

## DWARIKESH SUGAR INDUSTRIES LIMITED Q3 CONCALL SUMMARY

### Key Points

- Decent quarter
- 42 crores profits for the quarter
- Cumulative profits for 9 months 112 crs
- Good recovery should be seen in current crushing 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 provisioning of 11 crs consisting of the following
  - Society Commission claim considered receivable but never reimbursed back so written off. 6.23 cr of impact on P&L ( last years sugar cane crushing capacity 210 lakh quintals \* 3rs )
  - Sugar sector wage revision from 1 Oct 2013 impacting 4.5 crs on P&L
- Recoveries to date marginally behind last season recovery. Expected to catch up till end of year
- Total 210 lakh quintals crushed last year. This should increase by 10 % to 15%. Expected crushing 235 lakh quintals for this year
- Demonetization had 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 quintals sold Realization Rs 3600 per quintal in Oct fell and was lower till Dec .Demand picked up from Jan with realization over 3600 and right now its 3700 .

### Sugar profits reduction reasons

- 1<sup>st</sup> quarter sale 7.93 lakh quintals vs 6.59 lakh quintals in Q2 vs current quarter sales 5.23 lakh quintals.
- Provisioning totaling to 11 crs
- Cumulative Overhead absorption more since factories just started production from November 10 approx. and company equally distributes overheads of the year.
- EBITA for Q2 was Rs.617 per quintal ( Rs.2900 cost for September - realization 3517 average in September )

## DWARIKESH SUGAR INDUSTRIES LIMITED Q3 CONCALL SUMMARY

### **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 fall in demand but now its picking up.

Sales qty in Q4 approx. 8 lac quintals. Conservatively 7-8 lac quintal sales in Q4 .

Last year total sales of 25.9 lac quintal of sugar. 17.8 lac quintals sold till Q3 already.

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

Last year 13cr units of power were sold. This year crushing more therefore higher units to be sold expected. 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**

31<sup>st</sup> September Inventory was 4.43 lac quintals. Out of which in Q3 sold 3.78l quintal. 64000quintals remaining from old inventory sold in January. New production 9.61 l quintals out of which sold 1.44 l quintal of sugar in Q3. Net sugar 8.84 l quintals as on 31<sup>st</sup> December 2017

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-

## DWARIKESH SUGAR INDUSTRIES LIMITED Q3 CONCALL SUMMARY

### **Status of Ethanol Capex**

Nothing concrete on ethanol project

QIP money used for prepayment of debt

### **Import of Sugar**

- No requirement for import. Sugar balance 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

### **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 2017

### **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 (last year 3 rs 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 done on a small scale which is a 12 to 15 months' crop and it 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.