

## **Dwarikesh Sugar Q3FY19 Earnings Conference Call**

**Date – 06/02/2019**

- **Moderator**

- Ladies and gentlemen, good day and welcome to Dwarikesh Sugar Industries Limited Q3 FY19 Earnings Conference call hosted by Prabhudas Lilladher Private Limited. Before we begin, I would like to mention that certain statements in these calls could be forward-looking in nature and subject to risks and uncertainties; this could cause actual results to differ materially from those anticipated. Such statements are based on management's belief as well as assumptions made by the information currently available to the management. As a reminder all participant lines would be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call please signal an operator by pressing star and 0 on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Prashant Biyani from Prabhudas Lilladher Private Limited. Thank you, and over to you, sir.

- **Mr. Prashant Biyani - Prahudas Lilladher Private Limited**

- Hi, everyone, on behalf of Prabhudas Lilladher I welcome you all to the Q3 FY'19 results earnings call of Dwarikesh Sugar. From the management side we have Mr. Vijay Banka, the Managing Director. I would like to thank the management for taking the time out for today's call. I would request Mr. Banka to discuss about the company's results and key industry highlights for Q3, and then we can start with Q&A. Thank you, and over to you, Vijay sir.

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

- A very good afternoon and a very warm welcome to you all at the Q3 FY'19 earnings call conference. The results are already before you. During this quarter we have earned a PAT of Rs. 23.93 crores vis-à-vis Rs. 21.30 crores in the corresponding quarter last year. In that sense it has been a decent quarter. On nine months basis though, our PAT is at Rs. 62.76 crores vis-à-vis Rs. 110.66 crores. The first two quarters of the last year were extraordinarily good. The sugar prices then were prevailing around 3500 to 3600 per quintal which has not been the case in these nine months. During the quarter, we sold about 6.73 lakhs quintals of sugar, and the average realization is about Rs. 3112 per quintal. We are under release mechanism being operated by the central government.

So we can sell only as much quantity as is determined by the central government. The average realization of Rs. 3112 per quintal during this quarter pales in comparison to the average realization that we got in the corresponding quarter last year. On 9 months basis we have sold about 26.6 lakhs quintals of sugar vis-à-vis 27.91 lakh quintals during the corresponding period last year. Much though we would like to have sold more sugar but as I mentioned, we are under release mechanism. The objective of release mechanism is very rational as the Central government wants to maintain sugar prices. They have also determined the minimum selling price of Rs. 2900 per quintal.

- I am very happy to inform you that we have become a long term debt free company. We have, on the 31<sup>st</sup> of December had a small long term debt component of 1.70 crores which was an interest free loan under SEFASU 2014. The same has been cleared subsequently. We have, of course, availed a loan of 134.48 crores which is given by the state government of UP, and it is at a subsidized rate of ROI of 5%. Another welcome development during this quarter is that we have placed order for 100 KLPD distillery which will become operational sometime in November 2019. So going forward in Q4 of 2019, and thereafter, we should get the benefit of expanded capacity of distillery.

- Thank you very much. I now request you to please ask me any questions that you would have.

- **Moderator**

- Thank you. Ladies and gentlemen, we will now begin with the question and answer session. Anyone who wishes to ask a question may press \* and 1 on the touch tone 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. Participants if you wish to ask a question you may please press \* and 1.

- The first question is from the line of Rajvardhan Santhalia from Abacus Asset Managers, please go ahead.

- **Mr. Rajvardhan Santhalia – Abacus Asset Managers**

- Good afternoon, sir, congratulations.

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

- Very good afternoon.

- **Mr. Rajvardhan Santhalia – Abacus Asset Managers**

- Congratulations on a good set of results.
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Thank you.
- **Mr. Rajvardhan Santhalia – Abacus Asset Managers**
- One broad question specific to your company but more towards the industry: The way the government has allowed ethanol to be now made from B heavy molasses and directly from sugarcane juice, we can almost not view sugar as a commodity anymore, because the whole cyclicity of sugar is erased by this decision, correct. Especially there is a demand-supply shortage of ethanol in India, and the government even wouldn't mind increasing the blending like from 7% to maybe even 10% to 20% in the future. So, do you think that this ethanol play can be a game changer for the sugar industry, or it is just temporary reform that we are looking forward to, to solve because of the arrears that are continuously building up
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Ethanol blending program is a long term program which is aimed at eliminating the cyclicity of the industry. In this season of 2018-19, apart from the ethanol which will be made from C-heavy molasses, we expect about 5 lakh tons of or 0.5 million tons ethanol being made out of B heavy molasses. In the coming year ethanol made from B heavy molasses will definitely see an appreciable increase. It will be too premature to tell what quantity it could be; but let's say for example if 0.5 million tons becomes 2 million tons, which means we are cutting down or sacrificing on the production of sugar by about 2 million tons. We are now seeing companies ramping up their distillery capacities, so this program is going to stay. We definitely see that barring the weather conditions which impact the Maharashtra sugarcane production which is from where the big swings come, we will have assured sugar production. UP will also see a steady production of sugar
- **Mr. Rajvardhan Santhalia – Abacus Asset Managers**
- When do we actually produce ethanol because we store molasses from I think it is March, April to somewhat like October, right?
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Yeah, molasses can be stored and it can be used for making ethanol. During the off season, the distillery plant will keep running.

- **Mr. Rajvardhan Santhalia – Abacus Asset Managers**
- But will not the sugar recovery go down?
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Yeah, the recoveries of course will come down, for example in case of B heavy molasses the recovery of sugar will come down by 1.3% to 1.5%
- **Mr. Rajvardhan Santhalia – Abacus Asset Managers**
- Yeah, I know that, I am saying that when you store molasses, doesn't the quality of ethanol deteriorate with time.
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- No, molasses will suffer little deterioration in the quality but not the ethanol. For example the yield of ethanol from molasses would come down marginally but not very significantly
- **Mr. Rajvardhan Santhalia – Abacus Asset Managers**
- Okay, going ahead do you think that this policy will, have you figured out - because when we speak to most companies, I don't know most companies are figuring out the economics of B grade directly from ethanol juice or C grade which is more viable - have you managed to figure out which could be the most profitable, of course, it depends on sugar prices as well, but assuming the prices stay around the 29 to 30 rupees per kg.
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Prima facie C heavy molasses makes enormous sense because at the given prices of molasses, ethanol made out of C heavy molasses is a sure winner. But having said that must say that from B heavy molasses also the margins are decent, maybe not as attractive as is the case with C heavy molasses made ethanol, but definitely attractive enough.
- **Mr. Rajvardhan Santhalia – Abacus Asset Managers**
- Depending on the sugar cycle, yeah.
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Yeah, at Rs. 2900 or 3000 per quintal making ethanol from B heavy molasses would also make lot of sense.

- **Mr. Rajvardhan Santhalia – Abacus Asset Managers**

- Alright, sir, thank you, that's all from me, if I have any more questions I will get back in the queue.

- **Moderator**

- Thank you. A reminder to the participants anyone wishing to ask a question may please press star and 1. The next question is from the line of Varshil Shah from Mind Securities. Please go ahead.

- **Mr. Varshil Shah – Mind Securities**

- Hi, sir. I would like to ask you a question relating to power. Your realizations revenue for your unit is like 04 rupees I suppose, and the spot price going now is 2 or 3. So how is your PPA agreement structure actually I would like to know that.

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

- PPA agreements are for long term basis, normally done for about 20 years or so. In our case the residual / balance PPA period is substantial in case of all our three plants. In power pricing there is a tariff committee which meets once in five years. And they decide the power price that we will be paid. In the Tariff Committee there are minimal adjustments which are done on account of cost increase / decrease etc. So far, they have not taken into consideration the price at which they procure power from other sources. You see the power that we generate is different power because it is eco-friendly power. The power corporation - they also earn REC out of the power purchased from us. Besides that it is also a well-known fact that sugar companies cannot run without generating and selling power to the state grid.

- **Mr. Varshil Shah – Mind Securities**

- So your agreements are not getting over any time soon.

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

- No, our agreements are not getting over any time soon. They are there for few more years, certainly.

- **Mr. Varshil Shah – Mind Securities**

- Alright, thank you, sir.

- **Moderator**

- Thank you, a reminder to the participants anyone wishing to ask a question may please press \* and 1. The next question is from the line of Ashish Ahuja an individual investor, please go ahead.

- **Mr. Ashish Ahuja – Individual Investor**

- Sir, my question is that currently your distillery capacity is 30 KLPD, right.

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

- Correct.

- **Mr. Ashish Ahuja – Individual Investor**

- So how many days in a year does it run?

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

- See, our present capacity of distillery is based on the effluent treatment which runs on bio composting method. So, we cannot run the distillery plant for more than 270 days because in the monsoon months the distillery plant has to be closed. So the current capacity of 30 KLPD is operational for 270 to 280 days. But the new plant that we are going to set up will be based on treating the effluent by incinerating the generated effluent. Such plants are known to be working for more than 310-315 days a year.

- **Mr. Ashish Ahuja – Individual Investor**

- So that will take your total capacity to how much, sir, in terms of annual crore litres, so 3.15 plus 0.8, sir, around?

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

- Yeah, we should be bidding for sale of 3.5 crores to 4 crores litres of ethanol

- **Mr. Ashish Ahuja – Individual Investor**

- So around 4 crores litres, can I take that as your total capacity, sir?

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

- Yeah, we can. To be on the safer side I would suggest that we can take our expanded capacity at about 3.75 crores litres of ethanol per year
- **Mr. Ashish Ahuja – Individual Investor**
- Okay. Sir, what is the proposed capex for the 100 KLP, sir, sorry, I might have missed that number.
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Rs. 145 crores
- **Mr. Ashish Ahuja – Individual Investor**
- Okay and sir...
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- We have been sanctioned loan for the same which again will be at subsidized rate of interest.
- **Mr. Ashish Ahuja – Individual investor**
- Okay. And, sir is this higher because you are putting the boilers.
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Yeah, we are putting the boiler and we are going to follow the latest and the nearly perfect technology for treatment of effluent. The distillery plants are very standard and normal and there is not much of technical advancement that one can do in the distillery plants. The crucial plants are the boilers and also the condensate water treatment plant.
- **Mr. Ashish Ahuja – Individual Investor**
- Right, and sir, who is the vendor for the plants that you have finalized, sir?
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- We have placed orders with ISGEC for distillery and boiler plants.
- **Mr. Ashish Ahuja – Individual investor**
- Sir, I didn't get that, sir, sorry.

- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- ISGEC, they are a leading name in North India, their technology is proven and their plants are known to be working well in case of other sugar units & distilleries
- **Mr. Ashish Ahuja – Individual investor**
- Okay, got it, sir, are we doing any capex in power, sir, for the cogen?
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- No, we are not doing any capex in power but incidental to the distillery, we will be generating and evacuating small amount of additional power. We will not only be generating power for our captive needs of the distillery but we will also be evacuating about 1.5 megawatts of power to the state grid.
- **Mr. Ashish Ahuja – Individual investor**
- Okay. So that is relatively small right, compared to your existing cogent.
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Absolutely
- **Mr. Ashish Ahuja – Individual investor**
- Okay. And, sir, you are going to go towards the C heavy route only, considering the current outlook, the C heavy molasses route you will be going, right.
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- The immediate plan is to completely use our C heavy molasses that we shall generate. From the captive generation we should be able to run our distillery to its full capacity. And if and when there is any scope for increasing distillery production then there are two options available, one is to outsource the molasses or number two consider some minimum capex to see that the distillery plant is equipped to use B heavy molasses also. But then we will have to invest amounts on storage, pipeline etc. Such capex requirement will be minimum and plant adjustments also minimum.
- **Mr. Ashish Ahuja – Individual investor**
- Okay. Sir, right now you will be completely in captive, so you are not buying any molasses from outside, right?



- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- That is as of now the plan.
- **Mr. Ashish Ahuja – Individual investor**
- Okay. And had you to go to B heavy so what would be the additional capex, incremental capex over the 1.5 crores.
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- See the distillery plant is designed to use the B heavy molasses also. But we will need to invest on some additional pipeline etc., from the sugar mills to the distillery for transfer of B heavy molasses.
- **Mr. Ashish Ahuja – Individual investor**
- So under 5 crores, which is 1-2 crores....
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- It could be 10 crores, 10 crores or so.
- **Mr. Ashish Ahuja – Individual investor**
- Okay. That's it from my side, thank you so much, sir.
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Storage tanks that will be required because B heavy molasses and ethanol made from the same needs to be stored separately.
- **Mr. Ashish Ahuja – Individual investor**
- Okay, sir got it, thank you sir, and all the best.
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Thank you.
- **Moderator**
- Thank you. A reminder to the participants that anyone wishing to ask a question may please star and 1. Participants if you wish to ask a question you may please star and

1. The next question is from the line Sidharth Mota from Principle Mutual Funds. Please go ahead.

- **Mr. Sidharth Mota – Principle Mutual Funds**

- Good afternoon.

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

- Very good afternoon, sir.

- **Mr. Sidharth Mota – Principle Mutual Funds**

- Sir, this if you can just highlight your recovery data that is.

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

- Yeah, our combined group recovery for the season 2017-18 was at 11.88%. This season the recovery trends are encouraging. As on today, our cumulative recovery is already more than what we had clocked in the last full season. It is at 11.98%. As you know as we go forward the recoveries tend to increase. In a matter of 10 days or so the severity of the winter should get reduced and that is when we will see some more improvement in the recovery. The plant cane will also come and matured plant cane will also come and we shall see some enhancement in the recovery. So the recovery trends are very encouraging. Although if you are trying to ask me what kind of recoveries we will end up with that will be little difficult to answer. But as of now things are pretty encouraging and at this point in time the recoveries are definitely much better than what the recoveries were last season.

- **Mr. Sidharth Mota – Principle Mutual Funds**

- Sir, this increase in the recovery rate is due to increase in early variety seed or how should one look into it?

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

- Not only on account of increase in early variety. Moreover, we have one welcome development is that at our 3<sup>rd</sup> plant which is in Bareilly where last year our cumulative recovery was 11.24%, we have already crossed 11.84% recovery for this year. The same is also on account of better logistics management and stringent controls that we have exercised. However all in the industry are getting excellent recovery so we wouldn't like to take credit for any of the improvement in the recovery.

- **Mr. Sidharth Mota – Principle Mutual Funds**
- Sir so for UP the recovery date would have reached to 11% on an average?
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- This season we should definitely cross 11% last year was 10.82% or so last season. We have some plants in corporative sector, etc, which are still working at a 9-9.5% recovery. On a combined basis I am pretty confident that it should be more than 11%.
- **Mr. Sidharth Mota – Principle Mutual Funds**
- And, sir, if you could provide some update on the export scenario where we are and recently there has been some upliftment of sanctions from Maharashtra Cooperative.
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Sure. We have already contracted 50,000 metric tons of export. This quantity of 50,000 has been arrived based on our estimated crushing for our season 2018-19 as the same is related to crushing. We have entered into contracts and our first shipment should happen by the 10<sup>th</sup> or 12<sup>th</sup> of this month which will be for about 13,400 metric tons and the next shipment will be sometime in the month of March and the last shipment will go in the month of April. So we will complete our entire obligation to export. We have transacted to sell raws when the raws were quoting at reasonable prices and we also got the benefit of better exchange rate
- **Mr. Sidharth Mota – Principle Mutual Funds**
- Where the industry would be, sir?
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Sorry?
- **Mr. Sidharth Mota – Principle Mutual Funds**
- Where the industry would be, Maharashtra, UP and other states as far as export is concerned because initial target it was like....
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**

- 5 million tons is the target but we don't see that target being fulfilled because although the response has been very encouraging in the state of Uttar Pradesh but the response has not been so encouraging in the state of Maharashtra. Maybe because of the liquidity problems that the cooperative sugar mills in Maharashtra face. When one exports, obviously the export is happening at a price ranging between 2,100-2,300 rupees per quintal. So for banking purposes the valuation rate is 2,100-2,300 per quintal and this is as compared to the valuation that you would get if you're making sugar for domestic consumption which could be anything between Rs. 2,900-3,000 per quintal. So with the margins having shrunk, the Maharashtra mills perhaps faced the liquidity pressure are not able to transact in a big way.

- **Mr. Sidharth Mota – Principle Mutual Funds**

- And, sir, assuming our recovery rate at 12% so what can be our cost for production for sugar?

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

So we will have to wait and see eventually what will be our total recovery by the end of the season. If it is at 12% obviously our cost is going to come down as compared to last year. If the cost last year say was Rs. 3000 at 11.88%, if there is increase in the recovery say of 0.25%, we will have a cost reduction of 75 rupees per quintal, 75-80 rupees per quintal.

- **Mr. Sidharth Mota – Principle Mutual Funds**

- And, yes, sir, I think more or less I have ended. Best wishes for the upcoming season.

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

- Thank you, thank you so much.

- **Mr. Sidharth Mota – Principle Mutual Funds**

- Sir, one more question, sir, I know it's a little early if you can highlight what may happen in sugar season '19-20.

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

- As per the indications available, although it is too premature as you rightly said we will have a lesser sugar production in the season 2019-20, mainly because of erratic

climate conditions in Maharashtra. As I said earlier the sugar production in Uttar Pradesh which is based on sugarcane crop is more or less irrigation driven. So you will not find the big swings. But because of erratic climate conditions that we have seen in Maharashtra we will see some downward swing coming from the state of Maharashtra. Although it is too premature to say what kind of production we will have in 2019-20 season, but the indications are that it definitely is less than what it is for the season 2018-19.

- **Mr. Sidharth Mota – Principle Mutual Funds**

- In case of UP whatever limited data we have we can assume to be around like...

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

- 11 million tons to 12 million tons - anything between that.

- **Mr. Sidharth Mota – Principle Mutual Funds**

- Thank you, sir.

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

- Thank you.

- **Moderator**

- Thank you the next question is from the line of Vipul Sanghvi from BOB Capital Markets, please go ahead.

- **Mr. Vipul Sanghvi – BOB Capital Markets**

- Good afternoon, Bankaji.

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

- Good afternoon sir.

- **Mr. Vipul Sanghvi – BOB Capital Markets**

- Yeah, so most of the questions are answered but I had a couple of questions, sir, what was our sugar stock at the end of December?

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

- Sir, we were carrying a stock of 12.18 lakh quintals.

- **Mr. Vipul Sanghvi – BOB Capital Markets**
- Okay, okay and what average cost valued in our book?
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- It is valued at 2,930 rupees.
- **Mr. Vipul Sanghvi – BOB Capital Markets**
- Okay, okay. And our current average realization is at about Rs. 31?
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Yeah, yeah it's around 31 rupees.
- **Mr. Vipul Sanghvi – BOB Capital Markets**
- Okay, and, sir, we turned zero long term debt, right as per....
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Yes absolutely. We had the long term debts in our books which was taken recently under SEFASU 2018 scheme which is funded by the state government of Uttar Pradesh, It is at 5% rate of interest. But, this debt will actually reduce our working capital borrowings in the times to come.
- **Mr. Vipul Sanghvi – BOB Capital Markets**
- Right, right, right. Thank you, sir, and all the best.
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Thank you sir, thank you.
- **Moderator**
- Thank you. Reminder to the participants that anyone wishing to ask a question may please press star and 1. The next question is from the line of Deepak Kapoor an individual investor. Please go ahead.
- **Mr. Deepak Kapoor – Individual Investor**
- Hi, good afternoon, sir.

- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Very good afternoon sir.
- **Mr. Deepak Kapoor – Individual Investor**
- Just wanted to check this ethanol expansion - we consider this as a green field or this is a brown field expansion?
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- It's a brand new plant, sir, so green field.
- **Mr. Deepak Kapoor – Individual Investor**
- Brand new plant, so it's a brand new 100 KLPD plant, so once this expansion is complete you won't need to sell any of the molasses outside?
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Absolutely.
- **Mr. Deepak Kapoor – Individual Investor**
- Other than the compulsory....
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Absolutely, other than the compulsory sale that the UP government wants us to do.
- **Mr. Deepak Kapoor – Individual Investor**
- So the compulsory is still 20% of the molasses?
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Sir, it is 12%. The requirement is rather unfair but there is a requirement to give some molasses. If not molasses then there is a requirement to give neutral spirit which of course we will not be making in our plant. Let's see how it pans out.
- **Mr. Deepak Kapoor – Individual Investor**
- Okay, but the requirement is still there.

- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Yeah, requirement is still there.
- **Mr. Deepak Kapoor – Individual Investor**
- This inventory value is 29.3, how much of your inventory is export quota inventory?
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Sir, a portion of our inventory is valued at export NRV. Based on the crushing that we have, done up to 31<sup>st</sup> December, our export obligation is 15,200 metric tons approximately. So such quantity we have valued the stock at export NRV but have accounted for production subsidy. Rest of the sugar is valued at cost or NRV whichever is lower.
- **Mr. Deepak Kapoor – Individual Investor**
- Okay, so that sugar....
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- But it does not pull down my profits because on the one hand I have accounted for the subsidy and on the other hand I have valued the sugar at the NRV of the export.
- **Mr. Deepak Kapoor – Individual Investor**
- Okay, so it's a non-reflecting profit.
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- We have done the matching.
- **Mr. Deepak Kapoor – Individual Investor**
- Previous question you were talking about 50,000 tons contracted for export, this was against the previous sugar season is it?
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- No, no, this is for the season 2018-19. In so far as our earlier quota is concerned we did not do direct export because that quota was announced rather late. So there was



no possibility of doing adjustment in the plant working and making raw sugar. So we traded our MIEQ obligation in favour of another sugar mill based in Maharashtra.

- **Mr. Deepak Kapoor – Individual Investor**

- So what you are exporting this season, is it raw, or?

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

- It's raw, it is raw.

- **Mr. Deepak Kapoor – Individual Investor**

- Any ball park figure on how much cane you might crush?

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

- Sir, in our case it is going to be lesser although you know more clarity will emerge only in the fourth week of February or so. Last year we crushed about 363 lakh quintals of sugarcane. But as per the available indications this year we should be crushing around 300 lakh quintals of sugarcane. Though our crushing number is going to come down, but our recovery is going to be better than what it was last season.

- **Mr. Deepak Kapoor – Individual Investor**

- That's 300.

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

- 300 lakh quintals

- **Mr. Deepak Kapoor – Individual Investor**

- If my understanding is right, then your guessing it might be 15% lower crush.

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

- Yes.

- **Mr. Deepak Kapoor – Individual Investor**

- What is the prime reason for this?

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

- Because the ratoon yield was very, very poor. We need to divide the state of UP into three parts, West UP, the Central UP and the East UP. In case of West UP and Central UP we have seen the drop in the yield in case of ratoon crop, not so in East UP.

- **Mr. Deepak Kapoor – Individual Investor**

- Any particular reason?

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

- So that is the reason the cane availability will come down for mills which are in the West of UP or in the Central UP. East UP has not been impacted so much because there the ratoon yields are supposedly as good as they were last year. However as I said these are early days. I will be able to talk with more conviction on my estimated crushing number by the end of February.

- **Mr. Deepak Kapoor – Individual Investor**

- Right, right. So in West and Central UP the farmer is likely to earn lower this year than last year.

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

- Yeah, because their yields are lower more on account of unseasonal rain fall and resultant water logging in many areas. Whereas East UP did not face this phenomenon.

- **Mr. Deepak Kapoor – Individual Investor**

- Got it, so you don't expect crushing to go on as late as last year?

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

- No, no, not at all. We don't expect it to go till May end.

- **Mr. Deepak Kapoor – Individual Investor**

- There could be any pick up in molasses prices?

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

- Yeah, last year's molasses was sold at virtually zero. Now it's getting closer to Rs. 100 rupee a quintal.

- **Mr. Deepak Kapoor – Individual Investor**

- Okay, one thousand rupee a ton not bad, it's getting better. Just one last question, more like intuition. Since the Government and the State Government have given so many schemes and incentives and support over the last one year, possible for you to just summarise all the subsidies and support that you are getting.

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

- Sorry.

- **Mr. Deepak Kapoor – Individual Investor**

- Is it possible for you to just summarise all the subsidies and support that you are getting?

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

- Yeah, let me take it one by one, okay. What the state Government did was that they gave a subsidy of Rs. 4.50 per quintal of sugar cane crushed for the season of 2017-18, number one. Number 2 they gave us soft loan, you know. The eligible amount was different for all different companies. So we also availed the loan and in our case we availed a loan of 134.48 lakh crores and now this loan is made available to us at 5% rate of interest.

- **Mr. Deepak Kapoor – Individual Investor**

- Which is the maximum you can take under the account?

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

- Yeah, there was a cut-off date which was announced. So on the cut-off date whatever was our cane arrears less whatever amount we would have got from UP Power Corporation and the subsidy of Rs. 4.50, etc. All that got deducted. So an amount of 134.48 crores was determined for us and this is repayable in 60 monthly instalments commencing from July 2019. So as far as the State Government is concerned these are the two benefits that we have got.

- As far as Central Government is concerned. Number 1, they have announced minimum selling price. No sugar company is allowed to sell below this minimum selling price. They had announced earlier MIEQ of 2 million tonnes. Subsequently they announced MIEQ export obligation of 5 million tonnes. Additionally, they have set up a

buffer stock quantity of 3 million tonnes. So those of us who are going to carry buffer stock commensurate with whatever is our obligation, we will get interest subvention on that also. Plus ethanol blending programme has been taken up in a big way. So central government is providing all the impetus for the ethanol blending programme.

- **Mr. Deepak Kapoor – Individual Investor**

- Is there a transport subsidy for export?

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

- For export, yeah. There is, for those of us who are in the hinterland we will get a subsidy of 3 rupees, 3000 rupees per metric ton for transporting our sugar to port and putting it on board of the ship there. This should virtually cover our cost also.

- **Mr. Deepak Kapoor – Individual Investor**

- So the ethanol loan we have availed already?

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

- No, we have not yet availed. We have been sanctioned a loan of Rs. 116.88 crores from Punjab National Bank and...

- **Mr. Deepak Kapoor – Individual Investor**

- So the interest subvention will just come in later after, I mean as of now when you take the loan you will be paying the full interest.

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

- Yeah, interest subvention will be available once the plant becomes operational.

- **Mr. Deepak Kapoor – Individual Investor**

- Operational.

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

- Yeah, and which will not be on the full loan amount. In our case they have determined an amount of 72.98 crores on which they will provide us interest subvention.

- **Mr. Deepak Kapoor – Individual Investor**

- Okay, on 73 crores. And this production subsidy the state government, when will it be release it to you?
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Production subsidy or the State government production subsidy?
- **Mr. Deepak Kapoor – Individual investor**
- No, the state government is giving you a 4.5 rupee per kg?
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- That has already come in
- **Mr. Deepak Kapoor – Individual Investor**
- That’s something as and when you produce, or there is...
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- No, no, it was for the last season. That has been given to us to help us clear the dues of 2017-18.
- **Mr. Deepak Kapoor – Individual Investor**
- Okay, for this season it is not there?
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- No, for the ongoing season there is no subsidy, no facility no incentive as yet announced.
- **Mr. Deepak Kapoor – Individual Investor**
- Okay, alright. Thank you so much, sir.
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Thank you.
- **Moderator**

- Thank you. The next question is from the line of Sidharth Mota from Principle Mutual Fund. Please go ahead.

- **Mr. Sidharth Mota – Principle Mutual Funds**

- Sir, considering volatility in sugar production, what gives you confidence that government will take forward ethanol policy B&C for the next 2 to 3 years?

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

- This program of ethanol blending is an irreversible program. Number one, it helps to address the cyclical nature of the sugar industry and number 2, it also helps the government to mitigate the fuel requirement of the country. So, it serves dual purpose and we don't see any kind of reversal happening in the ethanol blending program.

- **Mr. Sidharth Mota – Principle Mutual Funds**

- And, sir, by any chance is there any possibility that government may reduce C and B ethanol prices seeing the strong margin which all the good companies they are making. Or in the past it has happened actually?

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

- No, there was once an excise duty benefit of 5 rupees which was given, which was subsequently withdrawn. But here in the pricing there is no benefit as such given as the excise duty has done and gone away with. So there is no such thing, no rebate that has been given to us. It's only the price that they have determined and which is a reasonable price.

- **Mr. Sidharth Mota – Principle Mutual Funds**

- Okay. But in the past it has ever happened for example this time 43 rupees, isn't the C molasses ...

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

- Rs. 43.70.

- **Mr. Sidharth Mota – Principle Mutual Funds**

- Yeah Rs. 43.70. So it might happen that again they may reduce might be to Rs. 40-41.

- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- No, I don't think so. But even hypothetically if you assume that they reduce it by a rupee or two, I don't think it will make a significant difference in the margins that the companies are now enjoying.
- **Mr. Sidharth Mota – Principle Mutual Funds**
- Correct, so but in the past it has ever happened, sir?
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- No, I was mentioning that was only once when the excise duty benefit was withdrawn.
- **Mr. Sidharth Mota – Principle Mutual Funds**
- Apart from that.
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Yeah excise duty benefit by way of 5 rupees which was withdrawn. So it actually resulted in reduction in the margin on sale of ethanol.
- **Mr. Sidharth Mota – Principle Mutual Funds**
- Correct. And my second question is with respect to transfer pricing from the sugar versus molasses. So if we do C heavy and if we do B heavy, so is there any substantial difference. I know it is little early for you but...
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- No, B heavy we have not done so I have not applied my mind in that direction, but C heavy, yes, there is a benchmark available. So we have determined based on the average realisation of our molasses prices.
- **Mr. Sidharth Mota – Principle Mutual Funds**
- What is the transfer price you are considering?
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**

- We consider the average price at which we have sold molasses because we sell molasses outside also, so there is a benchmark available to us. The transfer price is the same as the price at which we sell our molasses outside.

- **Mr. Mohan**

- Sir, this is Mohan, here.

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

- Yeah, good afternoon, sir.

- **Mr. Mohan**

- Sir, just one quick question, sir, as you said early days but for '19-20 you said that drop slightly would be because of lower plantation plus diversion to this B heavy you think.

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

- B heavy diversion like I mentioned from 0.5 million tons it can best go up to about 2 million tons in the coming season. Drop in the production is more on account of the erratic climatic conditions that we have seen in Maharashtra already because some amount of sowing has already happened in so far as Maharashtra is concerned. Diversion of B heavy molasses will, of course, play a role and this is where we see eventually the cyclicity of the industry getting addressed when more and more mills will participate and more and more companies will use B heavy molasses for making ethanol. Because sugarcane continues to be a very remunerative crop for the farmers and they will continue to grow the same

- **Mr. Mohan**

- Okay, despite all the...

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

- Yeah, yeah, despite all the problems, regardless of the fact that there are many companies who are delaying in making the payment, regardless of that sugarcane continues to be an attractive crop for the farmer. So we will not see a drop in the sugarcane production unless it is on account of weather conditions.

- **Mr. Mohan**

- Okay, fair enough sir, thank you.



- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Thank you.
- **Moderator**
- Thank you. The next question from the line of Sudhir Salunke an individual investor. Please go ahead.
- **Mr. Sudhir Salunke – Individual Investor**
- Good afternoon, sir.
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Very good afternoon, sir.
- **Mr. Sudhir Salunke – Individual Investor**
- Sir, actually the UP government has recommended increasing the MSP to the central government, so do you think that thing will happen because of the political scenario, because the election is coming so central government might not consider that request.
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- You see, the increase in the price which the State Government has recommended is not a big increase at all. We have in the last year seen that the sugar prices have prevailed in the region of 3500 to 3600 on an average. And there was no hue and cry, and there was no political storm raised on account of such high prices. I don't think it is a high price, and the sugar was available in the retail markets at Rs. 43 to 45 rupees a kg. This kind of a price is not likely to raise any hue and cry nor will it create any kind of political storm. So the central government can definitely increase the MSP and it will not pinch the pockets of the consumer according to me. The only concern that I see which the central government has at this point in time is, that if they increase the sugar cane price what will happen to the exports because you know with domestic sugar will become more, selling sugar in the domestic market will be more attractive than exporting sugar. But then the central government has got various powers and they can definitely impose and ensure that compliance is done as far as the export obligation is concerned.
- **Mr. Sudhir Salunke – Individual Investor**

- Okay, obviously the government will not consider because the election is coming and they think that the sugar price will increase a lot in the market because that particular thing they cannot control easily, right?

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

- No, ex-factory price of 35 to 36 rupees is not at all alarming and it is not a price over which there will be a hue and cry. So from 29 let's say one can even go up to 36 rupees a kg there should not be any problem according to me.

- **Mr. Sudhir Salunke - Individual Investor**

- Yeah, so they look at the past history then definitely, government can consider increasing the MSP up to 36 rupees.

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

- Maybe not 36 rupees, I don't know what they have in their minds, but the state government had at one point in time recommended 34 rupees a kg, and now they have recommended 32½ rupees a kg, an attractive price. So, even it is of 32 ½ rupees a kg and which is 3 ½ rupees increase over the present MSP which is announced by the Central government.

- **Mr. Sudhir Salunke – Individual Investor**

- Yeah, let's see what the government takes the decision in this matter.

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

- Absolutely. It is very necessary. It's absolutely necessary that they take a decision and they take a quick decision.

- **Mr. Sudhir Salunke – Individual Investor**

- Yeah. So, my next question is about the Maharashtra sugar production. Sir, actually Maharashtra has seen drought and the grub infestation in couple of parts in Western Maharashtra. So, do you think there will be, you know, there will impact on sugar production in Maharashtra because it might revise the figures last month. So, apart from the figures quoted by this month, do you think that there will sugar production will be revised in Maharashtra again.

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

- I don't think so. ISMA has revised the estimate of Maharashtra production to 9 ½ million ton when we met in the month of January. I don't think any further downward revision hereon is possible and necessary. Well, the indications for the next crushing season is that there could be lesser production in Maharashtra. But I don't think in the current season there is possibility of any further reduction of production in Maharashtra.

- **Mr. Sudhir Salunke – Individual Investor**

- Okay. Thank you sir.

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

- Thank you, sir.

- **Mr. Sudhir Salunke – Individual Investor**

- And sir?

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

- Tell me, sir, you had more questions.

- **Mr. Sudhir Salunke – Individual Investors**

- Yeah, yeah, I have more questions. Sir, actually for the ethanol plant, we are going to increase capex 100 KLPD. So, have you carried out any kind of feasibility study on that?

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

- Yeah, we have done that. We have done the feasibility study, techno economic viability study based on which we have got our loan also sanctioned.

- **Mr. Sudhir Salunke – Individual Investor**

- Okay, great. Sir, actually just one more question on that, that lets say for example our current plant is running only during the sugar crushing season. So, are you looking at the possibility to run the new plant the additional capacity for 12 months?

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

- The present plant also runs for about 9 months in a year. It does not run during the monsoon months when we have to close it because we are following bio composting

method for treating the effluent. The new plant will be operational throughout the year. Apart from the shutdown that we may be required to take for maintenance of the plant, there will be no other stoppage. I mean nothing else warrants reduction in our operations there. We will be able to, as we have seen such plants working for more than 300 days in a year.

- **Mr. Sudhir Salunke – Individual Investor**

- Okay. Got it clear, thank you.

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

- Thank you, sir.

- **Mr. Sudhir Salunke – Individual Investor**

- Regarding the exports this year, government has set a target of 5 million. I think industry sources are saying that the fact is you can export up to 3 to 3.5 million. Sir, do you think that it is achievable.

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

- 3 million tons seems achievable, we will have to wait and see. I cannot talk for others but definitely as far we are concerned whatever the obligated quantity was for us we have already done the transaction / deal to export the same

- **Mr. Sudhir Salunke – Individual Investor**

- Okay. And, sir, due to ethanol production, what would be the impact on sugar falls in this year.

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

- This year only half a million ton of sugar production has got reduced and that is being used for making ethanol. As I mentioned earlier we can see this number going up in the coming year. Based on the capacities that have already been created, I see this number easily going up to 2 million ton in the coming season itself. And this number can be further ramped up, if more and more and more capacities are coming up.

- **Mr. Sudhir Salunke – Individual Investor**

- Okay, okay. Thank you very much. Sir, next question is about the ethanol policy actually. If you look at the ethanol policy is coming about the higher oil rates and other

things, but then moving forward for example the oil rates are down in the international market, do you still think that the current rate, you know, which has been set by the government is reasonable

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

- Yeah, it is reasonable. Making ethanol makes enormous sense for the government and for all the sugar mills also.

- **Mr. Sudhir Salunke – Individual Investor**

- Okay. And sir, the last question from me is about the Maharashtra you know, farmers are selling their sugar in the open market directly. So, do you think there will be impact on sugar prices because of that because cooperative factories they are not able to sell even in the market and with their, they don't have money to pay to their farmers then they are giving that sugar to the farmers directly and the framers are directly putting that sugar in the market. So, there will be impact on sugar prices, what do you think.

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

- This may be a reaction in Maharashtra. But the quantity which can be sold like this is miniscule. I don't think any big quantity will be sold like this and I don't see any such thing happening when the farmers buy substantial quantity so as to get their amount paid and then use the sugar for selling in an open market, I don't see any such possibility happening.

- **Mr. Sudhir Salunke – Individual Investor**

- Okay, thank you. This one last question, simple question actually. Sir, regarding the sugar season in Maharashtra and UP, how long that sugar season will continue?

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

- Last season some mills in UP had continued their operations in the month of June. We don't see such a thing happening this year. This year I guess the mills in UP should be carrying on the crushing operations till the end of May maximum.

- **Mr. Sudhir Salunke – individual Investor**

- Okay. And what about Maharashtra?

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

- Maharashtra also same. Maharashtra typically closes a little earlier than in UP. So, Maharashtra also it can go up to April or May.

- **Mr. Sudhir Salunke – Individual Investor**

- Okay. And that's all from my end, sir, and thank you very much.

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

- Thank you.

- **Moderator**

- Thank you. We will move on to the next question that is from the line of Nandan Madivala, an individual investor. Please go ahead.

- **Mr. Nandan Madivala – Individual Investor**

- Hi, thanks for taking my question. Good afternoon to you.

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

- Very good afternoon, sir.

- **Mr. Nandan Madivala – Individual Investor**

- Sir, I just want to understand. I think you mentioned that the 100 KLPD factory the capex is around 140 crores.

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

- Rs. 145 crores.

- **Mr. Nandan Madivala – Individual Investor**

- Right. Sir, I was just wondering the other competitors in Uttar Pradesh. They mentioned they are also adding 100 KLPD that is coming at the cost of 40 crores according to them.

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

- No, no idea. Simply not possible. They may be adding some balancing equipment to their existing capacity which is how they are ramping up their capacity. But, a brand

new distillery cannot come up at such costs. We have done some very hard negotiations to get this price.

- **Mr. Nandan Madivala – Individual Investor**

- Yeah, no, I just thought that it might, they must be adding to their capacity and that's why the..

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

- For example some companies have put in 160 KLPD plant and it's costing them 250 crores. Rs. 40 crores maybe for some balancing equipment but, not for a complete plant

- **Mr. Nandan Madivala – Individual Investor**

- Okay, thank you.

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

- Thank you, sir.

- **Moderator**

- Thank you. A reminder to the participants anyone wishing to ask question may please press star and one. The next question is from Mahadesh Mahalingam from Sintech Securities. Please go ahead.

- **Mr. Mahadesh Mahalingam - Sintech Securities**

- Good afternoon, sir.

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

- Good afternoon.

- **Mr. Mahadesh Mahalingam - Sintech Securities**

- You mentioned that you are procuring the ethanol equipment from ISGEC, right.

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

- Yes.

- **Mr. Mahadesh Mahalingam - Sintech Securities**
- So, what's the differential in costing between ISGEC and Praj, any broad idea just more premium or what's the reason.
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- There is price difference.
- **Mr. Mahadesh Mahalingam - Sintech Securities**
- But what would be the premium broadly.
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- It's a substantial which is why we went to IEGEC, ISGEC plants are technologically sound are proven plants. So, we had no hesitation of picking them up.
- **Mr. Mahadesh Mahalingam - Sintech Securities**
- Substantial in what sense in this around ballpark percentage.
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- If we talk about only about the distillery more than 10%.
- **Mr. Mahadesh Mahalingam - Sintech Securities**
- So, now you procure all the equipment from one player only. Distillery along with other this thing.
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Distillery and the boiler comes in combination from ISGEC. But there is another very critical component, critical equipment that we are buying which is a CPU which we call it Condensing Polishing Unit, which is actually for treating the waste water, which is very integral plant. For the same we have placed order on PAQUES which is a Netherland based company operating through its subsidiary in India.
- **Mr. Mahadesh Mahalingam - Sintech Securities**
- So normally people place I mean different equipment with different players, right.
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**



- There isn't a single vendor who gives you everything.
  - **Mr. Mahadesh Mahalingam - Sintech Securities**
  - Sir, going ahead like now the molasses prices are quite low, but next year when all this additional capacity comes one or two years down the line they will be scrambling for molasses, so that time the profitability might come down, right.
  - **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
  - Yeah, we will consider the opportunity cost. What we will be using is mostly the captive molasses that we will produce. We will therefore have no such problems unless you know we are required to buy molasses from outside.
  - **Mr. Mahadesh Mahalingam - Sintech Securities**
  - But last year when I read in the news that molasses were really dumped there was no storage and all, could they not be converted, I mean there is no distilling capacity because of which they were dumped outside or something.
  - **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- New distillery capacities have come up which is why we have seen some improvement in the molasses selling price.
- **Mr. Mahadesh Mahalingam - Sintech Securities**
  - Okay. No, but again the molasses were being dumped or something, couldn't it be shipped out of state, so it is not possible last time?
  - **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
  - Last season that was the big challenge that we all faced. Initially there were restriction on selling molasses outside the state, by the time the restriction was removed damage was already done.
  - **Mr. Mahadesh Mahalingam - Sintech Securities**
  - Now it is relaxed?
  - **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
  - Yeah, now it is relaxed. But as of now there is no such requirement also.

- **Mr. Mahadesh Mahalingam - Sintech Securities**
- Requirement actually, you may be using. And like most of the mills who are sitting on the distillery would the molasses of UP be enough for that.
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- I think so, yes, but then there is always an option to use B heavy molasses also.
- **Mr. Mahadesh Mahalingam - Sintech Securities**
- That's true.
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- Cut down on your sugar production and use that molasses and make more ethanol.
- **Mr. Mahadesh Mahalingam - Sintech Securities**
- Okay. Sir, but most of the distilleries that are coming up like they are built for B heavy including the transportation and other storage faculties or most of them are going for C heavy only?
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- These plants are versatile plants, and you can use B heavy molasses and make ethanol. But the requirement is that one should have separate pipeline for transfer of molasses from sugar plant to distillery. And then you have to have separate storage arrangement for B heavy molasses in the distillery and then you have to have to separate ethanol tanks to store the ethanol made out of B heavy molasses. So all these calls for some extra capex. But that's not substantial.
- **Mr. Mahadesh Mahalingam - Sintech Securities**
- Okay. Sir, till last year and all they were saying problem from the uptake of like ethanol by OMCs?
- **Mr. Vijay Banka – Managing Director, Dwarikesh Sugar Industries Ltd.**
- No, these are now not there, all transactional issues have been sorted out and now there are no problems.
- **Mr. Mahadesh Mahalingam - Sintech Securities**

- But not now, but some time back there were issues like there they are not offering after mandating it to be offered and all, that's not an issue now.

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

- No, now the program has got an impetus and all the ministries are acting in close coordination with one another. The oil ministry and the food ministry are all acting in coordination with one another and there are no such issues now.

- **Mr. Mahadesh Mahalingam - Sintech Securities**

- Okay. Sir, going ahead in one or two years down the line, I mean even if the sugar prices come down, then you can easily convert the B heavy to ethanol and cut down the losses.

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

- That is the way forward for mitigation of risks associated with sugar industry

- **Mr. Mahadesh Mahalingam - Sintech Securities**

- Okay, the outlook looks rosy, right.

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

- The outlook looks reasonable I mean.

- **Mr. Mahadesh Mahalingam - Sintech Securities**

- After the expansion of the distillery I mean.

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

- There has to be enough ramp up of the distillery capacity, only then 3 to 4 million tons of sugar production can be sacrificed and ethanol production be increased. That will be a welcome scenario.

- **Mr. Mahadesh Mahalingam - Sintech Securities**

- Okay, thank you very much, sir.

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

- Thank you, sir.

- **Moderator**

- Thank you. A reminder to the participants, if anyone wishing to ask question may please press star and 1. The next question is from the line of Suraj Inamdar from Prativir Sigma, the line from the current participant seems to have dropped out. Participants if you wish to ask a question please press star and 1. As there are no further questions from the participants, I now hand the conference over to Mr. Prashant Biyani for closing comments.

- **Mr. Prashant Biyani – Prabhudas Lilladher Pvt. Ltd.**

- I would like to thank the management for giving us the opportunity to host the call and I would also like to thank the participants for joining the call.

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

- Thank you very much. I would like to take this opportunity to express my gratitude on behalf of our company for reposing confidence in us and for supporting us throughout. Our industry is an industry which is full of challenges, there are issues, structural issues, etc., which now seem to be getting addressed. So going forward maybe a couple of years down the line, we should see sustainable growth of the industry. The companies may be able to make money either by making sugar or by making ethanol and the business prospects seem definitely promising. Thank you very much.

- **Moderator**

- Thank you very much, sir. Ladies and gentlemen, on behalf of Prabhudas Lilladher Private Limited that concludes today's conference, thank you for joining us and you may now disconnect your lines.