



“Dwarikesh Sugar Industries Limited Q1 FY'17 Earnings Conference Call”

August 08, 2016



**MANAGEMENT: MR. VIJAY S. BANKA -- DIRECTOR AND CHIEF
FINANCIAL OFFICER, DWARIKESH SUGAR INDUSTRIES
LIMITED
MS. PRIYANKA G. MORARKA -- VICE PRESIDENT,
CORPORATE AFFAIRS, DWARIKESH SUGAR
INDUSTRIES LIMITED**

**MODERATORS: MR. MANISH PODDAR -- RELIGARE CAPITAL
MARKETS**



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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Dwarikesh Sugar Industries Q1 FY'17 Earnings Conference Call hosted by Religare Capital Markets. As a remainder, 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. Manish Poddar. Thank you and over to you, sir!

Manish Poddar: Hi, everyone on behalf of Religare Capital Markets, I would like to welcome you all for the Dwarikesh Sugar Q1 FY'17 Earnings Call. From the management we have with us Mr. Vijay Banka -- Director and CFO and Ms. Priyanka Morarka -- Vice President, Corporate Affairs. Thank you and over to you, Sir!

Vijay S. Banka: Hello, a very good afternoon to you all. I am Vijay Banka speaking Director and CFO of Dwarikesh Sugar. With me, is Ms. Priyanka Morarka. And I am sure you must have seen our results. For Q1 result we have been able to post a profit PAT of about Rs. 32 crores Rs. 31.91 crores exactly. So, this has been a very satisfying quarter for us. typically, this is a different quarter but we have had good results in this quarter because the sales realization from sugar was reasonably good and we should going forward be able to keep the momentum we should be able to keep it going so, we are among the leading sugar producers in the state of Uttar Pradesh. Our key strength is operating efficiencies that we under table, our recoveries have been always among the highest in the North India. We have been seamlessly and constantly working on the improvement of recoveries we are engaged with the farmers 365 days or development for development of sugar cane. So various efforts are undertaken and you can see the results and it is not that we have certainly become efficient and certainly we started recording higher recoveries, we have always had good efficiency but of course the effort is now more focused on improving recoveries and we have always prided in being among the best pay masters to the farmers we have always tried to endeavor to make timely payment to the farmers.

The sector has seen some correction in the last year. We have had continues surplus, last four years, globally in the last three years and four years and domestically in the last many years so, earnings we have seen a correction this year I mean the global balance the balance which was skewed against the industry is now restored and now we see adequate demand and adequate supply of course globally the production was less last year last crushing season. In India also the crushing was less mainly because the unfortunate drought in the state of Maharashtra and we expect lesser production in the coming season also which is based on the sowing pattern that we have already seen but UP sugar mills should be doing good. Uttar Pradesh we have our area under sugarcane is becoming more and we see much better yields in the coming season also so, all in all we see a promising sugar season ahead and a promising fiscal year as well.

So, anybody has questions you are most welcome. The Presentation is already with you all, I mean if you have specific questions in the presentation I am most willing to answer them all.

Moderator: Thank you, sir. Ladies and gentlemen, we will now begin the Question-and-Answer Session. The first question is from the line of Dusha Sarda from Athena Investments. Please go ahead.

Dusha Sarda: I wanted to know why is the power production down in Q1 as compared to Q1 of last year and also the turnover and profits are consequently down.

Vijay S. Banka: You see we have had a shorter crushing season this year the cane availability in Uttar Pradesh was less so, if we see the duration of crushing in all our preplans has been lesser then last year. Typically, in UP the sugar crushing season starts in the third week of November and depending upon the cane availability we sometimes we crush beyond March as well. So last year we have had crushing this power production is directly related to the crushing we have. So last year we crushed about 233 lakh quintals of sugarcane and in two our plants our crushing operations are on till in one it was on till the middle in the third week of April and in one of the plans we are working, we crush the entire April also last year whereas this year two of our plants we had to complete crushing operations are completed and only in Dwarikesh Nagar Plant we were working till the 18, so the crushing was less therefore the power production was also less. We do not operate our power plants during the off season it is just that we after the crushing is over may be about eight days to ten days or maximum 15 days or power generation is on and therefore the evacuation is on, which is why we had lesser power production in Q1 as compared to Q1 last year.

Dusha Sarda: So what will be your guidance for the whole year would you produce less power and therefore less contribution from power....

Vijay S. Banka: No, sugar season 2015-2016 the power production is over, actually we have sold power worth I will tell you about Rs. 64 crores as against....

Dusha Sarda: No, for 2016-2017 I am asking for the current year.

Vijay S. Banka: 2016-2017 we have you see based on the estimates that we have for the area under sugarcane, the area under sugarcane is higher by about 8% to 10% in our command area so, we will and the yield also is promising I mean although it will be difficult to hazard a guess at this point in time as to what the yield will be because more clarity will emerge during September or so but as per the available indication our crushing number should be much better than last crushing season and therefore commensurately the power production and the power sales will be definitely higher.

Dusha Sarda: Okay. You produce power only during the crushing season?

Vijay S. Banka: Absolutely.

- Moderator:** Thank you. We have a follow-on question from the line Dusha Sarda. Please go ahead.
- Dusha Sarda:** yes question is when your crushing is more, do you get more bagasse or you get less bagasse I mean?
- Vijay S. Banka:** No, we get more bagasse obviously you see...
- Dusha Sarda:** No, because yield has also increased last year by half percent so that is why I am asking.
- Vijay S. Banka:** Yes, the two things happen when the crushing increases you see typically sugarcane has about 10% to 12% of sugar; about 4% to 5% of molasses; about 3% to 4% of press mud, approximately 30% of bagasse fiber, okay and the rest is water so, higher the crushing higher the generation of bagasse and therefore higher generation of higher evacuation of power.
- Dusha Sarda:** Sorry, I did not frame my question properly, your yield increased last year by half a percentage point, so does that reduce the bagasse availability?
- Vijay S. Banka:** Yes, if the recovery goes up which means the bagasse generation marginally comes down.
- Dusha Sarda:** To the extent of that recovery?
- Vijay S. Banka:** Not necessarily because you know it could be we may have cut down our losses also the molasses production could be lesser it could come from any of the quarters not necessarily yes, but the fact of the matter is fiber content in the sugar was a little less last year.
- Dusha Sarda:** Fiber content was less.
- Vijay S. Banka:** Which is bagasse, which is essentially bagasse.
- Dusha Sarda:** Okay. And what is the outlook on the distillery?
- Vijay S. Banka:** Distillery yes, we have actually we spent about Rs. 10 crores last year, we had some issues in treating effluent So we have debottleneck that effluent problem and we should now have our distillery should now work in an un-interrupted manner for about 270 days at least in a year so definitely going forward in the coming 2016-2017 our ethanol production and ethanol sales is going to be higher as compared to last year. So we have debottleneck, we have set up what is called as **biomethanation 10.05** spent wash treatment plant where the effluent by way of evaporation solidify to a certain extent so that effluent disposal it is bio composting and disposal becomes much easier.
- Dusha Sarda:** Okay. So how much would your ethanol increase?

- Vijay S. Banka:** We at least have 270 days if you work un-interrupted our capacity is about 30 KLPD so, 30 KLPD into 270 which will be about 81 lakh liters of ethanol we can assume but that is assuming we operate on 100% basis. Now assuming the 90% efficiency 90% basis also we should at least 72 lakh liters to 75 lakh liters of ethanol can be produced.
- Dusha Sarda:** But last year FY'16 was 50 lakh liters, right?
- Vijay S. Banka:** 50 lakh liters.
- Dusha Sarda:** So that will go up substantially?
- Vijay S. Banka:** Yes, it will go up 50 lakh liters will become more.
- Dusha Sarda:** So that should make a huge...
- Vijay S. Banka:** Yes, that should make some difference....
- Dusha Sarda:** Rs. 40 crores to the profit, right?
- Vijay S. Banka:** No, you see 50 lakh liters at Rs. 45 per liter was our average realization so 50 lakhs into 45 is...
- Dusha Sarda:** Rs. 8 crores to Rs. 10 crores.
- Vijay S. Banka:** Yes. Not 40-45.
- Dusha Sarda:** No, I was looking at the wrong figure, sorry.
- Vijay S. Banka:** So we will have better production of ethanol in the coming season.
- Dusha Sarda:** And your sugarcane you are saying will go up this year last year was 21 lakh tonne crushed.
- Vijay S. Banka:** Billable indication the area under sugar, you see we do what is called as survey, when we survey, we get some idea to whatever the area under sugarcane cultivation, it is statutorily required to be done under the UP cane orders also and we also do it just to get a good estimate as to what the sugarcane crop is looking like so, based on the estimate that we already have the area under sugarcane is much better, 8% to 10% more than what it was last year.
- Dusha Sarda:** So, 21 lakhs should go up to 23 lakhs - 24 lakhs.
- Vijay S. Banka:** Yes, it could. The two things - three things what makes sugarcane availability number one is the area under sugarcane, number two the yield at the warn level I mean is it better or less and number three is what is the diversion that is taking place when the season on how much of sugar is getting diverted to alternative weakness such jagri and Khandsari sugar and of course

so, these three things will determine the sugarcane available and the crushing and what will determine the production is eventually the recovery as well.

Dusha Sarda: Okay. And the yield last year was very high 11.75...

Vijay S. Banka: 11.73 it was.

Dusha Sarda: Yes, so will it go back to around 11%-11.52% or...

Vijay S. Banka: No, it is like this you see last year we were helped to large extent by a frost free winter, actually the weather condition was absolutely conducive for optimum maturity of sugarcane, winter was virtually frost free and secondly there were big swings between the day and night temperature which was very ideal for optimum maturity of sugarcane. Now we cannot expect a repeat of that in the coming season, winter could be the normal North Indian winter that we have been used to do so, what we have done is we have tried to make it up improving our varietal mix you know what is being responsible our better recovery is that we have broad more and more area under early variety of sugarcane there is this variety called 238 which is virtually revolutionize the sugar industry in Uttar Pradesh. So, we have like for example, in one of units Dwarikesh Nagar where we have recorded 12.12% recover if our area under that early variety was 65% we are trying to increase it up to 80%. And similarly in the other two units also we are trying to improve the variety and a varietal balance is we are trying to improve and then you know another revolutionary thing that we have been following is we are making the farmers go do autumn planting. So, all these things well it will be very difficult to hazard a guess what could be my recovery next year, yes, we will be impacted because the winter may be in the normal regular winter North India but we are trying to make it up as much as possible by having better varietal mix.

Moderator: Thank you. The next question is from the line of Aman Sonthalia from ASK Securities. Please go ahead.

Aman Sonthalia: Sir, what will be the interest cost for the year?

Vijay S. Banka: See interest cost in the coming year last year our interest cost was Rs. 51 crores approximately and this year coming year we have two things are happening while on the one hand our interest cost should come down because we have been able to get our interest rates reduced number one from the bank because of our better rating. Number two we have retiring our debts, we have taken no new debts, we have been retiring our debts in a timely manner so, these are two things which will be responsible for reducing our interest burden, however, we have the sugarcane payments this year has been extremely timely and actually ahead of the schedule. So in that sense our working capital utilization has been little more then what it was last year but none the less we expect substantial reduction in our interest cost as compared to last year.

Aman Sonthalia: Okay, it will be around Rs. 35 crores?

Vijay S. Banka: No, well we will be very happy if we do not cross Rs. 45 crores, last year was Rs. 51 crores so, we should see another reason by the interest cost may not go down substantially because we were having some interest free loans last year so, one of the loans is going to become interest bearing in the coming year, the 10% interest subvention loan, soft loan so, that will be converted into interest bearing loan and secondly the SEFASU loan that we had taken in 2014 I mean there again the repayments have started so, to expect the interest burden to come down from Rs. 51 crores to Rs. 35 crores would be little too farfetched.

Aman Sonthalia: Okay. But in the next year it will be substantially low.

Vijay S. Banka: Yes, thereafter yes, because this year we are going to utilize this opportunity to strengthen our balance sheet not of as much that as is possible to deleverage our company to the extent possible so, next year we should see significant reduction in our interest cost 2017-2018.

Aman Sonthalia: And next question is when the factory will start in the coming season because most of the sugar industry people have asked they will start in the first week of November instead of last week of November.

Vijay S. Banka: No, we can start early this time because the way we have propagated our early variety is historically if we had one starts the factory early the recoveries are lower but now that we have significant amount of early variety now in cane area we have been able to propagate it in a big way so, start of early starting of factory may not be bad at all it will be a good proposition but eventually it will all depend upon the cane pricing because you know in the last two years - three years or so if you have seen the delay was mainly because of the delay on the part of the state government to announce the sugar cane price.

Aman Sonthalia: Right. So, it all depends upon that?

Vijay S. Banka: Yes, we earlier they announce better because there is no uncertainty so there is more clarity.

Aman Sonthalia: And what are the chances that you can scale up these Dwarikesh Dham because I think it is not still upto mark?

Vijay S. Banka: You see Dwarikesh Dham actually is number one it is a relatively new plant commissioned in 2007-2008. Number two, the farmers of that area are very-very poor, very fragmented land holding and typically not use to growing sugarcane, they have always grown crops which give them faster cash such potato etc although the overall earning from potato is extremely less. So, we have had two challenges there number one to make them grow more of sugarcane switchover from other crops to sugarcane and number two, to make them grow better variety of sugar cane because whatever cane there was which was grown there was of rejected variety now we have been largely successful and this year we have undertaken a lot of cane initiatives nukkad natak, kisan goshties many-many and we have helped them buys of them lots of you know these early varieties so, we last year we crushed less than 60 lakh quintiles and now there

we are targeting a much bigger number so, we should see dramatic turnaround in that unit particularly.

Aman Sonthalia: It will be more than seven?

Vijay S. Banka: Well we expect actually that we will see.

Aman Sonthalia: And how much sale you expect in this current quarter?

Vijay S. Banka: Q2?

Aman Sonthalia: Quarterly and the demand is also very good and the price is also very good.

Vijay S. Banka: Demand actually you see Q2 actually the optic is normally less because of some it's a monsoon month so whenever if Q2 coincide with monsoon month so, whenever there is monsoon the sugar offtake is less but at the same time there are a lot of festivals during the month of August so, it does make up a little but not entirely so, we should have reasonably sales I mean of course our Q1 sales are extremely-extremely brisk but Q2 sales we will have to wait and watch till we have just completed one month, we are just on the seventh day or eight day of August so, we have still long way to go.

Aman Sonthalia: And what about this exports incentive whether we will get this incentive in this coming quarter or?

Vijay S. Banka: Yes, we expect to receive this incentive in Q2 quarter and we expect to account for it.

Moderator: Thank you. The next question is from the line of Dikshit Mittal from Shubkam Ventures. Please go ahead.

Dikshit Mittal: Sir, what is the debt on our balance sheet?

Vijay S. Banka: See long-term debt we have about Rs. 237 crores most of it is from Punjab National Bank, small amount only from sugar development fund, so we are ensuring timely payment in fact we have tried to be ahead of the schedule in Q1 we have repaid debts of about Rs. 28 crores so, our obligation to repay during the year including Rs. 28 crores which we have paid in Q1 is about Rs. 54 crores but we are targeting to pay another Rs. 36 crores so, we want knock off at least Rs. 100 crores of debt in this full fiscal.

Dikshit Mittal: Okay. And sir, in short-term what is the amount/

Vijay S. Banka: See short-term it swings a big way in March we appear to be very leverage because we carry maximum stocks during that time so in March we had about Rs. 350 crores of short-term bank borrowing cash credit utilization. Now you compare that with 30th June utilization or

utilization from 350 has come down to 195 or so. So, you will see as we go forward I mean our working capital utilization you know when we get closer to November perhaps would be nil.

Dikshit Mittal: Okay. And sir, what is our current sugar realizations?

Vijay S. Banka: See Q1 our average realization was 3,380 in July we had our realizations in excess of 3,500 average realizations.

Dikshit Mittal: Okay. And sir, what is the sense like going into festive season what is the upside that you see based on current estimates.

Dikshit Mittal: Any upside is welcome but we will be happy if we get 3,500 it is good price, decent price offering us enough contribution but prices should be in the region of 3,600.

Dikshit Mittal: Okay. And sir, finally how is the sugar acreage panning out this year?

Vijay S. Banka: In UP it is lot better it certainly use to about 8% to 10% better across UP see for example, last year in UP the production was 6.8 million tonne to 6.9 million tonne this year the estimate was about 7.5 million tonne which is almost about 10% more than what it was last year. You know it all depends from mill to mill in some command areas we have seen only about 2%-3% increase in some command area the increase is more than 11%-12% or may be 15%. I am not talking just about ourselves but for all others also. So, average availability of sugar cane should be at least about 10% more than what it was last year.

Dikshit Mittal: Okay. So, for 2016-2017 what is the estimates of sugar production?

Vijay S. Banka: For us?

Dikshit Mittal: No, as an industry sir.

Vijay S. Banka: 7.5 million tonne, sugar production 6.8 to 6.9 was for 2015-2016...

Dikshit Mittal: No, that is for UP I am saying as a country as a whole.

Vijay S. Banka: Country well there are various estimates as per ISMA's estimate it is 23.26 million tonnes, we have seen some report of CRISIL which talks about less than 23 million tonnes. So, it is significantly less actually. It was 35.5, 1 million tonne for 2015-2016 so, it is 23.2, if one were to go by because Maharashtra and Karnataka together we lose about 3 million tonnes and UP and Tamil Nadu will perhaps make up 1 million tonne so, it will be about 2 million tonnes less than last crushing season.

Dikshit Mittal: Okay. So if we try to take slightly longer-term view like or example in 2017-2018, so looking at the increase in acreage what is the incremental production that you see from 23 can it again go back to 28-29?

Vijay S. Banka: It all depend actually mills in Maharashtra are building big time. They have suffered a major setback. So, how quickly they are able to realign and bounce back and be able to start the crushing operations and all is a big question because this has really broken their spines the last year the drought and this coming year crushing is going to be significantly less, so it is difficult to say but even assuming they have normal operations like for example, next year's estimated crushing is 6.3 million tonne by some estimates lesser than that by some estimates even if they do about 8 million tonnes it is all right then you have evenly balanced demand and supply.

Dikshit Mittal: Right, okay. Sir, any CAPEX plans that we have I think we are looking to expand our distillery?

Vijay S. Banka: No, we are short on distillery capacity whereas we have adequate sugar capacity, adequate power generation capacity, we are a little short on the distillery, but we are taking some baby steps there. We have been generally cautious. See we have 30 KLPD capacity which we can quickly go to 60 KLPD capacity. We in the process of identifying the right technology because in UP we are on the Indo-Gangetic plains so, the effluent norms are extremely-extremely stringent there so one has to be very careful because we do anything hardly and then you know boomerang on us. So we are looking to identify an appropriate technology which will be compliant of all the effluent norms in all respects. So that is the reason we are taking little time.

Dikshit Mittal: Okay. And sir, finally in terms of next year's cane pricing what is the industry expectations for next year?

Vijay S. Banka: See four years there has been no increase in the sugarcane price. So going forward this year the sugarcane prices should go up, how much will go it will also go up also because of the fact that election is around the corner, but a couple of things you know that have happened in the last few years are a little encouraging. #1. the Central Government has given a very clear message to the state government that you increase the sugar price unilaterally and in a manner which is not commensurate with the economies of the industry then you alone are responsible for the arrears. Central Government also in the last one year or two years whatever support they have extended to the industry is only to see that the industry is able pay the FRP. Any runaway increase in the price Central Government has given a very strong message to State Government that okay, you alone are responsible. So State Government has to look into its **(Inaudible)** **29:25.2** first. Secondly, political parties have also realized that higher sugarcane price does not necessarily translate into votes and therefore victory in the election. So these are some good development and of course politics is throughout the irrationality anything can happen. Coming to your specific how much price increase do we expect a reasonable price increase would be about Rs. 22 -Rs. 25 a quintile on the higher side yes, it could about Rs. 40 a quintile

I do not think it can be anyways a bit more than that. So all I can say is we are better equipped to handle any kind of any kind of increase in the sugarcane price as compared to our peers because we have better operating efficiencies and we have better recoveries at our plant.

Moderator: Thank you. The next question is from the line of Rajiv Agarwal from SMS Holdings. Please go ahead.

Rajiv Agarwal: Small two questions - three questions. One is what was the quarter one inventory which was sold?

Vijay S. Banka: We sold about 7,92,000 quintiles of sugar.

Rajiv Agarwal: Okay. And what is the average realization for the month of July?

Vijay S. Banka: It is about more than 3,500.

Rajiv Agarwal: Okay. And do you plan to put up a new factory in near future?

Vijay S. Banka: No, definitely not.

Rajiv Agarwal: And anyone in the industry is putting up new factories?

Vijay S. Banka: No, nobody is putting. All are busy strengthening their balance sheet, we are all utilizing this upturn in the industry to strengthen our balance sheet to deleverage our companies.

Rajiv Agarwal: Okay. And one more thing I would request you to kindly put up this con-call audio on the website if possible.

Vijay S. Banka: Sure, we will try to do that.

Moderator: Thank you. The next question is from the line of Aman Chaplot from Ventura Securities. Please go ahead.

Aman Chaplot: Sir, what was the closing inventory for June quarter?

Vijay S. Banka: On the 30th June we had 11,2000 quintiles of sugar.

Aman Chaplot: 11,00,200 quintiles so, we are quite covered for at least next one quarter?

Vijay S. Banka: No, we are covered for more than one quarter, I mean this 7.92 lakh quintiles that we sold in the last quarter was among the best quarters that we have had. Typically, what is produced in a crushing season gets sold before I mean we have been trying to accelerate the process of sales so that our inventory carrying cost and all get lesser but what we have seen the trend is

whatever we produce we sell it before the November end before the commencement of the next crushing season.

Aman Chaplot: Next crushing season.

Vijay S. Banka: Our endeavor is to do that.

Aman Chaplot: All right. And sir, the recent present for revenue sharing with the farmers like 70-30 ratio so, any update on that would it be beneficial to Dwarikesh or have you done any forecasting on that?

Vijay S. Banka: No, you are talking Dr. Rangarajan's formula.

Aman Chaplot: Dr. Rangarajan report, right.

Vijay S. Banka: They are not following Dr. Rangarajan's formula.

Aman Chaplot: Okay. Like the 70% of revenue from primary products and 75%....

Vijay S. Banka: No, they are not following, they are not following they say we will have our pricing formula, they have in fact moved a little towards revenue sharing in last year if you have seen they have linked the sugarcane price to the average selling price of sugar and other by-products so, last two crushing seasons they have followed and in accordance with that formula they paid subsidies also to the sugar mills in the last crushing season. So they are not following Dr. Rangarajan in letter but may be perhaps in a small way a part of the spirit of the formula is adopted but the state of Uttar Pradesh.

Aman Chaplot: All right, so partially we are following the formula?

Vijay S. Banka: Yes.

Aman Chaplot: And sir, any update on Brazilian crop, so recently there could be a good crop in Brazil as well?

Vijay S. Banka: South Central Brazil is expected to see pretty good production in the coming year. See, South Central Brazil last year produced about 31.2 million tonnes of sugar this year they are expected to produce 35.3 million tonnes.

Aman Chaplot: 15% Jump?

Vijay S. Banka: No, 31.2 to 35.3.

Aman Chaplot: Yes, 15% higher.

Vijay S. Banka: Roughly, okay. Now, Brazil is going to be ahead of last year so far as production is concerned, but India is going to be less, China is going to be significantly less, Thailand is going to be

significantly less so, overall 2016-2017 is going to be a deficit production year. So, global production of nearly 165 million tonnes and conversion of 174 million tonnes.

- Aman Chaplot:** So 9 million tonnes of inventory.
- Vijay S. Banka:** 9 million tonnes is according to me on the higher side, but 6 million tonnes to 7 million tonnes of shortage deficit is possible.
- Aman Chaplot:** And sir, what was the average realization for ethanol?
- Vijay S. Banka:** Last year our average realization was Rs. 45, in the coming season it will all depend, government has not announced the price, it will depend on the tender which are going to be floated around November. So we will get a good sense on the pricing that time. But last year we were helped by a Rs. 5 one-time excise duty exemption, now whether that will come back again this year or not we do not know.
- Aman Chaplot:** And sir the last question, the ethanol blending limit of 5%, so do you think that could give more revenues from the ethanol production?
- Vijay S. Banka:** No, 5% blending limits have already been achieved.
- Aman Chaplot:** But they are still not followed?
- Vijay S. Banka:** No, 5% is followed, it is achieved already.
- Participant:** Okay, 10%?
- Vijay S. Banka:** Yes, 10%.
- Aman Chaplot:** So 10%?
- Vijay S. Banka:** 10% yes, there are issues, there are transactional barriers, various issues but we are trying. There are certain states where ethanol blending is not encouraged. So according to me if there is seriousness on the part of OMCs, on the part of sugar mills, all concerned and maybe in 2016-2017 we can easily achieve about 7% if not 10%.
- Moderator:** Our next question is from the line of Aman Sonthalia from ASK Securities. Please go ahead.
- Aman Sonthalia:** Sir there was a question that in the season 2017 - 2018 what will be the production, wanted to know that since there is very less planting in Karnataka and Maharashtra and since there will be no ratoon there so, do you think that it will not jump to that extent as expected, like it will jump directly from 50 to 80 something like that?

Vijay S. Banka: This question when asked to me that is what I had said, it can be better by about all conditions remaining normal and favorable, whatever we may produce in Maharashtra during 2016 - 2017 it could be higher by 2 million tonnes in 2017 - 2018.

Aman Sonthalia: That is the maximum?

Vijay S. Banka: Yes, 2 million tonnes higher in 2017 - 2018 vis-à-vis whatever is the production in 2016 - 2017.

Aman Sonthalia: And I think that UP is very near to saturation point in the coming season?

Vijay S. Banka: Coming season we should produce about 7.5 million tonnes. See UP is panning out in a different manner altogether. What has happened is we are in two of our units are in Bijnor district, yes there is a kind of a saturation point there in so far as area under sugarcane is concerned because the farmers in that area are very prosperous and they have been growing sugarcane only. There is tremendous scope for our third unit Baraily unit but now let us talk about other districts and other places. Now there are a few sugar manufacturers who have been still defaulting in making the sugarcane payment, so evidently the farmers in that area will be discouraged to grow sugarcane. Secondly, there are efforts on the part of the government also to divert the sugarcane of such sugar mills who are better compliant with sugarcane payment, such as our group for example. So these are the kind of things which will influence the availability of sugarcane for individual sugar mills.

Aman Sonthalia: But overall UP do you think that it will be very near to saturation point next season?

Vijay S. Banka: I do not think so, there is scope. We are doing few things which I will just like to share with you.

Aman Sonthalia: UP as a whole?

Vijay S. Banka: Yes, I will just share with you what we are doing for example. On the cane development front, we have undertaken a lot of initiatives such as trench farming. We are helping the farmers grow sugarcane at a distance of four feet. So I mean it is very astonishing that the sugarcane has started growing up to 16 feet in UP. So, it was grown in a very-very unscientific manner in UP. Second thing is we are working very hard on autumn planting. Now if autumn planting happens the farmer will have the benefit of multiple cropping, the farmer will have the benefit of better yields and we in turn will be benefitted because of better recovery. So, within the given land bank that is available sugar mills are taking a lot of initiatives to improve the yield of the farmers on the one hand and improve the recovery of sugar mills on the other hand. Now historically per hectare yield of UP sugarcane is much lesser than the states of Maharashtra, Tamil Nadu, and Karnataka. Now if we can go up to that level I think that in itself will bring about a significant turnaround in the industry, it will actually revolutionize the industry.

- Aman Sonthalia:** And sir one more question, when you will restart this ethanol plant?
- Vijay S. Banka:** It has taken some repair works, we will start it quickly maybe in about 15 days to 20 days' time. And actually we are doing repairs such that it coincides with the monsoon, so in any case monsoon it is difficult to operate these plants because bio composting cannot happen. So we are coinciding our repairs with the monsoon.
- Aman Sonthalia:** And any development on GYP?
- Vijay S. Banka:** No noting as of now, nothing. We are exploring, evaluating all options as and when anything happens we will keep you informed.
- Aman Sonthalia:** And any news on dividend or stock split, something like that?
- Vijay S. Banka:** We are praying that we earn better profits next year so that we get into the dividend paying orbit.
- Moderator:** Thank you. We have a follow on question from Aman Sonthalia from ASK Securities. Please go ahead.
- Aman Sonthalia:** One more question, that five-seven days back there was an article from Mr. Sharad Pawar, he was mentioning that by 2020 the demand will be around 300 lakh tonnes so, it is growing around 2% to 3% every year. So, by 2017, 2018, 2019 I think it will be around 285 lakh tonnes consumption base. So the cyclical nature of this industry and I think because this is the maximum production India produces, so most of the people who want to invest in the sugar stock they run away because of the cyclical nature and second is government intervention. So if sugar industry come out with presentation and if they mention this thing that the cyclical nature will come to an end.
- Vijay S. Banka:** Absolutely, I totally agree with you. See, cyclical nature will go away also because the way farmers and sugar mills are working in tandem with one another in trying to, like for example we are as much concerned about our recovery as we are concerned about the yields of the farmers because a happy and contented farmer is what we want to have. So we know the land bank available is the same regardless, you can wean away a lot of farmers who are not growing sugarcane to make them grow sugarcane but eventually the larger solution lies in the improvement of yield for the farmers and improvement of recovery for the sugar mills.
- Aman Sonthalia:** One thing is not clear, when I talk to most of the investors because they have experience of 2010 when suddenly the production increased and all the sugar stocks has come down a lot and on that time the consumption was just 210 lakh tonnes and the production was about 280 lakh tonnes - 285 lakh tonnes. So, since that time the production has not increased to that extent but the consumption has increased to 265 lakh tonnes right now.

- Vijay S. Banka:** I agree with you that maybe the cyclical nature is the thing of past, it should not repeat now in future.
- Aman Sonthalia:** So I should say that every company should mention this thing in their presentation then I think lot of investors will take interest in the sugar stock.
- Vijay S. Banka:** Thanks for the suggestion, yes we will do that.
- Moderator:** Thank you. Our next question is from the line of Sidhart Mohta from Principal India. Please go ahead.
- Sidhart Mohta:** Sir only one question, sir regarding this repairs and maintenance what will be the quantum of our spend in this quarter?
- Vijay S. Banka:** It will be more than last year but of course effort on the repair maintenance, efficiency improvement is more focused this year. It will be definitely more than last year but not something like 2x-3x, nothing of that sort.
- Sidhart Mohta:** Might be between Rs. 10 crores to Rs. 15 crores or?
- Vijay S. Banka:** What was my expenditure last year, I do not have the number right now with me but it will be just at least about 20% - 25% more than last year.
- Sidhart Mohta:** So quantum you are not able to recall?
- Vijay S. Banka:** No I am not able to recall the exact number, we have our budgets and all in place. We have identified what all repair need to be done and the repairs and maintenance is progressing absolutely on schedule and on target. But I just do not have the numbers right now to share with you.
- Sidhart Mohta:** And sir what would be our realization for power in this quarter and for the entire FY16?
- Vijay S. Banka:** FY16 is Rs. 4.88.
- Sidhart Mohta:** So generally it is like 2% increase in each year?
- Vijay S. Banka:** Yes, you see for example our two units our power price realization is nearly Rs. 5 or little more than Rs. 5 and one unit the older unit because of the revision in the tariff our price realization came down because it is the argument of the CRC was that the plant has also so many so there is no depreciation cost. But our other two plants are relatively new so it will keep going up 2% every year as you rightly said.
- Moderator:** There are no further questions. Would you like to provide any closing comments sir?



*Dwarikesh Sugar Industries Limited
August 08, 2016*

Vijay S. Banka:

So I am very happy and so thankful to all the participants, your constant encouragement is of great help to us, we look forward to your guidance and your support in all times to come in future so that we can improvise upon our working and add more value for all our stakeholders. We are extremely grateful to you all. Thank you very much.

Moderator:

Thank you. Ladies and gentlemen, on behalf of Religare Capital Markets, that concludes this conference. Thank you for joining us and you may now disconnect your lines.