Date: November 12, 2024

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 November 06, 2024

In compliance with 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, 2024, held on **Wednesday, November 06, 2024**.

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

You are requested to take the same on record.

Thanking You

Your Sincerely,
For Dhampur Bio Organics Limited

Ashu Rawat
Digitally signed by Ashu Rawat
Date: 2024.11.12 15:12:00 +05'30'

Ashu Rawat
Company Secretary & Compliance Officer

Transcript

Dhampur Bio Organics Limited
Q2 FY25 Earnings Conference Call

November 06, 2024

Management
Mr. Gautam Goel – Managing Director
Mr. Nalin Gupta – Chief Financial Officer

SKP Securities Ltd
Navin B. Agrawal | Head, Institutional Equities
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Moderator: Ladies and gentlemen, good day and welcome to Dhampur Bio Organics Limited Q2 FY25 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 questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then 0 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 at SKP Securities. 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 with 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 Navin and good evening all and thank you very much for attending the call. This is the call to discuss the operational and financial performance for the quarter and half yearly ended 30th September 2024. 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'd like to commence by highlighting the key economic factors pertaining to the sugar and ethanol industries, followed by an overview of our company's operations. Post this, Nalin, our CFO, will present an update on our financial performance.

As per the latest estimates from ISMA, the domestic consumption is estimated to be around 29 million tons and with negligible exports, the domestic sugar stocks are estimated to be at 8 million tons at the end of the sugar season 2023-24, which is 30th September 2024 and which is about -- which is more than the minimum requirement of about 6 million tons.

With the estimated gross sugar production of 33.6 million tons in sugar, for the sugar season 2024-25 and about 3.8 million tons of likely diversion for ethanol, it is estimated -- and the consumption is expected to be in the region of 29.3 million tons and the net sugar production is estimated to be 29.8 million tons.

So with the 29.3 million tons and 8 million tons of opening stock, there would be an excess of about 2.5 million tons over the 6 million tons of minimum stock required. And this is what we hope that the government will consider ISMA's and the industry's demand favourably to allow an early export of this surplus quantity.

For the sugar season 2024-25, the government has already raised the fair and remunerative price for sugarcane by INR25 per quintal to INR340 per quintal for a basic recovery of 10.25%. The sugar prices have remained range bound in Uttar Pradesh and the prices currently range between

INR3,850 to INR3,950 per quintal up north and while the mills in Maharashtra are selling sugar at about INR3,450 to INR3,600 per quintal.

We hope the minimum selling price, the MSP of sugar, will be increased to reflect the increase in cost of production and this would help in keeping and increasing the sugar prices to a more sustainable and viable level. Despite rising production costs, the sugar's minimum selling price has remained unchanged since 2019 and currently it stands at INR31 per kg.

Now moving to ethanol, the Government of India's move to permit sugar manufacturers to produce ethanol from sugarcane juice, B heavy molasses and C heavy molasses for the ethanol supply year 2024-25 and also allowing mills to manufacture rectified spirit and extra neutral alcohol from all three feed stocks which is sugarcane juice, B heavy molasses and C heavy molasses for the season are positive developments.

Out of the estimated requirement of 825 crores litres finalized by the OMCs for the previous ethanol year which is 2023-2024 to achieve a blending target of 15%, OMCs have already lifted 585 crores litres till 30th September. Out of this 252 crores litres have been contributed by the sugar segment. The grain segment supplied 333 crores litres, achieving an average blending of 13.8%.

For the current ethanol supply year that is 2024-25, the oil marketing companies have established their total requirement at 916 crores litres which would result in an overall blending of about 18%. Out of this 189 crores litres have been contracted from sugarcane juice, 114 crores litres have been contracted for B heavy molasses and 9 crores litres from C heavy molasses segment taking the total to 312 crores litres allocated to the sugar segment and the grain segments allocation stands at 525 crores litres.

For the first time the tenders have responded with an extra 6% of requirement to about 970 crores litres. The move pertaining the diversion of sugar to ethanol is expected to advance the overall 20% blending target to about a year earlier to about 2025 much earlier than the 2030 period. Currently the basic rate for sugarcane juice and B heavy derived ethanol have remained the same which is INR65.61 per litre for sugarcane juice based ethanol and INR60.73 per litre for B heavy molasses. These rates have remained unchanged for the last two years.

C heavy molasses derived ethanol prices meanwhile were increased last year from INR49.41 per litre to INR56.28 per litre. The prices for the current year have yet to be announced and we are also hopeful there could be some sort of marginal increase. The request has been made by the industry bodies and we hope they and government will consider it favourably.

Globally the projected surplus for the current year is about 4.5 million tons and there has been a little spike in the international sugar prices owing to a considerably shorter crop in Brazil due to severe drought and forest fires.

Now I will move on to our performance, the key highlights of our performance. Our sugar sales during Q2 FY25 stood at 99,147 tons, an increase of 5% from 94,870 tons during the previous year during Q2 FY24. Our focus on institutional sales and the increased volume helped us get a little better price over the corresponding quarter last year due to which our overall sugar realisation improved from INR38,152 per ton in Q2 FY24 to INR38,720 per ton in Q2 FY25.

Due to continued restrictions on syrup and B heavy molasses derived ethanol which were imposed by the government for the sugar season Q3-24 in the month of December, our ethanol production declined from 26 million litres in Q2 FY24 to 6 million litres in Q2 FY25. Thus our total ethanol sales also declined from 26.5 million litres to 10 million litres in Q2 FY25 and B heavy molasses derived ethanol sales declined to 2 million litres in Q2 FY25 from 24 million litres in the corresponding quarter last year.

Looking towards the upcoming season, our plant in Mansurpur has already commenced production and our remaining two plants in Asmoli and Meerganj should be starting within the next week 10 days. As already highlighted in our previous communications, part of our capacity of our distillery to a dual feed process is on track. And I would now like to hand over to Nalin for an update on the financial performance. Thank you.

Nalin Gupta: Thank you Gautam and good afternoon all of you. Let me take you through key standalone financial highlights of Q2 and H1FY25 followed by the segment highlights for Q2 and H1FY25. Revenue from operations for Q2FY25 stood at INR633 crores as against INR665 crores in Q2FY24. Decrease in revenues mainly on account of lower ethanol sale. EBITDA for Q2FY25 stood at negative of INR7.4 crores as against EBITDA of INR20.5 crores in the corresponding quarter last year. Profit before tax for Q2FY25 declined to negative of INR34.5 crores from INR1.2 crores of profit in Q2FY24. Profit after tax in Q2FY25 stood at negative of INR22.5 crores as against INR81 lakhs in Q2FY24.

For H1FY25, revenue stood at INR1,271 crores as compared to INR1,342 crores in H1FY24. EBITDA for H1FY25 stood at INR27.2 crores as against INR61.7 crores in H1FY24. EBITDA margin stood at 2.1% as against 4.6% in the corresponding period last year. Profit before tax for H1FY25 stood at negative of INR32.8 crores as compared to profit of INR18 crores in H1FY24. Profit after tax stood at negative of INR21.3 crores in H1FY25 as against profit of INR11.7 crores in H1FY24.

Moving on to the segmental highlights, Sugar Segment reported a revenue of INR403 crores in Q2FY25 as against INR459 crores in Q2FY24. EBIT loss stood at INR11 crores as against EBIT profit of INR32 lakhs in corresponding quarter last year. Revenue in H1FY25 was at INR831.5 crores as compared to INR914 crores in H1FY24. EBIT stood at INR11.4 crores in H1FY25 as compared to INR20.9 crores reported in H1FY24. We sold 99,147 tons of sugar in Q2FY25 against 94,870 tons of sugar sold in Q2FY24. Our average sugar realization for Q2FY25 increased by 1.46% to 38.72 per kg from 38.16 per kg in Q2FY24. Our inventory as on 30th

September 2024 stood at 1.03 lakh tons of sugar valued at 34.12 per kg as compared to 10,364 tons of sugar as on 30th September 2023 which was valued at 34.9 per kg.

Moving to the Biofuels segment, this segment reported a revenue of INR65 crores as compared to INR157 crores in the same quarter in previous fiscal. Biofuels segment, EBIT stood at negative of INR2 lakhs in this quarter as compared to INR14.5 crores in Q2FY24. We sold 10.32 million buck litres of ethanol at an average realization of INR55.71 per litre.

In country liquor segment our revenue stood at INR187 crores in Q2FY25 as compared to INR143 crores in Q2FY24. EBIT margin stood at 1.41% in Q2FY25. We sold 7,60,200 cases of country liquor at an average realization of INR274 against 5,96,880 cases of country liquor in Q2FY24.

Interest cost in this quarter has gone from INR8.8 crores in Q2FY24 to INR15.76 crores in this quarter mainly on account of substantially higher inventory and higher deployment of internal accruals towards capex in the same period. Our long-term loan stood at INR239 crores as on 30th September 2024 as against INR230 crores as on 31st June 2024. We have repaid long term loans of around INR34 crores during the first half.

Long term debt equity remained at INR0.24 times. We believe steady cash flows and profits from our operations are an opportunity to avail interest and subvention scheme of Government of India will remain our balance sheet strength. Long term and short term rating of the company continues to be assigned by CARE at A with stable outlook.

With this I request the moderator to open the floor for questions please.

Moderator: Ladies and Gentlemen, we will begin with the question-and-answer session. The first question is from the line of Aman Kumar Sonthalia from AK Securities. Please go ahead.

Aman Kumar Sonthalia: Good evening, sir. Sir, how much variety of changes have we done in our command area?

Gautam Goel: Sir, I mean variety of changes has been going on for the last two years. So, I won't have the exact percentage numbers but we are pretty much at industry average in our part of the region, in Mansurpur, Asmoli and Meerganj. There is obviously a greater amount of newer varieties in plant cane as compared to the ratoon cane. But if my memory serves me correct, it will be that the plant cane variety of changes between different factories will stand at anything between, 15% to 30%-35%.

Aman Kumar Sonthalia: Okay sir. And sir, how much increase are we expecting in the current season?

Gautam Goel: This will become a little bit of a forward-looking statement, Amanji, but fair enough to say that, we do believe we will have some amount, the overall increase in UP is not supposed to be much. In fact, as per latest estimates, it is supposed to be static. In West UP, the crop is looking considerably good. We do expect some increase there. In Asmoli and Meerganj area, we could see maybe not the similar level of increase as compared to West UP, but we are definitely hopeful we will crush higher than last year.

Aman Kumar Sonthalia: And sir, as Vizag is supporting the recovery in the sugarcane, so do we expect better recovery compared to last season?

Gautam Goel: Again, it is early days, sir, but there are two reasons we do hope that there will be something, some sort of improvements. One is on account of varietal replacements. And second is, we hope that there will be better efficiencies. And from the weather perspective, there have been some delayed rain, so some of the neighbouring factories which have started, so far not shown any increasing trend of recovery, but we do hope that will get reversed sooner, looking at the way overall temperature differentials are playing up.

Aman Kumar Sonthalia: Okay, sir. Thanks a lot.

Moderator: Thank you. The next question is from the line of Vikram Vilas Suryavanshi from PhillipCapital. Please go ahead.

Vikram Suryavanshi: Yes, hi. Good evening, sir. Sir, if you look at the sugar segment revenue of INR402 crores compared to INR459 crores last year, same quarter, our sales volume for sugar and realization are more or less similar. But this around like a INR50 crores difference is because of power or gas sale or is there anything else, if you can explain?

Nalin Gupta: So volume, Vikram, you mentioned, right, but you rightly mentioned there was a Bagasse and sale and some income which is part of sugar segment is not there this year, which upfront got sold in Q1 and Q4 of last year.

Gautam Goel: Also last year season was lesser than the previous year, so the cogent revenue was also lower last year as compared to the previous year.

Vikram Suryavanshi: Okay, and now our sugar inventory has been quite good. So as per the release mechanism of our sales, sugar sales volume should significantly improve in second half. Is that a right assumption?

Gautam Goel: So, we have been getting about the sugar as per the release order takes into account the people who are balanced. So our sugar releases have been fairly constant between 30,000-35,000 tons.

Vikram Suryavanshi: Alright, okay. And in terms of ethanol output, what could be the estimated ethanol output between say sugar and grain for this season?

Gautam Goel: This is for us as a company or this is for the country as a whole?

Vikram Suryavanshi: This is for company.

Gautam Goel: So our grain plant has yet to commission and the tender which came out recently specifies that only the plants which are operational can bid for the tender. So, we could not bid for the grain based plant tender but we are maximizing our ethanol there. We have bid for a certain quantity of syrup based ethanol. We have also bid for B-Heavy ethanol and we have some quantities of C heavy ethanol with the private OMCs, the private oil marketing companies. We expect this year's ethanol supply to be in the region of about 6 crores litres. I think the total ethanol quantity which we have contracted for the current year is 6.5 crores litres.

Vikram Suryavanshi: Okay, I think that's all. Okay, got it. And we'll run factories during the season for syrup.

Gautam Goel: Sorry, we couldn't understand that.

Vikram Suryavanshi: During the season now which has started, we'll run, basically we'll produce ethanol from syrup?

Gautam Goel: Some capacity, part of our capacity will be used from syrup. Part of it will also be used for B-Heavy or C-Molasses depending on ethanol to the other suppliers and also for our levy requirement.

Vikram Suryavanshi: Okay. And all the factories now started crushing or is there any delay for us?

Gautam Goel: Only Mansurpur has started. There was no delay. There was delayed Diwali and because of late trend we didn't find any big reason to start earlier than this. Mansurpur has already started crushing. Asmoli is supposed to start in this week and Meerganj probably early next week.

Vikram Suryavanshi: Understood. And the last question from my side is about what would be the landed cost of cane for us?

Gautam Goel: The cane price in UP hasn't increased. So I think the UP cane price is?

Management: 370 SAP. For general variety.

Gautam Goel: SAP is 370. But after that you take into account transportation.

Nalin Gupta: 82 is around the landed cost of sugarcane.

Gautam Goel: Landed cost of sugarcane for us. INR82 a quintal of sugar. A quintal of cane. A quintal of cane, sorry.

Vikram Suryavanshi: Right, right. And any thought or government discussion happening on the expectation of ethanol price increase or MSP or export?

Gautam Goel: Sir, we have been as an association, we have all been requesting the government to do it earlier than usual, earlier than later. We haven't got any favourable decisions last year in industries. We fear that if they don't take any sizable remedial measures, you could find some stresses building up, especially in the inefficient mills, which could eventually start leading to cane price areas by some of our colleagues.

Now, there has been talk about MSP being considered for an upward revision. On the ethanol quantity, we were more bullish something would happen on the ethanol pricing, but they have got sufficient quantities. So, I mean, fingers crossed.

And export also, now we believe there is adequate reason to allow for sugar to about 2 million tons plus of sugar export. So, fingers crossed that the government will start looking into all this. Maybe they will get a little bit more time to consider all this post the Maharashtra election.

Vikram Suryavanshi: Understood, sir. Thank you very much.

Moderator: Thank you. Next question is from line of Falguni Dutta from Mansarovar Financials. Please go ahead.

Falguni Dutta: Good evening, sir. Sir, I just have one question. What is the cost of sugar for us for this season which has got ended?

Nalin Gupta: The valuation as of 30th September for white is 35.18 and overall it is 34.4 per kg for the whole of sugar. And for white sugar, it is 35.18 per kg.

Falguni Dutta: What is the difference between the two?

Gautam Goel: We have some raw sugar which will be processed during the early part of this year to be made into refined sugar.

Falguni Dutta: Okay. So, this 35.2 is for refined sugar?

Gautam Goel: Yes.

Falguni Dutta: And does this include interest and depreciation?

Nalin Gupta: No. Here depreciation, direct depreciation which is on the plant, that is included. Admin depreciation is normally not included and interest is never part of COP.

Falguni Dutta: Okay. Thank you.

Moderator: Thank you very much. Next question is from the line of Vivek Gupta from Novus Capital Limited. Please go ahead.

Vivek Gupta: Good evening, sir. Vivek here. Sir, I just had a couple of questions. So, what will be the expected number of cane crushing days this season? Will it be higher or lower than last year?

Gautam Goel: Cane crushing days?

Vivek Gupta: Yes.

Gautam Goel: Cane crushing days, we don't see much of a difference. You know, at best, you could have about, I think I would imagine, between 7 days to plus minus 2-3 days.

Vivek Gupta: Okay. Now, given that you have higher capacity, that's why the question was there?

Gautam Goel: Last year, the capacity utilization was lower because you had a sizable amount of lower cane areas towards the second part of the plant cane. So, we see a more steady and a better capacity utilization per day that we crushed because of better cane availability.

Vivek Gupta: Okay, sir. Second was on maize ethanol. You mentioned that you could not bid because the plant was not ready. So, does that mean for the entire season, you will not be able to bid or you can bid later?

Gautam Goel: It will depend on when the tenders come out. See, but on maize ethanol, there are two factors which are very interesting to note. There is a marginal deficit for the government, for the OMCs in Q3, Q4 basis, 18%.

There have been some discussions to maybe try and front-end to E20 earlier than, sooner than later. Now, depending on Q3, Q4, when they have, if they have surplus capacities required, the OMCs do come out for regular tenders as the time progresses. And also, one has to also keep in mind that all the maize-based grain plants are pretty much, they have bid for the entire quantity.

They don't have a clear-cut vision on the prices of maize in the later part of the year. So, they have that raw material exposure on their books, which we probably don't have right now. And we will see how this thing plays out.

Vivek Gupta: So, effectively, if the tenders come, then you could bid later on?

Gautam Goel: Of course, when our plants are ready and the CTO is there, and then, you know, as we said, our plants should be ready before the end of the year, we will be ready to make a bid for it and we will start planning for it accordingly.

Vivek Gupta: And for an overall strategy for ethanol, including maize, since the maize prices are very high, do you anticipate you would be getting maize at the right price?

Gautam Goel: Again, very difficult to say. Currently, the maize prices have softened a little bit, but that's also because the new crop of maize has just come out. And in between, some of the plants were shut because there was non-availability of maize.

But at the moment, I mean, we were just doing a rough assessment for the quantity of maize, which has, for the quantity of ethanol which has been tendered for, I think roughly 11 million tons of maize is required, which I don't think the country has the, I mean, if you look at the entire demand that the country has between poultry and ethanol sectors, I don't think this is the kind of numbers which are going to be produced.

But, you know, this is just very early because, don't hold me to these numbers, because they were just some very early numbers which the association with me. We will have a better handle on it in the coming sort of week or two.

Vivek Gupta: No, no, I agree. I was reading some report that the maize prices again will be back to 25, 26 levels by December, January.

Gautam Goel: It's the kind of ethanol quantity which has been committed. You know, you have both the quantity of maize availability and the DDGS prices. The greater the quantity of maize ethanol, then you have the greater ethanol being produced and then you have greater DDGS as a downward pressure on the prices.

But for us, we were always clear that our capacity was a swing capacity. Our capacity was never for a steady run. It was a capacity utilization and opportunistic capacity, and we hope we will get enough opportunities at different times to strategically utilize and maximize profitability because of this.

Vivek Gupta: On ethanol itself, or rather the margin between sugar and ethanol, as of now, at the current prices, is it better for sugar or methanol?

Gautam Goel: Again, different regions have different economics and different factories with their production mix will have different economics. Our view is we would like to front-end some syrup-based ethanol because that will help us. We already have sizable sugar stocks.

If you see, we have close to 10 lakh quintals, 100,000 tons of sugar stock as compared to 10 times the stock that we had over last year. And we know that there will be enough sugar produced in the coming year and there could be a higher sugar production next year. So, we don't really want to be carrying too much of stock.

So we would like to, as of earlier, if we are able to sell syrup-based ethanol in the earlier part of the year, we at least lock in that price, we lock in and we avoid the carrying cost of that sugar. Whereas the prices in Maharashtra and Karnataka are lower, for them obviously it makes sense to divert more into ethanol.

Vivek Gupta: So effectively around 60% utilization of ethanol plant, given that you are saying 6.5 crores litres?

Gautam Goel: No, that's only for ethanol. We have our levy requirement also. 18-19% is for levy requirement. So we will be at about 8.5 crores litres for our own internal requirement between levy and this thing. So we have about 15% of idle capacity left, which we can use for grain-based ethanol, we can buy molasses if it's cheap and send it to other people. We will have options to play around over there.

Vivek Gupta: 85% utilization you are saying?

Gautam Goel: Roughly between 82%-85%. It will depend upon the final cane numbers, obviously.

Vivek Gupta: Okay. And when do you expect these excess sugar stocks, which you have, to come to normal level?

Gautam Goel: It depends now. With the prices of ethanol, with the ethanol quantities that we have already contracted and we have been allocated, we will see our distilleries are going to start in the next year. Our distilleries have already started.

As sugar season starts, syrup will start getting diverted. So we will start seeing some sort of positive benefit. If the government does give sugar export, that will further help reduce the overall stock position.

Vivek Gupta: Right, right. That's about it, sir. Thank you.

Gautam Goel: Thank you, Vivek. Thank you. I think I would just like to point out over here, Vivek, I know you have disconnected, we have pharma-grade sugar, so we do tend to get a premium for our sugar whenever export comes in. So that is the other advantage that we as a company enjoy. Thank you.

Moderator: Thank you. Next question is from Harsh Patel from Alpha Alternatives. Please go ahead.

Harsh Patel: Hi. So recently, on October 24th, there was a recent development saying the Supreme Court had allowed the state government to regulate and tax industrial alcohol. How does that impact the entire sugar industry as a whole?

Gautam Goel: See, early days, we don't know, but I think for UP, it was a non-event. Because UP, there have been enough controls with the government exercises directly or indirectly through molasses and through other sort of ways. And I think governments are also aware that this is a national program, this needs support, this also helps payments and everything else.

So I don't know whether there will be too much of a marginal impact. In real terms, there will be too much of an impact. I mean, you could see some marginal sporadic impacts. But in UP, I think it is a non-event.

Harsh Patel: But by when can we expect clarity on this?

Gautam Goel: There is nothing to clarify in this, Harsh, because the law is clear. Now the Supreme Court has given state the authority. Now if they choose to make some differences and make some restrictions there, they'll do it and we'll only know then. We won't have any advance knowledge to that effect.

Harsh Patel: Okay. That's it from my side.

Moderator: Thank you. Next question is from the line of Udit Gupta, Individual Investor. Please go ahead.

Udit Gupta: Good afternoon, sir. So my question is, how is the cane crop looking right now after the red rot and everything, sir?

Gautam Goel: Good afternoon, good evening, Udit, and thank you for joining. Crane crop as we were mentioning, we have plants in three different locations, Mansoorpur, which is in West UP. There the crop is quite healthy and the red rot seems to be considerably under control.

In Asmoli and Mirganj, there is a little bit more red rot than Mansoorpur, but we have been doing a lot of work to keep it contained and do varietal replacement. So we hope it will remain. We won't see a big adverse impact because of this.

Udit Gupta: And, sir, what is the crushing number that we're looking at this season?

Gautam Goel: As I mentioned earlier, I don't want to give any specific number, but I think it would be fair to say we are hoping it will be higher than last year for sure. I think it's too early to give any projected numbers.

Udit Gupta: And, sir, how much of a varietal change have we already implemented?

Gautam Goel: As I said in about the plant gain, we are in the region of 20%, plus minus 5% in different factories.

Udit Gupta: And, sir, you were just talking about the crushing to someone in terms of crushing days. Last year, because of the plant chain being affected, we had ended crushing very early. So won't the number of days increase you see?

Gautam Goel: We don't anticipate a big change in the number of days. As I mentioned, we do expect it to be up by five to seven days. But you see that what also happened last year, the average capacity utilization during the plant care period was also low because of overall reduce availability during that entire period. So as of now, the overall country, UP's projection numbers, overall K numbers are not projected to be considered, expected to be similar to last year. I think some places and some regions could be a little lower. Some could be marginally higher. But you'll see a better capacity utilization during the days you operate.

Udit Gupta: I get it. And, sir, any other further capex plan that we have apart from grain distribution that is under implementation?

Gautam Goel: We had already discussed, we do believe our sugar basically, we don't see any major capexes or capacity enhancement plans for the sugar in the foreseeable future. We do continue to look at value addition. How do we can we do further value addition in our sugar segment by doing different kind of initiatives there and our grain ethanol, sorry, country liquor capacity.

We are seeing a steady growth in our volume. So we need to do some marginal capex there to increase bottling capacity. But they're all fairly nominal and well within. They're not really big capex to write about.

Udit Gupta: Sir, are we looking at the branded liquor business like some of the other companies are doing?

Gautam Goel: In the early days, we are studying it and watching it very eagerly. We will have a grain distillery. We will have, we are in the country liquor space. So let's say we don't see a reason why we should not explore it. But we haven't formed up. We need to study it very thoroughly and understand what are the best opportunities and place for us there.

Udit Gupta: And so you were talking about, so in the current season, we're looking at ethanol of about six and a half kilo liters. So what was the number for the last season?

Gautam Goel: Last season, our total ethanol supply was just about how much?

Nalin Gupta: Last season, last season was three or four, 560. Two OMCs. Two OMCs only.

Gautam Goel: Let me check the numbers and get back to you shortly.

Nalin Gupta: Udit, I'll come back to you on this.

Udit Gupta: Yes no problem. And so it's six and a half kilo liters that we are talking about this season. So that's for the OMCs, right?

Gautam Goel: Let me just give you the exact numbers. Bear with us for five minutes. I think we have the entire quantity that we have committed for.

Udit Gupta: I'm talking about the current season. So the one that we have three OMCs.

Gautam Goel: Just give us, before the call is over, we'll get you the exact numbers.

Udit Gupta: My question was, actually the question was that you just said that we have about 15% to 20% ideal capacity in ethanol, which can be used in the grain or something else. So why are we planning for that ideal capacity and why aren't we supplying like eight kilo liters or something?

Gautam Goel: See, depending on, we have to look at our ideal raw material mix. So we've projected a certain amount of increase in our cane crash. So we've optimized our entire cane crash. Now we have three outlets for alcohol. You know, you have syrup-based ethanol, you have B heavy-based ethanol, you have C ethanol, and you have country liquor levy obligations. This is the cane crash.

We've optimized what is the maximum syrup and B heavy and everything else. And we also realized that we get a certain premium over sugar. And the B heavy prices haven't really been increased over last year.

So with the price that we get for sugar, we don't find a tearing reason to say, listen, we need to not make sugar and make ethanol. So between carrying costs, optimum sales, cane availability, we want to keep those options open. And then at the right opportune time, we can either buy molasses, we can buy grain, we can do all these things that are available to us.

Udit Gupta: So we can increase our contracted quantity even later on in the next tender?

Gautam Goel: Only when the next tender comes, of course we can increase. We can say we want to divert more syrup, for example, if we want to. But for Q1, Q2, they are already committed. So we don't see any scope there. But the E20 won't come in for Q1 for sure.

Udit Gupta: Right. Okay. Thank you so much.

Moderator: Thank you. Next question is from Mr. Saket Kapoor from Kapoor and Company. Please go ahead.

Saket Kapoor: Namaskar, sir. And thank you for the opportunity. If you could provide us in the capex, which we have already incurred for our grain-based facility. And I think with the capital work in progress closing balance as on September 24 is INR94 crores. So if you could just provide the breakup of this?

Gautam Goel: Namaskar, Saketji. Sorry. I think Nalin will provide this to you the closing balance. I didn't get the second question of closing balance?

Saket Kapoor: Sir this INR94 crores of closing balance in which how much is grain based what is the breakup and when are we going to capitalize?

Nalin Gupta: Saketji, closing balance as what?

Saket Kapoor: Capital work in progress.

Nalin Gupta: Okay. So, against capex of INR60 crores around INR48 crores is of grain. Rest is normal capex. 94, 48, 50 is grain. Rest is normal.

Gautam Goel: But the sugar capex is – this is 30th September. Now the rest of the capex is 90% of that was basically the sugar capacities. There was some marginal efficiency and improvement work to be done and capex will work which now that the season is starting, they are pretty much concluded, pretty much ready and done. So, this was the figure for 30th September. In Q3, you will probably not find any much amount of any openings or closing balance left. It will all be pretty much executed.

Saket Kapoor: Okay. And for this current season, we would be utilizing our grain-based facility? I missed your comment on the same or we will be waiting for the tendering process to come?

Gautam Goel: Current financial year, we don't think we will be utilizing a grain-based capacity. If we do, it will only be for some basic trials. We are already committed for ethanol in this FY financial year. For this season for sure, we do hope to utilize some of our grain-based capacity. It will obviously be dependent upon tenders and things like that. But the real impact will come in the next financial year whatever impact that comes up.

Saket Kapoor: Okay. For this season, we will have the constraint. This INR58 crores capex the interest and the depreciation would be a dent on our profitability since the capacity will be ideal only?

Gautam Goel: Yes, to a certain extent, but this also has interest subvention in it. This is the interest subvention based capex.

Saket Kapoor: Okay. How much that is that we have reversed?

Nalin Gupta: So, out of against that distillery we have INR40 crores loans against which we will get the 50% interest subvention.

Saket Kapoor: Okay. So, have you worked out the numbers of how much it should be? How much will be debited in our interest account once we capitalize the same or if you could just give the number?

Nalin Gupta: It is on the reducing balance. So, interest rate will be the prepayment is starting from April 25 and the effective rate of interest will be around 4.4.

Saket Kapoor: Sir, I have one question. Firstly, in your presentation you mentioned about focusing on sugar premiumization. So, if you could just explain where are we in terms of I think so you have mentioned about commencement of institutional supplies then we intend to enhance packaged sugar capacity at Asmoli and then about the Pharma grade sugar for the prominent formulation brand. So, if you could just give us some color what kind of I think in your last call also you mentioned about our realization going up and down by 4%. So, how are these steps are going to benefit us in getting higher realization and what percentage of purchase will move towards this premiumization story?

Gautam Goel: Our entire basically our overall like last year we got some key institutions in play. This year we are hoping to we've got Pharma production capacity, we are hoping to get more and more key customers in play. We are hoping we are doing some third party private table packaging. We are trying to increase our market share. So, it was very difficult to give you an exact number on the upwards impact on the pricing, but as we continue down this path I think the better idea will be to look at the overall volume we are selling in the non-traditional Asian segment.

This year in 6 months I think we've sold about close to 25% of our sugar that we've sold. Roughly 25% is on the non-Asian, non-conventional methodology, non-conventional challenges like institutions, industries and we hope over the next - we hope to continue to have this going up to maybe 60%, 70% in the next couple of years, but that's the effort marketing and sales effort that we are doing. So, and we will continue to give a little update on this during all our calls.

Saket Kapoor: Right, sir. Sir, the gap or the lower quantity of ethanol which was supplied for the first half were taking into account the current regulatory setup. Do you think we will be making up for most of the lost opportunity for the first half or if you could just elaborate to us what factors are plaguing the sector and the way forward in terms of the bio fuel story especially for the sugar industry?

Gautam Goel: So, Saketji, basically when you say make up for lost time, we can't make up because the capacity is constrained. We have an x capacity to make ethanol. As I mentioned, the government has the capacity to OMCs came out for the tender for the full year and we bid on this. We were expecting more than 100% bidding against the standard and about 6% additional quantity got bid against the standard. So we did not want to take a chance to leave any whatever maximum ethanol that we could have produced from our own raw material.

We did not want to leave that to chance for future. So I'm glad to say that that all got contracted with the OMCs. Now, basis that those contracts we will be utilizing, we do hope to utilize when the season starts. Right now we don't have molasses. Asmoli Mansurpur has just started, the molasses will start becoming available in the next couple of days. Asmoli starts at the end of the week.

So syrups are getting available and then we hope our distilleries will operate to full capacity going forward from now till the foreseeable future, till at least Q1 next year. That 15% of idle capacity that we have left because of grain and those raw materials, depending on the ethanol demand the raw material prices, we could utilize that 15% at any point of time post Q1 or post May June next year. Till then we are pretty much committed on our entire capacity. I hope that clarifies your question.

Saket Kapoor: Right sir, but in terms of the supply which we have done for the first half, if you could give the comparative number of what we supplied in terms of ethanol for the last financial year and what is anticipated in terms of the contracted quantity for this current year?

Nalin Gupta: Last financial year which is FY24 ethanol sales is..

Gautam Goel: One second. If you have your email ID Nalin will share that with you.

Saket Kapoor: Sir, one basic understanding for the investing community, what are the key variable factors we should look currently for the sugar industry in particular to look at how profitability of the organization would be because of this policy making. It is difficult for investors to get a hand hold on the same as we as investors and we know the dilemma, the promoters would be facing in terms of the current strain on the financials of the company. So, if you can just give us a brief understanding of what are the key areas that should be addressed by the government going ahead so that sustainable profitability can be achieved and it becomes a win-win proposition for all stake holders?

Gautam Goel: Saket ji like you said these are regular I mean all I can say for us you said it correct these are all key dilemmas for all of us including the promoters and the senior leadership team. How we have to react and if you recollect I don't know if you were there, but about a year and a half ago when we were anticipating a certain amount of there was a talk of reduction sugar production and there was a talk about all these things.

We had deferred that is close to 2 years ago when we had deferred our Meerganj distillery. Now I look back and say that was one of the wisest decisions, lot of people did not like the decision, but that that is one of the wisest decision we took at that point of time was to defer the Meerganj distillery. Last year in December in adhoc basis the government has severely curtail the ethanol plant presuming there will be a huge sugar shortage which there wasn't.

Now I think the basic point the government is within the government the feeling that we get is they are trying to grapple with the fact, on one side the raw material prices of the cane, the grain those prices are going up. On the second side they don't really want to increase the ethanol price substantially to offset this raw material price. The crude prices haven't gone up.

They are finding all such kinds of thoughts and sizable grain capacity has come in. The business definitely has a lot more nuances and areas to be observed with. Now, opportunities also come out with this. We find that if we continue to work on efficiency improvement and reduce cost, at the same time we are able to enhance our realization from sugar, where there is an element of premiumization possible.

If we are able to continue to grow our country liquor segment. Where we are able to get additional value addition and if we can reach a level where we can consume more than our own quantity and we can use other people's heavy obligation, they could become better marginal players for us.

So, these are going to be the key issues, but I do believe, elections have to end in Maharashtra once, there have been talks about government looking at all these things. Ultimately, because government has such a role in this industry, they will have to look at some of these issues which they will have to comment.

Management: There is a slight fluctuation, it was not there last year. But I would imagine more and more clarity will come in the next 1 or 2 months when they will talk about export. They will give you some guidance on export hopefully. They will give us some guidance on what is their view on MSP. They will give us some guidance on what their view on – ethanol prices are there.

Saket Kapoor: Sir, when we look at the small blending program which has been very well articulated that lower crude prices, do act as a discouragement for the blending process. Do you think grain would be the ideal selection in terms of the blending process and –our molasses would go to the country-liquorice strike of the story in a more proposed way? That would be the future going ahead if group trade and there is ample availability of grains. You have also mentioned that there is a huge grain capacity that has come across the country…

Gautam Goel: Saket ji, what you are saying is very academic discussion. I think it will be out of the call scope. But fundamentally, you will have to navigate the nuances. In India, we don't have a lot of free land. If a substantial maize is produced, it will take away from some other food crop. Now whether it is from sugarcane or whether it is from some other edible crop or something or the other and is maize the ideal crop for India? What is the overall energy balance? I mean those are all, we from the sugar industry don't believe maize is the optimum crop. We do believe sugarcane is the backbone for the ethanol program.

So I'm saying, these become a little bit more academic based discussions with a lot more other issues which come into play. But you have to see that if they increase the availability of maize and regional risk balances, how will it affect the overall other food crops? We are not like Brazil where you are variable, more land will come in and other cycles will remain same.

Saket Kapoor: So sir, if we put the confusion, then in H2, we are at better balance than what we were for H1 since the factors which were negatively affecting us have now waned away

Gautam Goel: Yes, in December, everything was over because the government had changed the policy.

Saket Kapoor: Sir, that's right.

Gautam Goel: So we don't know exactly what plans are in the future.

Management: The fingers crossed. Let's hope for the best.

Saket Kapoor: Thank you for all the answers and all the best to the team.

Moderator: Thank you. Ladies and gentlemen, we have run out of time as per the management having prior commitments. We will take the last question from the line of Vivek Gupta from Novus Capital. Please go ahead.

Vivek Gupta: So, this is Vivek again, I just had one more question. As and when the super stocks come down and you don't have any plan for capex, do you foresee having a good amount of surplus cash and profits to go for a buyback or some capital reorganization of any kind? Because these are things…

Gautam Goel: You see, Vivek, if you see, our balance sheet still remains healthy. Our debt equity is fairly comfortable. We are at 0.24. So when you said cash is not really, cash flow is not really of a concern for us right now. And capex is when we see no reason for capexes till the time. We already have enough capacity to utilize. It depends on the gain availability. So gain development efforts have to continue to happen.

What will be the ideal utilization for those capexes in the surplus cash flow? I think we continue as management and the board we continue to look at all options and all availability including, obviously if you do not find any material need for substantial reinvestments or keeping some money then the money has to be returned to the shareholder in some way. We have a dividend policy which we continue to adhere to and there is less demand on cash flows, then we will accordingly plan those kind of initiatives.

Vivek Gupta: Right. My question was just because given so much of variability in the industry and every year something or the other comes up, so wouldn't buyback or dividend be a better way of utilizing cash rather than investing more?

Gautam Goel: We've already said that we are not really looking at investing more. There are two different things, buyback and dividend are two very -- company normally gives a buyback or dividend when they don't have any great growth opportunities and you find a balance between the two. So we know in this industry, we have to maintain a strong balance sheet, which we are very conscious of and we have been very clear in our articulation from day one that we want to maintain a healthy balance sheet.

And we will continue to keep that as one of the key focus areas for long-term sustainable growth. We look at sustainable growth opportunities and we look at having a healthy, as per the cash balances, then we look at what is the right dividend or the payback to the shareholder also. So those are all fairly well articulated and we will adhere to those. I mean, if we see no real major capexes calls. And we see no big reason to hold on to liquidity in the company, then obviously that becomes an avenue which we will explore, the board will explore at that point of time.

Vivek Gupta: Right, that's about it, sir. Thank you.

Moderator: Thank you very much. Friends, for any unanswered or follow-up questions, please reach out to Mr. Navin Agarwal at SKP Securities. His email ID and mobile number has been shared on the conference call invite. I would now like to hand the conference over to Mr. Gautam Goel for closing comments.

Gautam Goel: Thank you all. Thank you Navin, thank you the SKP team and thank you participants for your taking time out. And as mentioned, if you've got any unanswered questions, we've listed one or two that need to be answered. We will be sending them out. Once again, thank you very much and a happy Diwali and a wonderful year ahead.

Moderator: Thank you very much. On behalf of SKP Securities Limited. That concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.