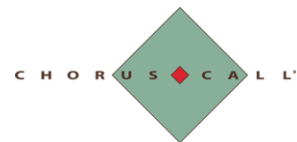




“Dwarikesh Sugar Industries Limited  
Q2 FY '23 Earnings Conference Call”

October 31, 2022



**MANAGEMENT: MR. VIJAY S BANKA – MANAGING DIRECTOR –  
DWARIKESH SUGAR INDUSTRIES LTD**

**MODERATOR: MR. TEJAS SONAWANE – DOLAT CAPITAL MARKETS  
LIMITED**



**Moderator:** Ladies and gentlemen, good day, and welcome to the Q2 FY '23 Earnings Conference Call of Dwarikesh Sugar Industries Limited, hosted by Dolat Capital. As a reminder, all participant line will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Tejas Sonawane from Dolat Capital. Thank you and over to you, sir.

**Tejas Sonawane:** Thank you, Faizan. Good afternoon, everyone. On behalf of Dolat Capital, I would like to thank the management of Dwarikesh Sugar Industries Limited for giving us the opportunity to host their Q2 FY '23 earnings call. From the management team, we have with us today, Mr. Vijay Banka, their Managing Director. Without further ado, I would like to hand over the call to the management for their opening remarks, post which we will open the forum for a Q&A session. Thank you and over to you, sir.

**Vijay Banka:** Very good afternoon to everyone, I invite you all to the earning calls conference of Q2 FY '23. Our results are already in public domain. The quarter which went by has seen contraction in the earnings. Well, we had a good turnover. Turnover was INR 542 crores vis-a-vis INR 506 crores as compared to the corresponding quarter last year, but our EBITDA etc. have been on the lower side and I'll explain the reasons for that as we go along.

We have had EBITDA of INR 31 crores approximately. We had some good savings in the interest cost which is about INR 6 crores, but profit after tax is INR 7.84 crores which is as compared to INR 39.63 crores as the corresponding quarter last year. And let me brief you about the sales numbers. So during the quarter, we sold about INR 11.49 lakh quintals as compared to INR 12.06 lakh quintals in the corresponding quarter last year.

The entire sales during this quarter as well as the corresponding quarter last year was domestic sales. And in the H1, we have sold about 26.78 lakh quintals of sugar, which includes 5 lakh quintals of sugar that we exported as compared to 21.7 lakh quintals of sales that we had in the corresponding half year last year, that was all domestic. So if you exclude the export number, sales numbers both for the quarter and for the half year, look very similar. We have had a miniscule closing stock of 1.81 lakh quintals on the 30th of September, which is obviously has been sold in the month of October.

And so far, as industrial alcohol is concerned, we have sold about 22,257 kilo liters and in Q2 and 37,893 KL in half year. So again, this number is in so far as the quantity is concerned is better compared to what we did in corresponding quarter last year. The reason being, we have been able to commission our Dwarikesh Dham Distillery project, which commenced commercial production on the 7<sup>th</sup> July. Of course, both the distilleries got closed around the first week of September because we had exhausted the B-heavy molasses stock which was with us and then we had to open the plant for repairs, etc. And in case of Dwarikesh Dham obviously, there were no repairs, but we had to make good whatever learnings we have had and set the plant correct.



So our term loans are about INR 309 crores and all our loans as I have repeatedly mentioned, are all at subsidized rate of interest. We have one term loan of UP State Government, where the outstanding amount is INR 47 crores and the rest is for the distillery project. All the instalments whenever due have been paid on time.

And I mentioned about the contraction and the profitability. The main reason are, I'll first talk about the non-recurrent expenditures that got accounted in this quarter. One is relating to the wage board arrears which had to be accounted for although it will be paid in due course of time. It had to be accounted for retrospectively from 2018. So that entailed an amount of INR 9.77 crores.

Then for the entire season 21-22, levy molasses obligation was increased from 18% to 20%. So which means we effectively lost an opportunity to convert about 34,000 quintals of molasses into ethanol and then sell it. This molasses, of course, we had to sell at a non-viable price of INR 210 per quintal. So then the third reason also was that during this quarter, when we started our DD distillery plant obviously, there were some teething issues. So the yield was not as per our expectation. Now all the corrections that are required at the plants have been made. So now going forward, we should get as good yield as we are getting in our DN distillery unit.

So these were one-off factors, but more important is that in the season 2021-2022, our cost of production went up, INR 2 a kg went up on account of increase in the raw material price which was increased by INR 25 per quintal. And there is an approximately INR 1 per kg increase on account of lower recovery.

I must mention here that we have already started the season 2022, 2023 at two of our units. And the third unit, we will be able to start our crushing on the 8th of November. As per the trends available, in spite of the unseasonal rains in October, the recovery should be better than what it was last season. We hope that we will be able to make good some ground that we lost in the last sugar season.

And well, we are going to use cane juice directly for making ethanol during the duration of the season in both DN and DD distillery unit and across all three units we will be producing, generating and storing B-heavy molasses, which will be used for making ethanol during off season.

So the entire dynamics of our working will undergo a change because for the first time we will be using cane juice for making ethanol. In the process of course, we will be sacrificing sugar production substantially. If you recall two years ago, of course in the last two years we have been generating B-heavy molasses, last year we generated B-heavy molasses across three units. This year we'll be using juice in two units. So the entire dynamic is going to undergo a change and then we contraction in the production of sugar will be about 30%. So dependence on sugar is going to come down. This will broaden our base revenue. So that's about it and I would now open the forum for the question-and-answer session. Please go ahead and ask me questions.



- Moderator:** Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. This is the operator, Mr. Banka, while giving the opening remarks. So the audio was slightly muffled.
- Vijay Banka:** I'll make effort to increase my volume and I'll talk a little bit about louder.
- Moderator:** Thank you. We'll take the first question from the line of Resham Jain from DSP Investment Managers. Please go ahead.
- Resham Jain:** A few questions, sir. So the first one is on sugar season '23. How should one see the overall sugar production because you mentioned, you'll be making – sacrificing some sugar for juice. So based on what you mentioned just now, how much will be the sugar production? And how much is the expectation for the ethanol as well?
- Vijay Banka:** I will talk about the country's production first because, yes, lot of progressive companies are going to use sugarcane juice directly for making ethanol, but we see ahead a bumper sugar production season 2022-2023. If you read ISMA's remarks, they are talking about production number of 36.5 million tonnes of production for SS 22-'23, which is after sacrificing 4.5 million tonnes of sugar production in favour of ethanol, which means effectively, the country's gross production will be 41 million tonnes.
- Now, coming to our production, we expect similar or slightly more crushing numbers because the area under sugarcane has been a little better. When the impact of rainfall during the October, late rains in the month of October, it doesn't seem so threatening as it was in the last season. So we should be able to see some improved crushing numbers. In so far as production is concerned, well, if we take about similar crushing number 380 lakh quintals and if we talk about a recovery of 12.25% gross, so there will be a sacrifice of nearly 30% of sugar production.
- So I think anything between 30 lakhs quintals to 35 lakhs quintals what we see will be our sugar production in the coming season. And talking about ethanol per se, we should be producing and selling about 11 crores liters over the year.
- Resham Jain:** And in terms of profitability, how will it change once you sacrifice sugar for ethanol? Because ethanol is more of a assured in a way margin business compared to sugar, where the prices can see some amount of volatility. So, how would you look at the overall profitability with this shift from sugar to ethanol?
- Vijay Banka:** Obviously, making ethanol is more profitable than making sugar at least at the current market price level. So we have had a very flattish year in so far as sugar prices are concerned. So even if we assume there is some improvement or let's say, about INR 200 improvement in the in the



sugar prices on an average for the entire year, still at the increased prices considering the expected increase in the prices of ethanol, making ethanol will be obviously more profitable.

It's going to be our first season in so far as making ethanol from juice is concerned. So we are yet to discover the recovery etc. on paper, yes, of course, making ethanol looks more profitable, but how much more profitable and how it will get reflected in the numbers, we will have to wait and see. In a matter of one or two months, it will be abundantly clear.

**Resham Jain:** And sir, just to understand the equation compared to B heavy, if you will be manufacturing through juice, how much better it will be in terms of the overall economy?

**Vijay Banka:** See, B heavy juice availability is limited. So here, we should not compare the B heavy vis-à-vis juice. We have to compare sugar vis-à-vis juice. So it's definitely more profitable. Because B heavy generation will continue as it was in the last season. So during off season, we'll make use of B heavy molasses for making ethanol.

**Resham Jain:** And sir, my last question is on CapEx. Any ongoing CapEx and any future plans...?

**Vijay Banka:** We are evaluating a couple of proposals. By January 2023, we will be very clear as to what all we are going to do.

**Resham Jain:** So currently, there is no projects which are going on?

**Vijay Banka:** Our focus is now on the start of the season, which has now commenced. So thereafter we'll start working on the project-related work.

**Resham Jain:** And this new proposal, is it related to...?

**Vijay Banka:** Quite a few of them like small increases in the capacities at our DN and DP unit and then there is a proposal to install refinery at one of our units. So these are the proposals that we have in mind.

**Moderator:** Thank you. The next question is from the line of Anupam Goswami from B&K Securities. Please go ahead.

**Anupam Goswami:** I had some doubt on this export restriction. So then our industry is to be back at a similar closing stock of like 5.8 million to 6 million tonnes, we made about 8 million tonnes to 9 million tonnes exports. So now this restriction that has been extended, where do you see what's going to be the outlook scenario for it? That's my first question.

And second is Dwarikesh being this quarter, such a low inventory and do we fulfil our quota for the third quarter in terms of sugar as well as how much can we do ethanol in the third quarter being -- you also said mentioned that September, your distillery were gone for maintenance because we have run out of molasses? So that's where it is. If you can mention, throw some light on it, sir?



**Vijay Banka:**

Talking about your first question. Well, there is a bit of a scare which has been created by news report that there is going to be a restriction on export of sugar. Now by restriction, they mean regulation. They mean regulation, not ban on export. So what they mean is that the export will be regulated.

Now in so far as our informal talks to the government officials that we've had, and as you may have read in various newspaper reports, the first tranche of export quota of 6 million tonnes is expected to be announced, maybe will be announced today or maybe tomorrow. We were expecting announcement on this for at least a week ago, but then for some reason or the other, it got postponed. But 6 million tonnes announcement is expected any time and that will be MAEQ based quota. So under that quota, which will be tradeable quota, we expect about 80,000 metric tonnes of export allotment for us.

Now 3 more million tonnes, maybe 2, maybe 3 million, 3 more million tonnes of export quota again is expected to be announced sometime in January / February. Because 8 million tonnes to 9 million tonnes, as you rightly mentioned, has to move out of the country, if we have to maintain similar closing stock levels. So this being a bumper sugar production year. The numbers speak for themselves, opening stock of 5.5 million tonnes production of 36.5 million, so which makes sugar availability of 42 million. And then we'll deduct from that about 27.5 million tonnes of consumption, 9 million tons or maybe 8 million tons to 9 million tonnes goes out by way of export, we are back to the number of 5.5 million tonnes at the close of the season 2022, 2023.

So officials of the government are very positive, but whatever delay is there is all procedural. Okay. What was your next question, sorry?

**Anupam Goswami:**

Sir, your inventory being so low, can we fulfil our third quarter quota?

**Vijay Banka:**

Yes. Now our DN sugar plant has commenced crushing and our distillery will also commence operations in a day or two. We are awaiting for a few approvals to make juice for making ethanol. It's a question of just about a day or two. And in DD already the approvals are in place. So DD distillery is going to commence operations together with sugar unit. So and so far as our ethanol quota is concerned, we will be able to fulfill. We have balance of about 50 lakh liters to be supplied under the contract that we have entered into with the OMC.

So we expect not just the quota but more quantity of ethanol to move out in this month of November. And so far as sugar sales is concerned, well, we have had a miniscule quota for the month of November because our stock virtually as on date is zero, and but well, we have contracted to sell about, to export about 50,000 metric tonnes of sugar in anticipation of the export policy. So we will be making raw sugar at two of our units, in one unit it's already commenced in the other unit, raw sugar will start from the 8th of November.

So we're going to sell about 50,000 metric tonnes of raw sugar during this quarter and of course, whatever further domestic release orders will get, we will be able to do that.



**Moderator:** Thank you. Reminder to the participants anyone who wishes to ask a question, you may press star and one at this time. The next question is from the line of Amber D from Geometrics. Please go ahead.

**Amber D:** I'm a little surprised at the results. So I actually have several small questions. It shouldn't take long. Mostly around these factors that you mentioned in the opening, I'm trying to understand this change that happened from the Government from 18% to 20% for the molasses, any reason why this happened and can it keep repeating? And also, what was the extent of the loss financially? If you had 34,000 tonnes quintals of molasses that you had to sell at INR 210 and what was the loss of the ethanol? That's my first question.

**Vijay Banka:** So can we answer one-by-one? So you see this the levy quantity percentage which was increased from 18% to 20% is for the entire molasses that we generated during season 2021, 2022, most of which pertains last financial year and a part of it was in the current financial year. So, we had to additionally give about 34,000 quintals of sugar. Now if you consider a yield of about 30 liters per quintal of molasses if not more, we could have perhaps made about 10 lakhs liters of ethanol, which would have got sold at approximately INR 60, so which means we could have generated about INR 6 crores of revenue from that with hardly any incremental cost. Whereas this 34,000, we have been able to sell at INR 210, so INR 70 lakhs is what we have got out of that, so that will explain the financial impact of this particular policy measure.

Now why this percentage is increased, is because there are reasons which are -- number one, the country liquor consumption has gone up in Uttar Pradesh. Now whether it is really gone up in Uttar Pradesh or it is moving away from Uttar Pradesh, we don't know because Bihar is the neighboring state where there is prohibition. I wouldn't rule out if some amount of country liquor from UP is going out of UP to Bihar because otherwise this percentage should not have risen at all.

**Amber D:** This means that molasses is something that you need and without any clue the government can just take -- they could make it 22, 24 tomorrow, they could make it anything?

**Vijay Banka:** Absolutely, they could make it. It's just that our request and our appeal to the government is, whatever you do, you do it upfront. You don't give us the surprises later on. So of course, for them the exchequer of the state is very important. So we are in a way, subsidizing the country liquor trade in Uttar Pradesh or maybe the neighboring states. So that's the reason why it's gone up. Next question.

**Amber D:** Yes. Second question is sir, this yield reduction, not from the new plant, the one that you saw from your new 175 KLPD, was this expected or was it because it's a new plant? Was it because of...

**Vijay Banka:** It's a new plant, yes. So we have had a yield of about 28 liters per quintal of molasses. From similar molasses we have recovered about 30 liters per quintal. So that again translates to about



INR 5 to INR 6 crores. So this is this is very typical, sir. Anywhere of course, now, everything is stabilized and the period of trial & tribulations is all over for now.

**Amber D:** You mentioned exports for the next year. Approximately what price to you would you have built in?

**Vijay Banka:** We have contracted exports of about 50,000 metric tonnes at INR 36,000 a metric tonnes [for] Kandla. So if you take away INR 2,000 logistic cost of transporting sugar from our units to Kandla, So ex-factory realization is approximately INR 34,000, which is for raw sugar, if you consider the advantages of lower cost of production, faster movement, faster rotation of cash flow etc. it is much more...

**Amber D:** You mentioned that many times, has this been refined what would have been...

**Vijay Banka:** That realization would have been much more higher, unfortunately, we don't have a refinery capacity

**Amber D:** You don't have a refinery.

**Vijay Banka:** I am aware sugar mills have contracted to sell refined sugar at ex-factory realization of INR 38,000 a quintal.

**Amber D:** Next quickly, one of my last questions is cane diversion from the industry is it closer to 4.5 or do you think it can touch 5?

**Vijay Banka:** For the coming season it could be higher sir. But this is just a random number. I don't know how this number has been computed. It could be higher because we are going to see very enthusiastic participation of sugar mills in so far as using juice for making ethanol is concerned.

**Amber D:** So last question, what have you done to your balance sheet? I find it very hard to understand with all the cash and you suddenly become a cash rich company and the inventory is gone to zero, could you just walk us through what exactly has happened this quarter? So much debt...

**Vijay Banka:** Sir, we had good releases so therefore, our stock levels are the lowest, all thanks to our focus on ethanol and export, so the weightage in so far as the domestic releases is concerned, is that much more higher. The production of sugar also has been lower. So this is all resulted in building up of cash and cash equivalent. So going forward, our requirement of working capital is going to be substantially less than what it was in the last season because last season our requirement was after factoring for 13 lakhs quintals of opening stock. So yes, going forward our working capital requirement will be so much more less, sir.

**Amber D:** And do you see any substantial improvement in the amount of cane that you can crush this year or will be marginal 3%, 4%, 5%?





- Vijay Banka:** 3%, 4%, 5%, sir Not more than that. Because in Bijnor district, we are more or less saturated, so whatever increase we're going to get, we're going to get it from our unit in Bareilly district.
- Moderator:** Thank you. The next question is from the line of Rajesh Majumdar from B&K Securities. Please go ahead.
- Rajesh Majumdar:** So I just have two questions. I mean, most of my questions are answered that, this UP increase in wages, was it not accounted for earlier, because we didn't make a provision for this and suddenly it comes out of the blue this INR 9 crores...
- Vijay Banka:** No. It was on the cards, but the quantum was never known and the gazette notification only came during this quarter. I mean, it's a once in five year phenomenon. So it happens. It does happen.
- Rajesh Majumdar:** So, INR 9 crores is a five year kind of impact? Is it so annualized impact...
- Vijay Banka:** 2018, I think we mentioned the date also from the 1st of October 2018 till date.
- Rajesh Majumdar:** And what's the annualized impact of this?
- Vijay Banka:** Annualized impact will not be much. Annualized impact will be about, in percentage terms, hardly anything, but maybe about INR 1.5 crores to INR 2 crores per annum.
- Rajesh Majumdar:** INR 2 crores, all right. And secondly sir, my question is, how confident are you about the recoveries being 12.2% plus, given the fact that we are just into the crushing season and we still don't know whether there'll be other situations like red rot, etcetera which has happened in the past and recoveries have been impacted. So how confident are we of recoveries in this sugar season?
- Vijay Banka:** Last year also we had this phenomenon of late rainfall in the month of October. So we've had similar phenomenon this time. The only good thing is last year the rain was accompanied by heavy winds, so which resulted in lodging of sugarcane in many areas, which obviously stunted the growth of sugarcane, lowered the yield of sugarcane. So this year, we are not seeing any such phenomenon.
- And I'm expecting improved recoveries based on our lab results. Because the kind of sugar content that we now see is a little better than what it was on the corresponding days in the last season. And after the late rainfall, subsequently, there has been no rainfall, so the water from the fields, which had got accumulated has retreated. We had achieved much better recovery numbers in the past. So there's no reason why we should not at least make up for the ground lost last season
- Rajesh Majumdar:** So the late rain impact of maybe three days, four days is marginal in your opinion, right?
- Vijay Banka:** No. I mentioned there are two, three reasons. One is the wind which accompanied the rains in the last season, wasn't much this time much. And as on date, thereafter, the rains came and then



the rains halted. And thereafter, the water has got retreated from the field now. We now don't see any water accumulation in the fields.

**Rajesh Majumdar:** And I think last year, the crushing was delayed much further, right? We started crushing this year much earlier compared to last year?

**Vijay Banka:** No, I think it's around the same time, in fact, a day or two before. I don't remember that date when we had started. In fact, this year, we are planning to start crushing at our Bijnor units on the 18th of October, but unfortunately, because of the rains, it got delayed by 10 days.

**Rajesh Majumdar:** And sir, my last question is on this blending. Our current run-rate, as I understand, as of data given is 10.7% and going by the additions and capacity, etc., which is coming in, what is the realistic time frame to even achieve the 20% blending target? And second question is, Niti Aayog has given a 50:50 kind of ratio between sugar and grain to achieve this target. How realistic is this? And will we see some change in this going forward?

**Vijay Banka:** So you see, we had crossed the 10% blending target in the month of July as well as in the month of August. But September, October, November typically are very lean months. So all the efforts are on to increase the ethanol supply. So my own guess is that we may not end up with 10% blending. So how good we are to go to 20% within the announced timeframe. I think the blending numbers ahead will be substantially better than in the last season because we are going to see very enthusiastic participation of sugar mills in making ethanol directly from cane juice.

So obviously the production number of ethanol is going to be a lot better. But, well, capacities are coming up further. Of course, government is making all the efforts to ensure that even the weaker sugar mills are able to set up capacities. They have been extending the time lines or putting up the ethanol projects so that the units are eligible for availing the loan that subsidized rate of interest. So all those efforts are on.

So we will have to wait and see. But sugar mills will -- they are doing whatever within their capacity to increase the ethanol supply. Now talking about your question on whether we will have a 50:50 kind of a ratio between ethanol made from sugarcane and ethanol made from grains. A lot of ethanol capacity based on grain came up, but I think their economics got thrown off guard a little because of the war situation and consequently rise in the price of grain. So, it's a difficult question to answer how good we are to go to 20% in two years' time?

**Rajesh Majumdar:** So my actually related question was about that sugar mill do more CapEx on the juice side in case the grain equation is unfavourable,

**Vijay Banka:** Well, yes, that's a good question. It's like this presently, there is a particular price to ethanol, which is made from juice directly. We have been clamoring, we have been talking to the government to increase the price of ethanol based with sugarcane juice as the feedstock. If there



is an increase in price, I'm sure many sugar mills will be able to make their sugar assets redundant.

In the sense that, for example, like I said, we are going to cut down on our sugar production by about 30%, which means we are going to make our sugar assets redundant by 30%, so if the prices go further, I'm sure sugar mills will be able to add up more capacities and they'll be able to focus on more generation of ethanol and lessening the sugar production.

**Rajesh Majumdar:** Is there any existing point in terms of the juice expectation that you have in terms of whether it's INR 3 or INR 5 increase, where is this kind of a major change in the CapEx structure may happen? Any kind of ballpark figures on this?

**Vijay Banka:** We have been asking for from the existing level, about INR 4 increase, so that there is a decent IRR after considering for the redundancy in the sugar assets.

**Rajesh Majumdar:** Thank You, sir

**Moderator:** Thank you. The next question is from the line of Nikhil Gada from Abakkus Asset Manager. Please go ahead.

**Nikhil Gada:** Sir, my first question is on the sugar production numbers. So when you say that we are going to do this 38 lakh metric tonnes of crushing, is this for the sugar season '22, '23, you're saying? So what would be that number for FY '23, if you can guide for?

**Vijay Banka:** Maybe more or less the same actually, because our start date is, in fact, maybe we are late or early by about two, three days, but it will not make any kind of a difference. If it is 380 lakhs quintals for the season, it should be similar number also for the financial year.

**Nikhil Gada:** And sir, when we say that we are going to get our sugar production down by maybe close to 30%. So in that context, we are saying that a total sugar produced by us would be close to around 3 lakh sort of metric tonnes.

**Vijay Banka:** Yes, 3 lakhs to 3.5 lakhs MTs

**Nikhil Gada:** So in that case, if you can help us, what would be the ethanol produced through the juice route and what would be through B Heavy terms of percentage, if it's possible?

**Vijay Banka:** See, we are going to run the sugar distillery on the juice during the season two of our plant. So we should out of 11 crores liters, maybe 5.5 crores, 6 crores from juice and the balance from the B heavy molasses.

**Nikhil Gada:** And sir, sorry, just asking regarding this economics, because if I understand, even at current prices of sugar through B heavy route, I believe that it is the most profitable, right? And then it's the juice route. So, are we fix rate on this? Or we are going to be very flexible whenever they



are new prices for ethanol get announced, and if it's not as much as we want for juice, then we will sort of go back to more B heavy and less juice?

**Vijay Banka:** No. You'll see, if you want to optimize or maximize our production numbers, this is the no way we can make bigger deviation, that can be a small deviation, but that can't be a bigger deviation.

**Nikhil Gada:** And sir, just on this 38 lakhs metric tonnes of sugarcane crushed. So compared to our FY '22 number, then there is no major jump in terms of the availability of sugarcane?

**Vijay Banka:** Even if there is an increase in the cane availability, that will get reflected in the numbers of FY 23-24, because the start crushing date is the same as it was the last season. So the number of days we get to work the sugar plants during the season is going to be the same as it was in the last financial year. So for example, if instead of 380, we do 390 or maybe 400, that part of the incremental part is going to be reflected in the working of FY 23-24.

**Nikhil Gada:** Sir, in that case, because we are completely shifting more towards juice and more towards ethanol route. Would you mind giving some guidance in terms of what EBITDA we can achieve in '23, and specifically in '24 operating at peak optimization?

**Vijay Banka:** That's very difficult, actually. I cannot give any guidance on that. Yes, all I can say is the numbers are going to be definitely better.

**Nikhil Gada:** And just one last question. You mentioned that for the upcoming quarter, the sales volume for sugar would be somewhere around 50,000 metric tonnes, right?

**Vijay Banka:** 50,000 metric tonnes is export. We will, of course, sell whatever quota we get for the month of October, we sold whatever a balance of sugar was there, which was about 18,000 metric tonnes. November, the releases are very less because we have no sugar stock. So we are going to be producing sugar stock only in one of the unit because in rest of the two units, we are going to be producing raw sugar for export. So in the month of December, we would have production of white sugar only in one unit because in two units, we will be producing raw sugar till December end But yes, in December, whatever quota we get, we'll be able to produce and sell white sugar for the domestic market.

**Nikhil Gada:** And this INR 11 crores for ethanol, which we are targeting. So then it's safe to assume that from the current quarter onwards, we will be operating at sort of on a quarterly run rate on a peak?

**Vijay Banka:** No. Because in this quarter, we are going to get only two months, November and December.

**Moderator:** Thank you. The next question is from the line of Shailesh Kanani from Centrum Broking. Please go ahead.

**Shailesh Kanani:** Sir, couple of questions from my side. One question is on long term capital allocation. As you have also mentioned that you will be working low and low on working capital, and as we keep



on diverting towards ethanol, our need for funds would be lower, and I assume that given the balance sheet, we will be having a good amount of capital getting generated. So any plans on FY '24, FY '25,? I know you mentioned that there are few things on the drawing board, but can you just little elaborate what kind of quantum we are looking at?

**Vijay Banka:** So there is planned incremental capacity building, adding up refinery they all will involve outlay of at least about INR 100 crores to INR 150 crores. So I cannot spell out the number right now, we will first freeze our plans in so far as whatever CapExes' that we have in mind and then we will decide and take the next step.

**Shailesh Kanani:** And so we are not doing anything on increasing the capacity on the ethanol front. Like, on molasses based, I understand you have already guided. We are we are maxed out as for our cash and as for our production facility, crushing facility. But are we looking at grain as an option which many of the companies are looking at or are still be skeptical on that?

**Vijay Banka:** No. See, our ethanol generation will go up if we are able to increase our crushing in out units. So as I mentioned earlier, we are planning some increase in the capacity or two of our units which are in the Bijnor district. So whatever increases there, whatever additional or incremental crushing number we have from those units, we will obviously be generating the molasses and we will also use some amount of juice from there to make ethanol. So again, 11 crores liters can be made from our units in about from our distillery in about 320 days time, so we will have there is already some additional capacity in our distillery. So I mean there is more cane available, more crushing, 11 crores can easily go up to 12 crores also.

**Shailesh Kanani:** My question was more on grains' front, are we looking at that as an opportunity?

**Vijay Banka:** No. We are not. As of as of now, we are not contemplating right.

**Shailesh Kanani:** And it's not on the drawing board as well, right?

**Vijay Banka:** No, not at all.

**Shailesh Kanani:** I think one more question. When you said that you have contracted export of 50,000 metric tonnes, you said realization of INR 36,000 per tonne. Did I...?

**Vijay Banka:** That is FOR Kandla.

**Shailesh Kanani:** So that was raw sugar, right?

**Vijay Banka:** Yes, raw sugar.

**Shailesh Kanani:** So that implies that we have got a good polarization premium as compared to the US Brent rate, right? That is what I need ask.?

**Vijay Banka:** Yes. Presently, Indian sugar commands premium, polarization premium.



- Shailesh Kanani:** So what is that percentage would be?
- Vijay Banka:** See, we contracted when the price was around 18.6 cents per pound
- Shailesh Kanani:** So that was sometime times back, I guess, because that rates has not been there for long because they have crashed very quickly and they have come down very quickly. So we've been able to catch the top, I guess.
- Vijay Banka:** 18.6 multiplied 22.97 which is the factor, 22.97 then multiplied with 83 if we take 83 as the future dollar price. So if I were to go by this we would have got about 35500. But we got Rs. 500 extra by way of premium.
- Shailesh Kanani:** So we got good rate on the raw price front as well and the exchange rate advantage 83, we got.
- Vijay Banka:** Exchange rate will obviously be good, raw prices will be of course dependent on the crude prices. If you see the trend of the prices, there are occasional spurts, so all you need to do is remain vigilant. And whenever those occasional spurts in the prices, international prices happens so that's the time when one should be looking to sign the export contract.
- Moderator:** Thank you. The next question is from the line of Nimis Sheth from G T Advisory. Please go ahead.
- Nimis Sheth:** All the best for the coming season. I think many of the assets are in place. I have two clarifications that I need to ask. I couldn't hear the closing stock number. You said you had 18,000 tons of closing stock, is that correct?
- Vijay Banka:** Correct, sir.
- Nimis Sheth:** What is the value of that per kilo?
- Vijay Banka:** That value is obviously higher. That's about 3,490 plus. So anyways, the quantity of closing stock is not significant.
- Nimis Sheth:** INR 35. Second is, when are you starting crushing at your three units?
- Vijay Banka:** We are already started crushing at two of our units on the 28th of October. In the third one we will start crushing on the 8th of November
- Nimis Sheth:** And if I recall in the last con call, you had mentioned about the need for a refinery, which is what you don't have there. So and I think you mentioned you're planning to put up a refinery and you would have some project in mind, so has anything been finalized or...?
- Vijay Banka:** By January, we will finalize.
- Nimis Sheth:** Are we delaying it, how long does it take to set up a refinery?



- Vijay Banka:** Once we take all the positive call in January and once we place order for machineries, etc., immediately thereafter, we will the refinery will be up and running for season 23-24.
- Moderator:** Thank you. The next question is from the line of Udit Gupta, an individual investor. Please go ahead.
- Udit Gupta:** So my question is also that the 11 crores liters that we're looking at. So does this take into account the extra 2% heavy molasses?
- Vijay Banka:** Yes, it takes into account. It does
- Udit Gupta:** And so you said that roughly the blend will be like 5.5 crores...
- Vijay Banka:** Yes, 5.5 crores, 6 crores from cane juice and about the balance from B Heavy Molasses .
- Udit Gupta:** So it's almost a 50-50 value that we're looking at?
- Vijay Banka:** With upward bias for juice.
- Udit Gupta:** With upward bias in juice. And so my question was like you just explained so many times in the last few questions that right now we're not looking at any other ethanol expansion. So but the crushing that we are looking to increase after that, is it possible to increase this?
- Vijay Banka:** Yes, of course. If our crushing numbers go up, obviously our ethanol production also will go up. Even within the same assets, let's say, instead of 38 lakh tonnes of sugarcane crushing, if you do 39, obviously, that would result in more generation of molasses and juice and more production of ethanol.
- Udit Gupta:** And so the surplus cash that we are looking to bid now and that, so any potential uses of that other than the CapEx that we are planning?
- Vijay Banka:** Sir we will see. I mean, of course once we are ready with our Q3 results, I think that time we will have more clarity. And I'm sure whatever is the in most productive way of utilizing the money, we will do that.
- Moderator:** Thank you. The next question is from the line Ashok Saini, an individual investor.  
  
Please go ahead.
- Ashok Saini:** So a few questions from my side. What is the cost of the ethanol derived from B-heavy or C-heavy?
- Vijay Banka:** The costing is more or less the same there isn't much difference. But why the B-heavy molasses is more attractive is because the selling price of B-heavy molasses is almost INR 59, whereas in case of C-heavy molasses is substantially better.



- Ashok Saini:** And what about the costing perspective?
- Vijay Banka:** Costing, there wouldn't be much different because -- typically, it is INR 10 a liters of the cost of conversion. So B-heavy could be INR 10, then maybe C-heavy could be a little lower.
- Ashok Saini:** Another question is related to made out the levy obligations. What are the plans that you have met out your obligations to B-heavy or C-heavy molasses?
- Vijay Banka:** No, B-heavy sir. As per the policy, whatever be the percentage, the policy will be fair in the sense that due factoring will be done for the yield coming out of B-heavy molasses. And accordingly, the quantum of B-heavy molasses that will have to be offered for levy purpose will be lower. So it will take into account the relative yield of both C-heavy molasses as well as B-heavy molasses and accordingly. Yes, the base is going to be C-heavy molasses and B-heavy molasses levy obligation will be a derived number from the obligation in terms of C-heavy molasses.
- Ashok Saini:** And what is the percentage of levy in case of B-heavy?
- Vijay Banka:** In the case of C, it is 20%. So in case of B-heavy it works out to about 15.4% or something like that. In case of B-heavy, it is C-heavy it is assumed that the yield is 22.5%. And in case of C-heavy it is assumed that the yield is 22.5% and in case of B, it is assumed that the yield is 30 liters so accordingly, the numerator is 22.5% and the denominator is 30%.
- Moderator:** Thank you. The next question is from the line of Ashish Pandey, an Individual Investor. Please go ahead.
- Ashish Pandey:** Sir, I have two questions. I have seen your balance sheet on 30th of September, you have got INR 103 crores of inventory and out of that, I think INR 650 crores will be tied up in your sugar stock. Is that understanding correct? Sir, how much is the inventory tied up in sugar stocks as of 30th of September?
- Vijay Banka:** Yes, 18,000 metric tonnes multiplied by 35. So that is what it is.
- Ashish Pandey:** And second question, sir, how much is the sugar selling price you're getting in this quarter so far? And what was your expectation for full quarter?
- Vijay Banka:** Sir, I think we have given it in our investor presentation. Let me tell you, in this quarter, we got a realization of close to 3,500?
- Ashish Pandey:** I'm talking about Q3.
- Vijay Banka:** Q3 so far is about 3,550 plus.





*Dwarikesh Sugar Industries Limited*  
*October 31, 2022*

**Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Vijay Banka for closing comments.

**Vijay Banka** Thank you, friends. Thank you for your active participation in this conference call. And I must say there were very interesting set of questions from your side. And I hope that I've been able to answer you all satisfactorily. Yes, the results for the quarter have been under stress. There has been a contraction of profitability. But yes, this has been one-off kind of a quarter with some non-recurring expenditure and happenings which got factored in the results.

Going forward, yes, in Q3 we will have two months of working for the distillery which we should see ethanol production accordingly in these two months. Fourth quarter, of course, we'll see brisk activity in so far as sugar as well as ethanol production is concerned. So we do hope and expect that the recovery trends for the coming season will be better. Let's wait and see, we are optimistic about that. Thank you very much. Thanks a lot for reposing confidence in us. We are extremely delighted to be participating in this conference call. Thank you, once again so much.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Dolat Capital, that concludes this conference call. Thank you all for joining us and you may now disconnect your lines.