Balrampur Chini Mills Limited

Analysts / Investors Q4 & FY 2009 Conference Call

November 27, 2009

Anoop Poojari: Good afternoon everyone and thank you for joining us on Balrampur Chini Mills Q4 and FY 2009 results conference call. I have with us Mr. Vivek Saraogi, Managing Director of Balrampur Chini Mills, Mr. Kishor Shah, Director and Chief Financial Officer and Mr. Pramod Patwari, General Manager – Finance of the Company.

We would like to begin the call with brief opening remarks from the management, discussing the sector and the financial performance for the period under review, 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 fourth quarter and year-ended September 30, 2009.

I will begin my discussion by taking you through the key developments in the sector, after which Kishor will take you through the financial performance.

We delivered a healthy set of numbers for the fourth quarter and as well as the year. The Company has shown promising growth in sugar segment while allied businesses also continue to contribute towards the performance.

In the sugar segment, healthy realizations have made up for lower sugar volumes reported this year due to lower cane crushing and lower recovery. This affected the numbers a little bit and the limited availability of byproduct. According to our initial estimates, the countries production for the next season is expected to be marginally higher, which can be a maximum of 16 million tonnes, thus leading to a second consecutive year of sugar deficit. Consumption on the other hand is expected to be 23 MT. The countries inventories are also at its lowest levels. International prices for raw and white sugar are at 28-year high. All of these point to firm sugar prices going ahead. In FY2009, average realization stood at Rs. 21.45 per kg, net of excise duty, and this is the average of free and levy both, when compared to Rs.14.97 per kg net in FY2008. Current sugar realizations are in the region of Rs. 32 to 32.50 per kg, and we expect this to remain firm, especially going ahead. We are looking to produce 10% to 15% higher sugar as a combination of higher crushing and higher recovery, and in addition, we have imported 85,000 tonnes of raw sugar, which will be available for refining. The cost of which is USD 382 per tonne. We also had 9.3 lakh bags as closing inventory, which is valued at Rs.20.43 per kg. Given the current realizations, we expect to deliver strong numbers in the coming quarters.

To throw some light on the UP cane price situation, UP government had announced an SAP of Rs. 165 per quintal. Following discussion with various farmers' group, the Association of UP Sugar Mills have reached an agreement with the farmers recently, whereby they have announced an incentive of Rs. 25 per quintal above the SAP, taking the final price payable as Rs.190 per quintal, and Rs.195 per quintal for the early variety. We feel this is a reasonable settlement. We have already begun crushing in three of our mills, two in central UP, where we have already got on first day more than 50% cane, and one in Eastern UP. The other mills will begin crushing in the first or second of December.

Just to give you an update on the Cogeneration segment, revenues and profits of this segment were lower due to lower availability of bagasse. There are two key positives for this segment. Firstly, UPPCL has increased the power tariff by approximately 30% to around Rs 4 per unit effective from 1st October 2009. The state has also proposed a policy where they will facilitate sale of 10% bagasse based power through open access. This is during the season. UPPCL has further allowed 50% of off-season power, which is from alternate fuel, for example coal, and for the balance 50%, if they want to buy, they fix up a tariff based on coal as feedstock. Following this, we have already ordered out conversion of one boiler in Haidergarh to coal fired. The board has also approved installation of a refinery of 500-tonnes refinery in Haidergarh with balancing equipment. The total of these two in Haidergarh would cost Rs.12 crore i.e. Rs. 7 crore for the conversion and Rs. 5 crore for the refining. These two together will ensure that we sort of utilize our capacity in Haidergarh for the year-round. We are also looking at doing this in other plants. The decision which we will take as soon as there is little more clarity on the power policy and the date of implementation.

Historically, the Company has maintained a strong balance sheet. The current debt-equity ratio is 0.83. Due to strong cash flow, we may evaluate prepayment of loans which could further reduce interest cost going into next year, and further strengthen our balance sheet profile. Looking ahead at 2010, we see a favorable business outlook for sugar as well as allied businesses. Sugar realizations will drive profits in the sugar segment and the volumes and realizations are expected to be higher in distillery and as we have said 30% in the power sector, together with the coal advantage. Therefore, as we move into next year, we look at it extremely optimistically. The board of directors has recommended dividend of Rs. 3 per share or 300% constituting our total payout of 40%. I would now ask Kishor to take you through the financial highlights.

Kishor Shah: Thank you sir. Good afternoon everyone and thank you again for joining us on today's call. I would like to briefly discuss with you BCML's financial and operating performance for the fourth quarter and financial year ended September 30, 2009.

Revenues during the quarter stood at Rs. 380 crore as against Rs. 417 crore in the corresponding quarter of the previous year. For the year, the revenues were higher by 16% at Rs. 1,705 crore as compared to 1,476 crore in FY 2008. Operating profits for the quarter was at Rs. 76 crore as compared to Rs. 72 crore in Q4FY 2008, and for financial year 2009, they stood at Rs. 453 crore as against Rs.327 crore, a 38% growth. This improvement was primarily led by its core sugar business, while the allied businesses also continued to contribute overall performance.

During the quarter, Sugar segment revenues were at Rs. 356 crore from Rs. 374 crore in the corresponding quarter last year. Revenues from sugar segment showed a 23% growth in financial year 2009 at Rs. 1,510 crore versus Rs. 1,231 crore in FY 2008, driven by higher realization, although sugar sales were lower on account of subdued production. Sugar segment PBIT for the quarter was at Rs. 59 crore, an increase of 67% as compared to Rs. 35 crore in Q4 FY 2008. Sugar sales for the quarter were lower at 1.36 lakh tonnes as compared to 2.07 lakh tonnes in corresponding quarter last year. For financial year 2009 sales were at 6.64 lakh tonnes as against 7.42 lakh tonnes last year. Sugar realizations were higher by 51.5% to Rs. 25.70 per kg during the current quarter as against 16.97 per kg in the corresponding quarter. This 25.70 per kg realization is an average of levy and free sugar price. For the year, realizations were at Rs. 21.45 per kg compared to Rs. 14.97 per kg in the last year.

Our Distillery business revenue during the quarter stood at Rs. 25 crore as compared to Rs. 41 crore in Q4 FY 2008. Financial year 2009 revenues were at Rs. 131 crore. Distillery segment PBIT was at Rs. 8 crore during the quarter and Rs. 50 crore for the entire year. The Company reported subdued numbers from this division owing to drop in volumes, although realizations witnessed during the period under review were higher. Distillery sales were lower at 9,142 KL during the quarter as compared to 17,980 KL in the corresponding period last year. Financial year 2009 sales stood at 49,792 KL as compared to 86,125 KL in the last year. During the year, ethanol sales stood at 10,434 KL and 16,155 KL in the last year. For the quarter Q4 FY 2009, average realizations increased 17.5% to Rs. 27,234 per KL when compared to Rs. 23,178 per KL in the corresponding quarter. In financial year 2009, realizations improved to Rs. 26,144 per KL as compared to Rs. 19,028 per KL in the financial year 2008.

With regard to our Cogeneration segment, revenues during the quarter stood at Rs. 9 crore due to low sales on account of limited bagasse availability. Financial year 2009 revenues were at Rs. 183 crore as compared to Rs. 238 crore in financial year 2008. PBIT for financial 2009 for the division stood at Rs. 80 crore. Financial year 2009 cogeneration sales were lower at 35.77 crore units as compared to 57.34 crore units in the corresponding last year. Average realizations were at Rs. 3.1 per kilowatt for the quarter.

In the fourth quarter, PAT increased 193% to Rs. 43 crore as against Rs.15 crore in the corresponding period of previous year. PAT for the year was at Rs. 227 crore during the year as compared to Rs. 97 crore in financial year 2008. The Company registered excellent performance led by the sugar segment, while rational support from allied businesses continued. This brings us to the end of our discussion. Thank you for participating in this call. We will now be glad to take any questions that you may have. Thank you.

Moderator: Thank you very much sir. We will now begin the Q&A interactive session. Participants who wish to ask questions, please press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on a first in line basis. Participants are requested to use only handsets while asking a question. Participants are requested to ask two to three questions in the initial round and can come back for the follow-up question. Participants may kindly press *1 now. First in line, we have Mr. Jaiprakash Toshniwal from ULJK Securities. Over to you sir.

Jaiprakash Toshniwal: Good afternoon sir. Congratulations on good set of numbers. Just wanted to know the breakup of this 6.67 lakh tonnes which is sold during the year in terms of levy and non-levy.

Vivek Saraogi: Okay, we will just give it to you.

Jaiprakash Toshniwal: Okay and sir just also need outstanding debt on the books as of now.

Pramod Patwari: Rs.970 crore long-term loan and short-term loan is nil.

Jaiprakash Toshniwal: Okay sir, thank you, just wanted to know about the position in the Brazil at this point in time because there is a media report which says there is a lot of sugar to be come in from Brazil, which will reduce the sugar prices internationally, so what is your outlook on that thing?

Vivek Saraogi: I don't think there is too much in Brazil, and with the Indian production outlook, I think India will be a buyer so will Pakistan and so will Sri Lanka. I mean most parts of the world. I don't see…if at all going ahead, I see global prices strengthening.

Kishor Shah: Brazil is also reporting bad weather. We are not expecting very higher crop in Brazil.

Jaiprakash Toshniwal: That is okay sir, I will just need the break-up of levy and non-levy.

Moderator: Thank you very much sir. Next in line, we have Mr. Vikash Jain from CLSA India. Over to you sir.

Vikash Jain: I had a couple of questions on the expansion basically I believe regarding your power expansion firstly, and on the policy as well. The UPPCL Rs. 4 per unit is something which is approved I understand, but over and above that, the 10% merchant power sale and 50% off-season sale, I think this is still to be approved by the cabinet and the final approval is there or it is all done?

Vivek Saraogi: No, all approvals are in place. Let us understand two things. 10% season, the modality is of long-term open access to be worked out, the policy is in place. Off-season, 50% you can sell outside. Therefore, by logic, means the state would buy. Obviously, it can't buy at Rs. 4 per unit because the coal cost is Rs. 5 per unit so there will be a separate tariff for that. Just on clarity on the detailing is needed, the policy is in place. On our investments, I would like to clarify. Out of our 10 plants, Haidergarh is the plant which has the lowest cane availability and is the most modern in terms of automation and boilers at 87 kg, so the fuel calorific value conversion cost in Haidergarh would be the lowest. So, we are spending Rs.12 crore, Rs.7 crore for power and Rs. 5 crore for refinery, so we will be able to work this asset 200 days more on this combination. We would have power that means we would have steam that means you can do refining as well as sell your power at a profit. So, this could be one investment which could give large returns. We are also looking at converting our other boilers, season has begun. Technically, there would be some time taken, but the ordering is in place, it is going ahead. We are looking at doing one more plant because that is another 87 kg plant. Technically, that is the best.

Vikash Jain: The second plant you mentioned is where?

Vivek Saraogi: It's in Mankapur.

Vikash Jain: So, Haidergarh, I believe, is a 23.25 MW plant.

Vivek Saraogi: You would get about 20 MW from there.

Vikash Jain: Mankapur is 34 MW, correct?

Vivek Saraogi: Yes, but then you would convert one which would again give you 20 MW.

Vikash Jain: And this is not yet finalized that you say.

Vivek Saraogi: Yes, but this is in the process. Once we are ordering out Haidergarh, they are very similar, so you negotiate, keep it and kick it off very soon. There is some technical clarity needed. Once that happens, we will go ahead.

Vikash Jain: Okay, and the sugar refinery is 500 TPD, right?

Vivek Saraogi: Yes. See, in our Company, the unit we bought from Dhampur that is Rauzagaon that is a full refinery. So, that is about 700 to 800 TPD, and this would be 500. So, we would have 2 full-fledged refineries which can work in the off-season, so we would have about 1200 TPD tonnes of refining.

Vikash Jain: And I just wanted to understand, typically when we have a surplus year, how would this really work out, I mean, essentially the refinery will not be used and it will only have enough cane for crushing, is that the whole logic?

Vivek Saraogi: Yes, I think so. See, the moment refining gives you a margin, it is only I think possible when there is a domestic shortage and when domestic prices, you know, are higher, and typically when you buy there is a lead time for the ship to come in and you to refine and sell over a period, so that activity is very helpful when you see a visibility in pricing over a year and year and a half. So, that is the right time, and since the investment is so small, I mean one can put in place and the quality produced during the season also improves.

Vikash Jain: So, on that count, your view on international prices strengthening, then why is it that we actually sold a part of the sugar that we had bought, you know, the second part of the sugar that we had.

Vivek Saraogi: I will just try to clarify that, see; we had bought about 120,000 tonnes. 85,000 tonnes were at USD 382 per tonne that has come in. We bought it with our cash, no banking limits.

Pramod Patwari: These cargoes have already arrived.

Vivek Saraogi: These have arrived and we shipped to our factories. Now, the other one, we had bought at USD 510 per tonne as I told everyone, that we sold off at USD 540 per tonne odd, you know, almost, so we have got a profit of about Rs.4 crore, which we will recognize in the next quarter. We have not yet factored that in our profitability. Today's prices, you are again getting at the same level only. Our view was that when you get into the Indian crushing season, and you start crushing, typically prices take a little bit of a dip. I think we will get an opportunity where we can buy two to three times this quantity at a lower price. So, we are waiting for that opportunity and now having taken up our refinery, we can refine two ships in the off-season in Haidergarh itself. So, I think the price today is about USD 535-540 per tonne only. It has not gone up from where we sold, and we hope to get certainly at a lower level.

Vikash Jain: Just one more small thing. In terms of, I believe you will be using imported coal for off-season running of power, how does the economics work? I understand once we get the coal, this will be I believe from Haldia is the port that you would use and understanding that it will be Indonesian coal. From there, how do the economics work out, how much is the internal freight on a broad basis and what is the typical charge till you actually get the power just from coal, assuming whatever the season is.

Vivek Saraogi: There are two to three avenues of getting coal, you get into the e-auction thing, yes you do look at Indonesian imported coal, which is the easiest to get, but seeing the cost and benefits, etc, I think we are looking at a combination of two to three sources. We are in the process of evaluation and finalizing. Roughly, the coal cost per unit of power would be about Rs. 5 per unit including the landed, converted into power.

Vikash Jain: Assuming what coal cost, current price?

Vivek Saraogi: USD 112-113 per tonne, I think.

Moderator: Thank you very much sir. Next in line, we have Mr. Sandeep Somani from HSBC Securities. Over to you sir.

Sandeep Somani: Good afternoon sir. My question is with regards to the levy price. Has there been any indication for new levy price for the current year, and what is your thought on FRP 3B clause, which has effectively been withdrawn, so how does it change the outlook from your perspective.

Vivek Saraogi: Let us understand what happened and why it happened and what is the impact going ahead of this clause 3B, etc. See, the government of India, the first event was that it wanted to wipe out its past liability of Rs. 12,000 to 13,000 crore, which was being owed by them to the industry owing to a Mahalakshmi Sugar judgment. There is a reference of that in the notification itself. Now, once you wanted to do that, you would have to change the regime for the future. The idea therefore was to move out of concept of minimum price and move into something called a fair price. A fair and remunerative is the term they used. Therefore, to call that actual cane price, the government of India had to say that this is your actual cane price for the miller, and if anybody asks you to pay more, he must bear the burden. That led to that political protest, etc. The political protest was not on the pricing. The protest was on the Clause. Because you see the FRP was Rs.129.84 per quintal. UP Mills had announced Rs.180 per quintal well before this protest took place. Now, having deleted that clause, the government of India would clearly get into a liability, A) of the past I don't know so surely. I think past also they will get into a liability. B) Future levy price, which we were expecting on Rs.129, now would have minimum actual cost as the cane price. I think personally the incentive also would have to be counted because Mahalakshmi's is actual cane price, and once you said that there is no 3B clause, which means that the person announcing has to pay the difference. Minimum basis SAP and I think possibly actual cane price. So, short-term, very short-term, I think we would get a much higher realization for levy price of 2009-2010.

Sandeep Somani: Right. Sir, this policy of 20% has been permanently changed?

Vivek Saraogi: No, no, it very clearly says one year, 2009-2010.

Sandeep Somani: Right sir. Sir, last question is 20 MW being converted and you are in a process to do another 20 MW. What kind of contribution do you expect to the bottom line from this changeover to coal-fired for the current year and going forward?

Vivek Saraogi: See, Pramod will take you into the units.

Pramod Patwari: 40 MW x 100 days is around 8.6 crore units.

Vivek Saraogi: 40 MW x 100 days is 8.6 crore units. Probably, you could do, you know, Mankapur crush is more so and may be, let us say, 9 crore units come out of this, 4.5 crore units, let us say, you can sell to the grid, I mean, open access. One should assume to make about Rs. 1.5 – Rs. 2 per unit there. Secondly, the refinery, the opportunity correctly tapped, you could do two shifts in the off-season, which should be a big opportunity. Because which is possible and enabled due to this conversion of the boiler. I think these two investments, I mean, minimum-minimum, you should get double the amount invested in this year itself.

Sandeep Somani: You are expecting Rs. 24 crore from this?

Vivek Saraogi: Should be. I mean, I can't put a figure to the refining right now. I can more accurately put to the power, but I think that is quite possible.

Sandeep Somani: Right, okay, thanks a lot sir.

Moderator: Thank you very much sir. Next in line, we have a question Mr. Sanjaya Satapathy from Bank of America Securities-Merrill Lynch.

Sanjaya Satapathy: Sir, just wanted to understand your cost structure for the cane crushing as well as refining for 2009-2010 and also if you can just walk us through the numbers as well as the cost considering the fourth quarter of the current year?

Vivek Saraogi: Sorry, what was your last question?

Sanjaya Satapathy: Last question is regarding the kind of cost that you had in the fourth quarter of the current year compared to third quarter, which I felt that the total cost that you had in the fourth quarter was higher than third quarter as far as off-season expenses was concerned.

Vivek Saraogi: Okay, we will take it one by one. First was your refining cost?

Sanjaya Satapathy: Yes.

Vivek Saraogi: See, if you take the fact that once the ship docks in, if we to take you through the figures, the moment it comes in at USD 382 per tonne, if you put it at USD 47. It comes to around Rs. 18 per kg. From there, you have a transport cost and port-handing charges, and you have the cost at the factory. Combination of all the three is about Rs. 4.50 per kg so therefore, on this sugar which we have imported, total cost expected is 22.50 per kg.

Sanjaya Satapathy: Sir, the sugarcane sugar is concerned?

Vivek Saraogi: Yes. See this year, the price is Rs. 190 per quintal. I personally feel East UP should be able to…we have already begun, I think probably we have got a very healthy response of cane compared to others. East and Central, our plants, I don't think should get into any other major cost escalation on cane. On top of this, we have transport charge of cane, taxes on cane, factory cost, as well as interest, depreciation. Interest as we pointed out is going to be lower. Interest cost is going to be lower, therefore the total cost, sugar cost should be about Rs. 25.50 per kg.

Sanjaya Satapathy: This is pre-tax level?

Vivek Saraogi: Yes, this is pre interest. No, no, we are talking of cane cost. Our total cost should be what, Rs. 25 per kg? So, I think we should be Rs. 25 per kg. We will just give it to you in a minute. The third quarter cost, Pramod will take you through.

Pramod Patwari: The other expenditure in the third quarter is higher on account of additional repairs and maintenance which we have incurred.

Vivek Saraogi: And there are some balancing equipment costs which, you know, as per accounting standards we have to recognize.

Kishor Shah: We have some impairment cost and all.

Vivek Saraogi: Yes, cost of impairment of assets and all that as per accounting standards.

Sanjaya Satapathy: How much was that amount?

Vivek Saraogi: Pramod will give you the exact amount. We will give it to you.

Sanjaya Satapathy: Okay, and sir, in the meanwhile if you can just also specify, in the fourth quarter, your average realization was about Rs. 25.70 per kg, and in that, I would assume your non-levy sugar price would be something like Rs. 26.50 per kg. Just wanted to know why was it significantly differently from the Rs. 29 per kg that we earned most of August and September?

Vivek Saraogi: See, let me clarify. I had received this query from others, so I am a little more aware of this exact detail. Free sugar is sold at Rs. 27.26 per kg. We have checked up with the others, their realization is of free sugar. For example, Dhampur of Rs. 27.10 per kg is free sugar. July, the prices were low. August-September, the prices were better. So, this is the average, and as you are aware that one has to sell periodically as per the release. So, it is a combination of all three months, and Rs. 27.26 per kg. I would assume is a very competitive and a good selling price.

Kishor Shah: That is an industry price.

Vivek Saraogi: And that is an industry…maybe slighty 5 paise up now and 5 paise down.

Sanjaya Satapathy: Okay, sir. Thanks a lot for answering my question. My last question would be that how much sugar can you manage to sell in October to December period?

Vivek Saraogi: We would have sold our entire sugar by beginning of December, these 9 lakh bags, and the realization is indicated to you. Cost is Rs. 20.43 per kg, realization is Rs. 30 per kg or whatever.

Sanjaya Satapathy: Okay, and you can sell something from your fresh production as well.

Vivek Saraogi: Yes, we will sell in the month of December from fresh production.

Sanjaya Satapathy: Okay, thanks a lot sir.

Vivek Saraogi: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Nirav Shah from Antique Stock Broking. Over to you sir.

Nirav Shah: Good afternoon sir. Sir, a couple of questions. First is, sir, what will be our raw processing run-rate in FY '10? I mean, how much will be the producing in the season and off-season?

Vivek Saraogi: As of now, we have 85,000 tonnes. We will contract more for sure after this refinery, but as of now, on date, 85,000 tonnes is raw and domestic cane, we are assuming, you know, combination of recovery and this would give you surely 10% higher, which means 50 lakh bags for sure.

Nirav Shah: During the season?

Vivek Saraogi: Yes. 50 lakh bags there and 8.5 lakh bags here, and more to go on refining.

Nirav Shah: Okay. Of the 85,000 tonnes of raw sugar, entire will be processing in the season only?

Vivek Saraogi: No, we have a combination because Rauzagaon is that thing, it will be during season and off-season. We have distributed within our plants to get a good balance.

Nirav Shah: Okay. So, is it safe to assume that during the season it will be around 35% to 40% and balance during off-season?

Vivek Saraogi: No, no, I think 50:50.

Nirav Shah: 50:50, okay, and sir, when are our modifications at our Haidergarh sugar unit, in terms of refinery, starting?

Vivek Saraogi: Yes, it has started. It will come on-stream by April.

Nirav Shah: Okay, and sir, just one thing on the cane cost front. Do we expect any further increase from this Rs. 191 per quintal to Rs. 195 per quintal range which is declared right now?

Vivek Saraogi: Personally, I am not expecting.

Nirav Shah: Even if the recovery rate, assume it is 10%, and sugar prices stabilize at a higher level?

Vivek Saraogi: No, still, I personally don't assume this to be the benchmark rate to go up. I don't know if in some unit, little bit here and there, you know, in form of fertilizer incentive, something is given later on, but benchmark rate I don't expect it go up.

Nirav Shah: Okay and sir, one last question is on the tax write-back front, and even if you take our year-end tax rate, it is very low at around 9% to 10% against the earlier guided at around 17%. Any comments on that on the tax write-back during the quarter?

Kishor Shah: No, no, I think we are still under the MAT provision. These tax write-backs are in respect of 2002, 2003, 2004, 2005 year.

Nirav Shah: Okay, but say in FY'10, it should be at…

Vivek Saraogi: This is the effect of completed assessment, refunds, etc. Well, totally within the accounting standards.

Nirav Shah: Okay, and so, no further benefits from this will be in FY'10. It should be normal at around 20%?

Kishor Shah: Yes, we will be at 20%.

Vivek Saraogi: FY'10 should be there only.

Nirav Shah: Okay sir, thanks a lot sir.

Moderator: Thank you very much sir. Next in line, we have Achal Lohade from JM Financial Institutional Securities Pvt. Ltd. Over to you sir.

Achal Lohade: Yes, couple of data points first and then I will ask the questions. Just wanted to get cane crush number for Indo-Gulf and the sugar production sales numbers.

Vivek Saraogi: From Indo-Gulf? Okay. He is just checking it out, you could ask the questions.

Achal Lohade: Secondly, on the cane pricing, you know, last season, we did see little bit higher cane price towards the end of the season, and you know, the prices were not so robust like they are currently. So, just wanted to get a sense like what is your expectation going forward that would you be able to source a cane at the same Rs. 190 per quintal itself?

Vivek Saraogi: Let us understand, Rs. 140 to Rs. 190 per quintal is a jump. It is a substantial jump, so it is not that you know there is no increase in price. There is a very healthy increase in price, and on the ground I can tell you the farmer is interested in supplying at this level. The proof in my area is two factories have begun on day 1. I personally think that outside, as I earlier said, unit wise some changes in terms of fertilizer subsidy or etc later on, I personally don't think there is a great change in rate, in my mind. And let us understand UP and other parts of the country, for example Maharashtra and Karnataka and all, they pay a landed cost. We incur on this transport cost and taxes and plus there is a recovery difference. I mean, cane cost across the country is almost aligned.

Achal Lohade: I understand that Maharashtra and Karnataka are paying Rs. 230 per quintal and you know one of the leading companies guided for Rs. 260 to Rs. 270 per quintal kind of cane cost, going forward. I wanted to know that, you know, given very high yields in Maharashtra and Karnataka vis-à-vis UP and very high cane price, do we expect significant increase to come in these two states and we want that?

Vivek Saraogi: Sorry, come again. Did not understand your question clearly.

Achal Lohade: Basically, what I meant was, number one, Maharashtra and Karnataka mills are paying Rs. 230-240 cane price. Second, their yields to the farmers, farmers' yields per hectare are much higher than UP, so you know given record cane prices and good yields, do we expect farmers to plant more cane, given their very robust revenues from cane currently?

Vivek Saraogi: See, I am very clear on this that yes, let's say, 16 million tonnes is the maximum we expect, probably 15 million tonnes is reality. So, there is no doubt that 15 million tonnes will go up, but I am not seeing more than 20 million tonnes thereafter, under any circumstances. Because there is a lot of attraction towards wheat, paddy etc., and there is not enough seed. There is not going to be so much of seed to get in more crop.

Achal Lohade: Okay. Sir, can you just guide us on the cost of cultivation for the others like wheat or paddy?

Vivek Saraogi: It all depends on area to area, yield to yield. At times, you have to put in to keep the soil going, so that is a very tough call. All I can say is the moment you see wheat and paddy being picked up and there is a sort of interest of the farmer in that equally, I don't see cane production crossing the levels I mentioned.

Achal Lohade: Right, and what would you know the competitive price or breakeven price of cane vis-à-vis the other, profitability of other competing crops?

Vivek Saraogi: See, this question is the same and the answer is the same. See, one is what you can do from your land, okay, is the land tillable for this, that, and the other. The second is the yield you get for cane and wheat and what is your water requirement, what is your ground water level. Cane is water intensive crop, as we know, so these are data points which you do not have a figure to at any point of time, you will have just benchmark ideas.

Achal Lohade: Right. Okay, fair enough. Second question was on the refining cost. Just wanted to know that cost which you have given, is it net of the cogeneration profits, you know, whatever we produce out of….?

Vivek Saraogi: We factored in cost of byproduct realization.

Achal Lohade: So, this is net of these realizations, right?

Vivek Saraogi: Yes. This cost includes power cost.

Achal Lohade: Sorry, just to make it straight, you know, what are the other costs in refining, other than the power cost?

Vivek Saraogi: You have chemicals, you have labor, you have normal other costs.

Achal Lohade: Then, how much would that be?

Vivek Saraogi: Everything, we put in everything, total cost, to our division gets its revenue. For example, just let me clarify your doubt.

Kishor Shah: Then, we have gunny bag.

Achal Lohade: Right, so this Rs. 4.50 per unit, what is the refining cost because that is….

Vivek Saraogi: Rs. 2.40 per unit. Because there is molasses also which you get, so there is small revenue on that account also.

Achal Lohade: Right.

Vivek Saraogi: In raw sugar, you get molasses.

Achal Lohade: Okay and how much percentage would that be?

Vivek Saraogi: Very small percentage.

Achal Lohade: Okay, and you know, given very good cane prices, you know, currently being paid by the sugar mills, and do we see the diversion to Gur, Khandsari getting reduced because lower Gur, Khandsari prices compared to sugar, and we are paying much lower, it seems.

Vivek Saraogi: No, I think this is the year where you will have healthy competition all around. I remain very buoyant, as I tell you, on consumption. If you have seen Coke and Pepsi have recorded 25% higher turnover, chocolates I was reading somewhere has recorded 14% higher turnover. So, there is a huge consumption growth ahead, I think. I mean, by huge I mean 3% to 4% compounded annual growth. Now, if you see, people feel it is a shortage story, I don't feel it. In 2002-2003, when we made 20 million tonnes, you got the first biggest down-pick I have seen in my life. Then, when you produced 26-27 million tonnes in 2007-2008, we got a price of the final product which was lower than raw material. Now, three years from now, when you get to this 26-27 million tonnes, if you do head to head, three years, you know, 1, 2, 3, or whatever, at that point time that will be the bare minimum requirement for consumption. So, you will see gradually, we are moving towards a scenario where consumption is going to drive the industry fortunes, which is going to be domestically very robust and the proof is India is by far the largest consumer in the world.

Achal Lohade: Okay. Sir, last question was on the, you know, the tax, you know, credits we have taken. Net of that, it seems, the tax rate for the fourth quarter was very low, like Rs. 2 crore of tax or Rs. 31 crore of PBT. So, just wanted to know what are the tax benefits we have in all?

Vivek Saraogi: Let us understand, for the whole year, the tax provision of Rs. 23 crore. There is a write back of earlier years of assets, what should I say, assets…

Kishor Shah: Completed asset… Income.

Vivek Saraogi: Income, yes. So, this is out of that, which means a higher provision for earlier year, there is a write back.

Kishor Shah: These are in respect of accounting year up till 2005.

Achal Lohade: Right. So, you know, what I wanted to ask is do we have the 80-IA benefit for co-generation? What are the carry forward losses?

Kishor Shah: See and understand, from the cash flow basis, we are still paying MAT.

Achal Lohade: Okay, and we will be eligible for the MAT credit in the future?

Kishor Shah: Yes.

Achal Lohade: Okay, That is all sir. Thanks so much.

Moderator: Thank you very much sir. Participants are requested to ask two or three questions in the initial round and can come back for the follow-up question. Next, we have a question from Mr. Nillai Shah from Morgan Stanley India Co. Pvt. Ltd.. Over to you sir.

Nillai Shah: Yes sir, could you just confirm this 8 crore units are from 20 MW plant or the full 40 MW?

Pramod Patwari: 40 MW.

Vivek Saraogi: That is on 100-day basis. That is being a bit conservative.

Nillai Shah: Exactly.

Vivek Saraogi: So, that could double. I am personally feeling it would be around 13 to 14 crore units.

Nillai Shah: Okay and you can operate it for about 200 days?

Vivek Saraogi: Depending, you see Haidergarh, you will have much larger operation because it is not in the best cane belt. Mankapur is in a good cane belt, so Haidergarh could operate for 180 to 190 days. The other one could operate for 130 to 140 days.

Nillai Shah: But you are using coal right?

Vivek Saraogi: Yes, coal.

Nillai Shah: How does it matter?

Vivek Saraogi: It does not, but you know, the coal availability during rain etc, I am just being slightly conservative. Otherwise, you can take 200 days this and 150 days that.

Nillai Shah: Right, and would I be wrong in saying that you probably be doing about 200,000 tonnes of raw in the current year, assuming you get that much?

Vivek Saraogi: Yes, quite possible, 180,000 tonnes is quite possible.

Nillai Shah: Okay, and finally what is your assessment of the current off-season refining capacity in India?

Kishor Shah: Generally, it is said that India henceforth would import white sugar because the capacity is not available. The capacity means the steam and the power is not available.

Nillai Shah: Right, so how much would it?

Kishor Shah: We have many mills, you know, small, small mills at Birla, Dhampur, Bajaj, but we don't know, we don't have the figure. This was generally said that whatever India has imported raw sugar is sufficient during off-season, and any requirement further would be met by white sugar import.

Vivek Saraogi: Yes, but I don't know if we can comment on this. We don't have too much idea on this.

Nillai Shah: And could you also if possible separately send us the details of this Rs. 5 cost of production from coal? Things are on a higher side, that's why.

Vivek Saraogi: Yes, we are still working because we are in the process of tying up coal. We are going through the bidding process, so I think about 10 days to 15 days from now.

Nillai Shah: Sir, Bajaj has put a presentation which says that their variable cost is about Rs. 2.80.

Vivek Saraogi: Rs. 2.80 on?

Nillai Shah: On Coal.

Vivek Saraogi: Variable?

Nillai Shah: Yes.

Vivek Saraogi: That means the coal cost is s. 2.80.

Nillai Shah: Yes.

Vivek Saraogi: I will be delighted.

Nillai Shah: So, it is there on the website, I believe.

Vivek Saraogi: We will get it checked. We have not contracted for coal, so we will be delighted.

Nillai Shah: Okay. Thank you so much.

Moderator: Thank you very much sir. Next in line, we have Mr. Ankur Periwal from Religare Securities Ltd. Over to you, sir.

Ankur Periwal: Yes, hi, good afternoon sir. Sir, while most of the questions have been answered, but just continue with the last question as well. When will we have better clarity on the power cost of Rs. 5 per unit, as you earlier mentioned?

Vivek Saraogi: As I said, we have not done a detailed exercise. We have just seen the landed cost of the imported coal that comes to about Rs. 5 a unit. There are e-auctions. We have coal linkages in India, you have domestic coal. Somebody said, Bajaj has put a presentation of Rs. 2.80. We are in the initial stages of evaluating. We are going through an extremely detailed process of tendering. So, we will be able to get back on this after 15 days. Nothing has been contracted. We are going to work out because we don't need it before April. So, we are going to do the entire working and in 15 days we should be able to get a firm costing.

Ankur Periwal: Okay, so sir, the coal cost that we would have assumed, maybe internal estimates, would be the spot rate for coming out with this Rs. 5 per unit of power cost?

Vivek Saraogi: Yes, it is what is available today. That is just an assumption. It is a very rough cut assumption on landed imported Indonesian coal.

Ankur Periwal: Perfectly fine.

Vivek Saraogi: Don't hold me to it.

Ankur Periwal: Yes. Sir, one thing more, the coal linkage that we will be looking forward will be primarily Indonesian and not domestic?

Vivek Saraogi: Combination of everything. Give me just 15 days for this.

Ankur Periwal: Okay, sure sir, thanks a lot.

Moderator: Thank you very much sir. Next in line, we have Mr. Arya Sen from Credit Suisse Securities Pvt. Limited. Over to you, sir.

Arya Sen: Good afternoon sir. What is your cash on balance sheet figure as of year end?

Vivek Saraogi: Yes, Pramod will take you through it.

Pramod Patwari: Cash was Rs. 190 crore in addition to the raw sugar of around Rs. 85 crore, which we bought from our own internal source.

Arya Sen: Sir, I did not get that, what is the second part?

Pramod Patwari: Cash on the date of the balance sheet was Rs. 190 crore, and in addition to that, Rs. 85 crore of raw sugar.

Arya Sen: Right, and sir, the debt equity of 0.82 that you mentioned, that is gross debt to equity?

Pramod Patwari: That is around Rs. 970 crore.

Arya Sen: Sir, the 0.82 is based on the Rs. 970 crore, it is not net debt to equity?

Vivek Saraogi: And together with this, you have 9.3 lakh bags.

Arya Sen: Right, but the 0.82 refers to only the gross debt right, not the net debt?

Vivek Saraogi: Yes, we are talking of gross debt, and just to clarify, there is a Rs. 200 crore…how much is the SDF's?

Pramod Patwari: SDF's is Rs. 120 crore.

Vivek Saraogi: So, out of this debt structure Rs. 120 crore of excise which is interest free, Rs. 120 crore of sugar development fund loan which is at 4%.

Arya Sen: Right.

Vivek Saraogi: Soft debt structure, so as to say.

Arya Sen: Right, sir, you mentioned that there was some employee stock option cost due to some accounting rules.

Vivek Saraogi: Yes, during the whole year, we have accounted for ESOP write-off of Rs. 9 crore, as per accounting standards.

Arya Sen: How much of that would have been in the last quarter?

Pramod Patwari: Around Rs. 4 crore.

Vivek Saraogi: Rs. 4 crore in the last quarter.

Arya Sen: And that appears in the staff cost?

Vivek Saraogi: Yes.

Arya Sen: Okay. That is all, sir.

Moderator: Thank you very much sir. Next in line, we have Mr. Ajay Vohra from Enam Asset Management. Over to you sir.

Ajay Vohra: Yes, hi, good afternoon sir. Congratulations on a good set of numbers. Can I just have the capex numbers for this year and next year sir?

Vivek Saraogi: Sorry?

Ajay Vohra: Can I have the capex guidance for this year and next year?

Vivek Saraogi: See, one is this Rs. 12 crore which we have ordered out.

Ajay Vohra: Yes.

Vivek Saraogi: The other is the Mankapur which we are in the process that would be around Rs. 7-8 crore only.

Ajay Vohra: Okay.

Vivek Saraogi: So, this is Rs. 20 crore.

Ajay Vohra: Okay.

Vivek Saraogi: As of now, we are envisaging nothing great, just balancing equipments, if any.

Ajay Vohra: Okay, so should it be somewhere around Rs. 30 crore for this year?

Vivek Saraogi: Max, on the existing ventures.

Ajay Vohra: So, are we planning something other than that?

Vivek Saraogi: I mean Company is actively looking at other opportunities. I mean, we will look at international opportunities. It is too early.

Ajay Vohra: Yes sir, and what loan repayments are we expecting this year?

Pramod Patwari: Rs. 145 crore.

Vivek Saraogi: Rs. 145 crore as per the terms. However, we are trying our very best to get permissions to prepay.

Ajay Vohra: So, that can be to the extent of what amount?

Pramod Patwari: With RBI approval, it could be Rs. 100 crore to Rs. 200 crore.

Vivek Saraogi: Yes, further.

Ajay Vohra: Another 100 crore.

Vivek Saraogi: Rs. 100 to 200 crore, we have applied to RBI because they are ECB's, so you need to apply.

Ajay Vohra: Okay, and sir, you said that 50 lakh bags we are expecting this year, the production, so what would be the cost of production including depreciation for that?

Pramod Patwari: Rs. 25.50 at PBIT level.

Ajay Vohra: PBIT level, okay, and sir, just one more thing, how much production are we expecting from the distillery division?

Pramod Patwari: About 4 crore liters.

Ajay Vohra: Okay, thank you very much sir.

Vivek Saraogi: Thank you.

Moderator: Thank you very much sir. Next in line, we have a question from Mr. Shekhar Singh from Goldman Sachs Asset Management. Over to you sir.

Shekhar Singh: Yes sir. Just on the power side, wanted to understand like from bagasse you will generating close to 50 crore units and from coal you will be generating an additional somewhere in the range of 10 to 14 crore units.

Vivek Saraogi: Correct.

Shekhar Singh: Okay and say in terms of the average selling price, how much will that work to, sir, like taking the new regulations which have come in?

Vivek Saraogi: See, I will tell you. One must assume that the bagasse, we will get Rs. 4 per unit.

Shekhar Singh: Okay.

Vivek Saraogi: Okay. Now, because at 10% might take little time, and you know, the season is not going to be so long.

Shekhar Singh: Okay.

Vivek Saraogi: So, just to be conservative…..

Kishor Shah: Rs. 4 per unit.

Vivek Saraogi: … we take it as Rs. 4. On the balance, 50% is open access…that you can take as merchant power.

Shekhar Singh: Okay.

Vivek Saraogi: Expectation of that is very difficult to say right now, but Rs. 6.50 per unit

Kishor Shah: Rs. 6.50 per unit is a reasonable estimate.

Vivek Saraogi: Rs. 6.50 per unit should be a decent estimate.

Shekhar Singh: Sure.

Vivek Saraogi: Because, you know, there might be slight rate, but average rates, you know, because merchant power will not give you a constant rate 365 days a year.

Shekhar Singh: Correct.

Vivek Saraogi: They are variable rates. I assume Rs. 6.50 per unit there, 50% which UP government buys; you should get cost plus return…

Shekhar Singh: Okay.

Vivek Saraogi: ... on coal.

Shekhar Singh: Okay and secondly on the refinery output, shouldn't it be closer to 6 crore liters rather than 4 crore liters which was mentioned in the previous question?

Kishor Shah: In fact this is the adjustment in the molasses structure because we would be selling some molasses.

Shekhar Singh: Yes.

Kishor Shah: … given the structure, we would like to sell in the open market because the transportation cost from Kumbhi-Gularia to our distillery is much more.

Vivek Saraogi: And there are some technical country liquor requirements and all.

Kishor Shah: Yes, there is a reservation for the country liquor etc. So, we would like to sell molasses from Kumbhi-Gularia in the open market.

Vivek Saraogi: For the whole group.

Shekhar Singh: Sure, sure.

Vivek Saraogi: Because you have reservation on country liquor. Now, you try and say captive, those are cases in court but we take conservative estimates.

Shekhar Singh: Okay, and in terms of recovery like we are expecting it to come back to around 9.8% or 10% range.

Vivek Saraogi: Not 10%, but definitely 9.6%.

Shekhar Singh: 9.6%, okay, perfect. And lastly, related to all these rumors which were there regarding Bajaj Hindustan acquiring and all, do you have any comments on that?

Vivek Saraogi: No, why not, let us clarify the whole thing.
As I said, in the newspaper and on TV, people need to have a dialogue on future strategies. If cane competition leads to higher cost of cane for both concerned, what value does it have? If you are operating in, let us say, sectors and areas of each other, you can allocate cane better. So strategies are going ahead, business going ahead. God knows, I mean, then the rumors fly.

Shekhar Singh: Sure, and lastly just on the sugar that you are planning to refine, you mentioned in your opening comments, around 85,000 tonnes.

Vivek Saraogi: Yes.

Shekhar Singh: But as such like we were earlier looking at a much higher number.

Vivek Saraogi: I said that 35,000 tonnes is sold out at a profit of Rs. 4 crore.

Shekhar Singh: Okay.

Vivek Saraogi: The price at which we sold the same price you are getting it right now.

Shekhar Singh: Understood.

Vivek Saraogi: We are looking, typically, in the cycle when season begins, domestic prices have to come down a little over the next 2 months. Global markets, I have seen, are tracking Indian markets. We do see an opportunity that will come back full-fledged.

Shekhar Singh: Okay, understood, thanks a lot sir.

Moderator: Thank you very much sir. Next in line, we have a question from Mr. Darshan Dodhia form SBICAP Securities Ltd. Over to you sir.

Darshan Dodhia: Thanks sir for taking my question. I wanted to know the current distillery realization which the Company is getting as well as molasses and bagasse realization.

Vivek Saraogi: I will hand it over to Pramod. Just a little comment, ethanol the latest contracts are being negotiated at Rs. 26 per liter plus.

Darshan Dodhia: Okay.

Vivek Saraogi: Okay, Pramod.

Pramod Patwari: The realizations for the alcohol division for the full year was Rs. 26.14 per liters, as compared to Rs.19.29 per liters in the last year.

Darshan Dodhia: No, I wanted to know the current realization, in first quarter as well as your expectation for the year?

Pramod Patwari: Current realization is in the range of Rs. 26 per liter or so. Rs. 26 per liter for RS, Rs. 27 per liter for ENA, and special denatured is about Rs. 23 per liter.

Darshan Dodhia: Rs. 23 per liter?

Vivek Saraogi: Yes, you have a MODVAT of about 15% there.

Pramod Patwari: Molasses rate is going around Rs. 375 to Rs. 400 per quintal.

Darshan Dodhia: Okay, and sir, I just wanted to recheck. Your loan repayment schedule is only Rs. 45 crore for this year?

Vivek Saraogi: Rs. 145 crore.

Darshan Dodhia: Rs.145 crore, okay, fine, and the total debt is Rs. 970 crore.

Vivek Saraogi: Yes, out of which Rs. 120 crore is SDF's, Rs. 120 crore is excise loan interest free.

Darshan Dodhia: Okay, thanks sir. Thanks.

Moderator: Thank you very much. Next in line, we have Ms. Mona Newatia from Corporate Database (India) Pvt. Ltd.. Over to you ma'am.

Mona Newatia: Yes, what would be the opening stock all-India beginning of the 09-10 season?

Vivek Saraogi: See, it is a figure which is not there that way on record, but I would assume about 1.8 million tonnes.

Mona Newatia: Okay, and what would be the total imports that would be available for processing and consumption? Basically, I am just trying to get a fix on the total sugar availability. I mean, you mentioned production would be around 15.5 to 16 million tonnes.

Vivek Saraogi: Yes, yes.

Mona Newatia: Opening stock another 2 million tonnes.

Vivek Saraogi: 15 million tonnes and let us put both at 17 million tonnes.

Mona Newatia: Okay.

Vivek Saraogi: 2.5 million tonnes has been contracted, Kishor, Pramod? Already in the country?

Pramod Patwari: Already.

Vivek Saraogi: 2.5 million tonnes already in the country.

Mona Newatia: Right.

Vivek Saraogi: That makes it 19.5 million tonnes. Further expected imports is, Pramod, what are you saying, are these contracted or expectations?

Kishor Shah: Contracted.

Vivek Saraogi: Contracted?

Mona Newatia: Your release says 4.6 million tonnes contracted, and 2.6 million tonnes landed, so we add another 2 million tonnes?

Vivek Saraogi: Yes.

Mona Newatia: Sir, around 21 and 21.5 million tonnes?

Vivek Saraogi: Yes, yes.

Mona Newatia: Okay, so I mean, may be the country would have to import another 1 or 2 million tonnes.

Vivek Saraogi: 2 million tonnes.

Mona Newatia: Secondly, I had this question on, you know, you mentioned that the power generation from the bagasse based units will be around 50 crore units. Is it not on the higher side?

Vivek Saraogi: I was going to just scale it down. I am expecting 45 crore units now.

Mona Newatia: Okay, and the UPERC order says that beyond a 50% PLF, that means we would get reimbursed only to the extent of variable cost?

Vivek Saraogi: That is a very, very good question. We have already applied for review.

Mona Newatia: Okay.

Vivek Saraogi: Review should come up in the next 7 days. It is dated 30^{th}.

Mona Newatia: Right, okay.

Vivek Saraogi: The variable cost in the off-season, the variable cost concept is correct, but the variable cost of bagasse in the off-season is wholly different from season, right. Just presume we get to the same rate beyond 50% also.

Mona Newatia: Okay, I should just assume that.

Vivek Saraogi: Yes, yes, but very good question.

Mona Newatia: Okay, thank you. And what about … just one more clarification, that means in a year like this where there is a shortage of sugar, I mean shortage of sugarcane, you are not really going…the plant will anyway not be operating beyond the crushing season, right?

Vivek Saraogi: Yes.

Mona Newatia: And to the extent that your boilers are going to be coal-based, so only those units would be operational right?

Vivek Saraogi: No, see what happens, we have a combination, like just to give you an example. There is a Balrampur's plant 40 kms away called Tulsipur. Balrampur as a power plant. During season, Balrampur would, say…you know, do its own bagasse and have bagasse for a month, month and a half more. Three-four months, bagasse comes down from Tulsipur which is barely 40 kms away. Through a combination of things like this, we get to our figure, 45 crore units is therefore on bagasse base. And which does not mean that my bagasse operations stop as soon as the season stops.

Mona Newatia: Okay, fair enough, okay. Great, thank you.

Vivek Saraogi: Thank you.

Moderator: Thank you very much ma'am. Next in line, we have Mr. Aashish Upganlawar from Sharekhan Ltd. Over to you sir.

Aashish Upganlawar: Yes, most of my questions have been answered. Just wanted to know how many days do we see our distilleries and power plants operate, the bagasse-based power plants, to operate this season?

Vivek Saraogi: We will give you the number of days.

Aashish Upganlawar: Yes.

Vivek Saraogi: Units would give you more the reflection of what will happen.

Aashish Upganlawar: Okay, yes, that is it from my side.

Moderator: Thank you very much sir. Next in line, we have Mr. Dipen Sheth from BRICS Securities Limited. Over to you sir.

Dipen Sheth: Good to talk with you guys. All my questions have been answered, just one little nagging doubt, I am sure I have got the right information. Suppose you don't have any refined sugar in stock as at the end of the year, September 09?

Vivek Saraogi: No, no.

Kishor Shah: It is all raw.

Vivek Saraogi: It is all in raw format.

Dipen Sheth: Yes, so you know to process and sell this, but there is no carry-forward from your last year's production?

Vivek Saraogi: No carry-forward except the 9.3 lakh bags of plantation white sugar.

Dipen Sheth: And what might that be? Sorry I am little confused on this.

Vivek Saraogi: The sugar we had, Dipen, from our cane crushing, that is the 9.3 lakh bags we have.

Dipen Sheth: Okay, so you do have 9.3 lakh bags.

Vivek Saraogi: That is the Indian sugar. The imported sugar is coming but it is in the form of raw.

Dipen Sheth: Yes, it is raw.

Vivek Saraogi: It would get refined and sold during the year.

Dipen Sheth: And current sugar selling price x will average for the Company, what is it running at right now?

Vivek Saraogi: Right now, it is about Rs. 32 per kg.

Dipen Sheth: Rs. 32 per kg, okay cool. All my other questions are answered. Thanks so much.

Moderator: Thank you very much sir. Next in line, we have Mr. Jasdeep Walia from Kotak Principal Investments Group. Over to you sir.

Jasdeep Walia: Sir, my questions have been answered. Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Sanjay Kular from Infopile India Pvt. Ltd. Over to you sir.

Sanjay Kular: Good afternoon, Mr. Saraogi. This is Sanjay Kular here. You know, I have gone through the statements and some of the prices, regarding the impact of sugarcane price increase to Rs.190 per quintal, what will be the impact on our company? Do you see the rise in sugarcane price in other states also?

Vivek Saraogi: Sorry?

Sanjay Kular: Do you see the rise in sugarcane prices in other states also?

Vivek Saraogi: Every state, the price has risen. I think there is reflection of that.

Sanjay Kular: Okay.

Vivek Saraogi: In our company, as in all UP companies, this is the price, cost of production of which we have indicated.

Sanjay Kular: Okay, how much will it impact? What will be the impact on the profitability because you know it will definitely lead to significant….

Vivek Saraogi: Obviously, there is going to be a cost escalation. We have told you a cost of Rs. 25.50 per kg.

Sanjay Kular: Okay.

Vivek Saraogi: Realization at the very moment, you know, as we sell sugar today because the season has just begun is actually between Rs. 33 and Rs. 34 per kg. As we go ahead, I think it will dip to a figure of Rs. 32 per kg because I think it will dip once the season starts.

Sanjay Kular: So, average realization for the current year you expect around Rs. 30 to Rs. 32 per kg, sir?

Vivek Saraogi: No, higher, because as we go ahead, then March-April, the season stops, price will move up. So, you know, that is the trajectory of the pricing. It's not wise to put a figure to it just now, but the trajectory remains upwards.

Sanjay Kular: Okay, and you know, it will be a repeat question, but you know, I don't know whether you can answer it in the sense that we have been talking with Bajaj Hindustan.

Vivek Saraogi: Okay.

Sanjay Kular: Are we talking with some other companies also for selling stake and talks for existing stakes of promoters?

Vivek Saraogi: I mean, I did not say we are talking to Bajaj Hindustan for selling stake. Talking to others or Bajaj, I have answered that. We are not in talks with Bajaj Hindustan for selling stake.

Moderator: Are you done with your question Mr. Sanjay? The line has been disconnected. We will move on for the next question. Next in line, we have Mr. Anup Ranadive from Tower Capital & Securities Pvt Ltd. Over to you sir.

Anup Ranadive: Good afternoon sir. Just a quick follow-up question on the raw sugar imports. India's imports in the current season would be in the range of 5 to 6 million tonnes. You have given the figure of 2.5 million tonnes of raw which has already been imported. Hello?

Vivek Saraogi: Yes, yes, we are getting you.

Anup Ranadive: Further, you said that we have contracted for 2 million tonnes?

Vivek Saraogi: Yes.

Anup Ranadive: Sir, is that like raw sugar or white sugar?

Vivek Saraogi: I think it is raw.

Anup Ranadive: Raw. And sir, balance requirement will be in the range of 2 to 2.5 million tonnes?

Vivek Saraogi: Around that much.

Anup Ranadive: So, in your sense, would that be raw sugar or would that be white sugar?

Vivek Saraogi: You know, it is going to be combination, and it is going to depend on what is the gap between the two, who does what, you must understand that this should be the total requirement. How it is met, time will tell.

Anup Ranadive: Okay, but now the white sugar premium is….

Vivek Saraogi: Very high.

Anup Ranadive: Absolutely. So is that the situation that India's capacity to refine raw is limited and because of that the white sugar prices are moving up?

Vivek Saraogi: Could be, that is not a very incorrect assumption.

Anup Ranadive: Okay. Okay, fine sir, my question has been answered. Thanks.

Vivek Saraogi: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Nikhil Agarwal from Kim Eng Securities India Pvt. Ltd. Over to you sir.

Nikhil Agarwal: Good afternoon. I just want to know when you are saying that, your PBIT margin in Q4 was 16.5%, while for the whole year also it was 16.5%, can you please explain this, because I believe in Q4, prices have risen, sugar prices have risen, and so your margin should have been better than the whole year?

Vivek Saraogi: But Q4 has no production, so all the cost which comes in Q4 is just naked cost.

Nikhil Agarwal: Alright, okay. Okay, thank you very much.

Moderator: Thank you very much sir. Next in line, we have Mr. Rishab Bothra from Batlivala & Karani Securities India Pvt. Ltd.

Rishab Bothra: Good afternoon sir. I have two queries; one on the FRP thing. The FRP ordinance has been withdrawn but I want to get clarification. It is stated it is effective from October 1, 1974, what was this on account of? Is it on account of levy price reimbursement?

Vivek Saraogi: Yes. Government has mopped up the entire dues because of court judgments to the industry.

Rishab Bothra: Okay, since now FRP ordinance is withdrawn, whether this Clause is applicable still or?

Vivek Saraogi: They are introducing a bill.

Rishab Bothra: Okay, so what could be the kind of reimbursement which we will be getting on account of this from '74 till date?

Vivek Saraogi: Government is trying to give no reimbursement, but it is all challengeable.

Rishab Bothra: Okay and another thing are in regards to Bajaj-Balrampur case. I would like to put forth the question like this. Whether we could see a Bajaj-Balrampur Hindustan Chini Mills?

Vivek Saraogi: I think I have answered that that we are not in talks.

Rishab Bothra: No, no, you answered in a manner that, that you are not in talks for stake sale, but could there be a consolidation of both the companies where you also get a board seat and such things?

Vivek Saraogi: See, it is the same thing. Question is the same and the answer is the same.

Rishab Bothra: Okay sir. Thanks sir.

Vivek Saraogi: Thank you.

Moderator: Thank you very much sir. Next, we have a question from Mr. Nirav Vasa from Gupta Equities Pvt. Ltd. Over to you, sir.

Nirav Vasa: Hello. You just informed that the ethanol negotiation prices are currently going on at around Rs. 26 per liter. By what time, can we get concrete confirmations from oil marketing companies or, in other words, when are the tenders expected to be opened up?

Kishor Shah: It should be there in the next 15 days' time.

Nirav Vasa: Next 15 days, okay. Thank you very much.

Vivek Saraogi: Thank you.

Moderator: Thank you very much sir. The last question comes from Mr. Arun Baid from Reliance Equities International Pvt. Ltd. Over to you sir.

Arun Baid: Yes, hi sir, just wanted to ask one thing. As mentioned on the con-call that the cost of sugar would be about Rs. 25 a kg?

Vivek Saraogi: Yes.

Arun Baid: And we are expecting the prices to be Rs. 31-32 per kg for the year right now the way it is, may be higher.

Vivek Saraogi: May be higher, yes.

Arun Baid: Sir, just wanted to understand, why will there not be a fight for cane? Because guys were operating in your areas, including Bajaj, when they know that the cost is going to be Rs. 25 odd, and the selling price is expected to be better than Rs. 32. Why do you see that our cost in the range of Rs. 190 to Rs. 195 per quintal? Why not more?

Vivek Saraogi: Everybody is operating in everybody's area, so if everybody wants to raise his cost, it is his call.

Arun Baid: That is what I am trying to say, sir. It is going to be there because your Rs. 7 per kg margin gap is substantial.

Vivek Saraogi: See, competition will not give anybody extra cane. See try and understand, I get your question. You just understand what I am saying.

Arun Baid: Yes sir.

Vivek Saraogi: If there are 100 units of cane, let us say, and normally you would have got let us say 30 units and the other one would have got 70 units, for example. As you raise the price of the cane, and the other one also raises the price of cane to the same level, you are back to the same level. You will again get 30-70; all you have done is raise the cost. If the one raises the cost and the other does not, only then cane diversion takes place.

Arun Baid: Right sir. Sir, what I am trying to get is, you know, because at least the initial impact, by the time the other guy moves in to increase the price.

Vivek Saraogi: Then, you have to increase the price.

Arun Baid: Yes, that is what I am saying, sir. That might be just be the war because in the last con-call, when you were saying the same thing, when sugar price was about Rs. 25-26, you said if Rs. 28 is the sugar price for the year, paying Rs. 200 per quintal is guaranteed, I remember last time in the last con-call you are saying this, I was just thinking now the sugar price has moved up, so there is a big possibility that you know you will be seeing more going forwards.

Vivek Saraogi: Let me clarify. First of all, I never said guaranteed, and I never said Rs. 200, okay, I am very clear on that. Secondly, the industry has given an extra 10% levy. There is a cost impact of that also.

Arun Baid: Right. That is true. Okay sir, thanks sir.

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

Vivek Saraogi: Thank you, everybody. Thank you for being with us, and for any data, Pramod is available, Kishor and myself. Thank you so much.

- ENDS -
