

**Date:** October 17, 2023

**To,  
The Manager – Listing  
Dept of Corp. Services,  
BSE Limited  
P.J. Towers, Dalal Street, Fort,  
Mumbai – 400 001  
Scrip Code: 543593**

**The Manager – Listing  
National Stock Exchange of India Ltd.  
Exchange plaza, Bandra Kurla Complex  
Bandra East  
Mumbai – 400 051  
Symbol: DBOL**

Dear Sir/Mam,

**Sub: Transcript of Earnings Conference Call held on October 11, 2023**

In compliance with the regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the Transcript of Earnings Conference Call on Unaudited Financial Results for the quarter and half year ended September 30, 2023, held on Wednesday, October 11, 2023.

In Compliance with the regulation 46, the same is also available on the Company's website i.e. [www.dhampur.com](http://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 & Compliance Officer**



“Dhampur Bio Organics Limited  
Q2 FY ‘24 Earnings Conference Call”  
October 11, 2023



**MANAGEMENT:** **MR. GAUTAM GOEL – MANAGING DIRECTOR –  
DHAMPUR BIO ORGANICS LIMITED**  
**MR. NALIN GUPTA – CHIEF FINANCIAL OFFICER –  
DHAMPUR BIO ORGANICS LIMITED**

**MODERATOR:** **MR. NAVIN AGARWAL – SKP SECURITIES LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Dhampur Bio Organics Limited Q2 FY24 Earnings Conference Call hosted by SKP Securities. 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 this 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 Agarwal, Head Institutional Equities. Thank you and over to you, sir.

**Navin Agarwal:** 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 Mr. Nalin Gupta, CFO. We'll have the opening remarks from Mr. Goel followed by a Q&A session. Thank you and over to you, Gautam.

**Gautam Goel:** Thank you, Naveen. Good afternoon all and thank you for joining us on this earnings Concall to discuss the operational and financial performance for the quarter and half year ended 30th September 2023. The company's results and investor presentations have already been uploaded on the stock exchanges and the company's website and we hope that you have had the opportunity to go through them.

I will begin with an overview of the current status of the industry and the company's operations, which will be followed by an update on the financial performance by our CFO, Nalin. Let me first begin with a brief outlook on the domestic sugar scenario. India's production for sugar season 2022-23 is estimated to be around 32.8 million tons, of which about 4.1 million tons of sugar was diverted into ethanol production.

With the domestic consumption estimated at around 27.9 million tons and exports of about 6.4 million tons, the domestic sugar stocks are estimated to be lower than 5.6 million tons at the end of sugar season 2022-23. For the new sugar season, 2023-24, India is expected to produce less than or around 29 million tons of sugar. This 29 million tons is keeping in mind about 4 million tons of sugar will be diverted into ethanol. So, sugar equivalent about 33 million tons is expected to be produced.

The primary reason for a lower production is due to the inconsistent rainfall in the major sugar producing states of Maharashtra and Karnataka. According to the various surveys, this deficit in rainfall has adversely affected the planting of the Adsali crop also in this region. This has the potential to further reduce the cane availability in Maharashtra and Karnataka for the 2024-25 season. We therefore believe that sugar prices should remain firm in the near future.

The global sugar production during the sugar season 2023-2024 is expected to be around 175 million tons as compared to a production of approximately 177 million tons in the previous sugar season. Overall, a tight sugar production scenario has driven up the international sugar prices, which are now hovering at around \$0.27 per pound for raw and \$720 per metric ton for white sugar, the highest since 2011.

Brazil will be the major contributor to the global sugar market with an estimated production of about 41 million tons of sugar as compared to 33 million tons of sugar in the previous year. This increase is on account of higher cane availability, good weather conditions and the sugar-ethanol mix favoring the sugar segment.

The current ethanol parities in Brazil are at around \$0.19 versus the current market price of \$0.27. Thailand is estimated to crush about 75 million tons of sugarcane, with the sugar production ranging between 7.5 million tons to 8 million tons for the sugar season '23-24, lower than the production of about 10 million tons of sugar for the previous season.

The EU, including the UK region, is estimated to produce about 16.8 million tons of sugar for the sugar season 23-24, up from 15.5 million tons of sugar produced in the previous season. This year, the global deficit in production over consumption is expected to be in the region of 4 million tons as compared to a marginal deficit of about a million tons for last year.

Now moving to ethanol, out of the 564.5 crore liters finalized by the OMCs for the ethanol supply year 2022-23, which was from December 22 to October 31, 2023. Against a total requirement of 600 crore liters, Contracts of 565.24 crore liters have been executed till August 2023. Against the above, 413.47 crore liters have been lifted by the OMCs till August 2023, with an average blending of 11.72%.

The breakup for the ethanol contracted and supplied for the sugar sector, the contracted quantity was 393.36 crore liters and they have supplied 327.43 crore liters, which is about 83% of the contracted quantities have been supplied till August. The grain segment contracted for 171.89 crore liters and have supplied 86.06 crore liters, which is approximately 50% of the contracted quantity supplied.

And the total cumulative supplies have been 413.49, which is about 73% of the contracted quantities. Recently the supplies from FCI had been stopped by the government during the last week of July '23. But to ensure sustainable ethanol supplies from grains, government increased the ethanol prices from maize by declaring additional revenues.

The total incentive amounts on the damaged food grains and maize will be INR8.46 per litre to INR9.72 per litre. The new prices effective 22nd of August, '23 are: the prices for the damaged food grains which were INR55.54 are now revised to INR64.64 per liter. For maize from INR56.35 per liter they are now INR66.07 a liter and for surplus rice they are INR58.50 to INR58.50 for the SCRI.

As informed in our last calls, our Asmoli is being expanded to 12,500 TCD and Meerganj to 9,000 TCD. And we are on track to commence this year's crushing with the expanded capacities. We expect the crushing to start in the first week of November and hope this higher crushing capacity coupled with the cane development work should result in improved recoveries and overall crush. Also as mentioned earlier, going forward we are bullish on the sugar prices for the next couple of years and have therefore planned to reduce the diversion of sugar into ethanol for this year.

As we see the relative economics shifting in favor of sugar, especially in our region, the company has decided to hold the establishment of the proposed distillery in our Meerganj unit for now. As the diversion of sugar to the distillery is reduced, this could present us with an opportunity to operate our distillery in Asmoli with alternate feedstocks like broken rice and maize. Therefore, the company is evaluating the possibility of converting our distillery in Asmoli to a multi-feed distillery.

I will now move on to our working. In spite of a revenue growth from INR542 crores to INR666 crores for this quarter, we had a tepid performance due to substantially reduced profits before tax of about INR1.23 crores as compared to INR10.32 crores for the corresponding period last year. The profits for the 6-month ended were reduced from INR22.72 crores to INR18 crores.

The key reasons for this drop in profitability are reduced margin in a biofuels business, mainly on account of higher transfer pricing of molasses and a greater share of revenue from ENA, Front-ending of certain capital expenditures, including the repair and maintenance expenditures as compared to the same period last year and as mentioned in our previous calls, our sugar recovery for this sugar season that went past were lower due to the severe pest infestations in our Asmoli and Mansurpur factories.

This lower recovery adversely affected our cost of production, which would otherwise have further boosted our margins in the sugar sector. This pest infestation has now been controlled and we are hopeful of improved results this year. I will now hand over the call to Nalin for an update on our financial performance. Thank you.

**Nalin Gupta:**

Thank you, Gautam and good afternoon, everyone. Let me take you through our standalone financial highlights for Q2 & H1 FY24. Revenue for Q2 FY24 stood at INR666 crores registering a growth of 23% as against INR542 crores in Q2 FY23. EBITDA for Q2 FY24 stood at INR21 crores as against EBITDA of INR28 crores in the corresponding quarter last year. EBITDA margin for this quarter stood at 3.1%. For H1 FY24 revenue stood at INR1,342 crores up by 29% as against INR1037 crores in H1 FY23. EBITDA for H1 FY24 stood at INR62 crores with an EBITDA margin of 4.6% as against an EBITDA of INR63 crores in the corresponding period last year. Profit after tax stood at INR12 crores in H1 FY24. Moving on to the segmental highlights, Sugar segment reported a revenue of INR459 crores in Q2 FY24 as compared to INR448 crores in Q2 FY23. EBIT margins stood at INR32 lakhs in this quarter as against loss of INR4.7 crores in the corresponding quarter last year. Revenue in H1 FY24 was at INR914 crores as against INR876 crores in H1 FY23 which is up by 4.3% year on year basis. Sugar sales in this quarter stood at 0.95 lakh ton against 1.05 lakh tons in the same quarter of the previous fiscal.

Average sugar realization improved to INR38,100 per ton in Q2 FY24 from 35,750 in Q2 FY23 per ton. Sugar inventory as on 30th September 23 stood at 0.1 lakh tons of sugar, which has been valued at 34,904 per ton as against our inventory of 1.06 lakh tons as of 30th September 2022 which was valued at 35,228 per ton. During this quarter we generated 12.33 million units of power against 10.99 million units in the same period last year.

Now moving to biofuel segment, this segment reported a revenue of INR157 crores in this quarter as against INR145 crores in the same quarter of previous fiscal, which is up by 8.6% Y-o-Y basis.

Biofuel segment EBIT margins stood at INR14.47 crores in this quarter. For H1 FY24, revenue stood at INR312 crores, as against 276 crores in H1 FY23, which is up by 13% Y-o-Y basis. We sold 26.45 million bulk litres of ethanol at an average realization of INR 56 per litre. In country liquor segment, our revenue stood at INR143 crores in Q2 FY24 as against INR30 crores in Q2 FY23.

EBIT margin stood at 1.75% in Q2 FY24 as against negative EBIT margins in the corresponding quarter last year. Revenue was at INR285 crores in H1 '24.

Our long-term loan stood at INR240 crores as on 30<sup>th</sup> September, 2023 as against INR246 crores as on 31st March, 2023. The company has repaid long-term loans of INR117 crores during the first half. Long-term debt equity ratio remained at 0.25 times. Due to lower inventory, we have surplus funds of 20 crores as on 30th September 23, against the 260 crores of outstanding working capital position as on 30th September last year. Long-term and short-term rating of the company continues to be assigned by A+, with outlook stable by Care ratings.

With that, I will request the moderator to open the floor for the questions from the participants, please.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Niteen Dharmawat from Aurum Capital. Please go ahead.

**Niteen Dharmawat:** Yes, thank you for the opportunity. So the subdued performance during the quarter you attributed, if I'm not wrong, to the biofuel. So what do you see the trajectory during the next two quarters or the second half of the year for this? Is it going to remain the same or are we going to improve here?

**Gautam Goel:** So, Niteen, thank you for attending our call. In the next quarter, we do believe the margins could slightly improve for two reasons. The raw material that we have on stock. the value of the raw material remains the same, but in the coming quarter, this current year, the government changed the molasses or the ethanol year from 1st November to 31st October. So there should be a price revision. We are expecting a price revision in the region of about INR2. That is what our whole understanding is. So that should have an upward impact on our realization.

Also when the sugar season starts, the cost of production reduces. So you could have a two-fold increase on that account. Secondly with the new sugar season, we are also evaluating the blend that we will use. As I mentioned in my talk, we will be diverting less sugar into ethanol. We will probably be making some C and some B heavy molasses. So depending on that blend, we do hope to see a decent margin in this business. And overall, we remain sort of focused and bullish on the segment.

**Niteen Dharmawat:** I understand, sir. My second question is about the debt. Last quarter, the first quarter of the year, we have repaid quite a substantial amount of debt. This quarter, I did not see that. In fact, I saw

a little bit upside in the overall debt amount. So what is the view of the management? Are we looking forward to retire the debt substantially or are we going to increase this considering the fact that we have now put our capex on hold?

**Gautam Goel:**

So two things Niteen, first is the capexes that were already on going because of increasing our capacity. If you recollect during our last calls, we had mentioned, and as I mentioned in this call, we were expanding our existing sugar units, Asmoli to 12,500 TCD and Meerganj to 9,000 TCD. So there was a certain amount of debt required for this expansion. The exact numbers right after this Nalin will give you, but obviously if our capexes have reduced, we have held back on the expansion or setting up of a new distillery, we do believe it will give us surplus cash flow which we do think will be utilized to retire some debt. But Nalin will be able to shed more light on the numbers.

**Nalin Gupta:**

Yes, so Niteen, we have paid INR117 crores in this H1, retired added, we have paid some of the installment in advance, considering we have now surplus in hand, we don't have any outstanding working capital liabilities. So whatever surplus is generated, we'll keep in margin, keep in capex, and put that in our view, we'll keep the balance.

**Niteen Dharmawat:**

Got it. My next and last question is, this quarter was a little surprising as the numbers were not what we were expecting. So what is the stable margin that we are looking for the operations of our company?

**Gautam Goel:**

So you're right, we were not, as you are aware, we have been mentioning in the last couple of calls, that our recovery last year was lower on account of the pest infestation in two of our units which constitute 80% of our cane crush. So eventually, that higher costing would result in reduced margins. Secondly, we have as a corporate been making a lot of – we did anticipate the sugar season to start crushing earlier this year as compared to last year. So a lot of the work, especially the repair maintenance work, has been front-ended. So some of those expenditures which were loaded onto the Q3 came onto Q2.

Both these results have shown, have reduced the profitability here. But going forward, the primary result that we have of the primary cane sampling data that is coming in, the cane yields that our people and the teams are reporting and the sugar prices, we hope the sugar prices will continue to remain firm and North India should be a beneficiary of this because the cane area acreage in the western part of the country is reduced we do hope to enjoy healthy margins going forward.

**Moderator:**

Thank you. Next question is from the line of Nitin Renjit from Frontline Access Capital. Please go ahead.

**Nitin Renjit:**

Okay. Thanks for the opportunity and I believe I'm audible. And so my question is regarding the government export quota for the next year, I mean for the next season. Do you have any idea as to what the government has in mind? Do you think the government is actually going to increase the quotas?

**Gautam Goel:**

So, you know, as I mentioned in my call, we do expect the production numbers to drop to about 29 million tons of sugar to be available next year, which is very close to the consumption

numbers. And our opening stock is also, you know, pretty much, it's in the lower end of the spectrum at about lower than 5.5 million tons of sugar.

The following year also we are sort of, we don't see the sugar crushing to rebound substantially because of lack of Adsali planting in the western region. Keeping this in mind, I do believe that there won't be any export quotas for the coming year at least.

**Nitin Renjit:** Okay, so they would be entirely dropped. Okay, got it. That's what your belief is. Thank you. And one more thing, what would be the current ex-mill prices? I mean, this quarter I believe we had realized something like INR38.15 or something like that. Have they seen some increase after that?

**Gautam Goel:** The prices are fairly stable here. They've not been, I mean, currently we, since we make refined sugar, this is, our prices are about INR38.5, plus minus, you know, they could fluctuate a little bit, but anything between INR38.5 to INR39, ex-factory.

**Nitin Renjit:** Okay, and one more question if I may push that in. Well, so you did, in your opening remarks, talk about this multi-feed distillery. Are you planning to convert your existing distillery facilities into a multi-feed one, or are you talking about a new greenfield one? Could you please?

**Gautam Goel:** The new greenfield distillery that we had announced last, during the last calls, that we have decided to hold back for some time, because we plan to be diverting more cane into sugar rather than ethanol. If we divert more cane into ethanol, we will have some capacity left over in our Asmoli unit. And we would like to -- we are exploring the possibility of converting that into a multi-feed distillery. So this is basically converting our existing distillery.

**Nitin Renjit:** Okay. And I don't know whether this is like a repeat question but while going through your presentation I kind of found that our ethanol realization on a year-on-year basis, on a quarterly year-on-year basis, has fallen from 58.7 per liter to something like 56. May I know the reason for that? I mean, is there any specific reason for that?

**Nalin Gupta:** So Yes, Nitin, our weightage of alcohol sale in this quarter, we have more ENA. And second, as compared to Q1, Q1 we had syrup sales realization, this quarter we have B-Heavy plus ENA. So that is where you would see a drop in the sales realization of ethanol in this quarter.

**Gautam Goel:** You can see the ethanol that was made from syrup, diverting of sugarcane or sugar syrup directly, you had a INR5 premium over B-Heavy. When the sugar season stops, you don't divert any more sugar syrup.

So the proportion for this quarter, there was no sugar syrup based ethanol, there was entirely B-Heavy and there was an ENA percentage which is higher than the corresponding period last year.

**Nitin Renjit:** And I know that I'm taking a lot of your time, but because of this so-called, you have contemplated a total export ban, do you foresee any, what would be the impact of that on our financials? Because, last year, you know, the export prices were quite high. And I believe we

had fulfilled our export quota is what I recall correctly. Do you foresee any impact because of this so-called export ban?

**Gautam Goel:** Well, we do believe that there was a big differential between the export price and the domestic price. So, out of the total sugar we produced, the entire probably about 15% to 16%, about 17% of the sugar was exported sugar. We do believe the overall average price this year, I mean my personal belief is, should be better than last year. So keeping into account the cumulative price, we should definitely be similar or better than last year. That is my belief.

**Moderator:** Thank you. Next question is from the line of Pramod Kumar from OML P2P. Please go ahead.

**Pramod Kumar:** So my first question is in the capacity extension, which is from 22,000 to 29,500, it's almost 30% and more. What is the expected capacity utilization in terms of the expanded capacity, availability of sugarcane? And since the sugarcane requirement will be more, will there be any cost increase in terms of procurement and transportation? And what is the likely recovery we are seeing this year?

**Gautam Goel:** Pramod, our capacity expansion, you're right, we've got a substantial capacity expansion, but we also expect increase in cane availability for us. We do expect about 8% or 8% to 10%, depending on the final yields and government orders. We hope to crush about 8% to 10% higher than last year. So we do expect a healthy capacity utilization and the two units, Asmoli and Meerganj, we do hope they will continue to have a growth in cane availability.

They have a sizable amount of upside in cane availability and that is a focus area. Cane development continues to remain a focus area. As compared to the cost, we don't expect any major deviation on our variable cost. Owing on account of the higher capacities, we do see we could potentially, some of the fixed costs could come down.

**Pramod Kumar:** Okay. Some parts of India, we are hearing that the rainfall may cause availability of sugarcane to the means and also their productivity issue. Any likely impact in UP and especially to UP over?

**Gautam Goel:** Sorry, I couldn't completely understand your question, but it was regarding rainfall. Was it rainfall for the entire country or rainfall in UP?

**Pramod Kumar:** Rainfall for UP is basically for the entire area of Dhampur Bio. Any impact?

**Gautam Goel:** For us, the rainfall touchwood has been fairly, you know, it's been quite optimum to be honest. So our teams and we haven't reported any major or any sort of big damage in our cane planting areas and our cane catchment areas.

**Pramod Kumar:** My second question is in respect to the capex...

**Nalin Gupta:** Pramodji, Mr. Pramod, sorry your voice is wavering.

**Moderator:** Next question is from Rajesh Majumdar from B&K Securities. Please go ahead.

- Rajesh Majumdar:** Yes, good afternoon, sir. Thanks for taking my -- so I had a few questions. One is that you mentioned that the realization is lower because of higher sales of ENA. Now I have two questions in this. One is what is the quantum of ENA sold in the quarter and what is the average realization? Also does that also include the levy ENA because I'm not aware of this and levy molasses or levy ENA because you also have a country liquor business. So what is the capture of the levy? ENA in this realization in the up INR56.
- Gautam Goel:** So see we have a -- total ENA that we sell is pretty much for levy reasons. So as you are aware, there have been some, I mean, we did mention in our report and in our disclosure, the UP state is disputing the levies which have been, additional levies which the government of UP has asked the people producing B-Heavy to supply.
- Certain parts of the levy supplies are under litigation. But the undisputed quantity is about 26 lakhs of additional levies as compared to the previous quarter. 26 lakhs of additional ENA has been supplied. Some of this ENA has been supplied for our in-house country liquor business. But that too does not make up for the deficit in realization and viability as compared to supplying it to the ethanol segment.
- Rajesh Majumdar:** Right, right. And of the inventory we hold of ethanol stock what is the breakup between B-Heavy and ENA?
- Nalin Gupta:** So as on 30, September, we hold 12 lakh liters of ENA and the rest is alcohol, ethanol, all would derived of B-Heavy.
- Rajesh Majumdar:** Right. And there is no C-Heavy, right?
- Nalin Gupta:** No C-Heavy.
- Gautam Goel:** Not for the season that went past. But in the current season, we do envisage making a C-Heavy.
- Rajesh Majumdar:** Right. Okay, sir. And my second question was, sir, you mentioned the fact that ethanol prices can go up this month. However, we also feared that the cane prices can also go up as per the statement made by the UP Chief Minister in a meeting. So is that also likely to happen?
- Gautam Goel:** Well, this is an election year, so Yes, we do believe there would be an increase in cane price. But the UP government has been following a fairly rational growth and increase in cane price. So the FRP grew by about INR10, and historically when the FRP was increased by INR10, the ethanol prices would be increased correspondingly to about INR2. So that is the reason for our belief in increasing ethanol price.
- And looking at election year, looking at the sugar prices, yes, it is reasonable to expect some increase in cane price in UP also.
- Rajesh Majumdar:** So in the case of, what, INR15, is it like-for-like or should be lower...
- Gautam Goel:** I would not like to give a guess over here, Rajesh. It's not in my place to guess with the Chief Minister.

- Rajesh Majumdar:** Okay. But you expect something to happen on that front as well. So a large part of the benefit on the sugar price and the alcohol we expect will be negated by the cane price increase?
- Gautam Goel:** Yes, I mean, one is for ourselves. Personally, we are hopeful of an improvement in our recovery going back to the previous year's levels or better. So we do hope some part of, I mean a large part could be offset by better recoveries. On sugar prices we are bullish. You know we do believe there could probably be higher prices to see in the near future. Maybe when the sugar season comes to an end, we could see a little prices coming up from there. Sugar in India is probably the cheapest in the world today.
- Rajesh Majumdar:** Yes, that's right. That's right. Yes, and sir, my last question was that you talked about slowing down on the ethanol sales because of whatever, lower crop and better realization with sugar, etcetera. So will the overall blending, this is a general question, so will the overall blending programs get impacted this year with the lower production, as well as the expected rollover impact of El-Nino even in sugar year '24, '25?
- Gautam Goel:** Yes, I think it is, if the cane is less, it is reasonable to presume that the ethanol supply from the cane industry will reduce. But there is a sizable planting of, the rains did catch up towards the end for the rice planting, means the government has come out with some very attractive policies.
- So I do believe that a sizable amount of capacities for grain and dual feed distilleries has been set up in the country. So if sugar reduces to some extent this year, probably the alternate feed-stocks will make up for the good and that's probably one of the reasons why we two are exploring the same and we'll have a clearer answer maybe going down the line in a couple of months.
- Rajesh Majumdar:** And sir, in terms of the overall lifting of the OMC as compared to 1Q when there was a slowdown in the B-Heavy lifting, was second Q overall B-Heavy lifting better than 1Q or similar?
- Gautam Goel:** Personally, we haven't really faced any problems regarding the lifting and also if you recollect in this quarter, because of the FCI, the government, stopping the utilization of FCI rice for ethanol that suddenly created a vacuum for the quantity contracted by those distillers. So that there was no problem for the sugar industry at least for supply of alcohol.
- Rajesh Majumdar:** Okay. Because Quarter-on-quarter, our B-Heavy mix has not improved. That's why I'm asking this question.
- Gautam Goel:** But this quarter, we only had B-Heavy. The crushing is not on, we won't have syrup.
- Rajesh Majumdar:** Right. Correct. Yes. Okay, sir. Thank you so much.
- Gautam Goel:** Thank you, Rajesh.
- Moderator:** Thank you. Next question is from the line of Shailesh Kanani from Centrum Broking Limited. Please go ahead.
- Shailesh Kanani:** Good evening everybody. Thanks for the opportunity. Sir, I had one question with respect to our opening remarks when we said that sugar production for the sugar season, that is SSSY '24, we

are expecting less than 29 million tons. So my understanding is that ISMA's latest projections were 31.7 million tons. So is this a revision from ISMA's side or it is an internal projection?

**Gautam Goel:**

Shailesh, hi. So, I mean, I think around 29 million tons, too early in the day to give final numbers. You know, after the ISMA's estimates, there was a cane commissioner's estimates which came out, which came out to about 30 million tons, if I'm not mistaken. Various trade bodies are continuing to analyze and they have a lot of feet on the ground looking at the cane availability. So looking at whatever our teams have analyzed, looking at the data which is coming in from various industry and trade bodies, the consensus seems to be in the region of 29 million tons.

Now looking at the final recovery numbers, final cane crushing numbers and yield numbers, in a country like India, 0.5 million tons, 1 million tons, you could even see an upside of 1 million tons or 0.5 million tons. But at this stage, we are penning in about 29 million tons, 29 million tons, plus-minus 0.5 million tons.

**Shailesh Kanani:**

Okay, to just get these things clear, I think this ISMA projections were somewhere in the mid-August, right? 37.7 million tons. So, the official ISMA estimate has not come down. The Cane Commission, what you are saying, has come after August and it is projected around 30 million tons, is that understanding right?

**Gautam Goel:**

That is my understanding. ISMA has not given any official estimate after its last estimate in his meeting in August.

**Shailesh Kanani:**

Okay, fair enough. Thanks a lot, sir. Sir, so in our understanding, which regions, like if I can talk about three major states UP, Maharashtra and Karnataka, where we are seeing a major fall? Because my understanding was UP was broadly doing flattish as compared to last year so when we are considering around 29 million tons or less so where do we see this major fall coming off around 2 million tons to 3 million tons from the revised estimate of around 31.7 million?

**Gautam Goel:**

In my opening remarks, Shailesh, we said the basic projections are the major drop is expected in Maharashtra, Karnataka and UP is expected to go marginally higher. And again when you say about production 0.5 million tons, what amount of sugar will get diverted into ethanol, you could see some small changes in this swing capacity also. Therefore, it will depend on where the final number is. But Yes, the drop is in Maharashtra, Karnataka. The estimated drop is there. UP has an upside estimate.

**Shailesh Kanani:**

Okay, fair enough sir. Thanks for that. Sir, second question was with respect to sugar prices. Sugar prices currently seem to be decent at around INR38.50. How do we see this sugar prices panning out during the crushes season, where normally we see that sugar prices kind of subdued during those times, given that the expectations of sugar production are lower. How do we see this sugar prices panning out for the next at least couple of quarters when the crushing is going on?

**Gautam Goel:**

Shailesh, I mean, our view is from overall, we do believe prices should remain, average price for the year should remain a little firm, but you're right. If you look at the historical graph between the peak sugar crushing times, prices do tend to soften a little bit from here, and they could probably pick up after that, when the final numbers and next year's numbers come into

play. But I know it's too difficult to give an exact number, what kind of drop and all that, that gets into too much of, it becomes too speculative at this stage.

- Shailesh Kanani:** Okay, sir. Thanks a lot. That's all from my side. Thanks a lot and best of luck.
- Gautam Goel:** Thank you, Shailesh.
- Moderator:** Thank you. Next question is from the line of Nikhil Goel from Shivansh Overseas. Please go ahead.
- Nikhil Goel:** Good afternoon, sir. First of all, best of luck for next quarter. Sir, actually I want to ask regarding the MSP. Like if you are selling the sugar at 38 rupees, is the government planning to increase the MSP on the sugar or no?
- Gautam Goel:** We haven't heard anything to that effect. This is an election year, I don't think it would be reasonable to expect an increase in MSP at least in the near future.
- Nikhil Goel:** Okay. And, sir, like, can you just tell me, what is your trade receivable?
- Nalin Gupta:** Trade receivables, you said?
- Nikhil Goel:** Yes, trade receivable?
- Nalin Gupta:** So, sugar, we don't have any trade receivable that is almost against the payment. Yes, ethanol supplies to the OMCs, we have 15 days to 20 days trade receivables from them.
- Gautam Goel:** That is also as per the payment terms, as per the terms of trade. There is really pretty much our business, we don't really have any substantial receivables in the or beyond terms of trade would be negligible.
- Nikhil Goel:** Okay. And my last question is, sir, can you put some light on your inventory also?
- Nalin Gupta:** So last year as of 30 September we had 10.6 lakh quintals. This year, we have one lakh quintals as of 30 September of sugar.
- Gautam Goel:** So I think, Nikhil, this is also the exact inventory statuses have been uploaded on our website on our investor presentation. So sugar is lower, the molasses and ethanol is higher. And for those exact numbers, we would request you to look at the investor presentation, which we have uploaded on our website. It's all there.
- Nikhil Goel:** Okay, sir. Thank you, sir.
- Nalin Gupta:** Thank you, Nikhil.
- Moderator:** Thank you. Next question is from the line of Naitik Mohata from Sequent Investments. Please go ahead.

- Naitik Mohata:** Good afternoon, sir and thank you for the opportunity. So, sir, I have two questions. Firstly, regarding the government has applied a uniform GST and reduced it to 5% on molasses. So how will that impact our business in terms of profitability or margins going forward?
- Nalin Gupta:** So, yes, hi, Naitik. So the reduction of GST on molasses from 28% to 5%, actually that will not impact us. This will benefit the buyer of the molasses who are buying like Standalone distilleries and to some extent the country liquor manufacturer, the IMFL manufacturer, whereby their cost of production will get reduced because they don't have -- they have negative carry on GST output.
- Gautam Goel:** Right.
- Nalin Gupta:** They don't get the set off of GST on the inputs against the output. So we'll not be impacted much because we are not a seller but this will definitely benefit the Standalone distilleries and country liquor manufacturer.
- Gautam Goel:** As Nalin said, we don't sell our molasses. Our molasses is entirely for self-consumption, for ethanol and our levy obligations.
- Naitik Mohata:** Okay, sir. Also, sir, regarding our country liquor segment. So our country liquor segment has really increased in volumes as compared to last year. So what are our plans going forward regarding this segment? Do we plan to launch some of our own brand going forward or increase our capacity in this segment going forward, anything on that?
- Gautam Goel:** We already have some brands and our country liquor segment we are focused first to fulfill our entire levy obligation. We don't want -- at this point the company doesn't envisage getting into country liquor segment beyond its own internal levy obligation. We want to focus on our sugar and biofuel segment and we still have some sort of way to go before we get the sales which will completely offset our levy obligations and we are working hard to increase that sort of basket, our share in the basket of country liquor consumption in UP.
- Naitik Mohata:** Okay, sir. That was helpful. Thank you very much.
- Moderator:** Thank you. Next question is from the line of Pawan Sharma, individual investor. Please go ahead.
- Pawan Sharma:** Hi, sir. Good afternoon. Thanks for giving the opportunity to get the answer for my following query. Like my first query is, what is the cost of the production for the sugar in the upcoming season? Like we have the sales price INR38.5 per kg. What will be the cost of production for the sugar in the upcoming season?
- Gautam Goel:** Good afternoon, Pawanji, so cost of production of sugar, we can't really give you a number at this stage because we don't know what the revised cane price would be and what the revised and what the recoveries would be. But we do believe that recovery should hopefully have better recoveries than last year. This is our belief at this stage. Too early in the day to really call it out.

**Pawan Sharma:** But do you have any idea like in our previous season, we have not gone beyond 10% of the recovery, I understand?

**Gautam Goel:** That 10% was net recovery because that was on account of the amount of ethanol we diverted. This year we do expect to divert less sugar into ethanol. So our gross recovery last year was 11.02% if I'm not mistaken.

**Nalin Gupta:** For the season, 11.2%.

**Gautam Goel:** That was the gross recovery there, taking into account the ethanol diversion and everything else. We do hope to be better than that.

**Pawan Sharma:** Okay, fine, thank you. Another thing, sir, like we are u-turning from the Brownfield extension of distillery and I understand that the business is for ethanol and in future government is committed to expand the blending. So are we not going to lag behind with the years in installing this facility for ethanol?

**Gautam Goel:** So you are right, there is a lot of tailwind in this business and we also have been, but this is purely in order to ensure adequate cap asset utilization and sweating of assets. We do believe see if the western part, if you see India, the predominant sugar is either produced in UP and then Maharashtra, Karnataka. Maharashtra, Karnataka, the production estimates are lower and the sugar prices remain firm. Then we do believe, we are better off making more sugar than diverting sugar into ethanol.

So at this stage, we had not really made any substantial capexes that we needed to completely see through the project. And if we do divert less cane into ethanol, we will have ideal capacity in our Asmoli unit which we want to utilize, which we are exploring multi-feedstock. But as the sugar scenario recovers, as our overall cane growth continues to increase, we should be able to establish that distillery maybe a year, maybe a little later, but it's better to be a bit more conservative with distillery capacity at this stage rather than being aggressive at this stage. That is what our firm belief is.

**Pawan Sharma:** Yes, thanks, sir. My next question is about this infection, pest infection on the last year's sugar production which is affected to us. What kind of measures we have taken to ensure that this time this thing is not going to happen?

**Gautam Goel:** We have been mentioning about this for some time, if you recollect. In most of my calls, we have been talking about it. And if you recollect, last call I did mention that this year's crop, we are seeing fairly the pest, the borers to be fairly controlled, been pretty much negated. Therefore at this point the cane is pretty much, the Ratoon cane is ready for harvesting in a couple of maybe a month or so.

I'm glad to report that, there is no real negligible borer infestation this year. They are looking at everything else and we continue to be very vigilant for any sort of pest or disease and we do hope we should be able to control anything that happens at a very early stage.

- Pawan Sharma:** What kind of like cane effect we are using to increase our cane productivity like in the catchment area, what kind of seeds, I don't know what exactly we call it, which kind of seed we are using that they can give us the better cane productivity?
- Gautam Goel:** If you see our cane, if you look at the detail of our P&L statements also, we see a regular increase in our cane development and cane activity, cane development activities. 238, of course, is the predominant variety right now, but from last year, we have been actively increasing the acreage of the other two promising varieties which are 118 and 15023. But these varieties do take a couple of years to reach a sizable amount of, to make an impact on our crush and recovery.
- Pawan Sharma:** So what kind of like the new, what will be the proportionate of this new variety versus the other varieties in our existing season? Like it's going to....
- Gautam Goel:** Our existing season this year. This year whatever variety we have, it basically will be used entirely for seed next year. We'll probably start seeing some impact the following year.
- Pawan Sharma:** Fine, fine, fine. Okay, sir, thanks a lot. And wish you a very healthy season.
- Gautam Goel:** Thank you very much, Pawan I appreciate that.
- Moderator:** Thank you very much. Ladies and gentlemen, we have the last question from the line of Udit Gupta, individual investor. Please go ahead.
- Udit Gupta:** Good afternoon, sir.
- Gautam Goel:** Hi Udit, good afternoon to you.
- Udit Gupta:** Sir, my question was, sir, when are we planning to start our crushing?
- Gautam Goel:** I mentioned early November is when we hope, we think all our plants will start before Diwali. Last week of October to early November is when we expect to start crushing. The final dates will be out. Again, sampling data is being regularly done. We know when our labors are starting and around that that we will also start.
- Udit Gupta:** Sir, is this due to any late rains or is this normal, sir?
- Gautam Goel:** So, if you recollect, last year was the time when there were late rains and the crushing got delayed to about 10th, 7th, between 7th and 10th, around the 10th of November. This year we do think the season will be at least a week 10 days prior to last year.
- Udit Gupta:** And are we planning any ethanol from cane juice in this season, sir, or only from B and C molasses?
- Gautam Goel:** We have the option to divert cane juice ethanol. At this stage, we do believe there is a reduced possibility of diverting cane juice into ethanol. But last year, we've started off diverting cane juice into ethanol, which we will not be doing this year. When the numbers become a little bit more clearer around December, January, and if we do believe there is a reason to divert, we'll take a call there.

- Udit Gupta:** Could this happen with other mills and therefore the sugar production in India could go up because of lower diversion to ethanol, like from the number that we are estimating?
- Gautam Goel:** No, I think the number, I mean everybody has their own equations and numbers but if you look at the overall estimates in the trade and in the country's balance sheet, I think people have already pegged in a marginally lower number into ethanol as compared to last year. Diversion of sugar into ethanol as compared to last year. Last year was about 4.1 million tons. I think this year people are pegging anything between 3.8 plus minus 1.1 million tons. So, I don't think it will have a big impact. It will be the final yields in Maharashtra, Karnataka and UP, the yield and recovery over here. The yield and recovery will be the major factors.
- Udit Gupta:** I got your point, sir. So, you just mentioned that last year gross recovery was about 11.02. So, what was our recovery earlier before this pest infestation started happening to us?
- Gautam Goel:** The year before that we were 11.48 if I'm not wrong. 11.48.
- Udit Gupta:** Okay, so approximately if things turn back to normal we could go closer to 11.5%.
- Gautam Goel:** Fingers crossed.
- Udit Gupta:** And sir, last year our crushing was approximately 39 lakh ton, if I am right sir?
- Gautam Goel:** For the sugar season we had done 42 lakh tons for the sugar season. Out of that six was diverted to us. For the full sugar season, when we talk about sugar season, we had done 42 lakh tons, about six lakh tons were diverted into ethanol. We are hoping of about an 8%-10% jump this year and let's, Yes, so for the best.
- Udit Gupta:** So, we could do in excess of 45 lakh tons that means.
- Gautam Goel:** Hopefully. Yes. That is what we are internally trying and targeting to do.
- Nalin Gupta:** We can do it as your wish.
- Udit Gupta:** And so this country liquor sales, sir, in the first half of this financial year, we've done about 12 lakh cases, whereas in entire FY'23, we had done 12 lakh cases. So we've done the almost the same quantity in the first half of the year. So is this all due to levy molasses or some like going for the next six months, is this expected to keep this run rate?
- Gautam Goel:** So we do hope to maintain this run rate because our levy obligation requires more than the two lakh cases per month. Last year when did our country liquor business start?
- Nalin Gupta:** Somewhere in July.
- Gautam Goel:** So, our country liquor business started in July 2022. So that is why you see the numbers to be different to, but two lakhs is a fairly healthy, we are in the top 10 country liquor sellers in the country, in the state today. And once again, I mentioned, our appetite or our desire for our country liquor business is only to offset our levy molasses. We don't see ourselves becoming a country liquor player by, you know...

- Udit Gupta:** So, two lakh cases a month would almost cover our levy molasses part.
- Gautam Goel:** No, I think the government continues to increase the levy percentage. I think right now we will still be about I think we still have some.
- Nalin Gupta:** Around 60%, we are at 60% of levy obligation.
- Udit Gupta:** Of the two lakh would cover about 60% ?
- Nalin Gupta:** Yes.
- Udit Gupta:** Okay. And sir, with this note that you had given in your accounts about this INR20 crores impact, sir, so it is not finalized yet, but in case it does happen, then we have to book it in the next quarter.
- Gautam Goel:** Yes, we hope we don't have to, but that could be a potential, that is a potential risk.
- Udit Gupta:** All right, sir. And sir, just another small point, sir. In case of any clarification in the future, sir, where can I get back to the company at?
- Gautam Goel:** We have our website. We have a link for the investor relations. We have contact details of our investor relations desk.
- Nalin Gupta:** Our numbers are mentioned on our website, so you can reach out on any of those numbers here.
- Udit Gupta:** Thank you so much sir. Thank you.
- Gautam Goel:** Thank you very much.
- Udit Gupta:** Thank you. Thank you very much.
- Moderator:** Thank you very much. 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 very much. Thank you everybody for joining this earnings call and as we mentioned earlier, if you have any more questions, please do not hesitate to contact us or our investor relations team at EY. And have a wonderful day and all the best. Thank you.
- Nalin Gupta:** Thank you everyone.
- Navin Agarwal:** Thank you, Gautam. Thank you Nalin.
- Moderator:** Thank you. On behalf of SKP Securities Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.