



“Dhampur Sugar Mills Limited
Q3 FY '23 Earnings Conference Call”

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Moderator: Ladies and gentlemen, welcome to the Dhampur Sugar Mills Limited Q3 FY '23 Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode and there will be opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal the Moderator 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 Agrawal, Head Institutional Equities at SKP Securities Limited. Thank you, and over to you, sir.

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 colleagues, Mr. Anant Pande, CEO; Mr. Susheel Mehrotra, CFO; and 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, Mr. Goel.

Anant Pande: Thank you, Navin. Good afternoon, and a very warm welcome to all of you who are present at the Dhampur Sugar Mills Q3 FY '23 Earnings Conference Call. First, let me share the operating numbers of the company. The company crushed 12.98 lakhs tonnes of cane in this quarter, which was 11.92 lakh tonnes in the corresponding quarter last year. This is increase of about 9%. The gross recovery in this quarter was 11.34% which has been marginally better than the corresponding quarter last year, which was 11.22%.

Sugar production during the quarter is 1.02 lakh tonnes compared to 1.22 lakh tonnes in the corresponding quarter last year. Sugar sales during the quarter has been 0.73 lakh tonnes versus 0.98 lakh tonnes in the corresponding quarter last year. Average sugar realization in this quarter has been INR 35.37 per kgs as against INR 35.15 per kg in the corresponding quarter last year. The company diverted 2.41 lakh tonnes of cane for production of ethanol through syrup in this quarter. The ethanol production during the quarter is 239.96 lakh liters, which was 166.6 lakh liters in the corresponding quarter last year. Out of this 239.96 lakhs, 166.30 lakh litres was produced from syrup and balance from B-Heavy.

Production and sales of ethyl acetate have been 85.33 lakh kgs and 85.34 lakh kgs. This was comparable with 70 lakh kgs and 67.47 lakh kgs, respectively, in the corresponding quarter last year. So production was up by about 22% and sales by 26.5%. Production and sales of potable spirits have been 4.4 lakh cases compared to 3.0 lakh cases last year same quarter and the sales has been 4.43 lakh cases versus 3.07 lakh cases in last year.

The company received the consent to operate for its new distillery plant, which will enhance distillery capacity to 350 KLPD on c-heavy molasses, we are still waiting for certain approvals, which should be coming and are expected very shortly, which will enable the commissioning of the plant.

I would now request our CFO, Susheel Mehrotra, to take us through the financial performance of the company. Thank you. Over to you, Susheel.

Susheel Mehrotra:

Thank you. Good afternoon, once again, and a warm welcome to our earnings call for Q3 FY '23. Coming to the financial performance of the company, our Board of Directors approved the financial results for Q3 FY '23 on 30th January. The income from operations during the quarter ended December 22 stands at INR 643.7 crores and the PBT is INR 66.7 crores, cash profit is INR 68.7 crores as against the same in the corresponding quarter last year, income from operations was INR 630.6 crores. PBT INR 78.4 crores and cash profit was INR 77.8 crores.

The inventory valuation rate is 33.60 per kg as against 32.30 per kg last year. The closing inventory as of 31 December '22 is 0.71 lakh tonnes as against 1.03 lakh tonnes as of 31st December 2021.

Let me now take you through the business wise performance. Our revenue from sugar business is INR 421.1 crores as against INR 439.1 crores in the corresponding quarter last year. Revenue from Power business is INR 70 crores as against INR 63 crores, revenue from ethanol business is INR 158.7 crores versus INR 100 crores in the corresponding quarter last year.

Revenue from chemical business is INR 70 crores versus INR 71.8 crores and revenue from potable spirits is INR 109.3 crores versus INR 76.7 crores in the corresponding quarter last year. Our profit from sugar business is INR 15.7 crores versus INR 41.9 crores from Power business is INR 24.64 versus INR 24.9 crores, ethanol is INR 35.9 crores versus INR 27.6 crores. and from chemical business, it is INR 6.4 crores versus INR 2.6 crores, from potable spirits, it is marginally negative INR 0.8 crores versus INR 0.2 crores positive last year.

Coming to consolidated results, the revenue from operations during the quarter stood at INR 642.2 crores, EBITDA is INR 86.4 crores, PBT is INR 67.1 crores and PAT is at INR 46.4 crores and against the same in the corresponding quarter last year, revenue from operations was INR 630.4 crores. EBITDA was INR 100.9 crores. PBT was INR 78.8 crores and PAT was INR 58.1 crores. The company has made repayment of long-term loans of INR 78.8 crores in Q3 FY '23.

Long-term debt as of 31st December 2022 stands at INR 234.1 crore. So, these are our financial numbers on a broad level. Thank you once again for joining us on the conference call. We'll be happy to answer any questions that you may have. Thank you.

Moderator:

The first question is from the line of Aman Sonthalia from AK Securities.

Aman Sonthalia:

Sir, recently, three developments, have taken place. Number 1 is that as for the ground report, the production of India may come down below 325. Number 2, Brazil has increased ethanol prices. Number 3, the ban on pesticide uses in the sugar in European. So how it will impact the sugar prices going forward?

Gaurav Goel:

Thank you so much. As far as the first part goes, India surely is lower than what we had expected three months back, but ISMA just had a meeting just a few hours back and 34 million tonnes is what we expect India to do as on date. I mean we are still early. I mean, January end, but 34 is the number that ISMA has sort of finalized as of now.

You are right. We have increased their prices. Sugar even in India, I mean be it everywhere like globally, we are seeing a lot of changes which are happening which are positive for India as of now and even next year, we do believe that India will again be in the export market.

Aman Sonthalia: There will be a bull run in the long term midterm gold run in the sugar sector sugar prices?

Gaurav Goel: Are you talking about India alone?

Aman Sonthalia: Internationally, sir. Globally.

Gaurav Goel: Again, globally for me to answer it becomes very, very tough in case any one of us really has an answer. But for surely, globally, also, there seems to be that Q2 and Q3, I don't see any shortage as of now, globally. But in Q4, again, shortage is expected as of now for FY '23, '24.

So, India will again have a great opportunity to export, but what the prices will like to be is anyone's guess because Brazil can always change vis-a-vis ethanol and sugar. So that is one part that we'll have to see the plants will start in about end March, April. So, you'll have to see as to how much they switch amongst the two. But yes, globally again for Q4 FY '23, '24.

Globally, India will have a great opportunity to again be exporting. Obviously, we'll have to see what our monsoons and what is the crop, which is expected for FY '24.

Aman Sonthalia: Yes, sir and sir, still there is no clarity on the sugar cane price. So when can we expect the sugarcane price for the current season?

Gaurav Goel: Aman, question that has been asked by us all, and I really don't have any date, but I hope it's very, very soon. So, it can happen actually any day, but I don't have a specific time that I can say to you that when it will come. But hopefully, in the next week, 2 weeks, we are expecting it to be out.

Aman Sonthalia: And sir, one more question that the yield and recovery was not very good. Not I'm talking about Dhampur, but overall, the recovery and yield was not very good in the plant cane. So how you foresee the yield recovery in the plant for instance?

Gaurav Goel: As of now, our plant cane has just about started to come. And we are seeing from our side, and I'm only talking about myself, our plant yields are okay, given the poll in cane seems to be okay. So from our side for our 2 plants, we all seem to be fine. So we should be equal or we are hoping to be slightly higher than what we were last year.

Aman Sonthalia: We are expecting better crushing compared to last year?

Gaurav Goel: At least the same for sure and higher.

Aman Sonthalia: And sir, when you will start this grain-based distillery?

Gaurav Goel: So, our grain based is expected to start by end of March.

- Aman Sonthalia:** And the current grain prices, whether it is profitable and it is profitable, then how much it is profitable?
- Gaurav Goel:** Again, grain prices are fluctuating a lot right now. But yes, it present grain price, which is at about the last.
- Anant Pande** At grain price, current grain prices of almost about 20 and the DDGS price, which is the by-product of around 25 or so, it is still looking marginally profitable at this point in time. But the prices are fluctuating. So we are keeping a watch on that, and we'll take a call based on that.
- Aman Sonthalia:** And sir, for the valuation of sugar, sir, how much price we have taken for b-heavy and this for Bagasse.
- Susheel Mehrotra:** So for Bagasse, there is a standard price, we have taken INR 100 and for b-heavy, we have valued at INR 1,100.
- Moderator:** The next question is from the line of Sanjay Manyal from ICICI Securities.
- Sanjay Manyal:** Just want to understand what is our estimate on the full year crushing number in the sense if you just take the FY '23 number, will it be like 6%, 7% higher than the last year?
- Gaurav Goel:** I don't think it will be 6% we are expecting it to be higher about 2 to 2.5 vis-à-vis last year..
- Sanjay Manyal:** So this must be for the season, I believe?
- Gaurav Goel:** Yes. Yes.
- Sanjay Manyal:** And if you see in terms of, say, financial year FY '23, can you, last year, we did somewhere around 35.83 lakh tonnes or 36 lakh tonnes, somewhere around 36 lakh tonnes. So, will it be looking at the current run rate means what could be the number for '23?
- Gaurav Goel:** See, March for sure will be higher than what it was last year because we have already, as we all said, that we are about 1 lakh higher than what we did last year. So, we are 9% higher than what we did last year. So 31st March, yes, for sure, we will do. 35.83 lakh tonnes was last year. So, this year should be close to 37 lakh tonnes.
- Sanjay Manyal:** Okay. And we have done substantial means out of this until I mean Q3 number of what I could see, 12.98 lakh tonnes is cane crushed and out of this is 2.41 is for the syrup. So what could be so this is roughly more than it is almost like 20% kind of divergence we are going to, so will it be the same number for the full year means 20% kind of number?
- Gaurav Goel:** It should go up because of the fact that as we just spoke that our expansion that we have done, that should start in the next about one week. So we are waiting for the final or the things from excise. We have got everything done. Today, we are on Tuesday by Friday, we are hoping to get all of the other approvals and then so this 20% will become higher by March. So, we're expecting it to go at about 24 to 25 average by March.

- Sanjay Manyal:** Okay. And considering that fact, our ethanol number for the full year should be somewhere around INR 8.5 crore liters or more?
- Gaurav Goel:** No, it should be more. So, 8.5 crore litres is what is as of now, 6.86 last year. For this is up to March. And this is up to March last year. You're asking for up till March or you're asking for the...
- Sanjay Manyal:** If you just see for the financial year '23 and '24, if you can just guide us what would be the number?
- Gaurav Goel:** We had done until March of '22, we are hoping to reach about 8 crores till about March, I mean our 8.5 crore litres is right.
- Sanjay Manyal:** And next year after the expansion, this number should go to 12.5 crore litres.
- Gaurav Goel:** It should go to about 12 crore litres. We have to still wait as to whether they change the excise on levy that we have to give for CL, but otherwise, 11.5 crore litres to 12.5 crore litres is what we will do.
- Sanjay Manyal:** And then given the fact that what my understanding is that syrup economics is still not as good as B-heavy. Is it prudent to do the higher number of higher quantity of syrup.
- Gaurav Goel:** Yes. See, again, out here, even though again, there are various thoughts on this. And when you speak to others, we are all slightly put up on that, what is the sort of margin that you get out of B-Heavy syrup, but from our perspective, we have to also see our own feedstock that now that we have this plant, and we are running it well even if move 1 buck on syrup, it makes far more sense. Even though we don't believe that there's too much of difference between b-heavy and syrup, we believe that the margins are almost the same. But if I don't choose. So, I will have no feedstock. So my plant is shut in about 9 months in order to make sure that I have a feedstock to run for the full 12 months, I have to use syrup.
- Sanjay Manyal:** And then you have already mentioned about the recovery you are expecting it marginally better. So last year, we did 12.16% on a gross level, and you are expecting maybe a bit better than last year, maybe similar numbers than last year. And am I correct on that?
- Gaurav Goel:** Yes, yes.
- Sanjay Manyal:** And just on the debt front, what could be our debt levels by the end of March this year?
- Susheel Mehrotra:** I'll tell you on the term loan side as we speak are around 234 end of December and 240 crores as of today. And we will be drawing down the debt for our distillery expansion. So, we would be somewhere around 270 to 280 crores.
- Sanjay Manyal:** And over and above this, there will be a working capital debt.
- Susheel Mehrotra:** Yes, working capital utilisation is all seasonal depending on the stock we hold. So that is all.

- Moderator:** Next question is from the line of Aashav Patel from Molecule Ventures.
- Aashav Patel:** Sir, what would be our current cost of production for the sugar segment?
- Susheel Mehrotra:** The current, we have taken the valuation rate at INR 33.60 for this quarter.
- Aashav Patel:** So, INR 33.60 is our costing?
- Susheel Mehrotra:** Yes, that's right.
- Aashav Patel:** Got it. And sir, what would be current ex-mill prices on average?
- Gaurav Goel:** They are about Rs. 34.52, it is nearby that.
- Aashav Patel:** Okay. Sure. And sir, do you expect MSP prices to be reconsidered this time around? -- at end basis?
- Gaurav Goel:** I don't think so, my friend. I mean what we've been all this, we've been trying for the MSP price to be in -- the last almost all 2 to 2.5. I mean I don't think it will happen. 31 is what will stay at as of now.
- Aashav Patel:** And the expected closing inventory for sugar cycle '23 would be after the production cost?
- Gaurav Goel:** Inventory as of now that we expect as of 30th September number that ISMA has done, it should be the same as what it was last year. So around 6 million ton, is what we expect it to be even as of this year it won't go up or down. It will be the same.
- Moderator:** Next question is from the line of Shailesh Kanani from Centrum Broking.
- Shailesh Kanani:** Sir, I had one question with respect to production, which you had said in your opening remarks, is that ISMA had reduced the production estimates from more than 36 million tons to 34-odd million tons. So, in light of that information, how do you see domestic prices shaping up because we have seen increase in SAP prices, one and half year back, but the domestic prices have not increased in tandem with that SAP prices. So, can you share your views on the same?
- Gaurav Goel:** I for surely believe that the prices will be range bound right now, we are about 34.5. By April, May, you may see the price going up by about 1 buck. 35.5 is what I see the price change to be. So 34 to 36 is the price change that I see post March.
- Shailesh Kanani:** And this is white sulphitation sugar you're saying, right or refined sugar?
- Gaurav Goel:** No, this is normal sugar.
- Shailesh Kanani:** And given the production estimates are lower, what do you think about export quota enhancement from 6 million tons to 7 million tons. Is that the possibility now?

- Gaurav Goel:** I don't think it is. I think vis-a-vis 34 fix is done. I don't think that we can expect the government to make it higher because I think India will need that much of our own stock to be there. So, I don't believe that we'll get any further export than what we have already got as of now.
- Shailesh Kanani:** Sir, again, asking more talking about the SAP. There are rumours under talks that SAP might increase. So, is it a normal thing because we are already 2, 2.5 months into the season, so do you think can you find any probability of SAP prices remaining same or what's your view because it is already 2.5 months into the season, can the SAP prices increase now?
- Gaurav Goel:** And again, this has been asked not only by you, but by few people. I have no answer at all. But like I do believe that they should stay the same because there is no reason for SAP price to be higher. The cane price that we are paying as of now is very, very good. Farmers are happy, government is happy. So, I do believe, and I do hope that they stay the same. But again, I don't have a sure-shot answer on this.
- Shailesh Kanani:** So how long this can be a lingering news that can be going on – is there a timeline or something like that? Because that keeps on forwarding in the market, right? SAP would increase. Sorry to bother you on this, but.
- Gaurav Goel:** No, no you're right. We are all expecting and hoping that it is done fast. But again, I don't have any answer on this as to when it will be done. But I do – and the information that we have that government is seeing it seriously, and it should be done very, very soon.
- Shailesh Kanani:** Sir, on the grain-based ethanol, sir, can you shed some light on rice husk if we are using that as feedstock. I guess we would be using bagasse for the feedstock for our plant, right?
- Gaurav Goel:** No. We will be doing rice and wheat only for our grain-based plant. So, for us, when we put up the grain base plant that for us is an option that how much of sugar we sacrifice. So for us, the grain-based plant is just an optional as to how much time that we will run the plant, whether we will or we won't, will be all on what is the price of grain that we get.
- So that's why we are in a very sweet spot on that, that we can always save more of that and still be able to run our plant for full 12 months. So, grain for us is just an option that we have. But we will be doing it out of wheat or out of rice and maize.
- Shailesh Kanani:** Sir, last question from my side. Sir, your views on recovery and yields not only for your company, but for the industry and for the UP state per se? If you can give a breakup or your views on Eastern, Western, Central UP. How are things shaping up? And what can be expected for us even, that will be the last question from my side?
- Gaurav Goel:** See, for us, as I said even earlier, that was said earlier that we've been thankful to God that ours is okay. I mean, we are better than what we did last time also. We have been hearing stories in UP in certain areas, both poll in cane and yield are lower. But in our two plants, they all seem to be okay.

- Moderator:** Next question is from the line of Nitin Awasthi from InCredt Equities.
- Nitin Awasthi:** Sir, you mentioned the ex-mill price for sugar at 34.42, was the white sugar, raw sugar?
- Gaurav Goel:** White. So as of now, I was just talking about as a present price, which is there as of now, it's about 34.5 is the present price, this is only ex-mill price of white.
- Nitin Awasthi:** Raw would be lower?
- Gaurav Goel:** Raw would be lower. So, we aren't doing any raw right now. So, we've already sold whatever raw's that we had to do. We are not doing anymore raws.
- Nitin Awasthi:** You have been bothered a lot about this question of the SAP not being announced. Unfortunately, I'll have to ask you 1 more question, not the same repeated question, but a different one, but in the same line. If the announcement of SAP comes through and there is a price increase stated by the state government. Will it be applicable retrospectively from the beginning of the season or will it be from whatever the announcement happens?
- Gaurav Goel:** If we see history, if SAP is said to be higher, it will be from the start of the crop. That is what we've seen as per the past
- Nitin Awasthi:** And sir, is the molasses policy out for this sugar season?
- Gaurav Goel:** Yes, yes. So that is out. So, the excise for policy is like out and it is 20% levy is what we have to give.
- Nitin Awasthi:** This year?
- Gaurav Goel:** Yes. '23.
- Nitin Awasthi:** And last year, how much was it?
- Gaurav Goel:** 20 only.
- Nitin Awasthi:** So, there has been no increase in the amount of molasses you have to get to the same topic?
- Gaurav Goel:** No. Same. So earlier was 18, but then in the middle and in August, they made it to 20. So, they've kept it the same.
- Nitin Awasthi:** So earlier policy was 18, but maybe a revision was 20 and now they're sticking to the midyear revision?
- Gaurav Goel:** Yes. So, the 20 was done from earlier also. So, it was not 20 only from August. It was whatever that had made, so the same even for '23..
- Nitin Awasthi:** Sir, given that molasses or any derivative was kept whichever price for the state government and becoming such a precious commodity for the company? And so valuable as just now

compared to where it was 3, 4 years ago. is there any formula that there it works up for this? Or is it just based on excise revenue how much it should be for state government?

- Gaurav Goel:** Again, I think that is we have already answered what you asked me.
- Moderator:** The next question is from the line of Udit Gupta, Individual Investor.
- Udit Gupta:** So, my question is, sir, what is the processing cost of ethanol per liter from molasses or juice and is it any different from Grains?
- Susheel Mehrotra:** See, the total cost of production from molasses is 43. And this is from b-heavy and from syrup also comes to around 50. I mean, there's a gap of about INR 6 to INR 7 between b-heavy and the syrup.
- Gaurav Goel:** And from grain, as of now, because we have not started our grain plant as of now, so grain COP will vary a lot vis-à-vis what is the price of grain of that point of time. So perhaps in, after the Q4, once we start grain and I'll be able to offer you better or accurate numbers. in May.
- Udit Gupta:** Sir, from FCI rice, is what I understand, it's like fixed at INR 20 per case?
- Gaurav Goel:** So FCI rice, yes, they have not fixed it, but they do end up but the availability is limited as to how much we can get from them. So again, so FCI prices also vary a lot. And the FCI price also varies from state to state.
- Anant Pande:** It is from state to state. And also, at the current FCI price rates, which were around INR 20 plus kind of a thing, it is still looking better to buy from the open market as of now and those are tendered prices. So, we don't know what kind of availability.
- Udit Gupta:** Sir, could you tell me the equation, sir, like if we have 1 case of FCI rice, like 1 tons, so how much of ethanol can be produced from it?
- Anant Pande:** For producing, the norm there is about per 1 KL, we require 2.3 is the norm, for producing 1 liter of alcohol you require 2.3 kgs of grain.
- Moderator:** The next question is from the line of Sahil Singh, Individual Investor.
- Sahil Singh:** Thank you for giving me this opportunity. I would like to ask about the transfer pricing of the B-Heavy derived ethanol and syrup derived ethanol and COP of syrup and b-heavy?
- Susheel Mehrotra:** The transfer price for B-Heavy is INR 1,100. and for syrup, which is INR 1,375 that we have taken. And the cost of production for B heavy-based ethanol is INR 43 and syrup is INR 50.
- Moderator:** As there are no further questions, I will now hand the conference over to the management for closing comments.

Anant Pande: On behalf of Dhampur Sugar mills, we would like to once again thank you all for taking your time out to this conference call. If you have any further questions, please feel free to contact with either by phone or by e-mail. You can also visit our website, www.dhampursugar.com and post any queries that you have, we will for sure get back to you as soon as possible. Thank you all. Thank you very much.

Gaurav Goel: Thank you all.

Moderator: Thank you very much. On behalf of SKP Securities Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.