



Balrampur Chini Mills Limited

Q2 & H1 FY13 Results Investor/Analyst Conference Call Transcript November 8, 2012

Dipti Yadava

Good afternoon everyone, and thank you for joining us on Balrampur Chini Mills' Q2 & H1 FY2013 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, 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 like to 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 to discuss Balrampur Chini Mill's operating and financial performance for the second quarter and half year ended September 30, 2012.

Let us begin by discussing the latest developments in the sugar sector followed by a discussion on the performance of the Company. Kishor will then take you through our financial performance.

The most significant development in the sugar sector has been the recommendations, related to de-control, made by the Rangarajan Committee. The committee was set up in January this year and chaired by Dr. C Rangarajan, chairman of the Prime Minister's Economic Advisory Council. We believe that the recommendations have been made keeping in mind interest of all stakeholders thereby aspiring for inclusive growth that can be sustained over the long run.

We are extremely pleased to note that the Government is actively evaluating the suggested constructive measures that are aimed at providing a fair and rational playing field to all constituents including farmers, consumers and millers.

Coming to an update on the demand supply scenario in India; the sugar production in 2012-13 is estimated at around 23.5 - 24 million tonnes as compared to around 26 million tonnes in the previous sugar season. India's sugar consumption for 2012-13 on the other hand is forecasted at 22-23 million tonnes indicating a stable demand-supply scenario. The anticipated decline in production is mainly attributable to fall in cane acreage and yield following poor rains in key growing areas like Maharashtra and Karnataka. Further, owing to poor rains, Maharashtra also witnessed cane diversion to fodder. The combined production of these two states is expected to be lower at about 9 million tonnes as compared to 13 million tonnes during the last season.

On the other hand, UP witnessed good rainfall. In addition, there has been an increase in acreage; and yields are also expected to be higher. Resultantly, sugar production in UP is estimated to be around 7.6 million tonnes in 2012-13 season as compared to 6.9 million tonnes in 2011-12 season. Overall, this augurs well for BCML's operating environment as all our capacities are located in Eastern and Central UP.

Now I would like to briefly discuss the Company's performance during the quarter. We registered strong performance in the sugar division primarily driven by higher volumes combined with higher realizations. Free sugar realizations during the quarter stood at Rs. 34.3 per kg and current realizations are around Rs. 34.75 per kg. We anticipate sugar prices to remain at Rs. 34-35 levels in this fiscal, which should enable us to report better results going forward. The SAP of the State Government has not yet being announced.

During this quarter earnings from distillery business were good. Distillery business reported higher volumes, improving the operation leverage of business and thereby profitability. Going forward with higher cane crushing in the coming season we see higher raw material availability for distillery and cogen division which will enable segments to contribute healthy to the overall performance.

To end, I would like to say that the Company, with one of the country's finest integrated sugar operations and strongest balance

sheet, is well positioned to leverage the improving sector prospects. Higher volumes across all divisions and better realizations will facilitate improvement in overall performance in the coming quarters.

With this, I would now request Kishor to take you through some of the financial highlights.

Kishor Shah

I will now briefly take you all through the Company's operating and financial performance for Q2 & H1 FY2013. In Q2 FY2013, our revenues increased by 77% to Rs. 888 crore as compared to Q2 FY2012, primarily driven by higher volumes and improved realization from both the sugar and the distillery divisions. EBIDTA was higher at Rs. 121 crore as compared to Rs. 15 crore in Q2 FY2012. For Q2 FY2013, Net Profit was at Rs. 49 crore as compared to a loss of Rs. 39 crore in the corresponding period last year.

Moving on to the segmental performance – revenues for the sugar division at Rs. 824 crore, increased significantly by 75% during the quarter. This was achieved on the back of robust volumes growth at 51% and higher average realizations at Rs. 34 per kg as compared to Rs. 28 per kg in Q2 FY12.

Coming to our distillery division - volumes almost doubled while blended realizations remained stable enabling us to quote a top-line growth of ~100% during the quarter. In Q2 FY13, distillery sales stood at 21,337KL as compared to 10,178KL in the corresponding period last year. Blended realizations for the quarter under review stood at Rs. 27.55 per bulk liter. Moving in line with the increase in revenues, Q2 FY13 PBIT stood at Rs. 23 crore, marking a growth of 152% over Q2 FY12.

With regards to our cogeneration business during the quarter we reported higher sales volumes and realization, leading to a growth of 31% in the revenues at Rs.23 crore as compared to 18 crore in Q2 FY12. This being a non-production quarter volumes are low as compared to the crushing period quarter and the corresponding netted expenditure incurred usually results in moderation and profitability for the segment.

Realizations improved to Rs.4.13 per unit during the quarter. Going forward with the higher anticipated cane production we remain poised to leverage the opportunity through our integrated business model. Interest cost for this quarter stood at Rs.42 crore as compared to Rs.35 crore in the corresponding period. As on September 30, 2012

our long-term loan stood at Rs.661 crore, as on the date the long-term debt stands at Rs.599 crore and the working capital borrowing at Rs.200 crore.

As the scheduled debt repayments are made we will be able to reduce the debt equity ratio further from 0.53 as on September 30, 2012. A deleveraged balance sheet coupled with a strong sector prospects position us well to capitalize on the market opportunity. This brings me to the end of this discussion. We would now like to address any questions or queries you have in your minds. Thank you.

Moderator Thank you very much sir. We will now begin the question and answer session. We have the first question from the line of Nirav Shah from Antique Stock Broking Ltd., please go ahead.

Nirav Shah Few questions, firstly on the UP production front. The release mentions that the production in UP should be up about 10%, whereas the guidance that you are giving is close to 6.5% to 7% and even if we improve the recovery by say 10 to 15 bps still it is somewhere close to 8% growth in sugar production for us, so any particular reason why we will be growing slower than the industry growth?

Vivek Saraogi First of all let's understand - last year Balrampur, in our area, the crushing was pretty okay, we were higher than the UP growth. So we have an ideal crushing level and I think we will achieve it. See Balrampur's target for this year would be 9.2 crore quintals of crushing. That is probably the ideal level we want and we are going to get it and we were much higher last year. So we ran up to the summer month last year March end, 15th April is the ideal level and after which recoveries will start coming down. We will reach that completely ideal level of crushing.

Nirav Shah So, it is mainly because of the base effect kind of.

Vivek Saraogi Absolutely, base effect is the right word.

Nirav Shah And may be 10 - 15 bps improvement is a conservative estimate, improvement in recovery?

Vivek Saraogi Yes, it is conservative. We are hoping for better growth in recovery.

Nirav Shah Second question is on the distillery front. We are seeing that the realizations are almost flattish to down 1% on Y-o-Y basis but our

margin has improved significantly, any particular reasons for this improvement in margins?

Vivek Saraogi See, first of all the realization is up on Y-o-Y basis.

Nirav Shah It is 27.55 against 27.09.

Vivek Saraogi Yes that's for the six months but if we see an average of six months we are higher.

Kishor Shah This is primarily because of lower cost of production.

Vivek Saraogi Now, see the higher volume is the biggest play.

Kishor Shah If you look at this quarter we have sold almost 21,000 kiloliters compared to 10,000 kiloliters.

Vivek Saraogi I am just going to explain a little on the distillery. We have sold four crore plus in six months against three crore in the corresponding six months. So, when your production goes up your cost comes down and realizations are slightly better so now distillery's ability to work continuously and going ahead - let's understand why this happened. Last year, the first year we got a good crushing. So you had raw materials both based - for running distillery you need bagasse also, wherein in the off season you cannot run the distillery without power. So this combination effect will allow us to run power and distillery for the coming season in the most profitable fashion. It is cost effect plus realization effect.

Nirav Shah What is the working capital debt as of September 30, because as of date we have around Rs. 200 crore. Just a data bookkeeping question.

Kishor Shah As of 30th September the working capital was Rs. 584 crore and as on date is Rs. 200 crore.

Nirav Shah And on the inventory- are we carrying and what is the cost of inventory valuation?

Kishor Shah The inventory we are carrying 22.62 that is 2.26 lakh tonnes valued at Rs. 28.76 per kg.

Nirav Shah Will we be having the highest inventory as compared proportionate to the production in the country at this stage?

Vivek Saraogi It is very difficult to get that but yes it is evident that we are carrying better level of inventories than anyone else.

Nirav Shah How do we see molasses and bagasse prices in this season. Should they remain at these levels or slightly weak considering that the crushing is higher in UP?

Vivek Saraogi Because someone would need this data, we will not be selling molasses or bagasse.

Nirav Shah Yes, I am just talking from the industry, I mean UP.

Vivek Saraogi In UP, since we have a higher crushing and higher availability within UP, and a lower availability within the country so it should neutralize and hence prices should stay flat. But since we don't sell we are not sensitive.

Nirav Shah But will we buy they crack to increase the number of days for distillery?

Vivek Saraogi No, we do not buy also.

Moderator Thank you. The next question is from the line of Arya Sen from Jefferies India Pvt. Ltd., please go ahead.

Arya Sen What is happening on the Gur Khandsari front - do you have a sense of what they are paying the cane farmers?

Vivek Saraogi See in various areas Gur has started, they are paying from a range of Rs. 150 - 160 right up to Rs. 230 and this is the beginning of the season the farmers do not have an option yet, so when the mills start and the recovery improves because we will get into December when recovery will improve, I do see some diversion happening in the Western UP. So that's why UP's production we have kept at 10% higher, I do not see it is crossing that.

Arya Sen So, that includes some impact of higher drawal rate this year or what's your sense on drawal rate for the year? Drawal rate, the proportion of cane going to the mills as opposed to the unorganized sector?

Vivek Saraogi See, basically if 100 quintals of cane is cut in UP within certain percentage will go to the main, certain which goes to Gur, certain which goes for seeds. So all you can say is that there might be little diversion from the mill segment to the Gur segment.

Arya Sen But would that diversion be higher than last year or would that be lower?

Vivek Saraogi I do anticipate higher.

Arya Sen Also on the recovery rate when you talk about 10 to 15 bps improvement what is that on the back of that your sense based on the crop so far - the quality of the crop.

Vivek Saraogi Yes, quality of the crop, our initial testing etc, we do some hand mill testing.

Arya Sen Also you have announced that you are looking at acquiring the sick mill in Khalilabad - what's the rationale behind this and what is the payment that you will have to make?

Vivek Saraogi It's very difficult because the proposal would go through the operating agency to the BIFR etc so till we are able to make a full thing it is not proper to disclose. All we can say it's 2700 - 2800 tonnes running up unit with lot of potential, it is on the highway of Gorakhpur so there is an immense potential on the sugar selling, plus proximity to one of our units would help our model to go ahead and again it has potential for power and everything. Just an application made, we can't talk more than that now.

Arya Sen Can you just remind us of your volume guidance for sales of alcohol and power for this year FY13?

Vivek Saraogi Basically, what we are seeing on the power front, we should be able to sell 57 crore units which will be record in the company's history and we should be able to sell about 7.5 crore plus liters on the distillery front again which is going to be a record volume. So that's why we are going to put the double effect into place because having produced and sold so much of power your costing will collapse, your realizations are known, you are in a PPA, so you are going to get your full play there. And the distillery volumes as you have seen is lower costing so even at flat to marginally improved realizations we have seen that in six months on the operational level you have made more than double the profit you made last year on the distillery segment. So we feel very buoyant that with the volumes, cost impact of the volumes and realizations which might be flat to positive, we should see a really good year coming ahead and the current year from these two segments.

Arya Sen What is the blended sugar realization including levy sugar for this quarter as well as last quarter?

Vivek Saraogi We will let you know.

- Moderator** Thank you. The next question is from the line of Trilok Agarwal from Birla Sunlife Insurance, Investments and Treasury, please go ahead.
- Trilok Agarwal** Wanted to check if you could guide us what's the kind of SAP announcement we are expecting this particular year?
- Vivek Saraogi** It is a very difficult question. Let's understand what the rate is today, Rs. 240 is the rate for the general variety, Rs. 250 is the rate for the early variety - so that's where we stand today. So, we do not know, within a week, before 15th November.
- Trilok Agarwal** I just want to also understand till what level you will be comfortable and beyond which level would you be kind of not making great profits next year?
- Vivek Saraogi** See I will tell you only one thing that in my opening remarks we have said that 9 million could be the combination for Maharashtra, Karnataka versus 13 million, hence a dip of 4 million. Now, we are saying UP would make up 7 lakh tonnes, some parts would make up 2, 3, 4 lakhs tonnes so India looks like 230 - 235 versus consumption of the same level, so all I can say is that the price projection for sugar is good. See, there is a certain plant for the Adsali planting in Maharashtra, you know Maharashtra has 16 months crops, so you had this plantation which is already lower. So even if I look at Maharashtra going into 13 - 14, we do not see much growth in production there. You can have a two-year look at the sector and say that the period of excess is not to play out in the next two years. We are just keeping that in mind, I am very positive sugar prices on a gradual level, let's understand, so it is going to have a buoyant tendency right up to next two years in my mind.
- Moderator** Thank you. The next question is from the line of Satish Mishra from HDFC Securities, please go ahead.
- Satish Mishra** Just to get an idea on the SS14 sowing, which you were just talking. This Maharashtra July sowing I believe is not more than 15% - 20% of the total, right?
- Vivek Saraogi** About 20%.
- Satish Mishra** So, for another 80% with the lead good monsoon in September and reservoirs' levels are also at a decent level so what's your sense for another 80%?
- Vivek Saraogi** I have indication on the Adsali the 20% is lower, let's say 20% planting which was to be done has not been 20% but 14% - 15%. So

you already know that the trend is lower. Now as you are going to next year you already have a Ratoon plant combination which is not in favor. If planting is lower the Ratoon will be lower for the next year. So, one does not know much but all I said is the indications at hand are that SS13-14 might not be surplus, SS12-13 is not surplus, nobody can tell you about SS13-14. But all I am saying is that the indications at hand say that SS13-14 might not be surplus again.

Satish Mishra How is the arrears situation for the industry vis-à-vis last year September ending?

Vivek Saraogi Zero arrears. I mean might be one or two here there but no major.

Kishor Shah And some cooperative sector players – otherwise nothing.

Vivek Saraogi One or two small private, so nothing serious.

Satish Mishra Another question on our cogeneration business. We do 100% sales through state grid right, so though there is a very marginal decrease but still why there is Q-on-Q decrease in the realization, like last quarter it was 4.21 this time it is 4.13, so State Grid realization should be same.

Vivek Saraogi Because over the year you see the difference might not be there, we have about six, seven, eight plants which sell, which all have differential rates based on the date of the PPA. So you know 5 – 10 paisa varies based on which plant ran and which did not.

Satish Mishra What is the nature of this agreement say there is an increase in the State Grid power prices, so we will immediately get benefit or is there any time clause?

Vivek Saraogi No, we are in a PPA which is not linked to the grid pricing.

Kishor Shah There is an escalation clause 2% every year.

Vivek Saraogi But the next PPA tariff fixation is to happen in 2014.

Moderator Thank you. The next question is from the line of Girish Achhipalia from Morgan Stanley India Co. Pvt. Ltd., please go ahead.

Girish Achhipalia On alcohol bit you guided for about 7.5 crore, so it is quite a sizable jump, so if you could just explain if you are not buying molasses, how is it happening - that's the first question?

- Vivek Saraogi** See basically, last year you crushed 8 crore plus, 8.6 - so you had molasses - you had bagasse. So you are able to do that and next year you are going to crush 9.2 in the company, so again you will have a combination of that. So March 2013 might be 7.5, March 2014 might be above 8 it will be 8.2 – 8.3.
- Girish Achhipalia** If you can remind me the opening inventory for molasses?
- Kishor Shah** Basically, it depends on the crushing there in the season, this year molasses available for manufacturing 7.5 crore this year.
- Vivek Saraogi** 7.5 this year. Next year, 8 plus.
- Girish Achhipalia** In terms of levy price, it is currently 19.75 just to clarify or is it higher than that now?
- Vivek Saraogi** No, it is 19.74 and because of the revision in FRP, for the next season it would be above 22.
- Girish Achhipalia** And just finally on the long-term debt repayment - how much of it is due in the next six months that we are going to report for FY13?
- Kishor Shah** Debt repayment in the next 12 months is Rs.314 crore from today.
- Girish Achhipalia** Rs. 314 out of the Rs. 600 crore of long-term debt right.
- Vivek Saraogi** Yes.
- Moderator** Thank you. The next question is from the line of Vinki Rangan from Brilliant Securities, please go ahead.
- Vinki Rangan** Rangarajan committee - what are the two things you would like to because they will give only in bits and pieces. The levy sugar abolition and releases, which one you feel comfortable?
- Vivek Saraogi** See, I see levy sugar abolition from the industry. Levy sugar buying from the industry at this price and the releases, this part is very doable and one is getting more and more of a sense that the government is very seriously looking at doing away with these two.
- Vinki Rangan** Actually you know the government always gives bits and pieces only not the entire thing. So, we would like to know because which will be more beneficial to the company; what is the recovery percentage as of now; another sugarcane unit you are going to acquire whether this is scalable - I mean the volume level and what are the losses as of today and as you see the interest portion for the half year has

increased from Rs. 76 crore to Rs. 95 crore and naturally the depreciation has been remained in the stands so there is no increase in the fixed asset this year. I feel, so why the increase in the interest cost Rs. 76 crore to Rs. 95 crore. The third question, net profit, the current half year you have made about Rs. 30.83 crore against a loss of Rs. 59 crore and last whole year you have made this Rs. 6.6 crore profit, that means current year at least you will make Rs. 90 crore?

- Vivek Saraogi** See, about interest cost, the fact that we were able to hold on to stocks is the fact the company made this profit and has a good amount of inventory still most of which is being sold now. So, hence the interest cost has been higher by Rs. 18 crore – Rs. 20 crore but that is resulting in a much larger profitability.
- Kishor Shah** It is primarily on account of the working capital requirements.
- Vinki Rangan** The fixed assets there is no increase and the third year net profit, another unit which we are going to acquire and what are the basis, we have got heavy losses there in that so that will give the tax benefit or how is this scalable I am talking about 5000 CCD?
- Vivek Saraogi** Yes you are right, both these points would be in favor. Without scalability there was no point of touching it. So there is scalability and there would be whatever you said more than that till we disclose or get more data we would not like to discuss.
- Vinki Rangan** I agree with you, because the net profit about half year you made about Rs. 30.83 in the current half year and against last year's Rs. 59 crore but the whole year last year made Rs. 6 crore that means Rs. 59 crore has been wiped out and made RS. 6 crore the whole year so the second half we will be making about at least Rs. 60 crore and the prices remaining the same and at least Rs. 90 crore you will make roughly?
- Vivek Saraogi** That's not the right way to look at it, the right way to look at it is that we have much better six months ahead because six months naked costing has been absorbed and in the next six months if you see, last year we also did Rs. 92 crore onetime provisioning for that Supreme Court Order.
- Vinki Rangan** All told, I felt it will be much better than what I estimated.
- Kishor Shah** In the fixed assets because there was hardly any expansion or addition of that.
- Vivek Saraogi** Yes that's why depreciation is constant.

Vinki Rangan There is no fixed asset addition this year correct?

Vivek Saraogi No.

Moderator Thank you. Next question is from the line of Achal Lohade from JM Financial Institutional Securities, please go ahead.

Achal Lohade On the industry side the number which is being talked about is about 23 to 23.5 million tones, is there any upside risk to this number and what is the assumption actually for the yield and the recovery rate that is being assumed for UP and Maharashtra according to you.

Vivek Saraogi It is impossible at the beginning of the season to get into so much detailing. But all I can say is that the band would be 23 to 24 in my mind. However the crushing in Maharashtra has also begun, the recovery in yields in Maharashtra reported to be bit lower only. So it is very difficult to say with absolute surety but this is the band one would look at.

Achal Lohade For December and March quarter I think inventory valuation does impact the profitability so would you be able to give some more clarity as to how the inventory is valued on a quarterly basis?

Vivek Saraogi Right now the stocks we are having is valued at 28.76, now this is the inventory which we are carrying and would sell it in this quarter. If we go into the new season - after the cane price whatever is the cost assuming everything is crushed by March just for simplicity sake you would have the costing of next season. So, one does not know the cane price so I can't give.

Kishor Shah One cannot say the valuation on the quarterly basis, because we don't know the cane price here.

Vivek Saraogi So, you should see the valuation on 31st March because then you would have had the impact of almost the full season.

Kishor Shah Yes that's a yearly valuation.

Achal Lohade What I was asking actually you know the other cost which is repairs and maintenance, I believe it is first expensed and then it is considered in the inventory valuation during the season?

Vivek Saraogi We do not amortize cost as many other companies do. We have booked all the cost incurred in the six months be it almost all the repair, salary everything has been fully booked. So, now you will

have production and those costs which are booked has already been accounted for in the results.

Kishor Shah It is a standard costing method because of that we cannot estimate the right kind of production for the season and for the year that's why we do not follow the standard costing.

Achal Lohade Understood and secondly, in terms of the UP sugar promotion policy have you heard anything about it and what is the revenue or the income which is booked under this head for the quarter or for the half year.

Vivek Saraogi This is under consideration and we are having continuous dialogues. We are hopeful but until something transpires it is very difficult to say anything but yes one is definitely more hopeful than in the past.

Achal Lohade I think there was some litigation which was going on has that been withdrawn or it is still out there in the Court?

Vivek Saraogi No, the litigation is on and if you see any case on Promissory Estoppel till date all Supreme Court Orders etc on Promissory Estoppel it is always been granted. Having said that one cannot say much more than this.

Moderator Thank you. The next question is from the line of Abhilasha Satale from Techno Shares & Stocks Ltd., please go ahead.

Abhilasha Satale Actually my question is also pertaining to the cost of production. Last quarter you were holding an inventory of around 4.66 lakh tonnes valued at similar cost of around 28,670 and during the quarter when I calculate my cost of production- it is coming to around 31.2 per kg, so I mean what is the cost included in addition to those inventories I just wanted to reconcile the same?

Vivek Saraogi There was no production during the quarter, so hence the inventory valuation remains the same. So what was carried forward in June the same cost is carried forward in the month of September. So there is no new production during the quarter.

Abhilasha Satale Yes, but then inventory valuation and actual cost of production then why it is varying?

Kishor Shah Basically, what's happening that this inventory is coming from auditors figure as on 31st March, 2012. So this is not subject to revision - the portion of this if you look at this difference 28,670 to 28,760 is the marginal because there was a little production in the

month of April. Audited figures are not subject to revision, we cannot tinker with those figures. Therefore we are carrying with the same cost.

Moderator Thank you. The next question is from the line of Sunil Jain from Nirmal Bang Securities Ltd., please go ahead.

Sunil Jain My question mainly relates to the industry - can you guide us if suppose the international prices are under pressure and how could it impact Indian prices if suppose they are imported over here, what could be the landed cost over here?

Vivek Saraogi See raw sugar imported there is 10% duty plus there is a provision of releases and levy 10%. It depends when you import, what time you sell, however, the cost of that or the levy impact should not be below 35, net landed production cost.

Sunil Jain If suppose at current sugar prices, international prices, the landed cost should be around Rs.35.

Vivek Saraogi Yes, after paying duty.

Kishor Shah After paying duty and including the refining volume.

Vivek Saraogi Production cost of refinery - ready for selling.

Sunil Jain And if suppose the prices further come down then there is a possibility that it could put some pressure on the Indian prices though current point of time it may not have some more impact.

Kishor Shah It depends vis-à-vis the domestic sugar prices.

Vivek Saraogi See, let me just explain a little on how the domestic prices I see playing out. When you get into production time like you are getting after Diwali let's say after 20th November. You do have some downward pressure on the sugar price domestically and as the season starts tapering off which is after February when Maharashtra probably would start shutting down, then the price starts picking up. Then you have the next round of pricing when you see June - July and '13 - '14 sugar production estimates. So based on these parameters domestic sugar price will play out. The base has definitely changed. The Rs.29 pricing the base is changed. Even if I see a dip right now and the price is closer to Rs. 35 right now might come down to Rs. 33 and even our refining cost of Rs. 35 and domestic price projection of next three months of Rs. 33 - still there is a gap.

Sunil Jain And second question was related to your data question that inventory what you had said that you are holding is 2.26 lakh tonnes.

Vivek Saraogi Yes.

Sunil Jain And the price is Rs. 28.76, and this Rs. 28.76 is your cost for both levy and non-levy.

Vivek Saraogi No, levy is carried at levy price.

Sunil Jain This is for free sugar what we are talking.

Vivek Saraogi Absolutely.

Sunil Jain And these 2.26 includes levy sugar or not.

Vivek Saraogi That includes levy.

Moderator Thank you. The next question is from the line of Sunny Agarwal from Aditya Birla Money, please go ahead.

Sunny Agarwal My question is on distillery front, just want to know what is the current realization of ENA and RS?

Vivek Saraogi Yes, it is above Rs. 32.

Sunny Agarwal So, just want to know, are we strategically committing more to ethanol rather than selling RS ENA - why our realization is not increasing above Rs. 27 - 28, I think interim price for ethanol is right now Rs. 27 - so your thoughts on that?

Vivek Saraogi Yes, there are some Accounting Standards for excise duty and all. There is some impact of that but we are selling quantities in all three.

Moderator Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings Pvt. Ltd., please go ahead.

Bhavin Chheda How much was the levy volume sold in the quarter and what was the blended sugar realization, I think earlier someone asked, you were suppose to get back on that.

Vivek Saraogi Yes, blended realization Rs. 33.25.

Bhavin Chheda And levy volumes would be closed to 8% of sales volume?

Vivek Saraogi Yes, around that, it depends if some releases come and are picked up later, so it's around the level you said.

Bhavin Chheda And in case of the closing inventory, in that how much levy obligation would be pending?

Vivek Saraogi It is about 8%.

Bhavin Chheda I missed out on the total debt and the working capital debt figure as on September 30, how much was that?

Kishor Shah Short term was Rs. 584 crore, term loans were Rs. 661 crore.

Bhavin Chheda And you just said that currently working capital is 200 crore.

Kishor Shah That is right.

Moderator Thank you. We have the next question from the line of Aman Sonthalia from Suvridhi Capital Market, please go ahead.

Aman Sonthalia What is the price outlook of ethanol?

Vivek Saraogi You see this is under revision, the finalization has not yet happened, there is a talk of mandating 5% compulsory, so we are still waiting for that. This 27 if at all can go up, it can't come down. That's all I think we are right now.

Aman Sonthalia And what is the saturation production of UP because every year the production cannot go up so there is definitely a saturation stage from where the UP production cannot increase. So as per your views, what is the saturation stage?

Vivek Saraogi If I see the Western UP and lot of urbanization in Faridabad, Gurgaon, Meerut and all those areas, I think we are close to the saturation point of 8 million is not easy to cross in UP.

Aman Sonthalia What is the amount of alcohol and power export to happen in this current year?

Vivek Saraogi We had said we are expected to do 57 crore unit selling of power and about 7.5 crore liters of alcohol.

Moderator Thank you. We have the next question from the line of Sunny Agarwal from Aditya Birla Money, please go ahead.

Sunny Agarwal Are we holding any molasses inventory?

Vivek Saraogi 4.5 lakhs quintals.

Moderator Thank you. The next question is from the line of Arun Baid from IDBI Capital Market Services Ltd., please go ahead.

Arun Baid Just wanted to understand the imported cost of raw sugar, I was seeing the next available contract is at about 18.95 cents, now if convert that into rupee-dollar rate pre-import duty it comes at about Rs. 25.26 including the transport cost of \$50. Now, if I put 10% import duty on it which has been evaded by saying that I will re-export in next three years but assuming that I take that clause also and the cost of conversation of about Rs.3 a kilo my costing comes to about Rs.28 – Rs.29 and assuming a levy price of Rs.22 my net realization is about Rs. 32.8 so there is still a huge gap between the import price and the domestic price so don't you think import will pick up because of this.

Vivek Saraogi See first of all I think the entire costing with refining will not be as low as you are saying.

Arun Baid I have the numbers, if I convert 18.95 cents the conversion is 22.046 and \$50 is roughly the transportation cost, so landed cost comes to about \$467 and assuming a rupee-dollar rate of 54 it comes to Rs.25.26 and a conversion cost which used to be Rs.2 when last year we used to do but assuming when Rs.3 comes at Rs.28.26 per kg and if I take that sugar current market price of 35, I am taking 34 in my numbers and levy sugar Rs.22 which you just guided for, the net realization comes at Rs.32.80.

Vivek Saraogi First of all you have just done transport plus the rate there. There is at least \$30 - \$40 stevedoring charge, port charge, LC charge, transportation charge port through the refiner.

Arun Baid Yes, there are lot of refineries based to the port.

Vivek Saraogi Yes, but there is still cost and there is refining loss that is a certain percentage.

Arun Baid That's why I have taken Rs.3 for that because earlier in 2009 – 2010 when we had the same shortage issue I remembered most of the company is guiding between Rs.1.70 to Rs.2 including that loss which used to be there. So, I have assumed Rs.3, I have assumed Rs.1 extra for other charges also in my number that Rs.28.26 might be Rs.29 or may be Rs.30.

Vivek Saraogi It will be Rs.30 and 10% import duty makes it Rs.33.

Arun Baid No, if I try to say that in my numbers because I can have a re-export obligation in three years.

Vivek Saraogi Then let me correct you there is no tonne-to-tonne allowed right now, it is grain-to-grain which means you cannot sell into the domestic market and export three years later. Either you are required to clear under an advance, which means you import and re-export the same grain, that's called grain-to-grain or you can clear under 10% duty provision. If you want to sell in to India you have to clear under 10% duty provision. That itself is going to be Rs.3 plus there is going to be levy impact, plus you have sell as per releases.

Arun Baid Yes, the levy thing right now is still debatable, the pricing on that, that is what one of your competitors in the previous con call said. So even if I assume that 10% import duty I still get a price of roughly Rs.30.50 assuming a rupee difference from my number that's Rs. 31.50. That's still a sizable number. What I am trying to hint that is that if you are assuming that sugar price will go up and everybody else is doing the same assumption, why shouldn't I import in the sense pre-book it where international prices will go up logically right if India is going to have a number which is very high in the domestic market prices, people will do forward-booking for the next March series contract also. So what I am trying to indicate is if the sugar price goes up from here or it stays even at these levels, logically there will be a hoopla in the market and imports might happen and it makes lot of sense because you are still making 7% to 8% as an importer without much hiccup. Don't you think that it is possible?

Vivek Saraogi I am not saying that it is impossible, I am just trying to put a few more figures to it. First of all the March contract is at a premium to 18.95.

Arun Baid I am just seeing it right now March is 18.95, May is 19.08 and July is 19.15 cents.

Vivek Saraogi There is a premium as you go forward.

Arun Baid That's for May, yes.

Vivek Saraogi And you pre-book it and you pay the interest costs you have to look at the interest cost, you have take at least \$20 on your cost on the port.

Arun Baid That's about a rupee if I assume a \$20 impact.

- Vivek Saraogi** It is not going to be below 33 and with the levy impact definitely about 33.5. If you add some interest cost which you have not taken you will cross 34 and therefore if you were to sell this sugar and take that risk on the current price you also have to obey releases which means the sugar you bring in, you add six months interest to it.
- Arun Baid** Right, it means that assumption difference can be with regards to interest but regards to other costing I think these were the numbers even last time in 2009 - 2010 when we discussed. These were broadly the numbers even you were saying that time about that costing because that time you were thinking of importing like rest of the players. So I am just going by history. I don't have the recent conversion ones. And one of your competitors is selling in Haldia by importing right now.
- Vivek Saraogi** Yes, Haldia is being sold but Haldia is not being sold in a big way. It is sold, but our information is that Maharashtra raw sugar was bought and is being refined in Haldia and sold.
- Arun Baid** But because the guidance from one of your competitors was that in case of one of the Gujarat refineries is going to run at full capacity because exports makes sense but he was doing in Haldia and looks very likely with the assumption of Rs.33 - Rs.35 I still feel that there can be a significant import if those prices stay, at least the international market prices are very favorable right now.
- Vivek Saraogi** Let's say your assumption is right and one refinery in Haldia can do it. It is over the year 5 lakh tonnes - for the full year.
- Arun Baid** So there are other Maharashtra based players who can also import because they have the capacity to do the refinery?
- Vivek Saraogi** Those costs are not the Haldia cost, they are much higher.
- Arun Baid** Haldia is the most efficient one, but I am assuming Rs.3 kilo because of that.
- Vivek Saraogi** Yes, Haldia Rs.3. If Maharashtra Refinery has to do it, it will be much more.
- Arun Baid** No, Haldia I am not assuming Rs.3. I am generally assuming Rs.3 for the entire one. Haldia will be cheaper because that is supposedly the best. As I said to you last time, the assumption was between Rs.1.70 to Rs.2 a kilo.

- Vivek Saraogi** You will have to ask the refiners who do it, I cannot give more light in that.
- Moderator** Thank you. The next question is from the line of Aman Sonthalia from Suvridhi Capital Market, please go ahead.
- Aman Sonthalia** What is the actual consumption of the country, because for the last four – five years I am seeing the same consumption we are giving in the presentation it is around 22 million tonnes. So, there is any growth or the figures are not correct?
- Vivek Saraogi** I think there is growth, the consumption is about 23 to my imagination and this growth is visible in the fact that you saw this move from June price of Rs. 29 to Rs. 36. So if there is no consumption growth, I do not think sugar has been hoarded anywhere, it has been consumed and as we go ahead I see a good growth in consumption.
- Aman Sonthalia** And as per your idea what is the actual growth year-on-year basis?
- Vivek Saraogi** 3% to 5%.
- Aman Sonthalia** And one of my friend was asking about this raw sugar import. I think he is not aware that the prices in Maharashtra are Rs. 2 lower than the UP and where actually the costing is bit higher in Maharashtra because of this Rs. 2 realization less in Maharashtra.
- Vivek Saraogi** You are right, price in Maharashtra and UP differ by Rs.2.
- Aman Sonthalia** So, this will make it uncompetitive for them to import raw sugar.
- Vivek Saraogi** Thank you so much. We would like to thank all the participants for joining us and in case of any further queries Pramod, Kishor, me all of us are available.

- ENDS -

This is a transcription and may contain transcription errors. The Company takes no responsibility for such errors, although an effort has been made to ensure high level of accuracy.