

Q3 2012 Earnings Call - Karuturi Global

Dt-16 Feb'12

Operator

Ladies and gentlemen good afternoon. And welcome to the Karuturi Global Limited, Q3 FY12 Earnings Conference Call. Joining us on the call today from Karuturi are Mr. Sai Ramakrishna Karuturi, Founder and MD. Mr. Manoj Agarwal, CEO Indian Operations, and Mr. Suresh Jain, VP Finance. As a reminder for the duration of this conference, all participants line will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Sairamakrishna Karuturi. Thank you, and over to you sir.

Sai Ramakrishna Karuturi, Managing Director

Thank you. Good afternoon everybody. We would like to welcome all of you to the earnings call of Q3 FY12 results of Karuturi.

We have had a steady quarter and as indicated in the past the floriculture segment has thus to continue to grow and sustain our revenues on a sequential basis. EBITDA margins have also stabilized around 38%, we expect this improved performance to continue in the next few quarters. In terms of financial, the brief highlights are as follows. Consolidated net revenue for the quarter has been 142.4 crores, an increase of 6.5% quarter-on-quarter. EBITDA margins stood at 37.8 as against 35.2 for Q2 and FY12. Consolidated net profit for the quarter stands at 42.5 crores as against 17.8 in Q2 FY12, an increase of 139%. Basic EPS for the quarter stood at 53%, an increase of 139% quarter-on-quarter. Of course as all of you know that we've had a pretty bad quarter two because of the loss we had to take because of the floods. So this growth in Q2 to Q3 reflects more the dip in Q2 rather than the growth in Q3.

I am delighted to share with you a major post results development. We have had a legal settlement with dispute we have had with the vendors of our Kenyan operations. This has given us a write back of close to about Rs. 40 crores and all disputes have been settled. So this will reflect in the Q4 earnings as extraordinary other income.

And I would now update you on agricultural project in that we are undertaking in Ethiopia and the developments post flood, 65,000 hectares is being developed, 10,000 hectares of much damaged land has been recovered and leveled using bulldozers. Planting of maize is underway in Gambela, sugarcane has been expanded to be on 100 hectares, we have -who have taken off the project and has been planting this season as well, as land cleaners and development for the next season. Thank you.

Operator

Thank you very much sir. Should we open the line for question and answer session.

Sai Ramakrishna Karuturi, Managing Director

Sure.

Questions And Answers

Operator

Thank you. We will now begin with the question and answer session. [Operator Instructions]. Our first question is from the line of Prashant Sawant from KNG Securities. Please go ahead.

Prashant Sawant

Good afternoon gentlemen, thanks for this conference call. Could you also give us an idea about your debt profile in terms of the long-term debts and short-term debt?

Sai Ramakrishna Karuturi, Managing Director

We can share with you the debt profile, it's part of our public filings. But for me to be in a position to give you extent for the debts on this concall would be difficult. If you can give us your email address, we will send you the debt profile. Can I have your email address please?

Prashant Sawant

Okay. Yeah, it is psawant@kngsecurities.com.

Sai Ramakrishna Karuturi, Managing Director

Kindly repeat once again.

Prashant Sawant

psawant@kngsecurities.com.

Sai Ramakrishna Karuturi, Managing Director Prashant Sawant

Perhaps you could give me at kngsecurities.com

Sai Ramakrishna Karuturi, Managing Director

Okay.

Prashant Sawant

Perhaps if you could give me your email ID so I can just email you this details.

Sai Ramakrishna Karuturi, Managing Director

You could send that email to investors at karuturi.com and your query will get answered.

Prashant Sawant

Right okay. And also on the state the mandate which is due this year in October is the FCCB. Have you planned something for that I think if I'm not missing it's 41.5 is outstanding on FCCB is that right?

Sai Ramakrishna Karuturi, Managing Director

Yeah. Yes, we have our FCCB outstanding for redemption in October 2012 indeed the amount is \$40 million and the company is doing something about it. Unfortunately we cannot be sharing that on this call right now because it is very sensitive information and the discussions are not yet concluded. We will be making a disclosure through the stock exchange at the appropriate time as soon as whatever we are trying to do is accomplished.

Prashant Sawant

Okay. All right. And about your operations in the Kenya after the flood I miss few points you said 65,000 hectares was developed would you please repeat? Sorry about that.

Sai Ramakrishna Karuturi, Managing Director

Yeah we have cleared 65,000 hectares of land in Gambella which is in Ethiopia not in Kenya.

Prashant Sawant

Kenya right. Okay. And there were news that you're planning to list your that is Karuturi Agro in Ethiopian Stock Exchange could you comment on that the

Sai Ramakrishna Karuturi, Managing Director

So it's not really pure equity issuance but preference stock with an assured return because these -- these are redeemable shares what we have applied for with the National Bank of Ethiopia are redeemable preference shares and as and when we get statutory approvals then of course subject to the company's AGM approving it and the Board members permitting it we will consider a small minor dilution which will be less than 3% of our equity in Karuturi Agro projects.

This step is mostly to overcome the unfortunate but rather negative criticism that has been mounted from seven quarters about land grab by the company which is not -- which is far from truth. We are trying to bring in a sense of local ownership and take the Ethiopian nationals along with us. It is not by any means a large dilution or a means to raise capital because the markets there are very, very small.

Prashant Sawant

Okay, okay. And what sort of -- do you run any kind of CapEx for the year? What's your -- could you comment on what's going to happen -- what's your outlook for this coming years especially for FY13 in the new projects you're undertaking?

Sai Ramakrishna Karuturi, Managing Director

No we're just implementing our existing project in Gambella. We do not have any fresh projects to implement but we do have our budgeted CapEx as approved by the board which is being undertaken by the company. And I think this year we will have a CapEx of I guess under \$22 million and which we are adequately funded for and quite comfortably on underway to accomplish.

Prashant Sawant

All right. Okay. Thank you so much.

Operator

Thank you very much. [Operator Instructions]. Our next question is from the line of Sandeep Hemraj from PCS Securities. Please go ahead.

Sandeep Hemraj

Sir, congratulation on a good set of numbers.

Sai Ramakrishna Karuturi, Managing Director

Thank you.

Sandeep Hemraj

Just wanted to get a sense, this 40 crores write-back that you are bidding, could you elaborate on that?

Sai Ramakrishna Karuturi, Managing Director

Well, we won the legal settlement. And there was some accrued liabilities on our balance sheet as a result of our acquisition of Kenya which was about 4.5 years ago. And as a part of this acquisition we have set aside a certain amount of money in the Escrow Account account and this Escrow Account, it was subject to fulfillment of certain conditions, pre and post acquisition. And there were some liabilities prior to the acquisition which were contested by the vendors and we were successfully improving that indeed those liabilities existed and therefore we have access to this as Escrow amount. So effectively what has happened is the liabilities on our balance sheet fees to exist with regard to that acquisition, to the extent of 40 crores.

Sandeep Hemraj

40 crores. And you get this money in your P&L.

Sai Ramakrishna Karuturi, Managing Director

Yes of course.

Sandeep Hemraj

This would be a tax free, or would you be taxed on this?

Sai Ramakrishna Karuturi, Managing Director

No, we will not be taxed on this because this will be coming on our -- the acquisition was made by Flower Express which is a wholly owned subsidiary of Karuturi Global based out at Dubai. So therefore there will not be a tax implication, I understand. Suresh, would you like to comment a little further on the taxation part, please?

Sandeep Hemraj

Hello. I am afraid he is not -- we must have lost him on the call. But I think.

Sai Ramakrishna Karuturi, Managing Director

Yes sorry? There was this question about the tax liability on the legal settlement and I confirm that there will not be any tax liability, I just wanted Suresh to confirm it too.

Sandeep Hemraj

Hello.

Sai Ramakrishna Karuturi, Managing Director

Can you please confirm, there will not be any tax liability on this 40 crores of legal settlement that we have had, because it is **Corporate Participant**

Mr, this will not have any tax bearing on the company as such. And as far as the accounting treatment of the transaction is concerned, we are under discussion with the auditors whether it can be routed through P&L or it's a direct balance sheet item, most likely it will be P&L item as a exceptional and there will not be tax liability because that is our Dubai companies are in tax free zone. So there will not be any tax liability.

Sandeep Hemraj

Thank you sir. Sir my next question is that, if you could give us a outlook on your agriculture business in terms of, how it -- how do you see it panning for the next half and FY13?

Sai Ramakrishna Karuturi, Managing Director

See, we had many expectations on agriculture projects and unfortunately we have had many misses on it because of a very large nature and of the project. And just in order to avoid any disappointments, I would refrain from making any forward-looking statements on agriculture project. Apart from saying that we are doing exceedingly well on the progress of the project and we are definitely well on track to be having substantial numbers coming in for the next financial year from a pretty large harvest, because unfortunately because of what happened in the past with regard to the floods, there has been some amount of disappointment in the investor community.

And while I can give a lot of visibility, have a very clear visibility on numbers on the flower business, because we have been in this business for a very long time and there is a good visibility on a numbers. The fact remains that the agriculture business is a greenfield venture and I think we just wait for a few moments and its going to be some pretty good numbers coming in from the project.

Sandeep Hemraj

Sir, just to get a sense, what is the total CapEx that you put into agriculture till date?

Sai Ramakrishna Karuturi, Managing Director

Oh. That is of course, its available on in our published accounts also, I think it's over \$100 million. Manoj, can you confirm the exact number please?

Manoj Agarwal, Chief Executive Officer

Yeah. It's above \$115 million investment in the agriculture.

Analyst

150 you said, right?

Manoj Agarwal, Chief Executive Officer

115.

Sandeep Hemraj

115. Okay. And this additionally 22 million CapEx that you were mentioning sometime back is would that be purely for agriculture or some part is being floriculture as well?

Sai Ramakrishna Karuturi, Managing Director

No. Its purely for agriculture.

Sandeep Hemraj

Purely for agriculture, right sir. Sir any sense on the Bangalore thing, you had acquired, taken up some land from the government for your development, what's happening there?

Sai Ramakrishna Karuturi, Managing Director

Well, unfortunately nothing is happening there, because while the Karnataka government's cabinet has approved allocation of land because there has been a change in guard. We are awaiting the new Chief Minister to be permitting and handing over of the land. We have been assured in the Karnataka government, the Agribusiness Investor Conference that this 1500 acres would be handed over to us very soon and we would be developing a pretty large and substantial food business on top of this land. But we are still waiting for the Karnataka government to hand over the land to us and we do hope that it would happen any time soon.

Sandeep Hemraj

And what's the CapEx you've done on this part -- this project sir, the Bangalore line acquisition?

Sai Ramakrishna Karuturi, Managing Director

No, that is not very much. That is not very much. it would be under 100 crores and not more than that.

Sandeep Hemraj

100 crores of CapEx. That is you already spend that amount or?

Sai Ramakrishna Karuturi, Managing Director

No, no, no. We have not spend a penny on the project, we will not until we get the land from the Karnataka government and then we will take up the project.

Sandeep Hemraj

Fine. Sir regarding you coming back to floriculture, could you give a outlook and sense of numbers there in terms of stems and also how was your Valentine season?

Well, the flower business continues to be doing pretty okay. We have had some issues with regard to the euro weakening. The euro is now trading at 130 to a dollar and that is obviously not great for our business because all our sales are in euro. So despite the rupee having depreciated against the dollar, you will not see a corresponding increase in our revenues because what we have gained in the rupee, we have loss in the euro. So effectively, the net-net there has not been any great impact to our balance sheet in terms of increased earnings because of currency issues. But other than that, the business is going on quite well. We continue to ship reasonable volumes on expected lines to the market.

Sandeep Hemraj

Are there any numbers on like what are the volumes this season?

Sai Ramakrishna Karuturi, Managing Director

Manoj, do you have the numbers to share.

Manoj Agarwal, Chief Executive Officer

I don't have the numbers currently, we will be able to share it later if you can write to us.

Sandeep Hemraj

Sure. That's about it from my side, sir.

Sai Ramakrishna Karuturi, Managing Director

Thank you Mr.-.

Operator

Thank you very much. Our next question is from the line of Pankaj Chopra from Shanti Asset Management. Please go ahead.

Pankaj Chopra

Yeah Hi Mr. Karuturi and Mr. Manoj, thank you for this call. My question is with regards to the 180 million credit which we were supposed to -- we have available from consortium of banks and was partly disbursed. Is that on, it was dependent on MIGA. Could you give us a status on that, how is the drawl pending from there and how else would that withdrawal from that continue going ahead?

Sai Ramakrishna Karuturi, Managing Director

Sure, Mr. Chopra. See, the MIGA issue has been pending for want of a clearance in palm oil and because palm oil is a sensitive environmental issue largely related to what has been happening in Indonesia. I'm sure you must of read about it, it's been widely publicized that the World Bank had put a moratorium on palm oil projects for two years which However MIGA is still very sensitive to palm oil projects and they have advised us to postpone our palm oil project and stick only to cereals which we have chosen to do in order to accomplish the MIGA policy. And inline we have our cereals projects, our financial closure is complete and we are doing quite okay on the disbursements.

Pankaj Chopra

Sir, if I remember correctly in the last conference call, you said that you were intending to make it into a separate subsidiary so that which is not exposed, which doesn't come under MIGA guarantee. And now, so there has been a change of plan, is it that we will not do the palm oil at all?

Sai Ramakrishna Karuturi, Managing Director

Yeah obviously there haven't found enough merit with MIGA

Analyst

Okay.

Sai Ramakrishna Karuturi, Managing Director

They still believe that they are still part of Karuturi so it won't help. So until there is -- the MIGA wants Ethiopian government to come out with what is called a country assistance strategy on palm oil which is a protocol of good practices. And we have -- from the Ethiopian government and the Ethiopian government has agreed to initiate the development of the country assistance strategy for palm oil cultivation along with the World Bank group

Pankaj Chopra

Okay.

Sai Ramakrishna Karuturi, Managing Director

That protocol will take a few months if not a few quarters to get accomplished because it's a governmental thing. And only after that is done would we take up the palm oil project which I think would be in the best interest of the company and it's because we do not want to take an exposed risk on our unqualified project.

Pankaj Chopra

Okay. Thank you for that. Sir just one the question was regards to that if I remember right there was a line of credit of \$180 million from the consortium of banks led by Axis Bank. Could you sir give us what has been already dispersed and what is the pending amount? And is that a gain I mean I was under the impression that it is subject to MIGA so if you don't get MIGA so withdrawal of further amounts would be restricted. Could you give us a status on that sir?

Sai Ramakrishna Karuturi, Managing Director Pankaj Chopra

So getting more -- withdrawing more money from this approval drawing more on this line of credit will not be an issue?

Sai Ramakrishna Karuturi, Managing Director

We are sure it will not be an issue.

Analyst

Okay will not be an issue And when you said this 22 million has been tied up for -- from the -- in terms of funding so you're banking on this 180 million

Sai Ramakrishna Karuturi, Managing Director

Yeah it's a part of the 180 million. We have enough sanctioned and undisclosed loan limits with our bankers.

Pankaj Chopra

Okay.

Sai Ramakrishna Karuturi, Managing Director

So we are comfortable on that.

Analyst

Okay, okay fine. Sir there was another line of thought that which was being worked on which was the ECGC Export Credit Guarantee is there some -- could you give us a status on that? Has there been any progress on those lines?

Sai Ramakrishna Karuturi, Managing Director

See ECGC as a cover is easily available as an alternate risk cover. We have the option of going to ECGC anytime we want if we choose not to go with MIGA.

Pankaj Chopra

Okay.

Sai Ramakrishna Karuturi, Managing Director Pankaj Chopra

Sure.

Sai Ramakrishna Karuturi, Managing Director

Despite that if there is any entrance with MIGA then ECGC is the fallback option.

Pankaj Chopra

Okay. Sounds good. So coming back to the -- on the business front could you give us -- we were thinking that this quarter there would be some level of harvest not from Gambella from the other piece you have in Ethiopia itself. Has it been anything from that at all or that should be expected this quarter?

Sai Ramakrishna Karuturi, Managing Director

That will come into sales revenue this quarter.

Pankaj Chopra

Okay. So could you give us what's the status in terms of hectares of for land available in both these pieces and how do we proceed now since you -- since the outcome of the floods is clearer?

Sai Ramakrishna Karuturi, Managing Director

We are planting the harvest in April May and like I mentioned earlier in the con call I'm reserving my comments on the hectarage because to manage expectations better.

Pankaj Chopra

Sure, sure. But sir I mean would it be tens of thousands or would it be five or less than that in terms of -- because if I remember right we were expected to do 30,000 hectares by March and I'm not so sure whether those plans change post the floods and all that

Sai Ramakrishna Karuturi, Managing Director

No we were not expected to do 30,000 hectares by March but we were more in that range for April May planting which is the raining season.

Analyst

Okay And it will be definitely in terms of tens of thousands of hectares

Analyst

Okay.

Sai Ramakrishna Karuturi, Managing Director

Beyond that I would -- my humble don't put words in my mouth on the figures please.

Analyst

Sure definitely. No doubt about that. The other issue is so it's primarily maize now and not paddy and paddy will be the season which is the rainy season am I right on this?

Sai Ramakrishna Karuturi, Managing Director

Yes you are right.

Analyst

Okay. In the last con call also you mentioned that there also you mentioned that there was some minimum amount, small amounts of maize which was taken out and sold and that produce had happened. I am surprised that we don't have anything in this quarter from that at all?

Sai Ramakrishna Karuturi, Managing Director

See we have what we have harvested from Bako, we have retained for seed.

Analyst

Okay.

Sai Ramakrishna Karuturi, Managing Director

So that's why it doesn't come in revenue.

Analyst

Okay.

Sai Ramakrishna Karuturi, Managing Director Analyst

Okay. Fair enough. Thank you, I will come back if there are any further questions I'll cease from here. Thank you very much.

Sai Ramakrishna Karuturi, Managing Director

Thank you.

Operator

Thank you very much. Our next question is from the line of. Please go ahead.

Analyst

Thank you for the conference call. Actually my question for agricultural operation revenue guidance, where half of the question is answered. Hello?

Sai Ramakrishna Karuturi, Managing Director

Yes go ahead, Mr. Jaikishan Verma.

Analyst

So, can you give us. Can you how much hectare you have sowing already?

Sai Ramakrishna Karuturi, Managing Director

Sowing continues to go on, and it will continue until the end of February. So we will not be able to give you the number before the end of February.

Analyst

Okay. And can we expect few revenue from this quarter from agri operation?

Sai Ramakrishna Karuturi, Managing Director

The bigger, the more meaningful revenue for agriculture will come in from the first quarter of next year.

Analyst

First quarter of next financial year.

Yes.

Analyst

Okay. And one more question, you have given the advertisement in KGL, Karuturi have given few advertisement on that Indian farmer partnership, sorry for Indian farmers in Ethiopia. So what is the purpose on that front, how much hectares you have given to Indian farmers or not.

Sai Ramakrishna Karuturi, Managing Director

We have farmers from not just India but from Uruguay, Paraguay and also from Australia and from the United States. And they are working with us in sort of a joint venture partnership. Most of the cultivation will happen in the April May planting and not in the previous -- the current planting.

Analyst

Okay, okay. And last question. There are few, you have mentioned that you are planning to buy land in Mozambique and few the South African countries. So what is the development there?

Sai Ramakrishna Karuturi, Managing Director

I guess it's, what we have mentioned is that not we are planning to buy land in these places, because land is available in these countries on long-term lease and we are looking at that as an opportunity post completing of the Gambella project and we will not undertake any new

land position or new projects to this magnitude until we complete the Gambella project successfully. So whatever preliminary investigations has been conducted by the company has been blown a bit out of proportion if I may say so. The company has a recognized team looking at Mozambique and Tanzania and a few other countries in Africa, but quite honestly those projects are at least two years further down the road.

Analyst

Okay. And last question, how much hectares of land you are planning to give other farmers, like you know apart from you like India or United State, Australia. Any planning for that?

Sai Ramakrishna Karuturi, Managing Director

Well it depends on the appetite and we are in negotiations with various farming groups looking at these opportunity. There is no crystallization of the number. And as and when the numbers get crystallized we'll make it available.

Analyst

Okay, thanks sir.

Operator Vishnu Kumar

Hi, good evening. A lot of my questions were already asked. Just something on the outlook sir, I do understand your forward-looking comments. But can you give us some sense on the sugarcane part and you are planning to put up a crushing plant on those lines?

Sai Ramakrishna Karuturi, Managing Director

Mr. Kumar. The Company's plans on sugarcane are very crystal clear.

Vishnu Kumar

Yeah.

Sai Ramakrishna Karuturi, Managing Director

So, we are not planning to put up our own sugar factory.

Vishnu Kumar

Okay.

Sai Ramakrishna Karuturi, Managing Director

We are in talks trying to tie up with a joint venture partners, we are in talks with four Indian major sugar company, inviting them to come and set up sugar factory on a joint venture with Karuturi. We will be growing sugarcane and they will be processing the sugarcane. We have already sent RSPs to these people and they have reverted back with their comments, we are expecting by the end of March that we will finalize who our partner will be. And once the partnership is tied up, we will make available that information.

Analyst

Okay. What is acreage you're looking sir for planting sugarcane in terms of acreage at least?

Sai Ramakrishna Karuturi, Managing Director

Well the idea is to develop a 5,000 TCB plant which will require about 15,000 hectares of sugarcane.

Analyst

Okay. And sir in terms of palm oil, how much have you invested today and what is the acreage that you actually targeted as for palm oil?

See our original target for palm oil is 20,000 hectares

Analyst

Okay.

Sai Ramakrishna Karuturi, Managing Director

And there is nothing that we've invested that is specifically for palm oil, because whether it's land clearance or ploughing, that land has found an alternate use for maize cultivation. So there is no investment that is locked in on palm oil specifically that will remain blocked.

Analyst

Okay. So there is sampling per say already planted and...

Sai Ramakrishna Karuturi, Managing Director

No.

Analyst

Okay. Sir again just some questions on your -- again your acreage sharing program. Have you logged in the already or how is it? I did read up something that there were some visa issues and some problems, just could if you highlight on that?

Sai Ramakrishna Karuturi, Managing Director

Well, there have been certain issues that have been raised by the Ethiopian government with regard to Indian farmers coming there because when somebody reads in the press, it's almost as if half of Punjab is landing up in Bangalore.

Analyst

Yeah

Sai Ramakrishna Karuturi, Managing Director

But that's no where close to the truth. It's just eight farming groups that have come each two of them. So we're talking about 16 people, so there really is no visa problem for 16 people.

Analyst

Okay. Have you signed any deals already or is there any area acreage logged up already on this front?

See, whatever will be done, they will be doing only in April and May.

Analyst

Okay. So you are targeting something like 5,000 acres or 10,000 acres. I mean if you could just give us some visibility on that front?

Sai Ramakrishna Karuturi, Managing Director

See, most of these people are looking in multiples of thousands of hectares.

Analyst

Okay

Sai Ramakrishna Karuturi, Managing Director

Now they are evaluating their plans, they are tying up their financials and to the extent that we find it commercially viable for both parties concerned, we will go into planting in April and May on this model, otherwise we do it on our own.

Analyst

Okay. I mean, if you could just give some idea on the revenue sharing model or something on those lines.

Sai Ramakrishna Karuturi, Managing Director

Well, that depends on the engagement. On a ballpark figure, we are talking about a 40-60 revenue share with the partners.

Analyst

40 for Karuturi?

Sai Ramakrishna Karuturi, Managing Director

Yeah.

Analyst

Okay, okay sir. Sir again now in Sudan, North-South split, I believe a large proportion of your future farming produce was expected to go to Sudan, right? I mean do you see any the problems because the country splitting and do you see any military action because of that? You're moving, you have produced to some other countries. I mean just give us some visibility because sitting in India, it's tough to measure all these?

Sai Ramakrishna Karuturi, Managing Director

See, North and South Sudan were set to split as two different countries for a long time, so that is not a surprise. And South Sudan has become the 54th country in Africa last year. Our target market has always been South Sudan and continuous to remain South Sudan. South Sudan imports about 3 million tonnes of food every year and has the population of 18 million people. And thereabout a 100 miles away from our farm and are accessible both by road and river. And South Sudan is flushed with oil and has enough access to hard currency. So that continues to be an important market to us.

There are disputes between North and South Sudan on the border area just like how India and Pakistan have in Kashmir. So whenever a country separates with and forms another country, there will be certain lingering issues on the border That has nothing to do with us, because we're 1,500 kilometers away from those disputed areas.

Analyst

Okay.

Sai Ramakrishna Karuturi, Managing Director

And that is something of a sovereign nature between the two countries which I don't think I am equipped to comment on.

Analyst

Okay.

Sai Ramakrishna Karuturi, Managing Director

But as far as a South Sudan market is concerned, I think it's a great market and we will continue to be focusing on developing our presence in that market.

Analyst

Okay. Sir finally one question on your last call you had commented that, some amount of insurance had already been done for the farms. And you said there could be a possibility that some funds could come in because of the loss of farms, I mean because of the floods. Do you see anything coming in the next one or two quarters, because you've done some insurance already in the farms?

Sai Ramakrishna Karuturi, Managing Director

Yeah. See last time what we mentioned and which is what happened in the last year was that our CapEx, our capital equipment were ensured and to the extent of damage to the capital equipment, we have already filed our papers with the insurance and we should be getting a cheque anytime soon. I think it's very appropriate for me to mention here that now we have been able to negotiate for a complete insurance package even for the crop which wasn't available in the past.

Analyst

Okay. So you'll just be getting some cash flows for the equipment could you just give us some numbers if you can or we'll have to wait?

Sai Ramakrishna Karuturi, Managing Director

I'm afraid I'm not

Analyst

Okay cool no issues. Sir again on this per endurance that you said that you are going to take what will be the estimate if you could just give us some numbers per acre or whole number whatever you're going to spend in terms of insurance cost weaker or...

Sai Ramakrishna Karuturi, Managing Director

We have been given a quote of 2.8% which I think is a very nice competitive quote for crop insurance.

Analyst

Okay.

Sai Ramakrishna Karuturi, Managing Director

And we will be paying 2.8% of the insured sum whatever it may be.

Analyst

Okay.

Sai Ramakrishna Karuturi, Managing Director

And to that extent we get covered with of course 15% I don't know what's the right use of the word that in case we have for example insured \$10 million worth of crop the first 15% will not be covered and the balance 85% will be covered by this premium. So if there is a minor damage it will -- we will have to bear the cost.

Analyst

Okay.
But for all major things it will be covered.

Analyst

Yeah and just one more question sir in terms of sugarcane when is the cash flow is expected or when do you think the cash flow are going to likely to come I just meant the first part

Sai Ramakrishna Karuturi, Managing Director

Sugarcane is the long project we are just planting the seed and it will take us two years if we get started with the JV by the end of March we have 24 months away from crushing.

Analyst

Okay. Sir lastly on the 40 crores you said buyback because of the -- issue you told this if I am do not do wrong this is part of your acquisition you had settled some money in your escrow contract.

Sai Ramakrishna Karuturi, Managing Director

Yes.

Analyst

And other point had you taken the on your P&L because unless otherwise you take a -- if your expense rate at some earlier point that is you get stuff to write it back through P&L. So I probably think if you've done this kind of an adjustment as part of your acquisition I think it should it will probably go through your balance sheet I mean if you could just correct my thought process

Sai Ramakrishna Karuturi, Managing Director

I think Shirish can throw some light on it I think we have expenses amount but Shirish are you there on line please? P&L sheet

Corporate Participant

Hello?

Analyst

Yeah this 40 crores P&L has it I mean

Corporate Participant

Hello?

Analyst

This 40 crores that you are saying have you taken it to the P&L at some point of time?

Corporate Participant

Which you're talking?

Analyst

This 40 crores that you're talking about that -- the reversal or the issue that has been currently

Corporate Participant

Yeah okay. See this event has happened just now which is basically a Q4 event.

Analyst

Okay.

Corporate Participant

And we're under discussion with the auditor.

Analyst

No my query is. Okay no my query was have you taken this hit for a 40 crore somewhere earlier than the year '06 '07 or just a balance sheet

Corporate Participant

Related to acquisition it was a balance sheet item it is related -- matter related to acquisition of Kenya Limited.

Analyst

Okay. So you're basically deposited some money in a escrow account and created a liability that's it

Corporate Participant

Yes, yes, yes.

Analyst

Okay. If I'm

Sai Ramakrishna Karuturi, Managing Director

It's fairly liability basically.

Analyst

So my understanding is right then there was no hit to the P&L earlier in 2006 or 2007?

Corporate Participant

In terms of amortization I will say yes there is a hit but over a period of time not a direct hit.

Analyst

Okay so the 40 crores and has been amortized.

Sai Ramakrishna Karuturi, Managing Director

No I am not saying -- see when we do the acquisition there is always some goodwill et cetera is capitalized for that needs to be amortized over a period of time.

Analyst

Correct

Sai Ramakrishna Karuturi, Managing Director

Okay.

Analyst

Yeah

Sai Ramakrishna Karuturi, Managing Director

So in that context there is always a hit to the P&L because whatever we pay has to be charged off.

Analyst

Correct so some part of it has gone to the -- Okay so some part of the 40 crores would have already gone.

Sai Ramakrishna Karuturi, Managing Director

Yeah

Analyst

Okay. Cool. Thanks a lot sir.

Operator

Thank you very much. [Operator Instructions]. Our next question is a follow up question from the line of Mr. Pankaj Chopra from Shanti Asset Management. Please go ahead.

Analyst

Sir thank you for giving the opportunity again. I was checking up my notes and this is it's a question which you just answered that it's kept in for seed I had noted that you have about 1,500 hectare planted and some production should happen in December in Bako and some amount of sales should be in Jan and minor amounts. But you know and

Sai Ramakrishna Karuturi, Managing Director

Bako still available with us in our warehouse.

Analyst

Okay, okay, okay. So it's not getting sold.

Sai Ramakrishna Karuturi, Managing Director

No.

Analyst

The other request is with regards to the I don't know someone else made a request the amount of debt which has been secured so far. So should -- would that be available through mail or would you be able to give us on the phone right now?

Sai Ramakrishna Karuturi, Managing Director

We can provide it through your mail. We have your contact details.

Analyst

Sure, sure. Thank you then. That's it from me.

Sai Ramakrishna Karuturi, Managing Director

Thank you.

Okay.

Operator

Thank you very much. [Operator Instructions]. Sir there are no further questions from the participants would you like to add a few comments your closing comments sir?

Sai Ramakrishna Karuturi, Managing Director

Thank you very much for your time and patience. It was as usual very enjoyable talking to our various stakeholders and addressing your queries. Let me reassure you that we are working very hard in Gambella to ensure that we build a state of the art high link project for the company in Gambella and the next year we will give some very good results from the agricultural project. Thank you very much for your interest and patience.

Operator

Thank you very much. Thank you for joining the Karuturi Global Limited conference call. You may now disconnect your lines.