

Contents

04

7 things you need to know about Dalmia Bharat Sugar

20

Our Integrated Report

4/

Directors' Report

06

Managing Director's overview

24

Corporate Social Responsibility

69

Report on Corporate Governance

16

Health, safety and environment

30

Operational and financial highlights

83

Standalone financial statements

18

The Dalmia Bharat Sugar business model

32

Management discussion and analysis

138

Consolidated financial statement

Forward-looking statement

In this annual report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

The year 2017-18 was marked by a record sugar production in India.

Sugar prices weakened.
Mills reported lower profits.
Cane arrears mounted.

Dalmia Bharat Sugar moderated costs. Strengthened efficiencies. Enhanced output.

Reported a 25 bps increase in sugar recovery. Helped farmers generate a significant increase in cane yield.

Leveraging its strengths with the objective to enhance stability.





7 things

you need to know about Dalmia Bharat Sugar

1 Visio

We want to be amongst the top integrated players in the industry with a special impetus on generating the highest return on capital employed for our stake holders.

Products

The company manufactures sugar and processes byproducts derived from sugar manufacture (bagasse and molasses) with the objective to generate power and manufacture ethanol and organic manure.

Pedigree

The Dalmia Bharat group has been a pioneer in innovation and a market leader in the cement industry for seven decades. Our growth has been the collective efforts of our senior management and employees. The group was founded by Sh. Jaidayal Dalmia in 1935. The group forayed into the sugar sector by setting up its first unit of 2500 TCD at Ramgarh in Sitapur district, Uttar Pradesh, in 1994

Presence

The Company is headquartered in New Delhi with a manufacturing presence across two states: Uttar Pradesh (Ramgarh, Jawaharpur and Nigohi) and Maharashtra (Kolhapur and Ninaidevi). The company is the only sugar company to have operations in Uttar Pradesh and Maharashtra.

2 Background

Dalmia Bharat Sugar Limited has grown by leaps and bounds. From a single state presence, it has expanded across two diverse states - Uttar Pradesh and Maharashtra. From one manufacturing unit, the Company now has five units. 7 Health and safety

The Company invested in Occupational Health and Safety Management (OHSAS), Environment Management System (EMS) and Food, Safety and Quality (FSQ) certifications.

Employees

Dalmia Bharat Sugar has attracted experienced and knowledgeable professionals. The Company continuously works towards making the work culture engaging and rewarding for employees. As on 31st March, 2018 the Company had around 2000 employees.

Installed capacities

Unit	Sugar (TCD)	Distillery (KLPD)	Cogeneration (MW)
Ramgarh	7,500	0	25
Jawarharpur	7,500	80	27
Nigohi	9,000	0	27
Uttar Pradesh	24,000	80	79
Kolhapur	7,500	60	28
Ninaidevi	2,500	0	0
Maharashtra	10,000	60	28
Total	34,000	140	107

Achievements, Sugar Season 2017-18

Parameter	Uttar Pradesh	Maharashtra	Total
Crushing capacity (tonnes per day)	24000	10000	34000
Cane crushed (Lac tonnes)	40.73	10.08	50.81
Recovery (%)	11.33%	13.17%	11.70%

Financial highlights

Particulars	Unit	FY2018	FY2017
Total operating income	₹ crore	2271	1764
Operating profit (EBITDA)	₹crore	271	402
Cash profit	₹ crore	188	242
Profit before tax (PBT)	₹crore	148	244
Profit after tax (PAT)	₹crore	134	187
Share capital	₹crore	16.19	16.19
Other equity	₹ crore	1433	1234
Loan funds#	₹crore	430	489
Net block	₹crore	1300	1282
Net current assets	₹ crore	332	293
Operating profit margin	%	11.93	22.79
EPS (fully diluted)	₹	16.57	23.08
Cash EPS (fully diluted)	₹	23.22	29.89

#including current maturities of long-term debt

Managing Director's overview



The year 2017-18 will be remembered for one of the sharpest reversals in the fortunes of India's sugar industry.

To get a perspective on the extent and suddenness of reversal, a background is necessary. During the previous few years, India's sugar output had declined from a peak of 285 lac MT to 203 lac MT in 2016-17 sugar season. The country's sugar realisations had rebounded to a decent Rs. 35/kg, strengthening the ability of sugar companies to remunerate farmers on schedule.

As things stood at that point, the industry was at a sweet spot – cane growers were being remunerated adequately, millers were reporting an increase in surplus and

consumer prices were at a reasonable level.

What transpired thereafter was a sudden and extensive turnaround in the sector's fortunes. The government (Centre and State) announced an increase in the cane price. The increase in cane price by Rs. 10/qtl to Rs 315/qtl (State Advised Price for the general cane variety) came at a time when the marketplace-driven return for other cash crops was not as pronounced. The result was that a larger number of farmers allocated a bigger proportion of their farms for cane cultivation as the crop provided one of the most attractive farm propositions. India's sugar industry prepared for the increase in cane costs and cane output. However, what the industry - and perhaps no sectoral observer – was prepared for was the extent of the increase. The country's sugar industry prepared for 250 lac quintals of sugar output as per an early season estimate.

India's sugar industry eventually finished at more than 320 lac MT of production for the 2017-18 sugar season – the largest sugar output in the country's history. This estimate was nearly 117 lac MT higher than the previous season – the highest incremental output in any season in the industry's existence.

Thereafter, the official estimate was

of substantial planting and harvests

began to come in.

virtually revised every month as reports

The result is that sugar prices declined from Rs 36 per kg to Rs 26 per kg within the space of just 6-7 months, possibly

INDIA'S SUGAR INDUSTRY

India's sugar industry eventually finished at more than 320 lac MT of production for the 2017-18 sugar season



77

The commitment to perform better than we had done in the past and better than most was reflected in our FY2017-18 performance as well. The company reported a 25 bps increase in aggregate recovery to 11.84 per cent, our highest ever."

Gautam Dalmia

the sharpest realisations erosion that we have seen in a long time. An industry that was preparing for a stable medium-term outlook suddenly faced the prospect of losses, working capital squeeze, margins erosion and a grim outlook. The one figure that captures the picture of the sector is that the industry now faced nearly Rs 18,000 crore in cane arrears to farmers with the prospect of early or complete liquidation appearing remote.

The sharpness of this realizations decline was not lost on the farmers. We believe that the crisis can potentially threaten the social fabric of cane growing regions in India. Besides, the reality would leave virtually no incentive for sugar companies to invest in their businesses for the long-term without the assurance of how raw materials costs would move in the short-term. As things stand today, the business is surviving on the strength of byproduct proceeds. Long-term sectoral players need a greater incentive

to invest, grow and de-risk their operations.

At Dalmia Bharat Sugar, we were

affected by this volatility. Even as the company had reported a cash profit of Rs 242 crore in 2016-17, it now reported a cash profit of Rs 188 crore in 2017-18. At Dalmia Bharat Sugar, we had prepared for volatile sectoral cycles through stronger operational discipline. This discipline is captured in just three words at our company - more from less. The operating mechanics of this approach is the need to maximize cane output and thereafter maximise output from every stick of cane. This was derived from a complement: the foresight to invest in downstream byproduct processing capacity to manufacture ethanol and cogenerate power on the one hand and a commitment to work with a passion

This commitment to perform better than we had done in the past and better than most was reflected in our FY 2017-18 performance as well. The company reported a 25 bps increase in aggregate recovery to 11.84 per cent, our highest ever. The linear increase in recovery translated into a significant incremental production of sugar in addition to generating an increased throughput of byproducts to grow our ethanol and cogeneration businesses. As it turned out, the byproducts business generated 18% per cent of our turnover and 76% per cent of our EBITDA during the year under review, validating the rationale for our synergic diversification.

translating into outperformance.





At Dalmia Bharat Sugar, our objective will be to do what we have always done: focus on the fundamentals. The company will encourage farmers to plant superior cane varieties, process more efficiently, enhance asset utilization and protect the integrity of its Balance Sheet."

Gautam Dalmia

47.49

Price of B-heavy molasses in marketing year 2018-19 (per litre)

43.70

Price of C molasses in marketing year 2018-19 (per litre) The Indian government responded with speed and sensitivity to the crisis. The Government proposed a scheme to provide subsidized loans of Rs. 4,440 crore to sugar mills to create additional ethanol capacity. The government approved the production of ethanol from the B-heavy molasses and sugarcane juice from the next ethanol marketing year starting December 1 2018 (presently manufactured from only C molasses). The GST reduced applicable to ethanol supply to oil manufacturing companies (OMC) was reduced from 18% to 5%.

The decisions could enable mills to trim surplus sugar output (in times of excessive cane supplies) by diverting a portion of B-heavy molasses for ethanol production, without further extracting sugar, so that the sugar surplus could moderate, realisations could stabilise and cane arrears cleared at the earliest.

Besides, ethanol made out of the B-heavy molasses would now be priced at Rs 47.49 per litre compared to ethanol produced out of the usual C molasses fetching Rs 43.70 per litre in the 2018-19 marketing year. The government hiked the ethanol procurement price by Rs 2.85 per litre to Rs 43.70 for the forthcoming sugarcane season.

The Government had earlier announced plans to hold a buffer stock of 3 million tonnes of sugar for a year from July 2018, the carrying cost of which would be borne by the Government.

The Government also provisionally allocated a quota of sugar that could be maintained by different sugar mills as buffer stock.

Sugar production is expected to be even higher in the 2018-19 sugar season estimated at more than 35 million tonnes, which could push the national sugar inventory to 19.5 million tonnes by September 2019, unless there is a substantial focus on exports in the