



Dhampur Sugar Mills Limited

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INVESTOR/ANALYST CONFERENCE CALL TRANSCRIPT

DECEMBER 4, 2008

Moderator

Ladies and gentlemen good evening and welcome to the Dhampur Sugar Mills Limited conference hosted by Citigate Dewe Rogerson. As a reminder for the duration of the conference call all participants' lines are in the listen only mode. And there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded. At this time I would now like to hand the conference over to Mr. Ishan Selarka of Citigate Dewe Rogerson. Thank you and over to you Mr. Selarka.

Ishan Selarka

Thank you Melissa. Good evening everybody and welcome to the Dhampur Sugar Mills Q4 and FY2008 conference call. Thank you for joining us. I am happy to introduce from the Company; Mr. Gaurav Goel, Managing Director and Mr. Gautam Goel, Managing Director and Mr. Arhant Jain, Executive President, Finance. We will commence this conference call with opening remarks from Mr. Gaurav and Gautam Goel which will be followed by any comments or questions that you may have. You may want to know that some of the statements in this conference call maybe forward looking statements. And the statement to that effect is stated in the release sent out to you earlier. I would now like to invite Mr. Goel to share his perspectives with regard to the Company's performance during the quarter and year ended September 30th, 2008 and the opportunities going forward. Over to you sir.

Gaurav Goel

Thank you Ishan. Good afternoon and welcome all to our conference call. Just to take you through about the Company, Dhampur is one of the largest integrated Sugar manufacturing companies in India with a focus on allied businesses that mitigate the cyclicity of the Sugar business. We currently have the highest Sugar to Power capacity and are the first Company to manufacture Chemicals from molasses.

Our core Sugar manufacturing plants are located in Central and Western UP and have a total crushing capacity of 39,500 tons of cane crush per day. We have a capacity of 270 KLPD of distillery and a Power capacity of 145 MW out of which

80 MW is surplus which can be sold to UPPCL both, during season and off-season. This long established strategy to focus on generating revenues from Sugar along with its byproducts have enabled us to report a healthy operational progress and we expect to deliver sustainable performance going forward.

On the financial side, our net revenues for this year have grown by 15% to Rs. 6.94 billion compared to Rs. 6.06 billion in the corresponding period last year. Sugar has contributed 71% to the total revenues at Rs. 5.9 billion compared to 84% at Rs. 5.2 billion for the previous year. Our revenues from our Power business have contributed 15.4% of the total revenues at Rs. 1.28 billion compared to zero in the previous year. Our Chemical & alcohol business has also grown by 16% at Rs. 1.13 billion compared to Rs. 983 million in the previous year. The total business has contributed 13.6% of the total revenue.

Our EBITDA for this year has improved to Rs. 1.24 billion as compared to a loss of Rs. 8 million in the previous year. We believe that this improvement in our performance is significant and more importantly, we would be able to sustain a turnaround going forward. You may like to keep in view that post EBITDA our financial charges include forex loss of Rs. 180 million. You may also want to take into account that our interest cost has increased to Rs. 773 million in this year compared to Rs. 445 million in the previous years mainly due to higher debt on the balance sheet resultant to capacity expansions implemented for the Sugar, Power, and Chemical business. This was coupled with an increased borrowing for working capital basically on account of higher Sugar stock. We foresee containment of interest going forward this will be achieved by swapping our high cost loans with loans from Sugar development fund (SDF) which are at 4% rate of interest. The SDF loans have already been sanctioned by the Government of India and will be utilized for repayment of short-term loans and partial prepayment of our long-term loans. The profit after tax for the year post the forex loss, which is exceptional in our mind, stood at Rs.36 million against the loss of 607 million in the previous year. To talk about the operations of the Company I would now like to handover this phone to Mr. Gautam Goel.

Gautam Goel

Good evening all. Let me touch upon our Sugar business. The Sugar industry witnessed a turnaround this quarter primarily because producers were carrying stocks at historical cost while Sugar prices offered better realization. Increased revenue from this business was led by liquidation of buffer stock and improved realization. The challenges in this business still continue, in terms of cane availability and pricing in the coming season and with the hope of a fair and just judgment from the honorable Supreme Court with regards to cane pricing. With expected lower cane production in 2008-09 and therefore lower Sugar production, we expect the Sugar prices to remain firm. Earnings from the segment improved

owing to higher sales in this quarter and improved realization. Our recovery for the Sugar season 2007-2008 was higher at 9.98% compared to 9.62% for the previous year. For the year the Company sold 314,000 tons of Sugar at an average realization of 15.47 per Kg. as compared to 321,000 tons of Sugar at a realization of 14.09 per Kg. for the previous year. For the quarter the Company sold 119,000 tons of Sugar at an average realization of 16.86 per Kg. compared to 74,000 tons at 14.04 per Kg. for the subsequent last quarter. This business contributed to 37.8% of our overall PBIT.

We commenced Power sales during this year. We enhanced our Power capacity in March 2008 from 125 MW to 145 MW. Our total capacity now stands at 145 MW with 80 MW of saleable Power. We believe that this division will provide a sustained cushion to offset the cyclicity of the Sugar business. PBIT contribution from this division stood at 42.7% compared to zero for the last year. The Company produced 276 million units of Power and sold it as an average realization of Rs. 2.95 per unit.

The balance PBIT contribution of 19.5% came from our Chemical & Ethanol business division which showed a steady revenue growth. Earnings in this division were subdued on account of higher molasses prices. PBIT stood at Rs. 189 million for FY2008 as against Rs. 329 million in the corresponding last year. Our focus in this division continues to be in the businesses that offer better margins, which could be Chemical, Ethanol, or Rectified Spirit.

Let me add here that our expansions are all completed and we do not have any major CAPEX plans under implementation. This means that the positive operating cash flow that we expect to accrue from our operation in FY2008-2009 will only strengthen our financial position and our balance sheet. Our cash profits in FY2008 were Rs. 517 million and we are hoping it will be better in FY2009.

On an overall basis we are enthused by our performance. We believe we are well-placed to sustain better results going forward given that today we rely on contributions from Sugar, Co-generation, Chemical, and Ethanol to drive our business. We have built a strong operating platform and our balance sheet is also stable which should deliver sustainable results in the future. With that I would like to conclude. Thank you once again for joining us on the conference call. We will be happy to answer any questions that you may have.

Moderator

Thank you very much sir. Ladies and gentlemen we will now begin with the question and answer session. Anyone who wishes to ask a question may press * and 1 on their touchtone phone. The first question is from Mr. Kunal Bhatia of Dalal & Broacha. Please go ahead.

Kunal Bhatia What is the current debt on books and could you give me a breakup of debt? How much of it would be in foreign currency and bank loans etc?

Arhant Jain The total term loans as on 30th September, 2008, is Rs. 603 Crore out of which Rs. 73 Crore is SDF portion which have already been disbursed and the balance of Rs. 95 Crore is still there. So out of Rs. 603 Crore, Rs. 73 Crore is SDF debt and Rs. 80 Crore is a zero cost loans mainly comprising of excise loans.

Kunal Bhatia Excise loans?

Arhant Jain Rs. 450 Crore is our interest bearing loans apart from Rs. 73 Crore SDF.

Kunal Bhatia What is your average cost of debt?

Arhant Jain If you do not consider SDF and zero cost, our average cost of interest bearing debt of Rs. 450 Crore will be around 11%.

Kunal Bhatia How much of the debt out of these is due for payment in the current year?

Arhant Jain We have certain short term loans also. We have already got sanction of up to Rs. 95 Crore outstanding for disbursement from the Government of India. So those disbursements will be received in the next six months. These will mainly be used for repayments of some short-terms loans of Rs. 41 Crore and thereafter prepayments will be made against high cost loans. So this is Rs. 95 Crore and apart from that approximately an additional of Rs. 30 Crore will be paid.

Kunal Bhatia About Rs. 125 Crore will be the payment of the current year?

Gaurav Goel No, about Rs. 80 Crore would be the total repayment for FY2008-2009.

Kunal Bhatia Could you please provide the sales number for Power. How many units were sold for the current year?

Gaurav Goel For 2008 the total Power sales were 2,762 lakh units.

Kunal Bhatia How many days were we operational for in the previous year and what is your scenario for this current year or days operational for Sugar, Power, and Ethanol.

Gaurav Goel Last year different plants operated at different times but our operational days for Sugar were between 140 to 145 days. Fundamentally, the pure Co-generation is also operated for these 140 to 145 days. The bulk of our capacities were operated during these days. One has to bear in mind that 20 MW of our capacity came on stream at the fag end of March 2008. So we could not take full advantage of the 20

MW, 1/3 of our total capacity, during the 140 operational days last year; which is what we are enjoying at the current moment. Our distilleries operated for another 120 odd days. Power did not really operate much during off season. It was marginal. I would say our average sale of Power, during 45 days would have been about 15 odd MW and the bulk of our Power sale happened during the season. Ethanol operated for about 280 odd days.

Kunal Bhatia

What is your scenario for the current year due to fall in production of cane?

Gaurav Goel

Cane is a million dollar question, but we are definitely anticipating that in the current year our Sugar operating days would probably be about 10% lower than last year. So we are anticipating about 130 odd days, but one has to bear in mind that we are also anticipating a reduction in cane, so capacity utilization during this time will also be lower. We have also put our estimates for Sugar production state wise and for the entire country on our website and if you look over there you will notice that we have projected UP to be about 20% to 25% lower than last year.

For Dhampur, we are anticipating that it would probably be about 10% to 15% lower than last year. Some of it will be because of the impact of lower cane in terms of both; reduction in the number of operating days and reduction in capacity utilization. Power facility will continue to operate till the time our Sugar production is carrying on. During out of crop, we do not anticipate much of Power operation because the Bagasse prices or the fuel prices are A) very high and B) whenever you produce or operate one does not tend to get optimum capacity of Bagasse saving that you originally hoped for. Our distilleries will probably again be operating for a 180 to 200 odd days and this is where we stand.

Kunal Bhatia

Do you have any inventory for molasses in the current year or not?

Gaurav Goel

Carry over of molasses inventory from last year was not significant. I think it is about 8,500 odd tons of molasses that we carried over during November. In October, I would imagine the carry over would be around 15,000 to 17,000 odd.

Moderator

Thank you Mr. Bhatia. The next question is from Mr. Achal Lohade of JM Financial. Please go ahead.

Achal Lohade

How much of our capacity addition was under the UP promotion policy in terms of Sugar capacity?

Gaurav Goel

About 12,000 tons were added due to the scheme.

Achal Lohade What is the cost of production in terms of variable and fixed cost for Sugar production?

Gaurav Goel See you must basically take whatever is the cane cost, if it is at Rs. 140 then that would be your cane cost and on that we generally add Rs. 2,000 a ton which is the variable and fixed expense without depreciation and the interest.

Achal Lohade How much is depreciation and interest sir?

Gaurav Goel The interest outgo was Rs. 77 Crore and our depreciation was Rs. 53.3 Crore. Depreciation will go up to about Rs. 64 Crore in FY 2008-2009 and the interest figures as far as what we see should be in the same range.

Achal Lohade How much would that be per kg of Sugar?

Gaurav Goel We already made 361,000 tons of Sugar last year. So if you divide that by 120 that is almost Rs. 3 per kg

Gautam Goel You have to basically bear in mind that there are working capital interests and term loan interests. Different segments would have their own sort of working capital and term loans.

Achal Lohade What is the scenario in terms of the production? Have we already started Sugar crushing operations and what kind of cane pricing are we looking at?

Gaurav Goel Yes all of our four plants are operational. As far as the cane price goes, the current cane price which is available is at Rs. 140 per quintal, but this matter is sub judice right now. The case is pending in the High Court and the judgment to this effect is expected in the next seven to ten days.

Achal Lohade I understand that the judgment could be on either side. So how do we foresee the scenario? We have to make payment in 14 days' time so how do we see that? What kind of payments are we going to make to the farmers?

Gaurav Goel Basically it is going to be dependent on two or three factors. One, the payment that we are making currently is Rs. 140 for the general variety of cane arriving at gate. There is a transport deduction of Rs. 5.75 for the cane that we purchase at the collection centers. If there is any price lower than this then, obviously we would look to pay a lower cane price.

Achal Lohade Can we get a sense on the additional cost of cane, in terms of how much would the society, purchase tax and transport cost.

Gaurav Goel Our transport cost was worked out to at about Rs. 10 to Rs. 11 per quintal of cane. Rs. 5.75 has been deducted for cane that is procured at our centers the net impact of that is about - Rs. 5.5 odd per quintal of cane plus Rs .2.40 of society commission and Rs.2 of purchase tax.

Moderator Thank you Mr. Lohade. The next question is from Mr. Jehan Bhadha of Darashaw Broking and Investment Banking. Please go ahead.

Jehan Bhadha Did the Company use the entire Bagasse for generating Power or did the Company also sell it outside, because your full capacity of Power was not on-stream during the year.

Gaurav Goel No. We did sell a very small quantity last year while the balance was used to make Power.

Jehan Bhadha Okay, because if we consider the total cane crushed and if we convert it accordingly then, Dhampur should have produced some more units of Power.

Gaurav Goel You are absolutely right. But in our Dhampur unit, our Power plant came on stream only in March 2008. So during the last season we were operating the lower pressure boilers. That is why the Power was less even though the Bagasse used was the same. But this year the total Power capacity has come on stream. You will see Power export to be higher than last year.

Jehan Bhadha Can you tell me the average realization for the distillery segment?

Gaurav Goel Yes we can, but before that there is one thing that I would like to add. We have flexibility to make more products. We make Rectified Spirit, Ethanol and value added Chemicals. We can change the product mix of these three products depending on the price of all three.

Gautam Goel We sold Rectified Spirit in the last year at an average of Rs. 21.81 a liter and Ethanol was sold at Rs. 21.91 a liter. Ethanol goes to the oil companies. The realization for our two Chemicals that we produce and sell for acetic anhydride was Rs.42.5 per kg for Ethyl Acetate Rs.40.03 per kg.

Jehan Bhadha What would be the percentage breakup of Chemicals, Rectified Spirits, and Ethanol for the last year?

Gautam Goel 45% was Chemicals, about 25% was Rectified Spirits and the balance was Ethanol last year.

Jehan Bhadha Can you explain the forex loss of Rs. 18 Crore that you have?

Gaurav Goel Out of Rs. 18 Crore, Rs. 13.2 Crore was on account of the ECB loan due to the Dollar strengthening and the balance Rs. 4.8 Crore was hedging loss on Dollar forwards that we had taken against CHF and other currencies. There are no other hedges or derivative pending as of now in the Company.

Jehan Bhadha What was the inter-unit transfer rate for Molasses?

Gautam Goel Yes for molasses inter-unit transfer rate was Rs. 245 for the year which is exclusive of all excise duties

Jehan Bhadha Can you tell me when and how you expect to receive the capital subsidy that you are eligible for?

Gaurav Goel The matter is sub judice right now as you all are aware that in Uttar Pradesh, the new government has cancelled the scheme. So the matter is pending in court. Hence it is not really possible for us to give an exact date as to when it can come to the Company.

Gautam Goel We pray that we will get it tomorrow but this does not seem to be the case, but as Mr. Goel is saying it is a sub judice issue.

Moderator Thank you Mr. Bhadha. The next question is from Mr. Sachin Kasera of PINC Research. Please go ahead.

Sachin Kasera Could give an outlook in terms of absolute numbers of interest cost for the next year?

Gaurav Goel As we said earlier we all expect our interest cost to stay at almost the same sort of level compared to this year. This year, our total interest outgo was Rs. 77 Crore and we expect it to be in the same range for the year 2009. It can only come down but it will not go over that.

Sachin Kasera But considering the fact that you mentioned you are going to repay the loans with SDF which is around Rs. 80 Crore and add to the fact that the interest rates are expect to come down, and plus crushing is expected to be lower this season which would reduce our inventory carrying; I thought we could see a reasonably good reduction in interest cost.

Gaurav Goel On the working capital side crushing is definitely looking lower but the cost of production is going to be higher because of higher cane price. You have to bear in mind that last year till the time we do not get an order; we were looking at cane at Rs. 110 and as of now all our internal projections are all based on Rs. 140 SAP. So that is basically close to a 25% to 28% increase in the cost of cane

Sachin Kasera So basically factoring in the reduction in term loan is counter weighed by the increase in working capital interest?

Gaurav Goel That would be right.

Sachin Kasera What is the cost of Sugar inventory that you are carrying as on 30th September in the balance sheet?

Gaurav Goel The closing stock was 1.56 lakh tons valued at Rs. 1,423 per quintal.

Sachin Kasera What is the revenue from the sale of Molasses and Bagasse outside excluding what we earn from selling to our captive Power plant and the distillery?

Gaurav Goel Molasses was fully used internally. Bagasse sales for the year were a very small amount. We do not have the number right now but I will tell Mr. Arhant Jain to email you that.

Sachin Kasera What is the expected sale of Power to the GRID considering the amount of cane you are planning to crush?

Gaurav Goel As we mentioned, we are looking at an operating base of about 130 days. So, definitely our Co-gen plants will be operational throughout that time. The question here is, will there be 100% capacity utilization during this period or not. We would anticipate that an average would be between 70-75 MW and roughly our experience says they would probably be about 90% PLF (Plant Load Factor).

We are working very hard on other fuels due to out of crops to be honest. We are doing a lot of internal development work on those sides but there is still sometime and we don't really anticipate a great amount of sale during the off season time this year as far as bagasse prices are at a whole time high.

Sachin Kasera Okay. So compared to say 1,764 lac units that you sold last year, do you expect some decline in sales or will you be able to at least maintain that?

Gaurav Goel We are expecting some sort of increase from that. Not a decline because bear in mind that our capacity that we operated last year has already increased by 30%-33% from that.

Sachin Kasera Yes. But as you just mentioned that last year we hardly sold any Bagasse outside and this year we are anticipating 10% decline in crushing, so if the cane crushed is going to be lower than last year then how would we look in terms of increased sale, because last year also despite higher production you know we did not export any Bagasse outside?

Gaurav Goel Our biggest Co-gen capacity came in our biggest plant at Dhampur followed by Asmoli and Mansurpur plant. All these plants had lower pressure and inefficient boilers earlier. So till the time the new boilers start operating, the bagasse consumption cost the same amount of steam resulting in a considerable higher cost of Power generation. It is fairly clear if one looks at configurations that the real benefit of Co-gen is where you have a greater number of days and capacities. That is the reason why we found that our existing plant have a decent sort of operating base and the new plant would not have that many operating days. So we put in our Co-gen capacity in our existing plant.

Sachin Kasera Regarding the forex loss you mentioned some 12 or 13 Crore is basically the mark-to-market loss and ECB loss. So is it fair to say that right now these are not cash-flow losses and depending on the rupee movement, it could again increase or decrease going forward?

Gaurav Goel Absolutely right!

Moderator Thank you Mr. Kasera. The next question is from Mr. Sanjay Kular from Infopile India, please go ahead.

Sanjay Kular Can you tell me what the average realization of Sugar per kg for the last year was?

Gaurav Goel Our average realization for last year was Rs. 1,547 per the quintal.

Sanjay Kular What kind of movement could happen in the next six months or one year down the line, in the light of falling crude oil prices and impact on Ethanol?

Gaurav Goel As far as the Sugar prices go, as everybody knows that, there will be lower Sugar produce in India this year and the production is expected to be below 20 million ton. When this scenario, Sugar prices are expected to go up there is price of new Sugar which is coming in the market which is about Rs. 18.5 per kg. Should these prices go up? Yes. They all should go up but from our point of view a price of Rs. 20 per kg. in April or May should be a fair price for Sugar.

Gautam Goel We would like to elaborate on two or three aspects over here. One is specific to our Company. I mean one thing which I think which we missed in introduction 40% of our Sugar that we produce is refined Sugar.

Sanjay Kular How much premium do you get on refined Sugar?

Gautam Goel Depending on the market. It could range between Rs. 400 a ton to Rs. 500-600 a ton between different times and different rates. The figures that we were defining were basically for standard 'M' quality Sugar. As I mentioned earlier, we have

given our estimates of what our Sugar production would be. We are definitely looking at a tight domestic Sugar balance sheet. We are also internally looking at a lower sugar produce. However, it's not that India is going to import Sugar but definitely the balance sheet position is tight. We are anticipating an upward trend in Sugar prices.

Sanjay Kular Is there any correlation between the Re. 1 increase in Sugar pricing per kg leading to a certain amount of profit straight away or some kind of EBITDA. What we heard last year was that the average price of Sugar was Rs. 18.50. Now say that the price goes up to the Rs. 20.50, that is Rs. 2 increased, then do you think it will directly add some kind of you know for EBITDA? Does that go straight to your PBT.

Gaurav Goel Is there some correlation between 12,000 ton capacity and Re. 1 increase. If that happens then what amount of rise do we see in our profit?

Gaurav Goel During the last year we made 3.61 lakhs tons of Sugar. If you increase Re. 1 in that that basically means 36 Crore bottom line added to the Company.

Sanjay Kular Do you expect price to firm up?

Gaurav Goel Absolutely.

Sanjay Kular Can you tell me what the impact of UP Sugar Mill case is? Have we received an outcome?

Gaurav Goel Are you talking about the cane price or the incentives?

Sanjay Kular No. If the case is not in our favor then what is the repercussion?

Gaurav Goel Let me elaborate. We have various cases going on. There are two cases for cane price i.e. 2006-07 and 2007-08, pending in the Supreme Court. For 2006-07, the government gave a price of about Rs. 125. Subsequently, the factory disputed and it went into court. The court gave an interim price of Rs. 118. Most of us have paid the price of Rs. 125 and in the event the 2006-07 case goes against us, there is no benefit or loss coming to us. For 2007-08, the cane prices were the same, but the entire Sugar industry in UP paid Rs. 110. The difference per quintal was Rs.15 of quintal of cane. Let's say we crush 36 million tons of cane in 2007-08 and if the Sugar industry loses that case then there is Rs. 15 impact after taking into account a transportation deduction. That would be about 43 Crore impact after taking into account the transport deduction.

Sanjay Kular Rs. 43 Crore hit on profit to the Company.

- Gaurav Goel** That would be for the entire Sugar industry in North India. Everybody has accounted for the cane at Rs. 110 for 2007-2008.
- Sanjay Kular** As far as Dhampur goes, what will be the loss, if, Rs. 125 price is approved?
- Gautam Goel** Our cash loss would go up by Rs. 43 Crore and because of the stocks obviously the net loss would be lower but the cash loss would be Rs. 43 Crore.
- Sanjay Kular** Would you like to give any revenue and profit guidance for the next year?
- Gautam Goel** Not at this point of time but we will be posting it on our web site after January 2009.
- Sanjay Kular** Our capital inflow is about Rs. 1,300 Crore and our market capital is just about Rs. 110 Crore plus the Rs. 300 Crore worth of debt giving an enterprise value of Rs. 400 Crore. In fact we added Rs. 400 Crore worth of capital employed last year itself. So do you think the shareholder value has been destroyed beyond measure and some measures should be taken by the management in terms of buyback or something is expected?
- Gaurav Goel** No, there is no buy back in the offering. Your point is extremely well taken. We all also believe that the shareholder value has been destroyed but, at this point of time there is no buyback plan of the Company.
- Sanjay Kular** By any standard, this price is very low. Is there any benchmark for Sugar industry or how does one value Sugar stocks?
- Gaurav Goel** To answer it on a personal basis, we cannot really understand these valuations. But seeing the market on financial side, this is just a reaction to both, what is happening globally and what has happened in India. Hopefully in the future, seeing our integrated model we are all hoping that the markets will give us better price earnings than what is given to a Sugar mill.
- Sanjay Kular** How much is short-term debt out of our debt of Rs. 300 Crore?
- Gaurav Goel** Our total term debt as I said earlier was Rs. 600 Crore. Out of that SDF loan is Rs. 73 Crore, zero cost loans is Rs.80 Crore and our interest bearing term loan is Rs.450 Crore.
- Sanjay Kular** What is average cost of funds?
- Gaurav Goel** For Rs. 450 Crore; our average cost is 11%. And for SDF it is 4% at simple interest

Sanjay Kular Is the increase in promoter's stake largely due to the warrant conversion?

Gaurav Goel Yes. It is basically on that account.

Sanjay Kular So now there are no outstanding warrants or any equity!

Gautam Goel There are only 12 lakhs warrants outstanding, which translate into 12 lakhs shares.

Sanjay Kular Which is to whom? Is it to the promoters?

Gautam Goel Yes.

Sanjay Kular At the same price i.e. Rs. 57?

Gautam Goel See, no it was Rs. 67.

Sanjay Kular So in light of the change to market valuations are promoters putting in money?

Gaurav Goel The promoters have certain time for conversion of the same. So I am sure that they will take a call closer to time.

Sanjay Kular An alternate option is that you might buy shares from the open market keeping the equation because you are getting it at a really low price?

Gautam Goel That would always be an option.

Moderator The next question is from Mr. Achal Lohade of JM Financial. Please go ahead.

Achal Lohade I have a few follow-up questions. What kind of realizations are we looking at for FY2009?

Gautam Goel I think we are looking at a range between Rs. 18.5 to Rs. 21 during the whole year.

Achal Lohade What would be the company's actual realization?

Gautam Goel In that case, the excise duty of Sugar which is close to Rs. 98 will have to be accounted for.

Achal Lohade Did we import any raw Sugar in 2004-05 from any refinery that was processed and sold in the domestic market? What kind of margins did we make that time?

Gaurav Goel We did import raw Sugar. We are the largest raw Sugar importers in North India and in the country. That raw Sugar was purely on a ton for ton scheme. However, it was not similar to the grain to grain scheme. It was about 10% at that point of time

and we would also like to point out that we don't really have any great export obligation left on our books. We have a very marginal export obligation of about 4,000 tons. We completed our export obligation barring 4,000 tons at the time when India was exporting Sugar and the government had given permission only to the people with pending advance license to export Sugar.

Achal Lohade What margins did you make in this raw Sugar processing?

Gaurav Goel It was 10% margin.

Achal Lohade Could we get an understanding on how it works? What kind of freight costs and processing charges did you incur?

Gautam Goel We have two stages in it. Freight cost is incurred as all our factories are considerably away from the port. If you are looking to import raw Sugar our choice of port works out to be Kandla or Mundra. There is a freight cost involved. We have to freight it by rail to the nearest railway station and then we bring to our factory, so the cost is about Rs. 1,300 a ton i.e. Rs. 130 a bag. There are also some handling losses here. Now processing cost can vary between season and off-season. We have the ability to process both in season and in off-season in our refineries because we have Co-generation plants. Now the processing cost will vary upon the cost of raw Sugar and the cost of fuel. Today if cost of fuel is considerably higher it could work out to Rs. 2,500 per ton after taking into account losses and everything else. If you process in the season, the cost of production is a bit lower than off-season.

Achal Lohade What is the raw Sugar price, import rates and the inland freight?

Gautam Goel The raw Sugar prices internationally have really come down but there is an upward movement on dollar. So raw Sugar, reaching India is available at close to US \$270 a ton.

Gaurav Goel After taking into account the LC charges, port handing charges, and everything else, it works out to Rs.14,000 per ton which are loaded on to rates at the port. Then you add Rs. 1,300 or Rs. 1,400 for inland freight thus getting at about Rs. 15,400-15,500 when reaching your factory. You also add a processing cost of about Rs. 3,000. So our assessment at this point of time works out to Rs. 18.5 to Rs. 19.0 a kg.

Achal Lohade How much would be the freight component?

Gaurav Goel The freights are tracked internationally. So it is hardly US \$25- \$30 from Brazil.

Achal Lohade During the peak season what was the highest paid freight cost?

Gaurav Goel Freights have gone over US \$100 at one point of time for raw Sugar.

Achal Lohade How much will be the freight for refined Sugar?

Gautam Goel Refined Sugar freights are considerably higher. The bulk of the refined Sugar movement has now become containerized. Cargo handling in most of the western ports has become very expensive. The freights currently are at USD 25 to USD 30 for raw Sugar and are USD 40 to USD 41 for white Sugar and the destination is from Dubai or China.

Achal Lohade I also wanted to check whether we harbour any plans of putting up port-based refineries in the next two years?

Gautam Goel We do not envisage these businesses.

Achal Lohade Can we just get some light on the working of the port-based refineries?

Gautam Goel It will not be fair to comment on that but let's assume that we put a port based refinery purely to import raw Sugar and export white Sugar to markets like Indonesia or Sri Lanka or Bangladesh. There could be a business model in place but we don't foresee ourselves doing that as we don't think it will make sense to do it at this point of time.

Achal Lohade One last question on your hedging loss. Was it on the ECB loans?

Gaurav Goel Yes. It was for the ECB loan that the company has. It was mark-to-market loss on the dollar.

Achal Lohade That amounted to 13.2 Crore?

Gaurav Goel Absolutely!

Achal Lohade What about the Rs. 4.8 Crore hedging loss?

Gaurav Goel That has fully expired on September and there are no pending outstanding hedges or derivative products pending as of September 2008.

Achal Lohade Actually I am still unclear on the hedging loss?

Gaurav Goel Our hedging loss was Rs. 4.8 Crore. The hedging loss was basically loss on account of US dollar and CHF and Indian rupee.

Achal Lohade What we wanted to understand is the underlying you had against that hedge? Was it a balance sheet item or was it a P&L item?

Arhant Jain The underlying security was ECB. The dollar was converted into CHF that resulted into a loss.

Achal Lohade Was this a plain futures contract?

Gaurav Goel It was just the plain option, which has now expired and the loss on that is Rs. 4.8 Crore.

Moderator Thank you Mr. Lohade. The next question is from Mr. Aashish Uppanlawar of Sharekhan Limited. Please go ahead.

Aashish Uppanlawar: I wanted to know what is the ECB loan amount that is outstanding as of date.

Gaurav Goel US \$15 million!

Aashish Uppanlawar What is the rupee dollar-rate as of now?

Gaurav Goel It presently stands at Rs. 47.

Aashish Uppanlawar What are the terms of repayment and interest on this ECB loan?

Arhant Jain The ECB was to be repaid in a period 7 years and the repayment was to start after 3.5 years.

Aashish Uppanlawar When was this taken then?

Arhant Jain It was taken in March 2007.

Aashish Uppanlawar What is the current realization that you are fetching on Sugar that you are selling?

Gaurav Goel The current realization that we are getting for our old Sugar is at Rs. 17.50 per kg and for our new Sugar, realizations are ranging between Rs. 18.50 to Rs. 19 per kg.

Aashish Uppanlawar Are you saying that the average that you expect for the year would be somewhere around Rs. 20.

Gaurav Goel: Rs. 19 to Rs. 20 should be the average for this year.

Aashish Uppanlawar How is the recovery expected this year? Is it going to be lower?

Gaurav Goel We all do expect it to be lower than last year.

Aashish Uppanlawar You had sold approximately about 314,000 lakh tonnes of Sugar last year, right?

Gaurav Goel Absolutely.

Aashish Uppanlawar Was the production at 361,000 lakh tonnes is it?

Gaurav Goel Yes.

Aashish Uppanlawar You mentioned about 12,000 TCD of Sugar capacities coming into operation last year, so does that have any bearing to this?

Gaurav Goel No. It has not come into stream last year but the year prior to last year.

Aashish Uppanlawar So FY2007 and FY2008 were not comparable

Gaurav Goel Right. However, FY2008 and FY2009 would be comparable

Moderator Thank you sir! The next question is from Mr. Ashish of Kotak Securities, please go ahead.

Ashish What kind of top line and bottom line are you expecting from FY2008-09 with Rs. 140 per quintal Sugarcane?

Gautam Goel As of now we are not commenting on the future top line and bottom line but by January. Once the cane price issue and the total cane availability is clearer, we will post these on the web site.

Ashish Okay but given the idea that we are expecting somewhere around 20 million tons of Sugarcane production in India and with Rs. 140 per quintal rate, you definitely would have a rough target in your mind regarding the top line and the bottom line.

Gaurav Goel As Mr. Gautam Goel said that last year we produced 3.61 lakhs tons of Sugar and this year our Sugar production should drop in anywhere between 10% to 15%, I am sure you will be able to compute the top line number. Our Power sales should be within this same range or it may increase and the Chemical sales should be more or less at the same level.

Ashish You are carrying around 14 to 14.5 lac quintals closing stock as of date. Now, targeting around 10% to 15% lower production would you be looking to increase your quantum of sale in the Sugar front?

- Gaurav Goel** Sales realization would depend on the sales order that we get from the Government of India. But seeing that the overall Sugar sales would be lower, we are all expecting a lower inventory number as of 30th September, 2009.
- Ashish** What is your projection for this crushing season?
- Gautam Goel** We posted our projection, after the last Indian Sugar Mill Association meeting, on our website; we have sort of projected between 19 million tons and 20 million tons. We have quoted a number there which is range bound on a plus-minus situation. Meeting scheduled to happen in the last week of December, we will review it again but although Sugar production may be better, we definitely are not anticipating it would be higher than what we posted last. It could be marginally lower because the recoveries up North are definitely lower than last year.
- Moderator** Thank you Mr. Lalla. The next question is from Mr. Aashish Uppanlawar of Share Khan, please go ahead.
- Aashish Uppanlawar** I had a follow-up question. You said that distillery had operated for about 280 days for FY2008 and I think in response to one of the questions you said 200 days is what we expect this year.
- Gaurav Goel** We are expecting lower days in the distillery business this year.
- Aashish Uppanlawar** You are also saying that Sugar sales volumes would be lower this year. Is there any base inventory that you can guide us through, the closing stock for the next year so that we can work out a rough figure of volume of sales?
- Gaurav Goel** As of now what will be our closing stock next year is a number that is not available with us because that is totally dependent on the release orders that we get from the government. But seeing that India will only have below 20 million tons in FY09 you can be rest assured that the closing stocks would be lower than what they are in 2008.
- Aashish Uppanlawar** So basically we would be selling into our stocks and the sales volumes would be somewhere around the figures this year.
- Gaurav Goel** Absolutely.
- Aashish Uppanlawar** You mentioned 1.56 lakh ton is what we are carrying as of now in the opening stock for the current year under review?
- Gaurav Goel** Yes absolutely.

Moderator

Thank you sir. Sir, there are no further questions. I would like to hand the floor back to Mr. Gaurav Goel for closing comments.

Gaurav Goel

On behalf of Dhampur Sugar Mills, Mr. Gautam Goel, Arhant Jain and I would like to thank all of you for your time. If there are any questions, please feel free to contact us either by phone or by e-mail and we will get back to you as soon as possible. You all can also visit our web site www.dhampur.com and post any queries you have there. Thank you.

Moderator

Thank you. Ladies and Gentleman, on behalf of Citigate Dewe Rogerson that concludes this evening's conference call. Thank you for joining us and you may now disconnect your lines.