

# **Dwarikesh Sugar Industries Ltd.**

## **Q3FY20 Earnings Conference Call**

**February 13, 2020**

### **OPERATOR:**

Ladies and gentlemen, good day and welcome to the Dwarikesh Sugar Industries Limited Q3 FY20 Earnings Conference Call hosted by Prabhudas Lilladher Private Limited. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '\*' then '0' on your touchtone telephone. 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 risk and uncertainties which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by information currently available to the management. I would now like to hand the conference over to Mr. Prashant Biyani from Prabhudas Lilladher Private Limited. Thank you and over to you, sir.

### **PRASHANT BIYANI – PRABHUDAS LILLADHER PRIVATE LIMITED:**

Thank you, Janice. Hello everyone. On behalf of Prabhudas Lilladher Private Limited I welcome you all to Q3 FY20 results earnings conference call for Dwarikesh Sugar Industries Limited. We have Mr. Vijay S. Banka, the managing director. I would like to thank Mr. Banka for taking out time for today's concall. Mr. Banka, I would request you before discussing the company's results if you can discuss the key industry highlights for 3<sup>rd</sup> quarter and then we can start with Q&A.

### **VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Very good morning, I welcome you all to the Q3 FY 2020 earnings call. You'll have our results before you. Let me quickly update you all with the results and thereafter I will talk a little about the industry scenario.

During the quarter we posted a profit of Rs. 4.53 crores, this is as compared to Rs. 23.93 crores of profit after tax posted in the corresponding quarter last year. Well, the sugar industry is now witnessing a paradigm shift; the entire industry scenario has undergone a major change in the last few years. Of course, it all augurs well for the future. We are witnessing Government regulation and positive interventions from the government side. The MSP is kept at Rs. 3100 per quintal; monthly release mechanism has been re-introduced. On the front of sugarcane price, a very welcome development is that the State government has not announced any increase in the statutory SAP price of sugarcane. International markets seem pretty good. We have seen a late surge in the prices of raw sugar as well as white sugar in the international market. Ethanol blending program in India has gathered momentum although we will see some major capacities coming up in the coming years. Although many companies have added capacities, the capacity addition is not as per the government's expectations. Going forward we will see some more sugar sacrifice happening because of B heavy molasses route being adopted by sugar companies for making ethanol. Major thrust to this program will come once sugar companies will start using sugarcane juice directly for making ethanol. But that's some distance away. All in all, we see positive changes happening in the

industry. The structure of the industry is undergoing change. As per the estimate of ISMA country's production during SS 2019-20 should be 26 million tons, although there are some reports that the production could be a little higher than 26 million tons. More clarity will come only after a month or so.

This is all from my side. Now, I invite you all to please ask me questions. I will be happy to address them.

Thank you very much.

**OPERATOR:**

Thank you. Ladies and gentlemen, we will now begin the question and answer session. Anyone who wishes to ask a question may press '\*' and '1' on their touchtone telephone. If you wish to remove yourself from the question queue you may press '\*' and '2'. Participants are requested to use handsets while asking a question. Ladies and gentlemen we will wait for a moment while the question queue assembles.

We take the first question from the line of Rajesh Majumdar from B&K Securities. Please go ahead.

**RAJESH MAJUMDAR – B&K SECURITIES:**

Good morning, sir.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

A very good morning.

**RAJESH MAJUMDAR – B&K SECURITIES:**

I had a couple of questions. Basically if you look at your distillery operations that you are showing as EBIDTA of Rs 12.7 million, on what calculation is this based, number one. And number two is that we have been hearing a lot about this ethanol story and the sugar diversion to ethanol. But if you look at it from ground realities, barring a few companies, very few out of the 250 applications have actually gone ahead and started ethanol plants. So this big scale diversion that we are looking at- is it going to happen or when is it going to happen? Do we have a time frame, because the prices are so lucrative, there should have been private entrepreneurship in this by now, which is not really happening. And my last question is that given the fact that ethanol diversion may not be more than 1 million tons next year, if the sugar crop is going to be bumper given the late rains, is it going to be a challenge for the industry in FY21. Thank you.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Well, in so far as our distillery operation for the current quarter and for 9 months during the ongoing financial year is concerned, it has not been impressive because we have had some plant disturbance on account of ongoing expansion project. We have been successful in completing our expansion project. The commercial production started on the 23<sup>rd</sup> of December, 2019, and I must say that the plant operation thereafter has been good in spite of some initial hiccups. In January, 2020 from the 100 KLPD plant we produced around 29 lakh litres of ethanol which means more than 90,000 litres average per day. In February the plant operations are more stabilized and we have been producing ethanol at the rate of more than 100 KLPD per day.

**RAJESH MAJUMDAR – B&K SECURITIES:**

Sir, and also what is the transfer pricing of molasses that you use for this calculation?

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Well, different companies use different transfer prices. For C heavy molasses we have used a price of Rs. 300 rupees a quintal, and for B heavy, (based on corresponding output of C heavy molasses) the transfer price is Rs. 425 rupees a quintal. So we expect that in the ongoing quarter we should be seeing our full reflection of the distillery operations on our numbers. Well, your second question was about, not significant capacities have been added - yes, it is a problem in the sense that there are very few companies whose financial numbers are robust, whose balance sheet evoke confidence, and they are ones who are able to get financial support from the banking sector. There are many companies who are in no position to mobilize funds from the banks and which is the reason why more capacities have not come up. Now, government is working on some schemes, to encourage the banks to also lend money to all companies, so that this ethanol blending program gathers momentum. In the ongoing season, we expect a sacrifice of 1 million ton of sugar in favour of ethanol. But this number has to go up. We will see increased sacrifice in the coming season but - that number can only be 2 and ½ or 3 million tons maximum. With the next season going to be a bumper season, - I must also add that the window of export should be kept open by the government

**RAJESH MAJUMDAR – B&K SECURITIES:**

First of all, just an added question on the second one, in your opinion why is the private entrepreneurship not coming in ethanol production because I mean if the payback period is really as good as what it could be

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

As I explained the good companies, the companies whose balance sheets are strong, they have been able to add capacities. The problem is only with those companies which are not, who do not have the financial muscle. Larger sacrifice has to happen if sugar mills use sugarcane juice directly for making ethanol. Now there are a couple of challenges in this area. Number one, commensurate with the kind of sugarcane juice that will be diverted for making ethanol one would need large distillation capacities. Additionally the deterioration in the juice quality can be very rapid and therefore manufacture of ethanol from the juice directly can only happen during the season-. Well, we all as an industry and as a company - are in active dialogue with plant manufacturers of ethanol, to see how we could use enzymes to increase the shelf life of the sugarcane juice and also see how we can economize on the capacities etc. So that work is on.

**RAJESH MAJUMDAR – B&K SECURITIES:**

Okay, yeah, my last question was on the demand and supply scenario given the fact that the ethanol diversion is going to be only 1 million ton next year and if there is a bumper crop that to 32 million tons or so.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

No, as I explained this year's diversion is going to be 1 million tons. Next year's diversion will be much more than 1 million tons. There are conflicting reports on the next year's production. We may not see the kind of production that we saw last season (season of '18-19) when we produced about 32-33 million tons of sugar because the rainfall has been more and there are reported instances of

water logging etc. Number two, there would be sacrifice happening in favour of ethanol. Number three, the export window -will hopefully remain open for the next year as well.

**RAJESH MAJUMDAR – B&K SECURITIES:**

Sir, do you think export prices are sustainable given the fact that Brazil can easily switch back into more sugar production from ethanol and ramp up their sales as well.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Brazil sugar mills have the flexibility of switching over to ethanol to sugar & vice-versa. This year is going to be a big deficit year. This is one of the reasons why we have seen some surge in the international prices. Presently the diversion in favour of ethanol is more in Brazil. Higher crude prices will of course encourage the Brazilian sugar mill owners to divert more sugarcane juice for ethanol.

**RAKESH MAJUMDAR – B&K SECURITIES:**

Okay, thank you sir.

**OPERATOR:**

Thank you, we take the next question from the line of Sanjay Malyan from ICICI Direct, please go ahead.

**SANJAY MALYAN – ICICI DIRECT:**

Yeah, hi sir, very good morning, sir.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Good morning.

**SANJAY MALYAN – ICICI DIRECT:**

Sir, just 2 things, one is only if you have not sold ethanol this quarter, since you have sold very small quantities I guess. But then you must be having a good amount of molasses and at what price it has been, the inventory has been valued. This is my first question, sir.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Well, we don't have a very large inventory of molasses. We commenced our crushing operations sometime in the early November. So one month of stock, we would obviously have. The said stock has been valued like at the transfer price we have assumed is Rs. 300 per quintal for C heavy molasses and Rs. 425 per quintal for B heavy molasses. Now we have not kept any stock of B heavy molasses because B heavy molasses as and when produced was diverted to the distillery plant.

**SANJAY MALYAN – ICICI DIRECT:**

Okay, but, sir, do you have that number, what kind of molasses quantities you would be holding as on 31<sup>st</sup> of December.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Well, offhand I don't have the number but as we go ahead I will be able to share the same.

**SANJAY MALYAN – ICICI DIRECT:**

Sure sir. Sir what is the additional export we have asked for?

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Well, we have asked for 40,000 MTs. It is likely that the government will take a decision very soon and we hope and pray that they take a decision very soon so that we can take advantage of higher international prices. My information is that the government has to give opportunity to those sugar mills that have done no export. One reminder has gone and perhaps the 2<sup>nd</sup> reminder is on the way. It is just a matter of time, may be 8 to 10 days and they should be able to decide on the allocation of additional quantity to the mills who have offered to export more.

**SANJAY MALYAN – ICICI DIRECT:**

Right, sir. And, sir, from the power perspective I believe as you have mentioned earlier also, in earlier calls also, that your mill has been preferred to sell bagasse now, what would be the quantities of bagasse you have sold and on an amount if you can just give that number.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Well, let me split my answer into two. Number one, although the UPERC has announced a reduction in the tariff effective 1<sup>st</sup> April 2019 and our association is contesting the same. The matter is with the High Court of Lucknow and we expect it to be remanded back to the UPERC. So that's one way of how we are trying to tackle the problem. And secondly we are doing only incidental co-generation, which means we are trying to save on bagasse. The benefit on account of sale of bagasse so saved is more than the revenue generation from the sale of power at reduced price. We've been able to sell bagasse worth Rs. 5-6 crores in this quarter.

**SANJAY MALYAN – ICICI DIRECT:**

Okay.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

And in the coming quarter when the plant will be operational in full swing we will have more quantity of bagasse to be sold.

**SANJAY MALYAN – ICICI DIRECT:**

Fine, sir, thanks, sir and if you can just give the molasses numbers whenever you are ...

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Yeah, sure, I will, I will.

**SANJAY MALYAN – ICICI DIRECT:**

Thank you, thank you sir.

**OPERATOR:**

Thank you, we take the next question from the line of Vijay Sarda from Crescita Investment, please go ahead.

**VIJAY SARDA – CRESCITA INVESTMENT:**

Hi sir, good morning. Sir, just my question pertains to two things, one is in this quarter our sugar realization seems to be lower which is around 29.5 where the realization average is only 33, so how much of export we have done and export incentive when will we book and how much is that

amount. Secondly on the distillery front also, if I look at the sale for this quarter compared to corresponding quarter last year. So have we not sold or the tender is yet to come. So how much is the quantum of inventory that we are sitting on the distillery side on ethanol?

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Very good morning, sir. Well, we have sold about 25,500 metric tons of raw sugar in this quarter, so the realization on sale of raw sugar is Rs. 2100 per quintal which is why you see a lower average realization on sale of sugar. Our average realization on sale of white sugar is Rs. 3265 per quintal. We have accounted for the subsidy of sale of raw sugar but the same has been accounted as other operating income. It is not a part of the sale.

**VIJAY SARDA – CRESCITA INVESTMENT**

But that is already booked in this quarter or it is not showing.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

In this current quarter, yes. Number two, you asked about our distillery operations - the distillery operations remained disrupted during the quarter because of the ongoing expansion project since we had to synchronize a few utilities here and there. Therefore there were no significant sales of ethanol during this quarter. And we only commenced our operations on 23<sup>rd</sup> of December. But now the sales of ethanol is brisk and in the coming months whatever we produce we will be able to sell it immediately.

**VIJAY SARDA – CRESCITA INVESTMENT:**

And, sir, the third thing in terms of export, how much is the export which has been done till date and how much is the quota left over and how much quota we are seeking for and if there are also additional quota possible from the government in addition to leftover.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Yeah, we have, our original quota was 78,700 MTs approximately. We have contracted to sell the entire quantity and we have till date transported entire quantity to the port. You know, nearly 34000 metric tons has been sold by way of deemed exports, and 44,000 is contracted to be shipped outside the country. Out of 44,000 metric tons our endeavour is to see that the entire quantity is shipped out before 31<sup>st</sup> March. But my own gut is that we will have some quantity spilling over in the subsequent quarter.

**VIJAY SARDA – CRESCITA INVESTMENT:**

But the rate is the same, Rs. 2100 sir, or the rates are different?

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Around Rs. 2,100 only.

**VIJAY SARDA – CRESCITA INVESTMENT:**

Okay, 21 plus 10 rupees subsidy so 31 rupees will be the realization for us.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Absolutely. And of course, there would be transportation cost that we have incurred from unit to the port.

**VIJAY SARDA – CRESCITA INVESTMENT:**

Unit to the port, okay.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

We have asked for 40,000 metric tons of additional quota, now it will all depend on what formula the government devises. It is expected that they should take a decision in about one week to 10 days' time

**VIJAY SARDA – CRESCITA INVESTMENT:**

Additional sugar to anyone, okay.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

I am sure that there will be some relationship to the earlier quota which the government has given. So something positive, we expect to hear in 8 to 10 day's time on this front.

**VIJAY SARDA – CRESCITA INVESTMENT:**

And sir, apart from the unutilized quota, are we seeing some additional quota to be released for export looking at the price lucrativeness.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Yeah, we have asked for that. We have done the contract for the entire quantity originally allotted to us. Nothing remains unsold as of now. It is just that the execution of the transaction is pending. However, we have asked for additional quota. If we get additional quota we will manufacture raw sugar. Presently the prices are lucrative and should the Government decide fast all those who have opted for additional quota should benefit.

**VIJAY SARDA – CRESCITA INVESTMENT:**

Okay, so last thing in terms of the production, how is the production in the state of U.P. till date? Are we better off compared to last year and what percentage, in terms of recovery also, is the recovery compared to last year been lower or higher?

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Yes, U.P. we started early as compared to last year. So UP sugar production as on date is higher than what we produced last year on the same date. The recovery trends initially were very good. But the weather towards the end of December and up till the middle of January was extremely harsh with extreme cold winter conditions. So the recoveries suffered a little dent. Now that the sunshine is back, recoveries are getting better. Now on the recoveries, one cannot have a very clear idea, because a lot of sugar mills are doing diversion of B heavy molasses. Loss in recovery on account of diversion of B heavy molasses ranges from mill to mill. For some it could 1.4%, for some it could be 1.7%. But on an average one could consider to be about 1.5%. Now coming back to the question of how much the total production of UP is going to be, it could be anything between 11.5 to 12 million tons.

**OPERATOR:**

Thank you. The next question is from the line of Vipul Sanghvi from Systematix Shares. Please go ahead.

**VIPUL SANGHVI – SYSTEMATIX SHARES:**

Good morning, Bankaji, thanks for taking my question.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Good morning, sir how are you.

**VIPUL SANGHVI – SYSTEMATIX SHARES:**

Very well, sir.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Tell me, sir.

**VIPUL SANGHVI – SYSTEMATIX SHARES:**

So one question, sir, this total export, you know, target has been about 5 million tons from the country.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

6 million tons.

**VIPUL SANGHVI – SYSTEMATIX SHARES:**

6 million tons, so you think, sir, by end of the season, we will be able to cross say 5 million ton mark.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Sure, sir, I am pretty confident we will be able to do that.

**VIPUL SANGHVI – SYSTEMATIX SHARES:**

And the global prices supportive you think with the increase in quota that the industry is asking for, with that increase in quota the 5 million number will be exceeded or we will just about reach 5 million.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

I think it should get exceeded because the response has been very enthusiastic. In very quick time contracts for export of 3 million tons have already happened which was when the international prices were not so good. Government is keen that the entire quantity of 6 million tons is shipped out which is why they have collected data on mills who have not been able to contract any quantity and they have also sought of expression of interest from mills who want to do more export. So given the international price scenario and given government's inclination to ensure everything is shipped out I am sure export quantity will definitely surpass 5 million tons.

**VIPUL SANGHVI – SYSTEMATIX SHARES:**

That's good news, and, sir, at the current levels of 15 cents per pound of raw sugar our realization will be what, including subsidy about Rs. 33 to 33.5?

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**



Rs. 32 to 33, 33, yes.

**VIPUL SANGHVI – SYSTEMATIX SHARES:**

Okay, and this subsidy amount is irrespective of the global prices, that continues at 10.5.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Absolutely, it is irrespective of the global price

**VIPUL SANGHVI – SYSTEMATIX SHARES:**

And, sir, any thoughts on global deficit, we keep reading about various reports that this year could be about...

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

8 to 10 million tons is what the numbers are but more clarity will come only when India's numbers are finalized. We are going to witness some reduced production from Thailand as well. While more clarity will emerge in the days to come 8 to 10 million tons seems like the deficit number.

**VIPUL SANGHVI – SYSTEMATIX SHARES:**

Okay, and at that level I think 15 cents thereabout the prices can sustain for some time, right.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Yes, but one must also appreciate the fact that globally also there is enough stock. In India we are carrying huge stocks. However it seems like most of the global stock is carried by India itself which was 14 million tons at the beginning of the season.

**VIPUL SANGHVI – SYSTEMATIX SHARES:**

And sir, what is your thought on the global stock number?

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Well, I wouldn't have the number exactly, but there has been surplus production in the earlier years, so I am sure there must be stock in the system. Considering the fact that India itself had about 14.5 million tons of stock in the beginning of the season, I am sure most if it is in India only.

**VIPUL SANGHVI – SYSTEMATIX SHARES:**

Great, sir, thanks and all the best, sir.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Thank you, sir.

**OPERATOR**

The next question is from the line of Chirag Shah from Dalal & Broacha, please go ahead.

**CHIRAG SHAH – DALAL & BROACHA:**

Hi, sir, this is Chirag Shah, okay. My question is more on the export side, there have been media articles stating that millers from Maharashtra are not exporting despite the prices being so

remunerative, even if I just do the basic math the export FOB price lands up somewhere around Rs. 33 to 34 rupees a kilo versus Rs. 32 to 33 which is prevailing in the domestic market. So what is stopping the millers in Maharashtra from exporting?

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

In Maharashtra the problem is that the mills are not able to produce sugar because of the drought. There are many mills that have not been able to start crushing operations. There are some who have had a very truncated crushing season. Since they have not been able to crush & produce sugar, they are in no position to export sugar

**CHIRAG SHAH – DALAL & BROACHA:**

Okay, also there is a fear that in anticipation of lower production this season probably once this season closes then in March and April there might be some shoot up in domestic prices and probably they can derive better yields / results out here by selling and not exporting.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

This is a matter of conjecture. Actually there cannot be runaway increase in the price of domestic sugar because the stock levels are comfortable. We commenced the season with the stock of 14.5 million tons, our production will be 26 or 26.5 million tons and with similar consumption number & export of 5 to 6 million tons, we will still have 9 to 9.5 million tonnes of sugar stock at end of the season. And this is not a small quantity so I don't think there is any great scope for runaway increase in the sugar prices in the domestic market. Government is making us carry the buffer stock which can be unwound if the prices surge higher

**CHIRAG SHAH – DALAL & BROACHA:**

Okay, and sir, one question on ethanol side mostly on the sugarcane juice based ethanol there are some mills in UP which are doing some trial runs for manufacturing sugarcane juice based ethanol just to see how the results are. So what would trigger mills to convert their capacity or to convert the product mix in favour of sugarcane juice, is it just the prices or the yields or the government policy out here?

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

I have interacted with a few who are doing ethanol directly from sugarcane juice although this has not been attempted by us so far. Their experience has been good. But for doing we will need very large distillation capacities. So very large capital expenditure will be required for foraying into use of the juice for making ethanol. There are 2 challenges here. Number one, company should be willing to get committed into making such huge capital expenditure for setting up large distillery capacity. And number two, there has to be assurance from the government on the ethanol pricing policies over the times to come. Presently the ethanol prices are good but what we have been requesting the Government is to spell out a long term ethanol pricing policy. We don't expect the government to announce the ethanol prices for the next 4—5 years but then, we want a policy statement to be made that. The prices can be linked to the price of crude. So appropriate representations have been made to the government.

**CHIRAG SHAH – DALAL & BROACHA**

Okay, but, sir, if I look at the government target of 10% blending and given the kind of capacities that we need from the ethanol side to achieve that target, we are still nowhere near that particular target.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Absolutely

**CHIRAG SHAH – DALAL & BROACHA:**

How are we going to achieve this target from a government perspective, they have to come out with some policy may be now or may be a year down the line.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Absolutely. You are right, third issue is on the technical front. We will have to find ways and means of utilising the juice, increasing its shelf life and making it more and more technically viable because as of now sugarcane juice can be used only during the season as the possibility of storing sugarcane juice isn't there. I am sure government will also come out with some initiatives to ensure that there is more and more diversion

**CHIRAG SHAH – DALAL & BROACHA:**

Sir, my final question is, what is the maximum of B heavy proportion that we can do in our distillery.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

We have 3 units then in the next crushing season we will target to do 50% of our ethanol production from B heavy and 50% from C heavy.

**CHIRAG SHAH – DALAL & BROACHA:**

Okay, because in earlier calls you had been mentioned that max that you can go is to 20 to 30%.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Yeah.

**CHIRAG SHAH – DALAL & BROACHA:**

On the B heavy side.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

There is a requirement to give about 18% of molasses that we produce for country liquor purposes. After having set aside that, we can easily do 50/50 ratio for B heavy and for C heavy molasses. We can increase B heavy ratio and I don't see any constraint in doing so.

**CHIRAG SHAH – DALAL & BROACHA:**

And, sir, any plans of getting into country liquor business because most of our competitors have done that in the last one year.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Number one, our first logical foray would be for setting up an ENA plant. We don't have an ENA plant as of now. ENA plant because, the value addition there would be substantial. Number 2, of course one can always get into bottling the country liquor. So in vase of bottle country liquor, there

the space is little competitive. We will have to work out the economics but definitely we will be getting into making ENA.

**CHIRAG SHAH – DALAL & BROACHA:**

My final question is even this year and next year you will generate decent amount of cash flows. So any thought process of the promoter or management in sharing this cash flow in terms of higher dividends or pay outs, given dividends will be taxed now in the hands of promoters. So can we resort to buybacks and.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

We will see that as we go ahead. As of now we have declared 100% interim dividend. I am sure, as we go ahead if there is cash in the system we will definitely use it for buy back or for dividend pay-out.

**CHIRAG SHAH – DALAL & BROACHA:**

No, because last year even in case of non-generation of cash flows, we had given a 1-rupee dividend and this year we are very better placed than last year. So probably in that case, logically, the pay-out should increase so that is where I was coming from.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

We will have more clarity as the quarter comes to a close. What is important is the number of bags that will get sold in the quarter is important as all the sugar that will get sold is old sugar (sugar manufactured during the season '18-19). We will have to assess the situation what kind of cash flow is available to us and what kind of profits we have only then we will be able to take a call on that.

**CHIRAG SHAH – DALAL & BROACHA:**

Okay, thanks a lot and all the best for the future.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Thank you very much.

**OPERATOR:**

Thank you, we take the next question from the line of S.N. Rajan, Individual Investor; please go ahead.

**S.N. RAJAN – INDIVIDUAL INVESTOR**

Yeah, good morning.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Very good morning sir, how are you?

**S.N. RAJAN – INDIVIDUAL INVESTOR**

Yeah good, sir, thank you. 2-3 quick questions, one is in the matter of power which the association has basically challenged, so what is the basis for the challenge, basically like was there PPA which was supposed to be continued for a particular period on which the government has gone back or whatever it is, number one. Number two is, I think you have already answered in a previous question. Your accounting for the exports subsidy is basically like if you have exported today at Rs.

21 rupees and you have also accounted for the 10 rupees in this quarter itself, if I understand it, right?

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Correct sir.

**S.N. RAJAN – INDIVIDUAL INVESTOR:**

And number three again, quick question was since your earlier export was at lower levels let's say the raw sugar was at Rs. 21.5 and if you are going to be getting about 10.48 or 10.5 from the government so that is the realisation of 31, current sugar export prices being in the vicinity of 30, you may correct me if am wrong; does it mean that you will end up with 40 rupee realisation because it's not a difference between your domestic realisation, it's an exact amount of 10 rupees 50 paise or something which the government has done, so if you're today at 30 does it mean that you will get 30 plus 10.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Sir, firstly let me correct you, the export realisation today is not Rs 30. We are seeing an international price of 15 cents plus. At the current international price level the realisation including the subsidy could be Rs. 33 to 34 rupees. So it will not be 30 plus 10 it will be 23/24 plus 10, so that's number one. Number two, well, we have challenged the reduction in the power tariff in the High court. The tariff is due for revision every 5 years and it was due for revision on the 1<sup>st</sup> of April 2019. It has been challenged because UPERC has unilaterally decided to reduce the bagasse cost from Rs. 2000 PMT earlier to Rs. 1000 PMT now. They have gone on the concept of equating the calorific value of coal with that of bagasse which is fair enough. But what they have done is that they have considered the pit head cost of the coal whereas in determination of tariff it has to be the landed cost of coal. The hypothesis is flawed as the bagasse cost which was earlier considered at Rs. 2000 PMT cannot be reduced to Rs. 1000 PMT. This is the main ground on which the reduction in tariff has been challenged. So the matter is posted on the 17<sup>th</sup> and we do expect to hear something on the 17<sup>th</sup> of this month.

**S.N. RAJAN – INDIVIDUAL INVESTOR:**

Okay, probably it's got to do something to do with these spot prices of power also which is below 3 rupees that could also be a factor.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Power corporations are entitled to, of course, run their operations profitably

**S.N. RAJAN – INDIVIDUAL INVESTOR:**

Yeah, yeah, sir I wanted to know, yeah I am okay with what you said about the power and the export part that you are talking about we have got Rs. 21 or something which you exported 3 months down the line, the best prices certainly which we can ...

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

The best prices at that time, was around 12.5 to 13 cents per pound.

**S.N. RAJAN – INDIVIDUAL INVESTOR:**

Yeah but 12.5 to 15, it cannot be from Rs. 21.5 to 24 right, it should be 25.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

The calculation is simple. Whatever is the international prices a polarisation premium of 4.2% is added and the number is then multiplied by the factor of 22.046 that is to convert price in cents per pound to price in USD PMT. It is then multiplied by the USD / INR Price. I am sure it cannot be more than Rs. 34 or Rs. 35

**S.N. RAJAN – INDIVIDUAL INVESTOR:**

I don't know whether I am taking a wrong figure if I look at yesterday's prices London of around 20 dollars a pound you know for white sugar, so that comes to almost 31 rupees or so then.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

In exporting white sugar there are problems as the international market demands white sugar with ICUMSA less than 45 and not many mills in India make sugar of less than 45 ICUMSA.

**S.N. RAJAN – INDIVIDUAL INVESTOR:**

Yeah, yeah, sorry, sir, should I take a 20% discount or something I mean for a rough rule for raw sugar compared to the London white sugar.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

No, sir, these two things are altogether different. White sugar is sold and the price is around USD 440 per metric ton. Number 1, what they want is a raw sugar of ICUMSA less than 45 whereas we all are used to making sugar of ICUMSA of around 100. Number two, most of our plants are designed to make M grade sugar which is the medium grain sugar whereas the demand is for S grade sugar

**S.N. RAJAN – INDIVIDUAL INVESTOR:**

Okay fine.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Whereas internationally the demand is for very fine sugar, that is smaller grain sugar. So, not many mills in India can take advantage of the higher white sugar price internationally.

**S.N. RAJAN – INDIVIDUAL INVESTOR:**

Yeah, what discount factor should I apply to this rate if I have to do a rough calculation for our quality of sugar vis-à-vis international.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

For our quality of white sugar there is not much of markets internationally .

**S.N. RAJAN – INDIVIDUAL INVESTOR:**

Okay. Thanks.

**OPERATOR:**

Thank you. Next question is from the line of Utkar Somaiya, individual investor, please go ahead

**UTKAR SOMAIYA – INDIVIDUAL INVESTOR:**

Sir, thank you for the opportunity.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Very good morning, sir. How are you?

**UTKAR SOMAIYA – INDIVIDUAL INVESTOR:**

Good morning, sir, I am good, how are you?

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Very well, sir, thank you very much.

**UTKAR SOMAIYA – INDIVIDUAL INVESTOR:**

Just wanted to ask you is this, our margins are lower because of higher sale of raw sugar or is there any other reason.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Sorry.

**UTKAR SOMAIYA – INDIVIDUAL INVESTOR:**

Your sugar margins are low this quarter only due to higher sale of raw sugar or is there any other reason.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Yeah, it's because of the higher raw sugar sale plus if you have seen our EBITDA of power sector is better than that of sugar sector because we did some recalibration and rationalisation of our transfer pricing so as to make it more logical which is the reason why the margin from sugar segment appears lower.

**UTKAR SOMAIYA – INDIVIDUAL INVESTOR:**

And will this persist going forward.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

No, it should get better. We have done this correction for the entire nine months period and everything got reflected in this quarter.

**UTKAR SOMAIYA – INDIVIDUAL INVESTOR:**

Okay, fine, so we have normalized going forward.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Yeah, yeah.

**UTKAR SOMAIYA – INDIVIDUAL INVESTOR:**

And, sir, also for your ethanol distillery margins is that also only due to the expansion of your plant that led to disruption in production.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Absolutely, sir, absolutely.

**UTKAR SOMAIYA – INDIVIDUAL INVESTOR:**

Sir, because, I am asking you because the other sugar companies have seen similar drop in margins.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Let me correct myself. Last year the distillery margins appeared very impressive because the transfer prices of molasses to distillery was virtually nothing. Now we have to take a realistic market price of molasses for transfer pricing which is why the margins appear lower.

**UTKAR SOMAIYA – INDIVIDUAL INVESTOR:**

Okay, and what is the view going forward

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Having said that I must add that transfer prices are all internal so if the distillery segment has shown a lower profit it should get reflected in the higher profit of the sugar division & vice-versa

**UTKAR SOMAIYA – INDIVIDUAL INVESTOR:**

Okay, understood and, sir, you may not have expected this question, can you once clear the concept of transfer pricing I mean there is a certain doubt in my head and can you just explain to me how transfer pricing works and how it affects your margin and how that changes from quarter to quarter.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Bagasse is the feed stock for the co-generation (power), whereas molasses is the feed stock for the distillery segment. So in case of molasses last year when sugar production numbers were high and therefore molasses availability was substantial, molasses was sold virtually free. In fact, we had to give transport rebate etc. also to the buyers of molasses. In other words there was absolutely no cost on transfer of molasses and therefore most of the mills would have taken a very low transfer price of molasses. Now since the production is lower because mills have increased their distillation capacity the molasses in the open market is sold at a higher price. One has to therefore take cognisance of this factor and accordingly, do the adjustment in the transfer price so as to make it more realistic.

**UTKAR SOMAIYA – INDIVIDUAL INVESTOR:**

Okay, so we not only use molasses for ethanol but we also sell molasses separately in the open market. Is that correct?

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

We will sell only limited molasses as much as we are under obligation by the state government to sell 18% of our molasses produced on a presumptive molasses production of 4.65% of the cane quantity crushed. So we have to give this quantity for country liquor manufacturing and this is the only molasses that we will sell. Rest of it is captively consumed.

**UTKAR SOMAIYA – INDIVIDUAL INVESTOR:**

Okay, and all your molasses comes from within like from ..

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Within, we are not buying any molasses from outside.



**UTKAR SOMAIYA – INDIVIDUAL INVESTOR:**

Okay, we are not, okay, fine. And, sir, just another question was, the recent government rule of allowing use of B heavy molasses for ethanol, so how does that affect the prospects and what is the difference between the production of ethanol from juice B heavy and C heavy like so how does the production affect?

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

C heavy molasses is the conventional molasses. In case of C heavy molasses we extract sugar until the last mile and in case of B heavy is that we don't go until the last mile. Sugar content (fermentable sugar content) in B heavy molasses is more than the fermentable sugar content in C heavy molasses. In addition the quantity of B heavy molasses will be more. Coupled with the fact that sugar content in B heavy molasses is higher, our ethanol yield will be better. For example, from C heavy molasses we get about 22 litres from 1 quintal of molasses, whereas in B heavy molasses we get 30 litres from 1 quintal of molasses. That's the difference. And in case of sugarcane juice, well, yields are substantially better for making ethanol.

**UTKAR SOMAIYA – INDIVIDUAL INVESTOR:**

Okay, and it is the best from juice

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Okay, from B heavy molasses, there is sacrifice on sugar production because we have not extracted the last mile sugar. In such case the recovery what we earn out of sale of ethanol and what we have sacrificed sugar, it equates to Rs. 33 of sugar sales value.

**UTKAR SOMAIYA – INDIVIDUAL INVESTOR:**

Right, and like to like realization from B heavy molasses is I guess 40 something, right, 44.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

I told about B heavy. It is only in case of use of B heavy molasses that a comparison is made with the sugar price that we would have otherwise earned. What we earn out of that extra ethanol is equal to what we would have earned from sale of sugar (Rs. 32 or so)

**UTKAR SOMAIYA – INDIVIDUAL INVESTOR:**

Okay, alright, understood, thank you so much.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

My pleasure, sir.

**OPERATOR:**

Thank you, the next question is from the line of Aniket Desai, individual investor, please go ahead.

**ANIKET DESAI – INDIVIDUAL INVESTOR:**

Good afternoon, sir.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Very good afternoon, sir.

**ANIKET DESAI – INDIVIDUAL INVESTOR:**

I just want to ask you related to the income from officials from the sugar, so most of your competitors like Balrampur Chini and Dhampur Sugars are able to make a profit on the sugar segment and due to the transfer pricing of molasses as well as bagasses also, they are making a little earning in co-generation, so just want to ask you that I am very curious to understand that why is sugar segment not making ethanol?

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Yeah, I explained a little while ago because we did re-calibration & rationalization of our transfer price which has been done for both transfer of bagasse as well as molasses and this is effective from the beginning of the year. You therefore can see its impact in the current quarter.

**ANIKET DESAI – INDIVIDUAL INVESTOR:**

Okay, sir, thank you.

**OPERATOR:**

Thank you, a reminder to the participants if you have a question please press \* and 1 on your touch tone telephone. The next question is from the line of Mitul Jain from Street Standing Investment, please go ahead.

**MITUL JAIN – STREET STANDING INVESTMENT:**

Good morning, sir.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Very good morning, sir, how are you?

**MITUL JAIN – STREET STANDING INVESTMENT:**

Very good, I wish you the same, I hope you are good.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Yeah, yeah.

**MITUL JAIN – STREET STANDING INVESTMENT:**

Okay, sir, the dividend is good, on that front I think company is showing lots of confidence that coming forward there will be lots of companies in the position to do something. So my question is that are we looking to expand again in ethanol because the year 2021 production it is again looking to be higher than the year 2020.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Sir, as far as distillery expansion is concerned, we have added 100 KLPD plant and we already had a 30 KLPD plant. Once we are able to get some approvals from the authorities we will be operating our distillery at expanded capacity in the times to come. Beyond this I don't think there is much of scope in expanding the distillery capacity because we would definitely not like to be in a situation we have to buy molasses from outside. I must add that we as a company and the industry does suffer on account of giving molasses for country liquor manufacturing at a reduced price. Sugar mills do have an option that instead of molasses they can give ENA for country liquor manufacturing. We are going

to definitely put up an ENA plant. Our obligation of giving molasses for country liquor manufacturing will thus be fulfilled by giving them ENA. So the value addition when we sell ENA to them is more than what it would be if we were to give them molasses only. The other route is to increase the distillery expansion if only we plan to use sugarcane juice for ethanol making. Now that calls for huge distillation capacity. We will be watching this space and then we will take appropriate call in the future.

**MITUL JAIN – STREET STANDING INVESTMENT:**

Okay, sir, what is our long term obligation right now, I believe it is 230 CR?

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Yes, we have Rs. 230 Crore of term loan obligation. One loan is a soft loan which was given under SEFASU 2018 by the state government which is at 5% rate of interest, In respect of this loan repayment has commenced from first week of July 2019. Second loan is the loan taken for distillery that we have taken for recently for expanding our capacity by 100 KLPD. Here again on a particular amount we will be getting interest subvention from the government, so both our long term loans in a sense are subsidized loans. Rest of our loans are working capital loans which are commensurate with the stock that we are carrying.

**MITUL JAIN – STREET STANDING INVESTMENT:**

And this includes commercial paper that

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Yeah, we have recently not issued any commercial paper.

**MITUL JAIN – STREET STANDING INVESTMENT**

Okay, sir, on the stock, 20 lakh quintals.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

19 lakhs quintals, will tell you the exact figure.

**MITUL JAIN – STREET STANDING INVESTMENT**

Okay, then how are you looking to finish it off because the next year again it is looking little dangerous if you see the situation because we are again going back to 30 million tons.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Yeah, we have 19.91 quintals of sugar stock as on the 31<sup>st</sup> December, 2019. Since the country's production is lesser in the ongoing season the weightage of sugar stock of UP sugar mills vis-à-vis the country's sugar stock is higher so we should be getting accelerated releases in the coming months. Secondly we will be exporting all our obligated quantity and thus liquidating our stock. Thirdly we have asked for additional exports. These are the ways in which we can keep our stock quantity under control.

**MITUL JAIN**

Okay, sir, and I think I see that and you think that for the next we will be left with similar kind of inventory that we had this year season to start with or it will be more reduced. [

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

We hope to keep it at the same level or lesser

**MITUL JAIN:**

And there are a lot of things that is happening that you can do ethanol with the wastage and all do you think that going forward that this possibility of doing all these thing [

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

We will stick to our core competence. We will do ethanol only from C Heavy molasses and B heavy molasses and natural progression can be making ethanol out of sugarcane juice. We are not looking at making ethanol out of anything else.

**MITUL JAIN**

Okay, sir thank you.

**Operator:**

So ladies and gentlemen that was the last question and I would like to hand over the conference to the management for closing comments.

**VIJAY S. BANKA – MANAGING DIRECTOR, DWARIKESH SUGAR INDUSTRIES LIMITED:**

Thank you all for your confidence reposed in us and continuing to support us. We will continue our efforts to be more and more efficient. We set a higher bar for ourselves year after year. We strive to achieve better recoveries, better operating efficiencies and we will continue to do that. We are happy that our ethanol project has gone on stream and we should be able to see improved performance from the distillery segment in the times to come. In case of power as I explained earlier the matter is being contested in the courts, we can only wait and watch. Going forward we will try and optimize our use of B heavy molasses and ensure that our returns are maximized. We will keep you updated on all important developments. Thank you very much.

**(End of Transcript)**