



Balrampur Chini Mills Limited
Analysts / Investors Q3 & 9M FY2009 Conference Call
July 29, 2009

Anoop Poojari: Thank you Priyanka. Good afternoon everyone and thank you for joining us on Balrampur Chini Mills Q3 and 9M FY2009 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. We would like to begin the call with brief opening remarks from the management, following which we will have the forum open for a Q&A session. I would now like to invite Mr. Saraogi to make his opening remarks.

Vivek Saraogi: Good afternoon everyone and thank you for joining us to discuss Balrampur's operating and financial performance for the third quarter and ninth month ended 30th June 2009.

I would like to begin my discussion with the current trends in the sugar sector and then discuss the Company's operational performance with you following which Pramod will take you through the numbers.

As you know, we are likely to witness a second consecutive year of sugar deficit this sugar season whereas the domestic consumption continues to grow at a steady rate. At this point of time, we expect the country's production in the coming season to be around 16 to 17 million tonnes, even though greater clarity will emerge at the commencement of the 2009-2010 season. Low production expected is primarily due to poor plantation seen last year which reflected in a lower ratoon crop. Further the expected shift by farmers from other crop to sugarcane has been subdued. Below normal rainfall in UP may affect yields per hectare, but recoveries are likely to be better when compared to last year. I would now like to specifically add that in our catchment area, that is the Balrampur Group's catchment area, we have a lot of low-lying areas also where the growth has been very good, and over the last few days, we have seen an average of 2.5 to 3 inches of rainfall over the last three days over all the plants. So, we have to wait and watch, July and August being the grand growth period of cane, we are pretty hopeful that we will enhance our crushing next year. We will come to the figures later on.



The present sugar deficit has led to firm domestic realization. Further, subsequent imports to bridge the gap have also put upward pressure on global prices. Thus, we expect both global and domestic prices to remain firm over the next few quarters. Currently, we are witnessing a realization slightly upwards of Rs. 25 per kg, and we expect these price levels to trend upwards over the next few quarters.

To wrap up, given the strong business outlook in the sugar sector, we believe BCML is in a robust position to take advantage through its integrated model by delivering maximum value to all stakeholders.

Now, I would like to request Pramod to take you through the financial performance after which we will join you for your question and answers.

Pramod Patwari: Thank you Mr. Saraogi. 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 operating performance for quarter three and nine-month period ended 2009.

Revenues during the quarter increased by 70% to 538 crore as against Rs. 316 crore in the corresponding quarter of the previous year. For nine months financial year 2009, the revenues were at Rs.1, 325 crore, a 25% growth as compared to Rs.1, 059 crore in the corresponding period. Revenues were higher primarily during the quarter due to better realization combined with higher volumes.

Operating profits during the quarter improved by 55% to Rs.130 crore as compared to Rs. 84 crore in the quarter three of financial year 2009. During the nine-month period, we registered a 48% growth in operating profits to Rs. 377 crore as compared to Rs.255 crore due to healthy contribution reported by the sugar segment. In addition to this, we did not crush any sugar during the quarter compared to 78.9 lakh quintals in quarter three of financial year 2008, which meant no crushing related operating expenses.

Moving on to the segmental performance. Revenues from the sugar division during the quarter three increased 104% to Rs. 481 crore compared to Rs. 246 crore in quarter



three of financial year 2008 and for the nine months period ended, the revenues are at Rs. 1,154 crore compared to Rs. 857 crore in the corresponding period. PBIT from this segment increased by 579% during the quarter to Rs. 68 crore and by 531% during the nine months to Rs.191 crore. Improved sugar realizations combined with higher sales volumes have enabled this segment to significantly improve its performance. Average realizations for the quarter increased 59% to Rs. 23.06 per kg compared to Rs. 14.53 per kg in the corresponding quarter last year. Similarly, in the nine months period, average realizations were at Rs. 20.36 per kg as compared to Rs. 14.2 per kg in the corresponding period last year. Sales during quarter three and nine months of financial year 2009 stood at 2.03 lakh tonnes and 5.29 lakh tonne respectively as against 1.41 lakh tonne and 5.35 lakh tonne in the corresponding period last year. As on 30th June 2009, we had a closing inventory of 2.28 lakh tonne. This compared to a production of 4.42 lakh tonnes places us in a comfortable position to deliver healthy results in the coming quarters on the back of firm sugar prices of around 25 per kg being witnessed currently.

Moving to the Distillery division, revenues for the quarter stood at Rs. 32 crore against Rs. 51 crore in the corresponding period last year and for nine months revenues stood at Rs. 106 crore as against Rs. 127 crore in the corresponding period last year. Performance here has been subdued due to lower volumes. This was partially offset by better realization. Distillery sales were lower at 12,057 KL in quarter three of financial year 2009, from 25,313 KL in quarter three of financial year 2008. For the quarter, the PBIT was Rs. 12 crore compared to Rs. 20 crore in the corresponding period last year, and for nine months period PBIT stood at Rs.42 crore against Rs. 52 crore in the corresponding period last year.

Moving on to our Cogeneration business, revenues in this segment came in lower at Rs.43 crore for the quarter as compared to Rs. 61 crore in the quarter three of financial year 2008, and Rs. 174 crore for nine months as compared to Rs. 211 for the nine months of last year. Revenues were lower due to lower power generation on account of lower bagasse availability; however, the average realization for the power sold to UPPCL increased by 31% during the quarter to Rs. 4 per unit leading to a PBIT of Rs. 21 crore in the quarter three of financial year 2009 as compared to Rs. 32 crore in



quarter three of financial year 2008. For nine months of financial year 2009, PBIT were at Rs. 88 crore from Rs. 102 crore in the corresponding period last year.

Interest costs for the quarter were marginally lower at Rs. 24 crore against Rs. 25 crore in the corresponding period last year. Going ahead, interest costs are likely to come at lower due to repayment of long-term loans and lower level of working capital utilization.

Profits before tax for the quarter three of financial year 2009 was 205% higher at Rs. 80 crore as compared to Rs. 26 crore in the quarter three of financial year 2008. For nine months, PBT was at Rs. 218 crore as compared to Rs. 107 crore in the corresponding period. Net profit for the quarter rose 293% to Rs. 66 crore from Rs. 17 crore and Rs. 184 crore for the nine months as compared to 82 crore in the nine months of financial year 2008.

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

Moderator: Thank you very much sir. We will now begin the Q&A interactive session. Participants who wish to ask questions, please press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on a first in line basis. Participants are requested to use only handsets while asking a question. To ask a question, please press *1 now. First in line, we have Mr. Nirav Vasa from Gupta Equities. Over to you sir.

Nirav Vasa: Thank you very much for taking my question sir. I have a first query related to the raw sugar position that you have. You have contracted 85,000 tonnes of raw sugar. Sir, has it already landed in the factory gates or it is in ports.

Vivek Saraogi: It is in the port, at factory USD 382 per tonnes. No, it is not in the port, right, Pramod.

Pramod Patwari: Yes, It is in the transit



Vivek Saraogi: It is in the transit. One ship should come in by end August. To sum up, it would be inside my factory before the next season begins. That is when I reprocess it.

Nirav Vasa: Okay, and sir, what would be the ideal time to reprocess the full consignment of 85,000 tonnes.

Vivek Saraogi: We would be doing it over the full period of crushing, and even later on, that we have an availability which is continuous.

Nirav Vasa: And sir, as you are aware that the UP government has started the process of inviting the bids from private parties for the sick units that they had in cooperatives. Would that be an area of interest for the Company?

Vivek Saraogi: We have bid for one unit, which is near our Kumbhi and Gularia plant, so strategically that one suits us, so we have bid for one. We are not going in for more.

Nirav Vasa: Sir, going for this bid would be mainly for getting more area under the cane procurement area, increasing the cane procurement area or is it like that unit requires more capex because I believe that is a standalone unit. It does not have any refinery or distillery operations.

Vivek Saraogi: These are all standalone old plants, impossible to run in its current fashion, so they would all require huge capex, and we have seen over years, I have been like in UP over 25 years almost. We have seen this process. These processes are tough to get through, so you know, one is a little wary, and therefore the muted response.

Nirav Vasa: What would be the inventory sugar as of now?

Vivek Saraogi: We are having 23 lakh bags at Rs.19.26 per kg.

Moderator: Thank you very much sir. Next in line, we have Mr. Sandeep Somani from HSBC. Please go ahead sir.



Sandeep Somani: Good afternoon Sir, my question is regards to the cane availability in overall UP is concerned. Can you give some colour as far as different regions which are Western, Central, and Eastern UP, and how it is going to impact the overall cane production?

Vivek Saraogi: Anything else?

Sandeep Somani: Yes sir, another 2 points would be first what kind of cane pricing you are expecting for the next season and the third would be your take on power tariff revision and levy prices.

Vivek Saraogi: Firstly, the availability. See, I will explain a few demographics to all the participants. East UP is an area where you have ground water at less than 100 feet, so where people have tube wells, yes, I am not saying a drought can be very helpful, but for sure, the lesser availability, ground water is there, so people with tube wells and all, it is not so badly off. Compared to that, I will just give you some data, Maharashtra is at 350-400 feet, and West UP is at 200 feet plus, the ground water level. Having seen the plant growth, the crop growth, we do not feel as dejected as, you know what I get to hear. The reality on the ground is that our plants for sure look like doing more than 10% to 15% more than last year. Over the last 3 days as I mentioned, we have had 2-1/2 to 3 inches of widespread rainfall. As I said, the cane's grand growth period is July and August, so we are not that subdued at all. Rather, I am saying in the current situation, my plants the way the location and the cane situation, is not bad. So, we don't feel that thing, and we feel that crushing should be, we should make 55 lakh bags for sure next year.

Vivek Saraogi: The next was on the power tariff.

Sandeep Somani: Sir, the next one was on the cane pricing.

Vivek Saraogi: Cane pricing, yes. See, cane pricing, there are going to be two components. One, what the SAP comes out, and two, if at all there is a rate war thereafter. We will have to see what is the sugar price. See, SAP, let us assume for a



minute it is at Rs.165 per quintal. Okay, if the sugar price is at a level there is a huge profit, people will fight, let us get it clear. However, the price during the season is slightly tempered. By tempered I would mean let us say it is Rs.26 or 27 per kg, I would call that tempered in my definition going ahead into next year, then the fight will be in pockets. But if price goes Rs.28 to 29 per kg, the fight will be more fierce. Hand on the heart, absolutely this is the situation. It will all depend on how the price plays out, and the next one is on power tariff.

We have a window of, as you are aware, we got a window of 3 months at Rs.4 per unit. UPRC has done the hearing. UPPCL is to file its view. We feel quite certain that before we begin exporting of power, which is in the month of October-November when we begin our season, we surely should get this at the minimum. As a 5-year tariff with some escalation every year.

Sandeep Somani: Right sir. Sir, last one was on levy price. Any call since SMP has been increased and is there any chance of increasing that levy prices, what is the status?

Vivek Saraogi: Levy price will be increased. The government is caught in a bit of legal situation that is why they have not announced the levy price not only for this year but for the last few years. The catch in this is that there has been a judgment of Mahalakshmi Sugar Mills, which says that the actual cane price has to be considered for levy price and not the SMP. Going ahead, the 5 judges' bench in Supreme Court had said that, you know, Government of UP has the power to fix SAP. Then, there was an Allahabad High Court judgment which said that the Government of UP has the power, but the power should be used with certain parameters and keeping certain provisions in mind like sugar price, this and that. It is not an arbitrary power. Now, we are in court in Delhi High Court to say that it is very clear that we have to take actual cane price into account, which is the SAP. So, you have to announce price considering cane price not to be SMP but SAP. The hearing is on, and that is why the government is unable to, you know, go ahead and announce its suo moto. We are hopeful there on the legal front also.

Sandeep Somani: So, that will take its due course.



Vivek Saraogi: Unfortunately, it takes some two, three, or four months before anything happens.

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

Vivek Saraogi: If I may continue, because on the legal situation this brings us to the Supreme Court case that is to come up some time in August, sorry first week of September. This is the appeal of the Government against the Allahabad High Court order.

Moderator: Thank you very much sir. Participants are requested to ask only up to two questions in the initial round and then come back for the followup question. Next in line, we have Mr. Augustya Somani from Kotak Equity. Over to you sir.

Augustya Somani: Good afternoon sir. Just wanted to understand a small bit on the sugar EBIT side. If I calculate the EBIT per bag, it comes out to Rs. 3.3, whereas in the second quarter it was Rs. 5, so in spite of realization increasing Rs. 3 per kg and my cost of the sugar increasing from around Rs.15 per kg to something around Rs.18 to 18-1/2 per kg kind of, the decline in EBIT per bag is kind of confusing.

Vivek Saraogi: Okay, Pramod will explain this.

Pramod Patwari: We completed our entire production in the March quarter itself. Costing in that quarter was on a lower side, so whatever naked expenditure company has incurred in the current quarter, that has taken away the profit.

Vivek Saraogi: Have you understood?

Augustya Somani: No, I have not.

Vivek Saraogi: I will tell you what. As per accounting rules, you have to levy costing, I mean you have to put the costing on the cost incurred till that period. For six months, all production happened. Cost was what was incurred for cane price in six months of



expenditure. Now, the next six months of expenditure gets loaded as we move on to the next two quarters. So, that is a negative impact on the sugar sold also. So, that is the thing. That is why in sugar, you know, you should see the annual costing and the annual realization.

Augustya Somani: Right sir, right. I think I will need to get it clarified later. I can do that later may be with Mr. Pramod.

Vivek Saraogi: We will explain this. Pramod, what was the costing up to March?

Augustya Somani: Let me put the question clearly sir, like the March-end inventory was around Rs.15 per kg.

Vivek Saraogi: I have got your question, I have got your question. Just give me a chance. Pramod, what was your costing?

Pramod Patwari: Costing was Rs.18.15 per kg for the six months period ended up to March.

Vivek Saraogi: And now the costing is?

Pramod Patwari: Now, the costing is Rs.19.26 per kg.

Vivek Saraogi: Okay, so what happens, the costing now is Rs.19.26 per kg against Rs.18.15 per kg. What has happened therefore the sugar sold in the last quarter; you have a negative 100 rupees impact on this quarter. The cost has gone up. The cost has actually gone up for the entire quantity. What you have sold in comes as a negative. If you see the whole year, then you will see that this is the costing, this is the realization, this is the margin.

Augustya Somani: Okay, right sir. Another thing sir, is there any further bagasse available because there was some power production in this quarter as well, even though there was no crushing, so will there be any further power production?



Vivek Saraogi: Not for the next quarter. Bagasse is there, which will be used to, you know, begin the plant's about 10 odd days before the crushing starts.

Augustya Somani: Okay, right, and in terms of the distillery sir, what would be the molasses inventory,

Vivek Saraogi: Alcohol-molasses inventory.

Pramod Patwari: Molasses, we have 4.6 lakh quintals. Alcohol we have 13,500 KL.

Vivek Saraogi: That is 1.35 crore litres. And costing?

Pramod Patwari: Yeah, Rs 15.5 per litre.

Vivek Saraogi: See, Rs.15.5 per litre, 1.35 crore litres.

Augustya Somani: Right, and sir, another piece is, what was the ethanol sales in this quarter?

Pramod Patwari: Sales of ethanol in this quarter was 4420 KL

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

Sanjaya Satapathy: Just wanted on the total sugar production outlook for the country because we are hearing from most of the companies, they are talking about their own production, talking about at least 25% to 30% production growth, but for the overall country, the growth number is far lesser. What could be the difference in opinion, can I just understand that sir?

Vivek Saraogi: I do not see 30% growth anywhere.

Sanjaya Satapathy: Sir, when you are talking about 550 million kgs for you, that is implying almost 30% growth.



Vivek Saraogi: How is it 30%? What was your production last year? 44 to 55 are 20%.

Sanjaya Satapathy: it is 25%?

Vivek Saraogi: And out of this, I am expecting a 10% recovery growth and 10% crushing enhancement.

Sanjaya Satapathy: Sir, do you think this year there will be recovery growth because there will be thrust on crushing the sugarcane much earlier than usual, will it not affect this recovery rate?

Vivek Saraogi: See, what is happening, cane, you know, above two-thirds of the cane is water. So, when there is a dry spell, there is lesser water in the cane. Lesser water means higher sucrose. We have seen this over years. So, in Eastern UP for sure, I can, you know, with what should I say, with ample number of years under my experience, years like this lead to higher recovery. There is early maturity of cane.

Sanjaya Satapathy: Okay. Sir, my second question is relating to this, the way the cost and the margin will behave going forward, do you think that, I mean, which will considering the government intervention and all that, on per kg basis, your margins for sugar can go beyond Rs.4 per kg?

Vivek Saraogi: To take a reasonable catch or sum up on the situation, I think the net means after every cost within Rs. 4 is what we are looking at. See, because you see, as I said in the beginning if the price goes up to March, people will fight for cane and cane price will go up, so in which ever way you want to look at it, I feel a margin next year of Rs.3-1/2 to 4 rupees is very reasonable.

Sanjaya Satapathy: I mean, you are saying that the margin will be around the same level which was there in the current year?

Vivek Saraogi: May be a little higher. Current year what happened the old carryover inventory gave the profit. Next year, the margin will give the profit.



Sanjaya Satapathy: Sir, my last question is regarding your capacity of processing raw sugar, for that matter for the country, how do one know like, I mean, what is the maximum amount that raw sugar can be processed within the country, and specifically for you, this 85,000 tonnes number can be go up substantially from current level?

Vivek Saraogi: See, our total, what should I say, effective capacity where we are not getting into any sacrificing of efficiency or sacrificing of crushing in our plants, would be around 1,10,000 to 1,20,000 tonnes. We have contracted 85,000 tonnes. Yes, we have some space left, but we are not buying now because the cost has really gone up. We bought at USD 382 per tonne, which was a very good price. Right now, the price is USD 440 to 450 per tonne. So, you know, no point buying at these levels. So, we will wait. For the whole country, should be able to do about what, we are now 4 million for sugar next year?

Pramod Patwari: Yes.

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

Nirav Shah: Sir, just a couple of questions. Renuka's Haldia Refinery has commissioned. Earlier, it was meant for re-exports, but now it is selling in the West Bengal region. So, what is the impact you are seeing of the refinery in our market in West Bengal?

Vivek Saraogi: See, India as a whole is one market I would say. Like, you know, in Maharashtra, price was lower a few days back. Guwahati bought sugar from Maharashtra. You know, if Renuka sells here, we sell in UP, whatever, you know, so over on long-term impact is nothing.

Nirav Shah: That is not a major impact.

Vivek Saraogi: No, you should factor this in the total availability of sugar.



Nirav Shah: Okay and sir, average tax rate in 9 months it was around 15.9%, what do we expect for the full year sir, around 21%?

Pramod Patwari: Going forward, it will be 17% only.

Nirav Shah: 17%, any reasons for the tax rate lower on a y-o-y basis because cogen profits have not been that much high?

Pramod Patwari: Going forward, we need not provide anything on account of deferred taxation. FBT has been withdrawn, so we will be under MAT. So, that the rate will be around 17%.

Nirav Shah: Okay, great sir, and sir, other expenditure has fallen sharply. Is it entirely due to the no crushing operations during the quarter?

Vivek Saraogi: Yes, yes.

Nirav Shah: Okay, there is no other component sir, and when do we expect to start our crushing operations.

Vivek Saraogi: November, some time. Second half of November.

Nirav Shah: That is in Eastern UP, but across UP, I mean in Western and Central parts, do we expect some early crushing because there some competition might be there from Gur and Khandsari.

Vivek Saraogi: I think you know nothing before October end.

Moderator: Thank you very much sir. Next in line, we have Mr. Aashish Urganlawar from Share Khan Limited. Over to you sir.

Aashish Urganlawar: How much of an inventory do we expect to hold by the end of this year and any production likely in the fourth quarter in any of the units?



Vivek Saraogi: No, fourth quarter is from now to September, no production, and at the end of the year, about 8 to 9 lakh bags.

Aashish Uppanlawar: Okay, and apart from this, we will have the raw sugar, under this raw sugar in stock.

Vivek Saraogi: Yeah, raw sugar will actually come into the stock some time in December-January because you will start gradually processing from November end.

Aashish Uppanlawar: Okay, and sir, one more thing, what would be the conversion cost for us per kg of this raw sugar?

Vivek Saraogi: We factored in everything. Rs.22-1/2 per kg at the end of, when the sugar is ready for sale.

Aashish Uppanlawar: So, basically you are saying Rs.2 per kg till the factory gate and Rs. 2.50 for refining.

Vivek Saraogi: Yes perfect.

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

Ajay Vora: Sir the gross debt and the cash numbers sir.

Pramod Patwari: At the end of the September, we are expecting a long-term loan of Rs. 970 crore. Short-term loan will be zero.

Vivek Saraogi: Pramod is giving you the data as of September end, and we probably have Rs.350 crore in the bank.

Ajay Vora: Okay, and sir, what is the capex planned for next year?

Vivek Saraogi: Nothing, zero.



Moderator: Thank you very much sir. Next in line, we have Darshan Dodhia from SBI Cap Securities. Over to you sir.

Darshan Dodhia: I just wanted to know what is the quantum of carbon credits you are expected to sell in this year as well as next year?

Vivek Saraogi: See, till now, the methodology is under question. Pramod will give a little brief on that. Okay, I will tell you. Till now, the methodology is under question, so CERs might not be possible. We might go VERs, at a lower rate, but still I am unable to give you clear data, you know, we expect something but I am not sure how much.

Darshan Dodhia: Okay, and my second question is if the company acquires one of the sick mills as mentioned in the con-call earlier, what is the kind of capex be required for this in the next year?

Vivek Saraogi: Very honest, it is not a very serious venture.

Darshan Dodhia: Okay, and what is the kind of distillery...company has quoted ethanol amount for OMCs, has the company submitted any bid for OMCs?

Vivek Saraogi: Yes. We are in the process of bidding. Till now, the bid rate has not been finalized, but it should be at Rs.25 or 26 odd.

Darshan Dodhia: So, what is the quantum you have submitted?

Vivek Saraogi: See, it will all depend on how much they have asked for.

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

Achal Lohade: Couple of question. One, about this raw sugar what you mentioned is 22-1/2 rupees per kg is the post conversion cost. Just wanted to know is it after considering the process loss of 4% to 5%?



Vivek Saraogi: Yes, 4.5%.

Achal Lohade: So, would you be able to give breakup as to this USD 380 per tonne, is it at the port?

Vivek Saraogi: Yes, it is at the port.

Achal Lohade: And how much would be the in-land freight cost.

Pramod Patwari: Rs. 2 per kg up to factory and thereafter processing in the region of around Rs. 2.50

Achal Lohade: Right, so I was just wondering, if one just adds up, then the pure cost of per tonne of raw sugar itself is about 22-1/2, so if one assumes 5% process loss, it goes up, so just wanted to know is this...?

Vivek Saraogi: Rs. 2-1/2 per kg includes this loss.

Achal Lohade: It includes the loss ?

Vivek Saraogi: Yes. It includes the loss as well as opportunity cost for export of power.

Achal Lohade: Okay, and about this other expenditure, which was lower than the second quarter as well as the last year same quarter. Just wanted to know is it going to remain in the same in the fourth quarter as well. What kind of expenditures do you look at paying in fourth quarter, considering cane development expenditures and all?

Vivek Saraogi: We have some cane development, repairs and maintenance, we have salary wages, factory overheads, etc.

Achal Lohade: Right, so rough cut, how much would that be sir?

Vivek Saraogi: Pramod will make some estimate and tell you.



Achal Lohade: Sure sir, and just on the yield, just wanted to know you said your crushing volume, you are looking at 10% to 15% higher, the recovery rate would be 10% higher.

Vivek Saraogi: Yeah, that is my expectation.

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

Mona Newatia: Yeah, you mentioned that you are expecting the yield per hectare to be lower. What is the reason for that?

Vivek Saraogi: See, that was a general dialogue, you know, because of the weather. I am not saying that for our area at all. My area I think the yield would be slightly higher.

Mona Newatia: Okay, and obviously the recovery you are optimistic about because of the rains being lower overall.

Vivek Saraogi: Yeah, and rains, you know, I am not saying rains have been absent. You know, we have had sporadic rainfall. Obviously, a little scantier than the ideal levels, but it has not been a naked dry spell, you know.

Mona Newatia: Correct, okay, right, and another thing, you mentioned the inventory cost at 19.26. This is pre-interest or?

Vivek Saraogi: This is pre-interest.

Mona Newatia: But including depreciation?

Vivek Saraogi: Yes including depreciation.

Mona Newatia: Okay.



Vivek Saraogi: For example, next quarter, our interest component we have would be on the fixed asset, I mean, the long-term loan. We would be earning interest on our deposit with the banks. We will have a very marginal interest impact next quarter.

Mona Newatia: Okay, yeah, I get it, so I mean if I were to, like you said, it is better to look at this on an annual basis, so what would be the costing by end September of sugar?

Vivek Saraogi: Yeah, yeah, that is a good question. Pramod, what would be the cost?

Pramod Patwari: Around Rs.20.30.

Mona Newatia: Okay, great, and any more production expected for ethanol?

Vivek Saraogi: No, nothing.

Mona Newatia: Or alcohol in the fourth quarter because you are carrying.

Vivek Saraogi: We are carrying molasses, and probably you know not sure whether we would run it in September or October. See, our plants begin in November. I don't want to start up operations for 10 days in the middle; you would rather start it 10-15 days earlier than your season begins. Then there is business in continuity.

Mona Newatia: Understood, and another UP-based company has recently made their boilers also coal-based, and are planning to sell power even in the non-crushing season.

Vivek Saraogi: Yeah, I am also looking at that. I believe Dhampur has done that, and there is a talk of open access on that power. The moment permissions are received, we will go ahead aggressively.

Mona Newatia: So, right now, there is no open access to that, you can't sell that power.



Vivek Saraogi: Yeah, but I am not saying you can't, that is the law. The law allows you to sell it, but you need permission still. The law says you take permission and sell. So, let somebody get it, then we will do our investment, the whole project is planned.

Mona Newatia: Understood, okay. Another question sir, in hindsight, considering that realizations in the third quarter were around Rs.23 to 23-1/2, do you feel that you have sold little aggressively or more so because of the expectations of realizations going ahead is quite positive.

Vivek Saraogi: Yeah, okay, I got this question informally earlier. I was wanting somebody to take it up, so that I could clarify. Okay, I have some data in front of me because this was, you know, sort of asked to me, Pramod, Kishor, everyone. So, Balrampur is having 51.75% of its production as stock. Bajaj 51.5%, Dhampur 52%, Triveni 56%. Now, in this quarter, we sold 20 lakh bags. We believe Bajaj has sold, how much? 16 lakh bags. Okay, and the stock is the same as a percentage to production. Whereas he has produced much more than I have comparatively. What is his production Pramod? 64, I think is the production. Now, what is happened is if I have sold, 20 this quarter, I have sold 12 lakh bags the previous quarter. If I have sold 20 lakh bags this quarter at Rs.23.5, I sold 12 lakh bags in the previous quarter at Rs.20 point something. And if you are at same percentages, these guys have sold much higher in those quarters. I have sold, at Rs. 3 per kg higher. And if you see the net realization of new sugar, Balrampur's sale policy would be transparent. I think it would come out as the best. Secondly, this was the election period, and there was a lot of government, you know, sort of extra releases. So, we did not want to take the chance of probably fouling up in the election time. We don't want to, you know, take them on attritional levels.

Moderator: Thank you very much ma'am. Next in line, we have Mr. Avinash Agarwal from Sundaram BNP Paribas. Over to you sir.

Avinash Agarwal: Sir, just wanted to understand the UP Co-operative model and would you only asset, would you lease it for a certain number of years, etc., I mean, how would it work?



Vivek Saraogi: Let us see the thing. We have just put in a technical bid. We will be evaluating everything before actually, you know, taking the call.

Avinash Agarwal: Sir, and do you see a situation in the country where the retail prices are controlled by the government, and thereby, you know, cutting the distribution margins that the trade enjoys. Do you see such a situation coming in at a certain point and how would sugar mills benefit or how they react to the situation?

Vivek Saraogi: No, I don't think so. The government also knows that if prices go up, a big constituent of their vote bank, that is a huge upside also, which is the farmer. We don't think anything of this sort is around the corner.

Avinash Agarwal: No, I am not talking about.

Vivek Saraogi: I know, controlling the retail business, no. I don't think so.

Avinash Agarwal: Okay, and sir, lastly, just data point, Mr. Pramod, could you just give us molasses valuation?

Pramod Patwari: We transfer the molasses at Rs. 200 per qtl.

Moderator: Thank you very much sir. Next in line, we have Mr. Vivek Kumar from Anand Rathi Financial. Over to you sir.

Vivek Kumar: Good afternoon sir. One question is that how do you see the governments would take, what measures the government could bring in to control the sugar prices or what would be the effective measures from the government?

Vivek Saraogi: See, it all depends you know. I personally don't see anything which is going to be because you know the government does not have stock, and I don't think they have clarified their policy on raw sugar, that is the sugar which has been bought in under the period which said no re-export obligation, that has been extended, so you know sugar can be met out of stocks, and if there is dal, there are pulses, there is wheat, there is paddy, rice, sugar, I mean, everything runs on demand and supply. So, yes, the



government was very concerned in the election period that has passed. The farmer is the beneficiary of this process, so I don't think the government will, you know, take any untoward steps.

Vivek Kumar: So, even at this current level, it will allow the prices to move up. The government does not have any tools to curb the prices further.

Vivek Saraogi: See, if you know, of tools you know, some drastic things I don't know, but logically there is nothing, and I don't see anything happening. See, let me give you my view, I might be right or wrong. The view is very simple. If price is Rs.25.10 per kg or Rs.25.20 per kg now, it goes up to Rs.27 per kg before crushing begins. It is absolutely okay according to me. The retail would be at Rs.30 per kg levels. It is palatable. Next year, when you go ahead, and you pay the farmer more, I mean, obviously your sugar is coming out of the price you paid the farmer. So, if you pay x times to the farmer, and the cost is y, and the domestic price is you know whatever it is, the only sugar which is coming in is international sugar. The international sugar landed cost goes to USD 450 per tonne of raw sugar, which is at is now, and moves up from here, the processed in the godown cost will be Rs.27 to 28 per kg only. So, it has got to be benchmarked to something. We benchmark it to cane price, you benchmark it to international price. That way you will get your Indian price.

Vivek Kumar: So, net-net, you mean that the government won't be able to do much in controlling the prices?

Vivek Saraogi: I don't think so, and I don't think that government will be interested in tampering with it beyond a point.

Vivek Kumar: Okay. Now, elections are not there, so it won't be much of a concern.

Vivek Saraogi: As you see, inflation is not a scare in the market right now with the government's finance minister.

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



Sanjay Manyal: Yeah, hello sir. Just wanted to know one thing, how much sugar you have sold in this month, current month?

Vivek Saraogi: This month is yet to finish, 4-1/2 lakh bags.

Sanjay Manyal: Okay, and as you said that you will be carrying almost 8 lakh bags at the end of the year. You will be selling almost 14 to 15 lakh bags.

Vivek Saraogi: Yeah, average of you know I am saying September might be little higher because that is festive season, you know, may be 4-1/2 lakh bags and 5-1/2 lakh bags, that kind of a thing.

Sanjay Manyal: Okay, and next year, as you said that you are looking forward to sell almost 55 lakh bags.

Vivek Saraogi: Yes, plus the raw sugar.

Sanjay Manyal: Okay, okay, and your estimates were 4 million tonnes you were saying that the overall country will be importing next year.

Vivek Saraogi: Yes.

Sanjay Manyal: And this year, you have included the contracted sugar?

Vivek Saraogi: I have included the contracted, see don't hold me to this, and I will get back with the better estimate.

Sanjay Manyal: Okay, okay, fair enough. I think, yeah. Just one more thing on the power generation. I believe there will not be any sale from the power segment next quarter.

Vivek Saraogi: No, there won't be.



Sanjay Manyal: Okay, fair enough, and one more question on the global front. If you can, you know, say what would be the Brazilian production next year, so is there any way that it surpasses 35 million tonnes.

Vivek Saraogi: I don't think so. See, people I am in touch with internationally, they believe that the Brazilian production won't go up too high. There is weather disruption there also, and outside of Brazil, the entire globe is in a shortage. I am bullish on international price also.

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

Kunal Bhatia: Sir, I just had one basic query. Just wanted to know like your experience as in what range would be the sugar prices go say in one year's time, taking into account, yeah, inflation not being the concern, but in the consumer price index, sugar does hold higher proportion, and also taking into account, what would be the government's step in regarding subsidizing the sugar, and how will it affect the industry?

Vivek Saraogi: See, we have told the government, and the government does understand, and our minister, especially since he is very closely associated with the realities, ground realities of the industry, the moment you subsidize, you import raw sugar on government account and subsidize it, you are actually giving subsidy to the Brazilian farmer. You would rather give it to the Indian farmer. So, I don't think this anti-farmer step should be on its way. Price range for me is, as I said, upwards from here. I would be very happy to see it play out gradually upwards. Therefore, you know, if it goes to Rs.27 per kg odd, Rs.26 or 27 per kg before next crushing begins, and thereafter move up another Rs.2 per kg.

Moderator: Thank you very much sir. Next in line, we have a followup question from Mr. Aashish Upganlawar from Sharekhan. Over to you sir.

Aashish Upganlawar: Yeah, just missed your point on the cogen realization going ahead, I mean, you said something.



Vivek Saraogi: I said it should be not lower than the rate fixed for this 3 months we get, which is Rs.4 per unit, and as usually, you know, there is a 2% escalation every year.

Aashish Urganlawar: So, this year, you are saying this would be possible from next sugar season?

Vivek Saraogi: Next sugar season.

Aashish Urganlawar: Okay, but in the interim for Q4, I mean?

Vivek Saraogi: There is no power for Q4.

Moderator: Thank you very much sir. Next in line, we have Mr. Sandeep Somani from HSBC. It is a followup question.

Sandeep Somani: First is that you have inventory of alcohol. You intend to sell most of the alcohol in the current quarter or you will be carrying some alcohol as well?

Vivek Saraogi: Should be carrying something for the month of October-November also. We are not going to produce anything seriously then. So, it will also be sold like you know gradually.

Sandeep Somani: Right sir, and my second question is regard to the exportable power is concerned. This time, if my number is correct, you sold close to 377 million close to units outside, exported outside. With the raw sugar being converted, which you intend to do, would that impact the incremental exportable power, or you will be able to grow from this number.

Vivek Saraogi: We will be able to grow from this data definitely. We hope that we should be able to touch 50 crore units next year.

Moderator: Thank you very much sir. Next in line, we have Mr. Sachin Kasera from Lucky Securities. Over to you sir.



Sachin Kasera: Yes sir, just wanted to get hang on your interest cost for the next year, where do you see it?

Vivek Saraogi: Long-term interest cost will be there. Short-term will be very marginal.

Sachin Kasera: Okay, so for example I think current year we should be close to around 95 to 100 crore in terms of FY '09 interest cost, so could be say close to 60 to 65 crore next year?

Pramod Patwari: Currently year it will be around Rs.100 crore.

Vivek Saraogi: Current would be Rs.100 crore because you see Rs.980 crore is long term debt. Our average borrowing is about 8-1/2 to 9%. That is Rs. 81 crore on its own.

Sachin Kasera: Okay, okay, so you won't be repaying down anything in FY '10, no major repayment.

Vivek Saraogi: There are repayments, and we are taking working capital to be very marginal. So, whatever repayment is there is out of cash accruals.

Sachin Kasera: Okay, what is the repayment for FY '10 sir, the schedule?

Pramod Patwari: Rs.145 crore.

Sachin Kasera: Rs.145 crore, but you won't be doing anything major for working capital?

Vivek Saraogi: We won't be needing.

Sachin Kasera: Okay, okay, thanks a lot.

Moderator: Thank you very much sir. Next in line, we have Mr. Nirmal Shah from Alchemy. Over to you sir.



Nirmal Shah: Good afternoon .Sir, wanted to get more sense on the Central UP size you can give us sir?

Vivek Saraogi: The whole thing is that you know it is too early to give you that kind of a detailed sense, but UP as a whole, I think not more than 10% than over last year. I think Western, the way people are seeing, Western will not be able to crush, but you know let us not get into this. It is too tough right now because you know somebody will say for somebody else's area. I don't want to get into that.

Moderator: Thank you very much sir. Next in line, we have Mr. Abhilasha Satale from Techno Shares. Over to you Maam

Abhilasha Satale: Sir, actually I just wanted to know what is your replacement cost, like say 1000 TCD sugar plant with distillery capacity and power plant capacity? Sir, for 1000 TCD sugar plant or any you know sizeable capacity whatever u think?

Vivek Saraogi: 1000 TCD is tough to say, but you know, for let us say 7500 TCD plant, the power and the distillery close to 370 to 400.

Abhilasha Satale: And sir, what will be the viable capacity for a distillery capacity for 7500 TCD?

Vivek Saraogi: 60 KL.

Abhilasha Satale: 60 KL, and this power capacity sir?

Vivek Saraogi: About 20 MW saleable.

Moderator: Thank you very much sir. Next in line, we have Mr. Rohit Sanghvi from Prime Securities. Over to you sir.

Rohit Sanghvi: Yeah, my questions are already answered. Thanks.



Moderator: Thank you very much sir. Next in line, we have Ms. Shipra Pandey of HSBC. Over to you ma'am.

Shipra Pandey: Hi, my questions have been answered. Thank you so much.

Moderator: Thank you very much ma'am. Next in line, we have Mr. Kamlesh Ratadia from Enam Holdings. Over to you sir. Hello, Mr. Kamlesh? As there is no response, we will move on to the next question.

Bhavin Chheda: This is Bhavin Chheda from Enam Holdings. Sir, what is your state-wise production estimate for coming season versus last season?

Vivek Saraogi: Getting into state-wise is, you know, tough right now.

Bhavin Chheda: But UP and Maharashtra, is it anywhere.

Vivek Saraogi: See, not more than 10% growth. That is why I said from 14.7 million tonnes to 16 to 17 million tonnes. 10% growth takes you to 16.2 million.

Bhavin Chheda: But which will be higher, you think, Maharashtra will compensate for UP or UP will compensate for Maharashtra?

Vivek Saraogi: Tough at this moment, just give it some time.

Moderator: Thank you very much sir. Next in line, we have Mr. Shekar Singh from Goldman Sachs. Over to you sir.

Shekar Singh: Sir, just wanted to know like for the next year, what did you say was will be your total production?

Vivek Saraogi: We are expecting for our group as a whole 55 lakh bags.

Shekar Singh: And this includes raw sugar?



Vivek Saraogi: No, no, this is outside of raw sugar. See, we made 45 last time. We expect 10% growth in crushing, 10% in recovery.

Shekar Singh: Secondly, just sir, one more question like at the current minimum support price for wheat and rice and similarly for corn and soya bean, at what level of sugarcane price do you think it will be attractive for farmers to go in for sugarcane in a bigger way?

Vivek Saraogi: Whatever is the next year's price will be attractive but it will all depend on what are the prices of other, you know, crops next year. The sugar price increased let us say Rs.145 to 170 per quintal, cane price, and if proportionately other things also increase, the attractiveness becomes that much lower.

Shekar Singh: No, but right now, at the current price level, say we take Rs.175 per quintal for sugarcane.

Vivek Saraogi: It will be attractive, but you know, for example paddy in Andhra, in a big way, they are switching to paddy, so what we are doing right now. We are going for intensive intercropping to trench planting and other unique methods. We are encouraging farmers for intercropping.

Shekar Singh: Just wanted to understand like are we getting into a scenario with the current prices, we are like refining or sugar will be long-term thing, it will not just be a one or two-year phenomena but it is a long-term viable option.

Vivek Saraogi: Long-term means?

Shekar Singh: In the sense like right now say for the year or two years, we are having a sugarcane deficit situation. Therefore, refining looks like a viable option, but with the current support prices for wheat, rice, corn, and soya bean, it is looking as if like for the farmer to shift back to sugarcane, the sugarcane prices have to go up significantly.

Vivek Saraogi: Refining, you have got to understand when there is shortage, it is very attractive. How much time the shortage will continue, I am, you know, production like



from 147 goes up to 165 let us say. From 165, it goes up to 210, even then you know there is some scope, but as we move ahead, I am very sure I have visibility over 2-1/2 to 3 years on the sugar price because of the global market, because of the Indian situation. Beyond three years, you know production will grow but so will consumption. You will come at, at par situation, if you ask me to give you a 3-year visibility on the third year.

Shekar Singh: Okay, sure, thanks a lot sir.

Moderator: Thank you very much sir. Participants, who wish to ask questions, please press *1 now, and the last question is from Mr. Bimal Parekh from Sunidhi Enterprises. Over to you sir.

Bimal Parekh: You have said that your recovery will be 10% higher, so automatically your cost will come down by 10%.

Vivek Saraogi: Yes.

Bimal Parekh: And this will be applicable only for UP or you think all over India?

Vivek Saraogi: Region wise, but I think recovery should move up for India as a whole also.

Bimal Parekh: As a whole, it will be 10% higher.

Vivek Saraogi: I am not saying that, but you know it will move up.

Bimal Parekh: May be 7% to 8%.

Vivek Saraogi: May be,

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



Vivek Saraogi: Thank you everyone for participating and being with us and for any further questions Pramod is there, I am there. Thank you so much.

Pramod Patwari: Thank you.

- ENDS -

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