“EID Parry
Q3 FY2020 Earnings Conference Call”

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S. Suresh: Good morning everyone. Thank you for joining this call. I would like to start with the note saying that our profitability has improved compared to the last year by almost 12 Crores on PBT basis and on a YTD basis it has improved by 50 Crores compared to the last year. For the year the crushing is expected to be in line with the last year numbers and the recovery is expected to be a bit better.

On the international scenario overall globally, the sugar deficit is expected to be in the range of around 6 to 8 million tons owing to the lesser outputs in Brazil, India and Thai. This deficit is expected to drive the international prices. This increase in prices in the international market is a good sign for the Indian Sugar Industry because the exports what was expected to happen will happen positively. EID also will be doing good amount of exports in the Q4.

Coming to the Indian scenario the production for the country for the year 2019-2020 sugar year is expected to be around 26 million tons definitely far lesser than the previous year. However, for the overall proceeds start to come back to the level of 7 to 7.5 million tons with the consumption remaining almost at the same 26 million tons the exports announced by the government of around 5 to 6 million tons should happen. With this international price going up we expect that 5 million tons also should be a reality in the months to come.

So, with this the overall closing stocks can come somewhere around 7 to 9 million tons. The only variable will be in terms of the diversion to ethanol by the sugar mills. On the ethanol as a company we have now bid for the supply to the OMCs close to around 200 Crores liters in different forms of B and C type molasses. Another update, the new distillery which is coming up in the Bagalkot factory, the work is under progress and all efforts are on to bring the distillery online by the next alcohol year and is supposed to start around December 2020. Board has also approved in terms of expansion by transferring the assets to the other units.

On the retail front, in terms of the sales overall sales has been restricted because of the release quota mechanism. The company continues to make its efforts in terms of improving the retail sales and the retail contribution by selling close to around 4000 tons per month and also, we are giving more emphasis on the value added products like Amrit which has been clocking almost around 200 tons per month from Q3.

This is a big shift from the earlier numbers, almost close to around 30% to 40% growth from the earlier quarters. We are happy to announce that we have test launched the new product jaggery powder in selected pockets of Tamil Nadu, once we receive feedback from the consumers and the production gets stabilized we will be going in for all South India launch in the year to come.

With this I would like to hand it over to Mr. Ramesh Kumar our CFO for further details.

Ramesh Kumar: Thank you Suresh. Good morning to all the participants. We are very happy to be part of this call for sharing the key information on the financial parameters of the company.

On a standalone basis, we had a good operational revenue of Rs. 437 Crores though it is a decrease of 9% of corresponding quarter, it helped us to reduce the loss over last year by Rs.12 Crores. We had sugar sales quantity lesser by 0.15 Lakh metric tons over last year. Distillery volume was also less by 78 lakh liters over last year mainly because there is a delay in crushing from Q3 to Q4. On a YTD level our turnover is about Rs.1,267 Crores which is about 1.5% drop from the corresponding last year due to the sales drop of 0.38 lakh metric tons, which is expected to be recouped in Q4 by way of exports which Mr. Suresh has explained.

The PBT for the quarter was about Rs.34 Crores loss, which is lower than the last year by about Rs.12 Crores that is last year we did around loss of Rs.46 Crores in the corresponding quarter. The PBT for nine months ended this year is a loss of about Rs.138 Crores as against a loss of Rs.188 Crores over last year. This includes even the exceptional sale of Parry America shares of Rs.35 Crores, otherwise it would have been Rs.222 Crores. The PAT reported for this quarter is about loss of Rs.67 Crores as against previous year loss of Rs.102 Crores.

On a consolidated level, the PBT was declared around Rs.337 Crores for the quarter and on a YTD basis it is Rs.810 Crores. PAT for the quarter of about Rs.261 Crores, and on YTD basis it is Rs.639 Crores.

As far as the sugar operating numbers are concerned, during the quarter we had crushed around 11.3 lakh metric tons which has dropped by 4.65%. The recovery was better than the last year, the corresponding period about 10.26%. We produced about 1.1 lakh metric tons during this quarter and sales was about 0.87 lakh metric tons including export of about a very meagre quantity of 0.08 lakh metric tons, we expect to do better in Q4.

Now our average selling price was around Rs.34 per KG as against selling price of last year was only Rs.31.5 per KG. We carried a closing stock of around 2.1 lakh metric tons at the end of December 31,2019 which is valued around Rs.31 per KG.

As far as cogen is concerned, we exported about 5.12 Crores units at an average rate of Rs.4.2 per unit, predominantly export is happening from Karnataka units. We have PPA in Andhra Pradesh and Karnataka only and not in Tamil Nadu, as most units produced are sold only through IEX.

As far as distillery is concerned, we had a sold about 127 lakh litres combination of both ENA and ethanol. ENA was around 103 lakh litres and 24 lakh litres is ethanol for the quarter. The average realization for the quarter is around Rs.59 per litre.

In case of Nutra India, business decreased over last year around 28% on the turnover,it is about Rs.13 Crores. PBT for the quarter is a loss of Rs.85 lakhs compared to previous quarter was a loss of Rs.41 lakhs. On a YTD basis the turnover is about Rs.46 Crores though there is a drop of 19% over the previous year, the PBT was about a loss of 1 Crores as against 2 Crores of the corresponding nine months period of the last year.

On a consolidated basis Nutra India and the overseas sales increased by 4% sales for the quarter is Rs.47 Crores as against previous year quarter of Rs.45 Crores; On a YTD level there is a sales drop by 9% for the quarter i.e. Rs.149 Crores in the current year against previous year of Rs.163 Crores. The PBT level for the business has doubled to Rs.5.6 Crores in the current quarter as against previous quarter of Rs.1.48 Crores and on YTD level it has incurred loss of Rs.10.8 Crores predominantly on account of B2C sales driven in US market.

As far as the investment in capex is concerned, we have restricted our capex in many of the areas and ensured that we will be hovering somewhere around Rs.85 Crores as against previous year we have invested around Rs.67 Crores; As Mr. Suresh had explained the two projects, transfer of equipments from other plants, and Bagalkot Distillery which will be completed in next financial year.

As far as loans are concerned, we have reduced Rs.85 Crores over previous quarter, long-term loan is Rs.440 Crores as against Rs.437 Crores in the previous quarter. As far as short-term loan is concerned, Rs.274 Crores as against Rs.365 Crores. The finance cost has also increased marginally by Rs.2 Crores predominantly on account of release order mechanism being in place. Our working capital cost is a little high as against Rs.20 Crores of last year.

Other expenses has decreased by 2 to 2.5 Crores by tight control of expenses which is happening in the company.

Suresh Kannan: Good morning everybody. As far as refinery is concerned, the operational revenue for the quarter was Rs.334 Crores in comparison to Q3 of last year Rs.177 Crores and on year-to-day basis we have Rs.1282 Crores topline compared to the previous year of Rs.954 Crores. This is primarily on account of increase in the sales quantity in the current year compared to the last year.

Refined sugar production was 2.39 lakh metric tons in this quarter as against 1.48 lakh metric tons in the corresponding quarter last year and year-to-date basis it was at 4.7 lakhs metric tons compared to 5.31 lakhs metric tons of past year. Our long-term debt remains at Rs.200 Crores and short-term debt for Q3 is Rs.953 Crores which is a reduction from the previous quarter of Rs.1062 Crores.

The refinery business posted a positive PBT of Rs.13.5 Crores in the current quarter as against a previous year of Rs.16.9 Crores. On a YTD basis the loss has reduced drastically to Rs.38 Crores in the current year compared to a loss of Rs.115 Crores in the previous year.

Achal Lohade: Could you please give us the number in terms of production sales realization for each of the segments little slowly because we could not actually write down these numbers properly?

S. Suresh: We had a cane crush for the quarter 11.3 lakhs tons, and sales of 0.87 LMT,production is 1.15 lakh metric tons and the average realization for the quarter is Rs.33.92/ kg. With respect to Cogen power generated 961 lakhs units and exported 512 lakhs units and the average realization is Rs.4.22 paise per unit. The distillery production was 131 lakh litres and sales 127 lakhs litres with average realization of Rs.59 per litre.

Achal Lohade: With respect to refinery business?

S. Suresh: Refinery sugar production for the quarter is 2.3 lakh metric tons, previous year is 1.48 lakh metric tons. YTD is 4.7 lakh metric tons, previous year 5.31 lakh metric tons, sales is 1.2 lakh metric tons as against 0.65 lakh metric tons of previous year. On a YTD level 4.92 lakhs metric tons as against previous year 3.48 lakh metric tons.

Achal Lohade: The sugar sales volume of 87000 tons does it also include export and how much is that export?

S. Suresh: Around 8000 tons.

Achal Lohade: What was the realization for that Sir?

S. Suresh: Rs.31.5 per KG

Achal Lohade: That is including subsidy?

S. Suresh: Yes, it is including subsidy.

Achal Lohade: If you could also help understand with respect to the cost reduction programme how much have we realised in the current nine months, how much more can we see with respect to cost reduction.

S. Suresh: We are running a cost reduction programme. For the quarter we are able to do Rs.2 Crores reduction, which we are also working on to ensure more numbers are achieved because the next year we can see a good amount of cost reduction being achieved is what we are expecting based on certain action plans.

Achal Lohade: When you say cost reduction, is it to do with the efficiency?

S. Suresh: All areas.

Achal Lohade: Any quantum you could specify for FY2021, like next year you said it could be substantial, so how large?

S. Suresh: We will be able to give you those numbers at the end of the season.

Achal Lohade: If you could help us with the capacity as of now, as of March 2020 what would be the capacity for sugar, distillery and cogen?

S. Suresh: No changes as of now in the capacity augmentation level.

Achal Lohade: Because you said you were shifting one of the plants to?

Ramesh Kumar: The plant will be ready during the next sugar season only as explained earlier.

S. Suresh: There is no change in capacity as it is only the location that is getting changed, so the capacity of the company as such will not undergo any change.

Achal Lohade: I suppose there are two locations one of which is already closed and there is one more which is what we are currently talking about and both of them are getting changed in terms of the locations?

S. Suresh: We will assess the suitability of those equipments and whatever is suitable we will take them to the new site and top it with whatever additional requirements in order to function the line.

Achal Lohade: With respect to the cane crushing, how are we looking at for this particular season for Karnataka, for Tamil Nadu and Andhra?

S. Suresh: For Karnataka the overall volumes should be marginally lower than the last year numbers, but overall as a company we expect it to be in line with the last year numbers.

Achal Lohade: At the aggregate level you are saying?

S. Suresh: Karnataka we have been mentioning that there is a drop in terms of the volumes.

Achal Lohade: What would be the mix with respect to the overall crushing? How much would be the mix from Karnataka, Tamil Nadu and Andhra?

S. Suresh: If you take around 37 lakh tons is the overall crush, Karnataka we will see somewhere around 60%.

Achal Lohade: How much will be Tamil Nadu and Andhra?

S. Suresh: Andhra will be somewhere around 5 lakh tons and in Tamilnadu 16 lakh tons.

Achal Lohade: I know it is little early for you getting a feeler that in Karnataka the planting will increase and eventually hence the crushing volume will also see an increase in the next season.

S. Suresh: It will be somewhere around 10% to 12% minimum increase of cane planting is expected to happen. Definitely to that extent the cane volumes should go up.

H.R. Gala: I just wanted to know what is the basic reason for increase in the gross margin in this particular quarter?

Ramesh Kumar: We are trying to continuously maintain our retail volume which is now clocking around 4000 to 4500 tons average consistently for last three or four months, which has helped us to increase our realization where we have also increased our premium slightly on those areas of retail segment, Amrit has clocked 200 tons every month. Similarly, we have launched jaggery during this quarter which is also doing good and adding good margins. These are the reasons for increase in gross margin.

H.R. Gala: Our average realization you said was Rs.33.92 per KG in this quarter, so how much extra are we getting from this value added products, jaggery and retail sales?

Ramesh Kumar: In retails we would be around Re.1 to Re.1.5 better than the normal trade.

H.R. Gala: As far as the cost of procurement of cane is concerned, how is it going?

Ramesh Kumar: This is as per the standard numbers only. Karnataka is on FRP which is on 10% recovery basis Rs.2750 per MT which is the norm. It is the same thing adjusted for 9.5% it translates to somewhere around Rs.2613 per MT. In Tamil Nadu additional component of transport is also been paid by us.

H.R. Gala: How much is Tamil Nadu?

Ramesh Kumar: In Tamilnadu Cane price will be somewhere around Rs.2613 per MT, which is FRP for 9.5% plus transportion of almost around Rs.160 to Rs.170 per MT.

H.R. Gala: As far as Andhra is concerned?

Ramesh Kumar: Andhra base price will be around Rs.2750 per MT plus transportation somewhere around Rs.60 to Rs.70 per MT.

H.R. Gala: You expect these prices to remain throughout this sugar season?

Ramesh Kumar: That is our expectation as the government has not announced any change in the FRP as of now.

H.R. Gala: How do you see the trend in the average realization beyond Rs.33.92 per KG that we have achieved in Q3? Because you said the international prices are strengthening do you see any scope for increase in the selling price of sugar overall?

Ramesh Kumar: As far as Q4 is concerned, our outlook will remain a bit mute only as there could be more pressure in Q4 because of the peak crushing. Most of the Karnataka mills were initially expected to close by Q3 itself as they started late and the crushing is happening more selling into February also, as the crushing is still happening and also going in full swing. Maharashtra also is continuing. So Q4 the prices can be a little bit muted, but with the international prices going up and all the exports happening maybe mid of March, we can expect some better prices as far as domestic is concerned and should sustain the Q1 of next year.

H.R. Gala: How much increase could be possible roughly?

Ramesh Kumar: About 50 paise to 75 paise.

H.R. Gala: Can you just brief us on the capex? You said you will be spending about Rs.80 Crores to Rs.85 Crores this year?

Ramesh Kumar: On account of incineration boiler at Sankli which is the augmentation of our distillery for meeting the environmental reasons. Further we spent around Rs.10 Crores in the Nutra business for increase in the acreage and water sustainability. Rest are all small and replacement capex.

H.R. Gala: In the Bagalkot distillery how much will be the total capex value for next year?

Ramesh Kumar: It would be around Rs.90 Crores to Rs.95 Crores.

H.R. Gala: Out of that how much has been spent?

Ramesh Kumar: We are only in initial stage of the project. It will take some more time to give you the exact numbers. At the end of Q4 we will be able to share the numbers.

H.R. Gala: How much capacity are we creating in Bagalkot?

Ramesh Kumar: 60 KLPD.

H.R. Gala: Can you please indicate some of the quantitative numbers in the press release which will help us a lot.

Ramesh Kumar: We will evaluate that and come back to you soon.

Akshay Ajmera: Can you come again with the refinery profitability and revenue numbers?

Ramesh Kumar: In the third quarter revenue for the refinery is Rs.334 Crore as against Rs.177 crores in the corresponding previous year and positive PBT of Rs.13.5 Crores as against the last year Q3 of Rs.16.9 Crores.

Akshay Ajmera: Any reason of this decrease in the profitability despite of healthy revenue growth?

Ramesh Kumar: On a YTD basis, there is a drastic improvement with respect to profitability compared to last year.

Akshay Ajmera: No, I am asking for the quarter?

Ramesh Kumar: For the quarter, it is more to do with the change in the forex, in the previous quarter compared to this, foreign exchange fluctuation.

Akshay Ajmera: How much will be on that account of forex?

Ramesh Kumar: It will be close to Rs.7 Crores on account of the forex movement.

Akshay Ajmera: How are the spreads in the international market? Last quarter it was somewhere around $45?

Ramesh Kumar: That is right. The spreads remain healthy at that level with the news of lesser and lesser sugar production coming and drought in Thailand which is one of the major competing force in the white sugar market, spreads currently are remaining healthy.

Akshay Ajmera: This year we are expecting to close by more than Rs.1500 Crores revenue in the refinery and profitability of around how much?

Ramesh Kumar: This year we will definitely be above Rs.1500 Crores with respect to topline and we are expecting to make ends meet as far as the bottomline is concerned.

Akshay Ajmera: There was some news regarding the subsidy issue, some anomaly of ocean freight charges, the government is not allowing ocean freight charges to the supplier, so are we in discussion with the government to contain that anomaly and what is the status right now?

S. Suresh: The government is working on this matter. Compared to the last year current year subsidy has been structured in a different way. Last year there was a lumpsum subsidy and local transport reimbursement that was given as part of the subsidy. From a WTO outlook the government this time has redesigned the components into different format. So that the applicability from point of view of SEZ refinery there were some procedural questions raised with the ministerial review of the policy. We have been representing the same with the government and the government realizes that we are finally an Indian exporter, so any supply to the refinery ultimately boosts the success of the scheme. So, they are in a very advanced stage of issuing the clarification for applicability for SEZ. They did that same last year also. So, we expect this clarification should be out of the government within this month.

Akshay Ajmera: We have reduced the debt by how much in the refinery business?

Ramesh Kumar: Our long-term debt remains the same at Rs.200 Crores, our short-term debt has come down from Rs.1062 Crores to Rs.953 Crores.

Keshav Lahoti: The ethanol realization is Rs.59 per litre when the government prices for the B heavy and C heavy are Rs.44 and Rs.54 respectively. Why you have such a big realization?

S. Suresh: Ours is a combination of ethanol as well as ENA. The total average realization was Rs.59 per litre whereas for B Heavy and C Heavy, the prices are fixed by the government at Rs.54 and Rs.44 respectively. We could realize better money in ENA. That is the reason our realization was Rs.59 per litre.

Keshav Lahoti: What is the mix of ENA and ethanol?

Ramesh Kumar: Mix of ENA and ethanol total is 127 lakhs litres of which ENA is 103 lakh liters and ethanol is 24 lakh liters.

Keshav Lahoti: What is the B heavy and C heavy mix?

Ramesh Kumar: B heavy is only 2.25 lakh liters and the balance is all C heavy only.

Keshav Lahoti: I can see the ethanol segment margin is quite good this time. Is it due to ENA?

S. Suresh: Yes, we are making some quantity of pharma ethanol and selling and we make some special grade ethanol for the pharmaceuticals which is fetching a good price of Rs.55 to Rs.60 per litre, on par with B and syrup based ethanol. It is also one of the reason for better realization.

Keshav Lahoti: Is there any change in subsidy? Was there like earlier you used to get some sugarcane subsidy of Rs.1.3 which the government has removed, any such changes have happened in this sugar season?

S. Suresh: No changes.

Rithika: I wanted to know what is the impact of the budget on EID Parry considering the dividends that we receive from Coromandel and also the import duties on sugar and sugar related products?

S. Suresh: As far as the imports are concerned, we are not doing any import in EID Parry, so there is no impact for the business.

Rithika: No, but what about the sugar industry?

S. Suresh: If there is import of sugar, 100% duty will be applicable . In case of EID Parry, we are not importing. There is no impact for us. In the current situation, imports are being prohibited very effectively because of the surplus scenario in the country in order to safeguard domestic industry.

Rithika: What about the dividends that we receive from Coromandel?

Ramesh Kumar: I do not see any impact for the company now it is only a cash flow situation. I do not see anything beyond that. Coromandel may take a call accordingly. We have to read the fine print out of tax laws and see anything affects us.

Rithika: What is the outlook for the refinery business in FY2021?

Suresh Kannan: FY2021, the current situation is because we are passing through the deficit period, the spreads currently are healthy and there is also a shortage of white sugar in the eastern hemisphere because of Thailand not likely to produce as much as their normal because Thailand is facing worst drought in the last 40 years, so the supply demand situation will remain tight in the first half of FY2021. Second half of FY2021 greatly depends on how much India will export because some part of Indian exports will also come into the same export footprint of the refinery. So, we see a positive situation for the first half because of the demand supply situation. It is too early to call the second half because it depends on crop in Brazil and crop in India and Indian export policy.

Rithika: Cogeneration prices going forward have been reduced and we have PPAs right in Andhra Pradesh and Karnataka so will we be impacted?

S. Suresh: No. In Andhra Pradesh and Karnataka since PPAs are in place, for the current year and next year hence there is no impact. Tamil Nadu we are already out of PPA and we are into the exchange now.

Rithika: How long is the PPA therefore in Karnataka and Andhra Pradesh?

S. Suresh: One more year,i.e upto next financial year end.

Bhavin Chheda: You said that the PPA for Karnataka and AP is for one more year, so what happens after that. Does it get renewed or you have to resort to then short-term market to sell excess power?

S. Suresh: At the time of the expiry we need to see the offers from the government. If they offer a similar rate or better rate, obviously to go for a PPA and even the rates are going to be very low. We have to look at exchange and try and get the best of the term and wait for an opportunity to reencash into PPA.

Bhavin Chheda: What was the refinery volume in this quarter and nine months?

Ramesh Kumar: For the quarter the sale volume is 1.25 LMT and YTD of 4.92 lakh tons.

Bhavin Chheda: So, this year you will end up roughly around 6-odd lakhs, right?

Ramesh Kumar: We hope to end more than that number.

Bhavin Chheda: Currently, what is your refinery capacity?

Ramesh Kumar: We have a capacity of 2800 tons per day.

Bhavin Chheda: Can you do roughly around 8 to 9 lakhs of production ?

Ramesh Kumar: Yes, 9 lakhs.

Bhavin Chheda: Next year will you be targeting that number?

Ramesh Kumar: Yes, principally we will be looking at that number. It depends on availability of adequate spreads in the market going forward.

Bhavin Chheda: You said current raw white spreads is around $45 to $50, right?

Ramesh Kumar: Not yet $50, but it is sub $50 level, between $45 and $50.

Bhavin Chheda: The short-term debt number, which has reduced to Rs.953 Crores, so can you give a break up of this short-term debt. I believe majority still stands at the refinery level. So, how much is at the refinery level and how much is at the sugar business level?

S. Suresh: Rs.953 Crores is only with respect to refinery business short term loan. As far as sugar is concerned there is a separate number. If you want that number I can share that with you.

Bhavin Chheda: This Rs.953 crores is largely stock of inventory or receivables?

Suresh Kannan: Primarily inventory because of the long supply chain.

Bhavin Chheda: How much inventory you have already on site, which will get unlocked over how many periods. So, what is the outlook of this guidance or outlook of this Rs.953 crores going down to what number and how you are unlocking this inventory?

Suresh Kannan: We stock up for the off crop season in Brazil because Brazil is the principle raw sugar supplier for the refinery. So, as the Brazilian crushing season ends in September or October, until April when the mill starts crushing for the off season, we tend to front load the cargo and keep the inventory so third quarter inventory will always be on the higher side. So, this will get twinned off in the fourth quarter and we expect substantial reduction of this going forward and we will also be in a position to source some local raws after the change in the government notification the short-term debt will also come in the fourth quarter end or into the first quarter of next year.

Bhavin Chheda: So, by March 2020 we should see this number below Rs.500 Crores?

S. Suresh: Not below Rs.500 Crores, because we still have to keep the pipeline on for the long lead time procurement.

Bhavin Chheda: ENA prices are still at higher level? You continue to enjoy high distillery profits or they have corrected?

S. Suresh: They have started to correct in Karnataka already. Now the season is running and not much of contracting has happened for the OMCs as well. We have to wait and see for one or two months.

Achal Lohade: Just an extension of the earlier question with respect to the ethanol/ENA. We have seen a fair amount of reduction in the quantity offered for the season, December to November

2020. Any particular reason apart from just the fall in the cane production in Maharashtra, Karnataka or is there anything else to read into?

S. Suresh: The overall volume levels have not come down as far as distillery is concerned and the second thing is the first bid only has come and third is that we will have to watch the trend of ENA prices. Because, as you commit on ethanol, if there is any opportunity to encash the higher ENA prices we may not be able to do. Hence, we remain a bit cautious, but overall distillery volumes as such will continue to be minimum.

Achal Lohade: Is this you are talking about the company or the industry Sir?

S. Suresh: I am talking about the company.

Achal Lohade: At the aggregate level, at the industry level, have you seen the reduction?

S. Suresh: The OMCs are also coming out with multiple transfers in terms of bidding unlike last time. Last time it was hardly some one or two. This time people are also waiting and trying to see what is going to be the trend of the prices accordingly they will be committing themselves with the capacities for ethanol. The companies have to take a call on the balance between ethanol and ENA.

Achal Lohade: I just wanted to understand in terms of ENA if not sugar mill, can it be supplied from the food grain or imports, what is the parity out there?

S. Suresh: Actually, the distillery production is going up based on the grain production and we can have a better say for giving a competition to the normal ENA which is produced from the molasses. So, there is going to be a challenge, but it depends on how cheap they are going to be available. For example, in Andhra the entire thing is used as grain based ENA only. There is no molasses based ENA. There have been times when the grain based ENA have made entry into Tamil Nadu as well. Then that will start putting pressure on the local markets.

Achal Lohade: What is the typical costing for grain based ENA, just to understand?

S. Suresh: That depends on the input grain price. I think they have been able to give some Rs.3 to Rs.4 lower than the normal molasses base. Of course, it also depends on the demand supply gap.

Achal Lohade: What about the import parity?

S. Suresh: I do not have an idea as of now.

Achal Lohade: No, for ENA can imports also happen?

S. Suresh: Might.

Achal Lohade: Secondly, with respect to the subsidy for the exports the government did announce that Rs.10.5 per KG subsidy for exports, so has the budget accounted for that subsidy or it is not yet clear.

S. Suresh: Are you talking about the government?

Achal Lohade: Yes, government in the budget document.

S. Suresh: I did not see that.

Achal Lohade: So, does it mean it is there or does it mean it is not there?

S. Suresh: It should be there because they did not break it out and tell. It should be a part of the overall lump sum package which they have announced, because they cannot exclude it.

Achal Lohade: With respect to refinery, you mentioned the spread is $45 to $50. Are you talking about the net spread or you are talking about the gross spread between raw and white?

Ramesh Kumar: This is spread between raw and white.

Achal Lohade: Because if I do a rough calculation, it comes to around $80 at this point in time, $415 white and 15 cents per pound for raw.

Ramesh Kumar: Both are on free on board basis. So, there is also a cost of moving the sugar from source to the refinery, so if you net that off that is what we speak as spread.

Achal Lohade: This is the net of the transport. This is assuming CIF basis?

Ramesh Kumar: That is right.

Achal Lohade: What would be our processed cost typically, the conversion cost at EBITDA level Sir?

Ramesh Kumar: Our conversion cost will be around $35.

Utkarsh Somaya: Can you please explain to us the tax impact on the dividend you will receive from Coromandel and also if at all you will receive any tax credit if that dividend is further paid on to shareholders? How does it work the equation?

S. Suresh: The recent announcement in case of any dividend declared after 01.04.2020 it will be taxed in the hands of the individual that is the budget document is very clear whereas as per EID is concerned, if any dividend which we receive the DDT is paid and we will be taking credit and setting it off when we pay it out. As far as next year is concerned, or alteration to the existing circular comes we will have to wait and watch. Otherwise it is taxable.

Rithika: You have mentioned that otherwise the dividend is taxable, so that means after 01.04.2020 whatever EID receives from Coromandel will be taxable in the hands of EID?

S. Suresh: There is also a provision under 80M to the extent of which we pay, we can take credit. That is what we told you once the budget document is not fully clear. We will have to wait and watch. If there is any other circular in this regard, many representations have gone from the industry.

Rithika: Is there any change in the release order mechanism?

S. Suresh: No. They are continuing as of now.

Rithika: Sir how much is this per month allowed to us?

S. Suresh: Around 25000 tons on an average.

Rithika: It was the same in the last quarter?

S. Suresh: Yes, more or less same.

Akshay Ajmera: On the refinery front, I was doing a simple math and I was deducting consolidated sugar segment numbers from the standalone. So, I was getting the revenue numbers, but at the PBIT level, I was getting Rs.36 Crores of PBIT in the last quarter corresponding year, as against Rs.25 Crores of PBIT this quarter. So, is this the correct way of looking at the numbers?

S. Suresh: Sugar is separate. Sugar EID Parry standalone sugar is separate.

Akshay Ajmera: So, what I am asking is I was looking at the consolidated numbers of the sugar segment and comparing with the standalone, deducting the standalone alone number from the consolidated number will give me the refinery business number?

S. Suresh: You will get that after deducting you will get the sugar number. I do not see any difference there.

Akshay Ajmera: If we look at the PBIT numbers at the consolidated level it is negative Rs.6.28 Crores and at the standalone level it is loss of Rs.31 Crores. So, I am getting a profit of 25 Crores as against the negative number of Rs.13.2 Crores at consolidated level for December 2018 quarter we have standalone negative number of Rs.49 Crores so that gives a profitability of 36-odd Crores. So, there is a reduction from the profitability point of view from Rs.36 Crores, we have scaled down to Rs.25 Crores despite the revenue being increased from Rs.177 Crores to Rs.333 Crores. So that is where I am looking at.

S. Suresh: The profitability is reduced is what you are asking over the last year or last quarter?

Akshay Ajmera: Compared to last quarter, last year, December 2018 quarter?

S. Suresh: December Rs.17 Crores is what we said last year in the refinery profitability. Current year it is Rs.13.54 Crores.

Akshay Ajmera: Right but we are getting this number Rs.36 Crores and Rs.25 Crores is it the right way of looking at the number at the PBIT level?

S. Suresh: What I told you is PBT level. You are calculating it PBIT level.

Akshay Ajmera: Okay that is PBT level that you were talking about.

S. Suresh: Yes.

Akshay Ajmera: So, what is the primary reasons for this drop in PBT level?

S. Suresh: The reduction was predominantly on account of forex impact.

Akshay Ajmera: Forex impact of Rs.7 Crores approx.

S. Suresh: Yes correct.

Akshay Ajmera: We are seeing a drop of Rs.11 Crores despite the revenue being increased, so I am a bit confused here?

S. Suresh: Maybe we can take offline and discuss if you want more details on this area.

Akshay Ajmera: No problem.

Saket Kapoor: On the distillery part, I missed our feedstock is the sugarcane, so currently as the new mandate from the government allows ethanol production that at least from sugarcane juice, so how well are we prepared to take advantage and what sorts of modification would be needed in the distillery to take advantage of the same, meaning what is the take or what is your take on the same Sir?

S. Suresh: We have geared up for the production of three types of molasses that is C Heavy , B heavy molasses as well as syrup based ethanol in all our distillery plants. Minor modifications are required have been done. We are awaiting the government's approval to give the go ahead on the processed feeder. For example, Sankli as a unit, the distillery can now run on B heavy as well as on the syrup. Similarly, we have apprised for Tamil Nadu based units for which we are awaiting the government's approval, all modifications and everything have already been done. So, we are geared up for handling the B heavy and the syrup.

Saket Kapoor: B heavy and the syrup? I missed the second word, B heavy molasses and?

S. Suresh: The ethonal directly made out of sugarcane juice we call it Syrup.

Saket Kapoor: In that case, how will be the exact sugar quantity will be adjusted? Then there will be deficit of sugar in the market?

S. Suresh: The government has given a direction that for 1 ton of sugar is equal to 600 liters equivalent of ethanol.

Saket Kapoor: What is the direction Sir? Could you clarify that again?

S. Suresh: 1 ton of sugar is equal to 600 liters of alcohol.

Saket Kapoor: There would be a requisite quantity of sugar also that you have to produce. That is what I am trying to understand.

S. Suresh: No. Suppose if I divert for this type of production it means there is an opportunity loss of producing that particular equivalent of sugar. If I produce 600 liters of ethanol, I will loss on opportunity to produce 1 ton of sugar. Mainly it is important because from the farmer's perspective as the payment on the sugar recovery basis. So when I have to produce of 600 liters of ethanol through this route I will add equivalent of 1 ton of sugar and accordingly the FRP will be calculated for the farmers.

Saket Kapoor: This is the calculation for the farmer, but the actual sugar deficit that will be there in the market because the sugar requirement is not going to fall, but if it produces like you and others start diverting the sugarcane juice to ethanol directly, there will be a deficit of sugar then in the market. So, how will that math work, meaning how are we prepared for that? There is an advantage for us to go for ethanol because of the higher remunerative prices being offered by the government, but in that case, how will the sugar requirement for the population or the industry would be met?

S. Suresh: If such a situation comes, it is good for the industry as a whole because the sugar prices will start going up. Normally the government may step in to regulate the actions, that they may decide to reduce the quantum of ethanol which is going to be taken for the OMCs as a control measure as the entire thing came into balance the surplus sugar situation in the country. If it is going to be a shortage situation, government may bring in necessary mechanism. Unless they do the changeover, the mills do the changeover on a daily basis that is what we understand.

Saket Kapoor: So, we in anyway would be able to make ethanol either through the B heavy route or through the juice route. We would be there in the ethanol game through anyone of the process as the situation comes? It is a type of buffer being offered by the government to the sugar industry to stay alive in the business.

S. Suresh: Correct.

Saket Kapoor: Overall, if we look at the industry today, how well sufficient is our group to take advantage of it in various segment and if we take the difficult part what is our market and actually where are we in this nutraceutical business, who are the major customer and what kind of growth that we are looking into it?

S. Suresh: There is going to be a good traction in the coming years because current year we saw a lot of Chinese coming in during the first quarter and second quarter, because the recent Coronavirus also will be some impact to the industry where we can gain some customers coming back to us, what we have lost against the Chinese competition, which is the expectation. That is one part. We are also trying to expand into the European market in the coming years where our share of sales will be a little more than what we have been doing in the last year, so going forward our nutraceutical should be a good business for us even B2C segment which we have announced in the last quarter in US we have started the B2C launch with saw palmetto product, which is doing very well and just launched in December, we should see the impact of it in the Q4 of this year as well as the full year next year.

Saket Kapoor: Sir, we did Rs.212 Crores to be very precise in the nutraceutical segment of the last year, and currently as on nine months, we have done 150 Crores. Sir, what is the opportunity? This year we are losing money on this segment, but last year on a full year basis, we made PBT of Rs.8 Crores, so the margins, how should we look at this margin and I think it is totally an export dominant segment, the neutraceutical one?

Ramesh Kumar: Correct. This year we started our B2C launch in US, we started spending money from the last quarter of last year. This year the full year we have spent money on the B2C segment, we have got the approval only in November end and we launched the product in December. The full realization of the expenditure incurred will be seen during the next year. So that is the reason that there is a drop in the profitability in nutraceutical during the current year. Earlier years we have been zooming without the B2C segment hence the profitability was more.

Saket Kapoor: So, last year we were also catering to the B2C only?

S. Suresh: Last year we did not do B2C. We have started the B2C activities hence the marginal expenses were there. This year since we went into the full-fledged way there were more expenses on launch expenses, market trail expenses, and then trial product mapping, then customer studies and all those things were there.

Saket Kapoor: Total how much you have spent? Now we are reporting a loss of Rs.11 Crores in nine months so if you could give me this much was the amount we had spent had that not be spent we could have been that bottomline. The negative swing, I just wanted to understand how much has gone through the P&L route and how much is through the balance sheet route?

Ramesh Kumar: Around $1.8 million for B2C segment.

Saket Kapoor: On the B2C segment and currently the Iran is a big market in this segment, the nutraceuticals?

S. Suresh: I am not aware, maybe I will check with the marketing team and let you know.

Saket Kapoor: The major players in the domestic market who are competing with you. This is not a segment that many people are catering to?

S. Suresh: Now lot of domestic players have come in. In India we are not into the B2C segment, we are selling through Amazon as of now. There are lot of plans to come back into the B2C segment as far as India is concerned with a robust plan in place for launch in India.

Saket Kapoor: Sir, I was just looking at nutraceutical from one of our company in North India I can name that it is IGL there I was finding out that they were reporting 50 Crores profit on a turnover of 170 Crores to 180 Crores. So, just wanted to understand they were also using the word neutraceutical, it is India Glycol, IGL from the Gurgaon based. So, I was just trying to understand are we also catering to the same customer, which they have garnered or are we in some different league altogether?

Ramesh Kumar: It is a different league altogether and we are not the competing with them.

Saket Kapoor: Sir the next year what are we penciling in, in terms of EID Parry going forward? How well are we positioned if we take our company as a whole?

S. Suresh: We are expecting a good number next year to come with a lot of activities like distillery projects coming in on or before the season starts, even augmentation of capacities, so all this should give us a good edge over the current year.

Saket Kapoor: So how are you looking to reward your shareholders? Which shareholders will be rewarded going forward? Now the difference has been taxed at the hands of the recipient so that do make all your big investors saying on whatever dividend they are going to receive, so this becomes a type of deincentivisation on the part of the company to declare huge dividend although you will be saving on the dividend distribution tax, but the promoters and the other minority shareholders who will be receiving the dividend would have to shell out maybe from 20% to about 42.3% also, so how are now people positioning themselves in terms of the different payout of dividend, deciding on how much the payout should be?

S. Suresh: It is too early to discuss this subject. I hope the year should end and then we can discuss at the benefit of the shareholders surely.

S. Suresh: Thank you everyone for taking your time out and being patient in the call. Hoping to see you in the next quarter.

Ramesh Kumar: Thank you so much for all the participants.