Dwarikesh Sugar

- **Moderator**

- Ladies and gentlemen, good day and welcome to Dwarikesh Sugar Industries Ltd Q4 FY 2017 earnings conference call, hosted by Prabhudas Lilladher India Private Limited. As a reminder, all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing * and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nishna Biyani from Prabhudas Lilladher. Thank you and over to you.

- **Mr. Nishna Biyani – Prabhudas Lilladher**

- Thank you, Zaid. Good afternoon to all participants and I would thank Mr. Vijay Banka, Whole Time Director and CFO, for taking out time for today’s con-call to discuss quarterly and annual financial performance of Dwarikesh Sugar Industries. We also have with us Mr. Siddharth Kumar who is representing Adfactors PR. We will begin this call by having the opening remarks from Mr. Banka following which we will open the floor for an interactive Q&A session. Before we begin, I would like to mention that certain statements in this call could be forward looking statements in nature and are subject to risk and uncertainties, which could cause actual results to defer materially from those anticipated. Such statements are based on management belief as well as assumptions made by information currently available to them. Finally, handing over to Mr. Banka, thank you and over to you, sir.

- **Mr. V.S. Banka – Whole time Director & CFO**

- Very good afternoon, everybody. Firstly, let me welcome you all to the earnings conference call. I would like to express my wholehearted gratitude for the support and encouragement that you have bestowed upon us right throughout. It has been very encouraging I must tell you this. The results for Q4 and for the financial year-ended 2016-17 are already available with you. We had a very good year, phenomenal year I would call it. Two years ago if you had asked me whether you would see such kind of performance, it would have been a NO from my side. But there has been sectoral turnaround, I mean it was scripted way back in Q4 of
2015-16 and we have been able to capitalize on that. The results evidently indicate how good the going has been for the sector and for the company. For Q4 we have been able to earn a PAT of 46.82 crores, this is vis-à-vis 52.82 crores Q4 last year. This is a bit of a paradox in the sense that this was the most impressive quarter for us but yes, the PAT is on the lower side which is obviously on account of provisioning of deferred tax in the last quarter of 52.24 crores which you all may be aware is a cash neutral item. For the full year, we have earned a PBT of 212 crores, and here I would like to say that for Q4 our PBT was 100 crores, 100 crores plus and for the full year we earned a profit before tax of 212 crores and PAT of 158.46 crores. Our earnings per share is 88.36 for the full year. Cash earnings is of course, way beyond that 135. It has been one good year for us. As far as efficiency is concerned, we have stayed true to our strength. We have always focused on cane development initiatives, and our recovery for the concluded season 2016-17 has been impressive, 11.78% vis-à-vis the 11.73% last year. However, this has been a record recovery as far as we are concerned. Two of our plants, Dwarikesh Nagar and Dwarikesh Puram plant where we locked at 12.34% and 12.11% recovery respectively. They are number one and number two as far as recovery is concerned in the whole of North India. I am told that the DN plant’s recovery is the third highest in the country. I mean a few years ago no one could ever imagine that UP sugar mills would rub shoulders with the sugar mills in Maharashtra as far as recovery is concerned. It has been a good year, satisfying year. We hope we will continue to justify the faith that you have reposed in us. We will stay true to our character, we will perform efficiently and we hope as far as the sectoral outlook is concerned it stays positive at this point in time and we look forward to fiscal consolidation, efficiency in the times to come and I expect to keep our stakeholders happy.

- Thank you very much. I now invite questions from your side.

- **Moderator**

- Thank you, sir. Ladies and gentlemen, we will now begin with the question and answer session. Anyone who wishes to ask a question may press * and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press * and two. Participants are request to use handsets while asking questions, ladies and gentlemen, we will wait for a moment while the question queue assembles. To ask a question please press * and one at this time. The first question is from Yashpal Madan, individual investor, please go ahead.

- **Mr. Yashpal Madan – Individual investor**
- Mr. Banka, if you can tell me how much is the total closing stock for this year?

- Mr. V.S. Banka – Whole time Director & CFO

- As on 31\textsuperscript{st} March, we were carrying a stock of approximately 18.14 lakhs quintal and it was valued at 2945 rupees.

- Mr. Yashpal Madan – Individual Investor

- 2945.

- Mr. V.S. Banka – Whole time Director & CFO

- Yeah, we were carrying a stock and since then we have produced another four and half lakhs quintal of sugar.

- Mr. Yashpal Madan – Individual Investor

- Therefore, for this session you have total stock of around 22 or 22.5.

- Mr. V.S. Banka – Whole time Director & CFO

- No, what I am saying is on 31\textsuperscript{st} March our closing stock of sugar was 18.14 lakh quintal, the season was yet not over then and between the period of 1\textsuperscript{st} April till date we have produced another four and half lakh quintals of sugar.

- Mr. Yashpal Madan – Individual investor

- Therefore, that makes the total stock of 22.64.

- Mr. V.S. Banka – Whole time Director & CFO

- Then we have sold sugar between 1\textsuperscript{st} April 2017 to till date.

- Mr. Yashpal Madan – Individual investor

- Okay, got it. If I look at your inter-segment power consumption, in Q3, your usage has gone up by three times but your raw material consumption has only grown by 26%.

- Mr. V.S. Banka – Whole time Director & CFO

- You are talking about power segment, is it?

- Mr. Yashpal Madan – Individual investor
- Inter-segment, sir, if you see, so you have produced power.

- Mr. V.S. Banka – Whole time Director & CFO

- You see in Q4 we have realigned, reclassified and recalibrated some of our power assets and the way we were accounting for power income. This is basically to align ourselves ahead of IndAS which is going to become mandatory for us from 1st of April 2017. That is the transition date for us. So, we have realigned so which is why you see a little bit of distortion. But let me tell you that in the EBITDA margin the power profit that you see now in the power segment is in line with the industries, any other sugar company’s balance sheet if you pick up the segment results, they will be aligned with that.

- Mr. Yashpal Madan – Individual investor

- Still results have to come. Therefore, I cannot comment on that.

- Mr. V.S. Banka – Whole time Director & CFO

- We have had a look at the last year’s results of some of the sugar companies. We had to recalibrate and reclassify certain of the assets and power streams, etc. Therefore, we have done it in line with the industry. So, that we are going to be IndAS compliant.

- Mr. Yashpal Madan – Individual investor

- I am not convinced with the answer. My question is related to inter segmental power usage. Okay, you see last year March quarter you have shown XX inter segmental power usage.

- Mr. V.S. Banka – Whole time Director & CFO

- Correct.

- Mr. Yashpal Madan – Individual investor

- Okay, this quarter it is 99.35.

- Mr. V.S. Banka – Whole time Director & CFO

- Correct.

- Mr. Yashpal Madan – Individual investor
Okay, now.

Mr. V.S. Banka – Whole time Director & CFO

We have realigned and recalibrated our power assets, power streams of revenue and expenditure. So, which is why, which is in line with IndAs and which is in line with what other companies, sugar companies are doing. So, this is going to be the trend in the coming years and let me tell you that, you know, the overall profit of the company would have remained the same it is just that the allocation between power and sugar, has been now made compliant with IndAs.

Mr. Yashpal Madan – Individual investor

Have you sold bagasse also in this quarter, as bagasse rates are high?

Mr. V.S. Banka – Whole time Director & CFO

No, bagasse, no, we have not been able to spare. We have sold very small quantity of bagasse. In fact, we have used bagasse for our captive consumption for generation of power.

Mr. Yashpal Madan – Individual investor

Okay, fine. Tell me some detail about deferred tax, why there is such high provisioning. You did not pay any of the tax in any of the previous quarters. Now you have booked which is substantially higher than other results, which have been declared still in comparison.

Mr. V.S. Banka – Whole time Director & CFO

Actually, we should have provided for the deferred taxation in the earlier quarters also. Had we provided for deferred taxation earlier, number one, you know, there was no certainty of what the profit is going to be in the subsequent quarters and as a policy, if you see our earlier quarter results there is always a note appearing that the deferred tax, tax provisions if any is going to be made in, at the end of the, made in the fourth quarter. Therefore, which is why the deferred tax provisioning is coming in the fourth quarter, we will try to correct this in the coming year.

Mr. Yashpal Madan – Individual investor

This should be treated as an expense or do you see it effects coming in the next year?
- Mr. V.S. Banka – Whole time Director & CFO
- It is in the nature of depreciation actually. It is basically, a non-cash expense
- Mr. Yashpal Madan – Individual Investor
- Okay, okay.
- Mr. V.S. Banka – Whole time Director & CFO
- It is cash neutral. When we work out earning, cash earnings per share and we work out our cash profit then it is added back to profit after tax.
- Mr. Yashpal Madan – Individual Investor
- Thank you.
- Mr. V.S. Banka – Whole time Director & CFO
- Yeah, thank you.
- Moderator
- Next question is from Sameer Chedda from Vama Internationals. Please go ahead.
- Mr. Sameer Chedda – Vama Internationals
- Hello.
- Mr. V.S. Banka – Whole time Director & CFO
- Hello, good afternoon. How are you?
- Mr. Sameer Chedda – Vama Internationals
- Good afternoon, I really appreciate the numbers, this quarter has been amazing and hitting 100 crores is good.
- Mr. V.S. Banka – Whole time Director & CFO
- Yeah, thank you so much.
- Mr. Sameer Chedda – Vama Internationals
- I want to know, we have long term advances given for around 53 crores in the balance sheet. Can you tell me for what has this been given for and to whom?

- **Mr. V.S. Banka – Whole time Director & CFO**

- Most of it is MAT entitlement. You see, we are a MAT company now. We are not yet in the full rate of tax. Okay.

- **Mr. Sameer Chedda – Vama Internationals**

- All right, okay.

- **Mr. V.S. Banka – Whole time Director & CFO**

- Therefore, that is my MAT credit entitlement, which will be available for use when we become subjected to full rate of tax.

- **Mr. Sameer Chedda – Vama Internationals**

- Okay, fine that is MAT, which is there.

- **Mr. V.S. Banka – Whole time Director & CFO**

- Yeah.

- **Mr. Sameer Chedda – Vama Internationals**

- Second is Q4 sales is up 50%. How much is the sales from last year’s stock and how much is for the current season?

- **Mr. V.S. Banka – Whole time Director & CFO**

- Q4 the entire sales is from the entire current year stock.

- **Mr. Sameer Chedda – Vama Internationals**

- Current year stock. Okay.

- **Mr. V.S. Banka – Whole time Director & CFO**

- We have done away with last year’s stock by Q3 itself.

- **Mr. Sameer Chedda – Vama Internationals**
Okay, and just to follow on the power thing. Co-generation profit is down by 45% but production is up by 100%, why?

- Mr. V.S. Banka – Whole time Director & CFO

This is what I was explaining earlier.

- Mr. Sameer Chedda – Vama Internationals

You were explaining, yeah.

- Mr. V.S. Banka – Whole time Director & CFO

I was explaining a little while ago that we have realigned and recalibrated our power assets, power streams of revenue and expenditure. So, which is why, which is in line with IndAs and which is in line with what other companies, sugar companies are doing. So, this is going to be the trend in the coming years and let me tell you that, you know, the overall profit of the company would have remained the same it is just that the allocation between power and sugar, has been now made compliant with IndAs.

- Mr. Sameer Chedda – Vama Internationals

I would like to request you, can you put note on this maybe in your annual report or something to the.

- Mr. V.S. Banka – Whole time Director & CFO

Sure, it will be there.

- Mr. Sameer Chedda – Vama Internationals

Thank you. Do you see this same March quarter continuing ahead, what are the prices of ethanol? I think the prices have gone down. So, do you see the same thing coming ahead.

- Mr. V.S. Banka – Whole time Director & CFO

Sugar prices continue to remain buoyant. Sugar in the region of the price at which we are selling is between 3500 to 3600. So, this prices will remain buoyant. Ethanol prices, yes, they have gone down but ethanol continues to be a good business even at that price.

- Mr. Sameer Chedda – Vama Internationals
- Okay, and do you have for the power generation PPA signed up to what year?

- **Mr. V.S. Banka – Whole time Director & CFO**

- We have our validity of our PPA for another 8-10 years at least for all three plants. I would not remember the exact number of years but long way to go.

- **Mr. Sameer Chedda – Vama Internationals**

- Long way to go, fine. Alright, that’s great. And the sales of this current quarter are been good. I mean you see the run rate continuing there.

- **Mr. V.S. Banka – Whole time Director & CFO**

- Yeah, absolutely.

- **Mr. Sameer Chedda – Vama Internationals**

- Thank you.

- **Mr. V.S. Banka – Whole time Director & CFO**

- In case of quantity and price I have told you we have sold good quantity, the price will be ranging 3000 to 3600.

- **Mr. Sameer Chedda – Vama Internationals**

- Thank you, all right. Yeah, thank you so much.

- **Moderator**

- Thank you. Next question is from Nimish Sheth from GT advisory. Please go ahead.

- **Mr. Nimish Sheth – GT Advisory**

- Good afternoon, sir. Congratulations for a great set of numbers.

- **Mr. V.S. Banka – Whole time Director & CFO**

- Thank you very much.

- **Mr. Nimish Sheth – GT Advisory**
- In FY’16 you mentioned that you produce around 2 ½ lakhs tons of sugar, exact number is 2.47.
  - Mr. V.S. Banka – Whole time Director & CFO
- 24.71 lakhs quintal, yes.
  - Mr. Nimish Sheth – GT Advisory
- Yes, then I think in FY’17 your note says 330, 33.38 lakh quintals.
  - Mr. V.S. Banka – Whole time Director & CFO
- For the season.
  - Mr. Nimish Sheth – GT Advisory
- Okay, all right, this is of season. Okay, okay, what is the outlook for the coming season is my question. Everybody is talking about the higher production in India of 23, 24, 25 million tonnes. So, what is your sense, on your command area and planting in your area etc? Yeah, that is one question. So, yeah, that’s the first question. Second is you said you produced around 45000 tons in April, May.
  - Mr. V.S. Banka – Whole time Director & CFO
- Yeah.
  - Mr. Nimish Sheth – GT Advisory
- The production, right. So, now all your plants are finally closed or everyone still produces.
  - Mr. V.S. Banka – Whole time Director & CFO
- All are closed.
  - Mr. Nimish Sheth – GT Advisory
- Okay, if you would have cogent income also then.
  - Mr. V.S. Banka – Whole time Director & CFO
- Certainly.
  - Mr. Nimish Sheth – GT Advisory
Okay, so what is the sense in the current year because you mentioned this is your record production.

**Mr. V.S. Banka – Whole time Director & CFO**

Yeah, absolutely. The outlook for the coming year, the initial estimate is that India is going to produce about 23 million tons of sugar in the coming season. As the broad numbers coming are like this 7 million tons from Maharashtra and about 9 million tons from UP. So, UP we had about 8.7 to 8.8 million tons of production. So, which is also going to get better only. Maharashtra 7 million tons. Maharashtra will not witness the kind of higher production, which it has witnessed in the earlier years. Because the effect of the drought has been extremely severe and some of the district such as Sholapur, Ahmednagar had lesser rain. So, Maharashtra the estimate that is coming is 7 million tons and UP could be anything little above 9 million tons. So, the initial estimate is 23 million tons. And with the consumption around 25 million tons the position seems evenly balanced at this point of time.

Karnataka, Tamil Nadu. Karnataka will not bounce back in such a big way and Tamil Nadu industry is facing serious problems because of water shortage. So, in that sense, you know, UP sugar mills are better placed because we are on the Indo Gangetic plane and where the saying is that scratch land you get water so, we are not starved for water there in UP. So, this is about 23 million tons. These are the initial estimates, of course they may undergo changes in the days to come. And well, talking about our production. We have had record production of 33.38 lakh quintals of sugar. We crossed 283 lakhs quintals of sugarcane; we produced 33.38 lakh quintals of sugar at an extreme good recovery of 11.78%. Our crushing went beyond March.

**Mr. Nimish Sheth – GT Advisory**

So in line with 9 in UP your production also should be higher. That is what you are trying to suggest.

**Mr. V.S. Banka – Whole time Director & CFO**

Yeah.

**Mr. Nimish Sheth – GT Advisory**

So, one comment I have. Most of the companies in the industry have one rupee paid up share. Was there a reason why we are still at ten?
Mr. V.S. Banka – Whole time Director & CFO
Well, what is your suggestion? I would want your suggestion, what do you think?
Mr. Nimish Sheth – GT Advisory
You should align yourself with the industry, you know.
Mr. V.S. Banka – Whole time Director & CFO
Okay.
Mr. Nimish Sheth – GT Advisory
That is the correct suggestion.
Mr. V.S. Banka – Whole time Director & CFO
I hope this will give us better PE if we align ourselves with industry.
Mr. Nimish Sheth – GT Advisory
If everybody is at one, you should be at one, why should you be at ten. I think I know it’s all mathematics but finally it does matter.
Mr. V.S. Banka – Whole time Director & CFO
Yeah, it does matter we will look at that. Certainly.
Mr. Nimish Sheth – GT Advisory
Right. Thank you very much, sir. All the very best.
Mr. V.S. Banka – Whole time Director & CFO
Yeah, thank you so much.
Moderator
Thank you. Next question is from Amit Desai, individual investor. Please go ahead.
Amit Desai – Individual Investor
Thank you. Sir, first of all congratulation on great set of numbers.
- Mr. V.S. Banka – Whole time Director & CFO

- Thank you, sir.

- Amit Desai – Individual Investor

- Yeah. Sir, my question is regarding distillery segment. First of all, what is the total capacity of our distillery? I mean, say out of say 100 kilolitres we are producing 60 kilolitres. So, what is the total capacity of our distillery units?

- Mr. V.S. Banka – Whole time Director & CFO

- Yeah. Our capacity of our distillery unit is 30 kilolitres per day, which means 30,000 litres per day of production. Distillery works for about 270 days in a year. Because in the monsoon months normally the distillery is closed because the effluent treatment facilities cannot be operational at that point in time. Because distillery is an extremely corrosive plant you know, it needs a lot of maintenance work also. Basically, for 270 days is what the distillery works. We have sold 82.10 lakh litres of ethanol in the fiscal 16-17. It does not mean that our production was also in that range. Our production was lower. However, we were carrying stocks from the earlier years so our sales has been impressive at 82.10 lakh litres.

- Amit Desai – Individual Investor

- So, in terms of efficiency, will it be 15-20%, I mean like out of total capacity.

- Mr. V.S. Banka – Whole time Director & CFO

- Sorry.

- Amit Desai – Individual Investor

- What would be our efficiency in terms of generating ethanol or alcohol, industrial alcohol? The question I am asking is because if suppose from October if sugar prices remains stable and if we have to increase our production or move our production over to ethanol because Mr. Gadkari has said that he wants to increase ethanol percentage in petrol from 5% to 20 odd percent.

- Mr. V.S. Banka – Whole time Director & CFO

- Our distillery capacity is certainly scalable. We use only one third of our molasses captively, two third of our molasses is sold outside. So, if there is an opportunity it can be always capitalised upon.
- Amit Desai – Individual Investor
- Okay, perfect, sounds good. Thanks a lot.

- Moderator
- Thank you. Next question is from line of Nishna Biyani from Prabhudas Lilladher. Please go ahead.

- Mr. Nishna Biyani – Prabhudas Lilladher
- Thank you. Sir, just if you could throw some light on, international demand, supply, you know, how is that at this point in time that is one, and if you could also throw some light on the landed cost of sugar in India at the current prevailing international prices.

- Mr. V.S. Banka – Whole time Director & CFO
- Yeah. See, presently the international prices, I mean season ‘16-17 has been a deficit season internationally, with the deficit estimated to be around 5 million tons. Season ‘17-18 is expected to be a surplus year, with surplus in the region of about 3 million tons. Now ‘17-18 estimates, at this point in time are very early estimates. Anything can change in Brazil because you know, like during the last 3-4 days, international sugar prices have gone up because Brazil has had extremely heavy rainfall. So, the harvest of the sugarcane was impacted and, it caused a small spurt in the international prices. Presently the international sugar prices of raw sugar are prevailing around 16 cents per pound. Now, if translated into, I mean if one were to get it into India and process it, it can definitely work out cheaper but there is a steep 40% duty on import of sugar. So, which is why it is not feasible. Only 5 lakh tons of duty free import has been permitted by the government of India.

- Mr. Nishna Biyani – Prabhudas Lilladher
- What is the industry expectation for this year, in terms of maximum, maximum, you know, imports happening?

- Mr. V.S. Banka – Whole time Director & CFO
- No, we don’t expect any further imports if you have read the announcement of the food minister, he has ruled out imports. The first announcement of imports came because the government was concerned with depleting stock level. But you know, now that the production numbers are already available, we don't see a situation
where the stock is going to run out. The government is keenly watching and I mean, as of now they don’t see any necessity of allowing further duty free imports.

- **Mr. Nishna Biyani – Prabhudas Lilladher**

- So, reading between the lines, now the sugar prices can be between say 37-38 rupees this year.

- **Mr. V.S. Banka – Whole time Director & CFO**

- I think, 36 to 38 rupees. You see prices cannot go high very steeply for two reasons, number one, the government is watching you and number two, you know there is always a threat of import also. People are watchful, everybody is aware of what is happening.

- **Mr. Nishna Biyani – Prabhudas Lilladher**

- Okay.

- **Mr. V.S. Banka – Whole time Director & CFO**

- And we don’t foresee any flare up in the domestic sugar prices.

- **Mr. Nishna Biyani – Prabhudas Lilladher**

- Sure, so 36 rupees odd spread is what you are looking at this year, is it?

- **Mr. V.S. Banka – Whole time Director & CFO**

- Yeah, our stock was 29.45. Our production cost is amongst the lowest in the industry. So, we will have better advantage.

- **Mr. Nishna Biyani – Prabhudas Lilladher**

- Also off late, you know, most sugar companies have been speaking about recoveries not improving, considering improvement in varietal balance. Just wanted to understand, sir, in terms of, what is the scope, further scope of improvement in one recovery. Two also, if you could make us understand the delta of every 0.5% improvement on your recovery on your PBT.

- **Mr. V.S. Banka – Whole time Director & CFO**
See, who would have expected this kind of improvement in recovery in Uttar Pradesh. We were languishing at, 9.5% and state average recovery is about 10.6%. This is all because of the sugarcane development initiatives and spread of early varieties of sugarcane. So we were among the early propagators of that. May be in one of our plants we have a better advantage. There is still scope for improving the varietal balance across all three plants in our company also and others are doing it regularly. For every one percent increase you get yet another 300 rupees per quintal extra margin.

Mr. Nishna Biyani – Prabhudas Lilladher

Sure. You are having almost highest recovery. So, what is the further scope in the coming seasons, if you look at next year?

Mr. V.S. Banka – Whole time Director & CFO

See, in Dwarikesh Nagar we had 12.14 or something last year and now we are at 12.34. So, it can go up marginally there. In Dwarikesh Puram it was 11.77 we are at 12.11. Here again there is small improvement possible. And in the third unit there is substantial improvement possible because we are at 10.89. Now we are working very hard presently on the third unit because that particular unit is in a different district, it’s in Bareilly district and the soil conditions there are different and plus the farmers themselves are now moving towards early variety because they are seeing so much of improvement in the yield for them. So, their prosperity is on the rise. I mean some farmers who are growing early variety, is able to grow more sugarcane from the same area. Whereas someone who is growing different kind of sugarcane is getting lesser revenue from the same area. It’s become contagious, actually, you know, everybody watches one and another and sees the improvement of recovery. The farmers themselves are taking in a big way to the early variety of sugarcane.

Mr. Nishna Biyani – Prabhudas Lilladher

And how are the international recovery rates like, you know, what are the rates in Brazil and where are we in terms of that, India average?

Mr. V.S. Banka – Whole time Director & CFO

We are 13% but you know every country is different and every climate condition is different. In fact so impressed are people with recovery in Bijnor district. I am not just talking about our units but internationally there are, we have had ‘n’ numbers of visitors coming from Indonesia and many other countries visiting our
plants, visiting sugar plants in Bijnor district. Bijnor is one district, which is showing phenomenal rise in the recoveries in the last few years. We have two units there. Bijnor district has kind of become a benchmark for farmers across the country.

- **Mr. Nishna Biyani – Prabhudas Lilladher**

- Sure, thank you, sir.

- **Moderator**

- Thank you. Next question is from Himanshu Binani from Batliwala and Karni Securities. Please go ahead.

- **Mr. Himanshu Binani – Batliwala and Karni Securities**

- Hello.

- **Mr. V.S. Banka – Whole time Director & CFO**

- Yeah, good afternoon, sir.

- **Mr. Himanshu Binani – Batliwala and Karni Securities**

- Hi, sir, good afternoon. Sir, I just wanted to understand this how much is our share in that import quota from the government of 5 million and 5 lakh ton.

- **Mr. V.S. Banka – Whole time Director & CFO**

- We have not applied for it. The government has said so much of import has to come to south, west etc. We could have of course, sought allotment but we have decided not to.

- **Mr. Himanshu Binani – Batliwala and Karni Securities**

- Okay, and sir, just wanted to have an outlook basically. What is your outlook on GST on sugar industry as a whole?

- **Mr. V.S. Banka – Whole time Director & CFO**

- Just yesterday the rates have come. Rates were out yesterday. The GST on sugar is 5%. As of now the duty is around 200 rupees a quintal. 5% is let's say sugar price is 350,800 the GST works out to, 5% works out to 190 rupees. So, it's more or less or same in fact little lesser than what presently duty is applicable to
us. So, it is not going to be inflationary. As, we understand sugarcane is also
going to be subjected to GST. But our guess is it will not be inflationary, on the
contrary it will be better for all concerned.

- **Mr. Himanshu Binani – Batliwala and Karni Securities**

- Okay, that's all from me. Thank you.

- **Moderator**

- Thank you. Before we take the next question, we would like to remind participants
  that you may press * and 1 to ask questions. The next question is from Rajesh
  Kothari from Alph Accurate Advisors Please go ahead.

- **Mr. Rajesh Kothari – Alph Accurate Advisors**

- Sir, can you tell us for current year, if I look at ethanol then PBITE is lower than
  last year, you know, if I look cogent, sorry, from 81 crore to 74 crore.

- **Mr. V.S. Banka – Whole time Director & CFO**

- Which is what I have explained a little while ago, you know, that we have done
  some reclassification.

- **Mr. Rajesh Kothari – Alph Accurate Advisors**

- So, what is like to like, sir, last year what it would have been?

- **Mr. V.S. Banka – Whole time Director & CFO**

- Sorry.

- **Mr. Rajesh Kothari – Alph Accurate Advisors**

- So, this 74 crores compared to last year 81, say if you would have supposed
  changed the policy last year then what would like to like comparison number?

- **Mr. V.S. Banka – Whole time Director & CFO**

- It would have been much lesser. It definitely would not have been 80, but
  somewhere around 60 or so.

- **Mr. Rajesh Kothari – Alph Accurate Advisors**

- Okay, now going forward in FY’18.
Mr. V.S. Banka – Whole time Director & CFO

This will be the trend, you know, margins of around 40 odd percents.

Mr. Rajesh Kothari – Alph Accurate Advisors

Okay, and do you see any increase in. so, in terms of cogent can one expect 15-20% PBIT growth in the current year.

Mr. V.S. Banka – Whole time Director & CFO

It will all depend on the crushing. The pricing of the power that we sell is determined by the PPA. So, there is a very small increase in the PPA price every year. In fact, in one or two of our units the price is going to come down a little. So, any increase in them, any increase in the revenue of cogent will come from increased crushing and increased capacity utilisation.

Mr. Rajesh Kothari – Alph Accurate Advisors

Correct, what is year’s target production for your sugarcane?

Mr. V.S. Banka – Whole time Director & CFO

17-18?

Mr. Rajesh Kothari – Alph Accurate Advisors

Yeah.

Mr. V.S. Banka – Whole time Director & CFO

We will attempt to achieve at least 10% more than what we have done this year. In this season, in this season.

Mr. Rajesh Kothari – Alph Accurate Advisors

In this season, okay. So, correspondingly you are cogent and distillery revenue will also go by 10 to 12%. Understood. Sir, what is the current total debt and how do you see debt position over 6 to 12 months.

Mr. V.S. Banka – Whole time Director & CFO

Our long-term debt as on 31st March is 145 crores, okay, which was one year ago was 301 crore. We have reduced long term debt by 156 crore. Between 31st March and today we have repaid another 9 crore. As on date, I have interest
bearing long term debt of only 101 crore and non interest bearing debt about 35 or 36 crores.

- **Mr. Rajesh Kothari – Alph Accurate Advisors**

- And this 101 crore interest bearing what is the cost of fund?

- **Mr. V.S. Banka – Whole time Director & CFO**

- We have been able to reduce this to 9.55%.

- **Mr. Rajesh Kothari – Alph Accurate Advisors**

- Okay, and what is our short term debt?

- **Mr. V.S. Banka – Whole time Director & CFO**

- Short term debt is related to the sugar stock which on 31\textsuperscript{st} March is about 357 crores but since then we have sold sugar so the utilisation has come down. If you ask me today what my debt position is, utilisation is around 240 crores. You know, this will progressively reduce as we keep selling the stock.

- **Mr. Rajesh Kothari – Alph Accurate Advisors**

- Okay.

- **Mr. V.S. Banka – Whole time Director & CFO**

- Our, our target is to become long term debt free by 31\textsuperscript{st} March, 2018. And we are confident we will be able to do that.

- **Mr. Rajesh Kothari – Alph Accurate Advisors**

- To that extent there can be so, 41 crores that is last year's, you know total interest cost.

- **Mr. V.S. Banka – Whole time Director & CFO**

- You can see the reduction in the interest cost in the coming year.

- **Mr. Rajesh Kothari – Alph Accurate Advisors**

- By about 10 crores which is possible.

- **Mr. V.S. Banka – Whole time Director & CFO**
- Yes, we should, we will attempt. Let’s see how much can happen.

- Mr. Rajesh Kothari – Alph Accurate Advisors

- Understood. Any capex, no capex, right.

- Mr. V.S. Banka – Whole time Director & CFO

- No, what we are doing is some efficiency enhancement measures and de-bottlenecking wherever, you know, for example in our Dwarikesh Nagar unit our, average crush rate is let’s say between 53-54,000. We are de-bottlenecking some of our operations and we will be able to increase our capacity there by 4 to 5000 quintal per day. And plus, you know, in the last many years some technological advancements have taken place which we were not able to execute because the sector was not doing that good and there were paucity of funds also in the past. All these things and the technological advancement and de- bottlenecking of operations all that we are doing. Other than that we are not doing any capex.

- Mr. Rajesh Kothari – Alph Accurate Advisors

- Okay. Thank you, sir.

- Mr. V.S. Banka – Whole time Director & CFO

- Yeah.

- Moderator.

- Thank you. Next question is the follow up from the line of Yashpal Madan. Please go ahead.

- Mr. Yashpal Madan – Individual investor

- Mr. Banka?

- Mr. V.S. Banka – Whole time Director & CFO

- Yes, tell me sir.

- Mr. Yashpal Madan – Individual investor

- Your employee cost is increased substantially in the first quarter. Is it common in nature or because of crushing season salary cost is gone up?

- Mr. V.S. Banka – Whole time Director & CFO
No, I will tell you, sir, it has gone up for 2-3 reasons. Number one, we have provided for a commission to our managing director, 5%. So, since the profit is more the amount is also more. So, if you compare it from last year, it is higher by about 8.65 crores or so. Number two, our provision, you know, our actual provision of gratuity and leave encashment, we have, you know, the discounting factors across has come down by 7% to 8%. So, as a result, another 2% crores extra liability, extra provisioning has happened, since we have a surplus this year unlike in the past. Therefore, the provisioning for the bonus is also on the higher side.

Mr. Yashpal Madan – Individual investor

Okay, okay. So, it means most of the expenses are of common in nature.

Mr. V.S. Banka – Whole time Director & CFO

Sorry, sir.

Mr. Yashpal Madan – Individual investor

If this kind of profitability will continues. So, we can assume that this kind of expenses

Mr. V.S. Banka – Whole time Director & CFO

No, sir. No, the gratuity and leave encashment should not rise. The bonus provisioning should not rise because that is as per the payment of the bonus act. But yes, remuneration, etc, can go up a little.

Mr. Yashpal Madan – Individual investor

And then your other expenses has come down drastically.

Mr. V.S. Banka – Whole time Director & CFO

During this quarter, yes. But otherwise our year on year basis, if you see it has gone up because we, during the off season which just preceded the commencement of crushing in 2016-17, we executed a lot of repairs and maintenance job but overall it has come down. Because last year in our expenses we had one, we paid about 8 ½ crores export facilitation fee. So, such expenditure we did not have this year.

Mr. Yashpal Madan – Individual investor
- Export facilitation fee.

- **Mr. V.S. Banka – Whole time Director & CFO**

- Export facilitation fee. Last year the government had made export mandatory. So, those who are in hinterland, we couldn’t export. We had to trade off our obligation. So, we had to pay cost, you know, for those who do, did export on our behalf.

- **Mr. Yashpal Madan – Individual investor**

- Okay, okay. And another question, see it is now, it is just a thought basically I want to know your view. Now you are carrying let’s say as of today close to 20 lakh quintal of sugar.

- **Mr. V.S. Banka – Whole time Director & CFO**

- No, I am not carrying 20 lakh quintal sugar.

- **Mr. Yashpal Madan – Individual investor**

- Maybe 18, 19 whatever you have sold in April basically you minus that out of 22, right.

- **Mr. V.S. Banka – Whole time Director & CFO**

- Yes.

- **Mr. Yashpal Madan – individual investor**

- If you are expecting rate to be around 36 around, okay. Then why not sell some majority of it now itself and you save your interest cost also and book your profit.

- **Mr. V.S. Banka – Whole time Director & CFO**

- We are selling sugar briskly; we are not holding back the stock. We are not; there is no conscious effort to hold on to the stock. We are selling briskly as per the demand; in fact, our sugar sales have been brisk like never before.

- **Mr. Yashpal Madan – Individual investor**

- Then do you think you will be able to sell the whole stock by June.
- No, no, I don’t think that fast will be possible. I mean.

- **Mr. Yashpal Madan – Individual investor**

- No, if you look at the total industry ….

- **Mr. V.S. Banka – Whole time Director & CFO**

- You are right in the sense that either to markets, which are hitherto catered by Maharashtra, are now being catered by sugar mills in UP, Raipur, Madhya Pradesh. So, our sales, let’s say for example last year if we had sold in an average about 2 lakh quintal of sugar, I mean 2 lakhs can become 3 lakhs. However, it cannot certainly shoot up and become five lakh quintals a month, isn’t it.

- **Mr. Yashpal Madan – Individual investor**

- But what stops you.

- **Mr. V.S. Banka – Whole time Director & CFO**

- If it happens then it happens, nothing absolutely no problem. We are not holding on to the stock. Depending on the demand, we are selling sugar.

- **Mr. Yashpal Madan – Individual investor**

- You are selling only to your regular customers, whom you are selling. You are not looking at newer avenues where you can sell quickly and finish the stock.

- **Mr. V.S. Banka – Whole time Director & CFO**

- No, you see for example if one were to sell, let us say one were to sell in a place like Bengal, okay. Now the entire sales have to happen through rake movements, okay. We cannot send lorries because the cost is going to be prohibitive. Therefore, those markets are, and we do not have facilities, we are in an area where there is no rake loading facility, okay. So, okay let those markets be catered by those sugar mills who have you know, rake loading facilities and we are reaching out to other markets in that case.

- **Mr. Yashpal Madan – Individual investor**

- There is practical difficulty even if you want to sell off…..

- **Mr. V.S. Banka – Whole time Director & CFO**
- There is no effort whatsoever to stock sugar, I can tell you in the month of April we had record sales and we will continue our endeavour to sell sugar in a big way.

- **Mr. Yashpal Madan – Individual investor**
- How you are not looking at?

- **Mr. V.S. Banka – Whole time Director & CFO**
- How quickly it will be exhausted that will depend on the market condition.

- **Mr. Yashpal Madan – Individual investor**
- You are not going to wait for higher price and hold it and then sell it.

- **Mr. V.S. Banka – Whole time Director & CFO**
- No, no, no. we do not do that, sir. We do not do that.

- **Mr. Yashpal Madan – Individual investor**
- Last question, now, if you look at today or last one year everything is looking so good for the industry overall. Okay, one risk factor definitely remains is if sugar prices come down, definitely the profit will come down. What else you see as a risk factor, keeping this year in mind FY’17-18.

- **Mr. V.S. Banka – Whole time Director & CFO**
- Sir, as of now the risk factors are much lesser. In the sense that like you spoke about the prices coming down. We do not see the prices coming down. Because you know, the domestic production is lower and the demand and supply is evenly balanced. So, the sugar prices shouldn’t come down. The next big question is, what will be the sugarcane price next year, okay. Now, historically what has made things difficult for sugar industry is year on year increase in the sugarcane price. Now, here we see, you know, both the governments are on the same page. The Central government and the State government in so far as policy initiatives are concerned. Therefore, we do not see a situation where, you know, Central says something and the State does something different. We see an alignment of policy between the centre and the State. Therefore, we really do not see any possibility of a sudden or a big increase in the sugarcane price. In fact, if you have seen historically, you know, building up of arrears is the bigger problem or a bigger headache for the government than higher sugarcane price.
- Mr. Yashpal Madan – Individual investor
  - Absolutely

- Mr. V.S. Banka – Whole time Director & CFO
  - Yeah, so, and now you know with these improved varieties where the yield is also good. The recovery is also good. So, all are happy. The farmers are very happy, we are happy.

- Mr. Yashpal Madan – Individual investor
  - Still once government will see your, government will see you making money, they will expect more increase in prices at the end of the day.

- Mr. V.S. Banka – Whole time Director & CFO
  - Sir, not all companies are making money, I mean, let me tell you that.

- Mr. Yashpal Madan – Individual investor
  - Almost all the companies; see, no company is losing money, as all are making money.

- Mr. V.S. Banka – Whole time Director & CFO
  - In any case, there are still arrears of around 3,900 crores.

- Mr. Yashpal Madan – Individual investor
  - So that you can wipe out in the coming season, I think it will get wiped out. Except Bajaj no one else has, only Bajaj...

- Mr. V.S. Banka – Whole time Director & CFO
  - We have made payment ahead of schedule. Many other groups Balrampur, Dhampur, Dalmia, DCM Sriram, many others, all have made payments ahead of schedule. Still there are arrears which means in the balance sheet health of all sugar mills is not good. Some mills still continues to be bad.

- Mr. Yashpal Madan – Individual investor
  - The bigger one I think is only Bajaj, rest all are.

- Mr. V.S. Banka – Whole time Director & CFO
- There are few others also.

- **Mr. Yashpal Madan – Individual investor**

- May be few other unlisted ones, smaller players will be there.

- **Mr. V.S. Banka – Whole time Director & CFO**

- No, in the listed also there are few others. Do not ask me the names, sir.

- **Mr. Yashpal Madan – Individual investor**

- Okay, so you do not see any major risk factor in the coming year.

- **Mr. V.S. Banka – Whole time Director & CFO**

- sir, I do not see, what has been the bane of this industry was wrong and faulty policies. It would be a politically incorrect statement for me to make but what used to happen in the past was, the State government would say, okay, I am the king here. I want to decide the fate of the sugar price; I want to decide the fate of the farmers. Here, I declare the price. Let the prices go up, sugarcane price, let the farmers be happy, let them vote for me and if the industry is in trouble let the central Government bail out the industry.

- **Mr. Yashpal Madan – Individual investor**

- Thanks a lot, thanks.

- **Moderator**

- Thank you. Next question is the follow up from the line of Sameer Chedda from Vama International. Please go ahead.

- **Mr. Sameer Chedda – Vama International**

- Sir, I wanted to know what is the world average yield as you have clocked 12.11 in the plant, what is the world average in Brazil and what is here.

- **Mr. V.S. Banka – Whole time Director & CFO**

- Sir, I wouldn’t know what the world average is but what I have heard is Brazil is around 13%, Thailand is also high, the beet sugar has a different kind of average. So, I, you know, you cannot compare beet sugar with cane sugar. And within cane sugar Brazil is different and you know, all they are all different geographies,
you know, comparison strictly would not help us draw any conclusion. But India, India used to be poor in so far as recovery is concerned. And it was mainly poor recoveries were mainly on account of UP. But UP is bouncing back.

- Mr. Sameer Chedda – Vama International

- Great Sir, any expansion plans going ahead, because since you have made your plants so efficient. As you said there are so many companies that are not making, so do you plan to take over some?

- Mr. V.S. Banka – Whole time Director & CFO

- No sir, presently we are aiming efficiency enhancement and fiscal consolidation. In addition, we want to keep improving as far as efficiencies are concerned. We have to keep improving as far as our efficiencies are concerned, strengthen our balance sheet, and keep our stakeholders happy. Yes, there are a few avenues available we will look at them in the near future.

- Mr. Sameer Chedda – Vama International

- Moreover, this last question, when do you see our…

- Moderator

- Please turn to your queue for the follow up question, please.

- Mr. Sameer Chedda – Vama International

- This is last one. When do you intend to become debt free?

- Mr. V.S. Banka – Whole time Director & CFO

- By March’ 18 we will be long-term debt free.

- Mr. Sameer Chedda – Vama International

- Great! Thank you so much.

- Moderator

- Thank you. Next question is from Aman Santaliya from A K Securities. Please go ahead.

- Mr. Aman Santaliya – A K Securities
- Yeah, good evening sir and congrats for the good set of results.

- **Mr. V.S. Banka – Whole time Director & CFO**

- Thank you, sir.

- **Mr. Aman Santaliya – A K Securities**

- Sir; a question. What is the production you are expecting for the country for the next whole season?

- **Mr. V.S. Banka – Whole time Director & CFO**

- 23 million tons sir.

- **Mr. Aman Santaliya – A K Securities**

- 23 million tons; and what about Maharashtra and Karnataka?

- **Mr. V.S. Banka – Whole time Director & CFO**

- Maharashtra the number is that we keep hearing is 7 million tons. Karnataka, $2\frac{1}{2}$ to 3 million tons.

- **Mr. Aman Santaliya – A K Securities**

- And what about Tamil Nadu?

- **Mr. V.S. Banka – Whole time Director & CFO**

- Tamil Nadu is very sad state, sir. Tamil Nadu, I do not think last year they were less than 1 million ton. I do not know how they can bounce back because water is a serious problem there.

- **Mr. Aman Santaliya – A K Securities**

- Sir, if I go by that then it means that next year it will be even better than this year. Because last year it was opening stock which was around 77 lakhs tons and next year, I think will be 25 lakh tons. In addition, if I add 25 to 232 it will be around 255. Last year it was just to 200 plus 77 to 277. Therefore, supply will be less and definitely demand will be much higher than this year. Because 10 to 15 lakh tons of demand was expected because of this demonetisation.

- **Mr. V.S. Banka – Whole time Director & CFO**
- Demonetisation, yes, you are right sir. Too early days sir, let us wait and watch. We are ready for every situation.

- **Mr. Aman Santaliya – A K Securities**

- And what about this distillery, sir, why you are not putting up distillery, because Bareilly unit is going to produce a lot.

- **Mr. V.S. Banka – Whole time Director & CFO**

- Sir, we are almost there. We had some technical issues. We are almost there. We are just about resolving them all. So, we should be, we are very close to working out a solution on the technological technical front that we have had, technical problem that we had. Therefore, we are very close to the solution, once we are done, we will take a call, sir.

- **Mr. Aman Santaliya – A K Securities**

- It is a very highly technical item or because people are setting up distillery like anything. Therefore, the company is not putting into distillery, is it a very highly technical item.

- **Mr. V.S. Banka – Whole time Director & CFO**

- Effluent treatment is an issue, that is not, it is not, you know, see there are two types of treating the effluent. One is incineration and one is bio composting. We have taken bio-composting route, which is, both the routes are good, sir. However, pollution norms are, we want to be ahead and we want to see that in the next many years to come, we should not have any pollution related issues.

- **Mr. Aman Santaliya – A K Securities**

- So, next is, next season this is not going to happen.

- **Mr. V.S. Banka – Whole time Director & CFO**

- We will keep you informed, sir, the moment we take a decision we will keep you informed.

- **Mr. Aman Santaliya – A K Securities**

- Okay and what about interest cost rate. Will it come down significantly because you are paying lot of interest? Definitely, your rate of interest will also come down because of the good balance sheet.
Mr. V.S. Banka – Whole time Director & CFO

Yes, sir, it should come down. See, there are two, three things we are going to try. One is we are already treated A minus. We will try for upgrade of rating with our external rating agencies. Our internal rating from the banks should also improve based on this result. Our interest cost have already have, rate of interest has already come down. We will try to compress our interest rates further. In addition, we are doing accelerated and aggressive repayment of debt. Therefore, all that should result in lower interest cost.

Mr. Aman Santaliya – A K Securities

Last question; what about stock split because liquidity is not very high for this stock. Therefore, you can go for stock split it will increase the liquidity in the market.

Mr. V.S. Banka – Whole time Director & CFO

We had one suggestion from one person earlier also; we will look into it certainly.

Mr. Aman Santaliya – A K Securities

Okay, sir, thank you, thanks a lot.

Mr. V.S. Banka – Whole time Director & CFO

I have an appeal to all, our PE is multiple is very low. I do not know why it is so low.

Mr. Aman Santaliya – A K Securities

No, because people have lot of, actually the main problem is that people think that the story of sugar is over but they do not understand that the real story is going to start now. Because UP definitely they have to discount UP in a different way because UP, I think is doing very, very well and particularly your company I think is doing exceptionally well, as you see the recovery and other efficiencies. Nevertheless, definitely we will see good days ahead.

Mr. V.S. Banka – Whole time Director & CFO

Okay. Thank you very much, sir.

Mr. Aman Santaliya – A K Securities
- Thank you. Thank you.
- Moderator
- Thank you. Next question is follow up from the line of Rajesh Kothari from Alpha Security Advisors. Please go ahead.
- Mr. Rajesh Kothari – Alpha Security Advisors
- Sir, can you just tell us, what were your FY’17 total sales and total production; out of this how much was from the stock, sugar I am talking about?
- Mr. V.S. Banka – Whole time Director & CFO
- You want FY sales, one moment I will.
- Mr. Rajesh Kothari – Alpha Security Advisors
- Yes. Financial year
- Mr. V.S. Banka – Whole time Director & CFO
- Yeah, because you know, we get lost between the season and the financial year.
- Mr. Rajesh Kothari – Alpha Security Advisors
- Yeah, we also get lost between the season and financial year.
- Mr. V.S. Banka – Whole time Director & CFO
- I will tell you, one second, sir. I have the numbers.
- Mr. Rajesh Kothari – Alpha Security Advisors
- I couldn’t find presentation on your website.
- Mr. V.S. Banka – Whole time Director & CFO
- No, no, I will tell you, I will tell you the numbers. One second, yeah, in this FY we have sold 29,68,682 quintals of sugar.
- Mr. Rajesh Kothari – Alpha Security Advisors
- Quintal just a minute. 29,68,
- 29.68 quintals of 29.69.
- Mr. Rajesh Kothari – Alpha Security Advisors
- Quintal, okay.
- Mr. V.S. Banka – Whole time Director & CFO
- In the FY’16 we have sold 25.86 lakh quintals.
- Mr. Rajesh Kothari – Alpha Security Advisors
- Out of 29.68 quintals what was your sugar production, FY’17?
- Mr. V.S. Banka – Whole time Director & CFO
- Sir, we started FY’17 with an opening stock, if I remember correctly 17.48 lakh quintals.
- Mr. Rajesh Kothari – Alpha Security Advisors
- 17.48, okay.
- Mr. V.S. Banka – Whole time Director & CFO
- Yeah produced other 1½-lakh quintals.
- Mr. Rajesh Kothari – Alpha Security Advisors
- Just a minute. Opening stock you said is 17.48, okay.
- Mr. V.S. Banka – Whole time Director & CFO
- Yeah, approximately.
- Mr. Rajesh Kothari – Alpha Security Advisors
- Approximately. Production was?
- Mr. V.S. Banka – Whole time Director & CFO
- 1.4
- Mr. Rajesh Kothari – Alpha Security Advisors
- Okay.
- Mr. V.S. Banka – Whole time Director & CFO
  - So, which makes it how much? Close to 19 lakh tons. 19-lakh quintal
- Mr. Rajesh Kothari – Alpha Security Advisors
  - Yeah.
- Mr. V.S. Banka – Whole time Director & CFO
  - So, 19 lakh quintals, what was of season, ‘15-16, okay.
- Mr. Rajesh Kothari – Alpha Security Advisors
  - No, no. that is ‘15-16.
- Mr. V.S. Banka – Whole time Director & CFO
  - Season ‘15-16.
- Mr. Rajesh Kothari – Alpha Security Advisors
  - But you said 25.86.
- Mr. V.S. Banka – Whole time Director & CFO
  - No, no, see, let us talk about FY’17, okay.
- Mr. Rajesh Kothari – Alpha Security Advisors
  - Okay, FY’17, you said, you sold 29.68.
- Mr. V.S. Banka – Whole time Director & CFO
  - I had a opening stock of 19.68 lakh. Sorry 17.48 lakh quintal
- Mr. Rajesh Kothari – Alpha Security Advisors
  - 17.48, okay.
- Mr. V.S. Banka – Whole time Director & CFO
  - Okay and during FY’17.
'17. Yes.

Mr. V.S. Banka – Whole time Director & CFO
	In the first month of April, I produced another 1.48 lakh quintal.

Mr. Rajesh Kothari – Alpha Security Advisors
	Okay.

Mr. V.S. Banka – Whole time Director & CFO
	So, that was about, how it became 18, I will close to 19 lakh quintal.

Mr. Rajesh Kothari – Alpha Security Advisors
	Yeah.

Mr. V.S. Banka – Whole time Director & CFO
	And my total sales in the year 29.69 lakh quintal.

Mr. Rajesh Kothari – Alpha Security Advisors
	Okay, so the balance came from.

Mr. V.S. Banka – Whole time Director & CFO
	Means out of 29.69 lakh quintals that I have sold, approximately 19 lakh quintals I have sold of the season 2015-16 production and the rest is from the 2016-17 production.

Mr. Rajesh Kothari – Alpha Security Advisors
	Okay, the 10.81 was your actual production for last season. That is what you are trying to say.

Mr. V.S. Banka – Whole time Director & CFO
	Sorry.

Mr. Rajesh Kothari – Alpha Security Advisors
	10.81 was your production for 2016-17, that is what you are trying to tell.
- I have sold. I have sold.

- Mr. Rajesh Kothari – Alpha Security Advisors

- Yeah.

- Mr. V.S. Banka – Whole time Director & CFO

- My production is much more; my production is much more because I am carrying 18 lakh quintals of stock from 31st March.

- Mr. Rajesh Kothari – Alpha Security Advisors

- Oh, I see, just a minute. It means your total production for the last season is, how much total production last season?

- Mr. V.S. Banka – Whole time Director & CFO

- Last season upto my last season production. 2016-17 is it.

- Mr. Rajesh Kothari – Alpha Security Advisors

- Yes, yes.

- Mr. V.S. Banka – Whole time Director & CFO

- My last 2016-17 production 33.38 lakh quintal. Out of which 4½ quintal is in the current, in the fiscal ‘17-18.

- Mr. Rajesh Kothari – Alpha Security Advisors

- But you said only 10.81.

- Mr. V.S. Banka – Whole time Director & CFO

- I will explain to you, one second.

- Mr. Rajesh Kothari – Alpha Security Advisors

- I am getting confused, there is some problem.

- Mr. V.S. Banka – Whole time Director & CFO

- My opening stock on 1st April, 2016. Let us, let us forget about season, okay.

- Mr. Rajesh Kothari – Alpha Security Advisors
Okay.

Mr. V.S. Banka – Whole time Director & CFO

Okay, let us forget about season. 1st April, 2016, was 17.48 lakh quintal.

Mr. Rajesh Kothari – Alpha Security Advisors

Okay.

Mr. V.S. Banka – Whole time Director & CFO

Okay, now I will tell you the production. One second, just wait. Just bear with me for a moment.

Mr. Rajesh Kothari – Alpha Security Advisors

No problem

Mr. V.S. Banka – Whole time Director & CFO

14.78 lakh quintal and I have produced 30.34 lakh quintals in FY’16-17.

Mr. Rajesh Kothari – Alpha Security Advisors

30 point?

Mr. V.S. Banka – Whole time Director & CFO

34.

Mr. Rajesh Kothari – Alpha Security Advisors

Just a minute please, 30.34 is the production, okay. And closing stock is?

Mr. V.S. Banka – Whole time Director & CFO

And my sales is 29.69 lakh quintals. The rest is the closing stock.

Mr. Rajesh Kothari – Alpha Security Advisors

29 point?

Mr. V.S. Banka – Whole time Director & CFO

69.
So, 17.48 plus 30.34 minus 29.69 …

Is my closing stock

So, 18 is your closing stock.

Exactly.

Understood. So, now you know, 18 is your closing stock, you are expecting 33 is going to be your production that is what you are trying to look.

No, no, no.

This season?

On 31st March I have had a stock of 18 lakh quintal. Subsequently I have produced another four and half lakh quintals, okay. Which means total availability with me is about 22.5 to 22.3 lakh quintals, so this is available with me per se.

And sales will be about 32?

Sorry?

Sales will be about 32
- **Mr. V.S. Banka – Whole time Director & CFO**

  - I think we are not on the same page, you see, I have explained to you fiscal concept, right.

- **Mr. Rajesh Kothari – Alpha Security Advisors**

  - Yes, I have understood that. I am saying that last year you sold 26.69. Right? So you will be at least doing 5-6-7-8-9% growth on sales volume.

- **Mr. V.S. Banka – Whole time Director & CFO**

  - Yeah we should and we will produce.

- **Mr. Rajesh Kothari – Alpha Security Advisors**

  - Definitely, so that is what I am saying so 30.34, which was your full last year production, forget the season.

- **Mr. V.S. Banka – Whole time Director & CFO**

  - It should be more this year.

- **Mr. Rajesh Kothari – Alpha Security Advisors**

  - Yeah, it should go up by 8 to 10%.

- **Mr. V.S. Banka – Whole time Director & CFO**

  - You are right.

- **Mr. Rajesh Kothari – Alpha Security Advisors**

  - So 18 opening stock, 33 production, 31 or whatever is the sales.

- **Mr. V.S. Banka – Whole time Director & CFO**

  - Whatever are the sales

- **Mr. Rajesh Kothari – Alpha Security Advisors**

  - Whatever are the sales, correct, that is my question. And question two is, if I look at last 5-6 years what was the peak production in India of sugar?
- 28.3 million tons in one of the years it has gone.
- **Mr. Rajesh Kothari – Alpha Security Advisors**
- I think that was 2015, correct.
- **Mr. V.S. Banka – Whole time Director & CFO**
- 2014.
- **Mr. Rajesh Kothari – Alpha Security Advisors**
- 2014, right. So if one were to assume that 28 is the peak production at some point of time maybe ‘18-19 whichever year, but if you look at the opening stock, closing stock which one of the other analysts was also saying.
- **Mr. V.S. Banka – Whole time Director & CFO**
- Yeah, opening stock is lower.
- **Mr. Rajesh Kothari – Alpha Security Advisors**
- Yeah, so this year closing stock.
- **Mr. V.S. Banka – Whole time Director & CFO**
- Rather than production, we should look at the sugar availability.
- **Mr. Rajesh Kothari – Alpha Security Advisors**
- Absolutely, so sugar availability perspective closing stock for ‘17-18 season, can be below 5.
- **Mr. V.S. Banka – Whole time Director & CFO**
- ‘16-17 is going to be, yeah, it can be.
- **Mr. Rajesh Kothari – Alpha Security Advisors**
- Yeah, ‘16-17, I am not talking about September ‘16 to October ‘17, I am talking about October ‘17 to September ‘18.
- **Mr. V.S. Banka – Whole time Director & CFO**
- It can be, it is a matter of conjecture now.
If it is below 5 then even if not current season which is right now, even the next year, let's say production is 26 or 27.

It is not an alarming situation; it is not an alarming situation.

So then the spread, you know, from the industry perspective what is the reason of the spread for your company.

Sorry, what is the?

The spread, if I look at the spread therefore considering that cost increase will be a little bit you know in line with what you are saying central and state government both on the same page, then what kind of sustainable spread you think is possible.

I think easily about 5 rupees spread is possible.

And currently the spread is how much?

It is more than 5.

Currently for you the spread must be 8.5?
- No, no, it varies actually, you see, you know, for example my average realization for the full year has been around 35.5, okay. So actually one cannot predict what is going to be the future but definitely, Rs. 5 should be available, you are right.

- Mr. Rajesh Kothari – Alpha Security Advisors

- And what is the cost of UP state, that is what, that has increased recently to what level?

- Mr. V.S. Banka – Whole time Director & CFO

- 305 for the general variety delivered at gate.

- Mr. Rajesh Kothari – Alpha Security Advisors

- Okay, and when you say general variety, is there any difference?

- Mr. V.S. Banka – Whole time Director & CFO

- For the early variety, we pay Rs. 10 more.

- Mr. Rajesh Kothari – Alpha Security Advisors

- Pay Rs. 10 more, so effectively

- Mr. V.S. Banka – Whole time Director & CFO

- 315.

- Mr. Rajesh Kothari – Alpha Security Advisors

- 315, understood. Do you think over a period of 4-5 years, I mean from your company’s perspective do you have any kind of thing that over the next five years you would prefer to remain like this in a cyclical. Don’t you think there is a better way to know because your cash flow can be stronger, so last five years you never had an option to do something else, but now we are going to think that in case if the cash flow remains sustainable, apart from debt repayment, any other plans?

- Mr. V.S. Banka – Whole time Director & CFO

- We can do debt repayment, we will of course look for opportunities, growth opportunities, and certainly, we will look for growth opportunities.

- Mr. Rajesh Kothari – Alpha Security Advisors
- And that can be what?

- **Mr. V.S. Banka – Whole time Director & CFO**

- That can be anything. We can increase in the distillery space, we can increase in the sugar space also, there can be units around for acquisition etc., we can look for geographical hedge, look for units in Maharashtra, so all those possibilities are there, but if you ask me one-year outlook, I would rather do fiscal consolidation than anything else.

- **Mr. Rajesh Kothari – Alpha Security Advisors**

- And if the cash flow permits after doing the complete let’s say debt repayment, any defined pay out policy?

- **Mr. V.S. Banka – Whole time Director & CFO**

- Any defined?

- **Mr. Rajesh Kothari – Alpha Security Advisors**

- Any defined pay out policy to shareholders, what about that?

- **Mr. V.S. Banka – Whole time Director & CFO**

- Of course, we will of course, we will like to faithful to our stakeholders and shareholders definitely.

- **Mr. Rajesh Kothari – Alpha Security Advisors**

- Okay, but currently do you have any defined pay out policy right now?

- **Mr. V.S. Banka – Whole time Director & CFO**

- No, not as of now, no.

- **Mr. Rajesh Kothari – Alpha Security Advisors**

- Okay, thank you, sir.

- **Moderator**

- Thank you that was the last question, I now hand over the conference over to Mr. Nishna Biyani for closing comments, over to you.
- **Mr. Nishna Biyani – Prabhudas Lilladher**
- Many thanks, sir, and you know we are hoping for not one good year, we are hoping for 2-3 good seasons for the sugar companies in UP out there.

- **Mr. V.S. Banka – Whole time Director & CFO**
- Not 2-3, I would want sustainable growth throughout

- **Mr. Nishna Biyani – Prabhudas Lilladher**
- So any closing comments, sir, where are you seeing Dwarikesh…

- **Mr. V.S. Banka – Whole time Director & CFO**
- The investors’ happiness is what we crave for.

- **Mr. Nishna Biyani – Prabhudas Lilladher**
- Sure. Any closing comments

- **Mr. V.S. Banka – Whole time Director & CFO**
- I would only like to thank everybody; as I said in my initial comments, we are indeed grateful to the investment, investing community. I just have, from my perspective I have one question, why is my PE so low? Earnings per share is around 88 rupees, why my market price is so low. Anyways that is just a question nothing else and I would want to look forward to the investors’ confidence in us and look to stay true to ourselves, focus on efficiency and try to give better and better results.

- **Mr. Nishna Biyani – Prabhudas Lilladher**
- Thank you, sir, and thank you to the management.

- **Moderator**
- On behalf of Prabhudas Lilladher Private Limited, that concludes the conference call. Thank you for joining you and us may now disconnect your lines.