

'Sales of Rs 900 crore this fiscal'

Lakshmi Energy and Foods (LEAF), a manufacturer and processor of rice, has recently started processing wheat with a fully integrated processing plant. To utilise husk, a byproduct, for the generation of power, bio-mass husk- and wheat-straw-based 105-MW power plants are to be set up over the next few years. To know more about the company, its power plant and its new subsidiary, *Capital Market's* Chetan Hungund spoke with Balbir Singh Uppal, Chairman & Managing Director, LEAF. Excerpts:

BALBIR SINGH UPPAL
Chairman & Managing Director
Lakshmi Energy and Foods



What is the procurement price of rice? After entering the retail market, did the margin go up?

The price varies from year to year. The minimum support price (MSP) today is Rs 13500 per tonne. We sell at an average price of Rs 15000 a tonne including sale at MSP to FCI and others. We earn a margin of Rs 3 per kg on package rice and Rs 1 per kg on the rice sold in the wholesale market.

What is the current market size of packed rice in India?

The packed size will be not more than 2% because most of the rice is sold loose in India. Even FCI sells it loose in ration shops. The market is growing fast due to the sprouting of malls. Our current year revenue will be Rs 900 crore. Packaged rice is likely to contribute 10%.

What is your paddy-processing capacity?

Our paddy-processing capacity is 1.35 million tonnes per annum at present and will grow to two million tonnes by March 2009. Our current capacity utilisation is 70%. We will procure one million tonnes of paddy this year and it 1.3 million tonnes next year.

What is the present capacity of rice-bran oil? What is the market size and growth of this category?

The present capacity of rice-bran oil is 300 tonnes per day. It is a byproduct of rice production. One tonnes of paddy gives only 15 kg of rice-bran oil. Realised price of rice in crude form is Rs 45000 per tonne. We will sell packaged rice-bran oil in the year ending March 2009 (FY 2009).

What is the contribution of value-added

products to the total revenue?

The value-added production contribution is about 10% this year and will be 20% next year in revenue.

What is your wheat-flour capacity?

The newly installed wheat-flour capacity is 100 tonnes per day. It will be expanded to 300 tonnes per day in one year. Wheat is a simple business with less value addition while rice is a complex business. We expect to complete this financial year with a turnover of around Rs 70 crore-Rs 80 crore, with profit of around Rs 15 crore-Rs 20 crore. In Punjab, wheat-flour mills will receive market rebate of around 4% from the state government till FY 2017.

What will be the impact of this exemption on the bottom line?

It will be 4% of the paddy-procurement cost and amount to Rs 28 crore in FY 2008.

How much do you expect to export in FY 2008 and FY 2009?

We will export Rs 50 crore of rice this year and Rs 150 crore next year.

What is the total capacity of the power plant you are setting up and when is it supposed to start?

The total capacity of the power plant is 30 MW divided into two lines of 15 MW each. It will start this quarter (ending March 2008). The power will be generated at a cost of Rs 1.90 per unit and will be sold at Rs 3.59 per unit. Only 15% will be for captive use. The rest will be sold to grid.

How much carbon credit are you eligible for?

We are eligible for 1.40 lakh carbon credits. We expect the revenue from this to be around Rs 10 crore per annum for 10 years beginning FY 2010.

How do you see the performance of your subsidiary Punjab Greenfield Resources?

The subsidiary has Rs 50-crore capital. The company is undertaking procurement and marketing. It will also take up contract farming, R&D, imports and exports. We expect revenue of around Rs 700 crore-Rs 800 crore and a net profit of around Rs 40 crore in FY 2009. EBITDA margin will be around 7%.

What is the capital expenditure for FY 2008 and FY 2009?

We had budgeted for a capex of Rs 300 crore in FY 2008. The company has spent Rs 50 crore on subsidiary, Rs 100 crore on power plant, and Rs 150 crore on expansion and modernisation of plant in FY 2008 so far. This will take the total amount to Rs 300 crore, of which Rs 150 crore will be from internal accruals and the remaining will be borrowed from banks at the rate of 10%-11%.

We will require Rs 100 crore for expansion and modernisation, and Rs 50 crore each for purchase of land and for starting our next power plant of 30 MW. This Rs 200-crore capex will be financed by internal accrual.

What is the expected top line and bottom line for each segment in FY 2008 and FY 2009? What will be the operating profit margin?

Expected top line is Rs 900 crore in FY 2008. We are currently working on the projections for FY 2009. EBITDA margin is expected to be about 21% in FY 2008. ■