

**Dwarikesh Sugar Industries Limited**  
**Q1 FY20 Earnings conference call**

- **Operator**

- Ladies and gentlemen, welcome to Dwarikesh Sugar Industries Limited Q1FY20 earnings conference call hosted by Prabhudas Lilladher Private Limited. As a reminder all participant lines will be in the listen only mode. 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 star (\*) and zero (0) on your touch tone phone. Please note that this conference is being recorded. Before we begin I would like to mention that certain statements in this call could be forward looking in nature and are subject to risks and uncertainties which could cause actual results to differ marginally from those anticipated. Such statements are based on management's beliefs as well as assumptions made by information currently available to the management. I now hand over the conference to Mr. Prashant Biyani from Prabhudas Lilladher, thank you and over to you, Sir.

- **Mr. Prashant Biyani, Prabhudas Lilladher Private Limited**

- Hello everyone, on behalf of Prabhudas Lilladher I welcome you all to Q1FY20 results earnings call for Dwarikesh Sugar Industries. I would like to thank the management for taking the time out for today's conference call. From the company's side we have Mr. Vijay S. Banka, Managing Director at Dwarikesh Sugar Industries. I would request Mr. Banka to discuss the company's results and key industry highlights for Q1 and then we can start with Q and A. Mr. Banka, you can take it forward.

- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**

- Welcome to the Q1FY20 Earnings Call Conference. In Q1, we've earned a profit after tax of about Rs. 20 crores. I will give you some of the highlights of the quarterly performance. During the quarter, we have sold 12.07 lakh quintals of sugar which includes raw sugar sale of 3.66 lakh quintals. White sugar sale was of 8.41 lakh quintals. White sugar was sold at an average price of Rs. 3167 per quintal but since raw sugar was sold at a lower price, the average realization is Rs. 2,912 per quintal. We were carrying a stock of 22.37 lakh quintal as on 30<sup>th</sup> June 2019. This quarter's performance was impacted by two things - number one we've had a smaller crushing season as compared to the last year's crushing season. In this season, we crushed about 307 lakh quintals of sugarcane as compared to 363.4 lakh quintals of sugar cane in the previous season. The previous crushing season was an extended crushing season. Since the crushing season was smaller the power generation and the power evacuation was commensurately less. Secondly the power revenues were also impacted because of the new tariff which is effective from the 1<sup>st</sup> of April 2019. These are the major highlights of the quarter under review. I would request you to please ask me questions that you may have and I'll be too willing to answer them.

- **Operator**

- Thank you. We will now begin the question answer session. The first question is from the line of Yash Agarwal from JM Financials, please go ahead.

- **Mr. Yash Agarwal – JM Financials**

- Hello.

- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**

- Good afternoon sir.

- **Mr. Yash Agarwal – JM Financials**

- Yeah good afternoon, sir. Sir, a few questions, first is if you could give us the demand supply scenario in India. You know for the next season what's the closing stock and what is the consumption & export expected, that's the first question. And second question, sir, what was the realization for raw sugar exported including the subsidies. Thirdly, what is the cost at which inventory is valued at.

- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**

- Well, I'll answer the third question first; inventory as on 30<sup>th</sup> June, 2019 was valued at Rs. 2883 rupees per quintal. And secondly you wanted to know about the prospective demand in the coming season. On 1<sup>st</sup> of October 2018 the industry commenced the season with an opening stock of 107 lakh quintals of sugar and produced very close to 330 lakh quintals of sugar. Estimated sugar consumption is going to be about 260 lakh quintals and, I think the exports will be about 35 lakh quintals of sugar. So, we will end up with an inventory of 14.2 million tons of sugar. For the coming season, we expect lesser production from the state of Maharashtra. Maharashtra which produced more than 10 million tons of sugar this season, is expected to produce anything between 7 to 7.5 million tons of sugar in the sugar season 2019-20. As per ISMA estimate, we should see a production of about 29 million tons of sugar in the coming season. ISMA, our industry association, has represented to the government to make an early announcement on the MIEQ export quota for the coming year, so that as against 3.5 million tons which was shipped out in the season that has gone by, we should be able to ship out more than 5 million tons of sugar. The government is actively considering our request and we expect that the export quota and policy for the coming season should be announced soon. We will start with a opening stock of 14.2 million tons and if we produce about 29 million tons of sugar which means available sugar is about 43 million tons. If 5 million tons at least is shipped out, although our endeavour is that we should ship out more than 5 million tons, in fact we should target to ship out about 7 million tons. Considering consumption of 26.5 million tons and export of 5 million tonnes we should see some compression in the closing stock level. However, we are also banking on more and more sacrifice of sugar happening in favour of ethanol which number was only 4 lakh tons in the season gone by. We expect this

number to be at least about 15 to 20 lakh tons of sugar. So, we should see some corrections in the stock level in the coming season.

- **Mr. Yash Agarwal – JM Financials**

- So, what is the export realization that you have?

- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**

- Yeah, we have exported our sugar at an average realization of about Rs. 23 per kg and add to that subsidy of about Rs. 8 per kg. Our recovery on production of raw sugar was also marginally better. Considering all these factors our realization has thus equated to almost about Rs. 32 per kg of sugar that we sold in the domestic market.

- **Mr. Yash Agarwal – JM Financials**

- Sir, the subsidy would continue for the next season?

- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**

- Yeah, without subsidy export would not be viable. In fact we will be requiring a higher subsidy than what was given last year.

- **Mr. Yash Agarwal – JM Financials**

- Okay, and lastly what is your expansion plans on distillery.

- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**

- Yeah it's on schedule. The expansion plan is on schedule and we expect that we should be able to commence production from the new plant sometime in November 2019.

- **Mr. Yash Agarwal – JM Financials**

- Sure. Alright, sir. Thank you so much. All the best.

- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**

- Thank you sir, thank you.

- **Operator**

- Thank you. The next question is from the line of Mr. Dalvi from Quantum Securities, please go ahead.

- **Mr. Dalvi – Quantum Securities**

- Hello.

- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**
- Good afternoon, sir.
- **Mr. Dalvi – Quantum Securities**
- Hello, thanks for the opportunity, sir, I just wanted to get the data that how much closing inventory that you had at the end of this quarter and the cost price of that inventory.
- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**
- Sure. Our closing inventory was 22.37 lakh quintals and it was valued at Rs. 2,883 per quintal.
- **Mr. Dalvi – Quantum Securities**
- Rs. 2,883. So that means at 28.83 rupees per kg.
- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**
- Yes, absolutely.
- **Mr. Dalvi – Quantum Securities**
- Okay, sir. And, sir, that we are seeing that the power devaluation has come down to Rs. 2.9 per unit from Rs. 5 per unit earlier.
- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**
- Correct.
- **Mr. Dalvi – Quantum Securities**
- So, I think there was some issue with the grid. Any positive development that we can say in the coming quarter.
- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**
- Sorry, I didn't get your question?
- **Mr. Dalvi – Quantum Securities**
- Actually sir, the power realization has come down to Rs. 2.9 per unit
- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**
- By Rs. 2 per unit approximately.
- **Mr. Dalvi – Quantum Securities**

- Yeah, I think there was a problem with the grid. So, any positive development that we can expect going forward?

- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**

- You see, this tariff has been revised downwards unilaterally and the tariff order is based on certain flawed hypothesis. For example, the bagasse rate that they have considered is Rs. 1000 rupees a metric ton vis-à-vis the rate of Rs. 2000 per metric ton that was considered in the in the earlier tariff order. We will definitely be challenging this order legally. As of now the fact of the matter is that the tariff rates stands reduced. Power Corporations perhaps felt that they were paying us too much, Rs. 5 per unit. I don't think there is any issue on the grid

- **Mr. Dalvi – Quantum Securities**

- Okay, I heard that earlier some companies request the grid that your calculation of the cost is something wrong. So, if they can revise the cost then you can...

- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**

- Yeah, yeah, of course, we have some very sound arguments to put forth because like I said some fundamental facts which have been considered in devising the new tariff they are flawed, so, we will be challenging them

- **Mr. Dalvi – Quantum Securities**

- Okay. Sir, next 2 or 3 quarters we have this kind of realization or any improvement we can expect.

- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**

- We have solid legal grounds and we will also try and tackle this problem administratively as well by making representations to the state government to intervene in the matter to see that justice is meted out to us. As of now, as the things stand, we have booked our power sale at the rate at which the new tariff has been announced.

- **Mr. Dalvi – Quantum Securities**

- Okay, it may take some time.

- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**

- It will take some time, yes.

- **Mr. Dalvi – Quantum Securities**

- Okay. Thanks a lot, sir.

- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**
- Thank you.
- **Operator**
- Thank you. The next question is from the line of Mr. Vikram Suryavanshi from Phillip Capital. Please go ahead.
- **Mr. Vikram Suryavanshi – Phillip Capital**
- Hi, good evening, sir.
- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**
- Very good evening, sir.
- **Mr. Vikram Suryavanshi – Phillip Capital**
- Sir, basically how is our experience from producing ethanol from B Heavy, did we produce anything in FY'19 and is there a plan in FY'20 post the expansion in distillery.
- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**
- In FY'19 we have not produced. FY'19, we have operated our 30 KLPD plant. So, our in-house captive molasses was good enough to cater to our requirement. FY'19-20 we will definitely be attempting to make ethanol out of B Heavy molasses
- **Mr. Vikram Suryavanshi – Phillip Capital**
- And that will depend on how tenders will come?
- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**
- Yes, of course. Because the presently announced price for making ethanol out of B heavy molasses of Rs. 52 per litre equates to Rs. 29 a kg of sugar. So, we have represented to the government to grant an increase in the B Heavy molasses made ethanol price so as to make it little more attractive for us.
- **Mr. Vikram Suryavanshi – Phillip Capital**
- And if you take bagasse cost of Rs. 1,000 rupees per ton then how much is typically cost to produce per unit power broadly?

- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**
- All sugar companies used to have decent EBITDA coming from power business. Because of the reduction in the power price our EBITDA from power segment, what used to be approximately about 40% has come down to less than 35%.
- **Mr. Vikram Suryavanshi – Phillip Capital**
- Okay. But apart from this paper industry, will there be any alternative use to get really better realization in that case if this tariffs remains as...
- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**
- Yeah, there are options available. Once should also think if it makes sense to sell power at Rs. 2.95 per unit or sell loose bagasse. This is an option which would be worth exploring but imagine a situation if everybody tries to do that. In such case price of bagasse will come down tumbling
- **Mr. Vikram Suryavanshi – Philip Capital**
- Got it, thank you.
- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**
- Yeah. Thank you.
- **Operator**
- Thank you. Participants having any question please press star and one. The next question is from the line of D. D. Matkari, stakeholder. Please go ahead.
- **Mr. D. D. Matkari - Stakeholder**
- Good afternoon.
- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**
- Good afternoon, sir.
- **Mr. D. D. Matkari – Stakeholder**
- Good afternoon. I have a very different type of question to ask you.
- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**
- Yeah. Tell me, sir.
- **Mr. D. D. Matkari - Stakeholder**

- This technology from ethanol to isobutanol is going to be used in aviation fuel.
- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**
- Okay.
- **Mr. D. D. Matkari - Stakeholder**
- Now this plant of Praj Industry is shortly coming there near Pune. They are going to standardize this isobutanol production from ethanol. This technology they have got it from American company, Gevo. Now, this is a very huge for market aviation fuel, of preparing isobutanol from ethanol. Do you have any plans to think in these lines and to make isobutanol instead of struggling on ethanol and depending on government policy on sugar and go for this aviation fuel? Have you any idea?
- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**
- No idea, thank you very much, sir. What you have suggested is a natural forward integration process. Definitely, we will be in dialogue with Praj and other manufacturers whosoever they are in this field. We will definitely examine such proposals and if the economics are good, definitely we would think of embarking up on such project. However as of now, we are going ahead with our ethanol project, sir.
- **Mr. D.D. Matkari - Stakeholder**
- Yeah, that is true.
- **Mr. Vijay S. Banka – Managing Director, Dwarikesh Sugar Industries Limited**
- Your suggestion is very interesting. And surely if there is any such technology we will initiate the process of figuring out the same and evaluating the same.
- **Mr. D.D. Matkari – Stakeholder**
- Yeah because there's a lot of value addition in that.
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Yes sir. Of course, yes.
- **Mr. D.D. Matkari - Stakeholder**
- And then you don't depend on these government policies, make aviation fuel, take as much ethanol as possible, one thing I don't understand why there is a sugar problem, convert everything into ethanol and...
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**

- Sorry sir, hello? Hello?
- **Operator**
- Mr. Matkari, your voice is not audible now.
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Hello?
- **Operator**
- We request you to come back in the queue. Thank you. Participants if you have any questions, please enter star and one. The next question is from the line of Mitul Das Individual Investor. Please go ahead.
- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- Hello sir thanks for taking my question.
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Very good evening sir.
- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- Thank you. In the last call, I couldn't actually ask you the question there was some problem with the ethanol processing, you know.
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Yeah, yeah.
- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- Okay. So, my first question is on the ethanol processing. With all the data that you have provided in the last few calls, the way I understand and I think it was clarified also in the last call is that most of the captive generation of molasses would be diverted via the C heavy route and then you're looking to you know buy C heavy molasses for the remaining part of the capacity right? Is my understanding correct on that?
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Sir, we will use as much as C heavy molasses as is possible. We will try to utilize our capacity fully and for that firstly as much C heavy molasses is available we will use. For the rest may be we will run one of our sugar plants such that B heavy molasses is available
- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**

- Okay, okay. Yes, because I think that I was just doing a quick math on the numbers which has been provided in the last few calls and from the annual report as well. So I found out that with a typical molasses recovery rate of around 4.5% from sugarcane.

- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**

- Correct for C heavy molasses.

- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**

- Yeah, C heavy molasses and ethanol recovery of around 0.235.

- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**

- Correct.

- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**

- The amount which you get of ethanol almost will suffice for the C heavy capacity and then you might have to buy extra around 80 lakh liters of ethanol capacity still you know, for which you will have to actually buy extra molasses from outside?

- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**

- These are the options available sir. One is either buy C heavy molasses from outside which according to me, may prove to be a little difficult. The other option available to us is to use the B heavy molasses. So, we will work out a mix of both and see how best we can utilize our capacity fully.

- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**

- Right. So, in the case when you were asking to go for that extra capacity which supplements your extra capacity with B heavy molasses, what is the maximum rate per KG of molasses you anticipate for B heavy?

- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**

- Sir B heavy molasses has got no market as such. We have not heard of anybody buying and selling B heavy molasses. The way to look at B heavy molasses is to see at what price it equates to the sugar realization. When we are making use of B heavy molasses to make ethanol, we are sacrificing sugar production as there will be drop in sugar recovery. The drop in recovery is about 1.5% to 1.6% and commensurately, the B heavy molasses quantity also goes up and the recovery of ethanol from B heavy molasses also is better.

- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**

- Yes of course. Right.

- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- As of now a price of Rs. 52 per litre has been fixed by the government for ethanol made from B heavy molasses. It equates to a price of about Rs. 2,900 per quintal of sugar sold.
- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- Okay.
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- We have in fact requested government to increase this price of Rs.52 per litre so that it equates to a price of about Rs. 3,100 a quintal of sugar sold
- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- Okay.
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Yeah.
- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- Okay. I got it. So, that's one. The second question is on the outlook for sugar prices for the next couple of months.
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Let me confess that the sugar prices are holding fort only on account of government intervention.
- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- Correct.
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Government has done a few things. Number one, they have already increased the buffer stock quantity from 3 million tons to 4 million tons effective 1st of August 2019. Number two, the MSP of sugar remains in force which is Rs. 3,100 a quintal. Number three they have regulated our monthly releases. So, they are directing us as to what quantity of sugar to sell during the month. They have an all India quota which is determined and that is divided among the sugar mills based on their production and stock numbers. Four, the government is also actively working on the export policies for the coming season. . As of now since there is an overhang of sugar stock these policies have helped the sugar industry in ensuring that the sugar prices don't come down below the MSP. Presently, the prices are in

the range of Rs. 3,300 per quintal. If there is a larger release in the coming month, the prices may come down but in any case it cannot come down below Rs. 3,100 as it is a threshold price which the government has set.

- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**

- Sir what's the average price of sugar in the month of July I mean, would you have an estimate?

- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**

- July is around close to Rs. 3175 per quintal or so..

- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**

- Okay.

- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**

- In the month of August the prices are better because the release quantity is lesser. They release quantity is 19.5 lakh tons of sugar. . Therefore August prices have gone beyond 3300. But if the September releases are more, then the prices will obviously come down, but not below Rs. 3100 per quintal

- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**

- Right. I have heard that planting of sugarcane for the current season has been a little bit down. Can you give some update on that some light on that?

- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**

- Planting for crushing season '19-'20 has already happened and we are looking at a production number of 29 million tons. For season '20-'21, it is too early to say but considering the fact that the monsoon has been good we could see some improvement in the crushing numbers coming from Maharashtra in 2020-'21. But, as of now '19-'20 the Maharashtra numbers are not very encouraging and it expected that Maharashtra will produce 7 to 7.5 million tons of sugar

- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**

- Okay. Sir just a few operational questions as some operational metrics related to Dwarikesh the number of days which have crushed has been particularly for your Dwarikesh Dham plant right?

- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**

- Correct.

- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- So any reason sir why is that?
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- In fact the last season '17-'18 was an aberration. In season '17-'18 the yields all across were better and abundant sugarcane was available in the entire Uttar Pradesh However the numbers of this season 2018-'19 are more realistic more so in case of Dwarikesh Dham plant. Given the area under plantation we are making all efforts to see that the vertical growth of the cane is better and therefore cane availability and crushing number also better. We expect that the crushing number will be better during season '19-'20.
- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- Okay so you mean sir that the variety therefore you will be going for like more early variety in the next season?
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Early variety is being propagated all over and early variety's reach is phenomenal now in the entire Uttar Pradesh not just in our command areas. Therefore the improvement in quantity of cane crushing will come from better yield of the sugarcane.
- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- Right.
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- If the vertical growth of the sugarcane is more, naturally the yield is better, and therefore, that would result in extra quantity of cane being available for crushing.
- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- Right. So, do you expect what is the guidance on the amount of cane crushed in the upcoming season any estimate?
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- So, we should crush similar or a little more quantity of sugarcane in the coming season '19-'20. It will now depend on how the weather plays out in the month of September. God forbidding, if there are heavy rains in the month of September than normal, it will bring down the yield of sugarcane. But as of now, the growth of sugarcane seems to be pretty good in Uttar Pradesh.

- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- Okay. I also have a question on the breakdown of the sugar sale quantity. Because I was just looking at the DFPD, monthly quota allocation, which allocated around 6.26 lakh quintals for the three months, ending June but you almost sold around 8.5-9 lakhs...
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- We have sold 8.41 lakh quintals. May be there was some unsold quantity of sugar quota of earlier month which got sold. We have gone by the order of the government and we have not sold anything extra.
- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- Okay.
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Yeah.
- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- Okay, so because I was just checking the DFPD numbers for the three months
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- If I remember correctly there was some kind of a spill-over of March quota which quantity was allowed by the government to be sold in the month of April. This explains the higher sales
- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- Okay and my sir last question is, actually in the annual report, which is released recently. I see that for the year, financial year '18-'19 under the other expenses hedge, there is something called export facilitation charges right of around 18 crores.
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Correct.
- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- So, I just wanted to know what are those and because I see a jump in that particular?
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**

- This was for the earlier quota of 2 Million tons which the government had announced. We did not physically export and we traded our obligation in favour of some mills in Maharashtra and we paid them the facilitation fees.

- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**

- Okay. So that figure is for the one of the previous quota?

- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**

- For the quota which was announced earlier, not the quota of 5 million tons. It was in respect of MIEQ of 2 million tons and we paid this fee for completing our export obligation under the said quota

- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**

- Okay, so this is... so I can infer it as like one off item for the...?

- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**

- Yeah, one off item.

- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**

- Thank you.

- **Operator**

- The next question is from the line of Govind Sahu from India Nivesh PMS. Please go ahead.

- **Govind Sahu, India Nivesh PMS**

- Good evening sir.

- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**

- Very good evening sir. How are you sir?

- **Govind Sahu, India Nivesh PMS**

- Sir good. Just couple of questions one first question is regarding our new expansion in the distillation capacity so with the molasses available from our sugar production, how much utilization would it be possible in the ethanol season '19-'20 for us for our expanded capacity of 100 KLD?

- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- If we do not do B heavy molasses, available C heavy molasses would be only sufficient to support a capacity of 100 KLPD. So, for making the expanded capacity operational of 130 KLPD we will have to run one of sugar plants on B heavy molasses.
- **Govind Sahu, India Nivesh PMS**
- Okay, so B heavy is the right option for us actually to...?
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Yes, the other option is to buy molasses, However molasses prices have already gone up high and I don't think availability will be easy in the coming season.
- **Govind Sahu, India Nivesh PMS**
- Right. My next question is regarding our inventory sir. So, June quarter inventory was around 22 lakh quintal so, we expect this season to end at anywhere between 14 to 15 lakh quintal.
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Yes sir.
- **Govind Sahu, India Nivesh PMS**
- And in the next season again there would be a 30 lakh quintal or whatever round about 30 lakh quintal kind of production?
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- 38 lakh quintals got sold last year. Okay, please go ahead.
- **Govind Sahu, India Nivesh PMS**
- 38 yes, so 38 plus 15, so which is around 53 lakh quintal and as per our government quota, I think we would be flush out around about 25-26 lakhs kind of...
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Yeah but we will have an option to export as the government is expected to be coming out with an export policy also for the season 2019-'20. We have represented to the government is to make the policy flexible such that those who are willing to export more sugar should be allowed to export more than their MIEQ obligation

- **Govind Sahu, India Nivesh PMS**
- Export more, yes.
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Out of 5 million tons of quota which was allowed last year, there were many sugar mills who defaulted as they had not complied with the government regulations. They were in no position to export because they couldn't have claimed the subsidy. So, out of 5 million tons, only 3.5 million tons was exported. We have therefore requested the government to make the policy friendlier such that those willing to export more are allowed to do so.
- **Govind Sahu, India Nivesh PMS**
- Right because sir what is happening is gap is quite large I mean the next season 26 lakh quintal would be quite a huge amount of inventory which...
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Yeah I agree with you. So, higher inventory will come with other problems such as storage of sugar. However with lesser production on the anvil I think the quota that we will get for UP sugar mills may be higher. This may also help the liquidation of stock
- **Govind Sahu, India Nivesh PMS**
- Okay.
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- We will export sugar and also expect to sell more sugar domestically on account of higher monthly quota for UP sugar mills
- **Govind Sahu, India Nivesh PMS**
- Last season what was the total export quota sir?
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- 5 million tons.
- **Govind Sahu, India Nivesh PMS**
- No, no for you.
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- For us the quota based on our crushing numbers translated to about 51,200 MT and we exported 52,000 MTS of sugar

- **Govind Sahu, India Nivesh PMS**
- 5.2 lakh quintals?
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Yes.
- **Govind Sahu, India Nivesh PMS**
- Okay. So, I mean this can be increased next year in order to flush out.
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Certainly increased yes. We are actually banking on that.
- **Govind Sahu, India Nivesh PMS**
- Yeah otherwise there will be a big problem of carrying the inventory physically also and financially also.
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Both ways, Sir.
- **Govind Sahu, India Nivesh PMS**
- Okay. Thank you. And sir, one last thing, this new power tariff, which is supposed to come or will come and will be contested and all those things will happen. So, in the interim, how do you see this transition taking place, because...?
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- No we have accounted for the same at reduced price.
- **Govind Sahu, India Nivesh PMS**
- Okay you have accounted, you have started accounting at a reduced price.
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Yeah, yeah.
- **Govind Sahu, India Nivesh PMS**
- But, but how is the payment coming on the reduced price or on the...?

- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- No, we are yet to get some payments for the supplies made in the earlier tariff rate. So, for supplies made after April, definitely they will pay us at the reduced tariff
- **Govind Sahu, India Nivesh PMS**
- Okay, okay. Thank you sir. Thank you so much.
- **Operator**
- Next question is from the line of Mitul Das, Individual Investor. Please go ahead
- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- Hi sir.
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Yeah good evening sir.
- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- Yeah just I was reading somewhere that there is a chance that in the international price, sugar might actually go down because the Thai sugar season just concluded right and since their consumption is very low, and I think majority of it actually exported there could be a new wave of export of raw sugar hitting the market. What's your view on that?
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- There are host of factors, number one increase in exports from Thailand, but there is expected to be commensurate reduction in export from Brazil also because in Brazil we are seeing increased diversion of sugarcane juice towards ethanol. So multiple factors will play out with one another and I don't see prices going down. Presently the prices prevailing is around 12 cents per pound of raw sugar and I don't see it going down from this level. If at all it could go down temporary and marginally.
- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- Okay. Sir on your two sugar mills, Dwarikesh Puram and Dwarikesh Dham, the last year recovery was around 12.24% of sugar in these two mills.
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Correct.

- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- Do you see a slight improvement, maybe a other plants matching the Dwarikesh Nagar, recovery in the coming season?
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- That effort is always there, Sir.
- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- Okay.
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- You rightly said, when compared to Dwarikesh Nagar, there is some scope for improvement in recovery in the other two plants. However our combined recovery at 12.31% was the highest in North India last season.
- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- Right okay. Sir on the export subsidies part, the Rs. 13.88 of sugarcane crushed which was provided for the last season, was all of those actually accounted in the financial year ending March 2019 or a portion of it?
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- No, it was accounted. Basically it was actually a production subsidy.
- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- Right.
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- So the subsidy is set off against the cost of sugarcane consumed. So whatever sugarcane was crushed, pertaining to last year, subsidy on the same was accounted for accordingly.
- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- Right. So this year, in the first quarter, April-May, there has not been any crushing then right?
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- There has been some crushing.

- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- Oh there has been some crushing and the subsidy has been...
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Yes on whatever we produced in the quarter
- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- Right.
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Yeah.
- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- So, the crushing which was done in this quarter for them, the subsidy has already been accounted right?
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Yeah.
- **Mitul Das, Individual Investor, Dwarikesh Sugar Industries Limited**
- Okay sir. I think that's it from my side.
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Thank you sir.
- **Operator**
- Thank you. Participants if you have any questions at this moment please enter star and one. As there are no further questions from the participants, I now hand the conference over to management for closing comments.
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Thank you, everyone. I take this opportunity to thank you all for attending this conference. We are grateful to you all for the continued support and help that you have been extending to us. On our part, we will strive to give as good a performance as is possible under the given circumstances. Thank you very much.

- **Operator**
- Thank you. On behalf of Prabhudas Lilladher, we conclude this conference. Thank you for joining us and you may now disconnect your lines.
- **Mr. Vijay S Banka, Managing Director, Dwarikesh Sugar Industries Limited**
- Thank you

***END OF TRANSCRIPT***