

# "Dwarikesh Sugar Limited Q3 FY2017 Results & Business Outlook Conference Call"

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- Moderator: Ladies and Gentlemen, good day and welcome to the Dwarikesh Sugar Limited Q3 FY2017 Results & Business Outlook Conference Call hosted by Dolat Capital. As a remainder, 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 Ms. Akshata Deshmukh from Dolat Capital. Thank you and over to you Madam!
- Akshata Deshmukh:Good evening to one and all. On behalf of Dolat Capital I welcome you all to the Q3 FY 2017<br/>earnings call of Dwarikesh Sugar Limited. We have from the management side Mr. Vijay Banka<br/>– the Whole Time Director & CFO of Dwarikesh Sugar. I would like to hand over the call to Mr.<br/>Banka and request you sir to give your opening remarks and also discuss the earnings and future<br/>outlook, which will be followed by a Q&A session. Over to you, Sir!
- Vijay S. Banka: Very good afternoon everybody. I extend a wholehearted welcome to all of you for this conference call on the earnings of Q3 and on the business outlook hereafter. Firstly let me thank you and thank you for the support you have been extending us throughout. It is an extremely overwhelming.

We have had a decent quarter. In Q3 we have earned a profit of about 42 Crores and cumulatively for nine months we have earned profit of 112 Crores approximately. The sugar sector is in the midst of decent run. Particularly the sugar mills of Uttar Pradesh who had been having an excellent production even in the ongoing season the crushing numbers are looking good, the recoveries also should be good, so we are in for a reasonably good time henceforth and insofar the Q3 numbers are concerned, our EBITDA has been around 56 Crores, cash profits in the region of 50 Crores and profit of about 42 Crores.

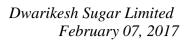
From the segment perspective if you look we have earned about EBTIDA is 37.48 Corers from power segment and sugar segment about 10.83 Crores. Sugar segment's profit could have been higher, but for two provisioning that we have to make in this quarter, one was in respect of society commission, which sugar to the government of Uttar Pradesh had waived, but they wanted us buy subsequent order they wanted us to pay this money. This money was paid it was actually we should have got back the reimbursement, which we have not got and the government has in pursuant of government order we have written it off.

The sugar industry in Uttar Pradesh was in for a wage revision. So there was wage revision are retrospectively from October 1, 2013, which again necessitated an extra provisioning of about 4 point something so about 11 Crores of it is on account of these two provisioning the sugar sectors profit are little lower, but going forward, our recoveries are good. In fact we are on to date recovery basis we are just about marginally behind what was our to date recovery in the last crushing season, but we expect to make it up and we should have good recovery.

Production numbers are looking good and we had crushed last season 210 lakh quintals of sugarcane and this year, we expect at least about 10% to 15% more crushing this year. By conservative estimate we should crush at least about 235 lakh quintals, but even the number could be little higher also and recoveries continue to be good.

The country's production is on the lower side. ISMA has estimated that we will be producing about 21.3 million tonnes, but UP is having a good run also the demonetization has got a good impact on the sugar industry in UP mainly because the sugarcane, which should have otherwise got diverted to Khandsari and the Jaggery manufacturers has not been diverted. These two sectors typically purchase sugarcane by paying cash, so they suffered a handicap but we also faced a little impact of demonetization because our sugar sale in the Q3 suffered, there was a setback on the sugar sale. We sold only about 5.23 lakh quintals of sugar and to begin with the realizations in the month of October were impressive more than 3600, but November and December the realization was in the lower side, but the momentum is back now. Our January realizations have been in excess of 3600 so things are looking good though. We on our part are constantly making efforts to enhance our efficiencies and improve our recoveries. That is about it. I will leave the floor open for questions.

- Moderator:Thank you Sir. Ladies and Gentlemen we will now begin the question and answer session. The<br/>first question is from the line of HR Gala from Panav Capital. Please go ahead.
- HR Gala: Congratulations for good set of numbers. Sir just wanted to know in the nine months what has been our yield?
- Vijay S. Banka: You mean the recovery Sir?
- HR Gala: Yes recoveries.
- Vijay S. Banka: We had some production in April, which actually is categorized for the season 2015-2016 because that was an extension of season is 2015-2016. In the current crushing season 2016-2017 our recoveries on till December 31, 2016 has been 10.77%, but it has improved over the last few days and if you ask me to date recovery I will just tell you the number, my to date recovery is the 11.07% and this is the time and the recovery starts improving, we get what is called as plant sugarcane and we have a extensive spread of early variety sugarcane so hereafter the recoveries get better only. To date recovery during the season is 11.07% it should get better in the next quarter.
- **HR Gala**: Fourth quarter it could be around 11.5% as we were earlier contemplating?
- Vijay S. Banka: We should get that kind of recovery. Last crushing season our total recovery was 11.73%. Our endeavor is to match that recovery, but you are right when you say March 31, yes March 31, we may not reach that 11.73% because in one of the plants are crushing is still be on going up to April. So by the time our crushing comes to a total for the season we should be closer to the



number of the last year. We are making all efforts, climate etc., some unforeseen circumstances we cannot predict.

- **HR Gala**: As you said Sir now the prices have been more than 3600 so that trend should continue for remaining one or two months?
- Vijay S. Banka:
   Yes it should continue. You see internationally the prices are good. Domestically the prices are good the demand. The glut which existed in the sugar industry in the last many years is now not there although the demonetization has led to some compression of the demand and the sugar consumption but overall position is comfortable and in favor of the sugar industry.
- **HR Gala**: This 3600 is the price that we are realizing right?

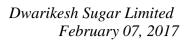
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Vijay S. Banka: We have realized in January, which in February the realizations are closer to 3700.

- HR Gala: Sir as far as the quantity of sugar to be sold in Q4 how much it should be around 60000?
- Vijay S. Banka: No, we should sell more actually see our sales in like I explained our sales during Q3 got impacted because of the demonetization but Q4 the sales should be good. So far the sales is brisk our attempt would be to sell at least about 8 lakh quintals of sugar.
- HR Gala: 8 lakhs.
- Vijay S. Banka:
   Yes we will try but then market conditions are never known 7 to 8 lakhs would be a reasonable guess I would say.
- HR Gala: That means we will be crossing what we did last year is it not?
- Vijay S. Banka: In terms of total sales last year we have so far...
- HR Gala: We had 25.9.
- Vijay S. Banka:Yes, we have already done about 17.48 lakh quintals for the three quarters we should the prices<br/>are good. Our endeavor would be to sell as much sugar as this possible we have to every given<br/>price we try and sale sugar we do not hold on to the stock.
- HR Gala: As far as the power generation is concerned what kind of unit realization, this unit generation do you expect now?
- Vijay S. Banka: Last year we sold nearly 13 Crores units of power this year our crushing number of days are going to be more so our power generation and our power sale will be more than what it was last year in Q4 you will see the power generation at its working at its full capacity and so the power evacuation also.



HR Gala:	The tariff remains the same more or less?
Vijay S. Banka:	Tariff is marginally higher. My last year's average realization was 4.88. This year it is about Rs.5 marginally higher because that revision is there every year was about 0.10 to 0.11 paisa.
HR Gala:	Sir as far as capex is concerned we were planning some 25 Crores type of capex that you have?
Vijay S. Banka:	We were planning on the distillery front, not 25 actually it would be more about 40 to 50 Crores, but so far we have not been able to freeze on any technology. So we are just watching and we are waiting and watching and so far we have not come to any conclusion on that.
HR Gala:	So in FY2017 there will not be any major capex?
Vijay S. Banka:	None.
HR Gala:	Sir last question from my side, will there be MAT in this year, because so far we have not provided any tax MAT?
Vijay S. Banka:	There will be MAT there will be of course MAT provisioning will have to be made.
HR Gala:	Okay there will be MAT.
Vijay S. Banka:	Yes.
HR Gala:	So that will be roughly about 20%?
Vijay S. Banka:	Yes about 21 point some odd percentage.
HR Gala:	So we will make provision at the end of this year?
Vijay S. Banka:	Yes we have been making always at the end of the third year. There will be a deferred tax liability provision actually. The MAT is on the one side, expenditure on the other side. It remains as and advance which is to be adjusted on full rate of taxation for the next year. So deferred tax liability provision will come.
HR Gala:	So as far as our P&L is concerned what will be the total tax expense we will be showing including deferred tax liability and MAT?
Vijay S. Banka:	It will all depend on maybe in the next one month or so the picture will become more clearer.
HR Gala:	But will it be closer to marginal rate?
Vijay S. Banka:	Which is what Sir?



HR Gala:	I mean the total tax provision that we will make in P&L that is the MAT liability plus any deferred tax liability?
Vijay S. Banka:	See the provision in P&L will come. The provision will be mainly in respect of deferred tax liability on the, if you see MAT provisioning is normally P&L neutral whereas it impacts the cash flow there is deferred tax liability is cash neutral but impact the P&L.
HR Gala:	Thank you very much Sir. Wish you all the best.
Moderator:	Thank you. The next question is from the line of Nimish Sheth from GT Advisory. Please go ahead.
Nimish Sheth:	I have a couple of questions. The first one is Sir you sold 5.23 lakh quintals of sugar during the quarter, could you give us the split between how much of this was from the old inventory the previous sugar season how much is from the current sugar season and have you completed selling now the whole inventory during the quarter all the expense somewhere?
Vijay S. Banka:	As of September 30, 2016 we had inventory of 4.43 lakh quintals of sugar out of which we have sold about 3.78 which means on the December 31, 2016 I had from my earlier seasons provision of about 64600 odd quintals of sugar which has been subsequently sold in January it is all over now and in the current season I have produced about 961400 quintals of sugar out of which also I have sold about 144000 odd sugar so I am on December 31, 2016 I have about 8.81 lakh quintals of sugar in my stock.
Nimish Sheth:	It was 8.81 lakhs.
Vijay S. Banka:	Yes, so out of which 64600 is our previous season and the rest is of the current season.
Nimish Sheth:	Yes, and the average valuation of the inventory?
Vijay S. Banka:	It would be about approximately 3300 Sir.
Nimish Sheth:	Second question actually I have got the inventory number and the last question is on the debt front you have been continuously dropping your debt numbers long-term, short-term etc., what is the target of reduction for the current quarter now?

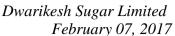
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Vijay S. Banka: Sir current quarter we are not contemplating any significant reduction. I will tell you what happens is typically in the season the focus is on making the sugarcane price payment, so we have already done substantial prepayments in the past so whatever scheduled and obligations are there they will all be paid and depending upon how much sugar we sell and depending upon our cash flows we might do some accelerated repayment in the current quarter also, but you will see a major reduction in our debt in Q1 of 2017-2018 and our endeavor is to become long-term debt free by March 31, 2018.



Nimish Sheth: Thank you very much. That is all from my side. Thank you.

- Moderator: Thank you. The next question is from the line of Aman Sonthalia from AK Securities. Please go ahead.
- Aman Sonthalia:Congratulations for good set of numbers. Sir I just wanted to know regarding the country's figure<br/>which it might saying it will be around 213 lakh tonnes, but you are talking of 232 lakh tonnes,<br/>but my internal estimate is around 190 to 193 lakh tonnes and the share Karnataka is almost close<br/>and virtually there will be no production, very low production from Andhra, Telengana and<br/>Tamil Nadu, so where from you are to getting this 213 lakh tonnes of figure?
- Vijay S. Banka: Yes, that is the question that should be addressed to ISMA not to me I will go by ISMA estimate.
- Aman Sonthalia: No but you are a member of ISMA know that is why I am asking you this question.
- Vijay S. Banka: True, we are member of ISMA. They have done their own survey based on various numbers of various states for example in UP they are expecting a production of about 8.2 million tonnes, well these are all estimates you see they could always go a little haywire. I am not disputing that fact but as of now would go by the ISMA estimate and we are as an individual company as far as we are concerned we are happy and comfortable selling our sugar at a good price.
- Aman Sonthalia:
   Sir one more thing; that a lot of cane, which diverted to Pansari is going back to the sugar factories because of demonetization?
- Vijay S. Banka: Yes absolutely.
- Aman Sonthalia: Sugar mills are paying a very good very promptly they are paying to some sugarcane farmers?
- Vijay S. Banka: We are ahead of scheduling making the payment to the farmers. We are statutorily allowed 14 days time to make the payment for cane purchase but we are following a weekly payment cycle so in that sense we are ahead of schedule so farmers are getting payment on time from sugar mill and Khandsari and Kholo's historically they have always purchased cane at they are rather unscrupulous buyers they buy paying cash and they are not very and not they pay cash and there are varying prices depending upon the season they charge, they make the payment to the farmers so farmers are in a comfortable position and they are happy supplying sugarcane to us and you are right actually the diversions percentage is much lesser now?
- Aman Sonthalia: My question is that whatever sugarcane which used to be diverted to the Khandsari was use to know sugar and that sugar of supply chain in the market but that sugar is not accounted for right now the sugarcane has been diverted to the sugar factories and which are accounted for and my question is that the production which will be shown will be include that Khandsari sugar which they will produce?





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number three also because we will follow an accounting whereby cumulatively we account for the overheads so in the September quarter our stock valuation was at around Rs.2900 so the contribution has been nearly Rs.600, 3517 is the price that which we have sold sugar. So Rs.600 approximately multiplied by the quantity and less the expenditure you get that number of whatever number we have shown in the segment sale.

- Aman Sonthalia: Even I think that the 65000 of the old sugar have been not sold?
- Vijay S. Banka: Yes that has been sold in January.
- Aman Sonthalia: So out of this 525 around 150 or 160 will be new sugar that cost around 3300?
- Vijay S. Banka: Absolutely.
- Aman Sonthalia: My next question is regarding working capital sir what is the cost of working capital at the moment?
- Vijay S. Banka: At the moment it is around 10%.
- Aman Sonthalia: And it will come down further?
- Vijay S. Banka: Yes we are attempting. Presently it was much higher we brought it down to because of our upgrade in the rating we are now in the A category we are in A- with stable outlook so with the improvement in our rating our rate of interest has come down to 10.05% in case of working capital and based on our March numbers once again we will be approaching the rating agencies for an upgrade is possible.
- Aman Sonthalia: Any planning for dividend and split?
- Vijay S. Banka:
   The banks internal rating also will be due for revision after the audited balance sheet of March 2017.
- Aman Sonthalia: And any planning for interim dividend and stocks?
- Vijay S. Banka: Not as of now Sir. Interim dividend we already completed nine months so now we are going to be in the month of very soon our year will be coming to an end so as of now there is no planning but yes we are thinking ways and means of maximizing our shareholders happiness and satisfaction.

Aman Sonthalia: Thank you.

Moderator: Thank you. The next question is from the line of Ritesh Poladia from Girik Capital. Please go ahead.



Ritesh Poladia:	Thank you for giving me an opportunity. Sir can you give us the status of our ethanol project?
Vijay S. Banka:	Nothing has happened so far in fact even in the last concall also when we were discussing we were examining the few technologies but nothing concrete has come in front of us so we have nothing so far no decision has been taken. The affluent treatment is a big challenge in case of ethanol, which is what we are trying to address and ethanol continues to be a profitable and a very rewarding segment in spite of the fact that the government prices have come down by Rs.6 a liter, but we are examining Sir at the right time I will give you an update on the increasing our footprint in the ethanol segment.
Ritesh Poladia:	So can this firm up that plan by March or you have not taken any decision?
Vijay S. Banka:	When I take last concall I thought I will be able to firm it up in the next two months but as of now there has not much clarity. I cannot commit on a March date that we will be able to firm up our plans.
Ritesh Poladia:	So this QIP money we would have used for the prepayment of debt?
Vijay S. Banka:	Absolutely Sir on the same debt.
Ritesh Poladia:	Sir second book keeping question can you give us the cogen how many units we would have sold in this quarter?
Vijay S. Banka:	See we have sold in this quarter roughly 29 Crores of power, which has come at an approximate realization of about Rs.5 a unit so 29 dividend about 5.8 Crores units approximately we must have sold.
Ritesh Poladia:	This would be about 12%, 13% growth from the last year?
Vijay S. Banka:	Last year the cogen revenue was much lesser not because, because of the fact that we started our season late in the last crushing season. This year we advanced our crushing start date. Last year for example we started all our plan from around the 22nd or 25th of November this time two of our plants we started on the 8th of November and one plant we started on the 14th of November. So since we the plant ran for more number of days income from cogen is higher.
Ritesh Poladia:	So in the distillery also are we still externally selling the molasses?
Vijay S. Banka:	Yes we are selling two-thirds of our molasses gets sold externally.
Ritesh Poladia:	One final question Sir, now the sugar production might be less for the next year also so do you think that there would be some government policy regarding import?
Vijay S. Banka:	It is already that sword is hanging on our head all the times, because those rumors are always there but at the moment the government has convinced that there is no requirement for import. I



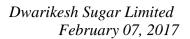
will just explain to you the sugar balance the season 2016-2017 we started with putting by stock of 7.7 million tonnes and this year as far as ISMAs estimate we expect to produce about 21.3 million tonnes so which means the sugar available is about 29 million tonnes. This consumption being around 24.5 million tonnes so closing stock will be 4.5 to 5 million tonnes. Now this is equivalent to two months consumption. Now the state of Maharashtra has received bountiful of rainfall so in any case Maharashtra sugar mills start their crushing operations in the month of October. As far as UP sugar mills are concerned we have Diwali in this time in the middle of October it is an early Diwali so the tendency on the part of the sugar mills is to start the crushing immediately after Diwali so we might also start early in the past we always used to shy away from starting early because our recoveries use to be very, very poor in the month of November the recoveries would get only better progressively, but now with our increasing with more of early variety in it spread increasing reaching more and more even at the beginning of the season we are able to get decent recoveries so UP sugar mills also may start early of course the big question will be on the sugarcane price for season 2017-2018.

- **Ritesh Poladia**: Sir one final question right now you are selling at about 3700-lakh quintal. What would be the imported sugar without custom duty as of now?
- Vijay S. Banka: See imported sugar, raw sugar price is around 21 to 21.5 cents and white sugar is around \$540 per metric tonnes. Now \$540 if you convert it at today's rate it comes to about Rs.36700 per metric tonnes. You add to that ocean freight etc., etc., Inland clearances, transportation our logistics cost delivery will come two months later so forward premium etc., the cost will be more than and there will be no import parity, same is the case with raw sugar even at 21.5 cents which you convert it into USD per metric tonnes plus conversion charges, oceans rate etc., as of now there is not much of parity. You see what will happen is the moment let us assume that that government reduces the duty to 0% so if the news the world comes to know that India is going to import sugar that international prices will raise from there.
- **Ritesh Poladia**: So current prices can be sustainable for the next year also?
- Vijay S. Banka:
   Yes, it looks sugar balance and sugar sector seems pretty good till about September 2018 the sugar balance and sugar prices are looking good.

Ritesh Poladia: That is all from my side. Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: Thank you for the opportunity. Congratulations for good set of numbers. Sir couple of questions one in terms of the cane society commission you said that you have basically written it off what foresee numbers and what was the per quintal?



- Vijay S. Banka: This was Rs.3 a quintal for the last crushing season 2015-2016 by our government order the government said you pay and it will be reimbursed that was the situation so which is why we had accounted for it as an income in the last year and then in the current quarter the government passed an order state government of Uttar Pradesh that this is not going to be reimbursed to us so we had to write it off. The claim, which was considered receivable, has been right now. So it was Rs.3 a quintal on a crushing of cane purchase about 210-lakh quintal so roughly 6.32 Crores has been written off.
- Achal Lohade: It is only for the 2.1 million tonnes?

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- Vijay S. Banka: 210 lakh quintals of sugarcane purchased Rs.3 a quintal so it works out to 6.32 Crores.
- Achal Lohade: What is the landed cost of cane currently for this season?
- Vijay S. Banka: See the government has announced a price of Rs.305 a quintal for the general variety of sugarcane delivered at date. I will just explain this to you, the pricing is as follows 305 for the general variety cane delivered at factory gate, 350 for early variety cane delivered at factory gate, Rs.300 for rejected variety delivered at factory gate. Now if that the farmers deliver it at the centers at the designated centers and not at the factory gate there is a transportation rebate of Rs.8.75 and so which means effectively which was there in the last crushing season also so that is not the difference so the difference is the government has increased the cane price by Rs.25 plus society commission they have fixed it at Rs.4.50 which was waived off in the last year like I explained it was reduced to Rs.3 then for this year the government is very clear now you have to pay this Rs.4.50 paise and purchase tax hitherto which was waived has not been waived this year. So 25 plus 650 so 3150 is effectively the increase in the sugarcane price this year.
- Achal Lohade: Sorry purchase tax you said how much?
- Vijay S. Banka: Rs.2 a quintal of sugarcane purchased which was waived in the past so it is now not waived so it is just not Rs.25 increase it is Rs.31.50 increase over the last year is what I am trying to say. So the landed cost would be 305 plus another Rs.6.5 so 311.50 plus both of us who have more of early verities there could be increase additional cost because we pay Rs.10 more for the early variety because we get better recoveries from there so the landed cost could be anything between it could be around Rs.320.
- Achal Lohade: What would be the contribution of early variety in the total mix Sir?
- Vijay S. Banka:It will be substantial. In case of our Bundki unit, which we also call Dwarikesh Nagar Unit the<br/>spread, is nearly 80% and there we get the best of recoveries in fact our recoveries are the best.<br/>Even today our recoveries are the best in the whole of North India so there the spread is much<br/>more. The second unit Afzalgarh which we call Dwarikeshpuram, there the spread could be about<br/>65% and the third unit where we get little lower recovery the spread is around 30% to 35% the



effort, which to see that we have more and more of early variety. The cost that we pay is only Rs.10 but the recovery benefits are much more.

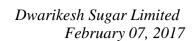
- Achal Lohade: What would be the difference would you have a general commentary on that how much would that the incremental of recovery?
- Vijay S. Banka: No, you see at any given point it is actually vary it is not that there is an standard difference between the early variety recovery and the late variety in the rejected variety recovery. For example in this during the start of the season when you crush the early variety ratoon sugarcane you could get a recovery of 10% and the general variety you would get about 8.5% or so progressively that spread becomes little lesser.
- Achal Lohade: But on an entire season basis it be could?
- Vijay S. Banka: Yes you could take it as 1%.
- Achal Lohade: And is that the yield also higher for the form of what is it last year>
- Vijay S. Banka:Yes of course yes, you see there is a wonderful variety called 238, which has brought about a<br/>revolution in the state of Uttar Pradesh. The farmers are getting better yield we are getting better<br/>recovery so all are happy.
- Achal Lohade: Is it similar to Arsali crop is it?
- Vijay S. Banka: Yes, and you see another effort that we are making in UP is of course it is being done on a very small scale. We are trying to have this what is called as winter cropping where we are trying to increase the cycle of the crop to 12 to 15 months so have seen phenomenal results where farmer gets nearly 50% more yields and the recoveries are also fabulous so all constant R&D efforts are always made to improve the farmers yield and our recovery as well.
- Achal Lohade: Sorry I missed, you said 12 to 15 months crop is that the 238-variety crop?

Vijay S. Banka: Yes 238-variety crop. Presently what we are crushing 238 is the regular 8 to 10 months crop but the plantation methods are we are trying to for a small portion of the area let us say for about 500 to 1000 hectares we are going in for autumn planting where that crop will be available after 12, 15 months but the results are going to be phenomenal there.

- Achal Lohade: So this present 238 variety you said eight to ten month crop anyway it planted typically?
- Vijay S. Banka:You see something is planted in the month of January whatever ration gets emptied that was<br/>planted in January and thereafter once the season is over then it is planted.
- Achal Lohade: The January to March kind of season.



Vijay S. Banka:	Yes.
Achal Lohade:	So even for a eight ten months crop that variety the yields are higher you are saying?
Vijay S. Banka:	Yes we are getting good recoveries in case of early varieties.
Achal Lohade:	So just on a theoretical basis then UP can produce much more than 8, 9 million tonnes?
Vijay S. Banka:	Yes we are constantly making efforts did you ever hear of UP having such recoveries in the past?
Achal Lohade:	Yes I agree.
Vijay S. Banka:	Yes, we are constantly working. All are making efforts not just our company. All sugar companies are making their best efforts. Eventually it is farmer's well being and our recovery is what is important for the survival of the industry and for the well being of the industry.
Achal Lohade:	Sir if you could clarify is this more of Western UP phenomena or across the state?
Vijay S. Banka:	No it is across the state it goes up to central UP and even in the east UP also it is being followed, early variety this awareness is spread across.
Achal Lohade:	In terms of the government action you said one is the obviously the duty free imports what the government can addressed do you see government taking the measures like subsidized imports or anything of that sort we have?
Vijay S. Banka:	No I do not think so, you see the weapons in the arsenal of government one is the reducing the import duty to 0%, second is like they effectively did in the last crushing season it was a question of imposing self discipline on the sugar mills, they set stock limits, they set by such and such month you should have only so much of stock and not more. This is the debt so it is actually also for the sugar mills to follow discipline. We in UP we are most of us we sell sugar at every given price. There is no attempt to hold on to the sugar stock, so which is what is expected we as a responsible company we should keep selling sugar we should not hold some amount of smart selling is always required to see how the market would behave etc., to foresee the trend etc., but to continuously hold on to the stock is not a good policy according to me.
Achal Lohade:	I was just wondering because the government has been collecting almost 2500 Crores of sugar cess how do you see them utilizing that money actually would this take any extreme measure?
Vijay S. Banka:	Last year we thought it was a one half thing because government increased the cess because it was to finance the production subsidy claims of the sugar mill because that time there was compulsory export which was promulgated by the government and in order to encourage the mills to get into do compulsory export and to increase the ethanol sales production subsidy was granted so this was meant to finance the production subsidy claims but that cess is continuing we expect with the promulgation of GST maybe this will be subsumed into that, but yes this is one



option which can be exercised by the government reduce the sales so that sugar becomes cheaper by at least Rs.1 a kg.

Achal Lohade: Any comment on the global scenario Sir?

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Vijay S. Banka: This year is again a deficit season 2016-2017 is again a deficit season about 5 to 6 million tonnes of deficit is what is expected by the experts. 2017-2018 difficult to predict some people are already talking about the El Niño coming once again I really would not be able to comment on that at this point in time revisit of El Niño can be disaster.

Achal Lohade: Right, but for us there will be minimal impact right, I mean it is better for us actually in a way because UP is pretty well irrigated by now?

Vijay S. Banka:That could raise we are on the January we are fortunate to be on the Gangetic plains so whatever<br/>we have crash the land and you get water there so water availability is not an issue but think of an<br/>national perspective, think of an international perspective it is not good.

 Achal Lohade:
 I completely agree. I was just wondering Sir would you be able to comment on Maharashtra what is the sense you are getting in terms of the cane acreage are you looking at?

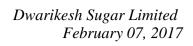
Vijay S. Banka: You see getting this measure will be definitely good. How much good is difficult to answer at this point in time because all the cane growing areas have all received good rainfall but some experts say okay whatever is produced this year it will be 3 million tonne is more than what next year so some thumb rules are being definite but as the time faster moving then we will have more clarity on this.

- Achal Lohade: Thank you so much for your answers.
- Moderator: Thank you. The next question is from the line of Siddharth Mota from Principal India. Please go ahead.
- Siddharth Mota: Good afternoon Sir. Sir I could not get that one particular data point that is closing inventory of sugar can you just repeat that figure?

Vijay S. Banka: Our figure is it?

Siddharth Mota: Yes sir.

- Vijay S. Banka: On December 31, 2016 we had 8.81 lakh quintals of sugar.
- Siddharth Mota: And it is being valued at Rs.33?
- Vijay S. Banka: Rs.33.



Siddharth Mota:	Sir regarding that taxation part actually again it was bit confused so can you just tell me what can be the rate actually for our modeling purpose?
Vijay S. Banka:	It will be you see the impact on the P&L would be directly on deferred tax liability. MAT is actually P&L neutral because there is equal amount of MAT tax entitlement also. So from a cash flow perspective MAT is what is important because that money will definitely brought out the system but when we get covered under the full rate of tax that will be available for adjustment. So but the impact in P&L will be of that of deferred tax liability we have not worked it out we have not computed we will compute it and let you know about it.
Siddharth Mota:	What about FY2018 what will be that rate?
Vijay S. Banka:	Sorry what would be the?
Siddharth Mota:	Sir taxation rate for FY2018?
Vijay S. Banka:	Yes it is come under the regular rate in FY2018. At least half of the FY2018 we will still be left with some carried over loss but if the going is good in FY2018 we might have some portion of it is in the full rate of tax.
Siddharth Mota:	So when you say full rate it is 33%.
Vijay S. Banka:	Yes.
Siddharth Mota:	Thank you.
Moderator:	Thank you. The next question is from the line of Pratik Singhaniya from Param Capital. Please go ahead.
Pratik Singhaniya:	Good evening Sir. Sir my question is regarding tax provision the MAT credit how much total of MAT credit entitlement do we have as on date?
Vijay S. Banka:	I would not have the data right now. I will just get the number and share it with you absolutely no problem.
Pratik Singhaniya:	In terms of deferred tax if you assume that saying the year you will be ending say by around 160, 180 kind of a PBT in that case what kind of a deferred tax approximate percentage would it be like below 10% or 10% to 15% or like the tax?
Vijay S. Banka:	No we are working with that and we will very soon have the number with us that again I can share it with you what will be the rate.
Pratik Singhaniya:	I will take this to offline. Thank you Sir.

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Moderator: Thank you. The next question is from the line of Falguni Dutta from Jet Age Securities. Please go ahead. Falguni Dutta: Good evening Sir. I have a question on transport cost as you mentioned that some of the cane you have to take from the center in that case what is the transport cost for quintal for us? Vijay S. Banka: See government allows us to reduce Rs.8.75 per quintal if you ask me the average cost it could be about Rs.10 to Rs.12. Falguni Dutta: This is after adjusting after giving effect to that rebate. Vijay S. Banka: It works like this. The centers, which are closer you see this Rs.8.75 per quintal is a standard reduction whether the center is located at a distance of 5 kilometers from the factory not 5 kilometers exactly because that would be a gate area now. Let us say if it is at a distance of 10 kilometers 16 kilometers, 20 kilometers whatever be the distance Rs.8.75 is standard. So there are cases where we incur a cost of only Rs.5 also there are cases where we incur even Rs.16, Rs.17 also so if you asking on an average maybe we incur about Rs.10 or so Rs.10 to Rs.11. Falguni Dutta: Okay this is after adjusting for your rebate and an impact on overall what I mean to say we are averaging? Vijay S. Banka: Our incremental impact would be about Rs.2, Rs.3. Falguni Dutta: On whole of our cane it will be? Vijay S. Banka: No, not on the whole the only on the cane that we are preparing from the centers. Falguni Dutta: I understand Sir but I am saying if we average it out the transport cost on the entire cane will be? Vijay S. Banka: It will be different for different sugar mills because for example in our Bundki unit we have more of centers less of gate area whereas in the other two units we are in the second unit we are equally 50% of gate area 50% of centers in the third unit we have 60% of gate area and 40% of center so it is actually vary from unit to unit but you could consider an impact of Rs.2 overall. Falguni Dutta: Rs.2 on account of transport cost is what we should take over of that. Vijay S. Banka: Absolutely. Falguni Dutta: That is all from my side. Thank you Sir. Thank you. We have a follow on question from the line of HR Gala from Panav Advisors. Please Moderator: go ahead. HR Gala: Sir how much processing cost per kg of sugar we should consider?

Vijay S. Banka: I will give you broadly a thumb rule. It is very easy for consumption and for understanding. Other than the sugarcane cost I am not drawing any distinction between the segments let me clarify that well in advance overall sugar mills. Our conversion cost would be Rs.450 a quintal. Now this would include staff cost, all the employee cost, all the repairs and maintenance, all the consumption materials such as packing materials lubricants etc., that process materials, all that we use and the administration expenses etc., so Rs.450 per quintal is roughly the conversion cost. Now on the realization from scale of value added products and byproducts is roughly about Rs.475 to Rs.500 a quintal. Now my numbers could go here and there by about Rs.25 a quintal, which includes power sale etc., etc. So roughly the interest so typically a cost for Sugar Company would be the cost of the raw material plus interest and depreciation. So now the realization from sale of value added products and byproducts could be different for different sugar mills depending upon the plant configuration. For example, they have more of power and more of ethanol their cost could be more in case of byproduct realization and if they are less integrated their revenues from the byproducts payment value added sale could be lesser. HR Gala: So this Rs.450 does not include depreciation right? Vijay S. Banka: No depreciation no interest. HR Gala: Thank you Sir. Moderator: Thank you. We have a follow on question from the line of Siddharth Mota from Principal India. Please go ahead. Siddharth Mota: Thank you. Sir for FY2018 can you repeat our debt reduction plan as well as any capital expenditure? Vijay S. Banka: Capital addition we have nothing as of now. We have long-term debt including debts of current maturity of about 194 Crores as on date out of which nearly 40 Crores is interest free loan, so our attempt would be to see that at least we are able to clear the entire long-term interest bearing loan by reduce it to the extent cost of good by March 31, 2018. Siddharth Mota: So which is 190 minus 40 Crores. Yes 40 Crores also repayment has started so that will also get reduced. 40 Crores will be lower Vijay S. Banka: by another 20 Crores plus there again we have repayment of and every month we have an obligation to repay about 1.70 Crores. Siddharth Mota: So roughly, roughly one can assume 170 to 180 Crores of repayment in FY2018? Vijay S. Banka: Yes 150 would be a safe between of course our attempt would be to clear guided to the maximum extent possible. Siddharth Mota: And no major capex as far as net distilleries.

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Vijay S. Banka:	No major capex.
Siddharth Mota:	Sir one more question sir post this UP election is there any possibility to link sugarcane cost to sugar prices?
Vijay S. Banka:	The industry has been wanting this for a very, very long time. The Dr. Rangarajan commission also recommended this, but surprisingly the UP government was not keen to implement this. Now UP government cannot implement this and the government cannot say that okay once since the time they are good implemented if the time comes back we will not implemented so it cannot they will have to take one final call on this.
Siddharth Mota:	So even if BJP would also come there is no possibility to bring the sugarcane cost?
Vijay S. Banka:	It is a very difficult question to answer. We would be happy if there is a linkage. We still be happy because good times bad times all the times they are never the same all the time so we will be happy but as of now there is no such indication from the UP government side, because they think it is impacts their autonomy. They think it is a state subject and they should deal it the way they should want to deal it.
Siddharth Mota:	Thank you Sir and all the best.
Moderator:	Thank you. We have a follow on question from the line of Ritesh Poladia from Girik Capital. Please go ahead.
Ritesh Poladia:	Sir what was our year beginning stock inventory?
Vijay S. Banka:	April 1, 2016.
Ritesh Poladia:	Yes Sir.
Vijay S. Banka:	It was around 17.48 lakh quintals. I am not sure of the number one second. You see we produced about 24.78 lakh quintals out of which 1.4 was produced I am just not able to recollect the number so either 17.5 or 19.5 lakh quintals.
Ritesh Poladia:	19.5 lakhs.
Vijay S. Banka:	I think so 19.5 because we sold about one second, I think we can work it back like this, no it was 17.5 plus 1.5 so that became 19, 19 minus 8, 7.92 so that is roughly 8 in the first half first quarter 19 minus 8 is 11 and 6.5, yes 17.5 it was.
Ritesh Poladia:	It was at about Rs.2800.
Vijay S. Banka:	2600 something.



Ritesh Poladia:	And this March 31 would be about 9.5 our inventory would be?
Vijay S. Banka:	No it will be much higher.
Ritesh Poladia:	No it would be about 18.
Vijay S. Banka:	No as on December 31, it is 8.81 lakh quintals so we will produce between January, February and March we will produce and we will not be able to sell the entire people we will have similar closing stock numbers.
Ritesh Poladia:	Okay 17.5.
Vijay S. Banka:	Yes it could be depending on the sales in this quarter.
Ritesh Poladia:	And the average cost would be about 3300, 3400?
Vijay S. Banka:	Progressively it will get better because in Q4 we will have total production absorption of overheads will be good so the cost will be much high and the recovery during the Q4 is always better so the valuation rate should be lesser.
Ritesh Poladia:	That is all from my side. Thank you Sir.
Moderator:	Thank you. Ladies and gentlemen we would be taking the last question. Last question is from the line of Deepak Kapoor from Tapaks Capital. Please go ahead.
Deepak Kapoor:	Good evening Sir. I have a slightly essential question about ethanol. I am trying to understand sugar mills in the country make the ethanol the integrate advance from Molasses right?
Vijay S. Banka:	Correct.
Deepak Kapoor:	And which is the byproduct of your sugar processing?
Vijay S. Banka:	Yes.
Deepak Kapoor:	Now given the governments needs for the ethanol-blending program is there any incentive being provided to sugar mills to expand ethanol capacity?
Vijay S. Banka:	No. See last year the government had provided the impetus. They have increased the ethanol procurement price to about Rs.45 a liter that has now been reduced to Rs.39 a liter. Eventually the government wants to link it to the crude prices, but yes the government wants this program to be taken up on a big scale so the oil mills, there used to be various transactional issues earlier there was no willingness on the part of oil marketing companies to get ethanol. Now all those things have been streamlined more or less so there is a move and ethanol augurs well for the sugar industry in the times to come.

Deepak Kapoor:	So I also want to understand now for example in Brazil we hear that depending on the price of crude more of the cane gets either?
Vijay S. Banka:	Sorry.
Deepak Kapoor:	In Brazil depending on the price of crude most cane gets either shifted for ethanol products?
Vijay S. Banka:	Yes depending on the prices they have that flexibility, for example they can from the secondary juice stage they can decide whether they should produce sugar or they should have more of ethanol.
Deepak Kapoor:	So in India you are not allowed to produce ethanol from the secondary juice state?
Vijay S. Banka:	No. I mean the technology is not perfected in India. There are a few sugar plants, which do this, but the sugar prices being so reasonably good in the last one year or so there is more attempt to move to ethanol.
Deepak Kapoor:	There is no policy restriction on using second stage itself for producing ethanol?
Vijay S. Banka:	There is no policy restriction but it will plant wherewithal the capabilities, it requires some capex also one cannot just with just like that form the existing plant some additional capex requires to be done for doing so.
Deepak Kapoor:	Got it. That is all Sir. Thank you.
Moderator:	Thank you. Ladies and gentlemen, I hand the floor over to Ms. Akshata Deshmukh for closing comments.
Akshata Deshmukh:	On behalf of Dolat Capital, I would like to thank Mr. Vijay Banka for his time and all the participants for joining us. Thank you so much. We hereby conclude this conference call with Dwarikesh Sugar.
Vijay S. Banka:	Thank you so much. Thanks everybody.
Moderator:	Thank you. On behalf of Dolat Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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