

Dhampur Sugars - 26052017

- **Moderator**

- Ladies and gentlemen, welcome to the Dhampur Sugars Q4 FY `17 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. Sreesankar, Co-Head Institutional Equities of Prabhudas Lilladher Private Limited. Thank you and over to you sir.

- **Mr. R. Sreesankar – Prabhudas Lilladher Private Limited**

- Thank you Raymond. Good afternoon all the participants and good afternoon to the management of Dhampur Sugar. Today in the call Dhampur Sugar is represented by Mr. Gautam Goel - Managing Director, Mr. Sandeep Sharma – Chief Operating Officer, Mr. Nalin K. Gupta - Chief General Manager Finance, Mr. Vineet Gupta – Chief General Manager Finance, and Mr. Akshat Kapoor – General Manager Finance. The schedule is first the management will give a brief on the quarterly results that has just gone by of the quarter. And then we will open the floor for question and answer session. Over to you Mr. Gautam Goel.

- **Mr. Gautam Goel – MD, Dhampur Sugar**

- Thank you Sreesankar. Good afternoon and a very warm welcome to all of you for Dhampur's Q4 and FY'17 Earnings Conference Call. I would like to begin by sharing my perspective on the sugar sector whilst discussing the company's position performance following which Mr. Nalin Gupta will take you through the financial highlights of the company for the fourth quarter and year ended 31st March 2017. We expect the country to witness first year of imbalance in demand and supply after 6 years of surplus. The country's sugar production for 2016-17 is presently estimated at 20.3 million tonnes against an estimated consumption of 24 million tonnes. Sugar production in Uttar Pradesh was higher at 8.7 million metric tonnes as compared to 6.4 million metric tonnes in the previous season. The realisations witnessed a stable trend and are currently ruling around Rs. 36.5 per kg ex-Mill. With lower sugar production in current season, the sugar prices are expected to remain stable at the current price levels. Next year's sugar production is estimated at around 24 million metric tonnes.

- And now to give you a perspective on cane pricing in our region of operation. The state advised price or the SAP for the sugar season 2016-17 was increased to Rs. 305 per quintal from Rs. 280 per quintal. Let me throw some light on the cane crushing. We started crushing in all our 5 mills in early November 2016. Cane crushing up to 31st March 2017 was higher by 12.2% at 54.19 lakh tonnes as against 48.31 lakh tonnes in previous year. During the sugar season 2016-17 sugarcane crush increased by 26% at 56.9 lakh tonnes as against 45.17 lakh tonnes during the last sugar season. The recovery percentage during the year was also higher at 10.94% as against 10.53% in the earlier year. Recovery percent for the current sugar season stood at 11.01% as against 10.66% during the last season. During the year sugar production increased to 5.93 lakh tonnes as against 5.09 lakh tonnes last year. Sugar production during the quarter enhanced by 12% to 3.67 lakh tonnes as against 3.28 lakh tonnes in the earlier period. The production of cane increased mainly due to vigorous cane development work undertaken by all 5 units. We also hope that the cane crush and sugar recoveries would enhance during the next sugar season.
- Overall we are glad to report a healthy performance wherein all segments reported positive margins during the quarter ended 31st March 2017. There was an improvement in sugar realisations from Rs. 31.04 per kg in Q4 FY'16 to Rs. 36.96 per kg in Q4 FY'17. Also sugar realisations were higher from Rs. 26.67 per kg in the financial year '16 to Rs. 35.90 per kg in the financial year 2017. The total inventory as on 31st March 2017 stands at 3.91 lakh tonnes of sugar valued at an average cost of Rs. 30.52 per kg. During the quarter ended 31st March 2017, Dhampur in its power segment achieved higher power generation at 32.86 crore units as against 30.16 crore units in the corresponding period last year. And exported 20.73 crore units as against 18.97 crore units in the earlier period. The average realisation for the quarter stood at Rs. 5.05 per unit. We believe that higher crushing in the current season should enable us to run power plants for a higher number of days in the off-season which we expect will have a positive impact on our power business.
- Now we come to our chemical and distillery segment. The company sold 153 lakh bulk litres of Ethanol/RS/ENA at an average realisation of Rs. 39.08 per litre during the quarter. The company during the quarter also sold 57.7 lakh kgs of chemical at an average realisation of Rs. 51 per kg. The performance of this division is subdued mainly due to the lower realisation of ethanol and lower sales volume.
- The company has made repayment of long term loans of 224 crores. The company availed term loan of Rs. 10.93 crores for zero liquid discharge projects. Also the company has availed long term loans of Rs. 150 crores for payment of short term liabilities, resulting in the improvement of current ratio of the company. The long term debt stood at Rs. 617 crores as on

31st March 2017. 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 an outlook of future remains optimistic.

- With that I conclude the operational overview. I would now like to request Nalin to take you through the financial performance of the company. Thank you.

- **Mr. Nalin K. Gupta – Chief General Manager Finance, Dhampur Sugar**

- Hi good afternoon everyone. Let me begin by setting that we are happy to report a healthy operational as well as financial performance. Our total revenues for the quarter stood at Rs. 753 crores as compared to Rs. 545 crores in the corresponding period last year. This was primarily owing to significant improvement in sugar volume and realisations. EBIDTA for the quarter was higher by 13% at Rs. 183 crores as compared to 162 crores last year. Profit before tax during the fourth quarter stood at Rs. 116 crores as compared to 117 crores in the corresponding period last year. Profit before tax for the year '17 increased to Rs. 316 crores which is 10 times as compared to net profit of Rs. 31 crores last year. We believe improvement in our performance is significant due to low cost inventory, higher efficiencies, improved contribution from power business. Profit after tax stood at 107 crores in Q4 against 112 crores same period last year. During that year ended 31st March '17 profit after tax enhanced to 237 crores as against the net profit of 26 crores last year.

- Let me now take you through business wise performances. For the quarter ended 31st March 2017, the sugar division reported healthy revenues of Rs. 713 crores on the back of higher realisations which contribute to 67% of total revenues as against 54% at Rs. 485 crores in the same period last year. Moreover profit before interest and tax in this segment was higher at Rs. 82 crores as compared to loss of Rs. 36 crores in the corresponding quarter last year. Our co-generation business continues to perform satisfactory contribution and has contributed positively to our earnings performance. Contribution from co-generation business stood at 32% with total revenues to Rs. 239 crores as compared to 215 crores last year. PBIT for the quarter stood at 108 crores as compared to 100 crores last year from this segment. We remain positive on this segment as it will enable us to have healthy earnings going forward.

- Distillery operations continue to contribute positively to our earnings performance. Revenues from this business for the quarter stood at Rs. 103 crores as compared to 99 crores last year. PBIT for Q4 this year is at 9 crores. Going forward we continue to focus on targeting business opportunities from ethanol chemical, productified spirits that will offer better margin to us. These figures are a broad level so for anything you

probably we would like to answer in the question-answer session. Thank you once again for joining us for this conference call. We will be happy to answer any questions that you may have now.

- **Moderator**

- Sure. Thank you very much. We will now begin the question and answer session. Participants who wish to ask a question may press * and 1 on their touch tone phone. If you wish to remove yourself from the question queue you may enter * and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen we will wait for a moment while the question queue assembles.

- We take the first question from the line of Nitin Gosar from Invesco Mutual Funds. Please go ahead.

- **Mr. Nitin Gosar – Invesco Mutual Funds**

- Hi good afternoon. I think during previous con-call you had mentioned that the outstanding debt book of roughly around 250 crores would be something that management is looking to repay by end of fourth quarter. By fourth quarter end balance sheet is out but I am not able to figure it out whether 250 crores has been repaid off.

- **Management – Dhampur Sugar**

- See as against 250 crores we have paid 225 crores this year. Number probably you are not able to see because of some of the current liabilities' loan we have converted into long term loans so that our current ratio improves which is definitely going to give us good rating for banking for getting our interest rate down. That amount is 150 crores that we converted from current liabilities to long term liabilities. Otherwise we have paid 224 crores of that long term debt this year.

- **Mr. Nitin Gosar – Invesco Mutual Funds**

- But that in real sense doesn't mean you have repaid all debt. It is only surfing of loans from higher interest rate to lower interest rate maybe something which is helping you in terms of instalment that you have to repay off at what interval. Real repayment of loan is not visible. That is what I am trying to understand.

- **Management – Dhampur Sugar**

- If you see total debt of the company that have reduced, including current liabilities.. If you see long term debt alone probably you won't be able to see much of debt reduction Total debt of the company including short term loans have actually decreased.

- **Management – Dhampur Sugar**
- Mr. Nitin we are very optimistic going forward. There are some ZLD projects that are also being undertaken for our distillery units apart from some normal Capex. We are very optimistic going forward with the stock that we have and the low cost off that we have that our debt profile, the long term debt profile will only be going down.
- **Mr. Nitin Gosar – Invesco Mutual Funds**
- What is the interest rate we would be seeing going forward on the blended business?
- **Management – Dhampur Sugar**
- As of now our average rate of interest is 8.93%.
- **Mr. Nitin Gosar – Invesco Mutual Funds**
- And prior to this adjustment what was the interest rate that we were paying?
- **Mr. Nitin Gosar – Invesco Mutual Funds**
- And what is the plan in terms of cane crushing and probably the data point if you can help us in terms of unit that can be....?
- **Management – Dhampur Sugar**
- Yeah Nitin basically we've witnessed very, very encouraging planting of cane in our areas. 3 of our units which have a lot of untapped areas, we have seen a substantial increase in cane planting. And the varietal development in yield encouraging in the yield development exercises that are being undertaken in all our units are also showing promising results. So we will – we are definitely confident that in the next year if the weather remains, there are no adverse weather conditions, we should be looking at a reasonable increase, it could be anything to the tune of 15 to 20% increase in our cane crush. And our recovery too should go up from the current year of 11%. But as you know in the business that we are in, the weather and the monsoon would play a role.
- **Mr. Nitin Gosar – Invesco Mutual Funds**
- Fair point.
- **Management – Dhampur Sugar**
- So that's where we are at the moment.

- **Mr. Nitin Gosar – Invesco Mutual Funds**
- And in terms of distillery and the cogen?
- **Management – Dhampur Sugar**
- The cogen performance is closely related to the sugar crushing. As the sugar crushing increases and the biggest benefit we see in the increase in cane will be the increasing in the number of days for our sugar units. So that will also increase the cogen profitability, the power sold and the fuel that will be available for off-season. The benefit to the distillery will also be there. We will have that much additional of our own molasses, which is the lowest cost molasses. And our projects are coming on field so we are hoping to sweat our distillery assets more going forward from here.
- **Mr. Nitin Gosar – Invesco Mutual Funds**
- Sir can you comment on Ethanol Prices...
- **Management – Dhampur Sugar**
- There is a continued offtake in the oil and the ethanol program which should at least support the prices. **Mr. Nitin Gosar – Invesco Mutual Funds**
- In ethanol what's the excise duty benefits that we were enjoying earlier that has been withdrawn? So what's the realisation now we should be seeing going forward?
- **Management – Dhampur Sugar**
- I suppose the committed price is about 39.08 per litre of ethanol.
- **Mr. Nitin Gosar – Invesco Mutual Funds**
- Okay, okay. So net-net cane crushing is higher by 15 to 20% and cogen should be superior to 20% or better than whatever cane crushing we do?
- **Management – Dhampur Sugar**
- It has of course the benefit of that much increment of cogen you should definitely see.
- **Mr. Nitin Gosar – Invesco Mutual Funds**
- Okay. Okay. And what kind of debt repayment plans you are having? This is now I am talking about the total debt repayment rather than surfing off from current liabilities to long term.

- **Management – Dhampur Sugar**
- We are hoping we should be in the region of at least 200 crores if the sugar prices remain stable and everything is under same vicinity then we should be in the region of 200 crores.
- **Mr. Nitin Gosar – Invesco Mutual Funds**
- Any additional capex lined up which can disturb this repayment program?
- **Management – Dhampur Sugar**
- Sorry?
- **Mr. Nitin Gosar – Invesco Mutual Funds**
- Any additional capex which is lined up **Management – Dhampur Sugar**
- There are ZLD projects are lined up which are going on. And whatever normal capex projects, we are not doing any capacity enhancements. Whatever work is going on is de-bottlenecking and taking care of the new environmental regulations which the government is imposing. So there is no major capex's that the company is doing. So the repayment is still expected to be in the region of about 200 crores. We will borrow for ZLD project .
- **Mr. Nitin Gosar – Invesco Mutual Funds**
- Okay. And the tax rate that we are right now seeing which is less than the normal tax rate, how much tax benefits we are having? And when do you see this expiring for us?
- **Management – Dhampur Sugar**
- Yeah tax rate would be around 27 to 28% in the range of that only.
- **Mr. Nitin Gosar – Invesco Mutual Funds**
- In the coming season?
- **Management – Dhampur Sugar**
- Yeah for the upcoming current financial year. '17-'18.
- **Mr. Nitin Gosar – Invesco Mutual Funds**
- Okay, okay perfect sir. Thank you.
- **Management – Dhampur Sugar**

- Thank you Nitin.
- **Moderator**
- Thank you. The next question is from the line of Krishna Kumar from Sundaram Mutual Funds. Please go ahead.
- **Mr. Sudarshan – Sundaram Mutual Funds**
- Sir this is Sudarshan here. Sir few things from my side and thanks for taking my question. Sir what I'm trying to understand here is, just taking a bit on from the previous participant, I mean this year we have generated fair amount of cash, almost close to about 300 crores. But I mean I am just trying to understand if you are looking at the long term debt is basically not come off, and the short term debt has also increased, so I mean just to understand what has been the cash deployment? I mean where has basically the cash been allocated to?
- **Management – Dhampur Sugar**
- So Sudarshan basically as mentioned we have crushed a substantial greater amount of sugarcane. And also if we realise there have been no cane price arrears this year as compared to last year. So therefore the big difference is the incremental cane crush and no cane price arrears is resulting in a greater working capital borrowing. And that is also backed up by the increase inventories that we have. And of course we are realising a good price on the inventories that we have which we are continuing to sell on a regular basis. So as we mentioned in our concall, the cost of the sugar that we are holding in stock is about Rs. 30.5 a kg and we are selling today at about Rs. 36.5 per kg. So as we continue to sell the short term debt will continue to be retired and the long term debt will continue to be retired by the surplus cash flow that is generated.
- **Mr. Sudarshan – Sundaram Mutual Funds**
- How much of inventory do we have at this point of time sir?
- **Management – Dhampur Sugar**
- 39.1 lakh quintals as of 31st March '.
- **Mr. Sudarshan – Sundaram Mutual Funds**
- Sure sir. Sir second I am trying to understand probably with respect to the production in the coming season, I mean you had mentioned that largely we are seeing some kind of an encouraging cultivation or encouraging area for sugarcane in probably UP. Similar kind of sense we are also getting from Maharashtra which is also expected to see a major increase. I

mean vis-à-vis about 19-20 million tonnes this year, should we largely assume that probably the coming year should be about 24-25 million tonnes? Or broadly what would be your assessment sir?

- **Management – Dhampur Sugar**

- Sudarshan I have also mentioned in my opening remarks, we agree with what you are saying, the estimation is approximately 24 million tonnes of sugar should be produced next year. Could be marginally higher. That is as per the planting data which is available right now. Of course monsoons could play a role in this. And of course the two big jumps will be from Maharashtra and UP. So not Karnataka, the water problem still exists. So they are not going to see any substantial jump. Tamil Nadu could be stable or could marginally go down. So that's where the broad assessment for next year is. So if everything goes as per what has been projected, the production could be very close to the consumption levels. We are expecting the production and consumption to pretty much match for next year. And therefore our assessment that the prices should remain stable going forward next year.

- **Mr. Sudarshan – Sundaram Mutual Funds**

- And sir with respect to the recent news on FRP I think broadly we are looking at something around Rs. 2.5 kg increase, I mean would you assume that there would be an increase in probably the Rs. 6- Rs. 7 spread that we are doing could actually come down to Rs. 4.5-5 in the next season?

- **Management – Dhampur Sugar**

- See now this is not something that we could really comment on. But let's say I do believe that there will be a rational decision. There is an increase in sugarcane prices. Some of it will definitely get offset by our increased recovery. Our cane development effort will help us offset some of that increase in price by a better recovery.

- **Mr. Sudarshan – Sundaram Mutual Funds**

- Sure sir. Thanks a lot. I'll join back the queue.

- **Management – Dhampur Sugar**

- Thank you Sudarshan.

- **Moderator**

- Thank you. The next question is from the line of Yash Agarwal from Crest Capital. Please go ahead.

- **Mr. Yash Agarwal – Crest Capital**
- Hello?
- **Management – Dhampur Sugar**
- hi Yash.
- **Mr. Yash Agarwal – Crest Capital**
- Hi, hi. Sorry I joined this call a little late. I got this inventory number of 39.1 lakh quintal at Rs 30.5/kg. Could you help me with the number as in FY '16 and how much that was the inventory number?
- **Management – Dhampur Sugar**
- In the FY'16 the inventory at this stage was 33.1 lakh quintals and now it is 39.5 lakh quintals.
- **Mr. Yash Agarwal – Crest Capital**
- And the volume number in Q4 how much was that?
- 14.4 lakh quintals.
- **Mr. Yash Agarwal – Crest Capital**
- Okay. And how much was the season crushing up by? The whole season the crushing?
- **Management – Dhampur Sugar**
- The whole season the amount of cane we crushed was 56.90 lakh tonnes.
- **Mr. Yash Agarwal – Crest Capital**
- Lakh tonnes versus?
- **Management – Dhampur Sugar**
- The recovery was 11.01.
- **Mr. Yash Agarwal – Crest Capital**
- Okay and how much is the cane crushed higher by?
- **Management – Dhampur Sugar**
- It is higher, from 45.17 we went to 56.90. About – over 26%.

- **Mr. Yash Agarwal – Crest Capital**
- Okay, okay.
- **Management – Dhampur Sugar**
- But 26% is the increase in cane crushed.
- **Mr. Yash Agarwal – Crest Capital**
- Okay. And what was the volume as of Q4 FY'16 sales volume?
- **Management – Dhampur Sugar**
- That was 11.2 lakh quintals.
- **Mr. Yash Agarwal – Crest Capital**
- Okay, okay. And I had a few questions from why is your chemical profitability down year on year?
- **Management – Dhampur Sugar**
- See the biggest reason is the reduction in the ethanol price. Last year the average realisation was roughly Rs. 44.33. This year it is Rs 39.1.
- **Mr. Yash Agarwal – Crest Capital**
- Okay.
- **Management – Dhampur Sugar**
- So that is the single biggest reason for the drop in the chemical prices. And because of that we contracted for a lower volume with the oil companies and therefore we sold a little less to them.
- **Mr. Yash Agarwal – Crest Capital**
- And what was the volume for the whole year for ethanol?
- **Management – Dhampur Sugar**
- Last year or this year?
- **Management – Dhampur Sugar**
- FY'17 is 678.70 lakh BL.
- **Mr. Yash Agarwal – Crest Capital**

- Lakh BL.
- **Management – Dhampur Sugar**
- yes.
- **Mr. Yash Agarwal – Crest Capital**
- This year?
- **Management – Dhampur Sugar**
- Previous year it was 695.81. Now it's 678.70.
- **Mr. Yash Agarwal – Crest Capital**
- Okay, And in your balance sheet your short term loans and advances have spiked up. So what is that on account of from 36 to 120 odd crores?
- **Management – Dhampur Sugar**
- See that is because of the MAT credit of Rs 75.5 crores in short term loans and advances..
- **Mr. Yash Agarwal – Crest Capital**
- Okay. And for the next 6 months how do you see the ethanol business doing? Because I believe power won't contribute anything since the crushing season is short now.
- **Management – Dhampur Sugar**
- See ethanol the quantities we have committed will be continued to be supplied.' I don't see it to be a really big differential from the current 6 months the next 6 months should be similar to that.
- **Mr. Yash Agarwal – Crest Capital**
- Okay, okay. And if you could give some outlook on sugar prices once the next sugar season starts, do you expect the prices to correct significantly from this 36.5...
- **Management – Dhampur Sugar**
- As we were mentioning in our concall to Mr. Sudarshan, the pricing we are expected this year to remain stable and next year also we could see a little bit of a pressure during the middle of the season when the season is in full flow. But by and large we expect the prices to remain stable. Because we expect the production to be pretty much evenly matched with the

consumption. And we don't think the government is in a hurry to allow any imports of any nature in the event. The domestic production matches our consumption.

- **Mr. Yash Agarwal – Crest Capital**

- Okay, okay, alright. Fine thank you so much.

- **Management – Dhampur Sugar**

- Thank you, thank you Yash.

- **Moderator**

- Thank you. Next question is from the line of Nitin Gosar from Invesco Mutual Funds. Please go ahead.

- **Mr. Nitin Gosar – Invesco Mutual Funds**

- Sir what was the cane arrear for Current year?

- **Management – Dhampur Sugar**

- The price outstanding as on 31st March 2017 is Rs 187 crores. this year. That is not the arrears that is the outstanding in normal course.

- **Mr. Nitin Gosar – Invesco Mutual Funds**

- And this should be visible in which line item?

- **Management – Dhampur Sugar**

- it is part of current liabilities.

- **Mr. Nitin Gosar – Invesco Mutual Funds**

- Okay. Thank you.

- **Management – Dhampur Sugar**

- Thank you Nitin.

- **Moderator**

- Thank you. Before we take the next question we would like to remind participants that you may please press * and 1 to join the question queue. The next question is from the line of Tushar Sarda from Athena Investments. Please go ahead.

- **Mr. Tushar Sarda – Athena Investments**
- Yeah thank you for the opportunity. In your segment information there is others which is actually the turnover has come down from 113 crores to 42 crores for the quarter and there is a loss. So what is this others? Can you please enlighten? Thank you.
- **Management – Dhampur Sugar**
- That is because of some of the trading activities we had taken last year, we traded in raw sugar and nothing was imported or exported out of India and into India. That was overseas trade which was undertaken by the company. So this year no such type of trade was entered into. So that is why the volume is low.
- **Mr. Tushar Sarda – Athena Investments**
- But this year also you have 6 crores loss from others in the segment information.
- **Management – Dhampur Sugar**
- There's a rural business, there's a small rural business that we are incubating and a couple of things that which are rural business part of our trade development and agro-chemical business that we have been incubating which we hope will reduce going forward.
- **Mr. Tushar Sarda – Athena Investments**
- From last year it has doubled, this year the loss has doubled.
- **Management – Dhampur Sugar**
- There is a loss in our international operations. But we are hoping that this will be reduced or mitigated to a greater extent in the current year.
- **Mr. Tushar Sarda – Athena Investments**
- Okay. My other question was in Q4 your interest cost has spiked up from 40 crores to 52 crores which is actually a very unpleasant surprise because sugar companies are doing well....
- **Management – Dhampur Sugar**
- This is actually a pleasant surprise Tushar because it is reflecting in a higher working capital borrowing. If you look at the increase that we have in our stock, and reduction in the cane price, so this is fundamentally a

nature of that and as we continue to sell our sugar, this is only coming down.

- **Mr. Tushar Sarda – Athena Investments**

- No but for most other companies the interest cost is coming down and they are going towards becoming debt free whereas Dhampur being one of the best sugar companies in the country this is a little bit of surprise I was expecting that your debt will go down and actually the interest cost will start coming down. But that's not happened. For the full year also the total interest cost is higher.

- **Management – Dhampur Sugar**

- That is true Tushar. Probably going forward actually we see a substantial change in debt because of improvement in our credit rating, substantial long term debt repayments, and the Q4 you are seeing the higher interest because of 60 lakh quintal additional inventory. That is why. And there is a substantial payment, substantial reduction in current liabilities mainly on account of cane price payment which is substantially down this year as compared to last year. **Mr. Tushar Sarda – Athena Investments**

- So next year what would be the interest figure? You have 167 crore for FY '17. For FY'18 what is the number that one should target?

- **Management – Dhampur Sugar**

- It is not a number that we would like to give you an exact number. But we do understand there will be substantial reduction because as we were mentioning there is no real major capex. The key agenda for the company going forward is to continue to deploy all its surplus cash in debt repayment. So I mean if you keep in mind that most of our sugar that we have will be pretty much sold in the next 6 months, and lion share of all the surplus cash that is going to be generated will go towards debt repayment. So working capital borrowing will obviously come down substantially and the long term debt the bulk of the surplus cash is going there.

- **Mr. Tushar Sarda – Athena Investments**

- And going forward what is going to be your distribution policy? Because I think this year you have declared Rs. 3.5 dividend right?

- **Management – Dhampur Sugar**

- Total 60%. we had declared 25% in Feb 2017 **Management – Dhampur Sugar**

- Tushar we are going to be maintaining a healthy balance between giving a dividend distribution and making sure that the long term benefits of the company like debt repayment will continue. The balance sheet continues to become stronger. We will try and maintain a healthy balance.
- **Mr. Tushar Sarda – Athena Investments**
- Okay, okay thank you very much.
- **Management – Dhampur Sugar**
- Thank you.
- **Moderator**
- Thank you. The next question is from the line of Suyash Kapoor from Kapoor & Co. Please go ahead.
- **Mr. Suyash Kapoor – Kapoor & Co**
- Yeah thank you for giving me this opportunity. My question was regarding this debt reduction plan which has been enhanced. If you can elaborate in more detail.
- **Management – Dhampur Sugar**
- So as we were mentioning Suyash the bulk of our surplus cash that is being generated or we hope to continue to generate will be used towards debt repayment. One of our key focus areas going forward is to ensure that our balance sheet becomes stronger and that debt continues to go down. Please also keep in mind the company has sizable SDF debt and low cost debt in its portfolio which those debts will be paid as and when as per the due dates. So all the other long term debts is one of our key focus areas that we wish to pay or prepay.
- **Mr. Suyash Kapoor – Kapoor & Co**
- Sir what is the debt equity ratio for March '17/
- **Management – Dhampur Sugar**
- It's 0.65.
- **Mr. Suyash Kapoor – Kapoor & Co**
- 0.65?
- **Management – Dhampur Sugar**

- Based on long term debt.
- **Mr. Suyash Kapoor – Kapoor & Co**
- And what are you hoping for FY'18? What is the program for it?
- **Management – Dhampur Sugar**
- See as we mentioned we are expecting a repayment of up to around 200 crores next year this year.
- **Mr. Suyash Kapoor – Kapoor & Co**
- Okay. So that works out to be how much on a percentage basis? The debt equity ratio.
- **Management – Dhampur Sugar**
- Probably so it will come around 0.4%.
- **Mr. Suyash Kapoor – Kapoor & Co**
- 0.4 which should be the outlook for FY'18.
- **Management – Dhampur Sugar**
- FY'18 yes.
- **Mr. Suyash Kapoor – Kapoor & Co**
- Sir now companies like Praj who may be supplying you the technology for the brewery segment have been developing now ethanol from biomass. So going forward how do you see this pricing of ethanol actually going to be when even ethanol would be produced from biomasses like rice husk and others? What is your take on that sir?
- **Management – Dhampur Sugar**
- See I mean that technology is under development and under work for some time. The good part of our sugar industry is that it's molasses is a captive stock. As we continue to increase our cane crush our captive raw material increases. And eventually India is a big consumer of ethanol. I mean even the existing industry cannot supply the 10% requirement for ethanol. So we don't see any immediate threat or anything because whatever is the additional molasses alcohol that is produced will gladly get consumed by the oil segment.
- **Mr. Suyash Kapoor – Kapoor & Co**

- Right sir. Now coming to the power sell part sir, we had a realisation of Rs. 5 per unit I think.
- **Management – Dhampur Sugar**
- 5.09 yes.
- **Mr. Suyash Kapoor – Kapoor & Co**
- This is the average for this quarter or for the year sir?
- **Management – Dhampur Sugar**
- Average for the year is 5.09. Average for the quarter is 5.05.
- **Mr. Suyash Kapoor – Kapoor & Co**
- Okay sir. And sir now how are you seeing this pricing, what is dependent?? Is it the power exchange prices prevalent for the period that determines? How did this prices set up?
- **Management – Dhampur Sugar**
- All are cogeneration plants are operating with long term parts which is in agreement with the UPPCL. We don't have any open power pricing.
- **Mr. Suyash Kapoor – Kapoor & Co**
- Right. So even for this year the realisation will be in this or any inflationary trends will be there for this also?
- **Management – Dhampur Sugar**
- By and large the pricing for the current year should be within this region.
- **Mr. Suyash Kapoor – Kapoor & Co**
- And how is the receivables from the state electricity board? Now there has been better after I think so the discount getting, the loans getting rearranged. What is the cycle of -- whichever cycle from there?
- **Management – Dhampur Sugar**
- It is between 3 to 6 months.
- **Mr. Suyash Kapoor – Kapoor & Co**
- But it is a very stable set of revenue for us. Commitment is there from that side on the number of units.

- **Management – Dhampur Sugar**
- Yes. I mean it is certainly stable. There is a commitment from them to pick up the units. So that continues to be a good business.
- **Mr. Suyash Kapoor – Kapoor & Co**
- And contracts were set up for 1 year forward or even further 2 or 3 years down the lines?
- **Management – Dhampur Sugar**
- They are basically 5 year contracts under long term PPAs and the UPERC revises the price depending on the cost of production and they revise the prices for the following 5 years.
- **Mr. Suyash Kapoor – Kapoor & Co**
- Okay so the last revision was for the 5 years slab was when?
- **Management – Dhampur Sugar**
- I think it happened in 2015 if I'm not mistaken.
- **Mr. Suyash Kapoor – Kapoor & Co**
- Okay. So for the next time we will hear only in 2019 about the revision.
- **Management – Dhampur Sugar**
- Around that time yeah.
- **Mr. Suyash Kapoor – Kapoor & Co**
- Okay sir how do you explain the change in the inventory part? I missed your earlier commentary also. This entire inventory build-up is due to the higher crushing of cane? Is it attributed to that only?
- **Management – Dhampur Sugar**
- We have – there are two accounts. Of course there is a substantial higher crushing of cane about 26% and a substantial jump in our recovery. So we have produced historically high sugar that we have produced this year of about 59.3 lakh quintals. And by that the season has also been a longer season as compared to last year. All these things move forward and keeping in mind that the prices are expected to remain stable, we did not want to sell any sugar under pressure. And we are continuously seeing stable realisations going forward.

- **Mr. Suyash Kapoor – Kapoor & Co**
- Sir what is our yield? You told 11 point or 10 point something?
- **Management – Dhampur Sugar**
- Recovery is 11.01% for the full season.
- **Mr. Suyash Kapoor – Kapoor & Co**
- 11 point?
- **Management – Dhampur Sugar**
- 11.01%
- **Mr. Suyash Kapoor – Kapoor & Co**
- What is for the industry sir? Where do we rank here?
- **Management – Dhampur Sugar**
- We are in the top percentile in UP. In the top 5 to 7 percentile.
- **Mr. Suyash Kapoor – Kapoor & Co**
- Okay sir just to get one more point clear, is there any investor presentation made after the numbers or is it only the con-call that is the data which is made available to us?
- **Management – Dhampur Sugar**
- We have an investor presentation on our website and I am sure you will get an information about that.
- **Mr. Suyash Kapoor – Kapoor & Co**
- Okay. Had the presentation been uploaded earlier, the easier data crunching would have happened with we getting data
- **Management – Dhampur Sugar**
- That's a very good suggestion. We will take care of it from the next board meeting. Thank you so much.
- **Mr. Suyash Kapoor – Kapoor & Co**
- Right. My last point is only with the chemical segment. You have said that it is only the direction in the ethanol prices that has contributed to this realisation being down. So what are we expecting going forward sir?
- **Management – Dhampur Sugar**

- The reduction in ethanol prices has been the major contributor. And these reduced prices are there to stay for the entire year. So this year we do believe the ethanol segment will not perform same as the previous year. But going forward if the prices, even if the prices remain where we are, we are hoping to bring down the cost of production when the projects get commissioned. And also keep in mind we have a higher increase in our own cane availability as captive raw material will increase it will also bring down our cost of production.
- **Mr. Suyash Kapoor – Kapoor & Co**
- Sir what is the net for the ethanol part out of the total revenue of 70 crores? How much is ethanol? Sorry. Out of total revenue of 400 crores what is the ethanol portion?
- **Management – Dhampur Sugar**
- I will just tell you shortly. Fuel Ethanol portion is Rs 178 crs out total turnover.
- **Mr. Suyash Kapoor – Kapoor & Co**
- Last point is towards the other clubbing of 1 crore losses what is it attributable to sir?
- **Management – Dhampur Sugar**
- That is minority interest and preacquisition profit on subsidiaries of the company
- **Mr. Suyash Kapoor – Kapoor & Co**
- Okay. And what about the other – in the other segment there is a loss of 11 crores for the year entirely and 8 crores for this quarter. What is attributable to it sir?
- **Management – Dhampur Sugar**
- You will see a significant downside of this. This is mainly because of some of the rural distribution business we had started 2-3 years back. It's a very small part of the company.
- **Mr. Suyash Kapoor – Kapoor & Co**
- What is the capital expenditure we have done? Hello?
- **Management – Dhampur Sugar**

- Capital expenditure we have basically done are some de-bottlenecking projects. The zero liquid discharge incineration projects are in the process of sort of currently underway. The first phase should get commissioned sometime in September. Other than that for the current year we are basically looking at some environmental upgrading the environmental facilities because of the changes in policy and de-bottlenecking because of increased recoveries. The de-bottlenecking exercises are being undertaken.
- **Mr. Suyash Kapoor – Kapoor & Co**
- Right.
- **Management – Dhampur Sugar**
- Nothing major.
- **Mr. Suyash Kapoor – Kapoor & Co**
- Sir this can be posted in EPS of around Rs.36.50 and dividend pay-out I think Rs. 6. So is it fair to assume that 20% is the dividend distribution...
- **Management – Dhampur Sugar**
- We will keep a balanced approach **Mr. Suyash Kapoor – Kapoor & Co**
- Is the board contemplating anything on the buyback front? It is not contemplating because your debts are at a higher level. But still trying to get an idea whether we get an option...
- **Management – Dhampur Sugar**
- At this point of time as I mentioned earlier, we would be one of the key focus areas is to reduce our long term debt.
- **Mr. Suyash Kapoor – Kapoor & Co**
- Okay. Sir for 6 months September 2017 when the numbers will be there, the picture on the debt will look definitely different than what for March 2017 has been. Because by then your inventory would have been liquidated and things would have evened out by that time. If we can take a call for 6 months.
- **Management – Dhampur Sugar**
- I think we also believe in what you are saying.
- **Mr. Suyash Kapoor – Kapoor & Co**

- Right sir. Thank you sir for answering my questions.
- **Management – Dhampur Sugar**
- Thank you Suyash. Thank you very much.
- **Moderator**
- Thank you. The next question is from the line of Prashant Bhaskar who is an Individual Investor. Please go ahead.
- **Mr. Prashant Bhaskar – Individual Investor**
- Hi sir good evening. Thank you for giving me a chance. I'd just like to ask 2 questions sir. First question is what has been your average realisation for this whole year?
- **Management – Dhampur Sugar**
- Prashant average realisation has been Rs. 35.90 per kg.
- **Mr. Prashant Bhaskar – Individual Investor**
- Rs. 35.9 per kg. Okay. Now second question is that whatever data I think I have heard or whatever data we have heard in other con-call also, the average sowing has been more till now for even Maharashtra and UP. So in this financial year 2018 do you think that prices of sugar would come down?
- **Management – Dhampur Sugar**
- Sorry come again please? We lost you a little bit over there.
- **Mr. Prashant Bhaskar – Individual Investor**
- Yeah I was saying that the average sowing has gone up in the recent months in Maharashtra by 20-40% and even in UP. So don't you think that the prices of sugar would come own and your average realisation will come down from 35.9 to whatever in the coming 1 year?
- **Management – Dhampur Sugar**
- In the current year inventory that we have and the current year sugar that has to be produced is already produced. And we have a tight balance sheet. But we will probably start the next season with two months' carry over stock. Which is sufficient to tide over without leading to any further imports. In the future year the production estimate is in the region of 24 to 25 million tonnes which is pretty evenly matched with the consumption. And as I mentioned earlier we don't have an overhang of carry over stock.

And the government too seems to be satisfied with the current prices and they don't seem to be wanting to rush into any imports. So with all these factors we do presume that the prices should remain stable. We don't see any strong bias for a downward reduction in prices.

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

- So you feel that your average realisation could be again around 35-36 or whatever. It could be even Rs. 1 or 2 higher or lower.

- **Management – Dhampur Sugar**

- We are currently selling at Rs. 36.5 a kg and we do not see any reason for the prices to be substantially lower than what we are selling right now.

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

- Okay, okay, okay. Okay thank you.

- **Management – Dhampur Sugar**

- Thank you Prashant.

- **Moderator**

- Thank you. Due to time constraints we will be able to take one last question. The last question is from the line of Deven Doshi who is an individual investor. Please go ahead.

- **Mr. Deven Doshi – Individual Investor**

- Very good evening. Sir there have been some discussions on debt reductions and debt profile. Now I was looking at the note that came out from the board meeting and it says an approval for raising of funds by way of commercial papers to the tune of 500 crores with no major capex being planned. Can you help us understand the reason for getting an approval for raising funds?

- **Management – Dhampur Sugar**

- This is basically a general approval which the company used to take on a regular basis. As our ratings improves we are hoping to avail by way of commercial paper or cheaper cost debt which we can replace with higher cost debt. So you are right in mentioning that the company has no further no real capex planned and, the principle agenda going forward is debt repayment. And with the improvement in our rating if we are able to further reduce our costs of borrowings, that is something that we will strive to do.

- **Mr. Deven Doshi – Individual Investor**
- And what rate of interest do you expect in case you do go ahead for commercial paper? What is the differential you benefit in terms of that?
- **Management – Dhampur Sugar**
- Well the commercial paper we hope we should be able to raise that between 7 to 7.5% which could reduce our working capital cost by about 2% points.
- **Mr. Deven Doshi – Individual Investor**
- Okay great. The last question from my side, sugar has generally been seen as a very cyclical industry. And with some of the policy changes that have happened with both the state and the national government do you think that this is going to be a little more structural in nature where you will see a much better environment in doing business which is not going to be 2 years, 3 years of better business and then it goes down? Do you have a view on how the industry itself is changing?
- **Management – Dhampur Sugar**
- I could definitely say I hope what you are saying is accurate. And one thing is for certain that the governments both in the centre and the states are all wanting to have a long term view and they are wanting the industries to be stable and less volatile on a long term perspective. And that is probably the reason why you are seeing the central government also not rushing into any kind of imports. They are beginning to at least try and understand about cane price linkages and things like this. Now if something of this sort does occur then we do believe it will have a stable impact on a medium to long term basis.
- **Mr. Deven Doshi – Individual Investor**
- Okay. And sorry just one more last question. In case imports do happen, what would be the landed cost for sugar?
- **Management – Dhampur Sugar**
- See the government has already restricted the quantity of sugar that is imported to about half a million tonnes. And they have also been very clear in allowing it to be imported in regions which are deficit in sugar production. So the current landed price of raw sugar depending on what the government and the contracting price is, I would imagine would be in the region of Rs. 33-34. And please keep in mind that India still has an opportunity to increase this import duty in the event the international prices do decline further.

- **Mr. Deven Doshi – Individual Investor**
- Okay. Thank you so much. I don't have any further questions.
- **Management – Dhampur Sugar**
- Thank you Prashant, thank you very much.
- **Mr. Deven Doshi – Individual Investor**
- Thanks.
- **Management – Dhampur Sugar**
- So I would then now on behalf of Dhampur to thank you all for taking your time out for this conference call. If you have any further questions please feel free to contact us either by phone or email. You can visit our website at www.dhampur.com and post any queries you may have and we will get back to you as soon as possible. Thank you very much.
- **Mr. R. Sreesankar – Prabhudas Lilladher Private Limited**
- Thank you Gautam, thank you Sandeep, thank you Nalin, thank you Vineet and thank you Akshat. And thank you all the participants.
- **Management – Dhampur Sugar**
- Thanks.
- **Mr. R. Sreesankar – Prabhudas Lilladher Private Limited**
- Raymond!
- **Moderator**
- Yes thank you very much. On behalf of Prabhudas Lilladher Private Limited that concludes this conference. Thank you for joining us.