

Bajaj Hindusthan Limited
Conference Call
(November 23, 2011)

Moderator: Good evening ladies and gentlemen. Welcome to the Bajaj Hindusthan Conference Call on financial results for the year ended September 30, 2011 hosted by Citi. This is Ragini the moderator for your conference call today. As a reminder all participants will be in the listen-only mode and, there will be an opportunity for you to ask questions at the end of today's opening remarks. At that time, if you have a question please press * and 1. Please note that this conference is being recorded. I would now like to hand over the conference over to Mr. Ranjit Bhide from Citi. Thank you, and over to you Mr. Bhide.

Ranjit Bhide: Thanks Ragini. Welcome everyone to the Bajaj Hindusthan Conference Call on the results for the financial year ended Sept.30, 2011. From Bajaj Hindusthan we have with us Mr. Manoj Maheshwari - CFO, and Mr. Narayan Raman - President, Investor Relations. Thank you all for taking some time out for this call. I will now hand over to the management team to provide an update on the latest results. Over to you Mr. Narayan Raman.

Narayan Raman: Thank you Ranjit. This is Narayan Raman here. Thanks everyone for participating in this call. Mr. Manoj Maheshwari, the Chief Financial Officer, Bajaj Hindusthan is here with me and he will run you through the results and, we will have a Q & A session post the basic explanation given by Mr. Maheshwari. Over to you Manoj.

Manoj Maheshwari: Hi everybody. Welcome to the conference call. We have just, a few minutes ago concluded the Board Meeting and our results would be up in the stock exchange website. I will just give you the brief of the financial figures which the board has approved today.

The gross sales for the current year has been Rs. 5005 crore as against Rs. 2970 crore last year on standalone basis. Total income is Rs.4919 crore as against Rs. 3009 crore last year. Profit from operations before other income, interest and exceptional item is Rs. 534 crore as against Rs. 336 crore last year. Interest is Rs. 516 crore as against Rs. 301 crore as of the last year. Profit after interest but before exceptional items is Rs. 19 crore as against Rs. 55 crore and net profit from ordinary activities before tax is Rs. 19 crore as against Rs.55 crore of last year. Profit after tax is Rs. 12 crore as against Rs. 52 crore in the last year. The reserves and surplus is Rs. 3102 crore as against Rs. 3099 crore in the previous year. Subsequent to 30th September 2011, the company came out with the rights issue of equity shares, the value of the equity shares issued were at Rs. 35 premium and 1 rupee face value that means total Rs. 36 per share. Total number of equity shares issued are 41,10,42,800 resulting into right issue proceeds of Rs. 1479 crores; out of which right issue expenses are estimated, at Rs. 44 crore resulting into net proceeds of, Rs. 1435 crore. As per the objective of the right issue, the proceeds of the right issue are to be utilised towards the reduction of debt, after bearing right issue expenses and some other expenses. Subsequent to the right issue an amount of Rs. 1145 crore has been utilised towards repayment of debt, which is by way of reduction of our working capital loans and the balance Rs. 190 crore have been kept into liquid funds and Rs. 100 crores have been kept in FDR, pending utilisation towards repayment and prepayment of debt. We have applied to banks for prepayment of debt and as per the agreement with them, they are supposed to levy prepayment penalty which we are negotiating as and when it happens we will prepay and till that time the money will be utilised either for reduction of working capital or kept in liquid funds or fixed deposit receipt. The company has also invested into 450 megawatt power projects and 1980 megawatt power projects. 450 megawatt power project which has been set up near five of our sugar locations in UP, out of those five projects, three projects are on stream, we are exporting power out of three projects from one of two turbines in each of the site at Khambarkehra, Barkhera and Maqsoodpur and rest of the two projects at Kundarki and Utraula along with one turbine each at Khambarkehra, Barkhera and Maqsoodpur will be up and running latest by 15th of January, 2012. We have synchronised in fact, from Khambarkehra, Barkhera

and Maqsoodpur, and we are running the turbine sets at full capacity, 45 megawatt capacity and supplying power to the grid. As far as Bajaj Energy is concerned, 450 megawatt power projects, we have executed the fuel supply agreement, we have received coal to the extent of 35,000 metric tonne at the site, and 94,000 metric tonne of coal is expected within one week, which will keep our plant running. So, there is no issue as far as coal is concerned. In Lalitpur Power Project, which is being set up at Lalitpur near Jhansi at a cost of Rs. 12,000 crore it is a 1980 megawatt power project which is 660 megawatt into three units. Everything is in place, all the approvals have been received, financial closure has been completed on August 24, 2011, agreements have been signed, we have placed order of BTG orders, that is; boiler, turbine and generators set order worth Rs. 5800 crore, to BHEL and we have paid advance of Rs. 800 crore with them. Rest of the orders are also in place, we are in the negotiating stage and in next three to four months' time all the orders will be placed.. The land has been acquired, the construction work has started, and our application for coal linkage is pending with the Coal Committee. The last coal committee meeting happened in the month of April 2010, and whenever next meeting happens, which is expected shortly, our project will be considered for coal allocation at that meeting.

Yesterday only, the Government of India has allowed one million metric tonnes of sugar exports from India and, they have also done away with the stock holding limit of sugar by the bulk processors, which has already started showing impacting the prices. The prices from yesterday, today has gone up by Rs. 100 to Rs. 200 per quintal and, we expect that the prices should inch up further slowly. This year the production is expected to be around 25 -26 million metric tonnes and, the consumption level being around 23 - 24 million metric tonne, there will be surplus of around two million metric tonne which we expect that the government to start allowing exports. We feel that the prices of sugar should be around between Rs. 34 – 35 per kg, which will be a very stable price, which is a healthy price for the industry.

Interest of Rs. 516 crore has been charged during the year ended 30th September, as against Rs. 301 crores in the previous year. The interest is high mainly for two, first of all there has been at least ten increases in the interest rates in the last one year by RBI and the banks have passed on that increase to us, which has resulted in increase in the interest payment.

Secondly, we had raw sugar and sugar from sugarcane last year to the extent of around 68 lakh quintals which we sold over a period of time which has resulted in increased utilisation of working capital. The interest will obviously come down because, from November onwards the right issue proceeds have come and we have already reduced our working capital so, the benefit of right issue will come by way of reduction in interest during the next quarters. As on 30th September the net worth of the company is Rs. 3140 crore and if we add right issue proceeds which is Rs. 1479 crores the company's net worth would be Rs. 4619 crores.

As on 30th September, total debts are Rs. 5196 crore if we reduce cash and bank balance of Rs. 585 which leaves us Rs. 4611 crore of net debt. After the right issue proceeds utilisation, that is by reduction in the working capital and investments and liquid funds, and FDRs Rs. 1430 crore, the total net debt comes to Rs. 3181 crore which gives a very healthy debt equity ratio of 0.69 as against 1.5 last year.

Promoter shareholding has also gone up from 35% to 48% because; promoters have put around 55% of the right issue proceeds, that is 822 crores in the right issue. The company has declared dividend of 40% on the enhanced capital and as per latest SEBI guidelines, all the new shares are also eligible for same dividend at the rate of 40% as of the old shares. The outgo on account of dividend is, including dividend tax, etc., is around Rs. 29 crore as against Rs. 18.5 crore in the previous year. This year we crushed cane to the extent of 1022 lakh quintals as against 846 lakh quintals in the previous year; recovery was slightly higher at 9.31% as against 9.24% in the previous year. From sugarcane we produced 95.16 lakh quintals as against 78.21 lakh quintals in the previous year. From raw sugar we produced 8.62 lakh quintals as against 31.52 lakh quintals in the previous year. Alcohol production was 890 lakh litres as against 947 lakh litres in

the previous year. Sugar stock as at the year end, that is September 2011 is 12.30 lakh quintals as against 46 lakh quintals in the previous year. Raw sugar, we are holding 0.90 lakh quintals as against 22.37 lakh quintals in the previous year. Stock of molasses is 14.74 lakh quintals as against 9.52 lakh quintals in the previous year.

Average realisation (net of excise) of the sugar during this whole year is Rs. 2836 as against Rs. 2951 per quintal in the previous year. Levy sugar was sold at Rs. 18.31 paisa per kg as against Rs. 16.50 paisa per kg in the previous year. Alcohol prices were at Rs. 26.40 paisa as against Rs. 24.55 paisa per liter in the previous year. Ethanol prices were higher at Rs. 27 as against Rs. 22 per liter in the previous year. Power was also sold at Rs. 4.11 paisa as against Rs. 3.99 paisa per unit in the previous year. Raw sugar also, we have sold at Rs. 2824 per quintal. With this I would like to hand over the meeting to Narayan, would you like to add anything?

Narayan Raman: No, I would welcome questions from the participants please, and we would be more than happy to answer whatever queries you may have. Ranjit?

Ranjit Bhide: Sure. Ragini, would you like to moderate the questions that the participants may have?

Moderator: Certainly sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question please press * and 1 on your push-button phone and await your turn to ask a question when guided by the moderator. If your question has been answered before your turn and you wish to withdraw your request, you may do so by pressing the # key. We have the first question from Mr. Jagjit Walia from Kotak. Please go ahead sir.

Jagjit Walia: Good evening sir. Sir, could you elaborate on the performance of your subsidiaries in the year gone by, particularly your Bajaj Eco-Tec. It seems like your subsidiaries have turned around because, I see console profit which is higher than your standalone profits by around 10 odd crores.

Manoj Maheshwari: We will just give you the performance; just hold on for a second. The performance of the subsidiary, if you see at the consolidated level, the turnover is Rs. 5163 crore against Rs. 3305 crore and, the profit from operations before other income interest and exceptional items is Rs. 579 crore as against Rs. 185 crore in the previous year. And, net profit level it is Rs. 21.4 crore as against Rs. 41.19 crore in the previous year. This is mainly because, of earnings in Bajaj Hindustan Singapore Private Limited which is subsidiary at Singapore where we traded raw sugar and, the profit has come mainly from there.

Jagjit Walia: And what about Eco-Tec sir, how has that done?

Manoj Maheshwari: Bearing the same, it is still at a loss.

Jagjit Walia: At a loss, what kind of quantum of loss you are talking about?

Manoj Maheshwari: We are contributing around Rs. 40 crore of loss in this year.

Jagjit Walia: Rs. 40 crore of loss, okay. Sir, your profit in the fourth quarter, if I add your last three quarters on a stand-alone basis I get a number of around 132 odd crores. Whereas, your profit after tax has come at around 12 crores, if I am right?

Manoj Maheshwari: Yes.

Jagjit Walia: So, which means that there is a loss of around 120 crores in the fourth quarter?

Manoj Maheshwari: Yes.

Jagjit Walia: Okay, so how come the quantum of loss is that much in the fourth quarter?

Manoj Maheshwari: This is mainly because of three reasons. First of all, in the first two quarters we had an opening stock of 68 lakh quintals of sugar, 46 lakhs of sugar from sugarcane and 22 lakhs quintal of sugar from raw sugar, which was carrying in inventory, which was sold off in the first quarter and, which was low cost sugar as we earned substantial profit in the first two quarters. In the first two quarters there was also production but, the direct cost was getting booked into cost of production and, the expenditures are low. However, in the third quarter we could sell some quantity of sugar from the old inventory plus some sugar was sold out in the current year's productions, which was higher cost hence there was no profit, no loss. A marginal profit was there. However, in the fourth quarter there was no production and majority of expenditures were booked in the profit and loss account as marginal inventory was there to load cost of production over there. All the expenditures were booked in the last quarter itself. That is why the last quarter is hit. And, this feature is there, trend is there in the last year also.

Jagjit Walia: Correct but, last year your loss was around 52 odd crores in the fourth quarter. This time around it is approximately double of that.

Manoj Maheshwari: Yeah, because see, last year what has happened is that we had lesser of production whereas, here this year we produce more from cane, the cane price has gone up and henceforth the cost of production of the new sugar is higher and we have sold quite a lot. If you look at my inventory reductions, inventory reduction is also very substantial from 46 lakh quintals to hopefully to about 12 lakh quintals which is our closing stock. So, that explains the higher proportion of loss in the fourth quarter.

Jagjit Walia: I understood. Sir, I'm done with my questions.

Manoj Maheshwari: And, we also had impact about our employee cost, which increased because we normally have our increments and incentives which just gets loaded in the fourth quarter. That has contributed to an additional about 15 crores.

Jagjit Walia: Sir, with this current export quota which has been announced of around a million tonne, do you think it would be useful particularly in light of international prices having come down to around 610 dollars which would be approximately Rs. 31.7 a kg.

Manoj Maheshwari: See, a certain amount of exports will have to happen by everyone, so that whatever you might lose, if say even if you lose half a rupee in the export quantity we do and it results in Rs. 2 price increase in the domestic market we will stand to benefit. So, we are sure that this is the strategy that every mill owner will be looking at, and given appropriate and opportune time, people will start doing a little bit of exports so that they keep the domestic market prices bit buoyant.

Jagjit Walia: But, have you been disappointed by the government announcement of only one million tonnes?

Manoj Maheshwari: No, we don't think so because, the government will also have to be careful and with all the inflation numbers coming in we are even surprised right in the beginning they have allowed one million tonne of exports.

Jagjit Walia: Understood, thanks a lot sir. I am done with my questions.

Manoj Maheshwari: Thank you.

Moderator: Thank you for your question. We have the next question from Sanjay from DSP Merrill Lynch. Please go ahead sir.

Mr. Sanjay: Looking at the raw sugar, why are we carrying that inventory instead of kind of, liquidating when the price was fairly high?

Manoj Maheshwari: We could have liquidated in hindsight, we did not because we thought that the domestic price realisation after conversion would be better but, in the month of October we had sold all raw sugar. And, they were at good prices. They were at about what, 31 cents?

Narayan Raman: In the month of October we sold substantial quantity of raw sugar to take the benefit of higher prices.

Manoj Maheshwari: I will give you the exact raw sugar realisation in cents.

Mr. Sanjay: And, what was the cost of the raw sugar, sir?

Manoj Maheshwari: Rs. 22 - 23 per kg.

Mr. Sanjay: So, sir now we are not carrying any raw sugar inventory?

Manoj Maheshwari: No. Very, very small amount. 9000 Qtl., which is nothing.

Mr. Sanjay: And sir, this white sugar inventory, it looks like you sold almost 33 lakh quintal during September quarter, which is very high and you are carrying a very low inventory to the festival season and, the price has gone up now, so which means we will not be able to take advantage of

Manoj Maheshwari: It is also an offset between my inventory carrying cost and the increased debt and the interest that I pay at 13.5% - 14%, vis-à-vis trying to liquidate that, so I think we were better off not having that inventory.

Mr. Sanjay: So, today you might not be having any white sugar inventory also because, considering the release mechanism in October - November, the festival season?

Manoj Maheshwari: We had 12.3 lakh quintals as of September and today we have that kind of inventory and to take care of this month. So, it should not be a problem. It will not at all happen that Bajaj Hindustan runs out of inventory before production starts. Production has already started and we have started selling the sugar also. The new sugar is also being sold in the market.

Mr. Sanjay: So, production has already started?

Manoj Maheshwari: Yes.

Mr. Sanjay: And what are you paying now to cane farmers?

Narayan Raman: Actually the prices have been declared at Rs. 240 per quintal and Rs. 250 per quintal, this is what we have to pay.

Mr. Sanjay: So you are already paying that? You are not going into the litigation?

Narayan Raman: As of now, we have not paid any amount. The amount we will pay as and when it falls due. It falls due every 15 days, so we will pay the amount. The matter is subjudice along with the industry. We will pay whatever the industry does.

Mr. Sanjay: And how much cane are you planning to crush this year?

Narayan Raman: This year we are planning 11 million metric tonnes MMT.

Mr. Sanjay: 11 MMT? ?

Narayan Raman: Yes.

Manoj Maheshwari: Next year the same recovery, so we should be having the same level of production of about .9 to 1 million tonnes of total production from cane.

Narayan Raman: Yes.

Mr. Sanjay: Okay, okay. And sir, the other thing that I just wanted to know from you, how much of this 450 megawatt of power plant that you have installed, how much electricity that you can sell during the current year?

Narayan Raman: See, the current year, if I take that all these plants would become operational by January, like Mr. Maheshwari was saying, so we would be able to export 450 megawatts starting by this year by 1st of February onwards.

Mr. Sanjay: Okay. And we will be able to operate it what kind of PLF are you assuming for the year?

Narayan Raman: More than 85%.

Manoj Maheshwari: More than 85% we are achieving right now and we are still in the teething phase I am sure we will cross that. We will operate at 85% to 90% PLF atleast.

Mr. Sanjay: And what is the stake of Bajaj Hindusthan in this particular power plant?

Manoj Maheshwari: As of date, it is 51%.

Mr. Sanjay: 51%?

Manoj Maheshwari: That is correct.

Mr. Sanjay: Okay. And how was the equity, how was capital being paid by Bajaj Hindusthan for this?

Manoj Maheshwari: Rs. 150 crore capital has been infused by Bajaj Hindustan in this venture.

Mr. Sanjay: Okay. And from other power plants, how much equity has already been contributed and how much is pending?

Manoj Maheshwari: Other power plant, Lalitpur we had contributed around Rs. 235 crore.

Mr. Sanjay: Okay, and how much is pending?

Manoj Maheshwari: Pending is till 2014-15 we are supposed to invest Rs. 750 crore.

Mr. Sanjay: Okay, seven hundred and....

Manoj Maheshwari: Rs. 750 crore by 2014-15.

Mr. Sanjay: Okay. And what is the second plant?

Manoj Maheshwari: That is what I am saying. 450 megawatts

Mr. Sanjay: you are having some 2 power plants, one is Lalitpur's and the other one.

Manoj Maheshwari: The third one, the 1980 plant, we have just signed the MOU. The land acquisition plan and the identification of villages, that process is going on. So, in terms of cash outflow, there is nothing as of date.

Mr. Sanjay: Okay.

Mr. Sanjay: Okay, alright. Thanks a lot, sir. I will request you to send the operating details in that specific.

Narayan Raman: As usual, I will.

Mr. Sanjay: Thank you, sir. .

Narayan Raman: Thank you, Sanjay.

Moderator: Thank you for your question. We have next question from Mr. Anoop Randive from Derivium Traditions.

Anoop Randive: Good evening, gentlemen.

Narayan Raman: Good evening.

Anoop Randive: Most of my questions have been answered. Just a few questions.

Narayan Raman: May I ask you to speak up please, I cannot hear you.

Anoop Randive: Sure, sir. Can you hear me now?

Narayan Raman: No, we cannot hear you, sir.

Anoop Randive: Can you hear me now?

Narayan Raman: Yes.

Anoop Randive: Yes. Sir, assuming we pay 240 to 250 per quintal of cane price, which has been mandated by the state government, what would be our cost of production pre-interest?

Manoj Maheshwari: Pre-interest, it would be around Rs. 28- 28.5.

Anoop Randive: Rs. 28.5? So you gave us guidance in terms of your sugar output. Could you give us guidance in terms of your alcohol ethanol and power from bagasse.

Manoj Maheshwari: See, it again is contingent upon the level of cane crushing that I achieve. If 11 million tonnes of cane crush, I will almost at the same amount of number of units of power production as same amount of molasses like last year.

Anoop Randive: Okay.

Manoj Maheshwari: everything depends upon the availability of cane, which affects bagasse, molasses , alcohol and molasses availability.

Anoop Randive: Okay. Thank you. Sir, my last question is regarding your interest rate which you are paying on the debt of 5200 crores.

Manoj Maheshwari: The average cost of borrowing which is around 10.25%, which last year was between 6-1/2 to 7%.

Anoop Randive: Okay. So, this would be on the 5200 crores of gross debt.

Manoj Maheshwari: No, right now we do not have 5200 crores of gross debt.

Narayan Raman: And we have paid off about 1100 odd crores, so therefore, my debt right now will be about 3700 odd crores and we still have got about 585 crores of cash, which for the next one quarter or so, as and when the instalments fall due, we will prepay those portion of instalment as well as, like Manoj was saying, we are negotiating with the banks for not levying pre penalty and if that happens, we will prepay some of the other loans.

Anoop Randive: Right, sir. So, this 3700 would be a long-term debt, right, if I am not wrong?

Manoj Maheshwari: yes

Anoop Randive: Okay, long-term plus working capital.

Manoj Maheshwari: It would be better to net off closing inventory because that too is as good as cash, which is roughly about Rs. 380 odd crores.

Anoop Randive: Right, sir. Fair enough. Sir, my final question is regarding the court case, when is it due? I mean, when is the announcement likely to be made by the High Court?

Manoj Maheshwari: Sorry?

Anoop Randive: When is the High Court decision likely to come?

Manoj Maheshwari: I do not think that they have given us a date by which the decision will be coming. Incidentally, this has been filed by the UP Sugar Manufacturers Association and Bajaj Hindustan is not a part of that association.

Anoop Randive: Sir you just mentioned few minutes back that you will be agreeing to whatever the prices would be decided by the court. So just a bit confused regarding that. Would you be...

Manoj Maheshwari: we are not a party to that litigation, but we will follow what the industry does. And if the court says that this is what is to be paid, in accordance with what the industry is doing, we will also follow that.

Anoop Randive: Okay, but currently we are paying at Rs. 240 to Rs. 250 price?

Manoj Maheshwari: But we have not yet made that first payment, because we got 15 days. The production has started only a week back. We have 15 days when the first payments will fall due.

Anoop Randive: Okay. Thank you very much.

Narayan Raman: Thank you.

Moderator: Thank you for your question. We have next question from Mr. Kunal Vora from BNP Paribas. Please go ahead sir.

Narayan Raman: Good evening Kunal.

Kunal Vora: Good evening sir. Just like couple of questions. First on the Capex what would be overall Capex for the full year this year? In coming year FY'12?

Narayan Raman: For the Sugar business.

Manoj Maheshwari: It will be around 25 to 30 crore.

Kunal Vora: 25 to 30 crores sugar only?

Manoj Maheshwari: This at the maintenance Capex.

Kunal Vora: Just the maintenance Capex. And what about the power plant like, what will be the contribution in terms of debt and equity?

Narayan Raman: As far as Power plants are concerned, the maximum we will have to give Rs. 50 to Rs. 75 crore, because most of our contribution has already gone.

Kunal Vora: Okay. Maximum contribution has gone. So this year it will be continued from the...

Narayan Raman: We would not require any contribution at all, because we had given the advances. Now for the next two years, not much of capital expenditure will actually happen unless until the equipment start arriving at site. Some site development activity expenses will be there, which will be marginal.

Kunal Vora: Sure okay. And when does this plant get operationalized? It will be about four years?

Narayan Raman: 2014-2015, it will come in phases. One plant - 660 megawatt will start at 2014 and then after four months gap in 14-15 all the three 660 will come up.

Kunal Vora: Sure okay. And what's the visibility in terms of coal like, there have been lot of issues which have heard about the availability coal – coal linkage, are you confident that...

Narayan Raman: See we only go by precedence. For our 450MW plants, we have already got the coal linkage, we have got the fuel supply agreement and we have got physical coal. For 1980 we need coal four years down the line, and I'm sure that there will be not one, but several standing committee meetings of Ministry of Coal and Power. They have point system where if land is acquired, they give you certain amount of marks. If your environment clearance is obtained then they give you a certain amount of marks. If your site development activity has started and if you have placed orders, they give you some more marks and if financial closure is achieved, they give you marks and based on that total is how they prioritize the allocation of coal. So I think there should not be a problem for us to get a similar kind of a linkage as on when the standing committee sits.

Kunal Vora: Sure okay. And your financial closure is when banks are like allocating funding towards the grants.

Manoj Maheshwari: Yes. On 24th of August 2011 we have signed the loan agreement with the banks. And total amount is Rs. 8896 crore.

Kunal Vora: Okay. Great that's about it. Thanks sir. I'm done.

Moderator: Thank you for your question. We have next question from Girish Achhipalia from Morgan Stanley. Please go ahead

Girish Achhipalia: Sir Good evening.

Narayan Raman: Good evening Girish.

Girish Achhipalia: Sir firstly, I think every six months we required to disclose balance sheet. So, just wanted to understand the balance sheet that we disclosed now or whenever, I mean, that would include your power subsidiaries. So your numbers in the consol P&L include the power interest or they don't?

Narayan Raman: The consolidated P&L includes some power interest also, but that gets capitalized so it is not coming in to profit and loss account.

Girish Achhipalia: And sir then just in terms of your investment that you have done for the 450 megawatt plant, I think you have done 139 as of September of last year as equity. So what is the contribution that you have made incrementally during the year?

Narayan Raman: I will give you, can you ask other question?

Girish Achhipalia: Yes. In terms of the plan going ahead, I mean, is there a plan to actually dilute some stake here because I would imagine that your consol debt to equity, I mean your number that you mentioned on the call earlier, 5196 crore, does that include your power debt or it does not?

Narayan Raman: No. I can give you the power debt consolidated as well. The power debt consolidated with everything would be 8760 crores. So net of the right issue proceeds and cash & bank balance, it will be 6590 crores. And therefore our debt-equity as per consolidated level including the debt for power would stand at 1.5.

Girish Achhipalia: Okay. Is there any plan to dilute some stake near terms or we are not thinking about it?

Narayan Raman: See this is too early. First of all it's too early to dilute equity at this stage. At the appropriate time, we will revisit that argument.

Girish Achhipalia: Okay Sir. Then coming on to your interest cost. Is there any element of exchange fluctuation impact that you book during the quarter?

Narayan Raman: There is no exchange fluctuation loss booked in the interest. The exchange fluctuation has been capitalized as per the...

Narayan Raman: Latest accounting standard notification.

Girish Achhipalia: Sir how much is the amount that is capitalized?

Narayan Raman: Rs. 136 crores

Girish Achhipalia: Okay. Sir could you quantify what would be your treasury share count after the BHSL and after the rights issue has been done?

Narayan Raman: In the rights issue there are no treasury share.

Girish Achhipalia: Okay. So the benefit hasn't actually applied for the treasury share?

Narayan Raman: No.

Girish Achhipalia: So what's the treasury share count as of date?

Manoj Maheshwari: 4.% to .5% of the enlarged equity.

Girish Achhipalia: 4% to 5% of the enlarge equity. So then just two more small questions. One is on the 450 megawatt, what is the price of coal that you have actually signed agreement for. And secondly on the sugar side, I was looking at the international prices have come off. So what is in your sense is, I mean the government should do. Should they provide more subsidy? So that it becomes more feasible to you guys. Because currently I think it's almost like neck and neck domestic and because you have...

Manoj Maheshwari: like I had explained earlier, the question of looking at incremental subsidy of something is a fact where I cannot make a comment. The government will take a holistic picture and then decide upon it. However, the rational view would be that even at this neck and neck price you will want to export some of amount of quantity so that the benefit will be in the domestic prices which will remain a bit buoyant. For example if I say like we even loose 50 paisa per kilo on exports and due to which 1 million moves out, and the sugar prices (which have reacted last two days of its announcement) goes up by Rs. 2 to Rs. 3 per kilogram we will tend to benefit.

Girish Achhipalia: Okay. And then the price of coal sir?

Narayan Raman: At the factory we are receiving at around Rs. 2000 per tonne.

Manoj Maheshwari: And incidentally for us, since it is a pass through, the cost is not matter of concern for us. Because it is adjusted in the tariff and you get a 15.5% post tax return on equity.

Girish Achhipalia: Okay. sir how much is that,14.5?

Manoj Maheshwari: 15.5 plus 0.5 incentive for timely completion. 16% post tax return on equity.

Girish Achhipalia: So when we are consolidating, we are looking from contributions starting February to September, okay. I understand.

Manoj Maheshwari: That's correct.

Girish Achhipalia: And then sir in terms of I don't know whether I have heard this number rightly. You said alcohol was 884 versus 947?

Narayan Raman: Kilo liter.

Narayan Raman: Just a minute.

Girish Achhipalia: In the sales...

Manoj Maheshwari: You want the production or the sales quantity?

Girish Achhipalia: The sales quantities...

Manoj Maheshwari: Sales quantity of alcohol was 124366 kilo liters as against 63123 of the previous year.

Girish Achhipalia: Perfect sir. And is there any volume cane crushing guidance that you are looking for next year that you can share?

Manoj Maheshwari: The cane crush?

Girish Achhipalia: Yeah.

Manoj Maheshwari: It will be about 11 million tonnes of cane crush for the year.

Girish Achhipalia: Perfect sir. Thank you very much.

Moderator: Thank you for your question. We have next question from Mr. Jagjit Walia from Kotak. Please go ahead sir.

Jagjit Walia: Sir if you could just tell me the mill gate price of cane for this year?

Narayan Raman: Its Rs. 240 and Rs. 250 for early. 240 for general variety.

Jagjit Walia: Sir but there would be some transportation cost on top of that?

Narayan Raman: Over and above that we don't pay transportation at gate but if we get at the center Rs. 5.75 per quintal is reduced from the price.

Jagjit Walia: sir and you mentioned that some 136 crores of Forex losses have been capitalized. What are these Forex comes to on account of?

Narayan Raman: These are on account of ECBs and FCCB, \$15 million FCCB and ECB of total \$205 million foreign currency loan (sanctioned).

Jagjit Walia: \$205 million? So total you are saying that there is \$80 million of FCCB. \$15 million \$205 million?

Narayan Raman: \$205 million of ECB and \$15 million of FCCBs (sanctioned).

Jagjit Walia: So net around \$220 million. So what is this \$205 million of ECB on account of?

Manoj Maheshwari: ECB is for a 5 year ECB. It is from IFC, Washington and BNP for project.

Jagjit Walia: I understood. And that's all from my side, thank you.

Moderator: Thank you for your question. We have next question from Mr. Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: Yeah hi thank you for taking my question. Actually I missed the early part, can you please tell us as to you said 450 is already operational three of the location and two of locations has still yet to be operational. Just wanted to know what kind of utilization do we see and what kind of volume number do we see for this 450 megawatt?

Manoj Maheshwari: We expect that the entire 450 megawatts will be operational and synchronized and would be delivering power to the grid. And we expect that we should be able to operate it at a PLF of more than 85%.

Achal Lohade: More than 85%. Sir and you also guide us as to what's the fuel supply side as to which company, I mean, are we buying the coal and at what price?

Manoj Maheshwari: It is coming Central Coal Fields form Coal India and the landed price is about Rs. 2000 per tonne including freight.

Achal Lohade: Including freight. And it moved by road transport or rail transport sir?

Narayan Raman: Rail and road.

Achal Lohade: Rail road both...

Manoj Maheshwari: I once again reiterate that cost is not so much of a concern in our power project because it is a pass through.

Achal Lohade: Okay. And for how many years have you signed agreement

Manoj Maheshwari: Its 25 years fuel supply agreement.

Achal Lohade: Okay and what's the quantity fuel prices for roughly what is the number we can talk about here?

Narayan Raman: We would require about 1.5 million tonnes of coal per annum for a 450 megawatt.

Achal Lohade: And how are the current realization and what's the policy on the sales side on the PPA of what price have we...

Manoj Maheshwari: PPA guarantees we have 15.5% post-tax return on equity. So as and when the coal prices go up there are certain norms on which they fix station heat rate, they fix your oil consumption, they fix your depreciation, they fix your interest charges, then the total capital that has been capital cost of the plant and after that they will factor at 85% PLF and then arrive at a per unit tariff. And the tariff will be such that tariff minus cost, minus depreciation, minus interest, minus tax will give you a 15% post-tax return on equity.

Achal Lohade: Understood. Is it a similar we have entered in to for the 1980 megawatt plat agreement?

Manoj Maheshwari: Yes. But we are not playing merchant game here at all. Both are 100% PPA guaranteed off takes.

Achal Lohade: Okay. And for the 1980 megawatts we have signed the fuel supply agreement or it's just the MOU has been signed sir?

Manoj Maheshwari: As far as the 1980, everything is done. We have already placed orders with BHEL, etc. Are you talking about the first 1980 or the second?

Achal Lohade: First 1980 sir.

Manoj Maheshwari: First 1980, there is no question of our signing fuel supply agreement because the standing committee has not yet met for coal allocation. So as and when they meet, I'm sure, like I had explained earlier in the call that our application is already with them and we do require the coal only 4 years from now. I can only go by precedence, I have already received coal and executed a fuel supply agreement for the 450 megawatts.

Achal Lohade: Okay. And we hold sir 51% in the Bajaj Energy company, just wanted to know the balance is held by the promoter group companies.

Manoj Maheshwari: Yes.

Achal Lohade: You said that the incremental equity infusion would be just 50 crores, not much at least in current year or probably the next year. Sir you have mentioned that the cost is 28-28.5 assuming that Rs. 240 SAP we pay out. Is it net of byproducts, gross of byproducts, and what realization?

Manoj Maheshwari: Net of byproducts.

Achal Lohade: And what would be the realization we have assumed for this byproduct.

Manoj Maheshwari: About Rs.3 per kg of sugar equivalent could be the overall benefit in term of byproduct sales.

Achal Lohade: Okay. And that is for about 11 million odd tonnes of cane crushing?

Manoj Maheshwari: That's correct.

Achal Lohade: So we are seeing about 8% to 10% increase in the cane crushing for the current year?

Manoj Maheshwari: Absolutely. Because we believe India is going to produce 25 million tonne to 26 million tonnes Bajaj Hindustan may have a proportionate share in that increased production.

Achal Lohade: Right, these consolidated number for September 2011, we include the power subsidiary numbers as well sir?

Manoj Maheshwari: Yes of course.

Achal Lohade: Okay, that's all from my side, thank you.

Moderator: Thank you for your question. We have next question from Mr. Gaurav from Arrow Capital. Please go ahead sir.

Gaurav: Good evening sir.

Narayan Raman: Good evening.

Gaurav: Could you please tell me what is the exact foreign exchange liability that we have as on date and is that position hedged or unheeded?

Narayan Raman: It is Rs.1044 crores.

Gaurav: This is 1044 crores and this would be as on 30th September?

Manoj Maheshwari: Yes.

Gaurav: So this would be at what exchange rate?

Narayan Raman: It will be traded as of 30th September what will be the exchange rate?

Gaurav: Sir I am trying to asses with if this position open, have we hedge this position and if it is 1044 crores, what is the equivalent US dollar amount please.

Manoj Maheshwari: It's about \$220 million (sanctioned).

Gaurav: Okay so US Dollar is \$220 million and 1044 as on 30th September and is it hedged is it unhedged?

Narayan Raman: The Yen position is hedged the Dollar portion is open.

Gaurav: Dollar is opened, Yen is hedged, okay. If don't mind I didn't get that. USD is 220 million and plus Yen, what is the Yen expenses?

Narayan Raman: US \$80 million equivalent is Yen which is hedged and the balance is dollar denominated which is open.

Gaurav: So 140 is dollar denominated open?

Narayan Raman: Yes.

Gaurav: So obviously we still as on date tend to lose because we have seen depreciation in the last two months again?

Manoj Maheshwari: Yes.

Gaurav: And sir next question pertains to the long pending subsidies from state government, sir is there any development on back?

Narayan Raman: You are talking about sugar promotion policy?

Gaurav: Yes sir.

Manoj Maheshwari: No there is nothing there.

Gaurav: So we are its just wait and watch?

Manoj Maheshwari: Yes.

Gaurav: And also there are many litigations with the cane prices over a couple of years. See when there is no development and it all just kept....

Manoj Maheshwari: We have no viability so far as any previous litigation or order of the court is concerned. It is that the recent price which is announced by the UP state, that has been contested by the UP sugar mills association.

Gaurav: Which is that you are not a party to but you will take it as it goes.

Manoj Maheshwari: Absolutely.

Gaurav: So we have no prior liability of any case here?

Manoj Maheshwari: No.

Gaurav: And just as far as the state government goes the subsidies which are yet to come in which haven't come in pending this budget.

Manoj Maheshwari: And I don't think that the state government is in a great hurry to revisit the matter either.

Gaurav: So how are we planning to tackle that because the amount would be quite large, what is the amount approximately?

Manoj Maheshwari: So it was 10% of the total investment that we made, that was supposed to have paying subsidy for.....practical purpose is considerably not going to come because the policy has been stuck.

Gaurav: Right.

Manoj Maheshwari: Again Rs. 1 from the Rs. 1 bonus for me.

Gaurav: Right. And there was some recurring amounts which were...

Manoj Maheshwari: Nothing.

Gaurav: All right, okay. Thank you sir.

Narayan Raman: Just a minute I will just correct it. Total amount of ForEx borrowing is not 205 million just US\$194 million out of which \$80 million is in yen and balance is in US Dollars.

Gaurav: So 114 \$million is the open unhedged position of us?

Narayan Raman: Yes.

Gaurav: Thanks sir.

Moderator: Thank you for your question. We have next question from Mr. Karthik from Trident advisor. Please go ahead sir.

Karthik: Can you give us some outlook on your import product positions then Bajaj Eco Products.

Manoj Maheshwari: Bajaj Eco-tech division is being floundering obviously. And if you ask me, for the next 12 months also we don't see any great bright light at the end of the tunnel. So our job there would be to try and look at a very tightly run operation so that we start minimizing losses and achieve cash breakeven first. It's the whole point there has been because the plywood prices itself has not yet corrected from the steep fall that they had over the last two years.

Karthik: Okay have the production fully stabilized and you...

Manoj Maheshwari: Production was stabilized even for the last year.

Karthik: Okay so if you are saying the problem is a pricing problem.

Narayan Raman: Absolutely. And there is lot of dumping from China and Malaysia. Anti-dumping duty has been imposed. The general domestic market plywood prices have also collapsed to the extent of 70% and I don't think they have recovered even 50% of that fall.

Narayan Raman: Secondly bagasse prices off late have also increased.

Karthik: Thank you.

Moderator: Thank you for your question. We have next question from Mr. Josaya from Monarch. Please go ahead sir.

Josaya: Good evening gentlemen I just want to had a couple questions about balance sheet and I just needed to double check it and just want to ask when we expect to be post the balance sheet but, what I heard earlier, I believe there is 3700 crore of total gap approximately 580 million of cash and if you could confirm that, and then If you could just also breakout of how much of that is foreign currency that if you could just break up how much of that is working capital facility is and then I apologize I am new to following your company with regard to a cash that is currently in the balance sheet how much of that is which you are likely to ultimately committed to debt pay down as opposed to just reinvesting in the business or reserve?

Manoj Maheshwari: See my debt as on 31st of September was 5196 crores gross debt. I had 585 crores of cash in banks which is primarily committed towards debt right down both in the form repayment of installments due on the terms loans as well as reduction of my working capital. Now 1430 crores of rights issue proceeds is what we will do to write-off debt. Out of this 1430 crores, as of date we have already utilized 1145 crores has been paid off.

Josaya: So we have 1145?

Narayan Raman: Yeah.

Josaya: And that's post balance sheet correct?

Manoj Maheshwari: That's post September yes. So post these pay down our current debt stands at 3181.7 crores. And this will be our net debt. Our net worth is 4619 crores.

Josaya: Sir once more, the net debt is 4581?

Manoj Maheshwari: 3181 is the net debt. This is on a standalone basis. If were to consolidate my subsidiaries without the power subsidiary the same figure will stand at- 3297.8 crores and my net worth will be 4371.41 crores translating into a debt equity of 0.75.

Josaya: Okay. So I apologize for asking a rehash.

Narayan Raman: Please feel free to ask any questions and my email is nraman@bajajhindusthan.com. In case any of the participants have a follow up question, please do not hesitate to drop a mail.

Josaya: The balance sheet when do you expect to be posted

Narayan Raman: Balance sheet, yes we would be able to make available to you.

Josaya: Great okay. Thank you.

Moderator: Thank you for your question. We have next question from Mr. Girish from Morgan Stanley. Please go ahead sir.

Girish: Sir one small question actually on the shares. I think we had about 37 million shares which were coming out of BHSIL merger. So we had 191 plus 37 that added up to 228. Now just wanted to understand that, 37 million shares remain as it is and they did not participate in the rights proceedings, is that right?

Manoj Maheshwari: Yes right. 31.1 million shares.

Girish: 37 right? 37 million shares were which were created in the BSE front?

Manoj Maheshwari: No this is 31.1 million. I have Pradeep, the Company Secretary. He will give you the numbers.

Pradeep: Girish out of the total shares arising out of the merger, the treasury shares were to the extent of 3.11 crores. 3.7 crores was the total which also included share to be issued to other shareholders. So 3.11 crores which were the treasury shares and they did not take part in the rights issue.

Consequently, their percentage holding from the earlier level of around 16% had reduced to 4.5% to 5%.

Girish: Okay. Understood sir. Thank you very much.

Pradeep: Thank you.

Moderator: Thank you for your question. We have next question from Mr. Achal Lohade from JM Financial. Please go ahead sir.

Achal Lohade: Thank you for opportunity. I had one question actually just follow-up question to the earlier the participant asked Sir you have mentioned that there about 3.71 crores shares or 3.71 million shares?

Pradeep: It issued out of merger exercise was 3.7 crores.

Achal Lohade: 3.7 crores?

Pradeep: 3.11 crore to the trust.

Achal Lohade: to the trust?

Pradeep: Yeah.

Achal Lohade: Sir if I look the September 10 balance sheet, I see that we have about 693 crores of the interest in the beneficiary trust. Just wanted to understand is that in relation to that 3.11 crores shares?

Narayan Raman: Yes correct.

Achal Lohade: So I were just trying to understand sir in terms of the valuation, the 700 crores if you just try to divide the 3.11 crores shares, I arrive at 200 kind of number. So number 1 question is basically, doesn't it get set off while consolidating and number two, this Rs. 400 how does it works, I mean just to understand from the accounting point of view.

Manoj Maheshwari: Actually during the amalgamation process the valuation of shares of BHSIL side as well as BHL was done by two independent chartered accountants on the basis of this swap ratio was worked out. And according to that this exchange ratio worked out and these 3.70 crores shares were allotted and 3.11 crores shares were came through BHSIL Trust. As far as current market value if you see it is Rs. 224. However, the market value for most of the shares in the market as well as sugar stock has gone down so it depends upon the valuation.

Narayan Raman: Al right sir. Thank you so much.

Moderator: Thank you for your question. Sir further we don't have any question.

Narayan Raman: Thank you everyone for participating in this call. We would be more than happy to answer any follow-up queries that you may have and please feel free to drop either me or Mr. Manoj Maheshwari a mail regarding the same. Thank you very much.

Narayan Raman: Thank you very much.

Moderator: Ladies and gentlemen this concludes your conference for today. We thank you for your participation and for using TATA Docomo conferencing services. You may now disconnect your lines now. Thank you.