

Dhampur Sugar Mills Ltd.

Q1 FY21 Conference Call

Operator:

Ladies and gentlemen, good day and welcome to Dhampur Sugar Q1 FY21 Conference Call hosted by Prabhudas Lilladher Pvt Ltd. 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 * and then 0 on your touchtone phones. Please note that this conference is being recorded. I now hand the conference over to Mr. Prashant Biyani from Prabhudas Lilladher. Thank you and over to you sir.

Mr. Prashant Biyani - Prabhudas Lilladher Pvt Ltd:

Hello everyone. On behalf of Prabhudas Lilladher, I welcome you all Q1 FY21 earnings call of Dhampur Sugar Mills. I would like to thank the management of Dhampur Sugar for taking out time for today's concall. From the management side we have Mr. Gaurav Goel - Managing Director, Mr. Nalin Gupta - CFO, Mr. Vineet Gupta – Chief GM, Finance and Mr. Akshat Kapoor – GM, Finance. I would request the management to discuss about the company's results. And then, we can discuss some key industry highlights for the 1st quarter and then we'll start with the Q&A. Mr. Gaurav Goel, if you can take it forward from here.

Mr. Gaurav Goel – MD, Dhampur Sugar Mills Ltd:

Thank you so much Prashant. Good afternoon and a very warm welcome to all at Dhampur's Q1 FY21 conference call. Our company during the sugar season 2019-20 crushed a total of 75 lakh tons of sugarcane against 69 lakh tons that we had crushed in the previous year. In the last 4 months during lockdown, Dhampur had all its plants running, and we would like to thank the governments, both at the state and the centre for the same. None of our plants got closed down during this lockdown period and are still running as on date. COVID had a slight impact on sugar uptake in the month of April and May. But from June onwards, the sugar uptake again came back to almost normal levels. Even on our supplies to the oil companies, April-May we saw slightly lower supplies due to petrol consumption being lower in those 2 months. But from June onwards again, it has come back to normal levels. I would now like to ask Nalin Gupta to take you through our numbers for Q1 FY21. Nalin, over to you please.

Management

Thank you sir. Again, welcome to all the participants. I'll take you through the financial performance, and after that Mr. Akshat will take you through the operational performance. So our Total Revenues, EBITDA and PBT for Q1 FY21 stood at Rs. 1,102 crores, Rs. 117 crores and Rs. 71 crores respectively as compared to Revenue of Rs. 937 crores last year, EBITDA Rs. 131 crores, and Profit Before Tax Rs. 79 crores in Q1 FY20. Profit After Tax from continuing operations stood at Rs. 54 crores in Q1 FY21 against Rs. 62 crores in Q1 FY20. Profit After Tax after discontinued operations stood at Rs. 54 crores in Q1 FY21. Our Interest Cost stood at Rs. 26 crores during Q1 FY21 as compared to Rs. 33 crores in Q1 FY20.

Now I'll take you through the business wise performance. So, for the quarter ended 30th June, 2020, the sugar division reported revenues of Rs. 1007 crores, which contributes around 77% of the Total Revenues, as compared to Rs. 782 crores last year in the same period. EBIT in this segment stood at Rs. 35 crores as compared to Rs. 21 crores in the same quarter last year.

Revenues from distillery business for Q1 FY21 stood at Rs. 173 crores against Rs. 157 crores in the corresponding quarter last year. EBIT for distillery for Q1 FY21 stood at Rs. 37 crores against Rs. 52 crores for Q1 FY20.

During the period under review, power revenues stood at Rs. 100 crores with EBIT of Rs. 34 crores in Q1 FY21 as against revenues of Rs. 130 crores and EBIT of Rs. 51 crores in Q1 FY20. Our realisation in Q1 FY21 stood at Rs. 3.16 per unit against Rs. 5.18 per unit in the corresponding quarter last year. Lower revenues in this segment is mainly due to the reduction in power tariff.

Company has made repayment of long term loans in this quarter of Rs. 28 crores. Long term loans stood as on 30th June, 2020 stood at Rs. 512 crores, which includes soft loan of Rs. 212 crores and SDF loans of Rs. 60 crores.

Now, I would like to invite my colleague Akshat to take you through the operational performance please. Akshat, over to you.

Management

Thank you Nalin ji. Good afternoon friends. I would like to take you through the operational performance of the company for the quarter ended 30th June, 2020. Sugar sales for Q1 FY21 stood at Rs. 2.73 lakh tons, including raw sugar sale of 0.92 lakh tons as against 2.27 lakh tons including raw sugar sales of 0.59 lakh tons on Q1 FY20. Average sugar realisation from domestic sales for Q1 FY21 stood at 32.2 per kg as against 32.3 per kg in the corresponding quarter last year. The total inventory as on 30th June, 2020 stood at 4.15 lakh tons of sugar valued at an average rate of Rs. 29.42 per kg. The

company sold 222.1 lakh BL of ethanol and ENA including 201.28 lakh BL of ethanol derived from B-heavy at an average realisation of Rs. 52.08 per BL during Q1 FY21 as against 316.10 lakh BL including 130.68 lakh BL of ethanol derived from B-heavy at an average realisation of Rs. 46.14 per BL in the same quarter last year. The company during Q1 FY21 sold 53.46 lakh kg of chemicals at an average realisation of Rs. 54.29 per kg as against 15.47 lakh kg at an average realisation of Rs. 53.1 per kg in Q1 FY20. During the quarter ended 30th June, 2020, its power segment generated 17.21 crore units of power against 15.92 crore units in the same quarter last year, and exported 7.28 crore units in Q1 FY21 against 8.14 crore units in the same quarter last year. These are, on a broad level, our operational and financial numbers. Now I would like to invite the questions and answers, if any.

Operator:

Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press * and 1 on your touch tone telephones. 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. Anyone who wishes to ask a question may press * and 1.

The first question is from the line of S. Kapoor from Kapoor Company. Please go ahead.

Ms. S. Kapoor – Kapoor Company:

Yes sir, can you hear me?

Operator:

Yes, we can hear you.

Ms. S. Kapoor – Kapoor Company:

First of all I appreciate the company for putting up such a good show of results. Sir I just have one question to ask. As far as shareholder rewarding policy is concerned, in the sugar industry there are only two veterans. I'm a shareholder as well as an analyst of your company. And I'm a shareholder of Balrampur also. And I think these two companies are the most efficient companies – Balrampur as well as Dhampur, both. Sir, Balrampur has gone for rewarding shareholders in the form of buyback. Sir, is there any plan as far as Dhampur Sugar is concerned, that you would reward the shareholder by reducing your equity? Because, it's a very cyclical industry and this is a golden opportunity to reward the shareholders, and you are the biggest shareholder. So if you can throw some light on it. What is your view on it?

Management

Thank you so much for your comments. As far as rewarding the shareholders, as the board has always done for the last as many years, even for FY21, whether it will be dividend or a buyback, I will not be able to give a very clear answer on that. But both options will always be open to us. We for surely will be taking up the matter to the board after, I would say, Q3 or Q4, and then the board will finalise whether to be rewarded by way of dividend or by way of a buyback. So both options will stay open with the company as of now, but it would be up to the board to actually tell us as to what they think is the right thing to be done.

Ms. S. Kapoor – Kapoor Company:

Sir, what has been our Average cost of funds?

Management

So our average cost of funds is about 6.92%.

Ms. S. Kapoor – Kapoor Company:

Sir, if you could give the details of the long terms loans, the subsidy and the working capital?

Management

So basically our working capital right now is at 832 crores. We have got 3 types of term loans. The two I spoke about. One is a soft loan, which is from UP Government. The rate of interest on that is 5%. Our SDF loans are at an average of about 4.5% and our other terms loans, long terms loans, are in the range of about 8.4%.

Ms. S. Kapoor – Kapoor Company:

Sir, in totality, our cost of funds is 8.4%, to be the average?

Management

No. So if you'll take this on the long term term loans, soft loans and SDF loans, our average cost of fund would be around 7%.

Ms. S. Kapoor – Kapoor Company:

Okay thanks. And has there been any downward revision sir, with the interest rate moving down? Has there been any revision?

Management

No. So our rates are fixed for a period of one year. The revision will happen only when the next year's proposal will go, which will happen at the end of the year. Our interest rates are fixed for one year.

Ms. S. Kapoor – Kapoor Company:

Right sir. Sir, if we come to the PBIT in the chemical segment, will you please explain the reason for the drop?

Management

Absolutely! So, last year the feed stock that was supplied from sugar to the chemicals was at an average of 1,300 per ton. Because, that year if you remember, in 2019 the molasses price had crashed. This year the same transfer pricing from sugar to our chemical division has been at about 4,000 per ton. That is why you are seeing the margins coming down. So the profit has got transferred from the chemical division to the sugar side. That is the only reason why you are seeing a lower margin. But our price that was set, because we had supplied more B-heavy to the OMCs, our price is an average of 52 per litre vis-à-vis 46 last year. So it is only the differentiation of the feed stock transfer pricing, that the margins that you are seeing are lower.

Ms. S. Kapoor – Kapoor Company:

And the volume has been better?

Management

No, the volume has been lower. So the volume that we supplied to the OMCs was lower. As I said, in the month of April and May, we had sold more supplies to the OMCs, but our chemical sale was higher. So that's why overall sale you are seeing is higher.

Ms. S. Kapoor – Kapoor Company:

Sir, you had also spoken about our diversion into the hand sanitizer segment also. What kind of revenues have we done for the same in this quarter?

Management

So our total sales in that was Rs. 3.5 crores for these 3 months.

Ms. S. Kapoor – Kapoor Company:

Rs. 3.5 crores?

Management

Yes.

Ms. S. Kapoor – Kapoor Company:

Okay, and what are the margins? What is your expectation sir going forward? We must have done some study of what consistent revenue it could be. It has also been mentioned that there's a good export market for hand sanitizers. So what is our game plan going forward for the hand sanitizer segment for the near and the medium term sir?

Management

We for surely plan to carry on with that segment. We do believe that demand in India will be coming down in the near future. We saw the peak in demand in June. Even though right now the demand is buoyant, but what we have seen is that, a lot of players have entered into this segment. Now the government is making new rules to make sure that these are done in the right manner. So a lot of these smaller players will go out. Export is also one area that we are seeing for ourselves. Exactly how big this business can be, is relatively hard for us to say right now. We are not sure, because in this what we have to now do is start to develop our own capability to market. This is basically a retail product. But we still believe that we can stay in this, but how large it can be in the next 12 months, is very very hard to say right now. But because we were able to do it without any Capex, that's why we will carry on as long as we are able to sell the product. We have no issue to manufacture more, the issue is on the sales side right now.

Ms. S. Kapoor – Kapoor Company:

As you said, the OMCs were reluctant because of the lockdown for the blending purpose, what are our deliverables for the 2nd quarter sir, mainly the ethanol sales?

Management

Yeah, so basically the 2nd quarter as of now, the supply in July has been almost okay. We will have to see what sort of indents we get for the other 2 months, but for sure it will be better than the 1st quarter. But I don't believe they will be 100%, we may touch about 85% of our total order that we have got.

Operator:

Thank you very much. Mr. Kapoor, sorry to interrupt you. I'll request you to come back in the question queue for a follow up question. Anyone who wishes to ask a question may press * and 1. The next participant is Sanjay Manyal from ICICI Direct. Please go ahead.

Mr. Sanjay Manyal – ICICI Direct:

Hello sir. Just a few questions. Firstly, what could be the farmer's arrears as of now for Dhampur?

Management

Total cane price arrears as on date is about 600 crores.

Mr. Sanjay Manyal – ICICI Direct:

Okay. And considering the fact that you are holding some 4.2 lakh tons of inventory, when do you think that this inventory would be exhausted. In the sense, sugar season 2019-20 inventory would be exhausted considering the fact that even in last 2-3 months you were getting above 65,000 tons of domestic quota.

Management

So we do believe that by January we will be able to sell all of our sugar for last year.

Mr. Sanjay Manyal – ICICI Direct:

Okay. And sir, you mentioned about the volume in the distillery front. What I could recall, last quarter you mentioned that you have been able to reroute the distillery ethanol to other depots of OMCs, wherever situated it is, and hence there is lot of big issues in terms of all volume uptake. So what has exactly changed from that point to today?

Management

So there has been no change at all. It has been good for us that we were able to divert certain quantities from some depots to the others. That's why, as I said, that our uptake starting from June was better. And even as on July-August, we do believe that the uptake will be okay, but I don't believe it will be a 100%. As I said earlier, I expect about 85% of our tender quantity is what we will be able to get as indent from the OMCs, and that is mainly because of lower petrol being used right now. So about 85% is what I see the supply to be happen in Q2.

Mr. Sanjay Manyal – ICICI Direct:

And sir just last, The kind of pressure you have seen in this season, which is probably a very high number. And I believe, as you mentioned last time too, there are lot of good player who will probably shut their factories because of the lockdown. That's why you had to crush higher cane. So, will it be a similar number from an FY perspective? In the sense, in FY21 numbers would be pretty much the same of your seasonal numbers?

Management

Yes. So we are seeing that planting is for sure very very good in our area. Even as of now, the rainfall has been very very good. So the yields may be better than even what we saw last year. So yeah, for sure we are not seeing a lower crushing number for ourselves next year.

Mr. Sanjay Manyal – ICICI Direct:

Okay. And sir, should we take a similar kind of average - 60,000 or 55,000 tons monthly average domestic quota for the rest of the year?

Management

Again, it's very very hard to say on that. But yeah, we should. As I said, we are expecting that. There's 4.15 lakh tons that we all have got. We will be able to sell this all vis-à-vis some quota that we get by January.

Mr. Sanjay Manyal – ICICI Direct:

Okay sir. Thank you very much.

Operator:

Thank you very much. Anyone who wishes to ask a question may press * and 1. The next question is from Nikhil Goel from Shivansh Overseas. Please go ahead. Nikhil, I have unmuted your line from my side. You can go ahead with your question please. Nikhil, can you hear us? Due to no response...

Mr. Nikhil Goel – Shivansh Overseas:

Hello!!

Operator:

Yes sir, go ahead.

Mr. Nikhil Goel – Shivansh Overseas:

Good afternoon sir.

Management

Hi.

Mr. Nikhil Goel – Shivansh Overseas:

My question is, recently the government has increased the MSP. But still there is no notification out from the government. Why is it delayed?

Management

So basically it has given, what they have proposed the MSP to be hiked to Rs 33, and has to go to CCA, the cabinet. So that is still pending. I do believe that it should happen extremely shortly. But when it is placed in CCA, I really can't say, but it should happen within this coming month.

Mr. Nikhil Goel – Shivansh Overseas:

Okay. And the second question is, at what price is Dhampur selling sugar at? Is it 31 or more than that?

Management

No. So if you see our average for Q1, it was 32.2. That was our average price for Q1. For Q2 we are seeing the price is slightly better, because in April-May the prices were low. So it should be in the range of 32.5 to 33. That should be our average that you'll expect we'll be able to get in Q2.

Mr. Nikhil Goel – Shivansh Overseas:

Okay sir. Thank you sir.

Operator:

Thank you very much. A reminder to all the participants, you may press * and 1 to ask a question. Next participant is Prakash Shah, an individual investor. Please go ahead.

Mr. Prakash Shah (Individual Investor):

Hello sir.

Management

Hi, how are you?

Mr. Prakash Shah (Individual Investor):

Very Good afternoon. I got one question sorted out for the MSP. Why is the government delaying, because I heard that it is going to be effective on the 1st of October, that is the next season.

Management

So that is exactly what even we've heard, and that is, I think, what was proposed in the GOM. So you are right on that. That is even what we have read through the press as of now, that it will be effective from 01-10-2020.

Mr. Prakash Shah (Individual Investor):

And secondly, what is the status on the power tariff petition that has been filed? Where are we...?

Management

There has been no hearing on that for the last 4 months due to the lockdown. So the case is just pending right now and we are still waiting for the date of hearing to be fixed. But again, that matter is pending and still no date has been finalised for the court hearing due to this lockdown.

Mr. Prakash Shah (Individual Investor):

Okay. So no information in the coming months also, I believe?

Management

I don't expect anything over the next few months, atleast I would say, 3-5 months; I don't expect any news on that side.

Mr. Prakash Shah (Individual Investor):

Okay. And then with this increase in MSPs, there is also increase in sugarcane FRPs, right?

Management

That is again what has been proposed by CATP.

Mr. Prakash Shah (Individual Investor):

And then again there would be increase in the price if the government goes in that way. So definitely it means that, whatever increase in MSPs, will be resulted as an increase in sugarcane FRPs.

Management

We surely hope that, because that is also what was proposed. The hike from 31 to 33 is for last year. And if any hike in cane price happens for FY21, I mean for sugar year 2021, the MSP should be hiked in the same amount.

Mr. Prakash Shah (Individual Investor):

Okay. So you are justifying that this increase in MSP is for the next year, or should it be for the current year sugar inventory?

Management

So what we had spoken and we had a meeting also with Secretary Food just last week in which we all told him that this price of 33 which was proposed, it was last year's cane price. Any hike in cane price which happens in the future the sugar selling price should be hiked up in the same amount. We will have to wait and watch when this proposal go to CCA as to what they all finalize that part of time.

Mr. Prakash Shah (Individual Investor):

And then export quota like what I was hearing that it will be good if government announces export quota from now onwards because rains will be in a good condition to compete, if I am not wrong hence even the situation that is arising for the next season which is 30.5 million tons of sugar, so what is your take on that. Will that be coming very soon or it will again be announced in the end of October.

Management

No, for surely I believe that the government is extremely proactive and I do believe that the export for next year will be in the next 6 to 8 weeks we all should hear it coming.

Mr. Prakash Shah (Individual Investor):

Okay, and we will be looking to export the same quantity, is there any or will be in the larger quantity because again the inventory that is left which is around 11.5 million tons and then the production surplus will be another 4.5 million tons. What is your take on this.

Management

See for surely Dhampur will export the quota that we get. Whether we export more than that will be dependent on how many of the mills don't want to export and also see what are the global prices and what sort of money we will get from government. I think both

these things will be extremely important for us to say whether we want to export more than our quota also. Even for this year we exported more than our quota. So next year again early for me to really say whether we will be selling more or not but I can for surely say that the quota we get that surely we will be exporting and we may further seeing what sort of pricing is there then globally.

Mr. Prakash Shah (Individual Investor):

Okay sir, okay; that's it from my side, sir.

Management

Thank you.

Operator:

Thank you. Ladies and gentlemen you may press star and 1 to ask a question. Next question is from Saket Kapoor from Kapoor and Company, please go ahead.

Mr. Saket Kapoor – Kapoor and Company:

Good afternoon, sir, sir last year we moved into the country liquor segment from our Dhampur facility so what has been the contribution for this quarter and what are our growth plans going forward, sir.

Management

So, CL is an area that you all are seeing extremely closely. We do believe that it will be a huge market for us. As of now for the Q1 we sold 90,000 cases of CL. Now going forward in Q2 our target is at least to sell 1 and 1/2 lakh cases in these 3 months which is from July till September and to take it up to 1 lakh cases after that per month. And our target is to reach 2 and ½ -to 3 lakh cases per month by March.

Mr. Saket Kapoor – Kapoor and Company:

And what has been the revenue contribution for this quarter I think so the mix is not provided in the presentation if I am not wrong.

Management

Yeah, our total country liquor sales for this quarter I think was around 28 crores, right.

Management

That was around 27.5 crores.

Mr. Saket Kapoor – Kapoor and Company:

27.5 – 28 crores, yeah, and what is the expected number for the next quarter you must have done the math, endeavour.

Management

Yeah, so we all are trying to reach a sale of about 35.

Mr. Saket Kapoor – Kapoor and Company:

35 for this quarter.

Management

Yeah, for Q2.

Mr. Saket Kapoor – Kapoor and Company:

For Q2 segment, right sir. Just a second question sir, if we take the way that the industry is positioned it is the chemical ethanol segment only that will be growth driver going forward as the MSP and the pricing of the sugar are generally getting tarnished with this hike in MSP and SAP. So going forward our thrust of more contribution to the bottom line would be from the chemical ethanol, this blends itself.

Management

Yes, for surely, see that is again one of the key segments for us as of now. We do believe that there is a huge scope for us to even go further on that even on the sugar side as I said earlier we have seen very good planting in our area. Even on the sugar side we will keep on growing as we have the inbuilt capacity we don't have to do any capex on that but we will go on also growing, we will also grow on the sugar cane side, and also on the chemical side.

Mr. Saket Kapoor – Kapoor and Company:

And, sir, for this quarter, 28 crore was the liquor sale, what was the contribution to the PBT, sir, just from the liquor segment.

Management

See again out here we will have to see the CL PBT to be slightly separate because as you know that otherwise we had to supply through as per levy, the molasses we had to give as levy. So if we take that the contribution was extremely positive for the CL side but we cannot compare it to the supplies that we do to the OMCs because that is from key stock while the CL is from levy stock.

Mr. Saket Kapoor – Kapoor and Company:

Levy stock, sir, in this process are we going to cover the entire levy part and there will be no external sales say from March onwards. Or have you done exercise on that.

Management

That's the whole plan, yes as of now we have sold ENA to CL manufacturers. The whole plan is that from April 2021 we will use all of it for our CL and we don't sell anything to outside. Out here the biggest thing that we have to do is the marketing, is to create our brand. So our brand has started going all over UP a slightly tough market but as I said by April 2021 we do want to reach 2 and ½ to 3 lakhs cases a month which will take care my full levy.

Mr. Saket Kapoor – Kapoor and Company

And what is our local brand, sir.

Management

We've got about 4-5 brands right now. We have 5 brands which are running and we are going to introduce 3 more brands next month.

Mr. Saket Kapoor – Kapoor and Company:

Correct, on the power side, sir, which will be an accrual based business as has been because now the power tariffs have been fixed at for what period sir, this 3 rupees.

Management

Has been fixed for a period of 5 years till 2024.

Mr. Saket Kapoor – Kapoor and Company:

Okay sir, there will be a steady contribution with no exaggeration. With 3 rupees 16 paisa is fixed going forward so we can as per the production side it will be contributing then in a linear sense.

Management

Yes.

Mr. Saket Kapoor – Kapoor and Company

Sir, last year in the September quarter, was there any one items or any reason for that dip in the popularity I could not understand that was there any other factor that played for the second quarter.

Management

Last year?

Mr. Saket Kapoor – Kapoor and Company:

Yes, sir.

Management

I am not sure of that; Nalin, you remember?

Mr. Saket Kapoor – Kapoor and Company:

I just want to understand whether there is any lag or severity factor that comes into play for this quarter or is it going to be a normal quarter as been in the first quarter.

Management

Yeah, we do believe in Q2 will also be a normal quarter for us.

Mr. Saket Kapoor – Kapoor and Company:

It is on a comparative term with Q1 with the June 20 quarter.

Management

Again we'll have to see all our sales that happened, but yeah, it is seeming to be as of now the last month has been okay, so Q2 should also be a good quarter for us.

Mr. Saket Kapoor – Kapoor and Company:

Sir, the cogency reported that the centre may set the cap for sugar that the mills can sell in August at 2.05 million tons lower than 2.10 as the summer demand has waned, this is one of the senior government official released, so what is this going to, how is it going to affect the sugar market.

Management

No, the cap, see the quota is always going to be, it will range 19 to 21 lakh tons is where it will range month on month. So that is the range which has happened through history and that is exactly what is carrying on even as of now. The August quota which has come up to 20.5 lakhs ton that is extremely fair so it is not high or low that is exactly what the demand is right now.

Mr. Saket Kapoor – Kapoor and Company:

So this will have a cushion on the prices itself, sir.

Management

The prices will stay stable, at 20.5 lakhs tons there is no reason for the prices to drop or go up very, very high, either.

Mr. Saket Kapoor – Kapoor and Company:

Correct, sir, and for the final in the segment revenue if you could explain, sir, the un-allocable expenses net of 9 crore rupees, for this quarter. How does one read into this number, sir?

Management

These are again expenses which we cannot load onto the COP, so these are again what happens year on year and Q on Q.

Mr. Saket Kapoor – Kapoor and Company:

COP, sir, I didn't get it.

Management

On the COP, Nalin, would you like to explain the analysis exactly.

Management

So see the directly cost which is attributable to the cost of productions so that will load on the productions so that is called the Cost of Production. There are some expenses which are not related to the production so that we cannot allocate on the cost, like as some part of administrative cost, some part of head office expenses, so that comes under un-allocable expenses, which we cannot allocate over the cost of production.

Mr. Saket Kapoor – Kapoor and Company:

Right, and on the other segment, yes, I got your point, sir, and then the other segment revenue of 22 crore. What does this constitute of about?

Management

Which segment you are talking?

Mr. Saket Kapoor – Kapoor and Company:

Under the segment revenue under the other category there is a revenue of 22 crores, 21.72 crores and PBIT of 15 lakhs.

Management

So that includes the revenue of our subsidiaries.

Mr. Saket Kapoor – Kapoor and Company:

Revenue of?

Management

Subsidiaries, we have 3 subsidiaries. So this includes mainly revenue which is pertaining to one of the subsidiary, 21.72 crores.

Mr. Saket Kapoor – Kapoor and Company:

And this is relating to power?

Management

No, not power we have three subsidiaries, one of which has been already been asked to close the operations, one subsidiary we have DIPL International Private Ltd, that is 100% subsidiary and another one is DETS Ltd. which is 51% subsidiary. So these revenues are coming for these 2 subsidiaries, 21.72, they are not into manufacturing operations.

Mr. Saket Kapoor – Kapoor and Company:

Right, sir, just for the sake of explanation, if we move to your presentation of the distillery chemical segment therein the financials are explained at this quarter revenue at 173 crores and PBIT at 37, and you have explained that the transfer pricing for the molasses at a higher price that have led to sugar margins at a high elevated levels and lowering of the chemical segment. If you could explain this chemical part between the production and the sale why the difference between the production and sale number over year on year, and the chemicals include the hand sanitizer and the country liquor?

Management

Yeah, so as Gaurav has already explained last year we had transfer pricing of our feed stock of distillery that was around 1250, this year this is 4000 rupees per ton for C and for B heavy we have 8000 rupees a ton for pricing. Right, so this difference in margin is due to the higher feed stock cost. Now as compared to last year we have good ethyl acetate sales this year so that is why you can see the revenue has gone up but margins have reduced and that margin has actually been shifted to the sugar segment, because of the higher feed stock transfer pricing from sugar to chemical distillery segment.

Mr. Saket Kapoor – Kapoor and Company:

Yes sir, you are audible. You continue first then I will add.

Management

So that is the main difference due to the lower margins in chemicals distillery segment. Is there anything else please?

Operator:

Sir, I would ask you to come back in the queue.

Mr. Saket Kapoor – Kapoor and Company:

Sir, I was asking about this production number in the chemical segment in lakh kgs 45.84 and sales of 53.46 if you could give the split up, and then I will come in the queue, sir.

Management

Yeah, this is basically because we had opening stock, so that's why you are seeing that even though we have produced lower but we have sold more because of the opening stock that we had as of 1st of April.

Mr. Saket Kapoor – Kapoor and Company:

And what is this chemical segment break up part is, one chemical?

Management

Ethyl acetate so this is basically.

Mr. Saket Kapoor – Kapoor and Company:

Only ethyl acetate.

Management

Yes.

Mr. Saket Kapoor – Kapoor and Company:

Just one chemical, sir, I will come back to you, sir, thank you for answering.

Operator:

Thank you very much, anyone who wishes to ask a question you may press star and 1. Next question is from Deepak Mehta, an individual investor please go ahead.

Mr. Deepak Mehta (Individual Investor):

Hello, thank you for taking my question, sir.

Sir, my question is that as you know due to this agriculture reform do you think there will be shifts from sugarcane farming to other goods such as you know fruits and vegetable and anything else such as pulses; do you see any significant changes in long term?

Management

No, we have not seeing any change in that because the study which was done by us and by ISFA is that sugarcane is still the best paying crop to the farmer and that is why even if you see that there is such huge cane price arrears that we have seen over the last as many years, sugarcane crops hasn't come down. So as long as sugarcane is the best paying crop vis-à-vis any other crop we all are not seeing any change in planting pattern happening in the near future.

Mr. Deepak Mehta (Individual Investor):

Okay, thank you, sir, and is there any if you can throw some light, will there be any impact of this grasshopper attack on this sugarcane.

Management

No, so thankfully for us that this tiddi which it is called didn't come close to any of our areas so we had no impact of that, we were extremely worried in May when it started but thankfully it did not come anyway close to any of our areas.

Mr. Deepak Mehta (Individual Investor):

Okay, sir, thank you and have a great rest of the year.

Management

Thank you, same to you sir.

Operator:

Thank you very much. next question is from Shivani Mittal from Dalmiya Securities, please go ahead. Shivani, may I request you to unmute your line from your side and go ahead with the question please.

Ms. Shivani Mittal – Dalmiya Securities:

Hello, am I audible?

Management

Yes.

Ms. Shivani Mittal – Dalmiya Securities:

Thank you for the opportunity, sir. Sir, I have 2 questions, number 1 is that how has the bagasse revenue planned out for us and if you could draw the quarter on quarter comparison it would be great.

Management

Yeah, so basically bagasse stock for us was higher than last year because of mainly we exported lower amount of sugar and we crushed higher cane. So our bagasse stock as of 30th June was 1.04 lakh ton as against 0.22 lakh ton as on 30th June 2019.

Ms. Shivani Mittal – Dalmiya Securities:

Okay, okay, and how about the revenues in that segment like per ton.

Management

Yeah, so basically that bagasse we are not selling as of now, that bagasse is used to run our power plant

Ms. Shivani Mittal – Dalmiya Securities:

We are not diverting anything in the open market for a year like.

Management

As of now no, we are keeping it in our stock. We for surely will assess and see as to how much of surplus we have after say end of August and then we might sell anything in the open market. Last year we had to buy coal and bagasse from outside. Right now we have got sufficient available in-house so we don't have to buy any fuel from outside.

Ms. Shivani Mittal – Dalmiya Securities:

Got it, and sir, I think in the last concall you mentioned that we are looking for the trial for ethanol produced by sugarcane juice, so I would like where are we in terms of that, are we going to supply that in the coming quarter.

Management

So again, Shivani, tough for us to say right now but seeing the surplus sugarcane that we are seeing India wide next year we may do a trial for 10 or 12 days but we don't plan to supply any large quantity as of now out of sugarcane juice at least for FY 21.

Ms. Shivani Mittal – Dalmiya Securities:

Okay, okay.

Management

So we will stick to B Heavy but we do trials, we wanted to do trials also last year and we had tendered for certain quantity out of sugarcane juice but because of some issues of policy we won't able to do that trial.

Ms. Shivani Mittal – Dalmiya Securities:

Okay yeah, got it sir. That will help, thank you for answering my question, good luck, sir.

Management

Thank you so much.

Operator:

Thank you very much next question is from Saurabh Gandhodia from SMI Limited, please go ahead.

Mr. Saurabh Gandhodia – SML Limited:

Hello, thank you, sir, for the opportunity. Sir, I have 2 questions. One is on the recovery for the next year, what kind of recovery improvement we see for the next season. And second is just wanted to get a better understanding on the international sugar prices from your side, thank you.

Management

So again very, very hard to say right now so as to what sort we will explain next year but for surely we should improve what we have done this year mainly because we ran our plants for a longer period of time. 2 of our plants also had slightly more breakdowns on which we are working on. So it should improve, exactly how much, it is very very early to say perhaps after, now that we will know once the plants really start and we see the sort of sucrose that is there in the cane. But the cane crop as I said even earlier is extremely healthy as on date. The rainfall has been very, very good so that on the first part. As far as the global prices of sugar go they are hovering around 11.5 to 12 cents right now. And that I believe should be the range also going forward seeing that Brazil has been making far more sugar than what was expected. So I don't believe that global prices will go up very, very high but I also don't believe that it will come down. But in case global prices were to come down then the mills will try to move away from sugar. So I think this is the sort of range that I am seeing for the next 1-3 months right now.

Mr. Saurabh Gandhodia – SML Limited:

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

Management

Thank you.

Operator:

Thank you very much. The next question is from Prakash Shah an individual investor, please go ahead.

Mr. Prakash Shah (Individual Investor):

Sorry, sir, to disturb you again.

Management

It's a pleasure.

Mr. Prakash Shah – (Individual Investor):

Actually I wanted to ask as our sugar productions from UP was higher than the Maharashtra was but it is not reflecting in the sales quota that has been allotted, right. Definitely because Maharashtra produce only 5.5 and then UP did produce 12.3. But the sales allocation or the sales quota that has been given to UP is very less, it is almost similar to what we are doing last year when we did 37% in UP and 35% in Maharashtra. So how are we going to get this value, are we looking into taking this matter to the government?

Management

Again the government, when they give quotas they also see exactly the reason why demand is there. So I think they have to balance out quite a few factors when they finalize their monthly quota. Overall I mean from my perspective I think that they have been pretty fair. Overall when we see that they have to balance out every state, there are certain states which are in deficit, certain states which are in surplus. So overall I think that it has been balanced out really well right now. So I really would like to compliment the government of India for them to try and be fair from all sides.

Mr. Prakash Shah (Individual Investor):

Okay and, sir, bagasse, because bagasse has a lot of products in the market here. There lots of recyclable, renewable products, are we looking to venture bagasse made products, we are not getting fair remuneration from the power segment. So there will be any look into this?

Management

We have already started storing the possibilities of how we can save further bagasse and perhaps we can use it to make any other product. So yes, study is being conducted, the study is being done even as we speak on what are the other options that we have for so as to what we can do with bagasse in case we don't want to produce power out of it. So the study is on as we speak.

Mr. Prakash Shah (Individual Investor):

Okay, sir, that's it, thank you, sir.

Management

Thank you so much, sir.

Operator:

Thank you very much. Ladies and gentlemen, before we end the call I would like to mention that certain statements in this call could be forward looking in nature and are subject to risk and uncertainties which would cause actual results to differ materially from those anticipated. Such statements are based on management's belief as well as assumptions made by information currently available to the management. As there are no further questions, I will now hand the conference over to Mr. Gaurav Goel for closing comments.

Management

Thank you so much, on behalf of everyone at Dhampur I would like to thank you all for taking out your time to be on this call with us. If you have any further questions, please feel free to contact us either by phone or by email. I would like to thank you once again for being on the call with us, thank you very, very much.

Operator:

Thank you very much. On behalf of Prabhudas Lilladher Pvt Ltd that concludes this conference, thank you for joining us, you may now disconnect your lines. Thank you.