



# “Dwarikesh Sugar Industries Limited Q1 FY2022 Earnings Conference Call”

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**ANALYST:**

**MR. ANUPAM GOSWAMI-BATLIVALA & KARANI  
SECURITIES  
MR. RAJESH MAJUMDAR-BATLIVALA & KARANI  
SECURITIES**

**MANAGEMENT:**

**MR. VIJAY S. BANKA - DWARIKESH SUGAR  
INDUSTRIES LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q1 FY22 Earnings Conference Call of Dwarikesh Sugar Industries Limited, hosted by Batlivala and Karani Securities India 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 conference, please signal an operator by pressing “\*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anupam Goswami from Batlivala and Karani Securities. Thank you and over to you Sir!

**Anupam Goswami:** Thank you Melisa. Good afternoon everyone and welcome to Q1 FY22 Earnings Conference Call of Dwarikesh Sugar Industries. I now hand over the call to Banka Sir to discuss over the results. Over to you Sir!

**Vijay S. Banka:** Welcome you all to the Q1 FY22 earnings call conference. I am happy to be amidst you. We have had our board meeting yesterday. Our results are already in public domain. Let me quickly take you through the results and thereafter I will talk about our company, the sector and then we will follow it up with question-and-answer session.

In this particular quarter we had a turnover of about Rs. 393 Crores and earnings before tax of about Rs. 35.63 Crores and post-tax profit of Rs. 27 Crores. Insofar as turnover is concerned, when compared to the corresponding quarter last year, our turnover has been lesser. Last year we have had the benefit of export sales. This year all the sugar that we sold was in the domestic market so which is why the turnover number is lower.

PBT, we are better than last year. It is 40% improvement over the corresponding quarter last year and PAT, 50% improvement over the corresponding quarter last year. So all in all it has been satisfactory quarter if you compare it with the results of our corresponding quarter last year.

As you are all aware, India is expected to produce 30.9 million tons of sugar in the sugar season 2020-21. This is after factoring for sugar sacrifice of 2 million tons in favor of ethanol. For the coming season, ISMA has estimated that production of 31 million tons, albeit after considering a higher sacrifice of 3.4 million tons in favor of ethanol, which means that the gross level as compared to 33 million in season 2021-22, we will have production in excess of 34 million tons in season 2021-22.

Now this does not factor for the devastation which may have been caused because of the recent flooding & heavy rainfall in the state of Maharashtra. But I am assuming that the drop in production number will not be significant. It is going to be a miniscule

number because two three months are there for the season to commence and the fields will have enough time for drying up and for the crops to grow healthily.

One important announcement we have already made is that we are going to set up 175 KLPD distillery at our Dwarikesh Dham Unit in Bareilly District. It is going to be state-of-the-art plant. We have already placed LOIs for critical equipment. The project is going to involve the outlay of about Rs. 232 Crores. The financial closure has been achieved already. We have got bank funding approved and we are talking about the plant being operational in about 15-16 months' time.

I must mention here that our execution skills are better so we will try and compress the timeframe for execution of this project. Even one month will help us lot. As you are all aware our name is synonymous with efficiency in the sugar industry. We have been clocking the best recovery year after year, season after season and our process losses are also the lowest.

Our EBITDA is also better in this quarter as compared to the last quarter. There has been some moderation in the finance cost which is mainly because of lower utilization of working capital limits plus whatever installments that was due insofar as the term loans are concerned have been repaid on time. So our EBITDA margin as you can see is about 15% which is as compared to 11.5% in the corresponding quarter last year. The improvement mainly comes from the distillery segment.

We have sold about 9.64 lakhs quintals of sugar in this quarter vis-à-vis 12.56 lakhs quintals of sugar sold in the last quarter corresponding quarter last year which included about 6.06 lakhs quintals of export sales. In other words in the corresponding quarter last year we have sold 6.5 lakhs quintals as compared to that 9.64 lakhs quintals sale in the domestic market, which is a significant improvement.

Of course, we cannot take credit for the sales that has happened as it is also because of the monthly releases that we get from the government. Last year the situation was little difficult in the corresponding quarter because we had for the first time faced the wave of pandemic as a result of which there was some disruption in the consumption. Any ways normalcy has since resumed and we did not see any disruption in the second wave of COVID pandemic.

We are holding about 25.4 lakhs quintals of stock as on June 30, which is approximately 3.6 lakhs quintals less than what we were holding on the same date last year. Our sugar stock is valued at Rs.2914 a quintal. Important development in this quarter has been sale of industrial alcohol. In this quarter, we have sold more than

double the quantity of industrial alcohol / ethanol as compared to what we had sold in the corresponding quarter last year.

Our term loan profile is lien & trim. All our term loans are at subsidized rate of interest and our rating continues to be good. We of course wish for AA rating for our long-term loans but it might take a little time. Our commercial paper program is rated as A1+.

Season 2020-21 has concluded. Season numbers are already in the public domain. We have already published them in our annual report. An important development in the season which went past is that we generated B heavy molasses at two of units as a result of which we sacrificed sugar production of about 36000 metric ton which number in last season was only 5300 metric ton. We were the first company to clear the cane price dues of season 2020-21 in entirety. When I say in entirety, I mean in cane price payment as well as the society commission.

This is about it. Insofar as I fighting COVID pandemic is concerned, we are trying do our best. We have been encouraging our employees to get vaccinated. We have facilitated their vaccination. Insofar as the international developments are concerned as you are all aware, Brazil has faced unprecedented dry weather for the last few months which was followed by frost both of which are not conducive for sugarcane crop growth. So the estimates of production plus they have been diverting sugarcane juice regularly for ethanol as well. As a result of which we are seeing some spurt in international prices. International prices are presently hovering around a little more than 18 cents a pound. In fact, day before yesterday it touched a high of 18.61 cents per pound. This augurs well. We are waiting for the Government of India to quickly announce the export program so that the benefit of international market prices that are prevailing can be taken and sugar can be quickly moved out of the country.

India has had a production of 30.9 million tons and we will end of with a closing stock of about 8.6 million tons or 8.7 million tons which is a significant improvement if you compare with how much stock we were holding two years ago which was 14 plus million ton. Directionally, the industry is on course. Sugar sacrifice is happening. Sugar stocks are getting moderated, so things seem to be heading in the right direction.

Thank you very much. I now invite you to ask me questions and I will be very happy to answer them.

**Moderator:**

Thank you. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of question from Karan Agarwal from Tusk investment. Please go ahead.

**Karan Agarwal:** Good afternoon Sir. Thank you for taking my question. So my question was more around the macroeconomic factors which have surrounded the sugar industry as a whole, so as we mentioned in the opening remarks that the international prices of sugar is currently hovering around 18 cents per ton and the Government of India has not announced the export subsidy. I am sure they will, but just to get your sense at, what is the price at which markets will be able to export their sugar without the government subsidy and not end of making it?

**Vijay S. Banka:** You are right, actually. As far as UP sugar mills are concerned, we are in a position of disadvantage. Number one, because our transportation cost of transporting sugar from our units to the port is higher and number two our domestic realization is better than what it is for sugar mills in Maharashtra. For them the comparison is with the lower domestic price plus they also have the added benefit of lower transportation cost, which is the reason why we keep hearing that transaction are already happening at this price but if at all they are happening they are all happening from Maharashtra's sugar mills and not from UP sugar mills. There are set formula based on which the price discovery is done. Presently the prices that are being discussed by trade houses are mostly driven by the supply driven and based on offers available to them from Maharashtra Sugar mills. For port delivery, the sugar prices offered is INR is about Rs.3150-Rs.3200 per quintal. Insofar as UP Sugar Mills are concerned, the realization would translate to ex-factory price of less than Rs.3000 a quintal. We will wait and watch for some more time. Of-course export sales has its own importance because we produce raw sugar, the cost of production of which is lesser and then the advantage of faster liquidation of stock. One can evacuate the stock and faster one realizes ones money and you churn your money faster. So there are advantages but it is not yet reached stage where we can kind of get tempted at the price which is presently offered.

**Karan Agarwal:** Thank you. You answered my question. So a follow up question what is the ideal price you think, is it 20 cents per pound that you consider for exporting so that you can liquidate our inventory?

**Vijay S. Banka:** Like, I mentioned a little while ago, the quoted prices are based on what the international price is. If the prices let us say 19 cents or if it reaches 20 cents a pound there are sugar mills in Maharashtra who are offering desperately sugar at a lesser price for export. Obviously, their exports will get prioritized by the export house even as the international prices are higher. For example there is a premium which we get over and above the international prices and essentially what is happening now is that the premium is on the lower side.

**Karan Agarwal:** Got it Sir. Thank you.

**Moderator:** Thank you. We have the next question from the line of Riya Mehta from Equitas. Please go ahead.

**Riya Mehta:** Congratulation for good set of numbers. I just wanted to know the economics like how do we account, like when I am seeing the realizations for sugar, that has increased for the quarter from the corresponding quarter last year; however, when I look at the margins, there is a difference. I just wanted to know how the accounting is being done. Like do we take the closing inventory price or is the function of transfer price that our margins have fallen in the sugar segment?

**Vijay S. Banka:** Let me tell you two things, number one I think the segment working should never be seen in isolation because the price at which molasses is transferred to distilleries from the sugar division is all internal. So, it should never be seen in isolation. Number two, why the margins last year are more in spite of the selling price being higher, simple answer is that last year in the corresponding quarter we have sold more sugar and we have had extended crushing season. So overheads absorption was much better in the last corresponding quarter last year.

**Riya Mehta:** But generally how do we account for it if you could help me out?

**Vijay S. Banka:** I did not get your question.

**Riya Mehta:** How do we account for the EBIT for sugar, like is it a closing inventory cost or is it the function of the transfer pricing?

**Vijay S. Banka:** No. It is a closing inventory cost. After considering the raw material cost of sugar which has gone in for producing sugar then you add all the overheads that whatever directly attributes to production and from that you deduct the transfer price of both bagasse as well as molasses which you have transferred and the resultant number is your production cost for stock valuation purpose.

**Riya Mehta:** Got it. Thank you, Sir and I wanted to know what are the current domestic prices right now and what trajectory do we see going forward?

**Vijay S. Banka:** The prices that were prevailing until two days ago was about Rs.3200 a quintal, but we have seen some spurt in the prices in the last two days, which is mainly because the release quota for the month of August is 2.15 million tonnes, which is vis-à-vis 2.2 million tonnes announced for the month of July. Because of the lesser quota for the month of August, we have seen some improvement in the price and besides, August is

the month of festival, which is why the demand is better and which is why the prices are better. With the spurt price is closer to Rs. 3300 per quintal now.

- Riya Mehta:** Could you help me out if we want to track the quotas where can I actually find it?
- Vijay S. Banka:** It is the DFPD site, Department of Food and Public Distribution, Government of India. If you go to the site you will be able to get the quota or if you can share your number with me, will forward the notification by which the quotas are announced.
- Riya Mehta:** Sure, Sir. Thank you.
- Moderator:** Thank you. We have the next question from the line of Udit Gupta, an investor. Please go ahead.
- Udit Gupta:** Good afternoon, Sir. What will be your capacity in terms of litres after the expansion is completed, Sir?
- Vijay S. Banka:** Sir, let me explain. It is a bit confusing because you know ethanol year and the sugar financial year are always overlapping. But let us talk about financial year. In financial year 2021-22, our capacity is 162.5 KL per day, and we should be producing / selling about 5 Crores liters vis-à-vis 3.17 Crores liters that has been sold in the last financial year. We should do closer to 5 Crores liters, maybe a little more or may be little less. And then we talk about FY2022-23, half way through the financial year our new distillery will be operational, so we will get the benefit of the new distillery for part of the year but not the entire financial year. Maybe we will get the benefit for about 4 months. So in FY 2022-23 we may do anything around 7 Crores liters. Thereafter in the financial year in FY 2023-24 when we will have the full benefit of that expanded capacity of the existing distillery as well as the upcoming industry then we should be able to do 10 Crores liters plus.
- Udit Gupta:** Sir, that means after the entire expansion is completed it is about 10 Crores liters?
- Vijay S. Banka:** Yes, the 10 crores litres per annum is to be considered from the date on which we have completed our expansion.
- Udit Gupta:** I get it, Sir. Sir, are we looking at manufacturing from juice like the current financial year?
- Vijay S. Banka:** No, in the current financial year we have only used B-heavy molasses. We have so far not used juice, we are going to use juice from season 2022-23 onwards from the middle of the year when the new plant is operational. When the new sugar season will start in

that particular season in both the distilleries we will be using juice during the season and during off season we will be using the B-heavy molasses.

**Udit Gupta:** Sir, are we looking at grain by any chance?

**Vijay S. Banka:** No, so far we have not. Grain perhaps works well in the eastern part of the Uttar Pradesh, but in the central part of Uttar Pradesh or Western Uttar Pradesh, where we are located, grain is not so easy, the availability is rather difficult.

**Udit Gupta:** So, we are looking at juice and B-heavy?

**Vijay S. Banka:** With our available capacities and configuration we will be able to have a a working of about 320 days or so.

**Udit Gupta:** Sir, how are we expecting the recoveries to move forward considering the weather and everything?

**Vijay S. Banka:** Season 2021-22, promises to be a reasonable year. 2020-21 we suffered a little on account of recovery front which was mainly because the season, 2019-20 was an extended season, so the crop for season 2020-21 got little lesser time for maturity. So in the ratoon crop the recovery was lesser in season 2021-22. Season 2020-21 has ended the right time so the ratoon crop will have enough time for maturity, so we should be back to the recovery of season 2019-20. Season 2020-21, according to me was an aberration so we should be back to the days of season 2019-20. We should see such recovery in the coming season 2021-22.

**Udit Gupta:** Sir, is there any problem with the ethanol lift off by the OMCs likely we experience in the last COVID wave?

**Vijay S. Banka:** Yes, there is problem, but the best part is there is the sincerity on the part of OMC, sincerity on the part of government, sincerity on the part of industry and all together we are trying to trash out all the problems. The problems do exist as suddenly we have all embarked upon ambitious ethanol blending program and the infrastructure was not adequately ramped up. It is taking a bit of a time, but like I said everyone is grappled with the issue and they are all sincerely working to address it.

**Udit Gupta:** Sir, considering the second wave which happened so we are still looking at 5 Crores liters in this financial year?

**Vijay S. Banka:** Yes, we should be, in the quarter ended June, we have done about a Crore and 12 lakhs liters, in the coming quarters our production as well as dispatch will be better.

- Udit Gupta:** The production and dispatch numbers are similar, a Crore and 12 lakhs?
- Vijay S. Banka:** More or less, production numbers are higher actually.
- Udit Gupta:** Vis-à-vis the dispatch numbers?
- Vijay S. Banka:** Yes, vis-à-vis the dispatch numbers.
- Udit Gupta:** Thank you so much, Sir.
- Moderator:** Thank you. We have the next question from the line of Anupam Goswami. Please go ahead.
- Anupam Goswami:** Sir, what is our cost of production in this quarter?
- Vijay S. Banka:** Our valuation rate is Rs.2914 a quintal. That is the blended average of stock of March that is being carried forward and sugar produced during the quarter. March stock, which is being carried forward in June is valued at Rs.2956 a quintal and what we have produced in this particular quarter is valued at Rs.2837 a quintal and the blended average is Rs.2914 a quintal. In this the quarter costs are lower because our recoveries are at the best during this quarter and therefore the combined average is Rs.2914 a quintal
- Anupam Goswami:** So, going forward as you mentioned earlier that the recovery is going to slightly improve given that the season 2020-2021 has ended in the right time, so the cost of production would be back to 28% sort of level?
- Vijay S. Banka:** Let us see there might be an increase in the cane price also, you never know.
- Anupam Goswami:** That is always a possibility, right?
- Vijay S. Banka:** It is too far for us to think of that now.
- Anupam Goswami:** Sir, what should be our crushing guidance?
- Vijay S. Banka:** Our initial estimates indicate that the area under cane plantation is more by 5%. This is the initial estimate. I am talking about the season year not the financial year. In the entire season of 2020-2021, we crushed about 378 lakhs quintals and if it is up by 5% during 2021-22 we should crush close to 400 lakhs quintals, anything upwards of 390 lakhs quintals.

**Anupam Goswami:** In the last call you mentioned about getting approvals for more production of sugar and more capacity in the sugar, so where do we stand there?

**Vijay S. Banka:** No, we do have the approvals. However as I had also explained in my last call, our rated capacity at one plant is 6500 TCD and at two other plants is 7500 TCD. Over the years we have done some improvisation in our plant, working efficiencies are also improved, small capexes are incurred. So as a result there are many days when our crushing goes beyond the rated capacity, which is not acceptable to authorities, which is the reason why we have obtained approval from authorities for hiking the rated capacity. When we say our rated capacity is 7500 TCD it does not mean that crushing will be 7500 TCD multiplied by the number of days that we will crush. It doesn't work like that. However we can still carry out more improvisation, more improvement in the production and try and have an average production of more than 7000 TCD per day.

**Anupam Goswami:** But then again our emphasis would be to divert and sacrifice more, right in terms of production?

**Vijay S. Banka:** Absolutely, but when we talk about production we talk about the crushing capacity and not whether you are producing sugar or you are diverting juice or B-heavy molasses for ethanol. The number is of crushing capacity.

**Anupam Goswami:** So, when you say 5 Crores liters right now, so how much diversion are we looking at?

**Vijay S. Banka:** Our crushing pattern will remain more or less the same. In two of our units, we will be generating B-heavy molasses. So whatever molasses is required for 5 Crores liters ethanol we will get that much molasses and which is possible to generate. In case we fall short of our requirement, there is always a possibility that one can always increase the TRS in the molasses and in a sense we sacrifice more sugar production within the same amount of B heavy molasses generated. For example if we sacrificed 1.50% sugar recovery we can go up to sacrificing sugar recovery of 1.75% also.

**Anupam Goswami:** Got it, Sir. I will join back in the queue. Thank you.

**Moderator:** Thank you. We have the next question from the line of Ganesh, an investor. Please go ahead.

**Ganesh:** Good afternoon, Sir. Thank you for the opportunity. I have two questions, one is in the coming sugar year how much do we intend to use cane directly for ethanol?

**Vijay S. Banka:** No, in the coming season we will not be using any cane directly. We will be using only B heavy molasses because for manufacturing 5 Crores liters of ethanol there is

no necessity for us to use juice. We have three units so there is no necessity for us to use juice directly for making ethanol.

**Ganesh:** Whatever molasses that we generate we will be in a position to use it fully, correct?

**Vijay S. Banka:** In two of our units, we will be generating B heavy molasses with higher TRS, which means higher reducing sugar so which will take care of the requirement of producing 5 Crores liters of ethanol.

**Ganesh:** Great. I know this question is premature, but the next sugar year or alcohol year when we have extended capacity also available like 15 months down the line, so how much of diversion will happen to direct cane juice to ethanol?

**Vijay S. Banka:** We will be perhaps be sacrificing sugar production of almost 30% in order to produce. For example, if last season we could have produced 45 lakhs quintals of sugar and if we by the same number our sugar sacrifice for producing 10 Crores liters of ethanol will be nearly 30% of our sugar production. So vis-à-vis 45 lakhs quintals we may be ending up producing about 33 or 34 lakhs quintals of sugar. So that is the kind of sacrifice which will happen.

**Ganesh:** Great. Thank you, Sir.

**Moderator:** Thank you. We have the next question from the line of Riya Mehta from Equitas. Please go ahead.

**Riya Mehta:** Sir, thank you for the opportunity. I just wanted to know how is the government quota system like do we have the formulized, mathematical formula, how we derive at the quota for each company or how is the entire process, if you could just help me out with that?

**Vijay S. Banka:** No, we are not privy to that formula, but broadly it works on how much sugar production we have made, how much sugar stock we are carrying and there is some priority given for those who have generated B-heavy molasses and used it for making ethanol. So all these factors are considered and accordingly sugar quota for each sugar mill is worked out. It is essentially a factor of the stock that one is carrying and the production of sugar

**Riya Mehta:** I would want to do know that I know basically this of the seasonality of the festive season, we have seen on sugar prices go up by around Rs.200 to Rs.300 per quintal during the previous sugar cycle, so do we expect something similar to that happening this year?

- Vijay S. Banka:** No, we do not see that happening. The last time we saw prices in excess, when I say prices I am talking about ex-factory prices, the last time we saw the ex-factory prices being higher than Rs. 3500 or Rs. 3600 a quintal was only in the year 2016-17. Thereafter, the price of sugar has been relatively flattish and there has not being significant increase. Of-course it cannot be lower than Rs.3100 a quintal because that is the minimum selling price the government has announced. And even in the best of times the selling price, I mean the average sugar selling prices have not gone beyond Rs. 3250 a quintal. So in a sense the price have remained flattish, there may have been some spurts in a month or two months. For example from here on till the commencement of the next season maybe the prices can be little better, but once the season starts you will find Maharashtra sugar flooding the market and then you know the price maybe back to normal.
- Riya Mehta:** I would want to know that we recently read an article that the MSPs are going to be increased to 3300, so any incremental update on that?
- Vijay S. Banka:** No, this should have happened a year ago, but it has not happened, our request is pending before the government and we do expect that the government will take the call on it very soon.
- Riya Mehta:** If you could just give us guidance or sense or something?
- Vijay S. Banka:** No, immediate meeting is scheduled, but you know how the government functions, if they want to do it, they can do it overnight.
- Riya Mehta:** Since there is a UP election in the next year, we are expecting make the SAP prices to incrementally increase so as the SAP prices increase, will there be a proportionate hike in the MSP also or how does this entire system work since this is too regulated I just want to know from you what it is?
- Vijay S. Banka:** There is no correlation between the increase in SAP and increase in MSP, but having said that government would want a MSP such that sugar mills are in a position to pay for the cane used. So on the one hand higher SAP means impairment on that cane price paying ability of the sugar mills which can be compensated by an increase in the MSP. So it should work in tandem according to me.
- Riya Mehta:** In the previous cycle or whenever the SAP has increase, it has not been since last three years, but before that, did it work in tandem or how was that being?

**Vijay S. Banka:** No, it was not. But there were times until 2015-16, when the industry went through its worst phase when SAP was increased year after year and there was no MSP and the sugar prices were subdued, not just subdued, they were on downward spiral. So in those days there were no correlation, so we do not have an example of the past for such a phenomenon.

**Riya Mehta:** Thank you. That was very insightful.

**Moderator:** Thank you. We have the next question from the line of Karan Agarwal from Tusk Investment. Please go ahead.

**Karan Agarwal:** Sir, my question is it is slightly medium term in nature, since after 15 months the new ethanol capacity will also be setup, so beyond that there will from where will the crude come, do we have the ability to increase our sugarcane production nearer in catchment area or it will be focused on organic expansion, it is slightly medium term question, but it will be great if you could share your thoughts.

**Vijay S. Banka:** If you see the track record of every sugar mills in UP, but within the same sugar units the production has gone up over the last three years. Every sugar mill does and we also do that very sincerely, we try to improve our crushing capacity year-on-year and for that we may add some machines and try to improve efficiencies. Our production numbers & crushing numbers have improved in the last two to three years. There is always an ongoing exercise to improve procurement of sugarcane, crush higher number. From within the same capacities we can slowly and steadily achieve higher numbers.

**Karan Agarwal:** Thank you for answering my question.

**Moderator:** Thank you. We have the next question from the line of Shanti Patel from Shanti Patel Investment. Please go ahead.

**Shanti Patel:** Sir, I wanted to know regarding ethanol. What a current demand and supply situation and how the selling price are determined as far as the ethanol is concerned and do you think that the target of the government 2025, 20% will it be achievable?

**Vijay S. Banka:** To answer your second question first, the price of ethanol that the government is announcing, there is no relationship whatsoever with crude prices, which means whatever be the crude prices the program of ethanol blending is here to stay. Government is encouraging this program, so any increase or decrease in the crude prices will not impact the ethanol procurement price. To answer your next question,

you see both the industry and the government are working in tandem, industry is increasing capacities so that it is in a position to supply ethanol to achieve higher blended targets. On the other hand government has to address a couple of issues which they are doing. Number one, they are improving the storage infrastructure at the oil depots, at the dispensing units and they are also working with Automobile Association of India/ already hybrid vehicles have been launched where 100% ethanol can be used. Already Government has come out with a draft notification for E 12 & E 15. All are working in tandem. If you ask me - will the supplies increase today? The answer is no. It will take a couple of years and it will a couple of years for the government also to improve the infrastructure on the procurement side. So with both demand & supply side issues being addressed I sure if not 20%, we will definitely reach a very reasonable percentage, where the industry is benefited and where the government is also benefited because they are able to conserve the foreign exchange resources and not spend money on oil imports.

**Shanti Patel:**

Sir, what about selling price of ethanol, how it is determined?

**Vijay S. Banka:**

No, it is determined by the government by looking at the cost structure.

**Shanti Patel:**

How much return they are allowing us to make?

**Vijay S. Banka:**

There is no concept of any returns as such, so when they determine the prices, they determine the prices considering the sugar selling prices as well as the sugarcane prices

**Shanti Patel:**

Yes, I agree with you, but then ultimately sugar company will not incur loss in any circumstances at all in selling ethanol?

**Vijay S. Banka:**

Yes, they do not expect us to incur loss in ethanol at all.

**Shanti Patel:**

Because I was under the impression that it is cost plus something that government is giving to the sugar companies?

**Vijay S. Banka:**

Exactly, so we are not expected to incur losses on ethanol, otherwise of sugar companies start making losses on ethanol, this program will not take off at all.

**Shanti Patel:**

That we know. So effectively the future of sugar companies is priced?

**Vijay S. Banka:**

Yes.

**Shanti Patel:**

Thank you very much.

**Moderator:** Thank you. We have the next question from the line of Dhvaneet Savla, an investor. Please go ahead.

**Dhvaneet Savla:** My question is on the cogeneration side. Is there any plan to increase our current output, which we have in the cogeneration side, it is being around 90 for quite a while now. Is there any expansion on that side plan because I have read about increasing in the ethanol capacity, so just wanted to know on that side? My second question is with regards to the total production of sugar which we are planning for the year considering that if there is no adverse third wave or something?

**Vijay S. Banka:** Insofar as cogeneration capacity is concerned we have no plans for expanding our capacity. Yes, the capacity do get created when we setup distillery because whatever requirement of distillery is there be it of steam or the power, it has to be met captively. So in fact at the Dwarikesh Nagar unit when we added distillery of 100 KPD our cogeneration capacity went up by 5 megawatts, so what was 86 megawatts per day, 86 megawatts became 91 megawatts. So that is how it works. Even when we do this new distillery the capacities will go up. But with the reduction in the power tariff by the UP Tariff Commission, there is no great incentive for us to generate extra power and sell it to the UP grid because number one the prices are not very attractive and number two the payment cycle is also very erratic. So we all are doing what we call as incidentally cogeneration, cogeneration as much as is required to generate power for us captive requirements and in the process we also generate power also for export purposes. Number two, you asked me about sugar production, we cannot have a sugar production number in mind as to how much we are going to produce. Typically, from our allotted command areas so whatever sugarcane is grown we are under obligation to procure the entire sugarcane/ So we cannot have a definitive production number in mind. I was mentioning a little while ago that the area under sugarcane plantation has gone up by 5% in our command area and if we factor for that we should be crushing that much more sugarcane in the coming season

**Dhvaneet Savla:** Thank you very much and all the best for the coming quarters.

**Moderator:** Thank you. We have the next question from the line of Nikhil Ghule, an investor. Please go ahead.

**Nikhil Ghule:** I am the new investor and new also in stock market first of all sorry if my question goes wrong or anything foolish?

**Vijay S. Banka:** Please, do not worry.

**Nikhil Ghule:** Sir, as our cycle now just sugar industry before this it was a cyclical industry now due to the ethanol and other projects it goes full year project now, but my question is now ethanol blending as it starts for the OMC, if there are any change due to electric vehicle or any projects, so is our company decided anything for the future projects?

**Moderator:** Thank you. We have the next question from the line of Anupam Goswami. Please go ahead.

**Anupam Goswami:** Sir, there was an announcement that Maharashtra govt has been providing subsidy to Maharashtra mills for selling sugar to UP and North India, where do we stand there and is it disrupting the sugar realization in the UP market and over there?

**Vijay S. Banka:** I do not think. There was this discussion. But have they really provided the subsidy? I am not too sure. As you rightly said, there was discussion and I also have read such reports, but I am really not aware if they have in fact provided the subsidy.

**Anupam Goswami:** Thank you.

**Moderator:** As we have no further questions, I would like to hand the floor back to Mr. Anupam Goswami for closing comments. Please go ahead.

**Anupam Goswami:** Thank you everyone for joining at this call. On behalf of Batlivala & Karani Securities Limited, we end the call for today and thank you everyone for joining. Have a good day.

**Moderator:** Thank you, gentlemen. Ladies and gentlemen, on behalf of Batlivala & Karani Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.

**Vijay S. Banka:** Thank you so much.