



Triveni Engineering & Industries Limited

Q3 & 9 Months FY 19 Earnings Conference Call Transcript

February 14, 2019

Moderator: Ladies and gentlemen, good day and welcome to Triveni Engineering's Q3 & 9 Months FY 19 Earnings Conference Call. As a reminder, all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rishab Barar from CDR India. Thank you and over to you, sir.

Rishab Barar: Thank you. Good day everyone and a warm welcome to all of you participating in the Triveni Engineering & Industries Limited's Q3 & 9 Months FY 19 earnings call.

We have with us today Mr. Tarun Sawhney - Vice Chairman & Managing Director; Mr. Suresh Taneja – Group-CFO and Mr. Sameer Sinha - President-Sugar as well as other members of the senior management team.

Before we begin, I would like to mention that some statements made in today's discussion may be forward-looking in nature and a statement to this effect has been included in the invite which was sent to your earlier.

We would like to emphasize that while this call is open to all the invitees it may not be broadcasted or reproduced in any manner.

We will start this conference call with opening remarks from the management followed by an interactive question-and-answer session.

I would now like to invite Mr. Tarun Sawhney to open the call. Over to you, Mr. Sawhney.

Tarun Sawhney: Rishab, thank you. Good afternoon everybody and welcome to the Q3 FY 19 Results for Triveni Engineering & Industries Limited.

Let me start off with some of the financial highlights for the nine-month period, the gross revenue stood at a shade under ₹ 2,300 crore with a profit after tax of a ₹ 136.55 crore. In the Board meeting that concluded yesterday, the Board has also announced an interim dividend of 70%. As on the 31st of December the total debt of the Company stood at ₹ 928.7 crore which was higher than the corresponding period of the previous year but that was primarily because of the higher inventories, about 90% higher inventories that were held by the Company at the same period of time.



Some of the key highlights:

The Company is enthused about the operations of our sugar business. We have achieved an 11.09% recovery for the period up to the end of December 2018 which is 61 basis points higher than the corresponding period of the previous year. The distillery business has performed extremely well in terms of turnover and profitability in view of the low cost of molasses and the higher prices of ethanol. The co-generation business has also performed well, and its profitability is based on the operational period, which in the quarter under review, was a shorter period than the corresponding quarter of the previous year.

As a result of the change of the accounting treatment of off-season expenses which was carried out in Q2 of fiscal '19 the profitability for the current period is higher by ₹ 19.13 crore and the profitability for the nine-month period is lower by ₹ 75.4 crore than the previous corresponding periods. This change in the accounting treatment will not have any impact on the annual financial results.

There has been a write down of sugar inventory of ₹ 36 crore during the quarter due to sugar prices being lower than the cost of production and for the nine-month period this write down amounts to ₹ 23.97 crore. Our estimate at this point in time for India's production including a half million-ton diversion due to B-heavy into ethanol is 30.2 million tonnes, that is substantially lower, and I will talk about that in a little more detail in a few minutes.

The arrears at the end of January stood at ₹ 20,000 crore across the country, a staggering number only increasing as days go by. There is talk in the market of an announcement of the MSP of sugar, however at this point in time it is all rumors. There is a chance that of course the industry has been battling for an increase in MSP for various reasons including the payment of cane induced farmers, and one hopes that it will meet with a favorable result from the Government.

The setting up of the additional distillation capacities is on schedule and I would also like to end with the current realization of sugar as a highlight of the sugar business 31.25 for plantation white sugar and 32.75 for refined sugar. As you will all remember about 45% of sugar produced by the Company is refined sugar.

As far as the engineering business is concerned, it has registered a good growth during the period in terms of turnover, profitability and order booking. The water business turnaround has been most important for the business. In the quarter there has been a small profit and this trend is most likely to continue as I had mentioned in previous calls over the last few quarters. The outstanding order book stands at ₹ 1,510 crore for the combined engineering business an increase of 113% from the previous corresponding quarter.

I would now like to turn to some of the business highlights:

In the 2018-19 sugar season we have crushed 2.29 million tonnes at a recovery of 11.09%, producing 2.54 lakhs bags over that period. Now it is slightly lower than the previous year, that is because the factory started, I am sorry we produced 2.5 lakhs tonnes. This is lower than the previous corresponding period because the factory started a little bit later. We had some inclement weather and there were a whole host of other factors including festivals that made our factory start just a little bit later than planned.

We have not produced any raw sugar in this period and neither do we have intentions of producing raw sugar. It is important to note that those who are producing raw sugar will have a recovery advantage of approximately 0.25% in their reported numbers. The dispatches for the quarter under review were 2.1 lakh tons at an average realization price of ₹ 32,192 per metric tonne.

Sugar has been sold as per the released quota of the government each month since June 2018, and that has of course impacted the volume of sales because of the variable amount of quota that we get month on month. The sugar inventory as on the 31st of December stood at 39.63 lakhs which was valued at ₹ 30.7 per kilo.

The income from the incidental co-generation units at Chandanpur, Milak Narayanpur and Sabitgarh has resulted in an excellent revenue of ₹ 7.4 crore for the quarter ended December '18. And the State Government and Central Government subsidies of ₹ 51.6 crore have been accounted for in the current quarter on account of the assistance towards payment of cane price for sugar season 2017-18.

Looking at the industry scenario as I had mentioned at the beginning of the sugar season in the month of September, we were looking at a production of 35 to 35.5 million tonnes but we were already 5 million tonnes lower. The projection for the company is 30.2 million tonnes of production and half a million tonnes of sugar to be diverted from using B-heavy molasses to ethanol. The state wise production as on January 31st 2019, Uttar Pradesh has produced 5.34 million tonnes of sugar, Maharashtra has produced 7.07 million tonnes of sugar, Karnataka 3.34 million tonnes and this is very much in line with what our estimated productions are for the states and for the country.

With an opening carry forward stock of about 10.5 million tonnes in October 1st 2018 and an estimated demand in the country of 26 million tonnes and half a million tonne of diversion we are looking at September 30, 2019 closing stock to be approximately 11 million tonnes to 11.5 million tonnes which is a staggering amount and therefore the export program by the Central Government is even more important.

At this point in time, there has been a limited amount of exports that we have entered into and physical sugars have not been evacuated but it is clear to all those in the industry that the Government is very serious about this program and of course it has announced various incentives including an internal transportation, freight and handling charge subsidy. There is also an independent subsidy that has been provided in terms of financial assistance to mills to offset the price of cane of approximately ₹ 13.8 per quintal for the sugar crushed in this year.

If we look at last year the Government of Uttar Pradesh also announced ₹ 4.50 per quintal and a soft loan with partial interest for subvention to pay the cane dues. Again, these are very important subsidies and they will all play a crucial role in evacuating sugar outside the country. The target of course of 5 million tonnes is a large target and one anticipates that not all of it will be actually exported through a variety of reasons and the financial health of some of the weaker players in the industry but I think that we are looking at a substantial amount.

We at Triveni have already embarked on an aggressive export program of white sugar. Looking at the ethanol and the distillery segment, the OMCs floated a tender for 329 crore liters which was heavily subscribed by the industry, last year we had

about just under 5% ethanol blending and this year we are looking at a number of approximately 7% minimum ethanol blending.

Of course, the tendered amount was about 9.5% but not all of that there is a lot of duplication in those numbers. I think going forward the expectation of the industry is that the Government increases E10 towards E15 and perhaps you need E20 and this would serve as a very important indicator of the importance of ethanol towards the Government's clean fuel program.

The international sugar scenario is a bit tricky at this point in time. As of February 13, the raw sugar was traded at spot prices of 12.75% of a pound and white is at \$332 per tonne. This is the pricing, given the increase in oil prices above \$60 per barrel and our anticipation is that we will have some hardening of international sugar prices and that should certainly help exports. The rupee also has strengthened a little bit over the last few weeks and that of course has again been a bit of a negative role although most pundits believe that the rupee will weaken over the next four to six-month period. Again, assisting in exports of sugar out of the country.

Very quickly on the co-generation business. Because the season was a little bit shorter in the quarter under review, the power generated in terms of number of units was also shorter. However, the operational performance of the co-generation plant continued at very high PLF levels that we have exhibited over previous years and from an operational perspective I have to say that we continue to perform at that level every single operating quarter.

Looking at the distillery business, the production was 60% higher in the quarter under review versus quarters of the previous corresponding year and as a consequence, the dispatches were also substantially higher leading to a higher profitability and of course given the price of molasses being very low, all of that led to an excellent performance of the business.

The Gears business as well achieved a strong growth in both turnover and profitability in the quarter and in the nine-month period. OEM sales increased by 44% and exports have been 17% in the nine-month period of fiscal '19. The market looks stable and there are many positive signs both domestically and internationally in many sectors. The business has received strong inquiries in a variety of sectors including Defence. And the order book stood at ₹ 182 crore on the 31st of December which included ₹ 74 crore of orders that would be executable over a slightly longer duration.

I am delighted to inform you that the Water business had a positive PBIT for the quarter under review. The turnover and profitability showed significant growth and this is because of our return through operating at a very high level which was expected and as I had mentioned in previous conference calls in this business.

The order inflow for the nine-month period has been ₹ 954 crore and we expect a large number of orders to be confirmed over the next two to three quarters. And the outstanding order book as on the 31st December stood at ₹ 1,327 crore which included ₹ 511 crore towards O&M contracts which were over a slightly longer period of time.

With respect to the outlook for the various businesses as far as sugar is concerned cane prices, cane juice have risen very substantially over this period and they are rising every day. We believe that only if the MSP of sugar is raised from ₹ 29 can

there be some saving light in this season because we are controlling the quantity of sales of sugar through the release mechanism. We anticipate that that might be reviewed by the CCEA over the next few days and we hope for a favorable outcome but again one cannot be certain because this is the Government political action in a very important election year.

Furthermore, it is imperative that the mandatory export obligations are discharged by all sugar units so that the overhang of sugar in the country can be reduced and we have some more stability in terms of sugar prices moving forward. As far as Triveni is concerned, we are moving swiftly towards completing our obligations and we will certainly do so in the prescribed period that ends on the 30th of September 2019. Sugar prices on the other hand at the current levels of MSP look fairly stable and I think the Government has done an excellent job in terms of maintaining those levels of prices pretty much across the country.

As far as the engineering businesses are concerned, the market outlook for our Gears business and the capital goods segment has pointed to clear signs of recovery both domestically and internationally. Our replacements in refurbishment and services business is doing well and is expected to continue to do well and the company is exploring new products and geographies to expand its turnover and profitability.

As far as the Water segment is concerned, we participated as I had mentioned here large number of tenders that we expect to come to a stage of fruition over the next two to three quarters and therefore we expect to see very healthy order book increases ahead of time.

I would like to open up the floor for questions.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session.

The first question is from the line of Ashwin Motwani, as an individual investor. Please go ahead.

Ashwin Motwani: My question was on the recent High Court judgment regarding the sugar policy of 2004?

Tarun Sawhney: Right, what is the question?

Ashwin Motwani: So basically, just wanted to understand the implications now that it has gone in the favor of the sugar mills, for Triveni specifically what are the implications and if you could throw some light on that?

Tarun Sawhney: Right. Yes, this is as of day before yesterday there is an important judgment at the Allahabad High Court regarding the 2004 SIPP matter. The industry or rather the petitioner's mills who had qualified for the incentive had won their case in the Supreme Court, so the case has already been won in the Supreme Court and we had gone to the High Court for implementation of the Supreme Court's order.

The High Court again has found in favor and has asked the State Government to comply and disburse with the funds that are due to mills including Triveni in the next two month's time. My personal view is I think two months is a very short period of time, this incentive all these investments were done starting in 2004 all the way



up to 2007, well over 12 to 14 years ago. And so I think it will take time for records to be checked and ratified and for the provisions to be made by the State Government.

However, I would like to say that without specifically talking about the period of time that it will take for us to receive this amount, we are very hopeful that over the next few months or perhaps a couple of quarters we will receive this money from the State Government.

Ashwin Motwani: Okay and just want to clarify will this incentive would be with the interest because there has been a delay of such a long period or how is it, is there any clarity on the matter?

Tarun Sawhney: Yes, there is very much clarity on the matter. The incentive policy when it was framed in 2004, envisaged interest at the rate of 6% per annum to be awarded in case of any delay of payments.

Moderator: Thank you. The next question is from the line of Rithika Aggarwal from Quest Investments. Please go ahead.

Ritika Aggarwal: My question is in your opening remarks you mentioned with the current pace we see ethanol blending to be raised from the current mandate of 10% to 15% and then finally to 20% so wanted some of your thoughts on the current distillation capacity. How is it utilized and what is the capacity utilization currently and with moving from 10% to 15% to 20%, how do we see that capacity on grounds?

Tarun Sawhney: So I think that is a great question. Firstly, the move from 10% to 15% or 20% that is a political decision but one that is possible. I think there have been discussions and it has been made clear to the industry that a move upwards to 15% is evenly possible given the current level of automobile technology in India. Now as far as the investment in capacity is concerned, firstly most distilleries in the country are producing ethanol, it is by far more remunerative to produce ethanol than to produce any other form of alcohol.

Number two, in the last tender grain based distilleries were also encouraged to set up distillation columns for the production of ethanol and they have done so. So you have four categories of ethanol that was supplied under the last tender. The first from juice, the second from B-heavy, the third which is the most classic form from final C-molasses and of course from grain-based distilleries.

This is all the current generation of ethanol and of course the OMCs are investing in 2G ethanol facilities across the country and you may have read articles about those investments. In addition to that the Central Government has approved an extension of a soft loan of about ₹ 6,100 crore and this is for brand new distillation capacity and enhancement of capacity at the existing units. For all of this to come online, we are already seeing several units that are coming online. Our 160 KLPD plant at Sabitgarh is very much part and parcel of this.

We will take advantage of this soft loan from the Government and so it will be one of the first few distilleries that come up with the new expansion and thrust by the Central Government. So I anticipate that over the next 24 months we are going to see a large number of distilleries and distillation capacity that will be created. The country does have that ability and in any move above 10% you will find that it will be the sugarcane rich states that will first come to that maximum level and then you

would see states where they do not have distilleries or do not have sugarcane they will follow suit simply because it is not expensive to get the final product out there.

Ritika Aggarwal: So what should be the current utilization capacity of these distilleries working as of today, is it 100% being utilized?

Tarun Sawhney: Yes absolutely, the distilleries are running at a 100%.

Ritika Aggarwal: Okay, pan India we are talking about?

Tarun Sawhney: That is correct. Now some of the distilleries will be making portable liquor because that is their market but those that have the ability to produce ethanol under the tender are producing their required amounts under the tender. So it is not about capacity utilization it is about what was tendered to the OMCs and what was accepted by the OMCs.

Ritika Aggarwal: Okay. Sir, my second question is on the CBG that compressed bio gas that the Government is talking about setting up 5,000 plants in the next five years. So the sugar mills are the first incident to get into that so is our company looking towards that and your thoughts on this whole initiative by the government?

Tarun Sawhney: So I think again it is a good initiative. If I have to comment on the policy right now, the pricing is an annual price and again for large amounts of capital expenditure we have seen this in the distillery industry as well and the ethanol industry as well without having long term pricing and visibility in pricing there is always a certain amount of reluctance.

So you will never get the total quantum that the government wants without a longer term visibility on pricing. However, it is a good project, it is one that certainly helps the environment and it helps formulate a new industry as well. We are evaluating it but we are anxiously looking at what these specific details will be with respect to pricing going forward.

Ritika Aggarwal: The government has given us a three-year fixed pricing, is my understanding correct?

Tarun Sawhney: Correct. At Rs. 46 you are absolutely right but three years is too short a period of time nevertheless we as a Group are certainly evaluating it.

Moderator: Thank you. The next question is from the line of Vijay Gupta as an individual investor. Please go ahead.

Vijay Gupta: I have a few questions, so my first question is regarding the export obligation of the company. So out of the total export obligation of the company how much have we already contracted?

Tarun Sawhney: We have already exported 3.37 lakhs bags.

Vijay Gupta: And what is our export obligation overall, so what will it constitute in terms of the percentage of the total?

Tarun Sawhney: It is about 30% of the 13 lakhs.

Vijay Gupta: Okay and the appreciated gains and loss from this export obligation, have they already been accounted for in the numbers that are released till Q3 FY19?

Suresh Taneja Yes, we are doing it on a pro rata basis.

Vijay Gupta: Okay sir. The next question is on gears. What is the size of the fresh orders that we have received in the gears business?

Tarun Sawhney: So we have given you all the numbers in terms of the order book. The outstanding order book is about ₹ 182 crore and if you want the order book intake for the three months under review, it is about ₹ 29.8 crore.

Vijay Gupta: It is about ₹ 80 crore. And do our distilleries have the capacity to or capability to convert cane juice directly into the ethanol?

Tarun Sawhney: Yes, it does. It needs some minor modifications. There will be some minor modifications but they are minor in nature.

Vijay Gupta: And how much are our cane arrears left?

Tarun Sawhney: So we are making regular payments as per the schedule.

Vijay Gupta: As on date sir on the end of the December quarter how much will be our cane arrears left out of the ₹ 20,000 crore which the industry right now has?

Tarun Sawhney: I think our arrears were relatively minor. We will give you a number in one second. About ₹ 325 crore to be precise.

Vijay Gupta: Fair enough. Out of the ₹ 4.50 and ₹ 5.50 subsidy that the Government gave on the cane crushing for the last year, we have accounted for ₹ 51.6 crore in the current Q3 FY 19. I think the total amount which would have been around ₹ 80 crore given what we crushed last year?

Tarun Sawhney: No, it is ₹ 51 crore only and out of 51 crore, ₹ 42 crore has gone into other income because it pertains to 2017-18 and balance has been credited to materials so because it will be offset against the cost of production.

Vijay Gupta: So the total amount becomes ₹ 10, ₹ 4.5 and ₹ 5.5 and I think we crushed around 80 lakhs tons of sugarcane last year?

Tarun Sawhney: No, the incentive we are talking about the State Government subsidy. The subsidy that came from the Central Government was based on exports and we only completed the exports of three of the seven units, so you only get that subsidy of ₹ 5.5 for those three units.

Vijay Gupta: So pro rata is overall that we got was around ₹ 51.6 crore that has been already accounted for in the numbers. Am I correct?

Tarun Sawhney: Yes, you are correct.

Moderator: Thank you. The next question is from the line of Vikram Kotak from Crest Capital. Please go ahead.

Vikram Kotak:

Actually my question has been answered by you earlier, I think some girl had asked the question and but just can you spend a little bit time on how is the global demand outlook looks like and the shortages because recently we are hearing that there is going to be a shortage globally next year. So can you spend little bit time on that and the second question is that your PBIT as a percentage of the total business.

I think ethanol is just kind of getting tremendous momentum and what is the outlook in next two years for this and how do you think this whole thing pan out because there is too much ethanol around right now and I see that most people want to set up the capacity so what is your view over the next two to three years for ethanol?

Tarun Sawhney:

Okay sure let me deal with your second question first. We are very bullish as a company about ethanol. We are setting up two distilleries, one our first distillery of 160 KLPD as you have read in the investor brief that will be operational in Q1 of the next fiscal year. This will be set up at our unit at Sabitgarh. So we will be certainly doubling our capacity as of April 2019 just a few months away.

So we believe that the Government policy with respect to ethanol pricing is something that is going to remain at very healthy and attractive levels. I think it is very important for multiple perspectives when one looks at not just the fiscal prudence of the government with respect to foreign exchange etc. but also with respect to pollution.

The concerted effort of this Ggovernment on pollution and one hopes whichever Government comes in, in May or whenever we have our general elections will remain with a heavy focus on clean air and cleaning up the environment. And therefore ethanol plays an absolutely critical role in this factor. Our view is that E15 and E20 is something that is easily possible with current levels of technology employed with the automobile industry. We believe that the automobile industry themselves which had initial hesitations have given up those hesitations through tests and trials and said that this is possible.

Now it is a political decision to take it up from E10 onwards but with so many discoveries coming up in the country it will be very important that we move to higher levels of ethanol blending. So I think personally speaking there is investment that needs to take place on the ground. It takes about 24 months when you plan for a distillery and between that time and actual physical output of ethanol from that unit, and so over the next 24 months we will see more capacities come on line and perhaps even more in the future.

We have also been told that the Gvernment is looking for a further extension of that ₹ 6,100 crore programs to look at other distilleries that did not make the cut at that point in time. So we are looking at the possibility of quite a few more distilleries also being sanctioned through soft loans by the Central Government.

Vikram Kotak:

Tarun, one more point on this one. I think you are trying to tell me that even if whatever number of distilleries come in next two years, you would see opportunity, it will not create glut of the capacity right, when we see after two years scenario it will not create a glut, that is the question?

Tarun Sawhney:

You see it is a fixed price so there is no question of glut, there will be competition clearly. I think competition would certainly increase because the distilleries that will come up will come up in the sugarcane producing states, and they will compete for

the oil marketing Company depots that are closest to them. So competition will certainly increase, but in terms of glut I do not think so because frankly speaking what this means is we will have to transport your ethanol a little bit further in order to gain access to depots that have traditionally gone dry.

So your realizations may be off just a few basis points and you may call that competition but it is certainly not a glut. Because the demand exist, a glut would only be a relevant term if there was not enough demand, but the demand exists. Turning very quickly to your first point yes there have been a lot of recent articles that the worst is certainly over for the global sugar market and as we head potentially for a significant deficit in 2019-20 and we see that across the Board both with respect to India's participation and Indian production in the next season where it is too early to tell what that is going to be but the signs are it is certainly going to be lower than this season's production.

In addition to that the diversion to what is ethanol in countries like Brazil would play a very important role with respect to total global sugar output. We have also seen that Thailand and Pakistan again are expected to participate in that shortfall and of course Australia is clearly substantially down projected for next year. So we do look at the worst of the market certainly being over. The quantum I think will only really come about after rather three months when we see the start of the new Brazilian sugar season actual data that comes out from that country as well as some of the other important countries.

Moderator: Thank you. The next question is from the line of N. K. Arora, as an individual investor. Please go ahead.

N.K. Arora: My few questions are, our upcoming distillery upcoming in Q1 of FY 20 would it be ready from day 1 to use cane juice production of ethanol?

Tarun Sawhney: No, it will not because we have sufficient quantity of molasses that can be used at these distilleries.

NK Arora: Okay secondly sir we have inventory as in 31st December of 39 lakh bags. At this rate we will have an inventory of 50 to 60 lakh bags at the end of this sugar year. So how do we plan to tackle this sugar inventory at the end of sugar year?

Tarun Sawhney: Well, I do not know what the eventual inventory will be at the end of the sugar season, but we are having a very good season, high recoveries and excellent crush across our seven units. So yes, regardless of what the number is it is a problem. It is a substantial quantity we believe that we will have a higher amount of sugar left and then we will of course become beneficiaries of the quota mechanism whereby we will get a higher share of quota given the fact that we have stocks. Now we are petitioning the Government that their calculation of quotas should be based on stocks. It is what used to have happened.

Very honestly speaking before 2013, 2014 when the quota system was prevalent and the release mechanism was prevalent the basis of calculation was purely on stock. It is a transparent and clear method without any, any sort of malfunction to the system, and we hope that the Government will embrace that and go back to that system of release and use that as a basis for release. Now it is a problem as far as storage is concerned, we have certainly anticipated it and built sufficient storage capabilities so we are well aware that this could be a situation, but we are well prepared for that situation. Of course, the evacuation of that sugar partially will

happen through exports which I had mentioned earlier in the call, we will complete. We do expect higher releases and again that will help alleviate the situation.

- NK Arora:** Lastly sir we have won the case in High Court which the Government has to pay arrears of 2004. What is the maximum amount that were prevailing to get from this order?
- Tarun Sawhney:** I think we will look at somewhere it will be over ₹ 220 crore, ₹ 230 crore. We do not have the exact number but it will be above that.
- Moderator:** Thank you. The next question is from the line of Ritika Agarwal from Quest Investments. Please go ahead.
- Ritika Agarwal:** Are we planning one more distillery apart from the 160 KLPD which is expected to come in FY 20?
- Tarun Sawhney:** Yes, we are planning a distillery of 80 KLPD which should be operational somewhere in Q4 of the next fiscal year.
- Ritika Agarwal:** Okay Q4 FY 20. Where is this exactly?
- Tarun Sawhney:** This will be at the Alco Chemical complex at Muzaffarnagar where we already have our existing 160 KLPD distillery.
- Ritika Agarwal:** This will also be used for the production of ethanol?
- Tarun Sawhney:** Yes, that is correct.
- Ritika Agarwal:** Okay. And how would these two distilleries increase our tendering quantity to the OMCs from the current quantity?
- Tarun Sawhney:** So the availability of ethanol will go up by 150% when both these distilleries come on line.
- Ritika Agarwal:** Okay, so currently we have tendered a quantity of how much?
- Tarun Sawhney:** We have tendered 550 lakhs liters, 5.5 crore liters and we would go up a 150% from there so let us say about 13 crore liters.
- Ritika Agarwal:** And who have we tendered, have we ordered already for this 80 KLPD?
- Tarun Sawhney:** So at this point in time these negotiations are ongoing, I cannot comment on it on the investor call.
- Ritika Agarwal:** Okay. So my point being I wanted to understand how much time does it take from the ordering to the or how much time I understand the major time is taken for the environment clearances. So has that been approved by the Government because unless that gets approved, we will not see on ground distillation capacity increase?
- Tarun Sawhney:** No, I think you will still see it, it is just that they will happen at the same time duration that has been happening for the last twenty years. The Government has been clear that they have written various letters to various ministries to expedite

and smoothen the process especially if you are looking at expansions etc. or even for new distilleries. At this point in time nothing has changed.

Ritika Agarwal: Okay. So I am not sure if this has already been passed. If we are expanding a distillery we would not need to go for the EC clearance right?

Tarun Sawhney: No, we need clearance for all of our distilleries. We are not expanding we are setting up new distilleries. It is not an expansion. So yes, we need yes of course we do need environmental and other clearances.

Ritika Agarwal: Okay and the previous 160 KLPD we had ordered to whom, if you could disclose that?

Tarun Sawhney: So the previous 160 KLPD plant was set up well over a decade ago. The plant was placed on Praj.

Ritika Agarwal: No, I meant the 160 KLPD that is going to come in FY 20 Q1?

Tarun Sawhney: The 160 KLPD that will be operational next quarter, the plant is coming from Praj as well.

Ritika Agarwal: Okay. So who are the competitors to them, are there lots of people doing that because one player will not have so much capacity to see in the next 24 months?

Tarun Sawhney: Yes, there are lots of competitors in the industry.

Moderator: Thank you. The next question is from the line of Rupesh Saraya as an individual investor. Please go ahead.

Rupesh Saraya: As I understand the Government is likely to announce a policy on methanol. Post that you know blending of methanol will be better or may be allowed. So as I understand Niti Aayog officials they have already visited GNFC and RCF and some announcement is likely to be there before the election is held. So if it happens in the next few months what will be the fortune of ethanol business given the price difference of ₹ 30 per liter, so that is my question?

Suresh Taneja: So I think both would certainly coexist. And only a small portion of the E15 or E20 that is possible in the long run will go towards methanol.

Moderator: Thank you. We have a follow up question from the line of Ritika Agarwal from Quest Investments. Please go ahead.

Ritika Agarwal: We are setting up these new distilleries to be coming up in the next year. Any good large amount of distillery so do we not see this as a challenge as to going forward if the sugar production goes down there will be a roll back or challenges in the ethanol pricing quantity?

Tarun Sawhney: No, I do not see any challenges in the future. In fact the announcement few months ago of differential pricing with respect to B-heavy, with respect to cane juice, has given a huge impetus to this industry and that is why it is moving forward with such clear pace. So it will actually be a competition in the future as to how much ethanol you produce and what you used to produce that ethanol and whether you diverted away from sugar. So I think actually this is a more vibrant move in the long term for the ethanol industry rather than any negative.

- Ritika Agarwal:** Even in the election year we do not see a roll back of the prices?
- Tarun Sawhney:** This is the election year, there is no roll back of any price. Neither has it happened in the past.
- Ritika Agarwal:** And juice to ethanol, do we see that coming for our Company going forward?
- Tarun Sawhney:** I think those are strategic decisions based on annual output numbers and we will certainly evaluate it from time to time. At this point in time we are not diverting any juice to ethanol.
- Ritika Agarwal:** And one last question. So for producing B-heavy ethanol from this C heavy traditional distillery unit do we need any extra CAPEX or is the current equipments enough for that?
- Tarun Sawhney:** They are absolutely enough, you do not need any additional CAPEX.
- Ritika Agarwal:** Okay. And the efficiency of the machinery distillery gives that is the same?
- Tarun Sawhney:** The distillation efficiency remains unchanged.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for their closing comments. Thank you and over to you.
- Tarun Sawhney:** Thank you very much, ladies and gentlemen for joining us for the Q3 FY 19 results earning call for Triveni Engineering & Industries Limited. I want to apologize again for the two interruptions that were caused due to a fault in the line. Thank you for bearing with us and for a very interesting call. I look forward to talking to you in about three months' time. During this period, we certainly hope that we can come back to you with some good positive news across our three business segments. Thank you and have a good afternoon.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Triveni Engineering that concludes this conference call. Thank you all for joining us and you may now disconnect your lines.