



Balrampur Chini Mills Limited
Analysts / Investors Conference Call
February 03, 2009

Anoop Poojari: Good afternoon everyone and thank you for joining us on Balrampur Chini Mills Q1 FY 2009 Results Conference Call. We have with us Mr. Vivek Saraogi, Managing Director of Balrampur Chini Mills and Mr. Kishor Shah, Director and Chief Financial Officer of the Company. We will begin the call with brief opening remarks from the management, following which we will have the forum open for discussion. I would now like to invite Mr. Saraogi to make his opening remarks.

Vivek Saraogi: Good afternoon everyone and thank you for joining us on the Balrampur Chini Mills operating and financial performance for the first quarter ended December 31, 2008. I will first take you through the current sector developments and then update you on the company's performance during the quarter, after which Kishor will take you through our financial performance.

As you must be aware, the country is witnessing a significant drop in sugar production in the current season due to low acreage and fall in recoveries. We had earlier estimated the production to be less than 20 million tonnes for the country as a whole, but it now looks like sugar production could be lower at around even 16 million tons, which is far lower than the earlier estimates. Production is likely to come down, you know, across the board, UP, Maharashtra, North, smaller states in the North, Tamil Nadu, Karnataka, every where. Similarly, we are also witnessing a reduction in cane availability in our area which will impact our production during the 2008-09 season. The sugar consumption, however, is likely to remain stable, at the range of 22 to 23 million tonnes. Thus, this miss-match will lead to tempered increase in domestic realizations going forward.

Now, let me take you through the company's performance for the quarter. Overall, the company has delivered a strong performance which was driven by sugar segment, which has shown healthy growth, and the allied businesses have also contributed to operating profits. The sugar segment has shown buoyant growth due to improved



realizations during the quarter. Realizations for the quarter stood at Rs.17.7 per kg, which is an increase of 29% as compared to Rs. 13.7 per kg in the corresponding quarter last year. Currently, realizations have further improved and stand at Rs. 22 per kg ex-factory. The main concern for this segment going ahead will be procurement of cane. Production for the quarter stood at 1.7 million quintal, and now, it looks like we will produce 5 million quintals or 50 lakh bags for this season.

Moving to the distillery business, this segment saw higher realization during the quarter, primarily driven by RS and ENA. I would like to highlight here that we have a total distillation capacity of 320 KL and the entire capacity is fully flexible amongst RS, ENA, and Ethanol, depending on the market condition of each product. On account of lower cane production this season, we expect pressure on availability of molasses; however, higher realizations should help the company post steady earnings in this segment.

With regards to our cogeneration business, we have delivered stable top-line and profits during the quarter. The decline in sugarcane availability this season will lead to lower bagasse availability, and we forecast a subdued revenue performance from this segment, though this segment will continue to add to overall profitability.

To conclude, I would like to state that we are currently one of the biggest integrated players in the country. This model has helped us face previous sugar down cycles smoothly. Our allied business will continue to contribute towards our steady performance in the quarter. With sugar sector recovering, we expect healthy profitability from our core operations going ahead.

I now request Kishor to take you through the financial performance.

Kishor Shah: Thank you. Good afternoon to you all and thank you again for joining us on today's conference call. I like to briefly discuss with you BCML's financial and operating performance for the first quarter ended December 31, 2008.

Total revenues for the quarter stood at Rs.429 crore as compared to Rs.431 crore in the corresponding quarter last year. PBIDT in the first quarter increased by 204%, at Rs.116 crore from Rs.38 crore in the corresponding quarter last year. Performance was primarily



driven by better realization witnessed in the sugar segment combined with stable contribution from distillery and power facilities to top-line in earnings.

Coming to segmental performance, sugar segment posted Rs. 379 crore in top-line as compared Rs. 374 crore in the corresponding quarter last year. Our PBIT during the quarter stood at Rs.61 crore as compared to Rs. 24 crore loss in the Q1 FY '08, owing to better realization. At the operational end, sugar production during the quarter was at 16.89 lakh quintals compared to 16.91 lakh quintals in the previous last quarter. During the quarter, we crossed 192 lakh quintals compared to 181 lakh quintals in Q1 FY '08, an increase of 6%. Our recovery was at 8.82% as compared to 9.36 from the corresponding last quarter.

In distillery business, revenues were at Rs. 33 crore in the quarter versus Rs. 31 crore in the corresponding quarter. Distillery sales were at 12,266 KL in Q1 FY '09 as compared to 17,625 KL in the corresponding last quarter. PBIT was flat at Rs.15 crore in Q1 FY '09. High realizations in products like RS and ENA added revenue and offset lower production leading to stable operating profits in the distillery division. Realizations were strong at 26,836 per KL in the current quarter compared to 17,613 KL in the corresponding last quarter.

As regard to the cogeneration business, revenues were flat at Rs. 56 crore this quarter. Revenues in this segment are likely to be subdued during the year owing to lower availability of bagasse on account of lower crushing. Power production for the quarter came at 16.86 crore units as compared to 18.47 crore units in the corresponding last quarter. Both the allied businesses continued to show good overall performance.

PAT was at Rs. 51 crore in Q1 FY '09 as compared to loss of Rs. 6 lakhs in Q1 FY '08. The company registered a strong growth in profitability driven by excellent performance in its core sugar business. Cash profits in the current quarter were at Rs.79 crore as against Rs. 25 crore in the corresponding last quarter. This brings me to the end of this discussion. Thank you for participating in this call. We will be glad to take any questions that you may have. Thank you very much.



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, please press *1 now.

We have Ms. Mona Newatia from Corporate Database. Over to you ma'am.

Mona Newatia: Hello, I wanted to understand why is the distillery production significantly lower in this quarter in spite of the sugar production being nearly similar compared to the corresponding quarter?

Kishor Shah: In fact, we began our season quite late in current quarter and in the last corresponding quarter, we had stopped molasses.

Mona Newatia: Okay. But even end September 2008, you were carrying some 50,000 tons of molasses.

Kishor Shah: But, because it was power availability, then power plant generation. Because of that reason.

Vivek Saraogi: We thought it better, you know, to just begin the distillery 5 to 7 days before the sugar production begins so that it could run continuously.

Mona Newatia: Okay, so this would sort of even out in the year, right?

Vivek Saraogi: Yeah.

Mona Newatia: Okay, and as far as the cane transport deduction goes, I believe some mills are deducting only Rs. 5 whereas from what I understand, you are deducting Rs.10.58, so what is the exact situation?

Vivek Saraogi: Exact situation is everybody is only deducting Rs.5.75.



Mona Newatia: Okay and not Rs.10.58 which was directed

Vivek Saraogi: No.

Mona Newatia: Okay and why is that so?

Vivek Saraogi: See, then, you know, because I would get questions and I would myself want to just give a little bit of overview on the way I see things. See, this year, we began with a production estimate, which I said in my opening remarks, and now, it has come down to from, let us say 26 million tonnes to 16 million tonnes. Now, that is a 40% drop. To survive and to have big capacities in place, you do need cane also going ahead. So, we are looking at a scenario where we would be, that is why I have tempered down our group's production to 50 lakh bags, because we are not going to be hankering to crush even the cane which is available for seed. I would like to have seed left behind, so that that would go into some plantation for next year. So, that is the mindset and the farmers having been averse to cane plantation and the order having come in the middle of the year and not prior to the crushing season. I think almost all mills took a view that there is not enough cane and let's, get to something which you begun with. And continue that. Idea is because as I have been saying even in the last call, production even next year does not look like jumping too high. You see 16 million tonnes this year. The combination is ratoon is 60% plus of this and plant is 40 %. This year's plant will become next year's ratoon and this is true for the country as a whole.

Mona Newatia: But, cannot the farmers, you know, plant more new cane, given that now they are getting Rs. 140 per quintal?

Vivek Saraogi: That is what I am coming to. So, even if the farmers plant 50% higher cane. We are kind of looking at 10% higher production. Because, you see, if out of 16 million, I have more than 10 million tonnes which is out of ratoon. You have 6 million tonnes which is out of plant. 6 million tonnes plant will be 6 million ratoon. You know, so, next year, you begin with only 6 million tonnes of old ratoon production. If you do 50% higher planting. 9 and 6 is 15. I am expecting recoveries to improve next year. Probably, you know, I am expecting climatic conditions will be better. Even if recovery is back to 10%, 15 plus 10% is 16.5 million tonnes. Even if the yield is better, 16.5 million tonnes



and let us say there is a 10% better yield after 50% higher production and a 10% higher recovery, you get to 180 lakh tonnes that is it.

Mona Newatia: Okay. The ratoon just lasts for one year?

Vivek Saraogi: Yeah. There is a second ratoon. Which is not significant. I mean in that calculation, I have included first and second ratoon.

Mona Newatia: Okay. And can it not happen that to the extent of the ratoon, they can put the new plant, as in like you give the breakup of 10 plus 6, so to the extent that okay, 10 million is ratoon. So, can it not happen that okay, 10 million ratoon also can get planted with new cane? I mean the new seeds?

Vivek Saraogi: No, where is the seed?

Mona Newatia: Okay. There is no seed.

Vivek Saraogi: Seed is in paucity. Among that who wants cash are desperate to supply their cane. That is why we are taking a view, and you know, we are even giving advance in our area. Recoverable immediately. In an incentive to keep the plant standing and put it into the ground. You need a situation where you do need more cane than this. Having said that, the other side is, if you have 16 million tonnes this year and let us say you go to 18.5 to 19 million tonnes, which is the highest to my mind. You go to 19 million tonnes; you have, you know, shortage which is building up in a huge fashion. You know, because you have 22.5 million tonnes. So 6.5 million tones is the shortage this year and 3.5 million tonnes shortage next year.

Mona Newatia: Right. Yeah. Okay. So, okay, and coming back to your cane cost, so that is Rs.140 per quintal minus Rs.5.75.

Vivek Saraogi: Rs.5.75 for the out center cane



Mona Newatia: And what is the breakup of out center and non-out center cane? As in like, what would be your average cost be, would it be something like Rs138 per quintal or something? So, your total cost of production would be?

Vivek Saraogi: No, see. I will tell you what. Let's say, it is 60:40. So, let's say Rs.140 per quintal and Rs.134.25 per quintal, Rs.137 per quintal is the average cost of cane. Then you have the transport cost, then you have the government taxes. And this year, the factor of recovery will not be 10%. Say around 9.1% to 9.2%. So, the cane cost is going to be much higher.

Mona Newatia: Okay, and your total cost to production of sugar would be something like Rs.18 per kg pre-interest or higher?

Vivek Saraogi: No, it will be higher. It will be Rs.19 per kg plus interest.

Mona Newatia: Rs.19 per kg plus interest, okay. Okay fine, that is all from my side. Thank you.

Moderator: Thank you very much ma'am. Next in line, we have Mr. Arya Sen from Credit Suisse. Over to you sir.

Arya Sen: Hello, thanks a lot. Couple of questions, first of all on the inventory, at what price are you valuing the new production?

Vivek Saraogi: Rs.19.05 per kg.

Arya Sen: Rs.19.05, so what is the average carrying cost of inventory at the end of next quarter?

Vivek Saraogi: Let us look at two separate inventories.

Vivek Saraogi: We have 11.27 lakh bags x Rs.14.05 per kg, that is the old sugar. And new sugar is 16.89 lakh bags at 19.05 per kg.



Arya Sen: Okay, and sir, what was the sales volume for this quarter?

Kishor Shah: 2 lakh tonnes or 20 lakh bags.

Arya Sen: Okay, thanks a lot.

Vivek Saraogi: Thank you.

Moderator: Thank you very much sir. The next question comes from Mr. Abhijeet Dey from Kotak Mahindra Mutual Fund. Over to you sir.

Abhijeet Dey: Hello Sir, considering the levels of recovery which is now below 9% for the quarter. Do you expect that to improve going ahead?

Vivek Saraogi: Yes, slightly, but not drastically. We are projecting an average of 9.1% to 9.2% for the group as a whole, 9.2% let us put it in the season.

Abhijeet Dey: And in terms of your basically crushing days, you don't expect it to extend to March this year?

Vivek Saraogi: 50% or four to five factories will go up to March, and first factory closure would be within 5 days from now.

Abhijeet Dey: Okay, the situation is so bad then.

Vivek Saraogi: Yes, it is very bad, and we do not want to crush the seeds, because, you have to see this business as an asset which has been put up for lifelong, and we want to maintain a balance.

Abhijeet Dey: Okay, right sir. Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Ankit Jain from Mata Securities.



Ankit Jain: Congratulations for good set of numbers sir.

Vivek Saraogi: Thank you.

Ankit Jain: Just wanted to know like what was the transfer price of bagasse and molasses this quarter?

Kishor Shah: Bagasse transfer price remains at Rs.250 per quintal and Molasses also at Rs. 200 per quintal.

Ankit Jain: Okay, sir, in this breakup like ENA, RS, and ethanol, can you just give us the realizations individually?

Vivek Saraogi: We will give it to you. I would just like to explain that distillery business and cogeneration business while we have taken out the figures is in context of this shortage. We do hear and we do even see that there was a point of time when the chemical business, the India Glycols and the VAMPs of the world, they are facing, I was told demand destruction, and therefore a lower demand from that side, but however, once the production comes down from 26 million tonnes to 16 million tonnes, you have 40% lower molasses availability, so probably it is more than the segment bought in total at all, you know, so basically ethanol, we have extended the contract for 2 years. The optional 10%, all factories in UP have given consent to supply at the same price for 2 years, their original contract, 10% which was optional, the government asked, and we have given it. Lot of demand gets taken care that side. Lot of demand is gone because production has fallen. The rest of the demand which is the alcohol sector remains extremely buoyant, so going ahead, we do not see this Rs.23 per litre, Rs.24 per litre getting broken at any stage if at all it could get higher at some point of time, average realization of the distillery production, so we don't see a problem there. Secondly, coming back to cogeneration, also in season this year because of the various changes, the normal kind of debottlenecking, our season sale of bagasse is extremely good, would remain very good; however, the volumes would come down as we go ahead because again you know if the cane production is lower, bagasse production is lower. So, number of units might be lower, but the vibrancy is in place, and we are in



continuous dialogue with the UP government for enhancing our rate as has been done in many states in the south, especially Karnataka.

Ankit Jain: Okay sir, so this ethanol contract which is supposed to be over this year, Has it been extended?

Vivek Saraogi: Only 10% quantity. Yes, yes, because that was part of contract.

Ankit Jain: Okay, that is like Rs.21.5 per litre only.

Vivek Saraogi: Yes, 21.5 per litre plus you have the modvat factor.

Ankit Jain: Okay sir, is there any limitations on the amount like percentage of ENA you can sell?

Vivek Saraogi: No. There is a technical limitation of the plant.

Ankit Jain: Okay But then I was just hearing that you know, ENA, you are getting better realizations, but RS because of this slowdown in demand and all, the realization have gone down.

Vivek Saraogi: No, it is not that. It is one follows the other.

Kishor Shah: In fact Pramod Patwari will tell you the breakup of the sales realizations in distillery segment this quarter.

Pramod Patwari: This quarter, we have got an average realization of Rs.30 per litre for RS, and Rs. 33 per litre for ENA.

Ankit Jain: Okay sir, one more thing, in bagasse transfer price of Rs. 250, what is your exportable per unit cogeneration cost coming up?

Vivek Saraogi: If you take the year as a whole, it should be Rs.1.50 per unit because of higher cost on this. Last year, I think it was Rs.1.25 per unit around. This year because



of lower volume, we will have higher depreciation and interest impact, so it should be around Rs.1.50 per unit.

Ankit Jain: Sir, how many crushing days we are expecting this year?

Vivek Saraogi: See, different factories, different days.

Ankit Jain: Average sir?

Vivek Saraogi: 50 lakh bags, average 90 days.

Moderator: Thank you very much sir. Next in line, we have Mr. Chintan Gandhi from Alchemy. Over to you Sir.

Nirmal Shah: Good afternoon sir, I am Nirmal Shah. Sir, I wanted to know what is the debt as on date.

Kishor Shah: Rs.1020 crore, long-term debt. Working capital is Rs.450 crore.

Nirmal Shah: Okay, and sir, what is the inventory as on December 31st.

Vivek Saraogi: We said 11.27 lakh bags old sugar, valued at Rs.14.05 per kg. and 16.89 lakh new sugar valued at Rs.19.05 per kg.

Nirmal Shah: Okay, and sir, in terms of, now for the problem with this season or the crushing may get over early, but for the next season, what is the assessment, is it too early to say

Vivek Saraogi: Far too early to say.

Nirmal Shah: Okay, thanks a lot sir.

Moderator: Thank you very much sir. Next in line, we have Mr. Hiral Desai from Edelweiss Securities. Over to you sir.



Hiral Desai: I have a few questions actually. First one is for Kishor. I just wanted to check, have we made any provisioning in case the last year court case goes against us, so you know if we have to pay 125 for last year, have we made any provisions in the balance sheet for that?

Kishor Shah: No Hiral, we have not made any provision because this is as far as Supreme Court directive. In the annual report 2008, you see we have shown this as a contingent liability, about Rs.90 crore.

Hiral Desai: Okay, that takes care of the inventory changes also. So, you are saying that net impact is 90 crore.

Kishor Shah: Rs.90 crore, yes net of tax.

Hiral Desai: Okay, and the other question is Vivek mentioned that the sugar realizations are currently at about Rs.22 per kg, are there any indications from the government side that you know if sugar realizations go to Rs.24 per kg, will they have any issues with that?

Vivek Saraogi: Basically, I will tell you what in the new situation where cost of production is higher because of lower crushing and lower recovery, the mills have pointed it or North Indian mills have very clearly pointed out the situation to the minister as well as the honorable Prime Minister, so until and unless you revive the sector, which is you pay the farmer on time, pay them that Rs.140 per quintal and get them to plant cane, you will remain a perennial importer. If the cost of our mill is Rs.19 per kg plus on pre-interest basis, the total cost would be about Rs.21 per kg only, so other mills will have average cost of Rs.22 per kg is what we have given, it will go to 22, you are at cost. So, however, the government has seen the situation and they have done the raw sugar bit. So, I think once this raw sugar policy comes into place, let us see how much sugar comes in.

Hiral Desai: Okay. The other question I wanted to check, the recovery on sugar has gone down, are we seeing any fall in the yield on molasses.



Vivek Saraogi: No, no.

Hiral Desai: The yield on molasses is still constant right?

Vivek Saraogi: Yeah, it is constant.

Hiral Desai: Okay, thanks a lot and all the best.

Moderator: Thank you very much sir. Next in line, we have Ms. Ami Shah from Asset Alliance Securities. Over to you ma'am.

Ami Shah: Yes, I have a couple of questions to do with the closing stuff basically, do we have any molasses on hand right now.

Kishor Shah: Yeah, we have. The quantum was 6.94 lakh quintals.

Ami Shah: At what rate is it?

Kishor Shah: Molasses, we value at the market price, which was Rs.200 per quintal.

Ami Shah: Okay, and sir one more thing, how much did we say the distillery capacity right now.

Vivek Saraogi: 320 KL per day.

Ami Shah: 320 KL per day, okay fine, that is it from my side. Rest all the questions answered. Thank you.

Moderator: Thank you very much ma'am. Next in line, we have Mr. Avinash Gupta from Bonanza Portfolio. Please go ahead sir.

Avinash Gupta: Sir, this is query on the import policy. The government is, there is some press newspapers carrying reports that the government is going to permit sugar,



raw sugar import to be refined and can be sold in the country without any duty. Does it come into the part, that government sugar release policy; do they have to follow that?

Vivek Saraogi: Currently, as we understand, I don't think the notification has come after the announcement. They have said duty-free import of raw sugar with re-export obligation.

Avinash Gupta: No, at present, we have the re-export obligation on the grain-to-grain basis.

Vivek Saraogi: Yeah, but tonne-to-tonne has already been done.

Avinash Gupta: No, just a minute, I just wanted to understand, you see last time we had this sugar scarcity, that time also the government has permitted duty-free import, okay, on one side so that they can sell the sugar in the domestic market. On the other side what we have is the sugar release orders from the government. Do the sugar release orders also apply to them, those who are importing the raw sugar, refining it and selling?

Vivek Saraogi: Technically yes, but practically no. The best answer is no if you want honest grass root reply.

Avinash Gupta: Okay. I want to understand as of now suppose if you try to import something like 4 to 5 million tonnes of sugar, I mean, say we are standing at 16 million tonnes and we have carry over stock of about 4 to 5 million tonnes, is that correct?

Vivek Saraogi: No, no, carry over is 7.5 million tonnes.

Avinash Gupta: 7 million tonnes, so we are just at about 23. We are just in a kind of....demand is matching the supply. Now, suppose we have to import about say 3 million tonnes of raw sugar, do you think it will create impact on the investor markets.

Vivek Saraogi: I don't think 3 million tonnes raw can come in this year. There is no refining capacity. Mills are beginning to shutdown. If you see the shutdown, so there is



no bagasse, until you have power or steam, only the refineries would be refining on independent refineries. Peak of independent refining in India, Kishore is it below 8 lakhs?

Kishor Shah: Maximum.

Vivek Saraogi: It is not even a million.

Avinash Gupta: Okay, 8 lakh tonnes only per year can be processed?

Vivek Saraogi: Yeah, if you begin from now.

Avinash Gupta: Okay. So, it cannot make any significant impact as far as the current season sugar availability is concerned. Yeah, not too much, may be everything put together a million.

Avinash Gupta: Okay, and what would be the economics of it, suppose if you import it, what would be the landed cost?

Kishor Shah: The landed cost should be around Rs.17 per kg.

Vivek Saraogi: Yeah. Landed cost means without the refining cost.

Kishor Shah: Yeah, without the refining cost it should be, and refining cost is around Rs1.5 per kg and this does not include the transportation i.e. Transportation cost from the port to the factory

Avinash Gupta: That will be an addition, so that means it will be just a bit about, we will be reaching something like Rs.19 per kg

Vivek Saraogi: If you are a coastal factory, your cost will be below Rs.19 per kg.

Avinash Gupta: Ok, that means those people will have slight advantage over people like us where we are having Rs. 19 per kg as a cost of production.



Vivek Saraogi: Yeah, there would be, but you know one has to see what is the concern on your mind on the re-export obligation. It comes with a rider.

Avinash Gupta: Okay, that is the risk which one carries.

Vivek Saraogi: Yeah.

Avinash Gupta: Right, and government can put a condition, you have to export it at time only when government permits.

Vivek Saraogi: Technically yes, but the policy says you can export any time.

Avinash Gupta: Okay, thank you, that is what I wanted to understand.

Moderator: Thank you very much sir. Participants in the question queue are kindly requested to use only handsets while asking a question. The next question comes from Mr. Jehan Bhadha from Darashaw and Company. **Go ahead sir.**

Jehan Bhadha: Good afternoon. I came upon a statement in your annual report that 25% of molasses is reserved for the manufacture for country liquor, so can you throw some light on this policy of the government whether it affects our company.

Vivek Saraogi: See, the government of UP reserved this quantity for country liquor. Now, if you have a captive distillery, you are not bound by this. But the non-captive distilleries are bound by this, but technically three of our plants which are having distilleries; their molasses are not bound by this order. But the balance is bound, so therefore you are required to sell molasses, 25% of the non-distillery factor, Mankapur, Balrampur, and Babhnan, to these people at market price.

Jehan Bhadha: Fine, so in percentage terms of the total molasses produced by you what would that be?

Vivek Saraogi: 12.5%



Moderator: Thank you very much sir. Next in line, we have Ms. Shibani from Economic Times. Over to you ma'am.

Shibani: Hi. My question is regarding the cogeneration. What is it that you are getting from the government right now, and in terms of the cases are still pending, what could that be, and how much could that really go up and what is the time scale and timeline for this cogeneration?

Vivek Saraogi: At present, Rs.3.06 per unit. There is no case that way which is pending. However, the government of UP is also facing extreme power shortage. They have asked us for additional power, and we have asked for higher rate.

Shibani: How high could that be because down south it is as high as Rs. 7 to 8 per units?

Vivek Saraogi: Not Rs.7 to 8 per unit even in South, it is about Rs.6.5 per unit to my knowledge, but yes, UP could go up by a buck.

Shibani: Okay, and by when is that expected according to you?

Vivek Saraogi: In UP, there is some legal requirement should be there, if it is to happen it could happen as soon as may be you know 15 days to a month.

Shibani: Okay, so you are expecting?

Vivek Saraogi: I am not sure. We are hopeful.

Moderator: Thank you very much ma'am. The next question comes from Mr. Sanjaya Satapathy from Merrill Lynch. Over to you sir.

Sanjaya Satapathy: Yes, you are talking about the extension of ethanol contract for 2 years, can you just tell us what exactly is the quantity of the ethanol that you will be selling under this contract per annum.



Kishor Shah: 10% of it, about 60 to 70 lakh litres.

Kishor Shah: Since the tenders are floated, we will participate on this.

Vivek Saraogi: That is for future, yeah.

Sanjay Satapathy: Sir, when do you expect the ethanol tender to happen?

Vivek Saraogi: Post election according to me.

Sanjay Satapathy: Okay, okay. Lastly, just wanted to know what are the chances of government allowing white sugar import, duty-free white sugar import into India, and also what is the chances of allowing this import of raw sugar without any export obligation.

Vivek Saraogi: The second one is a more viable option. That is raw sugar to come in without duty and without re-export obligation. I think that is what the government might do at the second stage.

Sanjay Satapathy: Okay and there is no chance of the white sugar per se being allowed into India.

Vivek Saraogi: I don't think so. They have also understood that you know this is a price to leave it, without which the farmer cannot get a remunerative price.

Sanjay Satapathy: Okay. My last question sir, if you can give us some indication of FY '10, I mean, do you think that most of our earnings growth in FY '10 will come because of margin improvement or it will be because of volume increase?

Vivek Saraogi: Little bit of both.

Sanjay Satapathy: Okay, but margin improvement, will that be a major factor for FY '10.



Vivek Saraogi: It is difficult. It is too early, next year cane price, next year cane plantation, but we will be equipped to answer this question in the month of May and June, honestly in July-August.

Kishor Shah: Okay, thanks a lot sir.

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

Sandeep Somani: Hello, thanks a lot sir. My question is regards to first on cane cost. Do we expect that cane cost for the current year can increase from whatever average you are indicating Rs.138 per quintal because at the fag-end you might have to pay higher cane prices to the farmers, is that the possibility.

Vivek Saraogi: No, no, not with us. We have crushed more than 75% of our stock already. We will stick to Rs.140 per quintal.

Sandeep Somani: Okay, great sir. Sir, second question is regarding the next year with the prices shooting up as far as sugar is concerned and probably might remain at a higher level, do you have a possibility that next year the cane cost will definitely increase from Rs.140 per quintal.

Kishor Shah: It may go up.

Vivek Saraogi: Yes. It may go up depending on what price sugar reaches by then.

Sandeep Somani: Okay, sir, last question is regard to your working capital, you have indicated that you are giving advance to the farmers at this point of time to retain the crop. Do you think depending on your cash flow position for this year, you tend to increase the debt because of paying upfront payment or advanced payment to the farmers, or you will be comfortable on the cash flow front?

Vivek Saraogi: No, I was probably not clear enough. There are certain pockets where we are reserving seeds. Let us say, getting farmers Rs.20 up front just to reserve seed,



and from farmer x is asked to reserve the seed, farmer y says I want the seed, so he gives 20 and I give the 20. We are playing the role of facilitator, so may be 7 days, my 20 rupees is stuck. So, it is not a substantial amount.

Kishor Shah: No, it does not have much impact on the debt.

Vivek Saraogi: And this is already in the budget. It is already part of expense cane development.

Sandeep Somani: Okay, sir last question on the ethanol front, I was reading today in Economic Times that UP government is intending to ban the export of molasses from state from UP, does it mean that it might be due to oversupply in UP and probably lower realization from molasses or ethanol or ENA or RS.

Vivek Saraogi: I don't think so. The product is already in huge short supply.

Sandeep Somani: Okay, thanks a lot sir. Thank you.

Moderator: Thank you very much sir. The next question comes from Mr. Rajat Chandak of ICICI Prudential AMC. Over to you sir.

Rajat Chandak: Yes sir. Most of the questions have been answered. Just one more thing, how much total volumes of ethanol you are expected to do this year, sugar season 09.

Kishor Shah: We have done so far 25 lakh litres. We expect to supply about 60 lakh litres more.

Rajat Chandak: 60 lakh more litres, okay that is total distillery production?

Vivek Saraogi: It would all depend, you know, this is the extension amount, how much, probably we will tell you a little later, we will check with that division.



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

Vikram Suryavanshi: Good afternoon sir. Can I have the number of units we use for in-house out of the total power produced?

Pramod Patwari: Yeah certainly, just a minute. During this quarter, we generated around 17 crore units, out of that 12 crore units have sold.

Kishor Shah: 12 crore units are sold to Uttar Pradesh Power Corporation Limited and the balanced was used in-house.

Vikram Suryavanshi: In-house, okay, and the second, clarification of the recent announcement that molasses sale out of UP is banned. Is it the first time that they have done or is it that previous years also we have seen similar scenario in the molasses and all that to control prices?

Kishor Shah: UP government, time and again, they announce this kind of policies to make molasses available for country liquor and other chemical industries in Uttar Pradesh. This is not a new thing.

Vikram Suryavanshi: Okay and this is applicable for that what is 20% of the production should be given to the liquor industry.

Kishor Shah: 25% for the liquor industry.

Vikram Suryavanshi: Okay, okay. Thank you sir.

Moderator: Thank you very much sir. Next in line, we have Mr. Kunal Bhatia from Dalal & Broacha. Over to you Mr. Kunal.

Kunal Bhatia: Yeah, hello sir just wanted the breakup of your debt as you have mentioned you have got Rs.1020 crore of debt, just wanted the breakup of it and average cost of debt at the moment.



Pramod Patwari: Out of this Rs1020 crore, around Rs.800 crore is on account of ECBs, which are fully hedged in rupees. Balance is in term loan. Out of this Rs.1020 crore, Rs. 120 crore is interest free.

Kishor Shah: Excise loans which is interest free with a moratorium of 2 years and repayable after 2 years over 24-monthly installments.

Kunal Bhatia: Okay, and sir, on the remaining amount, what is the average cost of interest.

Kishor Shah: The average cost of interest put together is about 9%.

Kunal Bhatia: Okay, and sir, any of the debt is due in the current year or the next year?

Kishor Shah: In the current year, we will pay Rs.105 odd crore. This amount is due till 30th September, 2009.

Pramod Patwari: Payed around Rs. 30 crores

Kunal Bhatia: Okay, thanks. Alright, and sir, just one question on bagasse, as in how much of bagasse inventory do you have currently, and for the full year as in how much of bagasse you would be utilizing.

Kishor Shah: On 31st December, we had a bagasse quantity of 1.79 metric tonnes.

Vivek Saraogi: Having bagasse inventory is you know one should not look at it to be honest, you should look at the target of how much of power has been sold.

Kunal Bhatia: Okay sir, so if you could give me a number of units you would be selling for the full year?

Vivek Saraogi: About 40 crore units against last year's 57 crore units. This is outside sale. We only talk of outside sale figure.



Kunal Bhatia: Okay, yeah, thank you so much sir.

Moderator: Thank you very much sir. The next question comes from Mr. Vinod a Private Investor. Over to you sir.

Vinod: Sir, what is the price approximately, which Gud and Khandsari manufacturers are paying for cane today?

Vivek Saraogi: In pockets, they are paying 155 – 160 per quintal.

Vinod: And that could be a reason for lower supply to us?

Vivek Saraogi: Yeah, it is partly the reason for lower supply, not only to us but the entire state.

Vinod: Okay, and does Rs.140 per quintal for cane in today's circumstances, does it work remunerative to the farmers compared to alternatives like wheat, etc, where the prices have been increased by the government very high.

Vivek Saraogi: Rs.140 per quintal is remunerative, Rs.110 per quintal wasn't. 140 means mills like us are paying in two days or same day.

Vinod: Okay. Sir, you mentioned about the brought forward stock this year is only 7.5 million tonnes, and this year, you expect 6.5 million tonnes as a shortage, so carry-forward stock next year would be only 1 million tonnes.

Vivek Saraogi: Yeah.

Vinod: The imported material cannot be processed till the new season starts.

Vivek Saraogi: I said that from now on 1 million tonnes can be processed.

Vinod: Okay, even in this season?



Vivek Saraogi: Yeah, maximum, that is including the refineries.

Vinod: So, maximum we can expect is a carry forward stock of 2.5 to 3 million tonnes.

Vivek Saraogi: Yeah, maximum

Vinod: And that will be less than next year's shortfall.

Vivek Saraogi: Correct.

Vinod: I think we will have to go without sugar.

Vivek Saraogi: Maybe little bit higher price.

Vinod: Okay. Thank you sir.

Moderator: Thank you very much sir. Next in line, we have Mr. Vinod Birla from Systematix Shares. Over to you sir.

Vinod Birla: Sir, I have one question. Sir, the UP government has taken out 33 cooperative mills for selling. Is it so that the company is interested in buying those mills?

Vivek Saraogi: No, we are not.

Vinod Birla: Okay, thank you sir. That is it.

Moderator: Thank you very much sir. Next in line, we have Ms. Elizabeth John from Keynote Capital. Over to you ma'am.

Elizabeth John: Good afternoon. This is regarding the same question that was being said that government has allowed the import of raw sugar, now wanted to understand that with this, will there be a drop in realizations?



Vivek Saraogi: I don't think so because as we pointed out that raw sugar, the amount that can be processed, there is a limitation. Going ahead, you know, probably as I feel the re-export obligation at some point would be waived.

Elizabeth John: So, there will be still a mismatch going forward.

Vivek Saraogi: Yeah, because raw sugar is a gradual process, and if this re-export obligation is waived with the time limit, probably next year you could have about 2 to 3 million coming.

Elizabeth John: Okay and another thing is about the procurement of cane. Just wanted to understand that can we have some kind of a tie-ups that we have with the farmers for procuring the sugar cane? Do we have any tie-ups with the farmers to procure sugar cane?

Vivek Saraogi: Yeah, there is something called bonding arrangement, but it is without legal teeth. If the farmer decides that he wants to give to somebody else who is making good and offering him higher price, he is free to do so. I am talking practically, I mean, technically no, but practically yes.

Elizabeth John: Okay, that means there is an agreement.

Vivek Saraogi: There is an agreement, it is called bonding agreement. Everybody signs a bond.

Elizabeth John: Any year for it, I mean, the number of years that bond is there.

Vivek Saraogi: Every year.

Elizabeth John: You have to keep on renewing the bond.

Vivek Saraogi: Yeah.



Moderator: Thank you very much ma'am. The next question comes from Mr. Sachin Kasera from Lucky Securities. Over to you sir.

Sachin Kasera: Sir, can you please tell us what are the current molasses prices?

Kishor Shah: Rs.350 per quintal, around that much.

Sachin Kasera: And how have they behaved over the last 6 months sir?

Kishor Shah: It was as high as Rs.500 per quintal but came down to about Rs.350 per quintal.

Vivek Saraogi: But Kishore, this Rs.380 per quintal would be only for the country liquor sector.

Sachin Kasera: Okay sir. Sir, second question is, regarding the bagasse, how much of the bagasse did we sell in the outside market in the last quarter, and what was the average realization there?

Kishor Shah: We sell bagasse to outside party only you know in one of the two factories far from those plants, cogeneration plants, there we sell little bit quantity.

Sachin Kasera: Okay, and secondly, you mentioned regarding the possibility of revision in the power tariff from Rs.3.05, would it be for the incremental power or would it be for all the power that you supply to UPSEB?

Vivek Saraogi: Only for power which probably would be sold from 1st March.

Sachin Kasera: Okay, okay, and it is like a season, it means it would be applicable only for the current sugar season or it would be continuing for the next seasons also.

Vivek Saraogi: Very good question, there are two parts to this. One is for power to be sold because they need from 1st March to whatever, 31st May. Other part is we are



now looking at a tariff revision for 5 years. So, probably this could be for this year. From next year, you are getting into a tariff revision.

Sachin Kasera: And sir, going by the current bagasse prices in the open market, is it more profitable to sell bagasse outside today, or at Rs.3.05 still you are adding well to the power.

Vivek Saraogi: Adding because we want to sell little bit, yes, you can get any price, but if we want to sell the full quantum, we will not get the price.

Sachin Kasera: Okay, and one question regarding sir the interest cost, how do you see it for the current year vis-à-vis last year, and what is the capex for the sugar season in 2008-2009 and 2009-2010?

Vivek Saraogi: Capex, we have nothing going ahead. Just the normal debottlenecking which takes place.

Sachin Kasera: Okay.

Kishor Shah: Rs.100 crore for the year.

Sachin Kasera: Okay, sir, the cash flows of the current financial year, would it mean that we could prepay some more debt over and above the one which is coming as per schedule?

Vivek Saraogi: We would like to but...

Kishor Shah: No exactly, since we have long-term debts, and we are having lot of external commercial borrowings, we are allowed to the pre-paid.

Sachin Kasera: Okay. Because if we go in the first quarter itself, there are mention of cash profit of close to around Rs.75 to 80 crore, and with it being on the positive side and debt repayment of only 100 cores and very little capex, we could be left with surplus cash, so would that mean in terms of working capital savings, I am just trying to get in



terms of you know could we see a significant saving in terms of the interest costs in the Q3 and Q4 of September '09.

Kishor Shah: Yeah, we will be saving, and you know, whatever surpluses will be there from the operations, we will utilize towards reduction in the working capital.

Vivek Saraogi: You have a correct question that even after your working capital goes, your profit amount and your depreciations since you don't have repayment to those extents, whatever is there we will earn interest.

Sachin Kasera: Okay, and sir, at what terms have we done this hedging, what is the price we have paid, overall cost.

Vivek Saraogi: That is included in the interest cost, within 9%. That includes the hedging, LIBOR, everything.

Sachin Kasera: And sir, what would be, this 9% is only the rupee loans, it also includes the working capital?

Kishor Shah: Was entire basket.

Sachin Kasera: Break it between working capital and term loan sir?

Parmod Patwari: Working capital, we are accessing at 8% to 8.5%.

Sachin Kasera: Okay.

Vivek Saraogi: 10% also, at times 10%, earlier was 10, now it is has come down.

Kishor Shah: This 9% is the long-term debt.

Sachin Kasera: And are these long-term debts linked to PLR or something, so that you know with PLR coming down, we could benefit from that.



Vivek Saraogi: No, these are all fixed.

Sachin Kasera: Okay sir, that is all from my side.

Moderator: Thank you very much sir. The next question comes from Mr. Achal Lohade from JM Financial. Over to you sir.

Achal Lohade: Yeah, hi, congratulations for good set of numbers. Just had couple of questions. First on the data point right now, I just wanted to get your sense on you know average realization for the whole year, do we see that crossing Rs.21 per kg on VC, it is holding about Rs.19.5 and 20 rupees.

Vivek Saraogi: See, better to take it quarter to quarter.

Achal Lohade: Okay.

Vivek Saraogi: This quarter, we expect average of Rs. 21 per kg for sure because for the month of January our average realization is around Rs. 20 per kg. Right now, we are selling at Rs. 20 per kg, almost at Rs. 22 per kg. So, this year, you know, whatever happens, the average realization should be well above Rs.21 per kg, to be Rs.21.50 per kg. Yeah, Rs.21.50 per because you have two months left, and thereafter may be Rs.22.5 per kg.

Achal Lohade: Okay, and secondly just wanted to get your sense on the entire Brazil situation like do we see, you know, the next cane utilization to increase significantly for sugar production and you know that impacting the raw sugar prices because I was just wondering like there is no current big production happening in Brazil because their production will end in November-December, so why the sugar prices are still low, I mean, like there is no incremental projection happening the world as such, and still the sugar prices are stable. I understand one, the currency has depreciated against dollar, but still can there be a more room for prices to go up?

Vivek Saraogi: Yes, I think personally international prices are headed strongly upwards because even Pakistan is looking at importing a million tonnes. There is deficit in



Pakistan. India's neighborhood is under serious deficit also, and outside of Brazil, everybody is under deficit. Brazil however has cane. Brazil also, the devaluation of the Riyal has also hit the companies there, like you know the forex borrowings, etc. While Brazil has cane, lot of cane is going still into ethanol because they are fixed contracts. So, Brazil can supply the raw sugar, but not unlimited and not at these prices.

Achal Lohade: Okay. So, I was just wondering about, you know, if India allows raw sugar imports, let us say for the time being we assume that you know it is without any re-export obligations.

Vivek Saraogi: Price will move up globally.

Achal Lohade: Prices to move up globally, and how much would that be, can we get some sense like do we see 28% to 30% increase or do we see?

Vivek Saraogi: No, no, I don't think that far so much, I mean one should definitely look at a 10% increase.

Achal Lohade: Okay and just wanted to check like if it is without any re-export obligations, any of our Eastern mills are you know equipped with processing raw sugar.

Vivek Saraogi: Yeah, we have one of our mills which is fully equipped to do this.

Achal Lohade: And would you be able to, you know, talk about those dynamics like what would be the transport cost, let us say from the port to the mills, and you know from mill to the consumption center. At what price, do we see it is profitable to start refining raw sugar.

Vivek Saraogi: See, if the landed cost of raw sugar remains within Rs.18 per kg. Then, you know, Rs.1.5, Rs.19.5; Rs.1.5, Rs.21 per kg. So if at the port you get it below Rs.18 per kg because our transport cost will be Rs.1.5 because we are right in the middle of UP. So, Rs.18 per kg and production cost, let us say at least Rs.1 per kg minimum, even on variable cost basis, so Rs.18, Rs.19.5, Rs.20.5. So, if it is within



Rs.18 per kg, we will definitely take our view, but only after there is no re-export obligation.

Achal Lohade: Right, I was just wondering like if we are talking about, you know, sugar prices of Rs.21 per kg plus, let us say, going forward because there is no great production in India after that, so you know, by default the prices would be like Rs.21 to 22 per kg realizations, and so it will be profitable for us to process raw sugar in that case.

Vivek Saraogi: Yeah, but only if there is no re-export obligation.

Achal Lohade: Only, if that is. Okay. Do we see like there was news reports saying you know there could be a re-export obligation but need not be from the same port. You can buy from outside and export.

Vivek Saraogi: Yeah, that is okay, that has already been done, but we will not even look at that risk.

Achal Lohade: Okay that is all from my side. Thanks so much.

Moderator: Thank you very much sir. The next question comes from Mr. Darshan Dodhia from SBI Capital Securities. Over to you sir.

Darshan Dodhia: I just would like to know what is the number of days of power generation in the cogeneration business and average number of days, your distilleries will be running this season?

Vivek Saraogi: The power instead of going for which plant, how many days, we are trying to realign bagasse, so that you know few plants are able to run the year around, so that you save on labor and all that, but it would be a more viable to look at the 40-crore units as I said.

Darshan Dodhia: And for distillery, how many number of days your distillery capacity will be running this season?



Kishor Shah: We are looking at 7 crore litres production.

Darshan Dodhia: 7 crore litre production. Okay. The second question which I have is last year Brazil diverted around 58% of your sugarcane towards ethanol, what is your expectation as to how much they can divert towards ethanol this year when the sugarcane production starts in the month of May?

Vivek Saraogi: To be honest, I do not believe this data and I don't have this data. I think, it is very difficult because lot of Brazilian capacity set up in the last two years, being the ethanol only facility, they have no sugar facility.

Kishor Shah: We gather that these companies are also facing cash crunch now.

Vivek Saraogi: Huge cash crunch.

Darshan Dodhia: So, how much swing we can get, I mean, if the international raw sugar prices are rising, from 58%, how much they can go, can they go to 51% and divert more cane towards sugar?

Vivek Saraogi: Can't say but all we know and feel is that once India buys, Pakistan buys, whatever you want to divert, prices will still look up.

Moderator: Thank you very much sir. Next in line, we have Anup Ranadive from Tower Capital. Over to you sir.

Anup Ranadive: Good afternoon gentlemen. Most of my questions have been answered. Just a quick question on the import policy. Sir, you mentioned that the notification is not out, but the policy has been changed to tonne-to-tonne, I just could not understand what exactly you meant about.

Vivek Saraogi: There has been a fresh announcement by the cabinet after the cabinet, notification must be out, I have not yet received the copy.



Kishor Shah: We are likely to receive today or tomorrow.

Anup Ranadive: Okay, but then the policy has been changed from tonne-to-tonne with export obligation.

Vivek Saraogi: Yes

Anup Ranadive: And export obligation within 2 years.

Vivek Saraogi: Yes,

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

Vivek Saraogi: Thank you everyone. Thank you for joining us and taking keen interest. We will be very happy, Kishor, Pramod, myself, anyone to answer any queries which you would have even later on.

Kishor Shah: Thank you.

Moderator: Thank you very much sir. Ladies and Gentlemen, thank you for choosing WebEx Conferencing Service. This concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you.

- ENDS -

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