

Liquor manufacturers plead NITI Aayog for import duty exemption on extra neutral alcohol

The Confederation of Indian Alcoholic Beverage Companies said that there is a shortage of the high-purity ethyl alcohol which is now priced around Rs 60 per bulk litre.

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NEW DELHI: Indian alcohol manufacturers have approached NITI Aayog, seeking exemption of import duty on extra neutral alcohol (ENA), which is the primary raw material for making alcoholic beverages.

The alcohol manufacturers have pleaded that there is a massive shortage in domestic supplies of ENA following diversion of ethyl alcohol for bio-fuel blending by oil marketing companies (OMCs) in the country.

"Short availability of ENA (high-purity ethyl alcohol) has placed domestic alcoholic beverage industry in a precarious situation.

Price of ENA, which was around Rs 45 per bulk litre until recently, is now breaching Rs 60 mark. Even at this price, the supply is uncertain and under stress," Confederation of Indian Alcoholic Beverage Companies (CIABC) Director General Vinod Giri said in a letter to NITI Aayog CEO Amitabh Kant.



The CIABC, in its letter, said recent floods in Maharashtra and Karnataka have adversely impacted sugarcane crop in the region which shall worsen the supply of ENA even further and therefore, it is of the view that the Commerce Ministry may be advised to allow imports of ENA exempt from import duty until domestic supply improves.

High import duty is a big hinderance for import of ENA from international market. The price of ENA in international market is around Rs 50 per litre. At current duty (150 per cent), imported ENA will cost Rs 125 per litre which is unsustainable. But with no or marginal duty, price can be at Rs 50 to 55 per litre.

"Availability of ENA at such prices will make it sustainable for the industry. Reduced availability of the primary raw material endangers the survival of the industry and all those who depend on it for livelihood," the CIABC said.

Alcohol industry contributes almost Rs 2 lakh crore by way of various taxes, sustains livelihood of nearly 40 lakh farmers, and employs nearly 20 lakh people directly and indirectly. Tax revenues from alcoholic beverages consist of 20 to 40 per cent of most states' tax receipts. It added that in this way, the alcohol industry is one of the largest contributors to the Indian economy.

Terming the availability of ENA as a multi-ministry issue as it is also being used for bio-fuel, Giri said the Centre is pushing hard for blending ethanol in auto fuels to reduce import dependence in petroleum, but shortage of ENA and its growing costs will make the move economically unsustainable for OMCs and fail to achieve blending target from current level of 7.2 per cent to 20 per cent.

"We have already said this to Petroleum Ministry in our letter written a couple of months ago," he added. According to CIABC estimates, annual ethyl alcohol production in the country is 420 crore litres.

Of this, contracts concluded by OMCs for supply towards blending with auto fuel in the year 2018-19 were at 269 crore litres at current level of 7 per cent ethanol addition (blending with petrol). That leaves a balance of 151 crore litres for all other uses, whereas the demand is 260 crore litres.

While alcoholic beverages industry needs 190 crore litres ethyl alcohol, chemical industry requires another 70 crore litres. There is a shortfall of 109 crore litres, which would only grow with higher levels of blending with fuel targeted by OMCs.

Higher ENA cost will make blending a cost ineffective option for OMCs. It costs OMCs between Rs 35-40 for a litre of fuel, averaged for diesel and petrol if they source crude from international market at prevailing prices of around USD 58 a barrel and process it.

It will severely impact their bottom lines if they are made to buy ethanol at a cost of Rs 50 plus per litre and blend it in a ratio of up to 20 per cent. Thus, a commercially sustainable policy is needed, the body pleaded.

Demanding restriction in ethanol blending in auto fuels to realistic levels based on availability of alcohol, Giri said the government should immediately limit sourcing of ethanol for blending in fuel to molasses-based distilleries, cellulosic material-based distilleries and sugar factories.

He further suggested that the government should also exclude grain-based alcohol from ethanol blending to make it exclusively available to potable alcohol industry, "We have urged the government to explore new innovative alternatives for making bio-fuel.

Paddy stubbles which are being burnt causing air pollution in and around Delhi, for example, can be converted into ENA. Other sources like corn etc can also be looked into to generate ENA," he added.