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Sub: Transcript of Analyst/ Investor Conference Call held on 1st November, 2023	

Dear Sirs,

Pursuant to Regulation 46 of SEBI (LODR) Regulations, 2015, please find enclosed transcript of the Analyst/ Investor Conference Call held on 1st November, 2023 post announcement of unaudited financial results of the Company for the Q2 & H1 FY24 ended on September 30, 2023. The transcript is also available on the website of the Company at: www.trivenigroup.com

You are requested to kindly take the same in your record.

Thanking you,

Yours faithfully,
For Triveni Engineering & Industries Ltd.

GEETA BHALLA Digitally signed by GEETA BHALLA Date: 2023.11.07 17:46:28 +05'30'

GEETA BHALLA
Group Vice President &
Company Secretary
M.No.A9475

Encl: As above

Triveni Engineering & Industries Limited

Q2 & H1 FY 24 Earnings Conference Call Transcript
November 01, 2023

Moderator: Ladies and gentlemen, good day, and welcome to Triveni Engineering & Industries Limited's Q2 and H1 FY 24 Earnings Conference Call. I now hand the conference over to Mr. Rishab Barar from CDR India. Thank you, and over to you, sir.

Rishab Barar: Thank you. Good day, everyone, and a warm welcome to all of you participating in the Triveni Engineering & Industries' Q2 and H1 FY 24 Earnings Conference Call. We have with us today, Mr. Tarun Sawhney, Vice Chairman and Managing Director; Mr. Suresh Taneja, Group CFO; as well as other members of the senior management team.

Before we begin, I would like to mention that some statements made in today's discussion may be forward-looking in nature and a statement to this effect has been included in the invite, which was shared with everyone earlier. I would like to also emphasise that while this call is open to all invitees, it may not be broadcasted or reproduced in any form or manner. We will commence the call with opening remarks from the management, following an interactive question-and-answer session. May I now hand it over to Mr. Tarun Sawhney. Over to you, sir.

Tarun Sawhney: Good afternoon, ladies and gentlemen and welcome to the Q2 / H1 FY 24 earnings results call for Triveni Engineering & Industries Limited. It's a pleasure to speak to you all today. The overall performance of the Company during the half year ended September 30, 2023, has been satisfactory. As you all know, H1 is generally muted as off-season expenses in the Sugar business are expensed off during this period. Our Alcohol business has grown very well, due to capacity expansions during FY 23 and the stabilisation of all operations since then.

The Power Transmission business is charting new heights, contributing both in size and growth to the Company as a whole. We're all set for the new sugar season and an overall crop that seems healthier due to favourable climatic factors as well as due to the rigorous sugarcane development activities that has been undertaken by the Company's teams.

For the half year, revenue from operations stood at ₹ 2,606 crore, an increase of 1.4% and Profit Before Tax stood at ₹ 130.2 crore, an increase of 15%. While comparing profitability, we should note that Q2 / H1 FY 23 includes ₹ 11 crore of dividend income received from the erstwhile associate company, Triveni Turbine Limited. As you may be aware, Triveni Engineering & Industries Limited has completely divested its stake in Triveni Turbine Limited last year. As such, there is no dividend income in the results under review.

Furthermore, the profitability of the quarter at half year considers additional liability against levy molasses, which has impacted profitability of Q2 & H1 FY 24, by ₹ 12.1 crore. The total impact being approximately ₹ 18.2 crore for the full year. The net provisions previously being made for the estimated increase. The Profit After Tax for the half year stood at ₹ 96.7 crore. I'm going to now discuss the highlights of the business before turning to the businesses in a little more detail.

Looking at the Sugar and Alcohol business, while sugar sales volumes were lower during the half year due to lower quotas given by the Government of India, the blended sugar realisations have increased handsomely by 5.8% at the half year compared to the same period in the previous fiscal year. This is due to high domestic prices and also due to some export realisations in the previous quarter.

The Alcohol business reported sales of 9.4 crore litres, an increase of 11.1% over the corresponding previous period, resulting in an increase in net turnover of the Alcohol business by 20.5% during the half year.

The overall sugarcane crop position seems extremely healthy. The crushing for the Sugar Season 2023-24, has already commenced at four of the seven sugar units. I would like to mention that two of the other remaining three units would start on the 3rd of November, and the last unit in East Uttar Pradesh (UP) will be starting on the 9th of November. So pretty early start, not just compared to last year, but also compared to the last few years. And I think that is primarily to do with fantastic climatic factors, especially in Western Uttar Pradesh.

Turning to the Engineering businesses. Q2 FY 24 saw the highest ever quarterly revenue and highest ever profitability in the Power Transmission business, which drove robust half year results. The order booking of the Power Transmission business was ₹ 155 crore approximately during the quarter, an increase of 36.1% closing the order book at ₹ 282 crore approximately, compared year-on-year it's an increase of 15%.

During the quarter, the Water business has also won an important bid at RUDSICO, which is Greater Jaipur and the Letter of Intent (LOI) has been received after the end of the quarter. The outstanding order book for the Engineering businesses combined stood at ₹ 1,573 crore.

Looking at the financial performance on a consolidated basis. The net turnover increased by 4.7% and 1.4% in Q2 FY 24 and H1 FY 24, primarily driven by higher turnovers in the Alcohol and Power Transmission business. The sales volume in sugar, including exports were lower by 5.9% in Q2 compared to the previous fiscal year. However, the blended realisations were higher by approximately 6%. Consequently, the turnover was flat during the quarter. Sales volumes for the current half year also include approximately 14,500 tonnes of sugar that was exported in Q1 of this fiscal year.

The Alcohol business turnover, net of excise duty increased by 19.8% and 20.5% in Q2 and H1 FY 24. And this was due to higher sales volumes driven primarily by operational efficiencies achieved in the post stabilisation period of the new distilleries and an increase in activities in the Indian Made Indian Liquor (IMIL) business.

The combined Engineering turnover increased by 8.7% in the quarter and this performance was boosted by a 28.4% increase in revenues in the Power Transmission business for the quarter under review.

The Profit Before Tax and exceptional items increased by 60% in Q2 FY 24 to reach ₹ 130 crore for the half year milestone. The gross debt on a stand-alone basis as of the 30th of September is approximately ₹ 295.66 crore as compared to ₹ 825 crore as on March 31, 2023. Considering operational surplus funds that have been held in fixed deposits totalling ₹ 285.5 crore, the net debt on September 30th, 2023, stood at ₹ 10 crore only and this is a major milestone for the Company. The standalone debt for the quarter comprises of term loans of ₹ 282 crore and all these loans with interest subvention or at subsidised rates of interest.

On a consolidated basis, the net debt after considering operational surplus funds is ₹ 101 crore on 30th of September 2023, compared to ₹ 914 crore on the 31st of March 2023. The overall average cost of funds stands at 5.81%, against 5.16% in the previous corresponding period, and I think that is primarily a function of the broader markets and the way that they have behaved. And it is still a very aggressively low figure in these kind of market conditions. The Gross Revenues, as I mentioned, increased by 9.9% in the quarter under review to stand at ₹ 1,617 crore. The EBITDA improved by 32% to standard ₹ 75.28 crore when compared to the previous corresponding quarter.

Turning to the Sugar business in more detail. The inventory as on the 30th of September stood at an impressive 19 lakh quintals, which was valued at ₹ 33.6 per kilo (kg). The Cogeneration operations, including incidental cogeneration, achieved external sales of ₹ 12.65 crore. This is during the half year, and this was a slight decline of about 25% and as a consequence of our attempts to save as much of the bagasse as possible and achieve higher realisations by selling that to multiple sources in the market.

The current domestic prices as of the 30th of October 2023, sulphitation sugar is being sold by us at approximately ₹ 40 per kilo (kg), and refined sugar is being sold at ₹ 40.75 per kilo (kg) at this particular point in time. So, prices have risen quite a lot in the month of October and November, and I'm happy to discuss that in a little more detail later on during this call.

As I had mentioned, four of our seven factories have started operations and the initial results seem very encouraging where the Pol in cane is higher by a minimum of 0.2 units actually to be precise. And that's very encouraging at this particular point and the early start of the season.

The sugar dispatches during the quarter declined, as I had mentioned, by approximately 6%, whereas the blended realisation increased by 6%, leading to a net balanced revenue when you are comparing the quarter under review with the previous corresponding quarter.

The industry scenario at this particular point in time in sugar is extremely interesting. At the Indian Sugar Mills Association (ISMA) meeting held yesterday, the pre-diversion sugar production for the country was discussed at great detail and was concluded at 33.7 million tonnes. It is my view that only 3.5 million tonnes of this quantum will be diverted towards Ethanol production and the remaining Ethanol production for the country's requirements will be met through Damaged Food Grain (DFG) and maize.

Consumption last year stood at 28 million tonnes approximately as declared by ISMA. I believe that this year, we will see a small increase in consumption going forward as we revert back to the long-term trends. During the COVID-19 period, as many of you know, there was a lull in the consumption levels in the country. And we have played catch up. This year has been a huge year of catch up combating the lull that existed for the last few years. And I believe we are now back to the long-term trend in increase in sugar consumption of approximately 2 to 3%.

In the new Sugar Season 2022-23, the area of sugarcane in Uttar Pradesh as a whole is up by 3%. And I think this is the result of satisfactory rainfall. And I believe that yields too are expected to increase during the season under review. However, poor rainfall patterns have led to a large sugarcane acreage abandonment in other states, including Maharashtra and Karnataka, which is the result of the lower cane output in these states and for the nation as a whole.

Looking at the international scenario, the global sugar balance is working towards the deficit. The International Sugar Organisation forecasts a global deficit in excess of 2 million tonnes for the Sugar Season 2023-24. There is, of course, a robust sugarcane crop and sugar production expected in Brazil. For the 2023-24 season, international reports estimate sugarcane production in the April-March period well over 40 million tonnes, which is an absolute record.

In Thailand, we are expecting subdued production in the year 2023-24, which is very much a long-term trend that is being seen from this major sugar exporting country. But despite this huge news coming from Brazil, we're seeing international sugar prices at all-time highs. The New York #11 contract touched new highs in October 2023, well crossing US 27 cents/lb, driven primarily by global concerns and the expectations of El Nino in Thailand and lower sugar production in India. As on October 30, 2023, the New York #11 forward month trading contract was at levels of approximately US 27 cents/lb. The London #5 prices have also touched decade highs, and currently trading at approximately $730 per metric tonne.

Turning to our Alcohol business. Our production in Q2 was impacted due to feedstock challenges that led to disruption of the planned production as the Central Government rather suddenly suspended the supply of surplus rights from FCI godowns, the Food Corporation of India. And we had to switch over to maize as the feedstock for the first time in our history, and we were able to do that after some initial trials quite successfully, and our production of utilising maize is fairly stable at a number of our factories. So, we’re one of the first few in the industry to be able to do this switchover quite easily.

The alcohol sales volume increased by 12.8% in Q2 FY 24 over the previous corresponding period, and this was due to the stabilisation of the new grain distilleries that were commissioned in the previous period. The net turnover was boosted by higher alcohol sales, higher Distillers’ Dried Grain with Solubles, DDGS, which is sold as animal feed and higher volumes in the IMIL business.

The Uttar Pradesh Government has retrospectively amended the molasses policy for 2022-23 on the levy molasses obligations to equate ‘B’ and ‘C’ heavy molasses without considering the respective increased generation or equivalent Ethanol output. This impacted the revenue in sugar and further reduced the availability of molasses as a feedstock in Q2 FY 24.

However, I would like to point out that as of about an hour ago, there has been the new molasses policy for the state of Uttar Pradesh has been released. We are evaluating it presently. But I can share the highlights with you on this call. For the molasses year 2023-24, the policy has been amended so that 26% of ‘C’ molasses will now be levy molasses and 19% of ‘B’ molasses will be the equivalent. So, they have factored in the differential sugar content of both streams of molasses, which did not exist in the previous year. In the previous year, both ‘B’ and ‘C’ molasses were subject to a reservation of 20%.

During the quarter and half year under review, alcohol produced from sugarcane-based feedstock formed 65% and 64% of total sales volume, respectively with sales of Ethanol made from ‘B’ heavy molasses at 59% and 58% retrospectively. In the previous corresponding quarter and half year, alcohol produced from sugarcane feedstocks was 76% and 87% of the sales volume, respectively.

So quite a substantial difference as we move towards embracing grain has an important feedstock for Triveni Engineering. The alcohol sales from grain constituted as just the converse, 35% and 36% in the current quarter and half year, while the same contributed 24% and 13% in the previous quarter and half year, respectively. Following the suspension of supplies of surplus rights from FCI, the Company did face challenges from price volatility and the availability of feedstocks such as

Damaged Food Grain (DFG) during the quarter. Thus, the Company transitioned promptly to produce Ethanol from maize for the first time in Q2 FY 24.

It is important to mention that when you transfer from the ‘B’ heavy molasses and start producing Ethanol from maize, the capacity, even running at full capacity is the output of Ethanol reduces by approximately 25%. So that is an important factor to consider in, if we are restricting the quantum of ‘B’ heavy molasses or sugarcane diversion for the Ethanol blending programme and looking more towards grains and especially maize, because it means that the total distillery capacities will have to then be re-evaluated from that perspective.

The sales increased in the quarter by 12.8%, and the average realisation increased by almost ₹1 per litre in the quarter under review versus the previous corresponding quarter. The PBIT for the distillery business also increased by 7% and stood at ₹ 50.5 crore. The domestic industry scenario is extremely interesting. If we look at the previous year of 2022-23, which ended at the very end of October, out of the 600 crore litres, which were finalised by the OMCs, 565 crore litres had been contracted till October 15, 2023. Against the above, 467 crore litres were lifted up to 15th of October, which pointed to an average blending percentage of 11.8% up to October 15.

And that’s I think, ladies and gentlemen is actually a huge achievement for the Ethanol blending programme that despite the tough times, despite changes that have happened, as I have talked about, FCI rice etc., that we are still managing to meet the expectations of the Honourable Prime Minister and of the Ethanol blending programme.

Of the total contracted quantity of 565 crore litres that I spoke about, sugarcane-based feedstocks collectively contribute 70% with B-Heavy molasses, Sugarcane Juice and C-Heavy molasses accounting for approx. 45%, 24% and 1% respectively. Grain-based feedstocks such as surplus rice, damaged food grain and maize contribute 26%, 3% and 1%, respectively.

For the Ethanol supply year 2023-24, the tender has been floated with an increase of 15% at 825 crore litres. Although the close of this tender, which was supposed to happen a few days ago, has been postponed up to the 3rd of November, which is the end of this week. We’re still a little uncertain because one does not know what the Ethanol price is going to be for the various constituent feedstocks for the next Ethanol Supply Year. And of course, one can independently have the tender floated as well. And we’re hoping that all of this will be resolved very soon by the Central Government.

I’d like to turn now to the Engineering businesses. For the Power Transmission business, the increase in H1 FY 24 turnover and profitability was 44.8% and 58.2%, respectively, driven by high domestic sales across all the OEMs. The Defence business received an order recently of ₹18 crore for the supply of propulsion gearboxes for fast patrol vessels of the Indian Coast Guard. This marks an entry of this business into the Marine Gearbox segment. The first entry into the Marine Gearbox segment. These gearboxes need to be highly engineered, compact and lightweight to meet the specific requirements of vessels and the Company would be undertaking this project with its own design, in-house manufacturing and testing and with over 90% indigenous content, which is a major step in line with Make in India policy of the Government of India. With this, the defence business will also be well placed to support the nation’s future shipbuilding projects of similar nature with completely indigenous solutions.

The total outstanding order book on the 30th of September stood at ₹ 282 crore for the Power Transmission business. Important to point out some of the financial numbers. Revenues grew by 28.5% in the quarter. PBIT grew by 36.8% in the quarter. And order booking in the quarter grew by almost 50% when compared to the previous corresponding period.

Turning quickly to the Water business. The revenues stood at ₹ 62.13 crore for the quarter under review. The PBIT grew by 48% to ₹ 6.63 crore, and the closing order book stood at just under ₹ 1,300 crore. The results of this segment are based on the consolidated results, which include the wholly owned SPVs executing the Mathura project awarded by the NMCG under the Namami Gange Programme and the Pali ZLD project.

The revenues declined primarily due to the delay in execution of certain projects. But I'm happy to report that the Maldives project was inaugurated by the President of Maldives, His Excellency, Mr. Ibrahim Mohamed Solih in August 2023. During the quarter, the business has also won the bid of RUDSICO Greater Jaipur under a joint venture agreement with Triveni as the lead partner. The Letter of Intent for the same was received in October 2023, and Triveni's share of the contract is ₹ 355 crore, including O&M and GST.

The business is actively targeting foreign projects whenever it processes the pre-qualifications, and the funding is ensured through multilateral and reputed agencies. The outstanding order book on the 30th of September stood at ₹ 1,291 crore, as I mentioned, which includes ₹ 892 crore of O&M contracts that will be executed over a longer period of time.

Turning quickly towards the outlook of the various businesses. The Sugar business, as I mentioned earlier in my opening remarks, this is a very exciting and interesting year with lower production estimates for India and the support that the sugar industry has to make towards the Ethanol blending programme of the nation. And so we are in a planning stage and in deep conversations with Department of Food & Public Distribution (DFPD) and the various other ministries to look at what is the total quantum of sugar output, how can we secure the larger quantum of sugarcane for crushing at sugar factories and supporting the Ethanol blending programme at the same time. I believe this will be certainly achieved through a process of continuous dialogue.

Furthermore, we're also closely reviewing the sugarcane price increase, if any, for the new sugar season. And we're very confident, and I'm personally very confident that the State Government of Uttar Pradesh will look at a sound and well-reasoned increase, if any, for the sugarcane price SAP for season 2023-24. The Company has implemented a robust sugarcane development programme with the farmer community based on a multipronged strategy. And we're seeing very clear and huge strategic advantage for us in our area, not just in terms of combating red rot, other diseases and pests but also looking at varietal replacement and massive yield enhancements for our farmers.

This is also coupled with the enormous digital intervention that is happening to include our entire farmer base of 3.5 lakh individuals. The Company continues its investments towards debottlenecking, enhancing our crush rate, higher production of refined sugar across our various units. And this with robust pricing that is forecast in the next few quarters will of course bode favourably for the results of the Company.

Turning to the Alcohol business. We're in the state of limbo because for the supply year 2023-24, the prices are yet to be announced. I believe that they will be announced with a reasonable increase in the very near future. And also, the tender floated by the OMCs will come to its conclusion so that one can start supplies as quickly as possible.

We have successfully raised our capacities from 320 KLPD in FY 22 to 660 KLPD and we're on track to raise our capacity to 1,110 KLPD. I talked about the

Engineering businesses, where the Power Transmission business has scaled massive new heights. The infrastructure growth and expansion of the steel and cement sectors for waste heat recovery have been huge sources of new demand for this business. We also see massive demand not just today but continually in this decade in the oil and gas sector, especially for requirements of steam turbines, gas turbines, pumps and compressors, both domestically and internationally.

The setting up of the dedicated multi-modal facility for defence products would also help gain business confidence with key customers and expand our service offerings. And that investment is well underway, which will be commissioned in the next fiscal year.

In the Water business, after achieving success in Maldives and Bangladesh, we are aggressively targeting expanded activities overseas. The domestic market opportunities are also increasing in recycle and reuse wastewater and the Water business is equipped to handle this market. We're also exploring Public Private Partnership (PPP) opportunities for Sewage Treatment Plants (STP) recycling. The municipal business is also looking extremely attractive in many states, which is a big difference when I track back my comments that I have made maybe a couple of quarters ago. I think we're very well positioned at this particular point in time and there's a renewed interest at the Central and State Government and Municipal Government level in a variety of different water projects.

Just in terms of a concluding comment, I think our business strategy has revolved in identifying harnessing growth opportunities to achieve long-term value creation for our stakeholders and I think we've done a reasonable job. These are very interesting times, and all the businesses are firing on all cylinders.

I'm happy to take questions at this point in time. Thank you.

Question-and-Answer Session

Moderator: The first question is from the line of Sanjay from DAM Capital Advisors. Please go ahead.

Sanjay: I have two questions. What is the expected sugarcane crushing you're looking for the season? How much sugarcane you think will be diverted towards B heavy, C heavy and juice molasses?

Tarun Sawhney: Are you asking for the Company or for the industry?

Sanjay: Yes, I'm looking for Triveni as a group.

Tarun Sawhney: We do not give forward-looking estimates as far as our crush is concerned. However, as I had pointed out, this season has started off, we believe that our area under sugarcane has expanded as well as the yields of the cane in our factories, in our reserved area has also increased. Last year, we had a crush of approximately 933 lakh quintals. And this year, we're looking at levels higher, certainly higher. We anticipate our total sugar production to be higher, probably in the range of approximately 8% to 10%.

Sanjay: What quantum of sugarcane would be diverted towards?

Tarun Sawhney: It's very difficult to give you an estimate of what will be diverted towards 'B' heavy without knowing the price. So, with the higher sugar prices at this particular point in time, actually, the right way for me to answer this question for you is to say that we actually will go wherever we have higher profitability. Because we have multi-feed and multiproduct distilleries and our distillery model is extremely well diversified, we have the flexibility to be able to look at multiple feedstocks and multiple products as outputs as well.

And once we know the relative pricing of all the various items, as announced by the Government of India, we will then be able to determine within a day in terms of how much we will be diverting from B heavy or from C or from anything. We may get surprised on the juice number as well. We may certainly get surprised on the grain numbers for Ethanol as well. So, it's very difficult to give you that estimate right now. Rather, it's impossible to give you that estimate right now without knowing the prices.

Sanjay: My second question was on the levy part. You mentioned that Government has just released this new molasses policy. So, considering the 26% for the C molasses and 19% for the B, would your obligation for the levy molasses would be higher than last year, 2022-23 season or it will be lower?

Tarun Sawhney: Last year, as I mentioned in my opening remarks, the Government amended its policy to say that 'B' and 'C' were being considered at the same level. So, the 20% of last year's obligation was both for 'B' heavy molasses as well as 'C' heavy molasses. For this year, the difference in the new policy, which we are still evaluating because it's just come across my desk only about 1.5 hours ago is 26% for 'C' heavy and 19% for 'B'. So, in B terms, it's lower. In C terms, it's higher.

Sanjay: Okay. So, the proportion of 'B' heavy and 'C' heavy will decide whether it will be lower or high, understood. Just one last one bit on the Ethanol capacity utilisation plant, given the way sugar prices are prevailing, and it seems likely to prevail at higher levels only for the full season, do you think that you would be able to utilise your Ethanol capacity to the full, given the fact that diversion probably this time would be lower?

Tarun Sawhney: I think that's a great question. As I just answered in the first part of your question, we are in a unique position at Triveni, where we have multi-feed distilleries. We also have multi-product distilleries. And so, we are able, for large portions, for the majority portion of our distillery capacity, including both our new plants that will be commissioned, the first one commissioned in Q4 of this fiscal year, to be able to use any form of grain or any form of molasses feedstock.

So, we have complete flexibility. And the natural answer to your question is we would still be running at 100% capacity utilisation. Now depending on what we are using, the various capacities and outputs change based on the feedstock. But our capacity utilisation will be running at 100%.

Moderator: Next question is from the line of Shailesh Kanani from Centrum Broking.

Shailesh Kanani: Good afternoon, everyone. Thanks for the opportunity. I have a couple of questions. How has been our experience working on maize as a feedstock? And given that in your opening remarks, you highlighted that our expansion plans continue to be on time, are we confident about availability of maize as a feedstock for us and for our EBP programme in general?

Tarun Sawhney: Excellent question. So let me start off with our experience. The experience with maize actually has been very good. It will continue to change, of course, as the variety of maize is not ideal for Ethanol production. The Government is acutely aware of that. And they are bringing about new seeds. So future years, the type of maize that we will be able to procure will be more suitable for Ethanol blending. But from a procurement perspective, for the last few months since July/August, we have not had any problems in procuring maize, part of it during the season, part of it during the off-season, of maize as well. So that has not been a problem in Uttar Pradesh at all. And we have stocks for another month as well already secured and with us at this particular point in time.

Before I forget, from an operational perspective, operating on maize gives you 25% lower output of Ethanol. That is a big difference in terms of the total output from the same capacity of distillery. The other important point is when you compare maize to rice, the quantum of DDGS that you get is more than double. So, you get a substantial realisation from that perspective as well. As a matter of fact, the realisation from maize is probably better than market grain at this particular point in time, looking at the various values. So, the experience in a nutshell has been very good.

Now let me turn to the second part of your question about annual quantities, etc. This is very important to note that these are all seasonal crops. So, at this particular point in time, when we look ahead in terms of our planning, we see that we have enough maize and molasses, etc. to go through until the very end, until about the end of December.

But when we come into January, we have the rice crop. So, we have a huge opportunity of getting low priced DFG, damaged food grains, that will substitute for maize, until the new maize crop comes to us in the month of April, which will be with us till the summer. And then we have summer paddy. And after summer paddy, we have the second crop of maize and then the cycle goes around.

And if you go back several earnings conference calls, I have always stressed that having multi-feed distilleries is absolutely crucial for the industry, for the sugar industry especially to be able to then navigate these changes that we've seen, these huge changes. And we at Triveni are totally set. And we've forecasted for this. And it is what is happening. And we're very confident of meeting our capacities.

Shailesh Kanani: That is useful. So, in a nutshell, is it safe to assume that ₹ 8 to ₹ 10 per litre, what is the EBIT, what we make under grains is similar in the case of maize as the output of Ethanol will be lower, but the quantum of DDGS, as you said, is higher? So, is that a fair assumption to make?

Tarun Sawhney: I don’t have the numbers with me right now, but the numbers that you were talking about was based on FCI rice, which was at a lower price point. Market rice, DFG is at a different price point with a different sale point. And those numbers are definitely lower than the ₹ 9 - ₹ 10 that existed for FCI rice. Similarly, it is also lower for maize as well. However, I think all of that will change, because I think that given what the sugar production is, given what the diversion towards Ethanol is going to be and given the huge EBP programme and the targets that have already been declared by the oil marketing companies, and therefore, the contribution that is required from the grain sector both DFG and maize, the prices of maize and DFG are going to be appropriately revised, so that you get additional capacities coming up to process those feedstocks. So, I'm very bullish on that front.

Shailesh Kanani: My second question is the PTB division. If you just highlight the status of the expansion? And any guidance on asset turns we can give going ahead, say two years, three years down the line?

Tarun Sawhney: In terms of the expansion, we're very much on track. We're looking at the building construction to be complete by April 2024 and the machines to come in thereafter and the plant to be fully commissioned probably around Q1 of FY 2025. So, three quarters from today, which is very much on plan and what one has discussed. Typically, in terms of asset turns, we don't really disclose any numbers.

Shailesh Kanani: But Sir, our margin profile would remain very robust, right? The way we are enjoying the margins right now, upwards of 30%, that would kind of remain even on expanded term. Is it a fair assumption, Sir?

Tarun Sawhney: I think that's a very fair assumption. I think the growth that one is looking at is really it's not at the cost of any margin dilution. In fact, we look at our margin structures very carefully, and we've managed to maintain our margin structures when times were tough. And now with the expansion both domestically and serious expansion internationally, we expect margins not to dilute as we grow.

Shailesh Kanani: Last question from my side. At current sugar elevated level, how do we see sugar prices during crushing? Because normally crushing season the sugar pricing tends to be downwards. But given the scenario where everybody is expecting a lower sugar production. So how do we see sugar pricing bottoming out for this year? And at this elevated sugar rate how can we pencil in any guidance on the consolidated margins for 2H, for the year. That's the last one for me.

Tarun Sawhney: I'm not sure if I can give you a response on the consolidated margin. But you're absolutely right. I think that trend is something that we're going to see again at this particular point in time. I think sugar prices have been elevated because we're in the festival period. We've had a late Diwali this year. We're not even at Diwali at this particular point in time. And because there is a festival demand, prices do get elevated, and just at the start of the sugar season. So, we're seeing very robust pricing, that pricing may remain for this month, maybe even next month. But as the sugar factories are in full operations, and they sell their stocks across the country, I'm not talking about Triveni, but the country as a whole. I do see overall sugar prices moderating. I won't say even declining. I would say moderating to perhaps a slightly lower level during Q4 of this fiscal year. However, beyond that, I think it's a function of supply and demand. We are in a perfect situation where supplies are meeting demand, and we have a perfect closing balance. Overall, I don't see any great reduction in sugar price averages as we look forward for the next 12 months or so, some small decline followed by some small increase.

Moderator: The next question is from the line of Rajesh Majumdar from B&K Securities. Please go ahead.

Rajesh Majumdar: Good afternoon, Sir. My main question was regarding the impact of red rot, which we have heard from certain other companies in Bijnor and spreading in Western UP. Now we've seen the impact of red rot in Eastern UP for the last 2-2.5 years, and the impact has been over a two-year time frame. So, are you fairly certain that we will not see that kind of an impact persisting in our main catchment area for a longer time period? And my related question is what is the proportion of Co-0238 we have in our sugar mills right now to mitigate this crisis somewhat?

Tarun Sawhney: It's a great question. So, let me start off by saying that, yes, in our Ramkola unit, and I pointed this out in previous calls, last year, we did have the incidence of red rot. It was a reasonable instance. It wasn't massive like it was in some other areas. And I think that was primarily due to our cane development activities. This year, we have seen red rot that has come up in our factories that are in central Uttar Pradesh, the ones near Bijnor. We're not seeing it in particular in core West UP Sabitgarh, Deoband, Khatauli and etc. And that's pretty positive. However, it is something it is bound to come. We're also seeing less disease, rather pests, the borers, etc which is that plagued us last year. But red rot is something that is there.

Once it spreads, it's going to spread with water and flood irrigation is the most commonly form of irrigation with the sugarcane crop sadly. And that is something that is going to propagate the spread of this disease. So, I do believe that for low lying areas, Co-0238 variety is definitely something that has to be replaced instantly. We have already started this programme.

Now let me answer the second part of the question. The total impact of red rot for Triveni is still marginal and nothing more than that per se. We have two factories that could have an instance, but the other five are relatively secure as far as red rot is concerned. The important fact to note is the changes that we've made. So, we had this experience in Ramkola. We started off with Ramkola as well as all the other units in one prong of our cane development programme, which was varietal replacement.

So, for the start for the sugarcane season 2023-24, which is this season, the total quantum of area under Co-0238 for us is a remarkably low level of 70% of total cane, which is a huge difference when I compare it to other people in the industry. We are moving from this number of 70%, and our target is to reduce this quite substantially by next year. A huge reduction in Co-0238 next year, whether we experience red rot or don't experience red rot. We're going to completely eradicate it in all low-lying areas across all seven units.

Rajesh Majumdar: If I get you correctly, you are not foreseeing the spread of red rot into the core Western UP area in this sugar season. However, you feel it will come next season, so that you're taking precaution to that effect. Is that correct?

Tarun Sawhney: It's very tough to tell if it's going to come next year in a substantial manner or not. How it's going to be eradicated. Because when you spot red rot, you have physical initiatives that you can take of de-clumping, of adding the requisite powders etc., the pesticides that are required when you first see red rot. It's about the nimbleness that you have in your cane development department. It's not something that happens, and you can't do anything about it. You can certainly do things about it to try and prevent its spread in a localised area. But in a much larger area, area where you have no control, Triveni won't have control over all of West UP together. So, I don't know what the impact will be. It may not be next year. It may be the year after. But red rot will come at some point or the other.

The point is that you have to have an active management strategy that in the high land areas, you keep continue with Co-0238, which is a wondrous variety. You don't have any water logging, so you don't have spread of disease and you balance out your varietal balance with a whole load of other varieties. So, where you have the areas that are susceptible, you change the varieties in those areas. That, I believe, is the sort of cane development 101 at this point in time.

Rajesh Majumdar: My second question is you had mentioned earlier that your estimate of the cane price increase in UP is about ₹15 a quintal. Is that still all right? Because we are hearing to talk in the market of ₹25 per quintal?

Tarun Sawhney: It's very difficult to tell. I may be wrong, I hope I'm not, but I may be wrong. The one thing that I'm very confident about is that the UP government fully understands the plight of the industry. And it appreciates the plight of the industry, and it knows the kind of work that the industry is doing to deliver farmer returns. Because cane price is only a measure of bringing about substantial returns. And when you see the kind of yield enhancements that have happened this year compared to last year, for the state of Uttar Pradesh as a whole, the returns of the farmers are going up because the yields are higher and there is more area under cane. So, there is a double benefit to farmers. So, frankly speaking, I do not think there is a real requirement for any huge increase in State Advised Price (SAP), and I still remain hopeful, although I'm not the decision maker here.

Moderator: Next question is from Nitin Awasthi from InCred Equities.

Nitin Awasthi: Hello Sir. The first question would be the diversion towards Ethanol on the industry level. ISMA had quoted 4 million, if I'm correct, earlier. You, in your various presentations had also quoted 4 million earlier. And now in this call, if I heard you correctly, you said it could be around 3 million. Is that correct?

Tarun Sawhney: No, I said 3.5 million.

Nitin Awasthi: 3.5. Okay.

Tarun Sawhney: Up to 3.5 million.

Nitin Awasthi: Okay. Then if you're saying that you would be able to judge, the question which I'm going to ask is that it is going to be very hard to meet the 15% blending requirement if you're going to cut down on our absolute number of diversion of cane, isn't it?

Tarun Sawhney: Well, let me just say that to be able to get about 475 crore litres, the whole amount never comes in any case. For 15%, the levels are much lower. So, it's not 825 crore litres that the oil marketing companies have tendered for 15% level will be substantially lower than that. It will be approximately 500 and something crore litres. The mathematics, of course, is very easy to work out when you look at 11.8% up to the 15th of October, the numbers that I just gave in my opening remarks.

But I think that grain distilleries will step up to the challenge, plus those sugar factories that have multi-feed capacities, just like Triveni's distillery business does, will also step up to the challenge. So, you will get greater quantum of supplies from existing assets at that point in time. Also, I think that towards the end of the year, there were many projects which were stuck in limbo because people didn't know what's going on with respect to future pricing, and they were waiting for this year's announcement.

If the price of Ethanol manufactured from grain improves by a marked level, which I'm fully anticipating, I think we will see Q3 - Q4 supplies to be up. And that is the particular period in the Ethanol Supply Year, which becomes a little ticklish as far as the Oil Marketing Companies are concerned. So, I think the balance, 15%, yes, it's a tough ask. It's not an easy number to fulfil. I don't think it's an easy number to fulfil. But I think the mathematics still exist. In a perfect scenario, the mathematics still exists to be able to achieve that. However, the moving parts, the most important levers to be able to ensure that 15% is Ethanol pricing from the various feedstocks. And that, we don't know what those numbers are as of now.

Nitin Awasthi: The second question is on the sugar side of things, you seem to be one of the largest, if not the largest Grain ENA manufacturer as of now. And with your coming capacities, like you said, if you move the fungibility to the grain side, one could count you in the grain manufacturers distiller's association also. But let's keep that aside. Just because of that, I want to ask you a few things. You highlighted already the previous participant the difficulties or the challenges when you move to maize. So, with that, if you could just quantify that a little? Like when you move to maize, what was the pricing of maize that you acquired maize at? What is it now as the market has settled? Is maize DDGS being affected in the market? Is maize oil being a challenge or a benefit for the industry?

Tarun Sawhney: When we started procuring maize, the price of maize was sub ₹ 19 per kilo (kg). It went up because the moment everybody wanted maize, it, of course, became dearer. And about a month ago, it was about ₹ 20, just shy of ₹ 20, ₹ 19.75 per kilo (kg). Some trades were done at ₹ 20 kilo (kg). And now it's on a downward cycle as well as maize crop comes to an end and it move towards ₹ 19. I think the pricing of maize, despite the fact that everybody wanted it, was fairly stable. We didn't see any irrational moves. The moves that we saw, for example, in rice that happened in the previous few quarters, certainly did not happen in maize as maize was diverted for the EBP programme and we became a large procurer of this food grain.

With your second question of the DDGS that comes from maize, no, we've not had problems. Of course, the quantum is much larger. So, you need to find more people to be able to sell it. It's 27%, which is on maize, which is a large quantum of DDGS. But it's important to mention that the buyers of DDGS are fairly large.

So, it's a moving market and the prices increase and decrease. At this particular point in time, they've decreased by about 1 - 1.5% the prices as of three to four weeks ago. But I don't see that as a problem. They will rise again. It's a function of what are the other substitutes for maize DDGS that is available as animal feed in the market. But DDGS, for us as a nation, I think long-term pricing is definitely going to improve. There is no question about that and should improve quite substantially.

Nitin Awasthi: The third part was on maize oil. Is that a challenge while making maize Ethanol from maize rather than rice?

Tarun Sawhney: No, we don't manufacture maize oil. There are very few people that actually do, these are technological choices that you have. So, we don't really have any experience on that front.

Moderator: Next question is from the line of Krutika Vispute from Tata Asset Management. Please go ahead.

Krutika Vispute: I had a question on the levy molasses part. In your presentation, you had given an impact of ₹ 18 crore for the full year. I believe this is for the financial year and ₹ 12 crore is what you have taken for the September first half. So that is one whether it's for the ₹ 6 crore impact is yet to be seen, which we would see in the coming quarters? That is one. And on the new policy that you mentioned. Now earlier, I believe the rates were around 20% levy firstly it was for C heavy and then 'B' heavy was also brought around the same level. Now the percentage that you mentioned was 26% for C and 20% for 'B'. So, given that on the whole, this percentage is going up, is there an estimate of how much this could impact in terms of actual number on the EBITDA?

Tarun Sawhney: Let me answer your first question. The answer to your first question is yes. The balance ₹ 6 crore is yet to come. The answer to your second question is you've got the numbers just slightly off. Last year's policy was 20% be it 'B' or 'C' made no difference. They didn't distinguish the two. This year's policy is 26% on 'C' and 19% on 'B'. So, it really depends on what you're making. For example, if you were only to make B, we're actually 1% better off as compared to last year. So, there's actually an EBITDA benefit from that perspective. But at this particular point in time, we don't know what the rates of Ethanol made from the various constituents are. So, we don't really know what we're going to be making.

Four factories have started. At this particular point in time, they have started making 'B' heavy molasses. So, we're hopeful that, that strategy will pay off. But if not, that we will simply reprocess it and make 'C' final. But all those flexibilities or rather all those numbers will only get crystallised once we know what the pricing is. And I'm anticipating that in the next week or 10 days, we will certainly have that by Government of India (GOI).

Krutika Vispute: Just one more question, if I can squeeze in on the red rot. Just to clarify, you mentioned that this year, we are not seeing as much of a risk and it's only in the Central region that we are seeing risk of red rot, is that the case?

Tarun Sawhney: This year, I will only talk with respect to Triveni Engineering. I can't comment on the state because it could very well exist in other portions of Uttar Pradesh. Five out of our seven factories remain unaffected. Two of our seven factories that are close to the Bijnor region have some small impact, but we acted upon this very, very early. One of those factories has started. And actually, we've been very good in terms of getting cane that is totally unaffected by red rot. That factory started 48 hours ago. So, it's been pretty good thus far. And the second factory will start on the 3rd of November, just in a few days' time. And again, I'm very hopeful that we will be able to minimise that impact of red rot in that factory, whatever that exists.

But you should know that when we did discover it, we did a lot of rouging, we did a lot of dosage of pesticides etc., that happened at the ground level even at that time of discovery. So, I think we were well ahead of the curve. So relative impact for Triveni Group has been curtailed.

Moderator: Next question is from the line of Ambar Taneja from Geomatrix.

Ambar Taneja: I actually have several small questions. I read the press release from ISMA. I have two or three small questions. The press release from ISMA spoke about a gross sugar production of 33.7 which if we assume 3.5 million tonnes of diversion would mean sugar production of about 30. So, this is, I think lower by another 1.5 million tonnes from the numbers that were just released maybe 15 days ago. Is my understanding correct or am I missing something here?

Tarun Sawhney: You're talking about releases by ISMA. ISMA is an industry body, and they revised their estimates. So, I think the previous estimate was the one that they had for several months. In their latest press statement that they made a couple of weeks ago, they may have reiterated the previous estimate that they had. But to my knowledge, the only revision was the one that was made yesterday. So, it's not a change over 15 days. I think it's a change that's been made after three months, after we've actually seen the start of the sugar season that's happened across the country and more realistic satellite data has been evaluated and therefore, there's been a need to revise the change. What you heard maybe, I don't know when you heard it before that was a function of the previous estimate, which is 3 - 3.5 months old.

Ambar Taneja: The next question is, what would be, because this new policy, according to me, I mean, they've accounted for the fact that 'B' and 'C' heavy have different sugar content. But net-net, I guess it's not too much of a difference, except the fact that they've calibrated it. And as you rightly said, you are going to wait for the pricing decisions to make a decision about how much you allocate to 'B' and how much you allocate to 'C'. For the current sugar price, which is, as you said round about ₹ 40, what would be a 'B' heavy Ethanol price, which would be equivalent to a ₹ 40 sugar price?

Tarun Sawhney: If we were to assume that that the 'B' heavy prices would be increased by the increase in FRP of what, 3% by ₹1.20 - ₹1.30, something like that. At that point in time, the economics certainly go in terms. At ₹ 40 sugar pricing, the economics are in favour of manufacturing 'B' heavy in your restricted scenario.

Ambar Taneja: So you're saying even at ₹40, Ethanol from 'B' heavy would be more remunerative, correct?

Tarun Sawhney: Would be more remunerative if the FRP increase was equated in the new 'B' heavy price.

Moderator: Next question is from the line of Maulik Chaudhari from Monarch Networth Capital. Please go ahead.

Maulik Chaudhari: My question is regarding PTB business. So, this quarter, our revenue is ₹ 78.5 crore. So how much is export revenue? And also, its YoY as well as QoQ growth?

Tarun Sawhney: I don't have the export revenues directly in front of me. But for the half year, export revenues are higher. If you contact us offline, we'll be able to give you these granular details.

Maulik Chaudhari: Can you talk about the traction coming from overseas market? Like how is the demand over there?

Tarun Sawhney: The traction is extremely good. I think the demand is from across OEMs. So, we're seeing a big build-up with respect to turbine both steam and gas, pumps and of course, most importantly compressor OEMs from Western Europe, North America, Japan, other parts of the world, etc. In terms of our extension of business relationships with them, we are in the process or have completed all the necessary qualification orders, etc., because these are new markets for us. And your question, of course, is very, very well taken.

And so, we see that over the next 12 months, we will see a reasonably good, a very encouraging order book increase from these customers internationally. In terms of attributing numbers to this growth, I'm afraid I can't do that at this particular point in time. But we're very well positioned as we embark on a brand-new chapter. Classically, we were restricted to the Indian Subcontinent and a few other countries. As far as our sales are concerned, now that the canvas is much broader, we have a huge market opportunity in canvas.

Maulik Chaudhari: My second question is also the ₹ 78.5 crore, how much is aftermarket?

Tarun Sawhney: Again, I don't have that number with me. If you contact Ms. Surabhi Chandna offline, who is our Investor Relations Head, she'll be able to offer those numbers to you.

Moderator: I now hand the conference over to the management for closing comments.

Tarun Sawhney: Ladies and gentlemen, thank you very much for joining us this afternoon to discuss the Q2 / H1 FY 24 results with Triveni Engineering & Industries Limited. As one of the gentlemen on the call just commented, we are at a very exciting point across all four of our businesses. In the Engineering perspective, the Water business is at an excellent point in terms of new order generation, etc. It's a very exciting time for that business domestically and internationally.

Our Power Transmission business is poised for very substantial growth that has already been demonstrated. We're hopeful with that trajectory continues. And all signs point that things are going rather well in that business. Turning towards the commodity part of our business. Again, this is a slight shortage year. We have some demand and supply balances to contend with, etc. but it is a very exciting time, higher prices across the board. And it bodes well, especially for the UP sugar industry and for Triveni within Uttar Pradesh as a result of all the work that has been done by the teams over the last several years as far as cane development, and we are reaping those rewards.

I look forward to discussing our results with you in the next quarter where we will be 40% of the way through the season. And it will give us a better opportunity to review the actual recoveries, pricing, etc. at that point in time. Thank you very much. Have a good day, and Happy Diwali.

Moderator: Thank you very much. On behalf of Triveni Engineering & Industries Limited, that concludes this conference. Thank you for joining us.