



“Dwarikesh Sugar Industries Limited Q2 FY2022 Earnings Conference Call”

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Dolat Capital



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Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2022 earnings conference call of Dwarikesh Sugar Industries Limited hosted by Dolat Capital. 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 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. Tejas Sonawane from Dolat Capital. Thank you and over to you Sir!

Tejas Sonawane: Thank you. Good afternoon everyone. Welcome to the Q2 FY2022 earnings conference call of Dwarikesh Sugar Industries. We have with us today the Managing Director of Dwarikesh Sugar Industries, Mr. Vijay Banka, so without further ado I would like to hand over the conference call to Mr. Banka for his opening remarks post which we will open the forum for Q&A session. Thank you all and over to you Sir!

Vijay Banka: Very good afternoon everyone. I welcome you all to the Q2 H1 FY2022 earnings call conference of our company Dwarikesh Sugar Industries Limited. Our results have been put in public domain yesterday. Let me quickly run through the results. In the quarter we have had a total income of about Rs. 506 Crores, PBT of Rs. 56 Crores and PAT of about Rs. 40 Crores, which is as compared to Rs. 419 Crores of total income during the corresponding quarter last year, Rs. 24 Crores of PBT and about Rs. 18 Crores of PAT. On a half yearly basis we have had a total income of close to Rs. 900 Crores, PBT of Rs. 92 Crores and PAT of about Rs. 67 Crores, which is a significant improvement over the H1 FY2021 results, it is Rs. 859 Crores of total income, Rs. 49.25 Crores of PBT and Rs. 36 Crores of PAT. So in percentage terms we have clocked impressive growth in total income, in PBT as well as in PAT.

The last estimate of sugar production of India, which was done by ISMA of about 31 million tonnes for seasons 2021-2022, is after considering a sacrifice of 3.4 million tonnes. ISMA is going to meet day after tomorrow when they will take cognizance of the evolving situation across the nation and maybe they will come up with a revised number or we do not know, they may stick to the same number. By the end of day after we will come to know what the position is. We have had unseasonal and very heavy rainfall in Uttar Pradesh as a result of which many rivers have overflowed, there was waterlogging in several areas. It is too early to assess the impact of the damage caused on the crop, but certainly there is an impact and adverse impact. It is difficult to hazard a guess what kind of crushing numbers and production numbers will be there because of the rains and as the consequent waterlogging will definitely impact the sugarcane availability and also the recovery. Whether it will be 5% or more than that will be known only in the days to come. I think ISMA will perhaps revise the numbers downwards,

so we will have to wait and see what they do the day after tomorrow because they will assess the situation from across the country

During Q2 FY2022 our EBITDA margin was about 15% same as for the half year as well. We sold about 12.06 lakhs quintals of sugar, which is as compared to 11.32 lakhs quintals, which included 2 lakhs quintals of export sales. If we deduct that in the last corresponding quarter we have against less than 10 lakhs quintals of sales we have sold 12 lakhs quintals of sugar. In the half year we have sold about 21.7 lakhs quintals vis-à-vis 23.88 lakhs quintals, which included export sales of 8.05 lakhs quintals. Our stock, because of the accelerated releases has come down and as on September 30, 2021 we are carrying a stock of 13.33 lakhs quintals as compared 17.66 lakhs quintals, which we carried on September 30, 2020. As you can see that there is about 4 lakhs quintals reduction in our stock level. From this we can also come to the conclusion that our stock of sugar for season 2020-2021 will perhaps get exhausted by January if not in December, which is a significant improvement over last season when stock got exhausted in fact in the month of April 2021. So as of now sales is good.

Let me add here, the 13.33 lakhs quintals of sugar were valued at Rs.3054 a quintal. During this quarter we had impressive sale of ethanol, we sold about 1.67 Crore liters of ethanol and for half year basis about 2.79 Crore liters of ethanol, so this is as compared to close to 90 lakh liters in the corresponding quarter last year and 1.33 Crores liters in the corresponding half year. During FY2022 we should be able to sell about 5 Crores liters of ethanol. Because of the rainfall, there is delay in the start of the season so we will perhaps see full-fledged operations of the season post Diwali because there is no point starting the season now and have interrupted working. Our term loan profile continues to be lean & trim. We have term loan outstanding of over Rs. 173 Crores, which includes UP Government loan of Rs. 74 Crores and balance is distillery loan.

Our distillery loan for the new project has been sanctioned, but we have not yet availed the same. Whatever we have incurred about Rs. 50 Crores is funded from our internal accruals. Our external rating is A+, we are pitching for a higher rating. Let us see what happens. Internationally we have seen sugar prices going up. In fact a month-and-a-half ago the sugar prices were at 21 cents a pound and there is some course correction now and it is around 19.35 cents per pound. It has provided some kind of support to the domestic prices as well. We have seen domestic prices rallying in the month of September, presently the domestic prices are hovering a little about Rs. 3600 per quintal. We see the domestic prices to continue, much will depend on how the Maharashtra sugar mills will react, once the season starts what kind of pressure they are under to liquidate their stocks much will depend on that. There has been no announcement of export policy for season 2021-2022, we have already contracted to sell about 25000 metric tonnes of sugar for export purposes. Our shipment will get completed in the

month of January. Further transactions / further contracts we will wait and see how the situation evolves and only then we will take a call on doing further transaction. Rest all is good. I leave the house open for you all to please ask me questions and I will be very happy to answer.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Rajesh Majumdar from B&K Securities. Please go ahead.

Rajesh Majumdar: Congratulations on a good set of numbers, but I had a few questions, from the prices our average calculation for the quarter was giving me a price of about 34.5 and your realization has come at 33.76, any reason for this, either this is weighted average total or the data based on the average prices for the month and I came at a price between 80 paisa or even a buck higher than what you can report, so any reason for this?

Vijay Banka: Our average is Rs. 3376 per quintal which is correct, maybe you can separately share with me how you worked it out, but this number of Rs. 3376 is a very authentic number.

Rajesh Majumdar: What is the transfer price of molasses?

Vijay Banka: Up till now it is 670 for B-heavy molasses. C-heavy molasses we are not transferring. During the season we have rarely used C-heavy molasses and have used B heavy molasses which was generated at two of our units, but definitely the price needs revision and once the season starts we will revisit and review the transfer price of B-heavy molasses which is going to be generated during season 2021-2022.

Rajesh Majumdar: That will be more accretive for the business right?

Vijay Banka: Yes, it will definitely be more; it cannot be as low as Rs. 670 it has to be close to Rs.1000 at least according to me.

Rajesh Majumdar: Because currently the prices were above 37 actually you are mentioning 36, but I was seeing that the prices have been above 37?

Vijay Banka: In some market it is 37. In case of refined sugar definitely the prices are higher. There are three factors, number one our units are in the hinterland, two our units cater to the market, which are very, very competitive, they are sold in Delhi and in the markets of Haryana, etc., so there the price

is very, very competitive and then thirdly we do not make refined sugar and fourthly our policy is to sell as quickly as we receive the quota, so sometimes it works in our favor sometimes it does not.

Rajesh Majumdar: That might explain the price differences quickly because the prices have moved up in the second half of the year.

Vijay Banka: Yes, we do not speculate on the prices, our attempt is to sell as quickly as possible.

Rajesh Majumdar: The kind of inventory correction we have seen in the closing inventory of Dwarikesh roughly 20% lower than last year, can we expect the same figure for the industry?

Vijay Banka: No, if you take the stock level of each sugar company as on September 30, 2021 and also ours, the kind of stock we are carrying in percentage terms of the production for the season 2021-2022 is perhaps the same for most of the sugar companies, it may be little more or little less, maybe our liquidation is faster this year because the weightage we have got for use of B-heavy molasses, which was not there in the previous year.

Rajesh Majumdar: Sir, in your reference it is above 8 million tonnes the opening stock?

Vijay Banka: Both export as well as B-heavy. Our exports during the season 2020-2021 was also very aggressive, we exported nearly 150000 metric tonnes of sugar, so the combined weightage of export of sugar plus use of only B-heavy molasses for making ethanol perhaps explains our better releases.

Rajesh Majumdar: The overall closing inventory should be under 8 million tonnes?

Vijay Banka: Overall inventory should be?

Rajesh Majumdar: Under 8 million tonnes for the industry?

Vijay Banka: No, according to me it is about 8.6 million tonnes.

Rajesh Majumdar: 8.6?

Vijay Banka: Yes.

Rajesh Majumdar: The final figure is not yet out?

Vijay Banka: Yes, but we cannot look beyond the numbers that are stated by ISMA

Rajesh Majumdar: Right and with this kind of an opening inventory what kind of diversion might give us a figure of 3.4 million tonnes of exports this year and what would be the figure for exports?

Vijay Banka: Government is now optimistic that 6 million tonnes of exports will happen, I am not too sure of the number, but I am told 2 to 2.5 million tonnes of exports have already been contracted, perhaps most of which has been contracted from the sugar mills in Maharashtra. In case of Maharashtra sugar mills, there is a limitation beyond which they cannot export perhaps then will be the turn of the UP sugar mills to export and we expect in the meantime the international prices to get better.

Moderator: Mr. Majumdar we request you to get into the queue for the followup questions. We have the next question from the line of Prateek from Systematix. Please go ahead.

Prateek: Sir, Thanks for the opportunity and congratulations on a good set of numbers. Just a couple of questions on the distillery side, if you could just give a breakup of how much was manufactured from B-heavy molasses and how much was from C-heavy?

Vijay Banka: In this season in two of our plants we have generated only B-heavy molasses and whatever B-heavy molasses has been generated has been used for manufacture of ethanol, no C-heavy molasses has been used for making ethanol.

Prateek: In H1 2.7 Crores liters that is entirely through B-heavy?

Vijay Banka: No, at the beginning of the season we had a little quantity of C-heavy molasses, which was used for making ethanol, very little quantity.

Prateek: Therefore for the season it is basically 100%?

Vijay Banka: Yes, in this financial year so far entirely it is B-heavy molasses.

Prateek: Understood and Sir for H1 we have already done 2.79 Crores of total ethanol sale and I think you mentioned somewhere around 5 Crores liters for the full financial year, so does it mean that going forward actually the run rate will drop in Q3 and Q4?

Vijay Banka: For Q3 the run rate is likely to drop, but Q4 should be big.

Prateek: Mainly because of molasses now you would have production drop in Q3?

Vijay Banka: We have molasses stock, but whatever quantity we had bid for our total bidding was for 4.6 Crores liters which we will complete in this month, so we will see if there are other opportunities to select. If that happens maybe that would provide us some help, otherwise Q3 normally for most sugar mills is a little lean quarter as far as sale of ethanol is concerned because by the time the tenders are open, by the time the bidding happens, by the time the allotments are received, the process does take time.

Prateek: We also suffered from this unexpected rainfall because we are largely in western regions and I think the rains were more heavy there?

Vijay Banka: Now let me explain to you unit wise, in our Dwarikesh Nagar unit we do not see any significant impact, Dwarikesh Puram unit there is a reservoir in the command area of the unit, the sluice gates have been opened, there has been a kind of flooding situation of the rivers which and consequent water logging. But when the fields are drying out faster, the real impact will be known. In Bareilly district again there are some rivers which are overflowing as a result of which there is water logging at some fields, so real impact is very difficult to assess at this stage. If the sunshine is good in the coming days, well things could significantly improve, but 5% drop is very much on the cards.

Prateek: 5% drop in terms of sugar production or cane availability?

Vijay Banka: Cane availability and there could be some impact on account of recovery loss also.

Prateek: Maybe this year again in this coming season sugar season 2022 if we are going to end up with lower sugar production then the prices should actually firm up further going forward, drop that most people are expecting currently is 37 and once the crushing starts it should go around 35 or 36, but that may not really pan out because the production itself is being lower?

Vijay Banka: I tend to agree with you, that is a possibility.

Prateek: So we expect some price correction

Vijay Banka: Yes.

Prateek: Understood, thank you so much and wish you all the best.

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

Sanjay Manyal: I have just one question, you mentioned that you will be able to do 5 Crores liters this financial year, but you have already done 2.7 even if it is lower volumes in Q3 hardly Q4 because it is a full season it could be a very high number, it could have higher probably than Q2 also so is it possibility that this number probably can be 5.3, 5.4 rather than 5 what you are mentioning?

Vijay Banka: Let us see, our endeavour will be to cross 5 Crores liters, but to say with certainty that we will cross the number is difficult at this point in time.

Sanjay Manyal: You mentioned other opportunities, so are there any opportunities in A&P segment also in Q3?

Vijay Banka: Yes, there are opportunities we are looking at; there are some private buyers also, so we are looking at all options.

Sanjay Manyal: If we see the current prices, the prices we are selling in for a week or so for Dwarikesh specifically is it around 36.5 or it is higher?

Vijay Banka: No, see average is which is important; at this point in time it is Rs. 36.65.

Sanjay Manyal: Your new distillery project is it on time will it be commissioned as per schedule?

Vijay Banka: It is on time in spite of the heavy rain, in spite of the inclement weather. Our execution maybe at this point in time is slightly delayed, but overall implementation is going to be on time and we should commission the plant in the month of June or July 2022.

Sanjay Manyal: Which simply means that we can do almost 7 to 8 Crores liters in FY2023 financial year?

Vijay Banka: Yes, see the strategy is to generate and store B heavy molasses so that once plant is operational in June / July I am talking about a month or so for stabilization so we will have about six months of working at least.

Sanjay Manyal: Thank you very much.

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

Vikram V Suryavanshi: Sir, in your initial comment, but would it be possible just on lower side what could be cane crushing expectation for this season and landed cost for us?

Vijay Banka: The price is increased by Rs.25 per quintal. We normally mostly buy the early variety sugarcane which is going to cost us Rs.350 at mill gate level, but not the entire cane comes at the middle gate. So we will have to buy a lot of cane at the cane centers so there is going to be additional transportation cost because they reimburse us at a particular rate, which is lower than the actual cost that we incur. Additionally there is going to be society commission also. If you factor for all this the landed cost could be about Rs.365 per quintal. Before the onset of this heavy rain and unseasonal rain we thought we might crush at least about 5% more canes that we crushed in the season 2020-2021. At this point in time it is difficult to assess the impact, but last season we crushed 378 lakhs quintals so I do not know, it is very difficult to say maybe we will crush the same quantity or maybe a little less.

Vikram V Suryavanshi: Understood and they have waste recovery in the region, so how is that?

Vijay Banka: The rains and the water logging will impact the recovery, but how much exactly again it is very difficult to say because if the weather is fine from here onwards it can offset the adversity that we are presently facing. So it is not just what has happened now in terms of heavy rainfall, etc. but how the weather pans out in the days to come is also very relevant and important.

Vikram V Suryavanshi: Understood and last question from my side regarding monthly or quarterly sales what we are doing out of 1.2 million tonnes I think you have already highlighted but is there significant component because of the ethanol sales which we have got extra relief and how that is if we are probably looking at our inventory level next year on a quarterly basis?

Vijay Banka: I mentioned it a little while ago that our stock level in percentage terms vis-à-vis production of season 2020-2021 is more or less similar to what other sugar companies are carrying. May be in the last season / last financial year we suffered because we did not use B-heavy molasses and therefore no weightage was given for the use of B-heavy molasses and manufacturing ethanol from the same. Additionally in the season went by 2020 / 2021 we have exported 150000 metric tonnes. Perhaps we have received adequate weightage on both the factors which is why our releases are better, but having said that I must add that, yes our inventory levels are more or less closer to the inventory level that other sugar companies are carrying in percentage terms.

Vikram V Suryavanshi: Got it and that was helpful. Thank you very much.

Moderator: Thank you. We have the next question from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.

Giriraj Daga: Sir, just clarification you mentioned that the current rate is 36.65 versus 33?

Vijay Banka: The average realization can be different for the entire month, October realization is definitely above 36.

Giriraj Daga: I think the last year ethanol we had bid for 4.6 Crores, this bidding you are expecting from October 1, 2021 or December 1, 2021?

Vijay Banka: We will bid for higher quantity; of course we will bid for higher quantity.

Giriraj Daga: Higher bid but that was like how much?

Vijay Banka: From one plant we can generate ethanol of about 5 Crores to 5.5 Crores liters, so we will bid for that quantity. As we get closer to the start of the new plant we will bid again as you know these bids are invited several times in a year not just one time. So once our new plant is up and running we will bid for sale of ethanol from that plant as well. So from the existing plant definitely we can do about 5 to 5.5 Crores liters so we will bid for that quantity minimum.

Giriraj Daga: So, that is about 7 to 8 Crores kind of a liter possible in FY2023?

Vijay Banka: Yes, 7 Crores is a very realistic possibility.

Giriraj Daga: Second like we are mentioning that we can try to bet more on ENA ?

Vijay Banka: No, there is no such demand, the demand is not so much and you do not get so much of pricing also for ENA.

Giriraj Daga: The idea was that the second plant is idle.

Vijay Banka: No, we will run the plant and produce and stock it. May be about 10 to 15 days is the annual maintenance period which we have timed in during this quarter so that is a mandatory thing which every distillery has to go through so we had to stop the plant in any case for about 15 to 20 days for annual maintenance or cleaning up the boilers, etc., their membranes have to be cleaned, a lot of work is to be done. Secondly plant is not going to be idle as we will produce since we have adequate storage capacity, we will produce and keep the ethanol for sale.

Giriraj Daga: Understood, last question Sir, what is the kind of price expectation you have from ethanol for next year?

Vijay Banka: FRP has gone up. So at least commensurate to that the ethanol prices should go up and plus there has been a clamor for an increase in MSP. The government should take cognizance of both and give us a decent increase in the ethanol prices.

Giriraj Daga: FRP is 2%, 290 to 295, so that is the kind of increase we are anticipating?

Vijay Banka: We are pitching for a higher price.

Giriraj Daga: Sure Sir. Thanks a lot.

Moderator: Thank you. We have the next question from the line of Kavya Shah from Manashvi Securities. Please go ahead.

Kavya Shah: Thanks for the opportunity and congratulations on good set of numbers. Sir, I just have one question, for the past four quarters there has been some impact in the sugar EBITDA margins despite higher realization, I just wanted to understand is this because of some inventory cost and do you see the margins improving further?

Vijay Banka: I have a request to make: In case of sugar companies number one, quarter-on-quarter results should never be seen in isolation and similarly the segment result should never be seen in isolation. We should always have a look at the total results of the company. During the quarter seeing the results of one segment and comparing it with other segment is going to be slightly misleading. Having said that I must say that our inventory is valued at Rs. 3053 per quintal so I am guessing in the subsequent quarter we will have some delta as the sugar prices now prevailing are better.

Kavya Shah: Thank you Sir.

Moderator: Thank you. We have the next question from the line of Sanjeev Kumar from SKD Consulting. Please go ahead.

Sanjeev Kumar: Congratulations for excellent results and thank you for the opportunity given, actually most of my questions are answered as such but there are few left out, so I begin with one as opinion of yours about the fact that how you view next year in terms of molasses, ethanol, and ENA realization way sometimes selling molasses in the open market can fetch you a better price or selling it, B-heavy molasses when process are giving you the best results, so I think there will not be any

compromise there whatever the molasses are there we are going to give it to the government only, but if the sugar price realization is higher for any reason would we be able to say or do some interchanging how you view itself, will you be kind enough to guide me?

Vijay Banka: Sure Sir. My personal view is that we should not be swayed by these short-term factors; we should not have a very myopic view on all these things. Ethanol blending program is something which we should all actively be participating in. May be sugar prices can spurt in the short run, but eventually, ethanol and its export these are things which are very, very relevant and very important. I do not think the increase in the price of sugar in the short-term decide any course correction insofar as our ethanol manufacturing is concerned as we will continue to manufacture ethanol, we will utilize our distillery capacity to the fullest extent possible and whatever sugar sacrifice will happen in the process will happen because we must take a very holistic view, we cannot take a very narrow & myopic view

Sanjeev Kumar: Got it, are you having any program to make ethanol directly from sugar juice that is cane juice?

Vijay Banka: Yes, that will happen. Presently whatever B-heavy molasses we will generate will keep our distillery fully operational insofar as season 2021-2022 is concerned. In season 2022-2023 when both the distilleries will be fully operational we will be using during the season at both the distillery sugar cane juice directly for making ethanol and during off-season we will be using stored B-heavy molasses for making ethanol. Only then we will be able to achieve a total ethanol production of about 10 to 11 Crores liters.

Sanjeev Kumar: Sir, I had one more question that at any given point of time do you ever have sold molasses during this last year or do you intend to sell molasses or other way around are you required to buy molasses from market?

Vijay Banka: No, we have not bought any molasses from outside. In last year / season as I have mentioned we have generated B-heavy molasses in both our units. In the third unit we have generated C-heavy molasses. We have used the C-heavy generated molasses for fulfilling our levy sale obligation which is 18% of the total molasses generated and we have sold some quantity of molasses also in the open market because whatever molasses left with us after fulfilling our levy obligation was sold at the market prices.

Moderator: Thank you. Mr. Kumar we request you to please join the queue for any further followup question. We have the next question from Rajesh Majumdar from B&K Securities. Please go ahead.

Rajesh Majumdar: I just wanted to ask you a couple of more questions, one is that last year we have seen this rainfall lead to a drought in field in UP particularly, so how should we read the lead trends that is only 5% to 10% area drop or will there be an impact in the field as well what is the assessment on that?

Vijay Banka: It is very difficult to answer at this point in time, like I said if any improvement in the weather is there in the coming days, that can offset the loss that one may have suffered. For example if the heavy rainfall, gusty winds and all you know have resulted in logging of sugarcane but maybe about 25% to 30%, but that does not mean that the entire cane has been lost as lot of it will be retrieved back, farmers will straighten it up by binding. So it is very difficult to assess the impact, but yes the rainfall that we had is not good for the both yield & recovery. It has been rather unfortunate with unseasonal rainfall, but to give a production number, at this point in time is very, very difficult Sir.

Rajesh Majumdar: Got it. Just give an idea on this.

Vijay Banka: I will give you an example, for example when we commence our last crushing season I had told that we may crush about 340 lakh quintals of sugarcane and eventually we ended up crushing 378 lakhs quintals. So there is no expert who can tell you exact quantity actually as estimates are based on the satellite survey, etc.

Rajesh Majumdar: Sir, can you give some number on the production?

Vijay Banka: Yes, ISMA is meeting day after tomorrow, I do not know whether they will take a call on this, but if they do take a call you will know the numbers towards the end of the day after.

Rajesh Majumdar: Right, even 5% is like gone that means the impact could be another 0.5 million tonnes on the overall production for a year?

Vijay Banka: 0.5 million tonnes a year.

Rajesh Majumdar: That will again push the inventory picture to a more sustainable level?

Vijay Banka: From the price perspective that may induce some optimism I would say.

Rajesh Majumdar: What is the export premium now because we calculate the overall export price as the cents or pounds plus the Indian premium and then we add the subsidy, so what is the export premium?

Vijay Banka: There is no premium that has been offered as of now, it is only the pol premium which is what we get. It is computed based on whatever is the New York spot price multiplied by 1.042, which is the pol premium multiplied by 22.0464 which is the conversion factor for per cent per pound to USD per metric ton and then you multiply it with the INR equation. Last year when we exported there was additional premium, which is now not there maybe because Maharashtra sugar mills are offering sugar at lower prices because they see their export realization in conjunction with the domestic realization, which is at least Rs.2 lesser than what we get in UP.

Rajesh Majumdar: Correct, so basically if you take 1.042 roughly about 75 to 80 cents above the current spot?

Vijay Banka: Current spot is about 19.35 or around

Rajesh Majumdar: I am talking 19, so 19 plus 0.78 or something.

Vijay Banka: Yes you can do your arithmetic based on that.

Rajesh Majumdar: Right. If it is even 19 and the Rs 4 subsidy continues then still India can export another 4 million tons?

Vijay Banka: Yes but the government has already announced that there will be no subsidy although we are pleading with the government to announce some subsidy.

Rajesh Majumdar: As of now the earlier announced 4 is still there right that is not changed?

Vijay Banka: Not for the season 2021-2022.

Rajesh Majumdar: There is no assumption that it is like continuing.

Vijay Banka: Whatever contract we have entered into based on the assumption that we will not get any subsidy.

Rajesh Majumdar: Got it thanks.

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

Anupam Goswami: Sorry for joining a little late I do not know if it has been asked. We find that your realization was a bit lower this quarter and from what we were tracking I see the realization has gone up to 36, 37 in fact?

Vijay Banka: No, I explained this to Mr. Majumdar on the same question that this is a very authentic number so I have requested him to share his computation as to how he has arrived at a higher realization and only then I will be able to comment.

Anupam Goswami: What is the realization currently going on?

Vijay Banka: Rs. 3665 or a little more actually.

Anupam Goswami: 3360?

Vijay Banka: On date if you ask me, it is more than 3660.

Anupam Goswami: Now the new crushing season will start where do you see it is going, should we see that the new supplies will come and it will soften a bit?

Vijay Banka: October is kind of done deal. In November Maharashtra sugar will come into the market so we will have to wait and see. It always has a bit of sobering effect on the domestic prices. We will have to see how the trading community how view it and whether they would want pipelines to be full or empty or they want it to be replenished so it will all depend on that, it will all depend on the international sugar scenario also. Most of the factors will determine what the price levels are going to be from November onwards. Normally you are right we have seen some sobering in terms of the domestic prices once the Maharashtra sugar comes into the market.

Anupam Goswami: Now that the inventory also coming down in the whole industry and the country do we see a good chance of a strong sugar scenario at least for the next two years where about around 34 or 35 on average for the whole year?

Vijay Banka: I think that is very much a possibility. Now you see the industry is maturing. The sugar mills are very actively participating in the ethanol blending programme, lot of capacities are also coming up. This year in the coming season the expected sugar sacrifice is about 3.4 million tonnes which is expected to go up in the subsequent years. So we will eventually reach a position where the consumption and the availability of sugar cane / the production of sugar cane is more or less the same and we carry about 3 months of stock in the pipeline which is a healthy situation. We do not want and

we do not expect runaway increase in the sugar prices because you know holistic view is to be taken and there has to be good balance between sugar availability and sugar demand.

Anupam Goswami: Now the SAP has also been increased what do we see on the MSP side and also on the export subsidy, will there be an MSP hike and what is the chance of an export subsidy coming up?

Vijay Banka: What we were asking the government was MSP of about 34, 34.50. Our request is still pending with the government because if done it will sanctify the base level price which is good for the industry in the future. Clamor of ours still remains. In case of exports the government has already announced that it is not going to give any subsidy but we are again pleading because when the government said it will not give subsidy that time the international prices were higher and about 2 to 2.5 million tons of sugar was contracted for export. Since then there has been lull, but we will have to wait and see how the sugar mills in Maharashtra react whether they are going to go aggressively move forward in contracting exports regardless of whether subsidy is coming or not.

Anupam Goswami: There is a chance of MSP increase?

Vijay Banka: No it has not been discussed. The request is pending with the government, but if you ask me as on date if there are talks of increase in the MSP, no we have not heard of anything.

Anupam Goswami: Thank you Sir. I will join back in the queue.

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

Karan Agarwal: Thank you for taking my question. Sir can you help us understand how the government calculates the monthly release quota?

Vijay Banka: We do not have much clarity on that. But it depends on the stock which the sugar mill is carrying and the production that it has had plus weightage is given for exports done by the concerned sugar mill plus weightage is given for the use of B-heavy molasses, all these factors are combined and considered in computing the monthly release quota of a particular sugar mill. We are not privy to the formula followed by the government.

Karan Agarwal: Okay got it Sir. Could you share your view on the rise in the UP cane prices and the impact it will have on our cost of production?

Vijay Banka: It is Rs 25, for example if my recovery is 12 so you can accordingly divide and work on it, so it is going to be about Rs.200 a quintal increase in the cost of sugar produced.

Karan Agarwal: Thank you Sir, it answered my question. I will get back in the queue.

Moderator: Thank you. We have the next question from the line of Ashutosh Chaubey from Centra Advisors. Please go ahead.

Ashutosh Chaubey: Sir I have an operational based question now that you mentioned that the company may crush around say 378 lakhs tons that is around 3.78 million tons and if the company is going to do say 100% B-heavy this year then we have a roughly ethanol volumes coming up at say around 8.1 Crores, but if we go according to the operational days of 330 days our capacity we cannot produce more than say 5.4 or 5.3 Crores so what would happen to this extra?

Vijay Banka: That is in one of the plants. We have another plant which is going to be operational in June. July 2022, so there again we will be producing ethanol. During season we will be producing and storing B heavy molasses and use the same .

Ashutosh Chaubey: But that would be next year onwards right?

Vijay Banka: Yes next year. I never mentioned about a financial year. This financial year we will be able to do about 5 Crores reaches of ethanol.

Ashutosh Chaubey: Sir if we crush again the same amount of cane that we did last year so this extra 3 Crores do we sell this molasses in the open market or do we just store it?

Vijay Banka: No, We have no intention of selling any molasses we will sell only so much of molasses which we are obligated to sell under levy requirement of the state government of Uttar Pradesh. We will manufacture, generated and store molasses for using in our upcoming distillery in Dwarikesh Dham unit in Bareilly district.

Ashutosh Chaubey: Okay Sir. Thank you very much. Once that in next year June, July 2022 the 175 KLPD comes into the starch production could you give me a percentage bifurcation as to how much are we looking at say 60% would be produced through juice route and B-heavy would go say for 40%?

Vijay Banka: Let me clarify this. Actually it is very confusing when we talk about financial year and ethanol season, so let me talk about the season. During the sugar season we use the juice directly in both our distilleries and dure heavy molasses we have manufactured during season will be stores and

will be used during the off season to make ethanol. Roughly 60% to 65% will be juice based and the balance will be B-heavy based.

Ashutosh Chaubey: Thank you for that. Sir I have just one last question with respect to your debt structure do we see any debt repayment or any dividend happening again this year?

Vijay Banka: You know all our repayments are happening on schedule. All our long term debts are at subsidized rate of interest. UP Government is at 5% rate of interest and the distillery debt is at 7.95% rate of interest and for 50% of the interest amount we get subvention from the central government so the rate is also lesser. There is no incentive for us to prepay the debt, but having said that since we have liquidated a lot of our stock as our stock levels have been moderated and our working capital utilization has come down substantially. Additionally we have also raised commercial papers; we have issued commercial papers during this year so as to rationalize our interest cost further.

Ashutosh Chaubey: So just taking that further could you give me a ballpark number say what would the debt position be as of March 31, 2021 like how much would be the debt standing in our balance sheet or long time borrowing than the working capital combined?

Vijay Banka: Working capital borrowing is something very difficult to talk about because you never know how much releases we will get. About the long term debt as on September 30, 2021 we have long term debt of about 173 Crores so whatever due installments are there that will get paid. How much of it will come down I am not able to calculate and tell you just now, but it will come down and additionally we have been sanctioned a new loan for the new distillery, so we will be availing that loan, so to that extent our long term debt will go up.

Moderator: Thank you. Mr. Chaubey I would request you to please join the queue for any further questions. We have the next question from Monish Ghodke from HDFC Mutual Fund. Please go ahead.

Monish Ghodke: Thank you Sir for this opportunity. Sir any plans to set up a distillery at Dwarikesh Puram unit?

Vijay Banka: If we are setting up a third distillery we will have to outsource our feedstock and we have no such intention. Once both the distilleries are fully operational the Dwarikesh Nagar and Dwarikesh Dham, during season we will be using juice and during off season at both the distilleries we will be using B-heavy molasses which will be generated at all the three units. So that is how we will be able to keep our plants fully operational. We will not set up another distillery as we will not have adequate feedstock.

Monish Ghodke: So any possibility to explore grain based distillery like Balrampur is doing in their Maizapur unit?

Vijay Banka: No, no. We are not doing grain based.

Moderator: Thank you. We have the next question from Udit Gupta individual investor. Please go ahead.

Udit Gupta: My question is by when can our expanded distillery be operational?

Vijay Banka: June, July 2022 Sir.

Monish Ghodke: What will be our capacity in terms of liter after expansion is complete?

Vijay Banka: The Dwarikesh Nagar unit is 162 KLPD plant, so let us say 160 and Dham will be 175, so together it will be about 330 KLPD plus.

Monish Ghodke: In terms of liters how much can we expect?

Vijay Banka: We expect to produce about annually anything between 10 Crores to 11 Crores liters.

Monish Ghodke: So this is after B-heavy molasses - like this is a saleable quantity?

Vijay Banka: Yes saleable quantity, partially made out of juice directly and partially made out of B-heavy molasses.

Monish Ghodke: Thank you Sir. Those are my questions.

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

Anupam Goswami: Sir my question is we are putting too much majority on the proportion on juice base that is as you said that 60% to 65% and the rest is on B-heavy I am to understand that the juice based margins are little lower than B-heavy, so what is the thought process?

Vijay Banka: B-heavy we will not let go anything waste Sir B-heavy will be used in entirety. We are not going to produce ethanol from juice by sacrificing production of ethanol from B-heavy. B-heavy will be used in entirety.

Anupam Goswami: So juice base would be somewhere to just to offset the sugar.

Vijay Banka: I am just throwing a number 60 to 65 exactly I will have to see and tell you what kind of number it is. No sacrifice so far in use of B-heavy is concerned it will be used totally.

Anupam Goswami: That is good Sir and I am to understand that we have also applied for expansion of our installing sugar crushing capacity as well right so where do you stand there and how much can we increase in the capacity of crushing?

Vijay Banka: We have got approval for capacity increase because of regulatory reasons. Because what happens is that in all our plants there are a few days when we operate more than the rated capacity which is not acceptable to the authorities, which is the reason why we have got higher capacities approved. Having said that every year it is our constant endeavor to do improvisation in the plant capacities, to carry out such capexes which will ensure uninterrupted working, enhancement of efficiencies, and wherever possible increase in the capacities also. As such there is not going to be a single project to increase the capacity

Anupam Goswami: Last it was declared 26000 TCD so where do we stand now in terms of...

Vijay Banka: 21500 TCD with Dwarikesh Dham we are taking approval for 10000 TCD from 7500 TCD and to 7500 from 6500 in our DN plant. So on paper our rated capacity will be higher.

Anupam Goswami: What would be our crushing guidance in the next coming years?

Vijay Banka: That I already mentioned it is very difficult to hazard a guess, last year last season we thought we will crush about 340 lakhs quintal and we ended up crushing 378 lakhs quintal. Before the start of the season we thought we will do at least 5% more but this unseasonal rainfall as you know has played havoc everywhere, but if the weather improves dramatically, if drying happens faster, if there is good sunshine so we will have to revisit the numbers time and again. Whatever number I tell you at this point of time is about lesser by 5%.

Anupam Goswami: It might be a little less than 5% hike which we mentioned earlier?

Vijay Banka: It might be less also.

Anupam Goswami: Thank you Sir.

Moderator: Thank you. That was our last question for today. I would now like to hand the conference over to Mr. Vijay Banka for closing comments.

Vijay Banka: Thank you so much friends for your active participation on this earnings call conference and thanks once again for reposing trust and faith in us. We are indeed grateful to you for the kind of support that you have lent us throughout and we continue to strive to improve our performance as much as possible. Ours is a regulated industry, so there a few parameters within the confines of which we have to work. We have tried our best to enhance efficiencies and we will continue to do so. Thank you so much.

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