



Balrampur Chini Mills Limited

Q3 & 9M FY20 Results Conference Call

February 11, 2020

Karl H Kolah:

Good afternoon everyone, and thank you for joining us on Balrampur Chini Mills' Q3 & 9M FY20 results conference call. We have with us Mr. Vivek Saraogi, Managing Director of Balrampur Chini Mills and Mr. Pramod Patwari, Chief Financial Officer of the Company.

We will now like to begin the call with brief opening remarks from the management following which we will have the forum open for discussion.

Before we begin, I would like to point out that some statements made in today's call may be forward looking in nature and a disclaimer to this effect has been included in the results presentation shared earlier.

I would now like to invite Mr. Saraogi to make his opening remarks.

Vivek Saraogi:

Good afternoon everyone and thank you all for joining us on Balrampur Chini Mill's Q3 & 9M FY20 earnings conference call. Let me start by giving you an update on the current developments in the sugar sector and key highlights after which Pramod will guide you through the quarter's financial performance.

As per the latest estimates India's production is expected to be around 26.5 million tonnes, lower by 20%, due to a sharp fall in production in Maharashtra and Karnataka while UP is expected to produce almost the same quantity as in the previous season.

Maharashtra had slow start with the crushing season due to damage caused by heavy rains and floods. States produced 3.46 million tonnes up to 31st January, lower by 51%. Similarly Karnataka produce 2.79 million tonnes lower by 17% as compared to 3.37 million tonnes during the same period last year. UP on the other hand recorded a higher production of 5.5 million tonnes as against 5.2 million tonnes in the same corresponding period.

So with an estimated production of 26.5 million tonnes this season and an opening stock of 14.5 million tonnes we will have a total availability of 41 million tonnes, out of this domestic consumption is expected to be around 26 to 26.5 million tonnes export for 4.5 to 5 million tonnes therefore we should be able to consume about 31 million tonnes out of the same. Hence the inventory will come down to 10 million tonnes. Inventory on 1st October 2019 was 14.5 million tonnes; we are expecting it to be 10 million tonnes on 1st October, 2020.



On the global front we have seen lower production in Brazil, China, Thailand. The biggest fall was witnessed in the largest producer Brazil, which is expected to produce 26.5 million tonnes. Production in Thailand, as per latest estimates in Dubai conference, is expected to be down to 9 million tonnes as compared to 14.0 million tonnes last year. Therefore the prices also we are seeing hovering around 15 cents/lb which is a decent hike and this would encourage millers from India to export more.

Coming to the domestic scenario:

Both Central and State Government have taken several proactive measures to maintain a stable sugar demand supply scenario. UP Government decided to keep the SAP unchanged at Rs.315 per quintal which was a major relief to the industry. Also the center retained the same FRP. Government is also reviewing actual exports made by millers against MAEQ for the quarter October to December and has recently announced that it will reassigning the un-exported MAEQ to the millers who are willing to take additional MAEQ that includes people like us.

Moving to the ethanol scenario:

I'm happy to share Government continues to push ethanol blending in petrol and has ensured the program is shaping up well. Industry has a potential to replace 10% of India's petrol demand which will enable the country to significantly reduce dependence on imports while promoting the use of environment friendly fuel. Also in the process India would be able to sacrifice 1 to 1.5 million tonnes of sugar. This is through the B-heavy and Direct cane juice route of producing Ethanol.

There has been a slight delay in the offtake in ethanol that is because the contracts came in a little late but the Government and the OMCs are making all efforts to make it up and I am very certain during the contractual period the entire contracted quantity would be lifted. As industry is now moving towards B-heavy route you will see industry supplying much higher quantities going forward.

Now back to the company's performance:

We have delivered a stable financial performance in the current scenario based on positive contribution from sugar segment. Sugar segment continues to deliver stable performance on account of stable realizations, improving volumes and control cost owing to stagnant SAP and high recoveries.

The Distillery segment delivered a muted performance on account of lower volumes as explained above. Further there was revision in transfer of pricing of molasses which impacted the results of distillery segment. Here I am pleased to share that the new Distillery of 160 KLPD at Gularia has been commissioned during January 2020. The facility will meaningfully contribute to our performance in the coming season in keeping with the trend of the last few quarters.

The Cogen segment continues to report subdued results owing to revision in tariff. This is a factor which is beyond our control. We are in litigation against the UPERC in the High Court for the same.

To conclude:

I would like to state Balrampur has delivered a stable performance during the quarter. While lower production in the current season will help stabilize sugar prices, normalized rains this year indicate next year's crop would be better.



However it's too soon to comment on next year's production. From the company's perspective we focus on value creation through our well integrated operations, strong balance sheet, robust cash flows, liberal pay-out policies and prudent CAPEX spends, these are part of our long-term vision. I would now like to handover the floor to Pramod.

Pramod Patwari:

Thank you sir. A very good afternoon everyone and thank you for taking your time out in joining us today on Balrampur Chini Mills earnings conference call. I will briefly take you all through the company's operating and financial performance for the quarter under review.

During the quarter we delivered stable performance despite the challenging environment prevailing in the sector. The sugar segment delivered a strong performance on back of steady realizations. The Distillery segment delivered muted performance on account of lower volumes and increase in the transfer pricing of molasses.

We have registered healthy performance in the sugar division with revenue increasing by 38% YOY to Rs.1,153 crore in Q3 FY20. PBIT grew by 134% to Rs.49 crore during the quarter. Sugar sales during Q3 FY20 including MAEQ were higher at 31.99 lakh quintals as against 23.60 lakh quintals in Q3 FY19. Free sugar realizations for the quarter stood at Rs.33.32 per kg as compared to Rs.31.94 per kg in Q3 FY19. I would like to highlight here that BCML has fully contracted its allocated MAEQ quota of 2.29 lakh metric tonnes.

In Q3 FY20 revenues from Distillery division dropped by 60% to Rs.103 crore and PBIT declined to Rs.40 crore on account of lower offtake and increase in the transfer pricing of molasses. The molasses transfer price last year was Rs. 150 per ton and the same has been revised to Rs. 3500 per tonne.

During the quarter we sold 19,318 KL of ethanol at an average realization of Rs.44.07 which is a blend of C-heavy generated ethanol and B-heavy generated ethanol as compared to 28,149 KL at an average realization of Rs.41.63 per BL in Q3 FY19. As mentioned by Mr. Saraogi there was a delay in ethanol offtake leading to lower volumes in Q3. However we should catch up in Q4 to a large extent. So we are on track to deliver around 1,15,000 to 1,20,000 KL for financial year '20. As on 31st December, 2019 our stock of molasses stood at 11.81 lakh quintals versus 10.52 lakh quintals during the same period last year.

In the Cogeneration business revenues for the quarter dropped by 27% to Rs.109 crore, PBIT for this segment stood at Rs.15 crore. In Q3 FY19 we sold 11.22 crore units at an average realization of Rs.3.11 per unit as compared to 14.73 crore units at an average realization of Rs.4.98 per unit. As on 31st December '19 stock of bagasse stood at 1.16 lakh metric ton as compared to 1.59 lakh metric ton as on 31st December '18.

Finance costs for the quarter were higher at around 8 crore. As on 31st December 2019 long-term debt of the company stood at Rs.464 crore which includes SDF loan of Rs.5 crore and balance are term loans of availed under State Government and the Central Government schemes which carries interest at subsidized rates.

Long-term and short-term rating of the Company stand at AA and A1+ respectively assigned by ICRA and CRISIL. This brings us to the end of our opening remarks. Would now like to address any questions or queries you may have in your mind. Thank you.



Moderator: Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Sanjay Manyal from ICICI Direct.

Sanjay Manyal: Just few questions on the export side; if my calculation is right you probably would have done somewhere around 60,000 tonnes of export this quarter. What kind of quantities you have done export this quarter Q3?

Pramod Patwari: We have done 9.07 lakh quintals of during this quarter.

Sanjay Manyal: What is the expected in Q4 and if anything would be sort of spillover to Q1 next year?

Pramod Patwari: Our obligation is around 2.29 lakhs tonnes of sugar which we expect to complete within 31st of March.

Sanjay Manyal: So almost everything will be done in Q4, the remaining?

Pramod Patwari: Whatever is left out will be done in March quarter.

Vivek Saraogi: Just to add to that; as we said in our opening remarks, the Government is reallocating quotas from mills who have not done to mills who want to do. So we are in the process of obtaining further exports and we hope to get back soon on that and the prices are very-very encouraging.

Sanjay Manyal: What kind of additional exports you have asked from the government?

Vivek Saraogi: I don't think that is appropriate to be said today. But Government is looking to reallocate the export quotas in a week's time we should be able to get back on that.

Sanjay Manyal: As far as this monthly sale quota mechanism is concerned what I understand your January quota is somewhere around 1 lakh tonnes and Feb is a bit less. Whereas most of the other (UP) mills have got the consistent quota at least those who are doing B-heavy—specifically UP west mills—so why this lower sale quota in February?

Vivek Saraogi: First of all the overall quota in February is lower, secondly our January quota is much higher than the other, so over a quarter you will see it reasonably average out.

Sanjay Manyal: On the Power front though tariffs have revised downwards but even our volumes have gone down. So have we sold more bagasse this quarter?

Vivek Saraogi: Yes. So we are now running a protocol via which we look to make power to run our sugar operation and distillery, whatever necessary and we try and sell as much bagasse as we can because that's A. cash down, power payment take 6 to 9 months to come, B. whatever conversion cost we are getting via the power route the moment we cross that and we can sell in the market, we sell in the market keeping in mind our requirement. So our job is to do business, enhance revenue and profitability of the company and that is our focus.

Sanjay Manyal: Where that sale has been accounted, in which segment it has really gone?

Pramod Patwari: Bagasse sale revenue gets captured in the sugar segment.



Sanjay Manyal: Now you have mentioned that you are diverting your sugarcane more than 30% to B-heavy. Is it possible to even scale up further, maybe next season can we do like 50% B-heavy and we have the sufficient capacities, so our distillery volume can go up to 17 crore odd, is it possible if we do somewhere around 50% diversion?

Vivek Saraogi: This year as Pramod said in morning interview that we are almost diverting 40%, it is not 30% and it will be our endeavor to increase this.

Sanjay Manyal: And 17 crore units are possible next season?

Vivek Saraogi: I'm not ruling it out but we will get back to you. Let us do it. Understand we are doing three distilleries fully on B-heavy, there is a fourth distillery and we will explore that and get back also for next year.

Sanjay Manyal: One last probably on the crushing side; is it that our crushing has gone up this year because most of the millers what I have seen the numbers, what most of the companies have reported numbers where the crushing probably has gone up this year. So probably yours till date is down but would it be safe to assume that for overall season it would be higher than last year?

Vivek Saraogi: Basically East UP starts a little late and this year owing to rain it started late. Our crushing won't be lower than last year. And if you account for our B-heavy diversion and the loss there, our recovery will be definitely much higher than last year. So assume we are not doing B-heavy, our recovery may have been 12%.

Sanjay Manyal: What would be our blended realization or sugar realization considering the exports because what I understand Rs.33 per kg is probably your domestic one, so what would be the blended realization?

Vivek Saraogi: What is our quarter's realization in domestic market?

Pramod Patwari: Domestic market is Rs.33.32 per kg.

Pramod Patwari: It won't be fair to have a view on blended realization because export subsidy gets captured in the other operating income.

Sanjay Manyal: But considering the subsidy of Rs.10.4 per kg, our realization would be somewhere around Rs. 30 per kg or more than that?

Pramod Patwari: For this quarter it was Rs.19.90 per kg.

Vivek Saraogi: Plus Rs.10.5 per. So it's like Rs.20 plus kg plus Rs.10.50 per kg almost, so that is Rs.30.50 per kg for the export and Rs.33.3 per kg for the domestic.

Sanjay Manyal: And what would be our contracted price, the entire quantity.

Pramod Patwari: It will be in the region of maybe Rs.20 per kg or slightly higher than Rs.20 per kg.

Sanjay Manyal: So we have done entirely raw sugar?

Vivek Saraogi: We have done a combination of white sugar and raw sugar.

Moderator: The next question is from the line of Aman Sonthalia from Suvridhi Capital Markets.



Aman Sonthalia: My question is that the mills in the south India in Karnataka are producing ethanol directly from sugarcane, so whether our company is also thinking on that line and what is the economics of that?

Vivek Saraogi: Right now we are not thinking of going from juice. So we will wait and see the economics of that. We are in the process of starting that but our distillery capacity as our previous participant asked our idea is to exhaust that via B-heavy which is a much better option.

Aman Sonthalia: Next year again the production is expected to shoot up, so in that scenario how the international market is looking and whether it will absorb the export next year also?

Vivek Saraogi: So let's keep it simple; we have lived with 14.5 million tonnes inventory; this year will be down to 10 million tonnes. Assume next year production goes back to 32 million tonnes —I am saying worst—consumption let's say goes to 27 million tonnes, we look forward to sacrificing maybe 1-1.5 million in B-heavy and 4 million tonnes in export. So basically you would remain again after one year you might still stay at only 10 million tonnes inventory.

Aman Sonthalia: Whether the 27 million tonnes consumption is possible?

Vivek Saraogi: Yes, why not.

Moderator: The next question is from the line of Ritesh Poladia from GIRIK Wealth Advisors Pvt. Ltd..

Ritesh Poladia: Assuming the current ethanol price in Brazil, can you give us what would be the parity price between ethanol and sugar out there?

Vivek Saraogi: It should be around 14.5 cents for ethanol parity.

Ritesh Poladia: Now it has already breached that, so global price is unlikely to move will that be a safe assumption?

Vivek Saraogi: Let's not try to correlate one to one. Basically today's 15 cents assume we get more quota our selling price could be Rs. 22.5 per kg. Raw sugar would sell at Rs.23 per kg plus Rs.10.5 per kg for the additional quota would take me to beyond 33.5 in export. So A. millers would be very interested to export, B. you are in regime of a quota, C. production is lower hence there is a bullish/tailwind to the whole arrangement. Having said that you have enough stocks, so I would say prices in production period might remain around Rs.32.5 per kg. The moment production stops in Maharashtra which is March middle we could get back to Rs.33.5 per kg, maybe even Rs.34 per kg. But these are views and assumptions based on 30 years of experience.

Ritesh Poladia: One final question, how quickly Brazil can shift from ethanol to sugar?

Vivek Saraogi: They can do immediately.

Moderator: The next question is from the line of Keshav Lahoti from Angel Broking.

Keshav Lahoti: I understand that there is a molasses internal transfer happening between sugar and distillery segment that's why the distillery profit is low but when I try to combine the sugar and distillery profit, last year you made 11,348 lakh profit in Distillery and sugar combined together which has reduced to 8,819 lakh, so what am I missing?



Pramod Patwari: When we transfer molasses from sugar division to distillery division, for distillery division the transfer price becomes the raw material cost and the credit is given to the sugar department. Now sugar as you know is being sold over a period of 12 to 14 months. So the value of high credit given to the sugar department is captured in the form of cost of inventory which can result into profit only when the sugar gets out. However in case of distillery the moment it is produced, alcohol is sold immediately. So it's only a question of time lag, nothing.

Keshav Lahoti: So, nothing it has happened due to subsidy of Government, this profit is affected due to subsidy of Government in cost of material?

Pramod Patwari: Nothing on account of Government subsidy, as we discussed the transfer price of molasses becomes a cost in distillery as a result of which the profit is down in the distillery. But the credit will be given in the sugar segment. The profit will be accrued only when that sugar gets sold in the market. There is only a time lag.

Keshav Lahoti: Next year when you will be operating the new distillery is it fair to assume that it will be operational for 330 days and the margins will be 70%, be it in either sugar or distillery the margin would be kind of 70% what you did in FY19.

Pramod Patwari: Distillery will definitely operate at full capacity. However the kind of margin what you are mentioning which we achieved in FY19 was again a function of low molasses prices. So as we have already migrated to a new price mechanism which is based out of market realism, so profitability margin in distillery will be on the lower side but at the corporate level it will be okay.

Vivek Saraogi: Exactly, see what is cost to one is revenue to the other division.

Keshav Lahoti: That's what I'm asking, is it 70% margin whether the profit will be sitting in sugar segment or distillery, at the corporate level what will be the margin? So assume that distillery does Rs. 100 more revenue to the new distillery what will be the profit coming from it, either in sugar or distillery segment?

Pramod Patwari: It is not possible to express margin at corporate level.

Keshav Lahoti: What is the industry estimate for ethanol using B-heavy?

Pramod Patwari: Second tender is ongoing, maybe in a week's time we should be able to tell you.

Keshav Lahoti: So what will be the diversion B-heavy, you expect in the industry in the next year from your experience?

Pramod Patwari: Let's wait and see

Vivek Saraogi: The tender quantity. I think within a week if you talk to Pramod he will be able to tell you a lot.

Moderator: The next question is from the line of Achal Lohade from JM Financial Institutional Securities Pvt. Ltd.

Achal Lohade: Could you please elaborate a bit with respect to the B-heavy route given this is the first quarter where we are talking about the B-heavy route? A. in terms of what kind of recovery rate for sugar—you kind of indicated in the interview but I just thought on the data—in terms of the recovery rate for molasses, recovery rate for sugar and the transfer pricing.



Vivek Saraogi: So Distillery recovery from B-heavy, the units which are doing is approximately above 32 and for the conventional route under C-heavy would be 23 plus.

Pramod Patwari: Transfer pricing for B-heavy is Rs. 7,000 a tonne.

Achal Lohade: What would be the recovery rate in case of B-heavy route for sugar?

Pramod Patwari: Sugar sacrifice would be over 1.6%.

Achal Lohade: Would it be possible to just give a ballpark estimate of the conversion cost for the molasses into ethanol?

Pramod Patwari: It will remain same as it was in the last year.

Achal Lohade: Roughly about Rs.8-9 a litre?

Pramod Patwari: Yes, 8-9 per litre but that will take care of freight incidence also, Rs. 9 including freight incidence and if you eliminate freight then it will be Rs. 7 only.

Achal Lohade: And the realization includes freight or it's excluding trade?

Vivek Saraogi: There is a little bit of loss on freight. The Government suppose gives you Rs. 1 freight since we tender to all parts of the country freight is actually Rs. 2. You are talking off that extra incidence between the reimbursement of freight you get and you spent.

Pramod Patwari: Yes.

Vivek Saraogi: That is debited to your cost.

Achal Lohade: You said 40% for the current year B-heavy route, did I hear it right?

Vivek Saraogi: Yes.

Achal Lohade: It could be higher

Vivek Saraogi: Coming season, next year it could be higher.

Achal Lohade: How much would that be, let's say you have very remunerative ethanol price for B-heavy, so what is the maximum you can go up to in terms of your capacity?

Vivek Saraogi: Maybe 55%.

Achal Lohade: And in that case the ethanol output could be around 18 crore litre or could be more than that?

Vivek Saraogi: No, it could be around that level.

Achal Lohade: With respect to exports when you say the realization is about Rs. 20 a kilo, is there any additional freight cost because that Rs.10.50 per kg...?

Vivek Saraogi: It's all included.... its net realization.



- Achal Lohade:** In terms of the exports for the industry, as you also pointed out the pricing is a very encouraging one. Why is the industry slow in terms of contracting? I thought we would have completed 5 million tonnes contracting by now, given how remunerative the prices are. So what is the issue here according to you?
- Vivek Saraogi:** Pramod will give you more idea. My view is Maharashtra is the laggard.
- Pramod Patwari:** See industry has contracted in addition of 3 million tonnes already but with this additional quota coming into play, our view is that we should be in the position to do around 4.5 million tonnes of export this year. The reason behind slow export is non-availability of sugar in the Maharashtra and the Karnataka, that is one of the reason and the working capital for the smaller players is also the reason for lower interest.
- Vivek Saraogi:** If this price holds, what Pramod is saying 4.5 million tonnes and there is going to be and another re-allotment in April also Pramod. So I mean we could touch 5 million tonnes also but 6 million tonnes we don't see happening, that's the message.
- Achal Lohade:** In terms of, what are the benefits with respect to the additional quota is that do we save on the inventory carrying cost or do we get the additional release orders for the domestic market as well, which was the case last year?
- Pramod Patwari:** Yes, we save on the carry cost and going forward we will get additional release quota for domestic sale also.
- Vivek Saraogi:** And understand the biggest advantage. The laggards were not going to export and for people like us who have asked for additional quantity and will get it; the basic idea that at 15 cents/lb you are getting Rs.23 per kg almost plus subsidy of Rs. 10.5 per kg will take you to Rs.33.50 per kg on export price whereby you save a lot of interest, you save cost of production, you don't carry the inventory and that is a very-very pro-active step by the Government.
- Achal Lohade:** So just to clarify in terms of accounting, you account for Rs. 23 a kilo for the exports?
- Vivek Saraogi:** No, Rs.23 per kg is a price today if we contract. Rs.23 per kg is not the average. Rs.20per kg is the average.
- Achal Lohade:** Correct, let's say for Rs. 20 for the quarter. Rs. 20 is the export realization; Rs. 10.50 is part of other operating income and the freight cost whatever you are incurring you take a credit against that in the expenses, is that right?
- Pramod Patwari:** Freight cost whatever we incur gets debited separately to the profit and loss account and revenue gets credited to sales account and as rightly said by you the other operating income which is Rs. 10.50 per kg will be reported separately.
- Moderator:** The next question is from the line of Raj Sonthalia from Abakkus Asset Manager LLP.
- Raj Sonthalia:** What is your processing cost for B grade and C grade molasses to ethanol, can you give that number, your conversion cost apart from the transfer pricing?
- Pramod Patwari:** We have already shared that number.



Vivek Saraogi: Operating cost would be around Rs. 6 per litre then there is depreciation, loss on transport, total cost would be Rs. 8 per litre.

Raj Sonthalia: Rs. 8 per liters of ethanol?

Vivek Saraogi: Yes. All included.

Raj Sonthalia: And there is for B grade?

Vivek Saraogi: We see both at same cost.

Raj Sonthalia: It's only their transfer pricing is different.

Vivek Saraogi: Exactly.

Moderator: The next question is from the line of Ambar Taneja from Vachi India.

Ambar Taneja: I had a very simple question, in the power segment you mentioned that you have optimizing between selling power to the state and also selling bagasse as and when you see fit. Is selling all the merchant power exchanges an option as of right now? If the power rates indeed go higher than what the state pays you?

Vivek Saraogi: It's a very relevant and good question. We are struggling with that ourselves. Now the reality is technically there is something called open access, what you have said now. UP corridor and UP's laws can say one thing practically than other thing. So we are exploring that, one cannot commit but we are actively looking in that to get at least some option in some of the plants so that when the power rates peak up we can sell.

Ambar Taneja: And a small follow-up question, you just mentioned earlier in the call that between 6 and 7 lakh tonnes of quota might come up for additional quota for the mills that have already succeeded in exporting and just later mentioned that the average price on these would be higher because the international price have gone up since then. I'm just wondering obviously the pool of the mills that will be eligible for this could be much lower than the original pool that was considered at the time of the MAEQ. Is it 50% of the original pool or even less? Just rough number.

Vivek Saraogi: Though your assumption is extremely logical. We are not privy to these numbers, these numbers are just with the Sugar Ministry but your thinking is on the right line.

Moderator: The next question is from the line of Archit Joshi from Dolat Capital Market Ltd.

Archit Joshi: Just a small clarification; earlier you said that the 38.5% diversion which is representative of 10 million tonnes of sugarcane that we have diverted, that can go up to 55%, is what you said, right?

Vivek Saraogi: It can, I am not committed...

Archit Joshi: Potentially at what ratio will we be operating in terms of B-heavy to C-heavy in terms of ethanol, if we were to go at 55% diversion?

Vivek Saraogi: These are very complicated data because even though quantity of B-heavy can be different, the recovery of that is much higher; the molasses percent cane is much higher. Having said that probably you could be using 70% B-heavy molasses but please we don't have your data off-hand.



Moderator: The next question is from the line of Amit Doshi from Care PMS.

Amit Doshi: Can you tell us to what extent our sugar valuation is lower due to that higher transfer pricing of molasses because our ethanol distillery profit is down by around 50 crore?

Pramod Patwari: See cost again we have said is on many occasions that for sugar it has to be seen on an annual basis. If you try to see the cost on a quarterly basis, we will get a very disturbing figure. So cost as of 31st of December was around Rs. 32 per kg but this is a nine-month cost and it will crack very heavily in the last quarter because of the 92 days of full production available to us. So the incidence of allocation of fixed overheads will have a very positive effect on the overall cost overheads.

Vivek Saraogi: When we report next quarter numbers then you will get actual evidence of what Pramod is saying.

Amit Doshi: At the end of the year the sugar segment and distillery segment profit will be same what others would have been, due to this transfer pricing mechanism?

Vivek Saraogi: We can only say that we look forward with a lot of optimism on these two segments.

Amit Doshi: What is the logic behind this change in transfer price from Rs. 150 per ton to Rs. 3,500 per tonne?

Pramod Patwari: Last year the ruling prices in the market of molasses was around that level only which has improved to almost Rs. 3,500 a tonne on an average basis.

Vivek Saraogi: Basically the transfer pricing, the auditor's say must be on market Pramod that's the logic? Accounting standards we have to follow.

Amit Doshi: That will give the real price of sugar because cost of the sugar manufacturing.

Vivek Saraogi: Yes.

Moderator: The next question is from the line of Levin Shah from Valuequest Investment Advisors.

Levin Shah: On these exports, so like you mentioned that till now the industry would have contracted around 3 million tonnes and now government is going to come up with additional quota for the mills who have actually contracted their full quota. So if we are at 3 million tonnes till now, so do you see there can be a sizable additional quota which can come, now what you are saying is the market rumors are around 6 to 7 lakh tonnes but can this be sizable in the next contract or going forward as well?

Vivek Saraogi: It's all a moving bar. Let one reallocation happen, this is the first-time Government is looking at this. I don't think they have done this method earlier. Let me deeply appreciate this method. It is a country positive move; people were sitting with a quota don't want to do anything about it. People are wanting to do something about it usually like us who have finished the entire obligation already, get the opportunity of higher prices on the basis of nonperformers. So A. this is appreciated, B. this is positive for companies like us, C. it is positive for the country's overall balance. Now how much will happen just if you wait for one reallocation, visibility ahead will be better.



Levin Shah: But there are chances there will be another reallocation or...

Vivek Saraogi: There will be, the policy says that you will have two more reallocations in April and July. There will be two more allocations; there is no speculation, that's policy.

Levin Shah: On the mills, may be private as well as cooperative mills, those who have not been able to contract, what would be the primary reason because they would also want their inventory to get down, right?

Vivek Saraogi: The mills who have not been able to contract, why?

Pramod Patwari: One reason could be because of the working capital issues.

Levin Shah: Because you will have to book loss right now since that time you get subsidy...

Pramod Patwari: Subsidy from government of India takes 6 to 8 months to come so that is one of the reason that weaker mills are avoiding.

Levin Shah: And the subsidy mechanism still stays the same way like you will receive subsidy only after 6 to 8 months?

Vivek Saraogi: Yes.

Levin Shah: One more thing on this lastly on this international market; so what we have been reading recently like yesterday itself that Thailand is going to go down in a big way as compared to last year. So do we see the current estimate stands at 6 to 7 million tonnes of deficit this year? So do we see any chances that next year as well we might see a deficit in the global market and hence international prices may stay afloat?

Vivek Saraogi: It's too early to comment next year but we can only say that the prices today are very remunerative, and we hope it's not going to crack again. So it all depends how crude plays or corona virus, we don't know what happens when in this world.

Levin Shah: Lastly on these exports, we are yet to book the subsidy money right, which is receivable or have we booked that in the current quarter?

Pramod Patwari: We will be booking on a matching principle basis. Whatever we have actually shipped out of our factory we have already booked it.

Levin Shah: So this 19.90 per kg realization that doesn't include any subsidy amount, right?

Pramod Patwari: We cannot include that subsidy under this head. It has been reported separately as other operating income.

Levin Shah: What would be that amount for the quarter?

Pramod Patwari: Around 94 crore.

Levin Shah: For the quarter?

Pramod Patwari: Yes.

Moderator: The next question is from the line of Nitul Das, an Individual Investor.



Nitul Das: I have one question on the recent move by the Government to move a Cabinet note for the dual pricing policy for retail households versus industrial customers. Your thoughts on that and any more details which you have which is over and above what has been reported in the media?

Vivek Saraogi: No, nothing and personally it seems very difficult to me.

Nitul Das: So you think that this policy is difficult to move, move it across the industry?

Pramod Patwari: We need to wait and see.

Vivek Saraogi: We have no information on any Cabinet's note and all moving.

Nitul Das: Because it was reported in the media that's what I was kind of...

Vivek Saraogi: I would not pay too much attention to it.

Nitul Das: What has been the progress on, what is the status on the planting season which UP has already completed, for the next year 2021 and Maharashtra is going to be; the planting would start probably in April, right, if I'm not wrong?

Vivek Saraogi: UP planting has not yet begun. It begins second half of February and goes up to April.

Nitul Das: And for Maharashtra?

Vivek Saraogi: Maharashtra plants in various stages, but one can definitely only keep mindset that Maharashtra will be higher next year.

Nitul Das: And UP is expected to have the same amount of planting?

Vivek Saraogi: Yes, kind of range.

Moderator: The next question is from the line of Sanjay Satpathy from Ampersand Capital Investment Advisors LLP.

Sanjay Satpathy: I could not really take it down that what the total quantity of ethanol sales that you are targeting for this year and next year, I mean total alcohol?

Pramod Patwari: This year we are expecting to be in the region of 11.5 to 12 crore litres.

Vivek Saraogi: Within March could be closer to 12 crore.

Sanjay Satpathy: And next year?

Pramod Patwari: We have a capacity of producing around 18 crore litres, 15 crore litres is a possibility.

Sanjay Satpathy: Because you are going to do lot of exports which I am assuming will not be there in the subsequent year, right?

Vivek Saraogi: We are hoping it's there next year also.



Sanjay Satpathy: And how much total sugar including exports that you can sell this year and next year?

Pramod Patwari: It will depend upon what kind of quota we are going to get. This year we got a quota of 2.29 lakh tonnes which we will do this year itself.

Sanjay Satpathy: That is the exports?

Vivek Saraogi: He is talking about domestic, how much do you expect to sell? Now can't predict that.

Pramod Patwari: Domestic will depend upon the monthly release mechanism.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for closing comments.

Vivek Saraogi: Thank you everybody. Thank you for joining us.

Pramod Patwari: Thank you and if you have any other questions you can always get back to us. Thank you so much.

Moderator: Thank you very much sir. Ladies and gentlemen on behalf of Balrampur Chini Mills that concludes this conference. Thank you for joining us.

