



“Dwarikesh Sugar Industries Limited
Q1 FY 23 Earnings Conference Call”

August 01, 2022



Dolat Capital



MANAGEMENT: **MR. VIJAY S. BANKA - MANAGING DIRECTOR,
DWARIKESH SUGAR INDUSTRIES LIMITED**

MODERATOR: **MR. TEJAS SONAWANE - DOLAT CAPITAL
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Moderator: Ladies and gentlemen, good day and welcome Dwarikesh Sugar Industries Q1 FY23 Conference Call hosted by Dolat Capital. As a reminder, all participant lines will be in the listen only mode. And there'll be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Tejas Sonawane. Thank you, and over to you, sir.

Tejas Sonawane: Thank you, Mike. Good afternoon, everyone. On behalf of Dolat Capital, I would like to thank the management of Dwarikesh Sugar Industries Limited for giving us the opportunity to host their Q1 FY '23 earnings call. From the management team, we have with us today. Mr. Vijay Banka, the Managing Director.

Without further ado, I would like to hand over the call to the management for the opening remarks, post which we'll open the forum for a Q&A session. Thank you, and over to you, sir.

Vijay S. Banka: Thank you so much. Very good afternoon to all thank you friends for participating in this conference. Our quarterly results have been out. We have posted profit before tax of INR 56.70 crore and profit after tax of INR 39.7 crore. So our profit after tax is 46% higher than the profit that we had clocked at the corresponding quarter last year. Our top line has also grown well. Let me take you through the other numbers. Our total income was INR 648 crore, EBITDA of INR 75 crore. We compressed the finance cost which is at INR 7.77 crore and profit before tax of INR 56.70 crore, tax provisioning has been about INR 17 crore and profit for tax of INR 39.70 crore. So our numbers compare well with the numbers of the corresponding quarter last year.

During the quarter, we sold 15.29 lakh quintals of sugar, out of which 5 lakh quintals of sugar was sold for export purposes. And the rest was sold in the domestic market. So 10.29 lakh quintals of sugar was sold in the domestic market, which is vis-à-vis 9.64 lakh quintals of sugar that we sold in the domestic market in the corresponding quarter last year.

We've been able to moderate our inventory levels. Our inventory as on the 30th June is 13.3 lakh quintals of sugar, which is as compared to 25.39 lakh quintals of sugar inventory on the 30th June, 2021. Our inventory is valued at INR 3,179 per quintal. We've had industrial alcohol, basically, ethanol sales of 156 lakh liters, which again is a significant improvement over what we had sold in the corresponding quarter last year, which was about 112 lakh liters.

So, the higher top line that you have seen is mainly a function of higher sugar sales and higher ethanol sales.

We have term loans outstanding of about INR 300 crore as on date and one of the loans is the soft loan, which the state government of Uttar Pradesh had given. And there are two distillery loans, which and all the loans are at subsidized rate of interest. Our crushing operations concluded on the 24th of May at the DN Unit, the other two units that concluded earlier the DP Unit had concluded on the 23rd May and the Dwarikesh Dham Unit it had concluded much earlier on the 20th of April. We had similar crushing numbers during this season 378.18 lakh quintals vis-à-vis 378.36 lakh quintals in the last crushing season. So approximately 18,000 quintals less sugarcane we have crushed.

And we've sacrificed about 58,800 metric tonnes of sugar, this number is higher as compared to the number of last season, mainly because in the Dwarikesh Dham Unit also we have generated B-Heavy molasses whereas in the previous season, we have generated C-Heavy molasses. Project that we had embarked upon the distillery project at Dwarikesh Dham Unit was commissioned on the 24th of June, 2022. The first production of ethanol happened on the 7th of July, 2022. So from then, till now, till the month end, we produced about 39 lakh liters of ethanol. The plant is under stabilization. There are small issues which are -- but natural and

expected. So those are being handled and we should be able to go on full throttle in about a week or 10 days from now.

I now open the forum for questions. Thank you very much once again team Dolat and I invite the participants to ask any questions.

Moderator: We have the first question from the line of Sanjay Manyal from ICICI Securities. Please go ahead.

Sanjay Manyal: Sir, just few questions, if I look at your inventory at 1.33 lakh tonnes then I believe currently the way you are getting the quota it should be exhausted by October?

Vijay S. Banka: November.

Sanjay Manyal: Okay, okay. By November. Right, sir. And sir what is our working capital debt as on June?

Vijay S. Banka: As on date it's zero, we have surplus as on date.

Sanjay Manyal: Right, right, right. And so I think the refining capacity, which we have mentioned last con call that you will be setting up the refining capacity, can you give some details of that in the sense when it will be commissioned and what would be the capacity?

Vijay S. Banka: No, we were actually contemplating setting up the refinery during this off season, but unfortunately the machinery vendors, & suppliers, they are all extremely hard pressed and it'll not be possible. We would not want to disrupt our regular crushing. So we are going to start the process sometime in January '23, so that we are fully prepared for setting up & making the refinery during the season '23-24.

Sanjay Manyal: Okay. And what would be the capacity of -- I mean, what will be the percentage of...

Vijay S. Banka: in one plant we will produce refined sugar.

Sanjay Manyal: So about one-third could be the...

Vijay S. Banka: Yes, one-third of the production you can say so, but one must also keep in mind that in the coming season since we are going to be using juice and nearly 20% -25% of sugarcane juice will be diverted for ethanol. So, the sugar production will accordingly come down.

Sanjay Manyal: Right. Right. Sir, on the -- if you can give some color about the fact that if we are looking to set up any or if we are looking to set up any grain based distillery or are we contemplating anything like that?

Vijay S. Banka: Yes, we are examining it, but as I mentioned in my earlier earning calls also, we are self sufficient and self reliant in so far as our molasses requirement is concerned. We will neither be able to spare molasses beyond what we are sparing for country liquor purposes, nor will we be required to buy molasses from outside sources. So, our production metrics is such that, we will have enough juice and molasses for more than 300 days of working on distillery at both the units.

Sanjay Manyal: Right, right. No, my question basically, what I was trying to understand that is it possible to set up a standalone grain based distillery, maybe not inside your complex, but somewhere outside where the availability of grain is sufficient, maybe in Eastern UP or maybe in any other states where the availability is sufficient.

Vijay S. Banka: No, we aren't contemplating anything like that. If at all, with some minimum investment, we can equip our existing distillery such that it is able to use grains also as feed stock, so that in an unlikely event of there being molasses being scarce, which I don't think so, we can switch over to grains.

- Sanjay Manyal:** Right, right. And just few bookkeeping questions, sir, what will be our molasses inventory and at what price it would be valued?
- Vijay S. Banka:** No, our molasses inventory is valued at INR 1,030 a quintal and we have, one moment, let me see how much molasses we have. We have molasses in both the distilleries and in DD Unit and as I had mentioned, we would have molasses enough to produce about 100 lakh to 120 lakh liters of ethanol out of which 38 lakh liters of ethanol we have already produced at our new distiller. And in Dwarikesh Nagar we have molasses enough to produce ethanol until September, October after which we will obviously have a shutdown of our plant for annual maintenance before we embark upon the next crushing season.
- Sanjay Manyal:** Okay. Okay. Yes. And just last one if you can give some guidance on the income tax rate for '23 and '24?
- Vijay S. Banka:** See income tax rate we must assume that it will be anything above 30% because. Our cash outflow is going to be lesser because we have some MAT entitlement available. So while our cash outflow will be less, but considering the deferred tax adjustment etc. is concerned, the effective rate will be 30% plus before we switch over to the lower tax regime in about two years time from now.
- Sanjay Manyal:** So from FY '25, maybe we can switch over to the 25% tax.
- Vijay S. Banka:** We may in 23-24 possibly.
- Moderator:** We have the next question from the line of Pratik Tholiya from Systematix. Please go ahead.
- Pratik Tholiya:** Just sir firstly, if you could just share some light on the monsoon and subsequently the acreages in your command area, because what we are hearing is that the monsoon has been rather very weak in the entire UP. So if you could just give some more color on that front?
- Vijay S. Banka:** Sure. Well, the monsoon has been rather weak this time, but we had some good rains in the last three, four days. So we have to look at this problem from Bijnor district point of view as well as from Bareilly district point of view. Now in Bijnor district, most of the area is irrigated except for some small pockets, which are rainfed. So we don't see much of a problem there. Area under sugarcane cultivation in any cases higher than what it was in the last year. In Bareilly district, yes, inadequate rainfall would stunt the growth of sugar cane, but we are hopeful that with some rains happening in the coming days, I think, we should not have any issues on that front.
- Pratik Tholiya:** So sir, net-net for us as a whole, the cane availability would be better than last year or flattish?
- Vijay S. Banka:** Flattish to better -- flattish with an upward bias I would say.
- Pratik Tholiya:** Okay, understood. And sir, what is the current sugar prices prevailing in the market?
- Vijay S. Banka:** See, after the announcement of this additional exports of about 12 lakh quintals the prices have moved up. Earlier the prices were in the range of INR 3,450 to INR 3,460 a quintal. Now the prices have moved up and they are over and above INR 3,500 per quintal.
- Pratik Tholiya:** INR 3,500?
- Vijay S. Banka:** Per quintal, but we do expect some more improvement in the prices in the coming days.
- Moderator:** We have the next question from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** Sir, couple of things I wanted to check one is, in terms of the variety of sugarcane we hear that there were some issues with respect to 238 and the flooding and consequently yield drop and all, can you help us understand your perspective on this, how much is 238 out of your total

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cane crushing? And how do you see -- are you also working on any other variety which can replace this 238 over next one, two, three years?

Vijay S. Banka:

Yes. The variety 0238, which was touted to be the wonder variety, and which has in fact given wonderful results for sugar mills in UP. It is become little prone to the red rot pest attack and this is more pronounced in the Eastern UP and the central UP. It's less pronounced in fact is not felt at all in our Bijnor district unit. It's very minimal. So in Bareilly unit, yes, it stunted the growth of sugarcane and the recovery also has suffered. So we are working on a plan to replace this particular variety and we expect that the density of this variety will come down by about 70% by the third season from now. And we expect about 12% to 15% replacement in the coming season itself for the season '22-23.

So, we are working on that very seriously. So we will have replaced that variety, 0238 by other varieties to the extent of 70% in three seasons from now. Now the varieties, which will replace this particular variety are 15023, 118, 14121 etc. So there are three to our varieties, which are equally good and in fact 15023 is supposedly better and is learnt that that it will perhaps have more sugar content than 0238. So we are working on that particular variety.

Of course, real results will be known only when we will get the supplies of that particular variety in big numbers. And so far as Bijnor district is concerned, we are working on improving the longevity of 0238. So for that what we are doing is we are encouraging the farmers to use good amount of pesticide, follow good irrigational practices, good agronomic practices. So, there is no threat of this variety being prone to any pest attack. But, we are ensuring there again, in a phase manner, we will try and replace with these varieties.

Achal Lohade:

Understood, understood. Is it the case with all the other sugar mills or you think the other mills are lagging behind?

Vijay S. Banka:

No, you have to divide the UP into three parts. So the Eastern UP is more prone, Central UP is little less prone and the West UP is not so much prone.

Achal Lohade:

Right, right. Understood. Sir my second question was given the rain deficit as of now in UP, do you see a risk to the yields, have you seen in the past any inadequate rains having an impact on the yield or recovery rate?

Vijay S. Banka:

I answered this question a little while ago. So in Bijnor district most of the area is irrigated except for some pockets, which are rain fed and therefore dependent on rain. So that's the scene in Bijnor district. And so far as Bareilly district, yes, rainfall is very much required and we have had some decent training in the last three, four days. We do expect that the deficit should be made good in the month of August.

Achal Lohade:

And it was to make it up in August, there is no impact on the yield as such, right, yield and recovery rate?

Vijay S. Banka:

No, no it will be mitigated substantially.

Achal Lohade:

Understood. And in terms of the exports can you help us understand what is the current status, how much is already gone out? And is it possible to know how much of that is white sugar and raw sugar?

Vijay S. Banka:

See, so far as we are concerned, we've exported about -- in the first tranche, we exported about 25,000 metric tonnes, which was captured in the results of FY '21-22. In '22-23, we have dispatched for exports 50,000 metric tonnes of sugar, which we expect that shipment will happen in a day or two from now. So, we do INR transaction, so except for collecting documents etc., we are not so much concerned about the actual shipment. It of course has to happen and we have to get the document so as to establish the trail of export, but we get our money up front. So there is really no problem.

As far as country is concerned, ISMA meeting we had in last month in the month of July and we had discussed a number of 9.4 million tonnes of sugar already being done. So, we expect

by 30th of September with this additional 12 lakh tonnes being allowed, we should complete export of about 110 lakh tonnes of sugar.

- Achal Lohade:** Right.
- Vijay S. Banka:** And I don't have breakup of white sugar & raw sugar immediately. Maybe I can get it and share it with you.
- Achal Lohade:** That would be wonderful, sir. And just one more question, in terms of the -- for your distillery how much of the sugar is under B route and C route as of now?
- Vijay S. Banka:** No, in the season '21-22 season, we did not generate C-Heavy molasses at all. Now C-Heavy molasses, according to me is a thing of past now. So all sugar mills are now generating B-Heavy molasses because in case of ethanol made of B-Heavy molasses their price is remunerative. So, the question of generating C-Heavy molasses as such does not arise except for some mills who perhaps may be generating C-Heavy molasses to fulfill the country liquor requirement, but we have generated B-Heavy molasses even for fulfilling the country liquor requirement. So that's it. What exactly was your second question on this?
- Achal Lohade:** And so in this B-Heavy, how much sugar have we sacrifice? Is it 1.7%? Is it 1.8%? And what maximum can we sacrifice?
- Vijay S. Banka:** It depends, like 378 Lakh quintals we have crushed in the last season and we have sacrificed sugar production of 58,800 metric tonnes. So that translates to, one moment, 58,800 divided by 378. So roughly 1.56% of sugar is sacrificed.
- Achal Lohade:** And how much maximum can we go to? Can we go to 4%, 3%? Is it doable?
- Vijay S. Banka:** Not, not on B-Heavy molasses, the range is from 1.3% to 2%, I mean, 2% also if you sacrifice that kind of sugar, one is always running a risk of formation of crystals of molasses during the off season. There is a particular brix beyond which one cannot go. If one goes beyond that particular brix, there is a small possibility of deterioration in the quality of molasses.
- Moderator:** We have the next question from the line of Nikhil Gada from Abakkus. Please go ahead.
- Nikhil Gada:** Yes. Sir my question is on the exports front. Sir, first of all, could you help us with the realization that we got for this export order?
- Vijay S. Banka:** So, the first time we did export, we had got FOR rate of about INR 34,500 PMT. And this time the rate was closer to INR 35,000 a metric tonne. So, the transportation logistic cost, etc., is roughly INR 2,000 a metric tonne. So ex-factory realization is anything between INR 32,500 to INR 33,000 a metric tonne.
- Now the big advantage when one is doing exports by producing raw is that there is saving in the production cost as it comes down and then the recoveries are also better and then because of the export, there is faster cash flow rotation. So, all these result in a benefit of another INR 1,000, INR 1500 metric tonne. So, the realization accordingly, if you equate, will be about INR 34,500 a metric tonne, which is what has been the domestic market price.
- Nikhil Gada:** Exactly, sir. So the reason to ask this is that since we have done sort of up fronted a decent part of the sales of our sugar and if we felt that the sugar realization was going to increase from here. So any specific reason that we went ahead with this large chunk of export also?
- Vijay S. Banka:** No, I'll tell you, we cannot be so much futuristic. We cannot think so much futuristic in our business. So, you see, now the sugar prices can be better in the month of August, September and October before the new season starts and we will sell sugar as much a quota as we are going to get. Nobody can sell more sugar than what the kind of quota they're going to get. So, once new season starts and with the arrival of Maharashtra sugar in the market, the prices again will be subdued for a couple of months.

So, in fact, we are largely benefited because our cash flow movement has been that much more faster. So, I don't think that we should have taken a call like that.

Nikhil Gada: Understood. And then with the inventory that we have at hand and you sort of mentioned that by November, we'll be able to exhaust it. So then the quota this time around would be much lower than what we had same quarter last year, right?

Vijay S. Banka: No, this quarter, we already have the quota for the month of August. July quota we have already received & sold, August quota we have received. So, it is more or less the same quantity that we have received in the earlier quarters.

Nikhil Gada: Understood, sir. And sir, just on the crushing part, if you could highlight in terms of the recovery rate, you given it from a sugar season perspective, but from the quarter perspective, if I look at for Q1 FY '23 versus Q1 FY '22, was there fall in the recovery rate?

Vijay S. Banka: See, it's very difficult to answer this question. Nonetheless, I'll give you the numbers crushing during Q1 FY '23 is 79.42 lakh quintals vis-à-vis 75.16 lakh quintals in the corresponding quarter last year. So our crushing is up anything between 5% and 6%. Now sugar production during this quarter was 8.96 lakh quintals as compared to 9.01 lakh quintals in the corresponding quarter last year. In the corresponding quarter last year, in our DD unit, we have generated, C-Heavy molasses. So the numbers cannot be strictly comparable. I mean, we cannot jump to the conclusion that the recovery is lower during this quarter. Yes on gross basis, yes, the recoveries, I would say, has been a little on the lower side which is mainly because the summer months were extremely hot in UP.

Nikhil Gada: Understood. Sir just last one, if I may. So now with the new ethanol distillery up and running, any ball point number that you can give, what can be the peak amount of production now with from both the units together in ethanol?

Vijay S. Banka: So we can do 11 crore liters a year from both the units once, if you consider one full year, we can do about 11 crore liters, 5.5 crore liters each from both the units.

Nikhil Gada: And this is up after optimizing all the...

Vijay S. Banka: Yes, yes, yes. We have some teething problems, but they will all get ironed out in quick time from now.

Moderator: We have the next question from the line of Anupam Goswami from B&K Securities. Please go ahead.

Anupam Goswami: Congrats on the good set of numbers.

Vijay S. Banka: Thank you, sir.

Anupam Goswami: Sir, my first questions on the recovery of the next season that is going to come. Sir, how do you see the recovery this time? Because the last time you see was a little affected with the current rains and the monsoon and what is expected going forward and you mentioned that you have about 12% to 15% of the replacement of new variety. Where do you see the recoveries? Is it flattish or is it anyway higher than the last season?

Vijay S. Banka: From season to season perspective, I definitely expect that our recoveries will be better in the coming season. I mean, let me assure you that we are just not happy with the kind of recovery that we have had in the last season. It was 12.01% on gross basis as compared to 12.32% in the previous season. So a drop of 31 basis points. We are definitely not happy with that and we are working on it and we expect that the recovery would be better in the coming season.

Anupam Goswami: And this drop was mostly due to the rainfall, right?

Vijay S. Banka: Rainfall and red rot attack in the Bareilly combined area.

- Anupam Goswami:** Okay.
- Vijay S. Banka:** Okay. So our recovery drop in both the units in Bijnor district was not so much. Whereas the recovery drop in the Bareilly unit, which was actually more prone to the red rot attack there the recovery drop was more pronounced. It was 65 basis points.
- Anupam Goswami:** Okay.
- Vijay S. Banka:** Yes.
- Anupam Goswami:** So when you said that recovery could be a little higher next season, so this two rainfall and red rot disease that factor might be a little less next season, right?
- Vijay S. Banka:** Yes. I mean, it's too early to talk about the impact of the rainfall, but if there are good rains in the month of August, the problem can be mitigated largely, or at least to a substantial extent. From the perspective of red rot, yes, we are bringing about varietal changes in the command area of that particular unit. So we expect 12% to 15% replacement of this variety 0238.
- Anupam Goswami:** Understood, sir. Understood. Sir, my next question is on a little long term since we had a very good year last year also in terms of production, very high production and it's my estimates also slightly higher production even next year. So last how the export dependency, do you see how much export can be dual and export at the same rate of the current season next?
- Vijay S. Banka:** Yes. You see, you are very right, last year all the favorable factors, colluded and India become kind of a powerhouse so far as export is concerned, and we expect that 11 million tonnes of sugar will be exported which is a phenomenal achievement, but yes you are right, this kind of performance cannot be repeated year-on-year basis. So ISMA has assessed the numbers, India is estimated to produce about 35.5 million tonnes of sugar in the coming season and in order to maintain the 6 million tonnes of closing stock as on 30th September, 2023, we have requested the government to allow export of 8 million tonnes of sugar. We have asked, requested for export of 8 million tonnes of sugar.
- So, the international prices, they vary substantially, sometimes the prices are good. Sometimes the prices drop a little, but generally considering the better prices that are now prevailing and plus the rupee-dollar parity, which is favorably for exports. I mean, an early announcement of export policy will help sugar mills to enter into contracts at the opportune time. So '22-23 season should not be a problem if the government announces an export policy early. But yes, from the long-term perspective, yes, more and more sacrifice of sugar should happen in favor of ethanol, which is what we have requested the government, but the major sacrifice will come if more and more mills use sugarcane juice as feed stock for making ethanol. That is where the real sacrifice will come that is where I think as a country, we should be able to cut down the sugar production by about 30% or so.
- Anupam Goswami:** If the export prices sees about 18.5 or 18 or so is 8 million tonne possible from India?
- Vijay S. Banka:** Yes, I mean, maybe not from the UP state, but yes Maharashtra, Karnataka yes, they kind of -- I mean, contacts for about 8 million tonnes is perfectly possible mainly because, number one Maharashtra, the sugar mills in Maharashtra they save on the transportation and logistics costs. And number two, their comparison with the domestic prices is with the prices prevailing in Maharashtra and Karnataka, which is about INR 200 a quintal lesser than the price at which, sugar is sold by the UP sugar mills in the domestic market.
- Moderator:** We have the next question from the line of Shailesh Kanani from Centrum Brooking. Please go ahead.
- Shailesh Kanani:** Fine, sir. Thank a lot. So my question was with respect to sugar capacity expansion sir you had mentioned that, we have kind of utilized the complete crushing capacity with respect to distillery facility. So are we planning anything on that front for increasing the sugar capacity?

- Vijay S. Banka:** Yes, we plan to increase our crushing capacity. So we will commence the process sometime in January so that our capacity gets expanded as we enter the season '23-24.
- Shailesh Kanani:** Okay. And what kind of capacity expansion we are looking at sir, on that front?
- Vijay S. Banka:** We are going to add some balancing equipment and what is 21,500 TCD now can go up to 24,000 TCD or so.
- Shailesh Kanani:** Okay. And we feedstock was the same, the cane command area would increase accordingly for that?
- Vijay S. Banka:** There is going to be increase, of course, in the command area and so far as cane availability is concerned. If a sugar mill is able to draw more sugarcane per day so the diversion of sugarcane for the alternative sweetness, it comes down. So, the sugarcane availability for the sugar mills becomes higher. So that is one benefit, which the sugar mills get when they increase their capacity. And secondly, of course, this will also ensure that we do not end our crushing in the hot month of May. So, this will help our recoveries also.
- Shailesh Kanani:** Okay. Actually broadly what I wanted to understand is that how easy or how difficult it is to increase the TCD, given that it would depend upon the availability of feedstock. So, there are no hindrance or there are no bottlenecks, or there are no concerns on that front, right?
- Vijay S. Banka:** No, sir. Let me tell you that in a phased manner we have increased the crushing at our Dwarikesh Nagar unit. So we have from within the same command area, we have been able to have enough feedstock.
- Shailesh Kanani:** Okay, fair enough. Sir, second point was again on the rainfall front, which would be the time where we get a more balanced or more pragmatic view on how has been the rainfall front, because I understand right now it is still early season. So what is the timeframe by which we'll get a better idea about the deficit or the surplus of rainfall for us?
- Vijay S. Banka:** So we will have clarity by September end because we don't want rains in the month of September there, not excessive rains at least. More than the lack of rains, the extra rain that we get in the month of September is more counter-productive.
- Shailesh Kanani:** Fair enough. Sir just last question from my side, sir on the international front any latest figures you are talking about of Brazil's production because I believe, first half has been good for Brazil, production has been going on first half of July. It has picked up. So any, revised figures or estimates for the year where Brazil is going to end this year?
- Vijay S. Banka:** No, as of now, the international prices indicate that for ethanol is going to occupy more important space in the production metrics of Brazil, which means ethanol production will be higher. Some minor adjustments are always possible, but center stage will be occupied by ethanol in their production metrics. So, well, Brazil production could go up a little higher, but we have an indication that the production might be lower from European Union. So, a lot of factors play and more clarity will come in the days to come.
- Shailesh Kanani:** Okay. So 34 million, 35 million were the initial assumptions, we are working on the same assumptions, 34 million, 35 million tonnes assumption of Brazil.
- Vijay S. Banka:** Yes. More or less, more or less.
- Moderator:** We have the next question from the line of Sanjeev Kumar Damani from SKP consulting. Please go ahead.
- Sanjeev K. Damani:** I'm very fine, sir. Sir, I wanted to have the closing stock as on 30th June of sugar, ethanol and molasses. Can I have it?

- Vijay S. Banka:** One moment, sir, sugar stock is 13.3 lakh quintals, molasses stock, I don't have the number offhand, but just a moment, and in case of ethanol is we go hand to mouth. There is hardly any stock sir. Because let me explain sir, the month of June and thereafter the supply of ethanol to the ethanol depots, these are considered to be lean months. So, ethanol depots are always hungrier and more eager to lap up, whatever ethanol we supply them. So our closing stock now of ethanol is hardly anything.
- Sanjeev K. Damani:** Actually, I wanted to know this also, whether, we have to push the OMTs lift or they really become...
- Vijay S. Banka:** No, no, no, sir. There has been no problem. Now all the issues which were hitherto there have all been ironed out and in fact, there is pressure from the food ministry and from the oil marketing companies that we should fulfill our contractual obligations come what may, if possible, give them additional quantity of ethanol. The country as a whole has achieved a run rate of 10.17% blending till a week ago. That's a healthy rate, but this rate can turn into less than 10% rate if the supply in the next three, four months is leaner. So we are left with four months, July, no July is over August, September, October, three months we are left with and November also, yes, four months. So, the supply has to be as brisk as it was in the earlier months, so that country as a whole is able to achieve more than 10% blending.
- Sanjeev K. Damani:** Sir, I want to confirm with you that government has recently allowed INR 1.50 extra per liter for molasses in all categories, is it correct?
- Vijay S. Banka:** Yes, sir, it is announced, but with the covenant that we should fulfill the contractual obligation only then we get the incentive.
- Sanjeev K. Damani:** Okay. So on the completion of the contractual, we will get extra payment also.
- Vijay S. Banka:** Correct. Correct. Correct.
- Sanjeev K. Damani:** Okay. Now, sir, I also hear that open market prices for ENA has gone up to INR 56 or INR 55 or INR 59. I'm not confirmed about it.
- Vijay S. Banka:** No, no. It's not the case that I have not heard of such sharp increase in the price of ENA. We don't much track the prices also because we have already fulfilled our obligation of giving B-Heavy molasses for country liquor purposes.
- Sanjeev K. Damani:** So this year, sir, you only made B molasses so what about levy, how did you supply the levy molasses?
- Vijay S. Banka:** So there is a formula, sir, it is 18% in case of C-Heavy, in case of B-Heavy, it is 13.06%.
- Sanjeev K. Damani:** So that's suffice.
- Vijay S. Banka:** Reduced quantity of B-Heavy molasses because obviously country liquor manufacturers, if they use B-Heavy their production of spirit ENA or whatever it is will be higher. So the obligation is to give them lesser quantity of B-Heavy molasses. So it's equated between B and C.
- Sanjeev K. Damani:** Okay, sir. And sir what about making ethanol directly from juice or syrup, are we thinking about it?
- Vijay S. Banka:** Yes. In the coming season, we are going to do that sir, in the coming season, we are going to use juice for making ethanol directly.
- Sanjeev K. Damani:** Based on last year's historical data from one tonne of sugarcane, which cost you about INR 3,500, if I'm not mistaken or wrong, so how much ethanol we will be able to make from this quantity and what will be our revenue of directly made this thing that at the rate of around 65 we will be supplying this. So can you kindly explain?

- Vijay S. Banka:** Sir, it equates to a price of Rs. 3500 per quintal of sugar -- you see from 1 tonne sugarcane you get about 81 liters of ethanol
- Sanjeev K. Damani:** 81.
- Vijay S. Banka:** 81 liters. Yes. Yes. So, it equates to a price of nearly INR 3,500 plus per quintal of sugar and this price is going to go up as the ethanol price is already higher by INR 1.5 per litre. So I'm talking about the historical price of ethanol for '21-22, not the increased price. And then we expect further improvement in the price of ethanol.
- Sanjeev K. Damani:** Next season you are anticipating higher price allocate.
- Vijay S. Banka:** Yes. And we have requested the government to fix a higher price for ethanol made from juice directly because that is where the real sacrifice of sugar will happen. That is where we can see the possibility of sugar production coming down by about 30%. So we are at a gross level, we are a 40 million tonnes sugar producing nation now and our consumption is 27 million, 27.5 million. So have to moderate our production substantially.
- Sanjeev K. Damani:** Right, sir. So, I mean, if I'm not wrong, sir, you know, this INR 3,500 cost will yield us almost about INR 5,000, directly. Am I right, sir somewhere? If supposedly get 81 litter approximate. Hello?
- Vijay S. Banka:** Yes, tell me, sir. Please go ahead.
- Sanjeev K. Damani:** So with this 1 tonne produced, we can make -- actually now what is molasses that we get yielded of in terms of rupee, whether we consume or sell outside when we process one ton of sugarcane.
- Vijay S. Banka:** Sorry, sir actually, this involve a lot of mathematics and lot of computations
- Sanjeev K. Damani:** Okay. Okay. So no problem, I thought in 1 tonne of...
- Vijay S. Banka:** I cannot explain to you in simple terms
- Sanjeev K. Damani:** But sir, 1 tonne of sugarcane when process, how much bagasse is available, sir, how much kgs of bagasse?
- Vijay S. Banka:** 30% of bagasse is available. Typically one unit of sugarcane has 30% bagasse in it, about 14% of sugar out of which about 12% of sugar is possible to extract. And then, it has about 4% to 5% of molasses and the rest is water.
- Sanjeev K. Damani:** Sir I want to do hurry because otherwise they will remind me of not asking more questions. Last question is, sir you told me 13.0 lakh quintals so it is amounting to 1,33,000 metric tonne of stock right now, as on June. Am I right, sir?
- Vijay S. Banka:** 1.33 lakh metric tonnes.
- Sanjeev K. Damani:** Out of this you told us that 58,000 metrics tone is just now going.
- Vijay S. Banka:** No, we have sold 50,000 metrics tonne of sugar for export and it has already moved out our mills on the 30th of June, 2020.
- Sanjeev K. Damani:** Okay, sir. Okay. Okay.
- Vijay S. Banka:** This entire stock of 133,000 metric tonnes of sugar is available to us for sale in the domestic market.
- Sanjeev K. Damani:** Okay, got it, sir. Just the last question, sir, means these days we have to push to sell our sugar as per quota, or there is a good demand? People lift it, you know, distributor or stock is the lift the sugar easily or we have to push to sell?

Vijay S. Banka: Sir, the prices have been flattish, so there has been some effort involved in selling, but, I mean, sugar gets sold on cash. There is no credit that is extended on sale of sugar. So as such sugar gets sold

Sanjeev K. Damani: Also there was no demand out loud was not the situation in summer also.

Vijay S. Banka: No, there wasn't a very much I mean, well, the pipelines may have had adequate stock. You see when do the trader buy and procure more sugar when they, number one, if the pipeline is empty and number two, if they think that the days ahead the prices are going to rise, that is when they try to replenish their pipeline, they fill it up. So it is a function of demand and supply, yes. But other than that, the expectation of the availability of sugar & its price in future.

Moderator: We have the next question from the line of Nimis Sheth from GT Advisory. Please go ahead.

Nimis Sheth: Congratulations. Very good numbers. Congratulations to you and your team for getting the new distillery started on schedule.

Vijay S. Banka: We are also -- it's all because of your blessings, good wishes also, sir.

Nimis Sheth: That will be there. Now we want to give you more blessings and that's possible if you give us a higher dividend payout. So we are hoping that you now with so much cash flow and not too larger CAPEX ahead of you, you will focus on paying down debt, using some of your profits towards funding of your finish goods inventory and of course a good payout to us.

Vijay S. Banka: No, no, sure, sir, we have been liberal and we will continue to liberal in our payouts, but one quarter doesn't give you an indication of how the full year will be

Nimis Sheth: I'm not talking, but you have a 100% increase in your capacity of ethanol. That is a good cash flow business and given a stable outlook for the cane in your region, I think you should have good cash flows at least from the ethanol business.

Vijay S. Banka Let's hope so!

Moderator: We have the next question from the line of Udit Gupta. Please go ahead.

Udit Gupta: Sir the sugar inventory that we are holding on 30th June, sir, what is the valuation of that sir?

Vijay S. Banka: INR 3,179 per quintal, sir.

Udit Gupta: Okay. And sir, this one, so next year you said that we can produce about 11 crore liters of ethanol, in '23 how many liters are we expected to produce, sir?

Vijay S. Banka: Sir our second plant has just begun operation. So we will have the benefit of this plant running for three quarters, not exactly full three quarters, two quarters plus, and the first plant will work for four quarters. So from first plant, we'll get about 5.5 crore liters and from this plant, let's say, conservatively about 3 crore liters. So 8.5 crore liters is what we expect to produce in the FY '22-23.

Udit Gupta: Okay. And sir, what is the processing cost of ethanol per liters for us? And is it expected to come

Vijay S. Banka: Processing cost it depends, it varies between INR 10 a liter to INR 15 a liter, depending upon what the efficiency levels are. So, it is not that the processing cost is lower for ethanol made directly from sugarcane juices, because there's going to be bagasse consumption etc. But well, the range is between INR 10 and INR 15 a liters, sir.

Udit Gupta: And that is not expected to come down like similar...

Vijay S. Banka: I mean, if we are efficient, yes, it'll come down. It'll be towards the lower end of the range that I had given now.

Moderator: That was the last question. I would now like to hand it over back to the management for closing comments.

Vijay S. Banka: Thank you very much. Thank you everyone for participating in this investors' conference -- in the earnings call conference. I'm delighted to share our views with you all and happy to receive questions from you. I look forward to your continued support and guidance and encouragement in the times to come. I now hang up with the assurance that we'll continue to be as efficient or in fact, more efficient than what we presently are. Our job is to churn out as good performance as is possible given the constraints, given the parameters of the industries within which we operate. Thank you very much. Thank you, once again.

Moderator: Thank you. On behalf of Dolat Capital that conclude this conference. Thank you for joining us and you may now disconnect your lines.

Vijay S. Banka: Thank you.