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Security Code No.: 522205	Company Code- PRAJIND
BOMBAY STOCK EXCHANGE LIMITED PHIROZE JEEJEEBHOY TOWERS, 25TH FLOOR, DALAL STREET, MUMBAI - 400 001 Fax: 022- 22723121/3719/2037/2039/2041/2061	NATIONAL STOCK EXCHANGE OF INDIA LTD. EXCHANGE PLAZA, 5TH FLOOR, PLOT NO. C/1, G BLOCK, BANDRA-KURLA COMPLEX, BANDRA (EAST), MUMBAI - 400 051 Fax: 022 – 66418124/25/26, 2659 8237 / 38

Dear Sir / Madam,

Kindly put the enclosed "Newspaper Article" published in Business Line dtd. 22nd June, 2016 on your bulletin board for sharing with Investors.

Thanking you,

Yours faithfully,

For PRAJ INDUSTRIES LIMITED



DATTATRAYA NIMBOLKAR
CFO & COMPANY SECRETARY

Encl: As above

Ethanol blending programme could just run out of fuel

OMCs have been unable to procure adequate ethanol from sugar mills

RAHUL WADKE

Mumbai, June 21

The Centre's plans to bring in a greater blend of ethanol to petrol could hit a bump with national oil marketing companies finding it difficult to procure the compound.

The industry needs 266-crore litres of ethanol this year but sugar mills have not been able to provide the requisite supply.

Last year, about 68-crore litres were procured by the IOC, BPCL and HPCL for the fuel-blending programme, which only helped clock 3 per cent blending, against the targeted 5 per cent. This year, the target was raised to 10 per cent, but most mills are unable to increase ethanol production.

Bakshi Ram, Director of the

Coimbatore-based Sugarcane Breeding Institute, a division of the Indian Council of Agriculture Research, said the sugar mills in the country have the capacity to support blending only up to five per cent.

Capacity addition

The mills will require additional distillery capacity to produce the ethanol required for a 10 to 15 per cent blending programme. However, banks are unwilling to finance the mills in adding capacity, given that the industry is in the red.

Ram pointed that due to drought in the Marathwada and Vidarbha regions of Maharashtra, sugarcane production has decreased, which will affect the production of sugar and ethanol. In Uttar Pradesh,

the situation is slightly better, with mills reporting higher recovery rate from sugarcane. However, the cane arrears to be paid by the mills to the farmers have mounted to ₹5,000 crore, he said.

In the first phase of procurement in February, an expression of interest (EoI) was jointly floated by the three oil marketing companies for the supply of 91-crore litres of ethanol, but the response has been tepid. Sugar factories in Maharashtra had committed

35-crore litres but have managed to sell only 11-crore litres.

A game changer?

The shortage could therefore open a window of opportunity for companies that use farm waste, which is rich in lignocellulose and cellulose, for making ethanol. IOC and BPCL have also called for an EoI for setting up a lignocellulose-based refinery, senior officials at these firms said.

Cellulosic and lignocellulose ethanol — produced from

farm waste through cellulose hydrolysis — are chemically identical to the first-generation ethanol, which is derived from sugarcane.

Praj Industries, for example, is in the process of setting up a lignocellulose biorefinery for ethanol and other biochemicals. Praj's initial investment is about ₹25 crore and will have a process capacity of 12 metric tonnes of biomass per day. Its Chairman Pramod Chaudhari told *BusinessLine* that the unfulfilled demand by the sugar mills would be met by lignocellulose bio-refineries, which will produce second-generation (2G) ethanol from farm waste.

Director of Punjab Renewable Energy Systems Ltd (PRESPL), Monish Ahuja, said that as sugarcane is grown in only a few States, therefore ethanol availability is limited. On the other hand, biomass is available across the country.

