"E.I.D Parry (India) Limited
Q2 FY 23 Earnings Conference Call"

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MODERATOR:	**MR. NITIN AGARWAL - DAM CAPITAL ADVISORS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the EID Parry Q2 FY '23 Earnings Conference Call hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nitin Agarwal from DAM Capital Advisors. Thank you and over to you Sir!

Nitin Agarwal: Thank you. Hi, Good afternoon everyone, and very warm welcome to EID Parry's Q2 FY '23 earnings call hosted by DAM Capital Advisors Limited. We thank the EID Parry management for giving us the opportunity to host this call. On the call today, we have representing EID Parry Management Mr. Suresh, Managing Director; Mr. Muthiah Murugappan, Whole Time Director and CEO; Mr. Suresh Kannan, Whole Time Director, Parry Sugars Refinery India Private Limited; Mr. A Sridhar, Chief Financial Officer; & Mr. Biswa Mohan Rath, Company Secretary.

I will hand over the call to EID Parry management to make opening comments and we will open the floor for Q&A session. Please go ahead sir.

Suresh: Yes, thank you. Good afternoon. I am Suresh from EID Parry. It gives me great pleasure to be part of this analyst call to share an update on the global and Indian scenario and explain the Q2 performance of the company.

On the global scenario, Higher crop, especially in Brazil and India is expected to result in a global surplus for the sugar year '22-'23. Surplus sugar and global macros in the form of strong USD which is barish for the commodities is keeping the sugar prices range bound. However, trade flows, especially in raws are tight in near time, necessitating Indian sugar to flow to global markets. Therefore, raw sugar prices have to move up in the near term to facilitate the same. Change in Brazilian fuel tax policy in medium term can increase the floor price.

Coming to Indian scenario for the sugar year '22-'23, the sugar production in India is expected to be around 36.5 million tons after diversion of 4.5 million tons to ethanol. While the FRP has been increased to INR 3,050 @ 10.25% recovery for sugar year '22-'23, there has not been any increase in the MSP. The government has recently announced the export policy for sugar year '22-'23 for 6 million tons to be exported by May 2023. It is encouraging to note that the Ethanol prices have been increased for the ethanol year '22-'23.

Coming to the standalone performance for the quarter and half year ended 30th, September 2022. Operating performance for the company during the quarter on a standalone basis was significantly better than the corresponding quarter of the previous year, on account of better volumes and realization in sugar, power and distillery. The company crashed around 8.38 lakh metric tons in the current quarter as against the 6.6 lakh metric tons in the corresponding quarter of the previous year., Higher power tariff rates helped in better profitability of the power segment. Distillery profitability has been lower due to higher fuel cost.

The standalone revenue from operations for the quarter ended 30th September, 2022 was INR 646 crore. Registering a growth of 47% as against INR 438 crore in the corresponding quarter of previous year. Earnings before depreciation interest and taxes,(EBITDA) for the quarter ended was INR 125 crore as against INR 115 crore in the corresponding quarter of previous year. Standalone profit after tax for the quarter was INR 85 crore as against INR 73 crore in the corresponding quarter of previous year.

The standalone revenue from operations for the half year ended 30th September 2022 was INR 1368 crore registering a growth of 54% as against INR 888 crore in the corresponding period of the previous year. Earnings before depreciation interest and taxes EBITDA and before exceptional items for the half year ended was INR 136 crore, against INR 111 crore in the corresponding period of the previous year.

Standalone profit after tax for the half year and was INR 98 crore as against INR 40 crore in the corresponding period of the previous year.

The Sankili unit 120 KLPD multi feed distillery unit project is progressing as per schedule and should commence production as per plan.

During the quarter, the board has approved setting up of 120 KLPD distiller in Haliyal with the capital outlay of INR 181 crore.

Now coming to the consolidated performance for the quarter and a half year ended 30th September, the consolidated revenue from operations for the quarter ended 30th September was INR 11,328 crore. registering an increase of 62% as against INR 6,978 crore in the corresponding quarter of the previous year., Earnings before depreciation interest and taxes for the quarter ended 30th September, 2022 was INR 978 crore, registering an increase of 27% as against INR 772 crore in the corresponding quarter of the previous year.

Consolidated profit after tax and non-controlling interest was INR 241 crore compared to INR 244 crore in corresponding quarter of previous year.

The consolidated revenue from operations for the half year ended 30th September, 2022 was INR 18,474 crore registering an increase of 63% against INR 11,333 crore in the corresponding period of previous year. Earnings before depreciation, interest (EBITDA)and taxes and before exceptional items for the half year ended September was INR 1732 crore as against INR 1266 crore in the corresponding period of the previous year. Consolidated profit after tax and non-controlling interest was INR 518 crore compared to INR 376 crore in the corresponding period of previous year.

The consolidated sugar operations including the refinery business reported a loss before interest and tax of INR 155 crore for the quarter(corresponding quarter of the previous year loss of INR 28 crore). Refinery business had a setback during Q2 as there were two fatal accidents at the refinery, which resulted in the stop of the factory though the factory had an excellent good safety record. We had to perform several audits and checks to satisfy ourselves and government authorities on the safe operation worthiness of the refinery. This took time resulting in stoppage of production for a month. Consequently, our order execution in terms of loading refined sugar on vessels was delayed, resulting in higher demurrage d

Coming to Farm Inputs division, the consolidated farm input operations reported a profit before interest and tax of INR 1061 crore for the quarter (corresponding quarter of previous year the profit was INR 732 crore)

Consolidated Nutraceuticals division registered loss before interest and tax of INR 3 crore(corresponding quarter the previous year had a loss of INR 8 crore)

I'm glad to announce that the board of directors meeting held on 11th November 2022, have approved an interim dividend of INR 5.50 per equity share, (i.e 550% on face value of Rs.1 each).

Now I will request Mr. Sridhar, our CFO to explain you on the segment wise financial performance.

A Sridhar: Thank you, Suresh and good afternoon to all participants. It's a great pleasure to be part of this Analyst call and to share the key information of the operational and financial performance of the company. I would like to share with you key operational performance of the Company sugar operations:, The crushing operations at Nellikuppam and Pugalur units were carried out for 77 days and 89 days, respectively during this quarter. I would like to share the quantitative details as under:

As far as the crushing is concerned, in Q2 we crushed about 8.38 lakh metric tons when compared to the previous year, same quarter where it was at 6.60 lakhs metric tons.

On the recovery for quarter two, we were at 8.86% compared to last year, the corresponding quarter of previous year, which was at 8.71%.

The production was around 0.65 lakh metric against corresponding quarter of previous year, which was at 0.57 lakh metric tons.

The cane cost for the quarter 2, was at INR 3062 per metric ton and last year, same period, it was INR 2,971 per metric ton.

In the Q2, we achieved the sales volume of around INR 1.17 lakh metric tons, (of which domestic was 0.90 lakh metric tons and export was 0.27 lakh metric tons) and the previous year we were at 0.84 lakh metric tons (of which domestic was 0.77 lakh metric tons and export was 0.07 lakh metric tons). With reference to the selling price for Q2 we were at 35.99 per kg against the previous year price of Rs.34.76 per kg. The closing stock was at 0.85 lakh metric tons as of end September 2022.

Revenue from sugar was at INR 466 crore in Q2 as against the previous year, which was at INR 313 crore i.e an increase of 49% over the previous year. No cane dues as of today, all FRP is paid on time.

Getting into co-gen segment. The power generation during Q2 was around 716 lakh units against previous year, which was at 570 lakh units of which we have exported around 380 lakh against previous year which was at 287 lakh units. The average rate for the quarter was 4.46 per unit as against the previous year, which was a 3.34 per unit. Revenue for the quarter was INR 28 crore against previous year, which was INR 18 crore.

As far as our distillery operations are concerned , we sold around 231 lakh liters in the second quarter as against the (corresponding previous number of INR 165 lakh liters) of which ENA, was 61 lakh liters (last year second quarter was INR 62 lakh liters) and the ethanol was 170 lakh liters, and the previous year number was 103 lakh liters.

On the price realization we fetched INR 58.38 per liter as against the previous year realization of INR 54.55 per liter.

In Q2 the revenue was INR 140 crore compared to previous year, which was at INR 92 crore.

On the Nutra segment for Q2, the turnover from Indian operations were at about INR 22 crore as against the previous year number of INR 21 crore. At the consolidated level, the Nutra business turnover was at INR 73 crore against the corresponding previous year, which was INR 62 crore.

With reference to refinery operations, the operation revenue for quarter two was at INR 582 crore, and the last year we were at INR 350 crore, and the PBT for the quarter was a loss of about INR 148 crore versus a loss of INR 15.56 crore in the previous year. The refined sugar production for the Q2, was at 0.97 lakh metric tons, and the previous year number was 0.33 lakh metric tons. Refined sugar sales for quarter two was 1.48 lakh metric tons, and the previous year number was 1.24 lakh metric tons. The long-term loan continues to be at Rs. 200 crore and as far as the short term borrowings is concerned, it is currently at 327 crore as against Q2 of last year, which was at INR 648 crore.

I'm now leaving the floor open for any questions that the management could answer. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. We'll take the first question from the line of Devang Shah from Investsavvy. Please go ahead.

Devang Shah: Yes good afternoon gentlemen. Hello. I had a question regarding the utilization levels. Now, the presentation said that utilization for distilleries is around 90% to 95% and the capacity was given as 417 KLPD including 120 KLPD coming in December '22. So I wanted to know that, is the current capacity 90% to 95% of the 297 KLPD, which is currently there, or, is it 90% to 95% of 417?

Sridhar: The capacities, what we are referring to as 90% to 92% is on 297 lakh KLPD. And the project of 120 KLPD will come into operations from Q4 of this financial year.

Devang Shah: Okay. So at December '22. You are saying production will start by when,?

Sridhar Beginning of Q4, we should be able to commence our commercial production.

Devang Shah: Okay. And when it starts, is there a lead time, like as in initially the capacity is lower and then it builds up or how?

Sridhar: Yes, we have taken around 15 to 20 days for the initial start.

Devang Shah: Okay. So in Q4 what percentage of this capacity will you be able to utilize on an average

Sridhar: We should be able to run syrup based ethanol for the entire quarter.

Devang Shah: Okay. So the full benefit should come into Q4. Great. Now the other thing is that you know, the sugar revenues have been dipping even though the sugar prices aren't down that much. The last two quarters we've seen sharp fall in the revenues in the sugar and the co-generation segment. Now, what is the reason for that?

Sridhar: I didn't understand your question. Are you saying the revenues have come down?

Devang Shah: Yes,

Suresh: the revenues are actually higher compared to what it was in the previous year.

Devang Shah: no, I'm saying quarter on quarter. We've seen it dip from 695 to around 525 or something now. Yes.

Sridhar: See, the sugar sale depends on the DFPD release order mechanism. So, what happens in the sugar year between April to September. the inventory levels will come down and gradually keep increasing from October.. So, if you want to compare between quarter one and quarter two, there will always be a reduction in closing stock and the release quota by DFPD will also be lower.

Devang Shah: So You expect revenues to go up in this quarter?

Sridhar: Yes. When the production commences the release order quota also increases.

Devang Shah: Okay. last question, What do you see as the EBITDA for Q3? What guidance would you have for Q3 and Q4?

Muthu : So, we don't give forward guidance. I think we are encouraged by what we see on ground but we don't give forward guidance. I think our whole program of expansion of sugar cane crush, running more efficient operations, more cost effective operations is giving, encouraging signs. Also the distillery segment coming in more strongly giving encouraging signs. We don't give forward guidance. So I have to pass that.

Moderator: Thank you. The next question is from the line of Rajesh Mujumdar from B&K Securities. Please go ahead.

Rajesh Mujumdar: Hi, good afternoon, sir, and thanks for taking the question. So my first question is, normally quarter of the cash flow go up a lot because of the unwind, but in this case, I'm seeing the cash flow operations fall significantly from INR 305 crore to INR 88 crore could you tell why? Because normally 1H the cash flows go up a lot and then we build up the inventory 3Q and 4Q and the cash flows start coming off. So that was the first question.

Sridhar: Yes. May I answer that? Yes. as far as the cash flow is concerned there are few factors which has influenced our cash position. We have partly repaid our agri financing loans during the quarter and that is one reason where you will find the current liabilities also come down substantially during the, quarter..

Rajesh Mujumdar: But why have the receivables gone up so much for this quarter? Any reason for that? Why have the receivables gone up by so much in this quarter? Is it because of higher volumes?

Sridhar: There are two reasons. One is there has been a sales volume increase in the month of September, and also there are certain receivables which are sold against letter of credit and the payments are expected during Q3.

Rajesh Mujumdar: My second question was regarding the nutraceuticals business, the domestic neutral businesses seen a sharp jumped in the profitability and the segment is also showing INR 5 crore over INR 22 crore. Now that's a significant improvement over last year, over quarter and quarter, where you see. Is this a sustainable trend because the margin is pretty high or is there, like, how do we read this number?

Muthu Murugappan: So thanks for your question. There are some efficiency improvement exercises and some good demand in the US and the European market.

So we look at our H1 numbers on nutraceuticals where it's a small business,. It's only a Rs. 60 crore to Rs. 70 crore business, but we are up at PBIT levels we are about 15%. we remain hopeful of consistent margins for the rest of the year.

One caveat though there are some changes to the European regulation which has sort of brought about some changes to the certifying bodies in the manner of certification. So there may be a bit of a lag based on that. We're still trying to get into the detail and plan for that. So that may slow things down a little bit in the H2. But otherwise we're quite hopeful for the nutraceutical business from a standalone perspective.

Rajesh Mujumdar: Yes. And the follow up question, Will the console number still be losing some money, so do you see that also improving over the next few quarters?

Muthu Murugappan: On the console we will be in a burn mode for a while because, we are funding the B2C program which is the consumerization of the prostate health verticals. So we will continue to be on a burn mode. I think what is encouraging is that the quality of the berry harvested during this season has come out well. Our cost of berry is at good level ie., less than the overall cogs of the berries compared to last year. So I think this should help from a margin perspective From Q4 the new stock will start coming into the cogs, which is an encouraging sign, but we will continue to be in a burn mode as we build our B2C business. The current rate is just north of a million dollars this year. So, it is slowly picking up and we are focused on the ramp up there. --

Rajesh Mujumdar: Right. And what is the total amount of capital employed we expect in this business per annum.

Muthu Murugappan: The current capital employed is about INR 275 crore and I don't see a drastic increase on the capital employed here where the funding of this B2C scale up is largely out of own earnings. That's why we are reporting a burn largely out of revenue expenditure.

Rajesh Mujumdar: And so my last question was we have seen a very high quarter of refining margins in Q2 for most companies and refined sugar margins have gone through the roof literally from September or even slightly earlier than that. But we have not seen any such friction in our subsidiaries results. So how do we see this? I mean even in the best quarter of the subsidiary is still to make any money.

Suresh Kannan: You are right in your observation. that the white premiums, which is the difference between the raw sugar and the refined sugar prices. though they all went up very close to the futures contract expiry, which I think is not a hundred percent realizable by the most operating refiners globally. that being said, our own margins in terms of spreads improved in quarter of the year compared to the previous year substantially, unfortunately we were set back on account of the plant operation closure t, that arise out of accident. But on the sale and the margin set, yes, we also got benefited on that account.

Rajesh Mujumdar: So that's the one time expensive reported that on the accident which is there for the quarter.

Suresh Kannan: Right.

Rajesh Mujumdar: And how are the margins now in the third quarter or on a 45 day basis over the last quarter?

Suresh Kannan: Yes. At this moment the margins have softened a little bit from the peak that what we have seen, but they still remain strong. And I know that the evolution of the developments, especially of how the Indian sugar flows out in the global market in terms of white and refined sugar that will determine the forward white premium. So yes, things have improved over the peak level that what we have seen in the second quarter period. I think it will be very difficult to expect it to come again.

Rajesh Mujumdar: And what's the utilization of the refinery right now?

Suresh Kannan: Yes, barring the outage on account of accident, the refinery has been running flat out to the extent of 90% of its capacity.

Moderator: The next question is from the line of Ritwik Sheth from One-Up Financial. Please go ahead.

Ritwik Sheth: Yes. Hi good afternoon and thank you for the opportunity, sir. So I have a few questions. So firstly, what is the landed cost of cane for us?

A Sridhar: The landed cost of cane is 3062 rupees for the quarter.

Ritwik Sheth: Okay. Okay. So that is landed cost.

A Sridhar: It'll change subsequently in the quarter three and quarter four when the crushing season starts.

Ritwik Sheth: Sure. And so with current 297 KLPD, we are almost running flat out. So you know, we are at about 9 crore liter of ethanol in from that from the current capacity, what is our expectation from the next two plants? You know, one 120 KLPD and another 120 KLPD that we have just announced. Would it be higher you know, in terms of volume or, you know, if you can throw, what would be the peak ethanol say that we can do ones both these capacities are commissioned,

Muthu Murugappan: So each 120 KLPD plant should add about 3 to 3.25 crore liters of alcohol, So you'll go up close to 7 crore, 6.5 crore.

Ritwik Sheth: So we'll be close to 15 - 16 crore liter by FY ‘24 end.

Muthu Murugappan: So you will be, closer to 17 Crore liter or 18 Liter.

Ritwik Sheth: And so with our existing, crushing capacity, is there any scope for further increasing the capacity beyond FY '24? I know it's a bit out, but just with our existing 40,000 tons per day capacity are we reaching near the peak with this 537 KLPD ones both these ones are commissioned, or what can be the peak distillery capacity that we can understand?

Muthu Murugappan: We have two standalone sugar mills. One is on lease model and one is our own, a sort of conventional model. We haven't determined yet as to whether we need to add capacity there. With existing, crushing capacities and the new capacity expansion that's announced, we will be self sufficient with own generation of Molasses. Syrup Perhaps we will determine at a future date whether anything further needs to be done. Parallel we will also look at small augmentations in existing units basis what market realities are.

Ritwik Sheth: Okay. Sure. Sure. And so my final question is on the refinery bit, , in the presentation we have mentioned that the spreads are about $45 per ton, but the conversion cost has gone up to $50 per ton plus. So, , that's a negative margin for us. So, how do we look at this, refinery business because on a consistent business, I believe we have been unable to, get some positive traction on this. So just wanted your thoughts on this.

Suresh Kannan: Yes, sure. I think what we are seeing in the refining margins is that the energy prices have gone up and has now started softening. The second one is, of course, the refinery has additional revenue streams over and above what you see in that chart because, we upsell our sugar as Parry brand sugar as a result of it, we also get some cash premium which is over and above the spread that's available on the exchange as it is. So as we speak, both the base level of spreads as well as the cash that's available over and above the spreads have improved for the refinery operation. And therefore we are in a position to cover the cost of refining. And I think the picture, what you've seen for last year is basically indication of the lag.

So just to answer the second half of the question there has been improvement as far the refinery bottom line is concerned, and in fact the last three consecutive quarters, we have been operating on a cash positive and cash positive plus basis. We were on the same momentum in the second quarter also, but for the, special events, we could have continued that journey.

Ritwik Sheth : Okay. there also one-time expense,

Suresh Kannan: We have a couple of other expenses. One of those is relating to the vessel waiting time which we call as demurrage. And of course there is also a mark to market element as part of that number that would be reported, which is purely based on the forex movement. And I think as the foreign exchange keeps changing, it gets reflected in our financial report. But we are a US dollar based company and exposures is less.

Moderator: Thank you. The next question is from the line of Anushree from Alpha Invesco. Please go ahead.

Anushree: So I wanted to know your outlook on the refinery business and what are spread that we are looking at, and what spread we expect going forward. And also, so just correct me if I'm wrong, but my understanding of spread is that it's the difference between London White and New York raw sugar prices, which was around $135 per ton as of November '22. So it would be really helpful if you could explain the difference between our reported trend and these numbers and also what other numbers are taken into consideration for calculating these spreads like the shipping cost, logistics, energy, and how much are these numbers on a basis. So I just wanted to get an idea, how do we arrive at the said threat?

Suresh Kannan: Thank you. The numbers that, what you have quoted in terms of the difference in the raw sugar and refined sugar prices is what we call as white premium. This is basically the based on the exchange. These are FOB terms. There is a cost of originating the sugar that needs to be net off from sugar. And that varies depending upon the sourcing as a source from Brazil, we source from India. So these origination cost, which is in terms of rate and other expenses can be in the range of $50 to $60 depending on the market. And that's how the spread is calculated. The other one, of course, the, you know, the elevated values that you see are more synthetic. They are not directly transferable to physical businesses because there is a difference between two exchanges is what we see as derivative and typically this flares up at some market event,.

Anushree: Okay. what do you expect from the refinery business? Like how can it, So what are we looking for and going in the next quarter and for the full year?

Suresh Kannan: Yes, typically we are still seeing tightness as far as the trade flow of refined sugar is concerned. So as long as this buoyancy in demand post covid opening and the tightness in supply continues, I think the white premiums will remain and may not reach the elevated or higher levels than what we have seen earlier. But we will be able to see these spreads maintaining probably at the range of $45 to $50 per ton level and beyond the quarter, it'll depend on basically, how the Indian exports pan out. So that can have a positive or a negative impact on this spreads and margins.

Anushree: And so at what spreads can we break even at what level,

Suresh Kannan: I think if all other factors are in place our breakeven would be in the range of a$40 to $45 of spread

Anushree: What was the current this quarter?

Suresh Kannan: This quarter it around $50.

Moderator: Thank you. The next question is from the line of Nitin Awasthi from Incred Equities. Please go ahead.

Nitin Awasthi: Thank you for the opportunity. So I would like to understand what happening on the farmer agitation front in Karnataka. So we are hearing that there is a demand for revisioning of SAP and there's demanding a of INR 3,500 if I am not wrong, and there's also some committees being set up for sharing of the profits or byproducts of sugar, like cetera. So could you just some light on this?

Muthu Murugappan: Thanks for your question. yes, we have seen a lot of farmer agitations around Karnataka. Two of our mill started on time in Ramdurg and Baglkot. In the Haliyal mill we had a, bit of a delayed start because there were agitations and I think agitations were seen across the state, as the farmers were wanting a better price. We only pay FRP, so we don't deviate from that stance and our mill in Haliyal is now running, I think agitation have sort of been diffused. Our mill is running there are these murmurs in terms of what you had said but nothing is officially been notified to us by the government authorities. So I think, we continue to push forward basis the existing pricing directions that we have. Thus we have not heard anything from Karnataka government with regard to SAP. And, so we will sort of respond these realities once they're officially notified to the company. But that's the current situation. But our mills are now functioning for the season and we are sort of focused on delivering our, our sort agreement in terms of numbers.

Nitin Awasthi: Got it. And you're saying there has been no communication where you have been called by the state on the profit sharing mechanism?

Muthu Murugappan: As I said, there's been no official notification. I mean, we are hearing similar murmurs like you, so we always keep our eyes sealed and our ears to the ground. But you know, we can only respond once there are official notifications given.

Moderator: Thank you. The next question is from the line of Gautam Dedhia from Nalanda Securitie. Please go ahead.

Gautam Dedhia: I just wanted to know, like in these one-time expenses that we recorded in the refinery, do we have any insurance cover, anything that we can benefit from?

Suresh Kannan: Yes, we have insurance covering a certain portion of these losses. So we are working with the agencies in terms of survey claim process and it is an early stage for us to comment fully.

Gautam Dedhia: Okay. And just one of your presentation slides mentioned that you want to reduce the cost of production for your cost of conversion. So what is the goal by FY '25? So it's at 50 right now?

Suresh Kannan: Yes, our goal is basically to go back to our earlier level. for us more than the absolute number, what matters is being at the lowest cost bracket offer refining, because the rest of it we expect the market to take care of in terms of large changes in the cost inputs. Our basic aim is to go back to the levels that what we have achieved in the past.

Gautam Dedhia: Okay. And so one last question is, in the last six months, how many refineries have shut down? Have there been any major refineries that have shut down because of these energy prices?

Suresh Kannan: Well not that we heard any shut down in this part of the world, but where there has been acute fuel shortages or fuel price increases, there have been some outages that we are hearing in, in Europe and some part of Mediterranean. There are also export bans that have been put on some refineries cause of the local government consideration of food security and other related development.

Moderator: Thank you. The next question is from the line of Rajakumar Vaidyanathan with an individual investor. Please go ahead.

Rajakumar Vaidyanathan: Yes, good afternoon. Thanks for the opportunity. Sir, I have three questions. So if you, me, I'll ask all the questions that you going then you can answer.

The first question is given a good range in Tamil Nadu for the current year, in the past year, just want us to know what would we expect our units in PLO to have a production that needs to come? And also, you know, to be helpful if you could give some numbers why, why in terms of how better it would be. And uh, you know, just to extending the same point, I just want, are we looking at any organic and inorganic opportunities in Tamil Nady, given that the state is coming out of a very long season from a sugar standpoint. And then the second question is there any dues from the Tamil Nadu electricity board? Because I believe there was some settlement done. So just want to know what if there is any amount and if there is any other income booked during the quantum. And lastly, the third question is with the revival in the global carbon credit market. Just want to know, would that be any meaningful impact to a bottom line in the short term?

Muthu Murugappan: So thanks for your question. I'm going to answer three of them and sort of defer one to Sridhar. In terms of TN rains, and we had good monsoons last year, the current year will be a good monsoon. There are increased cane areas in Tamil Nadu, both mill better volumes of cane crush. I think we've talked about that as an encouraging sign earlier in this call and perhaps in the previous quarter as well, where company volumes of Cane Crush going up across all our areas. Karnataka, we have a new mill, which was transferred from TNto the Karnataka unit. higher volume of Cane Crush, availability in Karnataka of course is not an issue in TN as well. We do expect to see cane crush numbers larger cane area, which has been planted over the last two years. So that's on the TN piece. In terms of inorganic opportunities in Tamil Nadu we are not looking at inorganic opportunities in Tamil Nadu. we obviously studied our history deeply and we also studied perhaps opportunities which are available to us at this point in time on EBITDA per ton basis. We don't believe these will be accretive even though they may be a distressed asset. I think ultimately what you need, is sort of good will in performing sugar and distillery business. we're already an amalgamated EBITDA per ton player because of our interest across three states where EBITDA per tons are different. So again, we're not looking at inorganic in Tamil Nadu from a carbon credit perspective. We are doing some initial work to see what's possible. So it's too early to comment. Beyond that, I think as part of the larger ESG compliance and you know, being more ESG centric or ESG centricity as a company, I think we're sort of starting that in a more broader sense. And carbon credits also finds place in that, but it's too early to comment. I think when we have data points we can share with all of you. I will defer to Sridhar.

Rajakumar Vaidyanathan: Yes, sir, just you know, on the same point so I know that you're not looking at an organic, so how about is there a chance to expand the capacities do you think you want wait for some more time to leave?

Muthu Murugappan: I think the mills in both locations can still crushed, 17 lakh tons of cane at some point in the last 10 years and we have done that when we had good cane availability. so I think both the mills, can still perhaps do better. So we will focus on strengthening our operations in both these mills.

Rajakumar Vaidyanathan: Yes. So you think you can spread these as somewhere what you're saying?

Muthu Murugappan: Yes.

A Sridhar: with reference to your specific question on if there is any outstanding from TN electricity board, I would like to state there is no due from TN electricity board. Those disputes are more pertaining to PPA arrangements, which was there with many of the sugar companies with TN, electricity board, and we do not have any such PPA arrangement.

Moderator: The next question is from the line of Rajesh Mujumdar from B&K Securities. Please go ahead.

Rajesh Mujumdar: Yes, just a follow up question. So our alcohol sales was about 8.5 crore liters in FY '22. And as per our current expansion going on, excluding the one we've announced now we'll go up to about 14 crore liters. Is that the first question? Is that right assumption?

Muthu Murugappan: Reasonably fair, maybe slightly less than that.

Rajesh Mujumdar: And the new one will add another 3.5 to 4 crore liters, Is that you

Muthu Murugappan: It will Add about 3.25.

Rajesh Mujumdar: And so my next question is to achieve this kind of alcohol volume, say by a FY '25 whatever, to maintain a sugar output at half a million tons or slightly more than that, what are the kind of cane crush volume that we should look at?

Muthu Murugappan: We will try in all our units to work more efficiently to take up that throughput and take up the cane crush volume. So we don't foresee adding any milling capacity. increased cane crush volumes will really be brought by focusing on more efficient operations and more efficient energy management. Yes, while we lose, more sugar to ethanol we will sort of make good that loss by running our plants better so that we stay with the same levels of output in terms of sugar. Also from a sugar perspective, you have seen our investor presentation of the end of FY '22, substantial amount, which goes towards, institutional sugar as well as retail sugar. So the focus will largely be on that. And, if we need to lose trade volumes, then that's a balance that we will determine basis market realities.

Rajesh Mujumdar: But in Karnataka merchant cane is available, right? So can we not take the volume from say, 500 crore to 600 crore KG or is that too much of an assumption?

Muthu Murugappan: Sorry, I, I didn't get that question.

Rajesh Mujumdar: In Karnataka we do get merchant cane, right? There's no issue of adding can volumes. So whether we have cane crushing capacity, so can we not take the volume which is currently at 274 crore KGs to about 300 plus crore KG in Karnataka?

Muthu Murugappan: I think we'll determine that based on market realities, right? I think when, if like for instance, if there's a global huge surplus of sugar and sugar price comes down, then you know, you want to be selling more sugar, you'd rather be selling sugar in retail or an institution and you know, sacrificing present. And also then perhaps you'll be better off sweating your current assets better rather than actually adding more milling capacity. So that's a balance, I think, which we will determine.

Rajesh Mujumdar: So actually my problem was to balance this alcohol volume. If I don't take a substantial increase in the cane volume, have to cut down my sugar production rate, is that what I should do?

Suresh: No, the way the distillery has been planned is in such a way that the available cane volumes matching with the current capacity should be able to feed the distillery .we have sugar and the ethanol, which one is giving us a better profitability. I don't think we need to increase the cane volumes at the current level to manage the distillery inputs.

Moderator: And one is there no further questions from the participants. I now hand the conference over to the management for closing comments.

Suresh: So thank you everyone for joining me this call we will see you in the quarter three analyst call. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of DAM Capital Advisors Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.