



## **Dhampur Sugar Mills Limited**

### **Q3FY18 Earnings Conference Call – 2<sup>nd</sup> February, 2018**

- **Operator**
- Ladies and gentlemen, good day, and welcome to the Q3 FY18 Earnings Conference Call of Dhampur Sugar Mills Limited hosted by Prabhudas Lilladher Private Limited.
- As a reminder all participant lines will be only 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 the operator by pressing \* then 0 on your touch tone phone. Please note that this conference is being recorded.
- And I now hand the conference over to Mr. R. Shree Shankar from Prabhudas Lilladher Private Limited. Thank you and over to you, sir.
- **Mr. R. Shree Shankar – Prahudas Lilladher Private Limited**
- Thank you, Liselle.
- Good afternoon, ladies and gentlemen, a warm welcome to all of you this Q3 FY 18 results conference call of Dhampur Sugar Mills. We also have the management of Dhampur Sugar Mills with us, welcome to all the members of the management who are on the call right now. The Dhampur Sugar Mills is represented by Mr. Gaurav Goel, Managing Director, Mr. Nalin Gupta, Chief Financial Officer, Mr. Vinit Gupta, Chief General Manager, Finance, and Mr. Akshat Kapoor, General Manager, Finance. We will have an overview first on the results given by the management of Dhampur Sugars, after that we will follow it up with a question answer session. Over to you, Mr. Goel.
- **Mr. Gaurav Goel – Managing Director, Dhampur Sugar Mills Limited**
- Thank you very much. Good evening and a very warm welcome to all at Dhampurs Q3 and nine month FY18 call.

- For the current year 2017-18, India is expected to produce around 26 million tons against an offtake expected of 25 million tons. In that way India will add a million tons to its closing stock as on 30.9.2018. Domestic sugar price have come down significantly and currently are ruling around 31.5 per kg ex mills. All our five sugar plants have started their crushing operations about 20 days early. We have crushed 25.38 lakh tons in Q3 FY18 against 19.03 lakh tons in the same time last year. The recovery of sugar has improved from 10.39% in Q3 of FY17 to 10.6% in Q3 of FY18. Sugar prices for the Q3 FY18 stood at Rs. 35.93 per kg against Rs.35.59 per kg in Q3 of FY17. Sugar sales for Q3 FY18 stood at 1.77 lakh tons against 1.41 lakh tons last year. In terms of our inventories, the total inventory as of 31.12.2017 stands at 1.58 lakh tons of sugar valued at an average cost of Rs. 32.55 per kg.
- Our ethanol division has done well during this quarter also. The company has sold 155.34 lakh bulk litres of ethanol at an average price of Rs. 38.30 per litre during this quarter. The company during this quarter has also sold 20.25 lakhs kg of chemicals at an average price of 62.2 per kg. Molasses prices in Uttar Pradesh have come down drastically from around 4500 per ton last year to around 200 per ton currently. This should improve our margins in this segment this year.
- Our power segment during Q3FY18, we have generated 24.44 crore units against 19.77 crore units in the same period last year and exported 14.62 crore units against 12.1 crore last year. The average price for the quarter of our power is at Rs. 4.98 per unit compared to Rs. 5.04 per unit last year.
- The company has also made repayment of long term loan of Rs. 16.64 crore during Q3 FY18. Our long term loans as of 31.12.2017 stands at 516.12 crores.
- I would now ask Nalin to take you through the financials of the company for the Q3 FY18. Thank you.
- **Mr. Nalin Gupta – Chief Financial Officer, Dhampur Sugar Mills Limited**
- Hi, everyone, good evening. Our total revenues EBITDA, and PBT for the quarter stood at Rs 778 crores, Rs. 121 crores and Rs. 84 crores, as compared to revenue of Rs. 710 crores, and EBITDA of Rs.137 crores and PBT of Rs.91 crores in Q3FY17, respectively.
- Our total revenues, EBITDA, PBT for 9 months FY18 stood at Rs.2474 crores, EBITDA at Rs. 392 crores, and PBT at Rs. 258 crores, as compared to revenue of Rs.1931 crores, EBITDA of Rs. 350 crores, and PBT of Rs. 200 crores during 9 months FY17.

- Rise in PBT was primarily due to higher sugar sale with better margins and higher efficiencies, combined with the low interest cost due to repayment of long term loans. EBIT for all segments were positive during the quarter. Our interest cost was lower at Rs. 21.22 crores as compared to Rs.32 crores last year. Profit after Tax stood at Rs. 64 crores in Q3 FY18 as against Rs. 53 crores last year. Profit after Tax for the 9 months enhanced to Rs. 187 crores from Rs. 121 crores in 9 months last year.
- For the quarter ended 31<sup>st</sup> December 2017, sugar division reported revenues of Rs.760 crores, as compared to Rs. 620 crores in the same period last year. EBIT from sugar segment was at Rs. 23 crores as compared to Rs. 52 crores last year. Ethanol operations continued to contribute positively to our earnings performance, revenues from ethanol/chemical segment for the quarter stood at Rs. 72.5 crores against Rs. 51 crores last year. EBIT for Q3 stood at Rs. 16 crores as against Rs. 6.5 crores last year. Performance in this segment improved due to better margins of ethanol. Going forward company will continue to focus on supply of ethanol to the maximum possible.
- During the quarter under review power revenues are higher at Rs 191 crores. EBIT for the quarter stood at Rs 78 crores, EBIT for the segment increased because of the higher number of days working during this quarter. Power realizations stood at Rs. 4.98 per unit as against Rs. 5.04 per unit in the corresponding period last year. These are the broad numbers. So, I would like to invite any questions from the audience, please.
- **Operator**
- Thank you. Ladies and gentlemen, we will now begin the question and answer session. Anyone wishing to ask a question may please press star and one, on your touch phone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use the handset while asking a question. Ladies and gentlemen, we will wait for a moment while all the question queue assemble. Participants if you wish to ask a question, you may please press star and one. We have the first question from the line of Aman Sonthalia from AK Securities. Please go ahead.
- **Mr. Aman Sonthalia – AK Securities**
- Good evening, sir.
- **Management, Dhampur Sugar Mills Limited**

- Good evening, Amanji.

- **Mr. Aman Sonthalia – AK Securities**

- Sir, my question is that, right now the sugar price has come down from Rs. 37 to 30 to Rs. 31 around. I think that is like most of the sugar mills are now making huge losses because I think the average cost of production is around Rs. 35 for UP based companies. Here the government is talking of doubling the income of the farmers. So, I think at this price there will be huge cane payment default. So, what steps the government and ISMA are taking to improve the sugar prices?

- **Management**

- Thank you. You are very, very right at these present prices of sugar, things are extremely tough for most of the sugar mills, it is not just in UP but it is pan India. So, we have had a lot of dialogues with the government over the last four weeks. And we are expecting certain developments to take place, like import duty hike which we are expecting in the next few days itself. There is a talk of reverse stock holding limit on sugar mills which is also expected very, very soon. We are also asking them to come out with the MIEQ exports scheme for sugar because India will have a surplus this year. So, the same scheme which had come out earlier, in which all sugar mills got a quota for export. So, the MIEQ scheme, we are also working on that and expecting that it should also be announced soon. So, these are the major sort of action plans that are planned immediately. And we hope that with these actions, sugar prices should get stable and start to move up from here.

- **Mr. Aman Sonthalia – AK Securities**

- Sir, my next question is that it is not stocking up of around 261 production but the way the UP based companies are touching, I have talked to a number of companies where apart from Triveni and Dalmia and Balrampur. So, whether in case the production increases from 261, the government will try to export that surplus quantity also?

- **Management, Dhampur Sugar Mills Limited**

- Yes. So, that is exactly the plan. See, as of now ISMA in its last meeting which happened in January came out with 261. Our next meeting is in March. In case we have to revise any of these numbers for any of the states, whether it be UP or any other state, we have already briefed the government that if it is higher, then the MIEQ which as of now we are talking about 10 to 12 lakh tons can also go up to 20 lakh tons. So that is already in the plan. As far as UP goes and you said 110

lakh tons we have to also and the first point you made is that the cane price arrears are expected to go up. So, what will be the impact of version of cane to other sweeteners? That is also an impact that we will see on sugar. So, right now I am not sure whether UP would do 110 or not. But 103 that ISMA has taken right now can go up but we will be able to comment on that only in March.

- **Mr. Aman Sonthalia – AK Securities**

- And, sir, by the way this year the production is quite high and next year as expected if everything goes well and if the monsoon is going to be good then the production of next year will be even better than this year. So, is there any long term plan the government is taking so, that this type of fall is not going to happen again next year.

- **Management, Dhampur Sugar Mills Limited**

- See, we are already making a plan for a long term export program for India. As on date 2 million tonnes is imported by Bangladesh and that is the raw sugar and about 7 lakh tonnes is imported by Sri Lanka. So, we already asked the government to start a dialogue in which India becomes the preferred supplier of sugar to both these countries. So, that about 2.5 to 2.6 million tonnes can just go to both of these countries. So, if that can be done then I think a large part of our issue will be sorted. And obviously we have other markets like the Middle East and other parts, where the balance million can go if that be the need. So, a long term plan is being worked out, hopefully in the next about 6 to 8 months we will be able to break through with both these countries on the long term trade for sugar.

- **Mr. Aman Sonthalia – AK Securities**

- Okay. And sir, going by the way the working of the present government, they are going to give any incentives. So, do you think that they will charge this on sugar and that cess money will be given as incentives to the sugar industry?

- **Management, Dhampur Sugar Mills Limited**

- See, that is also one thing that we have been working with them for the last 6 months. It is only after GST has come in, we are trying to finding a way that cess can be then be imposed with under the GST and as of now no cess can be imposed. So, we are working with the law department of GOI, to try and find a way to, I mean to create the cane farmers' welfare fund to take care of these sort of, you know, years when sugar prices come down. And just to make sure that

they all are paid on time. So, we are proposing a fund and government is also seeing it really strongly and we believe that you will see some action in this in the coming time.

- **Mr. Aman Sonthalia – AK Securities**

- And, sir, you have installed incineration boilers in two of your plants. So, how much advantage is the company going to get from these two boilers?

- **Management, Dhampur Sugar Mills Limited**

- See, as on date we all know that effluent is very important area and a lot of the distilleries have been closed due to this. After our two incineration boilers have been installed and are now fully functioning, we will be able to run our plant for 350 days. And this will be a big advantage because ethanol will be an area which will be a big money earner for the company. And as I also said in my opening remark that the molasses price has fallen from 4500 per ton to around 200 per ton right now. So, Dhampur wants to take full advantage of this and run our plant for full 350 days.

- **Mr. Aman Sonthalia – AK Securities**

- And any plan to increase the distillery capacity in the future.

- **Management, Dhampur Sugar Mills Limited**

- Yes, this year one of the only capex, is which we are planning is to increase our capacity from 300 KLPD to 400 KLPD. So, that is the plan that the company is working on for this year. And that is only capex that is really being planned this year.

- **Mr. Aman Sonthalia – AK Securities**

- Okay. And last question is regarding this at least the plant will run for a, I think for longer than last year. So, our power generation plant will run for how many days from our own bagasse.

- **Management, Dhampur Sugar Mills Limited**

- So, basically if you see during the time that the sugar mill is on, it will run throughout obviously. And once the sugar mills close which should be around end of April. At Rajpura plant you will expect it to run for about 45 to 60 days further after that.

- **Mr. Aman Sonthalia – AK Securities**
- Okay, and Dhampur at Asmoli because they will run also or they will close.
- **Management, Dhampur Sugar Mills Limited**
- Okay, Dhampur at Asmoli as of now the bagasse that we have saved will be only used to run our this distillery, as on date we have no plans to buy any bagasse from outside.
- **Mr. Aman Sonthalia – AK Securities**
- Okay, sir. Okay, thank you, sir.
- **Management, Dhampur Sugar Mills Limited**
- Thank you so much, Amanji.
- **Operator**
- Thank you. A reminder to the participants anyone wishing to ask a question, may please press star and one. We take the next question from the line of Mr. Shree Shankar from Prabhudas Lilladher. Please go ahead.
- **Mr. R. Shree Shankar – Prabhudas Lilladher Private Limited**
- Hi, gentlemen. I had a query on this. See, last couple of years Maharashtra has been having various kinds of problems in terms of sugar production whereas UP has been more or less on track with two very good years
- **Operator**
- Sorry to interrupt, Mr. Shree Shankar.
- **Mr. R. Shree Shankar – Prabhudas Lilladher Private Limited**
- Yeah.
- **Operator**
- Can you speak bit louder we are not able to hear you.
- **Mr. R. Shree Shankar – Prabhudas Lilladher Private Limited**
- Sorry, sorry.

- **Operator**

- Thank you.

- **Mr. R. Shree Shankar – Prabhudas Lilladher Private Limited**

- So, my question is Do you think Maharashtra sugar production, cane production for the current sugar season could be much higher than what was anticipated?

- **Management, Dhampur Sugar Mills Limited**

- So, when we started if you see that last year Maharashtra produced around 42 lakh tons of sugar. About 3 months back the estimate for this year for that state was about 72 lakh tons, which in the January meeting we enhanced it to 84 lakh tons. So, also if you see from 42 lakh ton last year, we have already taken it upto 84 lakh tons. And we really don't know if by March, this 84 lakh tons can even be higher. So, yes, surely because of the very good water table and very good rain which have happened last year, cane has gone up in that state and if the rainfalls are good this year, these states can do even better next year.

- **Mr. R. Shree Shankar – Prabhudas Lilladher Private Limited**

- So, Effectively if I am not mistaken these are the two states, Maharashtra and UP, which actually determines the sugar production. All others are fringe players including Karnataka and Tamil Nadu etc. Now, in an environment like this a bumper production out here, will it and the demand going it around the 3% per annum per se will it lead to an excess supply over demand for even next year?

- **Management, Dhampur Sugar Mills Limited**

- That is exactly my, what I said earlier there is, if it really happens which is expected as of now vis-à-vis whatsoever you all are hearing even though planting hasn't really happened. Planting will happen from this month till about April so then only we will know exactly what sort of plantings have happened and after that what sort of rainfalls we have. That is why with the government of India we already working on a long term plan, where India will need to export or should have a plan already in place for next year that we may have to export about 3 to 4 million tons. That is why the 2 million tons that Bangladesh imports every year, we all want India to be the only supplier to that country because it is very, very close to us. Sri Lanka imports about 6 to 7 lakh tons of white. Again we all want India to be the one who will want supply that sugar to them. So, we are making a long term plan that for any surplus sugar which is there in India for us to be able to export it out. Because that is the only way to stabilise Indian sugar prices.



- **Mr. R. Shree Shankar – Prabhudas Lilladher Private Limited**
- Okay. My final question. If I look at the global sugar prices it's around now roughly 13½ and 14 cents about. So, effectively that, if I do a conversion it comes somewhere closer to 20 rupees a KG etc. In that environment, how feasible is it for our export because in our domestic prices on the wholesale market itself is around 31 or so, isn't it?
- **Management, Dhampur Sugar Mills Limited**
- Yes, see, you are fully right. There is a loss right now if you have to just do a direct mathematics. That is why when I said about the MIEQ scheme which came out in 2015, the government gave us subsidy for cane prices for those who export just to take care of this loss and we are hoping for the same thing to happen again this year and in future years, that government will compensate us for this loss on between the differential of Indian price and the global prices.
- **Mr. R. Shree Shankar – Prabhudas Lilladher Private Limited**
- Okay, thank you. I will come back if I have any more questions.
- **Management, Dhampur Sugar Mills Limited**
- Thank you so much, Shree Shankarji.
- **Operator**
- Thank you. Reminder to the participants, anyone wishing to ask a question may please press star and one. The next question is from the line of Aman Sonthalia from AK Securities. Please go ahead.
- **Mr. Aman Sonthalia – AK Securities**
- Sir, one more question regarding interest. What will be the interest cost for this year and next year?
- **Management, Dhampur Sugar Mills Limited**
- Our average interest cost is about 8.13% this year.
- **Mr. Aman Sonthalia – AK Securities**
- And what about short term?

- **Management, Dhampur Sugar Mills Limited**
- Short term is at 8.35%.
- **Mr. Aman Sonthalia – AK Securities**
- 8.35%. And this includes the CP also.
- **Management, Dhampur Sugar Mills Limited**
- No. so, CP is separate. CP because we have only done Rs 50 crores right now and we plan to go up to 200. So, Rs 50 crs that we all took right now, is at 7.85%.
- **Mr. Aman Sonthalia – AK Securities**
- 7.85%. So, next year the interest cost will be much lower than this year?
- **Management, Dhampur Sugar Mills Limited**
- See, again the only difference is my working capital drawn because I am going to crush more. As I said that even till 31.12.2017, we have crushed 25 lakh tons of sugarcane, vis-à-vis 19 lakh tons last year. Because I will be making more sugar, so my working capital that I will be using would be higher. But overall if you will see per qtl it will be far, far lower.
- **Mr. Aman Sonthalia – AK Securities**
- Okay. And sir, in how many days we will see this government action?
- **Management, Dhampur Sugar Mills Limited**
- See, the import duty and the reverse stock holding we are expecting it in some time itself. The MIEQ because it will take some time you know to make all the data.
- **Mr. Aman Sonthalia – AK Securities**
- And for the long term policy whether the government is also planning to implement the b-heavy molasses to directly convert into ethanol in Maharashtra and Karnataka.
- **Management, Dhampur Sugar Mills Limited**
- No, for see, b-heavy is an area that we are working on. But for that we need to increase the capacity. As of now the capacity that India has, if you see within our

sugar mills we have capacity of 225 crores litres of RS or alcohol or anything else that you all can make. Even with, and for b-heavy we need to increase the capacity. So, we are asking for a long term bio-fuel policy which, which is being drafted to include b-heavy also the part of it. So, that people can start an expansion program in that area. So that in years of excess like these we can easily take away 1 or 2 million tons of sugar into ethanol.

- **Mr. Aman Sonthalia – AK Securities**

- Okay, sir. Thank you sir, thank you.

- **Management, Dhampur Sugar Mills Limited**

- Thank you, Amanji.

- **Operator**

- Thank you. Reminder to the participants. Anyone wishing to ask a question may please press star and one. Participants if you wish to ask a question, you may please press star and one. We take the next question from the line of Yashpal Madan an individual investor. Please go ahead.

- **Mr. Yashpal Madan – Individual Investor**

- Hello, Mr, Goel.

- **Management, Dhampur Sugar Mills Limited**

- Hello.

- **Mr. Yashpal Madan – Individual Investor**

- Good evening sir, can you hear me?

- **Management, Dhampur Sugar Mills Limited**

- Yes, we can.

- **Mr. Yashpal Madan – Individual Investor**

- Yeah. This is related to your distillery capacity. You have as of now 3 lakhs LPD per day, right.

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

- Yes.
- **Mr. Yashpal Madan – Individual Investor**
- Do you see if you go for 350 days plant usage, you will have to buy molasses from the market or you will be able to use own molasses only?
- **Management, Dhampur Sugar Mills Limited**
- No, so, we have always been a buyer from outside. Even this year for us to be able to run our plant for 350 days, we will be buying about 10 to 11 lakhs quintals this year. But this we will only start buying post about April because of storage capabilities. So, we will be buying about 10 to 11 lakh this year also.
- **Mr. Yashpal Madan – Individual Investor**
- Then this can give you bumper profit basically. If these rates sustain then this will be quite profitable to you.
- **Management, Dhampur Sugar Mills Limited**
- Yes. You know, that is all what we all expect is that because the feedstock prices have come down. So, this should enhance our margin in that segment.
- **Mr. Yashpal Madan – Individual Investor**
- Right, right. I believe you may be only one of the mills who has this kind capacity in distillery in the market in UP?
- **Management, Dhampur Sugar Mills Limited**
- We are one of, we are one of the only ones I think or one of the few ones in India, who actually uses all their and also buys from outside.
- **Mr. Yashpal Madan – Individual Investor**
- So, this has been the trend seen in the previous years also.
- **Management, Dhampur Sugar Mills Limited**
- Excuse me.
- **Mr. Yashpal Madan – Individual Investor**
- This has been the trend last year also, you bought from the market.

- **Management, Dhampur Sugar Mills Limited**
- Yes, we have been actually buying for the last about 3 to 5 years now and that is why we always kept our capacity to be able to use our own fully but still have some spare so that we can buy from outside.
- **Mr. Yashpal Madan – Individual Investor**
- But for bagasse that is not the situation for power.
- **Management, Dhampur Sugar Mills Limited**
- No, for power also we don't buy anything we have got sufficient bagasse that we have for power and even in off season to run distillery. So, we don't even buy bagasse from outside.
- **Mr. Yashpal Madan – Individual Investor**
- So, that you need not do basically.
- **Management, Dhampur Sugar Mills Limited**
- Yeah, that we don't buy.
- **Mr. Yashpal Madan – Individual Investor**
- Okay. And what would have been average sale price in current quarter, so far let's say in one month?
- **Management, Dhampur Sugar Mills Limited**
- Our current average price should have 32.5 because we also have a refinery 40% of our capacity is refinery. So, if I merge the two it should be about 32.5.
- **Mr. Yashpal Madan – Individual Investor**
- The sugar sale price you are saying.
- **Management, Dhampur Sugar Mills Limited**
- Right.
- **Mr. Yashpal Madan – Individual Investor**

- Okay, okay. Then what do you see overall recovery in this season, can it cross 11...
- **Management, Dhampur Sugar Mills Limited**
- See, we have improved from 10.39% from last year to 10.6% as of 31.12.17. So, we have 0.21 increase for these up till 31.12.17. The trends as of now seems to be extremely positive and by the end of this season. Last year we closed our season at 11.03, our group average. This year it will be at least higher by I would say, it will higher for sure. Exact number I won't be able to say right now. But 0.21 is increase upto 31.12. So, you can expect more increase upto 30<sup>th</sup> of April.
- **Mr. Yashpal Madan – Individual Investor**
- You are saying last year whole season was for 11.03.
- **Management, Dhampur Sugar Mills Limited**
- Correct.
- **Mr. Yashpal Madan – Individual Investor**
- Okay, okay. And how much sugar you have sold in current quarter, quantity?
- **Management, Dhampur Sugar Mills Limited**
- 1.77 lakh tons.
- **Mr. Yashpal Madan – Individual Investor**
- Okay. And average price will be about 3500 or more.
- **Management, Dhampur Sugar Mills Limited**
- Right, 35.9 per kg.
- **Mr. Yashpal Madan – Individual Investor**
- 35.9. Okay, so, let's say if these kind of sugar prices stay even ar d 32, if your current quarter average comes to around 32.55. So, still you will make some money in sugar, there is no question of losing money in sugar segment.
- **Management, Dhampur Sugar Mills Limited**

- Yes, that's right, because also we have to see that you all are expecting own selves with improved recovery up till 31<sup>st</sup> March, this 32.55 should also come down as of 31<sup>st</sup> of March.
- **Mr. Yashpal Madan – Individual Investor**
- No, 32.55 is your sale price or your production price for your current quarter?
- **Management, Dhampur Sugar Mills Limited**
- Yeah, so, my stock valuation as of now which is at 32.55. We all believe that as on 31<sup>st</sup> March because of better efficiency in the factories, this should come down as of 31<sup>st</sup> of March.
- **Mr. Yashpal Madan – Individual Investor**
- Right, at least you will make some marginal profit basically if let's say this trend continues for the whole of the quarters.
- **Management, Dhampur Sugar Mills Limited**
- Correct.
- **Mr. Yashpal Madan – Individual Investor**
- Okay, thank you. Thanks a lot.
- **Management, Dhampur Sugar Mills Limited**
- Thank you so much, Yashpalji.
- **Operator**
- Thank you. The next question is from the line of Mr. Shree Shankar from Prabhudas Lilladher. Please go ahead. Hello, Mr. Shankar.
- **Mr. R. Shree Shankar – Prabhudas Lilladher Private Limited**
- Hello.
- **Operator**
- Yes, sir, please go ahead with your question.
- **Mr. R. Shree Shankar – Prabhudas Lilladher Private Limited**

- Yeah, the current prices of your ethanol alcohol is actually down, why is it remaining so low or do you think this scenario to continue especially when orders have come for blending much more?
- **Management, Dhampur Sugar Mills Limited**
- Ethanol price for Q3 was lower at 38.3 because of the fact that the new tender only came out as of 1<sup>st</sup> of January. So, up till 31<sup>st</sup> when we were supplying against the old tender. So, now in this quarter which is January onwards which the price is now about 40.85 is the price that you will see now going forward from January onwards.
- **Mr. R. Shree Shankar – Prabhudas Lilladher Private Limited**
- Okay. Yeah. Second is regarding the international scenario in sugar. Can you throw some light on what kind of scenario from your point of view in international price format in terms of demand and supply?
- **Management, Dhampur Sugar Mills Limited**
- As of now, for 2018 about a 5 million tons surplus is expected globally. Obviously this can go up if India was to produce a bit more. So, globally for this year as of now, that's why you are seeing sugar price globally at about 13.5 cents because of this global surplus. Even 19 as of now people are talking about the surplus. So, seeing the sugar prices in New York, I believe there will be around 14 cents. and I don't see them going up in the next at least 12 to 15 months.
- **Mr. R. Shree Shankar – Prabhudas Lilladher Private Limited**
- Okay. Thank you.
- **Management, Dhampur Sugar Mills Limited**
- Thank you, so much.
- **Operator**
- Thank you. Reminder to the participants anyone wishing to ask a question may please press star and one. We take the next question from the line of Yashpal Madan an individual investor. Please go ahead.
- **Mr. Yashpal Madan – Individual investor**
- Mr. Goel.



- **Management, Dhampur Sugar Mills Limited**

- Yes.

- **Mr. Yashpal Madan – Individual investor**

- As you are one of the leading players in the industry. Just I want to know your view why price have fallen so much in sugar. Primary reason can be there is more supply in the market because of the crushing season but that happens every season. But no one is anticipating that the prices will come down by 5 to 6 rupees, right. Is it more of speculative activity or no one is wanting to stock it expecting prices to fall further. So, what's, what's your own gut feeling or your assessment?

- **Management, Dhampur Sugar Mills Limited**

- I think all the points that you have said are true. I think one is there just a panic in the market expecting India to have 2 to 3 years of surplus, which like we really don't know right now. India has started the season with its lowest opening balance of 38 lakh tons. I think it is just a panic in the market. Certain people have spread rumours about next year's crops being as high as 300 lakh tons or 310 lakh ton, which we have no clue about. So, I think it is just rumours and speculation which have led towards, to this drop in the price. Yes, there is a bit of panic amongst certain sugar mills, amongst certain companies who do not have a limit. They all are under pressure to sell. So, I think that these 3 or 4 reasons are what will you know, be the main fact for these prices to come down from their 36 to the 31 odd level.

- **Mr. Yashpal Madan – Individual investor**

- Right. So, now coming to let's say what government can act and support at this point of time. Okay, if we look at increasing the import duty I don't think that is going to help it any which ways, right. Anyway there are no imports happening even from Pakistan also there are no imports so far. Although there have been rumours in the markets that supply is coming from Pakistan. If they announce export duty then also they need to subsidize, whether they will do it or they will not do, we don't know. So, frankly even if these two things come maybe sentimentally it may help but overall I doubt it will have any, you can say medium term effect also, short term definitely sentimentally it may have like now when they remove the stock quota for the traders and all, it just helped for few days and then the situation was same. So, what else the industry can do or may be government can do pragmatically which can help to save the industry. Otherwise

what's happening is again when we talk to the investors who are investing in sugar companies, they are too scared of investing in this sector. Their confidence was getting built in but then again in last 2, 3 months it has got shaken. If you see institutional participation is very, very low in this sector. They don't see any predictability, they see there is a lot of government interference. So, those negativities are still there and they are coming up more now frankly.

- **Management, Dhampur Sugar Mills Limited**

- See. You are very right. But the other things that, see, the most important thing is that in case there is any surplus that has to move out of India. And that is the only way in the long term India can have a stable sugar price. From the side of government, MIEQ is, an area which we are working very strongly with them, it is very important for us to export it out. And that is the only way. I fully agree these things can have short term effect. Long term effect will only happen when the excess of sugar is moved out.

- **Mr. Yashpal Madan – Individual investor**

- Why, why government should take a hit in you can say helping in exports and, and it brings the food inflation down. It's an essential commodity basically and for in general for public, its better if the price is lowered basically. Why government should come and subsidize it for exporting basically?

- **Management, Dhampur Sugar Mills Limited**

- Sir, you have to remember is we are one of the only one in which my input cost is fixed by government. My output cost is free. As on date in case the sugar mills also wants to not operate their mill, because of the fact that they can see losses, they don't even have right not to run their mill. So, when government is going to fix a price for sugarcane, if there is deficit or if there is a loss, government to basically take care of the crores farmers from whom we all buy cane from, will have to come forward and help out anybody in sugar. In case sugarcane price was free then you are fully right to say, why should the government ever help you all out. But as on date that is not the case, my cane prices are fixed while my sugar prices are free. And that is the reason why GOI has always helped us and will carry on helping us.

- **Mr. Yashpal Madan – Individual investor**

- Yeah, let's say they take too long ultimately the sugar mills will bleed and smaller mills must be under so much pressure already. You guys may still survive, the

bigger ones, you have liquidity, you can sustain, you may be still paying in time. But smaller ones we are hearing already there are a lot of back log of Rs 2000 crores in sugarcane payments.

- **Management, Dhampur Sugar Mills Limited**

- You are very right and this is the reason which is worrying the government also both at the state and at the centre and that is why you can expect action to be sooner than later. I can only say that this government has been extremely proactive with us. They have been calling us for meetings of all levels almost every week. So, I do expect certain very good actions to take place very, very soon.

- **Mr. Yashpal Madan – Individual investor**

- Sir, let's say they don't take any action, let's say, let's say the situation, then can industry decide that we will not crush further, it's not viable for us. And if the price goes down by another 100 rupees you will be losing money.

- **Management, Dhampur Sugar Mills Limited**

- See, it is like again we have also take care about our farmers. Because we are dealing with total 5 crores farmers whose livelihood depends on sugar mills running. So I will say that for a long term or even for a short term, it is extremely important for sugar mills to also take charge as a social cause also, if it may be. And to say that we will crush the cane of our farmers. The biggest risk here is not the cane being crushed but the payment to the farmers. If we have huge cane price arrears like what we had in 2014-15, the government, both the state and the centre came out to help the sugar mills and that is how the cane price was cleared. And I do believe that if the scenario was to repeat itself the same thing will happen once more.

- **Mr. Yashpal Madan – Individual investor**

- Okay, sir, let's hope for the best.

- **Management, Dhampur Sugar Mills Limited**

- Thank you so much, sir. Thank you.

- **Mr. Yashpal Madan – Individual investor**

- Yeah.

- **Operator**

- Thank you. Ladies and gentlemen that was the last question and I now hand the conference over to Mr. Shree Shankar for the closing comments.

- **Mr. R. Shree Shankar – Prabhudas Lilladher Private Limited**

- Thank you Mr. Goel and entire team of Dhampur Sugar, Sugar Mills for patiently answering all the questions that the investors and the analysts had. And thank you all the analysts for participating as well.

- **Operator**

- Thank you.

- **Management, Dhampur Sugar Mills Limited**

- Thank you so much.

- **Operator**

- Ladies and gentlemen, on behalf of Prabhudas Lilladher that concludes today's conference. Thank you for joining us and you may now disconnect your lines, thank you.