



“Balrampur Chini Mills Ltd Conference Call Hosted by Dolat Capital Markets Pvt. Ltd.”

March 29, 2016



**MANAGEMENT: MR. VIVEK SARAOGI – MANAGING DIRECTOR,
BALRAMPUR CHINI MILLS
MR. PRAMOD PATWARI – CFO, BALRAMPUR CHINI
MILLS**

**MODERATOR: MS. AFSHAN SAYYAD – RESEARCH ANALYST, DOLAT
CAPITAL**

Moderator: Ladies and gentlemen good day and welcome to the Balrampur Chini Mills Limited Conference Call hosted by Dolat Capital Markets. As a remainder all participant lines will be in the listen-only mode. 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 Ms. Afshan Sayyad, Research Analyst of Dolat Capital. Thank you and over to you Ma’am.

Afshan Sayyad: Good afternoon everyone, I welcome you all to the conference call with the management of Balrampur Chini Mills to get an update on the sugar industry as a whole and outlook going forward. From the management team we have Mr. Vivek Saraogi – the Managing Director and Mr. Pramod Patwari – the CFO of the company. I would now like to hand over the call to Mr. Saraogi to update us on the sugar industry and the outlook going forward and will follow it up with Q&A sessions post that. Over to you sir.

Vivek Saraogi: Thank you and welcome to the call. I will just speak very briefly through what I feel the sugar scenario unfolding thereafter questions and answers will clarify the situation further. On the sugar front we are expecting production of slightly below 260 lakh tones, our production estimate right now is about 257 lakh tones and we feel consumption and production should balance out the consumption being 257 lac tones that is the estimate. Opening stock is about 8.5 to 9 million tonnes, 1.5 million almost is contracted for exports and we're feeling that another 0.5 could go out so a total of 2 million depletions to inventory would happen because production and consumption being balanced so we could have an opening inventory of about 6.5 to 7 beginning next year. Next year's production as we see the rainfall, etc., and the Maharashtra plant being lower it is too early to estimate but production would be lower than this. So hence we see a trajectory of firm prices which is already displaying itself right now and we are still crushing and the prices are at closer to Rs. 34 it is about Rs. 33.5-33.75 and we feel this firm trajectory should maintain itself. Based on consumption demand-supply exports this is the way we see sugar prices play out. On the cane price UP government had declared a price of Rs. 280 and UP government's price actually is Rs. 280 plus taxes so the price is Rs. 291. The taxes have already been waived so our current pricing is Rs. 280 and based on the realization, etc., there could be a subsidy coming from the UP government. However, seeing the current trend I do not think any subsidy will come forth so Rs. 280 is what we should factor in our cane cost to be.

We had a very good year of working at Balrampur. We will be crushing about 7.05 to 7.10 crores quintals of cane approximately and our average recovery should be in the range of 11.12 to 11.14 for the company as a whole. This is a record recovery some of it definitely is attributable to the weather conditions, a lot of it is also attributable to our cane development and we feel going ahead, recoveries of the past should be a thing of the past that 9.7-9.8 regime should go away, however, 11.12 to 11.14 is a freak year. One can estimate with cane

development happening and varietal changes 10.5 could be the order of the day barring negative weather conditions. So this is the costing side and the realization side as we see things ahead.

Ethanol, Government of India as you are aware has mandated a price of (+40) for this one year they have given a duty waiver of approximately Rs. 5 this is for the ethanol produced from the molasses of current year's cane crushing so that realization is also huge tailwind and therefore this division also will perform exceedingly well going ahead.

We had undertaken three projects for our company in all our three distilleries to make it zero discharge. As we're seeing the NGTs of the world and the pollution CPCB, UPPCB being extremely strict. One of it has been successfully commissioned at Balrampur, the next one at Mankapur is to be commissioned in the month of April and the third one at Babhnan in October. So we will not only be completing compliant it will help us to get our entire molasses converted without any interference/intervention of the pollution department which is now becoming extremely aware and strict.

The third one – our power division continues to be doing extremely well and we would be exporting 54 crores this year and 58 crores next year. From April the realization will improve by 2 % being the part of tariff order. So our all three divisions continue to do extremely well, we have enough cane, bagasse, and molasses to run our operations for all three divisions and as we move ahead our debt being under control, our interest cost coming off that is not only one year phenomena but we see things unfolding on a very predictable and sustainable levels. So this is how we see things and on the Central Government side the MIEQ of the export quota allotted to us and we have completed that and we hope to get our reimbursement after we file our claim in the month of May. So this is from my side and will open to you for questions.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of H R Gala from Panav Advisors. Please go ahead.

H R Gala: Thank you for giving brief scenario of sugar industry and what is likely to happen. I just want to ask one question that as far as exports are concerned what is the FOB realization now?

Vivek Saraogi: The white sugar is about \$450 odd levels, we will just get back to you in couple of minutes during the call.

H R Gala: 450 is what?

Vivek Saraogi: We are exporting whites mainly \$450 per tone is the London tape which is the white sugar price.

H R Gala: My second question was that as far as the processing cost is concerned how much do we add to our Rs. 280 is the price which we pay FRP to the farmers over and about that how much will

be per kilo conversion costs from cane to sugar as far as we are concerned and what will be the general scenario in the sugar industry for that?

Vivek Saraogi: Balrampur being extremely efficient and recovery what I told you based on that and based on the method we adopt for transfer pricing for bagasse is realization for the sugar division and the cost for the power division, molasses is the same thing realization for the sugar division and the cost for the distillery division. We have two more receipts which is these two the cost is cane price and the conversion cost based on 11.12 to 11.14 recovery we have not yet done our costing and not proper for me to talk here, after 31st March we will be able to give you some more but costing would be very much under control.

H R Gala: But would it be the processing cost would be in the range of around 4 to 5 per kilo of sugar processed?

Vivek Saraogi: Because of the net levels of costing, let us assume the cost is 4 and realization is 2, a realization being bagasse and molasses, so the net conversion would be 2 because that is debited in those two so when we arrive at a profit of power and you see our sectoral results, when you see power results it is factoring the cost of bagasse.

H R Gala: What will be our capital expenditure plan?

Vivek Saraogi: Capex plan is about Rs. 200 crores for all the three distillery divisions and we're hoping to get about Rs. 75 crores odd from sugar development fund that is 7.75% and some is debt and the rest is internal accruals.

H R Gala: This is for the next sugar season that is what we are planning?

Vivek Saraogi: Up to 31st March we have expended around Rs. 100 crores and Rs. 100 crores will be in the next year.

Moderator: Thank you. The next question is from the line of Nitin Gosar from Religare Invesco. Please go ahead.

Nitin Gosar: Just a clarification, you talked about the cane crushing that is expected for SS 17 season what was the number 7 crore quintals?

Vivek Saraogi: Yes 7.07 crore quintal of cane was our estimate.

Nitin Gosar: 7.07. The recovery rate should be 11.12 odd?

Vivek Saraogi: Correct.

Nitin Gosar: To put the broad math right the cost of sugar hypothetically is around Rs. 33 for you?

- Vivek Saraogi:** No, much lower.
- Nitin Gosar:** No that is including depreciation...
- Vivek Saraogi:** It includes depreciation does not include interest and other corporate expense.
- Nitin Gosar:** What should be the number including depreciation right now for you?
- Vivek Saraogi:** As I just said on the call the account is yet to be finalized but on the high recovery our costs will be below 30 including interest and all corporate expenses.
- Nitin Gosar:** This is on high recovery of 11.12 to 11.13. On the earlier recovery rate of 9.5 to 9.9% the cost would have been around 32-33?
- Vivek Saraogi:** Yes, cost would have been more like 31, higher recovery is huge, 1% recovery is 10% lower cost of production.
- Nitin Gosar:** Another one was on ethanol front you mentioned Rs. (+40) is the rate for the current year or is it Rs. 45?
- Vivek Saraogi:** Rs. 45 per BL for the current year because Rs. 40 per BL is the rate and because of Rs. 5 per BL duty waiver it comes to Rs. 45 per BL.
- Nitin Gosar:** Next year it can fall down to Rs. 40?
- Vivek Saraogi:** It can fall down to Rs. 40 per BL. Next year would mean our dispatches post January-February.
- Nitin Gosar:** What should be the volume number, because you're going for the capacity expansion?
- Vivek Saraogi:** Because we had to stop our distillery for getting the things in two places here our volumes dispatch for this year would be 6.5 to 6.7 crore liters, however next year we are hoping for closer to 9 crore dispatch.
- Nitin Gosar:** This will be in FY 17?
- Vivek Saraogi:** Balance sheet 2016-17.
- Nitin Gosar:** Ok, 6.7 is the year which is gone by that is March 2016?
- Vivek Saraogi:** Yes.

- Nitin Gosar:** The broader understanding on the sector is the interference from the state government side has not been there and it has been much more supportive this time?
- Vivek Saraogi:** Yes, understand one thing the state government in some method because if you see the price recession as I mentioned based on the sugar realization the government would decide subsidy so Government of UP thinking is that Rs. 280 since it has announced it cannot roll back the paying capacity of mills is going to be defined by sugar realization hence the balance is the subsidy figure. I'm not saying UP Government is going to go by Rangarajan percentages but that non-rational, non-economic method of price announcement for cane which was followed years back is not a thing of the past.
- Nitin Gosar:** In a way it is a kind of linking method.
- Vivek Saraogi:** In a way it is going to be linking I think so, the percentage not would definitely be higher than the Rangarajan but for companies like us with our recoveries and working and interest cost we now have a much more sustainable feeling and view on the sugar segment definitely one can hope for future and times to come it will never go negative. The sugar segment which is not only the profits of other divisions but still take it negative for the year like last year I do not think that is going to be seen again. The sugar division itself for a company with the efficiency and the costing of Balrampur should not see negative numbers in the future.
- Nitin Gosar:** On the power what is the realization we are expecting from 1st April?
- Pramod Patwari:** We are expecting about Rs. 4.60 per unit and thereafter minimum 2% increase.
- Nitin Gosar:** This is for the next financial year.
- Vivek Saraogi:** Yes FY 16-17.
- Moderator:** Thank you. The next question is from the line of Devang Mehta from Canara Robeco Asset Management. Please go ahead.
- Devang Mehta:** Ethanol side we are increasing capacity from 6.7 to 9 crore liters, so we're not adding crushing capacity is this through 'B' molasses route or is it 'C' molasses?
- Vivek Saraogi:** Let me clarify our distillery capacity were 9 crore liter almost however due to pollution this reduced the working days from 330 to 270, never used to allow due to work from let us say 1st of July and 30th September and there used to be closure in the middle so we're not adding this into distillery we're just adding pollution control equipment and some balancing equipment. So that higher capacity of 9 crore liter will now be able to produce 9.5 crore liter let us say and for that we already have molasses that is the final 'C' molasses.

- Devang Mehta:** As I was going through the numbers and the conversion rate if you are crushing close to 7.09 with recovery rate of molasses of 4.5 and the conversion of around 22.5 I reach to 8 crore liter of ethanol.
- Vivek Saraogi:** Your calculation is right however two things have happened, conversion is not 22.5 it has become 24 plus so 8 goes to 8.30-8.40 plus this year because of our lower production in the last year molasses was in the system so that will help us to go to 9 next year because if the distillery shut down did not mean we sold molasses. We shut the distillery is to commission the incineration it takes 15-20 days so molasses is there in the system and next year 9 is very logical.
- Devang Mehta:** Ok, but the 9 would be one year phenomena?
- Vivek Saraogi:** No, we're also working on our cane and if we get to just 7.4 crore quintals of cane we will be able to do with higher recovery of 24 we will be able to do that. And an another correction, molasses is not 4.5 in UP and our factory it comes to 4.8-4.9%.
- Devang Mehta:** I was taking national average so it will be higher in UP.
- Vivek Saraogi:** No we should look at our average.
- Devang Mehta:** Yes correct, so it would be around 4.8%. We do not purchase any molasses from other mills?
- Vivek Saraogi:** No.
- Devang Mehta:** After this 6.7 crore liter this year, if you can help pay with the breakup of that you sold to fuel marketing companies and to alcohol?
- Vivek Saraogi:** Out of 6.75 or out of our projected closer to 9?
- Devang Mehta:** Out of 6.75 and 9 both.
- Vivek Saraogi:** In 9 we are hoping to sell at least 8 plus to OMCs. During the process the second grade comes out so next year our target will be (+8) for the OMCs we already have orders in hand of almost those levels and today the method of OMC is that even if we produce excess and go and give it to them. So next year is closer to whatever we sell we hope (-5%) should be OMC, it is safe to assume 8 OMC next year again 90% was ethanol.
- Devang Mehta:** ENA and RS is very small?
- Vivek Saraogi:** Yes we are just discontinuing that.
- Devang Mehta:** So there is no clause in UP to sell to the alcohol guys?

- Vivek Saraogi:** No that is for people who do not have captive consumption, they are required to divert the molasses to country liquor. Since we already have a shortfall we see our calculation and be at best neck to neck we are not required to sell.
- Devang Mehta:** Because the equation had a Rs. 40 also would be profitable for ethanol rather than the country liquor. The margins at Rs. 40 realization for ethanol is far better than country liquor?
- Vivek Saraogi:** Yes, any day.
- Devang Mehta:** Any sense from the OMCs further increasing, this year we are almost reaching 5% blending any further sense of go into 10%?
- Vivek Saraogi:** I think gradually it should happen. Somebody had asked for FOB price in Indian rupees, it would come to approximately 2975 to 3000 means to Rs. 29.75 to 30 per KG. This is for Maharashtra.
- Moderator:** Thank you. The next question is from the line of Siddharth Mohta from Principle India. Please go ahead.
- Siddharth Mohta:** What would be our current sugar realization for the month of January-February-March?
- Vivek Saraogi:** March should be 32.5-33, current prices are 33.70-33.5 depending on which mill and which quality.
- Siddharth Mohta:** On an average you can tell for this particular quarter?
- Vivek Saraogi:** During the call we will tell you.
- Siddharth Mohta:** When you said that our costing would be around Rs. 30 so that is cumulative from April to March?
- Vivek Saraogi:** Yes, the balance sheet under consideration, I gave you an approximate figure this is what it looks like with depreciation, interest other expense however we feel it will be lower than this also.
- Siddharth Mohta:** So then for understanding we have valued our stock at Rs. 29.84 in the month of December ending, so coming in March it would be correct to say that our valuation will be at a cost whether under realization and it would be substantial lower to Rs. 27 – 28?
- Vivek Saraogi:** Yes. Substantial would be lower than the 28 levels.
- Siddharth Mohta:** Regarding our FY 16 and FY 17, what are the key risks that you see now the things it looks quite good as you had mentioned that even in this coming sugar season the sugarcane will be

little less and the export it is also happening at around 2 million and the realization has also been quite good, so what are the key challenges that you can see for the upcoming sugar season?

Vivek Saraogi:

Let me take you through the way I see the country unfolding. Maharashtra if you read, I was seeing TV yesterday and they said there was no Holi in Latur because of no water, Maharashtra is going to be a real challenge and that is going to be the lower part of the production, I think UP will cross Maharashtra next year in production if possible. So in UP and with this variety change, etc., we hope that we should be able to enhance our production next year. So in a scenario where the country reduces we feel we should enhance our production and UP should also be positive, but Balrampur group should be a lot more positive. Let us assume our neighbor is Bajaj they have closed down one month before us so somebody who pays developed cane now we get the cane we hope that because of these two factors our group should continue to increase its crushing, increase bagasse and molasses availability and lower costing. Our challenge is that should not be from the front of availability of cane. The only challenge now I see is next year cane price fixation having said that there have been three years of UP government having given subsidy and having learnt to deal with the arrears the hard way and I do see some logical front as I mentioned in the call there also. So barring some absurd weather conditions in our area I don't see much here going ahead.

Siddharth Mohta:

I was doing a forward projection for FY 17 when I see the company will be generating a lot of free cash flow and apart from ethanol CAPEX on which we have already spent 50% so what would be the further use of the free cash flow whether it'll be utilized to repay some of the debt even though we're getting debt at a very attractive rate?

Vivek Saraogi:

We are very clear the policies of the company to reduce its high cost debt even if we are something at 10.5-11 will pay it off. A lot of our debt is in soft interest format or zero interest from Government of India and some SDFs so barring all that and the new debt taken for the incineration our target would be to liquidate debt completely and our next logic is dividend and we have in the company if you followed us over a period you are aware of our dividend paying policy.

Siddharth Mohta:

You would have already freezed the budget for the next year or calculation would it be correct to say around 150 crore of debt repayment it may happen?

Vivek Saraogi:

More.

Siddharth Mohta:

Ok more than that. Any range or approximate figure?

Vivek Saraogi:

It would not be fair for me to give more details, just have indicated that more than 150 for sure.

Siddharth Mohta:

Regarding ethanol for this season our realization would be Rs. 45..

- Vivek Saraogi:** For 2016-17.
- Siddharth Mohta:** Yes, for 2016-17. What would be the conversion cost or if you can throw some light how to look as you generally provide in the sugar, what would be for ethanol?
- Pramod Patwari:** Rs. 4.5 per liter conversion.
- Vivek Saraogi:** And raw material?
- Pramod Patwari:** Raw material around Rs.14.5.
- Siddharth Mohta:** Raw material is 14.5 and in the first one it was not very clear.
- Pramod Patwari:** Rs. 4.5 per liter conversion cost.
- Siddharth Mohta:** So it is coming to around Rs. 19 as a raw material plus conversion cost and utilization is Rs. 45. And it will be at EBITDA level?
- Vivek Saraogi:** It will be PBT.
- Siddharth Mohta:** Ok. Similarly, for our power if you could provide, our realization is Rs. 4.60
- Vivek Saraogi:** Yes next year higher by 2%.
- Siddharth Mohta:** Here again our conversion and any other admin charges would be around 2 rupees?
- Pramod Patwari:** Yes Rs.2 - Rs. 2.10 all-inclusive.
- Participant:** One question issue if you allow. We just wanted to know the combined ROC that you make as a company at current realization on power, on distillery and the sugar.
- Vivek Saraogi:** I will not give more figures it is evidently clear.
- Participant:** Would it not make sense drawing from the previous question to actually look for more capacity expansion possibly near coastal area?
- Vivek Saraogi:** I will attempt to answer it. Our capacity today on our milling is much higher we can handle at least 1 crore quintal of cane more, let us say our next year target will get 30-40 lakhs more our target will be to fulfil our capacity and instead of expansion one would always avail the opportunity of stressed assets.

- Participant:** If I have not mistaken even in the last your opportunity in the previous distressed season was when the cooperative was under distress particularly in UP and Maharashtra so would you not look at an opportunity in that segment just in case?
- Vivek Saraogi:** We would look for an opportunity when the asset comes without any encumbrance or any headache or any government intervention, any clean deal which falls into our schematics we have a metrics of buying let us say where we see the cane potential, machinery whatever. So in our metrics which ever asset comes we could be open but just because somebody has put up some cooperative on sales we will never bid for it.
- Participant:** No it should make complete economic sense but the question is again to right deployment of the free cash, we were just exploring that?
- Vivek Saraogi:** Historically our conduct is evidence or testimony to the fact that cash will never be misused, if there is no deployment it will get paid out it is as simple as that to our lenders and our shareholders, that is the theory we followed and that is how would conduct ourselves in future.
- Participant:** Do you think the current balance out of the total sugar production would the dilapidation on the cooperative side would actually be advantageous in terms of for the organized sector like us given their precarious conditions would it more and more make sense for them to close and maybe?
- Vivek Saraogi:** The Maharashtra cooperative would be suffering onto the weather conditions, it is not the mill, I won't say it is the fault of the miller directly, so hence that cooperative is a function of no water and no cane kind of stuff, so it is not that the cooperative is languishing for life. I continue to say let me reemphasise the fact any opportunity which we feel fits in our scheme of things is the opportunity that we will not let go by but just having free cash would never mean that you want to overpay for an asset or just go out and buy an asset. We do not believe in that.
- Moderator:** Thank you. The next question is from the line of Bhavin Chheda from ENAM Holdings. Please go ahead.
- Bhavin Chheda:** You said that we have a capacity to crush 10 crore quintals....
- Vivek Saraogi:** (+8).
- Bhavin Chheda:** (+8)?
- Vivek Saraogi:** 8 crore quintals.
- Bhavin Chheda:** Because I was looking at 79000 x 140 days...

- Vivek Saraogi:** No it is not 79000, we closed one factory so it is 76,500 capacity now. Effectively when your rated capacity of hundred tonnes you should take 95 as the effective capacity.
- Bhavin Chheda:** I have to take 95% of 76,500?
- Vivek Saraogi:** Whatever, effective crushing 71-72 is good. 120 days' exit to 840 actually 840 is good.
- Bhavin Chheda:** 71000 x 120 it comes to 850, 850 is the max. You said that next sugar season we can look 30-40 lakhs extra and eventually wherever the weather conditions permits it should go to 8.5?
- Vivek Saraogi:** No, 7.3 then 7.8. See UP capacity wise and cane wise is still deficit on cane. We believe in taking our capacity in a manner which gives us maximum recovery, maximum byproduct, having said that your calculation is correct that is what I tried to indicate in the call that my first objective would be to get these assets to 100% capacity.
- Bhavin Chheda:** On the ethanol side since now the policy looks to be clear that eventually will go to 10% blending I was just trying to analyze that the ethanol model in India will always be like sugar byproduct molasses going into making ethanol or is there a way of making direct ethanol and making a model or that model is not viable?
- Vivek Saraogi:** My very honest answer, India is the largest consuming country in the world if I take a five-year trajectory beginning this year I see 3.5 to 4 years of lower production and based on consumption and maybe two years out of five on a higher. Now I don't think in India we are going to divert b molasses also forget direct use.
- Bhavin Chheda:** Then the ethanol consumption has to go up it actually because you're facing otherwise shortage on the ethanol front to supply to actually OMCs?
- Vivek Saraogi:** Yes so to go to 10% I think it will take another two years.
- Bhavin Chheda:** Just continuing on this question which means that the distillery capacity in India as well as Balrampur also needs to go up because if we eventually go to 8.4-8.5 crore quintal then we face a shortage on distillery capacity?
- Vivek Saraogi:** Internally our distillery capacity is 9.5 crore liters, our registered capacity based on the pollution would be 9.5 crore liters, so to reach 9.5 crore liters we would need to crush more than 8 crore quintals of cane.
- Bhavin Chheda:** Ok we have a matching capacity.
- Vivek Saraogi:** We have everything matching.

- Bhavin Chheda:** I just missed on the opening much you said the export has happened contracted physically gone?
- Vivek Saraogi:** 14 lakhs tones have been contracted, 14 or maybe 15, 14 was a week back I think 14-15 lac tones has been contracted and most of it is left. Pramod what is your data?
- Pramod Patwari:** Physical exports between 11-12 lac tones.
- Bhavin Chheda:** So majority has left.
- Vivek Saraogi:** Yes, majority has left and I'm hoping that maybe another five lakh tones goes out.
- Bhavin Chheda:** Our quota was 1.15 lac tones that entire has gone now.
- Vivek Saraogi:** Yes.
- Bhavin Chheda:** Regarding the cane 280 per quintal UP price plus transportation? So you're landed is 290?
- Vivek Saraogi:** Transport is not 10....
- Pramod Patwari:** Our landed for UP to be around 287.
- Vivek Saraogi:** Yes because we have some rejected variety discount.
- Bhavin Chheda:** So including transportation bill and it would be 287?
- Vivek Saraogi:** Yes but then higher recovery is a big boon.
- Bhavin Chheda:** That is there, that comes in the cost front but the cane landed would be around 287?
- Vivek Saraogi:** Cane cost is that.
- Bhavin Chheda:** Next year what you think can the industry do, this year is 25.5?
- Vivek Saraogi:** Yes 25.7 maybe.
- Bhavin Chheda:** Maharashtra and UP crushing has completely been closed or something still going on?
- Vivek Saraogi:** Maharashtra is at the fag-end I think last 5% is left.
- Bhavin Chheda:** 25.7 you expect would be the industry number? What can happen in sugar in 2016-17...
- Vivek Saraogi:** Our call is lower than this year based on rainfall could be 240-245.

- Bhavin Chheda:** I heard one article saying 23 odd...
- Vivek Saraogi:** I will not play devil's advocate to those levels.
- Bhavin Chheda:** The global deficit I think the initial estimates were around 2.5-3 million which went to 5 million and I think one report showing 7 million how much you think the global deficit would be?
- Vivek Saraogi:** Global deficit you want my view, not able to answer. If you see last one month you will see when the price climbs up 1 cent the deficit to goes up 1 million.
- Bhavin Chheda:** It would be wide guess only...
- Vivek Saraogi:** Having said that global markets do not look weak because global markets are factored in a higher export from India that is not happening so I do not think the global market is heavy.
- Bhavin Chheda:** And fiscal FY 17 domestic sugar average expected in UP at least remain about 33-34?
- Vivek Saraogi:** Yes, fiscal 16-17 definitely.
- Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Fiancial. Please go ahead.
- Achal Lohade:** I was just looking at the number, last year we had crushed about 8 million tonnes...
- Vivek Saraogi:** Last year we did about 7.7 crushing. This year the crushing will be lower 7.09 but sugar will be much higher. Sugar production for our company would be much higher based on recovery.
- Achal Lohade:** Sorry, how much crushing we are expecting for FY 16?
- Vivek Saraogi:** The season which is under which is going on way crushed around 7.05 to 7.1.
- Achal Lohade:** So that is for the fiscal year or the crushing year you're talking about.
- Vivek Saraogi:** Crushing will almost get completed by 31st of March so fiscal and same you can assume it to be the same.
- Achal Lohade:** What is your recovery rate?
- Vivek Saraogi:** 11.13.
- Achal Lohade:** 11.13 okay. My question was if I look at the UP's production it is higher on YoY basis and it appears that our crushing will be lower on YoY basis?

- Vivek Saraogi:** UP's production was 71 lakh tonnes last year it would be lower than last year it will be 70 however as you see the recovery for us is higher by 1.4% and for others it is higher by let us say by 1%, 1% basically seven lakh tonnes of sugar.
- Achal Lohade:** So you are saying the cane crushing volume is lower but crushing rate is compensating that?
- Vivek Saraogi:** Yes, for us it will be higher than the last year UP would be lower than the last year even though marginally.
- Achal Lohade:** What is the reason for this lower cane availability, is it because of the lower yield?
- Vivek Saraogi:** Yes, lower yield, weather conditions.
- Achal Lohade:** The other question I had was about the ethanol you said that for the current year it will be Rs. 45 per liter for the molasses and the next year it could come down?
- Vivek Saraogi:** Next year means after January-February.
- Achal Lohade:** Theoretically at current crude \$40 per barrel what is the maximum parity price for ethanol?
- Vivek Saraogi:** Have not gone into calculation, now the government is delinked this from crude.
- Achal Lohade:** Correct, could there be a possibility of given the fall in the crude and consequently lower petrol price would the government look at reducing the ethanol price?
- Vivek Saraogi:** I do not think so.
- Achal Lohade:** I'm just checking on the ethanol capacity part, for us we are seeing the increase in capacity because of the higher number of days for the equipments we are putting up but are you looking at or is industry looking at adding capacity in the distillery side?
- Pramod Patwari:** It may happen but gradually only.
- Achal Lohade:** At this point of time we are not looking at?
- Pramod Patwari:** No we're not looking at.
- Moderator:** Thank you. The next question is from the line of Devang Mehta from Canara Robeco Asset Management. Please go ahead.
- Devang Mehta:** There was some difference in the pricing mechanism in terms of cane if recovery rate is more than 10 there is some additional compensation to be given to the farmers am I correct or has it changed how?

- Pramod Patwari:** You are talking from central government perspective or state governments perspective?
- Devang Mehta:** No from the central government.
- Pramod Patwari:** Central government they announced an FRP linked to 9.5% recovery.
- Devang Mehta:** So in state government there is nothing like that?
- Pramod Patwari:** Nothing like it.
- Devang Mehta:** Second question was on the ethanol side the pricing mechanism which the previous participants was asking we see the pricing to be firm at the current levels. We had already crushed around 7.8 quintals in the last year, I do not think unavailability would be a problem to go above 8 but is the reserve area available for us.
- Vivek Saraogi:** Yes, it is everything we have our reserve area is only going up but the problem this year has been the drought and hence the lower yields, so that is why when I said next year we are looking to go up we are not looking at more cane being planted we are looking at yields improving.
- Devang Mehta:** But reserve area is in place?
- Vivek Saraogi:** No issues. Reserve area is going up for us.
- Moderator:** Thank you. We will take the last question from the line of Rajiv Agarwal from SMS Holdings. Please go ahead.
- Rajiv Agarwal:** What would be the stock at the end of the current financial year 31st March 2016 and the what is the selling?
- Vivek Saraogi:** It is still going on three days later we will be able to have more idea.
- Rajiv Agarwal:** Any approximate figure?
- Vivek Saraogi:** Around 58 lakhs bags approximately.
- Rajiv Agarwal:** What is the selling procedure because every day rates are going up, today it is above 3600 for UP mills?
- Vivek Saraogi:** It is not above 36 it is close to 34.
- Rajiv Agarwal:** Okay, what is generally the procedure the company adopts in selling the product in the market?



*Dolat Capital Markets Pvt. Ltd.
March 29, 2016*

Vivek Saraogi: We sell on SIP kind of basis we sell on monthly basis.

Moderator: Thank you. Ladies and gentlemen due to time constraints that was the last question, I would now like to hand the floor over to Ms. Afshan Sayyad for closing comments.

Afshan Sayyad: Thank you sir for taking your time out and clarifying our queries and updating us on the industry. I would like to thank the participants as well for logging in.

Vivek Saraogi: Thank you.

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