



VITAL INDUSTRY UPDATES - 05/08/2015

Raw sugar near 6-1/2-year low on Asian glut

Raw sugar futures hovered on Tuesday above a 6-1/2-year low, pressured by a weak Brazilian currency and hefty stocks in Asia, while arabica coffee futures firmed and cocoa held steady in light volumes.

October raw sugar futures on ICE traded up 0.07 cent at 10.96 cents a lb at 1042 GMT, after falling on Monday to 10.84 cents, the lowest since December 2008.

Huge Thai and Indian sugar stocks weighed on prices.

October white sugar were up \$0.20 at \$347.30 a tonne.

“The influence of the real (Brazilian currency) and the very strong dollar has ultimately been the driver of the weakness in sugar prices for some time now,” said Tracey Allen, commodities economist with Rabobank.

“The other factor is that we have fairly good weather in the centre-south of Brazil and that’s enabling the harvest to progress relatively rapidly for the time being.” September arabica futures were up 0.7 cents at \$1.2465/lb.

“Because there isn’t a fundamental story for the market to hold on to, it’s following the commodities complex and the fundamentals of the dollar,” said Ricardo Santos, coffee trader with Equatorial Traders.

He was referring to a softer dollar against a basket of currencies, underpinning dollar-based arabica and robusta coffee futures.

September robusta futures were up \$8 at \$1,633 a tonne, after touching a two-month low of \$1,621 on Monday.



Coal imports drop for first time in 15 months

Coal imports fell 11 per cent to 19.3 million tonnes in July from a year earlier - the sharpest and the first drop in more than a year - as local supplies rose and money losing power generators held up purchases, commodities trader mjunction said.

Prime Minister Narendra Modi has been credited with the turnaround in output by state-run Coal India, but he is now grappling with power distributors that are so deep in debt that they can't pay to buy power from generators.

Power generators, as a result, are operating both below their capacity and last year's levels. "The demand for electricity from distribution companies is not growing the way it was projected to grow," mjunction Chief Executive and Managing Director Viresh Oberoi said in an email.

"The poor financials (of distribution companies) that reduced their purchasing capacity is also one of the reasons for lower-than-expected electricity generation."

India, the world's third largest buyer of foreign coal, imported 20 per cent less of thermal coal used in power generation in July from a year ago, according to provisional data from mjunction.

The last fall in total coal imports was in April 2015. Oberoi expects thermal coal imports to fall further, a prediction likely to cheer Coal Secretary Anil Swarup, who told Reuters late in July imports will come down "dramatically" in the next two to three months.

Coal and power minister Piyush Goyal forecast imports will slide 3 per cent in the year to next April, to 210 million tonnes, but Government officials said actual purchases could be much lower. Government data on coal imports



generally lags and varies from data from private firms such as mjunction, which collects information from more ports and includes additional coal grades.

Power firms worried over notification on emission norms for thermal coal plants

A draft notification issued by the Ministry of Environment and Forest (MoEF) in mid-May asking all thermal coal power plants to drastically reduce their emissions has put power companies in a spot.

The companies are worried that they would have to pump in significant investments to fully comply with the proposed rules, at a time when most of them are already dealing with stressed balance sheets.

The power companies with whom *BusinessLine* spoke to said that the emission norms will require them to install expensive equipments such as Electrostatic Precipitators (ESP) and Flue Gas Desulfurisation units. The biggest source of pollution from thermal coal power plants is particulate matter, which is a sum of all solid and liquid particles suspended in air. In India, the particulate emission norm for an average power plant is 150 milligram per normal cubic metre (mg/Nm³). The proposed notification has asked the power companies to reduce emissions of particulate matter to 100 mg/Nm³ for units that have been installed before December 31, 2003. For those units installed between 2004 and 2006, the emissions limit is being set to 50 mg/Nm³. For plants coming up after January 2017, the emission level is pegged at 30 mg/Nm³. The draft notification has not mentioned standards for plants set up between 2007 and 2017.

An executive with a leading power equipment maker said that about 70 per cent of the operational units across the country are of 210 MW and most belong to the 1980-2000 period.

“To refurbish old ESPs or install new ones, it will cost ₹40-50 crore a unit. For refurbishment, plants will have to be in a partial shutdown for 12 months. They



may have to cut power generating capacity to 30 per cent, which will further impact sales,” said an industry executive.

Utilities controlled by State Governments could be the worst hit, as they are saddled with older technology. “Some State Government utilities may not even find it economical to run such plants. They could shutdown the plant, buy cheaper power from the market and sell it to their customers,” said an executive of a Mumbai-based power company.

Sources in the MoEF said that final notification on the emissions could be brought out as early as mid-October.

No need to reply to Centre's letter on Prospecting License to Posco: Prafulla Kumar Mallick

Odisha steel and mines minister Prafulla Kumar Mallick today said there is no need to reply to the Centre's missive seeking clarification on granting Prospecting License in favour of Posco-India, which proposed to set up a 12 MPTA steel facility in the state.

“Union Mines Minister Narendra Singh Tomar in a letter to Chief Minister Naveen Patnaik in March had already clarified that Posco was not eligible for PL under the new MMDR Act. Therefore, we did not consider it appropriate to reply to the letter issued by the Ministry of Mines in April,” Mallick told reporters while responding to a question on Union Minister of State for Steel and Mines Vishnu Deo Sai's statement to a query in Lok Sabha yesterday.

Sai in his reply had stated that the Government of India (Ministry of Mines) had received a proposal from the Odisha government for grant of PL to Posco for iron ore.



He said the Ministry in its letter mentioned that in case the Odisha government's application was eligible, the Centre would take further action based on the recommendation of the state government.

Mallick quoted Tomar's letter which said "Facilitation for setting up of proposed steel plant by Posco in Odisha may only be done in the present ambit of prevailing Act and Rules. The state government may prepare for initiating the auction process under the provisions of the MMDR Amendment Act, 2015 in which Posco may also participate".

The state government had recommended grant of PL to Posco-India over 2,082.50 hectares in Sundargarh district.

Besides, Mallick pointed out that a recent letter from the Union Mines Ministry said the proposal for grant of mineral concession for Posco-India was ineligible as per the provisions of Section 10 A (1) of the MMDR Act.

Meanwhile, on his return from New Delhi, Chief Minister Naveen Patnaik today said "We will seek Centre's help on the Posco issue."