E.I.D PARRY (INDIA) LIMITED
ANALYST CONCALL – Quarter II
26TH October 2010
TRANSCRIPTION REPORT

Hemant Patel: Hello everyone, it is a pleasure to have EID Parry conference call for the Q2 FY-11. From EID Parry we have Mr.K.Raghunandan, Managing Director, Mr. P. Gopalakrishnan,Vice President-Finance, Mr.Sajiv Menon, Head of Business, Bio-Nutraceutical businesses. We will begin with remarks on the results followed by Q&A session. I would like to hand over first to Mr. Raghunandan for the opening remarks.

Mr. Raghunandan: Hello, good afternoon to all and once again thank you very much for being with us here today. Like the last time, I would like to quickly take you through some of our work in second quarter and what we have seen as improvement in our operating performance while the financial results may not immediately reflect it. Then the outlook for the main season of sugar that we have ahead of us starting very soon.

The second quarter for us as we discussed last time, saw another good special season here in Tamil Nadu and our four factories operated at capacity levels. We have actually started enjoying the benefits of all the investments that we have been making over the last 18 to 24 months in our factories and are starting to get clear results. Our throughputs have gone up, our efficiencies in terms of process losses, process efficiencies of steam and power usage have increased and are in line with our design. We crushed close to about 8 lakh tonnes which is almost about 25% higher than the previous year same period. Our sugarcane yields are better as there have been good rains, and is higher by about 10%. Unfortunately, the intermittent and persistent rains and cloud cover has impacted us on the recovery percentages of sugar which fell by about 0.3% related to last year same period. Our co-gens operated full capacity during August and September. For the sugar year ending September 30, 2010 we have claimed our position as the number one exporter of power from Bagasse-based Cogeneration Systems in Tamil Nadu by doing about 32 crore units of power.

Our distilleries has also improved performance. We have had 40% increase in output. We have done about 62 lakh litres in this quarter. Both Nellikuppam and Sivaganga have done well. So, in terms of the performance, our units in Sugar have met their targets.

As far as the outlook for sugar itself is concerned, the Government of India has cautiously opened up the exports. This will release some of the pressure of the excessive stocks that could result, as we head into a high sugar production year. This will support the prices and more importantly we think it will allow the sugar factories across the country to be able to keep the cane payments orderly and in time. Therefore we think this cautious approach of opening up exports in small measure, but clearly taking it forward to two months at a time is a good practice.

We ourselves have been benefited in this quarter to a small extent by being able to export our 25% of our old advance license scheme re-export obligations that came out from 2005 -06 and 2006-07 raw sugar that we had processed and sold within India.

We are sure that the Government's effort in making sure that the cane farmers do get their dues and that the sugar industry does reasonably well (to avoid large scale cyclicality in the future) will continue.

There have been some serious discussions within the Government system as well as the industry on the decontrol issues. We as usual do support such measures. We believe that the Government interventions have often lead to increased cyclicality in the sugar business and a long standing view that the decontrol will therefore be a good initiative. We are sure that this will auger well for the industry at large and in the long-term.

We are also happy that the government opened up a part of price control measures put in earlier. The stock limits for the institutional buyers has been increased to almost of 3 months now from 15 days, from around middle of August and therefore it will bring back some of the key institutional customers that we have developed over the last few years as we supply high quality sugar to them. There is also a possibility to establish clear linkage between sugar price and cane price at about 62% to 70% which is in line with the practice across the world in all major sugarcane producing countries . The rains have been good. The prices of cane if well supported by good sugar prices, will mean well for the next sugar year as well as one after that, that is sugar season 2011-12.

There had been some dramatic changes in climate conditions across the world which has led to a reduction in the surplus world wide from close to about originally estimated 7 million tons of sugar to about 3 million tons a month ago and now to almost less than a million ton, which means that India's surplus, if any, would be able to get a good price by going into the export market.

So, we continue to be broadly bullish about sugar. There could be some obstacles as we cross the main season going forward. The climate change does seem to make an impact for all of us. We suffer from loss of recovery but yields were good and farmers were quite happy on that and therefore if all goes well from now we think we are headed for generally good times.

Mr. Sajiv Menon:. I will quickly take you through some of the key performance indices for the Bio-Pesticides business. First two quarters have been fairly good. We have posted close to a 60% growth compared to the previous year. Last year around this time we have done a turnover around Rs.9 crores and this year we have done closely around Rs.14.5 crores. We have done reasonably well both in the domestic and the export market. Two key products that we have, one is the neem based product which show exceedingly good market acceptance and the other is plant growth regulator have, met with fairly good success in the free market which is primarily East, West and Southern India. Most of the performances indices had been better than last year. We had been able to buy the requirements of neem seeds from the markets in South.

For the Nutraceutical business the biggest product continues to be organic Spirulina and here again we have grown considerably, we have grown at about 17% in volume terms compared to the previous year. We believe that the markets worldwide is witnessing 50% growth. The other major products that we have is tomato-based extract which is being manufactured by our subsidiary Parry Phyto Remedies. Here again we have shown fairly good growth close to 70% over the previous year. This level of sales we have more or less covered the capacity for that units.

Mr. Gopalakrishnan: In terms of consolidated turn over for the quarter, the turn over was Rs.3065.91 crores, this is against the previous number of Rs.1956.98 crores. The profit after tax for the quarter before minority interest and share of associates is Rs.297.45 crores against Rs.191.71 crores, after the minority interest the profit after tax was Rs.174.16 crores against Rs.121.39 crores in the same period last year. In terms of sugar during the quarter, the company along with GMR and Sadashiva crushed 8.02 lakh tons of cane compared to 6.57 lakh tons in the corresponding period of last year. The power exported was also high at 732 lakh units compared to 697 lakh units last year. The sugar business reported a loss of Rs.27.68 crores against the profit of Rs.26.44 crores last year. This also includes a loss that Sadashiva and GMR during the quarter where the season is just about commencing this quarter. Bio-products division reported profits at Rs.1.25 crores against Rs.0.98 crores last year. In terms of Farm inputs the income from operations was Rs.2773.36 crores against Rs.1698.41 crores. In terms of the profitability of the farm inputs division is at Rs.537.67 crores for the quarter compared to Rs.319.96 crores for the corresponding period last year. Now, during the year, the company acquired the 65% stake in the GMR industries, effective 27 August 2010, so from that date onwards it has become a subsidiary of the EID Parry (India) Limited.

In terms of equity shares, the board of directors have also approved the sub-division of equity shares of Rs.2 each into two equity shares of Rs. 1 each at the meeting held on 25th October 2010.

Mr. Bhavin Chheda from Enam Holding

Bhavin Chheda: A couple of questions if you can share the sugar sales volume in the quarter compared to the last year and was there any raw sugar which was processed and sold in the quarter?

Mr. Raghunandan: Sugar sales is more or less same as last year at about 79,000 tones and we did process about 9500 to 9800 tons of raw sugar during the quarter.We crushed more cane relative to last year second quarter

Bhavin Chheda: This 79,000 sugar sales includes raw sugar of 9500?

Mr. Raghunandan: Some of it has obviously gone into stock, some of them have got sold.

Bhavin Chheda: Sir what could be our closing inventories as on September 30 of raw sugar and basically the manufactured sugar?

Mr. Raghunandan: The total would be about 79000 again, all inclusive.

Bhavin Chheda: Sir, this has been valued at what price on September 30?

Mr. Raghunandan: We value at lower of market price or its cost to production. So it is about 25,000.

Bhavin Chheda: Sir I missed out on the distillery volumes which were mentioned. Was it a 62 lakh litre.

Mr. Raghunandan: We produced 62 lakh liters

Bhavin Chheda: Sales volume must be how much sir?

Mr. Raghunandan: Sales volume is about 65 lakh litres, for the quarter. It has to be compared with last time for about 49 lakh liters of production

Bhavin Chheda: What must be average realization for the distilleries?

Mr. Raghunandan: About Rs.30 to Rs.30.50 per litre

Bhavin Chheda: Thanks a lot, sir.

Rishabh, B&K Securities

Rishabh: Sir, I just wanted to know on our refinery side, how are operations gearing up and on the GMR and Sadashiva side, do we intend to acquire further more on these companies and will we integrate these companies going forward?

Mr. Raghunandan:. At the moment, there are no plans of increasing the share holding. In GMR we have 65% and Sadashiva we have 76%. The erstwhile promoters want us to build on the sugar business and make it much better than they are today. During the course of the Q2, we did not have any serious operations in either of these two companies. Most of the sugar production (which ended in March 2010) was sold off in the first quarter. Little sales effectively happened in both these companies. They are getting ready by organizing their harvesting labor and transport ready for the season. They wanted to start in October, but as you know like rest of Maharashtra it is still raining in Karnataka and Andhra also. So none of the units has really started off in any serious way. Yesterday one of the three plants of GMR started crushing activity and hopefully before first week of November the other two should be online. Andhra may start a little later, may be just after Diwali and that will depend on the North East Monsoon. As far as Silk Road is concerned we have actually started making commercial production now. So, the ramp up is progressing well, coming on line section by section. We are quite happy with the progress of our start up activities.

Rishabh: So, how will it work like, will it be only processing margin crude refinery or trade in the international market accordingly and what would be the dynamics or arrangement between Cargill and us?

Mr. Raghunandan: This is the joint venture between Cargill and us. The Silk Road will run as a separate entity with arms length transactions, between the two parent companies. We have contributed heavily into the design, erection, construction, commissioning activities. Some of our people are involved in starting up the unit. There is management team and there is a operating team inside of plants and head office here in Chennai which will look after the entire operations by themselves.

Rishabh: But will it be like processing margin arrangement or complete entity?

Mr. Raghunandan: SilkRoad will be a complete standalone entity. There is no arrangement of tolling margins for Cargill or for Parry. It is a full fledged destination refinery. It will buy from wherever and at lowest price for raw sugar. It will sell the output to the export market at the best available price.

Rishabh: So, by when complete utilization will be achieved.

Mr. Raghunandan: We think it should take the plants of this size and its integrated operation about anything from 3 to 6 months to settle down. This should be up and running in full speed after this ramp up period.

Rishabh: So FY12 should do a complete production at 0.6 million ton would be refined ?

Mr. Raghunandan: That is the target

Haroon Adan, Adan & Company

Haroon: What is your balance export obligation under the ALS scheme that you have imported over the years?

Mr. Raghunandan: It is about 16000 to 17000 MT

Haroon: That is the balance now that you would have to perform?

Mr. Raghunandan: Yes

Haroon: Is Silk Road a totally 100% export oriented unit?

Mr. Raghunandan: Silk road is inside the Parry SEZ. It is outside the domestic tariff area, it simply receives the material, process it, and sells it back into the world market.

Haroon: So, it cannot sell into the Indian market.

Mr. Raghunandan: Well, the Indian market today has an OGL under zero duty, so it can sell if it wants to.

Haroon: That will be considered an import.

Mr. Raghunandan: Yes

Haroon: Can you source raw sugar from India if and when it is available or you will only source from abroad?

Mr. Raghunandan: No, if India opens up its borders to exports raw sugar into the world market, then obviously it is an opportunity for Silkroad to pick it up if the price is right.

Haroon: So you would be the first buyer once hopefully raw sugar exports begin in the coming month as we expect.

Mr. Raghunandan: Yes. Whether the first or not we don't know, in that sense.

Haroon: I mean, you would be a natural buyer.

Mr. Raghunandan: Yeah.

Haroon: Thank you very much.

Mr. Raghunandan: Thank you.

Shekhar Singh, Goldman

Shekhar Singh: I just wanted to know like what is the total quantity of sugarcane that you are planning to crush this season and what is the price that you are paying for sugarcane?

Mr. Raghunandan: In the year, when you say the coming year or this year?

Shekhar Singh: In the next 6-12 months.

Mr. Raghunandan: Should I say the sugar year?

Shekhar Singh: Yes.

Mr. Raghunandan: Sugar year, we should be able to do slightly better than what we did the last year. We may be able to do about 30 Lakh Tons . If all weather holds up, there are no serious power failures and droughts coming our way, then I think we should be able to do a 30 Lakh Tons.

Shekhar Singh: What is the price that you are paying for sugarcane currently?

Mr. Raghunandan: We have not yet got into serious discussion or negotiations with the cane growers association, but for the last year in the season that just closed special season, which we run here in Tamil Nadu in August and September, we were paying about Rs.1715/MT plus transport cost to about Rs.95-100 . So about Rs.1800-1820/MT.

Shekhar Singh: You expect the prices to be higher than this or lower?

Mr. Raghunandan: We may be under some pressure that price could be slightly higher because the government of Tamil Nadu announced an SAP earlier in the year, when the sugar prices were much higher. At the time they had announced that the net price will be Rs.1900/MT for 9.5% plus Rs.100 for transport. But as we mentioned the last time too the SAP price in Tamil Nadu is really not statutory price. It is the advised price or the recommendatory price. All the cooperative factories in the State will pay at that levels. Obviously there will be some pressure on us, but I think our farmers over the years demonstrated their understanding of the long term view much better. Therefore we should be able to get into a good dialogue and explain to them how the sugar prices being where it is, we may not be able to afford a significant increase in price and if the sugar prices improves we should be able to pass on the benefits appropriately.

Shekhar Singh: Thanks a lot sir.

Nitesh Doshi, Investor

Nitesh Doshi: What was the revenue and segmental profit of the Bio-products and Nutraceutical?

Mr. Raghunandan: Bio-products includes Bio-pesticides and Nutraceutical.

Nitesh Doshi: What was the revenue for the quarter and segmental profit?

Mr. Sajiv Menon: Biopesticides revenue for Q 2, it was about Rs.9.3 crores and for the year to date was Rs.14.4 crores and for the Nutraceutical business, the turnover for Q2 was Rs.9.5 crores and year to date is Rs.19.5 crores.

Nitesh Doshi: What would be the segmental profit for the quarter combined

Mr. Gopalakrishnan: Segmental profit for the Biopesticides is above Rs.2 crores and for the Nutraceutical that will be close to Rs.1crore.

Nitesh Doshi: Can you throw some light on what are new things happening in both the division and what kind of future you are expecting in few years down the line?

Mr.Sajiv Menon: In Bio-pesticide business, we are looking at fair amount of expansion in distribution, bring in new dealers and taking on new geography, so that is what is giving us the growth in business. We have also introduced new products including plant growth regulator, which is been accepted fairly well in the market. We are trying to promote these products more intensely. We are seeing greater share of revenue from these products.

Nitesh Doshi: Indian markets or abroad?

Mr.Sajiv Menon: These are as of now sold on almost equal quantity domestically and in the export market.

Nitesh Doshi: So India you do through Coromandel?

Mr.Sajiv Menon: No we have our own distribution network .

Nitesh Doshi: What kind of revenues you are foreseeing in next 3-4 years in the segment.

Mr. Sajiv Menon: We would see this building into something about Rs.200 crores of revenue by year 13-14.

Nitesh Doshi: With same kind of margins?

Mr. Sajiv menon:: That is about right.

Nitesh Doshi: What about the Nutraceuticals?

Mr. Sajiv Menon: The Nutraceuticals in the next 2-3 years should go up about Rs.300 crores.

Nitesh Doshi: Both Combined two can be Rs.300 crores.

Mr. Raghunandan: Combined it will around Rs.400-500 crores.

Nitesh Doshi: Okay, with same kind of margins?

Mr.Sajiv Menon: Yes about.

Nitesh Doshi: Thank you.

Achal Lohade ,JM Financial

Achal Lohade: Just a couple of questions. You know, first on the overall production scenario, what kind of estimate we are building in, for the current sugar year. What kind of production we will be looking at for India and for Tamil Nadu specifically?

Mr. Raghunandan: Well, actually we are slightly more conservative than the rest of India on this at least for now. Our estimates currently are between 24 to 25 million tons.

Achal Lohade: Okay and how much are we estimating for Tamil Nadu state?

Mr. Raghunandan: It will be between 1.5 to 1.55.

Achal Lohade: Okay. What is the growth we are looking at for Tamil Nadu?

Mr. Raghunandan: From 1.35 to 1.55. So, I guess is about 15%.

Achal Lohade: And where are we different. As you know, I am just trying to understand, , historically we have been fairly inaccurate in our estimate in past 3 to 4 years, just wanted to get a sense as to how we will see at 24, 25 vis-à-vis ISMA estimating at 25.5-26 million tons. So, where are the differences, particular state we are deferring?

Mr. Raghunandan: In the last year around December, and January we estimated that the Indian production will be just about 19 million ton. Rest of the industry talked about number going down from 16, 17, etc., then they took it to 15, then they made it 14.5, they made it 14, somebody said 13.6, and that went back all the way to 18.9.

Where we think where we differ today is in UP, there has been some talk of 7+, but if you really look at the estimates that are coming due to good rains they talked about 6.8 and somebody said 6.2 and now they are taking it back to about 6.6 to 6.7. So, we really do not know what happens and they have to settle the issues of cane pricing and they have to ensure that the gur industry do not take away the cane as they are debating the cane prices. So, that could be one serious difference coming there. We think Maharashtra crop may not be as big as it is. Yes, planting has been good and yields have been fantastic. Rains have been very strong. So, there are good reasons to believe that the crop will do well. But we still think that the production of May and June may have come out from some parts of the next season crop that actually got pulled forward. So, what people talk about, 9.2, could end up sub-9 .In Andhra too, we think that the 1 million tons that people are talking about would probably just about 0.8 or 0.9 but it is not material.

Achal Lohade: Right. I was just trying to understand sir, if one look at the cane acreage in the current year, and 2006-07, it appears to be fairly close to 2006-07 level and as we produced almost 28 million tons in 2007, so just trying to understand how, things are different in the current year vis-à-vis 2006-07. Is it better profitability of gur khansari so they are using more canes or over ...

Mr.Raghunanadan: I think in 2006-07, the gur industry did not take enough cane and the payments for cane was pretty high in the beginning of the season. So, I think if you really look at it the acreage is good, the yields should be okay, but how much gets diverted to gur and khansari is still a big guess and that is what I think makes all these estimates actually go haywire from time to time.

Achal Lohade: Okay. Sir, the second question is, you know, more on the strategy point of view. Since we already have a destination refinery, some of our peers have already looked at Brazil acquisitions to secure the raw sugar supply. Do we see us looking out for Brazil acquisition or how value-add would it be to go and acquire sugar company in Brazil.

Mr.Raghunandan: Well, we are very clear that the opportunities that are available for the Industry here in India is large enough. The sugar that gets traded across borders that is about 40 million to 45 million tons across the world and therefore there is enough on ships carrying sugar around. We would be able to buy 600,000 tons and sell that back into the markets. We do not see a serious cane shortage or raw sugar shortage for our destination refineries. We are going to buy 600,000 tons in a market which is close to 30 million tons of raw sugar being traded.

Achal Lohade: Just last question on the overall margin front for this destination refinery, what kind of, spread if one would say the current, raw sugar and white sugar spreads they are about \$85 to 90 per ton. At those spreads what kind of margin can one imagine for our destination refinery?

Mr.Raghunandan: Well, actually when we started this particular project, we targeted the refineries margins to be between \$80 - \$90. We think there would be about, if all goes well, that is we produce at full efficiency and full capacity, we should be able to do about \$20 - \$30 depending on freight market, the quality that we produce, and the efficiency that we achieve.

Achal Lohade: Great. Okay. Thank you so much, Sir.

Hemant Patel, Enam

Hemant Patel: Mr. Raghunandan just wanted to ask one generic question. Did notice that the global raw sugar prices and even the white sugar prices are just shy off its earlier peek and on the forward curves, they are like a sharp backwardation. What is your view on that and if you can take some view on that vis-à-vis the domestic prices. Are the domestic prices likely to actually follow this as well?

Mr. Raghunandan: Hemant, the world prices are at a pretty high numbers today. It gone back all the way to the 28 cents and 30 cents that we saw in January-February earlier this year. I think earlier time it was riding on the basis of India not being able to produce enough and therefore being a large importer, this time the 28 cents is despite India almost being an exporter. This is because there are several other producers worldwide, major producers are struggling to get their yield up, get their production up. Of course Pakistan had flood, Demand is up in China and large parts of Russia have had drought. The backwardation that you are talking about definitely is there, but it is significantly higher prices than the backwardation prices that we saw in January-February. The market will be tight especially physical. There is good demand that we think in this part of the world. There is lot of sugar sitting in Brazil but Brazilian domestic prices have improved. That is good news for the Brazilian mills, but a lot of sugar which will have to come to this part of the world will not be easily available. So, the destination refinery that we have set up looks to be well positioned to take care of the deficits through the next calendar year.

Hemant Patel: And where is the spread at the moment? Are they much better off than what it was a quarter back?

Mr. Raghunandan: They are slightly down. A quarter ago, 3 months ago,it was about $105 or $110, today we are talking $90. But that is because, the raw sugar relative to the white raw sugar has moved up faster than the white sugar has. But as I said there isn't enough sugar running in this part of the world except within India. So, India would be an exporter as the rest of the world around these parts are actually in deficits. Thailand is not going to be supplying too much out. The Australians will have less to export. Pakistan is importing almost all its sugars. China is importing significant amounts and therefore there is a home for all the sugar that India could come up with.

Hemant Patel: Is it what if we have tried to say that once the production commences for the next season for India and some of the other parts of the world in Brazil is coming up to closing towards end in terms of the sugar season. The inventory level in the system will still remain low for the next year?

Mr. Raghunandan: That is what I said in the beginning. In January-February, the estimates were still at least 3 to 4 million tons surplus. By April-May with Maharashtra producing more, this kind of completely changed a surplus of almost 7 to 8 million tons was estimated. They are now back to 3 million tons and finally end of September we saw a number of just less than a million ton. At one million ton, there is not enough buildup that is going to happen in the thinly stretched pipelines of sugar stocks anywhere in the world. It is very low.

Hemant Patel: Alright. Thanks a lot.

Sachin K, Reliance Mutual Fund

Sachin K.: Sir, in long term, what do you think would be the sustainable conversion margin at refinery?

Mr. Raghunandan: Actually it is a very difficult thing to be able to say because the fact is that this refinery is actually working on both sides, the input side and on output side. Both these are basically two commodities (raw sugar as well as the white sugar)and each of these have their own dynamics of movements and it extremely volatile and after all it is a food security problem for lots of people. Therefore there is a volatility built in. At a spread of about $100 between the white and raw sugar which is likely on as a leverage, we should be able to get about $25 to $30 as the long term margin.

Sachin K: So, basically $75 would be the cost of conversion.

Mr. Raghunandan: Yeah, just less than 75, I guess.

Sachin K.: Both cost of production and transportation included?

Mr. Raghunandan: Yeah, all put together. And including pol premium. This is the quality of the material we purchase and the quality of material that we process and sell.

Sachin K.: On a day-to-day operation basis, what will be the contribution for Cargill?

Mr. Raghunandan: On a day-to-day basis, Cargill and EIDP have board members on Silkroad They would bring Silkroad the understanding of the world market. Their insights on customers in these parts of the world. They sell closely to 2-3 million tons of sugar in Far East markets and therefore obviously we look for good insights on markets. The management team of Silk Road will get a lot of good advice. We hope to get good advisories on risk management tools and practices that they follow within their organizations on agri commodities. They are in every parts of the agriculture system. They know corn, energy coal, wheat. So, risk management is a very important knowledge system that they would be able to pass on to the Silk Road management team.

Sachin K.: If you will be using the hedging mechanism very actively in this part of the business like if we buy raw and may be after 3 months or we may be know hedging over the raw purchases with 3 months forwarded in futures or something like that over the white.

Mr. Raghunandan: The general idea is to be able to constantly hedge whenever a purchase is done of raw sugar for processing. We will be able to hedge on the future's market for the output also.

Sachin K: And sir we started sometime in August recently?

Mr. Raghunandan: Nearly end of August.

Sachin K.: So can you just know how much we refined in this quarter.

Mr. Raghunandan: About 11000 to 12000 tons.

Sachin K.: Okay how significant ramp up can be for this year sir.

Mr. Raghunandan: Within 6 months, we hope to be able to reach full capacity.

Sachin K.: So about 2.5 to 3 lakh tons of sugar can be processed during this financial?

Mr. Raghunandan: Financial year 2011 is to take half of that amount of the total capacity because we would be ramping up. We started at about 500 tons. We tested each equipments, we did not want to mess up any of the major equipment. We have already climbed to 1000 to 1200 now.

Sachin K.: 1200 into one year.

Mr. Raghunandan: 1000 to 1200 is what we are now starting to do on a daily throughput basis. There is a bit of downtime here and there.We produce about 40 to 50 MT per hour. So that translates to about 1200 tons on 24-hour basis. Slowly, we will take up the level each week and we would try to ramp up by about 100, 150 tons extra a day. It is a matter of getting confidence for the operators there and integrating the 13 or 14 sections that we have in the plant.

Sachin K.: Sure, Sir. Should any thoughts on the balance land that we have at the refinery?

Mr. Raghunandan: Nothing much to report right now. We do hope to be able to get more industries of agri based. We had some good enquiries from very small players, but that would mean that we breakup the land into 1or 2 acre plots which we do not want to do. We will rather go with some of the bigger institutions/industrial players. So, we can partition into bigger plots.

Sachin K.: Understood, sir. And has the gas based power plant has also commenced sir?

Mr. Raghunandan: Yes, of course.

Sachin K.: And what is the PLF we are at ?

Mr. Raghunandan: For the production that we need steam and the power we are managing it for now. We are kind of tuning it down to the needs of the parent plant, i.e the refinery. We have not had any problem.

Sachin K.: Sure. I hope there will not be any.

Mr. Raghunandan: Yeah. Thank you.

Sachin K.: Another thing like you know, we would have about 25 to 35 megawatts of surplus capacity of power there and which you intend to supply to that isn't it?

Mr. Raghunandan: Yes.

Sachin K.: So when will that start sir?

Mr. Raghunandan: It started. We are processing.. take a typical day. we did about 18 20 megawatts per hour and we consumed about 5 to 6 megawatts internally and sold the balance

Sachin K.: So, at full capacity we will consume about 12 megawatts out of 38, no?

Mr. Raghunandan: It is actually 35 megawatt plant, we hope to be doing about 7 to 8 megawatts internally at the current capacities and sell the balance to the grid.

Sachin K.: Okay and what tariffs you will get, sir?

Mr. Raghunandan: We are in the process of negotiating with AP Transco

Sachin K.: Okay. Tariff not yet decided.

Mr. Raghunandan: Not fully decided. We had some indications in July for about Rs.4.5/unit. The prices we get today is slightly lower than that. But we are in the current commercial negotiations.

Sachin K.: Sir, on a broader sense I just wanted your thought on the one development that has happened in USA FDA has banned use of genetic beet sugar to process into sugar. What implications do you see from this?

Mr. Raghunandan: That is a tough one. What implications will this be on genetic sugar beet.

Sachin K.: Which produces about 5 million tons of sugar to USA itself.

Mr. Raghunandan: Am not sure if genetic Sugar beet is so big.

Sachin K.: It was 5 million.

Mr. Raghunandan: I do not know whether it was 5 million tons of beet because I thought that number was about one-tenth of this. The idea was to be able to take it to 5 millions MT. I am not sure. Anyway the USA now has NAFTA and would be buying the sugar from Mexico and from other countries there. Except couple of states in North Dakota and Montana, etc and little bit of Louisiana and Florida, most of sugar is imported into the United States and as long as United States is importing it will only further stabilize with the world price.

Sachin K.: And another question like back home how much ethanol have we contracted?

Mr. Raghunandan: Well, we have not been able to contract anything formally because Tamil Nadu government have not given permission . It is only when the sugarcane is in surplus, and we get more molasses and all the distilleries run at full capacity will there be some extra alcohol. But we have offered about 30% to 40% of our sugar for the alcohol production to the oil marketing companies subject to the Tamil Nadu giving permissions to supply.

Sachin K.: Would you answer, now molasses prices are expected to come down. In that scenario do you see if you were forced to continue to supply for IMFL market, the realization of Rs.32/litre will decline?

Mr. Raghunandan: In Tamil Nadu, it has already declined. It is already about 30 to 31 only.

Sachin K.: Okay.

Mr. Raghunandan: What we lost was about Rs. 2 to 3/litre between last quarter and this quarter.

Sachin K.: Okay and what is the trend that you see for the year?

Mr. Raghunandan: I think it should remain around this level now. Should not, reduce because as I said while India is going to be a surplus, Tamil Nadu itself is not.

Sachin K.: Okay.

Mr. Raghunandan: Tamil Nadu is still just going from 13.5 lakhs tons of sugar to 15.5 lakhs tons of sugar. So that is not a very big increase

Sachin K.: Just wanted to know I do appreciate like this two take overs that we had like the GMR and Sadashiva had no significant operations during the quarter, but any negative EBITDA coming from those two companies to the consolidated level, sir.

Mr.Raghunandan About Rs.12 crores.

Mr.Raghunandan Yeah, these are off-season operations for both. There is a about a 12 crores impact during the quarter under consolidated results.

Sachin K.: For the season 2010-11 you mentioned that you will have target of about 30 lakhs tons of crushing, so that was for standalone, not for these two included?

Mr. Raghunandan: Yeah it is standalone.

Sachin K.: So what is the target for these two sir?

Mr.Raghunandan: The numbers coming out of Karnataka doing about almost 30% to 40% extra cane is there. Then we look about 18 to 22 lakhs tons of cane both the units put together.

Sachin K.: Both put together?

Mr. Raghunandan: Yeah.

Sachin K.: Okay. Thank you so much, sir.

Mr. Raghunandan: Yeah.

Hemant Patel: Yeah. Thank you all for joining us today. I like to thank the management of EID Parry at this time. Mr. Raghunandan, would you like to make a closing remark.

Mr. Raghunandan: No, nothing much actually. I think we have tried to answer as much as we could and thanks again for being here with us. Thank you for taking the time and thank you for showing some interest in our operations and our business. Thank you.