Dhampur Bio Organics Ltd.

Date: February 01, 2023

To,

The Manager – Listing
Dept of Corp. Services,
BSE Limited
P.J. Towers, Dalal Street, Fort,
Mumbai: 400001
Scrip Code: 543593

The Manager – Listing
National Stock Exchange of India Ltd.
Exchange plaza,Bandra Kurla Complex
Bandra East
Mumbai–400051
Symbol: DBOL

Dear Sir/Mam,

Sub: Transcript of Investor Conference Call/ Analyst Meet held on January 24, 2023

In Continuation to our letter dated January 24, 2023 and in compliance with the regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Please find attached the Transcript of Investor Conference Call/ Analyst Meet held on January 24, 2023.

In Compliance with the regulation 46, the same is also available on the Company's website i.e. www.dhampur.com

You are requested to take the same on record.

Thanking You

Your Sincerely,
For Dhampur Bio Organics Limited

Ashu Rawat
Digitally signed by Ashu Rawat
Date: 2023.02.01 12:03:13 +05'30'

Ashu Rawat
Company Secretary
M. No. 22810

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CIN : L15100UP2020PLC136939

"Dhampur Bio Organics Limited Q3 & 9 Months FY23 Earnings Conference Call"

January 24, 2023

MANAGEMENT:	MR. GAUTAM GOEL – MANAGING DIRECTOR MR. SANDEEP SHARMA – CHIEF OPERATING OFFICER MR. NALIN KUMAR GUPTA – CHIEF FINANCIAL OFFICER MR. MUKUL SHARMA – CHIEF OF STAFF MS. SONIKA MALHOTRA – SR MANAGER, FINANCE & ACCOUNTS
MODERATOR:	MR. NAVIN AGRAWAL HEAD, INSTITUTIONAL EQUITIES, SKP SECURITIES LIMITED

Moderator: Good day ladies and gentlemen. Welcome to the Dhampur Bio Organics Limited Q3 FY23 earnings conference call.

As a reminder, all participants' lines will be in 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 touch-tone 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. Agrawal.

Navin Agrawal: Good afternoon ladies and gentlemen. It's 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 Gupta – CFO, Mr. Mukul Sharma – CoS, and Ms. Sonika Malhotra – Senior Manager, Accounts & Finance. We will have the opening remarks from Mr. Goel followed by a Q&A session. Thank you and over to you, Mr. Goel.

Nalin Gupta: I will be starting the first section of our con-call today and following that our MD, Mr. Gautam Goel, will be taking over the proceedings of the call.

Thank you everyone and Namaskar and a warm welcome to Q3 and 9 months FY23 Dhampur Bio Organics Limited earnings conference call today. The first section of our call will give a snapshot of key highlights of this quarter. The second section will contain a brief outline of our understanding of the macro environment, its possible impact on our business by our Managing Director, Mr. Gautam Goel, after which we will be glad to answer any queries you may have.

Key highlights of this quarter Q3 FY23 is that our revenue increased by 100% from Rs. 347.6 crores to Rs. 696.1 crores. PBT for Q3 FY23 stood at Rs. 20.2 crores against Rs. 24.6 crores in the same period last year. Profit after tax in Q3 FY23 stood at Rs. 14.9 crores against Rs. 17.9 crores in the same period last year. You would witness the margin in this quarter are not commensurate with the increase in revenue. Out of total revenue, sugar segment reported a revenue of Rs. 565.92 crores which accounts for 69% of the total revenue as compared to 87% in the same quarter last year. EBIT in this segment stood at Rs. 24.59 crores in Q3 FY23 as compared to Rs. 29.08 crores in Q3 FY22. Our sugar average realization for Q3 FY23 stood at Rs. 37.51 per kg against Rs. 37.56 per kg in the corresponding period last year. Sugar sales in this quarter stood at 1.08 lakh tonnes against 0.69 lakh tonnes in the December quarter last year. During this quarter, we sold 0.54 lakh tonnes of sugar of last season which were valued at Rs. 35.2 per kg. Rest of the sugar sold 0.54 lakh tonnes includes exports of 0.11 lakh tonnes.

Our inventory as on 31st December 2022 stood at 0.96 lakh tonnes of sugar which has been valued at Rs. 35.97 per kg. Our inventory as on 31st December 2021 stood at 1.49 lakh tonnes which was valued at Rs. 32.93 per kg.

In Q3 FY23, our revenue from biofuel segment stood at Rs. 250.25 crores as against Rs. 49.85 crores in Q3 FY22. Ethanol revenue increased significantly as compared to December quarter last year on account of country liquor sale of Rs. 114 crores in this quarter coupled with increased quantity of ethanol sold in this quarter. EBIT in this quarter increased from Rs. 6.88 crores last year to Rs. 21.51 crores in the current quarter.

We sold 250.63 lakh bulk liters of ethanol at an average realization of Rs. 58.8 per bulk liter in this quarter out of 162.43 lakh bulk liters of ethanol that was derived out of syrup, we supplied 70.5 lakh liters of ethanol derived out of B-heavy molasses and 17.7 lakh bulk liters of ENA which was derived out of C-Heavy. Lastly, in this quarter, we had supplied 93.55 lakh liters of ethanol at an average realization of Rs. 48.9 per bulk liter out of which 72.45 lakh bulk liters was derived out of B-heavy and 21.1 lakh bulk liters of ENA was derived out of C-Heavy molasses.

Substantial increase in revenue in biofuel segment from Rs. 49.85 crores to Rs. 250 crores is mainly on account of country liquor sale happened in this quarter which was not there in the same quarter last year and because of the higher ethanol sale in this quarter. We sold 4,83,393 cases of country liquor in this quarter at an average realization of Rs. 248.22 per case. This is net of excise duty. Our margins in Q3 FY23 declined as compared to the margin in Q3 FY22 mainly on account of lower sugar recovery, reasons of which would be taken up by our MD, Mr. Gautam Goel, and also due to higher turnover of country liquor, Rs. 114 crores, with a meager margin of Rs. 1.45 crores, as most of the revenue from country liquor comprises of state excise duty.

Profit before tax in Q3 FY23 stood at Rs. 20.18 crores against PBT of Rs. 24.61 crores for the corresponding period last year. Profit after tax in this quarter stood at Rs. 14.97 crores against Rs. 17.92 crores in the same quarter last year.

We generated 10.53 crore units in Q3 FY23 against 9.73 crore units in the same period last year. We exported 4.96 crore units at an average realization of Rs. 3.3 per unit in this quarter as compared to 4.08 crore units at an average realization of Rs. 3.18 in the same period last year.

Our interest cost increased to Rs. 4.87 crores as against Rs. 2.9 crores in the same quarter last year. Higher interest is on account of higher utilization of working capital because of higher cane crushed in this quarter as compared to last year and availing of fresh term loans of Rs. 129 crores for the CAPEX undertaken by the company during this year.

During this quarter, on a review, being undertaken during the quarter, in terms of Ind AS 108 "Operating Segment", 'Sugar' and 'Bio Fuel & Spirit' have been identified as operating segments pertaining to the Group's operation and segmental information, including for the previous periods have accordingly been compiled/restated and disclosed in the results.

We made repayment of Rs. 14.94 crores of long-term loans during this quarter. Our long-term loans stood at Rs. 249.53 crores as on 31st December 2022. Working capital as on 31st December 2022 stood at Rs. 307 crores vis-a-vis Rs. 285 crores as on 31st December 2021.

Long-term and short-term ratings of our company continue to be assigned at A+ with outlook stable by CARE.

These were the broad numbers. I would request our Managing Director, Mr. Gautam Goel, to share his perspective on the industry and performance of the company in this quarter. Over to you, Gautam.

Gautam Goel: A very warm welcome to all of you. As discussed, the key root cause of the decline in margin in this quarter is the lower sugar recovery in two of our plants. The lower recovery in our region is mainly on account of weather and severe pest infestation like top borer. We are taking these issues very seriously and are taking all the necessary steps for eradication of this disease and pests like top borers. This continues to be our key focus area. And along with these are cane development activities. We, as management, are giving the cane development activities as our principal focus areas going forward.

As you all are aware, the Government of India released an export quota of 6 million tonnes under the MAEQ scheme. This was allocated for exports in the first phase. The company's export quota amounted to 0.76 lakh tonnes and we will be exporting 100% of this quota. The company has successfully commissioned 700 tonnes per day of pharma-grade sugar manufacturing facility in our Asmoli unit. We have exported 0.11 lakh tonnes of sugar in this quarter and the balance quota is expected to be exported in Q4 and maybe some spillover could be there in Q1 FY24.

Our distillery plant is running efficiently with syrup, derived ethanol being produced in this distillery facility. Within 5 months of commencement of our CL business, we are part of the top 10 country liquor suppliers in the state. As mentioned earlier, the Government of India permitted 6 million tonnes of export under the MAEQ scheme. Out of this, 5.6 million tonnes of sugar is already contracted for export and the balance is expected to be contracted within the timeline enforced in the policy. India contracted for approximately 2 million tonnes of raw sugar ranging from 90 points premium to up to 150 points premium. This year, we saw a record 0.8 million tonnes of contract for refined sugar, which shows the change in mindset of the mills to invest in quality sugar production. The balance 3.2 million tonnes of exported sugar is expected to be low quality white sugar.

As per this last report, ISMA has projected 36.5 million tonnes of sugar production. However, various trade agencies are now forecasting this strength downwards on account of lower recoveries and yields in Maharashtra and Karnataka. As per some estimates, Maharashtra is expected to drop by 1 to 1.5 million tonnes and Karnataka by about 0.5 million tonnes. We expect UP to remain largely unchanged. As per these recent trade estimates, the Indian production could fall by about 1.5 to 2 million tonnes from the estimates of 36.5 million tonnes.

Domestic sugar prices remained stable even though they have declined a little bit at the start of the season. But on account of lower sugar production, we do expect the prices to remain stable to firm in the months going forward. On the global sugar front, 2022-23 global erstwhile projection of 4 million tonnes could drop on account of reduction in Indian crop. This reduction in Indian sugar production could make the sugar balance sheet a little tighter.

Brazil's estimates continue to remain at 590 to 600 million tonnes as compared to 542 million tonnes. Sugar production in Brazil is expected to be in the region of 38 to 38.5 million tonnes, up by 5 million tonnes from the previous years. Ethanol parity today stood at 15.4 cents for hydrous and 16.9 cents for anhydrous in Brazil versus sugar prices of 19.7 cents, which would favor higher production of sugar, and Brazil is expected to max out its sugar production in this year.

Thai sugar production is up about 11% over last year. Sugar production as of January 11 was 2.85 million tonnes or 281.04 lakh tonnes above last year. The latest numbers as of January 15th were 3.35 million tonnes. The 2021-22 Thai crop according to USDA was 94.17 million tonnes. As compared to the latest estimate, Thailand expects a crop of 105 million metric tons. This would be 11.5% increase. So far, the sugar production is up about 11%. The current consensus for Thailand is about 11.74 million metric tons, which is about 15% above last year. The Thai sugar would flow to Indonesia, as they open up their import tender for 2023. Given the geographical proximity, this should undercut Brazilian sugar though freight continues to fall, especially for containers.

EU sugar production estimates continue to fall. The latest EC commission estimates the EU sugar production has fallen to 15 million metric tons, a further decline of 500,000 tonnes from the last estimates. The ethanol requirement published by the OMCs for supply of 2023 is basis 12% blending across the country. The industry has responded enthusiastically and it is a positive sign for all of us. Based on the government's own ethanol road map, in the coming days, we expect a further push on policy matters to make ethanol an even more attractive option for sugar manufacturers and encourage OMCs to put in place an infrastructure capable of handling larger volumes. Additionally, policy tweaks in the auto sector, such as measures which encourage higher blending percentages and introduction of flex-fuel engines that can run on 100% ethanol will incentivize their ethanol production which in turn will iron out some of the inconsistencies between expectations and ground realities.

In order to accelerate the introduction of flex-fuel vehicles, a production-linked incentive scheme has included automobile and auto components of flex-fuel engines. Various auto companies like TVS Motor and Bajaj Auto have already started producing flex-fuel engines for their two- and three-wheeler segments. The government has notified the standards for E85, E90, and E95 engines depending on the percentage of added petrol as against the percentage of ethanol mix.

TruAlt Energy is setting up the country's first flex-fuel station in Karnataka's Jamkhandi district. It will displace ethanol blends and CNG amongst other fuels. The plan is to set up initially 21 such stations in the state and reach 250 across the country within 5 years. E20 ethanol could be coming to a petrol pump near you, particularly in metropolitan areas sooner than expected. This is precisely why large manufacturers like Maruti Suzuki have said that all cars we sell will be E20 compliant.

As I was saying the various state governments are also coming up with their ethanol policies to boost ethanol production. To encourage the efforts of blending of fuel, the government has introduced additional differential excise duty of Rs. 2 per liter from 1st of November 2022 for unblended petrol in the retail sales. We believe this additional duty will push oil companies to procure more ethanol for mixing in petrol and arrange for logistics for transporting to deficient areas.

Thank you very much for the brief overview. We would now like to invite questions and queries from our participants.

Moderator: We will now begin the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Nitin Awasthi from Incred Equities. Please go ahead.

Nitin Awasthi: I had a couple of questions. Firstly, sir, some clarifications from the company. I wanted to understand the current ethanol capacity of the company on different routes.

Gautam Goel: Currently our ethanol capacities as mandated and as approved by the government are 250 kiloliters per day on C and 312.5 kiloliters per day on B molasses and syrup. We are currently only using syrup as raw material and we expect in the offseason to only use B-heavy molasses. So, we expect our overall capacity to be 312.5 klpd. Out of this, we supply ethanol and some of the capacities to earmark to make ENA for our country liquor segment to fulfill our levy obligation.

Nitin Awasthi: Sir, the second question would be on the liquor business. We have a substantial amount of capacity there as I can see in the presentation. Why are we doing this business? Are we doing this business to fulfill our obligation to the state wherein there's a certain excise policy that all sugar companies have to comply with, i.e., in the state of Uttar Pradesh? Or are we also looking at this where it can profitably contribute to our bottom line?

Gautam Goel: We obviously want it to contribute to our bottom line. But the principal objective here is to take care of the levy obligation. It is obviously more viable to supply country liquor directly as compared to selling the levy molasses. And we hope our margins will continue to remain stable in the country liquor business, as we are able to establish ourselves more firmly.

Nitin Awasthi: But currently, like you said, you are making around 1% or 2% EBITDA in that segment?

Gautam Goel: Basically, as you understood, Nitinji, the biggest element of the top line in country liquor is the excise duty. I mean, 90% is excise duty. Out of the 10% of the real value of goods, we are making about 10% of that is EBITDA. As we establish ourselves firmly for quantities and our market, we hope this margin could increase a little bit, but it obviously will not be commensurate towards the top line because which is mainly on account of excise duty.

Nitin Awasthi: Let's leave the excise duty apart. If we remove the excise duty, on the net realization, what would be your margins?

Nalin Gupta: Nitinji, as Gautam mentioned, this is our loss-curbing exercise on the ethanol front. Margins, on the net realization, are to the tune of 8% to 9%. Means, out of net realization, we earn Rs. 1.45 crores of margin in this quarter which is more than 10%.

Nitin Awasthi: The current capacity that you have for country liquor, that is, if I am not wrong, more than what you require for within the state obligation.

Gautam Goel: Not really. The current capacity is only for meeting our own obligation, and in the near future, we don't see ourselves going beyond that.

Nitin Awasthi: Sir, the next thing I wanted to ask you about was the ethanol repricing. Do you think anything is coming from the government side to encourage more blending? because I believe the tender is already out for the next ethanol supply year and that's already at 10 point something which is not even the capacity of that much magnitude is not available in India for 10 billion liters. So, do you see them doing some repricing for ethanol?

Gautam Goel: To be honest, there are various discussions which are going on. I think they could come out with some other various incentives. There is a talk of giving them some incentives to maximize ethanol from grain. Whether this would result in repricing or whether this would be some sort of encouraging people to produce more, I am not too sure. Let's say, I am not really hopeful that there would be a new pricing coming out for the current year. But yes, there could be some sort of small incentives here or there like they gave last year for some sort of a tax benefit. In Q2 and Q3, they gave a Rs. 2 incentive for people who would supply their 100% quantities. The government is definitely moving very fast. Sugar industry too is keeping pace. Grain capacities are coming up. But to answer your question, I am not too hopeful of a substantial increase in price at this moment.

Moderator: The next question is from the line of Akahya Thakur from Pico Capital. Please go ahead.

Akahya Thakur: My question is pertaining to the liquor business. You mentioned that the sales amounted to around Rs. 114 crores and average realization was Rs. 248. Can I know the number of cases sold for this quarter?

Nalin Gupta: Akahya, we sold 4.83 lakh cases this quarter and at Rs. 248 realization per case is the net contribution net of excise per case.

Moderator: The next question is from the line of Aditya Shrimankar from Ishti Advisors. Please go ahead.

Aditya Shrimankar: My question was on the sugarcane yields. It's been low this season. What is the reason for that and what are the steps being taken to improve and when can we expect any improvement?

Gautam Goel: Aditya, the reason for decrease in sugarcane yield, this will be more of a region specific. I presume you are talking about the state of Uttar Pradesh, or are you talking about India as a whole?

Aditya Shrimankar: The industry as a whole.

Gautam Goel: The principal reduction in the yield which will make a materialistic impact in the balance sheet for the country is in Karnataka and Maharashtra. It's a combination of agricultural factors, rainfall. Also, they had an extended season last year. That could have caused a little reduction in the yield. In North India, we are finding that the reduction in the yields of ratoon are not uniform across the states. There are some parts where the drop is a little bit more which is to be predominantly on account of weather and we are severely affected in two of our units on account of massive pest infestation, the top borer infestation.

Aditya Shrimankar: What infestation?

Gautam Goel: There is a pest called top borer which had a severe infestation in two of our units. That has decreased the yields of our ratoon crop. But yes, we have made up some of the reduction in the decrease by higher drawal rates because of steady crushing and other farmer outreach methods. So, we don't anticipate any substantial drop in our overall sugarcane crushing this year. The recovery definitely has taken a beating this year for us.

Aditya Shrimankar: How do we combat this infestation? Has it been better in this current quarter?

Gautam Goel: This infestation basically has to be combated at the right time. From last year itself, we have been doing continuous efforts which were spraying of pesticide using drones and using other tools. And this work continues to happen. We are quite hopeful to be able to keep it in control and possibly close to eradicating it in the current 1 or 2 years. Along with that, we are making a lot of efforts to do a variety replacement that is going on at full stream ahead. We are making a lot of time, effort, energy, and resources are being put into replacement of varieties which will be more pest resistant. We hope to see the impact of that in the coming years.

Aditya Shrimankar: The profit before interest and tax margin is about 4% which is a 60% drop quarter on quarter. What can we expect going forward in terms of PBIT margins?

Gautam Goel: I wouldn't be able to give you specific numbers but I can definitely tell you that this Q3 was the lowest sugar recovery period. We are seeing an uptick in the sugar recovery. So, this should definitely reduce the cost of production. As we also mentioned in our opening remarks, we had a 0.76 lakh tonnes of export quota for ourselves. We have only exported about 0.1 lakh tonnes of the sugar. So, the balance sugar has to be exported in this quarter. Maybe there will be some spillover in Q1 FY24, but I think we presume to export. So, that will also have a positive impact in the overall realization.

Aditya Shrimankar: Can we see this going back to closer to 9% to 10%?

Gautam Goel: It won't be prudent for me, Aditya, to give you any projections going forward. I would suggest you can do your own working and calculation. We are more hopeful for a better quarter going forward.

Moderator: The next question is from the line of Ambar Taneja from Geomatrix. Please go ahead.

Ambar Taneja: I had a slightly longer-term question. It seems to me that the state government has taken some quite unfriendly steps in the last 6 months or so. First, there was a one-off for the wages that you guys had to pay in the last quarter. Then, last quarter, we understood that the amount of molasses that has to be given to country liquor went from 18% to 20%. And then, right now in the DCM Shriram call, we were made aware of another tax that the government has put on self-use of molasses. Firstly, I wanted to confirm that is this tax a new thing – this Rs. 20 per quintal charge on captive consumption of molasses?

Nalin Gupta: This is a regulatory fee which the state government has imposed on the supply of molasses. Even this is applicable for the captive consumption also. And this is not imposed but this is running for the last 1 year.

Ambar Taneja: This is a new tax?

Gautam Goel: This tax got imposed sometime last year. This tax is under litigation. Going forward, we do hope that we will see some relief. But, you are right that some of the measures have not been the most sort of friendly towards the sugar industry. You can't argue with that. Again, there have been some measures which have been really proactive and friendly to the industry; there have been some measures which, as an industry, we are not happy with them; but we are based out of UP and we have to take advantage of the positives and navigate the negatives.

Ambar Taneja: I am not arguing with that. My question is, now the sharing is still at 20% for country liquor permanently up from 18% to 20%?

Gautam Goel: This is a little bit more complex. What we could do is, we can share with you on email separately if you give your email ID. There is a difference. Even though they are saying 20%, but the way to calculate that 20% has been amended. So, for people like us who are diverting B-heavy and syrup, we could potentially see a reduction in our overall levy obligation. Because the calculation has been rationalized.

Ambar Taneja: And then last question is, very strong rumors of extremely strong political pressure from MLAs and MPs for an increase in cane price this year. It was widely assumed that next year of course, we will have a Rs. 10 to Rs. 15 rise. But I have been hearing a lot of stuff about this year also. I know you can't say much on the record, but what is your personal feeling about all this? Do we get away with no rise this year or do we see a small rise? Just a personal call.

Gautam Goel: Personally, I can't tell you what my call would be, Ambar, but my hope is that we don't have an appraisal. We too are hearing the rumors and we will have to just wait and watch. No comments on the feeling. I can just tell you our hope.

Ambar Taneja: I think you guys are going through a tough time. I wish you much luck coming out of it.

Moderator: The next question is from the line of Kaustubh Pawaskar from Sharekhan Limited. Please go ahead.

Kaustubh Pawaskar: Sir, my question is again on the sugar production for us. You just mentioned that the recovery rate is lower. Earlier, the expectation was, there would be some kind of a mid-single digit kind of an increase in production for the current sugar season. Considering the lower recoveries and yields, should we expect the production to be lower again for this season or you still hold on to your earlier commentary of around mid-single digit kind of a production increase for the current sugar season?

Gautam Goel: Are you talking about the industry or about ourselves?

Kaustubh Pawaskar: For us.

Gautam Goel: We do hope we will be able to make good some of the reduction in recovery in the first part of the season. We do expect to have a higher crush rate, but please keep in mind we are diverting substantially more cane into ethanol. We will be diverting considerably a higher quantity from last year. Last year, we diverted about 2 lakh tonnes of cane equivalent into ethanol. This quantity will be substantially increased. So, sugar equivalent we could be marginally higher, but overall sugar production definitely it should be lower on account of higher diversion of cane into ethanol.

Moderator: We will move to the next question which is from the line of Nimis Sheth, an individual investor. Please go ahead.

Nimis Sheth: First of all, your results are timely. That's really appreciated. That's, I think, something that you should continue doing as you have in the past. Your sugar inventories are 36. I think you mentioned why the cost is high and I think you indicated going forward, there is a chance that it may come down a little. I think I get the reasons around poor recovery in the cane. So, what is the outlook for production this year for the company? Are we going to have a higher production or flat production year on year? What is the outlook?

Gautam Goel: Thank you for your compliment and thank you for your good wishes. As I was mentioning earlier, Nimis, we do expect to crush higher cane than last year, but we also expect to be diverting a substantially higher portion of cane into ethanol manufacturing. In today's scenario when we look at production, it's a combination of sugar and ethanol. We do hope to produce more of this combination. Sugar production would definitely be lower.

Nimis Sheth: One question on Dhampur International. It has recorded a revenue of Rs. 54 crores for the quarter. Is it for the quarter?

Nalin Gupta: Yes, this is for the quarter on account of sugar. This is for this quarter only.

Nimis Sheth: Is this where you are exporting it through this subsidiary? How is it working? What is the reason for this spurt in revenue at Dhampur International?

Nalin Gupta: DIPL has been the subsidiary and the overseas face of the company for the last 10 years.

Gautam Goel: Nimis, as we just mentioned, we commissioned a pharma-grade unit of 700 tonnes per day, and we are looking to export our entire obligation in the form of refined sugar. DIPL is the vehicle we are using to export because this gives us the opportunity to hedge our sugar in the international market. So, yes, bulk of our sugar which will be exported will be through DIPL.

Nimis Sheth: Your pharma-grade sugar is going to get exported, basically?

Gautam Goel: We should be able to produce more than our overall export objection catering to some of the domestic institutional buyers. But let's say, the majority of it will be exported this year.

Nimis Sheth: And Dhampur International is like a commission agent or…. The profits will sit in the Indian subsidiary or will sit in Dhampur International?

Nalin Gupta: Major profits will come into the parent company in India. It's a 100% subsidiary of Dhampur. Ultimately, it will get consolidated with the parent company in India.

Nimis Sheth: I have one housekeeping question. If you see the last page of your results, in the segment results for sugar for example, you have this line which says, Less: un-allocable expenses. And there is a spike year on year from Rs. 8.4 crores to Rs. 21 crores. What is the reason for this spike in un-allocable expenses?

Nalin Gupta: Nimis, as you are aware that the expenses which cannot be overloaded on the manufacturing of sugar, so this is the balance amount, and the reason of increase in this amount from last year to this year is on account of the headcounts and the salary increase and the inclusion of the Director's salary. Post demerger, a lot of expenses such as Director's remuneration is now part of DBOL which was not there earlier over these 3 units and commission also. And HO expenses are now being allocated directly.

Nimis Sheth: Two last questions. One is on dividend. Usually, I think Dhampur used to give dividend in the 3rd quarter. Is that a change now and you will be giving it annually once the annual results are out? Is that what we are going to do now?

Gautam Goel: We are still debating. Let the season progress. We obviously were not very excited about the Q3 performance. But we do see the situation improving, and the Board is discussing this. So, I will not be able to give you any concrete answer to your question at this point, Nimis.

Nimis Sheth: And the last question on CAPEX. We were expecting you to give us some sense on the way forward if any decisions are being made for expansion in ethanol or any capacity. Is that something that's going to be delayed because of cane-related issues or if they are not connected?

Gautam Goel: Definitely there is a connection, but yes, on cane-related issues, we are bullish on account of increase in area. We do believe we should be able to get this pest matters in control. We have been taking a lot of action on this from last year. We are seeing some positive results. I think the big question here will be increasing our ethanol capacity. We have adequate capacities, there could be debottlenecking going forward. We are considering this, we are actively debating it internally what would be the most opportune time to look at increase in ethanol capacities and also maybe look at other related products down the line. Hopefully, we will be discussing this internally along with our Board and then coming out with our concrete plans going forward.

Moderator: The next question is from the line of Udit Gupta, an individual investor. Please go ahead.

Udit Gupta: Sir, my question is that like you gave us, it's like 3,12,500 klpd in terms of B-heavy. In terms of liters, how much are we expected to produce?

Nalin Gupta: It is 3,12,500 liters per day capacity.

Udit Gupta: And how many days' production is expected in the year, sir?

Gautam Goel: Udit, we have permission to produce for up to 350 days and we are working hard and trying to ensure we max out our production. Barring any unforeseen circumstances, we hope to produce for 350 days.

Udit Gupta: Sir, can we expect 10 crore liters of ethanol in a year, just like a ballpark figure?

Gautam Goel: We hope to do better than that, but fingers crossed.

Udit Gupta: And this does not include levy molasses or country liquor?

Gautam Goel: This would be the overall alcohol production. Then, whatever is our levy obligation, we will have to produce equivalent ENA which we will divert for country liquor manufacturing.

Udit Gupta: So, this includes the ENA as well as the ethanol part?

Gautam Goel: This is the government-mandated capacity that we can produce.

Udit Gupta: And sir, the ENA part would be about 18% to 20% is what you just said?

Gautam Goel: This will be about roughly 11%.

Moderator: Ladies and gentlemen, this will be the last question which is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Sir, this is our first call if I am not wrong. Sir, we would like to understand the differentiating factor for our company. What are the steps currently that the management or the work we are doing for which the results would appear going ahead, especially for the improvement in margin?

Gautam Goel: Saket ji, sorry, this is not our first call; this is our 3rd call we have been interacting. The question is, as our name indicated, we are working very hard to look at optimizing our capacity utilization and value addition with all the opportunities cane produces. For example, we looked at commissioning a pharma unit this year, specifically marked for export and for domestic institutional customers, which will give us a higher sugar realization. We are maximizing our ethanol, then country liquor came into place and In a very short span, we are at least able to supply our entire levy obligation directly rather than selling molasses. Currently, as we discussed, our big focus will be on account of improving our sugar recovery through cane development efforts which will further improve our margins. We worked hard on improving our steam efficiencies, which have resulted in higher bagasse savings over last year, which are resulting in a higher revenue from bagasse sale. So, we continue to look at all the opportunities available to us whether it is value addition, whether it is expansion, whether it is addition of new capacities of ethanol and things like that. And going forward, we do believe we will be improving both our margins and will be a steady growth company.

Saket Kapoor: Sir, when we look at the margin profile, what should we factor in going ahead? And there is also the seasonality factor that plays on a quarterly basis. I think Q4 would be traditionally better than what Q3. Correct me there, sir, if I am wrong.

Gautam Goel: Q4, definitely on account of cost of production, the recoveries are always better, so that improves. We have a longer season, i.e., 3 months of sugar season as compared to 2 months of the new season. What is in our control, really? One is the sugar prices, there is an element of macro view. Recovery, we have to work hard towards improving our cane development activities and the right product mix – maximizing ethanol – running the plant efficiently. In today's scenario, that would be probably something which is directly in our control which we are continuing to do. And we hope our margin will further improve because we have a substantial portion of sugar, which we will be exporting in this quarter, which has a higher realization as compared to the domestic production.

Saket Kapoor: What is the exported quantity, sir, that we are contracted?

Gautam Goel: Our export quota was 0.76 lakh tonnes. We exported about 0.1 lakh tonnes in this quarter. The balance sugar should be exported in the next quarter. There could be marginal quantity spilled over, but we are working hard to export most of it in this coming quarter.

Saket Kapoor: So, 6 lakh tonnes would be done for the next quarter?

Nalin Gupta: 0.65 over the next quarter and spill over into Q1 if any.

Saket Kapoor: When we look at other expenses line item, how should one read the Rs. 79 crores? Whether it commensurate with the revenue or there is some one-off item that has been factored for this quarter?

Management: Going forward, you may have these kinds of expenditures because these expenses are more or less fixed in nature expenses. As compared to last year, the figure is coming because of post demerger. Because of the HO expenses and mainly the salary part and other fixed expenses which are lying in the books of Dhampur Sugar Mills Limited.

Gautam Goel: As you are aware, Saket, we had a demerger, and on the 3rd May 2002, the demerger got completed. A lot of the expenses which were allocated over 5 units in the overall DSML balance sheet, now some of them will become part of DBOL. There will be some fixed cost increase in the DBOL books, which are coming into this nature.

Saket Kapoor: So, this line item will be closer to Rs. 79 crores to Rs. 80 crores on a consistent basis? I just wanted to understand the nature of these other expenses reoccurring again.

Management: If you see the 9-month expenses, only Rs. 37 crores of un-allocable expenses.

Saket Kapoor: I am referring to line item H. If you take the line item H for the quarter, it is Rs. 79 crores. And if you take the 9 months, it is 14,999.

Management: These other expenses are mainly on account of variable cost and this is in line with the increase in turnover. If you see, the turnover has almost doubled. So, the increase in other expenses is in line with the increase in turnover. Some of the expenses is part of our fixed expenses. That will not increase. But variable expenses will increase in line with our turnover.

Saket Kapoor: This will dent the margin, sir. My understanding was, this line item will have a larger impact on the margin profile.

Management: These expenses will increase and commensurate in line with the turnover increase. As we produce more, as we sell more, whatever are the variable expenditures will definitely go up. The selling expenses, all variable consumables and packing expenses are part of this other expenses.

Saket Kapoor: The last point is, how is the mix going to change between these biofuels and the sugar profile for the coming years? Or whether it is too a shorter duration to commit what the mix is likely to be?

Gautam Goel: Saket, if you recollect, last year enhanced capacity of our distillery commissioned in the month of January. In the early part of our season, we did not have the advantage of this enhanced capacity. And there were some teething troubles for which we had to take a shutdown of our distillery in the month of July for about a month. Post that shutdown, our distillery has been running with the desired and optimum parameters and we hope to maximize ethanol production. Therefore, we will be diverting more cane either in the form of syrup or in the form of B-heavy as compared to last year.

As I mentioned earlier, we will be crushing more cane but our overall sugar production will go down on account of more diversion into ethanol and also because of reduction in recovery over last year.

Moderator: Ladies and gentlemen, we will be taking the one final question which is from the line of Jaspreet Singh from VA Capital. Please go ahead.

Jaspreet Singh: Sir, you mentioned that your cane area has gone up and apparently the crushing will go up this year, and along with that, the gross recoveries have fallen down. The first question is that at the C-molasses basis, do you expect the juice to be at the same level as last year or a bit lower or higher?

Management: Juice should be similar to last year. The amount of potential TRS in the juice has come down.

Jaspreet Singh: It will be more or less the same?

Management: Yes, the juice will be the same, but the sugar in that is lower than last year.

Jaspreet Singh: What does it mean?

Management: Basically, the constituents which are there in the juice, the sugar and the reducing sugar which can give lather, sucrose, and ethanol, that is down from last year on account. In fact, that is the adverse effect for us.

Jaspreet Singh: Okay, that it will be lower. And in the beginning of the call, I think you mentioned that the pest infestation which has happened, it will take 1 or 2 years to overcome. So, do you expect this thing to continue for next season also?

Gautam Goel: As I mentioned that we are working very hard and we are very hopeful we should be able to eradicate it or be close to eradicating it in this coming season itself. And we are also working very hard to introduce new varieties and front-ending all those efforts. So, we are hopeful we will have a better situation next year as compared to this year.

Jaspreet Singh: May I know what is the dominant variety right now which you are using? 0238?

Gautam Goel: Currently, the dominant variety is 238. And the newer varieties in question in which work is going on very seriously is 118 and 15023.

Jaspreet Singh: So, these two varieties would become dominant in the next season, is it?

Gautam Goel: Not next season, but in the next 2 years, we do hope to have sizable quantities available of these varieties, which will make a materialistic impact on the cane crushed. Next year, the quantities will be earmarked mostly for seed or the following year.

Jaspreet Singh: And as you mentioned that the area under sugarcane has gone up, how much has it gone up?

Gautam Goel: There are two things. The area, for the overall group, has gone up maybe about 3% to 5% but we have worked hard to increase our drawal. The diversion that used to happen to gud, khandsari, our farmer outreach, our steady crush rate have overall increased our drawal which we think that will have a positive impact overall in our cane availability.

Navin Agrawal: Thank you very much, friends. That was the last question in queue. In case, there are any further follow up questions or any unanswered questions, my email ID is there on the invite. I request you to send your queries and we will take them up with the management. I would now like to hand over the conference to Mr. Goel for his closing remarks. Thank you and over to you, Gautam.

Gautam Goel: We will let Nalin do the honors.

Nalin Gupta: On behalf of Dhampur Bio Organics Limited, we would like to thank you all of you for taking time out for this conference call. And if you have any queries or further questions, please feel free to contact us either by way of mail or telephonically. You can also visit our website www.dhampur.com and post your queries. We will get back to you as soon as possible for us. Thank you very much once again. Have a wonderful day.

Moderator: On behalf of SKP Securities Limited, that concludes the conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.