

Sugar Newscast

5th September 2019

Contact:

Madan Sabnavis

Chief Economist
<mailto:madan.sabnavis@careratings.com>
 91-22-68374433

Author

Bhagyashree C. Bhati

Deputy Manager-Industry Research
bhagyashree.bhati@careratings.com
 91- 22-68374407

Mradul Mishra (Media Contact)

mradul.mishra@careratings.com
 91-22-68274424

Government revises prices of ethanol for supply year December 2019-November 2020

On 3rd September 2019, the Cabinet Committee on Economic Affairs (CCEA) revised the prices of ethanol for the supply year December 2019-November 2020. The primary aim behind the move is to divert sugar towards production of ethanol so as to reduce the supply glut of sugar in the country and to achieve the target of 10% blending of ethanol with petrol set for the Ethanol Blended Programme (EBP).

Table 1: Revision in ethanol prices (in Rs./litre)

Ethanol derived from	Current price	Revised price
C heavy molasses	43.46	43.75
B heavy molasses	52.43	54.27
Sugarcane juice	59.13	59.48
Sugar/sugar syrup	NA	59.48

The prices have been revised upwards for C heavy molasses, B heavy molasses and sugarcane juice as can be seen from the above table. Also it is to be noted that it is for the first time that ethanol production has been allowed from sugar and sugar syrup and the price of ethanol from sugar and sugar syrup has been fixed at Rs.59.48 per litre.

Ethanol supply scenario

The Oil Marketing Companies (OMCs) have a target of 10% ethanol blending with petrol. For the year 2017-18, around 4.5% of blending was achieved. In the next year 2018-19, contracts were entered for 2.5 billion litres till 11th June 2019 which is almost 7.5% blend level. This included 0.5 billion litres of ethanol from cane juice and B heavy molasses. This implies that 20% of ethanol contracted was from cane juice and B heavy molasses. To increase the diversion of sugarcane from this route, the government has revised the prices of ethanol to be supplied for year 2019-20. It is to be noted that 10% blending requires 3.3 billion litres of ethanol supply for the year 2018-19.

CARE Ratings' View

- With the revision in prices and allowing ethanol to be produced from sugar and sugar syrup, the government continues to encourage production of ethanol from sugarcane to reduce surplus sugar supply in the country.

- Also at the same time, the aim is to increase the revenues of sugar mills by diverting sugarcane towards production of ethanol which can be understood from the table below. The mills can follow a combination of the routes mentioned below to maximise their revenues.

Table 2: Estimates of revenues from sugar and ethanol production with 1 tonne of sugarcane

	C heavy molasses	B heavy molasses	Sugarcane juice
Sugar quantity (in kg)	~100	~80	0
Ethanol quantity (in litres)	~10	~20	~70
Revenues from sugar (in Rs.)	~3,280	~2,624	NA
Revenues from ethanol (in Rs.)	~438	~1,085	~4,164
Total revenues from sugar and ethanol using 1 tonne of sugarcane (in Rs.)	~3,718	~3,709	~4,164

Note: Recovery rate for sugarcane is considered at 10%

Wholesale sugar price of Rs.32.8 per kg is considered which is average of sugar prices during the period Oct2018-Aug2019

Ethanol price: C heavy molasses - Rs.43.75 per litre, B heavy molasses - Rs.54.27 per litre, Sugarcane juice - Rs.59.48 per litre

As compared to ethanol derived from C heavy molasses route, diversion of B heavy molasses reduces the sugar by about 20% and increases ethanol availability by about 100%. On the other hand, diversion of sugarcane juice reduces sugar by 100% and increases ethanol availability by about 600%

Disclaimer: This report is prepared by CARE Ratings Ltd. CARE Ratings has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in this report is guaranteed. CARE Ratings is not responsible for any errors or omissions in analysis / inferences / views or for results obtained from the use of information contained in this report and especially states that CARE Ratings has no financial liability whatsoever to the user of this report

CORPORATE OFFICE:

CARE Ratings Ltd. (Formerly Credit Analysis & Research Ltd.) CIN: L67190MH1993PLC071691

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022.

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

www.careratings.com

Follow us on  [/company/CARE Ratings](https://www.linkedin.com/company/CARE-Ratings)
 [/company/CARE Ratings](https://www.youtube.com/channel/UC...)