



DHAMPUR SUGAR MILLS LTD

Q2 FY19 EARNINGS CONFERENCE CALL-01 NOVEMBER 2018

Moderator

Ladies and gentlemen, good day and welcome to Dhampur Sugar Mills Limited Q2 FY'19 earnings conference call hosted by Prabhudas Lilladher Pvt. Ltd. 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 beliefs as well as assumptions made by information currently available to the management. As a reminder, all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' then '0' on your touch tone phone. Please note that this conference is being recorded. I now hand over the conference to Mr. Prasanth Biyani from Prabhudas Lilladher Private Limited. Thank you and over to you.

Mr. Prasanth Biyani – Prabhudas Lilladher Pvt. Ltd.

Hello everyone, on behalf of Prabhudas Lilladher, I welcome you all to the Q2 FY 19 earnings call of Dhampur Sugar Mills. From the management side we have Mr. Gaurav Goel - Managing Director, Mr. Nalin Gupta - the CFO, Mr. Vineet Gupta - Chief GM of Finance and Mr. Akshat Kapoor – GM (Finance). Thank you everyone for joining the call

from the management side. So I would request the management to discuss about the company's results and key industry trends for the second quarter and then we will start with the Q&A. Over to you, sir.

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

Thank you so much. Good evening and a very warm welcome to all at Dhampur's Q2-H1 FY 19 earnings call. India as you all know, in the year 2017-2018 produced 32.2 million tonnes of sugar. Early estimates for this year was India to improve or to increase our sugar for next year at about 35 million tonnes. But the recent less monsoon in the western part of India and heavy rains in the northern part of India has damaged a part of the cane crop and now what is expected is that India will produce 32 million tonnes this year. Also approximately 4.5-5 lakh tonnes of sugar will get diverted to B-heavy which will go to the oil companies. Therefore what is expected is India to produce 31.5 million tonnes next year.

Currently the sugar prices are around Rs. 32- Rs. 33 per kg in the northern part of India. The central government because of the heavy stock that India has; India's closing stock as of 30/09/2018 was 10.7 million tonnes. The government has announced an export quota for all the 530 sugar mills of 5 million tonnes. This export has to happen by 30/09/2019.

On the ethanol side, the government has increased the prices – for C-heavy they have increased the price to Rs. 43.46 per litre, for B-heavy they have taken the price to Rs. 52.43 per litre and for cane juice at Rs. 59.13 per litre. On the UP government side, they have also announced certain schemes; the first one being that 4.5 per quintal of cane will be

paid by them directly to the farmers and for the balance they have said a Rs. 4, 000 crores of soft loan for the UP sugar mills.

I will now come to Dhampur specifically. On the sugar side, our total sales position for the quarter stood at 1.12 lakh tonnes. Our sugar prices were Rs. 32.4 per kg in Q2 of FY 19 compared to Rs. 37 per kg in Q2 FY 18. Our total sugar inventory as of 30/09/2018 stands at 2.42 lakh tonnes and which has been valued at an average cost of Rs. 29.47 per kg. On our chemical side, we have sold 222.84 lakh litres including Ethanol to the oil companies at an average price of Rs. 39 per litre as against 112.74 lakh litres last year at an average price of Rs. 38 per kg. The company has also sold during this quarter 42.91 lakh kgs of chemical at an average price of Rs. 71.44 per kg as compared to 14.89 lakh kgs of chemicals at an average price of Rs. 54 last year. During the quarter ended 30/09/2018, Dhampur on the power side had generated 1.68 crores units of power against 1.87 crores last year and has exported 33 lakh units compared to 91 lakh units last year. The average price of power this quarter was Rs. 5.33 per unit as against Rs. 4.81 last year. The company has made repayment of long-term loans of Rs. 40 crores during H1 of FY 19 resulting in our long-term loans coming down from Rs. 495 crores as of March 2018 to Rs. 463 crores on September 09, 2018.

I would now ask Nalin Gupta to take you through the numbers of the company. Thank you.

Mr. Nalin Gupta – CFO, Dhampur Sugar Mills Ltd.

Hi, good afternoon everyone, I will now take you to the financial highlights of the company. Our total revenues, EBITDA and PBT for Q2

FY 19 stood at Rs. 532.8 crores, EBITDA at Rs. 74.3 crores and PBT at Rs. 44.3 crores, as compared to revenue of Rs. 802 crores last year, EBITDA of Rs. 91 crores last year and PBT of Rs. 51.6 crores last year in the same period. Our total revenue for H1 stood at Rs. 1267 crores against Rs. 1696 crores last year. EBITDA stood at Rs. 167.8 crores this year as against Rs. 218 crores last year. PBT stood at Rs. 93 crores against Rs. 121.3 crores last year. Our interest cost has reduced to Rs.18.4 crores as against Rs. 28 crores last year.

If I go to the division wise performance, the sugar division reported a revenue of Rs. 375.3 crores which contributed around 65% of the total revenues as against Rs. 750 crores last year. Sales volumes stood at 1.12 lakh tonnes as against 1.95 lakh tonnes last year. Realisations stood at Rs. 32.4 per kg as against Rs. 37 per kg last year. EBIT in the segment stood at Rs. 26.7 crores against Rs. 91.3 crores last year. In the distillery segment, revenues from ethanol during this quarter stood at Rs. 118 crores against Rs. 51 crores last year. EBIT in the segment for this quarter stood at Rs. 52.5 crores against Rs. 6.5 crores last year. In the power segment, revenues stood at Rs. 22.8 crores and EBIT stood at Rs. 4.6 crores against power realisations stood at Rs. 5.33 per unit as against Rs. 4.81 per unit last year. These are the broader numbers.

So I would like to invite the questions and queries if you have any.

Moderator

Thank you very much, sir. We will now begin the question and answer session. Anyone who wishes to ask a question may press '*' and '1' on your touch tone phone. If you wish to move yourself from the question queue, you may press '*' and '2'. Participants are requested to use

handsets while asking the questions. We will wait for a moment while the question queue assembles.

We have our first question from the line of Abhishek Rao from Stuart and Mackertich. Please go ahead.

Mr. Abhishek Rao – Stuart and Mackertich

Good afternoon sir, and thank you for taking my question. Sir, my first question is the sugar that is sold to this quarter. Sir, why was it low? Any reason....

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

As you know in the month of June the government has come out with the again the same time of release that they had till 2012. So because as you know that in India the overall stock is very high, that is why the quota that every sugar mill got was lower than what it was earlier. Earlier we were free to sell as much as we wanted every month. So this 1.12 lakh tonnes that we sold during the Q2 was as per the release order that we got from the government of India.

Mr. Abhishek Rao – Stuart and Mackertich

Okay, so is that in terms of percentage that you are holding?

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

Excuse me?

Mr. Abhishek Rao – Stuart and Mackertich

Sir, is that any certain percentage of the inventory you are holding?

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

Yeah, so my inventory as of 30/09/2018 was 2.42 lakh tonnes of sugar.

Mr. Abhishek Rao – Stuart and Mackertich

Okay and sir what is the current price for sugar?

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

The current ex-mill price for North India is hovering around Rs. 32 to Rs. 33 per kg right now.

Mr. Abhishek Rao – Stuart and Mackertich

Okay, sir but as I enquired, I got to know few information. I came to know that it is currently quoting at around Rs. 34 – Rs. 34.5, in few regions in UP.

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

No, see Rs. 34 or Rs. 33.5 to Rs. 34 is the price of refined sugar. The price of the normal sugar which is sold that is around Rs. 32 to Rs. 33 per kg. You have to also realise that a lot of the sugar which is now being sold is basically very old sugar, which is over I mean almost close to about 8-9-10 months old, which has also got slightly moist. So that is why we give a range of Rs. 32 to Rs. 33. The Rs. 34 per kg sugar is a very small fragment of the total sale.

Mr. Abhishek Rao – Stuart and Mackertich

Okay, okay now I understood. And sir, what do you think like what will be the realisation going forward for the raw sugar?

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

See right now if you see New York has firmed up, I mean New York has come down in the last three days. But even if we take about 13.3 cents which is the price right now, it comes to about \$ 305 which is if we translate that into rupees comes to around Rs. 21 to Rs. 21.5 per kg.

Mr. Abhishek Rao – Stuart and Mackertich

Okay, sir. And sir, what is your expectation for this plant? I mean what do you think, because as per the trend we have seen earlier that during the election year the stocks for the UP sect generally goes up. So do you think that a similar kind of trend will be there in this year as well?

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

Abhishek, a lot of dialogue has been happening at Lucknow at various levels around the cane price. Seeing the surplus that India has, seeing all the sugar that is there and even after exports India will still not be able to bring down its closing stock for the next year, I hope that the government of UP doesn't increase the cane price right now.

Mr. Abhishek Rao – Stuart and Mackertich

Okay, okay and what will be the MSP, like do you think there will be any, like MSP will be there again? Because what I.....

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

Carry on please.

Mr. Abhishek Rao – Stuart and Mackertich

...yeah, because what I believe that right now UP is having around Rs. 6000 crores of cane arrears that need to be cleared off. So if the sugar prices don't go up, then I think the mills won't be able to pay to the farmers. Correct me if I'm wrong on that part.

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

The total cane price arrears as of UP which I saw last was around Rs. 8500 crores. Out of that, Rs. 4000 crores is what they're offering as a soft loan to the sugar mills and the Rs. 4.5 per quintal of cane which they are giving as a grant which comes to approximately Rs. 450 crores. As far as Dhampur goes, we all believe that with this soft loan and with this 4.5 and with our power dues that are there with the government, we will be able to clear our full cane price. There may be certain companies whose arrears still might stay. But I do believe that a large part of the last year's cane price arrears will get cleared with these two things.

Mr. Abhishek Rao – Stuart and Mackertich

Okay, okay. And sir, now coming to the ethanol part, sir what was the average realization for this quarter?

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

It was Rs. 39 per litre.

Mr. Abhishek Rao – Stuart and Mackertich

Rs. 39 per litre, okay. And sir, what do you think, like going forward will the sugar production and also the government promoting what will be your contribution from the b-grade molasses and c-grade molasses?

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

Yes, so basically we have tendered for about 10.5 crores litres this year for the new tender which is starting on 01/12/2018. Out of that, 3.7 crores litres we have offered from B-heavy and the balance from C-heavy. As you know that we all have very high capacity of ethanol in the company, we all have a capacity up till now of 300 KLPD which we are taking up to 400 KLPD. Total expansion for my Dhampur unit will be in stream by the end of January and for the asmoli plant in February. So then we will become 400 KLPD and we will still have to buy from outside. So that is why we are the largest supplier of B-heavy in the state of UP right now.

Mr. Abhishek Rao – Stuart and Mackertich

Okay so that will continue in the same ratio, right?

Moderator

Excuse me Mr. Abhishek Rao, this is the operator sorry to interrupt you, sir. May I please request you to come back in the queue for further questions?

Mr. Abhishek Rao – Stuart and Mackertich

Yeah sure just one last question on that one. So sir continuing on the part, so that will be my ratio going forward, right? Like 30% from B-heavy or 35% from B-heavy and 65% from C-heavy, right?

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

Correct.

Mr. Abhishek Rao – Stuart and Mackertich

Okay sir. Thank you so much sir, I will be back in the queue.

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

Thank you Abhishek.

Moderator

Thank you. Participants are requested to restrict your questions to two per participant. We have our next question from the line of Yash Agarwal from JM Financial. Please go ahead.

Mr. Yash Agarwal – JM Financial

Hello?

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

Yes hi Yash.

Mr. Yash Agarwal – JM Financial

Yeah hi Gaurav. Gaurav, continuing from that you know that distillery question, so ideally the ethanol realisation will move up to 43 – 44 right, on a blended basis next year for the 10.5 crores litre?

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

See for us it will be higher because as I just said that out of the 10.5 crores about 7 I am giving from C-heavy where the price is Rs. 43.46 and I'm going to give 3.5 to 3.7 crores from B-heavy where the price is Rs. 52, so the blended rates should be around Rs. 46 for us.

Mr. Yash Agarwal – JM Financial

Got it. And what is the cost difference between B-heavy and C- heavy for you?

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

See the cost difference is basically the loss of sugar. I will lose sugar when I make from B- heavy, so that is my total loss. But because of the higher price which I get from B-heavy that is totally compensates by sugar loss. But the only advantage here is that I'm able to supply the B-heavy ethanol over a period of six months while the sugar I would have been able to sell over a period of 18 months. Secondly, the government has also said that the sugar loss that I have out of B-heavy, that I will get higher release for my sugar which I will have. So I will have an interest cost saving also because I will be able to sell more sugar than anyone else because of my B-heavy capacity.

Mr. Yash Agarwal – JM Financial

Got it. So for a division as a whole like, if I see right now in the past two quarters you have been making Rs. 25 per litre. With the realisation moving up, it should be in excess of Rs. 30 per litre, right? The EBIT per litre?

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

See it will be a lot more, yes for surely the prices are higher so we should get an advantage on that side vis-à-vis this year. We will have to see the cost of molasses is what we will get next year as you know that the cost of this year was almost very, very low. So if UP wants to

produce the same amount of sugar as what we did last year, then I do believe that these prices will stay low and this should increase the profit. But we will have to wait till about January for us to know what is the sort of pricing happening on the raw material front.

Mr. Yash Agarwal – JM Financial

Got it, also so now on sugar the question, you know what is the; assuming the SAP prices stay here, what is the cost of production that you are looking at for sugar division?

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

See, I mean like as you know that last year my cost on blended basis was about Rs. 30.5 per kg for the group. If the SAP stays the same it should be at the same sort of level we may slightly improve because of the cane development work that we have done. But currently you can take it at Rs. 30.5.

Mr. Yash Agarwal – JM Financial

Okay, also you know from the understanding perspective I want to understand, last year what was the transfer pricing for molasses that you all used or in the past quarter?

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

It was 200 per tonne, so 200 per tonne was for last year. Of course if we all speak about, I mean like if we all talk about 2 years back, 2 years back the same transfer price was 3500 per tonne.

Mr. Yash Agarwal – JM Financial

Got it. So what is the cost of molasses that you all take in the sugar division or is that accounted in the sugar.....?

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

So if the transfer price is 200 per tonne that we all take so the same income is taken on the sugar side.

Mr. Yash Agarwal – JM Financial

So there is no basically, the molasses prices does not impact the sugar division profitability at all.

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

No, it will right. So if this price is lower, then the sugar segment will have lower profits. If this price is more, it will have a higher profit and it is the totally opposite on the side of the chemical side. If the material which you are getting either from your own sugar mill or what you buy from outside is lower, then this profit and loss impacts out there. So as far as Dhampur goes because we use all of our captive, if the prices are low that impacts my segment of sugar but it's compensates me on the chemical segment and otherwise the other way round. So far us it is a zero impact play. Out here the advantage that we have is we also buy from outside a part from me using our total in-house we also buy from outside. So obviously in years of surplus of molasses we are able to take advantage of that and have higher profits on the chemical side.

Mr. Yash Agarwal – JM Financial

Got it,..

Moderator

Excuse me Mr. Agarwal, sorry to interrupt you again. If you may please join back the queue for further questions?

Mr. Yash Agarwal – JM Financial

Okay, fine.

Moderator

Thank you. We have our next question from the line of Varinder Bhansal from Pantomath. Please go ahead.

Mr. Varinder Bhansal – Pantomath

Good evening sir, thank you for the opportunity. I just wanted to understand, I read somewhere that after the expansion of this 100 KL you are further looking to expand by 200 KL, is that correct?

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

See that is the plan that we all have kept in mind that is the plan we all have got. But as I again said, we will be waiting for a couple of months. We all have been hearing of a very bad cane crop happening in the western part of India and that may also impact in the year 2020. So we will have to keep all these things in mind prior to us taking any further expansion. But when we will actually implement it, we will be taking a call later.

Mr. Varinder Bhansal - Pantomath

Okay, so I can assume that for this year below the expanded capacity will only run for one quarter which is the last quarter, financial year. And in next year we will have the entire benefit of 400 KL on the distillery.....?

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

That is right, correct.

Mr. Varinder Bhansal - Pantomath

Which means around 11-12 crores we will be producing from the distillery.

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

Correct. So we all have a target ourselves of about 13.5 crores but you can assume 12 on a safe basis.

Mr. Varinder Bhansal - Pantomath

Okay and as previously mentioned that the EBIT per litre could be as high as nearly Rs. 27, you know on the distillery side which you mentioned and acknowledged. On the sugar side we are estimating how much sir? Will it be same like 75 crores C-heavy or you expect more to go here as well?

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

See out here as far as, as of now there has been very late rains in the northern parts of India. Our one plant is starting today and the other four will start in the next 10-12 days. We will just have to wait for the yields to come in because we have been hearing varied stories of yields

per acre and also of the sucrose in cane right now due to these late rains. So we will just have to wait for that but for surely we all do feel that our cane crushed should not be lower than what it was last year. We had for surely made a target for it to be higher but in the next con call I will be able to give you all better numbers on what we expect our total cane crush to be this year.

Mr. Varinder Bhansal - Pantomath

This is my last question sir. In terms of CAPEX, because we have already done the entire CAPEX now, so you will not be needing any money right, because we have produced that in the last quarter? So we are not looking for any CAPEX very, very soon one thing. And second part of the question is that there are some contingent liabilities which are very old which are still staying in the books of the company, some old taxes which have not been paid, any views on that?

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

Okay you know what I will just talk about the first point first. Yeah, on the CAPEX as of now we have no plans for CAPEX. As I said earlier the 200 KL further expansion, that call we will be only taking later once we have some sort of an idea as to what will be the sugarcane crop in 2020. So on that basis we will see whether we want to expand by 200 KLPD or by 100 KLPD.

On the liability side, I'm not very sure they are of any major number and on this most of them have now been settled and the amounts won't be very, very large on the side. Would you like to give any further details on this?

Management – Dhampur Sugar Mills Ltd.

So the liability is shown as contingent liabilities are mostly on part of the direct or indirect tax which are in routine matter. So we provide as per the demand raised, and we are in some of the cases, we are at the First Appellate, some of the cases at the High Court level, some of the cases we are Supreme Court level.

Mr. Varinder Bhansal - Pantomath

So these were over some 100 crores, that is why I mentioned and it is very old case of last 5-10 years which are still pending.

Management – Dhampur Sugar Mills Ltd.

So they are different levels of adjudication, so we don't see any, as of now till date we don't see any major liability crystallising. So they are pending, so that is basically the statutory requirement that we have to provide all the cases.

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

Rather I mean, I would the legal cell has said that we are very strong on all of those cases. So only those where we believe that we have a fair chance of winning, they are the only ones which are here.

Mr. Varinder Bhansal - Pantomath

Got it sir, thank you so much. I will be in the queue.

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

Thank you so much.

Moderator

Thank you. We have a next question from the line of Nikhil Vaishnav from VD Investments. Please go ahead.

Mr. Nikhil Vaishnav – VD Investments

Thank you for the opportunity sir.

Moderator

Mr. Vaishnav, we can't hear you clearly. Could you please answer the handset? We cannot hear you clearly sir.

Mr. Nikhil Vaishnav – VD Investments

Yeah sure, am I audible now?

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

Yeah better.

Mr. Nikhil Vaishnav – VD Investments

Yeah so this year ISMA has lowered the sugar production. So how do you see our sugar production will be in FY 19? And also if you could guide us with the revenue growth in FY 19?

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

So basically ISMA in its new estimate which came in only on Monday has brought down. But the major decrease in the western part of India where earlier they had estimated that it will produce about 11.4 million tonnes which has been brought down right now to 9.5. UP which was

expected to produce 13 we have brought it back to the same level as last year which is 12 million tonnes. As far as Dhampur goes, what I had said earlier as on date we all believe that we will be at least the same as last year if not slightly higher. But in the January call once we actually gain the yield per acre numbers out because of the late rains I will be able to give you a better number as to how much Dhampur will crush. But we do believe it will not be lower than last year.

Mr. Nikhil Vaishnav – VD Investments

Okay and any revenue you target which you see in FY 19?

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

No, we have not done anything of that sort right now.

Mr. Nikhil Vaishnav – VD Investments

Okay no issues. How much is our molasses and bagasse stock quarter-on-quarter, if you could provide some number? Any volumes...

Management - Dhampur Sugar Mills Ltd.

molasses as on date is 8.2 lakh quintals with us and what else? Sugar quantity you were asking for?

Mr. Nikhil Vaishnav – VD Investments

Bagasse?

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

Bagasse we don't have too much in stock, bagasse we don't have too much in stock and about 8 lakh quintals of molasses we had on stock as of 30/09/2018.

Mr. Nikhil Vaishnav – VD Investments

Can you provide the volume numbers for also?

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

Sorry I can't hear you very, very clearly.

Mr. Nikhil Vaishnav – VD Investments

Sir do you provide volume numbers also for these molasses and bagasses?

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

Volume number are.....you mean value numbers or...?

Mr. Nikhil Vaishnav – VD Investments

Volume?

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

No, so they all are in stock with us right so we value it at cost.

Mr. Nikhil Vaishnav – VD Investments

Okay so what is the cost?

Management - Dhampur Sugar Mills Ltd.

It is Rs. 20 per quintal.

Mr. Nikhil Vaishnav – VD Investments

Okay for molasses right?

Management - Dhampur Sugar Mills Ltd.

Yeah for molasses.

Mr. Nikhil Vaishnav – VD Investments

Yeah and one more question. In Q4 FY 18 we have won some tenders for supplying of 81 million litre of ethanol. So just want to know where we are right now? Have we completed this tender?

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

We are on course to supply 8 crores out of that. So there is a gap you can (+) or (-) 5%. So we all are in line to do our full quantity of supply to the OMCs.

Mr. Nikhil Vaishnav – VD Investments

Okay so what about revenues? It is showing for FY 19 or have ?

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

So this is shown quarter-on-quarter. So the revenue on the chemical side which you have seen of Rs.118 crores for this quarter and the Rs. 256 which you are seeing for the half-year ended, that includes supplies which have happened for these six months and obviously we are carrying on supplying because the new tender will start from 01/12. So

this tender ends on 30/11 and then from 01/12 the new tender will start. So you will see these numbers every quarter.

Mr. Nikhil Vaishnav – VD Investments

Okay, that is it from my side. Thank you.

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

Thank you.

Moderator

We have our next question from the line of Chaithanya Shah from Aditya Corporation. Please go ahead.

Mr. Chaithanya Shah – Aditya Corporation

Sir hi sir.

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

Hi good afternoon.

Mr. Chaithanya Shah – Aditya Corporation

Sir I just have one question.

Moderator

Mr. Shah I request you to please answer the handset. We can't hear you clearly sir. It is too low.

Mr. Chaithanya Shah – Aditya Corporation

Hello?

Moderator

Please go ahead sir.

Mr. Chaithanya Shah – Aditya Corporation

Yeah, so I just have one question. This is regarding to the segment revenue section in the quarter we got yesterday. This is an item which is known as others which is Rs. 61.41 crores. Could you just let me know what this other segment revenue is?

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

They all are basically our trading activities that we all do that we club in the others. So we trade in various products which we give to our farmers, everybody else. So they are these products which come under others, which is seen out here.

Mr. Chaithanya Shah – Aditya Corporation

Okay so is there a stable run rate of these activities over the year or it really depends and are very different year-on-year?

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

No, they all are pretty standard as such vis-à-vis quarters because the supply that we do for so basically when we supply pesticides and all to our farmers, they all more in this quarter of Q2 because this is the main time after the cane planting. So it will vary a lot but it is almost going to be the same year-on-year.

Mr. Chaithanya Shah – Aditya Corporation

Okay, okay, thank you sir. That is that from my side.

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

Thank you.

Moderator

Thank you. We have our next question from the line of Rithika Agarwal from Quest Investments. Please go ahead.

Ms. Rithika Agarwal – Quest Investments

Hello?

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

Yes hi, Rithika.

Ms. Rithika Agarwal – Quest Investments

Hi thank you sir for taking my question. Sir the government is talking about a biogas opportunity for setting up 5000 biogas plants over the next 4-5 years, and one of the raw materials that has specified could be sugar mill residue. So is the company seeing this as a good opportunity going ahead?

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

You know these are still very early stages of that because you know to basically, we have started to study it but it is a very new thing which has come up. We do not know who the buyers are, how the supply will

happen, what will be the pricing of it, so we are studying on it but haven't taken a call on it. We are still waiting for this program to actually start and then see as to how it happens. After that, yes there is an opportunity for us to basically also put our gas that we have from process in to tank, but we will be waiting for at least till March prior to us trying to commit any CAPEX on that area.

Ms. Rithika Agarwal – Quest Investments

Okay, okay sir that is it from my side. Thank you

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

Thank you.

Moderator

Thank you. We have our next question from the line of Mr Shah. Please go ahead

Participant

Yeah thanks for the opportunity sir. So my first question is on the level of integration that we currently have. So what is the molasses requirement that we have and how much do we procure from our in-house sugar crushing?

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

So if we see for FY 19, we will have to buy approximately, what we have seen about 1.2 lakh tonnes from outside. That is because of the fact that as I said earlier that we will supply 3.7 crore litres out of our own B-heavy. If we had not done B-heavy, my total need to buy from outside

would have been about 2.1 lakh tonnes which is now at about 1.2 lakh tonnes. So that is the sort of molasses that we will need to buy from other sugar mills.

Participant

And this 1.2 lakh tonnes would be taking into account the new capacity.

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

Yes, that is for the 400 KLPD plant.

Participant

And this new capacity is already up and running?

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

No. So the 50 KLPD should be up and running by the end of January and the balance 50 KLPD will be up and running by the end of February.

Participant

Okay so this 100 KLPD would be available for this as well?

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

Yes, correct

Participant

Yeah right, sir and if you look at the total numbers in for we have 400 KLPD of distillery capacity so what we are saying is this 10 crores number, that excludes the ENA portion right?

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

Yes. This is only the supply or the tender that we have done right now for the OMCs the balance we will be doing ENA, RS and Chemicals as we've always done.

Participant

Okay and at full so if you take this 400 KLPD and working of the distillery for let's say 320-330 days, what would be our peak capacity that we can do?

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

So we all are as I said earlier, we have a target of 13.5 crore litres this coming year and if we assume 320 days, it will come down to about 12.8 crore litres.

Participant

Okay and sir one more thing on this molasses that we buy from outside, so currently the prices are at the bottom but if we like going forward if you see that the sugar output goes down and the molasses prices go up, then our profitability would be impacted vis-à-vis someone who is fully integrated, right?

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

No, so we are fully integrated right, whether we have our option, whether we want to buy it from outside or not. As you know that we can show our total captive plus we have the capacity to also buy from outside and that is what we have been doing for the last about 10 years.

We will be seeing what is the price of that, but the peak price cannot go over the price of ENA , otherwise you know there will be no buyers of that. So that is why there is already a checks and balances are there as to how high the price can go up to.

Participant

Sir and one last thing on this new distillery that we have put up, is this the technology which we had been using for our other distilleries and whom have we got this plant commissioned from?

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

So this is not a new plant, this is basically an expansion of my two plants which I already had. The Dhampur plant was 200 KLPD which will now be 250 KLPD, the plant at Asmoli was 100 which will now be 150 KLPD. So they are actually my own plants where I have done expansion on it and that is why our CAPEX was also low on this side vis-à-vis putting up a new plant. The person that we have bought this plant from is a firm in Pune called Excel.

Participant

Okay. Yeah and one last thing sir, this new CAPEX plan that we are contemplating of this 200 KLPD, if at all we do that, that would be what amount of CAPEX we will be doing for that plant?

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

See again out here we have got two options, whether to put up a Greenfield plant of 200 KLPD in one of my other sugar mills which doesn't have it or two expand my these two plants. So basically

Dhampur goes up to 350 and Asmoli goes to 250. So the CAPEXes will vary on both sides so we are still working as I said earlier, we are still trying to work on those plants whether it is better for us to expand these two plants or to put up a new plant.

Participant

Okay, thanks a lot sir and all the best.

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

Thank you so much

Moderator

Thank you. We have the next question from the line of Varinder Bhansal from Pantomath. Please go ahead.

Mr. Varinder Bhansal – Pantomath

Sir sorry, I am back once again. I just wanted to ask some macro questions. You know a lot of people have been very, very good. you know your production will be a bit more at least to top Balrampur next year. So a lot of people are in this space. But I just wanted to check from your side as a management and as an executor, what are the key risk you see in this entire story? You know do you see that this could be a sustainable move or is it only ahead of the elections, you know the government is doing a lot to please farmers. What is your entire macro view on the sustainability and if any risk you see on ethanol story in India?

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

Sure so my personal view is that B-heavy and sugarcane juice is the thing of the future. Seeing that the yield per acre in India has for surely gone up over the years, obviously rainfall plays a very important role in what will be the yields that we all get and that is the sort of change that we have year-on-year specially in the western part of India. As far as north goes we all feel that the sugarcane crop isn't going to come down in a hurry even with such heavy cane price arrears that we saw in 2018, planting has only gone up in the state of UP. Plus also seeing what is the price of crude right now, we all need to get even more self-sustained in petrol which ethanol can easily be a part of it. I think this is a long term plan I don't think this is going anywhere at all. In case of any way and this again we have had this dialogue with the government, that in case these new CAPEX that you all are trying to get into this area happens and in case sugarcane falls down then they should not do away with this program because you know that will just then be, as such will stay idle. So in that point of time we have also spoken about India can also import sugar in case you know there is a shortage. I don't see that happening till 2021 at least because India has a very high opening stock of 10.7 million tonnes, even if we assume India was to produce 31.5 million tonnes and we export the 5 million tonnes which is a very high number we will still be adding up approximately 0.5 to a million tonnes to our closing stock. 11 to 11.5 million tonnes of closing stock at the end of next year basically means almost close to 5 months of off take that India needs. So I don't think that this B-heavy program is going anywhere till at least 2021 after that we really don't know, but at least the next two years seems to pretty safe on this B-heavy program.

Mr. Varinder Bhansal – Pantomath

And second part of the question sir, what according to you could be the risk for Dhampur as an executor, if at all?

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

See the basic risk for anybody who is putting up a new plant or is expanding their plant is their ability to handle the effluents because of the new pollution norms which have come there. Dhampur has already as you know has put up two boilers to burn the effluents that we get out of the chemical plants. So we have zero discharge. The only risk is my capacity can be lower utilized in the future if I am not, if sugarcane falls in UP and molasses availability is low. So my plant will not be perhaps able to run 350 days but might run for 280 days.

Mr. Varinder Bhansal – Pantomath

Got it. Sir what are the prices of imported ethanol? I was told that it was between Rs. 30 to Rs. 35 per litre.

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

No, See again out here the prices out there it really varied a lot. So ENA prices I was told is about Rs. 35 – Rs. 36 at port. it will have to be dehydrated because this is all hydrous that you are speaking about. So then the price comes back to around Rs. 43- Rs. 44 only which is the price right now that we all get.

Mr. Varinder Bhansal – Pantomath

Okay but the OMCs do have an option of importing ethanol directly from outside?

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

No, no, they don't have that option.

Mr. Varinder Bhansal – Pantomath

Okay, thank you sir, thank you so much.

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

Thank you.

Moderator

Thank you. We have the next question from the line of Ambar Thaneja from Griffin Asset Management. Please go ahead.

Mr. Ambar Thaneja – Griffin Asset Management

Yeah hi, my question is why was the performance of the power division so poor at this quarter that is number 1 and number 2 we heard from the **(disturbing noise)**

Moderator

Excuse me sir, Mr. Thaneja there is some disturbance from your line. Could you please use the handset?

Mr. Ambar Thaneja – Griffin Asset Management

I am on the handset actually. Is it better now?

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

Yeah there is some..... okay yeah. So I heard your first part on the power second part please.

Mr. Ambar Thaneja – Griffin Asset Management

Second part is what is your take on the sustainability of the 5 million tonnes of export? Because it seems that almost 4 million by virtue of sending from our domestic mill to our domestic refinery. Just wanted to get your take on that because I don't know anything about this space, just wanted to hear from you what your take is on whether the 5 million tonnes will be fulfilled?

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

Sure, sure, so I will answer your first part first. On the power side always in the Q2 of the financial year our power sales are lower mainly because of we all do not use our big boilers and we see it vis-à-vis with the price of bagasse. If the bagasse that we have to buy from outside is cheaper and there is bagasse available to us that is the only reason why we operate out power plants or during this quarter. We have also changed our policy where now we charge the expenses which earlier we would defer. Now we have charged it to this quarter itself. So generally Q2 you will always see the power side always being low in sales and will always have an impact on the profit. My Q3 and Q4 are the two quarters where my power sales will be the highest. And like I believe this will be the trend even going forward.

On the second issue side, out of the 5 million tonnes of MIEQ I don't think that 4 million will go as deemed exports because the total capacity that both our refineries are two large ones that we have is only about

3.5. Out of that they have also done some contracts prior to this India export happening. So about 1.5 million – 2 million tonnes is the maximum that I believe can go to our own refineries. The balance will be going as actual exports, out of the 5 million whether the full 5 will go is question. I mean I think it is like prudent on every sugar mill to send out their sugars and not keep that large amount in stock.

Mr. Ambar Thaneja – Griffin Asset Management

Okay. The logistics wise if you convert the raw price at 13.3 cents and see the white price is that premium is it pretty stable? Or can that vary a lot also? Because converted from raw to dollars per kg is about 305 as you said where are white sugar is at about 330, that premium is always stable?

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

No the white price is at \$ 360- \$ 365 is the price of white right now. The issue with whites out of India I mean this \$ 60 premium isn't that large, I mean that is almost your cost that you will incur to refine and they tend to do it, plus the other issue that Indian mills have to make is that these raw, this white price is for 45 colour sugar which only can be made by a refinery. There are only a few refineries in India, only with a few sugar mills. And the other issue which happens is on the grain size. Exports have been mainly for fine grain which India doesn't really produce. India only does M grade sugar which the market abroad doesn't take. That is why out of the 5 million tonnes I think about 3.5 to 4 million tonnes will be exports of raw and about 1 – 1.5 million can be whites. But there will be both 40- 45s and the low grade whites which go to the African countries.

Mr. Ambar Thaneja – Griffin Asset Management

Understood and where would you peg domestic consumption for sugar year 18-19?

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

See this year the numbers which haven't still come out which are still approximate is about 25.5 million tonnes was the off take this year. Next year seeing as well as seeing a growth I believe that next year should be around 26 million tonnes.

Mr. Ambar Thaneja – Griffin Asset Management

Okay, that is it from my side, thank you.

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

Thank you so much Ambar.

Moderator

Thank you. We have the next question from the line of Surat Navandar (50:48) from Prithvi FinMart. Please go ahead.

Mr. Surat Navandar – Prithvi FinMart

Thank you very much sir for the opportunity. Sir just wanted to know that whatever distilleries we have right now to produce ethanol we are all, we make ethanol from molasses and now government has given permission to make ethanol from direct sugarcane juice. So do we need to do some changes in the factory or we can produce ethanol from sugarcane in the same factory?

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

So out of juice we have to basically add on our storage capacities and on the pipeline. So these are the two things that we will have to do I mean if you all want to do out of cane juice, I mean the whole thing is in the very complex process but can be done, but right now for us the B-heavy route is a better route than to go on the side of cane juice.

Mr. Surat Navandar – Prithvi FinMart

So it is a major CAPEX or just a small CAPEX for that?

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

No, it isn't a major CAPEX, it is a small CAPEX

Mr. Surat Navandar – Prithvi FinMart

Okay and another question I have is that as ISMA has cut down the production for the sugar and there have been some issues with the sugarcane in the Maharashtra and Karnataka area, so we don't have enough raw material to produce either sugar or ethanol. So if we don't have enough raw material then prices of sugar might go up. So given that this is an election year, government might not let that happen to go you know to let the price of sugar increase erratically. So how much do you expect government intervention in this year? Because globally the total sugar cane production is in deficit so I don't think import will be an option which we have.

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

See this year if we see, ISMA has brought its estimate down from 35 million tonnes to 32 million tonnes against an off take that we need of 26 million tonnes. So there is no shortage of sugar at all plus, we also have closing stock of 10.7 million tonnes. So India has a lot of sugar. I mean I do not see this issue happening for at least the next 18-24 months.

Mr. Surat Navandar – Prithvi FinMart

So do you see an opportunity for exports next year?

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

Absolutely again early days my friend, we will have to see what will be the planting of cane which will happen in February-March-April, what will be the rainfall in the western part of India because that gets more impacted than the northern part vis-à-vis rainfall, how much is produced in 2020. In that way only we will be able to know that whether India will have the capability to export or not in 2020. We will have to wait some 6-9 months prior to us being able to comment or to be able to say how much India can and will export in 2020.

Mr. Surat Navandar – Prithvi FinMart

Okay, thank you very much.

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

Thank you.

Moderator

Thank you .we have the next question from the line of Abhishek Rao from Stuart and Mackertich. Please go ahead.

Mr. Abhishek Rao – Stuart and Mackertich

Sir on the ethanol segment part, can you just give me the mix for ethanol and RS and ENA?

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

Yeah so the large part was ethanol only if I were to just talk about numbers.

Management – Dhampur Sugar Mills Ltd.

So the ethanol division this quarter is 205 crores litres and the rest is ENA. ENA is 17 lakhs 54 thousand litres.

Mr. Abhishek Rao – Stuart and Mackertich

17 lakhs 54 thousand?

Management - Dhampur Sugar Mills Ltd.

Yeah total adds up to 2 crores 22 lakhs 84 thousand BL.

Mr. Abhishek Rao – Stuart and Mackertich

Okay, this is for the full year or for the year?

Management – MD, Dhampur Sugar Mills Ltd.

This is for this quarter only, Q2 only.

Mr. Abhishek Rao – Stuart and Mackertich

Okay and sir just I want to have my understanding on your recovery part. Can you give me the numbers for the sugar, molasses, ethanol, bagasse and power from sugar juice?

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

See this is the first year that we will be doing B-heavy. As I said we are not doing anything from cane juice. Our recovery of sugar that we will have will be almost as of now what we have assumed to be slightly higher than last year. Last year my average was 11.36% was sugar, bagasse stays to be the same at around 29 -30% is bagasse, molasses is 4.5 which is only from C-heavy. If I was to add my B-heavy which I am going to do this year, that will go up to about 5.5%.

Moderator

Sir his line got disconnected. Let me take the next question for you – Priyanka Mehta; Individual investor. Please go ahead.

Ms. Priyanka Mehta – Individual Investor

Hello good afternoon.

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

Hi Priyanka.

Ms. Priyanka Mehta – Individual Investor

So currently I just wanted an outlook on the rate of sugar which is going on 32. How do you see that? Will it be stable in H2 as well or do you see any fluctuation?

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

No I personally feel that it will be stable. I think it will be in the range 32 – 34 which has been hovering for the last about 3 – 4 months I think it will stay the same for Q3 and Q4 also.

Ms. Priyanka Mehta – Individual Investor

Okay alright and my last question is what you see is your outlook for H2 FY 19? If you could give me an idea for that.

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

See again as I say that I will be able to offer you a numbers on that in February when we all speak once more, because I will just wait for the plants to start for me to see what is the yield per acre and of sucrose and of sugarcane and then I will be able to offer you a better answer on my H2 outlook.

Ms. Priyanka Mehta – Individual Investor

Sure, no problem. Thank you. That is it.

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

Thank you Priyanka.

Moderator

Thank you. We have the next question from the line of Rithika Agarwal from Quest Investments. Please go ahead

Ms. Rithika Agarwal – Quest Investments

Hello.

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

Yes Rithika.

Ms. Rithika Agarwal – Quest Investments

Just a follow up from the previous question. You said that we have done expansion of 100 KLPD, 50:50 for both the plants. So could you tell us what was the CAPEX spend on both the expansion?

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

62 crores is the CAPEX on both these plants for capacities under implementation.

Ms. Rithika Agarwal – Quest Investments

Sorry?

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

62 crores.

Ms. Rithika Agarwal – Quest Investments

Okay and for the 200 KLPD expansion that we are looking for so if you could give an idea as to what would be the difference if we decide to expand versus a new distillery if we are planning to set up?

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

So there is almost a 100 crores difference on the CAPEX vis-à-vis if I expand in my own plants or I put up a new Greenfield. The 200 KLPD

will cost approximately 230 to 245 crores with the boiler and the turbine which is the spend pushed by the boiler and all the other things for affluent handling; vis-à-vis if I was to expand in my own two plants it will come to about 140 to 160 crores. These are just estimates

Ms. Rithika Agarwal – Quest Investments

Okay sir and all these numbers include ZLD component in it?

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

Correct.

Ms. Rithika Agarwal – Quest Investments

Okay, and even the ZLD part we are taking it from the Excel, is my understanding right?

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

No, no, so our boilers that we had bought we had bought them from KCP

Ms. Rithika Agarwal – Quest Investments

Okay.

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

And the turbines we bought from one other MAAN turbo.

Ms. Rithika Agarwal – Quest Investments

Okay sir. And one last question so you said early days for the biogas opportunity that sugar mills would be looking at. But any idea if you

could give on who would be the companies supplying for this technology all the plants?

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

No actually that is what I said, I have no idea at all right now. We have not even studied this in detail. We have asked our team to start study on it, plus we want to see as to how it really happens. So that is why I don't have too much of clue on that right now.

Ms. Rithika Agarwal – Quest Investments

Okay, sure thank you.

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

Thank you so much Rithika.

Moderator

Thank you, Ladies and Gentlemen that was our last question. I now hand the conference back to the management for closing comments.

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

Thank you everyone, I would like to thank all of you on behalf of Dhampur for taking you time out for this call. If you have any further questions please feel free to contact us either by phone or by e-mail. You can also go on our website dhampur.com and post any enquiries that you may have and we will get back to you as soon as possible. Thank you so much and I will look forward to speaking with you all again in January. Thank you.

Moderator

Thank you on behalf of Prabhudas Lilladher Pvt. Ltd. that concludes this conference. Thank you for joining us and you may now disconnect your lines.