

THE ECONOMIC TIMES

INTERVIEW / PRAMOD CHAUDHARI

'I am an optimist on jatropha'

**G**LOBAL corporate interest in biofuels is the new mega trend. Climate change and energy security have compelled governments to open their minds and wallets to green fuels. As big money flows into biofuel factories, technology company Praj Industries is also increasing its footprint across the world. Chairman Pramod Chaudhari tells Nidhi Nath Srinivas how being nimble and swift allows him to stay ahead in a multi-billion-dollar game with shifting political currents.

**You are competing with local biofuel tech companies overseas. What edge do you have?**

Biofuel industry is a localised one and competition is fractured. Most companies operate in one region. We are perhaps the only company operating in all five continents. We are also the only one with technology for both starch and sugar feedstocks. Plus, we are the only one giving customised end-to-end solutions, that too at no extra cost. We have a unique combination of cost and technology. We are very flexible, which you don't find normally in western companies because they are limited to the locally available feedstock. We spend a lot on R&D. So whenever a customer wants something new, we have a databank to depend on.

**The food versus fuel debate is catching fire. Biofuel companies are delaying investments and production due to high grain and oilseed prices. If food wins, how will you survive?**

You have touched on a very important chord. Yes, corn and wheat are food crops, and their use will be an issue. But several alternatives are there. In India, molasses pose no problem. Sweet sorghum is a very powerful crop. It gives grain, foliage for animal fodder and a sugary juice for biofuel. To me it's a wonder crop. Its energy conversion ratio is 7:1, which makes it most promising. Cassava is another promising crop.

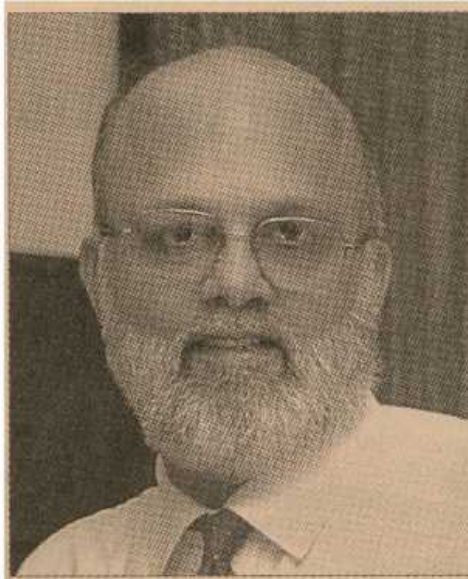
**Most governments are really worried by the impact of the US energy bill on food prices.**

That is true. But the US itself is being cautious. They want to raise biofuel output from 7.5 billion gallons to 36 billion gallons. But they have specified that up to 15 billion gallons would be from corn. After that, from non-corn raw materials such as agri-waste, switch grass, straw, biomass. It could even be sugar cane. So we are quite excited about both opportunities.

**Can they grow sweet sorghum?**

Yes. We have discovered that it grows well in temperate climate. So we are looking at Hungary and Romania as potential areas in Europe.

**Companies are excited by biofuels because of**



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**the heavy subsidy that they get. But soon governments could cut down on that. France is a recent case. Wouldn't that impact your business?**

Certainly subsidies are high. The US gives 53 cents/gallon and the EU 30 cents/litre as subsidy. But the price of gasoline there is also quite high. Moreover, the WTO has forced these governments to chop subsidies on agriculture. So it is natural for them to give subsidies to farmers for fuel crops. Subsidies will continue for biofuels because there is no easy alternative available.

**Your Brazilian company won't be able to export much ethanol because of the high import duties**

**in other markets.**

Exporting ethanol from Brazil is not my intention. The local market there is itself a huge opportunity. Brazil wants to raise ethanol output from 18 billion litres to 40 billion litres in five-six years. Almost 80% of new cars are flex fuel. It is bringing new land under cultivation and lots of foreign investors are coming in. These investors are my market. In any case, for Brazil, Japan is the biggest market because Japan will always depend on imported biofuel.

**What about India's long-pending ethanol programme?**

I'm chairman of CII's national biofuel committee. We have prepared a report on how ethanol can be used without subsidy. There are also several problems which need to be ironed out.

**What do you make of the oil companies' intention to produce ethanol in Brazil?**

It's not clear whether their intention is to control supplies or create a fallback.

**Given the Rs 16/litre saving ethanol brings, one would think government would jump at the offer. After all, oil bonds cost the exchequer.**

Exactly. Oil bonds need to be serviced, which means money outgo. Our report recommends giving that money as direct subsidy to farmers for biofuels as a better alternative. We have also suggested creating an apex board to monitor all the various agencies.

**Despite the hype, jatropha hasn't taken off because of the three-year lag between sowing and harvest. Now your customer Tata Chemicals is entering with sweet sorghum. Can it work?**

Sorghum is a four-month crop. So farmers are more willing, especially when they see a ready customer. To promote jatropha we need to support farmers during the intervening three years when they have no income. Plus, a lot of work can be done through genetic modification, tissue culture etc. I'm an optimist on jatropha.

**Any more deals and mergers in the offing?**

We are always seeking opportunity. Our basic strategy is that in large markets, such as the US, we will acquire. But where the market will become saturated soon, we prefer alliances. Since acquisitions are region-specific, they are not worth it if the local market is small.

**China is now the only gap in your map. Are you planning anything there?**

We are not paying too much attention to China yet. The biggest issue there is IPR protection. We can't take a chance with that.