"E.I.D. Parry Q4 FY-18 Earnings Conference Call"

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S. Suresh: Good afternoon every one, Welcome you all for the analyst call and thanks for taking time out on joining this Conference Call. Let me start with my opening remark. that, the business has made a PAT of Rs. 100 crores for the financial year 2017-18 despite all the odds and challenges.

To give a brief overview I would like to take upon the overall scenario. Globally, the sugar market has been on the downward trend for the last so many months and India has to participated in this huge surplus of the global market in the last 3 to 4 months. The only exception with the global market news is that Brazil maybe less in terms of the outputs that is in the recent news. Brazil is diverting more of cane for the ethanol program that is also contributing to the reduction in the sugar output.

However, if we look at Thailand it has really gone up in terms of the outputs. India has also really gone up in terms of the outputs. This is the overall world scenario and we will get to know about the Brazil market in the next two months' time as the crushing is starting we will know about the clear picture about Brazil ..

Coming back to the Indian market scenario this sugar seasonis expected to be around 32 Million Tons . As on date we understand that still there are some mills which are crushing in Utter Pradesh, Maharashtra and some other areas. So somewhere around 32 million tons is expected to be the number for India.

So with this background if you see the prices have started tumbling in the last 6 months' period starting our Q3 now getting into Q4 of last year and then into this current year and over this period if you look at the government has brought in quite a lot of measures in order to provide some stability to the prices. Mainly in this domestic season now '17-18 sugar season, the prices have remained depressed and there has been a lot of accumulation of the farmers' arrears.

So the government started with increased the custom duty on import of sugar from 50% to 100%. Also withdrawn the customs duty on export of sugar to encourage the sugar industry to start exploring the possibility of sugar exports. Third thing, in the month of February and March government started imposing reverse stockholding limits on the produce of sugar for the month of February and March which has also helped in stabilizing the sugar prices to some extent. Then now in lieu of the huge inventory levels in the sugar industry in order to provide a quite a lot of liquidity, Government has come out with the Minimum Indicative Export Quotas (MIEQ) totaling to around 2 million tons for the sugar season 2017-2018 in order to facilitate this export of so much of quantity that is another scheme which was introduced which I would like to mention is that Duty Free Import Authorization (DFIA) Scheme also was brought in.

Coming to the MIEQ, to happen very recently the government has come out with the notification has been issued in terms of providing some support in terms of Rs. 55 per ton for the quantum of cane crush for a specified period the notification is out, details will be known very soon. So this is a background and there is also a talk about the introduction of cess on the sugar. Also, there is contemplation going on in terms of reducing the GST on ethanol from 18% level to 5% to 12% level. These are the various measure taken by the government which is expected to lend quite a lot of stability to the sugar prices and from there it should start moving up. So with this background I would like to get into the performance of the company give you a broad overview.

Overall, for the year if you look at we have crushed cane volumes close to around 37 lakhs tons, there is almost 8 lakh tons drop. The main point to note here is that the biggest drop has been due in terms of Tamil Naidu cane availability. As all of you know Tamil Naidu has been reeling under draught for the last 2 to 3 years and the blessing in disguise in the given scenario is that Karnataka has improved to the extent of almost 30% cane availability and Andhra Pradesh has remained more or less the same. Tamil Naidu as a state itself is going down in terms of the overall sugar production.

And another important development on the cane price in Tamil Naidu old SAP related thing. The company has been in a position to settle the old SAP related matters with the farmers with the mutual agreement and the silver lining is Tamil Naidu has not announced SAP for the current sugar season 2017-2018. So that it is also very important point and they have also set up the committee for looking into the revenue sharing formula as you go forward.

And coming to the sales volume, the volumes have been lower, mainly due to stock restriction which have been imposed on us in the Q4 which is mainly in February and March. Prices started falling in Q3 literally and tumble in Q4, but for the stability which has provided by the stock limits, prices have tried to remain stable, but we could not sell more volumes because of the restriction.

During this period the company has taken quite lot of other initiatives apart from the aggressive cost reduction and other various initiatives, we have participated in the Raw Sugar Import Program which is to some extent helped in terms of supply of sugar at the right time in the Q3 and another important thing is our distillery in Tamil Naidu has the shortage of cane, there has been shortage of molasses as well. The company has taken lot of efforts in getting the molasses from other states as well as from overseas. This has helped us in getting the continuous run of all this distilleries thereby we have been in the position to service our customers at the right time . we participated in the Ethanol Program for supply to OMCs and we have been on schedule in terms of fulfilling our quota of supply to the OMCs.

So with this broad overview, I would request Mr. Suri – CFO to take you through the details of operational performance. Thank you.

V. Suri: Good afternoon to all participants in this Analyst Call. I am very happy to share with you the performance for the year 2017-2018 and some operating parameters which will help you to understand the reason behind those financial performance.

As a preamble, I would like to tell you that, as Mr. Suresh has already shared, we have hived of our bio business to Coromandel from 1 April 2018. So, our results are actually given in the accounts in the form of continuing business and discontinued business. The Bio business have been carved out as per IndAS requirement as discontinued business and shown in the results separately. Sugar and Nutra businesses are shown as part of the continuing business.

Now I will turn your attention to the financial performance of the company:

The revenue for the company for FY 2017-18 was about Rs.2, 000 Crores which was less by around 18% than last year. The sale got affected during the Q4 because of the stock restrictions which was imposed by the Central Government.

The PBT for the year on the continuing business was about Rs. 48 Crores against last year Rs. 242 Crores. The drop was mainly because of lower cane crush in Tamil Naidu by about 8 lakhs tons. It was only 50% because of the severe drought conditions prevailing in Tamil Naidu.

The second important item was one time settlement with our farmers for the sugar years ‘13-14 to ‘16-17 amounting to Rs. 87 Crores. So these two were big reasons for the drop in operating profits for the year. The PBT of the discontinued business (Bio business) was very good in terms of the overall number. Rs.30 crores PBT against last year Rs.15 Crores. So it was a double than the last year. Company as a whole our PBT was Rs.78 crores and PAT was Rs. 101 Crores .

On the consolidated level, the PBT for the company was Rs. 868 crores against last year’s Rs. 920 Crores backed by very good performance from Coromandel. The PAT for the company was Rs. 517 Crores at consolidated level against last year’s Rs.700 Crores, down by about 27%.

The Board of Directors of the company have recommended a dividend of 300% that is Rs. 3 per share for the year ‘17-18. This will go to AGM for approval.

Now let me share with you some of the operating numbers of the business for year 2017-2018:

As far as sugar is concerned the company crushed about 37 lakhs metric tons against last year 45 lakhs and recovery was around 10% was against last year which was about 9.6%. The production for the full year was about 5 lakh metric tons of sugar which included the conversion of imported raw sugar to the extent of about 1.3 lakhs tons. The Sugar sales for the year was close to about 4 LMT against last year 4.8 LMT. Drop in sale was mainly due to imposed of Stock control in the month of February and March2018 which actually slowed down the sales during Q4 of the last year.

The average selling price for the year was about Rs. 36 / kg against previous year's Rs. 34 / kg. The prices started affecting us during the last part of the Q4. Otherwise we were able to hold the prices most of the part of the year. The stock carried by us is nearly close to 3 lakhs tons by the end of the period because of forced stock control which we needed to fulfill. This will be sold during the first half of the year in terms of actual sales. So there is a systematic selling which will happen during the first half of the year. Closing stock was valued at around Rs. 31 as an average. The sugar revenue on totality is about Rs. 1500 crores which is less by 17% over last year again due to stock control.

Now as far as cogen is concerned, we have generated 35 crores of units of power last year and exported 19 crore units . The average rate was close to about Rs. 4 per unit and currently In Karnataka and Andhra Pradesh plants are in PPA. In Tamil Naidu we are actually selling the power through IEX. The cogen revenue for the year was about Rs.111 crores.

As far as distillery is concerned, we have done a good performance. In spite of our drop in cane crushing, we were able to import molasses as Mr. Suresh has already shared and we were able to get a good price on ENA and Ethanol price also got increased during the course of the year. So we sold ENA and ethanol to the extent of about 600 lakh liters and the average price was about Rs. 49 per liter. The ENA sales was about 450 lakh liters and the average price was about Rs. 52 and ethanol sales we are able to sale about 160 lakh liter last year with the average price of about Rs. 41. The distillery revenue was close to Rs. 300 crores which was almost similar to the last year.

Now I will now share information on the Nutra business:

Nutra had a revenue which is almost similar to last year close to about Rs 70 crores and the PBIT was about Rs.8 Crores which was lesser than last year by about Rs.2 crores. Nutra division had lesser PBIT because of drop in sales in our Lycopene business and also the traded business. Otherwise the Spirulina business is doing well, and our new product Chlorella has got stabilized and is also doing well.

Now turning to Bio business which has been hived off to Coromandel from 1st April. Bio business had a very good year. We sold about Rs.138 Crores worth of bio products. Our PBT was Rs.30 Crores against last year Rs. 15 Crores and we also mentioned in the earlier quarterly calls that we had successfully locked in all the Neem Seed purchase very effectively in terms of the price. This has paid off dividends and the margin was very good during the year so it was managed very well and also sales also was better than last year by about 15%.

No as far as the CAPEX is concerned we have been sharing with you for quite some time that we are very prudent in our CAPEX. Last year we actually invested about Rs.50 Crores in CAPEX. Most of them for increasing the capacity in Karnataka and Andhra Pradesh. The total capacity was increased by about 2000 TPD and we also now debottlenecking Nellikuppam plant in terms of distillery as well as the refinery plant. The CAPEX as a total it was only 50% of the depreciation. So we were able to conserve the cash. This was very important for us in terms of managing our cash flows and also paying the dividend.

We continue to be very prudent in investments of CAPEX in current year also and we will be investing only in high return investments and for safety and environment.

As far as the expenses are concerned, we continue to have a very tight control on fixed cost. The fixed cost during the year increased only by about 3% in spite of the inflation.

As far as the loans and interest cost is concerned, I have been sharing for quite some quarters that we are very focused in reducing the loans. The long-term loans have come down to less than Rs. 600 crores it is about Rs. 580 crores and which is a reduction of about close to about Rs. 180 crores compared to last year. We had to now borrow more on the short-term because of the stock pile-up which happened at the end of the year because of the stock control limit which was explained earlier. Now this entire stocks will be disposed-off during the first half of the year and the cash will get released so there is no issue on getting the cash released from the system.

The finance cost got reduced substantially during the year against. Rs.140 Crores last year we have reduced it to Rs. 113 Crores a reduction of about Rs. 27 crores primarily because we actually went for very low-cost loans and had a very good mix of loans. We have repaid the long-term loans to the extent of Rs. 180 crores. Story on the loans and interest will continue and we are very focused to reduce the loans and interest on a continuous basis.

With this background now actually, I would hand over back to the participants to ask for a question and answer. We will be very happy to share our answers. Thank you very much.

Achal Lohade: Sir, you said you crushed about 3.7 million tons in FY18, is that right sir?

V. Suri: Yes, correct company as a whole we crushed 3.7 million tons.

Achal Lohade: And we also processed about 1,30,000 tons of raw sugar.

V. Suri: Yes, absolutely correct.

Achal Lohade: And we sold, near about 3,70,000 tons of sugar we produced plus 1,25,000 of raws

V. Suri: No, we sold close to 4,00,000 tons of sugar & we produced 5,00,000 ton of sugar including the raw sugar.

Achal Lohade: So, what is our inventory usage sir?

V. Suri: we carry about close to 3,00,000 tons.

Achal Lohade: And that is that Rs. 31 a kilo?

V. Suri: Yes, correct.

Achal Lohade: Can you help us with the cane price for FY18 blended the average for the full year?

V. Suri: Yes, now actually our cane price on an average in Tamil Nadu is about Rs.2,700/MT, Andhra Pradesh is about Rs. 2,900 / MT and Karnataka is about Rs.3,100 /MT.

Achal Lohade: 3,100?

V. Suri: Yes.

Achal Lohade: And what is the weighted average price, sir of Cane?

V. Suri: Weighted average price will be around Rs.2,900 /MT.

Achal Lohade: And as compared to last year was …

V. Suri: It was Rs. 2,700/MT.

Achal Lohade: And what was the raw sugar cost because if I see if I put 2,900 with 3.7 million tons, I get a raw material cost of probably around Rs.1,200 crores.

V. Suri: Yes.

Achal Lohade: So, the reported raw material cost is 1,635

V. Suri: For the raw material costs actually we have to include even molasses imports. We have imported molasses and also purchased molasses from other states. Also the raw materials purchase of Bio and Nutra business are included in raw material cost.

Achal Lohade: Nutra actually, Bio is anyway separate.

V. Suri: Anyway separate, correct. So, but the big change which you will see is that raw materials cost include molasses purchase cost.

Achal Lohade: At Rs. 2,900 what is our cost of production for full year FY18? Is there any inventory write downs we have taken?

V. Suri: Yes, we have taken and inventory write-down for the cost of production is around close to Rs.31.5 to Rs. 32. So, we have now valued at Rs.31 there was inventory write-down which happened at the end of the year to match market price prevailing at that point in time.

Achal Lohade: I was just curious sir, given the, what is the current realization for sugar?

V. Suri: On an average we get about Rs. 29.

Achal Lohade: I was just curious to know if prices have dropped from Rs. 31 as of 31st of March to Rs. 29 when you are approving the accounts. Would not you write down to Rs.29 because that is the realizable value?

V. Suri: No, Rs.29 is happened only recently. We do not sell in a hurry because the cash is not an issue for us. So, if you look actually at this our market price is what we realized in the market is better than what others do. Because others are actually in a hurry to sell because they do not have cash. So, we are actually in a much better wicket in terms of choosing our sales to get the realization we want. So, we get a better realization from the market.

Achal Lohade: Is there any write-back in the expenses on account of the cane price settlement because if I look at if your realizations are down, cost is higher as compared to last year 4th quarter, I am comparing for the fourth quarter sir. I see a gross margin of almost 900 basis point. So, I just trying to understand how do we make sense of the margin expansion?

V. Suri: No there is no write-back. We have not taken any write-back, the SAP provision was made in Q3 itself. We are already provided for the SAP settlement one time settlement in Q3. So, there is no special write-back in the books of accounts for during the year.

Achal Lohade: What has driven the margin expansion if you could then probably explain, sir?

V. Suri: No margin expansion is generally the production is at the peak and is lowest cost of production happens in Q4.

Achal Lohade: Correct, but I am comparing on a Y-o-Y basis sir, same seasonality basically saying seasonality, I am just comparing to previous year

V. Suri: See one major difference between last year and this year, last year Karnataka closed in January itself. This year we closed in March and Tamil Nadu and Andhra Pradesh got closed only in

April. So, we had full production of the sugar cane throughout the Q4 which did not happen last year. That is the reason why we have a better quarter than last year in terms of margins.

Achal Lohade: What is the EBITDA per tonne you made on raw sugar refinery for the full year sir?

V. Suri: Rs. 2/ Kg.

Achal Lohade: Rs. 2 a kilo?

V. Suri: Yes.

Achal Lohade: If you could talk about the cane crush and the volumes and realization of the segments for the 4th quarter, sir?

V. Suri: Yes, we crushed about 20,00,000 tons during the Q4.

Achal Lohade: And if you could give the comparable also simultaneously.

V. Suri: Comparable is 14.5Lakh MT previous year Q4., this is what I was saying that we had a better crush because we were crushing really up to the end of the March and recovery has been much better during this quarter at about 10.8 % because season was in full swing.

Achal Lohade: And plus production actually was driven by Karnataka.

V. Suri: Yes, Production was driven by Karnataka.

Achal Lohade: As compared to last year same quarter, how was the recovery rate?

V. Suri: Last year same quarter recovery was 10.1% only because of the end of the season.

Achal Lohade: And the sugar volume and the realizations?

V. Suri: We actually sold about only 80,000 tons during Q4 realizations average about Rs. 33 .

Achal Lohade: As compared to last year what was the price?

V. Suri: Last year was Rs.37.

Achal Lohade: I am repeating, actually I am just wanted to reconfirm the numbers because we do …

V. Suri: Yes, last year we sold about 85,000 tons.

Achal Lohade: Distillery and Cogen as well sir?

V. Suri: In cogen we actually exported about 875 lakh units and distillery we sold about 164 lakh liters and at an average price of about Rs. 46 / Ltr.

Achal Lohade: And last year same time, sir?

V. Suri: Similar, actually last year and this year there is no major change in distillery.

Achal Lohade: And how about cogen?

V. Suri: Cogen, last year we had actually exported 10 crores unit against this year 8.7Crores Unit..

Achal Lohade: At same Rs. 4 a unit.

V. Suri: Yes close to Rs. 4 per Unit this year and last year was little lower at 3.6.

Achal Lohade: And what is the distillery production for the full year? You did not give the production numbers.

V. Suri: Yes, I will give the figure and it is about …

Achal Lohade: Told as the sales number, 16 million liters.

V. Suri: No, distillery production was 660 lakh liters.

Achal Lohade: How are you looking at the cane crushing volume for FY19, sir? Are you looking at improvement or you looking at a stable?

S. Suresh: Yes, we are looking at improvement of around 10% in the overall cane crush for the subsequent year. From the 37 LMT it will be going to somewhere around 40-41 LMT.

Achal Lohade: And that would be led by Tamil Nadu or Karnataka?

S. Suresh: Tamil Nadu crushing will go down and Karnataka should be better.

V. Suri: The story will be similar like last year where in we had shorter cane cycle in Tamil Nadu because drought continues, and Karnataka has been doing well, so we will have a better result in Karnataka next year also.

Achal Lohade: Would that be an increase at the state level as well you expect in Karnataka, sir?

S. Suresh: Yes, definitely. As of now the state level also there should be an improvement because as we see based on the planting and all we see a similar trend in terms of the improvement in the crop area.

Achal Lohade: Do you see any scope for using the domestic sugar for our refinery like sourcing domestic sugar for refinery?

S. Suresh: Yes, domestic sugar for refinery or for that matter for any export will be based on the economics because we are going to get some subsidy and there are certain conditions which are stipulated period and the timeline also has been given. Net-net we should be making money out of this entire exercise. If we are going to make money based on the computations then we will supply to refinery or for that matter any other customer. Otherwise we may not be able to. Then cost economics will be the basis of the decision.

Achal Lohade: So, this 1,30,000 tons of raw sugar what we processed that will be sugar plants or sugar refinery, sir?

V. Suri: No, sugar plants. So, we actually got quota specifically to each of the plant.

Achal Lohade: So, that was early last year?

V. Suri: No, 2 tranches, one came in first quarter and second came in third quarter.

Achal Lohade: How has been refinery doing, what is the spread there, what is the utilizations?

S. Suresh: Refinery overall, if welook at we have done a production of close to around 6.7 lakh tons compared to the earlier year of around 6.2 lakh tons. And sale front refinery has done very well almost at 6.7 lakh tons sale which is higher than the last year by close to 100,000 tons. And the refinery is running to its full capacity utilization running flat out. The important thing is the spreads also have come down in the international market that is what I was telling you international sugar prices are also very much depressed. There is a huge availability of sugar. So, the spreads are just sufficient to keep us floating. But on a refinery front overall on all operational parameters and all refinery has been improving in all operating parameters.

Achal Lohade: Sorry, I misunderstood you said spreads have come down is just, we can just breakeven is that a right understanding?

S. Suresh: Yes, for the current year what it is running international spreads are very low. The refinery is running continuously by trying to maintain variable cost within the spreads. We hope the scenario should improve in the months to come from the international stand point. It all depends on how the Brazil crop is going to pan out. So, you have to wait and see.

Achal Lohade: Is there any plan to merge this refinery entity within the standalone company or there is no such plant?

S. Suresh: As such there are no other plans like that.

Kashyap Pujara: I have couple of questions. First is about your, value mentioned that cane crushing for E.I.D. for the next year would be up 10%. Overall would you be able to share what is your expectation of the industry in general because we are at a 32 million production which is significantly higher than the consumption. So, we would be in a substantially surplus sugar situation this year and the demand is not growing beyond nominal percentage. So, what is your expectation of the industry and does this situation get more worse before it gets better?

S. Suresh: Yes, the current season of 2017-2018 as I said it is going to be around 32 million and next year season also 2018-2019 also we expected to be almost on the similar lines. 70% of this is going to be a ratoon crop with normal monsoon being predicted. By & large we should get a similar level of production for the next year as well. So, we are expecting almost similar level of cane output. Consumption is not going to grow up at a rapid level somewhere around 25-25.5 million tons .Stocks will go up by another point five million tons. I understand Govt. will bring some measures like what the MIEQ quantity which has been given to us is 2 million tons which is up to September 2018. I think the industries also pushing for another tranche of MIEQ exports for the next sugar season. It should be somewhere in the range of 5 million to 7 million tons. So, that is what is going to bail out the industry. India will have close to around some 8 million to 9 million tons which is what India use to hold 3-4 years back itself. Given at a lower level of consumption India is holding around 8 to 9 lakh tons, 9 million tons. Now, at a higher level of consumption 8 million tons-9 million tons should not be a major cause of concern, we hardly have 3-4 months consumption. So, maybe this tranche up to 2 million tons of MIEQ followed by for the next season another 5 million tons to 6 million tons of MIEQ should put the things back on track. Plus, what you also understand is there is a lot of push on the ethanol blending. If you look at the whatever the talks which are going on in terms of reduction of ethanol GST and also be there has been a representation from the industry ISMA and other bodies for increasing the price of ethanol so that there is lot of stability to the ethanol produce from sugar mills & they can commit their investments towards ethanol production. Thereby they can consistently supply to the OMCs. So, if the ethanol prices are going to go up the GST is going to come down that should augur well for the sugar mills. By products like ethanol they will get better capacity utilization & better realization. Where there is also a lot of representation going in terms of when sugar is surplus B Heavy molasses can be given better priorities for production of ethanol. And what if you understand correctly there are lot of talks in terms of having a differential higher price for B Heavy molasses-based ethanol. So, these all will ensure that the sugar is surplus will be diverted to B Heavy molasses subject to mills having their own capability to produce. So, all these measures in the next one year or so should help in stabilizing the sugar prices better. So there could be excess production.

Kashyap Pujara: And also could you just give us the breakup of the debt in terms of what is the debt which is sitting on the refinery versus what is the debt in the core business?

V. Suri: See, in our core business we still have a long-term debt of about Rs. 580 crores which is more relevant because the short-term debt is backed by stocks and it is going to be released. As soon as we release the sugar stock then we will repay the short term. So, this Rs. 580 Crores is now come down from the high level of 1,500 Crores about 4 years back. So, the program is on continuously this year also. With money we have received for the bio- business we will be able to now liquidate further long-term debts also. As far as the refinery business is concerned we have repaid about Rs. 60 crores during the year. First tranche has been paid in 2017-2018 next tranche is due in 2018-2019 the balance tranche is during in 2019-2020. So, we are now actually planning to liquidate loans as we actually go forward. So, the debt level of both the companies will keep coming down and by 2019-2020 we should be in a position where we can say that we are very low on debt.

Kashyap Pujara: So, currently the refinery debt the entire exact quantum could be how much?

V. Suri: Rs.300 crores is what we have as long debt. Short- term debt is again backed by the stocks. In total we have about close to Rs. 900 Crores between the 2 companies.

Kashyap Pujara: And in the next 2 years can we, so one is obviously the Coromandel would be, the money that you received from Coromandel for the bio-pesticide business that and incrementally any plans for non-core asset sales which can actually now, which we can look at?

V. Suri: Yes, we are actually looking at that also. Actually, we continue to do the program, It is not in the substantive because if you see most of our assets are actually now being put to use except for few assets. So, every year we are actually doing about disposing of close to about Rs. 10 crores worth of non-core assets. Or otherwise the assets have been converted into productive asset. For example the Surplus Land we have been you have put use for neem cultivation. So disposal of the noncore assets is not going to be substantially high in terms of the realization as you expect is going to be in the order of Rs. 10 crores to Rs. 20 crores every year.

Kashyap Pujara: And so while I understand that okay in the next 2-3 years we would basically be looking at our debt free entity from a long-term debt perspective but just from a regional perspective do you think that there is actually merit in looking at more plants, shifting plants, say for example from Tamil Nadu to Karnataka given that it is a better operating climate do you have a better recoveries. How do you see that? Do you think that you we would be, we could look at shifting certain plants or certain expanding capacities in one location versus deemphasizing in some of the traditional locations?

V. Suri: Our entire CAPEX program is to increase the capacity in Karnataka and Andhra Pradesh which we have been doing for the last 3 years. Tamil Nadu we are not investing anything. Depending upon the legal framework we will now take a call on shifting plants because it is not so simple. Because there is command area, there are plants & we have commitments to the government & commitment to the farmers. So it is not easy to now shift plants from Tamil Nadu, whatever expansion we are doing only in Karnataka and Andhra Pradesh. So, the plants are now become far more efficient and also use better capacities. We have continuously investing to increase the capacity in both in Karnataka and Andhra Pradesh. Legal frame work will decide how much we can shift from Tamil Nadu to the Karnataka.

Akshay Ajmera: Sir, first and foremost regarding the debt. See, you said that will be repaying the debt in next 2 to 3 years we can assume that we will be debt free. So, how are we planning to repay the debt and what is the amount that we are going to receive from the sale of this bio pest business?

V. Suri: Yes, the deal was was for Rs. 338 crores from Coromandel which we have received in April. So, actually the money has already come. The debt will be addressed through this money. So, we will keep addressing the reduction of debt through such measures.

Akshay Ajmera: So, sir out of so these Rs.338 crores will be paid off as debt **.**

V. Suri: No, not entirely. Whatever is due whatever is possible to do we will do but substantial portion will go for loan reduction this year.

Akshay Ajmera: Sir, any number how much it will be reduced?

V. Suri: No, it all depends upon what happens on the cash flows but currently we are repaying all the high cost debts. There are conditions where we cannot prepay the loans. So, it is not so simple. Because we also got some 0% loans from the SDF & from the SEFASU . So, that out of Rs .600 Crores which we hold nearly Rs. 200 crores is low cost loan from SDF as well as SEFASU. So, the balance Rs.400 Crores only is the issue which we are now addressing. For this kind of business this debt is actually the substantially lower from where it was.

Akshay Ajmera: Sir and second question is, what is your outlook on sugar prices? When can we expect recovery of prices, sir?

S. Suresh: As I was telling in the starting got a lot of measures are being taken by the government. I think the moment the trade and the industry start seeing the physical exports and all start going up then there should be a change of reversal of the trend. Second thing is because the trade should get a confident that these sugar is definitely going out of the country. The second thing is also about the other measures I talked about the ethanol, GSTs and diversion of sugar and when the international price also starts going up based on the international market conditions. Exports will become more and more profitable to the domestic mills. So, these are the key things which will help us in getting the prices stabilized. But one thing is sure that the prices will not crash from here. It can only stabilize from here. Thank you, everyone for joining the call.