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Sub: Transcript of Analyst/ Investor Conference Call held on 6th November, 2024	

Dear Sirs,

Pursuant to Regulation 46 of SEBI (LODR) Regulations, 2015, please find enclosed transcript of the Analyst/ Investor Conference Call held on 6th November, 2024 post announcement of unaudited financial results of the Company for the Q2 & H1 FY25 ended on September 30, 2024. The transcript is also available on the website of the Company at: www.trivenigroup.com

You are requested to kindly take the same in your record.

Thanking you,

Yours faithfully,
For Triveni Engineering & Industries Ltd.

GEETA BHALLA
Digitally signed by GEETA BHALLA
Date: 2024.11.12 18:28:02 +05'30'

GEETA BHALLA
Group Vice President &
Company Secretary
M.No.A9475

Encl: As above

Triveni Engineering & Industries Limited

Q2 & H1 FY 25 Earnings Conference Call Transcript
November 06, 2024

Moderator: Ladies and gentlemen, good day and welcome to Triveni Engineering & Industries Limited Q2 and H1 FY 25 Earnings Conference Call. I now hand the conference over to Mr. Rishab Barar from CDR India. Thank you, and over to you, Mr. Barar.

Rishab Barar: Thank you. Good day, everyone, and a warm welcome to all of you participating in the Triveni Engineering & Industries Q2 and H1 FY 25 earnings conference call. We have with us today, Mr. Tarun Sawhney, Vice Chairman and Managing Director; Mr. Suresh Taneja, Group CFO; Mr. Sameer Sinha, CEO of Sugar Business Group; as well as other members of the senior management team.

Before we begin, I would like to mention that some statements made in today's discussion may be forward-looking in nature and a statement of this effect has been included in the invite, which was shared with everyone earlier. I would also like to emphasize that while this call is open to all invitees, it may not be broadcasted or reproduced in any form or manner. We will commence the call with opening remarks from the management following an interactive question-and-answer session.

May I now hand it over to Mr. Tarun Sawhney. Over to you, sir.

Tarun Sawhney: Thank you, Rishab. Good morning, ladies and gentlemen, and welcome to the Q2 / H1 FY 25 earnings conference call for Triveni Engineering & Industries Limited. Our revenues from operations for the half year stood at ₹2,792 crore, an increase of 7.1%, with a PBT of ₹11.5 crore and a PAT of ₹8.6 crore.

Some of the key highlights in the Sugar business were that the profitability in Q2 / H1 remains subdued as there were no manufacturing operations during the quarter, and all off-season expenses have been expensed off during this period. The Alcohol business includes the impact of the shortage of molasses-based captive feedstock arising from the policy decisions of the Government of India, which regulated the diversion of sugar to B-heavy molasses and sugarcane juice in the previous season and the high procurement cost of maize.

The crushing season for Sugar Season 2024-25 has commenced at four of our units with one unit of ours at Khatauli having started operations before Diwali. We have completed the highest ever quarterly Alcohol sales of 5.62 crore litres, which is an increase of 9% over corresponding period during the period under review. And the results of the Company also include ₹12.4 crore loss pertaining to the recently acquired subsidiary, Sir Shadi Lal Enterprises.

Looking at the highlights of the Engineering business. I am delighted to report that the Power Transmission business has witnessed a 30% plus increase in revenues during Q2 FY 25 and crossing of a quarterly turnover of ₹100 crore for the first time in the history of this business. The business reported 57.8% increase in order booking and a record closing order book of ₹345 crore in Q2 FY 25, which has improved by 22.5% over the corresponding period.

The Defence business received a prestigious order during the quarter under review for propulsion shafting valued at ₹33.8 crore for Mazagon Dock Shipbuilders Limited at the year. The Water business also saw improved performance during Q2 with order booking aggregating ₹450-odd crore, including new EPC projects for Uttar Pradesh Jal Nigam at Prayagraj and the Rajasthan Urban Drinking Water Sewerage & Infrastructure Corporation Limited, which is also known as RUDSICO in Jaipur.

During the Board meeting that was concluded yesterday, the Board of Directors approved a capex of approximately ₹20 crore for the enhancement of the production capacity of the Indian Made Indian Liquor (IMIL) business of the Company.

Looking at the balance sheet, on a consolidated basis, our net debt after considering surplus funds is ₹418.8 crore as on the 30th of September compared to ₹101 crore as on the similar date in the previous year. The overall cost of funds stood at 6.7% vs. 5.8% in the previous corresponding period, reflecting what the interest rate regime really is at this particular time across the country.

Turning to the business-wise review. Let's start with the Sugar business. And as I mentioned, we're all set for the new sugar season and on an overall basis, the crop seems healthier due to favourable climatic factors and very importantly, due to rigorous cane development activities that have been undertaken by us. This includes on-ground management. This includes disease and pest eradication, and this includes a vast array of extension services, which has taken place at a level that was frankly unprecedented. We've really done quite a lot of work across all of these areas during the off season and in the onset of this sugar season.

This year, our focus in the Sugar business has continued towards a variety of substitutions, improving crop health and enhancing yield and recovery through active farmer engagement. And it is that varietal substitution away from the 0238 variety and looking at similar at comparable varieties that offer yield and recovery that is going to drive the growth for this business over the next few years. We believe a healthy plant crop, focused crop management along with continued investments towards debottlenecking, enhancing the crush rate and efficiency improvements will help improve the overall crush and financial position of the Sugar business in the season 2024-25.

Further close monitoring of the sugar quality and refined sugar production, which is approximately 70-odd percent to ensure superior realizations is also likely to aid the revenues and the profitability of the Sugar business. The inventory as of the 30th of September 2024 was 20.63 lakh quintals valued at ₹35 per kilo, and this was vs. 19 lakh quintals a year ago. The current realizations are broadly similar to last year for refined sugar, we are selling at approximately ₹40 per kilo, and sulphitation sugar is being sold at lower rates, approximately ₹38.5-38.75 per kilo.

The domestic industry scenario looks very much the same as what we had discussed about three odd months ago. The balance sheet for the nation estimates an opening stock on the 1st of October 2024 at about 8.3 million metric tonnes. And domestic sales a little higher than what we had forecast at about 29.4 million metric tonnes. And the closing stock at the end of this year is anticipated at about 8.9 million metric tonnes. And this is after considering a 4 million tonne diversion of sugar towards ethanol. These numbers do not look at any possible export.

And I will, of course, discuss that possibility in the fourth quarter of the fiscal year, at least the deliberation to start with Government in the next quarter. But there is ample scope. The message that I would like to begin very clearly is that there is ample scope for massive amounts of diverting towards ethanol and continued exports and the return of India to the international sugar trade.

Looking at the industry scenario, internationally, the global balance sheet as per international reports points to a surplus owing to a better crop across the key sugar-producing nations. However, the Brazilian outlook is deteriorating due to wildfires and troubling weather conditions. The production is predicted to be in the range of 38 million to 39 million tonnes, which is down significantly from 42.5 million tonnes last year.

And this, of course, if it continues, may then put pressure on the global balance sheet and turn the surplus into a potential deficit. So this is a big swing factor we will know in the next few months.

International sugar prices, we've seen the New York #11, closed at US 21.9 cents yesterday, and the London #5 closed at US $566.5 per metric tonne. Broadly speaking, we're seeing a period of stability as far as international prices are concerned, very much range bound and very attractive for Indian exports. At these prices, I think Indian exports are certainly viable and will be a welcome break for the sugar industry, where we've seen sort of flattish sugar pricing, if we look at the last 12 months vs. the previous corresponding 12 months.

Turning to the Alcohol business. We have welcomed the Government's move to lift restrictions pertaining to the use of B-heavy molasses and sugarcane juice/syrup for the production of ethanol for this year. But if we look at our business, it was adversely affected due to a variety of reasons, four reasons in specific.

Number one, the shortage of molasses-based feedstock, which arose squarely from the policy decision of the Government of India to restrict the diversion of sugar to B-heavy and sugarcane juice. This led very frankly, to a closure of some of our distilleries during the last quarter, and therefore, there were some unrecovered costs, which added through the losses of this business in the last quarter.

There was an increase in the transfer price of B-heavy molasses as well internally. The third reason is the higher procurement cost of maize and thereby reducing the margins of the maize operations. Now to do a Q-o-Q comparison, is not exactly accurate because in the previous periods, a substantial part of grain operations comprised of much higher margin Food Corporation of India (FCI) rice operations, which were broadly similar to the profitability levels of B-heavy, just a little bit lower, but broadly similar.

With maize, this was very new, and I have been continuously saying that over the last couple of calls, we saw an increase in the maize price for ethanol derived from maize. However, that entire increase was captured by the trade, and therefore, they left with little room for profitability enhancement for distilleries that were operating on maize.

Of course, this was compounded by the fact that the maize crop last year was poorer than previous years and poorer than what was anticipated. The crop this year, the Kharif and Rabi estimates for the upcoming two seasons are actually very, very good. We are anticipating higher yields and higher availability and the hope is that, that will translate into lower procurement prices.

When we started the campaign, when we looked at UP maize, we looked at Bihar maize, we were hopeful to be able to get it approximately ₹22 - ₹23 per kilo. However, the eventual procurement price, because the difference was absorbed completely by the trade was almost ₹25 - ₹26 per kilo, which was prevailing until very recently, until we see the new crop come in and slightly lower prices coming in. I think there has been a huge learning experience over here as well in terms of stocking, in terms of trading, in terms of actually procuring across the various states whenever their crops are harvested, and we certainly hope to benefit from the upcoming season.

The fourth point regarding the profitability of the Alcohol business, the adverse profitability of the Alcohol business during the quarter under the review was the establishment of our IMFL business. In building a brand, as you can appreciate, there are certain costs that go in, in terms of establishing the brand. We're very happy with the result, let me add, extremely happy with the positive acceptability of our 2 new IMFL brands of Matsya and The Crafters Stamp, but it does take time, and we are investing vigorously in terms of making this a success.

Alcohol from molasses-based feedstocks, in the quarter under review formed 50% and in the half year 44% of sales, as against 64% and 65% in the corresponding periods of the previous year. And these primarily consist of relatively high-margin ethanol. On the other hand, the sales volume of low margin ethanol produced from maize operations increased substantially for the period under review.

Looking at the domestic industry scenario for the Ethanol Supply Year 2023-24, the Oil Marketing Companies (OMCs), as you will recollect, had floated tenders of 825 crore litres with a 15% blending target. Till the 6th of October, the OMCs have procured just a shade under 600 crore litres out of the total contracted quantity of 733 crore litres. And with this procurement, the ethanol produced from grain-based feedstocks contributed 57%, approximately 340 crore litres, while sugarcane-based feedstocks contributed to the balance 43%, approximately 250 crore litres.

The achieved blending percentage on the 6th of October 2024 stood at just a shade under 14%. However, it is important to mention that for the last four months, the blending percentage nationwide has been to the tune of approximately 16%, which is very, very encouraging.

For the Ethanol Supply Year 2024-25, which we've just embarked upon and commenced on the 1st of November, the OMCs have invited bids of 916 crore litres and allotted 837 crore litres in the first cycle. It's a huge increase. And this corresponds to at least a nationwide target of 18%. My personal view is that during this year, we will have periods where in certain large states, ethanol-rich states, we will see blending at 20% levels this year, which is very encouraging for the ethanol blending program.

For Triveni, in the previous years, our split between sugar-derived ethanol and grain-derived ethanol was approximately 50:50. For the following year, we're looking at a change, and we're looking at the total quantums to be about 60:40, 60% for sugar and 40% for grain, a higher percentage of sugar. And this is a function of our projected performance of our various businesses and the quantums of sugarcane-based feedstock that we will have available for the Distillery business.

Turning towards our Engineering businesses. I'll first cover our Power Transmission business, where I had previously mentioned at the start of this call that we saw very strong growth across its KPIs. The order booking, which grew at 57.8% during the quarter, included prestigious breakthrough orders in the gears and defence business. The Company saw good demand for its products, including high-technology compressor gearboxes, high-power small hydro turbine gearboxes, high-power API, that's oil and gas gearboxes, integrally geared compressor gears, etc.

The aftermarket segment is also generating very strong interest from the compressor, gas turbine and test rig industries, which is very interesting and different to previous quarters and leads us to believe that, that part of the business, the aftermarket part of the business is now attracting new customers domestically and internationally.

Overall, the business is witnessing very strong growth in exports, driven by increased engagement with customers and receiving qualification orders across product lines, and I'll cover that a little bit later. The outstanding order book reached an all-time high for the Power Transmission business at ₹345 crore on the 30th September 2024, which includes some long duration orders of approximately ₹105 crore. In the Water business, the revenues declined due to the delay in execution of certain projects and the delay in water sub orders where we had submitted the lowest bids. The business expects the H2 FY 25 performance to be better than H1 FY 25.

I would like to mention that the way that we recognise revenues is based on completion. We have a very large project that is ongoing in Bangladesh. And as you are well aware of the troubles in that country, however, we have now moved past that, there was a period of time where the project was getting delayed. Of course, that has an impact on our revenue recognition. But we're very comforted with, we're certainly very secure in our payments. That is no concern whatsoever. But we're comforted that the execution of the project is now back on track and underway.

The business has reported a robust order booking during Q2, aggregating to approximately ₹450-odd crore, including two new EPC projects for Uttar Pradesh Jal Nigam at Prayagraj and the Rajasthan Urban Drinking Water Sewerage & Infrastructure Corporation in Jaipur. In the previous quarter, it was declared that the Company was placed favourably for a project in Europe. The bid evaluation is still continuing at the client's end and is anticipated to look at the letter of award in the near future, we are anticipating that in the near future. The outstanding order book as of the 30th of September stood at ₹1,726 crore, which included ₹980 crore contracts over a longer period of time.

Turning towards the outlook of our businesses. I'll first cover the Sugar and Alcohol business. The industry, and we, at Triveni, keenly await the revision of Minimum Selling Price (MSP) of sugar, which is vital for the sustainability of the industry. Now as you are well aware, even the Minister for Food yesterday in the press has commented that the increase in MSP is something that would happen in the very near future. We don't know what that means, but we are hopeful that it will happen. And I believe that any increase in MSP, even if it doesn't keep pace, with what the cost of production for the country as a whole. But it will have a massive positive indication on the market. And I believe that if we rise from the 31 levels, by any quantum, it will certainly have a good resounding impact in terms of improving the base like numbers for sugar for the year going forward. The MSP has remained unchanged since 2019. While, as you are well aware, the input costs, particularly the FRP and SAP have risen substantially. Revised ethanol prices are also awaited, particularly for sugarcane juice and B-heavy molasses and maize to improve the viability of these feedstocks.

As we march towards 20% ethanol blending, I think it's important for the Government to review these prices. Last year, I understand it was an election year. We all understand that scenario. And therefore, there was no price revision for ethanol at all with one small revision for maize actually. But besides that, nothing.

And so now we are anticipating and the industry is keenly awaiting an increase in the ethanol prices from the designed feedstocks. We expect that to happen in the very, very near future.

If we look towards our other alcohol businesses, we're excited about the IMIL, (Indian Made Indian Liquor) and IMFL (Indian Made Foreign Liquor) performances of the Company. With respect to the Indian Made Indian Liquor, country liquor business, we are now placed within the top five producers within the state. This business has only been operating, we're closing out on our third year as you're well aware. We are now top five, one of the top five producers in the state of Uttar Pradesh, and in the last month, we were amongst the top four producers. It is a profitable business and very much in line with what one had predicted when we entered into this segment.

As I had mentioned, we are also investing in this business to further enhance our profitability and our market share in this segment of country liquor in Uttar Pradesh. As far as Indian Made Foreign Liquor is concerned, our sale of two brands, Matsya and The Crafters Stamp in Uttar Pradesh has gone very well. We've been operating for approximately four months now, and we've seen excellent demand across the board in the state and excellent placements as well. However, it will require investment in this business, and we are keenly awaiting the results over the next few years. The product quality has been appreciated by consumers across the board. I will mention that this does take time, and we will be supporting the growth of this business as we go forward.

Turning to the outlook of the Engineering businesses. For the Power Transmission business, India's economic growth is continuing to provide momentum. Their major investments in infrastructure, steel, cement, oil and gas, process industries are fuelling growth, and India is becoming an attractive hub for global majors. All of this bodes very well for the Power Transmission business as a critical supplier of gearboxes.

In addition to the overall economic growth, we have market share gains and venturing into new product applications, and these are going to be new drivers for the business, both internationally as well as domestically. And international markets have offered very high potential. And we're seeing that even now in our aftermarket business, which is what we refer to as our retrofitting business in our existing installations. So that's very, very encouraging to see from international locations. We've received over the quarter, a select number of qualification orders. These are very, very important orders with customers. On the back of that, many new orders get business, this is just a part and parcel of the process of attracting new customers and new OEMs. And so we're very happy for those orders as they get commissioned and the test results coming, we will then, of course, move into regular supplies from these OEMs.

The focus has been an OEM qualification and on end-user qualification as well. As a result, we have received some critical orders in the API segment from oil and gas customers in the Middle East, this is very encouraging. We have a long way to go, but the business has invested in people and in presence, etc, in global marketing as well. And all of that bodes very well for the business going forward. There has also been a more deliberate focus on Research and Development at the Power Transmission business with initiatives on further improvements on efficiency, setting global standards on those parameters and on the development of new products for our customers.

In the Defence business, the business expects increased order booking from key segments going forward, well progressed quite substantially, and we're very encouraged by the orders that we have recently achieved. We're anticipating disclosure of certain tenders over the next two quarters as well. I hope to come back to you with more positive news on that front.

Turning to the Water business. The business anticipates a surge in business opportunities and new funding is expected to flow both from Central and State Governments post the elections, including the state elections as well. I think that is now very, very clear. We're seeing massive activities, massive conversations, etc. Due to the significant gap between demand and current availability of water and wastewater treatment plant, the water segment has a positive outlook, and we believe it offers significant opportunities going forward in the immediate few quarters as well as beyond.

The new opportunities are emerging in recycled, reuse or zero liquid discharge kinds of businesses on EPC as well as HAM models wherever industries are available as off-takers to buy treated sewage. And this is a model that is going to create significant opportunities for us going forward. The Company is also evaluating various international opportunities and intends to participate in several tenders in the water and wastewater treatment market wherever we possess pre-qualifications and the funding is ensured by multilateral and reputed agencies.

In conclusion, we look forward to a much-improved performance in the upcoming sugar season. There's a positive outlook for realisations and profitability in the Sugar and Alcohol business with a firm expectation from the Government in terms of policy changes, revision in pricing and a return to quicker decision-making like we've experienced over the last 10-odd years. We remain very well placed in our Engineering businesses, both domestically and internationally for both businesses. And I think that over the course of this fiscal year, etc, you will see good results coming in for both those businesses.

Thank you very much, ladies and gentlemen. We'll now open the floor for questions.

Question-and-Answer Session

Moderator: The first question is from the line of Sudarshan Padmanabhan from JM Financial PMS. Please go ahead.

Sudarshan Padmanabhan: Thank you for taking my questions and thanks for the elaborate discussion and the introduction on sub-division. My question is today, when I see your numbers for the first half, it largely reflects something like a rearview mirror of what has happened in the past. And if I look at specifically both and just combining the sugar and distillery together, given that there is a common feed in terms of cane. See today, the last couple of years, we've seen a lot of SAP price increase, FRP price increases. We are due for a revision in ethanol prices also MSP revision as far as the sugar is concerned. Sir, how confident are we given that last year, the Government prioritized elections over probably ethanol production that the Government is going to be serious in terms of making ethanol remunerative at least profitable enough for players or stakeholders to participate. I mean that's one.

And second is if I can understand a little bit more from a policy perspective as well as strategy on using maize or FCI rice, because my understanding is typically when we bid for a maize, the raw material prices are volatile. But you have a cap on the prices in which you can sell ethanol. Is there a thought process from the Government or your own thought process with respect to strategy where we can actually try to circumvent it given that we had a bad or a learning experience?

Tarun Sawhney: I couldn't agree more with your comment, and I'm happy to respond to the questions. Yes, it is always a rearview mirror. If I have to be perfectly honest, this is the first half year in many, many, many years where we've had less than what we would have wanted to deliver results that we would have wanted to deliver much better results. And this was very squarely actually driven by Government policy in most respects.

Now the industry associations are very actively engaged with the Government, both the sugar and distillery associations in terms of enhancement of prices of ethanol. But there are a few important things to remember. I'll cover both parts, both the sugar aspect as well as the distillery aspect as well and then move into the feedstocks. But from the sugar aspect, we had an impact of disease pretty much across North India, not just in Uttar Pradesh, but across North India. As you had seriously adverse climatic conditions, 45 days / 6 weeks of no sunshine in the winter, no rains, etc. And now all of this is a very finely balanced sword, because if you have too much rain, that's also a problem in the winter. If you don't have enough, then that's also a problem. So there's a very fine balancing factor. But sunshine is something that is undeniable. It is essential for the formation of sucrose in sugarcane. And the lack of that was a big problem. The hope, of course is, we can't predict what the forecast weather was going to be in January, in February and March. But the hope is and the Skymet data, which we track very, very rigorously suggests that we will have a normal winter period.

As you have already seen in North India, we have had the hottest October in many, many years. You've already seen that data. November has already seen some of the coolest days and North India reporting some of the coolest days already. What that means is that the RTD value, the difference between the highs and lows of the day, which is essential for sucrose formation is actually rapidly. It's going on in spades right now. We're very happy with what is happening especially across Western Uttar Pradesh.

Factories have started and the yields look promising, it looks better than last year. The incidence of maize is vastly reduced. It is eradicated at most of the factories. At one plant, there is still some disease but it has come down absolutely enormously. But by and large, the plant sugarcane, ratoon and plant crop looks extremely good across our sugar belt. Now that's point one, that means that you will have more feedstock available for your distilleries. Now coming towards grain because we will absorb all of our sugarcane-based feedstock, and then we have further space to process grain. FCI rice is now not available for conversion into ethanol. That has been banned. You can only get damaged food grains at a lower ethanol price. We have not been buying damaged food grain. And so that comparable does not really exist. As far as maize is concerned, yes, the last six months was a great learning experience. And from that learning experience, I will share some short-term and medium-term goals.

In the short-term, I mentioned that we are expecting both the upcoming Kharif and Rabi crops to be better than what had happened last year. As a result with higher quantums available and some imports of maize happening, which will probably go into animal feed. The availability of maize will increase. And therefore, you will see some softening of prices. How much of that softening is yet uncertain, because this market is evolving. It's a brand-new market. The trade in maize has never been as active as it has been and the number of people that are involved in all elements, right from farm to procurement to logistics to transportation, etc, it's just suddenly emerged that's one.

The second and most important thing, and you've seen this the Honourable Prime Minister also in his Independence Day speech, pointed towards two new seed varieties of maize and you'll see that these varieties are intended in the very medium term to enhance the overall productivity of maize across the country, which is approximately 3 metric tonnes by hectare in India, whereas global standards are between 7 - 9 metric tonnes depending on where you are. We can very easily jump to 6 metric tonnes, looking even at non-GMO seeds and the ones that have been released.

And so that, of course, massively enhances the availability of the grain for the distillation sector. I think this combination of events is something that will add to the profitability. On one hand, we're looking at price enhancement. On the other hand, we are looking at lowering your cost of production through better procurement prices of your feedstock as well as more systematic and sustained operations at your plants. If you operate it in a sustained manner for 330-odd days, and you are optimal performance parameters as well.

The other very important thing for Triveni, if we move in our product mix. Last year, we were at 50-50 between sugar and grain. And this year, we're now looking at migrating to about 60-40.

Sudarshan Padmanabhan: Can you give some colour on what is the quantum of price increase constantly, especially from the ethanol side or different grades given that there has been an increase in SAP, but not an increase in the ethanol prices for a long time?

Tarun Sawhney: No, the increase in SAP was last year. With respect to this year, one is hopeful that there will be no change in SAP in the state of the Uttar Pradesh. But as far as ethanol pricings are concerned, I would not like to harbour a guess at this particular point. The associations are in active discussions with the Government. There have been innumerable representations that have been made, and we're hopeful for a positive outcome. But to hang my hat on a particular number, it's something that I would be unwilling at this point.

Sudarshan Padmanabhan: One final question before I join the queue is, we also have a very interesting and growing Alcohol business in IMIL and IMFL. The thought process is given last year was we are seeing a little bit of a challenge in the maize procurement. Is there a possibility at some point of time where we can switch completely to Alcohol, I mean to IMIL and IMFL and probably not necessarily participate in the non-cane based ethanol. Is that an option which is possible?

Tarun Sawhney: I'm afraid, your question I haven't fully understood, but I'll try and answer it. Now the quantum of total alcohol, whether it be ENA or ethanol that we produce is very, very substantial. Last quarter we produced almost 4 crore litres. So to convert that into alcohol, the demand doesn't exist, our IMIL and IMFL brands can't absorb that quantum at all.

We will definitely be producing ethanol as well. However, both the liquor businesses, the portable liquor businesses are growing. IMFL is very new. It's only 3-4 months old. IMIL is also reasonably new, but established and profitable within three years, which is exactly what we had thought, and it has led to massive encouragement of our other team in IMFL, that we know how to make excellent products.

And now it is about marketing that product gaining market share, getting those placements, investing in the business and getting repeat customers in orders. We've demonstrated that in IMIL and we're very encouraged about our IMFL business and the products we have at this particular point in time. But I think we will always be using sugarcane-based feed stocks, because you always have molasses in some form. We'll always use that for generation of alcohol in all probability ethanol. And of course, we have large distillation capacity, so we will also be using grain.

Moderator: Thank you. We'll take the next question from the line of Nitin Awasthi from InCred Research. Please go ahead.

Nitin Awasthi: Hello, my question was related to the liquor business that we have entered. One, because of the investments you're making in the liquor business, will we start reporting it separately, because I think that will be the right thing to do. When I say that, I mean the IMIL business and the IMFL business. Will it be categorically reported separately? And have we put out a plan of how much investment is going to go in this business, because one thing is producing these products, especially in the IMFL segment, and the other thing is marketing the product. And this over year, the marketing expenses, at least in the initial years will be substantial compared to production expenses, etc. Have we put out a plan on that line?

Tarun Sawhney: One good suggestion and one good question. And I'll be brutally honest. At this point, we are not separately reporting our potable liquor businesses vs. our overall alcohol business. However, once we have the size, of course, we will certainly take your views and report it independently. At this point, as I had mentioned, to the previous gentleman, these businesses are very new. The IMFL business is four months old, and the IMIL business is completing its third year. They're really in their inception of this particular point. It will be unfair on them for us to report them separately. But I can share with you from time-to-time on these calls, etc, the performance. And the performance is that in IMFL we're investing in placement, brand building, etc. And in IMIL, we are profitable and reasonably profitable. And we are expanding and investing further in that business for profitable growth. Last month, we were in the top four in Uttar Pradesh, competing against giants who've been in this business for a very long time. We're a very new industry entrant in country liquor, but we're very hopeful for positive changes in state policy with respect to pricing. And in terms of adding our capacity going forward, large additions to capacity for the IMIL business. That is with respect to point one.

The second question that you had with respect to the budgets of both businesses, no, we have not disclosed it. Of course, these are all board approved and board sanctioned numbers, but we have not disclosed this to the stock exchanges at this particular point in time for a variety of reasons. First and foremost, being that we are a new entrant, this is a stage of infancy for these businesses, and it is competitive data that it is not prudent actually to be able to disclose these numbers at this particular point in time.

Nitin Awasthi: Understood. The second question was there has been talk about a levy, similar to the levy on molasses, which is happens in Uttar Pradesh, happening on the green ethanol front. Could you comment on that? Is that already in works? Is that already happening? Or is it on the planning stage? Or is it an absurd idea which you not fructify?

Tarun Sawhney: I think it's a rumour. To our knowledge, there is no work on this on the ground at all.

Nitin Awasthi: Okay. Understood. Lastly, on the ethanol orders that you have received, could you give us the absolute number of what has been received by you out of the 837 crore litres, which was given out and in which route are they?

Sameer Sinha: We have got orders of about ₹20 crore with us already. And that's about all. And the product mix, as we have mentioned, would be the 60-40 product mix going forward, and we also have the option of switching between feedstocks and from distilleries. So that's a good flexibility that we have.

Nitin Awasthi: Understood. Thank you.

Tarun Sawhney: Actually, I'll just add to that comment. The fact that we have a lot of fungible capacity to move between feedstocks at Triveni will give us, because this is the first time that the tender is allowed fungibility of supply, changing your feedstock in your tendered quantity. And that we will hopefully be able to maximize our profitability based on whatever the ethanol pricing numbers are.

Moderator: Thank you. The next question is from the line of Shailesh Kanani from Centrum Broking. Please go ahead.

Shailesh Kanani: A couple of questions from my side. Can you throw some numbers with respect to our dependence upon 0238 variety for this season? How has it panned or how has it been doing lower than vis-a-vis last year?

Sameer Sinha: Last year, we were around 75%, and we have come to around 50% this year, and we expect a substantial reduction going forward next year.

Shailesh Kanani: Okay. But still, it is one of the significant variety for our crop and how confident in light of that data, how confident we are the yields turnaround will be better, given that it is affected by red rot?

Sameer Sinha: There are three or four answers to that. One is that what we have observed is that wherever there was water logging last year led to a huge increase of red rot. And we have substituted the seeds in those factories in West UP, many of our factories are on upland area, there has been no water logging.

Third is we have a very intensive surveillance going on for early detection of disease and it's curative actions to be taken over there. These are the three important things. And in the other areas where this is existing in, let's say, 50-plus proportions, we haven't seen any great incidences so far. And these all are in West UP, very close to Delhi, on the western portion of West UP.

Shailesh Kanani: It's suffice to say that we are confident of at least a single-digit growth in terms of crushing numbers for this season?

Tarun Sawhney: We are very confident of better yields and recoveries. I would like to say that the experience, this is the comment that the first speaker made about the rear-view mirror, the real time to be able to give you... Yes, we're very confident right now that our crush and recoveries will be better this year. However, to put a very fine number, I would like to give you a more accurate number when we speak next in January or early February. At that particular point, we will have finished the ratoon crop, and we will have started on the plant crop. We will add the vast majority of data with us halfway through the season. And that is the appropriate time to be able to give you exactly better things. And we will also have seen four weeks of weather in January, which is absolutely vital for future recoveries, the recoveries in February and March and April. But as of now, yes, the crop is looking much better. The yields are looking much better, much healthier. The quantum of disease is massively, massively reduced from last year. It is only really present in one factory in small areas. We have a little bit of water logging in another factory, but all the other plants are doing very, very well.

I'll give you some estimates. I mean we're looking at projected yields starting off from East Uttar Pradesh, factory at Ramkola of about 550 quintals per hectare much improved from the previous year. Huge difference from the previous year. At Khatauli, while looking at a shade of about, say, 770 quintals per hectare, which is very, very encouraging as well. And the ratoon yields for Shamli, which is the factory that we acquired Sir Shadi Lal Enterprises is between 825 and 850. So probably the highest in Uttar Pradesh, in fact, definitely the highest in Uttar Pradesh. It's looking good at the start business.

Shailesh Kanani: Fair enough, that's very helpful. Sir, a couple of questions both on my side. Do we need to revise our ethanol guidance, which we had shared earlier of around excess of 21 crore litres for FY 25 as we are kind of nearly completed our old stock or we stick to our guidance of 21 crore litres?

Tarun Sawhney: Will be broadly in that range. I don't think we're going to be reducing the guidance as of yet. It's within the parameters of plus/minus 5%.

Shailesh Kanani: Just last question, to your mind, what is delaying the process of ethanol price revision when we have that linked to the cost of production or to the price of that as established in the policy document. To your mind, what is creating this delay in revision of ethanol prices? and also similarly, what is kind of obstacle for Government to release the FCI rice as we keep on reading in media reports that the crop is bumper with them and FCI is already flooded with surplus of the stock vis-a-vis the normal stock what they have. To your mind, what is the obstacle over there? and any timeline, if you can share these two things, the development, positive developments coming in? That will be great, sir.

Tarun Sawhney: I'm afraid I don't have good news or an answer, good answer for you as far as the timing of the prices. We've actually been eagerly anticipating it. We've been following what the associations have been doing with respect to price. Very difficult to ascertain when that price will happen. I know that we had Diwali festival period. The hope is that we will see this sooner rather than later. With respect to FCI rice, yes, of course, I'm reading the same news articles that you are reading. However, this is a policy decision and shift by the Government of India.

I don't know, if the availability… It's a great shame because with rice, as I mentioned earlier, the profitability levels, especially our fixed price procurement was outstanding. It was very good for the distillery business because it became a tolling business. You bought at a fixed price, you convert it and you sold at a fixed price as well. It's an outstanding business model for a large conversion facility. But vs. maize where one hand is not tied than in the back as you're procuring in an open market, you're then at the mercy of a huge load of other factors. However, will the availability of rice suddenly change for the ethanol industry. Again, a million-dollar question. I would not like to comment on that really.

Moderator: Thank you. The next question is from the line of Vikram Vilas Suryavanshi from PhillipCapital (India) Private Limited. Please go ahead.

Vikram Vilas Suryavanshi: Good afternoon. I think some of the questions already answered. But just giving an uncertainty on maize side and grade, how is our plan for asset expansion from 860 to 1,100 KLPD?

Tarun Sawhney: Right. As you will recollect, and I said this for the last few quarters, we were waiting for a revision of prices to be able to make that decision. And if the revision was adequate so that we were ensured our rate of return, we would go ahead and take the project of course and go ahead and execute it. As you know, the environmental provisions and other provisions have already been secured by Triveni for that expansion of that new plant. And so the decision to set up that new facility is predicated only on returns.

And we've just been discussing over the last 45 minutes or so, we don't know when those price increases really happened. Last year, there was no price increase. And therefore, we kept our finger on the pause button. As of now, our finger is still on the pause button because I don't know what those price increases are and the commensurate rate of return for that plant. At this particular point in time, we are keeping that plant on pause, the expansion to 1,110 KLPD on pause. However, we're reviewing it actively. We're crunching our numbers actively. It is purely a financial decision.

Vikram Vilas Suryavanshi: Okay. But in that decision, will the viability of maize as one single raw material sufficient decision to take that decision or you will wait for actions, including all other FCI rice, damaged food grain to take that decision?

Tarun Sawhney: I think it really depends on what the increase and what the mechanism is. In the last increase of maize, that entire increase was absorbed by the trade, the prices went up from ₹22-₹23 a kilo to ₹26 a kilo overnight, completely eradicating all the margin that was available. The Government is fully aware that this is what happened. I don't know what they will come up with the mechanisms, etc, ensuring continued profitability because we're not the only converters of maize into ethanol, there's huge quantums I mentioned that 57% of ethanol. The vast majority of that 57%, 340 crore litres came from maize. It's impacting a very large number of people across the nation.

And so as that profitability matrix changes yes, we will see it. If it is to be a grain-based plant only, then we will only look at that grain pricing. If it is multi-feed, then we will look at multi-feed, but those decisions depend on the price increase by the Government of India, and then we will be in a better position to take that decision. But we're ready to take that decision instantly, that I will leave with you.

Vikram Vilas Suryavanshi: Understood. And just last question on cane side. Obviously, you said that normal winter and probably a recovery happening. But now B-heavy and juice is allowed, what would be typical mix from ethanol we will produce once a juice and B-heavy from sugar side? Or in coming season?

Tarun Sawhney: As far as the overall tender is concerned, I think that data is all publicly available. As far as Triveni is concerned, I've already shared during the course of this call that we expect the split to change from 50:50, which is sugar and grain to 60:40 sugar and grain.

Vikram Vilas Suryavanshi: No, my question was within sugar, what would be mix of B-heavy and juice?

Tarun Sawhney: I think it's too early for us to tell right now. As we had mentioned during the call, all of this is fungible. We can switch between feedstocks and this tender allows us to switch between feedstocks. For us to share with you the exact portions of which particular feedstock in sugar will be misleading, and I don't want to do that at this point.

Moderator: The next question is from the line Souresh Pal from KRSP Capital Limited. Please go ahead.

Souresh Pal: My question is regarding our recent acquisition of Sir Shadi Lal. What are our plans regarding Sir Shadi Lal? And when do we think that this company can post a PAT positive number or anything regarding the capex or the land bank that is available with Sir Shadi Lal? That's my question.

Tarun Sawhney: Okay. Let me talk, yes, of course, on the 20th of June is when we have taken over management control of Sir Shadi Lal Enterprises. The factory will start its commercial, will start its operations at some point next week very much in line with our predictions, etc. We've had a good amount of work and repair and maintenance that has happened at the Sugar facility at Sir Shadi Lal.

With respect to any disposal of assets of the Company, there has been no discussion of that at all amongst the Board, the new Board of Sir Shadi Lal and this is the best of my knowledge, it is a separate listed company as you're very well aware. And as a 60-plus percent shareholder of Sir Shadi Lal Enterprises and a group company of Triveni Engineering, we're very hopeful that we will turn this business around very, very quickly.

The last quarter and the loss that is reflected in our results of TEIL for the quarter under review. This is a quarter where there's no production. There's absolutely no production, and there was very little sugar that was left with Sir Shadi Lal. All of what was left was sold and the funds were utilised and therefore, that resulted in a loss at that level. But we're very hopeful that this will turn around very, very quickly. This season is expected to be a good turnaround season for that business.

Souresh Pal: What you are saying that this quarter, I mean, quarter two, there was no production operation that happened in this company, and you are going to start operation of production from next week. Is that right?

Tarun Sawhney: That's right.

Moderator: Thank you. The next question is from the line of Aditya Shah from Mesh Stock Brokers Private Limited. Please go ahead.

Aditya Shah: My question is regarding Triveni subsidiary, Sir Shadi Lal Enterprises. My question, in particular, is about the distillery business. What are you looking at for margin improvement? And do you all have any plans for scaling capacity or venturing into, let's say, IMIL or IMFL in the future?

Tarun Sawhney: I think we're exploring it. The distillery at the Sir Shadi Lal Enterprises was in terrible conditions when we took over management control requiring a reasonable amount of capex in order to be able to let it operate at the efficiencies that the Triveni distilleries operate at. As a result, we're still examining this business in terms of when we start the operations of this business. But it will require a certain amount of capex for it to be able to operate efficiently.

Aditya Shah: Okay, all right. Thank you.

Moderator: Thank you. The next question is from the line of Shailesh Kanani from Centrum Broking. Please go ahead.

Shailesh Kanani: Just one last listing question from my side. Are you contemplating any further capex in any other business lines like CBG or anything on that if you can throw some light and that would be everything from my side.

Tarun Sawhney: Wonderful. So the only capex that has been approved by the Board in its board meeting yesterday was ₹20-odd crore for the IMIL business. Besides that, we are not contemplating any further capex at this particular point in time. You mentioned CBG, I will then take a lead from that and share with you that Press Mud prices, loose Press Mud prices have gone through the roof. In West Uttar Pradesh, they are well above ₹50 per quintal. It's a massive increase from last year on a by-product, almost maybe a 100% increase in certain plants.

The viability then if that is being used only for CBG is a little bit under question in my books because you need to be able to balance the feedstock price with your end product price. At this point, I'm just sharing some data points with you.

But at this particular point, we have not contemplated any additional capex. During my opening remarks, I had said that as a firm, we will continue to improve debottleneck and continue to improve operations, etc.

We will see during the course of this season, the capex that we have done during the off season, we will see the returns because every single capex had an associated return and the performance of that we will know better by January, once the season is at least a few months underway. And then we'll be in a better position to see if we do some more tinkering at the sugar plants in the form of limited but small capex in the off season. As of now, there is no plan.

Shailesh Kanani: Sir, just a small follow-up and clarity, more on the price side, what was the hike, what was the price of press mud you said?

Tarun Sawhney: Over ₹50 per quintal.

Shailesh Kanani: Okay. And where is this demand coming for Press Mud for this 100% increase. Any idea on that?

Tarun Sawhney: We're selling to traders. We're very happy wherever they're taking it.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Tarun Sawhney: Ladies and gentlemen, thank you very much for joining us for the Q2 FY 25 results call for Triveni Engineering & Industries Limited. The last quarter and half year has been more challenging. But the future looks extremely promising across all the businesses. I'm very hopeful that the Sugar season will be substantially better vs. last year. The start has been very good. The signs are extremely good. As a result, we will have more feedstock, better quality feedstock, etc for feeding into the Distillery business, which will do well. Within that, both the branded liquor businesses of country liquor (IMIL) and IMFL continue to do well, and we are hopeful that they will spur very positive financial performance for the Company. On the Engineering side, both Power Transmission as well as Water are looking extremely positive at this particular point, and I'm looking forward to our next conversation in three months, but I hope to come back with even more positive news for all the businesses. Thank you very much, and have a good day.