



**BALRAMPUR CHINI MILLS LIMITED**

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<b>Symbol:</b> BALRAMCHIN	<b>Scrip Code:</b> 500038

Dear Sir/ Madam,

Ref : **Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

Sub: **Transcript of Earnings Conference call**

In terms of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of the Q4 & FY23 Earnings Conference Call held on 12<sup>th</sup> of May, 2023.

The same is also uploaded on Company's website: [www.chini.com](http://www.chini.com)

This is for your information and records.

Thanking you,

Yours faithfully,  
For **Balrampur Chini Mills Limited**

**Manoj Agarwal**  
Company Secretary and Compliance Officer



## Balrampur Chini Mills Limited

### Q4 & FY23 Earnings Conference Call Transcript May 12, 2023

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**Moderator** Ladies and gentlemen, good day, and welcome to Balrampur Chini Mills Limited Earnings Conference Call. 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. Please note that this conference is being recorded.

I now hand the conference over to Ms. Jenny Rose from CDR India.

**Jenny Rose:** Good afternoon, everyone, and thank you for joining us on Balrampur Chini Mills Q4 & FY23 Results Conference Call.

We have with us, Mr. Vivek Saraogi – Chairman and Managing Director; Ms. Avantika Saraogi – Business Lead; and Mr. Pramod Patwari – Chief Financial Officer of the Company.

We will initiate the call with opening remarks from the Management, following which we have the forum open for a question-and-answer session.

Before we begin, I would like to point out that some statements made in today's call may be forward-looking in nature, and a disclaimer to this effect has been included in the Results Presentation shared with you earlier.

I would now like to invite Mr. Saraogi to make his opening remarks.

**Vivek Saraogi:** Good morning to everyone and thank you for joining us on the Q4 & FY23 Call of our Earnings.

I trust all of you had the opportunity to go through our results presentation providing details of our operation and financial performance. I will initiate the call with an update on the current developments in the sugar sector followed by our Company's key highlights for the period under review.

ISMA has lowered its projections for overall production for the 2022-23 season from 34 million tonnes to 32.8 million tonnes. This factors in about a 4 million tonnes diversion from sugar to ethanol. The crushing season in Maharashtra concluded with a production of about 10.5 million tonnes. This was against 12.1 million tonnes, which was projected earlier, primarily due to lower yields. In contrast, UP production was about 10.5 million tonnes to 10.6 million tonnes, Karnataka is estimated at 5.7 million tonnes as compared to 6.2 million tonnes. So in a nutshell, UP has gone up about 3% to 4% and the rest have come down.

Furthermore, sugar mills have almost completed the export quota of 6 million and I believe it's being shipped out from not only from the mills, but also majorly out of the ports, so it's basically evacuated and given the drop in production, the Government is focused on ensuring adequate domestic supply, obviously based on the production, consumption, and export numbers, we will have a closing stock about 6

million tonnes and hence there is no probability of any further export. This also means that there is a very fine balance of demand and supply, which is positive for domestic pricing. It should keep domestic pricing firm .

On the ethanol front, India is making progress in blending ethanol with petrol towards the target of achieving 20% blending. Ethanol supply to OMC has risen to 434 crore BL in 2021-22. To meet the 20% target, the Government is promoting production of ethanol from maize crops as well, but that seems to be a little far off. The target is to reach 12% blending in 2020-23, which is the current season, 15% in 2023-24 and going up to 20% thereafter. 20% would require a capacity of 1700 crore liters. The auto industry is adapting fuel flexible vehicles and E20 ethanol pumps have been launched in more than 100 outlets also. Also, the auto companies have started reengineering or enable the engines to adopt E20 from 1<sup>st</sup> April. Ethanol production has also benefited the sugar industry and the farmers.

On the business front, the Company concluded the year on a positive note on account of the steady contribution from the sugar and distillery segment. Despite a moderate performance in the 9 preceding months due to lower crushing volume in the previous season, the Company witnessed an improvement in Q4-FY23, primarily owing to enhanced ethanol capacity utilization.

During the quarter, cane crushing was higher due to increased cane area and improved yield at the farm level. So, if I can brief, we have crushed 10.3 crore quintals of cane this season against 8.88 core quintals in previous season and that is an increase of about 15% over last year. Our recovery was approximately 11.48% on a blended level of C-Heavy in previous season, and this year we would be about 11.62%. So that is an improvement of about 15 bps with an increase in percentage of 15%, so both have gone up. As you have heard the last 2 years were ruined because of excess rain in very short periods of crushing.

Coming to distillery business, capacities are now being optimally used. We are confident in our ability to reach the target of 34-35 crore liters of alcohol production. Additionally, the Company has embarked on a project to increase cane crushing at its Kumbhi unit from 8000 to 10,000 TCD which will be financed through internal accruals and which would be commissioned prior to cane crushing in the next season. The Company has allocated more than Rs. 1100 crore towards CAPEX in FY23, out of which Rs. 466 crore has been raised through debt financing while remaining funds have been sourced through internal accruals. These strategic investments will enable us to drive growth in future.

In conclusion, the Company is dedicated to generating value for all the stakeholders through prudent investment and capital allocation strategies. Keeping this in mind, an interim dividend of Rs. 2.5 per share was paid during the year. Additionally, we commenced our 6<sup>th</sup> consecutive buyback of equity shares on 16<sup>th</sup> November and we have bought back a total of 22.9 lakh shares. The buyback is open till 15<sup>th</sup> May, but it's beyond the permitted price.

This brings me to the end of our discussion. I would request Avantika to provide you with an update on the progress on the cane front.

**Avantika Saraogi:**

Good afternoon and thank you everyone for joining the call.

I would like to give you a short overview of the cane activities. Our cane plantation is almost complete for the year. The total area under cane has again increased by an additional 7-9% for the upcoming season. This shows a further hike in cane availability in the season to come. Area of disease ridden and degenerating Co 0238 is reducing drastically every year. We stood at around 75% crushed just 2 years ago



and the year gone by, we have already come down to 46% crush and by the next year we will drop to only a 27% crush of cane variety Co 0238. This will not only improve the recovery to the tune of its reduction, but also the incidence of disease will reduce due to the sparseness of it, and it will also make it easier to identify and salvage the disease brought thereafter. The area of 0238, which has been reduced has been taken over by higher recovery varieties like Co 0118, which we had only around 4% to 5% of 2 years ago, and this year we have crushed approximately 20% of it and it will increase by a further 13% for the upcoming season, putting us at a total of 33%. This variety has proven its superior recovery and good yield in the factories, which have crushed a higher percentage of it this year.

Other than this new and higher recovery varieties which we crushed a negligible amount of this year have also increased to the tune of 8% crushed for next season. Therefore, in a nutshell, we are again set up for an even higher crush and even higher recovery in the upcoming season.

Further, we have seen a climatic disruption and we have worked very, very hard or mitigating any sort of climate risk be at high temperatures, drought, flood, heavy winds, etc. We have worked and will continue to work on climate smart agriculture to shield ourselves from any drastic changes, which can occur for cane quantity and quality year-on-year.

Another sphere which has really picked up is ratoon management, credit to our cane staff, but now our farmers have really adopted this idea of working on ratoon crops, which was never a practice in East UP. This will also help total crushing and recovery. We have also made cane payments on a consistent 8-10 days post-supply basis even before it becomes statutorily due at 14 days according to the Government norms. This has created immense goodwill at the farmer level and it helps us motivate them to plant good varieties and do all necessary agri practices in order to keep the crop flush and healthy.

Lastly, programs like 'Tissue Culture' and 'Seed Nursery' are on and going well. This will ensure long term healthy cane supply.

That's it on the cane front. Thanks a lot.

**Vivek Saraogi:** So basically, that was a rundown on the cane front and now request Pramod for some remarks and then we can go ahead.

**Pramod Patwari:** Thank you and good afternoon everyone. I hope all of you had the opportunity to go through the presentation that has been shared wherein all the financial and quantitative data have been given.

To ensure that we have a larger portion of time for the Q&A session, I would request the moderator to open the call. Thank you.

**Moderator:** Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. We take the first question from the line of Rajesh Majumdar from B&K Securities.

**Rajesh Majumdar:** Congratulations on a good set of numbers. I had a question on the ethanol supply program of the government. If we look at it, are talking about 600 crore liters this ethanol year 2022-23 of which you said about 518 crore tenders have already been finalized. Now, why is the offtake so poor till 23<sup>rd</sup> April only 220 crore liters have been delivered I wanted the answer to that. And secondly, even if you look at our own ethanol sales for the quarter, they are about 2 crore short of the of the production,



which has never happened before. So, is there any worry on that that our ethanol sales though we are targeting 34 crore to 35 crore may actually be far shorter because of the lower crop this year.

- Pramod Patwari:** All marketing companies came out with 600 crore litre of ethanol requirement for the 2022-23 ethanol year. Subsequently, there was a revision in the cycle. They reduced the period from 12 months to 11 months. So, on that basis, on 12% blending the consumption requirement would be around 500 crore liter for 11 months and they are trying to build up a storage for around 50-60 crore liter so against 550 -560 crore litre, I believe 518 has already been contracted this is the position as of now. As far as Balrampur Chini Mills is concerned, there was some delay in the start as well as stabilization of distilleries as a result of which production was on the lower side. But if you see the inventory number of alcohol as of 31st March, we are holding 2.27 crore liters against last year's number of around 60 lakh liters. So, some dispatches happened in the last week of March and as you must be knowing that revenues are accounted for only on delivered cost basis, so ethanol was in transit, of around 50 lakh liters.
- Vivek Saraogi:** So you're saying effective stock is 1.5 crore litre.
- Pramod Patwari:** In addition to that there was slow movement also.
- Vivek Saraogi:** So just to add to what Pramod said, oil marketing companies need a steady stream of supply for the year. So, some stocking will happen at our end, marginally higher than last year. So that in the weak months of July, August, September when most people don't produce, we will produce, there will be adequate availability of ethanol then in the last quarter where people usually fail.
- Rajesh Majumdar:** And out of this 513 crore litre, it's possible to know our market share in the tender. Our tender quantity from 513 crore litre?
- Pramod Patwari:** Our tender quantity is 26.74 crore liter.
- Rajesh Majumdar:** And this we hope to complete by ethanol year 2022-23?
- Vivek Saraogi:** Before November.
- Moderator:** The next question is from the line of Pratik Tholiya from Systematix.
- Pratik Tholiya** Just a quick clarification. In the 4th Quarter, we sold 4.3 crore liters of ethanol from syrup and grain route. Can you split this between how much is the syrup and how much is grain or it was 100% syrup?
- Pramod Patwari:** 100% syrup.
- Pratik Tholiya** Have we exported any sugar in the 4th Quarter or we have sold our entire sugar export quota to Maharashtra?
- Pramod Patwari:** Yes, out of 1.98 lakh tonnes of quota allocated to us, 1.4 lakh tonnes was met through physical exports and the balance was swapped against the domestic release.
- Pratik Tholiya** Right, so there's no physical export sale in 4<sup>th</sup> Quarter for us.



- Pramod Patwari:** There is physical sale of export in the 4<sup>th</sup> Quarter. So, by the 31<sup>st</sup> of March, we have completed the entire 1.4 lakh tonnes.
- Pratik Tholiya** And the and the quantity that you got against the swapping of quota that has not yet been allocated to us that will come from May onwards.
- Pramod Patwari:** No, that has already been allocated, that started from November. So, it will run from November to maybe I don't recall the exact month maybe May, June, July.
- Pratik Tholiya** If I see your YoY sales, your domestic quota has been largely flat.
- Pramod Patwari:** Yes, you are right. Particularly in the month of March, the demand as well as the prices were subdued.
- Pratik Tholiya** And just lastly a broader question because we are expanding our crushing capacity also from 8,000 TCD to 10,000 TCD in one of the plants and there are other industry players also who seem to be expanding capacity. But just maybe 3-year horizon, how do you see the availability of raw material, of course, Madam just pointed out that you are doing a lot of work in terms of increasing the yields and all. But with overall industry also expanding and then there are also this weather-related challenges we've always been facing, whether it is weak monsoon or excess monsoon or drought, etc. Do you think the raw material availability with this expanded capacity, not just for us for the industry as a whole, will it be steady state supply or there could be challenges going forward in terms of availability of cane may be 3 years to 4 years down the line.
- Avantika Saraogi:** We don't see a challenge in cane availability. To the tune of the capacity that we creating, we will always in my mind receive cane without an issue.
- Vivek Saraogi:** Let me bifurcate your concerns into two-three parts: You're talking of others expanding, so cane availability in our geographic area is privy to the expansion done in our area. So, nobody in our area is expanding. You spoke of El Nino so in East Up especially and I'm just sticking my neck a bit on this one, but don't hold me to it, a little lower rainfall is beneficial for us. And if the latter part of the year doesn't have rainfall we will be delighted if September onwards we don't get rain. So, El Nino doesn't concern us so much. Expansion I've answered. Our crushing capacity increase which you just pointed out and as Avantika has said, we'll have enough cane. If to hazard our guess for the next year, we hope to be 10% higher in terms of cane crushing. Recovery can't be predicted, but we are looking to be definitely higher on recovery also based on Avantika's presentation of varietal change and disease management.
- Moderator:** The next question is from the line of Sanjay Manyal from ICICI Direct.
- Sanjay Manyal:** I have a few questions. One is, what I understand, your domestic quota was somewhere around 8.26 lakh tonnes for the full year, whereas your total sales is 9.03, which includes 1.4 lakh tonnes of exports. So, have you foregone some domestic quota in the financial year or maybe in this quarter?
- Pramod Patwari:** Yes, as I mentioned earlier, the domestic prices were subdued in the March Quarter, so there was lower sales.
- Sanjay Manyal:** So this would be to the tune of 50,000 tonnes to 60,000 tonnes?
- Vivek Saraogi:** The exact data we don't have but Pramod is giving you the answer that absolutely depressed prices, we decided to forego a bit of sale which will come back later.





- Sanjay Manyal:** And if you can just repeat what is the Co 0238 percentage in the crushing this year and expected next year I missed that bit.
- Avantika Saraogi:** It's 46% was crushed in the season gone by and we expect only 27% in the next season.
- Vivek Saraogi:** And the 27% which we are looking to crush will be much better and healthier.
- Avantika Saraogi:** Because the disease will spread less due to the sparseness of the field.
- Sanjay Manyal:** Next season 27% would be Co 0238 and 33% would be Co 118. So, which would be the other varieties which you using?
- Vivek Saraogi:** So, we are looking at some very high yeilding varieties like 15023 and there are some varieties which are sort of only meant for low land so it's a combination of that.
- Avantika Saraogi:** Around 8% of higher recovery variety in totality you can take super higher recovery variety. I don't want to bifurcate among those.
- Moderator:** The next question is from the line of Kaustubh Pawaskar from Sharekhan by BNP Paribas.
- Kaustubh Pawaskar:** Sir my question is regarding the sugar production for the next year, considering the higher yield varieties and good recovery rate, what kind of expectations are in terms of production for upcoming season and season after that?
- Vivek Saraogi:** Are you talking for Balrampur or for the country?
- Kaustubh Pawaskar:** For Balrampur.
- Vivek Saraogi:** As we indicated to you next season, we are definitely looking at 10% higher, weather not playing super truant and maybe another 7% to 8% higher thereafter. Just to give everyone a flavor of our business protocol, division between B-Heavy juice, sugar crushing, our assets on the ground today are sufficient and would need about 12 crore quintals of cane for 100% sweating and we hope to get let's say you've done 10.30 this year, you're looking at 10% more, so 11.30-11.40 crore quintals next year and thereafter easily 12 crore quintals.
- Kaustubh Pawaskar:** And sir my second question is on the working capital so this year obviously because of the higher inventory, the working capital requirement on a higher but in one of your slides in the presentation as the distillery contribution goes up, the working capital requirement will also moderate. So, in that context should we expect the working capital days to come down over the next 2 to 3 years?
- Pramod Patwari:** You are absolutely right, the reason behind working capital utilization went up this time because of the deployment of internal accruals into the CAPEX. Had there been no CAPEX, you could have seen the working capital utilization lower by Rs. 500 crore at least. As we move up, there will be lower working capital utilization.
- Kaustubh Pawaskar:** Last one on the international front, in April the Brazil production has gone back on 32%-odd this is what I've read in the print media. So, should we expect the international supply to go up considering the fact that the diversion towards ethanol is a little bit on the lower side because of the drop in the crude prices. So, in that context should we expect supply to be a little bit higher on the international front and do we have any impact on sugar prices or on the sugar realization front?



- Pramod Patwari:** So, my request would be don't go by this every fortnight release of data. Brazil's production is already expected to be around 37 million tonnes to 38 million tonnes for the upcoming sugar season that has already been factored in the prevailing international prices as well as the overall demand-supply or sugar availability at the global level.
- Vivek Saraogi:** Basically, to see Indian prices, the more relevant data is India 's Inventory, India 's upcoming production with an understanding that export as and when permitted should sell at a healthy price. All three of these boxes are ticking and ringing very loudly today. So as Pramod said, we don't need to look at any other data in case you're looking to track Indian sugar prices.
- Moderator:** The next question is from the line of Shailesh Kanani from Centrum Broking.
- Shailesh Kanani:** My question was with respect to margins from juice route vis-à-vis B-Heavy molasses. We have been guiding that the margins would be on similar trend between juice route and B-Heavy and somehow this quarter the margins have taken a fall because of juice route sales basically. So, can we share some views on that and also guidance going ahead for the distillery division?
- Pramod Patwari:** We would not like to share the segment wise guidance as far as the profitability is concerned, but the profitability or the margin out of juice is definitely lower than the B-heavy this is what we have seen in whatever period we have distilled.
- Vivek Saraogi:** But as we go ahead, this margin will improve a bit because your first year with Syrup/Juice, we stride various chemicals combinations towards the end we got the result and we hope the margins they should definitely improve.
- Shailesh Kanani:** But the fall in margin seems to be very steep that is the reason I was wondering that if in juice margins are very less?
- Pramod Patwari:** See, these capacities are yet to be fully utilized so that is also one of the reasons. Some fixed overheads, there was some issue with respect to the plant stabilization also.
- Vivek Saraogi:** It takes some time for the brand-new things. So don't worry, don't think much. Margin will not be that bad. You will see next year that they will be improving.
- Shailesh Kanani:** My related question because of that correct me if I'm wrong, so we are not in a catch 22 situation wherein we are facing margin pressure under juice route vis-à-vis B-Heavy and if we don't take juice route, our volumes would not give a healthy jump as we are expecting so that is not the situation, right?
- Vivek Saraogi:** No, that that's not the situation.
- Pramod Patwari:** Shailesh having said that at the current juice-based ethanol prices, margin is lower than B-Heavy.
- Vivek Saraogi:** But you've got to understand that all three things need to be done in order for the country to holistically move forward. We definitely will improve from this year but as Pramod says you cannot expect the same margin maybe. So, I'm just giving you another scenario in four years from now, let's say sugar production becomes excess and the global markets take a downfall, you will find that these two divisions are giving you the best return, so you are hedging yourself into all three based on the Government program which needs the industry participation in order to fructify. Yes,





as Pramod said it will be lower but it will definitely make up from here. The gap will narrow as we have seen in the last one month of working.

**Shailesh Kanani:** Sorry to stress on this but can we give a guidance on consolidated basis in that case if we are not comfortable with giving the guidance on a segmental basis.

**Pramod Patwari:** We don't give guidance on the margin or for the EBITDA.

**Shailesh Kanani:** I missed one part of the call; can you share the sugar volume and realization break up in between domestic and export for the quarter?

**Pramod Patwari:** I think that is that has already been shared in the presentation.

**Shailesh Kanani:** Okay, I'll just go through it then. Sir one more question, we have seen a timing difference in ethanol offtake for the 4<sup>th</sup> Quarter. So, in light of that, do we revise our 34 crore to 35 crore litre of guidance for ethanol volume for the next year?

**Pramod Patwari:** As of now we look to supply 34-35 crore litre for FY24, but as the season progresses we will update you.

**Vivek Saraogi:** But there is no big sort of gap when you look at it.

**Shailesh Kanani:** If I can squeeze one last question, Sir, I'm seeing some stock of syrup as well mentioned in the presentation and I was under the impression that syrup per se can't be stored so if you can just shed some light on us.

**Pramod Patwari:** It's a work-in-progress.

**Vivek Saraogi:** It is rotation so distillery when you begin you get feed in 5 days so it's that which is rotating within the machines. One more thing, this year we began a little late because some of our expansions sort of got completed 15 days late owing to supply and there was a lot of water in 2-3 factories. So, hopefully next year with this El Nino, we should be able to begin an average of 10 days earlier for the whole Company so that itself will increase your ethanol supply.

**Moderator:** The next question is from the line of Nishant Sharma from Nuvama Wealth Research.

**Nishant Sharma:** Sir my question is again related to margin. Just wanted to understand while distillery segment is the highest grossing margin, this time around we are seeing one-off kind of events which impacted the margins, but in terms of sugar sales in domestic and international markets, where we would generally get better margins or maybe if you can help us understand where the international prices needs to be certain percentage higher to be getting margin equal or same in domestic as well as international markets.

**Pramod Patwari:** You need to evaluate the performance of the company of a sugar company on a company level basis number one and on an annual basis, March quarter will always be the best quarter because of the fact that we get complete 90 days of production and fixed overheads get allocated or spread over a larger volume of production. This segment-wise profitability is a function of transfer pricing. If I want to assign a lower value to bagasse and molasses, my profitability will jump up in the distillery division.

**Nishant Sharma:** For distillery and Sugar segment I got it. I was asking for a spread between international profitability if we sell sugar in international market and if we sell sugar in domestic market, so what is the price differential that would be needed for having a similar margin so that is why I just wanted to understand the sense.



- Pramod Patwari:** So, this is irrelevant at this point in time. We are selling sugar at around Rs. 36.5 per kg in the domestic market as against the international prices of say around Rs. 51 per kg. But nobody in the country has any quota to export sugar and that is the reason that these prices are ruling so high in the international market.
- Nishant Sharma:** My next question is that we have mentioned some maybe duty in the distillery segment on molasses. What is that levy of about close to Rs. 7 crore, is it one-off or is it regular one?
- Pramod Patwari:** It's the regular one.
- Vivek Saraogi:** The Government of UP keeps imposing new fees, which one has no control over. We also went to court against this, but with no success yet.
- Nishant Sharma:** But such things happen every year or this is more like changes in the rates that happen every year.
- Vivek Saraogi:** No, not every year.
- Pramod Patwari:** That was introduced last year.
- Nishant Sharma:** This is the percentage of something going forward we can build in because possibly this might have also impacted our margins?
- Vivek Saraogi:** I know it has impacted, but we agitated very hard. We hope that such nonsense should not repeat itself but withdrawal of this looks difficult.
- Nishant Sharma:** So basically, in terms of manufacturing or producing ethanol, we use different raw material or the input side. So, we use B-Heavy molasses, we use sugar syrup and now we have a capacity for grain-based as well. So, we will be seeing any cyclicity be when using this input or this can be done any given point of time and it could be interchangeable for any crop.
- Vivek Saraogi:** There is only one distillery which is compatible for producing from grain, that is the Maizapur one. In season it will run on syrup full, off season it will run on grain. The rest are all B-Heavy ones. One is C-Heavy for country liquor. But yes, they are interchangeable in terms of B can run on C. Juice can run on B, but no other unit can run on grain outside of Maizapur.
- Moderator:** The next question is a follow up from the line of Rajesh Majumdar from B&K Securities.
- Rajesh Majumdar:** I had a question on the capex and the sugar mills. What is the kind of output increase we envisage or do we envisage at all from the modernization that we have done at the sugar mills level. I'm just talking about the sugar capex, not the distillery capex.
- Vivek Saraogi:** So, what we are going to get is higher cane availability and lesser losses and old plants, safety breakdowns, etc. So just to explain to you East and West are two different zones. West UP farmers have no problem if you run up to middle of May they don't reduce cane. If you do that in East UP, they will reduce cane so we've got into higher capacity. Now this will enable us to crush what we need to go to 12 crore by April end, so that will keep the recovery good, losses less, durability of supply on a longer basis.
- Rajesh Majumdar:** So, it would have an impact on the recovery whatever little bit it has?



- Vivek Saraogi:** Definitely, positive recovery in fact by not getting into the May month and lower losses.
- Rajesh Majumdar:** I was just wondering basically because the capex is pretty significant, so what kind of a kind of return we always see on that kind of investment we made in this Company on the sugar side?
- Vivek Saraogi:** Let me explain to you the rationale behind these big investments. So, these were old plants and milling tandems, etc., needed to be changed for durability and for higher efficiency and safety. With that, we added juice into Balrampur so it's a well thought out measure. Obviously, such investments don't yield a return in one year but I am very certain over the next 3 years from now we should have our investment in the bag. Beyond now, so total for four years.
- Rajesh Majumdar:** One question we have seen an impact on the sugar crop this year due to Maharashtra. If we see a continued impact this year El Nino if it happens is there a chance of the ethanol program getting derailed a little bit in terms of the Government procurement reducing, in which case we will not be able to meet our targets?
- Vivek Saraogi:** Let's get the sequence very clear. If you produce below 280 lac tonnes, you have a problem. When your ethanol diversion and your production is net of the diversion. So this year, even a bad year, you produced almost 330 lakh quintals, your gross was 370 lac tonnes. So, if next year your gross is even 300 lac tonnes, they are encouraging it. Now the exports will not be allowed to that extent. Domestic production net of ethanol should be equal to what is required for consumption, the program never gets derailed and I don't think that's even in the horizon anywhere.
- Rajesh Majumdar:** So, the Government will use export tool more as kind of balancing factors is that what you saying?
- Vivek Saraogi:** I can explain to you if you hear me properly please. Production is net of ethanol, what this figure you've seen 330 lakh tonnes is net of ethanol. So obviously the production is recorded net ethanol so net of ethanol production has to be above 280 lakh tonnes. So that is your sugar availability to feed the country. If that is over and above 280 and your closing stock is 6 million tonnes, export will be allowed.
- Moderator:** Thank you, ladies and gentlemen. That was the last question for today. I now hand the conference over to Management for closing comments. Over to you Sir.
- Pramod Patwari:** Thank you very much. I hope we have been able to answer all your questions satisfactorily. Should you need any further clarification or would like to know more about us, please feel free to contact us. I once again thank you for taking the time to join us on this call. Thanks.

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*This is a transcription and may contain transcription errors. The transcript has been edited for clarity. The Company takes no responsibility for such errors, although an effort has been made to ensure high level of accuracy.*

