Triveni Engineering & Industries Limited

Earnings Conference Call Transcript
February 13, 2015

Moderator Ladies and gentlemen, good day and welcome to the Triveni Engineering Q3 and Nine Months FY15 Earnings Conference. As a reminder, all participant lines will be in listen-only mode. 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 '*' than '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gavin Desa of CDR India.

Gavin Desa Thank you. Good day and a warm welcome to all of you participating on Triveni Engineering & Industries Q3 and 9M FY15 earnings call. We have with us on the call today, Mr. Tarun Sawhney -- Vice Chairman and Managing Director; Mr. Sameer Sinha – President; Mr. Suresh Taneja -- Group CFO, and other members of the senior management team.

Before we begin, I would like to mention that some statements made in today's discussions may be forward-looking in nature, and a statement to this effect has been included in the invite which was mailed earlier. I would also like to emphasize that while this call is open to all invitees, it may not be broadcast or reproduced in any form or manner.

We would like to start this call with opening remarks from the management followed by an interactive Q&A session wherein you can discuss your views and key issues. I would now like to hand over to Mr. Tarun Sawhney to share some perspectives with you regarding the Company's Operations and Results and Outlook for the Coming Year.

TarunSawhney Good Afternoon, everybody and welcome to Triveni Engineering & Industries Limited Q3 & 9MFY15 results earnings conference call. Our net sales stood at ₹ 1,613 crore with an EBITDA of ₹ 31.9 crore. However our PAT was negative at ₹ 66.5 crore for the entire nine month period on a consolidated basis. In a nutshell, the Sugar business has benefited from higher recoveries, but the declining Sugar prices have impacted profitability. The Cane subsidy for Season '13-'14 at ₹ 6 was received by the Company which amounted to ₹ 28 crore and has been accounted for in this quarter. The UP Government has also announced SAP at similar rates as last season with an enhanced subsidy and I will discuss about that later in the call.

The overall Country's production is expected to be around north of 26 million tonnes. Also, the export of some of this surplus is crucial in terms of arresting the decline in Sugar prices.

As far as the engineering business is concerned, the water business has been impacted by some delays in projects and there are consequent overruns in cost due to those. However, we are still very bullish about this business. Also, our stance remains the same as it was during the last earnings conference call that there is tremendous backlog, enquiry book etc. I would be covering this in detail when we will discuss about the Water business.

The Gears business had slightly lower dispatches for the quarter which resulted in a lower turnover and this was primarily due to the deferment of the dispatches. However, there is improved business sentiment in the capital goods industry, not just within the Country but even globally we are seeing a tremendous amount of interest that is coming from Southeast Asia, Latin America and parts of Europe. The outstanding order book for the engineering business stood at ₹ 509 crore at the end of last quarter.

The finance cost for the Company for the nine month period was ₹ 88.5 crore which was significantly lower than ₹ 103.2 crore for the corresponding nine months of the previous fiscal year. This lower finance cost by 14% was primarily due to lower working capital utilization. The debt of the Company as on 31st December stood at ₹ 1,028 crore, 14% lower than March 31st figures and it comprised of ₹ 560 crore of term loans and working capital of ₹ 468 crore.

Turning to the Sugar business, the Cane crushed during the period October to December 14 was substantially higher than the previous year. This was primarily due to the earlier start of the season by approximately ten days to two weeks. This is across the board for all seven of our Sugar units. The recovery was higher by 15 basis points. The recovery stood at 9.39 basis points on 31st December '14 versus 9.24 basis points in the corresponding period of the previous year. However, as on today we are 26 basis points higher than the same point last year. We are seeing the benefit of the Cane development activities that we had done as a primary reason and also the change in the varietal balance as a very crucial part for our better recoveries. Secondly, the weather pattern has been more favorable than it was last year. If you remember when we had conducted this conference call during the same time last year, we were speaking about untimely rainfall and also the incidence of disease especially in Western Uttar Pradesh which had a decline in recovery. These diseases have been arrested by Cane development activity and the rainfall has been more timely and less in quantum which has also helped in our recovery balance.

Our pre-sale realization for the period stood just under ₹ 30 per kg which was marginally lower than it was in 31st December '13. However, since then we have seen a steady decline in sugar pricing. In fact, the decline has been most acute and far more than anticipated by us and also by the industry. This leads us to the possibility of the market being oversold and we have reached levels as of today which are substantially lower than what the price should be in the Country. Newspaper articles and our analysis suggest that we are at

4.5 year lows as far as sugar pricing is concerned across the Country. The Company has paid its entire Cane arrears for the season 13-'14 before the deadline prescribed by the UP Government and received a ₹ 6 subsidy which totaled to ₹ 28 crore. The Cane price for this quarter has been accounted at ₹ 271.4 per quintal after considering a subsidy of ₹ 8.6. This ₹ 8.6 subsidy is available to the Company, provided the sugar realization is at ₹ 3,100. In our opinion, the realization has been substantially lower than for the period 31st October to 31st March and therefore we have been very prudent and accounted for it at this point in time.

On account of the falling sugar prices, we have written down our inventories by ₹ 58 crore and the average valuation of sugar for the Company is ₹ 27.50 per quintal. It is important for us to be able to do that in order to be more realistic in terms of our expectation and setting our expectations for the coming year. During this quarter, the incidental Co-generation plant at Sabitgarh for export of 6 MW was commissioned and started exporting power ₹ 3 crore of revenues has been accounted for from the incidental Co-generation units at Chandanpur, Milak Narayanpur and Sabitgarh for the quarter ending December 14.

Looking at the industry scenario, I am sure you are all aware of the UP Government press release regarding the statutory State Advised Price. Two subsidies of ₹ 20 plus ₹ 20, have been offered by the State Government subject to certain conditions. The first subsidy is split into ₹ 11.4 which had all the taxes and commissions over and above the SAP and ₹ 8.6 as a direct subsidy if the price of sugar is below ₹ 3,100. The next ₹ 20 is subjected to a committee being established. Actually both are subjected to committees being established by the UP State Government and three factors will be considered in that i.e the price of sugar, the price of molasses and the price of bagasse**.** Also, the declining trend in all three, especially sugar leads us to believe that we really should receive all if not bulk of that ₹ 20 that is on offer. However, all this can only be made certain after 31st May i.e once the committee is set up under the stewardship of the Chief Secretary of the Government of Uttar Pradesh. We have therefore not accounted for any of this incremental additional subsidy at this point in time.

For the Sugar year '14-'15, the Central Government has fixed an FRP of ₹ 2,200. For the sugar year 15-16, the FRP has been declared at ₹ 2,300 per tonne on a recovery of 9.5%. The increasing trend is about the same that the Union Government has followed over the last few years which is ₹10 increase in the price of Sugar gain on an annual basis.

The ex-mill prices are the lowest in four and half years as on today. They are fallen by over ₹ 300 per quintal over the last few months. Also, the mills have been struggling across the Country to even pay FRP in the FRP paying States. As per the estimates, all India arrears during the end of January were about ₹ 11,000 crore and increasing rapidly. In fact, if one looks at the position at the end of this season, it may be a staggering amount and at an all-time record across the Country. This is because the Cane arrears are stretching not just in North India but in the Southern States including the States of Maharashtra and Karnataka.

The industry has spoken with the Government at various levels and sort for subsidies and we hope that some of these will be considered favorably and quickly by the Union Government. The first and foremost, is the subsidy for export of Sugar. The Government has made some press releases. The honorable ministers have made some press release which stated that ₹ 4,000 per metric tonne subsidy will be available for 1.4 million tonnes of raw Sugar exports. We hope that next Wednesday, the CCEA in its meeting would take up this proposal and looks upon it favorably. I do have to tell you that this would be the last possible point to look at the export of this 1.4 million tonnes, which according to industry estimates will happen if we reach this decision in the middle of February. It is interesting to note that the decision was taken last year at the very end of February and that two week delay was crucial. This is because the production in Maharashtra and Karnataka, where most of the raws will be manufactured will need to be attuned to the manufacture of raw Sugar and the extra two weeks that we get will ensure that this Sugar gets exported. The global sugar prices have been on downward trend and have sort of stabilized at the 14 cent level of the last few weeks. However, the rupee being fairly weak against the U.S. dollar would allow us to export at that ₹ 4,000 per tonne subsidy level. I am confident that this program will be successful. In addition, the industry has asked for the increase in import duty to 40%. This of course is resentment changing issue and we hope that it will be looked upon favorably. In addition to that, there are proposals which have been made for additional excise loan which is the interest free loan from the Government, the creation of buffer stocks and the restructuring of the debt of Sugar mills. I would like to point out that over the last five years the total debt of the industry has increased from ₹ 11,000 crore to ₹ 36,000 crore which is staggering amount and you have seen that in the results of the Sugar companies across the Country.

Going forward, we hope that there is some amount of sanity which would come into the system which will allow us to be able to return to normal levels of debt and profitability for the industry as a whole. All parties which are involved are looking at that more cohesively. The dialog across the board has been more cohesive and I am happy to inform you that there are many proposal in various levels that are been considered. We should hopefully have an outcome in the next 12 to 18 months and that is our view on this.

In December '14, the Government of India announced a fuel rate ethanol price fixing mechanism where under the EBP which is the ethanol blending program, the delivered price of ethanol was fixed for a range between Rs. 48.50 per litre to Rs. 49.50 per litre depending on the distance of the Sugar Mill to the oil marketing company.

Turning to the Co-generation business, the operating days for our Co-generation units for the quarter were higher and therefore the revenues in units generated were also higher for the same period. The new tariff order from UPERC which is an increase of about ₹ 49 paisa per unit has been released. But some clauses in this order are still ambiguous and are seeking some clarifications. However, UPPCL have gone ahead and have appealed against this. They have also filed a review petition. As a Company i.e as far as Triveni is concerned, we are happy with this increase of 49 paisa. This increase is overdue and would be applicable from the 1st April 2014.

The Distillery business has performed admirably and our expectations from this business are very high not just in terms of the product profile that is manufactured but also more importantly the high standards of performance that is being set by our Distillery.

Turning towards the high speed gears and gearboxes business; the PBIT levels were at ₹ 7.8 crore on the net sales of ₹ 22.6 crore for the 3 months under review. However, for the nine month period it was slightly lower. Our finished goods have increased dramatically at the unit and lot of it was dispatched in the month of January. Therefore, our targets for this quarter are extremely aggressive. We are still very bullish about growth for this business for the current fiscal year and we have great deal of certainty about the products which would be dispatched over this quarter.

I would like to spend a minute talking about our refurbishment solutions repair services solutions. For the nine months under review it was 42% of our turnover. Now, this is the high margin portion of our business and it is growing at a very substantial rate. So, despite the challenges in the Capex cycles in capital expenditure across the industry and across the world we have seen great benefit coming to us in terms of refurbishment solutions where clients are looking at repairing gear boxes and are very happy as we are able to provide world beating solutions in this regard. I do believe that this business is going to continue to grow very rapidly over the next few years.

The order book stood at ₹ 63 crore but more importantly our development programs, our R&D programs have come to state of satisfaction. Regarding our mill drive gear boxes which are of a planetary epicyclical design, we now completed the additional variants of 500 kW and 1,500 kW and we are in the process of finalizing a bevel planetary arrangement which will allow us to address the heavy duty requirements of the power, coal and cement industry. This would again open up a brand new area of expansion for this business. Our exports of oil and gas are also looking up and the enquiry book is burgeoning. We are excited about this business with respect to expansion of our facilities we expect all of that to be complete by the end of the second quarter of the next fiscal year.

On the other hand, the water business had its fair set of challenges. This business is focused on providing world class solutions in water and waste water treatment for the industrial and municipal segments. However, it is constrained to achieve its optimal turnover due to delay in some projects. Now, as we turn into this calendar we have seen a large amount of movement in this industry. The order finalization which was fairly poor at the end of December 2014 has a chance to pick up and we are seeing people moving towards that direction especially the municipal sector. We are hopeful that we will do well in these tenders and would be able to report back to you a larger order book in the future. The overall outlook for the Company seems mixed at this point in time. There are certain challenges in the Sugar business which you are aware. Also there are systemic changes that are required to address. With respect to the issues in the gears business, we are at a very exciting point at the moment with business not being more global and becoming more global as every quarter transpires. We are very well placed with the expanded capacity in order to be able to take advantage of this. Our new relationship within that business will certainly assist us. The water business is also in a very interesting point at this time. While the revenues have not been up to the mark as to our projection, going forward we are excited about the possibilities of this business. The basis of my remark is based on where we stand in our existing tenders at this point in time. I hope to report to you a profitable and healthy growth in this business in subsequent quarters.

With that I would like to open the floor for some questions.

Moderator The first question is from the line of Arun Malhotra from Santalum Capital Advisors.

Arun Malhotra In sugar business, would we be making money during this year on an EBIT level if we exclude power and ethanol but include subsidies?

Suresh Taneja If we are able to get a subsidy of ₹ 2,860 then roughly our cost of production would be a little less than ₹ 2,900. The realization price would determine whether we will make profit or not.

Arun Malhotra If we include power, ethanol and the new formula of subsidiary which has been provided by the UP Government, would we be making money at the EBIT level? Also, will we be able to cover the interest cost?

Suresh Taneja I think yes. But let us not forget that in this year we would be able to sell only 20%-25% of the new sugar. The balance sugar would be only sold next year. The contribution that would be available in the present year may not be adequate. The impact of this will be felt in the next year.

Tarun Sawhney Also, if the question pertains to the next year then I believe that there is greater degree of confidence in saying yes.

Arun Malhotra The margin₹s have dropped considerably in the ethanol business. The EBIT stands at Rs. 6.7 crore out of the ₹ 49 crore revenues versus ₹ 13.5 crore last year, while the average realization has more or less remained the same close to ₹ 39.

Tarun Sawhney We have changed the transfer price in line with the market. This has somewhat of a negative impact. The second important point is we have taken a ₹ 4 crore write down in terms of Cenvat credit which is underutilized.

Arun Malhotra Could you elaborate more on the transfer pricing? Are you basically transferring the extra additional profit into the sugar?

Tarun Sawhney No, we transfer molasses at a market determined price to the distillery from the sugar factories. That market determined price changes annually based on the prices in the general market. We follow very conservative accounting standards and always apply the exact and accurate market price. So, the market price for transfer of molasses has been reflected and therefore it has resulted in a slightly lower level of profitability.

Arun Malhotra If we remove this ₹ 4 crore write-down item out, would we still be at a margin level as we were last year?

TarunSawhney Other than the molasses transfer price, yes we are.

Arun Malhotra Is it a 20% EBIT margin business?

Tarun Sawhney Yes.

Arun Malhotra With respect to the gears, it was mentioned that we have a 60% market share. How do we define the market here? Are you considering it up to 70 MW?

Tarun Sawhney No. If you see after 70 MW, the applications are not geared and therefore that is the total market. We are primarily in the high speed gearing market. As a result of this we deal with every single OEM, be it domestic or be it global. Gearbox as you can imagine is always packaged with another item; be it a compressor, a pump, a turbine, etc. We sell to every single manufacturer of these products around the world. In certain cases our customers bring in pre-packaged, let's say a compressor with the gearbox from Western Europe. In that case we count that as part of the market. Every single high-speed gear box that is commissioned in the Country that data is available by cross checking with consultants, with our end users and with our OEMs in terms of the establishing the total market. Our market share with the only high speed gearbox manufacturer in the Country is at 60% which is a very high number primarily due to the fact that we end up providing the largest portion of gearboxes to all of our OEMs and end users.

Arun Malhotra We have mentioned that there is licensors supply agreement which we have entered into. Could you provide us more details on what the quantum of the business would be out of this agreement?

Tarun Sawhney We have had a relationship with a Company called Lufkin Industries since 1998. This relationship has been in the form of a license agreement which has been renewed twice and most recently it was renewed in 2012 for a period of 12 years. The last agreement covers all technology under high speed above 7.5 MW. For below 7.5 MW we have our own technology. Therefore, all products which we sell in the range of above 7.5 MW are covered under this license.

Arun Malhotra Have we got into a supply agreement i.e have we got any order intake from those?

Tarun Sawhney This is a technology transfer agreement with Lufkin. I should mention that Lufkin has been acquired by General Electric two years ago.

Arun Malhotra Is there is an outsourcing agreement?

Tarun Sawhney We also have a separate strategic sourcing agreement with GE. This was signed in September last year. Referring to the comment in the brief, where we talk about the export boost to come from GE Lufkin and GE oil and gas, it will be under this strategic supply agreement.

Arun Malhotra On the water business, we have continued to be EBIT negative. Does it mean that are we taking orders which are not even EBIT positive?

Tarun Sawhney No, that is not right at all. There is an order execution delay in this business. Looking at the Capex cycle across the Country, especially in large projects in this segment both at the industrial and at the municipal level we have seen staggering delays. As a consequence of that, we have to follow a fairly stringent accounting standard and we can only book revenues as and when the execution happens. As a result, this is shown as an EBIT negative item for the last few quarters.

Arun Malhotra What is the execution cycle for a particular project?

Tarun Sawhney It can vary, it ranges anywhere from 18 to 24 to 36 months.

Arun Malhotra The six quarters have been EBIT negative. Why we are expanding into the business, are we not taking profitable orders?

Tarun Sawhney No, the orders are profitable but they are a consequence of delays in the execution and this is only from the customers end. You should be looking at a period of multiple years. If you look at this business for a period of three to five years, it has been very profitable. Over these last five or six quarters, we do have some amount of overheads that we need to absorb that keeps the business is at a stage; which is a leader in terms of providing this technology based solutions. Due to this overhead absorption we have had a loss in certain projects. Also, let me take you to some general knowledge. If you look at the power projects in the Country, they have all been dramatically delayed. We are the partner of choice for most of the industrial customers in this segment. As a consequence of that power project being delayed, our work has gotten delayed. So, our project which might have been an 18 month delivery project has been pushed out to 36 months if not more. Until we complete and execute the project and hand it over, we cannot complete the billing cycle. However, we still have to absorb the overheads. What I am trying to say once the orders are fully executed they would reflect in our financials.

Arun Malhotra The market cap is quite low and it is actually less the holding we have in Triveni Turbines, if I am not wrong. Is the management concerned about the under performance of the stock in the past three to four years? Is the management considering some restructuring or demerger which we have done with Triveni Turbines?

Tarun Sawhney The management would be concerned with the stock price at the level it is at. It is a function of the largest business within Triveni Engineering which is our sugar business. Over the last few years that business has seen very poor days and it is yet to come out of the downward cycle that the sugar industry is in. I would like to bring you back to that point in time where the valuation of the business was significantly higher at the top end of the cycle. Now, the Company is working at all levels in terms of resuscitating this particular business and taking it forward. With respect to the other two businesses in the Company, I've already spoken about in length about the water business in your previous question. We are anticipating profitable growth in that business in the near future. Similarly with the gears business, we are very hopeful that the expansions that we are in invigilating will happen over the next few quarters. Now with regards to your question about restructuring, we had made an announcement. However, the management is yet to take any proposal to the Board. As and when the management does make a proposal to the Board, we will of course announce to the stock exchange.

Arun Malhotra This is because the investors are force to own the sugar business even if they may like the gears and the water business. But by owning Triveni Engineering, the investor actually forced into owning the sugar business which is actually dragging the whole profitability of the Company. I would strongly suggest to the management to seriously consider this going forward.

Tarun Sawhney Thank you for your views.

Moderator We have the next question from the line of Saket Kapoor from Kapoor & Company.

Saket Kapoor On ethanol, how much has been the off take from the oil marketing Companies on the ethanol blending program? This is because, earlier we seen that the quotations were given but we did not get the desired quantity. I think there were some other issues as well and the entire process was cancelled. What is the position on ground at the moment?

Sameer Sinha I will explain it to you in two parts. The first part is that after the first tender was cancelled, a fresh POI had come in January for about ₹ 97 crore liters' and about ₹ 35 crore liters' have been finalized by the OMCs in which Triveni has got about a 1.17 crore liters at about ₹ 41.10. We expect to start supplies against this tender in the coming months. Also, from the sugar mills side, there have been certain depots where the off take has been delayed and the first tender that we are currently supplying against has been extended twice. The validity of this tender would end in May this year.

Saket Kapoor With respect to the formula of the gross calorific value, if we take the cost of petrol in the GHP format, the prices of crude which have now corrected to a level of around $55 to $60 band. How feasible is the current ethanol blending program for the Government? Also, if the crude remains at these levels how much economic sense will it make for the OMCs to continue the way they are doing with the oil blending program? This is because, I believe the cost of making petrol would be higher with 5% which is now going to be converted to 10% blending, going forward i.e if crude remains at this level.

Sameer Sinha The crude prices and the ethanol prices have been determined on a long-term basis. So, there would be some volatility and we expect in the second-half of this year the crude prices to go up again. So you will have a long-term tender and therefore we should not limit ourselves to quarter-on-quarter discussions on this. Earlier when the crude prices were higher, the petrol companies were buying ethanol were making a good margin on this product. So, therefore let's wait and see how it goes forward and the crude prices in the future.

Tarun Sawhney This is a program that has been sponsored for the highest levels of the Union Government in order to be able to meet the environmental standards. The blending program is something that cannot be only reviewed with respect to pricing but it also has to be looked at from an International perspective especially with respect to environmental norms.

Sameer Sinha And also the energy security of the Country, which is very important.

Saket Kapoor But the chemical manufacturers have also made a very strong case in the Competition Commission of India regarding the cartelization by setting the price of even ethanol at a very higher premium to the prevailing market price in the International market.

Tarun Sawhney There is only one chemical producer that has made that case to be perfectly honest and the findings are still not out. Also, at every point that petition has received major setbacks because there is no cartelization in this industry whatsoever. In fact, now the Government has gone ahead and said a fixed price for the sale of ethanol. So there is no concept of any cartelization. Also, there are International norms for this blending. So you have to look at it from holistic prospective i.e does India want energy security? Does India want to meet environmental norms? What is the experience of large countries i.e if you take Brazil as an example, which has met its requirement for energy security? What is the impact on our fiscal budget with respect to fuel etc.? So there are many considerations and all the points lead to an aggressive ethanol blending program by the Government.

Saket Kapoor With respect to the point where you were explaining about the ethanol blending program. We find that even the engines are not particularly specified for ethanol blending to go in a smooth way. Even the manufacturers are not able to confirm whether blending of petrol with water content ethanol will not provide any damage to the engine of the cars or the automobiles.

Tarun Sawhney I am sorry, I will have to interject I think your facts are a little wrong at this point in time. Internationally, there are up to a certain level in Brazil, for example at 27% the exact same engine technology can be used. 27% blending of ethanol the exact same engine technology has been used and has been used for a much longer period of time. I am not quite sure where you have got your data from. If in Brazil at 27% blending of ethanol they are able to function and have functioned for many decades, there is no reason why at 5%-10% in India, we cannot function.

Saket Kapoor What are the International prices for ethanol at present and specially the Brazilian market? Also, what is the lending price if we import?

Tarun Sawhney I am afraid I do not have those numbers for you at this point in time. However, I think what is important is really to look at it from the perspective that I had mentioned to your earlier. You have to look it from a perspective of energy security number and from the environmental perspective. Now if you are actually using a domestically manufactured product to alleviate your fuel security, by importing it, you are defeating the purpose.

Saket Kapoor How does the chemical industry take your stand with respect to this?

Tarun Sawhney I do not think it is the chemical industry. I think it is one party or maybe two parities. I think you need to really look into those facts.

Moderator The next question is from the line of Shirish Hisaria from Kotak Mahindra Bank.

Shirish Hisaria When the industries demand is increased in the import duty, what are the kinds of imports we have seen in the last sugar season and what are the imports you have seen till December?

Tarun Sawhney There has been no imports which I could talk about in sugar. Last year, the imports were insignificant in nature. The increase in duty from 25% to 40% has two factors associated with it. It is to ensure that even if there was price parity for importing, it does not happen. In that off eventuality, it is not viable at any point today. Also, it is a clear sentiment to the trade in the market that we in India will be only consuming Indian Sugar.

Shirish Hisaria At what level will the International prices become viable?

Tarun Sawhney The International prices also change very dramatically. If you are a zero duty then you have a viability of the import happening only at about that duty level. But right now the duty is at 25%.

Shirish Hisaria When do you see the cane acreage in India coming down? This is because in the last four years we have not seen a significant decrease in the cane acreage beside the sugar industry going through a bad phase.

Tarun Sawhney There is only one sign to look for. The historical sugar cycle has been based on cane arrears. Whenever arrears have exploded, you had the willingness of a farmer to move from sugar cane to other crops. If you look at the figure that I had mentioned on the call i.e on 31st of January ₹ 11,000 crore of cane arrears which will expand to ₹ 20,000 crore by the end of the sugar season is an astronomical number. That is the number at which one will see people moving away from sugar cane on an all India basis. Every State has different ramifications because different State Governments view cane price arrears in different manners. So that is the first sign to look at. The next thing of course is to look at the competing crops. Traditionally and I am speaking generally for the Country, the competing crops would be rice, paddy, and wheat. Now the prices of paddy and wheat have also suffered over the last couple of years. The moment you see any upswing in those prices, you will have farmers that will willing shift from Sugarcane to other crops.

Moderator I now hand the floor back to the management for closing comments. Thank you.

Tarun Sawhney I would like to thank everybody for joining us today for the nine months results of Triveni Engineering & Industries Limited. I look forward to speak to you in approximately three months' time. Hopefully at that point we would have much better news about the Sugar industry at least looking forward that is what one can expect. This is because, as I had mentioned earlier, there are certain request that the industry has made and at that point in time three months from now I should hopefully be in a better position to inform you about the development along those lines. In addition to that give you positive news regarding our engineering business and its order book going forward. Thank you for joining us this afternoon.

Moderator Ladies and Gentlemen with that we conclude this conference call. Thank you for joining us.