Balrampur Chini Mills Limited
Q4 & FY2020 Results Conference Call
June 24, 2020

Karl Kolah: Good Afternoon everyone and thank you for joining us on Balrampur Chini Mills' Q4 and FY2020 Results Conference Call. Today we have with us Mr. Vivek Saraogi – Managing Director of Balrampur Chini Mills and Mr. Pramod Patwari – Chief Financial Officer 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' shared earlier.

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

Vivek Saraogi: Thank you Karl. Good Afternoon everyone and thank you for joining us on Balrampur Chini's Q4 & FY2020 Earnings Conference Call.

I hope you, your family, and colleagues are all well and staying safe. I will give you a brief background on the sugar sector following which Pramod will take you through the financial performance for the quarter and year ended March, 2020.

As per latest estimates India is expected to produce ~27 million tonnes for the current season. Overall production is still expected to be lower by 6 million tonnes from the 33 million tonnes in the previous season. In UP, sugar mills have produced 12.6 million tonnes as on 31st May, 2020 which is 0.8 million tonnes more than last year. In Maharashtra, the season concluded in April, 2020 and the production was 6.1 million tonnes as compared to 10.7 million tonnes in the previous season. This was on account of the drought. Even in Karnataka, crushing operations concluded by 30th April, 2020 and production was 3.4 million tonnes.

Coming to the demand scenario:

Consumption for sugar is expected to be ~25 million tonnes this year despite the impact of COVID,that is our feeling. On the other hand, total exports contracted 5.1 million tonnes and roughly 4.7 million tonnes has already been dispatched or are at the port and loading. Overall, for this year up to September 2020 we expect the dispatch of 5.2 million tonnes in the export front. On the whole, we expect the closing stock to be 11.5 million tonnes.

Globally the sugar production is lower by 7 million tonnes at 175.1 million tonnes during the current year. It is projected to increase by 10 million tonnes to 185 million tonnes for the fiscal 2020-21, owing to higher production and diversion from Ethanol in Brazil, and increased production in India .

Coming to our business overviews:

We have delivered an excellent financial and operational performance during the period under review despite the challenging environment prevailing in the sector. Sugar segment delivered a healthy performance on account of higher volumes and steady realization. The Distillery segment also delivered strong results on the back of higher volumes and better realization. I'm happy to share that we have also commenced operations of our 160 KLPD distillery at Gularia in January 2020 and this unit is expected to further drive the segment's performance in the coming years. In the Co-generation segment continued to report subdued numbers due to the downward revision of power tariffs and as you are aware, we are in court and contesting the same.

In closing:

I would like to state that amidst the pandemic situation and the external pressures on the sugar industry, BCML has delivered an excellent performance during the year. Going forward, our healthy balance sheet, prudent capital allocation and strong cash flows would enable us to sustainably create value for all the stakeholders. Also, I am happy to share that in line with our long-term philosophy of distributing profits on the back of a strong performance, the Board of Directors have approved the buy-back of 1 crore equity shares at a price not exceeding Rs. 180/- per Equity share and for an amount not exceeding Rs. 180 crore.

I will now hand over the floor to Pramod to take you through some of the financial highlights.

Pramod Patwari: Good Afternoon everyone and thank you for joining us today on Balrampur Chini Mills Earnings Conference Call. I will be providing you all a brief on the Company's operating and financial performance for the period under review.

During Q4 & FY2020, the company has delivered a robust performance despite the challenging times due to COVID19. In Q4, revenue from operations stood at Rs.1740 crore, higher by 31% YOY on account of strong performance reported in the Sugar and Distillery segments.

Coming to the sectoral performance during the quarter:

Revenues in the Sugar division for the quarter stood at Rs.1,772 crore, a growth of 40% YOY and the segment PBIT grew by 68% to Rs.132 crore. This was on the back of higher volumes and steady realization. The Company was also able to reduce its sugar inventory by diverting sugarcane towards the B-Heavy molasses route to maximize ethanol production as well as export sugar to merchant exporters. Sugar sales during Q4FY20 were higher at 45.35 lakh quintals as compared to 37.69 lakh quintals in Q4FY19. Realizations for Q4FY20 were at Rs.32.23 per kg in comparison to Rs.31.48 per kg in Q4 last year. As on 31st March, 2020, sugar inventory was around 68 lakh quintals and has been valued at an average price of Rs.29.49 per kg.

In the Distillery segment, revenues grew by 53% to Rs.173 crore in Q4FY20 on account of higher volumes and better blended realizations. During Q4FY20, ethanol produced out of B-Heavy molasses constituted 73% of the total production. Similarly, ethanol sold out of B-Heavy molasses route constituted 72% of the total alcohol sales. Total alcohol sales during the quarter was 3.4 crore BL which includes ENA, C-Heavy molasses route ethanol as well as B-Heavy molasses route ethanol as compared to 2.52 crore BL in Q4FY19. Blended realizations during the quarter was Rs.49.97 per BL as compared to Rs.43.16 per BL in Q4 FY19. Closing stock of molasses as on 31st March, 2020 stood at 27.51 lakh quintals versus 21.76 lakh quintals during the same period last year.

In the Cogeneration segment, revenues stood at Rs.206 crore and registered PBIT of Rs.34 crore during the quarter. During the quarter, the Company sold 21 crore units as compared to 26 crore units in Q4 FY19. Average realizations for the quarter was Rs.3.01 per unit as compared to Rs.4.91 per unit in Q4 FY19. As on 31st of March, 2020 stock of Bagasse stood at 2.45 lakh metric tonne as compared to 3.94 lakh metric tonne in the previous year.

Long-term loan as on 31st of March, 2020 stood at Rs.446 crore, which includes SDF loan of Rs.5 crore at 4% and balance term loan availed from State Government and Central Government under the scheme which carries interest subvention or are at subsidized rates. Long-term and short-term rating of the company stood at AA and A1+ respectively as assigned by the ICRA as well as CRISIL.

This brings us to an end of our opening remarks; we would now like to address any question or queries you may have in your mind. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will start with the question and answer session. The first question is from the line of Sanjay Manyal from ICICI Direct.

Sanjay Manyal: Few questions on the sugar sales quota perspective, your entire domestic quota for the year has been 9.3 lakh tonnes if I'm not wrong, you can correct me on that number. So, is it expected to remain the same in the next year considering the fact that Maharashtra and Karnataka will be coming back with better production?

Vivek Saroagi: We are expecting the sales in the current year based on the quota to be much higher than 9.3 lakh tonnes. We can give you the exact data for last year, it's impossible to give the projection but one is expecting a definitive jump there.

Sanjay Manyal: Similarly, 2.3 lakh tonnes was export if I am not wrong and if the continuation of export subsidy happens will that number remain same? Secondly will you participate in the third reallocation of export quota which was announced just 2 days back?

Vivek Saroagi: We are not participating because we have already sold a lot in the export front as well as diverted a lot into B-Heavy and plus we have got healthy domestic releases. So, we are not looking to participate in the third tranche for export.

Sanjay Manyal: So, if export subsidy continues for the next crushing season also what could be the quantum for FY21 in terms of export quantity?

Vivek Saroagi: Again, these are forward-looking questions but if the past is any evidence, of course the subsidy would be continued, quantity of export would be higher than 6 million tonnes, it should not be lower and quantum of subsidy is unknown at this point of time but the range is clearly defined. If again you look into the past you will get all the evidence.

So, this brings us to the next question which I think lot of participants would have, so I will address it upfront. So, let's understand what is the policy which is continuing and how does one look for continuance and what are the parameters continuance? The initiative by Central Government, one is buffer stock, the logic is when there is an excess production/excess stock, buffer stock continues. Based on that and based on the next year's projection of production it is very easy to assume it should continue. Second comes export subsidy and export quantum, I have already spoken about that. Third comes the B- Heavy policy and fourth comes the MSP (Minimum Selling Price) and fifth comes the FRP. I think these are all the related questions Pramod that's it?

So yes, just to get back the last year's domestic sales based on quota was 9.45 lakh tonnes.

So, as you are aware the Government is actively considering the increase in MSP. As and when MSP increases that is equal to your assumption of your sugar cost. The moment that happens that extrapolates into B-Heavy pricing increase. Obviously, that would happen from next year. So, it is basically B-Heavy's price at the sacrifice of sugar done in to ethanol. So, if the sacrificed price is higher—assume MSP moves from Rs. 31, per kg to whatever—so consequent change in B-Heavy price is a formula driven approach. The next is, let's assume there is a rise in MSP now which we are hoping for and FRP goes up in October. That FRP is accompanied by second round of MSP increase is the evidence from the past. Any cane price increase leads to MSP increase.

Sanjay Manyal: Just one thing, suppose MSP hike comes now and FRP raise happens in October, then there will be one more round of MSP that's what you are trying to say?

Vivek Saroagi: Yes, there will be one more rise of MSP increase. See these are evidences from the past because right now there is no crushing which is going on, they are going to recognize that the true cost probably and if there is a further cost escalation based on a material price escalation that will be accompanied by another MSP and another B-Heavy rise. If Rs,31 per kg moves to let us say Rs.32-33-34-35 per kg, whatever it is that delta in increase in the sugar price it will be accompanied by a consequent B-Heavy revision and B-heave tenders come out as we are aware in September-October. The policy will be dealt in a composite manner because one input has many outputs.

Sanjay Manyal: Probably on the Distillery front, so though your capacity is somewhere around 18 crore liter, so will it be fully utilized in FY21? Secondly, what is the best possible diversion towards B-Heavy, in the sense, if you can say best case scenario for the sugar sacrifice, how much B-Heavy would you sacrifice, as low as the inventory would give us, so what is the best-case scenario in that sense?

Vivek Saroagi: So, we are now definitely looking at 100% capacity utilization next year that is 18 crore liter and whatever the UP Government requirement as per the Molasses policy we have to give ENA. The rest, whatever is the balance figure we hope to produce at least 80% B-Heavy next year.

Pramod Patwari: Sanjay, when we say next year it means sugar season or ethanol season, not the financial year.

Moderator: The next question is from the line of Pratik Tholiya from Elara Capital (India) Pvt. Ltd.

Pratik Tholiya: Just one clarification, you said you will not be participating in the third tranche for export. Is it because the prices are too low or like you mentioned, you've already diverted enough for B-Heavy?

Vivek Saroagi: So basically, you see today's prices it's not that lucrative. As we said, we have diverted enough and probably we are looking, if we want to maintain buffer etc. these are some internal calculations, based on what the Company's best case scenarios and that's the decision.

Pratik Tholiya: What would be your estimate for next year in terms of export from India? You expect will go back to 6 million tonnes which we were initially thinking about this year but have fallen short of about a million tonne. If prices remain at the 12-13 cents will the industry be comfortable at more than 5 million tonnes in the next season?

Pramod Patwari: This year as against the mandated quota of 6 million tonnes as we told in the earlier part of our concall, we are expecting industry to export to the extent of 5.2 million tonnes. Now going forward, there is no reason to believe that industry will not come forward and export because we are currently operating in an environment where the domestic sales are regulated. So, unless and until industry comes back to export what will we do with the higher inventory. We will have to continue to sit with the higher inventory. So that's the only solution apart from sugar sacrifice in the form of B-Heavy.

Vivek Saroagi: Rightfully agree with that, I think even 5.2 million from India is a very good figure and it may climb up to 5.3 or 5.4 million tonnes, so it could be between 5.2 to 5.5 million tonnes also and this is the range basically. So, if you want personal opinion export could be between 5 to 6 million tonnes next year as well. This will be coupled with diversion towards B-Heavy which will reduce the sugar inventory.

Pratik Tholiya: Right, that's an encouragement. And there was a third tender from OMC that is expected in this month, has it been rolled out and are we participating in that?

Vivek Saroagi: There is a third tender and just to let everyone know because we repeatedly keep receiving questions on this. So, the third tender obviously, the price was decided in the beginning of the year, the method of deciding the price of ethanol B-Heavy has nothing to do with crude, it's sugar price, so crude could be 20 and B-Heavy could move up next year or crude could 100 and B-Heavy could only move to the extent of Sugar price MSP increase. We are participating in the third tender in a small quantity, so we are participating. The reason being, we produce more than expected and hence more molasses is available to participant.

Pratik Tholiya: But what is the total quantum in that third tender if you could give out the number?

Vivek Saroagi: Let the tender be finalized.

Pratik Tholiya: And lastly, on the buyback, firstly it's a very good time from the management. Are the promoters' also going to tender in this buyback?

Vivek Saroagi: As we said in the beginning, this is distribution of profits to shareholders, we do in two forms, one is interim form of dividend and one is this buyback. So, everybody participates and this has been in the past record for 4 years. This is the fourth year. Our policy is transparent and everybody participates.

Another question which people might come up with, is the production next year, again it is too early to say, but production initial estimates are at 31 million tonnes, consumption might be at 26 million tonnes and 5 million tonnes excess. We are hoping plus 5 million tonnes of exports and maybe the production estimate might have B-Heavy or not. So, all in all, inventory reduction from 11.5 million tonnes, expected at the opening of next season, is high possibility based on our personal expectation but it's still too early to say anything.

Moderator: The next question is from the line of Madhav Marda from FIL Research (India) Pvt. Ltd..

Madhav Marda: Just wanted to understand, the MSP increase which is being considered actively by the Government, what's the rationale on the Government side for increasing the MSP, is it likely increase in FRP or is it to clear cane arrears, I mean what's the thought process there basically to implement higher MSP?

Vivek Saroagi: What we had represented is cash cost coverage, it does not include the interest component and during COVID times etc. there was a lot of dialogue and lot of cane went up in the UP etc., so the basic understanding of cost of production, better acknowledgment of the truth. As I said, this round of MSP increase is acknowledging the truth which is cash cost to actually total cost, any rise in FRP should be accompanied by another rise. I'm saying this based on the evidence we have from the past.

Madhav Marda: Could you help remind us, the B-Heavy diversion which we are doing, what is the sugar that gets sacrificed in that process and maybe around an EBITDA basis is it like accretive to make B-Heavy versus selling sugar, how does that work or the price takes care of that?

Vivek Saroagi: Understand, the moment you sacrifice B-Heavy you save heavy interest. So, if you are to evacuate sugar from your factory you have two formats, either you export and wait for the export subsidy to come which takes time but it comes. Like this year, we have already received some tranche of the export subsidy and hopefully some more by August. B-Heavy the moment you sacrifice your ethanol gets lifted on a monthly basis.

Madhav Marda: So, the sugar MSP goes to Rs.33 per kg, it will be Rs.33 per kg into 1.65 that becomes the new ethanol price for the next season basically or the next year?

Vivek Saroagi: I cannot give you so much detailed but right now you should understand this is our internal calculation; Rs.31 per kg is equal to Rs.54 per litre because MSP is Rs.31 per kg, B-Heavy is Rs.54 per litre. So, I think one should take that ratio.

Madhav Marda: This is one last question, how much were the cane arrears with the farmers right now and at the current level are we able to clear as an industry?

Pramod Patwari: In UP, cane arrears as of now is around Rs.15,000 crore and expected that by end of September or October out of this Rs.15,000 crore would be Rs.10,000 to Rs.11,000 crore would be paid out.

Madhav Marda: So, we still have maybe Rs.5000 crore which still needs to be paid off which doesn't get cleared at the current price also, is that the right understanding?

Vivek Saroagi: It's impossible to give you industry projection but just to explain to you, this export subsidy which is pending to be received by the millers is actually going to go straight to the farmer's accounts. So, this helps in clearing of cane dues. If MSP is raised, your price realization goes up as well as the drawing power on the wallet stock goes up. So, these are two hints to tell you that what level of arrears paid off. How individual people conduct themselves we don't know. Just to give you an example, in COVID times our sugar sold at low of ex-mill of Rs.31.20-Rs.31.30 per kg and now with consumption back on the rail the ex-mill price is also Rs.33.50 per kg plus. So, we have seen a robustness in demand as well as good price increase based on some speculation definitely creeping in on the MSP being increased.

Madhav Marda: On the ethanol capacity expansion is there something more which can happen in the next 3 years to 4 years for the industry?

Vivek Saroagi: For the industry definitely, we are hoping that capacity increase would happen and therefore higher diversion could happen.

Madhav Marda: And as a Company also we might be happy to add more ethanol capacity in couple of years' time once the current fund just utilized?

Vivek Saroagi: We will be looking at that. At present we have 18 crore liter, we hope to even try and cross that by a bit. Let us see our crushing, balancing etc.

Moderator: The next question is from the line of Gaurav Jhanwar from Systematix Shares & Stocks (I) Ltd..

Gaurav Jhanwar: In this current quarter, do we see any kind of impact on the demand and realizations due to COVID19 pandemic since many of the industries were affected, is there a lower demand on sugar?

Vivek Saroagi: I think everyone will be very pleasantly surprised with what happens in this quarter, that's all I can say. As we have indicated that things are looking good on demand front. I have indicated the price trajectory also. It went to a low of Rs.31.20-Rs.31.30 per kg, it's up to Rs.33.50 per kg gradually. So, on the demand front we haven't seen much of a destruction to be honest.

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

Bhavin Chheda: Just a couple of questions, on the Distillery side; as you guided, next season volumes of around 18 crore liter. If you can gave the numbers of what would be the breakup between B-Heavy and C-Heavy?

Vivek Saroagi: As you are aware UP Government takes 18% as per the molasses order so UP Government might take around 2 crore of ENA and we might do about 13-14 crore of B-Heavy and 2-3 crore of C-Heavy.

Bhavin Chheda: Versus I think you started C-Heavy only this quarter, this year you have done 2 crore odd of B-Heavy, right?

Vivek Saroagi: No, much more.

Bhavin Chheda: So, B-Heavy volumes will almost go up four times in the next season?

Vivek Saroagi: We look at the year, I don't know quarter basis. We don't follow it.

Pramod Patwari: B-Heavy sales during this year was around 2.56 crore liter and production was 3.58 crore liter, for next season we are expecting B-Heavy production to be around 13-14 crore liter.

Bhavin Chheda: To get the clarity on fiscal, As you started in this quarter, so this fiscal it was 2.56 crore liter, right?

Vivek Saroagi: Next year we are hoping to produce almost 13-14 crore liter of B-Heavy.

Bhavin Chheda: So, if I take fiscal-to-fiscal comparison it would be substantially higher, right

Vivek Saroagi: Right, Much-much higher.

Bhavin Chheda: Just additionally, on this if you do 12-13 crore liter B-Heavy; how much does the sugar recovery gets impacted in terms of 50 bps-25 bps, what kind of a number we can modulate?

Vivek Saroagi: This year probably the impact on recovery was 0.65 bps and next year we will have to revert, there is some calculations more to be done but you could assume 0.8. There were only two factories left in the group where we had to improve our varieties because they were in the far-far Eastern UP, all that has gone very well, our latest planting data shows that now our varietal balance would be equal to anybody else's. We have a natural disadvantage of East UP which we have fully recovered. We should be able to make up a lot of the B-Heavy loss from the recovery.

Bhavin Chheda: And on the power side, what is the status of the court case, this reduced power tariffs in UP?

Vivek Saroagi: Because of the COVID situation courts have not opened, only very important virtual hearings are taking place. So, we are hoping that in the month of second half of July something should happen, hearing should begin.

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

Manish Bhandari: I didn't follow your comment on the recovery side, I'm so glad to see this consistent improvement. So, are you making a case that next year the recovery should be 12.5%, is that what the comment you were trying to make in your previous question?

Vivek Saroagi: No, I am not saying so higher, I said two mills have to improve, lot of weather conditions also impact recovery, but our varietal balance improvement will definitely be a positive delta to recovery but how much and what I don't know. You can't project that today; I'm only saying apple-to-apple we would be higher.

Manish Bhandari: My second question was related to the another comment you made about the increase in the ethanol capacity. So, would you have any estimate in the next 3 years, how much of sugar including the recovery can be diverted to the ethanol increase there, ethanol capacity for the industry as a whole not for Balrampur maybe for the industry as a whole?

Vivek Saraogi: We are hoping next year about 1.5 million tonnes on the industry should go for ethanol from B-heavy route but these are all data based on internal calculations.

Manish Bhandari: And how this number should be in 3 or 4 years?

Vivek Saraogi: It's very tough but wait for a year, let's see more distilleries get under construction then probably we could give you some more data. Having said that the industry and the Government is very interested that more distilleries should be put up. ISMA has represented to banks to fund the millers who want to set up distilleries far more liberally and I think there is a lot of movement on that.

Manish Bhandari: My last question is regarding the Brazilian swing between ethanol to sugar. So, would you have any estimate that how much of ethanol would swing to the sugar production based on the parity, if they follow this?

Pramod Patwari: Brazil last year produced around 28-29 million tonnes of sugar. This year it is expected to go up by 9 to 10 million tonnes further.

Moderator: The next question is from the line of Prateek Jain from Goldman Sachs (India) Ltd.

Prateek Jain: Just a bookkeeping question, so what is the transfer price for molasses and Bagasse?

Pramod Patwari: Bagasse we are transferring at Rs.1,400 a tonne and molasses Rs.3,500 a tonne for the conventional and Rs.7,000 a tonne for the B-Heavy.

Prateek Jain: On the Co-gen side, as I understand that one part of the revenue would be coming from the sale of power. So, during the quarter what would be the quantum of Bagasse which you have sold in the market and what was the average realization for that?

Pramod Patwari: When we sell Bagasse, the revenue gets captured in the sugar division not in the power division.

Prateek Jain: Another thing, as you mentioned, that you are not participating in the exports further, so is it more to do with your expectation in terms of increase in the MSP, which might actually lead to better realization?

Vivek Saraogi: We have already exported almost 30 lakh bags that is 3 lakh tonnes on our own, is the highest in the country by far. So, you need to keep stocks of buffer etc. so there are some internal calculations.

Pramod Patwari: Bagasse sold around 4 lakh tonnes during the year.

Prateek Jain: What would be the selling price for Bagasse?

Vivek Saraogi: It ranges between Rs.1,600 to Rs.1,700 a tonne.

Prateek Jain: Any comments on the hand sanitizer business?

Vivek Saraogi: We are still looking to understand a little more, understand the permanency, which segment and we are not looking to enter without some tie-ups etc.

Moderator: The next question is from the line of Keshav Lahoti from Angel Broking.

Keshav Lahoti: When I look at the sugar industry, it's always a kind of a regulated industry, be it MSP, Government support for ethanol price, decided by the Government. So how do you see the industry in the long run, will it be in the same way how is it, you think it will be our pre-function?

Vivek Saraogi: Let's understand the basic nature and why, what's happening is happening. Let's understand what happens globally, will with a very simple example. All the large producing countries never declared cane price, there is no Government intervention. Cane price is a percentage of sugar price realized and there is no Government coming and saying you buy this much cane at this much price. So, if you have to decontrol the industry and deregulate it you have to begin at cane. So, assume Government can do that I think the entire regulation business will end and we are very-very happy with that. Now assume you are continuing the regulation, the way you are continuing today, the backup done by the Central Government from the last 3-4 years is the most professional way of handling the sector as a team because if you are declaring the raw material price you are asking the farmer to put in more cane because this is the best product, 100% it gets paid ultimately and 100% of what you produce gets crushed. So, if you are asking the farmer that this is the price you are going to get, please put in cane and he puts in cane and there is extra cane which helps the farmer and which sort of covers the Government's vision on the Farm sector. The end product which is sugar and ethanol and etc. Government needs to responsibly take care of that so that the entire cane price gets paid. The manner in which they are recognizing that and which is just in the beginning of the call I told you recognition of the total cost; expert bodies are gone into the costing, NITI Aayog came up with a report where they also mentioned MSP of Rs. 33 per kg, they sacrifice into B-Heavy, the truth to understand the sacrifice price. The excess stock managed by buffer, the MSP method to regulate the sales buyer with quota is the best way to handle the finished product when you want to declare a raw material price. So, either you deregulate both or you regulate both.

Keshav Lahoti: What I can recall from previous call, the strategy was let's do to 50% B-Heavy and let's do 50% C-Heavy but in this call somewhere you sounded you are doing more of B-Heavy with the tune of 80%. Is this some sort of change in strategy?

Vivek Saraogi: The logic is clear, if B-Heavy goes up it's best to do B-Heavy. So, you will see the reasons emerge.

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

Dhananjay Mishra: What was the utilization level of the new plants for this quarter, the 160 KLPD ethanol plant?

Pramod Patwari: That plant started operation from 12th of January, 2020 the full benefit of which will accrue only in the year to come. But the plant operated at more than 90% of its capacity and currently operating in excess of its 100% capacity.

Dhananjay Mishra: You mentioned the transfer pricing for C-Heavy at Rs.3,500 a tonne and B-Heavy at Rs.7,000 a tonne, right? So just for the calculation purpose and given the current realization of 54 for this C-Heavy, if we calculate separately what would be the gross profit margin?

Pramod Patwari: Right, we had given those figure in our presentation, so the costing has also been given, average cost is around Rs. 22.0-22.5 per liter.

Dhananjay Mishra: This is for B-Heavy you are saying?

Pramod Patwari: It is an average of both B and C, going forward predominantly it will be B only.

Dhananjay Mishra: So, in that case it will remain the same?

Pramod Patwari: Partly it can go up to say Rs.24-25 per liter .

Dhananjay Mishra: And accordingly, price you will get better realization for B-Heavy, right?

Vivek Saraogi: Everything depends on the future pricing of B-Heavy transfer pricing, which is done as per accounting standards.

Dhananjay Mishra: So, this is just an accounting entry but just for a sake of calculating segmental EBIT for ethanol, power and sugar so in that case just, I was looking.

Moderator: The next question is from the line of Achal Lohade from JM Financial Institutional Securities Pvt. Ltd..

Achal Lohade: What I was wanting to check given the cash flow we probably would have in the current year or next year, we are not talking about any specific development at the moment. So how do you plan to utilize, I know you have given a slide where the payout needs to be about 40%. Can we probably look at a higher payout ratio in coming years if there are no CAPEX plans?

Vivek Saraogi: It is not for individuals to decide, the board does it but our past conduct should give you some more evidence.

Achal Lohade: My second question is with respect to the recovery rate, you talked about the impact, would it be possible to give a broad number as to what is the recovery rate for sugar in case of C and what is it in case of B?

Vivek Saraogi: We can only do that once we plan fully for next year, it’s too early.

Pramod Patwari: Normally sugar recovery in case of B-heavy is 1.5% lower.

Achal Lohade: And third just a clarification with respect to the Bagasse you said about 4 lakh tonnes, what was the average realization? I understood it was 290, I thought it was way too low?

Vivek Saraogi: Rs. 1,700 per tonne.

Achal Lohade: At that price it is more economical to sell Bagasse?

Vivek Saraogi: Yes, at the current tariff it's much better to sell at 1600 Bagasse rather than generate power

Achal Lohade: With respect to cane cost, can you clarify what is the cane cost for the full year FY21?

Pramod Patwari: Around Rs.337 per quintal.

Achal Lohade: With respect to B-Heavy, you did talk about numbers but I got little confused with respect to fiscal number, would you be possible to tell us FY21, what kind of a B-Heavy route if we could look at in terms of the volumes?

Vivek Saraogi: We have already given an indication that next year 18 crore liter and fiscal I don't know because dispatches of fiscal are very difficult, so we talk Ethanol year we are hoping 18 crore liter next year, total production of alcohol out of which 2 crore odd ENA which goes to UP Government and 3 crore odd may be from C-Heavy and 13 crore odd from B-Heavy.

Achal Lohade: In that case, does it mean that 65% odd of our cane crushing will be on B-Heavy route would that be a fair assumption?

Vivek Saraogi: Yes, That's right

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. Thank you and over to you.

Vivek Saraogi: Thank you everyone. Pramod and I are always there for answering your queries and we look forward to your continued engagement going ahead.

Pramod Patwari: Thank you.
