



“Dwarikesh Sugar Industries Limited  
Q2 FY’25 Earnings Conference Call”

October 29, 2024



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**VIJAY BANKA:**

**MR. VIJAY S. BANKA—MANAGING DIRECTOR –  
DWARIKESH SUGAR INDUSTRIES LIMITED  
MR. B. J. MAHESHWARI – MANAGING DIRECTOR  
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COMPANY SECRETARY CUM CHIEF COMPLIANCE  
OFFICER – DWARIKESH SUGAR INDUSTRIES  
LIMITED**

**MODERATOR:**

**MR. KRUSHNA PAREKH – DOLAT CAPITAL**

**Moderator:**

Ladies and gentlemen, good day and welcome to Dwarikesh Sugar Industries Q2 FY25 earnings conference call hosted by Dolat Capital. As a reminder, all participant line 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 and zero on your touch tone phone.

Please note that this conference is being recorded. I now hand over the conference to Mr. Krushna Parekh from Dolat Capital. Thank you and over to you, sir.

**Krushna Parekh:**

Thank you, Shifa. Good afternoon, everyone. On behalf of Dolat Capital, I would like to thank the management of Dwarikesh Sugar Industries for giving us the opportunity to host their Q2 FY25 earnings conference call. From the management team, we have with us today Mr. Vijay S. Banka, Managing Director, and Mr. B.J. Maheshwari, Managing Director and Company Secretary cum Chief Compliance Officer.

Without further ado, I would like to hand over the call to the management for their opening remarks, post which we'll open the forum for a Q&A session. Thank you and over to you, sir.

**Vijay Banka:**

Yes, very good afternoon. Thank you so much, Krushna. Welcome all the participants to the Q2 FY25 earnings call conference of our company. Our results were published yesterday and as you may have seen, the results are not very encouraging. Although, as we go along, I'll tell you what is likely to be the shape of the future.

In this particular quarter, we have incurred loss before tax of about INR 36 crores and loss after tax of about INR 24 crores and this is as compared to profit before tax of INR

15 crores that we made in the corresponding quarter last year Similarly, for half year also the numbers do not compare very well.

So, let me first quickly talk about the sugar scenario, the macro sugar scenario, in terms of how India is going to be faring in the coming season. So for the last season, the sugar production is pegged at 32 million tons. This is after factoring for a diversion of 2 million tons for ethanol, which means gross production was about 34 million tons.

In the coming season, gross sugar production is expected to be around 33.3 million tons. And this year, since the government has resumed the ethanol blending program, it is expected that 4 million tons will be diverted for ethanol production thus bringing down the net sugar production to about 29 million tons.

Stock position is extremely comfortable. Sugar Season 2023-24, we have ended with a closing stock of 9 million tons which means there is scope for allowing exports also. But I am sure government will perhaps wait and watch. They would like to have more clarity on the production levels for SS 2024-2025 before they make any announcement regarding exports.

As of now, the encouraging news is that ethanol blending program has been resumed and we will be able to tweak our production planning such that we can use juice / syrup during the season and during off-season, we can use B-heavy molasses.

During this quarter, we sold about 5.97 lakh quintals of sugar as compared to 7.19 lakh quintals in the corresponding quarter last year. Sugar was sold at a price of INR 3767 per quintal vis-à-vis INR 3696 per quintal in Q2 FY24. For half year, sugar sold, numbers are 12.72 lakh quintals as compared to 16.89 lakh quintals in H1 FY24.

In terms of price realization, the price realization has been little better as compared to the corresponding period last year. We were carrying a stock of about 5.59 lakh quintals as on the 30th September 2024 as compared to 2.68 lakh quintals that we carried on same date last year. Sugar stock is valued at INR 3383, the same rate at which it was valued at the end of Q1, 2025 and also the year ended to FY23-24.

Our total income has come down significantly because not only our sugar quantity that we sold was lesser, but industrial alcohol that we sold was also substantially lesser.

During the quarter, we sold about 31.54 lakh litres of ethanol and as compared to 2.87 crore litres that we sold in the corresponding quarter last year. So, you can see the turnover coming down, the total income coming down is mainly on account of lesser sugar sales, as well as lesser ethanol sales.

Our numbers were impacted during this quarter and half year because of the lesser quantity of sugar sold and ethanol sold was also lesser. So, these two have been the major factors contributing to the lesser turnover.

Then our crushing operation for season 2023-24 got over in the month of March itself across all three units. So, we have had no benefit of any crushing operation during the ongoing year. Resultantly it obviously had a cascading effect on our working and it has already had impact on this quarter's working. Molasses feedstock was not available for making ethanol. So, basically, the operations were curtailed because of lesser availability of sugarcane and therefore, shorter crushing season and which again resulted in lower availability of feedstock for ethanol production.

Our term loan profile continues to be very lean and trim. As on 30th September, we had the term loan outstanding of INR 177 crores, both the loans are in respect of loans taken by us for the distillery projects and our rating continues to be good. We are AA rated for our long-term loans and we are rated A1+ for our commercial paper programme.

As I was talking earlier, you know, the lower availability of sugarcane in season 2023-24 is what is responsible for level of operations that we have seen and that again is a result of red rot infestation that has happened across the command area of all our three units. We have fast-tracked our varietal replacement programme and we are also making a lot of efforts towards crop protection.

All these efforts will bear fruit in the coming season. So, we will see some partial recovery in the season of 2024-2025, which is about to commence. In fact, we are going to start crushing across all our three units on the 4<sup>th</sup> of November. But yes, full recovery, we will get back our mojo, we will get back our momentum in the season thereafter.

So, efforts are on and what is encouraging is that ethanol blending programme has been resumed. So, we will be able to utilise our distillery capacities also in a proper manner. We strongly believe the worst is behind us and going forward, we should see substantial improvement in our numbers.

Thank you very much. I open this house to all our friends who can now start asking questions.

**Moderator:**

Thank you very much, sir. We will now begin the question and answer session. We have the first question from Vikram Suryavanshi from Philip Capital. Please go ahead.

**Vikram Suryavanshi:**

Hello.

**Vijay Banka:**

Yes, sir. Good afternoon.

**Vikram Suryavanshi:**

Yes, good afternoon, sir. Sir, just wanted to confirm what was our total crushing in season we completed?

**Vijay Banka:** We crushed across 3 units, 268 lakh quintals in season '23-'24. This is as compared to 401 lakh quintals that we crushed in the previous season, which is '22-'23 season.

**Vikram Suryavanshi:** Got it. And what is the outlook because now we start season next few days in terms of cane development and...

**Vijay Banka:** No. Replacement of variety is a two-year program at least. In our Bareilly unit, we are going to experience significant change in our varietal balance. The other two units in Bijnor district where the red rot infestation / attack happened only during the last season. There the varietal replacement may perhaps take one more season. But having said that, I can say that, we will be able to see better utilization of our distillery capacities.

Our varietal balance should be much better than what it was last season. So, recovery should be definitely better than what it was in the last season. In terms of cane availability, we will have to wait and see as weather also could play a significant role. And there are multiple factors on which the cane availability is dependent. So, we will be able to have more clarity only as we go along.

**Vikram Suryavanshi:** Okay. And with this new variety, are they comparable in terms of yield and recovery compared to 238 or say one, two years down the line?

**Vijay Banka:** Yes, of course. See, there is this variety 118 which has become very popular. So, it is maybe not as good as 238, but it is definitely very close to 238. Then there are other varieties, 15203, 14201. These are all varieties which are in fact better than 238. So, combination of all these varieties, this is a phase which is evolving.

Going forward I am sure this time the industry will be wise, and they will not be dependent on one single variety. We will try and propagate more than two or three varieties. The Prime Minister has also released a few varieties for propagation. So, we are trying out one of that variety also, 16202. I do not think there is any problem in so far as adoption of new varieties is concerned, both in terms of yield as well as recovery.

**Vikram Suryavanshi:** And was there any meaningful diversion to liquor or food country because of the election and probably that also can help us to recover or that was not meaningful?

**Vijay Banka:** Yes, last season you see the molasses diversion was, I mean molasses that we were compelled to offer for levy sale purposes was substantially higher. It was 26% for C-heavy and 19% for B-heavy, which was subsequently reduced for B-heavy to 18% and commensurately for C-heavy which was reduced to around 24.86%. So, this year, there being no election, and having brought the grain distilleries also into the gamut of levy obligation also khandsari are also being covered. So, with this happening, our levy obligation percentage should definitely be coming down.

**Vikram Suryavanshi:** Okay. So, grain is also under levy obligation now?

- Vijay Banka:** Yes. They will have to give in the form of ENA and give the same to the country liquor producers.
- Vikram Suryavanshi:** Is there any percentage you can share, how is it significant for them?
- Vijay Banka:** No, we expect at least one or two percent lesser than what it was for last season.
- Vikram Suryavanshi:** Okay. And for us, I hope, I think, now the slurry capacity to decline will run during season with the juice for distillery and then probably B-heavy. So, broadly, how would be the mix for B-heavy and divergence?
- Vijay Banka:** No, we will do, during the season, we will do juice diversion, at two of our units where the distilleries are located. So, in the third unit where there is no distillery, we will generate B-heavy molasses from day one. In the other two units also, after diversion of juice, whatever molasses generation will happen, that will also be of B-heavy molasses.
- So, that way we will have a good quantity of B-heavy molasses available for running our distilleries during the off-season. Maybe we will not be able to run during the entire duration of off-season, but some part of the off-season definitely we will be able to run.
- Vikram Suryavanshi:** And any quantity which have tendered for OMCs under this supply?
- Vijay Banka:** We expect to supply more than 7 crore liters of ethanol totally, together, made from juice as well as from B-heavy molasses.
- Vikram Suryavanshi:** Okay. And any plan for this grain related as a long-term opportunity just to increase the flexibility of operations?
- Vijay Banka:** See, now the grain prices have shot through the roof recently. So, this is a very catch-22 kind of situation. So, we will take a call at the appropriate time.
- Vikram Suryavanshi:** Okay. But for us, it will be more like using existing infrastructure largely.
- Vijay Banka:** So, it will still require a capital outlay of about INR35 crores-INR40 crores.
- Vikram Suryavanshi:** Understood, sir.
- Vijay Banka:** Yes.
- Vikram Suryavanshi:** Okay. Yes, if there are no questions, I will come back in a little.
- Vijay Banka:** Sure, sir. Sure, sure. Thank you so much.
- Moderator:** Thank you, sir. Ladies and gentlemen, you may press star and one on your touch-tone phone if you wish to ask a question. Participants, please press star and one on your touch-tone phone if you wish to ask a question. We have a question from the line of Vikram Suryavanshi from PhillipCapital. Please go ahead.

- Vikram Suryavanshi:** Okay. Sir, I think there has been a talk or demand from the industry for increasing the ethanol prices. So, what is the demand and how, because already we are now close to starting of the season. So, any outlook on a mixed increase export or ethanol price side?
- Vijay Banka:** See, ethanol prices will definitely be increased. Now, last season, if you recall, they had not passed on the increase on account of FRP increase which is there this season as well. Ethanol price is directly correlated with the FRP price.
- So, they will have to, we expect government to give cognizance to the increase in the FRP last season as well as this season and work out a price for all the feedstock-based ethanol. So, we expect decent increase and as we understand the matter is under process, it may take some time, but definitely there will be price increase of ethanol. Exports, as I said, maybe the government would want to have more clarity on the production level.
- As of sugar, as the numbers indicate, as on date, it is expected that about 29 million tons of net sugar will be produced. So, if 29 million tons of net sugar is produced and if we add to that about 9 million tons of opening stock of sugar, so that makes it 38 million tons. And if the consumption is about 29 million tons, we are still left with about 9 million tons of sugar as closing stock, which is quite a comfortable number.
- So, it offers enough scope for the government to allow at least 2 million tons to 3 million tons of export. But as I said, perhaps the government may wait till January or so, January or February, before it takes a final decision in the matter.
- Vikram Suryavanshi:** All right. And I think there was no announcement for UP in terms of SAP when is increase for SAP.
- Vijay Banka:** No, last year the SAP was increased, so we do not expect any SAP increase this year.
- Vikram Suryavanshi:** Understood. So, for us, what would be the landing price broadly?
- Vijay Banka:** No, we, it is mostly the early variety that we buy. So, it is INR 370 rupees delivered per quintal delivered at Millgate.
- Vikram Suryavanshi:** Understood. I think that was really helpful, sir. Thank you.
- Vijay Banka:** Thank you. Thank you, sir.
- Moderator:** Thank you so much, sir. We have the next question from the line of Pratik Tholiya from Systematix. Please go ahead.
- Pratik Tholiya:** Yes. Good afternoon, sir. Good afternoon, sir.
- Vijay Banka:** How are you?

**Pratik Tholiya:** Good afternoon, sir. I am fine, sir. Thank you. How are you, sir?

**Vijay Banka:** I am good. I am good. Thank you, sir. Tell me, sir.

**Pratik Tholiya:** So, I just wanted to do one clarification. This is 7 crore liters of ethanol. It is for the season or for the financial year? Because if I see your presentation, you have done 1.5 crore liters in H1. So, this 7 crore, this is totally...

**Vijay Banka:** This is for the ethanol season

**Pratik Tholiya:** So, for FY '25 or for H2, how much are you planning to sell?

**Vijay Banka:** No, beginning from now, if we sell, more than 4 crore liters to be done within the financial year '24-'25. So, the balance will be done in financial year '25-'26. And then in that financial year, again, we will have opportunity to bid for the new season, which will start in November 2025.

**Pratik Tholiya:** Okay. I understood. That helps, sir. And, sir, secondly, what is the, talks around the price hikes of ethanol? Because it is almost now we are entering November.

**Vijay Banka:** We are very optimistic. We are very optimistic. We should expect to hear very shortly.

**Pratik Tholiya:** And, sir, any clarity on what sort of quantum can we expect?

**Vijay Banka:** Quantum of what?

**Pratik Tholiya:** I mean, what sort of price hikes can we expect?

**Vijay Banka:** What is being discussed in general is that there will be INR 4.5 per liter increase in the case of ethanol where feedstock used is juice because last year also they did not give any increase. So, they will have to factor for the FRP increase last year, as well as this year and about INR 3, INR 3.5 for ethanol where the feedstock used is B-heavy molasses. So, C-heavy, they have already given increase last year.

So, we do not expect any increase in the price of ethanol made out of C-heavy molasses. Eventually, government will just take a call as to how much, what kind of price increase they will give.

**Pratik Tholiya:** Okay. And, sir, can you give a breakup in terms of how much we are planning from juice and B-heavy?

**Vijay Banka:** More than 4 crores from juice and the rest from B-heavy.

**Pratik Tholiya:** That's it from my side, sir. Thank you so much.

**Vijay Banka:** Thank you, sir.



**Moderator:** Thank you so much, sir. We have the next question from Krushna Parekh from Dolat Capital. Please go ahead.

**Krushna Parekh:** Yes. So, I have a couple of questions. So, the red rot that we are affected by our Co-238 variety, so how much of our command area is under that irrigation?

**Vijay Banka:** So, you see, it happened in a sequence. Actually, first it hit the units which are or closer to the eastern UP state. I mean, it's actually in the central UP, which is the Bareilly unit. So, there the devastation happened two seasons ago. So, there now we have brought about a substantial change in our variety, varietal mix. So, there 238 will constitute only about 30% to 35% of the supplies coming in this season.

Whereas in the rest of the units, the Co-0238 will still be about 90%. But next year, the number will be substantially reduced. Next season, it will be same as what we have going to experience in our Bareilly unit, nearly 60% of non-Co-0238 variety and the rest will be Co-0238 variety.

**Krushna Parekh:** Okay. And, sir, in relation to the exports of sugar, are we expecting an export of sugar for the next season as there are enough surplus and now the restriction has been lifted?

**Vijay Banka:** No, you are right. Actually, there is enough stock in the system, but government would want more clarity on the production for the season 2024-25. So, they would perhaps, although there are indications that the gross production number would be more than 33 million tons, but government waits for some more clarity to come before they will take a decision on this.

**Krushna Parekh:** Okay. And the export realizations are similar to the domestic or they are slightly higher?

**Vijay Banka:** Yes, the export prices are very good actually because of the wildfires in Brazil, the export prices have, in fact, sometime in September, the prices went to as high as 23.68 cents per pound of raw sugar. The prices are reasonable. Even now, with some correction, the prices are at fairly decent levels.

**Krushna Parekh:** Okay. That is it from my side.

**Vijay Banka:** Thank you, sir.

**Moderator:** Thank you, sir. We have the next question from the line of Vikram Suryavanshi from Phillipcapital. Please go ahead.

**Vikram Suryavanshi:** Sorry, can you share again that inventory or what is the closing inventory right now? I think I missed that number.

**Vijay Banka:** Okay, you want the inventory as on the 30th September, right?

- Vikram Suryavanshi:** Yes, that's right, sir.
- Vijay Banka:** One moment. So, we were carrying about 5.59 lakh quintals of sugar as on the 30th September, which was valued at INR 3,383 per quintal.
- Vikram Suryavanshi:** INR 3,383, okay.
- Vijay Banka:** Yes.
- Vikram Suryavanshi:** Yes. Thank you very much, sir.
- Vijay Banka:** Okay, sir.
- Moderator:** Thank you so much, sir.
- Vijay Banka:** I think there are no more questions. So, we can conclude.
- Moderator:** As there are no further questions, I would now like to hand the conference over to management for closing comments.
- Vijay Banka:** Yes. Thank you everyone for participating in this earnings call conference and thank you very much for imposing confidence in us. I know the results have been a tad disappointing, but I can assure you that the worst is behind us and going forward, we should see substantial improvement in our varietal mix and recovery, etc. So, all efforts are being made to bring about varietal replacement and crop protection in our command area. These will obviously bear fruits in the times to come. Thank you very much.
- I hand over the forum to my colleague, Mr. Maheshwari, who may have a few words to say.
- B. J. Maheshwari:** Thanks everyone for your active participation and we look forward to see you again, meet you again in the next earnings call and we also hope that the times to come will be good for us. Thank you.
- Moderator:** Thank you. On behalf of Dolat Capital, that concludes this conference. Thank you for joining us. You may now disconnect your lines.