



“Dwarikesh Sugar Industries Limited
Q4 FY2022 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY2022 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anupam Goswami from Batlivala and Karani Securities India Private Limited. Thanks you and over to you Sir!

Anupam Goswami: Good afternoon everyone and welcome to the Q4 FY2022 conference call of Dwarikesh Sugar hosted by B&K Securities. I will now hand over to Mr. Banka, M.D. of Dwarikesh Sugar to start with his opening remarks. Over to you Sir.

Vijay S Banka: Very good afternoon friends. I welcome you all to the Q4 FY2022 earnings call conference. We had our board meeting on May 2, 2022 that is day before yesterday to adopt and approve our results so as you would have gone through our results, our results are impressive and we can look at our results with a sense of satisfaction. We have had the highest ever revenue in the history of our company, highest ever EBITDA, highest ever profit before tax, so generally it has been a good quarter and a good year for us. For example, in Q4 FY2022 we had a profit before tax of Rs.86 Crores and profit after tax of about Rs.60 Crores which as far as PBT is concerned is 35% over and above what we had clocked in the corresponding quarter last year and PAT is also 24% better than what we had clocked at the corresponding quarter last year.

On a full year basis, our PBT is Rs.219 Crores and PAT is Rs.155 Crores so the improvement in PAT is about 70% and our networth also stands improved from Rs.579 Crores to Rs.673 Crores. As you would recall during the year two dividend payments were made. One was the final dividend which was paid for the FY2021 which was at 125% and then we paid interim dividend at the rate of 200% during FY2021-2022. Since the board meeting for the approval of that dividend was on March 29th 2022 so we had to provide for the same. So we have had in Q4 FY2022 better EBITDA margins, it is about point 21.7% vis a vis 14% during the corresponding quarter last year.

Similarly revenue from operations has also grown and also sugar sold during the quarter. We have sold about 10.11 lakh quintals of sugar and this sales is entirely in the domestic market as compared to 15.23 lakh quintals that we sold in the corresponding last quarter last year which includes 7.95 lakh quintals export sales which means our domestic sales has grown by nearly three lakh quintals and during the entire year we have sold 45.99 lakh quintals which includes only about 2.5 lakh quintals of export sales as compared to 49.49 lakh quintals during the last year which includes 16 lakh quintals of sugar exported. As far as the domestic sales are concerned, there has been substantial improvement which is all because of accelerated releases that we got which again is on account of weightage being given for our ethanol production and the exports that we did last year.

So we were carrying a stock of 19.60 lakh quintals was on the March 31, 2022 as compared to 26.02 lakhs that we carried in the corresponding day last year, so reduction of nearly 6.5 lakh quintals. This augurs well in the sense that this will evidently result in a lower inventory carrying cost etc and lesser burden on the company so far as providing for the storage facilities etc. is concerned. Impressive performances come from the distillery segment where we have sold 5.57 crore liters of ethanol as compared to 3.17 crore liters of the ethanol in the last year. Our debt profile continues to be lean and trim, of course there has been increase in the long-term loans which is because we have availed one loan for the new distillery. The same is under disbursal, so far as the old loans are concerned, the repayment is happening on time.

Our long-term rating is A plus, but during the year our outlook was revised from stable to positive, so in a sense one step better than what it was earlier and our crushing operations in the DD units have gotten over on the April 20, 2022, DN and DP units, the operations are still on, we expect to close the operations any day between the May 20, 2022 and May 25, 2022, so this has been as far as crushing quantities are concerned. Last season we have crushed about 378 lakh quintals of sugarcane so this year we expect to crush around 375 lakh quintals more or less what we had crushed during the last season. Actually, the area under cane has been higher for this season, but unseasonal rainfall during the month of September resulted in heavy water logging across the area, mainly in our DP and DD areas, which further resulted in lowering of the yield as far as farmers are concerned and of course it is dented the recovery also as far as the sugar mill are concerned.

So far as the industry scenario is concerned, you would perhaps be aware that ISMA had last come out with an estimate of 35 million tonnes of sugar production for the country so which means fundamentally we are surplus sugar producing nation, If you add 3.4 million tonnes of sugar sacrifice that has been made in favor of ethanol, so gross production is 38.4 million tonnes or may be more. In spite of such increase in the production, there has been no glut like situation in the country which is mainly because of the industry having demonstrated great ability in exporting sugar. The number is expected to be about nine million tonnes plus. Similarly, there has been some improvement in the consumption number also as compared to the last year. We will see a reduction in inventory of about 1.5 million tonnes between 2021 and 2022 and the estimate closing stock number roughly translates to over three months of consumption, it augurs well for the sugar industry in the sense that sugar mills will be now assured of a reasonable price for the sugar that they are going to sell.

And there, of course, is no scare of any runaway increase in the sugar prices, so government also is not unduly bothered about it. It is a happy situation to be in at the moment. Distillery segment as you are aware, every sugar company is expanding, they are ramping up the distillery capacity, so our project at Dwarikesh Dham unit where we are setting up 175 KLPD distillery and the project execution is on time and we expect this project to be commissioned by end of June this year. As far as the co-generation segment / the power segment of course continues to do all right. There has been no good news in so far as tariff is concerned which continues to remain at the level which was announced four, five years ago with a marginal increase year after

year. Thank you so much for hearing me out. I would now request you to please ask me questions and I will be very happy to answer your questions, doubts, whatever you may have.

Moderator: Thank you very much Sir. We will now begin the question and answer session. The first question is from the line of Ayush from Systematix. Please go ahead.

Ayush: I wanted to know the closing price which we have valued our closing stock, the price at which it is valued at closing stock of sugar?

Vijay S Banka: Good afternoon, Sir. We have valued our closing stock of sugar at Rs. 3199.63 so you can assume Rs. 3200 per quintal.

Ayush: Okay, that is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Ambar Taneja from Cirque. Please go ahead.

Ambar Taneja: Just couple of quick questions. One is on any planned capex question has two parts. Last time you had mentioned that with the expansion of this new 175 KLPD distillery, you will be completely self-sufficient with regards to enough gain for molasses and in fact even from juice so you will be actually in a position where there is nothing no extra clean so if you do capex you will probably have to get new areas under command, so any comments you have on that and part b is I have heard that it costs much less to set up a juice-to-ethanol plant rather than a molasses-to-ethanol plant, so any comment on these two things if you can?

Vijay S Banka: Firstly Sir, on the capex as you rightly mentioned, now with the setting up of new distillery we will be fully integrated, we will be self-reliant in the sense that we will neither be molasses or juice surplus nor we will be deficient. So we will not have to outsource our molasses requirement from outside. But then n we have a couple of plans number one, which we are very actively evaluating to set up a refinery at one of our units, so what happens with the setting up of refinery two things happen. Number one, with the kind of sugar that we will produce there which will be internationally acceptable as far as for international standards, new export opportunities will arise as you have seen the white sugar is traded at much higher price than the raw sugar so that would be an interesting option and number two, when we produce sugar in one of our three units, domestically also we should be assured of a better price realization than what we are getting now. This capex will not cost as much, if the feasibility is fine maybe we will take a decision very quickly and this can be put in place in the coming season itself. Secondly, I must mention here that in our Bijnor district units, both the units, our season goes up to May 25, 2022 sometimes till the end of May. So here we intend to increase our capacities a little, but that perhaps may not be feasible in this offseason we will be able to take it up in the next offseason. When we do that number one we will be able to crush our cane in the best part of the season and not extending our season during the harsh and severe summer months and number two, it is natural that once the capacity is increased, additional cane keeps coming in some form or the other within the same command area as lesser diversion would happen and more cane will be available,. So t these are the two things that we have in mind and secondly, you were asking about...

- Ambar Taneja:** Anything on the cost on juice to ethanol versus molasses to ethanol?
- Vijay S Banka:** We are going to make ethanol from juice, In the distillery that we are going to put up now, we will be using juice during season. We have 21500 TCDs of capacities, in both the distilleries perhaps together. In each may be about 2250 TCD we will be dedicating, about 4500 TCD of cane crush for making juice to be used directly for making ethanol. . Perhaps your question is what if set up a new sugar mill, new sugar mill where you only crush the sugarcane, generate juice and then use the juice and setup a distillery accordingly.
- Ambar Taneja:** It is not relevant.
- Vijay S Banka:** Yes, it is not relevant and perhaps we will have to look for other newer areas to do that, so that is not there in our plan of things as of now.
- Ambar Taneja:** Understood, just a quick follow up Sir, any market for Brownfield assets as per my understanding in the last four, five years, economics of this industry has become such that the top four, five well-managed companies obviously take a lion's share of all the profits because they are capital efficient, they are operationally efficient, they are becoming cash surplus whereas 60% to 70% of the plants are still quite inefficient whether they are being cooperative or one mill or small owners etc, do you see any evidence of any Brownfield assets or any small scale M&A happening or can we basically forget about that because of political consideration?
- Vijay S Banka:** No, you are right Sir. Actually when the companies do well they are always companies which are eager to and have the appetite to either expand their bay. But when the industry is doing well, the pricing becomes too high so that is the problem and anyways everybody looks around for opportunities, but it is easier said than done I would say.
- Ambar Taneja:** Understood, thank you very much.
- Moderator:** Thank you. The next question is from the line of Dipen Shah an Individual Investor. Please go ahead.
- Dipen Shah:** Good afternoon Sir and thanks for the opportunity. Sir, my question was more to do with the global scenario. If you can just you know give us your thoughts on how you see the global scenario panning out over the next maybe three to six months especially the Brazil season how is it starting off and what would be your outlook for the global sugar prices if at all whatever you can hazard a guess, Sir that will be helpful. Thank you so much.
- Vijay S Banka:** When we commenced this season, our midway through the season experts predicted this season to be a deficit season with a small deficit of not more than two million tones, but considering the fact that India is surprisingly reporting more and more production numbers, small deficit could turn into a small surplus.
- Dipen Shah:** Okay.

- Vijay S Banka:** But having said that if you have seen in Brazil the production is lesser for this season and it is also expected to be lesser in the coming season because more and more sugar mills are opting to use sugarcane juice for making ethanol and if you see the future pricing for the next year, there is no reason for pessimism. The optimist predict that even in the coming season the sugar prices should be reasonable and as I mentioned earlier we have demonstrated great abilities to export sugar, so in the coming season we expect two, three things to happen in India. Number one, the production numbers will be high, but whether it will be as high as what it has been in this season may not be so, because we expect higher ethanol sacrifice in the coming season, as against 3.4 million tonnes my guess is we should sacrifice at least about 4.5 million tonnes in favor of ethanol in the coming season.
- Dipen Shah:** Okay.
- Vijay S Banka:** So ethanol sacrifice is going to be higher so the availability in so far as Indian sugar is concerned, in Indian sugar market may be lesser and if we are going to do about 9 to 9.5 million tonnes of export in this season I do not see any reason why we cannot do at least about 5 to 6 million tonnes of sugar export in the coming season indicating that there is no possibility of a glut situation developing, the sugar balance which is expected to be about 6.7 million tonnes at the end of this season, perhaps remain the same or maybe a little on the lower side.
- Dipen Shah:** Okay and Sir just for my understanding at what international prices would we be indifferent to domestically selling sugar or selling it in the export market because subsidy is now no more available from the current year?
- Vijay S Banka:** Yes, correct, subsidy is not there even when we are talking about 9 to 9.5 million tonnes of export in season 2021-2022., No subsidy has been made available to the sugar industry.
- Dipen Shah:** Yes.
- Vijay S Banka:** We have been helped by better international prices and as I mentioned a little while ago we will continue to get benefit of the international prices in the coming season as well, so we should be able to - whether there are subsidies or no subsidies - we should be able to export. And your question was that what prices we are kind of indifferent at and what is the price parity?
- Dipen Shah:** Yes.
- Vijay S Banka:** It is different for different sugar mills, for example, the mills in Maharashtra – for them the parity is at a much lesser international prices as compared to the mills in Uttar Pradesh. Number one, they are closer to the port so their transportation costs are lower and number two, they compare their export realization with the domestic realization which they get in Maharashtra which is at least about Rs.100 to Rs.150 per quintal lesser than what we get in Uttar Pradesh. So out of 9 to 9.5 million tonnes of export that was happened or is likely to happen, the major chunk is from Maharashtra because UP sugar mills have found it difficult because they are in the hinterland and their realization in the domestic market is a little more remunerative than in the export market.

- Dipen Shah:** Okay Sir. Thank you very much and all the very best.
- Moderator:** Thank you. The next question is from the line of Nimish Sheth from GT Advisory. Please go ahead.
- Nimish Sheth:** Good afternoon Sir. Congratulations. Good numbers I am well Sir thank you. A couple of questions and before that my usual comment on dividend. Thank you for a generous dividend but you gave no final dividend I hope that the purpose of the interim is to give an interim and then a final so I hope you make that command in the coming year, but two rupee interim is generous and thank you for the same. Just a couple of questions, you mentioned about wanting to put up a refinery and I have another question on the distillery side, have you considered maybe doing something on the grain distillery side, experimenting with grain?
- Vijay S Banka:** No.
- Nimish Sheth:** You are not thinking.
- Vijay S Banka:** No.
- Nimish Sheth:** What is the current ex-factory sugar prices in your area by your factories or where you sell the sugar?
- Vijay S Banka:** When we talk of the current sugar prices I am talking about the sugar prices which have in the last one week or so is about Rs. 3500 plus per quintal.
- Nimish Sheth:** Rs.35 a kilo basically?
- Vijay S Banka:** Yes.
- Nimish Sheth:** That is it. Thank you very much and all the best.
- Vijay S Banka:** While on your dividend comment I must say that by your own admission it was a generous dividend payment in the form of interim dividend payment, there is no room for us to declare another final dividend.
- Nimish Sheth:** That is why I said FY2023 I hope you give interim and a final, the purpose of interim is to break up the total dividend so we get the cash flow twice in the year but it is not interim the other final that was not the purpose actually.
- Vijay S Banka:** Thank you so much Sir.
- Nimish Sheth:** Thank you.
- Moderator:** Thank you. The next question is from the line of Dhvanet Savla an Individual Investor. Please go ahead.

- Dhvaneet Savla:** First of all congratulations on a good set of numbers especially in the backdrop of this situation we are in, I just had one question. With regards to our decision making so I see that we are getting a lot of better margins from our distillery and from ethanol sales, so how do you arrive at the decision that we are going crush cane this time and we are going to sacrifice in both and we are going to sale more or is it given that our distilleries are going to run at full capacity?
- Vijay S Banka:** Actually I have to repeat what I keep repeating every time, we must not see the segment results in isolation. We should see the company's results in totality, but you have a very valid question, how do we decide whether we should be producing sugar or we should be increasing ethanol. Now having set up ethanol capacities it is imperative that we utilize our economic capacities fully. When we have we have to take a decision on setting up of the distillery we try to equate the price of ethanol with the price of sugar. So in case of B heavy molasses it equates to a price of more than Rs.3700 quintal of sugar, basically these are the decisions, these are the factors which have helped enable us to take a decision. Now we must take a very holistic view of the entire situation, we cannot be guided by short-term / myopic price movements etc. So if all of us think alike and if all of us start thinking that if at a given price sugar makes more sense so let us make sugar and let us not make ethanol and if all of us start thinking alike then perhaps there will be a glut like situation in the country, it will be producing more and more sugar and the sugar prices will start to crash. Ye, , having a distillery gives us that extra flexibility, but yes we can take a decision as and when required, but whether we are going to use that flexibility I do not think anyone of us should do that, because we should produce ethanol because the demand for ethanol is unlimited with the government ambitious target we will have to give more and more ethanol to oil marketing companies. We also have a duty that we should not get the ethanol blending program derailed because the ethanol blending program is the program which has brought the industry back on track.
- Dhvaneet Savla:** Sir just like small follow-up? I just wanted to know does the price of ethanol move in tandem with the price of crude oil or there is no correlation between them?
- Vijay S Banka:** The price of ethanol moves in tandem with what price of.
- Dhvaneet Savla:** Crude oil?
- Vijay S Banka:** No. There is no correlation between the same. Any downward pressure on the crude price does not have any similar pressure on the ethanol prices. What the government takes into account is the FRP that they announce year after year so based on the FRP that they announce they announce an increase in the ethanol prices and they also keep in mind the market selling price of sugar.
- Dhvaneet Savla:** Thank you very much Sir and all the best for the coming quarters?
- Moderator:** Thank you. The next question is from the line of Nikhil G from Abakus Asset Management. Please go ahead.

- Nikhil G:** Thanks for the opportunity. Sir just a few questions from my end? Firstly a few data points I wanted? Can you give me what is the annual sugar that we have crushed in FY2022 sugarcane?
- Vijay S Banka:** In FY2022 we have crushed 374 lakh quintal of sugarcane as vis-à-vis 397 lakh quintal of sugarcane that we crushed in FY2021. The lower crushing is because the lesser number of days that were available for crushing during FY2021-FY2022. Now I would urge here that we should not consider crushing that has happened in a particular FY. What is more important is more relevant is the crushing that we do in a particular season.
- Nikhil G:** No Sir I completely understand.
- Vijay S Banka:** 374 lakh quintals Sir.
- Nikhil G:** Sir simultaneously what will be the sugar production for FY2022?
- Vijay S Banka:** FY2022 we produced lesser sugar for two reasons.. Yes sugar production is 39.6 lakh quintals vis-à-vis 45.93 lakh quintals in the previous FY. Three reasons for that. Number one lesser crushing and I have already given you the crushing data for the current FY and the previous FY and number two because of more generation of this in the ongoing season of 2021-22 we have generated B-heavy molasses across our three units whereas in the earlier season we had generated B-heavy molasses only in two units and not in the third unit so this time we have generated B-heavy molasses across all our three units so which means we have sacrificed more sugar production in favor of ethanol and number three of course the recoveries have also been slightly lower than the last year.
- Nikhil G:** Understood Sir. Sir just lastly to close on this then just for FY2022 I am not sure whether you have done that math or not but what would have been the C heavy and the B heavy sort of crushing production?
- Vijay S Banka:** Zero C generation of C heavy molasses.
- Nikhil G:** Zero C for FY2022 you are saying?
- Vijay S Banka:** Yes.
- Nikhil G:** Got it Sir. Sir my next question is that you mentioned that we are going to do 4500 TCD for sugarcane juice once the new distillery comes in so that equates out to be close to 15% to 20% through sugarcane juice right from the total crushing?
- Vijay S Banka:** Correct.
- Nikhil G:** And the remaining will be B heavy?

- Vijay S Banka:** The remaining will be all B heavy so the plan is, we have one distillery at our Dwarikesh Nagar unit which is 162.5 KLPD. The one which is going to come up in Dwarikesh Dham unit is a 175 KLPD so you can see more or less the capacities are the same similar and in each we will be for example in the Dwarikesh Nagar distillery we will be dedicating about 2200 TCD of crushing for generating juice which will be used directly for making ethanol so year Dwarikesh Dham may be about 2300 TCD so about roughly 4500 TCD is going to be dedicated for making juice to be used directly for making ethanol. The rest of the crushing will be used for generating B molasses which will be stored during the season to be used in the off season in the distillery for making ethanol.
- Nikhil G:** Understood and Sir lastly since our distillery going to be commissioned in June 2022 any idea how much sort of a distillery production we can do in FY2023?
- Vijay S Banka:** In FY2023 we can do about 8 Crores liters. We have done about 5.7 Crores liters in FY 2022 so we will be able to do about 8 Crores liters in 2022-2023 and in 2023-2024 we can do 11 Crores liters.
- Nikhil G:** 11 Crores liters and safe to say that with this distillery expansion we will completely use our molasses and we cannot further expand our distillery from here the capacity right?
- Vijay S Banka:** It is like this. One gentleman earlier had asked me what is the way forward so I had also mentioned about in the coming off season not this off season, in the coming off season we are looking at a possibility of increasing our crushing in two of our units because our crushing extends and goes up to the end of May so we have to crush our cane in the hot and severe hot months of April as well as May. When we increase the crushing then what will happen is the additional cane will naturally come although the command area is the same but it is phenomenon which is prevalent all over because the larger your cane crushing capacities more cane you get because the diversion will be lesser so that is how crushing numbers can get better. If that does happen then of course instead of our plant envisaged working of 300 plus days of distillery operations we can always do 10% more days and certainly small adjustments in the distillery capacities we can always make and ramp up our production capabilities.
- Nikhil G:** I understood but by and large this is like the large part of the expansion is done with this?
- Vijay S Banka:** Yes.
- Nikhil G:** Understood. Thank you so much for answering all my questions?
- Moderator:** Thank you. The next question is from the line of Rajesh Majumdar from B&K Securities. Please go ahead.
- Rajesh Majumdar:** Sir I wanted to ask you a strategic question on the overall equation of the sugar plus distillery yes we have seen nearly 38 million tonnes of sugar being produced this year and about 3.4 or 3.5 million diversion and net of diversion we had substantial surplus if it is getting exported because

of the high export market realization and will have a lesser crop whatever so what I am saying that going forward at 20% blending we get facilities at 6 million to 6.5 million tonnes of sugar diversion?

Vijay S Banka: It can get higher.

Rajesh Majumdar: At 20% I am saying? At 20% it is 6 million to 6.5 million tonnes of sugar diversion so suppose we end up producing 40 million tonnes in three years and we divert only 6.5 and if the export markets are not as buoyant then we are back to square one in terms of the domestic equilibrium and then sugar prices can fall again if there is no further structural change in the equation? Is that the right assumption?

Vijay S Banka: No two things. Let me add my bit here. Number one this 6 million to 6.5 million tonnes of sacrifice can go up further. As it is even with 10% trending we are talking about 3.4 million tonnes of sugar sacrifice okay so with 20% blending happening with sacrifice of course can be much larger not just 6 million to 6.5 million tonnes and secondly the consumption can also get better. This year it is expected that the sugar consumption will be more than 27.5 million tonnes and if about 3 million to 4 million tonnes of surplus sugar is produced in the country it can always be exported. It can be pushed out easily. Another thing once is five years or so we do experience droughts in the states of Maharashtra and Karnataka. I am not saying I am banking on them but yes these things do bring about some correction in the equation.

Rajesh Majumdar: No Sir fair point. I just wanted to know is the government the road map beyond 20% blending is not yet clear in terms?

Vijay S Banka: It is not clear but it will get clearer in the times to come.

Rajesh Majumdar: As I understand the sugar companies are cleared of well for supply but the other ecosystem for example petrol pumps, etc., in terms of whether they can service multi ethanol dispensing and stuff like that is not yet clear?

Vijay S Banka: They are working on that. We have an assurance from the government that all these things will be ironed out simultaneously when the capacities of the distilleries are being ramped up.

Rajesh Majumdar: Thanks and my last question was on your recent UP mill so what is the amount of scale availability you foresee and recoveries say two to three years down the line because we have seen a structural fall in the recovery CO0238 in the region so any color on that?

Vijay S Banka: Sir everybody is working very hard to bring about varietal changes so there are some two to three interesting varieties which are there. One is 15023, which seems to be very promising and there is this variety 118 that again is a very promising variety but the variety changes is three to five years program so in three years may be yes you can do about 60% to 70% change They keep happening. There is always scope for improvisation.

- Rajesh Majumdar:** So we will not see any fall any drastic fall in the sugar production in that mill?
- Vijay S Banka:** No.
- Rajesh Majumdar:** Thanks.
- Moderator:** Thank you. The next question is from the line of Riya from Aequitas. Please go ahead.
- Riya:** Congratulations on a good set for sugar division. Sir what is recovery percentage for this quarter?
- Vijay S Banka:** Well we do not calculate recovery percentage for the quarter. It is on cumulative basis that we calculate the recovery so up March. For the crushing season up to March we have computed so which is the lower than what we it was last year. Just give me a moment I will tell you what the recovery percentage is. From the start of the season till March so it has been on the lower side of course, but as we complete our crushing my gut is that we should just a moment I will tell you this number first. Now that we are generating B-heavy molasses of producing ethanol so all these numbers tend to undergo change so our gross recovery was 12.13% from the start of the season till March 31, 2021, which is down to 11.85% from the start of the season till March 31, 2022 so there is about 28 basis points drop in the recovery but subsequently there has been some improvement but I think overall for the season the drop in the recovery could be about 25 basis points.
- Riya:** Got it Sir. Also from a very macro perspective I was just reading that the SECI has increased the broken grain prices and the grain distilleries have a toss in their calculation because of the capex done so what are your views on this?
- Vijay S Banka:** We have not applied our mind on that but yes this is the fear that was there upper most in our mind when deciding if we should also put up a grain distillery or not. Firstly we are in a rich belt of Uttar Pradesh where you know we put up a distillery and the generally expectation around is that we will be sourcing grain where so the prices of grain will go up and again because of the war that is happening between Ukraine and Russia again I think the grain prices have shot up because of the export opportunities that have come up so yes categorically speaking I do believe that yes their economics can go haywire a little but I am not fully aware of how much their economics is it going and how they propose to deal with it. I have no clue madam.
- Riya:** Thank you. One more question will be what is the current scenario in Brazil for ethanol blending so basically the delta between sugar and ethanol has decreased over there I think a couple of months so right now what is the scenario and what kind of blending are we seeing there?
- Vijay S Banka:** There is 1% improvement in the blending this season as compared to the last year so while on the one hand the sugar prices have also gone up. On the other hand the crude prices have also moved up so what we understand from our counterparts there is that ethanol making is more remunerative than sugar making.

- Riya:** For our domestic purpose what currently the ethanol blending percentage has reached like the 10% to 11% in few states what percent in current vehicle with the current engine that can take the blending up to how much level?
- Vijay S Banka:** The vehicles can easily take more but that is an ongoing debate with the Automobile Manufacture Association, with the Petroleum Ministry, our Food and Agriculture Ministry and the Sugar Industry so easily 12% blending can happen presently. We have reached is 10% blending but there is road map which has been laid down by the Niti Ayog to progressively increase the blending to about 20% blending as per the target that they have fixed . There is a plan to introduce flex fuel vehicles also in the country so all this augurs well and we should see increase in blending in the times to come.
- Riya:** Sir thank you. That was very helpful from your side.
- Moderator:** Thank you. The next question is from the line of Muskan Gupta from Finterest Capital. Please go ahead.
- Muskan Gupta:** Good afternoon. Congratulations on a good set of numbers. So right now we have been talking about setting up some distillery plan for ethanol production and everything so can you please give what is the capex plan in terms of numbers? This is the first point and second point is that what can be the expected volume growth because of this capex plan and what is the time frame by which we can achieve this?
- Vijay S Banka:** So madam I think I have already answered this question. We already have one distillery at our Dwarikesh Nagar unit. We are executing a project for setting up another distillery at our Dwarikesh Dham unit. It will be 175 TLPD distillery. It is at advanced stages of execution and we expect this plant will be operational at least before the end of June 2022. Now the total cost involved in this project envisaged cost was Rs.232 Crores and I do not see any reason why we will be going beyond that particular cost so we will be able to execute our project within that cost. Our distillery in Dwarikesh Nagar can produce about 5.5 Crores liters of ethanol and with the new distillery coming up we will be able to again produce another 5.5 Crores liters of ethanol but you can see the full benefit of that expanded capacity will not be available in FY2022, and FY2023 so we should be doing about 8 Crores liters in FY2022-FY2023 and from FY2023-FY2024 April onwards we will have the capabilities to produce 11 Crore liters of ethanol.
- Muskan Gupta:** Got it. Thank you.
- Moderator:** Thank you. The next question is from the line of Udit Gupta an Individual Investor. Please go ahead.
- Udit Gupta:** Good afternoon Sir. Sir my question is that we are looking at 10% blend and 20% blending so theses petrol pumps are required to have three dispenses like all of them?

- Vijay S Banka:** They will need to have three dispensers so the government is working on that and the government is very hopeful that it will all be worked out.
- Udit Gupta:** Sir for flex fuel like what is the ethanol blending in flex fuel is it 100% or 70%?
- Vijay S Banka:** 100%.
- Udit Gupta:** Sir, do we have any debt reduction plans after the capex is over or anything like that?
- Vijay S Banka:** All our long term debt is at subsidized rate of interest so we have no inclination to pre-pay any of the debt.
- Udit Gupta:** And very short term working capital debt Sir which we require for the inventory that can be...
- Vijay S Banka:** You see because of the improved cash flows our working capital requirements have got compressed because of the change in the sales mix that we have had in the last one year with distillery segment contributing more than what it used to contribute in the earlier years and also because of the compression and the shrinking of the sugar stocks level. Our working capital cycle has improved so we expect lower interest out go in the coming years in spite of the increase in the long term debt and we do expect that we should have the benefit of better rating in the times to come and we will always of course explore opportunities to raise money through commercial papers, WCDL, etc., so we think we will be able to rationalize our interest outgo.
- Udit Gupta:** Got your point Sir. Sir when are we looking at the capacity coming in line Sir in June?
- Vijay S Banka:** Which capacity Sir. This will be operational by June end.
- Udit Gupta:** By June end and Sir are we looking at from sugarcane juice to ethanol also and like grain we are not looking at?
- Vijay S Banka:** No we are going to do. Both the distilleries have to be operational for more than 300 days we will have to use juice and with the stock during the season and we will be using B-heavy molasses as feed stock during off season.
- Udit Gupta:** Okay Sir we will be doing both?
- Vijay S Banka:** Yes. Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Anupam Goswami from Batlivala & Karani Securities India Private Limited. Please go ahead.
- Anupam Goswami:** Sir you mentioned about the 38 million production that can happen? Of that if we even at highest blending rate that can happen and now that grain based distillery is also coming up and I am trying to understand that grain based distillery ethanol prices are lower than both B heavy and A

so would it not the OMC would be more eager to purchase that first and instead of molasses based where we cater to?

Vijay S Banka: The agreement is very water tight and it says priority is to be given to ethanol made from B-heavy molasses or sugarcane juice.

Anupam Goswami: Okay and going forward will there be any sort of because we are doing as of now we are heavily relied on export and next year if this thing only come to 4.5 and even at 20% if it goes like max 6.5 to 7 where can we see this on the domestic prices any pressure on the domestic prices scenario?

Vijay S Banka: I do not see any pressure on the domestic prices. If you see in a situation where there is not substantial sugar surplus in the world globally so we have seen prices stabilizing at reasonable levels so with that kind of price levels I do not see there should be any problem in exporting pushing out about 4 to 5 million tonnes of sugar out of India and with that sugar stocks remaining between let us say 6 million to 8 million tonnes I do not see any downward pressure on the sugar prices.

Anupam Goswami: Sir my last question is now that we have finished the capex what is our cash flow utilization going forward?

Vijay S Banka: So we are planning the capex though of course it is a small capex because of just a few processes that we need to upgrade for making refined sugar of less than 45 ICUMSA sugar so that will cost about may be Rs.35 Crores to Rs.40 Crores not much so besides that yes I also mentioned that we might take an increase in the capacities of our sugar mills both at Dwarikesh Nagar and Dwarikesh Puram so those are the thoughts that we have and we would want to implement. What happens is the surplus cash remains only towards the end of the off season otherwise even during this season where the purchase has been good we do utilize our working capital. The point I am trying to make is when the sugar season is on no sugar company can be cash surplus.

Anupam Goswami: Got it and Rs.35 Crores to Rs.40 Crores capex how much capacity would that put in, in the refinery?

Vijay S Banka: Refinery, if we put in a refinery in one of the units like I said 2 to 2.5, 2300 tonnes of TCD sugarcane juice will be diverted for making ethanol. We will be generating B-heavy molasses again to be made use of in the distillery for making ethanol during off season and the rest of the production in that particular unit will all be refined sugar less than 45 ICUMSA sugar which opens up opportunities for export of white sugar for us and also our domestic realizations price will get better.

Anupam Goswami: At the current market price is it feasible for a mill in Uttar Pradesh and central UP to export?

Vijay S Banka: Yes, if you see white sugar prices have been far better than the raw prices. At various points in time both in the export market and also in the domestic market white sugar prices are better.

- Anupam Goswami:** Sir thank you. I will join back in the queue.
- Moderator:** Thank you. The next question is from the line of Vignesh Iyer from Sequent Investment. Please go ahead.
- Vignesh Iyer:** Congratulations on a good set of numbers. So I just wanted to ask you about the distillery division of the company so if we see the EBITDA margin for the year which is around like 37.1% as compared to 36.3% for FY2021 but the quarterly results show that the margin is around 31% so going ahead with new set of quantities kicking in from the fresh capex where we do see our margins for this division?
- Vijay S Banka:** Sir I have already mentioned this. In a sugar company always better not to see number on quarterly basis and in isolation and number two never see segment results in isolation. It the total results which matters and you would see lesser margin in sugar segment, higher margin in distillery segment but mainly on account what transfer price is assigned for the transfer What is more important and what is relevant is the ethanol prices are good, the recoveries are good, and the sugar prices going forward should get better so we do not see reason for any kind of despondency.
- Vignesh Iyer:** Sir on yearly basis at least the margins are more or less than same levels? There will not be that much of?
- Vijay S Banka:** Last year we did produce ethanol making use of C-heavy molasses where the prices are lower so that is one thing and this year we have used only B-heavy molasses. Secondly last year the transfer pricing of B-heavy molasses was lower and this year it is higher so you know one factor off-sets the other and may be that is how you see the same kind of margin but ideally distillery margins should be around 25% and sugar prices margins little better than what it is. Overall this kinds of evens out.
- Vignesh Iyer:** Fine. Thank you. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Rajeev Kumar Raj an Individual Investor. Please go ahead.
- Rajeev Kumar Raj:** I just wanted to know just one thing. The plant at Dwarikesh this 50 cores liters when will it get done, how many years, there is pressure to do maximum ethanol products, so when can we get this done?
- Vijay S Banka:** Sir what you asked 50 crores...
- Rajeev Kumar Raj:** 50 crores liter
- Vijay S Banka:** We do not have capacity of doing 50 crores, our capacity is when both distilleries are running we can do 11 crores.

- Rajeev Kumar Raj:** In another 3 to 4 years if the government says do you can do how much you can, there is no problem with cane.
- Vijay S Banka:** The situation is going forward we can do 11 crores easily and sell and going forward if we feel we have further opportunity we will definitely do something.
- Rajeev Kumar Raj:** Thank you.
- Moderator:** Thank you. The next question is from the line of Narendra Porwal an Individual Investor. Please go ahead.
- Narendra Porwal:** I want to thank you that even in TV you are giving very good introductions and our industry is currently doing well. My question is UP government low FI that whatever is the molasses produced, 5% has to be given to the government, so at what price do we give it is it at a fixed price?
- Vijay S Banka:** Whatever molasses we produce we have to give 18% to government.
- Narendra Porwal:** At what price?
- Vijay S Banka:** If we are doing C heavy molasses then we have to give 18% of the total molasses, for B heavy molasses we have to give 14.06%. For C Heavy molasses if we are to give we can get Rs.150 per quintal and for B heavy molasses we get Rs.210 per quintal.
- Narendra Porwal:** When we process molasses, my understanding is 20-30 liters can be processed.
- Vijay S Banka:** In C heavy we get 20-22 litres and in case of B heavy molasses we get 30-32 liters per quintal.
- Narendra Porwal:** So we do not need to get molasses for next year?
- Vijay S Banka:** Nor we will have much molasses to sell nor we need to buy.
- Narendra Porwal:** Right now the international price which way it looks, as per you Sir the domestic price till Diwali will come more than Rs.40. If you calculate the international price then we must export above Rs.40 and this time there might be bigger commitment for exports.
- Vijay S Banka:** It will be difficult to tell how it will be after Diwali, Rs.40 in my opinion will not happen, but if you get near Diwali or during Diwali then new season production will come, so we have stock and rates will stay.
- Narendra Porwal:** Sir are we exporting now or exporting through Maharashtra's company, because they are getting better benefits?
- Vijay S Banka:** We have already exported 25000 metric ton and we have done a contract of 50000 metric ton which we will export till June from our mill.

- Narendra Porwal:** Can you tell at what price the new contract has been done.
- Vijay S Banka:** Rs.34,500
- Narendra Porwal:** So the logistic cost will not be there, we get the net.
- Vijay S Banka:** No there will be logistic cost, but since we are doing raw there is an advantage where cost of production is also less and also we are cost savings on bag, per kg we are getting Rs.2 savings, so out of the total amount, if we spend Rs.2000 then it will be Rs.33,000 per metric ton and then we add Rs.1500 then it equates to Rs.34500 per quintal.
- Narendra Porwal:** Do we have any plans for capacity addition because in UP the BJP government has come and for farmers all the companies are saying that if more mills are there because sugar cane cultivation will be high. So are there any plans for expansion.
- Vijay S Banka:** We are discussing this internally, right now we do not have any plan, small capex we keep doing like next year we are thinking of increasing to 7500 metric tons at DN unit, so we are doing these kind of small capex.
- Narendra Porwal:** What is asking is in future, because UP there is no shortage of water, the whole Ganga flows here.
- Vijay S Banka:** We will think about it.
- Narendra Porwal:** The thing is how much cane you crush, that much benefit you are going to get. There is not going to be any issues for the next 3-4 years, so whatever surplus you get you can sell it to the petrol companies.
- Vijay S Banka:** But in Bijnor district there is some saturation there,
- Narendra Porwal:** Thank you.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Vijay S Banka for closing comments. Over to you Sir.
- Vijay S Banka:** Thank you friends. Thanks a lot for your help and support. Thanks a lot for the confidence you have reposed. Like I said in my opening remarks we look back at our results for FY2021-FY2022 with a sense of satisfaction that gives us additional responsibility because year after year the intention therefore is to churn better profits than what have done in the previous years so it puts more responsibility on us. We do expect the market situation and market realities continue to be favorable and that we will perhaps meet your expectation and post better results in the times to come. Thank you so much.



Dwarikesh Sugar Industries Limited
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Moderator: Thank you. Ladies and gentlemen, on behalf of Batliwala and Karani Securities India Private Limited that concludes this conference. We thank you all for joining us and you may now disconnect your lines.