



Balrampur Chini Mills Limited

Q3 and 9M FY 2010 Results Conference Call - July 26, 2010

Karl Kolah: Good afternoon everyone and thank you for joining us on Balrampur Chini Mills' Q3 and 9M FY2010 results conference call. Today we have with us Mr. Vivek Saraogi, Managing Director of Balrampur Chini Mills; Mr. Kishor Shah, Director and CFO of Balrampur Chini Mills; and Mr. Pramod Patwari, GM Finance, of the Company.

Before we begin with this call, I would like to point out that some of the statements made in this call may be forward looking and a disclaimer to this effect has been sent out in the conference call invite sent out earlier.

We will now begin the call with brief opening remarks from the management, following which we will have the forum open for discussion. I would like to invite Mr. Saraogi to make his opening remarks. Over to you Vivek.

Vivek Saraogi: Thank you and good afternoon everyone, and thank you for joining us to discuss Balrampur's operating and financial performance for the third quarter and nine months ended June 30th, 2010.

I will begin the discussion with an update on the sector following which Kishor will take you through the financial highlights.

The country's sugarcane production for the current year is around 18.8 million tonnes. One of the key reasons for increase in production was higher cane price paid by the millers to the farmers, which resulted in a sharp diversion from gur and khandsari producers to the manufacturers. The initial estimates for the season 2010-2011 are around 24 to 25 million tonnes. This is primarily on account of improvement in acreage of 15% across the sugar-producing states combined with enhanced recoveries.

Just to give a brief overview on the current international scenario. The Brazilian production is of its highs from its highest level of estimates. As we are all aware that Thailand is expecting a drought and there is a drop in production and thereby they have been buying some sugar in the international market, buying back actually. So, therefore,



our view on the international markets is that it has rallied quite sharply, and is around just USD 18.25 cents, going ahead, one can see physical tightness up to October. Thereafter, it should be in a range.

Higher sugar production in India is expected next year. So, in India next year, we see a whole new ballgame. Definitely sugar prices should come down, however, there should be total re-rating in the cane price. As you are all aware, the FRP, which is the central government's mandated price is around Rs.140 quintal. SAP for the current year is Rs. 165 per quintal. Even if it is enhanced, I don't know what the figure would be, but legally in the current scenario, there be will a sharp re-rating on the cane price expected to be paid next year. Keeping in mind the cane cost, higher volumes and thereby lower cost of production, the next year's model will be totally different based on volumes and also thereby we will be having a lot more availability of bagasse and molasses, which will ensure that our byproduct realization and our byproduct volume utilization will be much higher.

Let me now take you through some key highlights for the Company. We have recently commissioned a 500-tonne refinery at a capex of Rs. 6 crore. The facility will be used to refine raw sugar during offseason. In the cogeneration segment, the company has completed modification of the boilers at Haidergarh and Mankapur totaling to 40 MW at a modest capex of 15 crore, so we will be making use of power generation facility at both the above locations during offseason when bagasse is not available by using coal as an alternate fuel. The company has also been granted the necessary approvals and for sale of power 50% outside UPPCL through open access.

To conclude, I am hoping that rational sense will prevail going forward, the cane price will mirror sugar realization. On higher volumes, such a scenario will be beneficial and sustainable for all stakeholders in the sugar value chain including farmers, millers, and consumers. What we need is a structural change in policy that is being framed with a long-term perspective and provides stability to the sector. The government currently is evaluating decontrol very seriously.

I continue to believe that as one of the most integrated players in the sector we have the cushion to absorb the sharp volatility in the sugar performance. We have a strong



operating base with deep interest in power and distillery operations, which are steadier with their cash flows.

This brings me to the end of my discussion. I would now call upon Kishor to take you through the financial performance.

Kishor Shah: Thank you sir. Good afternoon everyone, and thank you again for joining us on today's conference call. I would like to briefly discuss with you BCML's financial and the operating performance for quarter three and nine months for the current year.

Revenue during the quarter stands at Rs. 540 crore as against 538 crore in Q3 FY 2009. For the first nine months, revenues were higher at 1474 crore as compared to 1325 crore in nine months in 2009. Operating profits for the quarter stood at Rs. 64 crore as compared to 130 crore in Q3 FY 2009. For nine months in the current year, operating profit stood at Rs. 274 crore as compared to Rs. 377 crore.

Moving on to the segmental performance, revenues from the sugar division was stable at Rs. 480 crore during the quarter as compared to Rs. 481 crore in Q3 FY 2009. For nine months, in the current year, revenues stood at Rs. 1,331 crore compared to 1,154 crore in the corresponding period last year. PBIT from the segment stood at Rs. 19 crore versus 68 crore in the Q3 FY 2009. During the nine months' period, PBIT was 108 crore as compared to 191 crore.

Sugar sales during the quarter stood at 16.53 lakh quintal as compared to 20.25 lakh quintals in the last corresponding quarter. For the first nine months, sugar sales were at 41.19 lakh quintals as against 52.35 lakh quintals. Average sugar price realization for the current quarter stood at Rs. 28 per kg compared to Rs. 23 per kg in the corresponding quarter. Average realization for nine months FY 2010 stood at Rs. 30 per kg as compared to Rs. 20 per kg in the corresponding period. Comparatively higher realizations have not improved performance due to cost of production being higher than current realization. Additionally, sale of levy sugar at a price substantially lower than the cost of production has also dented the profitability of the segment.



With regard to the distillery division, revenues for the quarter stood at Rs. 30 crore against Rs. 32 crore in the corresponding quarter. For the first nine months, revenues stood at Rs. 76 crore as against 106 crore in the corresponding period last year. Distillery sales were stable at 13,364 KL and nine months stood at 30,748 KL as compared to 12,067 KL and 40,689 KL in the corresponding periods. Average realization came in lower at Rs. 22 per BL and Rs. 24 per BL for the quarter and nine months respectively as compared to Rs. 26 per bulk litre during the corresponding period.

Coming to our cogeneration business, revenues in this segment stood at Rs. 52 crore as against 43 crore for Q3 FY 2009. For the first nine months, revenues stood at Rs. 196 crore as compared to 174 crore in the corresponding period. PBIT for the quarter stood at Rs. 19 crore as against 21 crore. PBIT for the first nine months stood at Rs. 84 crore as compared to Rs. 88 crore during the corresponding period. This segment delivered stable performance on account of steady volumes and improved realization. Sales stood at 920 lakh units and 3,218 lakh units in Q3 FY 2010 and nine months respectively versus 848 and 3,569 lakh units in the corresponding period last year. Average realization from bagasse-based supply stood is at 4.02 per unit and Rs. 3.96 per unit for the quarter and nine months respectively. Average realization for the quarter and nine months FY 2010 from coal-based supply stood at Rs. 5.26 per unit.

Interest cost for the quarter is stable at Rs. 25 crore. Profit before tax stood at 12 crore for the quarter and 126 for nine months. PAT for the quarter stood at Rs. 11 crore as compared to Rs. 66 crore in Q3 FY 2009. For nine months 2010, PAT stood at Rs. 107 crore as against 184 crore in the corresponding period last year.

This brings us to the end of this discussion. We would like to address any question or queries that you may have now. Thank you.

Moderator: We will now begin the Q&A interactive session. First, we have a question from Mr. Nirav from Antique Stock Broking. Over to you sir.

Nirav Shah: Just a few questions. Firstly on the performance of the sugar division, can you share the amount of inventory write-back on account of levy sugar that we have done and any write-offs on our open market release during the quarter?



Vivek Saraogi: I will try and explain this because, as it may be of help to others. As we go ahead, if you see the year result, you will have the total costing for sugar. As we proceed quarter-to-quarter, the costing builds up because there is no further production. As on date, the costing of sugar without interest and without corporate expense is Rs. 28.28 per kg. and 24.45 lakh bags are being carried forward at 28.15 as on 30th June 2010

Vivek Saraogi: We are also carrying forward levy sugar at Rs.18.26 per kg. That is the cost given by the government.

Nirav Shah: And what is the quantity?

Vivek Saraogi: I will just give you the quantity.

Nirav Shah: And raw sugar?

Vivek Saraogi: Raw sugar is 2.95 lakh bags that are almost 3 lakh bags at Rs. 24.5 per kg.

Nirav Shah: This is before conversion?

Vivek Saraogi: No, this is after conversion and this is on initial quantity.

Nirav Shah: Rs.24.5 per kg is after conversion?

Vivek Saraogi: Yes,

Nirav Shah: And 3 lakh bags?

Vivek Saraogi: Yes and we had imported a total of 8 lakh bags.

Nirav Shah: But we must have taken a write-back because in March quarter, we had already taken it



Vivek Saraogi: So, that write-back had come in the results.

Nirav Shah: Okay and what is the amount of write-back?

Kishor Shah: Approximately Rs. 35 crore. Because the costing has also moved up.

Nirav Shah: We must have taken some write-down because the closing price at the end of the month, as of 30th June should be around Rs. 28 per kg. So, we may have taken some Rs.0.15 write-down. So, have we taken any write-down on the existing inventory of open market rate?

Kishor Shah: I will explain this. As Mr. Saraogi just mentioned the costing is 28.28 per kg. And we have carried forward the stock at 28.15 per kg, so Rs. 0.13 per kg is the effective write-down.

Nirav Shah: What is the kind of inventory we are carrying for distillery and molasses?

Pramod Patwari: Alcohol, we are carrying an inventory of 4,600 KL. Molasses is around 8.8 lakh quintals.

Vivek Saraogi: And what is the price?

Pramod Patwari: Rs. 16 per litre for alcohol and for molasses is Rs.200 per quintal

Nirav Shah: On the power generated through coal-based, just two questions on that front. What is the rate at which you are selling to the state grid because open access is Rs.6.50 per unit and what is the cost of generation of that?

Vivek Saraogi: Open access is varying month to month. Right now, we are selling to U.P. at Rs.5.02 per unit.

Nirav Shah: What is the blended cost of generation?



Vivek Saraogi: This seems to come to about Rs. 4.70 per unit.

Nirav Shah: So, this quarter, as of date, we may be making a profit of Rs. 0.60 per unit assuming Rs. 5.3 per unit of realization. coming back to the inventory question, our current valuation is Rs. 28.15 per kg. How much is this expected to go by 30th September? Rs. 28.5 per kg?

Vivek Saraogi: At the open market selling price?

Nirav Shah: Not open market selling the cost of inventory?

Vivek Saraogi: Cost will move up to Rs. 29.25 per kg, I think.

Moderator: Thank you very much sir. Next, you have a question from Mr. Arya Sen from Credit Suisse. Over to you sir.

Arya Sen: Actually, most of my questions have been answered. Just wanted to confirm what is the quantity of levy sugar that you are carrying at Rs.18.26 per kg?

Vivek Saraogi: Around 4 lakh bags.

Moderator: Thank you very much sir. Next, we have a question from Mr. Sanjaya Satapathy from Merrill Lynch. Over to you sir.

Sanjaya Satapathy: My question is relating to balance sheet. Can you just give us some idea of the total debt, etc., that you have at the end of June quarter?

Kishor Shah: We have total debt of Rs.1,300 crore as on 30th June. Long-term debts are Rs. 900 crore. And working capital is Rs. 400 crore

Sanjaya Satapathy: Just wanted to know what is the total inventory of sugar including the raw sugar that you have at the end of June quarter and what kind of sales are you targeting for the September quarter?



Vivek Saraogi: It is very difficult to target sales because there are government releases, etc. However, we can only say that we expect to sell everything by November end.

Pramod Patwari: By November end?

Vivek Saraogi: Yes, November end.

Sanjaya Satapathy: And what is the total quantity?

Pramod Patwari: 24.45 lakh quintal.

Sanjaya Satapathy: The raw sugar that you have some additional 30,000 tonnes of and which will be arriving in August, what is the cost of that raw sugar?

Vivek Saraogi: See, refined at the factory is around Rs. 28 per kg, for the new 30,000 tonnes.

Sanjaya Satapathy: Lastly just wanted to know, you were talking about deregulation and there is a strong chance of that happening, just wanted to understand further, most of these changes .are going to be structural or mostly technical as it had happened in the last cycle. Can you give us some sense of exactly what kind of deregulation you are looking at?

Vivek Saraogi: I personally think that deregulation has a brighter chance, and this time deregulation would mean a complete deregulation. Deregulation would be no levy for the industry. Government would run the levy by procuring from open market. No release control. Cane price, linkage with sugar price and probably, de-reservation of cane areas. So, it is going to be total open market

Sanjaya Satapathy: So, this is what you are asking for or this is being considered by the government?

Vivek Saraogi: Yes, this is being considered by the government and seriously and actively.



Sanjaya Satapathy: When can one expect some of these implementations to happen?

Vivek Saraogi: These are policy measures which will take some time. Probably, 1st October is the sugar year. So, I think you can see some beginning from then, it can happen.

Sanjaya Satapathy: Lastly just wanted to get a sense of what will the domestic price looks like for at least the next two to three months? Will it remain stable at around current level and will you make profit at around that level?

Vivek Saraogi: I think the current market price is where it will remain stable. The international market is high. I don't think it should go down from here much, and I don't think it should go up from here much. It should be around these levels.

Moderator: Thank you very much sir. Next, we have a question from Ms. Shipra Pandey from HSBC. Over to you ma'am.

Shipra Pandey: My question is regarding your distillery realization. The distillery realization for the quarter has been extremely low at Rs. 22 per litre. So, any specific reason for that and plus what is your outlook going ahead for the next quarter for alcohol specifically?

Vivek Saraogi: Basically, distillery realization at Rs. 22 per litre has been lower. This is because of the delay in implementation of ethanol program. The government is going ahead with the ethanol program and informally asked mills to keep stocks. So, it is because of the delay that the stocks were there and it is being sold.

Pramod Patwari: And these realizations are net of excise.

Vivek Saraogi: Yes, these realizations are net of excise.

Vivek Saraogi: So, it is as per market price.



Shipra Pandey: When do you expect the ethanol decontrol to begin? Is it the next season that is the expected date?

Vivek Saraogi: The decision can come out any day.

Shipra Pandey: And now what we are hearing is that earlier the price which was, almost decided was Rs. 27 per litre. Now, the people are expecting the price could be anywhere between Rs. 25 to 27 per litre?

Vivek Saraogi: Yes, even if it is Rs. 25 per litre, let us say, the program implementation is more important. Once it happens and with volumes going up next year it is going to be a very wholesome program. Even the oil marketing companies will make money. Sugar industry will have a stable realization for its product in the long-term. It is a very, very positive policy.

Shipra Pandey: Any kind of an update on the industrial alcohol part? This is pertaining to ethanol, but is there a kind of lesser demand from the industrial alcohol side?

Vivek Saraogi: No, I think that is regular because as I said there were some extra stocks which were held back. Because of that there is pressure.

Shipra Pandey: Lastly, on the sugar segment, for the quarter, sales has been close to Rs. 17 crore. What will be the breakup of levy sales, refined sugar sales, and the manufactured sugar sales? the quantity?

Kishor Shah: Pramod will give you the quantity?

Vivek Saraogi: We will work it out. Just now, we have not done the detailing; we have just done the total. We will give it to you.

Moderator: Thank you very much ma'am. Next set of questions is from Mr. Achal Lohade from JM Financial. Over to you please.



Achal Lohade: Actually couple of questions, one about how has the monsoon been particularly in your cane procuring areas and what is the target volume we are looking for next year?

Vivek Saraogi: We are looking for about 75 lakh bags next year because in some of our factories the production was quite low. So, we are seeing a good jump there. Monsoons in Eastern UP have been quite good. We have done the acreage study from ISMA all over the country, whereby we have arrived at this 24 to 25 million tonnes estimate.

Achal Lohade: So is it considering the higher or lower diversion of sugarcane ?

Vivek Saraogi: Considering the higher diversion. If you see, in my remarks I said, 15% increase in acreage.

Vivek Saraogi: However, I am taking 25% jump in production.

Achal Lohade: Secondly, on the cane price, just wanted to check, .what kind of spread one can assume for the next year? Spread in the sense sugar price minus cane price?

Vivek Saraogi: I will give you my viewpoint. This year, the mandated price by UP Government was Rs.165 per quintal, and mandated price by Government of India was Rs.129.8 per quintal, I mean Rs.130 per quintal. Next year, Government of India has declared its FRP at Rs.140 per quintal, and UP Government is yet to declare their SAP. First of all, the power to declare SAP is under question. However, forgetting that, whatever jump is given by the UP government, let us say Rs. 10 – 15 per quintal, next year, personally I think cane cost should be much lower than this year. I would put it in the region of Rs. 175 to 180 per quintal, so even if the sugar prices come down from here we see some kind of a net positive margin on sugar next year.

Achal Lohade: I was just trying to calculate if one assumes Rs. 180 per quintal and assuming a 9.8% recovery rate and assuming the sugar prices come down to say around Rs. 24 to 25 per kg on ex-mill basis, it means a spread of about almost Rs.4 - 5 per kg, which seems to be a bit on the higher side. Just wanted to check, what kind of



spread one can build in for estimates, for the next year, or say for the next two years or so, sustainable spread essentially?

Vivek Saraogi: My concept on a sustainable spread is Rs. 2 per kg on sugar, but having said that, I am very, very upbeat on the money which can be made in this business through ethanol and power. These two, with higher volumes, will give a much, much higher volume, profit, as well as a much lower costing in these divisions. I would say sustainable profit of sugar, Rs. 2 per kg, and these two businesses can give, you know, very healthy margins.

Achal Lohade: Just wanted to know volume guidance on the co-generation from bagasse and coal and the distillery.

Vivek Saraogi: Total volume from power and bagasse will be about 55 crore units next year, and 10 crore from the coal business, 65 crore units on that division and distillery about 7 crore litres.

Achal Lohade: Last question on the Indo Gulf Industries. We have merged the sugar division of Indo Gulf.

Vivek Saraogi: Correct.

Achal Lohade: Just wanted to check what is the, strategy behind that since we hold 56% stake in that Company? is it not better to merge the entire company by delisting it.

Vivek Saraogi: Balrampur has only interest in sugar, power, and ethanol. Balrampur is interested only in sugar and its allied operation. Since we are not interested in any explosive business that is why we merged the sugar.

Moderator: We will be taking the question. Next in line, we have a question from Mr. Nirmal Shah from Alchemy Capital. Over to you sir.

Nirmal Shah: I just wanted to check the inventory of 24.45 lakh bags. That is only free share. In addition, we have to add up the 4 lakh and 3 lakh right?



Kishor Shah: That is a total inventory audited as on 30th June, including levy, raw sugar, and the free sugar.

Moderator: Thank you very much sir. Next, we have a question from Mr. Nillai Shah from Morgan Stanley. Over to you sir.

Nillai Shah: In terms of sugar production. We have actually seen that when you started on the production estimated about 22, 23, 24 million tonnes, now with all the factors remaining constant, i.e., the monsoon, the acreage at 15% Y-o-Y, still the production estimates seem to be going up, what is really causing this, which factors are causing this?

Vivek Saraogi: Initially, when you were saying 22 million tonnes, you were expecting 17 to 17.5 million tonnes in this year. Now, this year has gone up to 18.8 million tonnes. Let us say approximately 19 million tonnes. So, if 15% is added to 19 million tonnes, it becomes 22 million tonnes on its own. 22 million tonnes plus we are factoring in some diversion, slight improvement in recovery, and thereby taking it at the range we have spoken 24 to 25 million tonnes.

Nillai Shah: The next question is if Maharashtra next year sticks to FRP, what is the estimated price at which the sugar will land in UP?

Vivek Saraogi: It is extremely difficult to answer this question. However, having said that, if Maharashtra is to pay FRP, one has to keep two to three things in mind, if you pay Rs. 250 per quintal and you come down to Rs. 140 per quintal, then you will see a very sharp reaction in the year 2011-2012. However, if this happens, landed in UP could be Rs.23 per kg, but I am just talking off the hat.

Nillai Shah: No, as per my calculations between Rs.22 and 23 per kg.

Vivek Saraogi: I said Rs.23 per kg only.



Nillai Shah: So in that case, basically, the sugarcane price should be about Rs.180 per quintal plus for you to make any money on sugar.

Vivek Saraogi: Yes, I am estimating it to be personally not above that at all.

Nillai Shah: The third question is in terms of cogeneration, will you make any significant money from the coal-based cogeneration next quarter?

Vivek Saraogi: I don't see making any significant money. As I have said, we are estimating that regular Rs.0.50 per unit.

Nillai Shah: And what is the current realization?

Vivek Saraogi: It is around that Rs.5- 5.25 per unit. Right now, monsoon open access rates are low, and probably Commonwealth Games in September, you could see 6 rupees also then, so it is a bit of an unknown thing, but having said that Rs.0.50 per unit is one surely estimate. We have commissioned it new; the efficiency levels will improve down the line. So, that is going to be a steady business.

Nillai Shah: So what happens to the coal based cogeneration in the current quarter when realizations are low due to monsoon?

Vivek Saraogi: Cogen, you will still get your Rs.5 per unit.

Mr. Nillai Shah: Oh, so your realization right now is still Rs. 5 per unit.

Mr. Vivek Saraogi: Yes

Moderator: Thank you very much sir. Next, you have a question from Mr. Ajay Vora from Enam AMC. Over to you sir.

Ajay Vora: Just one question on your debt side. You said your gross debt currently is around Rs.1300 crore including Rs.400 crore of working capital, so what sort of plan do



we have on the repayment in the coming quarter, as in last year we closed with a total debt of somewhere around Rs.990 crore, so this year what can it be sir?

Vivek Saraogi: The short-term debt will go off by 30th September. Or you will have a lot of inventory against that. So, you will be short-term debt positive; cash positive on that account.

Kishor Shah: Correct.

Vivek Saraogi: Debt at the end of the year?

Kishor Shah: It is Rs.825 crore.

Vivek Saraogi: Rs. 825 crore at the end of the year.

Ajay Vora: That is long-term debt?

Vivek Saraogi: Yes, cash surplus in the form of inventory.

Ajay Vora: So, we can be somewhere around Rs.1300 crore same as on September also.

Vivek Saraogi: No, we will be lower, much lower.

Ajay Vora: But our working capital will increase because of the inventory right?

Vivek Saraogi: No, no.

Kishor Shah: This is the off-season for us. We are selling it off...

Vivek Saraogi: Right, not producing anything.

Kishor Shah: We are reducing our working capital requirement.



Ajay Vora: Just one thing to confirm, what is the cost of the 30,000 tonnes of raw sugar which you would be importing and which would be coming to your factory in the coming quarter?

Vivek Saraogi: Rs.28 per kg refined at the factory.

Moderator: Thank you very much sir. Next, you have a question Mr. Sanjay from ICICI Securities. Over to you sir.

Sanjay Manyal: Just wanted to know about the global price, hovering around USD 18 cents now, so what would be the import parity price as of now, and, if there will be any import duty levied, so how much prices can go up from here?

Vivek Saraogi: Personally, we think there had been zero contracts, if at all people are looking at re-exporting some of the sugar. Therefore, import duty will be levied according to me, but it should come as a wholesome policy beginning 1st October 2010.

Sanjay Manyal: So, it will be, you are saying, on both white sugar and raw sugar and not only on white sugar.

Vivek Saraogi: Obviously, on both, and as of now, if you see white sugar landed not less than Rs. 32 - 33 per kg.

Moderator: Thank you very much sir. Next, you have a question from Mr. Jasdeep Walia from Kotak. Over to you please.

Jasdeep Walia: Just wanted to confirm the sustainable spread of Rs. 2 per kg which you have mentioned earlier. Was it at the operating level or at the net profit level?

Vivek Saraogi: According to my feeling it should be at the PBT level.

Moderator: Thank you very much sir. Next, we have a question from Mr. Mayank Bhardwaj from Reuters. Over to you sir.



Mayank Bhardwaj: On import duty, I am keen to know what you meant was you expect that the government would impose import duty on both raw and white and that too from October 1st 2010?

Vivek Saraogi: I will explain this raw part. Today, the notification is up to 31st December 2010, the raw sugar can be bought into the zero duty format. The ALS format exists and will continue to exist, which is the grain-to-grain format. So, that will continue, which is not a problem because you bring in 1 kg, you have to export 0.95 kg. So, the grain-to-grain format circular can be changed from 31st December to 1st October. So, basically from 1st October, technically whatever comes in, if the government which I think they will, beginning of new season.

Mayank Bhardwaj: On both you believe?

Vivek Saraogi: Yes, the moment you get into that on white, the duty automatically becomes 60. This is a special dispensation and the moment it is done away with, raw reverts back to ALS and white reverts back to 60.

Mayank Bhardwaj: And that may happen from 1st October 2010?

Vivek Saraogi: I think so, because that is the beginning of the new season.

Mayank Bhardwaj: Do we have enough sugar, to be able to meet festival demand and what kind of stocks do you see on September 1st 2010?

Vivek Saraogi: Festival demand definitely we will be able to meet and on 1st October, it would be above 5 million.

Mayank Bhardwaj: And September, if we try to get some idea about festival season stocks, what would be stocks on September 1st 2010.

Vivek Saraogi: 1st October, if you have enough sugar to take you for 2-1/2 months. There is availability.



Mayank Bhardwaj: We have not seen new import deals in last how many days, two months or month and a half?

Vivek Saraogi: At least three months.

Mayank Bhardwaj: Three months, no fresh import deals?

Vivek Saraogi: On the contrary, there have been a lot of international cancellations. ISMA has also written for allowing re-export and ALS export.

Mayank Bhardwaj: Can we get some idea about the total quantity on which people have gone back on deal cancellations?

Vivek Saraogi: It is not available, the data is at the corporate level.

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

Nirav Shah: Couple of questions first is what quantity, re-export obligation quantity can be done away with once this window opens up, so, what is the re-export obligation quantity that is still pending?

Vivek Saraogi: You have a 9.63 lakh tonnes. That is the data available with us which has to be re-exported under the ALS format.

Nirav Shah: And there should be no issues because the parity is still, global parity is still in favor of these guys?

Vivek Saraogi: Yes.

Nirav Shah: If I were to track the monsoon, which is the most crucial period which can have an impact on the cane yields, is it July or August?

Vivek Saraogi: Both.



Nirav Shah: By when can the ethanol thing be resumed, I mean, by when can we expect the off-take to continue because there is a big quantity or supply overhang in the market.

Vivek Saraogi: It is being sold as I said, and however, the government can decide as early as tomorrow. Absolutely ripe for decision

Moderator: Thank you very much sir. Next, we have a question from Mr. Sageraj Bariya from Angel Broking. Over to you sir.

Sageraj Bariya: In terms of deregulation, I believe Mr. Sharad Pawar had made a statement that the cane prices would still be fixed by the government, right sir? So, the only remaining part of deregulation what ISMA and industry is expecting is on supply side, right?

Vivek Saraogi: No, let me clarify. The minister said that FRP would continue to exist, which means FRP as a minimum would continue to exist and what the states can do, the cane price formula, etc., has not been finalized. This does not mean that that is only on the supply side

Sageraj Bariya: And in terms of your capacity, can you give us some idea what kind of total industry capacity would be there in terms of TCD or something like that?

Vivek Saraogi: I don't recall it immediately. We will give it to you.

Sageraj Bariya: And in terms of this, UP Cooperative and Bihar Sugar Cooperative are also looking at divesting, has Balrampur shown any interest or is interested or anything?

Vivek Saraogi: No, we have not shown any interest.

Sageraj Bariya: Lastly what would be your five-year vision for the company?

Vivek Saraogi: We want to make it completely integrated, and once deregulation comes in, we will have a lot more visibility and then we will decide the strategy?



Moderator: Thank you very much sir. Next, you have a question from Mr. Ram Hedge from Primus Advisors. Over to you sir.

Ram Hedge: I need a couple of clarifications, one is recently, just last week, there was an agro chem company which presented saying that monsoons in UP were down approx. 30% to 50% below long-term average. Could you just reconfirm this?

Vivek Saraogi: I don't think so. Last week, I was in Lucknow at the plant. We had widespread 3 to 5 inches rainfall. It was all over Eastern UP.

Ram Hedge: Secondly could you just paint an outlook from now till let us say November-December when the new sugar hits in. Given the sort of inventory in the system and given that there would be some pressure to clear this old stock, how do you see the prices moving?

Vivek Saraogi: My view is it should remain flat because you have very good demand period coming in.

Ram Hedge: The third is, given the inventory that we are talking of this 5-odd million tonnes that you have talked off, does this include raw sugar which is today?

Vivek Saraogi: Yes.

Ram Hedge: And how much would that be in a sense?

Vivek Saraogi: That is tough, maybe 5 lakhs of raw, but around those levels.

Moderator: Thank you very much sir. Next you have a question from Mr. Kunal Vora from BNP Paribas. Over to you sir.

Kunal Vora: I was just looking at the ISMA release on the internal sugar consumption in India, and that is about 21.4 million tonnes. It looks lower compared to the general



consumption trend, like we expect about 23 million tonnes of sugar. Can you explain, why does the internal consumption number look low?

Vivek Saraogi: I personally think what has happened is that there has been a lot of white sugar which is coming in containers and all which have no account. The data available is of ships. I think in that period of January to April, lot of containers have come in, which have not been accounted for, which even the ports say they cannot account for.

Kunal Vora: Okay, so there is no demand destruction as such?

Vivek Saraogi: No, not at all. I don't think so. If at all, there was some resistance at that Rs.42 per kg level, at Rs.27 per kg I think that gets back.

Kunal Vora: So next year, what will be your consumption estimate? Will it again go back to the regular trend about 23 to 24 million tonnes?

Vivek Saraogi: Yes, 23 million tonnes for sure.

Kunal Vora: Okay, and second question is that how do you see the year FY '11 compared to sugar year 2007, do you see any similarities, do you see a severe down cycle or do you think since the production-consumption gap is not going to be very significant, the year is not going to be very bad?

Vivek Saraogi: No, I think it is not going to be bad at all. There is no significant gap between the two. And I think with cane price correcting and byproduct as I mentioned, it should be good.

Moderator: Thank you very much sir. Next, we have a question from Mr. Vikas Jain from CLSA. Over to you sir.

Vikas Jain: Sir, just wanted to ask that the current realization is about Rs. 27.50 per kg or so, right?



Vivek Saraogi: Yes.

Vikas Jain: And we expect this to be in this range for the remaining part of the year, correct?

Vivek Saraogi: Yes.

Vikas Jain: So, in that case, why do we actually need to get the imported raw sugar, whatever is left to India? Because I guess the price at which this would have been bought has also gone up, so why not square-off the position itself?

Vivek Saraogi: No, it was not possible because the physical part and the price were not commensurate. We could not square-off and quits

Vikas Jain: Has also come into the country or not?

Vivek Saraogi: No, our ship has landed.

Moderator: Thank you very much sir. Next, your followup question from Mr. Achal Lohade from JM Financial. Over to you sir.

Achal Lohade: One question I wanted to check is, we have changed the accounting year from September to March. Just wanted to get a sense as to, the reason behind the change?

Kishor Shah: IFRS is going to be implemented from 1st of April 2011. This will help in implementing the IFRS.

Achal Lohade: Any impact of IFRS we see on our accounts, like, any intangibles or any such things.

Kishor Shah: We are still in the early days, but definitely, there will be some impact.

Achal Lohade: There will be some impact?



Kishor Shah: That will be a normal impact.

Vivek Saraogi: Nothing abnormal.

Achal Lohade: It would be only non-cash flow impact?

Vivek Saraogi: Exactly, obviously.

Achal Lohade: Lastly, on the tax rate. What is the likely tax rate we can build in for current year and next year?

Vivek Saraogi: We will be at the MAT level.

Achal Lohade: Okay, about 17% to 18%. Even for the next year?

Vivek Saraogi: Yes

Moderator: Thank you very much sir. Next, we have a question from Mr. Chetan Vadia from JHP Securities. Over to you sir.

Chetan Vadia: My question is on the consumption of raw material. There is almost 8 fold rise in that. Can you just briefly explain what the driver for the same was and will it remain at the same level even for the September quarter?

Kishor Shah: If you compare the consumption of raw material on a quarter-to-quarter basis, in this quarter, it was around Rs.107 crore versus Rs.11-12 crore last quarter.

Vivek Saraogi: But that is because of raw sugar.

Kishor Shah: Because of raw sugar.

Vivek Saraogi: There is no crushing. So, these are different operations which didn't exist last year.



Vivek Saraogi: There is no comparison in that.

Chetan Vadia: Which expenses have been classified under the head “other expenditure”?

Kishor Shah: They are all normal expenditures.

Moderator: Thank you very much sir. Next, we have a question from Mr. Rishab Bothra from B&K Securities. Over to you sir.

Rishab Bothra: Did we have maintenance shutdown also this quarter or we will be having it in the next quarter?

Vivek Saraogi: In which division?

Rishab Bothra: Sugar.

Vivek Saraogi: Sugar shut down its operations long back.

Vivek Saraogi: Sugar is linked to cane availability, so we shutdown in March-April.

Rishab Bothra: But has some major expenditure been incurred for that shutdown? You don't crush during this period, but what about expenditure in other terms?

Vivek Saraogi: Maintenance carries on from that period. So, it is proportionately booked I think.

Moderator: Thank you very much sir. At this moment, I would like to handover the proceedings to the management for final remarks.

Vivek Saraogi: Thank you everyone and thank you for joining us, and Pramod and Kishor and all of us are there for any queries you may have. Thank you.



Pramod Patwari: Thank you.

Kishor Shah: Thank you.

- ENDS -

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