



## Triveni Engineering & Industries Limited

### Q2 & H1FY13 Earnings Conference Call

May 10, 2013

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**Moderator** Ladies and gentlemen, good day and welcome to the Triveni Engineering & Industries Limited Q2 & H1 FY13 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference call please signal an operator by pressing "\*" followed by '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand over the conference to Mr. Rishab Barar from CDR India. Thank you and over to you sir.

**Rishabh Barar** A warm welcome to all of you participating in the Q2 & H1FY13 results conference call of Triveni Engineering & Industries Limited. We have with us today on the call Mr. Tarun Sawhney – Joint Managing Director, Mr. Suresh Taneja – CFO and Mr. Sameer Sinha – President along with other members of the Senior Management team. I would like to mention before we begin that some statements made in today's discussion may be forward looking in nature and a statement to this effect has been included in the conference call invite which was mailed to everybody earlier. I would 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 would like to start this conference with opening remarks from the management followed by an interactive question and answer session where you can discuss your views and key issues. I would now like to hand over to Mr. Tarun Sawhney to share some perspective with you with regard to the company's operations and results for the quarter under review. Over to you Mr. Sawhney.

**Tarun Sawhney** Good afternoon everybody and welcome to the H1 FY13 earnings conference call for Triveni Engineering & Industries Limited. Our net sales for the half year stood at ₹ 1,118 crore and profit after tax of ₹ (19.5) crore. The engineering business order book stood at ₹ 462 crore which was rather healthy in the current environment. There is a steady order inflow in the gears business while there was a significantly lower order inflow in water during the current year.

In the sugar business the production increased by 12% and of course the most important news was the announcement of the de-control of sugar and the abolishing of the levy and monthly release mechanism. The cane prices for this year have restricted profitability for the year, however we had an excellent performance from our co-generation business and our distillery business.

The EBITDA for the half year stood at ₹ 52.1 crore after considering sugar inventories write down of ₹ 57 crore. The profit before interest and tax stood at ₹ 12.3 crore and the profit after tax stood at ₹ (19.5) crore.

The total debt as of 31<sup>st</sup> March stood at ₹ 1,302 crore of which long term debt was ₹ 529 crore and working capital debt was approximately ₹ 774 crore. Long term

debt reduced by ₹ 70 crore in the last 6 months whereas the working capital as you would expect has increased by about ₹ 350 crore. There was a net increase of ₹ 280 crore in debt. Our average cost of funds stood at 11.75%. We expect that over the remaining 2 quarters of this fiscal year we will be paying at least ₹ 50 crore worth of long term debt.

I would now like to turn to our various businesses and then talk to you very briefly about their performance and the views looking forward. As you know Triveni is one of the largest producers of sugar in the country with 7 manufacturing facilities in Uttar Pradesh. We crushed 56.3 lakh tonnes of sugar which is a 10% increase versus the previous year. Our recovery shows a significant improvement at 9.27% over the 9.09% for the previous crushing season, a 2% increase. But overall our sugar production was 522,000 tonnes versus 465,000 tonnes for the last sugar year, an increase of 12% this year. Our dispatches for Q2 were 108,000 metric tonnes with an average free sugar price realization of about ₹ 33 per kilo. Levy plus free realization was an excessive ₹ 32 per kilo.

The cost of production of sugar in 2012-2013 is higher than the estimated realizable value and sugar inventories, as I have mentioned in the opening remarks, have been written down by approximately ₹ 57 crore at ₹ 32 per kilo. The cost of production for the season was ₹ 33.80 approximately which is higher than the net realizable value and therefore we have written down the sugar at ₹ 32 which is currently what we are receiving in the market. As of the end of the quarter we had just under 40 lakh bags of sugar in stock.

The Chandanpur and Milak Narayanpur units have started their incidental co-generation during this season which ran extremely smoothly and very well and they exported well in excess of a crore units of power. The refinery at Sabitgarh was also commissioned at the very beginning of the season and ran successfully throughout the season producing sugar which is now fetching a high premium in the market.

As we have mentioned in our previous call we are also looking at converting our Khatauli plant which is one of the largest factories in the country into a refinery. We expect that at this plant the Capex work would be completed by the end of September this year. This will make it one of the largest plantation white sugar factories being converted into refineries in the country.

Turning to the UP average – the average recovery for this season was approximately 9.19%, which was a 9 basis point increase over the preceding year whereas as I mentioned that our company had an increase of over 18 basis point. So it is better than the UP average.

Looking at the industry scenario there have been many important developments over the last 3 months that will shape the future of this industry in a resounding manner. The Cabinet Committee on Economic Affairs on April 4<sup>th</sup>, decided to implement some of the recommendations of the Rangarajan Committee report by abolishing the 10% sugar produced by the units and sold as levy. In addition the release mechanism was also suspended. While this is for a period of 2 years we believe that is an assessment period and we are hopeful that this will be continuous going forward. With respect to the sugarcane reforms and those recommendations by the Rangarajan Committee the CCEA was very clear that the onus of this should fall on the State Governments. We have been told that the Karnataka Government, prior to the elections, was contemplating a sugar cane linked formula with sugar price. We believe that is a very bold step and this will of course hopefully be taken up by the new incumbent Government and will have a spill over effect on other states going forward.

Contrary, of course to the lower expectations of total sugar production for the country, we believe that sugar produced for the current year will be approximately just over 25 million metric tonnes, which is frankly speaking only a marginal decline over last year's sugar production. The prices of sugar, since the middle of February, have shown a downward trend. However this is very much within expectations. Once the decontrol was announced it was clear that there will be an initial reaction and in this movement you have people who had pressure to release their stocks etc. and you have seen somewhat a small decline in prices over the last several weeks. However, as I mentioned this is to be expected. My view over the next few months is we will have some stability, there will be price discovery. That is only natural in a free market system.

With respect to planting; our factories in Uttar Pradesh have experienced planting for next year very much in line with the planting that we had in the last year. We expect a marginal increase in planting year on year, however the most important benefits in the results that we have seen for this year are the benefits of the cane development initiatives that we have at all of the units in increasing recovery and in increasing the yield of the crop. So we expect that the availability of cane to us going forward provided all things remaining equal - should be equal to not greater than this year.

We also believe that the planting in Maharashtra and Northern Karnataka has been weaker. In addition there was also a decline in the planting last year. We should experience that impact in the coming seasons. The total quantum of that once all the surveys, the satellite imagery etc. have been done post the monsoons will give us a much better and clearer idea of the production across the country and of course including the states of Karnataka and Maharashtra. So it will be more prudent for us to take estimates of the next crushing season is in the next conference call that we will have and the next time that we speak to each other.

International sugar prices have also remained sluggish as you are all aware and I expect it to remain under pressure as exports of Brazil and Thailand have increased marginally over the last quarter. The one point which I would like to stress on is the import policy that exists at this moment.

At this point you are aware that there is a 10% duty on raw sugar and no duty on white sugar. We have petitioned the State to write to the Central Government and hope that the Central Government raises the duties in line with the WTO. The Central Government has the ability to raise duties up to 60% if it chooses to and we hope that over the next few months there is some thought around this and some movement in this direction of increasing duties..

Lastly with respect to sugar prices, I have guarded optimism going forward. I do believe that there was a shock to the system once de-control was announced but again that was to be expected. People who had sugar have sold sugar. Going forward I expect to see greater stability in prices, limited rapid movement upwards or downwards. I do believe that there will be stabilization. Now the swing factor of course going forward will be twofold, one the government view on imports, clearly the duty structure changes favorably there will be an increase in pricing. 2) The outcome of the monsoons would be absolutely critical in shaping expectations and as you know the sugar market is very much dependent on expectations and on the wins of future production.

Turning to our co-generation business we had an excellent quarter as I had mentioned in the opening remarks. The co-generation facilities at Khatauli and Deoband which supply their excess power to the state performed remarkably. On

account of consistent crush the power generation was higher by 3% when compared to the previous year which is fairly substantial.

Our distillery business has actually performed remarkably well quarter on quarter both in terms of sales and in terms of profitability. We will talk about more of that in the Q&A session. It's fair to say that Triveni has participated aggressively in the e-tender of Ethanol. We expect 25% of our production over the coming few months and quarters will be diverted towards Ethanol production. However, we also see robustness in the pricing for ENA and other products from the distillery.

Turning very quickly to the gears business – we have had a slight decline in sales as well as in PBIT. However our PBIT margin has stayed absolutely the same and therefore the decline in PBIT was a function of decline of sales rather than in any other factor. However despite the fact that the domestic demand remains sluggish the business has really moved into completely different directions where I would like to spend a just a little bit of time talking to you about the order book and showing you how that has changed.

While product sales in the last quarter we are down by 31% which is very much in-line with the industry, the other businesses of refurbishment, retrofitting, spares etc. were up 19%. Now those businesses of course going forward are increasing and will contribute more and are also very high margin businesses and therefore they will contribute more towards growing profitability. For H1 the order intake was over ₹ 48 crore which was higher than ₹ 45 crore for the corresponding period and this was primarily led by exports. So our focus in terms of exporting gears around the region and to select customers around the world has been very successful. We have expanded people etc. in looking at these very profitable areas and going forward I am confident that we will be able to deliver better profitability and growth going forward.

The water business – in the waste water treatment space as well as the municipal segment has had a challenging quarter. The business sentiments have remained sluggish which is reflected in slower execution and slow order booking and the situation unless it improves we can expect similar trends going forward and the sales in this quarter has been lower on account of slow down at the customer's end. However we do believe that this is a problem that over the medium term has to be addressed by the state, by the municipalities and by industry and therefore the business model that we have created is robust such that we can survive varying business cycles and so we are geared up towards any increase in demand and of course in terms of the total number of enquiries that we have those still remain robust, it's just that the order finalization it's something that needs to happen and we expect that we should be able to come to you with better news over the coming quarters.

So with that I would like to now take some questions.

**Moderator**

Thank you very much sir. Participants we will now begin with the question and answer session. We have the first question from the line of Nirav Shah from Antique Stock Broking. Please go ahead.

**Nirav Shah**

Firstly on the sugar front, what are the cane arrears situation in UP right now? Now that it will be way down because of mills liquidating but what is the kind of delay that you are seeing the industry players making I mean dealing with the farmers? Right now at what level are they compared to what it was in March before the decontrol orders?

- Tarun Sawhney** I think cane arrears have marginally improved in UP after the abolishing of levy. However there are still substantial arrears to the tune in an excess of about 30% - 35% somewhere in that region. Going forward I think with sluggishness that we had over the last 6 weeks in sugar prices, the enthusiasm to sell sugar has pretty much been taken out of the market.
- Nirav Shah** So do we see any outstanding arrears towards the end of the season in September?
- Tarun Sawhney** I think that is a distinct possibility however having said that you know I should have addressed this in the opening remarks, I would like to add that the industry associations and the millers have petitioned the State Government and the Chief Minister to offer us some subsidies. Whether we receive those subsidies or not going forward is a really big question but any of those subsidies again will be used, towards clearance of cane price.
- Nirav Shah** Second question is on the cane outlook for the next year; we said that for us we might be ending next year at higher levels compared to what we ended this year. But what is the situation for UP as a whole because of 2 conflicting scenarios, because at one end we are having a higher arrears and at the second we are having a continuously rising cane price which induces the farmer to grow more cane. So how is the situation shaping up for the next year?
- Tarun Sawhney** You know you have raised a very interesting and important point. Historically, when there have been high cane arrears there has been a dramatic slowdown in planting. The problem is today the ₹ 280 price that we paid which is the base price that we have paid. It is far too attractive for the farmer compared to other crops. As you read one is expecting up to 10% decline in wheat prices going forward in the short term there is a decline in paddy prices, so commodities as a whole are fairly bearish. Even in that scenario cane despite the fact that there are arrears seems like a more lucrative option for farmers. You must also bear in mind that last year the industry had to pay the cane price differential for previous years. So the farmers knows that even if there are arrears at some point or the other they will be cleared whether it is cleared by the industry or by court orders. So overall I expect that the planting in the state of Uttar Pradesh will broadly remain the same. Now it will range for groups, some groups will have slightly higher planting, some groups will have less and there will range between area to area as well depending on what the variety of the crops are. But broadly speaking we will be at status quo in UP with some variations for different groups.
- Nirav Shah** The only concern is at ₹ 280/kg even if we assume that there are 10% arrears at the end of the season; still ₹ 260/kg is a far better rate compared to what other crops are offering to the farmers.
- Tarun Sawhney** Correct, that is my view.
- Nirav Shah** Lastly on the Ethanol supplies to OMC's. When do you expect those to start because there is a consistent inventory built up of Ethanol at all the mills levels and considering that storage capacity would be limited? Are mills selling more of now ENA or they are still holding on to their Ethanol stocks?
- Sameer Sinha** We believe that the Ethanol supplies will start towards the end of this month as this process will smoothen out by the end of June which means that by the end of June 100% of the mills that has dispatch schedules, would start supplies.
- Nirav Shah** What would be the indicative prices because again we are not hearing anything on the pricing front?

**Sameer Sinha** See the way we have competed in this tender and for the orders which we have got our prices are a shade above ₹ 35.50 at the basic level.

**Nirav Shah** Ex-distillery level?

**Sameer Sinha** That's correct, ex-mill – ex-duty.

**Moderator** Thank you. We have the next question from the line of Devang Modi from Equirus Securities. Please go ahead.

**Devang Modi** I just wanted to understand that we see a very strong growth in the gears division, so wanted to know how confident are you of a sustained growth in this direction and how much of these supplies would be to group companies?

**Tarun Sawhney** Actually I just want to correct you there; our net sales for the quarter and for the half year are down compared to the corresponding periods of the previous year. However, it is the profitability that I was talking about which is very much on par so the quarter profitability for Q2 FY13 was exactly the same as the profitability percentage for Q2 fiscal '12. Going forward our order book has increased over the corresponding period and therefore we believe that profitability as a whole is certainly not a question for this current year. As far as growth of the business is concerned, you see the domestic market is tremendously sluggish, so our growth is really coming and is being led by exports which again we see a strong rupee overall with the weak rupee is more favorable for us. With respect to sales to our sister concern Triveni Turbine Limited, those sales are slightly down because the mix of turbines that Triveni turbine is making are on much higher megawatts. So there is that change that has happened but very much in-line with the previous years.

**Moderator** Thank you. We have the next question from the line of Satish Mishra from HDFC. Please go ahead.

**Satish Mishra** My first question is related to the international sugar prices. Earlier, we used to discuss that the Beet based producers basically provide a resistance to support the sugar prices. So the first question is what will be the proportion of Beet based sugar out of the Indian supply?

**Tarun Sawhney** I must say for this discussion we can take it off-line, we do have that data but it's not available with us at this time. It's about 25% broadly.

**Satish Mishra** So if I take it at 25%, just your sense on that, its 18 cents and 19 cents, when you are saying it will remain at these levels, how do you see the situation for international sugar prices to shape up?

**Tarun Sawhney** I think if we look at fund flows and trade flows the bearish sentiment in the international market is also been exhibited by even though the fund manager and the big funds that have been buying into this commodity as well as the large trading houses have seen actually tremendous losses as you know and a fall in revenues over the last several quarters, etc. Having said that I think there is again some bottoming out that is happening right now at this 17 – 17.5 cent level. I think the near month contract is just a shade higher than 17.5 cents at this point in time. But I do not see an increase or decrease that I think the market has factored in a good Brazilian crop, a good Thai crop and therefore as far as the western hemisphere and eastern hemisphere export have taken place, I think the overall market is fairly comfortable with the prices at this point in time.

**Satish Mishra** Assuming 18 cents as a raw-sugar price what would be the landed cost in India considering 10% import duty?

**Tarun Sawhney** It's just under ₹ 27,000 per metric tonnes.

**Satish Mishra** Whereas our current domestic price is ₹ 31 – Rs. 32?

**Tarun Sawhney** Correct. But you have transportation, you have conversion, you have interest cost, etc., and then of course you would expect to make some profit on it, would be about ₹ 33.5 especially for a northern miller. So for a UP based miller it would be difficult to convert raw sugar into white sugar paying the duty and the transportation, etc. for less than ₹ 33.5.

**Satish Mishra** If you can help me with the break-up of 25 million tonnes Indian production between the states like UP, Karnataka, Maharashtra and Tamil Nadu?

**Tarun Sawhney** Again I would request you to take this all off-line, we have all the data, we can give you all of our numbers independently.

**Satish Mishra** Then specific to UP was this year's production 10% higher than last year?

**Tarun Sawhney** 7.5 million tonnes plus.

**Moderator** Thank you. We have the next question from the line of Kapil Bagaria from Phillip Capital. Please go ahead.

**Kapil Bagaria** My question is regarding the changes which have happened post the partial de-control with the release mechanism now been done away with. So just wanted your comments in terms of how has the industry taken this? Have things smoothed out operationally and I know you have commented a little bit in your note regarding the sugar prices and they may improve going into Q3 and Q4 but how has it impacted the prices and how do you see the demand-supply situation going ahead and the supply side of it especially?

**Tarun Sawhney** I think the initial euphoria of the partial decontrol had to result in a tempering of prices and we have seen that and we will see that in Q3 also. We are half way through Q3 as we speak at this time. I am optimistic of Q4. In Q3 they have been settling. People have had to clear cane price payment, they have had to release funds for off season repair and maintenance and there have been many pressures on millers across the country. So you have seen some tempering of prices. I do expect that over the coming few weeks we will have stability in the market and that initial euphoria will settle down to a more realistic demand supply based pricing. From a supply side perspective I think it is important to note that even if a miller wants it they cannot get rid of the sugar in one day. It is logistically impossible. So you know you have those supply side constraints. Traditionally, if you have the capacity to be able to lift 10,000 quintals of sugar a day, you can up that to 15,000 may be 20,000 but you cannot do 50,000 quintals a day. So in terms of total amount of sugar coming into market yes, the possibility is certainly there of larger quantum if there are any increases, any sudden increases in prices. But my expectation is that from a supply side perspective you have no real constraints.

**Kapil Bagaria** Have you seen because we had an excess supply also this year, excess production than what it was estimated earlier and this release mechanism also done away with. So has that in any way as you rightly pointed out that logistics issues are there but have you seen any flooding of sugar at any point of time or anything of that sort?

**Tarun Sawhney** It is not that we have seen. Now we sell sugar across North India, our sugar goes all the way from Himachal, Jammu, and Punjab at one end of the country all the way to Guwahati in East India and we sell in to Central India as well into Gujarat, into Rajasthan, and Madhya Pradesh, etc.. So we have not really seen any supply side constraints where there are 20 rakes that have landed up. I think there has been consistent movement of Sugar. The movement has not decreased. It has certainly stayed at the same place. But I think there is a certain amount of rationality that is coming into the millers. You see because of the trade at this time, it is important that even if you want to sell the sugar, the demand side is very crucial, you may not have the takers. At this point in time it is the demand led pricing, in my opinion. So you do have a scenario where only that much sugar is coming to the market as much as the market can absorb. You do not have a significant pipeline. I do believe that once there is more stability in the pricing there will be a greater agent pipeline that will exist that could be to the tune of about 2 million tonnes of sugar. At this point the pipeline is nowhere near that number.

**Kapil Bagaria** My second question relates to the water business, you have mentioned about the delays in the existing orders, could you show some light in terms of where are these delays coming from, are the project owners delaying the project?

**Tarun Sawhney** You know the bulk of the delays are primarily from the project owner's perspective. On the operational front we had some concerns but I would like to point out that our order execution capability in our water business has improved exponentially if you compare the 2 to 3 year period. So to give you an example say 2 years ago a project that would take us 30 months to complete, we can complete it in 22 months today and this is mainly in the industrial sector that I would like to add that the delays have taken place. So, primarily because of the client difficulties of various kinds.

**Moderator** Thank you, we have the next question from the line of Achal Lohade, from JM financial. Please go ahead.

**Achal Lohade** Just wanted to have some clarifications actually in the opening remarks you said the import duty on white sugar is zero. Is it 0% or 10% ?

**Tarun Sawhney** I am sorry it is 10%.

**Achal Lohade** Secondly in terms of the arrears, I missed out, what are the arrears right now or whatever latest number you have?

**Tarun Sawhney** I do not have the arrears number, if you call us off-line we will be able to get those numbers for you for the state of Uttar Pradesh but it is to the tune of about 35%.

**Achal Lohade** 35% of the total sugarcane price?

**Tarun Sawhney** Yes, about 33% - 35 %. If you do a backward calculation you will be able to get that number.

**Achal Lohade** Another thing I wanted to check in terms of acreage, I believe we know most of the UP planting season is about January to March. Just wanted to check what feelers you are getting from your plant? Have you seen any increase or people have reduced a little bit, what is the status currently?

**Tarun Sawhney** I think this varies, in West UP where planting is still currently on, and will continue for the next 10 days or so, planting has always been on par, there is very little variation in the area under cane. So for our West UP factory that is the scenario.



For our new plants the scenario is very different. For 3 out of the 4 new plants we have seen approximately a small increase in the total area under plant cane. So we are very encouraged by that and one factory is at par. And our factory in East UP, again the plantation has been very fractionally lower. Overall I forecast total area under cane will be marginally higher if you take all 7 factories as collective. However the real benefit will come in enhanced yields. Now the question mark around that of-course, is the intermittent rain etc. So there are lots of imponderables around that. But everything held equal if we do have the same season and the same weather pattern as we did over the preceding 12 months we would expect a higher cane availability.

- Achal Lohade** Can you help me with the initial expectation of UP production was it seven and half or was it 8.1 or 8.2 million tonnes, I think we were looking at about 14% - 15% increase in UP?
- Tarun Sawhney** You are absolutely right we were looking at about between 7.9 and 8 million tonnes and we produced in an excess of about 7.5 million tonnes, so it's been a decline from the original estimates.
- Achal Lohade** What would be the reason according to you - is that something to do with the recovery rate? Recovery rate I believe by and large improved, is it something to do with the yields?
- Tarun Sawhney** It is very much to do with the yields. I think overall there was an increase in the area under cane; there is no argument about that. However, there was a reduction in yield in critical cane growing areas and we saw that as well. Because we had one factory that shut earlier than we had estimated and despite the fact that in previous conference calls we have said that we may have a 12-14% increase in crush, we had over a 10% increase in crush. So we ourselves felt that slight decline in yields but again I have to say that from an overall perspective we had the best performance of the state in terms of crush.
- Achal Lohade** Would you be able to identify which particular region was that? Was that in western UP?
- Tarun Sawhney** Clearly Western UP. The fact that there was no disease that people worked hard on eradication of pests, all of that culminated in greater cane availability.
- Achal Lohade** No, I was more curious to know where the decline in yield was witnessed.
- Tarun Sawhney** Decline in yield was strongest in East UP.
- Achal Lohade** You think that could be more of seasonal and next year we could be back to normalcy, right?
- Tarun Sawhney** Very much so.
- Moderator** Thank you, we have the next question from the line of Aman Sonthalia from Sunidhi securities. Please go ahead.
- Aman Sonthalia** What is the actual consumption of India and what is the growth rate in consumption in every year?
- Tarun Sawhney** What I was going to say is that there is a bit of a black box because the calculation of what is being released is that the data is to really come from the Central Government, in terms of the releases for levy and free. And nevertheless we do

have other methods also of estimations of consumption. According to Triveni the consumption is about to north of 22.5 million tonnes growing at about 2-2.5% per annum. The growth rate is slightly higher when there are depressed prices. I do see that there will be a higher growth rate at these tempered sugar prices and the major consumption months of course are the summer months; the month of May, June and July; those are the 3 critical months. So we believe that with the softer pricing we will see robustness in sugar demand.

- Aman Sonthanlia** Will it be higher than 2.5%?
- Tarun Sawhney** It will be rather 2% or 2.25% it will be 2.5%. 2.5% is a very strong growth rate.
- Aman Sonthanlia** Because in some of the conference calls the other companies have mentioned about the 2.35% to 2.4% consumptions. So it varies from company to company. So I fail to understand what is the actual consumption?
- Tarun Sawhney** You know you are absolutely right. The government as well as the industries have varying numbers for consumption because there isn't consistent data available to be able to give you those numbers. My calculations may include a few things and they may not few items. But our estimation and our best guess is 22.5 million tonnes.
- Aman Sonthanlia** Next question is that Renuka is importing in big quantities, still they are importing very big quantities of raw sugar in the Haldia factory and in their Gujarat factory also. And in this Haldia factory they have totally started the eastern market and northeast market. So, will this affect the overall sugar market because they are definitely impacting the sugar prices here?
- Tarun Sawhney** I can't really comment on one of my peers in the industry but I will just leave you with the thought that the Haldia plant hasn't been producing sugar for some time now. It has been supplying in the past it is currently supplying and it is going to be supplying sugar in to the Calcutta and North East market in the future. So I think the market has already discounted whatever sugar is going to be coming into the market from a single plant. I think that is pretty much has been taken out of the equation in terms of the impact on future pricing.
- Aman Sonthanlia** Because their plant is producing around 50,000 or 55,000 tonnes per month sugar so it's a very big quantity.
- Tarun Sawhney** Certainly yes, but my view is that it is already been discounted by the broader market in terms of the pricing.
- Aman Sonthanlia** What is the expected production for next year because in Maharashtra, Karnataka and Tamil Nadu there will definitely a decline in production? So as per your review what will be the expected production for the next season?
- Tarun Sawhney** It is difficult to guess. Our initial estimates may be 24 million tonnes or slightly less.
- Moderator** Thank you. As there are no further questions from the participant I would now like to hand the floor over to the management for closing comments.
- Tarun Sawhney** I would like to thank you all for joining us for the H1 Fiscal '13 consolidated results for Triveni Engineering & Industries Limited. I look forward to speaking to you next quarter with better news and better forecasts for both the sugar and the engineering businesses but suffice to say that the company is working at reducing costs across the board and is pursuing all avenues for growth in engineering

business looking at international markets, etc., and the select markets that have potential within India and on the sugar business clearly a lot of things are tied up with the government and with policies still, but we do expect that with these big strides that the Central Government has taken, it will have a follow on effect with the State Government and that when we do speak in 3 months' time we have better news to share with you and a better environment forecast going forward.

**Moderator**

Thank you sir. Ladies and Gentlemen on behalf of Triveni Engineering & Industries Limited that concludes this conference call.