



## Triveni Engineering & Industries Limited

### Q1 FY 26 Earnings Conference Call Transcript

July 30, 2025

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**Moderator:** Ladies and gentlemen, good day, and welcome to the Triveni Engineering & Industries Limited Earnings Conference Call.

I now hand the conference over to Mr. Rishab Barar from CDR India. Thank you, and over to you.

**Rishab Barar:** Thank you. Good day, everyone and a warm welcome to all of you participating in the Triveni Engineering & Industries Q1 FY 26 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; Mr. Rajiv Rajpal, CEO, Power Transmission Business 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 shared with everyone earlier. I would also like to emphasise 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.

**Tarun Sawhney:** Thank you. Good afternoon, ladies and gentlemen, and welcome to the Q1 FY 26 earnings conference call for Triveni Engineering & Industries Limited. The key consolidated financial numbers for the quarter were the revenue from operations stood at ₹1,598 crore with a PBT of ₹2.9 crore and a PAT of ₹2.1 crore. The net turnover increased by 23%, which was supported by a 53% increase in alcohol dispatches and a 14% increase in the consolidated sugar dispatches as well as improved sugar realisations.

In the Power Transmission business, we reported a 15% increase in order booking and a record closing order book of ₹423 crore which has improved by 38% over the corresponding previous period. At an overall level, the closing order book of the engineering business stood a shade under ₹2,000 crore at ₹1,975 crore, up by 32% compared to the previous corresponding quarter.

The debt position of the company on a stand-alone basis stood at ₹1,385 crore v/s ₹1,150 crore on the 30th of June 2024. The stand-alone debt for the period under review comprises of term loans of ₹320 crore, of which ₹180 crore are with interest subvention. And on a consolidated basis, our gross debt is ₹1,688 crore compared to ₹1,280 crore on the 30th of June 2024. The overall cost of funds has been very manageable and stands at 7.3% at the end of this previous quarter v/s 7.1% in the previous corresponding period. However, I'm

happy to share that from the future perspective over the next few quarters, we will because of our debt rating, we will be able to see a decline in our cost of funds, especially when we need it the most. And that is the expectation from our balance sheet position going forward over the next few quarters.

I'd like to take some time to do a business-wise review. Turning to our Sugar business. The growth in sugar turnover was on the back of a 14% increase in volumes that included the subsidiary Sir Shadi Lal and a 4% improvement in realisations. The segment profit despite higher volume and realisation declined by 80% to ₹7.6 crore and this was due to higher cost of production of sugar sold in Q1 FY 26, which could not be offset by the increased sugar price realisation.

The cost of sugar sold during the quarter pertains to the sugar season 2024-2025 and was impacted by the gross sugar recovery. In a nutshell, the recoveries for the group were 69 basis points lower than the previous season, and that had a direct impact on the cost of production and is the most significant contributing factor for the increased cost of production. With respect to the comment that I made about sugar price realisations at the beginning of the last quarter, Q1, we did see higher sugar realisations that were in excess of ₹40. However, as the quarter went on, prices did decline as there's been a kind of a difference in terms of the demand of sugar across the nation this year, especially during the hotter summer months. And as a result, the prices fell even during the month of May and June, slightly below ₹40, ₹39.50, ₹39.60. And so that, of course was unexpected during the quarter.

When I talk about the future, I'll bring you up to date with what we experience right now, but there has been a change in that position, of course, with great support of the DFPD. The sugar inventory on the 30th of June 2025 stood at 44.5 lakh quintals valued at ₹37.4 per kilo. And the current ex-mill domestic prices for refined sugar are ₹41.2 and sulfitation is about ₹0.50 to ₹0.60 lower per kilo. But that, of course is higher than even the start of prices in April 2026 at the beginning of the last quarter or just a shade higher. And it is because of the lower quota that has been announced by the government, approximately 10% lower when one compares YoY has been the reduction in the quota that's been announced by DFPD, having a direct bearing on price. And again, this is in reference to the comments that I made in the past as well. It is a regulated sector, but I repeat that there is a huge amount of control that can be exercised by the department, which has a positive impact on sugar prices. And the recognition that sugar prices have to be above the certain level, I think, is a very welcome policy initiative by DFPD.

Looking at the industry scenario, the sugar balance sheet, with an opening stock on the 1st of October 2025 of just under 6 million tonnes, we produced 33 million tonnes and domestic sales were around 28.5 million tonnes. We're expecting the closing stock of just about 7 million tonnes of sugar. And this is after considering about 4 million tonnes of sugar being diverted into Ethanol. And these are, of course, our Triveni estimates. Going forward, I think because of this slightly higher closing stock when compared to last year, despite the export that has happened over the course of this sugar season, we have seen that little softness that happened in May and June, primarily looking at the inventory balance, the balance sheet of the nation as well as the crop that lies ahead for the next year, which I will cover in a little more detail when I look at our projections for the year ahead.

From an international basis, the global balance sheet is pointing to a deficit. As per the latest S&P Global and other balance sheets, we're looking at a deficit of about 4.6 million tonnes. However, for the 2025-2026 sugar season, the outlook looks largely balanced. Actually, it looks towards a slight surplus of

about 2.9 million tonnes of sugar. This is primarily due to better crops in three very important countries, Brazil, India and Thailand for the upcoming season. International sugar prices have been on a declining trend since January 2025, whereas they had turned bullish in January and February. And in our last conversation, I had talked about our sale of our export quota, which was done at very handsome prices and booked in Q4 of the last fiscal year. But since the prices have declined and consequently, I believe that the 1 million tonnes of exports that was anticipated and expected by DFPD will not happen in its entirety as some people in the trade may have taken positions that have turned against them. It is unfortunate because it would have helped lower the balance sheet of the country by a couple of hundred thousand tonnes of sugar and every reduction is important. But that is sugar that will remain unexported according to our estimates.

Turning quickly to the alcohol business. We achieved our highest quarterly production of 6.5 crore litres, driven by the full quarterly impact of the new distillery at Rani Nangal. And therefore, if you do a simple multiplication, it is very much in line with the overall estimates that one has been giving of our capacities and our production capabilities going forward. The sales volume for the quarter stood at 6.2 crore litres, an increase of 53% over the previous year. The average realisation for Q1 is lower, and this is due to ethanol produced from FCI rice, which accounted for 27% of our total alcohol sales. I want to pause over here and provide an explanation for this. Now when we entered the tenders at that particular point in time, the price for maize was about ₹26, ₹26 plus actually, closer to ₹26.5. And at that point in time, the relative contribution from fixed price FCI rice seemed more attractive from an operating perspective and to keep the distilleries operational. And therefore, we did go ahead with that. Now there has been a change in stance by MoPNG etc where they have not allowed the fungibility of feedstocks from one to the other. Maize, of course, being at a higher price and MoPNG trying to control the price of ethanol, the procurement price of ethanol. And unfortunately, that meant that people settled with quantities of rice, which needed to be processed at lower levels or the lowest levels of contribution as maize prices declined over Q1 of this fiscal year.

However, going forward, we, of course, we were procuring a lot more maize and the price of maize has fallen even further. So, from the lofty levels of ₹26-₹26.5, our buying average for the last quarter was approximately ₹23-odd, slightly lower, and it will fall even further by over ₹1 per kilo when we look at the prices going forward. The profitability, as I mentioned was impacted by that. It was also impacted by an increase in the internal transfer price of C-heavy molasses and some increase in fuel expenses.

Ethanol constituted 92% of alcohol sales in Q1 FY 26 compared to 91% in the previous corresponding quarter. I think it's important for us to dwell on the outlook of the sugar business. The monsoons have been very encouraging across North India and in the state of Uttar Pradesh, and they bode very well for the agricultural sector. At the Board meeting, which concluded yesterday, the Board actually very closely considered the rainfalls that has happened thus far and the incidence of pest and disease, which are all with well below permissible limit thus far.

It is very encouraging at this particular point in time. However, I will caveat it and say that the rains in August and September in the past two years are the ones that have particularly played spoilsport with the sugar season. We're keenly anticipating that Skymet and the forecasting data that we have points towards very regular and normal rainfall over the next couple of months, which is very positive. However, that is still a prediction, and it will be a very important parameter in terms of the health of the crop.

The health so far is actually quite excellent, both in terms of yield and in terms of the sugar content formation that has happened over the last few months. At this particular point in time, all eight sugar factories are actually looking pretty good with a slight increase in cane area as well for our sugar factories area under cane. We continue to make some judicious investments in our facilities to enhance our crush rate and with a particular emphasis on efficiencies. I think there has been a particular onus in terms of improving our steam economies at our sugar factories, which will result in higher bagasse savings, which will be sold at fairly lucrative prices in the market. The prices have been pretty good over the last couple of years. And so, our focus in this off-season on really single-handedly reducing steam economies should result in higher bagasse savings, which will be sold over the winter months during this fiscal year and on the next sugar year.

We believe that a continuously increasing portfolio of refined sugar and pharmaceutical sugar, which is about 73% of our overall portfolio augurs well for realisations of the company. Yes, we do have a lot of important clients that buy plantation white sugar. And so there will be a cap in terms of how much refined sugar the company can produce, but it does very well. The quantum of institutional customers has increased over the last couple of quarters, and there is a concerted effort as well from a realisation perspective. And if you compare our realisations, I think we've actually done rather well in terms of our sugar sales and the absolute numbers in terms of value of sugar sales. And that is directly related to an increased amount of institutional customers that we have on a repeatable basis.

With respect to the Alcohol business, the outlook, the focus really is on improving the sugarcane crush, which will help improve the molasses availability and address some supply chain, improve the molasses availability for the upcoming season.

With respect to grain, I think there is concerted and substantial efforts in terms of addressing and improving supply chain issues. In terms of procurement and in terms of storage of grain, especially maize to ensure that we do a much better job. It has been a learning process. This would be the third year that we're processing maize. And I think we've got a great amount of confidence in terms of how we procure it, how we transport it, how we store it. And I think that will factor into the yields when we look ahead and as we get this maize crop processed.

We're also hopeful that the government will address the feedstock and profitability challenges in the various feedstocks. And we hope that the government will remain committed to the EBP programme. And as I say that, I attended a conference last week where an important cabinet minister made a public statement in his speech saying that the government was looking at announcing 27% in a graduated manner for Ethanol blending. My own personal view on this is that we will graduate potentially based on new BIS standards, because the BIS standards are very important. And as the BIS standards, I understand will come out for 22%, 25% and 27%. That will be the graduation in terms of the total quantum. This augurs very, very well for the sector.

I also believe that E85, which has been launched across 400 petrol pumps across the nation, will offer another substantial alternative for other ethanol production across the country. You're looking at 1,000 crore litres being absorbed this year and with the maximum of what I've talked about could be well ahead of double that quantity in the coming few years. Of course, not all of that will be produced, so one will see an investment in additional distillation capacity across the country.

Turning to the outlook of our Power Transmission business. The economic growth is really very positive. And we're seeing sectoral-based investments and in manufacturing across India and across certain economies around the world. The company is venturing into new products and has received encouraging results for these products. And for example, it would be in terms of compression gearbox technologies, looking at new developments, new research projects and commissioning new products that will be in the marketplace and will hopefully add to the entire basket and addressable market segment for the company. The international market continues to be a key thrust area. Our quality leadership in the domestic market has paved the way for many overseas customers to qualify Triveni for steam turbine pump and compressor gearboxes.

Our acceptability in the overseas market has risen because of continuous marketing efforts and an opening of a European sales office in Switzerland. And also, of course, as a result, the recent enlistment on ABLs, which are known as approved vendor lists of certain OEMs as well as third parties.

In the Defence segment, we've recently completed the order for gearboxes for fast patrol vessels of the Indian coast guard, and we've secured more orders for gearboxes. I think that bodes very, very well because we'll be the only company in the country that actually makes, that have complete technology for marine gearboxes within India. In addition, we're also working and continue to work on more products such as stabilisations and expand our service offering in propulsion shafting technologies.

Looking at the water business outlook, the business anticipates good business opportunities and funding is expected to flow from both state and central governments. Due to the gap of demand and supply of water and wastewater treatment plants, the water sector has recently actually started to receive a lot of positive outlook. And there have been a lot of significant opportunities that have cropped up in Q1 in terms of enquiries, etc., that will hopefully fructify into actual commercial bids. The new opportunities are exactly on the same lines that I talked to you in the past, which includes recycle, reuse, ZLD as well as EPC on HAM models.

Sewage recycling is a new area of business. And wherever there are industries and off-takers for buying treated sewage, this model should emerge as a quite successful model in the future. And we're also targeting some foreign projects, and we continue to do that, and I've spoken about that in the past as well. At an overall level, the company has implemented a series of strategic initiatives over the last few months, much, much more so than the past. We've recognised the fall in recoveries that we've had in our sugar business. And as a consequence, that has impacted our quarterly performance. And really, our targeted focus on improving that.

Now a lot of the performance as far as sugar is concerned you see sugarcane is a two year crop cycle. So, if you had red rot in one year and the plant came or whatever was converted into the ratoon and would give you a poorer result, both in terms of yield and recovery. Now a lot of that cycle, that two year cycle is over. And so, the anticipation for the next year is actually wholly different from the season that we've had, both in terms of productivity as well as in terms of anticipated recovery.

Internally, we're looking at 3 years ago as a benchmark, the weather patterns as well 3 years ago, which is a very positive year. And we're hoping that the weather and pest disease doesn't play spoil sport over the next 3 months before the start of the sugar season, which we anticipate, frankly speaking, just



after Diwali. Diwali actually is a little bit earlier. It is on the 20th of October, very early this year. And so soon after that, we anticipate that **sugar mills** will start their operations.

Regarding the proposed scheme, I think it's important to just close out my opening remarks with a few comments on that. The amalgamation with Sir Shadi Lal and the demerger of the Power Transmission business. We are still awaiting regulatory approvals. We're following up continuously with SEBI. We've received some in course and regular questions from the stock exchanges, which have been answered to our knowledge, they will meet the satisfaction, and we are hoping that we will get that permission very, very soon.

In terms of what that means, in terms of progress, I think we could broadly speaking, be on time. If anything, it could add another 30-odd days. But broadly speaking, as I mentioned, we're still anticipating Q1 of the next fiscal year, and I think we're still very much in line with that.

With that, I'd like to close my opening remarks and open up the question-and-answer session.

**Moderator:** Sure. Thank you very much. We'll now begin the question-and-answer session. The first question is from Rehan Saiyyed from Trinetra Asset Managers. Please go ahead.

**Rehan Saiyyed:** Good evening and thank you for giving me the opportunity. I have a couple of questions. First on the power transmission side. The PTB order book has grown strongly, especially with the export traction. How much of the ₹423 crore order book you expect to convert into revenue in FY 26? And do you see margins improving in the export heavy mix going forward for the going quarter.

**Tarun Sawhney:** I'm sorry, the second part of your question was inaudible. You'll have to speak a little slower and louder, please.

**Rehan Saiyyed:** Sorry. I have a question regarding a power transmission business.

**Tarun Sawhney:** No, I got the first one about what is executable in this year. What was the second part of your question?

**Rehan Saiyyed:** Second part of my question is, do you see any margins improvement in the export heavy mix going forward for reward?

**Tarun Sawhney:** Right. Okay. We crossed the ₹400 crore milestone. We stand at ₹423 crore. The long duration orders in this are ₹182 crore. The balance, the simple subtraction of that would be orders that are executable this year. It would also - the typical order to delivery is about six odd months. It could be a little bit less depending if it's an aftermarket order, etc. We still expect a substantial amount of book and bill to happen in this fiscal year to allow us to meet the budgeted numbers we have internally for this business. And as I mentioned that our growth rate stands unabated. We had an increase in finished goods at the end of this quarter as some of our customers expected us, including defence orders expected us to push out delivery into Q2 and towards the end of Q2 as well. We're anticipating that Q2, Q3 and Q4 will certainly make up for the limited growth that we had in Q1. But the business is looking very, very promising.

In terms of your question regarding the margin profile of the business, I want to add two very important things. We have grown the business. The company has invested quite substantially in the business. It depends on where you're looking at what type of margins you're looking at. Depreciation obviously will be higher

because there has been a lot of capital investment into this business. In addition, we've also hired a lot of people, not just to train up for immediate growth, but for the future growth as well. So, there is a slightly higher HR cost. That does not, by any means, mean that we are looking at margin dilution. But in terms of growth of margins, it will take some time over the course of this year for that growth to come into fruition as we get more orders and deliver more orders into export markets where we're traditionally expecting slightly higher OEM margins.

**Rehan Saiyyed:**

Okay. Thank you for your confirmation regarding this. My second question is on the maize prices. You have mentioned a correction in maize price benefiting distillery margins. Apart from raw material cost, what other levers of cost optimisation are you working on business in FY 26?

**Tarun Sawhney:**

Yeah, excellent question. Very, very good question. Let's talk about supply chain and then I'll talk about operations separately. From a supply chain perspective, you have to purchase maize and then you have to store maize. Maize like any other crop comes with small amounts of fungus, etc., and other impurities. The first fundamental process is to improve the supply chain by dual testing, point of loading, point of acceptance as well.

The second thing is the keeping quality and I think there's been a lot of work, and we've worked with other firms as well to improve that keeping quality to add ventilation, etc., to ensure that there is no buildup. And so that the starch content in maize does not change significantly at all over a period of time. So that is a very important step in terms of the keeping quality and the procurement strategies as far as maize is concerned.

The third is with respect to operations. I think our cost of fuel is an important contributor to our cost of production at our distilleries, especially our stand-alone distilleries. And therein, we are doing a lot of effort, and we'll continue to. Some of it will happen now. Some of it will require some small CapEx, not but some tinkering CapEx will be required to further improve our steam economies, which will allow us to then reduce our secondary fuel, which is the gas, which is very expensive because the gas during the season is ₹2,200-₹2,500 per tonne approximately during the season. But in the off-season, it increases by a good 20%-25% from that point, maybe 30%. So you don't want that. You want to store the maximum amount. We're doing work in terms of raising the quantum of bagasse that the sugar factories will also have. So, all of that is sort of tied in and will result in better operating results when we enter into the next supplier.

**Rehan Saiyyed:**

Okay. Thank you for detailed explanation and giving answer for me. And last question is around like from my understanding, could you provide a time-line update on the composite fuel of arrangement for the SSEL and PTB?

**Tarun Sawhney:**

Yeah, I just addressed that. That was my last comment before I opened up Q&A. We stand unchanged and our perspective is that it will happen in Q1 of the next calendar year, Q4 of this fiscal year.

**Moderator:**

Thank you. Next question is from Sudarshan Padmanabhan from ASK Private Wealth. Please go ahead.

**Sudarshan P.:**

My question is to understand a bit more on the cost structure in the first quarter. Now historically, when we look at the off-season expenses, how it has been apportioned, it is usually the second quarter that takes a brunt of the overall impact as far as profitability is concerned. I mean, just to understand, I mean, going by your commentary, whether the entire drop in the sugar business is primarily on account of lower gross spreads as we call it. Or is

there a departure or is there a little bit change in the way the off-season expenses that has basically been booked in this quarter?

**Tarun Sawhney:**

Yeah. Let me explain it. Number one, let me confirm that there is no change in the practice at all in this quarter. Whatever we have been doing in the past, the same is consistently being followed. Now in Q1, there is some part of the previous season, which extends into Q1. And after it finishes in the month of April or early May, thereafter the off-season starts. So as per the accounting policy of the company, all costs relating to off-season are expensed out in that quarter itself. So, it subsequently forms a part of the cost of production of the next season. So therefore, there is no change. But obviously, the share of the off-season cost in Q2 is more than Q1.

**Sudarshan P.:**

Sure. Basically, will continue into the second quarter and probably the only thing that would change in the profitability, if at all is if the sugar realisation continues to be over 41, then probably the spreads would be on a higher side. Would that be right?

**Tarun Sawhney:**

Yes. So therefore, if you look at the pattern, because of such accounting, the profitability of Q3 and Q4 is substantially higher. So, our average realisation for Q1 stood at 40.4 on a consolidated basis. Sugar prices already in the month of July were approximately that. August is pointing substantially better than what this average is and as we go into September, that will increase because you have an early Diwali. A lot of the buying for Diwali is going to actually happen in September. I anticipate that you will see, you haven't asked the question, but my view is that sugar prices are on a small gradual uptrend as they typically are at this time of the year. We may see it little earlier. Festival season is earlier.

**Sudarshan P.:**

Sure. And the cost of the sugar would more or less be similar at 37.5 of inventory, right? That's what you had kind of pointed.

**Tarun Sawhney:**

Absolutely. Of course, that sugar is produced.

**Sudarshan P.:**

Sure. Definitely, the spread should be higher. So that's good news. Coming to the ethanol side, I mean, it was heartening to see the volume increase in ethanol. But coming to the FCI grain is the entire cost of the impact of FCI rice has been taken in this quarter? Because I'm looking at it from the point of view that if the volume continues and this baggage is kind of behind us, then the profitability of ethanol will be substantially higher.

**Tarun Sawhney:**

No. Excellent, very good question. And I think this is a strategic decision that we've taken that has not proved right. I want to recognise that we took that decision at a point in time looking at maize prices, but it has not panned out well for us. And it accounted for 27% of our volumes for the last quarter. For Q2 production, it will be less than half that. It is not over, but it will be less than half, less than half of what was supplied. 27% was supplied. I would say it will be, we're trying to minimise it as much as possible. Worst case scenario, it will be 13%-13.5%. Best case scenario, it will be even lower than that.

**Sudarshan P.:**

Sure. And one final question before I join back the queue is today, I mean, when I look at on a YoY basis, I mean, we had an easier base as far as Ethanol blending is concerned, where I think around the blending was around 14%. But when I'm tracking the monthly blending, I think already the blending is close to 20% now what is it that the government has going forward from here in terms of rate of change, in terms of Ethanol blending programme? How is it going to translate into growth going forward from here on?



**Tarun Sawhney:**

Great question. And I'm going to just refer to important conference convention that I was a part of last week, where we had one of the most senior Cabinet Ministers who gave a very long speech. It was a Sugar Technologist Conference, but a very long speech about the future of Ethanol and his perspectives on that. He announced publicly that 27% blending has been approved. It is my understanding that BIS is expected to come out with standards for 22% blending, 25% blending, approximately 25%, 27% blending. It may be divided into four, not three but that is effectively going to be the graduation in increase in ethanol blending for the EBP programme.

Now with that being announced, I think parliament is on right now. I imagine that, that would have to conclude, will have to conclude and then this decision will be announced by the cabinet or rather by MoPNG officially. But I expect that, that is pretty much set in stone. In addition, we also have the possibility of E85, they have the possibility of E85, the number of petrol pumps being 400 and again, the Road Transport Minister has clearly said that he is looking for a factor increase in that. In fact, the Minister was quoted in this morning's papers about 27% blending being announced by the end of August. Yes, that is very much in line with the end of the monsoon session and or rather just post the monsoon session. I see a graduation and a huge volume buildup.

Now you may ask what happens to the automobiles, etc, because all of these discussions have taken place. And it is my understanding that 25% blending is easily possible without any change in engine technology for two-wheelers and four-wheelers whatsoever. There is nothing that needs to change between now and 25%. I think there is still a lot of consideration between what happens between 25% and 27% and I think we will learn a lot from Brazil. But that is still about a year or two away to get to 27% because you need to have that kind of production in the country. But it's very, very positive that this is the step that is being taken towards E85 as well as towards E27.

The other thing, of course, is that the Minister has also announced that most of the large automobile manufacturers are coming out with flex fuel cars that will be available for the Indian public. So again, it's creating that sort of harmonious ecosystem, not just for supply but also for demand for the EBP programme.

**Moderator:**

Thank you. Next question is from Shailesh Kanani from Centrum Broking. Please go ahead.

**Shailesh Kanani:**

Good evening, everyone. The first question is on the margin front. We have seen margin pressure for some time now across segments. I understand for sugar, we are having issues of 0238 with compression of yields. But just from your perspective, when do you expect the margins what we enjoyed in 2022-23 coming back to our businesses?

**Tarun Sawhney:**

Let's talk about which business because we have our engineering business, we have our distillery business, and we have our sugar business.

**Shailesh Kanani:**

Predominantly, margin compression has been witnessed in distillery and sugar. If you can highlight that, Engineering is one-off that this quarter, I assume.

**Tarun Sawhney:**

Sure. Engineering has improved since then. So that we don't have to worry about. Yes, with respect to the distillery and with respect to the sugar business, let me start with the one that has been affected the most, which is the distillery business. I think that the worst is behind us. And I think as far as the distillery business is concerned, because of what I've talked about, I won't repeat everything that I've said. It will be on the concall transcript, which will be on our website also. I've just talked about what we're doing to improve our

margins, both in terms of COP as well, we can't do anything about sale price. It's all about COP, be it operating strategies, be it supply chain strategies to help improve our margin structures, etc, that is all in place, and that will come very soon in the next Ethanol supply year and even before that, as the rise that I've spoken about will reduce even in Q2, etc. And so, you will see a natural bump up. Now a return to the type of margins that existed in 2022-2023, that is about billion dollar question. But I think that if the government and this is the way that you have to look at it, if the government is announcing 27% Ethanol blending, the only way you get to ethanol blending of 27% as well as E85 petrol pumps, is if more distilleries are established across the country, regardless of feedstock, be it sugarcane stream or be it grain stream.

For that to happen, you have to have better margins so that entrepreneurs actually spend money in this sector. That will, of course, help not only those who have existing capacities, but also invite people to come in and set up capacity. Now the government announcing the 27% as the Honourable Road Transport Minister has done in the papers today, I think that bodes very well. I can't give you a timeline. I can't even definitively say that we will touch that. But I certainly see margin improvement happening because of better pricing policies because the nation needs more Ethanol production.

Now with respect to the sugar business, I think that's the second part of your question, that is not a billion-dollar question. That is something that is a very real question that we have tackled right now. The replacement of 238 in low-lying areas is, by and large, the vast majority of it is done. It still exists in higher areas across our factories. And yes, we will continuously reduce that, but that the tearing hurry and urgency is slightly less. You can manage it a little bit with better seed treatment, with better pesticides and fertiliser dosage, etc.. And so, you will see that fast improvement happening from this sugar season onwards.

Now to get back to that margin, it's twofold. One is to look at your cost of production. Your cost of production will improve if your recovery improves. We're expecting the recovery to improve. Will we touch the same recoveries as 2022-23? I think it will take some time. That was a golden period. The variety was in its absolute prime. The variety is no longer in its absolute prime, and we don't have a variety that can replace it and give the same kind of results. There is a lot of work being done. But as of today, there isn't a magic solution there. But yes, we can improve, we can make a lot of improvements in terms of more yields and therefore, better capacity utilisation, and you can try and approach the element of cost of production through other ways and not just recovery because there are other constituents of that as well. And that is what we at Triveni are doing in the coming season and beyond that in terms of lowering our cost of production.

The next quantum is in terms of sugar pricing. Now with while FRP doesn't affect us in Uttar Pradesh, the FRP has gone up a lot. And the sugar price has not kept up. And I think there is a deep realisation in the government that if we have to have enough cane for the Ethanol blending programme and we have to have enough cane for consumption and the balance can be exported, then we need to have sugar prices that are commensurate or sugar prices increases that are commensurate. You've seen the government, of course, let me give you an example. The quota that was given by DFPD of 2.25 million tonnes for the month of August is a reduction of 200,000 tonnes over the previous corresponding month of the previous year. That's a very significant reduction in a high consumption month. And it is really to ensure that sugar prices follow the right trend so that we don't have a problem in the next year.

**Shailesh Kanani:**

Fair enough. So that is helpful. Just one follow-up on that. What is the 0238 exposure this year v/s last year?

**Tarun Sawhney:** It is presently under 40% v/s close to 55% the previous year.

**Shailesh Kanani:** And our plan is to bring it below 25%, I guess, last time when we discussed, right?

**Tarun Sawhney:** That's right. While we plan to bring it down, we are at the same time, doing a very rigorous wellness programme to extend the life of the remaining 25% also.

**Shailesh Kanani:** Okay. Thanks. My second question is on capital allocation. We have been investing in our water division, and we have kind of spoken in the past many times about the opportunities over there. I think our capital employed is somewhere more than ₹600 crore over there. How do we see this division in terms of return profile? When do we expect 12% - 15% ROE, ROCE numbers? Because currently, it is less than double-digit, right? By when we expect this return profile to come?

**Suresh Taneja:** Number one, in the case of water business, we have not made any CapEx in that particular business because no CapEx is required. We basically carry out an asset-light business model according to which most of the manufacturing is outsourced. This is number one. And number two, there is a working capital requirement, which is definitely there in this business. And that basically depends from project to project depending upon what the billing milestones, etc are. But by and large, you quoted a figure of ₹2,600 crore or something.

**Shailesh Kanani:** Segment assets is ₹600 crore, more than ₹600 crore.

**Suresh Taneja:** Yeah. Basically, I think reasonable return actually depends like the way Tarun just said that we are looking at the projects overseas abroad, etc. The very purpose over there is, number one, so that over there, it enables you to complete the project in a timely manner so that you are able to collect your money, come back and you get a good return. Idea over there is to pick and choose good projects where the returns are good. So, this is the direction we are proceeding it.

**Moderator:** Thank you. Next question is from Rajesh Majumdar from B&K Securities. Please go ahead.

**Rajesh Majumdar:** Yeah, good evening and thanks for the opportunity. My first question is what is the cane crush for the sugar season 2024-2025 and the gross recovery for the year?

**Tarun Sawhney:** Crush sugar season, it is 819 lakh quintals and the gross recovery, which is the c-equivalent recovery is 10.8%.

**Rajesh Majumdar:** And how does the gross recovery compared to the gross recovery two years ago? How much has it declined, the gross recovery in the last two years?

**Tarun Sawhney:** The previous year, it was 11.49% and the year prior to that was also in the same range.

**Rajesh Majumdar:** 11.5% was the peak, and now we are at 10.8%.

**Tarun Sawhney:** No. Prior to that, we have gone up to 11.97% on this basis. That was when we went out starting in a couple of our factories.

**Rajesh Majumdar:** Gross recovery at 10.8%, you think there is no downside now and this can recover by say, 20-30 basis points this year as a realistic assumption?

**Tarun Sawhney:** Well, I don't give forward-looking estimates, but you can sort of try and calculate what the impact of rain was that was unprecedented last year as well as the impact of disease. The impact of disease was higher than the impact of rain. I would certainly think that all going well, if there is no untoward change, then we will certainly see a significant improvement in terms of sugarcane recoveries and crush.

**Rajesh Majumdar:** And crush. Basically, the area under cultivation also you guided that there's been some improvement for this season?

**Tarun Sawhney:** The area under cultivation has increased somewhat YoY. We've already done the surveys. So, there has been an increase, low-single digit percentage, but that's still quite a lot. And that if you factor into better yields means that the cane availability, of course, could be better. And that is the hope, of course. And I keep giving this caveat whether and pest and disease permitting.

**Rajesh Majumdar:** Right. Secondly, on the alcohol policy, I mean, how should we take this FCI rice policy? Because last quarter, when you had done the concall, you had said that you'll be using maize and suddenly, we find this quarter that we used 27% FCI rice. This kind of a flip flop is giving us a kind of wrong direction in terms of what the company is really doing on its procurement. And since we were expecting that the maize will be a substantial figure this quarter, there was a disappointment in terms of the kind of feedstock that you used. So, will this be a continuing thing? Or will this stabilise somewhere? I mean, can we see some kind of a constant grain use, which can actually give more steadiness to our earnings.

**Tarun Sawhney:** Yeah. Okay. So no, you're very right. I think I don't quite recollect what I had said. But I think when I spoke to you in May, at the very end of May, maize prices had declined a lot. So that comment was relevant at that particular point in time that this procurement strategy was going hammer and pounds in terms of maize procurement because the maize procurement price dropped from ₹26.5. At that point, it was around ₹23. Now at that particular point in time, we had already bid for FCI rice. The FCI rice bid was done when FCI was -- when rice was opened up for us or rather for ethanol blending much earlier. And at that particular point in time, prices prevailing for maize was substantially higher, which was the rationale for it.

Now you're absolutely right. It did turn out to be a poor decision and since we don't give you the actual blend of which grain we are using at what particular point in time, this has come as a little bit of a shock to you. One fully appreciates that. I think in terms of clarity, for the foreseeable future, we're not certainly not going to be taking in any FCI rice given where the price of Ethanol derived from FCI rice and the price of FCI rice given and I find it actually quite surprising that the price is what it is because we have so much of it in the country. And I think the point is well taken. We'll provide you more clarity in terms of what grain stocks we will be consuming in which quarter so that you can work out the margin structure.

**Rajesh Majumdar:** Yes. Thanks. And my next question is on the CapEx in Mysore. How much of the CapEx is already done and how much is pending and whether the defence bay will be commissioned this year?

**Tarun Sawhney:** Yeah, excellent question. The vast majority of the CapEx has been committed, and it will all be executed on time as one is forecast within this fiscal year. The tune of that is about ₹150-odd crore for this year, which is the total amount pending. Now with reference to the defence bay, there are two aspects. There's the office block and there's the manufacturing facility. We are very

hopeful that within this calendar year, the manufacturing facility will be operable. And so, the machines will be in place and production will start within this year. So, it's on track with what I had mentioned in the last conference call. The office block will be complete a few months later because we've devoted all of our energies in terms of getting the productive asset to be operable, but people can commute from the other facility with respect to any office work, etc.

**Rajesh Majumdar:**

Yeah. If I could sneak in a last question. Although you've been sounding optimistic on the ethanol blending going at 27% extra, there's also a negative sentiment coming in from India's ongoing trade negotiations with the U.S. to ease the restrictions on Ethanol imports. While that may be debatable, then you may have a different point of view. I was just wondering as a company, post demerger, do we have any thoughts on the sugar alcohol business beyond Ethanol where we can see some kind of growth areas other than ethanol, if you have thought about any? Thank you.

**Tarun Sawhney:**

You asked two questions. I'll answer both. With respect to the ongoing trade policies, the industry associations have written to the government. We too have written to the government and said that we would like to see maize imports if possible. Now even if it is GMO maize, the DDGS from that, it is actually -- it was being considered that the GMO is going to be non-GMO. But frankly speaking, talking to the poultry associations, etc., they're very happy to buy that DDGS. So, if we can import DDGS maize at competitive rates, it will allow us then to have more utilization of our plants and perhaps even some more plants to be set up across the country. I don't see that as a negative, unless you have direct Ethanol imports.

If you have direct ethanol imports, it's a competing product. That is a bit of a pickle. I don't see that happening so easily at all. And I think from what I'm hearing and understanding, it is the direct maize imports that could possibly happen. The government is trying to work out the modalities of GMO, which, as you know, in India is a very ticklish subject.

Now with respect to Triveni, after the demerger, looking at other things, we have some time for that demerger to happen, yet the thought process is on and the Board is going to conduct workshops, etc., and evaluate a series of different options. I don't have anything concrete to share with you right now, just that the intent is certainly there to look at all available options that are in front of us today because, yes, we do have good cash flows from the business that are investable. And we have to do something to regain as well as the previous person mentioned the margin structures that we had in 2022-23.

**Moderator:**

Thank you. Before we take the next question, a request to participants to please limit your questions to two per participants. The next question is from Abhisar Jain from Monarch AIF. Please go ahead.

**Abhisar Jain:**

Hi, thanks for the opportunity. Just wanted to know that the CapEx in the gear business that we have been doing to take the capacity to ₹700 crore turnover and which is supposed to complete by September 2026. How is the progress on that? And is it on time? Can you just give a little bit more colour on that?

**Tarun Sawhney:**

Sure. I just answer that question. I had partially answered it earlier as well. But in response to the previous gentleman who asked a question in terms of diversification, I had forgotten to add our Alcobev business, which has actually grown. The country liquor business is profitable and is growing quite substantially, very good double-digit growth, and we'll continue to see that growth, profitable growth. As far as the IMFL business is concerned, that is in an incubation stage. It will take a couple of years before it starts throwing out some profitability. But it is a business that is really a sunrise business as far as



India is concerned, as far as the new generation of Indians is concerned. So, there have been moves in terms of diversification. They're small right now, but they certainly have large prospects for the future.

Now I'm sorry, I answered somebody else's question when you asked the question. Let me return to PTB. As I had mentioned, our CapEx is very much underway, and it is being completed as per the track that one had mentioned and as you've mentioned. So, the production capability is pretty much in space. It doesn't mean that it gives us our full capacity utilisation will be a higher amount. It doesn't mean that we achieve it straight up, but it will certainly be in place on time. A lot of the machines are already in place and our productive assets as we speak.

**Abhisar Jain:** Yeah. So just clarifying. So, you had earlier mentioned that defence bay will be commissioned within this year, but also the gear CapEx expansion to ₹700 crore capacities on time till September 2026, right?

**Tarun Sawhney:** Yes, that's exactly what I'm saying. It doesn't mean that we're going to be producing ₹700 crore. It means the capacity is there.

**Abhisar Jain:** Yes, of course. Yes, sure. And on this defence capacity, since it will be commissioned, can you now provide some guidance on how that ramp-up will be there in FY 2027 and 2028? What is the line of sight in revenues from that multi-modal capacity?

**Tarun Sawhney:** It's really a start-up business. So, to provide line of sight of revenues, and it's a business that is famous for delays in terms of orders. In some respects, it's like our water business, okay, where you just don't know when the orders are going to be finalised, etc. When you have bid for orders, but the actual opening and award is something that is totally out of your hands. And that is the peculiarity of that business. With all due respect, I'm going to refrain at this point from providing any future guidance on that business.

**Moderator:** Thank you. Next question is from Nitin Awasthi from InCred Equities. Please go ahead.

**Nitin Awasthi:** Hello. Actually, my first question, you have just answered a bit in that whole pie of IMFL and IMIL that you just spoke about, one extension to that was left, which I'll ask right now. Any movement you're going to make into the UPML market because of the new excise policy in UP?

**Suresh Taneja:** We have already started and introduced UPML brands from June of this year.

**Nitin Awasthi:** Okay. From June of this year, you have introduced them in both the segments?

**Suresh Taneja:** In one segment, in the other one, we are about to do.

**Nitin Awasthi:** Okay. So, is it 28 you have introduced and 42 you'll be doing it in the future? Is that understanding correct?

**Suresh Taneja:** Yes. So, we have already done 28, we'll be doing 42. I mean, it could be happening this month itself.

**Nitin Awasthi:** Understood. Also, our current machinery that we have post the last expansion that we did within the IMIL segment, that machinery itself is capable of handling almost the whole packaging of a UPML product also, right? Is that understanding also correct?

**Suresh Taneja:** Yes, that is right. We have adequate machinery to handle both UPML and IMIL.

**Nitin Awasthi:** The total capacity output at 100% would be 9 million cases?

**Suresh Taneja:** Yes, 9 million.

**Nitin Awasthi:** Yes. Understood. Second question that I had was something interesting you spoke about earlier when a question was asked to you about how would you be increasing margins. You spoke about a cost component within which you specifically mentioned steam. Now steam for any grain distillation is a very heavy cost, the biggest cost after raw material cost. And of course, a lot of work is going on in this space. But would it be correct to understand, given the engineering excellence that your company holds, you will be able to make waves faster within this space? And is that some way where you're moving about? Like what is the current consumption per litre and which way do you see it moving?

**Tarun Sawhney:** I'm not going to give you the consumption per litre because then I'm going to have to give it every quarter. But I will say there are two things. Firstly, with respect, there are things that are low-hanging fruit. And then as I had mentioned in an earlier comment, we have just completed a consulting exercise to look at what can we do with small investments, small capital investments to further improve the steam economies in the distillation. Reduce our power cost effectively. So, let's understand the low-hanging fruit you're going to see immediately. But in terms of the most significant and telling reductions that will then have a lasting impact on our profitability, you should also see that in the near future, but we will have to time it. Firstly, we have to consider everything, which we'll be doing immediately over the next couple of weeks. Then, of course, the timing of this is dependent on when you take those little shutdowns at the distillery. Because as you can imagine, you cannot do any welding work at a distillery that operates 24 hours a day because of the alcohol, fumes, etc., the hazardous nature prevents you from doing that. So, then we will have to look at what are our schedules, when will this equipment, the tag along equipment, the vessels, etc., that need to be potentially added be in place and post which we will have the reduction in that. But yes, you can certainly see this as a short-term measure over the next few quarters that we will be executing.

**Moderator:** Thank you. Next question is from Maulik Choudhari from Monarch Network Capital. Please go ahead. Maulik you may go ahead with your question.

**Maulik Choudhari:** I just have one bookkeeping question regarding power transmission business. Out of this long duration order of ₹182 crore, how much is related to defence?

**Tarun Sawhney:** The largest pie is related to defence. I don't have the exact number. Actually, Rajiv is on the call. Rajiv, of the ₹182 crore, what percentage would be defence, what percentage would be gears, if you could answer that, please?

**Rajiv Rajpal:** Roughly about 80% would be defence.

**Maulik Choudhari:** Okay. And what is the order execution timeline for this long duration orders?

**Tarun Sawhney:** So, the gears orders will be executed in the next fiscal year, which has long term. The defence orders will be executed over the next 24 months.

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

**Tarun Sawhney:**

Right. Thank you, ladies and gentlemen, for joining us for our Q1 FY 26 results. I look forward to speaking to you in three odd months' time with hopefully much better news to share, both in terms of weather and in terms of performance of the various businesses, etc. This has been a relatively hard quarter. I think we've recognised that. We've really worked very hard, firstly, to recognise it and then to find improvements around all of this so that we can come back to the type of profitability that we had showcased in previous quarters. The company is fully committed to excellence in all of our businesses, etc. And I hope that you will be able to see that kind of result very, very shortly. Thank you again for joining us on this call and speak to you in three months. Goodbye.

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