



“EID Parry Q2 FY13 Results Conference Call”

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- Moderator** Ladies and Gentlemen, good day, and welcome to the Q2FY13 Results Conference Call of EID Parry hosted by Axis Capital. I would now like to hand the conference over to Mr. Kashyap Pujara of Axis Capital.
- Kashyap Pujara** Good evening everybody; Thanks for standing by and it is a pleasure to have with us the management of EID Parry. The management is represented by Mr. Ravindra Singhvi Managing Director, Mr. Sajiv Menon, Head - Bioproducts and Nutraceutical business, and Mr. Gopalakrishnan, Vice President, Finance. Without taking too much time, I will hand over the floor to Mr. Ravindra Singhvi.
- Ravindra Singhvi** Thank you Mr. Pujara. Good evening, thank you very much for joining us today. I would like to quickly take you through some highlights for Q2. We have carried forward the momentum of Q1 and reported a strong performance for this Quarter as well for the standalone EID. Although the cane cost has increased over last year, our better performance this year as compared to Q2 last year has been mainly on account of higher volumes, improved recovery, and improved sales realizations. The cane crushed in Q2 has increased to 14.43 lakh metric tonnes, up by 13% compared to last year. Our recovery has improved from 8.33% to 8.48% in Q2 of 2012-13. Consequently, the total sugar production of about 1.22 lakh metric tonnes is up by 14%. Sales of 1.3 lakh metric tonnes are higher by 25% compared to the same figure of Q2 2011-12. This is primarily because of the exports. The distillery and co-gen operations are also up as a result of the higher crushing and better performance. We are now open to questions that you may have. Thank you.
- Moderator** Thank you very much Sir, we will now begin the question and answer session. The first question is from the line of Ruchi Vora from UBS.
- Ruchi Vora** Could you throw some details on the operating data in terms of your standalone and subsidiaries especially for cane crushing and sugar production and sales.
- Gopalakrishnan** This quarter we crushed 14.4 lakh tonnes of cane compared to 12.76 lakh tonnes of cane last year. This is EID standalone. Continuing with the standalone numbers, the recovery improved from 8.33 to 8.48%, which means that we were able to produce 1.22 lakh tonnes of sugar compared to 1.06 lakh tonnes of sugar.
- Gopalakrishnan** Our subsidiaries PSIL and SSL were not in operation during Q2. Therefore the consolidated numbers in terms of production and cane crushing is the same as standalone.
- Ruchi Vora** What about sugar sales. What was it last year same quarter?
- Gopalakrishnan** Sugar sales was 1.35 lakhs MT for standalone compared to 1.08 lakh MT, and consolidated was at 1.59 lakhs compared to 1.44 lakhs MT.

- Ruchi Vora** Could you also throw some color on the distillery and the co-gen operating numbers in terms of your power production and realization in Rupees per unit?
- Gopalakrishnan** In terms of co-gen, the standalone production was 1447 lakh units against 1381 lakh units. Export will be roughly about two-thirds of the production. The distillery the actual production was 123 lakh litres compared to 115 lakh litres, and sales was 110 lakh litres compared to 106 lakh litres. This is standalone. Consolidated, the production was 129 lakh litres compared to 124 lakh litres, and the sales was more or less at last year's level of 133 lakh litres.
- Ruchi Vora** Could you also throw some light on the realization of power.
- Gopalakrishnan** Realization in the case of power was 3.62, and that is more or less in line with last year. In case of selling price of distillery products, the average was about Rs 28/- like last year same period.
- Ruchi Vora** what will be the Sugar realization.
- Gopalakrishnan** Sugar realization, this year was slightly better at 28,750 compared to 27,900 last year, and if you take the domestic free sale sugar, it is much better at 30,200 compared to 28,400.
- Ruchi Vora** Can you also give us the EBITDA in Rs/kg for your sugar business.
- Gopalakrishnan** Standalone EBITDA is Rs. 6.72 crores, which is for the total company and the segment. PBIT is about Rs. 28 crores and this can be divided by the sugar volume.
- Ruchi Vora** In terms of the outlook, the operating outlook for the next year, can you just throw some color.
- Gopalakrishnan** Q3 is normally a off season in terms of sugar production. However, we are trying to complete the maintenance and restart the plants at the earliest once the rains stops. The distillery are in operations during the quarter, and the distillery rates is also good. The 3rd and 4th quarter on Distillery should be better than the last year.
- Moderator** The next question is from the line of Trilok Agarwal from Birla Sun Life Insurance.
- Trilok Agarwal** I was just looking at only sugar business, you had reported a EBIT loss, could you just tell us what is the realization, probably I missed that. You had mentioned about sugar realization this quarter.
- Gopalakrishnan** Sugar realization is about, as I just mentioned, it is 28,750 for the quarter, compared to 27,900 last year same quarter.
- Trilok Agarwal** Did we not see a sharp jump in the realization of sugar last quarter.
- Gopalakrishnan** Last quarter during the late August and September, the sugar prices actually went to about Rs 34 per kg to 35 before coming down to about Rs 32.

- Trilok Agarwal** What is the current realization if you can tell us?
- Gopalakrishnan** Presently we are selling at about Rs 33 or Rs 33.5 per kg.
- Trilok Agarwal** Okay, the average price was Rs **28750**. Then what was your total cost of production.
- Gopalakrishnan** Landed cost was Rs 2200 and considering the recovery at say, 9%, the cost of cane in sugar will be about Rs 25,000. On top of it you add about Rs 4000 for conversion.
- Trilok Agarwal** Okay, which is why you are on EBIT level, you have reported a loss on this sugar business.
- Gopalakrishnan** Correct.
- Trilok Agarwal** How the bio-products have moved because from that business your EBIT, varies very drastic on Qtr to Qtr basis.
- Gopalakrishnan** Bio products, during the last quarter made decent sales. The profit for Bio and Nutra put together, we were at Rs. 1.93 crores positive PBIT, compared to negative Rs. 1.94 Cr. the prior quarter, and almost on the same lines as the last year, same quarter.
- Trilok Agarwal** Yes, I am trying to understand, what is causing so much volatility in this business.
- Sajiv Menon** You see, as far Bio Products is concerned, there are two businesses here, one is the agri inputs, which is bio pesticides, and the other is Nutraceutical business. In Bio Pesticides, we have both exports and domestic sales. Exports, we have doubled the value for what we had done in the previous year, some 10 crores to 20 crores. In domestic, it has been almost at the same level as last year, at about 14 crores, largely because in the first half we had the effect of the South West monsoon, where rainfall was lower by almost 20 to 49%, in most of our major markets.
- Moderator** The next question is from the line of Kashyap Pujara.
- Kashyap Pujara** What is the export figure, anything that has happened in this quarter?
- Gopalakrishnan** Export Volume during the quarter was about 53,000 MT.
- Kashyap Pujara** Of the sale that we are talking of, which is close to 1.35 odd lakhs, we have a 53,000 of exports.
- Gopalakrishnan** Correct.
- Kashyap Pujara** What is the export realization?
- Gopalakrishnan** Export realization will almost be equal to the domestic realization of about Rs 30,000 per MT.

- Kashyap Pujara** If I recollect, during the last conference call that we had, we had mentioned that that we are sitting on a 65,500 tonnes approximately of inventory in the standalone books, which is valued at around 24 to 24.5, and around 35,000 at PSIL. So in between the prices did spike to 33 plus during the quarter, so it does not seem like, we are actually benefited from any inventory gain so to speak, so can you give an explanation on that front.
- Ravindra Singhvi** We are still having about 48,000 tonnes of stock as of 30th September including WIP, it is about 52000 MT.
- Gopalakrishnan** Inventory, which was about 47,000 in the quarter 2, previous year has gone up to 52,000 now.
- Ravindra Singhvi** Year-over-year the inventory has increased by about say 6000 tonnes.
- Kashyap Pujara** What would be the value of the same, in terms of kg sugar.
- Ravindra Singhvi** The valuation is about Rs. 28,000 per Kg. as NRV is higher and we have valued at cost of production.
- Kashyap Pujara** Can you just give us an indication as to what is the kind of crushing we can expect this year and next, at the standalone level.
- Ravindra Singhvi** As I said last time, that we should expect improvement by about 20% over last year, so we may expect 57 to 58 lakh tonnes of crushing during this year.
- Kashyap Pujara** 57 to 58, okay, fair enough. In terms of number of days, you are expecting to be crushing over 250 days this year and next basically.
- Ravindra Singhvi** Quite possible.
- Moderator** Thank you, the next question is from the line of Baidik Sarkar from Unifi Capital.
- Baidik Sarkar** The free market realization, I believe was about Rs 30.20, it does not seem to add with the prices prevailing in the free market or the Kolhapur market, because for most of August and September, they have been in the range of Rs 36 to Rs 37. That has been the model range, so I am just curious if I have missed some facts. Because I was assuming free-market realization would have been much higher this quarter, so, what am I missing?
- Gopalakrishnan** The free market, our total sale consisted of export of about 53,000 MT. The export was done at about Rs 30,000. Whatever increase has come in the domestic, because up to the part of August, the rate was about Rs 28 and the prices started going up from middle of August. So overall, the free market price along with the average, along with the export was a little over Rs 30,000 per Kg.

- Baidik Sarkar** And obviously these were, close ended export contracts, that is, you were not in a position to come out of these contracts, right.
- Ravindra Singhvi** No, we do not come out. We do not have policy to come out with the contracts, because once we commit, then we deliver.
- Baidik Sarkar** Going forward how would advise me to kind of track it, say for instance, I am assuming your export contracts are over for the coming quarter, free market sugar prices say, what we track in free market is say, 35 or say it is 34 to 36 range, what kind of a discount should I accord to kind of figure out what your, net realizations might be. I am not concerned about levy, I am just talking about just FMP part.
- Ravindra Singhvi** We are in line with the market.
- Baidik Sarkar** So, I can just model that as your realization.
- Ravindra Singhvi** As of now, the prices are not 35 plus in the free market because that you are talking of is inclusive of excise duty and transportation, for free price.
- Baidik Sarkar** What are your expectations, for the rest of the year, where do you see prices lingering around, keeping in perspective how rainfalls have been, I understand there too many other variables in the sugar industry. What is your conservative estimate of prices for the entire year?
- Gopalakrishnan** The cane prices have not yet been announced, but I believe the cane prices will also be increased and looking through the increase in expected cane pricing, our cost of production itself will be Rs 32, so I don't see any reduction below 32 or so, so minimum price during the season will be Rs 32 minimum, and prices may expect, and certain spurts may come in between, so 32 as minimum price.
- Ravindra Singhvi** It may go to Rs 33 to Rs 34 in times of some spurt in between.
- Baidik Sarkar** Okay, just a bookkeeping clarification, this 32 includes your depreciation cost but excludes Interest
- Baidik Sarkar** Recovery has gone up from 8.2 to 8.4, right.
- Ravindra Singhvi** Yes.
- Baidik Sarkar** We are driving around sugar belts for a while, I am just curious with the scanty monsoon that this part of the region has received, just curious as to how recovery has actually gone up.
- Ravindra Singhvi** You see, recovery has gone up because partly we have done some raw sugar, and partly our variety mix.

- Gopalakrishnan** Cane Variety Mix, manufacture of raw sugar and some improvement in the plant efficiencies results in increase in recovery.
- Baidik Sarkar** Then you also said that you expect crushing to be up by 20%, the acreage has had no minimal impact because of the monsoons.
- Ravindra Singhvi** No, you see, we were increasing our acreage significantly, quarter-on-quarter, year-over-year, but the monsoon has had an impact on the planting, but of late the rains have come, so main season, I feel that whatever small losses we have had in the planting, will be compensated in the good monsoon which we have seen now all over the Tamil Nadu.
- Baidik Sarkar** We are almost at the end of October, has crushing started or are still waiting to uproot crops, to give them some more time because of the late monsoons.
- Ravindra Singhvi** No, you see in Tamil Nadu, the mills stop in the month of September and they restart in the month of November and December. This is different than the Karnataka, Maharashtra, and other parts of the country. The factories will be restarting somewhere during the end of November or December, and then it will continue for a longer period.
- Baidik Sarkar** I am assuming things are getting better in Brazil, and global sugar prices have come down to about 18 cents in which case it makes it very lucrative for our traders to start importing sugar, do you see that happening, would you do that yourself, what is your sense.
- Ravindra Singhvi** As of now, the 18 cents have not yet come up. But when it comes, then we will evaluate because besides 18 cents, there is lot of play between the rupee-dollar parity.
- Baidik Sarkar** That is right.
- Ravindra Singhvi** If the rupee is weak and the dollar is strong, then we have to evaluate accordingly, so at that time the domestic prices will also have to be seen, so as such, we cannot say that it is very lucrative as of now. As of now, the prices are little over 19 cents, 19.5 or so, so we will wait and watch. The government has also, put duty of 10% on the raw sugar import, and levy obligation is also there, on the import of sugar and selling in the domestic market. We will keep our options open, whenever the opportunities come. As of now it is not lucrative.
- Baidik Sarkar** Are you saying there is a levy obligation, even if I were to import sugar.
- Ravindra Singhvi** Yes, import and selling in the domestic market, then you have to have 10% for levy.
- Baidik Sarkar** Your expectations from the Rangarajan Committee's policies to be implemented, any kind of insight as to what might actually be implemented, what would be the levy portion?
- Gopalakrishnan** I cannot say when it will be implemented, but I feel, and I am hopeful that, some of the recommendations will be implemented. There is a lot of talk on the levy, levy waiver, and

there are a lot of discussions on the monthly or quarterly release system. So at least on these two counts, I hope that some decisions will be taken very soon.

Baidik Sarkar So, actually we are hoping that the levy will actually be moved, 10% might become 7, 7.5% so right.

Ravindra Singhvi Presently it is 10%, so whatever it comes, that will be good news.

Baidik Sarkar When will ethanol prices be revised again.

Gopalakrishnan Again, we have an equal anxiety, the discussions are going on, and we hope that some decisions will come very soon, on the ethanol pricing. We are getting only the provisional price of Rs 27, so let us hope that some decision will be taken at the Government level.

Baidik Sarkar But normally it comes when the crushing season just start right, which is October and November, so we are already in that season, so any dates do we have?

Ravindra Singhvi There is no firm date by which we expect that decision to come.

Moderator Thank you. The next question is from the line of Bhavin Cheddha from Enam Holdings

Bhavin Cheddha I missed out on couple of numbers, Distillery and Co-gen on the consolidated level, what did you say the number was?

Gopalakrishnan Co-gen, on the consolidated is more or less equal to the standalone, 1447 lakh units produced versus 1381.

Bhavin Cheddha Sales volume, you said, was equal, almost two thirds.

Gopalakrishnan About two thirds is normally exported.

Bhavin Cheddha Realization you got on the power sales.

Gopalakrishnan Realization, all put together, for all the plants put together it is about Rs. 3.5 per unit.

Bhavin Cheddha Similarly on the distillery, what volumes you mentioned.

Gopalakrishnan Distillery consolidated, we sold almost at last year level of 133 lakh liters at a blended realization of about 29.

Bhavin Cheddha Sugar volume, you said 1.35 standalone and 1.59 consolidated, right, for the quarter.

Gopalakrishnan Correct.

- Bhavin Cheddha** And the free sale price at both the places was similar or it was slightly different.
- Gopalakrishnan** Slightly different, normally the Karnataka prices are about Rs 1 to 1.5 lower than the Tamil Nadu.
- Bhavin Cheddha** Okay, so on the standalone free-sale price was Rs 30,200 and around Rs. 30500 kind of a thing for the consol?
- Gopalakrishnan** Yes.
- Bhavin Cheddha** Sir, what will be capital expenditure plans in the standalone entity.
- Gopalakrishnan** We are doing some debottlenecking exercises. Otherwise capital expenditure is only normal, which is roughly equal to the depreciation like last year.
- Moderator** Thank you, the next question is from the line of Achal Lohade from JM Financials.
- Achal Lohade** A couple of questions, 1) I believe we also have plants in Andhra Pradesh, how is the situation there in terms of cane crushing, have you seen cane acreage coming down, significant impact on the yields because of monsoon worries.
- Ravindra Singhvi** It has just started, because this is the time they start the crushing. The planting in the sugarcane is not much of concern because Andhra has not faced any water shortage or any monsoon problem. Andhra is normal so there the operations are going to be normal this year.
- Achal Lohade** And secondly you say that the cane pricing announcement is due in Tamil Nadu as well, you said that that probably the cost of production could be Rs 32 a kilo for the season. I was just wondering in terms of SAP, what was the SAP last season, and what is the expectation on the overall sugar production for India.
- Ravindra Singhvi** Last year SAP for Tamil Nadu was Rs.2100 plus Transport.
- Achal Lohade** In terms of production outlook, how do you see for India as well as what is the estimate for 2 to 3 key states.
- Ravindra Singhvi** As far as India is concerned, we also hold the ISMA projection, which is 24 million tonnes, and regarding 2 to 3 states, Tamil Nadu will have the same 2.5 and Karnataka, is expected to be around 3 million, and Maharashtra, we expect about 6.5, and UP we expect about 8 million tonnes. UP is significantly gaining, Maharashtra is significantly reducing, and they both are compensating each other. The reduction in Karnataka, which is being reflected in the all India production.
- Achal Lohade** In case of Tamil Nadu, what is the growth, is it just same like last year? What was the production last year, Sir for Tamil Nadu?

- Ravindra Singhvi** 2.25 Million Tons
- Achal Lohade** So it is almost similar. We are not seeing a significant increase? Does that mean that when we say 20% increase in the standalone crushing volume, does that include Tamil Nadu as well as other states or it is only the Tamil Nadu state plants?
- Ravindra Singhvi** No, we are talking of EID standalone as of now, but yes, some improvement will be there in our other subsidiaries also.
- Achal Lohade** In terms of levy, I was just wondering how much of the proportion of sales for the quarter was levy sale and how much of the inventory is levy inventory?
- Gopalakrishnan** Levy sales during the quarter was about 16,000 compared to 6,000 last year same quarter. And out of the total stock of 52,000, about half of them are levy.
- Achal Lohade** And when you say 28, you valued at Rs. 28 a kilo, that is a blended?
- Gopalakrishnan** That is free sugar rate. Levy stock are valued at a selling price of 19,375.
- Achal Lohade** And another question I had on the exports. You said that you would not walk out of the contract whatever contracts we have. So I was just wondering in terms of strategy how does it work, do we actually maintain at 20, 30% of the volume as exports or we target to export 20, 30 of the production volume or it is depending on the price entirely?
- Ravindra Singhvi** So far the Export opportunity stands closed as of 30th September. And regarding the volume, whatever we commit and we produce we have no reason to stop it because we start production the moment we enter into contract.
- Achal Lohade** What is the lead time according to you in terms of actual the contracting and the exports typically for you?
- Ravindra Singhvi** It varies from say around 30 to 45 days.
- Achal Lohade** And is it lucrative enough right now to export cane crushing?
- Ravindra Singhvi** As of now it is not lucrative.
- Achal Lohade** And the last question I had in terms of how do you see the overall global demand/supply outlook, do you hold the same this is that prices would remain range bound or they will go down further?
- Ravindra Singhvi** This will be another year of the surplus in the International market. The production will be roughly over 178 million tonnes and consumption will be again about 178 or so. So global surplus is going to continue therefore the prices will be depressed or range bound around same

level. So we do not see much of the change in the international prices unless there is some major monsoon worries occur. I mean if the monsoon changes or weather conditions changes then there could be some ups and downs. Otherwise as it stand now the international market will not see much of the change from the present situation.

Achal Lohade When you say 5 to 6 million tonnes of surplus what is the year, is that April-March 2013 or October-September 2013?

Ravindra Singhvi Sugar year, October-September.

Achal Lohade '12-13. So that means Brazil's increased production outlook is already built in into that right?

Ravindra Singhvi Yes.

Achal Lohade And India's production of whatever 23, 24 million tonnes is built into?

Ravindra Singhvi India's is 24 and Brazil is higher. So other countries are also now showing resurgent in production like China, Thailand, Australia and all that, so this is another surplus year for the international market.

Moderator Thank you. The next question is from the line of Bharat Sheth from Quest Investment.

Bharat Sheth On 20% growth crushing you said post-standalone can you just elaborate how much were consolidated growth we are looking on crushing for consolidated basis?

Sajiv Menon Our subsidiary it is little difficult to comment because of Karnataka monsoon. It is really difficult to say that what will happen in Karnataka because things are still not clear. Although we feel that there will reasonably good crushing slightly better than last year but exact assessment it will take a little more time because we have just started the factories. All the three factories in Karnataka and one factory in Andhra have started. So we are yet to assess the current situation where it will lead to. As far as the EID standalone is concerned there will be growth in crushing in the coming year.

Bharat Sheth Normally, levy sales we say is 10% of the total sale, correct?

Ravindra Singhvi Yes.

Bharat Sheth Whereas in Q2, levy sales was more than 10% as well as our inventory is also more than 10% of the total inventory. So how that is really working?

Ravindra Singhvi Levy 10% government is entitled to lift as per their minimum quantum. So they lift 10%, sometime they lift little more, sometime they lift little less. It depends upon the festival situation, festival timing and the demand/supply scenario. So when they want to induce more sugar into the market and when the festival season are there, like this is the season when the

government lifting normally increases. So this time the government lifting has been higher in the levy.

Bharat Sheth I mean in Q3, levy sugar sales will be more than 10% correct?

Gopalakrishnan Since we value the levy only at the same price; Rs. 19,375 it does not matter whether the sales happen or it is in stock.

Bharat Sheth Can you throw something, about future of our Nutraceutical business as well as Biopesticide?

Sajiv Menon In terms of where we currently are for the half year for Bio we had, the business had grown from about 47 crores to 65 crores. Exports of Bio product which is a neem-based product which had almost doubled from Rs. 10 crores to Rs. 20 crores and as far as the Nutraceutical business is concerned exports have gone up by about 35% or so. We expect to maintain this trend.

Bharat Sheth Because in domestic market we were going through an investment phase, so when really profitability is likely to improve that which we are expecting by say 2015, you are expecting around 20% kind of EBIT for the wholesale business?

Sajiv Menon That is how it is even currently. At the consolidated level that is a kind of EBIT. But however, in domestic market, for the OTC products there is going to be considerable investment in brand building and therefore if you look at only the Nutraceutical part of the bio business, there the EBITDA will be lower in the initial years.

Bharat Sheth When we really reach that kind of EBIT level which we are expecting?

Sajiv Menon In about 3 years' time for the OTC part of the business. For the rest of the business we are already there.

Moderator Thank you. The next question is from the line of Falguni Dutta from Jet Age Securities.

Falguni Dutta I have just one question and it is a repeat question, I could not follow this when in Q1 you were carrying inventory at 24.5 and the price was 34, then excluding excise and all it was just August beginning. So like one was expecting the Sugar division to end in reasonable profit. So why a loss in that division?

Gopalakrishnan The price has started moving up from the period August end to September.....

Falguni Dutta But the cost we have considered is 24.5, realization as it is you have given as the....

Gopalakrishnan Correct, but the point is we also show significant quantity on levy and significant quantity on export. The opening stock also had levy as part of stock value. Export pricing was about 29.30 and that is one factor we have to keep in mind and the balance of domestic sales was spread

out throughout the three months. So I think going that way the average realization Rs. 30000 to Rs. 32000 was very appropriate.

- Moderator** Thank you. The next question is from the line of Ronald Siyoni from KR Choksey.
- Ronald Siyoni** Just wanted to understand that on the consolidated basis our sugar sales has more or less grown by about 10% and there is a 2 to 3% realization growth also. But still if you see the segment wise sugar revenues have been more or less flat YoY. So what I have been missing like? If you see last four to eight quarters about 140-odd crores have been contributed through subsidiaries.
- Gopalakrishnan** If you look at the consolidated segment reporting that is just the Sugar the PBIT has improved from (-35) to (-20).
- Ronald Siyoni** Only about revenues; 469 crores is the segment revenues for FY13 Q2, 462 was Q2FY12. There is no impact of 10% volume growth or realization growth of 2 to 3%.
- Gopalakrishnan** But the point is you will have to keep in mind that you have to see the overall increase in the cane price compared to last year as well.
- Ronald Siyoni** But just I am talking about realization on the revenue, it is not on the profitability. The volume has grown from 1.44 to 1.59 lakh tonnes consolidated and there is realization growth also about 2 to 3% and volume growth of about 10%. But revenue on Year on Year, has been similar; 468 to 469 crores.
- Gopalakrishnan** If you take the average realization is 28000 for the consolidated and the last year it was 27233. And in terms of overall sales quantity has gone to 158 Lakh MT from 144 Lakh MT.
- Ronald Siyoni** So there is 10% volume growth and about 2 to 3% realization growth?
- Ravindra Singhvi** Correct.
- Ronald Siyoni** So there should be about 10 to 13% growth in revenues of sugar?
- Gopalakrishnan** The Total income from operations includes other operational income items such as scrap sales, profit on sales of assets, etc.
- Ronald Siyoni** And this time the subsidiaries have not contributed during this quarter. So what would be the reasons?
- Gopalakrishnan** In terms of production have not contributed but in terms of sales, yes, they have contributed.
- Ronald Siyoni** And we may expect about 8 million tonnes on consol level crushing during the year?
- Gopalakrishnan** Yes, that is more or less the target which we are having.

- Moderator** Thank you. The next question is from the line of Bhavin Cheddha from Enam Holdings.
- Bhavin Cheddha** You mentioned your half of the inventory of 52,000 is levy which means that again you will have to sell it at 19375 when the Government lifts a price.
- Gopalakrishnan** One of the things is we are also carrying levy inventory of prior year which we believe will get canceled as we go along.
- Bhavin Cheddha** But if the government lifts the same then there would be almost Rs. 10 per Kg. If I get it correctly that is valued at Rs. 28 a Kg but if the government lifts it there would be a loss on that cost?
- Gopalakrishnan** No, whatever has been the levy portion is valued at 19000 because then the NRV is lower for Levy.
- Bhavin Cheddha** So there would not be any loss on volume?
- Gopalakrishnan** Yes.
- Moderator** The next question is from the line of Avinash Agarwal from Sundaram Mutual Fund.
- Avinash Agarwal** How much we should take from the NCDEX price for our realization? You said that there is an excise duty impact that I think would be about Rs. 100. Other than that how much should we remove to arrive at our ex-mill price.
- Ravindra Singhvi** Transport will depend on the distance. That has to be removed. It is Rs. 180 roughly. Excise will be about Rs. 100. Transportation cost would be about Rs. 80 or Rs. 90 with the current increase.
- Avinash Agarwal** And this exports you were saying government has not notified it yet, but was it not under OGL?
- Ravindra Singhvi** OGL is not there now. Up to 30th September the government notification is now over. So we are awaiting the fresh notification.
- Avinash Agarwal** So this notification comes every year? It is not like open till government does not denotify it, it is under OGL, it is not like that?
- Ravindra Singhvi** It is not year wise. Whenever government wants they release it. Nothing to do with OGL.
- Moderator** Thank you. Due to time constraints only one last question can be taken. The last question is from the line of Baidik Sarkar from Unifi Capital. Please go ahead.

- Ravichandran** I am Ravichandran. I have a question on this inventory. You said 50% is the levy which is valued at around Rs. 19.50 or around Rs. 20 and the overall value is Rs. 28. Does it mean that 50% of open sale inventory valued at something like Rs 35?
- Gopalakrishnan** No, I said the balance of inventory is at Rs. 28. Free sale inventory is 28 whereas the levy sale inventory is at 19.
- Ravichandran** The blended inventory cost will be between 19 and 28?
- Gopalakrishnan** You are right.
- Ravichandran** Another question is considering the delay in crushing in Maharashtra, in September there is 45 to 60 days delay in crushing. Does it result in lower inventory as of December end as compared to the inventory level in September end?
- Ravindra Singhvi** Yes, it looks that inventory by December will be lower than September because the consumption will continue at the same pace and the supply will not increase as per the consumption. So we feel that mid-November, December, the stock will start depleting.
- Ravichandran** So in that context if at all if there is an upward movement in price, as a strategy, when will you look at import as an option because my worry is if you remember four years back every company started importing suddenly and price has crashed from 40 to 28 and government panicked and told industries to import directly. So how as an industry we are going to avoid such a deep crash or as a company how are you looking at your competitor because the first company which is likely to move towards import may gain either you have to be a first company to import sugar or none of you should import sugar at all to maintain the prices at around Rs. 35, so how are you handling it as a strategy?
- Ravindra Singhvi** The question is very relevant. We are keeping our options open for the import but as of now the parity does not work out because on the import and selling for domestic market you have to keep 10% levy also and pay 10% duty. So at the current rates of dollar and current raw materials parity if we take it out then import cost itself work out to 34 plus. So as of now it does not look attractive. Maybe waiting for some time and the prices decline in the international market, at that time perhaps we can evaluate it. As of now prices are not very attractive to import.
- Moderator** Thank you. Ladies and gentlemen, that was the last question. I would now like to hand over the floor back to the management for closing comments.
- Ravindra Singhvi** Thank you everybody for participation.
- Moderator** Thank you. On behalf of Axis Capital that concludes this conference. Thank you for joining us and you may now disconnect your lines.