



“EID Parry Limited Q4 Financial Year 2014”

May 19, 2014



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Moderator: Ladies and gentlemen, good day and welcome to the EID Parry Q4 FY 2014 Results Conference Call, hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kashyap Pujara. Thank you and over to you Sir!

Kashyap Pujara: Good afternoon everybody. It is a great pleasure to welcome the management of EID Parry today on their Q4 Earnings Call. From the management side, we have Mr. Ramesh, who is the Managing Director, Mr. Suri, who is the CFO and without taking too much time, I now hand over the floor to Mr. Ramesh. Over to you Sir!

V. Ramesh: Thank you Kashyap. It will be I think matter of great pleasure to be part of this analyst call for Q4 and for the year 2013-2014. For me, this is the first analyst call having joined the EID Parry about three and a half months back.

As far as the year 2013-2014 was concerned, I would say it was a very challenging year for EID Parry more specifically as far as the sugar segment is concerned, we had a substantial degrowth in sales primarily arising on account of the fact that sugarcane that we crushed fell by about 24 lakh tonnes approximately, out of which 23 lakh tonnes was lowered cane that we actually crushed in the Tamil Nadu-Pondi area and this itself also coming essentially from lower rainfall and I think this was the second or the third consecutive year when there was a drought in Tamil Nadu and this led to lesser cane availability and therefore we actually crushed less and the other one lakh tonnes shortfall coming out of Sankili plant in Andhra Pradesh.

So overall with the lower production we actually sold less. Of course the prices of sugar were fairly depressed in the second half of the financial year and therefore we carry forward more stocks into 2014-15 as compared to the previous year. Therefore we were focused on improving our internal operating efficiencies. We focused on improving recoveries, recoveries actually increased by about 0.5% for EID Parry from 9.34% to 9.84% and also looking at conservation in terms of cash and expenses.

We believe that these initiatives will hold us in good stead when we actually go into the New Year. Going forward we believe that the availability of cane for which the planting has already been done across all the three states of Tamil Nadu plus Pondy, Karnataka and AP. We will have about 12% to 15% more cane available in the year 2014-15 and consequently to an extent of our production should actually go up.

In terms of pricing, in Tamil Nadu the state had advised the price of 2550 per tonnes plus transport as against which we are paying only 2250 plus transport expenses. The Rs.300 per



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tonne cane difference continues to be unresolved and we hope that we will be able to resolve it may be in the next two to three months in discussion with the Government of Tamil Nadu.

As far as Karnataka is concerned there committee has been constituted for the Karnataka government to actually decide on the State Advisory Price. We have one unit which came to us through Parry Sugar and there the price that has been advocated to 2500 ex-field. We have held on to the pricing as per the Rangarajan Formula and we have told the government that we would not be able to pay more than Rs. 2000 ex-field.

The case has come up in the court. So overall I would say the cane pricing issues are unresolved both in Tamil Nadu and Karnataka as far as the state advisory prices are concerned.

In terms of pricing one of the positive things that has happened is the prices have gone up since March. You are aware the prices were quite depressed, I think, between October 2013 and March 2014. The prices have started looking up. On an average the price has gone up between the three states where we actually operate between Rs.2 and Rs.2.50 per kg, which I would say is the very positive move because one of the main reasons of course the overall sugar industry was in dire shape last year was on account of lower prices. So I think one positive thing is definitely in terms of prices.

We believe that these prices will hold till the commencement of the new sugar season, which is 2014-15. One other development that I need to inform you is as far as the sugar refinery operations is concerned you are aware that we will have 2000 tonnes refinery at Kakinada and which could not be commissioned for nonavailability of gas for the last two years. We have now put together coal fired boiler. The commissioning has already happened and we believe that we should see the sugar refinery in operation in the next few days and I think we should start the production of the sugar by end May early June. So I think one more positive thing that is happening as far as the EID Parry is concerned.

In terms of the Bio and the Nutraceutical segment both the segments had very good performances in the year 2013-14. If you take the Bio-pesticides the sales grew by about 32% and the profits grew by about 47% and the sales driven equally between domestic and export sales of Neemazal Technical and the profits of course also driven largely by volume growth because this the pretty high contribution business and therefore a large portion when there is an increase in sales there is more than equal and increase and profitability.

In terms of the Nutraceutical business Spirulina did extremely well last year and we saw the standalone Nutraceutical business growing by about 18% while the profits I think grew far more substantially as compared to last year. So overall I think the Nutraceutical business and the Bio-Pesticides business are definitely showing that they have lot of potential to grow in the near future and will continue to contribute in terms of overall profitability.



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So overall to summarize as compared to previous quarter when we have the analyst call and we are having analyst call now and we are definitely in a more positive frame of minds and we look forward to the year 2014-2015 with cautious optimism.

So these are the opening remarks I wanted to make and I would now hand it over to Suri to share the financials with you. Thank you over to Suri.

V. Suri:

Thank you Ramesh and good afternoon to all of you. I will just summarize the financial performance of the company, on a standalone basis for the quarter that is Q4 and for the year 2013-2014.

The standalone turnover for the quarter was Rs.542 Crores in comparison with the corresponding quarter of the previous year Rs.635 Crores and that is before and then profit before depreciation interest and tax EBITDA before exceptional items was Rs. 137 Crores in comparison with corresponding quarter of Rs. 157 Crores.

The standalone profit for after tax for the quarter was Rs.85 Crores against the corresponding quarter of the previous year Rs.5 Crores. The standalone turnover for the year 2013-2014 was Rs.1767 Crores against previous year of Rs.965 Crores and the EBITDA was Rs.262 Crores against the previous year of Rs.340 Crores.

The standalone profit after tax was 27 Crores for the current year against the previous of 332 Crores. The previous year of 332 Crores includes an exceptional item of dividend of Rs.265 Crores in the form of bonus debentures from Coromandel. Now during the year actually we had applied for an amalgamation of Sadashiva Sugars with EID Parry and the High Court of Karnataka had approved this amalgamation of Sadashiva Sugars and assets have been transferred and invested in the company on the May 8, 2014 with effect from April 1, 2013. Already the Sadashiva Sugars was 100% subsidiary of EID Parry.

I want to bring it to the notice of the analysts that the Sadashiva merger, which actually impacted by a loss of 42 Crores for the year, which actually got accounted in the quarter in EID Parry and hence impacted both this Q4 and full year 2013-2014.

Due to this merger the opening reserves reduced by about 95 Crores. In effect the total impact of the profit and also results is about 137 Crores on account of this merger. Also we had one change in our useful life of our plant and machinery. We reviewed the useful life and then revised the useful life of plant and machineries from 14 years to 19 years. The effect has reduced the depreciation by about 29 Crores. We have given effect in the quarter and full year financials of 2013-14.



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The consolidated sugar operations reported a profit of Rs.131 Crores against the previous year of Rs. 163 Crores at the PBIT level for the year and this consolidated sugars includes our Parry sugar operations of Ramdurg and Silkroad Sugars results.

The Bio-products divisions include by a pesticides and also the Nutraceuticals had very a good quarter, against same quarter last year of Rs. 12 Crores PBIT we registered Rs. 15 Crores in the quarter ended March 2014, registering an increase of about 25% during the quarter. Subsequent to the balance sheet date, we had two important events. One was an acquisition of Alimtec SA in Chile which was part of the Bayer group. So we have taken 100% stake in this company. The transaction of acquisition made on April 25, 2014.

We also acquired the remaining stake in Parry Phytoremedies. Now with this acquisition Phytoremedies has now become 100% subsidiary of EID Parry.

So now this summarizes the financials of the quarter and the year. I now request Kashyap to make the field open for any questions and answers.

Moderator: Thank you very much Sir. We will now begin the question and answer session. The first question is from the line of Yash Choksey from JM Financial. Please go ahead.

Achal Lohade: Good afternoon Sir. This is Achal Lohade here. Sir few data points I wanted for in terms of what is the sales volume for the quarter as well as for the full year?

V. Ramesh: We had a sale of 82,000 MT for the quarter.

Achal Lohade: For the full year?

V. Ramesh: This year in the full year is 4.16 lakhs MT including Sadashiva Sugars.

Achal Lohade: How much would be Sadashiva Sugar in that case Sir?

V. Ramesh: About 19000 MT for the quarter and 61000 MT for the full year.

Achal Lohade: What was the realization Sir?

V. Ramesh: Sugar realization for the Quarter is about Rs. 28000 per MT on an average and full year is about Rs. 29000 per MT.

Achal Lohade: How about the distillery and Cogen segment Sir volumes and realization?

V. Ramesh: Yes in terms of Cogen we had a generation of about 1900 Lakh units and exported 1066 lakh units for the quarter and for the year 4200 Lakh units to about 2500 Lakh units in terms of export.



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- Achal Lohade:** The realization Sir?
- V. Ramesh:** Realization on an average it varies from about Rs.3 to Rs.5.50. On average it will be around Rs.4.
- Achal Lohade:** Rs. 4 per unit for the quarter as well as for the full year?
- V. Ramesh:** Yes correct because there is hardly any change. In Tamil Nadu we are on PPA and in Karnataka we are in the third party.
- Achal Lohade:** How about distilleries, alcohol?
- V. Ramesh:** In terms of volume we had about 150 lakh liters for the quarter and then for the year about 600 lakh liters.
- Achal Lohade:** In terms of realization Sir?
- V. Ramesh:** In terms of realization as we are telling last year itself we would like to know not diverged because it is very sensitive information.
- Achal Lohade:** What is the closing stock in the valuation for the sugar?
- V. Ramesh:** We had about 3.3 lakh MT.
- V. Ramesh:** On an average actually valuation on average it will be about Rs. 26000 per MT.
- Achal Lohade:** 26000. I was just wondering Q4 we have seen huge jump in profits sequentially. Just wanted to get a sense as to what has driven the profitability because sugar realization seems to be pretty much flat QOQ compared to the December quarter so I was just wondering trying to understand the profitability driver for the sugar segment front?
- V. Ramesh:** One of the things you have to always remember, for the sugar business Q4 happens to be the best quarter for the entire sugar business in a year and therefore a sequential comparison can give you misleading numbers or insights. The best thing to do is to actually compare quarter to quarter to know how the businesses are actually done. So if you say you are correct as far the quarter is concerned the prices were fairly depressed and therefore we are not the best in a particular year is concerned but then what actually happens it that all our factories are running continuously and running continuously for 90 days in a quarter for all the nine units. So what is actually happening is that the recoveries and we get reasonably good recovery during Q4 and some of it therefore sales would actually go into the same quarter also.
- V. Suri:** Kashyap, actually one of the important parameters which have improved the profitability is sugar recovery from Cane. As Ramesh was saying compared to last year we had about 0.5% better recovery during this quarter, which is actually made a difference in terms of profitability and the



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second aspect is in terms of the cost reduction initiatives we have been taking and started showing results in the Q4. So I would say that top two important aspects are recovery, the increase in operating efficiencies and cost structure.

- Achal Lohade:** Would it be also the inventory valuation because at the end of the day?
- V. Ramesh:** The inventory valuation was done at cost or market price whichever is lower and typically if you take Karnataka they would get valued at less than sales price. In Tamil Nadu it could be a combination of both depending on the factory from where the products has actually come. So I will not say that valuations have benefited the quarter.
- Achal Lohade:** In terms of what is the exact crushing volume for the full year Sir?
- V. Ramesh:** It is 47.5 lakh tonnes for the full year, including Sadashiva Sugars.
- Achal Lohade:** Last year just from the comparison point of view we had only the PSIL units included so I just trying to understand what has been the crushing volume as well as the production?
- V. Ramesh:** Sadashiva is actually 6 lakhs MT. You can take it out. If you want to compare it is 42 Lakh MT.
- Achal Lohade:** 55 actually. Okay and the cost of production in your calculation as per your calculation how much is that broadly?
- V. Ramesh:** I am sure we will be able to work it out.
- Achal Lohade:** May be the cane cost if you could guide as what price you have accounted for the cane?
- V. Ramesh:** As far as the cane is concerned, I told you that we have accounted at 2400 you can take approximately per tonne of cane in Tamil Nadu Pandy and at about 2500 per tonne of cane in Karnataka and about 2300 from tonne of cane in Andhra Pradesh.
- Achal Lohade:** These are the landed cost of cane including the transport cost etc?
- V. Ramesh:** The landed at the factory.
- Achal Lohade:** Landed and in terms of the guidance you said you are looking at about 14% to 15% increase in the volumes in FY 2015?
- V. Ramesh:** Sugarcane is typically 12 or 13 months crop. The planting has already happened. El Niño could have an impact but it will not have a very significant impact except on the yield the tonnage is the farmer gets per acre for he has planted. It is not going to dramatically change the tonnage. Also it could have an impact depending on the yield if El Niño actually happens. As far as Tamil Nadu is concerned, the planting has happened till for about four months or virtually I would say



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five months there was virtually no rain that if you take December, January, February, March, April there was not a drop of rain in Tamil Nadu. Positive thing that has happened is during the first few days of May there have been some rains. Otherwise there could have been perishes as we call it for the sugarcane crop. So overall we are looking at a 12% to 15% kind of an increase in terms of tonnage for next year

- Achal Lohade:** That is more driven by Karnataka.
- V. Ramesh:** You are correct. It is more driven by Karnataka.
- Achal Lohade:** In terms of the balance sheet what is you have obviously share the debt number but that includes the long-term debt which is due for repayment as part of current liabilities?
- V. Ramesh:** Yes it includes.
- Achal Lohade:** What would that be that number?
- V. Ramesh:** The total is about 191 Crores.
- Achal Lohade:** 191 Crores which is part of current liabilities?
- V. Ramesh:** Current liabilities.
- Achal Lohade:** How much was that as of FY 2013 if you have that number handy Sir?
- V. Ramesh:** Probably, I will have to look at the annual report. You just hold on for a minute hold on.
- Yash Choksey:** I will take pick it from the annual report Sir no problem. How do you see the debt moving and just like Sadashiva Sugar are we also looking at merging the other sugar company, which is Silkroad actually in the standalone company?
- V. Ramesh:** As far as Silkroad is concerned there are no plans to merge, as of now. I think the first priority of Silkroad Sugar is to ensure that we get the plant up in running and we stabilize at the main plant capacities, also the thing is we learn how to contract both for raw materials inward and sale of white refined sugar and then so we will as of now as far as I know there is no such plan to merge. I think the plan is both in terms of focusing on operations and getting it of the ground.
- Achal Lohade:** I will come back. Thank you.
- Moderator:** The next question is from the line of Satish Mishra from HDFC Securities. Please go ahead.



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Satish Mishra: Good afternoon Sir. First question is related to pricing likely FY 2014 we saw prices in the range of Rs.29 and against the production also is 24 million tonne at Indian level. So how do you see the pricing going forward?

V. Ramesh: You are aware your guess is as good as my guess. So what I said even during the opening comments as of now the prices are ranging from Rs.29 in Karnataka to about Rs.31 in Tamil Nadu. So I mean and I expect these prices should continue. I mean there are no other reasons why the prices should change. After all today everybody has closed down the sugar operations as the season is actually over. I think we all aware of what the closing stocks are across the country so there is no reason why the prices must go down and also no great season where the prices go up unless some El Niño sentiment and all impacts. So I believe that these prices should continue for at least to the sugar season which will get over in September 2014.

Satish Mishra: And how do you see exports taking place?

V. Ramesh: As far as exports are concerned essentially the government you are aware announced the subsidy initially of Rs.3300 per tonne for export of raw sugar between April 1 and March 31. Now what has happened the notification itself was issued in end February only. So the contracting for export actually started in the month of March. So, I think not much of exports actually has gone out of the country originally envisaged by the government for two reasons. One is actually the original notification came late in February end secondly the slash of subsidy by over Rs.1000 per tonne for exports during the month of April and May which is probably not fair and all the sugar mills will take up the case with the new government through the SISMA and ISMA association. The fact remains that therefore everybody has closed down the sugar crushing season and the benefit of this we should see only next season when all of us restart crushing so I think a few Lakh tonnes have actually got exported but nothing dramatic has actually happened.

Satish Mishra: In that case we will be still starting the new season with an inventory of 8 million tonnes?

V. Ramesh: Everybody is saying an estimate. We do not have the final number. As of now it could be somewhere around 7 to 7.5 million tonnes. Going forward what is likely to happen is that the thing is one positive thing is the sugar consumption is growing by about 2% to 3% year-on-year in India. Secondly what is happening is that the planting has been good in Maharashtra and Karnataka this year but it will not be that good may be in UP and Tamil Nadu. I think on an average it should balance out and if today the government does continue to export subsidy which is what was originally planned, subsidy will be in place till September 2015 so if the subsidy is in place I think we will see a small deficit rather between demand and supply in India for the sugar year 2014-2015.

Satish Mishra: The second question if you can talk little bit about your refineries what sort of margins you have been making at refineries?



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- V. Ramesh:** As of now see the entire factory is dependant our import of raws and export of refined sugar.
- Satish Mishra:** Basically I want to understand in terms of the pricing of the raw and white sugar so what is the spread left for us for a refinery?
- V. Ramesh:** Typically if you go by the daily course you will see the daily course in the New York Exchange for raws and refined sugar as far as the London Exchange is concerned. It is about \$60 to \$70. So it is not good enough but therefore it depends and therefore how well you contract out I think the contract out in terms of both manage your exports. It is not that you may do everything on a same day. It is like buying and selling share of stock exchange on the same day. Obviously you will not gain. So technically we are not going to buy and sell on a same day but the fact is the minimum that you can get is \$60 to \$70 what is the maximum that you can get depends on when you actually do out your contract for raws and exports.
- Satish Mishra:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Kashyap Pujara from Axis Capital. Please go ahead.
- Kashyap Pujara:** This is a followup question basically the crushing details that you gave 47.5 lakhs tonnes. Could you please break it up in terms of Tamil Nadu, Haliyal, Sankili and Sadashiva?
- V. Ramesh:** If you take the 47.5 approximately 30 lakhs tonnes coming out of Tamil Nadu and Pondy. Sadashiva is about 6 and 11 tonnes is coming from Haliyal and Sankili.
- Kashyap Pujara:** If were to look at the respective recoveries?
- V. Ramesh:** The recoveries are about 9% in Tamil Nadu and Pondy. 11.2% in Haliyal Sankili and 11.7% in Sadashiva.
- Kashyap Pujara:** what could be the field realizations NSR for the full year?
- V. Ramesh:** Typically if you take Tamil Nadu the average is about 30.
- Kashyap Pujara:** For the full year?
- V. Ramesh:** Yes I am giving you the averages now.
- Kashyap Pujara:** Yes average realization for the full year.
- V. Ramesh:** If you take Karnataka and Andhra that is Haliyal Sankili it is 28 and if you take Sadashiva it is about 27.



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- Kashyap Pujara:** Okay and the current prices at these locations?
- V. Ramesh:** Current prices, are at about 31 in Tamil Nadu. It is about 29 across the rest. Andhra is slightly higher.
- Kashyap Pujara:** What would be my Ramdurg crushing?
- V. Ramesh:** As far as Ramdurg is concerned last year we crushed about 5 lakh tonnes.
- Kashyap Pujara:** 5 lakh tonnes and there what would be your recovery like?
- V. Ramesh:** Recovery is about 11.8.
- Kashyap Pujara:** The realization there?
- V. Ramesh:** It is almost same like Sadashiva.
- Kashyap Pujara:** that is really 53 has gone to 30 that is where the key differences.
- V. Ramesh:** I am telling you essentially again this can be further broken up into two. We have two factories on the coastal region and coastal regions are less affected than the interior plants because even the coastal one has still some access to water on the coast. If the interior plants we have three of them are most affected where actually obviously the cane volumes came down to more than half.
- Kashyap Pujara:** Now this 12% to 15% growth that you have indicated in terms of that is what you indicated from an industry level that the industry is seeing 12% to 15% or at least Tamil Nadu seeing 12% to 15% more planting?
- V. Ramesh:** No. This 12% to 15% incidentally is not for the industry. I said 12% to 15% growth in tonnage is essentially for EID Parry. You would say it is mostly coming out of Karnataka.
- Kashyap Pujara:** It is mostly coming out of Karnataka?
- V. Suri:** The Tamil Nadu situation is no different now.
- V. Ramesh:** It will be plus or minus 2% here it will not be very significant.
- Kashyap Pujara:** So it will still continue to remain where it is?
- V. Ramesh:** We already completed the year. The planting has already happened and quite a few months has already gone past and if any impact it will be in the subsequent year only within the Tamil Nadu tonnage is going up very substantially. If it does at all increase we will get good northeast monsoon, and good southwest monsoon, and I think the northeast monsoon being more important



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for Tamil Nadu as compared to southwest. So we expect bulk of the increase to come from outside the state of Tamil Nadu.

Kashyap Pujara: But going forward considering that if the situation does not improve demand continues to grow 2% to 3% so will be 24 Million plus and the carryover stocks starts at a low point like earlier there were reports or speculation of 8 to 10 now we are talking of 6 to 7 somewhere around at 7 marginally there. Is there a case where sugar prices can further firm up? What is your view on that?

V. Ramesh: See the thing is what you have to question the fundamental because we know everybody knows what the stock is. We were just talking of a stock of 7 to 7.5 million tonnes. That is one. Everybody has closed the crushing season. So everybody knows what is the sugar production is everybody knows what is the sugar stock is. The main peak demand comes during the summer seasons of April and May. We are now ending the month of May. So basically fundamental do not suggest any major increase in price or any reduction in price from here. But however one I mean it is very difficult to say what the market sentiment and how it will move. I would say based on fundamental, the prices should remain at this level for the next four months till the sugar season restart in the month of October.

Kashyap Pujara: The improvement of recovery that you are talking about I mean lot of things that have happened internally where are we where do you see that I mean going forward like the recoveries are in 9.2 to 11.2?

V. Ramesh: There are basically two things that we do actually to improve the recoveries. One is the cane extension team works with the farmers who have registered with us in terms of acreage, in terms of good soil agronomic practices, in terms of ensuing teams cane available, in terms of diseases and pest eliminations and so on. So basically there are a lot of works that we do in the field both to improve the yield for the farmer as well as recovery for the company, we also work on in terms of new varieties of seeds because EID Parry again is one of the few companies in the country, which actually have in-house R&D, which works on new varieties all the time. So this is one activity that we do. The second is I would say is improvement in operating parameters within the plant to maximize input output so these are the two things actually which help in overall recovery as far as the company is concerned.

Kashyap Pujara: Thanks so much and Chitrasu just check for further questions and proceed?

Moderator: Thank you. The next question is from the line of Bharat Sheth from Quest Investments. Please go ahead.

Bharat Sheth: Good afternoon Mr. Ramesh. Sir I just I mean lot of we already spoken on the sugar front. I wanted to understand on Bio products I mean really once upon a time we had an aspiration of reaching around 700 Crores say by FY 2014 and almost 20% EBITDA level. So well from now



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here on how do you see really rather than what went wrong or something how do you see and what is the really size of nuclear and how much is that Bio-Pesticides?

V. Ramesh: There are two segments in the EID Parry. One is the Bio-Pesticides and secondly the Nutraceuticals. Now what is actually happening as far as the Bio products are concerned, in India today the farmer is still not prepared to pay more for Bio products as compared to inorganic products or compared to basically a chemical product. So essentially I think probably we also overestimated the time within which Bio products will find more application in India. So even today if you see by and large even today when we talk of Bio more than two thirds of our Bio turnover is getting exported and out of that USA actually happens to be the single largest country, which is actually buying Bio products. As far as India is concerned, I think by and large we are selling small quantities of Bio but I mean it is less than what we have selling as far as export business is concerned. As far as Nutraceuticals are again are concerned we have got a lot of winner products actually. One is Spirulina as you are aware. We also claim to be the world market leader for Spirulina but again what is happening is that the money is not made by the manufacturer today. In a Nutraceutical business like a pharmaceutical business or what has happened it is the chap who is closer to the customer who is actually retailing the products. I mean the product could get marketed many times the price at which we are selling through the retail or distribution. So I think to sum up I think it will take time but we are in the right business. I think it will take a few more years to actually build a robust business but even today the profitability levels are quite aggressive both in Nutraceutical and in Bio. In Nutraceuticals actually what we are doing is that in addition to Spirulina we are now focusing on formulations. So I believe that both the Bio and Nutraceutical will be important drivers of growth. It accounts of a very small portion of the total turnover but I think you will see it growing in the years to come.

We have set up subsidiaries in the US. One is Valensa and the other is Parry America, which are closer to the customers. When we are closer to the customers we will get to know more in terms of what is the market demands are and therefore we can respond a bit better.

Bharat Sheth: Is Valensa making money now?

V. Ramesh: Yes Valensa is making money, last year we made a profit.

Bharat Sheth: But is it sustainable?

V. Suri: Yes definitely sustainable far more sustainable than ever before and as I told you we are betting heavily on the US market through US method.

V. Ramesh: Also we are looking at formulations rather than just supply of ingredients so for example I was telling you about the joint. We have got again a few more products for other illnesses. So what I



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am saying is when you therefore give a formulation rather than an ingredient which is what we are doing for many years obviously there profitability is higher.

Bharat Sheth: So I mean based on this current I mean what kind of sustainable runrate or growth that we anticipate in Nutra as well as Bio-Pesticides and what kind?

V. Ramesh: At the minimum the topline should grow by 20% and minimum

Bharat Sheth: Improvement in profitability from here on?

V. Ramesh: It should be better that may be. I was telling the high contribution items and therefore the 20% increase in sales should give you even higher increase in profitability.

Bharat Sheth: Thank you.

Moderator: The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.

Bhavin Chheda: Sir just update on the refineries I missed out if you updated the same in the call?

V. Ramesh: We have updated already. We have already started the commissioning of the plant with the coal fired boiler. We stopped the plant about two years back because we did not have gas(fuel). So now we are going to coal fired because I think the KG basin issues remain unresolved and we are starting the plant and we should see sugar coming out from early June.

Bhavin Chheda: From early June and any target for FY 2015 fiscal?

V. Ramesh: The plant can go up to the capacity is 2000 tonnes per day. So at full capacity about 300 days we can do 6 lakh tonnes. So this year 2014-15, possibly will do around 3 lakhs to 4 lakhs.

Bhavin Chheda: 3 lakhs to 4 lakhs and you must have books the raw so you are confident of the spreads?

V. Ramesh: We book Raws through the New York Exchange and we sell the refined sugar to the London Exchange or sometime we deal with also the sugar majors who buy and sell to us. So that activity is on under moment and typical spread if you take on any particular day I was telling a few minutes back is between \$60 and \$70, it is like, you buy and sell your share on the stock exchange on the same day.

Bhavin Chheda: Conversion cost is involved?

V. Ramesh: So basically this is the gross margin \$60 to \$70 is the gross margin. So the whole depends on when you book your raw and when you book your white is the key to managing the bottomline.



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- Bhavin Chheda:** What would be the conversion cost at \$3 lakh or I can ask what would be the breakeven point for the refinery to make PBT positive?
- V. Ramesh:** I got some theoretical numbers at the moment but just give me a few months and when may be once the plant has got commissioned and numbers is established I would be happy to share it with you.
- Bhavin Chheda:** Thank you and best of luck Sir.
- Moderator:** Thank you. The next question is from the line of Umesh Patel from Sharekhan. Please go ahead.
- Umesh Patel:** Thanks for giving me opportunity. Just a followup question on Silkroad refining capacity, Sir just wanted to know how much amount we invested till date and have we entered into any agreement to get coal on regular basis with any player in domestic market.
- V. Ramesh:** As far as investment is concerned, we have already invested till last year about 450 Crores and currently the coal fired boiler we are spending another 60 Crores. So total investment will be to about an excess of 500 Crores and in terms of the coal we are actually importing the coal from Indonesia and we have also made arrangements to now tie up for the coal. So coal supplies should not be an issue at all.
- Umesh Patel:** Sir last year also we have started a few call centers in Tamil Nadu right to provide services to farmers both in terms of mechanism, services and pesticides and all. So benefit to get raw material particularly sugarcane at cheaper rate or have been able to increase the number of farmers in our total portfolio?
- V. Ramesh:** Here the thing is as far as the cane prices are concerned, it is not possible for EID Parry or any company in the country to get sugarcane at differential prices unless it is having its own farms that I want to tell that with you because the reason is today there is actually a sugarcane control order which actually prescribes the price at which we must buy the cane from the farmer, which is called a fair and remunerative price. That is point number one. Secondly, in addition to that the state also sometime do advice prices in terms of what we must pay as far as the sugarcane is concerned so there cannot be any differential in terms of prices across states. Across states it is possible because the recovery. In pesticides and other things we do work with the farmer and I think sometime earlier in the call, I was telling that we work closely with the farmers in terms of various agronomy practices in terms of providing seeds, advice and all that to ensure that he is able to increase the yield of which is the tonnage he gets for sugarcane per acre that he harvests and a recovery as far as we are concerned. So we have a large team and we do that with every farmer who is actually registered with us across the states of Tamil Nadu, Pondy, Karnataka and Andhra.



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- Umesh Patel:** Last question is related to your two subsidiaries PSIL and SSL what is the debt stood in this two companies. Last year we were planning to restructure debt in PSIL right?
- V. Ramesh:** First, SSL has already got merged with EID Parry. So we will be restructuring the loan with existing bankers to get at lower rate. It is already gone into it. So that is one good thing. PSIL is actually already been restructured based on the capabilities or the financial capabilities of the company and so now the lines are very clear with PSIL.
- Umesh Patel:** So what is the exact amount I mean of debt stood in these two companies as of now?
- V. Suri:** SSL loan is about 72 Crores, which is now appearing in EID Parry books.
- Umesh Patel:** Right and PSIL?
- V. Suri:** 94 Crores.
- Umesh Patel:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Hardik Shah from Birla Sun Life Insurance. Please go ahead.
- Hardik Shah:** Sir just one question regarding Silkroad Sugars even that was restructured and when would the repayment for that start?
- V. Ramesh:** The interest repayment will start in October.
- Hardik Shah:** Roughly how much would that be?
- V. Ramesh:** The principal repayment starts in July 2015 and it is about 3 Crores per month.
- Hardik Shah:** Repayment?
- V. Ramesh:** Repayment starts next year only in 2015.
- Hardik Shah:** So it will be in the second half?
- V. Ramesh:** Second quarter of 2015.
- Moderator:** Thank you. The next question is from the line of Sanjay Shah from KSA Securities. Please go ahead.
- Sanjay Shah:** Good evening Sir. Majority of my questions have been answered except one very simple question. So what do you expect from this new government for our industry?



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- V. Ramesh:** The thing is as far as the previous government was concerned give you just one example is that they said that in order to stimulate the sugar business, we would give you a subsidy of Rs.3300 per tonne and they said this on last date of February 28 or something and this pertained to the period February 1 to March 31, and then they said that this rate will vary depending on the forex rate. Then for the period in April-May we are expecting an announcement when they said actually price have been slashed with Rs.1000 per tonne and which had no basis altogether. So I think the minimum that all industry look for actually one is in terms of consistency in any policy that is actually done and secondly I think a patient hearing in terms of where the industry is and what additional help is required. I think probably these are the two things that one can look forward to from the Modi government.
- Sanjay Shah:** How the SAP price and how do thing going forward?
- V. Ramesh:** As far as SAP price are concerned, I understand that there is a very good model in Gujarat. We hope that the Gujarat model will get replicated.
- V. Suri:** Which is primarily in the form of Dr.Rangarajan Committee Formula being implemented, if that is implemented and we expect that this government will actually push that to happen. So may be in this year or next year that is the important event if it happens, it is good for the industry, good for the farmer.
- Sanjay Shah:** Thank you and good luck to you Sir.
- Moderator:** Thank you. The next question is from the line of Sudarshan Padmanabhan from Sundaram Mutual Fund. Please go ahead.
- Sudarshan P:** Sir sorry if you have already told this. What is the inventory number for us at the end of the period?
- V. Ramesh:** We carry about 3.3 lakhs tonnes of sugar.
- Sudarshan P:** What is the valuation of this inventory Sir?
- V. Ramesh:** Including SSL it will be over 800 Crores including Sadashiva.
- Sudarshan P:** So it is about Rs. 26 is the cost Sir. What is the SAP for the season?
- V. Ramesh:** SAP I thought I think you come into the call very recently. The first thing we actually spoke about. The SAP in Tamil Nadu is Rs.2550 plus transport. SAP in North Karnataka is Rs.3000.
- Sudarshan P:** So sir why are we valuing inventory at only Rs.26 including our conversion cost I think the cost could be somewhere around Rs.28 or Rs.29?



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- V. Suri:** When you come into Karnataka where the recovery is in the upwards of about 11.4% to 11.8%, different factories then the cost of production is much lower.
- V. Ramesh:** Plus of course we are not paying the SAP as of now both in Tamil Nadu and Karnataka. So we are paying as far as Karnataka is concerned we are going by the Dr. Rangarajan Formula, which prescribes that what you pay is about 70% of your sales realization and in Tamil Nadu we are paying the same price that paid in the previous year.
- Sudarshan P:** Which is 2200 Sir?
- V. Suri:** 2250 plus transport.
- Sudarshan P:** Has Karnataka notified that processor of being on?
- V. Ramesh:** Yes Karnataka was notified I was just telling that now the courts at this moment of time and we expect a decision in June.
- Sudarshan P:** Sir if I understand correctly you said 47.5 lakh from TN and Pondy and Sadashiva, Haliyal and Sankili plus 5 lakhs from Ramdurg so as a consol entity will be crushing about 52.5 lakhs tonnes and this was how much last year?
- V. Ramesh:** Sorry this 52.5 is for 2013-2014.
- Sudarshan P:** Sugar season 2013-2014. I am sorry for financial year?
- V. Ramesh:** Financial year 2013-2014.
- Sudarshan P:** How much as in 2012-2013 Sir?
- V. Ramesh:** In 2012-2013 if you take it was about 76.
- Moderator:** Thank you. The next question is from the line of Sejraj Baria from East India Securities. Please go ahead.
- Sejraj Baria:** What would be the turnover of Nutraceuticals on an annual basis?
- V. Ramesh:** If you take Nutraceuticals on a consolidated basis it is about 184 Crores.
- Sejraj Baria:** Segmentally Sir in your financial statement.
- V. Ramesh:** I said consolidated if you take standalone it is 60 Crores.
- Sejraj Baria:** So this is shown in the Bio products.



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- V. Ramesh:** This is Bio products basically Bio products plus Nutraceutical is coming under the Bio vertical.
- Sejraj Baria:** So 60 Crores on a standalone basis. Balance would be Bio?
- V. Ramesh:** Balance would be Phytoremedies and so on.
- Moderator:** Thank you. Ladies and gentlemen we are going to take a last question from the line of Yash Choksey from JM Financial. Please go ahead.
- Yash Choksey:** Just wanted to ask you what will be your guidance on the distillery production and the power for FY 2015?
- V. Ramesh:** The thing is more or less it will go up proportionately. As far as the molasses is concerned it is about 4.5% per tonne of sugarcane and as far as power is concerned all this is really linear in terms of what bagasse will generate and then bagasse conversion to power. So there is a very direct proportional relationship between sugarcane, sugar, power generated and distillery.
- Yash Choksey:** So been line with that 12% to 15% increase which you are expecting?
- V. Ramesh:** Yes.
- Yash Choksey:** Any idea on the realization front like the power tariffs are going to be revised or something?
- V. Ramesh:** The power tariffs the thing this is where as far as the Tamil Nadu government is concerned we do not have open access in Tamil Nadu, which means we stuck we old dates. In Karnataka there is open access but the Karnataka government invoked a particular section under Electricity Act to say that for two months during summer you cannot go through open access but you have to suffer. So I would say at this moment provided to be a bit conservative in terms of power realizations.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I would now like to hand the floor over to Mr. Kashyap Pujara for closing comments. Thank you.
- Kashyap Pujara:** Thank you so much everybody for taking time out to participate on the call. Thank you to Mr. Ramesh and Mr. Suri to taking time out for the call. Thanks all. That is all from my side.
- V. Ramesh:** It is entirely our pleasure. Thank you so much and all the very best.
- V. Suri:** Thank you all. It is pleasure to have a discussion.
- Moderator:** Thank you Sir. On behalf of Axis Capital Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines. Thank you.