"EID Parry
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S. Suresh: Good afternoon everyone. I would like to give a brief overview of the market update on production and the sugar stock balance and also about the key policy changes and notifications which have happened during the last few months and then Mr. Suri will take you through the finer details.

Country as a whole , for the sugar year, which is going to end in September 18, will be closing with around a production level of 32.2 million ton as against the previous sugar year of around 20 million tonnes. This is a huge 60% change from the previous year and the impact of it is there for all of us to see. This is predominantly impacted by the Maharashtra contributing 225% jump from the previous year, Uttar Pradesh almost 50% jump from the previous year.

As a country if you look at the overall sugar stock balance, we had an opening balance of almost 4 million tonne and expected production during the current sugar year is almost 32.2 million tonne that makes almost 36 million tonnes and the consumption is expected to be somewhere around 25 million tonne, that is where the problem of surplus starts in with almost 11 million tonne and next year also looking at a similar level of production and consumption . Hence we may be having a huge closing stock for the next sugar year as well.

So with this background, I would like to take you through certain key notifications and policy changes, which have happened during the past months. One is, the government had brought in the MIEQ for the sugar exports way back in February 2018 wherein they announced a two million exports which was supposed to be completed by end September of this year and also they announced a parallel subsidy for this in the form of production subsidy based on the cane crushed which ranged from Rs.5 per kg for the mills in south to almost Rs.7.50 - Rs. 9 for the mills in north based on the period of cane crushing . Besides that, this is linked to so many government notifications and the scheme was also left as an optional one. As of now, from the country only 3,50,000 tonnes has been exported or contracted to be exported. For EID, we also got some allocation of almost 34,000 tonnes but based on the calculation we got a subsidy of close to around Rs.5 which is not going to cover the price difference between the international and the domestic markets. Hence, we have not participated in the export program as of now.

The second notification which had come way back in October 2017 with effect from 1st June 2018 is Monthly sale quota and release mechanism which is based on the country's opening stock level for the month, expected demand and this quantity has restricted the mills to sell a particular quantity of sugar in a given month which enables the prices to move up in the domestic market but it has resulted in mills carrying huge level of inventories. And the third Notification which came into effect on 6th June is the minimum selling price which was fixed by the government at Rs.29 per kg as per the sugar price control order, a first of its kind in the industry that no mill shall sell below the MSP. One way it is beneficial for the industry as such because it protects the commodity from a steep fall in prices, which has happened two years back when price fell below Rs.20 per Kg. But, this MSP of Rs.29 per Kg does not meet the cost of production as it ranges between Rs.33 to Rs. 37 depending on the recoveries and other costs. Whenever the FRP gets revised, the MSP also will get revised as per the notification.

The next notification of policy change is, the buffer stock for sugar, as the government anticipated that there will be a huge surplus , after restricting the sales by quota and release mechanism. They have said that mills have a choice of holding the buffer stock at their premises by earmarking the quantity of the respective mills. The mills participating in this will be reimbursed for the carrying cost of the stock valued at Rs. 29 per Kg (MSP) of this inventory. Government said that it will give the carrying cost plus insurance and other aspects not exceeding 12% pa for the stock cost plus 1.5% pa for storage and insurance through reimbursement model on quarterly basis for which we have got allocation of 33000 MT as we have participated in this.

The next notification which has come, is the revision of FRP of cane for the sugar season 2018-2019. The interesting aspect in this year it is going to be Rs 2750 per tonne with the base recovery of 10% as against Rs 2550 per tonne of cane for sugar year 2017-18 with 9.5% as the base recovery.

As far as Tamil Nadu is concerned, the development which was discussed last time also that the government has moved away from the SAP to revenue sharing, as they are yet to enact the act on this particular aspect .The difference between the FRP and SAP will be reimbursed by the government to the farmers through a direct benefit transfer. This is supposed to happen for sugar year 2017-2018, we understand that this DBT will be continued till the FRP reaches a level of Rs. 2750 because that happens to be the SAP price for Tamil Nadu.

The next aspect is the ethanol-blending program for which the Union Cabinet has approved the national policy on bio-fuels and with which mills will be allowed to produce ethanol directly from sugarcane juice or from the B heavy molasses. This will be one of the way where excess sugar of the country can be diverted to make ethanol thereby it will bring in some sort of stability in the prices of sugar. As a first step, improvement in the ethanol prices for sale to OMCs from Rs. 40.85 to Rs. 43.70 per liter for the molasses produced from the C molasses and for B molasses the rates are announced as Rs.47.50. The government has announced Rs.4240 Crore package for ethanol capacity augmentation out of which 50% almost goes to the new distilleries if any mill wants to set up a new distillery up to the extent of almost Rs.80 Crore, theindividual mill will be financed and the mills which want to run with the zero liquid discharge by putting incineration boilers they will be reimbursed almost close to around Rs.20 Crores per mill. For this investment , government will provide 50% subsidy on the interest subject for maximum period of five years. Once we get the fine prints, we will be able to share more details on this.

So these are the over view for the company. Now I would request Mr. Suri to take you through the finance details.

V. Suri: Thank you Suresh and good afternoon to all the participants. I am very happy to be a part of this analyst call and share key information on the financial performance to the analysts. As a preamble, I would once again like to you to remember that we have hived off our bio-business to our subsidiary Coromandel with effect from 1 April 2018.As per the Indian Accounting standard, we have now drawn up both 2017-2018 and 2018-2019 accounts where in bio-business is shown as discontinued business. The company has also divested along with the bio-products business the shares held in Parry America, which is an integral part of the bio business to our subsidiary, Coromandel International. Because of this accounting, we have now recognized a profit of about 208 Crores on the sale of bio-products division and another 35 Crore on the sale of investments in Parry America. Currently sugar and nutra businesses are part of the continuing business.

On the financial performance as a standalone basis the operational revenue for the quarter was Rs. 456 Crores against last year's corresponding period Rs.473 Crores, a decline of 4% mainly due to the quota release mechanism which started from June 2018. The average realization also came down by around Rs.8.5 per kg compared to the previous year current quarter. The PBT for the quarter was about Rs.126 Crores loss against corresponding period of about Rs. 24 Crores and PAT was a profit of Rs.54 Crores against last year's loss of about Rs.18 Crores.

On the consolidated basis, the PBT for the quarter was Rs. 90 Crores loss against last year's corresponding Rs. 50 Crore profit. The PAT for the quarter was a loss of Rs.160 Crores against last year's profit of Rs. 20 Crores.

During the quarter, the sugar operating numbers were: Cane crushed 75000 tonnes of sugarcane against the corresponding period of 62,000 Tonnes. Recovery was at an average of 8.4%. Production for the quarter was about 8000 tonnes only including the conversion of raw sugar against last year of 33000 tonnes due to raw sugar program was higher last year.

The sugar sales for the quarter was about 1.2 lakh metric tonnes which is about 20% more than the corresponding period last year. We sold only one lakh tonnes of sugar in last year. The average selling price for the quarter is about Rs. 29 / Kg primarily coming from the first two months where there was no MSP, As Mr. Suresh informed that it came into effect from 1st June, which has now pushed up the sugar price and the current average selling

Prices is around Rs. 32 – Rs. 33 per kg. The closing stock has been valued around Rs.30 per Kg.

The sugar segment revenue for the quarter actually declined due to the quota system in June to Rs.363 Cr, the corresponding number to the previous quarter was Rs. 402 Crores. As far as cogen is concerned, now we have changed the program. Instead of selling power we are actually selling bagasse, which is a better proposition. So the overall numbers in the power generation and also power exports also declined. But on an overall basis financially we are making better money by selling bagasse instead of actually producing and selling power. Revenue for the quarter in the cogen came down to Rs. 8 Crores compared to the Rs. 13 Crores corresponding period last year.

Distillery had a good performance for the quarter. The alcohol sale was 148 lakh liters against last year of 89 lakh liters. The ENA sales especially was actually higher at 87 lakh liters, ethanol sales was about 61 lakh liters both are significantly higher to the corresponding period last year. On an average, the realization, ENA plus ethanol put together is about Rs. 44-45 per Liter. So revenue for the quarter increased to Rs. 69 Crores compared to the Rs. 45 Crores to the corresponding period.

Nutra division had a good performance. The revenue increased during the quarter by about 16%, the PBT also increased about 18%.

The capex program continues to be very tight and we have already decided to invest in a back end refinery in Haliyal , a major capex program , and also we are investing in the water conservation projects in nutra. For the year we have a total capex program of about Rs. 80 Crores. We are clearly prudent in spending capex. We only invest on value addition and safety and environment.

As far as the balance sheet is concerned, we had a good balance sheet due to the sale of bio business, long term loans reduced from Rs.586 Crores to Rs. 534 Crores, a reduction of about Rs. 52 Crores. The short term loans significantly came down to Rs. 31 Crores so there is a reduction of about Rs. 400 Crores, which has significantly helped us in reducing the interest cost in spite of holding higher volume of sugar because of the quota. We ended up spending the same amount of Rs. 27 Crore for the quarter.

We also have a tight control on the expenses. On an overall basis the expenses came down by Rs. 6 Crores primarily attributable to the processing of raw sugar which was done last year which didn't happen this quarter.

Kashyap Pujara: Just wanted to ask you a couple of questions one is regarding the debt side, could you please elaborate on what is the kind of borrowing that we have in the sugar operations consolidated if I have to look at it broken up across the refining side and on the core sugar operation side within EID?

Kashyap Pujara: And second is that given the that the business has been you know obviously the business is cyclical just wanted to check as to how do we take the company to zero debt over time so that at least that fixed cost is out and to that extent we can absorb the cyclicality much better on the balance sheet?

V. Suri: On the debt side, as I have already shared that the total debt for the standalone EID has come down to now Rs 534 Crores. Out of this Rs 534 Crores, Rs 180 Crores of loan are actually which has 2% on an average interest because we have SDF and SEFASU loans and so one third of the total loan has very little interest. On the standalone side, our program to continuously reduce the long term debt is going on. If you remember we had about Rs 1300 Crores about four years back now currently we are at around less than 550 Crores. As far as PSRIPL is concerned, we paid off about Rs 60 Crores last year and we have now paid another Rs 135 Crores this July. But we have also taken one NCD of another Rs 100 Crores so the net outstanding of this is about Rs 235 Crores in PSRIPL as on date. Put together we have about Rs 770 Crores of long term debt between EID Parry and PSRIPL.

The short-term borrowings have come down significantly because of sale proceeds of Bio business received from Coromandel has been used to liquidate loans. We reduced about Rs 400 Crores in short-term borrowings but you have to remember that we are into a quota regime , so we have no choice ,but to borrow now to manage the season as we go along. The quota is now actually at around 40% of what we normally sell, so it depends on the quota system. The working capital borrowings will be high and this is going to be an all India phenomenon, EID Parry's is going to be no exception.

Our program to go to zero debt will continue but only thing is we are very skeptical about how sugar industry is going to go forward. But based on the various measures which are taken by the government we are positive that it is going to turn around as we go along. Series of measures by the Government had already pushed up the price from where we were in May to what we are today Prices had gone up by about Rs.5/ Kg, so that is a very good development. We believe that the government will now continue to support the sugar industry, which will help in terms of good performance, and so our program on debt reduction will continue. Working capital borrowings will depend upon on the working capital requirements.

Kashyap Pujara: Sir last just one question I have, we have multiple plants in the sugar site, from a efficiency perspective has all the plants been taken up to the level of efficiency which is desired or do you still see that certain plants are at full efficiency levels and certain plants there is still room for improvement across some parameter so I am just trying to understand how that driver will work in the next few years?

S. Suresh: Improvement of efficiencies in any manufacturing set up is a continuous process, so year on year we will be bettering the performance of the earlier year and in EID the benchmarking of the efficiencies across plants is a continuous phenomenon and that is happening for example we will be finding the efficiencies better off in Karnataka because the plants are utilized to the full capacity. But, what is actually pulling down is, Tamil Nadu and Andhra, particularly Tamil Nadu we are not getting sufficient cane to utilize the plants in a better efficient manner, otherwise if you are feeding them will be full of capacity what they are supposed to be running efficiency should be coming on par. Having said that, bettering our own numbers year-on-year is a hallmark of EID and that will continue to happen

Kashyap Pujara: Sure understood. Thank you so much and just last question I have was would it make sense to actually de-emphasize a certain geographies or relocate some plants to market like Karnataka where the efficiency can be far better, what are your thoughts on such things are and is this possible or operationally feasible?

S. Suresh: I will answer the second part of the question first. Operational feasibility is a big question mark because as such we have not seen in the last ten years many of the sugar mills getting relocated. Coming to the first one that is some of the plants which are not running for example in Tamil Nadu for the first time in last three to four years we are getting better rains, but now the water levels are better as South Karnataka has received good rainfall which is filling up the dams in Tamil Nadu so we have to wait and see how the plantation is manifesting in the current year for the next sugar year. Based on that only we will be able to even think about those possibilities because moving a plant is not an easy thing. As every plant has got command areas covers so many thousands of farmers, so we have to have a solution for the farmers before we think about moving a plant or an asset. Moving a plant or an asset in a seasonal industry like sugar itself is a big task and I do not think many have moved in the last ten years or so . We cannot take radical steps unless government itself talks about it and there is no history as such in sugar industry.

Sharik Merchant: Sir in your opening remarks, you have eluded to the ethanol blending program and how it is more lucrative now, so sir in terms of fixed asset investment how are you all now looking at it and what kind of investments will you be looking at doing over the next couple of years that is No.1 and also in terms of an ROI based on the current rates of ethanol, what kind of ROIs can these investments generate?

S. Suresh: As such for the company the opportunity exists for only one plant because the policy talks about investment for new distilleries in sugar mills complexes who do not have a distilleries in place, so that means only our Bagalkot unit qualifies for that because we should also be able to show the availability of molasses for running the distilleries and also the environmental clearances and so many other things are there. So only that plant will qualify plus in terms of the incineration boiler and all that I talked about maybe one of our plants in AP will qualify that is Sankili plant. The incineration is more about a structural correction and so it is not correct to do ROI on that, it is more of an environmental related and extending the number of days of operations, but if you look at the new distilleries plant ROI could be somewhere around 15%.

Sharik Merchant: Alright. And would you also look at expanding on your current plants given that the rates for ethanol have gone up?

S. Suresh: No we are just awaiting, we will also try and read the finer details and push the government whether any investment subsidy is going to be available for incremental expansion of the existing plants. Because given the situation we do not want to top up any of the investments in anything so we are trying to explore that route , otherwise we have to see based on the cost economics what we can do.

Sharik Merchant: Okay. And Sir on the zero liquid discharge that you talked about over there, does this help in saving of cost in anyway or it will just be an incremental cost ?

S. Suresh: Incinerator boiler will help in consuming the effluent and doesn't pollute the environment thereby the environment is protected and there by extra the number of days in a year during rainy seasons is available for production as otherwise you will have to stop the plant because you cannot let out things so you stop the plant. We will get extra working days, extra production andextra contribution .

Sharik Merchant: Okay and just as an extension of that so do you need the extra days of production because today is it that you do not meet your internal production estimate?

S. Suresh: No. Extra days of production means extra sale of ethanol to OMCs, there is a demand we can always fulfill that.

Sharik Merchant: Alright Sir. That is it from my side.

Aayush Bhadera: I wanted to ask what would be your cost of production during the quarter?

V. Suri: This quarter is not a right quarter to compare because there was no production as such during this quarter, but on an average for the year since the cane price had gone up, it has now come to about Rs.33-Rs.34 per kg in Tamil Nadu and in Karnataka the average cost will be around Rs.30.

Aayush Bhadera: And what would you expect for the whole year the average cost to be?

V. Suri: I am talking about the average cost only for the year.

Aayush Bhadera: Okay. And the sugar realization were Rs.29, correct?

V. Suri: Currently now we are doing it around Rs 32-33 per Kg

Aayush Bhadera: Okay and what about cane arrears?

V. Suri: There are no FRP arrears with us, we have fulfilled all responsibilities in the first quarter beginning itself.

Aayush Bhadera: Okay so no arrears currently?

V. Suri: No FRP arrears is pending.

Aayush Bhadera: Okay and what about the drought situation in Tamil Nadu, is it becoming better?

S. Suresh: I think future looks better because the Karnataka rainfall and subsequent rain flows into Mettur and Bhavanisagar dams have raised hopes among the farmers. As things stand, we are hopeful of getting the cane what we have planned but the only thing is we have to get the northeast monsoon also right because now farmers are not switching to sugarcane immediately. They are saying that they will go for a short term crop and then will look at sugarcane if the water levels are stable, because Karnataka has got another one and half months to go to complete the entire southwest monsoon. Any further stoppage of rains here now in Karnataka will have an impact on the Tamil Nadu planting. Once water availability is assured of , say Mettur dam is full towards the end of September then people will have more confidence in planting cane which should be available for the next financial year.

Aayush Bhadera: Okay so capacity utilization in Karnataka we are running at full capacity and Tamil Nadu would be?

S. Suresh: Tamil Nadu from the running plants perspective will be around 70% to 80%.

Aayush Bhadera: Andhra?

V. Suri: 90% average utilization in Andhra

Aayush Bhadera: Okay on an average basis it would be more than 80% overall?

V. Suri: Yes, on the running days.

Aayush Bhadera: Can you throw some details about the refinery like how did it perform during the quarter?

S. Suresh: The overall international spreads have been lower but refinery has been able to produce around 1.74 lakh tonnes during the quarter and in terms of operational efficiencies refinery has been touching new heights in spite of very difficult times in terms of international spreads

Aayush Bhadera: Okay so what would be the profit number for the refinery from the refinery profit or loss?

V. Suri: Operationally we are breaking even but there are some MTM issues which is temporary in nature.

Aayush Bhadera: Okay but can you give me the net loss figure for the quarter?

V. Suri: The loss is about Rs. 60 Crores.

Aayush Bhadera: **Rs.** 60 Crores after tax?

V. Suri: There is no tax but the loss is primarily due to MTM since the international sugar price has fallen during the quarter. Operationally there is no loss.

Aayush Bhadera: Okay operationally the full loss is MTM you are saying?

V. Suri: Exactly because of the fall in sugar prices during the quarter, both white and raw sugar.

Parth Mehta: With the new biofuel policy , can you throw some color on how will it affect our profitability?

S. Suresh: Yes we have to have a balance between sugar price and B heavy molasses price. For example sugar price of Rs.30 or so should give you an equivalent bio fuel B heavy molasses price should be around Rs.52 for it to become parity. The government has announced only Rs. 47 so at this stage it may not be worth to do this one.

Parth Mehta: Okay. So what is the current yield for Parry for the C heavy molasses?

S. Suresh: 240 liters.

Parth Mehta: Okay and what will it be for B molasses?

S. Suresh: It is only theoretical now. We have not produced so far, we have to do that and then see.

Parth Mehta: Okay Sir no problem. Thank you.

Nagraj Chandrashekar: Just wanted more details of this TN government proposal on linking the price of cane to sugar revenues, some details on timing and also what that does to your cost of production per kilo on TN cane and also if you are also having some disadvantages of lower utilization in TN plants, if your TN plant availability is also better would that also improve a cost per kilo further even beyond that, just wanted some your views here.

S. Suresh: Tamil Nadu, I will explain the revenue sharing. Till the previous year that is till the sugar year 2016-2017 the SAP was there which is around Rs. 2750 per tonne of sugar cane at 9.5% plus transport is what supposed to be paid by the mills to the farmers for every tonne of cane, then it was a tall order for the mills. After repeated representations, government said that we will look into it because there are lot of co-operative mills also has to be paid by the government, so government also found it difficult to pay all this co-operative mills. Finally they came back with a formula, the central FRP is 2550 at 9.5%, everything is all inclusive. So there is a huge difference of close to almost Rs.350 compared to the FRP. SAP is higher. The revenue sharing formula government said that we will get either FRP or revenue sharing whichever is higher. In Tamil Nadu's case what the government said is they directed the mills saying that you have to pay FRP plus transport or revenue sharing whichever is higher, so when they mean by revenue sharing is similar to Karnataka and Maharashtra. It is yet to be rolled out from the government. What the government said is given the situation that the sugar prices are lower than what it is supposed to be even the revenue sharing price will be lower than the FRP itself . Hence for the year 2017-2018 the government has said the difference between the SAP of 2750 and FRP of 2550 that Rs.200 will be borne by the government and will be credited to the farmers as a DBT so the extra cost does not come under mill, but mill will still continue to pay the transport as an extra but mills are not under any pressure to give that extra Rs.200 to the farmers. This is the formula they have given and as we go forward like the new FRP has been announced in which Tamil Nadu FRP has gone up to 2613 at 9.5% recovery. So once again there is a difference between the FRP of 2750 and 2613, mills will be asked to pay 2613 and the gap between 2613 and 2750 will be borne by the government. So the impact is we may not be hit exactly by the SAP as far as Tamil Nadu mills are concerned, the liability will be limited to the FRP levels.

Nagraj Chandrashekar: Got it. But there would not actually be specific linkage to the actual price of sugar as such because that is what we were coming to understand was something that could be followed first by TN?

S Suresh: Yes they are going to come out, they will be announcing it. They have asked the industries to give their inputs . Government has to now publish it wherein Karnataka the formula is clear how they will calculate year-on-year . But inTamil Nadu they are yet to announce

Achal Lohade: Yes, just to continue the same question with respect to this formula you said this transport cost will be still borne by the sugar industry?

S Suresh: Yes, as per our understanding it would have to be borne by the sugar industry and the government says we have to continue to bear it . We are discussing with the government.

Achal Lohade: So basically what it means as per the formula theoretically arguing is that you have to pay the FRP based on the recovery rate whatever you are liable to plus you have to incur the transport cost and the transport cost is roughly Rs.300 per tonne?

V. Suri: No , just to clarify that what we are talking is only relevant to Tamil Nadu.

Achal Lohade: Yes, I was asking about Tamil Nadu only.

V. Suri: Tamil Nadu the average transportation cost is around Rs.140 for us. So now currently as Suresh was saying the government wants the FRP plus transportation, we are saying that only FRP includes transportation that there is no conclusive number, which has arrived so far as the policy is not announced on the how the RSP is going to work.

Achal Lohade: Right. Sir you said the difference between the SAP and the FRP has to be borne by the government?

S Suresh: Mills will not be asked about SAP, mills will only follow the FRP plus transport or revenue sharing whichever is higher and since the SAP stood at Rs. 2750 farmers were not happy with that because they cannot be told that Rs.2750 will now come down to Rs. 2550. Government said that till the FRP comes to the level of Rs.2750 they will be doing the gap between FRP and SAP as a DBT. That is what they are implanting for 2017-2018 by paying the Rs.200 directly to the farmers account so mills will sell out for 2550 and the farmers will get additional Rs.200 from the government. The year when Rs. 2750 becomes a FRP at a recovery of 9.5% from that year onwards the revenue sharing formula will rollout in Tamil Nadu is the industry’s expectation.

Achal Lohade: And which would be the next year right?

S Suresh: It may be 2019-20 because 2018-2019 the FRP is Rs. 2613 as it has been announced. It is still Rs.137 away from 2750. Till the FRP becomes 2750 at 9.5 this will continue to be direct benefit transfer will be done by the Tamil Nadu government that is what we understand.

Achal Lohade: Okay. I was under the impression that the FRP is already increased for the next year?

S Suresh: That is what I am saying current year is Rs 2550, next year FRP is at Rs 2750 at 10% at 9.5% it is Rs 2613.

Achal Lohade: Okay, I thought in any case you have to pay the FRP which is ……

V. Suri: Tamil Nadu recovery is sub 9.5.

Achal Lohade: Sir can you help me with the volume and realization once again. It is bit confusing actually to ask once again, if you could help me with sugar volume and what is your realization?

V. Suri: Sugar volume sales we sold 1.2 lakh tonnes of sugar, now the sugar sales slowed down in June quarter otherwise we were planning to sell higher number so that is one, on an average the price for the quarter was Rs.29 but June onwards it started increasing June average was 31 now currently it is around 33.

Achal Lohade: Okay. And what is the closing stock?

V. Suri: We had a closing stock of about 1.85 lakh tonnes, which includes buffer stock of 35000 Tonnes .

Achal Lohade: Okay and what about distillery and cogen if you could repeat it once again?

V. Suri: As far as cogen is concerned, as I have told earlier we are actually now selling more of bagasse and less of power which makes more sense, but we exported 115 lakh units during this quarter in terms of the sales.

Achal Lohade: And what is the realization and how much bagasse?

V. Suri: Average the realization is about Rs.3.85 per unit because in Tamil Nadu it was still in IEX but we did not export much during the quarter. High realisation was primarily due to PPA which is there in Karnataka and Andhra Pradesh . There also we actually started now selling only bagasse instead of power.

Achal Lohade: Right and how much bagasse have we sold and what price?

V. Suri: On an average we are selling it around Rs.2000 per tonne of bagasse & we sold about 30000 tonnes of bagasse during this quarter.

Achal Lohade: And for the distillery Sir?

V. Suri: On the distillery side we sold total number ENA plus ethanol put together is about 150 lakh liters and on an average price of about Rs 45.

Achal Lohade: If you could help me with the full year FY2019 expectation for distillery and cogen what would that number be broadly?

V. Suri: Distillery we will be selling similar to last year levels, which is about 600 lakh liters. So that program is on , so molasses is available and our plants would be able to produce and sell. The price will still remain at an average of 45.

Achal Lohade: Right and how about Cogen?

V. Suri: Regarding?

Achal Lohade: Largely Andhra Pradesh PPA right Cogen?

V. Suri: No what happens is when the season comes then we will be exporting power in Karnataka and Andhra Pradesh in full swing so there is no change in the strategy, Tamil Nadu is the only place where there is a drought, the demand for bagasse is very high so we still continue to sell bagasse in Tamil Nadu.

Achal Lohade: Right so what would be one can look at FY2019 in terms of volumes for power?

V. Suri: Power export 20 Crores units.

Achal Lohade: Okay and what about the cane crushing volume one can look at?

V. Suri: The cane crushing actually Mr. Suresh had said last time itself the registration is going very well as per plan so we expect to about 15% increase over the last year. All the states have received sufficient rainfall. Tamil Nadu continues to have issues. We have to wait for the northeastern monsoon but it is not going to alter the numbers it is going to be similar to last year.

Achal Lohade: So basically you were saying that we would be looking at about 4.2 million tonnes of cane crushed?

V. Suri: Yes correct.

Achal Lohade: Okay and what is the cane price for FY2018 average cane price?

S Suresh: The company average is Rs 2950.

Achal Lohade: And is it possible to break it down and does it include the onetime settlement?

S Suresh: No that do not include.

Achal Lohade: Excluding the one-time settlement?

S Suresh: Yes, excluding the one-time settlement.

Achal Lohade: And if you could break it down with respect to Tamil Nadu, Karnataka and Andhra?

V. Suri: Tamil Nadu on an average is about Rs.2700, Andhra Pradesh is Rs. 2900 and Karnataka is Rs. 3100.

Achal Lohade: This Rs. 2700 is including transport cost in Tamil Nadu?

V. Suri: Yes.

Achal Lohade: Understood. Sir my next question was basically if you look at our company, if I strip out the dividend part, we tend to make losses most of the years, it is only in probably one or two years where the sugar prices were very good we have make profits. When I am saying losses basically I am removing the other income from the reported PAT because I presume that is more to do with the dividend from our subsidiaries, so how do you look at managing this balance sheet perspective. Is there any thought process with respect to divestment of the subsidiaries removing the stress on the company's balance sheet front?

V. Suri: See we have already taken the first step of divesting bio business but it is more strategic in nature because bio would do much better with Coromandel being part of EID Parry but that has helped in terms of bringing cash into the system

S Suresh: Just to add what Suri has been saying, I think more important to see from an operational standpoint the measures from the government in terms of the MSP and all is the first time coming in, if you look at the, first time in the last ten years may be directionally they have said that the prices have to go in correlation with respect to the FRP increase, last ten years FRP has continued to increase but prices have gone up and down. They have been extremely volatile. The new MSP Sugar Control order says that if the increase in FRP MSP also will stand corrected that is one step. Second is FRP which was at 9.5% has moved to 10% of recovery as a base. What does it mean to mills is when your recovery is particularly in Karnataka, AP and all where the recoveries are better you will stand paying lesser rupee for the same content of cane compared to what they have been paying, this augers well. Third is places like Tamil Nadu, as we have just talking, the FRP is not unilateral increase across all the places. Tamil Nadu on a normal day would have got Rs.200 increase in the FRP now this year they have got only Rs.63 only in the FRP so these are certain structural changes the government is bringing in should auger well for the industry as a whole. Second thing is this ethanol whatever they are talking about these are projects the government is clearly saying, it will be allotted to the mills, which are compliant with the government orders. For example, people should have paid FRP. EID tops the list in that so the probability of EID getting such allocations for ethanol are all higher, those are the revenue streams which should start flowing for the business once the proposal got approved in the years to come. So , the operational profitability of the business will be directionally in a better way compared to what it has been earlier. Those are the opportunities because as an industry in India I think we are structurally moving away from continuously increasing cane prices and volatile sugar prices. The scenario is changing that is cane prices are getting moderated and sugar prices are also going closer to indirect regulation it was like fixing some bottom level rather than allowing it to for a free fall. So these are all auguring well for the entire sugar mills particularly for EID.

Achal Lohade: Right. What kind of debt are we looking at in terms of the long-term debt you said we have about 534 Crores what kind of debt are we looking at let say two years down the line and what should be the interest cost for FY2019 according to us?

V. Suri: See actually for two years down the line, I will not be able to predict. It depends upon what happens to the performance of sugar and we are very optimistic that the sugar industry will be handled well by the government because of the various measures we have seen so far. If you ask me beyond this year I am not able to answer any questions at this stage as we have to wait and see. As far as the current year is concerned, we have now plans to reduce to sub 500 Crore this year, which will be a clear another Rs. 100 Crores down from last year so that is the plan, we have for reduction of debt. And the debt as I shared with you earlier was Rs. 1300 Crores about four years back.

Achal Lohade: Got it. And what are the proceeds from the divestment of the subsidiaries in the bio pesticides business?

V. Suri: Divestment in bio pesticides which is about 338 Crores.

Achal Lohade: And this 530 Crores is after that money?

V. Suri: Yes, because if you see we have reduced our short term borrowing by 400 Crores.

Achal Lohade: So for short term temporarily we were using?

V. Suri: Yes, because long term loans cannot be reduced before the due dates so we are doing it as per the schedule, so currently all the short-term borrowings have been made close to zero.

Achal Lohade: Sure. Just one about the interest cost Sir for FY2019 ?

V. Suri: We expect it to be little higher than last year as we go along because of the quota system, which is prevailing now. If it does not prevail beyond September then it is a different story but as of now, we believe that the quota system will continue in sugar year 2018- 19 also. If that continues then we may have to borrow short term

Achal Lohade: Because I was wondering if we are looking at MSP we are looking at a substantial crop even for the next year it is logical to assume the government will continue with the MSP and if they have to continue with the MSP they will have to also continue with quota otherwise what would be sanctity to that MSP?

V. Suri: Correct, otherwise mills cannot continue to honor MSP without a quota.

Achal Lohade: Exactly. Alright Sir. Thank you so much.

Aayush Bhadera: Okay and the cogen part actually I am little bit of confusion that you are now selling bagasse instead of power correct?

V. Suri: Yes.

Aayush Bhadera: And you have sold some 30,000 quantity of bagasse here?

V. Suri: Yes.

Aayush Bhadera: And at the realization of?

Suri: Rs.2000 per tonnes.

Aayush Bhadera: And what do you expect this to be for the whole year?

V. Suri: No, this program will hold good only in Tamil Nadu because there is a drought and bagasse is clearly in short supply so we do not expect it to happen in the other states because the season will be in full swing and we will be exporting power and the PPA rates are good.

Aayush Bhadera: Correct, so both the other units you are selling power only.

V. Suri: Yes, exactly.

Aayush Bhadera: And what were the sugar production numbers?

V. Suri: Sugar production numbers is insignificant. We only produced about 8000 tonnes because this is off-season.

Aayush Bhadera: Thank you sir