



Balrampur Chini Mills Limited
Q2 & H1 FY2008 Results Conference Call
May 5, 2008

Moderator: Good afternoon Ladies and Gentlemen. I am Sandhya, the Moderator for this conference. Welcome to Balrampur Chini Mills Conference Call. For the duration of the presentation, all participants' lines will be in the listen-only mode. I will be standing by for the question and answer session. I would like to handover to Mr. Anoop Poojari from Citigate. Thank you and over to you sir.

Anoop Poojari: Good afternoon everyone and thank you for joining us on Balrampur Chini Mills Q2 and H1 FY2008 Results Conference Call. We have with us Mr. Vivek Saraogi, Managing Director, of Balrampur Chini Mills; and Mr. Kishor Shah, Director and Chief Financial Officer of the company. We would like to begin the call with brief opening remarks from the management following which we will have the forum open for discussion. I would now like to invite Mr. Saraogi to make his opening remarks.

Vivek Saraogi: Good afternoon everyone and thank you for joining us to discuss Balrampur Chini's operating and financial performance for the second quarter and half year ended 31st March 08.

I will begin by taking you through some of the key highlights during the period under review and then throw some light on the developments in the sugar industry, following which Kishor will take you through the financial performance. We have already concluded all our planned expansions at the beginning of the sugar season, and I am happy to share with you that we have done exceedingly well during the quarter by running all our facilities efficiently and at full capacity. After the completion of various projects undertaken by us, we now stand at a crushing capacity of 73,000 TCD, saleable cogen capacity of 126 MW and a distillation capacity of 320 KL.



We are particularly proud of the performance delivered by our cogeneration division this quarter. We have always been on the forefront of adopting and advocating an integrated operating model comprising of power, which we believe captures maximum value from every tonne of cane crushed at our factories. The capacity additions at Kumbhi, Gularia, and Rauzagaon have augmented our saleable cogen capacity to 126 MW, making us largest bagasse-based cogen capacity in the country.

Coming to our sugar division, we have crushed 546 lakh quintals during the quarter, enabling us to produce 57 lakh quintals with an average recovery of 10.41%. For the half year FY08, we produced 73.8 lakh quintals with an average recovery of 10.15%. We have delivered operating profits from the sugar business in Q2 FY08 primarily due to the sugarcane cost at Rs. 110 per quintal as per Lucknow High Court interim order. The realizations during this quarter stood Rs. 14.53 per Kg. However, with crushing coming to an end, we would not be able to breakeven at these levels, as our cost would go up, as we have to incur naked costs, which means cost without production in the next 2 quarters. However, there will be some production in the month of April, and very small quantity during May also.

Moving to the update on the sugar sector, as informed earlier in our call, the sugar sector has started showing marginal signs of improvement. This is primarily due to the improving sugar realizations on the back of lower sugar production, a healthy domestic demand, and increasing exports seen during the 6 months. The sugar production for the year ended, for this current year, should be 26 million, which is expected to go down further, as we expect cane production to come down in the next season. We will obviously get a better sense on how production will shape up in the next season after the cane plantation ends, sometime in the month of June-July.

Sugar exports from the country are likely to remain firm, especially from states like Maharashtra and Karnataka. Further inventory levels are also expected to decline next year, which leads us to a better balanced demand-supply scenario. So, overall, there are positive signals. However, sugarcane price issue continues to remain unresolved within the judicial systems, which gives rise to some uncertainties. We are hoping it will get resolved as soon as possible, so that it will be fair and beneficial to all the stakeholders in the sugar value chain.



To sum up, our fully integrated business model has provided us with a cushion during bad times, and now that the sugar industry is showing signs of recovery, this model will place us in a position to gain a better earnings' momentum. With sugar realizations expected to firm up in the quarters to come, we remain positive on our prospects. We are confident that given the improving conditions along with our business model which has a strong presence across the cogen and distillery sector, we shall be able to deliver encouraging results going forward. I would now like to handover the floor to Kishor to take you through the financial and operating performance.

Kishor Shah: Thank you. Good afternoon everyone and thank you once again for joining us on today's call. I am now going to discuss briefly about financial and operating performance for Q2 and H1 FY2008.

During the quarter, revenues were lower at Rs. 3,110 million compared to Rs. 3,990 million in the corresponding quarter last year primarily owing to lower sugar volumes. Revenues in the half year were better at Rs. 7,440 million from Rs. 7,380 million in H1 FY2007, added by strong contribution from allied businesses. Operating profits in Q2 and H1 FY2008 were up, 131% and 55% to Rs. 1,350 million and Rs. 1,730 million respectively. This was primarily on account of lower cane price at Rs. 110 per quintal as compared to Rs. 125 per quintal last year.

In the sugar segment, revenues were subdued at Rs. 2,470 million in Q2 FY2008 and Rs. 6,210 million in H1 FY2008 primarily owing to lower sugar sales and lower realization. Operating profits were up because of lower sugarcane cost. Sugarcane prices were accounted at Rs. 110 per quintal in the current sugar season as per Lucknow High Court interim order compared to Rs. 125 per quintal in the previous sugar season, leading to more economical margins in the sugar businesses.

Moving on to our distillery business, we have delivered a steady performance on account of higher sales owing to capacity enhancement and higher sales. Revenues in Q2 FY2008, in this division were up Rs. 500 million from Rs. 460 million. In the first half of the year, revenues from the distillery division went up by 28% to Rs. 850 million versus Rs. 660 million in H1 FY2007. Distillery production in Q2 FY2008 grew 61% with



37,766 kiloliters versus 18,245 kiloliters in Q2 FY2007. Production in H1 FY2008 also went up to 46,602 kiloliters from 29,401 kiloliters on account of the capacity expansion at Mankapur unit. Average realizations stood at Rs. 17.78 per liter in Q2 FY2008 and Rs. 17.76 per litre in H1 FY2008, which are expected to improve in the coming quarter. During the H1 FY2008, ethanol sales to oil marketing companies improved considerably to 8,203 kiloliters versus 2,991 kiloliters, a growth of 174%.

Coming to our cogeneration segment, our saleable capacity has gone up to 126 MW at the start of the crushing season enabling us to deliver a strong performance in this segment. Revenues from this segment in Q2 FY2008 stood at Rs. 940 million from Rs. 590 million in the same quarter last year, an increase of 61%. PBIT in Q2 FY2008 increased by 77% to Rs. 490 million compared to Rs. 280 million in the corresponding season last year. In the first half of the year, we achieved 45% higher revenues at 1,540 million compared to the corresponding period last year. Power sales during Q2 FY2008 were up 50% to 21.82 crore units compared to 14.55 crore units in Q2 FY2007. During the first half, sales also improved by 33% to 65.11 crore units compared to 26.45 crore units in the corresponding period last year. Realizations for the quarter under review stood at 3.03 for unit exported.

With regards to earnings, PBT improved by 241% to 809 million and by 49% to 810 million in Q2 and H1 FY2008 respectively and PAT in Q2 FY2008 improved by 229% to Rs. 657 million, and H1 FY2008 by 68% to Rs. 656 million, owing to excellent performance delivered by our allied businesses. Greater sales with lower input costs enabled us to grow bottom line during the quarter compared to the corresponding quarter last year.

We are happy with the performance of our allied businesses, that have not only provided us with a cushion in bad times, but also delivered a significant part of our earnings when the sector had started showing signs of stability. We have been able to deliver healthy financial results for the quarter, and with the market showing signs of improvement, we are positive to deliver further growth in this bottom line. That is all from my side. We would now like to address any questions or concerns you may have. Thank you.

Moderator: First in line, we have Mr. Gaurav Garg of Enam Securities. Over to you sir.



Gaurav Garg: At what price have we been selling power?

Vivek Saraogi: Three rupees three paise, average.

Gaurav Garg: Okay, fine sir, and second question would be, at what price have you accounted the increase and decrease of the stock inventory?

Kishor Shah: Valued the stock as on 31st March at Rs. 1,313 per quintal.

Moderator: Next in line, we have Mr. Janish Shah of Quantum Asset Management. Over to you sir.

Janish Shah: Yes, you had mentioned that the lower yield during the season was one of the major reasons for the lower crushing during the year, could we have little more information on this and what was the utilization rate you had for your capacity during the season and when did you close your crushing this year?

Vivek Saraogi: See, the lower yield was on account of weather conditions, and I think that has been prevalent all over the country. Earlier, when crushing began, people were expecting about 30 million to be the country's production. Now, it has crystallized close to 26 million. That is, as far as the country goes. In our two new plants, Kumbhi and Gularia, which were set up in the first year, we got approximately 110-120 days of crushing, which is a little lower; however, for the first season, it is not bad. In our other regular plants, we have an average crushing of about 160 odd days, besides Haidergarh which is lower, which is again 110 to 120 days. So, overall, our capacity utilization, we can put it close to 85 to 90%? If we take off these two plants, it is 90% plus. You see, one of our units still continues to crush.

Janish Shah: How much of farmer arrears do you have at present?

Kishor Shah: In respect to 06-07 season, we do not have any arrears. In respect to 07-08, we already paid up to 25th of March.



Vivek Saraogi: dues are clear for cane purchases till 25 March 2008.

Janish Shah: Okay. Thereafter, the purchases are due. Are regularly paying that?

Kishor Shah: In terms of, let me tell you, percentage terms, we have already paid 87%.

Janish Shah: Okay, and this is at a price of Rs. 110?

Vivek Saraogi: Yes, 110.

Janish Shah : So, if the prices are revised upwards, and that would be a further liability.

Vivek Saraogi: Yes, if that happens. It seems unlikely, but okay, if that happens.

Janish Shah : Okay, could we have your view on this sugarcane price difference, how is it going to play out going forward in the next season?

Vivek Saraogi: See, I will tell you what. Let us understand the case, you know, I would sense that all concerned would want to know because this, as Kishor and myself have said, is the only area of concern. See, we are in court for saying that the government of UP has the power to fix prices as has been held by the Supreme Court in majority judgment in the year 2004. We have gone to court and said whether this power can be used in an unfettered manner and is it relatable to anything or is it relatable to nothing. We have gone and said that even the central government under fixation of SMP, see's 4 to 5 things before it fixes prices under clause 3. The conditions are cost of production of sugarcane, cost of production of sugar, price of sugar, cost of alternate crops, return to farmer, and return to industry. The body is required to keep all this in mind and does keep all this in mind, comes up with over 100-page report and then goes into the price fixation. The state government, does it have blanket powers, irrespective of the health of the industry in respect to the price of sugar to fix the price. All the interim judgments which we have got till now, be it be Allahabad High Court, Lucknow High Court, or the first cut touch of Supreme Court, primarily prima facie, and you know, it is subjudiced, but I use the word prima facie. All that was commented and held that this power cannot be used for political benefit, and it is not a power which should be used in a manner it is



being used. So, now we are in court saying that why not get into a mechanism, which clarifies how this power should be, you know, discharged by the state legislative and the state executive. Allahabad High Court, which is the only final judgment, which has come up till now in the High Court, has very clearly said that this must be done, the law must be amended, there must be various members, there must be a linkage, and it has to be a nonpolitical price. This is what we are in Supreme Court for, so that this problem should end once and for all. All the stakeholders, which is the miller and the farmer, both should know going ahead on what parameters the price is going to be fixed. So, we do hope that if parameters are decided, we would end this confusion once and for all.

Janish Shah: Assuming a sugar cane price of Rs. 110 per quintal, what kind of economics works for farmer, and what would be the impact going forward on the production of sugarcane. You have already seen that probably the acreage may come down in the next season, so if you can give a little sense as to what is the ground reality in terms of sugarcane production.

Vivek Saraogi: This is an ongoing exercise, which is a switch on switch off kind of exercise for the farmer. Let us understand, for example, we try paddy, technically let us say, they are more profitable this year. It does not mean that the farmers will devote 100% of his land to that. Or Alternatively, if cane is more profitable then 100% land will not go to cane. Yes, there would be a switch at 110 because the farmer A) had been getting a higher price, B) would understand that this is not an ongoing exercise of increase every year. Having said that, there are many factors that which the farmers have to take into consideration like rainfall, soil conditions, how much returns alternate crops give etc. But yes, there would be a switch of focus. That is why we have said that next year there should be a lower acreage devoted for cane farming.

Janish Shah: Okay, and how much according to you is the industry wide cane arrears that will have further impact on farmers?

Vivek Saraogi: UP would have cleared 75% to 77%, of its dues, the rest, to be honest, we are not up to date at the moment.



Janish Shah: In your area of operation what is the acreage of sugar cane going to be? Is sugar cane available, will there be sufficient cane for the factories? Can you shed some light on the scenario.

Vivek Saraogi: We feel that we are not going to be untouched by this phenomena. However, having said that, our decrease because of our relationship and prompt payment, we don't expect very large drop in our area. It is tough to call it, but may be 5% to 7% is our reading right now, maximum.

Janish Shah : Okay, thank you sir.

Moderator: Next in line, we have Sajit Pisharodi from Kotak Mahindra Asset. Over to you sir.

Sajit Pisharodi: Good afternoon sir. My question is, if we see cane prices, sugarcane shortage in the next year, how are we actually going to manage in terms of that some portion going into Khandsari and other producers. So, how do we manage the procurement part of it and where do you see the sugar prices in terms of the current sugar prices moving up?

Vivek Saraogi: Current prices, as we said, we see it moving gradually upwards. We don't see a huge spike at the moment, but gradually upwards, we feel that it will move up. Procurement, see, again it would depend on the outcome of the case. We feel whatever the outcome is and whatever Supreme Court decides would be the final price.

Sajit Pisharodi: No. What I mean to say sir. In terms of, overall, let us say, there is a shortage in terms of the cane itself.

Vivek Saraogi: Then it will go to Khandsari, so East UP does not have any diversions.

Sajit Pisharodi: Okay, East UP does not have any diversions.

Kishor Shah: The diversion in Khandsari is a perennial issue. It goes every year in shortage or in excess.



Sajit Pisharodi: Okay.

Kishor Shah: Every year, there is a short available to your sugarcane.

Sajit Pisharodi: Sir, in that case?

Kishor Shah: Divergence will happen.

Sajit Pisharodi: Sir, in that case, again we will go back 2 to 3 years back when we had to pay up a higher price. Will that kind of scenario would emerge?

Vivek Saraogi: Personally this is not something I can answer on behalf of anyone else.

Sajit Pisharodi: No, but what is your perception?

Vivek Saraogi: Okay, After having gone through such tough times, when industry wide basis, which is unprecedented in terms of, the nature of prices it created, and having seen what happened a few years back, and what excitement led to, I feel and my interactions reveal that there should be some soberness among people, and I would assume they would have soberness not to get into any kind of a price war, either inter-mills or with the people of Khandsari.

Kishor Shah: One more thing. Wars do not translate into the much higher availability of sugarcane. Ultimately, it would impact up to 1% or 2% of the total availability, not more than that.

Vivek Saraogi: He is totally correct, and I would believe that after having fought such a large, long battle, and after having been through prices and after having seen how quickly the upturn vanished because of indiscipline, I don't think it is reasonable for people to enter into another one.

Moderator: Next in line, we have Sanjay Manyal from ICICI Direct. Over to you sir.



Sanjay Manyal: Just wanted to know one thing, as you have mentioned in your remarks that raw material cost is around Rs. 1,100 per tonne. If I assume that around Rs. 350 per tonne is the conversion cost, it comes to around Rs. 1,450, which is a little expensive as with these realizations you are just about covering the cost of production. So, how have you made the Rs. 430 million profit in the sugar business. Secondly I wanted to ask the recoveries are lower in the East UP, where you said it is at around 10.4%. What are the reasons for the improvement in the recovery?

Kishor Shah: Sanjay, basically you know first quarter costing, as we mentioned stood at Rs. 1,330 per tonne. First 6 months, my average cost of production is Rs. 1330 per tonne, and we sold sugar at say Rs. 1400 per tonne, so there is a profit margin there. Again, this Rs 1,100 is also, there has to be other expenditure like transportation and taxes, this is not a representative costing. As we mentioned in the opening remarks that as we move into the next 2 quarters, there will be naked costing, and there will not be any production. This Rs. 350 per tonne what you mentioned is the conversion cost includes depreciation, raw material cost and basically every other fixed cost component. This is coming to the accounting only in the next two quarters. This is not a representative, this half or the quarter

Vivek Saraogi: See, you yourself said that Rs. 1,450 per tonne is the cost and that is without interest let me tell you. As we move into the next 2 quarters, this 1,330 which is accounted for as cost will move up. And on the recovery part, Balrampur continues to be one of the major leaders here because of our exercise of you know closeness, cane development and the Company's, efficient plants.. Our average recovery for the season should be 10.15.

Moderator: Next in line, we have Abhilasha Satale of Techno Shares. Over to you ma'am.

Abhilasha Satale: This question again pertains to sugar cane cost. Rs. 118 per quintal is a very likely price going forward if Supreme Court order overrules the Lucknow Court order, so what will your cane arrears be in that case or what would your additional cost towards sugar cane be?



Vivek Saraogi: Rs. 118 per quintal is the figure for 2006-2007, and that has got nothing to do with 2007-2008.

Abhilasha Satale: Okay. If I am not mistaken there a circular that says that Rs. 118 per quintal will be the imposed price if the Supreme Court rules out the Lucknow Court order, so?

Vivek Saraogi: I am not aware of any such thing, and this is news to me. I don't think that is the case. Rs. 110 per quintal is the price for 07-08.

Abhilasha Satale: Okay, so that is for 07-08, so would there be any overruling towards it sir?

Vivek Saraogi: we can't really say anything at the moment. We are in court And It is impossible to say now.

Kishor Shah: The matter will be finally discussed at the Supreme Court.

Vivek Saraogi: Supreme Court level.

Abhilasha Satale: Okay, When will there be a conclusive decision?

Vivek Saraogi: The case hearing begins from 12th of May, we don't know when the judgment would come.

Abhilasha Satale: Sir, as of now, you said that you have paid 87%. How much will the arrears amount to in terms of value?

Kishor Shah: In terms of value its should be around Rs. 1,300 million.

Moderator: Next in line, we have Mr. Ravichandran of Unified Wealth Management. Over to you sir.



Ravichandran: Good afternoon sir. Congrats for good set of numbers. I have a couple of questions. One is, you said, as far as power is concerned, you have given the saleable quantity, what is the installed quantity which includes your captive consumption?

Kishor Shah: If you take all the installed capacity including captive power, it is around 240 MW. Whereas saleable power is 126 MW

Ravichandran: And regarding cane pricing issue, actually there was an article in Business Line in early March which the previous analyst pointed out that it would be around Rs. 118 per quintal. This Rs. 118 per quintal, is it pertaining to the last year?

Vivek Saraogi: Yes, 2006-07.

Ravichandran: 2006-07. So, 2007-08, as of now, it is Rs. 110 per quintal and it could change depending on the court orders?

Vivek Saraogi: Absolutely correct.

Ravichandran: You were talking about the farmers moving from sugarcane to other products, so that the cane production can come down in the coming year. If that happens to the sugar mills located in UP belt, how will you source sugarcane, will it be like last time when the South Indian companies started importing raw sugar, converting it and selling it in large volumes. Will the same kind of situation come up this time around or will there be a different scenario?

Vivek Saraogi: It is not such a drastic fall in sugarcane, and as we said earlier in our area, we don't expect such a drastic fall. In North India, the ability to import raw sugar and refine is not very high because of the incidence of transport cost from the port to the mills.

Ravichandran: I mean, you were saying it is possible for you to do that.



Vivek Saraogi: I am saying it is possible, but it might not be profitable. The cost is very high for transportation.

Ravichandran: Right. So, if you look at the inventory level for a country as a whole, we probably have about 8 or 9 months of inventory for India as a whole, is it right?

Vivek Saraogi: No, I don't think so. Our assumption is beginning of this season, which is 1st October 2007, inventory was at 8.5 million, which means it should take consumption at 225 translating to around 37%.

Ravichandran: Okay, so it is only about 6 months?

Vivek Saraogi: 37 is less than 6 months.

Ravichandran : Less than 6 months. So, if I have to divide it, South India versus UP mills, it will be more in UP as compared to country as a whole or less?

Vivek Saraogi: Tough to say that.

Kishor Shah: We have Maharashtra also.

Vivek Saraogi: We have Maharashtra, but it is impossible to give you a percentage breakup state-wise, as I won't have it personally.

Ravichandran: Because what I was thinking is that companies like Shakti, EID have been exporting well, and the company basically, you will not be able to export as much as the companies located in Southern part of the country or the eastern part, so I was just wondering the inventory levels in your area may be little high as compared to.....

Vivek Saraogi: Maybe, as of now, in the middle of the season sitting in May 08, your assumption might be correct.

Ravichandran: Okay, In your opinion, what is the kind of inventory level you are expecting by September 08 and September 09?



Vivek Saraogi: September 08, we expect the production to be 260, consumption should be 225, and exports 3-1/2 to 4. If at all there might be a marginal reduction of slight inventory. In September 08, we expect it to be 8.5. In September 09, this number should be lower.

Moderator: Next in line, we have Mr. Nirav Shah of PINC Research. Over to you sir.

Nirav Shah: Sir, first thing is that, as you said that only 1 unit is currently operating, sir can we have a fair idea of how much cane will be crushed this season?

Kishor Shah: It should be about 82 lakh tonnes.

Nirav Shah: 82, okay and sir next we are expecting 5% to 7% drop?

Vivek Saraogi: Correct.

Nirav Shah: Next question is regarding our cogen and distillery division, sir we now averaged around over 300 days last year, so any reduction in the number of days in this year, and how much would that be?

Vivek Saraogi: There would be little bit reduction in a couple of plants.

Nirav Shah: Okay

Vivek Saraogi: If you take the company as a whole average, we expect to run for 280 days around 20 to 30 days lower than last year.

Nirav Shah: Okay, and same for distillery?

Vivek Saraogi: For distillery we have sufficient molasses and we should be able to run at par with last year.

Nirav Shah: Okay sir, it should be around 310?



Vivek Saraogi: Yes.

Nirav Shah: Okay. How many units will go for exports this year?

Kishor Shah: So far, we have exported 35 crore units.

Nirav Shah: Okay sir, 50?

Kishor Shah: 60 crore units should be our total in the season.

Nirav Shah: Okay. Regarding the cane price of Rs. 118 per quintal for the last year, we must have paid a part of our arrears at Rs.118 per quintal. What is the average cost of cane for last year or do we have 325?

Vivek Saraogi: See, what has happened is now we go into 2006-07. In course order, it is still an interim order of Rs. 118 per quintal. Whatever dues were there we have cleared, it gets accounted at Rs. 125 per quintal and there is a saving of Rs. 210 million, but we have accounted for that as income because it is still an interim order. In our accounts, 2006-07 will stand provided at Rs. 125 per quintal. If that becomes a final judgment....

Nirav Shah: Then that will account for Rs. 21 million

Vivek Saraogi: As profit, yes.

Nirav Shah: So, the Rs. 118 per quintal is only on the uncleared amount, not on the entire amount.

Kishor Shah: You are right.

Nirav Shah: Okay, any idea, for example, if our mill has cleared all the arrears, although this is an interim order, then what will happen to that particular mill?



Vivek Saraogi: On that question, it is in front of Supreme Court for adjustment. We don't know what they will say.

Kishor Shah: We will await the final guidelines by the Supreme Court in this regard.

Nirav Shah: Okay, and sir, how much of incentive revenue subsidies have we accounted during the quarter and half year?

Kishor Shah: This quarter, we accounted for Rs. 240 million. In the First half, we accounted for Rs. 340 million.

Nirav Shah: Okay, just to get an idea, what is the breakup between incentives that are exempted and we would then reimburse, we definitely will benefit from the incentives that are exempted because we are not paying that, but the reimburse post we are not receiving it, sir can you just give me the breakup of that Rs. 1.2 to 1.3 per kg subsidy.

Vivek Saraogi: Yes, we will let you know. Good question but we don't have the details. We will give you an update.

Nirav Shah: Have we accounted for any capital subsidy?

Kishor Shah: No, we have not.

Nirav Shah: As on December, I know, the debt figure would be an aberration for the whole year, it would be the peak period, but can I get the debt figure including the working capital?

Kishor Shah: Yes, we have long-term debt, Rs. 10,500 million, and on the working capital side, we have Rs. 6,400 million.

Nirav Shah: Okay, and Sir, just one more thing, we mentioned some inventory valued at Rs. 13.3

Vivek Saraogi: 13.13.



Nirav Shah: Okay, 13.13, that is for the March quarter ended inventory?

Kishor Shah: Closing stock as on 31st March. Having considered cost for 6 months.

Moderator: Next in line, we have Mr. Anubhav Gupta of KIM ING Securities. Over to you sir.

Anubhav Gupta: Can you please tell me in percentage terms the fall in volumes in the sugar business in comparison to previous quarter?

Vivek Saraogi: We can't do quarter like this, all we can say is production this year is about 8% lower than last year.

Anubhav Gupta: Alright, and can you give some idea about sugar realization?

Vivek Saraogi: Realization, for which, for the half year or 3 months?

Anubhav Gupta: For the 3 months.

Kishor Shah: Three months, our realization was Rs. 14.53 per Kg, and for 6 months it was Rs. 13.98 per Kg.

Moderator: Next in line, we have Mr. Nilang Mehta of HSBC Asset Management. Over to you sir

Nilang Mehta: I have two questions. One is on ethanol out of sugarcane. Apparently, there has been a circular which allows the direct ethanol manufacturing out of sugarcane. Sir, what are your thoughts on that and are we moving ahead in that direction. Do you see that as an opportunity? And second question is related to the cane prices next year due to the crop shifting problem. What kind of cane prices do you expect next year?



Vivek Saraogi: On the ethanol front an opportunity like this is not viable, and I don't think it will take off here. Ethanol in India, as I see it, on the immediate horizon would be out of the byproduct, and especially, next year, when you have a cane shortage comparatively, I don't think at this ethanol price, it is going to be of any value, and secondly your question was on?

Nilang Mehta: Sir, what kind of cane prices do you expect?

Vivek Saraogi: See, we would have to wait for the cane or that Supreme Court judgment.

Nilang Mehta: Okay, but after looking at the market forces what do you think? Will the prices be higher than current levels going forward?

Vivek Saraogi: Hard to predict but you know subjudiced case, I wouldn't like to comment.

Nilang Mehta: Also, the warrants that promoters have taken have they been converted yet?

Vivek Saraogi: No. We had taken two transits, one was equity that was paid for by warrants in 10% advance, no further conversion till now.

Moderator: Next in line, we have Rahul Bhangadia from Lucky Securities. Over to you sir.

Rahul Bhangadia : I have one or two very basic questions. Sir, if you could help me with, for every 1,000 TCD of crushing capacity that you add, how much ethanol capacity in terms of KLPD does that support, roughly?

Vivek Saraogi: Yes, I will tell you, let us take a plant of 7,500 TCD. That can support 60 KL distillery, I think.

Rahul Bhangadia: 60 KLPD of distillery?



Vivek Saraogi: See, 60 KLPD distillery means 1 x 300 days gives 8 crores, 8 crores means recovery of 4.5. 8 lakh quintals or molasses are required and then if you crush 140, you get 5 to 7 lakh. 7500 would support 45 KL for 300 days.

Rahul Bhangadia: 45 KL for 300 days.

Vivek Saraogi: Yes.

Rahul Bhangadia: Here, we are assuming 140 days of crushing?

Vivek Saraogi: 150 days.

Rahul Bhangadia: 150 days of crushing, and on the similar pitch, if you could tell me how many units of power do you generate from per tonne crushing of sugarcane roughly, and how much of it is consumed internally.

Vivek Saraogi: This is a little complicated because you have to get into what configuration is your boiler. What pressure it is, etc, etc.

Rahul Bhangadia: Right, is there a rough range like 90 units to 130 units or something like that.

Kishor Shah: Very difficult to do.

Rahul Bhangadia: Okay, okay, and the other way around. What PLF do your power plants run at?

Kishor Shah: It runs at about 95%.

Rahul Bhangadia: 95%, and this year, they will run for about 290 days.

Vivek Saraogi: Right



Rahul Bhangadia: Okay, and looking at your internal consumption. For consumption of 73,000 TCD, how much power consumption do you require?

Vivek Saraogi: There are two kinds of plants we have, 4 to 5 are new plants, and 4 to 5 are old plants. The old ones are slightly higher. On an average, more than 100. Take a ratio of 1.2 let us say, 87 to 90 odd.

Rahul Bhangadia: Okay, 90 odd MW?

Vivek Saraogi: Yes.

Rahul Bhangadia: Okay, and my last question would be. As of today, what is your CAPEX requirement for your Greenfield capacity per TCD if you have a figure?

Vivek Saraogi: Having sugar, power, and distillery?

Rahul Bhangadia: Yes

Vivek Saraogi: We have built fully with modern equipment and automation, and you know, high pressure boilers, is not less than Rs. 4,000 million plus for a 7,500 TCD.

Rahul Bhangadia: Okay, 400 crores plus for a 7500 TCD.

Vivek Saraogi: Power, distillery, everything.

Rahul Bhangadia: Okay, and for this quarter, how much have you accounted for transfer pricing of bagasse and molasses?

Kishor Shah: Bagasse, we have accounted for Rs. 250 per metric tonne.

Rahul Bhangadia: 250 per tonne, okay, and for molasses?

Kishor Shah: I think in the beginning we accounted for at Rs. 150, and the later part, it is Rs. 200.



Rahul Bhangadia: This we are talking in per tonne terms?

Kishor Shah: Per quintal terms.

Rahul Bhangadia: Sorry, molasses will be per quintal. Okay, thank you very much sir.

Moderator: Next in line, we have Mr. Ashish Poddar of Almondz Global Securities. Over to you sir.

Ashish Poddar: Good afternoon sir, thanks for taking my questions. I have a couple of questions. Actually, I joined the conference late, so maybe it will be a repeated question. I just wanted to know whether you got any benefit from export subsidy incentives given by government this quarter?

Kishor Shah: We have not exported any sugar in this quarter.

Ashish Poddar: Okay, so there is no incentive on export subsidy, right?

Kishor Shah: No.

Ashish Poddar: Okay, again, I want the production figures for the last quarter, and for the first half compared to last year for your sugar, distillery, ethanol, and power plants.

Kishor Shah: Sugar productions in the 6 months is 73.78 lakh bags compared to 70.60 bags in the corresponding 6 months last year. In the quarter we produced 56.87 lakh bags compared to 48.82 lakh bags in the same quarter last year.

Ashish Poddar: Okay, what about distillery sir?

Kishor Shah: Distillery, I will tell.

Ashish Poddar: Distillery, ethanol, and power.



Kishor Shah: Production in the distillery at 6 months was, with 4.66 crore liters compared to 2.94 crore liters. Ethanol was at 94 lakh versus 35 lakh last year.

Ashish Poddar: Okay and for the quarter sir?

Kishor Shah: Quarter, the production is 2.77 crore

Ashish Poddar: 2.77 crores versus?

Kishor Shah: I need to come back to you. I will let you know in a while.

Ashish Poddar: Okay, and how much was the ethanol also.

Kishor Shah: 56 net.

Ashish Poddar: Okay and what about power sir?

Kishor Shah: Power, just a minute, I sold 35 crore units for half year. Compared to 26.45 crore units in the corresponding period last year.

Ashish Poddar: Okay, and for the quarter?

Kishor Shah: For the quarter, it is 21.82 crore units versus 14.55 units last year.

Ashish Poddar: What was the realization in the similar fashion sir for all the four divisions.

Vivek Saraogi: For power we got 3.03 this year until now versus 2.92 last year.

Ashish Poddar: What was sugar realization sir?

Kishor Shah: Sugar realization, for the quarter it was Rs. 14.53 per kg.

Kishor Shah: And for the first half, Rs. 13.98 per kg.



Ashish Poddar: And how much was it last year sir?

Kishor Shah: sugar realizations stood at Rs. 14.73 Q4 FY07

Kishor Shah: In H1 FY07 it stood at Rs. 15.73 per kg.

Ashish Poddar: What about your ethanol pricing sir?

Vivek Saraogi: It remains constant at Rs. 21.

Ashish Poddar: It is 21-1/2 constant. It is for the next 3 years sir?

Kishor Shah: Not next 3 years.

Vivek Saraogi: When you contracted, it was that time.

Ashish Poddar: When was that.

Vivek Saraogi: 1 year has passed I think.

Ashish Poddar: So, now 1-1/2 years have been passed right. Okay, what are your capacities for sugar, distillery, ethanol, and power sir at present.

Kishor Shah: Sugar we have 73,000 tonnes crushing capacity.

Kishor Shah: Ethanol we have 320 KLPD

Kishor Shah: And power, we have saleable power, 126 MW.

Ashish Poddar: In total sir, it is 240 MW?

Kishor Shah: In total, installed capacity is 240 MW.



Ashish Poddar: Okay, and what will be the capacities post expansion sir?

Kishor Shah: The capacity is after post expansion.

Vivek Saraogi: These are the net capacities which we said in the opening remarks, and we have repeat now. This is the final capacity after all expansion.

Ashish Podda: Okay, so your all CAPEX have been done.

Vivek Saraogi: Yes.

Ashish Poddar: Now I just want an overview, your view on the sugar production for next sugar season and the demand-supply situation and the surplus sugar situation for the next two sugar seasons, sir.

Vivek Saraogi: It is very tough to point to all that right now. Planting season is still on. All we have said is we can indicate that production is expected to be lower, therefore, logically prices would be firmer.

Ashish Poddar: Okay, but we have heard from industry sources that production will be below 22 million for next sugar season.

Vivek Saraogi: One can expect that, but we can be little more accurate after 2 months.

Ashish Poddar: Okay, hypothetically speaking, if we drop production from 26 to 22 million do you think there is a chance of us becoming net importers of sugar?.

Vivek Saraogi: No, no, because we have stocks plus we have a million tonnes sitting on the re-export obligation. That would have to go out.

Ashish Poddar: Okay, but again the supply-demand situation will be tighter?

Vivek Saraogi: Yes, it will be better, so that is why we have said we expect better realizations.



Moderator: Next in line, we have Mr. Tarun Chawla of Equity Research. Over to you sir.

Tarun Chawla: Hello sir. What are the future plans regarding your expansions in the next quarter?

Vivek Saraogi: We have no plans right now. We want to consolidate, and there is no CAPEX.

Tarun Chawla: Okay sir. Any projections for the distillery segment in the next quarter?

Kishor Shah: Distilleries are running at 320 kiloliters per day.

Vivek Saraogi: Yes, they would continue to run.

Tarun Chawla: Ok. Thank you.

Moderator: Next in line, we have Mr. Avinash Agarwal of Sundaram BNP Paribas. Over to you sir.

Avinash Agarwal: Could you give us some sense on your views of decontrol happening in the next 3 months, plus media reports...

Vivek Saraogi: That is a very good question. We have also seen that the status is that the food ministry, as the newspaper article said, has sent a proposal of a phased decontrol. According to the news paper report there are views within the government that it should be done in a single stage and in a complete fashion, which includes not only the release mechanism of the levy going out but also de-reservation of cane area, and probably de-reservation of any pricing making it a completely free market. So, our view is if decontrol is done in a totally complete fashion, we are for it and we would support it. We don't know the status of this proposal yet neither do we know how the government is going to act on this.



Avinash Agarwal: There are a lot of estimates that sugar prices will keep going up but in inflationary terms, do you think the government would probably back track on decontrol of sugar prices for some more time?

Vivek Saraogi: Though they are not totally related, but prices, as we said, we see a very gradual movement upwards. We have not said and we do not feel also that there should be any spike, so prices would move gradually upwards. Decontrol is an agenda which has a lot of other ramifications than just the sugar price. Don't know how the government would react.

Avinash Agarwal: And sir, in terms of the global sugar prices, volatile between 320 to 380 dollars, take global factors over the next 1 year, what do you act from that side sir?

Vivek Saraogi: Current prices are 11-1/2 cents, but if you see March 09, futures they are quoting at 14-1/2 to 15 cents. So, the future is quoting upwards, and we don't feel that prices from this level globally can go down. It should move up only.

Avinash Agarwal: Okay, fine, and sir in most of UP, you have expanded capacity at higher capital cost per tonne compared to your existing facilities, and probably there could be feeling that cane prices would be next season. So, if these two things come true, do you see per tonne EBITDA that you will probably get in the next 2 years being much lower peak level than the last cycle's peak sir?

Vivek Saraogi: It is tough to answer. All depends, you know, here EBITDA. All ratios depend on the cane price.

Kishor Shah: Cane price and ultimate sugar price realization.

Vivek Saraogi: Capital cost, all we can tell you is not very high that way. Yes, I mean, the new projects capital cost in the last year are higher than the 2 years back ones, but that is not such an alarm. The main EBITDA, etc, all would come out of the cane pricing formula.



Avinash Agarwal: Sir, you also talked about better realizations on all products going forward.

Vivek Saraogi: Correct.

Avinash Agarwal: Basis for that sir, I mean in terms of what do you see driving prices to be firm up?

Vivek Saraogi: Availability, so prices are up, ENA for example selling at 25 now.

Avinash Agarwal: But your realizations in the March quarter were about Rs. 17 to Rs. 18?

Vivek Saraogi: They have just gone up, they are just got going up.

Avinash Agarwal: Latest price currently sir.

Vivek Saraogi: Around 24 to 25 for ENA.

Kishor Shah: Avinash, let me explain to you, this you know, average realization what we mentioned in the opening remarks are net of standard benefits.

Avinash Agarwal : Net of?

Kishor Shah: Net of modvat benefit.

Avinash Agarwal: Okay, okay.

Kishor Shah: What you are seeing is Rs. 25 is the present realization, the ENA earlier realization was Rs. 22 to Rs. 21. Rectified spirit realization has gone up to Rs. 22 to 23.

Vivek Saraogi: Which means you can take an amount that is Rs. 3 higher that what has been accounted for.



Kishor Shah: Yes, exactly, around Rs. 3.

Moderator: Next in line, we have Kunal Bhatia of JM Financial. Over to you sir.

Amish: Hi, this is Amish from JM Financial. Just wanted to understand new plants that are operated at 110 to 120, what was the reason for that, is it because of the first year and how do you see that happening next year as you meaning, you know, status quo on the normal scenario of monsoon and stuff like that. Do you see that going back to 160 or there are issues there in terms of ramping up?

Kishor Shah: These plants were operated at 110 because of the cane availability.

Amish: Okay.

Kishor Shah: And in the future years, definitely they will go up.

Vivek Saraogi: They will go up.

Kishor Shah: Level of 160 to 172.

Vivek Saraogi: But gradually, not next year.

Kishor Shah: Gradually.

Amish: Not next year, and is there an issue because of too much of our expansion in UP across?

Vivek Saraogi: Little bit, yes.

Amish: And what is the rationale for keeping this cane price at Rs. 110 per quintal this season, and how do you see that in terms of the UP government's reaction to the whole thing. Is there any movement by UP government to set up some board or something like that. Do you see the movement that you know rationality of setting up prices based on profitability and stuff like that is moving?



Vivek Saraogi: Yes, again, I repeat, all this will happen after Supreme Court's final judgment.

Amish: True.

Vivek Saraogi: Until and unless there is a final Supreme Court judgment, we can't say anything.

Amish: Okay, no, so my question was is there any movement from UP government in terms of you know thinking on this.

Vivek Saraogi: No.

Amish: Okay. So what was the basis of keeping this at Rs. 110 per quintal this season.

Kishor Shah: Actually, the court considers a lot of data. The sugar price realization last year, sugar price realization current year, and based on that, they will just form a view that Rs. 110 per quintal for the time being is the bet price..

Amish: Okay, this is what Allahabad High Court decision.

Vivek Saraogi: Lucknow bench.

Moderator: Next in line, we have Mr. Saurabh Pant from SBI Mutual Fund. Over to you sir.

Saurabh Pant: Good afternoon sir. Just a few questions from my side. In terms of your estimates for crushing rates for 08-09, what would it be, how many days, and at what will the capacity utilization be?

Vivek Saraogi: It is tough to get into a plant wise data, but let us say we produced 82 this year, 5 to 7% lower would bring it to 75.



Saurabh Pant: This reduction in 5% to 7% would be because of lower days of crushing?

Vivek Saraogi: Yes, lower cane availability.

Saurabh Pant: Fine, and what would be your days of operation for distillery and cogen?

Vivek Saraogi: Next year, distillery would still continue to operate to its full capacity because you know we have molasses, power would come down again by let us say 15 days more to a total of 265 days.

Moderator: Next in line, we have Mr. Rajesh Prabhudesai of Deepen Mehta Stock Broking. Over to you sir.

Rajesh Prabhudesai: Good afternoon sir. I have 3 questions. The first is regarding your power division. I just wanted to understand your sale agreement with the up government. What I am trying to understand is there any pricing realization upside to this Rs. 3.03 what you get?

Vivek Saraogi: It is 8 paise, 4 paise per year....4 paise escalation per year.

Rajesh Prabhudesa : Sir, is it a fixed escalation?

Vivek Saraogi: Yes.

Kishor Shah: Yes, we have 10 to 20 years agreement with UP power corporation limited, various plants, various agreements.

Rajesh Prabhudesai: Okay.

Kishor Shah: It is a fixed price contract. It is 4 paise escalation every year.

Rajesh Prabhudesai: Sir, my second question is the data point. In this quarter, have you accounted for any incentive of the UP sugar scheme, and what is the amount of that?



Kishor Shah: Accounted for Rs. 240 million incentives in this quarter.

Rajesh Prabhudesai: Okay.

Kishor Shah: First half, we accounted for Rs 340 million.

Rajesh Prabhudesai: Okay.

Kishor Shah: Breakup is that, Rs. 20 million is by the way of remission

Rajesh Prabhudesai: Okay.

Rajesh Prabhudesai: Okay, and did you say that your distillery realization is Rs. 3 higher than the average in this quarter?

Vivek Saraogi: Yes.

Moderator: Next in line, we have Ms. Mona Newatia of Corporate Database. Over to you ma'am.

Mona Newatia: What were your average distillery realizations in Q2 FY07 and H1 FY07? Was it Rs.17.78 and Rs. 17.73.

Vivek Saraogi: Yes.

Kishor Shah: Rs. 17.76 is for the half year.

Vivek Saraogi: She asked, what is the realization of the corresponding period.

Mona Newatia: In the previous year, what were they if I were to compare it with Q2 of previous year and H1 of previous year?

Vivek Saraogi: We will just get back.



Mona Newatia: No problem, and the second question is in case of power, the volume sales were 2,182 lakh units. Now, if I take it multiplied by 3.03, I am coming to figure of Rs. 660 million, whereas in the segment you are showing it as Rs. 950 million, is there difference in account of intersegment?

Kishor Shah: Yes.

Mona Newatia: And what price the segment transfer also takes place at 3.03.

Vivek Saraogi: No, that is at cost.

Mona Newatia: Okay. Fine, and one more question is that you mentioned the benchmark that is 7,500 TCD, sugar plant roughly supports 45 KLPD distillery unit. Now, I mean, if I just use that as a basis then there is some small scope for expansion on.

Vivek Saraogi: Yes. You are correct. In two new plants we have the power setup.

Mona Newatia: Right.

Vivek Saraogi: There is a scope for 60 KL distillery there.

Mona Newatia: Okay.

Vivek Saraogi: which is not yet setup, you know, which

Mona Newatia : Totally, you have, I mean, the scopes of setting up 60 KLPD distillery.

Vivek Saraogi: Yes.

Mona Newatia: And, what is your

Vivek Saraogi: 100. Honestly, may be even 100.



Mona Newatia: Okay. Fine, and what is your view on the 10% blending you think it will happen from October, I mean, will that come in the 10% blending norm?

Vivek Saraogi: Yes, I would say the Government would mandate it. Going into next year cane would be lower. Therefore molasses would be lower. I do not know whether it can go to 10.

Mona Newatia: Okay. Fine. That is all sir. Thank you very much.

Moderator: Next in line, we have Mr. Sunil Jain of Nirmal Bang Securities. Over to you sir.

Sunil Jain: Sir, most of my questions have been answered. One last question, can you throw some light on the international sugar scenario.

Vivek Saraogi: We said it is down right now at USD 320, but the future is quoting at a premium of 5% for March 09.

Sunil Jain: Okay.

Vivek Saraogi: So, we hope that this should be the lower end of the price band.

Sunil Jain: Yes. That is the price on the price side, can you throw some light on how is the production in Brazil and

Vivek Saraogi: It is difficult to predict the level of production in Brazil. The sugar-ethanol mix in Brazil will depend largely on the U.S. policy going forward. However, seeing crude at these levels the U.S. should allow some ethanol to be imported from Brazil. Therefore we are hoping that the global prices rise in the future.

Sunil Jain: Okay, at what price does it become viable for us to export sugar?

Vivek Saraogi: It is a long way of



Sunil Jain: Long way of.... then we can see the upper band price where it can be?

Vivek Saraogi: Yes

Moderator: Next in line, we have Mr. Ashish Poddar of Almondz Global Securities. Over to you sir.

Ashish Poddar: Sir, what is your current ethanol capacity?

Vivek Saraogi: Our distillation is 320 KLPD, and we have a flexible production. We can go up to, you know, 200 plus in ethanol.

Ashish Poddar: Okay. 200 plus. Okay. Now, on the power cost front, what is your average cost of power generation sir?

Vivek Saraogi: We will have to get back because it is across various plants.

Ashish Poddar: But on average how much would it be? Can we get Rs. 1 to Rs. 1.5?

Vivek Saraogi: Yes. We have done around a Rs. 1 range.

Ashish Poddar: Okay, and for calculation purpose, what are the operational days you consider for sugar, distillery, and power sir?

Vivek Saraogi: I mean.....

Kishor Shah: The sugar depends on the area.....

Vivek Saraogi: You cannot take operational, I mean, it is reality.

Ashish Poddar: But in north, it is at around 150, 160.

Vivek Saraogi: 160 is an average.



Ashish Poddar: 160, and what about distillery sir?

Vivek Saraogi: 300 days.

Ashish Poddar: 300 days, and power sir?

Vivek Saraogi: 300 days.

Moderator: Next in line, we have Mr Vinod a Private Investor. Over to you sir.

Vinod: I would like to know, is there any clause that we must sell a certain quantity for industrial or portable alcohol or we can sell 100% for

Vivek Saraogi: Fully open, there is no restriction.

Vinod: And I believe that the cost difference between the two should be about Rs. 2 to 2.5 a litre, in which case if 21.5 is the price which fuel companies give us, is it possible for us to sell to them if the others are giving us less than 19.

Vivek Saraogi: Just to understand. These are all free market operations, whatever is the viable one the company does, all you have to do is whatever ethanol you have contracted, you have to give that much quantity when the demand arises.

Vinod: Okay. But, we can increase that the contract if we see in the pricing there is

Vivek Saraogi: No. The contracts are fixed.

Vinod: Okay. No, but when they increase to 10% from

Vivek Saraogi: Then they would come with free extenders .



Vinod: Then, I would like to know, if what is your view that Rs. 110 per quintal cane price, does it give the farmer a good income versus alternative crops in our area?

Vivek Saraogi: It's a tough call plus as I said in the beginning, he has to see his soil condition, etc. So but yes there will be some diversion as I said, but in our area, we have said, that we don't expect a drastic fall, 5 to 7%.

Vinod: Okay, but the price might be, if there is an all India double, double of this in the price may be, sugar price may be better than 5 to 7%, right?

Vivek Saraogi: Yes.

Vinod: Okay, then the last question, this power agreement, you say that we have signed it for 20 years with only 5, 4 paise increment per year. The way the fuel cost is going up all over the world, and also coal and crude and gas, don't you think that the cost of power production will going up much faster than the 4 paise, and is there any chance of our re-negotiating this price?

Vivek Saraogi: There is a chance. The price is set every five years.

Vinod: Okay.

Vivek Saraogi: It has been three years since the last UPPCL ruling happened so after two years, UPPCL will re-evaluate the price.. The contract in principle, the prices set every five years.

Vinod: Every five years. I believe that the prices for power generated by sugar companies in the south are much higher?

Vivek Saraogi: That is all board to board. This is a representative figure. However, there are certain provisions for in the open access if you do not sell to the government.

Vinod: Okay.



Vivek Saraogi: We would also be studying that and we would see what can be done.

Vinod: Because, now , power trading is gaining importance. There should major positives going forward.....

Vivek Saraogi: Yes. Yes. We are looking at those possibilities.

Vinod: Okay. Sir, one last question, against 240 megawatt, we have 126 MW saleable, but during the noncrushing months does the saleable increase because our power requirement for the sugar mill is not there?

Vivek Saraogi: It does not increase that way because somewhere it increases, somewhere it decreases. Some couple of plants within this configuration are only exporting during season. That does not come down. We have taken an average when we tell you 126.

Moderator: Next in line, we have Kunal Bhatia from Dalal and Broacha. Over to you sir.

Kunal Bhatia: Yes. Sir, I just wanted to ask the question regarding to the PBIT margins in the last two power and distillery, could you see improvement for the year-end?

Vivek Saraogi: PBIT margin on?

Kunal Bhatia: On distillery and power?

Vivek Saraogi: We are just looking into that. Any other questions?

Kunal Bhatia: Sir, I just missed out your response to that of naked cost in case of sugar for the year where there is no production, how much would that be?

Vivek Saraogi: That would cause cost expansion in the next two quarters, not backed by this kind of production. He will come back on the PBIT, yes.



Kishor Shah: Yes, on the EBITDA margins, company as a whole, we have 43% in Q2 FY-2008 versus 14.56, and the sugar segment we have 26.86 versus 2.03. Distillery, we have 42 versus 49, and power we have 88 versus 77.

Kunal Bhatia: Yes, and no my question was actually could we see any improvement in the year-end in Q3 and Q4 ?

Kishor Shah: Basically, we mentioned to you that, you know, over the next two quarters, our costing will go up. If at all the margins will come down in the sugar segment.

Kunal Bhatia: Okay, and why would margins come down in the sugar segment. I could not get that on naked costs.....

Kishor Shah: Because in the next two quarters, there will be no production. And only netted costing will be booked. Eventually, my cost of production of sugar for the whole year will go up.

Kunal Bhatia: Okay, and how much would that be for kg?

Kishor Shah: 85 basically, you know, for the first 6 months, our cost of production is Rs. 13.13 per kg

Kunal Bhatia: Right. For the next two quarters, it would be?

Kishor Shah: Next quarter, it depends on basically on the assignment how much we are going to crush, for the expenditure, cane development expenditure.

Kunal Bhatia: Okay. Alright sir. Thanks a lot.

Moderator: Thank you very much sir. At this moment, I would like to hand over the floor back Mr. Vivek Saraogi, Managing Director of Balrampur Chini Mills for final remarks.



Vivek Saraogi: Thank you everyone for being with us. If you have any further questions please contact us and Kishor and Anoop will be more than happy to address them. Thank you.

Kishor Shah: Thank you.

Moderator: Ladies and gentlemen. Thank you for choosing WebEx conferencing service. That concludes this conference call. Thank you for your participation. You may now disconnect your line.

- ENDS -

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