



# “EID Parry Limited Q1 Financial Year 2015 Results Conference Call”

July 31, 2014



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**MR. V. SURI**



*EID Parry Limited  
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**Moderator:** Ladies and gentlemen, good day and welcome to the EID Parry Q1 FY 2015 results conference call hosted by Axis Capital. As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing "\*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kashyap Pujara from Axis Capital. Thank you and over to you.

**Kashyap Pujara:** Good afternoon everybody. It is a great pleasure to welcome the management of EID Parry today on the Q1 FY'15 earnings call. From the management side, we have Mr. Ramesh who is the Managing Director and Mr. Suri who is the CFO and without taking too much time, I now hand over the floor to Mr. Ramesh. Over to you Sir!

**V. Ramesh:** Thank you Kashyap. Good afternoon everybody. It is a great pleasure to connect up with you once more post the announcement of Q1 results yesterday. Broadly, I think as far as Q1 is concerned, it has been a relatively better quarter. The word relative is very important it is not that the sugar industry is completely out of the woods, but I think there have been quite a few positive developments during Q1 and I am comparing it to how the previous year 2013-2014 financial actually went. I will talk about two general points I think with reference to even the earlier the earnings call that we had and therefore we will try to touch on a few questions that keep coming up. Firstly, I think you are all aware as far as the government is concerned. I think they made two significant announcements. First is the announcement of the export incentive of about Rs.3300 per tonne which has been extended up to September 30, 2014 and the extension for the further one year I think probably will be taken up only closer to that point of time. The second positive development has been a tender floated by one of the oil marketing companies on behalf of all the three oil marketing companies for ethanol and this ethanol is for Rs.156 Crore liters and this is based on 10% ethanol incorporation in six states and 5% in other states. I would say therefore there are two positive developments as far as this quarter is concerned. The third one which is yet to be notified is that you may actually remember that the government had earlier sanctioned a fund of about Rs.6600 Crores to be given to various companies across the country to help clear their cane arrears and this was based on three years excise duty amount paid by the company. For the sales they are looking at further release of Rs.4400 Crores, but I think they are still awaiting the details of the same. The fourth was actually a decision, I think there was an announcement saying that the import duty will get increased from 15% to 40%, but recently I think it has been clarified that this is not going to happen and therefore they have deferred decision to increase the import duty. So probably these are the important

announcements that actually came up during the quarter. In terms of the overall company performance, I would say it has been relatively better as compared to Q1 and also as evidenced by the financial results that we actually put out yesterday. Our sugar volumes are up, prices are now relatively stable, of course there are some fluctuations here and there but by and large I think it is on line. The cane supply and registration also have been in line with our expectations. We actually ran our sugar mill for about 36 days on an average across EID Parry in Q1. We have managed to keep our fixed costs under control. A lot of work has been done in terms of interest reduction. Our expansion plan in Haliyal from 4800 tonnes per day to 6600 tonnes per day is per schedule and we hope to close out the Haliyal expansion by end September early October that is before actually the commencement of the main season 2014-2015. In terms of the cane price resolution, let me take it up state by state. As far as Andhra is concerned, there is no problem, they are on FRP and the FRP which is Rs.2100 per tonne for 9.5% recovery. It goes up to Rs.2200 per tonne from October 1, 2014. As far as Karnataka is concerned, a very, very positive development, as far as sugar year 2014-2015 is concerned, the assembly proactively has passed a bill thereby they have actually confirmed that they will go by the revenue sharing formula. The Sugarcane Control Board is being reconstituted and has been given the necessary power to administer the revenue sharing formula, so effectively what was happened is that once the revenue sharing formula is closed out which we hope will be as close as possible to the Rangarajan Committee Formula of 70%, we will make the payment in two stages, stage I will make the FRP payment of Rs.2200 per tonne, this is for the year 2014-2015 sugar year and second stage towards the end of the sugar year based on the actual realization of the sugar and its byproducts the second payment actually gets made. As far as the current year is concerned, the case is still in court and we are still awaiting the judgment from the court in terms of the final price because there is a state advised price of Rs.2500 exceed which actually translates to Rs.3000 ex-gate as far as the north Karnataka units are concerned. As far as Tamil Nadu is concerned, as part of the association we have been in touch with the government and we hope that we will find a solution to both the state-advised price for this year which is at Rs.2650 per tonne as well as the way forward in terms of sugar year 2014-2015. So these are the update as far as cane price is concerned, but what we have done in our accounts, we have actually worked out what is probably fair and reasonable that we will have to pay both in Karnataka and Tamil Nadu, and accordingly made provisions in our first quarter numbers, but please do not ask me any questions on what exact price we have provided because for the moment we would like to keep it with us and probably share the details as and when the final price actually worked out both in Karnataka and as far as Tamil Nadu is concerned. In terms of the other highlights is that as far as Silkroad is concerned we were expecting to commission the plant in the month of June. We did start

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the trial in the month of June, but actually the commissioning and the output of sugar has actually happened only in the month of July. As far as the bio-products or nutraceutical business is concerned, the nutraceutical had a good quarter. As far as the bio-products are concerned, it is an off season for them, so there was no production technically of any of the products during the current quarter and therefore probably some losses have been reported, which I am fairly confident we will get recoup sometime during the next three quarters. So overall I would say that the mood is slightly more positive than what it was last year at the same time and if the cane price issues are resolved and also the future in terms of 2014-2015 pricing is concerned, if these things actually get closed out during Q2 I think the sentiment can further improve. So these are the initial remarks that I want to make. Now I will hand it over to Suri to share the numbers and then we will actually take up the Q&A. Over to Suri!

**V. Suri:**

Thank you Ramesh and good afternoon to Kashyap and all other members who are there in the conference. In addition to what Mr. Ramesh has informed, I would like to highlight two to three issues which happened in terms of certain acquisitions we made. During the quarter, we acquired a company called Alimtec in Chile, 100% acquisition and the merger already happened and it is part of EID Parry now and the plant is doing as it has been doing in the past so that acquisition is over. Second thing is we also acquired the remaining shares in Parry Phytoremedies during the quarter and so Phytoremedies have now become 100% subsidiary of EID Parry during the Q1 and we have also now taken up for Parry Phytoremedies for merger with EID Parry during the year with effect from April 1, 2014. Whatever due process and legal process will commence once we file in the court so that is what we are planning to do and the integration of Bagalkot unit which got merged at the end of the year, now the operations got integrated fully so it is now completely part of EID Parry in terms of all operations. Now as far as the numbers are concerned, I would just like to share a few numbers in terms of quantities. During the quarter, we actually crushed 8 lakh tonnes over four states against 6 lakhs last year and recovery has improved to 9.38% during the quarter compared to last year of about 8.66%. We produced about 75,000 tonnes of sugar and sold about 1.6 lakh tonnes of sugar. So this is the overall number in terms of the quantities of sugar and taking advantage of the schemes that has been announced we exported about 30,000 tonnes of sugar under the subsidy scheme during the quarter. As far as Cogen is concerned, we generated about 870 lakh units and exported about 540 lakh units. Distillery production was about 183 lakh liters and we had a sale of 160 lakh liters, so these are the numbers in terms of the quantities of various operations within the sugar. So now I will leave it to Kashyap to take it further.

- Moderator:** Thank you very much Sir. We will now begin the question and answer session. We have the first question from the line of Hardik Shah from Birla Sun Life Insurance. Please go ahead.
- Hardik Shah:** Sir, could you share debt numbers with us?
- V. Ramesh:** So we have the long-term borrowings about Rs.862 Crores and short-term borrowing is about Rs.829 Crores.
- Hardik Shah:** What about the repayments due during the year?
- V. Ramesh:** Long-term debts repayable is about Rs.140 Crores, rest of the year.
- Hardik Shah:** And my second question is regarding the expectation of output, what is your sense on it?
- V. Ramesh:** Actually I even said last time, we are expecting the output to increase by between 12% and 15%, now we are still holding on at the end of Q1, but we have a very long way to go ahead because what we have probably crushed during Q1 is only 15% of the annual estimate, so we therefore expect somewhere between 12% and 15%, and it would actually depend on the progress of the monsoon, a lot of factors are there and that is the reason actually I am giving 12% to 15%.
- Hardik Shah:** Thank you Sir, if I have any questions I will get back.
- Moderator:** Thank you. The next question is from the line of Sageraj Bariya from East India Securities. Please go ahead.
- Sageraj Bariya:** Thanks a lot Sir, has Karnataka or Tamil Nadu witnessed production jump on a state level?
- V. Ramesh:** If you are referring for state level or you are referring for EID Parry?
- Sageraj Bariya:** Sugar production for the state level?
- V. Ramesh:** As far as the state level is concerned, Tamil Nadu production keeps coming down essentially because I think in Tamil Nadu if you take I think for the third year there has been continuous drought, so the acreage is actually falling, so overall output at the state level is down; however, the reverse is happening in Karnataka. Karnataka total production of cane is expected about 41 million MT, up substantially over the previous year and this is for the year 2013-2014, going forward in 2014-2015, the similar trend is expected, we

believe that Tamil Nadu as a state will produce less sugarcane than what it did in the sugar year of 2013-2014 and Karnataka as a state will produce more sugarcane in 2014-2015 as compared to 2013-2014.

**Sageraj Bariya:** On rough estimate I believe it would be 15%, 20% higher in Karnataka for 2013-2014?

**V. Ramesh:** We are expecting about 10%. You are referring to 2014-2015 or 2013-2014?

**Sageraj Bariya:** I was actually referring to 2013-2014?

**V. Ramesh:** There I think it is slightly more than 10% but for next year actually ISMA have actually put out the estimate where they are showing about 7%. The sugar year is first of all October-September and therefore when I talk of 2013-2014, I am referring to October 2013 to September 2014. We talked about October 2014 to September 2015. The actual sugarcane total harvested in 2013-2014 over 2012-2013 is more than 10%, 2014-2015 estimate, this is only an estimate, over the current year, the sugarcane output is expected to go by 7% in Karnataka.

**Sageraj Bariya:** And that is mainly because of good rainfall.

**V. Ramesh:** Essentially I think one is the acreage is increasing and the yield is also marginally increasing, of course it can get impacted by the progress of the monsoon and a lot of other things are there, but this is the view as of July 2014.

**Sageraj Bariya:** But any special reasons, I mean basically the crop economy is due to the acreage is increasing in Karnataka?

**V. Ramesh:** What has happened as far as north Karnataka is concerned, which accounts for almost about more than 85% of the total Karnataka sugarcane, more acreage is coming under sugarcane. As far as sugarcane is concerned, there are two important points as compared to other crops. The first is that they know what is likely to be the revenue from the sugarcane, unlike other crops which are subject to market forces here, there is something or an FRP and they also have an idea of, I mean till now the state advising the sugar advisory price, so there is some certainty in terms of what is the end price the farmer can get from sale of sugarcane. Secondly the sugarcane crop is slightly more profitable as compared to many other crops. So basically the farmer obviously is more interested in sugarcane planting and therefore the acreage is actually increasing, to a certain extent good rains. Rains are very important because sugarcane requires a lot of water and in north Karnataka there have been copious

rains last year and of course June was very bad, but I think in July there have been excellent rains in Karnataka, so overall I would say both in Karnataka and Maharashtra the tonnages and the acreage are expected to go up over the previous year.

**Sageraj Bariya:**

Will it be possible for you to disclose the cane acquisition cost for state wise?

**V. Ramesh:**

I will share some prices with you, let me start with Karnataka state. As far as Karnataka is concerned, they have announced the state advised price, in north Karnataka they have announced ex-field 2500, which means, ex-gate for us is working out to about Rs.3000 per tonne which includes the cost of harvesting plus transportation. So effectively the state advised price is about Rs.3000 per tonne. Now as far as we are concerned we are paying Rs.2500 per tonne. All the mills in north Karnataka are paying around Rs.2500 per tonne that is as far as Karnataka is concerned. If you take Tamil Nadu, the state advised price is Rs.2650, we are paying Rs.2350 and the Rs.2350 was exactly the same price what we paid the previous year. As far as Andhra is concerned it is FRP, so basically these are the prices that are actually being paid out.

**Sageraj Bariya:**

I believe that Karnataka your 500 I think the court case going on for this?

**V. Ramesh:**

At the moment there is a court case going on and judgment should come in the next two weeks.

**Sageraj Bariya:**

Same is with Tamil Nadu also?

**V. Ramesh:**

As far as Tamil Nadu there is no court case. I think the discussions are on between the sugar association and the Government of Tamil Nadu.

**Sageraj Bariya:**

Sir last question, what is your view on sugar price, if you can give some idea?

**V. Ramesh:**

It is very difficult. We are finding that the sugar prices are not driven so much by logic but more based on sentiment. I need to view some fundamentals, the total sugarcane production for the current year is about 24.2 million tones, sugar. The domestic consumption is about 23.8 Million MT and next year we expect the domestic production to go up to 24.2 Million MT, 4% up over the current year, from 24.2 Million MT to 25.2 Million MT and the consumption normally goes up by about 2% to 3% year on year, so technically you must not have any volatility, but what happens is when there are to a certain extent by giving subsidy of Rs.3300 per tonne, the government is encouraging some exports to happen that is point number one. Secondly, there are some small, very, very minor import that is actually

happening, which the government threatens to stop by increasing the import duty from 15 to 40, but that has actually not happened, so technically if you ask me as of now the normal exports are around 2 million tonnes per year, if you take 24.2 Million MT and knock off 2 million tonnes, you are talking about 22.2 vis-a-vis the domestic consumption of 23.8 Million MT, but then there is opening stock. If I say sugar year 2013-2014, about 9 million tonnes, so that can actually get middle down maximum by about 1.5 million tonnes, there are sufficient stocks. So broadly, if we go by the fundamentals, the current prices should continue. There is no reason for us to change very dramatically, but very often there is more sentiment that drives I think rather than anything else. Also another thing is almost two-thirds of the sugar consumption is by institutions and the balance one-third that goes into the homes. As far as the sugar institutions are concerned, by and large, they also work on contracts, so we have fundamentals, I do not think the sugar prices might change, although people are saying if the monsoon does not progress well then the sugarcane production will drop, in which case anything can happen. Once there is a deficit, these are all subject to good monsoon that we will have. As far as globally is concerned for the first time in the year 2014-2015 sugar year, after many years of surplus they are expecting a deficit, which is minor maybe about 2 million tonne and largely because of the fact as far as Brazil is concerned, their output is expected to be substantially down, but the 2 million tonnes on base of 180 million tonnes is relatively small.

**Moderator:** Thank you. We have the next question from the line of Yash Choksi from JM Financial. Please go ahead.

**Yash Choksi:** Thank you for the opportunity Sir. I have few questions, one on the cane pricing, can you elaborate a little bit about the cane pricing you have accounted for FY 2014?

**V. Suri:** I just told you, the thing is as far as EID Parry we follow fairly prudent principles in terms of accounting, therefore we have made our own estimates in terms of where we are likely to settle the prices of sugarcane for the sugar year 2013-2014, but I request you to bear with me since I am not able to disclose those figures.

**Yash Choksi:** Why I am asking Sir because if I look at the annual report and the raw material cost there and we know that for the fiscal year 2014, we have had a crushing volume of about 4.75 million tonnes and we have the raw material cost, 4.75 million tonnes of cane crushed, and the cane cost we have accounted is about Rs.996 Crores, so I get a cane cost of about Rs.2100 per tonne, so I am just trying to understand because if the costing what you have said for north Karnataka, Andhra and Tamil Nadu, they are far above Rs.220 actually,



Rs.250, Rs.265, just trying to understand why this part is so low actually, 2100 the weighted average is lower.

**V. Suri:** We were paying 2350 per tonne of cane in Tamil Nadu. I will just explain see what is happening is actually what you are seeing as the raw material cost is actually cane price minus the cost of the byproducts, so the byproduct, we give credit to the sugar, so the raw material figure which you are seeing there is not the gross figure, it is net figure..

**Yash Choksi:** But I have not seen these kinds of presentation, actually the way you have presented for the other sugar companies that is why I was bit puzzled as to why the pricing is lower than what the cost we are talking about.

**V. Suri:** This is the reason because we give credit in the raw materials alone because the molasses also comes as a byproduct and bagasse comes as a byproduct and we give credit before it taken to power process.

**Yash Choksi:** What is the transfer pricing we have assumed for molasses and bagasse broadly? I know it will defer from unit to unit, but if you could give a broad color, will it be like Rs.3000 for molasses and about Rs.800 for bagasse?

**V. Suri:** Actually it is market related, on an average if you take molasses sales in the market about Rs.5000 a tonne, bagasse even it varies from Rs.1500 to Rs.2200 a tonne.

**Yash Choksi:** Secondly, in the raw material itself there is some other raw material cost which is about Rs.223 Crores, just trying to understand if you could highlight a key component of that, I am bothering about the FY 2014 numbers just to understand in terms of forecasting for future years?

**V. Suri:** We will revert back during the course of the conversation.

**Yash Choksi:** The next question I have is about the refinery, you said the refinery started the production. Can you please elaborate a little bit about how it works, what is the inventory you are keeping, what is the spread?

**V. Suri:** The thing is the way it operates is that there is a refinery in place called Kakinada which is on the port and it has got a capacity to refine about 2000 tonnes per day of sugar and it actually operates on import of raw sugar and we export refined sugar, and this unit is located in the special economic zone, so we import without payment of any duties and then

we accordingly export. Basically as far as this is concerned obviously we are not selling single tonne of refined sugar in the local market. As of now it is a recommenced production after gap of about more than two years. It operated about two years back, we recommenced this with the installation of a coal fired boiler, till about two years back it was based on gas. Because of nonavailability of gas, we could not recommission the refinery, now having put up the coal fired boilers we have actually recommenced the operations at the refinery level and essentially we import and export in shiploads and therefore we will carry fair large crops of raw sugar in a few months. We actually entered into contract in the New York and London stock exchanges as well as direct buyers in the future market. So basically this is an operation which involves broking, through broking we buy the raw or in case there are any individual buyers who offer them to us and similarly we actually also do the selling of sugar. This will happen on a continuous basis and this year probably we will hope to do around 3 lakh tonnes of refined sugar in the financial year 2014-2015.

- Yash Choksi:** In terms of the spread, what would be the current gross spread?
- V. Suri:** The typical spread is around 65 to 70 dollars per tonne.
- Yash Choksi:** This is first raw and second white sugars price when you talk about the spread?
- V. Suri:** I say 65% to 70% I am referring to the difference between the raw, landed and the FOB price of refined sugar.
- Yash Choksi:** What would be the cost of processing for us?
- V. Suri:** It would be fairly close to the kind of margins that are there today, maybe slightly less. It is a bit of competitive information, so I am not able to share it with you, but it is lower than the kind of margins that are actually there.
- Yash Choksi:** There is something called Asia premium also?
- V. Suri:** Basically there is an Asia premium, but actually depends on from where you are importing and where you are actually exporting. Now what has actually happened is that therefore the premium you earn, for example, as far as the exporters are concerned from Brazil or Thailand, would actually looking at ex-country, so the premium what you get is dependent on two, one is the location and secondly in terms of, for example if I am able to deliver consistently good quality refined sugar then you will command a small premium but that will amount a few dollars only.

- Yash Choksi:** Less than 10 dollars.
- V. Suri:** Because as of now we are not in that because we recommenced the operation, so the second point that I refer to is not applicable to us at least as far as the financial year is concerned.
- Yash Choksi:** What are the key export markets for us as of now?
- V. Suri:** The markets are basically Africa and maybe some markets in Middle East, Sri Lanka maybe some countries in South East Asia.
- Yash Choksi:** In terms of the inventory, what would be the cane sugar inventory volume as of June 30 for EID Parry?
- V. Ramesh:** We are about 2.4 lakh tonnes.
- Yash Choksi:** And what would be the valuation. What is the cane crushing guidance for the fiscal year 2014-2015?
- V. Ramesh:** I told you that we expect somewhere between 12% to 15% increase in volume.
- Yash Choksi:** And just last question Sir, if I look at the cost and try to compare with the other sugar companies, mostly the UP based, the cost seems to be on a higher side than the peers. I understand it may not be apple-to-apple comparison because we have got the other divisions, which are not related to sugar. Can you elaborate a little bit as to what is the potential we have in terms of the cost rationalization possibility?
- V. Ramesh:** Cost means you are referring to which can you ...
- Yash Choksi:** The employee cost, other stores and spares, or the other expenses.
- V. Ramesh:** As far as the other fixed expenses are concerned, to a certain extent it is a matter of also total production capacity and throughput, we will take it as a base. Today the thing is as far as our selling that we are expecting 12% to 15% increase in output as far as this year is concerned and I do not know with whom you are actually comparing, but we are largely a pure sugar company, a 90% sugar company with about 10% to 15% actually coming from the other two verticals of bio-products and nutraceuticals. So I do not think we will be too much off in terms of fixed cost as a percentage of sales as far as 2014-2015 is concerned. See last year was a year which was quite depressed for various reasons, one is sugar prices

were quite low in the second half of the financial year therefore we tried to reduce our sales off take because we did not want to sell at depressed prices, which has actually happened, therefore I think the year 2014-2015 is probably better reflective of two cost structures in terms of fixed cost and sales.

**V. Suri:** Actually I wanted to add that last year we had actually sold lesser than the previous year and so the ratios are very skewed in that respect when you compare with the sales and since the prices have gone up from March onwards, we are now actually selling on a continuous basis, so sales will be much better this year which we have seen already during the first quarter.

**V. Ramesh:** See for example last year as Suri said that we have sold 163,000 tonnes of sugar in Q1, we sold 107,000 tonnes last year.

**V. Suri:** Including the fixed cost and all those things will be dramatically different when we actually get into this year and which is the real reflection of what is the right way of looking at it because 2014-2015 will be actually telling the better story than actually 2013-2014.

**V. Ramesh:** 2013-2014 was bad I am saying not only for us for the sugar industry in terms of depressed prices in terms of various other issues and therefore a lot of companies including us we held back a bit of sales in the second half of the year.

**Moderator:** Thank you so much. We have the next question from the line of Chetan Thakkar from Emkay Global. Please go ahead.

**Chetan Thakkar:** Good afternoon Sir, just a couple of questions, the first is on the cane pricing policy, have you seen any movement on that in terms of committees which are supposed to be set up in Karnataka which have met, so is there any talk in terms of finally linking?

**V. Ramesh:** I thought I was just telling you just now a few minutes back that for the year 2014-2015, they have already announced the policy by which the revenue sharing formula would be applied for the sugar year 2014-2015 which commences on October 14 and ends on September 15 and the issue and contention at the moment in Karnataka is only the state advised price for the sugar year 2013-2014. In Karnataka, there has been a substantial movement in terms of way forward and we hope that this issue also will get cleared over the current quarter.

**Chetan Thakkar:** And similarly have you heard anything from the UP and whether those committees have met or not?

**V. Ramesh:** A lot things are happening in UP, but since we do not have a factory in UP kindly excuse me.

**Chetan Thakkar:** Another question was on the refinery, I just wanted to get a sense on what is the final amount that we have invested in the refinery after the conversion to coal?

**V. Suri:** About Rs.550 Crores including the coal fired boiler which has now commissioned.

**Chetan Thakkar:** What would be the break even volume in terms if we assume that price would remain at 70, 80, what is the volume at which we would break even at this refinery?

**V. Suri:** 4 lakh tonnes we break even.

**Chetan Thakkar:** Next year we are targeting 3 lakh tonnes so probably year after that we could break even at the refinery.

**V. Suri:** That is what our plan is, this year target is to actually ensure that we have a stable production and then get that minimum of 3 lakhs and so establish the product and establish stable operations of the factory, so this is priority for the year and once that is done then we will scale it up.

**Chetan Thakkar:** Sir what is the loan that we have taken against this gross stock in the refinery and the cost of that loan, if it is possible to share?

**V. Suri:** The loan we have taken is about Rs.270 Crores from Canara Bank and Axis Bank, the cost of interest is about 13% and we are trying to repay the loan.

**Moderator:** Thank you. We have the next question from the line of Kashyap Pujara from Axis Capital. Please go ahead.

**Kashyap Pujara:** Actually I just got disconnection, so I just wanted to ask you related to certain volume data, so I missed out the part when you were giving out volumes, so could you just tell me the crushing for this quarter in Tamil Nadu and in the division wise basically Tamil Nadu as a cluster and standalone as the others?

- V. Suri:** In Tamil Nadu we crushed about 5 lakhs cane crushing during this period and in Karnataka and Andhra Pradesh we crushed about 2.9 lakhs.
- Kashyap Pujara:** What was the recovery?
- V. Suri:** Our total recovery is about 9.38%.
- Kashyap Pujara:** 9.3% in Tamil Nadu.
- V. Suri:** Tamil Nadu is about close to 9%.
- Kashyap Pujara:** I think you mentioned the sugar sales stands at 1,63,000 and what was the average sugar realization?
- V. Ramesh:** Average sugar realization was about 29,900.
- Kashyap Pujara:** And I also missed out the Cogen exports and can I have the...
- V. Suri:** We exported about 539 lakhs units.
- Kashyap Pujara:** And the distillery side was...
- V. Suri:** We sold about 160 lakh liters.
- Kashyap Pujara:** And I wanted to just ask you one more question while we were also discussing the refinery a few minutes back, what could be the fixed cost of per tonne, while I am sure the break even is at 200,000 like what you are seeing...
- V. Ramesh:** You asked for the tonnage, you asked for the dollars, I am sure you can work it out.
- Moderator:** Thank you. We have the next question from the line of Yash Choksi from JM Financial. Please go ahead.
- Yash Choksi:** Thanks for the opportunity once again Sir, basically on the realization can you tell us what is the realization of distillery and Cogen for the quarter?
- V. Suri:** Actually in Tamil Nadu, we have the PPA, so no change, it continues to be in the same method and on average is about Rs.3.2. for Karnataka we are out of PPA in two of the factories, so there we are getting around an average of Rs.5.

- Yash Choksi:** And the blended would be how much?
- V. Suri:** About Rs.3.8.
- Yash Choksi:** And how about distillery for the entire division?
- V. Suri:** Our average is about Rs.40.
- Yash Choksi:** You talked a little bit about the ethanol part, you said those are the six states where they have assumed 10% blending and 5% for other states to arrive at 156...
- V. Ramesh:** I think what are the interest to us is Karnataka, Andhra will be 10%, Tamil Nadu I do not think will be 10%, so these are the states. The other states, I don't know about Maharashtra, UP. Since we are present we monitor the southern states very closely, so we would actually therefore tender from our plants, we have got one plant in north Karnataka and one plant in Andhra from where we would also participate.
- Yash Choksi:** You could sell only from these plants or you can sell from Tamil Nadu plants as well not possibly?
- V. Ramesh:** See the thing what has happened as far as Tamil Nadu is concerned, they did not give us permission last year for conversion of molasses into ethanol in view of the requirement of portable alcohol in Tamil Nadu, so we have sought permission from the government saying that can we therefore participate in this tender and we have indicated the kind of qualities that you like to sell as far as against this tender is concerned. So once we get permission we will also then participate in tender from the Tamil Nadu unit also.
- Yash Choksi:** But in the past they have given permissions or they have never given the permissions?
- V. Ramesh:** Last year they gave the permission.
- Yash Choksi:** What is the status, I mean by when do you think you would know about this tendering process, not about the provision part of it?
- V. Suri:** Tender is actually on August 8th, I think.
- Yash Choksi:** Do you feel that this time the government is far more serious about blending?

- V. Ramesh:** They are very serious. I think the fact is I told you the 156 Crores liters, I think we have worked out very scientifically. I think this time they are fairly serious, there have also been a lot of letters I think sent by the central to the state government asking them to render whatever help is concerned because the country wants to save foreign exchange, so I think definitely this government stays serious about the incorporation of ethanol.
- Yash Choksi:** The next question I have is more on the company level Sir, if I look at the company we have got the sugar and related business, we have got bio-products which is not really related to sugar business and then we have got the subsidiaries, main subsidiary being the Coromandel, how do you see the company evolving in the next three to five years, will the structure remains the same or you may look at the other way of structuring the companies actually?
- V. Ramesh:** As of now see the thing is in fact we have been slowly merging the various sugar subsidiaries into the main EID Parry, so I mean the plants at Haliyal, Bagalkot, and Sankili have all come into the main EID Parry fold and just one more factory which is under Parry Sugar which is operating as a separate subsidiary, which is leased out and I think we need to close out at point of time before we even talk of merger there. Now we are talking of merger of even a small company like Phytoremedies because we all believe that I think wherever it is related to sugar per se or the nutraceutical per se I think it would actually get merged because there are advantages in terms of working as far as the business is concerned. Obviously, our overseas subsidiary like Chile, Valensa, and Parry America will have to be left alone, nothing can be done. Coromandel of course is much bigger than us, although it is a subsidiary so I think those actually would remain.
- Yash Choksi:** In terms of the outlook for bio-products how do you see going forward, do you see in terms of near term as well as the lower term outlook?
- V. Ramesh:** Even last time this question was raised and we expect to be fairly positive and there were questions in the last analyst call also as to how do you expect the sales to grow in both bio and Nutraceutical and I said it will all be in the region of around 20%.
- Yash Choksi:** With similar profitability?
- V. Ramesh:** And I think it is a fairly profitable business too, of course sizeable portion of nutraceuticals is actually exported and reasonable portion of bio-products is actually exported. So I think we are fairly positive in terms of the outlook as far as bio and nutraceuticals are concerned.



- Yash Choksi:** Alright Sir, great, wish you good luck Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Hardik Shah from Birla Sun Life Insurance. Please go ahead.
- Hardik Shah:** Sir, regarding the restructuring of Silkroad sugar, how the repayment is supposed to start?
- V. Suri:** The repayment is supposed to start in terms of the interest in October and principal next year 2015-2016.
- Hardik Shah:** Sir, do you plan to follow that schedule or you may be looking at may be pre-paying or something of that sort?
- V. Suri:** We are looking at an alternative funding, which will enable the company to have better cash flows and reduce interest cost. As I was telling about earlier, the interest costs of those loans are very high and also we want to come out of the restructuring loan business. So those things you will see that some action is taking place during this quarter.
- Hardik Shah:** Sir, secondly in the capital employed figure that is given, there is one other capital employed, so what does that pertain to because it is not broken up into any other products?
- V. Ramesh:** This actually relates to investment at the corporate level.
- Hardik Shah:** So that has come down from Rs.1100 Crores to Rs.850 Crores? The capital employed for June 2013 was around Rs.1121 Crores, down to Rs.851 Crores.
- V. Suri:** Can we go to the next question before we answer this question.
- Hardik Shah:** Sure Sir, I have no other questions.
- V. Suri:** Capital employed coming down from Rs.1073 Crore to Rs.851 Crore was due to Corporate Segment reallocated to sugar Segments due to merger. we will send you the response by an e-mail.
- Moderator:** Thank you. As there are no further questions at this time, on behalf of Axis Capital that concludes this conference. Thank you for joining us and you may now disconnect your lines.