



**Balrampur Chini Mills Limited**  
**Analysts / Investors Q1 FY 2010 Conference Call**  
**February 1, 2010**

**Anoop Poojari:** Thank you. Good afternoon, everyone and thank you for joining us on Balrampur Chini Mills Q1 FY2010 Results Conference Call. We have with us Mr. Vivek Saraogi, Managing Director of Balrampur Chini Mills, and Mr. Pramod Patwari, General Manager–Finance of the Company.

I would like to remind you all that some of the statements in this call may be forward looking and a note to that effect is stated in the con-call invite sent to earlier. 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:** Thank you, and good afternoon, everyone. Thank you for joining us to discuss Balrampur Chini Mills' operating and financial performance for the first quarter ended December 31<sup>st</sup>, 2009.

Let me begin my discussion with the current developments in the sugar sector and then update you on the Company's performance for the quarter, after which Pramod will take you for the financial performance for the quarter ended. Kishor is traveling to the plant, so Pramod will take you through the financials.

According to the current estimates, India's sugarcane production for the season is likely to be similar; I mean sugar production is likely to be around 15 million tonnes, thus leading to a second consecutive year of deficit. Consumption on the other hand is projected at about 23 million tonnes. Globally, the sugar shortage is projected to increase in the year 2009-2010. This is on account of lower production in India, and agro-climatic reasons in Brazil. This demand-supply mismatch should lead to firm sugar prices as we move ahead, both globally and domestically.



Let me now take you through the quarterly highlights for the Company. Overall, the Company has delivered a strong performance which was primarily driven by the core sugar segment which has delivered healthy growth.

Sugar segment has grown on the back of higher realizations achieved during the quarter. Realization, non blended have increased to about Rs. 31.82 per kg and levy is at levy price. The average comes to about Rs. 30.3 as compared to Rs. 17.67 in the corresponding quarter reflecting an increase of 72%. During the quarter, cane cost stood at Rs. 202 per quintal and currently we are paying Rs. 235 per quintal. However, the weighted average we calculated up to 23<sup>rd</sup> January, 2010 is Rs. 213 per quintal, during which period we almost crushed probably 60% plus of our cane. During this quarter, we crushed 182 lakh quintal compared to 192 lakh quintal, and for the full year we have planned to crush about 5 crore 10 lakh quintal against 483 lakh quintal. Basically, we are looking at 5% higher production. The recoveries have been marginally higher at 8.96% versus 8.82%. We project 9.35%, which is an increase over last year's 9.15% on closure of the season.

The Company is in the process of setting up 500 metric tonne refinery at Haidergarh plant. This refinery can be used to process raw sugar, using coal as an alternative feedstock. Therefore, in Haidergarh, we are converting one boiler, so we will be able to sell about 17MW of power in off-season, as well as 500 tonne refinery. These initiatives will lead to higher asset utilization.

The board has also cleared, and the last time we were putting up in Mankapur, a similar facility. We are going to convert the boiler, so we will be able to sell similar amount of power again and we are looking at a 500-tonne refinery. Haidergarh project will go on line on the 1<sup>st</sup> of April, and Mankapur would probably go in line in the first week of June.

Currently, we have about 81,750 tonnes of raw sugar, out of which 21,000 tonnes has been transported to the factory. We have processed 8,000 tonnes in the first quarter. However, by early next month, whatever would be processed at the factory, we have, just to clarify, not yet sold and/or accounted for any profit on this raw sugar. There is a tendering 5% alternative with the buyer on the earlier figure of 85,000 tonnes, so 81,750 tonnes has been tendered.



To give you an update on our allied business, volumes in distillery and cogen were lower on account of lesser availability of byproducts due to subdued cane production. This primarily was because of late start and the distillery also started late. The molasses is available and the distillery production would kick in, in the subsequent quarter for which we have enough steam, etc. We expect to produce about 4 crore liters of alcohol in the year 2009-2010. The distillery segment recorded stable realization during the quarter, primarily driven by RS and ENA.

In the cogen segment, the Company has, as we are aware, there is a 30% increase in tariff. The Company plans to make full use of UP government's recently allowed open access policy, and has begun to process, as I said, modification of boilers. We are also expected to get our permissions for open access very soon.

With all these initiatives, the Company expects better contribution from cogen not only on volume from bagasse that would increase because cane crushing would increase. There is an increase in the tariff also as well as the power coming in from coal. All these put together, we expect healthy contribution from the cogen segment in the next quarter.

To conclude, I would like to state that at Balrampur, we look at efficient working and asset sweating. Our key focus is to maximize asset utilization, and we keep endeavoring to lower our fixed costs and overheads. With the strong cash flow that BCML is likely to generate over the next few quarters, we intend to reduce debt and achieve a lighter balance sheet going forward. I would now ask Pramod to take you ahead.

**Pramod Patwari:** Thank you, Saraogi. Good afternoon, everyone and thank you once again for joining us on today's conference call. I will now briefly take you through BCML's financial and operating performance for the first quarter.

Total revenues for the quarter stood at Rs. 439 crore as compared to Rs. 429 crore in the first quarter of financial year 2009. EBIDT in the first quarter of 2010 was higher by 14% at Rs. 132 crore versus Rs. 116 crore in the corresponding quarter last year. The Company delivered a healthy quarter on the back of strong performance from its sugar division and contributions from distillery and cogeneration segments.



Moving on to segment-wise performance. During the quarter, revenues from the sugar division increased by 7% to Rs. 407 crore as compared to Rs. 379 crore in the corresponding quarter last year. PBIT for the first quarter of financial year 2010 stood at Rs. 86 crore, that is, 42% increase over Rs. 61 crore in the first quarter of financial 2009. It was primarily on account of better realization witnessed in this segment.

Sugar sales for the quarter were at 1.26 lakh tonnes as compared to 2.01 lakh tonnes in the first quarter of last year. Sugar realizations were higher by 72% to Rs. 30.30 per kg during the current quarter as against Rs. 17.67 per kg in the corresponding period last year. Sugar production during the quarter stood at 16.30 lakh quintal compared to 16.89 lakh quintal in the first quarter of financial year 2009. During the current quarter, we crushed 182 lakh quintal compared to 192 lakh quintal in the Q1 FY 2009. Recovery during the period stood at 8.96% as compared to 8.82% in the corresponding period.

Moving on to allied businesses. Revenue from the Distillery business was at Rs. 10 crore in the quarter as compared to Rs. 33 crore in the first quarter last year. PBIT for the first quarter of financial year 2010 from the distillery segment stood at Rs. 1 crore versus Rs. 15 crore in the corresponding period last year. Sales from this division stood at 3,560 KL when compared to 12,266 KL in the quarter one of financial year 2009. Since we were lower on account of lower cane availability, while realizations continued to be marginally higher at Rs. 27.63 per BL in quarter one of financial year 2010, when compared to Rs. 26.84 per BL in quarter one of financial year 2009.

In the Cogeneration business, revenues were at Rs. 51 crore during this quarter versus Rs. 56 crore in the corresponding period last year. PBIT for this division stood at Rs. 24 crore when compared to Rs. 25 crore in the quarter one of last year. Realizations of Rs. 3.93 per unit made up for the lower volumes from this division. Power generation for the quarter came in at 1235.6 lakh units as compared to 1684.1 lakh units in the last year.

PAT during the quarter increased by 49% to Rs. 77 crore as compared to Rs. 51 crore in the quarter one of financial year 2009.



The Company registered a strong growth in profitability driven by robust performance from its core sugar business. Cash profits for quarter one of financial year stood at Rs. 103 crore, an increase of 31% as against Rs. 79 crore in quarter one of financial year 2009.

This brings me to the end of our discussion. Thank you for participating in this call. We would be glad to take any questions that you may have now.

**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. To ask a question, kindly press \*1 now. First in line, we have Ami Shah from LKP Shares. Please go ahead with your question.

**Ami Shah:** Good afternoon, sir. Congratulations for a very good set of numbers. I would just like you to throw some light on Brazilian sugar cycle that we expect to see this year and how much do you think it would be contributing to the world's exports?

**Vivek Saraogi:** Let us understand what has happened in Brazil. The weather and the recovery there, as they call it ATR or something. The recoveries are lower and the weather is not good. So, I think, Brazil has been the biggest contributor, you know, the only supplier, so as to say, to the globe. If we see all other countries, you begin with China, Indonesia, Russia, Pakistan, India, they all are in deficit. Going ahead also, you see, what has happened, there is an agri cycle which I see playing out globally. Even in India, a huge jump in cane prices, we see an increase in next year's production to be not more than 30%. So, I would like to say it is very premature to be able to comment, but my call next year would be not more than 20 million tonnes of Indian production.

Brazil has sugarcane. Brazil also has ethanol. They are doing well in the ethanol segment also. They have ability for converting into sugar which is limited; let us say 55%-45% is the max. So taking all that into mind, I don't see Brazil really playing out, you know, they are able to come up with the production which kills the global prices.



**Ami Shah:** Sir, outlook for the prices in the coming year also would be firm?

**Vivek Saraogi:** Yes, because let us understand, you are playing out 15 million tonnes this year. I am very, very buoyant on India's growth, and therefore, I am extremely buoyant on the sugar consumption. You know, it might sound repetitive, but I have said in the past this is a consumption-led cycle, and not a weather-driven cycle. I repeat that with great emphasis. Our per capita consumption including the alternative sweeteners is 26 kg. We have ample scope to go to 30 kg very soon. We are playing out population growth. There is a population growth as well as GDP growth which would lead to not only per capita consumption but number of people consuming more. With 20% going to the BPL segment, I think India's consumption is slated to go up, so even if we take 24 million tonnes as the coming year's consumption, which is after this year, that is 2010-2011, we would still look at a shortage of 4 million tonnes. So therefore, my prediction and my thinking is that as we move ahead, our prices would remain firm.

**Ami Shah:** Okay, sir, any kind of debt repayment in this quarter?

**Pramod Patwari:** This quarter, we paid only Rs. 11 crore which was as per schedule.

**Ami Shah:** And, annually, what is your target?

**Pramod Patwari:** Rs. 145 crore is the scheduled repayment.

**Vivek Saraogi:** We are trying our best to prepay.

**Ami Shah:** Okay. In Sharad Pawar's speech, he said that the sugar prices have come down. I just wanted to understand, how do you see the difference in sugar realization currently vis-à-vis the first week of January?

**Vivek Saraogi:** See, I only request all people tracking this sector not to go on daily prices, and/or daily statements. One has to understand the fundamentals. We have been able to brief the highest authorities what is the free market price. The industry is



giving voluntarily 10% to 20%, I mean, it has moved up from 10% to 20%, so the BPL segment is looked after against an FRP of Rs. 130 per quintal, you know, whatever Rs. 235-240, much higher price has been paid. If India wants to be self-reliant in sugar production and that too on a sustainable basis, cane price has to be paid. Farmers have to go back to cane plantation, and therefore, this money can only come out of the free market price.

I think the sanitization and/or awareness is available with all concerned at the highest level in the government. On a professional basis, they have been briefed on what is the scenario, and how would the scenario unfold. If you recall two years back, raw material prices were higher than the finished products. Forget the conversion, you know, that is where you source seeds for things like this. However, wheat, rice, paddy, there is a demand. Example, Andhra, Tamil Nadu, we are seeing a scenario where even at these levels of cane pricing, there is just no plantation. That is why, UP, Maharashtra, I am putting in a higher plantation, and my target is 20 million tonnes for next year, the year after this production.

**Ami Shah:** Any extra raw that you are planning to import after the refinery comes in place?

**Vivek Saraogi:** Yes, we are looking at that opportunity. I would just like to brief all that whatever we have contracted; there is no profit of that which has been booked. We would be finishing our refining of the 21,000 tonnes in the plant by 15 February 2010. However, that is all in stock, and the rest would come in after the season, and we have availability not only to refine this but to go in for further contracts also, which we are actively looking at.

**Ami Shah:** Any kind of number you would like to quote, sir?

**Vivek Saraogi:** See, we can refine another 50,000-70,000 tonnes, without a doubt. We have clarity now on the power policy. We have clarity in the open access. So, I mean, now given the chance, whenever we get, we will take it up.



**Ami Shah:** Sir, just one question to understand the global front. Which is a better importer to India - Brazil or Thailand? I mean, which prices would impact Indian imports more?

**Vivek Saraogi:** See, let us understand what is Thailand, and how the pricing is set. There is a New York price on NY'11. Then, you have a Thai premium because the freight is lower, and you have availability which is faster. So, it all depends who buys what. See, if you go into May, June, and August, you have a lower price because there is a discount. And primarily as I understand, the discount has been quoted because people are talking about a 22-23 million tonnes Indian production as well as a high Brazilian production. Any one of these going wrong, I think, the global prices will not set to come down too much.

**Ami Shah:** Thank you, sir, and all the best.

**Moderator:** Thank you very much, ma'am. Next in line, we have Nillai Shah from Morgan Stanley.

**Nillai Shah:** Just wanted to understand on the cogen front, you have got clarity on the tariff, if I am not wrong, you basically have an ROI formula wherein the government has guaranteed you a particular return. Even then, you are only converting two of your mills with the coal handling capacities. So what is really going to drive the entire conversion?

**Vivek Saraogi:** See, there are a few technical issues. Let us understand that the 87 kg boilers are the best and the most efficient to go into coal. The other boilers, you can do it, but the cost is not remunerative and the efficiency won't be as high, and we are now looking at probably getting 100% open access. So, if you have 100% open access, I mean, to begin with, it is a very good volume. The ability, technically, to do the rest is not very good. So, I think the best thing is to do these two, where you have 87 kg, where you can put up refinery, where you can have cogen operation during the off-season, and where your distillery and power can run both. You already have PPA in place. So, these are the two best sites to do it.

**Nillai Shah:** But why not put in more capex and convert everything?



**Vivek Saraogi:** You see, the capex will not be commensurate, and the timing to come into that etc. is going to be a longer phase. These two, if you see, are coming into place three months from now. One is already going to come in two months from now and one in May-June.

Okay, let me explain further. You have old plants like Balrampur, Babhnan, Tulsipur, which are the groups, you know, old plants. The boilers here are 32 kg pressure. Now, if you try to convert them, there is just no point converting them, you have to set up a new boiler. So, the ROI on a new plant and the timing and the gestation, I have not yet taken a view on that, so that becomes a new project.

**Nillai Shah:** But the government's policy covers that, too.

**Vivek Saraogi:** There is a separate policy which covers that, too. However, you have to take a view on merchant power then going into 3 years from now.

**Nillai Shah:** No, but, say, you have got the fixed prices...

**Vivek Saraogi:** No, but one would have to keep in mind merchant power prices.

**Nillai Shah:** If we don't take a call on merchant power prices and only take a call on the fixed prices the government has guaranteed you, not the 50%...

**Vivek Saraogi:** Okay, let me try and clarify the whole thing. You see, if you get into coal fired boiler and a coal arrangement, there are two-three windows open with this energy policy which has come in. One is, if you do a new plant, they have said they will take 50% and 50% open access. However, I am a firm believer of free markets long-term. I remain extremely buoyant on merchant power prices during the summer months. They will be higher in the summer months. Three years from now, I don't see merchant power prices remaining at Rs. 6-7 per unit level.

So, to take a view on the converted boiler, I mean, you probably pick up what you have invested in 1½ years, 1½ of season working, it hardly costs Rs. 7-10 odd crore, with the



refineries costing, the whole thing costing Rs. 12-13 crore. So, this kind of money you pick in two to three months working, and then three years from now, when the merchant power comes down, one is not worried. This is a sort of balancing equipment putting up and retaining efficiency.

**Nillai Shah:** Right, but if you were to convert all your plants to have coal handling capability, setting up new plants in certain locations, what is stopping you? Because the policy is okay. Even the fixed pricing, forget the open access pricing right now, seems to be remunerative, and seems to cover for all the costs. Then, what is stopping you?

**Vivek Saraogi:** If you have a fixed pricing which covers an open market which goes lower, that worries me, three years from now.

Let us say, for example, the fixed pricing covers you to Rs. 5 per unit, and the open market dips below that. I don't see anybody picking up power, three years from now, if the open market is Rs. 4.50 or Rs. 4 or Rs. 5 per unit.

**Nillai Shah:** Right. Okay, I got it, sir. And the last question is on the Haidergarh 500 metric tonnes. This facility would be remunerative only if you have a deficit almost as big as the deficit this year, right?

**Vivek Saraogi:** Yes, that is correct. It is not as big a deficit. I would put it even if you have a deficit of 4 million tonnes and the refinery costing, both projects costing Rs. 12 crore- Rs. 7 crore and Rs. 5 crore types. Even if you do one shift, you make this money, and plus you have this facility with you lifelong.

**Nillai Shah:** Right, I get it. Okay, that is it. Thanks a lot, sir.

**Moderator:** Thank you very much, sir. I request the participants to ask two or three questions at the initial round, and then come back for the follow-up questions. Next in line, we have Arya Sen from Credit Suisse. Please go ahead.

**Arya Sen:** Good afternoon, sir. Firstly, on the alcohol production guidance for this year, you said 4 crore litre. Now, you are expecting cane production to go up by 5%, or cane



availability to go up by 5%, and you also have a molasses stock similar to what you had last year. And last year, you produced about 4.8 crore litre of alcohol. I was just wondering why the revision downwards in how much alcohol you will produce?

**Vivek Saraogi:** See, there are a couple of issues. I would say that 4 crore litre is the minimum guidance. We can look at a view of going higher. One has flexibility also to sell molasses, and there might be certain policies which require giving a certain percentage to the country liquor etc. However, we would endeavor at trying to get to last year's levels. It also depends on the ethanol contract. See, I will take you through this whole thing. I am extremely positive on what the government of India is doing right now. They are looking at signing three-year contract with mills at a fixed price of Rs. 27 per litre. Going ahead, and you know, Rs. 27 per litre means there is a mod-vat benefit also to it - about Rs. 2.50 per litre - so this would translate to probably Rs. 29.50 per litre on a regular basis. So, one has to conserve a little bit of molasses for future also. We would like to tender the highest quantum in that. We want that program to succeed because it is climate friendly and if you are getting a corporate buyer at Rs. 27 per litre which translates to Rs. 29.50 per litre for three years, I am very, very positive, and I would like to reserve all my quantity for that. So, there is a little bit of molasses keeping back concept for that. We are having these conversions and also we will never be short of steam etc. to run it. So, one is just keeping a little bit flexibility to tender in the later months for ethanol, and/or may be carry forward something for the next year, also.

**Arya Sen:** Okay. Also sir, what was your cane price for the first quarter? I mean, I think you said that year-to-date the average is Rs. 213 per quintal, but just for the first quarter, what was the average?

**Vivek Saraogi:** Rs. 202 per quintal up to 23 January; the weighted average is Rs. 213 per quintal.

**Arya Sen:** And sir, what are you paying now?

**Vivek Saraogi:** We are paying Rs. 235 per quintal plus a little more at some places also. I think probably the weighted average, below Rs. 225 per quintal I think. It would be in Rs. 221 to 222 per quintal, I think so.



**Arya Sen:** For the full year?

**Vivek Saraogi:** Yes, average for the full year.

**Arya Sen:** Okay. And sir, on power, what are you expecting to sell for the full year?

**Vivek Saraogi:** I am just doing that figure, in a minute.

**Arya Sen:** And on the refinery side, I just wanted to understand the 80,000 tonnes that you have contracted. Would you have been able to convert that even without the Haidergarh and Mankapur refineries that you are installing? Are these in addition to what you are doing currently, or that is assuming that you were going to convert these anyway?

**Vivek Saraogi:** Good question. See, in the group right now, we have one refinery which is Rauzagaon, which is 750 tonnes. These two will be 1750 or 1800 tonnes of refining capacity at just balancing equipment style. That would produce the refined sugar which is competitive with anyone in India. Now, with the existing Rauzagaon, we could have done about 60,000 tonnes. However, it is better to distribute, so that you are sugar ready in your godown at any point of time, and if you have a very good price, at some point, you can sell a little more; you know, a businessman's flexibility one would also retain. However, going ahead, now with this 1700 tonnes, we would be able to refine at least two more ships in the off-season. We have the capacity.

**Arya Sen:** Right, then, you are saying you can do up to another 70,000 tonnes?

**Vivek Saraogi:** Correct. 70,000-80,000 tonnes more, easily.

**Arya Sen:** That is all, sir. Just on the power...?

**Vivek Saraogi:** Power, last year, we had sold 35.76 crore units. This year, we definitely hope to do 40 crore units plus.



**Arya Sen:** And this includes some coal based power as well?

**Vivek Saraogi:** No, this is without coal based. Coal would be separate.

**Arya Sen:** So, if you do produce something from coal this year, then that would be in addition to this?

**Vivek Saraogi:** 40 crore units bagasse based, let us put it that way.

**Arya Sen:** And do you expect to produce a lot of...I mean, what do you expect to produce from coal-based power this year? Is there any?

**Vivek Saraogi:** Haidergarh would kick in 17 MW from 1 April. Let us say new plant kicking in 15 days here and there, so let us say 15 April. Let us put it, very conservatively, at 5 months, 150 days. Pramod is just doing the calculation. About 6 crore units more from one plant Haidergarh, and Mankapur probably because it will come in May and June, probably 4 months. So 10 crore units in total.

**Arya Sen:** Okay. Thanks a lot, sir. That is all.

**Moderator:** Thank you very much, sir. Next in line, we have Nirav Shah from Antique Stock Broking. Please go ahead.

**Nirav Shah:** Good afternoon, sir. In the December quarter, you squared off one of your raw sugar contracts. So, how much was the profit made on that sale?

**Vivek Saraogi:** Rs. 4.18 crore, accounted for in this quarter.

**Nirav Shah:** Also, last quarter, you were saying that you are working on the power price. What will be exact breakup between coal cost and conversion cost?

**Vivek Saraogi:** See, basically, we are looking at getting open access 100%. It will be on market.



**Nirav Shah:** Okay. And sir, what are the current sugar prices, I mean, what are we selling at?

**Vivek Saraogi:** I will just give you the dynamics. See, there is a huge amount of volatility in pricing. There is political concern. I think we have been at the association level briefing the highest authorities. We have been able to clarify the situation, so the prices from Rs. 32.50 per kg some time in December, they went up to Rs. 43 per kg ex-mill. Now, Rs. 43 per kg at very low volumes. Now, the prices got pushed back to about Rs. 38 per kg. Again, they are up to Rs. 41 per kg. Today, we are selling at Rs. 41 per kg. Basically, the projection and the trajectory, all I can say, remains extremely positive in my mind. Going ahead, I see extremely positive projection - stable to firm - from these levels also, which is Rs. 41 per kg level.

See, February end, plants start shutting down; mid-February probably first of the plants could shut down, and as we go ahead into the month of March, you will find 80% plants have shutdown, so that is when you see they move up further, probably there is scope from these levels also.

**Nirav Shah:** Okay. Have we completed the ratoon crushing and have we moved on to plant...?

**Vivek Saraogi:** Yes, long back.

**Nirav Shah:** And sir, the cane cost, you have said, is to the farmer, not ex-mill?

**Vivek Saraogi:** No, this is cane price to the farmer.

**Nirav Shah:** So, we should be adding another Rs. 7-8 per quintal, whatever?

**Vivek Saraogi:** Yes, transportation plus taxes.

**Pramod Patwari:** Rs. 13-14 per quintal.

**Nirav Shah:** Great, sir. That is it from my side. Thank you.



**Moderator:** Thank you very much, sir. Next in line, we have Sandeep Somani from HSBC Securities & Capital Markets. Please go ahead.

**Sandeep Somani:** Sir, my question is with regard to the FY11 estimates. As far as sugar production is concerned, you have indicated that it will be around 20 million tonnes. Do you intend to put a possibility that it could be lower than 20 million tonnes? Because last two years, we have seen that the estimates have been going down every time from the first estimate. Secondly, lot of companies have made good margins last year and the current year, they will make substantial better margins. What kind of sustainable margins do you perceive going forward in FY11 and probably going forward? Because the cane payment has been substantially higher. Do you see a flexibility that cane prices can go down with the fall of sugar prices as well?

**Vivek Saraogi:** Very good set of questions. Let me try and answer all your questions. See, right now at 15 million tonnes, having paid a much higher price, I would have to just see 15 March types to tell you how plantation is happening, and thereby we will be able to get better visibility on next year's crop, subject to weather. Now, why I personally put it at 20 million tonnes? I am just sitting on a flat growth of 30%.

See, at these prices, and seeing the farmers' attitude on cane vis-à-vis wheat vis-à-vis paddy, and just mapping the whole country, and with my 25 years of experience, it is not the right time to try and predict. First of all, I am putting that caveat. However, to hazard a guess, a 30% rise is, I would say, neither taking a very optimistic picture nor taking a very pessimistic picture. Somebody can try and argue it will remain 18 million tonnes, somebody can try and argue it will go to 22 million tonnes. I won't buy both. See, let us understand, the cane plantation is part of cane only. So, there is a limit to the seed availability. Hence, I am not taking it above 20 million tonnes. Why I am putting it at 20 million tonnes is because with this increase in cane prices, the farmer will definitely get incentives. So, that is why my reason of not going above or under 20 million tonnes, dramatically.

Sorry, what was the other part of the question? Sustainable margins and all, right?



See; let us understand what sustainable margin is, and what a profit to a Company is. Just forget Balrampur for the time being. I will give you a concept. Let us pick the example of Balrampur. Let us say we make 50 lakh bags this year, and you have a margin which is, let us say 'x', Rs. 5, Rs. 6, Rs. 7, whatever. Now, let us take the concept where you move on to next year, where you get 20 million tones. Balrampur would probably look to scale up to 70 lakh bags. Now, let us say, the margin of sugar remains the same and/or half, I am taking a worst case scenario, let us say it comes down 50%. Now look at the bagasse availability then. With the same tariff of Rs. 3.90 per unit, which increases 8 paise further, so let us take an average of Rs. 4 plus, you would be able to do above 65 crore units. So, when you do 65 crore units, your cost of production reduced to 30-40 paise. We have huge margins in that segment which is tax efficient, and you get into volumes which are fixed priced. The ethanol, with all marketing companies as your buyer, with the penalty clause on either of them, which means the industry as well as the oil marketing company. Even with lower margins on the sugar segment, your numbers could be higher and/or sustainable.

So, as we move ahead, a year like next year, 2010-2011, I am remain extremely buoyant. Probably, I don't see a sugar margin of this magnitude, but I do see a lot of other things playing out. For example, levy may come down from 20% to 10%. See, what you can make there. I have explained my concept of power and ethanol. Distillery could go to 6.5 crore litre. Power would go to 65 crore units, and your levy comes out to 10%.

I mean, probably a year like 2010-2011 would be an ideal mix of volume and margin. You would have some basic volume in place, which is about 80% or 85% of capacity utilizations. The Company's fixed cost would come down drastically per bag. We make money there, we make money on lower levy giving, we make money on much higher volumes on cogen with a cost reduction in cogen, and we make a much better same-story in distillery. So, this is an ideal mix, where you are at 20 million tones versus 24 million tonnes, so you are in a shortage, where the price remains buoyant. You are in a volume play which is 80%. So, 2010-2011 leaves me extremely positive in my mind. You have best of both the worlds. Today, we are suffering on lower volumes and high costs. The recovery also improves because of the plant ratoon timing. This year, someone asked are you crushing plant, I said yes, long back. If we are trying to crush



plant in the first half of January, the plant is not mature. This recovery could shoot up to 10% at Rs. 15 per quintal of cane. I can't explain how many factors come into play in a year like 2010-2011. And for integrated players like us, I would look extremely positively after having this coal refining capacity and the entire balance we have in our business.

**Sandeep Somani:** Right, sir. The way I look at it is that you have indicated that you will intend to take more raw contracts from hereon despite such a sharp rise in the sugar prices. Do you see jitteriness from the government perspective even at the current prices? With the incremental prices, the government might become more jittery and try and take some action. So my question would be, do you see any actions from the supply side which the government can take, you know, to check the prices?

**Vivek Saraogi:** I think the fear in your mind, I personally don't share it. I don't see things like that happening, and Balrampur would only get in where you see adequate safety. I have no qualms in saying we have been slightly extra conservative, we could have done more. We did miss the bus, but our pricing is one of the tightest, I mean, the raw sugar landed, it cost us Rs. 22 per kg. Having said that, probably going ahead, we will take a view which is safe and sound. I will not fall flat on my nose trying to catch a missing bus, if that is the fear what you have, you know. Pick up a contract at some ridiculously high price, no. But having said that, I am not expecting any kind of action from the government on the free market price, having explained in my preface concept to the government.

**Sandeep Somani:** Okay, thanks a lot.

**Moderator:** Thank you very much, sir. I kindly ask the participants to ask two or three questions at the initial round and then come back for the follow-up question. Next in line, we have Vikash Jain from CLSA India.

**Vikash Jain:** On the capex side, I just wanted to get the clear numbers. Actually, I am a little confused. Rs. 7 crore is what we will be spending for the refinery and Rs. 5 crore more for the power plant. Is that correct?

**Vivek Saraogi:** Yes, yes, correct. That is Haidergarh alone.



**Vikash Jain:** And Mankapur would be very similar.

**Vivek Saraogi:** Similar.

**Vikash Jain:** Okay. The other thing was during off-season, there is some lack of clarity. The 50% is to be sold as open access, but you are saying that you are looking to sell all of 100% as open access, has that come up or that is likely to come up?

**Vivek Saraogi:** No, let us understand, that is likely to come. There are two parts to the energy policy. It says existing cogen players, or whatever you call it, existing cogen manufacturers who would bring in additional capacity owing to usage of conventional fuel, and it talks of people setting up new plants in this segment. So, there are both. Now, you can have a situation where you do an agreement with the government for 50:50, and you can even go in to 100% open access.

**Vikash Jain:** So, that would depend on your view on open access prices going forward?

**Vivek Saraogi:** And the negotiation with the government. See, the old plants will have a higher cost of production, little bit owing to efficiency, and a lower cost owing to fixed capital. Because conversion is hardly costing any money. New plants would have a much higher fixed cost - interest depreciation - but would have a...if you install just a coal-fired boiler, you will have much more efficient operation. So, basically the cost plays out to almost the same. Now, whether you want to get into firm agreement with the government and/or remain open would depend, you know, on your agreements with the Tata Powers of the world and your agreements with the government. So, I think, closer and closer, things are moving to open market.

**Vikash Jain:** The other thing was if one chooses to sell 50% to the government, I believe there will be new rates for the dual-fee, I mean, when you use...

**Vivek Saraogi:** Yes, there will be new rates for these specific coal-fired boilers.



**Vikash Jain:** So, we have any clarity, would it be a return-based rate or would it be a fixed rate?

**Vivek Saraogi:** It will be a return-based rate.

**Vikash Jain:** When are we likely to get some clarity on that? In the next couple of months? What would it be like?

**Vivek Saraogi:** I am not too sure because if for us it is an open access, then the tariff determination moves on to people who put up new plants and/or somebody again from the sugar industry who puts up a conversion and asks for a tariff on that 50%.

**Vikash Jain:** Okay. The other thing was in the annual report; you categorically mentioned that the next level of growth for Balrampur is likely to come from power. Now, when we look at that, and given that in the current situation, our debt situation is only improving, but the expansion that we are undertaking is not, I mean, we can definitely do more. How exactly do you see the next level of growth coming? Because this is, of course, much smaller.

**Vivek Saraogi:** You are totally correct. But you know, we would like to see growth in our thinking, in a manner... you know, we would not want to just invest for the sake of investing money. If you are using capacity which is 55%-65% of your plant, you probably want to sweat your assets to the highest level, and in the interim payout, you know, probably, pay out your debts, and you have surplus, let us pay dividend. Therefore, projects would be decided not because you have money available, but we take a very tight decision on how you see it going ahead. Our investments are balancing equipment, and with that now, Balrampur would become a 1700-tonne refinery organization. It becomes a power 115 days during season, plus you will have spillage of bagasse which is higher next year, plus you will have coal. So, we will have exhausted that full opportunity to its complete potential.

**Vikash Jain:** And coming to the 1700 TPD refinery, if we look at the recent past, except for this current upcycle, UP has generally not contributed so much to imported sugar. It was only because of this cycle, where prices have strengthened so much, that UP has



contributed significantly when it comes to imports. So going forward, given that our expansion is on the refining side, whenever we have a shortage, do you foresee shortages of a similar level? Because if it is a shortage which is more similar to the previous upcycle, then UP might not get so much of a chance because of the transportation cost and other things to get to the inland refinery.

**Vivek Saraogi:** No, you do have a point, but let me explain a couple of things. (A) This refining is coming at very low cost. (B) To have an option at Rs. 15 odd crore expenditure for our Company...As I said to someone, you can make it in one ship, okay. (C) We will have both these installed by June. In the month of July-August-September, if you do one-two ship loads, you have a great opportunity. Having said that, as we move into next year also, I gave you the 20-24 million tonnes gap. So, if one feels that there is a cost of inland transportation, let us understand, sugar in North India sells higher also. If you see Maharashtra price and UP price, there is more than the transportation gap. Let me tell you, and having done refining first time large scale in Rauzagaon, we are extremely happy with our efficiency levels. We are closer to, you know, I don't want to say the figure, it is 96.50% plus.

**Vikash Jain:** Sir, just one thing on the macro side. Fundamentally, what we are seeing in this upcycle, most of the players are looking to expand their refining capacity and investing nothing on the crushing capacity. Do you think it essentially signals that going forward, say over the next 5, 7, 10 years, the belief within the industry is that probably we will not have enough cane and we will be increasingly more import-dependent than we were in the previous 10 years?

**Vivek Saraogi:** On a fundamental level, while I would not make absolute statement to this effect, on the fundamental level, there is some truth to this kind of concept. See, I am not saying you will never have cane and all that, okay. I am only saying building in refining capacity of Rs. 15 crore cost is a must. Why so late? Because you have got the power policy now only. Now, going ahead, I have always said it is a consumption led story. Five years from now, probably, your consumption can get closer to 30 million tonnes. Now, there, to produce sustainably above 30 million tonnes is not going to be easy.



**Vikash Jain:** Okay. By when do you see ethanol tenders and everything going through?

**Vivek Saraogi:** Very soon, very soon.

**Vikash Jain:** So, before we meet for the next quarterly call probably?

**Vivek Saraogi:** For sure.

**Vikash Jain:** Okay. Thank you so much, sir.

**Moderator:** Thank you very much, sir. Next in line, we have Mona Newatia from Corporate Database. Please go ahead.

**Mona Newatia:** Hello, good afternoon, sir. You mentioned that the refinery has been put up at Rs. 7 crore per refinery, but how does it compare vis-à-vis using the refining part of the existing unit?

**Vivek Saraogi:** Sorry, I did not get that.

**Mona Newatia:** What I am saying is that now that your boilers are going to be multi-feed, you would be having power available even in the off-season.

**Vivek Saraogi:** Right.

**Mona Newatia:** So, is there really a need to set up a separate refinery though the cost is nominal.

**Vivek Saraogi:** No, no, there is no need.

**Mona Newatia:** Okay, and how does it compare to using the refining part of an existing unit? I mean, in the existing unit also you are crushing plus refining.



**Vivek Saraogi:** Yes, yes, that is a very good point. You will be able to produce year-round refined sugar now in Mankapur and Haidergarh, so that would give you a quality premium also. Is that what you are saying, price premium on the quality in Indian sugar?

**Mona Newatia:** Right.

**Vivek Saraogi:** Yes, correct, that will happen. For example, Rauzagaon sells Rs. 100 higher than the other sugar.

**Mona Newatia:** Okay, you don't need the capacity because in the off-season, you are not really crushing cane, so the refining part of the existing sugar unit would take care of any refining that would be done from raw sugar. So you don't need that refining capacity, right?

**Vivek Saraogi:** During the season?

**Mona Newatia:** Even during the off-season because now that your boilers are multi-feed, you would have power.

**Vivek Saraogi:** I don't have to refine, you are right. I mean, if the opportunity is there, I can refine. Not there, I don't need to refine.

**Mona Newatia:** No. What I am saying is that you are putting up the refinery, as I understand, to produce better quality sugar, which will fetch you a premium, but otherwise, you don't need that capacity because you are not using your unit in the off-season.

**Vivek Saraogi:** No, no. Let me explain, please. In India, every plant is a semi-refinery. You first make some kind of a raw sugar in India, and through centrifugal, we make the white sugar. Now, what is the refinery? A refinery allows you to do it during off-season also, and refinery at some more equipments which is used during the season, gives you a sugar which is better granulated and far whiter, it is called Icumsa, far whiter than the regular sugar produced in a regular plant. That gives you a premium in the season. In the off-season, let us say, for example in Balrampur, if you had assumed steam and



power, and you wanted to refine. In the existing plant, you can't refine, you need more equipments. So, in Haidergarh and Mankapur, we will have steam and power through our boiler and turbine, and we would have the capacity to refine raw sugar if and when we import so.

**Mona Newatia:** Okay, so you are saying that in the Balrampur plant, you actually cannot refine sugar in the off-season?

**Vivek Saraogi:** No, I can't. Nobody can. The existing plant in its current format, nobody can.

**Mona Newatia:** Okay. So, refining is only possible if you set up a separate refinery?

**Vivek Saraogi:** No, if you balance your boiling house to ensure that the balancing equipment put in can do the refining.

**Mona Newatia:** Okay, fine. When you say you will add more equipment, which means you could add more equipment at Balrampur?

**Vivek Saraogi:** Yes, yes, but I don't have the boiler there. I will have to put brand new boilers.

**Mona Newatia:** Right, but then, in Mankapur and Haidergarh, you are putting up multi-feed boilers, right?

**Vivek Saraogi:** Not putting up, I am converting my existing boilers. That is why it is coming at such a cheap cost.

**Mona Newatia:** So, you are converting them. So, now, actually, you could refine even at Mankapur and Haidergarh without the addition.

**Vivek Saraogi:** I can, I will. I am supposed to.

**Mona Newatia:** But you are still putting up the refinery?



**Vivek Saraogi:** In Mankapur and Haidergarh.

**Mona Newatia:** Okay, thanks.

**Moderator:** Thank you very much, ma'am. Next in line, we have Yash Trivedi from Enam Securities. Please go ahead.

**Yash Trivedi:** Hi, two macro set of questions. The first one being, there are some factions of the industry who believe that there could be a big shortage in terms of cane seeds for the next season. Just wanted your view on that.

**Vivek Saraogi:** See, it is very tough to answer this question in the month of February. See, we will see plantation in February, beginning March, that is when you get a sense. If the farmer takes a view, let us say, for example, that I do not want too much seed, and I want to supply everything I have. Everything means the incremental seed we are talking about. So, you will see that this year's production will move from, it will not be 15 million tonnes and below, it will be probably closer to 16 million tonnes. The moment you reach 16 million, you keep in mind that the next year's production will not go up too much, which means the farmer has not retained very high quantity of seed.

However, if you see 14 million tonnes, you must feel that the farmer has sort of blocked more seed. In any case, even if it goes to 14 million tonnes, my projection for next year remains at 20 million tonnes, which means 6 million tonnes is almost 42%-43% jump because he has retained higher seed, and if you go closer to 16 million tonnes this year, I will feel he has retained much lower quantity of seed. Again, if it gets to 20 million tonnes only, then I will look at 25% jump only.

**Yash Trivedi:** Okay. The second question was one which was put earlier in terms of the government measures that can be taken. The first one that actually comes to my mind is that can they actually increase the SAP prices, or minimum support prices to over and above something like Rs. 200 per quintal? The second one being instead of a rollback in levy quotas, could there be an increase in levy quotas? Because the point out here is



that there has to be an incentive to increase production in India to actually make up for this deficit which is there in the first place.

**Vivek Saraogi:** How, by increasing levy quota, will you increase production? You will lower production.

**Yash Trivedi:** No, I am talking about SAP itself. If I were to incentivize farmers to actually get a little bit more in the season where the output is likely to be much higher.

**Vivek Saraogi:** Government does not need to do anything; the mills are doing it on a daily basis. If you see, the government SAP for UP is Rs. 165 per quintal.

**Yash Trivedi:** What I am trying to get at is that today you are anyway paying somewhere around Rs. 230 or Rs. 240 per quintal.

**Vivek Saraogi:** The government need not do anything.

**Yash Trivedi:** Yeah, but if next season, if you do believe that there is going to be an increase in output, and the cane prices could be lower, would not the government have an incentive to actually make sure that the cane prices don't fall beyond a particular level?

**Vivek Saraogi:** The government has seen this year, that in a year of shortage, cane price does not fall. So, government does not need to do anything of that sort.

**Yash Trivedi:** So, you don't believe that any of this can happen?

**Vivek Saraogi:** I don't believe levy quota can be increased. If at all levy quota....okay, just let me tell everyone. Why has levy gone up to 20%? It has gone up to 20% because they want 26 lakh tonnes of levy sugar, and they want to keep a couple of lakh tonnes for festival months, so that is how estimating 15 million tonnes to 20% is 30 lakh tonnes. Now, understand that this is catering to 8.65 crore families, and it is covering almost 35% to 40% of India's population. The government's social objective has been taken care of by the industry. Now, if we get to 20 million tonnes next year, and they



have this same 26 lakhs requirement, and assuming carry forward of 2 or 3 million tonnes from this year, you could be at 10% to 13%, so government has benchmarked the requirement. The requirement is not standing to increase. The requirement will remain stagnant. Having said that, that is why my prediction is what it is, and that is why I don't see any fear on levy quota going up this year, and I am pretty certain that levy will come off next year. If you see the government order, it says for one year, we are taking from 10% to 20%. It is in writing.

**Yash Trivedi:** Okay. Any particular timelines that we will come to know, in terms of the levy quota itself? A rollback, if at all, as your expectations are?

**Vivek Saraogi:** Rollback is for next year. I am expecting rollback, so sometime in the month of September or October you can expect that.

**Yash Trivedi:** Okay, all right, sir. Thanks a lot.

**Moderator:** Thank you very much, sir. Next in line, we have Darshan Dodhia from SBICAP Securities. Please go ahead with the questions.

**Darshan Dodhia:** Sir, what will be the interest cost for FY10? Would Rs. 80 crore be a fair number to take?

**Pramod Patwari:** We are expecting it in the region of Rs. 71-72 crore.

**Darshan Dodhia:** The total capex would be around Rs. 20 crore, including the maintenance capex for this year?

**Vivek Saraogi:** Capex for these two plants itself will take up Rs. 26 crore. We calculate capex on a new-work basis. In existing plants, you know, we have 75,000 tonnes of crushing capacity. Group-wise, Rs. 7-8 crore type of money you can go into; you know, the debottlenecking, you have boilers which are old, so sometimes we have to do some work in some plant. So, one can safely put it at Rs. 7 to 10 crore.



**Darshan Dodhia:** Okay. And would my assumption be right if we assume Rs. 26-27 per kg for average cost of sugar production in the EBIT level?

**Pramod Patwari:** This year?

**Darshan Dodhia:** Yes, this year.

**Vivek Saraogi:** Yes, Rs. 27 per kg plus. EBIT is interest and tax. Yes, depreciation is covered.

**Darshan Dodhia:** Okay, fine. Thank you, sir.

**Moderator:** Thank you very much sir. Next in line, we have Trilok Agarwal from Birla SunLife. Please go ahead.

**Trilok Agarwal:** Good afternoon, sir. I believe, you mentioned about cost of sugarcane in the range of Rs. 220-230 per quintal, whereas, other competitors have mentioned the kind of number that is Rs. 280-300 per quintal. Can you just explain the kind of differential in the cost of sugarcane acquired?

**Vivek Saraogi:** See, we are giving actual figures up to 23 January. The West UP part is far more political. Political is the wrong word. Far more farmer reactive or whatever you want to call it, I am lacking the exact language in my mind. And we have been running a very steady relationship. So, we don't do fits and starts.

**Trilok Agarwal:** No, just wanted to understand from a broad perspective. Let us say, irrespective of the kind of region the farmers are in, one was getting an 'x' plant, one was getting 'x minus 1', so there could be some kind of differentiation in terms of the future, let us say, for the next couple of months. Whatever the price you might be paying could be much higher than anticipated or you are just still taking that...

**Vivek Saraogi:** I think we have factored in everything, don't worry. We have almost crushed 3.80 lakh tones already. 5.10 lakh tones is the estimate, and you crush 3.80 lakh tones, you have 1.32 lakh tones to go; 23%-24% to go.



**Trilok Agarwal:** Okay. Could you just give me the average cost of raw sugar?

**Vivek Saraogi:** We put it at Rs. 22 per kg refined at our factory end.

**Trilok Agarwal:** Okay, thanks a lot. That is it.

**Moderator:** Thank you very much, sir. Next in line, we have Aashish Uppanlawar from Sharekhan Ltd. Please go ahead.

**Aashish Uppanlawar:** Do we have anything hung up at the ports as far as raw sugar imports is concerned? Because you have given the figure that has landed in the factory.

**Vivek Saraogi:** 61,000 tonnes is at the port.

**Aashish Uppanlawar:** Okay. What do we plan to do? Will we stay put at the ports? And as far as the policy changes in UP is concerned, will we import it?

**Vivek Saraogi:** The moment season finishes, we bring it to our plants and refine it. We don't want to refine it anywhere else.

**Aashish Uppanlawar:** Okay. Adding on to that, though you plan to refine it yourself, is it a feasible option for anyone to refine it in other states, considering the profitability that would be involved there?

**Vivek Saraogi:** I don't know. We have enough capacity. We are not even thinking of anywhere else. We have seen how efficient our operations have been. Our utilization has been above 96.50%.

**Aashish Uppanlawar:** And what is the cost of debt right now?

**Vivek Saraogi:** Short-term 4%. Below 4%, at times.

**Aashish Uppanlawar:** And long-term is?



**Vivek Saraogi:** 9%.

**Aashish Uppanlawar:** Any further reduction in the cost of debt possible because of churning off to a local debt by the year end?

**Vivek Saraogi:** We are accessing all our debt because the requirement peak is now, so the short-term debt is fine. Long-term debt, since it is locked in, it is very difficult to play with that.

**Aashish Uppanlawar:** Sir, you said about Rs. 145 crore is the repayment schedule for this year?

**Vivek Saraogi:** Yes, we will try and do more.

**Aashish Uppanlawar:** Okay, because you will have much more cash coming. Would it be about Rs. 300-400 crore additional?

**Vivek Saraogi:** We would want to. However, since it is ECBs, we need to take RBI permission.

**Aashish Uppanlawar:** Okay. Sir, you said Rs. 22 per kg is the cost of raw sugar. Is that before refining?

**Vivek Saraogi:** Refined landed at the factory, including refining. All cost included, saleable sugar at the plant level.

**Aashish Uppanlawar:** This is for the entire 81,000 tonnes?

**Vivek Saraogi:** Yes.

**Aashish Uppanlawar:** Thank you so much.



**Moderator:** Thank you very much, sir. Next in line, we have Shekhar Kedia from Barclays. Please go ahead.

**Shekhar Kedia:** Good afternoon, sir. I joined late in the call, so just wanted to understand the scenario in Brazil. What do you expect the production in Brazil to be? I know, of course it is early times, but what is the ratio of sugar versus ethanol there? And do you expect that to go up, given the shortage that we are seeing right now?

**Vivek Saraogi:** I think predicting Brazil is very tough. I can predict India better. However, Brazil...see all I can say is, the prices today are telling you that Brazil is not going to give you hell of a lot of sugar as much as there is demand and of global shortage. And I believe in that.

**Shekhar Kedia:** Okay, so you don't expect the sugar to ethanol ratio to change dramatically.

**Vivek Saraogi:** No, not dramatically.

**Shekhar Kedia:** Sir, what is the current ratio right now? If you have any idea, a ballpark figure?

**Vivek Saraogi:** We will give that to you, the exact data.

**Shekhar Kedia:** Okay, and sir, you expect the export surplus to go up next year for Brazil like if you expect the cane availability in India to go up. Don't you expect Brazil to initiate measures to increase production or something of that sort?

**Vivek Saraogi:** No, I do believe Brazil will go up from here. But not to the anticipated levels which people feel.

**Shekhar Kedia:** Okay. Sir, what is your idea on raw sugar prices worldwide? Do you expect them to go up from here or are these sustainable levels? Because, as you mentioned earlier in the call, in India also prices had gone up to Rs. 41 per kg, but they were on very low volumes, and you don't expect them to sustain at that level.



**Vivek Saraogi:** I did not say that. I said at Rs. 43, they were at low volumes. And now it is again back to Rs. 41 per kg. I am not saying that today there is no volume. I said at Rs. 43 per kg, there was no volume. As for Brazil, if you see the future of July to October, they are quoting at a much lower price than the market price, globally. This is because they are factoring in a 22 to 23 million tonne Indian production, and they are factoring on a much higher Brazilian production. The moment India hits the market with an estimate of 20 million tonne, I don't think this price can come down from here.

**Shekhar Kedia:** Okay. And sir, like we had recently heard in the media, there were media reports that UP mills, the sugar that they have lying at the ports, they will be allowed to sell it to other sugar mills, so that they can refine it. Do you see that happening or is it post the crushing season getting over, it will be brought into UP only?

**Vivek Saraogi:** It all depends who is the importer and how much capacity he has on ground. I can only say that if anyone is the importer and he has capacity, I am pretty certain he is going to refine it in his factory only. However, it is a business decision, and we can say for ourselves, we will refine it in our factory.

**Shekhar Kedia:** Okay. Sir, the Brazilian sugar-to-ethanol ratio?

**Vivek Saraogi:** We will give the percentage. Just write or check up, probably not now. You can ask Pramod.

**Shekhar Kedia:** Okay, I will get back to you. Thanks a lot for taking my questions.

**Moderator:** Thank you very much, sir. Next in line, we have Nirav Vasa from Gupta Equities. Please go ahead.

**Nirav Vasa:** Hello. I just had one query which was related to your coal linkage. Can you just throw some light at what price would you be procuring coal?



**Vivek Saraogi:** Right now, to get a linkage is going to take some more time. However, we have started procuring coal. There is a lot of complicated formulae. Right now, with our boiler efficiencies projected, we are seeing a coal cost of close to Rs. 4.

**Nirav Vasa:** Rs. 4 per kilowatt hour.

**Vivek Saraogi:** Rs. 4 per unit. Just cost of coal.

**Nirav Vasa:** Okay. Sir, thank you very much.

**Moderator:** Thank you very much, sir. The last question comes from Sanjay Manyal of ICICI Securities. Please go ahead.

**Sanjay Manyal:** Just wanted to know about the debt level at the end of this year. How will you be repaying the debt, from cash flows and returns this year?

**Vivek Saraogi:** Yes, obviously from the cash flows.

**Pramod Patwari:** Scheduled repayment this year is Rs. 145 crore.

**Vivek Saraogi:** Rs. 145 crore from Rs. 970 crore.

**Pramod Patwari:** Rs. 972 crore was the opening figure.

**Vivek Saraogi:** If we are unable to pay anything more than Rs. 145 crore, it will be Rs. 830 crore.

**Pramod Patwari:** But in that situation, we will be sitting on a lot of cash.

**Vivek Saraogi:** In that situation, we will be sitting on a huge amount of cash.

**Sanjay Manyal:** Okay, just wanted to know one more thing about the macro. Probably, next year, as you are saying the production will be 20 million tonnes, still we need to import 1 to 2 million tonnes...



**Vivek Saraogi:** 4 million tonnes.

**Sanjay Manyal:** Yes, almost 3 to 4 million tonnes, so domestic prices will not come down?

**Vivek Saraogi:** I don't think so.

**Sanjay Manyal:** So, the only thing which has been factored in right now is that global prices will come down in the second half.

**Vivek Saraogi:** Yes, that is the projection of the international market. But let us see.

**Sanjay Manyal:** So that is the probability that imports will be at a lower cost, probably in the second half of the year.

**Vivek Saraogi:** If prices remain low, imports could come at a little lower price, yes.

**Sanjay Manyal:** Okay, thank you.

**Moderator:** Thank you very much, sir. At this moment, I would like to handover the floor back to Mr. Anoop Poojari for final remarks.

**Anoop Poojari:** Thank you very much for joining in. Mr. Vivek Saraogi can give us the final remarks.

**Vivek Saraogi:** Thank you everyone and thank you for joining in, and we are all there to answer any further questions you have later on. Thank you so much.

- ENDS -

---

*This is a transcription and may contain transcription errors. The Company or the sender takes no responsibility for such errors, although an effort has been made to ensure high level of accuracy.*