



“E.I.D-Parry (India) Limited Q4FY15 Results Conference Call”

June 1, 2015



MANAGEMENT: **MR. V. RAMESH – MANAGING DIRECTOR, E.I.D-PARRY
(INDIA) LIMITED**
**MR. V. SURI –CHIEF FINANCIAL OFFICER, E.I.D-PARRY
(INDIA) LIMITED**

MODERATOR: **MR. KASHYAP PUJARA – AXIS CAPITAL LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to E.I.D-Parry Q4FY15 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 '*' 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 Morning, everybody, and it gives me great pleasure to welcome the management of E.I.D-Parry on the fourth quarter earnings con call today. From the management side, we are represented by Mr. Ramesh – Managing Director; and Mr. Suri – who is the CFO. Without taking too much time, I now hand over the floor to Mr. Ramesh. Over to you, sir.

V. Ramesh: Thank you, Kashyap, and Good Morning to everybody. I am indeed happy to be part of the Q4 Financial Year '14-15 Earnings Call. I would like to make a few preliminary statements about the company's overall performance for the year '14-15. On a standalone basis, it was a very satisfactory year. The operating profits for the Sugar business grew by about Rs.100 plus crores. The Bio division operating profit grew by about Rs.18 crores, total Rs.122 crores overall, thanks to reduction in interest cost and higher dividend that we received. The PBT incrementally went up by about Rs.167 crores. On a consolidated basis, the Sugar division only registered an operating profit of Rs.9 crores, mainly because of losses we had on the Silkroad operations. However, the Bio division did reasonably well with PBIT of Rs.51 crores as against Rs.30 crores of the previous year. Sugarcane, on a standalone basis, we crushed 49.6 lakh tonnes, including Parrys Sugar we crushed 55.2 lakh tonnes. We sold 5.5 lakh tonnes of Sugar, we exported 30.8 crores units of power and sold 610 lakh liters in terms of Distillery. In terms of the Sugar business, the last year focused in building an institutional business through various certifications required for food safety, security, Bonsucro and so on. We worked in substantially improving the quality parameters. In terms of Retail business, we are now trying to rebuild our Retail business with new products and also starting off retail packing facility at our Haliyal unit in Uttar Kannada. The manufacturing function was quite focused in terms of improvements in operating efficiencies and we did achieve substantial increase in operating which helped in the improvement in profitability last year. In terms of our Cane varietal, I am happy to inform you that our commercial variety 1110 was approved by the Cane varietals, Committee of the Government of India for planting in many states across the country. And therefore, this is the first touch varietal outside the Government sector that has been accepted by the Varietal Committee of the Government of India. The Silk Road operations which we had closed down in January '15, recommenced operations a few days back and we expect to refine 4 lakh tonnes of Sugar this year. Going forward, we expect the cane Crushing to be higher by about 10% in the financial year '15-16. However, the prices are at an all-time low, mainly because of two reasons – one is, in the domestic scenario, the total production at about 28 million tonnes of sugar is at least 3-3.2 million tonnes of Sugar more than the actual demand and therefore this has depressed the prices. Secondly, with respect to the global market

is concerned — thanks to the steep depreciation of the Brazilian Real – the prices for Sugar in dollar terms have come down, and therefore, it has not helped the Indian conditions. Therefore, even though the Government of India announced an increase in import duty from 25% to 40% with a notification for export incentive for exports of raws. It has not helped the Indian domestic manufacturers. So overall, I would say, at this moment, the overall outlook is not very bright unlike the one we had last year. However, with respect to Silkroad operations, we have covered a substantial portion of our 4 lakh tonnes that we would like to process in our refinery going forward and therefore we expect that you could see a substantial turnaround of the Silkroad operations, particularly in the next 3-quarters.

So with these preliminary comments, I will now hand it over to Suri to take you through the financial. Thank you. And over to Suri.

V. Suri:

Thank you very much, Ramesh. A Very Good Morning to all of you. It is indeed a great pleasure to be a part of this Analyst Call. We had a very good year as Ramesh has already said in terms of the overall financials of the company, primarily backed by the Sugar performance especially in the first half of the year. I just want to give some standalone numbers. We crushed about 47 lakh tonnes of Cane during the year which is about 4% increase over the last year. About 2-3 lakhs of Cane crushing got shifted to the year '15-16 because of the delay in Crushing start for the Sugar season '14-15. Sugar recovery was better for the year, improved from about 9.84% last year to about 10.1% this year on a standalone basis and production was about 5 lakh tonnes over the last year's 4.7 lakh tonnes. And sales quantity was at about 4.85 against last year's 4.15. So it has been 17% increase on sales both in value and in volume. The average realization for the year has been around close to about 29,000 which was better than last year primarily coming from the first half of the year. In the second half of the year, the prices were falling down and prices were hovering at 6-year low but the first half of the year was very good in sugar price which helped us. The Power Generation was about 46.67 crores units last year against the previous year of 42.50 crores units which is about 10% more than the previous year. Primarily, we used coal to produce the power in some of our Tamil Nadu factories which contributed to this increase in the Power generation by about 10%. We exported 29 crores units against 25 crores units last year, which is about 17% increase. The Alcohol production was about 643 lakh liters against last year's 634 Lakh units. The Distillery sales were around the same level at around 600 lakh liters. In terms of the Bio business, at the consolidated level, we had about good 15% growth. At the standalone level, though the sales was at the same level, PBIT was higher from Rs.26 crores to about Rs.45 crores, that is a very satisfying performance by the Bio products. The important parameters for the year which helped in improving profitability is that the interest cost came down by about Rs.45 crores, we reduced the long-term borrowings by about Rs.200 crores and lowered interest cost. In addition to the final dividend received from Coromandel for the last year we had received one interim dividend, which gave us about Rs.117 crores of dividend this year against last year Rs.80 crores. We have already declared an interim dividend of 200% and paid the same. The Board of Directors have declared additional 100% as final dividend, thus the total dividend for

the year is 300%. In our Haliyal plant, we have increased our capacity from 4,800 TCD to 6,300 TCD. It will improve the profitability as cost of production is lesser. The project got completed in November and it was available for this main season. We also are expanding our Nutra operations by expanding our capability to produce Spirulina. Other than these two, other CAPEX are regular maintenance CAPEX.

With respect to merger of Parry Phyto with the company, the Bombay High Court had already given the approval for the merger. However, we have not received the order copy yet. The results which have announced, does not include Phytoremedies as a merged unit.

We will be preparing the merged financials as soon as we get the order from the Bombay High Court which is expected in June 2015, so in the first quarter results, we will make the adjustment in the opening balance of the year.

The last information is on the cost side: Last year in spite of all the increases, we had maintained the cost at the same level, except a marginal increase by about 3%. So we continue to now focus on the cost control as we have been doing throughout the last year.

So this is the summary of all the financials which I wanted to share. Now, I think we are open for any questions. Thank you very much.

Moderator: Thank you. Participants, we will now begin with the question-and-answer session. The first question is from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: Could you please talk a little bit about the Cane costing, at what price have we accounted the Cane for the year and for the quarter as well?

V. Ramesh: We are operating in the three states of Karnataka, Andhra Pradesh and Tamil Nadu. Cane pricing is different in each of the state. I need to talk about '13-14 because in the year '14-15 we had to make some payments for the year '13-14. With respect to Karnataka, there was a dispute of Rs.500/tonne which is the difference between what the mills had paid in the financial year '13-14 and State Advisory Prices. Out of this Rs.500/tonne, we have paid Rs.200/tonne. The Government of Karnataka has also paid Rs.100/tonne to the farmer and balance amount of Rs.200/tonne is actually left, for which discussions are going on with the Karnataka Government. For the year '14-15, there is no issue because the Government of Karnataka has accepted the 'Rangarajan Committee formula' and the initial payment is therefore based on FRP which is what we have paid and accounted. Given the Sugar prices it is unlikely that any further payments will be due to the farmers for the Sugar year '14-15. With respect to Andhra Pradesh unit, there are no issue, it is only the FRP which is in place in the state of Andhra Pradesh. Therefore, there are no issues for Andhra Pradesh in terms of cane pricing both for the year '13-14 and for the year '14-15. Tamil Nadu Government is advising SAP last few years and the Association actually has gone to the court and the matter is pending

in the Madras High Court in terms of SAP. The differential is Rs.300/tonne for the year '13-14 and Rs.250/tonne for the year '14-15 for which we have no provision in our books.

Achal Lohade:

But what is the blended if you could talk about the Cane price...?

V. Ramesh:

In terms of the blended rate it is going to be difficult. In Karnataka, if you take the sugar year '14-15, the FRP is Rs.2200/tonne for 9.5% recovery. The price that we are paying based on the Sugar recovery which varies from one factory to another factory. We are paying about Rs.2,800/tonne in one of the factories and about Rs.2,685/tonne in the other factory. So, if you want you can take technically an average of Rs.2,750/tonne approximately in Karnataka. For Andhra Pradesh, it is about Rs.2,500-2,525/tonne landed at the gate. For Tamil Nadu, for the current year '14-15, we were paying around Rs.2,450/tonne. But the point that you should note is the recoveries are different in each of the three states, the recoveries are close to 12% in Karnataka is about 9.75% in Andhra and it is about 9% in Tamil Nadu. So to a certain extent, you need to consider all these things before working up the Cane cost.

Achal Lohade:

If you could give the Cane Crushing volumes for the three states separately?

V. Ramesh:

In Tamil Nadu, for the year '14-15, we crushed 28 lakh tonnes of Cane as against 30.7 Lakh tonnes for FY'14. In Karnataka units, for the current year, crushed about 15 lakh tonnes, last year it was approximately 12 lakh tonnes and in Andhra Pradesh an approximately 6 lakh tonnes.

Achal Lohade:

Because Karnataka has seen a pretty significant increase in Crushing as well as production.

V. Ramesh:

This excludes the one unit that we have Parry Sugar in North Karnataka crushed about 5.5 lakh tonnes as against 5 lakh tonnes the previous year.

Achal Lohade:

If I look at the quarter's number, the raw material to sales has dropped to kind of 33%. Obviously, I understand March is the peak inventory. So I just wanted to understand what would be the inventory write-down given the sharp drop in the prices we have seen in the month of March?

V. Ramesh:

The Sugar season in Karnataka and Andhra typically starts in late October-November and goes on to March-April. The entire production for the year is produced in these 5-6 months of the financial year. In Tamil Nadu, we have a special season for about two months in the August and September. So if you do raw material to sales calculation on a quarter-to-quarter basis, you will have very wide fluctuations because there could be some quarters in which the entire sales is happening from stock and there is crushing of Sugar that is happening. For stock valuation, we have very consistent and a conservative policy in terms of stock valuation. I will ask Suri to share with you the details of the stock valuation.

- V. Suri:** On an overall basis, we valued the stock at around Rs.25,000 including the Karnataka and Tamil Nadu Units, due to falling prices in April.
- Achal Lohade:** What would be roughly cost of production for FY15?
- V. Ramesh:** If you see the stocks are valued at cost in Karnataka units. It is valued at net realizable value for the units in Tamil Nadu and Andhra units, because the cost of production in Karnataka is lower due to the higher recovery. Suri did share with you that the average stocks are valued about Rs.25,000, it is required to note that the prices today have been fluctuating on a day-to-day or also on a weekly basis. So if I see the impact is the prices have come down by about Re.1.5/Kg in the last 4 weeks.
- Achal Lohade:** What is the current price you are selling broadly?
- V. Ramesh:** On an average, it is about Rs.24,000 plus in Tamil Nadu.
- Achal Lohade:** You said you are looking at a 10% increase in Cane Crushing volume. That is more to do with the carry forward or the delay in start of the season?
- V. Ramesh:** I would say two reasons – one is that definitely there is a carry forward. Normally, the Karnataka operations start in early November. In the current year '14-15, we started only around end-November. So there is a carry forward by approximately 1-month of Cane which eventually come in April '15. Sugarcane is a 12-month crop and we have a system of registration of Cane in our command area. So based on Cane registration, we expect the Cane volume to go up by about 10% in the current year including the overflow of the previous year.
- Moderator:** Thank you. The next question is from the line of Sudarsan Padmanabhan from Sundaram Mutual Fund. Please go ahead.
- Sudarsan Padmanabhan:** Sir, a few companies during this quarter and probably before this, basically talking about CAPEX towards environmental compliance for the Distillery unit. Now to understand, I think the environmental regulators are becoming very strict in the liquid discharge that is coming out from there, I just want to understand is it more towards the mills in Uttar Pradesh region or what exactly is happening there and do we have any kind of CAPEX towards this as well?
- V. Ramesh:** The recent directions of the Central Pollution Control Board, they have issued a set of directions in terms of zero liquid discharge. E.I.D-Parry has always been a forerunner in terms of managing effluents. We have four distilleries — two in Tamil Nadu, one in Andhra Pradesh, and one in Karnataka. Therefore, we are 100% compliant with the requirements of the Central Pollution Control Board. Notwithstanding that we are undertaking some CAPEXs this year to ensure that we meet the guidelines fully. So E.I.D-Parry will be completely 100% compliant with the directions of the CPCB. E.I.D is always meeting the directions of the Central Pollution Control Board.

V. Suri: Just to add to what Mr. Ramesh said is that, E.I.D-Parry has been doing this for quite some years, and there is no major CAPEX coming because of this directive. We have already invested to ensure that we comply ahead of time.

Sudarsan Padmanabhan: If you are looking at the earlier comments made by you, we have seen pretty sharp drop in the Sugar prices in the domestic space, and probably over the last two months if you are looking at what is happening even in Brazil and globally, Real seems to be in a bit of pickles kind of a situation, and apart from that the Brazilian regulators have also kind of upped the kind of production expectations from Brazil, I do understand that there is a quite bit of inventory in India as well as globally. How do you see the recovery happening over the next two to three years, if I am just taking a 3-year kind of view, if you can broadly give us how things can pan out?

V. Suri: We need to look at the short term and one is we need to look at the medium term. For short term, in India, we are completely insulated because of high import duties. We have high Sugarcane prices and the Sugarcane prices at the moment have no relationship to the actual sugar prices. Therefore, sugar prices can look up only if the Government announces additional benefits in terms of buffer stock or any such arrangement by which they are able to take away 2 to 3 million tons of sugar, out of the system. In the medium term, the current Government is actually pushing heavily for Ethanol. Ethanol mixing with petrol from desired minimum level of 5% to go up to about 10%, and also the Government has actually encouraged the Distilleries to make Ethanol by giving increase in the Ethanol prices over the previous year notwithstanding the fact that the oil prices have come down globally. So the current Government is definitely clear that they would like to push for Ethanol incorporation in petrol. I think the current year 2014-15 was a first year when the Government has signaled its intentions to clearly push for the ethanol. Now, going forward what will happen because of the fact that we get better prices from Ethanol, which means more of Molasses go into Ethanol. We can expect at least 2 million tons of Sugar going out of the system and will get converted into Ethanol. So in the medium term I expect that with the Government pushing more of Ethanol. On a long-term basis, Karnataka and Maharashtra mills, have already moved to 'Rangarajan Committee Formula', by which the prices of Sugarcane and the prices, there is some kind of relationship... of course, when the Sugar prices fall to such low levels, we still have to end up paying the FRP. To summarize there is hope for the Sugar industry, only if the Government steps in with some kind of buffer or any other scheme to take out the 2 to 3 million tons of Sugar. Next year I believe that you will see less sugar coming out of the mills in India as compared to this year, but more Ethanol will get produced, and longer term over the next two years there are a few states which are still not stated by any prices, I think once the 'Rangarajan Committee Formula' is accepted by all states as a base, go forward, you will see alignment in terms of Sugarcane pricing in India. If today the Sugarcane prices do change or completely aligned to prices, India may be in the next two years can also become an exporter of Sugar.

Sudarsan Padmanabhan: On the dues that are from the mills to the farmers, a large part of the pain is in UP, and given the fact that there is also going to be an election in the next couple of years, which can trigger again a higher upward trend in SAP, this has been one of the worst years that we have seen in terms of backlog happening. What do you think from your opinion the Government should do and probably the industry players should also do to kind of see the situation going through?

V. Ramesh: We read in the papers that the cane arrears are about Rs.21,000 crores, but in E.I.D-Parry, except for the SAP issue in Tamil Nadu, we do not have any arrears to the farmers across all the units and we are one of the few companies making payments to Cane farmers on time. Now, going forward, in '15-16 with the support from the Government, if 2 to 3 million tons of stock goes out of the system, the prices will go up and that will enable the mills to settle their dues with the farmers, more of Ethanol coming next year, and hopefully over a 2-year period complete alignment of Sugarcane prices at Sugar prices. Ethanol may happen next year.

Moderator: Thank you. The next question is from the line of Surbhi Prasad from Cogencis. Please go ahead.

Surbhi Prasad: Just wanted to know, how do you see exports this year 2014-15 for Raw Sugar and White Sugar?

V. Ramesh: There is hardly any white Sugar getting exported out of India, unless it is through an advanced license system or there are sugar mills in the special economic zones. However less than half a million tons of raw sugar is exported. I think it is expected to be maximum of 0.4 to a maximum 0.5 million tons as against about 1.7 to 2 million tons which went last year primarily due to two reasons — one is the international prices of Sugar have come down very dramatically — due to the depreciation of the Brazilian Real, and therefore it is not worthwhile, or it is uneconomical for any of the mills to export raws. Secondly, the subsidy announcement came a bit too late in the season, that is in the month of February by that time the mills did not have the time to react, go and enter into contracts and aggressively export Raws. So the export of white sugar is very, small. Export of raws is expected to be, maybe one-fourth of what happened last year.

Surbhi Prasad: How do you see Sugar output next year '15-16?

V. Ramesh: In 2014-15, we had a bumper crop. It is unlikely that 2015-16 will be a repeat of Sugar year '14-15 for many reasons, one is fresh planting and ratoon where the farmers once they plant the seed, then they use the same land for growing sugarcane for the next two to four years, now that mix is going to change in Maharashtra in this year. A substantial fresh planting was there which yielded very good yield in '14-15. Going forward, including the data that we have, we believe that the sugar production for the year '15-16 will definitely be lower than '14-15.

Moderator: We will move on to the next question, that is from the line of Achal Lohade from JM Financial. Please go ahead.

- Achal Lohade:** If I look at the balance sheet, can you provide what is the long-term debt as of 31st March including the amount which is payable over the next 12-months, which reflected in the current liabilities?
- V. Suri:** The total long term loan including the long-term which is to be paid to be within the next one year is Rs.916 crores.
- Achal Lohade:** As against?
- V. Suri:** Rs.1120 crores in the beginning of the year.
- Achal Lohade:** What has caused this reduction — is it from the cash flows or is it just moving long-term to short-term?
- V. Suri:** We have generated cash flows this year as you see in our results. That is the first major reason. Second reason is that we also now have reduced our long-term debt based on the repayments mainly from accruals without replaced with long-term loans. Short-term loans are backed by the stock inventories and receivables. There is no mismatch of any short-term or long-term loans.
- Achal Lohade:** If I look at the current liability, it has increased from Rs.491 crores to Rs.595 crores, so that is a general increase. There is no ...
- V. Suri:** This is due to higher utilization of bill discounting facility
- Achal Lohade:** How much would be the quantum, roughly?
- V. Suri:** About Rs.60 crores incrementally.
- Achal Lohade:** In terms of Bio products what is the growth outlook or margins, if you could talk a little bit about that sir?
- V. Ramesh:** On an overall basis, if you see the consolidated results, the Bio products have grown by about 15% including our subsidiary in the US, and we expect this to continue in the next two to three years also, the growth will be in the region of Rs.15 crores to Rs.20 crores.
- Achal Lohade:** Would there be further improvement in margins sir?
- V. Ramesh:** Margins will continue, because it is already very high margin products, so we will continue to have the similar kind of margins going forward also, margins will not be under pressure.
- Achal Lohade:** Any new product launches you could talk about in Bio products?

- V. Ramesh:** We are consolidating our current products, the new products already introduced last year itself, so we are only consolidating and selling and improving our sales in those products, they are all very specifically condition-specific product formulations in the US by our subsidiary, and then we are only consolidating that.
- Achal Lohade:** Just the last question on the interest cost, broadly I understand it will be tough to talk about interest cost for FY16 given the working capital and all. What is the borrowing rate currently we are paying on an average?
- V. Suri:** On an average we are paying around 9%.
- Achal Lohade:** The Distillery sales volumes, if you could break up in RS, ENA, and Ethanol, for the industrial, or if you could just talk about how much have you sold Ethanol for FY15?
- V. Suri:** Ethanol we have sold 85 lakh liters.
- Achal Lohade:** I did not get the realizations for Distillery and Cogen for the full year, if you could talk about that?
- V. Ramesh:** Ethanol we sold 85 lakh liters, and ENA we sold 400 lakh liters, it means 485 is approximately ENA and Ethanol and the balance will be RS. In terms of average realization of Ethanol in the last year, was about Rs 29 and ENA was Rs 40 per liter, and RS is about Rs 38.
- Achal Lohade:** And how about Cogen realization for the full year?
- V. Ramesh:** Average realization is 4.7.
- Moderator:** Thank you. The next question is from the line of Mr. Kashyap Pujara.
- Kashyap Pujara:** Just a couple of points I wanted inputs on. You had mentioned about provisions, that you are not affected for Tamil Nadu, the difference was Rs.300 per ton for '14-15 and Rs.200 per ton in '13-14. If we were to provide it, then what would have been the total quantum of provision?
- V. Ramesh:** If you take the total provision it would be about Rs.90 crores.
- Kashyap Pujara:** What would be the inventory as on March 2015?
- V. Suri:** On standalone basis we carry about 3.4 lakh tons.
- Kashyap Pujara:** On consol?
- V. Ramesh:** Consol including the Ramdurg unit is about 3.9 lakh tons.
- Kashyap Pujara:** What you said was Rs 25,000 was for consolidated average?

- V. Ramesh:** Yes, correct, it is lower in Karnataka and higher in Tamil Nadu.
- Kashyap Pujara:** Could you just give some sense on the kind of spreads that you expect to close in on the 400,000 tons refinery?
- V. Ramesh:** Kashyap, Sugar Prices today are depressed, because there is lot of pressure on some of the sugar mills to pay their FRP, and the only way they can do it is to sell Sugar and utilize the money to pay the farmers, and now the Sugar season across the whole country is now over. So the fact is we will have to wait, it is very difficult to predict as to what would be the prices and how they will move this year.
- Kashyap Pujara:** While you have given the volumes breakup, could you just give the same breakup on Tamil Nadu, Karnataka, AP wise, we have the crushing breakup, we do have the realizations across all the three segments, but could you give us say for example what was the recovery across these three for us, what was the volume of say the ENA and Distillery across the three states?
- V. Ramesh:** Ramesh has already shared; in Tamil Nadu it works out to 9%, and in Karnataka it works out to about 11.5%, and in Andhra Pradesh, it works out to about 9.8%.
- Kashyap Pujara:** Across Tamil Nadu, Karnataka, AP, what was the sales tonnage?
- V. Ramesh:** The sales tonnages as I was telling you, is totally 5.5 lakh tons, it includes the PSIL Ramdurg unit also. If I exclude Ramdurg, then the total sales is 4.85 lakh tons.
- Moderator:** Thank you. The next question is from the line of Hitesh Doshi, an individual investor. Please go ahead.
- Hitesh Doshi:** How do you explain the margin expansion which was 10% last year, to roughly 15% this year?
- V. Ramesh:** Nutraceuticals business is where the margins have improved dramatically compared to the other Bio Pesticides, the movement of dollars has also helped us in Exports. Further the specific formulations in US has improved which has the better margins.
- Hitesh Doshi:** Again, can you explain why generally... I have seen fourth quarter margins are better than annual margins in Bio products division?
- V. Ramesh:** That is because what happens is, especially in the Bio Pesticides division, the sales happen very skewed in the second half of the year especially in Q4 of the year, so about 60% of the sales happens during the last four to five months of the year, so as it happens in Sugar, it covers the fixed cost in a big way in terms of the margins. So that is the reason why the margins are skewed towards Q4 especially.

- Hitesh Doshi:** Can you give a breakup of the Nutraceuticals and Bio Pesticides top line and bottom line consol?
- V. Ramesh:** In consol, the consolidated Bio Pesticides division, it is about Rs.96 crores, and the Nutra is about Rs.224 crores.
- Hitesh Doshi:** What I see from the results, generally we make money on standalone basis, so do you mean Exports does not make money in Nutraceuticals or?
- V. Ramesh:** In the Exports side, we export the basic ingredient to our Nutraceuticals subsidiary in US, so the basic ingredient goes from India, now from Alimtec, another company, but the specific formulations are done in US, so you make margins at both levels, so specifically, there is no drop in domestic and in Nutraceuticals, there is hardly any sales in India.
- Hitesh Doshi:** And we are targeting B2B or we are targeting B2C as well?
- V. Ramesh:** In India it is B2B only, what we sell is in the B2B to exports, and in the US it is again primarily in B2B and partly in B2C.
- Moderator:** The next question is from the line of Phalguni Dutta from Jetage Securities. Please so ahead.
- Phalguni Dutta:** Would it be possible to tell the PBIT cost of producing sugar at Andhra Pradesh, Tamil Nadu, and Karnataka separately?
- V. Ramesh:** No, I think we will not be able to share that information. The thing is as I was telling you, I gave you the cane cost, and approximately the conversion cost is about Rs.4/Kg, so you can include the cost of the cane divided by the recovery plus add Rs.4/Kg you will get the cost of production.
- Phalguni Dutta:** Broadly Rs 4 is the conversion cost everywhere.
- V. Ramesh:** Yes.
- Phalguni Dutta:** And whatever cost you mentioned are all landed cost, right?
- V. Ramesh:** All landed cost at the gate of the factory.
- Moderator:** The next question is from the line of Surbhi Prasad from Cogencis. Please go ahead.
- Surbhi Prasad:** Just wanted to know about your Kakinada sugar refinery Silk Road, is it operating full stream...?

- V. Ramesh:** I did mention during the earlier part of the call that we had earlier closed Silkroad operations in the month of January 2015 and we have recommenced it a few days back, now we expect that from now the plant will run nonstop till March 2016.
- Moderator:** Thank you. The next question is from the line of Hitesh Doshi an individual investor. Please go ahead.
- Hitesh Doshi:** You said in Tamil Nadu, the Sugar Association has gone to the High Court. So when do you expect the judgment?
- V. Ramesh:** Very difficult to say, as of now this issue of SAP had come up and the matter had gone to the Supreme Court. The Supreme Court gave a decision in favor of the mill. Now again a fresh issue has cropped up in terms of Cane price for the year '13-14. So we will probably have to wait for the Madras High Court to take up the case.
- Moderator:** Thank you. That was the last question. Ladies and Gentlemen, I now hand the floor over to Mr. Kashyap Pujara for closing comments.
- Kashyap Pujara:** Thank you everyone for being there for the call, and thanks so much to the management of E.I.D-Parry to have taken out time for the conference call.
- V. Ramesh:** Thank you very much.
- Moderator:** Ladies and Gentlemen, on behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.