

Dhampur Sugar Mills Limited Q1FY18 Earnings Conference Call

- Moderator

- Good day ladies and gentlemen and welcome to the Dhampur Sugar Mills Limited Q1FY18 Earnings Conference Call hosted by Prabhudas Lilladher Private Limited. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Keyur Pandya from Prabhudas Lilladher Private Limited. Thank you and over to you Mr. Pandya.

- Mr. Keyur Pandya – Prabhudas Lilladher Private Limited

- Thank you. Good afternoon to all participants. I would like to thank the management of Dhampur Sugar represented by Gaurav Goel, Mr. Nalin Gupta, Mr. Vineet Gupta, and Mr. Akash Kapoor. Thank you for taking out time for today’s conference call to discuss quarterly financial performance of our company. We’ll begin this call with opening remarks from Gaurav jee following which we will open the floor for an interactive Q&A session. Before we begin I would like to mention that certain statements in this call could be forward looking statements in nature and are subject to risk and uncertainties which could cause actual results to differ materially from those anticipated. Such statements are based on management’s belief as well as assumptions made by information currently available to management. I would like now to hand over the floor to Gaurav jee. Thank you and over to you sir.

- Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited

- Thank you so much. Good afternoon and a very warm welcome to all at Dhampur Sugars’ Q1 FY ’18 Earnings Call. Indian sugar production for the year 2016-17 is presently estimated at 20.3 million tonnes vis-à-vis a demand of 24.5 million tonnes. Domestic prices have been stable and are currently ruling around 37 per kg ex-mill. We expect the sugar prices even going forward to stay stable at these levels. Let me throw some light on cane crushing. During Q1 FY ’18 four of our sugar plants continued to crush cane in April of 2017. Cane crushed during Q1 FY ’18 stood at 5.4 lakh tonnes against 2.7 lakh tonnes during Q1 FY ’17. Total cane crushed during sugar season ’16-’17 stood at 56.9 lakh tonnes against 45.17 lakh tonnes last year. Sugar produced increased by 30% to 6.26 lakh tonnes as compared to 4.8 lakh tonnes last year. Sugar recovery also increased to

- 11.01% from 10.66% last year. The production of sugarcane increased mainly due to vigorous cane development work undertaken by all the 5 units. We hope that cane crush and recoveries would enhance during next sugar season.
- Overall we are glad to report a healthy performance wherein all segments reported positive margins during the quarter ended 30th June 2017. There was an improvement in price of sugar from 34.62 per kg in Q1FY17 to 36.33 in Q1 of FY '18. The total sugar inventory as on 30th June 2017 stands at 2.73 lakh tonnes and which has been valued at an average cost of 30.58 per kg. During the quarter ended 30th June, Dhampur in its power segment achieved higher power generation at 10.89 crores units against 8.45 crores units in the corresponding period last year and exported 7.28 crores units against 5.58 units in the earlier period. The average price of power for the quarter stands at Rs. 5.11 per unit. We believe that higher cane crushed in the current season and power trading opportunity should help us to run our power plants for more number of days in the off season.
 - Now we come to our chemical segment. The company sold 202.83 lakh bulk litres of Ethanol/RS/ENA at an average price of 38.38 per litre during the quarter. The company also sold 42.3 lakh kg of chemicals at an average price of 51.58 per kg.
 - The company has made repayment of long term loans of 78 crores during the quarter. The long term debt stands at 575 crores as on 30th June. Debt equity of the company has improved as on 30th June to 0.56.
 - We are happy with the performance of the company and I would now like to hand over the phone to Mr. Nalin Gupta to take you through the financial of the company.
 - **Mr. Nalin Gupta – Dhampur Sugar Mills Limited**
 - Hi good afternoon everyone. Let me begin by stating that we are happy to report a healthy operational and financial performance for this quarter ended June '17. Our total revenues for the quarter stood at 894.3 crores as compared to 520.7 crores in the corresponding period last year. This was mainly due to significant improvements in sugar volumes and sugar realisation. EBIDTA for the quarter was higher by 35% at Rs 144 crores as compared to Rs 106.9 crores last year. Profit before tax for the first quarter stood at Rs 86.8 crores as compared to Rs 47.7 crores last year. We believe improvement in our performance is significant due to low cost inventory, higher efficiency, and improved contributions from sugar and power business. Profit after tax stood at Rs 63 crores as against Rs 31 crores in the same period last year. For the quarter ended 30th June '17 the sugar division reported healthy revenues of Rs. 782 crores on the back

- of higher realisations which contributed 76% of the total revenues as compared to 66% at Rs 402.98 crores last year. The PBIT for the quarter for the sugar segment is higher at Rs. 101 crores as compared to Rs 49 crores last year.
- Our Power business continues to perform satisfactorily and has contributed positively for our financial performance. Contribution from cogeneration business stood at 8% with total revenues Rs 78 crores as compared to Rs 54 crores last year. PBIT for the quarter for power segment stood at 29 crores as compared to 20 crores last year.
 - Ethanol operations continued to contribute positively to our earnings performance. Revenues from this segment for the quarter stood at Rs 112.8 crores as compared to Rs 130.6 crores last year. Profit before interest and tax for this segment stood at Rs 10.3 crores as against profit of 32 crores last year.
 - Going forward we continue to focus on business opportunities for ethanol, chemical and power segments that offer better margins in this segment. These are on a broad level numbers and thank you once again for joining us for this conference. We will be happy to answer questions that you may have during the question/answer session. Thank you.
 - **Moderator**
 - Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. Anyone who wishes to ask a question may press * and 1 on their touch tone telephone. If you wish to remove yourself from the question queue you may press * and 2. Participants are requested to use handsets while asking a question. Anyone who wishes to ask a question may press * and 1 on their touch tone phone now. Ladies and gentlemen we will wait for a moment while the question queue assembles.
 - We have the first question from the line of Yash Palmadan, Individual Investor. Please go ahead.
 - **Mr. Yash Palmadan – Individual Investor**
 - Hi congratulations for the excellent numbers. I believe this is one of the best first quarter numbers if I am correct right?
 - **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
 - Yes that's right Yash. Thank you so much.
 - **Mr. Yash Palmadan – Individual Investor**

- Yeah. My question is how much quantity has been sold off in the first quarter from the stock or inventory?
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- So we had sold 1.88 lakh tonnes during this Q1. And currently as I said in my opening remarks we had 2.73 lakh tonnes of stock as on 30th June 2017.
- **Mr. Yash Palmadan – Individual Investor**
- So 2.73 lakh tonnes is remaining basically.
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- That's right.
- **Mr. Yash Palmadan – Individual Investor**
- As of 1st July.
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- Correct.
- **Mr. Yash Palmadan – Individual Investor**
- And current realisation is 37 plus.
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- Rs 37/kg is the average price we have been seeing in the last few months. And that should be the price that we expect even going forward.
- **Mr. Yash Palmadan – Individual Investor**
- So it means in current quarter at least Re.1 extra can be expected on an average than the Q1 basically in Q2. The profitability should be even better in Q2 on the expected lines. Right?
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- Yeah Yash you know that is the current pricing. But yeah these are the prices which are prevailing as of now. So you can be right on that.
- **Mr. Yash Palmadan – Individual Investor**
- But will power production continue in Q2? You have bagasse stock so will the power production continue?

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- Power would be extremely low during Q2. So I do not expect too much income out of the power side in the second quarter.
- **Mr. Yash Palmadan – Individual Investor**
- And ethanol?
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- Yeah that will be produced and sold as per the contracts are there so that the same should be in line with the Q1.
- **Mr. Yash Palmadan – Individual Investor**
- Okay. Thank you. Thanks a lot.
- **Moderator**
- Thank you sir. Anyone who wishes to ask a question may press * and 1 on their touch tone phone now. We have the next question from the line of Sree Shankar from Prabhudas Lilladher. Please go ahead sir.
- **Mr. Sree Shankar – Prabhudas Lilladher Private Limited**
- Good afternoon. Couple of questions. First one is, see what is the expected kind of a production in sugar season '18? Is it around 24.5 million tonnes?
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- So ISMA has come out with the first expected production even though these are very early days, but yeah about 25 million tonnes is expected in FY '17-'18.
- **Mr. Sree Shankar – Prabhudas Lilladher Private Limited**
- Okay. Now last couple of years especially last year etc. we have not seen product cost actually going up in terms of the cane price that you end up paying to the farmers. Do you think that there is a risk of cane price increase happening in the current year in sugar season '18 which will be probably mostly back ended?
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- So last year the price had been increased from 280 to 305. This year currently the statements which have been said by the government of UP is all sort of inching towards going more towards FRP and not to increase

SAP any further. We all have realised and even the centre has written to the state saying that please don't increase SAP any further. Allow the central price to become the key price just as what has happened in GST, one India one tax, same way they also want to go towards one India and one cane price. So let's wait and watch. But I'm hopeful that the UP government will not increase the SAP any more than this.

- **Mr. Sree Shankar – Prabhudas Lilladher Private Limited**

- Okay. Now the bigger question is the sugar producers have been aided by a better yield over the last few years. Probably 5 years back if you look at it we all used to talk about maximum around 10%. Today you get much higher in terms of yield. So obviously the increase in cost would have been offset by the better yield that we have been getting. Now with that kind of an environment and in north especially if we have a single pricing, in the north we have our what you call 4 months in terms of crushing, effectively 120 to 150 days of crushing max that you end up having. Whereas in the south especially in Maharashtra more number of 200. Do you think that is a feasible scenario?

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- See now what has really changed in UP vis-à-vis the other parts of the country you are fully right. Biggest challenge was recovery of UP was below 10 if we see even just 3 years back. Now we are at par with Maharashtra and south of India and that is mainly because of a variety which has come into the state which is not only high in sugar but it is also high in yield per acre. So the farmer himself is going towards that variety. Now to answer, and that is the main reason why earlier on they had a lower cane price and they had a higher recovery. So their cost was lower than UP. That has totally changed. Now UP is as competitive as any other part of the state. And now with the FRP also being increased to 255 for the states which have that way of pricing, I personally believe that UP is in a good spot to produce very low cost sugar within the whole of India. And as far as the crushing days goes, with the planting which we had seen especially in our areas this 150 days I expect will go up to 180 days next year.

- **Mr. Sree Shankar – Prabhudas Lilladher Private Limited**

- Okay. Thanks I'll come back again.

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- Thank you so much Sree Shankar.

- **Moderator**

- Thank you sir. Anyone who wishes to ask a question may press * and 1 on your touch tone phone. Participants who wish to ask a question may press * and 1 now. We will wait for a moment while the question queue assembles. The next question is from the line of Ashwin Motwani, Individual Investor. Please go ahead. Ashwin Motwani please go ahead sir. The line is unmuted. Ashwin Motwani your line is unmuted sir. Please go ahead and ask your questions.
- **Mr. Ashwin Motwani – Individual Investor**
- Yeah congratulations on the good set of numbers. I just wanted to enquire about the investment that you're doing in the subsidiary. Any major plans sir?
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- No there are no major plans in any of our subsidiaries for any major independent investment as on date. So the investments which had been pre-approved by the board last year they are the only one.
- **Mr. Ashwin Motwani – Individual Investor**
- Okay. And any major capex plan?
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- So the only capex that has been planned for this year, the only major capex that has been spoken also in the last call are the incineration boilers that we need to operate our distilleries unit for 330 days. So over there we are spending about 85 odd crores of capex mainly in the boilers and turbines. So that is the only real capex. The other capex of around 40 crores is only to de-bottleneck our sugar plants so that we can take the full capacity of our plants because the recoveries have gone up from an average of 10 and now we are expecting, close to 13 for a long period of time. So that is the only capex which has been planned this year.
- **Mr. Ashwin Motwani – Individual Investor**
- Okay thank you so much.
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- Thank you.
- **Moderator**
- Thank you sir. We have the next question from the line of Prashant Bhaskar, Individual Investor. Please go ahead.

- **Mr. Prashant Bhaskar – Individual Investor**

- Hi sir thanks for giving time. I would like to know that last year the average realisation were around 33 for the whole financial year,36 sorry for the whole financial year. On the last call you had said around 36 if I am not mistaken. This year how do you see the average realisations going forward for the next 3 quarters? Like will there be some up side?

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- Prashant you know still early days. But as I said that currently the prices are ruling around 37. Next year also we would expect that demand and supply should be matched out. So these sort of prices can be expected going forward.

- **Mr. Prashant Bhaskar – Individual Investor**

- And one more thing I just wanted to know that there is some news that another import would be allowed by the government in the southern states. So how do you see the import is allowed? Like will that affect the sugar prices going forward?

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- So as of now even we've been hearing that. But the quantity that's been spoken about is just about 2.5 to 3 lakh tonnes. And 2.5 to 3 lakh tonnes in the southern states will have no impact on pricing at all right now.

- **Mr. Prashant Bhaskar – Individual Investor**

- Okay, okay, thank you.

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- Thank you Prashant.

- **Moderator**

- Thank you sir. We have the next question from the line of Aman Sonthalia from AK Securities. Please go ahead.

- **Mr. Aman Sonthalia – AK Securities**

- Good afternoon sir.

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- Hi Aman.

- **Mr. Aman Sonthalia – AK Securities**

- Hi good afternoon sir. Sir regarding that interest cost of the company is quite high. So whether you are planning to raise the money through commercial paper.

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- Yes so the company has applied for it to be re-rated. We are expecting the rating to be out soon. As soon as we get our new rating CP is an area where we plan to raise our funds not only for now but even for the future. So you are very, very right. CP is an area that the company is seriously looking at right now.

- **Mr. Aman Sonthalia – AK Securities**

- And sir when the incineration boiler will start operations?

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- So in one of our plants it will start by end of August. And the other one will start end of September.

- **Mr. Aman Sonthalia – AK Securities**

- Sir one more question regarding this if the government wants to implement linkage formula, the FRP formula, then I think the price should be around Rs. 38-39 at the recovery of 10.61. I think this is the average recovery of UP. Otherwise the farmers will get very less money than last year which they will get around Rs. 315. So do you think that the price going forward will be around Rs. 38-39?

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- See as far as the linkage part goes it is basically the centre which is proposing that. So they will only talk about FRP and linkage. I do not believe that we will be able to repay a lower price than what we paid last year. So we will have to pay FRP or SAP with whichever is higher for FY '18.

- **Mr. Aman Sonthalia – AK Securities**

- Okay. And sir if this happens I think this would be the best thing that happens to the UP sugar industry ever?

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- Excuse me?

- **Mr. Aman Sonthalia – AK Securities**
- If this linkage formula takes place I think this is the best thing that has happened for the UP sugar industry?
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- You know I think that not only for one state but I think that for the whole of India and for the betterment of sugar and of farmers, if this happens it has been a demand of ours for the very long. And I think it will be an advantage for everybody.
- **Mr. Aman Sonthalia – AK Securities**
- Yeah that's true. And sir regarding commission I think if the promoters put a cap on commission on profit I think it will send a strong signal among the investor community.
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- Aman your point is extremely well taken. We will surely propose that to our board and we will get back to you on that very, very soon.
- **Mr. Aman Sonthalia – AK Securities**
- Okay sir thank you.
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- Thank you Aman.
- **Moderator**
- Thank you sir. We have the next question from the line of Bhavesh Jain from Envision Capital. Please go ahead.
- **Mr. Bhavesh Jain – Envision Capital**
- Good afternoon sir.
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- Very, very good afternoon.
- **Mr. Bhavesh Jain – Envision Capital**
- Congrats for good set of results. Sir where do you see our chemical and ethanol margins going forward because this quarter the margins were lower compared to last year.

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- Yes you are very, very right on that. See going forward I believe that our margins should increase in that. And the reason I say it because the raw materials availability that we expect within our own company would be higher than what it was last year or even the previous year. That is because of higher cane crush that we expect in all 5 of our factories. Because of higher sugarcane being crushed molasses availability will also be more and that should bring down that price. Because we also buy a large part from sugar companies. So I do believe that next year we believe that our margins should be better than what they were in FY '17.
- **Mr. Bhavesh Jain – Envision Capital**
- Okay, okay sir. Thanks, thanks a lot sir.
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- Thank you so much Bhavesh.
- **Moderator**
- Thank you sir. We have the next question from Nishna Biyani from Prabhudas Lilladher. Please go ahead.
- **Mr. Nishna Biyani – Prabhudas Lilladher Private Limited**
- Thank you sir and congratulations on strong set of numbers. So just wanted to have your sense on the imports. You have said that there's a buzz in the market that 2 lakh tonnes is what is expected to be imported more. In the start of the year when we were interacting with more sugar companies they were saying that they were expecting between say 1.2 million tonnes to 1.5 million tonnes to be imported this year. After initial 5 lakh tonnes and another 2 lakh tonnes still there is room for further import. What are your thoughts there sir?
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- See as of now the government has been extremely proactive with all of us. They are not in any sort of hurry to import any sugar that India doesn't really need. So after this 2 or 3 lakh tonnes which even we are hearing about, I do not see any further imports happening because India will have sufficient stock and the one thing that we have to remember this year Diwali is also early. So October is when we expect most of India to start cane crushing. Specially if we see western part of India and the northern part, October month is when we always start to crush. So that is why I don't see any further need for imports right now.

- **Mr. Nishna Biyani – Prabhudas Lilladher Private Limited**
- Okay. So 7 lakh tonnes is for this year is what one should build in.
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- Yes. 7 to 8 lakh tonnes is what I would assume right now for our own spreadsheet.
- **Mr. Nishna Biyani – Prabhudas Lilladher Private Limited**
- Sure. And sir when I look at the power division at this point in time the tariff YoY is down to 5.11. I am just wanting to understand how does the tariff revision happen, that is one. And up to what time we have a PPA?
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- So our PPA as such is for 20 years. PPA our first PPA will actually expire in 2026. So we still have a long time to go.
- **Mr. Nishna Biyani – Prabhudas Lilladher Private Limited**
- Okay. And what is the clause built in? Is it every year inflation or – I was surprised at the tariff coming down? That's why the question.
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- No so it is basically because you know in one of our plant which is Rajpura plant that in which we put in the power plant about 3 years back, there our power export was lower than what it was last year. That is why the power tariff came down slightly from 5.24 to 5.11.
- **Mr. Nishna Biyani – Prabhudas Lilladher Private Limited**
- We still have very high tariff. So looking at the profitability of the sugar industry is this tariff under threat by any chance? What are your thoughts there?
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- Okay so my thoughts are that if we talk about an average tariff of 5.11 for Dhampur, we have to realise that this is all green power. So you also get Re. 1 REC credit on this. So actually if you see the power which the state is buying from us is about 4.11 because otherwise they have to buy RECs for this same amount.
- **Mr. Nishna Biyani – Prabhudas Lilladher Private Limited**
- Sure.

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- 4.11 tariff is not high from any sort of a thing. So do not see it as 5.11 but see it as 4.11 plus 1 of REC.
- **Mr. Nishna Biyani – Prabhudas Lilladher Private Limited**
- Okay. So according to you one can look at closer to Rs. 5 tariff for FY '18-'19.
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- Yes very, very true. Close to 5.
- **Mr. Nishna Biyani – Prabhudas Lilladher Private Limited**
- Okay. And sir when I look at the ethanol division, of course the excise is out so the realisations are down by Rs. 3 or 4. I am just wanting to understand what is the thoughts on that, margin pressure was observed. What is the thought on that division for you sir?
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- So as I said earlier is that the availability of the raw material for this is going to increase both what we will get within our own captive and what we will buy from outside. We have already seen molasses prices come down from almost close to 5500 per tonne last year currently to about 3000 to 3'500 per tonne right now. These are because of that lower price our margins in that division will go up next year.
- **Mr. Nishna Biyani – Prabhudas Lilladher Private Limited**
- Okay. But FY '18 can be versus last year of course when you look at FY '17 wherein it was a very solid year in terms of that division. So FY '18 can be lacklustre and FY '19 again you're expecting a bounce is it?
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- Yeah. So basically see in FY '18 we will get only a marginal sort of a benefit out of that. But FY '19 is when we see the real kick in to happen.
- **Mr. Nishna Biyani – Prabhudas Lilladher Private Limited**
- Sure. And by end of year say FY '18 what are your internal projections? Where should be our debt figure?
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- So see out here we are all our extra cash flow that is there in the company with all the repayment of debt. So we are targeting to at least pay off 200 crores more by March of FY '18.
- **Mr. Nishna Biyani – Prabhudas Lilladher Private Limited**
- Okay.
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- So from Rs 575 crores our target is to bring it down to Rs 375 crores. But that'll also include my soft loans and SDF loans. So Rs 375 crores is a number that we plan to achieve in March of 2018.
- **Mr. Nishna Biyani – Prabhudas Lilladher Private Limited**
- Sure. Sir many thanks sir for the answers.
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- Thank you so much.
- **Moderator**
- Thank you sir. We have our next question from the line of Abhilasha Satale from Crest Capital. Please go ahead.
- **Ms. Abhilasha Satale – Crest Capital**
- Yeah I just wanted to have an outlook on the global sugar price like how is the scenario looking there. And secondly you had some restrictions on exports which have been withdrawn recently. So how much supply do you see from that region?
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- See global prices as of now going forward do seem to be under some sort of a pressure because there is a global surplus expected in 2018. So the price range that you are seeing right now of about anything from 13 to 14.5 per pound of raw is what I see going forward. As far as the exports go, exports there is still a tax on exports even as on date. So Indian companies cannot do any exports as on date even if they want to. And with current prices of sugar in India, I don't think anybody will go for exports at this point of time.
- **Ms. Abhilasha Satale – Crest Capital**
- No I am not referring exports from India. EU countries had some export restrictions which have been withdrawn recently. So those countries will

also be exporting some sugar to the world market. So I am just referring to that.

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- Yes. And that has been one of the main reasons because of EU supply is expected to go up globally next year. And that is the reason why you would have seen the global prices drop from 18 cents to about 13.5 to 14 cents. So EU has been the main reason, while for the reason of this global price drop.

- **Ms. Abhilasha Satale – Crest Capital**

- Okay. So will it have any impact on India sugar industry? Because the premium of Indian prices is much higher through the global sugar prices.

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- But the duty that India has as of now of 50% with the current global prices we all are lower if we add the duty. So I do not see any sort of a threat of imports even at these prices into India with the duty that you all have got. We have also an option to increase this duty if we see global prices coming down even further.

- **Ms. Abhilasha Satale – Crest Capital**

- Okay. So sir I was just doing the math at current price also refiners are making margin of around Rs. 3 to 4 per kg. So that is quite healthy as far as margin is concerned for refiners. Sir will it not be conducive for them to import and will it support global prices or will it put pressure on Indian prices I am just trying to get the view.

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- This margin that you are saying is basically the margin of raw and white premium which is there always globally. So that is the margin that these guys are having right now. But if you add the duty which is there in India right now, the price comes to almost Rs 41-42 per kg which is almost 4 to 5 higher than the Indian price. So that is why they will not be able to supply that duty paid into India.

- **Ms. Abhilasha Satale – Crest Capital**

- Okay, okay. Okay I'll understand it offline. Thank you.

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- Thank you.

- **Moderator**
- Thank you. We have our next question from the line of Sameer Chheda from Vama International. Please go ahead.
- **Mr. Sameer Chheda – Vama International**
- Yeah I want to know do you have any plans of acquisition organic or inorganic or growth in new units or something.
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- So Sameer currently for at least the next 8 to 10 months I can say with all guarantee that there is no plan for any brown field expansion or to buy another plant. Our plan of March of '18 is just to bring down our debt and that will be the focus for us at least till March. After that we will be. But in current valuations of sugar companies that are there, we all won't be a buyer right now in the market.
- **Mr. Sameer Chheda – Vama International**
- Alright thank you so much.
- **Moderator**
- Thank you sir. We have our next question a follow on questions from the line of Yash Palmadan, Individual Investor. Please go ahead.
- **Mr. Yash Palmadan – Individual Investor**
- Mr. Gaurav I would like to know now you have done some part of capex for this debottlenecking of your plants. Right?
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- Yes.
- **Mr. Yash Palmadan – Individual Investor**
- Now if there is further availability of cane during the season then how much production can go up vis-à-vis last year because of that reason? Or maybe some spare capacity was there which you can utilise now.
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- So the sugarcane which we have sort of assessed in our own area with a debottlenecking that what we will be able to achieve is close to 90% capacity for all our 5 plants. If in the year 2019 we believe that further cane has been grown in our area and we can grow more, then we may have to

do some more sort of capex on our milling side. Our process side capex which has been done this year would be sufficient for us for the next 18 months.

- **Mr. Yash Palmadan – Individual Investor**

- So that will lead you to how much further production? Around 20% more than last year?

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- Yash yes you know that should be I mean targets are there. We will see as soon as the plant starts. the rainfall has been very good in the state of UP and especially in all of our areas that we all are in. so we all are seeing at least that sort of a growth next year.

- **Mr. Yash Palmadan – Individual Investor**

- So there is a high possibility that 20% plus growth can be achieved in this crushing season, coming crushing season.

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- Yes.

- **Mr. Yash Palmadan – Individual Investor**

- Okay, okay. And when do you see the tentative start date for crushing? Mid October or later part of the....

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- So October 19th is Diwali. So we plan to start 2 of our plants around the 22nd and the balance 3 of our plants around the 25th.

- **Mr. Yash Palmadan – Individual Investor**

- That would be almost 1 month before last year.

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- Yes that's about 20-25 days prior to last year.

- **Mr. Yash Palmadan – Individual Investor**

- Okay. Thank you, thanks sir.

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- Thank you Yash.
- **Moderator**
- Thank you sir. Anyone who wishes to ask a question at this time may press * and 1 on their touch tone phone. We have our next question from the line of Prashant Bhaskar an Individual Investor. Please go ahead.
- **Mr. Prashant Bhaskar – Individual Investor**
- Sir two things I wanted to know. You said that you have applied for the credit rating. So what is your current cost of funds like if you can give some idea?
- **Management – Dhampur Sugar Mills Limited**
- As of now our current cost of funds weighted average for long term debt is 8.78% including concessional loans from SGF and some excise loans.
- **Mr. Prashant Bhaskar – Individual Investor**
- 8.78%?
- **Management – Dhampur Sugar Mills Limited**
- 8.78%.
- **Mr. Prashant Bhaskar – Individual Investor**
- Okay. And if this revision comes into foray and so then what kind of cost we would be expecting?
- **Management – Dhampur Sugar Mills Limited**
- So overall we are expecting it to be down by 75 basis points consequent to that.
- **Mr. Prashant Bhaskar – Individual Investor**
- Around 3% you are expecting.....
- **Management - Dhampur Sugar Mills Limited**
- 75 basis points down from these levels.
- **Mr. Prashant Bhaskar – Individual Investor**
- Sir what will be that 75 basis points? It would be like 3.78?

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- Okay so just let me explain this. Our loss of debt right now the weighted cost is 8.78% and our short term of our working capital the average right now is 9.35%. We want to get into the commercial paper segment that will happen after the re-rating which we expect in the next 2 weeks. There we should be able to raise CP at sub 7%. On the long term debt from 8.78 we plan to bring it down to 75 basis points. So it should come down to around 8% in the next 9 to 12 months.
- **Mr. Prashant Bhaskar – Individual Investor**
- Okay, okay. So just to take an estimate like last year your financial cost, total financial cost was around 165-166 crores. So this year you are saying that you're planning to bring down your debt by 200 crores. So what kind of in terms of percentage this re-rating happening, what kind of percentage savings you can make on that interest cost like from Rs. 167 how much down you think it should be in the whole financial year.
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- So out here see long term it will be down by about 20% odd. But on the short term you have to realise that because if we have produced 20% more sugar, we will have to have that much of more working capital drawn. So to give an exact number will be slightly difficult. But surely you will see a drastic reduction in the cost of interest going forward.
- **Mr. Prashant Bhaskar – Individual Investor**
- Okay, okay fine, thank you.
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- Thank you.
- **Moderator**
- Thank you sir. We have the next question from the line of Dikshit Mittal from Subhkam Ventures. Please go ahead.
- **Mr. Dikshit Mittal – Subhkam Ventures**
- Yeah good afternoon sir.
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- Very good afternoon.
- **Mr. Dikshit Mittal – Subhkam Ventures**

- Yeah so my question is on expected sugar production. This year as you mentioned it will be around 25 million tonnes. But look at the more and more early variety sugarcane becoming available and more sowing also as you mentioned next year you expect 20% volume growth in crushing, so do you see any risk that sugar season '19 may see big jump in terms of sugar production?

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- See there is always that risk which can happen. But you have to also realise that in the western and southern part of India the water is only through monsoons. So how will the monsoons be next year would be a very big factor to say as to how much of sugar we will produce in FY '19? So early days but yes from 25 million tonnes whether we go up to 26, 27 or 28, they are very, very early days for us to be able to comment on that vis-à-vis UPyes with the early variety of 238 which is there which is high yield therefore the 10 million tonnes that is expected this year. Next year can be higher than that also.

- **Mr. Dikshit Mittal – Subhkam Ventures**

- Okay so sir from UP only what kind of scenario can happen? Like if you keep aside western and southern states so incrementally how much more production can come in next year?

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- So see last year in FY '17 we did 8.7 million tonnes. FY '18 we are expecting it to be around 10 million tonnes. Do not think that we can go over 11, I don't think that we can ever go as of now. Present capacity of sugar mills that is there, 11 million tonnes seems to be the peak for UP.

- **Mr. Dikshit Mittal – Subhkam Ventures**

- Okay so assuming all area under cultivation switching to early variety and increased recovery, you mean you said that 11 is the peak with current sowing.

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- Yeah that's right.

- **Mr. Dikshit Mittal – Subhkam Ventures**

- Okay sir thank you.

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- Thank you.
- **Moderator**
- Thank you sir. Anyone who wishes to ask a question may press * and 1 on your touch tone phone now. We have our next question from the line of Venkat Raman from Orient Securities. Please go ahead.
- **Mr. Venkat Raman – Orient Securities**
- Hi. I just wanted to know the reason for the drop in the profitability of the ethanol division.
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- That is mainly because of the price. If we see that last year the basic price was higher. And also there was an excise rebate which the central government gave to us. So our average price for last year was around 43 per litre which is now down to about 38 per litre. And that is the main reason why you have seen that drop of profit.
- **Mr. Venkat Raman – Orient Securities**
- But Balrampur had a similar turnover but they had a higher profit from the distillery. They had a turnover of 108 crores from distillery and a profit of 34 crores from the distillery division.
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- See I think that will be lot to do with the transfer pricing of the raw material that they do from the sugar to the distillery segment. So if there is a difference because they are in the eastern part of UP while we are in the western part. So that is the pricing difference that is there. So that is why you see these margins can be different from mill to mill.
- **Mr. Venkat Raman – Orient Securities**
- But what is the transfer pricing that we have for some sugar division to ethanol what is the transfer pricing model that we follow.
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- So we just follow exactly because we also buy molasses from outside. So whatsoever is the market price that is what we take as the transfer price.
- **Mr. Venkat Raman – Orient Securities**
- Okay alright, thank you, thank you.

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- Thank you.
- **Moderator**
- Thank you sir. We have the next question from the line of Sree Shankar from Prabhudas Lilladher. Please go ahead.
- **Mr. Sree Shankar – Prabhudas Lilladher Private Limited**
- Yeah one last question. You've been speaking mentioning about low molasses prices. So how this has been moving around? We have seen some states speaking about a ban in terms of liquor etc. So is it impacting any one of the distilleries offtake of ethanol or alcohol ethyl alcohol from our side?
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- Not really. See as of now UP is there is no ban in UP right now. Molasses which is there is all used within the state itself. So for UP there will be no impact at all on this.
- **Mr. Sree Shankar – Prabhudas Lilladher Private Limited**
- But the fact remains that even if most of the states if I look at unfortunately or fortunately actually 4 states produce all the sugar or 90% probably of the sugar of the country. Uttar Pradesh, Maharashtra, Karnataka and Tamil Nadu. So now it has to actually come from there isn't it?
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- See but now you have to also realise that over the years the large part of alcohol production has moved towards grain based. Molasses based alcohol is mainly used for non-human intake. So from that perspective if the ethanol program if the pricing that's coming here is made slightly better, India's demand for blending program is almost close to 280 crore litres. This year the tender which happened was only for 80 crore litres. So there is a huge market out there and that I am pretty sure and this government is thinking on those lines. So a lot of the molasses which is going to be surplus will go into that program so that 80 million can go up to 150 million litres next year.
- **Mr. Sree Shankar – Prabhudas Lilladher Private Limited**
- So while I accept the point that we have seen large number of grain based distilleries. Not large grain based distilleries coming up, but that grain based distilleries or the alcohol still for the premium sector, not the super-

premium or probably that....the mass segment still consumes our molasses rooted alcohol isn't it?

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- That is only for country liquor which is again not a very large segment. They have a levy on that in UP that so much of raw material from sugar mills has to go towards country liquor. So that has been there for as many years and that will carry only. So that much always goes to them year on year.

- **Mr. Sree Shankar – Prabhudas Lilladher Private Limited**

- Okay. Thank you.

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- Thank you so much.

- **Moderator**

- Thank you sir. We have our next question from the line of Aman Agarwal, Individual Investor. Please go ahead.

- **Mr. Aman Agarwal – Individual Investor**

- Hello?

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- Yes Aman hi.

- **Mr. Aman Agarwal – Individual Investor**

- Haanjee thank you again. My question is that the company is having currently 2.5 Lakh share in pledge. So can we get that free so that the company will be known that it doesn't have any pledged share?

- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**

- So just to – this 2.5 lakh share is basically these are shares which had been pledged almost about 13-14 years back. There was some issue in having these cleared even though the person to whom they have been pledged his loan was paid off almost about 8 years back. But then because of certain changes in that company. Now it looks like all those issues have been solved. So this is not any new pledge. We are hoping to have it cleared in the next actually couple of weeks itself.

- **Mr. Aman Agarwal – Individual Investor**

- Yes that's what I am saying that only this 2.5 lakh pledge share will be showing that. But if we can get that back then the company will be having the projection that they don't have any pledge shares.
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- You are very, very right and we are working towards talking to the company.
- **Mr. Aman Agarwal – Individual Investor**
- Okay thank you sir.
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- Thank you.
- **Moderator**
- Thank you sir. Ladies and gentlemen that was the last question. I would now like to hand the conference over to Mr. Keyur Pandya for closing comments. Over to you sir.
- **Mr. Keyur Pandya – Prabhudas Lilladher Private Limited**
- Thank you. Thank you to all the management representatives for taking out time and answering the questions patiently. And all the best for the future. Sir if you would like to give any closing comments about you sir?
- **Mr. Gaurav Goel – MD, Dhampur Sugar Mills Limited**
- I would just like to say a big thank you to all of you for taking out your time to being on our call. If you have any further questions please feel free to speak to us either by phone or by email. Thank you again.
- **Mr. Keyur Pandya – Prabhudas Lilladher Private Limited**
- Thank you sir.
- **Moderator**
- Thank you very much sir. Ladies and gentlemen on behalf of Prabhudas Lilladher Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.