Balrampur Chini Mills Limited
Q3 & 9M FY19 Earnings Conference Call
February 05, 2019

Moderator: Ladies and Gentlemen, Good day and Welcome to the Balrampur Chini Mills Limited Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation conclude. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recoded. I now hand the conference over to Karl Kolah from CDR India. Thank you and over to you, Sir.

Karl Kolah: Thank you, Karuna. Good afternoon, everyone and thank you for joining us on Balrampur Chini Mills Q3 & 9M FY'19 Results Conference Call. Today we have with us Mr. Vivek Saraogi -- Managing Director of Balrampur Chini Mills and Mr. Pramod Patwari -- CFO of the company. We would now like to begin the call with brief opening remarks from the management, following which we will have the forum open for discussions.

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' that has been shared earlier. I would now like to invite Mr. Saraogi to make his opening remarks. Over to you, Sir.

Vivek Saraogi: Good Afternoon, everyone, and thank you for joining us on Balrampur Chini's Q3 & 9M FY19 Earnings Conference Call. Let me begin by providing you with an update on the latest developments of the sugar sector and the Key Highlights following which Pramod will take you through the Financial Performance for the Quarter under review.

Let me begin by sharing with you the latest production estimate: India's 2018-19 production is now estimated at about 30.7 million tonnes (mt) from an early estimate of 31.5 mt issued in October 2018. This is after considering the estimated diversion of 5 lakh tons of sugar into 'B'-Heavy Molasses.

Sugar production in UP is expected to be lower at 11.3 mt against 12.1 mt; Maharashtra is expected to be 9.5 mt against 10.7 mt. This is basically on account of erratic rain and Grub infestation. In addition, recently farmers in Maharashtra began agitation to secure payments for the cane crushed during the season, leading to disturbances in crushing, Karnataka is expected to produce about 4.2 mt against 3.7 mt last year.

Considering the trend of exports, it is expected that sugar mills would be able to export about 3 mt against the MIEQ quota of 5 mt. Sugar mills are currently selling at Rs. 31.50 ex-factory, which is below breakeven and the present MSP is not sufficient, thereby giving rise to huge arrears. Recently, UP Government has written to the Central Government requesting them to increase the MSP from Rs. 29 to Rs. 32.5.

The Central Government has also taken several initiates to increase ethanol production in the country. For the first time India wants to increase blending to 8% in the current season. At BCML, we have bid for 11 crore liters, for the year beginning from 1st December to 30th November, that is the period for the tender. We are also adding a distillery in our Gularia unit which is expected to go onstream sometime in December 2019. Commissioning of this unit will take our total production capacity up to 18 crore liters.

In the current scenario, we have delivered stable financial performance in this quarter led by higher contribution from the Distillery segment. The segment delivered better performance on account of higher volumes and better realization.

It has always been our endeavor to maximize shareholder value and keep rewarding them from time-to-time. In this regard, the board yesterday declared an interim dividend of Rs.2.5 per equity share of Re.1 each for FY 2018-19.

Given our well-integrated operations, strong balance sheet and focused Capex spending, that is aligned to our long-term vision, we are confident of moving in the right direction and we will continue to deliver consistent performance going ahead.

I would now request Pramod to take you through the financial highlights for the quarter.

Pramod Patwari: Thank you Sir and a very Good Afternoon to everyone. I will now briefly take you all through the company's Operating and Financial performance for the quarter under review.

Revenues for the quarter were muted at Rs.941 crore, lower by 6% YoY primarily due to lower sugar realization. Net profit for Q3FY19 grew by 94% YoY and stood at Rs.118 crore on account of healthy contribution from allied businesses.

Revenue from the Sugar segment were lower by 12% YoY and stood at Rs.835 crore for Q3 FY19. Sugar sales during Q3 FY19 were higher at 23.60 lakh quintals as against 22.22 lakh quintals in Q3 FY18. Sugar realization excluding export realizations for the quarter stood at Rs.31.94/Kg as compared to Rs.36.39/Kg in Q3 FY18. As on 31st December 2018, sugar inventory stood at 37.62 lakh quintals and is valued at Rs.30.58/Kg.

Revenues from Distillery segment improved by 38% YoY to Rs.122 crore and PBIT increased by 203% YoY to Rs.93 crore on account of better volumes and realizations during Q3 FY19. In Q3 FY19, Ethanol sales stood at 28,149 KL at an average realization of Rs.41.63 per BL as compared to 22,116 KL at an average realization of 39.19 per BL in Q3 FY18. As on 31st December 2018, our stock of molasses stood at 10.52 lakh quintals versus 11.28 lakh quintals during Q3FY18.

In the Co-gen segment, Revenues for the quarter declined by 9% YoY to Rs.150 crore. PBIT for the segment stood at Rs.44 crore. In Q3 FY19, power sold to the grid stood at 1,473 lakh units at an average realization of Rs.4.98 per unit as compared to 1,386 lakh units at an average realization of Rs. 4.84 per unit.

Interest cost for the quarter were at Rs.2 crore. As on 31st of December 2018, Long-term debt stood at Rs.393 crore and the long-term net debt-equity ratio stands at 0.21 as on 31st of December. This brings us to the end of our opening remarks. We would now like to address any questions or queries you may have in your mind. Thank you.

Moderator: Thank you very much Sir. Ladies and Gentlemen, we will now begin the question-and-answer session. The first question is from the line of Sudarshan Padmanabhan from Sundaram Mutual Fund.

S Padmanabhan: Sir, my question is around the Central Government notification and the and State Government, that is UP notification and the reimbursement of closer to Rs.90 crore that you had booked in the raw material side. If I am correct, I just want to clarify, this probably since you have booked on receipt basis the majority of the amount in this quarter that has been adjusted to the raw material cost. Now if one is adjusting to this it should be more or less from the quarter-on-quarter should be about Rs.30 crore right. How is the adjustment being done on this?

Pramod Patwari: As far as the incentive or financial assistance from State Government is concerned which was announced and accrued during this quarter at the rate of Rs.4.50 per quintal of cane crushed for the sugar season 2017-18 aggregated to a sum of Rs.49.31 crore and the entire amount of financial assistance was booked in this quarter itself and got adjusted with raw materials consumption. For the production subsidy announced by the Central Government for the ongoing sugar season 2018-19 at the rate of Rs.13.88 per quintal of cane crushed, we have taken into account the quantity of sugarcane crushed till 31st of December 2018 and accordingly booked the production subsidy aggregating to around Rs.40.71 crore. On the other hand, we have also worked out our export obligation corresponding to the sugarcane quantity crushed till 31st December 2018 and that export obligation was partly sold out physically and partly was in the form of sugar inventory. The quantity which we have sold during the quarter automatically got reflected in the accounts, but for the balance sugar which was lying as inventory on 31st of December was earmarked or valued at a lower value at the rate of export realization.

S Padmanabhan: Yes sir. So, going forward, since you have projected it, it should not be higher amount?

Pramod Patwari: We have followed the concept of matching, in fact, in next quarter also, we would be doing the same treatment.

Vivek Saraogi: Pramod is explaining it very well technically. Let me give you a macro picture. Let us say your export price is Rs. 21.50 and let us say you have to receive Rs.8.50 from the government. You showed Rs.21.50 as sales realization, Rs.8.50 as government receivable. Your net realization is Rs.30.

S Padmanabhan: Sir, my next question is around the ethanol. Here broadly you mentioned about 8% ethanol which could be the blending in the coming year. If the government goes ahead with the 8% blending ethanol, how much of sugar would be removed out of the system? Second is at this point of time with 18 crore liter for us being the new capacity, how much of that would be the B-route, how much of it could be from the C-route, could you throw some economics of that for us?

Vivek Saraogi: Basically what happens is how much of sugar get sacrificed is a function of the bidding of B-Heavy. So, in the current year, we have spoken of diversion of 5 lakh tons of sugar into B-Heavy. As we go ahead, like even if you take our case and others, I am aware about. Next year if one takes a ballpark figure, at least 15 lakh tons can get diverted into B-Heavy. The blending, government is already in dialogue with auto manufacturers, etc., This would easily move up to 15%. So, the idea is whatever ethanol is made by the manufacturers, either in C-Heavy or B-Heavy form, will entirely get lifted by the government by the OMC.

S Padmanabhan: For us this 18 crore litres what could be the split between B-Heavy and the C-route and all?

Vivek Saraogi: We are still working on the same. I think by next couple of months we will get back to you. But we will be doing a good quantity of B-Heavy.

S Padmanabhan: Sir, final question is on the sugar segment itself. Now with production being at around 30.5 mt, how do you see the overall situation in India and also, there is a lot of back and forth reports with respect to Brazil ,earlier it was considered to be little higher and then it got revised to a different number. So, how do we see opening inventory next year and how do we see the situation globally?

Vivek Saraogi: Let me just give you our Company's view on how we see things. Assume this year you still add inventory, 260 consumption, 30 export, 290 total offtake, 307 production. So, 17 lakh get added to inventory. Let us say inventory goes to 120-odd lakh tons. Next year B-heavy diversion could be at least 15 lakhs and I am just assuming the government continues with 25 lakh tons of exports. 25 and 15, 40 will be depletion from inventory and there are enough indications that next year production will come down. So, you could see a correction in inventory happening next year. Maybe stock get aligned to a much lower level and currently the price which is prevailing is owing to sort of direction from the Central Government based on declared MSP and sugar quota system. So, mills are allowed to sell their sugar, a) as per the quota; b) they physically export; c) that divert into B-heavy molasses. So, your sugar is getting sold/evacuated in three formats – Domestic sales, export sales, diversion into B-heavy. A combination of all these with the MSP and quota remaining can very easily take you through the next two years, giving you a certain price realization as well as maintaining your profitability through ethanol and your domestic price maintenance.

S Padmanabhan: Sir, on the exports side, how do we see things?

Vivek Saraogi: As you have seen it has happened, it has begun, it is lower than the entire wish list of the government. So, maybe it takes one year more. So, while one would have expected mills to perform better. Having said that heavens have not fallen. So, you have consistent evacuation of inventory over a couple of years instead of one year. This will also help global prices because global markets expecting a lot more from

India. If they do not get it, I think global prices because of the Brazilian scenario will also move up.

Moderator: Thank you. The next question is from the line of Vikram Suryavanshi from Phillip Capital.

Vikram Suryavanshi: What is our SAP/ landed cost for the cane particularly for early variety in normal?

Vivek Saraogi: This year our recoveries have been much better. So, we are hopeful of a much higher recovery vis-à-vis last year, thereby lowering our cost of production. Our landed cost per ton of cane is the same but cost of production of sugar will come down. Next quarter we will get a much better picture. But all we can tell you is recoveries on-date are much higher which will help cost of production.

Vikram Suryavanshi: What is the cane cost that we are purchasing?

Pramod Patwari: Landed cane cost including all transportation, cane commission and net of financial assistance from Central Government for the nine months period ended December was Rs.327.

Vikram Suryavanshi: What would be our early variety percentage?

Vivek Saraogi: 70%-odd maybe.

Vikram Suryavanshi: Typically, our cane cost what I understood, is linked to the recovery rate, our recovery rate is higher, but if we shift to the B-molasses, the recovery rate will change. So, how that will impact the cane pricing in next season then?

Vivek Saraogi: Basically understand, there are two separate things. In UP, you are following SAP. So, what you are saying is the calculation which comes into play when you are paying FRP.

Vikram Suryavanshi: In other states possibly there would be some issues?

Vivek Saraogi: Exactly, not in UP. Having said, that, basically our cost of production will get much lower because through the same number of quintals or cane purchase, you make much higher number of bags of sugar. We are hoping to have recovery higher by 0.8% over last year i.e closer to 1%.

Vikram Suryavanshi: Just to clarify, the adjustment in raw material, one adjustment is like Rs.49.3 crore which is related to incentives for the last year and around Rs.40.7 crore is related to the production subsidy this year and third adjustment which is related to export obligation which has two components – one is that the loss on the actual quantity we sold and one is the stocks which was actually not delivered. So, that adjustment in the stocks is in raw material cost?

Pramod Patwari: Adjustment to the stock will flow through change in inventory column.

Vikram Suryavanshi: How much is that approximately?

Pramod Patwari: Our export obligation was around 4.9 lakh quintals, out of that we exported 2.1 lakh quintals. So, the remaining stock which was around 2.8 lakh quintals has been marked down to export realizable value.

Moderator: Thank you. The next question is from the line of Amanjeet Singh from Panthomath Asset Management.

Amanjeet Singh: Congratulations on a good set of numbers. My first question is just a book-keeping question. What is the average realization that you have for exports? And also the other income of Rs.22 crore what we see, majority of that would be 2.1 lakh quintals into the subsidy that you have received correct?

Pramod Patwari: First, I would like to give the breakup of other income. This quarter other income came at around Rs.21 crore. Rs.6 crore of income accrued on account of fair value gain on derivative transaction. We had booked certain forward contracts in lieu of our exports and as on 31st of December 2018. We had to value them at a fair market value. This resulted in a gain of around Rs.6 crore. Another Rs.8 crore came in on account of investment income. During the December quarter our net working capital utilization was almost negligible and whatever surplus we had was parked in liquidity category of mutual funds. That resulted into a gain of around Rs.8 crore and the rest are normal income like some insurance claims, scrap sales.

Amanjeet Singh: Sir, what would be the average realization that we have for exports?

Pramod Patwari: Export realization for the quantity which we already booked was around Rs.22.

Amanjeet Singh: My next question is on the run rate. So, in the earlier calls we had expected Distillery sales to be around 10-11 crore liters. In the nine months ended we have already done 8.57 crore liters. So, that is a good run rate. So, can we expect that the sales for the whole year would be little north of 11 crore liters?

Vivek Saraogi: Yes, looks like that.

Amanjeet Singh: Also, the same question on the Power bit. We had guided for 70 crore units and we sold around 40 crore units in nine months. So, we are confident of achieving the 70 crore target for the full year?

Pramod Patwari: If you see the corresponding figure for the last year also, we sold 30 crore units for the period ended December ’17 and against that the final annual figures were around 57 crore. There is every possibility of 70 crore.

Amanjeet Singh: You had very good recovery rate of 11.11% in this quarter and you said that around 80 bps to 100 bps you will do better than the previous year, so previous year you had 10.8% recovery. So, at 11.6 to 11.8 recovery what is your expected cost of production for the coming sugar season?

Vivek Saraogi: Let us keep the target at 11.6. 11.8 is a little steep. The cost will come down.

Pramod Patwari: 80 basis points would result in Rs.2.5/Kg cost savings.

Vivek Saraogi: Pramod is saying, 80 bps of recovery is equal to Rs.2.5 in cost of production saving.

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

Achal Lohade: Congratulations for the great recovery rate. Just adding up to that similar question, is that the recovery rate exceptionally high for only us or it is for the industry as a whole?

Vivek Saraogi: I think it is higher for UP as a whole. We might be outperformer in terms of the same with others who are having full early variety because our early variety has improved.

Achal Lohade: Would you be able to comment how much was that last year? Now it is 70% but…

Vivek Saraogi: It would be higher than 70%. Exact data will come, next quarter we will be able to give you, but I have given you the headline.

Achal Lohade: In that case, I was just curious to know what is the cane crushing expectation we have? Last time you had guided for 10-12% higher for cane crushing volume. How do we see it for the financial year '19?

Vivek Saraogi: We are hoping that sugar production will be 8-9% higher owing to recovery but probably crushing quantity might not be higher, it might be kind of same.

Achal Lohade: But for the season as a whole?

Vivek Saraogi: I am saying for the season as a whole only.

Achal Lohade: So, the decline in UP's production number, what is driving that?

Vivek Saraogi: Lower crushing. If the recovery was not higher by this level, UP's production would have been even lower. So, if you see, we are talking about the production of 113 in UP versus 121. So, even with the higher recovery, people will be crushing much lower. So, we would be crushing the same.

Achal Lohade: The others will be lower according to you?

Vivek Saraogi: Yes.

Achal Lohade: That is entirely due to the …

Vivek Saraogi: Due to lower yield.

Achal Lohade: Secondly, if you could help us with respect to the MIEQ, what is the total obligation indicated for the current quarter, but let us say if you work on a fiscal year, that will be helpful, how much was the requirement, how much we did, did we need and what was the loss?

Vivek Saraogi: Our obligation at Balrampur is about 16.75 lakh bags approximately. We will be fulfilling that.

Achal Lohade: This is for the current season, right?

Vivek Saraogi: Yes, this is only in MIEQ for the current season.

Achal Lohade: What about the past year ?

Vivek Saraogi: We had completed our entire obligation by September 2018 itself.

Achal Lohade: In terms of the assistance from the government, we also have the buffer stock related payments from the government. How much do we have it as annually and how much have we recognized in the current quarter?

Vivek Saraogi: All the claims have been filed and we are hoping to see the money also in the current month. It is like you file a claim, there is one quarter lag you can say.

Achal Lohade: What is the total receivable and how much have we booked for the current quarter?

Pramod Patwari: Rs.8 crore for the quarter.

Achal Lohade: For the full year how much would that be roughly?

Pramod Patwari: Scheme was announced w.e.f. 1st of July 2018. So, till December we have accounted for two quarters which is around Rs.16 crore. Rs.13.5-14 crore is in the form of interest subvention and the balance is holding charges.

Achal Lohade: Interest subvention meaning basically lower interest cost, right?

Pramod Patwari: No, we get entire interest subvention.

Achal Lohade: That is netted off against the interest cost, is that right?

Pramod Patwari: Yes, that is netted off.

Achal Lohade: This Rs.8 crore is actually accounted in the other operating income, is that right?

Pramod Patwari: Rs.13.5 crore has been adjusted against the interest. So, we charge interest and thereafter it gets nullified. Rs.2.5 crore was reported under other income for the nine months period ended.

Achal Lohade: Second question I have with respect to the cash flows. So, looking at the numbers, is it fair to assume that we would probably look at further step up in terms of the dividend going forward?

Vivek Saraogi: As the company's past conduct go by, the rest depends on the board.

Moderator: Thank you. The next question is from the line of Manish Bhandari from Vallum Capital.

Manish Bhandari: My question is regarding the outstanding arrears in the system worth Rs.19,000 crore and moving to Rs.40,000 crore. You have been part of many of the discussions of ISMA. So, what is the right solution and what government is thinking to get rid of this looking at the political scenario and impending election?

Vivek Saraogi: While appreciating the Central Government on both the timing and quantum of help given already I deeply appreciate the thinking behind that. The two points which are pending in our mind; One is to make the export compulsory. I am going to fulfill my quota. Every mill must fulfill his quota. I am giving just a perspective. I am not saying me and you. Having said that, it is important for the country's inventory to come down to correct the demand/supply scenario and thereby maintain a buoyant price line. So, one, our request is to make the exports compulsory for everybody, with some penal measure for people who do not do it. This is just the thinking of correcting the demand/supply balance as I told you. Secondly, the raise in MSP. You had FRP rise this year plus cost keep going up. So, UP CM has written to the PM to revise the MSP from Rs. 29 to 32.5. I think these are the two pending points. We are now talking to the Central Government and requesting them to make headway on both – One is already dealt with, MIEQ has been done, we are asking for penal provision; Two is, raise the MSP.

Manish Bhandari: My second question is regarding the investment in educational NBFC. What is your thought process now and you are seeing now significant growth on the ethanol side in your business, so how are you going to take this?

Vivek Saraogi: NBFC is separate, that is an investment already cleared and we will be only investing within the parameters which we have told the shareholders last year. On a separate note, that company is doing very well. Ethanol, we are continuing to add our capacity as I said. We are putting Rs.210 crore in the Gularia distillery.

Manish Bhandari: I mean to say divest your shareholding, you do not have any plans to do?

Vivek Saraogi: No.

Moderator: Thank you. The next question is from the line of Rajyavardhan Sonthalia from Abakkus Asset Management.

R Sonthalia: Congratulations on a great set of results. I have a couple of quick questions. My first question is regarding your production number for B-heavy. I was under the impression that none of your production of ethanol will be from B-heavy this year, but that seems to have changed, right. You guys are going to do 5 lakh tons of B-heavy?

Vivek Saraogi: No-no, we said that is going to be the country diversion.

R Sonthalia: You guys are not doing any B-heavy this year?

Vivek Saraogi: No, we will begin from next year.

R Sonthalia: Like have you been able to figure out, which out of the three ways to produce ethanol, at current prices is the most profitable or not yet?

Vivek Saraogi: Basically, you are sacrificing sugar to make ethanol. That is called B-heavy. Other is your own by-products which will always be there, molasses to use that. So, diversion of sugar depends on that, yes, cost of production and C-heavy is you are just using your raw material.

R Sonthalia: So, sir out of next year as a whole, how much can Balrampur expect to produce in terms of ethanol?

Vivek Saraogi: We are looking to produce 18 crore liters as I said in the beginning of the call.

R Sonthalia: How much will be B-heavy?

Vivek Saraogi: As I said also that by the next quarter we will be able to form up that data.

R Sonthalia: Finally, my question is regarding your accounting methods for your production subsidy. You explained it earlier but I could not quite catch that?

Vivek Saraogi: Pramod will explain it to you later I think because we have already answered.

Moderator: Thank you. The next question is from the line of Abhishek Roy from Stewart & Mackertich.

Abhishek Roy: Congratulations on a good set of numbers. Sir, I have few book-keeping questions. Just need to understand like if I am having my total bag at Rs.3.2 per Kg, then my sugarcane cost is coming out to be Rs.939 crore, right?

Vivek Saraogi: I think you should talk offline on such great details. We are here to do basic macro question.

Abhishek Roy: No sir, the reason being that I find that there is some mismatch like you have reported raw material cost at around Rs.902 crore but as per the sugarcane cost that is coming out, as per my calculation, it is coming out to Rs.939 crore?

Vivek Saraogi: That is what I said. If you get into the quintal, etc., you can do it offline with Pramod. Our accounting standards are absolutely clear. The data work he will do with you. We account for cane price as cane price.

Abhishek Roy: Sir, what was your net profit or loss in the sugar department this year like if I consider all the conversion cost and cost of production and everything? What was the net profit/loss for sugar?

Vivek Saraogi: We have released the sectoral accounting in great detail but it is important for you to see that.

Pramod Patwari: I think it is also available in the separate Press Release statement. You may kindly refer to that.

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

Jayant Mamania: Congratulations on a good set of numbers. Sir, just wanted more clarity on our recovery rate which is 11.11%. To what extent it is due to better climate or better sugarcane variety or better technology on our side?

Vivek Saraogi: I think it is a combination of all three. It is a) weather related and it is much better variety for our company which we have been working on for the last few years. You will see further improvement in variety which will next.

Jayant Mamania: Sir, our distillery margins are at around 75%. So, are they sustainable margins?

Vivek Saraogi: I do not think the government would look to lower ethanol prices. Our raw material molasses price is on transfer pricing method which is on the current market price. So, if current market price of molasses remain the same, this margin will not go down.

Jayant Mamania: Our major byproduct, one of which is Bagasse which is used for power generation. Recently there is a global boom in the pulp prices. So, is there any plan to divert our Bagasse to making of pulp for forward integration?

Vivek Saraogi: We did not do five years PPA and you also need the power to run the distillery. It is completely integrated operations. Hence we do not look at that.

Moderator: Thank you. The next question is from the line of Abhishek Pamecha from Vibrant Securities.

Abhishek Pamecha: My first question is regarding what is the Capex required for setting up distillery for ethanol production from B-heavy, C-heavy molasses for 1 crore liters?

Vivek Saraogi: 1 crore is a non-viable size. So, if you take our example, our distillery is going to produce 5.75 crore liter, approximate cost is Rs.210-215 crore, ballpark figure.

Abhishek Pamecha: Is there any major cost differences, basically as we are setting up capacity from 100% sugarcane juice?

Vivek Saraogi: No, there would not be much-much big difference. Some more equipments, storage wise, etc.,

Abhishek Pamecha: Sir, what would be the power required for this sort of capacity operations? Say we are having 5.75 crore litre capacity.

Vivek Saraogi: To run that operation it will be about 3-4 MW.

Abhishek Pamecha: Out of the total capacities which are there, how much percentage in India the capacities are fully integrated sugar mills just like us?

Vivek Saraogi: We will have to attempt to answer that, connect the data, it is a tough job, but we will try and do it for you.

Moderator: Thank you. The next question is from the line of Levin Shah from Value Quest Research.

Levin Shah: Congratulations for good set of numbers. Firstly, if we look at the announcement that there were 114 mills which had got approval from government for the soft loan. So, where we are on that? Has the company already started Capex for those distilleries?

Vivek Saraogi: You are talking of interest subvention on the new distillery. That will happen when you have commissioned your factory. We will get into that, not to worry.

Levin Shah: Not only interest subvention, but there was a soft loan which was provided for putting up the capital expenditure?

Vivek Saraogi: The soft loan is only the interest subvention because part of your interest is repaid by the Government of India.

Levin Shah: But what we read on like news articles and all that, lot of the mills are not in financial state to basically go ahead and put up the plant or the distillery. So, out of this 114, what according to you might be the probable number which might actually happen?

Vivek Saraogi: We will be always able to answer questions for ourselves and industry numbers. Now if you want individual data point, that is very difficult. I will try and tell you why it is difficult. We have a single mill in Maharashtra who has applied for this. Whether they will set up the distillery, when will they set it up, will they be able to get the funding, you would appreciate it is very tough for us to find out.

Levin Shah: On the exports, like you said in your opening remarks that the exports earlier what was the number 5 mt, that has been culled down. So, what is the number that we are now looking that the industry would export for this year?

Vivek Saraogi: First to clarify, Government has not cropped down any number. We are just informing our investors that this is what it is looking like. It is a completely personal view of Balrampur management seeing the conduct happening so far. So, we are feeling that 3 million might go out is what we said in the beginning.

Levin Shah: On this recovery rate, we have seen a good improvement into recovery rate. If we look at it industry wide, If you can give just an overview like across UP what would be the increase in the recovery rate?

Vivek Saraogi: We will get back but it is higher by at least 0.6%.

Moderator: Thank you. The next question is from the line of Mahantesh Marlinga from Finquest Securities.

Mahantesh Marlinga: Just had a couple of questions. Like, just wanted to know the molasses that you are using for the distillery plant, it is completely in-house or you are procuring molasses from other factories?

Vivek Saraogi: No, in-house.

Mahantesh Marlinga: Because sometime there were surplus molasses last season and very difficult in storing it. So, how is the situation now in the molasses front?

Vivek Saraogi: For us we are integrated. When we set up our distillery next year and assume molasses is at whatever prices, that is why I said in the beginning for us we will be able to answer little later, let the scenario play out, but we have no problem.

Mahantesh Marlinga: But last time the molasses was in surplus. You did not try to acquire the molasses and try to convert it into ethanol?

Vivek Saraogi: No, we never tried to acquire outside molasses till now.

Mahantesh Marlinga: Who are the major distillery equipment suppliers apart from Praj, they are the only player?

Vivek Saraogi: No, there is a company called Excel, there was one more company who bid, I think Alpha, I am not sure. But we usually take from Praj only.

Mahantesh Marlinga: In India he is the only major player?

Vivek Saraogi: There are three, four players.

Mahantesh Marlinga: But in scale I think he is the bigger one?

Vivek Saraogi: We have three distilleries and all are Praj. So, it is easier to integrate, maintain spares, engineering services and we are one of their initial sort of buyers. So, lot of special treatment in terms of technology, prices.

Mahantesh Marlinga: But is it too complicated to set up a distillery in terms of technology?

Vivek Saraogi: Pollution is very complicated. Non-sugar we do not know who wants to do it, it is very tough because where will he find the molasses, land, pollution, power throughout the year. So, it is a problem for an outsider.

Mahantesh Marlinga: Interstate transportation of molasses is not allowed, right?

Vivek Saraogi: There are times when State Governments allow it; however, for us it has no impact.

Mahantesh Marlinga: What is your plan for expansion of distillery in the next one or two years?

Vivek Saraogi: We just said we go to Rs.18 crore litres by end of this calendar year from the current Rs.11.5 crore.

Moderator: Thank you. This was the last question for today. I now hand the conference over to the management for their closing comments. Over to you, Sir.

Vivek Saraogi: Thank you, everyone for joining us on the call and Pramod and we are always there to answer your questions.

Closing Remarks:

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Balrampur Chini Mills Limited, that concludes the conference call. Thank you for joining us and you may now disconnect your lines.