



## “EID Parry Q3 FY2017 Results Conference Call”

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**Kashyap Pujara:** Good afternoon everyone and thank you for standing by. It is a great pleasure to have with us the management of EID Parry for Q3 FY2017 earnings call. From the management side we are represented by Mr. Ramesh , Managing Director , Mr. Suresh , Deputy Managing Director and Mr. Suri, CFO. Without taking too much time I will hand over the call to Mr. Ramesh.

**V. Ramesh:** Thanks Kashyap and it is indeed a great pleasure to be part of the Q3 earnings call for EID Parry. I will briefly talk about what happened in Q3 and what can be expected on a few important parameters as far as Q4 is concerned and I will take it segment wise, so let me start with the sugar segment.

As far as the sugar segment is concerned, the overall cane that we crushed in Q3 was higher than Q3 of the previous year, but this is primarily because of the fact that the plants in Karnataka and Tamil Nadu commenced a few days ahead of what it did the previous year. More specifically as far as Karnataka is concerned we have two plants in EID Parry, one plant commenced operations sometime the second week of October and the second plant commenced in the first week of November. As far as the Tamil Nadu plants are concerned, we commenced two plants in the first half of December and the plant at Sankili in Andhra Pradesh commenced operations in the first week of November. In terms of recovery, it was slightly better than the previous year both in Tamil Nadu and in Andhra. In terms of sales, sales volumes were lower than last year. We had to keep in mind overall production volumes for the full financial year and therefore we had to spread the sales volumes and hence we sold less in Q3 of this financial year as compared to the previous year. In terms of the sugar prices, the sugar prices for Q3 were almost in line with what we had obtained in Q2, which is above Rs.34 per kg. In terms of cane prices, we have increased the cane prices in Tamil Nadu by about Rs.125 per tonne, so effective price in Tamil Nadu is about Rs.2575 landed at the gate and as far as Karnataka is concerned a few mills paid higher than FRP and therefore we actually also fell in line and therefore for a higher recovery effective price was Rs.2500 ex-field and you need to add about Rs.600 towards harvesting and transportation. In terms of cogen, if we recollect , we had come out of the PPA with the Tamil Nadu Electricity Board previous year, but this year actually the power rates have come down in the open market and therefore we went back to the TN Government and we were able to sign a one year PPA for the Tamil Nadu plants.

As far as Karnataka is concerned for both the plants also we signed the PPA, but we could complete the process only in the last week of December and till the last week of December we were actually selling power in the open market.

As far as alcohol is concerned, the oil marketing companies had floated a tender and we finalized our contract with the oil marketing companies across Karnataka and Andhra for sale of 9 lakh liters between the two plants, two distilleries located at Andhra and

Karnataka, but supplies of which actually would commence only from January 2017 and during Q3 we only completed the earlier contract of ethanol that we entered into the oil marketing companies the previous year.

Going forward, as far as cane is concerned, we had been maintaining in the previous two analyst meets or maybe even three that we would crush cane almost in line with the previous year, but I think a lot of changes have actually happened subsequently. First is as far as Tamil Nadu is concerned we have had one of the lowest rains over many decades and therefore we had substantial perishables as far as one or two plants particularly located on the western side of Tamil Nadu.

As far as Karnataka is concerned, the overall cane in North Karnataka came down by 50% as compared to last year. Even though we had sufficient registered cane we lost on two counts – first on account of drop in . The yields dropped because of a very poor southwest monsoon and combined with very limited power that was actually available as far as the farmers were concerned right through the season; therefore, the yields dropped very dramatically, month after month over the last four months and secondly I think there were quite amount of diversion I would say by competition in respect of our registered cane. This actually means that when we end the current financial year we expect to crush for EID Parry approximately 15% less cane in 2016-2017 financial year as compared to the previous financial year. In terms of sugar prices I told that our average realization was just about Rs.34 per kg in Q3, they have moved up in the month of January and currently ruling at higher than Rs.36 per kg.

As far as the bio segment is concerned, it was also impacted by drought across the four southern states, but more importantly it was impacted by doubling of the seeds cost. The Nutra business has seen probably a more steady operating performance right through Q3. In terms of certain general points that I want to just share with you is that EID Parry continues to have focus on cost and therefore the numbers will reflect the controls we exercised in terms of fixed cost. Efficiencies and in terms of debt reduction, I will be requesting my colleague, Mr. Suri, the CFO to share with you the actual details of debt reduction. Again Q3 also saw fairly substantial reduction in terms of overall exposure as far as debt is concerned.

Coming back to overall sugar stocks, ISMA has already put out the numbers and it sees a 3 million-sugar deficit between what is expected to be produced and what is expected to be consumed. We began 1<sup>st</sup> October 2016 with a stock of 7.7 million tonnes of sugar and if this 3 million tonne deficit actually happens the effective stocks as of September 2017 would be around 4.7 million tonne. This is of course assuming no imports and that is a question for which we do not have any answer as of now as to what the government will actually do. So these are general points that I actually wanted to make. I will request my colleague, Mr. Suri to please come in and share the numbers with you

**V. Suri:**

Thank you Ramesh and good afternoon to everybody. It is a pleasure to be a part of this analysts call. The PBT of the company for the fourth successive quarter we have been positive, at around Rs.14 Crores. If you look at the corresponding time last year through the year we were actually having losses of Rs 46 Cr. It has now swung to about Rs 14 Cr in terms of PBT. As far as YTD is concerned we had a loss of Rs.235 Crores correspondingly the nine months last year, now this year we have reported a profit of Rs.144 Crores, so it has been a very good swing from compared to the last year. Our revenue for the quarter has been down because of the reasons, which Ramesh has already shared; we have actually slowed down our sales to conserve stocks to spread the sales. However, if you look at the average nine-month sales it is flat at around Rs.1700 Crores. In terms of sugar, the Q3 crushing was higher by about 50% compared to the corresponding quarter because of the early start of the season in Karnataka and Tamil Nadu. We crushed about 12.4 lakh tonnes during this quarter. Recovery is up at an average of about 10% during this quarter, better than last year. We produced about 1.25 lakh tonnes of sugar and sold about 1.1 lakh tonnes of sugar during this quarter and the selling price on an average was about Rs.34. We carried about 1-lakh tonnes of stocks at the end of 31 December 2016 and the closing stock has been valued at around average of Rs.28 per kg.

As far as cogen is concerned, the power generation was higher because of the cane crushing at about 11.26 Crores units, but the power export has been flat during the year at about 6.6 Crores units. The average rate has been around Rs.3 this quarter because we had to sell in IEX for most of the time in the quarter in Karnataka. Subsequently as Mr. Ramesh said we have already signed the PPA from end December in Karnataka and in December in Tamil Nadu, so now all the units are working in PPA. The rates will improve from Q4 onwards. Currently we are under PPA both in Karnataka and in Tamil Nadu.

As far as distillery is concerned, we sold alcohol about 180 lakh liters during this quarter correspondingly about 210-lakh liters last time. The Q3 price has been good on average, we get about around Rs.46 for sale of alcohol and ethanol. But ethanol price has come down from November onwards because of change in policy, but we were able to sell at an average about Rs.41 during this quarter. Going forward the ethanol rates will come down to about Rs.39.

As far as the bio products are concerned, put together we had a turnover of about Rs.42 Crores, which is almost similar to the last year similar time, but the profits have come down from about Rs.7.5 Crores last year to about Rs.2 Crores this year. The reason has been spelt out by Mr. Ramesh as doubling of the seed cost, which happened during this period because of the drought conditions.

As far as the capex is concerned, we had a complete hold on the capex, we invested only on very productive assets and on the safety and environmental issues. We expect to spend about Rs.50 Crores on a total in terms of capex this year. Regarding interest cost, the focus on reducing the working capital and also repaying the loans continue as we have been sharing for quite sometime. During the quarter the interest cost overall reduced on quarter-on-quarter by about Rs.4 Crores, but if you really look at nine months comparison Rs.22 Crores of interest have come down. In the last one-year we have reduced about Rs.650 Crores of debt. Currently we have about Rs.800 Crores of long-term loans and about Rs.50 Crores of short-term loans totalling to Rs.850 Crores at the end of December. With cash generated we had prepaid loans ahead of time by about Rs.105 Crores to save interest cost. The average interest today at the company level it is about 8%. Regarding the expenses Mr. Ramesh has already shared that we have very tight control on the expenses, but if you look at the results there is an increase about Rs.19 Crores for the quarter. These have primarily come from the inclusion of cess in the valuation of the closing stock and also the excise duty /cess on the sales, so this is the single reason, otherwise if you look at the overall numbers our cost has increased on an average about 5%, so the extraordinary increase is shown in the expense column is because of the cess, which has again added into closing stock and also in the sales price. So this is overall summary of all the numbers about the company in terms of the parameters as well as the financials. Now I leave the floor open for the questions please.

**Anand Bhavnani:** Good afternoon Sir! I wanted to understand what is the sugar level inventory at the moment at the end of Q3 with us?

**V. Ramesh:** One lakh tonnes.

**Anand Bhavnani:** And Sir with respect to the entire season you cited that you would be crushing 16% less?

**V. Ramesh:** 15%.

**Anand Bhavnani:** 15% and about the oil marketing companies we have signed for Rs.90 lakh Crores?

**V. Ramesh:** 90 lakh liters.

**Anand Bhavnani:** And what would be the balance we are planning to sell in the open market?

**V. Ramesh:** Yes, basically the thing is there are two products that come out of distillery, one is called Extra Neutral Alcohol, ENA, which is sold for human consumption, the other is ethanol, which goes to the oil marketing companies. Basically this time we have contracted for 90 lakh liters of ethanol and the balance would actually go for sale of ENA across the four distilleries that we have, two in Tamil Nadu, one in Andhra and one in Karnataka.

- Anand Bhavnani:** What would be the likely volume for the sugar season, alcohol volume?
- Till Dec , the total sales is around 5 Crores liters approximately and last year for the full financial year that is 12 months was about 6.7 Crores liters.
- V. Suri:** Actually we will be hitting the numbers like last year.
- V. Ramesh:** Yes, so I think as far as this year is concerned the distillery volumes will not be too much different from what it was last year.
- Anand Bhavnani:** How does the pricing of this product works?
- V. Ramesh:** Which product you are saying?
- Anand Bhavnani:** The OMC?
- V. Ramesh:** As far as OMC is concerned they have actually at this moment contracted at a flat rate of approximately Rs.39 per liter Ex factory.
- Anand Bhavnani:** And about the distilleries the ENA that we sell?
- V. Ramesh:** As far as the ENA is concerned, essentially we sell to Indian made foreign liquor units in Tamil Nadu and we got few private players in Karnataka . Contracts with those players take place on a month-to-month basis.
- Anand Bhavnani:** Sir just wanted to understand overall we had some concerns that the environment for sugar industry is not favourable because the policies of the Government in Tamil Nadu vis-à-vis other states, so any updates on...
- V. Ramesh:** No, which specific point you are referring to in terms of?
- Anand Bhavnani:** The overall payment to farmers, the yields in Tamil Nadu are lesser than Maharashtra and other place?
- V. Ramesh:** Basically as far as the sugarcane is concerned, the recovery in Tamilnadu is lower as compared to Maharashtra and Karnataka, primarily due to soil and climatic conditions and not related so much to the government.
- Anand Bhavnani:** But we have to pay the similar same price?
- V. Ramesh:** No, there is a slight difference. The thing as far as the Government of India is concerned; it is announcing fair and remunerative price every sugar season, now this fair and remunerative price is fixed for a recovery of 9.5%. Now typically as far as Tamil Nadu is

concerned we get a recovery of less than 9.5%, so to that extent it is a disadvantage because you are not getting 9.5% recovery, but you are paying for 9.5% sugar. Whereas in Karnataka and in Maharashtra typically the recovery is more than 9.5% the price would be higher than what Tamil Nadu is actually paying.

**Snigdha Sharma:** Hi Sir. This is Snigdha here, a couple of questions from my side. Recently we saw the government scrapped the PDS sugar subsidy how does that impact us if at all?

**V. Ramesh:** As far as the impact of the scrapping of the sugar subsidy on EID Parry , I would say it will be very limited because as of now if at all we participate we supply sugar against PDS it is against tender floated by one or more state governments in the south the tender it is at market rate. So , the onus now is on the State Government to decide whether it wants to retain the earlier PDS price or whether it wants to take an increase because if you wants to retain the earlier price they will have to now subsidize what the Central Government was earlier doing, so actually the onus have been shifted by the Central to the State Government in terms of financing the PDS subsidy. I would say the impact on the mills is rather limited at this moment of time.

**Snigdha Sharma:** Sir the government had introduced a stock limit at the trader level; I believe that was applicable in Q2 as well?

**V. Ramesh:** Basically here the question is in terms of execution, while the Central Government issues an order, the execution has to be done effectively at the State Government level and therefore I think it is overseeing, monitoring, and ensuring that stock levels are periodically checked at the state level and so on, so basically that is the key to actually making it effective.

**Snigdha Sharma:** So basically that still applies right to us like the current quarter?

**V. Ramesh:** No, as of now it applies only to the traders. As of now the restrictions have been imposed on the stocks that can be carried by the traders.

**Snigdha Sharma:** All right, got it and Sir lastly I am sorry I missed the distillery volumes and the cogen volume?

**V. Ramesh:** As far as the distillery volumes are concerned, what we said was as of cumulatively for the period nine months of this financial year we have actually sold approximately 5 Crores liters of alcohol, which is both ENA plus ethanol and last year that is 2015-2016 we actually sold 6.7 Crores liters full financial year.

**Snigdha Sharma:** What would be the number for the quarter Sir?

**V. Ramesh:** Which quarter you are referring to?

- Snigdha Sharma:** This quarter and the prior year quarter?
- V. Suri:** 1.8 Crores lakh liters is what we sold.
- V. Ramesh:** 1.8 Crores liters and last year is 2.1.
- Snigdha Sharma:** And then for cogen as well?
- V. Suri:** Cogen actually we generated about 11.2 Crores units and exported 6.6 Crores units.
- xBhavin Chedda:** Good afternoon Sir. Sir what was the number in the Silkroad for the quarter and for nine months ?**V. Suri:** For the first time we have now made a profit of about Rs.8 Crores during nine months period.
- Bhavin Chedda:** what was the volume there?
- V. Suri:** We actually sold 1.8 lakh metric tonnes for the quarter.
- Bhavin Chedda:** Quarter profit would be?
- Bhavin Chedda:** Sir you said nine months profit at Rs.8 Crores?
- V. Suri:** Yes we had a loss till the last quarter first half and then it got wiped out.
- Bhavin Chedda:** So this quarter you had a profit of Rs.44 Crores?
- V. Ramesh:** But let me tell you it is not representative going forward, so actually we have been saying for the last three quarters that we expect to end the financial year for Silkroad at above break even and that stands.
- Bhavin Chedda:** Above break even at the profit level?
- V. Ramesh:** Yes when I say Rs.8 Crores cumulatively profit for the first nine months will stand and could be marginally better.
- Bhavin Chedda:** So what is the capacity right now, I believe it was a million tonne right?
- V. Ramesh:** No, it is a 2000 tonne per day plant and therefore if you take 300 days you have capacity of 6 lakh tonne.
- Bhavin Chedda:** In case the government allows import there, so then we would be major beneficiary right because we are seeing a season where the domestic production could be sub 21 million



level, so maybe by March, April if the policy changes and allows imports then the refinery would be major beneficiary of that right?

**V. Ramesh:** No, I want to just introduce a note of caution to the statement that you made. As far as Silkroad is concerned we have a fairly prudent trade and buying policy. The thing is that we actually buy the raws on the New York stock exchange and sell whites from the London exchange and what we do is more or less we ensure that we cover within short periods of time, I mean both the raws and the white tonne to tonne, so that we are able to ensure that there is a gross spread that has locked between the two.

**Bhavin Chedda:** If there is a shortage and if the selling is allowed in domestic area then the...

**V. Ramesh:** The point that I want to tell you is that we therefore had this booking in the forward market for both raws and whites actually extends to a very substantial portion of the next financial year, so it means that technically they would have a little white sugar to actually sell in the domestic market and not the kind of quantity that you can think of at the rate of 2000 TCD and so on.

**Bhavin Chedda:** Thanks a lot Sir!

**Achal Lohade:** Thank you for the opportunity Sir! I would like to know basically what is the outlook for the states of Tamil Nadu, Karnataka and Andhra Pradesh, as a state what kind of production we are seeing for the current season and what has been the planting outlook actually?

**V. Ramesh:** As of now if you see Karnataka has almost completed crushing for the sugar season 2016-2017 and the overall sugar production for this sugar year is expected to be 50% of last year approximately.

**Achal Lohade:** 50% lower.

**V. Ramesh:** Going forward essentially this was because of two reasons, one is a very poor southwest monsoon, as a result of which therefore there were substantial perishables and loss of yield and obviously because lack of irrigation and because there was no water available for irrigation, even the planting was much less during the current year, which got harvested just now. Now as far as going forward for the next sugar year is concerned we will have to wait for another two months, but the planting would be only marginally better than what happened in the current year and I think it will take quite sometime for it to go back to levels of the previous sugar year of 2015-2016. Probably the number next year would be closer to the current year number or the previous year number. As far as Tamil Nadu is concerned, I mean it has seen one of the worst years in terms of rain. There are some parts of Tamil Nadu, which have had the lowest rainfall maybe in 50-60 years and so on, so essentially we expect on an average Tamil Nadu will give something like 1.2 to 1.4 million

tonnes of sugar annually. I think given the fact that even during current quarter is expected to be less than 1.4 million tonnes which was what was there in the previous year because of huge perishables and the planting also would actually reduce going forward for the next year. But here you must note that unlike Karnataka , Tamil Nadu has a special season and here the harvesting and crushing commences only in December as far as the main season is concerned and the season actually would go into March, April and so on in Tamil Nadu and again in July, August, September. So I am giving you the full sugar year. But next year could be less than current year as far as Tamil Nadu is concerned.

As far as Andhra is concerned I do not know about Telangana because our plant is located in Andhra Pradesh and therefore I wish to restrict myself to Andhra Pradesh alone. As far as Andhra Pradesh is concerned it is not a very major player, the total production is around 0.4 million tonnes of sugar approximately and this year actually is expected to be at the same level and even next year it is not expected to see a very significant change in terms of overall production volumes. To summarize therefore Tamil Nadu should see less production going forward for next year, Karnataka could see higher production of sugar, and Andhra could be at the same level. I am referring to 2017-2018 sugar year and not 2016-2017 sugar year. I just do not want confusion in terms of which year we are referring to.

**Achal Lohade:** Fair point Sir that is helpful. Number two underlying production trend seems to be pretty tight actually even for the next year at least for the three states what we mentioned. I am just curious to know in terms of the government action are you hearing or sensing any dramatic measures where the government in terms of utilization of the sugar cess what they are collecting about Rs 2500 Crores annually to subsidize sugar is that possible, can they really do that operationally, is it possible?

**V. Ramesh:** Obviously anything is possible, as of now we do not know what the government is actually contemplating.

**Achal Lohade:** For the Silkroad we have made a very large profit number for the quarter, is it possible to give some underlying drivers, which have driven this profitability?

**V. Ramesh:** Basically the higher profits was primarily due to some foreign exchange gains and MTM movements. More due to foreign exchange and essentially in terms of MTM adjustments, but in terms of sustainability we would only be marginally better than where we are at the end of the fourth quarter as compared to third quarter on a cumulative basis. Basically here what are the important drivers for profitability is the gross spread that we get between the raws and the whites and our relative costs. As of now we are working to ensure that relative costs are reduced all the time, we are working on efficiencies and so on and as far as the spread is concerned we are trying to bring in more scientific set of thinking into at the time of locking the spreads.

- V. Suri:** Now I would like to add to what Mr. Ramesh said. This company has now actually moved into US dollars as the currency in terms of the accounting, everything is accounted in dollars, so now we will have a stable number and so the MTM is also to be taken care.
- Achal Lohade:** Sorry I did not understand, you are saying that the functional currency has become dollar?
- V. Suri:** Correct. Based on Ind-AS, that is one important change, which has happened during this year.
- Achal Lohade:** Understood. I think sometime back you had mentioned that, you have already owned now 99% of the company?
- V. Ramesh:** No 100% of Silkroad is owned by EID Parry.
- Achal Lohade:** So are there any plans to merge the company in a standalone company?
- V. Ramesh:** No as of now I think there are no such thoughts.
- Achal Lohade:** What is the debt actually in Silkroad book?
- V. Suri:** We have long-term debt of Rs.330 Crores in form of debentures, rest are all working capital data based stocks and debtors.
- Achal Lohade:** How much is that, sorry I did not understand that short-term debt?
- V. Suri:** That is in terms of non-fund based limits.
- Achal Lohade:** Those would be very low cost ones?
- V. Suri:** Yes, correct, on an average we only have about 3% cost.
- Achal Lohade:** Understood and any target volumes you could indicate for assuming a 15% decline in the cane crushing volume, what is the kind of cogen and the distillery volumes one can expect for FY2017?
- V. Ramesh:** Last year we crushed in EID Parry about 48.5 lakh tonnes. So you can workout the cane volumes approximately. As far as power is concerned, it would almost be in line with the cane volumes. As far as distillery is concerned, the impact of this probably you would see the next year because this year we are saying that the total quantity of alcohol production would be the same as last year.
- Achal Lohade:** Understood. That is all from my side Sir. Thank you so much.

**Bhavesh Jain:** Good afternoon Sir. Most of my questions have been answered. Can you tell us about nutraceutical business, how you look at this business over the next three to five years?

**V. Ramesh:** Essentially as far as the nutraceutical business is concerned, it has got three parts, one is the Indian part where we actually grow two main ingredients, one the big one at this moment is Spirulina and the other is Chlorella, this is one piece. We do very little sales in India of nutraceutical products. The second piece is basically in Chile where we have a plant where we actually produce a product called Astaxanthin, which is a very strong antioxidant. The third portion is our subsidiary called US nutraceutical based on the United States, which actually does the front end marketing of our nutraceutical products in the US. The US piece actually sells ingredients as well as formulated products, the formulated products are actually packed in United States. The broad strategy is to work on newer products and newer formulation with focus on formulations and for which we would spend money on clinical trials. The second portion of strategy is that we feel that we can capture higher value in the chain if we do B2C, so we have started that in a very small way in India through Amazon. So to summarize we are looking at more formulations, more new products and what is it we can do to enlarge a customer base. So we expect the nutraceutical business is a sunrise business, it should actually definitely grow in double digit terms, not very high, maybe very low double digit terms on a compounded basis over the next few years.

**Bhavesh Jain:** How much we are planning to spend on these clinical trials, any ballpark numbers?

**V. Ramesh:** Typically minimum clinical trial cost would be a million dollar.

**Bhavesh Jain:** Thanks a lot Sir and all the best for the future.

**Akshay Ajmera:** Hi Sir. Thank you for taking my question. My question was already been asked by the last participant on Nutra business and other one is regarding the debt repayment, you mentioned that you have repaid how much debt Sir in this current year, Rs.650 Crores? And this was purely from the accruals of the company or we have some asset monetization program, which has helped us in reducing our debt?

**V. Suri:** Actually Rs.650 Crores has come down over the last 12 months.

**V. Ramesh:** Asset monetization you are referring to sale of properties is that what you are referring to?

**Akshay Ajmera:** That is correct.

**V. Ramesh:** It is ongoing, but it has not reached any big scale as of now. We keep selling some properties now and then to ensure that where we feel that we are not going to need such properties in the long-term, but it is not going to be substantial enough to bring down debt by hundreds of Crores . So primarily debt reduction has to happen through better working

capital management and through internal accruals generated, which in turn have to come from profitable operations.

**Akshay Ajmera:** Perfect Sir and so there is no such ballpark number that we can generate from asset monetization, it will be less than Rs.100 Crores?

**V. Ramesh:** Yes

**Akshay Ajmera:** Other thing on Nutra business just a followup question have we developed any new products during last few quarters and how is it going on?

**V. Ramesh:** We are working on both ingredients and formulations, so as far as ingredients are concerned, for example, Chlorella, which was not there about a year back is a new ingredient that we have actually started manufacturing in India. As far as formulations are concerned we are continuously working on newer formulations, which largely at this moment sold in the US and every year definitely we hope to come out with newer and improved products for sale to customer.

**Akshay Ajmera:** During this quarter there is no development that you can share with us?

**V. Ramesh:** I had to reply to you in general terms because we would not like to name the product till it is on the market **Akshay Ajmera:** Understood. Sir one last question from my side that you mentioned that the buyer segment substantially impacted by rise in the cost of seeds and the drought that remained in the region?

**V. Ramesh:** This is biopesticide business.

**Akshay Ajmera:** Nutra business has no such impact?

**V. Ramesh:** No. As far as Nutra is concerned actually that has not definitely impacted by the seed. What we report is the biosegment in our segment reporting has got two sub businesses, one is called the biopesticide business....

**Akshay Ajmera:** Which can be referred to crop protection?

**V. Ramesh:** Yes, which is basically crop protection, plant growth, plant protection on the one side and the nutraceutical, which is on the other side, so essentially one is for human and the other is for the crops, we call it bio, we have done it together. In terms of size approximately if you see the ratio is 1:2.5, the biopesticide if it is 1 the Nutraceutical would be 2.5, but in terms of profitability what has actually caused a dent in profitability for this quarter is that the biopesticide business profitability has virtually disappeared because of the increase in seed cost.

- Akshay Ajmera:** How do you see it going forward for next coming quarters, two, three quarters?
- V. Ramesh:** No, definitely as far as the seed buying is concerned it is over for the year and therefore the Q4 also would be impacted in terms of the higher seed cost.
- Akshay Ajmera:** So it will be more or less similar to this quarter?
- V. Ramesh:** Yes, as far as the biopesticide is concerned.
- Akshay Ajmera:** Correct.
- V. Ramesh:** As far as next year is concerned, we will have to wait for the next set of crops to come, but this impact I think you would have probably seen for the next at least two quarters.
- Akshay Ajmera:** And generally Sir when do we get this buying of seeds in the year?
- V. Ramesh:** Q2, Q3.
- Amar Kalkundrikar:** Thank you for the opportunity. Sir you shed some insights on possible production numbers for states of Karnataka, Andhra Pradesh and Tamil Nadu for FY2017-18 I think you said that Tamil Nadu will be down, Karnataka could be marginally up, and AP would be sort of flattish.
- V. Ramesh:** Correct.
- Amar Kalkundrikar:** Thanks. I know you do not operate in Maharashtra, but any insights you can offer on what kind of plantation increase Maharashtra is seeing and what kind of production rise can potentially be there for FY2017-18?
- V. Ramesh:** If you ask me frankly I am actually as knowledgeable as you are in terms of Maharashtra because the thing is unlike Karnataka, Andhra and Tamil Nadu where we actually travel into the fields and we have probably a slightly more in depth knowledge. As far as Maharashtra is concerned, it is largely based on what we read in the reports and in the press, so as of now Maharashtra is expected to partly or fully bounce back in the next sugar year, but we will have to wait till March because as far as ISMA is concerned they actually do regular updates and by end March they will probably do an update based on actual crop planting that has actually happened in Maharashtra and by end March we should have a better estimate, as of now it is all based on press reports, which says that Maharashtra it will be definitely better than the current year. The current year was bad because I think again there was almost close to 45%-50% kind of reduction in terms of sugar, so next year estimates are raising anywhere between 20%-50% even more, even larger numbers. I must

say that I am not in any position to correctly give you an estimate of what it is likely to be there in Maharashtra.

**Amar Kalkundrikar:** Even some local newspapers are sort of reporting very high acreage increase in Western Maharashtra, but you made a comment that in Karnataka surely production would not go back...

**V. Ramesh:** The reason is southwest monsoon, there was a huge deficit as far as North Karnataka is concerned, but it was good in many parts of Maharashtra and therefore sugarcane planting is definitely expected to be much better in Maharashtra as compared to North Karnataka.

**Amar Kalkundrikar:** Got it Sir! Thank you very much and wish you good luck for the next year.

**V. Suri:** Thank you very much.

**V. Ramesh:** We are happy that we are part of the call and we were able to clarify to the best of our extent possible the questions and the clarifications that the analysts had.