



Dhampur Sugar Mills Limited

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Q2 & H1 FY2010 Earnings Conference Call Transcript

May 04, 2010

Moderator

Ladies and gentlemen good afternoon and welcome to the Dhampur Sugar Mills Q2 & H1 FY10 earnings conference call. As a reminder for the duration of this conference, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call, please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded. At this time I would now like to hand the conference over to Mr. Ishan Selarka from Citigate Dewe Rogerson. Thank you and over to you sir.

Ishan Selarka

Thank you Mellisa. Good afternoon every body and thank you for joining us on Dhampur Sugar Mills Q2 and H1 FY10 conference call. To discuss more about the result we have with us, Mr. Gautam Goel and Mr. Gaurav Goel, Managing Directors and Mr. Arhant Jain Executive President – Finance and Company Secretary. We will commence this conference call with opening remarks from Mr. Gautam and Gaurav Goel following which we would have an interactive question and answer session.

You may want to keep in mind that some of the statements made in this conference call may be forward looking and note to that effect is stated in the release sent out to you earlier. I would now like to invite Mr. Gautam Goel to share his perspective with regards to the company's performance during the quarter and half year ended March 31st, 2010, and the opportunities going forward, over to you sir.

Gautam Goel

Thank you Ishan. Good afternoon and a very warm welcome to all at Dhampur's Q2 & H1 FY10 conference call. I would like to begin by sharing my perspective on the sugar sector while discussing the company's operational performance following which Mr. Gaurav Goel will take you through the financial highlights of the company for the second quarter and half year ended 31st March, 2010.

We are glad to report a healthy performance despite the volatility in the sugar sector. We believe that we have built a strong integrated operating model and are confident of our ability to deliver healthy growth going forward. Testimony to this is our performance from our ancillary businesses which has kept us in good stead despite the pressures faced in the sugar segment.

Let me now begin by sharing some operating highlights during the quarter and half year under review. The country witnessed a second consecutive year of deficit in sugar production. Despite the cane production in India in the current season being higher by approximately 25-30%, also increased diversion of cane towards sugar production has consequently resulted in an increase of 30% in production of sugar for mills across India. In addition, the sugar production in Brazil is likewise expected to rise owing to favorable climatic conditions. In this view the global prices of white sugar have declined from their peak of about USD 800 to about USD 500.

The domestic sugar prices have mirrored international trends and the current realisation stands at approximately Rs 30 a kg. Given higher cost of production consequent to higher cane procurement cost, we expect margins from the sugar business to decline at current realizations. We expect support from the government by imposing restrictions on free imports of white sugar. Key concerns in this sector are higher production costs for the season and the increase in the supply of sugar, which is resulting in decline in sugar realizations thus impacting the overall margins.

To give you a prospective on cane pricing in our region of operation, the Central Government has raised the FRP by 7% to Rs 139.12 per quintal compared to Rs 129.84 earlier.

Let me throw some light on crushing. We started crushing in all our mills between November and early December. For the quarter, we crushed 20.49 lakh tons while our crushing for the half year stood at 31.17 lakh tons. Our recovery for the quarter and a half year stood at 9.54% and 9.23% respectively. We produced 3.95 lakh tons of sugar from cane and reprocessing of raw sugar till 31st March, 2010, and the inventory stands at 3.17 lakh tons of white sugar comprising of free sale sugar, levy sugar, and reprocessed raw sugar at an average valuation of Rs 26.32 per kg and 0.62 lakh tons of raw sugar which is valued at Rs. 23.75 per kg. Till 31st March, 2010, we had contracted for import of 2.49 lakh ton of raw sugar. Out of this 1.32 lakh ton has been

processed and the balance will be processed over the next two quarters.

Overall, we believe that this conversion is profitable given our import cost vis-à-vis the current sugar realizations. Average sugar realizations during the quarter and half year were higher at Rs. 35.86 per kg and Rs.33.23 per kg compared to Rs. 18.97 per kg and Rs. 17.80 per kg respectively in the corresponding period last year.

Let me now move to our cogen business. Better cane availability during the season has enabled us to further augment earnings from this operation. Moreover, UPPCL has increased the power tariff to around Rs. 4 per unit effective 1st October, 2009, while proposing a policy where they will facilitate sale of power through open access during the off-season. Secondly, UPPCL has further allowed sale of power to open access to the extent of 50% during the off-season power from alternative fuel. Our company has already started supplying power under open access from 1st October, 2009. Multi fuel capabilities and power trading opportunity should enable us to run power plants for a higher number of days in off-season and have a positive impact on our power business in the coming years.

Our overall performance in the co-generation division was substantially higher than last year. During the quarter and half year under review Dhampur generated 20.36 Crore units and 34.44 Crore units of power as compared to 14.20 Crore units and 24.45 Crore Units respectively in the corresponding period last year. Dhampur also exported 12.53 Crore unit and 22.24 Crore units during the quarter and half year ended March 2010 as compared to 7.78 Crore unit and 13.91 Crore units respectively in the corresponding period last year. Our average realization for the quarter and half year stood at Rs. 3.93 per unit and Rs. 4.23 per unit respectively.

Chemical and ethanol division delivered slightly better performance on account of complete integration during the quarter ended as a result of reduced raw material prices. However, softening of import cost during the quarter improved earnings performance. The company during the quarter and half year produced 2,256 tons and 4,910 tons of chemical and 3,863 kilo liters and 8,253 kilo liters of RS/ENA/Ethanol respectively. To end our strong operating and integrated business model, stronger balance sheet, and efficient production cost makes us confident of delivering sustainable results in this volatile sugar sector.

With that I conclude the sector in operational overview. I would now like to request Mr.

Gaurav Goel to take you through the financial performance of the company. Thank you.

Gaurav Goel

Thank you Gautam, good afternoon and thank you once again for joining us on the call. I would now like to take you through the financial highlights of the company for the Q2 & H1 FY10.

Our total revenues for the quarter and half year stood at Rs. 301.5 Crore and Rs. 645.38 Crore compared to Rs 115.32 Crore and Rs 379.8 Crore respectively for the last year. This was primarily as a result of improved sugar realizations in H1 FY10 despite lower sugar sale volumes. We believe improvement in our performance is a result of our fully integrated model resulting in improved performance from our power business in both volume and realization terms during the quarter and half year.

Our interest cost increased by 16.81% to Rs. 24.96 Crore compared to 21.37 Crore during the same quarter last year. This increase is attributed to higher utilization of working capital on account of steep increase in sugar inventories which we expect would be liquidated in the next two quarters. On a half yearly basis interest cost has come down from Rs 40.33 Crore in H1 of FY2009 to Rs 37.73 Crore in the current half year. Profit before tax for the year under review increased to Rs. 97.11 Crore compared to Rs. 32.78 Crore last year. For the quarter PBT stands at Rs. 14.57 Crore against corresponding quarter at Rs. 17.66 Crore. Profit after tax during the quarter decreased to Rs. 12.39 Crore as compared to Rs. 17.52 Crore in the corresponding period last year while being higher for the half year at Rs. 70.16 Crore compared to Rs. 31.19 Crore last year.

Moving on to our balance sheet – The term debt as of 31st March, 2010, was at Rs. 566.1 Crore in comparison to Rs. 615 Crore in the same period last year and at Rs. 592.2 Crore on December 31st, 2009. We foresee the reduction of interest going forward as the inventory comes down over the next two quarter.

Let me now take you through business wise performance. Our co-generation business continues to offset the cyclicity in the sugar segment while contributing positively to our earnings performance. During H1 FY10 contribution from the co-generation business stood at 28.9% of total revenues at Rs. 278.2 Crore an increase of 106% as compared to Rs. 138.9 Crore in the previous half year. On the quarterly front, the revenue contribution for Q2 FY10 stood at Rs. 168.4 Crore which is an increase of

100%. PBIT contribution for the quarter and half year stood at 93% and 48% respectively as compared to 74% and 55% last year. We remain positive on these segments as installation of multi-fuel boilers will enable us on our healthy earnings going forward by enabling us to enhance duration of power plants to 300 to 330 days in this year.

For the quarter, the sugar division reported revenue growth on the back of better realizations. However, the growth in this segment was moderated as a result of higher cane price and M-to-M loss of Rs. 60 Crore on levy sugar. During the six months ended March 2010, due to increase in levy quota to 20%, 0.57 lakh tons of levy sugar was produced. The stock of levy sugar is valued at Rs. 18 per kg considering the anticipated increase in levy price which is yet to be notified. This has been done in order as to not skew any one quarter with the higher M-to-M loss. Levy sugar when so ever lifted will be accounted for as for the levy price in that quarter. Any adjustments in this regard would be done whenever the new levy price is announced.

The sugar segment contributed 66.53% to the revenues at Rs. 640.4 Crore during H1 FY10 as compared to 71.86% at Rs. 394 Crore in H1 of 2009. For the quarter the contribution was 62.69% at Rs. 322.4 Crore as compared to 58.92% at Rs. 122.5 Crore in the same period last year. PBIT contribution from this segment for the quarter and half year stood at 1.44% and 52.43% of overall PBIT as compared to 22.29% and 41.24% for the corresponding period last year.

Revenues from our chemical business for the quarter and half year improved to Rs. 23.4 Crore and Rs. 44 Crore respectively. PBIT contribution during this quarter increased to Rs. 2.4 Crore due to softening of raw material prices. Going forward we continue to focus on targeting business opportunities from the chemicals, ethanol or rectified spirit segment that offer better margins.

These, on a broad level, are our financial numbers. Thank you once again for joining us on this conference call. We will be happy to answer any question that you may have now.

Moderator

Thank you. Ladies and gentlemen we will now begin with the question and answer session. The first question is from the line of Kunal Bhatia from Dalal & Broacha. Please go ahead.

Kunal Bhatia I just wanted to understand your take on for the prices going forward in regards to sugar domestically and you also mentioned that you would be getting some government support for prices going forward. So what would be the range in which you are looking sugar prices to go upto?

Gautam Goel This year our range is about Rs. 29.50 to about Rs. 31 - 31.50. That is what we are anticipating that it should be going forward. Support on the government seems to be at least putting restrictions on import of white sugar to begin with, followed subsequently by putting restrictions or duties on import of raw sugar also.

Kunal Bhatia What would be your landed cost for raw sugar at the moment?

Gaurav Goel Rs. 23.75 is the landed cost of raws in stock.

Kunal Bhatia How much are you paying to the farmers and do you expect that to go down going forward?

Gautam Goel Our crushing operations are over for this year. So it is a very premature to give any number right now. But it will be a reflection of what the sugar prices are, what the FRPs and what the SAP would probably be at that point of time.

Moderator Thank you. The next question is from the line of Nillai Shah from Morgan Stanley. Please go ahead.

Nillai Shah In terms of the co-gen business you made about Rs. 2 as the operating profit per unit this quarter. I presume it is a mix of cane, the bagasse as well as the coal-based power generation. What is the percentage mix out here approximately?

Gautam Goel Nillai when the season was in operation in the beginning part of the quarter it was mostly bagasse. There was some coal being blended at that point of time and as the off-season is in progress is basically predominantly coal with marginal bagasse which is saved bagasse being used.

Nillai Shah But this quarter it was all season, right because you were crushing for most of the

quarter.

Gautam Goel So it was season and hence predominantly bagasse.

Nillai Shah Sir, then you should have a higher margin in the cogen business.

Gaurav Goel See, out here it is also the transfer pricing that we all do from the sugar to the power side on the cost of bagasse. So that is why a part of the profits on this goes to the sugar side and part comes to the power side. We have also used coal even during this March quarter; coal was also used in our power plants.

Nillai Shah You basically made about Rs. 68 Crore as you operating profit in the first half?

Gaurav Goel Yes.

Nillai Shah My calculations suggest that you would probably sell about 50-55 Crore units for the whole year. For the first half you have already sold about 22 Crore units. So what is likely to be the per unit operating profit for the second half of the year on the remaining 28 Crore units.

Gaurav Goel As of now we are not giving any future numbers but surely if we see that the added bagasse that we all have saved plus the contracts of coal that we have already done. As of now we have done our contracts under power trading at about Rs. 5.3 per unit and seeing our average cost, we all believe that we will have good margins from the power side in the Q3 and Q4.

Nillai Shah If you could put a number on this would it be Re. 1 per unit or Rs. 1.50 per unit going forward?

Gautam Goel I think you almost have it somewhere in that range. That should be our margin per unit in Q3, Q4.

Nillai Shah So I can add another Rs. 40 Crore to the operating profit for the remaining of the year?

Gaurav Goel I will not put down an exact number but on that basis we will be exporting close to 70 megawatts of power in the next two quarters. So your number might be right.

Nillai Shah What is the landed cost in terms of your raw sugar pricing, you said Rs. 23.75?

Gaurav Goel Okay as of now the raw sugar that has been made to white has been valued at Rs 25.7 per kg and balance raw which we believe that we all have and will come should be at the price range which should be about a rupee to Rs 2 higher than this price. So our average for the total raw that we will have should be in the range of about Rs 27.

Nillai Shah All the raws for the year at Rs. 27 are exclusive price?

Gaurav Goel Yes

Nillai Shah Last question in terms of your ethanol, could you remind us again what happened in the first quarter because your operating profits for six months is only about Rs 4 lakh?

Gaurav Goel That was mainly because of high raw material prices during the first quarter.

Nillai Shah Was it to do with volumes?

Gaurav Goel It was basically the cost raw material which was been transferred from the sugar to the chemical side.

Nillai Shah No. But even if you are transferring at say Rs. 2000 as a molasses cost that is roundabout Rs. 12 per liter.

Gautam Goel No it was done at a higher price because the transfer is done as per the market price.

Gaurav Goel And now that the prices have softened you have seen such a contribution even on the chemical side.

Nillai Shah On the sugar business in terms of the profits for the six months how much of this has got negated because of the inventory losses that you would have taken this quarter?

Gaurav Goel Actually this is Rs. 60 Crore is the M-to-M loss which has been taken in the books due to the levy batch.

Nillai Shah Rs. 32 Crore plus Rs. 60 Crore is the actual profit?

Gaurav Goel That is in case we will assume that there will be no incurring loss.

Moderator Thank you. The next question is from the line of Rajiv Agarwal from Eureka Share and Stock Broking. Please go ahead.

Rajiv Agarwal Besides Brazil are we seeing any further production increases in any other countries of the world like Brazil?

Gaurav Goel See Brazil is the main country with sort of impact the global market. Even as of now, there is not that much of an increase in other parts of the world. It is mainly India and Brazil which basically guide the global prices. If there are other countries, they are very-very small and they really do not have an overall impact on the global prices.

Moderator Thank you. The next question is from the line of Avinash Aggarwal form Sundaram BNP Paribas. Please go ahead.

Avinash Aggarwal Would you be selling the entire 70 megawatts on open access basis in the second half?

Gautam Goel The policy is basically 50% of the power that you export you have to supply 50% to UPPCL at a tariff which will be determined by UPERC and 50% we are allowed to export open access. We are currently exporting 75 megawatts; half of which goes to UPPCL, half of which goes to open access system.

Avinash Aggarwal Has there been any price indicated by UPPCL as of now?

Gautam Goel They have not indicated but there is going to be cost formula so we have estimated price of around Rs. 5 which UPPCL will pay and in terms of prices in open access prices will depend on price at which we are able to do the contract.

Avinash Aggarwal Where are we procuring the coal from for our boilers?

Gautam Goel We have been importing Indonesian coal.

Avinash Aggarwal We don't use any Indian coal at all?

Gautam Goel We have applied for linkages but we haven't got that as yet. So the imported coal turns out to be the more cost effective solutions.

Avinash Aggarwal What was the cane cost for the year?

Gautam Goel Rs. 240 a quintal.

Avinash Aggarwal This includes the transportation and other charges.

Gautam Goel This was the total cost to us.

Moderator Thank you. The next question is from the line of Nirav Vasa from Gupta Equity. Please go ahead.

Nirav Vasa I have a query which is related to the levy part of the business if my understanding is right, the increase in levy quota from 10% to 20% was only for the last year sugar season, so do you expect any change or any revision in the levy quota from 20% to the lower side in the next crushing season. Can I have your view on that?

Gautam Goel We are very hopeful of that. The levy quota is on account of the total requirement the government has. I think it will be a fair assessment and we are hopeful it will be brought back to 10%.

Nirav Vasa Would it be possible for to share some idea by what time can we have the regulatory clearance on this aspect?

Gautam Goel I have no views on that.

Moderator Thank you. The next question is from the line of Ami Shah from LKP shares. Please go ahead.

Ami Shah Can you give us a breakup of the total inventory?

Gaurav Goel As of now of white we got inventory of 3.17 lakhs ton and we have raw inventory of 0.62 lakhs ton as of 1st April 2010.

Ami Shah Out of this 3.17, how much would be cane and how will be refined sugar?

Gaurav Goel Out of this, 2.37 lakhs is cane and 0.8 is raw to white.

Ami Shah Could I also have the individual cost of inventory.

Gaurav Goel The cane sugar has been valued at Rs. 28.5 per kg and white from raw has been valued at Rs. 25.7 per kg.

Ami Shah And the 0.62 of raw would be at Rs. 28?

Gaurav Goel It is at Rs. 23.7.

Ami Shah In the recent decline in the sugar prices that we saw, what is the lowest ex-factory realization that you came across?

Gaurav Goel We have sold our cane sugar at Rs. 28 and our refined sugar, the lowest was at Rs. 29.

Ami Shah Out of the total sales we have done, how much would be for levy and how much is the free sale for the half year?

Gaurav Goel I do not have the breakup of that, but the total sales for the half year had been 1.34 lakhs tons is the sugar that we had sold for the half year.

Ami Shah Both our boilers are in place?

Gaurav Goel We have two boilers which are there right now and they are all multi fuel boilers and they were made multi fuel last year itself and our new boiler will be coming up on stream by August of 2010.

Ami Shah So there will barely be any contribution from the new boilers this current year right?

Gaurav Goel The new boiler is basically the second boiler which we have put up in one of our factories. The extra power sales from that will come into the next year.

Ami Shah Is it Dhampur or Asmoli plant which is left to be...?

Gautam Goel Dhampur, we have two boilers of 105 kgs, one of them is already converted to coal while the other one will be converted into coal in first week of July. Asmoli boiler is ready with coal. At Mansurpur we have 64 kgs boiler which would be installed in commission by July-August this year.

Ami Shah So then we would be having close to 85 or 90 megawatts of off-season power.

Gautam Goel Off-season power is about 90 megawatts, about 75 to 80 is what we can export.

Moderator Thank you. The next question is from the line of Rahul Bhangadia from Lucky Securities. Please go ahead.

Rahul Bhangadia What is the landed cost of the Indonesian coal that you are importing right now?

Gautam Goel We do not have the exact figures but they depend on the grade of coal and the time when we booked it at that point of time. So, Mr. Jain will tell you those figures. You can contact him and he will pass them on to you because it also depends on the quality of coals blended or single mine and all these kind of things.

Rahul Bhangadia But what would be the average calorific value of coal that you are importing?

Gautam Goel Between 5,600 to 6,200.

Rahul Bhangadia But you will surely have a rough number in your mind as to what the landed cost is?

Gautam Goel Coal that has landed itself at the factory, it is about Rs. 5000-5500 a ton landed at the factory. It depends on the different grades of coal.

Rahul Bhangadia So that is coming to about USD 110-120 is that what you are saying.

Gautam Goel This includes taxes, duties and freight rate.

Rahul Bhangadia What would be roughly FOB Indonesia?

Gautam Goel Mr. Jain can get you those figures. I do not have them right now.

Moderator Thank you. The next question is from the line of Sunny Agarwal from Finquest Securities. Please go ahead.

Sunny Agarwal Sir my question pertains to ethanol division. Actually I was looking at what will be the full year ethanol sales in volume terms because in the first half the number has been very less and according to my calculation that should go up to, I think 40,000 kilolitres.

Gaurav Goel See you are right because in the Q1, our sales on that side were very-very low due to high price of raw material. Now with those prices coming down, we do expect our sales and profit numbers to increase in the next two quarters.

Sunny Agarwal So will it be fine to assume in the next two quarter more sales will be from ethanol side rather than chemical side?

Gaurav Goel No as of now, the policy of ethanol even though it has been passed in the cabinet, it still needs to be notified and new tenders have to be finalized. Till the time those tenders are not finalized, you will see more sales from our rectified spirit and the chemicals as soon as ethanol does come on stream which we are expecting will happen over the next couple of months, then you will see extra sales even on that account.

Sunny Agarwal What was the average ethanol realization for first half and for second quarter?

Gaurav Goel Ethanol, there were hardly any sales in the half year as we are still waiting for the new pricing to fully come into effect. So, most of the sale that you have seen even for the half year is mainly from the spirits and chemical side.

Sunny Agarwal So what is the average realization for spirit?

Gaurav Goel The average cost spirit for the first half is Rs. 27.9 per liter.

Sunny Agarwal And for chemical?

Gaurav Goel See for chemical it really varies because we make a variety of chemicals, so if you take an average of all it will come to Rs. 39.7 per kg.

Sunny Agarwal I think chemical is manufactured and made from ethanol as a raw material, so how much ethanol is required in making one ton of chemical, can you give that number?

Gautam Goel There are different Chemicals which require different ethanol requirements like one of the chemicals, you make ethyl acetate it consumes acetic acid and it consumes alcohol. About 0.71 liters of alcohol is what is required to make one ton of ethyl acetate. Again, it is a little bit more complicated after that because it depends where you are getting your acetic acid from. Are you making it directly from ethanol or you buying it through the petrochemical route, so it is a little complicated on that.

Sunny Agarwal What is the conversion cost associated with this one ton of chemical like from ethanol to chemical?

Gautam Goel The conversion cost for ethyl acetate is about Rs. 3 per kg.

Sunny Agarwal On the power side, the power which we will export through coal is going to be 70 megawatts in second half right?

Gaurav Goel Yes in the second half.

Sunny Agarwal And 50% will be to UPPCL and 50% will be in open.

Gaurav Goel That is right.

Sunny Agarwal What will the average utilization?

Gautam Goel Average again what we sell through open access that gets changed from quarter-on-quarter. For this quarter, we are expecting an average sale of about Rs. 5.2 per unit which going into the Q4, it can go up or come down depending on what are the UI rates for fourth quarter.

Sunny Agarwal To UPCCL it will be around Rs. 5.

Gautam Goel Yes, that is right.

Sunny Agarwal What is our per unit generation cost?

Gaurav Goel See again that will be totally dependent on the cost of coal, we have already done certain imports and certain imports would be done further. So this is again price which is a varying price. But we do believe that, it will have the specific contribution to the power side. Now what sort of margins you will have, it will keep on changing and we will be able to give you better numbers on that once we have our Q3 conference call.

Moderator Thank you. The next question is from the line of Sanjay Maniyal from ICICI Securities. Please go ahead.

Sanjay Maniyal Just wanted to know why were your sales in sugar lower?

Gaurav Goel See that is very true that the sales volumes are on the lower side. We did see a bit of demand coming down due to imports of whites, which had been booked in bulk in a few months and that is why the demand was lower during the second quarter. It is not that we did not want to sell our sugar. It was just that the market was not supportive of extra sugar sales. You will see better sugar sales in the Q3 and the Q4.

Sanjay Maniyal What is your expectation on the realization front, will it go to Rs. 31-32 or ...

Gaurav Goel We are expecting sugar prices to be within the range of 29.5 to 31.5 in this coming quarter.

Moderator Thank you. The next question is a follow up from the line of Rajiv Agarwal from Eureka Share and Stock Broking. Please go ahead.

Rajiv Agarwal I know it is a little early for next year but could you give an indication of the cane cost over in the industry at this stage?

Gautam Goel See what we personally believe is that for next year surely the whole cane area has increased. The sort of high cane prices that we paid this year, I don't think that we will

be paying next year. This year the FRP was Rs. 130 which has been taken up to Rs. 140 and the SAP was Rs. 165, which again has been challenged by us, now that FRP is in place. Next year, cane prices would be lower exactly what will be paid by are still very-very early days, but I can say that they should be substantially lower that what we have paid this year.

Moderator Thank you. The next question is from the line of Siddharth Mokkaapati from CRISIL. Please go ahead.

Siddharth Mokkaapati Sir I would broadly like to understand the sugar industry perspective, basically in the sugar production in SS 2009-2010 as per your projection you are saying about 25-30% increase which should be about 18.5 million tons.

Gautam Goel That is right; we are now expecting 18.5 million tons for sugar year 2010.

Siddharth Mokkaapati For 2010-11 there have been a varying number of figures from right from 22 million tons to 28 million tons, what is your view on that sir.

Gautam Goel It is too early to say, but we believe in the upwards of 24-24.5 million tons.

Siddharth Mokkaapati So you are saying that the sugar prices are expected to be around Rs. 29.5 -31.5 for the rest of the year, so your average would be around Rs. 32-33 for this year.

Gautam Goel Yes; our average for the year should be in that range of around Rs. 32-33.

Siddharth Mokkaapati Post the increase in sugar production for the next year, by how much percent do you possibly expect the prices to come down approximately?

Gaurav Goel See again very-very early days on this Siddharth. We have to wait and see what will be the policy on white and raw sugar going forward. Exactly what is the number that India will produce whether it is as you are saying in a range of 22-28, these are still very-very early days. You have still not got the cane survey reports, what will be the diversion of cane to Gur and Khandsari. There are lots of probabilities as of now for us to try and predict the sugar price for the next year.

Siddharth Mokkaapati What is your expectation for cane price for the next year? If we were to put a number,

it will be around say Rs. 200 or Rs. 190?

- Gaurav Goel** You know very-very early days Siddharth, whether it is Rs. 150 or Rs. 200, still we all have no idea on that account.
- Gautam Goel** What we know is that it cannot be below Rs. 139, the FRP after that will be a reflection of sugar prices, let see what happens after that?
- Moderator** Thank you. The next question is from the line of Avinash Aggarwal from Sundaram BNP Paribas. Please go ahead.
- Avinash Aggarwal** How many megawatts are we adding for boiler that you mentioned?
- Gautam Goel** The boiler which will be commissioned in August, we will be able to export 7 megawatts further from that boiler.
- Avinash Aggarwal** Could you tell us the transfer price of bagasse and molasses this year?
- Gaurav Goel** The transfer price molasses was Rs. 3,500 per ton and bagasse transfer price was Rs. 2,000 per ton.
- Avinash Aggarwal** What would be the kind of prices you are seeing for molasses? Has it fallen after...?
- Gaurav Goel** Molasses prices had come down. The current molasses price would be in the range of Rs. 2,500 per ton.
- Moderator** Thank you. The next question is a follow up from line of Nillai Shah from Morgan Stanley. Please go ahead.
- Nillai Shah** What is your total cogen realization that is expected in the next couple of months, the summer months?
- Gautam Goel** The power that is going to open access for the month of May, we anticipate an average realization of about Rs. 5.40 and UPPCL power, we expect about Rs. 5. Realizations in June should be around the same level as May. July onwards it is going to be a bit difficult to say and it would depend on how the monsoons are, basic

increase the UI charges, so I mean it is a little fluid what it will be from July onwards.

- Nillai Shah** Balrampur Chini had said that there contracted price is about Rs. 6.50, which is the function of the location or is the function of timing of contraction?
- Gautam Goel** It is the function of timing because some power that we exported in the month of May some of it was also booked at Rs. 6.70, but bulk of it has been booked at Rs. 5.30 and we started our power export in April itself and we had to book a certain amount keeping in mind that our reprocessing would be going on once the season would be over.
- Nillai Shah** So your average should be about Rs. 5.40.
- Gautam Goel** Yes.
- Nillai Shah** What would be the cost of production at current coal prices?
- Gautam Goel** See currently the coal prices are higher than what they have been procured at. I think we have a margin of about Rs. 1.50 to Rs. 2 about.
- Nillai Shah** What is the price right now approximately? Would that one and a half have reduced by half?
- Gautam Goel** Today's cost of coal could be down.
- Nillai Shah** You have contracted the entire requirement.
- Gautam Goel** No, we have booked till about June and early July.
- Nillai Shah** Alright and in terms of this pricing by UPPCL your crushing is already over, you are already generating what we can call us off-season power, so how are you pricing that there?
- Gautam Goel** As of now, it is going to be an adhoc price that we have. UPRC has fixed a date between 10th and 15th of May so hopefully, we will have some clarity on it in the next couple of days

Nillai Shah Are you supplying power to them?

Gautam Goel We have to supply power to them.

Nillai Shah And the pricing will be decided later.

Gautam Goel Yes, basically we have a rough indication that this will be around Rs. 5.

Moderator Thank you. The next question is a follow up from the line of Ami Shah from LKP Shares. Please go ahead.

Ami Shah What would be the cane arrear situation as of now for the entire industry?

Gautam Goel UP had about Rs. 960 Crore as arrear.

Ami Shah Okay keeping in mind the huge arrears as well as the decline in prices, what is your call as to how would the planting or the production be in this season 2011 & 2012?

Gautam Goel 2011-12 is bit difficult to say, but for 2010-11, most of the planting is already over.

Ami Shah But do you think that sugarcane would be attractive for the farmers at around Rs. 190 plus an arrear that will have up close to Rs. 1,000 Crore, so do you think that farmers will be interested in planting cane for the following season?

Gautam Goel 2010-11 as we mentioned the planting is over. For 11-12, the planting that has to take place in February 2011, Rs. 190 obviously, the incentive will be lower and what it was at Rs. 240 rupees. If the arrears are there, the incentive will be still a little lower and it will depend upon what the price of wheat, rice, and all the other commodities are also at that point of time, but it cannot be the same enthusiasm as he would have at Rs. 240.

Moderator Thank you. The next question is from the line of Sunny Agarwal from Finquest Securities. Please go ahead.

Sunny Agarwal At what rate did we book the levy sugar in first half?

Gaurav Goel What so ever are the sales, we will keep on valuing it till the time the new levy price is not fixed, it will be as per the levy price on that day.

Sunny Agarwal So it is currently Rs. 13.8?

Gaurav Goel Yes, that is right.

Sunny Agarwal What is the mark-to-market loss for quarter?

Gaurav Goel Rs. 60 Crore.

Sunny Agarwal What is the debt we are looking at, at the end of FY10?

Gaurav Goel See our debt is coming down on a quarter-on-quarter basis. Our long-term debt is as of now at Rs. 565 Crore. We do expect repayments of close to Rs. 55 Crore in the next two quarters.

Sunny Agarwal What will the interest outgo be for full year?

Gautam Goel See the interest outgo would be again dependant on a large extent on the sale volumes that we having Q3-Q4. The interest for this quarter was Rs. 24 Crore which was at its highest level due to very high inventories. So you should expect interest to come down in the Q3 and the Q4 vis-à-vis Q2.

Sunny Agarwal What will be our monthly run rate of sugar sales because I think we are left with lot of inventories? So what will be the monthly sales we are expecting from April to September-October?

Gautam Goel The summer month is the peak consumption month. So it is fair to assume that we should be able to sell our substantial portion of our sugar in September. It will depend on the raw sugar quotas and the government policy.

Sunny Agarwal Do you think that Indian government will allow the direct generation of ethanol from cane juice like in Brazil and looking at next year, we are looking at a bumper sugarcane production, so do you think that Indian Government will allow that and do you think our plants are capable to do that?

Gautam Goel There are various ways in which you can divert raw sugar into ethanol. Various ways you can do that, but the first step has to let the ethanol program start and post that when it will come after that point.

Moderator The next question is a follow up from the line of Nillai Shah from Morgan Stanley. Please go ahead.

Nillai Shah Gautam you are very categorical in stating that the production next year could be upwards of 24-25 million tons. What is the acreage assumption based into those numbers right now?

Gautam Goel **In our assessment** acreage in UP is up by about 30 to 40%. Lets couple that with increase yields and you could see a substantial jump next year on production across India.

Nillai Shah This is all over UP or just yours?

Gautam Goel Pretty much. This is a rough indication; preliminary survey that we conduct regularly gives us a rough estimate of between 29 to 30% across the state.

Nillai Shah Interesting, very interesting. Going on to the next year, you think that this year obviously it is the millers who have kind of a pricing power if you can call it that in the system. Next year, do you think there is a potential that the millers may not have the pricing power and you will see pricing actually coming off because most of the consensus and other sugar companies suggest that even if your production does go upwards of 25-26 million ton, is it that all the excess sugar actually go in build up the inventory which is decreased over the last few years?

Gautam Goel I presume you are talking about the pricing power of sugar. Sugar pricing power again, as you said is going to depend on what you presumed the consumption numbers to be. This year my consumption number is that about 22.5-23 million ton, may be it will be at 24 million ton next year. The biggest threat on the domestic sugar price would obviously be the import of sugar which is substantially the replacement cost with raw sugar is fairly cheap. So that is going to be the important element to watch out for as to when we start seeing duties and the protection happening for white and then subsequently for the raw. The second important factor is also going to be that what is

the price we will end up paying for cane because obviously one would anticipate the kind of competition that was there for cane, this year we do not anticipate that next year. There is a potential for having the stable earning both in sugar sector as well as having substantial earning from the power sector and the ethanol sector.

Nillai Shah Is it a given option when you say that sugar production upwards of 25 million tons that it could not probably make good margins when actually it is struggling this year already?

Gautam Goel This year, most of the margins have been given away to the farmer. Next year if you can keep the cost of production in control, then we have a good healthy consumption to help us and the farmer to have a sort of sustain not have the kind of volatility that they have been for so many years.

Nillai Shah So where do you think the breakeven right now for the farmer in terms of wheat, rice, or wheat-paddy vis-à-vis sugar cane?

Gautam Goel About Rs. 190 per quintal.

Moderator Thank you. As we have no further questions, I would like to hand the floor back to the management of Dhampur Sugar Mills for closing comments. Please go ahead.

Gaurav Goel Thank you so much Melissa. On behalf of Dhampur, I would like to thank all of you for taking out your time for the conference call. If you have any further questions, please feel free to contact us either by phone or email which is mentioned in the investor communication. You can also visit our website at www.dhampur.com and post any queries that you may have and we will get back to you as soon as possible. Thank you once again.

Moderator Thank you gentlemen of the management. Thank you Mr. Selarka. 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.