

Dhampur Sugar Mills Limited  
Annual Report 2018-19



# DIL MEIN MITHAAS!

How Dhampur Sugar has created a **ground shift** in its  
business strategy to enhance stakeholder value

# Contents

<b>02</b>	Corporate snapshot
<b>04</b>	Our milestones
<b>06</b>	Our performance over the years
<b>10</b>	Managing Director's review
<b>14</b>	Operational review
<b>18</b>	Our strategic vision
<b>26</b>	Our cane development activities
<b>30</b>	Our integrated value-creation report
<b>38</b>	Business segment review
<b>44</b>	Management discussion and analysis
<b>54</b>	Board report
<b>81</b>	Report on Corporate Governance
<b>99</b>	Consolidated financial statements
<b>174</b>	Standalone financial statements

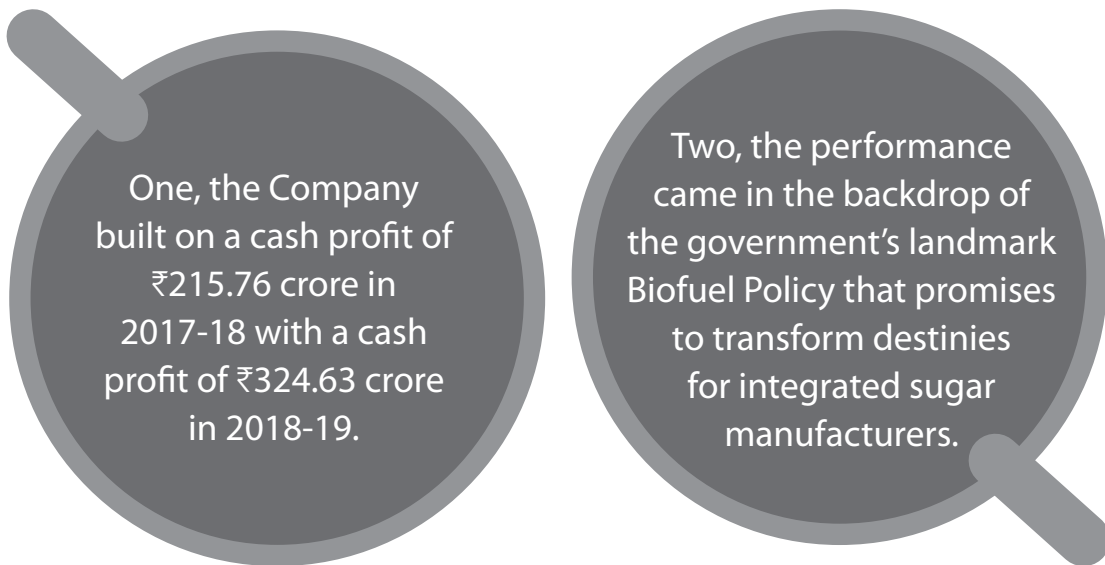
## Forward-looking statement

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, '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 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' 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.

# DIL MEIN MITHAAS!

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There are two big messages that we wish to communicate about our performance in 2018-19.



The result is that the performance of the Company during the year under review represents the bottom-end of a long J-curve that is expected to transform the Company's performance.

# 10 things you need to know about the exciting world of Dhampur Sugar Mills Limited

## 1 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

### 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

### 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

## 2 Legacy

Dhampur Sugar is one of the most prominent players in India's organized sugar business. The Company was founded by Lala Ram Narain in 1933 with a cane crushing capacity of 300 tonnes per day. Today the Company is one of the nation's oldest integrated sugar companies comprising power generation and also ethanol manufacturing capacities. The Company has five manufacturing facilities in Uttar Pradesh in Dhampur, Asmoli, Meerganj, Rajpura and Mansurpur.

## 3 Diversified

Dhampur Sugar is one of the largest integrated sugar mills in the country. Besides sugar, which is the Company's key product, it is also engaged in the manufacture of ethanol and power generation using by-products. This diverse basket of products helps the Company de-risk from business cyclicity while maximising returns.

#### 4 Scale

The Company's integrated facilities are equipped with a cane crushing capacity of 45,500 tonnes per day. Dhampur Sugar's distillery segment possesses a capacity of 400 Kilo litres per day and the power co-generation segment has a capacity of 220.50 megawatts. The ratio of power generation and ethanol manufacturing vis-a-vis sugar capacity is among the highest in the country.

#### 5 Focus

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

#### 6 Ratings

The Company's long-term and medium-term ratings stands at A(-) with outlook stable as assigned by CARE.

#### 7 Listing

The Company's shares are listed and actively traded on the BSE and NSE. The market capitalisation of the Company was ₹1,547.16 crore on BSE and ₹1,546.50 crore on NSE as on March 31, 2019.

#### 8 Product portfolio

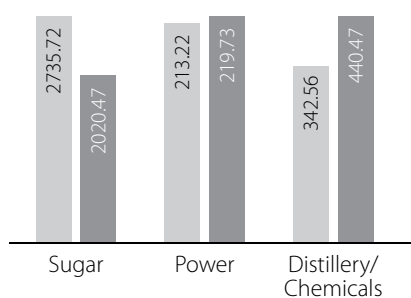
Sugar	Power	Chemicals	Bio-fertiliser
Refined sugar	Power generation	Ethanol	Bio-compost
White sugar		Ethyl acetate	Liquid
Retail sugar		Extra neutral alcohol	Bio-fertilisers
Raw sugar		Other allied products	

#### 9 Capacities

Capacity	Consolidated	Dhampur	Asmoli	Rajpura	Mansurpur	Meerganj
Sugar crushing (TCD)	45,500	15,000	9,000	8,500	8,000	5,000
Sugar refinery (TPD)	1,700		900		800	
Renewable energy (including biogas-based power, MW)	220.5 (surplus: ~125 MW)	• 65 • 8MW (slop boiler-based power)	• Bio mass – 40 • Bio gas – 4 • 3.5MW (slop boiler-based power)	48	33	19
Liquid bio fertiliser (KLDP)	1			1		
Distillery (KLDP)	400	250	150	Molasses supplied to Dhampur and Asmoli distilleries		
Organic manure- 'Power Booster' (tonnes/year)	20,000	15,000	5,000			

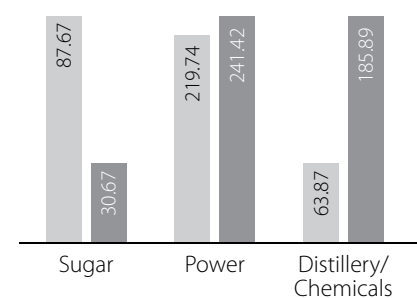
#### 10 Segmental share

Revenue (₹ crore)\*



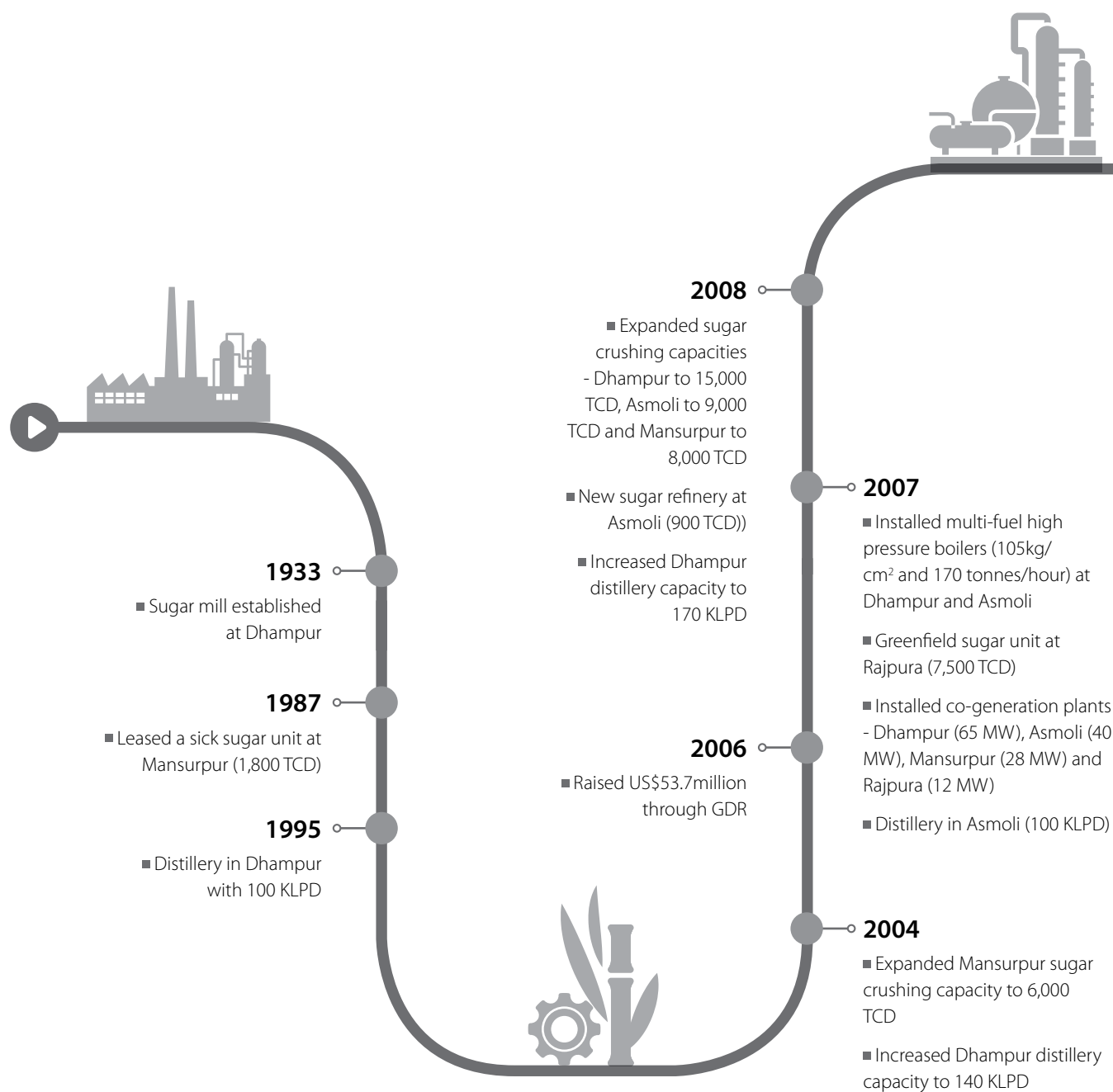
\*External revenues

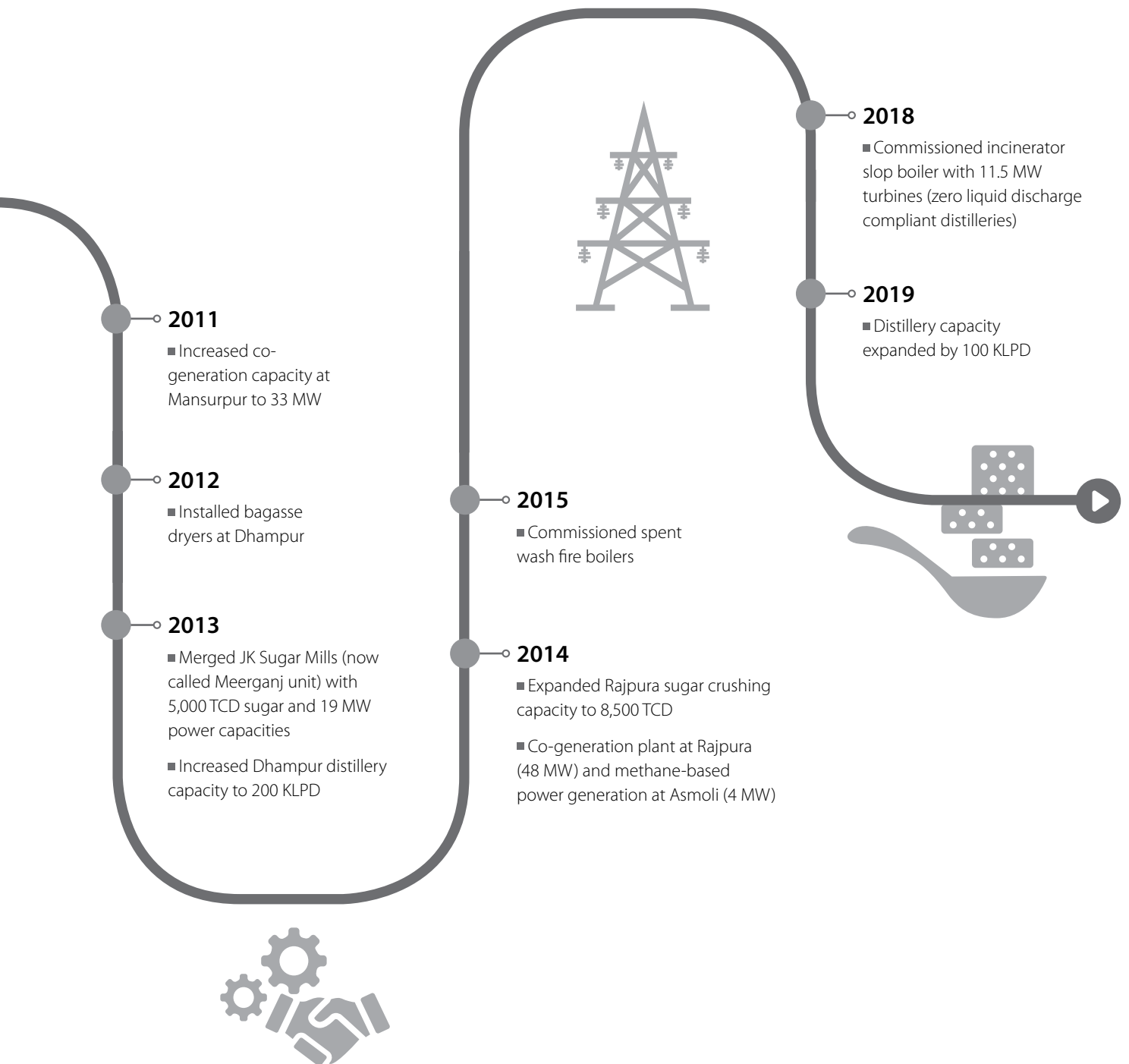
EBIT (₹ crore)



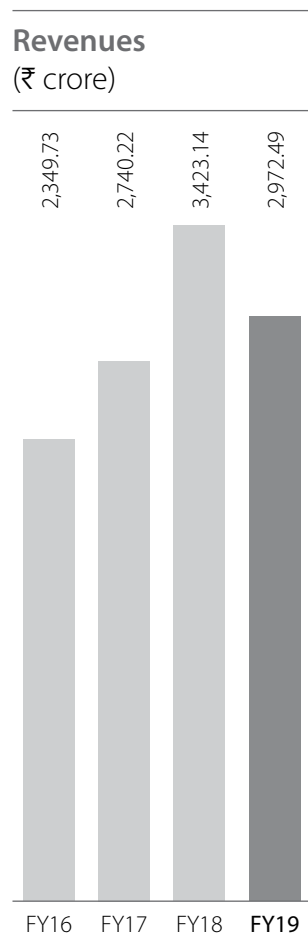
■ 2017-18 ■ 2018-19

# Our milestones





# Our performance over the years



## Definition

Revenue is the income generated by a business from its main operations before the deduction of costs and expenses.

## Why is this measured?

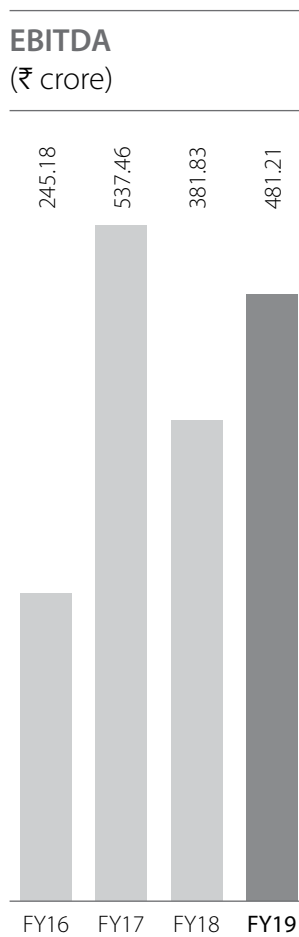
It is an index that showcases a company's ability to maximise revenues, providing an effective base for expense amortisation.

## What does it mean?

Aggregate sales moderated by 13.16% to ₹2972.49 crore in 2018-19 due to lower sugar sales and realisations.

## Value impact

This resulted in profit contribution from the Company's largest revenue engine being lower than usual.



## Definition

Earnings before the deduction of interest, depreciation, extraordinary items and tax.

## Why is this measured?

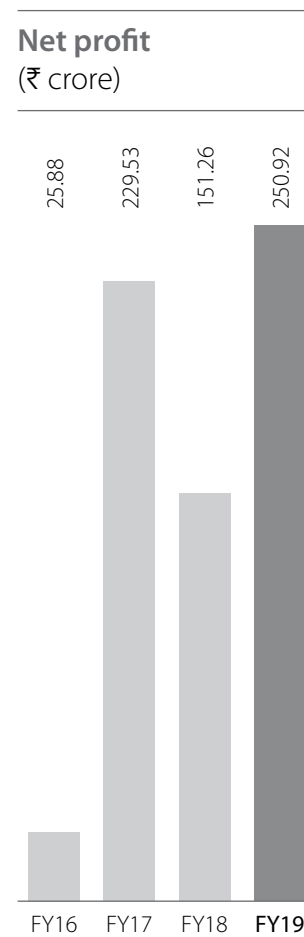
It is an index that showcases the Company's ability to optimise business operating costs and provides a base for comparison with sectoral peers.

## What does it mean?

Provides a robust platform for the Company to build on.

## Value impact

The Company reported a 26% increase in its EBITDA in 2018-19 – an outcome of painstaking efforts of its team in improving operational efficiency.



## Definition

Profit earned during the year after deducting all expenses and provisions.

## Why is this measured?

It highlights the strength of the business model in generating value for shareholders.

## What does it mean?

Ensures that adequate cash is available for reinvestment and allows the Company's growth engine to sustain momentum.

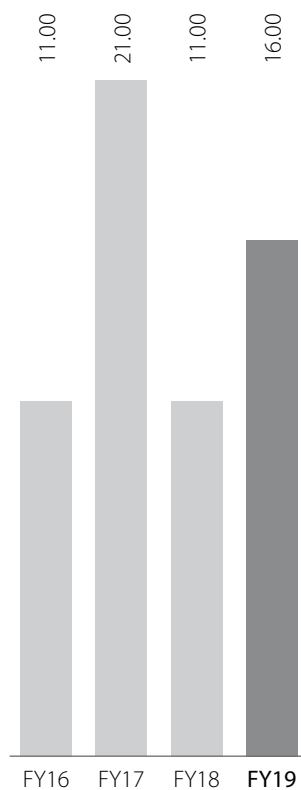
## Value impact

The Company reported a 66% increase in its net profit in 2018-19, reflecting the robustness and resilience of the business model in growing shareholder value despite external challenges.





### EBIDTA margin (%)



#### Definition

EBIDTA margin is a profitability ratio used to measure a company's pricing strategy and operating efficiency.

#### Why is this measured?

The EBITDA margin provides an idea of how much a company earns (before accounting for interest and taxes) on each rupee of sales.

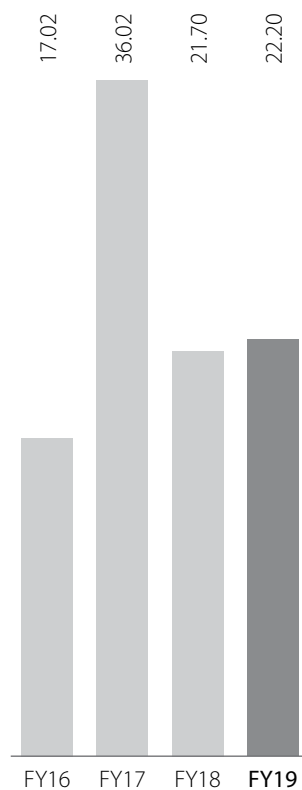
#### What does it mean?

Demonstrates buffer in the business which, when multiplied by scale, enhances surpluses.

#### Value impact

The Company reported a 500 bps increase in EBITDA margin during 2018-19.

### RoCE (%)



#### Definition

It is a financial ratio that measures a company's profitability and the efficiency with which its capital is employed in the business.

#### Why is this measured?

RoCE is a useful metric for comparing profitability across companies based on the amount of capital they use – especially in capital-intensive sectors.

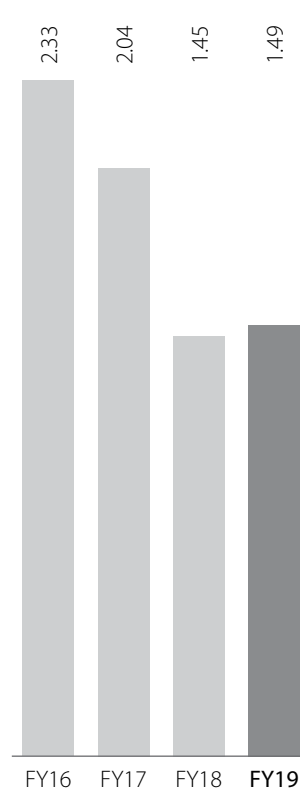
#### What does it mean?

Enhanced RoCE can potentially drive valuations and perception.

#### Value impact

The Company reported a 50 bps increase in RoCE during 2018-19.

### Gearing (x)



#### Definition

This is derived through the ratio of debt to net worth.

#### Why is this measured?

This is one of the defining measures of a company's solvency.

#### What does it mean?

Adds value in the hands of the shareholders by keeping the equity side constant and boosts flexibility by progressively moderating debt costs.

#### Value impact

The Company's gearing stood at 1.49 in 2018-19 compared to 1.45 in 2017-18. This ratio should ideally be read in conjunction with net debt/operating profit.

### Interest cover (x)



#### Definition

This is derived through the division of EBIT by interest outflow.

#### Why is this measured?

Interest cover indicates the Company's comfort in servicing interest – the higher the better.

#### What does it mean?

A company's ability to meet its interest obligation, an aspect of its solvency, is one of the most important factors guaranteeing returns to shareholders.

#### Value impact

The Company strengthened its interest cover from 2.67 in 2017-18 to 4.50 in 2018-19.

# Our performance indicators

## Key financial ratios

Ratio	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19
Raw material costs/Total turnover (%)	78	77	66	77	70
Overheads/Total turnover (%)	25	22	22	16	19
PBDIT/Total turnover (%)	8	11	21	11	16
Interest/Total turnover (%)	8	7	6	4	3
Interest cover (times)	1.01	1.55	3.21	2.67	4.50
PBDT/Total turnover	0	4	14	8	13
Net profit/Total turnover (%)	-1	1	9	4	8
Cash profit/Total turnover	0	4	14	6	20
Capital output ratio [Turnover/Average capital employed] (%)	176	177	203	229	178

## Balance Sheet ratios

Ratio	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19
Overall debt gearing	3.80	2.33	2.04	1.45	1.49
Debt-equity ratio	1.69	1.07	0.69	0.49	0.55
Inventory turnover (days)	248	204	207	122	206
Current ratio	0.85	0.84	1.00	0.96	1.17
Quick ratio	0.22	0.18	0.21	0.22	0.30
Asset turnover [Total revenues/Total assets]	0.59	0.71	0.77	1.09	0.76

## Growth

Ratio	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19
Growth in turnover (%)	-2	26	16	25	-13
Growth in PBDIT (%)	12	63	119	-29	26
Growth in PAT (%)	-84	302	815	-34	66
Growth in cash profit (%)	-93	16,426	145	-30	50