



Praj Industries Limited

Q1 FY18 Earnings Conference Call Transcript

August 14, 2017

Moderator: Ladies and gentlemen, good day and welcome to Praj Industries Limited Q1 FY18 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. In case 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 Ms. Priyanka Watane from Praj Industries. Thank you and over to you, ma'am.

Priyanka Watane: Good day everyone. We welcome you to this conference call organized to discuss Praj Industries' operating performance & financial results for Q1 FY 2017-18, which were announced on August 11, 2017. I have with me Mr Sachin Raole, CFO & Director – Finance & Commercial, Mr Atul Mulay – President Bio-energy Business and Mr Surendra Khairnar, VP – Accounts. Before we begin, I would like to mention that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. Documents relating to the financial performance were emailed to all of you earlier. These documents, along with a quarterly results presentation, have also been posted on our corporate website. I would now invite Mr Raole for his remarks.

Sachin Raole: Good day ladies and gentlemen. I welcome you to Praj Industries' Earnings Call for the first quarter of fiscal 2017-18. While several metrics of economic growth such as GDP, tax collection, inflation are providing positive signals, underperformance of Industrial Production Index (IIP) remains a concern. Despite encouraging trends in areas such as infrastructure development, government expenditure on road, rail and defense; the capital investment from private sector continues to remain elusive. The business landscape is still evolving from implementation of reforms such as demonetization and GST. In all, owing to weak momentum in the domestic capex cycle, the industrial ordering environment has remained muted, with decline in the new project announcements. On global front, crude oil price is hovering around \$50 and it will be some time before it comes in the investment range for oil sector. In response to such challenging business environment and as a next step of the value maximization exercise, we have rationalized our business portfolio and organizational resources. Firstly, with developments in the 2nd generation ethanol and biorefinery approach, Bioenergy becomes a prominent element of the portfolio with many sub-verticals within.

Secondly, pharma related Praj Hipurity segment has achieved sufficient maturity and is receiving good traction. Other businesses i.e. critical process equipment & systems, specialized engineering projects and waste water treatment solutions share common markets, skillsets and competencies. Hence, these are grouped

and focused upon as Engineering Businesses. R&D initiatives continue to support the biorefinery vision with development of processes and renewable products along with services in industrial biotech and wellness range. Now, before we go into the details of financials, I invite Atul to discuss each of these business portfolios.

Atul Mulay:

Thank you Sachin. Good day everyone. Starting with developments in the bioenergy landscape - Sub-optimal monsoon in the preceding year resulted into early closure of the sugar crushing season and shortage of molasses. Compounded by uncertainty around GST, capital investment decisions were deferred. Ethanol blend ratio for the year is expected to be around 2.5% against 4.15% achieved in the previous year. In contrast to the previous years' drought situation in major cane producing states in India, FY 2017-18 predictions for monsoon and sowing data remain positive. Adding to that, with some favorable developments in the sugar industry, medium to long term indicators for ethanol remain positive.

The import duty on sugar has been increased from 40% to 50% while international sugar prices too have surged. This is expected to result in improvement in health of the sugar industry, thereby improving their preparedness for capital expenditure even for co-products like ethanol. Indication of improvement in gross margin during the new sugar/alcohol year starting Oct 2017 is expected to lead to increased investment activity. In a welcome move, Karnataka has eliminated the requirement of permits from excise department for ethanol movement, becoming the first state to implement the amendments to the Industries Development and Regulation (IDR) Act. The move comes as a boost to the sugar industry and other states may follow the suit.

Post implementation of GST, biofuels including ethanol, are now under the 18% GST bracket. Industry has appealed to the respective Ministries to take it up with the GST council to consider tax reduction on green energy products. Production of ethanol from agri-residue deploying 2nd generation technology is now an agenda of national interest in the discussion on energy security and combating climate change. On the occasion of World Biofuels Day celebration held on 10th August, 2017 in Delhi, Hon. Minister of Petroleum & Natural Gas Mr. Dharmendra Pradhan announced immediate investments by Oil Marketing Companies to the extent of \$2 bn and early finalization and implementation of biofuel policy to accelerate substantial investments in the coming years.

In order to extend the biorefinery concept to produce a range of biofuels and renewable chemicals from the existing platform, we have entered the commercialization phase with Gevo Inc of USA for iso-butanol production from molasses and 2nd generation cellulosic feedstock. One of the major applications of iso-butanol is aviation fuel and Gevo has tested the process to produce the same from iso-butanol. Forums like the Bioenergy Urja Utsav organized by the MOPNG in association with Mahratta Chamber of Commerce, Industries and Agriculture in Pune, World Biofuels Day celebration in Delhi and over 100 districts across India, are effectively being used to build an eco-system amongst the stakeholders in bioenergy and allied renewable fuels and chemicals.

Across the global ethanol markets, mandate intensity remains constant and we remain optimistic about many pockets of opportunity. Asia Pacific, South America, Africa remain on our radar. In these markets, we offer solutions to produce multiple grades of ethanol – namely beverage, pharma, fuel or industrial from the feedstock available as per the soil-climate situation. An important sub-vertical of bioenergy business is modernization and retrofit of existing plants, with thrust on international markets. We are pursuing active enquiries from within and outside India. Steam and water reduction, expansion of existing fuel ethanol modules, modification from single feed to multi-feed, multi-product plants, production of BioCNG are some of

the areas that we address here. Our effort is to increase the pie of this segment in the overall bioenergy business. In addition, bioconsumables deployed to improve yield and enhance the process performance are finding market in India and overseas. Moving on to the Praj HiPurity Systems business, we are favourably placed in the pure water systems markets, with a healthy reference profile across various sectors such as pharma, healthcare and wellness. Moreover, aggressive focus on modular process systems with addition to the scope of work is presenting healthy amount of leads. The team won a large value order for integrated modular process systems from an American pharmaceuticals company, for their plant in India and also, repeat orders from Indian pharma majors. Praj HiPurity has made a breakthrough in such multinational pharma companies entering India. India continues to be an attractive market for multinationals. GST is also expected to have a positive impact on the healthcare sector with the decrease in purchasing costs and complexities.

Coming to the Engineering Businesses, The critical process equipment and systems business is progressing well and continues to receive healthy base of inquiries from areas like petrochemicals, specialty chemicals, skids and specialized projects etc. We have recently received 2 important orders - one from a US client for specialized skids for production of high performance, environment friendly polymers and chemicals and another from a leading conglomerate from Africa for a refinery complex. Petrobras related order continues to be a part of the order backlog. Bids for the new shortlisted contractor are closing on 30th Aug, 2017. We are in discussion with all the bidders and are on a good stead.

With BS VI norms to be implemented in India in 2020, EPC players are gearing up for the opportunity. We have the necessary registrations in place and will participate in this opportunity. Some concern is observed in the domestic brewery market owing to restrictive prohibition practices imposed by the courts. This coupled with the implications of GST is making brewers take a cautious stance before committing investments. On the other hand, the newly formed Seemandhra state remains an attractive market for investors for setting up new greenfield breweries. On a positive note, Uttar Pradesh has clarified that there will be no prohibition on liquor production and sale in the state. Summing up, as Sachin mentioned earlier that the challenging business environment continues. At the same time, we are constantly on our toes to create opportunities for ourselves in each of the business segments. We are excited about the opportunities that are in the offing in 2nd generation ethanol and the wider bioenergy canvas. I will now hand over to Sachin for his comments on the financial performance.

Sachin Raole:

Thank you Atul. The results reported for the first quarter of fiscal 2017-18 were a reflection of the business environment, which continues to be challenging.

The consolidated income from operations stood at Rs. 192.78 crore in Q1 FY18. Customer preparedness in the domestic market has had an impact on the order execution and hence, the topline. PBT stood at Rs. 0.49 crore while PAT at Rs. 0.41 crore. The drop is in line with the drop in topline. Export revenues accounted for 40%. Of the total revenue, 61% is from bioenergy, 19% from Praj HiPurity and remaining 20% is from the engineering businesses. The order intake during the quarter was Rs. 165 crore, with 38% from domestic market. Of the total order intake, 32% came from bioenergy, 18% from Praj HiPurity and balance 50% from the engineering businesses. The order backlog as of June 30, 2017 is at Rs. 915 crore out of which domestic business stands at 53%. Of this, bioenergy forming 52%, Praj HiPurity 10% and the engineering businesses form the rest 38%.

Overall capex plan for the year Rs 15 cr. We are adding BioCNG demonstration module from solid waste such as pressmud, agri-residue etc to the 2nd generation ethanol demonstration plant. Part of the capex will be used for this purpose. Cash

on hand as on 30th June, 2017 is at Rs 208 crore. We are glad to share that during the annual general meeting held on 11th Aug, 2017 shareholders passed the resolution to pay dividend of Rs 1.62 per share (81%) on paid up capital of Rs 35.95 crore. As explained from time to time, neither the quarter wise nor the first half performance is an adequate indication for the year as a whole.

On the corporate front, we would also like to share that Ms Mrunalini Joshi has been appointed as Additional Director in the category of Independent Director with effect from 11th Aug, 2017. Ms Joshi brings a rich business experience of 15 years in the packaging machinery industry. We are glad to share that Praj has won the prestigious BT-CSR Excellence Award 2017 in the Water Saving category. Praj Foundation has been doing a commendable job in the drought affected parts of Maharashtra. The Sustainable Water Resources Development Projects include excavation of the silt from local water reservoirs to enhance storage capacity. The stored water is used for drinking and agriculture. Recently, we were also bestowed with the best supply chain management practices award by the Indian Institute of Materials Management (IIMM) in the large manufacturing sector category. IIMM is a national apex body representing a wide spectrum of professionals engaged in various facets of material management such as planning, sourcing, logistics & supply chain management.

With this, I will conclude my remarks. Thank you all for joining. We would be happy to discuss any questions you may have.

- Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Vikram Suryavanshi from Phillip Capital. Please go ahead.
- Vikram Suryavanshi:** Can we have the brewery number in terms of sales in Q1 FY18 as well as in order book to make YoY more comparable?
- Sachin Raole:** In our order book, the outstanding number should be in the range of around Rs. 20 crore and in the engineering business topline, the component of brewery should be in the range of around Rs. 15 crore.
- Vikram Suryavanshi:** Are we seeing 18% GST materially impacting ethanol blending if it is continued?
- Sachin Raole:** GST implication, we will have to look at it in two buckets one for brewery basically for potable alcohol, which will have some kind of implication on the costing part, but on the ethanol hopefully the clarity will emerge and it should get eased out.
- Atul Mulay:** In ethanol, it is actually getting addressed at a very high level in Delhi with the GST Committee getting both these ministries involved. In fact, during Biofuel Day on 11th August both of them have addressed a public meeting and they said that they will have to take it to the Committee and ask for a 5% category and the discussion is in a very advanced stage.
- Vikram Suryavanshi:** Can you just give an update on 2G development and in what stage are we in terms of the projects announcements and some orders?
- Atul Mulay:** HPCL, BPCL, IOCL as we mentioned are identifying the locations. IOCLs and BPCLs are in the process, one is getting at Panipat and other is getting in Orissa. So the formalities are on and for them to have the tendering process which has already started, EIL has made the DFR for all these OMCs. The DFR has gone to the respective Boards and the Board's results are expected.

- Moderator:** Thank you. We have the next question from the line of Saket Kapoor from Kapoor & Company. Please go ahead.
- Saket Kapoor:** Is Mr. Chaudhary there in the call today?
- Sachin Raole:** Mr. Chaudhary is not there on the call today but if you have any question I will pass it on.
- Saket Kapoor:** What is the ballpark margin that you factor in when you book orders because the margins are at a dismal level. From revenue of Rs. 193 crore, we are posting a mere profit of around Rs. 50 lakhs. So just wanted to understand the margin profile and what kind of profile we are looking at as you have told that we should not look at the company financials on a quarter on a quarter basis. So on a yearly basis, what kind of topline should the investor community look at?
- Sachin Raole:** I will not be able to give you a number per se for the year to look at. My only indication was that do not consider this quarter's performance as the benchmark for considering for balance three quarters performance. And secondly, if we look at margin from a project to project point of view, those definitely vary. But depending on the total topline, the margins look very different because of the component of fixed cost. So because of the current quarter's performance being little lower, margins are looking lower. On an average, if you want to consider EBITDA margin, those can vary between 8% to 10%.
- Saket Kapoor:** What was the reason for a marginal profit of Rs. 49 lakhs?
- Sachin Raole:** Domestic market has definitely had a very adverse impact of multiple things which were happening at the same time, and we had seen a dip in our domestic business in a big way. As compared to that, international market has definitely picked up. But it was not enough to compensate for the drop in the domestic market sales.
- Saket Kapoor:** Will this environment continue for Q2 FY18 also?
- Atul Mulay:** We believe that by next sugar year which is going to start from October 2017 the situation should get stabilized and there will be far more clarity on the aspects like GST also.
- Saket Kapoor:** We are an engineering company, so when we are taking orders into hand we know what kind of margins we can post; it is not a commodity product. So where did the math go wrong that the margins look so different?
- Sachin Raole:** The maths has not gone wrong, it is the phase of the implementation of a project which keeps on varying depending on whether you are doing a supply component or a construction component and what portion is getting implemented at what point of time. That is the reason why we are seeing such kind of variation in margins, which will get evened out during the year.
- Saket Kapoor:** It will get evened out during the year but not for the next quarter?
- Atul Mulay:** Immediately, I do not expect it to get evened out but over a period of time definitely.
- Saket Kapoor:** Some more clarity will be emerging in the third quarter?
- Atul Mulay:** That is right.

- Saket Kapoor:** With ethanol blending going up from 5% to 10%, what kind of business opportunities can we consider now with whatever initial talks we had with the government about the second-generation biofuel?
- Atul Mulay:** For up to 5% blending, you have adequate molasses available in the country. Now government is looking for 10% and beyond 10% that is up to 20% program, that is where they have taken a drive of second-generation ethanol program. Now there has been a directive from MOP to OMC to set up twelve projects.
- Out of these twelve projects, each one has been given particular specific territories to set up the project. Now all of them have approached EIL being their common agency and they have already got prepared for some of the projects. Some of the sites are getting cleared from the State Government and once it is clear, then we will have clarity of how it will further progress.
- Saket Kapoor:** So the timeline for this would be another two quarters?
- Sachin Raole:** No, it will not take two quarters. Some of the projects, if not twelve, but between three to four projects will see some movement happening in this quarter, end of this quarter or early next quarter.
- Saket Kapoor:** What ballpark number of EBIT margins are we targeting for them?
- Sachin Raole:** It will be too early to comment on that, the commercials are also getting discussed. These, for the first time are getting set up in the country, so definitely we will have to see how the margins are going to emerge.
- Saket Kapoor:** Do you have only one competitor in the name of ICT?
- Atul Mulay:** That is right, yes.
- Saket Kapoor:** So the order has been divided between you and them for the first three or four times? So any ball park margin figure if you could give? Whether the margin will be in double-digits or lower single-digit?
- Sachin Raole:** So the reason for not giving a margin is very simple because we are discussing the component of orders, how it is going to get executed and which part should get executed in this year. So it starts from engineering till EPC the complete game of the construction of this plant. So that discussion is still going on. We will definitely get back to you on our coming quarter and I will be able to give you some indication on that.
- Saket Kapoor:** Will we be in the entire supply chain from the start to the commissioning part or what role will we exactly play? Will we have a total equity gain from our side?
- Atul Mulay:** EIL has given them certain varieties of business model. Now based on the availability of resources on the particular land available, these models are going to get decided. So it will be a combination of EPC and semi EPC technology plus equipment. The EPCM sort of thing is getting worked out with EIL, we will have more clarity by end of this quarter.
- Saket Kapoor:** EIL part is there for the equipment, the technology is from Praj's side, so are we working with some collaboration to get the equipment also arranged from our side only or some other players will also be participating?

- Atul Mulay:** No, it will be Praj; you know that for 1G we are the market leaders, so it is a similar equipment.
- Saket Kapoor:** For the equipment part also, the installation and then the maintenance all will be through Praj?
- Atul Mulay:** The entire project firming up is yet to happen with EIL. But most of the equipment and plant and machinery, being critical process equipment, will come from Praj.
- Saket Kapoor:** So the maintenance contracts will also be there because that is a significant part?
- Atul Mulay:** As of now, the tenders are not, that is a subsequent phase.
- Saket Kapoor:** For your competitor ICT, they are also following the same model or they are differing?
- Atul Mulay:** Frankly, we do not know.
- Saket Kapoor:** Right now, you have got orders for three plants?
- Atul Mulay:** Yes.
- Moderator:** Thank you. We have the next question from the line of Sandip Sabharwal from Sun Capital. Please go ahead.
- Sandip Sabharwal:** After the company went through a phase where they hired a consultant, where a huge amount was paid out to them for improving the returns that the company generates for various stakeholders. Post that, the performance of the company has continuously gone downhill only in terms of profitability. And looking at the results of the company, it seems to be working just for the employees because if you look at the employee cost as a percentage of total turnover it is becoming bigger and bigger and shareholders are actually making low returns. On every conference call there is some positive spin that seems to be there, but the orders are getting deferred. So shareholders need some clarity on where the company is going. Can you just elaborate on this?
- Sachin Raole:** The consultants advised some kind of a strategy for the company and the company is working on that for last couple of years and you are saying that we have not seen any kind of returns on that. To some extent, you might be true but the developments to be very frank with you which have been taken at Praj, were ahead of time. So we were working on 2G in a big way. Not only 2G but the biochemicals and the other stuff which are supposedly to come as a byproduct of that are getting developed in an advanced stage.
- Unfortunately, the 2G that we are right now working on very actively has taken a bit more time. If it would have come maybe a year back or one and a half year back then story would have been completely different. But the environment which is completely created for the 2G is absolutely right at this point of time and we believe that the phase of 2G should take Praj to the next stage then.
- Sandip Sabharwal:** The potential of all the announcements that were made is very tough to analyze like for example this new Gevo tie up for which Mr. Chaudhary was also TV and he was explaining these things. So what is the kind of potential here, who could be the customers out here and how would this operate. Could you just clarify on that?

- Atul Mulay:** Well, we are creating lot of options available to our customers. Now molasses is one of the raw materials, for manufacturing of ethanol, manufacturing of potable alcohol and also there is a second-generation raw material available for manufacturing ethanol. There is also a possibility of getting Isobutanol from molasses as well as Isobutanol from the second-generation raw material.
- Now this gives an option to the customer to have multiple products from multiple raw materials. So we are creating these options and the Isobutanol technology is in commercialization phase now in US. And we are getting it for India and it ultimately will be used for jet fuel as an end product.
- Sandip Sabharwal:** Are there any operational plants for this, and if there are how big are those and what kind of capital expenditure those would have incurred?
- Atul Mulay:** Yes, it is there in US and our partner is Gevo, they have a demonstration plant and also they have a plant to convert Isobutanol to jet fuel.
- Sandip Sabharwal:** You had started a small commercial plant of 2G ethanol, how is that going?
- Atul Mulay:** That is a demonstration plant and it was inaugurated in the month of April. We operated it during the entire sugar season from a variety of raw materials. The R&D experts from all OMCs, almost 25 persons along with EIL they visited the plant, witnessed the performance and based on that confidence, they promoted the second-generation by Ministry of Petroleum and Natural Gas.
- Sandip Sabharwal:** So was the production successful?
- Atul Mulay:** Yes.
- Moderator:** Thank you. We have the next question from the line of VP Rajesh from Banyan Capital Advisors. Please go ahead.
- VP Rajesh:** On the Gevo commercial arrangement, by when it will come into production for your customers and when do you potentially see the orders coming to you - FY2019 or will it be sooner than that?
- Atul Mulay:** We are in a very advanced discussion of commercial closure of the arrangement and by end FY2018 or early FY2019; we will get this in India for our customers.
- VP Rajesh:** So I presume you are already in discussions with the potential customers. Can you share more details on that?
- Atul Mulay:** We are starting with a bolt on model; there is existing infrastructure available with our existing customer base. We have almost 225 plants on 1G in the country. So some of them, depending on the territory region and availability of molasses, they have expressed their willingness to get into this and we will be going on a bolt on model.
- VP Rajesh:** So it will be another nine to twelve months before it goes into production then it starts to generate orders for us?
- Atul Mulay:** As of now the situation is like that, yes.
- VP Rajesh:** The commercial with Gevo is yet to be decided upon, is it correct?

- Atul Mulay:** The discussion will be closed by the end of this quarter.
- VP Rajesh:** What is the status of the Petrobras order?
- Sachin Raole:** Petrobras has gone for retendering and the tender is already on. Bid is already getting accepted till 30th of August and there are four bidders at this point of time and we are already in advanced stage of discussion. So this order should get finalized from Petrobras side after the closure of bid on 31st of August.
- VP Rajesh:** Are we one of the fours or we are partners with all the fours?
- Sachin Raole:** We are not the direct bidder for Petrobras but we are supporting the bidders of this particular order by having our own quotation for our scrips which we are going to supply.
- VP Rajesh:** Are you partnering with all the four main bidders or you are partnering with one or two of them?
- Sachin Raole:** That is right, we are partnering with all four of them.
- Moderator:** Thank you. We have the next question from the line of Sanjeev Zarbade from Kotak Securities. Please go ahead.
- Sanjeev Zarbade:** Regarding the 2G ethanol opportunity, while speaking to one of the consultants in this business he had a bit of a concern regarding ability of providing performance guarantee to bankers for the plant. So how comfortable are we on this issue, because bankers would definitely look for a performance guarantee from these plants before tying up the finances?
- Atul Mulay:** All OMCs along with EIL and Ministry of Petroleum and Natural Gas they all are involved together and their entire evolution is happening almost for last one year. On the preparedness of the technology and then proven capabilities of the technology and even the commercial terms and conditions are also firmed up in the tender document by the EIL. These are very standard terms and conditions for any typical project company.
- Sanjeev Zarbade:** Regarding the viability and the pricing of the product, I would like to get some comfort regarding these plants seeing the light of the day given the fact that similar investments have not been very sustainable and had a phased production disruption in the past?
- Atul Mulay:** That is the difference between India 2G program vis-à-vis others. India's 2G program is completely driven by Ministry of Petroleum and Natural Gas. To that extent, if you would have read recently that the biofuel as one of the topics which was under the Ministry of New and Renewable Energy has been recently transferred to the Ministry of Petroleum and Natural Gas. So they are looking in totality biofuel as a policy for the country as a whole and they are driving the entire biofuel policy, it is not only 2G, but 1G biofuel policy will also be driven by them.
- So your aspect of differential pricing, value graph funding all these matters which are getting discussed about a year with MNRE is now completely handed over to MOPNG and during the recent announcement done by the Minister himself on 10th of August, he said he has allocated almost like \$2 billion funds for development of the first few projects.

- Sanjeev Zarbade:** Regarding 1G ethanol, what could be the implication of GST because the rate has been increased to 18%. How do you see ethanol investments materializing post this?
- Atul Mulay:** What is the clarity available is that there is a 28% GST on molasses and an 18% GST over ethanol. Now the molasses which is transferred from the same sugar factory, there is no GST. Now the clarity is if they are going to buy molasses from outside, for fuel ethanol, what should be the rate, then how are they going to pass on the benefit of GST of an 18% then what should be the slab?
- All these matters are getting discussed at a very high level. And both the Ministers during their talks in Delhi, Mr. Nitin Gadkari as well as Mr. Dharmendra Pradhan have taken their representation made by the various associations to them. They said they will be taking it positively with the government for this. Because as you rightly said the program has to be sustainable, so they are trying hard for the sustainability of this program.
- Moderator:** Thank you. We have the next question from the line of Madanagopal Ramu from Sundaram Mutual Fund. Please go ahead.
- Madanagopal Ramu:** Can you elaborate a bit on the Gevo tie up? What is the business model here?
- Atul Mulay:** Isobutanol is being used for jet fuel. Now for the first few plants the arrangement was that 100% buyback will be done by Gevo if Isobutanol is produced from molasses in India or the assigned territories of Praj. And then they will buy it and they will claim the benefits in US.
- Madanagopal Ramu:** In the existing plants where you have already procured facilities, you are going to put in some equipment to produce 2G, is it?
- Atul Mulay:** That is the beauty of the process that existing 1G plants will get easily converted as a bolt-on option to the Isobutanol plant.
- Madanagopal Ramu:** Is there a price that has been decided or it is linked to something?
- Atul Mulay:** That is getting worked out.
- Madanagopal Ramu:** Any volume number you can give?
- Atul Mulay:** As of now, Gevo has given us a sort of commitment or assurance that whatever we produce Gevo will buy it because there is a huge requirement there.
- Madanagopal Ramu:** For you to start producing the sugar company you should start investing on that capex, right?
- Atul Mulay:** Yes, so the existing 1G distillery having a sugar factory, they are coming forward to have an option for one of the another co-product from molasses.
- Madanagopal Ramu:** Can you give some idea of what sort of investment they need to be making for this, is it too big or something that they can manage?
- Atul Mulay:** It is not very big but at the same time it is getting worked out for infrastructure available from existing unit to unit. So this will not be a complete Greenfield in the Phase 1, it will be bolt-on in Phase 1. As we said the Phase 1 could be by end of FY2018 or early FY2019.

Madanagopal Ramu: By FY18 you can put the bolt-on facility in some of the 1G plants?

Sachin Raole: There are some live cases under discussions for the same.

Madanagopal Ramu: Can you throw some light on the financials that can come in FY19?

Sachin Raole: Maybe we will give some more idea after this quarter or so.

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

Priyanka Watane: Thank you all for joining in. Please get in touch with us in case of further queries. Have a good day.

Moderator Thank you very much. Ladies and gentlemen, on behalf of Praj Industries, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

This is a transcription and may contain transcription errors. The transcript has been edited for clarity. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy.