

India likely to become net importer of sugar in 2016-17

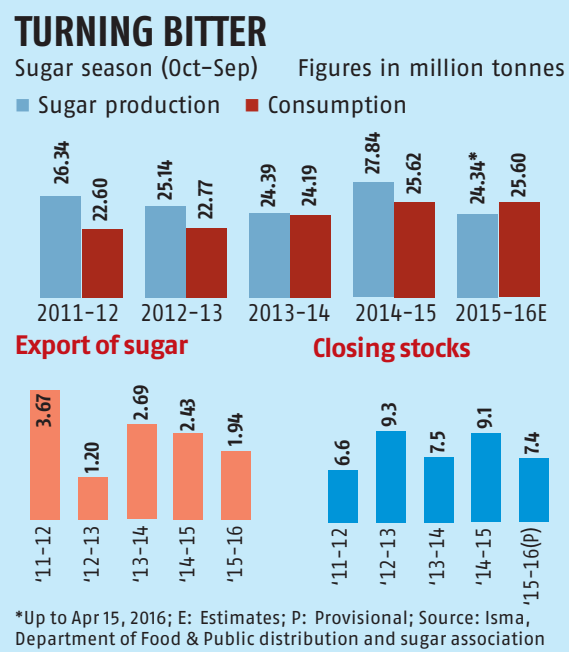
Back-to-back drought years threaten output

REUTERS
Mumbai/London, 27 April

India is likely to become a net importer of sugar in 2016-17, as back-to-back drought years dry irrigation channels and ravage cane fields, with output in the country's biggest producing state seen dropping over 40 per cent.

That would mark the first time the nation has been a net importer of the sweetener in four years, with the switch likely to support global prices that have already been rising this year.

It would also give rival producers such as Pakistan, Thailand and Brazil the chance to boost shipments from their ports. "India will need to import next year due to a pro-



duction shortfall," Ashok Jain, president of the Bombay Sugar Merchants Association (BSMA), told Reuters. "Drought has severely affected cane plantations in Maharashtra. The government should stop exports now to

reduce import requirements in the next season."

The El Nino weather phenomenon, which brings dry conditions to many regions, has stoked the worst drought in decades in some parts of India, with thousands of small-scale sugar cane growers in Maharashtra state failing to cultivate crops for the next marketing year, starting October. "Even for drinking water we are relying on water tankers. It wasn't possible for anyone from our village to cultivate cane," said Baban Swami, a farmer standing in a parched field in the Latur district of Maharashtra, around 500 km southeast of Mumbai. That could help push overall output below consumption for the first time in seven years. "Next year, Maharashtra's production could drop below five million tonnes. This may pull down the total output to 22.5 million tonnes," said B B Thombre, president of the

Western India Sugar Mills Association. Next season's local consumption is pegged at around 26 million tonnes.

The world's biggest sugar consumer is set to churn out 25.7 million tonnes in the current season, with Maharashtra contributing 8.5 million tonnes. Indian mills are contracted to export nearly 1.5 million tonnes this season. "I think there is a possibility we could see imports to India next year," said Tracey Allen, a commodity analyst at Rabobank in London. Indian imports have in the past boosted global sugar prices, traders said. "The global supply deficit is going to rise with the Indian shortfall. This could trigger a rally, although a lot depends on how much sugar India needs to import," said a Singapore-based dealer with a global trading firm. He declined to be identified as he was not authorised to speak with media.

Shipping companies see rise in Baltic Dry Index as a blip

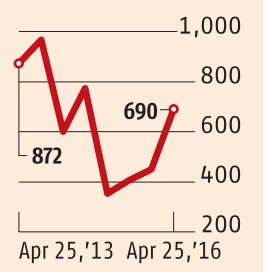
MOMENTARY HAPPINESS (Index return in %)

The grain harvest season in South America is the cause for the blip because freight rates from the region to China have improved

Baltic	1-year	1-month	Since Apr 1
Baltic Dry	15.00	69.95	53.33
Baltic Clean Tanker	-9.17	11.67	12.12
Baltic Dirty Tanker	0.00	-3.83	-6.60
Baltic Supramax	-9.94	18.82	18.07

Source: Bloomberg
Compiled by BS Research Bureau

BALTIC DRY INDEX



ADITI DIVEKAR
Mumbai, 27 April

The rising trend in the Baltic Dry Index, the benchmark for dry bulk freight, has failed to entice Indian shipping companies because most see it as a blip that does not reflect the trade situation.

The Baltic Dry Index is at 690, up 70 per cent month on month and 95 per cent in the last three months. "There is nothing to be excited about. The jump is purely momentary," said an executive with the Shipping Corporation of India. The grain harvest season in South America is the cause for

the blip because freight rates from the region to China have improved. "If the index continues to rise, it will reflect in freight rates for domestic shipping companies," said an executive with Essar Shipping. "This could lead to \$8,000-10,000 freight per day, which will help companies cover their interest costs," he added.

Shipping Corporation of India, Great Eastern Shipping, and Essar Shipping are leaders in the Indian shipping market. "The trade routes that make up the dry bulk index do not include any of India's routes. This index is more of a sentiment gauge for Indian shipping

companies," said an executive with Equator Maritime.

"The dry bulk situation remains poor for Indian shipping companies when exports are falling," he added.

India was one of the world's top iron ore exporting countries before the financial crisis hit. Duties on some minerals have discouraged exporters, hurting overall trade.

"Also the problem for bulk cargo in coastal shipping is there is no return cargo available. Shipping companies do not find it effective to run vessels along the coast," said the executive with Equator Maritime.

PRICE CARD

As on April 27

	International Price	%Chg	Domestic Price	%Chg
METALS (\$/tonne)				
Aluminium	1,632.0	8.2	2,076.7	7.9
Copper	4,935.5	9.5	6,230.2	4.9
Nickel	9,060.0	4.7	10,805.1	2.1
Lead	1,733.5	4.7	2,046.7	11.4
Tin	17,375.0	23.2	19,834.5	18.9
Zinc	1,871.0	17.1	2,498.1	6.9
Steel-HRC	370.0	31.7	402.5	8.5
Gold (\$/ounce)	1,250.5*	11.2	1,371.2	12.2
Silver (\$/ounce)	17.4*	20.0	19.3	19.1
ENERGY				
Crude Oil (\$/bbl)	45.3*	42.8	41.7	48.6
Natural Gas (\$/mmBtu)	2.0*	-7.3	2.2	-0.3
AGRI COMMODITIES (\$/tonne)				
Wheat	152.5	-1.7	245.3	0.6
Maize	183.9*	8.9	220.6	2.1
Sugar	463.6*	11.8	555.6	16.6
Palm oil	705.0	23.7	935.7	28.1
Rubber	1,735.3*	37.1	2,158.7	54.0
Coffee Robusta	1,553.0*	13.6	1,738.1	8.5
Cotton	1,406.3	4.8	1,528.8	7.6

*As on April 27, 16:00 hrs IST, & Change Over 3 Months Conversion rate 1 USD = 66.45 INR. 1 Ounce = 31.1034736 grams.

Notes:
1) International metals, Indian basket crude, Malaysia Palm oil, Wheat LUFFE and Coffee Karnataka robusta pertains to previous days price.
2) International metals are LME Spot prices and domestic metal are Mumbai local spot prices except for Steel.
3) International Crude oil is Brent crude and Domestic Crude oil is Indian basket.
4) International Natural gas is Nymex near month future & domestic natural gas is MCK near month future.
5) International Wheat, White sugar & Coffee Robusta are LUFF E future prices of near month contract.
6) International Maize is MATIF near month future, Rubber is Tokyo-TODM near month future and Palm oil is Malaysia FOB spot price.
7) Domestic Wheat & Maize are NCDEX future prices of near month contract, Palm oil & Rubber are NCDEX spot prices.
8) Domestic Coffee is Karnataka robusta and Sugar is M30 Mumbai local spot price.
9) International cotton is Cotton no. 2 - HYBRID near month future & domestic cotton is MCF future prices near month future.

Source: Bloomberg
Compiled by BS Research Bureau

E-commerce firms, retail groups increase handloom sale

T E NARASIMHAN
Chennai, 27 April

The handlooms commissioner under the Union ministry of textiles says they have brought in nine leading e-commerce entities, including Flipkart, Amazon and eBay, to increase these products' penetration in the domestic market. With the same end, they also tied up with 70 retail outlets.

Alok Kumar, the development commissioner (handlooms), said: "The domestic market has huge potential but the problem is branding and reach. To address this, the department has tied-up with e-commerce players and private companies to sell handloom mark products. We foresee very high levels of sales with the e-commerce partners in the next five years."

Traditionally, handloom were focused on sarees and ethnic wear. To attract the younger generation, the ministry is looking at Indo-Western products, casual and office wear.

The ministry says portals

EXPANDING REACH

E-commerce firm	Area
Flipkart	Varanasi cluster (UP)
Weave Smart Online Serv	Andhra Pradesh, Telangana and Tamil Nadu
eBay India	UP (Varanasi, Barabanki, Bijnoor), MP (Maheshwar), West Bengal (Samudragarh), Manipur (Imphal), Assam (Sualkuchi), TN (Palani), Telangana (Pochampally), MH (Yeola), Himachal Pradesh (Kullu), Rajasthan (Kota), Kerala (Kannur). Focus cluster Parmakudi (Tamilnadu), Bodoland (North East), Champa (Chattisgarh) and Nuapatna (Odisha).
Pegarse Technology	UP, Tamil Nadu, Kerala
Crafts villa Handicrafts	Maharashtra, MP, Odisha
GoCoop Solution & Serv	West Bengal
Gaatha Handicraft P Ltd, I	West Bengal, AP, Karantaka
Amazon Seller Services	Kota, Nadia, Bargarh, Bijoy Nagar (Assam)

Source: Handloom commissioner

are approaching weavers directly, too; one has apparently done with 24 weaver societies. The weaver or manufacturer has to get approval and registration, and are then linked with an e-commerce partner for uploading specified products on the portal. The e-commerce partners create a separate home page, with

web links for the handloom mark & products. Payment to the weavers' accounts are done speedily, of 92 per cent of the sale value, on average.

It seems a weaver society producing Ikat fabrics has got a bulk order from the Future Group. Another, for Pochampalli has got an initial order from the Aditya Birla Group.

STITCHING A GROWTH STORY

Gujarat textile policy sees ₹9,200 crore investment

To attract ₹20,000 crore by next year; Surat textile park gets nod

VINAY UMARJI
Ahmedabad, 27 April

Gujarat's textile policy, announced in 2012, has so far attracted investment worth ₹9,208 crore through varied units such as weaving, made-ups, processing, spinning, ginning and technical textiles. The plan is to attract ₹20,000 crore investment and 2.5 million new jobs by 2017.

Under the policy, 549 textile units have got approval. The latest nod is for a textile and apparel park coming up in Surat. This park will come up on 62 acres, house 42 manufacturing units and generate 1,900 jobs. So far, 12 such parks have received in-principle nod. Led by Gujarat's minister of industries Saurabh Patel, the state government has set up a ministerial committee to look into the approvals and promotion of the textile sector in the state by incentivising the same.

The committee met for its 10th meeting recently and approved 43 units - 42 units of weaving, made-ups, knitted fabric, processing, embroidery, cotton ginning & twisting, and



Under the policy announced in 2012, 549 textile units have got approval so far

one unit of technical textiles. These units, to come up in Surendranagar, Surat, Botad, Morbi, Rajkot, Valsad, and Junagadh districts, bagged approval for interest subsidy and value-added tax (VAT) concession for all units, apart from power tariff subsidy for weaving units.

These units have invested around ₹603 crore for plant and machinery. Among the incentives, while made-up units will enjoy interest subsidy of sev-

en per cent, technical textiles and rest of the units will enjoy six per cent and five per cent, respectively, Patel said.

In the past nine meetings of the committee, 506 units investing around ₹8,605 crore bagged approval. The neighbouring state of Maharashtra, too, has rolled out a textile policy looking to attract ₹40,000 crore of investment and create 1.1 million employment opportunities in five years.

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Agusta deal shadow Budget session

Leader of the House and Finance Minister Arun Jaitley rejected outright the charges and said the "investigation is at an advanced stage" and while it was clear that bribes had been given, "the taker of the bribe has to be established".

Later, a combative Sonia Gandhi told the media, "I am not afraid. This is typical of the character assassination kind of politics that they (the BJP) indulge in." Antony described as "criminal negligence" the two-year delay by the National Democratic Alliance government on the investigation against AgustaWestland. Antony demanded to know the "compulsions" under which the Modi government allowed a "blacklisted company" (it was blacklisted in July 2014) to take part in the government's hyped Make In India programme, with permission to bid for defence business in India as partners or sub-contractors, despite objections raised by the CBI and the Enforcement Directorate.

Demanding answers from the Modi government, Antony asked, "Why did the Foreign Investment Promotion Board (FIPB) approve a proposal from Indian Rotorcraft Limited, a joint venture between AgustaWestland and Tata?" He added, "Why did the Modi government permit AgustaWestland to bid for 100 naval utility helicopters in April 2015?"

Without mincing his words, Congress Spokesperson Randeep Surjewala said, "Is it not a fact that Air Chief Marshal SP Tyagi (who is a central figure in the deal) has been part of the Vivekananda International Foundation?" He asked the government to come clean on the connection between Tyagi, National Security Adviser

Ajit Doval and Nripendra Mishra, principal secretary to Prime Minister Narendra Modi.

Taking the attack to the BJP camp, the Congress raised questions about BJP Chief Ministers Raman Singh and Vasundhara Raje, who have both been indicted by CAG reports for purchase of AgustaWestland helicopters, allegedly causing loss to the exchequer.

Congressmen ensured that they attacked the government, not just within Parliament but outside, for the "political conspiracy" against the party's leader. But the BJP was not backing down either. Several Lok Sabha MPs have given notices for discussion on the helicopter deal that Defence Minister Manohar Parrikar will reply to.

In the Lok Sabha BJP MP Nishikant Dubey raised the Aircel Maxis issue and asked the government to clarify the exact legal nature of the investments made by the family of former Finance Minister P Chidambaram. Later, at a press conference, Skill Development Minister Rajiv Pratap Rudy was asked to say the government must look at the 'benami empire' established all over the world by the family of P Chidambaram.

It is highly unlikely that any bills will be passed in the remainder of the session. Only financial business like passing ministry-related grants is on the Lok Sabha's agenda, the House having already passed bills on biotechnology and the composition of the Sikh Gurudwara Prambandhak Committee (SGPC). In the Rajya Sabha, only issues relating to emergencies, like drought and farmer suicides are likely to be permitted.

The story so far

The India story

AgustaWestland was chosen to sup-

ply 12 helicopters to the government to replace the Soviet-built Mi8s, whose working life ran out in 2014. Negotiations began in 2000 and because the specifications were so precise only the Eurocopter qualified.

Brajesh Mishra, the then principal secretary to the prime minister, said this was to be avoided, and the specifications were lowered to make the deal more competitive. This left just two big players in the field, AgustaWestland and Sikorsky.

In 2010, after field trials showed AgustaWestland had the better aircraft, Sikorsky complained it had not been briefed on certain concessions and the trials had been unfair. It followed this up with a legal notice to the ministry of defence.

The Italian public prosecutor produced documents they found at the residence of Guido Ralph Haschke, a middleman who contacted another "facilitator", Christian Michel, who is said to have had contacts in the Indian government and is a defence middleman. The note has headings "AF", which prosecutors said stood for air force, "BUR" for bureaucrats, "POL" for politicians and "Fam" for family members of the former Indian air force chief of staff, SP Tyagi. Prosecutors allege the family members—three brothers who are the cousins of the former air chief—shared the money among themselves and the chief.

"Staff qualitative requirements for the VIP choppers were frozen in 2003, much before I assumed office of chief of air staff and the IAF did not change any requirements after that," Tyagi has said. His service records reveal he never had anything to do with procurement.

The last point of procurement-related decision in the IAF is the deputy chief of air staff. Tyagi has never held this office. Below this are six other officers. He has never held any of those appointments either.

But the papers also revealed other facts. Under POL the note lists 3 million euro for "AP." Prosecutors said in court they believed the initials referred to Ahmed Patel, political adviser to Congress President Sonia Gandhi.

Italian prosecutors alleged that India's anti-corruption watchdogs also were on the list of those who received payoffs. The lists heading "CVC", they said, referred to the Central Vigilance Commission and "Auditor Gen" to the Comptroller and Auditor General.

In its FIR, the CBI — to which the matter was referred when former Defence Minister AK Antony cancelled the order — said the IAF had throughout opposed lowering the altitude requirement but when Tyagi took it agreed to reduce it.

Tyagi's three relatives, Rajiv, Sanjeev and Sandeep Tyagi, were paid via fake companies. "Guido Haschke managed to send 5.6 million euros through the Mohali-based IDS Infotech and Chandigarh-based Aeromatrix Info Solutions to India and kept the remaining amount of about 24.30 million euros received from AgustaWestland with themselves in the account of IDS Tunisia," says the CBI FIR.

Orsi has denied hiring Haschke and Michel to influence the helicopter deal, saying it was not necessary. "The AgustaWestland 101 was the helicopter the Indians wanted," he said in court.

The latest update

The Italian court order relies on the old evidence that mentions, but does not name, Sonia Gandhi or Manmohan Singh as recipients of bribes. As the CBI awaits the English translation of the order, the alleged clincher is a letter dated March 15, 2008, from Michel to Peter Hulet, then India region sales and liaison head of AgustaWestland. It reads: "Dear Peter, since Mrs Gandhi is the driving force behind the VIP, she

will no longer fly with Mi8 ... Mrs Gandhi and her closest advisers are the aim of the High Commissioner, senior advisor Prime Minister Manmohan Singh obviously the main figure, then there's Ahmed Patel secretary."

BJP Rajya Sabha MP Subramanian Swamy has named Sonia Gandhi on the floor of the House as a beneficiary from corruption. Congress Spokesperson Randeep Surjewala said if anybody needed to answer questions on the matter it was the Modi government.

He said the UPA government had included an integrity clause according to which the contract for purchase of helicopters from AgustaWestland was cancelled, the guarantee forfeited and process initiated for recovery of money. Surjewala said the money was recovered and "not a single rupee loss was caused to the government of India." He said the UPA government had also ordered a CBI inquiry as well as initiated the process of blacklisting AgustaWestland.

"As the government changed in May 2014, Modiji proceeded to cancel the process of blacklisting AgustaWestland. Why did Modiji not blacklist AgustaWestland?" Surjewala asked.

Apple eyes India for future growth

However, with a base of just 220 million smartphones in the country, which is less than 30 per cent of the population, the long-term potential of India is huge.

Nine out of 10 smartphones sold in India run on Android, the mobile operating system of Google, with average price points of less than ₹10,000. Apple has two per cent market share in unit values and 10 per cent in value terms. However, Apple attributes the low sales numbers of the iPhone to the slow mobile internet speeds in India as

most consumers are on 2G or 3G networks and expects the faster 4G network would help consumers realise the utility of iPhone.

"Because the smartphones that are working there (India) are low end, primarily because of the network and the economics, the market potential has not been as great. But I view India as where China was maybe seven to 10 years ago. From that point of view, I think there's a really great opportunity there," said Cook.

The local market began showing consistent high double digit growth for iPhone sales, with the Cupertino company registering a 76-per-cent increase during the October to December quarter. This demand from emerging markets (especially India) drove Apple to release its most affordable smartphone yet, the four-inch iPhone SE that's now being aimed at people switching over from Android to the iPhone. Sales of the iPhone SE were not reflected in the Jan-Mar quarterly report since the device launched only on March 31.

India is already adding smartphones at the rate of 100 million devices every year, but this growth is expected to compound with the coming of better network connectivity and faster data speeds, at lower cost. Reliance Jio has invested close to \$23 billion to setup its 4G infrastructure and could potentially boost the already fast growing smartphone market in the country. The iPhone too will benefit from this.

"Compared to China, India will be slower in iPhone adoption as disposable income of Indian middle class is still less as compared to that of China a few years ago. This can be supported by the recent uptake of iPhone 5S (first launched two and a half years ago) which contributed to almost half of total sell-in during Q1 2016 in India post its steep price cut in December," said Neil Shah, director at Counterpoint Research.

While for Apple the growth of its business in India is indeed encouraging, the impact isn't going to be seen anytime soon. The company need to continue building its distribution channel as there's already a sizeable chunk of the population that can afford the iPhone's hefty price tag. Apple is seen to be moving along this path by increasing the number of distributors from one to five and is even trying to setup a wholly-owned wholesale subsidiary in the country.

"Apple is seen as an aspirational brand even in tier two and three cities," says Vishal Tripathi, Director at technology researcher Gartner Inc. "I would still see them do lot more in India, primarily on smartphone. Lot of innovative work around cashback, zero interest and EMI. The phone is still ₹60,000. These innovative ideas would help increase sales."

"The DFCC has finalised civil contracts for 2,138 km (76 per cent), electrical contracts for 1,786 km (63 per cent) and signalling & telecom contracts for 1,356 km (48 per cent) of the length of the project," the official said. Apart from the small 56-km Durgawati-Sasaram section, the project will be commissioned in phases between March 2018 and December 2019.

Quiet first trial of freight corridor

The DFCC will purchase 200 locomotives for the western arm of the project from Japan and that order is being finalised by the Railway Board level.

When commissioned, the eastern and the western arms of the DFCC will divert up to 40 per cent of freight traffic from Indian Railways and push rail's share of freight from the existing 36 per cent to 45 per cent by 2019.