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STOCK CODE: 532356	**STOCK CODE: TRIVENI**
Sub: Transcript of Analysts/Investors Conference Call held on 4th August, 2022	

Dear Sirs,

Pursuant to Regulation 46 of SEBI (LODR) Regulations, 2015, please find enclosed transcript of the Analysts/Investors Conference Call held on 4th August, 2022, post announcement of unaudited financial results of the Company for the quarter ended June 30, 2022. The transcript is also available on the website of the Company at www.trivenigroup.com

You are requested to kindly take the same in your record.

Thanking you,

Yours faithfully,
For Triveni Engineering & Industries Ltd.

Geeta Bhalla

GEETA BHALLA
Group Vice President &
Company Secretary
M.No.A9475

Encl: As above

Triveni Engineering & Industries Ltd.
Q1 FY 23 Earnings Conference Call Transcript
August 04, 2022

Moderator: Ladies and gentlemen, good day and welcome to Triveni Engineering and Industries Limited's Q1 FY 23 earnings conference call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. 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: Good day everyone, and a warm welcome to all of you participating in the Triveni Engineering and Industries Limited's Q1 FY 23 earnings conference call. We have with us today Mr. Tarun Sawhney, Vice Chairman and Managing Director; Mr. Suresh Taneja, Group CFO; Mr. Sameer Sinha, CEO of Sugar Business Group 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, maybe forward-looking in nature. And the statement to this effect, has been included in the invite which was sent to everybody earlier.

I would like to also emphasize that while this call is open to all invitees, it may not be broadcasted or reproduced in any form or manner. We will start this call with opening remarks from the management, following an interactive question-and-answer session.

I will now request Mr. Tarun Sawhney to open the call. Over to you sir.

Tarun Sawhney: Thank you very much. Good afternoon, ladies, and gentlemen, and welcome to the Q1 FY 23 earnings conference call for Triveni Engineering and Industries Limited. I would like to offer you a quick update on the concluded Sugar Season 21-22, where we are pleased to report that the Company has reported a good performance despite the trends of low yield and recovery, especially in the State of Uttar Pradesh. As far as the engineering businesses are concerned, they have both performed well with robust order booking and we remain excited about their growth prospects.

Some of the financial highlights of the quarter include revenues from operations, which came in at ₹ 1,225 crore registering an 18.2% increase, which was primarily driven by higher sugar and alcohol dispatches along with some higher realizations. The profit before tax was ₹ 88.6 crore declining by 28.4% on a year-on-year basis primarily because of the previous corresponding quarter, which included a ₹ 45.3 crore export subsidy in FY 21.

The profit after tax stood at ₹66.45 crore, a decline of just under 30%, which was on account of the aforementioned subsidy. Distillery revenues, net of excise and profitability grew substantially due to the commissioning of our additional capacities of 200 KLPD during the quarter, which resulted in increase of sales volumes. The engineering business reported a 33% increase in turnover with robust order booking. The outstanding order book for the engineering business stood at ₹ 1,889 crore for the combined engineering business which was up from ₹ 1,746 crore, it was up about 8%.

On a consolidated basis, our total debt stood at ₹ 1,617 crore on the 30th of June against ₹ 1,568 crore on March 31, 2022. This comprises of ₹ 462 crore of term loans. The total debt on a standalone basis was lower on the 30th of June at ₹ 1,541 crore against ₹ 1,503 crore on March 31, 2022. It comprises of term debt of ₹ 386 crore with almost all loans again, on interest subvention or at subsidized rates of interest.

The higher debt level that we have experienced as of the 30th of June is due to extremely fast sugarcane price payment and some higher stocks, but primarily this is a much faster cane price payment and to give you some statistics. There are no outstanding dues as of the 30th June 22. Whereas, in the previous quarter of the corresponding year, there were dues of ₹ 213 crore as of March 31, 2022. And ₹ 272 crore as of 30th June 2021. The overall cost of funds is at 5.07%, which is lower than 5.2% in the corresponding period of previous year.

Turning to the businesses, as far as the sugar business is concerned, we achieved a crush of 8.41 million tonnes of sugarcane with a gross recovery of 11.7% producing approximately 0.89 million tonnes of sugar. This is very much in line with the communication that I have had over the last couple of quarters with you in terms of the slightly lower gross recovery that we would have experienced this year because of inclement weather, very high temperatures in late March and April. And of course, earlier, unseasonal rainfalls at the beginning of the season.

On the realization front during the quarter, our average domestic realization was ₹ 3529 per quintal up 5.7% year-on-year. The current sugar prices at our factories are ₹ 3630 per quintal for refined sugar and ₹ 3560 per quintal approximately for 150s (plantation white). The Company has not exported any sugar during the quarter. And inventories as of the 30th of June stood at ₹ 46.8 lakh quintals valued at ₹ 32.2 per kilo (kg). At the same time, at last year, inventories were lower at ₹ 45.12 lakh quintals.

The co-generation operations achieved external sales of just under ₹ 17 crore during the quarter under review, versus ₹14.2 crore in Q1 FY 22 an increase of 19%.

Looking at the industry scenario, and first at the industry domestic balance sheet for the current season 2021-22, our estimates i.e. Triveni estimates are for domestic consumption of approximately 27.35 million tonnes. We expect exports of sugar to be, a shade more than 11 million tonnes.

The production will conclude as our estimate of 36.2 million tonnes, and this is after considering a diversion of 3.4 million tonnes of sugar into ethanol. Considering the opening stocks of 8.2 million tonnes on October 1, 2021, this would imply closing stocks of just a shade above 6 million tonnes on the 30th of September 2022, which is sufficient for 2 and a quarter months of domestic consumption, which is the intention by the Government.

In May 2022, the Government had capped exports of 10 million tonnes. We're expecting a small increase in terms of export which will raise the total exports above 11 million tonnes. However, by the 30th of September, we estimate that 11 million tonnes certainly will have been exported. For sugar season 2022-23 based on our research and initial estimates, the total acreage across the country is expected to be about 58.2 lakh hectares, a 4% increase from 55.83 lakh hectares in the previous year. I think that's very encouraging on multiple fronts, most importantly for the ethanol blending program.

Based on the current sowing, patterns of rainfall and crop conditions, we estimate sugar production in 22-23 to be higher over 40 million tonnes before considering the diversion towards ethanol. And we expect about 4.5 million tonnes of diversion towards ethanol. With that the country will require 8 million tonnes of exports. And it's important that the Government recognizes that number and releases that much at least as quickly as possible for exports over the next sugar year. And this will lead to a closing balance of again a shade about 6 million tonnes, which is the magic number that is considered acceptable by all players in this industry, especially the Government.

As far as the international sugar scenario is concern the global outlook has now moved to a surplus of 2 to 3 million tonnes for the 22-23 season, as compared to a marginal surplus expected for this season. This is mainly due to an increase in production in Asia, India is being a very large contributor and Brazil for the 22-23 season. In Asia, the substantial increase is expected in India and also some increase in Pakistan. The production will increase in Thailand after a series of disappointing seasons, and we expect to rebound with Chinese sugarcane production as well.

Meanwhile in Centre South Brazil, the sugarcane crop is expected to recover next season as it moves beyond the drought impact that has impacted the present and previous season. Although the mills in Brazil are likely to divert more sugarcane towards ethanol in the coming year given where crude prices are at this particular point in time. Global sugar prices have softened after touching US 20.27 cents/lb in April 2022, and the New York 11 Raw Sugar future month is currently hovering between US 17.5 and just a shade above up to 18 cents/lb.

Similarly, London Whites, and now trading at $522 a tonne, down from about $570 a tonne earlier this year. A lot of this has to do with the global events, dollar strengthening, those two be the primary contributors. And of course, as a result we've seen a little bit of softening. However, I think we were seeing certainly a lot of bottom formation and in our opinion, we can expect as the next Indian sugar season commences slightly firmer prices going forward. And homes for Indian sugar to be available.

Turning to our alcohol business. During the quarter, we commissioned an additional 200 KLPD. As a result, our production went up by 57.7% to 42,200 kilo liters. We sold substantially higher quantities of alcohol and up about 42% and the realization also increased by 7% to an average realization ₹57.8 per liter. As a result, the PBIT and profitability of the businesses was also substantially higher.

In respect to the financial performance of distillery operations due to higher realizations due to the product mix and increase in the ethanol price, the commissioning of additional capacity has resulted in the higher sales volumes. The ethanol produced from B-heavy molasses constitutes 90% of the sales volume in the current quarter against 81% in the corresponding period of the previous year.

Subsequent to the quarter, the Company has enhanced its overall capacity to 660 KLPD, again very much in line with the conversation that I had with you over the last couple of earnings conference calls. We have certainly met the target and this is despite supply chain constraints and material price variances that have happened over the course of this calendar year. And I think it is quite a substantial achievement.

And therefore, as we stand today the unit wise capacities are as follows. Milak Narayanpur, which is a dual-feed plant of 200 KLPD; Sabitgarh at 200 KLPD; Muzaffarnagar facility comprising of 200 KLPD on molasses and 60 KLPD on grain hence 260 KLPD total and all totaling 660 KLPD.

Coming to the industry scenario, out of the 449 crore liters which is finalized by the OMCs for supply in 2021-22, against the requirement of 456 crore liters. Against this, 282 crore liters have been lifted by the OMCs and the average blending until the 17th of July stood at just above 10%. So, I think it's a huge achievement for the nation thus far. Of course, the road head is quite exciting and filled with substantially greater quantities on ethanol. During the next year 2022-23, it is estimated that 545 crore liters of ethanol will be required and that will amount to an average blending of 12 odd percent for the nation.

During this quarter, the OMCs have declared relief on the dispatch of ethanol for supplies made from 1st June to 30th November ranging from ₹ 1,179 to ₹ 2,337 per kilo liter depending on the feedstock. We are happy to give you the details of that, and it is also publicly available information, and Triveni will benefit greatly from its higher dispatches because of more distillery capacity that has come on stream going forward until the end of this ethanol year.

Turning very quickly to the engineering business. At an aggregate level we have reported strong revenue growth of 33% during this current quarter compared to the corresponding period last year. For the power transmission business revenue grew by just under 8% to ₹ 30.5 crore and the order booking which is the most important factor, grew at 41.5% and stood at just under ₹ 54 crore. The total closing order book was ₹243 crore plus, which is a substantial increase compared to the previous quarter, the previous corresponding quarter etc. And it is a direct result of the huge improvement and increase in industrial activity that we're seeing not just domestically, but also internationally. Some of this order booking growth has come about also with the addition of larger orders from our existing OEMs around the world.

Turning to our water business, revenues grew by almost 50% to ₹ 65 odd crore with the PBIT of ₹ 2.5 crore. The closing order book grew 4% to ₹ 1,645 crore. The water business group has completed construction of various facilities of the Company's Mathura Hybrid Annuity Model (HAM) project, which is for the NMCG, National Mission of Clean Ganga, and in association with the Uttar Pradesh Jal Nigam. Part of these facilities have already passed through the performance guarantee test successfully, and the balance ones are ongoing.

During this quarter, I'm very happy to also announce that we received our second international order, a large order in Bangladesh. This is an EPC order under a joint venture agreement with a local Bangladeshi company where ₹ 170 crore is our share of work in this very important order. As you remember we had an important order that we have received from the Government of Maldives. And so this is again a substantial expansion that we're doing, especially within the South Asian market and beyond, in terms of expanding our canvas. The Company is expecting robust order booking in coming quarters as well.

Very quickly on the outlook of all our various businesses. For sugar, the upcoming season with an increase of 4% cane area, better crop health, more focused crop surveillance pretty much across the country. And when I speak of Triveni certainly, we are doing a tremendous amount of efforts in the field with respect to crop surveillance, with respect to mitigating any types of pests, etc. that can occur from time-to-time, and monitoring the growth of our cane crop. And I can see that across the country there has been sustained efforts by most people in the industry given the great value of sugarcane to the industry and to the public community.

Based on our current forecasts of monsoon and crop health were anticipating an increase in recoveries certainly in Uttar Pradesh. As far as Triveni is concerned, our previous announcement of debottlenecking and modernization is progressing well. And we expect these activities to be completed by October 2022 as we had communicated earlier.

On our alcohol and distillery business, yesterday at the board meeting of the Company, the Directors have approved the expansion program to set up two new dual-feedstock that is sugarcane derived and grain distilleries with an aggregate capacity of 450 KLPD at Rani Nangal and at Sabitgarh, subject to receipt of the necessary statutory clearances. This will raise our total distillation capacity to 1,110 KLPD as an aggregate cost of approximately ₹ 460 crore. We expect that these distilleries will commence commercial production in Q3 FY 24. So about a year and quarter plus away. We have full confidence in the commitment of the Government of India's ethanol blending program. And as such, the augmentation of our capacities on a dual stock basis will provide us with sufficient flexibility to select the feedstock based on commercial considerations and economics. Overall, the distillery expansions will lead to significant growth in turnover and profitability in the segment.

Looking quickly at the engineering businesses' outlook. Our power transmission business, we believe that there is significant growth expected in the domestic economy. This is a direct result of the Atmanirbhar Bharat program, which will drive CapEx across domestic end-user industries.

Power transmission businesses is focused on increasing global market share and global footprint as well across a variety of different sectors. And we are seeing tremendous activity within the power, cement, fertilizer, petrochemical, steel, sugar and ethanol sectors to name a few.

The Defence business is also poised very well and is expected to grow the expanding portfolio of products that we are developing, tendering and producing is growing quite substantially and this will augur very well for Triveni's medium to long-term growth.

Lastly, our water business is expected to achieve many new successes in the upcoming quarters. There are several new opportunities that are arising out of center and state funded schemes. And we see huge bidding opportunities including in EPC and in HAM projects. And I think that is very, very exciting because those are fantastic structures. And Triveni's water business is a leader in terms of execution of HAM projects. In the water business, the growing water scarcity is catalyzing new opportunities. And this is the fundamental reason for an increase in business where there are areas of recycle, reuse and zero liquid discharge are growing across the country and leading to more opportunities. We believe that the disruption caused by the pandemic is largely over and normalcy of the business environment has returned.

A quick update before we open up to questions on the remaining Triveni Turbine divestment as you are aware, on the 9th of May 2022, the Board of Directors had decided to divest the company's entire shareholding of Triveni Turbine Limited shares of approximately 21.85%. The matter of TTL divestment is under progress, and we are hopeful of generating the demand and concluding this transaction early. The Company will make appropriate disclosures in due course. Thank you very much. I would like to now like to open it up for questions.

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

The first question is from the line of Riya Mehta from Aequitas Investments.

Riya Mehta: What you just mentioned in your commentary that we have been trying to increase the recovery. So, I think last few quarters that we have been talking about the new varieties you are working with, so what kind of improvement are we seeing there in terms of recovery?

Sameer Sinha: So, there are two portions to this answer. The first is we are already working on our crop health per se, through a very structured surveillance program to minimize the impact of any pests, diseases, insects, etc. So along with better climatic conditions, that should lead us to an increase in recovery. Secondly, we have a plan, a medium-term plan over three years to reduce our dependence on Co 0238 and going for the new varieties which are 15023 but largely the proven varieties of 0118 and 98014. So, this is the basket of varieties that we are focusing on going forward. And we are looking at the performance of 15023 which have been grown in our pilot demonstration plant.

Riya Mehta: So how much would this form in our next year's crop and what kind of recovery do we look at like any qualitative outlook on that?

Tarun Sawhney: So yes, we can give you a qualitative, we cannot give you a quantitative outlook because it is very challenging, given where we are in the cycle right now. But these, you see with a further very micromanaged process of cane development and cane health, more importantly, the subject of cane health within cane development, we are certainly looking at two things. It is not just recovery, but it is also yield, which leads to greater cane availability. So we are certainly at this point in time encouraged by the yields that we are seeing. They are higher than the previous year, it is difficult to give you the percentage because we are in the grand growth phase at this particular point in time, but we see greater number of tillers, we see greater cane height. And we will be in a better position, certainly in a couple of months to be able to tell you. The moment the monsoon season finishes, we will tell you where we are at that particular point in time. The second with respect to recovery. Now recovery is influenced by a variety of different factors, as you are well aware, one of those controllable factors is pests. So last year, we did see, and we did see some diseases, it didn't impact Triveni, but it did impact other parts of Uttar Pradesh, this is a disease called red rot on 238. Our impact was minimal at best, it was very small. And that is something that we have certainly covered. But there was a small impact of top borer, which again when the cane is at the height that it is, that you can do very about it. When you can do something about it, is now and that sort of very micro level field to field, acre to acre type intervention will ensure that the health of the crop is better. And that is a direct contributor towards increased recovery, you can see the recovery trends that we have had in the last few years. And if you sort of map it out, you can see what sort of the top potential ends are and so far, we are looking at everything, sort of all guns blazing, everything going rather well with no negatives at this particular point.

Sameer Sinha: And just to supplement Mr. Sawhney's answer, you know we are also in the midst of our de-bottlenecking and modernization which will enhance our net crush rates. So therefore, we feel that during December etc. when there is some incidence of field staling that could be taken care of which will also positively impact our recoveries going forward.

Riya Mehta: Okay, so basically actually, I was reading your presentation and mentioned that the sugar production in the next season is estimated to be 40 million tonnes which as against 39.6, so it is more or less flattish. So why do we think so?

Tarun Sawhney: No, we expect the overall production to be higher than 40 just a shade above 40 million tonnes. We feel that because there's greater cane area and the monsoon across the country is normal. So, it will lead to more cane availability, greater crush, we also believe that the factories in Maharashtra and Karnataka will be starting their seasons in very early October, so that they can crush all this very, very large quantity of cane because they do have capacity issues in that part of the country. As a result, a shade about 40 million tonnes is achievable with Uttar Pradesh also returning to a healthier state.

Moderator: The next question is from the line of Lokesh Maru from Nippon India Mutual Fund.

Lokesh Maru: Congratulations on healthy set of numbers. I wanted to just one clarification on our ethanol production which is, when we say 90% is B-heavy, is that after deducting the 18% of ENA, so 82% of total ethanol that we produce, is that interpretation correct?

Sameer Sinha: Look that interpretation is not correct. I mean, there is a factory which of ours which produces C-heavy which we give out as levy molasses so whatever is the quantum that we have produced, which is, and dispatched let us say which is of 389 lakh liters in this quarter, 90% of that is B-heavy ethanol and ethanol as a total percentage of this 389 is about 94%.

Lokesh Maru: Okay, so 90% of 94%.

Sameer Sinha: Yes, 90% of 389, not 90% of 94.

Lokesh Maru: Understood. Okay, so just lastly, how is the current monsoon impacting currently at this point in time. If you look in sugarcane crop in our command area, any clue, or any hints towards that?

Sameer Sinha: See our factories are spread across the state of U.P and definitely other than in two factories, this year in July, there had been a little less rainfall than previous year. But a large number of these factories have deep low-lying areas. So, to that extent it is good for us, the couple of factories which had somewhat more upland areas which were about to face some water stress etc. There have been heavy rainfalls towards the end of July, continuing in early August, which has taken care of that. So, there is no water stress. And going forward in the second phase of monsoons, the forecast is for normal monsoon both in North and India, which will take care of our units also.

Moderator: The next question is from the line of Bharat Sheth from Quest Investment Advisors.

Bharath Sheth: As you mentioned, we are setting up new distillery on the dual-feed. So, can you just explain a little more on that, which is a second feedstock that we are going to use and the economy of that refinery?

Tarun Sawhney: Sure. So we have already established and are currently processing grain, rice actually at our existing distillery at Milak Narayanpur, which was commissioned on the 5th of April of this year. And the results of which are included in our quarterly results statements, the two new distilleries again will follow the same engineering format of dual-feed. They are primarily designed to process the grains, the grains that are available in North India especially where our factories are, is primarily rice. However, we will have the flexibility of using other grains as well. And the second product will be sugarcane juice or B-heavy molasses etc. And in terms of the economics, at this particular point in time, given what the prices are including the small increase that has been made by the Government of India a few weeks ago, the highest profitability is for B-heavy molasses followed by grain, followed by juice.

Bharath Sheth: Okay. And second thing, recently the Government has announced this increase in Fair and Remunerative Price (FRP). So how that will affect our profitability and when Government is thinking of putting up the 20% blend, in that scenario, how much will be the additional requirement of ethanol and second, the prices of the ENA, do we produce ENA and sell. So how the economy between this ethanol and ENA works out?

Tarun Sawhney: Okay. Firstly, I am very happy that you have asked this question as far as FRP increase is concerned, our sugar factories are in Uttar Pradesh, in Uttar Pradesh, we pay a state advised price, and therefore we are not impacted by FRP. The FRP increase that has happened just now is a net increase of only ₹ 7.5, because the base has also been increased. And that is something for you to consider when you look at the impact on other companies in other states. But as far as Triveni is concerned, it has no direct impact in terms of cane price. The impact is important with respect to the directional increase that can be collected from ethanol prices going forward. Since the Government is looking at the ethanol program as a direct program to benefit farmers, the increase in ethanol prices that will happen for the next year, I think there are strong correlations between the increase in FRP and the industry's expectation of increase in ethanol prices going forward. So, from that perspective, it augurs very well for Triveni going forward. Next with respect to your delta between ENA and ethanol, I think there is a sense of clarity and yes, demand, supply does vary from month on month, but broadly speaking, it will keep pace with the increase in ethanol prices as we go forward. You had another question in there, which I think I am missing.

Bharath Sheth: Yes, on this increasing, I mean yield of this sugar and we are working on these micro processes, I mean, what you say, so some of it has been already started and what are the yield improvement or what will be the economy of that also, because even if Government has to go for say 20% blending, this sugarcane crop has to increase substantially, of course, dual-feed will do but so how that whole economy will really play out for that is one is that, currently a lot of concessions are given but if once it becomes a free trade of ethanol, so, what will be the really OMC and whole eco-point of view will work out?

Tarun Sawhney: Sure. Okay. The point of course is in your question was how much more ethanol is required for 20% blending, it will be well above 1,000 crore liters. So let us say the estimate for next year is 545, it is double, that maybe 1,000 crore liters is what is required for 20% ethanol blending. Now, you asked an important question in the ramp-up to 20% ethanol blending, the contribution of the sugar industry is quite important, contributing at least 65%. So, two-thirds will come from sugarcane, and one-third will come from grain, it requires expansion of distilleries from both sectors, frankly speaking, going forward. The increases in yields and the change that is happening across the country and the yields that we are seeing, I think these are very, very encouraging steps in terms of our short-term move because 2025-26 is literally short-term. Our short-term objectives are 20% ethanol blending. I personally believe that a lot of this, we already have a lot of sugarcane that is diverted to the unorganized sector in parts of the country. So, there is the quantum of cane that is available is quite substantial, it is growing quite substantially. The kind of work that Triveni is doing is enhancing our yield by leaps and bounds over the same time period. And we will, of course then have that kind of feedstock available to feed our distilleries, which we are also establishing concurrently. I personally believe that the sugarcane industry is well settled in terms of being able to deliver that 20% or contribute 66% towards that 20% ethanol blending levels. But as I mentioned, this is a short-term level. Beyond that, there is already a lot of talk about E85 and higher blend levels. And therefore, that is the next step in terms of what will need to happen in the country. As you know, the sugarcane farmer gets the best return of all the staple crops across the country. So, I do not see any farmer pretty much going away from sugarcane in the near-term. Companies like Triveni of course, pay at such an accelerated manner that farmers want to grow more and more. The cane intensity will increase as time goes by, and therefore feed directly into the E20 program and beyond.

Bharath Sheth: That is fair, but my question is, again, I mean for the economy of the OMC also.

Tarun Sawhney: I wanted to also mention, you mentioned that there are subsidies given, there are no subsidies given, the ethanol industry gets some interest subvention which is only on the debt portion, but it is a small contributor and certainly not a make or break in terms of setting up plant capacity. As far as the OMCs are concerned, this is really about the national agenda. I think you are forgetting that. India imports a massive amount of crude. Our current account deficit is growing to unimaginable levels. We are at 3% already. And, frankly speaking to develop a national energy program, which includes the development of a nationwide ethanol policy and ethanol production policy is absolutely vital. So, I stand completely behind the Central Government's agenda of not just ensuring that we have greener fuel, so we have a positive pollution impact, which is extremely important. And number two, in terms of saving precious foreign exchange, which will have an impact on inflation, on the currency and on other broad macroeconomic parameters. And therefore, that is something that will benefit everybody, including the OMCs as we go forward.

Moderator: The next question is from the line of Anupam Goswami from B&K Securities.

Anupam Goswami: Sir my first question on the recovery of this month we have seen 30-40 points in lower recovery. Whereas in previous quarters, we were anticipating about 20 basis points of recovery for the whole season? But today, we are a little worse than that. And also given this quarter, some late sugarcane that is crushed. Wouldn't it be a little expected that recovery should have been improved? But it actually did not happen? So, what was the reason on that side sir?

Tarun Sawhney: As I mentioned in my opening remarks, we had some very unseasonal weather. There was a massive heatwave across North India that started at the end of March and went through April. You are absolutely right. The best recoveries in the sugar industry going back a decade even longer have always been in the month of April and early May, the best recoveries by far. However, we had three to four degrees centigrade, higher temperatures during this entire period, which created significant field-related problems and curtailed that increase in recovery that we would have seen in the sugarcane crop this year. That is the reason.

Anupam Goswami: Okay, sir. So, my next question is, now that you mentioned that there is a global outlook of surplus and Brazil and Asia, Thailand also coming back to surplus production. And it is necessary to maintain our 6 million closing stock that 8 million tonnes export is required. So, do we need Government support on subsidy again, for this kind of export given the outlook on the global surplus production and crisis?

Tarun Sawhney: Well the surplus production is up 2-3 million tonnes. So, you know, yes, there is a slight surplus. But I think the world needs India's sugar. The fact that India has been an exporter for several years now means that we have really deep roots in certain countries that import sugar close to us, whether it be Bangladesh or Sri Lanka, or Indonesia or towards the east, if you look at the Middle East, Iran and the eastern seaboard of Africa. These are big homes. India's geographical proximity and the time at which we export sugar matches the time when they need the sugar. So, India's role in global trade is absolutely vital. Now the question about exporting and the viability of exports, prices go up and down. I think looking forward and looking at future prices, they augur quite well. We have had some disruptions, the disruptions have been because of geopolitical events, and also because of a strengthening dollar. But I see that India can certainly export sugar, especially the coastal states, as we move into the next season. In fact, they are already gearing up quite substantially to be able to export this quantity of sugar. One point that I would like to leave with you is that if the nation has exported in excess of 11 million tonnes which is a total record, something that people could not have believe even 12 months ago, I think our capacity to be able to quickly export sugar as well. And evacuate this sugar quickly is something that will certainly happen. So whatever the quantity that is released by the Government for exports, I see that getting fulfilled in the very near term, meaning Q4 of this calendar year and latest Q1 of the next calendar year.

Moderator: The next question is from the line of Shailesh Kanani from Centrum Broking.

Shailesh Kanani: My question was with respect to our capacity expansion on the distillery front. First is on 450 KLPD expansion. We have talked about dual-feedstock. So I want to know if it is going to be broadly grain-based, or it will need to be more molasses-based. And what is the payback period for this CapEx of around ₹ 460 crore?

Tarun Sawhney: Firstly, let me just say that it is dual-feed, so it can take both grain, as well as sugarcane derivatives. So it is not a portion of grain or the other. I will just remind you of our distillery at Milak Narayanpur where it is exactly dual-feed. We have not set up a smaller grain-based distillery on the side. We have made the entire plant into dual-feed, and we believe that that model is exactly what we would like to replicate at these two new locations. One is for Sabitgarh, where we have a distillery so it is expansion, and the other place is Rani Nangal where it will be a new distillery. As far as our rate of return is concerned. As I mentioned earlier, we do not really disclose exact paybacks, but we certainly see a very healthy rate of return. And the Board in its consideration of this has always evaluated the IRRs that we have, hurdle rates that we employ of 16% to 17%. And we are certainly ahead of that, as far as these two distilleries are concerned.

Shailesh Kanani: Okay, so just a continuation of feedstock point. I was just wondering if do we have extra molasses, do we have extra room at the current level? Assuming the same level, what you are saying molasses, what we had in the last two three years? Do we have the molasses or its dependent upon only of increasing availability?

Tarun Sawhney: Number one, we are expecting the crush to be higher. So, there will be greater molasses availability however, these distilleries will have to run either on grain or on juice. So, we have the juice available.

Shailesh Kanani: Okay. Sir on the second point on monetization of our stake in Triveni Turbine, I know you have said in opening remarks that it is expected soon, any timeline or any floor price apart from Triveni Turbine's 171 is the rate I guess. Apart from that any development on that front?

Tarun Sawhney: No, I have nothing more to add than what I said in my opening remarks that the divestment is under progress and we are happy and we are hopeful of generating demand quickly and concluding the transaction early.

Shailesh Kanani: Okay. Sir last question from me on monsoon side. July per se, has been below normal for UP especially, right? So how it is going to impact the yield and if you can throw some light on that? Last week to ten days, I am hearing that it is a bit better. But in general July has been lower than average, right?

Tarun Sawhney: So, for UP July has been, but I am going to remind you of the remarks, the comments that were made by my colleague Sameer. For the Triveni factories, the rainfall has actually been absolutely perfect, because we have some factories which have greater amount of low-lying area where frankly speaking, we do not want excess rainfall. And we have benefited over there and we are seeing fantastic growth. And in the areas, where the levels are normal or high-lying areas, again, just at the onset of any dryness, we have had fantastic rainfall, and this is perfectly timed for the grand growth period. In addition, I must tell you that all of our factories are near canals. So, in terms of irrigation and supply, from canal irrigation, that is a distinct possibility for farmers. So, I do not foresee any negatives as far as the monsoon or rainfall or irrigation is concerned. Let me just say as far as irrigation is concerned, for Triveni. In fact, I think we do not want excess rainfall. Last year, we had unseasonal and excess rainfall in some of our factories in western Uttar Pradesh and this year clearly, we are moving in terms of the best possible scenario.

Moderator: The next question is from the line of Sanjay Manyal from ICICI Direct.

Sanjay Manyal: Just have a few question on the new capacity which we have announced, so what I understand that it includes the grain-based capacity also. So if it is, if you think that it will be running on the six-month basis in the offseason, would it be right to assume that the full year volumes from the grain would be somewhere around 9 to 10 crore liters?

Tarun Sawhney: So, it could it very well depend. I mean, even in the season, we are just calculating this for you. But let me just say that it has great optionality. So it may or may not run on juice during the season as well, that is totally dependent on what are the prevailing juice prices. As I mentioned in the question earlier today, the pecking order of returns is B-heavy, followed by grain followed by juice. I do anticipate an increase in prices, because of the FRP increase and also because of the recent increase in prices that the Central Government has announced and that augurs very well for next year's ethanol supply year and therefore, based on that, we will have that optionality. But if we were to operate on a scenario, where during the season we were on juice, and during the offseason, we were on grain… it would be about 7 crore.

Sameer Sinha: On an annualized basis.

Sanjay Manyal: Okay. And if I can get some guidance about the current year's ethanol volumes, and if you can give some guidance about the next year as well.

Tarun Sawhney: So we are looking at above 18 crore liters for this year in terms of total spirit. And next year not including the new distilleries…

Sameer Sinha: We had given a guidance of about 21 crore liters earlier, and with the new additions it will go, let us say about 25 crore liters.

Sanjay Manyal: Okay. Perfect. Just one on the macro front, given the fact that we are having such a huge production now. And we will be at 40 million tonnes on a gross level. Would it not be a risk for the sugar prices going forward, given the fact that, we may or may not be able to export as a country? The huge quantities of 7 to 8 million tonnes, in any events of global price declining substantially. And would it also not sort of be contrary to what the Government earlier was thinking that replacing the exports with the ethanol diversion. Now this is despite the ethanol diversions, despite the 6 million or 7 million tonne diversion of sugar towards ethanol, we still would require 7 to 8 million tonnes kind of an export every year?

Tarun Sawhney: So, I think you asked a fairly complex question. Okay. But it is the right question to actually ask. As far as next year is concerned, let me try and answer all the six or seven questions you have just asked. Number one, can

India export sugar? Yes, it can. Can it export right now? Yes, it can. Where is it exporting from? It is exporting from Karnataka, and Maharashtra and they are reading to export. Millers at this particular point in time are ready to enter into contracts for next year. If they weren't, they wouldn't be starting their factories as early as they are in the October of 2022 at the start of the next season and starting them off in raws. And frankly, speaking with the start of both the state and the start in raws, all that sugar simply has to be exported, and will be exported earlier, will be exported earlier for two or three reasons. Number one, because I personally believe that there will be some hardening in prices globally as we move forward towards the next year. And number two, because of massive cash flow benefits to the exporting millers in terms of quick price realization, otherwise it lies in the stock and is subject to the release and control mechanism. So, I do see India exporting this quantum of sugar even at these price points. Going forward, I think there is no question about it. If the prices harden, then clearly it may even be faster. And I have also given an indication of the timeline when I expect exports to happen. Number two, going forward, which you are talking about a multi-year situation, I think India's export campaign has to be one that continues and the reason for that is very simple. We have developed very strong homes for Indian sugar. If India disappears like it did, like if you go back into our 20 or 30-year history, India comes into the market then disappears from the market etc. That has been the trend as the sugar cycle has existed. I believe the sugar cycle does not exist any longer in its previous form certainly. And therefore, with continued export over the last few years, India's role in the global balance sheet is ever more important, especially as far as homes in the northern and eastern hemisphere are concerned. And so, I believe that yes, greater quantum of sugarcane will be diverted towards the EBP program. And as you know, we are producing a gross value of over 40 million tonnes going forward, I see that number going higher, it has to go higher, and it will go higher. And we will be able to meet our demand for ethanol and some quantum certainly for exports in the medium to longer term. That is the type of very happy scenario that I see fructifying over the next few years.

Moderator: The next question is from the line of Rajesh Majumdar from B&K Securities.

Rajesh Majumdar: I just have one question, because some of my questions, have been answered earlier. You mentioned that the portion of molasses versus grain will be two-thirds as against what Niti Aayog has been saying as 50-50. So that is one. Your comment on that and why it should happen and a related question to that is, what percentage of increase do you expect in juice that would tilt economics heavily towards juice versus grain, because my personal opinion is grain-based capacities are not going to be even 20%? So just thoughts on that.

Tarun Sawhney: Well, you are thinking on the same lines that I am thinking, which is that sugarcane plays the most important role in our march towards E20. I can't comment on the Niti Aayog number, I rely on our own research team and our own modeling in terms of sharing Triveni's numbers with you and we believe that at least two-thirds is going to come from sugarcane, and it is exactly for that reason, because the number of applications for grain-based distilleries may be plenty, but physical establishment of infrastructure for solo grain is going to be limited as we go forward. Now, in terms of answering your next question in terms of price, given the present status quo if we have another ₹ 5 increase in terms of juice ethanol pricing, that is a very happy scenario between ₹ 5 and ₹ 5.5 will be a very happy scenario. And we will see much greater investment in terms of juice capacity.

Rajesh Majumdar: There are talk of the new technology by Praj which allows you to store juice for a longer period as against using bio enzymes. Does that help mainly in terms of the economics between juice and grain?

Tarun Sawhney: Well, it does if you know theoretically, if you had, if you did not have dual-feed, you have single feed, then you will be able to utilize your juice for a longer period during the offseason. The same debate happened with B-heavy molasses, the real questions of B-heavy molasses earlier, can we actually store it through the duration of the offseason and the answer of course has been yes, we can. Now as if we look towards juice storage, the quantum that we are talking about are much, much larger. So for somebody to be able to start using juice through the offseason, the kind of expense in terms of storage is frightening and may not quite work out. And that is something that you have to consider.

Rajesh Majumdar: Okay.

Tarun Sawhney: So, you may have to produce the ethanol and store the ethanol for longer periods of time rather than store the juice.

Rajesh Majumdar: But how long can you store that ethanol?

Tarun Sawhney: There isn't a shelf life on ethanol.

Moderator: The next question is from the line of Shreyansh Mehta from SKP Securities.

Shreyansh Mehta: I would like to know whether we have finalized any vendor for the setting up of this expansion of distillery program?

Tarun Sawhney: No, we have not.

Shreyansh Mehta: Sir, any plans to finalize in near-term and you can elaborate on that anything?

Tarun Sawhney: Yes, I think you know in this kind of scenario, we will certainly be looking at cost, very, very closely and looking at vendors that can match our costs, given what has happened to metal prices going forward, and in terms of closing out the ordering, it will happen soon. But at this particular point in time, it is certainly not happened. And we have not finalized the vendors, but we are very happy with the kind of expansion and capacity that we are looking at in terms of incorporating new vendors potentially and relooking at earlier vendors.

Moderator: The next question is from the line of Udit Gupta, Individual Investor.

Udit Gupta: Good afternoon sir. You said that for FY 23 you are looking at 18 crore liters and FY 24 we will be looking at 25 crore liters, so after this entire capacity comes online sir, how much can we look at in FY 25?

Sameer Sinha: We would be looking on an annualized basis once the assets are stabilized at somewhere in excess of about 32 crore liters.

Udit Gupta: Okay. And sir my next question is that, Government is looking at E20 and flex fuel going forward, so by when can we expect the cars to become compatible with E20 and flexfuel, so is there a timeline given by the Government in that?

Tarun Sawhney: No, the Government hasn't because as far as flexfuel is concerned, you are talking about E85. In fact, even the decision whether it is going to be E85, E93 or what percentage it is going to be, is not presently declared, I see that that scenario happening only when we get closer to 2025-26, where those important decisions have to be made. So, I think over the next year, we are not going to hear anything about greater levels of blending, but maybe 18 months down the line is when you can expect to start hearing more discussion and hopefully a price. Because as you can well imagine a lot of capacity has to be developed to be able to meet that energy requirement and that demand.

Udit Gupta : In terms of E20, is there any Government requirements for the cars? Are the new cars expected to come in by next year or something?

Tarun Sawhney: Absolutely, the cars are, and my understanding is that the cars are expected to be in place by the start of the next financial year. And two wheelers, you are forgetting two wheelers, the greatest option is actually two wheelers. In fact, most cars I think are already pretty much there in terms of material composition, etc. There are some changes that are required, and I understand, technical changes in the engine that are required but they will be done. But the real question is about two wheelers. And I believe that that will be the beginning of next year.

Moderator: The next is a follow up question from the line Riya Mehta from Aequitas Investments.

Riya Mehta: My question was for power transmission and water business. And so basically, we are looking at margin decline on a QoQ basis. So is this because we could not take in past and we will take it in the future quarters to come? Or what is the change? Also the percentage of O&M orders in the Water segment have been more or less stagnant. So, are we looking at O&M portion or it is more of the EPC portion, which is increasing?

Tarun Sawhney: Yes, so two questions. I think to look at the revenue and the margin percentage, even the margin percentage is in one quarter is not exactly the same, because it depends on what we have dispatched. Over the course of the year, we are certainly not looking at any change in terms of our overall margin structures across the businesses. In fact, I think when I talk separately about both the power transmission business, to be able to grow at the pace that it is with the order booking very much in place, is quite positive that it is doing it without the cost of margin dilution. As far as the water business is concerned, certainly I would again, I would encourage you to look at a longer time horizon because of how we book our revenue, etc. And to look at the annualized results in terms of overall margin. As far as the O&M, specific question is concerned, there is absolutely no intention of dilution of one or the other. This is just how the business has come about over the course of the last quarter. As we go forward, the projects HAM or otherwise that we are tendering include healthy portions of O&M and in fact, it is a very determined strategy of our business to offer O&M services to our customers. This is something that we do very well, this is something that our customers want, we are certainly not about to do away with that.

Riya Mehta: So current order book consists of margin or higher margin value added per order?

Tarun Sawhney: I will not comment on the margin of our order book because I haven't in the past.

Riya Mehta: Okay, sir my second question would be for the Triveni Turbines, the consideration which we will be getting or that is completely used in the new CapEx or are we planning reported the capital allocation for this?

Tarun Sawhney: So in terms of the new CapEx, we have announced ₹ 460 crore of CapEx, certainly a portion of it will be funded by debt because debt is under interest subvention, and we would be rather foolish if we did not take that. As far as the distillery assets are concerned, the equity contribution will certainly come from internal accruals, because the businesses are throwing off annually, very healthy amount of cash. Now, as far as proceeds of the sale of TTL shares are concerned, what I can share with you is that if there will be two things, we will need some of the normal CapEx requirements of the business, and the remainder will certainly be returned to the shareholders of the Company.

Riya Mehta: Okay, and my last question would be, you are seeing the prices of all the grains have been increasing on a sequential basis, so are we seeing the impact in the higher prices? So, with the incremental cost or the benefit given by the O&Ms be able to cover the incremental cost increase of the raw materials which is the grain feedstock.

Tarun Sawhney: Yes, your assumption is absolutely correct. It is in fact, more positive, marginally more positive for the business. And it certainly covers the increased costs.

Riya Mehta: And we still have more availability of the grains or the feedstock for our facilities?

Tarun Sawhney: Yes, you are absolutely correct. We are running at full capacity, at our full rated capacities. And so, we have sufficient feedstock for the remainder of the supply year, absolutely.

Moderator: The next question is from the line of Pratik Tholiya from Systematix.

Pratik Tholiya: Excellent performance this quarter. As you already said, what is the current sugar price?

Tarun Sawhney: The current refined sugar price is ₹ 36.30/kg, maybe ₹ 36.40/kg even today, and about ₹ 70 per quintal (₹ 0.70/kg) lower. So about ₹ 35.60/kg for plantation white.

Pratik Tholiya: Now, we have seen the FRP has also been increased. So, but the MSP continues to remain at ₹ 31/kg, any talks on MSP going up or any clarity on that front?

Tarun Sawhney: I am afraid I cannot offer any clarity. The industry has certainly asked for an increase in MSP. I mean sugar has been sold well above MSP throughout the country. So, it is certainly an ask of the association, we at Triveni also have written to the Government requesting them to reconsider the MSP at this particular point. But I am afraid I have no news to offer you, in terms of any progress or any developments from the Government in terms of actually increasing that MSP.

Pratik Tholiya: Right, now on the ethanol prices of course, whenever possible is that because with the FRP, you can expect the ethanol prices to increase in the next season?

Tarun Sawhney: Absolutely. And you can expect the ethanol prices to increase because of two factors. Number one, the recent increase for the remainder of the ethanol supply year is a very progressive move by the Government to ensure that the increased costs have been taken into account and that there is no margin dilution for ethanol manufacturers, very, very progressive. Similarly, with an increase, and those are sort of more operating costs and some raw material costs, etc. that have gone up. But your main cost, of course, is sugarcane, as you know. So, with the FRP price having gone up, I am very confident that the Government will have a very healthy increase in ethanol price derived from sugarcane. And also, for a variety of reasons, I expect ethanol price for grain to also be higher.

Moderator: The next is a follow up question from the line of Anupam Goswami from B&K Securities.

Anupam Goswami: What is the margin of this Indian Made Indian Liquor (IMIL) that we make; the alcohol?

Tarun Sawhney: Great, so at this point in time, the unit is losing a little bit of money, we expect not a very substantial amount, but a small amount of money is being lost. And this is ready in terms of development costs and marketing costs that we have in place for the IMIL business. Going forward, I would also like to mention that we do not have, we have not had an increase in the sale price of IMIL for many, many quarters. We expect that when we go beyond H1, we will be absolutely fine. And we will be in black.

Anupam Goswami: Okay, and so by H1, what kind of volumes are we looking at such breakeven?

Tarun Sawhney: We have really not given any disclosures in terms of volumes; the volumes are constrained because of manufacturing capacity and the legal limits that we have at this point in time we are at a maximum growth rate of 4 lakh cases a month.

Tarun Sawhney: 4 lakh cases a month.

Anupam Goswami: 4 lakh cases a month. Okay, so annualized that is the target for this fiscal year?

Tarun Sawhney: No, it is not quite the target, because it really depends on where we are, and what supplies we have. As you know, within the IMIL business, there is a greater attraction for Tetra Pak, and we have several Tetra Pak machines that have been ordered and will be commissioned over the course of the year. So, it is dependent on the supply format, as well PET versus Tetra Pak, where Tetra Pak is clearly more desirable by the market. So as and when that comes in, that has commissioned and there are unfortunately, some delays, in terms of getting that machinery, it works out just fine, because we are in the process of establishing greater market share in the markets that we supply. And so, as and when that is commissioned, we will be able to supply more of IMIL as per our legally rated capacity.

Moderator: Thank you. Ladies & gentlemen that was the last question, I now hand the conference over to the management for closing comments.

Tarun Sawhney: Thank you very much, ladies and gentlemen for joining us on our Q1 FY 23 earnings conference call for Triveni Engineering & Industries Limited. As we look forward to this quarter and beyond, I think that as far as sugar is concerned, we have to watch and see how the monsoon progresses by the time we speak to you, for the next quarterly results, I anticipate that the sugar season for Triveni will have almost started or started and we will be in a much better position to give you harder data in terms of next year, sugar year, which I expect to be actually a record year certainly for Triveni in many respects. The engineering businesses continues to deliver very positive growth. And I look forward to reporting to you more positive news next time around. Thank you very much and have a good day.