"E.I.D.- Parry (India) Limited Q1 FY '27 Earnings Conference Call"

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MODERATOR: **MR. SANJAY MANYAL – DAM CAPITAL ADVISORS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the E.I.D.- Parry (India) Limited's Q1 FY '27 Earnings Conference Call, hosted by DAM Capital Advisors.

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. Should you need assistance during the conference call, please signal the operator by pressing *, then 0 on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sanjay Manyal from DAM Capital. Thank you and over to you, sir.

Sanjay Manyal: Hello, everyone and a warm welcome on behalf of DAM Capital to the Q1 FY '27 Earnings Call of EID Parry. We thank EID Parry's management for giving us this opportunity to host this call.

On the call today, we have Mr. Muthiah Murugappan – Whole-Time Director & CEO, along with the senior management team of EID Parry. I hand over the call to the management for opening remarks, followed by Q&A session. Thank you and over to you, sir.

Muthiah Murugappan: Many thanks, Sanjay. A very good morning to everyone. I hope you are all doing well. It gives me great pleasure to be a part of the Q1 FY '27 Analyst Call to share an update about our financial results for the 1st Quarter.

I will start with the global sugar scenario:

Global sugar markets are transitioning from a surplus-driven bearish phase towards a more balanced outlook. According to the International Sugar Organization (ISO), the world sugar market is expected to record a surplus of 2.24 million metric tons (MMT) in 2025-26 compared to a deficit of 3.2 MMT in the previous year. This is largely driven by better global production of 182 MMT. However, weather concerns are increasingly supporting prices. London white sugar prices have recovered from lows near $404 per ton in early 2026 to about $471 per ton by July 2026. While raw sugar prices remain subdued around 14-15 cents per pound. In Brazil, a stronger sugarcane harvest has increased ethanol production and lowered domestic ethanol prices. Although more cane is currently being directed towards ethanol rather than sugar.

I will come now to the Indian scenario:

In Sugar Year (SY) 2025-26, the latest estimates are as follows: Gross production is 31 MMT. Diversion towards ethanol is a little over 3 MMT. Domestic consumption is 28 MMT. Exports are 0.8 MMT and closing stocks likely at 4.2 MMT. For SY 2025-26, the net sugar production is about 28 MMT up from 26 MMT in the previous year. This has largely been supported by stronger output in both Maharashtra and Karnataka, partly offset by lower production in Uttar

Pradesh. Domestic consumption as mentioned remains stable at 28 MMT while exports are at about 0.8 MMT. As mentioned, the closing stocks will also be about 4.2 MMT which is slightly lower than what was carried into the season. At the same time, sugar diversion to ethanol is about 2.9 MMT supporting the government's E20 program. While there has been a lot said about E20 program in the public domain, we expect that blend levels will remain at 20% for the foreseeable future.

On the sugar front, the El Nino conditions which are prevailing in the country coupled with tight inventories and a very steady demand have pushed sugar prices upward. In the current month, sugar prices have moved well north of Rs. 45-Rs.46 per kg. We will need to wait and see if these hold. Perhaps once crushing starts, it is very likely that there may be some correction.

I will now hand over to our CFO, Mr. Venkateshwarlu Y to take you through the operating performance of the company.

Venkateshwarlu Y: Thank you, Muthu and good morning to all participants. It is a great pleasure to be part of the analyst call and share the key operational and financial performance of the company.

I would like to take you through the key operating parameters of each segment:

During the quarter, we operated the Tamil Nadu units for about 54 days during the quarter against 37 days in the corresponding quarter of the previous year. We crushed about 1.47 lakh metric tons (LMT) of cane against 2.12 LMT in the corresponding quarter of the previous year.

As far as the gross recovery is concerned, we recovered 7.95% against 8.02% in the corresponding quarter of the previous year. We produced about 0.12 LMT of sugar during the quarter against 0.17 LMT in the corresponding quarter of the previous year. Overall, cane landed cost is about Rs. 4,031 per MT as against Rs. 3,844 per MT in the corresponding quarter of the previous year. This increase is mainly on account of the FRP which has moved up in the current year, which is about Rs. 3,550.

As far as the sales volume is concerned, we sold about 0.89 LMT of sugar against 0.56 LMT in the corresponding quarter of the previous year. Average sugar selling price was Rs. 40.02 against Rs. 40.97 in the corresponding quarter of the previous year. As far as the closing stock is concerned, we carry 1.1 LMT which is valued at about Rs. 42 as against 1.2 LMT in the corresponding quarter of the previous year. As far as the revenue is concerned, we achieved about Rs. 410 crores against Rs. 347 crores in the corresponding period of the previous year, an increase driven by the higher sales volume. So, all FRPs were paid as per timeline.

As far as the co-gen operations are concerned, we generated 180 lakh units (LU) during the quarter as against 221 LU in the corresponding quarter of the previous year. As far as the power exports are concerned, we exported about 89 LU during the quarter as against 122 LU in the corresponding quarter of the previous year. As far as the power tariff is concerned, the average rate realized is Rs. 4.89 per unit during the quarter as against Rs. 3.67 per unit in the corresponding quarter of the previous year.

As far as the power segment is concerned, we achieved about Rs. 6.6 crores during the quarter as against Rs. 7.53 crores in the corresponding quarter of the previous year. As far as the distillery segment is concerned, we produced about Rs. 351 lakh liters (LL) during the quarter as against Rs. 412 LL in the corresponding quarter of the previous year. So, we sold about 380 LL against 413 LL in the corresponding quarter of the previous year. Of these 380 LL, we sold about ENA 138 LL and ethanol 242 LL.

As far as the price realization is concerned, the average price realization is at Rs. 63.49 per liter as against the average realization of Rs. 67.59 per liter in the corresponding period of the previous year.

As far as Nutra is concerned, we achieved about Rs. 6.22 crores in the current quarter as against Rs. 6 crores in the corresponding quarter of the previous year. At a consolidated level, the turnover was about Rs. 61 crores as against the previous year's corresponding quarter of about Rs. 27 crores.

As far as CPG is concerned, we achieved a turnover of about Rs. 94 crores against the Rs. 188 crores in the corresponding quarter of the previous year.

As far as the PSRIPL refinery closure status is concerned, we had updated in the last analyst call that communication has been sent to all the statutory authorities about the closure and cessation of operations of the unit.

All bank liabilities are fully settled. As on date, there are no bank dues as far as PSRIPL is concerned. As far as the aspects relating to the SEZ unit exit, we received an in-principle letter around April 20, 2026, and we are in the process of debonding the entire unit and that is in the process. We are expected to close by September 30, 2026. As far as the funding is concerned, as approved by the Board, Rs. 610 crores have been infused into the PSRIPL to settle all the bank obligations, which has been closed. As far as the liquidation of plant and machinery is concerned, which is in progress, subject to the approval of the SEZ unit and denotification of the entire site. This is the update for Q1.

Thanks everyone. The floor is now open for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sanjay Shah from KSA Securities. Please proceed.

Sanjay Shah: Good morning, gentlemen, and thanks for the opportunity. Sir, my first question was regarding our consumer product division. Sir, revenue fell from Rs. 187 crores, but the loss narrowed down. So when do you expect CPG to reach quarterly breakeven? And if you could highlight upon or elaborate something to understand about our evaluating into that ethnic snacks and culinary convenience? Is it organic launches or is it through acquisition? And third, in the same division, regarding your new jaggery plant commissioning?

Muthiah Murugappan: Sanjay, very good morning. Thank you for your question. Yes, the CPG division revenue has fallen significantly. This has been on account of a recalibration of the model. So this is intentional. Our contribution margin pool, the absolute margin pool, however, has grown very well as we have focused on more margin accretive products and a margin accretive operating model into the market. In terms of a quarterly breakeven for this business, we are working towards another 4 or 5 quarters. We should have a quarterly breakeven on this business. That is how we designed the new operating model. The newer categories which we are exploring, at this point in time, is still under exploration. We could look at this both organically as well as inorganically. We are exploring both alternatives. And I think you had also asked about the jaggery plant. The plant will be commissioned in 6 months' time. It is coming up in Karnataka. It will more than double our current jaggery capacity.

Sanjay Shah: So what do we expect from jaggery turnover and margins from that side?

Muthiah Murugappan: Jaggery, again, margins are substantially better than white sugar. White sugar, of course, there are commodity margins. We command a premium. Jaggery margins are substantially better. They are more akin to gross margins you would see in food products. In terms of the turnover, once we have both plants running, we should be able to do closer to Rs. 100 crores in terms of turnover, just from both of these plants, in terms of the quantum of jaggery you would get.

Sanjay Shah: So sir, should we expect CPG revenue to remain lower, but with materially lower losses? Or can both revenue and margins recover from H2?

Muthiah Murugappan: I think, if you look at the history of the CPG segment we have had, last year was about Rs. 600-Rs. 650 crores, I think, in terms of revenue. The year prior to that was Rs. 800, in fact. We can expect revenues to remain lower, but yes, the margins –

Moderator: Ladies and gentlemen, please stay connected. The management's line has been dropped.

Ladies and gentlemen, we have the management connected. Yes, sir, you may proceed.

Muthiah Murugappan: Yes, I think we just answered Sanjay's questions. Sanjay, have I clarified all of your queries?

Sanjay Shah: Yes, this was much on the first question regarding CPG, consumer product business. Now, my next question is regarding Nutraceuticals. Sir, how much growth is from US Nutra Valensa versus India? And what EBITDA and PBIT margin can Nutraceuticals reasonably achieve once scales normalize?

Muthiah Murugappan: Yes. So Sanjay, the growth is largely coming through from the Valensa business. There have been some new product launches there. And I think some of our existing segments also are doing well. That has driven the growth. From an EBITDA margin perspective, steady state is likely between 12% and 15%.

Sanjay Shah: Sir, my last question was regarding how we look beyond seasonal Q1 weakness. What are the three-four financial KPIs, the key performance indicators, by March ‘27 that Management itself will use to judge whether a disciplined approach, what we have accepted in the last few quarters, is now going successful?

Venkateshwarlu Y: Sanjay, Venkat here. As far as the financial KPIs are concerned, we are more looking at efficient working capital. And, we are working on how we leverage the debt cost. Also, as of date, we have about Rs. 150 crores of long-term debt, about Rs. 800-Rs. 900 crores of the short-term debt. We are also closely working towards the monetization of all non-performing assets or something to bring the cash pool into the business so that the debt levels will be lower. And also, we wanted to improve the current ratios for the business. We are working towards the efficiencies. On the operational side also, we are working on the efficiencies. And also, we are working on the cost reduction programs across all the businesses so that we can have the leverage on the current balance sheet. We are also trying to strengthen the balance sheet by March ‘27 and March ‘28.

Muthiah Murugappan: Yes, Sanjay, just to add, I think Venkat has articulated it well. Those are the effort priority areas. We are certainly hoping to see a stronger balance sheet over the next 4-6 quarters. And I think this is the endeavor to tide over, precisely the seasonality element. I think apart from Venkat's articulation, I think even on the consumer product group, we have set out certain margin KPIs, which we are well on the path towards achieving. The 1st Quarter has been a good start. We still have some distance to go in FY '27. Those margin KPIs will enable us to get through that quarterly breakeven level in the next 4-5 quarters.

Sanjay Shah: That is helpful to understand, sir. Thank you very much. That is all from my side.

Moderator: Thank you. The next question is from the line of Gautam Dedhia from Nalanda Securities. Please go ahead.

Gautam Dedhia: Hello. Can you hear me?

Moderator: Yes.

Gautam Dedhia: Hi. Thanks for giving me the opportunity. So I just wanted to understand, on the Nutra division, now that things have stabilized, over the next 1-2 years, what kind of quarterly revenues can this be scaled up to?

Muthiah Murugappan: So Gautam, I think the growth on the Nutra front is largely coming through from Valensa. I think we will see that scale improving. I don't want to give any guidance particularly, but I think we are seeing an improving trajectory this year. I will say that we are perhaps going to do this year our highest ever revenue in Nutra, and I think consequently EBITDA will also be healthy. But I want to refrain from giving any number guidance. What is working at Valensa is an organization and management restructuring, and product development, which we have worked on over the last 2 or 3 years, is now coming into the market, particularly on the derm health, hair and skin health side, apart from some incumbent product categories also performing very strongly. So it is a good performance Q1. We are seeing the traction continuing.

Gautam Dedhia: So this 12%-15% margin that you have indicated is contingent on you reaching a certain scale, or how does that work?

Muthiah Murugappan: We will have to build a bit more scale from the current levels. I think we can get to those margins at that point in time. In the India business, we are not really adding any capacity. It will likely remain at the same level. A more consistent order load there. We had some certification issues. The India business is only about 20% odd of the consolidated Nutra turnover, but we had some certification issues in Europe, not entirely our fault. In the past, those have been resolved. So that scale has to pick up a little bit more. But the lion's share does come from the US. And I think once both settle down is when we can get to these EBITDA margin levels.

Gautam Dedhia: Secondly, on the consumer goods, when you say you want to breakeven in 4-5 quarters, what will be the drivers to that breakeven? Is it you achieving more scale on a quarterly basis, or like your value mix shifting more towards value-added?

Muthiah Murugappan: Gautam that is a great question. And you also partly answered it. Yes, value mix shifting more towards value-added. I think you have seen that shift play out in Quarter 1. We will see more of that play out. I think adding new products, jaggery, brown sugar, etc., is a big area of focus. I think growing revenues there will contribute. I think distribution expansion, in the Southern market, we have a good organized trade presence. When I say organized trade, I mean online channels as well as modern channels, large format retail. The key now will be to build general trade distribution so that the business expands. I think these are really the KPIs which will really drive us towards that breakeven. Business expansion, distribution expansion, margin expansion, new products coming into the mix. This is what will drive. And I think this is a consumer business after all. The underlying bedrock of all of this is to strengthen brand equity.

Gautam Dedhia: And just last question, can you just repeat what was the sugar inventory for the quarter and what was it valued at?

Venkateshwarlu Y: 1.16 LMT Gautam. We are valuing at about Rs. 41.50.

Gautam Dedhia: Thank you.

Moderator: Thank you. The next question is from the line of Rajesh Majumdar from 360 ONE Capital. Please proceed.

Rajesh Majumdar: Good morning, sir. How are you?

Muthiah Murugappan: Very well, Rajesh. How are you?

Rajesh Majumdar: I had a few questions. The first one was on the inventory which you answered. Secondly, we are seeing some drop in the crushing from Tamil Nadu and Andhra Pradesh which you highlighted in the notes. How do we read this feedstock availability? Do we see a lower crushing going on or do we see further restructuring in the business in Tamil Nadu? How do we read this in the sugar business?

Abdul Hakeem Ashiq: Good morning, Abdul Hakeem Ashiq here. Yes, the cane availability in TN and AP is a concern. But it is a macro concern. If you see, the industry is suffering from cane as farmers shift to more lucrative crops. There are some corrections within our organization that we take to make it more economically feasible to farmers which is an ongoing exercise. I think the government has also seized. We have seen recently some announcement on state support in Tamil Nadu for sugarcane. We keep ourselves fully aware of the situation and we keep evaluating the scenario and take appropriate actions in that direction. What we are currently doing is to ensure we run a tight ship in terms of costs in these 2 geographies so that we improve on our margins.

Rajesh Majumdar: And will we see a lower crush for the company because of this reason in the sugar season 2026-2027?

Abdul Hakeem Ashiq: In the current year, yes, probably there is going to be a flat or about a 5% drop in these geographies.

Muthiah Murugappan: The only place, Rajesh, where we can make up is Karnataka. But I will say the back half, while we can cheer the rains in July and August, I think the rains in the back half of August and September are very critical to ensure that yields remain intact from the cane crop, particularly in Karnataka. Now, if the yields remain intact, then I think it is all set for a strong crushing season. It will be a crushing season which starts early as per what we are hearing from the authorities is given that sowing stocks are a little lower this year. But yes, the make-up can really only come from Karnataka as you articulated the cane volume in TN and AP is much lower.

Rajesh Majumdar: And sir, with the current increase in the cane price in TN and the lower recoveries and the problem thereof, does it make sense to continue in TN in terms of the sugar business anymore?

Because already you saw a few years ago, you had relocated one plant to Karnataka. Is there any further plans of any kind of further restructuring in the TN sugar business particularly?

Muthiah Murugappan: I think, Rajesh, Abdul Hakeem Ashiq had articulated, we discussed various measures of how we can be stronger on our operations, and I think those discussions continue. I think our macro focus is really around working capital cost and efficient operations. So I think we will really have to fall in line here in the coming quarters.

Rajesh Majumdar: My second question is on the refinery. We have seen some operations in this quarter. So will that continue into the second quarter or that will be not there at all in PSRIPL?

Venkateshwarlu Y: Rajesh, what you have seen in the operations is that basically there was a closing stock which was there on 31st March 2026. Those closing stocks have been liquidated. Other than that, there are no other operations as such. The operations have been ceased as on 31st March 2026.

Rajesh Majumdar: Right. So, from Q2 it will be 0, PSRIPL?

Venkateshwarlu Y: Yes. There will be some period cost incurring as per the plan.

Rajesh Majumdar: And secondly, can you make me understand this write-off and then the write-back because I want to understand the cash impact of this. Because you invested, you are saying Rs. 610 crores to meet the obligations of the subsidiary. But then again, you have taken a remeasurement of the financial guarantee and loans of Rs. 591 crores. So I understand that is non-cash. So I think the cash outgo will still be Rs. 610 crores?

Venkateshwarlu Y: Yes. Rajesh, your understanding is correct. First of all, let me clarify what is Rs. 610 crores and what is Rs. 591 crores. As on 31st March, being a 100% subsidiary, we have guaranteed all the loans of PSRIPL. Thereby, as a parent, we have to create a financial liability as far as PSRIPL is concerned. So that is where we have created a liability. But that does not mean that we have infused the money as on 31st March. The actual infusion has happened somewhere in April. That investment which we have put it as a part of the infusion, which is in line with the board approval as on 31st March. So, since the business ceased its operations, as per the accounting requirements, we have impaired that asset. At the same time, since all obligations are completed, we have remeasured the financial liabilities and we reversed that liability. So net impact for the quarter, is that Rs. 610 crores is the impairment, Rs. 591 crores is the reversal of the impairment, about Rs. 18 crores is the fresh impairment which we have done for the quarter.

Rajesh Majumdar: I understand the impairment part. I am trying to understand the cash part. The cash part is still outgo of Rs. 610 crores, right?

Venkateshwarlu Y: Rs. 610 crores is already done. That is there in the public, Rajesh. Rs. 610 crores is already there. Over and above, we have also given Rs. 55 crores loan. Total Rs. 665 crores which we have infused during the current quarter to settle all the bank liabilities.

Rajesh Majumdar: Right. You mentioned also Rs. 130 crores out of which you have given Rs. 55 crores. So balance Rs. 65 crores is also left, right?

Venkateshwarlu Y: Yes, you are right. Rs. 65 crores are left, but it will be over a period, based on the requirement. So, it is not that we will give Rs. 130 crores at one stage. Because Rs. 55 crores were required for Quarter 1, which we have given. If PSRIPL start generating any cash or something, then we will not be giving it.

Rajesh Majumdar: And in terms of the assets, will we get any value out of selling the assets in that plant?

Venkateshwarlu Y: Yes.

Muthiah Murugappan: Yes, we will get cash out of selling the assets. Some of the prospecting is already going on. Of course, we have to get all of our clearances before we can start any dismantling. But we will get value. I wouldn't like to put a number to it. But I think that prospecting is certainly underway.

Rajesh Majumdar: Right. And sir, after all this, what is the standalone debt as of 30th June? I am sorry, I missed the first part of the speech, may be you have mentioned?

Muthiah Murugappan: No. Rajesh, we are just saying that we are prospecting the sale of the assets. We can't really dismantle anything until all of our statutory clearances come through. And I think once that comes through, we would have also prospected and arrived at the plan to divest the physical assets, which we will do.

Rajesh Majumdar: No. I am asking what is the debt at the standalone level as of 30th June?

Venkateshwarlu Y: 30th June, about Rs. 980 crores as far as the short-term debt is concerned, Rajesh, about Rs. 150 crores on account of long-term.

Rajesh Majumdar: And sir, actually this is just the 1st Quarter when there is no crushing. So actually, when the crushing starts, third and fourth quarters, this debt will again go up, the short-term debt, right? Is that a correct understanding?

Venkateshwarlu Y: Yes, because even if you look at it as on 31st March, our short-term debt was about Rs. 1,250 crores. So now it has come down to Rs. 980 crores. So once the crushing starts, then because it is in quarter 2 also, then further it will reduce. Once the crushing starts, it will go up. The short-term debt is linked to your working capital.

Muthiah Murugappan: Rajesh, to your point though, I think Venkat did articulate earlier in the call that we do have a ruthless focus on working capital. We expect to improve upon this position in the coming periods of time. To run Tamil Nadu distilleries, etc., we had to insource a lot of feedstock on account of low feedstock availability. We have taken certain calls on how much and when we import that feedstock. So we will be a bit more measured around that basis market condition. To that extent, I think this number will also improve in the coming periods of time. So while long-term debt certainly gets retired and we don't have too much of CAPEX plans which are imminent, short-term debt also you will see an improved position as there is a conviction to better this position going forward.

Rajesh Majumdar: And sir, employee costs have also shot up quite sharply from Rs. 51 odd crores to Rs. 59 crores for the quarter, Y-o-Y, I guess you are building capabilities for the CPG business. So how will we see the employee costs down the line? Is it going to be similar or higher as you build up the business? Some clarity on that?

Muthiah Murugappan: Rajesh, they have gone up because of VSS which we have done. A lot of our legacy plants we are offering VSS. You will see more of that. This is being done with a longer term interest in mind. And overall bringing the fixed cost position down. The CPG capability building is not the reason for the employee costs going up. So this is taking legacy costs out.

Rajesh Majumdar: So this is a one-off in terms of the VSS which you have expensed? Is it correct?

Muthiah Murugappan: One-off in one plant. There is more that we intend to do.

Rajesh Majumdar: Right. That is very useful. If I could sneak in a last question, in terms of a strategic point of view, how do we view E.I.D. Parry standalone, say 3-4 years down the line, what are the broad components or the contours of the business that is going to be shaping up over a period of time, if you could outline that?

Muthiah Murugappan: So Rajesh, the aspiration is to have a consistent EBITDA generation from the sugar and biofuels business. I think that is the core business. It is the mothership. As you know our operations in Karnataka are very strong. In fact, I would say we have industry leading metrics. The operations in the other states do lag us. We will work on cost and efficiency to fix and restructure this. I think you are seeing a broader climate of restructure in the company. We will work with conviction on this. The second piece is to of course grow the consumer product group business. You have seen a stronger, more focused operating performance in the last couple of months. Of course, while revenues have fallen, I think our margin pool has grown. Here, we articulated the KPIs which we are working with fairly clearly. Lastly, on Nutra as well, we are seeing a better performance on the Nutra segment. And I think this is in line with the strategies that we have written up. So that we have the right value creation at Nutra. So I think this is how we are looking at the EID standalone in the period to come, I guess in the near to medium term.

Rajesh Majumdar: Thank you, sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Rajakumar Vaidyanathan from RK Investments. Please proceed.

Rajakumar Vaidyanathan: Yes, good morning. Thanks for the opportunity. Sir, the first question is, given the current static ethanol prices and given the high sugar prices, does it make sense to produce more sugar than to convert the juice to ethanol?

Abdul Hakeem Ashiq: This is Abdul Hakeem Ashiq here. Yes, obviously it makes sense to produce more sugar at this current pricing. We evaluate our options of producing ethanol, ENA and sugar, from which feedstock is a constant review mechanism where we have, and we try to maximize our margins. But there is a base volume of sugar we should produce to take care of our customers.

Rajakumar Vaidyanathan: And on the inventory, you mentioned it is 1.6 lakh tons, right? That is the inventory that we are carrying?

Abdul Hakeem Ashiq: 1.16.

Rajakumar Vaidyanathan: 1.16. Got it.

Abdul Hakeem Ashiq: It is similar to what we had in the last year, same push.

Rajakumar Vaidyanathan: Got it. Then the next question is on the Tamil Nadu sugar situation. So with the government announcing further incentive to increase the area under sugarcane cultivation, so just wanted to know whether it will have any significant impact or do you think it is more cosmetic benefit?

Abdul Hakeem Ashiq: I would be cautiously optimistic on that because it is a good increase that the government seems to have given. Obviously, it is incumbent on the farming community to evaluate. One of the challenges in Tamil Nadu is a rampant shift towards paddy in the last 6-7 years. Given various reasons why paddy is better for a farmer, it is completely mechanized and there are 3 cycles of planting the farmer does. And so the farming community would evaluate both the crops and treat it on merit. Initial feedback from the farming community has been optimistic is what I would say.

Rajakumar Vaidyanathan: And this will not improve, will it weaken the working capital? Because I don't know what is the framework of providing the incentive. Will the government give directly to the farmers or just want to know what is the impact on the working capital?

Abdul Hakeem Ashiq: There is no impact on working capital. There is a direct benefit transfer from the government to the farmer account. We play a facilitating role. At the end of the season, we give the farmer details, etc., to the government. It is fairly efficient. It will not have any impact on the company's working capital.

Rajakumar Vaidyanathan: Good. So this last question, given the higher sugar prices and given Tamil Nadu provides harvest twice a year. So just wanted to know, are you doing any early crushing in Tamil Nadu sugar mill?

Abdul Hakeem Ashiq: Tamil Nadu Sugar Mills, we are currently crushing and we will continue to crush. There is an opportunity to pre-draw from the main season to leverage the pricing advantage. We will evaluate at the end of the crushing season depending on the maturity of the crop. So the trade-off is between how mature the crop is and is it ready for crushing. We will take a calculative call of that.

Rajakumar Vaidyanathan: So what you are saying is there could be a lower recovery, but it will be compensated by higher prices. Is that what you are saying?

Abdul Hakeem Ashiq: In this business, recovery is the key parameter. Our principle is not to try and compromise recovery for crush volume. I think it is better to crush at the right time depending on the maturity of the crop.

Rajakumar Vaidyanathan: Sorry to label on that point. So my question is, will you compromise on the recovery given that the higher prices are prevailing? Because if you are going to crush earlier, so even if there is a small reduction in recovery, you would be okay to compromise on that?

Abdul Hakeem Ashiq: We would not want to do that in Tamil Nadu because it is already a low recovery zone. What I meant on pre-draw is we will test the plants and crops. We have our field teams which pick up the sugar content in the crops and the maturity of the crops based on the age. If there is an opportunity, we will leverage that. But at no stage if we have reasonable technical knowledge to see that the recovery may not be commensurate, we will not pre-draw.

Rajakumar Vaidyanathan: Got it. Last question is on the corporate structure. Currently, we are holding Coromandel as a subsidiary. Are there any plans to rework on the structure?

Muthiah Murugappan: At this point in time, there is no such discussion.

Rajakumar Vaidyanathan: Thank you so much.

Moderator: Thank you. The next question is from the line of Sanjay Manyal from DAM Capital. Please proceed.

Sanjay Manyal: Hi, sir. I just want to know about the way sugarcane prices have gone up now in Tamil Nadu specifically, so this is I think if I am not wrong, is it the incentive which has been given by the government or the entire cost has to be borne by the company?

Abdul Hakeem Ashiq: The current sugar price increase has no link with the sugarcane pricing. Because the sugarcane pricing just got announced in the TN budget about a week, 10 days back. There is no impact for the company on this because it is a direct benefit transfer from the government to the farmers.

Sanjay Manyal: Right, sir. Secondly, the way the sugar prices have moved up, I think as you mentioned also, probably it makes more sense to make sugar rather than ethanol. So given the kind of fungibility we have, how much ethanol volumes we can do from C-heavy plus grains? So what would be the impact on the ethanol volumes?

Muthiah Murugappan: 582 KLPD is our capacity, which is roughly about Rs. 18 crore liters, out of which about 120 KLPD is our grain capacity. In terms of switching between ethanol and sugar that is an evaluated call we have to take depending on the margin profit.

Venkateshwarlu Y: And Sanjay, we must keep in mind the committed volumes to the OMC, if you are not able to supply, there will be a penalty for each liter which we are not supplying. So, when you are evaluating it, we must take into consideration the commitment we have given to the OMC.

Sanjay Manyal: Right, sir. Understood. Thank you, thank you very much, sir. That is all from my side.

Moderator: Thank you. Next question is from the line of Gautam Dedhia from Nalanda Securities. Please proceed.

Gautam Dedhia: Hi, thanks for the follow-up. I just have one question. I think in the beginning of the call, you mentioned you are looking to dispose of some non-core assets to reduce debt. So can you just highlight what these assets are and what would be the quantum?

Venkateshwarlu Y: Basically, these are some of the land parcels which we are trying to dispose of, and it is not relating to any of the operations.

Gautam Dedhia: And any quantum that you can highlight?

Venkateshwarlu Y: No. As of now, no Gautam.

Gautam Dedhia: And any timelines?

Muthiah Murugappan: We expect to do something in FY '27. We are working on it.

Gautam Dedhia: Thank you.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for the closing comments. Over to you, sir.

Muthiah Murugappan: Thank you all for logging into this call. We look forward to seeing you again at the end of the next quarter. Thank you and take care.

Moderator: Thank you. On behalf of DAM Capital Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines.