Triveni Engineering & Industries Limited

Q2 FY27 Earnings Conference Call Transcript
November 03, 2026

Moderator: Ladies and gentlemen, good day, and welcome to the Triveni Engineering & Industries Limited Q2 FY27 Earnings Conference Call.

I hand the conference over to Mr. Gavin Desa from CDR India. Thank you, and over to you.

Gavin Desa: Thank you. And good day, everyone, and a warm welcome to Triveni Engineering & Industries Q2 and H1 FY27 earnings call. We have with us today Mr. Tarun Sawhney, the Vice Chairman and Managing Director; Mr. Suresh Taneja, the Group CFO; and Mr. Sameer Sinha, CEO of the Sugar Business.

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 has been shared with you earlier.

I would now like to hand over to Mr. Tarun Sawhney to make his opening remarks. Over to you, Tarun.

Tarun Sawhney: Good afternoon, ladies and gentlemen. Welcome to the Q2 & H1 FY27 earnings conference call of Triveni Engineering & Industries Limited. Following the execution of the composite scheme of arrangement, the Power Transmission business has been demerged into Triveni Power Transmission Limited with the effect of 1st of April 2026. Accordingly, the financial performance discussed today relate to the continuing Sugar, Alcohol and Water businesses of the company.

The consolidated results also include the company's share of profit from its associate Triveni Power Transmission Limited based on our equity holding of approximately 30%. The first half reflects a meaningful improvement in operating performance and profitability. The turnaround has been led substantially by better sugar realisations and contributions, a stronger mix and by by-product economics in alcohol, the continued cost discipline and a materially stronger balance sheet. At the same time, we are entering into the second half with a mixed operating backdrop. Sugar is supported by tight domestic availability, while Alcohol faces a more challenging tender and feedstock environment, and the Water business also requires faster execution.

I'm going to first cover the consolidated financial performance and then discuss each business in detail, including the industry environment, the operational initiatives and outlook before concluding with the key priorities for the second half and then opening up the call for questions. For the half year of FY27, the

consolidated revenues from operations increased by 5% year-on-year to ₹3,311 crores from ₹3,145 crores. The Q2 FY27 revenue also increased by 8% year-on-year to ₹1,731 crores. The operating margin for the first half improved by 383 basis points to 6.9% from 3.1% in the previous corresponding period. The PBT improved sharply to ₹131 crores for H1 FY27 compared with a loss of ₹25 crores in H1 FY26.

And that, of course, is the most significant difference in comparing the results. The Sugar revenues were higher because of improved realisations and slightly higher sales. And the enhanced revenues from DDGS played a very significant role in our Distillery business segment. The improvement in profitability was primarily driven by higher sugar margins on account of the significantly higher realisation, a higher proportion of grain-based ethanol in the mix and as I mentioned, stronger DDGS realisations. And lastly, operational efficiencies in Alcohol and other cost optimisation exercises that were conducted during the quarter and half year under review.

The finance cost for H1 FY27 was 20% lower year-on-year, mainly due to lower average working capital utilisation, improved profitability and a lower average cost of funds. Our cost of funds for the half year stood at 6.8%, whereas for the quarter stood at 6.78%. The balance sheet has strengthened materially. The net debt level improved significantly to ₹157 crores as of the 30th of September 2026 compared to ₹702 crores a year ago, and this was on account of higher profitability, lower working capital utilisation and the repayment of term loans.

Turning swiftly to the business-wise review. As far as the Sugar business was concerned, the principal driver of the H1 FY27 turnaround was on account of this business. H1 FY27 revenue increased 5% year-on-year to ₹2,497 crores. The average sugar realisation improved by 9% to ₹4,428 per metric tonne while dispatches were broadly stable at 5.33 lakh metric tonnes. The segment PBIT improved substantially to ₹113 crores from a loss of ₹5 crores in the previous corresponding half year. In Q2, the Sugar revenue increased by 4% to ₹1,262 crores and realisations increased by 16% to ₹4,728 per metric tonne, more than offsetting a reduction in the 8% in dispatches during the quarter under review.

The improvement in profitability was driven by a significant increase in the contribution margin, lower finance costs, due to lower sugar inventory and disciplined off-season costs. All three were important contributors in this achievement. The closing inventory as of the 30th of September 2026 stood at 1.03 lakh metric tonnes compared to 1.69 lakh metric tonnes a year ago, which also, of course, had an impact of reducing our working capital intensity. The sugar in stock as of the 30th of September 2026 is valued at ₹38.6 per kilo.

Looking quickly at the industry update, the domestic market has entered the sugar season of 2026-27 with a very low stock cushion. Industry estimates place opening stocks at approximately 3.5 million metric tonnes, the lowest in more than a decade, against an annual consumption number of approximately 28.5 million metric tonnes. This makes the domestic balance highly sensitive to the final crop outcome and, of course, the government policy. I should state that these are TEIL estimates that we are speaking about today. The production estimates are still varying because the crop is still evolving. Our current assessment is approximately 27.5 million metric tonnes of net sugar production for the season 2026-27 with a downside risk, knowing that diversion to the unorganised sector is going to be fierce in this year and also recognising

the fact that there will be no diversion towards sugarcane juice, syrup or B-heavy molasses as far as sugary feedstocks for ethanol.

The Uttar Pradesh crop conditions have generally been constructive and certainly far more positive than those in the southern states of Maharashtra and Karnataka, primarily which has suffered due to irrigation, nonavailability of irrigation and the varied rainfall distribution in the southern states. However, the late October spell of unseasonal rainfall in Uttar Pradesh, which included heavy thunderstorms in certain parts of the area has created some near-term concerns. The rainfall, which was very close to the start of the crushing season has delayed the commencement of Western Uttar Pradesh mills ever so slightly. A few factories have started operations. I am delighted to inform everybody on the call today that our plant at Chandanpur commenced operations about two hours ago, and this is the first plant of Triveni Engineering that has commenced operations.

The true assessment of the impact of rains, the impact on sucrose, the impact on yields will be known in the next few weeks. I would say between mid-December and mid-January, we will have a clear assessment of the impact of this very, very late rainfall that actually spread not just across the state of Uttar Pradesh, but across North India in quite a devastating manner. But Maharashtra and Karnataka, as I mentioned, remain the larger risk for the national crop. And I think the estimates from both those states will become very clear as the factories start continuous operations. Right now, there's been a little bit of start and stop.

There were some farm protests in Karnataka. There was also some talk of fires and some other increment activity that has impacted continuous operations in these two states. Once they get into ready operations, we will be able to then estimate the production based on current recoveries, etc. The reports at this point are fairly scammed for sugar production across the country, and therefore, it is a little bit challenging to give early estimates for the production for sugar season 26-27.

The domestic sugar prices have experienced exceptional volatility for the quarter under review. Prices strengthened sharply from late June through August as the market responded to the low stocks and crop concerns before government interventions, the higher release of quotas and the stockholding restrictions moderated the market. Despite these interventions, October realisations have remained firm. In our view, low opening stocks and weather uncertainty should support prices, although the timing and extent of the price transmission will be influenced by quotas, by stock limits, by import policy and potentially by other government measures. It is important to note that Haryana has announced its SAP very recently. It has increased sugar prices for sugar season 26-27 by ₹15 to ₹430 per quintal. And it has also announced sugar prices for the following year of 27-28, a ₹20 increase up to ₹450 per quintal. To my mind, this is a very bold decision by the Haryana government and a very practical decision to support farmer incomes, to support growth of the sugarcane crop. And let's hope that this is also indicative of what might happen in other SAP states across the country.

Before I turn to the sugar outlook globally, I should also mention that our current prevailing prices of sugar for Triveni Engineering are about approximately ₹5,800 per quintal for institutional sugar and about ₹5,400 for the trade. And of course, there is a greater amount of sugar that has been sold for institutions at this particular point in time.

We are, as responsible suppliers to the market, making sure that sugar is available to local trade for consumption in areas around our sugar factories, and that is very important from a UP perspective as well.

Turning quickly to the international market. International benchmark prices have recovered materially from their 2026 lows. Raw sugar moved from a low of $0.1331 per pound in April to highs of about $0.213 and settling a little bit lower now at about $0.195 per pound. White sugar moved from lows of $376 a tonne in February to a high of $561 per tonne and it's currently settled around $520 per metric tonne.

It is important to share with you the conversion costs of the sugar. At this particular point in time, if we take prevailing prices, raw sugar landed in Delhi, let's say, that is the benchmark because sugar for North India would use that as a comparable. Raw sugar, including tolling costs and tolling import costs without any margin will land at about ₹54.5. So that is without any margin for the trade or for the importer or for the toller. Similarly, white sugar imports without any margin for the importer is, if we look at the December contract, it is ₹59.15 per kilo. And if you look at the March contract, which we will enter into very soon, is about ₹60.7 per kilo. So substantially higher than what the prevailing prices are today.

The outlook globally is a mixed bag. There is a small deficit that is considered for this sugar year. However, for the following year, most industry bandits and trade houses have the Brazilian crop rebounding very substantially. The crop in Brazil was impacted by significant rains that curtailed sugar production and factory operations and brought about a premature end to the season. A lot of that crop has now been moved to the subsequent sugar year. And given the larger projected numbers for crush from Brazil, one can imagine that there could be a surplus that is offered. However, I would like to point out that there are many factors that need to be considered. Oil prevailing at above $100 will certainly be a detriment to sugar production in Brazil. And this is a factor that is still very nimble. And since we are some months away from the start of the next Brazilian crop, the total sugar ethanol balance could change based on prevailing ethanol and oil prices at that particular point in time. The other point is the impact, of course, of Indian imports. Further Indian imports have not been factored, neither has the impact on the El Nino, which may impact the crop in Thailand for the following year and Australia as well. All of these factors will lead to more imbalances in our opinion, especially in the Northern and Eastern Hemisphere, which is where India is. And that is something that will play out in markets in international as well as domestic prices going forward. If India were to import more sugar, I'm absolutely certain that it will have a positive impact on global prices. The extent of it, we will figure out and it will be based on the quantum of imports that may or may not be required by India.

Turning to the operational initiatives that we have taken. In our business, we have doubled down in the quarter under review on field surveillance, where there's been a lot of work that has happened in terms of identification of chronic disease and tests to ensure that everything below remains well below the target lines that we consider. There's also been a lot of work that has happened on cane development in addition to what has continuously happened. And the focus areas has been on controlling irrigation by farmers and also controlling the usage of fertiliser, which was a tendency that has started happening in the western part of Uttar Pradesh. And I'm glad to report that a lot of that as of now remains well under control, and this bodes very well for the crop.

As I mentioned, the post rainfall response and performance is yet uncertain. We will be able to provide more information as a few weeks transpire. But the unseasonal rainfall that has happened in the month of October is certainly a risk to the overall UP crop. I think we have also managed to maintain tremendous commercial discipline in order to ensure that our costs over the off-season have been minimised. And alongside, we have ensured that all the factories are ready for operation as we stand today. Had it not been for the rainfall, many of them would have started. But as it stands today, as I mentioned, Chandanpur started operations today. We expect Sabitgarh to start operations tomorrow. We expect Khatauli to start operations on the sixth, and we expect our other plants to start shortly after Deepawali.

Turning quickly to the Alcohol business. The business continued to improve its core profitability in the Q2 and H1FY27 despite lower production and modestly lower sales volume. The H1FY27 revenue increased by 3%. The PBIT increased by 44%. In the quarter, net revenue increased by 19%, supported by a 16% increase in sales volume, higher supplies of maize-based and C-heavy molasses ethanol, stronger DDGS realisations and the Q2FY27 segment PBIT increased to ₹43 crores from ₹28 crores in the previous corresponding quarter. The H1FY27 production was 1,085 lakh litres, lower by 13% year-on-year, and the decline reflected lower operating days, storage constraints for finished goods and a shift away from B-heavy molasses ethanol. With the ethanol mix of grain-based ethanol, grain-based ethanol remained the largest component in our mix for production as well as for supplies.

At the industry level, the ethanol blending has reached 20% in ESY 25-26. The public sector OMC allocation increased to 1,197 crore litres after the additional allocation. And the supply stood at 987 crore litres until September 2026, although there is one full month left for the ethanol supply. For the ESY 26-27 tender, material changes have been witnessed in this tender document. The OMCs have invited bids of 1,100 crore litres, but no offers were invited for ethanol produced from sugarcane juice/ syrup or from B-heavy molasses. The tender allows maize, broken rice, surplus FCI rice and C-heavy molasses. However, the quantity of FCI rice-based ethanol has been limited now to 30% of the overall tender. This was a notification that came out earlier today.

In a nutshell, if we had to divide up the first tranche of 1,100 crore litres based on the present tender document, which I still understand is possibly going to undergo further review and further modification because it is, to my mind, a little bit negative for the overall industry. But the balance, if we were to take today's contract as it stands, would be about ₹150 crores coming from C-heavy molasses, ₹324 crores coming from FCI rice and the balance ₹626 crores split with a maximum of about ₹160 crores coming from DFG and the simple subtraction would then show ₹466 crores coming from maize, which is a significant component. And if one were to consider this vast quantity of ethanol coming from maize, I do not see maize prices declining in the near future and thereby impacting the profitability very poorly for ethanol that is from maize.

As we know, the prices of maize right now have reached ₹26 and are coming up to about ₹27 per kg. This is quite significant as far as future viability of maize-based ethanol is concerned. And the next big crop that is coming is actually many months away, and this will be the Bihar crop followed by the UP crop, which will only come in May of 2027. So, we are a good five to six months away from the next big crop coming.

The other very important point to consider with maize profitability is the ₹3 decline in the present tender for maize-based ethanol. So one hopes that while

this document is being reconsidered, there may be some reconsideration of price. However, I'm personally a little doubtful whether that will happen. The tender supports domestic sugar availability, but it significantly reduces the feedstock flexibility, as I mentioned. I think integrated and multi-feed sugar companies will be beneficiaries of this very constrained policy, which gives us the flexibility to be able to move between feedstocks. However, single feed plants, I think, will have a very uphill task in terms of trying to achieve profitability over the next ethanol supply year.

The overall operational initiatives that we have taken in ethanol have really paid a lot of dividends and will continue to pay dividends. The allocation and product mix working that we have done has worked out extremely well. You can see that from our results of the quarter and half year. The feedstock flexibility has been excellent and our ability to be able to procure maize at low prices for the quarter and half year and some of the stocks that we have today has been actually quite excellent. And we have maximised our byproduct realisation, especially of DDGS in terms of getting ever so slight premiums over the prevailing DDGS market, which itself has experienced an increase in prices, which, to my mind, given the availability, these prices will remain fairly stable with small increases going forward over the next three to six-odd months and maybe beyond that.

There's been a lot of work that has happened on energy and process efficiency that we have already started benefiting from, and you will see that for the ethanol supply year 26-27 in terms of our cost of production and conversion. I think it is essential to point out that the maize prices in H1 FY28 will be the biggest contributor to the profitability of the ethanol supply year 26-27. And as I had previously mentioned, that will only be determined by the total size of crop that comes in Bihar and in Uttar Pradesh, in Eastern Uttar Pradesh.

Turning very quickly to our Water business. The water business continued to be affected by the timing of execution of select EPC projects. H1FY27 revenue dipped by 17%, while the Q2FY27 revenue declined by 13%. The PBIT was ₹3 crores for H1FY27 compared to ₹13 crores in the previous year and the PBIT for Q2FY27 was broadly breakeven. The closing order book as of the 30th of September 2026 was ₹1,452 crores, which comprised of ₹404 crores of normal EPC and equipment orders and ₹1,048 crores of long-duration O&M contract orders.

Turning to the overall outlook and management prioritise. To summarise the operating outlook, the three businesses are entering H2 from very different starting points. In Sugar, the market is supported by low opening stocks, the absence of diversion to cane juice and B-heavy molasses for ethanol, the uncertainty around production in Maharashtra and Karnataka. Uttar Pradesh remains relatively better placed, but the recent heavy rainfall creates some uncertainty around cane maturity, initial recovery, field access and the pace at which the season will start. We will also calibrate operations unit by unit and focus on cane quality, recovery, throughput and most importantly, commercial discipline across the Triveni Engineering plants.

In Alcohol, H1FY27 was strong, but ESY 26-27 and the tender for ESY 26-27 has reset the near-term economics. The exclusion of juice and B-heavy molasses, the reduction in maize ethanol price, the likely overbidding and firm maize costs have put pressure on the contributions from this business going forward. We will, of course, prioritise feedstock economics in making our bids under this tender and also in terms of operating our various distilleries across the group.

In the Water business, the order book provides near-term visibility, particularly through O&M, but the immediate requirement is for solid execution, which we expect will happen in Q3 and Q4FY27, and therefore, it will allow us to come back to our budgeted levels in this business. Across the company, a materially improved balance sheet is an important enabler. We will remain disciplined on working capital, capital expenditure and our return thresholds that I have spoken on many times on our earnings conference call. We will also preserve flexibility because of sugar, ethanol and project businesses are all exposed to policy, commodity and execution volatility. And therefore, it is important to judge each and every business based on their own individual fundamentals, extracting the most amount of value, which I think we are capable of doing as this sugar year gets underway.

In conclusion, H1FY27 represents a strong improvement in operating performance and profitability. The Sugar business has benefited from better realisations and lower inventory, and our operational focus is now on executing the upcoming season with a very strong performance and discipline across all of our sugar factories. I think the work that we have done on sugarcane development will certainly hold us in a good space in this sugar year.

As far as the ethanol business is concerned, while there were meaningful earnings delivered in H1FY27, we are responding to the more demanding H2FY27 environment through working on feedstocks, the product mix and on efficiency measures. I would have to say that Q3FY27 is relatively unabated compared to what we estimated, which means we will carry on along a very healthy trajectory as, however, Q4FY27, which is really where the new tender comes in, that is very difficult to determine right now because the tender has yet to be finalised. And therefore, the estimates of profitability, of our allocation, etc., are still a little vague as of this time and nebulous. So it's difficult to be able to make that very final prescriptive prediction at this particular point in time.

The Water business, the order book looks stable and our immediate priority, as I mentioned, is on faster execution. The substantial reduction in debt and improved liquidity strengthens our ability to navigate this evolving environment. We remain committed to sustainable growth, disciplined capital allocation and long-term value creation.

With this, I'd now like to open up the call for questions. Thank you.

Question-and-Answer Session

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press * and then 1 on the touch-tone telephone. If you wish to remove yourself from the question queue, you may press * and then 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. A reminder to all the participants, you may press * and then 1 to ask a question. We have the first question from the line of Aman Kumar Sonthalia from AK Securities. Please go ahead.

Aman Kumar Sonthalia: Good evening, this time, I think Maharashtra and Karnataka, there is severe drought and the production is likely to come down. The only bright area was Uttar Pradesh. So, recent rainfall, how much damage it has done to the crop of Uttar Pradesh?

Tarun Sawhney: It's a very good question. I talked about that in my opening remarks. I think it's very difficult to ascertain what damage has been done. The damage, if any, happens in two forms. The first one is in terms of yield and the second one is in terms of sucrose or the recovery from sugarcane. Typically, late rainfalls has an impact more on the sucrose and potentially a little bit on the yield. The yield impact happens if there is lodging of sugarcane primarily of the ratoon crop, which is fully mature or near full maturity, so it's very tall, etc. And with winds, etc, it has a tendency of falling over. In Western Uttar Pradesh, I have to say there is a culture of tying cane of binding cane. And therefore, even with heavy winds, the cane withstands this and still stands tall.

So, I do not see any problem per se or any significant problem at all in terms of lodging of cane. And therefore, I think with bright sunshine as we're experiencing now and the RTD values becoming better and better every day, that's the difference between the warmth of the midday as well as the coolness of night. I think the maturity levels, the crop performance in terms of yield will be broadly fine across all eight factories. As far as the recovery is concerned, I think it's very difficult to tell. While there has been an impact on some of our sampling data before the factories have started, the true test, frankly speaking, is once the factory start.

As I mentioned, our factory at Chandanpur started operations today. We will not know what the recovery is for a few days' time when the laboratories are able to give those estimates. I would say around Diwali would be a great indicator where we will have three factories that will have started. On Diwali Day, we'll probably be best positioned to see what the impact has been year-on-year. What I can share with you is the recoveries this year because of these late rains are slightly lower than the recoveries last year at the same time.

I think the sampling data is certainly indicating approximately at 50 basis to 70 basis point decline year-on-year in terms of sampling data. However, I want to caution you right now by saying that this is just sampling data. It is not data that comes from the laboratories because pol percent cane is very different from sugar percent cane. And sugar percent cane is what we will find out once the sugar factories start crushing. So there is a negative bias in terms of the recovery. However, the overall crop size remains unchanged, especially as far as Triveni is concerned.

Aman Kumar Sonthalia: And this time, I think there is a severe drought and the production is likely to be lower than the demand. My understanding is that in the next sugar year, since government is not giving water for irrigation purpose in most of the part in Karnataka and Maharashtra, do you think that even 27-28 crop will be lower than the demand?

Tarun Sawhney: 100%. Your assumption is exactly the way that I have been thinking as well. You see Maharashtra has two crops, the 18-month crop and the 12-month crop. The 18-month crop has been very poorly impacted. So now all the sowing and the future of the 27-28 season on Maharashtra is dependent on the 12-month crop, the planting of which will start very shortly.

Now this year being a short year means that the quantity of seed will also be under heavy pressure. Prices are robust. And therefore, the tendency is to try and crush as much as possible to sell the sugar. However, the negative part of that is that you may have the danger of crushing seed. So if you do crush seed, it will 100% impact the crop of the following year.

In addition to that, when you sow sugarcane, you need to immediately irrigate and so to have the proper germination, irrigation becomes extremely essential and that has an impact on the yield and health of that crop as well and at the first stage of growth. So you're absolutely right. If farmers do not get water at the time of planting, it will seriously impact the germination and the productivity levels of the crop for Maharashtra and potentially even for Karnataka. There is a more negativity in my mind in Maharashtra, slightly less in Karnataka, but the factors are also prevalent in Karnataka as well. I hope that answers your question.

Aman Kumar Sonthalia: And this is also a very forward-looking thinking on my part that since there will be very less plantation for the season 27-28, so for the season 28-29, there will be very little ratoon. In that case also, do you think that the demand-supply balance will be there at least for the next three years?

Tarun Sawhney: It could happen. But typically, with the combination of robust pricing, robust profitability from cane for farmers, you can have a massive rebound in planting in the plant crop. You're right in terms of your analysis of ratoon because that's logical. If the plant crop of 27-28 is poorly impacted and that is impacted because of the sowing that is going to happen in the next few months, right?

Aman Kumar Sonthalia: Yes.

Tarun Sawhney: But fast forwarding to two years from now or 2.5 years from now to two seasons from now, I think that analogy is difficult to carry through because you could, based on the attractiveness of sugarcane to farmers, see a massive planting, but there are many imponderables there. The first is that you have enough seed material. So, if you don't have enough seed material, you can't have that planting happening. So that's a very crucial linkage in this formula. But you're right, if you stand today, logically, you have, in a certain part of the country, especially the central part of the country, you potentially have two challenging years ahead. And for the third year, which is very difficult to predict, the signs today are slightly negative, for the overall crop suggestion.

Aman Kumar Sonthalia: Yes. One more question that the UP sugar industries was suffering 238 because of red rot. So how much we have changed our seed from 238 to other varieties? And how is the performance of those seeds right now?

Tarun Sawhney: We have done a huge amount of change. I want to share with you that we have factories spreading across the length and breadth of Uttar Pradesh. So, if you look at our East UP plant, it's virtually zero. If you look at our Central UP plants, it is insignificant. It's single digit. In our Western UP factories, we have a little more 238 because it has not been impacted as yet by red rot. Overall, we are about less than the 30% mark for 238 of a group-wide level. Having said that, because that percentage is skewed towards Western Uttar Pradesh, it remains a concern for the management team to be able to lower it. However, the unfortunate issue is that the performance that 238 is giving to the farmers remaining disease-free and given the yield is very difficult to come back at this point in time. It is a live problem.

We don't want to be at the brunt end of it when this particular variety does and it will succumb to mass red rot, etc. So we are working tirelessly to be able to reduce it. And from this 30% level, you can expect a massive reduction in this year's upcoming planting schedule, massive difference, a sea change as a matter of fact.

Moderator: Thank you. We have the next question from the line of Tanuj Nangalia from SKP Securities Limited. Please go ahead.

Tanuj Nangalia: Good evening. Firstly, a follow-up question. The late rainfall, will it impact Western UP much more or Eastern UP? According to me, it should impact Eastern UP more.

Tarun Sawhney: That's what I was saying. My estimation is that the impact will be on parts of the state where binding of cane is not a regular feature. In Western Uttar Pradesh, the binding of cane is a regular feature. And therefore, with winds and heavy rain, etc., yes, you do have flooding, but you don't have lodging. And the lodging is what is a double blow very honestly speaking, not just on recovery, but also on yield.

So Western UP, luckily with more progressive farm practices is in better shape. Honestly speaking, the typhoon that passed across the state of Uttar Pradesh, also the quantum of rainfall, if you compare West UP versus East UP was also very different. So I think your hypothesis is broadly correct. The real test will come once all the factories start and you see what the data is after three or four days of operations.

Tanuj Nangalia: Okay. My next question is, what is the sustainability of the realisation at these level of 54, especially if two, three months down the line, the crude price softened and the Brazil mills, they shift more towards sugar. So how will it impact the global prices and the domestic prices then?

Tarun Sawhney: Good question. As you can see the trend of the raw sugar contract, if we look at March prices of $0.195 per pound, contracts post that are lower than $0.195 trading today. So you're seeing some softness in the global markets that has already been factored in with a higher projected crop in Brazil. The oil prices are well above $100, as you know, and if they do come off this triple-digit mark, yes, in all probability, this Brazilian number will become a reality, which means that there is more surplus sugar to be exported from Brazil. I think that my personal view is that this has been factored in already by markets.

So honestly speaking, coming back to the meat of your question, which is the realisation levels of trade of ₹5,400, ₹5,500 of institutions at ₹5,800-odd. This is a bit high, frankly speaking, because the import price parity, as I mentioned, for raw sugar coming to Delhi without any margin is about ₹54.5 per kilo. So if you add a little bit of margin over there, let's say, ₹2.5-odd of margin, taking it up to about ₹57. So the ₹58 price is broadly about ₹1 off around about there. So I think that is, you may have a slightly downward bias in the short-term.

But these prices are very much what one can expect for the next couple of quarters, in my opinion. This is, I want to add as a caveat, subject to no further government regulations in terms of pricing or in terms of sale. That, of course, can change the entire dynamic. But otherwise, you will have these kinds of prevailing prices over the next few months.

Tanuj Nangalia: Okay. That's very informative. So basically, my understanding is that the domestic prices are largely driven by the import parity price. Am I correct?

Tarun Sawhney: Yes. I think it is important that even though India is allowed to import only 1 million tonnes of raws right now, that number is going to go up. It's almost certain that DFPD is going to allow at least 2 million tonnes of imports of sugar, primarily raw sugar to be imported. White sugar, as I mentioned, the parity is significantly higher at a breakeven price of ₹60 per kilo. So that's very far off.

But raw sugar imports and sales across the country is a definite, it's the lowest common denominator for prices across the country. So I think that we have to look at where raw sugar prices are and how much of sugar has been imported by the country. Out of the 1 million tonnes, we have not imported even half of that quantity. So, there is still a little bit of headroom as Maharashtra and Karnataka factories get underway for them to import raw sugars, toll it and then sell it in the domestic market. The quota system, as you know, has allowed great flexibility in terms of the ability to sell that sugar immediately and not be subject to the monthly quota regime.

But what I'm effectively saying is in a very long-winded way is exactly what you said that we will be tied to raw sugar import prices until we have imported the total 1 million tonnes and then if that number exceeds, then until we've imported that new number.

Tanuj Nangalia: Okay, got it. So thank you for the answers.

Moderator: Thank you. We have the next question from the line of Sanjay Manyal from DAM Capital Advisors. Please go ahead.

Sanjay Manyal: Just a few questions. One is on the, as you have mentioned, it is difficult to give exact increase in the sugarcane availability at this point in time. But if you can sort of share some light on what kind of an area increase or decrease we have seen in our command area in our catchment area? That's my first question.

Tarun Sawhney: Broadly speaking, we have a positive bias. I'm very hesitant to give you exact numbers because then I will be held to those numbers. But as of this point in time, I can say that the area under cane that has been allotted to Triveni is definitely better by a high single-digit versus the previous year.

Sanjay Manyal: Okay. And as far as the survey or the testing which you have mentioned about the recovery part, so was this, you are talking about the 50 basis point, minus 50 basis points. This is for us or a particular region we are talking about?

Tarun Sawhney: I'm talking about the state as a whole. I'm not talking about Triveni as the 50 basis points. For Triveni, I think we have had a sharp impact in two out of the eight factories, but six out of eight are broadly speaking, fine with one factory even being better, in terms of our pol testing year-on-year. So yes, two plants. And you don't know with great dry weather, with great RTDs, those plants can also catch up and cover up and the state can cover up. But my earlier estimate to the previous gentleman was more about the states rather than Triveni.

Sanjay Manyal: Right, so what kind of an average sugar prices we have seen in the October month? So that probably will give us a sense given the fact that there's so much volatility in the sugar prices.

Tarun Sawhney: The volatility in the month of October was pretty substantial. So we saw prices a little bit over ₹49 through the month of October, but they went very up, they went up very sharply in the month of November.

Sanjay Manyal: Right. And lastly, on the ethanol part, given the fact you have mentioned FCI-rice proportion has come down to 30%, I believe this was 40% last year, and the sugarcane is not available, juice and B-heavy is not available. And what I understand you mentioned about the C-heavy also 150 crore litres or so, which is also, I believe, less than the potential probably production. So, I think this

entire burden is coming to maize, how the profitability will impact? Last year, we would have made upwards of ₹8 - ₹9 on the maize ethanol part. At the current prices of ₹26 - ₹27, what you have mentioned, what would be the profitability of maize ethanol, considering the fact that DDGS also is at a substantially higher level?

Tarun Sawhney: I would say that the present prices of maize would totally erode the profitability coming from maize-based ethanol completely. And then it would be about how efficiently you can sell your DDGS, what your fuel costs are, what your conversion costs are. It will be all about that. But even then, for an integrated plant, it's absolutely, it could be all right. But for a stand-alone facility, it could be very negative.

Sanjay Manyal: And will that change our volume number or the capacity? We have 25 crore litre plus kind of a capacity. But will that change our number in any manner? Means will we tender less or how would that impact our volume numbers for the distillery?

Tarun Sawhney: So Sanjay, the tender is not yet finalised right now. One has to also remember that Bihar and UP maize, which comes in post May is, we don't know the availability of it. We don't know the crop size. The fact is that the prices have been very buoyant in the planting season. So these kind of prices are going to actually support a very large maize crop, hopefully, for Bihar and for Eastern Uttar Pradesh.

And therefore, when you start using maize to manufacture ethanol, which is primarily in Q3 and Q4, at that particular point in time, lower, there is a possibility of lower maize prices. So I'm giving you the economics on prevailing maize prices. Luckily, as far as Triveni is concerned, we have procured maize at much lower prices over the last few months. And so at least for this quarter, we're very safe and secure. But I'm talking about the rest of the nation. I'm talking about the new ethanol supply contract, etc., which at the lower price is quite onerous. And then very honestly speaking, if you had these kind of prices that prevailed during the entire campaign, it would be very negative. I do see a light at the end of the tunnel with maize coming from Bihar and from Uttar Pradesh.

Sanjay Manyal: Right. Thank you very much.

Moderator: Thank you. We have the next question from the line of Chetan Sharma from Systematix Shares and Stock Limited. Please go ahead.

Chetan Sharma: Congratulations on the excellent set of numbers. Just have two queries. One is how do you see the UP sugarcane price increase? And what is your expectation and when ideally it would happen? And number two is basically, out of 1 million this government has allowed to import, how much has been import till date because there is literally no parity, though actually, there is an import happening?

Tarun Sawhney: Yes. So current figures show that 300,000 tonnes have been imported out of the 1 million metric tonnes. There is still sufficient amount of quantity that can be imported under this present campaign that's been allowed by GOI by DFPD. And with respect to the cane price of Uttar Pradesh, I think the expectation is that within the next three to four weeks, we will have a cane price announcement by the state government. I don't think it will happen just around Diwali or just after Diwali. It may take a little bit of time beyond that. It usually does. I shared the Haryana numbers of an increase of ₹15 this year

and an increase of ₹20 next year as far as their state SAP is concerned. Now I know Haryana is not Uttar Pradesh, but I hope that, that is a signal to policymakers in Uttar Pradesh for a reasonable and controlled increase in SAP. Very difficult to estimate. I will not put a number on it at all. But I'm just sharing the events around that have happened very recently.

Chetan Sharma: Thank you. You said in your conversation, nobody is sure what kind of measures government may bring to keep the prices under control because ₹54, ₹55, ₹56 may be looking high to them. So one is that they allow import, but allowing import unless you subsidise it. It is not making viable for them also. So, do they have any other measures also to control it?

Tarun Sawhney: Not to my mind.

Chetan Sharma: Thank you.

Moderator: Thank you. We have the next question from the line of Somnath Saha from 360 ONE Capital. Please go ahead.

Somnath Saha: Thank you for the opportunity. My first question I've already discussed regarding maize-based ethanol and the profitability. I have another question regarding your employee cost. Despite the demerger of power transmission business, we have seen employee cost this quarter have increased. Can you explain the reasons?

Tarun Sawhney: There's been a wage bill increase that you must remember. It's a good question for us. Again, thank you for asking. The new labor code has forced us to revise our wage costs. And therefore, this reflects the changes across the 4,000-plus people that we have working in the organisation and their changes in their wage bill.

Suresh Taneja: Just one addition. Last year, corresponding periods, we had power transmission undertaking. Their cost has been separately shown under discontinued operations. So therefore, in the current period, you are seeing like-to-like comparison between last year and this year. And there is no significant increase.

Somnath Saha: Okay. Understood. Thank you.

Moderator: Thank you. We have the next follow-up question from the line of Aman Kumar Sonthalia from AK Securities. Please go ahead.

Aman Kumar Sonthalia: As you have said in the opening remarks that the recovery is not looking very exciting. It's down by around 0.5% to 0.7%. This is due to late rain and it may gradually go up once there is bright sunshine?

Tarun Sawhney: Yes. And I was talking about it for the state as a whole. I was not talking about it for Triveni and from Triveni's perspective, where I believe it will be lower. And very honestly speaking about a good sunshine and cold nights can improve this immeasurably. And that is why I said you have to let the factory start so that actual lab data comes in because pole data from the fields, which is what we use as an indicator, isn't a 100% parallel for juice percent cane.

Aman Kumar Sonthalia: And the UP government has not announced the cane price so far. So, what's your opinion when it will come and what can be the increase?

Tarun Sawhney: I was mentioning this to the gentleman just before. I expect that the cane price from the Uttar Pradesh government. Uttar Pradesh is a state that is going into elections in March of next year, as you are aware. I expect that the cane price will come towards the end of this month, ballpark, one week here or there. I do not want to consider a guess at what that price increase or what that price would be. I just can share with you that in Haryana, they've increased prices by ₹15 this year, and they've announced a price for the following year also of ₹20 increase. But it's very difficult to give you a number just for Uttar Pradesh.

Aman Kumar Sonthalia: And one last question. The government has said that the closing stock was 35 lakh tonnes. But when I see the pipeline, it is virtually nil. There is no pipeline, there is no stock in the pipeline. Do you agree that it was 35 lakh tonnes or even much below than 35 lakh tonnes?

Tarun Sawhney: I don't think that the number is very far off the 3.5 million metric tonnes. The month of October had a significant quota, which has been met and sold because the DFPD monitors that completely. And as we know, even Triveni has sugar coming into the month of November. So other factories and other companies will also have sugar coming into the month of November. So that figure of 3.5 million metric tonnes that DFPD has and that ISMA is giving and what the Triveni estimates are, are broadly speaking, accurate and it played out as such.

Aman Kumar Sonthalia: That's true. But the pipeline is totally dry. I think at least 10 lakh to 15 lakh tonnes will be required to fill the pipeline.

Tarun Sawhney: You have very significant stockholding limits. The pipeline that you will consider a normal, which is 1 million metric tonnes, as you're talking about, cannot exist today simply because of the stockholding limits that have been placed on all by DFPD. And therefore, you cannot have, it's much more of a hand-to-mouth situation that exists today. I think when the stock limit goes away, then you can expect the buildup of the pipeline. But in today's scenario, it is a very minimal pipeline.

Aman Kumar Sonthalia: Okay. Thanks a lot.

Moderator: Thank you. We have the next follow-up question from the line of Tanuj Nangalia from SKP Securities Limited. Please go ahead.

Tanuj Nangalia: Yes. Just a short question on capital allocation. This year, we have a very high profitability. So where will be the management focus? Will it be to repay debt or there will be any new CapEx in sugar or distillery or any other new project or something?

Tarun Sawhney: Yes, there is no meaningful CapEx that is planned for the year. What I can share with you is what we may look at is some steam improvement in efficiency measures, but again, nothing terribly significant. Paying down our debt is something that is of vital importance to the company to improve our balance sheet and continuously improve our balance sheet. But as you will appreciate, the increase in sugar prices has only happened very recently. And therefore, as we budget, it is a very recent phenomena that we're budgeting for higher levels of profitability going forward.

And so, this is very early in the conversation for looking at capital allocation from a management perspective. And the Board in its meeting also considered it and said, and they took cognisance of the higher profitability that is envisaged over the next few quarters. And said that we should wait and watch

at least a quarter in terms of the cash generation before evaluating other options.

Tanuj Nangalia: Thank you so much.

Moderator: Thank you. We have the next follow-up question from the line of Chetan Sharma from Systematix Shares & Stock Limited. Please go ahead.

Chetan Sharma: This kind of balance sheet for sugar industry where there is a severe shortage kind of a situation and import is also looking very expensive, so when you have seen the last such kind of situation?

Tarun Sawhney: I want to say a near situation like this existed 18 or 19 years ago, where it was a very similar scenario, although at that particular point in time, the import prices had gone well above $0.20. I forget the exact year, I think it was 2008, 08-09, in my opinion, where prices had gone very high and even domestic prices has increased. At that point, international prices were much higher than domestic prices on all accounts. So that would be my closest comparable. That's almost two decades ago.

Chetan Sharma: Thank you very much. All the best.

Moderator: Thank you. Ladies and gentlemen, that was the last question. And with that, we conclude the question-and-answer session. I now hand the conference back to the management for their closing comments.

Tarun Sawhney: Ladies and gentlemen, thank you very much for joining us for the H1 & Q2 FY27 earnings conference call of Triveni Engineering & Industries Limited.

I think our three business verticals are all facing an exciting environment, interesting challenges, interesting forecasts for each business. The Sugar business is looking very promising given the supply-demand balance sheet. Having said that, our focus remains on the crush and recoveries for the season, which has started today. That is the primary area of focus to be able to deliver a resounding season with a low cost of production and industry-leading efficiencies.

As far as the ethanol business is concerned, I think it's very early to tell the future for the ethanol sugar, for the ethanol supply 26-27, primarily because the tender has not been closed out. I do see several areas of challenges that I've talked about over the last hour, but let's hope the government recognises that and balances things out so that we have a more positive outlook for this very important business. I would like to mention, and it is extremely important to note that the government has made notifications under the Motor Vehicles Act to recognise E100 and E85 within the emission certification framework for flex fuel vehicles. So that's a very promising start. However, we need to see more than just the notification.

We need to see a big buildup of these vehicles and supply of ethanol under these grades. That is yet to happen. And hopefully, in the next 12 months, we can see significant movements around that. The Water business, as I mentioned, the focus is all on execution, and we hope to be able to report more positive news to you when we speak in three months' time. Thank you very much for your time today.

Moderator: Thank you, members of the management. On behalf of Triveni Engineering & Industries Limited, we conclude this conference. Thank you everyone, for joining with us today, and you may now disconnect your lines.

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