



“Dhampur Bio Organics Limited  
Q1 FY2023 Earnings Conference Call”

July 22, 2022



**HOST: MR. NAVIN AGRAWAL – HEAD – INSTITUTIONAL EQUITIES  
– SKP SECURITIES LIMITED**

**MANAGEMENT: MR. GAUTAM GOEL – MANAGING DIRECTOR – DHAMPUR  
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MR. SANDEEP SHARMA – CHIEF OPERATING OFFICER –  
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**Moderator:** Good day ladies and gentlemen, welcome to Dhampur Bio Organics Limited Q1 FY2023 Earnings Conference Call. As a reminder, all participant lines will be on the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Navin Agrawal, Head Institutional Equities at SKP Securities Limited. Thank you and over to you Mr. Agarwal!

**Navin Agrawal:** Good afternoon ladies and gentlemen. It is my pleasure to welcome you on behalf of Dhampur Bio Organics Limited and SKP Securities to this financial results conference call. We have with us Mr. Gautam Goel, Managing Director and his colleagues, Mr. Sandeep Sharma, COO, Mr. Nalin Kumar Gupta, Chief Financial Officer, Mr. Mukul Sharma, COS and Mr. Atul Singh, Functional Head, Sales & Marketing. We will have the opening remarks from Mr. Goel followed by a Q&A session. Thank you and over to you Mr. Goel!

**Gautam Goel:** Thank you Navin. Good afternoon to you all of you ladies and gentlemen and a very warm welcome to the maiden Dhampur Bio Organics earnings conference call. As you are aware DBO has come into being due to the demerger of Dhampur Sugar Mills Limited. The details of demerger have been uploaded on our website.

I would like to begin with a brief overview on the sugar scenario. As we are aware the sugar industry in India produced 36 million tonnes of sugar this year and about 3.5 million tonnes of sugar were diverted into ethanol production. The country is expected to export about 10.5 million tonnes of sugar. The domestic consumption is pegged at 27.5 million tonnes and this would leave us with an opening stock of about 6.7 million tonnes. The production scenario for next year is equally bullish. The industry estimates are that sugar production next year should again be in the region of 36 million tonnes. The ethanol diversion is expected to reach about 4.5 million tonnes equivalent sugar diversion. The industry is requesting the government to permit the export of sugar for the coming year in order to take advantage of the firm international prices and for them to do their production planning accordingly. The big highlight and the big success story for the Indian sugar industry have been the tremendously successful bio-fuels program and the ethanol program. Of course the government policies have been encouraged the steady development of this program. As I already mentioned about 3.5 million tonnes of sugar was diverted for ethanol production and in the coming year it is expected to reach 4.5 million tonnes. The total quantity is about 443 Crore litres of LOIs were issued and about 441 Crore litres was contracted by the various oil marketing companies. The breakup is about 80 Crore litres of ethanol made from direct cane juice, from B-heavy it was about 270 Crore litres and from C final molasses it stood at only 13.32 Crore litres. The other feedstocks provided about 81 Crore litres of ethanol production. On the global front the current year there is a surplus of about 1.6 million tonnes and in the year going forward the overall international consensus estimates are about 3 million tonnes of surplus. After this I would like to invite Nalin, our CFO to give the brief highlights of our financial performance. Over to you Nalin!

**Nalin Kumar Gupta:** Thank you Gautam. Good afternoon and thank you once again for joining us on this call. First I would like to start with our key highlights of this season so all our three plants have completed cane crushing for this season. Overall we crushed 39.8 lakh tonnes of sugarcane as compared to 38 lakh tonnes last year. Out of that we diverted 1.95 lakh tonnes towards syrup derived ethanol and also we diverted sugar in form of B-heavy molasses 51521 tonnes, which is 35% more diversion this season. Also cost of production is higher on account of the higher state advised price by Rs.25 per quintal. Overall UP cane availability and the sugar production if we see is down as compared to last year, but if we see DBO have been able to crush more 1.75 lakh million tonnes as compared to last year. During this year in Q4 FY2022, we successfully commissioned our distillery and expanded capacity from 150000 litres per day to 250000 litres per day in terms of C heavy molasses. In terms of B-heavy molasses our distillery capacity stands at 312500 litres per day and I am also glad to inform you all that we have successfully commissioned our country liquor manufacturing facility few days back. Our capacity for country liquor will be around 2.8 million cases per annum, so after the operational numbers I will take you through the key financial highlights.

First from the sugar segment company as a whole, our sugar realization for Q1 FY2023 stood at 35.63 per kg as against 33.69 per kg last year in the same period. Sugar sale in this quarter stood at 0.99 lakh tonnes against 0.72 lakh tonnes in June quarter last year. Our inventory as on June 30, 2022 stood at 2.15 lakh tonnes of sugar which has been valued at 33.95 per kg. As you are aware that state advised price as compared to last year was increased to Rs.350 per quintal against Rs.325 last year so cost of production could not be offset fully by the sale realization in this quarter.

In Bio Fuel segment, the company sold 208.7 lakh bulk litres of ethanol in this quarter out of these 169.34 lakh bulk litres of ethanol is derived out of B-heavy at an average realization of Rs 58.73 per litre and we supplied 40 lakh litres of ethanol which has been derived out of syrup at an average realization of Rs 63.18 per litre. Last year in this quarter we supplied 73.34 lakh litres of ethanol, B-heavy last year average realization stood at Rs 57.39 per litre.

In the power segment, we supplied 5.88 Crore units against 6.15 Crore units in the same period last year. Out of this, we exported 2.04 units at an average realization of Rs 3.30 per unit in this quarter as compared to 2.75 Crore units in the same quarter last year.

Our Revenue, EBITDA and PBT in this quarter stood at Rs.495.7 Crores, Rs.34.41 Crores and Rs.11.63 Crores as compared to revenue of Rs.351.38 Crores, EBITDA of Rs.35.03 Crores and PBT of Rs.17.20 Crores. Profit after tax in this quarter stood at Rs.8.24 Crores against Rs.13.78 Crores last year. Our interest cost increased to Rs.14.33 Crores as against Rs.10.48 Crores last year. Interest cost increased mainly on account of accelerated cane price and higher inventory we are carrying. As on date we have fully paid our cane price and there are no cane price arrears.

If we talk about our business wise and segment wise performance, the sugar division reported revenue of Rs.443.64 Crores which accounts for 74% of total revenue as compared to 81% last year. EBIT in this segment stood almost at zero as compared to profit of Rs.1.5 Crores last year. Ethanol in this quarter, revenue from ethanol segment at Rs. 124.68 Crores as against Rs.43.40 Crores last year. Ethanol revenue tripled almost as compared to June quarter last year on account of expanded capacity operations this year. EBIT in this quarter from ethanol segment stood at Rs. 20.50 Crores as against Rs. 15.89 Crores last year. During this quarter power revenue stood at Rs. 33.66 Crores with a EBIT of Rs. 12.84 Crores as against revenue of 34.81 Crores and EBIT of 12.18 Crores last year. During this quarter we made repayment of 15.63 Crores of long-term loans as on June 30, 2022. Our loans stood at 152.77 Crores, all our loans are concessional loan be it soft loan, be it from SDF and be it for expansion of distillery. So these were the key highlights on our financial highlights.

**Nalin Kumar Gupta:** Thank you. So these were the broad highlights on the operational part and the financial part. So we would like to invite questions and queries from the participants, so over to you Navin!

**Navin Agrawal:** Thank you very much for that introductory note. We will now have the Q&A session. The first question is from the line of Sanjay Manyal. Kindly proceed.

**Sanjay Manyal:** Hi! Sir. Just want to understand a few things. One specifically on the ethanol cost of production what you believe that on the B-heavy ethanol side we have mentioned the cost of production is somewhere around 46.56 whereas the transfer pricing for the B-heavy is 10.4 per litre or per kg so if you can explain this a bit what is my understanding is that extraction from the B-heavy molasses to the B-heavy ethanol is somewhere around one third of 33% then ideally the costing in my understanding it will be somewhere around not more than Rs.40 that also include the PAT and depreciation so how this 46 would have been arrived if you can explain that, that is my first question?

**Nalin Kumar Gupta:** As you rightly mentioned we have increased our transfer prices from 8000 per ton to 10400 per ton of B-heavy molasses. You rightly mentioned that recovery from B-heavy molasses hovers around somewhere around 31, but during this quarter if you remember we discussed and we announced that our distillery was commissioned somewhere in January 2022 that got stabilized till March, but during this quarter we face certain issues, teething issues in distillery operations and we also took the shutdown at this period for normal repayment and to see that some delays which were there in commissioning of the distillery which we improved upon. So considering those impact yes distillery cost is higher on the part because of the lower recovery this quarter, but definitely this will not come 40 we can touch this separately, but some part is on account of lower recovery but considering 10400 tons and if we take the Rs.7 cost so it will come around Rs.41 to Rs.42 a litre.

- Gautam Goel:** Yes, Sanjay basically what Nalin is stating our distillery was commissioned in January as you are aware this year has been fairly chaotic there were lot of plants being commissioned so during the commissioning stages, there were some areas of scope for improvement especially when we were to divert that to B-heavy and we also have annual maintenance shutdown in the month of June, so during that period we did our annual maintenance and also made the necessary rectifications. Our overall yields in this quarter were not as per the desired expectations, but all the problems have been stabilized. We do presume that going forward the yields will be as per the desired loans and levels. Also one was keep in mind that the input cost have increased across board, fuel costs have gone up, the chemical costs have gone up and they too have a bearing on the cost of production. We trust this answers your question.
- Sanjay Manyal:** Yes, so in general in a normalized scenario what ideally could be the cost of production, what ideally could be the margins on the B-heavy ethanol front and on the syrup side, so if you are producing ethanol from syrup then what could be the normalized margin on both the segments?
- Gautam Goel:** See again these are little numbers from syrup and will depend at the sort of the pole in cane or the sugar content in the syrup and the normalized margins with Nalin already highlighted the correct normalized margin Nalin do you want to continue regarding the margins bit.
- Nalin Kumar Gupta:** If we take 30.5 recovery to be our normalized number so 42 against the sale price of 15 so this used to be the fair number of course there would be some time will go up beyond this recovery will have some other issues but this you can take as normalized number.
- Sanjay Manyal:** What could be the quantity which we will be sort of producing or selling in terms of ethanol in this financial year?
- Sanjay Manyal:** What plans about the volume?
- Gautam Goel:** Total contracted quantity is around 9.7 Crores litres against which we already supplied roughly...
- Nalin Kumar Gupta:** Sanjay basically we are talking about we contracted about 9.7 Crores litres for the ethanol here which fundamentally is from December to November we hope to be close to our contracted quantities for the coming year we are waiting for the policy for the coming year to be clear, but at our distillery is now pretty much operating at full capacity we are confident with its operation depending on the final policy and the final ethanol numbers. At this stage we have no reason to believe that we will not be maximizing our ethanol capacity, so therefore looking at the final cane numbers, looking at the final pricing, as and when that they comes clear we do foresee that we will try to maximize our distillery capacity going forward including when the season starts. Difficult to give an exact number for the entire financial year but the numbers on hand are what we have contracted for and the distillery capacity. Thank you.

**Gautam Goel:** Just to add on in this ethanol supply year till now we have supplied 1 Crores 60 lakh litre which was manufactured out of syrup so that is already over so as Gautam mentioned we will be pretty close to our annual contracted quantity.

**Sanjay Manyal:** Sir one last question I have on again the cost of production from the sugar side or what we have mentioned that this quarter the cost of production for sugar is Rs.35 I understand that you have taken syrup operations this quarter so that probably would have reduced the production, but when we calculate the profitability of the sugar segment during the quarter I believe three, four method generally takes place in the inventory valuation and if your cost of production or if your inventory valuation was 32.76 last quarter ideally we should have make Rs.3 over there so what exactly has changed over here if you can explain that?

**Gautam Goel:** One unique phenomena happened in this quarter we have three plants so out of three plants two plants Mansurpur and Asmoli are manufacturing 100% refined sugar, now the third plant the Meerganj one we are not selling any major white sugar out of that we have manufactured raw sugar in that plant and we are refining that raw sugar at Asmoli unit so what happened we had a 3 lakh tons of a stock of raw sugar of that unit now that stock we processed in this quarter and because of that cost of production of that March which is I believe is essentially your query that also got added on top of that March valuation so because of that this anomaly you can see so in coming quarter this will get normalized. Apart from that considering the overall downtrend in UP recovery yes our recovery for the season was down by 0.48% this season so impact of that is also loaded on this inventory valuation.

**Sanjay Manyal:** Okay Sir thank you very much.

**Moderator:** Thank you very much. Our next question is from Nimis Sheth from GT Advisory. Kindly proceed.

**Nimis Sheth:** Hi! Good afternoon Mr. Goel and to the management team and congratulations for the successful spinoff. I have a couple of questions, so first is when do we list our shares of Dhampur Bio can you give us an update on that, second is we are extremely happy that you are declaring your results so early and I hope this is going to be part of what Dhampur Bio does in the future too I have a couple of more questions so if you want me to battle them first or you will answer them one by one?

**Nalin Kumar Gupta:** Please go ahead.

**Nimis Sheth:** Yes, the next question actually is on capex if you see our sugar capacity and this three capacity there is scope for further expansion so are there any plans to expand the distillery or any other facility and what would that be and what would the cost be and the timelines, as a minority shareholder we would like to know what is your dividend policy would be going forward?

- Gautam Goel:** Any other question Mr. Sheth?
- Nimis Sheth:** Yes, just one small thing I noticed that the Dhampur brand is come to our company DBO.
- Gautam Goel:** Yes, that is right.
- Nimis Sheth:** How large is what are the revenues from Dhampur or anything that you can give us some sense?
- Gautam Goel:** Nalin do you want to take the first question.
- Nalin Kumar Gupta:** On the listing part post effectiveness of the scheme and post allotment of the shares we have already applied to both the exchanges Bombay Stock Exchange being the designated stock exchange and National Stock Exchange long back, long back means last month, so we are in advanced stage of getting the trading approval, we have already received in-principle approval from NSE, we are in touch with Bombay Stock Exchange we expect it to happen very soon so it will not take much of time now.
- Gautam Goel:** On the results Mr. Sheth thank you very much I think congratulations goes to the entire team you are right we do plan to be prompt with our results, we do plan to be prompt and transparent with our results and that sort of seems to be the corporate thought process going forward. With respect to the capex plan I have Sandeep here with me who is our COO but I would just like to say obviously lot of these plans are under discussion at our Board level we would not be able to give you any highlights so the basic genesis of what and how we are thinking I would like to ask Sandeep to give his point of view.
- Sandeep Sharma:** Good afternoon we have three units and two units in Meerganj and Asmoli where there is a lot of cultivated land and lot of sugarcane development, so we are aggressively and seriously in cane development program and then we will capitalize our plant.
- Gautam Goel:** Including the ethanol plant what we do firmly believe going forward it is important that obviously the ethanol policy is very exciting, as a company and pretty much entire sugar sector we are all very infused and bullish on the ethanol policy but I think what is more important over here is we have to have complete visibility of raw material we do not want to have ideal capital line. We already expanded our distillery from about 150 KL per day on C Heavy equivalent and B Heavy on 312 KL, in the current sugar year the entire plant should be operating to at least desired capacity. Going forward as we have a bigger better visibility for our cane development and we do believe cane should go up there is no reason for it to not go up, our distillery expansion plans will sort of be in tandem with our assurance of raw material supply. On the dividend front I think Nalin you want to give some highlights.

- Nalin Kumar Gupta:** Yes, so we have hosted our policy on the dividend you can go to our website dhampur.com we have given full document of our policy of course this dividend is going to be connected with the profits and after considering the capex, the financial commitments of keeping certain part as contingencies so that policy has been saved keeping all those factors in mind. In case you have any further query you can be in touch with our secretarial department and even with me or any person of the management.
- Gautam Goel:** Lastly for Dhampur Mukul do you want to give any sort of highlights of the Dhampur's end.
- Mukul Sharma:** Basically our target is close to 20000 tons of sugar to sale per annum but right now there are lot of competition, so we are basically expecting to get our realization equivalent to bulk then we will be happy but we are increasing the working gradually.
- Nalin Kumar Gupta:** But as a policy we do have some small products on the other way round but we do not want to be a discounted seller and the market place is fairly dynamic now you have e-commerce, you have the general trade, so as Mukul is saying we are going to be seriously pursuing our brand and seriously pursuing our growth but without looking to discount our product to sales.
- Nimis Sheth:** One last question, you spoke about cane in FY2022 you crushed 40 lakh tons of cane and you disclosed that number just a sense for the current year what is it look like is it going to be higher, lower?
- Nalin Kumar Gupta:** It is quite interesting because I just came from ISMA meeting and ISMA sort of highlighted the cane growth in UP to be about close to 20% and our cane service are going on so whether has been kind the cane prices as you are aware were increased so we see no reason to believe our reason should be our sort of cane growth should be any different but again too early to say I do not want to give any forward looking statements the industry expectations are 20% higher the weather has been good.
- Nimis Sheth:** So basically expecting higher production of cane this year?
- Nalin Kumar Gupta:** That would be correct.
- Nimis Sheth:** Everything falls in place. Understood. Thank you so much and wish you all the best thank you.
- Navin Agrawal:** Thank you. Our next question is from Mr. Udit Gupta, individual investor. Kindly proceed.
- Udit Gupta:** Good afternoon Sir. My question is that I got your ethanol capacity in terms of the KLPD, but in terms of litres how much is the realistic figure about 9 Crores, 8 Crores?

- Gautam Goel:** Our desire is to operate our plant close to full capacity throughout, we have done a lot of work and we continue to do a lot of work so there were some teething problems this year the plant was commissioned we overcome those teething problems so going forward barring regular maintenance problems and regular shutdowns for maintenance we do hope to be achieving close to our desired rated capacity that is the sort of company and our serious endeavors.
- Udit Gupta:** So it would be close to 9 Crores Sir?
- Gautam Goel:** Roughly we do believe we want to be operating close to the entire year 350 days and close to the desired rated capacity I think that is our sort of internal targets and goals.
- Udit Gupta:** Right now there is no further capacity expansion which is ongoing in distillery?
- Gautam Goel:** Not for this financial year the distillery just got commissioned in January so we have the entire year for next year to sort of take advantage of the desired capacity. As I mentioned in answering Mr. Sheth before we want to make sure that we have no ideal capacity we should be diverting adequate amount of cane to produce alcohol so we want to make sure our balance is healthy we do not want to have ideal capacity that is for sure.
- Udit Gupta:** What would be our processing cost per litre of ethanol Sir roughly just a ballpark figure?
- Nalin Kumar Gupta:** Yes, so it is Rs.7.5 a litre.
- Udit Gupta:** This excludes the transportation cost?
- Nalin Kumar Gupta:** Yes, it includes transportation cost because the transportation is happening for our units only so it includes.
- Gautam Goel:** I think this includes the transportation some of the molasses which is transported and includes that.
- Udit Gupta:** Okay thank you Sir.
- Navin Agrawal:** Thank you. That was the last question in the queue. As there are no further questions I would now like to hand over the conference to Mr. Goel for closing remarks.
- Gautam Goel:** Thank you Navin. On behalf of Dhampur Bio Organics we would like to thank all of you for taking your time out for this conference call. If you have any further questions please feel free to contact us either by phone or e-mail. You can also visit our website [dhampur.com](http://dhampur.com) and post any queries you have and we will get back to you promptly. Thank you very much and have a wonderful day.
- Nalin Kumar Gupta:** Thank you. Thank you everyone.



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**Moderator:** Thank you very much. On behalf of SKP Securities Limited that concludes the conference. Thank you for joining. Ladies and gentlemen you may now disconnect your lines.