"E.I.D.-Parry (India) Limited
Q3 FY'24 Earnings Conference Call"
February 07, 2024

MANAGEMENT: **MR. S. SURESH – MANAGING DIRECTOR – E.I.D.-PARRY (INDIA) LIMITED**
MR. MUTHIAH MURUGAPPAN -- WHOLE TIME DIRECTOR – E.I.D.-PARRY (INDIA) LIMITED
MR. SURESH KANNAN – WHOLE TIME DIRECTOR – PARRY SUGARS REFINERY INDIA PRIVATE LIMITED
MR. Y. VENKATESHWARLU – CHIEF FINANCIAL OFFICER – E.I.D.-PARRY (INDIA) LIMITED
MR. BISWA MOHAN RATH – COMPANY SECRETARY – E.I.D.-PARRY (INDIA) LIMITED

MODERATOR: **MR. SANJAY MANYAL – DAM CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the EID Parry India Q3 FY '24 Earnings Conference Call hosted by DAM Capital Advisors 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 call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sanjay Manyal from DAM Capital Advisors Limited. Thank you and over to you, sir.

Sanjay Manyal: Hello everyone, a very good morning to all. We thank the EID Parry's management for giving us the opportunity to host this call. On the call today, we have with us Mr. Suresh, Managing Director, Mr. Muthiah Murugappan, Whole Time Director, Mr. Suresh Kannan, Whole Time Director, Parry Sugars Refinery India Limited, Mr. Y. Venkateshwarlu, CFO, Mr. Biswa Mohan Rath, Company Secretary. I hand over the call to EID Parry's management for the opening comments, followed by question and answer session. Thank you and over to you, sir.

Suresh: Yes, good morning. Good morning all. It gives me pleasure to be part of this analyst call to share and update on the global and Indian scenario and explain the Q3 performance of the company.

On the global scenario, the global sugar surplus projection for the sugar year 2023-24 is pegged at 6.32 million metric tons of raw value, which is 16% lesser than the previously estimated surplus. The drop in availability is attributable to production cuts in Thailand, Mexico, Guatemala, Australia and the EU, partly offset by the increase in production at Brazil. Raw sugar futures have tumbled to 20 cents per pound during the last week of December, having reached historical heights of 28 cents per pound a month earlier.

This is attributable to record high exports from Brazil, thanks to better crops and reduced congestion at the Brazilian ports. Latest reports from the Brazilian industry, UNICA, revealed a 23.5 percentage increase in sugar output in the first eight months of the current marketing year, in comparison with the same period of last year. The increase in premium of sugar prices over ethanol at Brazil, incentivizing more crystallization, is rendering a bearish outlook to the global prices in the medium term.

On the Indian scenario, with the drop in diversion of sugar to ethanol as per the latest estimates from ISMA, the sugar production for the sugar year '23-'24 is pegged at 315 lakh metric tons. With consumption being plateaued at 275 lakh metric tons to 280 lakh metric tons, the closing stock for the sugar year '23-'24 would be 75 lakh metric tons, which is 52% higher than the previous year closing stock. As may be known to you all, the government has put an embargo on using sugarcane juice syrup for producing ethanol for the ethanol sugar year '23-'24. While the oil marketing companies have increased the procurement price of ethanol from C molasses, it is still not commensurate with the total production cost.

Regarding the Q3 performance, the stand-alone revenue from operations for the quarter ended 31st December 2023 was INR668 crores, registering a decline of 8% as against INR725 crores in the corresponding quarter of previous year.

Earnings before depreciation, interest and taxes (EBITDA) for the quarter ended was INR24 crores as against INR63 crores in the corresponding quarter of previous year. Stand-alone loss after tax for the quarter was INR14 crores as against profit of INR16 crores for the corresponding quarter of the previous year. The stand-alone revenue from operations for the 9 months ended 31st December 2023 was INR2,092 crores as against INR2,088 crores in the corresponding quarter of previous year.

Earnings before depreciation, interest and taxes (EBITDA) and before exceptional items for the 9 months ended was INR140 crores as against INR199 crores in the corresponding period of the previous year. Stand-alone profit after tax for the 9 months ended was INR27 crores as against INR114 crores in the corresponding quarter of previous year. The profit after tax for the 9 months ended includes an exceptional gain of INR Nil as against INR44 crores on account of sale of properties relating to Puducherry and Pettavaithalai factories in the corresponding period of previous year.

The operating performance of the sugar segment for the current Q3 has been lower as compared to the Q3 of the previous year on account of the reduction in export volume due to the restrictions imposed by the government, partially offset by the increase in domestic volume and realization. Cane crushed for the quarter has been slightly lower than the corresponding quarter of the previous year and the sugar recovery has marginally reduced due to the prevailing climatic conditions. Distillery profitability in the current quarter has been better on account of the volume benefits flowing from expansion and better realization.

However, the full benefits of expansion have not flown in the quarter due to the change in government policy on syrup, ethanol as well as B Heavy ethanol. While the total blending in sugar year 2022-23 was around 12%, the policy decision of restricting the use of sugarcane juice or syrup is expected to adversely impact the EBP targets and consequently the performance of the distilleries and also their capacity utilization. The standalone nutraceutical segment has registered a loss during the current quarter on account of the continuing certification issues in Europe.

With this, I would like to hand it over to Mr. Venkateshwarlu, our CFO, for the other details.

Y. Venkateshwarlu: Thank you, Suresh and Muthu and good morning to all participants. It is a great pleasure to be part of the Analyst call and to share the key information of the operational and financial performance of the company. I would like to share with you the key operating parameters of each segment.

As far as the sugar operations is concerned, we have started the crushing operations in all the three states, Karnataka, Tamil Nadu and Andhra Pradesh. In Tamil Nadu, we crushed about around 40 to 45 days during the quarter. And Sankli in AP and Karnataka, we crushed about around 60 to 65 days on average.

So, I would like to share the quantitative details. So as far as the crushing is concerned for the current quarter, 17.76 lakhs metric ton we have crushed. So, against the corresponding quarter of the previous year was 17.78 lakhs, very marginal decline. As far as the recovery is concerned, 10.14% for the current quarter compared to the previous corresponding quarter, it was 10.49%.

The recovery has dropped due to the climate conditions prevailing in South Tamil Nadu and rain impact in Karnataka state. As far as production is concerned, we produced around 1.5 lakhs metric ton during the quarter, against the corresponding quarter of the previous year, it was 1.7 lakhs metric ton.

Cane cost. Overall, cane landed cost is INR 3,543 per metric ton and last year corresponding period was INR 3,360 per metric ton. The increase is only on account of FRP increase of the last year. Sales volume for the quarter three, we did sales of around 1.1 lakhs metric ton. These are purely from the domestic. And the previous year it was 1.38 lakhs metric ton.

The composition of 1.38 lakhs metric ton, 90 thousand was domestic and 49 thousand was from exports. Average selling price was about INR38.71/kg for the current quarter, whereas the same was INR36.19/kg in the corresponding previous quarter. We carry about 1.42 lakhs metric tons of sugar as of December 23 valued at around INR33/kg.

Revenue from sugar, was INR449 crores in the current quarter against the corresponding period, the previous year it was INR536 crores. We registered a decline of 16% on account of export restrictions imposed by the government, partly offset by increase in domestic sales and prices. All FRPs paid on time. No cane overdues as of today.

As far as the cogen operation is concerned, we generated around 1,366 lakhs units against previous year of 1,341 lakhs units. We exported about 677 lakhs units against previous year which was 675 lakhs units. The average tariff is increased at INR4.91 per unit against previous year INR4.42 per unit. Revenue from cogen segment is INR60.74 crores in the current quarter against previous year which was INR56 crores.

As far as the distillery operations is concerned, we sold in the current quarter around 2.73 crores liters against the previous period 2.25 crores liters. The composition of total alcohol of 2.73 crores consists of ENA 1.22 crores and ethanol 1.51 crores. Current quarter average price realization is INR 62.82 per litre. Previous period it was INR 61.11 per litre.

As far as the revenue is concerned, current quarter INR177 crores compared to previous period INR141 crores. As far as the Nutra is concerned, the turnover from Indian operations was about INR8 crores against INR14 crores in the previous year. At the consolidated level, the Nutra business turnover is INR47 crores against corresponding previous year, which was INR62 crores.

As far as the refinery operations is concerned, operational revenue for the quarter is INR 1,597 crores against Q3 of 2022-'23, INR 945 crores.

Profit before tax for the current quarter is INR 7 crores against loss of INR54 crores in Q3 ’22-'23. Refined sugar production for the current quarter is INR1.96 lakhs metric tons. In Q3 '22-'23, it was 2.27 lakhs metric tons.

As far as the refined sugar sales is concerned, for the current quarter it was 2.76 lakh metric tons, against December '22, it was around 2.37 lakh metric tons. So as far as the long-term loans is concerned, it is INR 200 crores as against Q3 '22-'23 which was INR 200 crores., it is due to E.I.D.-Parry (India) Limited which is outstanding. The short-term loans for the current quarter is INR9.35 crores. Previous year, it was INR761 crores.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Gautam Dedhia from Nalanda Securities. Please go ahead.

Gautam Dedhia: Can you give me the data for your branded sugar volume and average realisation for the quarter?

Muthiah Murugappan: Good morning. The retail sale is about 34,000 tons. This is up from 25,000 tons last year's same quarter. That is a good growth. Also, in terms of the overall sales of 1.1, this is about 31-odd-percent. Last year's trends were about 27%. This year, it is about 31-odd-percent. In terms of the premiums over the trade price, our realisations are about INR2.30 higher than what you are getting on trade price.

Gautam Dedhia: Just another question on the refineries. Two quarters back, we were looking at some strategic partnerships. Any update on that?

Muthiah Murugappan: Gautam, there are no further updates to be shared at this point in time.

Gautam Dedhia: Similarly, on the Nutra part, we were looking at some restructuring. Is there any update on that as well?

Muthiah Murugappan: Same response. No further update at this point in time to be shared.

Moderator: The next question is from Vikram Kotak from ACE Landsdown Investments. Please go ahead.

Vikram Kotak: Thank you, EID management. I have a question on the new staple range which you launched in Tamil Nadu. I just want to understand how is the initial response? That is question one. Second, are you planning to launch in more Southern states? If there, then by when? Third, a little bit of your long-term vision about moving towards the food and bioenergy segment. If you can just throw some broad lights around those lines. Thank you so much.

Muthiah Murugappan: Vikram, thanks for your question. Initial response to the staples range has been good. The market launch only started after Sankranti. So, I think it is too early to make a reduction. Question number two, I think the intent is to leverage the brand across other categories. Of course, sweetener is one category which we are present and well entrenched in.

I think the natural extension was to get more share of the grocery basket and leverage the brand equity and which is why the staples launch. I think broadly over time, we are certainly with conviction aspiring to build this business out further. From the bioenergy side, I think we have invested significantly in the last three years on the biofuel segment.

Of course, there have been some policy changes in recent times. But even if you notice this morning's newspaper, the Hindu Business Line, it talks of the global biofuel alliance and I think the PM has quoted the ethanol blending program. So, we do believe that there is a good opportunity in this segment moving forward.

Of course, given these policy changes, I think we are also internally have regrouped and we will look at how we can be more flexible around feedstocks and product mix. Those are largely operational considerations. But I think we are quite positive that this is an opportunity which will continue.

Vikram Kotak: And can you launch a program over the other southern part of Tamil Nadu?

Muthiah Murugappan: Yes. The intent is to launch. I think the distribution currently is in the southern state. The distribution which was built with the sweetener business that is growing – it's a growing number and it is intended that over time, in fact, over this year, the staples launch will start extending into other states.

Vikram Kotak: Right. Superb. Thank you. All the best to you.

Moderator: Thank you. Next question is from Somnath Saha from B&K Securities. Please go ahead.

Somnath Saha: Thank you, sir, for the opportunity. Sir, I want to ask you regarding the refinery part that after making losses in many quarters, a bit from the business are not positive for the second consecutive quarter. But if we adjust our interest, we are making losses from the refinery, even when the top line is all the time higher, around INR600 crores.

So, sir, are you looking into it? How are you looking into it? Is there any possible restructuring or we can see closure of the refinery? Because when you talk to people, mostly the future investors, everyone is concerned about the refinery. Because at present, the company is not valued only on its boom well, but on the retail ratios. So, how to look at it? Is there any possible restructuring or how you are planning on that side? That's my question.

Suresh Kannan: Thank you. Thank you very much for your question. As far as the refinery is concerned, we can answer this in two parts. One on operational basis, you can see that refinery has been turning around. The last two quarters have been profitable performance, basically on account of three levers that what we have discussed earlier as part of our calls as well.

One is in terms of the sales volume, the spreads going up in the international market because of the demand supply situation and our ability to upsell, which is more in the form of selling to end customers, institutions and higher traction on account of container availability and container shipments out of our ports and our continuous measures to fine-tune our cost structures. So, that has given us results over the last couple of quarters and we have to remain profitable and we expect to continue this journey going forward.

On the medium to long-term front, I think we had also shared in the last discussions that there is a possibility of a strategic partnership, which can add further value into the refinery in order to make this operation far more robust in terms of different market cycles and product cycles that come through in this industry. So, that is where the efforts are on and we hope that with the right strategic partner, we should be in a position to return value on the investment of the refinery.

Somnath Saha: Thank you, sir. Another question from the branded sugar. As this is an entirely different business, are you planning to hire any key persons specifically for the branded sugar?

Muthiah Murugappan: So, thank you for your question. Yes, this is a different business. It is largely an FMCG business. The team which leads this business and operates this business is a team which has the relevant experience from the FMCG sector. So, right from the leadership to the field force, it is a different team.

Somnath Saha: Okay, thank you, sir.

Moderator: Thank you. Next question is from Chetan Phalke from Alpha Invesco. Please go ahead.

Chetan Phalke: Yes, hi. Good morning, sir, and thank you for the opportunity. Sir, my question is with respect to our foray into rice varieties. So, bigger players like, let us say, KRBL, LT Foods, they are already present in basmati segment. And now, even this Fortune and Patanjali, they are also getting in, they are also upping their game. So, it is a hotly contested market. And these players are now getting into regional rice varieties as well. They are moving away from Basmati and getting into, let us say, sona masoori, etcetera. So, how are we planning to position ourselves against these incumbents who already have scales, sourcing? I mean, just trying to understand what is our thought process in taking on these players?

Muthiah Murugappan: So, thank you for your question. I think we have actually made a start more with regional varieties. We have ponni boiled rice and ponni raw rice, which is obviously relevant to the Tamil Nadu market wherein we have launched. And obviously, as we expand our base, we will work on more regional varieties as well. Basmati is also certainly on the cards. There are certainly large players in this segment.

I think I already covered that we will leverage the trust and quality of the brand with the leverage the brand equity with the consumers and bring them good quality products going forward. The segment is, it is under 30% branded. So, there is a heavily unbranded segment in, say, and you specifically asked about rice. Rice is only about 25%, 30% branded. So, 70% of the segment is unbranded. So, I think one expertise which we have gained over the last half a decade in sweetener is branding the unbranded.

The sweetener segment is only about 8%, 9% branded. And I think we are significant in helping the consumer make that switch. So, one expertise which we have got is branding the unbranded. And I think we aspire to bring that expertise to bear. And it goes to various elements of the marketing mix in this category to start tapping into that 70% unbranded segment and convert them to branded. So, I think that is really where there is a headroom for growth.

There are, of course, large players, no doubt. And I think it will be a mix of branding the unbranded and taking on some of these players in certain pockets. So, I think that is how we will see this business progress.

Chetan Phalke: Okay. So, sir, our positioning will be, I mean, our quality will be better than others. Is quality the positioning or our pricing will be at a premium to them? I mean, how are we, if you can just elaborate a little on the positioning of this particular foray in regional rice varieties or basmati rice, per se?

Muthiah Murugappan: I think the Parry brand is always stood for quality and trust. And I think that is what we will always aspire to deliver to the consumer. I think we will have to be widely distributed. I think we will also have to be comparatively priced because I think in the Indianmarket price is a very, very important consideration. I think as we have may be value-added varieties or premium varieties at points in time in the future, we can look at premium pricing. But I think we will have to be strong on quality and competitive on pricing. I think all of that is really where our brand equity lies.

Chetan Phalke: Okay. So, are we looking at organic rice, etcetera, as well, going forward?

Muthiah Murugappan: I think those are probably fairly small segments. I think we will stick to the basics, focus on distribution, focus on the largely consumed variants and build our presence. I think value-added and organic, I think, you need to set a base and a platform. The foundation is always important for any business. And I think that's what we aspire to do in the staple segment as well.

Chetan Phalke: Okay. And sir, my last question is on the supply chain with respect to this regional rice in Basmati. So, what kind of physical infrastructure will we need? Because as I understand, rice needs -- Basmati needs 12 months to 18 months of aging. So, do these regional varieties also need aging? So, how do we -- I mean, we need a physical infrastructure for inventory, for inventory management or processing facilities, polishing facilities, etcetera? Are we planning to put them up as of now or we were outsourcing it as of now?

Muthiah Murugappan: So, obviously, we're I think it's an excellent question. We're making a start in this segment. So, we are working with good partners. And I think we will rely on the knowledge and infrastructure of these partners to cover a lot of the ground that you are talking about. But in this segment, I think margin accretion can really come with scale. And it can also come with smart sourcing and building good partnerships on the supply chain front.

So, I think as we learn this business and build scale, I think we will be going deeper on the supply chain to build these partnerships. And I think when scale warrants it, start, bringing in some of this infrastructure into the mix, captively. So, I think by just getting started. So, this will have to evolve.

Chetan Phalke: Okay. And is there any difference between the aging timeline for the regional rice versus the Basmati rice? I mean, is there anything like that?

Muthiah Murugappan: I'll have to get back to you on that. I don't have that answer off hand.

Chetan Phalke: Okay. And just one last question, sir. I mean, since we have other group companies who are engaged with farmers in some of the other capacity, do we -- can we benefit from our group linkage or direct connect with the farmers from that network with respect to procurement of rice? Because other players like KRBL, they are distributing seeds to their network and then they procure that rice back. So, are we -- looking at something like that? Can we benefit from our existing infrastructure of our sister concerns or parent company or group companies?

Muthiah Murugappan: I think we'll certainly leverage the intergroup networks. I think in the case of rice, of course, the rice millers are an important element in the supply chain as well. But I think we'll certainly leverage the groups networks.

Chetan Phalke: Okay. Okay. And at what scale we would put our own infrastructure at, let's say, ballpark at 10,000 tons, 20,000 tons, once we cross those kind of volumes, what are we looking at or anything on that front?

Muthiah Murugappan: In terms of putting up our own infrastructure, I think we haven't. Suresh, do you want to comment?

S. Suresh: Yes. See, I think the right infrastructure is more critical than deciding on own versus outsourced. That depends on the economics. We'll be focusing on the right type of quality infrastructure for the supply chain.

Chetan Phalke: Okay. That's it from my end, sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Falguni Dutta from Mansarovar Financial. Please go ahead.

Falguni Dutta: I have a question on sugar. So, what would be the cost of sugar production for this season ending September for us?

Y. Venkateshwarlu: It will be around 34,000.

Falguni Dutta: Okay. And, sir, another question is on Kakinada Refinery. So, if you can share the profit for the quarter for our refinery operation?

Y. Venkateshwarlu: As far as the PBT is concerned, it's about INR7 crores.

Falguni Dutta: INR7 crores for the quarter?

Y. Venkateshwarlu: Yes.

Falguni Dutta: And the nine-month number?

Muthiah Murugappan: INR76 negative.

Falguni Dutta: INR76 crores, you mean?

Y. Venkateshwarlu: INR76 crores. PBT is the loss.

Falguni Dutta: For nine months?

Y. Venkateshwarlu: Yes.

Falguni Dutta: And this quarter is INR7 crores positive?

Y. Venkateshwarlu: Yes

Falguni Dutta: And, sir, what is our total -- it's the final question. What is our total investment in this?

Muthiah Murugappan: 583 crore.

Y. Venkateshwarlu: As far as the EID investment is concerned, about INR583 crores, of which INR100 crores we have taken impairment. As far as the EID exposure is concerned, around INR480 crores will be there.

Falguni Dutta: Okay. Thank you, sir. That's all from my side.

Moderator: Thank you. The next question is from the line of Karan Mehta, who is an individual investor. Please go ahead.

Karan Mehta: Thank you, sir, for the opportunity. So, I just have three questions. Firstly, what is the impact of change in ethanol procurement policy by the government on our financials?

Muthiah Murugappan: Yes. This quarter --December quarter, INR6 crores impact. INR6 crores negative impact.

Karan Mehta: Okay. And what will it be for Q4?

Muthiah Murugappan: I think we don't give guidance from a quarter-on-quarter perspective, but there will be a negative impact because there is a change in product mix and there is a change in feedstock permissibility. So, to that extent, product mix changes, capacity utilization levels also change. To that extent, there will be an impact. We don't talk about guidance. So, you will see a negative impact.

Karan Mehta: Okay. So, secondly, what is the expected amount of ethanol production from all our sources in FY'24 and FY'25? And what is the pricing of C - Heavy ethanol?

Y. Venkateshwarlu: As far as this, we will not do the C-Heavy ethanol and we will not supply to OMC because that is not profitable. As far as the ethanol and ENA combination is concerned, we will be producing around 3 crores to 3.5 crores litres in Q4.

Karan Mehta: Okay. And within ethanol, can you give breakup of syrup-based and B-heavy production?

Y. Venkateshwarlu: Syrup will not be there because that already government has restricted and we stopped the syrup production. So, as far as the other balance is concerned, about 2 crores litres will be the combination between the grain and B-heavy.

Karan Mehta: Okay. And lastly, in the last 1 to 2 years, how much has the overall sugar, branded sugar market grown? And how much has our premium sugar brand grown in the same time frame?

Muthiah Murugappan: Our branded sugar volumes have been growing year-on-year about 30 odd percent. And at a YTD level, we have seen the same growth this year. And in terms of the branded sugar market growing, it is perhaps probably about 9% of the overall. Maybe a year ago, we haven't taken the official, we haven't taken our data out yet. That is more industry-level data. Probably, the overall branded sugar market, the percentage branded is about 9% now.

Karan Mehta: Okay. Okay, sir. Thanks a lot for all the clarifications. I wish you all the best.

Moderator: Thank you. The next question is from the line of Ritwik Sheth from One Up Financial. Please go ahead.

Ritwik Sheth: Hi. Good morning, sir. Sir, a couple of questions from my end. Firstly, on the sugar business, this season, we have been impacted by lower sales, primarily due to exports, and then impact on distillery volumes as well, coupled with increase in FRP prices. Assuming next year that the crop is close to normal, I know it's too early to take a call on next year's crop, but assuming that the crop reverts back to normal, can this lead to this year's pain to next year's normalcy for us in the sugar business?

Muthiah Murugappan: So, Ritwik good question. The sugarcane crop is a 10 to 12-month crop. So, planting is done, of course, harvesting is done almost close to a year later. So, when you have a deficient monsoon, it impacts the year in which you have a deficient monsoon, it impacts yield at that point in time. And I think you are seeing that play out in Maharashtra and Karnataka. What it also does is it impacts planting because sugarcane is a water-intensive crop.

It also impacts planting from a subsequent, planting for the next year's harvest. So, to that extent, I think the industry will face some elements of that challenge. We are starting to hear and read about news of a normal monsoon later this year, calendar year '24. And I think if there is a more normal monsoon with less disparate rainfall, that augurs well for crops getting planted later this year. So, I think I have answered your question in a bit of detail and this is the reality.

Ritwik Sheth: And on the sugarcane cost, you mentioned that current year it was close to INR 3,540 versus last year INR 3,360. So, that is a significant increase and with no increase in MSP for sugar, do you think there is a case for increase in MSP for the industry because the economics currently for us and most players is on the lower end compared to last few years. So, wanted to hear your thoughts on FRP and MSP as well the mismatch in the last couple of years.

S. Suresh: The case for MSP increase has always been there. Only thing is it is not being heard at the right forums. So, it is very, very important for the business, sugar industry at large, to have a price of the sugar in line with the increase in the prices of the FRP. FRP price increases have been there for quite some time and sugar increase, price increase is not happening.

And somehow or other it gets, the price gets mitigated, increase gets mitigated in terms of release quota or some other mechanisms. So, unless you get a fair link of the increase in price of sugar with respect to the increase in FRP, it is going to be a challenging time for the sugar industry as well.

Ritwik Sheth: So, to compensate this increase in FRP, we have seen, would a INR2 be good for the increase in FRP or we would need higher than INR2 per kg?

Muthiah Murugappan: No, see, Ritwik, I think, as Suresh said, there has been really no official increase from the MSP side. But I think where the policy makers come in is permissibility around exports, obviously regulating diversion to the biofuel program. And thereby ensuring volumes and ensuring a certain level of pricing and food security for the domestic market. So, I guess it is largely playing on market forces.

Now, I mean, we have -- there is so much production, so much consumption. So, you know how relevant MSP is. I mean, if we all had to sell at MSP, we would be selling at much lower than what we are selling at right now. So, I think there is some element of market forces at play here. And that's where current pricing lands. And there is a balance maintained every year in terms of a closing stock.

Now, perhaps, the industry would always believe that maybe the changes to the ethanol policy could have been thought through a little differently, because you are still going to end up with a reasonably healthy closing stock by the looks of it, a higher stock, in fact, than last year. Again, I guess these are the elements where the policy makers come in and exercise their levels of control.

So, I think that's the -- rather than MSP, I think the conversation is on how better to regulate the market dynamics, if you understand what I am saying because MSP and where the market pricing is right now is completely irrelevant. I think the elements and levers are different and they need to be understood.

Ritwik Sheth: Okay, got it. And sir, one last question. Last quarter, couple of quarters ago, you mentioned about the strategic partnership and someone asked earlier in the call as well. So, any timeline you would like to give us on the strategic partnership for refinery and Nutra? Any timeline that we have internally decided that we would like to share?

Muthiah Murugappan: None, I have no specific updates, Ritwik, at this point in time. I think the strategic review continues at our end and I think at the appropriate time, when we have information, we will convey it. Okay.

Ritwik Sheth: Thank you, sir, and all the best. That's it for me. Thank you.

Moderator: Thank you. The next question is from Falguni Dutta from Mansarovar Financial. Please go ahead.

Falguni Dutta: Yes, sir. How are the current sugar prices for us?

Y. Venkateshwarlu: The average realization for the quarter will be around INR39.

Falguni Dutta: For the quarter, you mean to say for Q4?

Y. Venkateshwarlu: Q3. We are at Q3.

Falguni Dutta: I meant that how are the realizations now as we speak?

Y. Venkateshwarlu: That is what the current quarter, it's INR39 is the average realization.

Falguni Dutta: Yes, but in mid-February now, currently, how are these, what I was asking?

Y. Venkateshwarlu: That is the future outlook that we will…

Falguni Dutta: No, no, not that outlook. Let's say for yesterday, day before, how were the prices, is what I am asking?

Muthiah Murugappan: Yes, so slightly lower than that. Your crushing is going on. Typically, when the crushing season is ongoing, your pricing is a little bit lower. You will expect pricing to rise once the crushing season closes.

Falguni Dutta: Okay. Okay. Thank you, sir. That is all from my end.

Moderator: Thank you. Well, that was the last question. Since there no further question, I would like to hand the conference back to the management team for closing comments.

Muthiah Murugappan: Thank you all for being on this call today. I know these are challenging times for the industry, but I think we have, with conviction, are working towards how best we can progress our different segments of business. We look forward to connecting with all of you at the end of the financial year in the next quarter. Thank you and have a good day.

Moderator: Thank you very much.

Muthiah Murugappan: Thank you.

Moderator: On behalf of DAM Capital Advisors Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen, you may now disconnect your lines.