



Balrampur Chini Mills Limited
Q2 & H1 FY2012 Results Conference Call
November 17, 2011

Anoop Poojari: Good afternoon everyone, and thank you for joining us on Balrampur Chini Mills' Q2 & H1 FY2012 results conference call. We have with us Mr. Vivek Saraogi, Managing Director of Balrampur Chini Mills, Mr. Kishor Shah, Director and Chief Financial Officer; 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 like to invite Mr. Saraogi to make his opening remarks.

Vivek Saraogi: Good afternoon everyone, and thank you for joining us today to discuss Balrampur Chini Mills' operating and financial performance for the second quarter and half year ended September 30, 2011. Let me begin by discussing the latest developments in the sugar sector, following which, I would like to take you through the Company's performance during the quarter and in the period going forward. Kishor will then run you through our financial and operating performance.

The current sugar season is expected to report a surplus as India's Sugar production for the current year is anticipated at about 25 million tonnes. Domestic consumption is expected to be 22.5-23 million tonnes leaving a surplus of about 2.5 million tonnes. Going forward we believe that the Government may allow export at regular intervals keeping in view the estimated surplus. This should aid in more economic sugar realizations, which would enable sugar mills to cover certain portion of increased cost of production. Exports allowed by the Government will be key in trimming the surplus and enable the industry to cover higher cane price announced by way of higher realization. Here, I would like to update you all, that U.P. Sugar Mills Association has filed a writ petition in Allahabad High Court, that's the Lucknow bench of Allahabad against the Rs. 240 announcement for the cane price for the season 2011-12 as the price is arbitrarily decided.



Global sugar outlook has improved on the back of lower than expected production in two key sugar producing countries, Brazil and Thailand. Unseasonal weather and changes in the sugar planting cycle in Brazil had led to diminished crop. As we enter 2011-12 we expect to crush for our company 7.8 crore quintals versus 6.8 crore quintals in the sugar season 2010-11. Better capacity utilization on account of higher cane availability, improved recoveries, operational efficiencies are expected to contribute towards high sugar production and subsequently, assist improved performance of Cogen and Distillery business sectors.

We believe the company is well suited to absorb volatility in the segment, given our status as one of the most integrated players. Distillery and Cogen segment would provide a healthy cushion to any volatility in the Sugar business. We expect better operations from our allied segments, which would help in generating cash flows going forward and the anticipated exports should also help the Company to deliver better results. I would now like to hand over the floor to 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 Q2 and H1 FY2012. In Q2 FY2012, our revenues stood at Rs. 507 crore from Rs. 512 crore in Q4 FY2011. Our operating profit for the quarter is at Rs. 19.2 crore as compared to a loss of Rs. 25.2 crore in Q4 FY2011 driven primarily by the performance of the Sugar and the Distillery segment.

Coming to our segmental performance, revenue in Q2 FY2012 from our Sugar business remained flat year on year at Rs. 470 crore. The segment reported a loss of Rs. 3 crore at PBIT level as compared to a loss Rs. 54 crore in Q4 FY2011. As you are aware, this quarter is non-production quarter and the Company has to incur just expenditure. Nevertheless, the company has reduced its operating losses due to Rs. 19 crore profit realized from the sale of export entitlement. Sugar segment sales were 15.9 lakh quintals during the quarter as compared to 15.5 lakh quintals in the corresponding quarter last year. In Q2 FY2012, we had average free sale realization of Rs. 28.19 per kg as compared to Rs. 27.12 per kg in the corresponding quarter.

In the Distillery division revenues increased by 40% to Rs. 29 crore from Rs. 21 crore in the corresponding period. Distillery sales were higher at 10,178 KL in Q2 FY2012 as compared to 8,520 KL in the corresponding period last year. PBIT stood at Rs. 9.2 crore in Q2 FY2012 as against Rs. 1.8 crore in Q4 FY2011. During the quarter, blended realizations enhanced to Rs. 27.9 per BL as compared to Rs. 24.2 per BL in Q4 FY2011. Higher volumes and improved realizations contributed to greater earnings performance during the quarter.



Our Cogeneration business, revenue stood at Rs. 18 crore as compared to Rs. 43 crore in Q4 FY2011. Q2 FY2012 reported a loss of Rs. 4 crore as compared to PBIT of Rs. 0.4 crore in Q4 FY2011. The Cogen segment remained subdued during the quarter as the company registered revenues from the coal-based power plants in the corresponding period last year. We anticipate better operations from the segment in the current season due to higher availability of bagasse.

Interest cost for the quarter stood at Rs. 32 crore. Increase in the interest cost was primarily on account of the current market scenario as well as higher working capital requirement. For Q2 FY2012 we registered a net loss of Rs. 39 crore as compared to a loss of Rs. 78 crore in the corresponding period last year. This was owing to the losses witnessed in the Sugar and the Cogeneration businesses combined with the higher interest cost. We had a long-term debt as on September 30, 2011 at Rs. 629 crore compared to Rs. 828 crore at September 30, 2010. Total debt stood at Rs. 1,147 crore as on September 30, 2011. This brings us to the end of the discussion. We would like to address any questions or queries you have in your mind. Thank you.

Vivek Saraogi: Let me just clarify a few questions which we are receiving so that it would help to make things easy and put U.P.'s cane announcement, etc. in perspective. U.P. Government has announced a cane price of Rs. 240. As mentioned in my remarks, we have taken up this matter in Lucknow bench of Allahabad High Court. The issue is basically that this is an arbitrary announcement of prices and more election-driven than economic-driven. That being the case, in the past you have seen that, in one or two year we have got interim orders. And we are pretty hopeful that our writ petition and our court case has a lot of merit. The outcome of this hearing in Lucknow, one cannot give a definitive period for sure, but you would get some idea in the next couple of weeks for sure, so that is one part. The other part is on the Central Government. Now, if you recall last year, as soon as the Government had allowed an export of 5 lakh tonnes at the beginning of the season, sugar prices had remained calm. However, that export announcement did not fructify and it was put on hold. That's when the prices started coming down. So the whole point is, if you allow the export at the beginning of the season that is when the inventories start building up because that's when crushing starts - the moment they allow at the beginning of the season and whatever surplus is there in the mind of the Government if it is allowed during the season, it has a much larger impact and a far more stabilizing impact on the Sugar prices. So the latest information as per the reports are that the EGoM on the first tranche of exports is slated to be on the 21st. And to the best of our information, the Government would look at allowing export in tranches as it moves ahead into the crushing season. So that means the first tranche could be on 21st November, and followed up periodically during the next two to three months. Having said that we do hope that because of this



export announcement at the beginning of the season which is very vital to my mind, we feel that the sugar prices should remain extremely stable, and if we now look at 2012-13, because I had received a couple of queries on that also, it's too early to be able to predict that. However, there is a certain phenomena which is being noticed in U.P. for sure and probably other parts also. Lot of land is going to urbanization. So if you see west U.P., lot of west U.P. which is closer to Ghaziabad, Noida, these areas are moving away from cane farming to things like vegetables, etc. the prices of which are extremely remunerative. So if you see in the past, the cane price of Rs. 140 two years back, last year became Rs. 205 and prior to that owing to the incentive given by mills that touched as high as Rs. 260- 270. Even then U.P.'s production is last year at 58 lakh tonnes. Peak of U.P. is above 80 lakh tonnes. And current year projection as per the U.P. cane commissioner given over to the central government is 62 lakh tonnes. So the prediction of the Government is not even 10% higher with these prices. So the ability of cane prices to raise production is a lot more tampered than it was in the past. And this is with the premise that cane price has been paid on time in the last couple of years. If there is no relief from the court, and banking system being very tight, especially in Maharashtra also, one can definitely see arrear at Rs. 240. And hence my personal view in 2012-13, production might not be what many people think it could be. So we see that the cycle which is famous in the industry is coming back. We have seen the brunt of the bad part and I therefore see that there is a lot of future, whether it be from our court case, which is based on merit or whether it is from export and firming up of prices every move ahead. So that's what I wanted to tell everyone. Now open to question and answer.

Moderator: Thank you sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from Anup Ranadive from Derivium Tradition. Please go ahead.

Anup Ranadive: You just mentioned that sugar production for FY2012 would be close to 25 million, our earlier estimate was 26 million. So is that because of the drop in yields we should be doing the round for past few weeks. And sir in that case, the earlier estimate given by the Food Ministry of about a very marginal increase compared to last year that is possibly coming true. So in that event do you think that the Government is likely to be under pressure in terms of allowing exports?

Vivek Saraogi: The Government estimate today is 246 to 250 lakh tonnes only. Our estimate from ISMA is about 260. However, we do see that there are a couple of cane commissioners who have reduced their estimate from their earlier levels, probably based on yield. So ISMA's view is 260. Government is saying 246-250. We personally see this could be closer to 250 than to 260. The reasons for telling you this is that the Government and as you know about the opening



stocks, and if you see the consumption, etc. you still see that there is a 3 million surplus. This is as per the government on a minimum level. So we are talking about 3 million export based on 250, with opening stock and comfortable closing stock.

Anup Ranadive: Okay. Fair enough. Sir my second question is regarding the higher crushing estimate what you have mentioned, we did last year about 6.8 crore quintals and it's going to increase to 7.8 crore quintals. Sir, currently at Rs. 240-250 price given by the state government, you have mentioned in your investor update that it's not viable for cane crushing. So in that event what is the intention behind crushing more canes even if it is loss making for the Sugar division?

Vivek Saraogi: See first of all let me tell you the law says that you have to crush the cane in your area. Having said that, we have our case going, and we have our realizations but plus this is the basic material for entire bagasse and molasses. So our estimate is not based on personally trying to pay a higher price and get the cane. But from the fact that east U.P. is going to be better off and higher cane will help dropping of cost of production because volumes help higher bagasse higher molasses and therefore a much better overall working.

Anup Ranadive: Okay. My last question is regarding the closing inventory position for sugar and molasses from 30th September 2011.

Kishor Shah: We have sugar inventory of 18.49 lakh quintals and molasses is 6.41 lakh quintals.

Anup Ranadive: Okay. And at the valuation for the sugar and molasses?

Vivek Saraogi: Valuation for sugar is Rs. 2,654 for the free sugar portion.

Kishor Shah: Molasses is Rs. 200.

Anup Ranadive: Okay, that's it from my side. Thank you very much.

Moderator: Thank you. The next question is from Arya Sen from Jefferies. Please go ahead

Arya Sen: My first question is - has crushing started in any of your mills? I mean if not when do you expect to start?

Vivek Saraogi: Crushing has already started in 3-4 mills and we hope to start the rest in another 3-4 days.



Arya Sen: So this yield impact that you are talking about, I mean, you are already seeing that in the capability of crushing or is it sort of anticipated and what is the reason behind it? Basically there is an expectation that yields this time will be lower. So is that the feedback you are getting from the farmers directly or is it more of your experience as well or it is more of industry sort of feedbacks from industry association?

Kishor Shah: The yield what we mentioned earlier was based on the survey conducted by various cane commissioners or various organization. You will see this impact over a period of time.

Arya Sen: Okay. But so far have you seen it in your area as well or is it...

Vivek Saraogi: I will tell you, the ability to predict yields on 100% accurate basis does not exist with anybody in the world. Now no satellite mapping nothing...

Kishor Shah: Not in Brazil...

Vivek Saraogi: Yes nothing, no way. So however having said that the survey eastern U.P. is better than the survey in western U.P. Hence we do look at the increased proportionately higher in eastern U.P. and not in western U.P.

Arya Sen: Okay. And what is the reason for lower yields, is it weather related or is there is some other reason?

Vivek Saraogi: Usually its weather related.

Arya Sen: Okay. Great thanks that's it.

Moderator: Thank you. The next question is from Sanjaya Satapathy from Merrill Lynch. Please go ahead

Sanjaya Satapathy: Is that is there any case of areas building in the crushing season that got over in U.P. and other parts of the country?

Vivek Saraogi: Are you talking about the season which was over...

Sanjaya Satapathy: Yes.

Vivek Saraogi: No there are hardly any areas.

Sanjaya Satapathy: That is true about Uttar Pradesh, but any other areas like Maharashtra and all if you have some detail data on that?



Vivek Saraogi: No I don't think so.

Sanjaya Satapathy: And the other thing you have noted while Uttar Pradesh as you currently mentioned that it is going to be far below its previous peak production we have seen a significant increase in production from area like Karnataka etc. So overall considering that there is not much of areas and these new areas are coming in. So I mean, what really makes us considering about production picking out this year that is one. And the second thing is that if the Government is also aware that production will peak out this season then will they not be very careful about allowing exports?

Vivek Saraogi: Let me clarify. I'm not talking about crash in production. All I am trying to convey is that we are not going to generate surpluses the way we had been doing in the past. At the current consumption level some call it 220, 225, 230 lakh tonnes. Even if we take 2012-13 I'm not saying that our production will crash. But all I'm saying is that 250 might be more of a peak than anything else. And the peak might not be at level where it crashes. It can get tempered at these levels.

Sanjaya Satapathy: Okay. So does it mean that, basically we would be having fairly balanced amount of production and consumption even in the subsequent season and considering the kind of cane pricing policy that we are following, the margin recovery may not be as much as you would have liked to, is that a possibility?

Vivek Saraogi: No. See the way we look at it - first of all the cane pricing system, now let me just take you through Maharashtra. Maharashtra last year paid an advance of I think Rs. 220, first advance. This year they are going to pay Rs. 205. Maharashtra and Karnataka. I think there will be a lower first price or a first advance than last year. So if you pay lower price down that area, and you had mill last year running up to May. So that definitely indicates that there is a peak in that area. One will not see production going up this disproportionately in future. Now you come to U.P., there is a fight on in every forum and one feel that some rationalization will come into the cane price policy. Having said that if nothing happens at all, then if you see arrears in U.P. and you see a lower price paid in Karnataka and Maharashtra. Production will fall. And if production falls next year, the fall might not be let's say 50 lakh tonnes, it can be 20-30 lakh tonnes. But it is impossible to predict on that. Having spoken about production, consumption when it remains at balance, does not mean that the sugar business losses money.



Sanjaya Satapathy: What kind of margin, basically in the scenario of production and consumption thing fairly balanced what kind of sugar margin that one can really expect?

Vivek Saraogi: So difficult to try and predict all this. So many policies in place...

Kishor Shah: Exports and domestic...

Vivek Saraogi: Exactly.

Sanjaya Satapathy: What we are trying to understand out here is that I mean, considering production and consumption would be balanced, it would kind of a stable situation and stable situation what kind of margin you will be able to make in the sustainable fashion?

Vivek Saraogi: See basically one must feel that the era of surpluses will be behind us. Now keeping the one simple assumption in mind and I'm not trying to indicate that there is shortage in front of us. But I'm trying to say that era of surpluses will be behind us. With proper policy, one can expect the positive margin in sugar business for sure. Now how positive that would be, I'm not trying to say it's going to be hugely positive. All I'm trying to indicate, as we go ahead these negative sugar division profitability should be behind us.

Sanjaya Satapathy: And are we expecting any other positive policy for you apart from the export that is in terms of levy sugar dismantling or ethanol policies or any other thing that you are hoping for?

Vivek Saraogi: As far as our presentations and representations go, we have made a very clear representation for doing away with levy from the mills. With such a big food subsidy bill in hand of the Government doing away with the levy sugar is merely a Rs. 2,000 crore function. I mean that with enhanced and some change in some duty structure. I mean this is a very small amount. So we have said that this should not be on our heads and this should be done by the government. If you see Maharashtra, the cane price being paid by Maharashtra, the banks are not supporting. Even if you see all over, if these prices are not supportive, Government will have little option but to take some positive step so that arrears don't build up. What can be those positive steps? One is export, and two can be levy. And even on the ethanol front, the formula for connecting with the retail price in petrol is at its final lap and we feel that that should also positively impact us because that is a back dated revision.



Sanjaya Satapathy: Understood. And lastly on your debt level which because of the by back, etc., has stayed above Rs. 1000 crore and I understand that part of it is backed by your inventory. But do we see improvement in debt level this year

Vivek Saraogi: See it will all depend on the cash flow, we will have to wait for all these announcements to play out, I think next two weeks three weeks everything should get a lot more clearer on the cane price on the export front the impact of export etc, but we do hope that sugar division should not be in too much of problem where I am personally very hopeful on that court case and I do feel that the court announcements etc should happen the combination of these two should have a very positive impact.

Sanjaya Satapathy: Thanks.

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

Girish Achhipalia: Thanks. I have just three questions. Firstly on consumption over the last ISMA numbers the consumption has been de-growing actually so, I was wondering what's your perform that in a country like India where penetration is so low what exactly is happening the second thing is that you have said that U.P. specifically farmers actually moving towards fruits and vegetables what are your thoughts on farmers actually moving to other alternate crops and thirdly in terms of the overall crop what is your estimate of the Ratoon crop this season coming ahead thanks?

Vivek Saraogi: See this shift of fruit and vegetables is in areas which have proximity to cities. That is more Western U.P. than Eastern U.P. Secondly this consumption de-growth. See we did a ground level survey as well as sat down on the logic of the whole thing. There to our minds is no consumption de-growth. What has happened that in the era of imports; when imports happened and sugar was available at all ports throughout the Country what happened - if you see Calcutta I mean it's a big market and Bengal now there is a big market but if you have sugar at Haldia which is available in the JIT concept that the just in time inventory you want sugar today you buy it if you know in the morning in the evening in your shop. There was a lot of destocking in the inventory level in the pipeline. That destocking continues and people feel that production is there and hence you will not have, you will be in a small surplus era so, there is no reason for price to move up. So if you see that from the month of October till now there has been an increase in sugar price this itself will tell you that inventory levels are at a slightly tempered level. Hence when we move into an era of balances and where demand is a little higher maybe slightly higher than production or whatever you will see this stocking built up. So, I don't think



consumption has de-grown. I think if you see the tempered consumption level which tells you or gives you a feeling of de-growth it is because the pipeline stocks have been sold into the market.

Girish Achhipalia: Okay and then what's your sense on shift towards other crops? I mean is that something that you are also hearing on the ground or are expected to hear on the ground in terms of how the MSP for other crops are playing out?

Vivek Saraogi: I say it is going to be region wise.

Girish Achhipalia: Okay.

Vivek Saraogi: You make an overall impact in a statement on that is impossible.

Girish Achhipalia: Okay and what's your assessment on that ratoon crop this season?

Vivek Saraogi: See its going to be very difficult. All the yields ratoon as plants 90% of the year has been behaved similarly, because this all into the same off season weather.

Girish Achhipalia: Okay.

Vivek Saraogi: I will just explain. If you have planted crop in March April then your April to October weather, it is a ratoon crop or the plant crop they have got the same amount of sunshine same amount of rain. So, the crop behavior is usually the same on ratoon and plant.

Girish Achhipalia: Right okay, thank you.

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

Nirav Shah: Yes good afternoon sir. Few questions, although almost all have been answered. When should the recovery rate running to normal of around 10% for us because for the last two three season that recovery is stagnating around 9.3, 9.4 for us and for the industry around 9.1, 9.2.

Vivek Saraogi: In U.P. to be very honest that 10 coming back looks a little difficult to me as of now so, we are investing a lot of time and energy in cane development but that 10 plus era looks couple of years away to me but there has been a lot of change in the way the farmers behave. They want to cut their crop early- that way trying our very best we do hope that we have marginal



improvement this year but to take it to those 10 level I think couple of years is what I would look at.

Nirav Shah: This is a function of varieties change also it takes time.

Kishor Shah: Yes it takes time.

Nirav Shah: And any specific dates have you got in terms of reserving the cane issue?

Kishor Shah: The hearing is on 22nd November.

Nirav Shah: Okay and last question in terms of now we are hearing that U.P. being divided into four separate states any initial assessment from your side as to the impact on the industry?

Vivek Saraogi: We shall be happier to answer questions on sugar.

Nirav Shah: Fair enough that's it from my side thank you.

Moderator: Thank you. The next question is from Jehan Bhadha from Darashaw & Co. Please go ahead.

Jehan Bhadha: Good afternoon. Firstly we witnessed a rally of around 2, 2.50 rupees in sugar in the last six weeks sir what is the reason for this rally?

Vivek Saraogi: This is what I have been trying to explain from the beginning it is a function of destocking and restocking.

Jehan Bhadha: Okay right, secondly suppose if we were to assume that the Government allows 1 million tons of sugar exports by Jan 2012 what could be the impact on sugar prices are they are expected to rise even further?

Vivek Saraogi: Again it's going to be very difficult to predict all this but I feel that Government should be allowing more than 1 million by January.

Jehan Bhadha: Okay fine at current prices do you sense that all mills in the U.P. will break even at PAT level profit level?

Vivek Saraogi: I can't answer all mills and all is very difficult I don't know.

Jehan Bhadha: Yes if you take an average mill about 20,000-30,000 capacity.

Vivek Saraogi: We can try and answer questions for our self.



Jehan Bhadha: Okay fine so, I mean for yourself do you see or?

Vivek Saraogi: If you don't get any relief from the court at Rs. 240 and assume your cost is Rs. 240 then your sugar division will require Rs. 32 to breakeven and that is after interest depreciation everything and levy loss everything.

Jehan Bhadha: Okay thank you.

Moderator: Thank you. The next question is from Vikash Jain from CLSA. Please go ahead.

Vikash Jain: Few questions but firstly on levy price now there was an understanding that when we moved from the centre announced SMP to FRP levy price was more linked to it so, has the revisions been happening regularly I mean whenever I think two times FRP has been.

Vivek Saraogi: FRP is followed by price revision. if you know FRP goes up Rs. 6,7,8,10 so the levy sugar price goes up Rs. 70, 80, 100.

Vikash Jain: Yes correct so, what is the levy price that we have right now I mean?

Vivek Saraogi: Rs. 19.18. If you see FRP is revised six rupees this year.

Vikash Jain: Correct.

Vivek Saraogi: Consequently we hope for a Rs. 60 levy price revision.

Vikash Jain: The other thing was since we have been talking about destocking and restocking there were a few regulations which were imposed on holding of sugar by user industries when we had a tight situation two years back have all of them been taken and are all controls over so, has I mean this complete restocking possible right now or the regulation period of what was imposed still stays?

Vivek Saraogi: No I mean they have been diluted. They haven't been taken off. I will give you an example now the bulk users are allowed to keep 90 days inventory earlier it was 30 days. I checked up with one of the bulk users who were large buyer from us, he asked me the same question so, I turned down asked him how many days inventory do you have he said 5 days I mean this just this gives an indication of how low people are on inventory at the consumer level that is an example of destocking and restocking what I meant and the earlier level of inventory with any bulk user used to be one month.



Vikash Jain: One specific question on the financials the interest was gone up actually and I mean I see were to look at for this then they said the six months versus the previous year six months they are up about sharply about 45% or so. Since right now the crushing is also not there and what the numbers have been reported and our short term debt will go up when crushing is there what is your estimate that the fully year FY12 interest is likely to look like?

Kishor Shah: Rs. 120 Crore.

Vikash Jain: 120? I mean haven't we already done 70 for the first half Kishore?

Kishor Shah: Yes.

Vikash Jain: Okay so, still you are comfortable with more than 50 for the next two quarters?

Vivek Saraogi: Sugar division 120.

Vikash Jain: I so basically sugar division 120 I mean I am talking about what will show up in the income statement is there a forex impact which is there in that interest?

Vivek Saraogi: No.

Vikash Jain: Nothing because I think all of it is hedged right?

Vivek Saraogi: Yes.

Vikash Jain: Yes sure the other thing was now I mean this is the court case thing this is something which is not new it stayed there for last four five years firstly what is the status of all the previous court cases which were going on there were a few which went to the Supreme Court also and secondly what essentially should we look at this as I mean what are we trying to achieve by this would it be similar to what happened in FY-07 I think when prices were revised lower on an interim basis and how do you think this will pan out in terms of time lines they say if you could give me do answers?

Vivek Saraogi: The Supreme Court is hearing those cases of the older year that is with a view of their conflicting judgments on whether state has the power and referenced to larger bench so, they are very complicated and their cases are on in Supreme Court and High Court parallelly.

Vikash Jain: Okay and for this one I mean you are saying that the first hearing is on 22nd so, if I mean are we expecting some kind of what are we trying to achieve



by this case is it going to be hopefully we will get an interim judgment that we can start paying by this amount which is lower and then the case will be taken forward?

Vivek Saraogi: Usually, that's the way high courts give judgment.

Vikash Jain: Without final decision.

Vivek Saraogi: No even to the High Court gives the final decision let's say yes either party will move Supreme Court.

Vikash Jain: Okay but I mean this you expect the earliest some part of the initial judgment should come in over the next two three weeks?

Vivek Saraogi: Yes we hope.

Vikash Jain: All the best thank you.

Moderator: Thank you. The next question is from Ajay Nandanwar from UBS. Please go ahead.

Ajay Nandanwar: Good afternoon, I am just trying to get your view on what the different scenarios about how the cash flows would look this year. Depending on how the court case pans out in terms of both procurement of cane, payment to farmers and realizations.

Vivek Saraogi: As far as we are concerned depending on how things play out, our other two divisions are doing extremely well so we have no problems on that front. Sugar segment depends on what we have to pay for cane and what the sugar realizations are. We have to put assumptions of cane price, sugar price, exports, etc. All said and done, we do hope for the best.

Ajay Nandanwar: But can we sell all the inventory this year. As this year is also not a low sugar production year.

Vivek Saraogi: Inventory does carry on.

Kishor Shah: Like in the current year we are carrying inventory the last season's inventory.

Vivek Saraogi: So, you will manage to clear the whole inventory by December.

Kishor Shah: Normal is the 15 month inventory.



Vivek Saraogi: Yes exactly.

Ajay Nandanwar: Ok, I understand that. What I am asking is that what you will sell this year will you be able to sell more than what you produced. Because otherwise if you carry inventory, value of inventory will go up, I understand that, but from cash flow perspective is that helping.

Kishor Shah: But it is regulated by the release mechanism so we won't be able to sell more. Except if we decide to export.

Ajay Nandanwar: What are the different scenarios that can pan out as a result of the court case? Like given that you have crushing have already started, how does the court case impact your need to pay farmers or the time line to pay farmers?

Vivek Saraogi: It is very simple you have begun season and you have gone to court. So, whatever the court decides for this year will be the price.

Ajay Nandanwar: But you are paying farmer?

Vivek Saraogi: Season just began.

Kishor Shah: We have 15 days' time.

Vivek Saraogi: Exactly your first payment is due after 14 days.

Kishor Shah: So, we hope to have some visibility from the court.

Ajay Nandanwar: But yes at this point you are paying farmers.

Vivek Saraogi: As I said, you have a period of 14 days before you make the payment. We have begun one day back so, 14 days you still have in hand.

Kishor Shah: So first payment needs to be made sometime on 30th November or 01st December.

Ajay Nandanwar: Has the gap between prices in U.P. and Mumbai price gone up with this SAP price increase?

Vivek Saraogi: They keep moving depending on transport rate, the gap goes up or down 50 paisa here and there.

Ajay Nandanwar: Sir current sugar prices you will make something like Re. 1 EBIT loss per kg of sugar assuming last year's recovery rates.



Vivek Saraogi: On what cane price?

Ajay Nandanwar: On the current Rs. 240 cane price.

Vivek Saraogi: Possibly we are closer to Rs. 31 right now.

Ajay Nandanwar: So, you need Rs. 32.

Vivek Saraogi: Yes.

Ajay Nandanwar: How sympathetic is the Government with respect to the removal of levy quota?

Vivek Saraogi: It would be very sympathetic. I don't know about the action. All I am trying to say is that we have been representing this but in their mind I don't think the need would be greater seeing Maharashtra situation.

Ajay Nandanwar: Why is that?

Vivek Saraogi: Because if cash flows are starved with mills, and Maharashtra small mills have no integration, and if cash flow starves what do you do. This is a logical demand.

Ajay Nandanwar: Understood great okay thanks.

Moderator: Thank you. The next question is from Sanjay Manyal from ICICI Direct. Please go ahead.

Sanjay Manyal: I wanted to know what is your expectation of the distillery and the power volume this year? How much we would be able to sell?

Kishor Shah: Power should be 55 crore and distillery it should be 6.5 crore to 7 crore.

Sanjay Manyal: Okay and I think as asked previously also that right now you are you would be paying 2400 as per SAP.

Vivek Saraogi: As I said it depends on the outcome of the court case.

Sanjay Manyal: But until it comes then.

Kishor Shah: We have just began the crushing. Our first payment to the farmer will be sometime 30th November or 1st December. By this time if we have some visibility from the court, otherwise we will have to pay this.



Vivek Saraogi: But court will give an interim order either way before that. Either way before the 30th one can be reasonably sure of some direction from high court.

Sanjay Manyal: Okay, that's it. Thank you.

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

Kunal Vora: On the exports, how profitable are they at current levels and do you expect them to remain profitable through the year like if India exports about 2.5, 3 million tonnes?

Vivek Saraogi: I think yes. I do expect them to be profitable. It is very difficult to define right now.

Kunal Vora: Right now what is the gap?

Vivek Saraogi: Rs. 4.5 I think.

Kishor Shah: It is linked to the international prices and they are fluctuating on daily basis but then it's about Rs. 4 to Rs. 5.

Vivek Saraogi: The rupee-dollar is helping.

Kunal Vora: Okay and on FRP wise it lagging the increase in sugarcane price so much like is they only get increased with Rs. 6 this year any reason for that?

Vivek Saraogi: See this is the whole game between the Central Government and the State Government. The Central Government does not have to ensure that we will pay that price. The Central government price is for levy price fixation. So, the lower they keep the lower they have to pay us for levy. Having said that in 2012-13 they have declared 170 plus.

Kishor Shah: Yes for the next year that is 170.

Kunal Vora: Okay and any initial views on diversion for the year and sugar recovery?

Vivek Saraogi: Too early just too early.

Kunal Vora: Any CapEx plans this year?

Vivek Saraogi: No.



Kunal Vora: Okay thank you sir.

Moderator: Thank you. The next question is from Avinash Agarwal from Sundaram Mutual Fund. Please go ahead.

Avinash Agarwal: What is your view on the labor situation there? Do you think they have reached a situation where we need to use harvester?

Vivek Saraogi: No the labor is costing more but I don't think we are at harvester stage.

Avinash Agarwal: Okay it's still much better than what it is in South India.

Vivek Saraogi: Yes slightly better.

Avinash Agarwal: So, what would be the kind of inflation for the farmers in terms of if we can quantify it in terms of per tonne cost of cane according to you what would it be?

Vivek Saraogi: We won't have any visibility on that.

Avinash Agarwal: Okay thank you.

Moderator: Thank you. The next question is from Amnish Agarwal from Motilal Oswal please go ahead.

Amnish Agarwal: I have just one question you had recommended that ethanol prices will be linked to the petrol prices so, can you throw some more light on how the linking would be and what impact it would have on the pricing of ethanol and on the prices of other derivatives like ENA and rectified spirit.

Vivek Saraogi: That's a good question. See the contract we have signed with OMCs last year, the price of Rs. 27 is a provisional price. Which can be revised upward or downward as per the contract. Now the reference of the price was made to be expert panel headed by Dr. Sumitro Chaudhary in the Planning Commission. He has come out with his report and sent it where the linkage formula has been made by him. I cannot share that but there is a linkage that's all one is aware of. Basically having thumb rule if the Sumitro Chaudhary panel report is accepted it would be about Rs. 31. If this goes to Rs. 31 the second part is very interesting, your ENA and rectified spirit follows.

Amnish Agarwal: Yes okay and sir in that case if this is at Rs. 31 then what could be say the base price for ENA or rectified spirit in your view?



Vivek Saraogi: They would get to this level.

Amnish Agarwal: Okay thanks a lot.

Moderator: Thank you. The next question is from Trilok Agarwal from Birla Sunlife Insurance. Please go ahead.

Trilok Agarwal: Yes good afternoon, just missed on the distillery number that you have given for the year?

Vivek Saraogi: 7 crore.

Trilok Agarwal: I just wanted to ask that you have already mentioned in terms of this interim order to you will be given within the next some 15 days. I just wanted to say historically when we had got an interim order even then lot of arrears got built up in U.P. as well as across some parts of India. So, do you believe that kind of situation again recurring in this particular season?

Vivek Saraogi: Very difficult. If sugar prices follow then arrears may not built up. If the interim price comes a little lower in U.P. and if exports, etc., take sugar price to any reasonable level and allow it to sustain, you might not have huge arrears. See just take one example in India 2007-08 we produced 280 lakh tonnes of sugar and the cane price rate in U.P. was Rs. 110 this years. Last year and the year before that we paid Rs. 260-270, last year paid Rs. 205, today in farmer's mind it is Rs. 240 so, whatever the range as you can understand and you are looking at countries production at about 25.

Trilok Agarwal: And just for the interest probably everyone on the call could you just give a broad economics like what is the kind of return that the farmer would generate if assuming Rs. 240 is the price that you pay?

Vivek Saraogi: Again the costing is region wise. It is very difficult to give these figures at my level for the farmers.

Trilok Agarwal: Not even a ballpark figure.

Vivek Saraogi: I will just give you an example, you go to Western U.P., Punjab, Haryana. The land is far more fertile and it converts the fair higher price. You go to one part of Eastern U.P. it is lower you go to another part of Eastern U.P. it is higher so how can one comment.

Trilok Agarwal: Okay can you give the range what's the maximum what's the minimum let's say if I put that away.



Vivek Saraogi: I can guess that the costing is well below these figures. If you are asking about that cost then lot of bodies have come up in the region of Rs. 150.

Trilok Agarwal: Right. Fair enough. That was of help thanks very much.

Moderator: Thank you. The next question is from Sachin Kasera from Lucky Securities. Please go ahead.

Sachin Kasera: Yes sir you have mentioned the breakeven for the sugar is around Rs. 32 per Kg.

Vivek Saraogi: At 24 cane price.

Sachin Kasera: These estimates include what realization for the sugar division from sale of bagasse and molasses sir?

Kishor Shah: Rs. 400 bagasse per tonne and Rs. 200 for molasses per quintal.

Sachin Kasera: And what have been the same for the last 12 months?

Kishor Shah: Same.

Sachin Kasera: Okay thank you.

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

Achal Lohade: I just wanted to get your sense on the country's production I heard its 25 million tonne you just said to reply to a query. Is that the production you are expecting because what we are hearing from the news articles is that expecting about 26 million tonnes? Where do you see the difference is that in U.P. estimate or the Maharashtra production?

Vivek Saraogi: I repeat our association view, in which we also play a very active part in, is 26 million. Government estimate is 246 to 250 lakh tonnes. We are only trying to say that our personal view is it could be closer to 250 means it could be 251 instead of 260 as per the Government.

Achal Lohade: Right. As on 1st of October what could be the inventory on India level and what would be the inventory at the corporate level, the industry level.

Vivek Saraogi: The corporate level every factory you would have to get into very tough. India level- Government data says about 5.5.



Achal Lohade: Okay and consumption according to us would be about 22-23 million tonnes.

Vivek Saraogi: Yes.

Achal Lohade: Okay, second question company specific in terms of the yields. The cane crushing expectation what's the number for the current year and how much risk do you see through that number? Do you see a substantial risk and what is the current cane price being offered by the gur/khandsari guys?

Vivek Saraogi: Gur/khandsari right now the beginnings of region wise they are offering around Rs. 180 to 200 and projections, etc., we have just told you. Once the crushing start- you can only get a more accurate figure in December and January.

Achal Lohade: But we haven't seen any exceptional weather conditions and weather pattern?

Vivek Saraogi: No.

Achal Lohade: So, we can expect actually broadly similar yield.

Vivek Saraogi: Yes.

Achal Lohade: Alright. Thank you so much.

Moderator: Thank you. The next question is from Sunny Agarwal from Aditya Birla Money. Please go ahead.

Sunny Agarwal: What was our RA-ENA realization for September quarter and what is the current trend?

Kishor Shah: Realization for the quarter was Rs. 28.

Sunny Agarwal: Currently through being at the same level?

Vivek Saraogi: Yes around Rs. 29 50.

Sunny Agarwal: Okay and you have a target to repay Rs. 300 crore of debt this financial year. Now what is our target now for this? By March what will be our debt level long term?

Vivek Saraogi: We will repay all these whatever obligations are there because it will replace some liabilities.



Sunny Agarwal: Okay and what is the current ex-mill sugar realization?

Vivek Saraogi: About 30.5.

Sunny Agarwal: Okay sir thanks a lot.

Moderator: Thank you ladies and gentleman we will take one last question from Falguni Dutta from Jet Age Securities. Please go ahead.

Falguni Dutta: Just two questions. First is this transport cost per quintal for out center cane that would be how much correctly?

Vivek Saraogi: You are talking of the deduction we get or you are talking of the?

Falguni Dutta: The actual cost.

Vivek Saraogi: It again depends centre to centre but it allowed a deduction of Rs. 5.5-5.75 cost Rs. 11-12.

Kishor Shah: And we get a deduction of Rs. 5.75 per quintal .

Falguni Dutta: Okay and sir lastly what would be the cost for sugar alcohol and cogen considering this Rs. 240 per quintal price at the PBIT level for the next season?

Vivek Saraogi: So, we have told you about sugar.

Kishor Shah: Rs. 32.

Falguni Dutta: If we just don't take interest and we don't take the levy loss in that case.

Kishor Shah: Yes probably Pramod will work out in that.

Falguni Dutta: Okay fine and alcohol and cogen or should I take it altogether from him?

Kishor Shah: Yes.

Vivek Saraogi: I think you can do the sectoral.

Falguni Dutta: That's all from my side thank you.



Vivek Saraogi: Thank you.

Moderator: Thank you ladies and gentleman that was the last question. I would now like to hand over the conference back to the management for their final remarks.

Vivek Saraogi: Thank you so much for joining us and we will be very happy to answer any query you have during the next few months and thank you very much.

Moderator: Thank you on behalf of Balrampur Chini Mills Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.

- ENDS -

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