

Date: November 09, 2022

**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 November 02, 2022

In Continuation to our letter dated November 02, 2022 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 November 02, 2022.

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
Company Secretary
M. No. 22810**



“Dhampur Bio Organics Limited
Q2 FY ‘23 Earnings Conference Call”
November 02, 2022



MANAGEMENT: **MR. GAUTAM GOEL – MANAGING DIRECTOR**
MR. NALIN GUPTA – CHIEF FINANCIAL OFFICER
MR. MUKUL SHARMA – CHIEF OF STAFF
MR. ATUL SINGH – HEAD OF SALES
MS. ASHU RAWAT – COMPANY SECRETARY
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 Q2 FY '23 Earnings Conference Call. As a reminder, all participant 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 star then zero 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, sir.

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. Nalin Gupta, CFO; Mr. Mukul Sharma, COS; Mr. Atul Singh, Head of Sales; Ms. Ashu Rawat, Company Secretary and Ms. Sonika Malhotra, Senior Manager, Finance and Accounts. We'll 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. Namaskar and a very warm welcome to the Q2 and H1 FY '23 Dhampur Bio Organics Limited (DBOL) Earnings Conference Call. As you are all aware, the equity shares of DBOL listed on the BSE and NSE on September 8th, 2022. The first section of our con call will contain a brief outline of our understanding of the macro environment, and its possible impact on our business.

In the second section, we'll give a snapshot of our performance in this quarter, which will then be followed by our CFO, Nalin, running through the financial numbers for the quarter. After which we will be glad to answer any queries, you may have.

The macro global and domestic outlook continues to be inflationary and cautious.

We are aware the Indian sugar industry produced 36 million tons of sugar and about 3.5 million tons of sugar was diverted into ethanol production this year. The domestic consumption is pegged at 27.5 million tons and after a record export of 11 million tons, we would be left with an opening stock of about 6 million tons. The production scenario for the next year is equally bullish. Production estimates for next year is around 36.5 million tons post diversion of about 4.5 million tons of sugar to ethanol.

It is believed the government of India will permit exports under the MAEQ Scheme with 6 million tons being allocated for exports in the first phase. The industry is hopeful that further quantities could be permitted sometime during early part of next year, once there is a greater assurance on the production numbers. Global trade flows for raw and white is very tight till Q1 of 2023. Considering the crushing for new season in Brazil will start from April '23, and Thailand production will start to peak from mid-February. This tightness should help India place the sugar in the destination markets at very good prices till early 2023, after which there is a possibility of softness in the international markets. The trade believes about 2 million tons of sugar in all forms, which is raws, low-quality white and refined sugars have already been contracted from India for exports.

On the global sugar front, 2022-23 global surplus is expected around 4 million tons. However, some of this surplus is sitting in regions which cannot export, like Pakistan and Russia. Brazil is estimated to crush 590 million to 600 million tons in 2022-23 versus 542 million tons this year. Sugar production is estimated at 38-38.5 million tons in Brazil, which is up 5 million tons from last year.

The Thai production is estimated to be around 12 million tons, up 2 million tons, and this sugar in the form of raws and white would start trickling into the world markets from mid-January onwards, and will be competing with the Indian sugars.

Due to the adverse climatical conditions and continued drought in Europe, it is expected to result in a drop in production as compared to the previous years. They expect to produce 16.5 million tons this year which should be 1.24 million tons lower than last year. The increase in energy prices would also result in higher cost of production. Local prices in Europe are hovering around EUR 1,100 per metric tons, which makes exports unviable from the EU. In fact, these high prices could also result in some non-quota sugar also finding homes within the EU.

The ethanol sector continues to enjoy favorable tailwinds with a robust demand and proactive government policies. Against the contracted quantities of 454.71 crore litres, 367.08 crore litres of ethanol has been supplied till October 16, 2022 and is resulting in a blending percentage of 9.7% till date. Out of the above contracted quantities, the sugar sector has contracted 368.53 crore litres and supplied 310.46 crore litres till October 16th, 2022 which is roughly about 96% of pro rata quantities. Out of the above supplies, roughly 82% ethanol was made from B-heavy molasses and sugar syrup.

Although significant grain distillation capacities are being commissioned, but it appears that sugar sector will remain the principal stakeholder in the ethanol blending programs. As the raw materials for the grain-based ethanol plants are subject to a considerably higher volatility vis-a-vis the sugar sector.

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 further boost the ethanol sector.

In order to accelerate the introduction of flex fuel vehicles, Production Linked Incentive (PLI) scheme has included automobile and auto components of flex fuel vehicles. The government has notified the standards for E85, E90 and E95 engines, depending on the percentage of petrol as against the percentage of ethanol mix. Flex fuel stations are being installed for dispensing ethanol blends and CNG among other fuels for trials and then scale the such dispensing stations PAN India. Various states like Jharkhand, UP, Gujarat, Punjab Karnataka, etc. are also coming up with their own ethanol policies, to boost ethanol production and use.

The additional duty on unblended ethanol will push oil companies to procure more ethanol for mixing in petrol and arrange for logistics for transporting to deficit areas. Once again, the government is showing its intent to maximize ethanol production in the country by raising the prices of ethanol to be supplied in the coming year.

As per the latest new reports the prices of C-Heavy ethanol prices have been increased by INR 2.75 per litre, and the new revised prices will be INR 49.41 per litre. The prices of B-heavy ethanol have been increased by INR 1.65 and will now be INR 60.73 per litre and the prices of sugarcane juice ethanol have been increased by INR 2.16 to INR 65.61 per litre.

DBOL is well poised to capitalize on the opportunity, and we are confident of maximizing our ethanol production, both with cane juice and B-Heavy molasses. One potential area of concern is the policy to reserve molasses for country liquor segment in Uttar Pradesh. Owing to a substantial and unforeseen increase in demand for country liquor. Uttar Pradesh increased the levy ratio from 18% to 20% for the 2021-22 season, that is with retrospective effect.

I would now like to begin the second segment of our con call, highlighting our operational performance.

The key highlight for this quarter was the commencement of a country liquor manufacturing facility in July '22 and I'm glad to report we manufactured and sold around 1.2 lakh cases. We are aggressively working to increase our sale of country liquor and hope it will take care of a substantial portion of our levy obligation going forward.

During our last con call, we had mentioned that our distillery was shut down during June, for its annual maintenance and rectification work, which were related to the commissioning of the enhanced ethanol capacity in January 2022. We are glad to report that the set works were successfully completed and a distillery is now operating at its designed capacity and efficiency.

Once again, the late rains in October delayed the start of cane crushing and our factories would commence cane crushing in this week itself. However, we don't anticipate any adverse impact on our overall cane availability. Owing to our continuous cane development efforts, we expect a higher cane crush as compared to the previous years. The SAP for UP for the current sugar season has not yet been announced.

We believe cane development will continue to be a core activity, which will result in both increased raw material availability and also a better-quality raw material. In order to ensure adequate availability of seed material for high-quality cane, we have established a tissue culture lab with a capacity of 2 lakh seedlings per year. We also piloted usage of drones for cost-effective application of nutrients and pesticides on sugarcane crop across our three plants. We are greatly encouraged by its results and believe going forward, it will become an efficient and effective vehicle for crop management.

I would now like to invite Nalin, our CFO, to give the brief highlights of our financial performance. Over to you, Nalin.

Nalin Gupta:

Thank you, Gautam, and Namaskar, to everyone. First, I would like to start with our key highlights for this quarter ended September 30, 2022.

Our revenue, EBITDA and profit before tax in Q2 FY '23 stood at INR 541.63 crores. EBITDA of INR 28.15 crores and PBT of INR 10.32 crores, respectively. Our revenues, EBITDA and PBT for the corresponding period last year was INR 359.20 crores, EBITDA of INR 13.85 crores and PBT of INR

2.53 crores. Profit after tax in this quarter stood at INR 7.56 crores against INR 76 lakhs in the same quarter last year. Our revenue was higher by 52%, EBITDA was higher by 103% and PBT was higher 307% as compared to the previous year in the same quarter. Our interest costs increased to INR 9.10 crores as against the INR 5.98 crores in the same quarter last year. Increase in interest cost is due to higher working capital utilization on account of higher inventory we are carrying and also due to higher interest rate as compared to Q2 FY '22.

In this quarter, we have accounted for additional levy obligation of molasses of 2% due to change in policy for the full sugar season, which had an impact of around INR 7 crores taking into account the loss of the value addition in form of ethanol. We have also accounted for additional liability of INR 8.51 crores due to a revision in wage board rates effective from 1st October 2018.

Our sugar realization for Q2 FY '23 stood at INR 35.75 paisa per kg as against INR 35.07 paisa per kg in the corresponding period last year. Sugar sales in this quarter stood at 1.04 lakh tons against 0.83 lakh tons in the September quarter last year. Our inventory as on 30th September '22 stood at 1.06 lakh tons of sugar, which has been valued at 35.23 per kg. Our inventory as on 30th September '21 stood at 1.07 tons, which was valued at INR 30.58 per kg.

We sold 236.33 lakh bulk litres of ethanol in this quarter out of this 220.81 lakh bulk litres of ethanol was derived out of B-heavy at an average relation of 58.76 per litre and we supplied 15.52 lakh litres of ENA, which has been derived out of C-Heavy at an average realization of INR 19.5 per litre. Last year, in this quarter, we had supplied 112.53 lakh litres of ethanol, B-heavy last year average realization stood at INR 57.39 per litre. An increase in sale of ethanol in this quarter is INR 123.8 Lakh bulk litres reported as compared to Q2 FY22. Country liquor production started at Asmoli unit in this quarter, and we sold 1,19,350 cases during this quarter. Going forward, we expect the volumes to increase substantially. As discussed during the last con call, about the higher COP of our ethanol due to teething issues in the new plant, Our COP during this quarter has improved to INR 42.66 per litre from INR 46.56 per litre in Q1 FY '23.

We generated 1.10 crores units in this Q2 FY '23 against 57 lakh units in the same period last year. We exported 2.04 units at an average realization of 3.3 per unit in this half year ended 30th September '22 as compared to 2.75 crores units in the same period last year.

In Q2 FY '23, Sugar division reported revenue of INR 452.75 crores, which accounts for 72% of the total revenue as compared to 83% in the same quarter last year. EBIT in this segment stood at a negative of INR 1.26 crores in Q2 FY '23 as compared to loss of INR 98 lakhs in the Q2 FY '22.

Our revenue from ethanol segment is stood at INR 166.43 crores as against INR 60.77 crores in Q2 FY '22. Ethanol revenue increased significantly as compared to September quarter last year, on account of expanded capacity this year. EBIT in this quarter from ethanol segment stood at INR 31.73 crores as against INR 17.26 crores last year.

During this quarter, the revenue from the Power segment stood at INR 8.74 crores with the loss of INR 2 crores versus revenue of INR 4.4 crores and loss of INR 3.87 crores in Q2 FY '22.

We made repayment of INR 17.30 crores of long-term loans during this quarter. Our long-term loans stood at INR 235.47 crores. Higher long-term loans are due to the fresh disbursement on account of the ongoing capex, which we discussed in this con call also. The key areas where the capex is being undertaken is towards manufacturing pharma-grade sugar, especially targeted for export and premium domestic institutional sector. We have also incurred capex to reduce our losses and steam consumption, addition of CO2 plant and enhancing our ETP capacities and capabilities. Our capex are running on schedule, and we hope to start driving the benefits from this sugar season itself.

As already mentioned by Gautam, equity shares of Dhampur Bio Organics Limited got listed on BSE and NSE on September 8th 2022. The shares swap between both the promoters group has already commenced in terms of the scheme of arrangement, the demerger scheme.

Long-term and short-term ratings of the companies continues to be assigned at A+ with outlook - Stable by CARE ratings.

Now these were the broad numbers. We would like now to invite the questions and queries from the participants. Over to you, Navin.

Moderator:

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer-session. Participants who wish to ask a question may kindly press star one on your touchtone telephone. If you wish to withdraw yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Kaustubh Pawaskar from Sharekhan Limited. Kindly proceed.

Kaustubh Pawaskar:

Yes. Congrats for a good set of numbers, and thanks for giving me the opportunity Sir, I have a few questions. First, in your initial comment, you mentioned that despite there is a slow delayed start in the season, you are anticipating sugar production to be higher on a year-on-year basis. So can you help us, what are your expectation in terms of production in the state of UP and for you, particularly for this reason?

Gautam Goel:

Sorry, Do you want to state all your questions or should I answer this question first.

Kaustubh Pawaskar:

I will ask my second question. I just want to understand the additional levy obligation of 2%. So if you help me understand what exactly it is and whether this is something which will continue in the quarters ahead? And the third question is after the increase in the ethanol capacity, what kind of ethanol production you are expected over the next two years to three years? So these are my three questions.

Gautam Goel:

Thank you very much. So on the first question regarding the estimated production in UP. So the SMA numbers have expected the UP production to increase pre-diversion from 114 to 123. So they're seeing about a 7% to 8% increase. These estimates were taken prior to this late surge of monsoons in October where, of course, there was a lot of water stagnation in East UP. Cane being a hardy crop, we don't see too much of damage there. I think the numbers in UP should be in line with the estimates. Too early to say on the recovery, but the preliminary trends are positive. We expect to do equivalent to the increase

in UP or better, we would not like to give any specific numbers at this stage. But we are hoping to do equivalent or better than the average of UP.

The second question, which you have on the levy obligation. The UP government has announced an 18% reservation of molasses basis C-heavy production for the year, for the sugar year 2021-22. In the month of July, we figured out that the country liquor sales were going considerably higher than what they projected. So they said, we will increase the blending, the reservation policy instead of 18%, we'll make it 20%, but they said, we will make it for the full year. That is from retrospective effect. So basically, the impact for the last quarter became an 8% additional levy for the corresponding quarter and additional 6% for the previous quarters. This impacted the overall raw material that we had stated for ourselves for producing ethanol. Certainly, about 8% of that had to be diverted for country liquor, which resulted in not being able to supply the desired ethanol we wanted to in this last quarter.

Lastly, on the increase in ethanol capacity. Our ethanol capacities increased to 312,000 liters per day, on B-heavy setup and we hope to be able to remain close to 100% capacity for the coming years. We will consider to expand our ethanol capacities. We are starting on these various things. I think if the matter gets finalized in our board, and we will be in a clearer position to elaborate it further.

Kaustubh Pawaskar: And sir, this expansion, what you're planning to do for your ethanol capacity? Will it be done through the loan or will you be comfortable doing it through your internal affairs?

Gautam Goel: As I just mentioned right now, we have not announced any ethanol expansions. We are studying all the things. It will be coupled with our raw material capacity. We will be discussing it with our board. And in due course, we'll make the necessary announcements of our plan.

Moderator: Thank you, Participant. The next question is from the line of Nimis Sheth, from GT Advisory. Kindly proceed.

Nimis Sheth: Thank you for your inputs on the global sugar industry and obviously, the Indian sugar industry. So quite useful. I have a question on your country liquor. That is, generic question for UP. You are now at 20% levy. And you have now commissioned a new country liquor plant, which will make about 28 lakh cases of country liquor. If you were to make the full amount, what percentage of your levy gets covered, which basically reduces your losses? Is it all 20%? Is it only 10% is only half?

Gautam Goel: So Nimish, yes. So the country liquor policy is for 20% of C-molasses, so obviously, it will get adjusted for the corresponding quantities for B- molasses, but ethanol capacity of the plant that we have. Currently, we can, see the current capacity will probably help us a little bit, I would probably need a couple of more minutes of your time.

Nimis Sheth: No, this is I'm asking only country liquor. When you make country liquor you will obviously cut your losses by some amount.

Management: Correct?

- Nimis Sheth:** So okay, I'll frame the question another way. If you were to consume the full 20% of levy and converted into country liquor, how much capacity of country liquid do you need? You need 5 million cases? I mean, so is there scope to double the expansion or?
- Gautam Goel:** Yes. So we have planned. We have adequate scope to produce the entire country liquor with some minor additions and capacity enhancements. Looking at basically probably we have to add some lines of tetra. We have to add some tetra because there's a country liquor demand in the tetra packaging is expanding in UP. We estimate about 3 million cases should be required for fulfilling our levy quota. In the coming year, we don't know whether we'll be able to fulfill 100% of our quantity, but we are hopeful it will be a sizable quantity. It will be upwards of 50% is what we definitely project for ourselves. So from being close to less than about 5% for this year.
- Total for Full year will be because we only started recently and we'll only have two quarters. And this is a branding play. We have to distribute it well and there are many peer players in the market. But in the corresponding two years, I think our internal target is to try and get to close to 100% of our levy obligation in two years' period.
- Nimis Sheth:** And my second question is, have you started crushing in your plants? Is there any plant still just to commence crushing or?
- Gautam Goel:** No, they will be starting any day now and they're starting in this week itself.
- Moderator:** Thank you. Participants who wish to ask a question, kindly press star, one. The next question is from the line of Udit Gupta, an individual investor. Kindly proceed.
- Udit Gupta:** Sir, my question is that at the time of demerger, we were told to understand that Dhampur Sugar and Dhampur Bio have similar crushing and similar like assets in sugarcane crushing. So they are moving towards INR 12 crores liters by January to February. So when is our plan to move so increase our ethanol production?
- Gautam Goel:** Sorry, I didn't -- can you please repeat your question? I didn't understand your question.
- Udit Gupta:** Sir, I was talking about the Dhampur Sugar and Dhampur Bio at the time of demerger, you were told that you have similar sugarcane crushing and similar capacity that they are moving to INR 12 crores liters by January. So when is ours plan to like and how much can we expand our ethanol production going forward?
- Gautam Goel:** See our current capacity, Udit is 312,000 litres of ethanol from B-heavy. So if you could calculate that into 350 days, it will come out to upwards of 11 crores liters of Ethanol, which is what we hope to be doing with our plant going forward. Further expansion, as I mentioned in the first question, are being worked on, are being looked at. We will be discussing it at our next stage, and then we'll be reverting back on that.

- Udit Gupta:** Sir, the INR 11 crores liter that you're talking about, it's like accounts for the levy molasses and everything?
- Gautam Goel:** So 11 crores liters is the ethanol production capacity. Now if you make levy alcohol or ENA, it will come out of this. So if you look at from a ethanol/ENA capacity, we probably will be able to do close to 12 crores litres because ethanol is 5% higher alcohol as compared to ENA. Now depending on the amount of ENA we make next year and how much of levy molasses we sell, but we do hope to maximize the distillery capacity by maximizing sugar juice diversion into distillery and with our own B-heavy. We are quite confident we should be able to achieve close to 100% capacity utilization.
- Udit Gupta:** Sorry to make the point again. Sir, I was basically talking about the quantity that you can supply to OMC? So, I was looking at that amount.
- Gautam Goel:** OMC capacity again, is going to be a combination of the total alcohol that we can produce. So if we let's say, if we produce 11.5 crore liters of alcohol, we will need about, let's say, 1 crore odd litres for our own country liquor production. So that 10.5 odd crores liter will go to the OMCs with our current capacity.
- Udit Gupta:** And sir, in this season, we are looking at doing it from juice and from India off season for the B-heavy side, is it something like that?
- Gautam Goel:** That is what we are planning to do.
- Moderator:** Thank you. As a reminder to participants, you may please press star, one to ask a question. As there are no further questions. I would now like to hand the conference over to Mr. Goel for closing comments.
- Gautam Goel:** Thank you Navin. On behalf of DBOL we would like to thank all of you for taking out time for conference call. If you have any further questions, please feel free to contact us either by phone or email. You can also visit our website Dhampur.com and post any queries you have, and we will revert promptly. Thank you very much and have a wonderful day.
- Navin Agrawal:** Thank you.
- Moderator:** Thank you. On behalf of SKP Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.