Balrampur Chini Mills Limited
Q1 FY21 Earnings Conference Call
August 10, 2020

Karl Kolah: Good Afternoon everyone and thank you for joining us on Balrampur Chini Mill's Q1 FY21 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 shared in the 'Results Presentation'. I would now like to invite Mr. Saraogi to make his opening remarks. Over to you.

Vivek Saraogi: Good afternoon everyone and thank you for joining us on Balrampur Chini Mill's Q1 FY21 earnings conference call. I hope you, your colleagues and family members are all well and keeping safe. I will initiate the call by giving you a brief on the latest updates in the sugar sector following which Pramod will take you through the financial performance for the quarter ended 30th June, 2020.

Beginning with the next year's estimates made by ISMA, we also concur with the same. The sugar production is estimated at 30.5 million tonnes . The assumption is 32.0 million tonnes production and 1.5 million tonnes being diverted for B-heavy. Therefore, net sugar production would be 30.5 million tonnes. Also, various cases have been accounted for and taken into consideration in this estimate, for instance Maharashtra's jump and so on.

Now I would like to take you through the demand perspective on sugar, so initially during the lockdown, figures of demand were being estimated at 24 million tonnes . We were pleasantly surprised by the off-take in these months and now based on the off-take that has already happened and the couple of month's releases are pending, it is very safe to assume that demand could be closer to 25.5 million tonnes against 25.2 million tonnes of consumption last year. We are estimating export of about 5.8 million tonnes, so with an opening balance of 14.5 million tonnes , production would be 27.2 million tonnes domestic off-take of about 25.5 million tonnes , export of about 6 million tonnes and the closing stock would be about 10.4 million tonnes.

So, given the fact that we are estimating a 30.5 million tonnes production and maybe a demand of 26 million tonnes next year, we are also expecting the exports to continue in this same trajectory of about 6 million tonnes approximately and there is enough home for Indian sugar and we have also seen a decent global market. So, we are estimating that if 6 million tonnes goes out next year like it went out this year, you will see the difference between production and consumption and production being higher by 4.5 million tonnes, you could see a further draw down to inventory of about 1.5 million tonnes i.e. 15 lakhs tonnes next year. These are just assumptions which are in the very early stages.

Now let me give you an update on Ethanol; with additional investments, the country's production for ethanol has increased to about 4,000 million liters. This will help Government to procure higher ethanol in 2021, as laid down in the National Bio-fuel Policy, the Government is strongly on its path to achieving ethanol blending of 10% by 2022 and 20% by 2030. The constructive measures being taken by OMC has helped companies like ours to supply the higher ethanol quantity. This is something that we are very proud of as a Balrampur initiative. Our new distillery which came into operation in January, we were able to optimize its capacity utilization or rather we worked at more than 100% capacity. The OMCs also undertook swift actions during the lockdown to move supplies to alternate depots, so we could move our supplies from one depot to the other and manage to clock in a very decent ethanol dispatch.

Now let me briefly take you through the key highlights of Company's performance; overall Company has delivered a healthy quarter. The sugar segment reported higher volumes; this combined with higher operational efficiencies on account of higher recoveries led to a better performance. The performance of the distillery segment which was initially impacted in April picked up in the later months; this has also helped the distillery segment to deliver better results. We also witnessed first full quarter contribution of our newly commissioned distillery at Gularia, as I told you we've produce beyond 100%.

Overall we anticipate off-take to remain healthy which would enable us to deliver similar performance going ahead. Co-generation remains to be muted and we are in litigation for the power tariff. So, our idea now is, if we get a better price of Bagasse which we derive from the market we would sell bagasse rather than producing power. Whatever power we need for our operations being the minimum we shall produce rest of the Bagasse we will sell.

In conclusion I would like to state that over the past few quarters we've continued to deliver healthy results even in periods of excess production. Over the year the Government initiatives on ethanol its price linked to MSP, timely exports policy, have removed the problems of excesses sugar inventory in the system. These initiatives together with our efficiencies we hope will enable us to continually generate sustainable cash flow as we move ahead and we hope to deliver better shareholder return in the coming years. Thank you. Pramod on to you.

Pramod Patwari: Good afternoon everyone and thank you for taking your time out on joining us today on Balrampur Chini Mill's Q1 FY21earnings conference call. I would not like to repeat the numbers which we have already given in the press release and uploaded on our website as well as on the stock exchanges. So, we will now straightaway open the forum for the question and answer session and address any question or queries you may have in your mind. Thank you.

Vivek Saraogi: So, if anybody needs any more clarifications on the financial data or anything else we are open to answer your questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Varun Goenka from Nippon India Mutual Fund.

Varun Goenka: First my compliments to Vivekji and Pramodji, as we present in our slides, we return back to shareholders including the current buyback probably, now getting close to Rs.1,000 crore over last 4-5 years, even though it's not that we have seen a major up cycle or something. So congratulations on that. Very few companies can maintain this kind of a quantum. My question is around like you mentioned Vivekji on our sustainable cash flows, now that we have such a large cash flows what is really stopping us from going ahead with next round of CAPEX or reinvestment? Even if the policy framework may not give us that kind of visibility but it would still give us very good IRR stocks at current price. I think this question has been repeated times and again in the last few months because the future looks reasonably promising or okay.

Vivek Saraogi: Thank you to for the compliment, we continue our conduct which is in a most predictable manner that excess cash generated gets returned to shareholders. Secondly, on reinvestment/investments of cash, our idea is right now we are deliberating and looking at various ideas which might not be just buying sugar factories or expanding sugar factories alone. We are looking at a lot of value added products. We are in the process of examining and as soon as the Company finalizes and board finalizes, we will get to hear. So we in our approach have been very cautious. Our idea is we would definitely now like to move ahead on the value-added side and that's the approach right now.

Varun Goenka: Just to extend this further, the opportunities that we are evaluating what in your mind could be the cash required to capture them? Also, what is the size of the opportunity, can it add anything new, in terms of Rs.1,500 crore of profit over next 3 or 4 years?

Vivek Saraogi: Why not, I mean one would explore at those levels only. It's too early, so yes absolutely, the profit size you are thinking of, one would look at a greater profit to invest good money. It's too early hence to give any comment but your thinking is absolutely in order. That's at the evaluation stage right now.

Varun Goenka: And on the ethanol export side and recent policy if you could add your views.

Vivek Saraogi: Ethanol export, no there is no much export of ethanol. There is some export of ENA but ethanol gets consumed domestically by the OMCs.

Varun Goenka: I meant of ENA only, so now that the Government is allowing ENA export, so is there an opportunity there for us?

Vivek Saraogi: We basically tender our entire quantity to the OMCs. This is minute one, so it helps us hedge our operations on day one and we do not remain open in the market for ENA export and it's a very good relation building outsource. So, if you see our quantities of off-take have sort of revalidated the relationship model.

Varun Goenka: Just a final point, I see the Brazil sugar exports have seen a large jump, am I missing something, your view on the international prices & international markets would really help us.

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Pramod Patwari: Brazil this year is expected to have a larger production of around 36-37 million tonnes and they have a policy of covering or hedging their production forward, so large portion of that has already been done by them. India will continue to export whatever is required from India in various pockets of the globe, large opportunities have come up in the recent past, particularly the Indonesian market. So we will find a very lucrative time and price for our export also.

Moderator: The next question is from the line of Dhananjay Mishra from Sunidhi Securities.

Dhananjay Mishra: When do you expect MSP to be revised?

Vivek Saraogi: Very soon, Government work on time, sort of put a clock to it which is very accurate. But we are hoping very-very soon.

Dhananjay Mishra: And what could be the quantum, maybe Rs. 1-1.5 per kg?

Vivek Saraogi: As you read in the papers. The talk is of Rs. 2 per kg MSP with some Rs.10 hike in FRP.

Dhananjay Mishra: And what is our accounting cost for this molasses and Bagasse for our segmental businesses?

Pramod Patwari: Bagasse we are continuing with our earlier policy at Rs. 1,400 a tonne C-heavy molasses at Rs. 3,500 a tonne and B-heavy molasses at Rs. 7,000 a tonne.

Dhananjay Mishra: We sold this Bagasse in market, so can we expect more selling in terms of volume going forward or it will be at these levels?

Pramod Patwari: We still have stock of Bagasse of around 2 lakh tonnes as of 30th of June. So portion of that will get converted at an appropriate time.

Vivek Saraogi: So 30th June, Pramod has told you what would happen. If your question is based on next year's production the attempt would be to maximize the selling externally.

Dhananjay Mishra: Because this quarter we have seen some jump in PBIT in our power business.

Vivek Saraogi: So we are hoping to sell Bagasse also. It's a market driven decision. So even during lockdown time the moment it got opened up we sold Bagasse.

Dhananjay Mishra: So as of now selling Bagasse is more profitable or selling power at Rs. 3 is more profitable?

Vivek Saraogi: It all depends on the price of Bagasse; at Rs.1500 selling Bagasse is better.

Moderator: The next question is from the line of Sanjay Manyal from ICICI Direct.

Sanjay Manyal: One specific point, about the things which you have mentioned, that you probably are looking for some sort of value-added things or next level of CAPEX, so is sugar cane juice to ethanol conversion plant something like that is there in the plan? And suppose if something like that really fructify then what kind of CAPEX could be there, what are the operational parameters and what is really required to be done?

Vivek Saraogi: Ethanol from juice definitely is one of the considerations. It all has to be seen in a very balanced manner because we have 10 units and we have integrated the operations. So yes, that is one of the considerations but not the only one. There is a lot of work going on; I can't give you figures till we actually arrive at something.

Sanjay Manyal: But in general if suppose anybody wants to go for a sugarcane juice to what kind of capacity one has to create, is it like a bigger capacity one has to create or there is additional CAPEX required?

Vivek Saraogi: If you go from juice unit absolutely big capacity because juice is like loaded with sugar for the distillery, so it will be a big capacity required.

Sanjay Manyal: And from the global price perspective, what kind of a subsidy is required at these prices to sort of match the cost or match the current prices or last realization prices for exports?

Vivek Saraogi: Probably the subsidy one understands might remain at the same level, so it will get 13.5 cents/lb March contract, it is good price.

Moderator: The next question is from the line of Anupam Goswami from B&K Securities.

Anupam Goswami: My question is, in this quarter your sugar volume in domestic has been really high, we saw a 50% jump. How much of this is sustainable throughout the whole year, will it be this level or will it taper down since production from the southern states will also ramp-up?

Vivek Saraogi: The sustainable part as you know is determined by Government release. So, one cannot give any kind of guarantees but all one can say is even Government favors people who export and do B-heavy. The first thought of the Government is to encourage both these activities and they do all kind of encouragement beyond even just the cash subsidies.

Anupam Goswami: The more B-heavy diversion is there you get an additional release quota?

Vivek Saraogi: Kind of. You are not completely wrong.

Anupam Goswami: What is our distillery volume target this time?

Pramod Patwari: FY21 we should be doing between 15 to 16 crore liter and for ethanol year which begins from 1st of December and ends in November, next season target is 17 to 18 crore.

Moderator: The next question is from the line of Madhav Marda from FIL Research.

Madhav Marda: My question was on the value-added products, the CAPEX that we are talking about, it will be restricted to the sugar ethanol sort of business model or are we looking to go into something which is different?

Vivek Saraogi: Obviously the raw material would be available with the Company. So not going to absolutely unrelated stuff but could be a little more value-added than ethanol.

Madhav Marda: So it will be like a forward integration of ethanol?

Vivek Saraogi: Yes, ethanol sugar anything. We will have to wait there. Let us do something more tangible before we revert. But it's going to be related stuff and its time has said that we are very cautious people.

Madhav Marda: The growth CAPEX in expanding our distillery capacity, is that something that is also being considered? That's also one of the options?

Vivek Saraogi: Yes, with juice etc. So there are many combinations one is playing with, so let it play out.

Madhav Marda: Lastly on the free cash generation that we will be doing. In your view what would be the risk to our earnings, to our cash flows? MSPs are likely going to hiked FRP goes up by lesser extent. So other than that, what good impact our earning or cash flows would see?

Vivek Saraogi: If I am saying that FRP goes up Rs. 10 per quintal and MSP goes up Rs. 2 per kg, we are net gainers. So, our risk today is only Government policy as I see it.

Madhav Marda: I'm just thinking that Government taking a U-turn on some of their good policy changes other way that we can pass, if they do that, they are just going to open up the can of worms which we had 5 years back. So, it wouldn't make sense for them do anything adverse in this space, right?

Vivek Saraogi: You very beautifully answered your own question. So since someone asks you what are your risk we have to answer. Whether one sees that fructifying in my mind the answer is no and probably if you see the conduct of the Government there is zero risk in my mind. But if you technically are asked what do you do, so if we see why this Government do this, so let's delve a little deeper into this. So Government does this because it announces the cane price and the cane farmer is the best place in the farming sector and the Government being able to give them the entire money is there a mandate. So this entire program is engineered to pay the farmer. So if you see the export subsidy it doesn't to me, it gets credited to farmer account. So this program has lent absolute stability to all concerned in the sector. One farmer mainly, two again millers have done very well, three, consumers have got sugar at with reasonable prices if you compare our prices with Europe internally. So all people concerned banker, every stakeholder is happy and therefore in my mind as Vivek Saraogi personally we see no risk. But that's the personal call with evidence which one has just presented.

Madhav Marda: As you highlighted in terms of the good cash percentage that has been given back to shareholders over the years, along with the CAPEX program that we will be doing whether there will be some sort of a stable dividend program you would like to implement or it would depend upon the CAPEX intensity in any given year?

Vivek Saraogi: We always believe that every stakeholder must participate in the prosperity of the Company, so never in my mind and that's a board decision ultimately is one in preference to the other. So everybody has to be looked after when you proceed ahead.

Moderator: The next question is from the line of Chirag Sureka from DSP Mutual Fund.

Chirag Sureka: Just a few questions on the balance sheet figures in Slide #21, in excellent management of inventories and debtors as you said how it has come down but could you at least explain the cane dues in the sense that the cane dues amount has increased is double compared to last year. How that is going to play out?

Second part is subsidies receivable from the Government. So, you mentioned about the Government policies also. This time the big difference is the stretched finances of the Government because of COVID. So how do you expect the subsidies received in a timely manner going forward, both for sugar as well as in terms of power use?

Vivek Saraogi: So we are happy to inform everyone that we've got about Rs.83 crore out of our Rs.200 crore very recently from the Government of UP and on the subsidy part and the cane price outstanding, if you go a little deeper into that statement, you will see that our obligation as a Company for cane price payment is 100% done. So now we are just waiting to reimburse or sort of ease the way of Government paying the farmer.

Chirag Sureka: So, I should choose Rs.634 crore minus Rs.831crore. Is that the way I should see it?

Pramod Patwari: These figures are as of 30th June. We stand today whatever is the cane dues which is around Rs.450 odd crore, we are entitled for similar number of receivables from the Government of UP as well as Central Government. The moment we receive that, it will be paid out.

Vivek Saraogi: A little more detail, the Central Government subsidy doesn't come to us**.** It goes straight to the accounts of the farmer. That's the DBT protocol.

Chirag Sureka: And you covered this point earlier. Again in most of the companies if we look at the Government finances which has undergone a change, in the Ethanol is there any just in prices at all, I know there's a policy saying that it should be 10% and slowly getting there but the crude prices have fallen down so much and there is a subsidy increment in that as well.

Vivek Saraogi: Let me clarify this again. So, if we see FRP go up and MSP go up and past conduct of the Government being believed upon and which I do, you would see rise in ethanol prices. So I think that step itself should clear up all the doubts which have been prevailing. There is no loss to the Government. There is some tax maybe they collect less but then they pay out subsidy less also if ethanol gets diverted, this is a very small portion of business in the overall protocol of things and it's passed on to consumer also. So, the Government doesn't pay anything from its pocket on the ethanol program.

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

Manish Bhandari: I must congratulate you where very few managements have got alignment of interests with stakeholders as you have demonstrated by the buyback. So, my two questions are regarding the new agriculture impetus given by this Government. Does it speak about in any way about the changes in the cropping patterns where sugarcane remains one of the most profitable crop and that leads to the overproduction each year. So, can you guide us that is there any change in the Government philosophy to make a shift from sugarcane to other crops?

Vivek Saraogi: That's a good question. We had also kind of deliberated internally and seeing the economics of UP. At present, cane remains the most lucrative. However, these policies will help us in direct interaction with the farmer more and more and be able to improve agri practices hence recovery etc. that's the target and take home from the policy which we are doing. But safety of raw material is not a doubt.

Manish Bhandari: My next question is regarding the yield variety which has resulted in the increase in the yield for our crops. So how far can we go, understand that that we are at 88% UP and when we go to 100% what would be your view and my last question will be the arrears in the industry related to sugarcane?

Vivek Saraogi: Answering you first question, we are hoping to get to the late 90s with the early variety. In this year itself we would have very less, until you need some general varieties in some areas which are water logged etc. So, in our Company we will be attempting to close the loop this year and taking ahead in a manner which can even lead to further growth for future in terms of better variety and recovery.

Pramod Patwari: Answering the second part of the question, as far as the arrears are concerned the major portion of arrears is from UP which are around Rs.11,000-Rs.12,000 crore. UP was one of the largest exporters of sugar in the year gone by. A large portion of the export incentive is still receivable from the Government of India. So if you take into account the subsidy portion which goes directly into the farmers account on account of export or on account of reimbursement of buffer subsidy claim, interest subvention from Government of India on account of distillery projects and power dues payment to state Government, we are of the view that out of this Rs.11,000-Rs.12,000 crore maybe Rs.7,000-Rs.8,000 crore will be paid up by October and the remaining can be paid once the new season begins.

Moderator: The next question is from the line of Samir Rachh from Nippon India Mutual Fund.

Samir Rachh: I have three questions. One is the command area mechanism which we have currently issue with Governments and all were saying lot of reforms in agriculture. Is there any likelihood of that changing, that's question number one. Second question is related to seeds. So in last time we saw bumper increase in production thanks to new variety of seed. So is there any further progress happening in the seed thing which could lead to further significant increase in productivity? That's question number two. And my third question is that with thanks to COVID, people becoming more conscious of what they're buying loose and what they're buying packaged, is there any scope for us to expand significantly into branded sugar?

Vivek Saraogi: Answering your first question on command area, I don't see that being dismantled because from the Government of U.P.'s side this is a big safety to the farmer. That is entire produce gets lifted. Otherwise, if you don't put command area then don't crush the cane and they shut down. So that's for the safety of the farmer and responsibility towards the farmer, I don't think that will go. You spoke on branded sugar, we are now very seriously dealing with that volume etc. that we have experimented in the past and not succeeded. Seed and all I don't think is a big worry and already India has picked up to a level where I don't see, maybe some factories apart, I don't see a general big up tik in yields anymore.

Moderator: The next question is from the line of Ambar Taneja from Vachi India.

Ambar Taneja: I had two very targeted questions. The first is on Slide #14 you have given the realization you got for the exports without Government assistance and Q1 FY21 you've written Rs.25.03/kg and Q4 FY20, Rs.21.66/kg. I found this to be remarkable given that raw sugar price was exactly the opposite. If I pick up the six months chart of raw sugar, I see that it was roughly $0.14 in the first quarter and much lower in the second quarter. So my first question is how did you manage this and secondly what is the differential in the shipping cost of sugar from India to Indonesia versus Brazil to Indonesia since you have indicated that Indonesia is going to be a major market for export this year?

Pramod Patwari: Rs. 25/kg realization which we had mentioned on Slide #14, we were able to conclude the deal in the month of February itself when the raw sugar prices were ruling very high and thereafter it touched $0.15 also and if I remember correctly the Government of India came out with the reallocation of quota around 24th or 25th of February and we concluded the deal on the same day. That was the reason that we were able to capture this high price. Just a point from our side, this Rs. 25/kg is the FOB price, after this there is an expenditure of around Rs. 2.5/kg. Now the freight differential between Indonesia and Brazil is a variable factor, it depends upon so many things and it varies from one period of shipment to another. So, it's very difficult to give any comment.

Ambar Taneja: So, if I may just have a follow-up. So what you are saying is that, that means the sugar prices that you get; they are somewhat in advance, right? So, we should not exactly go by what the international price of sugar is but as previously mentioned if you are getting $0.135 for March of '21 which I think is the current price, then assuming the same subsidy of whatever 10,448 you should be fairly comfortable. Is that understanding correct?

Vivek Saraogi: Yes, 200% correct. And with the rupee-dollar where it is it's absolutely workable

Pramod Patwari: And the current prices are very much workable on which exports can really happen.

Moderator: The next question is from the line of Varun Goenka from Nippon India Mutual Fund.

Varun Goenka: Just two clarifications, one our ethanol capacity will get fully utilized by next year like you were indicating 17-18 crore liters. The next round of CAPEX if it all we consider, do we have land and but to expand the same ethanol capacity? Will it be Brownfield or will it be fully Greenfield? And second on the recent agri reforms, ifwe can have your view, also is there any respect on our Company in any way?

Vivek Saraogi: The land etc. won't be a problem and as we said we are exploring. Our factories itself have some land and today with modernization the way it's gone doesn't take too much of land. So be rest assured there, that's not a problem and at the agri policy etc. see they are mainly for people who sell in the mandis etc. As far as we are concerned, we have a lot more ability to connect with the farmer etc. but nothing else from our side. Our business would continue as usual.

Moderator: The next question is from the line of Veer Rangan from Billion Securities.

Veer Rangan: I would like to know what is the current stock available in quintals and what is the rate at which it is valued at? And what will be the current expansion this year going forward and what would be the average rate of interest now that it is fallen again, what is the rate of interest for the loan? Now previously you were talking about the Government have taken all lots of initiatives, I think you are thoroughly satisfied with the present Government in terms of policies in relation to the past experience of the previous Government? Could you give some highlight because they are very proactive like that?

Pramod Patwari: We are holding stock of 5.5 lakh tonnes as of 30th of June and which has been value by Rs. 29.90 per kg. In terms of interest cost long-term funds we are enjoying between 4.5% to 4.75% of the interest subvention benefit given by the Government of India as well as the State Government. As of now we don't have any requirement for short-term working capital. Maybe by end of August or first week of September we will be net working capital positive. Whatever working capital is outstanding as on date will be paid by that period of time so we won't be borrowing anything. Maybe by end of December or before 15th January, we won't be borrowing anything. The current CP market is around 3.5% to 4%. The moment we enter into commercial paper market we are of a view that we should get borrowings around 4%.

Vivek Saraogi: Current market conditions prevailing, Balrampur could get short-term borrowings at 4% towards working capital.

Veer Rangan: Currently to the farmers, this on liability, almost everything you have been settling, I mean better than all the other mills, correct?

Vivek Saraogi: As you have seen from our end there is zero payment due. Whatever comes from the Government goes there and yes, we are almost at the top of the chart, I guess.

Veer Rangan: Current expansion anything, this year?

Vivek Saraogi: No, we are contemplating various projects as I said from the beginning.

Moderator: The next question is from the line of Bhavin Chheda from Enam Holdings.

Bhavin Chheda: On the next year tenders, how much of the OMCs have already ordered to the industry and how much Balrampur has got from these tenders?

Vivek Saraogi: Bhavin next year's tenders will come out sometime in the month of September-October, I am not aware. September end I believe. So that is when you put in the tender. Our targeted quantity we have told you.

Bhavin Chheda: So the current tender all they run till December, they run till August?

Vivek Saraogi: No, November end. So whatever we bid for in the current tender we are well ahead for our average supply per month. So we will complete our current tender in the given period.

Bhavin Chheda: And regarding this Bagasse which is sold in open market to most of the sugar companies Co-gen, Power to state are reducing. So you see some resolution there because still this is the cheapest form of power which states our procuring and if everyone start selling Bagasse in the open market, at some rate that price has to go up, right? So what's the sense there and you also said that you are in talks for litigation regarding that Co-gen rate, so any developments there?

Vivek Saraogi: Bhavin that's a good point. We continue to engage and we pointed out everything you have said itself. There has been Green Power etc., so not achieved any breakthrough yet either on the dialogue side with the Government or on the court side unfortunately, due to COVID hearings haven't happened. So that's still work in progress.

Bhavin Chheda: And last one on the export subsidy. So next year also the target is around 6 million. So you talked about the possible FRP hike of Rs. 10 per quintal and so on sugar MRP. So on export subsidy when does that expire and again that needs to be reinstated for that volume, right? So where is the progress on that?

Vivek Saraogi: Absolutely right. Reinstatement there is the, what one sees will happen because these are WTO compliant payments. So probably everything from the Government side would get concluded in middle September because of new season kicks in 1st October technically. So I think in the next one month odd one should see all the policies come out.

Bhavin Chheda: So the industry is confident of same export subsidy reinstatement, right?

Vivek Saraogi: Yeah it's about subsidy reinstatement, yes.

Moderator: The next question is from the line of Nikhil Goel from Shivansh Capital.

Nikhil Goel: My question is what will be minimum selling price for Balrampur Chini we selling in the market, ex-mill price. What is the current ex-mill price?

Pramod Patwari: It is closer to Rs.33 per kg; it's like Rs.32.70-Rs.32.75 per kg around that the range.

Nikhil Goel: And can you just tell me if the MSPs will be increased to Rs. 2 per kg and will the ex-mill price will also be increased?

Vivek Saraogi: Yes, that is the meaning of MSP increase, its Minimum Selling Price of sugar.

Nikhil Goel: No, I am asking if the MSP is increased by Rs. 2 per kg that is Rs. 33 per kg then your ex-mill price will be also be increased?

Vivek Saraogi: I don't think. I always believe in the past, giving you all the evidence for the future. So UP's price has been by Rs. 1 premium to the MSP in the past, Rs. 1 plus. So if MSP goes from Rs.31 to Rs.33 per kg, sugar price rate should pick up to Rs.34 per kg plus that is the barometric assumption.

Moderator: The next question is from the line of Udit Gupta, an Individual Investor.

Udit Gupta: My question is what are we looking at, as the mix of B-heavy and C-heavy ethanol in FY21?

Vivek Saraogi: We are going to go, this is the balance towards B-heavy, it's still in planning stage but probably 70% should be B-heavy.

Udit Gupta: What is the processing cost of ethanol per liter leaving the cost of molasses?

Vivek Saraogi: Approximately processing cost is Rs. 5.

Udit Gupta: This doesn't include the interest of the depreciation or the transportation?

Vivek Saraogi: I think the interest and depreciation might be there but it must be minimal.

Pramod Patwari: Yeah so, Processing cost from leaving out raw material price of ethanol is Rs. 5 to Rs. 5.5 per litre. It does not include interest but it includes depreciation and also includes transport cost of molasses.

Moderator: Thank you. Ladies and gentlemen that would be the last question for today. I now hand the conference over to the management for their closing comments.

Vivek Saraogi: Thank you everyone and we will continue to interact in this manner, if you have any other queries Pramod and I are always there for answering your queries and we look forward to your continued engagement going ahead.. Thank you once again and keep safe.

Pramod Patwari: Thank you everyone for taking out your time and participating in the conference call. We are always available for whatever queries or questions you might have. Thank you.

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