



“Dwarikesh Sugar Industries Limited Q3 FY24 Results Conference Call”

January 31, 2024



Dolat Capital



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Moderator: Ladies and Gentlemen, Good day and welcome to Dwarikesh Sugar Q3 FY24 Results Conference Call hosted by Dolat Capital.

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 phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ajinkya Jadhav. Thank you and over to you, Mr. Jadhav.

Ajinkya Jadhav: Thank you Muskan. Good afternoon everyone on behalf of Dolat Capital, I would like to thank the management of Dwarikesh Sugar Industries Limited for giving us the opportunity to host their Q3 FY24 Earnings Conference Call.

From the management we have with us today Mr. Vijay Banka – Managing Director, Mr. B. J. Maheshwari – Managing Director and Company Secretary cum Chief Compliance Officer and Ms. Priyanka Morarka – President (Corporate Affairs).

Without further ado, I would like to hand over the call to the Management for their "Opening Remarks" post which we will open the forum for question-and-answer session. Thank you and over to you, sir.

Vijay Banka: A very good afternoon friends. I extend you a very warm and hearty welcome to the earnings call conference of our Q3 9-months FY24 Results.

Our Results are already there in the public domain.

In this particular quarter we had a profit after tax of Rs. 9.81 crores vis-a-vis Rs. 10.52 crores that we clocked in the corresponding quarter last year.

Our top line was Rs. 319 crores vis-a-vis Rs. 391 crores in the corresponding quarter last year. So, we had lesser volume of sales in this particular quarter. Our sugar sales have been lower. We sold about 4.94 lakh quintals of sugar vis-a-vis 6.47 lakh quintals that we sold in the corresponding quarter last year, of course, in the corresponding quarter last year out of 6.47 lakh quintals we had exported 4.34 lakh quintals of sugar.

So, in a sense, the domestic sale of sugar is higher in this particular quarter, 4.94 lakh quintals vis-a-vis 2.13 lakh quintals and during the 9-month period we have sold 21.83 lakh quintals of sugar this is as against 33.25 lakh quintals of sugar sales that we had in corresponding 9-months last year. Our average realization has been good in so far as the quarter is concerned as well as the 9-month period is concerned.

In this particular quarter our average realization of sugar that we sold in the domestic market, the entire sales in fact were in the domestic market was about Rs. 3,852 per quintal. This is as compared to Rs. 3,560 per quintal on the corresponding quarter last year.

On a 9-month basis, our average realization has been Rs. 3,692 per quintal this is as against Rs. 3,483 per quintal in the corresponding 9 months last year.

Our stock has gone up by about 3 lakh quintals, it stands at 7.71 lakh quintals vis-a-vis 4.72 lakh quintals on the same date last year. Stock is valued at Rs. 3,608 a quintal. The stock has gone up mainly because:

1. Our sugar production was marginally higher.
2. Because last year the same quarter we had the benefit of exports which was not available to us during this particular quarter.

We have suffered a bit of a setback in so far as the ethanol sales is concerned. We sold 1.42 crores liters of ethanol vis-à-vis 1.68 crores liters of ethanol that we sold in the corresponding quarter last year. However, on a 9-monthly basis, our ethanol sales have been higher because in this 9-month period both the distillery plants were operational whereas in the last year 9-months period we had the new distillery working only for a part of the period.

So, our loan profile is lean and trim. As far as the term loans are concerned, we only have the subsidized term loans which are all being repaid as and when they are due.

Let me now take you through some of the industry developments which have taken place:

The last quarter was very eventful in the sense that before the commencement of the quarter our original net production estimate was 32 lakh tons which was after considering diversion of more than 4 million tons for ethanol production. Then there was this news of drought impacting Karnataka and Maharashtra and El Niño factor playing out.

So, the production estimates were revised downwards which led to the surge in sugar prices. The sugar prices were close to around Rs. 4,000 a quintle for a little while and then the Government took this hasty step of putting a lid on the ethanol blending program. So, the sugar prices were beyond their comfort level. So, they wanted to encourage more sugar production and of course that could happen only at the cost of ethanol production.

So, the Government immediately curtailed the procurement of ethanol which was to be made from sugar cane juice directly and they also restricted the quantity of ethanol made out of B-Heavy molasses, its procurement was also restricted to the quantity that we had originally offered to the oil marketing companies and in a departure from the convention, they did not give us any increase in the price of ethanol to be made from juice and B-Heavy molasses, rather they gave a very good increase for molasses to be made from the conventional C-Heavy molasses route. In

fact the Government's idea was to restrict the sugar sacrifice diversion to ethanol to only about 1.7 million ton so that the production of sugar is concurrently boosted. But lately there has been some news, in fact All India Sugar Traders Association came out with their production estimate now. So, the production estimate stands enhanced by nearly 1.5 million tons.

Maharashtra and Karnataka both are likely to report decent production number and so is Uttar Pradesh. ISMA is also likely to announce the numbers of production estimates today. So, it is expected that production numbers will not be all that bad. We will of course request the Government to revisit the ethanol blending program and see that the production of sugar is moderated, and we do hope that this will happen.

As you are aware sugar cane price for Uttar Pradesh has already been announced. The SAP (state advise price) , the state Government has given an increase of about Rs. 20 a quintal, which was more or less on expected in line considering the fact that we are looking at a General Election ahead.

As far as the rest of this quarter is concerned, we will have to wait and see how the sugar prices behave. We do expect that the prices will remain at around Rs. 3,800 per quintal and not lesser than that. Much will depend on how the Government looks at the new production estimates and what corrective actions the Government takes.

Thank you very much. I now leave the floor open to question-and-answer sessions. Please go ahead and ask your questions be it sector specific or company specific. Here we are ready to answer your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sneha from SKS Capital. Please go ahead.

Sneha Jain: I just wanted to ask sir, what is the current status of the C-Heavy molasses that you're talking about you mentioned a bit on the initial remarks I just wanted a bit of elaboration on that. Some pointers on what the current like production is looking like of sugar.

I mean I listen to couple of previous sugar companies well they're like the production is recovering and it's likely to be a good year in terms of that and any intake on exports like any certainly by the Government or any direction by the Government that you could like highlight that would be very helpful?

Vijay Banka: So, you want to know from the how the production numbers are going to look for the industry as a whole or for our company?

Sneha Jain: Both would be helpful.

Vijay Banka:

See as far as the country is concerned, I mentioned in my opening remarks that these estimates have seen some wild swings initially we started with an estimated net production of about 32 million tons after considering diversion of about 4 million tons in favor of ethanol.

So, which means we were then talking of a gross production number in excess of 36 million tons, but towards the start of the season it became evident that because of the impact of drought and El Nino on Maharashtra and Karnataka the production numbers are going to be substantially lesser.

So, the last estimate when it was drawn it was gross production was estimated at 32.5 million tons which means if we deduct from that the sugar diversion of 1.7 million tons which the Government wanted to restrict, to so the net production that was being spoken to was about 30.5 million tons, but in the last one month or so the production numbers again do seem to be getting revised.

Yesterday, All India Sugar Trade Association came out with the production estimate of 31.6 million tons which is the net production after considering about 1.7 to 2 million tons of sugar diversion for ethanol. So, again, which means we are looking at a gross production number in excess of 33 million tons.

So, ISMA is also likely to come out with this number today. So, we have seen some big swings in the production estimates, but that has happened. It becomes very difficult for anyone to estimate correctly because weather plays a big role, the late rains in the month of November did help the sugar cane crop in the state of Maharashtra and Karnataka.

So, presently we are looking to produce at least about 31.5 million tons if not more. So, with production numbers seeming good we will definitely request the Government to revisit the ethanol blending program. We do expect that they consider our request and accede to our request favorably.

If they do so, then again the production numbers could undergo a change because then we will still have some time to realign our production such that we again go back to making ethanol directly from sugar cane juice. So, if that happens again, the numbers will undergo a change. So, this is where we stand.

Globally, of course, it's going to be a surplus year, but then globally if you have seen the prices are on the rise, the sugar prices are a lot better than what they used to be in the past.

In so far as our company is concerned again it all depends how does the Government react going forward. In case of ethanol blending if there is a lid on the program the way it is as of now then naturally we will maximize our sugar production

See, two of our plants are located in Bijnor district. I must put a word of caution here that Bijnor district was the most impacted district in UP around this season because it has received excessive rainfall and red rot which had spread all across eastern and central UP it spread to West UP as well and Bijnor is in Western UP

So, we will have to wait and see. We just about finished crushing the ratoon crop and we have started the plant crop. So, the yields can substantially vary here again, and we could be in for some pleasant surprises, but as of now the crushing numbers seem to be rather on the lower side.

Moderator: Thank you. The next question is from the line of Prashant Biyani from Elara Securities. Please go ahead.

Prashant Biyani: Sir, what will the current ex mill price of sugar in UP?

Vijay Banka: It's around Rs. 3,800 a quintal.

Prashant Biyani: Sir, there has been steep price correction in Maharashtra prices I think could be around 35 or even lower for few mills. So, do you expect this gap to reduce I mean in terms of decline we may catch up or Maharashtra should catch up on the upside?

Vijay Banka: I would believe Maharashtra should catch up on the upside. You will see that Maharashtra was perhaps already aware that the production numbers would be higher, but once the numbers come in the public domain there is that assurance that okay the numbers will be this much and not further higher. So, I guess Maharashtra should be able to catch up now.

Prashant Biyani: So, at current price what would be your strategy for selling sugar at 38 would you be willing to sell the entire quota or you would want to wait for a while and be calibrated?

Vijay Banka: We have always sold whatever quota was allotted to us. So, there is no reason why we will not sell the quota that we receive.

Prashant Biyani: And sir for Q3 what will the mix of juice and B-Heavy ethanol sales?

Vijay Banka: I will tell you about the production number. In this particular quarter our production of ethanol was substantially lesser and more so from juice as midway during the quarter we had to stop it. So, only small quantity was used for direct transfer to distillery by way of juice. So, the number is significantly lesser.

Prashant Biyani: Sir, can you mention the numbers?

Vijay Banka: One second I'll tell you the number one second.

Prashant Biyani: Sales volume not production?

- Vijay Banka:** Certainly I'll get back to you on this. I'll tell you the number.
- Prashant Biyani:** So, in our books we would have taken sugar cane price of 360 or 340 only?
- Vijay Banka:** No, we have taken the enhanced sugarcane price.
- Prashant Biyani:** And sir would that lead to an increase in transfer price of molasses or syrup?
- Vijay Banka:** Of course, it has. It has resulted in higher transfer price.
- Prashant Biyani:** And how much would that be for both?
- Vijay Banka:** It's now transfer price of B-Heavy molasses stands close to Rs. 1,400 a quintal.
- Prashant Biyani:** And for syrup?
- Vijay Banka:** You see the syrup costing is altogether different. So, what happens is you take the cane cost and you deduct from that whatever bagasse has been saved. So, it actually goes up by Rs. 20 a quintal. So, syrup transfer cost naturally gets enhanced.
- Prashant Biyani:** To the similar extent only maybe around 19, 20?
- Vijay Banka:** Yes more or less.
- Prashant Biyani:** Sir, one book keeping not question, but clarification. If you look at last year Q3 presentation then the segmental EBITDA for sugar business was negative at around 11 crores, but this quarter Q3 presentation it is showing positive EBITDA of 15.3 crores?
- Vijay Banka:** Yes, I'll explain to you why it is like that because last year we had three segment reporting done, sugar power and ethanol. Now sugar and power have been clubbed into one now.
- Moderator:** Thank you. The next question is from the line of Nikhil Gada from Abakkus AMC. Please go ahead.
- Nikhil Gada:** Firstly could you help us with the gross recovery rates for the quarter and what would have been for the same period last year?
- Vijay Banka:** So, the gross recovery has been 11.05% for this quarter vis-a-vis 11.11% which means a small marginal drop of 0.06%, but we hope to make good this recovery in the coming quarter because as the recovery trends are better than what they were in the last year. I mean we have three plants. So, in two plants the recovery is better than what it was in the last year and in one plant recovery is marginally lower.
- Nikhil Gada:** Fair to assume that we might not see any major decline in recovery rates?

- Vijay Banka:** Not at all in fact we will see some improvement over the last season.
- Nikhil Gada:** Sir, just then on the overall crushing numbers while you have said that the crushing has been suboptimal and you've also mentioned some amount of sugar cane getting diverted to Khandsari and gur, so could you help us in the overall outlook of how the availability is for sugarcane and what kind of crushing can we do, if you can just give the FY24 and FY25 estimate?
- Vijay Banka:** In so far as FY24 is concerned there will be no problem because the crushing will go on till March and or beyond. So, the problem will really arise in FY25. So, if you ask me from a season's perspective, yes, we expect some decline in the crushing numbers. Last season together in all three units we crushed about 401 lakh quintals of sugarcane. So, that number will be lesser this season.
- Nikhil Gada:** Sorry I missed that number. What was the number?
- Vijay Banka:** Last year during the season we crushed 4.01 crores quintals of sugarcane. So, that number is going to be lesser this season whereas in so far as FY is concerned there will be no reduction at all and if at all the numbers will vary, they'll vary marginally either ways.
- B J Maheshwari:** Because season is overlapping in the financial year, that's why.
- Nikhil Gada:** So, just to give a context over here if I look at FY23 numbers we did 38,21,000 odd?
- Vijay Banka:** So, we should do similar numbers.
- Nikhil Gada:** For FY24 and for FY25 we might see a marginal drop?
- Vijay Banka:** Yes we may see a drop in FY25.
- Nikhil Gada:** I know it's still quite volatile in terms of how the situation will pan out, but can you give any ballpark number I'm once again asking of fiscal year, how much would be the overall crushing based on C-Heavy, B-Heavy sugarcane juice for 24 and preferably for 25 as well?
- Vijay Banka:** You see C-Heavy we are generating only in one of our units now. We are generating C-Heavy molasses only in one of our units that is only to cater to the country liquor requirement. So, we will have to work it out and let you know how it will pan out because we've already done some quantity of juice diversion for making ethanol.
- And in two of the units, we are generating B-Heavy molasses and in one unit after this promulgation came that we have to curtail our production of both juice and B-Heavy, we started making C-Heavy there because it's worthwhile generating C-Heavy and giving it for country liquor purpose there so that we can maximize sugar production there.

Nikhil Gada: The amount that we have sort of been given to the OMC's though the B-Heavy and juice is over. I think we'll have to completely shift to C-Heavy if my understanding is right?

Vijay Banka: You see now eventually everything will depend upon what kind of changes are made in the policy. So, the template that we are going to follow is in one unit we will do C-Heavy and complete our country liquor requirement obligation and if there is an excess crushing available then we will generate B-Heavy.

Nikhil Gada: Sir where you have this unit, C-Heavy?

Vijay Banka: That is the unit where we don't have a distillery that is the Dwarikesh Puram unit. So, that is the template we are going to follow there. In the rest of the two units, we are doing B-Heavy. So, the idea is, under the given constraints, to maximize ethanol production and bring it at least on par with what we have offered it to the OMCs and if there is likelihood of more production being there of ethanol, we are always at liberty to use C-Heavy and make ethanol out of that. Sir it's a very dynamic situation so we will have to assess around March and we will have more clarity on this.

Nikhil Gada: And sir one last question this is regarding the segmental performance per se, we have seen a decline in EBIT margins in distillery segment. Is it largely to do with such as the volumes being lower or is it also because of some amount of recovery impact and some other thing?

Vijay Banka: Number one it has got to do with the volumes, but it has got nothing to do with recovery or recoveries. The reason why it is lower is because this year we have considered the incremental cane cost, the Rs. 20 increase in Sugar cane price ,that has been announced by the Government. So, that has been factored in the raw material cost. So, that is one reason.

And secondly unlike last year where the Government not only gave us the increase in the ethanol price of both the juice as well as B-Heavy molasses based ethanol, this year they did not give any increase and last year we had another benefit relief price because the Government wanted more ethanol blending to happen.

They wanted to encourage more ethanol blending during the lean months. They had given us some relief price also the benefit of which was again not available to us this season.

Nikhil Gada: And sir just last question that we have to do the B-Heavy as well in line with C-Heavy for country liquor, this impact which was of 20 CR which we saw last quarter this is sort of a recurring impact that we'll see every year right?

Vijay Banka: It is going to be slightly less because last year we had to give 20% of B-Heavy. So, this year we will be under the revised new molasses policy of season 23-24 we are required to give 19%. So, there is 1% lesser obligation if we talk in terms of B-Heavy. I mean so far as C-Heavy is concerned last year it was 20% and now this year it is 26%.

- Nikhil Gada:** So, more or less the impact would be 1 or 2 crores less?
- Vijay Banka:** Yes not much.
- Moderator:** Thank you. The next question is from the line of Udip Gupta an Individual Investor. Please go ahead.
- Udip Gupta:** Sir my question is that you just spoke about that our cane crushing could be lower. Sir is there any impact on the Bindal Agro plant also which has come up in an area as it.....
- Vijay Banke:** Yes, of course, it is there. There are three, four reasons I'll tell you why the cane crashing could be lower. Number one, unseasonal rainfall and consequent water logging in the fields. Number two, red rot infected the sugarcane crop, number three, Bindal plant and number four diversion of sugarcane for gur and Khandsari making. So, all the four factors will play out and which is why we expect some decline in the crushing numbers.
- Udip Gupta:** Sir, the recovery you said is going to be higher than last year. So, in spite of red rot it could be higher?
- Vijay Banka:** Yes, which is very encouraging because in spite of red rot being there the recovery trends are encouraging. We have two units in Bijnor district. So, in one unit the recovery is a little behind what we had clocked in the last season whereas in the other unit it is higher than what we had clocked in the last season.
- This is in spite of extremely harsh winter conditions in that part of the country whereas in our Bareilly unit where we have brought about this varietal change in our cane where there is some amount of varietal change which has happened the recovery trends are definitely better.
- Udip Gupta:** What was that gross recovery last year sir last season I mean?
- Vijay Banka:** Last year it was around you're talking up to 31st December or the entire season?
- Udip Gupta:** The season sir?
- Vijay Banka:** For the full season it was 11.70% gross recovery.
- Udip Gupta:** And sir this year we're expecting it to be better by roughly how much?
- Vijay Banka:** Well, it looks better.
- Udip Gupta:** And sir this thing that you just spoke about that varietal change, so by when can we expect a significant varietal change for our company in all three units, sir?

- Vijay Banka:** I will tell you, I will give you a number. For example, in the Bareilly unit where we initiated the program earlier than what we did in the other two units, in the coming season we should see about 65% replacement of that variety 238 by some improved and new varieties such as 15023, 14021, 98014 etc. and of course 118 also.
- Whereas in the other two units in the Bijnor districts you see till the last year that particular district was kind of insulated from this red rot program. Now howsoever much you try with the farmers, the farmers unless they are themselves impacted in terms of reduction in yield etc. they are not very active participants in the varietal change program.
- So, now they are also participating in big number. So, there over the next 2 to 3 years we should see substantial change in the variety.
- Udip Gupta:** So, this the next season will be the first time that there'll be something?
- Vijay Banka:** No, even in this season there is small some change we can see, but next season yes it will be tangible change and thereafter it will be galloping change.
- Udip Gupta:** It will become like Bareilly in next 2 years, 3 years.
- Vijay Banka:** Yes to some extent.
- Udip Gupta:** And sir cane crushing that we are expecting it to be lower roughly by 2%, 3%. So, can you give us any ballpark figure?
- Vijay Banka:** No, it's going to be more, but we will have to wait and see because just plant cane has started arriving and plant cane we have often seen that there are surprises, the yields can be better, or they can be similar. So, we will have to wait and see. We also expect some moderation in the Gur and Khandsari prices that they are offering to the cane growers.
- So, all these factors will play out and only then we will have some clarity. I guess by the middle or beginning of March we will have a lot of clarity on the crushing numbers.
- Udip Gupta:** And sir about this any further plans of CAPEX or anything that we are thinking about for the next season or beyond that?
- Vijay Banka:** No sir we keep constantly doing something or the other for enhancement of efficiencies. So, for example, this year we have brought about some savings in our steam consumption. So, which will make additional bagasse available, but considering the fact that the bagasse prices have bit tapered down we are trying to maximize our power generation.
- Udip Gupta:** And sir one of the sugar companies had reported that their PPAs got terminated and then they shifted to market sale of power. So, they're doing much better than that. So, anything of the sort for us is going to happen in the near future?

- Vijay Banka:** Our terminal date is way ahead. So, we don't have to worry we'll keep supplying to the power corporation because we have at least a stable and reliable buyer though the prices maybe little lower, but here there can be some big swings in the price. So, it's a little risky proposition.
- Moderator:** Thank you. The next question is from the line of Mr. Ajinkya Jadhav from Dolat Capital. Please go ahead sir.
- Ajinkya Jadhav:** I have a couple of questions. So, looking at the current restrictions on ethanol to be made from B-Heavy and syrup. So, if we are planning future CAPEXs what will be our strategy to go with the let's say grain FCI or like which route we will target for the future CAPEXs?
- Vijay Banka:** We expect the Government to go back to the ethanol blending program and carry it out with the same vigour and enthusiasm that they had done. It's just that the news of shortage in production came, and which resulted in Government restricting the ethanol procurement made out of juice and B-Heavy. So, we expect the Government to restore normalcy and we expect our distillery plants to be optimally operational once the normalcy returns.
- Ajinkya Jadhav:** So, should we assume that in the long term we won't be going for a grain-based route capacity?
- Vijay Banka:** No, we are examining, but now the option that is available to most sugar mills to use maize. Yes, it makes sense now to use maize, but these are all again subjected to big swings in the procurement price, there are big swings in the procurement price of be it maize and for example the rice again the FCI stopped giving rise to the distilleries. So they had to resort to buying it in the open market. So, there are a lot of complexities that's associated with that.
- Ajinkya Jadhav:** The second question is regarding the molasses levy obligation. So, in the last concall you said that like the UP Government treated B-Heavy and C-Heavy equally like they have done good in terms of like now the B-Heavy obligation is cut to 19%. So, as an industry is it are we trying to convince UP Government to put it way below that like below 19% for the year expense?
- Vijay Banka:** Yes, if the crushing numbers are good. You see eventually the Government is concerned with what is UP Government is concerned with how much of country liquor is required. So, they do the backward working. So, for that much country liquor how much is the feedstock that is required and then basis that they provide some cushion and then they determine the percentage.
- So, there is always a possibility that having determined this percentage also there is a possibility that they may not source the entire 19% or 26% as the case may be.
- Ajinkya Jadhav:** And considering the elections this year I think you will be expecting also the higher requirements for country liquor?
- Vijay Banka:** Yes, they must be expecting, but that has already been factored while determining it is 19% and 26%.

- Ajinkya Jadhav:** So, lesser chances to going down?
- Vijay Banka:** Yes.
- Ajinkya Jadhav:** The next question is regarding the red rot. So, as you mentioned that the severity of this red rot in the Bijnor district is high currently. So, compared to what we have seen in the past year, how do you see at the situation like is it the highest or like how should we take it?
- Vijay Banka:** It's very high because the ratoon crop is severely impacted, but only one difference that we observe is when the red rot was impacted the Eastern and the Central UP it also impacted the recovery.
- Fortunately, it has not impacted the recovery in Bijnor district, the recovery continues to be as good as it was before the red rot impact was there. So, yes, now the farmers are also very enthusiastic about changing the variety, having understood that this variety 238 has perhaps outlived its utility.
- So, it's going to be a very collaborative exercise. So, we expect in 2 years, 3 years' time we will be able to bring about significant change in the varietal mix there.
- Ajinkya Jadhav:** And then my final question is regarding like if as you said the ISMA will come up with its projections for the sugar production this year and if the Government gets convinced like we should provide some relief for ethanol production from B-Heavy like can we expect the ethanol prices from B-Heavy and syrup to go up because they have like the Government have kept the prices same YoY, so can we expect price revision there?
- Vijay Banka:** Yes. There can be because even at old price also it makes eminent sense to make ethanol out of that because the sugar prices as of now are 3,800 and we have every reason to believe that there will be around 3,800, but when the Government revisits this ethanol building program and wants to encourage it, I'm sure our request for enhancement of price also may be considered favorably.
- Moderator:** Thank you. The next question is from the line of Sanjeev Damani from Skd consultants. Please go ahead.
- Sanjeev Damani:** Actually, I am bit late in joining, so my first question was regarding the yield that we have got in the first 3 months in this quarter because I tried to search it, but nowhere I found the figure of the yield recovery?
- Vijay Banka:** Gross recovery is 11.05% vis-à-vis 11.11% in the corresponding quarter last year.
- Sanjeev Damani:** Last year and this is sir without B-Heavy, this is recovery is?

Vijay Banka: No, this is gross recovery. This is after factoring for juice diversion, whatever sugar sacrifice we make on account of juice, whatever sacrifice we make on account of B-Heavy this is factoring for all that.

Sanjeev Damani: I just now heard that this red rot has not affected the recovery, but the crop will be somewhat lower than last year, or we are planning to crush last year quantum or are we going to get more quantum for crushing this year?

Vijay Banka: No sir red rot has played havoc with the yields of the farmers. So, far as ratoon crop is concerned they have suffered a huge set back, but plant cane has just about started coming. So, we will wait and see how is the yield in the plant crop, but yes the crushing numbers are going to be impacted because of four reasons.

Number one because the yields are lower because of the rains, because of red rot and there are two other factors which will be responsible for lower crushing. Number one is the coming up of another unit in that district, so it will take a while for cane harvest to go up and then the rates offered by the Kolhu and Khandsari sugar manufacturers for cane is very high. So, these are a host of factors which are playing out on the cane availability. So, we will have to wait and see.

Sanjeev Damani: And sir regarding export of molasses has been banned. So, in any way it is going to help our company get more molasses from outside for processing?

Vijay Banka: No sir as of now we are not buying. We are evaluating all such proposals whether we should buy molasses and maximize our distillation capacity, we are constantly on the watch in so far as all these factors are concerned.

Sanjeev Damani: Can you for my understanding tell me that this red rot is a problem only in the Western part of the UP or it is for the entire state?

Vijay Banka: Sir it first started in East UP then spread to Central UP and now gone to the Western UP. So, Eastern UP was the first to bring about the varietal change followed by Central UP and now the Western UP is also going to replicate this.

So, as I mentioned in one of my remarks earlier, you see the farmers unless they are directly impacted, are not very enthusiastic participants in the varietal change program. So, once the yield suffers a setback that is when you see them making efforts, joining our efforts, we are making efforts all the time, but they join us only when their yield starts taking a beating.

Sanjeev Damani: But about this red rot sir some of the Western units who are holding the con-calls, they have not talked about it. I mean so is it that your districts are ahead of the Meerut and all these districts?

Vijay Banka: Bijnor district as such is in the West of Central or one can say East of Western. So, maybe it's a question of time.

- Sanjeev Damani:** Can you tell us whether Triveni or Dhampur Bio etcetera, they are also going to get affected?
- Vijay Banka:** Yes sir sooner or later they will be affected.
- Sanjeev Damani:** Some problem will be there with them also?
- Vijay Banka:** Yes.
- Moderator:** Thank you. The next question is from the line of Rishabh Shah from Dalal & Broacha. Please go ahead.
- Rishabh Shah:** I just have a slight doubt that is it too early to ask regarding how much B-Heavy molasses will be stored for offseason for making ethanol or sugar and if not then can you give some guidance over that it would be very helpful?
- Vijay Banka:** It's too early sir. Firstly, we will have to have some clarity on our crushing numbers. Once we have some clarity and then it will evidently decide what we will be making -- there are various constraints within which we are operating.
- Number one, the Government has restricted the quantity of ethanol that they will lift which will be by using B-Heavy molasses as feedstock to the quantity that we had initially offered number
- So, number two we are yet to have more clarity on the crushing numbers. So, it's a very dynamic situation as we go ahead as and when there is more clarity and then thirdly like I said we are again going to request the Government to restore the ethanol blending program now that the production numbers seem to be reasonably on the higher side. Only then we will have more clarity.
- As far as our plant capacities are concerned we have enough flexibility. We can use juice, we can use B-Heavy molasses, we can use C-Heavy molasses, all can be used for generating ethanol.
- Rishabh Shah:** And also, I want to ask that the previous call you had mentioned that we aren't going to go through grain division for producing ethanol in offseason. So, is that still on?
- Vijay Banka:** We are constantly evaluating all such proposals. As of now, we feel that the capital cost is a little too much on the higher side as compared to the benefits that are going to accrue and secondly this program has received only a pause as of now ethanol blending program and we do hope that our distilleries will be up & operational on full capacity basis very shortly.
- Moderator:** Thank you. As there are no further questions. I would now like to hand the conference over to Mr. Vijay Banka for closing comments.



*Dwarikesh Sugar Industries Limited
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Vijay Banka: Thank you very much friends. Thank you for participating in this earning call conference and asking questions. It was a great pleasure interacting with you all and sharing our thoughts and our plan of action.

We look forward to your continued support and we once again thank you for the confidence and trust that you have reposed in us. I would ask my colleague, Mr. B. J. Maheshwari to make any comments, if he has any.

B. J. Maheshwari: I thank each and every one of you for your active participation in this Earning Call. I look forward to again meet you in the next conference call. Thank you.

Vijay Banka: Thank you so much.

Moderator: Thank you. On behalf of Dolat Capital that concludes this conference. Thank you for joining us and you may now disconnect your lines.