



Balrampur Chini Mills Limited

Q4 & FY17 Earning Conference Call

May 29, 2017

Karl Kolah

Good afternoon everyone, and thank you for joining us on Balrampur Chini Mills' Q4 & FY17 results conference call. We have with us Mr. Vivek Saraogi, Managing Director of Balrampur Chini Mills and Mr. Pramod Patwari, Chief Financial Officer of the Company.

We will now like to begin the call with brief opening remarks from the management following which we will have the forum open for discussion.

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

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

Vivek Saraogi

Hello and welcome to the conference call. I will begin the call by giving you an update on the latest developments on the sugar sector following which Pramod will take you through the Company's financial highlights.

On the sugar front, the production is about 20. million tonnes. Consumption this year is expected to be around 24.2 or 24.4 million tonnes, around those levels. This is a tad lower from last year. This is basically the first few months of demonetization, which has impacted the consumption.

Going ahead, I feel personally that next year we should cross 25 million on the consumption side very easily. With the imports of 0.50 million tonnes, opening balance of 7.7 million tonnes, production 20.2 million, total availability of let's say 28.4 million consumption of around 24.0 million tonnes, so we expect closing stock of around 4.0 million tonnes as on 1st October, and that is the lowest closing stock we have worked with, but it is very workable, because we will basically be producing sugar in the country in October, November also. So the Government. I must appreciate, has been aligned with these closing stock figures and therefore, we have seen the import allowed for 0.50 million tonnes.

Next year, as we move ahead, the plantation is expected to be higher and we in UP feel that UP should also be higher by let's say, it's too early, but 8 lakhs - 10 lakh tonnes, Maharashtra should be higher by 30 odd lakhs tonnes. So basically, without going to much configuration of the breakup, India should be able to, maybe too early again, but monsoons have also not come, but let's take a ballpark figure of 25 million tonnes and that is our call for the consumption on next year basis.



The states which don't look like picking up much is Karnataka, Tamil Nadu, and therefore, whatever delta increase has to come from it will come from UP and Maharashtra. UP has entered a new regime in my mind. The production this year was 8.75 million tonnes and it looks to be higher next year. In our region, as we have been saying, the efforts we're putting, we hope to yield results from next year onwards most definitively. This year Company's early variety of cane was about 41%. Next year the plantation has been done, so our initial estimates for next year on early variety is 60% and thereafter 80%. So we are looking in our Company now on increased production with increased recovery owing to higher early variety.

I'd just like to inform all the participants that Balrampur Group's major factories are in east UP, and that is the region, which has taken up this early variety this year. The last, if you see two of our factories, which are in central UP, having 85% plus early variety, their average recovery is around 11.9%. So when east UP also picks up, we are very positive that we will get the highest delta of recovery in the years to come.

Now, if we go to the distillery segment, we have delivered a stable performance. With higher crushing envisaged next year, we are targeting 9 crore litres production from the upcoming financial year. In UP also now with the new Government, we see ease of doing business emerging in this sector. We have had otherwise the molasses policies etc. where we see realignment. And therefore, with our availability of molasses and our putting in the incineration boilers and going to this zero discharge, we will now definitely feel comfortable in being able to put this kind of production in our distilleries in FY17-18.

Co-gen segment would also report better volumes with increased cane availability, and therefore not only would the sugar segment perform well in my mind, with increased crushing, better recovery owing to early variety, distillery owing to higher crushing, higher availability of molasses and our initiative done early, we hope to produce the amount we've told you and power segment also with higher bagasse availability, we look with optimism.

Pramod, with this, I would like to hand it over to you. Pramod will take you through the financials.

Pramod Patwari

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

Overall revenues in Q4FY17 were higher by 11% y-o-y at Rs. 888 crore. Net profit for the quarter improved significantly to Rs. 197 crore as compared to Rs. 97 crore in Q4FY16. We have achieved a record performance in FY17 with our highest ever profits of Rs. 589 crore on account of strong performance in sugar segment. The Distillery and Cogeneration businesses also contributed positively to the performance.

Coming to our segmental performance; revenues from the sugar segment improved by 15% y-o-y to Rs. 863 crore in Q4FY17. The segment reported a healthy profitability of Rs. 158 crore. During the quarter, sales volume were at 17.10 lakh quintals as compared to 18.06 lakh quintals in Q4FY16. In the current quarter, realizations enhanced to Rs. 37.10 per kg. As on March 31, 2017, sugar inventory stood at 61.60 lakh quintals and is valued at Rs. 31.29 per kg. In addition, production during the month of April stood at around 6 lakh quintals.

In Q4FY16, revenues from the distillery division were at Rs. 70 crore with a PBIT of Rs. 13 crore. Sales during the quarter were higher at 15,809 KL as compared to



15,318 KL in Q4FY16. Average realizations in Q4FY17 stood at Rs. 39.00 per BL as compared to Rs. 43.31 per BL in Q4FY16.

In our Co-generation business, revenues for the quarter enhanced by 16% to Rs. 240 crore. During the quarter, the segment reported PBIT of Rs. 99 crore. Sales during the quarter were at 2,626.3 lakh units as compared to 2,482.1 lakh units in Q4 FY16. Average realizations during the quarter were higher at Rs. 4.84 per unit as compared to Rs. 4.74 per unit in Q4 FY16.

I am glad to share that during the year ICRA upgraded the long-term loan rating to AA and re-affirmed the short-term credit rating to A1+. In addition, CRISIL has also assigned long-term loan rating of AA and the short-term credit rating of A1+.

Interest costs for the year were lower at Rs. 55 crore as compared to Rs. 67 crore last year. As on 31st March 2017, the Company's Long Term Debt stood at Rs. 204.8 crore of out of which Rs.149 crore is interest free loans. Our long-term Net Debt to Equity ratio stands at 0.13 on March 31, 2017.

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

Moderator Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. We take the first question from the line of Nitin Gosar from Invesco Mutual Fund. Please go ahead.

Nitin Gosar In the press release you have mentioned that sugar sector has gone through structural change and remain positive on the outlook going forward. Is it with regard to the policy mechanism that we're talking about or is it more to do with the early variety that you just mentioned in the opening remark?

Vivek Saraogi I think it's a very valid question. In my mind, it's a bit of combination of both. Early variety is in our hand and what the data is I have shared with everyone, so that definitely is one point. Also on the policy front, with the new Government and with state and center being aligned, I am very hopeful of that side also.

Nitin Gosar Anything you see that going forward we will be moving towards revenue sharing mechanism?

Vivek Saraogi I cannot. When I'm saying I am positively inclined that is our initial interaction. The details and how would that formula workout, etc., obviously nobody has any idea. But I can only say that the methodology of the earlier years of UP cane price fixation, which was just political, I think that is out of the way.

Nitin Gosar Okay. Got your point. Sir, second is with regard to demand, there is also a mentioning in the press release, which talks about demand surplus scenario is anticipated to remain balanced. But to add to it, you also talked about sugar realization are expected to remain stable with upward biased. So now we are referring your balance in terms of the inventory level or in terms of the overall production level and consumption level?

Vivek Saraogi No, we are saying that because of the demand-supply situation, closing stock this year, production next year versus consumption next year, the price trajectory ex-mill is stable with an upward bias in our mind.



Nitin Gosar But typically, price would always respond to the fear of seeing some kind of shortage. At least, at this juncture, we don't see getting into that kind of situation now?

Vivek Saraogi No, see, there is no fear, because the Government has addressed the current year's deficit so as to say. And next year, the production consumption, we are aware that it will go up, how much etc. and what happens, that actually will play out next year, but basic data and experience tells me that we are not in any problem either side.

Nitin Gosar Okay. Sir last question with regard to incremental sugar cost of production. Now, since we are getting into a zone where the cost of production can come down because of the early variety and the announced price of 305, which is higher than 280. What's going to be the cost of production for FY18?

Vivek Saraogi FY18, a) the can price are not yet known; b) crushing recovery, etc. is not known. We have indications of both, which I've shared with you. The cost of production etc. beyond that nobody can, even if I want I can't, I don't know. I've given you the indication on both the sides.

Moderator Thank you. We take the next question from the line of Sachin Kasera from Lucky Investment Managers. Please go ahead.

Sachin Kasera Sir, few questions. First, if you could give an indication as to what is the crushing you are targeting, are you targeting increased crushing in financial year '18 versus FY17?

Vivek Saraogi Yes. In Balrampur, we are definitely targeting increased crushing.

Sachin Kasera Any sense, whether it could like 8% - 10% or 4% - 5%, if you can give us some indication how many are...?

Vivek Saraogi Again, too early, but not 4% or 5% but more.

Sachin Kasera Secondly, with the higher share of early recovery, how do you see the sugar recovery versus 10.66% in FY17?

Vivek Saraogi See, 10.66% is the balance sheet recovery, seasonal recovery is 10.73%. In the month of April, the recovery was 12.2%, and we crushed how much?

Pramod Patwari Total crushing was 8.38 crore quintal for full season.

Vivek Saraogi So all we can say is in the next balance sheet, we are looking at a definite higher recovery than 10.66%.

Sachin Kasera Okay. Should we at least cross 11%, sir, your initial estimate on a conservative basis?

Vivek Saraogi See, as far as the company internal targets etc. concerned, we definitely are looking at 11%.

Sachin Kasera Sure. My second question is on the distillery, sir. If I understand that, against 7.1 crore liters, you are targeting 9 crore liters in FY18, is that?



Pramod Patwari 9 crore liters.

Vivek Saraogi FY, that is balance sheet data.

Pramod Patwari Production this year was 7.21 crore liter.

Vivek Saraogi You are saying against that we are targeting.

Pramod Patwari As against that, we are targeting 9 crore liter.

Vivek Saraogi Yes, right, 9 crore liter.

Sachin Kasera Sir, the realization this quarter has come down to Rs. 39 per liter, do you see this sustaining or there could be some pressure on this?

Vivek Saraogi I think this Rs.39 per liter definitely will stay, maybe the contract which comes out in the month of November, that is for the fresh year, hopefully could be, I mean, again too early to comment, but I don't think it would be lower than this.

Sachin Kasera Okay. Because oil prices continue to remain subdued, so it was more in background of that.

Vivek Saraogi See, the contract for sugar factories for ethanol with OMC is fixed on a different rationale and let's see how that plays out, but I don't see it coming off from here.

Sachin Kasera Sure. My next questions are on the Co-generation. In FY15, in the last five years, we hit the peak of 8,295 lakh units, this year it is 7,537 lakh units, so with higher crushing and all this, do you think that we come back to that FY15 peak?

Vivek Saraogi No. See, earlier year basically we did not have incineration boilers. Bagasse is getting diverted there also to run that ZLD boilers, owing to which we are targeting 9 crore liter. I mean, we can hope for 20% extra export next year than this year's figure.

Sachin Kasera And, my last question is regarding the utilization of surplus cash flow. As you mentioned that our balance sheet has become very strong, we hardly have any interest-bearing debt left, whatever is there is for the working capital. And you obviously have been very clear, this dividend and buyback is what you have announced. So will you continue to do that or you are also having some plans to utilize this cash for growth?

Vivek Saraogi All we can tell you is we will be waiting for good opportunity on any front we get. We are not going to just do something because there is cash. And our conduct on distribution of money to shareholders in whichever format is very well known I hope to all our investors and we will continue to behave in that manner.

Sachin Kasera So, but do we continue to look in terms of any opportunities on the sugar front if we get, which are attractive, in that case we could look to deploy the cash there?

Vivek Saraogi Definitely. And we are already debottlenecking also in our factories now because with extra cane, so we would be investing also for 10% capacity increase in our company next year.



Sachin Kasera And how much that CAPEX would be?

Vivek Saraogi See, for all the units, basically I mean and including lot of pollution issues one is looking to handle, over 10 units, so 7 crore - 8 crore per unit, maybe in couple of units. So basically Rs.70 crore - 80 crore of Capex.

Sachin Kasera So, it's not much for our type of cash flow.

Vivek Saraogi No, but that will increase our capacity by 10% overall.

Sachin Kasera Sure. And sir, are you seeing any opportunities, when you mentioned that you could look at the assets if they were good. But are you getting any opportunities in terms of acquisition as of now?

Vivek Saraogi Not yet, because we will look for clean assets, unencumbered, un-litigated. If that comes our way and the pricing and the potential all four match, then we are buyers.

Moderator Thank you. Next question is from the line of Ritesh Badjatya from Asian Market Securities. Please go ahead.

Ritesh Badjatya Sir post UP government, what kind of the optimism and what kind of the initiatives you expect from the new UP Government? And is there any talk or meeting is scheduled with the Ministry with regard to the same? And any updates on the sugarcane pricing formula? Are you expecting this sugarcane pricing formula is going to implement in UP as well going ahead? Thank you.

Vivek Saraogi Yes. I think I have attempted and answered all the questions you've raised, meeting, formula, etc. given indications and that's all.

Ritesh Badjatya All right. So any meeting is schedule with the Ministry?

Vivek Saraogi These things happen on the run of the mill process, it's not something with date wise one can brief. I can give you a basic line of thinking which I have given.

Moderator Thank you. We take the next question from the line of Tushar Sarda from Athena Investment. Please go ahead.

Tushar Sarda You mentioned that in April your recovery is 12% plus, so how does it work? During the season you get less and then as the time passes, it increases or is there something else?

Vivek Saraogi Yes, good question. It changes on the factories with 85% early variety and other. So this year since Kumbhi and Gularia are factories which gave 11.9, they ran up to 30 April. So their recovery is the major contributor. And the people with early variety, 85%, they would continue to give recoveries from day one to day end. However, in east UP, now when the early variety improves, they will also follow the trend. Otherwise basically, the trend is recovery gradually keeps on going up from the season beginning to season end, based on the fact that you don't cross April. 15th April onward it starts to subside.

Tushar Sarda So is this something to do with moisture? As time progresses, the moisture reduces or is it something else?

Vivek Saraogi So as time progresses, maturity of the cane improves till it becomes over mature. Right, that's why I mentioned the date of 15th April.



Moderator Thank you. We take the next question from the line of Aman Sonthalia from AK Capital Services Limited. Please go ahead.

Aman Sonthalia Sir, there is one concern in the mind of the investors regarding the sugar industry that it is the cyclical nature of the industry. So do you think that in future also when there is a surplus production in the year 2018-19, Government may go for again incentive on export and like this, book some stocks, something like that. So this cyclical nature gets over and investors come into the sector in a big way?

Vivek Saraogi I think this is a very good question. And definitely one is seeing a lot of structural improvement the way you put it. I think the Government has seen the result, I mean, it was the previous regime has seen the result of inaction. Our arrears got built up, our companies suffered, our banks suffered. And if and when '18-'19 is a surplus, I think already the architecture of the structure is drawn up. So this MIEQ, which is your question of export, will happen I think very quickly. I think there are structural changes which the industry has undergone in both in terms of cane pricing, import style, ethanol pricing, molasses policy in UP etc.. So I remain very positive on both the fronts, both on policy and structure. And my extreme optimism, which I'm sharing with you on this front is born out of the two Governments being completely aligned. See, earlier what used to happen, state used to fix a SAP, center used to say, I don't know, how do I care what SAP they fixed. I am responsible for the price I fixed. Now, center and state being aligned, I don't see that kind of a disconnect. Even the consumer sensitivity of the state is not aligned to consumer cum farmer cum industry sensitivity. So state matter in the earlier years used to be my responsibility as consumers, whatever your cost on FRP is, beyond which I will only address consumers. So if you understood what I'm saying, the alignment is very important. And hence, I see a lot of proactivism at any point from both the Governments.

Aman Sonthalia So, sir, since in Maharashtra, UP and Center, the Government is same, so what are the chances that this Rangarajan Committee formula, which is revenue sharing formula, can be implemented in near future?

Vivek Saraogi See, I cannot put in a timeline and the word formula, but I can put, in our interaction definitely reveal there are lot of sanity and thinking behind any price fixation.

Aman Sonthalia And sir, one more question that when we will start next year or next season, because I think most of the factories will start early because of higher planting and because of that...?

Vivek Saraogi Yes. Absolutely valid observation. We would be starting earlier next year and with higher percentage of early variety and higher quantity, we are hopeful that that decision of early start will also give good results.

Aman Sonthalia And last question, sir. What do you expect UP's production next year, and what about your crushing next season?

Vivek Saraogi See, it's very early. I hope to be able to brief more on the ensuing con-call, but definitely we are hoping for, in our company very initial estimates, 10% higher definitely.

Moderator Thank you. We take the next question from the line of Achal Lohade from JM Financial. Please go ahead.



Achal Lohade What I wanted to understand when you indicate a 10% increase in the crushing volumes, distillery you've talked about 9 crore, but that's based on the 10% increase in crushing or in a regular way?

Vivek Saraogi No, that's because of the crushing also.

Achal Lohade Co-generation volumes?

Vivek Saraogi We have indicated 20% higher.

Achal Lohade 20%, okay. And could you please comment on the global scenario because we see that prices have collapsed, actually they are down to \$0.15 a pound for all sugar prices, how do you see them? Would the global sugar prices have overhang on the domestic sugar price if at all?

Vivek Saraogi See, the global price at \$0.15 a pound, though we are not global experts, but we do track whatever in our manner, and my personal view is that \$0.15 per pound is a price, which looks like holding definitely to our mind. And since Government of India has allowed only 5 lakhs in the duty-free format, so, far the global price don't impact local prices.

Achal Lohade How much of this 0.5 have already come through, any sense on that?

Vivek Saraogi No, all I can say you should expect 0.5 to be refined and sold Some sales have already started happening, from the period beginning now to the October - November.

Achal Lohade In terms of the UP State, have you seen all the mills operating in the year or some of the mills didn't operate in the year?

Pramod Patwari How many mills are operating in UP as of now?

Achal Lohade No, for the season I am saying. Basically, given the leverage or the issues with respect to BIFR and all those things, have all mills operated or some of them mills were completely shut down for the season?

Pramod Patwari 116 mills operated.

Vivek Saraogi Yes. Some did shutdown, but those were the ones which had shut down earlier, maybe one or two shut down this year, nothing meaningful.

Achal Lohade That's about it, okay. So, the increase in the cane crushing, what we are looking at, would it be fair to see that even the state also see a similar increase in the production?

Vivek Saraogi Yes, see basically as indicated, that next year production might go from 20.2 million tonnes to 25.0 million tonnes. And UP probably too early, again, let's say, UP goes up 10%, Maharashtra will go up because Maharashtra just collapsed last year.

Achal Lohade Correct.



Vivek Saraogi So Maharashtra and UP should be the contributors. Tamil Nadu and Karnataka, I don't think will go up. So these two would be the major positive contributors to the production.

Achal Lohade Understood. Just last question I had, in terms of the GST, if you could elaborate a bit in terms of what is the impact on the each of the segments.

Vivek Saraogi Yes, good question. See, GST, earlier in Sugar we were paying about Rs. 195 per quintal in terms of a combination of cess and excise duty. So the first cess for sugar has been subsumed within GST. Now if you take a price of 37 per kg, 5% is Rs.1.85. Technically GST is a bit of a reduction only or at the same level. So that is one looks at it in a positive way, plus your input credit alignment becomes a lot easier. If at all, there will be some positivity only in the company and in the industry. If we look at ethanol, our factory has quoted ex-factory prices and that is the contract for everybody. So in ethanol, GST won't impact at all. In molasses, since we are captive consumers, there is no impact of GST because we are transferring. In bagasse electricity also, there is hardly any impact. It is out of it.

Achal Lohade So very much neutral to slightly positive?

Vivek Saraogi Neutral to positive.

Achal Lohade Understood.

Vivek Saraogi With clarity and ease of doing business.

Moderator Thank you. Next question is from the line of Nimesh Sheth from GP Advisory. Please go ahead.

Nimesh Sheth I just wanted to know that with over 6 lakhs tonnes of stock in hand plus production in April, would you be an aggressive seller of sugar or would you just sell it piecemeal over the next seven, eight months?

Vivek Saraogi Yes. I will explain this to you. UP has produced 8.75 million tonnes, Maharashtra has produced 4.2 million tonnes. So, the people who will feed the country are producers of UP. Obviously UP. Of this, UP sale proportion would be higher and you're right, we have a very good amount of sugar with us and we are selling on a regular basis. The target is always to complete your sugar by November end. That is the target.

Moderator Thank you. We take the next question from the line of Aditya Kiran from L&T Mutual Fund. Please go ahead.

Aditya Kiran My query is more on the inorganic expansion front. Given that our balance sheet today possibly is at a very strong position, as well as we've seen couple of rating upgrades in the last one, one and a half years, just wanted to get a sense in terms of, while evaluating an acquisition, do we have some kind of a target, debt equity or debt to EBITDA in mind that we would want to look at that, maybe this is a line, which you would not want to cross while acquiring companies?

Vivek Saraogi Basically we are very clear. We don't look at debt equity of a company. We look at what I'm asked to pay EV, what is the enterprise value of quoting, whether it is integrated. So our thinking is that we have grown in a manner which is slow and steady, even that has resulted in having one of the largest capacities in the country. So basically, potential, integration and one we will never overpay, that is



not our style. So we are conservative people. Should an opportunity be absolutely deep, we will go for it and the asset has to be clean and unencumbered. We are not going to go for litigation.

- Aditya Kiran** Sure, sir. But at this time maybe you may not have some kind of a hard stop number and mind at this point?
- Vivek Saraogi** It all depend, right? What's the location, what's the potential, what is the recovery or the factory one is looking at, what is the early variety, what is the potential, whether there is a distillery, whether there is enough land to put up a distillery, whether there's a power plant. That decision, you don't worry, leave it to us.
- Moderator** Thank you. We take the next question from the line of Biju Somanath, Individual Investor. Please go ahead.
- Biju Somanath** I have few queries. First and foremost, I would like to know whether crushing has come to an end for all of our plants?
- Vivek Saraogi** Yes, 30th April was the last.
- Biju Somnath** Okay. Sir, you were making some mention regarding capacity expansion of around to the tune of nearly 10 percentage points. Can you please provide further clarity into that, capacity expansion in what sense?
- Vivek Saraogi** See, I will explain to you. In the company one continuously does improvements. So, basically we are going in for, in our old plants, a lot of steam savings. By saving steam you increase crushing, plus you save more bagasse, plus plants like Kumbhi, Gularia where you ran up to 30th April. You put up equipment's, which will help you increase your average crush by over 10%. So it's plants-wise, one has reconfigured, gone in for measures of steam savings, which will enhance crushing, some equipments which enhance crushing. The net result is what you will see next year.
- Biju Somanath** That is to say overall enhancing our operating efficiencies connected to that...?
- Vivek Saraogi** Yes. And leading to capacity enhancement thereby.
- Biju Somanath** Okay. That entails total outflow to the tune of nearly 70 to 80 odd crore?
- Vivek Saraogi** Yes, which would include projects of payback on its own. Projects of payback is like a steam saving project. So it's a combination of debottlenecking, as you rightly put, increased operational efficiencies.
- Moderator** Excuse me, sir. We have just lost the line for the current participant. We move onto the next. Next question is from the line of Yashpal Madan, Individual Investor. Please go ahead.
- Yashpal Madan** If I see your sales volume for the whole year, that's marginally down than last year, although production is higher and we have seen in other most of the sugar companies, their sales volume also have been substantially higher. What's the reason for that?
- Vivek Saraogi** Basically, our sales have been, yes, almost the same, but one should be very happy. You are getting the best price in the year. However, we've always been



selling gradually and where we feel that the price is, one looks positively at it, but just tinker 5% by 7%.

- Yashpal Madan** Okay. So, it means you have not been aggressively selling?
- Vivek Saraogi** Exactly, in the past, we have not been aggressively selling because we are not in desperate need of funds.
- Yashpal Madan** That's right. But if you are getting good price, you can book the profit and...
- Vivek Saraogi** We are now selling, right?
- Yashpal Madan** You are selling now. But is that price improved than last quarter now?
- Vivek Saraogi** Definitely.
- Yashpal Madan** Okay, sir. And EBITDA is also down, if you see Y-o-Y last quarter, is it only because of lower recovery or is there any other reason?
- Vivek Saraogi** Quarter-to-quarter EBITDA is very difficult to track. And definitely recovery is one factor.
- Yashpal Madan** Because it's quite a big difference. So if I see the number, I will just tell you, it's a drop of almost 15% in EBITDA.
- Pramod Patwari** Recovery in the quarter ended March '16 was around 11.34%, and this quarter it is around 10.95%, so that had a big impact on the costing for the quarter.
- Yashpal Madan** So that's the only reason, no other the reason?
- Pramod Patwari** That's the only reason. And last year the average realization for the full year was around Rs. 27 per kg, this year being Rs. 36 per kg, so if we are computing that margin on a lower base that will also vary.
- Yashpal Madan** Right. Okay. And employee expenses has gone up from Rs. 44 crore to Rs. 65 crore in the quarter, is it a permanent in nature or is this just an exceptional expenses booked only in this quarter?
- Pramod Patwari** The reason for increase in employee cost during this quarter is mainly on account of 10 crore of wage arrears which we had accounted for in this quarter. Apart from that there was a seven days extended crushing that also has impact. And in addition to this is normal increments.
- Vivek Saraogi** See, there was a wage board decision for the whole of UP, where you had to pay some arrears, a very big part of that is that, extra number of days of crushing means extra wages also.
- Yashpal Madan** Absolutely, so it is basically most of it is linked to the production?
- Vivek Saraogi** Yes, so that one-time is wage board, all the companies in UP would have shown it, would have had to account for it and the rest we have explained.
- Yashpal Madan** Okay. Sir, another question related to possibility of higher crushing in coming season. See, let's say, if you have cane availability and you operate your all plants



at 100% capacity or even more if it's possible. Still how much more production can happen, crushing can happen, if cane availability is there? What's the possibility?

- Vivek Saraogi** That's a very tough question to answer off-hand, but as we indicated 10% increased crushing, we would be full sorted ahead.
- Yashpal Madan** So that you see basically an achievable number, but at the same time it is going to be challenging to achieve 10%?
- Vivek Saraogi** No, I don't see a challenge. We have already kind of indicated that, see, you don't have yields yet, we don't have monsoons yet, you only had sowing.
- Yashpal Madan** No, let's say, if we assume, there is raw material availability is there.
- Vivek Saraogi** Yes, there will be.
- Yashpal Madan** So there are two things. One is, if your plant capacity is not available even if raw material is there, margin is there, definitely there is a handicap there?
- Vivek Saraogi** Okay, so to answer your question, we won't be handicapped on either side.
- Yashpal Madan** Okay. So it can go even beyond 10% also?
- Vivek Saraogi** Too early to say, but we look at it very positively and we are doing our balancing etc. of the plants, we've told you. See, we feel this out of two data points. One is early variety when it goes up, not only does the recovery go up, the quantum also goes up. So that early variety quantum is going up. So you don't feel afraid in starting earlier, you get your recovery from day one to day end as I pointed out where 80 plus we have reached. Plus we are debottlenecking, so we know our capacity.
- Yashpal Madan** Okay. So now all the sugar companies are definitely quite positive about future as well this year, even next year. So you are one of the most experienced person in this industry and regarded as a guru of this industry. So where do you see something can go wrong from investors point of view, where they should be careful?
- Vivek Saraogi** See, that is a very big responsibility that you are trying to cast on me. All one can say is, how do I put it? I don't see much between now, in the next one year, I don't see any event to my mind.
- Yashpal Madan** There is no events, except definitely sugarcane pricing, even if that increases by 10%, still there is sufficient margin, it's not a margin number there?
- Vivek Saraogi** I just don't see that happening. I mean I am not god. You can't hold, but if you put the responsibility of the most experienced person on me with all the experience at my command, I can only say that all these kind of things does not look like happening.
- Yashpal Madan** Really. Then that would be even very positive further.
- Vivek Saraogi** That's why I have been saying what I have been saying. It's borne out of basic interaction, basic understanding.



Moderator Thank you. We take the next question from the line of Nitin Gosar from Invesco Mutual Fund. Please go ahead.

Nitin Gosar How is the health of the sugar millers, if I were to segregate it out in two buckets one is in UP vis-à-vis the other one in southern part of India? How is the overall health? How are they doing in profitability? Are they really in position to put up some additional capacities?

Vivek Saraogi I don't think much additional capacity. But if you put two buckets, UP bucket is way, way, way ahead, not way ahead. And I will explain to you what is happening within UP also. If you see the eastern UP part where we are located, the water table is at the lowest level, it's 100 feet, let's say. The other water table are lower in western, which is more saturated. Parts of center and west, now even our two plants in Kumbhi, Gularia, which is center, we already have 80 plus early variety. So the delta to happen in this year's recovery to next year's recovery, I think maximum would rest with players of east UP, because that's where the early variety is going to take a quantum jump. So that's why we feel optimistic on our differentiate from this year to next year. And UP's water table I have told you. So UP is in the play.

Nitin Gosar And how about the southern part of India?

Vivek Saraogi Southern is water, if you see Tamil Nadu, there is a lot of problem in the water, same with Karnataka. So, they will be very monsoon dependent, plus you see the desperation of water, the Kaveri issue. UP is much better positioned structurally, short-term, medium-term, long-term.

Nitin Gosar Got your point. And the Maharashtra bouncing it back to, you mentioned that Maharashtra has come down to 4 and can bounce back to 7 something. The hunch over here would be more to do with normal bounce back or they are having some additional change in the sowing pattern or anything to...?

Vivek Saraogi No, it should be a normal thing, but let's do more figure after the monsoon.

Moderator Thank you. Well, that was the last question. I now hand the floor over to the management for their closing comments.

Vivek Saraogi Thank you, everyone. And for any further clarification, Pramod is there. I am there.

Pramod Patwari Thank you so much.

Moderator Thank you. Ladies and gentlemen, on behalf of Balrampur Chini Mills, that concludes this conference. Thank you for joining.

