



“Dwarikesh Sugar Industries Limited
Q4 FY’25 Earnings Conference Call”
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MODERATOR: **MR. SANJAY MANYAL -- DAM CAPITAL ADVISORS
LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY '25 Earnings Call of Dwarikesh Sugar Industries hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sanjay Manyal from DAM Capital Advisors Limited. Thank you, and over to you, sir.

Sanjay Manyal: Thank you. Hello, everyone. On behalf of DAM Capital, I would like to thank the management of Dwarikesh Sugar for giving us the opportunity to host their Q4 FY '25 earnings conference call. From the management team, we have Mr. Vijay Banka, Managing Director; and Mr. B.J. Maheshwari, Managing Director, Company Secretary and Chief Compliance Officer.

Now I hand over the call to the management for the opening remarks, followed by Q&A session. Thank you, and over to you, sir.

Vijay Banka: Good afternoon, everyone. I welcome you all to our Q4 FY '25 earnings call conference. Our results were in the public domain yesterday. We had a very impressive fourth quarter wherein we earned profit before tax of INR 87.63 crores and profit after tax of INR 46.33 crores. This is as compared to PBT of INR 55.80 crores and a PAT of INR 22.89 crores, respectively, which we had earned during the last corresponding quarter in FY '24.

So it was, all in all, a good performance in so far as the fourth quarter is concerned. However, on a yearly basis, our performance was not as much as we would have expected it to be. I'll explain to you the reasons as we go forward.

Let me just quickly take you through the numbers. Our income -- total income during the quarter was INR 459 crores. And during the full year, it was at INR 1,365 crores, which is as compared to last year same quarter, our total income was INR 382 crores. However, for full year, our total income was INR 1,721 crores.

Our EBITDA during the quarter was INR 107 crores, vis-a-vis INR 75.30 crores in the corresponding quarter last year. On full year basis, of course, our EBITDA is lower. It's about INR 120 crores, vis-a-vis INR 217 crores of the last financial year. I've already taken you through PBT and the PAT numbers.

I'll just talk about the salient features of this quarter. During this quarter, we sold about 5.79 lakh quintals of sugar as compared to 5.69 lakh quintals of sugar, which we had sold in the corresponding quarter last year. So there is an increase of about 0.10 lakh quintals sugar sold during this quarter. Our average realization during this quarter was INR 3,957, which is almost INR 200 more than what we had realized in the corresponding quarter last year.

On a full year basis, we sold 23.50 lakh quintals as compared to 27.52 lakh quintals that we had sold in the last financial year. Average realization was INR 3,834 -- which is as compared to INR 3,707 during the last financial year. So realization has improved by about INR 127 a quintal.

Sugar stock as on March 31, '25, was 15.79 lakh quintals as compared to 18.31 lakh quintals that we carried on the same date last year. Sugar stock was valued at -- sugar stock on March 31, '25, valued at INR 3,727 per quintal.

Let me talk about the sale of industrial alcohol, during this quarter, we sold more than 3 crore liters of industrial alcohol as compared to 2.11 crore liters that we had sold in the corresponding quarter last year. However, on a full year basis, our sales is 6 crores 5 lakh liters, vis-a-vis 9.44 crore liters that we had sold in the previous financial year. So we have a lot of ethanol that we sold during the quarter, and as well as the financial year was made from sugarcane juice directly.

I'll just take you through the numbers. During FY -- 2.69 crore liter was produced directly from sugarcane juice, an increase from 2.09 crore liters that we had produced in the last year because last year, as you would recall, there was a ban on the - when the season began, the government had imposed a ban on the use of juice and the syrup for making ethanol, and it placed restriction on use of B-heavy molasses also.

So to talk what led to these numbers, in this quarter, of course, as I mentioned, we have sold slightly more sugar. However, the prices were much better. In so far as ethanol is concerned, again, we have sold -- our quantities of ethanol sold has been much better. But on full year, again, there is -- the performance has not been so much satisfactory.

One of the main reasons for this is that in the last financial year, our crushing was 367 lakh quintals, whereas in this financial year, our crushing has been only 263 lakh quintals. So there is a big drop in the crushing. So in the last financial year, although -- here, we have to draw a distinction between the financial year and the sugar season because those periods do not actually coincide. The financial year actually has an overlap of 2 seasons sometimes.

So in the last financial year, we have had the benefit of carried forward stock -- carry forward crushing operation of the previous season. We crushed nearly 98.51 lakh quintals of sugarcane, which actually pertained to the season '22, '23. So in so far as season is concerned, our numbers are virtually the same. In '23, '24, we had crushed about 268 lakh quintals of sugarcane, whereas this year also, we have crushed similar quantity

Since crushing was lesser during the financial year, so was the generation of molasses also. So lesser the crushing, lesser the generation of molasses. And lesser the generation of molasses, lesser the ethanol production. So it impacted both sugar production and sugar sales as well as the molasses generation and ethanol sales. So this is what explains mainly the reason for full year drop in the profitability that we have seen and also the drop in top line that we have seen.

And we have had in the fourth quarter also the benefit of swapping our export quota with the domestic quota. A part of the benefit by way of more releases was received in this quarter.

This fourth quarter performance gives us a sense of optimism as we go forward because we had done a lot of work on the varietal development. As you would perhaps be aware, UP -- all the sugar mills -- sugar companies in UP have weathered this onslaught of Red Rot. So some mills, for example, in the Eastern UP, they suffered the Red Rot problem earlier than us, whereas we have had to face this problem in the Bareilly unit earlier than in our Bijnor district units.

So Red Rot has had devastating effect on the crop. Say from acre of land, for example, if -- just for example, if 50 tons of sugarcane was available earlier because of the Red Rot impact the yields were also impacted 50 tons became almost less than 20 to 25 tons. So not only the yield suffered, so did the recovery. Since the yield suffered, the cane availability was also significantly lesser.

However, we have managed our finances well -- we have exercised tight financial discipline. We have exercised total control over our operations, and we are able to rein in our costs. So this should benefit us in the times to come.

Our loan profile is lean and trim. We have total outstanding loans of -- long-term outstanding loans of INR147.45 crores. So we have repaid all our debt obligations on time. And our cash credit utilization is also need based, and we have not overstretched our finances anywhere.

The strong balance sheet is pretty strong and -- which is -- we expect the coming season to be a better. Seasons going forward will be better because we have carried out a lot of developmental -- cane development activities in all our 3 units.

Co 0238, which actually led the renaissance of sugar industry in UP, has outlived its utility. It's become very susceptible, very prone to the Red Rot attack. And almost all companies -- all sugar mills are suffering because of this. And a lot of new varieties have come in. We are introducing them.

In our Bareilly unit, for example, next year, we will have 238 -- we will not have any quantity of 0238 left there in the next season. However, in Bijnor district, where the problem began a year or 2 later, we will have -- the ratoon crop will be that of 0238. However, nearly 60% of our cane would be non-0238 in these 2 units. Then the next season 2026-27 here again, we will be free from -- we would have totally eliminated 0238 from our program.

And of course, yes, crushing numbers will then be good. If cane availability is good, crushing will be good, so will the production of sugar and so will the production of ethanol. So we should see the impact of all this in the coming seasons.

Our rating continues to be good. We are rated AA- by ICRA, and we retain our highest rating of A1+ for our commercial paper program. The crushing was less, and that was the main problem, mainly due to cane availability. So a lot of effort is going on, and we do expect better results in the coming times. Thank you very much.

And yes, let me just also talk about the macro numbers. ISMA has estimated that total sugar production during the season '24, '25 in the country to be about 26.4 million tons, so -- which is significantly lesser than what we had produced last year, which is what is perhaps the reason for improvement in the sugar prices.

Sugar prices are hovering around INR 4,000 a quintal. So for most part of the last financial year, the sugar prices were around INR 3,800. But in the fourth quarter, it received the surge, and the prices are firm at around INR 4,000 a quintal. And going forward, we expect the prices to be reasonable.

It all augurs well for the sugar industry. Government's policy export -- government had allowed export of 1 million tons. So ethanol building program has also been revived, although there was no increase granted insofar as the procurement price of ethanol produced out of B-heavy molasses and cane juice was concerned. So that was one area where we didn't get the desired support from the government. Otherwise, governments, both at the central and the state level, have been very, very supportive.

Thank you very much. I look forward to answering your questions. Thank you very much.

Moderator: The first question comes from the line of Sanjay Manyal from DAM Capital Advisors.

Sanjay Manyal: Yes. So just want to understand on a consolidated sort of a number, Co 0238 dependency, what would be for the next season and probably on a consolidated basis? And how much sort of sugarcane you will be diverting towards the ethanol, if I see combined syrup plus B-heavy?

Vijay Banka: Well, so far as the percentage of non-0238 is concerned, on a consolidated basis, we should have about 70% of the supply of non-0238 because Bareilly unit will have -- it will be totally free from 0238. However, in the other 2 units, like I mentioned, the ratoon crop will be that of 0238, which will get eliminated in the season thereafter which means in season of 26-'27. In season 25-26, we will have ratoon crop of 0238 in both our Bijnor district units.

In so far as diversion of juice directly for making ethanol is concerned, we will wait for the government to announce the procurement price of ethanol because, last year, the procurement price was not increased in spite of there being 2 increases in the F&RP. It is actually supposed to be linked to the F&RP. However, no increase was granted. And what was decided 2 seasons ago continued to be the procurement price of ethanol.

If the sugar prices are good, that will be a dynamic situation. If the sugar prices are good, sugar prices are let's say, at the current level, we will, of course, be interested in making more sugar than making ethanol out of sugar cane juice given the fact that government may not increase the prices of ethanol. However, if the government increases the procurement price of sugar, we will evaluate the situation at that point in time and take a call.

Sanjay Manyal:

Right, right, sir. And so -- and in terms of recovery in crushing, so I think we have a flattish kind of a crushing this season. And recovery was also, I believe, lower. Is it because of the -- largely because of the non-0238 variety basically, where -- which is stretching a lower recovery? And how should we see the recovery -- gross recovery number next season?

Vijay Banka:

Of course, 238 was a win-win variety. It gave good results to the farmers in so far as the yield is concerned, and it gave good results to the sugar mill in so far as the recovery is concerned.

I would like to view the recovery of the last season as an aberration because last season, generally across UP, all sugar mills have had to face this phenomenon of lower recovery. This could be mainly because of the weather condition also. And yes, we are yet to arrive at a win-win variety. A lot of varieties are being tried.

118 seems to be catching up and is becoming more popular both with the farmers and the sugar mills, 15021, a couple of other varieties are also being tried. I'm sure by next season, we will have a variety, which is as good as 0238 in so far as both yield and recovery is concerned.

Sanjay Manyal:

Right, right, sir. And sir, any sense on the crushing number if it could be -- if we can reach, until what time or until -- in how many years we'll reach to previous highs or close to that number, if it is possible?

Vijay Banka:

So in season 25-26, definitely, we will be much, much better than what we have achieved in this season. In 26-27, we should get back our momentum.

Moderator:

The next question comes from the line of Dhvaneet from Savla Family Office.

Dhvaneet:

Yes. First of all, a pretty good set of numbers considering a tough year which we have had. My -- I just had like a couple of questions. Firstly, looking at the season going forward, is it fair to say that the worst is behind us? And probably, if not by this financial year, but by next financial year, we should be -- probably be in a much better state than we were previously.

Vijay Banka:

Yes, of course. Yes. The worst is behind us.

Dhvaneet:

Okay. And in terms of -- my second question is in terms of the ethanol pricing. Are we actually looking at any signals from the government saying that the pricing might be revised on account of there being an increase in the F&RP, but there has been no increase in the ethanol price?

So is there any conversation going around currently with the government? And if there is a revision, then by when can it actually be seen in the numbers? Which quarter will actually we get to see those numbers coming in?

Vijay Banka: So actually, industry association is in constant dialogue with the government for ethanol pricing. We have been appealing to the government regularly, and we've been meeting the concerned officials also regularly. So this is an ongoing process.

To begin with, as the season commences, we would like to stretch our distillery facilities and try to use juice for ethanol. Normally, these prices are announced sometime around October or November. So last year, there was delay to begin with. We will start using juice, but if the indications are not so good, then maybe we will try to maximize sugar production. So it will be a call that we all will take some time in the month of September or October.

Moderator: The next question comes from the line of Janish Shah, an individual investor.

Janish Shah: Yes. Just a couple of questions. One, on the cost of production, I mean, at the end of the year, how much is the quantity we are carrying right now and if we got inventory? And second is for fulfillment, what is...

Vijay Banka: I'm sorry. Your voice is not clear. I'm not able to hear you. Can you repeat your question, sir?

Janish Shah: Yes, yes. Is it okay?

Vijay Banka: Yes, better.

Janish Shah: So my question is, one is how much is the quantity we are carrying right now in terms of inventory? And second is what is the value, basically the cost of carrying those inventory for quintal or for term time, that is the question?

Vijay Banka: We are carrying about 15.79 lakh quintals of sugar. That is the stock, which was there on March 31, 2025, and the same is valued at INR 3,727 per quintal.

Janish Shah: Okay. And given that -- I mean, today, the -- it is more profitable to convert into sugar rather than ethanol -- I mean, converting into an ethanol. How do you see the next season? I mean, do you feel about the inventory levels where -- in the sugar and the production level in ethanol, how are they -- these are going to balance out in the industry as you are already indicating that probably you may not go for producing ethanol, so -- at the current price?

So how do you -- how are the economics are balanced now, what you're looking at, both in ethanol and sugar? And what is your expectation for the next season about the production levels and also especially a price trend in sugar?

Because I think the industry has seen, I mean, a reasonably good lower level of inventory in sugar for -- I mean, after maybe like 4 or 5 years. That's where -- generally, in the past, when you have less than 3 months of sugar inventory, that's where the pricing -- price increases

generally have been quite steep. And so far, it has not been, but what is your expectation with regard to that? It will be helpful to hear out from you.

Vijay Banka:

Sir, there are multiple factors, which are involved in this. Number one, although the sugar production this year has been lower, the general expectations based on whatever the prediction about the monsoon is there is that the next year is going to be a good -- sugarcane crop is expected to be good. If sugarcane crop is expected to be good, then obviously, the sugar production will be good.

But government will view the entire situation as -- it's a dynamic situation. For example, the monsoon hasn't yet started. So once the monsoon ends, government will have a fair idea. Industry association will also have a fair idea as to what the production for the next year is going to be.

Now assuming production for the next year -- let's just take an example. Assuming production for the next year is going to be good, then government may perhaps try and encourage us to produce more ethanol by giving incentives -- I mean, like the incentive of increasing the price, which was held up for the last 2 seasons. So that may perhaps be granted.

And government may also allow exports, and that is how they would want the prices to be reasonable. And assuming the production is not good in the coming season, then the government will perhaps -- although we've been appealing to the government to increase the ethanol price. And they may take a call differently when the time comes.

And so it all depends on what kind of production numbers emerge post the monsoons. So depending on that, the policies are, more or less, tweaked based on the production estimates. And accordingly, we will tweak our production plans.

Janish Shah:

Okay. And if I -- I mean, is it possible for you to give just one probably a common metric just as about to -- about what is the average realization per quintal of sugarcane crush that you had? And basically, the gross margin on the sugarcane crush during last season, if that is an indication as to how we can see the -- and the normalized level which you expect probably in the next season, I guess, helped a little bit.

Because that will probably give us some bit of an understanding as to what the normal profitability for this entire business would look like in a coming -- I mean, on a more 2-, 3-year sustainable basis rather than just looking at this in a more fluctuating manner.

Vijay Banka:

The profitability of the company is dependent on multiple factors. So what kind of transfer prices, what is the prevailing price of bagasse, for example, because bagasse is a fuel which is used. So -- and what is the molasses -- if your question is what is the trade-off -- cutoff point where we decide we should produce more sugar rather than ethanol, it's around INR 3,800 to INR 3,900. At that point in time, if the sugar prices are better than that we try and maximize our sugar production. Otherwise, we generate ethanol directly from juice given the existing prices of ethanol.

If the prices get better, again, the equation will undergo a change. So it's difficult to say the profit of sugar mill -- sugar company is not just dependent on the sugar profit. It's also dependent on the ethanol profit. So a host of factors play important role here. As I said earlier also, we will have to take calls at the right time in the right manner.

Moderator: The next question comes from the line of Vipul Sanghvi from Systematix.

Vipul Sanghvi: Sir, can you just throw some light on what is the current global demand-supply equation? What kind of sugar demand-supply situation in terms of deficit?

Vijay Banka: Yes. Sir, last season was a deficit season. Yes, last season -- you see, we have various estimates being prepared by agencies. Different agencies come out with their own estimates.

So I'm talking about the estimate, which has been last compiled by ISO. So they have estimated in season 24-25 production -- the global sugar production number to be 174.79 million metric tons and consumption around 180 million tons. They have actually estimated a deficit of 5.466 crores.

They keep changing every month, these estimates, they undergo changes depending on what fresh inputs they get. The season 24-25 is for sure going to be a deficit season globally. Season 25-26, again, the expectations are there could be good crop. Let me talk about why Season 24-25 was deficit season.

Because the production estimates from India, Thailand and some of these Asian countries, went haywire. Although Brazil had a fairly decent crop, but that was already factored. In season 25-26, the crop is expected to be good from India, Thailand as well as Brazil. So it's expected that the next season 25-26 will be a surplus season. How much surplus? Difficult to say at this point in time, but not a very large surplus.

The global prices have already factored for the increase in the production in the coming season. Raw is traded at around 17.5 per pound and white sugar is traded at almost about USD 490 per metric ton. We don't expect any downward pressure on the global sugar prices. So this is how we look at the global situation now.

Vipul Sanghvi: Right, right. And sir, in terms of number of crushing days, '24, '25 would be one of the lowest in last several years.

Vijay Banka: Yes, sir, 23-24, our crushing -- let me talk about the season. 23-24, we crushed 268 lakh quintals. And in 24 -25 also, we crushed similar quantity of sugarcane. So these seasons have been the lowest in our -- not the history because, earlier, we started operation with one unit. Then we went to the second unit and the third unit.

But after all 3 units have been -- in the third unit also, production took some time. Crushing took some time, too. Cane availability became more only after a couple of seasons. But in the recent history, these two seasons numbers are the lowest

- Vipul Sanghvi:** I was asking from the perspective number of days gives you the right picture, right, versus the quarter.
- Vijay Banka:** Yes. But the recent history post season 15-16, I think these 2 seasons have been very challenging and difficult for us.
- Vipul Sanghvi:** Very true, very true. And sir, secondly, on this -- now we have read some press about the next ethanol blending target after having reached close to 20%. There is a talk of about 30% blending by '28 or '29. Have you been hearing anything on this from the government? Or is there...
- Vijay Banka:** Government is presently more keen to achieve this 20% target. Of course, they have been talking about increasing that target, but there has been no concrete announcement so far.
- Vipul Sanghvi:** Right, right, right. Because this being the second year of no revision in the ethanol prices comes -- and when you have target likely going upwards from here, it's a bit counterintuitive in that context, sir.
- Vijay Banka:** Yes, already in the ongoing season, 18% blending has been achieved. Last year, it was 14.7% blending, which was achieved. In the ongoing season, already 18% -- more than 18% blending has been achieved. So we do expect 20% blending will happen by the end of this ethanol year.
- Moderator:** The next question comes from the line of Pratik Tholiya from Systematix.
- Pratik Tholiya:** Congrats on good set of numbers. Sir, just continuing on the previous question. So if we are expecting a surplus globally and also in India, so how do you see the export kind of targets of government? And right now, we have 1 million tons sort of export. But if prices again become unfavorable in the global market and if you're also expecting a good healthy crop in domestic market, then where will the surplus get evacuated?
- And also because the ethanol prices have not gone up since the last 2 years. So if it continues - the same trend continues on ethanol front, then what will -- what is really going to -- how do the industry want to take it forward? How the surplus will be evacuated?
- Vijay Banka:** Present global prices have already factored for larger sugar production, both in India as well as the world. So any downward revision in the estimate of sugar production in the coming season, we'll see the prices going up.
- And considering the fact that -- considering the dollar-rupee parity, I think -- of course, we would want the prices to be better, but the current prices also exports will happen. And the government has 2 tools in its hands basically to regulate the entire scenario.
- Number one, ethanol blending program. They can give perhaps more impetus to that. And secondly, allowability of exports. So they have both the tools in hands, and they can -- any which ways, depending on the situation, then they'll perhaps take a decision.

- Pratik Tholiya:** Okay. And sir, secondly, on the overall ethanol guidance, I just wanted some numbers. What is your likely production and targets for FY '26 and FY '27?
- Vijay Banka:** Sir, FY '26 is as I had mentioned earlier going to be only a little bit of replication of the FY '25 insofar as the crushing numbers are concerned because we have had hardly any crushing of Season 24-25 season in FY 26.
- Just about our Bundki plant, which is in Bijnor district, it had crushing operation for about 8 -- 7 or 8 days in the month of April. So our crushing numbers, slightly, they're going to be better, but not significantly better than FY 24-25. However, the season 25-26 cane availability as well as the crushing number as well as the production will be much better than season 24-25.
- Pratik Tholiya:** So I'm asking on the guidance on the volume trends for ethanol.
- Vijay Banka:** Sorry, sir?
- Pratik Tholiya:** Ethanol volume guidance for FY '26 and FY '27.
- Vijay Banka:** FY 25-26 volumes are going to be better than FY 24-25, but not the kind of volumes that we achieved in the previous financial year. In the previous financial year, we sold -- produced and sold more than 9 crore liters of ethanol. Which number or perhaps number higher than that, we will achieve in 25-26
- Vijay Banka:** I think since there are no further questions, we can conclude.
- Moderator:** Sure. Ladies and gentlemen, as there are no further questions for today, I would like to hand the conference over to the management for the closing comments.
- Vijay Banka:** Thank you, everyone, for participating in this earnings call conference. Your continued support is what we look forward to and which provides us the inspiration to perform better.
- As we discussed, the last 2 seasons have been very extremely challenging. And -- but we have almost weathered the storm. And going forward, we should have better & more cane availability and, hence, better crushing numbers. And all the matrixes will accordingly undergo a change. And let me repeat, we should get back our momentum in the coming seasons as well as the financial years.
- Thank you very much. Thank you once again. And I would ask my colleague, Mr. Maheshwari, to say a few words.
- Maheshwari:** Thanks, everyone, for your active participation, and we look forward to your continued support in the times to come. Thank you so much.
- Moderator:** Ladies and gentlemen, on behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.



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Maheshwari: Thank you.

Vijay Banka: Thank you, thank you.