

07.11.2023

To,
The Manager - Listing
National Stock Exchange of India Ltd.
Exchange Plaza, Bandra Kurla Complex
Bandra (East)
Mumbai - 400 051
Tel No. 022-2659 8237 /38
Symbol: DHAMPURSUG

The General Manager – DSC
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai: 400001
Tel No. 022-22722039/37/3121
Security Code: 500119

Dear Sir,

Sub: Regulation 30- Transcripts of Earnings Conference Call with respect to Unaudited Financial Results for quarter and six months ended 30th September 2023

Pursuant to Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, please find enclosed herewith Transcript of the Company's Earnings Conference Call on Unaudited Financial Results for quarter and six months ended 30th September 2023 which was held on Wednesday, 1st November 2023.

The same is also available on Company's website i.e. www.dhampursugar.com.

Kindly take the information on record.

Thanking you,

For Dhampur Sugar Mills Limited

Aparna Goel
Company Secretary
M. No. 22787



**“Dhampur Sugar Mills Limited
Q2 FY 2024 Earnings Conference Call”**

November 01, 2023



MANAGEMENT: **MR. GAURAV GOEL**
MANAGING DIRECTOR – DHAMPUR SUGAR MILLS LTD
MR. SUSHEEL MEHROTRA
CHIEF FINANCIAL OFFICER – DHAMPUR SUGAR MILLS LTD
MR. VINEET GUPTA
VICE PRESIDENT FINANCE – DHAMPUR SUGAR MILLS LTD
MR. AKSHAT KAPOOR
VICE PRESIDENT, OPERATIONS – DHAMPUR SUGAR MILLS LTD

MODERATOR: **MR. NAVIN AGARWAL**
HEAD, INSTITUTIONAL EQUITIES – SKP SECURITIES LTD

Moderator: Good day, ladies and gentlemen. Welcome to the Dhampur Sugar Mills Limited Q2 FY'24 Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Navin Agarwal, from Head of Institutional Equities at SKP Securities Limited. Thank you, and over to you, Mr. Agarwal.

Navin Agarwal: Good afternoon, ladies, and gentlemen. It's my pleasure to welcome you on behalf of Dhampur Sugar Mills Limited and SKP Securities to this financial results conference call. We have with us Mr. Gaurav Goel, Managing Director, and his colleague, Mr. Susheel Mehrotra, CFO; Mr. Vineet Gupta, VP Finance; and Mr. Akshat Kapoor, VP, Operations.

We'll have the opening remarks from Mr. Goel, followed by a Q&A session. Thank you, and over to you, Gaurav.

Susheel Mehrotra: Thank you, I'm Susheel Mehrotra. Thank you, ladies and gentlemen, and good afternoon, and a very warm welcome to all at Dhampur Sugar Mills Q2 FY'24 Earnings Conference Call. First of all, I have pleasure to inform you that India Ratings and Research has upgraded the company's issuer rating and ratings for long-term loans and fixed deposits through AA- from existing A+. The rating for working capital limit has been reaffirmed as A1+.

Now coming to the operating numbers of the company. Sugar sales during the quarter has been 0.41 lakh tons. In the corresponding quarter last year, the company sold 0.97 lakh tons. Average sugar realization in this quarter has been INR37,570 per ton versus INR35,365 per ton in the corresponding quarter of last year. Sugar stock as of 30th September '23 stood at 0.08 lakh tons against 0.42 lakh tons as of 30th September '22.

Total ethanol production during the quarter has been higher by more than 100% at 302.26 lakh liters versus 150.87 lakh liters in the corresponding quarter last year. Ethanol production during the quarter from B-Heavy molasses has been 264.19 lakh liters and from grain 38.06 lakh liters versus 150.87 liters from B-Heavy molasses in the corresponding quarter last year. There was no production from grain in the last year as distillery from grain was commissioned in Q1 FY'24.

Sale of ethanol from B-Heavy has been 278.62 lakh liters during the quarter, 28.21 lakh liters from syrup route and 34.68 lakh liters from grain versus 154.17 lakh liters from B-Heavy and 2.93 lakh litres from syrup route in corresponding quarter last year. Production of ethyl acetate has been 89.25 lakh kg versus 62.92 lakh kg in the corresponding quarter of last year. Sale of ethyl acetate has been 90.21 lakh kg versus 63.1 lakh kg in the corresponding quarter last year.

Production and sale of potable spirits has been 5.7 lakh cases and 5.65 lakh cases, respectively, versus production in sales of 4.66 lakh cases in the corresponding quarter last year.

Now coming to the financial performance of the company. During the quarter ended September '23, our overall financial performance has been impacted by INR18.83 crores due to higher levy molasses obligation as redetermined by UP government for the molasses year 2022, '23.

Income from operations stands at INR585.6 crores versus INR615.5 crores in the corresponding quarter of last year. Profit before tax is at INR6.5 crores versus INR15.9 crores in the corresponding quarter of last year. Profit after tax is INR4.5 crores versus INR10.7 crores in the corresponding quarter of last year, and cash profit is at INR18.2 crores versus INR23.3 crores. The sugar inventory is valued at INR33.95 per kg as on 30th September 2023. The closing inventory as on 30th September '23 is 0.08 lakh tons.

Let me now take you through the business-wise performance. Our revenue from sugar business stands at INR225.3 crores versus INR377.7 crores. Revenue from power business stands at INR15.4 crores versus INR8.8 crores. Revenue from ethanol business stands at INR222.41 crores versus INR100.9 crores. From chemical business, revenue is at INR71.9 crores versus INR54.9 crores. From potable spirit, revenue stands at INR137.5 crores versus INR115.1 crores in the corresponding quarter of last year.

Our profit from sugar business has been negative this time mainly because of the impact of higher levy molasses. It is at minus INR20.6 crores after providing for the additional liability on account of levy molasses versus a profit of INR9.9 crores in the corresponding quarter of last year.

Power business stands at near breakeven with profit of INR0.1 crores as there was no export of power during the quarter versus a loss of INR1.3 crores in the corresponding quarter last year. Profit from ethanol business is higher by 41% at INR38.2 crores versus INR27.1 crores in the corresponding quarter of last year. Profit from chemicals business is INR3.5 crores versus a loss of INR1.2 crores and profit from potable business is INR1.9 crores versus INR0.2 crores in the corresponding quarter of last year.

Now coming to the consolidated results. Revenue from operations during the quarter stood at INR587.4 crores versus INR650.8 crores in the corresponding quarter. EBITDA is at INR27.3 crores versus INR37.5 crores and PBT is at INR7.5 crores versus INR16.7 crores. PAT is at INR5.4 crores versus INR11.5 crores. And cash profit is INR19.1 crores versus INR24.1 crores in the corresponding quarter of last year.

With that, I would like to thank you once again for joining us on this conference call. We will be happy to answer any questions that you may have. Thank you.

Moderator:

Thank you very much, Sir. We will now begin the question-and-answer session. Our first question is from the line of Pavan Sharma, who is an investor. Please go ahead, sir.

Pavan Sharma:

My first question is regarding this turning back by UPSMA on this -- challenging the UP government on this molasses policy? So can you put some light over this, like why you filed this -- UPSMA filed

this challenge? And again, they revert back from this policy, which has affected us for INR18 crores, no?

Gaurav Goel: Yes, you are right on that. You are right on that for sure, but that was a group call that we all did, and we had a very long dialogue with the government. And on that, we are all agreed that in the future, there will be slightly more sacrosanct with how the levy is done. So that is a call that was taken by all the members of UPSMA and that's why the writ was taken back.

Pavan Sharma: So this will -- this is like -- I think this is like one time and it won't affect us in future or will affect us in future as well?

Gaurav Goel: No. So see, now the new excise policy has just been out. We are all just studying it as of now. It just came out last night. So we will see as to what impact it will have on us for the year '23, '24. But for the year '22, '23, the hit or the extra levy that was imposed has been taken in the accounts of Q2 itself. So there will be no other hit in Q3 or in Q4 vis-a-vis the levy of '22, '23.

Pavan Sharma: One more question related to the accounting. The decision came on October 28. So how could you account it for Q2 FY'24?

Gaurav Goel: Because we had our audited team re-audit our results because once it goes out, then for us to not take it in, we all didn't think was right. And that is why we had our auditors again, come back and re-audit the financials by taking the account of this INR18.83 lakhs.

Pavan Sharma: Yes. But I think it's fair if you could have the countered this in the coming quarters. I think this would be the fair accounting policies?

Gaurav Goel: No, see, it wouldn't have matter at all, right? So whether I take it in Q2 or in Q3, it really wouldn't have mattered. But as per prudence and as per what we thought was right, we also did once it has come, we all should give the right numbers to our shareholders and not just put a note on it and say that we will take it in Q3. So as a company, we all took that call that we will take it once we know that now it is there in Q2 itself. It really wouldn't have mattered, right? So if this INR18.83 crores, I would not have taken it in Q2, I would have done a note and taken the same hit also in Q3. From overall, if you see for the whole financial year '23, '24, it will have no impact.

Pavan Sharma: Yes, I understand, but my call is that your Q2 results would be more like impressive if you get this adjustment done in Q3?

Gaurav Goel: Pawan ji, see, again, I do not want to show numbers to my shareholders or to ourselves that we know aren't real. So I want to give all our accounting policies that we all meet, what are the true facts for that year.

Pavan Sharma: Another thing, sir, I would like to know what is the status of the ethanol price hike, like the government is delaying the thing. I think before sugar crushing it has to be declared?

- Gaurav Goel:** We've been waiting for the new price for the last few weeks now. So I really do not have an answer for you on that. We are all waiting for the price to be out for the year '23, '24. But we are still in a wait and watch mode.
- Pavan Sharma:** Another question, sir. Has UP government increased the FRP for sugar season 23', '24?
- Gaurav Goel:** No, the SAP for the year '23, '24 is still not there. It is still what is the there for last year.
- Pavan Sharma:** I read somewhere yesterday that there were some, cabinet meeting was going on for this sugarcane price hike, so there is no confirm such news?
- Gaurav Goel:** No news from our side.
- Moderator:** Our next question is from the line of Kaustubh Pawaskar from Sharekhan by BNP Paribas. Please go ahead, sir.
- Kaustubh Pawaskar:** My first question is our expectation on the sugar production in the current season since we have started with the season, so your estimate on sale? And my second question is on the ethanol product since ISMA has reduced the diversion of sugar for the ethanol production, which is expected around 3.5 million tons. Earlier, it was four million tons. So it has further reduce. So considering that, what kind of ethanol production we are expecting for the current season?
- Gaurav Goel:** Again, the question you have asked is very early days. As long as we don't know the price that we will get on various -- on syrup, B-Heavy, C-Heavy and grain. It is very, very hard for us to try and predict as to how much of syrup I will divert or how much of B-heavy I will make. So these are all questions which I will be perhaps able to answer better in a few days once you know the price, because without us knowing the price, as to at what rate I will sell to the OMCs, what sort of a strategy that Dhampur will make becomes very, very hard to judge as of now. And I think it will be true for most of the sugar companies which are there. So we'll have to wait for the new price, and we'll also have to wait for the cane price for us to then take a call as to how much of diversion we want to do and how much of sugar we all want to make.
- Kaustubh Pawaskar:** Sir, your take on the sugar production for this season?
- Gaurav Goel:** Sugar per ton -- see everyone is talking about it to be lower. As of now, the ISMA number is around 30 million tons is what we are all speaking about as of now.
- Kaustubh Pawaskar:** So for us as a company?
- Gaurav Goel:** So for us, as a company, we all do believe that our cane crush overall will stay pretty much close to what it was last year.
- Moderator:** Our next question is from the line of Sanjeev Kumar Damani from SKD Consulting. Please go ahead, sir.

Sanjeev Damani: Namaskar, sir. Sir, congratulations on fine numbers and very good management at your end as usual. Sir, I just want to know one thing that how are the prospects of the next crop in this end that this time, I am given to understand from my certain sources through the channel, that the crop is much better than last year and is more healthy. So recoveries will be much better, so that is the one question I want to know and your opinion on it. And secondly, sir, how -- sorry, sir, please answer this, then I'm coming for the second one?

Gaurav Goel: Sir. So like our plants have just --our two-plant started just before two days. So the trends are okay. Again, as I always say, early days, but the trends that are coming are good.

Sanjeev Damani: So, second, sir, I want to understand a little bit about the Agri waste that we process. We had information that its prices have gone up. So, according to the availability and price trend, if we make ethanol from Agri waste in current prices, will the margins be in some pressure this year or will they be the same if the price goes up?

Gaurav Goel: Sir, you are talking about Agri waste, are you talking about grains?

Sanjeev Damani: Yes, we make it from grains.

Gaurav Goel: Sir, again, sir, what I said before, what I said before, that what new rates of grain are coming, because for sure, the availability of both rice and of maize is a little tight now. And its rates have gone up a little since last year. And that is also because a lot of new plants have come.

But there is still a margin in them. But what will be the price of this year, OMCs will give us, that will be a very important factor. But I still believe that our grain plant, it will run. And, but margins, sir, it is very tough to tell me now. But margins will be there, but margins will be good or average. Sir, this will be the next price, then we will be clear.

Moderator: Our next question is from the line of Udit Gupta, who is an investor. Please go ahead.

Udit Gupta: Sir, my question is that sir, you just spoke about the recovery rate, is it expected to be better than last year or similar?

Gaurav Goel: I believe that because Dhampur and Rajpura was still one of the highest in UP also last year. So, we believe that they should be in the same range as of now. Ratoon as I just said, that we just started our plants on 30th. So the trends are seeming to be healthy. Now how healthy it will be also for the plant canes that we'll have to wait and watch. But we do hope and believe that we will be close to what we had last year. I don't think they will be very, very by much higher than what they were last year.

Udit Gupta: And sir, regarding red rot. How has it affected us and what are we doing with the varietal cane?

Gaurav Goel: So that's one of the most important areas that we have to work on for the next three years, so this plan isn't just for a year. Red rot has started to affect, but thankfully, for us, in both above plants, red rot area that we have is still limited or is still small. But yes, 238 is now prone to red rot, and it spreads

very, very fast. So we have a full 3-year developmental plan where we need to replace 238 with other varieties. And so that as of now, 238 in both our plants is almost close to 100. We need to bring it down to under -- our plan is to bring it down by about 25% next year and in three years for it to be down to below 20%. So that is a plan that we have as of now.

- Udit Gupta:** And sir, regarding the Bindal Agro plant, which is coming, has it started crushing along with us?
- Gaurav Goel:** No, it hasn't started, but it's expected to start, I think, in the next -- I mean, the news that I have, but I can be wrong. In the two to four weeks is what I've heard is that the plant will start, so that is the news I have on that.
- Udit Gupta:** Sir, is that expected to reduce our pricing in diversion cane there?
- Gaurav Goel:** Yes, for sure. We have lost a certain amount of cane area to the new plant, which has come up, but we've also got other centers from our other. So the area has been rezoned. But yes, we have lost some cane, but we plan to get that cane or the extra cane out of the diversion which happens to Kolhu and to Khandsari, we are hoping to bring that down and still be close to what we crushed last year.
- We lost about 30 lakh quintals of cane to the new plant and have got about 18 lakh quintals. So the 12-lakh loss that we have as of date, we need to get it from the Kolhus and the crushers, which are there in our area. So still, the target is to be close to what we were last year. And a lot of work has to be done in that.
- Udit Gupta:** Sir, the new molasses policy, sir, where 19% is, I think, as per B molasses. So that means that this INR20 crores hit that we took, it becomes kind of a permanent feature now going forward?
- Gaurav Goel:** Yes. But then now our option is that whether how much B-Heavy I do or how much of C I do. So that is what is an option that we have started to work on that just -- because if we were to do the same as what we did last year, then yes, this INR20 crores hit becomes a year-on-year.
- Udit Gupta:** And sir, will it be like to go for B route in the current year?
- Gaurav Goel:** Again, pricing.
- Udit Gupta:** It all depends on the price?
- Gaurav Goel:** Like all I will be seeing that once the OMCs and government tells the price for syrup, B-Heavy and C-Heavy and grain as to what will be my product mix, I will be able to plan for that only after that.
- Udit Gupta:** And sir, how are our grain doing sir like you spoke about it extensively. So we are planning for corn as of now?
- Gaurav Goel:** No, as of now. So we have done corn for the last about two months now, we will do rice because now the rice mills have started. So I mean, as you know, that grain has changed. So right now, rice will

become more effective price-wise from now until about in March or April, and then we go back to corn.

- Moderator:** Our next question is the line of Pavan Sharma, who is an investor. Please go ahead.
- Pavan Sharma:** Once again, I'm asking the question. Like what's the call on export of sugar right now? Like in the season...
- Gaurav Goel:** There is no chance of export of sugar till -- at least till May. So do not expect any volumes on export.
- Pavan Sharma:** Till elections, we don't want to take any risk on the commodities?
- Gaurav Goel:** Right now, there is no chance for you to export. Till the time India's full...
- Pavan Sharma:** Prices in export market as very good now, you're missing this opportunity?
- Gaurav Goel:** But see, sir, we have to also ensure that India has sugar that we need. So from -- in case when we were in government, we would always be prudent that we have to also take care of local needs. So you are totally right that export prices are really high, but no export is expected to happen at least until April, May till the time we do not actually show the numbers to government as to this is the amount of sugar that we have made.
- Pavan Sharma:** Another question is regarding this buyback plan. Actually, two, three years back, I was reading your annual report and there was mention from where that the company intends to buy back the shares. Now I don't remember which year exactly this was. So company still have any plan for buyback or something like this is like Balrampur Chini, I don't want to name the company, but they are doing buyback every second year.
- Gaurav Goel:** I mean again, leave that to our Board. So I will leave that to our Board to find reward build us either by way of buyback or dividend. So both options are open to us as of now.
- Pavan Sharma:** We are receiving hefty dividend from the company. I understand that?
- Gaurav Goel:** Both the options are open as of now. I will present my case to the Board, and then it is up to the Board to basically take a call whether they want to do again a dividend or they think that the buyback is a better option, so both options are there.
- Moderator:** Our next question is from the line of Varun Gajaria from Omkara Capital. Please go ahead.
- Varun Gajaria:** You mentioned that your plants will be starting in two, three weeks which essentially means that there's a plant, is there a specific reason? And I'm sorry if I missed this...
- Gaurav Goel:** No, no, no. Just to say that our plant started. Our plants have started already. Both our plants have started.

- Varun Gajaria:** Okay. Plants have already started, right?
- Gaurav Goel:** Yes.
- Varun Gajaria:** So what is the delay thing about, if I've missed that I just joined the call?
- Gaurav Goel:** That would be the new plant. That is the new sugar plant which has come close to the area of Dhampur. So I was asked that when that plant will start. So that I said, what I've heard is from the new plant will start two to four weeks from now.
- Varun Gajaria:** And how are you seeing the feedstock availability right now? How is that panning out for you there?
- Gaurav Goel:** Feedstock of what?
- Varun Gajaria:** Feedstock of grains?
- Gaurav Goel:** Yes. So the grain feedstock, we've been able to manage as of now. We are getting both rice in a slightly higher quantity and maize in a slightly lower. So grain availability is there. It is just the price.
- Varun Gajaria:** So it is just the pricing that's -- so how many months of inventory would you have right now for the feedstock? And how do -- how will you go about managing the same?
- Gaurav Goel:** No. See, we basically maintain an inventory of about two to three weeks of grain.
- Varun Gajaria:** Two to three weeks of grain?
- Gaurav Goel:** Yes.
- Varun Gajaria:** Post which I think we'll be moving to rice as you rightly mentioned and then later on to corn, right? Once you are done with this one?
- Gaurav Goel:** Right. Right.
- Varun Gajaria:** With reference to manufacturing some corn, is there any lag or is there any difference with reference to the ethanol output that you received from, let's say, corn or B-Heavy molasses or other feedstock?
- Gaurav Goel:** Yes, yes. So basically, see, corn has a lower starch, rice has a higher starch. So from that perspective, yields vary, but also the price of corn is lower than that of rice. Now again, as to how much of grain I use or how much of B-Heavy I use will all be very much dependent on the pricing that we have for each of these products. So corn has its own price, rice has its own price, B-Heavy has its own price, syrup has its own price. So that is why we are waiting for the new policy for the year '23, '24, to be out on pricing. So that then we can actually plan out at which feedstock is more of a benefit to us.
- Varun Gajaria:** And you guys have any capex plans in pipeline?

- Gaurav Goel:** No, no. We all have no capex plans as of now. We will see what is the whole status of cane for our area. So we will -- any capex plans, we will only finalize at the end of the year or early January for the year '24.
- Varun Gajaria:** Currently you must be expecting to run at 100% capacity right going forward?
- Gaurav Goel:** Yes, for sure.
- Moderator:** Ladies and gentlemen, that was the last question of our question-and-answer session. As there are no further questions, I would now like to hand the conference over to Mr. Goel for closing remarks.
- Gaurav Goel:** I would like to thank you all for joining us for our Q2 FY'23, '24 call. And if you have any further questions, please feel free to write to us or to speak to us on phone any time. Thank you all. Thank you very much.
- Moderator:** On behalf of SKP Securities Limited, that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines. Thank you.