"EID Parry
Q4 FY2021 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the EID Parry Q4 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. Aditya Bagul from Axis Capital. Thank you and over to you, Sir!

Aditya Bagul: Thank you Bilal. Good morning ladies and gentlemen, and a warm welcome to the Q4 FY2021 Conference Call of EID Parry. I would apologize for the slight delay that we have but we have the entire management team here so without further ado, let me just introduce the key management team here. We have Mr. Ravichandran – Chairman, Mr. S. Suresh – Managing Director, Mr. Rameshkumar – CFO, Mr. Murugappan – Head Strategy and Nutraceuticals, Mr. Suresh Kannan – Whole time Director, Parry Sugars and Mr. Biswa Mohan Rath – Company Secretary. I will not take too much of time, I will just hand over the floor to Mr. Suresh. Over to you, Sir!

S S. Suresh: Good morning everyone apologies for slight delay. I would like to start first by saying thanks to all the people who have joined us on this Analyst Call further give their time out.

I would like to start off with the happy note that the standalone revenue from operations for the year ended March 2021 has been at Rs.2024 Crores as against the previous year of Rs.1875 Crores. EBITDA before exceptional item has been around Rs.556 Crores as against the previous year value of Rs.235 Crores and the standalone profit after tax for the company stood at Rs.865 Crores as against Rs.2 Crores of the previous year.

The operational performance of the company was better than the last year on account of better realization from sugar and distillery operations and the higher export volumes and various cost control measures which have been taken.

I would like to give a brief on the international sugar scenario for the subsequent sugar year, the Brazil is expected to be having a 4 million shortfall from the current year i. e, from a 38 million tons Brazil is expected to produce around 34 million tons, on account of rise in crude oil prices and the ethanol prices, the mix is expected to be more favourable towards ethanol and higher output of sugar in Brazil is not expected much and India is expected to remain at the same level of the current year after accounting for some ethanol diversion of close to around 2.5 million tons to 3 million tons of sugar equivalent.

As far as the international sugar balance is concerned the European Union is expected to get around additional 1 million tons rest all is expected to go up by almost 3 million tons. That means overall the scenario is expected to remain almost the same level in terms of the production of the current year. That means there is an opportunity which Indian exports must happen, there is an opportunity India to export in the international market subject to prices be favourable for the exporters.

On the domestic front, the monsoon has set on time and that is going to hover well for the entire crop. On and average there should a minimum of 10% increase in the production.

This is the broad overview, I would now hand over the floor to Mr. Rameshkumar our CFO, who is going to take you through the details for the last year operations. Thank you.

Rameshkumar: Thank you, Sir. Thank you all for joining this call and welcome everyone for this call. I am happy to share the performance of the company for the year 2021 and also some of the operating parameters what we have done during this year.

The revenue of the company for 2021 was Rs.2024 Crores which is more by 8% as against the last year of Rs.1875 Crores. The increase in revenue is predominantly on account as Mr. Suresh explained is mainly on account of better realization in sugar, power and alcohol which helped the sugar division to perform very well.

We sold around 4 lakh metric ton of sugar as against 3.73 Lakhs metric ton in the previous year. The revenue for the quarter ended March 31, 2021 was Rs.554 Crores as against Rs.608 Crores last year. We had also exported during the financial year 2021 around 1.15 lakh metric ton as against the previous year of 0.85 lakh metric ton. The PBT for the year on a continuing basis after the exceptional item is Rs.1058 Crores as against the loss of Rs.20 Crores last year. The PBT after exceptional item for the quarter ended is Rs.234 Crores as against Rs.118 Crores last year.

The profit after tax for the year is Rs.865 Crores as against Rs.1.83 Crores of last year. The exceptional item is mainly on account of profit on stake sale netted off against the impairment loss on transfer of equipments and dismantling of the equipments in our pudukottai/petta units for transfer to KN.

On a consolidated basis the PBT for the company was Rs.1539 Crores as against the last year of Rs.1256 Crores backed by very good performance by our subsidiary company Coromandel. The profit after tax for the company was almost Rs.1000 Crores at consolidated level as against the Rs.889 Crores.

Let me share you with some more operating numbers of the business. As far as the sugar segment is concerned, the company crushed around 39.69 lakh metric tons as against 36.72 lakh metric tons of sugarcane last year, which also had a very good recovery of 10.28% as against 9.99% of last year.

The production on a full year basis was about 3.91 lakh metric tons as against the previous year of 3.6 lakh metric tons. Sugar sales for the year was close to almost 4 lakh metric tons as against 3.73 lakh metric tons last year. The domestic sales volume was governed only by release order mechanism and company followed it strictly as per the release order mechanism which came from 2018 with average selling price of Rs. 34 and also that we realized on account of export was around Rs.34 as against the previous year Rs.31 which helped the company to do better realization during the year. We almost carried 2.56 lakh metric tons of sugar at the end of the year as against to 2.6 lakh metric tons of previous year. We are carrying stock at the value around Rs.32 , the revenue for the sugar pigment alone is Rs.1500 Crores.

Now, we lets move to cogen segment, we have generated around Rs.37.66 Crores as against Rs.35.72 Crores and exported 20.54 Crores as against 18.74 Crores units during the year. The average tariff which we realized was around 4.15 as against 3.67 of previous year. We have two units in Karnataka and Andhra Pradesh, where we are all in PPA till March 31, and some more months in this current financial year, which also will expire t in the middle of the year. In Tamil Nadu we are only operating through third party mode and IEX mode only.

On our realization through third party we had better realization during the second half which helped the company to make much more better realizations and better profitability in cogen segment. The cogen revenue for the year about Rs.130 Crores as against the previous number of Rs.142 Crores.

As far as the distillery is concerned, we have produced the alcohol of 633 lakh litres as against 634 lakh litres of previous year. We sold about 594 lakh litres as against 627 lakh litres at an average price of around Rs.59.70 as against the Rs.55.65 per litre during the year, of this 594 lakh litres ENA contributes around 405 lakh litres and balance accounts for the distillery Ethanol.

Now, we will move to some more information on the other business-like Nutra business, Nutra revenue on a consolidated basis was about Rs.254 crs and had a profit of Rs.19.34 Crores as against the loss of Rs.6.55 Crores in the previous year.

As far as capex are concerned during the year we have been sharing quite some time that we have been trying to be prudent in all our capex approaches. We spent some amount on expansion on Bagalkot distillery which is in capital WIP and also our transfer cost of equipment from Tamil Nadu to KN unit that is happening it is also in WIP, otherwise addition to the fixed asset during that is only around Rs.31 Crores which is mainly on account of some of the expansion programmes or the some revamping activities in our facilities like godown, boiler refurbishment other activities and some small expansion in Nutra activities and also we ensure that we manage our cash flow very effectively.

During the year with the help of our stake sales in CIL and dividend receipt of CIL we could bring down the substantial portion of debt during the year which helped us to ensure that the cost of debt is also brought down substantially. Our overall loan position at the end of the year is around Rs.555 Crores in standalone as against last year of Rs.1055 Crores of which long-term is around Rs.200 Crores and short-term is Rs.355 Crores in case of standalone operations.

On a consolidated basis excluding CIL we had Rs.755 Crores as total loan as against last year of Rs.2024 Crores . In expenses front if you see, we have done lot of cost reducti/rationalized and we are aiming from the beginning of the year and ensured that the cost is maintained in every activities, in plant and in every function or corporate office and ensured that the cost reduction is done effectively and we wanted to sustain it going forward also and we hope that we will deliver what we promised to the shareholders. Thank you, Now I leave the floor for Q & A session.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the questions and answers session. We have a first question is from the line of Rajesh Majumdar from B&K Securities. Please go ahead.

Rajesh Majumdar: Good morning Sir, and thanks for taking my call. First, let me congratulate you for the sharp improvement in the cash flow from operations and the sharp reduction in the standalone debts and that is something we have been targeting for some time, so I am very happy with that. Sir, I had a few questions particularly to the refinery business. Now we have a reasonably sized refinery business which is about Rs.2500 Crores to Rs.2600 Crores turnover business of 8 lakh metric tons if I am not mistaken and for the last five for some reason or the other this business giving us trouble. While some of the problems seem to be addressed from the power side, the continuing problems limiting to freight rate and the unviability of the refinery still seems to raise questions as to the capital allocation for this business and you have already lent another Rs.400 Crores in the third quarter from the standalone business to this business. So, I wanted your thoughts on refinery business going forward that was my first question. My second question was relating to the alcohol business. We have seen a lot of announcements with the various companies on expansion in the alcohol business I wanted to know your thoughts whether we have any clarity regarding any expansion in the Ethanol business, that was my number two question and my last question was related to the Nutraceuticals business, whether this Rs.19 Crores jump is something we should take as one-time jump or whether the traction is there in the business, if you could explain to us the key highlights of how we plan to move forward in that business? Thank you.

S S. Suresh: Thank you. First, I would like to address the question on the alcohol business. As we know the Ethanol supply to the oil marketing companies, we have been participating and this year will be a year of consolidation where we will maximize the alcohol supply to the OMCs. Now, our Haliyal unit already started producing and supplying B-heavy syrup-based ethanol to the OMCs. Our Bagalkot distillery has already started operations in the Q1 end now in the current financial year, so the year will be in terms of consolidation and running into the full capacities. As of now there are no immediate plans in terms of expanding further into the distillery business, objective will be to maximize the supply to the OMCs and utilizing the capacity to the fullest as far as alcohol is concerned. Nutraceuticals I request Mr. Muthiah Murugappan, will be addressing you on this question what you have raised then we will come to the refinery.

Muthiah Murugappan: Thanks Suresh and Rajesh, good morning. So, to your question the Rs.19 Crores profit and the reasonable performance of the Nutraceuticals business this year has come about because of two reasons, I think strong sales of two of our product lines, one is Spirulina and the second is Saw Palmetto Berry Extract. Spirulina goes into the immunity segment and that has seen a lot of traction because of the pandemic. Saw Palmetto Berry Extract, I think we have been able to organically expand the account base in the US and that has driven this profitability growth. The trend looks pretty good for the immunity product and for Spirulina going forward. For Saw Palmetto Berry Extract we also have plans to launch the B2C business that is something we have been working on. It is a business which is built out on medical equity. We held back expenses related to the scale up of this business last year because of the pandemic and our teams could not get in front of medical professionals to detail them, so we held back the expenses. But that is being rolled out in the current fiscal year, so to that extent there will be an investment in scaling up this business, so that is likely to impact the earnings. But I think once that scale up happens, we should see more traction with these two products, and I think we should get back on a good path. I think this is the organic growth component, beyond this as the company's financial position as you can see is improving, we will look at growth opportunities in this segment and we are evaluating that.

S S. Suresh: Thanks, Muthu.

Rajesh Majumdar: In terms of total what kind of growth are we looking at say on two to three-year basis on the Nutraceuticals business, any ballpark numbers?

Muthiah Murugappan: No. As I said with the company's position improving, we are keen on looking at inorganic growth options and we are evaluating all the time. If you look at the right pick in the right synergies, so this is a future growth area, food and nutrition, so we would like to ideally have a bigger play in this. But yes, now the improved financial situation has given us a chance to look more actively, so I would say the real chance of growth, or the real seeker would come with organic activity, but it is too early to comment beyond that, we are evaluating.

S S. Suresh: Thanks, Muthu, now I request Mr. Suresh Kannan will have this refinery question.

Suresh Kannan: Welcome everyone. As far as the refinery business going forward, we are happy to share that last financial year the refinery posted its highest ever sale of 8.2 lakh tons and going forward as we have been developing more value added customers for the refinery we expect this sales momentum growth to continue and the company is actively working in order to increase the sale to value added segment such as institutions and direct customers where we have seen close doubling of sales volume during the previous year. In terms of operational efficiencies, the company has been improving upon at inventory turn over the last financial year and we are happy to share that compared to the last year closing of around Rs.1200 Crores of debt we have managed to bring it down to Rs.400 Crores at the end of March. So, this business is extremely sensitive to the availability of spread between raw sugar and refined sugar and based on the availability of spreads we should be able to increase our sales volume and thereby improve our efficiencies of operations and given that our improvements that we have made on the working capital cycle should be sustained going forward. So, that is the prognosis we have on the refinery business. Thank you.

Moderator: Thank you very much. The next question is from the line of Kashyap from Theleme Partners. Please go ahead.

Kashyap: just couple of questions here. Firstly, on the Nutraceuticals side, it was encouraging this Rs.19 Crores profit we had this brand called Flomentum which was high growth brand in the US, and we were kind of building in out on Doctor Endorsements, so clearly it seems that, that is showing traction. So, while I understand you saying that there will be some investment in the interim to scale it up, but just wanted to check with you whether over the next couple of years can we think about this current number multiplies by four and we can have Rs.19 Crores–Rs.20 Crores steady state maybe after this is made out in the next couple of years?

Muthiah Murugappan: Kashyap, good morning. Let me sort of step back in the market opportunities that we are after the thing that the market size of prostate health supplement in the United States is about $200 million market size in terms of dealing with early stage for prostate issues and general prostate care. That is the market that we are playing in. Our aspiration is to go out and take 10% to 15% share in this market over a five-year period and that is the intent. We control the supply chain right from the farm, we do not own the farm, but we have strong close in relationships of this product. We process it in our facility and of course now we have gone for the branding side, so I think when that story plays out you will play in most of the profit pool. So, yes, I think once that scale up happens and roll out is happening in Q2 this year we only do digital sales right now, it is not doctor endorsement sales, so the numbers are insignificant. Once that scale up happens, I think we can expect to get to the steady state and the expectation to get beyond this steady state as well going forward because ideally a 10% - 15% market share in this market with those high gross margins should position you much better than even where we are currently.

Kashyap: Great, that is encouraging and finally one add with Ethanol side, one side you are seeing the government announcement of when we allow that, there is quite a bit of excitement and the resale ratio are so B-heavy and adding sugarcane juice or Ethanol seems to be encouraging, so I was just wondering what is holding that leading to exact in that space, I mean are you kind of sure that the government policies of purchase favourably or are we kind of being too conservative here. So, just wanted to understand what stopped us to scale up our capacity creation and to capture more of the seasonal opportunity?

S S. Suresh: Thanks, Kashyap for the question and I think you are talking about the ethanol based expansions. What is very important to look at is the capacities what we need to put in, what we are going to put in, should be having captive sourcing of all the molasses that is the extreme important thing. As of now for the places where we have put in, we have got captive sources to service the distillation capacities. The seasons are not full in terms of season period is hardly around 120 days in Karnataka, Tamil Nadu maybe slightly higher of course Tamil Nadu you know that there is already a shortage of cane overall from the state itself. So, in this scenario what is important is, it is important to look at the utilization of the assets what we are going to put in unless there is going to be a confirmed availability of molasses source even if it is from B-heavy syrup, because B-heavy syrup during the season we can run to the full and balance period we have to see whether we will be able to utilize the capacities to the fullest extent. Those will be the criteria which will be used for evaluation of future capacities in ethanol, of course there are opportunities like grain based ENAs are also which are there we must start looking at what are the opportunities which are available before us. We are evaluating those things. Once we come to some conclusion on that then we will be coming back and then sharing such information. As of now I think it is better to look at utilizing the fullest capacity what we must run to almost to the 100%plus base for the year that will be the objective for the current year. Thank you.

Muthiah Murugappan: Suresh, if I could just add and Kashyap, as Suresh said I think we are very seriously evaluating this. I know I think what would also be helpful to industry in general and would give a comfort of course I think it is a great initiative which the government has put forth on the ethanol blending programme with multiple benefits, but I think in reality what could also give good comfort is to really understand the auto industry view on this and I perhaps feel that there is less discussed or written about that, I think some angles of the programme are covered very well but from the auto industry endorsement of it you guys are talking to multiple companies and there has been very good reports with the investor community has put out. But as far as some insight into beyond an E10 or between an E10 – E12 to an E20 level how the auto industry is looking at it and are they endorsing and especially the guide was larger market share I think that would give lot of comfort and we have lots of Ethanol to help with this very forward-looking initiative that would be useful insight.

Kashyap: Sure, helpful. finally just a question for Mr. Rameshkumar, just wanted to I missed the line was cracking Sir, just the number of debts that was coming on consolidated X Coromandel debt on EID's books and the breakup between short-term and long-term, if you can help me with that numbers?

Rameshkumar: EID standalone it is long-term loan of Rs.200 Crores, short-term loan of Rs.355 Crores, so EID standalone is Rs.555 Crores and then we have only the refinery business where we had a long-term of Rs.100 Crores and short-term of Rs.100 Crores, Rs.200 Crores that is all, total put together Rs.755 Crores.

Kashyap: Thank you.

Moderator: Thank you very much. We have the next question from the line of Ritwik from One-Up Financial. Please go ahead.

Ritwik: Good afternoon everyone. Thanks for the opportunity. Sir, I have a few questions, firstly on the shifting of plants to Karnataka. What is the status on the same and do we expect to commence production in time for the coming sugar season?

S S. Suresh: Thanks for the question. The process is on in terms of shifting our **equipments into** the Haliyal plant in Karnataka. The process is going on despite all the challenges faced in terms of COVID and we expect to fit the season which is expected to start somewhere in October end or November, we should be in time for the season as things with all the challenges inf front of us that we go on time for the season.

Ritwik: So, would it be fair to assume that we could have about 3 lakh tons to 3.5 lakh tons of cane crushed on this plant itself?

S S. Suresh: Yes, ideally it should be.

Ritwik: Okay, sure.

S S. Suresh: It also depends on how long the season is going to run in Karnataka depending on that.

Ritwik: Similarly, status on the Bagalkot capacity, I believe you mentioned that we are going to start operations or just commenced operation that facility?

S S. Suresh: As we speak today the plant has started operation. This was got delayed because of all the COVID related challenges and it should start running full swing for the balance period of the year.

Ritwik: Okay, sure. So, the 60 KLPD capacity is up and running?

S S. Suresh: Yes.

Ritwik: Sir, on the cost reduction measure that we have taken in the last year, do we have any more programmes in place to reduce it further or this level should be sustained on the employed portion the other expenses?

S S. Suresh: As production initiative for business like sugar is an ongoing process, continuous process. One is for the last year lot of things which were there which will continue some of the things which are related to working from home and all may not continue because we are resuming operations, offices are going to start working etc. However, on the operational cycle side our endeavour will be there to continuously look at opportunities to reduce cost, whether it is on the variable cost or on the fixed cost, those initiatives will continue to be there for the company, every pie is more important for us, so those activities will continue.

Ritwik: Sir, I have couple of question on the operational figures, can you give the refinery EBITDA and the current conversion spread for FY2021?

S S. Suresh: Can you please repeat the question; sorry I could not catch you?

Ritwik: Yes, the EBITDA figure in rupees Crores for FY2021 and the current conversion spread that we give in every quarter for the refinery business?

Rameshkumar: Okay, the EBITDA for 2021 was Rs. -64 Crores for FY2021, as far as the current spreads are concerned, we could look at it in two ways, if you look at spot spread the spreads are extremely low in the region of $20 to $30 if you consider freight from Brazil and the current freight premiums that are prevailing. However, the company has policy of hedging forward we should be able to continue to sustain the spreads in the region of $40 to $45 that we have been operating with.

Ritwik: Okay, and sorry Sir, on the EBITDA figure you mentioned Rs. -64 Crores?

Rameshkumar: Yes.

Ritwik: Okay, it is minus EBITDA level, sure. And Sir, we exported about 115000 tons of sugar in FY2021 that is almost the entire increase in sugar scale for FY2021. So, going forward what kind of number that we should build in for FY2022?

S S. Suresh: See FY2022 is depends on the allocation what government is going to keep, this year we did not get any additional allocation for the company. However, we are trying to pursue our other alternative measures to ensure that the same number is reached.

Ritwik: Okay, sure. That is it from my side. All the best and thank you.

Moderator: Thank you very much. The next question is from the line of Bhavin Cheda from Enam Holding. Please go ahead.

Bhavin Cheda: Good afternoon sir, and congratulations to the entire management team to deleverage the overall operations across standalone as well as refinery. Sir, first my question is on refinery the OP loss of Rs.64 Crores you mentioned, what was the spread earned in FY2021?

S. Suresh: Yes, spread for the year FY2021 will be around $42.

Bhavin Cheda: $42 okay, and Sir volume mentioned from the refinery you say is sold around 8.2 lakhs, right Sir?

S. Suresh: Yes, for the year.

Bhavin Cheda: Okay, so as you said that current year you have hedged around similar levels only, so we expect the losses to continue in FY2022 or you are doing something to reduce cost and make this EBITDA breakeven or positive, what are the steps you are doing?

S. Suresh: As far as the current year is concerned as you have mentioned rightly, we have hedged spreads of similar level and as far as cost of operations is concerned, we continue to work on reduction of the same and we expect that we will have an improving EBITDA situation for FY2022.

Bhavin Cheda: But I think the number of the loss was quite high, so you have not yet reached break even or what were any exceptional number there or this was purely business EBITDA loss of Rs.64 Crores odd or if you can guide on conversion cost at the refinery, what was it couple years back, what it is now then what are the steps taken to reduce that?

Rameshkumar: See there is onetime exceptional item this year if you read the notes to accounts. There is an exceptional item Rs.120 Crores.

Bhavin Cheda: Okay, so this will not be there you are saying in FY2022. So, excluding exceptional items were already profitable at the EBITDA level?

Rameshkumar: Yes.

Bhavin Cheda: Okay, coming to the sugar business if you can guide the crushing target for the upcoming season as well as your distillery and cogen targets?

S. Suresh: As far as the sugarcane volume is concerned it is expected to be somewhere around 5% to 10% better than the current year, that is one. Second is on the distillery side the Bagalkot distillery volumes were not available last year, so to that extent the total volumes will go up in distillery.

Bhavin Cheda: This cogen improvement would be there?

Rameshkumar: Improvement to the extent or increase in cane crush will be there. Operational random crush to the extent equivalent we have give as export.

Bhavin Cheda: Sure, and Sir the other number you mentioned was I think the export INR of Rs.34 you mentioned versus Rs.31 in FY2020?

Rameshkumar: Last year was Rs.31 realization, this year we made around Rs.34 in export alone, domestic sales exports.

Bhavin Cheda: Domestic sales export, and this would include the government subsidy on exports, right Sir?

Rameshkumar: Yes, including subsidy this year we had two subsidies, one was in the beginning of the year Rs.10 up to September and the new policy which is for Rs.6, so combination of both we have Rs.34.

Bhavin Cheda: I think it is reduced to Rs.3 now, subsidy?

Rameshkumar: Effective from 20th May it is Rs.4.

Bhavin Cheda: Okay, and what was your domestic average, so you gave the export average?

Rameshkumar: Same around Rs.34 Sir.

Bhavin Cheda: Okay, domestic average is also around Rs.34. So, you will be largely debt free both at the standalone and refinery level in FY2022, right Sir. Any debt reduction targets for this fiscal?

Rameshkumar: I think we have already achieved the maximum debt reduction during the year itself; however, we will try to focus to reduce the debt continuously; we will try to ensure that how we can improve the performance and reduce the debt further also.

Bhavin Cheda: Sure, and Sir my last question has been on the total distillery side you have made very good quarter, I think I missed on the comment where you said that next year same number will not be repeated, what was the specific reason?

Muthiah Murugappan: So, the reason for that is there will be an expense related to the scale up of the B2C business in US at the consolidated level. The US subsidiary will be scaling up with B2C business of the Flomentum Health which is the Prostate Health product. So, to that extent on the consolidated level I do not believe to see the strength because there will be that investment. The trends at the standalone are looking good.

Bhavin Cheda: How much was that contribution in consolidated which is getting this in FY2021?

Muthiah Murugappan: Sorry, could you repeat that?

Bhavin Cheda: No, how much that Nutraceuticals part which is accounted in consolidated which would be affected in FY2022?

Muthiah Murugappan: I think it is around Rs.9 Crores to Rs.10 Crores.

Bhavin Cheda: Okay, this is on the profitability side or on the topline side?

S. Suresh: No, on the profitability side.

Bhavin Cheda: On the profitability side, Okay.

Muthiah Murugappan: That is pertaining to FY2021, now of course 2022 will be different because there is going to an extent, but the affecting into 2021 out of that Rs.19 Crores profit that we made the relevant part is about Rs.9 Crores to Rs.10 Crores.

Bhavin Cheda: Sure, and the share plant wise cane crushing of FY2021 of this 39.69 lakhs?

S. Suresh: Sorry?

Bhavin Cheda: The plant wise cane crushing break up.

Rameshkumar: Maybe we will check the numbers.

Bhavin Cheda: Okay.

Rameshkumar: I can broadly tell you Tamil Nadu will be somewhere around 14 lakh tons – 15 lakh tons, Andhra will be around 5 lakh tons odd balance will be Karnataka.

Bhavin Cheda: Sorry, Sir Andhra would be how much?

Rameshkumar: Around 5 lakh tons,

Bhavin Cheda: Balance is Karnataka, and Sir you mentioned 5% to 10% cane growth plant which is shifted to Karnataka will give you 3 lakhs odd so that is the growth number you are factoring, right you are not factoring any growth from the existing plant?

Rameshkumar: Yes, existing already we have wait and see because Tamil Nadu we have to see how much of increase is going to happen. We will have to wait and see how much affect is going to come because yield factors are also there how much of rains Tamil Nadu is going to get, we will have to wait and see.

Moderator: Thank you. We have the next question from the line of Gautam Dedhia from Nalanda Securities. Please go ahead.

Gautam Dedhia: I have two questions, so firstly on the Nutraceuticals division we have seen operating margins of 30% and in previous calls we have said that our aspiration is to reach a margin to 15% to 18%. So, I just want to understand that this investment is done over a two– three-year outlook, does the cost structure allow us to again get to these margins or would you be revising this 15% to 18% outlook and my second question is on the refinery business, can you just give more details on what this Rs.120 Crores write off is exactly and for this quarter what is the EBITDA?

Muthiah Murugappan: Good afternoon, I think once you scaled up the Flomentum business and then at a console level, yes we will maintain this 15% to 18% level this year we held back on some of these expenses so on and so forth, that is why you really seen it but I think in reality once the scale up business and look at it in steady state we still hold that 15% to 18% margin intent at an off profit level.

Gautam Dedhia: Okay, and on the refinery end?

V Ravichandran: We look at the results when we started this company from that time when we started from thatdate to today, we are now gone up to 8.5 lakh tons which is about 2600 tons–2700 tons of melting per day, that is all without much investments. So, that melting had become steady that is first improvement we have done. Second is that we have now moved to negative working capital. Last six months if you look at from October 2020, we are on to negative working capital that means we can realize our money even before we pay off our suppliers and then take care of the production as well. Third, if you look at our sales in terms of the breakup, institutional and our container sale has substantially increased over the last few years, so that is also adding to the improvements in margin etc., and then the steady melting rate is also contributing to better power consumption, facility consumption all those kinds of things and we also now brought down the debt so that it is only about

Rs.300 Crores today. So, all those improvements we have done but the biggest focus what we had in the last two three years is to how to get the negative working capital. So, we are relentlessly focusing on reducing our inventory, year after year after year, what we used to carry 4 lakh tons of inventory in the past 4 lakhs, 3 lakhs and all that now it is almost down too close to say a lakh or less than that. So, in the process what happened when we came down very low on the stock and on March, we had a physical verification and we found a difference of about 40000 tons of inventory, so that inventory difference we have to take a write off in the books because in the past, we were never able to do actual physical verification that means actual weighing we could not do we are only doing a survey using the laser beam to determine the stock, because we use the laser beam there is a variation you get compared to what you actually carry in the books. Since the stock levels were low, we thought the best way to weigh the quantity what is available using this ,so the write off has come on account of the stock difference which we will take this year. So, the onetime write off we have taken this year.

Gautam Dedhia: Okay, and what was the loss for the quarter?

V Ravichandran: Without accounting for these Rs.120 Crores without accounting for the loss.

Gautam Dedhia: And what was the reason for that loss, was it just by decline in production?

V Ravichandran: No, there is some drop in sales volume in the last quarter and some M2M losses.

Gautam Dedhia: Okay, and we do not see this problem of physical verification on our sugar mills in India, right in our other plants how does the entry?

V Ravichandran: No, see what happens the other sugar factories we do not carry inventory in loose, whatever we produce is immediately bagged, so we do not have raw sugar in other factories, only this we have for large quantities.

Gautam Dedhia: And on agreement going forward now because we have no stocks this will not be repeated, right?

V Ravichandran: Yes, so what we have done, we have made such an improvement in terms of the clearance, reconciliation of stock immediately, and other control measure etc,, so that this kind of variation will not be there in the future.

Gautam Dedhia: Thank you, Sir.

Moderator: Thank you very much. We have the next question from the line of Shaurin Shah from Enam Holdings. Please go ahead.

Shaurin Shah: Sir, thanks for the opportunity. Sir, I have two questions, if could share your cane cost in FY2021 for Tamil Nadu, Karnataka, and Andhra Pradesh?

Rameshkumar: Tamil Nadu, roughly around Rs.2950, Andhra is around Rs.3000 and Karnataka is around Rs.3250 cane landed cost per ton.

Shaurin Shah: Okay, and Sir what is our guidance in volume for refinery business for FY2022?

Rameshkumar: Should be same almost. Similar levels like last year.

Shaurin Shah: Okay, Sir. Thank you.

Moderator: Thank you very much. We have the next question from the line of Abhishek Banerjee from Equirus Capital. Please go ahead.

Abhishek Banerjee: Sir, my first question will be on the refinery side, there was a clarification on sourcing raw sugar from the domestic and that would be considered as an export. So, what was status of that? My second question is again on the refinery side, how are the spread are going to go going forward and what is the replacement cost of our refinery plant right now?

S. Suresh: Thank you very much. As far as your first question is concerned the Department of Food has already issued the clarification in the month of March that the sugar that is supplied to the SEZ refinery also qualifies for the full amount of export that is given to the mills and consequently we have also started sourcing sugar domestically from the Indian mills, so that is as far as the first one is concerned. The second if you can repeat, please?

Abhishek Banerjee: What is the reflection cost of our refinery plant right now, and what kind of spread are we looking going forward?

S. Suresh: I think as far as spread is concerned, we are expecting similar spread as last year as we were discussing between $40 and $45, currently the market is stressed on account of excess refined sugar availability, so the spreads are very low as we speak on the spot market is concerned; however, we expect this situation will change going forward in the next couple of months as the higher freight and difficulty in terms of selling the sugar at higher prices disappear and also the Indian export campaign that sugar that has been available over the last six months has already started tapering and therefore the refined sugar demand should pick up and as a result of which the impact of that we can see also as part of the white premium and therefore our spread is concerned. As far as the replacement cost, it should be in the region of around Rs.700 Crores and above.

Abhishek Banerjee: Okay, Sir just one of first point, you mentioned that you have already started sourcing raw sugar from domestic plants. So, how much benefit are we accruing to ourselves and why are we not sourcing it from our EID Parry plants?

S. Suresh: Yes, as far as the sourcing from EID Parry, we have also sourced some quantities from EID Parry mills as concerned and in terms of benefits; the benefit depends upon from the time we source. But in general, this sugar is between $5 and $10 cheaper than the sugar that we can get from Brazil.

Abhishek Banerjee: Okay, so basically our spread should increase going forward, since we are sourcing at $5 to $10 cheaper?

S. Suresh: Yes, if you look at on absolute basis yes, but if you look at on a relative basis the spreads also have moved down to factoring in for the availability of Indian sugar. So, yes at the end of the day have some benefit over spread compared to the sourcing from Brazil is concerned.

Abhishek Banerjee: Your EID Parry plant which is sourcing to SEZ that will get the export benefit as well from the government?

S. Suresh: Yes, as such they qualify for the full quantum of export benefits.

Moderator: Thank you very much. We have the next question from the line of Hitesh Doshi from Nirzar Securities. Please go ahead.

Hitesh Doshi: I think my questions have been answered. Thank you so much. Wish you all the best.

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

Ketan Dedhia: Good afternoon. Just one question that, now that you are comfortable with the debt levels at consolidated and standalone levels, is that the management has any dividend policy has been framed for the future years, for the shareholders?

S. Suresh: We have a dividend policy not only for EID Parry even across the group. So, yes based on the future profitability the policy will be followed.

Ketan Dedhia: Thank you.

Moderator: Thank you very much. We have the next question from the line of Sanjay Shah from ASA Securities. Please go ahead.

Sanjay Shah: Good afternoon gentlemen. We have given some Rs.400 Crores intercorporate funding to our subsidiaries and we carry lot many subsidiaries in our board maybe around 23 plus JVs, so do we have any program of consolidating the loss making or the subsidiaries which are not efficient and about this Rs.400 Crores do we foresee any more loan going from our book?

S. Suresh: See majority of our subsidiaries are from Coromandel, so the subsidiary EID Parry is majorly Coromandel then refinery and then Valensa. So, these are the main subsidiaries.

Sanjay Shah: This Rs.400 Crores is going to?

S. Suresh: Only for refinery. That is for refinery. We are not taking any money from them.

Sanjay Shah: Finally, okay. We are charging interest on that.

S. Suresh: Overall, does not require money from us.

Sanjay Shah: Can you repeat, Sir?

S. Suresh: I am saying Coromandel does not require money from EID Parry.

Sanjay Shah: Yes, that I aware of, but about refinery business do we see going forward?

S. Suresh: That we have given Rs.400 Crores. That is it.

Sanjay Shah: Rs.400 Crores this year, so current year they require any more funds?

S. Suresh: No, already they are into negative working capital. The total outstanding is going to be Rs.200 Crores today for that.

Sanjay Shah: So, I was worried because we have?

S. Suresh: they have repaid Rs.100 Crores out of the Rs.400 Crores already.

Rameshkumar: Now, out of the Rs.400 Crores issued by EID to PSR the refinery business they have already re-paid the Rs100 Crores back to EID itself in the current months.

Moderator: Thank you very much. We have the next question from the line of Anupam Goswami from B&K Securities. Please go ahead.

Anupam Goswami: Sir, going forward what sort of recovery rate we should follow in the sugar business now that the plant is also moving from Karnataka how much improvement that we carry?

S. Suresh: By and large it should be in line with what we have done, the extra volume coming from Karnataka should be another 0.03 to 0.05 improvement because the mix is more skewed towards Karnataka.

Anupam Goswami: Sir one thing we have not got any commitment of capex right now since we have just recently completed our distillery program, and the process of plant shifting is also there. So, any dividend coming from Coromandel going forward, how is that going to be utilized will it rewarded to the shareholders, or will it be used in working capital or anything?

V. Ravichandran: Our aim is always to reward the shareholders. In the last year there were some difficulties, so hopefully everything works for the way it is going on, we hope we should reward the shareholders in future.

Anupam Goswami: Okay, Sir. Thank you. That is all.

Moderator: Thank you very much. The next question is from the line of Ashutosh Chaubey from Centra Advisors. Please go ahead.

Ashutosh Chaubey: Thank you for the opportunity. I just had two questions, one in the line of operating business my first question I just want to understand from the operations point of view that setting up a boiler how does that improve the number of working days from probably say 250 days to 300 days or 300 days to 320 days?

V. Ravichandran: Basically the incineration boiler will help you to handle the effluent. That is why you will not have any effluent coming out of that plant. That means refurb for the boiler maintenance days and of days required for regular periodical shut down the distilleries can run depending on the local conditions we can run anywhere between 300 days and 320 days. Normally during rainy days you have problem in effluent disposal so that will not be there we have an insulation boiler. That is the advantage of having an incineration boiler. The distilleries are operating around 200 days – 250 days because of the end related challenges if they put incineration boiler they can come and touch 300 days mark.

Ashutosh Chaubey: Okay, understood. My second question is on the reason that reforms that has been happening in the entire sugar sector. I just want to understand from the company's point of view that recently everything that has been happening is in the favour of sugar sector, probably favouring each company in this sector. A lot of companies have been expanding the capacities, a few been refraining, a few have been expanding but with a very few expansions like 50 or 20-30 like this the capacity expansion is happening. Also, the global view right now the calamities that have been happening in Brazil and Thailand and all these places this is again pushing up the global sugar prices. So, everything seems to be working in favour of the sector right now. I just need to understand what is the threat that can be not accounted for right now, something that cannot be worked out in this favour, can you turn out to be like too good to be true story in availability or auto sector or whatever it maybe, I just need to understand going forward what can be the threat?

V. Ravichandran: If you look at one could be oil prices that can swing the ethanol consumption whichever combination, number one. Number two is any weather as per the option is whether we have seen if you remember 2016– 2017, 2015–2016 has been a very good year for cane, 2016–2017 Karnataka went into a sudden drought. So, events like that can swing it, sugar prices can go up, but you will not have much sugar to sell. See when the going is to enjoy the runway, why you want to worry about bad days, we are very well. I am happy, I do not want to get worried, why and when I will become sad. I want to enjoy the moment now. That is all.

Ashutosh Chaubey: Yes, Sir. I just wanted to get a view everything seems to be good. Everything is favouring right now.

Muthiah Murugappan: I think what is getting reported is only good, so I think as Ravi, is saying I think we must all be happy about that, so there does not seem to any threat the way it is getting reported in the media and in most circles.

Ashutosh Chaubey: Okay, understood. Thank you very much. That is all.

Moderator: Thank you very much. That was the last question for today. I would now like to hand the conference to Mr. Aditya Bagul, for closing comments. Over to you, Sir!

Aditya Bagul: Thank you everyone for taking out time, I understand that there were a few questions which were still left unanswered would be very happy if you can write to me or Mr. Mohan Rath and we will come back with answers for the same. Mr. Suresh, I will hand over the floor back to you if you have any closing remarks.

S. Suresh: Thanks everyone for taking the time out and joining this call. On behalf of the company, I would like to thank all the people once again for participating in this call. Thank you.

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