"EID Parry
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S. Suresh: Good morning everyone. Thanks for joining the call. I will highlight the key points for the quarter then I will hand it over to Mr. Ramesh Kumar for further detail. The operational revenue for the quarter has been at Rs.442 Crores, which is a very good increase over previous year, an increase of almost 26%. This is predominantly due to the increased sales quantity as well as we have done some quantity of export and the realization of alcohol also has been better compared to the previous year. However, the overall performance of the company has been muted in Q2 due to the relatively lower sugar prices on account of higher sugar inventory and the release order mechanism. However, during the month of August around the third week, the sugar prices started a bit firming up in domestic market. This has been mainly due to the floods in Karnataka and Maharashtra, which prevented the arrival of sugar into the places like Tamil Nadu and in Andhra hence we could realize some better rates for the sugar.

Now brief on the global scenario, the world market is expecting a deficit of around 6 million to 8 million tonne for the sugar year 2019-2020. During the last quarter I was talking of shortfall of about around 4 million tonne I think this is gradually going up, this has been predominantly due to the lower sugar production expected in Brazil, India and Thailand and sugar made from Brazil is expected to remain low as mills made furthermore and more of ethanol. In fact the global market, the London and New York they are not pricing the global deficit fully, I understand there is still some more the effect of this deficit has to be priced in into the international market that is the point when the global prices go up, the Indian sugar can find some markets in the global avenue, because at this level of prices it is not working out for the Indian mills to export sugar into the international market.

Coming to the Indian scenario as we all know the sugar year has ended on September 30, 2019, this sugar season 2018-2019 and India has done a record production of almost 33.1 million tons and the exports against a target of 5 million we have done only around 3.8 million, this has resulted in huge closing stock of 14.6 million tons. We are almost sitting on 60% of the next year consumption as the closing stock. That is the reason why the sugar prices are not raising at all. Now there are certain key government notifications.

Government has been taking lot of steps in order to provide stability to the sugar prices. It came in the form of the buffer stock mechanism and extends the mechanism for one more year. We are trying almost close to 4 million tons have been kept aside for buffer. As EID we got close to around 46000 tons of buffer quantity and other aspect is buffer valuation has been in line with the MSP increase that is buffer is valued at Rs.31000 per metric ton compared to the earlier number of Rs.29000.

The minimum support price has moved up to Rs.31000 per MTand the earlier export quota got over by September 30, 2019, another lot of 6 million ton of MIEQ has been given for sugar year 2019-2020. This we are talking about close to around Rs.10.50 per kg as the lump sum export subsidy towards offsetting the expenses around marketing cost including internal transport charges, etc., and EID has got allotment of roughly around 72000 tons towards this quarter. Now another update is on the OMC tender. As you all know the ethanol blending program by the government is going on as per the expected speed, last year the result was close to around 3.3 Crores liters against which almost 80% to 85% has been supplied. Current year that is alcohol year that is we call it as ethanol year, December 2019 to November 2020, OMCs have come forward with a bid of, they are asking for a tender for 511 Crores liters. There are certain developments, which has happened in between is, the mills can convert the sugar syrup into ethanol it is a full conversion, no mill will be able to do a full conversion of syrup into ethanol because of the constructs. Government has relaxed the notification saying that partial syrup conversion is also allowed. The price for the syrup as well as B heavy has been increased, also for C a little bit and the B heavy transfer from one unit to another unit also has been approved that means more and more quantum of B heavy and syrup is diverted towards ethanol thereby the bidding for ethanol will go up. On that basis , EID is bidding for this ethanol tender this time and we have bidded 2.4 Crore liters for the current year that is for alcohol year 2019-2020.

Another important thing is about regarding the ethanol blending program government has given some investment subsidies in the last year. We had also applied and last year we had gone ahead and done the incineration boiler in Sankili, the project is under way it should be up and running by March 2020. Similarly the Bagalkot Distillery is another proposal, which we are putting for implementation, in fact we had put it on hold because we were not getting clarity in terms of the futuristic procurement by OMC. Recently government has released a policy note giving surety in terms of offtake of the volumes by these distilleries for the next five years. On that basis Board has approved distillery of a 60 KLPD at Bagalkot, it is another development from our side. Going forward for the next sugar year, the expectations are that we are going to have only 26 million tons as the output that is for 2019-2020 current year and the opening stocks of 14 million ton, the country will be once again sitting on 41 million ton even we assume consumption of 26 million tons towards the next sugar year and exports of around 4 million tons. On the diversion to ethanol it is expected to be somewhere around 1 million ton. Centre will be still having a stock, September 30, 2020 maybe another 10 million tons of stock that is the situation, which we are seeing today. So with this background the market prices are expected to be really muted only, it is now going to go increase so much, this is our assessment particularly the crushing season is starting up now in November in Karnataka, maybe towards the end of November in Maharashtra as well and UP also may start subsequently. This market may be factoring in all these developments, on that basis the price is not expected to be moving up much and the business continues to sell under the release quota mechanism so we are not able to sell the full quantum, of course government is subsidizing the buffer stock to some extent that is helping us to bring down some interest cost. An update on the last year MIEQ what we have been allotted a quantity of almost 63000 tons, we have successfully completed the entire quota and there is a status on the last year export. Now I would request Mr. Ramesh Kumar to take over and then share the final details. Thank you.

Ramesh Kumar: Thank you Suresh and thank you to all the participants. We are happy to be part of this call and we will share a few key informations about the financial performance of the company. On the standalone basis, we have an operational revenue of Rs.442 Crores, which is increase of about 26% over the previous year corresponding quarter mainly due to export quantity of sugars increased as Suresh explained that we completed our export sales and also average realization of alcohol also increased during the quarter and the sales quantity of alcohol also increased by 21 lakh liters compared to the previous quarter of last year. On a YTD level also our turnover is about Rs.830 Crores, which is about 3% increase over last corresponding half year, which is predominantly due to increase in the alcohol sales quantity and alcohol realization price. The PBT for the quarter was about Rs.12 Crores loss, which is lower than the last year about Rs.3.65 Crores. The last year we did around Rs.15.5 Crores loss in the corresponding quarter. The PBT for the half year is a loss of about Rs.104 Crores, which we have reported a PAT of about Rs.6 Crores in the quarter and Rs.47 Crores loss for the half year. The loss is substantially reduced over last year both in the quarter as well as in the half year. On a consolidated level, the PBT was declared at around Rs.484 Crores for Q2 and in the previous year corresponding quarter was Rs.418 Crores and in the half year period Rs.473 Crores against previous year of Rs.328 Crores. We also declared a PAT for the quarter about Rs.380 Crores against a previous year was Rs.250 Crores and in the half year period it is Rs.377 Crores against a previous year of Rs.91 Crores only.

As far as the sugar operating numbers are concerned, we operated the plants only in Tamil Nadu for this quarter. During the quarter we crushed around 6.93 lakh metric tons when compared to the corresponding quarter previous year it was only 4.94 lakh metric tons. The recovery was better than the last year, the corresponding period was 8.41%, we produced about 0.62 lakh metric ton sugar during this quarter including a raws of 0.041 lakh metric ton against the corresponding period of 0.4 lakh metric tons. We did a sale of about 0.877 lakh metric tons and average selling price was around 32.56 per Kg. We carried about 1.8 lakh tons of sugar at the end of September valuing around Rs.33 per Kg. The revenue for the quarter was Rs.325 Crores in the current quarter against the corresponding period of previous year was Rs.263 Crores increased by 24%.

As far as the cogen is concerned, we have generated about 6.9 Crore units against a previous year corresponding period was 4.7 Crore units and we have exported about 3.4 Crore units against the previous year corresponding period of 2.3 Crore units. The realization was at an average rate of 2.29 per unit, the current quarter as against 2.85 per unit for the previous year. Currently the power export in PPA in AP and Karnataka and IEX mode in Tamil Nadu. The revenue for the quarter was Rs.20.7 Crores against the corresponding period of Rs.12.7 Crores, which increased by 63%; however, the realization has reduced.

As far as distillery is concerned, we had a sale of about 147 lakh liters for the quarter of which ENA was 128 lakh liter and ethanol 19 lakh liters, total average realization in the quarter was around Rs.56 per liter.

In case of Nutra India had a similar kind of performance like last year with a turnover of about Rs.17 Crores. At the consolidated level the Nutra business for the quarter continues to be in the same line of last year, the turnover was around Rs.55.46 Crores in the current quarter against the corresponding period of Rs.57 Crores. We had a turnover of around Rs.102 Crores in Current year, which is a decline of 13% over the last year corresponding year. The PBIT for the quarter was loss of around Rs.5.8 Crores against the profit of Rs.3 Crores of last year.

The capex program continues to be in the same manner as we speak around every quarter. We continue to monitor very closely, we estimate around Rs.140 Crores for the full year of which already we have incurred Rs.40 Crores as of today. We have taken up several projects like incineration boiler of Rs.30 Crores and other few major projects and otherwise rest of the replacement activities only will happen. We also intend to put as Suresh explained the Bagalkot plant during this ethanol season before the commencement of next ethanol season, we have got a board approval for this.

As far as loan and interest are concerned, we will continue our actions towards reduction of loans. During the quarter we further reduced our loans from last quarter like Rs.12.5 Crores. Our loan level remains Rs.803 Crores long-term being Rs.437 Crores and short-term being Rs.365 Crores.

Last year we had Bio sale proceeds which helped us to reduce the interest cost during last year; however, because of the available higher stock level due to release order mechanism interest cost has increased. Against Rs.26.7 Crores in the current year, the last time we had incurred only Rs.19.7 Crores as we continued a very tight control of the loans as well as the interest cost. During the quarter we had also received a dividend of Rs.62 Crores from Coromandel, 350% per share like last year.

Another area we continue to exercise a lot of controls on the expense side, expenses have got increased slightly over last year Rs.10 Crores mainly predominantly on account of salary increase in those areas, otherwise we are ensuring that all cost control measures are in place.

With respect to PSRIPL operations, we had operational revenue for the quarter of Rs.371 Crores against the previous year of Rs.440 Crores. The PBT for the quarter is Loss around Rs.46 Crores, on YTD level it is a loss of Rs.52 Crores, which has improved over last year loss of Rs.132 Crores. The long-term loan level is at Rs.200 Crores and the short-term is at Rs.1000 Crores. The refined sugar production is 1.2 lakh metric tons during the quarter and the sales during the quarter is 1.41 lakh metric ton against 1.48 metric tons of last year. The overall six months level 3.68 lakh metric tons in the current year against 2.83 lakh metric tons over last year. I leave the floor to ask questions.

Sudarshan P: My question is primarily to understand how the dynamics is specifically in Karnataka and Tamil Nadu the areas which you operate, earlier we used to discuss that there is issues in terms of cane availability, molasses availability and hence there was a higher amount of transportation cost, etc., and plus the SAP was a little unreasonable over here and some of these issues, how are they now looking at is there any improvement in the underlying things how one looks at?

S. Suresh: The SAP at this point in Tamil Nadu has moved out, the government has already announced that it is going to be revenue sharing formula. With the level of recoveries what we are getting in Tamil Nadu, but the FRP is roughly at 9.5% recovery it is 2613 and at 10% it is 2750. If the recovery is in between it is going to be pro rata. In Tamil Nadu the price mandated by the government is like this, over and above FRP you need to pay the transport to the farmers, even after adding the transport to the FRP it is definitely lower than the earlier Tamil Nadu defined SAP rates. We have been continuing to represent the government in terms of trying to support the industry because this transport is over and above the FRP and the recovery is also below 9%. In terms of the cane scenario, Tamil Nadu crushing level will be more or less in line with the last year may be slight higher side compared to last year based on the cane availability and we have to wait and see how the northeast monsoon is going to pan out in Tamil Nadu to estimate the prospects of cane planting for the next season. Coming to Karnataka, it continues to be under the revenue sharing formula or FRP , whichever is going to be higher and there is no change in that and we also stick to the standard agreement as per the FRP and revenue sharing formula only. In terms of cane availability if you look at earlier year, the cane availability is close to around 420 lakh tons of cane and next year that is current year that is what is going to be available for us, availability itself has come down by 30%, it has gone down to almost 320 lakh. The reason in the north Karnataka region the flash floods and other things which has happened, has brought down the availability of cane by another 40 lakh tons because most of the canes got inundated in the water either they have perished or they are just available with a very low recoveries. Hence the overall estimate of Karnataka itself could be lesser compared to the earlier year. That is the scenario as far as Karnataka is concerned, but when you look at the planting for the next year because of the huge rainfall and lot of dam level it should pan out to be better. India may come back from 26 million tons once again back to 30 plus regime in the next year and also, we have to see the extent of the reduction will be known once we start the crushing. Very recently we have started the crushing in Haliyal and we have started crushing day before yesterday in Ramdurg, so we will have to wait and see the quality of the cane, which is arriving, now the acreage cannot be changed, but what can come down is the estimated recovery from the cane that is the scenario.

Sudarshan P: With respect to the recovery rate that we are seeing in the south, which is quite different, in fact from what we are seeing in Uttar Pradesh and while Maharashtra has been a little bit more volatile, but still lower than that, is that difference primarily with respect to the weather and the soil pattern or is it because UP is now adopting the higher yield cane variety, which can be adopted here in Karnataka?

S. Suresh: The three areas, which have the highest recoveries in the country are UP, Karnataka and Maharashtra. .With regards to Tamil Nadu we have seen over a period of time the recoveries do not cross, somewhere around 8.5 to 8.8 near to the coastal area whereas some interior areas somewhere around 9.5% not more than that. We have even tried out this two, three variety in our places, they are not coming out to that much high recovery for us. Having said that we along with the SBI Coimbatore, we are in the process of working on a new variety, which has been now done with multilocational trials 11015, the SBI Coimbatore is testing out, they are finding it to be better than HC032 both in terms of yield as well as in terms of recovery maybe next one or two seasons they have to be tested out for the resistance to diseases and vulnerability to the climatic changes post that they can be brought in as a regular variety for this, but definitely you will not be able to get into the league of Karnataka and Maharashtra and UP in terms of recovery of 11.5 may be Tamil Nadu can be satisfied with at least whatever I am paying for recovery to the farmer I will be able to get those recovery in the crop. Today we pay for 9.5% and what we get is only 8.6%, 8.7%. The soil condition, the climatic condition also matter a lot, the same variety is not working out here, which we have tried it out also.

Sudarshan P: Recently we have seen this UP government enforcing 18% diversion of molasses to local country liquor at the gross level, do you believe that either in Karnataka or Tamil Nadu that could be a risk in terms of implementation because if that happens I think the availability of molasses would further come down for the OMC contracts that we are bidding for?

S. Suresh: I am not sure whether the Karnataka and Tamil Nadu government will follow suite in terms of allocating some percentage, but one thing what I can tell you the allocation of those percentages to the other liquor production is not going to affect the availability of molasses for us. For a simple reason, the B heavy and syrup are the routes, which we are going to take, we are no more going to be dependent on the import of molasses from UP. I was also talking about last time in terms of the higher transport for cost of molasses being very high and we will be able to have our own molasses will be self sufficient in terms of molasses availability for production of ENA as well as for ethanol. I do not see that aspect of government blocking some quantity of molasses for this purpose is going to happen anyway government is ensuring so much minimum quantity of ENA has been taken first, I do not see the scenario to be coming in Tamil Nadu and Karnataka.

Sanjay Manyal: I just wanted to ask few questions on the operational side, what kind of a sugar sales volumes we can do say in FY2020 and if you can tell me the same number for distillery and power?

S. Suresh: As per the release quota, we expect to sell around 22000 to 25000 tons per month. We only presume that the same release quota what we got for October is going to be continued, if that continues, we will sell another five months another 125000 tons should get sold off in the domestic market.

Sanjay Manyal: Okay and what are the expected distillery volumes?

S. Suresh: The quantum what we have sold in the first half ,will be sold in the second half as well.

Sanjay Manyal: Okay, is it entirely going for the ethanol or is there something which is going for the ENA?

Ramesh Kumar: Both we will have a combination.

S. Suresh: It will be a combination of ENA and ethanol.

Sanjay Manyal: Okay and what percentage of your total distillery volumes towards the ethanol?

S. Suresh: The ethanol is going to be 30% of the volume.

Sanjay Manyal: Okay and then one question on the other expenditure side, your other expenditure on the standalone is somewhere around Rs.91 Crores, what kind of an export related expenditure is the part of this Rs.91 Crores?

S. Suresh: The other expenses of Rs.91 Crores, around only Rs.1 Crore is related to exports in that, other transport cost of export are reimbursed as a part of Freight Subsidy.

Sanjay Manyal: Right Sir and you mentioned that there is an export subsidy of Rs.7, what I understand it is somewhere around Rs.10.4, which has been announced by the government, so is it you are excluding the transport tariffs or something like that, is it low for the coastal?

S. Suresh: Including 10.448 per Kg, including ocean freight.

Sanjay Manyal: Okay, but you mentioned Rs.7 something so, I am a bit confused, is it lower part?

S. Suresh: Rs.8.30 per kg was last year sugar season, for the next sugar season the export season , Government has announced it Rs.10.448 per Kg is the price.

Sanjay Manyal: Have you accounted for this export subsidy the previous year one?

S. Suresh: Yes, we have fully accounted for the subsidy. Whatever export season got over up to September, we have accounted for the production subsidy.

Sanjay Manyal: Have you contracted any quantities in the new sugar season?

S. Suresh: Just started, we are in the process of waiting for the good prices to come, once the expected pricing level is reached we will start doing the contracting.

Sanjay Manyal: And other income, which is around Rs.75 Crores, am I assume largely this is dividend income from Coromandel?

S. Suresh: Rs.75 Crores predominantly on account of Rs.62 Crores of dividend received from Coromandel .

Ayush B: I wanted to understand how has our refinery performed so what PBT did you mention?

S. Suresh: PBT for the quarter is Loss of Rs.45.5 Cr.

Ayush B: Versus year-on-year it was?

S. Suresh: Last year it was Loss of Rs. 68.7Cr, YTD level it is Loss of Rs. 52 as against Loss of Rs. 132 Cr.

Ayush B: Just wanted to understand so when do we expect significant improvement in the refinery operations, which have not been performing well since past two years, so what kind of spreads are we looking at currently?

Suresh Kannan: As far as the refinery operation is concerned you can notice from the last year we have substantially cut down the losses for H1 of last year versus H1 of this year, this is predominantly on two major accounts, one is we are in a position to secure higher spreads compared to last year and second one is the improvement of operating efficiencies at the refinery level, so these two have contributed to the improvement and we expect the spread what we have in hand for the rest of the financial year coupled with operations we should be in a position to make ends meet for the current financial year is concerned. The log spreads are currently in the region of around $45 and the market spreads keep varying depending upon the movement of raw and white sugar prices on the commodity exchange.

Ayush B: Has this spread moved up quarter-on-quarter?

Suresh Kannan: There has been an improvement of spread in the market, but if you look at from a financial quarter because we have to hedge this spread ahead of time and there is a mix of sales against the spread, so on a quarter-on-quarter basis there is a reduction in spread in the current financial year, but this will be compensated by higher spread in the third and fourth quarter, which is more sales mix issue rather than absolute spread issue.

Ayush B: Okay and what kind of capacity utilization will be operated in the first half?

Suresh Kannan: The first half we had around 70% capacity utilization, last year we have carried out debottlenecking exercise as a result of which our capacity has been higher, so at the moment we are at 70% operational level.

Ayush B: So this 70% is on the total new capacity like including the new capacity 3000 DPD?

Suresh Kannan: Absolutely.

Ayush B: Okay, what is the demand supply situation in the white and raw sugar?

Suresh Kannan: The situation in white sugar is getting a little bit tight, the calendar fourth quarter and the first quarter of next year, the situation is quite tight as far as the availability of the refined sugar globally. Raw sugar situation is slightly different because of the fact that the production in raw sugar has come down in the regions like Brazil and Thailand, but on the other hand there is opportunity of raw sugar availability because India is getting into the market for exporting raw sugar, so with the arrival of more raw sugar from Indian mills for export basis, the availability in raw will slightly improve, whites will remain a bit tight for the short term and ultimately the situation is expected to be balanced going into next year.

Ayush B: Okay, can you just repeat the production in sales figure that you mentioned in the refinery segment?

S. Suresh: Quarter we had refinery around 1.26 lakh metric ton corresponding quarter of previous year was 2.09 Lakh Metric tons and half year is 2.37 lakh metric tons against previous year is 3.83 Lakh Metric ton.

Ayush B: And on the distillery segment, so what was the realization figure you mentioned?

S. Suresh: Realization for the quarter it was 56.

Ayush B: Okay, this has improved significantly so do we expect these margins to continue for the rest of the year?

S. Suresh: Margins will come down based on the crushing season starts it will come down by another maybe 5% or something like that.

Ayush B: The realization we expect to maintain?

S. Suresh: Yes.

Ayush B: The cogen situation, Sir I wanted to understand so we have made Rs.29 Crores EBIT loss in our cogeneration segment, I am not able to understand when do we expect things to improve on the cogeneration side because that is almost equivalent to the loss that we made in the sugar division?

Ramesh Kumar: The drawback is mainly because IEX prices have gone down during this quarter very badly to 2.29 as against 2.85 of last year. The IEX prices will improve as we proceed for the crushing season going for the last quarter of the year, so we will see around Rs.2.85 to Rs.3, which will improve our cogen profitability there.

S. Suresh: To add to that also what we are trying to do is we are trying to operate the plant on a bagasse saving mode and trying to sell this bagasse at a better prices to TNPL that is what we are trying to negotiate with them, so compared to the power it will get a better price, we will sit in other account, but the business will get better.

Ayush B: Overall currently we are selling power only or are we selling bagasse also?

S. Suresh: Both we are selling power, but on the saved bagasse if we are able to get a better realization compared to the power export we will sell bagasse also.

Ayush B: In Tamil Nadu, do you expect to eventually shift to PPA from the IEX exports?

Ramesh Kumar: We are not in PPA, we are out of PPA long back.

Ayush B: Yes, but going ahead do we expect to shift to PPA?

Ramesh Kumar: PPAs are also not encouraging.

S. Suresh: The day we eye on some very good rates obviously we will shift into PPA.

Ayush B: Okay, so for a full year, can we expect sugar crushing to be same as last year or should it decline because of Karnataka?

S. Suresh: There could be a 5% to 8% drop from the overall volume level because of the Karnataka team, we are just waiting and watching once the crushing season unfolds by December we will get a fair idea.

Akshay Ajmera: How much do we expect to crush the sugar cane this sugar season and when can we expect to get the peak of crushing of sugarcane of our capacity in terms of our capacity utilization?

S. Suresh: Peak of capacity utilization should happen in Karnataka somewhere in December may be to mid of January and crushing quantum as I have explained there could be somewhere around 5% to 8% or 10% compared to the last year.

Akshay Ajmera: Just a followup question, at a company level can we expect to reach the peak sugar crushing by next year?

S. Suresh: Next year Karnataka may be yes because the way we are talking about season 2021, the way the things have been there in Karnataka we expect abundant to be there, so this normal Karnataka season of at least 120 days should be coming in and you say peak full capacity means this is also only 120 days not more than that, we are now going to operate all the days as all of us know, so may be compared to this year there could be definite 25% to 30% improvement in the next year as far as Karnataka is concerned, may be two, three months we will operate to our peak full capacity. Tamil Nadu is at the same stage, there is not much of improvement in cane over the last year similar things are expected for the next year hoping that the north east monsoon also augur well on that basis same volume is expected next year.

Akshay Ajmera: And what about Andhra?

S. Suresh: Andhra will be flat similar one only because there is also the pressure from the competition crops, which are coming in, so the FRPs of sugar have not been increased, so with these in background farmers are also going to alternate crops maybe three to four months duration and then comes back, so we expect almost a similar level of cane availability for Andhra also.

Gautam Dedhia: I wanted to know what is the inventory liquidation happened in the refinery as of March 2019 and ending this quarter?

Suresh Kannan: As far as the refinery we had finished goods of 69000 tons as of March 31, 2019, which has come down to 26000 as of September 30, 2019.

Gautam Dedhia: Okay and whatever sugar stock you had in standalone what is it valued at as of this quarter I miss that think, what is it valued at close Rs.32 or Rs.33?

S. Suresh: You are talking about domestic or refinery?

Gautam Dedhia: Domestic sugar.

S. Suresh: Rs.32 per Kg

Gautam Dedhia: And have you taken any inventory gain or loss in this quarter?

S. Suresh: We have valued the stock at cost only.

Gautam Dedhia: Okay, thank you.

S. Suresh: Thank you all for joining this call despite your busy schedules. We will be happy to meet you again in the next quarter. Thank you so much.