# "EID Parry Limited
# Q1 FY2021 Earnings Conference Call"

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

**MANAGEMENT:** **MR. S. SURESH - MANAGING DIRECTOR – EID PARRY LIMITED**
**MR. RAMESH KUMAR – CHIEF FINANCIAL OFFICER – EID PARRY LIMITED**
**MR.MUTHIAH MURUGAPPAN – HEAD (NUTRACEUTICAL BUSINESS) - EID PARRY LIMITED**
**MR. SURESH KANNAN – HEAD (REFINERY BUSINESS) - EID PARRY LIMITED**

**Moderator**: Ladies and gentlemen good day and welcome to the EID Parry Limited Q1 FY2021 Results Conference Call hosted by Axis Capital Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kashyap Pujara from Axis Capital Limited. Thank you and over to you Sir!

**Kashyap Pujara**: Thanks. Good morning everyone and thank you so much for standing by. It is a great pleasure to have with us the top management of EID Parry to discuss Q1 FY2021 Earnings. From the management side we are represented by Mr. S. Suresh, who is the Managing Director, Mr. Ramesh Kumar who is the CFO, Mr. Suresh Kannan who Heads the Refinery Business, Mr. Muthu Murugappan who oversees the Nutraceutical Business and we also have the company secretary on the call. Without much to do I now hand over the floor to Mr. Suresh. Over to you Sir!

**S. Suresh**: Thanks, Kashyap. Good morning everyone. Thank you to be here on this nice morning. Thanks for taking time off and joining the call. I would like to start the call with the company's performance for this quarter Q1 of 2021 is better than the corresponding quarter of the previous year. We have posted a positive EBITDA of 6 Crores compared to a loss of around 31 Crores of the corresponding quarter of the previous year a swing of around 37 Crores, it has been made possible on account of better realizations, we had a cost reduction measures across various areas. I will start with the international scenario then come to the domestic scenario then talk about the businesses.

On the international front as all of you know the crude prices have fallen and then the ethanol demand has been subdued and Brazil started shifting to more of sugar than ethanol and coupled with that we are also anticipating a higher Indian output for the next sugar season, lower output in Thailand, all those are leading to a very, very small deficit for the sugar year 2021. So international prices are not going to have much of a rise that is what is our assessment, they will remain subdued till the demand picks up.

Coming to the Indian scenario we have for the current season in India the sugar year the production is around 27 million tonnes, we started with opening stock of 14 million tonnes, this year I think the normal consumption of 26 million tonnes definitely two quarters of this financial year is going to pull down the overall consumptions of the sugar year by at least 2 million tonnes. However, to some extent the exports are happening against 6 million tonnes we got around 90% should be completed with this for the current sugar year also we may be expecting a closing stock of close to around 7.50 million tonnes. So, for the next sugar year we are anticipating definite 15% to 20% jump in the production. The consumption might come back to the original level of 26 million tonne. We have been pushing the government for another tranche of export close to around 6 to 7 million tonnes and hoping that the fuel demand picks up and the diversion to ethanol also happens. Still we will be having a closing stock for the sugar year 2021 in the range of around 13 to 14 million tonnes that means another repeat of the year in terms of pressure the crisis is expected in the domestic market.

Coming back to the business to say that the EID team overall has done a fabulous job in terms of ensuring business continuity during this COVID times in the new normal way of running the factories and in a safe way. There were disruptions in supply chain, in logistics, etc., in fact the COVID had impact in terms of sale of sugar and alcohol in the month of April and May to some extent in the month of June as well, despite that we have been able to pull out some good number of exports thereby we have been able to do a better quarter for this financial year.

The company also launched their hand sanitizers out of alcohol under the brand names HandKleen during the quarter. On nutraceuticals front we had strong growth in the turnover of close to around 74 Crores as against 47 Crores in the corresponding quarter of the previous year the stronger offtake in the US market has been the key driver. Another important aspect has been the company had sold 2% of stake in the subsidiary Coromandel International Limited during the quarter and the proceeds have been used to reduce the high cost debt of the company. Overall, it has been a good quarter for us, and I would now leave the floor to Mr. Ramesh Kumar, our CFO who will take you though the details. Over to you Ramesh!

**Ramesh Kumar**: Thank you Suresh. Good morning to everyone, nice to connect you all through this audio conferencing during this COVID time. I am happy to share you the performance for the first quarter 2021 and share you some of the operating parameters.

The financial performance for the company for Q1 FY2021, the revenue of the company for Q1 2021 was Rs.491 Crores, which is more by 26% over last year first quarter of Rs.389 Crores. The increase in revenues is due to better realization as Mr. Suresh explained better realizations from sugar and alcohol and increase in sales volume of sugar particularly the lot of good export going during the first quarter. During this quarter there is also an important event happened, the company has sold around 5850000 number of equity shares representing 2% stake in the subsidiary Coromandel International Limited at a price 629.19 aggregating to a value of 368 Crores. The proceeds were used towards the reduction of the debt as explained by Mr. Suresh, which I will explain you if more details are required. The PBT for the current quarter was a profit of Rs.305 Crores as against the last year Q1 loss of

92 Crores, the decrease in loss was mainly because of increase in average sales realization and volume of sugar and the selling price increase in alcohol. The PAT for the quarter ended June 2020 is a profit of 226 Crores as against a loss of 53 Crores in the corresponding quarter of the previous year. On a consolidated basis the PBT for the company for Q1 was 276 Crores as against the last year first quarter loss of 11 Crores. The profit after tax for the company in current year Q1 was 130 Crores at a consolidated level as against the last year loss of 3 Crores.

Let me now turn the table to operating numbers of the business. As far as the sugar is concerned, the company crushed about 4.12 lakh metric tonnes in the current quarter as against 2.14 lakh metric tonne in the last year first quarter. The recovery was also around 8.24% in the current year Q1 as against the last year recovery of 7.16% during the same quarter. The production of sugar for the current quarter was about 0.34 lakh metric tonnes as against last year of 0.20 lakh metric tonnes. The sugar sales for this current year Q1 was close to about 1.02 lakh metric tonnes as against 0.78 lakh metric tonnes in the last year first quarter. As far as the sales is concerned still the release order mechanism is in place, we are ensuring that whatever quota is allotted is completely fulfilled and we also ensure that the MAEQ allotted quota also fulfilled, we also did some 0.4 lakh metric tonne of MAEQ allotted quota during this quarter. The stock carried by us during the current quarter is 1.19 lakh metric tonnes as required by the government. The revenue for the quarter from sugar segment alone is 374 Crores.

As far as the cogen is concerned we have generated 5.34 Crores units and exported 3.09 Crores units during the current quarter one, the average rate was close to about 3.41 per unit and currently Karnataka and Andhra Pradesh are still the two states are in PPA, Tamil Nadu is not in PPA, we are actually selling power in Tamil Nadu through IEX mode only, approximately we are realizing around Rs.2 only through the IEX mode. The cogen revenue during the quarter was 14 Crores as against last year of 10 Crores.

As far as the distillery is concerned, we have produced alcohol around 157 lakh liters and sold to the extent of 145 lakh liters at an average price of Rs.61.80 during the current quarter. The ENA sales was about 108 lakh liters at an average price of around Rs.62 to Rs.63. During the current quarter we also sold ethanol about 32 lakh liters as against 59 lakh liters last year Q1. The distillery revenue is close to 92Crores in the current quarter as against 95 Crores of last year.

During the quarter our company has taken license for manufacture and sale of hand sanitizers in three distilleries Haliyal, Nellikuppam and Sankili unit. We have manufactured and sold hand sanitizers around 1.2 lakh liters during this current quarter of Q1. I will now give some information about the Nutra business. Nutra revenue on a consolidated basis was close to around 74 Crores in the current quarter as against 47 Crores in the last year first quarter and also had a loss of about 3 Crores in the current quarter against a loss of 11 Crores in the corresponding quarter due to the very good performance from US Nutra business.

As far as our capex program to the current quarter was not much, only around 10 Crores to 12 Crores have incurred the rest of them deferred due to the pandemic situation; however, our Bagalkot project is on line, we will expect the Bagalkot project to be on target during Q4 of this year. As far as the expenses are concerned as Mr. Suresh explained we are continuing to have a very tight control in all the fixed cost, we have done a drastic reduction and reduced substantially all our fixed cost during this quarter and we will keep this momentum continuing.

I have been sharing always about the debt numbers and ensuring that there was reduction in the loan. During this quarter as I have told you we have sold this Coromandel stake, which helped us to reduce the debt so at the beginning of the year we had 1055 Crores in our books. During Q1 the long-term loan was 367 Crores as against Q4 of 543 Crores. In case of short-term loan in the current quarter it is at 342 Crores as against the year-end numbers of 482 Crores. During this quarter we repaid all the high cost loan as Mr. Suresh explained by using the proceeds of CIL shares to ensure that all the high cost debts are reduced in the rank of priority of high cost to low cost debt we reduced the debt. The finance cost has will also be reduced substantially we expect to see the reduction in the finance cost in the coming quarters. Our story on this loan and interest will continue and we focus more to reduce the loan and interest on a continuous basis. Thank you. I leave the floor. Welcome for questions.

**Moderator**: Thank you very much. We will now begin the question and answer session. The first question is from the line of Akshay Ajmera. Please go ahead.

**Akshay Ajmera**: Congratulations on very good set of numbers. Sir my question is regarding the refinery business, can you throw some light on how are we fared in the refinery business during this quarter and my second question is as we are on a continuous streak of releasing our debt what are our plans of reducing debt do we have plans to monetize some of our assets and if you can share something about that?

**Ramesh Kumar**: First I will ask Mr. Suresh Kannan to talk about the refinery business and later I will talk about the reduction of further debts.

**Suresh Kannan**: Good morning Akshay. Regarding the refinery business in case of first quarter the refinery sold 1.24 lakh tonnes of sugar, this is a little bit lower than what was sold last year mainly on account of deferment of sale from the customers because of ongoing pandemic, so most of the institutional buyers and destination buyers because of the COVID-related lockdowns who have contracted requested us to hold and then ship it in the subsequent months, so that is the reason, the topline of the refinery for the first quarter is 376 Crores as compared to 577 Crores of first quarter of last year and in terms of operations we are able to operate the refinery after the first lockdown was lifted and export based units were allowed to operate as per the government, so we were able to function close to 70 days out of this 90 days of this quarter with a production of 1.72 lakh metric tonnes.

**Akshay Ajmera**: How are the spreads in the refinery?

**Suresh Kannan**: Refinery business on account of the overall growth in demand supply situations we are at a spread level of average around $45 to $50 per tonne for the year so there are temporary spikes of right premiums and spreads, but on an average for the year we are at around $45 to $50 per tonne.

**Akshay Ajmera**: What was our PBT?

**Suresh Kannan**: The PBT for the quarter was a loss of 7.8 Crores as against 6.33 Crores loss of the previous year, the sale was practically lower by 1 lakh tonne a lot of this impact was made up on account of efficient management of cost as a result of which we are more or less able to match the previous year's first quarter numbers.

**Moderator**: Mr. Akshay I am sorry to interrupt you; may we request that you return to the question queue for followup questions?

**Akshay Ajmera**: Okay no problem.

**Moderator**: Thank you. The next question is from the line of Suhag Nayak, Individual Investor. Please go ahead.

**Suhag Nayak**: First, congratulations on good set of numbers. I have a couple of questions, the first question is on the refining business what is the outlook for the current year for the full year after the first quarter impact and the second question is what is our long-term strategy on the nutraceutical business, could you just share your perspective on the same?

**Ramesh Kumar**: Sure, Sir I will answer the first part of the question on the refinery and Muthu Murugappan will follow it up with the nutraceutical piece. Yes, as far as the outlook for a year as a whole there is a reasonably tight supply situation for refined sugar globally on account of the fact that major refined sugar exporter of the world, which is Thailand is basically suffering from worst drought over the last 40 years as a result of which the refined sugar production and exports out of Thailand has dried down considerably during the year and we expect the same situation is continuing for the year 2021 depending upon the weather events that are unfolding currently. So as a result of which there is considerable traction for refined sugar in the global market and that is also even why we have seen there has been strengthening of white premiums that is a difference between the refined sugar price and raw sugar price because of the fact that the converting refiners like us outlooks are necessary to balance the demand supply equation in the world. So as a result of which we are expecting whatever was the deferment that happened in the first quarter, which is basically a dispatch deferment and that will be taken care of as far as the rest of the year mostly made up in the second and early part of the third quarter and we expect that we should be in a position to post good results for the refinery in the current financial year.

**Suhag Nayak**: Any indicative margins you can share?

**Ramesh Kumar**: Yes, we are discussing about $45 to $50 of spread so that is the kind of margins that are currently available for refinery.

**Muthu Murugappan**: For the nutraceutical business we play in three segments largely one is the larger segment is prostate health where we have a Palmetto Berry extract product, which is made out of our US plant, the second segment is immune health for which we have product Made in India, which formed microalgae and the last segment is joint health, which is again joint health formulation that is out of our US plant. The plan over the next three to five years is to really focus on the prostate health and the immune health piece. On the prostate health piece the business has done well in the last three or four years to improve the sort of margin and take the business up by investing in science and value addition we have launched a consumer brand, so I think we want to go that business on the back of good science and by value addition and getting closer to the consumer. On the immune health side which is our operations in India I think there is a lot of activity is still underway to strengthen our cost position, better our margin and ultimately again we will with the backing of science and value and aspire to get closer to the consumer. The focus will be on these two pieces over the next three to five years. The joint health piece will more be on maintenance mode to see what we wish to do afterwards. In terms of the broader perspective the business is just worth of 200 Crores consolidated right now I think the aspiration is to move this business beyond 500 Crores level and substantially strengthen the operating margins to reach about 15% to 18%, which is a good standard I would say almost gold standard in this industry if you look at it worldwide so this will be the immediate plans over the next three to five years and I think beyond that the business will see perhaps some corporate activity and also perhaps entry into other nutraceutical segments.

**Suhag Nayak**: What is the market potential that we are discussing in this segment and I am just wanting to know the macro perspective of the business opportunity?

**Muthu Murugappan**: The global nutraceutical market is about $275 billion out of that there is functional food and beverages, which accounts for a lion's share of that, about $50 to $60 billion is dietary supplements that is globally and we play in the dietary supplement space so if you look at dietary supplements this is the space that we play and of course we are really rounding in the larger dietary supplement space, but that is the larger opportunity, of course the closer you are to the consumer and you have a house of brands or so on and so forth you are capturing more value from this market place.

**Suhag Nayak**: I will come back in the queue I have some more questions. Thank you.

**Moderator**: Thank you. The next question is from the line of Hitesh Doshi. Please go ahead.

**Hitesh Doshi**: Congrats on the recent debt reduction in the company, and so my first question to Mr. Muthu is what is progress on the Spirulina blue business and later on I just want to know refinery margins current year versus last year that is one question and the debt reduction plan and mention of real estate division and some other FMCG kind of businesses in balance sheet what are the plan over there?

**Muthu Murugappan**: Hitesh bhai, good morning and thank you for your question. The Spirulina blue business as we mentioned in the last call the plant has been commissioned at the beginning of the year. The operations group is doing a fantastic job to strengthen the plant on process efficiencies and so on and so forth, so I think we are at a good operating level right now. In terms of finalizing contracts with the large color houses, which are the first primary customers of the blue extract of Spirulina I think the gestation period will take longer so I think we can expect to see positive results from that only in about six to nine months time, we continue to work with large color houses mostly in Europe and US to establish these contracts and establish our products, in the meanwhile we will obviously service smaller orders and smaller tail orders mostly in the distribution segment and sort of way till clearly these orders materialized and your contracts materialized and then we should expect to see almost full capacity utilization of our plant.

**Hitesh Doshi**: What can be the topline at full capacity utilization in three to five years?

**Muthu Murugappan**: So we have a capacity of about 20 metric tonnes of blue Spirulina extract, now that extract is sold in the market for about $120 to $140 a kilo that is the capacity that we have built currently, we have built it cautiously not going in a large way to discuss as yet, in this facility with the current real estate and available we can go up to about 50 to 55 tonnes and that expansion can be done quickly as per the market conditions.

**Hitesh Doshi**: Thank you so much and wish you all the best. Now my question on refinery margins last year versus current year?

**Ramesh Kumar**: Compared to last year as what we have seen at the moment it is too early to say for the whole of the current financial year at this point of time because of the tightness that is there on the refined sugar…

**Hitesh Doshi**: Sorry to interrupt you I just want last year's average margins and current margins right now whatever is how much profitable we are more currently as far as last year's average profitability?

**Ramesh Kumar**: Approximately $4 to $5 more this year.

**Hitesh Doshi**: That is all. So, we are reading so much that in fact that even margins have gone up from $45 to $90, $100 in a newspaper article so that is what I was trying to understand.

**Ramesh Kumar**: That you have to consider the net margin what we are talking of in the public domain is basically is the difference between the raw sugar price and the refined sugar price you have to net it off for the freight of bringing the raw sugar from Brazil or from the origin to India so that is what we always refer to the net margin as spread in our calls and all our discussions.

**Hitesh Doshi**: What is the debt reduction plan in the mention of real estate division and herbal salt and sugar many things we have talked in the balance sheet so what are the plans over there and who is going to handle that division going forward?

**S. Suresh**: Thank you Hitesh bhai, the debt reduction plan which we have done as of now is using the 2% liquidation in the Coromandel share and we do not have any plan to do any real estate reduction now; however, we continue to focus on debt reduction plan based on the operations itself because we expect a good operation going forward.

**Hitesh Doshi**: We have mentioned of many other businesses in balance sheet right now, is it just enabling resolution, or we will go towards all this...

**Ramesh Kumar**: Yes, enabling resolution.

**Hitesh Doshi**: Okay, thank you so much. Wish you all the best.

**Moderator**: Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.

**Achal Lohade**: Can you help us with the segmental volumes and the realization for the quarter, I got the production number I got the recovery rate, but can you help us with the sales volume and the realization?

**Ramesh Kumar**: Sure, no problem, absolutely no issues. Sales numbers are 102447 tonnes total sales for the quarter as against last year 78167 tonnes, selling price average realization is 34.3 as against 32.8 of last year, in case of cogen generated units 535 lakh units as against 331 lakh units, cogen exported units 309 lakh units as against 153 lakh units, distillery production for the current quarter is 157 as against 185 of last year, distillery sales for the current quarter is 145 as against 188 of last year, average selling price realization in distillery is 61.8 as against 49.05. If you want anything more?

**Achal Lohade**: Within the sugar segment can you break it up for domestic and export?

**Ramesh Kumar**: No problem again I can repeat no issues. In case of sugar 52146 is domestic and export is 40301 so total put together is 102447 for the current quarter.

**Achal Lohade**: The realization for export and domestic?

**Ramesh Kumar**: Realization for export and domestic more or less same price Rs.34.

**Achal Lohade**: In terms of the cane cost for the quarter?

**Ramesh Kumar**: Cane cost for the quarter is around same numbers as what was prevalent during the last quarter itself anyhow, I can tell you. Maybe I will come back and let you know.

**Achal Lohade**: Can you help us with the FY2020 numbers in terms of Tamil Nadu, Karnataka and Andhra in terms of cane crushing?

**Ramesh Kumar**: Tamil Nadu is 13.77 FY2020 number, AP is 5.33 and Karnataka is 17.62 total is 36.72 FY2020 numbers is that what you wanted?

**Achal Lohade**: Yes, and what is the cane price for the respective states?

**Ramesh Kumar**: In case of Tamil Nadu it is around Rs.2870, AP it is same price, and Karnataka it is 3100.

**Achal Lohade**: This is landed cane cost?

**Ramesh Kumar**: Yes, cane landed cost.

**Achal Lohade**: You were talking about first quarter cane price?

**Ramesh Kumar**: You want the first quarter cane price, in case of Tamil Nadu it is same Rs.2900, AP we had only lesser crush, so it is 2810.

**Achal Lohade**: What is the expectation for cane crushing for FY2021 given the current situation?

**Ramesh Kumar**: He wants to know the cane crush for FY2020-2021.

**S. Suresh**: FY2020-2021 we expect it will be 10% higher than the previous year.

**Achal Lohade**: So, is it fair to say that you would have a similar increase in the other products as well distillery and cogen?

**S. Suresh**: Yes, to that extent I have increased the cane crush the cogen should increase, sugar production should increase, and distillery should also marginally…

**Ramesh Kumar**: In the first quarter we have some production decrease on account of this pandemic maybe that impact we cannot recover back, otherwise yes in proportion to whatever cane crush happening in the corresponding quarters in the next few quarters we did that there will be a slight increase.

**Achal Lohade**: The second question is with respect to the cost reduction can you give some idea as to what has been the extent of cost reduction in FY2020 and if you could give a breakup and what is the plan for FY2021?

**Ramesh Kumar**: In case of FY2020 there is a reduction on account of various areas of the manufacturing fixed cost we took it up at the area of production and then some manpower areas we took it up a reduction so which we achieved it to some extent; however, the fullest realization, which we are seeing only in the current year the FY2021 only, see in this pandemic situation we are able to understand the various rationalization objective under various areas under various heads of fixed cost either it is to maintenance or it is operational requirement or some of other fixed cost, the travel such things have enabled us to put a restriction on various areas, which is helping us to bring down the fixed cost drastically.

**Achal Lohade**: Would you be able to quantify what kind of cost?

**Ramesh Kumar**: For the first quarter you could see some 12 Crores reduction the same amount of reduction can be continued we will have to wait and watch.

**S. Suresh**: As Mr. Ramesh was explaining very tight in terms of all our expenses, COVID will bring in a new normal, you have to wait and see how the equity also comes up, accordingly certainly things have to come on a steady state then we will be able to quantify the impact, which we will have on the full year. Suddenly maintenance activity itself we are unable to do because there is no availability of labour to do all the maintenance related activities, so we have to wait for one more quarter and let us see how does it pan out, definitely the cost reduction measures around objective is to go ahead and then once you get they are coming out on a steady state basis.

**Achal Lohade**: That is helpful just a small request sir like I requested earlier as well it would be really great if you could give the data points in a press release or a presentation form in order to get it on a consistent basis the entire breakup that would be really helpful. Thank you.

**Ramesh Kumar**: Yes, we will do that Achal.

**Moderator**: Thank you. The next question is from the line of Ritwik Sheikh from 1Up Financial Consultant. Please go ahead.

**Ritwik Sheikh**: Two questions from my end first for the refinery division what was the total EBITDA in FY2020 and Q1 FY2021?

**Ramesh Kumar**: Yes, for the refinery the EBITDA for FY2020 is 74 Crores and Q1 current year is 14 Crores.

**Ritwik Sheikh**: When you mentioned that the spreads are $45 to $50 on an average that would be before our conversion cost right?

**Ramesh Kumar**: Absolutely.

**Ritwik Sheikh**: What is the conversion cost in FY2020 and currently?

**Ramesh Kumar**: Around $32 to $35.

**Ritwik Sheikh**: Second question is on the debt part; I could not get the debt figure so if you could give us the debt figure excluding refinery and the refinery debt as of June 2020 that would be helpful?

**Ramesh Kumar**: As far as the debt part is concerned excluding refinery long-term loan is 367 per EID short-term loan is 352, in case of refinery long-term loan is 200 Crores short-term loan is 820 Crores.

**Ritwik Sheikh**: So cumulatively excluding Coromandel our debt stands at about 1700 odd Crores?

**Ramesh Kumar**: Yes, you are right as of Q1.

**Ritwik Sheikh**: As of Q1, it is lower by 300 Crores?

**Ramesh Kumar**: Yes, see the beginning of the year we had 2350 Crores a substantial reduction.

**Ritwik Sheikh**: 2250 Crores is around 1700 Crores as of date so what does the balance 350 Crores you got from Coromandel's share sale and what does the balance explain?

**Ramesh Kumar**: We received 370 Crores from the Coromandel share the balance is from the operation itself.

**Ritwik Sheikh**: Okay from the operation?

**Ramesh Kumar**: Yes, operating cash flow.

**Ritwik Sheikh**: Thank you and all the best. Thanks.

**Moderator**: Thank you. The next question is from the line of Vipin Singh individual investor. Please go ahead.

**Vipin Singh**: My question is have you invested in any other business, which is different sector or have you invested in the same sector, the question is have you invested in any other company, which belongs to some other sector?

**Ramesh Kumar**: You are talking about whatever investments, which we hold in our book is that what you are asking?

**Vipin Singh**: Yes Sir.

**Ramesh Kumar**: In case of EID we are holding in our subsidiaries and invested in same business that's what we are doing in nutra business and in case of fertilizer is another business what Coromandel is doing, rest are all in line with what we do with the current business.

**Vipin Singh**: Can you quantify the impact of this COVID-19 in your business?

**S. Suresh**: Can you repeat the question please?

**Vipin Singh**: Sir my question is can you quantify the impact of COVID-19 in your business on June 30, 2020?

**Ramesh Kumar**: You brief it I will continue.

**S. Suresh**: The impact has been predominantly on the sale of sugar in the month of April and May because most of the consumptions are being only of the domestic this is household consumption because of the lockdown so many outside out of home consumption what we call has not been happened, the malls, theatres, the restaurants, hotels, office consumption, now those things have been happening that is what I was mentioning initially that the overall demand of the country itself has come down to around 2 million tonnes compared to the previous year for the sugar year 2019-2020. So the sugar sale has been impacted that is what is getting reflected in the release quota as well to the extent of what is required as a consumption the government has been releasing the sugar quantity number one maybe roughly around 10% to 12% or 15% reduction has happened for us in terms of the release quota compared to the previous year and second thing is about the sale of alcohol, as you know once again the consumption points have been shut and so the producing companies have been building on inventories so they are not doing any offtake of alcohol from us, but led to a reduction in the sale of alcohol as well. However as we were explaining earlier we took this opportunity and then we are able to export sugar and pulling up certain export quotas what we have and try to compensate for the loss of the sale in the sugar sale in the domestic sector. So during the overall impact COVID has got, from an operation standpoint all the factories we have been able to run and then whatever the left over caner came from the earlier year that is 2019-2020 we have been able to crush it during the first quarter of 2020-2021 broadly the impact of that Ramesh can share.

**Ramesh Kumar**: As Mr. Suresh said there were temporary challenges with respect to the disruption on account of lockdown so it forced the government to restrict the release quota in the companies not only for us but the entire India; however, we capitalize the opportunity of ensuring some export opportunities so we ensure that we could just export more quantity, if you see last year the corresponding quarter we could do around 6000 tonnes on the export this year we could do around 40000 tonnes export during the first quarter and also to give you some perspective on the alcohol as Mr. Suresh said see the first four months because of the lockdown situation the entire country the production was stopped so only in last one-and-a-half months the sales was happening though during the last one-and-a-half months the sales are happening, we achieved the highest sale during the month of June we sold around 90 lakh liters in June alone though there is a temporary disruption; however, we ensure that we capitalize opportunity on other areas to ensure we made good numbers during the quarter coupled with the way if other initiatives like cost reduction measures help the company to do better performance for the quarter one, is that okay you want anything else?

**Moderator**: Thank you. We will take the next question from the line of Anupam Goswami from B&K Securities. Please go ahead.

**Anupam Goswami**: Question on the sugar segment so what is your cost of production for sugar and so why did we get a loss still in this segment and in the cogen segment we get a loss what is happening over there?

**Ramesh Kumar**: We are located in three locations as far as our sugar mills are concerned we are located in Karnataka, Andhra Pradesh and Tamil Nadu. Karnataka and Andhra Pradesh we are still continuing on the price purchase agreement whereas in Tamil Nadu we are not in the price purchase agreement whatever export we do in cogen is realization comes to only through exchange, the exchange realization is as low as Rs.2 that is the only reason, the average realization in case of cogen is lesser;

**Anupam Goswami**: About sugar also what is our cost of production?

**Ramesh Kumar**: Cost of production is around Rs.33.

**Anupam Goswami**: Our conversion cost for sugar?

**Ramesh Kumar**: All put together boss, all put together, so I have given a landed cost of Rs.4 will be our conversion cost.

**Anupam Goswami**: You mentioned that this time realization was better at 34.3 still we got a sugar loss and when can we get a profit or breakeven from this segment and what condition would that justified at?

**Ramesh Kumar**: See if you compare yourself with our last year first quarter number there is a drastic improvement with respect to the sugar numbers itself, sugar segment itself, if you take it on a full year number I think we should breakeven this year. The better performance will be here.

**Moderator**: Sorry to interrupt you, this is the operator. Mr. Goswami may we request that you return to the question queue for followup questions. Thank you. The next question is from the line of Sanjay Shah from KSA Securities. Please go ahead.

**Sanjay Shah**: Sir can you elaborate on the relocation of our Tamil Nadu plant as you are planning to Karnataka so what will be the timeframe, what will be the cost involved and what benefit will we derive from that?

**S. Suresh**: The Tamil Nadu plant which is there in Pudukkotai the plant to be relocated to Karnataka, the rationale behind that is infrastructure should be relatively in places where there is going to be cane. In Karnataka we had planned that this equipment is going to a location of Haliyal so it is an add on plant in the existing premise, But for COVID this would have been available for crushing in FY2020-2021 itself, unfortunately due to the COVID situation we are not able to even start any of the work hence the delay is happening from our internal targets, technically this should be available for crushing in Haliyal, which is our Karnataka location from FY2021-2022, at least on October of 2021 you should be able to have this plant relocated in Haliyal for crushing and the benefit should start flowing from there, basically what happens is the total cost will be somewhere around 100 Crores for the entire process including equipment, shifting, job will be done and that should be in place by the next financial year.

**Sanjay Shah**: The full capacity of Tamil Nadu we are shifting, or it is part?

**S. Suresh**: No, it is only one of the plants in Tamil Nadu which is in Pudukkotai that infrastructure yet relocated to the place in Karnataka.

**Sanjay Shah**: So, what we will be doing with that land over there and what will be our plan to for the ideal place over there?

**S. Suresh**: Post that relocation we have to evaluate the plant value and then take it.

**Sanjay Shah**: What is the capacity of that plant?

**S. Suresh**: That plant is somewhere around 4000 pieces.

**Sanjay Shah**: My second question is regarding our finance cost after reducing retiring high cost debt what will be our finance cost what is the last year and what will be the current year?

**Ramesh Kumar**: The finance cost we expect around 22 to 23 Crores to be reduced during this full year based on the total debt reduction program for the current year FY2021.

**Sanjay Shah**: That is because of debt reduction plus reduction in cost, right?

**Ramesh Kumar**: Yes, you are right overall debt reduction cost.

**Sanjay Shah**: Thank you Sir that is it from my side. Thank you very much.

**Moderator**: Thank you. The next question is from the line of Ketan Dedhia from Nalanda Securities. Please go ahead.

**Ketan Dedhia**: Congratulations on a good set of numbers, I want to just understand about nutraceutical business your revenue doubled from 46 Crores to 70 Crores so doubling of the revenue is it sustainable and should we take this as a quarterly run rate and which products did well during this quarter?

**Muthu Murugappan**: Ketan bhai good afternoon Muthu here and thanks for your message. The reason for the growth this year is largely on account of the US market, some of our large buyers like retailers like Costco for example had increased their offtake of our Saw Palmetto extract and I think that has driven the growth. In my reading of the situation it is because the COVID situation in US is sort of waxing and waning in different states and not perhaps been handled in the right way, large retailers who have the propensity are building up a lot of hasty stock so I think that is why they have increased their offtake, we obviously have the supply chain progress to ensure we meet the requirements, but there should be some moderation I feel in the coming quarters on the numbers so that remains to be seen, so I am cautious around this.

**Ketan Dedhia**: Just want to also understand about your blue business color business, going forward you said there is going to be some long-term contracts so what would be the margins in that?

**Muthu Murugappan**: The reality around the blue extract business is I think there is a lot of price competition in the market so pricing has obviously fallen so our focus has really been to ensure that we are very lean and operate supremely efficiently so I think lot of that good work has been done, so we will have to once we get into this contract we will probably aspire to start with margins of about 25% and we will have to sort of work beyond that to improve the margin, but it is unfortunate that the pricing has corrected because of a lot of people entering the supply chain particularly from China.

**Ketan Dedhia**: Just one small one another question that you mentioned that the interest cost would reduce only by 22 Crores?

**Muthu Murugappan**: Yes.

**Ketan Dedhia**: So, our total finance cost was how much 135 Crores for FY2019-2020?

**Muthu Murugappan**: Yes, you are right Sir.

**Ketan Dedhia**: Like a reduction in the debt is about 500 Crores?

**Muthu Murugappan**: Yes Sir.

**Ketan Dedhia**: So, the reduction should be more, or it should be…

**Muthu Murugappan**: Correct only. We also need to have the working capital for the cane crush, which is going to happen in the second quarter, average working capital is to be maintained in the system.

**Ketan Dedhia**: Thank you.

**Moderator**: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

**Saket Kapoor**: Sir just two small clarifications firstly on the sugar part in the AP play which you are explaining could you please dealt in detail the reason for losses and how much losses we have to incur because of this fixed quota system prevailing in the AP market?

**Ramesh Kumar**: Sorry we did not explain anything about AP market can you repeat the question Sir?

**Saket Kapoor**: Sir you explained that our sugar business in the three states AP, Tamil Nadu and Karnataka and due to different regimes at different states that has resulted in Andhra Pradesh market contributing to EBITDA losses for the sugar segment whereas…

**Ramesh Kumar**: We did not tell anything like that.

**Saket Kapoor**: Please explain how different state regimes have affected the sugar number?

**S. Suresh**: Actually if you look at the sales perspective Tamil Nadu and AP whatever sale we could do definitely we are in Karnataka and relatively lesser in Tamil Nadu and AP because of the intensity of the lockdown, which has happened in the respective states because Tamil Nadu and the Karnataka the lockdown was more severe only during June 15, 2020 to June 22, 2020 or June 28, 2020 during that time we are able to sell enough whereas in case of Andhra and Tamil Nadu we had the COVID impact and many other lockdowns so therefore much of sales could not happen from these two different places and overall the consumption itself was doing well in terms, so the total volume which we have sold during the first quarter has been lower than the previous year this quarter by close to around 10% to 15%.

**Moderator**: Thank you. The next question is from the line of Aman Shah from Jeetay Investments. Please go ahead.

**Aman Shah**: Sir really appreciate on a debt reduction view that we have taken and selling 2% of our core holdings, some of my questions have been done altogether and in the refinery business we have done lot of operational improvement to become one of the lowest cost operator in this business could you please just highlight what is our breakeven spreads and what will be the competitive breakeven spread for the industry as a whole on a global basis that is one, second is we highlighted in Q4 call that you will go for reduction of long-term debt and the long-term debt is still at 360 plus 200 Crores in the refinery part so 560 Crores, so I just wanted to check if we are also going to reduce this long-term debt in the course of coming quarters, the third is in nutraceuticals we had a good sales bump up in this quarter while margins have actually remained at that level and it still posted a loss of around 3 Crores negative so if you can also highlight any reasons for that, fourth one is in Spirulina blue you said I think missed heard it you said capacity of some 20 million tonnes and it is currently sold at $120 to $140 per kilo if that are the right numbers then potential revenue becomes very high so if you can just highlight potential value and operational part of it?

**Ramesh Kumar**: With respect to the debt side what you have been asking is the debt which is long-term debt which we have in NCDs, NCDs cannot be repaid now it can be repaid only at the maturity date, so otherwise whatever other long-term debts which we have in our books that will be reduced so whatever long-term debt we had in the book as of now has been reduced substantially, other long-term debts which we have is only a 0 cost debt we are waiting for the government to ensure if any new scheme comes accordingly the debt will be taken or other will be 0 cost debt. Anything else you want on the debt side?

**Aman Shah**: No.

**Moderator**: Thank you. The next question is from the line of Anupam Goswami from B&K Securities. Please go ahead.

**Anupam Goswami**: What kind of sugar recovery are we are expecting in the next season and are we have adopted any higher sugar variety that is going on in the Uttar Pradesh side have we adopted that?

**S. Suresh**: The HSV of Uttar Pradesh has been tested in southern India that has already been evaluated also through different locations, we are working along with the SBI Coimbatore in terms of getting a new variety called as c11015 the initial stages in the sense we have gone through the crop reduce them to the regular planting and maybe the only mill just planted close to 1350 acres also in our command areas, but these varieties are going to give us benefit only in the next two to three years timeframe. As far as the current year is concerned the recovery could be in line with the previous year as far as Karnataka is concerned whereas in the areas of Tamil Nadu and Andhra it should be slightly lower because of the impact of COVID we have to wait and see how because in the first quarter whatever we have crushed the recoveries have not been good. Even in Karnataka depending on how COVID turns out we have to see because that should not delay the harvesting of the cane, cane should need to be harvested in the right time, but by and large we are expecting it to be in line with the previous year.

**Anupam Goswami**: Are we doing any b heavy from any b heavy ethanol and do we have enough capacities to buy molasses from our own or do we buy molasses from outside?

**S. Suresh**: Actually we have enough molasses in Karnataka, also we have enough quantity in Andhra where we run the b heavy, Tamil Nadu we will not have permission to do b heavy and our setup are out of the own molasses, which have been produced. We buy molasses from market in order to keep the distilleries going.

**Moderator**: We will take the next question is from the line of Kashyap Pujara from Axis Capital Limited. Please go ahead.

**Kashyap Pujara**: Just wanted to ask you to answer the previous participant's question on breakeven point in refinery, which is the breakeven spread in refinery in the current quarter and how do you think about reducing breakeven levels going forward what are your thoughts on that?

**Suresh Kannan**: As far as the question is regarding breakeven margin for the refinery it actually depends upon the kind of refinery that what we have because this is also question on the industry breakeven because globally there are also refineries that operate where they sell into domestic markets so those refineries have the advantage of having a duty protection in terms of selling into domestic and therefore the export is on a marginal cost basis, but coming back to our scenario where we are totally re-export refinery so the breakeven margin would be in the region of $45 per tonne of spread and in terms of initiatives in order to improve our positions with respect to these external environment we have been working on improvement of throughput, refinery throughput has been substantially increased over the last two years going forward in terms of reducing the per unit cost and second as was highlighted in the previous call and touched upon by Ramesh Kumar we are also working on the efficiency of our working capital terms by which we are in a position to reduce our interest cost and that will also help us to turnaround the situation with respect to because interest is a good amount of cost as far as the refinery business is concerned.

**Kashyap Pujara**: Just wanted to ask you the point was on the working capital for the refinery business I think it is still at 800 Crores range, which seems higher, now globally there are refineries, which have operated in much lower capital intensities than ours and so what is our improvement that we can expect in the next couple of years, can this be substantially lower the capital intensity on the refinery bit?

**Suresh Kannan**: Yes, in terms of the capital intensity as you have already seen compared to even the previous year, we are cutting down our short-term debt levels based on fine tuning of the working capital cycle. The journey is further on in order to cut down the extent of debt required especially short-term debt, which is required to run the working capital side. There are certain positive developments that can also help this in the form of because India is going to be an exporter next year in 2021 also and as we are speaking we understand there is clarification from the Government of India where I think the full subsidy for supplies in to the SEZ unit so in that case when we will have to source all our requirements from Brazil as a result of which we will have to have the long cycle and the off crop period coverage when Brazil goes off crops in March. Going forward there are some strategic initiatives that are possible for example when Thailand gets into a high production mode, which we expect crops should recover at least from 2021-2022 onwards and because of the proximity of Thailand and we need some adjustments for processing such kind of crops from Thailand so that is another element of strategy that can be deployed at an opportune moment wherein we can reduce the pipeline and the turnaround time of the capital that we had to run this refinery business. So, a combination of business resourcing, combination of sourcing from alternate sources and of course continuing to work on our efficiency of turning around stocks both from the point of view of procurement and in terms of our selling efforts.

**Kashyap Pujara**: Thank you so much.

**Moderator**: Thank you. The next question is from the line of Ritika Gupta from Aequitas Investment. Please go ahead.

**Ritika Gupta**: Sir I wanted to know what kind of volumes do we expect in our refinery business for the remaining three quarters of FY2021?

**Suresh Kannan**: We are targeting to sell more than 8 lakhs let us say 8.5 lakh tonnes for the current financial year that has been our objective and therefore we have done around 1.2 in the first quarter, 1.24 to be specific so close to 7 and 7.25 lakhs is what we expect to sell out in the next three quarters.

**Ritika Gupta**: You mentioned that the SEZ unit can now procure raw sugar from India is that correct?

**Suresh Kannan**: Yes, as we were speaking, we are waiting for some notification from the government, which is to the effect of clarifying the eligibility of full financial exercise for the domestic mills when they supply to SEZ.

**Ritika Gupta**: Sir what kind of benefit will we get in terms of transportation saving?

**Suresh Kannan**: I think on an overall basis like we spoke in the last call also there is a possibility we again need to see based on the relative economics of crop in Brazil and crop in India between $5 to $10 per tonne of saving on sourcing from India.

**Ritika Gupta**: Thank you.

**Moderator**: Thank you. Ladies and gentlemen due to time constraint we will take that as a last question. I would now like to hand the conference over to Mr. Kashyap Pujara for closing comments.

**Kashyap Pujara**: Thank you everyone for participating on this call and thanks to the management of EID Parry to being today with us and in case due to time constraint some of your questions have not been answered please feel free to reach out to the company secretary or myself and we will get back to you on questions, which are answered, that is all and thank you so much.

**S. Suresh**: Thank you.

**Moderator**: Thank you. On behalf of Axis Capital Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.