BALRAMPUR CHINI MILLS LIMITED

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13th February, 2025

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Symbol: **BALRAMCHIN**	Scrip Code: **500038**

Dear Sir/Madam,

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

Subject: Transcript of Earnings Conference call

In terms of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of the Q3 & 9M FY25 Earnings Conference Call held on 10th February, 2025. The same is also uploaded on Company's website at the following web page:

https://chini.com/investors/concall-transcript/

Thanking You.

Yours faithfully
For Balrampur Chini Mills Limited

MANOJ AGARWAL

Digitally signed by MANOJ AGARWAL
Date: 2025.02.13 17:34:36 +05'30'

Manoj Agarwal
Company Secretary & Compliance Officer

Encl: A/a

Balrampur Chini Mills Limited

Q3 & 9M FY25 Earnings Conference Call Transcript
February 10, 2025

Moderator: Ladies and gentlemen, good day and welcome to Balrampur Chini Mills Limited's Earnings Conference Call. As a reminder, all participants' 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. Thank you and over to you, Ma'am.

Jenny Rose: Good afternoon, everyone. And thank you for joining us on Balrampur Chini Mills' Q3 and 9M FY25 Results Conference Call.

We have with us today Mr. Vivek Saraogi – Chairman and Managing Director of Balrampur Chini Mills, Ms. Avantika Saraogi – Executive Director, 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 the question-and-answer session.

Before we start, 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. Over to you, Sir.

Vivek Saraogi: Thank you and good afternoon everyone. Thank you for joining us on Balrampur Chini's Q3 and 9M FY25 earnings call.

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

According to latest ISMA estimates, Indian sugar production net of diversion to ethanol is in the region of 272 lakh tonnes. This is down from 320 lakh tonnes, reflecting a 15% decline. Sugar diversion is expected to be at 37.5 lakh tonnes as against 20 lakh tonnes last season. The drop in sugar production is primarily due to lower cane yields across all the three largest producing states – UP, Maharashtra and Karnataka.

UP's production is expected to fall from 104 lakh tonnes to 93 lakh tonnes, primarily due to red-rot infestation and ongoing varietal replacement. Maharashtra is likely to produce 85 lakh tonnes, a sharp decline from 110 lakh tonnes. While Karnataka is expected to see a drop in production from 52 lakh tonness to 45 lakh tonnes.

Despite this decline in production, overall sugar availability seems to be sufficient. We began with an opening stock of 80 lakh tonnes. Total supply for the current season is expected to be 352 lakh tonnes, that is 272 lakh tonnes production plus 80 lakh tonness opening stock. With domestic consumption estimated at 280 lakh tonnes and export of 10 lakh tonnes, we deduct 290 lakh tonnes from 352 lakh tonnes, the closing stock is expected to be around 62 lakh tonnes by the end of the season. The government's approval of 10 lakh tonnes of exports has provided some relief to the millers. Also, by helping strengthen the domestic price, which are now expected to remain robust going ahead. The current expected price in UP and in our mills are prevailing upwards of Rs. 41/kg.

On the ethanol front, there has been a disappointment. The tender was floated as usual, in November. However, the recent decision to keep the price unchanged or without any hike has been very disappointing. This is a deviation from the past practice of linking ethanol prices to the hike in FRP. We have raised this issue strongly with the government. This will make the diversion unattractive, and we will continue to address it vigorously through the industry association. We believe this could put the government's program in jeopardy. Our honorable Prime Minister, even in the Budget Session, has taken credit and sort of praised the ethanol program for saving significant foreign exchange, which we also believe is true. However, moving forward, we will be discussing this matter with the government.

Coming to our business performance, sugar segment delivered strong results, supported by improved margin. Distillery segment, however, faced challenges due to lower recovery induced impacted by reduced Pol%. The said recovery is now showing an uptrend. Cane crushing during the quarter was up by 10.4%. However, recovery was down by 48 bps for our company owing to adverse weather conditions.

So, I will now put this performance into perspective—our performance and our expectations. Let me put a disclaimer by saying that this is an expectation, but a far more intelligent guess today than it would have been guessing a month ago.

Our recovery is now picking up, which means that our decline of 48 basis points will reduce as the season ends. In fact, in two of our factories, we have already surpassed last year's recovery on date, which is a very encouraging sign. We hope that our drop in crushing will not be, too early, and should not exceed 3%, based on our current figures. As you are aware, we've shown an increase in crushing in all our units. Therefore, even if we expect a drop of 0.4% or 0.35%, except for Dalmia, whose recovery is slightly lower than last year, the others are much lower than us.

We would also like to put this in the context of our juice production. Initially, recovery was low, but it has since picked up. Therefore, juice production in the coming quarters will show marked improvement, as will recovery.

Our PLA project remains on schedule, with the UP government's bioplastic policy further enhancing its viability. The board has approved a capex of Rs. 2,000 crore, which was previously estimated. These figures were calculated before detailed engineering, which did take time. Now, based on a complete capex and opex review, our project cost stands at Rs. 2,850 crore gross or Rs. 1,750 crore net, with an expected capital subsidy of around Rs. 1,100 crore. This higher investment will lead to an enhancement of capacity from 75,000 to 80,000 tons and a much lower conversion cost than envisaged.

We have advantage, having mapped everything globally. Our opex will be highly competitive, and I would even hazard to say it will be the lowest, based on the reconfiguration of our plant and the fact that our bagasse etc., , is all our own. We have reduced power consumption and added equipments to lower the opex. We are very confident about this. When we benchmark globally, our capex per ton will be the lowest by far.

The project cost is expected to be funded through long-term debt of Rs. 1,650 crore and Rs. 1,200 crore from internal accruals. At full capacity, the project is expected to generate ~Rs. 2,000 crore in revenue, with EBITDA margins, though it's still early, we are targeting 35% plus. The commissioning schedule remains on track for October 2026.

As we move forward, our focus remains on driving operational efficiency, strengthening farmer relationships, and navigating the new sectors we have undertaken. We believe our integrated business model, commitment to sustainability, and strategic expansion into bioplastics will strengthen our position and long-term value creation.

I would now like to hand over the floor to Pramod.

Pramod Patwari: Good afternoon everyone. I hope all you had the opportunity to go through the detailed presentation that has been shared. So, I would request the moderator to open the forum for the questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sanjay Manyal from DAM Capital.

Sanjay Manyal: One thing about the PLA project, so you mentioned that the capex cost is now Rs. 2,850 crore, which is almost 40% higher, and the capacity increase is from 75,000 tonnes to 80,000 tonnes. Could you please elaborate on why the increase in capex is so significant, around 35% to 40%?

Avantika Saraogi: Hi. Thank you so much for the question. I just wanted to sort of bring it a bit into perspective. The capex initially envisaged was for the go-ahead of the project, based on the feasibility study, and was considered a Level 5 capex estimate, which can have a variation of +/-50%. Now, we are at a Class-2 estimate, where the variation should not exceed 10%. Hopefully, there will be no upward variation at all. So, I just want to bring into perspective once engineering happens, once certain local factors are considered into the situation which you cannot consider before, then things do tend to change. We have been able to optimize also more than we ever imagined we could. So, a lot of things have gone very well. Yes, that has increased the cost, but believe me, it's well worth every penny.

Vivek Saraogi: And just to tell you, we have put in very stringent penalties on the suppliers and that has also added to the cost a bit, but it gives us a lot of safety, in our mind. So, it's on quality and achieving the targeted production so that gives us a lot more safety in our mind undertaking a new venture.

Sanjay Maniyal: Right. And from the subsidy point of view, other than the capital subsidy, do we have anything on the operational side?

Vivek Saraogi: Yes. So, I thought we have seen the subsidy, but I will clarify. So, 50% of ECI is the capital subsidy, that is called Eligible Capital Investment, which might exclude some things like infrastructure cost, water, etc. There is a 5% interest subvention, which means, assume we borrowed at 8%, we net pay 3%, we get 5% from the government. And there is an SGST refund. Avantika, clarify.

Avantika Saraogi: A net SGST reimbursement for a period of 10 years. So, for the amount products sold within UP, the net of GST that we would accrue there, we would get it reimbursed up to 200% of capex, that is the rule. The GST stands at 18% total, so 9% is on state.

Vivek Saraogi: But it's a net refund.

Avantika Saraogi: Of course.

Sanjay Maniyal: So, this 35% EBITDA margin is considering these subsidies, all these subsidies or this is without subsidies?

Vivek Saraogi: Let Pramod clarify. Pramod?

Pramod Patwari: So, as far as 35% margin is concerned, surely, we have taken into consideration the capital subsidy and the interest submission, but SGST net reimbursement as of now has not been factored into it.

Sanjay Maniyal: Sure, one thing on the recovery part, 48 basis points lower recovery. So, as you I think mentioned that you are now better with the plant cane. Can we assume that overall, with for the crushing season it will be a 40-basis points kind of a loss? And if I am not wrong, you have mentioned 3% decline in the crushing number or the production number?

Vivek Saraogi: So, crushing number would be 3% lower – is our estimate. And yes, 0.40% loss in recovery.

Sanjay Maniyal: Right.

Vivek Saraogi: Taking the backdrop of others it is very good.

Sanjay Maniyal: Right, sir. Just last one on the distillery part. With an almost 7% to 8% increase in SAP last year, we have seen two consecutive years of higher sugarcane costs and lower recovery. Meanwhile, ethanol prices have not increased. What would be the impact on the margin from an ethanol perspective? Earlier, we were making a pretty good margin of Rs. 7 to Rs. 8 in the juice part. Now, what would the economics look like in this scenario?

Pramod Patwari: Yes. So, as far as the ethanol is concerned, as sir was also mentioning, there is a lower recovery from the cane which is now showing an improving trend. In spite of that, we do not see a good margin coming out of the juice-based ethanol, even if we take into consideration the full years of operation. Distillery margin will surely be muted in comparison to last year for previous years because of the continuous increase in the raw material cost and no increase in the realization. In addition to the raw material cost, there is an inflationary pressure also on the conversion cost.

Vivek Saraogi: Okay. But having said that, it will look a lot better than what you are seeing now.

Pramod Patwari: Yes. The reason for the loss in this quarter is due to the fact that we had very little feedstock available as of 30th September 2024. This can be validated once you see the presentation, which compares the corresponding numbers from 30th September 2023. There was hardly any stock available to produce ethanol, and very few finished goods of ethanol to sell in the December quarter. Last year, due to production restrictions, we migrated from juice and B to C, and we had some opening stock of B-heavy ethanol, which resulted in profit. This year, however, there was hardly any stock of B-heavy ethanol, so there was no significant sell of B-heavy ethanol in the current quarter.

Moderator: The next question is from the line of Vikram Suryavanshi from Phillip Capital India.

Vikram Suryavanshi: What is export quota allocation we have got? And if you can share what are the export prices of some of the deals that are negotiated in the industry?

Pramod Patwari: So, our export quota was around 31,000 tonnes. We have traded our export quota, and we retain our domestic release, so we will be getting the domestic release of this 31,000 tonnes over a period of five months beginning from March, so there is an upside in the domestic.

Vikram Suryavanshi: Okay. So, we have traded for the quantity, but the price is not locked, is that right?

Pramod Patwari: No, we have traded our license for quantity. So, we have sold our license at ~Rs. 9 crore or something.

Vikram Suryavanshi: Okay. Understood. And basically, for the outlook on ethanol blending, sir has also given some idea, but what would be our production estimate given I think B-Heavy, and juice route may not be that attractive considering the sugar price increase in the domestic market. So, will it significantly impact the full year volume for distillery? And how is the utilization for even grain to ethanol for us?

Vivek Saraogi: So, there are three parts to this conversation. One, as you know what has happened that we have said it. So, how we have reacted, we have converted two of our units from B-heavy to C-heavy, immediately, after the zero increase. And post the export, sugar production will become attractive. Two, in our mixture we have five refineries out of our 10 factories. So, refinery is seeing good demand. So, we feel with this conversion we will make more sugar and therefore our blended realization should be very good, having five refineries. Juice, however, we would continue as we have tendered the juice quantity. B-heavy will convert to C. And in our factories, we have spent the capex, so just assuming next year we are sort of feeling that the economics is for producing more C-heavy, all our 10 plant can produce C-heavy throughout, technically. C or B we can produce everywhere. So, we have fungible capacity going ahead.

Vikram Suryavanshi: So, in case B-heavy we were not able to fulfill quantity, can we convert that into C-heavy, or is there any penalty?

Vivek Saraogi: No, we had converted. I told you that in two factories we could, we had converted into C-heavy.

Vikram Suryavanshi: Okay. I was talking about from OMC side that whatever quantity we have committed.

Vivek Saraogi: No, that will get handled, that's not a problem.

Vikram Suryavanshi: Okay, I was like actually looking from that side. And just one point, because we have seen the recovery drop and some of the mills have seen the cost of production have gone up significantly. While Q3 realization were not that high, so was there any inventory loss we accounted from the inventory or for us it was not the case?

Pramod Patwari: Yes. So, your question is with respect to sugar inventory?

Vikram Suryavanshi: Yes. Was there any inventory loss we have accounted or write-off we have taken for this quarter?

Pramod Patwari: Yes. Pawan, do you have the figures?

Pawan Patwari: Yes, for the quarter our sugar costing is Rs. 41.21/kg and we have valued the sugar inventory at Rs. 38.26/kg. So, this is the phenomena every year because in Q3 we get ~40-45 days of crushing, so this cost will, on a full year basis, will come down because next quarter we will have 90 days of crushing.

Vivek Saraogi: So, just to summarize, Pawan, what is the inventory we are carrying forward at what cost?

Pawan Patwari: We are carrying forward 31.6 lakh quintal of sugar inventory at a valuation of Rs. 38.26kg.

Vivek Saraogi: Right. So, we are carrying for 31 lakh plus lakh quintals at Rs. 38.26/kg. We are currently selling above Rs. 41.25/kg.

Vikram Suryavanshi: Right sir, yes. And the last question is that this non-238 variety in terms of varietal replacement, how is that share right now? And does recovery decline also have some impact of this migration to new variety, or it is like purely on weather and other parameters?

Avantika Saraogi: We have already reduced our 238 percentage over the last three years considerably. So, our percentage this year for 238 should be something between 10% to 15% in crush. And the recovery drop is not with respect to the varietals exactly, it's more the weather phenomena. I also want to see that last year our recovery was actually much higher than we had envisaged that it would be, so it as very strong. So, if you look at absolute terms, our recovery in comparison to the rest of the state, we are actually very strong.

Vivek Saraogi: So, last year C basis was 11.75%, which in itself was very good. And there has been a drop because of the weather conditions. So, we would still be, let's say, we are assuming 0.40% drop, we would still be at 11.35%, which, from Balrampur's perspective, is looking 0.40% lower, and it is a fact. But from the state's perspective, it might still look very good, except Dalmia.

Vikram Suryavanshi: Definitely, sir. We really acknowledge your cane development efforts, and we clearly see your recoveries are much better. Additionally, the whole cane availability is much better than the state we are seeing, as the numbers are coming in. So, thank you very much.

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

Shailesh Kanani: My first question was regarding to something mentioned in the PPT about PLA, wherein it was stated that the imports for analysis and product development by compounders and converters have already begun. Additionally, we have also mentioned that we will be exploring alternative feedstocks such as rice and corn stock for future expansion. Could we elaborate and provide more details on this?

Avantika Saraogi: So, basically, we have started feeding the market activities. So, we have started importing PLA, the kind exactly that we will be making in order to work with the downstream industry, which is the compounders and converters. And also, brand owners and the whole value chain who would then be using those products to start developing that value chain from our end. That is what it basically means. So, if you want a more detailed thing, we are getting PLA, we are going to give it to different people who are going to make different products from it, prototyping, and actually seeing whether it is working in their application, so we do not lose that time after we are producing. All that would be taken care of much before, that's the first thing. The second thing is feedstock flexibility, which we will explore for the future. It's really actually a very rudimentary thing, like you can produce ethanol from rice or sugar. It's very much similar to that. At the fermentation level everything becomes the same in any case, so it's just a preparation of the raw material which changes, which is not rocket science, it's fairly simple.

Shailesh Kanani: Okay. So, the way I understand is that, so our PLA facility would be fungible and only the pretreatment of the feedstock would be something which would be needed, and the rest part of converting fermentation and lactic acid to PLA is something which can be done for the current facility only. Is that understanding right?

Avantika Saraogi: Absolutely.

Vivek Saraogi: The fact that we are importing PLA compounding, and that we have budgeted for marketing and development expenses in our project cost, is because our target is to have our facility sold out before we begin. So, there's a lot of work going on all the fronts, technology, marketing, government engagement, etc.

Shailesh Kanani: That's quite useful. Thanks a lot for that explanation. Sir just I wanted to understand, in your opening remarks you also mentioned about that our facility would be starting somewhere in the period of October 2026, that is second half FY27. So, I just wanted to understand one thing, in terms of certifications or approval for the product, and from regulatory authorities from both domestic and international, would there be time lag or that is factored in the timeline what we are giving for the project?

Avantika Saraogi: It's all factored in.

Shailesh Kanani: Okay, great. Sir, one thing on number, we have also mentioned about Rs. 2,000 crore revenue coming from the plant at optimal capacity, can you specify what is that number of organic capacity that we are factoring in?

Vivek Saraogi: 80,000 tonnes.

Shailesh Kanani: So, it’s 100% capacity?

Vivek Saraogi: Yes. And why not?

Shailesh Kanani: Yes, absolutely.

Avantika Saraogi: We pride ourselves on being able to run over the capacity, which is rated, so we are thinking that rated is optimal.

Vivek Saraogi: So, by the way, a lot of this business is linked to fermentation, a lot of it. And that we have run the best fomentation business by making ethanol from juice. The single plant in the country which makes not even one bag of sugar. So, just we feel a little more confident, I guess.

Avantika Saraogi: And in fact, actually that is the place that determines your recovery, your conversion cost.

Vivek Saraogi: Yes, energy cost and lots of other things.

Shailesh Kanani: Yes. Sir, just the last question from my side, in terms of capex can you give some indicative numbers about FY26 and FY27, and also the current consol debt in divisions?

Pramod Patwari: Yes. So, long term, we borrowed around Rs. 325 crore for the purpose of PLA within December, and our existing long-term debt is Rs. 200 crore. Out of this Rs. 200 crore, Rs. 22-odd crore will be repaid within March 2025. Thereafter, Rs. 89 crore is payable on an annual basis in next two years. Short term loan is fully backed by inventory. The figure as of now is net of cash and cash equivalents it should be around Rs. 1,200 crore to Rs. 1,300 crore.

Shailesh Kanani: And sir, in terms of capex figure for FY26 and FY27, how can we factor that in our models? I do not want the whole project cost, but just for cash flow perspective from FY26 to FY27.

Pramod Patwari: I think we have already spent Rs. 700 crore. So, the Rs. 2,850 crore we will retain, around 10% to 15% that will be paid after the commencement of the project. The rest will be just proportionate expenditure, it's difficult to give you a month-wise breakup or a quarter-wise breakup.

Vivek Saraogi: Yes. So, it all depends, but we need coming orders, that probably next quarter we will have a better visibility.

Avantika Saraogi: And it is on milestone achievement also.

Vivek Saraogi: Milestone achievements. As we said, we put in very stringent penalties and payment conditions on the suppliers, internationally.

Moderator: The next question is from the line of Deepak Dharmavaram from Sundaram Mutual Fund.

Deepak D.: Yes. So, first, this cost escalation of Rs. 850 crore, I just want to understand what exactly is it, meaning, is it more to do with plant and machineries or is it something else? Because in your PPT you have mentioned that this higher investment will lead to a lower conversion cost, so is there some kind of backward integration we are doing? Where exactly this cost escalation is coming from?

Vivek Saraogi: Let's assume capacity is going up by 10%, so factor in something there. The rest is to put up machines which can lower your energy cost and lower your chemical cost and your input cost, input material consumption. So, these are complex engineering which we hired the best brains globally and we saw that we could have quite good saving in the all the conversion costs, as I mentioned, chemical cost, energy cost and raw material cost. Based on that, certain reconfigurations were done, and therefore this is the result.

Deepak D.: Okay, sir. And is there any possibility that this cost may further go up as we do more of engineering studies?

Vivek Saraogi: Ordering has all been done largely, all the big bought outs have been ordered.

Avantika Saraogi: There's no space for it to go up. If anything, it might come down.

Vivek Saraogi: No, let's not say that. So, it's an intelligently done exercise with all 90% orders in place.

Deepak D.: So, it would not be that material, even if some little bit of capex inflation happens.

Vivek Saraogi: Yes, that's all you can say right now.

Deepak D.: Okay. And from end use application point of view, means are we still in the R&D process? Or have we thought about what could be the end use application, means, what kind of product that end consumer will be making of these PLA pellets? Whom we will be supplying to? Is it still in R&D stage or there is some understanding of that?

Avantika Saraogi: So, basically, the SUP ban is one of the main kickers for us, because now those products are very easily made with PLA. We are looking at all the applications. And it's not an R&D in the sense that everything is possible, we are just sort of working with multiple people. If you ask me who exactly are we selling to, I do not know, but I am working with 10 people on 10 applications to see which one gives us the highest revenue actually.

Deepak D.: Okay. And literally, if I have to compare, so if I am an end consumer, I would have to look at the cost also, what could be my cost through a PLA pellet versus normal plastic pellets. Are we cost competitive? What I mean to say is, by the time we commercialize this, how will the end consumer view it? Because, ultimately, they would be concerned about the cost, right?

Avantika Saraogi: So, firstly, let's talk about the end consumer first, and let's pick up like a product like let's say water bottles, just because everybody knows what a water bottle is.

Vivek Saraogi: The cap of the water bottle you mean.

Avantika Saraogi: Yes. So, hypothetically, if only the cap of the water bottle is being made from PLA and there's some Rs. 0.50 difference, I do not think that matters to the end consumer. We are very, very conscious of the Indian consumer being price sensitive and we are only targeting those applications wherein the cost is easily borne or absorbed either through the value chain or at the end it is not going to a person who cannot afford it, Rs. 0.50, Rs. 1 here and there. We are looking at those kinds of applications itself. So, not the ones which will hurt the common man. So, that is one thing.

Deepak D.: Just to clarify, I was not asking from the point of view of the end consumer like you and me, but the people who are making it, like the people who are manufacturing the bottles or people who are making the plastic bags.

Avantika Saraogi: Yes. So, similarly, look, everybody puts in a margin when they are doing some work, right. So, we are looking at those where Rs. 0.50, Rs. 1 does not matter, even to the middle person in the value chain, because at the end of the day it's the brand or the end consumer who determines the procurement price, that's number one. Number two, if you are asking me for a straight answer pellet to pellet cost, then PLA cost almost double of normal plastic. Now because of our optimizations and everything, let us see where we get to. But in my opinion, I am not really looking at it being a challenge to be sold at the price that I would like.

Vivek Saraogi: Okay, I just want to provide a few more clarifications. One, if there is an SUP ban, we will be able to compete very well with alternative products, such as paper or glass. We do not need any help there.

Avantika Saraogi: Yes, or metal

Vivek Saraogi: Yes, or metal. Additionally, there are many applications for coatings. Coating is not just changing the game. So, selling out 75,000 tonnes does not seem to be a challenge at all.

Avantika Saraogi: So, we envisage also the usage of plastic in India to be around 14 million to 15 million tonnes, out of which nearly I would say 45-odd-percent of that is the SUP. Look, 75,000 tonnes is not even a drop in that ocean.

Deepak D.: No, that's fine. The addressable market is fairly large, that I understand, and opportunity is also big, and we have a good execution track record. I was just wondering about the volume offtake, but fair, you have answered whatever could be answered at this point of time.

Vivek Saraogi: The coating demand could be huge. Coating means let us say, bagasse tray, so just coating that you cannot imagine how much offtake there is, and that does not change the game.

Deepak D.: Okay. Few questions I had on the financials to Pramod sir. Sir, you mentioned that this 35% EBITDA margin includes the subsidy and interest rate subvention also. But I was just wondering how is that possible from accounting perspective, because all the grant incomes usually fall in other income, which is below EBITDA, so is the interest expense.

Pramod Patwari: Yes. So, you are right, PBT and EBITDA will be more or less similar in this case. Why I mentioned this because, up to the date of commencement we will be capitalizing the interest. Similarly, the depreciation as and when we capitalize will be computed on the basis of net figure only. So, when we talk of the cost of production which includes depreciation also, so from that perspective I mentioned that it is including subsidies. But you are right, at EBITDA level it won’t make any difference.

Deepak D.: So, just to clarify, so excluding subsidy and interest rate means what is our actual EBITDA margin which we can do at optimal level?

Pramod Patwari: So, this is our actual EBITDA margin which we are targeting, because depreciation and interest post capitalization will be below EBITDA.

Deepak D.: Okay. So, the core EBITDA margin remains at 35%.

Pramod Patwari: That would be right.

Deepak D.: At gross level how much can we make, EBITDA is around 35%, at gross margin level what could be the range?

Pramod Patwari: It will be revenue minus raw material only.

Vivek Saraogi: So, let us do some more work. We have done a lot of work before releasing these figures, which is why it has taken us so much time. So, maybe give us six more months to provide you with better accuracy. Let us get more and more precise. So, we are feeling and understanding that as we are proceeding, we are getting more and more confident on each aspect of the business, be it marketing, be it technology, be it energy consumption, be it chemical consumption. So, we are feeling more and more confident as we are proceeding. See, at the end of the day, it is something new. It is going to be the first integrated plant worldwide. The advantage is your sugar, and bagasse is going through a conveyor. World over they are getting sugar from somewhere, something from somewhere, gas, etc., which is going to cost far, far more. So, we are hoping to be very, very competitive.

Deepak D.: Okay. Got it, sir. And one question on this interest rate subvention. So, you have clarified in your opening remark also that if we have an 8% interest and 5% subvention, the net interest cost for us is 3%. So, from our modeling perspective, what shall one assume that on an ongoing basis in FY26-27, howsoever, the future, what could be our net interest cost?

Pramod Patwari: So, by the time the project comes, our existing long-term loans will be paid off.

Deepak D.: No, sir, I am asking about the cost of it.

Pramod Patwari: That's what I am saying. Let us assume we draw completely before the commencement of the project, so the net interest charge on the PLA account will be 3%. Our existing loans are variable, so with the drop in the repo rate, the cost has come down by 25 basis points on some portion of the loan. Is that clear?

Deepak D.: Yes, it's clear. And on the tax front, is there any advantage we have or is it the general corporate tax rate ex of grants?

Pramod Patwari: It is usual income tax rates.

Moderator: The next question is from the line of Rajesh Majumdar from B&K Securities.

Rajesh Majumdar: I had a couple of questions on the sugar ethanol equation. So, my first question on the sugar quota, you have been selling more than the quota allocated to you, it has actually two parts. The second part is that if we go by this trend and the loss of manufacturing of various other mills in the state, will we be able to go back to 1 million tonnes plus kind of sales this year?

Pramod Patwari: As far as the sugar production is concerned, for this year the sugar season looks like we will be doing around 9.4 lakh tonnes to 9.5 lakh tonnes.

Rajesh Majumdar: Okay. And what about the sales?

Pramod Patwari: 74.2 lakh tonnes is what we have done in nine months.

Rajesh Majumdar: Yes, that's correct.

Pramod Patwari: Rest will depend upon releases.

Rajesh Majumdar: So, my question was, do you hope to get additional sales better than your quota and reach 1 million tonnes this year, that's what the question is actually, sir.

Pramod Patwari: That is difficult to tell at this point in time. But as far as export release is concerned, we will start getting this 31,000 tonnes quota allocated over a period of five months beginning from March 2025. So, 6,000 tonnes every month will be an additional impetus.

Rajesh Majumdar: Okay. And also, since you are going to be making more C-heavy ethanol, will we see a reduction in the overall ethanol volumes compared to last year?

Pramod Patwari: Yes. For FY25 it looks like alcohol volume will be in the region of around 21.5 crore to 22.5 crore, including ENA and everything.

Rajesh Majumdar: Okay. So, that's down from 28 crore, right?

Pramod Patwari: No, earlier also we gave guidance of around 22 crore to 23 crore liter.

Rajesh Majumdar: Yes. And what would be the impact of FCI rights on all these? So, what was the grain mix till date and what would be FCI new tender kind of contribute to our overall ethanol mix?

Pramod Patwari: So, I do not think rice at this price it's a viable option. So, we will be using maize as well the open market rice.

Vivek Saraogi: So, mostly, Pramod, it seems we will be using maize.

Pramod Patwari: And our target is around 4 crore liter during this ethanol year.

Vivek Saraogi: That's what we bid for from grain.

Rajesh Majumdar: And for the ethanol year 2024-25, could you guide any number on that on the grain?

Pramod Patwari: Yes, the target is for Rs. 4 crore.

Rajesh Majumdar: Ethanol Year FY25, okay.

Vivek Saraogi: No, he is in total ethanol, I think.

Pramod Patwari: No. March 2025 volume target around 21.5 crore to 22 crore litres, for the ethanol production out of maize route will be around 4 crore liters.

Rajesh Majumdar: And for the overall ethanol for EY25?

Pawan Patwari: Yes, so total is around 28 crore liter, considering Rs. 3 crore towards ENA, so around 25 crore liter will be ethanol for EY25.

Rajesh Majumdar: Plus 3 crore liters for ENA, is it?

Pramod Patwari: Yes. So, Rs. 25 crore will include maize based production also.

Rajesh Majumdar: Right. And sir, if I could ask one question on the recovery, so we have seen the recoveries again falling this year to 11.35 or whatever you are targeting at. So, if you look at the changeover in the varietal that we have been doing, when do we see that actually coming into our recovery and benefiting us from which year, is it going to be next year or that also is not very clear right now?

Avantika Saraogi: Rajesh ji, firstly, last year our recovery was quite up as compared to the year before that. So, the varieties are definitely performing, its agro climatic conditions which happen and some other changeovers which farmers do at a local level, but largely these are agro climatic factors. I would not be surprised if next year the recovery would again be up. It just depends on things which are beyond control sometimes. It's not the variety, which is the problem for us, it might be for other sugar companies.

Moderator: The next question is from the line of Krutika Vispute from Tata Asset Management.

Krutika Vispute: Yes. Just one clarification, you mentioned that you would shift most of the crushing towards C-heavy route, so just confirming on that B-heavy would now be very negligible number going forward, right?

Vivek Saraogi: No. Two things. Already till date we have done maybe whatever 60%, 65% season over. Just post the announcement of zero increase we have shifted. So, already it's not that we will be negligible, and we shifted in two units. So, it's not going to be a big, big difference. But yes, there will be a difference.

Krutika Vispute: Any guidance you can give in terms of how much would be the proportion going forward in terms of how much goes towards C-heavy, B-heavy and juice, between these three?

Vivek Saraogi: We will get back. Since its very unit specific, we will get back on the overall number.

Moderator: Thank you very much. We will take that as the last. I would now like to hand the conference back to the management team for closing comments.

Vivek Saraogi: Thank you, everyone. And we are always there to answer any more queries.

Pramod Patwari: Thank you so much.

Avantika Saraogi: Thank you for attending
