



“Dwarikesh Sugar Industries Limited
Q1 FY2021 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Dwarikesh Sugar Industries Limited Q1 FY2021 earnings conference call, hosted by Dolat Capital Markets Private Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Archit Joshi from Dolat Capital. Thank you and over to you Sir!

Archit Joshi: Thanks Raymond. On behalf of Dolat Capital, I welcome all participants to the Q1 FY2021 Earnings Conference Call of Dwarikesh Sugar Industries Limited. We have with us today Mr. Vijay S. Banka, Managing Director of Dwarikesh Sugar Industries Limited. Without further ado, I would like to hand over the floor to Mr. Banka for his opening remarks after which we will have floor open for the Q&A round. Over to you Sir!

Vijay S. Banka: Very good afternoon to all. I welcome you all to the Q1 FY2021 Earnings Call Conference. I must also thank Dolat Capital for hosting this conference.

We have had a decent first quarter. Our total income was Rs. 441 Crore, EBITDA Rs. 51 Crore and EBDT Rs. 35.5 Crore, profit before tax Rs. 25.52 Crore. Vis-à-vis Q1 of FY2020, all our numbers in absolute terms as well as in percentage terms are better. Our PAT is lesser than what it was in the corresponding quarter last year which is because of the higher provisioning of taxes during this quarter. Considering the fact that we operated in this particular quarter that captures the result of lockdown period, I must look back at the results with a sense of satisfaction. The results could have been better, had the sales of sugar been brisk and had the lifting and sales of ethanol been brisk.

Thanks to the Government of Uttar Pradesh and thanks to the Government of India, we had uninterrupted crushing operations as sugar was classified as an essential commodity industry. Demand destruction though happened and some estimates put the demand destruction at about 1 million tonne & some stretch it up to 1.5 million tons. Whatever the number be, the Government of India managed the situation very well. They regulated the releases and gave releases on the lower side. I must confess though that there was pressure on the selling price of sugar. The sugar price at which the sugar was sold were lesser than the price at which we sold sugar in the previous quarter. Having said that I must now say that normalcy seems to have returned. Release

quantity is also being increased and we are seeing brisk sale. In this quarter we sold about 12.56 lakh quintals of sugar which included 6.06 lakh quintals of exports.

I must add here that our sales numbers got impetus from the export numbers. Though there were challenges at the port, though there was restricted movement, we somehow managed the situation and were able to ship out about 6.06 lakh quintals of sugar. Now, government has announced another redistribution of the export quota under which we have received an additional quota 1.99 lakh quintals. We are in the process of executing the same. From the distillery perspective, the lifting got impacted because all the oil making depots were stocked fully for ethanol even as the fuel consumption was on the lower side. So this led to reduced offtake. We were offered a choice of supplying our ethanol to far flung depots, which we did but I must say here that sales could have been better had there been no lockdown and if we had operated under normal situation.

Going forward, although normalcy seems to have returned in the case of sugar space, ethanol space will become normal maybe after another quarter. Therefore, in Q3 and thereafter, we should see ethanol operations on full swing. All in all it has been a decent quarter even as we are saddled with the huge stock. As on June 30, 2020 we are carrying a stock of 28.98 lakh quintals of sugar

I must also add here that government of India is contemplating Rs.2 per kg increase in the MSP, (minimum selling price) of sugar ex-factory. This will be a welcome move. This will of course be coupled with Rs. 10 per quintal hike in the fare & remunerative price of sugarcane. If approved, these prices could become effective from October 1, 2020. So this augurs well for the sugar industry and we look forward to the full year with the essence of optimism. Thank you very much. Now I will invite questions from you all.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sanjay Manyal from ICICI Direct. Please go ahead.

Sanjay Manyal: Congrats for a good operation numbers. Sir, just few things now our distillery operations have been impacted, so what is the contract which we have done with OMCs and how much probably they have lifted this year and how we would be able to supply for full year period?

Vijay S. Banka: We had contracted to sell them about 2.4 Crore liters of ethanol but lifting during the quarter was curtailed. We have sold about 43.5 lakh liters of ethanol in the last quarter and we expect similar or higher number in the ongoing quarter but thereafter we expect brisk numbers to come in.

Sanjay Manyal: Sir our capacity is approximately I think if I cannot recall last time you mentioned that we probably can do on a FY2021 basis, we can do 3.7 Crore liters, is it?

Vijay S. Banka: Effective November 1, 2020, our capacity will be 130 KLPD, which will of course include some amount of manufacture of ENA also. Therefore in Q3 and more particularly in Q4, we will have full-fledged distillery operations. In Q4 we can manufacture and sell around 130 KL x 90 days of alcohol. In Q3 also, we will have good numbers. I am not too sure whether we will be able to do 3.4 Crore liters, but we will try and maximize our ethanol sales.

Sanjay Manyal: One thing on the sugar volume side, so even now our run rate has been 1.2 lakh MTs so sometime it is 90,000 MTs domestic and 30000 MTs exports or sometimes like this quarter it is 60:60, so is it possible that, what I understand even Q2, you have some exports in the third tranche in your company, so probably your numbers should be somewhere around 1 lakh tonnes per quarter, from now onwards we can say that?

Vijay S. Banka: Q2 sugar sales could be more than 1 lakh metric tonnes as we will be doing export of more than 20000 metric tonne (partially leftover from the previous redistributed quantity and the 1.99 lakhs quintals that we have been now allotted). In the month of July we have had a quota of more than 3 lakh quintals and in the month of August our quota is close to 3 lakh quintals. Assuming our monthly domestic quota for September is also 3 lakh quintals the domestic sales will be nearly 9 lakhs quintals and export will be about 2 lakh quintals plus. So to sum up our sales for Q2 could be around 1.1 lakh metric tonnes.

Sanjay Manyal: Right Sir and with the export extension, it will be done in next quarter then probably similar numbers for the two quarters as well, right?

Vijay S. Banka: For the season 2020-2021 quota has yet not been announced. I must commend Government of India as well as the sugar industry for making this MAEQ 2019-2020 a huge success. As against 6 million tonnes of set target, I think the industry will be able to do more than 5.5 million tonnes of exports. Our association, has requested the government to set a target of at least 7 million tonnes for the coming season. We are not sure about the export quota and what will be the subsidy framework / architecture that will eventually be decided. However if the sugar prices have to hold fort and the farmers are to be paid in time and if the sugar stocks in the country are to be maintained at a reasonable level, the government will have to come out early with an export policy. But as per indications new export policy would not come earlier than in October 2020.

Sanjay Manyal: Right Sir. I will join back the queue.

- Moderator:** Thank you. We will take the next question from the line of Anupam Goswami from B&K Securities. Please go ahead.
- Anupam Goswami:** Good afternoon Sir. Sir, I just wanted to know how much cane crushing can we look at this financial year?
- Vijay S. Banka:** Well, let me talk about season's cane crushing. Details of cane crushed during Financial is available in our annual report. However what is more relevant is the season cane crushing, as the financial year contains an overlap of two seasons. In the last concluded season, we have crushed 374 lakh quintals of sugarcane and produced closed to 45 lakh quintals of sugar at a recovery of 12.26%. Our adjusted recovery, considering the sacrifice that we made of sugar in favor of ethanol, is higher and is in excess of 12.4%.
- Anupam Goswami:** Should we see some higher cane crushing in the next season that is coming?
- Vijay S. Banka:** As per the available indications, the area under sugarcane cultivation is higher by 5%. But how much we will crush will depend on not only the area under sugarcane cultivation but also most importantly on the weather conditions. Last year the weather was conducive for sugarcane growth and the yield at the farm level was higher and therefore cane availability was abundant. We were also able to get some additional sugarcane because of the COVID breakdown on account of which the khandsari and jaggery manufacturers had to shut shop. So in the month of March and April some sugarcane which would have otherwise gone to khandsari and jaggery manufacturers came to sugar mills. If we were to assume that the coming year will be a normal and regular year and that the diversion will happen as usual then the situation will be different. Thus host of factors play an important role. We will also have to see how much of sugar is going to be sacrificed in favor of ethanol because now all the sugar mills in UP have ramped up their ethanol capacity. We therefore expect larger diversion of sugarcane juice being used for making ethanol.
- Anupam Goswami:** Okay. We also talked about diversion of around 11500 quintals Sir towards B heavy?
- Vijay S. Banka:** Are you talking about the UP industry as a whole or you are talking about our company?
- Anupam Goswami:** Your Company Sir.
- Vijay S. Banka:** Last year we crushed about 40 lakh quintals of sugarcane and we sacrificed about 53000 quintals of sugar in favor of ethanol so in the coming year our endeavor will be to use more and more of B-heavy molasses, which means our sugar sacrifice will

definitely be more than what we have done last year. If the sacrifice was 53,000 quintals last season, we expect to sacrifice at least 1.5 lakh quintals in the coming crushing season.

Anupam Goswami: Just last question, Sir what happened in Cogen segment, I see the revenue has jumped so high and also if the EBIT margin of that segment just on the net revenue, it is absolutely very high, so what is the reason behind that?

Vijay S. Banka: In the corresponding quarter last year our crushing was significantly lesser. If you recall, last season we crushed only about 307 lakh quintals of sugarcane vis-à-vis 374 lakh quintals that we have crushed in the just concluded season. In other words crushing has been higher by 22%. So commensurate with the higher crushing, our power generation & power evocation is higher which is why you will find higher revenue from Cogen segment. Now, I would request you not to see the segment results in isolation as both sugar and power segments are interrelated and as I mentioned earlier we had recalibrated our transfer pricing of bagasse which is the reason why we have better margins in Cogen segment

Anupam Goswami: Can you explain that recalibration and transfer pricing how can we get it?

Vijay S. Banka: We recalibrated realistically our transfer price of bagasse which is the basic feedstock for generating power. This was done sometime in the third quarter of last year and it was done retrospectively from the beginning of the year. This is the reason for the difference in the segment results of Q4 last year as well as this year as the transfer pricing is different.

Moderator: Thank you. The next question is from the line of Bharat Jhawar from Systematic. Please go ahead.

Bharat Jhawar: Good afternoon Sir. I just need only one data point and my one question has already been answered. Just wanted to know about the inventory valued as on June 30, 2020 is it 29 lakh quintals?

Vijay S. Banka: It is 28.99 lakhs quintals valued @ Rs. 2877 per quintal.

Bharat Jhawar: All right Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Simran Bagaria from SKP Securities. Please go ahead.

Simran Bagaria: Good afternoon Sir. Sir I believe we had a capacity of 30 KLPD for the distillery plant and in the third quarter we commissioned 100 KLPD new plant but in the annual report of FY2020 the sector capacity has been mentioned that 100 KLPD instead of 130 KLPD so should you explain the discrepancy?

Vijay S. Banka: Let me explain. See our original capacity was 30 KLPD. We have added another one plant of 100 KLPD. I have already explained in my previous earnings call also that we are yet to receive some approvals for the enhanced capacity. As of now we have approval for only 100 KLPD. If is not from November, 2020, at least from December 2020 our plant will be fully operational at 130 KLPD and you will be able to see the difference

Simran Bagaria: Sir what is the annual ethanol sale that we are looking for in FY2021 and FY2022 and what is the mix that we see using B-Heavy and C-Heavy what is the percentage from these?

Vijay S. Banka: On account of the unfortunate outbreak of COVID pandemic in Q1 and Q2 we will see lesser offtake of ethanol as the lifting is also impacted. Consequently, our production is also impacted because of storage constraints. We will try and make up as much as possible in Q3 and Q4. In a normal year we will be able to produce and sell at least 3.75 liters of alcohol.

Simran Bagaria: Okay Sir and what is the mix of B-Heavy and C-Heavy?

Vijay S. Banka: We will try and do 50:50. We will try and maximize our B-Heavy molasses usage so that we also are working towards the nation's cause of minimizing sugar production.

Simran Bagaria: Lastly, Sir any plan for rewarding the shareholders?

Vijay S. Banka: Well, we have been liberal with our dividend payments and we will continue to be liberal in the times to come.

Simran Bagaria: Any buyback plan as such?

Vijay S. Banka: As of now we have not thought of, but yes, at the appropriate time we will think of all possible ways and means to reward our shareholders.

Simran Bagaria: Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Amber Taneja from Vachi India Fund. Please go ahead.

- Amber Taneja:** Thank you. Two questions one is what is the transfer price that you used for the bagasse from the sugar sector to the power sector and related to that is what is the reverse transfer price of power that you used from the power sector to the sugar sector for in-house consumption? Second on a steady state basis going forward from November what do you think you can do in terms of ethanol production and offtake for month, just some guidance should be helpful?
- Vijay S. Banka:** Sure Sir. Our transfer pricing of bagasse is close to market price at which the bagasse got sold which is around Rs.175 per quintal and similarly you know the power which has been consumed internally is priced with reference to market price, which is the price at which industrial consumers are able to buy power from the Power grid which is around Rs. 7.50 per unit.
- Amber Taneja:** And do you account for this power in your power sales category or is it just in house power is not accounted?
- Vijay S. Banka:** No. In house power sale is netted eventually. However in so far a segment results are concerned, the sales is grossed with internal sales and then we knock off the internal segment revenues and what comes out in the financials is the net revenue. To come your second question, would like to mention that once normalcy returns and once the new tenders are out, our capacity will be 130 KLPD per day. Assuming 25 days of normal working our production & sales should be 130 x 75, which is in excess of 95 lakh liters.
- Amber Taneja:** 95 lakh liters, okay and you are going to try and maximize the B-Heavy?
- Vijay S. Banka:** Yes. We will try and maximize B-Heavy.
- Amber Taneja:** That is it from me. If I have anything else, I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Anirudh Iyer from Cogencis. Please go ahead.
- Anirudh Iyer:** Good evening Sir. Sir I just wanted to ask you said ethanol production or the ethanol sales will only improve going ahead, so is it for the whole sugar sector or is it just for your company as such?
- Vijay S. Banka:** You see somebody would have ramped their capacities already. We ramped up our capacity recently. Our higher capacity has become operational from December and this will be further enhanced consequent upon receiving some approvals. So what was 100 KLPD commencing from December, 2020 will now become 130 KLPD commencing

from the month of November 2020. Others have added capacities earlier and some are in the process of adding the same. However effort from the sector is to maximize ethanol production.

Anirudh Iyer: Across the sector.

Vijay S. Banka: Yes. I must also mention that there are some sugar mills who have successfully used sugarcane juice for making ethanol. If one does that then the sacrifice of sugar production is naturally more.

Anirudh Iyer: Okay. Thank you so much.

Moderator: Thank you. The next question is from the line of Shivani Mittal from Dalmia Securities. Please go ahead.

Shivani Mittal: Thank you for the opportunity Sir. Sir I had two questions, number one is that if you could just throw some light on the average realization for the distillery segment, I see they have come down from Rs. 50.7 per liter to about Rs. 46 per liter?

Vijay S. Banka: Yes, it is because we have sold more of ethanol made from B-Heavy molasses in the previous quarter for which the price is Rs.54.27 per liter. In this quarter we have mostly sold ethanol made from C-heavy molasses. I am sure you are aware that the price for ethanol sold made from C-Heavy molasses is less.

Shivani Mittal: Yes. And also Sir how do you see the global prices now may be in the near future or in line, if you could just give me some idea about it?

Vijay S. Banka: Sure. Globally 2019-2020 was a deficit season with a deficit of almost 9 million tonnes and the same was mainly caused by a drag in the production in Brazil, India as well as Thailand. All these major sugar producing countries had a lesser production. India because of the unfortunate drought in Maharashtra and Thailand also for same reason. However in Brazil the facts are different. More sugarcane juice was used for making ethanol. We have learnt that in Brazil about 65% of sugarcane juice was used for making ethanol and only 35% being used for making sugar. However consequently, upon the big drop in the crude prices we have witnessed a big drop in the sugar prices as well. The prices went to as low as 10 cents per pound. The economics of ethanol in Brazil has therefore undergone a big change and we are going to see increased production of sugar in the coming season. So season of 2020-2021 may not be a big surplus year, but it will not be a big deficit year either. According to me, the production and the offtake number should be more or less similar. India is expected to produce more sugar. Thailand is expected to produce less sugar. But, we will have increased

numbers coming from Brazil and India. Based on the estimated production numbers the sugar prices may dip internationally. We are already seeing that the sugar prices are on a rollercoaster ride. Presently sugar prices are higher. It is a fact that we always get opportunities to export. Therefore India should be able to successfully implement yet another year of successful export program.

Shivani Mittal: Sir revolving around what you just said, you think maybe a few years down the line we would be moving to a more Brazil like environment like diverting more of sugar cane juice used for ethanol like here we are already producing from B-Heavy and C-Heavy but the change with production environment do you think?

Vijay S. Banka: Yes. Our effort is to replicate the Brazilian model, develop the kind of flexibility in the Indian sugar industry such that it is able to make those subtle adjustments to produce sugar when sugar is remunerative and to produce ethanol when ethanol is remunerative. In the just concluded season we have witnessed a sugar sacrifice of about 1 million tonne and in the coming season this sacrifice is expected to increase to about one and a half million tonnes. The big push to this policy will come when the sugar industry is able to use the sugarcane juice to make ethanol which is when we will see more sacrifice of sugar in favor of ethanol and improved flexibility for the sugar industry. The problem though is that in order to use sugarcane juice one needs need huge distillation capacities. The industry has therefore requested the government to announce a five-year pricing policy. We aren't asking for price per-se but a broad policy framework on the ethanol pricing. This will help enable the proposals of the sugar mills more bankable when they approach banks for funding. All know that & there is no denying that Governments initiative to maximize ethanol production and it is very evident.

Shivani Mittal: Yes.

Moderator: Thank you. We take the next question from the line of Udit Gupta, who is an individual investor. Please go ahead.

Udit Gupta: Good afternoon Sir. Sir my question is what is our processing cost of ethanol per liter without cost from molasses included?

Vijay S. Banka: Sir, it all depends actually on the quantum of production. If the production is on a full-fledged basis the cost can be Rs. 8 to Rs.10 a liter, else it can be higher.

Udit Gupta: I get it Sir. Right now we are producing at about 15 lakh liters a month approximately Sir?

- Vijay S. Banka:** Sir we produced substantial quantity in Q4, but like I mentioned in Q1 of 2020-2021 and our production was a bit interrupted as the lifting was poor. We also had to explore options to sell our ethanol to far-flung depots. As a result production also got hampered as we had storage constraints. This situation was not visualized.
- Udit Gupta:** Sir has the lifting improved in the month of July or August Sir going?
- Vijay S. Banka:** It is better, but I would not be too optimistic on the lifting in Q2. However going situation should get better and better so you will see improved lifting from Q3 onwards.
- Udit Gupta:** I get it and Sir our ethanol sales in quarter one were about 43-44 lakh liters and the production would have been how much Sir?
- Vijay S. Banka:** Production was more actually. It was around 65 lakh liters.
- Udit Gupta:** No problem Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Abhilasha Satale from Dalal and Broacha. Please go ahead.
- Abhilasha Satale:** Sir I wanted to know whether we have any data regarding how much ethanol sale is going towards the oil marketing companies, and how much is towards brewery and how much is for sanitizer because that is also one segment in which the sales have increased towards?
- Vijay S. Banka:** Good afternoon Abhilasha. We do not have any structured numbers on this. Ethanol numbers of course are available. On an all India basis, blending of about 170 crore liters has been achieved. So far, sale of alcohol for IMFL or for liquor manufacturing I don't have the data. In case of sanitizers I would like to mention here that it is just a humble beginning, and the alcohol used for sanitizers is not very large
- Abhilasha Satale:** Okay but how much is like industrial sales at least that much can we get the data?
- Vijay S. Banka:** Are you are talking of the industry as a whole or our company?
- Abhilasha Satale:** The overall industry.
- Vijay S. Banka:** Well the data is available in UP government records. However off hand I am not able to recollect. If you can contact me later may be I will be able to give you that number. These numbers are available in the public domain.

- Abhilasha Satale:** Thank you.
- Moderator:** Thank you. The next question is from the line of Sanjay Manyal from ICICI Direct. Please go ahead.
- Sanjay Manyal:** Yes Sir. Just specific on the molasses and bagasse, I am sure if the production is higher, and you would have good quantity of bagasse also. Last time when we spoke you mentioned that you will prepare selling more bagasse because now power prices are not very remunerative. So do you have some quantities of bagasse and at what price we have sold something or if you are planning to sell some?
- Vijay S. Banka:** Well, the bagasse sales & price was very encouraging until the outbreak of this COVID outbreak. As a result of the COVID, there is some setback. Before the outbreak of COVID, we have sold bagasse at price as high as Rs.230 per quintal. After the COVID outbreak, the paper mills in and around our area had to shut shop and the bagasse sale & price got impacted. Presently, the price of bagasse is around Rs.170-Rs.175 per quintal. Well I must admit here that this quarter is not a normal quarter in the strictest sense because it captures mostly the period impacted by COVID breakdown. We have stored enough bagasse to run our distillery plant and also to fire our boilers when we commence the crushing next season.
- Sanjay Manyal:** Right and Sir similar thing about the molasses as well, so if you are sort of because the disruption, if you are producing less ethanol then I am sure you will have?
- Vijay S. Banka:** Yes of course, we have sold molasses. The price at which we have sold molasses has ranged between Rs.325 and Rs.350 a quintal.
- Sanjay Manyal:** Sir if you can quantify how much molasses you would have sold?
- Vijay S. Banka:** I would not have the number right away, but I can share the number with you later.
- Sanjay Manyal:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Anupam Goswami from B&K Securities. Please go ahead.
- Anupam Goswami:** Sir what is our debt plan and repayment schedule this year and what is the debt position right now both long term and short term?
- Vijay S. Banka:** Sure. As on June 30, 2020, we have had a long term debt of Rs. 224 Crore approximately out of which Rs. 107.58 Crore is the SEFASU loan that we took from

the UP state government and Rs. 116.88 Crore is the distillery loan that we availed from Punjab National Bank. There is no repayment of distillery loan until March 31, 2021 as the same is repayable in 20 quarterly installments. So far, as the SEFASU loan 2018 concerned it is repayable in 60 monthly installments. So as on June 30, 2020, we had repaid about 12 installments and as on date we have already prepaid about 14 monthly installment. On date, outstanding amount of SEFASU loan is Rs. 103 Crore and that of distillery loan is Rs. 117 Crore together they add up to Rs. 220 Crore. SEFASU loan is repayable in 60 monthly installments and we have repaid 14 and this 46 monthly installments will follow. We had preference shares outstanding of Rs. 15 Crore and the same was due for redemption yesterday and it has been redeemed. Short term loan is the working capital loan is it is always commensurate with our stock holding.

- Anupam Goswami:** Okay. Next financial year how much are we going to repay in long term loan?
- Vijay S. Banka:** Long term loan?
- Anupam Goswami:** Yes.
- Vijay S. Banka:** Long term loan, FY2020-2021, we will repay Rs. 27 Crore of SEFASU loan and we have repaid already Rs. 15 Crore of preference. So Rs. 27 Crore plus Rs. 15 Crore that equals Rs. 42 Crore and may be one quarterly of about Rs. 5 crores out of the Rs. 117 Crore distillery.
- Anupam Goswami:** Sir, there was some interstate exports of molasses. Maharashtra government is also allowing that, so any uptake on that for the UP mills?
- Vijay S. Banka:** Since everybody has ramped up the distillery capacities molasses has been bought by far off, even Tamil Nadu based distilleries from UP. Tamil Nadu, as you all are aware is very short on the sugarcane availability and therefore, short on sugar production and also the molasses production. However, their distilleries were operational and so they have been sourcing molasses from even UP sugar mills also. There is interstate movement but in the coming season I expect sugar mills in UP will not be able to sell molasses as they have to meet their own requirement.
- Anupam Goswami:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Amber Taneja from Vachi India Fund. Please go ahead.

- Amber Taneja:** Mr. Banka just a couple of further questions. One is sugarcane juice you mentioned, some people are making ethanol from sugarcane juice, but I mean what I heard from sources in the industry that till a pricing framework is that correct?
- Vijay S. Banka:** Which is what I mentioned earlier. As on date the price is okay but if one were to take ones proposal to Bank which envisages a large capex program, Bank will obviously ask for pricing policy framework. One sugar mill in Karnataka dedicated its 5000 TCD of capacity during season to support a distillery of 320 KLPD. We are at 21500 TCD capacity and if we were to dedicate 5000 TCD for making ethanol from sugarcane juice our distillery capacities is inadequate and we will have to have more distillation capacity. Basically use of juice for ethanol making is a capital intensive proposal. Our company has a higher credit rating, yet when you take the proposal to the banker, the banker will ask for a long-term pricing certainty. Government as we all know is very enthusiastic about this ethanol blending program, but they have to spell out the pricing policy framework
- Amber Taneja:** Understood. Second thing for sugar year 2019-2020 exports will end up at about 1.4 lakh tonnes, correct?
- Vijay S. Banka:** Yes Sir, we will end up with 1.4 lakh tonne.
- Amber Taneja:** I was pretty surprised to see that despite the good exports your inventory position is fairly large, sugar inventory, I mean obviously some part of that has to do with the fact that there has been less production of ethanol, etc., if you could do something to reduce the inventory?
- Vijay S. Banka:** Sure. I will explain. Our inventory is higher because our crushing and production has been 22% more than what we did in the previous year which has the case with other sugar companies. All may have had increases but not 22% increase that we have had. The higher numbers will now be captured and reflected in the government records and translate in to additional releases in the coming months. Secondly in the last three months on account of COVID impact the government had ordered lesser releases. We now expect brisk releases in the months to come
- Amber Taneja:** Also Sir just wondering when you started this capex and when you finished this capex for 100 KLPD distillery, was this part of the plan that these permissions will take so long for the full capex to come on track, it will take a year or as they have been some unexpected surprises here?

- Vijay S. Banka:** No, for 100 KLPD we have had the appropriate approval upfront in place when we started with this project. For the balance 30 KLPD is what has taken time.
- Amber Taneja:** Now that is why I was mentioning, I was like because you had an older 30 KLPD plant?
- Vijay S. Banka:** From 100 to 130 has been a bit of pain point Sir.
- Amber Taneja:** 100 to 130, but you expected to get better as we go ahead?
- Vijay S. Banka:** Yes. Now everything is clear.
- Amber Taneja:** Any reason Sir, you can give for the very huge jump in crushing this year and 22% is a lot. What was the reason for that, I am just wondering?
- Vijay S. Banka:** One is the yield in our area was good. Number two the diversion in Bijnor districts where we have two of our units has a cluster of khandsaries and jaggery manufacturers. Because of the COVID outbreak those units had to shut shop. So there was no diversion and we had an extended crushing season in the Bijnor district. Dhampur Sugar which also has a unit in Bijnor district also crushed much more than what they crushed in their other units. Each district has a different combination of sugar units, Khandsari units and Jaggery units. In East UP for example there is no sugarcane diverted as there are no Jaggery and Khandsari units
- Moderator:** Thank you. The next question is from the line of S. N. Rajan who is an individual investor. Please go ahead.
- S. N. Rajan:** Good afternoon. Congratulations to the team on excellent results. At PBT levels we are equal to Balrampur, which is more advanced company so that is a good show about 30% to 35% PBT level. One of my questions that you have partly answered but our total loan in March 31, 2020 is about 650 Crore comprising of 193 long term and current liability loan of about 460 Crore, so if I take a 650 Crore as at the beginning of the quarter and look at our interest cost of about 15 Crore, it roughly comes to 10% fall, unless I am wrong because of your increased crushing in the first quarter as you said your working capital loans have shot up from Rs. 460 Crore to may be Rs. 560 Crore or so, that is one and follow-up of I mean over three years I know that rough guidance of where would you like to see your debt levels? Thank you.
- Vijay S. Banka:** Because we crushed more, we produced more and we had a higher level of stock. It is very difficult to establish a direct relationship between the loans that we are carrying and the interest cost. Term loans as I mentioned earlier are at partly subsidized interest

rates. In the working capital loan also there is a buffer stock loan component which is subsidized by the government. We therefore cannot have a direct equation. How will our debt profile is going to be in the coming years – difficult to answer. Since the long term loans are subsidised we have no intention whatsoever of prepaying the same. Secondly as and when there is any capex requirement (presently there is not any) we will decide on a judicious mix of internal accruals and debts

S. N. Rajan: Okay and just a follow up question, if I was a promoter, I would probably try to get the preferential shares bringing money instead of borrowing, is that under consideration at all?

Vijay S. Banka: Preferential share is a costlier option even if the coupon rate is a lower as the aspirations & expectations are higher

S. N. Rajan: Thank you very much.

Moderator: Thank you. The next question is from the line of Prakash Jadeja who is an individual investor. Please go ahead.

Prakash Jadeja: Actually I have few questions, as in the sale of ethanol has been increased but the margin has been decreased, what is the reason for that?

Vijay S. Banka: Sir, there are two to three reasons. On account of the COVID outbreak, the depots were full with ethanol so they were not able to source. Therefore we operated at much lesser capacity utilization. Ideally, in about 90 days, we should have produced about 90 lakhs liters of ethanol, Our production has been less and the sales is only about 43 lakh liters. While sales & production are lesser the overheads are at the full level. Plus we had to incur additional transportation cost as we were allotted depots at far flung places. These are two main reasons first lower capacity utilization and second we had to sell ethanol to far flung depots and hence our expenditure on transportation of ethanol was higher.

Prakash Jadeja: Okay. My second question is on the export obligation that we did already, so we have booked the MIEQ subsidy also in the sugar realization?

Vijay S. Banka: Yes. We have booked it accordingly. In this particular quarter we have had a domestic sale of 6.49 lakh quintals, which we have sold at an average realization of Rs. 3131 per quintal. We have exported 6.06 lakh quintals of sugar in this particular quarter. Our realization after considering the subsidy of around Rs. 10,448 per metric tonne is Rs. 3262 per quintal. However if one reduces transportation cost incurred to transport sugar to ports our realization on export is also higher than Rs.3000 a quintal.

- Prakash Jadeja:** One more question like coming on the sugar production of the country which is going to be 30.5 million tons, given inventory that we have right now is 29 lakhs MTs which was very less if you compare from the last year, we had around 18 lakhs quintal of sugar. So how we are going to balance this because shipping inventory is going to cost us more?
- Vijay S. Banka:** Not entirely. We are working on a multipronged policy. Number one as I explained earlier since the weightage of our sugar stock in the overall sugar stock of the country would now be captured we expect larger releases in the months to come. Secondly we will be very actively & aggressively participating in the export program of coming season as well. So this is how we will try and moderate our inventory levels.
- Prakash Jadeja:** Do you think that now the prices are going high in the international market, currently it is around 13 cents?
- Vijay S. Banka:** Presently it is good. If the government were to announce the export today we would be very happy to do a transaction immediately at present pricing levels. Once the export program of India is announced and once there are some firm indications of the Brazilian production numbers, the prices can swing. However there are always opportunities coming our way for exports, if not raw sugar export, then there are opportunities to export the regular white sugar also. India has been able to sell a lot of sugar to Iran, Afghanistan, Sudan, Sri Lanka and many other countries
- Prakash Jadeja:** Last question about the MSP, we discussed this last time also. But there is some rumour about it that it is going to be started from October 1, 2020 or there is also no clarity that whether it is going to start from now, so is there anything like that?
- Vijay S. Banka:** As per the available indication it will be effective from October 1, 2020. The group of ministers headed by Honorable Minister Mr. Amit Shah have decided to recommend increase in MSP to the cabinet. Once approved it will be effective from October 1, 2020. However ahead of this, sugar prices have already got little better. While our average realization in the first quarter was only Rs.3131 per quintal sugar is now sold at around Rs. 3250 per quintal.
- Prakash Jadeja:** Sir, do you see any impact on the prices being going down since this MSP rates will be from October?
- Vijay S. Banka:** No. there cannot be. Once done, we will be all under obligation to sell sugar at MSP or above and we cannot sell it at less than MSP.

- Prakash Jadeja:** This MSP which has been decided on previous year FRP or this is going to be decided along with the coming years?
- Vijay S. Banka:** It does not work like that. Once the new MSP become effective it is for the entire stock which we carry plus whatever we produce in future and old stock cannot be excluded for this purpose
- Prakash Jadeja:** I mean to say that consideration of increasing MSP is because of the coming year or it will be because that also payment arrears and all?
- Vijay S. Banka:** You raised a very valid question. Actually they should have done it immediately because that would have helped sugar mills to clear the arrears faster. So the fact that it will effective from October 1, 2020 which means the arrears will continue for some time.
- Prakash Jadeja:** Then there will be chances of increasing MSP next year also?
- Vijay S. Banka:** No, we aren't aware of the same. As of now what is heard is that MSP of sugar is going to go up from Rs.3100 to Rs.3300 per quintal and F&RP will increase from Rs.275 a quintal to Rs.285 a quintal of sugarcane
- Prakash Jadeja:** So being election next year, you expect that there will be increased in SAP also?
- Vijay S. Banka:** It all depends how the state government perceives the situation. Historically if we have seen elections are not won by the government, which have announced higher SAP. What is more important for the government is to ensure that whatever price has been decided has been paid to the farmers on time and that arrears are lesser. Prompt payment is more important than higher sugarcane prices.
- Prakash Jadeja:** I would like to request one more thing. Lots of sugar companies are coming up with the buyback and I hope that in the coming year or in the same current year, I think there will be accruals so are we looking to do any buyback?
- Vijay S. Banka:** No. We will decide it at the right time. We will take appropriate decision in the interest of all stakeholders.
- Prakash Jadeja:** Thank you. That is it from me.
- Moderator:** Thank you very much. That was the last question in queue. I would now like to hand the conference back to Mr. Banka for closing comments.

Vijay S. Banka: Good afternoon friends. It has been a very gripping and very enlightening session of exchange of views with one another. I am thankful to you all for reposing your faith and confidence in our company. It has been a good journey thus far and we will try to improve our performance in the times to come. We will try and keep getting better. We will identify areas where we need to improve ourselves and we will keep doing that. Thank you very much.

Moderator: Thank you very much. On behalf of Dwarikesh Sugar Industries Limited that concludes this Conference. Thank you for joining us ladies and gentlemen and you may now disconnect your lines.