



“EID Parry Results Q1 FY17 Earnings Conference Call”

August 08, 2016



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Moderator: Ladies and gentlemen good day and welcome to EID Parry Results Q1 FY17 Earnings Conference Call, hosted by Axis Capital 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 “*” and then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Ms. Snigdha Sharma from Axis Capital Limited. Thank you and over to you madam!

Snigdha Sharma: Thanks. Good afternoon everyone and thank you so much for standing by. It is a great pleasure to have with us the management of EID Parry for Q1 FY2017 earnings call. From the management side, we have Mr. Ramesh who is the Managing Director and Mr. Suri, who is the CFO. Without taking too much time, I will now hand over the floor to Mr. Ramesh. Over to you Sir!

V. Ramesh: Thank you Snigdha. I am really delighted to be part of the Q1 con call for FY2016-2017. We had a board meeting on the 5th of August.

Q1 I would say was quite a satisfactory quarter as far as EID Parry is concerned. As far as the sugar business is concerned, there was definitely a good turnaround in terms of results as compared to last year. The bio division both the bio-pesticides and the nutraceuticals also performed much better than last year.

Now in terms of specific details, I want to actually start off with some of the developments that have taken place in the sugar industry because that is a background on which the results were actually delivered.

First is that the production subsidy of Rs.45 per tonne of cane based on two conditions of export commitment mandated quota being met and also in terms of ethanol it was withdrawn on the 19th of May.

As far as Parry is concerned, we had completed export of approximately 54500 tonnes by the 19th of May and therefore this meant that five of our eight mills actually had completed the export quota. So accordingly our applications for production subsidy for the year 2016-2017 we hope to get 100% of the cane subsidy for five of these mills, which include the two mills in Karnataka, one mill in Andhra and two mills in Tamil Nadu.

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The second development was the central government continued FRP for FY2016-2017 at Rs.2300 per tonne with a base recovery of 9.5% so this actually meant continuation of the prices of the previous year.

The third was that both the Tamil Nadu government and the Karnataka government revoked section 11 of the State Electricity Act with effect from 1st June. This actually means that all the Companies are free to export to any other mill or any other company within the state or outside the state.

The fourth important development was the Karnataka government, which gave exemption of purchase tax for two financial years 2016-2017 and 2017-2018 with the condition that sugar mills must clear the cane price arrears of 2013-2014, 2014-2015 and 2015-2016 by 30th June. We are happy to inform that both the companies i.e. EID Parry as well as the Parry Sugar Industries Ltd where we have got Ramdurg unit in Belgaum actually cleared all the cane dues for all the previous three years by the 30th of June and therefore we would be entitled to the exemption of purchase tax for the financial year or for the sugar year 2016-2017.

On the 16th of June the next development, the central government imposed a duty of custom with 20% on value of exports, I would say as far as EID Parry is concerned this does not have any major impact.

In terms of sugar, As you may be aware that the prices have started looking up primarily on account of two reasons. One is the stock levels actually are expected to come down from 9.1 million tonnes as per 1st of October 2015 to just over 7 million tonnes on 30th September 2016 and secondly in terms of the outlook as far as FY2016-2017 is concerned, there is definitely expected to be a marginal mismatch in terms of production/consumption by at least 2 million tonnes and this would actually therefore impact the stocks further. So basically I think given the fact that the stock levels have come down during the current sugar year and are expected to come down in the next sugar year, prices actually has been firming up, but you are also aware that the government is actually closely watching and it is clearly worried that prices should not go out of control because clearly as far as inflation is concerned, they would like to ensure that it is kept within control. So we are all conscious that the upward trend in prices I think, would get capped at some point of time but what is that price, I think only time will actually tell. As far as Q1 is concerned, our average realization of sugar is approximately Rs.32.

In terms of cane, most of the cane that we actually crushed came from Tamil Nadu and a bit from Andhra. As far as Karnataka was concerned, it was definitely a disappointment for us

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because we ran out of cane by 31st March last year and excess for a few thousand tonnes which we crushed on the first few days of April, there were hardly any cane crushed, so it is actually meant therefore as far as compared to last year is concerned where the Karnataka Unit delivered significant quantities of cane in April and even May this quarter there was not much cane delivered by the Karnataka Units.

In terms of export of Power, you must be aware as far as Tamil Nadu is concerned, three of our Units are on short-term open access and for the first time, Tamil Nadu is actually becoming surplus as far as power is concerned. So this did have an impact both in terms of quantity of power generated and exported and also in terms of the rate that we actually got by exporting power. Power as far as Karnataka and AP was concerned, there was no major impact it is almost the same as the last year. In fact as far as Karnataka is concerned, the heartening thing is that even though the sugar production stopped by end March or early April because of the availability of baggase that we had, we are able to generate power for a substantial portion of quarter one.

As far as the distillery volumes are concerned, I think there is a good volume growth as compared to last year. As far as ethanol is concerned, we continue to supply against the contracts from both our Karnataka Distillery at Haliyal and the Andhra Sankili Distillery, but as far as Tamil Nadu is concerned we have not yet got permission to supply any ethanol so it actually remain status quo. So broadly I would say there are quite a few things that went right as far as Q1 is concerned and clearly the sugar price increase had a positive thing on the results.

As far as the overall outlook for the year is concerned, I must also say it is a bit premature but we expect to crush around the same quantity of cane as we did last year.

So with these very preliminary comments, I will now hand it over to Suri to take you through the financial numbers.

V. Suri:

Thank you Ramesh. Good afternoon to all of you, I am extremely happy to be part of this analyst call. Subsequent to the introduction, which has been given by Ramesh, I will now give you some numbers, which will help you to understand how those actions have been translated into financial results.

As far as the finances are concerned, we had a very good quarter. From a last year loss of Rs 139 Crores, we have actually moved to a positive of about Rs.28 Crores, which means it has got a swing of about Rs 167 Crores at a standalone level.

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This quarter we have not published our consolidated results, because one of our subsidiaries, our Parry Sugar Refinery is now required to report in USD instead of Indian rupees. They are now actually doing most of their transactions in dollars and also being placed in SEZ. There is a necessity to convert the results of the last five quarters in USD. So the work for conversion of results into USD in Parry Sugar Refinery is in progress. We will give the consolidated results in Q2. So, as far as operating parameters are concerned, during Q1 as Ramesh had told, we had a lesser crushing compared to the previous corresponding quarter because of the early closure in Karnataka. We had crushed about 5.5 lakh tonnes of sugar canes with a recovery of about 9%. We sold about 1.2 lakh tonnes of sugar and the selling price was substantially better than Q1 of last year from an average of Rs.24 it has moved to Rs.32/kg. As Ramesh had already mentioned, the export obligation has been met by us in the factories where we are claiming the subsidies.

We are carrying about 1.25 lakh tonnes of sugar as stock and so it will be sufficient for us to see through off season and then get ready for the new season. Overall sugar revenue increased by about 20% during the quarter. As far as Cogen is concerned, again because of the sugar crushing being lower, the Power generation through Cogen was about 14 Crores units and we did not have any coal operation because of the change in the law in Tamil Nadu withdrawing section 11. Cogen rate during the quarter was similar to last year to around about Rs.4.8 / unit.

Now as far as distillery is concerned, as Ramesh was saying, we had a good quarter. We had a 24% increase in terms of the sale in lakh liters. We sold some about 170 lakh liters during the quarter. The prices were holding and an average price of about Rs.42/ltr is what we get in the distillery sales. As far as the bio and products division is concerned, both Bio-pesticides and Nutraceuticals did well. We had an overall turnover of about Rs.40 Crores which is about 18% increase over the last year and we had a profit of about Rs 4 Crores against the loss of Rs 56 lakhs last year. So financially it was a very, very good quarter for the bio products also. As I have been telling in the past, we are still not spending money on the capex; the capex spent is primarily to expand on the nutraceutical products both in terms of the spirulina and the chlorella facility. The sugar capex is completely restricted to the environmental protection and also zero liquid discharge from our factories and we also do some debottlenecking in each of the sugar plants, otherwise there is no major capex in the sugar.

We continue our program on cost optimization. Against Rs 100 Crores during the similar quarter we had a total fixed cost of Rs 93 Crores leading to Rs 7 Crores reduction over the last corresponding quarter. Our program on the loans reduction is continuing. Similar time last year we had a Rs 1700 Crores as our total loans, now we have brought it down to about

Rs 1100 Crores. We had a program to reduce working capital and the working capital turns have improved dramatically and with the sugar price improving, the cash has come in significantly to reduce our loans. Due to our actions and also market conditions, we were able to save interest to the tune of about Rs 10 Crores . Against last year Rs 44 Crores, we had actually spent only Rs 34 Crores this year, so there is a reduction of about Rs 10 Crores in terms of the interest quarter-to-quarter. So this is the overall financial numbers and also operating parameters.

Now we can actually go for any question, answers from the audience. Hand it over to you.

Moderator: Thank you. We will now begin with the question and answer session. We will take the first question from the line of Sonali Salgaonkar from Yes Securities. Please go ahead.

Sonali Salgaonkar: Good afternoon Sir and thank you for the opportunity. Sir firstly, congratulations on a great set of results, Sir my first question are regarding your raw material cost. Sir while we understand that the environment in terms of regulatory as well as the pricing was very good this quarter compared to last quarter, could you explain the steep decline in raw material cost to the percentage, as a percentage of your total income?

V. Ramesh: Actually the raw material cost , which has been shown in the result, reflects our crushing operations also. During the quarter we did not crush cane as compared to the corresponding quarter. So you have to look at that together, ie. the cost of materials consumed as well as the changes in inventory, which will give us, the right picture.

Sonali Salgaonkar: So Sir if I were to make an adjustment, what could be the normalized gross margin this quarter?

V. Ramesh: I just want to share with you two, three points. The first point is that as far as sugar is concerned, we value it at cost or NRV whichever is lower. Now given the fact that the sugar prices have increased during the current quarter, we have valued all our closing stocks of sugar this quarter at cost. Last year same quarter, where the sugar prices had gone down very dramatically, all factories had actually valued sugar stocks at NRV because they had gone actually below cost. So that is the point when Mr. Suri is telling you that you must actually adjust, there is an item called changes in inventory. If you add up both then actually you will get the gross margin that is point number one.

The second point that I want to tell you is as far as the cane prices themselves, as far as Tamil Nadu is concerned, it has not changed over last year. The cane prices in Andhra again have not changed over last year and as far as Karnataka is concerned, they have gone up

marginally by Rs.100 per tonne. So essentially I would say that there have been very marginal changes only as far as cane cost is concerned in terms of the June 2015 and June 2016.

Sonali Salgaonkar: Sir my second question is what is the approximate inventory cycle for this quarter as compared to June 2015 quarter?

V. Ramesh: I think in terms of the stocks, the stocks of June 2015 got actually sold over six months whereas, the June 2016 stocks would get sold within a period of around four months at the max.

Sonali Salgaonkar: Sir but I mean qualitatively if you can just say?

V. Ramesh: Okay now the thing is, it is difficult thing to explain, you are aware of sugar in Karnataka and Andhra the season starts in October, November and goes on till March, April. So what it means let us say in Karnataka what we produce over six months we sell over twelve months, so also in Andhra, but as far as Tamil Nadu is concerned, we have got a special season. A special season is we also run the sugar mills during quarter two that is July, August, September so technically the Tamil Nadu sugar mills will have something like two more months of production approximately as compared to Andhra or Karnataka and therefore actually when I say that the sugar cycle now I am giving you broad numbers I think Suri just shared with you that we have stocks of 125000 tones but then they are not equally spread across the three states Karnataka and Andhra would sell the same sugar over a period of four months whereas in Tamil Nadu what will happen is because we produce sugar in July, August, September I do not need to hold at same level of stocks.

Sonali Salgaonkar: Got it Sir. That is very helpful. That is it from my side.

Moderator: Thank you. We take the next question from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: Sir first of all I wanted to check the volume number what you gave, is it including exports?

V. Ramesh: Which one, sugar volumes.

Achal Lohade: Yes sugar volume.

V. Ramesh: Sugar volume actually during the quarter we hardly exported anything. All our export obligation actually was met in before March itself, we hardly sold 4000 tonnes only in exports, so the entire sales which we have talked about was in the domestic market.

- Achal Lohade:** So effectively 124000 tonnes.
- V. Ramesh:** No that is the stock we are talking about, we have sold about 1.2 lakh tonnes that is all entirely domestic.
- Achal Lohade:** The realization what you mentioned is again domestic?
- V. Suri:** On an average, Rs 32/kg.
- Achal Lohade:** Number two if you could give us the production number for Distillery and Cogen, as well Sir?
- V. Suri:** Yes you want for Q1.
- Achal Lohade:** Yes.
- V. Suri:** Actual production during Q1 was approximately about 48000 tonnes, you are asking about distillery or sugar.
- Achal Lohade:** All three Sir.
- V. Suri:** You can take sugar production was 48000 tonnes, as far as distillery is concerned, 180 lakh liters, and export of power was approximately 9.8 Crore units.
- Achal Lohade:** I thought you mentioned 14 Crores units.
- V. Suri:** That is power generation.
- V. Ramesh:** You talked about export.
- V. Suri:** See actually what goes into sale is what is exported, what is generated because partly it is also consumed within the mills, so you are looking at which number.
- Achal Lohade:** Last year it was mentioned 13 Crores was that the production number?
- V. Ramesh:** No, the 13 Crore Units export number last year.
- Achal Lohade:** As against that we have 9.8 Crores?
- V. Ramesh:** 9.8 Crore Units exactly correct.

- Achal Lohade:** That is because of the drop in Karnataka unit, is that right?
- V. Ramesh:** Drop in Karnataka and drop in Tamil Nadu.
- Achal Lohade:** How about distillery?
- V. Ramesh:** Distillery was similar production like last year 1.8 Crores litres and our sales revenue was better this year because we sold more.
- Achal Lohade:** In terms of the refinery, now I understand the government might look at allowing imports given the inventory draw down you are looking at in the coming year, just a hypothetical question, if raw sugar duty free raw sugar imports were to be allowed, would our refinery be able to sell in domestic market?
- V. Ramesh:** Technically, you must know that our refinery located in the special economic zone, so it is outside the Indian customs frontier and therefore movement of materials from our refinery into the Indian market is treated as an import and therefore the first condition that is required is it has to be zero import duty. Only then will it be possible that is point number one, technically therefore it is feasible for raw, white or the refinery to move into the Indian market and at whatever level of duties are there.
- Achal Lohade:** So why did it is more for the white sugar imports rather than the raw sugar imports?
- V. Ramesh:** It depends on where the demand is. You can import raw sugar or White sugar and it depends upon what the government policy is going to be.
- Achal Lohade:** How the refinery has performed in the quarter?
- V. Ramesh:** The refinery actually has turnaround completely in this quarter, you will recollect last year similar quarter actually we did not have full operations but this year we are able to produce about 1.2 lakh tonnes of sugar. So if you ask me it is a complete turnaround, and in terms of the EBIT also we had performed very well. From a loss, we have now moved to a profit situation as far as EBITDA is concerned. Now we have Mr. Suresh with us and he can give more details about the refinery. He heads the refinery and also Deputy Managing Director of the company.
- Suresh:** Last year basically there is not much of operations as far as the refinery is concerned. This year the refinery has run well and also the sales. EBITDA also has moved up by around Rs 40 Crores from negative to positive.

- Achal Lohade:** Sorry I did not understand, you are saying 1.2 lakh tonnes sold in Q1 2017?
- Suresh:** Yes.
- Achal Lohade:** A positive EBITDA of Rs 40 Crores as against...
- Suresh:** No positive it is around Rs 20 Crores.
- Achal Lohade:** Vis-à-vis last year same quarter, what was it?
- Suresh:** Around -18 Crores.
- Achal Lohade:** And the 1.2 lakh tonnes would work out to almost 100% utilization, is that right?
- V. Ramesh:** We are able to produce the full capacity about 2000 tonnes per day, so the factory had literally worked at.
- Suresh:** Somewhere around 75% to 80% utilization of the production capacity.
- Achal Lohade:** What is the outlook for FY17 and how are the spreads looking like and in terms of the bottom-line profit if you could talk about?
- V. Ramesh:** Refinery, we normally do not give any outlook, we work on a breakeven PBT for the year, probably that will be the best estimate that we can give at this moment of time.
- Achal Lohade:** Just last question in terms of the cost cutting ratio as you said you have saved about 7 Crores Y-o-Y?
- V. Ramesh:** No Q-on-Q.
- Achal Lohade:** For the quarter year-on-year?
- V. Ramesh:** Yes.
- Achal Lohade:** So how do you look at it going forward, is there more room for the cost...
- V. Ramesh:** The situation was very bad last two years so we have been cutting costs. We are now only eliminating the waste and are going to now productively use the costs to keep all the factories in good condition. We need to ensure that we spend on right areas. We are not looking really at cost reduction, we are looking at cost optimization and using the cost very

well in the right area, that is all I would say. I do not think the cost reduction program will be like what we did last year but we will continue in terms of the intensity.

Achal Lohade: When you say cost reduction, would you be able to give clarity, which heads like, is that on the employee cost, is that on the overhead?

V. Ramesh: Obviously, employee costs is not going to be reduced. After all, today salary increases will have to be given year-on-year and therefore we are looking at the optimum utilization of resources. Secondly we are also looking at repairs and maintenance costs, I think there is a very significant area of expense. We went through major cost cuts but going forward to summarize in terms of financials, we do not expect any major cost reduction from hereafter over last year in terms of quarter-on-quarter.

Achal Lohade: Just last question if I may sir in terms of the crushing outlook you said flat...

V. Ramesh: No I said it will be flat, You must understand that as of now the country is looking at a reduction of 7% to 8% in terms of cane across the country and most of the cane reduction is expected from two states of Maharashtra and Karnataka and we have reasonable exposure in Karnataka. So as of now, we will have to see how Karnataka plays out because that is going to be the key to determine whether we will crush more, less or same as last year, but as of now we are still at least few months away from commencement of crushing for the sugar year and at this moment it is too premature to tell what would be the exact cane that we will crush, a good estimate for you I think would be that Parry would crush the same as last year.

Achal Lohade: Sir any impact of the monsoon would it have like...

V. Ramesh: Yes, the monsoon has been extremely good as far as Karnataka is concerned and the dams have filled up and today in terms of the worries that the farmers had last year at the same time was because of inadequate rain, they felt that the crops would dry. One of the reasons we did not crush cane in Karnataka in Q1 was that the cane had dried up because of the lack of water and I think that fear is not going to be there this year at least and therefore this time you would see a positive going forward for us.

Achal Lohade: Would you see a significant increase in the plantation, which will be relevant for 2017-2018?

V. Ramesh: We will have to wait, the thing is planting is going to start in November 2016 in Karnataka and we are at least three to four months away from there, your prediction and my prediction

are as good but the fact the rains have been good. Obviously we are looking at things positively, but may be in the January Analyst call when we do Q3, we can give you a better feel at that point of time but as of now for the current year, assume same cane.

- Achal Lohade:** Understood, thank you so much and I will come back in the queue.
- Moderator:** Thank you. We take the next question from the line of Surbhi Prasad from Cogencis Info Services. Please go ahead.
- Surbhi Prasad:** I have two, three questions like how do you see sugar output in 2016-2017 compared with 2015-2016?
- V. Ramesh:** See as far as the sugar output is concerned, there are lots of estimates but as of now the best estimate that we have is what ISMA has actually put out.
- Surbhi Prasad:** Okay you are going with ISMA's estimate?
- V. Ramesh:** Yes because as of now that is probably the best. The estimate is 23.3 million tonnes as against 25.2 million tonnes in the current sugar year.
- Surbhi Prasad:** The balance sheet of 2017-2018 starting will be really tight the supply situation so do you see any chances of imports coming in?
- V. Ramesh:** I was telling you the stock as of October 1, 2016 is expected to be around 7 million tonnes and even if you assume that there is a demand supply mismatch of 2 million tonnes, the stocks would come down to about 5 million tonnes and the 5 million tonnes approximately still represents 1/5th of the annual demand in the country.
- Surbhi Prasad:** It will suffice the need for the first two months of crush in next October, November?
- V. Ramesh:** Basically, I would say that two things probably would determine the government's position, how the monsoon progresses which in turn would have an impact in terms of next year planting. Typically what is the realistic estimate in terms of sugarcane and sugar production during the sugar year of FY2016-2017. So based on that and how the sugar prices are moving in the market, the Government will review import duties. .
- Surbhi Prasad:** How do you see the prices in the short to medium-term?
- V. Ramesh:** They are not going to rise very dramatically, if you look at there is something called the NCDEX which is a commodity exchange which actually would give you broad indicative

prices of what would prevail till March 2017. So as of now we are expecting Rs.1 to Rs.2 increase, but beyond that I do not think...

Surbhi Prasad: Rs.1 to Rs.2 still?

V. Ramesh: When I say still, it means not over current, over what we actually realized in Q1.

Surbhi Prasad: Thank you.

Moderator: Thank you. We take the next question from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: Thank you for the follow up opportunity. What I wanted to check in terms of the distillery and Cogen, would it be fair to assume a similar volume of FY2016 for FY2017 given the flat kind of crushing season you are looking at?

V. Ramesh: As far as distillery is concerned, I think you can expect it to remain at last year's volumes or it will be marginally better. Basically because of continuous operational efficiency improvement we may get some higher quantities of alcohol but it is very marginal, it is not going to have any substantial impact in terms of results; however, as far as Cogen is concerned, you should expect a drop, you should expect a drop on two counts both in terms of quantity of power exported and in terms of also the rate.

Achal Lohade: Would you be able to give some fair idea?

V. Ramesh: Very difficult. I wish I am able to give these kinds of estimates; the reason why I am not able to give it to you is that both in Karnataka and Tamil Nadu, the Section 11 withdrawal is only there till 30th of September. Now if you take Tamil Nadu this is the season when there is a lot of wind power is available and wind power will cease after September 2016. So what Tamil Nadu Government will do, we do not know. Similarly, as far as the Karnataka government is concerned, what it is going to do, is difficult to say. Overall at a country level itself I think for the first time after many, many years we are looking at deficits moving into surplus in some states. So definitely the scenario for Cogen is not as positive as it was in the previous year, but maybe during the Q2 analyst call, once we have a better picture of whether Section 11 is there as far as Karnataka and Tamil Nadu are concerned, we will be able to give you a better estimate but the fact is that the export of power has come down by about one-third in Q1 which gives indication also of way forward, although the reduction may not be as steep every quarter.

Achal Lohade: So basically it is to do with the coal?

- V. Ramesh:** Yes, basically there is no export of power with coal.
- V. Suri:** Actually last year we did a lot of coal operation in Tamil Nadu, which is not going to be there at all this year.
- Achal Lohade:** Would you remember what could be that quantity out of 48 Crores units in FY2016, how much would be coal based?
- V. Ramesh:** We do not have the details off hand but we can give it to you later.
- Achal Lohade:** Sure and just wanted to check what is the current ex-sugar mill price for sugar, distillery, for RS and ENA Sir?
- V. Ramesh:** As far as the sugar is concerned, it is about Rs 33/-. For distillery, as far as Andhra and Karnataka are concerned, it is between Rs.44 and Rs.45 per litre because it has got a large percentage of ethanol which is at 45.. As far as Tamil Nadu is concerned, 60% of our sales is as RS which is at Rs.34/- and 40% of our sales is ENA which will be about Rs.44/-.
- Achal Lohade:** There is a substantial gap between RS and ENA actually?
- V. Ramesh:** Correct.
- Achal Lohade:** Just last question in terms of what price the inventory is valued 120000 tonnes?
- V. Ramesh:** It is all valued at cost. This will be cane cost plus the conversion cost.
- Achal Lohade:** That is all from my side. Thank you. Sir just a small request actually, it would be really helpful if you could put up this quantitative detail in terms of volume realization on a segment basis because there is a slight amount of confusion about domestic, how much is export etc., just a total volume and realization that would be really helpful Sir.
- V. Ramesh:** Good point. We will definitely consider that from now.
- Achal Lohade:** Thank you so much. Wish you all the best.
- Moderator:** Thank you. We take the next question from the line of Snigdha Sharma. Please go ahead.
- Snigdha Sharma:** What would be the FRPs and SAP in Karnataka, Andhra Pradesh and Tamil Nadu currently?

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- V. Ramesh:** As far as SAP is concerned, there is no SAP in Karnataka and Andhra. In Karnataka we are paying FRP and in Andhra we are also paying just marginally above FRP, but you must remember that these cane prices that we are paying are weighted for recovery, actual recovery, because the FRP is based on 9.5% so if you are having a recovery of 11% it is $2300 \times 11 / 9.5$ that will be the cane cost for that unit. As far as Tamil Nadu is concerned, we are paying approximately at Rs.2450 per tonne as against the FRP of Rs.2300 per tonne. The Tamil Nadu government has prescribed SAP but that case is in Court and the private sector mills are not paying SAP.
- Snigdha Sharma:** Secondly Sir I think I have missed the cane crush and sold number, can you please repeat it for me one more time?
- V. Ramesh:** The cane crush approximately for Q1 is about 5.4 lakh tonnes and what is the second point you asked?
- Snigdha Sharma:** The sale of sugar?
- V. Ramesh:** Sale of sugar was 120000 Tonnes.
- Snigdha Sharma:** Lastly from my side, a broader industry level question, want to understand your view so while our FRPs have remained rather steady in the last say two years, the MSPs of other crops such as wheat, paddy and pulses have actually increased quite a lot, so is it fair to assume that farmers might consider shifting from cane to other crops because there will be more remunerative or I am just sort of thinking from an increasing acreage point of view?
- V. Ramesh:** Rather than just considering the increase in FRP over the previous year, you must consider the increase in the price over the last few years. You will find that the sugarcane costs ie. FRPs have increased by more than 50% in the last three to four years that is point number one. The second point is that sugarcane offers to the farmer a guaranteed price. There is a guaranteed price today, for example, when the government has announced the FRP for 2016-2017, it means up to September 2017 the guaranteed price is required to be paid within 14 days after the cane is delivered at the mills. So the surety is in terms of price, surety in terms of when you will actually get the payment. Third point you must also consider is, what is the relative profitability per acre that a farmer gets and what is the risk. So essentially every farmer actually obviously looks at various crops and then will actually decide. It also depends on what are the other crops that are actually available to the farmer at the time of planting to actually decide. So given the fact that after a long time the sugar prices are looking up, the sugarcane farmers can definitely expect I think more remunerative prices for sugarcane in the year 2016-2017 as compared to most crops per

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acre and it is still more profitable. May be there are other crops, which can give more profit, but then there is always a risk because the price that the farmer gets will vary when he actually harvests the product and delivers it in the Mandi for actual sale at that point of time. So, there are a lot of factors which go into determine what is the acreage in terms of sugarcane, what are the various option the farmer has got, what is the surety and so on and so forth.

- Snigdha Sharma:** Thanks. That is it from my side.
- Moderator:** Thank you. We take the next question from the line of Hitesh Joshi an individual investor. Please go ahead.
- Hitesh Joshi:** Congrats on reduction, debt and fixed cost and improvement in the bioproducts division after a long time. Sir, what was the fixed cost in Q4 of last year?
- V. Suri:** Rs 162 Crores.
- Hitesh Joshi:** Fourth quarter fixed cost was Rs 162 Cr, right?
- V. Ramesh:** Yes.
- Hitesh Joshi:** Sir what is the current sugar price and what price you are carrying the inventory of 1.25 lakhs tonnes?
- V. Ramesh:** I think it is already answered. We do not value at price. We value in cost because all the factories what we carry the sugar price is much more than the cost. So it is all valued at cost.
- Hitesh Joshi:** Okay but what would be the current sugar price?
- V. Ramesh:** The current sugar price I was telling you is fluctuating, I think we will get around Rs.33, whether you sell in Karnataka or in Tamil Nadu or in Andhra.
- Hitesh Joshi:** So current ruling price in Tamil Nadu is Rs.33 right now, today's price?
- V. Ramesh:** It could be marginally more, but I am just giving you a ballpark figure.
- Hitesh Joshi:** Sir are we on track to monetize the non-core assets that you are talking about?

- V. Ramesh:** Definitely we are looking at it and I think you will see some development may be in this quarter.
- Hitesh Joshi:** Sir, how much refined sugar we have sold against the purchase of raw sugar for the refinery? Have you sold all?
- V. Ramesh:** We have sold 1.2 lakh tonnes this quarter.
- Hitesh Joshi:** You would have booked all the raw sugar for the entire year, right?
- V. Ramesh:** Broadly the thing is if you take 1.2 per quarter x 4 quarters, is about 5 lakh tonnes. So, more or less we would have covered that for the year.
- Hitesh Joshi:** So we have sold all the white sugar and refined sugar or we have kept some portion to be sold at a later date against?
- V. Ramesh:** Broadly the focus in terms of the Parry Refinery is concerned is to actually to ensure that we get close to breakeven as far as this year is concerned and therefore I think the assurance in terms of price is very critical and we have certain policies in place in terms of covering raws and whites.
- Hitesh Joshi:** So we have not kept some white open for future use?
- V. Ramesh:** No.
- Hitesh Joshi:** Sir can we expect some one from that bioproduct division to be on the concall next time?
- V. Ramesh:** You tell me what questions you want we will answer it.
- Hitesh Joshi:** Just to know the colour of things to come?
- V. Ramesh:** As far as Q1 is concerned, if you take the biopesticide division is concerned, is not typically a great quarter. Now basically it is the second half which gives substantial higher quantities of sales. That is point number one. As far as biopesticide is concerned, our focus is on two things. First is we are working on new products both in the domestic market and export market, and we are working simultaneously on patents because we believe that in biopesticides if you want to export the product, you need to actually do three years in advance because of patent and a lot of claims, etc., that have to be made and therefore if the future growth is going to come, we need to work well ahead. So that is a major focus as far as biopesticides is concerned. Secondly as far as the Indian market is concerned, we

constantly look at newer applications for whatever neem based and other non-neem based products can be actually used and actually growing in the domestic market. So I think for biopesticides, it is likely to be a good year, quite a decent growth we can expect in terms of topline. In terms of profitability we have decided to reinvest some of the incremental profits back in terms of R&D and new products.

Hitesh Joshi: What about the nutraceutical business?

V. Ramesh: As far as the nutraceutical business is concerned, we have got three segments. One is the Indian segment. We have got the US segment and then we have the Chilean segment. Now as far as the Indian segment is concerned, essentially the focus is on increasing sales of spirulina and establishing a new product called Chlorella. As far as the Chilean segment is concerned, it is producing astaxanthin, a strong anti-oxidant. As far as the US segment is concerned it is more in terms of newer formulations and newer customers who will actually buy our products. So both on biopesticides and nutraceuticals there will be quality growth in terms of the topline and in terms of the bottomline.

Hitesh Joshi: But can we see traction of say 15% to 20% kind?

V. Ramesh: That is our belief. So we hope that we will be able to show you this kind of numbers by the end of the financial year.

Hitesh Joshi: That is great. Sir, in Indian segment, are you looking at our own branding or you are looking just?

V. Ramesh: It is our own brand. You are referring to biopesticides and nutraceutical again?

Hitesh Joshi: I am referring to nutraceutical basically.

V. Ramesh: As far as nutraceutical is concerned, we are only selling on Amazon.

Hitesh Joshi: In India?

V. Ramesh: In India and it is available on Amazon, otherwise ~ 90% plus is actually exported.

Hitesh Joshi: On Amazon also we are selling under our own brand?

V. Ramesh: It is our brand. You can get spirulina in Parry brand in Amazon.

Hitesh Joshi: Sir, in US you are not planning to go on our own branding?



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- V. Ramesh:** As far as US is concerned, the brand building is a very costly proposition. It will require millions of dollars. First I think let the sugar come out of the stress that we had in the previous year; let us post good results and then if we have money we will talk about reinvesting a part of it in building a Nutra brand overseas, but as of now the focus is on selling B2B as far as US is concerned.
- Hitesh Joshi:** So in Amazon India website you are selling?
- V. Ramesh:** Yes and please buy only our spirulina. Thank you.
- Hitesh Joshi:** Thank you Sir. All the best.
- Moderator:** Thank you. That was the last question. I now hand the conference over to Ms. Snigdha Sharma for her closing comments.
- Snigdha Sharma:** Thank you so much to all the participants and management of EID Parry for taking their time out for this call. Thanks Sir and all the best.
- V. Ramesh:** Thank you.
- Moderator:** Thank you very much. On behalf of Axis Capital Limited that concludes this conference. Thank you for joining us.