



“EID Parry Results Conference Call”

November 8, 2016





EID Parry Limited
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EID PARRY**



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Kashyap Pujara:

It is a great pleasure to have with us the management of EID Parry for discussing Q2 FY2017 earnings. From the management side, we are represented by Mr. Ramesh , Managing Director and Mr. Suresh, Deputy MD and Mr. Suri, CFO. Without taking too much time, I hand over the floor to Mr. Ramesh.

V. Ramesh:

Good afternoon. It is a great pleasure to be part of the analyst call for Q2, FY16-17. I will briefly give an overview of the Q2 performance. Let me start out with some key developments in the Sugar industry. In the month of August, the Government reintroduced the excise duty on ethanol supply to the oil marketing companies from 10th August. This has reduced the ex-mill price of ethanol by about Rs.4.5-5 per liter and therefore for the ethanol that we had already contracted to supply between August and November 2016 there was an effective reduction in terms of realization. The second important development was the production subsidy, which was earlier, announced for the sugar year at Rs.45 per ton. The Government had notified on 19th May that this scheme has been withdrawn stating that cane crushed up to the 19th May would be eligible for Production subsidy at Rs.45 per ton provided we meet the prorata exports quota supply and the supply of ethanol quantity we had tendered and contracted. The third thing is in terms of the sugar stock limits. The Government had started imposing stock limits on traders and in September 2016 they extended the stock limits to the sugar mills also.. Of course as far as the EID Parry is concerned all the sugar mills had stocks, which were well within the stock limits and therefore we were not impacted. The other one was on FRP. The Government has continued the FRP of Rs.2300 per ton for 2016-17 also. Further, during second half of September 2016 the Government appropriated for itself, the right to notify and fix the MRP at which the prices of essential commodities can be sold in the retail market. Sugar is one of the essential commodities, we do not know what the Government is actually planning to do in respect of sugar, but I think this was definitely an important development. As far as EID Parry is concerned, I would say it was a reasonable quarter. The sugar prices in Q2 were marginally higher than Q1 at about Rs.34 approximately per kg. In Q2 both the Karnataka and the AP mills did not operate as they usually commence crushing in Q3 only. Therefore, the crushing was only in Tamil Nadu mills, which are in special season and we crushed approximately about 9 lakh tons. In terms of Cogen, I would say negative development was that three of the four sugar mills in Tamil Nadu have a short term open access and not Power Purchase agreement with Tamil Nadu Electricity Board and therefore the average rate at which we exported power was just marginally about Rs.3 on an average in Q2. The distillery performance was reasonable both in terms of quantities sold as well as the rates are concerned. Now going forward as far as sugar is concerned, in Karnataka we have two units in EID Parry and one unit in Parry Sugar Industries Limited. Haliyal, which is an EID Parry unit commenced crushing operations on the 11th October. Ramdurg of Parry Sugars Industries limited commenced crushing operations on the 21st October and the

Bagalkot unit commenced crushing on the 2nd November. The AP Sankili unit commenced crushing on the 3rd November. We expect as far as the Tamil Nadu is concerned the first mill to commence crushing would be sometime in mid-December. In terms of the outlook as far as cane price is concerned I would say particularly as far as north Karnataka is concerned where the cane volumes are substantially less in terms of standing cane. Some of the other mills have offered prices, which are higher than FRP to get more cane, so that they can get more cane. As of now we have not made any such moves and we will wait and watch to see as to what we will do and how we will actually respond to the situation. Both the Bio and the Nutra businesses continued to do reasonably good as in the previous quarters and clearly as far as the longer term focus is concerned, both these businesses are working on new products and new applications. Overall I would say a reasonable performance and we are looking forward to Q3 and Q4 because as far as the sugar business is concerned the second half is very important in terms of the relative profitability as compared to the first half. I will hand over to Suri to share with you the financials and other details.

V. Suri:

Thank you Ramesh. Good afternoon to all of you, I am absolutely delighted to be part of this analyst call. I will just elaborate on the published results and also give some operational numbers for the quarter. We achieved turnover of about Rs 1157 Crores during this first half with about 7% increase over the last year. The PBT for the quarter increased from a loss of Rs.49 Crores last quarter Q-o-Q now to Rs.102 Crores positive. There has been quite a remarkable swing from the last year current situation to where we are now. As far as the half year is concerned we have declared a profit of about Rs.107 Crores. A corresponding number to that is about Rs.172 Crores loss last year. So, if you look at the overall numbers financially it has been a very satisfying half-year for us in terms of the top line and the bottom line. As far as the expenses are concerned overall in terms of the half-year we are in line with last year. As far as this quarter is concerned we have spent a little more by about Rs.11 Crores compared to last year primarily because the main season last year was shorter and so we commenced our factory repairs and maintenance earlier so we have taken their expenses on quarter earlier. Overall the cost reduction program, however, continues so we are completely in control of the overall cost. The other good story is that we were able to manage our working capital very well so we have reduced our finance cost by about Rs.8 Crores for the quarter from the previous year and Rs.18 Crores for the first half over the previous year. Hence, it has been a very tight working capital management and we had internal accruals which enabled us to now reduce the overall borrowings. As far as sugar is concerned we crushed about 9 lakh tons during this quarter only in Tamil Nadu with a recovery of about 8.5% similar to last year and we produced about 75,000 tons of sugar and about 1.2 lakh tons were sold during this period. Average selling price is around Rs.34 and we have carried a stock of about 85,000 tons as of 30th September. As far as the Cogen is

concerned we actually generated 11 Crores units and exported 7 Crore units and average rate was about only Rs.3/unit because we had primarily sold in IEX. So, we had a better number in terms of the volume, but the rate has come down because of the overall power situation in the country. Distilleries have very good story both in terms of volume as well as in terms of realization, we sold 150 lakh liters during this quarter, which is 14% more than the corresponding quarter last year on an average price of Rs.43. Ethanol we sold about 40 lakh liters and we are in the last stages of fulfilling the ethanol commitment for the production subsidy. Again as far as the Bio products top line is concerned, Ramesh has already said we had a good quarter, we had 20% increase to about Rs.50 Crores during this quarter, corresponding figure in the last quarter was about Rs.40 Crores. However, we had a slightly lower profitability because of the seed price which is raw material for the Bio products has gone up during the last quarter substantially. However, we continued to produce and sell, and the growth story of Bio and Nutra will continue on an average of about 20% this year also. We have a tight control in the Capex. We have not done any significant expansion in anywhere of the country. Only expansion, which has taken place, is in the Nutra business where we have put up additional ponds for Spirulina in Saveriyarpuram for expansion. All other Capexes are of regular routine maintenance Capexes. However, we continued to spend money on improving our handling of environment and safety, so this program continues. As far as the borrowings are concerned, we had reduced the borrowings to about Rs.1000 Crores, long term loans have come down to less Rs.1000 Crores and out of that about one-third of the loans are subsidized loans. The program to reduce the loans would continue and we will focus on the loan reduction as far as possible. This is the overall story in terms of numbers, so now I will open the discussion for any question and answers.

- Moderator:** We have the first question from the line of Achal Lohade from JM Financial.
- Achal Lohade:** Good afternoon Sir, thank you for the opportunity. Sir I missed the volume number for sugar sales volume, if you could repeat this?
- V. Suri:** We sold 1.2 lakh metric tons during this quarter.
- Achal Lohade:** Okay and the inventory is about 85,000 tons?
- V. Suri:** That is correct.
- Achal Lohade:** Broadly what is the valuation?
- V. Suri:** We value the stock at around Rs.29/Kg

- Achal Lohade:** Okay and you said cane crushed is 9 lakh tons at 8.5%, so that becomes actually about 72-73,000 tons of sugar.
- V. Suri:** You are right.
- Achal Lohade:** Okay. What is the outlook for the cane crushing for the coming season, are we looking at improvement? If you could talk a little bit about state wise how far you are looking at Karnataka?
- V. Ramesh:** As far as the cane crushed is concerned, we expect to crush about the same cane as we did last year at an overall level. We are going by the cane that has been registered with us across our command areas by farmers in the three states of Tamil Nadu, Andhra and Karnataka. Broadly as of now we expect to crush the same amount of cane.
- Achal Lohade:** Understood and any colour on the cane cost?
- V. Ramesh:** As far as the cane cost is concerned, we will go as per FRP in Karnataka, but a few mills have announced prices, which are much higher than FRP. The crushing has commenced only during the last two to three weeks, possibly you will have to bear with us for some time. Essentially at the end of the day, other mills want to offer higher prices. Hence, we may also have to look at various options. As of now, I would say it is a bit premature, but I think it is reasonable for you to expect that prices will be move up.
- Achal Lohade:** Correct. Sorry to bother you a little bit, if I remember correctly Karnataka had also passed the law with respect to linkage.
- V. Ramesh:** We are also aware of the linkage.
- Achal Lohade:** Okay. Sir, if I have to put it in the different manner, given the current realization what would be the linkage driven pricing according to you, what would be the cane cost?
- V. Ramesh:** It is very simple you yourself can work out let us say you take Rs.34 / kg x 75%. There are two ways, one is 70% plus byproducts or you can take 75% of sugar, so you take 75%, so 34×0.75 basically 25.5 and this is essentially for recovery of 9.5 %, so $34000 \times 0.75 \times 9.5\%$. Now it is possible other mills are getting a recovery let us say of 11%, which means they are getting 115% ($11\% / 9.5\%$) ie., $34000 * 115\% * 75\%$. Actually it would vary mill wise.
- Achal Lohade:** Correct, so around 2800 kind of number broadly?

- V. Suri:** Yes, broadly.
- Achal Lohade:** Assuming all the variables?
- V. Suri:** Correct.
- Achal Lohade:** How was your current sugar prices, are these 34, 43, expectation we have...
- V. Ramesh:** The government would like to see the current prices continuing. As far as the fundamentals are concerned, I can give you the old stock balance, stock balance at the country level opening stock of first of October 2016 is 7.7 million tons, expected production is about 23.3, consumption is 25.5, closing stock therefore estimated as of 30th September 2017 is 5.5.
- Achal Lohade:** You see the scope for imports?
- V. Ramesh:** At current international prices as of today it may not be viable, but the government can reduce the import duty from 40% to 0%. Even then it would be difficult. Assuming \$500 per Kg at Rs 67, which is Rs.34 per kilo plus local transportation, repacking of raws, etc., etc., I mean Rs.34 would not be justified.
- Achal Lohade:** The prices have to move up in that case.
- V. Ramesh:** Basically at current market prices at 0% import duty Rs.34 is not viable for import.
- Achal Lohade:** My other question was in that 23.3 million ton production volume, would you be able to talk what is the expectation for Tamil Nadu, Karnataka and Maharashtra and UP?
- V. Ramesh:** All kinds of estimates are floating around. As far as Maharashtra is concerned it is anywhere between 5.5 and 6.5 million tons, Karnataka is anywhere between 3 and 3.6, Tamil Nadu is anywhere between 1.4 and 1.6, so just a range I am giving you. These are all numbers which are floating and which are available in public domain.
- Achal Lohade:** That is fair. I just wanted to get your perspective, how are you looking at these scenario and specifically for us what is the overall cane cost we have accounted in the current year FY17?
- V. Ramesh:** I think my colleague Suri shared that we have only about 85,000 tons of stock as of 30th September. We sold 1,20,000 tons this quarter. Technically this is about two-month sales

so whatever therefore we are going to sell during the balance portion of the year is going to come out of cane we are going to crush and for which the cane cost is yet to be determined.

- Achal Lohade:** No, I was keener on knowing what is the cane cost for the current inventory we have?
- V. Suri:** The valuation as of now is Rs.29.
- Achal Lohade:** I understood. Just last question in terms of the Bio products business do you think that 20% growth is kind of sustainable and how about the margin any colour on the margin indication?
- V. Ramesh:** As far as the margin is concerned I think will be under some pressure because I think Suri did tell you that the neem seeds prices have gone up very substantially so you can expect a marginal reduction in profitability for the bio division for the second half.
- Achal Lohade:** Understood, thank you so much and I wish you all the best. I will come back in the queue.
- V. Ramesh:** Thank you.
- HR Gala:** What kind of capital expenditure you will have to do?
- V. Ramesh:** In terms of capital we are still talking about 60-70 Crores and that has not been changed for the last two quarters and there are no plans of change it as of now.
- HR Gala:** As far as sugar sale is concerned we have always maintained that around 5 lakh tons so you stand by that?
- V. Ramesh:** Plus minus 5% here and there, more minus rather than plus. As of now we have to move from month-to-month quarter-to-quarter, but that the broad estimate is correct.
- HR Gala:** As far as the yield is concerned what will be your overall expectation for the year?
- V. Ramesh:** Yield means you are referring to sugar recovery? On average it is 10%,
- HR Gala:** Around 10% we will be able to maintain?
- V. Ramesh:** Across all states.
- HR Gala:** Thank you very much.

- Nihal Parekh:** Good afternoon sir. Just a question Sir, what was our standalone debt without Coromandel as on September?
- V. Ramesh:** We have Rs.950 Crores of long-term debts and about Rs.73 Crores of short-term debt.
- Nihal Parekh:** What would be the working capital because you have already started production in Tamil Nadu?
- V. Ramesh:** We have not started production in Tamil Nadu. We have started production in Andhra Pradesh and Karnataka. As of September no plant was running. Everything started from October onwards. Currently three of our factories are running.
- Nihal Parekh:** Sir another question we had a long-term turnover of 500 Crores and an operating profit of 100 Crores on the Bio and Nutraceuticals.
- V. Ramesh:** I think may be some analyst estimate, so I do not think we have given any such estimates from our side.
- Nihal Parekh:** Is it possible to get to this number like at least in the Bio and nutraceuticals?
- V. Ramesh:** Very difficult to say, as of now I think we are nowhere near the kind of numbers that you are talking about and on year-to-year basis maybe we can give you an update
- Nihal Parekh:** Would we be able to pass on any increases like you mentioned in raw material cost in the end product for this division?
- V. Suri:** Yes, we have already done that. As the seed price has gone up, the prices have also gone up partly.
- Nihal Parekh:** So with a lag it would obviously get corrected?
- V. Ramesh:** Partly.
- Nihal Parekh:** What is the current pricing on an average current sugar realisation, would it be close to Rs.34?
- V. Ramesh:** The current pricing is about Rs.34, but it is fluctuating, but ballpark Rs.34 is okay.
- Nihal Parekh:** For all three states combined on an average?

- V. Ramesh:** On an average.
- Nihal Parekh:** Thank you. I will get in the queue if I have any further questions.
- Akshay Ajmera:** I missed on the debt reduction number how much you said?
- V. Suri:** We have a debt of Rs.950 Crores of long-term debt out of that Rs.350 Crores is subsidized loans and short term is only Rs.70 Crores.
- Akshay Ajmera:** Have you paid any debt during the quarter?
- V. Suri:** We have repaid debt Rs.21 Crores.
- Akshay Ajmera:** Rs.21 Crores we have repaid and for this repayment have we monetized any of our assets?
- V. Ramesh:** No, you have seen the results; we have internal accruals, so we have repaid debts, so there is no necessity for any monetization to repay these loans.
- Akshay Ajmera:** But are we on this thing?
- V. Ramesh:** Yes, the program is on to get the cash in to repay the debt earlier, so that program continues.
- Akshay Ajmera:** Sir my second question is on Bio products and nutra division. Sir we could not see for last couple of quarters like the revenue that we are looking at, so are we seeing any difficulties in marketing our product or something like that?
- V. Suri:** No, in the top line there is no issue at all, it is actually in this quarter also we are grown by 20%, as far as the selling of products is concerned we continue to sell with a growth of about 20% so there is no issue on the top line. As we were showing only the input cost especially in the bio pesticides division where our main cost has gone up substantially during this quarter so for which we have already shared, we also made some partial correction on the prices.
- V. Ramesh:** As a conscious strategy both the Bio and the Nnutraceutical businesses would reinvest a part of its money in terms of R&D for new products like Capex which is there in other businesses. This would be more in terms of revenue R&D expenditure, so part of the incremental profits would continue to get reinvest.
- Akshay Ajmera:** As of now the 20% growth is sustainable?

- V. Ramesh:** Sustainable at least for this year. I think as of now that is why I am saying we are not giving any estimate beyond 2016-17, so as of now 20% growth on bio and nutra put together for 2016-17 on EID Parry standalone.
- Akshay Ajmera:** Fair enough. Thank you so much, I will get back in the queue for next question, all the best.
- Deep Master:** I had one question on the debt. On the nonsubsidized part of your debt, which is around Rs. 600 Crores, what is your expectation on debt reduction on that part of the debt?
- V. Suri:** We are now repaying the debts on schedule, so, over the period of next two years most of our debts will get paid off and we expect to generate sufficient internal accruals to execute the debt reduction. Hence, we are not planning for any further debt.
- Deep Master:** In the distillery what are your expectations on pricing now that the pricing to OMCs on ethanol has come down?
- V. Ramesh:** As far as the distillery business is concerned it produces two sets of products; one is Ethanol for the oil marketing companies and second is Extra Neutral Alcohol, which is alcohol for human consumption and being sold to the Indian made foreign liquor unit. So essentially the thing is now obviously what actually happens is that last year the Government incentivized the sugar industry by offering Rs.45 per liter ex-mill for ethanol and therefore lot of mills actually delivered ethanol as compared to ENA. I think probably now you can see a slight switch, which will happen in favour of ENA this year.
- Deep Master:** But then what would your expectations on pricing be?
- V. Ramesh:** Obviously as far as ENA is concerned I think it would have to be priced above the ethanol, so basically I think that will actually continue. There will be a marginal decline. The price of ethanol started at Rs.45 per liter around 1st February, came to almost Rs.40 per liter by around .10th August, it is expected to come down to Rs.39 by 1st December. Therefore, if you take Rs.45 there will be a reduction.
- Deep Master:** Got it for the year?
- V. Ramesh:** No, I am saying for after first of December.
- Deep Master:** On the power side merchant power prices have been coming down so what are your expectations on pricing?

- V. Ramesh:** We are evaluating various options and may be will be able to tell you what are the options we are going in for in the next analyst call.
- Deep Master:** All right. That is all from me, thank you.
- Hitesh Doshi:** Good afternoon Sir. Congrats on great set of numbers. Just one question on bio products. Are our bio products competing on price with synthetic chemical pesticides in market place? I just try to understand that going forward how easy it would be to pass on the raw material price increase to the consumer?
- V. Suri:** Actually we are not competing against synthetic chemical pesticides, there is a separate market especially in the US and Europe, which is now driving this, so there is a demand for such products, pricing is not the real issue there, it is only demand creation and also coming out with new products. As Mr. Ramesh was saying that we are investing in these businesses to now create new products and new applications.
- Hitesh Doshi:** Are we selling our own brand or are we just manufacturing for others right now?
- V. Ramesh:** You are referring to bio pesticides. As far as bio pesticides are concerned they have been sold in our own brand under the Parry brand. If you take both Europe and US, they are fairly well evolved market where the farmers believes is the importance of going for organic kind of pesticides. As far as the Indian market is concerned, farmers look at cost versus synthetic versus organic. I think there a lot of farmers who believe that it is good for your soil and crop . Therefore basically in terms of soil enrichment and also in terms of its functional benefit we hope to actually increase the sales.
- Hitesh Doshi:** Sir these neem seed price increases due to that Government urea?
- V. Suri:** I think there are two reasons. One is definitely as far as the Government notification for coating of urea with neem has had an impact and secondly the arrivals this year have been substantially less..
- Hitesh Doshi:** Sir you mean to say this is a sustainable price in the market or seasonal?
- V. Suri:** We expect the prices to come down.
- V. Ramesh:** We are also working on various strategies to ensure that these costs are kept within control from the next financial year.
- Hitesh Doshi:** I understood right you are selling in US the bio pesticide products under our brand.

- V. Suri:** Correct.
- Hitesh Doshi:** This push by the American and European farmers towards bio pesticide is due to Government pressure or is they find better value in the market place for their products as it is organically grown or is it like or how do you explain this?
- V. Ramesh:** I would say basically cultural mindset in terms of the environment they have.
- Hitesh Doshi:** One last question on the sugar side, are we anywhere moving near this Rangarajan formula or Brazil model in Tamil Nadu and other states?
- V. Ramesh:** As of now no.
- Hitesh Doshi:** I mean we are just trying to understand more details in Karnataka or Andhra Pradesh if for some reasons sugar prices move down by Rs.7 or Rs.8 what you will pay to the farmer?
- V. Ramesh:** Let us say there is a revenue sharing price as worked told by the Rangarajan committee. If the revenue sharing price a less than FRP, FRP is still to be paid, you cannot pay less than the fair and remunerative price fixed by the Central Government.
- Hitesh Doshi:** But in some chance given if this sugar bull run is continuing Government may increase FRP next year right?
- V. Suri:** What they do is, once a year the committee on agricultural cost and prices CACP look at various factors and recommend to the Government in terms of what should be the fair and remunerative price and the Government takes that into account and they have been announcing the FRP for the year based on these inputs
- HR Gala:** Just a follow-up question, what is your outlook on Silk Road refinery?
- V. Ramesh:** As far as Silk Road refinery is concerned, we maintain what we said in the last two quarters that we are working for break-even operations for the current year at PBT level.
- Deep Master:** Hi, could you share any details on your non-core assets, are there any plans to hive off them to make any sales in the next two years?
- V. Ramesh:** You see the thing is as far as EID Parry is concerned we have a fair amount of properties and so I think we can expect about Rs.20-Rs.25 Crores per year. It is not so significant such as to completely dramatically change the bottom line, but we are looking at say a

contribution of about Rs.20-Rs.25 Crores per year in terms of bottom line impact for this year and next year.

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

Kashyap Pujara: My question was more pertaining to the overall industry, we have seen that production is now around 23.3 million tons, consumption is around 25 million tons and hopefully in the next few years consumption should move steadily upwards. In the past, India has never produced above 30 million tons or 28 million tons, so do you see a situation where periods of high carryover stocks are things of the past and going forward because your consumption will move closer to 26, 27 or 28 over time the production will be very difficult to take it up beyond the current point, so you will be in a situation where perpetually there will be less of carry over stock and more firmer prices, would that be your correct interpretation to draw?

V. Ramesh: Very difficult to say, if you take as far as consumption for the sugar year 2015-16, there is a very marginal reduction in consumption as compared to the previous year. Now, this is basically based on how we are estimating the consumption, it is basically opening stock of sugar at the mills plus production minus closing stock. We have no data on the stocks at the trade level, so broadly let us say that we believe that the consumption has not increased this year in the year 2015-16 as compared to 2014-15 and next year also even at the most we expect only 2% increase to 25.5 and this year's production of 2016-17 is expected to be 23.3. Now, if you see in the previous year the production has gone to about 27.5 and here the big fellows who actually determine the total quantity of production are Maharashtra and UP, in fact Maharashtra actually has gone even up to 19 million tons in one year and UP does about 7.5, so basically these two states will significantly determine what will be the production of the sugar as far as the country is concerned. Now the rains have been reasonably good as far as Maharashtra is concerned this year and I think we will have to wait till March to see what is kind of planting that actually takes place and which is available for crushing in the sugar year 2017-2018; Therefore, I think in terms of overall outlook, given the fact the stock levels are expected to come down over the next 12 months you can predict as to how the sugar prices will move, but thereafter I think better to pick it on a year-to-year basis. It is very difficult for a sugar industry to go too much into the future because of the fact that Government also has got a lot of role to play. Further, we do not know how the international price of sugar will move one year down the line and so on.

Kashyap Pujara: I get your point, but the point is that at this point in time international sugar is actually more expensive to import than domestic prices, which are prevailing currently. This is not something which can be assumed to remain static over the future, but if there were a point

where international prices were in the kind of zone they were and domestic situation would be such that consumption is at a higher point and physically maybe it is difficult to move the country's production level beyond a certain point then would we be in a situation, it is not now, maybe three, four years down the line India could be like a permanent sugar shortage market or a permanent short market rather than a surplus market or would it be possible to keep increasing production because the more Government interferes and tries to regulate also stipulate the investments that corporates can make in this industry at the same time, so if that were to pan out then they need to improve the structure of the industry so that everyone has a level playing field and there are more investments that go in the system, but going by patchy regulations here and in a point of shortage it will be difficult to expect value, so would it be fair to say that over a three to four year view as an industry veteran would you see that this industry is going to rise from the ashes ?

V. Ramesh:

First of all I am not a veteran and secondly the thing is what I also want to tell you is in the sugar industry I think beyond two years it is very difficult to predict. I think the next four quarters it will be reasonably okay as far as the sugar industry is concerned and the stock levels would have come down from 7.7 to 5.5, at the best it can go back to 7.7 by September 2018, so it should not be very bad also in sugar year 2017-2018, beyond September 2018 let us wait.

Kashyap Pujara:

Fair enough. I had a last question, which was mainly pertaining to the pricing and that was that while we have stock limits now and maybe in this festive season the Government does not want the pricing to really spike up, but post that, could we see a situation where we would not have sugar coming to the market, but there will be demand which continues, so that would basically scale up the pricing going ahead and considering that it is expensive to import, maybe after the festive season from February, March do we expect sugar prices to actually start moving?

V. Ramesh:

Definitely I will tell you for the next few months with lower cane available and pressure will be on the mills to pay the farmers on time to get back the cane. Hence, I think there will be some pressure for cash management as far as many mills are concerned. After March what will happen is by and large in terms of what planting has happened during the next six months across Maharashtra, UP, Karnataka which in turn will determine the sugar available for 2017-18 . This will possibly drive sentiment and prices. As of now it is a bit difficult to say, I mean even though in sugar industry we find it difficult to predict how the sugar prices will move.

Kashyap Pujara:

I think this has been very helpful. Thank you so much. I do not have further questions.

- Moderator:** Ladies and gentlemen, we will take the last question from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** Thank you for the opportunity once again. What I wanted to check is you mentioned that the Government actually modified the law for the MRP for the essential commodities and sugar is part of essential commodities. Would you be able to elaborate a little bit what exactly it probably means? What are your thoughts on that?
- V. Suri:** It is very difficult. The thing is basically you are aware the prices of pulses, dal, essentially the thing is lot of these essential commodities have been on the rise on account of mismatch in terms of demand and supply. Basically the Government has given itself the right to prescribe the MRP rates at which these prices are sold on the retail. We really do not know and I do not think it got very actively reported, but essentially it is with the intention to manage the inflation.
- Achal Lohade:** Understood, and in terms of the distillery production for the quarter, if you could talk a little bit about that?
- V. Ramesh:** You are referring to Q2 production?
- V. Suri:** We produced 150 lakh liters.
- Achal Lohade:** What is the expectation for FY2017 full year if I may ask?
- V. Ramesh:** Approximately I think, in terms of the cane as I told you earlier, it is expected to be the same as previous year, therefore molasses and distillery production should be at the same levels as previous year. Overall, it is both ENA plus ethanol.
- Achal Lohade:** What is the proportion of ENA and ethanol mix as of now?
- V. Ramesh:** You should take 12 months because they are on a December to November contract, the oil marketing companies, approximately 30% was ethanol and 70% was ENA. Now ethanol could marginally decrease.
- Achal Lohade:** On the tax rate what do we build in for FY2017-2018?
- V. Ramesh:** MAT.
- Achal Lohade:** Thank you so much Sir.



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Moderator: Thank you. Ladies and gentlemen that was the last question for today. I now hand the conference over to Mr. Kashyap Pujara from Axis Capital for closing comments.

Kashyap Pujara: Thank you so much everyone and especially the management of EID Parry to patiently answer all the questions. Thank you so much Sir.

V. Ramesh: Thank you.