



Balrampur Chini Mills Limited

Q1 FY12 Results Conference Call

July 26, 2011

Karl Kolah: Thank you Melissa. Good afternoon everyone and thank you for joining us on the Balrampur Chini Mills Q1 FY12 results conference call. We have with us Mr. Vivek Saraogi – Managing Director of Balrampur Chini Mills; Mr. Kishor Shah – Director and CFO and Mr. Pramod Patwari – General Manager, Finance of the Company.

Before we begin this call, 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 conference call invite sent out earlier. We will now begin the call with brief opening remarks from the management, following which we will have the forum open for discussion.

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

Vivek Saraogi: Good afternoon everyone and thank you for joining us today to discuss the Balrampur Chini Mills operating and financial performance for the 1st Quarter ended 30th June 2011.

I would like to share my key thoughts on the latest developments in the sugar sector and give a brief overview of the company's performance during the quarter in the period and going forward. Kishor will then take you through our financial and operating performance for the quarter under review.

The country's sugar production for the season 2010-11 stands at 24.3 million as per the latest estimates; this is against 18.8 million in the previous season. The domestic consumption remains at around 23 million with a growth rate of approximately 3% CAGR. Early estimates of the next year production would be around 26 million, which is roughly a 10% increase over this year. The monsoon will have a bearing on the overall sugar production and we will have a clearer picture as we move closer to the next season.

As you know the government has allowed sugar export in two tranche of 0.5 million under OGL, which is a total of 1 million. This is an addition to the 1.2 million under ALS that is the Advanced License Scheme which was permitted earlier. Therefore, the domestic scenario on production, consumption and stocks is very balanced. We feel there is a further scope of export of another



0.5 to 1 million under OGL, since the scenario is well-balanced and we are looking at an enhanced production of 10% this year.

During the quarter under review, the company received Rs. 3.3 crore from sale of its export entitlement and a sum of Rs. 9.3 crore which has been received and will accrue in the next quarter. So these are the two separate figures for the two tranches. We have sold both our export entitlements.

Global sugar prices have been firm recently due to lower than expected sugar production in Brazil. Currently, global sugar prices are around \$800 for white sugar and 31 cents for raw sugar. Domestic sugar prices are currently at around Rs. 28 per kg.

Let me give you a few highlights of the current sugar season and the quarter under review. We crushed nearly 7 crore quintals of cane for the current season versus 5.4 last year. Higher cane crushing has helped us improve our volumes across segments. Further, sugar recoveries for the current season stood at 9.4% against 9.35%. Sugar production for the current year was around 65 lakh quintals. Higher sugar production and increase in capacity utilization will not only increase volumes in the sugar segment but will also greatly benefit our allied Cogeneration and Distilleries businesses. During the quarter, the sugar segment reported a loss on account of subdued sugar realization. The naked expenditure like depreciation, repairs, maintenance, factory overheads, had to be absorbed by this segment.

Moving to the distillery division, this segment improves its revenue and profitability due to increased volumes. The company sold 6,493 KL of ethanol during the quarter at Rs. 27 a liter. We are hopeful that volumes will pick up in a next few quarters. The company expects to sell about 2.4 crore liters of ethanol for the sugar season 2010-11. We also hope that a long-term pricing formula would be put in place on ethanol.

Cogeneration business has also witnessed a good growth in the back of improved sales in realization, basically because of the improving quarter. We continue to believe, as one of the most integrated players in the sector, we are best suited to observe volatility in the sugar segment. Our strong power and distillery operations will enhance their operations and generate higher cash flows. The expected improvement in the sugar cane production will help us augment volumes across all three segments leading to improve efficiencies and profitability.

This will be the end of my open remarks. I now ask Kishor to take you through the financial performance.



Kishor Shah: Thank you sir. I will now briefly take you all through the company's financial and operating performance for Q1 FY2012.

In Q1 FY 2012, our revenues stood at Rs. 572 crore from Rs. 540 crore in the Q3 FY 2011. Our operating profits for the quarter is at Rs. 44 crore as compared to Rs. 64 crore in Q3 FY2011, which was due to the loss posted in the sugar division, while the allied business continued improved performance on the back of improved volumes and realization.

Coming to our segmental performance, the revenues from our sugar business were at Rs. 471 crore as compared to Rs. 480 crore in the Q3 FY2011. The segment reported a loss of Rs. 17 crore as PBIT levels as compared to profit of Rs. 19 crore in Q3 FY2011. The loss was due to subdued sugar realization and the naked cost of quarter on account of no production. Sugar sales during the quarter were stable at 16.39 lakh quintal as compared to 16.53 lakh in Q3 FY2011. In Q1 FY2012, we had an average sugar realization of Rs. 27.23 per kg compared to Rs. 28.01 per kg in the corresponding quarter.

In the distillery division, revenues increased by 68% to Rs. 50 crore from Rs. 30 crore in the corresponding period last year. PBIT for the quarter increased to Rs. 16 crore from Rs. 7 crore in the corresponding period last year. Distillery sales were higher at 20,784 KL in Q1 FY2012 as compared to 13,264 KL in the corresponding period last year. Average realization for the quarter under review was higher by Rs. 23.75 per bulk liter as compared to Rs. 21.99 per bulk liter in Q3 2011. During the quarter, ethanol realization for the quarter stood at Rs. 27 per bulk liter and blended realization of rectified spirit and extra neutral alcohol stood at Rs. 22.27 per bulk liter.

In our cogeneration business, revenues were higher by 38% at Rs. 72 crore, when compared to Rs. 52 crore in Q3 FY2011. PBIT for the quarter increased to Rs. 25 crore as compared to Rs. 19 crore in Q3 2011. This segment delivered a better performance on account of enhanced volumes and improved realization. Sales in this segment increased to 1467.7 lakh units in Q1 2012 compared to 919.8 lakh units in the corresponding quarter last year. Average realizations on bagasse based power for the quarter stood at Rs. 4.12 per unit as compared to Rs. 4.02 per unit in Q3 FY2012. Average realization from the coal-based supplies stood at Rs. 4.96 per unit, compared to Rs. 5.26 per unit in the corresponding quarter.

Interest cost for the quarter stood at Rs. 38 crore, for Q1 FY2012 we had a loss at the PAT levels on Rs. 20 crore as compared to profit of Rs. 11 crore in the corresponding period last year. The company reported a loss in the quarter on the back of losses in the sugar division and the higher interest cost.



This brings us to the end of the discussion. We would now like to address any questions or queries you have in your mind.

Moderator: Thank you. The first question is from the line of Trilok Agarwal from Birla Sun Life Insurance. Please go ahead.

Trilok Agarwal: On the global realization of sugar. My understanding and knowledge is that the Brazilian production estimates have just been lower by 5% by UNICA and comparison to their earlier estimates. But the realizations have moved quite substantially, if you look both at raw sugar and white sugar globally. Could you explain the trend going forward and a global update on the sugar production globally?

Second, after this allowance for further exports by the government, what could be inventory in the system?

Third, do you anticipate any further allowance of exports from the system in the sugar season 2011 itself?

Vivek Saraogi: As we see the global scenario probably because of this Brazilian impact, the prices are where they are and one feels that the price levels can remain stable here and if the production falls more than what is anticipated, it could move up also because Brazil is the only genuine large surplus supplier or exporter to the world. In India, production of 24.3 million tonnes opening stock of about, let us say, 5 million tonnes totaling to 29.3 million tonnes. 23 million tonnes is the consumption, 2.2 million tonnes is the export, totaling to 25.2 million tonnes. So, you will have not more than 3.5 - 4 million tonnes at best as closing stock, which is a bare minimum level.

Now I will try to address your export question, it is related to the entire policy. Let us understand that, there are two parts to the policy, one is sugar which is the finished product, the other is cane, which is the raw material. As of now, we are now stressing from Sugar Mills Association as well as personally on the reform in the sugar side, which is a finished product. We have about major three controls going, one levy is taken from us at a pre-determined price which is Rs. 10 per kg lower than the cost of production.

Secondly, you have a release mechanism month-to-month and thirdly, you have export restrictions. We are extremely hopeful that this part of the deregulation which is the three points I mentioned, has a very bright chance of being looked at before we enter into the next season. The sugar season begins for example 1st October, we have said that levy need not be dismantled, that is the government's option whether they want to give sugar through the PDS or UID check can



go. So with the coming up of UID and the food subsidy below the country being around Rs. 65,000-70,000 crore with the entire levy waiver is not more than Rs. 2,000 crore on the industry. So, the impact of government India is about Rs. 2,000 crore, if levy is to be run by them. So we are very hopeful that going ahead with government looking at reforms in the other sector oil, retail, we are very hopeful that we would be looked at also.

Secondly, the release mechanism and exports. I think as people are feeling and that next year 26 million tonnes will be made, the inventory is not high, even if the 26 million tonnes is made with the international scenario, with export opened up, we see a very bright future ahead because you would have volumes which would help your cost of production as well as the byproduct segment, as well as you would have realization. Any kind of reform on the sugar side, one would look at very-very positively and right now one is very hopeful of this being looked at.

Trilok Agarwal: We keep on hearing often on the decontrol of the sugar sector but the point is they never highlight in the context of the decontrol of the cane cost. They always talk about control of that another thing you highlighted. So unless the cane cost mechanism of pricing is not de-controlled then what is the point of decontrolling the whole sector?

Vivek Saraogi: I said that I will speak about both, I just spoke about one. The moment levy goes from the Company; the essentiality of the sector gets diluted, which means sugar as an essential commodity, the tag which is of the essential commodity dilutes. The moment that happens and your ample amount of court cases going on, which says that state does not have unfettered powers. We are very clear that once this happens, cane will also happen. Cane price will get linked to the sugar price. However, let me clarify that might be stage 2 and might not happen together with this. It might take another one year for that to happen because, see with the policy clarity on the sugar side, realizations will improve. For example, our company loses Rs. 65 crore on levy sugar, if that loss doesn't happen it goes to the farmer, if exports have been allowed, again all these exports and buoyancy on prices get passed on to the farmer. So sugar realization as a pack improves because of no levy, because of the export allowance. The ability to pay on higher cane price increases. So the relationship would get built in, but I'm clear, that sugar will happen first, cane will happen later and the essentiality would get diluted. So the fact that states would have unfettered power because the election is coming, we don't care about sugar price, we will raise Rs. 15 per quintal, we will raise Rs. 20 per quintal. I think, all that will get well-settled after this part is touched. This regime or this thinking in the sector to my mind is not here to stay more than one year from now.

Trilok Agarwal: Also, you had mentioned in the opening remarks regarding the linking of the ethanol pricing. So when can we expect that?



Vivek Saraogi: Okay the next part is ethanol now. Right now the provisional price is Rs.27 per liter. The part in ISMA where were members, the Sumitro Choudhary Committee that has given its report. There is a clear linkage which has been suggested between the retail prices of petrol and ethanol prices because that is what ethanol is. It is getting mixed in with petrol at the depot, so it is being sold as petrol. So the linkage is very clear. That report should also get finalized. Based on my understanding of that formula, ethanol prices should be Rs. 30 per liter up wards right now. However, we get all these prices backdated, the day the report is accepted and it is put into action. It is retrospective in nature. These are the various reforms one is hopeful about. Sugar, I'm very confident that it would be faster. Ethanol and sugar will happen at the same time. Cane could take one year more.

Trilok Agarwal: Why were the interest rates higher this quarter?

Kishor Shah: Interests were higher because of a higher quantum of the working capital, as a result higher rate of interest.

Trilok Agarwal: What would be the increment till rate of interest in debt over a period of sequentially and YOY?

Kishor Shah: On working capital, we are paying 10% and if you take YOY it would be around 7%.

Moderator: The next question is from the line of Arya Sen from Jefferies. Please go ahead.

Arya Sen: Firstly on alcohol prices, your realization for alcohol seems to have dropped quite a bit from the last quarter, from Rs. 26 per liter to about Rs. 23.8 per liter, what is the reason for that and what is happening to the other forms of alcohol and are they not converging to the ethanol prices?

Vivek Saraogi: We will just check the quarter and you'll get back to you in a second.

Arya Sen: I wanted inventory details on sugar and ethanol alcohol for the quarter, both the volume as well as carrying cost?

Pramod Patwari: Closing stock of sugar is around 34.4 lakh quintals and alcohol is 10,300 KL.

Arya Sen: What is the carrying cost of each of these?

Vivek Saraogi: Alcohol is carried at below Rs. 13.95 per BL and sugar at Rs. 26.54 per kg.



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

Achal Lohade: I wanted to know, last time we had talked about 7-8% increase in the cane volume for the next year. Just wanted to recheck what is the current target we are looking at for the next year crushing?

Vivek Saraogi: It is just far too early. There is something called survey, which is survey of the area. You cannot do that before September effectively. But if one is to take some kind of view, then 10-15% higher maybe for our Company.

Achal Lohade: So does that mean that it would be the similar increase for even others in the state because I believe it is based on the capacity or something?

Vivek Saraogi: If you see last year U.P. increased by 12% or 13%, we increased by 30%. So I would say that East U.P. is again the rainfall and cropping is better. So if others increase by 10% our view is 15% for ourselves.

Achal Lohade: What would be the target alcohol or rather Distillery volume and the Cogeneration volume for the current year for FY12?

Vivek Saraogi: I think 6 crores liters plus from the Distillery business and power close to 50 crore units.

Yeah, and just addressing one question on the prices, as I told you that there was some litigation with the government and all U.P. mills had some litigation, owing to which permits were withheld because of which one was stocked up with ethanol, etc. and in order to maintain the storage capacity sell SDS etc. which is an RS at lower prices. But now things are back to normal and dispatches have begun regularly.

Achal Lohade: What is the cost of cultivation of cane according to us in our areas and what would be the likely cane price increase, we are looking at?

Vivek Saraogi: Cost of cultivation etc. is very difficult to determine. It varies from area to area, farmer to farmer, region to region.

Achal Lohade: So roughly would that be like at Rs. 205 per quintal, is that a remunerative price?



Vivek Saraogi: Yeah I think it is remunerative price. But I will not think that it is a price which will swing everybody to sugarcane; it is not that kind of a price. It is a regular profit price. And if cane price next year too early.

Moderator: Thank you. The next question is from the line of Girish Achhipalia from Morgan Stanley. Please go ahead.

Girish Achhipalia: You mentioned that you are looking at consumption at 23 million tonnes, now my question is why is the domestic sugar price not picking up in that sense because I would have imagined if you were left with so much less inventory and with government already allowing so much, there should be a big profit that you should have just because the realization should move up. So that is one sense that I want.

The second thing is you mentioned that on the ethanol volume bit, the clearances were lower and you have guided down probably your ethanol volumes from I think some 3.5 crore volumes to 2.4 crore volumes now. Is it just that and what's exactly happening on the RS and ENA side? I would have imagined that they would be completing demand for ethanol, so realizations for both these segments would be at least 27 per liter if not more.

Vivek Saraogi: Your questions are very correct. What happens, if during season which is up to March and April, the moment you complete your season one is, the tanks are totally full. The tanks get full and you do not have any space to store either molasses or ethanol henceforth. And when summer sets in, the molasses, etc., the temperature increases, it starts foaming. So you need some disposal. So if during this period if ethanol permits get withheld, you have to sell RS and SDS which you would have wanted to sell in a phased manner but owing to this storage capacity issue, you have to sell faster. So buyers during that period since every sugar mill is full and facing the same problem, for that one quarter this aberration took place.

Girish Achhipalia: On the sugar consumption bit, what is your take on that?

Vivek Saraogi: I think 23 million tonnes and what you said the prices even in my view should have been a little higher; however, they have improved from Rs. 27 per kg to Rs. 28 per kg. I personally feel that going ahead in the next two months, they could improve by Rs. 1 per kg at least.

Girish Achhipalia: Even if you are sitting with 1.5 to 2 months sort of inventory?

Vivek Saraogi: Which is nothing.



Girish Achhipalia: At least is Rs. 1 per kg not more than that, or probably more than that?

Vivek Saraogi: My view would be slightly higher but let us keep it at Rs. 1 per kg.

Moderator: Thank you. The next question is from the line of Nirav Shah from Antique Stock Broking. Please go ahead.

Nirav Shah: You mentioned that now that the ethanol off take is happening normally, so what is the current prices of RS and ENA? Our last quarter average was 22.27 per liter. So how much improvement have we seen post the last quarter?

Vivek Saraogi: I think now 22.5 per liter became closer to 26 per liter.

Nirav Shah: So, on a Q-O-Q, our average was over 23 per liter. So it should be somewhere around 26 per liter at least.

Vivek Saraogi: Yeah, it should come to this 26 per liter level now.

Nirav Shah: In terms of our export entitlement which we have sold of the 2nd tranche OGL, so was the quantity of entitlement similar?

Vivek Saraogi: Quantity was exactly the same.

Neerav Shah: So we have made around Rs. 7 to Rs. 7.5 per kg profits on that.

Vivek Saraogi: Rs. 6.25 per kg.

Neerav Shah: A last question, can you share the absolute term debt and working capital as of June?

Pramod Patwari: Working capital as of today is around Rs.720 crore and the long term funds are Rs. 680 crore.

Vivek Saraogi: It includes sugar development fund and interest free excise loan.

Neerav Shah: Also around Rs. 110 crores of debt, which you would have taken for the buy-back?

Vivek Saraogi: Buy-back comes from the cash. So whichever way you want to put it.



Moderator: Thank you. The next question is from the line of Vikas Jain from CLSA. Please go ahead.

Vikas Jain: One was on the alcohol bit. I wanted to understand is this something which can repeat? What exactly was the problem? The state government was not giving the transport permits but what was the argument which they had? Is it something related to the country alcohol producers, so can the problem come again?

Vivek Saraogi: You are right in a certain way. The writ petition we won was that, country liquor cannot be taken from people who have own distilleries. The government wanted to debate this and take it to the Supreme Court. They filed an SLP, SLP came up for hearing they got no stay. Till the application got moved and till the court did not grant a stay, they stopped it. Now the court did not grant a stay, things are moving.

Vikas Jain: But the case will still be heard, right?

Vivek Saraogi: Obviously. But it is a well reason order, the SLP usually if you do not get a stay; the court case can go on for three years, five years.

Vikas Jain: Why I am saying that is, as we get into the election mode in U.P., stranger things could happen so that is why I was worried, is there a risk that this can be repeated? So you are saying it was related to the court case and the litigation.

Vivek Saraogi: Yes, I said litigation.

Vikas Jain: The other thing was on debt. Would it be correct to assume that on overall debt, that is short term and long term, March would be the peak level?

Vivek Saraogi: Yes.

Vikas Jain: From here as we end the sugar season that is by September, which was the previous balance sheet closing date, would we have only long-term debt left on this?

Vivek Saraogi: Yes.

Vikas Jain: So overall at least for this year since we have some visibility on the interest rates and everything, what would be the absolute interest amount that we are seeing for FY12, current year?

Kishor Shah: Should be around Rs. 125-130 crore.



Vikas Jain: The other was on use of cash. The buy-back is done and most likely we have a relatively larger repayment obligation for FY12. So there is unlikely to be another buy back this year?

Vivek Saraogi: Yes, that's safe to assume that.

Vikas Jain: So in that case, would we revert to a higher dividend payout kind of a situation?

Vivek Saraogi: We are very clear Vikas. Cash for shareholders will get used. That has been Balrampur's philosophy for 20-25 years. So we use, Rs.108-109 crore for buy back and Rs. 21 crore for dividend, so Rs.125 crore was used in 18 months. So we had a net profit of Rs.160 crore. So because there were no investments particularly high, so this money got used for the shareholder activity. Let us assume the buy-back was not there, it could have translated into Rs. 4 dividend. So we continue our philosophy. It is extremely clear in our minds that, it is the way we look at it in the past and future.

Vikas Jain: A little bit more futuristic, in terms of use of cash we have, of course, much stronger balance sheet than where we were in the previous down cycle. Would you prefer to sit back and see how policy action moves in India and then look at opportunities, which would mean no real growth other than volume growth over the next two years because as you yourself expect changes in the cane policy and all of that to be at least one year or so. Or would you kind of get into some other way of getting that extra growth since the balance sheet strength is there?

Vivek Saraogi: No, we would wait for the policy clarity for sugar investment.

Moderator: Thank you. The next question is from the line of Kunal Vora from BNP Paribas. Please go ahead.

Kunal Vora: First question on, can we have your views on production for the key states like U.P, Maharashtra, Karnataka?

Vivek Saraogi: I think Karnataka, Maharashtra have touched almost peak levels. U.P. did 58 lakh tonnes, the lowest growth came from U.P. So U.P. could go to 65 lakh tonnes. So U.P. might give us 15% higher at that, maybe 10% only, but Karnataka, Maharashtra 5% higher may be.

Kunal Vora: Will U.P. election have any impact? What I heard from some people is, diversion generally increases in the years of the election. Like towards Gur and Khansari industry, alcohol industry. Is that a relevant argument, do you expect that to have any bearing on the production number for U.P.?



Vivek Saraogi: I think Gur Khandsari is determined by other factors, election cannot, its economics.

Kunal Vora: Because what I heard is alcohol consumption increases and that also has some bearing on the diversion? So is that not relevant argument?

Vivek Saraogi: I do not agree with that.

Kunal Vora: Finally on de-regulation. What is happening internally? At what level is it being considered in the government right now?

Vivek Saraogi: It is very difficult to give these things. They are not to be discussed like this. But the only thing I can say, it is being looked at very seriously.

Kunal Vora: The only reason I was asking is because even last year, we felt that it is being considered very seriously but somehow it did not go through.

Vivek Saraogi: Last year it was actually considered seriously. It went up to the Prime Minister. The entire presentation was made. Then it was deferred to consult the states. That that's why the cane part is being delayed. That is because if you do cane you need states. Which you know is a very cumbersome process in India.

Moderator: Thank you. The next question is from the line of Jehan Bhadha from Darashaw & Company. Please go ahead.

Jehan Bhadha: How big an issue is labour? And how has the labour cost moved in the last 3 to 4 years in U.P.?

Vivek Saraogi: Inside the mill cost is regular movement. There is no great change in that. The bigger change is in the loading labour and other activities which are at the cane center and all.

Jehan Bhadha: So could give us an example of what was the cost three years back and what is it now?

Vivek Saraogi: Loading labour per quintal was Rs. 1, it has become Rs. 2.50 per quintal.

Jehan Bhadha: And what about harvesting costs?

Vivek Saraogi: Harvesting in U.P. is done by the farmer. But it is safe to assume that this kind of labour the price has doubled at least, outside the mill labour.



Jehan Bhadha: In terms of growth plans for the company, any acquisitions or setting up a port based refinery, any such kind of plans that you are chalking out?

Vivek Saraogi: We are not looking at a port based refinery. And sugar as you can see, we have ample scope for increase in volume, which can result in without any Capex you can get good growth in all three segments. So as I said, we will wait for policy clarity, we will consolidate, we will reduce debt so that you are in a position to move ahead aggressively when you have more policy clarity.

Moderator: Thank you. The next question is from the line of Ritesh Poladia from RBS. Please go ahead.

Ritesh Poladia: Under the current scheme of things, do we still expect that we would wipe out the entire debt in the next two years?

Vivek Saraogi: I am very hopeful. With any policy clarity it is possible.

Ritesh Poladia: Assume, if there are would be a de-regulation or something then we might go for a Capex?

Vivek Saraogi: Capex could be acquisition.

Moderator: Thank you. The next question is from the line of Sanjay Manyal from ICICI Securities. Please go ahead.

Sanjay Manyal: Is there a possibility of increase in the power tariffs just because of the elections next year in U.P.?

Vivek Saraogi: No, I think we are in a PPA and we have been very happy to be in the PPA. So our average is Rs. 4.13 per unit and this moves up by 2% every year. So Rs. 4.20 per unit would be the next year's realization.

Sanjay Manyal: One more thing regarding the exports, as you have just mentioned, if you can just clarify the amount of exports you will be doing under this OGL 0.5 million allowed?

Vivek Saraogi: No, we have sold our entitlement.

Sanjay Manyal: So you are not going to....

Vivek Saraogi: No.



Moderator: Thank you. The next question is from the line of Jignesh Kamani from Nirmal Bang Institutional Equities. Please go ahead.

Jignesh Kamani: Can you throw some light on the sugarcane plantation till now in U.P. and India?

Vivek Saraogi: As I said, survey is possible in September, so it is very difficult to estimate that.

Jignesh Kamani: But any idea till now if you compare with last year, how is the percentage acreage, has it increased?

Vivek Saraogi: The acreage you can know after you survey. So as I said, if some very rough cut figure, 10% higher than last year.

Jignesh Kamani: In U.P.?

Vivek Saraogi: I think yeah. U.P might be a little higher, other states might be a little lower, average 10%.

Jignesh Kamani: Currently depending on the current monsoon do we see any dip in the recovery which was our earlier concern, particularly last year?

Vivek Saraogi: Are you talking of lower recovery or higher recovery?

Jignesh Kamani: I am talking about, there will be chance that recovery might be lower right now because monsoon has been, you can say, a little bit.....

Vivek Saraogi: No. Till now the way rainfall is spreading in East U.P. we are looking at a much better recovery.

Moderator: Thank you. The next question is from the line of Rohit Sanghvi from Prime Securities. Please go ahead.

Rohit Sanghvi: Actually my questions were relating to the alcohol and the subdued realizations there. What I want to know is what is your view in terms of RS and ENA pricing going forward? Are they going to be in line with what the ethanol prices are?

Vivek Saraogi: I think round about that for the current year.



Rohit Sanghvi: Even for example, the ethanol prices are linked to the petrol prices, you expect RS and ENA to move along that, or you expect them to remain around 27-28 per liter?

Vivek Saraogi: If the announcement comes, that definitely will have a positive bearing on the other segments.

Moderator: Thank you. The next question is from the line of Sageraj Bariya from Equitorials. Please go ahead.

Sageraj Bariya: I just wanted to know in terms of power, we set up coal generated fire at Haidergarh and Mankapur, so any further plans that we may add another factory of ours?

Vivek Saraogi: No, see we have seen this coal thing, it has given us minor cash flows but as we go ahead, one is not clear on this at all because the ability of the U.P. government, if you have tariff beyond Rs. 5 per unit on coal, is looking like impossible. So with these converted boilers and the landed cost of coal, one will have to take a view whether you want to do it every season. It is going to be more opportunity driven and you have an enabling machinery to do it when you want, but there might be a time when we get Rs. 2 per unit, Rs. 1 per unit, Rs. 1.50 per unit profit that year you too. If coal prices come down next year let us say, we will definitely do it.

Sageraj Bariya: Lastly, with crop economics, where do you stand now this time around?

Vivek Saraogi: It is very difficult to estimate that.

Sageraj Bariya: The last quarter which you did was almost on par, because you said that you are looking at 10% increase in production. so does it mean that cane is slightly more remunerative compared to others?

Vivek Saraogi: Natural system of growth also. 10% could mean that with the same acreage you could go up by 5% because of increase in yield.

Sageraj Bariya: You are not factoring in any kind of....

Vivek Saraogi: No.

Moderator: Thank you. The next question is from the line of Rakesh Kurana from Athena Divitie Investment Services. Please go ahead.

Rakesh Kurana: My question is from the coal generation segment. Total units generated 1,719 lakhs. How much is from bagasse and how much from coal?



Pramod Patwari: Generation from coal is 6.34 crore, from bagasse, it is 10.84 crore.

Rakesh Kurana: How much bagasse we produce from the cane crushing, quantity?

Vivek Saraogi: That is very difficult. You will have to explain you the entire process. See the saved bagasse is used during the off season. During season, we have online bagasse. Bagasse is a very difficult thing to explain that how, there are 32 kgs boilers for some old plant, there are 87 kgs boilers. So how each plant functions is very difficult to estimate. But yes, we use all of our bagasse to generate power, either by sending it to another plant or by consuming it internally.

Rakesh Kurana: But is it very difficult to quantify?

Vivek Saraogi: It is not difficult to quantify that way but you will have to get into plant to plant working. There are years, where the cane is a little more fibrous so your bagasse percent cane is higher, so your bagasse saving is higher. So that bagasse is used in the plant. So bagasse saving can vary from 8% to 12%. Then you have this bagasse which is used in the power plant. One tonne of bagasse gives 2.3 tonnes of steam. Then different boilers have different configuration of how much steam they use for 1 MW of power. So you will have to go through the entire calculation.

Rakesh Kurana: How much is the cost of coal purchase for the generation?

Vivek Saraogi: Our coal cost of production is about 4.25 per unit.

Rakesh Kurana: I want the total coal cost?

Vivek Saraogi: We will tell you that by the end of the call.

Moderator: Thank you. The next question is a follow-up from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: A bookkeeping question about the inventory. Could you please tell us the inventory for sugar at what price? Does that include the levy sugar as well, or the levy sugar quantity is different?

Vivek Saraogi: Yes, it includes levy. This year it is valued at Rs. 19.18 per kg.

Achal Lohade: What is the quantity?



Vivek Saraogi: About 4 lakhs something. It is that 90:10 ratio, the levy which went minus 10%, that is there.

Achal Lohade: Rs.26.54 per kg was for the open release?

Vivek Saraogi: Yes, the open market stock which is the free sugar is valued at Rs. 26.50 per kg and the levy is valued at Rs. 19.18 per kg.

Achal Lohade: What would be the closing stock of molasses and what price has it been valued?

Vivek Saraogi: Closing stock of molasses is 10 lakh quintals valued at Rs. 200 per quintal.

Achal Lohade: Similarly anything on bagasse?

Vivek Saraogi: 1 lakh tonne. So we have run in July also. We have had one plant running full July, one plant running half July.

Achal Lohade: We have repayment due of about Rs. 350 crore in the current year. I wanted to know, will it be funded through the liquidation of the inventories or you think profits will be to that extent to pay off Rs.350 crore of debt or do we need to refinance the debt?

Kishor Shah: We will do some restructuring.

Vivek Saraogi: Whatever the scenario demands.

Moderator: Thank you. The next question is from the line of Krishna Kumar from Sundaram Mutual Fund. Please go ahead.

Krishna Kumar: Could you give us some sense on how you see the molasses prices panning out over the next 12 months? What would be your view on that?

Vivek Saraogi: We are not big sellers of molasses, so our idea is, it has to give you 300 plus for sure.

Krishna Kumar: In terms of the cost structures, there is a recent proposal that government will suspend the NREGA scheme during the harvesting season to get enough labour, etc. So do you see that helping companies in our sector, because harvesting cost are quite substantive for agriculturalists and hence for cane price also? So do you think there will be some improvement on the cost structure for us?



Vivek Saraogi: Not much because farm labour is used by the farmer. In U.P. harvesting is done by the farmer. No big difference envisaged.

Krishna Kumar: What is the extent of mechanization used in harvesting?

Vivek Saraogi: Very low.

Krishna Kumar: Is it U.P. or across the country?

Vivek Saraogi: In U.P. especially. Small farm holdings have very low mechanization.

Krishna Kumar: Do you see any government allowing corporates to own land for cane cultivation at some point in time?

Vivek Saraogi: Not immediately.

Krishna Kumar: What is your view in terms of the consolidation in the sector? You were mentioning that you would look at such opportunities, so what makes you think that there could be some interesting opportunities in the next 12 to 18 months?

Vivek Saraogi: After de-regulation, once we begin, then the large players will be far better placed and with more visibility, so consolidation will take place.

Krishna Kumar: So you see a lot of differential in performance between the larger players that in the small size players?

Vivek Saraogi: Yes.

Vivek Saraogi: Coal landed cost is Rs. 4,982 per tonne, which is close to Rs. 5,000 per tonne.

Moderator: Thank you. Ladies and gentlemen that was the last question. I would now like to hand the floor back to the management for closing comments.

Vivek Saraogi: Thank you everyone and thank you for joining us on this call. Pramod, Kishor, and myself, all are available to answer any more queries which investors would have.

Moderator: Thank you gentlemen of the management. Ladies and gentlemen on behalf of Balrampur Chini Mills that concludes this conference call.

- ENDS -

