

Date: July 30, 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 July 26, 2024

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 ended June 30, 2024, held on **Friday, July 26, 2024**.

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

You are requested to take the same on record.

Thanking You

Your Sincerely,
For Dhampur Bio Organics Limited

**Ashu Rawat
Company Secretary & Compliance Officer**



“Dhampur Bio Organics Limited Conference Call
Q1 FY 2025 Earnings Conference Call”
July 26, 2024



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

MODERATOR: **MR. NAVIN AGRAWAL**
HEAD, INSTITUTIONAL EQUITIES, SKP SECURITIES LTD
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Moderator: Good day, ladies and gentlemen. Welcome to the Dhampur Bio Organics Limited Q1 FY '25 Results Conference Call.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the Management's Opening Remarks.

Should you need assistance during the conference call, please signal an operator by pressing “*”, then “0” on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Navin Agrawal – Head, Institutional Equities. Thank you and over to you, sir.

Navin Agrawal: Good afternoon, ladies and gentlemen. It is 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 will have the opening remarks from Mr. Goel, followed by a Q&A session.

Thank you. And over to you, Gautam.

Gautam Goel: Thank you. Thank you very much, Navin. Good afternoon, everyone. I would like to extend a warm welcome to all participants in the Dhampur Bio Organics' Q1 FY '25 Earnings Conference Call. The Company's Results and the Investor Presentations for the Quarter have been made available on the Stock Exchanges and the Company's Website. I trust you have had the opportunity to review them.

To begin, I am going to highlight the key economic factors pertaining to the sugar and ethanol industries, followed by an overview of our Company's Performance. Post this, our CFO will present an Update on our Financial Performance.

As per the latest estimates from ISMA, a little over 310 million tonnes of sugar cane have been crushed in the sugar season '23-'24. The gross sugar production is estimated to be around 34 million tonnes and the net sugar production is estimated to be 32 million tonnes, with the diversion of about 2 million tonnes into ethanol. The domestic consumption is forecasted to be 28.5 million tonnes, and the likely closing stock is projected to be about 9 million tonnes, which is 3.5 million tonnes more than last year. This surplus, coupled with excess releases, is weighing heavily on the sugar prices and poses an additional carrying cost and idle inventory burden on the mills. The apex sugar industry bodies are urging the Government of India to allow sugar exports of at least 1 million tonnes immediately.

For the sugar season '24-'25, the Central Government has raised the FRP, the fair and remunerative price of sugar cane by Rs. 25 a quintal to Rs. 340 per quintal for a basic recovery of 10.25%. The sugar prices have remained largely range bound and the prices in Uttar Pradesh range from Rs. 3,850 to Rs. 3,950 per quintal. And the mills in Maharashtra are selling at about Rs. 3,450 to Rs.

3,600 per quintal. We hope the minimum selling price of sugar will be increased to reflect the increase in cost of production, and this too should help in increasing the price of sugar to a more sustainable level.

The oil marketing companies have estimated the total requirement for '23-'24 at 825 crore liters to achieve a blend of 15% blending ratio. Against this, the total contracted and allocated quantity is about 715 crore liters. The sugar sector's share stands at about 282 crore liters and the grain sector's share is approximately 433 crore liters. Against this, the sugar sector has supplied around 197 crore liters, and the grain sector has supplied around 229 crore liters. The total supply quantity stands at about 426 crores liters. And the overall blending ratio stands at about 13.14%.

We are hopeful. the government will permit unhindered diversion of sugar into ethanol, which should enable the industry to offer an excess of 400 crore liters of ethanol in the coming sugar season. This, coupled with the enhanced capacity of grain-based ethanol, can result in an overall blending percentage of about 18%. We are also hopeful that the government will increase the price of ethanol, especially ethanol derived from sugar syrup and B-Heavy molasses.

Globally, the projected surplus for sugar stands at about 6 million tonnes, the largest in the past six seasons. Brazil, benefiting from high rainfall, is expected to see a record sugar production overshadowing the ethanol production. UNICA estimates for March indicate that Brazil's center south gain crashed in '23-'24 is expected to increase by 19.3% to reach about 654.43 million tonnes. While sugar production is expected to increase at about 26%, reaching about 42 million tonnes. As per USDA report of May '24, the global sugar production in '23-'24 is forecasted to be about 184 million tonnes, almost flat as compared to the previous year.

We crushed 37.93 lakh metric tonnes of cane in the current sugar season as compared to 42.7 lakh metric tonnes in the previous sugar season. Our gross sugar recovery stood at 11.46% as compared to 11.06% for the previous year. Net recovery for the sugar season was 10.48% as against 9.47% against the previous year, an increase of about 100 basis points. Net sugar production in the sugar season '23-'24 was 3.98 lakh tonnes as compared to 3.48 lakh tonnes in the previous year.

Sugar diverted in B-Heavy molasses in '23-'24 is about 0.37 lakh tonnes as compared to 0.58 lakh tonnes in the previous year. In this quarter, we crushed 2 lakh metric tonnes of cane as against 5.5 lakh metric tonnes of cane during the same time last year. Due to restrictions on cane diversions towards syrup-derived ethanol, we did not divert any cane this quarter. Sugar sales during Q1 FY '25 stood at 0.95 lakh tonnes as compared to sugar sales of 0.98 lakh tonnes in Q1 FY '24.

Our gross recovery improved to 12.01% during this quarter as compared to 11.27% in the same quarter for the previous year. Similarly, the net sugar recovery for the quarter expanded to 11.73% in Q1 FY 25 as compared to 9.62% for the corresponding period last year. As we continue to focus on premiumization, our sugar realizations have also improved by 4.07%. They have increased from Rs. 37,621 per tonne in Q1 FY '24 to Rs. 39,153 per tonne in Q1 FY '25.

Due to restrictions on cane diversion, our ethanol production this quarter declined to 13.74 million liters as compared to 25.45 million liters in the corresponding period last year. And therefore, our total sales of ethanol also declined from 23.87 million liters last year to 10.21 million liters for this year. Our ethanol derived out of B-Heavy molasses sales in Q1 FY '25 was 7.28 million liters as compared to 18.65 million liters in the corresponding period last year. These restrictions imposed on diversion of sugar into ethanol have also resulted in reduced availability of molasses for the entire industry. This reduced molasses availability will continue to hamper our ethanol productions for Q2 and the first half of Q3.

As already highlighted in our previous communications, conversion of part capacity of our distillery to a dual-feed process is on track and we hope to commission the same by mid-November.

I would now like to hand it over to Nalin for an update on the financial performance. Thank you.

Nalin Gupta:

Thank you, Gautam. And good afternoon to all of you. I will start with the key Highlights of the Quarter, followed by the Segment Highlights for Q1 FY '25.

Our revenue from operations for Q1 FY '25 was recorded at Rs. 637.84 crores as compared to Rs. 676.26 crores in Q1 FY '24. The decrease in revenue is on account of lower ethanol sales which were partially counterbalanced by increased country liquor sales. Profit before tax for Q1 FY '25 declined to Rs. 1.71 crores from Rs. 16.78 crores in Q1 FY '24.

Profit after tax in Q1 FY '25 stood at Rs. 1.11 crores as against Rs. 10.95 crores in Q1 FY '24. In Q1 FY '25, our sugar segment reported a revenue of Rs. 428.77 crores as compared to Rs. 455.43 crores in the previous year's corresponding quarter.

EBIT in sugar segment increased by 8.17% to Rs. 22.25 crores in Q1 FY '25 as compared to Rs. 20.57 crores in FY '24. We sold 95,153 tonnes of sugar in Q1 FY '25 against 97,968 tonnes of sugar in Q1 FY '24. Our average realization for Q1 FY '25 increased by 4.07% to Rs. 39.15 per kg from Rs. 37.62 to per kg in Q1 FY '24.

Our inventory as of 30th June 2024, stood at 2.02 lakh tonnes of sugar, valued at Rs. 34.57 per kg, as compared to 1.06 lakh tonnes of sugar as of 30th June, '23, which was valued at Rs. 34.68 per kg.

It is relevant to note that such sugar production in this quarter is 26,800 tonnes against 50,000 tonnes in the same quarter last year, which is down by 46% this year, which has resulted in less absorption of fixed expenses to the tune of Rs. 8 crores approximately.

The power generated stood at 18.12 million units in Q1 FY '25 as against 70.81 million units in the same quarter last year. We exported 6.56 million units at an average valuation of Rs. 3.44 per unit in Q1 FY '25, as against 20.76 million units at an average realization of Rs. 3.44 per unit in Q1 FY '24.

Now, moving to biofuels and split segments:

Our revenue was Rs. 69.55 crores in Q1 FY '25 as against Rs. 154.88 crores in Q1 FY '24. EBIT in Q1 FY '25 stood at Rs. 8.03 crores as compared to Rs. 18.44 crores in the same quarter last year. We sold 10.21 million bulk liters of ethanol in Q1 FY '25 as compared to 23.87 million bulk liters in Q1 FY '24.

Our average realization of ethanol stood at Rs. 58.52 per liter in Q1 FY '25 as against Rs. 61.08 per liter in the same quarter last year. Ethanol stock as on 30th June stood at 8.63 million bulk liters as compared to 4.99 million bulk liters as of 30th June, 2023.

Gross revenue from country liquor in Q1 FY '25 stood at Rs. 189.98 crores. Net of excise Rs. 19.13 crores, with EBIT of Rs. 2.51 crores as compared to gross revenue of Rs. 141.52 crores, with net of excise revenue of Rs. 15.36 crores with EBIT of Rs. 1.94 crores in Q1 FY '24. We sold 7,74,981 cases of country liquor at an average realization of Rs. 274.17 per case in this quarter, as against 5,93,156 cases of country liquor at an average realization of Rs. 283.31 per case in Q1 FY '24.

We have repaid Rs. 18.45 crores worth of loans during the quarter. Our long-term loans stood at Rs. 229.96 crores as of 30th June 2024. During this quarter, the average working capital loan is high by Rs. 243.11 crores as compared to last year in FY '23-'24. Working capital as of 30th June stood at Rs. 162.08 crores as against Rs. 367.74 crores as of 30th June, '23.

As of 30th June, '24, our debt-equity ratio stood at 0.86 times. We believe steady cash flows and profits from our operations and opportunity to avail interest subvention scheme of Government of India will maintain our balance sheet strong. Long term and short-term ratings of the Company have been assigned by the CARE at A with a "Stable Outlook".

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

- Moderator:** Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Niteen S Dharmawat from Aurum Capital. Please go ahead.
- Niteen S. Dharmawat:** Sir, my first question is what is the current consolidated debt that we are having as of end of the quarter?
- Nalin Gupta:** Niteen, long term debt is Rs. 230 crores and in terms of working capital utilization it is Rs. 650 crores.
- Niteen S. Dharmawat:** That is the working capital. And the long-term debt is Rs. 230 crores?
- Nalin Gupta:** Rs. 230 crores.
- Moderator:** Thank you. The next question comes from the line of Vikram Suryavanshi from PhillipCapital. Please go ahead, Sir.

- Vikram Suryavanshi:** Sir, how is the status on this grain-based distillery and what is the expected production we are looking for or you can highlight?
- Gautam Goel:** Sorry, Vikram, your question was not completed. Vikram, can you hear us?
- Moderator:** The line for the current participant has been dropped once again, so we will move on to the question that we were taking before. We have Mr. Niteen Dharmawat. Sir, please go ahead.
- Niteen S. Dharmawat:** I could hear your answer regarding the debt level. I wanted to know about the inventory level, what is the inventory level we are having in terms of value as of today's price?
- Nalin Gupta:** Niteen, as of 30th June 2024, we have 2,01,000 tonnes of sugar which has been valued at Rs. 34.6 per kg.
- Gautam Goel:** And as I mentioned in our call, we sell refined sugar, so the current pricing in UP is ranging at about Rs. 38.5 per kg to Rs. 39.5 per kg.
- Niteen S. Dharmawat:** Now my next question is about the operations of our subsidiary in Singapore, can you please elaborate what kind of operations are there in this subsidiary, sir?
- Gautam Goel:** As of now, there are not any major operations. We have some limits and some long-term deposits. The Singapore subsidiary gives us an opportunity when there are exports of our core products out of India. Let us say, last year when the sugar exports were there, it was very active in that business. And we hope when the sugar exports do get allowed again, we will see further business from there. And when our grain plant comes on stream, we also hope we should be able to use this vehicle to look at the potential to export grain-based ENA.
- Niteen S. Dharmawat:** I understand, because we have taken some corporate guarantee again for this entity. So, this has been just taken for the provision purpose, we are not going to use it.
- Gautam Goel:** So, it's only for limits. Right now, we need to keep these limits active for the sake of when these opportunities come in we have to be able to use them.
- Niteen S. Dharmawat:** I also see that there is some impairment in that subsidiary, can you please elaborate why it was and what was it?
- Nalin Gupta:** Mr. Niteen, if you see the balance sheet, the investment we had, there were certain accumulated losses in the past before the demerger. So, we had provided a provision against that investment. A detailed note is given in the balance sheet.
- Gautam Goel:** It is pre-demerger basically.
- Nalin Gupta:** And its pre-demerger it was provided.
- Niteen S. Dharmawat:** So, we are not expecting any subsequent impairment in that subsidiary, right?

- Nalin Gupta:** It is all already at the net worth level.
- Niteen S. Dharmawat:** So, currently we are not expecting any further impairment, we have already taken care of everything as far as the subsidiary is concerned?
- Nalin Gupta:** That's true.
- Moderator:** Thank you. The next question is from the line of Aman Kumar Sonthalia from AK Securities. Please go ahead.
- Aman Kumar Sonthalia:** Sir, I have few questions regarding this. I think the last two, three months back government was expecting lower production in the coming season, and I think they were expecting below 300 lakh tonnes due to dry weather in Maharashtra and Karnataka. But right now the monsoon is very, very active in Maharashtra, Karnataka, as well as in UP. So, do you think that this will be revised upwards for the coming season?
- Gautam Goel:** See, as I have already mentioned, last year, the numbers that are industry body ISMA gave, the first estimate was about 32.7 million tonnes of gross production. But for various reasons, especially people from multiple trade areas were marking it down and. The numbers of the sugar production, the gross production was about close to 34 million tonnes. So, everybody got those numbers wrong, more so with the numbers the government took substantially sort of, they were over cautious, I guess, for various reasons.
- As you correctly mentioned, the monsoon is good. We do estimate the production estimates on the gross sugar basis should be upwards of 32 million tonnes this year. There is a little reduction in cane acreage in Maharashtra, Karnataka. But we do believe because of better yields and good rains, a sizable portion of that should get offset by improved yields and better drawing. We also expect lesser diversion of sugar into the alternate sector this year, there are not elections and all these things. So, we expect things to go back to steady state when it comes to diversion.
- Aman Kumar Sonthalia:** Sir my next question is that last season most of the UP in this 238 variety was suffered because of red rot problem. And some area was flooded and because of that I think a lot of sugar mills had just less than previous season. So, what is an update on this red rot issue? And how much we have replaced our 238 variety with the new cane variety?
- Gautam Goel:** So, our cane development plan, as we have been mentioning, is going on quite focused. I mean, we have enough material to do large scale. We have been replacing our 238 with 118 and 15023 CoLk 1401, various varieties which are being replaced. And in different factories the replacement percentage is different. So, this year, among the total cane acreage planted for us, I would imagine about close to 7%, 8% I would imagine would have been with the newer varieties.
- On the UP front, yes, red rot has been a problem, this year it seems to be fairly contained, especially in our area. We have not really come across with it. We do regular monitoring, the pest incidence and the red rot incidence at this point of time seems contained. There is reports of some flooding

in some parts of UP, but nothing large scale. So, I mean, UP I think would be pretty much similar to last year, could be marginally higher because of lesser diversion. For ourselves, we believe even though there is a marginal reduction in area in some of our plants, will get offset by more than that because of yields enrolled.

Aman Kumar Sonthalia: So, can we expect that we will crush more than last season?

Gautam Goel: We are working hard towards it, Amanji.

Aman Kumar Sonthalia: Sir, what was the growth pick up for the '23-'24 season?

Gautam Goel: 11.4.

Aman Kumar Sonthalia: And what was previous season, 11.01 I think?

Gautam Goel: Please keep in mind, this was when the sugar factory is shut during the peak recovery period, we hardly got any cane in our peak best recovery period.

Aman Kumar Sonthalia: Sir, we have worked I think on steam consumption setting. So, what is the current steam consumption in all the three units?

Gautam Goel: Again, it depends upon various operating philosophies. When you do B-Heavy, it is different. When you do C-Heavy, it is different. But our bagasse saving is very robust. I mean, this year we saved the same amount of bagasse as we did with the higher cane crush. We saved about 6.12% even though we could not divert B-Heavy, we crushed lesser cane. And the total quantum was similar to the previous year when we crushed about 10% higher as compared to this year. So, we do believe, going forward, if there is unhindered sugar ethanol diversion and if we are going to crush higher, our bagasse savings overall should go up. But also, our offseason bagasse requirement will go up if we are going to operate our distillery for the full year.

Aman Kumar Sonthalia: One last question, sir, since we are expecting better production of sugar cane this season. So, when you expect this government will change this policy of diverting cane to B-Heavy and direct juice route and export of sugar?

Gautam Goel: So, we are looking really hard, we are pressing for it. Quite all the industry bodies are really pressing for it hard. We do believe the government seems to be sympathetic to our points of view. They also want the ethanol to be diverted. They also understand that the business has a sizable sugar stock and production is going to go up in the next season '25-'26. So, let's hope it comes sooner than later. We will not be able to give any detail.

Aman Kumar Sonthalia: Sir, one last question. Right now this maize and broken rice price is quite high and it's not remunerative to make ethanol from both the feedstock. So, what is your planning, whether right now we are converting our distillery to print based distillery, multi-print distillery, so whether it will be profitable to doing so? What is your opinion on that?

- Gautam Goel:** See, maize prices and rice prices are contingent upon the seasons. See, there are seasonal variations. We believe, in the right season we should be able to procure rice and maize to operate. We are not converting our entire capacity, roughly 30% of our capacity is only being converted. We use this alternate feedstock. And this will give us adequate flexibility to buy the maize and rice at the right time, and also to make sure we sweat our assets. So, when sugar cane is less and we do not want to divert cane through syrup for various reasons, we will have adequate alternate feeds of capacity to sweat our assets close to the desired level.
- Moderator:** Thank you. The next question is from the line of Vikram Suryavanshi from PhillipCapital. Please go ahead.
- Vikram Suryavanshi:** I think some of the questions are already answered, but just, grain-based distillery will be ready by when, coming season by October or post that?
- Gautam Goel:** We believe we should be ready by-mid November latest, if not earlier.
- Vikram Suryavanshi:** And as you said, we would prefer to have it on rice or maize based, or combination of both depending on the demand?
- Gautam Goel:** We have the option to use either of them.
- Vikram Suryavanshi:** But how is the current profitability? Does it make sense at current prices for raw material as well as the sale price? And I heard that there was some issue in terms of DDGS from maize, so what would be our preference?
- Gautam Goel:** See, at these prices of maize, you see that also in the sizable default rates of the grain-based distillery in the OMC to the oil marketing companies' program. So, rice availability comes in during the month of December, June, fresh rice comes in, broken rice comes in and you are able to get it at a cheaper price.
- Similarly, maize also has a little seasonal sort of association attached to it. So, DDGS prices is sold on the protein content. So, when you look at this protein content basis maize based DDGS has a lower protein content, therefore it is selling at a lower price. And we do believe this pricing will remain stressed for some time because there's adequate capacity. But for us, it's purely a marginal costing and marginal and opportunistic business. As we said, we did not come at any major CAPEX. And if you recollect, the Company had deferred its greenfield distillery project last year foreseeing such a situation with these kind of situations. So, we believe we are in a good spot. We saved capital. We are only converting part of our capital capacity. For this capacity we are eligible for the interest subvention loan, which we have been allowed to, which we are availing. So, overall, I think it gives us more flexibility and we should be able to take advantage of this.
- Vikram Suryavanshi:** Understood. And second, I think sugar sale last year were also impacted because of lower allocation, based on release mechanism and inventory. But I think this time we also have good

amount of inventory. So, particularly last year third quarter was very less allocation we got. So, can we expect I think a good amount of sugar sale this year?

Gautam Goel: So, see, as you know, we sell as per the government allocated quotas, we do not like to sell anything beyond that. And as of now, the last month the demand was robust, this month the demand has been a bit tepid. But you are correct that because of higher stock the allocation percentages should be higher. And as per the allocation quantities, we should be selling. And in the event exports are allowed, we have refined sugar export grade fine grade sugar too, we should be able to export to further augment both our revenue, our realization and reduction in stock.

Vikram Suryavanshi: And what was the bagasse sale in this quarter?

Nalin Gupta: So, it's like around Rs. 6 crores of bagasse in this quarter was sold.

Gautam Goel: Worth Rs. 6 crores.

Vikram Suryavanshi: And just last question, I think we do have refinery capacity of I think 2,000 tonnes, but I think we are not close to the port because like there are refineries which typically work on tolling model, and we have seen widespread increasing significantly with the logistic issue with Brazil. So, is there any chance that we can also benefit from higher widespread and can-do refinery on tolling basis something, or it will not be possible because of it?

Gautam Goel: If possibility arises, we should be able to. I think even if that tolling opportunity might come in at a very, I would not do better if too many tolling opportunities come in. It might happen once in a maybe three, four years. But we do believe we will be able to, when the exports from India happen, there are regional markets, we make fine grain sugar which can be exported. It could be exported to even countries like Nepal and all where we have advantage, freight advantage and institutional buyers need this quality of sugar. Plus, there is a steady demand for high quality really premium sugar, pharma grade sugar. We have worked hard to develop some of these markets and buyers. And with the right opportunity, we should be able to enter again.

Vikram Suryavanshi: Okay, understood. I think just to continue with the same, see, I understand industry demand for export of sugar since we have closing stock higher than what would have been required. But do not you think that government will prefer to have more ethanol blending rather than allowing to sugar to export or keep some stocks so that next year we can have more ethanol blending quantity available from sugar side?

Gautam Goel: See, our view as an industry association is, we believe we have adequate sugar stocks, we have adequate production, and the following year the production is only going to be higher. The government has already expressed that they are comfortable with the 6 million tonnes or below closing stock when they foresee a good healthy sugar production. So, this is basically we are talking about 1 million tonnes from the existing sugar stock. I do not think this will have any implication on the diversion for next year. Diversion for next year is going to be dependent upon clarity of policy, the removal of these restrictions and the pricing. They are sort of giving clarity

and if the industry made aware of this in due time, you would find that the sugar diversion will be maximized and we still have residual sugar leftover to export.

Moderator: Thank you. The next question is from the line of Harsh Patel from Alpha Alternatives. Please go ahead.

Harsh Patel: Gautam ji, I wanted to understand the pricing power in the country liquor segment. Now if you see volume wise, quarter-on-quarter there has been 30% increase, but the realization has dropped by 2.5%. So, we just wanted to understand, what is the pricing power we have here? And how much we can sell in FY '25?

Gautam Goel: The pricing power is actually limited, it is more a volume game, because the pricing is fixed by the government. We have to sell at that at that particular price. In fact, for newer entrants to gain market share, we have to give some discounts. Our original strategy was to limit ourselves to the quota level. But we are finding good traction in this business we believe this business is doing well for us, could give us growth opportunities. We have adequate distillery capacity, so we maybe even buy quota molasses from others if we see a continuous support trend in our country liquor business.

Harsh Patel: So, the MRP this quarter has come down?

Nalin Gupta: Harsh ji, that is the net realization, net rebates and discounts. Otherwise, the MRP is fixed by the government, that remains static.

Gautam Goel: Because we are selling larger quantities, we have to go to a little distant areas. We have to open new markets. So, we are looking at gaining market share at this point.

Harsh Patel: And CAPEX this year I believe it is Rs. 95 crores, right, Rs. 35 crores of maintenance and Rs. 60 crores for the multiple distillation?

Gautam Goel: I did not hear your question.

Harsh Patel: For the CAPEX guidance in FY '25, the cumulative number is Rs. 95 crores, if I am not wrong?

Gautam Goel: Yes. So, Rs. 60 crores is for the grain fed distillery. They do conversion of part of a capacity which is under the interest subvention scheme. On the sugar sector, we believe our CAPEX cycle is pretty much done and dusted. It is basically we are going to do maintenance CAPEX, maybe a percentage of our depreciation going forward for the foreseeable future.

Harsh Patel: Lastly, there has been an improvement in gross and net recovery this quarter. So, if you can throw some light why there is an improvement?

Gautam Goel: The work on cane development that we have been doing, and we have been talking about it on a continuous level, so it is I think we are happy about. Unfortunately, the cane availability was a bit,

for various weather reasons beyond our control, the cane availability was not to the desired level. But hopefully we will augment that in the coming years.

Moderator: Thank you. The next question is from the line of Sanjeev Damani from SKD Consulting. Please go ahead.

Sanjeev Damani: Actually, a lot of things have been answered, I only have a few questions to ask. One is regarding our electricity power generation which is lower, and our export of power is also lower, so can I know the reason?

Gautam Goel: Electricity generation and export is a direct correlation with cane crush. The greater the cane crush, longer the season, the greater the power export.

Sanjeev Damani: Right. But is it that we have sold more bagasse rather than producing power from the same?

Gautam Goel: We are basically not doing. We are only doing incidental cogeneration at this stage. Because as you are aware, in UP the older PPAs are still at about Rs. 3,500 a megawatt. Does not make sense for us to convert bagasse into power, we would rather sell power. But the incidental cogeneration is completely dependent upon the duration of the season and the total cane availability.

Sanjeev Damani: Sir, overall ethanol lifting has been lower, going by the closing stock of ethanol at our end. So, are we finding it difficult with OMC lifting less or something like that, sir?

Gautam Goel: This is basically the contract. If you recollect, last year all the allotments and everything went into a tizzy when in early December the government suddenly changed the policy. So, whatever was the B-Heavy molasses, that got converted, that had to be retendered and all such things were happening. The ethanol lifting we are also dependent upon our ethanol production. We have to operate our distillery in such a manner where we make ethanol and we make ENA for our country liquor requirements. To answer your question, dispatches and lifting is not really a problem. And as I gave in my opening remarks, molasses is considerably reduced for the entire industry, including us. So, we do not have adequate molasses to ensure a steady operation of distillery, which will hamper our Q2 and initial bit of Q1.

Sanjeev Damani: The only thing I was worried was that this ethanol is being mixed with petrol. If suppose petrol lifting goes down then perhaps OMC will not be keen to lift quickly.

Gautam Goel: Sanjeev ji, we no need to worry. With our growth rate, petrol lifting is robust. We are looking at 10% to 20% at the earliest possible.

Sanjeev Damani: Thank you. Lastly sir, the overall quota of sugar if we sell to institutional buyers, so there also we have to reduce it from the overall quota like our pharma grade sugar and other specialized packaged sugar, etc. Are they out of the purview of our government quota or in overall we have to sell all the sugar?

Gautam Goel: Sir, we have to sell it overall within the quota.

- Sanjeev Damani:** Within that only we have to sell. These are not separately we can sell for retail purposes 5 kg, 10 kg, packings also we are making these days.
- Gautam Goel:** We cannot sell beyond the said quota.
- Sanjeev Damani:** Thank you very much, sir. And all the best. And you have indicated that we are likely to have good crop this time with higher yield, so higher yield would mean greater recover. So, all the best, sir.
- Moderator:** Thank you. The next question is from the line of Vivek Gupta from Novus Capital. Please go ahead.
- Vivek Gupta:** Sir my first question was on this branded sale. In the last quarter also, you had mentioned that you were taking steps to increase the branded sales. Even in the PPT this time there's a lot of talk about the branded sales. So, given that, I am assuming the margins are higher in the branded sales, do you think it's advisable to focus on sales of branded sugar rather than, just to say, country liquor?
- Nalin Gupta:** I mean, why can't we do both?
- Vivek Gupta:** Yes, definitely. So, my second question was, on country liquor what were the margins, what are the margins rather?
- Gautam Goel:** See, at this point of time, we price our country liquor bases, as you are aware, the UP Government asks us to apportion part of our molasses for this purpose. If we were to not do country liquor, we would have had to either sell our molasses at Rs. 142 quintile or Rs. 1,400 a tonne. For country liquor or we would have to sell ENA at Rs. 19 a liter. So, if we were to price it in this manner, the net margins would be about, Nalin, at the opportunity cost level of Rs. 140 a quintal. It will be about sort of 18% to 20%?
- Nalin Gupta:** Again, margins I am talking about net of excise. As you are aware there is 80% excise on this. If I was to talk about net of excise and opportunity cost basis, it will be about a 20% margin.
- Vivek Gupta:** Which is basically the highest margin in any product for you?
- Gautam Goel:** Yes. At this point of time.
- Vivek Gupta:** That's for the obligation part. But suppose you are exceeding as you have the plan to exceed the obligation, then the margin comes down substantially.
- Gautam Goel:** Then we will buy molasses and we will try and capture this margin for ourselves.
- Vivek Gupta:** So, it will be only on outside molasses that you will do the additional country liquor?
- Gautam Goel:** Yes, of course, it does not make sense to do it with our own molasses, that's a loss making proposition.

- Vivek Gupta:** And comparatively for branded sales, what would be the margins, like you had 18%, 20% for country liquor?
- Gautam Goel:** See, branded sale is basically more a margin on our existing sugar. As you know, the margins, if you look at it on an opportunity cost basis, it will probably be about 0.5%, 1%. It's not even 1%, it will be probably 0.5%. But it's the volume game, the bigger the volume we are able to generate whether for private label or for ourselves, it makes an overall business because the volumes are substantial.
- Vivek Gupta:** So, even 0.5% would give you good margins?
- Gautam Goel:** Yes. And it helps us sell lesser in the open market where we can hopefully try and get some more premium.
- Vivek Gupta:** The companies like Uttam Sugar, they are also selling smaller packets to the hotel industry and the likes, where I am assuming they would be getting higher margins. Do you have any plans for that?
- Gautam Goel:** We are focusing on it, and hopefully we should be able to try and make some entries in it sooner than later.
- Vivek Gupta:** Given that sugar is going to be a substantial portion of your revenue, I guess, branded sales would be the way forward?
- Gautam Goel:** As we have been mentioning, we are looking at value addition, we are looking at optimizing our existing capacities for growth. We see a lot of opportunities here. And of course, the spirits business also should give us some opportunity.
- Vivek Gupta:** Sir, the last question is on maize. A lot of people have asked about maize, what are the operating margins for maize based ethanol?
- Gautam Goel:** Right now, they are really, I mean, currently most of the pure maize based distillery supplying ethanol are just about breaking even on margin, just on operating margins, at this stage because the maize prices are pretty much extremely high.
- Vivek Gupta:** Even on operating margin it is marginal.
- Gautam Goel:** Yes, right now. So, on average I would say for the coming year people are expecting a net margin of about Rs. 4 to Rs. 5 a liter between maize and DDGS. And therefore, at this point, I would be very averse to setting up a greenfield maize based distillery or grain-based distillery. For us it's an opportunistic business, we have a sizable capacity already in play, so we can utilize this at the right time, step in at the right time, especially when you have lesser cane and lesser molasses, we can use these opportunities then for ourselves.
- Vivek Gupta:** Right. Because you anyway have the plant?

- Gautam Goel:** Yes.
- Vivek Gupta:** Sir, with the international prices coming down of sugar, do you think it would impact Indian prices? Any chance of government allowing imports and the Indian sugar industry going haywire?
- Gautam Goel:** See, import I think is really not. The Government understands that we need a stable sugar price to get the cane price paid. They have a robust ethanol program. I do not see that as a threat at this point of time.
- Vivek Gupta:** But it is a risk?
- Gautam Goel:** Unfortunately, our entire business has a very high degree of policy risk. We saw what happened in December when they suddenly decided no more ethanol, so more sugar diversion.
- Vivek Gupta:** Correct. I have covered almost all segments, one last segment is this biomass plant, the bagasse based plant. So, is there a possibility that you could use other feedstocks and increase your utilization there?
- Gautam Goel:** We can, but does not make sense at this point of time because, again, prices of all feed stocks and everything are quite high. I think a better opportunity for us at the sugar industry will come in when PPAs expire. Probably in a year and a half, two years from now we can sell power our through power trading.
- Vivek Gupta:** And get higher realization for it?
- Gautam Goel:** Yes.
- Vivek Gupta:** Is it all possible to use rice straw or some plants of NPCs are using for replacing coal?
- Gautam Goel:** We can, but again, it's just a matter of getting it at the right price and exporting the power at the right price.
- Vivek Gupta:** So, even light straw is not available now?
- Gautam Goel:** Rice straw, it's not at a cheap price because people have been using it to replace coal wherever they need captive power plant and they do not have access to bagasse.
- Vivek Gupta:** So, anyway the prices are going up because of that?
- Gautam Goel:** Yes.
- Moderator:** Thank you. We will be taking the last two questions for this afternoon. The next question is from the line of Ganesh, who's an individual investor. Please go ahead.

- Ganesh:** Sir, some of your peers are talking about 11.8% recovery, 12% recovery and all that, especially in Maharashtra. So, just as basic learning, what is stopping us from achieving that kind of recovery?
- Gautam Goel:** Ganesh, your voice is not clear. There's a lot of echo when you are speaking, Ganesh ji.
- Ganesh:** Some of your peers, especially in Maharashtra are talking about 11.8%, 12% recovery and all that. So, what is stopping us from achieving that kind of a recovery, is it geography based or is it something else?
- Gautam Goel:** Recovery is basically geography based, so UP recovery traditionally is always lower than Maharashtra. But with these new varieties, it's coming closer to the Maharashtra recoveries. Also, please keep in mind, during the peak recovery period we did not really crush cane this year, we had very limited quantity of cane. If you heard our opening presentation, we said during Q2 we just crushed about 200,000 tonnes of cane. And that was at about a 12% recovery. Whereas last year we had done 550,000 tonnes of cane. This is the peak recovery period where we did not get enough cane this year, and that was uniform for the entire industry in north.
- Ganesh:** Got it. Sir, next question is, last year at the date of the Q3 conference call we were anticipating another 5% or 8% more cane availability for crushing, which did not turn out that way. I mean, what is the problem with us, not being able to anticipate it even so late? Or is that the right time that we cannot figure out such kind of things?
- Gautam Goel:** I think this time, Ganesh ji, pretty much the entire UP industry got it wrong for various reasons that yield in the plant cane was really much lower than anticipated, especially post monsoons the red rot infection started becoming more prevalent when there was stagnation and those things started showing itself. Simultaneously, there was a much higher diversion this year. Election times are there so all the other requirements, molasses requirements and everything else. And the Government did not put any restrictions on diversion of sugar into the alternate sector. They were in fact exporting sugar. We were banned from exporting sugar, and they were exporting sugar. I think the government is cognizant of all this and we might see a more level playing field happening this year. And apart from better yields, we should see better withdrawals because of all these reasons.
- Ganesh:** Got it, sir. Sir, from a class-wise area, what is our current yield per hectare and how high can it go?
- Gautam Goel:** Our yields vary from between our three units. West UP the yields are considerably higher, they are close to about 75 tonnes, 80 tonnes per hectare. In the central sort of area, in Meergunj unit they are at about 40 tonnes, 50 tonnes a hectare. Therefore, we see a potential over there to work extensively with the farmers to augment their yields, and therefore get more care per hectare and increase their profitability to convince them to plant more cane.
- Ganesh:** So, as we move from the 238 variety, will the yield improve even more?

- Gautam Goel:** Sir, as of now 238, it was a wonderful crop because it gave very high yields. The newer varieties are giving comparable yields, this one variety which they talk about giving marginally higher yields. So, let's see how it plays out.
- Ganesh:** One last question, sir. How high can the cane availability go in our catchment areas, whether it is by increasing yield or increased cane cultivation or increased acreage? The reason I am asking is, we completed the increased crushing capacity in the anticipation of that last year.
- Ganesh:** See, right now we believe that quantity that we had anticipated for unfortunately last year was I think I would put it more of an aberration because the entire industry saw it. We should come close to a pretty much desired capacity utilization, if not this year then next year, that's my hope. Probably closer this year we should be close to capacity utilization. And working on yield and acreage I think are concurrent. If you increase the yield, the farmers' profitability goes up and then it gets induced to plant more cane.
- Moderator:** Thank you. The next question is from the line of Udit Gupta, who is an individual investor. Please go ahead.
- Udit Gupta:** Sir, my question is, what is the current crop conditions in terms of any impact of red rot or the flooding of the monsoons, how are we seeing it right now?
- Gautam Goel:** In pretty much our area, we are seeming to be in a good field, people are reporting healthy crop conditions with considerably close to negligible incidents of red rot at this point of time. But red rot, if the monsoons become very robust and there's a lot of stagnation, we could see some more incidents, so we are keeping our fingers crossed. Flooding, in Meergunj unit there's some very small area we have seen some flooding, but the water level has receded.
- Udit Gupta:** And sir, in terms of acreage, are we seeing any increase this year?
- Gautam Goel:** In UP overall, there has not been an acreage increase, it's been a marginal decrease because a lot of the plant cane which had red rot, farmers have uprooted that, and they have not entirely replaced the same. So, you missed the ratoon of that basically. The plant cane that was uprooted [Multiple Speakers].
- Udit Gupta:** Even in our area is the same position, slight reduction in acreage?
- Gautam Goel:** I think in some areas we are better off than others. In some area we are pretty much similar to others. If you saw in our previous presentation, I think our cane development team has done a good job. Therefore, our reduction in cane availability as compared to our peers has been lower. We hope to maintain this progress.
- Udit Gupta:** Last year cane crush was around 38 lakhs, if I am not mistaken.
- Gautam Goel:** Yes.

- Udit Gupta:** Do we expect to go back to 42 or marginally here and there between 38 and there?
- Gautam Goel:** We are hoping we will be closer to 42 this year. Let's fingers crossed if the Weather Gods stay kind and everything else remains positive, the government allotments are fine, let's hope we are able to come to the target. Too early to give a prediction on it.
- Udit Gupta:** Get your point, sir. By when can we get a reasonable, like after the next one?
- Gautam Goel:** I think so. I think after the next call, we will have a very good idea on account of the overall crop conditions and health conditions for ratoon. Then plant cane also we start getting an idea.
- Udit Gupta:** The distillery part, sir, are we operating the distillery right now? Are we finished with our C-Molasses and B-Molasses?
- Gautam Goel:** At a considerably reduced capacity, we would probably shut down in about a month's time.
- Udit Gupta:** And sir, the stock that we have of ethanol and all of that, so that will carry on till we start production for the next season?
- Gautam Goel:** For ethanol, we would like to sell earlier than better, I mean, the allocated quantities are coming, we will start to try and sell most of our ethanol. We have some molasses which you will use just before the season starts. We have kept some ENA to have enough feedstock for our country liquor demand.
- Udit Gupta:** Sir, regarding the sugar inventory, do we expect it to last till December or so?
- Gautam Goel:** With the current release and there is no export, that would probably be the situation. But I am quite hopeful, I mean, I am hoping let's say that good sense will prevail, and we will get 1 million tonnes of export, then we will probably be exporting our quota and that should help us.
- Udit Gupta:** Sir, with the grain-based distillery coming online around mid-November as you said, so that will not impact the operations of the existing distillery when the season begins?
- Gautam Goel:** We have the option. If we find that it's worthwhile for us to divert more syrup and the pricing for grain ethanol and syrup ethanol as such, where it gives us that flexibility, we will try and maximize, we will divert some sugar, we can use grain distillery, we can use B-Molasses. So, we have those options available for us. As I mentioned before, we have been very judicious when it comes to spending capital on the distillery side, we deferred that greenfield expansion. And this grain addition is part of the interest subvention scheme which gives us adequate legroom to operate and flexibility to operate.
- Udit Gupta:** So, our capacity will be 3,12,500 on B-Molasses and this 100 KLCD is included in that part?
- Gautam Goel:** Yes. So, we have in the 312 about 110 is the capacity that we have kept the dual feed option.

- Udit Gupta:** But does the total capacity remains the same?
- Gautam Goel:** Yes, we have not augmented our overall capacity.
- Udit Gupta:** Sir, I was talking about the fact that with the plant installation and commissioning will it impact the existing distillery operations? Will it hamper it or something else?
- Gautam Goel:** We have completed planned for it.
- Moderator:** We take the last question for the afternoon from the line of Sanjeev Damani from SKD Consulting. Please go ahead.
- Sanjeev Damani:** I just wanted to confirm, I think that we have distilleries at two location. So, can you confirm that both of them can run on syrup?
- Gautam Goel:** So, we have one distillery in Asmoli, but that has two separate plants, if I talk, the capacity is about 110 kl on B-Molasses and 200 kl on B-Molasses, that's the capacity that we have in our Asmoli plant.
- Nalin Gupta:** It is just one location.
- Udit Gupta:** So, sir, if remunerative price is awarded for syrup, can we bring syrup from other sugar you need to consume here?
- Gautam Goel:** Syrup transporting isn't viable, but as we did last year, if we find that we are getting a better price for the refined sugar in Asmoli, we can make some raw sugar in our Meergunj unit and bring it here, that option is available with us.
- Moderator:** Thank you. That was the last question for the afternoon. We request you to get in touch with Navin Agrawal at SKP Securities for any unanswered or follow-up questions. I would now like to hand the conference over to Mr. Goel for the closing remarks.
- Gautam Goel:** Thank you. Thank you, everybody. Thank you for attending our concall. And as always, please do not hesitate. If you have missed out any questions, please do not hesitate to contact us on our e-mail, and we will try and revert that at the earliest possible. Thank you very much and have a wonderful day.
- Nalin Gupta:** Thank you very much.
- Moderator:** Thank you. On behalf of SKP Securities Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen. And you may now disconnect your lines.