“EID Parry Limited Q3 Financial Year 2015”

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Moderator: Ladies and gentlemen, good day and welcome to the EID Parry Q3 FY 2015 Results Conference Call, hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Sonali Salgaonkar from Axis Capital Limited. Thank you and over to you Madam!

Sonali Salgaonkar: Thank you Margaret. Good morning everybody and it gives me great pleasure to welcome the management of EID Parry on the Third quarter earnings FY 2015 conference call. From the management side, we are represented by Mr. Ramesh, who is the Managing Director and Mr. Suri, who is the CFO. Now without taking too much time I now hand over the floor to Mr. Ramesh. Over to you Sir!

V. Ramesh: Thank you Sonali. This is Ramesh here and good morning to each and every one of you. It is indeed a great pleasure to be part of the earnings call for Q3 for EID Parry for the financial year 2014-2015. Now I will make a few preliminary remarks in general and then I will hand over to Suri to take you through a brief presentation in terms of the highlights for the Bio and Nutra business as well as the financial.

In terms of the overall Sugar scenario for Q3, I will talk about six points, the first point I wanted to share with you, is on sugar prices. As I did tell you during the previous quarter earnings call, the Q3 Sugar prices were depressed as compared to the first half where we relatively had much better sugar prices. The sugar prices were depressed largely because of both UP and Maharashtra commencing crushing of canes. There was pressure on the miller side to ensure payment of FRP for the cane within the required period of 14 days and therefore there were some panic selling as a result of which the sugar prices dropped in the Indian domestic market in the previous quarter.

As of today also, the sugar prices remain depressed and we hope that an export subsidy announcement, which has been long overdue from the Government side, will be made in the next one or two weeks after which we believe that there is some scope for the sugar prices to look up during the rest of the quarter.

The second point is on the cane pricing for the sugar year 2013-2014 and for the sugar year 2014-2015 across the three States of Tamil Nadu, Karnataka and Andhra Pradesh. As far as Andhra Pradesh is concerned, the payment by all sugar mills is on FRP basis and therefore there are no issues as such both for the sugar year 2013-14 and for the sugar year 2014-15.

As far as Karnataka is concerned, you are aware that the Karnataka Government has actually proposed FRP based payment with FRP price being calculated based on the recovery of the previous year as the basis of payment for the sugar year 2014-15. Consequently for the sugar year 2014-15 for the cane crushing since November of 2014 we are paying cane payment based on FRP rate calculated on the actual recovery was achieved in the sugar year 2013-14. As far as the sugar year 2013-14 is concerned, I think this has been a matter of great debate. You were aware that the Karnataka Government had prescribed as State Advisory Price of Rs.2500 ex-field and it effectively worked out to about Rs.3000 ex-gate at the factory. We had actually paid Rs.2600 per tonne, leaving a differential of Rs.400 per tonne. SISMA had filed a suit saying that the State Advisory Prices cannot be mandated and also questioning the basis on which the sales by the SAP are fixed.

In the single judge judgment the case went against SISMA and they have upheld State Advisory Price for the year 2013-14. Thereafter SISMA again have gone on appeal to the Division Bench. But in the meanwhile, the Karnataka Government came forward with a formula by which they have requested the mills requesting the mills to pay Rs.100 per tonne immediately and if the mills pay Rs.100 per tonne there would be a matching contribution of Rs.100 per tonne by the Government. With respect to the balance Rs.200 per tonne they said they would actually take up for discussions subsequently. We believe that the Government would extend purchase tax exemptions based on which the payment of Rs.200 per tonne would be paid over maybe two to three years.

As far as Tamil Nadu is concerned, for the year sugar year 2013-14 we have paid Rs.2250 per tonne plus transport expenses as against the Tamil Nadu SAP of Rs.2550 per tonne. The case is in the court at this moment of time and there has been no progress as such. The Tamil Nadu Government had accepted in one of the earlier cases that the State Advisory Prices were advisory only and not mandatory. Therefore, we believe we have reasonably strong case in respect of the basis on which we made the payment for the year 2013-14.

As far as the year 2014-15 is concerned, we announced that we would pay Rs.2300 which is Rs.50 increase over the previous year plus transport expenses across Tamil Nadu and the Tamil Nadu Government came with a SAP notification of maintaining the previous year price, sometime in the second week of January. So as of now we have indicated to the Government, we have also told farmers that we would not be in a position to pay the differential of Rs.250 per tonne and thereafter mill has restarted after the Pongal holidays across three or four factories.

The third point was cane. As far as cane is concerned, I had indicated that we would actually crush about 10% to 12% more cane in the financial year 2014-15 as compared to the previous year of 2013-14. Now because of the substantial delays in terms of agreeing the FRP based prices in Karnataka for the year 2014-15 and single judge's judgement on the year 2013-14, the commencement of cane crushing in Karnataka was delayed by more than a month and crushing started on the 30th of November 2014 only. Consequently, we lost about a month of crushing in this quarter, but crushing would go into April and part of May 2015. As far as Tamil Nadu Cane is also concerned, there was a delay in commencement of crushing because we had to get the farmers to accept the price of Rs.2300 per tonne plus transport as the basis. Consequently we crushed lesser cane than what we actually expected. We expect that we will crush cane just under 10% for the year. We crushed about 47.5 lakh tons of cane in the financial year 2013-14. I think we believe that this year we will adjust marginally under 10% is where we would end the year in terms of cane crushing for the year.

The fourth point, I wanted to share with you is on Ethanol. We have already received acceptance of the Government for supply of one Crores litres of which 70 lakh litres will be from our Sankli plant in Andhra Pradesh about 30 lakh litres of Ethanol from a plant in Karnataka. We have also applied for additional 70 lakh litres for supplies from Tamil Nadu distilleries. This was in the third tender they had floated and we expect that this would get concluded very shortly. On an average the ex-worth price of Ethanol works out to between Rs.39 and Rs.40 per litre.

The fifth point, I want to share with you is on VAT. VAT was introduced by the Tamil Nadu Government effective 1st of November 2014. We have been making many representations to the Tamil Nadu Government to scrap the VAT as none of the states in India other than Andhra Pradesh and this is certainly impacting the sale volumes of sugar of the Tamil Nadu mills. We believe that they would reconsider application of VAT maybe in the next one to two months.

The sixth point I wanted to share with you is about Silkroad. Silkroad had a very difficult quarter primarily because of the fact that their spread was very narrow and secondly the prices of raw and refined sugar kept coming down day after day. As a result of which running the plant was restricted although we have achieved necessary operational efficiencies in terms of the scale at which the plant will run. Due to continuous narrowing spread and continuous reduction of both raw and white price we had revalued the stock at market prices as of 31st of December. In addition to that, Rupee depreciated against US Dollar as on 31st December, therefore there was a mark to market losses on foreign currency outstanding which has been accounted in the books. Consequently, Silkroad incurred a loss of about 46 Crores in Q3 alone.

Overall EID Parry standalone, YTD for the nine month ended December 31, 2014, the PBT had about Rs. 10.58 Crores loss which is a substantial improvement over the previous year of about Rs. 89.17 Crores. Q4 2014-15 is going to be very critical because we would be running all the plants at near full capacities and we believe their recoveries will be in line or marginally better than in the previous year on an average. So these are the few points I wanted to share with you, now I will hand over to Suri to take you through some highlights on Bio – Nutra and also the overall financial. So over to you Suri!

V. Suri: Thank you Ramesh. Very good morning to all of you, it is very happy to be part of this analyst call. Like last time I will just share a few numbers both in sugar as well as Bio Nutra businesses which will give you an idea of the operating numbers which we have achieved.

During this quarter, we crushed about 8.1 lakhs similar to last year also. As Mr. Ramesh was saying that we originally planned to crush more but because of the delay in crushing we could match only with the last year's crushing numbers. However the crushing will continue in April and May 2015, so the overall crushing numbers of sugar for the season will be achieved as planned. During this quarter, three factories in Tamil Nadu and all the factories in Karnataka and Andhra Pradesh were crushing in the month of December.

Recovery for the period was actually at 9.72%, it is a 0.10% improvement over the last year corresponding quarter. We have sold about 1.2 lakh tons of sugar during this quarter against 1.1 lakh similar quarter last year. Due to introduction of VAT in Tamilnadu, effective 1st November, both the prices and the volume were depressed from November onwards otherwise the number could have been better in terms of sales numbers in Tamil Nadu.

The average realization during this period was at around Rs. 28.9 per kg in terms of sugar similar to last year. The pressure is on price started coming from October onwards. We carry about 1.56 lakh tonnes of sugar as at the end of December.

Now coming to Cogen, we produced about 650 lakh units during this quarter similar to last year. We have exported 480 lakhs unit as against 370 lakhs units in the corresponding quarter last year.

As far as distillery is concerned we produced 174 lakh litres against last year 146 lakh litres we were able to produce much better alcohol during the period and we sold 174 lakh litres which is better than 167 lakh liters last year for last corresponding quarter. Ethanol we sold about 15 lakh litres during this quarter and as Mr. Ramesh is saying we are fulfilling the tender which we have got already and we are supplying according to the schedule which has been given.

We also have this Haliyal plant got commissioned the expansion capacity 6600 TCD from 4800 TCD in the current quarter, now the plant is working on the expanded capacity. As far as Bio pesticide is concerned, the turnover is under pressure. It is lower than the last year by about 4 Crores against 40 Crores last year we did about 36 Crores during this quarter. This is primarily because there is a pest attack in Brazil, which actually has brought down the sales in the export market. However we continue to do well in the bottomline. Against last year 3.5 Crores of PBIT we had ended up with 7.35 Crores which is more than double and this trend will continue even during this quarter also. The better trend is due to better product mix and also better prices in both Bio and as well as Nutraceuticals market.

So this is the summary in terms of the overall numbers. So now we are open for any questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sudarshan Padmanabhan from Sundram Mutual Fund. Please go ahead.

S. Padmanabhan: Good morning. Thank you for giving me an opportunity. Sir what I want to understand is I think we have been talking about the Government giving you the export subsidy but if you are actually looking at what is happening globally I think there has been a kind of excess supply there also in the lot of inventory there and the prices of sugar is also kind of tumbling down I think to 14 in cents, so even if the government gives you a subsidy do you think that you know with the excess supply being there and the inventory being there, it would be possible for us to get a higher realization overall?

V. Ramesh: As far as India is concerned, the total production of sugar during the sugar year 2013-14 is about 24.3 million tonne and consumption is about 24 million tonne. But however we started the year with, I mean the sugar year 2013-14, with a stock of approximately 7.5 million tonne. Going forward in the sugar year 2014-15 also we are now expecting the production will actually go up from 24.3 to about 26 million tonne, while the consumption is actually we grew only by about 2% to 24.5 million tonne. Now what is very critical is that with the announcement of an export subsidy I do agree that India is not competitive in the market place but with an export subsidy from the Government, the sugar mills would be in a position to export sugar and the plan actually has been laid before the Government by the Association by ISMA is that we would be in a position to export about approximately 1.4 million tonnes at the very minimum. If 1.4 million tonne goes out of the country through the export’s route, the surplus that you see would not be there and therefore the prices will stabilize at much better levels. As of now, because of there is a sentiment in terms of excess production and payment of FRP within 14 days, there is pressure on sugar prices. But announcement of export subsidy will certainly help in the sugar prices moving up marginally and not dramatically.

S. Padmanabhan: But in the export I mean if you are looking at currently about 7 million tonne there also being a surplus if we are actually putting a 1.4 million tonne would there be a further drop in export prices which primarily negate the kind of export subsidy that now you are asking from the Government?

V. Ramesh: See as of now, Brazil commenced crushing a few months back and essentially export subsidy amount should make the export competitive and also to match the international prices. Thus export subsidy is to be higher than Rs.3300 per MT which was given for the sugar year 2013-14.

S. Padmanabhan: Sir some outlook on Ethanol, I think now the government you are seeing a lot of tenders coming in from the oil companies now I think would this kind of boost your sales and profitability with more ethanol production being there in place?

V. Ramesh: I would say a very important year of transition of Ethanol policy. Till now, there was no mandate as such given to the Oil Marketing Companies by the Government saying that so minimum ‘X’% must be blended with petrol. Now for the current year, the government is mandating 5% but Oil Marketing Companies are initially showing some resistance because the oil prices have dropped by almost 50% over the last few months to about $50 a barrel. The Government would have required about 150 Crores litres assuming they were to incorporate minimum 5%. In actual reality, they may actually end up but only 50% maybe at about 75 Crores litres. Year-after-year I think more alcohol will go into ethanol for supply towards the Oil Marketing Companies rather than ENA which is basically for human consumption and therefore I would say it is a step forward, it is a very positive step forward as far as the sugar millers are concerned.

S. Padmanabhan: Sir one more last question from my side, broadly on the policy and the industry, I mean we have seen Karnataka is adopting a more pricing policy, which is suitable for the industry whereas UP has been lagging behind, when do we think the Rangarajan Committee Pricing Formula would be adopted across the board, across all the states and effectively implemented if you can just throw some kind of colour?

V. Ramesh: Like Ethanol, we are also going through a transition phase as far as the sugar industry is concerned. Maharashtra was the first state which actually moved to revenue sharing formula in 2013-14. Karnataka actually has moved to the revenue sharing formula in the sugar year 2014-15. Even as far as UP is concerned, they have actually moved to a part revenue sharing formula so actually as far as UP is concerned, they have fixed the price of Rs.2800 per tonne of cane but the mills will have to pay initially Rs.2400 per tonne of cane and with respect to the balance amount of Rs.400, Rs.200 per tonne would be given as tax benefit in terms of waiver of various taxes for the sugar millers by the State Government and based on which they can pass on the money to the farmers and the remaining Rs.200 will have to be paid in the event the sugar price touches a particular levels. So basically even UP government has moved to a part of a Rangarajan's formula a part revenue sharing formula even in the sugar year 2014-15 is concerned. SAP is far higher than FRP and due low sugar prices, the millers are not in a position to pay the State Advisory Prices. In Tamil Nadu for example, we will not be able to pay the SAP and we are paying the amount which is higher than the FRP. I think all the states are realizing that on the long run if they going to manage the problem of cane arrear then they have to make State Advisory Prices in line with the revenue sharing formula basis. So I feel that in a period of one to two years, we will move to a revenue sharing formula across all the states. The states such as Maharashtra and Karnataka have actually done it. UP is already moved to a part revenue sharing formula and I think more States will do it in the ensuing sugar year 2015-16.

S. Padmanabhan: Thanks. That is it from my side. I will join back the queue.

Moderator: Thank you. The next question is from the line of Satish Mishra from HDFC Securities. Please go ahead.

Satish Mishra: Good afternoon Sir. Sir first question related to the Ethanol dynamic which we just discussed, just to understand current tender is for FY 2015, am I correct?

V. Ramesh: No. This is basically for the period. There were three tenders. The first tender was for the period December 2014 and November 2015. The second tender was for January to November 2015 and the third tender was February 1st to November 2015 so essentially it is for supply during the current calendar year largely.

Satish Mishra: Okay and basically normally what is the timeline, when we will see tenders which will be beyond November 2015 normally it comes after how many months?

V. Ramesh: The sugarcane season will end by April - May month, across most of the parts of the country, except in Tamil Nadu. So, unless somebody is going to keep the molasses in stock and produce after April or May 2015, it is unlikely to have larger quantities coming out of Ethanol. In Tamil Nadu of course we have a special season for about 60 days in Q2. As of now the oil marketing companies have finalized and closed out tenders we understand for 72 Crore liters as of today.

Satish Mishra: The second question I slightly missed on FRP part for Tamil Nadu you said this year we are paying 2650 including freight?

V. Ramesh: No. we are actually paying Rs.2300 plus transport on an average of transport works out to Rs.150 so effectively we are paying about Rs.2450 approximately at the gate.

Satish Mishra: What about the other two, what we are paying this year?

V. Ramesh: In Andhra, we are paying FRP.

Satish Mishra: Which is if you can help me with the number?

V. Ramesh: The FRP for the sugar here is Rs.2200 per tonne of cane for 9.5% recovery. Our recovery in Andhra is about 10%, so and for every 1% recovery would pay Rs.232 for every 1% so it means that we would actually pay Rs.116 per tonne of cane more than Rs.2200 and additional subsidies. Now for example the Government of Andhra Pradesh has exempted purchase tax of Rs.60 per tonne and they have asked to pass the benefit on to the farmer. So, directionally, Andhra is on FRP and Karnataka is also on FRP. But in Tamil Nadu, we are paying Rs.2350 as against the SAP of 2550 plus transport.

Satish Mishra: Sir if you can help the same way for Karnataka what we are paying in number wise?

V. Ramesh: See in Karnataka actually this Rs.2200 for 9.5% recovery of there are we have three mills in Karnataka of which two are in EID Parry and one is with Parrys Sugar and one of the unit had a recovery of 12% in the previous year and the other two units had a recovery of about 11.5% to 11.7% . For every 1% increase over 9.5%, we are paying Rs.232 for the current year.

Satish Mishra: Sir just to understand, the global dynamics, earlier we used to discuss that normally what happens is that there are around 15% to 20% wheat base producers and when the sugar prices crashes they normally go away from the market. So what is happening now like in global market also we are seeing surplus every year from last two three years, so just some sense on view?

V. Ramesh: The import duty is currently at 25% and therefore it does not make any sense for somebody to import the raw sugar with a duty of 25%, convert it into white sugar and sell in the Indian market. As far as the Indian market is concerned it is influenced by the total demand and supplies from within India. As far as the sugar year 2014-15 we expect a production of about 26 million tonne and a consumption of 24.5 million tonne, which means essentially we are looking at a surplus of about 1.5 million tonne in addition to opening stock of 7.5 million Tonne. At the very minimum we are looking at 1.5 million tonnes to go out through the export route and the balance out the demand and supply for the Indian market for the sugar year 2014-15.

Satish Mishra: Sir actually my question was related to better export dynamic?

V. Ramesh: The Indian Sugar Industry is not competitive for various reasons including on cane pricing and so on. Indian sugar market is not competitive unless an export subsidy is given for raws. Unless the Government announces an export subsidy of about Rs.4000 per tonne equivalent to $65, millers would not be in a position to compete with the international market. Typically the price of white in the global market today is about $400 and at this price, we are not competitive. India is the world's largest consumer of Sugar, and second largest producer of sugar after Brazil. India is reasonably insulated because of the high import duty. It is not competitive in terms of export because of the high input cost. We should look at the demand and supply from with the Indian market at this moment of time or at least next two to three years to see the overall dynamics in terms of the sugar prices.

Satish Mishra: Sir just last questioning on the refining outlook, how you see the situation shaping up?

V. Ramesh: We do not expect to run the refinery plant for many days because of the fact that the spreads are extremely small. But what we have done is we have been working it to the last few months is that we have locked in both purchase of raws and sale of white commencing April 2015 and therefore we expect to get fully on stream from April 2015 and we have locked in our quantities at the desired spreads, we need to ensure that our cost are fully covered. So we believe that as far as the financial year 2015-16 concerned the refinery will do substantially better. I think across in terms of not only operating parameters but in terms of financial in the year 2015-16.

Satish Mishra: Thank you so much Sir.

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

Bhavin Chedda: Sir a few question, what was the term debt and working capital debt on December 31st first?

V. Ramesh: We had 950 Crores of long-term debt and another 550 Crores of short-term debt.

Bhavin Chedda: This is consolidated or standalone?

V. Ramesh: Standalone.

Bhavin Chedda: What would be the consolidate number?

V. Suri: We need to add another 330 Crores to get consolidated Long Term debt, excluding Coromandel.

Bhavin Chedda: Okay 330 and we have working capital also?

V. Suri: No that is all on the LC basis so it is non fund based limits only so otherwise we do not have any loans other than the long term debt.

Bhavin Chedda: What is the closing inventory of sugar value debt?

V. Suri: It is all value at cost only except in two factories we have valued at NRV and normally we don't share these numbers in terms of what is the actual value of the stocks. The quantity we had about 1.5 lakh tonnes.

Bhavin Chedda: Just on the regarding this Tamil Nadu case and the Karnataka case how much would be the liability which you wouldn't have provided in the book if at all you will have to pay this number?

V. Suri: At the worst case scenario we have calculated as the contingent liability of about 85 Crores.

Bhavin Chedda: This is Karnataka plus Tamil Nadu?

V. Suri: This is Karnataka plus Tamil Nadu if we go to the extent which they are actually asking. As Mr. Ramesh was saying that it is in both places it is pending with the Court.

Bhavin Chedda: Regarding Sir, Ethanol I think you mentioned that OMC over three tenders have issued already order of 72 Crore litres right?

V. Suri: Yes correct.

Bhavin Chedda: You are saying that industry as such you think they will procure 72 Crore litre this year?

V. Ramesh: We believe that EID Parry will get 1.7 Crores litre out of which 1 Crore has already been confirmed and another 0.7 is in the pipe line.

Bhavin Chedda: So but that 0.7 is in the 72?

V. Ramesh: Is included in the 72 Crore litres. The prices as mandated by the cabinet committee were ranging from Rs.48 to Rs.49 landed at the depot and we have to only reconfirm those rates and quantities preferred to offer. Accordingly we have confirmed those prices. In addition to the ex-works price we have to include excise duty, sales tax and freight. So based on which, our realization works out to around between Rs.39 and Rs.40 per litre.

Bhavin Chedda: Compared to what we were getting last?

V. Ramesh: Approximately Rs.1.50 more than what we got last year.

Bhavin Chedda: Sir Silkroad you said the spreads narrowed down is the same situation continues right now or they have improved?

V. Ramesh: The spreads have narrowed down for the raws and the whites today. Therefore we are locking our contract for raws and white for the financial year 2015-16. We have already locked in raws and white for a fair amount of the first half of the next financial year. For example, buying purchase raws for August 2015 and delivery of white in December 2015. We are now locking in contract for raws and white ensuring that we get the desired spread even though the spread continue to be low in the international market.

Bhavin Chedda: Sir regarding crushing you said 47.5 lakhs of FY 2014 you may better it by just under 10% right, on a fiscal year basis?

V. Ramesh: Absolutely.

Bhavin Chedda: On a sugar season year basis it can improve by 10% to 12%.

V. Ramesh: Definitely.

Moderator: Thank you. The next question is from the line of Sonali Salgaonkar from Axis Capital. Please go ahead.

Sonali Salgaonkar: Thanks for taking my question. Sir I missed out the numbers that you gave for sugar crushing and cogen could you please repeat that?

V. Ramesh: For the quarter we had crushed 8.1 lakh tonnes which is similar to last year at the same level, and we had a recovery of 9.72% this year which is about 0.1% better than the last year corresponding quarter. As far as cogen is concerned we actually produced about 650 lakh units which is similar to last year and sold about 480 lakh units which is better than the last year by about 110 lakh unit.

Sonali Salgaonkar: Sir and how much sugar sale happened?

V. Suri: During the quarter we sold 1.2 lakh tonne.

Sonali Salgaonkar: Sir just two book keeping questions, on the standalone basis firstly regarding the other income, now the other income has declined quite significantly compared to the same quarter last year so any light on that and secondly on the tax, now the tax outgo has also been higher has compared to the corresponding quarter last year?

V. Suri: Now, for the first question actually during the Q3 last year we were sold some nonperforming assets, so that was about 25 Crores and there is no such sale happened this quarter. As far as the tax is concerned, the YTD loss for the last year was 89 Crores which is now come down to about 10 crores and that is the big reason for the lower deferred tax asset.

V. Ramesh: In the last year, for Rs.89 Crore of loss, we provided 30 Crores of deferred tax and the deferred tax working is also based on how we are likely to end the full year.

Sonali Salgaonkar: Thank you that's it from my side.

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

Sunny Agarwal: Good afternoon and thanks for the opportunity. Sir my question pertains to broad policy of Ethanol wherein what is the current policy of whether government allows to convert directly sugarcane to Ethanol like which we permitted in Brazil and if yes then what can be the input output ratio and Capex required in our existing distillery to make it feasible?

V. Ramesh: In India, Mills are making Ethanol from molasses, they are not making directly from sugarcane. The Government is very clear in terms of wanting to reduce the dependence on oil imports and therefore the Government will start looking at implementation of technology for production of Ethanol directly from Sugarcane, but as of now it is not there in India. Even in Brazil it took many years for that to actually happen but technology is available for direct production of Ethanol from sugarcane.

Sunny Agarwal: Okay but as of now there is no government hurdle or regulatory hurdle for converting directly sugarcane into Ethanol right?

V. Ramesh: No. Today there is no governmental regulatory requirement, but as of now the mills are not equipped today in terms of production process or technology. They are going to the conventional sugar mill route so basically it is only the molasses which is further processed to get ethanol. In Brazil, depending on economics between selling sugar or selling ethanol, they would produce as they have different lines. Brazilian company would produce Ethanol or sugar based on the economics in terms of the ultimate realization. As of now the Indian millers are not in the position but go through the molasses route for Ethanol.

Sunny Agarwal: Sir my second question, I mean does any trading opportunity exists for us wherein we can import and source from someone and then supply to the Government I mean oil marketing companies through tender?

V. Ramesh: I do not think any of the sugar millers are looking at those kind of opportunity I am not sure even they allowed us this point of time.

Sunny Agarwal: Thank you and all the best.

Moderator: The next question is from the line of Sudarshan Padmanabhan from Sundaram Mutual Fund.

S Padmanabhan: Good afternoon Sir. In the past the group has looked at acquisition as also a growth strategy given the current fiscal health of the of sugar mills is this, do you consider it a good time to probably look at acquisitions to consolidate the presence? Would that be something that we would be kind of deliberating at a board level? Second is there is value unlocking for shareholders I think, there has been a request for considering a demerger of the holdings in Coromandel and probably keeping the operating companies separately so any thoughts on that in terms of deliberations that you could probably share?

V. Ramesh: In the next one year, clearly the focus is on consolidation and growth. Today for example as my colleague, Mr. Suri shared with you we had increased the capacity of our factory at Haliyal from 4800 to 6600 tonnes per day and therefore opportunities do exist for growth from within itself at this moment of time and increase in operating efficiency. Therefore there is no acquisition of sugar unit in the next one year. That is answer to the first question. As far as Coromandel is concerned it is up to the board to consider the thing but as of now I do not think anything is being planned as of now.

Moderator: Thank you. The next question is from the line of Sushil Choksey from Rosy Blue Securities.

Sushil Choksey: Good afternoon Sir. Can you update me about this our Cargill JV Refinery which we have bought out now where do we stand and what is the scalability possible there?

V. Suri: I thought we spoke about the Silkroad essentially Cargill exited the joint venture a few years back.

Sushil Choksey: Yes that I am aware of it, what I am asking what is the current status?

V. Ramesh: Sugar year 2014-15 has been a very difficult year for Silkroad, because of the very low spread between the raws and the whites. We are only looking for the year 2015-16 and we are working towards ensuring that we give a reasonably much better performance of Silkroad in the year 2015-16. We are booking our forwards future contract both for export of raws and white to ensure the desired spread. We believe Silkroad will be running at near full capacities in the year financial year 2015-16.

Sushil Choksey: The next question is more to do with our wellness product can you throw some highlight where do, how the future is looking on that subject?

V. Ramesh: As far as the wellness products are concerned the Nutraceutical business is doing well. Essentially there are three key ingredients which we are looking at and related formulations, the first is Spirulina and we are market leaders globally as far as Spirulina is concerned. The second key ingredient is called Astaxanthin, which is a very strong antioxidant and where actually we had made a very small but as an important acquisition in Chile because it has facilities for manufacture of Astaxanthin. Thirdly as far as Lycopene which is basically a tomato paste so essentially the Nutraceutical business is doing extremely well. It is fairly profitable and we would scale up with I think additional investment in capacities in Chile as well as in India. So I think overall the scenario for Nutraceutical is fairly positive.

Sushil Choksey: What kind of investment are we planning if I take a two –three year call on the division?

V. Ramesh: It is not going to be very significant it would probably run into a few Crores.

Sushil Choksey: What kind of visibility are we getting post acquisition on turnover or potential in terms of quantity?

V. Ramesh: We are looking at more formulation sale rather than mere ingredient sale. So essentially the focus is on value addition and growing the value of the business rather than the quantities which also have actually we are focusing at this momentum of time.

V. Suri: Alimtec acquisition, which we have done, is already supplying to Valensa. In terms of the overall turnover does not change and we are looking at the only the value addition changes to Valensa, so most important we have secured the raw material supply to Valensa for the formulations. Now we are adding the capacities in Astaxanthin and also now the Lycopene. We are focused to invest both in Chile as well as in India for the expansion of the capacity.

Sushil Choksey: If I ask you a basic question, if you sell in bulk and if you do value addition what kind of scalability we get in terms of price?

V. Ramesh: In US it is about 50%-60% more.

Sushil Choksey: Of course your margins would be far superior compared to bulk?

V. Ramesh: Yes. Valensa is now formulating and selling. The value addition is happening at Valensa.

Sushil Choksey: Any possibility that if I assume three five years can we achieve $100 million turnover in this division?

V. Ramesh: Just to give you an idea of what has been with Valensa….

Sushil Choksey: Can you elaborate a little bit on the size of the business potential?

V. Ramesh: I am saying it would take for example the total Nutra I am referring to the wellness segment because the question was on the wellness segment, the turnover was around 167 Crores in nine months.

V. Suri: We will be doing see if its possible to scale it up to about 300 to 400 Cr. in about five years time.

V. Ramesh: So I am saying even for the current year we are looking at definitely in excess of 200 Crores. I think this segment has the large potential for profitable growth.

Sushil Choksey: Basically standalone India or US or Chile on the combination basis global presence would be felt on the subject?

V. Ramesh: Yes definitely, I told you the turnover is will be in excess of 200 Crores for the current year alone, in the wellness segment.

Sushil Choksey: Can you throw some light wellness subject as it is what kind of market potential, not from only company point of view global size of business is concerned?

V. Ramesh: The global size runs into billions of dollar. For EID Parry, we do not have the kind of retail presence that many of the international giants have. So, we are possibly sell to international giants who in turn are putting their brands and selling it to the international market, selling it in the retail market.

Sushil Choksey: Can you name top five international players in this business at least?

V. Ramesh: We are in a specific segment which is in the organic…

Sushil Choksey: I am saying as a space is concerned, you may be making products, you may make it in future you do not make it but as a product segment concerned it is like sugar if see I will know five names globally the similar way in this space if I have to do five competitive companies, I am not saying comparable to only as a division but which are the top five to ten players in the world, just names I am asking?

V. Ramesh: Okay I think we get back to you on this and we will note down your phone number I will get somebody to speak to you on this.

Sushil Choksey: Thank you.

Moderator: Ladies and gentlemen, that was the last question. I would now like to hand the floor over to Ms. Sonali Salgaonkar for closing comments.

Sonali Salgaonkar: I would like to thank everybody for being present for this EID Parry Q3 earnings concall and especially thanks to the management for taking time out for doing the same. Thank you Mr. Ramesh. Thank you Mr. Suri and thank you so much.

V. Ramesh: Thank you very much.

Moderator: Thank you. On behalf of Axis Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.