



Balrampur Chini Mills Limited

Q2 & H1 FY 2020 Conference Call Transcript

November 13, 2019

Karl Kolah: Good afternoon everyone, and thank you for joining us on Balrampur Chini Mills' Q2 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 for joining us on today's call. Let me begin by providing you all 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 the latest estimates from ISMA, domestic production for the current season is likely to decline to 26 million tonnes from an earlier estimate of 28.2 million tonnes, owing to erratic weather conditions in major producing states like Maharashtra and Karnataka. The Country's production is estimated to decline by 20% with Maharashtra's production declining by 45%. Karnataka is expected decline by 21% and UP about flattish, 1% here and there.

Considering an opening inventory of 10.7 million tonnes on 1st October 2018, and exports of 3.8 million tonnes, domestic sale of 25.5 million tonnes, the closing balance would be 14.5 million tonnes as on 30th September 2019.

As we move ahead into the next season, we are expecting a production of 26 million tonnes, probably a consumption of 26 million tonnes. And if we are able to export 6 million, we hope to achieve 5 million. So it would mean a depletion of inventory by about 5 million. So we can hope that the overall inventory from 14.5 minus 5 can be 9.5 million, but these are just early estimates.

In addition, global market is set to return to a deficit of more than 5 million in 2020, having spent the last two seasons in surplus, change has been driven by lower Y-on-Y output as we have heard from India, Thailand and EU. In Brazil, the reduction



is driven by the fact that mills in the region continue to favor ethanol production over Sugar.

Central Government continues to take timely measures to address the demand-supply mismatch. Recently, it announced the MAEQ of 6 million tonnes to facilitate the exports thereby attempting to improve the liquidity as well as trim the overall surplus in the system. The export subsidy of 10,448 per metric tonne will be provided to the mill which export this Sugar.

Central Government had maintained the FRP at the current level of 275 linked to a recovery on 10%. In line with the same we are optimistic that UP also would not change its SAP. The proactive measures taken by the Central Government and hopefully by the State Government would ensure long-term sustainability for the sector.

Moving to the company's performance:

Let me briefly highlight that we have witnessed a healthy performance for the quarter. The operational performance for the Sugar was good on account of lower cost and steady realization.

The performance under Distillery segment continues to be positive. We achieved higher sales and realization but profitability in the Distillery segment was lower owing to higher transfer pricing as compared to the comparative period. Our 160 KL Distillery in Gularia is progressing as per schedule and we hope to commission it by the 15th of December.

Cogen segment delivered a subdued performance as there was a dip in the power tariff, which we had briefed in the last quarter. And we had accounted for the same.

On the back of ready cash flow, we continue to reward shareholders by liberal out policy. So I am happy to share that the board has announced an interim dividend of Rs. 2.5 per equity share.

To conclude:

With a notable dip in production expected for the next season and looking towards the positive Government initiatives, we are hopeful for further improving our performance. The Company's integrated model focus on efficiencies combined with increasing Distillery capacities and robust balance sheet will continue to hold us in good stead through cycles. We remain committed to create value for our shareholders.

I now like to hand the floor over to Pramod.

Pramod Patwari:

A very good afternoon everyone and thank you for taking your time out in joining us today on Balrampur Chini Mills' Q2 & H1 FY20 earnings conference call. I will now briefly taking you through the Company's operating and financial performance for the quarter under review.

During the quarter our total revenue from operations were stable at Rs. 857 crore, with a major contribution from the Sugar division and a healthy performance from the Distillery division.



Revenues from the Sugar segment declined at Rs. 750 crore for Q2FY 2020 primarily owing to lower sales volume. But a profitability was higher as PBIT grew by 44% Y-o-Y at Rs. 90 crore compared to Rs. 63 crore in the corresponding period last year.

This was on the back of lower cost and steady realizations. Sales during this quarter stood at 21 lakh quintals, as against 27 lakh quintals in the corresponding period last year.

Realizations for the quarter were at Rs.33.4 per kg as compared to Rs. 32.2 per kg in Q2FY 2019. Sugar inventory as on 30th September 2019 stood at 49 lakh quintals and is valued at Rs. 31 per kg.

In Q2FY 2019 Distillery divisions revenues improved by 21% to Rs. 134 crore, this was on account of better volumes and realization. However, the profitability was lower at Rs. 67 crore due to higher transfer pricing.

During the quarter BCML sold 30,263 KL Industrial Alcohol at an average realization of 42.75 per BL as compared to 26,750 KL at an average realization of 40.72 BL in the corresponding period.

As on 30th September 2019 our stock of molasses stood at 7.4 lakh quintals as against 12.6 lakh quintals as on 30th September 2018.

Cogeneration business delivered a subdued performance with revenues of Rs. 25 crore and a PBIT loss of Rs. 9 crore. In Q2FY 2020 we sold 204 lakh units at an average realization of 3.13 per unit as compared to 425 lakh units at an average realization of Rs. 4.8 per unit.

As on 30th September 2019 the stock of bagasse is 0.73 lakh metric tonne as compared 0.85 lakh metric tonne as on 30th, September 2018.

Finance costs for the quarter were higher at Rs.17 crore compared to Rs. 8 crore in Q2 FY 2019. And the reason being we are carrying a higher inventory. Long-term debt as of 30th September 2019 stands at Rs. 352 crore, which includes SDF loan of Rs. 5 crore at 4% and term loan of Rs. 347 crore at 5%.

This brings us to an end to 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, 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 Securities. Please go ahead.

Sanjay Manyal: Just want to understand few things. As our Sugar sales volumes have come down in H1 mainly because of the monthly sales quota. What would be Sugar sales in H2 considering the fact that the Maharashtra would be lower production and UP would probably will remain same?

Vivek Saraogi: You have answered yourself that the lower volume is owing to the quota mechanism. If Maharashtra's production dips and UP's goes higher, the company's releases down the line will improve. Thereby the volumes would improve. But that is going to be a gradual impact. So yes, to answer your question, the volumes will improve gradually.



Sanjay Manyal: Yes. So, can we safely say that the last year sales volume which was for FY 2019 sales volume was somewhere around 1.1 million tonnes, will it be same or maybe lower? Or maybe what would be the full year sales volume?

Vivek Saraogi: Okay, probably looking into, we will answer it probably during the call only. Next, please.

Sanjay Manyal: So, there is one more thing on the inventory evolution side, but you have valued in the inventory at Rs. 31. Whereas, what accounting says that either it should be cost of production or the market price whichever is lower. So, is it your cost of production is Rs. 31 as of now? What we have seen most of the other players have valued at Rs. 29.

Pramod Patwari: Yes, our cost of production till 30th September is around Rs. 31 per kg, which is the basis for our valuation of inventory. And the current realization prices are in excess of Rs. 33 per kg, nearly Rs. 33.5 per kg. So, after validating the current cost of production with the realizable value, it was valued at Rs. 31.

Vivek Saraogi: But this is the philosophy or the accounting standard the company has been following for the longest time. There is no change.

Pramod Patwari: And to answer your query on the volume, which was 1.15 million tonnes that included an export obligation sale also. So, that will continue to be in this year also.

Vivek Saraogi: Probably then we could be not below that.

Pramod Patwari: Yes, not below that.

Sanjay Manyal: So, have we contracted for the export and if we have at what price?

Vivek Saraogi: We are still in the process. We have contracted but since it is in a work-in-progress, we would not like to go to the details right now. Because its final terms being stitched up.

Sanjay Manyal: Okay. On last thing on the Distillery side that if you have done almost 5.8 crore in first-half what could be the volume in FY 2020 and probably next year because now you will be commissioning new facility. Moreover, what will the impact of the 18% you know mandatory levy for the Country Liquor?

Vivek Saraogi: Okay, a very valid question. Let me answer to everyone. So what happened in the 18% Country Liquor which has been passed by the UP Government, the latest policy, the silver lining for us is that you have been allowed to supply ENA So, it will help utilize our Distillery capacity and assume our company's liability is close to Rs. 1.8 crore liters let us say. So we should be able to (a) supply around Rs. 15 crore - I do not know the balance sheet I talk of the season; balance sheet will be able to decide. So, from the current crushing whatever we should be able to make 15 crore liters including 50% of that being B-heavy and 1.8 crore liters will be ENA and the rest would be C-heavy. So, the advantage over last year is while there is a disadvantage on this enhancement of quota, the advantages that you will be allowed to supply ENA and the price for ENA Rs. 30. So if we saw molasses been sold at Rs. 100 and if you sale ENA at Rs. 30.5 per liter your molasses conversion costs becomes almost Rs. 600, Rs. 550 - Rs. 600 so there is a silver lining in this policy. Have I been able to explain this to you?



Sanjay Manyal: Yes, so I understood but I still want to understand that you mentioned that for a full year you would be able to somewhere around 16 crore liters.

Vivek Saraogi: 15 crore liters. Total volume from the Distillery earlier used to be around 12. Now it will go to 15 crore liters.

Sanjay Manyal: Which includes the Country Liquor also.

Vivek Saraogi: Yes. But you will still realize a good profit not as much as ethanol, but a very good profit compared to giving 5 lakh quintals of molasses at Rs. 100, which we were made to do last year.

Sanjay Manyal: Okay, understood. Sir, do you have any further CAPEX on the Distillery side considering that you have a pretty good cash flows now from operations also this year?

Vivek Saraogi: No, we still a little desperate on the raw material because crushing going to remain kind of stagnant. So, we still have potential to get more output from these four facilities.

Pramod Patwari: And as far as volume for the March is concerned, it will be between 11.5 crore to 12 crore for this March 20.

Vivek Saraogi: Yes, the Gularia dispatch will begin slightly tender around it. Maybe it may increase a bit.

Pramod Patwari: It may touch 12, it should be between 11.5 to 12 that is the realistic number.

Vivek Saraogi: And next year should be then definitely back to 15.

Sanjay Manyal: So just on the on UP Sugar side, so there has been some news about the Red-Rot, and other things and probably recovery is probably coming down in UP. So is it a possibility that the Sugar production U. P. would be less than 12 million tonne, what ISMA has projected?

Vivek Saraogi: Yes, I must compliment your deep understanding. So yes, there is a possibility of that in my mind, but recoveries are not so bad probably yield could get a little affected. So my personal view that it could be below 12.

Sanjay Manyal: But our recovery rates will be higher, or our recovery rates will remain same more or less same.

Vivek Saraogi: I understand, I feel that last year's weather conditions were very good in terms of zero fog and adequate sunshine. Maybe that changes a bit, but our variety of composition is improved a lot. So for our group personally am of the view that our recovery should not be lower. But there will be a B-heavy adjustment to the recovery.

Sanjay Manyal: And your B-heavy, C-heavy mix would be?

Vivek Saraogi: We are still quoting but I indicated, probably, could be 7 crore liters to 8 crore liters would be around B-heavy. 50-50, 50% C heavy route plus at ENA and 50% under B heavy route, that is what it looks like. Do not hold me exactly, but that will be the range.



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

Jayant Mamania: Sir, in an interview you said that the sales is a function of Government releasing, allotting quota to each mill. So, can we assume that the performance of all the four quarters will be uniform, the seasonal impact will go?

Vivek Saraogi: Releases are not even throughout the year. And as your previous participant asked Maharashtra comes out, can UP release go up, the answer to that is, yes. The gradual impact will be felt. However, it might vary a little. So one should not take it like one quarter into four is a yearly basis?

Jayant Mamania: Okay. So our new ethanol plant is starting from 15th of December. So at how much time will it take to operate at full capacity.

Vivek Saraogi: I am hoping not more than a week.

Jayant Mamania: Okay. So can you elaborate dividend policy?

Vivek Saraogi: See, we have updated it on our website.

Jayant Mamania: Okay, but what percentage of profit you are going to distribute?

Vivek Saraogi: Of course, you have seen in past years conduct. You have seen how money is distributed by the company in which format.

Jayant Mamania: Because now there would not be more buybacks. So...

Vivek Saraogi: Please read it, our past conduct should give you enough confidence to define our future.

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

R. Sonthalia: I have a couple of questions, one in relation to what Pramod sir said and that one has to do with your total ethanol production. So is it 12 crore liters for March 2020 or 15 crore liters?

Pramod Patwari: For March 2020 is around 12 crore liter.

R. Sonthalia: And same for Sugar season '20 we will produce 15 crore liters or is this for March 2021, you said.

Pramod Patwari: No, 15 crore liters is for the Sugar season.

R. Sonthalia: Okay. And so out of 12 crore liters also would we be supplying 1.8 crore liters to do the ENA segment or this is out of the 15 crore liters.

Pramod Patwari: 1.8 crore liters is out of 15 crore liters. So I really do not know what composition will form within March.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.



- Saket. Kapoor:** Sir first question, I am an equity shareholder of your company. We met at the AGM, I should appreciate, you answered all our questions in the AGM. Now, first question for this conference call is regarding Sugar cycle, if you can throw some light as an investor we should look at your Annual Report as a 12 month basis or an 18 month basis. Why I say so, as you can recall in AGM I asked you the same question that regarding our debt equity ratio and regarding our debtors this year, huge moment if we compare three years or four years basis. If you can throw some light on it and give a better understanding on this particular matter, sir?
- Vivek Saraogi:** It is not allowed to us for the act to do that anymore. So it is not an option I guess.
- Saket. Kapoor:** Okay. My second question sir, if we can throw some light on our cane farmer dues. Sir, if you can throw some light on it, what is our current situation?
- Pramod Patwari:** As of now there is no cane arrears.
- Saket. Kapoor:** A very good news, sir. And sir, third as well one of the person asks like already we are having our codified shareholder rewarding policy like DIPAM policy is adopted by the government for top class companies. We already have a policy as far as buyback is concerned as far as dividend distribution policy is concerned.
- Vivek Saraogi:** Yes.
- Saket. Kapoor:** Now, sir, if you can throw some light on the ethanol business prospects sir, like do you think sir in the times to come within three years or four years down the line we can have the same policies like Brazil is having because ethanol business is a revenue spinner for the Sugar sector and we can nearly come out of our the bad times which we face. So if you can throw some light on it and your views on it the sir, very kind of you if you can throw some light on it?
- Vivek Saraogi:** Again, the Government's past contract I had shown you that they have hardly reduced the price. They look to pick up higher quantity. They have increased the B-heavy price. So they would fix a year-on-year price. And I think, whatever volume the industry wants to make will get picked up. OMCs are picking up before time and paying within 30 days and the prices declared annually by the government which, again, past conduct shows that they are positively inclined towards that.
- Saket. Kapoor:** So, if you can lastly comment on the comfortable debt equity ratio that you are looking forward sir, as a company.
- Vivek Saraogi:** We have basically zero long-term debt in effect.
- Saket. Kapoor:** Yes, that that is why I asked the first question, sir. It is very difficult to understand your Annual Report on a 12 months basis and 18 months. If the investor analysis your Annual Report for two years or three years, the fingers really moving in great tandem, it is very difficult to understand your borrowing aspects, both on the current liability spots as well as non-current spots. Can throw some light on it?
- Pramod Patwari:** As far as the long-term debt is concerned, it is not that difficult because the repayment is given in the balance sheet in great detail. So on that basis, you can definitely work out. And for the current liability part you are right to some extent. But again, if you see the past trend March and April is always the period where we are carrying the highest inventory. So this should be funded through working capital loans only. So it is not that difficult to work out a debt equity ratio, if you consider long-term debt into account.



Saket. Kapoor: That is why I made this 12 months and 18 months view. Regarding sir, you mentioned about one of the participants was kind enough to ask a question on our ENA policy, if possible and for the sake of definition of information to the valuable shareholders. Just humble submission to our honorable Chairman are some video being made by our honorable Chairman, we put on the website to understand this ENA which changes are happening and just what we are having a conference called, just a deep briefing, be available on the website of our company, so that investors can listen it time and again and can understand the nitty-gritty of the business because at looking at this result, I must comment that company has come with fantastic results and the valuation with the market is giving this. So my understanding is very low. So I think the business model needs to be understood to the larger public at the, so they can also prosper along with our honorable management. So this was my request, if you can throw some light on it and your views on it?

Vivek Saraogi: We will examine. Next, please.

Saket. Kapoor: Next, the last question, sir, as a shareholder, as I requested not have a question that I wanted to visit your factory to understand this ethanol blending.

Vivek Saraogi: Please talk to Pramod separately. This is not a question for the concall.

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: So, first, is it possible to break up the Sugar sales volume in terms of domestic export because the sales volume drop of 20% looks extremely large on a Y-o-Y basis?

Pramod Patwari: Achal, there is no export sales during this quarter. As we completed our entire export obligation within March, for the upcoming export obligation that will begin only from 1st of October hence, the October to December quarter. Now, to answer your query of 21 lakhs versus 27 lakhs there was a special window given by the Government of India during that period for the MIQE of previous year and equivalent quantity was allowed to be sold in two months' time. As a result of that, in September 2018 quarter we got an additional release of 6.7 lakh quintals.

Vivek Saraogi: Pramod, try to compare your 2018 quarter with the 2019 quarter. And as we have explained the current year, the release is proportionate to everyone and last in September quarter 2018 there was a bump-up which he just explained.

Achal Lohade: Got it. Second is with respect to the tax given the corporate tax rate reduction by the Government, could you please tell us what is a tax rate we should work with for 2020 - 2021?

Pramod Patwari: We will continue to be in the tax bracket of around 21%, considering the deferred tax and the current tax, MAT has been bought down to 15%. So if you take into account MAT as well as the deferred tax provision, it should be in the region of 21%.

Vivek Saraogi: And cash outflow?

Pramod Patwari: Cash outflow has gone down by 4%.

Vivek Saraogi: Yes.

Achal Lohade: Right. So 21% for FY 2020 and what about 21%, the same rate?



Vivek Saraogi: You can assume at the same level.

Achal Lohade: Understood. And with respect to the cane crushing volume, you did kind of indicated the recovery rate should be broadly similar. But what about the cane crushing, we should look at for the current fiscal year FY 2020?

Vivek Saraogi: Difficult to estimate but would not vary much.

Achal Lohade: Okay. And for the Sugar season 2020?

Vivek Saraogi: You mean 2019 - 2020 for the full season?

Achal Lohade: Full season.

Vivek Saraogi: May be 2% - 3% lower, maybe. See, it is very difficult to assume, you just get a basic idea right now. And when the yield starts maturing and on the next concall definitely you should have absolute holistic view.

Achal Lohade: Got it. And with respect to co-generation, given the current tariff first of all, is there any update on the tariff? What is the status on that writ?

Vivek Saraogi: Thank you for the question because I would want to update. There are two ways, the Company is looking to tackle this situation. One is we have already filed the case in the High Court and that is expected to come up for hearing very soon. And we definitely hope we have a good legal case. Secondly, we are also looking to keep on selling bagasse as and when we get the opportunity for seeing the conversion cost, we achieve based on the current power tariff. So, we are in proactive to enhance revenue and whatever we can do for the Company.

Achal Lohade: Right, okay. So, given the current situation, what would be the power volume broadly? Could you give some indication?

Vivek Saraogi: It will depend on how much of bagasse we sell. And it depends on if you get release in the tariff or not. See, that is something we are internally juggling, so as to maximize our revenue from the segment right. The segment we are combination of bagasse sale and power Tarff sale.

Moderator: Thank you. The next question is from the line of Varun Goenka from Reliance Nippon Life Insurance Co. Ltd. Please go ahead.

Varun Goenka: Yes. I have two questions regarding ethanol. One, what is the key considerations that we look at for our next round of capacity edition of Distillery and the flooring of manufacturing tax is that an incentive at all for us? Just a related question, is there a possibility of the blending rates the increased in the Sugarcane states? If that can further increase the demand for that?

Vivek Saraogi: Okay. So, first question. It was not a blending rate what was it? Our capacity right now, as I told you, we can produce about 18 crore, if we run full quarter all throughout. We do not have enough molasses for that. Hence, we are not looking to add capacity. Secondly, the Government is going to buy everything you make with the current rate of blending. They have not yet received the entire quantity for the current rate of blending. But very correctly, Government is also looking to enhance the blending rate as we go ahead. So they are working with CM and all and that quantity uptakes will never be problem in the foreseeable future in my mind.



- Varun Goenka:** So Vivek Ji how are they looking to fix this structural issue of molasses basically, as your Annual Report mentioned, we were at probably 72% new cane variety. Maybe will that improve?
- Vivek Saraogi:** It will improve, see what happens there are functions of weather which caused the yield to come down. And so we are looking to fix this and as we progress, we are doing it. But we do not want a bad variety to increase my total quantum. We are very strict on that. So we rather crush 2% lower but crush good cane. I have understood your question, rest assured we are putting everything and all our best foot forward on the agenda you proposed.
- Moderator:** We move to the next question from the line of Anupam Goswami from Stewart & Mackertich. Please go ahead.
- Anupam Goswami:** Just wanted to know that in the last concall. You mentioned that the sales quota mechanism, just came in the last Q2 FY 2019 itself. And so it would be comparable from Q2 onwards. But I did not understand the clarification you give. Can you just elaborate on that? Like, what happened in this quarter?
- Vivek Saraogi:** We explained that here. Last year, Government gave a special release for people who exported sugar out of the country. That was a one-off policy, but we are lobbying for that again in the current regime. That one who exports fast, gets the ahead domestic release.
- Anupam Goswami:** Okay. So, sir, going forward how we would we look at the quarter three and quarter sales volume? If we compared to the last year? How would be our export turn up. So, we get some special allowance for that?
- Pramod Patwari:** Anupam, we have also answered this questions raised by participants few minutes back.
- Vivek Saraogi:** All the quantity which is in our hand is the export. And as we said, we are actively engaging, and we will be probably the fastest and the best in the industry.
- Anupam Goswami:** Okay, sir. Sir, another question, you mentioned about this in ethanol, the transfer pricing was higher compared to last year. So what would be the higher transfer pricing?
- Pramod Patwari:** Last year the transfer pricing of molasses was Rs. 15 per quintal, which has been raised to Rs. 300 per quintal with effect from 1st April 2019.
- Anupam Goswami:** Okay, got it. So my last question in the industry wise, where are we in the production of ethanol from sugarcane juice? How things are looking from that side?
- Vivek Saraogi:** No, we are not looking to do that.
- Vivek Saraogi:** One is debt required and another very different kind of setup. We do not want to invest in that because if we have enough B-heavy, then you go to the juice, you have to put more investment. It is a cumbersome process.
- Moderator:** Thank you. The next question is from the line of Chandra Mauli from Paterson Securities Pvt. Ltd. Please go ahead.



Chandra Mauli: Sir, earlier you were saying that anyhow the next year after the new capacity comes 17 crore to 18 crore of ethanol,. now you are talking about to 15 crore, is it just because of the less molasses?

Pramod Patwari: 18 crore is our capacity to start with, we are expecting 15 crore for the season.

Chandra Mauli: Okay, perfect. Okay. How is the Auxilo Finserve is doing, sir?

Pramod Patwari: As of 30th September the advance is around Rs. 400 crore and the equity capital put in is around Rs. 300 crore and the rest is loan from banks.

Chandra Mauli: How is it overall shaping up, sir?

Vivek Saraogi: I will attempt to answer that. We are being very conservative and well as very structured. And in my mind we are seeing an opportunity here because funding is dried up from many other sources. So, you are able to get a better interest rate at a much lower risk, which means you are able to get good candidates and get your rate of reasonable return. So to my mind for people like us who are, conservative system driven, and we have very strong process in place. We see this as a very good opportunity going in. So the company is progressing very well. We are being slow, but we are being very thoroughly. Even then we have managed to build a loan book of Rs. 400 crore.

Moderator: Thank you. The next question is from the line of Ambar Tareja from Vachi India. Please go ahead.

Ambar Tareja: I guess my question is a blend of some previous questions and then one new one. So I will just get that out of the way, as part of your export commitments. Are you doing only physical sales? Or are you also hedging some of that with the financial instrument exposure via Sugar 11 or then the White Sugar on the London exchange?

Vivek Saraogi: Good question. We are just being physical.

Ambar Tareja: Just physical, okay. The second question is mix of the previous two questions. So your capacity is 18 crore liters. But this year, you are saying you are going to produce 15 out of which it is going to be roughly 50% B-heavy and 50% a combination of C-heavy plus ENA. Is that understanding correct?

Vivek Saraogi: Yes, absolutely.

Ambar Tareja: Okay, good. Could this 15 go up to, you know, gradually I do not know by how much if more molasses availability becomes viable, either via external purchase or via a gradual movement to higher yielding cane or some other technical parameters which you previously mentioned. Can this go up without further CAPEX?

Vivek Saraogi: Yes, good question. We are in the process of trying to do everything to move this up. Trying to buy, trying to maybe get high recovery, we will be doing everything under the sun.

Moderator: Thank you. The next question is from the line of Varun Goenka from Reliance Nippon Life Insurance Co. Ltd. Please go ahead.

Varun Goenka: I just wanted a view on the Sugar prices. So one, domestic Sugar price, this cycle Maharashtra has started crushing very late. So generally, Sugar prices dip during



the season, but you expected to remain firm? That is one. And secondly, India, Thailand, a lot of major countries are going into deficit. So last concall also you had given your Sugar price, maybe over the next one year you could help with that.

Vivek Saraogi: So, see it is very difficult to project it but since we have an MSP in place which is 31 for Maharashtra UP sell at a premium to Maharashtra, last six months average has been Rs. 33.13 per kg so this is typically a time when you go ahead when prices dip a little. So as the past it has shown it reaches a low of Rs.32 per kg and then goes up to 34. So for the year ahead, the average looks kind of similar to me.

Varun Goenka: That is the usual normal scenario I mean, this year you do not find anything unusual because of delay in crushing and...

Vivek Saraogi: See what you are saying is Maharashtra is going to crush lower, production is going to be lower. But as I said, we have enough inventory even after the export. So I will not you know sort of take this one year and points being the bullish picture. Beyond the price we are realizing. Having said that 2020 - 2021 also looks slow then there is a change.

Varun Goenka: And the international Sugar price moving above 14 cents or something which you were hinting at in the last quarter also, how do you see that?

Vivek Saraogi: See Right now, a lot of sales were coming from India, I do not see immediately, maybe going to 14 cents but again, a very personal view. It is quoting at 12.60 cents now and can definitely work through 13 – 13.50 cents.

Moderator: Thank you. The next question is from the line of Madhav Marda from FIL Research (India) Pvt. Ltd. Please go ahead. Madhav, please go ahead with your questions.

Madhav Marda: Sir, I joined the call a little late. Could you share your outlook on the Sugar industry just in terms of the opening inventory and production, and closing inventory that we usually share, just wanted to get a perspective of where we are right now in the cycle?

Vivek Saraogi: We have been through threadbare here. 14.5 million is the inventory currently, on the beginning of 1st October, your consumption production should be the same at 26 million. If we are able to export 5 million, your inventory would be 9.5 million.

Madhav Marda: I am saying, right now the inventory situation still looks like we are in an oversupplied market and hence, the Government support on the pricing but once we were to normalize this towards say 3 million tonnes to 4 million tonnes, could the price support be withdrawn that we are enjoying right now as an industry?

Vivek Saraogi: Okay, you are asking about the MSP, it will continue how is my understanding and belief. However, when the inventory normalizes it is only good if all this comes off. But that I think will happen only when the inventory normalizes

Moderator: Thank you. We will take the last question is from the line of Achal Lohade from JM Financial Institutional Securities Pvt. Ltd. Please go ahead.

Achal Lohade: Yes, thanks for the follow up opportunities. Just couple of questions. One is with respect the UP Sugar promotion policy. We do understand that there was a case in favor of the industry. But it has not been implemented. So any color you could provide on the same?



Vivek Saraogi: See, we are in Supreme Court. The government is continuously litigating, and you know, I have been hopeful for a long time, but somehow, we have not yet seen the cash, we continue to fight hard. The dates come, dates go, etc. It is disappointing there is a High Court order in our favor. But there is no cash yet because the Government keeps on appealing.

Achal Lohade: Got it. And second, I do not know if you could help with this data point. Would it be possible to tell what would be the optimum CAPEX for optimum capacity or in other words, just trying to rework the replacement cost for Sugar Distillery and Cogeneration capacities?

Vivek Saraogi: For Balrampur company as a whole you are asking?

Achal Lohade: Yes or you know, just a CAPEX in terms of per KLPD per really per TCD CAPEX if you could.

Pramod Patwari: Distillery you have enough indication.

Vivek Saraogi: Indication for 160KLPD , cost will be Rs. 200 crore plus,

Pramod Patwari: Rs. 210 crore. Power is around Rs. 5 crore per MW.

Vivek Saraogi: Power is around Rs. 5 crore per megawatt and Sugar about 4 lakhs per TCD. 7,000 TCD should be approximately Rs. 300 crore. Thank you, everyone.

Moderator: Sir, over to you for any closing comments.

Vivek Saraogi: So thank you everyone for joining us. And we would be happy to our listeners to answer your queries. Pramod and me are always there. Thank you once again.

Pramod Patwari: Thank you.

