



Dhampur Sugar Mills Limited

**Patience.
Prudence.
Profitability**

Annual Report
2016-17



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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 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.

FY 2016-17 marked a watershed in India's sugar industry.

The country's sugar sector revived; Uttar Pradesh sugar mills performed better than sugar companies in other states; well-managed sugar companies like Dhampur Sugar outperformed much of the sector.

It would be simplistic to believe that Dhampur Sugar Mills outperformed by simply riding an increase in sugar realisations.

The reality is that Dhampur Sugar had patiently invested in business-strengthening during the sectoral slowdown.

The Company's strategy was vindicated during the sectoral rebound. Revenues increased 16%; profit after tax strengthened 815%.

Validating what the Company has always believed: that prudence combined with patience inevitably translates into superior profitability.

Dhampur Sugar Mills is one of India's most respected sugar companies, which has endured and grown over decades.

It is known for increasing cane crushing capacity judiciously, making proactive investments in downstream by-product processing while balancing sugar and non-sugar capacities.

With the objective to enhance business sustainability.



Our vision

Innovate and Optimise for the benefit of all Stakeholders.

Our mission

Making a positive contribution to the Environment we operate in.



Professionalism

- **Integrity:** trusted partnership
- **Commitment:** be Responsive
- **Accountability:** take ownership

Respect

- **Diversity & Inclusiveness:** provide equal opportunity
- **Value time:** punctuality in all areas
- **Humanity:** be sensitive and generate energy

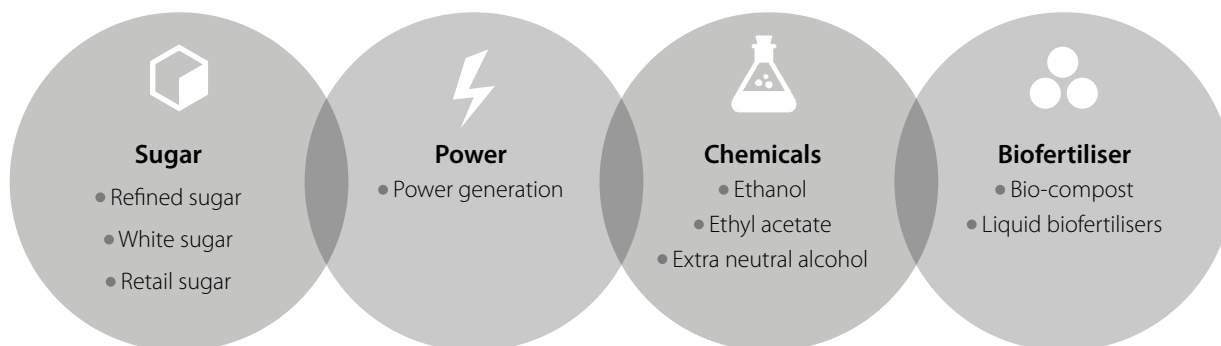
Act responsibly

- **Business Ethics:** apply ethical principles
- **Corporate Citizenship:** fulfil social, economic & legal Responsibilities
- **Corporate Governance:** drive fairness, accountability, responsibility and transparency

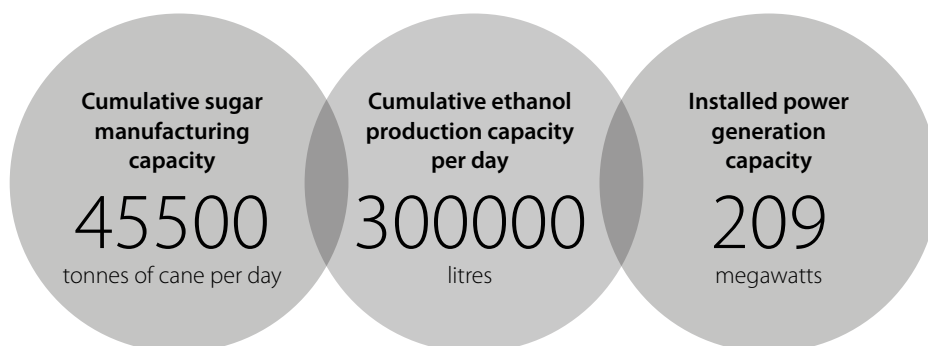
Passion to excel

- **Determination:** lead change and walk the extra mile
- **Value Adding Team Work:** build strength through a shared vision
- **Learning & Innovation:** Innovate through learning

Our business portfolio



Our capacities



Our background

Dhampur Sugar Mills Limited is one of the oldest organised sugar businesses in India. The Company was founded in 1933 by Lala Ram Narain with a cane crushing capacity of 300 tonnes per day. Over the decades, the Company has emerged as a leading Indian sugar manufacturing company comprising one of the country's largest power generation and ethanol manufacturing capacities. The Company is engaged in the manufacture and

marketing of sugar, co-generated power and chemicals. The Company's five manufacturing facilities are located in Uttar Pradesh.

Our listing

The Company's shares are listed and actively traded on the Bombay Stock Exchange and the National Stock Exchange. The market capitalisation of the Company was ₹1440.94 crore as on 31 March 2017.

Our focus includes

- Maintaining core competence in sugar manufacture and the manufacture of allied products.
- Recruiting and retaining skilled and experienced human capital
- Building our business around sound governance
- Building the community in the areas of our presence.

Our manufacturing facilities

Dhampur Sugar, Bijnor District, Uttar Pradesh

Cane crushing capacity

15,000
metric tonnes
per day

Power generation

65
megawatts

Distillery

200,000
litres per day

Biofertiliser

15,000
tonnes per
annum

Our capability

- This unit's co-generation capacity of 65 megawatts is one of the largest single-unit co-generation capacities in India.
- The unit is considered among the India's most efficient co-generation systems; the unit was the first in India to be invested with a 105 kilogram per square centimetres boiler and turbine, enhancing operating efficiency.

Asmoli, Sambhal District, Uttar Pradesh

Cane crushing capacity

9,000
metric tonnes
per day

Power generation

44
megawatts

Distillery

100,000
litres per day

Biofertiliser

5,000
tonnes per
annum

Our capability

- The unit employs the DRP (Defco Remelt Phosphotation) process with ion exchange to produce refined sugar.
- The other distillery products comprise ethanol, extra neutral alcohol and rectified spirit. Biogas produced is consumed in-house
- The unit manufactures high grade quick lime in a bagasse-fired lime kiln.

Our capacity addition

Business segment	2008	2011	2012	2013	2014	2015	2016
Sugar (tonnes of cane per day)	39,500	39,500	39,500	44,500	45,500	45,500	45,500
Power (megawatts)	145	150	150	169	209	209	209
Distillery (litres per day)	270,000	270,000	270,000	300,000	300,000	300,000	300,000

Mansurpur, Muzaffarnagar District, Uttar Pradesh

Cane crushing capacity

8,000
metric tonnes
per day

Power generation

33
megawatts

Our capability

- Investment in the Defco Remelt Phosphotation process at the Company's back-end refinery to manufacture refined sugar (subsequently marketed in 50 kilogram, 1 kilogram and 5 kilogram packaging (brand DHAMpure).
- Unit is located in a cane-rich belt; proximate to a national highway between Meerut and Muzaffarnagar

Meerganj, Bareilly District, Uttar Pradesh

Cane crushing capacity

5,000
metric tonnes
per day

Power generation

19
megawatts

Our capability

- The Company engages in the manufacture of quality crystal white sugar
- It accesses cane from more than 45,000 farmers
- It provides farmers with subsidised liquid biofertilisers, pesticides and organic manure

Rajpura, Sambhal District, Uttar Pradesh

Cane crushing capacity

8,500
metric tonnes
per day

Power generation

48
megawatts

Liquid biofertiliser

1,000
litres per day

Our capability

- A fully-automated unit; reports one of the lowest steam consumption rates in India
- The unit is engaged in an extensive cane development programme

Our milestones

1933 Laid the foundation of Dhampur Sugar Mills Limited with an initial capacity of 300 tonnes of cane crushed per day

1991 Established a chemical unit at Dhampur to process molasses into alcohol and other chemicals (7,600 tonnes per annum)

1987 Leased a sick unit at Mansurpur (1,800 tonnes of cane crushed per day)

1993 Increased crushing capacity of the Dhampur unit to 5,000 tonnes of cane crushed per day

1996 Increased crushing capacity at the Dhampur unit to 10,000 tonnes of cane per day

1994 Installed a new sugar unit at Asmoli with a crushing capacity of 2,500 tonnes of cane per day

1997 Improved capacity of the chemical plant at Dhampur to 16,500 tonnes per annum

2007 Established the greenfield Rajpura unit with a crushing capacity of 7,500 tonnes of cane per day

1995 Increased capacity of the Dhampur unit to 9,000 tonnes of cane crushed per day

1999 Enhanced crushing capacity of the Asmoli unit to 5,000 tonnes of cane per day

2007 Enhanced power generation capacity at the Dhampur unit, the Asmoli unit and Mansurpur unit to 65 megawatts, 40 megawatts and 28 megawatts, respectively

2007 Commissioned a distillery at the Asmoli unit with a capacity of 100,000 litres per day through a joint venture

2006

- Improved capacity of the Dhampur unit to 12,000 tonnes of cane crushed per day and the Asmoli unit to 6,000 tonnes of cane crushed per day
- Merged Mansurpur Sugar Mills Limited with Dhampur Sugar Mills Limited

2011

Enhanced power generation capacity at the Mansurpur unit to 33 megawatts

2010

Converted the Asmoli distillery into a wholly-owned subsidiary

2014

- Started manufacturing and marketing liquors like whiskey, rum, vodka and gin under the brand names of State House and PM to AM
- Installed a 4-megawatt bio genset at Asmoli

2008

Expanded crushing capacity at the Dhampur unit to 15,000 tonnes of cane per day, at Asmoli to 9,000 tonnes of cane per day and at Mansurpur to 8,000 tonnes of cane per day

2014

- Enhanced distillery capacity to 300,000 litres per day
- Commissioned a 35.5-megawatt power plant in the Rajpura unit

2013

- JK Sugar Mills Limited merged with Dhampur Sugar Mills following an order of the Hon'ble Allahabad High Court
- Entered the IMFL segment

2016

- Start commissioning of Spent wash fired boiler of 75 MT and 35 MT at Dhampur and Asmoli Distillery under zero liquid discharge project
- Formed new wholly-owned subsidiary EHAAT Limited - rural business trading platform
- Acquired 51% stake in DETS Limited - engineering excellence in sugar industry equipment

2012

Merged the Asmoli distillery with Dhampur Sugar Mills Limited following an order from the Hon'ble Allahabad High Court

2015

- Increased ethanol capacity at Dhampur unit from 100,000 litres per day to 200,000 litres per day
- Established a slop boiler for enabling distillery operations during the rainy season



FY 2016-17 was marked by ups and downs for Indian sugar companies.

Maharashtra, Karnataka and Tamil Nadu reported lower cane yields and sugar output. Uttar Pradesh reported increased yields, recovery and sugar output.

The overall result was that after six years of sugar surplus, India reported a sharp decline in sugar output; after years of sluggish and declining sugar prices, realisations reported an attractive recovery.

Though this improvement did not raise the performance of all sugar companies, some like Dhampur Sugar Mills profited on account of patient investment.

Patience



Dhampur Sugar Mills reported a consolidated average recovery of 10.94% in the year 2016-17.

The Company reported a 16.5% increase in sugar production.

Operational de-bottlenecking increased throughput; stronger control enhanced efficiencies, moderating losses of sugar, bagasse and molasses.

Prudence

The sum of Dhampur Sugar's operational improvements translated into superior financials.

The Company reported a sharp divergence in profitable growth.

Revenues increased 16% to ₹2608.16 crore. Profit after tax strengthened 815% to ₹236.70 crore.

The Company's non-sugar business accounted for 29% of revenues, which indicated prudent de-risking.

The Company moderated long-term debt by 3.22% in FY 2016-17, and it is expected to moderate long term debt by more than 20% in FY 2017-18.

Profitability