



## Dhampur Sugar Mills Limited

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### Investor/Analyst Conference Call Transcript

Q2 & H1 FY2009

May 04, 2009 at 4:00 pm

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**Moderator** Ladies and gentlemen, good evening and welcome to the Dhampur Sugar Mills Limited Q2 & H1 FY09 Conference Call. As a reminder for the duration of the conference all participants' lines will be 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 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 and welcome to Dhampur Sugar Mills Q2 & H1 FY09 Conference Call. To discuss the results, we have with us Mr. Gaurav Goel and Mr. Gautam Goel Managing Directors and Mr. Arhant Jain, Executive President Finance and Company Secretary.

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 keep in mind that some of the statements in this concall may be forward looking statements 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 perspectives with regards to the Company's performance for the quarter ended March 31st, 2009 and the opportunities going forward. Over to you.

**Gaurav Goel** Good evening and a warm welcome to all at Dhampur's Q2 & H1 FY09 Conference Call. We are glad to have posted a reasonable set of numbers in such a challenging environment. Our focus to implement integrated business operations has enabled us in posting a progressive performance. Sugar continues to be buoyant and we all know that the production for the current season is estimated to be in the range of 14.5 million tonnes. Obviously, the consequence of lower production is seen in the higher sugar and cane prices. Given the lower crushing the production cost for

most of the mills in UP region was higher.

However, Dhampur was one of the better performers as we had one of the lowest jobs in crushing and have maintained our recovery rate at 9.29% which is one of the highest in North India. To add to that, higher sugar realizations have partially mitigated lower production thereby posting healthy revenues and earnings growth. Our Co-generation business has been delivering satisfactory contribution and has complemented positively to our earnings performance. This growth is in line with our long term established strategy to focus on generating revenues from sugar and its by-products and we expect to deliver a balanced performance going forward.

Our total revenues for the Q2 FY09 stood at Rs. 1,108. Sugar segments contributed to 59% of total revenues compared to 62% in the last quarter. This lower contribution of revenue is mainly due to lower sugar production in this year. Though there is uncertainty on the cane availability even for the next season and production cost being the key challenge, we believe firm sugar prices and the obvious reason for the rise is expected to offset this insecurity. We are one of the few companies to have refining capacity which allows us to reprocess the process of sugar.

Given the present situation, the Government of India has sanctioned imports of raw sugar without re-export obligation. Dhampur has one of the highest refining capacities in India and is capable of refining raw sugar both in the season and in the off-season. For this year, Dhampur has already contracted to import 55,000 tonnes of raw sugar. Out of this 25,000 tonnes has already arrived in India and is being transported to the factory. The balance is expected to arrive by July of 2009. We have maintained adequate fuel inventory to enable us to refine this raw sugar and have the potential to do even more. We expect to augment the profitability of the Company by doing the same. Significant contribution was made by our Co-generation business which added to 39% of our total revenues at Rs. 816 million compared to 26% or Rs. 683 million in Q2 FY08. Our Chemical/Ethanol business continues to remain under pressure and witnessed subdued growth on the back of increase in prices of raw material without corresponding increase in realizations. Revenue from this business stood at Rs. 38.4 million. This business contributed 2% of our total revenues. EBITDA for this quarter was higher at Rs. 623 million compared to Rs. 535 million in Q2 FY08. We believe improvement in our performance is significant supported by the turnaround in the sugar cycle in the last quarter of FY 2008. Our interest cost has marginally increased to Rs. 214 million in the quarter under review due to higher debt on the balance sheet as a result of capacity expansion implemented for our sugar Co-generation and Chemical segments.

As far as our balance sheet is concerned our term debt is Rs. 6,151 million. As mentioned in the last conference call we foresee containment of interest going forward by swapping our high-cost loans with sugar development fund loans which are at a 4% rate of interest. There will also

be substantial repayment of debt in this financial year. The Company has received a sanction of Rs. 1,472 million SDF loans from the Government of India. Until now, the Company has received disbursement to the extent of Rs. 1,001 million. Of the balance non-disbursed loan of Rs. 470 million, it shall be adjusted for repayment of long-term loans and working capital borrowings. The profit after tax for the year stood at Rs. 175 million compared to Rs. 171 million in the corresponding period last year. These are the broad level numbers for Q2 FY09. Let me now hand over the call to Mr. Gautam Goel to talk about the operations of the Company.

**Gautam Goel**

Good evening one and all. As discussed earlier the sugar production in the country is expected to be lower by almost 30%. Two of our plants stopped crushing in February 2009, while the other two plants i.e. Dhampur and Mansurpur continued to crush till end of March. The location, ability of efficiency have our mills have enabled us to maintain our recovery rates and have one of the lowest drops in crushing thereby leading to the lowest drops in the production compared to the previous year's level. We were able to maintain increased sugar inventories to take advantage of higher sugar realizations. Earnings from this segment improved owing to better realizations in the quarter. Also working in our favor is our recoveries in sugar season 2008-09 which were at 9.29%. For the quarter, the Company sold sugar at an average realization of Rs. 20.53 per kg of sugar compared to Rs. 14.83 per kg last year. This business contributed to 22.29% of our overall PBIT.

Our Co-gen segment is showing noticeable growth on the back of enhanced power export capacity in March 2008 at our Dhampur facility from 60 MW to 80 MW. Our total capacity now stands at 145 MW with 80 MW of saleable power. We believe this division will add to the overall earnings in good times and also provide a substantial cushion to offset the cyclicity of the sugar business. PBIT contribution from this division stood at 73.52% at Rs. 267 million compared to 59.5% at Rs. 269.06 million in the corresponding quarter last year. The Company generated 1.42 lakh units and sold power at an average realization of Rs. 3.20. The state grid increased price of per unit power sale from Rs. 3 to Rs. 4 from March 1, 2009 but this increased price is only effective till May 2009.

The Chemical and Ethanol business made moderate contribution to the balance PBIT of 4.2%. Earnings in this division were subdued on account of higher input price that is the higher molasses price without subsequent improvements in realizations. PBIT stood at Rs. 15 million for the period under review. We expect our distillery business to perform better going forward given the high prices of ENA, Industrial Alcohol and Rectified Spirit. Our focus in this division is targeted towards business opportunities like chemicals, ethanol or rectified spirits that offer better margins.

We anticipate great opportunities in importing raw sugar and refining it in our refineries. We have a capacity to refine about 1,700 metric tonnes of raw sugar per day in the off season and when cane availability is reduced

in the season we can augment the same with raw sugar. Our past experience will hold us in good stead and help us maximize this opportunity. As a reminder, when India imported substantial quantities Dhampur was perhaps the largest importer. We imported and processed about 160,000 metric tonnes of raw sugar. As Mr. Gaurav has already mentioned, we have purchased 55,000 tonnes of raw sugar and are well positioned to contract additional quantities. The outlook for the sector is complete with opportunities and challenges and it is difficult to take a call as to what is expected of the next season. We are of the view that cane availability and crushing is expected to improve, however lower than the demand thereby leading to firm sugar prices. On an overall basis, we are encouraged by our steady performance and we are confident of our ability to perform better than a regional players given the integrated nature of our operations, farmer relations, and strong multifaceted operations that will enable us to deliver substantial results going forward. 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. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Archana Shivane of Span Capital.
- Archana Shivane** How many tonnes of raw sugar have you imported?
- Gautam Goel** We have contracted for 55,000 tonnes of raw sugar, of which 25,000 tonnes has arrived in India the balance 30,000 tonnes will arrive end of July.
- Archana Shivane** What is the cost of imported raw sugar?
- Gautam Goel** Our average cost for the full 55,000 tonnes is around USD 324 CIF.
- Archana Shivane** How much would the processing cost be?
- Gautam Goel** During off season, the total cost comes to anywhere in the range of Rs. 3,500 to Rs. 4,000 per tonne is the total cost i.e. to bring it from port to the factory and then to refine it into white.
- Archana Shivane** How much was the sugar sales volume for last quarter?
- Gautam Goel** Our total volume for the last quarter was 35,000 tonnes.
- Archana Shivane** How much inventory you are sitting on right now?
- Gautam Goel** Our total inventory as of now is 2.26 lakh tonnes without raw sugar and this is all which is available out of our cane sugar.
- Archana Shivane** At what price have you calculated your inventories on?

**Gautam Goel** Rs. 18,900 per tonne.

**Archana Shivane** How much is the debt?

**Gautam Goel** Total debt on the books is around Rs. 6.10 billion.

**Archana Shivane** How much is the long term debt and working capital?

**Gautam Goel** This is all the long-term debt of the Company. The average cost of debt is around 8%.

**Archana Shivane** How much is the cash?

**Gautam Goel** There is no real cash in bank. All the cash is in the working capital itself.

**Archana Shivane** How much is the realization for Ethanol & R.S.?

**Gautam Goel** Ethanol is at Rs. 21 to Rs. 21.5 per litre which is rate with the oil companies. R.S. is about Rs. 27-28 per litre.

**Moderator** The next question is from the line of Nirav Vasa of Gupta Equities.

**Nirav Vasa** Can you tell me the repayment schedule of debt for this financial year and the next one?

**Arhant Jain** Six months are left in this current financial year. So we will be paying around Rs. 30 Crore as normal repayment and whatever we receive from Sugar Development Fund (SDF) we will repay further and in the next year the repayments are more or less at Rs. 100 Crore.

**Nirav Vasa** Can you tell me the molasses transfer price?

**Arhant Jain** For this quarter, it was at an average of approx. Rs. 3,730 per tonne.

**Moderator** The next question is from the line of Falguni Thacker of Jet Age Securities.

**Falguni Thacker** Just wanted to know the half yearly sales number for Alcohol, Sugar and Co-gen and also the average realization for alcohol and sugar.

**Arhant Jain** We sold 1.62 lakh tonne of Sugar for six months and in the quarter it was 0.35, Lac tonnes.

**Falguni Thacker** What is the average realization including levy, non-levy?

**Arhant Jain** Average realization for non-levy is Rs. 20.50 in the quarter.

**Falguni Thacker** Could you just tell me the half year average including levy and non-levy?

**Arhant Jain** Rs. 18.41 is for free sale sugar and for levy it is Rs. 13.30.

**Falguni Thacker** What about distillery half yearly sales volume and average realization?

**Arhant Jain** Distillery sales are quite low so I will just give you the figures.

**Gaurav Goel** In Distillery we have got three segments, one is R.S., other Chemical and finally Ethanol. So the sales numbers are a combination of all the three. I will tell Mr. Jain to email you the specific number for the all three product types.

**Falguni Thacker** What about Co-gen sales?

**Arhant Jain** The total sales are already given in the release. In the first six months we had generated 244,000 MW and out of this export to UPPCL is 139,000 MW.

**Moderator** The next question is from Jehan Bhadha of Darashaw & Company.

**Jehan Bhadha** Can you tell me what is the transport cost excluding port handling per tonne of raw sugar from Haldia to Yemen?

**Gautam Goel** No, we do not get to Haldia. We get it to Kandla and that cost works out to approximately Rs. 1,300 a tonne.

**Jehan Bhadha** What is your differential between conversion cost from bagasse and coal?

**Gautam Goel** Today, with the cost of imported coal and the opportunity cost of bagasse coal it becomes a viable option. But depending on the price of bagasse and coal it can make a difference of Rs. 30-40. About Rs. 300 ton would be the differential cost.

**Jehan Bhadha** I think you have a substantial amount of your Distillery volumes going towards Chemicals and that segment is being battered right now and so you must have shifted towards more sales towards portable alcohol. So can you just throw some light on that front?

**Gautam Goel** Yes you are right, in the distillery segment; the chemical business has been really battered. We find a greater value addition in selling to the portable segment. But also simultaneously we keep a close watch on what the opportunity cost of molasses is. So may be we have times when it is not viable to transfer molasses from our existing plants to distillery. It is more viable to sell the molasses directly, so this is one of the reasons why our distillery business failed and numbers are lower because what you would normally do in a normal year i.e. transfer our molasses from factory. We have not been doing that & selling molasses directly in the open market.

**Jehan Bhadha** Also considering the demand-supply scenario right now of Alcohol, what

is your expectation on the R.S. front? Currently they are at Rs. 28 or so. What is the expected realization from the next half of the year?

**Gautam Goel** We think it will remain at this level by and large. We do not see it going up substantially. We do not see it reducing substantially because also a lot of distilleries which are conventionally using molasses have shifted to green. Its sales used to be fairly close to the peak. This is what our assessment is.

**Moderator** The next question is from Sachin Kasera of Lucky Securities.

**Sachin Kasera** I just missed the price that you gave for the import of raw sugar. Could you repeat it?

**Gaurav Goel** It is at USD 324 per tonne.

**Sachin Kasera** You mentioned the volumes as 35,000 tonnes for the quarter. What would be the comparative figures for the quarter end for the six months sugar sales?

**Gaurav Goel** It was at 78,000 tonnes for the corresponding last quarter. In the six months our total sales is 1.62 lakh tonnes compared to 1.40 lakh tonnes.

**Sachin Kasera** How much of the molasses did we sell outside? I think this is operated at a very low capacity. So if I get it right most of the molasses were fed outside during the quarter?

**Gaurav Goel** No. Out here we have to realize that in two of our sugar mills we have got attached distilleries. I would say we would use it for doing it on our own. It is only for our two other sugar mills where we have sold a part of it outside. So you can assume around 20% of our total molasses were sold outside.

**Sachin Kasera** We would still be getting some molasses stock with us at units which do not have a distillery.

**Gautam Goel** Yes, we have.

**Sachin Kasera** What would be the realization for outside?

**Gautam Goel** There is a 30% levy which you have to sell to country liquor manufacturer and 70% is sold in the free market. So if you take a cumulative average it will work out to about Rs. 4,000 per tonne.

**Sachin Kasera** In terms of bagasse most of it was consumed captively?

**Gautam Goel** Yes, most of it was consumed and the balance stock is still available with us. Only a part of it was sold because of excellent prices but we still have a lot of quality of bagasse available with us in stock.

**Sachin Kasera** What would have been the realization for bagasse approximately?

**Gautam Goel** See it depends. We started selling a little bit of bagasse at a price of about Rs. 1,800 a tonne but the latest price we have got is about Rs. 2,600 a tonne. So the average realization would be to the tune of about Rs. 2,200 to Rs. 2,300 per tonne.

**Sachin Kasera** Where do we account this revenue from molasses and bagasse? Is it taken in the raw material or it is taken in the sugar segment basically?

**Gautam Goel** That is taken in the sugar.

**Moderator** The next question is from Saurabh Gupta of Bonanza Portfolio.

**Saurabh Gupta** Is there any CAPEX plan? Also, how is your branded sugar 'Dhampure' doing and what are the margins? Also you said in half year you sold 1.62 lakh tonnes of Sugar at the rate of Rs. 18.41, is it right. What was the cost of this?

**Gautam Goel** The average stock valuation of this was averagely at about Rs. 14,000 per tonne. That was basically the old stock of last quarter which we sold. For this quarter our stock valuation is Rs. 18.9 per kg. and that average resale price for this quarter is Rs. 20.5 per kg.

**Gautam Goel** We have no CAPEX plan as of now. The only one minor CAPEX which might happen is that our boilers in our plants in Dhampur and Asmoli which are capable of burning even coal as a fuel. So we all are trying to assess that capability of ours, seeing the opportunity that we have in raw sugar. So that will be the only minor CAPEX but it is of no major numbers. As far as your other question goes; Dhampure is basically, in a self-sustaining mode. We have got no real margins but it's a brand which we believe to is worthwhile sustaining.

**Gaurav Goel** In branded sugar Dhampure is the market leader but as a volume of total sales it still stays very-very small.

**Saurabh Gupta** What is the percentage?

**Gaurav Goel** You can say only about 0.5% of our total sugar sales is contributed to Dhampure because you have to realize that even though Dhampure as a brand is there but our refined sugar commands its own premium even in the bulk market. That is why the sugar realizations that Dhampur has would in general be higher than the other sugar companies.

**Moderator** Thank you Mr. Gupta. The next question is from the line of Nillai Shah of Morgan Stanley, please go ahead.

**Nillai Shah** Any update on the court case of which the hearing was due today, I believe.

- Gautam Goel** It has now moved to 21<sup>st</sup> of July.
- Nillai Shah** Are the courts really in actually recess mode because 21<sup>st</sup> of July is a long time away?
- Gautam Goel** Because the summer holidays are just about to start in the next two weeks so the courts are close for a period of about four weeks after that.
- Nillai Shah** Are you hopeful of any verdicts coming through before the start of the next crushing season or it will probably get delayed more?
- Gautam Goel** It is anybody's guess but we all are hoping that it comes out prior to the starting of the next crop. So it is generally very hard to say that right now.
- Nillai Shah** Any price increase that happens on white sugar on the domestic sugar realization right now, when would be the impact on the retail prices be felt?
- Gaurav Goel** What I would like to add on this, there was a price increase a month, month and a half ago and the retail price sort of moved up over there. Then the Government may be because of election mode or something, took some measures which brought out the private realization that we were selling the sugar out in the market. But that benefit has not really been passed on to the consumer. Now I presume subsequently whenever the whole-seller or retailer finds his margins on sugar retailing reducing they would increase it again. We do find that there is a certain time-lag when the retail prices move up and there is a substantial time-lag when they move down.
- Nillai Shah** What would happen in a scenario wherein the retail price increase which would happen only once the election season is over? So basically the domestic prices could keep rallying from these levels until the new Government is formed and new pressures are put in terms of containing the sugar prices. So basically over the next 15-20 days can you see free sugar prices?
- Gaurav Goel** That is a speculative question. Otherwise, honestly, we do not have any great sort of view one way or the other, but on a medium term basis we are firm on sugar prices, keeping in view the availability of sugar that is there in the country. The domestic stocks are low and the international or the replacement cost is fairly high because the international prices are also firm and next year also production we believe is not going to be greatly higher over this year. It will be higher but you do not see it sort of meeting India's demands. So sugar has to be imported and there has to be parity between imported price of sugar and domestic price of sugar.
- Nillai Shah** So what makes you so confident the government will not interfere after you probably procure raws on a landed cost of 26 or 27 cents?

**Gaurav Goel** I am sure that sugar being a sensitive commodity, Government looks to interfere. But again, if India needs to import roughly three million tonnes of sugar this year and may be another three to four million tonnes of sugar next year; the overall general international view is that the international prices are only looking to move up north because of deficit which is there internationally. So what is the government obviously on its power and wisdom can decide to subsidize import for example. The subsidy element is huge and the view we have in that will only be a self repeating purpose because the subsidy element will go and it will increase the international prices that much further. The only people, who will benefit by that increase, will be the Brazilian farmers or Guatemalan farmers or the Guatemalan and Brazilian millers. Benefit will not be passed on over here to the consumer also because it will just increase the imported sugar price.

**Nillai Shah** When you go and bid for sugar internationally, are you building this into your numbers right now or are you pretty confident that the government will not really come to know.

**Gaurav Goel** See ideally we would not. There is a certain view we have on the market. Probably we would be the second largest refiner in the country and our businesses is such that and we can decide not to refine. It is not like we have to refine.

Today I would be a bit wary of contracting at these prices for future but we keep a very close watch on what the international prices. We contracted when our average cost which we were selling was USD 324 and we felt it was a good price to be buying sugar at. There was a margin to be made as we contracted. Now we are there in the market. We have the refining capability and the international market also volatile and you get opportunities which you would like to take advantage of.

**Nillai Shah** And apart from this 55,000 tonnes would you be looking at anything more something which is really on the table right now in terms of contracted numbers?

**Gaurav Goel** Till late we do not have any contracted numbers right now but as what Gautam was saying we have the capability to do 35,000 tonnes more even in this off season and we will be taking a call on it in the next couple of weeks or couple of months and seize the opportunity both in the overseas and in the Indian markets.

**Gautam Goel** Also another factor over here is within the course of our season, we can continue to blend and augment our sugar production by putting in raw sugar into the system. So if you find that the cane supply is going down we do not anticipate a big full feed next year we can continue to get raw sugar and get refined sugar out of that.

**Moderator** The next question is from Ashish Gupta of Kotak Securities.

- Ashish Gupta** What kind of fuel arrangement that you are looking for the refining of raw sugar to white sugar?
- Gautam Goel** As Mr. Gaurav Goel has mentioned that our boilers are multi-fuel boilers. We have bagasse in stock. We continuously work on other bio-fuels like rice husk, wood chips and stuff like that. Today there is abundant amount of imported coal which is available at a reasonable price in the country. We just have to do some minor additions which we are exploring to use coals so I would feel they are fairly insulated with regards to availability of fuel, okay whichever is the more reasonable sort of costing fuel we would use that.
- Ashish Gupta** So in that case right now we are planning to refine 25,000 tonnes of raw sugar, so could you just give me the price differential if we could refine this raw sugar from the bagasse or maybe through coal?
- Gautam Goel** As I mentioned before it will not be more than Rs. 200-300 a tonne. We have been buying bagasse or saving bagasse in the shortage of coal and looking at these opportunities of raw sugar because see another factor which is very important and this is what they call the raw white differential internationally. So the raw white differentials are USD 120. So at about USD 120, when India has not really come out with any substantial white program, there is a greater shortage of white sugar. So our view is that in the event the raw white differential can only go up and not come down. Now at these levels where our costing is about USD 80 and the raw white differential is USD 120 we still have a margin to be made even if we get raw sugar and toll it and make refined sugar with that. So at these levels it gives us, now it is just a matter of how much can you do physically, what is your capacity to do and what is the fuel that you have? And we have been buying bio-fuels, we have been buying rice husk, we have been saving bagasse, we have been working on coal so it is just a matter of, today with a Rs 300 differential it is more to do with the ability to do, maximize your raw sugar and not really affect the fuel cost that does not have that big factor over there.
- Ashish Gupta** Earlier you spoke about that around Rs. 3.5-4 per kg is the processing cost. So what actually is included in this?
- Gautam Goel** Everything. The Rs. 3.5 is what is from port. We will start from the vessel. Port clearance loading it into bags, loading it into racks, getting it into the factory and refining it and packing it and selling it.
- Ashish Gupta** So, if you are importing at a rate of USD 324 plus if I am including Rs. 3.5 to Rs. 4, so roughly your cost will be somewhere around Rs. 18.5 to 19 per kg?
- Gautam Goel** It is somewhere around Rs. 19.5 to Rs. 20 per kg.
- Ashish Gupta** So what is the current price of the sugar that you are selling right now?

**Gautam Goel** For this type of refined sugar our average realization is in excess of Rs. 24.5. Ashish the other factor, this is when we contracted with raw sugar about maybe a month, two months ago. They were at a lower level back then and today the prices are at a higher level. That is the other issue. So today if we had to do business it will be a little different number.

**Ashish Gupta** Could you throw some light what is the closing inventory of sugar and bagasse?

**Gautam Goel** Our closing inventory for March 2009 is 2.26 lakh tonnes and we have got 31,000 tonnes of bagasse in stock plus we have got other bio-fuels also available in the Company of around 6,000 tonnes.

**Ashish Gupta** What kind of sales are you expecting from the Distillery part for the full year?

**Gautam Goel** Our sales out there would be lower as what had been mentioned earlier.

**Ashish Gupta** Today is the Allahabad Court judgment. So what is the decision?

**Gautam Goel** Today was the hearing for the 2006-2007 case in the Supreme Court and that case has been deferred till the 21<sup>st</sup> of July.

**Moderator** The next question is from Avinash Agarwal of Sundaram BNP Paribas.

**Avinash Agarwal** What is the reason for such a big difference in the sales between first quarter and second quarter?

**Gautam Goel** See it is all as per the quotas that have come so our sales is as per that but the advantage that we have is that we have very healthy stocks at the end of March and the prices have gone up from April. So you will see better sales in the Q3 and Q4. And this 2.26 lakh tonnes of stock which I am saying is excluding the raw sugar which has already been contracted for.

**Avinash Agarwal** This USD 324 that you mentioned, does that include the transportation cost?

**Gautam Goel** Yes, it does include cost of freight till the port.

**Avinash Agarwal** You mentioned you will be selling about half of the alcohol of last year. Do you have the last year's number?

**Gautam Goel** Yes, last year, our total sales for last year were Rs. 114 Crore.

**Avinash Agarwal** In terms of kilolitres, is it possible?

**Gautam Goel** That will be a bit difficult because see we have different products. We have some which goes into the ethanol segment, some that runs into potable and some that run into a chemical segment. So, we do not have it

off hand but if you are interested then we can mail it to you definitely.

**Avinash Agarwal** What is your estimate of next year's production? You said that it will not be much higher than this year.

**Gautam Goel** Avinash, very early and very-very tough to say. All I can say the acreage in the country is higher, maybe higher by 10-20%. Now let us see what the yields and recoveries are. And the third essential factor here will be let us see what the diversion factor is. We are very-very early to comment on next year's sugar.

**Moderator** The next question is from Sachin Kasera of Lucky Securities.

**Sachin Kasera** You mentioned regarding lower interest cost for the year. I think last year our interest cost was closely around Rs. 77 Crore. We have done extra sales of Rs. 40 Crore in the first half. So what is the sort of interest cost that it can look for the full year?

**Gautam Goel** See as we were saying earlier also is that we planned to contain our interest for FY09 and we believe that we will be able to maintain at a lower number than last year and going forward obviously it will be lower as we all expect our balance SDF loans of Rs. 45 Crore to be disbursed to us in this financial year which will either ways be used for prepayment of our high cost debt plus also there will be prepayment of our long-term debt. So going in FY10 the interest cost would be lower but even in FY09 it will not be higher than FY08. Also the other factor here is as the inventory keeps on getting liquidated the interest on our working capital also comes down.

**Sachin Kasera** You have generated 2.44 lac unit of power in the first six month. What is the target for the full year approximately?

**Gautam Goel** See, for the full year it will be fully dependent on the raw sugar that we will process so it will go on changing quarter on quarter as of now.

**Sachin Kasera** There is substantial decline in our sugar sales for the quarter which is almost down by 65-70% compared to first quarter.

**Gaurav Goel** Look at it at six months because it is also what they call buffer stock and all these things which you have to take in the month of taxability. Some of them gave buffer releases, some people could have re-sold it and some people could have sold it later. But if you see it on a six month basis, our six month sales it is 1.62 lakh tonnes.

**Sachin Kasera** Actually does the cost of inventory to be Rs. 18.9 a kg include interest and depreciation or it only includes depreciation?

**Gautam Goel** No this is only with depreciation but without interest.

- Moderator** The next question is a follow-up question from Mr. Nirav Vasa of Gupta Equities.
- Nirav Vasa** Can you tell me the cost of cane for this crushing season?
- Gautam Goel** We all have paid SAP. Our SAP was Rs. 140-145 early but our total cost of cane which includes transport and everything else it came to Rs. 160 per quintal.
- Nirav Vasa** You just informed that the cost of raw sugar for you comes to around USD 324 CIF. Can you tell me at what rate were the dollars purchased by you?
- Gautam Goel** It was at around Rs. 49.90.
- Moderator** The next question is from Satish Kataria of B&K Securities.
- Satish Kataria** Just wanted to get some clarity on the sugarcane acreage. As you said that sugarcane acreages has improved by 10-20% but other sources like the industry says that there will not be sugarcane acreage increase by more than 4-5%. So what is your take on that because if we take around 15-20% increase in sugarcane acreage with the recovery, then the yields come to normal levels then the Company may see around 50-60% increase in the sugar production?
- Gautam Goel** What I am trying to point out here is that sugarcane acreage has increased. You have to also take into account the reduction on account of the Ratoon going down. So people are saying by and large is correct that on a complete India basis you could have a 5% increase in sugarcane acreage if you take the Ratoon going out of the system. Now the important element here is in which areas how much is going up. The region that we are concerned was UP predominantly. In UP the increase in the west central area where we are located the increase is much higher than the eastern UP area. So this is where the numbers are and the other yields farmers are looking after the crop well, so we do anticipate decent yields in very early days but looking when the factory start, what the maturity pattern is. The other interesting element is obviously going to be the diversion element which is been substantially high this year. One has to keep into account that when we started crushing the alternate, sweetener prices were considerably lower and now they are higher than the sugar prices.
- Satish Kataria** So I just want to have similarity on the same thing as well as they have a higher diversion towards Gur and Khansari. So what is the alternative usage of these products from where the demands were coming and because of which the gur prices shot up to Rs. 22-23.
- Gautam Goel** Today they are at Rs. 25-26, maybe higher than that also but the biggest thing is that there are two kinds of gur. One is the gur that goes for eating. That market we assess by and large stable but the bigger area would come into gur which goes into illicit liquor manufacturing. That growth has been

substantial and is steadily going up. So that is the single biggest element which is there. And the other interesting element here is that a lot of the jaggery and this gur manufacturing has shifted out of UP and moved to places like MP and all; when the cane crop over there was high. Now that cane in MP is by and large vanished and they have all come back to haunt UP.

**Satish Kataria** And just want to know about, what are the current ENA prices?

**Gautam Goel** The ENA prices right now are at about Rs. 33 per litre.

**Satish Kataria** What is your take on the future prices of ENA and R.S.?

**Gautam Goel** See we all personally believe is R.S. and ENA prices should go up from here but exactly how much is very-very tough to call. But I would assume a price higher by Rs. 2 to 3 from here in the next two quarters.

**Satish Kataria** All companies say that they have the refining capacities when the season is on, so is there any difference between the capacities that some of the complexities have restricted to refine raw sugar or all of the Indian mills are capable of refining imported raw sugar with their owned-produced raw sugar.

**Gautam Goel** I am sure that all premier bulk of the sugar that produces plantation white sugar and the process is geared up so it cannot operate in the off season and when you are blending raw sugar with your cane sugar in plantation wide process, there is a limitation in the amount you can blend, otherwise you have losses in the system. Say one could blend 15-20% of the sugar value coming into your system. For example if there is a plant which can produce 600 tonnes of sugar, it could blend about 100 tonnes of sugar. But if it starts producing 400 tonnes of sugar then blending will also come down proportionately whereas if you have refineries like us then we can continue to produce 600 tonnes, for example, our refining capacity is 1700 tonnes a day. Now even if the sugar comes down we can just continue to produce 1700 tonnes of sugar when we can augment it with raw sugar.

**Satish Kataria** So can we say that there are very limited refining capacities, which can be run in the off season?

**Gautam Goel** Yes. Off-season capacity is very limited but there is a big refinery which has come up in Haldia and it has gone up but within the sugar companies it is very limited.

**Gaurav Goel** As far as what we all see is that Dhampur has one of the highest refining capacities for the off season, which is 1700 tonnes per day which would make it one of the largest off-season refineries in India after perhaps one or two companies.

**Gautam Goel** We can use 40% of our capacity in season and off-season.

**Moderator** The next question is from Abhilasha Satale of Techno Shares.

**Abhilasha Satale** Could you just give us your working capital debt figure?

**Gautam Goel** See on a peak basis our total working capital limits are around Rs. 500 Crore. Out of that currently the drawn limits are around Rs. 270 Crore.

**Abhilasha Satale** What is the cost of debt?

**Gautam Goel** Our average cost of our long-term debt is about 8% and our working capital debt is at about 10.5%.

**Abhilasha Satale** Are there any bullet payments for this debt repayment as you have mentioned?

**Gautam Goel** No, we do not have any bullet repayments for FY09. Our repayment is Rs. 30 Crore which is almost you can say on a quarterly basis and for FY10 our repayment is expected to be around Rs. 100 Crore.

**Abhilasha Satale** Does your cost of production include interest?

**Gautam Goel** No, that is only with depreciation not with interest.

**Abhilasha Satale** That is without interest and what is cane cost from that?

**Gautam Goel** Rs. 160 per quintal.

**Moderator** The next question is from Sanjay Manyal of ICICI Direct.

**Sanjay Manyal** I wanted to know about the show-cause notice the Government has given to 291 mills. Is Dhampur mills included in that?

**Gautam Goel** Some were included but that is basically already put on record. That has been taken into account.

**Sanjay Manyal** Is there any negative impact it can have and can the Government say you have to sell a certain amount of sugar at a levy price or more than 10% which you usually do?

**Gautam Goel** I am not sure about the other companies but for us we do not have that threat. We have sold as per the quota and as per the terms of the Government. So we do not have that threat right now but I am not sure about the other companies.

**Sanjay Manyal** How do you plan to maintain margins in tandem with the previous quarters?

**Gautam Goel** If you realize that even for this quarter our average resale price is Rs. 20.5

per kg. and our current average prices are in excess of Rs. 23.5 to Rs. 24 per kg. So we believe that in Q3-Q4 we will be able to maintain or better our margins that we have got in the first two quarters.

**Sanjay Manyal** What can you say about the by-products that will not be doing much of the sales in the fourth quarter probably due to lack of availability?

**Gautam Goel** As sales from our alcohol business would be lower. The power side would be totally dependent on the policy that we decide on our raw sugar because we will be producing power and selling it to the grid only if we refine our raw sugar.

**Sanjay Manyal** Are you also getting the Rs. 4 realization for co-generation as other mills?

**Gautam Goel** Yes.

**Gaurav Goel** We operated our plants in the month of March-April we got the Rs. 4 per unit and when we will operate in the month of May we will get the Rs. 4 realization.

**Sanjay Manyal** And this will not be extended beyond May.

**Gautam Goel** We cannot comment on that right now.

**Moderator** The next question is from Jehan Bhadha of Darashaw & Company.

**Jehan Bhadha** What would be the volume of sales from raw sugar for the current year?

**Gautam Goel** See, the contracted raws have just arrived into the country so even the stock which I said of 2.26 lakh tonnes as of 31<sup>st</sup> March excludes any raw sugar.

**Jehan Bhadha** So would you process it and keep it as a stock so that when the prices are higher you do not intend to sell it at all in the current year?

**Gautam Goel** We do not know right now. We have a stock, we have our own cane stock plus we also have a raw to refine. So it will all depend on the releases that we get from the Government. And see raw sugar is without any release so there will be steady sales of raw sugar stock also.

**Jehan Bhadha** What is the pattern that you will follow in the current year?

**Gautam Goel** Raw sugar will be processed in the month of May. We have the option of selling it if we want to increase sale over and above our monthly quotas. Looking at the market we might be selling some quantities in July 2009.

**Moderator** The next question is from Saurabh Gupta of Bonanza Portfolio.

**Saurabh Gupta** Does any of your mills qualify for carbon credit?

**Gautam Goel** We are applying for two of our mills which have power plants. We are about to send our project to UNFCC for registration.

**Saurabh Gupta** So it will come only in next sugar season?

**Gautam Goel** It should hopefully be in the next 12 months.

**Saurabh Gupta** What is the amount that you expect to realize from it?

**Gautam Goel** About 110,000 credits is what we are expecting from these two plants.

**Saurabh Gupta** What is the present price?

**Gautam Goel** Around anywhere in the range of 10 to 12 Euros.

**Moderator** The next follow-up question is from Nirav Vasa of Gupta Equities.

**Nirav Vasa** Can you give some information about your Ethanol supply contracts with oil marketing companies?

**Gautam Goel** Our ethanol contracts are till October 2009, so we have five months left.

**Nirav Vasa** Any plans to renew the same?

**Gautam Goel** We all are in dialog with them but the issue is on pricing. So dialog is still in progress.

**Nirav Vasa** At what rate the Ethanol supply was contracted as per the contracts?

**Gautam Goel** Only about 15% of our total capacity was contracted to them.

**Nirav Vasa** How much of the contracted obligations have been fulfilled till now?

**Gautam Goel** The contractual obligations are fulfilled by and large.

**Nirav Vasa** So in the next half of the year one can expect that there would be no major diversion of molasses towards ethanol production?

**Gautam Goel** Yes.

**Moderator** As there are no further questions, I would like to hand the floor back to the management of Dhampur Sugar Mills Limited.

**Gautam Goel** On behalf of Dhampur I would like to thank all of you for attending this conference call. If you have any further questions, please feel free to contact us either by phone or by email which is mentioned in the investor

communication. You can also visit our website [www.dhampur.com](http://www.dhampur.com) and post any queries that you may have and we will get back to you as soon as possible. Thank you again for your time. Bye-bye.

**Moderator**

Thank you all. Ladies and gentlemen on behalf of Dhampur Sugar Mills Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.