

**“EID Parry Q4 FY2010-2011
Results Conference Call”**

April 29, 2011

Mr. Kashyap Pujara:

Good evening everyone. It is a pleasure to have EID Parry conference call for the fourth quarter FY11. From EID Parry's side we have Mr. Ravindra Singhvi, Managing Director, Mr. Gopalakrishnan, Vice President (Finance) and Mr. Sajiv Menon, Business Head (Bio & Nutraceuticals Business). We will begin with remarks on the results followed by a Q&A session. I would like to hand over first to Mr. Ravindra Singhvi for the opening remarks.

Mr. Ravindra Singhvi

Thank you Mr. Pujara. Hello everybody and very good evening to you all. Thank you very much for joining us today.

Typically the last quarter has maximum crushing and we have been able to take advantage of this to close the year on a positive note. In this quarter our cane planting increased by around 33% over Q4 of 2009-10. We crushed about 14 lakh MT of cane and had sales of about 1 lakh MT, both of which have increased by about a third as compared to the last quarter of previous year. Recovery during this quarter has improved by 0.5% compared to the last year. Further, performance of the distillery has increased by 128% in the quarter in comparison with the same quarter of prior year. The marginal drop in current quarter profits, due to a higher cane price by 14% and lower realization by 15% compared to previous year Q4, was partly offset by higher recovery, exports to grid and alcohol revenues. In addition, we have paid an Interim Dividend of 200% in this quarter.

Sugar Division performance for FY 2010 – 11:

We crushed about 11% more than the previous year. The sugar margin has been depressed during the year due to higher cane price and lower sugar realization. Our total sugar sales for 2010 – 11 were 3.21 lakh MT with an average realization of about Rs, 26000 / MT. Total Cogen export for the year showed a 22% increase over the previous year and alcohol sales for the year recorded a growth of 68% over previous year.

We are both hopeful and confident as we begin the new financial year. The investments we made couple of years back is expected to yield full year benefits from this year. With a series of measures aimed at improving the overall productivity and value addition, our operations in 2011 – 12 will be better. Developments on the external front have also been encouraging. Towards the end of Q4 we benefitted from the limited exports that were allowed.

Our acquisitions viz., Parrys Sugar Industries Limited and Sadashiva Sugars have shown encouraging performance. We have started seeing the benefits of synergizing operations.

The Bio-pesticides business has reported a good growth of over 60% in turnover and profitability in current year supporting the overall profitability of the company. We have plans in place to accelerate their growth in next year.

Mr. Gopalakrishnan:

The consolidated turnover for the quarter is Rs.1840 crores compared to Rs.1698 crores same quarter of previous year. The quarter's profit after tax before minority interest stood at Rs.146 crores against Rs.128 crores same quarter last year. The consolidated turnover for the year was Rs.9231 crores against Rs.7555 crores last year and the profit after tax before minority interest for the entire year stood at Rs.555 crores against Rs.567 crores last year.

Sugar Division including the subsidiaries crushed 22.58 lakh MT for the quarter compared to 14.61 lakh MT prior year same quarter, registering about 55% increase. During the quarter the sugar production stood at 232,702 MT, an increase from 137,790 MT same period last year. The power exported was also significantly higher at 1464 lakh units compared to 1256 lakh units same period last year.

The sugar business overall reported a profit of Rs.92.70 crores for the quarter compared to Rs.40.43 crores same period last year.

In terms of Bio products division comprising of Bio pesticides and Nutraceuticals, profit almost stood at the same level of about Rs.5.27 crores for the quarter compared to Rs.5.35 crores same period last year.

The Farm Inputs division comprising of our operations primarily at Coromandel International registered a gross income of Rs.1179 crores against Rs.1380 crores in the same period last year and the farm input division reported a profit of Rs.100 crores compared to Rs.144 crores for the same period last quarter.

Mr. Rishab:

Congratulations sir on a good set of numbers. I understand that the increase in profitability is on account of higher revenues because of good set of numbers in each division despite being lower realization and higher cane cost. Could you throw some light, could this be the case going forward as well and what was the kind of area increase which led to higher volumes, I mean one-third increase in volumes.

Mr. Ravindra Singhvi:

In previous year, the total area was about 93000 acres and in current year, we have done planting is about 105,000 acres.

Mr. Rishab:

So this increase of closer to 12000 acres has led to increase in one-third volumes?

Mr. Gopalakrishnan:

This 105,000 acres reflects planting in 2010-11 and will result in higher cane during the current year 2011-12.

Mr. Rishab:

Okay. So there will be further volume growth coming in the year 2012-13.

Mr. Ravindra Singhvi:

We will see growth in 2011-12 as well.

Mr. Rishab:

What about the realization sir, how do you foresee about the realization movement going forward, because increased production numbers will some sort of pressurize the realization?

Mr. Ravindra Singhvi:

You see, if the overall sugar production in the country goes up, which we feel so and with good monsoon the sugar production may be little higher than the year we are discussing, so in that case the prices may have some pressure, but the price is the determinant of many government policies, exports allowed in the international market, international pricing etc. So there are many factors which lead to the change in the pricing.

Mr. Rishab:

And on the cost front this year we had seen an unexpected rise from Rs 165 to 190 / Quintal on cane price in Tamil Nadu, what could be the probability that this could be further enhanced equally going forward or do you see some moderation in increase for cane prices?

Mr. Ravindra Singhvi:

Farmers are earning good revenue in the present cane prices but I feel some cane price increase may be in the offing. There may be some moderate increase in the cane price in current year.

Mr. Manish Goyal:

Good evening. A couple of questions, first on the Bio Pesticides, just wanted to know that on a standalone basis we have seen that the profit is basically higher but when we see the consolidation despite higher revenues the profit has come down, basically the number which I am referring is that on standalone your bio product profit is 8.2 crores for the quarter and for the consolidated it is only 5.3 crores, despite your revenues going up from 32 crores to 50 crores. So, just wanted to know is it due to US operations?

Mr. Sajiv Menon:

Yes, you are right. The bio numbers that have been reported is consolidated between the bio product business which is largely the Bio Pesticide business and the Nutraceuticals business including our Subsidiary company based at USA.

Mr. Manish Goyal:

Okay. Can you probably guide us that in FY12 how do you see this standalone revenues and profits to grow.

Mr. Sajiv Menon:

As we see things today, we expect both these businesses to grow and our expectations are fairly bullish on both these businesses. If you look at the Bio Pesticide business, there is an upswing both in the export market and in the domestic markets. In the export market, now that the days of intense recession are over, the demand has picked up both in Europe and in US, and in the Indian markets there is increase in accepting the Bio Pesticides because many of the larger farmers are seeing an opportunity to extend the life of the conventional chemical pesticide, since we are bringing in one year of application of Bio Pesticides and thereby giving a break to the use of chemical pesticide, the farmers are able to extend the efficacy and the life of the chemical pesticide. Otherwise the pests would become immune to the chemical pesticides and then they will have to switch to newer molecules and most of the newer molecules in the synthetic range are fairly high priced. So, that is now opening up an opportunity in the domestic market too. As far as Nutraceuticals business is concerned, we are looking at an entry in the OTC space, (over the counter space) so it is going to be a period of business building for the next couple of years because we will be setting up a distribution network, we also need to build the brand. So it is going to be more a process of building the business for the next couple of years.

Mr. Manish Goyal:

Okay. So, basically you expect that the Nutraceuticals business to incur losses in current year also?

Mr. Sajiv Menon:

It will be kind of a breakeven for the current year for the Nutraceuticals business because there is going to be a fair amount of investment going into brand building.

Mr. Manish Goyal:

Can you just give us a sense like what kind of investments you are looking at?

Mr. Sajiv Menon:

Much of the investments that we are doing are going into brand building and also into creation of a distribution infrastructure apart from investment in science, which is basically investment in clinical trials to establish efficacy of product which will help us to make claim. So, those are the three major investments, apart from limited capital investments for entry into some new product that we are contemplating.

Mr. Manish Goyal:

Okay, so what kind of top line growth you are seeing for both Bio pesticides and Nutraceuticals business?

Mr. Sajiv Menon:

In Bio Pesticides, we expect to maintain the same tempo. The growth in for top line was almost about 60% last year to this year and we expect it to be even higher. Nutraceuticals will have a fairly significant growth in the top line.

Mr. Manish Goyal:

In two to three years what kind of margins should we expect?

Mr. Sajiv Menon:

Most of the product segments that we are getting into, the contribution are typically in the range of about 40% or so

Mr. Sajiv Menon:

Since the volume going up, there would be a scale up advantage as well.

Mr. Manish Goyal:

Can you give us a sense that in three years in both these businesses what kind of total revenues we can expect?

Mr. Sajiv Menon:

We mentioned earlier, we should be in the range of about Rs 400 to 500 crores for both the businesses put together.

Mr. Manish Goyal:

Okay. If you are looking at the consolidated segment result, the share in joint venture is showing a loss of 31 crores in Q4 and for the full year it is 42 crores. So, is it for sugar refinery?

Mr. Gopalakrishnan:

Yes, it includes our Silk Road refinery.

Mr. Manish Goyal:

Okay. And how do we see it going forward sir, what kind of volumes we did in FY11 and what kind of volumes we expect to do in FY12 sir?

Mr. Gopalakrishnan:

As we mentioned in the last quarterly results conference call, the commercial production for this unit started somewhere in September 2010. From that time onwards we are continuing to have production not to the full level but to the extent of about 30 to 40 to 50% because of the stabilization and ramp up that is required. This plant requires a long stabilization period and right now we are continuing to ensure that it operates at small levels to ensure that all the machineries synchronize. We do expect this to take another few more months and then possibly increase the production to the stated levels of 2000 tons per day.

Mr. Manish Goyal:

Have we contracted any volumes on the raw sugar here?

Mr. Gopalakrishnan:

We have not done any significant contracts.

Mr. Manish Goyal:

But ideally what we will be looking at 70 to 80 dollars premium?

Mr. Gopalakrishnan:

We think we should go back to about 100 to 105 which is the medium term average.

Mr. Manish Goyal:

If you can just provide us some data points for the full year numbers for sugar cane crushing, sugar production, and sales?

Mr. Gopalakrishnan:

During the quarter we crushed about 22.58 lakh tons of cane and in full year we crushed about 42.83 lakh tons against last year of 32.24 lakh tons.

Mr. Manish Goyal:

And on sugar production side

Mr. Gopalakrishnan:

For the entire year we produced about 4.08 lakh tons of sugar against 2.92 lakh tons of sugar last year.

Mr. Manish Goyal:

Recovery has been at what level?

Mr. Gopalakrishnan:

Recovery is about 0.5% increase this year compared to last year.

Mr. Manish Goyal:

And in terms of sales number if you can provide?

Mr. Gopalakrishnan:

Sales number, the total sales including the levy, was about 4.2 lakh tons against 3.8 lakh tons last year.

Mr. Manish Goyal:

Can you share the numbers on the power production and exported also for the full year.

Mr. Gopalakrishnan:

The units exported is about 43 crores units for the year, compared to about 33.8 crores units last year and power produced is about 63 crores units has been generated against about 50 crores units generated last year.

Mr. Manish Goyal:

Can you provide the distillery details?

Mr. Gopalakrishnan:

Distillery sales was 413 lakh liters compared to about 262 lakh liters last year, and production was more or less the same level.

Mr. Manish Goyal:

And how do we see Power realizations?

Mr. Gopalakrishnan:

Realization varies between different factories in Tamil Nadu as well as Karnataka. One of the highest power tariff factories was Sadashiva Sugars where the realization was more than Rs 5 because it is a third party sale. In one other factory in Tamil Nadu, Pettavaithalai, we get around Rs 4.5. Otherwise the blended rate is about Rs 3.70 to 3.80/unit.

Mr. Manish Goyal:

Can you give us a target for FY12, what kind of crushing is expected?

Mr. Gopalakrishnan:

We should expect a growth of about 15% to 20%.

Mr. Manish Goyal:

And you expect improvement in yields also?

Mr. Gopalakrishnan:

Yields should at least be same but yes we should expect some marginal improvement.

Mr. Avinash Agarwal:

What would be the volume of the refining that we have done this year?

Mr. Gopalakrishnan:

In the case of refining, this year has been more of a stabilization period and I think therefore it is better if we share once we attain the full level of production. Right now I do not think the refining numbers will be significant in the context of the overall operations.

Mr. Avinash Agarwal

Any targets for next year sir, in terms of refining assuming we stabilize in four months?

Mr. Gopalakrishnan:

As you know, 2000 tons per day and 600,000 tons per annum are the capacity. So, once we stabilize, we should strive to get into the 2000 tons per day.

Mr. Avinash Agarwal

There are reports that Thailand may surprise on the upside and you know Thailand normally exports the white sugar. So, do you see any pressure on the white or raw spread going forward?

Mr. Ravindra Singhvi:

You see the spread in white and raw sugar are still not very attractive. Thailand has produced more sugar than the original projection, but I mean even after that report, nothing has changed. So, globally I feel, that will not bring a major change, margins are already quite low, so in fact some surprises are there from other crops also, from other countries. Hence, more or less it will neutralize.

Mr. Avinash Agarwal

And, did we export sugar this year?

Mr. Ravindra Singhvi:

We did export sugar.

Mr. Gopalakrishnan:

We had a ALS obligation of 22,600 tons which we fully exported during the year.

Mr. Avinash Agarwal

We did not do anything under open license?

Mr. Ravindra Singhvi:

OGL has been announced only recently, so now we contemplate to export some quantity.

Mr. Avinash Agarwal

Okay sure. Any idea about I think you mentioned about the increase in acreage 93,000 to 105,000, I mean could there be an addition further going down during the season or do you think this would be the kind of increase we can see for next year?

Mr. Ravindra Singhvi:

This is only for EID, PSIL is separate. In EID we expect some increase will happen this year also.

Mr. Pankaj:

A couple of things, one on your capex plans. Do you think the big capex plans are something which is behind us or do you have further incremental capex plans going forward in FY12 and 13?

Mr. Ravindra Singhvi:

No, we do not have any major capex plan, only some debottlenecking of the equipment is taking place. We have already spent lot of amounts in the previous years; so now we are in the course of realizing the benefits from those investments.

Mr. Pankaj:

Okay, so any amount would you kind of let us know or what kind of amount you are looking in FY12?

Mr. Ravindra Singhvi:

Debottlenecking will involve about, EID Parry will invest about 60 to 70 crores.

Mr. Pankaj:

Okay. The second question is on Silk Road. If I remember your previous transcripts and you know your conference calls, probably somewhere in September you were of the view that probably three to six months should be the max where the refinery should settle down and ramp up. Just can you throw light on what teething problems you are having in Silk Road which is preventing the ramp up of the refineries?

Mr. Ravindra Singhvi:

As such there is no technical teething problem. I mean during the course of testing and trial production, we have already tested the full quantity of 2000 tons per day and power generation also. As such there is no teething problem, but yes I mean consolidation is taking place and it may take some more months to come on the stream.

Mr. Pankaj:

Okay. So, probably first quarter should be a good way to look at stabilization?

Mr. Ravindra Singhvi:

First quarter is not an exact time frame for stabilization. It will take a little more time.

Mr. Pankaj:

On your two other businesses, the Bio Pesticides and Nutraceuticals, if I remember correctly one of your Neem products was doing extremely well in the bio pesticides, and one of your biggest products was Spirulina which you had shown tremendous volume growth. Can you just give us some sense how those two things are moving in the two different businesses.

Mr. Sajiv Menon:

Yes, both those products continue to do very well, the Neem-based products which are technically known as Azadirachtin where they have been sold both in the technical form and the formulation, and the technical form is being exported while formulations are being sold domestically. We have seen growth in excess of 50% over the previous year. As far as Spirulina is concerned, again there has been fairly significant growth in terms of percentage it is something like about 30% or so compared to previous year.

Mr. Pankaj:

And your other product which is a tomato based extract which is manufactured by your subsidiary Parry Phyto?

Mr. Sajiv Menon:

Well, that product is Lycopene, there again we have sold close to about 30% higher than what we had sold in the previous year.

Mr. Pankaj:

If I look at your first half, you had a growth of about 70% over the previous year. So, did the second half have de-growth in this product?

Mr. Sajiv Menon:

Actually, the demand for the tomato based product is lot more in the first half than in the second half. That is the normal trend. Some of these are major European customers; they place orders in bulk for about two quarters at a stretch and then sell into the local formulations.

Mr. Pankaj:

How big is this Nutraceuticals business now?

Mr. Sajiv Menon:

The turnover is in the range of about 50 crores from EID Parry. Combined with Valensa and Phytoremedies, the total turnover will be in the range of 110 crores plus.

Mr. Pankaj:

Which structurally you think can move up to 400 to 500 crores over the course of the next three years?

Mr. Sajiv Menon:

The figure of Rs 400 to 500 crores referred is the combination of this Nutraceuticals business and the Bio Pesticides.

Mr. Pankaj:

And what kind of numbers can we work on for the next year in terms of sugar crushing?

Mr. Gopalakrishnan:

As we have stated earlier, we expect 15 to 20% increase in the crushing.

Mr. Pankaj:

Any thought process in the minds of management what to do with the cash that will be generated during the year? Whether return to the share holder will increase?

Mr. Ravindra Singhvi:

Presently we have to consolidate our operation.

Mr. Gautam:

Couple of questions, one, why is the tax negative, in the sense that some write back there?

Mr. Gopalakrishnan:

Yes, this is the deferred credit; under IT there is a business loss

Mr. Gautam:

On the Silkroad, is there any technical issue or is there any issue of business dynamics between raw sugar and white sugar?

Mr. Gopalakrishnan:

As we said that we started the commercial production some time September or so, we said we require 6 to 9 months to stabilize at that time and we are continuing to ramp up.

Ms. Abhilasha:

What is the sugar inventory you are holding end of books as of now and at what cost you are holding it?

Mr. Gopalakrishnan:

In EID Parry we are having close to 40,000 tons of inventory and these are a mixture of cost and NRV. You know that the selling price is approximately 26,200 at this point in time and the production cost over the year is about Rs 23,000 to 24,000.

Ms. Abhilasha:

And what is at the Sadashiva Sugars.

Mr. Gopalakrishnan:

Sadashiva Sugars crushed about 3.36 lakh tons of cane during the year and produced about 36,700 tons of sugar during the year and sales of about 16 900 MT

Ms. Abhilasha:

What is the production cost at Sadashiva Sugars?

Mr. Gopalakrishnan:

Sadashiva will be about Rs 24,000 to 25,000 per MT

Ms. Abhilasha:

What is your current debt level on the books?

Mr. Gopalakrishnan:

The total loan fund stands at 654 crores compared to 575 crores last year-end.

Mr. Kashyap Pujara:

Mr. Ravindra Singhvi, if you can, is there any closing remarks that you would like to make.

Mr. Ravindra Singhvi:

We thank all the analysts to have spared time and attended this conference and we hope to meet in the next quarter again.

Mr. Kashyap Pujara:

Thank you so much and thanks to the entire management of EID Parry to sparing time for this conference call. Thank you so much.

Mr. Ravindra Singhvi:

Thanks a lot Mr. Pujara.