



## Triveni Engineering & Industries Ltd

### Q1 FY 19 Earning Conference Call Transcript

### August 02, 2018

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**Moderator:** Ladies and gentlemen, good day and welcome to Triveni Engineering & Industries Limited Q1 FY'19 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing "\*" then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rishabh Barar from CDR India. Thank you and over to you, sir.

**Rishabh Barar:** Thank you. Good afternoon, everyone and a warm welcome to all of you participating in the Triveni Engineering & Industries Limited Q1 FY 19 Earnings Call. We have with us today, Mr. Tarun Sawhney – Vice Chairman & Managing Director; Mr. Suresh Taneja – Group CFO 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 to this effect has been included in the invite, which was sent to you earlier. We would also like to emphasize that while this call is open to all invitees, it may not be broadcasted or reproduced in any manner. We will start this conference call with opening remarks from the management, followed by an interactive Q&A session. I would now like to invite Mr. Tarun Sawhney to open the call. Over to you, Mr. Sawhney.

**Tarun Sawhney:** Thank you, Rishabh. Good afternoon, everybody and welcome to the Q1 fiscal '19 earnings conference call for Triveni Engineering & Industries Limited.

Let me start off very quickly with some of the Key Highlights:

In the Sugar business, the country's production is estimated for this sugar year to conclude at about 32.4 million tonnes, a substantial increase to what we had forecast and our expectations. Consequently, sugar prices during the quarter under review dipped to just about ₹ 26 per kilo, but they of course improved substantially since then due to various Government measures and initiatives. Liquidation of cane dues that exists today still require significant Government intervention.

The profitability in our results is primarily due to the revaluation of stocks. Our Co-generation business has performed well due to the longer season and higher operating days. Along with that, our Distillery business has also shown a marked improvement in its performance. The preliminary estimates for the sugar season '18-19's production are about 35.5 MT.



As far as the Engineering business is concerned, the Gears business has shown excellent visibility, registered good growth during the quarter in terms of turnover, profitability as well as order booking. The Water business had secured substantial and prestigious orders during the quarter, exhibited a clear turnaround which I had mentioned to you over the last few conference calls when we had this interaction. There are some niggling and continuing delays in contracts, these are the previous contracts which have led to some small losses, but we believe these are aberrations and I will be discussing that with you when I discuss the business in detail. The outstanding order book has increased dramatically for the Engineering business and stands at ₹ 1,272 crore at the end of the quarter.

Our financial highlights:

There has been a dip in our gross revenue to ₹ 706 crore and this is primarily due to two factors: the decline in the sugar price between Q1 of fiscal '18 and Q1 of fiscal '19 and of course the fact that we had more sugar available with us which is subject to the release mechanism. In a nutshell, our PAT for the quarter is reduced to just about ₹ 37 crore Vs. ₹ 60 crore in the corresponding quarter of previous year.

On a happier note, the total debt of the company has seen a dramatic change. The long-term loans stand at ₹ 125 crore which include ₹ 31 crore of soft loans, where there is interest subvention. The total debt is ₹1,087 crore which is still ₹ 260 crore lower than the 30<sup>th</sup> of June 2017 despite greater number of bags in our godowns. So therefore, this is again part of the message that one we have been discussing with you over the last few calls in terms of pay down of our term debt.

Turning to the business highlights:

As far as sugar business is concerned, we now have a scenario of release mechanism and the Government gives out a quota for sales every month. As a consequence, the inventory of sugar with the company on the 30<sup>th</sup> of June stood at 51.77 lakh quintals and the valuation of it was raised to ₹ 29/Kg which at this point of time is the present minimum sugar sale price as prescribed by the Government. The consequent revaluation in stocks is approximately ₹ 21.3 crore. The income from installation of cogeneration at Chandanpur, Milak Narayanpur and Sabitgarh sugar units, has resulted in a revenue of more than ₹ 4 crore in the quarter under review.

I would like to mention that now the sugar season has come to an end in the State of Uttar Pradesh. Triveni's recoveries stood at 11.38% which is a substantial increase year-on-year and it stood second highest in the State of Uttar Pradesh. The dispatches are marginally higher quarter-on-quarter but the real point to note is the dramatic decrease in realization price, Q1 fiscal '18, the realization price was almost ₹ 37/Kg whereas Q1 fiscal '19, the quarter under review, our realization price for sugar has fallen to approximately ₹ 29 per Kg. The current sugar prices of course are about ₹ 33.5 for plantation white at the Triveni mills and just above ₹ 34 per Kg for our refined sugar.

The industry scenario for sugar is the following:

The production this year as I mentioned is anticipated to be 32.4 million tonnes, of which Uttar Pradesh produced about 12 million tonnes followed by Maharashtra at about 10.7 million tonnes. The initial estimates for planting show an increase of 8% acreage in the entire country which means that we are looking at a substantial increase in sugar production in the upcoming season. On account of this large quantity of surplus in the country and the fall in sugar prices, there are substantial arrears that



exist in the country and at the end of the quarter approximately ₹ 12,000 crore was the arrears payable to farmers in just the state of Uttar Pradesh. Having said that, the government has announced various financial packages that I am sure you are aware of, including the fixation of a minimum price of sugar at ₹ 29 per Kg, creation of 3 million tonnes buffer stocks for one year and the reimbursement under the scheme of this buffer stock would be made on a quarterly basis and credited directly to farmer account to adjust against their cane price dues. In addition, the Government has also announced financial assistance to sugar mills to augment capacities of the existing distilleries and setting up of new distilleries as well. Most notably on the cane price front, the Central Government has announced the FRP, the Fair & Remunerative Price for sugarcane for the upcoming season '18-19 at ₹ 275/quintal at a basic rate of 10%. You would all remember that the previous FRP was ₹ 255/quintal at a basic recovery rate of 9.5%. This is an increase of course the industry has written and represented that it did not warrant this kind of an increase especially given the fact that the cost of production of sugarcane across the country as per the Government release is only ₹155/quintal.

Currently, the OMCs have released tenders well in excess of 313 crore liters for the ethanol supplies during this year. There has been a new biofuel policy that has been announced which allows and it has been notified as well, which allows the manufacturer of ethanol from B Heavy molasses as well as directly from cane juice, although I will be discussing this later, I do not see real benefit of this coming to the industry for at least another two or three sugar seasons.

From an international perspective, there is a rapid production across the world, supply is going to outstrip demand by over 12.5 million tonnes in the year '18-19. The center south region of Brazil sugar production is estimated at about 30 million tonnes and in Thailand we are looking at sugar production to increase to over 14 million tonnes. Consequently, the October '18 contract as of yesterday stood at about 10.5 cents per pound, so a steady decline over the last 8-12 weeks and that is a very-very significant decline in the international prices. This bears an important impact on the ability of India to export its sugar surpluses into the global market.

Turning to the Co-generation business:

Very briefly, the power exported in the quarter under review was just under 50 million units which was a stark difference to the 37 million units approximately in the previous corresponding quarter. That resulted in PBIT of about ₹ 24.28 crore versus ₹ 13.7 crore in the previous corresponding quarter. The overall efficiency of the plant continued to be excellent and that is why we had good results in our co-generation business. Similarly, as far as the distillery is concerned, the production was dramatically different quarter versus quarter and it stood at over 11,000 kilo litres versus 4,300 kilo litres in the previous corresponding quarter. The PBIT of the business increased dramatically as a consequence to ₹ 21.59 crore versus 2.4 crore in the previous corresponding quarter. The company has received ₹ 2.72 crore litres contract supplies from the OMCs during the '17-18 season which ends in November '18 at an administered basic price of ₹ 40.85 per litre, this is ex-factory. The share of ethanol sales in Q1 was 100% of the sales volume against 83% in fiscal '18.

The board has approved a proposal of establishing molasses-based 160 KL per day ethanol plant and our sugar unit at Sabitgarh district, Bulandshahr in Uttar Pradesh. This is of course subject to the necessary statutory clearances and the board has also approved the setting up of an incineration boiler at our existing distillery in Muzaffarnagar. This will raise our total distillation capacity to 320 KL per day with the operating days of about 330-days. The cost of the plant at Sabitgarh and the boiler at Muzaffarnagar has been approved by the board at approximately ₹ 200 crore.



Preparatory work for the ethanol plant is under progress and the majority of this funding will be through Government schemes which are available and that is primarily interest subvention.

The Gears business has performed very well. Quarter-on-quarter the revenues have risen from ₹ 13.9 crore to ₹ 20.75 crore in this quarter under review. Consequently, the PBIT has also risen well over 4x. The growth in OEM sales has been 52% whereas the growth in our spares, refurbishment business and exports has been over 100%. Activities during Q1 has picked up dramatically as indicated by our order book and the order booking has also improved by over 47%, this is excluding the longer duration contract during the quarter under review. The market is looking stable with some very positive signs coming from certain sectors and the business has strong enquiries from defense and is hopeful of concluding some more projects over the upcoming few quarters this year. The outstanding order book on the 30<sup>th</sup> June for the Gears business stood at over ₹ 177 crore.

The Water business as well has performed extremely well. The revenues have marginally increased QoQ from ₹ 35 crore odd to just over ₹ 36 crore. However, there has been slow progress and delay in completion of certain projects which did result in cost escalations and that has adversely impacted the results of this business, but to what the positive news, the order intake has been absolutely outstanding and stood at almost ₹ 370 crore which included the contract of ₹ 224 crore, that was awarded to us under the Namami Gange Scheme. I would like to also mention that after the quarter is ended, the Company and business has secured another order of ₹ 315 crore which is not included in the order booking figures that I would be giving you. As of the 30<sup>th</sup> of June, the order booking for the Water business stood at ₹1,095 crore which includes ₹ 455 crore towards O&M. The duration of implementation for these contracts as you know is between 2 and 2.5-years, the O&M cycle is usually around 10-years, longer duration and so we expect that the revenue accountability for this entire increased order book will be flowing into the business quite a lot. The increase in order book just for comparison, year-on-year has increased by 64% which is an outstanding increase from our perspective and something that we were clearly expecting.

Turning quickly towards the outlook of our businesses: The sugar outlook, UP for the foreseeable future is definitely going to be producing well over 11 million tonnes of sugar. The work that the industry has done to the farmers in terms of improving farm productivity and consequently farm revenue. In view of the high production cost in the country, primarily due to unrealistic cane prices, exports are clearly not competitive and will only be possible to add enormous losses to the industry and we are waiting to see what policy is the Central Government will come out with to deal with this problem of excess sugar from this sugar year as well as sugar that is going to be produced in the next sugar year.

The national bio fuel policy is an excellent and outstanding initiative that has been launched; however, there are benefits of this is a good two to three years out which it does take time to set up the ethanol plant, pollution clearances, the various other clearances and of course the implementation of the CAPEX in terms of setting up an operating entity. Central government as I mentioned has announced an FRP. Our hope is that the UP Government will do very well in not following suit and work on a plan for a bail out of the industry which is under acute financial stress.

As far as the Engineering businesses are concerned, the Gears business, the outlook for capital goods seems pretty good, certainly a huge step towards the proper recovery. The replacement business is doing extremely well and our focus area we are looking quite seriously at new products and new geographies has clear focus

initiatives to further improve the turnover and profitability, although the revenue recognition of these new initiatives will come in subsequent financial years.

The Water business has participated in a large number of tenders and we are seeing many of them under finalization. We won several of them over the last several weeks and we are expecting that a significant order booking in the coming quarters of fiscal '19 as well. The Company is also exploring export opportunities to expand its business and improve its performance quite substantially. We continue to leverage our existing engineering relationships with industrial customers as well as far as the Water business is concerned.

Thank you very much. I would like to now open up the floor for questions.

- Moderator:** Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. We will take the first question from the line of Yash Agarwal from Crest Capital. Please go ahead.
- Yash Agarwal:** Sir, my first question is for the last sugar season, what was your cost of production?
- Tarun Sawhney:** Cost of production was approximately ₹ 32.5 last year because of the fact that the market prices were lower it was written down to about ₹ 28.3 or so as of 31<sup>st</sup> March. However, the sugar we produced during April and May, it has a much lower cost of production, roughly it was under ₹ 30.
- Yash Agarwal:** Sir, the sugar price currently was about ₹ 33.5 is what you said?
- Tarun Sawhney:** That is correct.
- Yash Agarwal:** So how sustainable do you think is this price of ₹ 33.5?
- Tarun Sawhney:** I think that is an excellent question. We are in an environment where we are strictly following the release mechanism, although quotas that are released by the Ministry of Food. Now with small quotas being announced, including for the month of August, they will hold up prices at these levels and I believe that the Government is certainly looking at north Indian prices averaging this level for the foreseeable future and going beyond this sugar season as well.
- Yash Agarwal:** Next year you said the sugar initial estimate is about 35.5 million tonnes?
- Tarun Sawhney:** Correct.
- Yash Agarwal:** Out of this inventory of 51.77 lakh quintals, how much is for exports sir?
- Tarun Sawhney:** So we are not going to be exporting because we are land locked. What we would be doing is we are participating in the MIEQ program of the Government of India and we have already recognized some of those losses in these accounts. So what we will do is we will sell our quota, which means we will pay for an exporter to evacuate that sugar from a coastal mill. We have already taken a large provision to that account and we are well on our way to completing that export obligation.
- Yash Agarwal:** Sir, moving on to your Distillery business, so this FY'19, what sort of production and sales should we look at?

**Tarun Sawhney:** It is very difficult to give you a total estimate because we do not know, there are many contingencies that one has to plan for. We would certainly be operating for more than 300-days in this fiscal year and this is before the Incineration boiler comes. When the incineration boiler comes, we would be operating 330-days at a maximum and we have 160 KL per day production capability for the plant in Muzaffarnagar, so it is a question of mathematics.

**Yash Agarwal:** On your Water business, all these orders that you have recently got the two bigger ones, are executable over two years, right?

**Tarun Sawhney:** Between 2-2.5-years.

**Yash Agarwal:** So when do you see the revenue booking and execution to really start?

**Tarun Sawhney:** Revenue recognition will be certainly in next calendar year, maybe some that will happen in this fiscal year in small portion but the bulk of it will be in subsequent quarters. But that does not mean that we already have an order book for execution for this year as well as you know, we have been reporting quarter-on-quarter. From an execution perspective and absorption of cost perspective, I think the business has clearly shown a turnaround and the management is confident that this will be repeated quarter-on-quarter, year-on-year.

**Yash Agarwal:** What sort of PBIT margin are you building in, in these new orders in the Water business?

**Tarun Sawhney:** That is a great question, it has been asked many times, we really do not answer it because this is competitive information.

**Yash Agarwal:** Last question is in the previous call you had indicated that you would be monetizing some land assets to finance your distillery project and other business initiatives, can we expect anything in the next six to eight months?

**Tarun Sawhney:** It has not happened thus far, real estate prices are so fluid, that unless we are going to get a very good deal, we are not going to go ahead into it... the Company does not need to liquidate those land assets, so I want to make that point...thank you for asking the question, but if we are paid a handsome amount, I think the decision was taken that if we do get something that is very attractive, we will look at it positively.

**Moderator:** Thank you. We will take the next question from the line of Vijay Gupta, an individual investor. Please go ahead.

**Vijay Gupta:** So, my first question is regarding the Water business. There was an order of ₹ 438 crore, that was under the JV. Is that a part of the number that we have declared in the results?

**Tarun Sawhney:** Yes, it is.

**Vijay Gupta:** If it is then probably the numbers are not matching, because the current order book is ₹ 1,075 crore as on June 30<sup>th</sup> and the March 31<sup>st</sup> book was ₹ 573 crore, so ₹ 368 crore is what we received in this quarter?

**Tarun Sawhney:** The total order value that we received is a contract value is not equivalent necessarily to what we recognize as an order book as well because those values are sometimes inclusive of taxes and we will not be reporting that clearly as an order book to you.

**Suresh Taneja:** Also, the ₹ 368 figure is only the EPC value of the contract which we have mentioned.

**Tarun Sawhney:** Not the interest value that comes along as payment from the Government back to you.

**Suresh Taneja:** Also, ₹ 368 does not include the GST which was included in the particular contract you are referring to, it does not include O&M as well.

**Vijay Gupta:** Would you like to elaborate on this more as to how do we reach from ₹ 573 to ₹ 1075 including both these orders, ₹ 368 gets added and we reached to let us say ₹ 961?

**Tarun Sawhney:** These are the reported numbers that we have given to the exchanges and to our investors, and if you want more details we will give it to you offline.

**Vijay Gupta:** Regarding the new distillery that you are planning to have, what is the likely date of commissioning?

**Tarun Sawhney:** Next fiscal year, we are hoping that it will be in Q1.

**Vijay Gupta:** My last question is regarding the value creation, any plans of value creation for shareholders as in the engineering there is, now we see sufficient orders as well as visibility?

**Tarun Sawhney:** The value creation that we are doing for the shareholders as I mentioned this, by coming 2<sup>nd</sup> in the recovery tables in Uttar Pradesh, generating profits out of our Engineering business, but I think what you are alluding to is something different and there are no plans of that. The value creation is in terms of being best-in-class and continually delivering on that promise quarter-on-quarter.

**Moderator:** Thank you. We will take the next question from the line of Ambar Taneja from Griffin Asset Management. Please go ahead.

**Ambar Taneja:** I had two questions; the first is as a percentage of your total bill sugar season gone by, what is the amount that is still outstanding?

**Tarun Sawhney:** We have approximately ₹ 500 plus crore, that is outstanding to be paid.

**Ambar Taneja:** I am just trying to get the percentage, it is like 70, 80% paid?

**Tarun Sawhney:** Just over 80%.

**Ambar Taneja:** Second question is you gave a very detailed analysis of the new biofuel policy, so thanks for that, but I am just wondering, what I have heard is nobody is actually producing ethanol currently through the heavy route. Is that understanding correct?

**Tarun Sawhney:** That is absolutely correct because there was no price. Firstly, it was not notified, so you could not do it, it was presently not legal to use B-molasses it now is.

**Ambar Taneja:** So now that a lot of people are going to set up capital expenditure to set up these mills, etc., Does the underlying profitability of the entire process that is making ethanol through B Heavy and then having obviously lesser by products versus producing ethanol through the conventional route and having the greater quantity of byproducts, how does the economics work, is it better for the mill to make ethanol through B Heavy, I have no understanding on that?

- Tarun Sawhney:** It is a very good question. It is a function of price; I am sure you will appreciate. So for the future, your ₹ 43.5 per litre for ethanol, for ethanol produced from c-molasses, which is the conventional and historic route of manufacturing ethanol. For ethanol made from B Heavy molasses the Government has taken into account the extra sugar that will be taken out of the system which means sugar will not be produced and more ethanol will be produced and therefore the price of that ethanol is approximately ₹ 47.5 per litre. Now this is not sufficient, frankly speaking, because the delta between what ₹ 47.5 equates to in a sugar price of just under ₹ 29 on commercial basis but the price today in the market for North India, it depends on where you are, and the country of course, the dynamics become a little more complicated like they are in Brazil. So let us talk about Triveni, the prices for plantation white is ₹ 33.5. Now assume that we were to see this, that is the average we are going to take for the rest of the year, you have a gap of ₹ 4.5 of sugar price, so you need the price of B Heavy molasses ethanol to be ₹ 53.5 and not ₹ 47.5 for them to be a parity.
- Ambar Taneja:** It should link it with the price of sugar?
- Tarun Sawhney:** Ideally to have linkages with sugar like we do in Brazil in some form is the ideal way to go ahead because that is the only way that you have robust ethanol blending program and you know the benefits of having robust ethanol blending program are enormous, the impact on pollution, the impact on our foreign exchange bill, the impact on our trade deficit. The macroeconomic and climate control impact, everything is in favor of having a robust policy. That is why the Hon'ble Prime Minister has talked about on every occasion when he addresses the sugar sector. The challenge is then it takes a while to have those plants set up. You are not going to see the benefit immediately.
- Ambar Taneja:** Last question is the previous gentleman talked about value creation, etc., this is kind of a rambling question. But there is this cross-holding which is present in the Company which is a source of value. Now I can understand because of the family reasons, etc., these players are there but is there any thought at all about trying to unlock value for this Company independently of this cross-holding and we are talking about real estate that you do not want to sell till you get a good deal, etc., I appreciate that but there is also a line of thinking saying that we do not want to take more burden?
- Tarun Sawhney:** Thank you. I understand your question. There is a very simple answer, at this point there is not any thinking along that line.
- Ambar Taneja:** Because those are assets on the Company's balance sheet?
- Tarun Sawhney:** Of course, they are.
- Moderator:** Thank you. We will take the next question from the line of Resham Jain from DSP BlackRock. Please go ahead.
- Resham Jain:** Just wanted to ask on the arrears which are there in the U.P. What steps according to you is Government planning or thinking or you feel you are likely to solve this issue?
- Tarun Sawhney:** That is an excellent question. So I myself along with my colleagues in the industry has been making repeated and continuous representations to both the Centre and State Governments. Our belief is that the State Government is clearly responsible for the difference between the FRP and the SAP and that is about ₹ 40. We are requesting them that there is no way in the arrears will get paid without some financial intervention, not policy but direct financial intervention and repayment to the mills to pay off their cane dues. So there are rumors that the cane commissioner, principal secretary's office, the same individual preparing notes for the chief minister and that dialogue is

very-very much on but at this point in time it is a little bit of a black box. I can only tell you about what we vouch for. As far as the Government is concerned, I think over the next two months or so we will have answer...clearly before the start of the next sugar season and it has to be some form of financial intervention.

**Resham Jain:** Secondly, this whole next year season where we will be seeing 35.5 million tonnes of sugar production, so this year the Government took various steps but next year there has to be more aggressive steps which need to be taken, so are there any talks on that front?

**Tarun Sawhney:** Very much so. I myself has been part of meetings where we have proposed and I have personally proposed that in addition to the 2 mt that was considered for export this year, of which less than 0.5 million tonnes will actually be achieved. So we have to take into account another 1.5 million tonnes of this year sugar production and in addition of 6 mt tonnes of next year's production needs to go. This is not the panacea, this is only step-one. That means over the next 14-months - 7.5 million tonnes of further sugar needs to be exported from the country. In addition to that, we have 3 mt buffer stock for one year, that 3 million tonnes needs to be extended for the following year and an additional 3 million tonnes of buffer stocks needs to be announced by the Government. That still does not answer the entire equation. We will still have a few million tons that are left over, not including the pipeline where the government will have to take timely interventions. My suggestion to the government officials have been that they really look at promotion of the B Heavy policy. Now we do not have enough distillation capacity across the country but if we were to promote by providing financial incentives to distilleries to use B Heavy molasses, that way we can reduce the total quantum of sugar from 35.5 million tonnes and we can look at that number coming down a little bit, not a lot. So there are multiple ways and suggestions that one has given to the Central Government and the hope is that before the start of the next sugar year, those policies will be cleared. It is my understanding that work is certainly underway and it has to be because the coastal millers have to set the factories up to produce raw sugar which is the only forms which can go out in such large quantities, then processes need to be in place today and tomorrow and not in October, that is too late.

**Resham Jain:** I think the same issue which happened last year, people process sugar and if export related announcement comes later, then that is of no use, that is what you are saying?

**Tarun Sawhney:** Correct.

**Resham Jain:** What is the time duration especially for export-related 6 million tonnes... announcement in September?

**Tarun Sawhney:** I think it has to come in early September, positive decisions that are taken by millers in Maharashtra and Karnataka, I do believe that the CM of Maharashtra is taking an all-party meeting and talking to the industry and pushing them to start raw sugar, but until Government policy is clearly spelt out and further Government delegation and industry delegation in China as we speak and they have some benefits for Indian sugar.

**Moderator:** Thank you. The next question is from the line of Yashpal Madan, an individual investor, please go ahead.

**Yashpal Madan:** What has been announced out of 2 million tonnes, actual export how much has happened already by the industry?



**Tarun Sawhney:** 160,000 to 170,000 tonnes, a very small amount.

**Yashpal Madan:** Have you met your obligations by selling quota or by directly exporting anything?

**Tarun Sawhney:** A portion of our obligation has been exported; however, we have some quantity left, but we have sold our entire quota.

**Yashpal Madan:** You have booked a loss, but have you actually sold it basically?

**Tarun Sawhney:** We have sold it, but only a portion of it has been exported.

**Yashpal Madan:** You are not going to do directly export from here, right, you will be selling the quota?

**Tarun Sawhney:** Correct, the benefit accrues to us once the exporter has physically exported, so need to track that export, only a portion of what we have sold is physically exported, the balance should happen, the bulk of it in the month of August.

**Yashpal Madan:** Now, the sugar international prices have gone down further, do you see the possibility that this obligation will be met in next couple of months or before the start of the season?

**Tarun Sawhney:** Out of the 2 million tonnes that was envisaged, maybe even less than half a million would be going out of the country.

**Yashpal Madan:** So, now with new ethanol policy which has come from B-molasses, now you told it will take two to three years to get the benefit out of it. My question is in coming season do you see any of the mills will be in a position to convert more sugar into ethanol or no, it will be happening only through C-molasses only?

**Tarun Sawhney:** No, because B-molasses is available and there is a differential price that has been announced. Right now, that price does not offer in compelling reason to use B-molasses as I explained a short while ago, but if there are further incentives given, existing distillation capacity can be used to convert the B-heavy molasses.

**Yashpal Madan:** Now all the mills including you are converting C-molasses into ethanol, right, now when you have to convert from B-molasses or directly from juice, do you need to make any changes in your plant or is the process operations will remain the same?

**Tarun Sawhney:** No, you do not need to make any changes to your distillery. You just need to keep different products separately because it gets a different price.

**Yashpal Madan:** So, there is no CAPEX required for using this facility?

**Tarun Sawhney:** Correct.

**Yashpal Madan:** How is the rain situation in Maharashtra, sugar belt is it good that we can expect even there also better season this year?

**Tarun Sawhney:** Yes, absolutely, we can expect a much better season this year that also contributes to the 35.5 million tonnes production that is envisaged for the following year.

**Moderator:** Thank you. The next question is from the line of Yash Agarwal from Crest Capital, please go ahead.

**Yash Agarwal:** Sir, what are the current international prices in rupee terms if India were to export?

**Tarun Sawhney:** It will be about ₹ 18.

**Yash Agarwal:** In terms of closing stock number, what sort of increase are we anticipating from last year to this year for India?

**Tarun Sawhney:** I do not have the balance sheet in front of me, but you look at 32.5 million tonnes of production and 0.5 million tonnes of exports with the consumption of 25.5 million tonnes, you got 6 million tonnes that are approved, so you have over 10 million tonnes as a closing balance, 4 million tonnes going to 10 million tonnes.

**Yash Agarwal:** Sir, some inventory will be even lying with you right at the end of the sugar season?

**Tarun Sawhney:** Absolutely, there were 3 million tonnes buffer stock included in that 10 million tonnes as well, that will be lying with whoever is taking those benefits.

**Yash Agarwal:** So how will it happen for the Company -- so this will be kept on your inventory only?

**Tarun Sawhney:** It will be kept on our inventory, absolutely.

**Suresh Taneja:** And we would not have any finance cost in respect of that inventory.

**Moderator:** Thank you. The next question is from the line of NK Arora, an individual investor, please go ahead.

**NK Arora:** Sir, looking at the international situation, how likely is India going to be able to export 7.5 and 8 million tonnes next year?

**Tarun Sawhney:** It can only be done with the Government policy, which makes it binding on all people. Your question can be divided into two parts; #1- Does India have the ability to do it? I believe the answer to that is yes, India does have that ability provided preparatory steps are taken today. #2, can India do it given the fact that it will have an impact on global pricing? Yes, it will, that loss will have to be borne by the industry so that you do have some robustness happening within the domestic sugar sector.

**Moderator:** As there are no further questions, I now hand the conference over to the management for their closing comments.

**Tarun Sawhney:** I want to thank everybody for participating on the Q1 fiscal '19 earnings conference call. I think we have had good range of questions and discussions. As far as the various businesses are concerned, the Engineering businesses are looking very robust, within Sugar, the Distillery and Power is looking quite robust, but the Sugar business which is the largest portion, continues to have substantial problems, this is primarily due to the massive production that the country had this year and the envisaged massive production for the country in the following year. The only way that we can resolve the issues of cane arrears is with financial assistance and not just policy-led assistance by the Central Government. The Company is in the process of setting up more investments, for example, the ₹ 200 crore that has been approved by the board for the establishment of these distilleries and we will be looking at other such projects as we have mentioned to you now and as well as in the past. The important thing over there is that we will be availing of the government funding for those projects as much debt that we can, and the equity contribution of those projects

will come from unlocking of the assets of the Company. Thank you very much and I look forward to speaking to you next quarter.

**Moderator:**

Thank you. Ladies and gentlemen, on behalf of Triveni Engineering & Industries Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.