



Evolving Strategy to Assess Dynamics Linked with Fuel Supply in Punjab



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Demand Side Assessment of Dynamics Linked to Bio Fuel Supply in Punjab

Survey Analysis

Potential Industrial Units for Clients Bio-Fuel

To identify and cluster the potential industrial units which may become the future customer of Client's bio-fuel, ENINCON conducted a survey that covered three major categories. These categories are identified in order to establish whether which industrial unit suits ideal for bio-fuel product of Client.

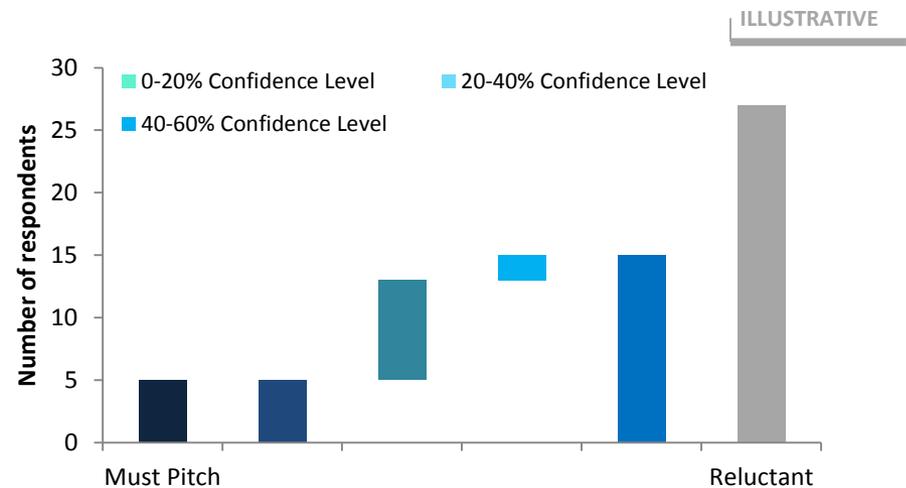
Surprisingly, it was also observed that approximately 50% of the respondents in Punjab and Himachal Pradesh were reluctant to switch to alternative fuel. The same can be attributed to persistence to continue with same fuel and technology specifically designed for that fuel.

The categories are:-

- Category I- Must pitch
- Category II - May pitch
- Category III- Reluctant

In Category II the respondents can be segregated as per the confidence level indicated in the survey conducted for replacing the fuel.

Exhibit 01 : Respondents Profile (As per survey in Punjab and HP)



Source: enincon research

Criteria for Selecting a Fuel Supplier – Unveiling Customer's Biggest Worry

For industries to conduct business in a seam less way fuel plays a big role and hence the fuel suppliers. However, in view of the survey conducted there is a palpable sense of uncertainty among the respondents regarding fuel suppliers when it comes to predictable pricing and consistency in quality of fuel.

It is also striking to observe that industries utilising furnace oil as fuel are content with the prime concerns of predictable pricing and consistency in quality both in the states of Punjab and Himachal Pradesh. It is also worthy to note that a sizeable proportion of respondents highlighted reasons like fuel supplier's proximity to consumers, ease of ash disposal and storage of fuel as major concerns for them.

The reason for such response could be the inclination to use rice husk as prime fuel source and remarkable statistics for husk consumption in Ludhiana way back in 1996, wherein 2000 Tons of rice husk is being burnt producing 800 Tons of ash. (Source: Food and Agriculture Organization of UNITED NATIONS report)

The survey results also indicate that reputation and size of the supplier is also a sizeable criterion among industries to select their fuel suppliers.

Price Bands for Clients Bio-Fuel Product as per Cost of Generation of Steam Based on Fuel Competition (As per ENINCON Analysis)

The bio-fuel product of Client can be priced as per the designated cases and the competition Client is expected to face with the fuel category and its sourcing means. The realistic price bands are considered by reducing entire CG by 10% in each category.

Exhibit 02 : Respondent's Criteria for Selecting Fuel Supplier (As per Survey)



Source: enincon research

Exhibit 03: Price Band for Clients Bio-Fuel Product as per Cost of Generation of Steam Based on Fuel Competition

ILLUSTRATIVE



The difference in realistic and optimistic band is maintained at 5% across all categories assumed. The optimistic price band as shown in the figure above is indicative of higher margins than the realistic price bands. But to ensure market for its product Client has to price it in a fashion where in even the optimistic price band is at par with current C_G with the categories of fuel considered for analysis.

It will be ideal for **Client** to price its product as per the realistic price band to have the cutting edge to beat the competition. Also, the price of the product has to be predictable for this band over a period of time.

Way Forward for Client Energy

Punjab is state, which is increasingly contributing in India's GDP. The main driver for this contribution is the development of secondary sector which means the industrial units involved in manufacturing widgets are prospering and are most likely to be on rise.

This situation not only promotes better infrastructure demand in place but also the basic input of fuel of different types will also increase. In Punjab, there is a dominance of rice husk and coal if it comes to the manufacturing utilities, with FO being the third most widely used fuel.

In context to the above mentioned fuel, pricing of fuel elevates as the most critical issue for players in manufacturing business. Hence, for Client to have a strong business case for its fuel the price bands are indicated as per the contributing cost in production of steam. If Client's bio-fuel is priced in these bands then the likelihood of its sustaining in the market is more.

Also, in the survey conducted among the respondents the players where Client must pitch for its bio-fuel can be listed as below:-

- Pepsi Co.
- Satia Paper Mills
- Trident
- Ind-Swift Labs
- Parabolic Drugs

Also, 15 companies are in the may pitch category which subsequently can be followed as per their respective confidence level as indicated in Annexure-I.

For Punjab, the mainstay of fuel will be Coal and rice husk in coming 5 years and the likely demand-supply gap for coal in FY 2016-17 will be to the tune of 10 MT.

This, fact of demand-supply gap presents a good business case for Client's bio-fuel product, provided the pricing of its product is done judiciously and gradually raised over the due course of time by winning its customer confidence.