

Used Oil Re-refining Industry Report



Presented

By

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Are Goals of Re-refining Industry and Govt Aligned?

1. Govt driving the industry on a one-way street that ends on top of the hill of a mountain.
2. Re-refining Industry is beginning to collapse due to lack of raw material, obnoxious price of raw material and adulterated quality of raw material.

“Acid” Free Technology Economics

1. Re-refining cost approx INR3.50 to INR 5.50/Liter;
Yield approx 75%. * based on capacity of plant and feed quality
2. Capital Cost: INR 2.5 Crores (for 3500 KL/annum);
 1. Opportunity cost @ 12%/annum: 30 Lac/yr
 2. Maintenance & Depreciation: 12 Lac/yr
 3. Fixed Annual Costs – Labor and Land: 20 Lac/yr
 4. Total Fixed Annual Costs: 62 Lac/yr

BREAK-EVEN POINT is 62 Lacs of Gross Margin/year

The Deadly POISON

1. **Raw Material Price:** Used Oil Cost: Landed cost w/transportation comes close to Rs. 25/Liter at 75% yield; and Rs.5/liter re-refining costs; total cost: Rs.38/Liter
2. **Market Wholesale:** Rs. 37/Liter; **Unprofitable** to do re-refining.
3. **Quality:** Worst Ever; Even Govt units mixing solids and waste water derivative of law-lessness, corruption and lack of accountability/punishment.
4. Un-licensed re-refiners procuring used oil causing demand-supply imbalance.

Requests / Solution

Given the fact that manipulation of used oil quality & selling to unlicensed units is extremely difficult to deal/solve; We request that

1. Issue Licenses to new technology units immediately
2. Allow licensed units to IMPORT USED OIL. This will balance used oil price in India close to Intl price + transportation cost AND help survive genuine re-refiners as they will cross break-even point. This will force domestic stockist to preserve quality and stay close to Intl prices.

Conclusion

If raw material supply, pricing and quality is not ensured the re-refining units will fail; Industry will disappear.

1. Import must be allowed to defeat the gray marketers & corrupt stockists so that demand-supply, quality and pricing manipulation is defeated and checked close to International standards.
2. We request the Government to allow licensed units to import used lube oil per their annual capacity.

Questions?

Please feel free to email or write if any questions:

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