



“Dhampur Sugar Mills Ltd Q1FY17 Earnings
Conference Call”

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MODERATOR: **MR. MANISH PODDAR – RELIGARE CAPITAL MARKETS LTD.**



Moderator: Ladies and gentlemen good day and welcome to the Dhampur Sugar Mills Ltd Q1FY17 Earnings Conference Call hosted by Religare Capital Markets 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, please signal an operator by entering '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manish Poddar from Religare Capital Market. Thank you and over to you Mr. Poddar.

Manish Poddar: Hi everyone. On behalf of Religare Capital Markets I welcome you all for the Dhampur Sugar mills Q1 FY17 Earnings Call. We have with us from the management Mr. Gaurav Goel – Managing Director and Mr. Arhant Jain – Executive President, Finance. Thank you and over to you sir.

Gaurav Goel: Thank you. Good evening and a very warm welcome to all to Dhampur's Q1 FY17 earnings call. I would like to begin by sharing my perspective on the sugar sector while talking about the overall operation of the company and after which Mr. Arhant Jain will take you through the financial highlights of the company for the first quarter ended June 30, 2016.

India's sugar production for the current year 2015-16 is estimated at 25.1 million tons lower than the 28.3 million tons in the previous year. For the next sugar season early estimates are showing that sugar production for the year 2016-17 is pegged at 23.2 million tons. While sugar production is expected to increase in Uttar Pradesh we are seeing lower cane planting in the western region on India. Further, clarity on the overall sugar production will be available closer to the beginning of the next season. Sugar demand stands at 25.6 million tons and is growing. Sugar prices have witnessed an upward trend and are currently ruling at Rs. 35.5 to Rs. 36 per kg ex-mill price.

During the quarter, The Company has issued 61.72 lakh shares of Rs. 10 each at a premium of Rs. 88.68 per share by way of a QIP. The company has also started pre-repayment of long term loans and has repaid Rs. 89 crores including prepayment of Rs. 61 crores in the first four months starting from 1st April to 31st July, 2016. This has brought down the long term loans of the company from Rs. 679 crores as on 31st March, 2016 to Rs. 590 crores on July 31st 2016. To give you an overview on the operation for Dhampur for current sugar season we have crushed 45.2 lakh tons of cane. Further sugar recoveries for the current seasons have improved to 10.66% compared to 9.59% in the last sugar season. Sugar production for the current season was 4.81 lakh tons against 4.66 lakh tons in the last season. There has been an improvement in the sugar price from Rs. 25.60/kg per Q1 of last year to Rs. 34.62/kg in Q1 of this year. In terms of inventories, the total inventory as of 30th June, 2016 stands at 2.76 lakh tons, which has been valued at an average cost of Rs. 29.35/kg. On the other hand, our ancillary businesses continue to augment performance driven by higher prices substantiating the fact of having built a strong and integrated business model.

Our ethanol and chemical division gave us a robust performance as a result of improvement in sales volume at higher prices. The company sold 223.4 lakh bulk liters of ethanol at an average price of Rs. 43.2/liter during this quarter. The company during the quarter also sold 28.7 lakh kg of chemicals at an average price of Rs. 47.8/kg. During the quarter ended 30th June, 2016 Dhampur in its power segment generated 8.45 crores of power and exported 5.58 crore units. The average price of sale of power was 5.24/unit compared to 5.07/unit in Q1 of last year. I will now ask Mr. Arhant Jain to take you through the financial performance of the company. Thank you.

Arhant Jain: Thank you sir. Good afternoon and thank you once again for joining us on the call. I would now like to take you through the financial highlights of the company for the quarter ended 30th June, 2016. Our total revenues, EBITDA and PBIT for the quarter stood at Rs. 495.4 crores to Rs. 106.9 crores and Rs. 99.6 crores as compared to Rs. 511.7 crores and loss of Rs. 26.45 crores and negative PBIT of Rs. 36.2 crores respectively in Q1 FY16. Rise in PBIT was primarily a result of better realization and higher sugar recovery combined with improved performance of our ancillary businesses. PBIT for all the segments was positive during the quarter. Our

interest cost was marginally lower at Rs. 46.9 crores compared to Rs. 48.1 crores in the corresponding quarter last year. Profit before tax stood at Rs. 47.7 crores compared to a loss of Rs. 88.1 crores in the corresponding quarter of last year. Profit after tax stood at Rs. 33.08 crores against loss of Rs. 88.1 crores in the same period last year.

Let me now take you through the business wise performance. For the quarter ended 30th June, 2016 the sugar division reported revenues of Rs. 410.9 crores on the back of better realization, which contribute to 69.6% of total revenues as compared to 68.3% at Rs. 457.3 crores in the same period last year. Moreover, PBIT in this segment was higher at Rs. 47.1 crores as compared to loss of Rs. 87.9 crores in the corresponding quarter of last year as a result of higher realizations coupled with higher recovery. The ethanol/chemical operations continue to contribute positively to our earnings performance. Revenues from ethanol/chemical businesses for the quarter improved to Rs. 124.9 crores from Rs. 109.3 crores in the corresponding quarter last year. PBIT for Q1 FY17 more than doubled at Rs. 32.3 crores against Rs. 14.6 crores in Q1 FY16 due to higher volumes and higher realization. Going forward we continue to focus on targeting business opportunities from the ethanol, chemical or rectified spirit segment that offer better margins. During the quarter under review power revenue stood at Rs. 54.3 crores and PBIT for the quarter stood at Rs. 20.1 crores. Power realizations were higher at Rs. 5.24/per unit against Rs. 5.07/ per unit in the corresponding quarter last year. These on a broad level are our financial numbers.

On an overall basis we are enthused by our strong performance and are confident of our ability to perform well going forward. We believe that we have built a strong operating platform making us well placed to deliver sustainable results and our outlook for the future remains optimistic. Thank you once again for joining us on this conference call. We will be happy to answer any questions that you may have.

Moderator: Thank you. Ladies & gentlemen we will now begin with the question and answer session. We have the first question from the line of Prakash Bengani from BMA Wealth. Please go ahead.

Prakash Bengani: What is the amount of revenues you are expecting from your power division and from your distillery division in the next three quarters?

Gaurav Goel: See as of now in Q2 our sales of power would be small because we are not going to produce any extra than what we need to run our chemical plant. As far as the ethanol side goes we should have consistent sales and the sales should be the same as what we would have in June of 2016.

Prakash Bengani: Do you foresee an increase state advise price in Uttar Pradesh in the next season? And the shares issued by 60 lakh odd shares, are they in a locking period?

Gaurav Goel: So your first question I will answer on the SAP. I do believe the SAP will go up in UP. Exactly by how much I have no idea as of now but SAP is expected to go up because the SAP has not been increased for the last four years and seeing the current prices of sugar SAP will go up. On the other side the QIP which has been issued is without any locking and they are all free.

Prakash Bengani: You have said that you are carrying 2.7 lakh tons of sugar as of 30th June, 2016 which is calculated at a cost of Rs. 29.35 odd and your realization at this point of time is between Rs. 35.5-36. The amount of sugar you are carrying is it sufficient to cater to your next two quarters or will you be procuring sugar at this point of time also from market it should be carried forward?

Gaurav Goel: No, we do not buy any sugar from the market but yes, this sugar that we have would be sold in the Q2 and in Q3. So you are right on this. This 27.6 lakh tons of stock that we have will be sold over the next 5 months.

Prakash Bengani: Is it 2.76 or 7.6?

- Gaurav Goel:** 2.76.
- Prakash Bengani:** And what is your guidance for the next three quarters with respect to your bottom line and EPS if you can?
- Arhant Jain:** We have had a call on this and the board is not as of now ready to give a guidance as you know sugar prices fluctuate to a large extent but I can just say that on current pricing that is there of sugar right now at Rs. 35.5 to 36 the next three quarters do look extremely positive.
- Prakash Bengani:** And one critical question sir with government on the front foot to contain inflation they will not allow you to increase the prices to an obnoxious level, whereas internationally sugar prices are gaining strength, how do you see that you can increase prices in the domestic market because there will be a mismatch in demand and supply also for the first time in India. Do you see the domestic ex-mill prices going above 40 in the coming season?
- Gaurav Goel:** See as of now India has got sufficient stocks so even if you see with the current **inventory 14.23** as of 30th September also India will have a closing stock of sugar of about 7-7.5 million tons. So I do not believe that sugar prices should go up any further. The sugar price right now is extremely healthy. So from our perspective with the stock that India has prices should stay stable at this range of Rs. 35-36/kg.
- Prakash Bengani:** And sir my final question is how much amount of power you are going to see? You have done around Rs. 160 crores in 2014-15 by amount of profit by power and Rs. 188 crores in 2015-16. Do you see crossing Rs. 200 crores in this fiscal?
- Gaurav Goel:** That is the target because our planning as of now even though it is early days but we do plan to start our sugar mills earlier and in that way we are also expecting more sugarcane to be crushed in all of our five plants. The cane yields, the cane plant looks extremely healthy right now. So if that is the case yes, we should be able to produce more power and that should give us higher sales and higher profits.
- Prakash Bengani:** So with that I guess your power division alone will take care of your interest burden of the company I guess.
- Gaurav Goel:** Yes, I mean I do not foresee that to be an issue.
- Moderator:** We have the next question from the line of Aman Sonthalia from AK Securities. Please go ahead.
- Aman Sonthalia:** ISMA has come out with a figure that in the coming season India's production will be around 232 lakh tons. In that I think that they have mentioned that in Maharashtra the production will be around 64 lakh tons but if I got by the interview of Mr. **Rajiv Babar** the President of Maharashtra Sugar Cooperatives. He was telling that the production will be around 45-46 lakh tons. So there is a mismatch between Mr. **Rajiv Babar's** comment and difference we have between this. It is feasible. Can you give some comment on this?
- Gaurav Goel:** So basically ISMA numbers have come out vis-à-vis the first satellite survey which was done about 3 weeks back, so still it is as I said it is early days but still believes on the number that it has given and as I also said in my opening remarks you know the next 3 to 4 months you will have a larger amount of clarity opportunity on the numbers because of the fact that cane yields also play a very-very crucial part as to how much sugar will be produced. So I think that in the Q2 call we will be able to give you a slightly better idea on this 23.2 number but from ISMA point of view 23.2 is a first number which we all feel would be the number as of July.
- Aman Sonthalia:** Sir the next question is that suppose this year production will be around 230 lakh tons. What is the maximum increase in a single year for 2017-18 do you expect?

- Gaurav Goel:** See I do hope that there is an increase. Thankfully the monsoons have been good apart from a few regions in Maharashtra, overall the monsoons have been good. So I hope that India can go up to 26 million tons in 2017-18. So I am hoping that a 3-million-ton increase does happen in 2017-18 because of the fact that as I also said the demand for this year was 25.6 million tons and next year it is expected to be in excess of 26 million tons. So that is why 3 million tons is the minimum increase that India should have in FY 17-18.
- Aman Sonthalia:** So there will be a balance of demand and supply of sugar and sugar cane and demand.
- Gaurav Goel:** Aman I hope that happens but still we will only know about it early next year.
- Aman Sonthalia:** And sir the next question is that most of the investors who want to put money in sugar sector they have two doubts in their mind. One is that government intervention is that it is a cyclical nature of industry. But since our consumption is increasing every year and by 2018-19 or 2019-20 it will increase to around 280-290 lakh tons. And that is the maximum India can produce. I think 283 is the maximum sugar India has produced so far. So if you show this thing in the presentation that going forward this sector is not going to be cyclical I think more and more investors will come towards this sector and attract towards this sector.
- Gaurav Goel:** Aman I am agreeable to your thesis but you all are the people on the ground and then the market so I think that if you all write up a report on this it will be better taken by the market. But yes, I agree with that fact. On the government issue I can say that the center has been extremely proactive with us on sugar prices and all the other issues. The government is extremely fair and so that you know they are proactively trying to work with us to find a long term answer. So government issue which was there about a few years back. I do not see that is as much of an issue as of now.
- Aman Sonthalia:** But what about the cane since next year is the election year. So what is the maximum increase you anticipate as far as cane price is concerned?
- Gaurav Goel:** I have no idea at all on this but again I can also say that from the state government's point of view even they are extremely proactive with us, so we are hoping that they come out with a prudent price and not a very-very high price.
- Aman Sonthalia:** Okay, because this is a short fall year so it increases the price something which in the next year when the production will be normal and the prices may come down so it will be very difficult for the industry part to pay that amount because it will be a permanent price.
- Gaurav Goel:** Aman I agree with you and are fully aware of this issue and this is exactly what we have also spoken to the state about and they are also extremely I think positive to go to what all that you have told them.
- Moderator:** We have the next question from the line of Varsha Bang from Systematix Wealth. Please go ahead.
- Varsha Bang:** Just a book keeping question, I just wanted to know what was the inventory sold for the quarter?
- Arhant Jain:** We sold 1000 tons of sugar at an average price of Rs. 34.62/kg.
- Varsha Bang:** And the inventory which is with us is 2.76 lakh tons.
- Arhant Jain:** Value of that is Rs. 29.35/kg.
- Moderator:** We have the next question from the line of Dikshit Mittal from Subhkam Ventures. Please go ahead.

- Dikshit Mittal:** Can you give some idea like on an annual basis what kind of power units that we will be exporting and what is the distillery sales in milliliters that will be sustainable?
- Gaurav Goel:** Basically we have done a contract with the OMCs of 8.8 crores liters for which the sales started in January and they will go up to the end of the year and then they will come out with a next tender for next year. So that is the sort of sales that we are expecting to go quarter on quarter the sales should stay almost standard on that segment. On the power side Q3 and Q4 is where the bulk of the power sales will happen. And as I said earlier, because we are expecting a higher cane crush this year for all our five plans and we do plan to start our plans earlier. We all are expecting higher sales in power vis-à-vis March 2016.
- Dikshit Mittal:** So sir what were the number of units last year that you sold in power?
- Gaurav Goel:** Total number of units generated in year ended 31st March, 2016 were 66.02 crore units and out of which we exported 43.07 crores units at an average realization of Rs. 5.05 per unit.
- Dikshit Mittal:** And sir like you mentioned that this year you will be crushing more cane. So what is the growth in number of units that we can see in FY17?
- Gaurav Goel:** See we are expecting 10-15% growth in sugarcane, so that is the sort of increase that you can see also on the power side.
- Dikshit Mittal:** And on ethanol side you mentioned 8.8 crore liters is for the full year.
- Gaurav Goel:** Yes, that is right.
- Dikshit Mittal:** Sir any CAPEX plans that we have or will be retiring the debt from the cash flows that you are getting?
- Gaurav Goel:** We have no CAPEX plan. With all this extra cash flow would be used for repayment of debt.
- Dikshit Mittal:** So what is the long term and short term debt by the end of last quarter?
- Arhant Jain:** Long term debt is Rs. 612 crores as on 30th June, and after that also in July we have made some prepayments rather. So net debt as on 31st July is Rs. 590 crores which also has SDF loans which are at a concessional rate and soft loans given by the government.
- Dikshit Mittal:** So sir in terms of sugar profitability that will depend on the kind of cane pricing that is decided by the government. But if I take your profitability from power and chemical, I can expect at least 10% growth on the full year basis FY17 vis-à-vis FY16?
- Gaurav Goel:** I would say that is a fair assessment. We feel that in ethanol it might be even more than that.
- Dikshit Mittal:** So what is the reason in ethanol because of higher realizations or any other?
- Arhant Jain:** It will be at higher realizations because most of the supplies, as MD has informed that we have got orders of more than 8.8 crores liters from oil companies, so most of that supply will be made in this year.
- Dikshit Mittal:** So in first quarter we sold around Rs. 2.2 crores.
- Arhant Jain:** Yes.
- Dikshit Mittal:** So I can annualize the Rs. 32 crores that you have reported in the first quarter. For the full year I can annualize that.

- Gaurav Goel:** Yes, that is an easy way to do it.
- Moderator:** We have the next question from the line of Dhwanil Shah from iWealth Management. Please go ahead.
- Dhwanil Shah:** Sir just wanted to understand in terms of our sugar, we sold around 91,000 tons in this quarter. So the average around comes to Rs. 34, if I deduct the inter-segment also. So just to understand that we did around a PBT of 50 crores in Q1 and we are saying that we have our average inventory cost at Rs. 29. So this number should be sustainable for next two quarters at least because we are not going to buy any more from outside. Whatever we are selling has an inventory. Would there be cyclical in this because Q2 due to monsoon the sales can be softer? Is that understanding correct?
- Gaurav Goel:** Q2 and Q3 sales are always higher because of the festivals which are there in North India, so our sales are always higher in Q2 and Q3. So we do expect a Q2 sales to be higher than what we have done in Q1.
- Dhwanil Shah:** And hence the profitability would also be higher, that is a fair understanding?
- Gaurav Goel:** Yes.
- Dhwanil Shah:** So for next two quarters we can do minimum Rs. 50 crores of PBIT.
- Gaurav Goel:** Yes, hopefully Mr. Shah we all believe it can be higher because we will be selling quite much more in Q2.
- Dhwanil Shah:** So Q2 we would be selling out 95,000 to 98,000 tons is it a fair understanding? 10% increase from here?
- Gaurav Goel:** I think it might be even more that that because I said this is the time of the year when the demand is highest. So the sales might be higher..
- Moderator:** We have the next question from the line of Mayank Sharma from Shasun Corp. Please go ahead.
- Mayank Sharma:** I just wanted to ask you that doing a QIP at less than Rs. 100 is completely changing my mind about the outlook because normally if you are very positive about the limited future. You do not do QIPs at very discounted prices. I mean what made you change your mind. I am looking at the management, 3 months' down the line from selling the shares at Rs 98 something we did not do complete Rs. 100 to now completely changing track and being very optimistic about the future because I have been invested in the sugar industry for a long time. I know you are going to do very well in the next two quarters but what sort of number did you see which made you change your mind that it is much better that what we were thinking because I really want to understand your mindset.
- Gaurav Goel:** See the mindset that the Board had at that time as you know that the Board had approved Rs. 200 crores of QIP. The whole reasoning of that was to repay debt. We all do believe that the last four years our debt had swelled up because of losses which had happened in the sugar segment. So that is how the whole plan was started is to prepay debt and then we said that that will add to shareholder value because we would be able to bring down our cost of interest outgo. And that is why when the actual QIP happened the Rs. 200 crores at that point of time the board again sat and felt that no, we do not need that much of money to be raised and that is why we all stopped at Rs. 61 crores. So that is how it had started but yes, by the time that the QIP happened we all brought it down from Rs. 200 crores to Rs. 60 crores.
- Mayank Sharma:** So my question is that what did you see? What changed in that 2-week period? It is a completely changed track for you because see that I am trying to understand is from first of all

doing a Rs. 200-crore QIP I do not think it was feasible, I do not think you would have got the investors. I mean Rs. 200 crores at that period of time but from doing a QIP to one month down the line you know having such fabulous results, some things must have changed in your mind that something has happened in the industry, was it the Maharashtra drought number which you say or was it the future prices of sugar?

Gaurav Goel: See it was basically at that point of time Maharashtra numbers were not really out so whether India would have produced 23 million tons or 24.5 million tons, we were not very-very sure of that. Then these numbers for next year have started to become clearer. It was then seen that even though the global prices if you saw in June were at about 17 cents, so there as always a threat of imports which was looming large. Currently, New York is at 20.7 cents so that fear of imports has also sort of gone away. So there were a lot of factors which sort of changed in a very short period of time. If we see as of 1st June it was 17 cents a pound was the price and by end of June it went up to almost 20 cents a pound. So that was one of the other reasons that imports is always a threat that domestic manufacturers like us have, even if we see in earlier years it was not just India's over-production which brought down prices but it was actually the unabated imports which happened at that point of time which really swelled up the stocks of the country. So these two were the major reasons that we believe that now we do not need to raise and the next 4 to 6 quarters do seem to be extremely positive and that is why the QIP was brought down.

Moderator: The next question is from the line of Abhilasha Satale from First Global. Please go ahead.

Abhilasha Satale: This year whatever deficit is being talked about it is mainly from Maharashtra and Karnataka region. So what is your outlook on production from UP region? Do we see UP producing around 0.5 million or 1 million ton in addition to what we produced last year and does it leave more for us to increase our production in the current season from whatever we are producing? What are our utilization levels as of now and how much room do we see going forward to increase that too?

Gaurav Goel: That is an excellent question. UP has seen a higher cane growth than what had happened last year, so last year UP produced 6.8 million tons. The current estimate for UP is 7.5 million tons of sugar and within Dhampur itself we have sufficient capacity to go up to 600,000 tons, so we produced 4.8 lakh tons. This year capacity is sufficient for us to take it up to 6 lakh tons next year.

Abhilasha Satale: Fine. So then would it not leave UP production going up by more than 1-1.5 million ton or more than that if that kind of spare capacity is there and if cane planting is that much higher then there are 2 million ton or 3 million ton what is being talked about then will it not be compensated by higher production in UP, up to large extent?

Gaurav Goel: See the UP planting is over right now and we have to also realize that there are people who have worked on cane development and whose cane price payment was good. In their area cane has gone up while in some of the other areas where cane price payment was weak, out there the cane has not gone up. So it is not that overall in UP the cane has increased. It is in patches of UP where cane has gone up.

Abhilasha Satale: So you feel that maximum it could go to 7.5 million ton in UP?

Gaurav Goel: Yes, as of now that is the first round but I am sure that when I do the Q2 call I mean I will have some better numbers for you.

Moderator: We have the next question from the line of Yash Aggarwal from Crest Wealth Management. Please go ahead.

Yash Aggarwal: How do you connect this 4.8 lakh ton is going to go to 6 lakh ton you said, is it?

- Gaurav Goel:** No, no she asked me that what is your capacity that you have inbuilt? So I mean even though our capacity is even higher than that but still I said that for Dhampur to go to 6 lakh tons is not an issue at all. We have capacity inbuilt which is like it has not been used last year. So if we get the cane we can easily go up to 6 lakh tons in this year.
- Yash Aggarwal:** So in the presentation I think you sold about 5.1 lakh ton in FY16. So how much would that be in FY17 according to you?
- Gaurav Goel:** As what we all are saying is that we are expecting a better cane crush for us next year, so we can cross this 5.34 lakh tons of sales that we had done last year.
- Yash Aggarwal:** Alright. And two bookkeeping questions, your finance cost where do you see it settling on a quarterly basis post the QIP money and any reduction in interest cost that you have got?
- Gaurav Goel:** We are already prepaying our debt and our main target for the next four quarters is only repayment of debt. Our own target is that by June of next year to bring down this interest cost which last year was at Rs. 158 crores, our target is to bring it below Rs. 100 crores over the next 4 to 5 quarters.
- Yash Aggarwal:** And this last one, what is the tax rate you expect this year?
- Gaurav Goel:** We will be on MAT.
- Moderator:** We have the next question from the line of Prakash Bengani from BMA Wealth Creator. Please go ahead.
- Prakash Bengani:** Sir my final question would be that in this quarter you said power division did Rs. 54 crores. Should we assume that this would be the minimum in the coming quarter? Can you repeat Rs. 54 crores in the second quarter or it would be higher than Rs. 54 crores?
- Gaurav Goel:** No, it would not be higher than Rs. 54 crores in Q2. It might be slightly lower because of the fact that the price of bagasse has gone up, so if you see that in previous years we had also got the gas from outside and run our bigger boilers. But right now because of lower chain that was available in UP the cost of fuel has gone up a lot. So we have not bought any outside fuel. So all the fuel that is, is only the internal fuel that we all had saved. So our power sales for September might be lower than even in Q1.
- Prakash Bengani:** And sir finally as far as my prognosis goes your power division would yield you Rs. 200 crores, your ethanol would give you Rs. 120 crores. If you do not have any negative and positive for sugar you would be doing roughly around Rs. 20-22 earning this year and maybe year after because this year sugar will give you positive results I guess.
- Gaurav Goel:** I do not want to comment on these numbers but you all are the experts on these so I will just go ahead and agree with you on this.
- Prakash Bengani:** And sir finally any plans on Rs. 140 crores remaining QIP? Is it in this financial year or you looking around 2017-18?
- Gaurav Goel:** No, there is no current plan to raise any more money right now.
- Moderator:** We have the next follow-up question from the line of Mayank Sharma from Shasun Group. Please go ahead.
- Mayank Sharma:** Mr. Goel I wanted to ask you, can you throw some light on the cooperative sector because we only see the listed players, the ones which are financially strong and the cooperative sector to

the best of my knowledge still comprises a large amount of marginal capacity. So what is the general financial health of the cooperative sector in UP and Maharashtra?

Gaurav Goel: See in UP right now there are only a very-very small amount of them left. So they will hardly contribute to 10% of the total sugar of UP. As far as Maharashtra goes, I think that with current pricing of sugar they should also do well but the only disadvantage that they will have is that the cane area is really down. So we will have to see it factory by factory but I really do not have a data on them as to what is their health.

Mayank Sharma: See the prices are always normally set by the marginal capacity, because I saw a few presentations of ISMA. Even ISMA does not want to cover the cooperative facility mills because that is where the dichotomy in financial health is there. So mostly dependent on sugar itself and as far as I am concerned the most deeply in trouble listed company is Bajaj Hindustan. There would be plenty of many Bajaj Hindustans in Maharashtra as of today. I just wanted to get some color on it because the statements came from Maharashtra Cooperative Society. I think Maharashtra Cooperative Society paints a much deeper picture.

Gaurav Goel: See as far as the Maharashtra Cooperative go because they are owned by farmers themselves they can delay their cane price for the future. While the private mills do not have that option, or private mills should not have that option because it impacts on the total cane availability for the future years. So in that perspective and plus they also get some help from states on time to time basis where the loans and all are waived. So from that perspective I think that they all should not be very unhealthy but surely we have seen a few of them closing down, a few of them crushing far-far lower than what they have done in the past. And that is again expected in this coming year. So that will be my view on them right now.

Mayank Sharma: What would be the SAP expected from new cane prices?

Gaurav Goel: See still early days. Dialogue has started with the state on cane pricing. As I said earlier also, we do believe that SAP will be increased. Exactly by how much there is no clue at all as of now.

Moderator: We have the next question from the line of Aman Sonthalia from AK Securities. Please go ahead.

Aman Sonthalia: I talked to most of the sugar mills, they are starting early this season in UP. So whether we are also starting early this season?

Gaurav Goel: That is the plan as of now. The monsoons have been very-very good plus in all our five factories because of cane development, we have been able to plant a lot of variety cane which is mainly 238. So yes, we have to still wait that hopefully there are no major storms which happen and the cane would not fall down. So seeing that we all do plan to start almost after Diwali. So first week November is our target date of starting as of now.

Aman Sonthalia: So it will start early by around 20 days?

Gaurav Goel: Yes.

Aman Sonthalia: So that turnover will be extra in the third quarter and for the financial year.

Gaurav Goel: Yes.

Aman Sonthalia: And sir what is the international scenario? As Brazil is sourcing more but at the same time China is consuming more and they are importing more. So can you throw some light on that?

Gaurav Goel: Reports which have come as of now is that this year the deficit globally is expected at about 7 to 8 million tons and for next year it is estimated at 5 to 6 million tons. So 2 years of global

deficit is expected mainly due to India, Thailand, China as you said and also EU. Brazil will produce more sugar than what they have done this year also but even taking that into account there is expected a global deficit next year.

Moderator: We have the next question from the line of Siddharth Mohta from Principal India. Please go ahead.

Siddharth Mohta: Sir two questions. One is on the taxation front. Sir you said that our taxation will be on MAT, but in this quarter sir I think we have paid more than 30%, that is number one and second is on the sugarcane areas what is our total outstanding for our company and for the entire UP?

Arhant Jain: It is Deferred Tax Liability (DTL) we have just provided tax at the rate of 30% although you are correct that we will be paying MAT only. Final tax will be determined only at the year end. So finally the provision will be much lower.

Siddharth Mohta: Okay, so what my understanding is that as far as profit and loss account is concerned we will be showing 33% but our tax outgo will be 21%.

Gaurav Goel: Yes, it will be that only. On the cane price Dhampur cane price due as on date is Rs. 75 crores but we do plan to clear it within this coming week. So we will have zero dues at the end of the week. As far as the other question goes cane price arrears, I am just seeing the number right now. The cane price arrears right now in UP are about Rs. 2700 crores.

Siddharth Mohta: And sir if I have to see the yield for some of the other players they are in the upward of 11-11.2% but in our case it is less than 11%, to be precise 10.7%. So what we are doing to make it to 11%?

Gaurav Goel: As I said we have worked very hard on cane development. There is this new variety of cane 238 which has a very high yield. So all our five factories have seen the area has increased a lot of 238. So we are now on a catch-up mode and we are hoping to catch-up with our better peers in the next one to two years.

Siddharth Mohta: So if the weather condition is good we can assume it to be more than 11% itself in this new upcoming season?

Gaurav Goel: Yes, weather plays a very-very important role and with current weather our target for the group is over 11% this year.

Siddharth Mohta: Which will also help us to crush more sugarcane in the upcoming season?

Gaurav Goel: Yes, absolutely.

Mohan: Do you worry about government intervention? I know this is a very sensitive sector and you keep hearing statements by the government. There are various things you keep hearing, mill level quota and whole-seller quota. Is that something that worries you?

Gaurav Goel: Yes and no, these are always the worries that we have but I can only say with this present government they are extremely proactive and they all talk to us a lot about all the issues that they all are facing or that they all believe that we have to solve. So I do not think that they will do anything in a sort of a rash of a manner. So from that perspective I feel far-far more easier right now than what I have felt in my earlier days.

Mohan: Okay, because there was this statement that the FM made that I would like to see prices come down a couple of rupees. So I was just wondering whether the prices have reached that tolerance level or they are posturing in anticipation that if prices may go up further so preemptively kind of send a strong message.



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- Gaurav Goel:** I think it was more to do with that – please do not let the prices go up any further. So I agree it was more of a caution to everybody, not only to the private mills but also to the cooperatives who have a lot of stock in hand. So it was mainly to say that please sell sugar at the right time and do not just hold onto your stock expecting higher prices in the future.
- Mohan:** And how do you all normally sell therefore? I mean you just place it out or is it lumpy, is it generally smooth across quarters?
- Gaurav Goel:** Yes, so it is basically smooth as such but obviously during Q2 and Q3 the demand is higher, so you sell more sugar in Q2 and Q3 than you do in Q1.
- Mohan:** But if you look across the years the pattern between Q1, Q2, Q3, Q4 would be similar. So it is not that one quarter you will sell only 10% and then suddenly come and sell, nothing like that?
- Gaurav Goel:** No.
- Mohan:** Thanks and I am reiterating that it is a great thing to see the debt reduction and I think hope to see that continue.
- Gaurav Goel:** Thank you so much and we will make sure that that happens.
- Moderator:** As we have no further questions I would like to hand the floor back to the management for closing comments. Please go ahead.
- Gaurav Goel:** On behalf of Dhampur I would like to thank all of you for taking out your time for our call. If you have any further questions, please feel free to text us either by phone or by email. You can also visit our website www.dhampur.com and post any queries that you have and we will get back to you as soon as possible. Thank you again.
- Moderator:** Thank you gentlemen. Ladies & gentlemen on behalf of Religare Capital Markets that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.