



**“Dhampur Sugar Mills Limited Q2 FY-21 Earnings  
Conference Call”**

**November 09, 2020**



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**MODERATOR: MR. VIKRAM SURYAVANSHI FROM PHILLIPCAPITAL  
(INDIA) PRIVATE LIMITED**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Dhampur Sugar Mills Q2 FY21 Earnings Conference Call hosted by PhillipCapital (India) Private limited. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. 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 telephone. I now hand the conference over to Vikram Suryavanshi from PhillipCapital (India) Private Limited. Thank you and over to you sir.

**Vikram Suryavanshi:** Thank you Karuna. Good afternoon and very warm welcome to everyone. Thank you for being on the call of Dhampur Sugar Mills Limited. We are happy to have management with us here today for question and answer session with investment community. Management is represented by Mr. Gaurav Goel - Managing Director; Mr. Nalin K Gupta - Chief Financial Officer, Mr. Vinit Gupta - Assistant Vice President Finance and Mr. Akshat Kapoor – Assistant Vice President Finance. Before we start with the question and answer session, we’ll have some opening remarks from the management, I will hand over the call to Mr. Gaurav Goel for opening comments. Over to you sir.

**Gaurav Goel:** Thank you so much. A very warm welcome to all at Dhampur’s Q2 and H1 FY21 Conference Call. I would like to start by sharing my perspective on the sugar sector and then speaking about the operations and the financials of the company for Q2 and H1 FY21. For the sugar season 2021 India is expected to produce 31 to 31.5 million tonnes, domestic demand is expected to be around 26 million tonnes for 2021. Indian sugar sale price as of now ruling around 32.5 to 33 per kg ex-mill. As you are already aware FRP for the year 2021 has been increased by Rs.10 per quintal to Rs. 285 linked to a basic rate of 10%. All our sugar plants have started and we don’t see any impact of COVID on our plants. I would now like to hand over to Vineet to take you through the financials of the company.

**Vinit Gupta:** Thank you sir. Overall we are glad to report a stable performance. Average sugar realization for Q2 FY21 stood at 33.25 per kg as against 33.12 per kg in Q2 FY20. Average sugar realization of free sugar for half year FY21 stood at 32.77 per kg as against 32.51 per kg for half year FY20. Sugar sales for Q2 FY21 stood at 2.17 lakh tonne as against 1.51 lakh tonne in Q2 FY20. Sugar sales for half year FY20 stood at 4.90 lakh tonne including raw sugar sale of 0.92 lakh tonne, as against 3.78 lakh tonne including raw sugar sale of 0.59 lakh tonne in half year FY20.

In terms of inventories, the total inventories as on 30th September 2020 stands at 1.98 lakh tonne of sugar valued at an average cost of 29.33 per kg.

The company sold 293.02 lakh bulk liter of ethanol at average realization of 50.47 per liter during the Q2 FY21 as against 238.70 lakh bulk liter of ethanol at an average realization of 40.69 during



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Q2 FY20. The company sold 515.12 lakh bulk liter of ethanol including 436.69 lakh bulk liter of ethanol derived from B-Heavy molasses during half year ended September 20, as against 554.80 lakh bulk liter of ethanol including 130.68 lakh bulk liter of ethanol derived from B-Heavy molasses during same period last year.

The company during the second quarter also sold 62.18 lakh kg of chemical at an average realization of 57.58 per kg against 56.48 lakh kg of chemical at an average realization of 54.74 per kg during the same period last year.

During the quarter ended September 30, 2020 Dhampur in its power segment generated 1.63 crore unit of power against 1.41 crore unit in same quarter last year, whereas power segment generated 18.84 crore unit in half year FY21 as compared to 16.61 crore unit in half year FY20. I would now like Akshat Kapoor to take you through the financial performance of the company. Thank you.

**Akshat Kapoor:**

Thank you, sir. Good afternoon, ladies and gentlemen 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 and the half year ended 30th September 2020. Our revenues from operations, EBITDA and PBT for the Q2 FY21 stood at Rs.955.89 crores to Rs.74.21 crore and Rs.37.07 crores respectively as compared to revenue of Rs.693.32 crores EBITDA of 44.60 crores and PBT of 5.49 crores in Q2 FY20. Our revenues from operations EBITDA and PBT for H1 FY21 stood at Rs.2054.56 crores, Rs.192.01 crores and Rs.109.01 crores respectively as compared to revenue of Rs.1617.80 crores, EBITDA of 176.09 crores and PBT of Rs.85.38 crores during H1 FY20.

Our interest costs stood at Rs.21.07 crores during Q2 FY21 as compared to Rs.20.91 in Q2 FY20, whereas interest costs for H1 FY21 stood at 47.08 crores as against Rs.54.71 crores in H1 FY20. Profit after tax stood at Rs.28.15 crores in Q2 FY20 against Rs.2.05 crores in the same quarter last year. Whereas PAT stood at Rs.82.96 crores in H1 FY21 as compared to Rs.60.52 crores in the same period last year.

Now, let me take you through business wise performance:

For the quarter ended 30th September 2020 the sugar division reported revenues of Rs.789.65 crores which contributes 76.4% of the total revenues. As compared to 70.2% at Rs.531.08 crores in the same quarter last year. EBIT in this segment stood at Rs.34.28 crores as compared to profit of Rs.27.72 crores in the corresponding quarter of the last year. For the H1 FY21 sugar division reported revenues of Rs.1797.51 crores contributing 76.9% of the total revenue as compared to 70% at Rs.1313.73 crores in the same period last year. EBIT in this segments during H1 FY21 stood at Rs.69.51 crores as compared to the profit of 49.31 crores in the corresponding period last year. Revenues from ethanol and chemical business for the quarter stood at Rs.213.22 crores against Rs.148.51 crores in the corresponding quarter last year. EBIT for Q2 FY21 stood at 39.82 crores as against Rs.15.68 crores in the Q2 FY20. Revenues from ethanol and chemical business

for the H1 FY21 stood at Rs.386.77 crores against Rs.305.47 crores in the corresponding period last year. EBIT for H1 FYI 21 stood at Rs.77.38 crores as against R.68.53 crores in the H1 FY20.

During the Q2 FY21 power revenues stood at Rs.4.26 crores with a loss of Rs.4.84 crores as against the revenues of Rs.18.81 crores with a loss of Rs.5.42 crores in Q2 FY20. During the H1 FY21 power revenues are stood at Rs.104.71 crores with a profit of Rs.29.43 crores as against of Rs.149.65 crores with an EBIT of Rs.45.96 crores in H1 FY20. The company has made repayment of long-term loans of Rs.61.6 crores during the Q2 FY21. The long-term loan as on 30th September 2020 stood at Rs.451.1 crores. These are our financial numbers on a broad level. On an overall basis, we are influenced by our performance, 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. Thanks.

**Moderator:** Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Sanjay Manyal from ICICI Securities. Please go ahead.

**Sanjay Manyal:** Just have few questions. One is on the, what is the expected crushing? Will it be up or down and simultaneously if you can elaborate something about it, how would be domestic quota from here onwards because from last two-three months domestic quota has been very good for Dhampur, but will it go down if the Maharashtra millers will start the crushing and the Maharashtra will be producing higher or will it remain the same?

**Management:** Thank you so much. So, I will answer your first question on the cane crush we all expect it to be slightly higher than what we had last year. But as you know that the plants have just started only last week. The yields are seeming to be fine as of now of the ratoon cane we will have to see the yield of the plant cane but overall, we don't believe that our cane crush would be lower than last year. On your quota front, yes for surely with India going up from 27.3 million tonnes to expected 31 to 31.5 million tonnes quota that UP mills got last year for surely will come down, we will have to and so that is what I believe but overall the quota for UP mills is low. So, we will be having a okay 12 months but yes, UP quota as such will be lower in the next 12 months.

**Sanjay Manyal:** Okay. And what is the expectation from the distillery front, what is the kind of volume we can do in this financial year say FY21, is there any capacity because what I understand your capacities is still 13 crore liter if it is utilized for 330 days, but we produced a bit less. So, what would be the utilization levels or what is the expectation on the volume front in the distillery in this year?

**Management:** So, yes you are right that this year we all do believe that we will produce more than what we did last year that was mainly due to the lockdown which happened in April and May, the uptake from the OMCs was low for these two months and that is why we had to bring our capacity

down last year, we have already tendered for 10.5 crore liters to the OMCs this year and the balanced 2.5 crores we all will give for ENA and for our chemical plant.

**Sanjay Manyal:** Right. And is there anything you heard on the export front or if opposite comes then what is the quantities you are expecting export in the sense we are at this point very comfortable on the metrics front, so if the exports come would we utilize the entire quota is given or we may give up something on that.

**Management:** So, if the export does happen we will export our full quota again it's very early days for us to say as to what sort of quota that we will get, it will be totally dependent on whether the export happened at 5 or 6 million tonnes but again because UP produced more last year than any other state. So the UP mills will get a higher quota for exports this year and we will for surely export all of our quota.

**Sanjay Manyal:** Right. And any status update on the export front what is happening, is it what would be the subsidy amount and any update on that?

**Management:** No idea at all as of now, a lot of news is flying but as of now we don't have any idea as to when it will come and what will be the sort of amount that we will have for exports, so no idea at all right now.

**Sanjay Manyal:** Okay, and just last if there is any status bit on the MSP that's the last question.

**Management:** Again, no idea on that also we all have got no clue by that will happen. So absolutely no idea at all on that also right now.

**Moderator:** Thank you. The next question is from the line of Anupam Goswami from B&K Securities. Please go ahead.

**Anupam Goswami:** Sir, my first question is on, what is our conversion cost in the ethanol side, excluding the molasses side and where we can find the guidance for the full year EBIT margin in the distillery segment?

**Management:** So, as such without the molasses price, cost varies at around 7 to 8 per liter is our cost as of now, the EBIT margins for next year, we believe can go up from where we are this year mainly because of the higher price which has been set for the B-Heavy ethanol and foresee, so we do believe that margins will improve next year.

**Anupam Goswami:** Okay sir. Another thing sir, what happened in the power segment the losses turned into more than 100%. So, we did not sell power this time to UP but we recover our fixed cost or is there some discrepancy on that if you can throw some light on that?

- Management:** No. So you are right on that since last year when the power tariffs were revised, we haven't sold anything to the UP grid, this is only the power that we sold for the running of our chemical and our ethanol plants and the loss is mainly due to the fixed costs which are there in Q2. So the repair cost, depreciation that is why the loss will always be there on the power side for Q2. It will be the same for as many years.
- Moderator:** Thank you. Vikram Suryavanshi from PhillipCapital you can go ahead with your questions.
- Vikram Suryavanshi:** Sir out of overall crushing how much cane is getting diverted or what is the proportion of B-Heavy basically, if you can share and how much we can divert further going ahead.
- Management:** So, as of now, in three of our plants we will be doing the whole season on B-Heavy in the three plants basically we do 75% of our total cane crush. So, that is for these three plants we will be doing B-Heavy and in the other two plants we will be running on C itself.
- Vikram Suryavanshi:** Okay. And basically, we have seen strong if you look at over last couple of years improvement in recovery rate. So, for our company what is recovery rate and after B-Heavy divergent how much is the fall into recovery rate and what is outlook recovery for coming season if you can share on that front as well?
- Management:** So, last year for the group we were at 11.96 and we diverted 0.88 to B-Heavy so our net was 11.08% as of now, this year the plants have just started only about 8, 9 days back the trends are seeming to be okay but as of now, the first round of trends is showing about the 0.1 to 0.15 lower than last year.
- Vikram Suryavanshi:** Okay. And what was the landed cost of cane last year?
- Management:** Landed cost of cane was 331.
- Vikram Suryavanshi:** Okay. So, there is no clarity on cane cost so far from state government is it right?
- Management:** Yes, that is right there is no clarity as of now what will be the cane price for 2021 right now.
- Vikram Suryavanshi:** Okay and how would be the outlook on export or surplus how to manage surplus sugar because what we have seen is that some of the big other super companies are planning to convert a lot of their cane directly into ethanol going ahead, so that they can manage surplus sugar situation in our country. So, how we are looking at structurally going ahead industry as a three or four year down the line, are we always thinking on similar lines. So, if you can give some outlook on how to manage surplus situation in India either through export or through ethanol side and what are your views on that?
- Management:** See for this year exports have to happen otherwise India will have a huge issue of stock when we reach next year. our plan for B Heavy and cane juice can be diverted towards ethanol.



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- Vikram Suryavanshi:** Okay. And how would be basically some of the means are also going for this biogas projects out of press mud or some other route, are there opportunities for us also in the biogas from press mud or something?
- Management:** Yes, so we are also studying that about biogas / CNG. So that project is also under study right now.
- Vikram Suryavanshi:** Okay, and last question from my side. Basically, we have seen a sharp cut in power purchase by state government. So as an industry we are trying to renegotiate for the price increase or can we think of some sustainable alternate route going ahead, either using the gas or some other use or something like that or we will wait for clarity on that?
- Management:** So as you know that on the power tariffs, the matter is in court right now, but because of COVID, the hearings haven't really happened. So we will wait to see what happens in to those hearings, because we all believe that we have a very strong case for the power tariffs to be higher than what has been said. So we will just wait for these hearings to start which we are hoping that will start very, very soon and after that we will take a call as to what we want to do with the surplus of bagasse that we have.
- Moderator:** Thank you. The next question is from the line of Anupam Goswami from B&K Securities. Please go ahead.
- Anupam Goswami:** Sir our inventory valued at 29.33 so if we take that as a cost of production, so what would be your guidance on the cost of production for the full FY21?
- Management:** So our COP right now, is at 29.33 and that is at what we have valued our stock.
- Anupam Goswami:** For the full year FY21 what level we can expect?
- Management:** So, it will be around the same range.
- Moderator:** Thank you. The next question is from the line of Shivani Mittal from Dalmia Securities. Please go ahead.
- Shivani Mittal:** Sir, I had two questions number one, can you just tell me the molasses prices for B-Heavy and C heavy vis-à-vis last year and question number two is, do you have any plans ethanol manufacturing via grains and am I asking this question since one of our peers has announced the CAPEX in that respect, that's all.
- Management:** So, on the transfer pricing of B-Heavy was done at an average of about, was 800 was the average price for B-Heavy transfer price and for C heavy it was 400. And on your other question on grain, as of now we are studying more from the side of juice and B-Heavy is what we are studying. Grain has been something that we have been thinking about for the last 12 months. So



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we are not thinking of grain right now, but there can be chances because again, to put a grain it isn't that much of a different sort of a process is just you have to put one thing to just process the grain.

**Shivani Mittal:** Right. So sir the distilleries that we currently have, so is that integrated to produce ethanol from cane juice as well?

**Management:** Yes. So our plants right now can do all three cane juice, B-Heavy and the sugar cane and the C is obviously there. But as of now with our present capacity, we do not have the option of doing cane juice afterwards, we will be left with surplus molasses, that's why we aren't doing sugarcane juice.

**Shivani Mittal:** Okay. Sir what proportion are we looking for B-Heavy to C heavy, like 70:30, 90:10 like?

**Management:** Yes. So this year out of our capacity of 13 crore liters, 10 crores is what we are doing for B-Heavy.

**Moderator:** Thank you. The next question is from the line of Anupam Goswami from B&K Securities. Please go ahead.

**Moderator:** Thank you. As there are no further questions in the queue, I now hand the conference over to Mr. Vikram Suryavanshi for his closing comments. Over to you sir.

**Vikram Suryavanshi:** Thank you. We thank the management of Dhampur Sugar Mills Limited for giving us an opportunity to host the call and taking time out for interacting with stakeholder. Thank you all for being on the call. Thank you, sir.

**Management:** Thank you, everybody. Thank you all.

**Moderator:** Thank you very much, sir. Ladies and gentlemen, on behalf of PhillipCapital (India) Private Limited, that concludes this conference call. Thank you for joining us and you my now disconnect your lines.