

12.05.2023

To,  
The Manager - Listing  
National Stock Exchange of India Ltd.  
Exchange Plaza, Bandra Kurla Complex  
Bandra (East)  
Mumbai - 400 051  
Tel No. 022-2659 8237 /38  
Symbol: DHAMPURSUG

The General Manager – DSC  
BSE Limited  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Fort,  
Mumbai: 400001  
Tel No. 022-22722039/37/3121  
Security Code: 500119

Dear Sir,

**Sub: Regulation 30- Transcripts of Earnings Call with respect to Audited Financial Results for quarter and financial year ended 31<sup>st</sup> March, 2023**

Pursuant to Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, Please find enclosed Transcript of the Company's Earnings call on Audited Financial Results for quarter and financial year ended 31<sup>st</sup> March, 2023, which was held on Monday, 8<sup>th</sup> day of May, 2023.

The same is also available on the Company's website i.e. [www.dhampursugar.com](http://www.dhampursugar.com).

Kindly take the information on record.

Thanking you,

**For Dhampur Sugar Mills Limited**

**Aparna Goel**  
Company Secretary  
M. No. 22787



# “Dhampur Sugar Mills Limited Q4 FY-23 Earnings Conference Call”

**May 08, 2023**



**MANAGEMENT: DHAMPUR SUGAR MILLS LIMITED**  
**MR. GAURAV GOEL – MANAGING DIRECTOR**  
**MR. ANANT PANDE – CHIEF EXECUTIVE OFFICER**  
**MR. SUSHEEL MEHROTRA – CHIEF FINANCIAL**  
**OFFICER**  
**MR. VINEET GUPTA – VICE PRESIDENT (FINANCE)**  
**MR. AKSHAT KAPOOR – VICE PRESIDENT**  
**(OPERATIONS)**

**MODERATOR: MR. NIKHIL SABOO – SKP SECURITIES LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Dhampur Sugar Mills Limited Q4 FY23 Earnings Conference Call hosted by SKP Securities Limited.

As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nikhil Saboo from SKP Securities Limited. Thank you, over to you.

**Nikhil Saboo:** Good afternoon, ladies and gentlemen. It's my pleasure to welcome you on behalf of Dhampur Sugar Mills Limited and SKP Securities to this Financial Result Conference Call.

We have with us Mr. Gaurav Goel – Managing Director and his colleagues, Mr. Anant Pande – CEO, Mr. Susheel Mehrotra – CFO, Mr. Vineet Gupta – VP (Finance) and Mr. Akshat Kapoor – VP (Operations).

We will have the opening remarks from Gaurav Goel followed by a Q&A session. Thank you and over to you Mr. Goel.

**Anant Pande:** Thank you, Nikhil. This is Anant Pande – the CEO. Good afternoon, everyone and a very warm welcome to all of you at this Dhampur Sugar Mills Q4 FY23 Earnings Conference Call.

First of all, let me inform you that the Company successfully completed expansion of its distillery capacity by 130 kilo liters per day on C-heavy molasses at Dhampur. We had mentioned about this during our last Quarter Conference Earnings Call. The new capacity has been commissioned on 5<sup>th</sup> of February 2023. With this expansion, the distillery capacity of the Company stands at 350 KLPD on C-heavy molasses. The 100 KLPD grain-based distillery is in the process of commissioning, which is expected to be on stream by the end of this month. For the molasses expanded capacity, our Company could achieve the full capacity right from the time of commissioning.

**Coming to the operating numbers of the Company:**

The Company crushed 18.85 lakh tons of cane in this quarter which is higher by about 7.7% compared to the corresponding quarter last year. The gross recovery in this year was marginally lower 12.38% versus 12.50% in the corresponding quarter last year.

Sugar production during the quarter is 1.47 lakh tons which is 83.5% of the production in the corresponding quarter last year. This is lower mainly due to the diversion of around 4.65 lakh tons of cane for production of ethanol through syrup. Sugar sales during the quarter has been 0.96 lakh tons which is higher by about 25% compared to the same quarter last year. Average

sugar realization in this quarter has been Rs. 34.67 per kg vis-à-vis 34.52 per kg in the corresponding quarter last year.

Total ethanol production during the quarter is 347.18 lakh liters through syrup route, including about 90 lakh liters additional production after commissioning of the new distillery which was commissioned on the 5<sup>th</sup> of February. Last year corresponding quarter the Company had produced 212.93 lakh liters out of which about 86.93 lakh liters was produced from the syrup. Production and sales of ethyl acetate have been 108.18 lakh kg and 107.40 lakh kg. This was against 85.99 lakh kg production and the sales was 80.57 lakh kg in the corresponding quarter last year. So, there's an increase of about 26% in production and 33% in sales.

Production and sales of potable spirits have been 3.96 lakh cases and 4.13 lakh cases vis-à-vis 2.98 lakh cases and 3.13 lakh cases corresponding to last year. Rajpura unit has completed its crushing season '22-23 with 127.75 lakh quintals, which is higher by about 6 lakh quintals compared to the last season.

I would like to now request our CFO – Susheel Mehrotra, to take you through the 'Financial Performance' of the Company. Thank you very much.

**Susheel Mehrotra:**

Good afternoon once again and a very warm welcome to our Earnings Call for Q4 FY23.

**Coming to the performance of the Company:**

Our Board of Directors approved the Financial Results for Q4 FY23 on 7<sup>th</sup> May, just yesterday:

On standalone basis income from operations during the quarter ended March '23 stands at 756.9 crores, which is higher by 32% as compared to 574.66 crores last year. PBT is at 78.7 crores, which is higher by 56% compared to last year. PAT is 57.9 crores, higher by 76% and cash profit is 81.7 crores, higher by 45% as compared to last year same quarter.

The inventory valuation rate is 32.9 per kg. The closing inventory as on 31<sup>st</sup> March '23 is 1.2 lakh tons as against 2.05 lakh tons closing inventory as on 31<sup>st</sup> March '22. this is lower mainly due to diversion of 4.65 lakh tons of cane for production of ethanol through syrup.

**Let me now take you through the business wise performance:**

**Sugar:**

During the quarter our revenue from Sugar business is 590.3 crores, higher by 45% as compared to the corresponding quarter last year.

**Power:**

Revenue from the Power business is 94.6 crores, almost at the same level as the corresponding quarter last year.

**Ethanol:**

Revenue from ethanol business is 192.7 crores, which is again higher by 68% as compared to corresponding quarter last year.

**Chemical:**

Revenue from the Chemical business is 85.9 crores, higher by about 9% as compared to last year same quarter.

The higher profit during the quarter is attributable mainly to ethanol, Rs. 43 crores vis-à-vis Rs. 29.3 crores and chemicals Rs. 6.9 crores versus 0.1 crores last year. This is partly offset by our lower profit from the Sugar business which is again mainly because of diversion of syrup to ethanol production.

**Coming to annual performance:**

Income from operations during the year ended March '23 stands at 2840.8 crores, higher by 29%, PBT is at 215.1 crores, higher by 5%. PAT is at 150.3 crores, higher by 2% and cash profit is 229.8, higher by 3%.

**Sugar:**

During the year, our revenue from Sugar business is Rs. 1937.2 crores, higher by 33% as compared to last year.

**Power:**

Revenue from Power business is 217.1 crores, marginally improved by 2% as compared to last year.

**Ethanol:**

Revenue from ethanol business is 596.1 crores higher by 40% as compared to last year.

**Chemical:**

Revenue from Chemical business is 302.4 crores higher by 9%.

**Now coming to the consolidated performance:**

Income from operations during the quarters stood at 762.6 crores, EBIDTA is 107.9 crores, PBT is 81.5 crores. PAT 60.7 crores and cash profit is 84.5 crores. Income from operations during the full year ended March '23 stands at 2889.5 crores, higher by 33%, PBT is 222.8 crores. PAT is at 158 crores and cash profit is 237.5 crores.

So, these are our financial numbers on a broad level. Thank you once again for joining us on this conference call. We'll be happy to answer any questions that you may have. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Our first question comes from the line of Aman Sonthalia from AK Securities.

**Aman Sonthalia:** My question is that last year the inventory cost was much lower than this year. So, what is the reason behind this higher inventory cost?

**Gaurav Goel:** So, the only reason for that is the transfer pricing. So, last year the transfer price that we had done, because as you know that this year, we have used only syrup. So, we have only done syrup and the transfer pricing has been at 1300 vis-à-vis 1500 last year. So, because of that you have seen the COP of sugar go up but if we see the COP of our syrup and ethanol, that is only at 48.8. So, that is why you have seen that switch happening from one side to the other side. So, that is the only reason why the COP of sugar has gone up.

**Aman Sonthalia:** What is the bagasse price we have taken into account?

**Gaurav Goel:** Rs. 100 per quintal.

**Aman Sonthalia:** Rs. 100, a quintal. Whether we have sold any bagasse in the market also.

**Gaurav Goel:** No, we have not sold anything in the market as of now. We have sufficient fuel stock as on date. We will be seeing around August after we see exactly how much of fuel we all need. We do believe that we may have some surplus, but we don't plan to sell any fuel as on date till the end of August.

**Aman Sonthalia:** And what is the current steam consumption on a unit wise?

**Gaurav Goel:** So, Rajpura plant shut on the 10<sup>th</sup> of April while Dhampur right now is running at about 32.5% to 33% on steam at Dhampur as on date.

**Aman Sonthalia:** 33% steam consumption, very-very low.

**Gaurav Goel:** Yes, it is. I mean as what we had spoken about this also earlier and then we said that last year we worked a lot on steam efficiency and that is what we've been able to achieve.

**Aman Sonthalia:** What it was last year last year?

- Gaurav Goel:** Last year our average was about 40.
- Aman Sonthalia:** So, it's a significant fall from 40 to 33? So, great achievement.
- Gaurav Goel:** Thank you.
- Aman Sonthalia:** Next year also most of the sugar companies are working with this Chandigarh based Company on this steam saving. So, we are also going for further efficiency on this.
- Gaurav Goel:** So, we will carry on always Amanji year-on-year, we will try and bring our steam lower. But right now, we have already achieved what we had to. We are still working on now the mathematics as to how much of CAPEX we will have to do to bring it down further and whether it makes sense or not. So, that work is still in progress. But yes, Rajpura unit we are doing some work there to bring it down even more there. But Dhampur we are not sure whether we will put any more CAPEX on steam for the year '23-24.
- Aman Sonthalia:** And the current grain prices, how is the margin if we make this ethanol from grains?
- Gaurav Goel:** See ethanol from grain again, Amanji will vary year-on-year. But right now, the grain prices have again dropped. The price of DDGS seems to be stable. So, as I said, I mean as what was said by Anant, our plant will start by end of May. So, we do believe there is sufficient margin as on date to make from grain as of now. But again, grain prices and DDGS price fluctuate a lot, but still even after that there is sufficient margin that we believe that we can have from there also.
- Aman Sonthalia:** And what is the current recovery, gross recovery compared to last season?
- Gaurav Goel:** So, we are almost at same as what it was last year. We were actually exactly the same till around the 2<sup>nd</sup> of May but 2<sup>nd</sup> of May, we had very heavy rains at Dhampur due to which for the last 3-4 days our pol in cane has dropped. But we believe that now that the rain has stopped, sun and the weather has improved, that we will come back to the same as last year in the next 2 to 3 days.
- Aman Sonthalia:** One last question. How this Bindal Agro plant will affect our crushing the next season.
- Gaurav Goel:** For surely some part of our cane will go to the Bindal Agro plant which is coming up. But we have already made our own plan to try and ensure that we do not crush lower than what we will crush for the year '22-23.
- Aman Sonthalia:** And if El Nino know happens, how it will impact western UP where our plants are located?
- Gaurav Goel:** Western UP, Bijnor the area where this new plant is coming up, it will impact the 4-5 of us who are there. But I think there is sufficient quantity and we will have to see as to how much diversion gets stopped for Kolhu and Khandsari which happens as of now. But for Dhampur I can say that we should.

**Aman Sonthalia:** No, I'm talking of El Nino.

**Gaurav Goel:** El Nino again, we can talk about it as much as we like. I don't see any real impact of that as on date with vis-à-vis our area. But what we are for surely working on is on cane development, where as of now all plants are only on 238 and then speaking especially for western UP, east has changed but west is still on 238. We have a plan in the next 3 years to at least have 50% other varieties of cane in both our plants.

**Moderator:** Our next question comes from the line of Sanjay Manyal from ICICI Direct.

**Sanjay Manyal:** Just a few questions on the sugar cane crushing. Currently this year we had 39 lakh tons kind of crushing, so will it be safe to assume approximately 22% increase will happen next financial year.

**Gaurav Goel:** Very-very early days. But yes, that is the plan. This year we will crush—you are right—close to about 39. Next year the plan is for surely to take it up higher. But again, I think that in the July call I'll be able to answer that, later once we see the final planting numbers and also the monsoons. So, in July I'll be able to exactly answer, but yes, we do expect and hope that we will crush higher than what we did for the year '22-23.

**Sanjay Manyal:** Given the prices are moved up to Rs. 3 in last one month, your current sugar cane juice diversion is approximately 24%-25%. Does it make sense to sort of bring it down to maybe 20% or below given the sugar prices have moved up a bit, it might probably on overall scheme of things will be profitable to sort of sell more sugar.

**Gaurav Goel:** As on date that will always vary. You will always know that during the summer months sugar prices go up. Syrup or B-heavy how much we make is basically to balance out the feedstock that I need to run my chemical or my ethanol plant for the whole year. So, that is how we balance ourselves out. But as of now also with the present price that we have of sugar, we still don't see there is any sort of loss to do a syrup, output is the same.

**Sanjay Manyal:** What proportion you believe would should remain 25-75 rather than less than that?

**Gaurav Goel:** Roughly, yes.

**Sanjay Manyal:** If you can just give a guidance for the full year volume for the ethanol for '24 and '25.

**Gaurav Goel:** So, basically, we all expect to produce over 12 crores liters next year ethanol. Overall, we will do (+15) but that we will need ENA to also take care of your levy and ethanol for OMCs over 12 crores contract is what we believe, that we will do for the year '23-24.

**Sanjay Manyal:** Just last one, our overhead spends this year or somewhere around 190, what I believe a lot of this would be because of the freight. Now given the fact that you anyway would be carrying

lower inventory, export possibility probably the next year would be very limited. Will that overhead spends come down given the fact freight will not be there?

**Gaurav Goel:** See again, I think that the export front again very-very early days to speak about. But I still believe exports will happen. How much they will happen is anyone guess right now. Last year we did 11 million tons. This year we've done 6. Next year also seeing the cane crop as of now, exports will happen. So, the freight cost doesn't really matter. See New York is at its 10 year high almost right now. So, it makes sense for India to export if we have a surplus next year.

**Sanjay Manyal:** But from the Dhampur's perspective, I'm saying probably wouldn't it make sense to sort of sell the quota and sort of continue to sell in the domestic market and probably save on the credit cost as well?

**Gaurav Goel:** Absolutely. So, these options are always open. We will be starting all these options vis-à-vis what is the price that we can have in New York vis-à-vis what is the price that we get if we sell our quota. So, all options open for us as of now, so we are in a sweet spot.

**Sanjay Manyal:** And in last bit, if you can just tell me what is your guidance for the overall debt level for '24?

**Gaurav Goel:** So, we do not have major CAPEX plans for the year '23-24. CAPEX plans are limited because we believe that we have sufficient capacity. As on date, our total debt, it will be lower than what it is for the year '22-23. We will be sweeping more debt what debt we will take.

**Moderator:** Our next question comes from the line of Vinay Bhalotia, an investor.

**Vinay Bhalotia:** I just have one small doubt; on your segment wise revenue and profits compared to '21-22 versus '22-23. Last year we posted a revenue from ethanol as 426 Cr and had a profit out of it was 131 crore. This year we see a fantastic 40% growth in revenue but the profit remains same. So, is there any particular reason for the same?

**Gaurav Goel:** So, the only reason, as I said earlier is transfer price. So, last year in the year FY21-22, our transfer price from 6 months for B-heavy was 800 and then for the balance 6 months was 1,025. While this year our transfer pricing of B-heavy has gone up to 1,100. That is one of the reasons and the other one is we have diverted. Last year we only ran syrup for about 25 days for the year by FY21-22, while for the year FY22-23 we have run it for almost close to 180 days. So, that is the main difference that you have seen in that the profit margin has come down. It is only due to the transfer price.

**Moderator:** Our next question comes from the line of Udit Gupta, an investor.

**Udit Gupta:** My question is, what are the future expansion plans in sugar or in ethanol or what are we thinking of in any of those things?

- Gaurav Goel:** So, as of now as I said that, our capacities are pretty, we have got sufficient in Dhampur, Rajpura. So, we really do not need to do any CAPEX as of now. The only effort and the only sort of focus that Dhampur has as of now, is how to become more efficient. What we spoke about earlier last year, we worked on steam this year also we will be doing on steam, how to make our breakdowns lower and in Rajpura especially how to make our cane growth higher. So, I don't see any need for us to do any major expansion for the year '23-24, we have sufficient capacity on all the fronts.
- Udit Gupta:** Are we thinking of a sugar refinery or grain based or nothing of that sort?
- Gaurav Goel:** So, grain is already there. So, grain based as I said, we have already done 100 KL of grain based which will come on stream by end of May, 2023 itself. So, within three weeks 100 K grain will be back. It will be on stream.
- Udit Gupta:** And you were just talking about the financials of the grain based. Will you please repeat it once more? Like what are the economics.
- Gaurav Goel:** So, financials on grain based as on date seem to be good. I don't see any challenge on that front. But again, as I said as soon as our plan starts July, I will be able to give you exact numbers of our COP everything else. But as on date what we have worked on paper, grain based makes sense for us as we have our own fuel. We don't have to buy coal or anything else because the biggest cost for a grain-based plant, a standalone with grain-based plant is the fuel cost.
- Udit Gupta:** Are we looking at it as an optionality or are we thinking of running it from day one?
- Gaurav Goel:** Both. So, we have both the options and that is why we put up the plants. We will run it, at least we have the options. In case we believe that we can make more money out of grain and save on the B-heavy or syrup for the next year we will see like that. But for us you are right grain is an option, it is not.
- Anant Pande:** So, Udit ji we are doing our feedstock planning also in such a way that we have that flexibility. So, we have done the B-heavy plans, stock plans in such a way that if grain for some reason doesn't become revival we can switch over to B-heavy. We have done that contingency planning so we are going to be carrying some stocks of B-heavy.
- Udit Gupta:** So, basically, in July you'll be able to give us a better picture about it.
- Anant Pande:** Absolutely.
- Udit Gupta:** And about that Bindal plant, which is just coming which you just spoke about. Can you expand it a little more like are we expecting a hit on our crushing or like there is enough to for everyone or something like that?

- Gaurav Goel:** So, see for surely as on date our cane area will be cut. We will believe it will be about 25 to 30 lakhs quintals of cane of ours might be cut for that plant, but we have already made a Plan B where we will be able to make up the 25 to 30 lakhs from other areas that we have not focused on as of now. So, that's why I said Dhampur, we are going to crush 260 lakhs quintal in the year '22-23 and next year also, even after the Bindal plant is there we all will try and ensure that we do not crush lower than what we have done this year.
- Moderator:** Our next question comes from the line of Sunil from Nirmal Bang Securities Private Limited.
- Sunil:** Can you give a bit clarification that the cane area for the next year will be higher in the next year or it will be more of a similar?
- Gaurav Goel:** See the cane area for Dhampur is almost going to be the same. Rajpura for surely, we are hoping it to be slightly higher than what it was. Again, planting is still on as we speak even though a major part of the planting is over but because of the rains that we had last week planting got a bit sort of slowed down. But planting has again started and seeing the planting and what rainfall we get; July I will be able to give you all a far-far better idea about the total cane area that we expect for the year '23-24.
- Sunil:** And for overall UP what is the outlook?
- Gaurav Goel:** It looks to be the same as of now. I mean it is very hard, again early days we have not got numbers as of now. As I said planting is still on all over UP. So, extremely hard to say as of now what will be the overall number, do not have an exact idea as to how much planting is happening in East and in Central UP but whatsoever I have heard, planting seems to be healthy. So, I don't expect the cane crop to be lower in UP for the year '23-24 as of now.
- Sunil:** And about the export, how much exports volume is there in this quarter number?
- Gaurav Goel:** No, we don't have any export for Q4. So, in the 31<sup>st</sup> March we had no export. We already did our exports in Q3 and then we sold our quota also in Q3 itself. So, our Q4 has no exports.
- Sunil:** Pure domestic sales realizations are there?
- Gaurav Goel:** Yes.
- Sunil:** So, we will be building up from here in the next quarter then?
- Gaurav Goel:** Yes.
- Sunil:** And last question is realization is expected to be higher in the next quarter then?
- Gaurav Goel:** Yes, for surely prices have improved from April onwards.

- Sunil:** Last question relating to this grain base. I think it's a multi-purpose like you can use both grain and whatever the B-heavy?
- Gaurav Goel:** Yes, right so grain what we have put up the 100 KL plant is as I said is an option that we have whether I want to use B-heavy, whether I want to use syrup, whether I want to use grain that is the option that now we all have got so this is a great option to have. Because I can always plan vis-à-vis sugar price and how much India is going to make so grain is going to be a great option that we will have from the end of May itself.
- Sunil:** You talked about fuel, captive fuel that is bagasse you will be using in that?
- Gaurav Goel:** Yes, that's right.
- Sunil:** Whatever bagasse you now are selling in the market will be consumed internally and that can give you additional earning on that basis?
- Gaurav Goel:** Yes so we are not as I said, we are not planning to sell any bagasse as on date even though we may have some surplus but that call Dhampur will take only at the end of August.
- Sunil:** But by the time your grain base plant will start so that will need?
- Gaurav Goel:** We have sufficient fuel or for both for B-heavy and for grain. We don't need to buy any fuel from anywhere. So, we have saved sufficient fuel to run on B-heavy, grain, any other so we have no issue at all on the fuel side.
- Sunil:** So, if we talk in such a way that like if you sell the bagasse in the market and if you consume it yourself then how much more realization you can get in bagasse?
- Gaurav Goel:** Bagasse as of now we all believe that if we see again if I sell my fuel and if I don't have fuel then my plant will stop. Whether I run grain or I run B-heavy so it don't really matter. So, it makes more sense for us to utilize our plant than to close the plant. So, you will always get a better margin as on date what is the present price of fuel that we can sell. It makes better to do it for captive than to sell to a to a third party.
- Anant Pande:** See whether we run grain or we run B-heavy the steam consumption or the fuel consumption would still be there. We have done our fuel planning in such a way that either option we use, our fuel will be sufficient for the entire year running.
- Sunil:** So, you don't have to buy it from outside?
- Anant Pande:** No.
- Moderator:** Our next question comes from the line of Gautam Dedhia from Nalanda Securities Private Limited.

- Gautam Dedhia:** I just want to know what are the current spot prices of sugar and what was your March exit price ex-mill?
- Gaurav Goel:** So, the current price of sugar is about 35.82 to 36 and our average for March was 34.6.
- Gautam Dedhia:** And do you expect it to go up more in May with summer demand?
- Gaurav Goel:** No, I expect prices to be pretty stable from here. 50 paise plus-minus that will always happen. But if you are asking if I expect the prices to go up to 38-39, I don't.
- Gautam Dedhia:** And these are raw sugar prices, right?
- Gaurav Goel:** White.
- Moderator:** We move on to the next question from Udit Gupta, an individual investor.
- Udit Gupta:** The bagasse prices, have they come down because of the recent fall in the coal prices or something like that?
- Gaurav Goel:** No. Bagasse prices as far as what we know are still in the range of about 300 to 350 per quintal is the price of that even as on date. So, we have not seen any prices drop even though we are not either a buyer or a seller of that but still the this is the price range that we all have heard of.
- Udit Gupta:** And for the sugar prices that I just spoke of; the domestic quota which has been increased for the month of May and there was an increased quota for April; has that had any impact like has the price fallen in the last 15-20 days or something of that sort?
- Gaurav Goel:** No, the prices have stayed stable.
- Udit Gupta:** We are not seeing any such impact of this increased domestic quota?
- Gaurav Goel:** No.
- Moderator:** Our next question comes from the line of Kruttika Mishra from Sharekhan by BNP Paribas.
- Kruttika Mishra:** Just couple of questions on the margin front. So, for the current quarter our gross margins are down by around 500 basis points. So, if you can just help out what is the reason for the same?
- Gaurav Goel:** So, it is only on transfer pricing what I spoke about. The transfer pricing of syrup and of B-heavy that we did vis-à-vis last year is the one reason why you have seen the margins drop. The other reason is if you see overall, our CL sales have gone up so that is why the revenue side is up but the margins on that have stayed the same. So, because of these two, you have seen the margins drop but overall, the margins have dropped only because of transfer pricing not because our COP going up.

- Kruttika Mishra:** For the full year also, that would be because our reduction in operating margin is also around 300 basis points for the full year. So, for that also it would be the same or there are any other?
- Gaurav Goel:** No, same.
- Kruttika Mishra:** So, mainly because of the transfer pricing that the margins have taken a hit?
- Gaurav Goel:** Yes.
- Kruttika Mishra:** And for the coming year, I know it's too early but for the coming year since the margins have gone down to around 10.6% or 11%? So, for the coming year how do you see; do we expect any improvement or how would?
- Susheel Mehrotra:** See next year we expect because of our new distillery has been commissioned so we will have the benefit of operating it for the full year. So, margins will definitely improve and the country liquor which is a drag on the margins will remain more or less in the same range. So, I mean that will also contribute to the higher margins in the next year.
- Moderator:** Our next question comes from the line of Aman Sonthalia from AK Securities.
- Aman Sonthalia:** There is talk of increase in MSP so what are the possibilities?
- Gaurav Goel:** I don't see it happening. I really don't see it happening my friend. We've been talking about it now for the last I think about 3 years so but there have been talks, there have been some press notes which are out but I think it's a long shot as of now. If you believe that MSP is going to be increase so, my personal view I mean I can be fully wrong on it, I don't think it will.
- Aman Sonthalia:** What are the chances of price increase in this SAP increase in the coming season?
- Gaurav Goel:** Aman ji I don't want to; I hope not but again early days. 2024 we'll have the general elections also so I don't have a view on that as of now.
- Moderator:** Our next question comes from the line of Aashav Patel from Molecule Ventures PMS.
- Aashav Patel:** To summarize the call so far; as you have explained within the segments, the sugar sector, the sugar segment has seen a larger input cost and we don't really expect the prices to move or be firm up from here given the political scenario. Can we expect in the entire growth and profitability improvement would largely come from the ethanol segment, is that correct understanding, the sugar segment is not expected in terms of profitability to reach to the previous a year back level?
- Gaurav Goel:** See again out here the profitability because of transfer pricing has got moved so earlier the profit that you would have seen on the sugar side, now you will see it on the ethanol side. So, that is

the only shift that you will see happening from the year '20-21, from the year '21-22 then to '22-23 and changing even more in the year '23-24.

**Aashav Patel:** Can you please explain how you have mentioned that one of the key reasons for increase in the inventory cost was higher syrup usage. So, can you please explain I am little new to that concept, why it increases our inventory cost?

**Gaurav Goel:** So, basically, what happens is that when you whatever is your transfer price so when you do COP of sugar, if you transfer syrup so sugar the cane cost and their manufacturing cost stays the same and the transfer pricing has a huge impact on the COP. So, in case the transfer price is higher so if I was to transfer price the syrup at a higher price, my COP that I have as of 31<sup>st</sup> March would be lower or the other way round so that is how it will just change.

**Aashav Patel:** You have mentioned that ex-mill CMP is around Rs. 36 right now. What would be our COP for sugar right now?

**Gaurav Goel:** 32.8.

**Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing remarks.

**Susheel Mehrotra:** On behalf of Dhampur Sugar Mills Limited, we would like to once again thank you all for taking your time out for this conference call. If you have any further questions, please feel free to contact us either by phone or by email. You can also visit our website [www.dhampursugar.com](http://www.dhampursugar.com) and post any queries you have and we will get back to you as soon as possible. Thank you.

**Moderator:** Thank you. On behalf of SKP Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.