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Investor/Analyst Conference Call Transcript – Q1 FY2009

January 23, 2009 at 4:00 pm

Moderator

Ladies and gentlemen, good evening and welcome to the Dhampur Sugar Mills Q1 FY09 conference call. As a reminder, all participants will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference, please signal the operator by pressing * and 0 on your touchtone phone. Please note that this conference is being recorded. I would now like to hand over the conference to Mr. Ishan Selarka of Citigate Dewe Rogerson. Thank you and over to you Mr. Selarka.

Ishan Selarka

Thank you Jerry. Good evening everyone and welcome to Dhampur Sugar Mills Q1 FY09 conference call. Today we have with us from the Company Mr. Gaurav Goel, MD, Mr. Gautam Goel, MD and Mr. Arhant Jain, Executive President – Finance. We will commence this conference call with opening remarks from Mr. Gaurav Goel and Mr. Gautam Goel which will be followed by a question and answer session. You may want to know that some of the statements in this conference call may be forward looking and a note to that effect is stated in the release sent out to you earlier. I would now like to invite Mr. Gaurav Goel to share his perspective with regards to the Company's performance during the quarter ended December 31st, 2008, and the opportunities going forward.

Gaurav Goel

Thank you Ishan. Good evening and a very warm welcome to all of you to Dhampur's Q1 FY09 conference call. We are happy with our progress this quarter supported by an improvement in the Sugar cycle. Sugar has led the pack posting healthy revenues and earnings on back of higher sales volume and better realizations. Our Co-generation business is gaining traction and has noticeably complimented our earnings this quarter. This growth is in line with our established strategy to focus on generating revenues from Sugar with its by-products and we expect to deliver a balanced performance going forward.

Our revenues from all segments grew by 102% to Rs. 340 Crore compared to Rs. 168 Crore in the corresponding period last year. Sugar has contributed to 79% of total revenues at Rs. 269 Crore compared to 64% at Rs. 108 Crore for the same period last year. Though there is pressure on cane availability; firm Sugar prices

and Sugar inventories are expected to offset this uncertainty. A significant contribution was also made by the Co-generation business which added to 17% to the total revenues at Rs. 57.2 Crore compared to Rs. 27.7 Crore in Q1 FY08.

Our Chemical business witnessed a slow down on the back of increase in price of raw materials without corresponding increase in realizations. Revenues from this business stood at Rs. 11.6 Crore for this quarter. This business contributed to 3.4% of total revenues. Our EBIDTA has improved to Rs. 51.6 Crore compared to Rs. 27.8 Crore in Q1 FY08. We believe that the improvement in our performance is encouraging.

You may want to take into account that our interest cost has increased to Rs. 18.9 Crore this year due to higher debt on the balance sheet resultant to capacity expansion implemented for the Sugar, Co-generation and the Chemical businesses. As mentioned in our last conference call, we foresee containment and reduction of interest going forward by swapping our high cost loans with loans from Sugar development funds (SDF) which are at a 4% rate of interest. The Company has already received a sanction of Rs. 1471.9 million of SDF Loans from the government of India. Until FY2008, the Company had received disbursement to the extent of Rs. 517.6 million. There was further disbursement of Rs. 158.8 million in January 2009. Now, out of the balance un-disbursed loan of Rs. 795.5 million, Rs. 417.8 million is to be utilized for repayment of short-term loans and the rest is to be adjusted for repayment of long-term loans & working capital borrowings. The profit after tax for the year post the forex mark-to-market loss, which was at Rs. 4.9 Crore and are exceptional in our mind, stood at Rs. 13.67 Crore for this quarter against Rs. 2.47 Crore in the corresponding year. These on a broad level are our Q1 numbers. I will now hand over the phone to Mr. Gautam Goel to talk about the operations of the Company.

Gautam Goel

Good evening all. Let me start with the Sugar business which after two years has seen an improvement in the working environment. The Sugar industry witnessed a turn around primarily because of lower cane acreage leading to shortage of Sugarcane thereby increasing Sugar prices. Also, producers were carrying Sugar stock at historical cost. Liquidation of buffer stock at improved realization led to increased revenues from this business. With expected lower cane production in the Sugar season 2008-2009 and thereby lower Sugar production, the Sugar prices are expected to remain firm. However, the challenges in this business still continue in terms of cane availability and may result in a planned shut down of most of our plants February-March 2009.

Earnings on this segment improved owing to higher sales volume in the quarter and much improved realizations. Recoveries in the Sugar seasons 2007-2008 were at

9.1%. For the quarter, the Company sold 1.3 Lakhs tonnes of Sugar at an average realization of Rs. 17.90 per kg of Sugar compared to 0.6 Lakhs tonnes at Rs. 14.30 per kg last year. This business contributed to 49.2% of our overall PBIT.

We commenced power sales in Q1FY08. Our enhanced power export capacity in March 2008 from 60 MW to 80 MW is now operational and is showing noticeable growth. Our total Co-gen capacity now stands at 145 MW with 80 MW saleable power. We believe that this division will add to the overall earnings in good times and also provide a sustained cushion to offset the cyclicity of the Sugar business. The PBIT contribution from this division stood at 47.6%. The Company produced 1,024.5 lakhs units and sold power at an average realization of Rs. 3 per unit.

The Chemical-Ethanol business marginally contributed to the balance PBIT of 2.9%. Earnings in this division were subdued on account of higher molasses prices and reduced Chemical prices. PBIT stood at Rs. 1 Crore for the period under review. Our focus in this division continues to be in the business which could be Chemicals, Ethanol or Rectified Spirit that offers better margins.

On an overall basis we are enthused by our strong performance. Given the integrated nature of our business we now rely on contributions from Sugar, Co-gen, and Chemical-Ethanol to drive our business. I believe that we have built a strong operating platform making us well placed to deliver sustainable results and our outlook for the future remains optimistic. Thank you once again for joining us on this conference call. We will be happy to answer any questions that you may have.

Moderator

Thank you Sir. We will now begin the question and answer session. If you would like to ask a question please press * and 1 on your Touchtone phone. Our first question comes from the line of Ms. Falguni Thacker from Jet Age Securities. Please go ahead Madam.

Falguni Thacker

If we have sold 6 Crore units of power and if we assume that we make entire Rs. 3 as our contribution which is not the case, then we have a figure of Rs. 18 Crore. So, I wanted to know why the Co-gen profit is so high at Rs. 16 Crore. Even if we assume a Re.1 profit then the profit should be Rs. 6 Crore and if we take Rs. 1.5 then we should ideally get Rs. 9 Crore. So, how is profit so high at Rs. 16 Crore having sold 6 Crore units at Rs. 3?

Arhant Jain

We have produced 10 Crore units of power and supplied it to our Chemical as well as to some Sugar units also which have generated some profits. Thereafter, steam is generated by our Co-generation units which is supplied to the Chemical as well as the Sugar units. So we have profit from there as well.

- Falguni Thacker** However that would even out at the Company level. However, at the overall Company level that would be a cost to those units and revenue to this unit. So, for this segment we should have profit based only on this 6 Crore unit. Correct me if I am wrong?
- Arhant Jain** The profit margin in co-gen unit in Sugar season is quite high.
- Gaurav Goel** All investments in the boilers and turbines have happened in the power segment. As per the accounting norms 'an interest for these expansions' is charged to the power unit till the unit transfers this Bagasse which in turn supplies it with steam and with power. Only the surplus power is sold to the grid. This has resulted in our total sales from the Co-generation business of Rs. 57.2 Crore and the profit prior to interest and tax of Rs. 16.21 Crore for the quarter.
- Gautam Goel** I would like to add that it was as per standard accounting policy adopted by all the Sugar companies.
- Falguni Thacker** Could I also understand what would be the PBIT profit per unit of power sold during season and off season?
- Gaurav Goel** During season time it would be approximately about Rs. 1.5. Whereas, off season varies on a year-on-year basis depending on the price of Bagasse. Though, this year we do not plan to do any power Co-generation during the off season.
- Falguni Thacker** Why have the volumes dropped so significantly in Ethanol the Ethanol segment?
- Gautam Goel** Our Chemical/Distillery business has three major products. One is the Ethanol that is supplied to the fuel companies, second is the Rectified Spirit, and the third is the Chemical business. Traditionally, about 65% to 70% of the Alcohol goes to the Chemical business. After the financial slow down when the oil price corrected, it fell quite drastically. We had witnessed that this Ethanol segment has been competing with the petrochemical side of the business.
- Now with reduction in oil prices there has been a drastic drop in the petrochemical based Chemicals. Simultaneously, there has also been demand destruction. Prices of molasses continue to remain firm whereas the prices of the Chemicals have reduced. So we find it more viable to sell the molasses or alcohol directly to the users of Rectified Spirit and not making Ethanol for the Chemical business segment. So that is the fundamental reason why you saw a reduction in this side of the business.
- Falguni Thacker** Does that mean that our requirement of molasses would be met internally and we are not purchasing anything from outside?

Gautam Goel Our capacities are such that we need more molasses than we produce. But it depends upon what the market situation is, what are the prices of molasses is and what is the selling price of alcohol and Chemicals. Since the Chemical prices are depressed, we do not anticipate purchasing any molasses this year.

Falguni Thacker So we have long term contracts on Ethanol. Is it the Company's discretion to sell a certain quantity to the oil marketing companies or one has to supply a fixed quantity each year since it is contract based?

Gautam Goel You are supposed to supply that quantity as per the contract signed and if there is a dispute then that is a separate issue.

Falguni Thacker You mean that the Ethanol sales in that case would not be impacted since the specified quantity would have been supplied in any case?

Gautam Goel Yes. We have to supply quantity as per the contracted volume.

Falguni Thacker Are there quantities supplied even beyond the contract?

Gautam Goel We do not supply Ethanol to the oil companies beyond the contract. There are no long-term contract to the portable liquor manufacturers to whom we supply Ethanol i.e. Alcohol. So we make alcohol which these manufacturers can use and sell it depending on the market conditions.

Falguni Thacker How many working days would the Sugar mills and the power and alcohol segment operate in 2009?

Gautam Goel Different units will have different situations. But broadly speaking we would anticipate it to be anything around 120 to 130 or 135 days. But this is in the conventional Sugar segment. In the alcohol segment again there could be similar days, around 15 or 20 days more than that. However, we do not anticipate selling a substantial amount of power during the off season. But depending on the opportunities with regards to raw Sugar i.e. if we do decide to bring in raw Sugar, depending on government policy, then we could be selling power along with re-processing that raw Sugar.

Falguni Thacker What is the cane shortage in UP, Tamil Nadu, and India as a whole? What is the total Sugar output that you foresee?

Gautam Goel Our data suggests that Sugar produce could be in the region of 17 million tonnes. It could be marginally higher or marginally lower. That is what the current trends are estimating. That is on account of reduced cane availability and also considerably lower recovery especially in the Northern Indian region.

Falguni Thacker What would be the drop in Sugar production in UP and Tamil Nadu?

Gautam Goel Our UP data suggest that last year UP produced 7.3 million tonnes of Sugar. This year we estimate it to be in the region of 4.5 to 5 million tonnes. Last year, Tamil Nadu produced about 2.23 million tonnes of Sugar and we estimate it to be 1.8 million tonnes.

Moderator Thank you Ms. Thacker. The next question comes from the line of Mr. Urmil Shah of Anvil Share and Stock Broking. Please go ahead Sir.

Urmil Shah What was the closing Sugar stock as of December end?

Gaurav Goel Our total stock as of 1st January was 1.35 Lakhs tonnes.

Urmil Shah What is the balance stock of the last season?

Gaurav Goel 34,000 tonnes!

Urmil Shah What would be the closing stock valuation value of both, old and new?

Gaurav Goel Rs. 17 per kg.

Moderator Thank you Mr. Shah. The next question is from the line of Mr. Avinash Agarwal from Sundaram BNP Paribas AMC Ltd. Please go ahead Sir.

Avinash Agarwal How much cane do you expect to crush this year?

Gaurav Goel As a group, we are looking at approximately 2.8 million tonnes of cane crushing.

Avinash Agarwal How much alcohol did you produce this quarter?

Arhant Jain We produced 1,396 KL of Rectified Spirit and Ethanol

Avinash Agarwal How much of Ethanol supply have you tied up to the OMC for three years?

Gaurav Goel Our tie up was only for 30 KLPD of our capacity out of our total capacity of 270 KLPD.

Avinash Agarwal Have you finished that supply over the last two years or are some commitments still pending?

Gaurav Goel The Ethanol contracts are till September 2009.

Avinash Agarwal Can we bunch it up and sell it?

Gaurav Goel They are sold as per the contractual terms

Avinash Agarwal So are the OMC's picking up Ethanol.

Gaurav Goel Yes. They are picking it up.

Avinash Agarwal What is the kind of Alcohol realization you foresee in this quarters?

Gautam Goel The Chemical prices have fallen because fundamentally most of these Chemicals can either be produced through the petrochem route or from the alcohol route because of the dropping crude prices. Now there is demand destruction of the Chemicals produced from the petrochem route world wide. The prices have come off whereas the alcohol prices continue to remain steady because the molasses prices continue to remain steady. The fundamental reason being lower availability of Sugarcane is also resulting in lower availability of molasses. So there has not been any great demand destruction in the portable liquor segment. Therefore the prices over there continue to remain firm.

Avinash Agarwal Which Chemicals are you producing?

Gautam Goel From Alcohol we first make acetaldehyde and from acetaldehyde we produce acetic acid, and acetic anhydride. We also make ethyl acetate for which you need acetic acid and ethyl alcohol and alcohol again.

Avinash Agarwal What are the molasses prices like right now?

Gautam Goel Molasses prices are firm and they are firming up. Today, they are in the region of about Rs. 4,000 per tonne.

Avinash Agarwal Do the prices normally go up during off season?

Gautam Goel They should go up or down depending the shortage or surplus situation.

Avinash Agarwal What is your view on import of Sugar? Do you think India can import raw Sugar right now?

Gaurav Goel In the off season India has a limited capability of importing and refining raw Sugar. As per our understanding the capability is roughly about a million odd tonnes of raw Sugar that can get reprocessed in the off season. In the season of course depending on the cane availability this figure could go up and could be about 2.5 to 3 million tonnes also. People will take a decision depending on the policy.

Avinash Agarwal Would you need Co-gen capacity to process raw Sugar. Would you probably look at that?

- Gaurav Goel** Yes. Co-gen is an important element to operate the refinery.
- Avinash Agarwal** So beyond March and April, it would be difficult for us to process raw Sugar.
- Gaurav Goel** Not for us. I just mentioned earlier that people who have refinery and Co-gen are the people who have the ability to re-process raw Sugar. Dhampur as a group in 2002-2003 and 2003-2004 was one of the largest tollers of raw Sugar in the country. We have the capability and the experience to do the same. It depends on the policy and the international prices of raw Sugar arriving into India and the domestic prices, and of course what our views on the future export obligations are. But we do plan and have geared ourselves in the event of policy being favorable. When the market and the price differential looks adequate we do plan to indulge in this campaign too.
- Avinash Agarwal** Do we sell raw Sugar within India?
- Gaurav Goel** Not really. There is a very marginal sale of raw Sugar business within India and that was some left over of last year's raw Sugar contracts or the raw Sugar was a co-operative that Maharashtra had produced for export. There was some spill over and some people bought some marginal quantities out of that. So that is not their regular practice.
- Avinash Agarwal** Since you are located in UP wouldn't raw Sugar import be a little costly because of inland transport?
- Gaurav Goel** Yes. We also take into mind that the domestic prices of Sugar in North India are always higher than the prices of Sugar in the coastal regions. So this additional freight cost is off set by higher market prices over here. That is why third party clarification is important.
- Avinash Agarwal** What would be the kind of transportation and warehousing cost that you would incur from port to your plant and then for selling it. What would it be approximately per kg?
- Gaurav Goel** All in all cost is assessed at approximately Rs. 1.4 per kg.
- Moderator** Thank you Mr. Agarwal. The next question is from the line of Mr. Shekhar Singh from Goldman Sachs Asset Management. Please go ahead Sir.
- Shekhar Singh** Could you give a small breakup of Rs. 1.4 per kg of processing cost. What percent of that would be the actual conversion cost?

- Gaurav Goel** This is not a processing cost. It is the transportation cost from the port to the factory; so that basically that takes into account the discharge, the bagging of raw Sugar, the rake fare to the factory, the truck fare from the rake point that is what this sort of cost takes. Over and above that depending on the fuel cost it could be anything between say Rs. 1.90 to Rs. 2.10 or Rs. 2.20. There is additional possessing cost which also takes into account the losses.
- Gautam Goel** I would like to add that there are very few people in North India who have the ability and the experience to do the same. In 2002-2003 and 2003-2004 Dhampur was largest raw Sugar refined toller in North India and perhaps one of the largest in the country. So we do have this experience and ability to take advantage of this.
- Shekhar Singh** When you mentioned Rs. 1.9 to Rs. 2.2 per kg of fuel cost, what exactly is the fuel requirement in terms of units of electricity?
- Gaurav Goel** Rs. 1.9 is the total cost including the fuel cost. Basically, when you are tolling raw Sugar you fundamentally need steam and some amount of power. So for about 1 ton of raw Sugar we need about 2 tonnes of steam. This is what our estimate is and then the power out of that is used for your in-house consumption and also sold to the grids.
- Moderator** Thank you Mr. Shekhar Singh. The next question is from the line of Mr. Rohit Singhania from DSP Blackrock Mutual Fund. Please go ahead Sir.
- Rohit Singhania** You mentioned that the import of raw Sugar depends upon the favorable policy of the government. Today there was a news article where the government is considering import of raw Sugar again without the re-export obligation. So would that be enough incentive for you or would you need something else to tempt you to import raw Sugar.
- Gaurav Goel** Well we have not heard about this news without the export obligation.
- Rohit Singhania** It has just appeared in Bloomberg around about 15 to 20 minutes back that they may allow this again. That is the thought process that is going on.
- Gautam Goel** To the best of our knowledge the thought process is to allow under export obligation. However, I would like to clarify on the export obligation; there could be a third party export which is allowed. Decision to import raw Sugar would be only after the policy is cleared. We do not want to take a decision. We have done our homework and have the necessary experience. In all we are geared up.
- Rohit Singhania** What would be your landed cost at port if you take current international raw Sugar prices?

Gaurav Goel It will be approximately Rs. 15.5 per kg.

Rohit Singhania What would be the port charges or is that included in the transport charges what you mentioned i.e. Rs. 1.40.

Gaurav Goel That is included in Rs. 1.40.

Rohit Singhania What would be your current realization?

Gautam Goel About 21 per Kg!

Rohit Singhania So do you think that if the government allows import of raw Sugar without the re-export obligation; the upside in Sugar by this may be capped?

Gautam Goel Not really. As we said earlier that even if raw Sugar is allowed; now not more than a million tonnes can come into the country; as the capability and the ability of refining in 2009 is only a million tonne maximum for this year.

Moderator Thank you Mr. Singhania. The next question is from the line of Mr. Satish Kataria from B&K Securities. Please go ahead.

Satish Kataria On refining of Sugar, you said that steam and power is used to process Sugar. So what is the feed stock for producing the steam? Is this bagasse or coal?

Gaurav Goel It depends on the boiler capability and your fuel handling ability. Our boilers are fundamentally designed for biomass especially Bagasse; which is what we have geared ourselves for.

Satish Kataria So in case when there is shortage of bagasse i.e. when the Sugarcane production is down and bagasse is not available so will it also be restricting our refining capacities?

Gautam Goel That is true. But it depends on what sort of multi-fuel handling capabilities they have. But out here, just to add on to this, as what we said earlier is that we have geared our power capacities and have already got stocks of bagasse available in the Company to be able to take advantage of this; if it happens in the future. Fundamentally our Co-gen policy and our Co-gen plants have been designed in a way that our multiple units can act as feed stocks to the other units. So that has been the strategy and depending on this we are being geared up

Satish Kataria You expect Sugar crushing to run to around 120 to 130 days in the current season and we see in UP that most of the mills will not run for more than 100 and 105 days. So how is it that your Company will be able to do that?

Gautam Goel You should divide UP into three distinct parts. You have Western UP, Central UP, and Eastern UP. Eastern UP probably in our assessment will have the shortest duration. Now Western UP and parts of Central UP, where we are located, have been traditional cane growing areas and we do anticipate 120 days run but of course capacity utilization in these 120 days will not be 100%. The farmers have a tendency to harvest cane in these areas as per a cycle that they like to maintain but 120 days is what we expect all four of our plants to run for.

Satish Kataria What is the capacity for refining of raw Sugar in India, if government allows the tonnage-to-tonnage basis rule?

Gautam Goel If you look at the off season period we anticipate the current year to be about 1 million tonne. In the coming year we anticipate that it could go up to 2.5 to 3 million tonnes and in the next off season it could have another million or a million and a half tonnes. A lot of factories are not geared up to toll in the off season.

Satish Kataria So it's these three months i.e. from November to February, because of which the companies would not be able to refine more Sugar?

Gautam Goel The companies have their process in place for the coming months i.e. November to February or March; However, if they have a shortage of cane they can always use raw Sugar and that may be used as an addition to the cane that they are getting into the system. We have many more mills that could do some quantity of raw and thus have a better period in the season time.

Satish Kataria What would be the approximate refining capacity in India?

Gautam Goel About a million tonne; though it depends on the season and the off-season. As a stand-alone refinery; we probably have two standalone refineries in the country. One has come up and the other one will be commissioned in the next one or two months.

Satish Kataria What would be the capacity?

Gautam Goel I think one has a capacity close to about 600,000 tonnes, the other is about 400,000 tonnes.

Gaurav Goel But the one which is of 400,000 tonnes that is in a SEZ. So as of now they are not authorized to bring that Sugar into India. They have to re-export that Sugar even if it becomes tonne-to-tonne.

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

Jehan Bhadha I want to know the recovery rates currently in Western, Central and Eastern UP.

Gautam Goel Western UP would be about below 9%, Central UP depending on one region which is the Bijnor region which would be around 10%. It is around 9.2% in other regions and in Eastern UP is around 9.1% to 9.2%. That is the on date recoveries and not the cumulative recovery for the season.

Jehan Bhadha What are the current prices of Rectified Spirit and where do you see it moving around over the next year?

Gaurav Goel The current price right now is about Rs. 23 per liter and the expectation is that; going forward these prices should firm up. How much, is anybody's guess but we would expect them to be in the range of Rs. 25 to Rs. 27 per liter post May 2009.

Moderator Thank you Mr. Bhadha. The next question is from the line of Archana Shivane from Span Capital. Please go ahead Madam.

Archana Shivane You said that the average Sugar realization is currently Rs. 17.9 per kg. I am not able to understand those numbers.

Gautam Goel This realization was for the last quarter. The Sugar prices have firmed up from the month of January even further and the current price that we get for our refined Sugar is in the region of Rs. 21.5 per kg. and the one which we are getting for our regular Sugar is in the region of Rs. 20.75 per kg. These results that we stated as the average were from October to December which was at 17.9 per kg.

Archana Shivane What is the net debt on book?

Arhant Jain Total debt as on 31st December, 2008, is Rs. 611 Crore.

Moderator Thank you Ms. Shivane; the next question from the line of Mr. Bimal Sampat from Sri Krishna, please go ahead Sir.

Bimal Sampat Could you predict the production for 2009 and 2010?

Gaurav Goel It is very difficult to predict that but, we do anticipate that the cane will go up and this year one has to keep into account the two excessive down sides which are on account of yield and lower recovery. Now if the rain gods are kind, we will probably have an improvement in yield and recovery. But it is very difficult to predict Sugar production in the current year. Next years Sugar production is anybody's guess and we would like to refrain from doing that.

Moderator Thank you Mr. Sampat. The next question is from the line of Mr. Satish Bhatt from Anvil Stock. Please go ahead Sir.

Satish Bhatt You said that the maximum raw Sugar which can be imported into the country would be around 1 million tonne. So is it fair to assume that you will take 50% market share in that because you are the only one who has such huge capacity?

Gaurav Goel What I would just like to clarify is that even if raw Sugar import is allowed for the stocks that we want, Dhampur as a group will not do more than 40,000 tonnes for the year of 2009.

Gautam Goel I would like to add that we are going ahead with the presumption to have an export obligation attached to it. Looking at the market scenario, we are not very comfortable taking a greater amount of export liability on our head considering that India is becoming a high cost producer of Sugar. We do not want to extend ourselves beyond that. In the event it becomes a duty free of cost we could re-think our strategy.

Moderator Thank you Mr. Bhatt. The next question is from the line of Mr. Vivek Kumar from Anand Rathi Securities Pvt. Ltd. Please go ahead Sir.

Vivek Kumar How much cane have you crushed so far till today?

Gautam Goel 15.5 Lakh tonnes is what we have crushed till date.

Vivek Kumar Are expecting around 26 lakh tonnes could be scaled up in 1 month's time?

Gaurav Goel We all let us hope so but numbers in the range of 26 lakh tonnes to 28 lakh tonnes would be a fair number for Dhampur for 2009.

Moderator Thank you Mr. Kumar. The next question is from the line of Anand Lalla from Kotak Securities. Please go ahead Sir.

Anand Lalla If I recall what you said in the beginning was that the power which would be sold in the off season would be very minimal and you also mentioned that the boilers would be running on the feed stock especially bagasse. So what I need to understand is that, should Bagasse not be available then would you buy coal and run the boilers or would it is not be possible?

Gautam Goel No. As you know that we do not have Co-generation in one of our plants and thus we have had excellent Bagasse saving for this year. We have stocked up the Bagasse in order to take advantage of the raw policy, if it happens. So we are not planning to use coal but run the boilers on our own Bagasse that we have stored.

- Gaurav Goel:** Also, we have the experience of handling various other multi-fuel biomass and multi fuel. Now depending on the policy, we anticipate that we could re-process a certain quantity of raw Sugar.
- Anand Lalla** If I look at the volumes of what has been produced and sold in the Distillery segment, it is very less compared to the previous year. I can understand that this could be because of the fall in the Chemical price. But can you give some sense in terms of what volume should be expected from the Chemical business if you are producing just Rectified Spirit and not manufacturing Ethanol.
- Gautam Goel** This a complex issue because today UP is without a clear cut molasses policy. They have come out with a new molasses policy where they talk about the factories providing a certain quantity of the molasses to the Country Liquor Manufacturers. This year we do not anticipate any margin to buy molasses from outside. Now the issue is how much molasses we have, and how much we can use for ourselves depending on the price of molasses and the price of Rectified Spirit including manufacturing cost. As of now we anticipate our distillation capacity to be about 50% utilized. These are early days and depending on how the policies come out and how the market forces play out; one could see a marginal frame on either side.
- Gaurav Goel** See as such you must also realize the beauty of the business that you all have entered into. During times of shortage of Sugarcane/Sugar we will make more money and our Chemical and our Power side will make lesser money. During times when Sugarcane is in surplus our distilleries and our power side will make more money. That is the beauty of this whole model that Dhampur has been able to create.
- Anand Lalla** The prices of molasses would be close to around 3,800 or 3,900 per tonne?
- Gaurav Goel** Absolutely! These are the right numbers.
- Moderator** Thank you Mr. Lalla. The next question is from the line of Mr. Avinash Agarwal from Sundaram BNP Paribas. Please go ahead Sir.
- Avinash Agarwal** Should the government allow import of raw Sugar, how much time would it take for us to order that and get it into India?
- Gautam Goel** The biggest supplier of raw Sugar would be Brazil; usually the contracts are for 40 to 60 days. So 60 days should be the estimate one should take from the time of order to arrival in the port. It takes about two weeks from there for discharge, bagging, and movement to the factories.
- Avinash Agarwal** Would Brazil have enough inventories to supply right now?

Gautam Goel Yes. Brazil has adequate inventories and today there is enough availability of physical Sugar and freight. The resultant availability of both physical Sugar and freight are important when one looks at importing Sugar.

Moderator Thank you Mr. Agarwal. The next question is from the line of Mr. Nirav Vasa from Gupta Equities. Please go ahead Sir.

Nirav Vasa Can you tell me what would be the landed cost of cane for the Company as of now?

Gaurav Goel The landed cost of cane is as per the SAP, which is Rs. 140 per quintal at gate and Rs. 134.25 at the center.

Gautam Goel Then we have transportation cost, purchase tax, and all these additional costs which varies from factory-to-factory.

Nirav Vasa So in all the average cost would be in the range of Rs. 145 to Rs. 150?

Gautam Goel That should be the right amount for cane at all our factories.

Moderator Thank you Mr. Vasa. The next question is from the line of Mr. Anand Lalla from Kotak Securities. Please go ahead.

Anand Lalla You said that your plants for the Sugar division would be operational for 120 to 125 days for this plucking season but, if I recollect in your opening statement you stated that you expect most of the plants to shut down by February or March. So would it be difficult for Dhampur to procure Sugarcane or would you have no difficulty and would the plant would be operational for in a month of February also. If I understand correctly, your plants started crushing from 18th of November or 15th of November. So if I take 31 days in December and 31 days in January and add to that the 10 days in November, then ideally you will have to be operational for the entire month of February also. Therefore just to understand your statement about the plant shutting in the month of February; in that case the crushing days would be much lesser than 125 days.

Gaurav Goel I would just like to clarify that we have four plants in all. Out of those we expect only one plant to shut down in February and the other three plants will go through March. So we have taken an average of the four and then said 120 days.

Moderator Thank you Mr. Lalla. The next question is from the line of Mr. Satish Kataria of B&K Securities. Please go ahead.

Satish Kataria The refining capacities of 600,000 tonnes and 400,000 tonnes are per day capacities, right?

Gaurav Goel That is the capacity for the whole year. Those are the two standalone refineries in India. Our refining capability is about 1,500 tonnes per day out of which 900 odd tonnes is what we can do even when the Sugar mill is closed at Asmoli.

Gautam Goel Now, 600,000 tonnes is for the standalone refinery which is in Haldia of Renuka Sugar and 400,000 tonnes is basically an EID Parry Refinery which is coming up in the SEZ in Vizag.

Satish Kataria I was looking at Renuka Sugars and I understand that they also have a per day capacity 2000 tonnes in Thane and Manauli I believe. So in totality they have per day capacity of around 4,000 which nets to 14 Lakhs tonnes per annum if I consider 360 days.

Gautam Goel I would not like to comment much on Renuka's refining capability.

Satish Kataria So that means the optimal production would be around 600,000 plus 400,000. Is that what you wanted to say?

Gautam Goel We all personally believe that in 2009 not more than a million tonne can come into India due to the capability and the availability of fuel.

Satish Kataria There are news that due to low crude oil prices Brazil may divert some of its crops more towards Sugar production. What is your view on that?

Gautam Goel Brazil's Sugar season will soon start. Its biggest Sugar producing regions in the south are closed. These would start around March and April. You must also realize that Brazil has not increased the price of oil when prices moved up and nor have they reduced the prices. So how much of it they would divert would depend on the international Sugar prices and of course the alcohol prices.

The other most fundamental question which needs to be understood about Brazil is that most of the capacity expansion that took place in Brazil was in Ethanol only. So the jury is still out to understand as to what is switch factor that Brazilians can actually achieve. In the current year in 2008-2009 there is about 60% Ethanol. Most of us do believe that the ability to switch could not be more than 3% - 4%. At the best, they could probably do 56% Ethanol and 44% Sugar. The jury is still out on that; this is where we do understand how the situation seems to be placed.

Moderator Thank you Mr. Kataria. The next question is from the line of Anup Ranadive from Tower Capital. Please go ahead Sir.

- Anup Ranadive** I need your view on the Sugar prices in the current environment. The Sugar prices are on the up trend inching from around Rs. 18 per kg to Rs. 21 per kg. In your view what change could actually move the Sugar prices down?
- Gautam Goel** The only way by which the Sugar prices can come down for 2009 is if the government will allow duty free import of white Sugar. That is the only way that Sugar prices can come down in 2009.
- Gaurav Goel** One must also consider that while the government might allow white Sugar to be duty free it is my thought that it might not have any bearing on the international white Sugar market.
- Moderator** Thank you Sir! There are no further questions at this time. I would like to hand the conference over to the management for closing comments.
- Gaurav Goel** I would just like to thank all of you for taking out time for this conference call. If you have any further questions, please feel free to speak either to Mr. Gautam Goel or to Mr. Arhant Jain or me. Our email address is investordesk@dhampur.com for any of your queries. Thank you so much.
- Moderator** Thank you Mr. Goel on behalf of Dhampur Sugar that concludes this evening's conference. Thank you for joining us. You may now disconnect.