



Balrampur Chini Mills

Q2 & H1FY16 Earnings Conference Call Transcript

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Karl Kolah

Good evening everyone and thank you for joining us on Balrampur Chini Mills Q2 and H1 FY16 results conference call. We have with us today Mr. Vivek Saraogi – Managing Director of Balrampur Chini Mills, Mr. Kishor Shah – Director & CFO and Mr. Pramod Patwari – General Manager, Finance of the Company.

Before we begin this call, I would like to point out that some statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the results presentation shared earlier.

We would 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, over to you Vivek.

Vivek Saraogi

Thank you and welcome to all. Let me begin the call by giving you an update on the latest developments on the sugar sector following which I would request Kishor to take you through the Company's highlights for the quarter.

The Country's production for the accompanying season is estimated to be lower at about 26.5 million tonnes from 28 million tonnes last year. UP is estimated to produce about 7.3 to 7.5 million tonnes. Maharashtra and Karnataka are expected to do a lower production on account of poor monsoons. Maharashtra is estimated to drop to about 8.5 million tonnes from 10.5 million tonnes and Karnataka is expected to drop to 4.6 million tonnes from about 4.9 million tonnes.

Let me take you through some of the initiatives which the Central Government has done. The Government had earlier approved soft loans for Rs.6000 crore. The Government is continuing to incentivize Ethanol blending. The OMCs have already floated tender for 266 crore liters for 10% blending. Almost 110 crore worth of contracts have been finalized. The Government has also clarified that the ethanol produced on new molasses would get full benefit of excise duty remission which means the mills would get about Rs. 5 more for every liter of ethanol they supply probably from 1st of January or from the new molasses whichever the case maybe in whichever Company. This is for this year. The Government has also announced export quota and they have called it MIEQ, Minimum Indicative Export Quota for the 4 million tonnes and had apportioned it amongst all the mills.



As you would have all read from the newspapers that the Government is looking at picking up some of the liability or pay some money to the farmers directly in the year which is to come that is the 2015-16 crushing season. So this would help lower the FRP liability, however, mills would have to do their exports. The improvement in the global prices as well as the little lower projection of production has led to a revival in the sugar price which was really low at Rs.22-23 per kg and the prices in North India are about Rs.27.5 per kg now.

Globally the markets have rallied and the sugar prices crossed 15 cents from a low of about 10 cents. There currently is a surplus globally at present however the people are looking at a deficit based on China, Brazil, and maybe India.

So to conclude we welcome the Central Government's steps to help resolve the problems faced by the industry and the farmer. UP Government is also looking to fix cane price. As we have seen last year the price for the farmer would remain at 280 per quintal. I am pretty hopeful that since Central Government is going to pick up a part of the FRP liability I don't see any reason for UP government not to pay what it did last year and we look forward to some further assistance from them. As you are all aware there was some basic benchmark fixed last year and UP Government did adhere to its promise of paying off whatever it promised and we hope that some kind of a further refinement of the benchmarking formula should happen for the current year also. So with this we are cautiously optimistic as we move into next year.

I would now request Kishor to take you through some of the highlights.

Kishor Shah

Thank you sir. I will now briefly take you through the Company's operating and the financial performance for the quarter under review.

Overall revenues for the quarter stood at Rs. 501 crore as compared to 683 crore in Q2 FY15. The company reported a loss of Rs. 14 crore in current quarter as compared to a loss of Rs. 64 crore in the corresponding period last year.

Revenues from the sugar segment stood at Rs. 453 crore in Q2 as compared to Rs. 595 crore in the corresponding previous quarter. The segment reported a PBIT loss of Rs. 14 crore as compared to a loss of Rs. 64 crore in the corresponding quarter last year. During the quarter sales volumes were at 17.19 lakh quintals as against 18.81 lakh quintals in the last year. Realizations for the quarter stood at Rs. 24.28 per kg as compared to Rs. 30.97 per kg last year. As on September 30th 2015 sugar and inventory was 24.28 lakh quintal valued at Rs. 25.39 per kg.

Coming to the performance of our allied business – During the quarter revenue from the distillery division stood at Rs. 72 crore, PBIT by Rs. 32 crore in Q2 FY16 as compared to Rs. 44 crore in Q2 FY15. RS and ENA sales volumes for the quarter were at 3,387 KL as compared to 17,504 KL in Q2 last year. Ethanol sales were higher at 14,572 KL in the current quarter as compared to 5,076 KL in the corresponding quarter last year. Average blended realizations in Q2 FY16 were higher at Rs. 39.01 per liter compared to Rs. 36.86 per liter last year.

Cogeneration revenues in Q2 FY16 stood at Rs. 14 crore as compared to 18 crore in the last year. Sales during the quarter were at 1.45 core units as compared to 3.4 core units in Q2 FY16. Average realizations in Q2 FY16 were higher at Rs. 4.6 per unit versus Rs. 4.25 in Q2 last year. The segment reported a PBIT loss of Rs. 7 crore as compared to a loss of Rs. 9 crore in the corresponding quarter last year.



Interest costs for the quarter were lower at Rs. 20 crore as compared to Rs. 28 crore in corresponding period last year. As on 30th September, 2015 the Company's long term debt stood at Rs. 651 crore leading to a long-term debt equity ratio of 0.62.

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

Moderator

Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Jignesh Surti from CRISIL Research. Please go ahead.

Jignesh Surti

My question is pertaining to the SAP for the next year. What is your outlook? Do you expect the SAP to be higher or lower or same as compared to last year?

Vivek Saraogi

The farmer would continue to get Rs. 280 per quintal there is no question of any increase there. However, if you saw last year the industry got Rs. 40 per quintal by way of Rs. 28.60 per quintal cash from the Government and Rs. 11.40 per quintal taxes waiver. So I personally don't see us getting a lower sort of support from the Government which is minimum Rs. 40 per quintal. However I do expect that since there has been such a huge loss, etc., we will be requesting for something more and to clarify the linkage formula more, benchmarking to prices, sugar price versus cane price. That is our hope. However, certainty in our mind the relief will not come down.

Jignesh Surti

One more thing, we have recently heard that Government is planning for direct cash subsidy to the cane farmers. Can you just explain how is it going to help millers?

Vivek Saraogi

Let us now put the State Government aside. The Central Government has put out an export quota for everybody. Since FRP was raised current year from 220 per quintal to 230 per quintal, the Central Government has understood that basically this rise is not palatable because the sugar prices have recovered now but are still way below the costing level and the Government in its wisdom would decide to pay part of that liability, papers or somebody is saying Rs. 4 a quintal, somebody is saying Rs. 5 a quintal directly to the farmer. Now therefore my liability if I get Rs. 40 per quintal from the State, 40 or whatever, additional Rs. 5 per quintal I will get from Center. So if I have to pay let's say Rs. 280 per quintal, Rs. 40 per quintal will come from State, Rs. 5 per quintal will come from Center. I am assuming that straightaway its Rs. 5 per quintal not more whatever. However, State would have a benchmark, if prices cross Rs. 30 per kg you will get less, you have got Rs. 29 per kg whatever as per the last year scheme. But I am happy that the State honored its agreement last year even though they had to fork out a lot of money and we are able to, in our dialogues benchmark the pricing method with them. So I hope to achieve some more success there.

Jignesh Surti

So this Rs. 5 per quintal that we just assume is over and above the Rs. 40 per quintal benefit from the State Government.

Vivek Saraogi

That is what I am trying to clarify. Because the Centre has asked you to undergo certain obligations and certain directive and has raised the FRP, the raise for FRP was decided by CACP a year back. At that point of time this meltdown in sugar prices were neither foreseen nor anyone would imagine.



Jignesh Surti My last question is pertaining to molasses. Will Company be able to produce molasses through B molasses route, will it be viable for players?

Vivek Saraogi Before anybody asks I would like to clarify, if you see the volume for distillery and power has been lower till now. As we had informed last quarter, we are going in for this incineration zero discharge, so currently we have kept back bagasse and molasses. One of our plants is in the process of undergoing commissioning with this technology and we hope to begin that by end November. So we would have our volumes higher later in this year itself. Going forward next year assume we sell about 7.2 crore liters of ethanol/spirit this year, we definitely look forward to selling more than 9 crore next year, we are preparing for that and conserving bagasse, molasses for that.

Jignesh Surti So it will not be viable or players to go to B molasses route.

Vivek Saraogi No. Not in U.P. at least.

Jignesh Surti What do you expect in the prices part, sugar prices versus ethanol, I mean which one will be more viable?

Vivek Saraogi Only looks to to be viable if you are in the coastal area. In UP prices of cane are higher than Maharashtra and everybody has the same ethanol price. So if ever the B-heavy molasses could be done in Maharashtra and of Karnataka, not in UP.

Moderator Next question is from the line of Nirav Shah from GeeCee Investments Ltd. Please go ahead.

Nirav Shah What is the ethanol and molasses inventory we are carrying as of September?

Vivek Saraogi 22 lakh liters is ethanol inventory valued at Rs. 19.5 per litre and 9.66 lakh quintals of molasses.

Nirav Shah The interest rate on the soft loan after 12 months will be benchmarked to your normal interest rate?

Vivek Saraogi Yes.

Nirav Shah So what is the current average cost of the debt that we are carrying?

Kishor Shah Long term loans carrying cost is around 10%.

Vivek Saraogi Might not be 10 because.....

Kishor Shah Rs. 225 crore is interest free for 5 years. The soft loan what we have got just now for first year its interest free thereafter it is 10%. Sugar Development Funds are 4% and in addition to this we have a long-term debt Rs. 125 crore which is around 10%.

Vivek Saraogi So if we break up our long-term loan in Balrampur: 425 crore is interest free as of now, 425 is zero interest, about 50 crore is carrying 4% and balance 150 crore is 10%. Our entire Rs.650 crore if you see, if we are paying 10% on 150 crore we are paying 15 crore and another 2 crore, so our average payout on a long-term loans is 17-18 crore on a total loan of Rs.650 crore.



Nirav Shah So long term loan at least 2.5-3% for the current year?

Vivek Saraogi This is about 3%, correct.

Nirav Shah On the September quarter's performance there have been inventory kind of around Rs.23-24 per kg because June quarter we valued at 24.3 per kg or something and this quarter it was Re. 1 more, so there is a Rs.20 crore odd of inventory gain that we have booked.

Vivek Saraogi Yes. And as we move ahead we value free sugar at 25.39 per kg, currently its selling at 27.5 per kg almost.

Nirav Shah What is our quota of exports that we have been allocated?

Kishor Shah Based on 40 lakhs it was 1,15,000 tonnes.

Nirav Shah Any incentive that we will be getting to support?

Vivek Saraogi No there won't be any support on export. There is a case-wise support.

Kishor Shah Rather if we transfer or sell this quota there will be a loss.

Vivek Saraogi Government wants you to export this, pickup your loss. Their rationale is if you export this pickup your loss and if everybody does sugar price moves up. The second premise is not connected but if we have raised the cane price which was not reasonable we are paying you something on account of it. Like UP Government says I don't want to reduce 280 per quintal, so they paid Rs. 40 last year. Center said since I have raised Rs. 10, I will give you Rs. 5 per quintal out of it. But then everybody must be following all the Government directives.

Nirav Shah The last question on the global prices, just want your views on how the price movement will be because we are sitting on roughly 5 years of surplus so cumulative could be around 18-20 million tonnes. How do you see the price movement shaping up and also the news that China is planning to release some of the buffer stock that they have built over the last few years, just your views on these two items.

Vivek Saraogi This year China is going to be in a deficit of about 6-6.5 million tonnes on production and consumption basis. They are sitting on an inventory of a similar nature but they would have to buy because they would have to again build their inventory levels. India, our closing stock as given by Government of India is about 9 million tonnes that is why if there is an export of about even 3 million tonnes and production being 26.5 million tonnes, consumption being 25.5 million tonnes your inventory would shrink to below 7 million and if export happens 4 million tonnes then it will shrink to 6 million tonnes. So our balance sheet if I may say so on production and consumption you do need a minimum inventory of 6 million tonnes as on 1st October. So I see our inventory being absolutely trimmed down to the required size and I don't see a surplus if these export happen, hence my view is positive on the prices as we move ahead.

Nirav Shah Just your views on the buildup that we have seen at least on the global front?



Vivek Saraogi This is based on China, El Nino, Brazil and this is based on the fact that India is also going to be lower this year and next year. If you see honestly the minimum production cost anywhere in the world is not below 15 cents. This 15 cents went down to 10 cents that is not the sustainable level. So 15 cents is back not to profitable levels globally, it is back to borne costing levels. So like India went down to Rs. 22-23 per kg. If 22-23 per kg stayed there would be all doors closed. That was the equivalent of global markets going down to 10 cents. So this is merely correcting back of oversold markets, of over pessimistic markets and backed by fundamental lowering of production in China, weather concerns in Brazil and lowering of production targets in India.

Moderator Next question is from the line of Achal Lohade from JM Financial Institutional Securities Pvt. Ltd. Please go ahead.

Achal Lohade Three question actually, one on the subsidy part, have you already started receiving the Rs. 28.6 per quintal cash subsidy or have the other mills started getting it?

Vivek Saraogi Everybody has got it, it is in the bank.

Kishor Shah It has gone to the farmers directly on account of last year's cane dues.

Achal Lohade In terms of the estimated volumes you talked about 7.2 crore liter for distillery how about Cogen, what would be the target for FY16?

Vivek Saraogi We are targeting about 55 crore units. This is slightly lower than our 61 crore units sold in the previous balance sheet. This is because now bagasse will be used a little bit to ensure that we are able to sell 9 crore liters in the 2016-17 balance sheet for our incineration boilers.

Achal Lohade What is the status of that particular CAPEX program?

Kishor Shah As per schedule only. Balrampur is starting somewhere in November end or December first week.

Vivek Saraogi Mankapur is slated to start 1st April and the other one in November.

Kishor Shah This is absolutely as per schedule.

Achal Lohade Any other companies you have heard or any other industry players you have heard who is also complying with this particular regulation?

Vivek Saraogi I have heard from the suppliers about Triveni and others. Everybody is doing it in their manner. As we said in the last concall, we have taken a view to go ahead extremely comprehensively so that our contracts which we plan to pick up 9 crore next year we are able to supply. There is a Rs. 5 duty benefit also. I don't want to lose any volume based on pollution and in our view we are very clear, would be very stringent pollution norms in UP being especially under the NGT and all. We don't want to take any chances and we see no scope for anybody to take chances and somebody can last out 6 months somebody can last out 12 months.



Achal Lohade In the beginning of the call you did mention that some tenders are opened and some tenders are already finalized. How much was the quantity which is opened and finalized?

Kishor Shah The total quantity bid is 110 crore liters. Basically this will be finalized by OMCs. They have already finalized large quantity and the balance will be finalized in the next week or so and the OMCs will come out with new tenders every two months so we can participate for the additional quantity also.

Vivek Saraogi So if Balrampur is what you are asking about beginning December we have already finalized tenders worth 7 crore liters approximately.

Achal Lohade This is to be supplied in what period?

Kishor Shah Next 12 months.

Vivek Saraogi Beginning 1st December.

Achal Lohade So it will be more of ethanol than really RS and ENA. How are the RS and ENA prices currently?

Vivek Saraogi They are soft. We want to be a completely 100% ethanol distillery and that's what I have been trying to explain. My entire CAPEX for the pollution, besides the fact that I have to do it, is engineered to be able to capture this entire upside in ethanol.

Achal Lohade Given the UP Government is yet to announce the cane pricing do you see a risk of delay in starting the crushing season this time as compared to last time?

Vivek Saraogi I can't give you a guarantee but the dialogue till now has revealed that there might not be a face off this year.

Moderator Next question is from the line of Bhavin Chheda from Enam Holdings Pvt. Ltd. Please go ahead.

Bhavin Chheda This Other Income was higher in the quarter at Rs.30 crore. What was the component in it?

Vivek Saraogi This was one more remission which the UP government had promised, so this was 2012-13 society commissioned remission.

Bhavin Chheda This has already been received or accounted?

Kishor Shah It was a liability which has been written back.

Bhavin Chheda I missed out on the date of the three boilers when you are starting. You mentioned one in November.

Kishor Shah November 2015, April 2016 and November 2016.

Bhavin Chheda Regarding the Cogeneration the merchant sales and the power will remain 54-55 crore units because the incremental bagasse is going to fire the boilers, right?



Vivek Saraogi Absolutely. Next year we will be 9 crore liter distillery. Once Babhnan is commissioned in the month of November, we will be a 10.5 crore distillery group or equipped to supply 100% ethanol like now.

Bhavin Chheda Your peak capacity of distillery would be 10.5 crore liters?

Vivek Saraogi Yes 10.5 crore liter group of distillation. We will have to sacrifice a little bit of power and that I think will become 55 crore units maybe at best 57, 58 crore units.

Bhavin Chheda For 10.5 crore full utilization how much cane crushing will you need?

Vivek Saraogi That's a very good question. We will have to enhance our cane crushing by 10% to be able to feed ourselves fully; we hope to do that next year. When we become 10.5 crore liter we are working very hard with cane development and varieties to be able to get instead of 7.7 crore quintals we will need about 8.5 crore quintals of cane to be able to feed ourselves fully.

Bhavin Chheda At the plants you have a cane crushing capacity, its availability of cane which you have to work on, right?

Vivek Saraogi Only. We have to work on our cane, we have ample capacity.

Bhavin Chheda So availability of cane you will be working?

Vivek Saraogi We are working very hard on the variety, etc.

Bhavin Chheda So you plan to go till 8.5 crore quintals?

Vivek Saraogi Yes which we can do very easily.

Bhavin Chheda And then we can do a 10.5 crore liter on the distillery front?

Vivek Saraogi Yes. And then maybe power also we go get back to 60 crore units.because we would have more and more bagasse.

Bhavin Chheda On these three units I think the CAPEX was Rs.200 crore, right?

Vivek Saraogi Absolutely correct.

Bhavin Chheda How much spent till date and how much is pending?

Vivek Saraogi About Rs.50-55 crore is spent rest is in the pipeline.

Bhavin Chheda Regarding the export volumes, this 4 million what Government has announced so now it looks like there would be as last year that Rs. 4,000 a tonne subsidy it doesn't look like this year there would be a direct subsidy. Instead I think that Rs. 5 a quintal which Central Government plans to give is supposed to be a subsidy for export commitment, right?

Vivek Saraogi I won't put it in that language but one and one, first thing, second thing, yes.



Bhavin Chheda So how would you think that the Government will be able to monitor whether this 4 million tonne is moving out of country or not because that is very important for this buoyancy to sustain, right?

Vivek Saraogi There is enough mechanism for it.

Kishor Shah Custom data, DGFT registration, there are many.

Vivek Saraogi Bill of Lading export confirmation.....there are a hundred ways.

Bhavin Chheda Is there a time line so it has to be, the company quota has to be sold in the sugar season so it's between this November to next October only.

Vivek Saraogi Its sugar year.

Bhavin Chheda so October to September.

Vivek Saraogi Yes.

Bhavin Chheda And what is the current difference between the export back NSR and the domestic NSR, so what is your outlook what is the viable price when this export volumes will start moving?

Vivek Saraogi If you are asking on the loss of export, is that what you are asking?

Bhavin Chheda Yes one is that and I am trying to figure out that what international sugar price, does it become viable at zero loss. So like UP price is Rs. 27.5 a kg, so right now what would be the current loss at the current export prices?

Vivek Saraogi See, UP you have to forget that UP can ever export directly. I will be giving my quota to a Maharashtra mill to export.

Bhavin Chheda Right we will work out the maths on Maharashtra.

Vivek Saraogi If you work on Maharashtra basis right now their price is about 24.5.

Kishor Shah Loss is around Rs. 4-4.5.

Vivek Saraogi That's on raw sugar, maybe (+18) cents.

Bhavin Chheda So 4-4.5 is on raw and on white the losses would be?

Vivek Saraogi White the loss are not more than Rs. 3. But so much of white cannot go out of the country because white in global market has a limited.....

Bhavin Chheda So it has to go in raw form only?

Vivek Saraogi Yes.

Kishor Shah Superior quality white sugar is required for exports but so far the contracts done under this are around 300,000 tonnes. The stock is moving gradually.



Vivek Saraogi We are working in the right direction.

Bhavin Chheda So you are saying the sugar prices should move by another \$ 50 odd or the domestic price moves down then there would be more exports coming in, right?

Vivek Saraogi See, everybody has the export whether you make some loss or a little more loss, everybody just exports. Once that happens your surplus in the country gets evaporated or consumed.

Bhavin Chheda Regarding the seasonality, I was trying to figure out because I read the article Europe too is also a net importer this year, they are also facing a shortage and China is facing a shortage so as you said they are facing a shortage of 6 million tonnes, so how much of this they must have already procured and what kind of timelines you think they normally enter, the European guys and China to procure sugar?

Kishor Shah Is a continuous process there are no specific timing. Brazil normally starts production in the month of March every year and we are starting now, so China has to replenish the buffer stock which they have already have. They are not in a hurry that they have to buy today itself.

Vivek Saraogi But they keep on buying.

Kishor Shah They keep on buying, it's a continuous process. As and when they get a good bargain they will buy.

Bhavin Chheda My last question, has your crushing started?

Kishor Shah Crushing will start from 15th November to 30th November, in between the period.

Moderator Next question is from the line of Chintan Sheth from SKS Capital & Research Pvt. Ltd. Please go ahead.

Chintan Sheth On the linkage side you did mention that there won't be any quantum loss from the UP government you are expecting. So if we continue at Rs. 31 per kg linkage assuming that they continue to give a SAP of 280 per quintal as well as linkage at Rs.31 per kg sugar price. So if going forward your outlook on the sugar price is positive because of various reasons you pointed out. So going forward if the sugar prices reached at that level then on quantum side there will be little bit of.....

Vivek Saraogi If I am understanding your question correctly you are saying that should the sugar price improve beyond benchmark levels your subsidy would reduce.

Chintan Sheth Right.

Vivek Saraogi Absolutely. That is the whole idea.

Chintan Sheth So you don't see that there won't be any tickling to the Rs. 31 per kg or that sort?

Vivek Saraogi I see the formula only being improved. Now how and when and in what shape we will have to wait just another 15-20 days, 1 month maybe.

Chintan Sheth So improved in the sense it will slab will be improved above Rs. 31 per kg?



Vivek Saraogi I can only say that I am hoping it will be improved.

Kishor Shah Government will announce in the next 10-15 days' time.

Vivek Saraogi We will know once it's announced.

Chintan Sheth For this year because of the CAPEX we are witnessing some volume lost in both distillery as well as power.

Vivek Saraogi No, we are not going to lose the volume and we are postponing the volume.

Chintan Sheth Yes postponing. You are building up the inventory but the production will get shifted....

Vivek Saraogi From 1st December in full swing for the distillery.

Chintan Sheth Again on the inventory loss for the quarter, the change in inventory is around Rs. 23 odd crore. We have a positive gain from sugar inventory so this change reflects that?

Vivek Saraogi The change will keep on reflecting as you keep on selling your sugar at a higher rate.

Chintan Sheth Then outlook on sugar you did mention is looking positive at this time.

Vivek Saraogi Because of the factors mentioned.

Chintan Sheth At what price we are getting on, the cost remains the same, Rs.31-31.5 per kg including interest?

Kishor Shah As of now.

Vivek Saraogi Last year basis about Rs.31 per kg and current year we await the directions and we hope to improve our recovery also a little so maybe the costing comes down because of the recovery.

Chintan Sheth One last on the export quota, what will be our obligation if any?

Vivek Saraogi 1,15,000 tonnes.

Chintan Sheth We might have to sell this to the Maharashtra companies for the export right, and it may carry some loss because of the....current prices there is some loss.

Vivek Saraogi Yes so everybody will have to take the loss and the gain will be the sugar price, the Government of UP is bringing in money, Central Government is giving support on cane price, so we will have to see the net costing, etc., after all the announcements are done.

Chintan Sheth And that Rs.30 crore Other Income liabilities is written back would be around that level or it will be.....?

Vivek Saraogi All liability written back is accounted for now.



Chintan Sheth What will be that amount, 24-25 crore?

Kishor Shah Rs.27 crore.

Moderator Next question is from the line of Satish Mishra from HDFC Securities. Please go ahead.

Satish Mishra My question is related to your comment you gave on the ethanol pricing and the benefits of excise. So current realization is around Rs. 40 per liter and we expect that to increase by Rs. 5 per liter.

Vivek Saraogi Yes. So the new ethanol beginning 1st January will be 45 per liter.

Satish Mishra You said that even in the sugar price Centre will give us benefit of around Rs. 5, you were explaining the situation.

Vivek Saraogi That is what one is hoping for.

Kishor Shah This is indicative.

Satish Mishra Last year the situation was like we were getting Rs. 4 on sugar while we were exporting the sugar. So this time that will be compensated by two ways, one is this Rs. 5 or whatever indicative number you are giving and second is the hope that total remaining sugar price realization will increase, is my understanding correct?

Vivek Saraogi Yes.

Moderator Next question is from the line of Karan Thakkar from Dalal & Broacha. Please go ahead.

Karan Thakkar I had a question on our inventory. Can you give me the volume figure for the closing inventory of financial year 2015 and the markup price for the same?

Vivek Saraogi What are you talking about?

Karan Thakkar The volume of closing inventory for FY15 for Balrampur Chini?

Vivek Saraogi As on today, as on 1st October we are 24.28 lakh bags valued at 25.39 per kg.

Karan Thakkar I am asking about the closing inventory for FY15?

Kishor Shah It was 55.42 lakh qtls. valued at 25.58 per kg.

Karan Thakkar So we did a sales of how many quintals in Quarter 1?

Vivek Saraogi For six months we have sold 36.27 lakh bags at an average of 24.87 per kg.

Karan Thakkar Our breakup for the sugar should come to about Rs. 29.5 per kg?

Vivek Saraogi What you are talking, next year's costing?

Karan Thakkar Yes. See, our cost of cane is Rs. 255 per quintal, is that correct?



Vivek Saraogi See, as I said next year's costing, we got to wait a month, let the Government of UP announce the price, declare the formula.

Karan Thakkar I am talking about FY15 itself. Say our 255 per quintal is the cost of cane and if we see the Other Expenses and Employee Expenses and divide it by the cane crushed by you that gives us a cost of 43.44, so which gives us a total cost of Rs. 29.8 per kg. So is that our breakeven, below 29.8 per kg we do not make money on it, is that correct?

Vivek Saraogi If you see last year's costing it was without interest and it was below 29 per kg. With interest and other expenses it will be about 31 per kg. That is the year gone by. In the coming year our costing will depend on the UP Government announcement. As I said, we are hoping for some better relief plus some better recovery. So we hope we can reduce this costing a little bit.

Karan Thakkar When we say that it takes about Rs. 4 as a conversion cost from the cane, so that Rs. 4 includes the cost for distillery as well, right?

Vivek Saraogi No, distillery is separate.

Karan Thakkar Can you give me the breakup of that, how much is the expense on sugar cogen distillery separately?

Kishor Shah You call up Pramod. Pramod will explain you the entire costing structure, how we compute the cost of sugar production.

Vivek Saraogi Yes, it's a little detailed.

Kishor Shah He will explain you what is the negative realization from bagasse and molasses and conversion cost, everything he will explain to you.

Moderator Next question is from the line of Aman Sonthalia from Suvridhi Capital Markets. Please go ahead.

Aman Sonthalia Actually you have said that your cost of production last year was around Rs. 29 per kg. So how much price you have taken into account for molasses and bagasse?

Kishor Shah Molasses realization we have taken Rs. 250 per quintal and bagasse we took Rs. 600 per metric tonne.

Aman Sonthalia What is this Other Income component this quarter?

Kishor Shah This quarter actually we had certain liabilities on account of society commission which Government of Uttar Pradesh waived, so we written back in the current quarter amounting to Rs. 27 crore.

Aman Sonthalia What is the total realization from carbon credit?

Kishor Shah We don't have carbon credit, we have REC, Renewable Energy Certificate, so in this quarter we sold Rs. 2.92 crore.

Aman Sonthalia What was the amount last year?



Kishor Shah For 6 months its Rs. 5.34 crore.

Vivek Saraogi It is higher than the previous one. Corresponding we don't have right now.

Aman Sonthalia This Rs. 425 crore loan you have without interest, so what is this component, from where you have got this?

Vivek Saraogi Central Government, SEFASU.

Aman Sonthalia Regarding what?

Kishor Shah We have a soft loan provided to assist the sugar industry. We got this loan from the bank only.

Vivek Saraogi So government picks up the interest.

Aman Sonthalia I have the idea that in the past the consumption was very less, now the consumption has increased to around Rs. 255 lakh tonnes and I think it is growing at around 2-3% per annum?

Vivek Saraogi Yes.

Aman Sonthalia So what is the optimum production for the country. It's around 280-285 lakh tonnes?

Vivek Saraogi Its 260.

Aman Sonthalia Optimum production for the country?

Vivek Saraogi Optimum production is what you need, so what you need is 260, so it's 260 lakh tonnes.

Aman Sonthalia I am asking that suppose if everything goes well then how much the country will produce?

Kishor Shah As per the estimation from ISMA and from the Government the production estimate is 26.5 million tonnes for the current year which is 2015-2016.

Aman Sonthalia No I am asking if suppose there is no drought in Maharashtra and Karnataka, so what is the....

Kishor Shah It depends on the availability of the sugarcane and sugarcane availability can go up, can go down.

Vivek Saraogi How much the cane has been planted. It depends on the acreage under cane. If you saw last year lifetime high of India was last year 28.3 million tonnes.

Aman Sonthalia What I am asking that suppose the optimum production is around 285 lakh tonnes and if consumption is growing at around 3%, so after 2-3 years it will be around 270 lakh tonnes, the consumption, so optimum production minus this consumption will be very less, the difference between that. So this cyclical nature of the industry will end going forward?



- Vivek Saraogi** Yes. That is the right way to look at it. After the exports are done this year the backlog of surplus will get evicted and going forward India will find it very hard to produce more than it consumes. So therefore the balance and the surplus I see as in the past. So that gives one of my views when I say I see a positive price trend as we move ahead gradually.
- Aman Sonthalia** So that is what I am asking for that this cyclical tag will end for the sugar industry going forward.
- Vivek Saraogi** Hopefully, looks like.
- Moderator** Thank you. That was the last question. With this I now hand over the conference to the management for their closing comments, over to you sir.
- Vivek Saraogi** Thank you everyone and should anyone require any more clarifications, me, Kishor, Pramod, all of us are available. Thank you.
- Moderator** Thank you very much sir. Ladies and gentlemen, with this we conclude today's conference call. Thank you for joining us.

