

Triveni Engineering & Industries Limited

Investor/Analyst Conference Call Transcript

April 28, 2009

Moderator: Ladies and gentlemen good evening and welcome to the Triveni Engineering & Industries Limited Q2FY09 Results Conference Call. As a reminder, for the duration of the conference all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call, please signal an operator by pressing * and then 0 on your touch-tone phone. Please note that this conference is being recorded. At this time, I would now like to hand the conference over to Mr. Gavin Desa of Citigate Dewe Rogerson; thank you and over to you Mr. Desa.

Gavin Desa: Thank you Melissa, good day everyone and a warm welcome to all of you who are participating on this Q2FY09 conference call of Triveni Engineering & Industries Limited. We have with us on this call Mr. Tarun Sawhney and Mr. Nikhil Sawhney, the Executive Directors of the Company, along with Mr. Suresh Taneja the CFO and other members of the Senior Management Team of the Company. I would like to mention before we begin that some of the statements made in today's discussions maybe forward-looking and a statement to that effect has been included in the conference call invite, which has been emailed to everybody earlier. I would also like to emphasize that while the call is open to all invitees, it may not be broadcasted or reproduced in any form or manner. We will start the conference call with opening remarks from the management followed by an interactive Q&A session, wherein you can discuss your views and key issues. I would like now to hand over to Mr. Nikhil Sawhney to share some perspectives with you with regard to the company's operations.

Nikhil Sawhney: Thank you Gavin. Good afternoon everyone and welcome to our Q2 H1 conference call for Triveni Engineering & Industries Limited. We had a good quarter with 21% increase in sales which stood at Rs.4.58 billion. EBITDA increased by 22% with the margin of 24% in total and our Profit Before Interest & Tax went up by 28% to Rs. 891 million. Our sugar operations continued to improve this quarter with a growth in sales of 59% and it registered a strong PBIT of Rs. 503 million as against 12 million during the corresponding quarter of the previous year. Our engineering businesses registered a decline in sales of 9% on account of the overall market conditions. The deliveries to customers depends on the financial condition though it is encouraging for you to note that this quarter registered an increase in turnover of 40% over the preceding quarter, indicating an improvement in economic sentiments. PBT for the second quarter increased by 21% when compared with the corresponding quarter of last year at Rs. 53.7 crore and PAT stood at Rs. 37.8 crore.

To go into some of the operating performances of our businesses, our sugar business registered a decline in sugar crush by 36% and we crushed a total of 3.73 million tons of sugarcane with an average recovery of 8.98% leading to a sugar production of 335,000 tons of sugar, which is lower by 42% as compared to the previous year. This was in fact better than the average drop in production in UP as well as the country as a whole and we believe that the coming year would hold challenges as far as sugar cane crush goes, but we would be able to perform satisfactorily. Our cogeneration business had a marginal increase in sales, which is due to bagasse transfer pricing, which in turn impacted the transfer price for the steam consumption in our sugar units. The distillery operations were also satisfactory, while our engineering businesses reflected the economic situation in the country currently. Sales in our turbine business were lower by 16% at Rs. 117 crore and our current order book stands at Rs. 517 crore, which translates to 715 megawatts of orders. Order intake in the quarter was strong with approx. Rs. 90 crore of orders with exports showing a significant rise in both as percentage of sales as well as in our order intake. PBIT margins for the quarter in our turbine

business were at 22.5%, which is very satisfactory, given the current economic conditions and we believe that we will be able to reflect the economic conditions and would present significant opportunities as situations improve. The R&D initiatives in this business are performing very satisfactorily with new developments in high temperature and pressure as well as higher megawatt ranges and we are on track in all these lines. Our gears business, similar to turbines suffered with few off-takes from OEMs, though there was a very significant increase in both refurbishment and retrofitting as well as exports as a percentage of turnover. Our water business sales for this quarter stood at Rs. 22.2 crore, which is 50% higher than last year and reflects our optimism on the sector as well as our confidence in growing this business line into a much more significant proportion of the revenues of the company. I would like to hand over the floor to the participants for any questions that you may have and we can go into more details on specific business units and their performance.

Moderator: Thank you sir, ladies and gentlemen we will now begin with a question and answer session. The first question is from the line of Nirav Vasa of Gupta Equities, please go ahead.

Nirav Vasa: Sir would it be possible for you to give me the debt position of the company?

Suresh Taneja: As of 31st March 09, our total debt is Rs. 1,390 crore, which comprises working capital of about Rs. 575 crore and term loans of Rs. 815 crore.

Nirav Vasa: What is the service rate for the same?

Suresh Taneja: In the case of working capital if you take this half year, our average rate has been about approximately 10%, in the case of term loans it has been 9% and average has been about 9.4%.

Nirav Vasa: Has there been any cancellation of orders in your gear business by OEMs till now?

Nikhil Sawhney: No, there has been no cancellation of orders; there have been some postponements of projects. However, we are yet to have an order cancelled.

Nirav Vasa: Okay sir thank you very much.

Moderator: Thank you Mr. Vasa. The next question is from the line of Sandeep Somani of HSBC, please go ahead.

Sandeep Somani: My question is with regard to the engineering business. How has been the debtors moving like, what was it in the start of the year and what is it at this point of time because I remember that at the end of '08 you had close to Rs. 234 crore of debtors. So what is the position as far as debtors is concerned in the Company at this point of time, after first half?

Suresh Taneja: If you remember, in the month of September, the debtors were basically high because of lot of sales which took place in the last month. I think since then the position has become very satisfactory and in the case of engineering division, debtors are absolutely normal as of now.

Sandeep Somani: Okay, can you share the amount of debtors after the first half of the year, is it possible?

Suresh Taneja: I do not have the figures right now but post the call, we can always talk.

Sandeep Somani: Okay thanks a lot and other two questions are in regard to the distillery and the power division, I will ask in a different way, this year you will have extra molasses and bagasse with you because you have a lower quantity of power generation and distillery, so do you intend to sell a lot of it outside, since the prices are firm for both molasses and bagasse?

Nikhil Sawhney: As you know, Triveni has three cogeneration units in two of its locations and bagasse being a bulk commodity, transportation plays a big role in terms of determining the viability to transport it to these facilities. So, we do actually follow a policy of sale of bagasse in some of the units where it is not possible for us to actually transport it to our cogeneration units. It is worked out on an economic basis as far as the profitability.

Sandeep Somani: Sir, molasses and bagasse sale this year, correct me if I am wrong, could be substantial because the prices have firmed up is it a fair assumption?

Nikhil Sawhney: It is fair to say that there would be no bagasse left with most people and therefore cogeneration would not be running, there would be sufficient demand from both paper as well as other uses of bagasse, as goes the cogen, but I would say that we at Triveni would not be selling any bagasse from now on, if at all we would be actually conserving it to start a new season next year.

Sandeep Somani: How about the molasses front?

Nikhil Sawhney: On the molasses front, I will ask Sameer to respond.

Sameer Sinha: On molasses front the situation is quite similar to the bagasse position. For example, in East UP, which is Ramkola, we have always been selling molasses from there because it is not economical to transport it to our distillery. From our other units a portion of it is reserved for country liquor and the remaining portion is for free molasses and we find that even with the current molasses prices, we will have some positive contribution going forward, so we are not planning any further sale of molasses right now.

Sandeep Somani: Right, my last question is in regard to the overall engineering business, the concern that this quarter somehow the margins have been going down in most of the businesses, is it because the top line has reduced or have we see a decline or have you seen a cost pressure as well in the engineering business?

Nikhil Sawhney: It is a good question, there really is not or has not been any notable decline such as you put it. A large portion of our business is determined by individual orders, from quarter to quarter it is dependent on individual profitability on orders, you may see some significant movement actually in margins if you are doing analysis over multiple quarters. However, we in the business have not seen anything to be concerned about or any decline.

Sandeep Somani: Right, thanks a lot and best of luck.

Moderator: Thank you Mr. Somani. The next question is from the line of Ankit Jain of Mata Securities, please go ahead.

Ankit Jain: Hi sir, I just wanted to ask that this year cogeneration production was lower and also power export was lower despite the sales have increased and also that during the last quarter, your carbon credits or revenues from that was also included. So, can you just tell me how much was carbon credit and why the net sales have increased?

Suresh Taneja: There is a technical reason for that. You would know that the bagasse prices this year were pretty high, so therefore we have the transfer prices also very high and as a result of that the steam is valued at a high cost.

Sameer Sinha: Well, as part of our existing PPA, the off taker utility which is UP PCL, they decided to increase the prices of power from 1st of March from the existing around Rs. 3 to Rs. 4 and till the end of that season and so that was the primary reason for our revenues going up.

Ankit Jain: So, sir the extra bagasse, which you sell outside, that is not included in the revenues from cogeneration right?

Tarun Sawhney: No, that is in the sugar profitability.

Ankit Jain: But then sir improving from Rs.3 to Rs.4 and despite that your margins have declined, so is it because of only internal transfer prices?

Sameer Sinha: The transfer prices were significantly higher.

Ankit Jain: And we have margins for distillery, have come down so that is also regarding internal transfer pricing for molasses?

Sameer Sinha: Exactly, what you would actually see that the bagasse saving rate is this sugar crushing year for most sugar factories as well as for us, were significantly lower because of irregular crush and therefore higher steam consumption on sugar produced.

Ankit Jain: How much is the internal transfer pricing we take?

Nikhil Sawhney: Sorry, we do not disclose that.

Ankit Jain: Okay sir, sir can you tell me sir how much is the average cost of sugar this year?

Suresh Taneja: Yes total cost of production for the sugar produced in the last season is about Rs. 2000 per quintal and you know you must note that as per our accounting system the cost of production of Rs. 2000 also incorporates the portion of the off-season expenses.

Ankit Jain: Sir, can you please explain the off-season expenses, how do you?

Suresh Taneja: Off-season expenses are fixed overheads that would be incurred by the company during the off-season for the productive asset and which is charged up in the quarters of production, on a per bag production basis.

Ankit Jain: So, sir this Rs. 2000 is including this off-season-?

Suresh Taneja: Yes in includes off-season expenses.

Ankit Jain: Sir, the internal transfer pricing has gone up, so despite that it is on the higher side Rs.2000?

Suresh Taneja: You know what internal pricing has gone up? I mean if the bagasse price goes up then it results into more saving into sugar operations because it is an income to the sugar.

Ankit Jain: Okay, so the corresponding cost would also come down for that?

Suresh Taneja: Yes, so therefore if you look at this season, because of the fact with the increase in cane there was cost, as a result there is Rs.2000 cost of production, which includes the realization from all byproducts.

Ankit Jain: Okay sir thanks a lot.

Moderator: Thank you Mr. Jain. The next question is from the line of Jehan Bhadha of Darashaw & Company, please go ahead.

Jehan Bhadha: I want to know the break up of end user industries in your distillery segment, if we can classify them into chemicals and liquor companies, what would be the breakup?

Sameer Sinha: Well, nearly everything went to the liquor companies, very little went to the chemical sector.

Jehan Bhadha: So, that is mainly because of the lack of demand from the chemicals industry right now?

Sameer Sinha: See, we have always been getting higher realization in the liquor business and our products mix has been flexible and we have been following the policy that whichever segment gives us higher realization, we target.

Jehan Bhadha: And considering the current demand supply mismatch for alcohol, your current average realization for the first half was Rs. 28, so what do you expect that to be for the next half and towards the end of the season, do you see the prices heading and reaching their previous six months highs of 35?

Sameer Sinha: They would surpass those.

Jehan Bhadha: Okay what would be the average for the next half?

Sameer Sinha: As I mentioned the prices will be over Rs. 35 that would be the average pricing that you will get.

Jehan Bhadha: Okay, fine thanks a lot that is all from my side.

Moderator: Thank you Mr. Bhadha. The next question is from the line of Falguni Thakkar of the Jet Age Securities, please go ahead.

Falguni Thakkar: Good afternoon. Sir, what would be the cost of alcohol including depreciation but excluding interest?

Suresh Taneja: It actually depends upon the molasses prices. In our case roughly speaking the conversion cost is about Rs.5.5 excluding finance cost.

Falguni Thakkar: So, that is just the conversion cost and to this we add the transfer cost?

Suresh Taneja: Yes, absolutely.

Falguni Thakkar: So, sir can you give me an approximate figure of what is valid, how much would it come to if we add this transfer cost or the transfer cost, I mean either of the two?

Suresh Taneja: You know you must do what is the kind of a recovery of alcohol from one ton of molasses. In our case, it has been approximately about 240 liters, so you take any permutations and combinations of the transfer pricing, you will be able to get per liter cost in alcohol.

Falguni Thakkar: Okay, just that from my side.

Moderator: Thank you Ms. Thakkar. The next question is from the line of Gaurav Garg of Enam Securities, please go ahead.

Gaurav Garg: I would like to know what is the current SAP which we have paid.

Tarun Sawhney: The SAP was Rs.140 per quintal.

Gaurav Garg: And any outstanding arrears are there for the previous quarter or previous year?

Tarun Sawhney: No, we have no outstanding arrears.

Gaurav Garg: If you can just give some view on the current scenario in terms of the court cases, which are still going on in the state of UP?

Tarun Sawhney: You know there are several court cases that are going on, I do not know, which one you are particularly referring to?

Gaurav Garg: The one which said that the SAP would be around 160.

Tarun Sawhney: I am afraid there is no court case to that effect.

Gaurav Garg: Alright sir, thank you.

Moderator: Thank you Mr. Garg. The next question is from the line of Kunal Bhatia of Dalal & Broacha, please go ahead.

Kunal Bhatia: Hello sir, thank you. The first question would be on the prices of sugar going forward and then what is your take on that and considering that the prices are on uptrend like next sugar season what pricing are you looking and what would be your cost of production per ton?

Tarun Sawhney: Okay, I can certainly talk about sugar prices. Sugar prices did move up in West UP and Punjab to approximately the Rs.25 mark and since then, come off by approximately 10%. We do estimate that prices may move up again in the coming few months, but not much more than their previous highs at a maximum. Going forward into the next sugar year, a lot that is determined by the total amount of imports that happened into the country. Our view is that about 2.5 million tons of imports will happen in this sugar year, which ends at the end of September and in the following year, we expect at least 3.5 to 4 million tons of raw sugar imports. Now, this does not include any white sugar import that happens courtesy the government. In addition, a large portion of pricing for the following year will be dependent on the vagaries of the monsoon. We believe that the meteorological department has forecasted an average monsoon which we are happy and content about. In addition of course, next year a large portion of pricing will also depend on how much sugarcane arrives at sugar factories. There could be significant competition from the unorganized sector from Kolhus and crushers as well.

Kunal Bhatia: Sir, as and what is your take on the next year's production of cane?

Tarun Sawhney: In our view, we have given a snapshot of the industry in our investor communication that you probably have. Our view is that production should be at least 25% higher anywhere between 19 to 20 million tons for the next year; this does not include raw sugar that has been processed or any white sugar imports.

Kunal Bhatia: Okay and sir, currently how much inventory are you holding?

Nikhil Sawhney: We have approximately 340,000 tons of inventory as of 31st March.

Kunal Bhatia: Okay sir thank you so much.

Moderator: Thank you Mr. Bhatia. The next question is from the line of Satish Kataria of B&K Securities, please go ahead.

Satish Kataria: Sir, actually I just want to get an idea about the current season's sugarcane sowing that how it is panning out because I believe now the wheat harvesting is over and now all of the farmers will be ready to sow sugarcane. So, what kind of sugarcane acreage you are expecting and how much in percentage term do you think it will be increased?

Tarun Sawhney: I think it is difficult to give you an estimate of total hectares, but let me give you broad parameters. We believe that the planting should be higher by about 12% as a total. In addition to that, we believe that the Triveni Group is well positioned to achieve minimum of the average. You have to see that production last year actually went down because of two reasons; one is because of low acreages and lastly sugar production was little lower because of lower recoveries as well. So, as far as planting goes, planting should recover significantly. It is still be determined as to what the yield or recovery will actually come out. But you know we have never seen yields and recovery as of what we saw last year in the last decade to 15 years.

Satish Kataria: Yes, because it was an aberration period I believe because yield was very drastically low by 20% I believe.

Tarun Sawhney: Exactly.

Satish Kataria: Sir as you said that in the next year the country could import around 3.5 or 4 million tons of raw sugar and process it. I just wanted to get an idea on how much amount of raw sugar other sugar mills apart from standalone refineries can process in a season, because in the current season the norms were relaxed at the time when the crushing was over. And when the crushing is on, so how much do you think it is, is there any ballpark figure of that of the whole of the industry, if you put it up together then how much amount of raw sugar can be processed by the industry?

Tarun Sawhney: Well, you have asked a very good question. Clearly, this is a question that is dependent on the crystallization capacity that exists within the Indian sugar industry. You have to remember that plantation white manufacturers, which are the factories that you are talking about, the non-refineries have been established to crush sugarcane and not toll raw sugars. Possibility clearly gives there for each sugar mill to toll a limited amount of raws on a daily basis. Factories that have multi-fuel boilers have the capacity to even toll in the off season, despite the fact that it is maybe more inefficient and more costly. To a specific number on the crystallization capacity is very, very difficult. If you go back to few years, you can estimate that a little more than 28 million tons of sugar was produced in the country and so you can take a delta of the balance between next year's production through sugarcane and the crystallization capacity in that year and then some amount of raw sugar. But we estimate this about including the refineries about 4 million tons will be done next year.

Satish Kataria: Okay, because then you mean that bagasse will also play an important role because if the sugarcane crushing is lower then the bagasse will be a problem for the mills.

Tarun Sawhney: Availability of fuel, yes, to process.

Satish Kataria: Yes sir. Sir, I just want to get an idea about the ENA and the rectified spirits prices that how it is panning out and what are the current realization of RS and ENA, because you have given an average realization of Rs. 26.55?

Sameer Sinha: You see the current ENA prices, which is a predominant segment that we are selling is about Rs. 32.50 to Rs. 33 and we expect an increase in the coming months and RS prices on an average can be taken to about Rs.2.5 to Rs.3 lower than this.

Satish Kataria: Okay and how do you expect it to be panning out in the future; are you seeing robust ENA and RS prices going forward?

Sameer Sinha: Well, there definitely would be an increase in the prices going forward from now onwards.

Satish Kataria: Okay fine that is all from my side, thank you sir.

Moderator: Thank you Mr. Kataria. The next question is from the line of Avinash Agarwal of Sundaram BNP Paribas, please go ahead.

Avinash Agarwal: Sir, what would be the effective cost of your sugarcane that you have purchased this quarter?

Suresh Taneja: It was around Rs.154 per quintal.

Avinash Agarwal: And sir, what was the average realization of the cogen per unit that you have sold outside?

Nikhil Sawhney: Rs. 3.37 per unit for the quarter

Avinash Agarwal: And would you be selling any power this quarter sir, in the third quarter?

Sameer Sinha: No, our plants are closed; we sold little bit in the first week of April.

Avinash Agarwal: Okay and sir the set up of this Rs.4 that you have got is it only for this year or would it be going forward the next few years also.

Sameer Sinha: It was only for this year.

Avinash Agarwal: And sir in terms of engineering turbines division, I mean do you give any guidance in terms of what number you could do this year. What kind of growth do you see this year?

Nikhil Sawhney: Well, in fact I alluded to in my opening remarks the fact that we have increased our dispatch of turbines at 40% over the first quarter of this financial year, gives an indication of the rebound that we have seen in our clients and we are optimistic that the second half would represent a significant increase over the first half in terms of sales for this business.

Avinash Agarwal: Okay sir thanks a lot.

Moderator: Thank you Mr. Agarwal. The next question is from the line of Achal Lohade of JM Financial, please go ahead.

Achal Lohade: Thank you. Just a couple of questions, first on the raw sugar what you said was like expectation on 3.5 to 4 million tons of imports, so does it mean that we are expecting the extension of the current raw sugar policy without re-export for obligations?

Tarun Sawhney: Let me just repeat, what I had mentioned. We expect 2.5 million tons as a total to come in under the current policy. In the next sugar year, we expect between 3.5 to 4 million tons to come and we do expect that the policy will be extended for a period of time.

Achal Lohade: Sure and you also said that even the normal mills having crystallization capacity can process with some amount of raw sugar everyday. I just wanted to check what kind of proportion do we see, is it 10% of the total mix that can be maximum?

Tarun Sawhney: It depends on company to company and factory to factory; it is difficult to actually put a number down.

Achal Lohade: Yeah, I just wanted to know your view on the international scenario particularly Brazil?

Tarun Sawhney: As you know the Brazilian season is underway, we expect another record here as far as sugarcane production in Brazil is concerned. Just a few highlights we expect the sugar to ethanol balance to be approximately 44 to 56 in that ratio. We do expect sugar production to be higher and this has been seen by an increase in the number 11 contract pricing. We do expect the center-south region again will have a record output. Having said that, we find that different parts of the world are facing significant sugar shortage and a shortfall in sugar production. Overall we agree with the estimates that are doing the rounds that approximately 4 to 6 million tons of sugar will be taken out of the global stock pile. To give you a little bit of highlights on our view on sugar pricing. We are fully abreast of the financial difficulties that have been grappling the Brazilian sugar industry. Consequently, it is our opinion that a large amount of sugar has remained un-priced and that sugar will be priced over the coming 3 to 4 months. We expect that the number 11 contract will reflect this sale of this large quantity of sale in the pricing. We do expect the number 11 contract to come down over the next few months, beyond that we expect there to be some firming in the number 11 contract as global demand and supply balances come more in tune. The bulk of sales from Brazil usually happens in Q4 of the sugar year and Q1 of the sugar year, so that means in the second half of a calendar year and that is the time when prices maybe slightly depressed on the number 11, but we do feel that there will be some sentiment led changes clearly, the funds had gone significantly long, we may see a large amount of investment money coming back into sugar which can bring about a premature increase in sugar prices later on this year. Overall, we remained bullish for both the number 5 and number 11 contracts. We believe the raw white spreads will remain significantly above \$80 at this point and time and there would be fairly robust trading situation going forward.

Achal Lohade: Great sir and thanks for the insights. Just one question on the same thing, you said that Brazil had large amounts of sugar that was un-priced, just wanted to check any number you can put to that?

Tarun Sawhney: Am afraid, we do not have a number but our internal estimates show that there is a significant amount of sugar that remains un-priced. Let me give you a small explanation, we believe that Brazilian millers are only getting two to three months in terms of financial visibility in terms of pricing and therefore all the sugar that they are going to be producing beyond 2 to 3 months from today remains un-priced that sugar will come to the market.

Achal Lohade: Oh that is great, thank you so much sir.

Moderator: Thank you Mr. Lohade. The next question is from the line of Nirav Shah a Private Investor, please go ahead.

Nirav Shah: Sir, as you have mentioned that your average cane price at the factory gate is like Rs.154 a quintal; can you just share some light on what was the maximum price during the season?

Nikhil Sawhney: Obviously, we will not be able to disclose that.

Nirav Shah: Okay no issues sir. And sir, what is your sense on what the Gud (Jaggery) and Khandsari manufacturers would have paid towards the end of the season for sugarcane?

Nikhil Sawhney: It went up to about Rs.190.

Nirav Shah: Sir seeing that, these manufacturers have been making substantially higher profits over the last 2-2.5 years, do we expect that this will be the base price which sugar company will have to pay next season because even now possibility is there that price can grow?

Nikhil Sawhney: Historically this has never been the fact that the maximum price... it is the indication of the sentiments, which is actually looked at with the demand and supply. If you look at three years ago, in fact there was a reduction in the price from both the Kolhus as well as from sugar millers and we have to look at it in terms of the demand for Gud and Khandsari and ultimately what the spread is over sugar and how viable they would be to actually manufacture at that point of time.

Nirav Shah: Okay one more thing, is it fair to say that from next season onwards we will have to make cash payments rather than taking the 14 day credit because of serious competition, what you think?

Nikhil Sawhney: No. We will follow the same process that we have followed, which is as per the law.

Nirav Shah: Okay sir, thank you sir, thanks a lot sir.

Moderator: Thank you Mr. Shah. The next question is from the line of Ankit Jain of Mata Securities, please go ahead.

Ankit Jain: Sir, there has been some news that you are planning to import raw sugar, sir can you just throw some light in the quantity and the average conversion cost that would be incurred?

Tarun Sawhney: We are in the process of finalizing a strategy; we have committed to import around 40,000 tons of raw sugar at a very competitive rate. And we believe will be very profitable for the company.

Ankit Jain: Sir, how much is the conversion cost for that per ton?

Tarun Sawhney: We expect that the conversion cost would be approximately Rs.2500 a ton.

Ankit Jain: Okay sir one more question, sir how much of alcohol inventory do you have?

Sameer Sinha: We have about 55 lakh liters right now.

Ankit Jain: Okay sir, one more thing that this Rs. 154 average cane cost you are paying that is including all taxes?

Tarun Sawhney: Yes.

Ankit Jain: Okay sir thanks a lot.

Moderator: Thank you Mr. Jain. The next question is from the line of Darshan Dodhia of SBI Cap Securities, please go ahead.

Darshan Dodhia: I would like to know, what is the estimated distillery production this year?

Sameer Sinha: We expect to make another 150 lakhs liters of alcohol.

Darshan Dodhia: Sir, next question is regarding your import of 40,000 tons of raw sugar, will you be importing the sugar from Brazil or Thailand and what are the cost mechanics associated with both of these?

Tarun Sawhney: We would be importing the sugars from Brazil. In terms of the cost mechanics the difference is of course clearly freight, freight is higher from Brazil. However, Thai raws command geographic premium.

Darshan Dodhia: So, what is the freight cost on a per ton basis?

Tarun Sawhney: The freight cost is very, very significant, we believe at the moment it is closer to \$35 a ton.

Darshan Dodhia: Yes, on a ballpark figure if you can give me the landed cost of raw sugar rate or your factory gate for processing?

Nikhil Sawhney: It all depends on the prices or the contracts that we get into and like we said earlier that, we have got very competitive rates and are confident that it would be below our cost of production of this year.

Darshan Dodhia: Okay thank you sir.

Moderator: Thank you Mr. Dodhia. The next question is from the line of Swati Pandey of Reuters, please go ahead.

Swati Pandey: Sir, are you also importing white sugar?

Nikhil Sawhney: No, that is only allowed for government agencies.

Swati Pandey: Okay and have you contracted 40,000 tons yet.

Nikhil Sawhney: That is correct.

Swati Pandey: And nothing has come so far?

Nikhil Sawhney: No, it has not arrived as yet.

Swati Pandey: Okay and sir, I wanted to know about your turbine business also. How is the order inflow coming?

Nikhil Sawhney: The order inflow is very satisfactory, we are optimistic that there is significant loosening of the liquidity situation. It is still not of what it was a year and half ago, but we are confident that, certain sectors are seeing better capex and off take of our turbines. And, our order books does reflect that as well as our order intake and the fact that we are seeing demand even from export market still provides us comfort from the utilization of our assets.

Swati Pandey: What is your order book sir?

Nikhil Sawhney: Our order book is Rs. 517 crore, translate into 715 megawatts.

Swati Pandey: Okay, is this as of now?

Nikhil Sawhney: 31st of March, yes.

Moderator: Thank you Ms. Pandey. The next question is from the line of Vipul Arora of Aadhar Securities, please go ahead.

Vipul Arora: Yeah, sir my most of the questions are already answered, just one question, how much price you see on an average for this quarter?

Tarun Sawhney: Well, as you know the prices that did go up significantly three weeks ago but have come down by 10% since then, it is difficult to forecast how they will plan out for the next couple of months, but it is reasonable to expect that they will not increase very sharply but same time not go down further. We would look at an average rate of approximately where we are right now.

Vipul Arora: Do you think the prices will go up after elections?

Nikhil Sawhney: We should expect that the demand and supply situation would warrant that, as well as a fact of the landed price of raw and therefore the cost of production on marginal basis.

Vipul Arora: Okay sir thanks a lot.

Moderator: Thank you Mr. Arora. The next follow up question is from the line of Satish Kataria of B&K Securities, please go ahead.

Satish Kataria: Hello sir, I just want to know that at what rate you have booked your sugar inventory?

Suresh Taneja: We have two kinds of sugar inventories, one produced in '07-'08 and the second produced in '08-'09. '08-'09 is at Rs.2000 whereas; '07-'08 is at a considerably lower rate.

Satish Kataria: Okay sir and one more thing regarding the imported raw sugar you have said that you have contracted for about 40,000 tons of raw sugar, what would be the transport cost from the port to your factory or will it be in the container itself or it will be transported in baggages?

Tarun Sawhney: The sugar will arrive in break bulk and will be packed into bags at the port. The entire cost of offloading, port charges, and further transportation charges to the factory of godowns will be approximately Rs.1500 per metric ton.

Satish Kataria: Okay sir, thank you.

Moderator: Thank you Mr. Kataria. The next question is from the line of Rahul Chauhan of DBS Cholamandalam, please go ahead.

Rahul Chauhan: Sir, good evening sir, I have few questions related with your CAPEX. Sir, what is your expected CAPEX plan for the FY09 and FY10?

Nikhil Sawhney: We have no significant CAPEX underway apart from maintenance CAPEX at our facilities.

Rahul Chauhan: Okay sir, what was your order intake of your water and waste water division during last quarter?

Nikhil Sawhney: I would think it was in the tune of approximately Rs. 35 crore.

Rahul Chauhan: For your gears division?

Nikhil Sawhney: The gears business had an order intake of Rs. 22 crore.

Rahul Chauhan: And regarding your refurbishment services, can you give me a margin differential in between your refurbishment services and selling equipment stood directly to manufacturers?

Nikhil Sawhney: It all depends you know certain orders can attract higher margins, refurbishment can also range depending on if they are to, customers to whom you want to build a longer term relationship with, but it will be correct for you to assume that the margins for refurbishment would be the highest than servicing and then product

Rahul Chauhan: Sir, any specific figure like 40% to 50%?

Nikhil Sawhney: It would all vary actually.

Rahul Chauhan: Okay, that is it from my side sir.

Moderator: Thank you Mr. Chauhan. The next question is from the line of Gaurav Kapoor of Bharti AXA, please go ahead.

Gaurav Kapoor: What is the current realization we are getting on sugar right now?

Nikhil Sawhney: We are getting approximately between Rs. 22.50, to Rs.23 per kg of sugar ex factory.

Gaurav Kapoor: Okay 22.50, or 23 per kg, okay. Another thing which I wanted to know, we have alcohol as you know like 5,500 kilolitres right?

Sameer Sinha: Yes.

Gaurav Kapoor: And how much more alcohol is supposed to be produced or is it all?

Sameer Sinha: Well, we have both molasses, we have molasses inventory as well, but like we said earlier, we anticipate producing another 150 lakh liters.

Gaurav Kapoor: So, another okay 15,000 kilolitres right?

Sameer Sinha: Yes.

Gaurav Kapoor: Okay, another thing which I wanted to know since we have already sold 250,000 metric tons, so we have already exhausted our entire opening inventory?

Nikhil Sawhney: Yes.

Gaurav Kapoor: Majority, right opening was 257, so we have already sold 250 to 7 only remains.

Nikhil Sawhney: But it is not correct to assume that we only sold our old inventory. We sold some new production as well.

Gaurav Kapoor: Okay, but in terms of accounting you would take average cost of opening, which was like Rs.15.1, right ideally you would have made, if you look at 18.47, you made Rs.3.4, Rs.3.5 per kg on your opening inventory in the first two quarter, which is already been exhausted correct?

Nikhil Sawhney: Yes!

Gaurav Kapoor: And going ahead is going to be all which is done at Rs.20 per kg, which is the cost correct.

Nikhil Sawhney: Yes.

Gaurav Kapoor: And is there any power production going to be in this quarter or going ahead or that is about it?

Nikhil Sawhney: Very marginal. It would be safe to assume that it will be negligible.

Gaurav Kapoor: Okay, fair enough I think that answers a lot of questions, thanks a lot.

Moderator: Thank you Mr. Kapoor. The next question is from the line of Avinash Agarwal of Sundaram BNP Paribas, please go ahead.

Avinash Agarwal: Sir, the 40,000 tons of raw sugar that you are importing is that for this year or for the next year?

Tarun Sawhney: Once it arrives it would be for production next year.

Avinash Agarwal: Okay sir. Can your boiler run on multi fuel?

Nikhil Sawhney: With minor upgradations, yes.

Avinash Agarwal: Okay thank you sir.

Moderator: Thank you. The next question is from the line of Swapna Kamath of Radha Madhav Advisory, please go ahead.

Swapna Kamath: Sir, this inventory that you mentioned Rs. 2000 per kg per ton is this post interest in depreciation?

Suresh Taneja: Interest is not included, only depreciation.

Swapna Kamath: And what would be the average cost of inventory, old and new together?

Suresh Taneja: The old was pretty cheap, it was around under Rs. 1500 and this one is at Rs. 2000.

Swapna Kamath: Okay and how much old is left out?

C N Narayanan: Well, you can workout, because we have given you the production numbers, we have given you the sales numbers, it is something which you can really workout. We do not tell you the numbers precisely that way.

Swapna Kamath: Okay sir thanks.

Moderator: Thank you. The next question is from the line of Nirav Vasa of Gupta Equities, please go ahead.

Nirav Vasa: Sir, you just informed that you are going to import 40,000 tons of raw sugar; can you tell me by what time is that sugar expected to land on Indian shores?

Nikhil Sawhney: Within the next several months.

C N Narayanan: We have just started the process, we initiated the process, it will take some time, so we cannot give an exact time as to when it will come, but we have started the process.

Nirav Vasa: So, would it be fine to assume that the full impact of this refining of sugar that is 40,000 tons would be in the next financial year only?

Suresh Taneja: Presumably so.

Nirav Vasa: Mainly next year?

Tarun Sawhney: Completely next year.

Nirav Vasa: Thank you very much.

Moderator: Thank you. The next follow up question is from the line of Rahul Chauhan of DBS Cholamandalam, please go ahead.

Rahul Chauhan: Sir, despite of having capacity to manufacture ethanol, you are not currently manufacturing it, so by when do you expect toward that manufacturing ethanol?

Nikhil Sawhney: The production process is very flexible without much time in terms of switching between products, therefore, it will depend on the prevailing prices of the different products with ethanol, RS, or ENA and the margins we have to be opportunistic in that regard. So, currently we do not foresee manufacturing of ethanol within the near future.

Rahul Chauhan: Okay sir, do you have any pending re-export obligation?

Nikhil Sawhney: We do not have any major pending export obligation.

Rahul Chauhan: Sir, can you give me a figure like how much is the pending re-export obligation for the country as a whole for the current financial year?

Suresh Taneja: I am sorry my friend, we do not have this information for the country, a small correction, we have approximately 15,000 metric tons of export obligations.

Rahul Chauhan: Okay thanks a lot.

Moderator: Thank you Mr. Chauhan. The next question is from the line of Shekhar Kedia of Barclays Wealth, please go ahead.

Shekhar Kedia: Sir, good evening, I just wanted to know like what is the anticipated price that you expect to pay for sugarcane in the coming season?

Tarun Sawhney: It is difficult to say, we will be following the SAP routine and as and when the SAP will be declared in the month of October, we will be following that. It is reasonable to expect that there may be some minor increase in the SAP and which would be warranted by currently prevailing sugar prices.

Shekhar Kedia: Okay and could you tell me what is the sugar inventory that you are carrying and the average inventory cost?

Nikhil Sawhney: We have 340,000 tons of sugar inventory and the valuation, we have already given, it is close to Rs.2000 per ton.

Shekhar Kedia: Okay, thank you very much.

Moderator: Thank you, the next follow up question is from the line of Ankit Jain of Mata Securities, please go ahead.

Ankit Jain: Sir, do you plan to repay debt during the next two quarters?

Suresh Taneja: You know our total debt position would considerably come down by 30th of September and then we will be in the region of about 1050 crore.

Ankit Jain: Sir, one more thing, the final order by the court for '08 accounting; you have accounted cane prices at 110, but the final decision has not been come out by the government. So, are you making any provision for that?

Suresh Taneja: No, we have not made any provision we have gone by the Supreme Court order.

Ankit Jain: Thanks a lot.

Moderator: Thank you Mr. Jain. The next follow up question is from the line of Shekhar Kedia of Barclays Wealth, please go ahead.

Shekhar Kedia: Sir another question, what would be your views regarding the cane availability in UP for the forthcoming sugar season like how are you placed compared to other companies?

Nikhil Sawhney: Cane planting has been very satisfactory. Our plants are located in very fertile areas, with limited crops switching into other crops such as fruits and vegetables etc. We see with the MSP of wheat and rice that there has been a good acceptance of sugarcane cultivation, again, despite the fact that most farmers have historically stuck with sugarcane in this area. Therefore, in terms of availability, we think it would be satisfactory and significantly above the average availability increase for UP for next forthcoming year.

Shekhar Kedia: And sir in terms of this year, this sugar season, would you consider this sugar season to be an aberration like low yields, low availability of sugarcane due to floods last year?

Nikhil Sawhney: Well, the availability situation has come in the past, but the question is that both because of floods into other climatic factors, that yields and recoveries were lower, which lead to two things, one was that farmer was not commensurately compensated for his crop on a per hectare basis and it also impacted the cost of production of sugar factory. So, actually both ended up losing and you know higher price of sugar has also led to the consumer being impacted. So, actually no one has actually benefited from this year's.

Shekhar Kedia: Okay that answered my question, thank you sir.

Nikhil Sawhney: Thank you.

Moderator: Thank you, the next follow up question is from the line of Avinash Agarwal of Sundaram BNP Paribas, please go ahead.

Avinash Agarwal: Sir we have been reading in newspapers that farmers in UP who would have grown wheat are getting very little price, this time and it is far lower than the MSP?

Nikhil Sawhney: Yes, you are correct.

Avinash Agarwal: So, is it possible for them to switch over to cane now and will that cane be available for the next sugar season?

Nikhil Sawhney: Exactly. In UP the crop planting actually happens in these months. So, this is a time after wheat harvest that sugarcane is planted.

Avinash Agarwal: So, if it's planted now it would be ready for your next season sir.

Nikhil Sawhney: Yes. It would be ready for the plant crop which starts in January next year.

Avinash Agarwal: Okay sir thanks a lot.

Nikhil Sawhney: Thank you.

Moderator: Thank you Mr. Agarwal. As there are no further questions, I would like to hand the floor to the management of Triveni Engineering for final remarks, please go ahead.

Nikhil Sawhney: Thank you everyone for joining our Q2 H1 conference call. As you would know we have exhibited strong performance in this quarter and we are hopeful and anticipate continued strong performance in both of our segments of sugar and engineering in the next coming quarters. Thank you very much.

Moderator: Thank you gentlemen of the Triveni Management, thank you Mr. Desa. Ladies and gentlemen on behalf of Triveni Engineering & Industries Limited that concludes this conference call, thank you for joining us and you may now disconnect your lines.