

DWARIKESH SUGAR INDUSTRIES LIMITED Q3 CONCALL SUMMARY

Key Points

- Decent quarter
- 42 crores profits for the quarter
- Cumulative profits for 9 months 112 crs
- Crushing good recovery should be good ongoing season
- Q3 numbers EBITA 56 Crs cash profits 50 cr net profit 42 crs

Segment

- EBITA on Cogen 37 crores
- EBITA on Sugar 10.83 crores
- Low profits in sugar segment due to onetime total provisioning of 11 crs
- Society Commission waived paid but never reimbursed back so written off. Claim considered receivable written off. 6.23 cr of impact on P&L
- Sugar wage revision from 1 Oct 2013 4.5 crs

- Recoveries to date recovery marginally behind last season
- Total 210 quintals crushed last year to increase by 10 % to 15%. Expected crushing 235 l quintals for this year
- Demonetization good impact because sugarcane from khadasari and jaggery industry diverted to Sugar production
- Impact of Demonetization on sales of sugar. Sugar Sales setback in Q3 5.23 lakh quintal Realization 3600 in Oct lower till Dec Jan over 3600 and right now 3700 .

Sugar profits reduction reasons

- 1st quarter sale 7.93 lacks quintals 6.59 l quintals vs current quarter sales 5.23 lakh quintals.
- Provisioning
- Cumulative OHD absorption 2900 cost for September realization 3500 average in September

Q&A

Recovery rates for current season

Current crushing season recovery till 31 Dec is 10.77 %, to date recovery is 11.07% and during this time recovery should starts improving. Recovery for overall season should match previous years' recovery 11.73%

Regarding Pricing and Sales Qty in Q4

Pricing should continue to be good. Demonetization lead to demand

Sales qty in Q4 at least 8 l quintals. Conservatively 7-8 lac quintal sales in Q4 .

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Last year total sales of 25.9l quintal of sugar. 17.8 l quintals for 3 quarters already.

Cogen units 5.8 crores units of power sold in Q3. Crushing start date advanced from 25 November to 8th November in 2 and in 1 plant to 14th November.

Last year 13 cr units of power this year crushing more there more numbers. Cogen working at full capacity in Q4. Realization is 5 rs per unit.

Capex

No planned capex for FY 17 relating

MAT Provisioning around 21 %. Mat provision is P&L Neutral. Also, Deferred tax Liability in Q4. No comments on DTL. Tight lipped on DTL impact on P&L.

Split between old inv and new

31st September inv 4.43 l quintal. Out of which in Q3 sold 3.78l quintal. 64000 old inventory odd quintals sold in January. New production 9.61 l quintal sold 1.44 l quintal of sugar. Net sugar 8.84 l quintals

Valuation of inventory at 3300

Target of Debt Reduction

No debt reduction in Q4 due to focus on crushing season. Accelerated prepayment might be possible depending on cash flow. Major debt reduction in Q1 FY 17 and long term debt free by FY 18

All payments to farmers made.

Cost of working capital currently 10.05%. Because of upgrade in ratings to A-

Status of Ethanol Capex

Nothing concrete on ethanol project

QIP money used for prepayment of debt

Import of Sugar

- No requirement for import. Sugar bal in India 7.7 m tons. As per production estimates of 21.3 m tons. Total Inventory 29m tons consumption 24 to 24.5m tons. Balance will be sufficient for 2 months. Maharashtra received good rainfall so crushing operations will start in October coming year. Next season crushing might start in end of October or early November for Dwarikesh.
- Govt has another tactic to impose Stock limits for sugar mills to prevent hoarding.
- Don't see subsidizing the imported sugar by Govt

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What would be the landed imported sugar without Customs Duty?

Raw sugar imported not much of parity. Processed sugar 540\$ per metric ton ie Rs 36700 per metric ton. Cost will be more and no benefit of import. International prices can rise globally if India starts imports.

Sugar Bal and prices looking good till September 2018

Landed cost of sugar cane for current season

Pricing has increased from 280 to 305/315 at factory gate. Transportation rebate of 8.75 if not delivered at factory gate. Society commission 4.5 per quintal waived last year is not waived this year. Effective sugar cane price 315 to 320 per quintal.

Regarding Crop Variety

The recovery in Bundki is the best in the whole of North India due to early variety crop. Early variety better recovery. Autumn cropping is on a small scale which is a 12 to 15 months' crop which is a high yield upcoming variety.

Global Scenario

Current season deficit of 5.5 to 6 m tons. El Nino will be disaster for FY 17-18 but this cannot be predicted for sure. EL Nino will be an opportunity for India.