



“EID Parry Q3 FY2021
Earnings Conference Call”

February 09, 2021



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Moderator: Ladies and gentlemen, good day and welcome to the EID Parry Q3 FY2021 Investors 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aditya Bagul from Axis Capital Limited. Thank you and over to you Sir!

Aditya Bagul: Thank you Ayesha. A very good morning to everyone on the call today and thank you for putting up. A warm welcome to the Q3 FY2021 EID Parry conference call. We have the senior management here represented by S. Suresh - Managing Director, Mr. Ramesh Kumar the CFO, Mr. Muthu Murugappan the Head – Strategy and Nutraceuticals, Mr. Suresh Kannan – Whole Time Director – Parry Sugars & Refinery and Mr. Biswan Mohan Rath - Company Secretary. I will hand over the call to Mr. Suresh for his opening remarks post which we will open the floor for Q&A. Thank you and over to you Sir.

S. Suresh: Good morning everyone. Nice to connect with you all again in another analyst call and I would like to start off with the good note that the revenues from the operations for the quarter ended December 31, 2020 was at 439 Crores better than the previous year number. The EBITDA before the exceptional item for the quarter was around 31 Crores compared to the previous year quarter of around 27 Crores. Standalone profit after tax at the quarter was around 339 Crores as against loss Rs.20 crores in corresponding quarter of the previous year. I would like to take you through the brief overview on the international scenario and the domestic scenario then I will hand it over to my colleague Mr. Ramesh Kumar to take you through the finance details.

The global demand supply remains balanced for the sugar year 2021 and the production increase happening in Brazil and India and there have been lower production in the European Union and Thailand. Outlook for the sugar year 2021, 2022 Brazil is expected to drop output and India is expected to remain at the same level of output, production increase could be recovered in EU and Thailand maybe. The global market started returns plus for the sugar year 2021, 2022 as we speak.

Coming to the Indian scenario as you all aware there is a good amount of production already happening. Till 31st January close to 18 million tonnes have already been produced and we could see the production levels almost remaining flat as far as UP is concerned. Maharashtra is registering very good level of production. Karnataka is almost around 20% to 25% improvement. Coming to the sugar balance of the country it will be a level of



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around 27 million tonnes and the current sugar year we are expected to touch the number of 33 million tonnes and there is still the surplus available which the export program takes care which the government has announced now only so there has been a delay in the overall export program for the entire country. However, the impact of the delay in the export program has been very much helped the domestic market to liquidate some of the stock and however there has been lot of pressure on the mills to reduce the stock for level of liquidity so that has put lot of pressure on the prices as well.

So with that background I would now hand it over to Mr. Ramesh Kumar our CFO who will give you further details then later on I will come back to answer any questions. Thank you.

Ramesh Kumar:

Thank you Sir. Good morning to everyone, it is very pleasure and happy to be a part of this call, can share some of the information about EID and our performance during the quarter as well as for the YTD.

On a standalone basis we had an operational revenue of 439 Crores as against the corresponding quarter we had 437 Crores, this is mainly because of the little bit of higher cane recovery and also increase in the average selling price of distillery over last year numbers and also on a YTD level our turnover is about 1460 Crores as against 1267 Crores of the last nine months period.

The PBT for Q3 excluding the exceptional item is a loss of 20 Crores as against the corresponding previous year quarter loss of 34 Crores; however PBT for the quarter was a profit after exceptional item of 346 Crores which is about 380 Crores more than the last year number. The PBT before exceptional item for the nine month ended is 95 Crores as against the loss of 138 Crores; however, PBT after exceptional item it is about 824 Crores as against the loss of 138 Crores of the previous year.

We had reported a PAT of 696 Crores as against the previous year loss of 67 Crores. However, on a consolidated level, the overall PBT was declared at about 330 Crores profit for the quarter and on a YTD basis it is 1354 Crores. We have also declared a PAT for the quarter about 245 Crores and on a YTD basis it is 938 Crores.

As far as many of the operating parameters are concerned during the quarter, we have Cane crush about 12.39 lakh metric tonnes as against the 11.29 lakh metric tonnes for the corresponding quarter. **The recovery was also better than the last year corresponding quarter at about 10.76% as against 10.26% during this quarter.** We produced about 1.3 lakh metric tonnes of sugar during this quarter. The sales was about 0.84 lakh metric tonnes as against 0.87 lakh metric tonne of the previous year. Average selling price for the quarter was around 33.78 as against the previous year 33.92 and we carry about 1.7 lakh metric tonne of



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sugar at the end of December. As far as Cogen is concerned, we exported about a 5.26 Crores units at an average price for Rs.4.6 per unit as against 5.12 Crores units of the previous year at a price of 3.94 of the previous year. Currently we have PPA still continued at AP, Karnataka, which will get over by March or April and we do not have PPA in Tamil Nadu which still we are doing under IEX and third-party mode only.

As far as distillery is concerned, we had a sale of about 148 lakh liters for the quarter of which ENA was 117 lakh liters and ethanol was 31 lakh liters, the total average realization in the quarter was around 60.48 per liter and the previous year numbers are 127 lakh liters at the average price of 58.80.

Nutra India business increased 61% over the last year the turnover of about 22 Crores the PBT for the quarter is about 1.7 Crores compared to previous year quarter was a loss of 0.85 Crores. On YTD basis the turnover is about 58 Crores which is an increase of 27% over the last corresponding period PBT was a profit of 2.62 Crores as against the loss of 0.85 Crores of the corresponding period.

On a Consolidated basis of Nutra India and Overseas Sales increased by 19% in Qtr. , Current Qtr – Rs. 56 Cr against PY Q3 – Rs. 47 Cr , and in YTD level sales increased by 26% Rs. 188 Cr in CY against PY Rs. 149 Cr. PBT level for the current Quarter is Rs.2.56 Cr against PY quarter was Rs. 5.60 Cr. And on YTD level it has a profit of Rs.0.11 Cr against PY was loss Rs.10.88 Cr.

Not much Capex has been incurred during this quarter or during this nine except the transfer of Pudukkottai and Bagalkot distillery expansion activity is happening otherwise no much of a major Capex is happening during this quarter.

As far as borrowings are concerned we have taken 117 Crores over the previous quarter because of the ethanol blending program and other activities. On the long-term loan at the EID standalone level it is around 300 Crores and other short-term loan is around 200 Crores. At the end of December we have 500 Crores of the total borrowing at the standalone level.

We have brought down the finance cost with the help of whatever share sales which we did during the first quarter which enabled us bring down the finance cost for the nine months period as well as for the quarter. Other expenses have also been decreased substantially because of the various cost reduction initiatives the company has taken during the year which helped us to reduce the cost and which we hope to be sustain going forward also.

Our program continues to be very tight on this considering the sugar industry going through various turmoil. However the subsidiary performance in refinery we had operational

revenue for the quarter is around 707 Crores as against previous year number of 334 Crores on a YTD level it is 1448 Crores in the current year as against 1282 Crores, PBT for the quarter is 24.91 Crores as against previous year quarter of 13.54 Crores. At a YTD level it is 19.6 Crores as against the loss of previous year 38.35 Crores in the previous year. In Q3 the total refined sugar production was about 1.85 lakh metric tonne as against the previous year 2.39 lakh metric tonne, on a YTD basis so far we have produced 5.71 lakh metric tonnes in the current year as against 4.76 LMT for the previous year. Sales was about 2.7 lakh metric tonnes during this quarter as against 1.2 lakh metric tonnes in the previous year quarter three, I think on an overall basis it is 6.37 lakh metric tonnes in the current year sales as against 4.93 in the previous year. So our long-term loan levels are around the 200 Crores at the end of December results and short-term loan we have brought down to almost nil during the quarter. That is it and we will now open with the question forum now. Thank you so much.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Kashyap Pujara an Individual Investor. Please go ahead.

Kashyap Pujara: My question is mainly on the debt, Mr. Ramesh Kumar you mentioned the debt is now 500 Crores at the standalone, 300 Crores long-term, 200 Crores short-term, what would be the debt in the refinery as on December 2020.

Ramesh Kumar: Long-term is 200 and short-term is almost nil. However, because of working capital requirement that may move upto 500 Crores level at the end of the year however we have various plans to bring down the loan at the end of March itself.

Kashyap Pujara: So refinery debt is 200 Crores which is long-term and short-term debt is nil currently is it.

Ramesh Kumar: Yes currently nil.

Kashyap Pujara: So the money which we raised from the sale of shares b Coromandel was that used to pay down debt in this quarter or will it be used in the...

Ramesh Kumar: That will be reflected in Q4 only because it happened only the last day of the quarter further reduction will happen during Q4.

Kashyap Pujara: So see in Q2 I recollect you are saying the total debt ex Coro was 952 Crores and right now I think the total debt ex Coro is 700 Crores, 500 in standalone and 200 Crores in refinery so there was a 300 Crores or 250 odd Crores reduction over Q2 to Q3 and that is I mean how did that come about was it purely operational because there is still...



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- Ramesh Kumar:** Yes operational reduction of inventory and with effective working capital management with which we are able to bring down the entire short-term level and everything at the company.
- Kashyap Pujara:** So which means that by March we can see further debt reduction from the number of 700 Crores that we are right now
- Ramesh Kumar:** More or less the same number as we have to meet working capital requirement during this Q4 as it is the peak period for both crushing in EID as well as the requirement of refinery is concerned ,
- Kashyap Pujara:** Fair point and finally I just wanted to check on this refinery business if I look at the refinery business in Q3 you had a very significant topline growth YoY so it appears that the number could be 700 Crores in the refinery business in Q3 versus 330 Crores in the same period last year, but when I am looking at a PBIT of refinery in this quarter that is significantly lower than last year so last year I think my number comes to around 20 Crores, 25 Crores which is this quarter it is around 10 Crores so could you explain what is really happening in refinery while you are seeing good topline growth what is really impacting the profitability.
- Ramesh Kumar:** Suresh you want to take it up.
- S. Suresh:** Yes sure. Morning Kashyapji good to connect in the new form. As far as your first question is concerned on the topline I think this is consistent to the topline growth that you are seeing in the second quarter also. The second quarter was 665 Crores, the third quarter is 707 Crores this is basically based on the market traction, refined sugar supply is pretty much tight and on top of that, of course we have a fairly decent order book which goes forward. So as a result of which we were able to execute on the order pipeline that was in place and that resulted in the topline for the third quarter at 700 Crores which is again a continuation of the story of second quarter. I think the third quarter of last year what we are referring had an EBIT of 22 Crores which compared to an EBIT of around 32 Crores for the current quarter there is still basic improvement as far as EBIT is concerned. Of course you have to keep in mind third quarter of last year we had an inventory in fact because the production was high and the sales were much lower so on an ongoing basis if you look at from an operating profitability of refinery, I think current year performance is better than what had been there last year and I can assure that continues to stay.
- Kashyap Pujara:** Sorry you said the current Q3 the PBIT in the refinery was how much.
- S. Suresh:** Q3 PBIT is 32 Crores.



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Kashyap Pujara: My last question was on the Nutra business we have seen some lumpy even YoY the profits there also are lumpy I am talking about the difference between standalone and consolidation so I am talking mainly for the US business so there also we are seeing significant lumpiness in the PBIT. My boarder question here is when do we feel that the Nutra business starts making money for us.

Muthu Murugappan: Yes Kashyap morning Muthu here. Nutra business standalone looks pretty steady and positive I think that is why you are seeing some small gain. If you look at the US business the main product the palmetto berry extract the pricing came in higher this year, the crop was much more in short supply partly COVID related and labor related events and because of that the crop came in more expensive so that has impacted the profitability so that is why you are seeing that difference between the standalone and the consolidated. We will have to see how the next year's crop pans out, too early to tell. In terms of the future of the Nutra business as I said the standalone is looking pretty steady. In terms of the US business the focus will be on the B2C business that we are building out so we expect to see more traction from that in the next 12 to 15 months because of the COVID reasons we could not further that business it was a medical equity built model so we also held back our expenses to a large extent we will see that changing in the coming year. So I think we will have to see how this year pans out but I expect to see better traction in the coming 12 to 15 months.

Kashyap Pujara: Sure thanks Muthu and thanks everyone I will come back in the queue.

Moderator: Thank you. The next question is from the line of Akshay Satija from Alpha Invesco. Please go ahead.

Akshay Satija: Sir my question is especially on Nutra business and specifically to the Spirulina part of business. So Sir you had recently started producing this product call Phycocyanin it is a blue color that is extracted from Spirulina. So could you give us some idea what is the preference to extract this Phycocyanin and what is the yield so say for a kind of Phycocyanin how much Spirulina is required and what are the other by products are generated in the process.

Muthu Murugappan: The Phycocyanin is extracted from Raw Spirulina so you typically produce the Spirulina Raw that we had make in our farm and it goes into an adjoining facility which we set up in a joint venture partnership it is the aqueous extraction so it is a water based extraction process I would not like to talk about the yield that is propriety but in terms of ratio I could tell you that perhaps 200 tonnes of Spirulina could give you about 35 to 40 tonnes of blue Phycocyanin.

Akshay Satija: Sir if you could help us a little because the data available on the Phycocyanin and Spirulina is very less what sort of market size are we seeing currently what export opportunities do we have and also we definitely must be having some plans as and what is the market for the synthetic blue color and what is for the maximum blue so how are we looking to this market forward.

Muthu Murugappan: So if I were to step back about six, or seven years ago the US FDA approved the blue extract from Spirulina as of coloring as the only natural blue there was only synthetic blue available up until then and this was the only natural blue which got approved so that prompted some players in the business to also go for the value addition and it prompted a lot of participation from China to come into that market now it has only been five or six years since this approval has come so a lot of end users who are companies in food and beverage FMCG are working out how this product works in their supply chain in terms of as an ingredient because there is a usability angle there is a cost angle so I think the jury is still out in terms of an exact market size I would put it at about I would maybe about 150 to 200 tonnes and our initial intent to go and take a market share of about 20%, 25% and the opportunity because more and more color and more and more ingredients agencies are all switching towards natural rather than synthetic if you look at FMCG that was a larger opportunity that we saw and we obviously has Spirulina and we put a partnership in place to help us with technology around manufacturing and marketing. So this is what I estimate the market size to be, but I think as more and more people in food and beverage decides to internalize its material and embraces we will see the market opportunity story pan out.

Akshay Satija: So is there any cost advantage shifting from synthetic to the natural blue color and I just want to understand the cost requirement of shifting from synthetic to the natural blue which is what I have seen price per tonne for Phycocyanin. Phycocyanin is very high it is 16000 per kg somewhere in the range.

Muthu Murugappan: At present there is no cost advantage for food and beverage there is no cost advantage it is a consumer preference which is shifting across the world that they want to shift towards natural ingredients in their consumable products so there is no cost advantage in fact it is only more expensive as food and beverage guys are able to figure out how best to internalize this and as people who manufacture this also grow in terms of products an efficiency you will see the economics improve in this space.

Moderator: Thank you. The next question is from the line of Dhimant Shah from One Up Finance. Please go ahead.

- Dhimant Shah:** Two questions, first if you can just repeat the production figures division wise because that was not quite clear and sorry for this you will possibly be repeating that and question number two when in your opinion so by current season end do you think in your opinion can we achieve the two divisions particularly cogen and distillery being able to set off whatever negativity is there in sugar so when do you think can we achieve...
- Ramesh Kumar:** What is your question we lost you in between.
- Dhimant Shah:** Can I repeat.
- Ramesh Kumar:** Yes, please.
- Dhimant Shah:** Yes, my question number two is that when do you think...
- Ramesh Kumar:** No, no, question number one can you please repeat.
- Dhimant Shah:** Question number one was just a repetition of the figures that you have mentioned sugar production both for the quarter and nine months and division wise if you can just re-mention these figures for cogen and distillery.
- Ramesh Kumar:** I will do it and then you can move to the second question.
- Dhimant Shah:** Yes, question number two is when in your opinion do you think we will achieve some sort of equilibrium because most of the other sugar companies we see cogen and distillery being able to set off the negativity in the sugar profitability. So do you think we are anywhere close to achieving that if you can just take these two please?
- S. Suresh:** Ramesh you talk the first question.
- Ramesh Kumar:** Yes I will take it, you just finish this then I will go to the next question.
- S. Suresh:** Yes, you said correctly the structure is getting lengthy because of this the reason the SAP increases happening without commensurate the increase in the MSP as well, it is what has to happen as an industry as such because this continuous increase in FRP without increase in MSP, it is not going to do good for any sugar producers in the country. Particularly when Niti Aayog also has recommended for an increase of almost Rs.2 and subsequently FRP has increased technically to be going up by Rs.3 so but not even Re.1 has gone up. Of course this sort of things is going to stay there in sugar. As far as cogen is concerned the prices of power has been dropping consistently across the different formats of power and it not offset the negative profitability of cogen as per se, but overall distillery has helped in increased



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participation in the ethanol blended program. The expansion of distillery coming up in Bagalkot at the current year should be well for the sugar that should set right the equilibrium because as a company having working across various functions and various formats in terms of sugar cogen and distillery various measures which should help us to get back to the equilibrium state and I think maybe a year from they should be auguring well even definitely this year as well should be as you have been seeing. The important thing for the industry as a whole it is not an exception is that the price correction in terms of MSP has to happen for the industry because as cost price being higher than the selling price.

Dhimant Shah: And in light of what you said for power particularly because our PPAs to expire in March do you think your alternate arrangements will set as good so again both the cogen distillery put together can it set off any negativity in sugar in your opinion in the ensuing year.

S. Suresh: See there are two parts of it, whether the alternate to PPA we will see whether we can keep running the PPA, if not better prices at least at the same prices, if not then we have to work on other things like trying to create additional value from the import raw material product I answered the equilibrium part at the first stage itself so for the power the alternate means of getting the equivalent realization is being export. Yes instead of PPA there are opportunities available to the export into the IEX or we can try and sell the power to third-party requirements. We are also evaluating other means to improve the realization in power.

Ramesh Kumar: See as far as the operating numbers are concerned cane crush during the quarter is 12.39 lakh metric tonnes corresponding period is 11.29 lakh metric tonnes similarly that recovery is 10.76% for this quarter as against 10.26% of the previous year. We produced about 1.3 lakh metric tonnes during this quarter, sale was about 0.84 lakh metric tonnes as against 0.87 lakh metric tonne of the previous year. The selling price during the quarter is around 33.80 as against selling price of the previous year is 33.9. We carry sugar of about 1.7 lakh metric tonnes as of December, this is with respect to sugar. However, with respect to cogen we exported 5.26 Crores units during the current quarter as against 5.12 Crores in the previous year quarter, the price realization is 4.6 during this quarter as against 3.94 in the previous year quarter. Distillery we had a sale of about 148 lakh liters during this quarter of which ethanol is 31 lakh liters, ENA is 117 lakh liters. We had an average realization of around the 60.48 the previous year numbers are around 1.27 lakh liters at a price of around 58.84.

Moderator: Thank you. The next question is from the line of Ritwik Sheth from Deep Finance. Please go ahead.



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- Ritwik Sheth:** Sir my first question is on the cost of cane at our mill what could be the cost of cane at our mill currently across all our plants on a blended basis if you can give us that.
- Ramesh Kumar:** Yes, on a blended basis if you want the overall cost will be around Rs.3200 per metric tonne.
- Ritwik Sheth:** And this will be include all the transportation cost also.
- Ramesh Kumar:** Yes, for Tamil Nadu we are including transportation cost and in case of others we have different formats based on the different states formula.
- Ritwik Sheth:** And sir my second question is on the refinery sorry I missed the numbers could you give the production sales revenue and EBITDA and PBT for Q3 and nine months as well.
- Ramesh Kumar:** The revenue for the quarter PSRIPL the refinery business 707 Crores as against 334 Crores on a YTD basis it is 1748 Crores as against 1282 Crores. The PBT for the quarter is 24.91 Crores as against previous year is 13.54 Crores. On a YTD level the profit is around 19.6 Crores as against the previous year loss of 38.35 Crores. The refinery sugar production during the quarter is 1.85 lakh metric tonne as against the previous year 2.39 lakh metric tonne. On a YTD basis it is 5.71 lakh metric tonne the current year as against previous year of 4.7 lakh metric tonnes. Sales during the quarter in refinery is 2.7 lakh metric tonnes as against previous year 1.25 lakh metric tonne, on a YTD basis the sale is 6.37 lakh metric tonne in the current year as against 4.93 lakh metric tonne.
- Ritwik Sheth:** Sir can you comment on the spread what are the spreads currently and are we seeing any improvement in spreads or they are steady in the refinery business.
- S. Suresh:** As far as spreads are concerned we are still on an overall basis at similar levels what we have been discussing earlier of between \$40 to \$43, Q3 we had slightly exceptionally higher spread to the extent \$5 to \$6 which is also a matter of discussion in the last call as well as the spreads peaked during the period of August, September for certain supply windows so the third quarter spread is still at higher by \$67 from the average value and the prognosis for this spread is similar, the demand supply position both in raw and refined sugar remains quite tightly balanced and with India come into export market much later and with logistics problems that been faced by the Indian exporters there is not much of change on the overall scenario we expect the average spread level to continue going forward as well.
- Ritwik Sheth:** And Sir lastly on the EBITDA for nine months for refinery business can you share that please, EBITDA.



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- S. Suresh:** Nine months EBITDA will be around 77 Crores.
- Ritwik Sheth:** That is from my side all the best and thank you.
- Moderator:** Thank you. The next question is from the line of Anupam Goswami from B&K Securities. Please go ahead.
- Anubhav Goswami:** Sir my first question is on the distillery segment. Our margin has drastically reduced what is the reason for that and within those one sort of we had a higher realization in the distillery segment with higher sales quantity as well so what was the reason of drastic margin there.
- Ramesh Kumar:** During the quarter specifically the volumes went down because of various reasons our cost went up, we could not operate the plant only fixed cost increased during the quarter because of Tamil Nadu the import of molasses was allowed because of that cost increased during this quarter however the end of the quarter during December again the sales picked up which enabled us to come into cost efficiency. Only reason is non-operation of plant for almost 45 days led to the increase in the cost because of import of molasses from other states to Tamil Nadu.
- Anubhav Goswami:** Sir do we see recovery in the next quarter.
- Ramesh Kumar:** Yes as of today it looks better.
- Anubhav Goswami:** And Sir should we go back to our run rate margin of around 18%, 19% how much.
- Ramesh Kumar:** Yes.
- Anubhav Goswami:** And the next question is on the refinery side, where do we see the spread going forward even though the international prices going up do we see any spread expansion going forward and if the shortage continues where do we see the spread.
- Ramesh Kumar:** No, at this point of time we are seeing tightness in both sides of the market both from our raw sugar as well as refined sugar perspective, so we do not see a specific reason for refining spread to go much higher than what it is currently. A lot will depend upon what happens to the increasing crush of production for example Thailand is still crushing Indian versus still going on and depending upon the realization of these productions the situation might change for the second half of the year, but at least for the next two quarters we do not see a major change in the refining spreads.

- Anubhav Goswami:** And last question on the sugar segment previous quarter we have had a fairly better sugar margins it is almost zero profit and loss however this time the losses have increased and how do we see going forward and where our the cost of production lies since FRC now has increased do we see any recoveries even though with hike in MSP.
- Ramesh Kumar:** Suresh Sir you want to take it up or shall I take it up.
- S. Suresh:** I am not able to listen to the question properly, if you are able to listen please go ahead otherwise let him repeat that.
- Anubhav Goswami:** Sir I will repeat my question. It is on the sugar segment in the previous quarter we saw a fairly better sugar margin that is around zero profit and loss however this time our sugar margin has gone into a loss so even though FRC has increased and there is no hike in MSP do you see any recovery trend there or this kind of losses should continue.
- S. Suresh:** As I had mentioned earlier hopefully the government itself should come out with the MSP that is one. Currently my view the MSP is not being announced because the moment MSP comes into play the exports out of the country may not happen to the extent what is expected because we will start finding home for the sugar in the domestic at the expected realizations so they may not even export maybe once good chunk of exports gets contracted maybe government made that the rate of utilizing the MSP that is one part of it which should help. Number two is the recoveries have been better for the areas where we are operating particularly in Karnataka that should also augur. Coupled with that this our continuous measures in terms of operating parameters and the cost of actions across the board this all should take us but the only thing is we only hope that the government has not continue this increasing the FRP that increasing the MSP because that way the industry itself will not be structurally be stable in the long run because we are continuously the costs are going to increase without any commensurate increase in the realizations of the business.
- Moderator:** Thank you. The next question is from the line of Akshay Ajmera from Nirzar Securities LLP. Please go ahead.
- Akshay Ajmera:** My question would be on the Spirulina business is there any progress on the JV that we have announced Algavista and are we getting any orders for the Spirulina blue and maybe you can share the vision for next three to five years and other one will be the for the plant that we have moved from Pudukkottai and Pettavaithalai do we have the extra catchment areas of cane available in Karnataka.
- Muthu Murugappan:** On the Spirulina question the JV is still working on establishing long-term contracts with sort of large color houses and companies in the F&B space mostly export so it is still in a

trial order and it is still in a contract fixing mode so we have not got any large contracts fixed as of yet, so it is going in that mode as of now the larger three to five year vision I would say a three year vision is to move up to that 40 tonnes worth of capacity utilization which I had talked about that would be the immediate objective.

Akshay Ajmera: So what would be the vision for the topline for the nutraceutical business as a whole for three to five years maybe a larger time?

Muthu Murugappan: On a consolidated basis we want to reach 500 Crores topline.

Akshay Ajmera: Oh fine that is right Sir, that is very good to hear. So my next question was on the catchment area that we are having for the additional capacity that have been moved from Pudukkottai to Pettavaithalai plant from Tamil Nadu to Karnataka so is there any enough catchment area is there any enough cane availability there in Karnataka.

S. Suresh: Yes we have already enough cane available, the cane potential and availability and expected availability over the next two, three years this entire call has been taken Karnataka the place where it is going, this is the place called Haliyal as the number one crop based number one, number two, number three crop is only sugar cane I think they are developed in a big way over the last decade ever since EID Parry started operating in the mill over there so there is good amount of cane availability over there to service the shifted mill to service the new plant which is going to come from Tamil Nadu there is enough catchment area is available area is growing in fact next year also the Karnataka area is expected to grow by around another 10% to 15% and as such we are not able to consume all the cane what is available there today because we do not have sufficient capacity over there.

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

Achal Lohade: Just wanted to check in the last call the landed cane cost was about Rs.2900 for the first half so I was just curious when you said 3200 is there an increase in the cane price.

Ramesh Kumar: Yes FRP has increased from the 1st of October that impact the cane price and also further increase is on account of proportionate to the recovery.

Achal Lohade: So what is the kind of cane crushing we are looking at for the season and if you could talk about fiscal year basis actually I just want to know increase are for FY2021 and 2022 in terms of cane crushing.



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- S. Suresh:** See the current year cane crush in Karnataka is expected to be marginally better than the previous year, Tamil Nadu and Andhra both the states we expect almost a similar line of cane crush compared to the earlier year. For the next year maybe Karnataka should be better off by around 8% to 10%, Tamil Nadu should marginally go up by 5% or so.
- Achal Lohade:** Sorry I did not get the last part Tamil Nadu, AP both.
- S. Suresh:** No Tamil Nadu and AP the cane volume crush in our plants are expected to be in line with the previous year and for the next year what you are talking about the Tamil Nadu volumes can go up by at least 5% and that is the expectation in Karnataka should be somewhere in the range of 8% to 10%.
- Achal Lohade:** Second question was with respect to say refinery what is the status of the subsidy part are we able to get raw sugar....
- S. Suresh:** Achal can you repeat the question I think we could not hear you properly.
- Achal Lohade:** On the refinery have we started sourcing all products for the domestic market or it is still imported.
- S. Suresh:** Yes, Achal the sourcing from the local mills have not yet started because we are still awaiting clarification from the Food Ministry regarding applicability of the entire subsidy amount for the domestic mills that will supply into the SEZ zone because the initial notification is not complete as I mentioned of SEZ refinery so we have been assured by the ministry that this clarification will be issued so I think once the clarification is in place we should be in a position to source domestic sugar.
- Moderator:** Thank you. The next question is from the line of Subham Agarwal from Aequitas Investment. Please go ahead.
- Subham Agarwal:** Sir my question is pertaining to the refinery segment so basis the number that you have provided on the call EBIT number and volume number if I see year-on-year the realization or EBIT per tonne has decreased in this quarter compared to last quarter whereas I understand that the spreads has gone up so I am just trying to understand what would have happened.
- Ramesh Kumar:** Principally it is increasing fact that is changing otherwise the realizations are in line or better if you look at the current year versus last year.
- Subham Agarwal:** So last year December what would be the realization per tonne.



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- Ramesh Kumar:** No the realization in this business is slightly difficult to compute because it is the net spread to bring the raw sugar and the refined sugar and there is a time lag between the moment of prices of the two, but if you look at year-on-year spreads the current year spreads are in line or slightly higher than last year depending on which period we are comparing.
- Subham Agarwal:** So most of the decrease is mainly because of raw material change last year.
- Ramesh Kumar:** Yes, inventory change last year, yes.
- Subham Agarwal:** Got it Sir that is it, most of my other questions have been answered.
- Moderator:** Thank you. The next question is from the line of Gautam Dedhia from Nalanda Securities. Please go ahead.
- Gautam Dedhia:** Sir firstly on the cost saving part so when I look at your standalone nine month financials your employee expense and other expenses are down by 50 Crores so I think there is some deferment of maintenance Capex so just wanted to understand with whatever restructuring has happened in Tamil Nadu what should be the annualized fixed cost savings that we should work with.
- S. Suresh:** Ramesh one part I would like to take balance you can take. See the restructuring of Tamil Nadu that action has been happening for a period of time so in fact we have downsized the people over the last two years we have not been having much number of people in the factories as and when the factory has got closed even prior to that we have started downsizing and then we have been keeping at the minimum level so the benefits would have started flowing into this year itself.
- Ramesh Kumar:** See more or less the same quarter number will get added to the nine months number for the full year number that will be the basis on which we wanted to sustain going forward however in a fully year basis next year various operations have increased as far as scale and everything maybe marginal increase on that account will be there what we expected as of today otherwise we can able to sustain whatever reduction we have achieved as of today.
- Gautam Dedhia:** Okay so the nine month I can just annualized for a ballpark estimation right.
- Ramesh Kumar:** Yes, nine months plus whatever current quarter number when added will be a full year data point
- Gautam Dedhia:** Secondly on the Pondicherry land is it still asset held for sale.



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Ramesh Kumar: Yes, see as of today it is still asset held for sale at the end of quarter because of the COVID scenario there are certain legal formalities which is yet to be completed for the buyer side which is taking time the buyer however has already contracted so we expect the transaction either to complete at the end of this quarter or the beginning of the first quarter.

Moderator: Thank you. The next question is from the line of Hitesh Doshi an Individual Investor. Please go ahead.

Hitesh Doshi: Congrats to team EID Parry on excellent debt reduction in last two years and making it virtually debt free company and partially turning around the sugar operations. Sir just want to know I think Muthu has now taken the position of Head of Strategy so what can be the strategy for the company going forward and what can be the growth areas over next five to ten years.

Muthu Murugappan: So Hitesh bhai very good afternoon and just to outline from a strategic perspective I think it is a fourfold focus if you look at the sugar and nutra business and let Suresh comment on the refinery business as well. To look at the sugar business I think cane volumes are very critical as Mr. Suresh our MD was talking about there is a slight improvement this year and we are looking at some improvement next year as well, we intent to claim better that so a lot of cane development work is going on so that the cane volumes can go up with the new sort of rationalized capacity predominantly in Karnataka and with the few mills in Tamil Nadu. The next strategic effort priority will be the distillery segment which is looking lucrative especially with the ethanol blending programs for the OMC as you know our Bagalkot distillery is coming up on-stream. We are also evaluating to see if we need to expand further in the distillery segment I think we will have that decision in due course, but to strength that segment would be the second effort priority. We also present in three southern states in terms of retail we have a good product line with four or five different sweeteners and we are very bullish about this business I think we will be able to talk to you about it in more detail maybe in another year's time but I think we are building this out very well and the retail push to expand the product line in the sweetener segment will be the third effort priority. Fourth effort priority for the business is the consolidation and growth of the nutra segment. As I said the standalone is looking positive because we make all of these immunity products given the COVID there is a good response in the market. There are also focus on US B2C business and I think as EID is positioning improved financially you talked about debt reduction yourself and the general financial position improves I think we will have a chance to invest in growth in the nutra business as well as in retail in the coming years. So I think these are and of course the asset relocation strategy is already in place that is the fifth key so I think these all five pieces putting together and all the products are working well. The asset relocation I think Pudukkottai going to Haliyal is already happening and we have also

downsized in Tamil Nadu in terms of Pondicherry and the closure as well so all of these from the asset relocation stand for and also is playing out. So these are the five broad areas where we as a team are sitting and working together to really progress the company in a better way in the coming years. I hope that answers your question. I let Suresh comment on refinery as well.

Hitesh Doshi: See ROA ratios for the future Capex means now at what ROA indicative ROAs will be do future capex as we are debt free and we will generate some cash every year.

Muthu Murugappan: Yes Ramesh you want to comment on that.

Ramesh Kumar: Sorry Hitesh can you repeat Hitesh sorry I missed your question.

Hitesh Doshi: What can be the targeted indicative ROA ratios for the future Capex as Muthu said we will invest more on retail and nutra and also on the distillery side of the sugar business so as a company what can be targeted indicative ROA ratios for future Capex.

Ramesh Kumar: So any investment which we want to make in any business we want to have minimum 20% return

Muthu Murugappan: So Hitesh bhai I could just come in here, just want to make a minor correction on the comment I think on the distillery side our Bagalkot distillery may have already invested and we are coming up now I think the management is debating whether they needs to be a further investment in distillery based on the government ethanol blending program we have not arrived at a final decision yet..

Moderator: Thank you. We take the last question from Akshay Satija from Alpha Invesco. Please go ahead.

Akshay Satija: Sir I just wanted to know the update on our JV with Synthite, what is happening on that front and could you also highlight other nutra products that we have specially selling in the US market and what sort of opportunity are you looking at that front.

Muthu Murugappan: So Akshay as discussed earlier on the call the JV with Synthite which is Algavista Private Limited is in the process of firming up longer-term contract and servicing trial orders with large color houses to establish the product and the business. I think the COVID unfortunately is taking a lot of time because the developmental activities of large color houses in terms of internalizing a new raw material has taken a backseat because as in every business there is a certain COVID related areas that they focus on and product development has been put a little bit on the backburner so that has definitely delayed in this FY2021,



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sorry your second question was on the US business? So the US we sell two products Saw Palmetto Berry extract and Astaxanthin which is the antioxidant in a formulated form the larger of the two businesses is the Saw Palmetto Berry extract. Currently we do about in a B2B it is a B2B business model where we do about \$14 million in sales and we do about 50 to 60 tonnes, our ambition is to double that volume in the coming years that same three to four year timeframe it is the same product with which we are looking at a B2C foray and that is currently in place that we want to build over a five year period there is a market in the prostate health B2C segment of prostate supplements for the condition benign prostate hyperplasia which early stage benign prostate hyperplasia which is really frequent urination which we are curving which we are aspiring to serve with this product it is \$200 million market and we would like to have a 10% to 15% share. So that is really our two products and our aspiration from the US.

Moderator: Thank you. Due to time constraint that was the last question. I would now like to hand the conference over to Mr. Aditya Bagul from Axis Capital Limited.

Aditya Bagul: A big thank you to the management for taking out the time and patiently answering all the questions. Apologies to anyone whose questions were not answered, you could write them to me or to the management then we will try and address those questions for you. I will hand over the phone back to Mr. Suresh. Sir would you have any closing comments.

S. Suresh: Yes, thank you everyone for joining the call and it has been really a tough quarter with a lower selling prices across and I am sure and we all hope that there is a better base ahead for us with the exports also expected the come with the good international prices and we look forwards for the next quarter meeting you again. Thank you.

Aditya Bagul: Thank you Sir.

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