugar in excess of 5,000 quintal, while the limit for retailers is 500 quintal. Also, a dealer cannot hold the specified quantity of sugar for more than 30 days after receiving it.

The Centre had issued an order last month directing all state governments to take necessary steps to control sugar prices. "We have followed orders from the Centre and issued a stocking limit for the state. It is to keep prices under control as sugar cannot be held back to create artificial scarcity," a senior official with the state's food, civil supplies and consumer protection department said.

Sugar factories, however, feel setting a stock limit will not be useful. "Sugar production is on the decline this year, so I am unsure whether this order will have any impact," Sanjeev Babar, MD, Maharashtra State Co-Op. Sugar Factories Federation Ltd, said. Officials confirmed that there has been a drop in sugar production in the state in the last two years, and production in the next year is expected to dip .

In 2014-15, sugar production was 105 lakh tonne, which came down to 83 lakh tonne in the 2015-16 fiscal. The next crop is expected to be only 45-50 lakh tonne with the drought-like condition prevailing since three years taking a toll.

The area under sugarcane cultivation too has reduced by over 3 lakh hectare and is expected to shrink further. Last year, the total area under cultivation was 9.27 lakh hectare; this has come down to 6.30 lakh hectare this year.

Shirish Deshpande of the Mumbai Grahak Panchayat said such measures will have a “very limited effect”. “Despite imposing a stock limit to tur dal, prices which had gone up are yet to come down. Those who want to sell in the black market can devise various ways [to do so], so it is not a foolproof system,” he said.

Mr. Deshpande also questioned the sudden rise in sugar prices. “Except for last year, we had excess sugar production. There was sugar stock which could have been used to control prices. It must also be probed as what led to sudden rise in sugar prices,” he said.

(Source-<http://www.thehindu.com/news/cities/mumbai/news/price-rise-govt-caps-sugar-stocks/article8665322.ece>, published on 30th May, 2016)

Co-gen/Power

Coal India Q4 profit flat at Rs 4,248 cr

Coal India (CIL) reported a flat fourth quarter with profit after tax at Rs 4,247.92 crore, against Rs 4,238.54 crore during the year-ago period.

CIL reported a 3.99 per cent year-on-year rise in its net profit to Rs 14,274.29 crore for 2015-16, compared with Rs 13,726.61 crore in 2014-15.

Although production jumped 9.01 per cent Y-o-Y to 538.75 million tonne and offtake increased 9.22 per cent Y-o-Y to 534.49 MT in FY16, the net profit was not commensurate with these figures.

CIL's total income from operation for the quarter remained flat at Rs 21,402.75 crore, compared with Rs 21,339.55 crore during the corresponding period of FY15. For FY16, income from operations grew 5.04 per cent Y-o-Y to Rs 75,644.27 crore from Rs 72,014.62 crore in FY15.

(Source- <http://indianpowersector.com/2016/05/coal-india-q4-profit-flat-at-rs-4248-cr/>, published on 30th May, 2016)

Ind-Ra: Reverse E-Auction May Lower Bilateral Power Prices

The price discovery for power through the recent e-auction mechanism has been lower than the bilateral power trade prices, thus pushing down reference prices for short-term power tariffs, says India Ratings and Research (Ind-Ra). Bilateral markets are a playing ground for large power traders and they provided a reference price for majority of the short to medium term price assumptions. Ind-Ra believes that in the event the e-auction platform emerges as the most efficient mechanism for price discovery, bilateral trade prices may track the e-auction prices. Ind-Ra believes the decline in bilateral power prices can impact the credit profiles of independent power producers (IPPs) with untied capacities which were trading through the bilateral route earlier.

The other critical aspect of the e-auction tariff is that it is quoted by the IPPs at the delivery point of the respective state periphery of the procurer and hence includes the costs that the

IPP will have to bear including intra-state open access charges, transmission charges, point of connection injection charges and losses. Therefore, the net realisation to the IPP will be lower, which highlights the fact that the power market continues to be a procurers market and low net realisation for the IPPs can impact their cash flows. In fact leveraged IPP's may need to look for refinancing of debt.

(Source- <http://indianpowersector.com/2016/05/ind-ra-reverse-e-auction-may-lower-bilateral-power-prices/>, published on 27th May, 2016)

ETHANOL

Modi takes on sugar lobby, says will not hesitate to boost Ethanol

He contended that if Ethanol production is encouraged, it would create a win-win situation for all stakeholder.

Strongly backing sugarcane farmers in their battle with sugar factories to get their pending dues, Prime Minister Narendra Modi on Sunday declared that he would not hesitate to take on the all-powerful petrol-diesel lobby to boost Ethanol production and reduce the dependence of farmers on sugar production in the country.

Speaking at the BJP's Vikas-Parva rally at Davangere here, Mr Modi, who is perceived to be close to industrial powerhouses like the Ambanis, said, "It is not that this idea of boosting Ethanol production did not exist earlier.

"I feel then governments succumbed to the powerful petrol-diesel lobby and this adversely affected sugarcane farmers of Uttar Pradesh, Maharashtra and Karnataka," Mr Modi said.

He contended that if Ethanol production is encouraged, it would create a win-win situation for all stakeholders except a few who control the petrol-diesel lobby.

"It will end the heavy dependence of farmers on sugar factories, growers can get their dues in time while factories can up their profits by increasing Ethanol production. In some countries, Ethanol is being blended with petrol to the extent of 30 per cent, this will save a lot of foreign exchange. No matter, what it takes, I will continue to struggle to find solutions to the problems of the poor and farmers. My biggest ambition is get rid of middlemen in agro-marketing, which will surely benefit farmers in the long run," he argued.

Thought of the day

Good judgment comes from experience, and a lot of that comes from bad judgment. Will Rogers