

Dhampur Sugar Mills Limited

Q4 FY20 Earnings Conference Call

Moderator

Ladies and gentlemen, good day and welcome to Dhampur Sugar Mills Limited, Q4 FY 20 results conference call hosted by Prabhudas Lilladher Private Limited. Before we begin, I would like to mention that certain statements in this call could be forward looking in nature, and are subject to risks and uncertainties which could cause actual results to differ materially from those anticipated. Such statements are based on management's belief as well as assumptions made by the information currently available with the management. 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 touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Prashant Biyani from Prabhudas Lilladher Private Limited. Thank you and over to you sir.

Mr. Prashant Biyani – Prabhudas Lilladher Private Limited

Hello everyone. On behalf of Prabhudas Lilladher I welcome you all to Q4 FY20 earnings of Dhampur Sugar Mills Limited. I would like to thank the management of Dhampur Sugar for taking out time for today's call. On the management's side we have Mr. Gaurav Goel, Managing Director, Mr. Nalin Gupta, the CFO, Mr. Vinit Gupta Chief GM Finance, and Mr. Akshat Kapoor GM Finance. I would request Mr. Goel to discuss about the company's results and give the key highlights for the fourth quarter and what would be his outlook.

Mr. Gaurav Goel – Managing Director, Dhampur Sugar Mills Limited

Yeah sure. Thank you all. Good afternoon and a very warm welcome to all at Dhampur's Q4 FY20 conference call. I would like to just give a brief on what has transpired over the last 3 months. COVID has hit the whole of India, and it has also hit sugar. But I would just like to thank the Government of India and the State Governments for their proactiveness that all our sugar mills kept on running and we had no stoppage at all. I would also like to thank in this call all our employees who during these tough times had come out and with flying colours, and made sure

that all the plants had run extremely smoothly. Three of our sugar mills have now shut and two sugar mills of ours are on, one is expected to close around the 7th of June, and the other one will close on 10th of June. I would now like to hand over the call to Nalin to take you over the numbers for FY20. Nalin over to you.

Management

Thank you sir. and good afternoon everyone. I would like to take you through the financial performance of the company after we will take you through Operational performance.

Our total revenues, EBITDA and profit before tax for Q4 FY20 stood at ₹1092.76 crores, EBITDA at ₹123.37 crores and the profit before tax at ₹76.67 crores from continuing operations as compared to revenues of ₹879.37 crores and EBITDA of ₹197.22 crores and profit before tax of ₹142.16 crores in Q4 FY19 respectively. Profit after tax from continuing operations stood at ₹107.14 crores in Q4 FY20 against ₹117.72 crores in the same quarter last year. Profit after discontinued operations stood at ₹104.08 crores for Q4 and ₹215.63 crores for the full year. Interest cost stood at ₹25.44 crores during this quarter and ₹100.59 crores for the full year against ₹90.05 crores of interest during last year.

Now I will take you through business wise performances for the quarter ended 31st March 2020, sugar division reported revenues of ₹942.12 crores contributing around 77% of total revenues as compared to ₹772.24 crores last year in the same quarter. EBIT in this segment stood at ₹50.34 crores as compared to profit of ₹10.42 crores in the corresponding quarter last year. Revenues from ethanol distillery segment stood at ₹181.35 crores against ₹139.25 crores in the corresponding quarter last year. EBIT for Q4 FY20 stood at ₹46.72 crores against ₹42.27 crores in Q4 FY19. During the period under review, power revenues stood at ₹69.77 crores with a profit of ₹21.95 crores, in Q4 FY20 as compared to revenues of ₹269.61 crores and profit of ₹118.67 crores in Q4 FY19. Power realisation stood at ₹3.16 per unit against ₹5.22 per unit in corresponding quarter last year. Lower revenues in this segment mainly due to the reduction in power tariff.

The company has made a repayment of ₹164.40 crores during this year. The long term loans as on 31st March stood at ₹540.43 crores including soft loan of ₹226 crores, SDF loan of ₹61 crores, and loan of ₹42 crores which is at concessional rate of interest.

Now I will take you through the operational performance.

Sugar sales for Q4 FY20 stood at 2.5 lakh tonnes which includes raw sugar sales of 0.8 lakh tonnes as against 1.9 lakh tonnes which included 0.3 lakh tonnes of raw sugar sales in Q4 FY19.

Sugar sales in this whole year stood at 8.2 lakh tonnes which includes 1.7 lakh tonnes of raw sugar sales as against 6.6 lakh tonnes last year which included 0.52 lakh tonnes of raw sugar last year. Average Sugar realisation for this quarter stood at ₹28.92 against ₹29.73 per kg during the same quarter last year. For the full year the average sugar realisation stood at ₹30.31 this year versus ₹29.92 per kg last year. Total inventory as on 31st March 2020 stood at 4.66 lakh tonnes which is valued at an average rate ₹29.39 per kg. Company sold 238 lakh bulk litres of ethanol ENA which includes 215 lakh bulk litre of ethanol out of B-heavy molasses at an average realisation of 51.39 per litre during this quarter. The company during Q4 FY20 sold 39.66 lakh kg of Chemicals at an average realisation of 55.11 per kg. The company sold 977.34 lakhs bulk litres of ethanol ENA which includes 408.28 lakh bulk litres of ethanol which has been derived from B-heavy molasses during FY20 as against sale of 899.95 lakhs bulk litre of ethanol which included 207.6 Lakh bulk litres of ethanol which was derived from B-heavy molasses. During this quarter power segment generated 31.49 crores units of power, against 35.04 crore units in the same quarter last year. We exported 16.33 crore units against 19.67 crore units in the same quarter last year.

These were the numbers on a broader level. Now we would like to invite the questions and answers from the participant members.

Moderator

Thank you. Ladies and gentlemen we will now begin with the question and answer session. Anyone wishing to ask a question may please press * and 1 on your touch tone telephone. If you wish to remove yourself from the question queue, you may press * and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Nitin Ranjit from Capstock. Please go ahead.

Mr. Nitin Ranjit – Capstock

Thanks for the opportunity, and my question pertains to a news which appeared in a website, we have stopped producing ethanol from sugarcane juice. So going forward will this be the normal or are we going to scale that up?

Management

Yes, we had applied for sugarcane juice but UP excise has not taken out norms for that. So we were not able to do that. But, probably we would like to try out again next year. But this year because there are no norms being fixed by UP excise, we weren't able to do the trial.

Mr. Nitin Ranjit – Capstock

Okay. And one more thing, ethanol tender with OMCs have brought up at three months back. Has that been awarded to us?

Mr. Gaurav Goel – Managing Director, Dhampur Sugar Mills Limited

Yes so we had also participated in this tender has come out now twice. So the first one came out in end of August. So in that also we had applied and we had got most of our quantity. And again there was one more tender which came out in March. We had also applied in that. We have also got some in that. There is one more which is now being floated which will end on June 22nd. So we also plan to apply in that. The reason for that is that the lifting from OMCs has been lower than what was expected due to this lockdown. And that is why a lot of our quantity that we had applied in the first tender has got lapsed. And that is why we entered in tender 2 and we will also be entering in tender 3.

Mr. Nitin Ranjit – Capstock

So the pricing remains the same for the next one year.

Management

Yes, so the pricing has been done. the pricing is the same as what it is which is 43.75 for B-heavy and 54.27 for B-heavy.

Mr. Nitin Ranjit – Capstock

Okay. Thanks for answering the questions.

Management

Thank you.

Moderator

The next question is from the line of Aman Sonthalia from AK Securities. Please go ahead.

Mr. Aman Sonthalia – AK Securities

Good evening sir.

Management

Aman jee, how are you?

Mr. Aman Sonthalia – AK Securities

Fine sir. Sir whether we have taken the export losses in this account, in the quarterly result?

Management

So the export losses have been offset vis-à-vis the subsidy of Rs 10.44/kg which we have to get from government of India. So as of 31st March the export that we have done and have to get subsidy from government was taken as an income.

Mr. Aman Sonthalia – AK Securities

Okay sir. And sir how much we have taken the molasses pricing for accounting purpose?

Management

So for C-heavy it has been taken as 4000 per tonne. And for B-heavy at 8000 per tonne.

Mr. Aman Sonthalia – AK Securities

And what it was last year sir?

Management

Last year for C-heavy it was about 200 per tonne. And for B-heavy was 7250 per tonne.

Mr. Aman Sonthalia – AK Securities

Okay. And sir how much volume we can expect from the sanitiser business for the current year sir?

Management

So again very, very tough to answer the total quantity right now, because as of now the off take was slightly low and slow. But just last week the government of India has allowed export of bulk sanitisers. So we will be now hoping that our volumes will go up in the next quarter.

Mr. Aman Sonthalia – AK Securities

So sir the margin is quite high compared to ethanol?

Management

Margin is okay in that business. Yeah the margin is higher than that. But out here the issue is not of margin. The issue is more of how to get offtake. So that is the plan that in the Quarter 2 we are hoping that that sales should go up because of exports.

Mr. Aman Sonthalia – AK Securities

So it can be 20-25% of our total alcohol sales sir?

Management

Aman jee I don't think it will be that much. I think that is still a very large quantity. As you know we will be doing about 10 crore litres is what we will produce. So we are hoping to at least do 30-35 lakh litres because it is still new, so we are not expecting it to be that much. But about 30-35 lakh litres is what we are hoping that we can achieve in Q2 and Q3.

Mr. Aman Sonthalia – AK Securities

Okay sir. And sir since the consumption has come down a lot, and going forward the cold drink sales and ice cream sales may suffer, so what will be the consumption of the country for the current sugar year sir?

Management

Aman jee again, what we have felt is that it should go down by about 1 to 1.5 million tonnes. So India's offtake was expected to be about 26 million tonnes. Now for Dhampur we are taking it at 24.5 million tonnes for the whole year. You we have seen slight drop but it is not that large. I mean if you were expecting about 21 to 22 lakh tonnes per month, right now it is about 18 to 18.5 lakh tonnes, which we do believe that post July when this lockdown starts to open up, things may start to move a bit more. So we do believe that in Q2 and Q3, this slight bit of this offtake should come back. That is why we have taken about a 1.5 million shortage or an offtake number to come down, for FY20-21.

Mr. Aman Sonthalia – AK Securities

And sir one more question regarding the export, how much export do you expect the country will do in this current sugar year sir?

Management

We had a meeting on this. Up till now we have already done about 3.9 million tonnes. Our number for total exports will be 4.5 million tonnes.

Mr. Aman Sonthalia – AK Securities

For the current sugar year?

Management

Yes.

Mr. Aman Sonthalia – AK Securities

And sir next year, since this year Maharashtra and Karnataka has shown a very low figure, next year since the monsoon is quite good in Maharashtra and Karnataka, so what is your expectation for the next season sir?

Management

Aman jee, I can't tell you right now as to how much we will do at Dhampur for next year. As far as India goes, yes it is seeming to be higher. But again very, very early days for us to be able to comment as to how much higher it will be from this year. So I think that in August I think we will be able to give you a slightly better number on this.

Mr. Aman Santhalia – AK Securities

And sir since we have two distilleries, so are you planning to produce directly ethanol from the sugarcane next season?

Management

So out here Amanjee, even this year we had done a tender with the OMCs to supply some amount of quantity, about 25 lakh litres is what we had hoped to supply to them from

sugarcane juice on a trial basis. But unfortunately the UP excise wasn't able to come out with their norms for the same due to this lockdown. And we weren't able to do this trial. So I am hoping that next year again we will do a trial on this. Exactly how much of quantity will be totally dependent on what is the total sugarcane we expect in UP and in the whole of India.

Mr. Aman Santhalia – AK Securities

And sir the last one, what is the opportunity realisation if you don't make sugar and you make directly ethanol from the sugarcane? So what is the price we are getting?

Management

Yeah so basically out of sugarcane juice the whole point is what sort of yield we will get out of sugarcane juice. And that is why there is one thing on theory. As on theory what it shows is that it should come to approximately a price of about 32 to 33 per kg of sugar if we make it from sugarcane juice. But unfortunately because we weren't able to do the trials, so I don't have the exact number right now. But on paper it is showing about 32 to 33 per kg of sugar if we do from sugarcane juice we expect to get the yield of almost 600 per litre. So that is the sort of norm which is there. But I will again say these are all on paper. Right now we are talking to certain mills which have done these trials. We are taking their data, trying to study it. But that's surely next year again we would like to do at least a partial trial for Dhampur on sugarcane juice.

Mr. Aman Sonthalia – AK Securities

Sir whether it requires some modification in the plant also?

Management

We all have already done that. So there was a bit of an issue. I mean the only thing which had to be changed was certain pipelines to be added. But that work we had done last year itself.

Mr. Aman Sonthalia – AK Securities

Okay sir, thanks a lot.

Moderator

Thank you.

Management

Thank you Aman jee.

Moderator

We will move on to the next question from the line of Madhav Marda from Fidelity Investments. Please go ahead.

Mr. Madhav Marda – Fidelity Investments

Yeah hi sir good afternoon. Thank you so much for your time. I just wanted to understand that with lower crude oil prices, Is there a chance the government reduces the ethanol offtake?

Management

The policy of government of India is very, very clear. This has been done for the long term. It isn't being done for a short or a medium term. So I don't believe that will happen. The offtake which has come down is because of the lower sales of petrol. It is only because of that in the last 3 months we have seen slightly lower offtake. But it is not because OMCs weren't wanting to lift it, but only because their forward sales were lower.

Mr. Madhav Marda – Fidelity Investments

Okay alright. And the UP power tariff? Is there any discussion around that going back or it is a permanent sort of change the reduction which has happened?

Management

So as you all know, we filed a court case on this, on the same day because of the fact that we do believe that the UPERC order is wrong. The fuel price that they have taken is very, very low, that is even if we see CERC has taken the price of bagasse to be 2095 per tonne. While UPERC has taken it at 1010 per tonne. So we have filed a court case on the same but unfortunately because of this lockdown, I mean the hearings haven't happened. But I am still very positive of an outcome which should be fair to the cogenerators because we have invested a lot of money. So let's wait and see. But the matter is now in court.

Mr. Madhav Marda – Fidelity Investments

Okay, alright, thank you so much for your time.

Management

Thank you Madhav.

Moderator

Thank you. We will move on to the next question that is from the line of Ankur Arora from HSBC Global Asset Management. Please go ahead.

Mr. Ankur Arora – HSBC Global Asset Management

Thank you but I had just the same question which the previous participant just asked that do you think the 5.1 billion litres of ethanol pick up by OMC will hold this year or not. You just replied probably they will. So that's it. Nothing else.

Management

Thank you so much.

Moderator

Thank you. We move on to the next question from the line of Keshav Lahoti from Angel Broking. Please go ahead.

Mr. Keshav Lahoti – Angel Broking

Okay. Sir you mentioned that the OMC has raised three tenders and you have also participated in the third one because the first one has lapsed. By lapsed you mean that OMC has not picked up the quantity they have earlier tendered due to they have a shortage of demand?

Management

Yes that is right. Because this tender which happens is for every month and for every quarter. Because of this lockdown the lifting which happened in March and April was lower, and that is why they have come out with a new tender and they had come out with one more because there are certain depots which weren't able to lift and there are certain which were still in shortage. So the ones where the tender hadn't happened or they still needed more, out there they have done fresh tenders for the same. So that is how they are trying to balance out. Because in the first tender everybody tendered for depots which were for close to them and now we have also gone slightly further on those tenders. So that is how we are trying to see.

First the maximum was in UP, then it came to Delhi, Haryana, Punjab, and now we have also moved to MP, Rajasthan. So we are just going more sort of towards the Gujrat side because the total tendering was lower in tender 1 and 2.

Mr. Keshav Lahoti – Angel Broking

Okay. Is it fair to assume whatever ethanol you will make, OMC will pick up whatever ethanol was made by you as a blending rate in India right now is 4 or 5%, even if the demand goes down by let's take a fall of 50% then OMC can do a 10% blending. So they will be able to pick up whatever the sugar mills will make. Right?

Management

See there is no issue. We believe that all the dialogue that we have had with OMCs, we do realise what are their problems and they have been extremely helpful and even they are trying to see as to how to take the blending rate higher. So I do believe that it will be slightly lower than what we are expecting, but it won't be very, very much lower because there are certain states where there was more blending happening.

Mr. Keshav Lahoti – Angel Broking

Okay. So, how much have you tendered to the OMCs, contracted ethanol?

Management

we have tendered around 9.8 crores litres of ethanol.

Mr. Keshav Lahoti – Angel Broking

Okay, just an idea how was the sugar consumption in April month? whether it was down by 20% or say 40%.

Management

It is very tough not being able to give an exact amount because the March quota had been extended to April. But I still believe it should be in the range of about 19 lakh tons.

Mr. Keshav Lahoti – Angel Broking

Okay, thank you.

Moderator

Thank you. The next question is from the line of Ashish Pande, an individual investor, please go ahead.

Mr. Ashish Pande – Individual Investor

Hello, sir, thanks for the opportunity of asking question. My question is related to the sanitizer market which you have entered into. Have you done any analysis regarding the size of the market and profit margins or ROE you can get by catering to that market?

Management

Yes, as I said even in the earlier question, is that we do believe that it is a growing market. But the offtake or the volumes that we have been able to do are still fairly small because we are a new player and the thing is we do not cater distribution like other large FMCGs so that is what we are trying to develop. Also because this happens only through a licensed trade, there are outside dealers only who can pick this up from us,. Recently the UP government had allowed it to be sold even to the grocery stores till 30th June. In the last week, government of India has allowed exports of the same also. So the market is there, but I think it will take us some time to be able to capture that market and to create a network for the same. We have started this only two and half months back and we do believe that this is a product or an area that we will keep on growing. I do believe that this demand isn't going to go away. So yes, it is a product, margins in this as of now are very, very good, even though we have kept our prices even lower than what the government of India has sort of prescribed. But that is also because of the fact we do believe this is a long term game that Dhampur wants to play.

Mr. Ashish Pande- Individual Investor

May I know how much you have invested in this business segment so far?

Management

So there is no capex at all, we didn't have to do any major capex at all, the only thing is that we started a new bottling line at our Asmoli plant, the total capex that we incurred on that is about 9 lakhs.

Mr. Ashish Pande – Individual Investor

9 lakhs. And, sir, may I know whether you are making more margin than your regular ethanol supply to government, OMCs or in the segment of sanitizer.

Management

Yeah, the margins are higher but as I said because the volumes are so low, they are not really having an impact as of now on the P&L of the company. But yes, over a period of time we do believe that margins in this are for surely higher than what we get from the OMCs or from our ENA sales.

Mr. Ashish Pande – Individual Investor

Thank you, that's all from my side.

Management

Thank you, Ashish.

Moderator

Thank you. The next question is from the line of Sanjay Manyal from ICICI Direct. Please go ahead.

Mr. Sanjay Manyal – ICICI Direct

Hello, sir. A few questions on the distillery side, what I believe your revenue numbers are pretty good on a full year business, 27% growth in the distillery segment, but your profitability numbers in the segment have been down, I believe that's mainly because probably the B heavy, transfer pricing is higher. But that profit should have stayed in the sugar segments. So can you just quantify what kind of a profit of distillery segments of the regular transfer pricing is sitting in the sugar segments.

Management

So out here there were two impacts, if you remember last year the price of the feedstock molasses was very, very low in the whole of India. The transfer pricing which was done for that was at 200 per ton, was the transfer pricing that had been done. This year even for C, the transfer pricing which had been done is at 4000 per ton. So because of the feedstock side we all have seen that profits have come down in this segment and have gone up in the sugar side.

Mr. Sanjay Manyal – ICICI Direct

Okay, so I was actually trying to understand that out of the 126 crore profit in the sugar segment what would be the quantity of the B heavy profitability here. And as you mentioned there would some in the inventory probably sitting which will be liquidated once, which will be realized once liquidated I guess.

Management

Yes, that's right.

Mr. Sanjay Manyal – ICICI Direct

Okay, and just one thing, one more thing you mentioned that quantities, full year quantity of distillery segment will be somewhere around 10 crore litres, whereas we have a capacity of 400 KLPD which generally within 330 days, 300 odd days would be somewhere around 13 crore litres. So why we can't produce when there is so much of demand of ethanol from OMCs, why can't we produce 13 crore litres rather its just stuck to 11.

Management

See out here there are various other norms which have like close down our plants during monsoons, or there are some shortage of lifting which happened , so it is basically because of these reasons of lower offtake that we had to bring down our capacities and due to certain shutdowns that we had planned for, because of these two reasons. But yes, you are right 12 crore litres is our target. We will see over the next six months as to how much of that we can make up what we lost in the first six months. So 12 crore is what we are taking to be our capacity right now.

Management

Sanjay, to add on we have already increased production this year by 25% in distillery Vis-à-vis last year.

Mr. Sanjay Manyal – ICICI Direct

Sir, on sanitizer though a big opportunity you mentioned volumes are low but what would be the prices, government norm is somewhere around if I am not wrong 400 which probably for a branded player. What kind of realization would we be getting here?

Management

So we have kept our pricing, so basically the government norm which you have said that for 200 ml bottles the price was 105 which were fixed by UP government. We have sort of brought it down and our 200 ml price is right now at about 75 and per litre price is at 600, so we have kept our pricing far, far lower than the government norms.

Mr. Sanjay Manyal – ICICI Direct

But are you like into the branded this thing or you are supplying it to most of the branded players?

Management

No, we have our brand, but for exports it will be done in bulk. But right now the supply that we are doing is under our brand, Dhampure.

Mr. Sanjay Manyal – ICICI Direct

So can this opportunity be somewhere around 1500 to 2000 crores kind of opportunity for the industry, if that happens then, what I understand there would be only sugar companies will be supplying alcohol based sanitizers. So is it safe to assume that bulk of the opportunities will come to the sugar companies only?

Management

Yeah, I think that there are also others who can make it from ENA, so there are also suppliers of ENA to others, but surely this is a new opportunity for sugar which wasn't ever there. Exactly how much of that market we will be able to capture will be tough to say right now. But as far as Dhampur goes we are fully in sync with it that this segment is something that we want to concentrate on and to grow over the next 1 to 2 years.

Mr. Sanjay Manyal – ICICI Direct

Right, sir, just one last, is there expectation of sugar exports subsidy this year coming crushing season, do you have any discussions with the government or you think there will be something which could come now or, how would be the demand supply scenario, if it doesn't come.

Management

I think that the government of India for the last 3-4 years has been very proactive, they do realize that India has a huge amount of stock, and the stock has to be exported or there will be issues of s cane price and, everything else, so I do believe that again in 2021 exports again will happen from India. Dialogues have started but still because government is extremely busy right now trying to tackle bigger issues, but I surely believe, sugar is in their mind and we will see exports again happening in 2021.

Mr. Sanjay Manyal – ICICI Direct

And, sir, have we been able to sell our quota in April and May.

Management

Yes, we have been able to sell our quota both from March, April & May. We have been able to sell our full quota.

Mr. Sanjay Manyal – ICICI Direct

And, sir, just last, any discussion means what we heard in the news that there is a possibility of MSP increase. Do you think what is the sense, how much it could increase, whether it would be 32-33 rupees?

Management

Again, Sanjay, I don't have the exact answer but yes, dialogues for MSP have happened in the last 1 to 2 months. Government is probably thinking about it, but it could be anything from 1 to 2 rupees.

Mr. Sanjay Manyal – ICICI Direct

Thank you very much, sir.

Management

Thank you so much.

Moderator

Thank you. The next question is from the line of Mithun Jain, an individual investor, please go ahead.

Mr. Mithun Jain – Individual Investor

Hello, good afternoon, sir.

Management

Very, very good afternoon.

Mr. Mithun Jain – Individual Investor

So, sir, as everyone is talking next year again we will be coming up with high amount of production, and so how the industry is looking to deal with this flux like are they going to go for ethanol production by cutting down the sugar production, or because the entire thing is looking to come back again what happened in 2019. So how the industry is looking to address all this entire situation?

Management

See it will have to be again a mixture of a lot of things. One will be B heavy, one will be sugarcane juice and one will be sugar exports. We will have to do all these three things like what we have been doing for the last 2 years. If we see that the total B heavy supply has been almost 3 times to what it was in FY19 to FY20, it has gone up by three times, I believe this will even go up further in FY21. Because as we do realize that this year Maharashtra and other certain states had lower cane, so they did not do B heavy. B heavy was mainly done by the northern part of India. So I do believe B heavy will go up, sugarcane juice is going to be again set and will happen. And the third most important thing is exports, again will have to happen in FY21.

Mr. Mithun Jain – Individual Investor

Okay, sir. My next /question is regarding the production around the world, which is Brazil, again, they are committed to do more of sugar and less of ethanol because of their margin getting hit by crude prices behavior. And what is your take on this because again they will be producing more than what they had produced in 2019, they produced in 2018, and this time they will be at least around 35 to 36 million tons as per the reports that are coming up. So definitely it will create pressure on the prices, international prices. Is it still feasible to do that, or will be more

feasible to convert the entire sugarcane juices to ethanol or some part or portion of around say 40%.

Management

See, for surely what you are saying is totally right. I mean in FY20 there was expected to be a shortage of almost 6 million globally but they are going to produce 35 to 36 million tons, and that is why we have also seen global prices come down drastically. Surely this is a challenge that India will have because of our higher cost of cane. But we all look for support from government because they have been doing that for the last 2 to 3 years and like I do believe that will carry on. We will surely maximize amount of cane that we divert to B heavy and to sugarcane juice, but even after that there will be a huge surplus of sugar which will be there in the country which can only be done by way of exports, not anywhere else. So exports is a must for FY21.

Mr. Mithun Jain – Individual Investor

Okay, sir, and apart from that what is the capex involvement to go directly from the sugarcane, is there any special capex required to do that.

Management

I don't know about others but for us the only investment that we had to do is in some pipelines which was done last year itself, so we had no capex that we need to do next year if we are to go from sugarcane juice.

Mr. Mithun Jain – Individual Investor

And any impact from the locust invaders.

Management

No, thankfully, Locust invaders didn't come to our area even though we were fully prepared, we had done our planning for it, but by God's grace it didn't come to the western parts of UP.

Mr. Mithun Jain – Individual Investor

Okay, and looking at the repayment of the long term loans which has been done good, I think we have covered around 164 cr, and how you are looking forward to reduce the borrowings.

Management

Yes, our borrowings right now are at 540 crores, out of that 226 is the soft loan that we got from government of UP, 60 odd crores is what we have our SPF loans which are at the rate of almost 4 to 4.5, and we have one another loan which we had done expansion of our ethanol plants of 41. So if we take these 3, our total is almost at 325, so our long term loans which are at 8.4% roughly around 220 odd crores which will be repaid over the next one and half to two years.

Mr. Mithun Jain – Individual Investor

Okay, and, sir, how we are managing to do the working capital obligation, we are holding lots of things as inventory, so how we are looking to be okay with the working capital obligation which is like repaying back the working capital that we have borrowed.

Management

We have sufficient stocks and cash flow to do that, we have limits from our banks. So we have no issues at all with working capital as of now.

Mr. Mithun Jain – Individual Investor

Okay, that's all from my side, thank you, sir, for answering.

Management

Thank you so much.

Moderator

Thank you. The next question is from the line Aman Santhalia. Please go ahead.

Aman Sonthalia – A K Securities

Sir, my two questions are there. How much margin we are getting in country liquor compared to ethanol?

Management

So country liquor right now our margins are almost the same as what we have from ethanol, right now for the last 3 months they have been a bit higher because our volumes have come

down due to the lockdown. So because of lower volumes our fixed costs which are there were higher. But surely in the next Q2 and Q3 our plan is to get the margins to be the same as to what we have with the OMCs.

Aman Sonthalia – A K Securities

And, sir, what will be the recovery if we want to make C heavy molasses?

Management

So as of now because two of our plants are on but it is at the last stage, I think our total, if we don't take the B heavy impact, is expected to be about 12.15%.

Aman Sonthalia – A K Securities

And what was last year, sir?

Management

Last year was around 12%.

Aman Sonthalia – A K Securities

It is 0.15% more than last year.

Management

Yes.

Aman Sonthalia – A K Securities

Okay, sir, thanks, sir.

Management

Thank you.

Moderator

Ladies and gentlemen, that was the last question, I now hand the conference over to the management for closing comments.

Management

I would like to thank you all of you to be on the call. If you have any further questions, please feel free to speak to us at any point of time. Thank you once more.

Mr. Prashant Biyani – Prabhudas Lilladher Private Limited

Thank you everyone.

Moderator

Ladies and gentlemen, on behalf of Prabhudas Lilladher Private Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.