Triveni Engineering & Industries Limited

Q4 and FY 21 Earnings Conference Call Transcript
June 29, 2021

Moderator: Ladies and gentlemen, good day and welcome to Triveni Engineering & Industries Limited Q4 and FY 21 Earnings Conference Call. As a reminder all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rishab Barar of CDR India. Thank you and over to you sir.

Rishab Barar: Thank you. Good day everyone and a warm welcome to all of you participating in the Triveni Engineering & Industries Limited's Q4 and FY 21 Earnings Call. We have with us today on this call Mr. Tarun Sawhney – Vice Chairman and Managing Director, Mr. Suresh Taneja – Group CFO, Mr. Sameer Sinha – President (Sugar), as well as other members of the senior management team.

Before we begin, I would like to mention that some statements made in today's discussion may be forward-looking in nature and a statement to this effect has been included in the invite which was sent to everybody earlier. I would also like to emphasize that while this call is open to all invitees, it may not be broadcasted or reproduced in any form or manner. We will start this call with opening remarks from the management following by an interactive question and answer session.

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

Tarun Sawhney: Thank you Rishab. Good afternoon, ladies and gentlemen and welcome to the fiscal 2021 Earnings Call for Triveni Engineering & Industries Limited.

The overall performance for the Company for the 12 months ending 31st March 2021 has been good and satisfactory. It has been a challenging year due to the unprecedented pandemic and the impact that it has had on health, public health especially, on the industry and on the economy in general. The businesses have largely stabilized by the end of the third quarter and by that I particularly refer to our Engineering businesses. And the second wave across the nation has had limited impact on the Company.

The gross revenue from operations stood at just over ₹ 4,700 crore with a growth of 6% and the PAT for the year stood at ₹ 294 crores plus. The Board has recommended a final dividend of ₹ 1.75 per equity share, 175%.

The increase in turnover fiscal '21 was due to the higher sales volume in the sugar and distillery segment which is compensated for the decline in turnover in the engineering segment, which was impacted, as I had previously mentioned by COVID-19 related issues. The operating profit was also 2% higher for the year under question.

Some highlights for the Sugar business:

For the sugar season, the Company has been ranked second in terms of production in the country. It's a big feather in our cap. We are very proud of the performance of the Sugar business of the Company.

We crushed 8.54 million tonnes of sugarcane and produced just shy of a million tonnes of sugar. Last year we had produced just over a million tonnes of sugar. This is pretty much in the ballpark, of course this year, there was more B-heavy molasses that was diverted towards sugarcane. I will cover that in a little more detail in just a few minutes.

The Khatauli Sugar Mill achieved the highest sugar production in the country as a single unit and the second highest sugarcane crushed in the country. Two of our units at Sabitgarh and Rani Nangal recorded their highest crush ever. So, I think this augurs well for the future in terms of all the units really pushing the bar on their previous records and recording higher crushes, higher recoveries going forward. The recovery for the Group was 10.98% for the sugar season 2020-21.

We have had strong performance on the Distillery where the production and sales, there was a growth of 14% and 23% commensurately for fiscal '21.

In the Engineering business despite the turnover declined due to the impact of COVID-19, the profitability has been largely maintained by the business.

There has been strong performance by the Power Transmission Business especially in the quarter under review, due to the stabilization of business conditions and there has been an improved profitability in the Water Business due to efficient project execution and project cost savings. Now these are very important contributors to the bottom line of our Water Business, and we hope that this will continue into the next few quarters as well. The outstanding order book stood at ₹ 1,178 crore for the combined Engineering businesses.

The Board has approved in its last board meeting yesterday, the expansion of distillery capacity at our various units and as you will recollect the Board had previously in its last meeting approved two distilleries totaling to 200 KLPD which took the capacity or the projected capacity of TEIL up to 520 KLPD. The Board at its recent board meetings approved another ₹ 100-crore investment to increase the capacities of these various plants from 520 KLPD to 660 KLPD. This additional increase in capacity is expected to be commissioned in the next 12 months.

Looking at the financial highlights for the quarter under review, we achieved revenues of ₹ 1,188 crore with a PBT of ₹ 134 crore approximately. Despite lower buffer stock subsidies of just under ₹ 18 crore, the finance cost in fiscal '21 has been significantly lower by 35% mainly due to the lower utilization of term loans, lower utilization of working capital and due to a significant reduction in cost of funds.

An important point to note is based on the Share Purchase Agreement which was entered into in March 2021, we have divested our stake in the Israel based Company, Aqwise and provided for ₹ 23.2 crore towards the impairment of this transaction.

The tax incidence and effective tax rate for the current year is high. We note this as compared to the previous year that the deferred tax charge was lower by ₹ 40.59 crore due to the reimbursement of deferred tax liabilities.

The total debt of the Company as of the 31st of March, stood at under ₹ 1,000 crore at ₹ 943.6 crore, which was lower by 39% as per the figure on the 31st of March of 2020 and this ₹ 943 crore comprised of term loans of ₹ 382 crore and almost all these loans were with interest subvention and it's all at subsidized rates of interest. Going forward I think the policy of the Company really is that if we are to take on any debt, will only be that of a subsidized nature which is offered by Government of India for certain specific project, especially those for distilleries.

The average cost of funds as on the 31st of March 2021 stood at 5.56% which was a smart reduction as compared to the same period a year ago.

Turning to our businesses and I'll very quickly cover the various businesses and their particular performance.

Turning to the Sugar business:

We crushed 8.54 million tonnes of sugarcane, which was slightly lower than the 8.74 million tonnes of cane crushed in the previous season. As I mentioned, the Company produced 93 lakh quintals of sugar versus just over a 100 lakh quintals in the previous year under question. Our crush declined by 2.3% mainly due to the crop damage in central and Eastern Uttar Pradesh due to pest and disease. However, we believe that this decline is exceptionally lower when we compare ourselves to our peers and especially with the state average. And this is primarily due to the good amount of work that is done on cane development by the group across all its seven sugar factories.

During the sugar season 2020-2021, our recovery on a like-to-like basis has declined by 11 basis points. This is basically comparing like-to-like between the previous year and this year, the previous year's recovery being 11.97% and this year’s recovery being 11.86%. We do believe that we have outperformed our expectations as far as this is concerned given the weather conditions and the pest and disease impact that happened in the last sugar year.

For the coming year, we expect an increase in the sugarcane area because the planting across all of our factories is now finished. We expect this increase to be at least 3% and we are very hopeful that with a projected clear monsoon and a good monsoon that we will expect an addition in the yields as well.

For the quarter under question, our domestic realization was ₹ 32.33 per kilo. This was very much in line with the figure from Q4 of fiscal 2020 as well. Some stability on that front. However, since then during the first quarter of this year, we have seen prices inch up a little bit which is quite encouraging.

As you know the UP government had kept the state advised price of sugar constant which was a welcome move by the industry, and it certainly allowed for a good amount of cane price payments to be made by the industry to farmers which is quite important.

Sugar quota for MAEQ for season 2021 was 1.82 lakh tonnes and the entire quota was contracted. And 1.03 lakh tonnes was physically dispatched in fiscal 2021, the remainder has already been dispatched. And it was all done at the previous subsidy rates which was ₹ 6,000 per tonne. Those rates of course, have been further revised now. I would cover that in terms of the industry comments.

Our sugar inventory as of the 31st of March was 47.45 lakh quintals valued at ₹ 30 a kilo. Just to give you an idea of sugar prices for the month of June, our average sugar price has been just a shade higher than ₹ 33 per kilo. So, we have seen a kind of an uptick since the end of March up to now. I wouldn't look at a particular point in time because that's not reflected, it is a vacillating market, but the trend is certainly towards slightly higher pricing as there are multiple things that would contribute towards that. Firstly of course, there is ethanol and second of course what augurs well is the movement in international sugar prices as well.

Looking at the industry scenario for sugar:

Maharashtra of course produced a significantly larger quantum of sugar this year, Uttar Pradesh producing slightly less. In the state of Uttar Pradesh, the sugarcane arrears as of the 31st of March stood under ₹ 12,000 crore. In Maharashtra, the sugarcane arrears based on Fair & Remunerative Price (FRP) excluding H&T, which is Harvest & Transport stood at under ₹ 1,000 crore on the 15th of June 2021. All in all, I think this is better than the position that we were in the previous year from the industry wide perspective, and I think that is quite encouraging.

Looking at the scenario for ethanol:

The oil marketing companies issued a LOI for 348 crore liters. The initial tender of course was a 357.6 crore liters, but the LOI was 348 and a good amount has been supplied. We expect blending of 8% to 8.5% for this ethanol year through all the various cycles and expressions of interest. I think that's extremely encouraging. The price points have been attractive and there has been at least 2 million tonnes of sugar that has been diverted towards the Ethanol Blending Programme (EBP). I would like to forecast that the next year this figure could go up to 3 million tonnes of sugar that is sacrificed and of course, as we inch towards E20, we could have 6 million tonnes of sugar being sacrificed for ethanol which of course is extremely encouraging. And for E20 we will need 850 crore liters at today's basis, of course that will go up as consumption in the country's petrol also increases. But the estimation is approximately 854 liters, and it will lead to, of course, a huge amount of capital investment in the industry. The Government forecasts about ₹ 41,000 crore of investment that is required to meet E20 targets. We think this is broadly, the quantum of investment that will be required. And there already has been a lot of movement, there have been a lot of announcements by our peer groups and others in terms of entering this business. The entire ecosystem is buzzing, and it is because of the sheer determination that the Government has in terms of providing for energy security and for a cleaner environment. Those are the two basic prongs of this programme and something that we at least in the industry are very happy that it has happened and the fact that it has an accelerated agenda which has been announced by the Honorable Prime Minister, it's very encouraging for investment going forward.

Turning quickly to the international scenario:

We project that for sugar season 2020-2021 there will be a surplus of about 1.7 million metric tonnes. However, the caveat that by saying that with the rise in crude prices this could easily disappear as we see the most important country in this equation, which is Brazil, divert more cane towards its ethanol programme to compensate for increases in crude prices. There is a downward bias to this anticipated sugar surplus. Sugar prices internationally have, however, remained extremely robust especially since we last spoke and that of course had resulted in the Government of India reducing its subsidy for its export programme from Rs. 6,000 per metric ton to ₹ 4,000 per metric tonne. All in all, there is an expectation.

Thailand of course performed quite poorly. So did several other countries in terms of their production numbers last year, but there is anticipated rebound that is expected from some of the other important sugar producing countries. I am happy to take questions on that if there are later in the Q&A section.

Turning to the alcohol business, over the fiscal year 2021, we produced 10.7 crore liters of alcohol. If you calculate that as per our rated capacity, it comes to an average operating number of days in excess of 330 days. The reason I mentioned this number is because it's important to highlight the excellent operating efficiency that is maintained by our ethanol business, really setting the industry benchmark in terms of operations. For the quarter under review, our average realization was ₹ 57.29, which is higher than the previous quarter where the number was ₹ 53.12 per litre.

Turning towards our Engineering businesses:

The Power Transmission business in Q4 had an excellent quarter where we had gross revenues of ₹ 53 crore and the PBIT of just under ₹ 20 crore. The order booking was also about ₹ 60 crore, extremely robust and a huge turnaround that we had previously anticipated. And I had spoken about on our last earnings call. The turnover was really because of the stabilization of business conditions. We have seen a huge uptick in terms of our export orders and we have seen a very robust domestic order book as well. For the year of course, the lower turnover is primarily due to the impact of COVID-19 especially in Q1, portion of it in Q2. But all after that of course, has been compensated.

The order book as on the 31st of March stood at a record ₹ 166 crore which we are very confident will grow up quite substantially in the quarters to come.

The Water Business had an excellent quarter where we had revenues of ₹ 81 crore and a PBIT of ₹12.4 crore. These results are on a consolidated basis and include our wholly owned SPV which is executing the Mathura project which under Namami Gange Program. The turnover for the year was lower, but that was also on account of COVID stoppages and lockdowns that happened across the country.

As I mentioned when we last spoke the order finalization was slow, however, during this quarter the business has secured its first and very important EPC project for water sewage treatment of ₹ 156 odd crore from the Ministry of National Planning Housing and Infrastructure of the Republic of Maldives. It is funded by the EXIM Bank of India. It is our first international project and augurs extremely well for the business and also reflects upon the capabilities of the business, and the recognition of that with international customers and we are excited about this project. It will be executed in the next couple of years. The outstanding order book stood at ₹ 912 crore for the Water Business as of 31st March 2021.

And we turn very quickly to the outlook for both businesses:

As far as sugar is concerned, I mentioned the accelerated program for EBP E20 by 2025. This actually is going to really accelerate the investment plan. Two days ago, there was an announcement that the mandate for flex fuel cars, of course the experimentation would happen immediately, but the program for flex fuel, that's E100 will also be announced by the Government in the next 3 months. There are already sample and pilot projects running in 3 cities in the state of Maharashtra. This again is extremely exciting from a retail perspective for the ethanol business. And it could potentially result in higher numbers for the ethanol program. It is exciting and it's very good to see that all the constituents of this business, the Government, the ethanol manufacturers, the automobile manufacturers, etc., working cohesively together towards this objective. It is expected that the FRP for sugarcane will be increased by the Central Government, which is expected today, by ₹ 5 per quintal from ₹. 285 to ₹ 290, a small increase that has been expected.

Turning towards our Engineering businesses:

I think I would like to say that we have seen a buildup in our order books, both of our transmission and water business are looking forward to robust quarters going forward in this fiscal year. We are seeing a lot of interest from our customers. We are anticipating greater numbers of order finalization for our Water Business in Q1 and Q2 and as far as the PTB, Power Transmission Business is concerned we again are looking at a very strong uptick in order booking in Q1 and Q2 for this year.

Thank you very much. I'd like to now open the floor to questions.

Moderator: Thank you very much. The first question is from the line of Pratiksha Daftari from Aequitas Investment.

Pratiksha Daftari: My first question is for the distillery division. I think you have mentioned that the margin for this business was impacted because of higher molasses prices. I just wanted to understand do we procure molasses from third party or is it usually captive procurement.

Tarun Sawhney: It is captive procurement and the difference if you are looking at year-on-year is because we price molasses as per market price. Our transfer price is market price. So, it reflects the difference in the market price of molasses in a different year versus the year or quarter under question.

Pratiksha Daftari: So, then would it be safe to assume that then this is helping the margins of sugar division accordingly?

Tarun Sawhney: You could do that, but I would rather you view it from a different perspective altogether. If we were to compare two years ago, the quantity and quantum of distillery capacity was very different. Therefore, because there was over supply of molasses, it had an impact across the industry of loading the molasses price. When we look at fiscal 2021 that is a normalization where you are using all captive molasses at your distilleries and the industry in general has achieved a stable level. And so going forward, I don't see any vast increases in the transfer price of molasses, any substantial increases. We have now reached a most stable level because there is that much more capacity that is available and that has come on stream.

Pratiksha Daftari: Basically 18%-19% is what you think would be sustainable margin because of the demand supply situation.

Tarun Sawhney: Now that you are turning into percentages, I do want to say that with E20 I am hopeful that there could be potentially an increase in this margin percentage for two reasons. Number one, we have a very aggressive target of achieving E20. The sugar-based distillery business is going to play a very important and crucial role in the achievement of ethanol at 20%. Therefore, to have this investment come on stream, the only way is to have slightly more attractive prices. Now with crude prices being quite firm, I am fairly hopeful that in the next revision of prices especially for juice and for B-heavy, you will see more attractive prices. And then of course, it depends on the individual strategies of the Company in terms of what quantum of juice do you use, what quantum of B-heavy molasses do you use and of course C-heavy molasses would be the de-facto, default molasses that is available to key distilleries.

Pratiksha Daftari: So now that you have mentioned about the mix, I think this year you mentioned that we have done 56% from B-heavy and with our current expansion plans in place how do you see this percentage, how do you see this mix shaping up for the next sugar season basically with the next expansion and then one that is announced now?

Tarun Sawhney: When you look at those numbers, it's 56% of B-heavy for ethanol, but there was some amount of ENA also produced. For next year, while we don't give guidance, it's going to be very-very different. At the end of the day, we are setting up a distillery at our Milak Narayanpur unit that has the capability of processing juice. So, we intend to be processing juice at that unit during the season. So, the percentages are going to change very dramatically next year. All in favor of B-heavy and juice.

Pratiksha Daftari: The new expansion that we have announced, I think that is 120 KLPD expansion, and now our outgo is ₹ 100 crore. So, it kind of significantly differs from the cost that we expected for the last CAPEX that we have announced. So, what would be material difference here? *[Note: The incremental capacity addition announced on 29th June, 2021 is 140 KLPD]*

Tarun Sawhney: I am glad you brought this up. This is balancing CAPEX at the various distilleries. All four distilleries there is a certain amount of balancing CAPEX that is going in to enhance their production capabilities. So, it is not a standalone unit that is being established. You see we build quality plants, industry-benchmark plants at all of them, the two that are coming up as well are the most sophisticated distillery that are possible. They have the ability to be able to function at greater loads and we are now investing to be able to increase that capacity by 140 KLPD. And therefore, it is not an apples-to-apples comparison for a Greenfield project. This is expanding our existing distilleries and achieving 660 KLPD for the group.

Pratiksha Daftari: For the sugar division I think this quarter we have seen our dispatches to be lower as compared to last quarter, So, any material reason that you want to highlight for this?

Tarun Sawhney: Yes, it's the quota that we receive from the Government. While we do receive our fair share of quota on a monthly basis and we are governed by the Central Government monthly quota mechanism, the total quantum of sugar that is released, it is a COVID impact. If you try and compare Q4 FY 21 with Q4 FY 20, Q4 FY 20 was only COVID impacted in the last two weeks. Whereas we had a COVID impact through this particular quarter, and of course, the start of the second wave as well was experienced during this quarter under review. So that is the most significant difference. We have sold all the quantum of sugar that has been released to us by the Government of India. The total quantum of course, was lower which has had that impact. But I would encourage you not to look at quarterly numbers. I would encourage you to look at yearly numbers as far as this is concerned, because my projection is that we will have enhanced consumption of sugar in the country. After a few years of stagnant consumption in the country I think, we are returning to higher levels of consumption and that is extremely important as we look ahead.

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

Sanjay Manyal: Just a few things, one is, what is our export realization and what would be the proportion of raw sugar and the white sugar?

Tarun Sawhney: Export realizations for the year was ₹ 24,381 per metric tonne.

Sanjay Manyal: If I just may ask, what was the export contracted, I am sure you have contracted the entire quantity, but what would have been the contracted price and what would be the proportion of white and raw in that?

Tarun Sawhney: We don't usually give out those details, but it's a combination of three things. We did sell a little bit of our quota because there was about 40,000 tonnes because it was very attractive at that particular point. And then the rest was primarily raw sugar that was exported.

Sanjay Manyal: And the export realization which has been given in the presentation, is it net of the freight cost, or the freight cost would be over and above this?

Tarun Sawhney: This is all ex-factory realization. It does not include any subsidy.

Sanjay Manyal: And with this kind of CAPEX which we are taking the distillery segment, what is the expected volume of distillery in say 2022-2023 because what I understand this year probably we will have two or three months of the new distillery, so we probably can still do say 13-14 crore, if I am not wrong and probably 2023 would be ₹ 17-18 crore, if I am not wrong with this kind of CAPEX which you are coming.

Tarun Sawhney: Yes. I think you are broadly correct that we do anticipate having the 200 KLPD operational in this fiscal year and so we should get the benefit of most of it for Q4 of this fiscal year, whether it be 3 crore liters, I think we will have to wait and see, but that we would certainly be trying for a number in and around that. For the following year for fiscal 2023, of course, all of this capacity will be operable and in fact, at that point we will also have an additional 140 KLPD for most of the year operable and so therefore we have the capacity to go significantly higher.

Sanjay Manyal: Just one last on the taxation part, what could be our 2022 and 2023 taxation income tax for these two years if you can just tell us that.

Suresh Taneja: I'll just answer that. In FY 2020-2021, we have exhausted all our deductions and exemptions. We have exhausted all our MAT credit and as it looks as of now, next year we will be moving to low tax regime where the applicable tax rate would be about 25%.

Sanjay Manyal: That was FY 22.

Suresh Taneja: Yes. I am talking about FY 22.

Moderator: The next question is from the line of Vipul Sanghvi from Systematix.

Vipul Sanghvi: My question is on E20 being further advanced to April 2023. I think there were some press reports earlier this month about the deadline being further advanced. So, one, your thoughts on the same that is it practically possible to achieve in next two years timeframe. And second, I just wanted you to confirm the number that you mentioned that at 20% blending there will be diversion of approximately 6 million tonnes of sugar.

Tarun Sawhney: So, let me answer your first question about these press reports, I can't comment on the press reports per se, but I think if EBP 20 by 2025 seems like an achievable target, it requires a huge amount of investment over ₹ 40,000 crore by the industry to be able to achieve that, a large portion of it coming from molasses on sugarcane and then a significant portion also coming from grain. All of this needs to happen. It cannot happen in the time period that the press articles report for the simple reason that it takes time to get permission and then of course setting up these large factories also is a time-consuming process. I think that you should consider 2025 as the horizon for EBP 20. With reflection in 2025 looking at the quantum of ethanol required on a normal basis assuming that we have returned to business as usual, our figure at Triveni for quantum of sugar that will be diverted could be 6 million tonnes.

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

Anupam Goswami: My first question is on the expansion to 660 KLPD now. Where do we lie on the cane availability? We have such cane availability or are we going to sacrifice more sugar and later on going forward we will be selling less sugar, is that so?

Tarun Sawhney: As far as cane availability is concerned, we are not giving any projections, but we are certainly working aggressively in terms of bringing more area under cane and looking at some small tinkering of crushing capacities at our sugar plants and optimizing it even further. But most it will come from diversion of sugar towards ethanol. So, we will be utilizing syrup and B-heavy molasses generated by the group to facilitate the production at our distilleries.

Anupam Goswami: One more thing, our grain base of 40 KLPD, what are the economics in that, how much capex just for the 40 KLPD?

Sameer Sinha: Your question was about the economics of a 40 KLPD?

Anupam Goswami: Grain base, yes.

Sameer Sinha: We are spending around, let's say about ₹ 45-46 crore as a CAPEX and we would also be looking at enhancing the capacity of this 140 KLPD expansion that we were talking about or going up to 660. This would also get included. And the payback for this would be about four years.

Anupam Goswami: Just to have an idea on the margin front, a grain-based distillery, how is the margin compared to the molasses based let's say for B-heavy?

Sameer Sinha: Vis-à-vis B-heavy, a grain base would have a slightly lower margin. I am talking from an ethanol perspective. I am not talking from an ENA perspective but from an ethanol perspective it will have a margin which would be slightly lower at the current prices as compared to the B-heavy margins that we get. And that compared to cane juice numbers, yes, the margins would be somewhat comparable.

Moderator: The next question is from the line of Karan Agarwal from Tusk Investment.

Karan Agarwal: We would like to understand a bit on the Water business part of it. You mentioned that the order book is around ₹ 910 crore, so how much time would be required for the execution of these projects?

Tarun Sawhney: As far as the Water business is concerned, the order book of ₹ 912 crore, ₹ 457 crore of this is towards operations and maintenance contracts which are for longer periods of time, let's say about approximately a decade. The balance of it we expect executions within the next couple of years, two years or so at least.

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

Udit Gupta: My question is that after the entire expansion is complete of 660 KLPD, how much ethanol are we poised to produce?

Sameer Sinha: Assuming that even the grain is on ethanol, you see we always try to maximize our capacity utilization and the thumb rule we take is that an operating number of days as a benchmark is between 330 to 335 days at 100% capacity utilization. That's the benchmark you can calculate the numbers.

Udit Gupta: And how much of ENA or that levy molasses will be included in this?

Sameer Sinha: See, in terms of levy molasses which we are manufacturing we are doing around 90 lakh liters which will continue to happen.

Udit Gupta: So, if I multiply that number then deduct that 90 lakh liters that should give me an idea.

Sameer Sinha: Absolutely, 100 lakh liters would be the number.

Udit Gupta: And what would be our processing cost per litre of ethanol?

Sameer Sinha: It would be somewhere around let’s say ₹ 9 a litre.

Udit Gupta: Does that include the depreciation or the interest cost?

Sameer Sinha: Yes, it would.

Moderator: The next question is from the line of Harshil Kothari, an Individual Investor.

Harshil Kothari: I would like to know does our plant have a capacity to change the fuel mix at any point of time if sugar is not available and let's say a lower cost of grain is available. So, if we have that shifting available in our plant as of now? And if not as of now, is there is any possibility to do going forward?

Tarun Sawhney: Are you talking in reference to our distilleries?

Harshil Kothari: Yes, distilleries.

Tarun Sawhney: The plants that is being set up at our factory at Milak Narayanpur will have dual feed. So, it can be molasses and juice, and it can also process grain which is if you run the plant on juice during the season, you can turn it on grain in the off season. We are looking at these bolt-on packages very carefully for our other distilleries at the other locations as well.

Moderator: The next question is from the line of Ankit Sancheti from Kotak Asset Management.

Ankit Sancheti: I had just one question on this point number 8 on notes to account. You are looking to acquire 100% stake in United Shippers & Dredgers Limited. Can you share what exactly is the idea behind subscribing or acquiring these equity shares? Can you throw some more light here? Does it involve much higher investments somewhere down the road?

Suresh Taneja: I will answer this question. It requires very minor investment of about ₹ 25 odd lakhs. This Company possesses land which is just adjacent to our Khatauli sugar factory. We thought it is a good idea to have that land within our possession. That was the whole objective.

Ankit Sancheti: So basically, the idea is for expansion and when you guys decide and there is nothing which is going into this dredging or shipping?

Suresh Taneja: Nothing.

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

Anupam Goswami: If you can elaborate more on the investment that we did in the associate in the Israeli Company and why did we divest our stake and what was the purpose in the investment in the first place?

Tarun Sawhney: The investment in Aqwise was done many years ago at a point in time where the focus of the Water business was on a technology platform. You will recollect this was a decade ago and this business division was specifically keen on participation on the technology line. So, we were restricting ourselves to only the technology portions of water projects at that point in time, whether it be for private sector or public sector clients. Of course, that strategy did change as the sector itself evolved and therefore, we moved very quickly and being agnostic to the type of technology. Aqwise, of course, our investment in that Company did continue. To give you an example, one of our most successful projects has been the Agra water treatment, sewage treatment project and that has been done utilizing the technology from Aqwise. We have had the President of the country of Israel come and inaugurate that site and it's a very successful initiative because that technology can be used in other areas. However, due to COVID and a variety of other reasons, there has been a negative impact on the operations of Aqwise as a business entity. So, from a strategic perspective of gaining technology and utilizing it in India, I think we have met that objective. However, from a financial objective because of the vacillating business conditions in Israel and with global clients, the performance of the Company Aqwise has been negatively impacted and the Company TEIL has taken a call and taken a position that we will now sell these shares and take the commensurate hit in terms of the loss.

Moderator: The next question is from the line of Anurag Patil from Roha Asset Managers.

Anurag Patil: ₹ 350 crore CAPEX you are undergoing. Will it be completely funded internally?

Tarun Sawhney: The CAPEX that we had announced in the last call and the additional CAPEX that we have announced in this call, the portion that comes under subsidies from the Central Government, we will obtain that. The policy as I had mentioned is that if there are loans that are available at concessional and subsidized rates, the Company will subscribe for those from the Government of India. That is the policy. So, a portion of this CAPEX, will be funded through debt at subsidized rates.

Anurag Patil: How much can this be funded, any ballpark number?

Tarun Sawhney: It would be to the tune of about ₹ 150-175 crore.

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

Tarun Sawhney: Ladies and gentlemen, thank you very much for joining us today for the fiscal 2021 results for Triveni Engineering & Industries Limited. I think we are at a very exciting point across our businesses within Sugar, Alcohol, as well as our Engineering businesses. All of them have come out of the COVID period stronger. We anticipate a very robust year and higher prices as far as sugar is concerned, as far as the distillery business and the alcohol business is concerned. Again, there is certainly great news that is in the offing. Of course, the devil always lies in the details, the implementation of that will be seen. We have large CAPEX projects that are underway, and we will certainly be reporting back to you on the developments that we make in those projects. They have aggressive time schedules as well. As far as the Engineering businesses are concerned again there is a return to normalcy. We are seeing international and global interest across both the businesses which is quite exciting. And of course, a rebound in domestic demand as well for our Water business and for our Power transmission business, both very exciting. Thank you again for joining us today and I look forward to our next conversation for the Q1 results of fiscal 2022.

Moderator: Thank you. Ladies and gentlemen, on behalf of Triveni Engineering & Industries Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.