

REF:

DATE:

To,

The Manager

XXX Bank

Subject: Comfort Letter: Financing of facilities for production of denatured ethanol at M/s xxxxxxxxxx

Dear Sir / Madam,

Under the Ethanol Blended Petrol (EBP) Programme, Oil Marketing Companies (OMCs) have been blending up to 10% denatured ethanol in petrol and marketing it through the OMCs network. The notified National Policy on Biofuels – 2018, lays strategic importance to the EBP Programme and accordingly has proposed an indicative target of 20% ethanol blending in petrol by year 2030. It is important to note that imports of fuel ethanol is not allowed under the Policy to encourage indigenous production.

2. Government has widen the feedstock base for production of ethanol in the past few years and has allowed procurement of ethanol from C heavy molasses, B heavy molasses, sugarcane juice, sugar, sugar syrup, damaged food grains like wheat and rice unfit for human consumption, surplus food grains and fruit and vegetable wastes.

3. Government has also published "Ethanol Procurement Policy on a long term basis under EBP Programme". In line with this policy different ex-mill price of ethanol, based on raw material used for ethanol production has been fixed by the Government in case of sugarcane juice/sugar/sugar syrup, B heavy molasses and C heavy molasses. Additionally, OMCs have been asked to fix the ex-mill price of ethanol derived from damaged food grains.

4. Government has also fixed the order of procurement (procurement priority) to encourage diversion of surplus sugar to ethanol. The price and order of procurement priority for Ethanol Supply Year (ESY) 19-20 (period from 1st December, 2019 to 30th November, 2020) are as under:

Raw material	Procurement Priority	Ex-Mill Price (Rs./lit)
Sugar Cane Juice/Sugar/Sugar Syrup	1	59.48
B Heavy Molasses	2	54.27
C Heavy Molasses	3	43.75
Damaged Food Grains / Others	4	50.36

Additionally, GST and transportation charges are paid to ethanol suppliers.

5. Further, OMCs have released 5-year ethanol procurement Expression of Interest (EOI) on 12th August, 2020 to provide a long term demand assurance to the prospective ethanol suppliers. Through this process, OMCs are doing registration / technical evaluation of interested ethanol bidders for the period starting from Dec 2020

to Nov 2025. After registration, vendors will become eligible to supply ethanol to OMCs at the rates determined in line with the long term procurement policy.

6. There is a huge requirement of infrastructure to be put up by sugar industry and grain based distilleries. The demand supply status is given below:

ESY	Estimated OMCs requirement (Cr. lit)	Quantity Supplied (Cr. lit)	Deficit (Cr. lit)
2017-18	313	151	162
2018-19	329	189	140
2019-20	511	118 (till date)	340 (estimated)
2020-21	465		
2021-22	470		
2022-23	500		
2023-24	540		
2024-25	580		

7. With a view to facilitate setting up of this infrastructure, Government has notified a Scheme on 19th July, 2018 for extending financial Assistance to sugar mills for enhancement and augmentation of the ethanol production capacity. Under the aforesaid Scheme, interest subvention at the rate of 6% per annum or 50% of rate of interest charged, whichever is lower; on the loan sanctioned; for a period of 5 years; is to be borne by the Central Government.

8. OMCs have been good pay masters and have been releasing the payment against ethanol supplies in 21 days as per the EOI conditions. OMCs have further agreed in-principle to sign tripartite agreement with bankers and ethanol suppliers wherein the payment towards ethanol supplies under EBP Programme shall be credited by OMCs into an escrow account for this purpose. This is non-binding in nature and is subject to approval of respective OMC on "case to case" basis.

9. M/s xxxxxxxx (brief introduction of the company) have approached us and informed that they are interested in setting up new facilities for manufacturing ethanol / expansion of their existing ethanol facility for supplies of fuel ethanol under the EBP Programme. As can be seen from the above, there is huge demand-supply gap in ethanol for EBP Programme and company producing ethanol for EBP Programme needs to be supported. This letter is being issued to assure all stakeholders, particularly Banks and Financial Institutions, that procurement of ethanol will not be a limiting factor for this expansion. Banks and Financial institutions must support development of biofuels in the country.

For Oil Marketing Company,

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