Chairman's Speech
32^{nd} Annual General Meeting
Dwarikesh Sugar Industries Limited

Ladies and Gentlemen,

Good afternoon and a very warm welcome to all our esteemed shareholders, colleagues, bankers, customers, business associates and friends.

It gives me immense pleasure to welcome you to the 32^{nd} Annual General Meeting of Dwarikesh Sugar Industries Limited. On behalf of the Board of Directors, I extend my heartfelt gratitude for your continued trust, confidence and unwavering support.

Every year brings its own opportunities and challenges. While some years reward favourable circumstances, others test an organisation's resilience and character. Financial Year 2025–26 was undoubtedly one such year. Lower sugarcane availability, erratic weather, subdued global sugar prices and policy uncertainties created a demanding operating environment. Yet, through discipline, adaptability and perseverance, your Company remained firmly focused on long-term value creation.

It is for this reason that we have chosen "Tenacity" as the theme of this year's Annual Report. To us, tenacity is not merely about enduring difficult times; it is about responding with courage, adapting with agility and continuing to move forward with confidence. I am pleased to say that your Company demonstrated these qualities throughout the year.

Performance During the Year

The most significant challenge during the year was the decline in sugarcane availability. Sugarcane crushing across our three units fell by about 7.5%, reflecting lower cane yields, particularly in Bijnor district, where excessive rainfall and the transition from the highly successful Co 0238 variety affected productivity.

Despite processing less cane, we achieved higher gross sugar recoveries at 11.38%. Favourable weather during the crop maturity phase improved sucrose accumulation, enabling us to extract more sugar from every tonne of cane crushed. Consequently, our sugar production increased by over 13% during the year, supported by improved recovery and the absence of diversion of sugarcane juice towards ethanol production.

This performance reflects the operational excellence of our manufacturing facilities, the dedication of our technical teams and, above all, the relentless efforts of our cane development department, which continues to work closely with farmers to improve productivity and recovery.

The year reinforced an important lesson: while weather and policy are beyond our control, operational efficiency, disciplined execution and continuous improvement remain firmly within our control.

Financial Performance

Despite lower sugarcane availability and subdued distillery operations, revenue from operations remained broadly stable at around ₹1,402 crore.

Operating margins remained under pressure because lower cane availability resulted in under-utilisation of our sugar factories and distilleries, increasing per-unit production costs. In addition, ethanol procurement prices remained unchanged despite rising sugarcane costs.

Nevertheless, your Company reported a Profit After Tax of ₹ 30.84 crore, higher than the previous year, aided by lower tax incidence following our transition to the new tax regime.

Equally important, we continued to strengthen our financial position through prudent capital management.

During the year:

We generated cash accruals of ₹69 crore.
We repaid ₹55 crore of long-term debt, including the complete repayment of the term loan relating to the Dwarikesh Nagar distillery project.
Over the last four years, we have reduced borrowings by nearly ₹241 crore.
Our long-term debt-equity ratio improved further to an exceptionally comfortable 0.11.
Our interest coverage ratio was 5.57 times despite operating during one of the weakest phases of the agricultural cycle.

These achievements reflect disciplined financial management and have positioned the Company with a strong and resilient balance sheet, providing us with the flexibility to pursue future growth opportunities.

Supporting Farmers: The Foundation of Our Future

If the past two years have taught us one lesson, it is that the strength of a sugar company ultimately rests on the strength of its farming community.

When red rot emerged as a serious threat, we responded swiftly by accelerating the transition away from the vulnerable Co 0238 variety and promoting newer disease-resistant varieties. This progress has been possible because of the strong relationship we have built with our farmers over decades through timely cane payments, quality seed distribution, agronomic support and continuous engagement.

During the year, we disbursed nearly ₹953 crore to approximately 1.5 lakh farming families, helping sustain rural livelihoods despite difficult agricultural conditions.

Our e-Kisan digital platform, now serving more than 1.65 lakh registered farmers, continues to strengthen this partnership by delivering scientific farming practices and real-time advisory services directly to the field.

Sustainability and Responsible Growth

At Dwarikesh, sustainability is an integral part of our business strategy and long-term vision. Following the publication of our first Integrated Report last year, we continued to strengthen our ESG framework through measurable actions and responsible governance.

Today:

99.91% of our captive energy comes from renewable sources.
Our cogeneration facilities produced over 7.29 lakh Gigajoule of green energy, with nearly 47% exported to the state electricity grid.
All our distilleries continue to operate under a 100% Zero Liquid Discharge framework.
We captured over 35,000 metric tonnes of biogenic carbon dioxide for industrial use.
We maintained zero Scope 2 emissions across our operations.

Equally important are our people. We achieved an employee retention rate exceeding 90%, maintained a zero-incident safety record and continued investing in education, healthcare and rural development through our CSR initiatives.

For us, sustainability is not merely a compliance requirement; it is an investment in the long-term resilience of our business, our communities and the environment.

Distillery and Cogeneration

The distillery business remains a vital part of our integrated operations and long-term growth strategy.

However, the year posed significant challenges. Ethanol procurement prices for sugarcane juice and B-heavy molasses remained unchanged for the second consecutive year despite a substantial increase in sugarcane prices, making ethanol production less remunerative. Lower cane availability also resulted in reduced molasses generation and lower capacity utilisation.

Despite these constraints, our distilleries continued to operate efficiently within the prevailing policy framework.

Our cogeneration business also delivered a satisfactory performance. Although electricity exports declined marginally, revenues improved due to the retrospective revision in power tariffs. This once again demonstrates the strength of our integrated business model, which enables us to optimise value across multiple revenue streams.

Industry Outlook

The global sugar market has entered a new phase. Following a period of supply tightness, production has recovered across major sugar-producing countries, including Brazil, India and Thailand, resulting in lower international sugar prices. However, the outlook for Sugar Season 2026-27 remains tight, with the potential emergence of El Niño posing a risk to sugarcane production in key sugar-producing regions.

Within India, the industry faced lower than expected cane availability, weather-related disruptions, rising cane costs and unchanged ethanol procurement prices. Despite these challenges, India's ethanol blending programme remains one of the country's most transformative policy initiatives, with blending levels now approaching 20%.

The Government's long-term vision of progressing towards higher ethanol blends and wider adoption of flex-fuel vehicles has the potential to strengthen India's energy security, reduce dependence on imported crude oil, lower carbon emissions and create sustainable opportunities for the sugar industry.

At the same time, concerns have been raised regarding vehicle compatibility, water usage and food security. Global experience, particularly in Brazil, demonstrates that higher ethanol blending can coexist successfully with food security and environmental sustainability. We believe continued scientific engagement and a stable, predictable policy framework will be critical for the long-term success of India's biofuel programme.

Equally encouraging has been the recent strengthening of domestic sugar prices. With India's sugar balance expected to tighten and weather uncertainties likely to influence future production, firmer sugar prices should improve industry cash flows, strengthen the financial position of sugar mills and support timely cane payments to farmers.

Looking Ahead

While the year under review was challenging, we remain optimistic about the future.

Our cane development initiatives continue unabated. We are actively promoting improved sugarcane varieties, expanding seed development programmes, strengthening farmer engagement and encouraging better agronomic practices. As these new varieties stabilise, we expect gradual improvements in both cane yields and sugar recovery. Your Company remains committed to improving operational efficiency, enhancing recoveries, optimising costs and strengthening every segment of our integrated value chain.

Our strategic priorities remain unchanged:

Improving operational efficiency.
Enhancing cane productivity and sugar recovery.
Optimising revenues across all business segments.
Maintaining a strong and disciplined balance sheet.
Exercising prudent capital allocation.
Driving continuous cost optimisation.

Creating sustainable long-term value for our shareholders.

These priorities have guided us successfully over the years and will continue to shape our decisions in the future.

Acknowledgements

Before I conclude, I would like to express my heartfelt appreciation to our cane growers. Their trust in Dwarikesh and their tireless efforts remain the foundation of our success. We remain committed to supporting them through timely payments, continuous cane development initiatives and the introduction of improved varieties that enhance productivity and farm incomes.

I also extend my sincere thanks to every member of the Dwarikesh family. Our employees have once again demonstrated exceptional dedication, professionalism and commitment, enabling the Company to navigate a difficult year with confidence and resilience.

I thank our customers, bankers, financial institutions, Government authorities, regulatory bodies, business associates and all our partners for their continued cooperation and support.

I wish to express my heartfelt gratitude to my colleagues on the Board, whose sagacious advice and unwavering support have guided us through this challenging period with resilience, dignity and confidence

Finally, I express my deepest gratitude to our shareholders. Your continued confidence inspires us to pursue higher standards of performance, governance and value creation.

As we enter the new financial year, we do so with optimism, confidence and a clear sense of purpose. Challenges will undoubtedly remain, but our journey over the past three decades has repeatedly shown that resilience, discipline and tenacity enable us not only to overcome adversity but to emerge stronger.

Thank you once again

G R Morarka
Executive Chairman