



Balrampur Chini Mills Limited

Q1 FY20 Earnings Call Transcript

August 08, 2019

Karl Kolah:

Good afternoon everyone, and thank you for joining us on Balrampur Chini Mills' Q1 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 which was shared earlier.

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

Vivek Saraogi:

Good afternoon everyone and thank you for joining us on Balrampur Chini's Q1 FY20 earnings conference call. Let me begin by providing you with an update on the latest developments in the sugar sector and some of the key highlights following which Pramod will take you through the financial performance for the quarter.

According to ISMA's latest estimate, India's production for the next season is expected to be 282 lakh tonnes against 325 lakh tonnes. This is owing to lower output expected in Maharashtra where production is estimated to fall below 75 lakh tonnes from 107 lakh tonnes. This is basically owing to lower area and a lower rainfall in the months of June and July. However, there has been an improvement in rainfall. Having said that, there also has been some flooding in some areas. So, the estimate remains at these levels, may be lower also as per some people.

UP has become the leading producer of sugar in the country and expected to be stable at around 115 lakh tonnes to 118 lakh tonnes. This is on account of owing to increase in yield on account of high yielding variety. Similar to Maharashtra, due to poor rain in cane growing areas, production in Karnataka is expected to be lower at 35 lakh tonnes against 44 lakh tonnes.

With an estimate of 282 lakh tonnes and opening stock of 145 lakh tonnes, India's availability will be 427 lakh tonnes. For domestic requirement and exports. Domestic consumption is expected to be 260 lakh tonnes.

It is expected that about 1.5 million tonnes will be diverted to ethanol via B-heavy route. In addition to this, globally there is an anticipated deficit in sugar production for the upcoming season. Center south Brazil is projected to produce 26 million



tonnes. Added to that dry condition in Thailand, EU, Australia and Mexico, and are thereby adversely affecting global production. We are hopeful that there will be a global deficit in the current year and government's focus on exports from India will gather steam, which will be deducted out of the total availability of 427 lakh tonnes.

The Central Government has undertaken various initiatives to adjust the large mismatch between demand and supply. FRP has been maintained at Rs. 275 a quintal, and government recently announced a buffer stock of 40 lakh tonnes against the last year's 30 lakh tonnes.

Now let me briefly highlight the company's performance. Balrampur delivered a healthy performance for the quarter. However, performance of sugar segment was impacted by lower volumes. Volumes are lower on account of sales release mechanism which has been put in place by the Government. Profitability was enhanced due to high realization of Rs. 32.9 per kg during the quarter as compared to Rs. 28.4 per kg in Q1 FY19. See, this is the reason why the volume is lower because there is a sales mechanism and we appreciate this methodology of selling in times of surplus. I am glad to share that we achieved a record recovery of 11.74% for the sugar season 2018-2019. Performance of distillery segment continues to be healthy. Presently, ethanol blending is about 6.2% which is expected to reach 8% - 9%, because UP will increase and Maharashtra will come down owing to lower sugar crushing. The government's aim is to achieve a target of 20% blending by 2030, which will create robust opportunities for the entire sector. Performance of cogen segment was impacted on account of lower sales, and a sharp dip in power tariff. We have taken into account the lower tariff while preparing the financial statement. So, we have taken a retrospective reduction in tariff of Rs. 2 approximately from 1st April onwards.

In conclusion, I am glad to state that we continue to deliver healthy performance in the midst of unpredictable environment for the sugar industry. With a lower production expected for the next season and proactive Government initiatives of export, B-heavy, quota, MSP, we are hopeful that operating macros will improve in the coming months. This, combined with increase in distilleries capacities, limited CAPEX and a strong balance sheet will hold us in good stead.

I would now request Promod to take you through some of the financial elements.

Pramod Patwari:

Good afternoon, everyone. And thank you for taking your time out and joining us today on Balrampur Chini Mill's Q1 FY20 earnings conference call. I will begin by briefly taking you through the company's operating and financial performance for the quarter under review.

Income for Q1 FY20 was lower at Rs. 949 crore, primarily due to lower revenues from the co-generation segment. While distillery revenues improved, the contribution from the sugar segment was steady. Profits improved by 45% YoY to Rs. 106 crore, led by healthy contribution from the sugar and distillery segment. The revenues from the sugar segments were stable at Rs. 837 crore for the quarter under review. Segment PBIT was higher at Rs. 73 crore as compared to Rs. 4 crore last year. As on 30th June, 2019, sugar inventory was 70.51 lakh quintals and is valued at an average rate of Rs. 29.20 per kg.

Revenues from the distillery segment were higher by 14% YoY at Rs. 139 crore on account of higher sales and realization. PBIT grew by 38% YoY to Rs. 85 crore. As on 30 June, 2019, stock of molasses stood at 20.11 lakh quintals as compared to 24 lakh quintals as on 30 June, 2018.



Revenues from the co-generation segment was sharply lower by 33% YoY at Rs. 111 crore. PBIT was Rs. 7 crore. As on 30 June, 2019, stock of bagasse stood at 1.44 lakh metric tonne as compared to 1.89 lakh metric tonne last year.

Interest cost for the quarter was higher by 37% at Rs. 23 crore as against Rs. 17 crore in Q1 FY19, mainly on account of higher sugar inventories across the country. The long term and short-term ratings of the company are at AA and A1+ respectively as assigned by ICRA and CRISIL. As on 30 June, long term debt of the company stood at Rs. 376 crore, translating to a debt to equity ratio of 0.18.

This brings us to an end of our opening remarks. We would now like to address any questions or queries you may have in your mind. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Gaurav Janwar from Systematix Shares & Stocks (I) Ltd.. Please go ahead.

Gaurav Janwar: My question is regarding the power business. In the power tariff the Government has already notified the rates or like a what is the status exactly?

Vivek Saraogi: It's expected now in the next one or two weeks. So, whatever we saw from the draft regulation is what we have accounted for.

Moderator: Thank you. The next question is from the line of Chaitanya Shah from Aditya Corporation. Please go ahead

Chaitanya Shah: I have three board questions. And I will just start with the first one. My first question is regarding the Government subsidies that the company got last year. The amount that you mentioned was around Rs. 176 crore on cane crushing and around Rs. 48 crore on the reimbursement of MIEQ. So, that totals around Rs. 224 crore. So, my first question is, has this amount been received by the company? And the other thing is, has the company received any subsidy for this quarter? And also, what is the subsidy among going to be for the year?

Pramod Patwari: As far as the subsidy of Rs. 49 crore from Government of UP is concerned, we have already received the money long back. Now the other subsidies which are in the nature of cane crush subsidy and the transport expenditure on account of export, our claims have been filed with the Government of India, and that money is expected start coming from the month of August. During the quarter ended June 2019, we have accounted for cane crush subsidy of around Rs. 19 crore which is in direct proportion to the amount of cane crash during this quarter.

Chaitanya Shah: Okay. Sir, I have also seen the inventory that you are carrying right now, its around 71 lakh quintals of sugar. This is almost 3.5x the amount you were able to sell in this quarter. Given the working capital requirements that are there, do you think mills who don't have a good balance sheet could face a huge problem in terms of bank funding? And large-scale bankruptcies could take place. I just want to give an example, I read an article about Bajaj Hindustan which was in the news a few days ago. And some news about banks taking the company to NCLT. So, just wanted to understand your take on this.

Vivek Saraogi: We won't like to comment on others.

Chaitanya Shah: Sir, if we could just talk about the working capital requirements of the industry?



Vivek Saraogi: The inventory is higher with a purpose, and that purpose, as I said, is well appreciated. Otherwise, if you saw Q1 of FY19, realization was Rs. 28.40. So, this is the need of the hour. Having said that, people will have to find their working capital requirement from the bank. Whatever I am aware is good companies are getting it, there's no problem. The rest I can't comment on.

Chaitanya Shah: Sir, my reason of asking this was basically to understand if there are any problems that are going to occur in the future, like what is your take on in the sense that I am assuming a lot of mills would be stretched, realization could come down in the sense that mills stopping to function.

Vivek Saraogi: That happened in a very few cases. However, companies which can't find a working capital have their cane price outstanding.

Chaitanya Shah: Okay. So, you are saying majority of the working capital is being funded through the pay raise to the farmers?

Vivek Saraogi: If bank is not funding it, farmer is funding it.

Chaitanya Shah: All right. And my last question is, I saw the realization from ethanol that you had, which was around 43.5, I am assuming you have not made any ethanol sales from B-molasses. Now, I heard you on the news in the morning today, you said that your target is around 15 crore liters for the year, so just want to understand what would be the realization for the year and how much are you planning to sell via the B-molasses route?

Vivek Saraogi: We will do a substantial quantity of B-Molasses. We are in the process of planning. I think the tender should be out sometime, September end etc. So, once we fill the tender, that's the only time one would like to disclose. But we are doing a good quantity.

Chaitanya Shah: Okay. This is the last question, sorry to just hop back on the subsidy part. Is it fair to assume that the amount of subsidy would be similar to the last year that you probably got? And I am just asking because the amount of subsidy that you got was pretty huge last year.

Vivek Saraogi: Yes. So, I think, again, it's very difficult because nothing has been done. But logic tells me it should be similar.

Moderator: Thank you. The next question is from the line of Aditya Kumar from Invesco. Please go ahead

Aditya Kumar: My question is regarding the export quota as per the Government now. So, have you met the export quota for this fiscal year as of now?

Vivek Saraogi: Yes, last year's quota we have met.

Aditya Kumar: And how much loss or profit has been booked on that export?

Pramod Patwari: We did actual physical export, so it has been captured within the year ended March 2019 in the form of lower realizations.

Moderator: Thank you. The next question is from the line of Jayant Mamania from Care Portfolio Managers Pvt. Ltd.. Please go ahead



- Jayant Mamania:** Sir, what is this self-mechanism which is prescribed by Government, which you say for which our volume is down and realization is up?
- Vivek Saraogi:** Government prescribes a particular quota which is to be sold every month in the country, and individual millers are given how much they can sell.
- Jayant Mamania:** So, end of the year our volume will be less as compared to previous year?
- Vivek Saraogi:** Yes.
- Pramod Patwari:** But previous year's volume included export quantity also, which was around 16.5 lakh quintals.
- Vivek Saraogi:** Even this year we will export. So, it's difficult to say, but it might be slightly lower in the months till now. From now on it will be the same, because the quota last year came in sometime in the month of June. So, from June it will be apples-to-apples.
- Jayant Mamania:** Sir, considering the lower sugar production, what is your estimate for the average price during the year?
- Vivek Saraogi:** It's very tough to predict. See, as of now we are selling at Rs. 33.70, which is higher than Rs. 32.90 which we reported for the last quarter. So, it varies. But having said that, I think 32.5 is a reasonable estimate. Minimum estimate.
- Jayant Mamania:** Sir, at what rate we have valued our closing stock as on 30 June?
- Pramod Patwari:** Rs. 29.20.
- Jayant Mamania:** Okay. Sir, globally, Brazil is going to produce less, Thailand is also less, so what is the global demand supply position? And what will be the impact on the price?
- Vivek Saraogi:** See, basically, when we said there is going to be a global deficit, also the truth is that there is global surplus available in terms of stock. But if India is coming off so shortly, and usually cane production doesn't drop for one year, it drops off two years. I mean, you are asking me for statements which are forward-looking, I am trying my best. That is my attempt to answer you. So, basically, as we move ahead I don't think that global prices should reduce, it should go up only. But I am not looking at some kind of tear away price. So, if it's around let's say 11.5 cents, one can assume safely it can go towards 12.5 cents to 13 cents. But are you saying "are you saying 15 right now", I am not.
- Jayant Mamania:** Okay. Sir, falling crude oil prices will anyway impact the ethanol pricing from the government?
- Vivek Saraogi:** No. See, even last year when they were rising or when they were falling, or even when they were \$40, ethanol pricing is a fixed price determined by Government of India, based on the overall support mechanism. For the millers so that cane dues can be paid.
- Moderator:** Thank you. The next question is from the line of Varun Goenka from Reliance Nippon Life Asset Management Ltd.. Please go ahead.
- Varun Goenka:** In the last three or four years, you have really handsomely paid to shareholders. I was just trying to understand the next two to three years you are going to be



generating significant cash flows, what are the reinvestment or the payout opportunities that you are looking at, especially buyback tax now that has been in agreement?

Vivek Saraogi: Our strategy remains the same. If the overall cash is to be distributed, you are aware of our CAPEX plan. And on that you are getting a loan also from the banks, where there is an interest subsidy from Government of India. So, whatever cash has been distributed, which one is aware of, by our conduct in the last four or five years will continue to be distributed. The manner in which it will be distributed will depend on the the-then regulation, whichever is the most friendly for all concerns will be used.

Moderator: Thank you. The next question is from the line of Niraj Mansingka from Goldman Sachs Asset Management (India) Pvt. Ltd.. Please go ahead.

Niraj Mansingka: Thank you for the opportunity, few questions. One is, harping again on the sugar sales volume that you had. Is it right to say that because you were given higher sales volume in Q4 because of export quota and in the past also your volumes were lower? Or is it because as a proportion of the sugarcane crushed or the consumption, you should be allocated a similar ratio in terms of a capacity. So, can you give more thoughts on that and how you see this volume allocation to you and generally how will each company be allocated by the government?

Pramod Patwari: Whatever we sell on account of export doesn't go into the calculation of monthly quota. So, that export quantity will always be over and above the normal release mechanism. Now, every mill is given a sell quota depending upon their stockholding levels as well as the demand in the country during that particular period. This has been formula adopted by the Government.

Niraj Mansingka: Okay. So, is it right to say because you have a lower inventory you got a lower sales quota for the quarter?

Vivek Saraogi: Not like lower that way, if you compare other millers also and extrapolate vis-à-vis Q1 FY19, you might find similar data only.

Niraj Mansingka: Okay. Because consumption and inventory in the system wouldn't have gone up, right, in terms of the inventory in the market or consumption also. So, then why would there be a 17% drop in sales volume for the quarter? If I remove the export data it is 1.67 million.

Pramod Patwari: In the last year, there was no release mechanism in the first quarter. So, every mill was selling aggressively.

Vivek Saraogi: That's why prices even touched up to Rs. 25.

Pramod Patwari: From next quarter onwards you will not find so much of difference.

Niraj Mansingka: So, carrying that forward, how much would be the approximate guess by you in terms of volumes that you can do in Q2?

Pramod Patwari: Very sensitive information.

Vivek Saraogi: Very tough, these are sensitive information. Be clear, there is no role I have in this or any company has. If you want to sell at a price which is equal to Rs. 33.5, this little bit of the supply gets restricted. You incur a higher interest cost, we are getting



luckily, we might be one of the only millers in the sugar industry to get it, so we fund our working capital in the range of 7%, 7.2%, and we carry the inventory, everybody has to get any inventory, we carry it at the lowest cost in the industry. And the result is higher realization.

- Niraj Mansingka:** Okay. Got that. The other questions is on your power tariff. So, will the power tariff used in retrospective or you see it as prospective?
- Vivek Saraogi:** Our information might be retrospective that is on 1st April, that's why we have taken the hit from 1st April. Having said that, this order is going to be challenged by us very aggressively in the High Court. And it's too tough to talk about what the courts will do. But our lawyers tell us, and my personal experience is, we have a very good case, not only of the retrospective but on this drastic reduction of Rs. 2.
- Niraj Mansingka:** Okay, so there's no more chance of further reduction in case the order comes in, is that the right way to look at it?
- Vivek Saraogi:** Obviously, that is a minimum, we can only go up from here.
- Niraj Mansingka:** And the increase every year should be 4% as it was in the past?
- Vivek Saraogi:** Yes. I don't exactly remember, it might be 2%, 3%, 4% or whatever. So, that much detail of the regulation one will have to wait and read the regulation.
- Niraj Mansingka:** Okay. Sir few data points, wanted to know on the molasses transfer prices, what is it right now for the quarter?
- Pramod Patwari:** For the quarter, it was Rs. 300 a quintal. And last year similar quarter it was Rs. 15 a quintal.
- Vivek Saraogi:** So, we do on the molasses transfer accounting principles as advised by the auditor.
- Pramod Patwari:** It is aligned to market reality.
- Niraj Mansingka:** Right. So, this was with effect from 1st of April?
- Pramod Patwari:** Correct.
- Vivek Saraogi :** We revise every quarter, every six months?
- Pramod Patwari:** No, we try to maintain an average price, normally we revise once a year.
- Niraj Mansingka:** What was your transportation cost you might have incurred on the bagasse?
- Pramod Patwari:** We don't transfer bagasse from each and every unit.
- Vivek Saraogi:** Which year are you talking?
- Niraj Mansingka:** For the quarter.
- Pramod Patwari:** That we will have to get back.
- Vivek Saraogi:** But we have sold a sizable chunk of bagasse this year.



Niraj Mansingka: In the market?

Vivek Saraogi: Yes. Because the power rates were coming off, we sold a good quantity. We got a very good rate also. See that is our business decision. The company decides on every little benefit they can pick up from anywhere and we are flexible people. So, if bagasse pricing gives us a better rate, we will sell it.

Niraj Mansingka: So, what is the market price of bagasse?

Vivek Saraogi: It's too early right now. Sugar mills bagasse price usually come to know in September, October. I think paper industry is not doing badly I am told and hence we are hopeful of a decent bagasse pricing. After the litigation if the price is better than conversion, it will only be done where we have to and not do additional sales. We will pick up cash from bagasse, we will sell bagasse and get money in the balance sheet.

Moderator: Thank you. The next question is from the line of Achal Lohade from JM Financial Institutional Securities Pvt. Ltd.. Please go ahead

Achal Lohade: Sir, my first question was in terms of the cane crushing volume for FY20 what kind of increase we should look at? Would there be a possibility of diversion of sugarcane from other sugar mills or catchment area to us given the issues the other mills are facing in some of our plants?

Vivek Saraogi: I think volume remains largely the same, as we have seen things today. So, our volume probably would remain the same. That is the first survey estimates we have got.

Achal Lohade: But I was just curious, I think last time we checked the early varietal mix was about 70%, 75% was supposed to go up. Wouldn't that help in terms of the volumes or are you saying drop in volumes in certain plants?

Vivek Saraogi: Leave some good news for future, we are hoping of a much higher varietal balance in terms of early variety. So, that will help the recovery.

Achal Lohade: But you still maintain that assume a flattish kind of number for cane crushing volume?

Vivek Saraogi: That's the most reasonable estimate.

Achal Lohade: My second question was with respect to the bagasse revenue, would it be possible to share for the current quarter?

Vivek Saraogi: In the last season, Pramod can give you the details. We have sold 3.8 lakh tonnes, approximately we picked up more than Rs. 70 crore. We sold Rs. 70 crore worth of bagasse on cash down basis last year, I think average realization of Rs. 1,850.

Achal Lohade: And what price we are transferring the bagasse right now for the power plant?

Pramod Patwari: Rs. 1,400 a tonne.

Achal Lohade: Understood. So, at Rs. 1,400 per tonne and Rs. 3 realization would power plant be profitable than selling in the open market the bagasse?



Vivek Saraogi: Bagasse selling is more profitable. But see, the exact figures will come out. There is lot of fine print you have to read also. But this is my experience that Rs. 1,400 might be better to sell. That's why I said we are flexible, where you need steam during the season etc., we take the best decision for the interest of the company

Achal Lohade: No, I mean from a calculation perspective I was just trying to get that out.

Vivek Saraogi: Extrapolate the life of paper companies.

Achal Lohade: Sir, my second question with respect to the exports. What is the kind of export were you looking at in the coming season, given the massive inventory we are sitting on at the industry level? And even though we kind of hear 7 billion tonnes of number, but do you see that achieving and where would you export that kind of quantity? And do we have the infrastructure to do that?

Vivek Saraogi: Basically, so 50 was mandated, 3.3 was done. So, let's take a 70% performance parameter. Based on that if 70 is given you will be able to export 50, for 50 there is enough infrastructure.

Achal Lohade: And what kind of mix you would imagine? I know it's too early to talk about that, but would that be like 70%, 80% raw and balance white? Because accordingly one will have to plan the production as well, right?

Vivek Saraogi: We will do that, let's see what rates come up in white, raw. We will see whichever we get better realization we will do that. And we will be able to do that well ahead of season, the season begins in November.

Achal Lohade: And just the cane cost, what is the cane cost we have booked for the quarter?

Vivek Saraogi: Cane cost was Rs. 327.

Achal Lohade: And would it be possible to break it up with respect to the transport cost, the rebate and if we have accounted for the subsidies from the government?

Pramod Patwari: We have accounted for the subsidy of Rs. 13.88, so this Rs. 327 is net of that. Transportation cost is normally in the region of Rs. 14 to Rs. 15 per quintal of cane. And apart from that there is a society commission of Rs. 5.50. And there is a premium for early variety, we get reduction of transport credit which is Rs. 8.35.

Vivek Saraogi: It's a pretty complicated calculation, quite complicated means there are many parts to it.

Achal Lohade: Yes, so normal variety is Rs. 5.50 rebate and for early variety it is Rs. 8.35?

Pramod Patwari: No, commission is Rs. 5.5, price of cane normal variety is Rs. 315, rejected is Rs. 310, and for premium variety it is Rs. 325.

Achal Lohade: Right. And the transport rebate remains the same whether it is whatever the nature?

Pramod Patwari: Yes.

Achal Lohade: And just in terms of the volumes, what is the distillery and cogen volume one should work with for FY20?



Vivek Saraogi: We have mentioned about our ethanol volumes, we are hoping to be able to total sell 13 crore. And for the season it will be 15 crore liters. And power sale will depend on what tariff is there, what bagasse price we get.

Achal Lohade: I know it's too early to talk about it, but is it possible to get a favorable court verdict in this season itself, given the way it has played out with respect to other things in the past?

Vivek Saraogi: Yes, why not? I mean, if the regulation comes tomorrow, we are ready for the writ day after, ready with the writ.

Achal Lohade: Any update on the UP sugar promotion policy case, is there any further development?

Vivek Saraogi: We will fight in the Supreme Court, god knows what the justice system is.

Achal Lohade: So, it's in the Supreme Court right now?

Vivek Saraogi: Yes.

Achal Lohade: And are we still accounting for those benefits, the remissions and the reimbursements?

Vivek Saraogi: Nothing.

Moderator: Thank you. The next question is from the line of Kushgangar Hasmukh from Care Portfolio Managers Pvt. Ltd. Please go ahead.

Kushgangar: Sir, you mentioned that the next distillery orders should have higher ethanol prices, what would be the rationale considering falling crude prices recently?

Vivek Saraogi: I didn't say rise, I said it will not come down. As I have said in the past, crude has nothing to do with domestic ethanol price fixation for sugar mills.

Kushgangar: But the cost of production at lower crude price for refinery would be similar at current ethanol prices?

Vivek Saraogi: Let me try and make my point, please. The point is, this is not a competitive pricing mechanism for the OMC. This is a price mandated by Government of India. If they don't do this, a B-heavy price of Rs. 52.5, more sugar will be available in the system, which will have to be exported, for which they will again have to give that Rs. 10 or Rs. 12 export subsidy. So, this methodology is for diversion of sugar. It is a mandated price by Government of India, it has got nothing to do with crude price. If crude is \$100 also prices won't rise, it does not fit into this formula. So, please, I request everyone to understand crude has got nothing to do with this.

Kushgangar: Sure. And there was a committee appointed to undergo the cost structure for the industry, I think it was mentioned in the last quarter. Any progress on that?

Vivek Saraogi: We have given our details; we continue to follow up.

Kushgangar: Okay. And our cash flows have got impacted significantly in FY19 due to rising inventories and receivables. So, considering higher exports, shift to be B-molasses



and reduction in inventory at industry level, can there be a significant improvement in cash flows in FY20 for us?

Vivek Saraogi: First of all, we have zero domestically receivables, only receivable is Government of India and that we hope to recover by October. And yes, you are right, with B-heavy and everything we definitely hope for lesser bank borrowings, lesser working capital.

Kushganga: So, can that be Rs. 200 crore, Rs. 300 crore improvement, just a rough? Because significant working capital has been stuck. So, just your thoughts if you can share any rough numbers.

Pramod Patwari: You are right, currently the amount is stuck in the form of working capital. But it is very difficult to put any number to that. There are still many variable parts to it. So, let's wait for two, three months.

Vivek Saraogi: But your prognosis is correct, there will be improvement.

Moderator: Thank you. The next question is from the line of Rajyavardhan Sonthalia from Abakkus Asset Manager LLP. Please go ahead.

R. Sonthalia: Just had a quick question. I think you guys have already answered this. But why was the cane crushing drastically low compared to last year this quarter, please?

Vivek Saraogi: It was 40 lakhs lower. We increased our capacity utilization in the first few months. And there was slight lower cane availability in some of the units, because of Lower yield. But that recovery more than made up for it.

R. Sonthalia: And sir, like why do you think the cane crushed for the entire year will be flattish compared with last year? Do you think you will recover all the 40 lakh tonnes that we haven't crushed in the first quarter?

Pramod Patwari: It also depends upon the timing when we start crushing. So, the financial year 2018-2019 started late and as a result of that there was a spillover effect in financial year 2018-2019. Now if you compare the June 2018 quarter with the June 2019 quarter, that is the reason. We completed our crushing in most of the units within March.

R. Sonthalia: Okay. Are you trying to tell me that for this year if for the entire annual year, fiscal year we can take the amount of cane crushed to be the same as FY18 and FY19?

Pramod Patwari: We are expecting to crush similar amount of quantity, for March 2019 we crushed around 11 crore quintal.

Moderator: Thank you. The next question is from the line of Avinash D from Systematix Shares & Stocks (I) Ltd. Please go ahead

Avinash D: I just want to get some sense on why would OMC bid for B-molasses when the prices are higher and the end use is same?

Vivek Saraogi: I am trying to explain this right from the beginning. Point is, we are mandated to do this, one. Two, their GST is different on this one, the taxes are different, with the currency and crude at even at \$57, they still make money. And this is mandated. It's a small mix. If the mix causes a loss, they are allowed to raise the petrol price.



Avinash D: Okay. And if we can give some sense on how much are they, so are they given any quota to acquire this much of B-molasses, ethanol?

Vivek Saraogi: Whatever these produce, they pick up.

Avinash D: So, for them the first priority is to be given to B and then C, right?

Vivek Saraogi: At this moment of time, yes.

Moderator: Thank you. The next question is from the line of Yashpal Madan from Mainstream Consulting. Please go ahead.

Yashpal Madan: Now as there is going to be problem in power realizations, so what other alternate usage of bagasse you can think of which can be more profitable?

Vivek Saraogi: We are examining, right now paper etc. we saw is not appealing at present, even the fiberboard and all that. However, we are flexible, we keep looking at opportunities. Also, we look at selling bagasse if we get a better rate.

Yashpal Madan: I have been doing some study and research on this. So, I believe pulp can be very profitable, pulp rates are quite high last couple of months. And in India, a lot of important is happening of pulp because of disposable demand after plastic ban. So, have you done some survey?

Vivek Saraogi: We have put people, but it's not very simple. But yes, bagasse quality of pulp is different, but we are looking at it.

Yashpal Madan: So, you would be open to exploring?

Vivek Saraogi: Absolutely.

Moderator: Thank you. We will be able to take one last question. The last question is from the line of Madhav Marda from FIL Research (India) Pvt. Ltd. Please go ahead.

Madhav Marda: Just one question on the sugar price, of course very difficult to forecast it and you did give you expectation. You said, did I get it right, you said Rs. 33.5 is what you might expect for this year for sugar?

Vivek Saraogi: Rs. 33.70 is what we are selling today. And I don't expect it to dip below Rs. 32.5.

Madhav Marda: Okay, so Rs. 32.5 you think should be the base?

Vivek Saraogi: Yes, I think it should be a little higher than that, but let's be conservative at Rs. 32.5.

Madhav Marda: And this is blended for including the export volumes or this is...?

Vivek Saraogi: No, export is separate. Understand how export is, accounting Pramod knows better, I am giving you simple mathematics. Whatever you realize from the international market, plus whatever you get from the Government is your export sale price. That's how I see it for my MIS purposes. And whatever you sell in the domestic market is your domestic price. In export one, factors in interest saving, godown cost, etc. Because that you get cash immediately. So, that's how we work on that.



Madhav Marda: So, the export ESP for us including the subsidy works out to about Rs. 30 a kg, is that the right number?

Vivek Saraogi: Yes, exactly. And you are able to lift inventory, you have godown problems, plus you save interest.

Madhav Marda: And how much would our mix be between domestic and exports, broadly?

Vivek Saraogi: If Government mandate 60, 70 and you sell 260 domestically, 330 being the total. So, 330, 20% might be export, rest might be domestic.

Vivek Saraogi: Thank you, everyone. And for anything, Pramod and me are there. Thank you once again.

Moderator: Thank you very much. On behalf of Balrampur Chini Mills limited, that concludes this conference. Thank you for joining us.

