Dhampur Sugar Mills Limited
Annual Report 2019-20

DHAMPUR

SWEATING RESOURCES BETTER

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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, '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.

‘The time is always right to do something that is right.’

Dhampur Sugar Mills is one of India’s oldest organized sugar companies.

Over the years, the Company embarked on a journey to emerge younger.

The complement of initiatives in this direction is expected to transform our personality and positioning within India’s agro-based sector.

This is a new moment - ‘Dhampur 2.0’ - in our existence.

Dhampur 2.0

Enduring values. New passion. Multi-decade foundation. Energized responsiveness. Sweating resources better. Maximising productivity.

The foundation of our business

Our vision

Innovate and Optimize 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

Where we come from and what we do

Dhampur Sugar Mills Limited is a prominent player 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. The Company has five manufacturing facilities in Uttar Pradesh (Dhampur, Asmoli, Meerganj, Rajpura and Mansurpur) with an aggregate crushing capacity of 45,500 TCD.

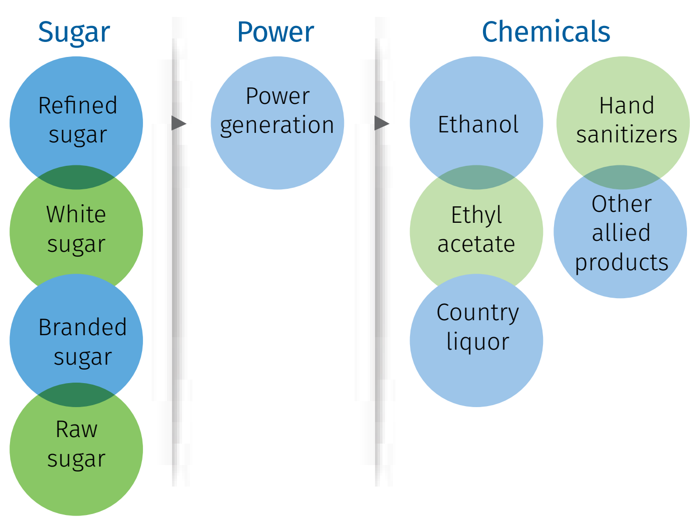
The Company is one of India's oldest integrated sugar companies (engaged in sugar, ethanol and chemicals manufacture at one end and power generation at the other).

What we aim to achieve

- To maintain core competence in sugar manufacture in the most efficient way and the manufacture of allied products through the optimum utilization of by-products
- Sweat our resources more effectively and efficiently
- Recruit and retain skilled and experienced human capital
- Building business around sound governance
- Build the community in the areas of our presence

What validates our sustainability

Dhampur Sugar generates byproducts from sugar manufacture (bagasse and molasses) that serve as raw material for two businesses i.e. distillery and power generation. The Company's diverse product basket has broadened its risk profile and enhanced stability.



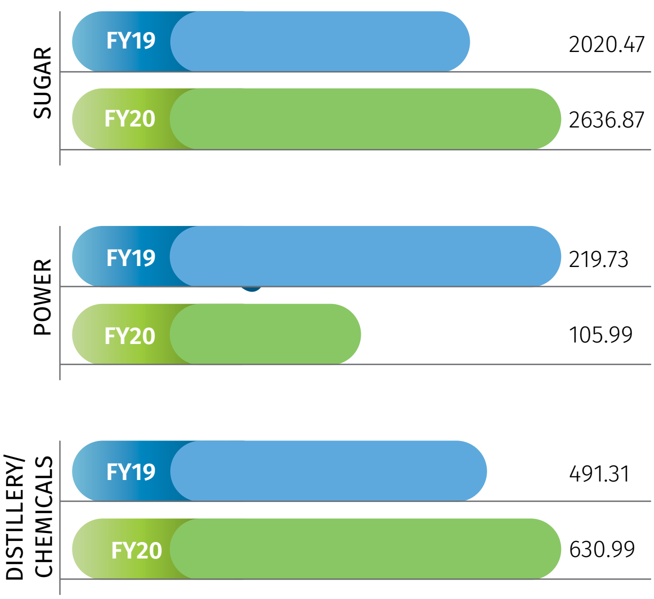
How much we are equipped to produce

The Company's integrated facilities are equipped with a cane crushing capacity of 45,500 tonnes per day. Dhampur's distillery possesses a capacity of 400 Kilo litres per day and the power co-generation segment 220.50 megawatts. The ratio of power generation and ethanol manufacture vis-a-vis its sugar capacity is among the best balanced in India's sugar sector.

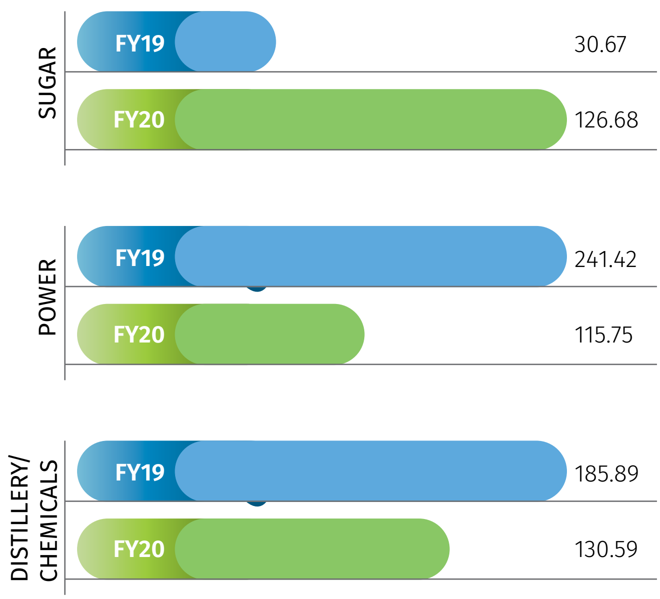
Capacity	Consolidated	Dhampur	Asmoli	Rajpura	Mansurpur	Meerganj
Sugar crushing (TCD)	45,500	15,000	9,000	8,500	8,000	5,000
Sugar refinery (TPD)	1,700		900		800	
Renewal energy (MW)	220.5 (Surplus:~125 MW)	73	43.5	48	33	19
Distillery (KLPD)	400	250 (including country liquor)	150 (including hand sanitizers)	Molasses supplied to Dhampur and Asmoli distilleries		

What we earn from where

Revenue (₹ Crore)*



PBIT (₹ Crore)



**External revenues*

1933
Sugar mill established at Dhampur

1987
Leased a sick sugar unit at Mansurpur (1800TCD)

1995
Distillery in Dhampur with 100 KLPD

2013
- Merged JK Sugar Mills (now referred to as the Meerganj unit) with 5000TCD sugar and 19MW power capacities
- Increased Dhampur distillery capacity to 200 KLPD

2014
- Expanded Rajpura sugar crushing capacity to 8500 TCD
- Co-generation plant at Rajpura (48MW)

2015
Commissioned spent wash fire boilers

2018
Commissioned an incinerator slop boiler with 11.5 MW turbines (zero liquid discharge compliant distilleries)

2019
Expanded distillery capacity by 100 KLPD

2020
Started production of country liquor and hand sanitizers

2004

- Expanded Mansurpur sugar crushing capacity to 6000TCD
- Increased Dhampur distillery capacity to 140 KLPD

Installed bagasse dryers at Dhampur

2006

Raised USD 53.7 mn through GDR

2007

- Installed multi-fuel high pressure boilers (105kg/cm^2 and 170 tonnes/hour) at Dhampur and Asmoli
- Greenfield sugar unit at Rajpura (7500TCD)
- Installed co-generation plants - Dhampur (65MW) Asmoli (40MW), Mansurpur (28MW) and Rajpura (12MW)
- Distillery in Asmoli (100 KLPD)

2008

- Expanded sugar crushing capacities - Dhampur to 15,000 TCD, Asmoli to 9000TCD and Mansurpur to 8000TCD
- New sugar refinery at Asmoli (900TPD)
- Increased Dhampur distillery capacity to 170 KLPD

2011

Increased co-generation capacity at Mansurpur to 33MW

2012

How we have grown over the years

Our performance over the years

Revenue (₹ Crore)

** Adjusted the figures of previous year on account of discontinued operation of subsidiary company Ehaat Ltd.*

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

Why is this measured?
It is an index that showcases a company's ability to service customers and grow critical mass.

What does it mean?
The sales contribution from the Company's largest revenue engine was higher.

Value impact
Aggregate sales increased by 22.18% to ₹3556.21 Crore in FY2019-20.

EBITDA (₹ Crore)

**Adjusted*

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

Why is this measured?
This showcases the Company's ability to optimize operating costs (or enhance surplus) - a base for comparison with sectoral peers.

What does it mean?
Provides a robust platform for the Company to build on and reinvest in the business.

Value impact
The Company's EBIDTA moderated by 20% in FY2019-20 on account of lower contribution from the co-generation segment.

Net profit (₹ Crore)

**Adjusted*

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

Why is this measured?
The measure highlights the strength of the business model in enhancing shareholder value.

What does it mean?
Ensures the availability of resources for reinvestment, strengthening the Company's growth momentum.

Value impact
The Company's net profit moderated by only16% in FY2019-20 despite a sharp decline in co-generation tariff.

EBIDTA margin (%)

**Adjusted*

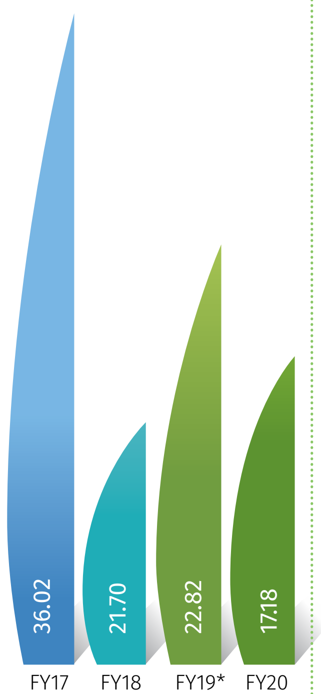
Definition
EBITDA margin is a profitability ratio used to measure a company's pricing strategy and operating efficiency

Why is this measured?
The EBIDTA margin indicates how much the Company earns (before accounting for interest, depreciation and taxes) on each rupee of sales.

What does it mean?
Indicates buffer in the business which, when multiplied by scale, enhances business surplus.

Value impact
The Company reported a 600 bps decrease in EBIDTA margin in FY2019-20 on account of sharply lower co-generation tariff.

ROCE (%)



**Adjusted*

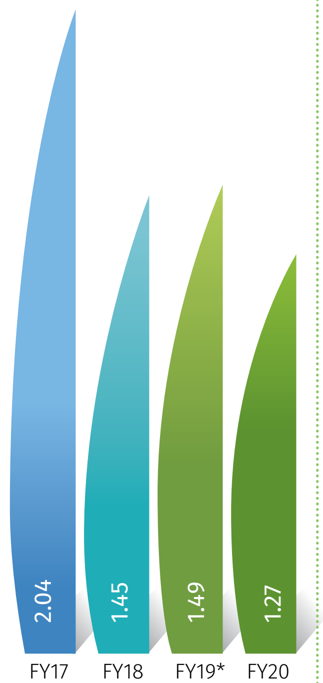
Definition
This financial ratio measures a company's overall profitability or the efficiency with which capital is employed in the business.

Why is this measured?
ROCE is a useful metric for comparing profitability (across companies or years) based on the amount of capital employed – especially in capital-intensive businesses.

What does it mean?
Enhanced ROCE can potentially drive valuations and recall.

Value impact
The Company reported a respectable ROCE in FY2019-20 despite a reduction in co-generation tariff and the economic slowdown.

Gearing (x)



**Adjusted*

Definition
This is the ratio of debt to net worth.

Why is this measured?
This is one of the defining measures of a company's solvency and ability to weather market cycles.

What does it mean?
This measure indicates whether a company is over-borrowed or not.

Value impact
The Company's gearing reduced to 1.27 in FY2019-20 compared to 1.49 in FY2018-19 following debt repayment. This ratio should ideally be read in conjunction with total debt/ operating profit.

Interest cover (x)

**Adjusted*

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?
This indicates a company's ability to address its interest obligation, a solvency measure.

Value impact
The Company reported a decline in its interest cover from 4.68 in FY2018-19 to 3.14 in FY2019-20 following a decline in EBIDTA as a result of lower co-generation tariff.

Our performance indicators

Key financial ratios

Ratio	FY2015-16	FY2016-17	FY2017-18	FY2018-19*	FY2019-20
Raw material costs/Total turnover (%)	77	66	77	69	76
Overheads/Total turnover (%)	22	22	16	19	16
PBDIT/Total turnover (%)	11	21	11	17	11
Interest/Total turnover (%)	7	6	4	3	3
Interest cover (times) (%)	1.55	3.21	2.67	4.68	3.14
PBDT/Total turnover (%)	4	14	8	14	8
Net profit/Total turnover (%)	1	9	4	9	6
Cash profit/Total turnover (%)	4	14	6	12	7
Capital output ratio [Turnover/Average capital employed] (%)	177	203	229	174	193

*Adjusted

Balance Sheet ratios

Ratio	FY2015-16	FY2016-17	FY2017-18	FY2018-19*	FY2019-20
Overall debt gearing	2.33	2.04	1.45	1.49	1.27
Debt-equity ratio	1.07	0.69	0.49	0.55	0.39
Inventory turnover (days)	204	207	122	210	165
Current ratio	0.84	1.00	0.96	1.08	1.08
Quick ratio	0.18	0.21	0.22	0.30	0.31
Asset turnover [Total revenues/Total assets]	0.71	0.77	1.09	0.74	0.92

*Adjusted

Growth

Ratio	FY2015-16	FY2016-17	FY2017-18	FY2018-19*	FY2019-20
Growth in turnover (%)	26	16	25	-15	22
Growth in PBDIT (%)	63	119	-29	29	-20
Growth in PAT (%)	302	815	-34	76	-16
Growth in cash profit (%)	16426	145	-30	56	-23

*Adjusted