



DWARIKESH SUGAR  
INDUSTRIES LIMITED

# HAALAT NE DI SEEKH, LAKSHYA NE PRERNA!

Twenty Fifth  
Annual Report  
2018-19

### 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 realized, 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.

# Contents

02	Corporate snapshot	16	The Executive Chairman's business overview
24	Performance snapshot	32	Our integrated business report
36	What sets Dwarikesh apart in a competitive business	38	Management discussion and analysis
50	Risk management	51	Corporate social responsibility
56	Environment management	57	Notice
65	Directors' Report	86	Corporate Governance Report
111	Auditors' Report	120	Financial Statements

In kaali sadiyo ke sar se,  
Jab raat kaa aanchal dhalkega.  
Jab dukh ke baadal pighlenge,  
Jab sukh ka saagar chhalkega.  
Jab ambar jhoom ke naachege,  
Jab dharti naghme gaayegi.  
Woh subah kabhi toh aayegi...

**Lyrics:** Sahir Ludhianvi. **Film:** Phir Subah Hogi (1958). **Song:** Woh subah kabhi toh aayegi.

---

Dwarikesh Sugar Industries Limited focused on growing sustainably in a year marked by the highest-ever sugar production, leading to unprecedented inventory and subdued sugar realisations. Given this challenging reality, the Company selected to proactively invest in an ethanol manufacturing capacity instead of waiting for the overall sectoral cycle to improve.

Jab na kisi ne  
raah sujhaai  
Dil se ik aawaaz  
yeh aayi

Himmat baandh  
sambhal badh  
aage  
Rok nahi hai  
koi....

Dwarikesh Sugar.  
More than just a  
sugar and by-  
products company.

A company driven  
by the passion to  
transform adversity  
into prosperity.

A company  
marked by a  
commitment to  
continuous  
improvement.

**Lyrics:** Arzoo Lakhnavi. **Film:** Dushman (1938).

**Song:** Karu kya aas niraas bhayi



## Our vision

- To be a torchbearer of the sugar industry and rewrite the rules of running the sugar business.
- To establish itself as a market leader in the sugar industry.
- To be an archetype of international quality standards.
- To become a large sugar conglomerate with interests in synergistic businesses.
- To ensure that the name of the Company becomes synonymous with good corporate governance and transparency.
- To be a paragon of virtue and a righteous corporate with a human face.
- To contribute in bringing about a metamorphosis in the lives of the have-nots.



## Our mission

- Produce sugar of the highest quality and be the benchmark for the industry to follow.
- To integrate operations such that the use of byproducts is maximised & optimised
- Achieve growth every year with optimum technical efficiency and a minimum cost of production.
- Ensure maximum customer delight, employee satisfaction and farmer welfare.
- Protect the environment and uphold the highest standards of integrity, values, along with a passion for excellence and respect for all, while striding towards achieving our objectives.



## Background

Dwarikesh Sugar Industries Limited was founded by Mr. G. R. Morarka in 1993. Even as the Company was promoted by a standalone entrepreneur, the Company's operations have been extensively delegated to professionals.



## Capacities

The Company's maiden sugar manufacturing facility was commissioned in 1995 at Bijnor with a cane crushing capacity of 2,500 tonnes per day.

The Company's aggregate cane crushing capacity now stands at 21,500 tonnes per day. The Company also produces ethanol (30 kilolitres per day) and co-generates power (86 MW).



## Resource security

Dwarikesh works with more than 1.20 lakh farmers across its command area, stretching across more than 145,900 hectares. The Company increased cane procurement from 197.12 lakh quintals in sugar season (SS) 2007-08 to 306.92 lakh quintals in SS 2018-19. Farm supply yield increased from an average of 246 quintals per hectare in 2007-08 to 334 quintals per hectare in SS 2018-19.



## Manufacturing

The Company has three manufacturing units spread across two locations in Uttar Pradesh. The Dwarikesh Nagar and Dwarikesh Puram plants are located in the Bijnor district of Uttar Pradesh while the Dwarikesh Dham plant is located in Bareilly district.

Capacity as on 31st March 2019	Dwarikesh Nagar (Bijnor)	Dwarikesh Puram (Bijnor)	Dwarikesh Dham (Bareilly)	Aggregate
Sugar (tonnes of cane per day)	6,500	7,500	7,500	21,500
Co-generation (megawatts)	17	33	36	86
Distillery (litres per day)	30,000	-	-	-



## Credit rating

The Company became free of long-term debt in 2018-19 when it repaid ₹54.05 crore to the banks. The Company's rating remained stable at A + during 2018-19. The average weighted cost of the Company's borrowings declined when it received a soft loan of ₹134.48 crore from the Uttar Pradesh Government at a subsidised ROI of 5% per annum.



## Management and employees

Dwarikesh employed 646 permanent non-seasonal employees and 692 seasonal employees across its three manufacturing locations and administrative offices.

**Mr. G. R. Morarka**  
*Executive Chairman*

- Founder and promoter
- Over three decades of sectoral experience
- Commerce graduate and ICWA Inter
- Recipient of Indira Gandhi Priyadarshini Award, Bhamashah Awards, Indira Gandhi Sadbhavna Award and Swami Krishnanand Saraswati Purashkar, among others

**Mr. Vijay S. Banka**  
*Managing Director*

- Chartered Accountant
- Employed with the Company since 2007
- Possesses more than three decades of experience in the areas of finance and strategy, with over two decades of sectoral experience

**Mr. B. J. Maheshwari**  
*Managing Director and CS-cum-CCO*

- Chartered Accountant- cum- Company Secretary
- Employed with the Company since 1994
- Over three decades of experience in legal, taxation, secretarial and administrative areas



## Scale

The Company is among the 20 largest sugar enterprises in India. Over the last decade, the Company froze manufacturing investments and focused on sweating capacities instead. The Company's financial growth across the last decade was derived from enhanced manufacturing efficiencies and fiscal discipline.

Segment	1995	2002	2004	2005	2007	2019
Sugar (tonnes of cane per day)	2,500	6,500	6,500	14,000	21,500	21,500
Power (megawatts)	6	6	17	26	86	86
Distillery (litres per day)	-	-	-	30,000	30,000	30,000



## Listing

The Company's shares are listed and traded on the National Stock Exchange and Bombay Stock Exchange. The Company enjoyed a market capitalisation of more than ₹582 crore as on 31st March 2019.

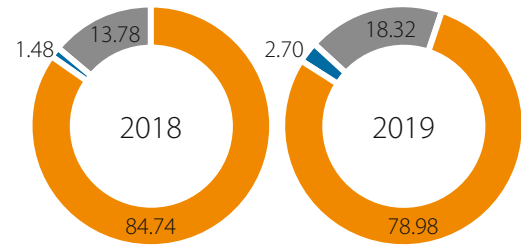


## Revenues

The Company generated ₹1,347.49 crore in revenues in 2018-19. A sizeable portion of the Company's revenues was derived from the sugar business (78.98% share of total revenues in 2018-19). The non-sugar portion of the Company's business was 21.02%, increasing 37.74 bps over the previous year. Industrial alcohol and co-generated power accounted for 2.70% and 18.32% shares of overall revenues, respectively. The Company marketed ethanol to Indian oil marketing companies and the excess co-generated power to the state electricity grid.

*(Revenue includes internal revenues)*

## Revenue share



■ Sugar ■ Distillery ■ Cogeneration

## The sugar industry value chain

### Raw material

Sugarcane

### By-product and residue

Molasses  
(By-product)

Bagasse  
(Residue)

### Output

Sugar

Power

Industrial  
alcohol

Ethanol

Molasses

Bagasse

Bio-fertilisers



Oh nadiya chale-chale re dhara  
Chanda chale-chale re taara

Tujhko chalna hoga  
Tujhko chalna hoga

Lyrics: Indeevar. Film: Safar (1970). Song: Nadiya chale chale re dhaara



# DWARIKESH. PROACTIVE AND DECISIVE



Under-construction distillery  
at Dwarikesh Nagar

## Challenge

There was a premium on evolving the business model in a sectoral environment where farmers would continue to maximise cane production even when

payments were delayed, creating an unprecedented scenario of high cane availability, irrespective of sugar realisations and miller health. The situation

called for the country's sugar manufacturing sector and the government to extend their perspective beyond the conventional approach.

## Solution

At Dwarikesh, success has been derived from the ability to foresee realities well in advance, invest proactively, capitalise with speed on sectoral opportunities and create a foundation for faster sustainable growth.

At Dwarikesh, we believe that well-started is half the battle won.

Even before our first mill was commissioned in 1995, the Company had commenced sourcing early maturing cane seeds (Co 88230) from Meerut and Muzaffarnagar, distributing them among farmers in Bijnor and strengthening traction for cane growing. The result of this proactive response was that during the trial season, Dwarikesh reported record output, significant recovery improvement and sectoral pole position.

What started as a confident experiment has since turned into a mission. Over the years, the Company grew the early maturing share of its command areas to impressive levels. The efficacy of the early maturing variety was reflected in the cost differential between the two varieties – an increase from ~₹2.5 per quintal at the start of its acceptance to ₹10 per quintal today, more than covered by enhanced yield and recovery.

When cane arrears increased rapidly, the government introduced the landmark Bio-Fuel Policy, creating a new business opportunity for sugar mills. The Company seized the opportunity and proposed to expand its distillation capacity. In FY2018-19, Dwarikesh embarked on an estimated investment of ₹145 crore in enhancing its distillery capacity by 100 KLPD, encouraged by a subsidised

government loan and prudent capital management.

The government permitted the use of direct juice and B-heavy molasses for ethanol production. This is expected to moderate sugar production by approximately 2%, diverting the excess sugar towards the manufacture of ethanol. The government's blending target of 20% ethanol in petrol by 2030 provides a long-term platform for the country's sugar sector to diversify its business away from an excessive dependence on sugar, broad-base the business and reinforce long-term sustainability.

**The result:** The Company's non-sugar proposition of 21.02% of total revenues in FY2018-19 is expected to progressively increase, moderating the Company's risk profile and creating broadbased long-term sustainability.



**Kuch kariye, kuch kariye**  
**Nas-nas meri khaulay, haai,**  
**Kuch kariye, kuch kariye**  
**Bas-bas bada bode**

...

Lyrics: Jaideep Sahni. Film: Chak De! India (2007). Song: Chak De! India