



Balrampur Chini Mills Limited

Q4 and 12M FY 2010 Results Conference Call – November 18, 2010

Karl Kolah: Good afternoon everyone, and thank you for joining us on Balrampur Chini Mills' Q4 and 12M FY 2010 Results Conference Call. We have with us today Mr. Vivek Saraogi, Managing Director of Balrampur Chini Mills; Mr. Kishor Shah, Director and CFO; and Mr. Pramod Patwari, GM, Finance, of the Company.

Before we begin with this call, I would like to point out that some statements made in this call may be forward looking and a disclaimer to this effect has been sent out in the conference call invite. We will now begin the call with brief opening remarks from the management, following which we will have the forum open for discussion.

I would like to invite Mr. Saraogi to make his opening remarks. Over to you Vivek.

Vivek Saraogi: Good afternoon everybody and thank you for joining us to discuss Balrampur's operating and financial performance for the fourth quarter and 12 months ended 30th September, 2010.

I would like to begin my discussion by taking you through the key developments and updates in the sugar sector, after which Kishor will take you through the financial performance for the quarter and 12 months ended 30th September, 2010.

The last few quarters have been very challenging for the sugar industry and we were no exception. The industry had initially estimated a low production, which led to millers paying a substantially higher sugarcane price. This combined with relatively low sugar realizations has led to a decline in overall profitability. Moreover, low levels of operations led to an underperformance in volume in distillery and cogeneration division as well.

The country sugarcane production for the next season is expected to be around 25 million. This is primarily on account of increase in acreage of about 10 to 15% in UP and Maharashtra, combined with anticipated improvement in recoveries. A better clarity on the estimates will be visible after the commencement of the sugar season.



Going forward, an anticipated higher sugar production next season will lead to a notable increase in volumes for our Company. We expect to crush 6.7 crore quintals of cane against 5.4 crore quintals crushed last year. Higher sugar production will lead to higher utilization levels, thus enhancing cost efficiencies and at the same time reducing our cost of production per unit. Our distillery and cogen segment will also benefit from higher availability leading to higher volumes and higher profitability.

Let me now take you through the key highlights of the company. During the 12 months ended, the company modified its power plants at Haidergarh and Mankapur into multi-feed boilers. This is a total of 38 MW capacity modification at an investment of ₹ 15 crore. The company sold 696 lakh units from coal-based power at an average of ₹ 5.05 per unit. During the 12-month period, the company has also commenced a 500-tonne refinery at Haidergarh with a capex of ₹ 6 crore. The facility could be used to refine raw sugar as and when required.

To conclude, I would like to say that enhanced production next year would improve volumes across all business segments. Greater cane availability combined with better-anticipated recoveries should augment the Company's production. A higher sugar production will lead to increase volumes in the allied businesses and cost efficiencies in all three segments. An integrated model and a strong balance sheet gives us more comfort as we move into the next season.

I would now like Kishor to take you through the financial performance of the Company.

Kishor Shah: Thank you sir. Good afternoon everyone and thank you again for joining us on today's conference call. I would like to briefly discuss with you BCML's financial and operating performance for Q4 and 12M FY 2010.

Net revenues for 12M FY 2010 was higher at ₹ 1,987 crore as against ₹ 1,705 crore. For the quarter, revenues increased by 35% to ₹ 513 crore as compared to ₹ 380 crore in Q4 FY2009. For the 12 months, operating profit stood at ₹ 249 crore as compared to ₹ 453 crore in the corresponding period last year. During that quarter, we made an operating loss of ₹ 25 crore as against a profit of ₹ 76 crore. This was largely due to high cost of inventories on account of high cane price.



Moving on to the segmental performance, in 12 months FY2010, revenues from sugar segment were at ₹ 1,800 crore compared to ₹ 1,510 crore in FY2009, a growth of 19%. For the quarter, revenues grew 32% to ₹ 470 crore when compared to Q4 FY2009. For the 12 months FY2010, we sold 56.69 lakh quintals as compared to 66.41 lakh quintals in last year. Sugar sales for the fourth quarter was higher at 15.5 lakh quintals as compared to 13.57 lakh quintals in the corresponding period. For 12M 2010, free sugar realizations were higher at ₹ 30.20 per kg versus ₹ 22.12 per kg in the corresponding period last year. Free sugar realizations for the quarter were at ₹ 27.12 per kg versus ₹ 27.26 per kg in the corresponding period. PBIT from the segment stood at ₹ 54 crore for 12 months as against ₹ 249 crore in last year. During the quarter, the company made an operating loss of ₹ 54 crore as compared to profit of ₹ 59 crore from the sugar segment.

In distillery division, the company reported lower revenues and operating numbers owing to subdued sales as well as realizations. For the 12 months period, revenues stood at ₹ 97 crore as against ₹ 131 crore in the corresponding period last year. Revenues for the fourth quarter were at ₹ 21 crore as against ₹ 25 crore in corresponding period last year. For 12M FY2010, distillery sales stood at 39,269 KL as against 49,792 KL in last year. For the quarter, sales were at 8,520 KL as compared to 9,142 KL in Q4 FY2009. Average realizations for the quarter under review stood at ₹ 24.16 per BL as compared to ₹ 27.23 per BL in Q4 last year. For 12 months, realization stood at ₹ 24.37 per BL as compared to ₹ 26.14 per BL in the last year.

Coming to our cogeneration business, performance from this segment improved on account of sales from coal-based power generation. Revenues from this segment increased by 31% to ₹ 239 crore in 12 months as against ₹ 183 crore for last year. For the quarter, revenues were higher at ₹ 43 crore, a 380% growth over the corresponding period in last year. For 12M FY 2010, PBIT was higher at ₹ 84 crore as against ₹ 80 crore in FY2009. The company delivered an operating profit of ₹ 42 lakhs for the quarter as against the loss of ₹ 8 crore in Q4 2009. During the quarter, cogeneration sales stood at 514 lakh units compared to 7.8 lakh units in corresponding period last year. For 12M FY2010, sales were higher at 37.85 crore units as compared to 35.77 crore units in FY2009. Sales from coal based power generation during the quarter and 12 months were at 510 lakh units and 696 lakh



units respectively. Average realization for 12M FY2010 stood at ₹ 3.96 per unit versus ₹ 3.40 per unit in the corresponding period last year. Average realization during 12 months FY 2010 from coal-based power stood at ₹ 5.05 per unit.

Interest cost for 12M 2010 was lower by 6.5% at ₹ 91 crore. The Company continues to strengthen its balance sheet and expects a further reduction in interest cost going forward. PAT for 12 months 2010 stood at ₹ 28 crore. We made a loss of ₹ 78 crores for the fourth quarter. Reasons for this performance were discussed by Mr. Saraogi earlier.

That is all from my end. We would now like to address any queries or concerns you may have. Thank you.

Moderator: Thank you very much sir. We will now begin the Q&A interactive session. First in line, we have a question from Mr. Nirav Vasa from SBI Capital. Over to you sir.

Nirav Vasa: Thank you very much for taking my questions sir. Sir, my first question pertains to the pricing that you are offering to the sugar farmers. Is it in line with the SAP or can you throw some light on that?

Vivek Saraogi: I will try to address the cane price this year, my view on the sugar, distillery, cogen, you know, more cohesive terms and how I see spots and global markets.

This year, we are going to pay ₹ 205 per quintal. Legality of SAP announcement after the FRP regime has not yet been tested. We are in call to take that. However, that would take about 2 to 3 months to come. That is my view. Having said that, we should account for this year's cost of cane as ₹ 205 per quintal, which is the SAP.

As I mentioned in my opening speech, there has been an increase in acreage of about 10 to 15%. However, my visit to UP and talks with others reveal that yields in UP are not going to be very good, especially in the Western part of UP, which as you are aware, was affected by heavy concentrated rainfall in the month of September. Yields are bad, so my personal view is that production will not be able to touch 25



million tonnes also. Maharashtra definitely would produce more. UP would produce lower than anticipated, especially in the Western UP region.

Having said that, our view on consumption is extremely robust particularly with all the bulk users that are the soft drinks, sweets, etc. Their demand is constantly growing. It would not be out of place to mention that consumption could be upwards of 23 million tonnes with utmost ease.

So, the surplus for this year is very limited out of marginal quantity of maybe 1.5 million tonnes. The government has done the following on the export front. One, it has allowed the ALS export to go out, which is about 1 million, and therefore, that would go out of the system. Date given for that is March 2011. Outside of that, the government is also looking at allowing exports. Some quantity of exports would also definitely move out. I would think that because of the ALS plus the exports, the surplus could be eaten up and we could dip into inventory. There is no scenario where there would be an excess this year in terms of ultimate availability of sugar, production minus consumption minus exports.

Therefore, the price projection from hereon in is that we expect as we move into production months, prices dip. Right now, prices in UP are upwards of ₹ 29 per kg. They would dip, a rupee, maximum ₹ 2 per kg and then get back and you could see upwards of ₹ 30 per kg after the crushing season finishes. Our price projection with sugar remains firm as we enter into this season and especially when this season is over, the sugar produced out of this season is sold.

Secondly, we come to the allied businesses. With an increase in volume in crushing, we will have not only higher volumes, but higher volumes in all three segments mean that cost of production in all three segments goes down. Power costing will come down from last year; volume will increase from last year. This is a double benefit and you are locked into your PPA, so there is no variation in pricing due to the higher volume.

The same thing is going to happen in the distillery business and this ethanol announcement is extremely, extremely positive. You are locked into your distillery profits also in terms of contracts with OMCs. We have contracted more than 60% of our available alcohol. Around 60% of our available distillation capacity is based on



production of ethanol. So, there is price visibility on these 2 fronts. There is volume visibility on these two fronts. On the sugar, I have given you my view.

On the world market, the only dampening factor according to the people is that India would export large quantity. I don't think that will happen. India would export including the ALS, maximum of 2 to 2-1/2 million tonnes, which is also going to be in a truncated fashion. It will happen month by month gradually in tranches of may be 5 lakh tonnes. I do not see that putting extreme pressure.

The largest player remains Brazil. The whole markets will be determined by Brazil. If we see the entire region of Asia, I think if you call it highland or whatever or to the perfection of India production or any other country, be it Pakistan or whatever, Asian region remains a deficit. In the European Union, there is marginal quantity. Brazil therefore remains the factor and as we read the dry weather, etc., in Brazil, I would see that the world market would remain at a level where it will be easier for the coastal areas such as Maharashtra. With their amount of cane, for what cane price they pay for, and the recovery they get, they will be able to sell out their sugar into the world market without a big problem. In the worst times, I have seen that India would be technically in a surplus, the world market has moved up and the other parts of the globe remain to be in deficit. This is a beautiful situation. I think I remain extremely optimistic as we enter into next year.

Nirav Vasa: Sir now, considering the fact that you are paying around ₹ 205 per quintal, are they happy with this pricing and are they considering keeping the ratoon cane or just uprooting the sugarcane crop?

Vivek Saraogi: They are extremely happy. There is no fight this year. We will begin crushing smoothly and I think there should be one rate, which they may have throughout the season.

Nirav Vasa: Have you entered into long-term coal purchase agreements?

Vivek Saraogi: No. For next year, we have not bought any coal.

Nirav Vasa: Thank you very much, sir.



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

Achal Lohade: Good afternoon sir. How are the gur-khandsari prices and what kind of cane prices are they offering at the moment?

Vivek Saraogi: Gur and khandsari manufacturers right now are paying, you know, in a region of ₹ 160 to ₹ 190 per quintal, but as mills begin crushing full-fledged and the recovery improves, they will enhance their prices.

Achal Lohade: So, does it also indirectly mean that the farmers may supply or may continue to supply good amount of their cane crop to sugar mills rather than selling it to gur-khandsari manufacturers?

Vivek Saraogi: I will address this. This is due to diversion as a factor. There is perception that there will be excess diversion towards the mills this year. I do not agree with that because if you see diversion as a percentage, the larger diversion to or from the mills happens in Western UP. If you see Eastern shutdown in March, Western ran up to April end. That was because of last year's prices, the entire cane came to the mills. So, if you take diversion as a percentage, I do not see it increasing disproportionately towards the industry, and as I said, due to the season and mills beginning to divert, they will also increase their prices, plus farmers need their fields to be empty. So, the cane supply would be as per proportion to sugar and alternate sweeteners.

Achal Lohade: Right. You know, have we reduced our cane production estimate for the country as a whole? Or are you saying that just because of the diversion or the recovery issue, the sugar production may not even touch 25 million tonnes?

Vivek Saraogi: I am the president of ISMA, the last time I checked; the figure is 25.5 million tonnes. However, I will give you my personal view that my feeling is that the cap should be 25 million tonnes. It should not increase beyond that.

Achal Lohade: What kind of average realization are we expecting if we are saying that in the post season, prices can you know be above ₹ 30 per kg? What kind of average realization have we targeted?



Vivek Saraogi: It is very difficult to put a figure, but around that ₹ 29 per kg range.

Achal Lohade: So if we are offering just ₹ 205 per quintal, the landed cost would be about ₹ 215 to ₹ 220 per quintal. Does that indirectly mean that the spread, that is realization minus the cane cost, will be about ₹ 7 to ₹ 8 per kg?

Vivek Saraogi: It will not be ₹ 7 to ₹ 8 per kg, you have a 10% levy obligation. So, everything accounted for, the cost of production because of the recovery is also not expected to be very high, so I think the cost will be about ₹ 27 per kg.

Achal Lohade: So, effectively, is the EBITDA about ₹ 2 to ₹ 3 per kg?

Vivek Saraogi: Yes, yes, that is all.

Achal Lohade: The last question is on the decontrol, I mean, if I remember correctly in the last concall, we had discussed quite a bit about the decontrol. What is the development in the last 1 quarter and how do we see it going forward.

Vivek Saraogi: Decontrol had picked up and had gone to a very serious, what should I say, level. After that, there has been a consultation with the states, as you must have read in the papers, which the Prime Minister has asked for. The process has begun and I think decontrol is definitely as serious to me on the scanner as it was. It is just that I see a delay of about 4 to 6 months.

Achal Lohade: I just wanted to get a sense if we are looking at this production going down, let us say 25 million tonnes and below that, and the sugar prices trend up marginally, do you think the government may incline to differ it a bit or do you think that they will still go ahead?

Vivek Saraogi: There is going to be no shortage of sugar availability. If you recall, 1st October 2009, we began with an opening stock of 27 lakh tonnes, so it is not that India cannot function at 40 to 45 lakhs tonnes of inventory. It is just that the point I am making is that I am not making a point of shortage. All I am trying to say is that the perception of an overhang and a surplus is not there in my mind at all.



If you remember, last year, the perception of shortage pushed ex-mills prices up to ₹ 42 per kg for a very brief period. Then it came crashing down all the way to ₹ 26 per kg and that time people were perceiving that 27 million tonnes will be the production and this and that you know. So, I don't see all that happening. Therefore, I see a price level which is buoyant but which is not euphoric.

If you will remember that at present, you have a negative pricing on sugar, year on year basis, if you are asking contribution to inflation. Sugar will be a negative contributor as we move ahead for the next 6 months.

Achal Lohade: Correct, absolutely. What was the inventory as of 30th of September and what price was it valued sir? What was the sugar inventory for us on our balance sheet as of 30th September?

Pramod Patwari: Quantity is 11.85 lakh quintals. It has been valued at ₹ 27.75 per kg.

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

Sanjaya Satapathy: Hello sir. Sir, first of all, can you give me the exact, absolute quantity that you paid for sugarcane during the last crushing season?

Vivek Saraogi: ₹ 227 per quintal.

Sanjaya Satapathy: No, no, I am saying that total, including everything, what is the total cost in terms of rupees crore?

Kishor Shah: Landed is ₹ 241 per quintal.

Vivek Saraogi: Landed cane cost including transportation is ₹ 241 per quintal including taxes.

Sanjaya Satapathy: Okay. Sir, last year, the growth of cane crushing by Balrampur Chini was far lower than that of the growth that Uttar Pradesh mills saw. What was the strategy that Balrampur adopted to keep its crushing lower than that of the rest of industry?



Vivek Saraogi: No strategy was adopted. Eastern UP last year stopped crushing in the month of March and Western UP went up to the end of April because of the diversion factor. Eastern UP does not see a diversion either way.

Secondly, from Balrampur, we decided that run-down in the month of March. We did not want to bid higher for cane and continue to run, which was a good strategy in retrospect. That was the reason.

Sanjaya Satapathy: Okay, and sir, I just wanted to gain some perspective. This SAP which Uttar Pradesh government has finalized at ₹ 205 per quintal, has there been court cases in the past which the industry won? Despite the steep increase in cane price we have seen, was there some kind of consultation prior to this? What is the likelihood of the industry winning case against this kind of SAP price?

Vivek Saraogi: As I said, this is the first year where SAP has been announced after this FRP regime has come into play. The Supreme Court had held that you could announce a higher price for the UP government because government of India fixes a minimum price. Now, Government of India having replaced minimum price with something called fair and remunerative price (FRP), we are going to test the power of SAP again in court. As I said, that is going to be a 2- to 3-month process and hence for simplicity sake, one should account for this year ₹ 205 per quintal.

Sanjaya Satapathy: Okay sir, but last time around, when you had contested Uttar Pradesh Government's regulation, you did not pay SAP. You paid the minimum price and continued to wait for the court's decision to come through, so why are you not doing something like that, that is pay at FRP and the way to pay the differential when the court order is finalized? Still you are still paying the full amount to begin with.

Vivek Saraogi: We had got the interim order prior to the crushing season. If you do not have any court order, the farmer will not supply cane below that. Since the principal will have to be tested, it will take 2 to 3 months. There is no possibility of paying lower.

Sanjaya Satapathy: Sir, in 2007 or 2008, actually there was no...I mean, interim order actually came later and that is why there was some diversion towards gur-jaggery and this is in fact....



Vivek Saraogi: 2007-2008, the order for ₹ 110 per quintal came in the month of November only.

Sanjaya Satapathy: Yes. So, you are basically not having a hostile attitude towards the State Government and the cane farmer this time around. So, are you trying to be lot more amicable this time around?

Vivek Saraogi: There is no hostility towards anybody. It all depends on the legal processes. If there is an order in hand, you are legally allowed to pay lower. If there is no order in hand, you are not legally allowed to pay lower.

Sanjaya Satapathy: Okay, but if you are paying this higher price and the court decides in favor of you, you are not going to get that higher amount returned to you, so the policy will become effective only from the subsequent years.

Vivek Saraogi: Yes, I would assume so, correct.

Sanjaya Satapathy: Okay, okay, thanks a lot sir.

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

Nirav Shah: Sir, we were allowed some export of raw sugar quantity. Sir, have we booked that quantity or is it still lying at the ports? And if yes, what will be kind of profit we will be making on that?

Vivek Saraogi: I think we have sold that quantity. We sold it the moment we got permission. Since we had it exported, if you remember, this quantity was sold at a little higher price. We have got through with some marginal profitability.

Nirav Shah: So, was that quantity around 20,000 tonnes?

Vivek Saraogi: Exactly 20,000 tonnes.

Nirav Shah: Okay, and so, our inventory of around 11.85 lakh quintals includes those 2 lakh tonnes.



Vivek Saraogi: No, it does not include that.

Nirav Shah: So, that was before September?

Vivek Saraogi: That was raw sugar.

Nirav Shah: You have talked about this white sugar quantity. On the ethanol front, what is the kind of contract that we have entered into? What percentage of our production has been contracted?

Vivek Saraogi: It is between 55 and 60%. We have contracted almost 4 crore liters on ethanol against anticipated production of 7 crore liters.

Nirav Shah: Sir on the industry front, I mean, are there any arrears from the cooperatives in the previous years that have been built up going into the current season?

Vivek Saraogi: No arrears that way of last year. There was some arrears in UP.

Nirav Shah: I am talking about UP-specific only, I mean, from the cooperatives. Are there some arrears that are getting carried into the current season?

Vivek Saraogi: Not too much.

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

Moderator: Next, you have a question from Mr. Jehan Bhadha from Darashaw and Company. Over to you sir.

Jehan Bhadha: Sir, with the SAP at ₹ 205 per quintal, farmers are making better returns on cane as compared to other crops. Going into the next year, farmers are again assured in a sense that you know that the SAP cannot be less than ₹ 205 per quintal and it will only go up in fact. So going by this, can we infer that 2012 production will be more than the current season's production?



Vivek Saraogi: It is a very good question. I wanted to talk about this; I forgot about this. See; let us see state by state. Maharashtra is going to produce between 9-9.5 million tonnes. To crush this amount of cane, they would enter into the month of June. History will tell you, any production time where you enter into June, the next season has to be lower. Secondly, you are seeing a lot of competition in Maharashtra from cotton. I see Maharashtra coming down from here.

Now, you come to UP where SAP concept will encourage the farmer. As I said, the FRP judgment will be tested in court over the next 2 to 3 months. I do not see any kind of a big increase in UP as we move ahead. Having said that, I would personally feel that what Maharashtra would produce less, UP could produce about 10% more next year. So, this 25 million tonnes remains at a level which is very difficult to cross for India in terms of production.

Jehan Bhadha: Okay sir, and one more thing, what could contribute to higher production in 2012 as in 2011 and the current season? The proportion of between say if we break up the crop between plant and the ratoon, then the proportion of plant crop this year will be much more as compared to ratoon. So this year's plant will become next year's ratoon, so you know that will also add to the 2012 production. So considering that fact, what would be your comment on that?

Vivek Saraogi: You had record yields last year. Let us understand what total availability of sugarcane is. It is ratoon plus plant and yield of both. West UP had record yields last year. First of all, to assume that yield will continue in a year where floods have happened in this concentrated period of September, in my mind, will not happen. Secondly, I told you about the total balance, and I have said that in my mind, UP's production will increase next year. However, this year it is going to be lower than anticipated. Perhaps, I would reduce next year. Balancing all that, I maintain my view of 25 million tonnes.

Jehan Bhadha: Okay sir, thank you.

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

Nillai Shah: Thank you. Just one question sir. The only reason that you have gone to court this time is that the SAP has been announced after the FRP, am I correct?



Vivek Saraogi: Yes.

Nillai Shah: Okay and second question is on the cogen bid. In the off-season, what is the realization that you have been promised by the state government?

Vivek Saraogi: The State Government has announced the coal tariff for last year. That is ₹ 5.05 or ₹ 5.02 per unit, something like that. Now, the order of UPERC says that this would be announced year to year. The logic being that they will take coal cost of next year and announce tariff for next year. All other factors have been determined. Depending on the coal cost for next year, they would announce a tariff for next year that is only on the coal portion.

Nillai Shah: Okay, but it appears that in the fourth quarter, your realization from cogeneration was lower than ₹ 5 per unit.

Vivek Saraogi: Yes. Because the open access portion we had to sell. We were lucky to have sold earlier at ₹ 4.90 per unit, otherwise we were not even getting that much, prices had dipped a lot. So, we would tie up our open access power also more intelligently and in the correct period.

Nillai Shah: So, if open access actually falls, don't you have the recourse to sell it to the State Government then?

Vivek Saraogi: No, no, you will have to give them an offer. It is optional for them to accept.

Nillai Shah: So, they would have to take only 50%.

Vivek Saraogi: Exactly.

Nillai Shah: Right and sir the last question sir would be on the exports. It appears that you can also operate with 2-1/2 million tonnes of inventory, but I mean, are we playing too fine....at the president of ISMA some hold the view that production can actually be lower than 25 million tonnes, which is a personal view. Is the minister in talk with the industry people to understand what the ground realities are and then allow exports?



Vivek Saraogi: That is a very personal view. First, 25 and 25.5 million tonnes is not way off. I am not digressing. See, the inventory level at the beginning of the year is above 5 million tonnes. Let us put it at 5.1 or 5 million. So, even if there is a depletion of half a million to one million, I mean, you still have 4 or 4.5 million tonnes, which is not catastrophic.

Nillai Shah: Is that just 2 months?

Vivek Saraogi: That is fine, isn't it; you produce FY11-12 sugar also. You have destination refinery, export-import. There is going to be no stress on availability, but I maintain my view that there is going to be no negative impact on prices.

Nillai Shah: Okay and sir, one more last question. In terms of exports under OGL, who takes the decision as to how much each mill can export?

Vivek Saraogi: The ministry will take it up and make out a formula.

Nillai Shah: Based on inventory do you think?

Vivek Saraogi: It is impossible for me to say, but based on maybe production.

Nillai Shah: Okay, thank you so much sir.

Moderator: Thank you very much sir. Next, you have a question from Mr. Anil Kini from Envision Capital. Over to you sir.

Anil Kini: Sir, again, a question on national availability of sugar, you said the production would be around 25 million tonnes. Now you say Maharashtra will produce more. But if you read some of the articles that were coming out last week or so, Maharashtra did not crush much of the sugar in the month of October, and the yields that were recorded there were to the tune of 8.5 or below 9%. You might say that Maharashtra is producing 9 million tonnes of sugar, that is with the estimate that they are going to have a yield of upward of 10% plus. But if you take it down by 1%, impact of nearly a million tonnes, do you really feel that production would actually stay at 25 million and not go to 22 to 23 million or something like that?



Vivek Saraogi: See, in Maharashtra, there is lot of standing cane. You people are a lot closer to Maharashtra than I am. The yields, the recovery I am assuming is what you are referring to. At the beginning of the season, you can never take the assessment for the full season. I think for Maharashtra, the view holds.

Anil Kini: What is the recovery that you are seeing in UP right now? You said it is lower.

Vivek Saraogi: I did not say it is lower. I am saying the perception of much higher recovery does not exist in my mind.

Moderator: Thank you very much sir. Next, we have a question from Mr. Abhijeet Dey from Kotak Mutual Fund. Over to you sir.

Abhijeet Dey: Good afternoon sir. What is the demand from industrial alcohol like in UP currently?

Vivek Saraogi: It is reasonably good.

Abhijeet Dey: At what prices are you selling spirit then to the industry?

Vivek Saraogi: We are going to begin crushing, so this will come in our hand in the beginning of December only. That is when we will know our pricing. I do not think that too much of dip in price is expected. I expect relatively the same realization.

Abhijeet Dey: Right sir, thank you.

Moderator: Thank you very much sir. Next, you have a question from Mr. Avinash Agarwal from Sundaram Mutual Fund.

Avinash Agarwal: Yes. Good afternoon sir. Sir, I think UP produced close to 5.2 million tonnes last year, so how much do we expect this year?

Vivek Saraogi: 20% higher. 5.1 million tonnes was UP's production last year.

Avinash Agarwal: Sir is the reason for the lower production that you are anticipating in West UP mainly flooding or is there any other reason like pest?



Vivek Saraogi: Flooding resulting in lower yields.

Avinash Agarwal: Last year we saw Maharashtra producing quite a bit even though they were flooded. So, do you think that could be the only reason for a lower production?

Vivek Saraogi: See, if you want a 100% guarantee, you have to let the crushing begin for a month. Then, you get to know the genuine trends of the yields and that is only ratoon yields. When you get into February, then you know the plant yield. But as for all the millers in Western UP, their perception is a lower yield.

Avinash Agarwal: Thanks. That is all from my side.

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

Kunal Vora: Good afternoon sir. Is it profitable for you to export sugar right now, like if India exports, who will be exporting? Will be the coastal states or will UP also participate in a significant manner?

Vivek Saraogi: It all depends on the style in which the exports are prorated firstly and the advantage of the coastal areas cannot be denied because of transportation.

Kunal Vora: Okay, is it not profitable for UP-based companies at current prices?

Vivek Saraogi: I do not think so.

Kunal Vora: Okay and the second question is on the cogeneration side. Can you give us some idea about what will be the volumes and like what will be exportable power that you will be having next year?

Vivek Saraogi: We expect about 53 crore units from bagasse and 10 to 11 crore units from coal.

Kunal Vora: Okay, what will the saleable amount be?



Vivek Saraogi: 63 to 65 crore units.

Kunal Vora: I also wanted to know what will be implications of IFRS on your financials as you convert to IFRS in FY 2012. Will we see any significant difference in the numbers?

Pramod Patwari: It is little difficult to comment at this point of time, but we do not expect much changes in the profitability.

Kunal Vora: Okay and lastly, do you have any views on consolidation of sugar industry?

The sugar industry is highly segmented. Do you see some acquisitions happening?

Vivek Saraogi: See, it all depends. I think the decontrol will be a major trigger for consolidation.

Kunal Vora: Okay, thanks sir. My questions are answered.

Moderator: Thank you very much, sir. Next, we have a question from Ms. Abhilasha Satale from Techno Shares. Over to you sir.

Abhilasha Satale: Hello sirs, most of my questions are answered. Considering ample sugarcane availability, what are country's total production capacities? How much maximum sugar can the country produce?

Vivek Saraogi: We will have to do that exercise. I have not thought on that front.

Abhilasha Satale: But is it in the range of 28 to 29 million tonnes?

Vivek Saraogi: Yes, yes.

Pramod Patwari: In the last peak, the country manufactured 28 million tonnes.

Vivek Saraogi: We have had no expansion from that, so 28 million tonnes seems the figure.

Abhilasha Satale: Okay, fine sir, thank you.



Moderator: Thank you very much sir. Next, we have a question from Mr. Pramod from Bonanza Portfolio. Over to you sir.

Pramod Bhatt: My question basically is on your debt side. What is the debt of file of the ₹ 1100 odd crore, which you have on 30th September?

Vivek Saraogi: Long-term debt, Pramod?

Kishor Shah: As of today, we do not have any short-term loans.

Vivek Saraogi: And what is our repayment schedule for the year?

Pramod Patwari: Repayment schedule for the next October-September is ₹ 240 crore.

Vivek Saraogi: Yes, ₹ 240 crore would be paid off this year, over the next 12 months.

Pramod Bhatt: On a replacement cost basis, most of the companies would now appear cheap. So do you think that could set off one wave of consolidation?

Vivek Saraogi: As I said, my personal view I have given you, is decontrol. Government also would like to mention that the Prime Minister's direction in the meeting was that under the chairmanship of Mr. Rangarajan, the committee for determining the price sharing formula would also start working.

Pramod Bhatt: According to you, what is an estimated cost currently for setting up maybe 5000-tonne crushing per day sugar plant?

Vivek Saraogi: With power or without power?

Pramod Bhatt: With power.

Vivek Saraogi: I think the cost has not come down from when we set up the 7,000 TCD units, at Guleria and Kumbi. Cost for 7500 TCD mill with power remains around ₹ 340 to ₹ 350 crore.



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

Rishab Bothra: Sir, you mentioned that you had an inventory of 1.85 lakh quintals on this September. Vis-à-vis last year, what kind of inventory did we have?

Pramod Patwari: 9.3 lakh bags.

Rishab Bothra: So, we held quite some stock in this quarter, so that we can sell it at higher prices. Is this ok to assume?

Vivek Saraogi: You are saying that we have sugar left as on 1st October?

Rishab Bothra: Yes, whatever I had anticipated, the revenues were lower than that. So I thought we would be holding inventory willingly and not have sold off for quite some time.

Vivek Saraogi: We sold that. The prices might have been lower. We had a higher inventory than last year.

Rishab Bothra: Right. Sir, another thing, since we are moving towards 18-month period, what would be the annual production target for each of the segments?

Vivek Saraogi: It is very difficult to quantify 18 months and all that.

Rishab Bothra: Okay, but roughly in the next 6 months, what could be the same?

Pramod Patwari: Crushing figures given by Mr. Saraogi is 6.7 crore quintals. That is for the next season.

Rishab Bothra: Right, that is but for the whole UP, for Balrampur, what could be the ...?

Vivek Saraogi: 6.7 crore crushing for Balrampur.



Rishab Bothra: Okay, right sir. I will work out for this. What would be the realization on off-season power utilizations?

Vivek Saraogi: That UPERC would fix the tariff for next year.

Rishab Bothra: But would it be higher than ₹ 5 per unit?

Vivek Saraogi: It depends on the coal cost they assume when they take this up..

Rishab Bothra: Okay sir. That is all from my side.

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

Nirmal Shah: Sir, good afternoon sir. Sir, my question is related to sugar pricing. Historically, whenever we had a bumper crop, plus 25 million tonnes, the sugar prices have gone to the extent of below ₹ 20 per kg. That is one and second one is your free sugar realization for the FY 2010 was ₹ 30 per kg and that season, we had a lower inventory than what we started with this season and the crop was lower at 18 million tonnes. So, what makes you believe that the prices would remain at this range in spite of higher inventory and higher production than the previous season?

Vivek Saraogi: We were anticipating about 15 million tonnes; the prices went up to ₹ 42 per kg. Thereafter prices crashed to ₹ 26 per kg. The assumption was that there would be 27 to 28 million tonnes for next year and that assumption was not assuming that exports would be allowed so quickly. So, you have had two rounds of exports which have already been allowed if you are sort of dissection the exports. Sugar which was imported by the mills and lying at the ports were allowed to be re-exported, that was one round. Second round was ALS obligation on the industry, which is a million. That was allowed. Third round is going to be the OGL one we are looking at. See, let us understand that India over the next 3 to 4 years is going to have robust growth in consumption. The ability to produce sugar for own consumption would depend on the cane price you pay. The cane price is not paid in a reasonable manner or a reasonable quantum in relation to other crops; you would not be able to produce for yourself. This projection of mine is keeping all this in mind.



Nirmal Shah: Okay, so you don't see any possibility of sugar price going below ₹ 25 per kg.

Vivek Saraogi: No.

Nirmal Shah: Okay, thanks sir.

Moderator: Thank you very much sir. Next, we have a last question and a follow-up question from Mr. Satapathy from DSP Merrill Lynch. Over to you sir.

Sanjaya Satapathy: Sir, just one thing I wanted to check with you, your guidance for consumption remains at 23 odd million tonnes and this is something that is remaining unchanged for the last several years. Any particular reason why we are continuing to be kind of not showing any kind of growth to the consumption figure for the whole country?

Vivek Saraogi: Last year, I think we gave a consumption figure, if I remember, of 22 to 22.5 million tonnes.

Sanjaya Satapathy: Okay. I mean in terms of our annual consumption.

Vivek Saraogi: Off by 3 to 4%.

Sanjaya Satapathy: The ISMA number is at about 23 million tonnes for the last couple of years in fact.

Pramod Patwari: Consumption is rising. It is certainly rising.

Sanjaya Satapathy: Okay, okay because even your dispatch numbers also, whatever we are looking at, that also is not really showing much of growth, so I was just wondering whether we are rather peaked out in terms of consumption.

Vivek Saraogi: Nobody will show growth in dispatch numbers because 4 to 5 million of imported sugar have been eaten this year.

Sanjaya Satapathy: Okay, thanks sir.



Vivek Saraogi: Thank you.

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

Vivek Saraogi: Thank you everyone and thank you for joining us. For any queries, we are there. Thank you.

- ENDS -

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