Balrampur Chini Mills Limited

Q2 & H1 FY17 Earnings Conference Call Transcript
November 16, 2016

Karl Kolah

Good afternoon everyone, and thank you for joining us on Balrampur Chini Mills' Q2 & H1 FY17 results conference call. We have with us Mr. Vivek Saraogi, Managing Director of Balrampur Chini Mills and Mr. Pramod Patwari, Chief Financial Officer of the Company.

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.

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

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

Vivek Saraogi

Good afternoon everyone and I thank you all for joining us today on Balrampur Chini's Q2 & H1FY17 earnings conference call. I will initiate the call by giving you an update on the latest developments on the sugar sector following which Pramod will take you through the Company's financial highlights.

Let me begin by giving you an update on the sugar production for the current season. According to ISMA, the production is estimated at 232 lakhs tonnes, while the Government estimates had a little over a 225 lakh tonnes. The sharp decline in production is largely on account of low production in Maharashtra and Karnataka. The sugar production in Maharashtra and Karnataka is estimated to drop due to severe drought and lower plantation last year.

Unlike Karnataka and Maharashtra, production in U.P. is estimated to be ~10% higher than last year level of 6.8 million tonnes. This is on account of marginal increase in cane area as well as cultivation of high yielding variety.

Moving on to the company's performance, Balrampur delivered a strong financial performance in a seasonally weak quarter owing to robust results in the sugar segment on account of higher sugar volumes and realizations. During the quarter, the average realization was Rs.36.12 per kg and we sold about 21.37 lakh quintals. Prices are currently at about Rs.35.5 per kg and we have an inventory of 17.84 lakh quintals valued at around Rs. 27 per kg.

In the Distillery segment, we have allocated our entire capacity towards ethanol production as OMC off-take continues to be encouraging. We are happy that the Government is looking at a much larger ethanol program in the longer trend. The revised price for supply between December 2016 to November 2017 has been fixed at Rs.39 per liter. We feel even at the revised prices; ethanol sales will be very remunerative and we see good contributions in the segment going ahead.

To conclude, we remain optimistic on the prospects of the sector and the Company as we continue to leverage our robust integrated model to create value for our shareholders. We have always had a policy of rewarding our shareholders when the Company generates free cash. Accordingly, in Q1FY16 we declared an Interim dividend of Rs. 3.50 per share; and I am happy to share that the board yesterday approved the buyback up to one crore equity shares at a price of Rs. 175 per share aggregating to an outgo of Rs. 175 crore through the tender route, subject to approval from requisite authorities.

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

Pramod Patwari Thank you, Sir. I will now briefly take you all through the Company's operating and financial performance for the quarter under review.

Overall revenues for the quarter grew by 78% to Rs. 937 crore as compared to Rs. 526 crore in Q2FY16. Net profit for the quarter enhanced to Rs. 106 crore as compared to loss of Rs. 14 crore in Q2FY16. Our performance improved on account of healthy performance in sugar division. The Distillery business too continued to contribute positively to overall results.

Revenues from the sugar segment were higher by 92% at Rs. 847 crore in Q2FY17 as compared to Rs. 442 crore in Q2FY16. The segment reported a PBIT of Rs. 120 crore in Q2FY17 as compared to a loss of Rs. 14 crore in the corresponding quarter last year. During the quarter, sales volumes were higher at 21.38 lakh quintals as compared to 17.19 lakh quintals in Q2FY16. Sugar realizations for the quarter improved to Rs. 36.12 per kg compared to Rs. 24.28 per kg in Q2FY16. As on September 30, 2016, sugar inventory was at 17.84 lakh quintals and is valued at Rs. 27.53 per kg.

Coming to the performance of allied business, during the quarter revenues from the distillery division was higher by 32% at Rs. 105 crore. PBIT enhanced by 29% to Rs. 42 crore in Q2FY17 as against Rs. 32 crore in Q2FY16. The Distillery segment healthy performance is on account of higher volumes and realizations. Ethanol sales were higher at 21,786 KL in the quarter under review as compared to 14,572 KL in Q2FY16. Ethanol realizations in Q2FY17 were higher at Rs. 43.27 per BL as compared to Rs. 40.40 per BL in Q2FY16.

In Co-generation segment, revenues in Q2FY17 stood at Rs. 18 crore as compared to Rs. 14 crore in Q2FY16. Sales during the quarter were at 169 lakh units as compared to 145 lakh units. Average realizations for Q2FY17 was Rs. 4.48 per unit as compared Rs. 4.60 per unit during Q2FY16 owing to incineration projects. The segment reported a PBIT loss for the quarter at Rs. 5 crore as compared to a loss of Rs. 7 crore in the corresponding quarter last year.

Interest cost for the quarter were lower at Rs.12 crore as compared to Rs.17 crore in the corresponding period last year.

As on date, the company's long of debt stood at Rs. 267 crore. This brings us to the end of our opening remarks.

Now we would like to address any question or query you may have in your mind. Thank you.

Moderator Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. First question is from the line of Achal Lohade from JM Financial Institutional Securities Pvt. Ltd. Please go ahead.

Achal Lohade What I wanted to check is your view on the UP-sugar production given the demonetization initiative by the Government, do you see the jaggery producers getting impacted and more cane being available for sugar producers? Second is the overall demand supply for the country in terms of the expected production and the consumption and how do you look at the sugar prices?

Vivek Saraogi All very relevant questions. First of all UP's jaggery sector we expect it to be hit a little, therefore cane availability to the miller in the jaggery area will improve. Having said that one is looking at ~10% increase in U.P. U.P may produce around 75 lakh tonnes of sugar. We are ourselves are seeing improvement in our cane availability over the last year. It's too early to give an exact figure, we definitely hope to produce more than last year.

UP cane price, I think would be announced probably sometime in November. It's already due or overdue. I have seen various people and various communications; I am not in the camp which says the hike would be so steep but it is all based on perception and we hope to get the announcement very soon. On the demand and supply, I think production estimates by Government is 225 lakh tonnes. And let's say there is an opening stock of 75 lakh tonnes, your total availability of 300 lakh tonnes. I don't see any demand destruction or anything of that sort. This is a daily food item. So, I would say consumption was around 250 lakh tonnes. The stocks would remain very tightly balanced. There is no shortage but the demand supply scenario will remain more in favor of the demand side. Hence the trajectory of price in my mind is as we move along, it should keep firming up, up to a reasonable level. It is very difficult to define those levels, but one would definitely expect it to be north of we have sold in the last quarter. That's the best case estimate I can give you.

Achal Lohade Just one more clarification I wanted to seek, we heard that the Government actually changed some rules in the essential commodity act where they can decide the maximum retail price for the essential commodities including sugar. So, what's your opinion on the same sir?

Vivek Saraogi I think that information is a bit misconstrued, you are talking of the legal metallurgy act, there is no coverage off sugar in that. That was misreported couple of months back in Business Standard. That's the article you are looking at isn't it? There is nothing in it. There was no merit in it.

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

Aman Sonthalia I just want to know, ISMA is talking of 232 lakh tonnes of production and Government is talking upto 225 lakh tonnes, but when I talk to the ground level people in Karnataka, Maharashtra, Andhra, Gujarat and even Tamil Nadu, I see much lower that we are estimating because in Maharashtra they are talking of 30 lakh tonnes, in Andhra and Tamil Nadu they are talking of at least 20% less than last year. So if I put all the figures together, I take 75 lakh tonnes for UP. The total production would be 200 lakh tonnes, where am I getting wrong or some mismatch between ISMA figures and my figures?

Vivek Saraogi If you go to the area where cane is lower, you will get this panic reaction. So let's say you go to district of Maharashtra, which is producing half of last year. If you extrapolate that to entire Maharashtra, let's say Maharashtra made 84 lakh tonnes last year, you will feel Maharashtra is making 42 lakh tonnes. But Maharashtra's estimate is anywhere between 55 to 60 lakh tonnes. So, we have taken figures all over the country. ISMA is based itself on some satellite mapping. Government has done the figure work after talking to all cane commissioners of the producing states. I think even if we go with government estimate, it is reasonable amount of stock would exist by reasonable I mean you are not going into a shortage situation.

Aman Sonthalia Because of factories started in Maharashtra and Karnataka, and I have gone through their recovery and it is less than by at least 10% than last year. So, I think that will impact the production in Maharashtra and Karnataka house.

Vivek Saraogi Let me just try and give you little more perspective, Maharashtra has just begun. There is no such problem. We definitely stand by the estimates of the Government and you cannot predict it 100% but I am definitely not in the 200 – 210 lakh tonnes camp, 225 lakh tonnes definitely looks like a reality without a doubt. I would say that if you wait for another 15 days, you yourself will understand why we are saying this.

Aman Sonthalia And sir, Balrampur Chini and what is the production outlook for the company?

Vivek Saraogi Estimates are initial but definitely hope to make more sugar than last year.

Aman Sonthalia It will maintain the last year's figure or it will less?

Vivek Saraogi It will be higher.

Aman Sonthalia Recovery will be higher?

Vivek Saraogi No, not recovery, production. Recovery last year as I said in my previous con-call, the 11.13% recovery is phenomena which happened due to combination of variety and weather conditions. Weather conditions I can't predict, but I see in our factory the balance has improved. If we do not look at last year recovery, we definitely look at a very good recovery, not in the 9.5% – 10% bracket, which used to be the earlier years. Very difficult to predict recoveries today, but we look forward to our crushing with a lot of enthusiasm, both on quantity and quality and recovery and the best time to produce more. Because you get the economies of scale, you get the benefit of realization, you get the benefit of by higher by-product availability. Balrampur and UP, people who would be making more sugar than last year are very well positioned because Maharashtra making the lower sugar. The country is going to make barely with opening stock, enough sugar to last out. So in this scenario, for people who make more sugar, are the most benefitted.

Moderator Thank you. Next question is from the line of Venky Rangan from Brilliant Securities. Please go ahead?

Venky Rangan I feel you are the Hindustan Lever of FMCG segment that's why we stay put i, we always stay always with the Company. I congratulate you on that. Now having said that the current realizations as off now is arpund Rs. 36and the inventory of about 17 – 18 lakhs, 144 crore it comes with the existing inventory level and the production further also it will come. So last year if you see, as on 30-9-15, you are having a - 3.4 EPS and you ended with 4.11. So, current year you made 8.86. Current year, you would be roughly about Rs.16 – 17, if I may take it like that. And the cogeneration also I would like to know, when all this in the year will be terminated?

Vivek Saraogi We cannot predict earnings etc. All we can say is we have a closing stock of 17.84 lakhs bags on 1st of October valued at Rs.27.53 per kg. That is in public domain and we have given you a perspective on the prices, right now they are Rs.35.5 per kg. Owing to demonetization traders are, just regrouping, from yesterday the sales have picked up again. So, we see the price trends only improving and we have told you the rest I think.

Venky Rangan Cogeneration, because cogeneration PPA you have entered after how many years further?

Vivek Saraogi Cogeneration you are asking when the next PPA is due?

Venky Rangan Yes, exactly because the realization are Rs.4.5 per unit like that.

Vivek Saraogi 3 more years. January 2020.

Venky Rangan What about cane arrears, as of today, everything is paid?

Vivek Saraogi Yes we have zero arrears.

Venky Rangan You are all up to date in everything, no arrears as on from that side, correct?

Vivek Saraogi Yes.

Venky Rangan And with the surplus is there, can you not think of any advance payment for the next year on the lines so that we can assure about cane availability?

Vivek Saraogi Not needed, our goodwill well established.

Venky Rangan No more required for that?

Vivek Saraogi Yes.

Moderator Thank you. The next question is from the line of Nitin Gosar from Invesco Asset Management Company Ltd. Please go ahead.

Nitin Gosar Just wanted your thoughts on demonetizations and I think in the earlier period, we used to issue some notes and then we used to pay off the farmer, is it the same this time also and how does the process takes place now and paying off the farmers now?

Vivek Saraogi In UP there are 99%, all farmers are paid through bank accounts only and in our company, over the last one year we have worked hard enough, to even have our workers mostly on this regime.

Nitin Gosar And how about our trade receivables?

Vivek Saraogi We sell nothing on cash. So, we are into the system from a long time back.

Nitin Gosar Last question on the ethanol front I think we are getting into the CAPEX mode in, would you update on incremental capacities which could get commissioned during the quarter?

Vivek Saraogi See the 2 distilleries are commissioned and are running well and rather we have had people visiting our distillery to see the zero discharge. Last one is to begin anytime very soon, like next 15 days or something. And all our entire program conducted for zero discharge very happy to inform shareholders that it absolutely acceptable and it is running very well.

Moderator Thank you. We take the next question from the line of Biju Somnath, individual investor. Please go ahead.

Biju Somnath First of all I would like to congratulate the entire management team from the grass root level to the board for returning scintillating performance. Next is the buy back the effort is also laudable. I would like to have a few questions. During July and August 2016 there were heavy rains than usual in central and eastern UP. Due to which is there any crop destruction in out catchment areas?

Vivek Saraogi No, crop is in very good condition.

Biju Somnath You were earlier mentioning that in another 15 days' time we would have commissioned incinerator boilers, so in Q4 itself the 3 megawatt saleable can we expect?

Vivek Saraogi Yes, suppose it is end November, December onwards it is fully there.

Biju Somnath There were some news running around, last year also some explosives act in UP, connected with the licensing issue, vis-à-vis connected to zero discharge, so the news floating in newspaper was that only 2 companies or so where having licenses under that regime, what about our company into that?

Vivek Saraogi It is called the PESO license, have in all our three distilleries, we are complaint.

Biju Somnath One balance sheet item, one deferred tax liability can you please throw some light into that? Deferred tax liability appearing, Rs.220 crore.

Pramod Patwari It is provided in accordance with requirements of accounting standard on account of difference between the book depreciation and IT depreciation.

Biju Somnath Is it alone that timing difference is coming only to depreciation or anything else, any payables?

Pramod Patwari Significant portion is on account of depreciation and balance on account of expenses, for expenses we will get credit, when those expenses are paid.

Biju Somnath 99% a timing difference alone is due to depreciation only.

Vivek Saraogi Right.

Biju Somnath Sir next is our long term debt, in this Q2 presentation Rs.149 crore is interest free loan, in that, whats the repayment schedule for as per the mandate while availing that loan, what is the repayment schedule for that.

Pramod Patwari Rs.149 crore which is outstanding as on date is repayable over the period of next 2 years in quarterly installments.

Biju Somnath Now sir the ethanol prices, one point of comfort is that Rs 39 per litre is assured and tax on duty is extra to the account of buyers, so that gives comfort that means there is stability sitting for our company as well as the industry. Now my query is if you are looking at the realization from the distillery segment, the realization is at all-time high. Now, there is of course whatever we have been receiving and not talking about exemption of excise duty, the other basic price of recovery itself after factoring in other tax of duties and our transportation cost whatever was the net realization, vis-à-vis Rs.39 per litre, it is on the lower side. Due to which there is a possibility, more people will be coming out of ethanol and the supply will be more towards alcohol. Whether that will depress the market prices of alcohol going ahead, thoughts on that?

Vivek Saraogi The alcohol price today, if you see on the chemical sector or ENA sector it is already much lower owing to crude, price is already much lower than 39 per litre. So, people will be bidding at 39 also aggressively. It is not going to impact that segment which you are talking about.

Biju Somnath Sir my query is, there is a possibility of more companies, I am not talking about Balrampur, the total demand supply within the country, there is a possibility more supply may ensue into the alcohol area. So due to which whether any depression prices will happen there?

Vivek Saraogi That is what I am trying to clarify. Ethanol was 42 per litre now down to 39 per litre this year. This is without the taxes benefit. So there is a Rs.3 per litre reduction, which everybody knows and is well-informed. If the ethanol price is 42 per litre and the alcohol sector buys at 33 per litre, or the ethanol price is 39 per litre, and the alcohol sector buys it at 33 per litre, you still will first supply the 39 per litre. It is not going to impact the availability for the other sector. Because it is still Rs. 6 per litre higher rather than Rs.9 per litre.

Biju Somnath So that means we are still we are going to get an assured level of contribution from that segment?

Vivek Saraogi Yes, most certainly.

Biju Somnath During the last con-call, I raised one query regarding any developments about our subsidiary companies and yourself told that okay, let us think to tell something during Q2, anything?

Vivek Saraogi We are believing in our core business. If you see we shut down one unit and it is in our benefit not to run a 2,000 tonnes unit, because we couldn't expand. We are in the process of actively looking to hive off that also. As soon as something happens you will hear about it. But that is our understanding not to have anything in our books which is not relevant to our business.

Biju Somnath One small suggestion, regarding the buyback, it is really interesting move and we do still have opportunities for further buy backs. Of course, in my expectation market price is crossing 175, buyback may not happen but still if buyback happens, the treasury stock, you should certainly mull over an idea of offloading that treasury stock to some renowned private equity funds at a very good price so that we can ease something towards our working capital, your thoughts on that?

Vivek Saraogi First of all, this is not a treasury operation. It is a tender method. Equity of the company will reduce. There is nothing which is going to come in the treasury.

Biju Somnath Permanently?

Vivek Saraogi Equity let's say is 24.5, after the buyback it will be 23.5. Those shares will be extinguished.

Biju Somnath Totally extinguished only, we are not going to keep under the treasury?

Vivek Saraogi No, extinguish.

Biju Somnath My last query is, in this financial year we were able to liquidate quite a bit of good amount of outstanding loans. Now what can be the likely cash levels provided realization is hovering around Rs.35 per kg. What can be the likely cash surplus we will be left with, in the next financial year?

Vivek Saraogi Let me answer this, very relevant. Basically if you saw my opening remark, I said long term debt is down to Rs.267 crore. We had already paid off in this year till date around Rs. 410 crore. We hope to pay for another Rs.40 crore this year. Assume we are left with Rs.225 crore of debt on 1st April, a lot of that is mostly interest-free loan and some part of it is basically the soft loan from Sugar Development Fund. So that we will pay as and when it is due. So that is the construct, the company is actively collapsing the debt this year and actively rewarded shareholders. Whatever cash is there either it is going for debt or shareholders.

Biju Somnath My last query, any latest update on our pending case which we have written-off last year from our balance sheet from receivables?

Neha Manpuria We are still litigating in court. High court hearing is to begin once again. We are fighting it tooth and nail.

Biju Somnath Any arbitration route is possible?

Vivek Saraogi No. All I can say is legal process is not over and in my personal view it could take more time but on promissory estoppel the case is strong. So we are fighting the case tooth and nail, just because there is a balance sheet entry doesn't mean the efforts stops.

Moderator Thank you. We take the next question is a follow up from the line of Saket Kapoor from Kapoor and Company. Please go ahead.

Saket Kapoor Looking at the current season now starting, what is the stock of molasses even at our end, even for the industry end if you could give some idea?

Vivek Saraogi We are having 7 lakh quintals of molasses as a stock as on 30th of September.

Saket Kapoor Do we have any criteria in which we have to supply a percentage to the chemical industry or we are at our liberty to convert it and provide it to the person who is giving the highest bid for ethanol?

Vivek Saraogi There is a little bit legal tangle going on in this. Like in our Company probably 85%-odd we are processing for ourselves molasses. We feel now we would get 100%

for ourselves. 10 – 15% going for country liquor owing to some legal provision which I think will now get clarify in our favor.

Saket Kapoor The entire utilization can be done from your end? Is it visibly applicable for the entire industry how is the chemical industry then just having an understanding?

Vivek Saraogi That's a country liquor question and that will come from people who don't have captive business. If I make 100 lac quintals of molasses and my three distilleries requires 110 lac quintals, then I can't be forced to supply country liquor.

Saket Kapoor How are the alcohol prices trended for the last quarter? If you take the import prices, how are the alcohol prices?

Vivek Saraogi Not very robust. I have not taken an updatebut is definitely not above 32 – 33 per litre, I will check that.

Saket Kapoor It will be the landed price of 32 – 33 per litre?

Vivek Saraogi Giving you accurate figures, I would have to check. But it is definitely way lower than this is all I can say.

Saket Kapoor It is lower than 39 per litre?

Vivek Saraogi See our idea is to get for the Company, the best pricing which today by far is ethanol and it is berate top seasonal fluctuations. You are right, December you were one price, we have a one year one tender price. Company's interest it is 100% best price.

Saket Kapoor It is for the entire industry, it is easier for you to get the best realization without any…..

Vivek Saraogi If you don't have a distillery you have a problem but if you have a distillery, I think without doubt it is ethanol.

Saket Kapoor Are you looking for any acquisition, we were reading somewhere, whether you are interested or so in Shakumbari sugar, is one of the company for the chemical segment, India Glycols on block and they were consulting bankers for getting a buyer? Have we put any interest in that or it is not in our region?

Vivek Saraogi First of all, we would be looking at the opportunity in a manner which gives a synergy. There are various things floating around but trust us, we will take the right decision.

Saket Kapoor Are we in the play to have a look at it?

Vivek Saraogi Now we are not seeing any opportunity which matches our criteria.

Saket Kapoor We are not in the foray sir?

Vivek Saraogi Not yet, on these things.

Saket Kapoor Looking at this year down for the sugar crop, how are you seeing the yields this time?

Vivek Saraogi As I said UP is looking to produce higher. You get to know when crushing gets towards the end of December then you get a full flavor of the yield but so far UP as I said in my opening remarks, looks good.

Saket Kapoor The standing crops look good sir?

Vivek Saraogi Yes.

Moderator Thank you. The next question is from the line Sahil Jain from Money Curves Investments. Please go ahead.

Sahil Jain I have two questions sir. First, I wanted your thoughts on Government raising the SAP prices sir and when it can be raised, second my question was on the Brazil's sugar production and will they convert from ethanol to sugar, if the crude oil prices are lower?

Vivek Saraogi See on the SAP prices, I told in the beginning, some decision should come out in November and we are hopeful of a reasonable level of SAP. I do not know more than that an on Brazil yes, we are also hearing of may be a shift towards sugar but the global prices factoring in this, the currency hit in South America owing to the recent Presidential elections, etc. everything apart, sugar still trading at 21 cents. However, one would have to see a little more month or two seeing the policies of US, etc., and then come to a conclusion whether there would be a shift of sugarcane towards sugar from ethanol.

Sahil Jain What is the landed price at 21 cents in India?

Vivek Saraogi As zero duty Rs. 38 per kg.

Moderator Thank you. Next question is from the line of Bimal Sampath, individual investor. Please go ahead.

Bimal Sampath We have two questions, one is sugar recovery going down the line may be say 3 years, now we are around 10%, what do you expect, how far with government support and all that how much can it go up to?

Vivek Saraogi Firstly last year our recovery was 11.13% that is the highest in the history of the company. We are not looking at 10% in the near future, it is going to be definitely higher and we are working very hard on varietal balance and it's early to predict but recoveries will be good.

Bimal Sampath And now when do you think fresh CAPEX can come-in in the sugar sector, with these prices or still it's a long time away?

Vivek Saraogi Tough question to answer off hand, we at Balrampur would wait for any opportunity which matches our criteria.

Bimal Sampath Inorganic?

Vivek Saraogi No, if you are talking of acquisition, the opportunity has to match our need and potential, many things.

Bimal Sampath And fresh capacity nobody will put up now?

Vivek Saraogi No. I don't think so.

Moderator Thank you. Next question is from the line of Amit Desai, individual investor. Please go ahead.

Amit Desai My question is our company is producing sugar distillery, molasses, etc., so it's basically very much diversified. Now with the current scenario, sugar price is basically reasonably flat, its 21 cents. Now from growth driver's perspective, there could be two options. I may be wrong totally because I am just an investor, so is there any planning to expand vertical for example, we produce sugar and we sell a sugar but in foreign countries they come out with various flavors of sugar such as cube sugar or raw, brown sugar, etc., and the rate they charge for that sugar is much higher than the normal sugar. And that is on the upper side. On the lower side is there any plan to lease out a big land and produce our own sugar so that the yield will be much higher and the cost of producing would also go down. That's my first question.

Vivek Saraogi No, I don't think we can look at producing cane because A) that's not our job, B) there is Land Cleaning Act where no mill can own more than 12.5 acres. So we go into 1000s of hectares for each factory, so that's not our job and that's not profile to be our job and in India we have seen the cube market, etc., in on a very low volume. So we are concentrating on our bulk business.

Amit Desai Right, now looking at our current scenario, I think you answered few questions regarding distillery, ethanol and sugar. If everything remains flat and SAP price are reasonably okay, then are we expecting a similar kind of performance next quarter or so?

Vivek Saraogi I cannot guide you on a quarter-to-quarter. I am giving you my macro view and we remain very positive on all three segments.

Moderator Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.

Bhavin Chheda Regarding this ethanol tenders for next year, what's your outlook, have the OMCs come out with any more tenders and what would be the volumes?

Vivek Saraogi See the tender has already come out and everybody has put in their bid. The result we will know in the next 7 days.

Bhavin Chheda And for what quantum these tenders were?

Vivek Saraogi They have done it for the entire 10%. It is state wise.

Bhavin Chheda But industry wise your number is that they will do 10% blending next year?

Vivek Saraogi That's their target, but Maharashtra, Karnataka will not be able to fulfill their needs. Because molasses will be lower because cane crushing will be lower in Maharashtra, Karnataka, UP will fulfill its needs that's the assumption.

Bhavin Chheda And this sugar season how much actually there was the off take, rough numbers, on the ethanol side?

Vivek Saraogi 110 crore liters.

Bhavin Chheda Versus the tenders would be 280 crore, but they may not get that much amount across state.

Vivek Saraogi I don't see them getting 110. Because Bhavin you have lower molasses availability in Maharashtra and Karnataka.

Bhavin Chheda Agreed, but UP would be much more right?

Vivek Saraogi UP would fulfill UP need.

Bhavin Chheda And TN also has I think allowed to participate in ethanol tenders versus last year which they were not allowing. Tamil Nadu also there was some restriction in participation because they diverted to alcohol sector. So I think now it is allowed up to an extent?

Vivek Saraogi I have not checked that but yes I think you are right.

Bhavin Chheda And for the next year tender also, this Rs.39 price has to be followed or this would be the new price which would come because what the government existed downwards, is it applicable to the new tenders also or how is that?

Vivek Saraogi It is for the fresh tenders, supply of which will begin from 1st of December.

Bhavin Chheda This 39 is valid for that also?

Vivek Saraogi It is only valid for this.

Bhavin Chheda So basically it is a quantity bidding prices anyway fixed right?

Vivek Saraogi Exactly.

Moderator Thank you. Next question is from the line of Venky Rangan from Brilliant Securities. Please go ahead.

Venky Rangan The other income from last September 30, 2015 was 37.29 crore. Current year was 9.39 crore and why that difference? The next question is now full payment of taxes, there is no major expansion like that. Now the question is PBT, what I am talking about, the last debt was about Rs.300 crore and half year was (-73) crore and current half it will be Rs.304 crore, suppose everything remaining same, and the 10% increase in procurement price we will be making at least PBT of about 600 crore profit from operation before other income finance cost and exceptional item.

Vivek Saraogi You would appreciate we can't give you a figure. However, all one can say about it is might not sound good thing we remain positive it is not possible to give figures.

Venky Rangan What about other income sir?

Vivek Saraogi As far as other income in the last year there was a write-back of around 27 crore, on account of Cane Society Commission, that was the difference.

Venky Rangan That means that you got it back and this year nothing is there other income?

Venky Rangan What about the expansion, nothing big is there right?

Vivek Saraogi We will be looking at doing the debottlenecking expenses for regular steam saving CAPEX.

Venky Rangan Roughly how much it will be?

Vivek Saraogi We are still formulating a plan, it won't be much. It will be a regular kind of thing Rs. 30 – 40 crore a year may be.

Venky Rangan What about the inorganic business, some reputed sugar mills are up for sales put that mail or something like that, whether you can go acquire but of course there are lot of problems but whether you envisage on that plan?

Vivek Saraogi Any asset I repeat which we look at must match our needs. As and when that comes, company is absolutely in the deleverage format and can use the opportunity but just because we are deleverage we buy an asset, no. So the asset has to give me, in our mind, it has to tick all our boxes of investment.

Venky Rangan Cogeneration expansion anything possible?

Vivek Saraogi No see we broadly we will try and debottleneck and increase power sales as we go down the line.

Moderator Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand over the floor to the management for their closing comments. Over to you sir.

Vivek Saraogi Thank you so much. For any further queries, Pramod and me, we are all there. Thank you.

Moderator Thank you very much members of management. Ladies and gentlemen, on behalf of Balrampur Chini Mills Limited, that concludes this conference call. Thank you for joining us.