



**Balrampur Chini Mills Limited**  
**Q4 & FY2019 Earnings Conference Call Transcript**  
**May 27, 2019**

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**Karl Kolah:** Good Afternoon everyone and thank you for joining us on Balrampur Chini Mills' Q4 and FY2019 Results Conference Call. We have with us Mr. Vivek Saraogi – Managing Director of Balrampur Chini Mills and Mr. Pramod Patwari – CFO of the Company.

We would 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 has been shared with you all earlier.

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

**Vivek Saraogi:** Good Afternoon everyone and thank you for joining us on Balrampur's Q4 & FY2019 Earnings Conference Call. Let me begin by providing you all with the update on the latest developments on the sugar sector and some of the key highlights following which Pramod will take you through the financial performance of the quarter.

As per Indian Sugar Mills Association (ISMA), sugar output in India has crossed 32.0 million tonnes and is expected to be around 32.8 million tonnes. This is about half a million higher from the last season which has led to an oversupply situation. The increase is primarily on account of high recoveries in North India.

UP has already produced 11.8 million tonnes and it is likely to produce around 12 million tonnes for the season. Maharashtra's production is expected to be 10.7 million tonnes. As mentioned earlier the average sugar recovery rate in UP this season has been much higher at 11.49% versus 10.87% and even Maharashtra's recovery is around 11.14%.

Considering the opening balance of 10.7 million tonnes as on 1<sup>st</sup> October 2018 and the current year's production of 32.8 million tonnes and consumption around between 26.0-26.5 million tonnes as well as an export of 3.5 million tonnes, sugar stocks at the end of the season that is 1<sup>st</sup> October, 2019 could be approximately 14.0 million tonnes. Recent report suggests that about 2.8 million tonnes has already been exported under the MIEQ regime.



The Center and State Governments have undertaken various initiatives to address the crisis arising out of the oversupply. The policy decision of diverting the sugar capacity towards ethanol production and encouraging exports to rein-in the inventories have been positive steps and appreciated by the sector. The Central Government also raised the MSP from Rs.29 per kg to Rs.31 per kg in the month of February. Further, the Government sanctioned soft loans of Rs.10,400 crore to help mills clear cane arrears. Despite many such efforts cane arrears in UP remained at about Rs.10,500 crore.

With the strong mandate received by the Central Government we are hopeful for a sugar policy keeping in mind all stakeholders which ensures long-term sustainability of the sector. So, the basic thing is the continuity in policy is expected since the same government has been elected back.

As per recent reports and very early estimates, sugar production in India is expected to fall in the ensuing season. Field reports from Maharashtra suggest that planting in the next season is likely to be 40% lower than the current season because of acute drought situation and lack of waters in the reservoir. This could lead to both a fall in acreage as well as yield. But as I said it's too early and I think more effective discussion on this could emerge after the next quarter's result, around that period.

Let me briefly highlight the performance of the company:

BCML delivered a robust performance for the year under review. While the operational performance of Sugar segment was higher on account of crushing the profitability was impacted on account of subdued realizations. The performance of the Distillery and Cogeneration division continues to be healthy.

I would like to share some highlights on the Distillery segment. We have contracted 11 crore liters, for the year beginning 1<sup>st</sup> December '18 to 30<sup>th</sup> November 2019. The work on setting up Gularia distillery is on track and we hope it will go on stream sometime in the month of December. Post commissioning our total capacity will be expanded to 18 crore liters. According to the new bio-fuel policy, Government aims to achieve a 20% blending target by 2030 which will serve as further opportunity for the entire sector.

On the back of healthy strong cash flows, we continue to reward our shareholders from time to time. I am happy to say that recently we announced a buyback of shares. In addition we have paid Rs. 2.5 per share as dividend for the year.

In conclusion, I am happy to say that, we have overall delivered robust performance in the midst of a challenging scenario of the sugar industry. We are confident of sustaining our growth momentum on back of improving sentiments in the industry, expanding distillery business and limited CAPEX spend and a strong balance sheet.

I will now request Pramod to take you through the financial highlights.

**Pramod Patwari**

Thank you Sir. Good Afternoon everyone and thank you for taking your time out in joining us today on Balrampur Chini Mills Q4 and FY19 Earnings Conference Call. I will begin by briefly taking you through the company's operating and financial performance for quarter under review.



Total income for financial year FY19 were stable at Rs.4,286 crore. However, lower revenues from the Sugar division were compensated by healthy performance from the Distillery and Cogeneration division.

Revenues from the Sugar segment was lower at Rs.3,822 crore for the year under review. Segment PBIT was higher at Rs.166 crore as compared to Rs.139 crore last year.

Sugar sales during FY19 was higher at 115.3 lakh quintals versus 102.95 lakh quintals in FY18. Realizations for FY19 were lower at Rs. 30.96 per kg as compared to Rs. 35.56 per kg in FY18. Sugar sales for Q4 FY19 and FY19 included exports quantity on account of MIEQ quota 14.56 lakh and 16.6 lakh quintals respectively. But the average realization as mentioned above does not take into account the lower export realization. As on 31<sup>st</sup> March, 2019 sugar inventory was around 72.37 lakh quintals and valued at an average price of Rs. 29.43 per kg. Inventory as on date has further risen and it is around 78.1 lakh quintals.

Revenues from the Distillery segment were higher by 41% YoY at Rs.468 crore on account of higher sales volume and realization. PBIT grew by healthy 193% YoY to Rs.317 crore. In FY19, ethanol sales stood at 10.78 crore liter at an average realization of Rs.41.68 per BL as compared to 7.89 crore BL at an average realization of Rs.39.46 per litre in FY18. As on 31<sup>st</sup> of March, 2019 stock of molasses stood at 21.76 lakh quintals as compared to 26.57 lakh quintals as on 31<sup>st</sup> March '18. With effect from 1<sup>st</sup> April, 2019, the transfer price of molasses has been revised to Rs. 3,000 per tonne from 150 per metric tonne earlier. Bagasse transfer price remains at Rs. 1,400 per tonne.

Revenue from the Cogeneration segment during the year improved by 16% YoY to Rs.616 crore and PBIT was stable at Rs.179 crore. In FY19 the company sold 67 crore units at an average realization of Rs.4.94 per unit as compared to 57 crore unit at an average realization of Rs.4.78 per unit in FY18. As on 31<sup>st</sup> March '19 stock of bagasse stood at 3.94 lakh metric ton as compared to 4.07 lakh metric ton last year.

Interest cost for the year was lower by 27% at Rs.41 crore as against Rs.52 crore in FY18. During the year we recognized deferred tax assets amounting to Rs.104 crore resulting in lower tax provisions as compared to previous year. As on 31<sup>st</sup> March '19 long-term debt stood at Rs.376 crore which includes SDF loan of Rs.11 crore at 4% and a term loan from the UP government of Rs.365 crore at 5% for a period of 5 years. The debt equity ratio stood at 0.18 as on 31<sup>st</sup> March 19.

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

**Moderator:** Thank you very much. We will now begin with the question and answer session. We have the first question from the line of V. Rangan from Brilliant Securities.

**V. Rangan:** Congratulations for the excellent performance. What is the price of molasses, can you tell me how the prices have increased and what is now the model because sugar is a byproduct and ethanol is going to be a game changer? And what is the current year expansion, what you would like to do because we are paying tax, any expansion in which segment you're going to make? When it's going to come, December 2019 in distillery any further expansion is planned? What is the average price of sugar as of now as I can see Rs.31 or something like that you are telling as average price? What is the current price now? The Government has appointed



some committee to go into to that minimum support prices, cost structure, can throw some details and description?

- Pramod Patwari:** I would like to start with the current sugar prices which are in North of Rs. 33.5 per kg and as we mentioned earlier the major expansion program relates to setting up of distillery at Gularia unit expected to come in operation by December 2019. Apart from that we do not have any significant capital expenditure. But at least we would continue to debottleneck our existing capacities and improve upon efficiencies wherever required. Molasses prices in the open market has moved from negligible to Rs. 3,000 a tonne, as a result of that we have also changed our transfer pricing of molasses from sugar division to distillery division at Rs. 3,000 a tonne with effect from 1<sup>st</sup> of April, 2019. I think we have answered all your queries.
- V. Rangan:** But the minimum support that the Government has appointed the committee recently after the election was over, I think. I had got a news like that we saw on the newspaper.
- Vivek Saraogi:** Even we read that news. Right now, the MSP is Rs.31 per kg and I believe Government has appointed the committee or some tariff commission to go into the costing of the industry. So, that is not confirmed to us yet but all the data etc. has been sought from the industry and has already been given.
- V. Rangan:** In that case it may be revised upwards or something like that?
- Vivek Saraogi:** Logically I understand your question, you are indicating that should the government recognize the higher cost they will raise the MSP. Is that the question?
- V. Rangan:** Yes.
- Vivek Saraogi:** It is quite possible but let's not pin our hopes there yet.
- V. Rangan:** We should always prepare for the worst time and then take the game like that. That's better.
- Vivek Saraogi:** Let's see what happens.
- Moderator:** The next question is from the line of Kunal Mehta from Vallum Capital.
- Kunal Mehta:** Congratulations on a strong set of results. Can you just give us an understanding of firstly with respect to sugar is what is the International situation at the present as it stands? And secondly do you feel like you are running a risk of reduction in price based on the production which is going to come ahead for the next 12 months?
- Vivek Saraogi:** I think the worst in terms of enhancement of inventory is behind us based on my calculation on Maharashtra but having said that it is too early. So, with this inventory level which is the highest ever in the history of the industry, the price is where it is right now based on two things, one Government's MSP announcement and two, the quota system where mills are allowed to sell a particular quantity. So, on these two continuing which I don't have any doubt I don't think the prices are set to collapse. Prices, as Pramod told you, is in the north of Rs.33.5 per kg, it can come down to Rs.32.5 or Rs.33. That I think should be a range which is manageable based on these two policy initiatives. So, I don't see a price collapse or risk on the price because of these two announcements.



**Kunal Mehta:** On the International situation can you give us a perspective of how things are shaping up?

**Vivek Saraogi:** Internationally, in Northern hemisphere, there is a premise that monsoon is going to be a little lower based on that I told you our take on Maharashtra. Thailand could drop also similarly, Pakistan could drop, European Union is going to drop. Brazil won't come in with a big surplus over last year. So, we are looking at 4 million tonnes of consumption to be higher than production globally.

**Kunal Mehta:** With respect to ethanol, just three questions connected to that. Firstly are the contracts annual and secondly do you sell ENA plus ethanol or just ethanol?

**Vivek Saraogi:** 95% is ethanol and contract is annual. However whatever we need to give to the State Government for country liquor that can either be in shape of molasses or ENA.

**Kunal Mehta:** I wanted to understand your rationale for not expanding into the B-molasses part of the equation because that is gaining importance now as a lot of players trying to look at this model, so just wanted to understand your rationale behind that.

**Vivek Saraogi:** Next year we will be fully able to produce 50% of our capacity in B-molasses form. This year we just wanted to see the pricing and the payment and all that. So, some changes were required to be made which we have made.

**Kunal Mehta:** So, the current structure of payments and the requirements does suit the way we want to operate in the B-molasses segment?

**Vivek Saraogi:** Now we are satisfied and we will do B heavy in a very substantial manner next year.

**Kunal Mehta:** UP Government has brought about a notification with respect to reduction in power rate, so how do you read that?

**Vivek Saraogi:** I think this question is important for everyone on the call, so I will attempt to give an overview on what's happening. So, a draft regulation right now as you are aware is almost suggesting Rs. 2 per unit lower. We have had various dialogues and this is an informal kind of communication. Various representations have been made from the industry to all concerned in the State Government at the highest levels. We are hoping that, I will not say that tariff won't go down but it won't be as bad as it looks that's our view. And I can't give you figures; let's say draft reduction is Rs. 2 per unit, maybe it can be Rs. 1 per unit. But we feel reasonably confident it won't be Rs. 2 per unit.

**Kunal Mehta:** Just a final question from my side for the CFO, how were the subsidies accounted, so with respect to the timing and quantum if you can just give an understanding of how they are accounted?

**Pramaod Patwari:** Which subsidy you are referring to?

**Kunal Mehta:** The subsidy which we are receiving from, in your presentation—the amount there mentioned is Rs.13.88 per quintal.

**Pramaod Patwari:** That subsidy is linked with the amount of cane crushed, so whatever quantity we have crushed up to 31<sup>st</sup> of March, during the current sugar season that we have already accounted for on that basis. And on the basis of that quantity there were



certain obligations to export. We have completed our export obligation within March, so that loss, on account of export gets automatically absorbed through lower sales realization in profit and loss account.

**Kunal Mehta:** So, just a clarification, so when you crush you accrue the subsidy accordingly and it is fairly believable that the realization portion would not be a problem at least of the quantum you're accounting for, right?

**Pramod Patwari:** You are absolutely right. In fact, last year also we accounted for in the similar manner and we got that receivable amount during this year. We are hopeful that this year also maybe by end of this calendar year November or December that amount should be in our bank accounts.

**Moderator:** The next question is from the line of Achal Lohade from JM Financial.

**Achal Lohade:** Just wanted to understand given the kind of cane crushing volume growth we have seen in the current year how do you see it for the next year and also the recovery rate?

**Vivek Saraogi:** It is very difficult because, monsoon has not yet begun, so we will attempt to answer this next time. However, if you see in our group UP's recoveries increased by about 60 basis points, our recovery is improved by 91 basis points. We are hopeful that we will outperform in terms of comparatives because couple of our units are pending some variety improvements which are going to happen this year.

**Achal Lohade:** What would be the level of our early variety mix as of now for us and for the State as well?

**Pramod Patwari:** For us it is around 72% to 73%.

**Achal Lohade:** For the State?

**Pramod Patwari:** I don't have the ready data for the State as of now.

**Vivek Saraogi:** We will get back to you. So, we are hoping that our levels will go up from here, probably our hope is that it could go up to about 85% next year.

**Achal Lohade:** If you could help us with the expected volumes with respect to Distillery and Co-gen for FY20.

**Vivek Saraogi:** I think Co-gen should be flattish.

**Pramod Patwari:** This year we did around 66 crore units of exports from Co-gen, so more or less it should remain flat. Distillery this year was around 11 crore liters.

**Vivek Saraogi:** Gularia should come on stream in December, so it should go up to about 14 crore liters.

**Pramod Patwari:** Between Rs.13 to 14 crore liters.

**Vivek Saraogi:** Because Gularia has got 3 months.

**Achal Lohade:** You indicated the transfer pricing for molasses was Rs. 150 per tonne for FY19 and you have increased to Rs. 3,000 for FY20, what was it for FY18?



**Pramod Patwari:** Rs. 3,500 per tonne.

**Achal Lohade:** And how about Bagasse?

**Pramod Patwari:** Bagasse was same Rs. 1,400 a tonne.

**Achal Lohade:** Even for FY18?

**Pramod Patwari:** Yes.

**Achal Lohade:** If you could help us with the deferred tax asset, the rationale behind the same and what kind of tax rate can we build for the current year?

**Pramod Patwari:** If you see the financial statements you will notice that under Notes to Accounts section it was clearly stated that earlier MAT credit though entitled was not accounted for as a part of deferred tax asset. The reason being we were not sure of our profitability in the sugar division. After the implementation of MSP we can't have a situation where we will have loss in sugar division, so on that basis we had no option but to account for the unaccounted MAT credit assets which were lying unclaimed in the books of accounts on the basis of Ind-AS.

**Achal Lohade:** Is it entirely accounted for now or is there anything pending?

**Pramod Patwari:** Entirely accounted for now, nothing is pending.

**Vivek Saraogi:** On the current tax rate we are hoping to continue with MAT in terms of cash outgo.

**Achal Lohade:** And in terms of the PL, would that be full tax?

**Pramod Patwari:** PL again would depend upon what kind of CAPEX is done but reasonably you can expect that it will not be more than 25%. 22% is the MAT and 2% to 3% maybe on account of deferred taxation.

**Achal Lohade:** Just wanted to understand in terms of the cash flow from operation and the CAPEX for the current year FY19.

**Pramod Patwari:** The CAPEX for the distillery will be around Rs.207 crore, out of that Rs.140 crore we intend to take term loan on which we will get a 5% interest subvention from Central Government, rest will be from internal accruals.

**Vivek Saraogi:** And balance is normal debottlenecking efficiency expenses in all the 10 factories.

**Achal Lohade:** What is the cash flow from operations from FY19, would you have that number handy?

**Pramod Patwari:** I don't have that figure right now in front of me.

**Achal Lohade:** Just last question with respect to the NBFC where are we, how much have we invested and what is the outlook there?

**Pramod Patwari:** As of 31<sup>st</sup> of March 2019 we have Rs.75 crore of equity as our share, out of our commitment of Rs.175 crore over a period of 5 years, so we have put two installments I would say.



**Vivek Saraogi:** And the NBFC, because we are new so we are not affected by whatever is happening and we remain to grow our book very carefully without taking any risk, so it's doing decent.

**Moderator:** We take the next question from the line of Kushgangar from Care Portfolio Management.

**Kushgangar:** Considering the record inventories of around 140 lakh tonnes as of the new season, also considering 270-280 lakh tonnes of production assuming a fall in Maharashtra, we would be still be higher by—our inventory should exceed—so what kind of exports and ethanol conversions do we expect for the next season?

**Vivek Saraogi:** As Government has given in the MIEQ this year, announcement of 5 million tonnes, so if they have announced 5 million tonnes on the last year's inventory, I don't see any reason to change that. And B-Heavy also I think the quantum would go up from last year substantially because last year was new people grappling with the details of the announcement etc. So, I think B-Heavy should go up, export should remain the same. That is my view.

**Kushgangar:** And considering the ethanol conversion and B-Heavy portion increasing what kind of divergence can we expect over the next 2-3 years from ethanol, so fall in sugar inventory due to B-Heavy?

**Vivek Saraogi:** I think a very safe figure seems 15 lakh tonnes of sugar on an annual basis should get converted into B-Heavy.

**Kushgangar:** Over the next couple of years?

**Vivek Saraogi:** Each year.

**Kushgangar:** But this would take a couple of years or you expect this for the next year only?

**Vivek Saraogi:** Next year I'm hoping it should go to 15 lakh tonnes.

**Kushgangar:** Global sugar should be in deficit by 4 million tonnes, any reason for pricing hovering at the current level?

**Vivek Saraogi:** Basically there is supply right now and last year what the people thought that the global production will decline, India and Thailand both outperformed in terms of expected production versus actual production, so there is talk everywhere and the next season has not yet begun. So, it's still hope and expectation. It is based on data points but I think let's say I am just putting out a scenario, —in the month of July end or August you will see weak monsoons in the northern hemisphere and definitely you will see a price move globally.

**Kushgangar:** With respect to the committee being set up for the cost of production computation have we submitted the data to them?

**Vivek Saraogi:** Yes, the data has gone through the Sugar Mills Association.

**Kushgangar:** Is my assumption correct, that the non-integrated mills their cost of production would be around Rs.34-35 for sugar and ours is around Rs. 29.50-Rs.30. So, in case that happens then sugar also can generate huge profits for us based on that understanding?



- Vivek Saraogi:** Understand, basically the costing would be done on an average basis this is my assumption. The attempt of this costing exercise, the only silver lining, we should see or the investors of the company should see, is that if the Government recognizes a higher costing which I hope they would the MSP could get raised.
- Kushgangar:** MSP can be around, so take our cost as Rs.30 per kg their cost as Rs.35 per kg, so net-net MSP can be around Rs.33 per kg or something so that may increase the prices in the market.
- Vivek Saraogi:** That is of hope yet. I am not sure that this exercise has gained seriousness. The government has just come in; the next couple of months should guide the way.
- Moderator:** The next question is from the line of Ritika Aggarwal from Quest Investment.
- Ritika Aggarwal:** My first question is on the compressed biogas opportunity that the Government is talking about, setting up 5,000 plants in next 5 years. So, is the company also looking for the same and did we apply for the LOI which ended on 31<sup>st</sup> March '19?
- Vivek Saraogi:** No, we are not looking to go into this segment.
- Ritika Aggarwal:** What could be the reason for the same, is it not viable or profitable?
- Vivek Saraogi:** We don't generate enough biogas internally.
- Ritika Aggarwal:** Is it not from utilizing the press-mud ?
- Vivek Saraogi:** We will be looking at that, it needs volume and it needs more clarity. We are studying that from the press-mud route. We will take some more time; we have already begun our exercise it will take some time but I don't think that the opportunity is closed.
- Ritika Aggarwal:** So, the LOI, I think from the OMCs is there only up till 31<sup>st</sup> March '19 and it hasn't rolled over further?
- Vivek Saraogi:** It will be there continuously the window, I think. And it's not a very big amount of revenue or the exercise more would be to handle your press-mud rather than get some very-very big revenue there. It's more waste management on the affluent front than a new line of business.
- Ritika Aggarwal:** My second question would be more on the ethanol blending, how are we seeing the on-ground implementation for the same? So, probably we would end this year by 7.5% blend and how can we reach to 10% and 15% going forward, what kind of CAPEX do you envisage in the same?
- Vivek Saraogi:** The lifting, the payment of the OMC is being absolutely exemplary. I think next year as I said that if B-Heavy improves, we could touch 10 next year. Thereafter it depends on availability of molasses and cane and all that. So, 10 could happen very soon, we will wait for the rest.
- Ritika Aggarwal:** Moving from 7.5 to 10 would require CAPEX for all of it; would that be a good assumption?
- Vivek Saraogi:** A lot of CAPEX has already been planned; if you saw that interest subvention from the government of India has already received quite a lot of interest which tells you



that the CAPEX is planned. So, like our CAPEX you are aware of it, like this, others are also doing it. Some are expanding, some are building new distillery etc. So, a combination of the two would take you from 7.5 to 10.

**Ritika Aggarwal:** For how many days do we operate our Distillery and what is the maximum number of days it can be operated to?

**Vivek Saraogi:** Since we have completely gone ahead with our incineration boilers etc., we are now in a position, our permission is of 350 days. But effectively it runs for 330, you require some 15 days of shut down for maintenance, every 2 months you require 2-3 days of cleaning, so effective running is 330 days.

**Moderator:** The next question is from the line of Chandra Jaganathan from Paterson Securities.

**Chandra Jaganathan:** The Power division PBIT has gone down compared to last year even the with respect to your sales if you really look at it, so what is the reason behind it?

**Pramod Patwari:** Last year we sold REC certificates amounting to almost Rs.36 crore as against that, this year the sale was only Rs.3 crore, so in spite of power export volume being higher, realization being higher, costing being on the positive side that was the main reason for stable kind of profitability in this division.

**Chandra Jaganathan:** What about the asset monetization of that solar project and that Khalilabad land which you are talking about some time back, is there anything happening on that front ?

**Vivek Saraogi:** We are yet to finalize the sale of the land. There are some complications in terms of finding buyers, technical, we're still grappling with it, we are actively pursuing it, you can hope to hear from us in may be in next 6 months.

**Chandra Jaganathan:** You are talking about solar as well as the...

**Vivek Saraogi:** I'm talking about the land and solar we are getting a very good return, so now we actually not looking for buyers. The company is getting very good returns from that in terms of interest etc.

**Moderator:** The next question is from the line of Yashpal Madan from Mainstream Consulting.

**Yashpal Madan:** Mr. Saraogi your Q4 distillery sale is lower than Q3, you must have definitely run distillery for almost two or three months in this quarter, so why it is lower?

**Pramod Patwari:** Some quantities have been in transit as on 31<sup>st</sup> of March, so that can only be booked as sales when the goods reaches the destination. That is only an accounting entry which it will get accounted for as sales in the next quarter.

**Yashpal Madan:** If we compare the production from Q3 to Q4 how much is the production number for Q3 versus Q4?

**Pramod Patwari:** December '18, the production was 2.79 crore liters and March '19 the production is around 3 crore liters in distillery division.

**Yashpal Madan:** From 2. Up to?



**Pramod Patwari:** 2.79 crore liters has gone to 3.03 crore liters.

**Vivek Saraogi:** We keep producing during the entire year, so we keep Bagasse and Molasses. So, the quarter-on-quarter would vary but it won't be a wild swing, it's not like you go to 0 to 4.

**Pramod Patwari:** And sales can also vary depending upon the indents given by the OMCs?

**Vivek Saraogi:** Particularly the new ethanol year begins from 1<sup>st</sup> December so there is some lull sometimes in finalizations documents etc. but now lifting is in full swing.

**Yashpal Madan:** I saw that only in your case because for all other company's distillery sale has increased substantially for most of the players so I was wondering why it has happened to you?

**Vivek Saraogi:** Because we keep producing year around, so our production will be a very average kind of production. So, assume the company is producing 11 or 11.5 then you would see it balanced as 2.75x4. Actually, you are producing more because as I told you we need to give some ENA, so if you divide 11.5 by 4 you will see a very trend which is equal in all 4 quarters.

**Yashpal Madan:** Basis trend, the molasses stock do you expect distillery to run for more than 350 days?

**Vivek Saraogi:** As I said 330 days is the effective running. You have maintenance shutdown; you have some cleaning shutdown during the year. So, 330 is the right number even though you have permission to run for 350 effective running happens for 330.

**Yashpal Madan:** Any further plans for expansion of capacity?

**Vivek Saraogi:** No, not after Gularia because we would not have more molasses.

**Yashpal Madan:** But you can always buy from the market if again glut situation remains it will be very profitable.

**Vivek Saraogi:** Yes, but when you go out, Balrampur goes out to buy molasses and other comes it gets expensive. So, if molasses for example we have bought some molasses this year.

**Yashpal Madan:** You don't see that as an opportunity?

**Vivek Saraogi:** The price is the main point. We are always very alert and the moment we get a chance we will do it.

**Yashpal Madan:** There is one more big opportunity coming up, I am sure you must be evaluating, of creating pulp from Bagasse. Let's say if power rates go down you have opportunity to use Bagasse to convert into pulp, are you evaluating that?

**Vivek Saraogi:** Yes, we are looking at that opportunity also. We are studying that.

**Yashpal Madan:** Because there is a lot of demand, China is importing it lot and after banning plastics in India also there are a lot of new plants are coming and they are importing pulp because in India there is not sufficient supply of pulp?



**Vivek Saraogi:** Yes, absolutely right we are exploring that.

**Moderator:** The next question is from the line of Hiten Boricha from Joindre Capital.

**Hiten Boricha:** Congratulations on very good set of numbers. I just wanted to understand that how does the dynamics change if crude oil prices go down, does the pricing for procurement of ethanol by the government might change or something?

**Vivek Saraogi:** No. It's a fixed price for the year. If the contract is from December it gets declared sometimes in September-October around that region and the government has de-linked it from crude.

**Moderator:** The next question is from Anupam Goswami from Stewart & Mackertich.

**Anupam Goswami:** On your industry level how much more capacities are going to come in the distillery segment?

**Vivek Saraogi:** Basically that number we are unable to give because a lot gets expressed as interest doesn't come up etc. So, probably a better attempt for the industry capacity can be made 6 months later. That is when the season begins we will actually know. Yes, as I said there are going to be expansions, there are going to be some new distilleries so capacity would go up.

**Anupam Goswami:** No, I'm saying on the point of view that how much as on, 10% blending and the requirement for ethanol how much lag is there, how much shortfall is there with the current capacity in India?

**Pramod Patwari:** For 10% blending the requirement is 3.3 billion liters and as against that industry has already committed 2.4 billion liters.

**Vivek Saraogi:** So, he is saying do you have capacity for 3.3 billion liters going ahead next year? I think so. There is a possibility. Yes.

**Anupam Goswami:** When you're diverting your sugar to your B-Heavy molasses what is the profitability in that, how much is the profitability?

**Vivek Saraogi:** Basically let's understand this is sacrificing surplus sugar. So, if you're exporting let's say your MIEQ the government has given you the second opportunity to move that sugar away, so if you don't want to hold inventory, realization on current B-Heavy price to the industry is around Rs.31.5 for sugar but you save on interest cost, you save on the godown space, so it's a good idea to do it.

**Moderator:** The next question is from the line of Kunal Mehta from Vallum capital.

**Kunal Mehta:** Just wanted your comments on the infrastructure, is it adequate to export 5 million tonnes, can you just comment on that?

**Vivek Saraogi:** Easy, we have already done 2.8 million tonnes till now. If I may say so Maharashtra has been tardy and slow, so if it picks up a little bit there, 5 million tonnes is absolutely easy on infrastructure.

**Moderator:** The next question is from the line of Achal Lohade from JM Financial.

**Achal Lohade:** Can you help us with the landed cane cost for the year FY19?



**Pramod Patwari:** It was around Rs.325 per quintal of cane after taking into account the cane crushed subsidy.

**Achal Lohade:** And how much that cane crushed subsidy will be broadly?

**Pramod Patwari:** Subsidy was around Rs.13.88 per quintal.

**Achal Lohade:** That's Central-State put together?

**Pramod Patwari:** Central.

**Achal Lohade:** Only Central, what about State?

**Pramod Patwari:** State, there was no subsidy this year.

**Vivek Saraogi:** Rs.4.5 per quintal that was for last year

**Manish Agarwal:** Just wanted to check the debtors; I see there is a fair amount of increase YoY, would you be able to clarify?

**Pramod Patwari:** Debtor figure as a 31<sup>st</sup> March is Rs.450 crore. It is definitely on the higher side, the main reason being we have done exports to special economic zone and those monies are yet to be realized as of 31<sup>st</sup> of March and cogen debtors were also there.

**Vivek Saraogi:** And Ethanol is one-month debtor.

**Manish Agarwal:** Couple of data numbers I wanted to check how much is the molasses production for FY19?

**Pramod Patwari:** For our Company?

**Manish Agarwal:** For us.

**Pramod Patwari:** Around 53 lakh quintals.

**Manish Agarwal:** How much was that last year same time FY18?

**Pramod Patwari:** 45 lakh quintals.

**Manish Agarwal:** Bagasse?

**Pramod Patwari:** Bagasse will have to check.

**Manish Agarwal:** I had mentioned that we have bought from the open market, so what is the consumption, molasses consumption for distillery total?

**Vivek Saraogi:** We bought a very small quantity may be 20,000-30,000 quintals.

**Manish Agarwal:** Most of that I presume is captively consumed?

**Vivek Saraogi:** Yes, all.



**Manish Agarwal:** What is the parity price for ethanol in terms of petrol?

**Vivek Saraogi:** I didn't get your question.

**Manish Agarwal:** The ethanol price at the petrol parity level how much would that be?

**Vivek Saraogi:** I still haven't understood but I will attempt to answer. From our distillery C-heavy goes at Rs. 43 per liter odd, there is the transport and taxes. So, at the landed prices at the depot would be around 49 per liter. It just gets mixed with the petrol physically, so there is for the OMC landed at the depot let's say assume the cost is 50 per liter for Ethanol which gets mixed with petrol.

**Manish Agarwal:** How much would that be for the petrol at the depot, I was just trying to figure that out?

**Vivek Saraogi:** Petrol prices depot is in range of Rs.70 per liter, isn't it.

**Pramod Patwari:** We are buying petrol at around Rs. 70 or Rs. 75 per liter that includes a lot of taxes.

**Vivek Saraogi:** Tax calculation we can't do.

**Moderator:** Thank you very much. We will take that as a last question. I would now like to hand the conference back to the management team for closing comments.

**Vivek Saraogi:** Thank you everyone and thank you for joining us and we will be there to answer any questions, Pramod and me should you need anything. Thank you.

**Moderator:** Thank you very much. On behalf of Balrampur Chini Mills that concludes this conference. Thank you for joining us. Ladies and Gentlemen, you may now disconnect your lines.

