"EID Parry
Q1 FY20 Results Conference Call"

August 01, 2019

ANALYST: **MR. ADITYA BAGUL – AXIS CAPITAL LIMITED**

MANAGEMENT: **MR. S. SURESH - MANAGING DIRECTOR – EID PARRY**
MR. RAMESH KUMAR –CHIEF FINANCIAL OFFICER – EID PARRY

S. Suresh: Good afternoon everyone. Thanks for joining the call and also thanks for accommodating our request of postponing the call from yesterday to today. I had to meet the government officials of Tamil Nadu; hence the meeting got postponed to today. Thank you for accommodating my request.

The standalone sales turnover of the company for the quarter had been Rs.388 Crores compared to last year same period level of Rs. 456 Cores, despite the lower turnover PAT level is around Rs.53 Crores compared to the Rs.81 Crores for the same period before extraordinary items.

I would like to take you through the world market scenario, for the season 2019-2020 we were expecting a sugar deficit. Which was being predicted at around 1.5 to 2 million, deficits can go up by another 1 million or 2 million predominantly contributed by an expected lower production in India because of the monsoon challenges and also Brazil going towards more of ethanol favorable mix and possible reduction in Thailand and European units.

Coming to the Indian scenario, for the sugar season 2018-2019 India is expected to close around 33 million tons as output. This is going to be huge closing stock of 14.6 million tons as of September 2019. Government has already initiated measures in terms of exports against 5 million tons, we have already done almost close to 3 million tons as a country and also government had announced a buffer stock till June 30, 2019 of this year, which has subsequently been reinstated again from August 1, 2019 for a level of around 4 million tons.

So for the country 2019-2020 the expectations on sugar output is somewhere close to about 28 million tons. Earlier the number was almost similar to the previous year number of 33 million tons; however, the monsoon effect had its toll in this sugar yield and acreage. The latest estimates is coming out somewhere around 28 million tons. UP is expected to be almost on the similar lines whereas good drop is expected in Maharashtra and 10% to 20% drop we expected in Karnataka so the total drop is expected to be somewhere around 5 million tons from the earlier year of 33 million tons.

The government announcement on buffer stock for 4 million ton the industry was expecting close to around 5 million tons as a buffer stock. The logic behind it was the exports have not happened to the extent of 5 million tons. There is a shortage of 2 million tons. Industry was expecting that the buffer stock will be raised by additional 2 million tons from 3 to 5 million tons.

Government has already issued notification for the buffer stock for the next period of August, 2019 to July 2020 of next year is expected to be somewhere around 4 million tons .

Another important development is that the FRP for the season 2019-2020 has been maintained the same as the FRP of the season 2018-2019, there is no change. The release quota for sales of sugar the government continues to maintain, so we get very limited quantity to be sold. So given the limitations in terms of the sales quantity the company continued to prioritize more sale in the retail as well as on the institutional front as we believe in the long run consumer based sales is going to be benefit the business in the big way hence the focus have been only on the retail and institution.

Another important development for the company is that the Pudukkottai unit, due to non-availability of the sugarcane to the expected levels and we are expecting a poor revival of cane cultivation in the area due to starving of water, as the starving of cane plantation is prolonging for the last five to six years. The company has taken a call to shutdown the unit and is also proposes to transfer the assets from the unit to other units and dispose other assets which cannot be transported as may be deemed appropriate.

Now I would request Mr. Ramesh Kumar to take you through the financial details.

Ramesh Kumar: Thank you Suresh. Good afternoon to all the participants. I am very happy to be part of this concall to share the key information to the analysts.

The financial performance as the standalone basis, the operational revenue for the quarter was Rs.388 Crores as against the last year corresponding period of Rs.456 Crores. This is a decline of 15% mainly the drop in sales of 0.41 lakhs metric tons by way of quota release mechanism which started from June 2018 even though the average realization has increased by Rs.3.8 per kg compared to the previous year of current quarter.

The PBT for the quarter was loss of Rs.92 Crores as against the corresponding period loss of Rs.126 Crores, which the loss has decreased by Rs.34 Crores. The PAT was loss of Rs.53 Crores as against the last year profit of Rs.54 Crores which was predominantly an account of extraordinary income, which we had last year on account of bio sales which is not in current year, hence the loss has reduced over the last year.

On a consolidated basis, the PBT for the quarter was loss of Rs.11 Crores as against last year corresponding loss of Rs.90 Crores and PAT for the quarter was loss of Rs.3 Crores as against last year loss of Rs.160 Crores.

During the quarter, sugar operating numbers were as follows, cane crushed is 2.14 lakh metric tons of sugarcane against the corresponding period of 0.74 lakh metric tons, recovery was an average of 7.16% as against the corresponding period average of 8.4%, production for the quarter was about 0.15 lakh metric tons as against the corresponding period of 0.06 lakh metric tons.

Sugar sales for the quarter was about 0.78 lakh metric tons including export where there is a drop of 34% compared to the corresponding period of last year 1.19 lakh metric tons predominantly on account of release order mechanism coming to play. The average selling price for the quarter is Rs. 32.81 per kg against the last year Rs. 29.1 per kg. This is primarily above the current MSP of Rs.31 per kg, which has come into effect from February 2019 against the last year MSP of Rs.29 per kg, which came into effect from June 2018, the MSP pushed the price for better realization during this quarter. The current average selling price in the market is around Rs.32-Rs.33 per kg. Our closing stock has been valued at around Rs.31 per kg. The sugar segment revenue for the quarter actually declined due to the quota system is in place to Rs.273 Crores. The corresponding number to the previous year quarter was Rs.363 Crores.

As far as cogen is concerned the power generation in Q1 of the current year is 3.31 Crores units against a corresponding previous year Q1 is 2.37 Crores units and also the power exports for the Q1 is 1.5 Crores units against the corresponding previous year of 1.1 Crores unit, 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 cogen is Rs.10 Crores compared to Rs.8 Crores from the corresponding period of previous year.

Distillery business had a really good performance for this quarter. The alcohol sales was 188 lakhs liters against a corresponding quarter of last year of 148 lakhs liters. The ENA sales especially were actually higher at 129 lakhs liters against last year 87 lakhs liters. Ethanol sales was about 59 lakhs liters against the corresponding quarter of previous year of 61 lakhs liters both are significantly higher to the corresponding period of last year. On an average realization for the quarter of ENA plus Ethanol put together is around Rs.49 per liter against the last year of Rs.45 per liter. So the revenue per quarter increased to Rs.95 Crores compared to Rs.69 Crores of the corresponding period.

Nutra business division had pricing pressure in the international market which led to the business revenue drop to Rs.15 Crores in the current quarter against the corresponding previous year quarter of Rs.20 Crores. The PBIT for the quarter is a loss of Rs.1.3 Crores against the previous year Profit of Rs.2 Crores. Due to the drought situation which has affected production as we used to have better rain in first quarter in previous years.

The capex program continues to be the same as we committed in the last call. However during the quarter, we have spent only Rs.10 Crores, during the quarter due to the new Ind-AS lease accounting standards coming to play, we have reclassified Rs.61 Crores as right to use assets of Rs.61 Crores in the balance sheet and also created equivalent liability.

As far as balance sheet is concerned, we had a good balance sheet. The long-term loans reduced from Rs.457 Crores to Rs.450 Crores, reduction of Rs.7 Crores. We have availed Rs.74 Crores as a second trench as per Government of India announced soft loan towards the sugar industry with the interest subvention of 7% for period of one year. The short-term loan significantly came down to Rs.348 Crores so that the reduction of about Rs.27 Crores. The best mix of interest rates significantly helped us in reducing the interest cost despite of holding higher volume of sugar because of released quota mechanism in place. We ended up spending finance cost of Rs.32 Crores for the quarter against the corresponding period of Rs.30 Crores.

On an overall basis, our expenses have gone up slightly to Rs.14 Crores primarily attributable to higher cane volume, which we have crushed during this quarter and also we doubled our sales in retail segment.

With regard to PSRIPL, our operational revenue for the quarter is Rs.577 Crores against the previous year of the corresponding period of Rs.337 Crores. The PBT for the quarter was a loss of Rs.6 Crores against the previous year loss of Rs.64 Crores.

Gautam Dedhia: I have two questions. One is your refinery inventory has doubled from about Rs.700 Crores to Rs.1500 Crores in March 2019 so what will be the level of going forward and what will be the debt on the refinery side for this quarter? Refinery inventory has doubled as of March 2019 so are we expected to liquidate this year or will it be maintained at this level it is about Rs.1500 Crores as of March 2019?

Ramesh Kumar: The refinery inventory is principally the quantity of sugar that has been contracted forward sale. On a forward sales basis so we expect this inventory to get liquidated as we go forward as the shipments are placed by the buyers.

Gautam Dedhia: Okay and what will be the debt in refinery as of June 2019?

Ramesh Kumar: The long-term debt is around Rs.100 Crores, the short-term debt is Rs.1145 Crores as of June 30, 2019.

Ayush B: Sir I wanted to understand how has our refinery business performed during the quarter?

S. Suresh: PSRIPL had operational revenue for the quarter is Rs.577 Crores against the previous year period of Rs.337 Crores, PBT for the quarter is a loss of Rs.6 Crores against the previous year loss of Rs.64 Crores so we had improvement in loss around Rs.58 Crores loss has been reduced for the last year.

Ayush B: Outlook for the refinery for the year? I wanted to understand the outlook for refinery for the entire year, do we expect this year to breakeven in this business?

Ramesh Kumar: Actually, speaking for the Q4 of last year and the first quarter of the current year, we are at positive PBT level that is if you look at the calendar 2019 so we have forward hedge book as well as physical sales book and if you take both into account we see a visibility of meeting the plan for the refinery for the current year so therefore we would expect that we should be breaking even for the current financial year as well.

Ayush B: We expect to be breakeven in the current financial year and about our debt repayment plan in refinery business?

Ramesh Kumar: At the moment, we have Rs.100 Crores long-term debt so we expect this debt levels to continue for the current financial year.

Ayush B: So that will be stable for the entire year?

Ramesh Kumar: That is right.

Ayush B: Okay and on our distillery segment what kind of outlook, do we think? Do we expect the margins to improve for the entire year?

S. Suresh: On distillery segment if we look at the ENA prices, we are showing upward trend. Ethanol prices have been frozen by the government. The fact the ENA prices is going up because of the molasses shortage also, which is getting exported from the UP. UP has got a lot of molasses at a lower rate. Currently what is happening is that the government regulation in UP and we understand that private mills are not allowed to export, only cooperative can export, so the total quantum of molasses being available for Tamil Nadu is coming down, overall molasses cost itself is going up because of the availability related challenges and the increase in the revenue on account of distillery to some extent will also get offset by the increase in cost of the molasses.

Ayush B: Sir this molasses availability, does it affect our capacity expansion plan?

S. Suresh: The capacity expansion plan in terms of our Karnataka unit for distillery. we had put this on hold because of the cane availability and the question if the monsoon is not going to play better hence we thought that we will have a sustained visibility for the availability of molasses number one. Number two also we have been representing to the OMCs and the sugar directorates in terms of requesting the OMCs to give us a clear way forward on the ethanol prices for the future because whatever they are announcing today is only for one year. To put up project for five years, based on price commitment for one year things can go in different direction if international oil prices are going to decline and hence we have been pushing the OMCs to get stability in terms of the prices number one and number two in terms of the commitment for offtake of ethanol combustion. Once we get that clarity on these two, we will be proceeding with the implementation of the distillery capacity that time we will evaluate the molasses availability as well.

Ayush B: Can you just give me number like how much overall distillery capacities go up by?

S. Suresh: If we go for the project I think it can go up by around 100 KLPD?

Ayush B: By 100 KLPD?

S. Suresh: In two different locations put together.

Ayush B: Sir about other expenses you had mentioned that our other expenses have gone up by 20% during the quarter so what was the reason? Other expense gone by 20% year-on-year so what was the reason for us?

S. Suresh: We have doubled the retail business for of which we have incurred freight cost and all those costs will be there hence that cost has increased and also cane crushes also increased during this year from 0.71 to 2.14 lakh metric ton that is almost 100% increase in the cane crush of last year corresponding quarter.

Achal Lohade: Can you help us with the average selling price for the co-generation because you did give the production and export, but you did not give the selling price so production and export but you did not give selling price?

Ramesh Kumar: Power we had Rs.3.68 per unit.

Achal Lohade: And as compared to last year same time?

Ramesh Kumar: Rs.3.84 per unit.

Achal Lohade: Cane price landed cost of cane price for the quarter?

Ramesh Kumar: Around Rs.3000 per MT.

Achal Lohade: What was it for the last year same time Sir?

Ramesh Kumar: Around Rs.2800 per MT.

Achal Lohade: Inventory what is the closing stock you said Rs.31 per kg is valuation?

Ramesh Kumar: We have an inventory of 2.12 lakh metric tons.

Achal Lohade: Vis-à-vis last year same time Sir?

Ramesh Kumar: 1.85 Lakh metric tons.

Achal Lohade: In terms of the crushing how do you look at the volume for the current fiscal FY2020 and if you could also give some clarity with respect to the three states what kind of volume increase or decrease we have for our own plants?

S. Suresh: **S**tand as of today and our expectation on the same volume for FY2019-2020 by and large in line will be last year crush. The factor which can go differently could be the monsoons in August and December for this the time when the major portion of Karnataka cane growth is happening. Monsoon should play out well to have these assumptions to get correct, so we have to wait for two more months to see how the cane availability is going to be looked at. As far as Tamil Nadu is concerned already we are seeing a little bit of reduction in terms of the cane volume by nearly 5% to 10%. However the good news is also that one or two other company mills have got closed. These mills areas is being reallocated to us so that we should be getting somewhere around 30000 tons of cane from there so we hope to make up the shortfall from the cane availability from these mills.

Achal Lohade: Right and what is the mix in terms of the cane volume for these states like Tamil Nadu is 50% of total?

S. Suresh: Normally, if you look at around 38 lakh tons of cane what we are talking about, around 18 to 19 should be from 50% from Karnataka, and Rs.6 lakhs from Andhra, balance will be from Tamil Nadu.

Achal Lohade: Is it fair to assume similar volume growth even in the other two segments consequently?

S. Suresh: Volume should remain by and large are same.

Achal Lohade: Even for distillery?

S. Suresh: Volumes of last year of cane and this year as are in line , hence by and large in the cogen and distillery, the volumes also should be by and large in line with last year.

Ramesh Kumar: Only the price should increase in distillery because of higher realization.

Achal Lohade: I was coming from the fact that because not all plants will have all the capacities with respect to the distillery and cogen, so will that result into any change in the volume mix as well?

S. Suresh: In fact by and large should not be because the similar facilities are going to run this year compared to last year.

Achal Lohade: What I was asking Sir, basically for the state of Tamil Nadu, Karnataka and Andhra, what kind of production numbers are we looking at from the industry perspective, from the state perspective?

S. Suresh: Karnataka, as I said compared to the last year level we are expecting a overall drop by 10% to 15%, overall because south of Karnataka not much of rains. Tamil Nadu also that should be around 10% to 15% of drop, Andhra is expected to be similar to the last year.

Achal Lohade: In terms of the revenue sharing formula for the state of Karnataka, has it been operational, what is the experience like, is it smooth, is it still arbitrary in terms of the cane price decision, why I am asking because could there be a possibility of similar revenue linkage happening in Tamil Nadu?

S. Suresh: As far as Karnataka is concerned, I think the revenue sharing formula is already in place. These are operating in a very well oiled manner. At the end of the season, we submit all the necessary details. Accordingly government announces the revenue sharing price and that is what is being followed and this FRP or revenue sharing whichever is higher is what is being paid to the farmers. Of course the sales realization being lower FRP is one which is actually ruling today, which is the higher part of growth of this number. As far as Tamil Nadu is concerned, last year the government brought in the revenue sharing and indirectly they said that we will go with the revenue sharing or FRP whichever is higher. Since the revenue portion of it is very low we are yet to come up with the model on defining the revenue sharing, because we have the Rangarajan Committee formula which is what is being followed in Karnataka and Maharashtra whereas here they have not yet spelt out what is the formula. They said they would intent to go to revenue sharing that is the thing that has been announced.

Achal Lohade: I think you were talking about the revenue sharing in case of Tamil Nadu?

S. Suresh: What I was saying revenue sharing price in Tamil Nadu, the government has noted that we will be moving into revenue sharing. They have not stipulated on what is the model or the formula as of now. In principle, they have said either the revenue sharing price or FRP whichever is higher is the concept which has been told. They are yet to discuss on the methodology for the revenue sharing. The sales realization being very low as it is today maybe for the next one or two years my view is only FRP will be holding as a price, so revenue sharing will be very low in terms of price. Today if you look at revenue sharing for Tamil Nadu, the number will be 2160 compared to the FRP of 2613 so next two, three years may be only FRP as a price running for Tamil Nadu.

Achal Lohade: You are saying FRP for Tamil Nadu is 2613?

S. Suresh: That is because of the 9.5% recovery, for 10% recovery 2750 is the FRP.

Achal Lohade: Okay and I thought bare minimum you have to pay even if it is less than 10% will be 2750 that is not?

S. Suresh: No Sir, actually the GO says like this for 10% recovery 2750 is payable, any recovery drop from 10% to 9.5% it will be pro-rata deduction, at 9.5% you pay 2612.5 and below 9.5% you have to necessarily pay 2612.5 as a price only in Tamil Nadu. This formula of 9.5% is for places like Tamil Nadu where the recovery is below 10%, also in Tamil Nadu over and above the FRP we are paying an additional transport also as a charge which is not there in any other states.

Achal Lohade: Okay, so the transport cost is also…

S. Suresh: The government has stipulated we have to pay the transport also over and above the FRP.

Achal Lohade: How much is the amount Sir?

S. Suresh: Roughly around Rs.150 per ton.

Achal Lohade: Okay and this in terms of the going for the revenue sharing, is notified or is just the understanding?

S. Suresh: It has been declared in the state budget, but the discussions are yet to be firmed up with the industry and farmer body.

Achal Lohade: Going back to Karnataka you said at the end of the season we submit the financials and they arrive at the cane price, so do they announce the revenue sharing based cane price mill wise or it is at the aggregator or state level?

S. Suresh: That is mill wise.

Achal Lohade: Okay and with respect to capex sorry I did not get that part, what is the capex we are planning for FY2020?

Ramesh Kumar: FY whole year we are planning around Rs.140 Crores.

Achal Lohade: Okay and that includes the distillery related capex or this is excluding distillery capex?

S. Suresh: We have done augmentation of Incineration boiler in Sankili, which includes Rs.27.5 Crores.

Achal Lohade: This 150 does not include the distillery related capex?

S. Suresh: Distillery expansion is not part.

Achal Lohade: Okay, understood and just last question with respect to the debt if you could repeat the debt and the breakup with respect to how much is it?

S. Suresh: For EID as of Q1 it is Rs.450 Crores in current long-term and short-term is Rs.348 Crores.

Achal Lohade: And of this Rs.450 Crores how much is under the interest subvention or government facilitated?

S. Suresh: 128 Crores is the interest subvention.

Ritvik Sheth: Good afternoon Sir. I missed the recovery for the quarter, can you just repeat that please?

S. Suresh: Recovery for the quarter is 7.16% as against last year corresponding period is 8.4%.

Ritvik Sheth: What is the kind of expectation for the coming season or should it be closer to 8%?

S. Suresh: For the entire year you are asking or for the current, next quarter?

Ritvik Sheth: No, for the entire sugar season 2019-2020?

S. Suresh: For EID as a whole?

Ritvik Sheth: Yes, for EID?

S. Suresh: It should be around 10%.

Aman Shah: Sir I notice the improvement that is there in the refinery operations from last quarter to this quarter. Can you please tell us what are the spreads in this quarter vis-à-vis last quarter?

Ramesh Kumar: The current quarter spreads were between $45 and $50 based on the availability in the market, so that is the reason why we are in a position to post the better financial results.

Aman Shah: And what was the trend in last quarter?

Ramesh Kumar: Last quarter was similar. We had a higher volume compared to the last quarter. Spreads were similar in the Q4, but if you are comparing with Q1 of last year, the spreads are much lower last year.

Aman Shah: Last quarter you alluded to the operational efficiency that we are driving in the refinery operations which will make us PBT breakthrough in terms of $45 to $50, so is that the main reason for our loss actually narrowing, and will break even in this full year?

Ramesh Kumar: Sorry, can you please repeat, question is not clear.

Aman Shah: You alluded last quarter to the fact that we are doing lot of operational efficiencies in our internal plant, so that we are break even at $45 or so, so if spreads are to increase from here it will directly add to our bottomline?

Ramesh Kumar: If you compare the first quarter of last year to first quarter of the current year, the efficiency improvement in the plant is showing up in terms of the recovery in the PBT numbers that you are seeing, but if your question with respect to the fourth quarter of last year to the first quarter of the current spread values are similar, so there have been improvements in the operations that is basically showing up with respect to the results.

S. Suresh: Volume has only increase of last quarter to this quarter.

Aman Shah: What is the capacity utilization which we operated this quarter?

Ramesh Kumar: Utilization was around 70% because we had opening inventory, so therefore we had an operation level of around 70%.

Aman Shah: Any outlook on sugar business with all the things that are in favorable way, production is expected to be lower, world production is deficit, FRP is similar to last year, should we expect in the coming quarter, sugar business to also be at PBT break even or profitable PBT?

S. Suresh: There are two things which we have to be considered in this. The Indian stock of 14.6 million tons is a big pressure on the entire sugar prices. If the prices have to bounce back to 35, 36 level, it is important because, this much of quantity of sugar is actually pulling down the price. The moment government comes out with this, already they have come out with the buffer stock, we are also expecting that government should be coming out with the proposal on the exports. So we are expecting close to around 7 million tons should be announced as a export program not to liquidate this, huge quantity of opening stocks supply and if the monsoon is going to play different any shortage in the next year output also can boost up the prices may be in the Q4 of this current year or the Q1 of the next year that is how it will pan out. As of now the current opening stock what we are holding now is going to weigh down on the overall spread.

Aman Shah: So we expect like if prices are to remain where they are right now, our Q1 results which are a standalone loss of some, Rs.90 Crores we should continue in the coming quarters?

S. Suresh: The loss should come down, because the first quarter we did not have the actual crush which is supposed to happen. The fourth quarter is what we do real crush but the entire fixed cost will get absorbed where we make profits.

Ayush B: Can we expect for more shut downs in Tamil Nadu unit going ahead?

S. Suresh: You are asking about EID Parry or you are asking about specific?

Ayush B: No, EID Parry.

S. Suresh: Shutdown means what?

Ayush B: As in we have closed operations of our Pudukottai plant in transport assets, so similar at our other units?

S. Suresh: This Pudukottai unit, I just wanted to clarify. This is actually being unit is not in a position to source enough amount of cane availablity, because cane area itself has reduced over a period of time, last five to six years. Most of the people have moved to coconut and other crops which are normally three to four decade crops, people want to go to coconut, this is a very remote possibility of them coming back to other crops, number one. Number two is the rainfall and water availability. Pudukottai is basically rainfall region and the water table has gone as low as 700 to 1000 feet, sustaining a crop like sugarcane for almost 12 months by putting borewell and then driving motor from 1000 feet level is next to impossible and you can imagine the cost of the farmer to be set up as well. So an asset which is not getting utilized properly so we thought that it is right thing to go ahead in terms of bringing down the operations over there and effective of these equipments to the places where cane is available is going to ensure that these capacities are going to be better utilized thereby they will generate better contribution to the business so this is how we have viewed the entire Pudukottai. As of now we are not looking at the anything further.

Ayush B: Okay, so this does not affect our overall capacity? Our overall capacity remains same right?

S. Suresh: The overall nameplate capacity is remaining same. The effective utilization capacity anywhere these have not been utilized fully. It should not effect.

Ayush B: Correct and in our distillery operations, so you mentioned that we expect overall realizations to increase, but there will also be cost increase due to molasses availability, so what margins that we did in the first quarter, can we expect the similar margins to continue for the year?

S. Suresh: Margins in distillery will be the same. It should remain in the same level.

Achal Lohade: with respect to bio products, we have seen the revenue drop for Y-o-Y given the availability issue, so how do you look at from a one year to three year perspective? Do you see further decline and is there any synergy benefit for this business vis-à-vis our sugar business?

S. Suresh: You are talking about which business Achal?

Achal Lohade: I am talking about bio product business, Nutra Sir

S. Suresh: You are talking about Nutra or any other products?

Achal Lohade: Yes.

S. Suresh: Repeat the question?

Achal Lohade: One is we have seen revenue declining in this quarter as well as losses increasing, , is there any synergy to this business with our core sugar business and what kind of revenue/profitability can we look at from one to three year perspective in this segment?

Ramesh Kumar: Achal, for your question. In terms of the drop in revenue in the Nutraceuticals business in that twofold to our core products Spirulina and Saw Palmetto, so I am talking about a consolidated level which is the Indian operations and the US operation, which is well from a Spirulina perspective, there has been a lot of pricing pressure in the market and that is why we have seen a revenue drop. I will come to how we are addressing that in a little bit. In the US Saw Palmetto the core product there has also seen a revenue drop, because the raw material prices last year was very high and as a result of this, the retail market itself is stocking up less on Saw Palmetto and that is obviously impacted. I am just coming back to how we are addressing this. In terms of Spirulina, we are addressing it in two ways, we got a second product called Chlorella which is being filled up now and we will see more of that in the coming quarters. It uses the same facility as Spirulina and we have also invested in a joint venture for colour extraction from Spirulina and that will start gaining scale later in the year. In terms of Saw Palmetto we cannot control the raw material prices because they are from farm lands in Florida where our operations are. We have done lot of work in terms of strengthening the supply chain. The outlook for the raw material prices is much better this year, so that should have a positive impact on this business. in terms of revenue and profitability from one to three year perspective, we do not give this kind of guidance right on it where we are obviously very bullish about this and that is why we are further investing in both these businesses.

Achal Lohade: In terms of the synergies with the sugar business, is there any synergy out there?

Ramesh Kumar: In terms of the synergy with the sugar business not too much I think it is a pertinent question. I think we want to build more scale in the Nutraceutical business to start with and I think we can consider any strategic options after that.

Achal Lohade: Just a data question with respect to the cost of production of sugar, if you could point out what is the cost of production since we have valued at 31 which is MSP I was just curious to know the cost of production?

S. Suresh: We have valued at cost only.

Achal Lohade: Rs.31 is the cost assuming?

S. Suresh: Around that price.

Achal Lohade: So this is assuming Rs.3000 per ton of cane and 10% kind of recovery rate, is that right Sir?

S. Suresh: Absolutely right.

Achal Lohade: And what is the transfer pricing we have for molasses and bagasse in this case?

S. Suresh: It is Market price. That time whatever prices are there that will be the price of the transfer.

Achal Lohade: It will vary from quarter-to-quarter?

S. Suresh: Yes, it varies.

Achal Lohade: Would you be able to point out for Q1 FY2020 what was the price?

S. Suresh: As we just said, I do not think so I have.

S. Suresh: Thank you everyone for joining us and also accommodating the last minute change and request from yesterday to today's timing and thanks a lot for the participation.

Ramesh Kumar: Thank you so much.