



**BALRAMPUR CHINI MILLS LIMITED**

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

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 the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, please find attached transcript of the Q1 FY23 Earnings Conference Call held on 5th August, 2022.

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,

For **Balrampur Chini Mills Limited**

**Manoj Agarwal**  
Company Secretary and Compliance Officer



## Balrampur Chini Mills Limited

### Q1 FY23 Earnings Conference Call Transcript

#### August 5, 2022

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**Moderator:** Ladies and gentlemen, good day and welcome to Balrampur Chini Mills Limited's earnings conference call. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anoop Poojari from CDR India. Thank you, and over to you sir.

**Anoop Poojari:** Thank You. Good afternoon everyone and thank you for joining us on Balrampur Chini Mills' Q1 FY23 results conference call. We have with us Mr. Vivek Saraogi, Chairman and Managing Director of Balrampur Chini Mills, and Mr. Pramod Patwari, Chief Financial Officer of the Company.

We would now like to begin the call with brief opening remarks from the management, following which we will 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 remark.

**Vivek Saraogi:** Good afternoon everyone and thank you for joining us on our earnings conference call. I hope you and your families are all keeping safe and in good health.

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

India's net production in the sugar season 2021 – 2022 is expected to be 35.9 million tonnes. This is after considering a diversion to Ethanol of 3.4 million tonnes. As per the early estimates for next year, sugar production is anticipated to be lower at 35.5 million tonnes on account of higher diversion of around 4.5 million tonnes. UP is expected to witness an improvement in production even after diversion, to 10.9 million tonnes in the coming season against 10.2 million tonnes in the previous season. In the other key states, like Maharashtra, Karnataka even after diversion production is expected to remain at 13 million tonnes and 5.8 million tonnes, respectively. So, all I would like to say that these are very early estimates. These are the figures and the estimate done by ISMA, any meaningful estimate on the country wide level or a more accurate assessment would be available in probably October, November, post the monsoons.

On the ethanol front, a total of 446 crore liters of ethanol was contacted during the year out of which 363 crore liters was from the sugar industry. This has been a phenomenal game changing journey for the industry, moving from 1.5% petrol

blending or 38 crore liters in 2013-14 to achieving 10.16% blending equivalent to 446 crore liters as mentioned above. In 2022 – 2023, 12% blending is expected to be achieved accounting for about 545 crore liters of ethanol. The Government has been proactively promoting the production of ethanol through its policies and targets to increase blending rate to 20% by 2025. So, as we extrapolate figures of percentage and blending, so 20% blending could mean about 7 million tons of sugar sacrifice. Given the significant increase in capacity expected over the next few years, we believe the industry should be able to meet this challenge of supplying the above quantity.

With the surplus sugar situation over the last few years, along with ethanol diversion, the industry has also been proactively exporting. In the current season, Government is considered to notify another 1.2 million tonnes, which will enable the country's export to go up to 11.2 million tonnes. This is by far the highest by a mile, 7.0 million tonnes was highest max in previous season. This will help moderate the closing stock to 5.8 million tonnes, which is very comfortable. And if you've seen yesterday, the Government has given a statement in parliament, saying that their objective is to keep sugar inventory at the end of the season at 6 million tonnes. So this tells you of the trajectory and the mindset of the Government, which people were doubting when there was an export restriction, that came up a few months back.

Moving to the Company's performance, Balrampur has reported a muted quarterly performance as lower sugarcane yields and recovery in the previous season impacted the sugar division, which resulted in raising the cost of production of the sugar carried forward on 1st of April. Furthermore, fixed overheads could not be absorbed fully in this quarter due to lower crushing. So if there is a spillage of crushing into this quarter, which we will brief you later on for the next year, the overhead gets absorbed by that crushing. After two consecutive years of erratic weather in our area, we are seeing a very decent, healthy pattern of rainfall, which we hope should be very positive for our coming season. Furthermore, we have done a lot of cane development work at the farmer end, and we are hoping to report an improvement in both cane availability and recovery for the next year.

I am glad to report that we are on track to complete the state-of-the-art distillery facility at the Maizapur unit, which would operate on sugarcane juice and grain. This, combined with our expansion at the Balrampur unit where we are going to do both B-heavy and juice, would take our resulting distillation capacity to 1050 KLPD, which will enable us to supply around 35 crore liters of ethanol with our targeted cane crushing.

All in all we are committed to delivering value to our wide range of stakeholders through our integrated model, which is deleverage as well, and which has enabled us to sustain a solid balance sheet and achieve positive cash flows. We continue to invest prudently and return excess cash to the shareholders from time to time.

I would now request Pramod to take the call ahead.

**Pramod Patwari:**

Good afternoon, everyone. I hope all of you had the opportunity to go through our results presentation that has been uploaded on the stock exchanges, as well as the Company's website and shared with you, wherein all the financial and operating performance data have been given. So for the benefit of having a larger portion of time at our disposal for the Q&A session. I will request the moderator to open the forum. Thank you.

**Moderator:**

Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session.



The first question is on the line of Lokesh Maru from Nippon India Mutual Fund.

**Lokesh Maru:**

I wanted to, first of all, after going through the annual report, wanted to appreciate the effort that the company had put into deliver what we have even after two of our units, which was Balrampur and Tulsipur went under water and challenges faces at Gularia unit command area. So I have one question regarding the same episode, which is what is the spillover impact of the current bad crop on the upcoming sugar season? Like for example, 40% usually is ratoon, so would it be fair to assume that recovery may not really recover to the extent that we have seen last year or last sugar season let's say? Also, given our inventory position, as of 30th, June, is it fair to assume that we'll start crushing this time by end of October itself? Like what's our strategy there, how do we plan to come back, recoup the loss that we have had in Q1?

**Vivek Saraogi:**

So Avantika, please answer the question relating to cane and why don't you give a brief overview of the activities and therefore what is expected, over to you?

**Avantika Saraogi:**

Thank you. To give you a brief overview of the current estimate of what we are thinking for the season ahead. Firstly, as said by my father, the weather pattern is completely different this year than it has been in the last two years. The cane seems much better this year than we have seen it in a while. It is giving us the feeling of season 2019-2020, but we don't want to jump the gun on that. Having said that we have also got de-risking methods, we have had a historic level planting this year. We are reporting our cane area of 3.24 lakh hectares for the first time in, since we've been established, and this is an 8% increase from the last year itself. So even if we are to be at the yield of last season, we wouldn't have an 8% increase in cane for sure but having said that, if under this area of cane we are to see 2019 – 2020 season yields, we can be 11 crore quintals plus. So our internal targets are around 10.5 crore quintals, but we can say more after the monsoons are over of course. Secondly, this time since the monsoon pattern has been good, May, June it did not rain at all, as it has been in the last couple of years, our ratoon activities have had a really good start. We're expecting ratoon yield to increase in a healthy manner, apart from this, we also got the opportunity to do intercultural operations in the existing plant crop and also the ratoon crop, which we never got a chance to do in the last couple of years, along with insect, pest and disease control. So this is a period when work can be done. And if it rains in this period, it becomes difficult for us to carry out activities, which we have gotten a chance to do all of it this year. Other than this the cane management team has had a chance to increase tiller, which is a number of millable cane increased in each clump. So, this also impacts yield in a positive manner. Also, I want to report that our 238 variety, we have reduced due to red rod infestation by a good margin. We are down by 20% this year, and we have increased other high yielding sugar varieties like 118 in our area, which is of higher recovery, if not, you know, it's definitely of a higher recovery than 238. So, we are expecting a good season ahead.

**Vivek Saraogi:**

So if I may add, if one is to observe the weather pattern of this year, the weather pattern would remind us of season 2019 – 2020 and the problem we faced was threefold last year. One as Avantika mentioned there was constant rainfall in April, May, and June, and, you know, at regular intervals, which inhibited the agricultural activities, which led to a much lower ratoon yield also, so ratoon will improve because still now we've got all the ratoon activity, which were to be done with suitably enhanced measures, like urea application, etc. So that part has already been completed. So that goodness, or that positivity of tillering has already entered the cane, now in June, July and August, we've had very scattered rainfall with sunlight. So till now, ideal conditions, and as Avantika briefed you on the disease and varieties, etc., we feel rather confident of giving a good performance and getting back to our old levels at 2019–2020 where it was around 10.5 crore quintals of cane. And as you are aware, we are expanding at Balrampur and we have done de



bottlenecking other units. There's another question on date of start. Yes, we would like to begin a little early from last year, definitely. And therefore, the crushing, even in the current balance sheet would be reflective of that as well as the next balance sheet, because the spillover would be much greater. So I think we've covered the broad spectrum of how the cane looks like in our area.

**Lokesh Maru:** Last question on realizations. India should produce about 40 million tonnes. Do you see, as per your expectation, due to diversion, due to bad crop from the yield, which was built in was for optimistic and really higher realizations of Rs. 38-40 per kg playing out for sugar, but after a good crop and earlier estimates of good crop, so how are you effectively looking at realizations for moving forward for this sugar season?

**Vivek Saraogi:** So basically, the realization looks very positive. See what the Government is doing. Let's understand very clearly, they are saying, keep your inventory at 6 million tonnes. So that's just a way of saying that just have enough stocks when the, you know, all the mills begin for up to December, thereby indirectly it is saying, I am in sync, or I am wanting the price levels to be decent. So, until you want the price to be positive, you don't do this. You don't come up with additional 12 lakh tonnes for exports, beyond my recognition because people were getting edgy, you'll only stop at 100 lakhs tonnes, why go to 112 lakhs tonnes. So, the idea and the thinking of the Government is very clear. So therefore, our realizations, as we get into August are closer to Rs. 35.8-36.0 per kg. We are hoping that these realizations continue to be firmed for the next couple of months, next three, four months definitely. And then, you know, there's a marginal dip owing to seasonal factor. On production next year, this is again, a very personal view, we've given you some estimates, normally when plants come late like Maharashtra, the ratoon yield is never good, because if ratoon is harvested in the month of May end, that yield is not good. But today one is really prompt an estimation, which went oddly last year, because one was not able to predict how much more Maharashtra can do. So, I don't think Rs. 35.5 per kg can be crossed if at all it may come down, but that's a very personal thing. Thirdly, the excess sugar, Brazil, etc., they need do need sugar, Pramod you will take the international scenario.

**Pramod Patwari:** Yes, global market needs sugar at this point in time. And India is not a supplier at this price level. So, in order to fetch sugar from India, which will be the requirement, global prices has to move up. The day it starts moving up, there will be a little pressure on the domestic market. Domestic market will also start moving.

**Vivek Saraogi:** And it's already good. So even if you get to next year and let's say one is able to export 7 million tonnes only, you're back to 6 million closing stock. Which is just perfect. So even for example, we in Balrampur, we have converted one of our refineries into being able to sell into London. So, we would also be physically exporting, refined sugar. The realization of it is absolutely wonderful. So, I think we'll come to figure work a little later. Maybe we'll be able to tell you next time. So, we are going to export white sugar from our factory, London 5 variety at very good prices. So, that's just to give evidence that even during season, prices might not come up a lot. Price trajectory positive, stock trajectory explained, demand trajectory same about 5-7 lakh tonnes higher from last year and continuing that sort of 2.5% - 3% growth of demand.

**Moderator:** The next question is from the line of Sanjay Maniyal from ICICI Direct.

**Sanjay Maniyal:** Just one question on the sugar production considering the fact that the gross level we have reached around 40 million tonnes. So if we really need to reduce our dependency on the export in a longer run, is it possible that the 10 million tonnes can be diverted to ethanol, considering the fact that 5 million tonnes probably can be diverted through juice route and the rest through B-heavy route and probably we



can reduce the 10 million tonnes through ethanol only and probably dependence on the export also comes down.

**Vivek Saraogi:** Again, it is misnomer to assume, a personal view, but with more than three decades of business experience, if one is expecting 400 lakhs tonnes to be produced infinitum, I don't agree with that prognosis. So, with this negative dipole, if one year rain fails in Maharashtra, you will see crashing down. This is not such a big fear for lifetime, two yes, everybody's expecting ethanol to be diverted. We've given you the trajectory, 10 million tonnes does not seem possible right now, as we go ahead, let's say you do 4.5 million tonnes this year, then you do about 6 million tonnes, then you do about 7 million tonnes. Meanwhile consumption will gradually grow. And at some point, production would correct. And even in global markets, there's been really dry weather in entire Europe, is suffering. Brazil is suffering. The global market today want 6 to 7 million tonnes desperately. If let's say, just India, next year, production collapses and India doesn't export world market work would go up to 25 cents, straight because if they need Indian sugar, there is a deficit in the globe. So having said that your answer 10 million tonnes doesn't look possible right now, but yes, gradually we hope you can go to 7 million tonnes, definitely. If grain underperform sugar can go to 8 million tonnes, we can maybe even cross that.

**Sanjay Maniyal:** Another thing would be on the grain ethanol front how the margin really will defer from the grain ethanol considering the fact that the recently probably the broken rice and all those grain prices have gone up. So has the margins, although their operations have not started yet, but maybe from the industry perspective, if you can give an answer to that?

**Vivek Saraogi:** Too early. Anyways. out of Balrampur 35 crore litre maximum 5 crore litre is grain. So A, I won't be worried B our fuel is ours. They are suffering because of lack of fuel and see our area's is a belt of broken rice, maize and everything and our distillery, is such as state of art, we can digest anything. You give it broken rice, give it maize, give it anything, so this is a multi-feed distillery. So we hope with our area, we should be able to deliver good margin, but let's wait it out. We just one quarter away from giving you a decent idea. A lot of fixed costs will get covered there. So, it's a first experience for us also, so one quarter more.

**Moderator:** The next question is on the line of Shailesh Kanani from Centrum Broking.

**Shailesh Kanani:** First of all I would like to know about the guidance of ethanol volumes for this year and next year I think last time we had spoken about 22 odd crore litre for FY23, so are we sticking to that guidance or there is some download revision to that and for FY24 as well.

**Pramod Patwari:** Yes, considering the cane, what we are expecting at this point in time, our ethanol volume to be the reason of 24-25 crore litre for FY23 and around 35 crore litre in FY24.

**Shailesh Kanani:** So, if we are sticking to the guidance given earlier.

**Pramod Patwari:** Yes.

**Shailesh Kanani:** Okay. So that would entail basically four quarter huge bump up in the ethanol volumes if I'm not wrong.

**Vivek Saraogi:** Absolutely. You are perfectly right.

**Shailesh Kanani:** Okay. So just a bookkeeping question. Can you just give a breakup of ethanol stock of 0.54 crore litre mentioned in the PPT between B and C.?



**Pramod Patwari:** C is hardly there, 95% of that would be B.

**Shailesh Kanani:** So, I was asking on the refined sugar front when this facilities do come up and they are operational full season, per se, what quantum and what percentage of that would be to our overall facility. Like if we are producing 1 million ton of sugar, what percentage can that contribute refined of that can be refined sugar?

**Pramod Patwari:** Refined sugar would be in the region around 45% to 50%.

**Vivek Saraogi:** Are you asking exportable or domestic?

**Shailesh Kanani:** No, no exportable white sugar?

**Pramod Patwari:** Around 10%.

**Shailesh Kanani:** Okay. And sir, more question on the acerage front it was just mentioned that we have around 327,000 hectares under our area that is 8% jump is it correct?

**Vivek Saraogi:** Correct. 3.24. lac hectare

**Shailesh Kanani:** So, 3.24 lac hectare. And the total area in UP would be something in the range 27 lac hectare. Something in that range?

**Pramod Patwari:** Could be 26 lac hectare. I don't have the exact figure right now, but it is in that range.

**Shailesh Kanani:** So, our share would be, roughly 12%. And if we are assuming, or we are estimating 10.9 million tons of sugar production, so we should be easily doing 1 million really even I'm considering higher diversion, is that calculation fair enough to assume?

**Pramod Patwari:** Absolutely. Right. You are bang on target.

**Vivek Saraogi:** You don't need us. You've done all the calculation rather correctly. Good work.

**Shailesh Kanani:** One last question on the growth. FY24 onwards, we were talking about expanding on ethanol side. We have also highlighted in our annual report. You can throw more light on that post FY24.

**Vivek Saraogi:** So actually see everything is still, you know, we are sort of evaluating ideas, anything as and when it comes up will go to the Board and then to our shareholders, we would appreciate that in the interim, there's not much update which we can furnish.

**Pramod Patwari:** While on the subject of the export, our idea this year is to export around 10% of our production. And as of now we have priced around 30% of that.

**Shailesh Kanani:** And that would be refined, 30% of the total export.

**Pramod Patwari:** Right. That would be refined. And realization is around Rs.38 per kg ex-factory.

**Shailesh Kanani:** And the extra cost for the refining is around Rs. 2-2.5 per kg. If I'm not wrong?

**Vivek Saraogi:** There is not any penny's cost. Except the capex. It's a capex item there is no revenue item there.

**Moderator:** The next question is when the line of Anupam Goswami from B&K Securities.



- Anupam Goswami:** My question is on the export front. So you mentioned about the realization Rs. 38 per kg. So where do you see, are we on the lower trajectory of the price at this level? Or are we at the peak level on this Rs. 38 per kg?
- Vivek Saraogi:** No, I didn't get your question. I mean, this pricing for the balance would happen based London prices, which have come off from when we priced our sugar. So it all depends on how London behaves.
- Anupam Goswami:** So, when we say that we have increased our new varieties also we have adopted and the weather pattern also looking stable where do we see the recovery? Are we going to see a recovery like a 2019–2020 sort of recovery year or because in this quarter, which is periodically a generally a high recovery quarter, we have seen about 135, 140 basis points of lower recovery.
- Vivek Saraogi:** I'll explain. So last year the recovery on C-terms was 11.48. So, we are definitely for a 30-bps improvement there. Possibly it can go up or down, recovery is far more difficult to predict than availability of cane, but we are hoping that it should be that. Understand one thing, in a year where cane is deluged with water or infested with disease both will go down together, quantity and recovery. The moment there is a virtuous cycle, which is hit and the stock is strong. The millable cane is good. You will get both yield and recovery together. It is very difficult that one will be good and one will be bad. You understand this for every factory in India, this is the basic thumb rule law.
- Anupam Goswami:** And so now that we are also looking to export our refined sugar, do we overall increase our production? What used to be an earlier run rate for a year?
- Vivek Saraogi:** We have expanded Balrampur, and our crushing per day will improve.
- Anupam Goswami:** So, basically going forward, we'll look at more than a million tonne of annual production. Right?
- Vivek Saraogi:** Definitely. We don't want to tell you what we are targeting. I mean, the next year cane, we are hoping it goes to minimum 10% more. That's when our full asset across the board gets utilized wonderfully. Our all are the distillery plants, B-heavy conversions, Balrampur's crushing, Balrampur's juice, Maizapur juice. When you go to 12 crore quintal of cane crush, then it'll be asset utilized to the core. And we are hoping that 10.5-11.0 crore quintal cane crush this year also there'll be wonderful asset utilization.
- Anupam Goswami:** Okay. So my last question if I can, your FRP was in the FRP was hike recently, do we see a possibility in Ethanol prices high and especially in the cane juice, because that would really give I impetus to reduce the sugar stock and go for more diversion. Do we see that happening?
- Vivek Saraogi:** This FRP rise, and this is a personal view right now is better for UP, is good for UP, because as you correctly said, both the juice and B-heavy price would go up, which is linked to this FRP. And we are hoping, as Pramod said in the beginning that there would be no SAP rise.
- Anupam Goswami:** So, about the juice. Do we see Government giving more impetus for the juice?
- Vivek Saraogi:** Maybe in a year from now maybe, but this year it'll be a little better, but it's too early. The price would come by September beginning.
- Pramod Patwari:** Mid-September.





- Vivek Saraogi:** The inclination of the Government is extremely positive. Their disposition is matching their pocket and their thinking. So it is merging with the clean, clean climate. It is merging with Prime Minister's Atmanirbhar concept. It is helping Miller pay cane price. It is reducing sugar stock, export of agri commodity, so this is rural energy cum export play. So you are helping the rupee dollar for the country, you are improving the climate, you are getting more and more energy, if I may say for security and you are helping the agri sector. So it seems very good.
- Pramod Patwari:** So there was a question on the total cane area in UP, we have checked and it is around 28.5 lakh hectares.
- Moderator:** The next question is on the line of Trilok Agarwal from Dymon Asia Capital.
- Trilok Agarwal:** Just two questions from a within distillery segment, do you think, you know, transfer price is going to sort of go up further next year, that initial comment will be helpful. And second, just in continuation with the previous participant question on linkage to – sorry hike in ethanol prices linkage to FRP, typically this happens just before the season begins, is that understanding correct?
- Pramod Patwari:** So as far as the transfer pricing goes, currently, it is at INR 10,300 a tonne for B-heavy molasses. We review before the start of the season, there is a possibility that it may go up also.
- Trilok Agarwal:** And could you also comment on the ENA prices now how much is increased over the last you know, three months?
- Pramod Patwari:** ENA prices remains fixed. We have a contract in place and it is fixed.
- Vivek Saraogi:** So that is the tax you have to pay the Government for that country liquor business. And every miller in UP has to pay, so it is okay.
- Pramod Patwari:** What was the second question?
- Trilok Agarwal:** Second question that the hike in ethanol prices typically happens in the month, September, October, that's the usual affair, right?
- Vivek Saraogi:** This year, maybe we will get it in September.
- Trilok Agarwal:** Sure. And so far there is no obvious linkage to, you know prices or in terms of cost production, but it's just an understanding, right. From the industry as well as – what the pattern has been?
- Pramod Patwari:** But if you read the notification in the preamble part, it is very clearly mentioned that what are the factors, which determines the ethanol prices.
- Moderator:** The next question is on the line of Riya Mehta from Aequitas Investments.
- Riya Mehta:** My first question would be for export, for basically its reading that we are in a surplus environment for export when it is concerned. So what are your thoughts? Why do you think that prices would shoot up in the export market? So basically in the export market, we are seen globally, there is a surplus of sugar with, you know, Brazil also coming back with its reading, and there is almost balanced amount of production everywhere else. So what makes you believe that the prices of export would increase, the global prices?
- Pramod Patwari:** See the international prices depends upon many factors, taxes and duties on ethanol, Brazilian currency value, overall availability of sugar in different part of the



year. So there is a gap in terms of availability of Brazilian sugar for certain period of time. India has to fill up that gap.

- Riya Mehta:** Could you let me know more about the Brazilian crop.
- Pramod Patwari:** Our view is that it should be between 32-33 million tonnes.
- Riya Mehta:** That is more than what we had expected. Right? Like we were expecting a deficit in Brazil but they did more than estimation.
- Pramod Patwari:** 1 million tonnes here and there doesn't matter. A year back, Brazil produce around 38.5 million tonnes.
- Vivek Saraogi:** So just to put what Pramod is saying, I just had my comment, even if we see the European Union, their pricing it's, I mean, their production is terrible. The dryness and the yield should be very bad. So yes, you are right. We don't see, if the world wants Indian sugar, which it does. It's not coming at this price. So, because nobody's going to export at this price. So, as you would've seen last year, there worst parts of, you know, up and down that will continue. However, our trajectory and our views is that it should remain positive. And even the current rupee-dollar equation is helping exports.
- Riya Mehta:** What kind of deficit do we see in international market?
- Vivek Saraogi:** It's very tough to predict it, like, you know, apple to apple basis. We are giving a basic feeling and a basic sense.
- Riya Mehta:** Okay. And a second question would relate to the cost to production. I understand that because this quarter we had lesser crushing, so apportionment of fixed cost would be higher, but going forward on an annual basis, what kind of cost of production are we looking at?
- Pramod Patwari:** So again, cost of production will be a function of cane availability, recovery, transfer pricing, but whatever assumptions we have, at this point in time, on the basis of prevailing conditions, we expect cost of production to be in the region of around Rs. 33 per kg.
- Vivek Saraogi:** It should come down Pramod. I mean, that's all we can say today. Can come down definitely over last year.
- Riya Mehta:** What about the monsoons currently? Like a few days back there was deficit of monsoons in the UP area. So does that affect our crop or recovery to any extent?
- Vivek Saraogi:** No, rather we are happy with what has happened. East UP always gets more rain. We have got rain and we are getting, you know, sort of two inches, one inch per day types, very you know, evenly spread out with bouts of sunshine. So that's extremely good for photosynthesis and growth.
- Riya Mehta:** Okay. Fine. Just my last question would be we is 8% higher acreage for Balrampur, right.
- Vivek Saraogi:** The group.
- Riya Mehta:** Yes. Right. In acreage terms, 8% and production, could you give any guidance, cane production?
- Vivek Saraogi:** We just said, our hope is that our internal target not hope, is 10.5 crore quintals. We were 8.88 crore quintal last year.



- Riya Mehta:** This is the production increase we are expecting.
- Vivek Saraogi:** Yes. Cane production increase recovery is separate.
- Riya Mehta:** This is basically on account of all the debottlenecking activities we are doing. Right.
- Vivek Saraogi:** Yes. Because of the cane development efforts, with the ratoon management, the weather conditions overall, which we just whichever Avantika explained in the beginning.
- Moderator:** The next question is from the line of Nishant Sharma from Edelweiss Wealth Management.
- Nishant Sharma:** Two questions from my side. First on the distillery segment, sir, while I understand that the industry should be looked at on a yearly basis. But for past some years, we have been witnessing that the margins in the distillery segment have been coming down. And just from the picking from the comment from previous participants on transfer pricing of molasses is expected to increase further, can we expect, what kind of a sustainable margin is expected in the distillery segment on a year basis.
- Pramod Patwari:** So if you see Slide 28 of our presentation, which will reveal the transfer pricing as well as the profitability margin. So if the transfer price of molasses goes up or goes down, it directly impacts the profitability in the distillery division.
- Nishant Sharma:** So we can have any sustainable margins out there or the trajectory for molasses prices, because earlier there has been a sharp increase in the molasses prices and possibly that could be the precise reason for decline in distillery margins on a yearly basis. So is there a possibility to see any kind of a sustainable margins because that is the key growth driver for profitability going forward.
- Pramod Patwari:** So, see transfer prices are maintained at this level, which is INR 10,300 per tonne, the kind of margin we are having at this point in time can be predictable. Having said, the reason for varying the transfer pricing is, it depends upon the quantum of sugar, which we sacrifice under B-heavy. If we sacrifice more sugar, there needs to be corresponding credit given to the sugar division, in the form of higher transfer price of molasses. So that is the rationale for annual review or revisit of the transfer price for molasses.
- Nishant Sharma:** Okay. So then in that case as we progress and as we see more share of revenue coming from ethanol, we have to divert more sugar towards ethanol business. So this current margin of around 30% to 35% would be coming down also on a year-on-year basis.
- Pramod Patwari:** But how does it matter if we are giving a high value assignment in the distillery segment for the molasses prices, there is a corresponding credit in the sugar division. So at a company level, it will really not matter.
- Nishant Sharma:** Okay. So the company level a EBITDA margin, which is around 14% on a yearly basis, unlikely to see jump towards a 17% or 18% over the next three years, as we see more revenue coming from Ethanol, is that a fair assumption that then what could be the blended level margin? So at a company level, if I have to ask?
- Pramod Patwari:** So normally we don't give this kind of forward looking statement. In spite of that, we have given enough food of thought for you by giving the estimated cost of production for sugar, for the FY23, we have given guidance on the cane availability, as well as the recovery also.



**Vivek Saraogi:** And the pricing.

**Pramod Patwari:** Sugar price trajectory as well. Ethanol prices, you can see an upward revision in the month of September as because we have seen the increase in the FRP price.

**Vivek Saraogi:** It's obvious, isn't it? With the cane availability increasing fixed cost will lower with the recovery increasing cost of production will go lower, with ethanol pricing increasing revenue will go higher. If sugar prices increase or remain firm, revenue is higher, the net result of all this will result in a EBITDA margin. You don't need to split it more it will become very tough.

**Pramod Patwari:** Okay, sir. Second question on the sugar side, basically I mean, if I may have to ask, why we have seen lower yield sugar cane yield vis-à-vis the similar players which are present in UP, so they got better recovery, a better yield in terms of sugar cane. And we got lower yield. If you can help me out in understanding this because we are in the same state and still the sugar cane yield is a little bit different for us and for them.

**Vivek Saraogi:** Yes. Okay. Good. Very good question. Balrampur, Tulsipur receive 90 inches of rainfall in two months, which was not present in the other areas. The drainage conditions are different. The amount of rainfall was different and therefore the yields were different, West UP were totally different trajectory in terms of drainage facility, etc. Entire Lakhimpurkheri zone in Central U.P. was infested by red rot at the highest level, there are other units of other mill also. So that's the reason. There was no lack of effort or understanding of business, which led to this. It was conditions beyond our control.

**Nishant Sharma:** So, I wanted to understand this geographically difference only that this could be the major reason why?

**Vivek Saraogi:** It's a big fallacy to assume UP is one state. UP's population is more than Europe's population and UP's conditions are like a country's condition. So east UP, Central, west, they are very different conditions, so never expect UP to be one.

**Moderator:** The next question is on the line of the Tejas Sonawane from Dolat Capital.

**Tejas Sonawane:** Firstly, on the annual report, you mentioned that company could explore profitable options within the chemical universe, which could see a bigger sacrifice of sugar, could you throw us some light about what kind of opportunities are we talking about here?

**Vivek Saraogi:** So basically see one is exploring things. So there are many things which one is exploring. And as I had requested earlier, it is going to be difficult for me or for anyone to say anything until the exploration is complete, it goes to the Board first and then it can only be told to anyone. But we do continue to explore.

**Tejas Sonawane:** Okay. Secondly sir, with India achieving a 10% blending rate and now moving forward to a 12% target in next sugar season how do you see that timeline in terms of the OEMs rolling out E20 or E15 compatible cars? Because as I believe that right now the cars, current cars which are available in the market are E10 compatible, but as we move along with E15 E20 blending rate how do you see the rollout from the OEMs in terms of the timeline? If you can guide us in that.

**Avantika Saraogi:** So, there is a very serious exploration also going on about a flex fuel kit, which will enhance the ethanol blending capacity in you know, in existing vehicles. And this study is coming almost to an end. So hopefully, you know, that is for existing vehicles and the new vehicle, I think.



- Vivek Saraogi:** So let me tell you, firstly, OMCs don't have anything to do with the cars that's the car manufacturers who have to deal with it. OMC will just blend, correct? Secondly, all flex vehicles, all the sort of car manufacturers. There are two types of compatibility. One is material compatibility of the car and the other is the engine compatibility. So all cars, I think all vehicles would get onto material compatibility by April next year. Everybody, I think so there is no problem in accepting 20% from next year onwards only. Meanwhile everybody's already equipped to take up to 15%, 12% to 15%, so there's going to be no problem. And there's a lot of work going on in hybrid cars, flex fuel cars, like in Brazil, US, Europe, they make all cars are flex fuel cars, which means you can take up to E85. So on that trajectory, one need not be worried at all.
- Tejas Sonawane:** Okay. So, my understanding was since we are seeing an increased focus on electric vehicles by the OEMs. So, could we believe that the success of the E20 blending would depend on the OEMs coming out with the E20 compatible cars sooner? If there is any delay from the side of OEMs, could it see a lower demand from OMC? Is it that right, fair assumption?
- Vivek Saraogi:** No, there'll be no problem. You're already going to be 1<sup>st</sup> April onwards 20% materials compatible engines. If one looks at 2025, you could actually, if industry is going to supply, maybe 26 percent, you can go up to 25 percent blending. On your question there is zero tension in the mind of that agenda. Negative tension.
- Moderator:** The next question is in the line of Rajesh Mujumdar from B&K Securities.
- Rajesh Mujumdar:** So I had a couple of questions. One is that NITI Aayog has given us a 50-50 kind ratio of ethanol from molasses versus grain and out of the 700 crore liters allotted to molasses you already get 550 or something by the end of this fiscal or this sugar season. So is this ratio something which is going to change, especially given the facts that the pricing on juice can change the recent FRP and what is the tipping point of that pricing by which then we see greater diversion into juice. That was my first question.
- Pramod Patwari:** So Rajesh, when NITI Aayog came out with their roadmap two years back, thought at that point in time was that India's gross level sugar production would be the reason of around 34 million tonnes. So, on that basis, there was some expectation how the pipelines of distillation capacity comprising of traditional C and B and juice would be built up, right. If we continue to see this kind of sugar, which in our mind is very difficult, that continue to have 40 million tonnes of sugar on a sustainable basis, there is a possibility that we may see further increase in the distillation capacity. But as far as the current distilleries are concerned, which are in the pipeline of being constructed, it is expected that 7 million tonnes of sugar will get diverted by 2025–2026.
- Rajesh Mujumdar:** This is based on 50-50 ratio.
- Pramod Patwari:** It is more than 50-50.
- Rajesh Mujumdar:** So, two third – one third kind.
- Pramod Patwari:** So, on this basis, out of 20% blending, maybe 11% will come from molasses route and 9% from grain, if at all grain capacity supplies fully.
- Vivek Saraogi:** Otherwise sugar could add to that.
- Rajesh Mujumdar:** Right. And what is the tipping point for juice price by which say, distillery like yours, one coming up will not be using grains, but rather be using a mixture of B-heavy and juice, which is the best combination for you?



- Vivek Saraogi:** So, to get, B-heavy and to get Juice, you have to get cane, so whoever gets cane, will first do their job with cane. Now, if somebody wants to go in for juice or not, it will depend on how the pricing trajectory is done and how people have capital to allocate to distillations. Things being attractive there, it would move up. That's our assumption, but just let it play out for a bit.
- Rajesh Mujumdar:** My second question is on return of capital policy, which we have been perusing over the years in terms of dividend payouts or buybacks, last year we had buybacks in the market. Will we see a similar kind of payouts in the company going forward, post the distillery expansion?
- Pramod Patwari:** So these are corporate announcement, which can be once....
- Vivek Saraogi:** Board deliberates when things play out.
- Rajesh Mujumdar:** As a policy, we roughly return about 4% yield kind of on our stock value in terms of either dividends or buyback over the years. So roughly there would be some kind of policy regarding the payout of capital money is that historically Balrampur has been known for this. So I'm just wondering if there's a similar policy, which would play out in the years to come?
- Pramod Patwari:** Rajesh our stated policy is already available on the website.
- Moderator:** The next question is from the line of Nimis Sheth from GT Advisory.
- Nimis Sheth:** Very disappointing first quarter results. But on the flip side, we are very, actually happy to hear the management's efforts and focus on cane management. And hopefully we will have much more availability and more stable supplier of cane in the current season and in the seasons to come. Two questions, one is on bagasse is extremely profitable right now. Is it because of the lower cane production in UP, or is there a structural change in the demand for bagasse, which is why we are seeing good pricing? And does it mean that in the coming year with the bouncing cane in up bagasse prices will come down? That's the first question. And the second question is actually on the new swing plant that we will be commissioning some, just a few specific questions. One is when is that going to be completed by the vendor and hand it over to Balrampur for commissioning. And the second question, this is a swing plant, so you can only use juice, or you can only use grain, correct. And can juice be stored beyond the season, so that it can be used in the off season? I believe there is a technology to do that.
- Vivek Saraogi:** Okay. So, Bagasse, there is a change in the pricing trajectory, if at all UP is going to sell, I mean, at least are we to it INR 500 a ton higher than last year. So maybe the plastic ban, maybe it's so many of these grain distilleries coming up demanding paper, upsurge in paper industry. So we are already in process. We like hoping for at least maybe above INR 500 a ton higher realization on the enhanced cane. It's Yes. First question. And one, has a feeling it's going to be a little more structural. Secondly, understand the distillation plant, grain and sugar cane can run together, right? As told earlier, we will be commissioning in October, sometime where we'll be running on grain, or maybe we didn't mention. In October, we should be able to start actually supplying ethanol from the grain route. And when sugar begins in November, we'll be supplying, as we start crushing cane, juice will go to make ethanol.
- Nimis Sheth:** So does this mean that when you start in October, the plant will be ready in by September, so that you can start in October? Is that fair?
- Vivek Saraogi:** Is there any other way for plant is not ready to start the plant?



**Nimis Sheth:** No, that's what I'm saying. Correct. Okay.

**Vivek Saraogi:** Once we are supplying juice means everything is ready. If you're making sugar, can a factory not be ready.

**Nimis Sheth:** No, no. That's what, so that means in the September quarter, when the plant will be commissioned.

**Vivek Saraogi:** No, it is commissioning happens only when you supply in the balance sheet. Not when you physically make it, you have to physically take goods out.

**Nimis Sheth:** Okay. the interest and depreciation relating to the commissioning of the plant will hit us in Q3 basically onwards.

**Vivek Saraogi:** Yes. That's correct. Yes. So, it'll come in that quarter, October quarter, including the production.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over the management for the closing comments.

**Vivek Saraogi:** Thank you very much. Pramod if you'd like to say anything.

**Pramod Patwari:** It has been a pleasure doing this call with all of you today. I hope we have been able to answer all your questions and if you have any further questions, we would be happy to be of assistance. We hope to have your valuable support on a continuous basis. As we move ahead. On behalf of the management, I will say thank you for taking the time to join us on this call. Thank you.

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