

Govt-owned oil firms float season's 2nd ethanol tender

Want 2.53 billion litres from sugar mills; last time, the response was poor

DILIP KUMAR JHA
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The central government's three oil marketing companies (OMCs) have floated a second tender for ethanol to supply the petrol-blending programme.

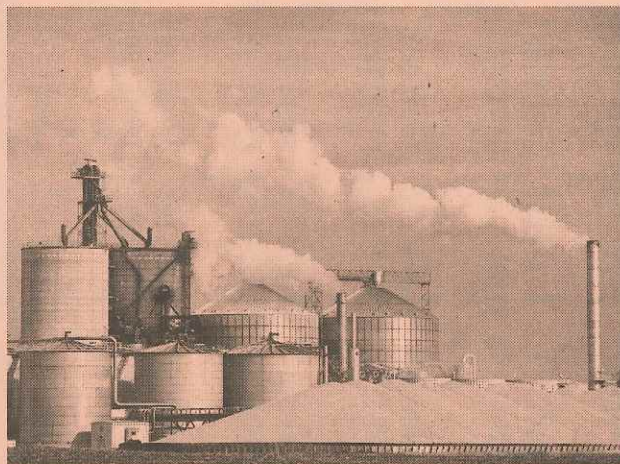
They want a total of 2.53 billion (bn) litres, for supply between February 1 and November 30. In response to the first tender, floated in September 2019, the mills offered less than a third of what the OMCs asked for.

In the present one, Indian Oil Corporation (IOC) says it needs 1.07 bn litres, Hindustan Petroleum (HPC) 787 million and Bharat Petroleum (BPC) 672 mn litres. Made from sugarcane juice, sugar or sugar syrup, B or C heavy molasses or damaged foodgrain.

Given the poor response to the first tender, experts doubt if the second one would succeed. Of the 5.11 bn litres asked for in the first one, mills contracted to supply only 1.56 bn. This was due to estimates of a decline in production this year, following lower cane supply.

"We would be happy if the mills achieve the ethanol quantity supplied to OMCs last year," said Abinash Verma, director-general, India Sugar Mills Association (Isma).

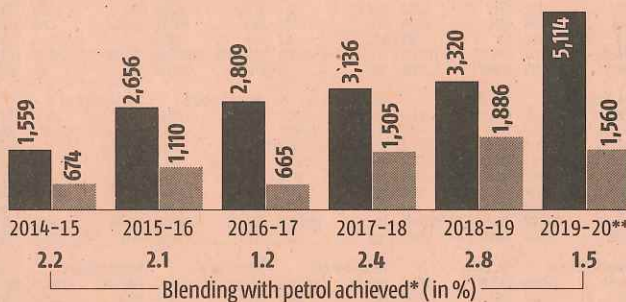
In response to what mills



IN LOW SPIRITS

Ethanol blending (in million litres)

■ Qty. required ■ Qty. lifted



*Based on 5 per cent annual requirement; **as per 1st tender for oil marketing companies, quantity required=quantity lifted
Source: Indian Sugar Mills Association

offered in the first tender, the three OMCs had finalised a total of 1.56 bn litres, comprising 616.3 mn litres from B

heavy molasses and 106 mn from cane juice.

This year's cane crop was damaged in monsoon and

post-monsoon floods. Isma had reported a 26 per cent decline in sugar production at 10.86 million tonnes for the period between October 1, 2019 and January 15, 2020, as compared to 14.74 mt in the same period a year before.

The central government has fixed the ethanol procurement price at ₹59 a litre, with a variation of a couple of rupees depending on proximity of supply.

Isma data shows the OMCs floated tenders for 3.32 bn litres of ethanol in the previous cane crushing season (October 2018 – September 2019). Of which, they finalised supply for 2.39 bn and finally lifted only 1.87 bn litres.

Since they are aiming at five per cent blending, the requirement for the current season has increased.

"A number of mills have set up independent distilleries and existing ones have expanded capacity to increase its supply in future," said Verma.

Vijay Banka, managing director at Dwarikesh Sugar Industries, said: "We have commissioned a new 100 klpd (kilo or thousand litres per day) distillery at our Bijnor facility in UP. The capital expenditure of approximately ₹145 crore will enable benefits to accrue across the foreseeable future."

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