



Balrampur Chini Mills Limited

Q5 and 15M FY2011 Results Conference Call – February 7, 2011

Karl Kolah: Good afternoon everyone and thank you for joining us on Balrampur Chini Mills' Q5 and 15M FY 2011 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.

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 included in the conference call invite sent out earlier. We will now begin the call with brief opening remarks from the management, following which we will have the forum open for discussion.

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

Vivek Saraogi: Yes, thank you, good afternoon everyone and thank you for joining us to discuss Balrampur's operational and financial performance for the 5th Quarter and 15-Month ended, December 31, 2010.

Let me begin by giving you an update on current developments in the sugar sector followed by the company's performance during the quarter. After which Kishor will take you through our financial performance for the quarter under review.

The Country's production during the ongoing sugar season is expected to be around 24.5 million tonnes. Crushing is now on in full swing. For Balrampur, we expect recovery of 9.55% as compared to 9.35% in the previous season.

Domestic free sales realizations at present are around Rs. 28 per kg. The export under the ALS, which is the Advanced Licensing Scheme is to the tune of about 1.2 million tonnes and all of which has been released and is expected to go about by, I mean, the validity is up to March, could get another 1 or 2 months of extension. The government is taking a cautious view on the OGL exports that is half million tonnes or 5 lakhs tonnes, considering the high level of domestic inflation. We expect the



government to have a relook at this decision once current year's production is available. Overall, domestic demand supply balance looks comfortable and we are hopeful of greater realizations of sugar as we proceed into the next financial year.

Sugar prices globally are at a three decade high on account of unfavorable weather conditions across sugar producing nations and a very tight demand supply balance especially and the recent weather conditions in Australia. All of this is leading to a lower than expected production world-wide.

The sugar sector continues to operate in a very dynamic and challenging environment. After the challenging last few quarters, we expect to steadily improve our performance going forward. Even though the country's sugar production is now anticipated at tad lower, we maintain our crushing of 6.7 crore quintals this season. Higher production and better recoveries will lead to improved volumes in the sugar segment. This combined with steady realizations should help us earn better from this segment.

Higher sugar crushing will aid volumes, enhance volumes in both Distillery and Cogeneration business. Increased production will lead to lower costs of production per unit in the byproduct businesses, which improves not only efficiency but overall profitability.

The off-take of ethanol to OMCs that is the oil-marketing companies resumed during the quarter under review. BCML sold 11 lakh litres of ethanol during the current quarter at Rs. 27 per litre and volumes are expected to increase as the real off-take will begin now. This brings me at the end of my discussion.

I would like to now handover the floor to Kishor to take you through the financial performance.

Kishor Shah: Good afternoon everyone and thank you once again for joining us on today's conference call. I will now briefly take you all through the BCML's financial and operating performance for the fifth quarter.

Total revenues for the quarter were higher by 21% at Rs. 532 crore as compared to Rs. 439 crore in Q1 FY2011. PBIT for the quarter stood at Rs. 72 crore as compared to Rs. 132 crore in Q1 FY' 2011.



Moving on to the segment-wise performance, during the quarter, revenues from the sugar division increased to Rs. 493 crore at 21% increase as compared to Rs. 407 crore in Q1 FY2011. Sugar sales for the quarter stood at 1.49 lakh tonnes as compared to 1.27 lakh tonnes in Q1 FY' 2011. PBIT for the quarter stood at Rs. 25 crore as compared to Rs. 86 crore in Q1 FY' 2011.

During the quarter, we crushed 201.8 lakh quintals compared to 181.9 lakh quintals in Q1 FY2011. Recovery during this period was higher at 9.05% as compared to 8.96% in Q1 FY2011. The Company's production increased to 18.3 lakh quintals in Q1 FY2011 as compared to 16.3 lakh quintals in Q1 FY2011.

Moving on to the Allied businesses. Revenues from the distillery division were at Rs. 14 crore during the quarter versus Rs. 10 crore in the corresponding. PBIT for this segment was flat at Rs. 1 crore. Distillery sales were higher at 4,970 KL in Q5 FY2011 as compared to 3,560 KL in Q1 FY2011. During the quarter, average realization in the segment stood at Rs. 26.8 per BL as compared to Rs. 27.6 per BL in the corresponding quarter. The Company expects to produce 6.5 crore litres of alcohol in the current sugar season.

Ethanol sales for the quarter improved to 11 lakh litres as compared to 150,000 litres in the corresponding quarter. Average realization for the ethanol stood at Rs. 27 per BL during the quarter.

In the cogeneration business, revenues were higher at Rs. 72 crore this quarter as against Rs. 51 crore in Q1 FY2011. PBIT for the segment was also flat at Rs. 24 crore. Average realization per unit of power sold from bagasse based generation to state power grid was Rs. 4.01 per unit during the quarter as against Rs. 3.93 per unit in Q1 FY2011. During the quarter, cogeneration sales stood at 11.32 crore lakh units compared to 8.36 crore units in Q1 FY 2011. This included 1.2 crore units sold out of power generated from coal at a realization of Rs. 4.94 per unit.

PAT during the quarter stood at Rs. 23 crore as compared to Rs. 77 crore in Q1FY2011. Cash profits for Q1 FY' 10 stood at Rs. 52 crore as against Rs. 103 crore in corresponding quarter.



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

Moderator: Thank you very much sir. We will now begin the Q&A interactive session. First question comes from Nirav Vasa from SBI Capital.

Nirav Vasa: Good afternoon. My question pertains to the cane acreage outlook that you are able to gauge at this point of time. As of in this crushing season, the entire sugar industry has paid around Rs. 200 per quintal to farmers. Now, I wanted to understand what the scenario with the farmer as of now is. Are they happy with this Rs. 200 per quintal and going forward what is the scenario for the ratoon cane?

Vivek Saraogi: This is going to vary from state to state. I think you are trying to get at is if the farmers are happy or unhappy, are you asking what would be the planting trend for next year or what is the specific question?

Nirav Vasa: Yes, exactly.

Vivek Saraogi: It is too early. The sowing season begins first week of March. However, whatever initial report we have, it is based on the prices of other agri-products, be it vegetables or other available avenues as to put it. I don't see a major uptick on this current year's production next year, which means suppose we get to 24 million tonnes this year, too early to say but next year, how do I say, 25 to 26 million tonnes maximum.

Moderator: Next, we have a question from Arya Sen from Credit Suisse.

Arya Sen: Good afternoon sir. Actually, I needed a few numbers. Firstly, what was the blended realization, I get that Rs. 28.7 per kg was only on the free sugar part and the number you have mentioned of 149,000 tonnes that was I guess the total sugar including levy sugar. What was the blended realization?

Kishor Shah: Blended realization was Rs. 28.11 per kg.

Arya Sen: Right, sir, and I am able to reconcile the total sugar segment's sales if I multiply you know the 149,000 tonnes with even Rs. 28.7 per kg, the sugar segment



sales that you have reported is about Rs. 4,900 million, so what are the other sales within the sugar segment. Can you give us a break up of that?

Pramod Patwari: It includes a certain amount, around Rs. 45 crore on account of re-export of raw sugar.

Arya Sen: What was the cost of this raw sugar sir, what was the profit or whatever cost on this?

Vivek Saraogi: At that time once we were staring at a loss, and then got off it cost to cost. Marginal profit may be Rs.50 lakh or something. You would recall that the company had imported sugar. It was lying at the port and about 20,000 tonnes was re-exported at cost.

Arya Sen: And this is not included in the 149,000 tonnes that you have reported.

Vivek Saraogi: No.

Kishor Shah: This is different.

Arya Sen: Okay, and sir, the third is what was the quantity of sugar and carrying cost of inventory at the beginning of the quarter and right now you are carrying it at Rs. 28.70 per kg which is the same as the free sugar realization, does it mean that your cost of production is higher?

Vivek Saraogi: No, our cost is for this season is Rs.26.60 per kg.

Arya Sen: What is the cost at which you are carrying the inventory for free sugar?

Kishor Shah: It is Rs. 28.70 per kg because this is 15-month account. So, we are taking the lower costs because last year the cost production was higher.

Arya Sen: Sorry, I did not get that; can you explain it a little more?

Vivek Saraogi: I think we will give you figures, it will require because it is 15-month carrying cost. It gets a little complicated. But all inventory of last year has been sold off.



Arya Sen: What was the inventory amount, volume and carrying cost at the beginning of this quarter?

Kishor Shah: Rs. 27.75 per kg and 1.1 lakh tonne.

Arya Sen: So, it has gone up by about 30,000 tonnes from the last quarter?

Vivek Saraogi: Yes.

Arya Sen: In terms of cane crushing, what is happening on the gur manufacturer side, I mean, what sort of prices are they paying and what sort of trend in diversion are you seeing?

Vivek Saraogi: As I see crushing now, and this is a very interesting phenomenon, last year, if you recall, sugar prices touched Rs.40 to 41 per kg in January. Then, they started coming down in February and March. At that point of time, the diversion was highest up to beginning of February and then the entire diversion came towards sugar after February end, so now for cane crushing, mills are paying Rs. 205 per quintal. Gur manufacturers depending area to area are paying between Rs. 180 and 200 per quintal. So, it is not that diversion is zero, but it is diversion as usual. So, as we proceed and as we are seeing yields in Maharashtra, Karnataka and UP, my personal view is that production should not cross 24 million tonnes. We have a lot more visibility right now and it seems that 24 million tonnes seems to be a cap.

Arya Sen: What is the main reason for the revision downward from say 25.5 to 26 million tonnes which people were talking about earlier to 24.5 million tonnes and what is the main reason and what is the trend in that?

Vivek Saraogi: It is interesting when 25.5 million tonnes was forecast; you took a certain area under cane and certain yield per acre. Now, as we have seen, that yields have declined, yield per hectare. This is not to be confused with the recovery. This is cane per acre. Plus I think anticipation was a little higher. So, as we are now seeing that I do not even see 24.5 million tonnes. My person view is 24 million tonnes only.



Arya Sen: In that case, what is the exportable surplus that we shall have, I mean, what is the maximum amount in addition to the 1.2 million tonnes under realized, that we can export.

Vivek Saraogi: Let me try and put things under perspective more from an industry viewpoint rather than an analyst viewpoint. If you are having consumption of a product which is equal to 23 million tonnes, half a million whether it goes out or does not go out will not change the fortunes of the industry as we proceed. I am not talking of 1-month pricing, but as we proceed and as the season closes down, whether the industry has been allowed to export half a million or not allowed, I don't think will change the fortunes of the industry or the pricing trends after March which is when the season closes down.

See, outside of last year, when prices spiked during season to a level which was unprecedented, this is a very normal trend. The normal trend is that prices dip in the month of Jan-Feb. Feb-end, it reaches at its lowest level and then start picking up after March 15, and April onwards, it remains strong. I see that kind of a trend playing out. According to me, after the ALS, the demand is equal to supply, out of the 24 million tonnes, if 1.2 million tonnes goes out, 23 million tonnes is left approximately, that is going to be equal to the consumption, so neither you are going to have tear-away prices which will bother anyone but as we move ahead, one can definitely see a 10% improvement in prices from these levels very easily.

Moderator: Next, you have a question from Mr. Achal Lohade from JM Financial.

Achal Lohade: Just couple of questions sir. One, you mentioned about, you know, 24 to 24.5 million tonnes. Just trying to understand what number have we assumed for UP and Maharashtra?

Vivek Saraogi: U.P. my view is 6.3 million tonnes when we are taking this and Maharashtra is 9 million tonnes and Karnataka 3 million tonnes.

Achal Lohade: The downward revision, that you are expecting on a personal front from 25.5 million tonnes to 24 million tonnes, the 1.5 million tonnes difference, which states are contributing how much? Which particular states are contributing to that downward revision?



Vivek Saraogi: Oh, from the earlier estimate, comparative estimate?

Achal Lohade: Yes

Vivek Saraogi: UP, Karnataka and Maharashtra.

Achal Lohade: All 3 of them are seeing downward revision?

Vivek Saraogi: Yes, little

Achal Lohade: Since we are paying Rs. 205 per quintal cane price, what is the cost of production according to us for this season and past 15-month rated average.

Vivek Saraogi: Quarter and all will become very difficult for me to tell you, but if we take the full year at 12 months beginning October 1, and this season's production, prior to levy, I can put in more easily, after taking into the 10% levy loss, interest and all cost, it would be around Rs. 28.40 per kg.

Achal Lohade: So, that would be at PBIT level, including everything?

Vivek Saraogi: PBT level.

Achal Lohade: Okay, excluding interest.

Vivek Saraogi: Including all it matters, that is profit before tax level.

Achal Lohade: Right, and in terms of the cane pricing, you are saying anywhere the arrears started building up, since the prices have not moved much, so do you imagine that any arrears would start building and that would disincentive farmers from cane?

Vivek Saraogi: Again, you are talking of cane arrears in the current year?

Achal Lohade: Yes

Vivek Saraogi: I think Maharashtra is facing the maximum amount of flak in terms of availability of credit and paying for cane prices. If you see last year Maharashtra



produced 7.1 million tonnes and this year 9 million tonnes is the estimate. That's 2 million tonnes, almost 30% jump. Now, the inventory problems, the godown problem, the credit problem, all are maximum in Maharashtra. So, that is why we are saying that you know Maharashtra, which is the largest state, will find very difficult to produce higher than this year. There is a little bit of disincentivization on the cane price in Maharashtra.

Achal Lohade: Ok. In terms of the global outlook, how do you see, the raw sugar prices will sustain going forward or you imagine that it should come down, I am talking from 2 to 4 quarters point of view, not really peak or something like that

Vivek Saraogi: Raw sugar global prices are very volatile right now. Having said that, the 30 cents per pound level is I think a very good level. It should be able to hold that level. I am saying from a viewpoint that you know there is no real surplus nation in the world right now. If you see India also, after the ALS it's not a surplus nation. If you see Australia, you are aware of what happened. Brazil, weather has capped Brazil also. European Union, etc., is witnessing extreme cold weather during the December-January months, so I don't think there is any real-surplus nation emerging globally. Consumption, we are saying, India and China would be able to contribute as you go ahead. India, there is a lot of demand which is expected ahead; in summer the soft drinks, industrial consumers. China is also undergoing a great upsurge in demand based on industrial consumption. So, as we proceed into the next not one year also, if I may try and map the next 5 years, there is a big consumption round coming from India and China. I think 2014, India and China would overtake European Union, so the trajectory of the industry as we proceed into the next 5 years, I don't see a great surplus era emerging at all.

Achal Lohade: Last question on the data point, how much of this 1.2 million tonne is already exported or already out of India sir?

Vivek Saraogi: I would not have the exact data right now, but I can only tell everyone that the validity of these release orders is up to 31st March 2011, so one should expect that beginning 1st October to 31st March, this sugar would have left the country barring some, you know, normal extensions, which means one can estimate by May or April and all this sugar should go out of the country.

Moderator: Next, we have a question from Mr. Bhavin Chedda from Enam Holdings.



Bhavin Chheda: Sir, out of your target for this season's crushing, how much of the cane you must have already procured till date?

Vivek Saraogi: As of yesterday, we have crushed 4.65 crore already.

Bhavin Chheda: And the cane cost for this is in line with what you have shown in the December quarter?

Vivek Saraogi: Yes, and I think now the cane cost, one can be reasonably sure that there is just no variation ahead. That is why I was able to give a kind of figure on costing which I gave earlier in the call.

Bhavin Chheda: Ok and another thing, on the inventory side, is there any raw inventory pending or something?

Vivek Saraogi: Zero raw inventory.

Bhavin Chheda: What will be like bagasse and molasses inventory as on 31st December 2010 in terms of volume and value if you can share?

Pramod Patwari: Bagasse inventory is 1.5 million tonnes and molasses is 7.14 lakh quintal.

Bhavin Chheda: And at what value it has been valued at?

Pramod Patwari: Bagasse at Rs. 400 per tonne and molasses at Rs. 200 per quintal.

Bhavin Chheda: What were the working capital debt and the cash on December 31st 2010.

Pramod Patwari: Long term loan as on the 31st December was around Rs. 800 crore.

Bhavin Chheda: I am asking about working capital sir.



Pramod Patwari: Working capital Rs. 85 crore.

Bhavin Chheda: And cash balance will be?

Kishor Shah: All cash is locked in inventory.

Bhavin Chheda: Value of inventory?

Pramod Patwari: Inventory is 1.42 lakh tonnes. Valued at Rs. 28.78 per kg

Vivek Saraogi: It is impossible to get into quarter costing. The whole idea should be able to track the total costing and total sales.

Vivek Saraogi: We are hoping to produce and sell 6.5 crore litres of alcohol. The basically idea would be 50:50 into the oil marketing companies and rest of the business. The oil marketing company's rate we know. The expert committee is looking to the best of our understanding, I would remember, average you know, one can expect upwards of Rs.27 per litre because there will be some linkage to oil prices and the last 2 raises in oil prices, there is the petrol price has not been reflected into the ethanol price. So, one can expect an average upwards of Rs. 27 per litre there and on the balance business also we are looking at a price which is upwards of Rs.29 to 30 per litre. So, an average of distillery division could be Rs. 28 per litre upwards without a doubt and 6.5 crore litres is what the Company is expecting to sell.

Getting on to the power business, we are hoping to do very well. Now that we have already crushed 4.65 crore and we are aware that we will touch 6.7 crore, we are hoping to increase volumes there and the play on that will emerge in the next 2 quarters. So, our volumes, our business is known, being in UP, we know our cane price right now. We know our cost of sugar; we are not linked to merchant power, so we know our value. The only part of coal power which will be linked to merchant power is the one which is variable. The PPA and the bagasse power, the price is locked in. From 31st March onwards, you will get a 2% increase in that also.

So, we are aware how far ethanol, alcohol division pricing, we have quoted 50:50 for ethanol and outside business. We are aware of our power situation. We are aware of our sugar situation. So, that is the outlook for the Company. I have given the outlook for the nation. We have given our outlook on the global prices also



Pramod Patwari: Value of inventory on account of sugar is around Rs. 400 crore.

Bhavin Chheda: Thank you

Moderator: Next, we have a question from Kunal Vora from BNP Paribas.

Kunal Vora: The first question is on capex. What are the capex plans, like say any expansion capex plans you have over the next 1 year?

Vivek Saraogi: We don't have any capex plans. We will always look at debottlenecking expenses to try and enhance efficiencies or if we can sell more power from the same input, but as of now, nothing on the table.

Kunal Vora: Why sir 1.2 million tonnes ALS export getting delayed, are there any demand or logistic problems. Why is it taking time to export the 1.2 million tonnes sugar under the ALS?

Vivek Saraogi: Under the ALS, everyone must understand that there are a few players, there are some players who are not producers, so they have to buy from third party and export, there are many companies who have to do it, some are sugar manufacturers, some are traders. They are on the agenda. This would go out very easily because it is very clear if it is not reached port yet, then they would have to pay duty that is the duty on when they import it. So, therefore, from now to 31st March 2011, I think it will go out.

Kishor Shah: There are some procedural delays and logistic issues, sending materials.

Vivek Saraogi: There is no demand problem for such a small quantity.

Kunal Vora: Sure sir, lastly any update on the industry deregulation, when does the process start like any initial news from the new minister has come in?

Vivek Saraogi: Deregulation is on two fronts, one is raw material, one is finished product. The levy and the release deregulation, I personally still feel that post-budget and post coming off the nerves which is around right now, I think the moment little bit



of political stability is achieved, the finished product should get onto fast gear. The raw material might take long which is the link between the cane price and sugar price. So, it is not lost. It is definitely right now not a priority agenda because we are aware that the government is, looking to politically stabilize itself. So, I would say the agenda which could get taken up immediately after some stability is the levy and release mechanism. The cane price side would be the next stage.

Kunal Vora: We had seen several weather-led disruptions over the last one year. Do you see a reversal of that going forward in next year, do you see sugar production bouncing back in a big way next year?

Vivek Saraogi: You are talking weather related where, India or globally?

Kunal Vora: No, no, globally, we have seen Australia, we have seen Brazil, we have seen Russia, Europe, like all of these countries have had like negative surprises last year. Do you expect the same to continue this year, even China had a drought last year, and do you expect a reversal going forward?

Vivek Saraogi: How do I predict weather? It is not possible for me to do that, but having said that, there is only one input I would like to give all the participants is that you have a draw down on stocks right now and you have consumption going ahead, so it is important that global production moves up a little and even if it moves up a little, the prices I have indicated to the best of my ability can last.

Moderator: Next, we have a question from Vikas Jain from CLSA.

Vikas Jain: On the front of interest, if I heard Pramod correct, working capital loan that we have right now is around Rs. 85 crore or so. Is that roughly the amount that has been for the quarter also previously because I mean assuming a 10% or 11% on that itself that should work out to Rs. 8.5 to 9 crore versus our interest of around Rs. 17.4 crore or so. So, is the interest on working capital, how much would that be of the total?

Vivek Saraogi: Since we began in the first week of December, this working capital loan has kicked in the last 15 to 20 days, so the average of the working capital interest would be much lower.



Vikas Jain: So roughly just on a fixed debt, that is the long-term debt, it would be closer to Rs. 15 to 16 crore is what should be the quarter average. Is that number sounds okay?

Vivek Saraogi: Yes that sounds okay.

Vikas Jain: Okay, in terms of inventory, could I have a breakdown of how much is the levy inventory of the total that we are holding?

Vivek Saraogi: 20,000 tonnes. It is 10%.around those levels, 18,000 to 19,000 tonnes.

Vikas Jain: Yes, I understand, but I mean, not every quarter...

Vivek Saraogi: Yes, it changes, but on 31st December 2010, it was 10%.

Vikas Jain: In terms of couple of things that you mentioned in the call, like you said that we might not have more exports or hardly any more exports over and above the 1.2 million tonnes. In that case, does not India become an island within a very strong sugar price world because we are relatively well balanced, so it makes no sense to really look at export parity price? Do you think I mean that is the way it will be going forward?

Vivek Saraogi: What is your exact question? What do you want?

Vikas Jain: Something which many people have been highlighting is the export parity price is 20% higher from what the current price is, but if we do not have any further exports over and above the 1.2 million tonnes, there is probably no reason for the market to rally to an export parity level, so sir, in that case do you think that Indian prices may not mirror the strong world sugar prices?

Vivek Saraogi: Yes, I don't think so. My personal view is 20% rally from here but having said that, Rs.31 per kg is very achievable and that is based on India's own economy and one must understand that this entire, being in the agriculture sector, I can only say that the entire food inflation story is linked to improper attending of supply, I will give you an example. If the surplus is in sugar, right now there is no surplus but why did sugar production in 2006-2007 from 26.3 million tonnes come



down to as low as 15 million tonnes in 1 year. It is simple because giving surplus you are not attending to the policy correctly or in shortage again you are not attending to policy correctly. The basic idea is to be able to attend to supply. So, for example, let us say one is not seeing that, but two years later, let us say if India produces 30 million and then the farmer is not attended to, again he will come back, so the supply side issue is very important to attend for the entire agriculture sector. Having said that, one is very clear that in India sugar price based on consumption, demand-supply would remain strong, but do not see 20% move from here, that is my personal view.

Vikas Jain: In terms of ethanol, one thing that you mentioned that there could be some linkage to crude. Is it some linkage to crude or is it some linkage to the retail petrol price,

Vivek Saraogi: Retail petrol.

Vikas Jain: Okay and by when could we see some implementation or at least announcement of that policy, what is your sense?

Vivek Saraogi: Probably as soon as one month.

Vikas Jain: In terms of capex, I mean, we have been very clear that to use all the cash for repayment of debt, firstly what would be the repayment that we have to do for the next 2 years, that is FY' 11 and FY' 12 and the other thing is do you also plan to increase dividends in that case?

Pramod Patwari: Next 3 quarters, we have a repayment obligation of Rs. 115 crore. And thereafter in next 2 quarters, again Rs. 240 crore.

Vivek Saraogi: Our idea is very simple. As a company, when we had large capex, then dividends were limited to about 30 odd percent. When there was no capex, then depending upon that, it has been as high as 45% to 50%. So, we have been consistent in our thinking and would do so in future also.

Moderator: Next, we have a question from Sachin Khivasara from Reliance Capital Asset Management.



Sachin Khivasara: Any idea about how much UP production has been till date?

Vivek Saraogi: UP till end January was 31 lakh tonnes.

Sachin Khivasara: We are expecting a 6.5 lakh tonnes, like...

Vivek Saraogi: Okay, Balrampur, yes.

Sachin Khivasara: Yes. Of which we have done almost two-third till date sir.

Vivek Saraogi: Yes

Sachin Khivasara: So, only one-third is left.

Vivek Saraogi: Yes

Sachin Khivasara: For UP total production, you mentioned about 53 lakh tonnes sir, right?

Vivek Saraogi: Yes.

Sachin Khivasara: So, for a state of about 50%, production to go from here, and for you it is only 33% of the total or one-third, what is the disconnect sir?

Vivek Saraogi: First of all I have taken my own figure as on 7th February. UP's figure is 31st January.

Vivek Saraogi: Yeah, but I might be tempted to reduce U.P. 1 or 2 lakh tones more I am not saying it, but possible.

Sachin Khivasara: So, in that case, what would be the most realistic figure from UP, if half of the season is already over, so less than....

Vivek Saraogi: Government of UP's projection is 6 million only.

Sachin Khivasara: But the sense that I get right now is like you know, for us if the two-third season is over, so from 4.5 lakh tonnes, we will go to about 6.7 lakh tonnes,



so for UP from about 3 million tonnes to say 4.5 million tonnes. Would that be really out of way?

Vivek Saraogi: There are different regions which behave differently. So, I think our production is as per the one I told you. Might be we can produce slightly higher because we have been crushing at 100 % capacity over the entire month of January and we will continue to do so. But there is a little bit of disconnect in area to area. So, you cannot match Balrampur to UP area to area because of our location of factories. But having said that, government of UP's projection is 6 million tonnes and we might scale up because of our excellent working.

Sachin Khivasara: Is there any sense or a possibility that 6 million tonnes may be at 5.5 million tonnes or...

Vivek Saraogi: No, I would not get there.

Vivek Saraogi: I don't think one should build once premise or thinking based on that. But one can look at 6 million tonnes which is a government projection.

Sachin Khivasara: Okay, instead of 6.3 million tonnes ,

Vivek Saraogi: Yes

Sachin Khivasara: And when do you think like, you know, the first plant will close down in UP?

Vivek Saraogi: First week of March may be.

Sachin Khivasara: Sure and what is your personal estimate for the average sugar price for the rest of the year now?

Vivek Saraogi: These figures are very difficult to give. And you know, but the feeling is that based on consumption, production and last 25 years trend out of which couple of years were an exception, the biggest exception being last year where everyone went wrong. The prices in February are the lowest, and therefore, as I said Rs.28 per kg being the current price one can definitely see Rs.31 per kg post Holi. That is when, you know, U.P. starts shutting down end of March



Moderator: Next, we have a question from Sanjay Manyal from ICICI Securities.

Sanjay Manyal: What is the sense of the Brazilian sugarcane production next year and most probably I think the season will start in April? So, what kind of production level we can see over there?

Vivek Saraogi: I am not an expert with Brazil and weather no one knows.

Sanjay Manyal: The operational side from India, what kind of the crushing days we can see this year, UP as well as in Maharashtra?

Vivek Saraogi: UP, will not go much beyond last year at all. and Maharashtra may be 15th May

Sanjay Manyal: Something on recovery probably, I think the first plantation crushing will start, I think it starts in January. So, what kind of recoveries we can see from the first plantation grown? For UP as a whole

Vivek Saraogi: We have given our projection. UP as a whole is not looking much higher than last year.

Sanjay Manyal: And just on the debt side, you have said that you will be repaying almost 350 crore kind of debt over five quarters.

Sanjay Manyal: Yes, five quarters. But I understood there were some FCCBs earlier which I think was, due to conversion I think in 2011. Is there any part of that also in this repayment?

Kishor Shah: We never have any FCCB.

Vivek Saraogi: Balrampur never issued an FCCB.

Sanjay Manyal: Okay. So, these loans repayment will be only from the ECB side

Kishor Shah: Yes.



Sanjay Manyal: So, what would be the cost of debt of the leftover debt, I would understand?

Kishor Shah: 9%.

Moderator: Next, we have a question from Ms. Abhilasha from Techno Shares.

Abhilasha Satale: Just a very general question. Sir, we are seeing capex missing in the sugar industry in the domestic market may be for whatever reasons. Do you think that it is a worldwide phenomenon, like what is your sense on this like in spite of sugar prices touching new heights and all?

Vivek Saraogi: Capex in sugar industry, I am telling you as a concept is more a function of cane availability rather than setting up capacity because you said global scenario is very good, but if cane is not available, setting up a factory can never lead to higher production. That is the concept basically underlying behind this.

Abhilasha Satale: Sir, I just wanted to understand is that like only in the domestic market like we are facing this issue or even in Brazil and Australia kind of countries like, I just wanted to get a sense on this?

Vivek Saraogi: It is very difficult to answer these questions. So, I will just give you an example. Suppose you have a factory in Australia and flood come and wash away the cane. Now, tomorrow you are expecting cane, but you already have so much of capacity which was not utilized. Now, what do you do if prices are 33 cents? By just setting up a factory there, you will not be able to do anything. We need to have cane on the ground isn't it?

Moderator: Next, we have a question from Mr. Jehan from Darashaw & Co.

Jehan Bhadha: I wanted to understand from a farmer's perspective, what kind of earnings can a farmer make say if we take an example of per hectare, I mean what would be his earnings, is it possible to quantify taking into account the yield per hectare and cane price of around 200 per quintal,

Vivek Saraogi: It is very difficult because each farmer's yield varies, his varieties vary, and balance intercropping technique varies. There is lot of intercropping and



things like that. But all one can say is that, there is not much euphoria at these prices. To take you know; let us say from 24 million tonnes up to 28 million tonnes. There is no euphoria amongst the farmers at this price.

Jehan Bhadha: Your opinion on the cost side the labor is proving to be one of the biggest factors over the last couple of years. So, you sense on the labor cost specifically.

Vivek Saraogi: Because of this NREGA...Because of the fact that UP paid let us say Rs.110 per quintal in 2007-2008 and is paying 205 per quintal now, that is a lot of money in the hands of the farmer. That is a lot of money in the hands of a let us say a rural consumer which is the food linked also. So, that is why when I spoke about consumption earlier, one is anticipating a lot of people to enter the consumption, should I say basket which they were not earlier contributing to. This I include for sugar also as a concept. Farm labor is more expensive, that is accounted for in our costing, but having said that farm labor is not going to be very easily available for areas which crush beyond April.

Jehan Bhadha: Right now I assume that sugarcane must be the most profitable crop in UP?

Vivek Saraogi: Not really, one cannot say that as an, absolute statement.

Jehan Bhadha: Okay and so like which other crop one or two crops would be the major competitors for cane?

Vivek Saraogi: We will do some mapping and get back.

Moderator: Next we have a question from Mr. Anup Ranadive from Tower Capital.

Anup Ranadive: My first question is regarding the power availability. You mentioned about crushing 6.7 crore quintal of sugarcane this season. From that expectation, how much power do we expect to produce and sell from bagasse and apart from that from coal?

Vivek Saraogi: 50 crore units plus.



Anup Ranadive: From bagasse or in total?

Vivek Saraogi: okay I would like to clarify one thing. The coal power is something we have already...the asset is on the ground as an option. If the coal power gets us our rate where you make money while we sell coal power, we do hope that for April-May-June, we should be able to sell coal power at rates of Rs. 5 per unit because that is the tender price which UP has got. If we get our coal power for three months, we should be able to do about 52 or 53 crore units because beyond three months one is not looking at running coal power now.

Anup Ranadive: Second question could be a bit repetitive. Somebody asked about if the government does not allow exports, sir my question is similar, if India's production, you say would be about 24 million tonnes and consumption is 23 million tonnes, ALS is already 1.2 million tonnes, so there is lot of pressure on the government actually not to allow further exports. Sir, in that event wouldn't the prices go down in the next two to three months?

Vivek Saraogi: You yourself have just done the production-consumption mathematics. If there is no contribution to surplus this year...

Anup Ranadive: Sorry to interrupt. We started like an inventory of about 4-4.5 million tonnes when the season started.

Vivek Saraogi: Yes

Anup Ranadive: More or less that inventory would be maintained in the end of year and probably about two to two half months of closing stock position which is slightly better than the last two years. So, sir why would the prices move up, I mean just wondering that you mentioned the prices can go up like 10% from here, but if the availability is like similar to what we had last year or slightly better then wouldn't it be pressure on the prices to actually move down?

Vivek Saraogi: No, when you talk of an inventory of about 4.5 million tonnes. It is inventory as on 1st October. Now, if you just take October-November which is the peak consumption months or festivals and let us take an average of 20 lakh tonnes in those two months, so by the time you start your next season that is the 1st



December, you have zero inventory. Because 4-5 lakh tonnes is technical inventory, but it is not in saleable condition. So, these are bare minimum levels of inventory. And when you enter into a year where you are going to consume more than this year, I would say these are bone thin inventory levels.

Moderator: Next, we have a question from Nirmal Shah from Alchemy Capital. .

Nirmal Shah: I wanted to check your cost of production for the full year after accounting off-season where do you see?

Vivek Saraogi: We have said that even after accounting threat, loss on levy, etc., Rs.28.40 per kg.

Moderator: Next we have a question from Mr. Segraj Baria from Angel Broking.

Segraj Baria: Just wanted to know sir what is your domestic ethanol manufacturing capacity sir, any idea?

Vivek Saraogi: Overall in the country?

Segraj Baria: That is right sir.

Vivek Saraogi: I will have to get back on that, I don't recall, but don't remember off-hand.

Segraj Baria: Secondly the CEA had come up recently, you know, with the creation of our domestic carbon credit market, so would Balrampur be eligible for that sir?

Vivek Saraogi: No for carbon we are not, but there is something on the REC market for captive consumption where I think we would be eligible, but that is too early right now.

Segraj Baria: Lastly just wanted to know how is the sugar sector, the M&A market looking like? Are targets available? I know Balrampur is not looking at it and they have never done, but just wanted to know how is the market like and what kind of the valuations they are available and if you can share some idea?



Vivek Saraogi: No idea.

Moderator: Next, we have a follow-up question from Mr. Achal Lohade from JM Financial.

Achal Lohade: I guess I missed the pricing, ex-levy or open market sales, what is the realization for the quarter sir?

Pramod Patwari: Rs. 2870 per quintal was the free sugar realization.

Vivek Saraogi: And blended Rs. 2811 per quintal.

Achal Lohade: Second question is how are the molasses priced at present and how do you see it moving going forward sir?

Vivek Saraogi: We are not selling molasses in the open market.

Achal Lohade: Okay, but any sense on how are the prices currently behaving, like are those significantly higher in fact what I understand sir, usually we used to transfer the molasses at about Rs.300 per quintal?

Vivek Saraogi: Rs.200 per quintal.

Achal Lohade: Okay, so we have reduced our transfer pricing.

Vivek Saraogi: No, it has been constant.

Achal Lohade: And for bagasse we have transferred at Rs.400 rupees per tonne?

Vivek Saraogi: Yes.

Achal Lohade: So, is it the same price, we have like seen last year same quarter?

Vivek Saraogi: Everything is the same.

Moderator: At this moment, I would like to handover the floor back to the management of Balrampur Chini Mills for final remarks.



Vivek Saraogi: Thank you so much. We are always there, me, Pramod, Kishor, for any queries that any participants might have and thank you for joining us on our call.

- ENDS -

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