



## Shree Renuka Sugars Limited

Standalone results for Quarter ended 31<sup>st</sup> December 2012 Conference Call Transcript  
February 01<sup>st</sup>, 2013

### **Moderator**

Ladies and gentlemen good day and welcome to the Q3 FY13 earnings conference call of Shree Renuka Sugars. We have with us today Mr. Narendra Murkumbi – Vice Chairman and Managing Director and Mr. K K Kumbhat – Chief Financial Officer. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing \* followed by 0 on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to hand over the conference to Mr. Narendra Murkumbi. Thank you and over to you Sir.

### **Narendra Murkumbi**

Good evening friends. Thank you for dialing into our conference call. We announced our third quarter stand-alone results on 31<sup>st</sup> January. And as you can see there has been a significant improvement in operating profit. EBITDA is higher by 75% over last year. The main two segments that have been responsible for the growth in earnings are the refinery division which is now working at close to 100% of its rated capacity and the power division where we not only had more power from the mills but also we co-generated power from our refinery operations. We have a total revenue of Rs. 18,488 million for the quarter. Going forward we expect to maintain a similar pace of operations in the refinery division.

We started our cane division earlier this year. Due to poor rain, the cane crop in Maharashtra and Karnataka is in a stressed condition and we have brought forward the crushing so that we finish the season early. Therefore, unlike last year, when the season finished in April we expect most of the factories in Maharashtra and Karnataka including ours to close in February and a few will carry on into the first half of March.

In our opinion we are witnessing a seasonal dip in the domestic prices for two main reasons, firstly, due to peak crushing season and secondly, the Government has amended its monthly release mechanism system which has been continuing for decades. Right now the domestic sales are covered by a four month release order where the mills are free to sell certain quantities between December and March 2013 and therefore it is almost like a free market. The market is adjusting to that. Therefore, we expect that in future this difference between sugar prices in the season and off season will widen compared to the old restricted system of monthly quotas.



Coming to other main policy development with respect to ethanol – after a delay of almost two years the Government of India has decided on its fuel ethanol policies and accordingly the cabinet had a decision on 21<sup>st</sup> of November 2012 and followed by gazette notification on 2<sup>nd</sup> of January 2013 where essentially the Oil Marketing Companies are mandated to blend petrol at a minimum average rate of 5% across the country. However, they have been provided with the flexibility that they can blend up to 10% petrol in the states where ethanol is easily available and blend less or even zero in states where ethanol is not available. As a follow up of the gazette notification, we have seen a tender being floated by the oil marketing companies for a quantity of 1.4 billion liters and the period of supply was March 2013 to February 2014. The tender closed on the 28<sup>th</sup> of January and we are expecting the results of the tender in the next week. SRSL is also one of the bidders in that tender.

Coming to the policy moves on the C. Rangarajan report, I am quite hopeful that we will see rapid action on two points: One is on the release mechanism on which I think there is a general view that there need not be any release order mechanism to control monthly sales in India from the 1<sup>st</sup> of April of 2013. Also, we have seen in the last 30 days that the exports have been freed up. At the moment this is a moot point given that domestic prices are almost 30% higher than world prices. But it does remove an element of un-certainty that has always been in the sector regarding its ability to manage surplus and deficit. Further, we are hopeful that there will be some decision on the change in the levy mechanism. There has been consultation by the Central Government with the State Governments and we are expecting some decisions in this regard during the current quarter, probably in February. These are the two main recommendations of the C. Rangarajan committee on which we are seeing steps have been taken.

Coming to the outlook for our Indian business, as I said earlier the season for the cane milling side will end early. On the ethanol we see a strong demand situation both from fuel ethanol as well as from the traditional consuming sectors. Currently we are operating the Kandla refinery for export and that will continue at least for the next 3 to 4 months. Haldia is operating in import mode and it is a much more viable operation for supply of sugar to West Bengal and the North-East at the current parity given that domestic prices are far higher than the world price.

Coming to the International sugar situation, I think 2013 is a year of surplus. However, recently we have seen that the size of the surplus has started shrinking. This is a result of two factors. World price is around USD 18.5 cents/lb which is a two year low and lot of countries are buying more sugar than normal as they are restocking and building up stocks from very low level which we have been seen in 2011 and 2012. Also we feel that at current levels in Brazil it is now better to make anhydrous ethanol rather than sugar. Therefore, a big part of this surplus visible in the rest of 2013 will actually not be created because the juice



will get diverted more towards ethanol. Also, in the last two weeks the Brazilian Government had increased the price of gasoline by 7%, which means that the price that the car owners are willing to pay for fuel ethanol has increased by a like amount and secondly they have also announced that they will go back to a 25% blend of ethanol with gasoline from the 1<sup>st</sup> of May 2013. So, between these two policy announcements we expect that the disappearance or non-production of about 3 - 5 million tons of sugar which will now be instead converted into ethanol.

Coming to our own Brazilian operations, firstly I would like to apologize for the late release of our numbers for the September-12 quarter. We have ended the season in early January and we have had an overall 15% increase in the total crushing. We have crushed 9.5 million tons of cane in this season in line with what we had guided in the earlier call. In addition, because yields are better than expected we have about 350,000 tons of cane left over which we will crush at start of the new season in April 2013. The outlook for the cane crop in Brazil is significantly better. Weather has been normal. There has been a lot of replanting across the industry. We expect a cane crop of about 585 million tons of cane as against about 530 million tons which was crushed in the 2012-13 season in Centre-South Brazil. As I explained earlier, given the current price parities we expect about two-thirds of this additional cane which is going to be crushed in Brazil in 2013 to be converted into ethanol and not into sugar. Therefore, the Brazilian sugar production in Centre-South Brazil could rise from 34.1 million tons in 2012 to about 36.0 million tons in 2013. Given the strong support and additional demand we see for ethanol at current levels of sugar price, we see very strong price support for sugar between USD 17.5 cents/lb to USD 18.5 cents/lb. And on the up side I think diversion to ethanol will start getting lower if sugar prices start trading at about USD 21 cents/lb or USD 22 cents/lb. For the year 2013 we see a range of between USD 18 cents/lb to USD 22 cents/lb for the world market. Brazilian Real(BRL) continues to be pretty weak and it is about 2.0 BRL/USD as opposed to about 1.80 BRL/USD in the end of March 2012 and this is a significant factor that is helping the competitiveness of the Brazilian production even despite a correction in the dollar price of sugar.

In India, given our higher operating parameters now, as you can see from the revenue side, we are able to sweat our assets much better. We can see margin expansion in the next two to three quarters as we move from the season to the off season period. The domestic market sentiment and would start being driven by the outlook for the next season where, in our estimation, the crops could be significantly lower than the current season. With margin expansion at a much higher pace of operations, we expect a much better operating leverage. We have also been able to reduce the capital usage in the business to below Rs. 50,000 million and our total debt currently is below Rs. 30,000 million and we expect further



improvement as we go on. And that should significantly decrease our interest cost in the coming quarters. On the whole in India we see significantly improved parameters.

In Brazil while we have had a better year than the previous years we are still making losses at the bottom-line. However, I am confident that FY 2013-14 should be a break-even year for our Brazilian operations. That is the aim of the management and that is the path on which we are currently working. In addition, we continue to look for opportunities to de-leverage our Brazilian balance sheet. We were not successful despite our best efforts in 2012. But given the better industry outlook in 2013 and especially the ethanol side, we will be trying again now and do the best possible efforts we can to de-leverage the Brazilian balance sheet. With these few words I would like to throw open the floor for the Q&A session and hand it over to the moderator.

#### **Moderator**

Thank you very much sir. We will now begin the question and answer session. We have the first question from the line of Girish Achhipalia from Morgan Stanley. Please go ahead.

#### **Girish Achhipalia**

Firstly I just wanted to understand from you what is the number of imports that India has seen in this season starting October 2012?

#### **Narendra Murkumbi**

Right now, there are two types of imports done mainly being by us and little bit by others. The total imports arrival into the country is about half a million tonnes as of 31<sup>st</sup> December i.e. from October 2012 to December 2012 of which only about 170,000 tons has been cleared for domestic consumption. That is entirely at our refinery in Haldia. The remaining is actually for re-export both by us and by other 2 to 3 smaller importers across the country. The gross import numbers are actually misleading because you have to also see the large amount of exports that are going out of our country. From our own refineries the total export last quarter was about 210,000 tons

#### **Girish Achhipalia**

Any outlook on what is likely to happen in terms of import duties that the industry is lobbying for and what is the status of the same ?

**Narendra Murkumbi**

We are not aware of any moves to change the import duty. Firstly there is an import duty so there is protection for the domestic producers. The domestic prices are about 30% higher than world price today. Even if you see the recommendations of the C. Rangarajan Committee they are talking of keeping export open and also to keep import duty in a reasonable band of 5% to 10%. In this context I do not see why there should be any change in the policy. Most important thing in terms of outlook is that it is well acknowledged that planting is very poor in large parts of the sugarcane belt mainly Maharashtra, Karnataka and Tamil Nadu. There is definitely going to be a significant reduction in production next year. The Joint Director for sugarcane in Maharashtra was quoted recently as saying that he expected the crop to fall by one-third again next year in Maharashtra which itself would be a drop of 2.3 million tons. So given this context I would rate it unlikely that there would be any tinkering with the import duties until the monsoon at least.

**Girish Achhipalia**

In Maharashtra if you are talking a drop from 9 million tons to 7 million tons and then another drop that has been quoted which is on account of water. I just wanted to understand that in acreage terms anyway this year the acreage would have gone up. So, what exactly is happening on the ground or is expected? Are we suggesting that there will be no planting or are we suggesting planting in two crops like cotton etc or the sentiment is low in Maharashtra or something else?

**Narendra Murkumbi**

Last year the planting was same as the previous year. However the current yields are much lower than last year and that is why the total production is expected to be about 6.8 million tons versus 9.1 million tons in the previous season. Now if you look at the planting for this year, almost 40% of the crop needs to be replanted and the current replanting rates are about half of what is required to reach that level. That is where you will have a significant reduction in acreage in these three states where there is a water problem for the 2013-14 season.

**Girish Achhipalia**

Sir where in your view does this move to? Does this move to alternate crops or does this mean that these farmers do not do business because water is an issue for all crops?



**Narendra Murkumbi**

In some cases they will have a little water where they can take a short duration crop of 3 or 4 months. Other case is that there is no position to plant any crop at all.

**Moderator**

Thank you. The next question is from the line of Nirav Shah from Antique Stock Broking. Please go ahead.

**Nirav Shah**

Sir, what is the average cost of production for both our companies? And how does that compare with the Centre-South region in Brazil?

**Narendra Murkumbi**

Last year in RdB, cash cost is about 18 cents/lb and for RVDI it is about USD 15.5 cents/lb. The Brazilian average at last year yield was about USD 16.5 cents/lb whereas at normal yields it is expected to be close to USD 15.5 cents/lb. So, RVDI is actually better than average and RdB is worse than the average.

**Nirav Shah**

Can we assume that around 40% to 50% of the industry would be under stress at these prices and at these USD/BRL exchange rates.

**Narendra Murkumbi**

There is a considerable stress in the industry especially for those who had not been able to hedge or commit their sugar forward. Also if you see in the last year those who made ethanol were doing worse than those who had a high mix of sugar. Therefore, the product mix is also equally important.

**Nirav Shah**

Now since the fall in sugar prices is quite sharp, is there any change in the strategy to increase the sourcing for the third party purchase especially for RdB so that at least we make some money on that?

**Narendra Murkumbi**

We are having both third party planting i.e. farmer planting as well as our own planting for the coming year.

**Nirav Shah**

I think the plantation mix for the last year was 65% from our own planting, so how does this alter for the next year?

**Narendra Murkumbi**

In order to bridge the gap between last year capacity utilization of 75% and our target of 100% we are encouraging third party planting in addition to our own planting. The mix will go down but not dramatically.

**Nirav Shah**

On the India operations front, we know that next year Maharashtra and Karnataka both are going to be equally bad considering the water availability issues. Is there any strategy to build up on the imports because the prices are remunerative even at 10% import duty and next year anyway our manufacturing volumes will be down? Also how do we offset the volumes in the domestic market because even this year the refining contribution has been quite high ?

**Narendra Murkumbi**

I think we see a good outlook for our refinery business for the next two years. In our opinion India would need between 3 to 4 million tons of import over two years i.e. this season plus the next season. And as the most efficient refiner in the country we would expect to get the highest share of those imports. I think the volume being so large there is no conscious strategy or we are not taking a view on our inventory at the moment. We do not see the prices running away in the world market given that there is a significant surplus.

**Nirav Shah**

And on the cane cost, what are we paying?



**Narendra Murkumbi**

The cost of cane in Maharashtra and Karnataka delivered to the factory is about Rs. 3,000 per ton this year which is an increase from a level of about Rs. 2,500 per ton last year. And this has to be adjusted to an average recovery of about 11% so our cost of cane per ton of sugar is about Rs. 27,000 per ton.

**Moderator**

Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.

**Achal Lohade**

In terms of the hedging, currently what is the status on our Brazilian subsidiaries and at what exchange rate ? Or is it kept open?

**Narendra Murkumbi**

We have hedged about 50% both RVdI and RdB of our maximum sugar production at the rate of about USD 21 cents/lb and the exchange rate is about 2.07 BRL/USD on these hedges. The rest of the sugar we have kept open. Our expectation is that we will be producing much more ethanol than the previous years and therefore we may not need to produce more sugar than what we have already hedged.

**Achal Lohade**

By and large whatever sugar volume we are expected to sell in FY 2013-14 is already hedged. Is that correct understanding?

**Narendra Murkumbi**

I would say more than 80% of that is hedged provided we maximize the production of ethanol which is what the market is going towards in terms of relative pricing.

**Achal Lohade**

Would it be possible to give any guidance, last season we had crushed 9.5 mn tons, what is the outlook for the coming season?





**Narendra Murkumbi**

We are firming up the yield estimates. This year of course we had a positive surprise in RdB in terms of the yield. By the end of February, we will be in a position to release a number for the coming years.

**Achal Lohade**

Would it be possible to also share if it is hedged at USD 21 cents/lb, what is the EBITDA per ton of cane we would target?

**Narendra Murkumbi**

At that price and 60% sugar mix, at average yield our cost would be about USD 16 cents/lb.

**Achal Lohade**

And in terms of EBITDA per ton because I think there is a co-generation angle also involved. I am just trying to figure out as to what is theoretical EBITDA for our Brazilian operations. If it is 10 – 10.5 million ton, last time at USD 24 cents/lb – USD 25 cents/lb we were targeting USD 25 per ton of cane profitability at EBITDA level.

**Narendra Murkumbi**

Even at lower prices now prevailing, we are talking of about BRL 40 per ton i.e. about USD 20 per ton.

**Achal Lohade**

Last time we had guidance for about 4.2 million ton of cane crushing in our Maharashtra and Karnataka operations. What is the outlook? Are we reducing the target? How do you see it for the next year moving?

**Narendra Murkumbi**

This year it will be between 4.3 million tons to 4.4 million tons of cane as against 4.9 million tons last year. For next year definitely cane registration (which is the recording of the planted cane) in our region is lower. We will have a complete picture towards the end of March but definitely it is looking much lower.

**Achal Lohade**

We have been talking about the de-leveraging part. Just wanted to get a sense in terms of the Brazilian company, with the operating cash flows do you see more plantations to raise up to 100% capacity and when you say we are encouraging third party cane are we supposed to give any help or assistance to third party suppliers for the cane?

**Narendra Murkumbi**

Firstly, let me clarify, despite a loss at the PAT level, RdB is still positive on cash basis for the year and we have been planting our own cane. The advantage in third party cane is we give minimum support to them compared to our own cane where the initial first year planting capex is USD 2,500 per hectare. For supplier cane, we give them cane to be used as seed etc. advance and the total cash flow is only about USD 500 per hectare. Once you support they have to invest for their own cane. So, combination of both should accelerate us to 100% of our capacity within one more year.

**Moderator**

Thank you. The next question is from the line of Sanjay Manyal from ICICI Direct. Please go ahead.

**Sanjay Manyal**

Can I know the consolidated debt level and the stand-alone debt level and the debt levels at the RdB and VDI separately?

**KK Kumbhat**

In India our total debt which was close to about Rs. 43,281 million as on 31<sup>st</sup> March 2012 has gone down to Rs. 29,853 million as on 31<sup>st</sup> December 2012 and as on 1<sup>st</sup> February it has further down by Rs. 1,300 million. So today in India we have outstanding debt of about Rs. 27,540 million and in the Brazilian debt there is just small reduction but total is about Rs. 47,800 million in Brazil.

**Sanjay Manyal**

The reduction in debt is from the working capital side or it is long-term debt reduction?

**KK Kumbhat**

It is a little of long-term debt and the balance is working capital. Long-term debt reduction is about Rs. 1,500 million.

**Sanjay Manyal**

On the crop front you said that 9.5 million tons has happened this year in Brazil. Would it be fine to assume that there will probably be a reduction from here in terms of volumes crushed of sugarcane in Brazil? Because as you said that there would be a drop in the sugarcane production probably next year.

**Narendra Murkumbi**

Brazilian crop is actually in very good condition. So we and the rest of the industry will have a bigger crop in season 2013-14. The reduction I was talking about was in the states of Maharashtra, Karnataka, and Tamil Nadu for next season. We will have significantly more crushing in Brazil in the coming season but we are not declaring a number today. We will do that by the end of February.

**Moderator**

Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.

**Bhavin Chheda**

Regarding the ethanol blending policy if I heard correctly you said that blending is mandatory only in the states where ethanol is available which you mean that 5% blending is applicable to only sugar producing states and not elsewhere?

**Narendra Murkumbi**

The mandate says that the total blending to be achieved is 5% of national consumption which is about 1.2 billion liters. Now that can be achieved either by blending 5% across the country or the oil companies for logistical reasons or commercial reasons can decide to blend up to 10%, in some states and 0% in the other states. We therefore expect that the off take for ethanol will be at 10% blend level in states like Uttar Pradesh, Maharashtra, and Karnataka where there is significant production of ethanol and it will be 0% in some of the other states which are difficult to reach logistically.



**Bhavin Chheda**

So roughly 1.2 billion liters of ethanol will be bought by the OMCs. I was trying to do some calculations on the distillery capacity with sugar companies in India so if I have not mistaken the total distillery production across India should be 140 – 150 crores liters?

**Narendra Murkumbi**

The production last year was 250 crore liters. Here with a smaller crop and less molasses it should be about 220 crores liters. Of course there is also use for portable purposes and there is a use for making chemicals. Therefore in the new policy the government has recognized that you probably cannot get all the ethanol at one go from the domestic sources. But whatever is not available domestically, oil companies are free to import and the mandate is compulsory whether it is met by domestic sources or needs to be met by imported sources.

**Bhavin Chheda**

So currently out of this 220 crore liters as ethanol sales would be what number, 20% of this or?

**Narendra Murkumbi**

Because the policy has been on start-stop for the last 3 to 4 years it is difficult to say an average number. Even for this year now that the whole decision has been made, notification, tender and almost half the season is over. So we will see. I think in the first year there may not be enough ethanol from the domestic sources. As the policy settles down I expect that domestic supply will increase year-on-year.

**Moderator**

Thank you. The next question is from the line of Rahul Agarwal from VEC Investments. Please go ahead.

**Rahul Agarwal**

I have two questions. First on the de-leverage part of the Brazil operations. Apart from the power plant sale what other option do we have in terms of de-leveraging?



**Narendra Murkumbi**

Our first preference is to do that because these are capital intensive assets. The price of power in Brazil has also doubled in the last 6 months and now it is trading at a comfortable level, margin-wise. We are also open to selling a minority stake in our Brazilian operations.

**Rahul Agarwal**

So selling of minor stake would be, it is like holding company for RdB, RVDI or it will be separate.

**Narendra Murkumbi**

I think the exact configuration depends upon discussion. I don't want to speculate at an early stage.

**Rahul Agarwal**

After the mandatory blending policy, will it shift only to a pricing game? Like earlier we used to get Rs. 27 – Rs. 28 per liter and now Rs. 35 per liter or is it also going to be a volume increase substantially, let's say, is there a possibility that there is a swing capacity in India also to swing it from sugar to ethanol like in Brazil or no?

**Narendra Murkumbi**

In the old policy, the attempt was made to have a price formula and the committee gave a price formula but that was considered finally to be unworkable. So now the price will be set by the market and by the tender. Given that the ultimate competition and marginal supplies will come from overseas, we must be conscious that the import parity price today is about Rs. 46 per liter at the distillery. In the next 6 to 7 days we should have an indication of the quantity and price of the tenders because the tenders are already closed on 28<sup>th</sup> of January. Secondly, I do not expect production swing towards ethanol right now because even if you take a hypothetical price of Rs. 46 per liter, sugar is still the better paying product per ton of sucrose.

**Moderator**

Thank you. We will take the next question from the line of Aman Sonthalia from Suvridhi Capital Markets Ltd. Please go ahead.



**Aman Sonthalia**

What is the production outlook for Maharashtra and Karnataka for the current year and for the next year?

**Narendra Murkumbi**

In Maharashtra this year we have seen production of about 6.8 million tons as against 9.1 million tons in the previous year. In Karnataka we expect a production of 2.8 million tons versus last year production of 3.8 million tons.

**Aman Sonthalia**

And for next year, sir?

**Narendra Murkumbi**

We have not yet formulated a number but we can see that planting is significantly lower given that almost 40% of the existing cane acreage has to be replanted this year and we are almost towards the end of the planting season. Current re-planting rates are half of what is required. We could see a substantial shrinkage in the total area under cane in these two states. Also, in the state of Tamil Nadu which is similarly facing drought conditions.

**Aman Sonthalia**

Sir, as you are saying that by the end of this month most of the sugar factories are shut down in Maharashtra so do you think that 6.8 million tons is the achievable target or it will be lower than that?

**Narendra Murkumbi**

We have done about 4.8 million tons so far. At this moment that is the estimate we are still maintaining.

**Moderator**

Thank you. We have the next question from the line of Girish Achhipalia from Morgan Stanley. Please go ahead.



**Girish Achhipalia**

You said the import quantity for the domestic use is about less than 0.2 million tons. Just wondering if you can share some light on how the domestic prices have dropped 10% since the start of the season especially in the context when we had news flow on physical inventory being lower than the reported inventory and arguably the consumption is obviously much higher at this time of the year.

**Narendra Murkumbi**

Firstly in winter the consumption is seasonally low. Secondly, the industry is working in a system where sales are actually now freer than they had been for the last 30 years which means that you have four months quota and people can sell as they need for cash flows. Given these circumstances I think that the prices have held up quite well and the price dip is very seasonal in my opinion.

**Girish Achhipalia**

Sir how does it shape up now in the next 3 to 4 months?

**Narendra Murkumbi**

If you see given that significant part of production will be finished by end of February. Cash flow pressure on the smaller companies which are strapped for capital should peter out by the end of March. That is when the summer demand starts for sugar which is higher than the winter demand and therefore we expect an improvement in price outlook from March onwards.

**Girish Achhipalia**

So winter demand would include all the festive season?

**Narendra Murkumbi**

As you have seen in October in fact the prices are higher than what they are today by almost Rs. 2,000 per ton. Prices have dropped only in the middle of December and they continued to be weak now in January. These are the peak production months. I mean January production will be more than 6 million tons in a single month and consumption will be 1.8 million ton.



**Girish Achhipalia**

In terms of plant acreage in Brazil what is the outlook for us for the next year? Or how much planting are we doing at the fresh level?

**Narendra Murkumbi**

Our own target is about 18,000 hectare. In addition since the yields have improved, there is a quantity of cane available which is not committed to other mills. So we are assessing the quantity. We are negotiating with the third party suppliers and we will have a firm estimate by early March on how much cane will be there but I can say right now it will be significantly higher than what we crushed in the previous year.

**Girish Achhipalia**

The CAPEX here per acre would be how much?

**Narendra Murkumbi**

Our own planting is USD 2,500 per hectare. Most of it has already been completed.

**Moderator**

We have the next question from the line of Arun Baid from IDBI Capital. Please go ahead.

**Arun Baid**

I just wanted to know what is the current landed cost of imported raw sugar in India?

**Narendra Murkumbi**

The landed cost of raw sugar today is about Rs. 24,000 per ton.

**Moderator**

We have the next question from the line of Rakesh Sheth from GEPL Capital. Please go ahead.

**Rakesh Seth**

Just about ethanol, are you going to have surplus in Brazil enough to import to India?





**Narendra Murkumbi**

Last year Brazil exported about 3 billion liters of ethanol. As I said, currently the world sugar market has 6 million tons surplus and ethanol demand in Brazil is going to be up by 2.6 billion liters. The market is already solving the problem because it has brought sugar prices below ethanol prices. At this level in fact you expect that 6 million tons of sugar to get converted to 4 billion liters of additional ethanol and that probably is the solution to this world sugar surplus. It has happened in the past. You need the right price signal. I think the price signal has already been given by the world's sugar futures market well in time and well in advance of the start of the production in Brazil (which will start in April 2013). That is why I mentioned before also that it is unlikely that sugar prices will drop more from the current level which is already incentivizing production of additional ethanol.

**Rakesh Seth**

Is it viable to import to India?

**Narendra Murkumbi**

Well as I said current landed parity is Rs. 46 per liter.

**Moderator**

Thank you. That was the last question from the participants. I would now like to hand the floor back to Mr. Narendra Murkumbi for closing comment.

**Narendra Murkumbi**

Thank you so much for attending our conference call.

**Moderator**

Thank you Sir. Ladies and Gentlemen on behalf of Shree Renuka Sugars that concludes this conference call. Thank you for joining us.



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