

AVADH/SE/2023-24/17

May 21, 2024

The Manager  
Listing Department  
National Stock Exchange of India Limited  
'Exchange Plaza'  
C - 1, Block G, Bandra-Kurla Complex  
Bandra (E)  
Mumbai 400051  
**SYMBOL – AVADHSUGAR**

The Manager  
Listing Department  
BSE Ltd.  
1st Floor, New Trading Ring  
Rotunda Building, P.J. Towers  
Dalal Street, Fort  
Mumbai-400 001  
**STOCK CODE - 540649**

**Sub : Transcript of Q4 & FY24 Earnings Conference Call**

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, kindly find enclosed a transcript of the earnings conference call for the quarter and year ended 31st March, 2024 which was held on Wednesday, 15th May, 2024. The same is also available on the website of the Company i.e. [www.birla-sugar.com](http://www.birla-sugar.com) .

You are requested to take the same on record.

Thanking you,

Yours faithfully,

**For Avadh Sugar & Energy Limited**

**PRASHANT**

**KAPOOR**

Prashant Kapoor

**Company Secretary**

ACS 15576

Digitally signed by PRASHANT  
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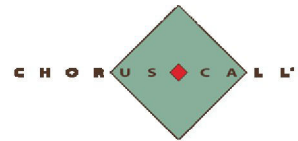
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“Avadh Sugar & Energy Limited  
Q4 FY‘24 Earnings Conference Call”

May 15, 2024



**MANAGEMENT: MR. DEVENDRA KUMAR SHARMA - WHOLE-TIME  
DIRECTOR AND CHIEF OPERATING OFFICER – AVADH  
SUGAR & ENERGY LIMITED  
MR. DILIP PATODIA - CHIEF FINANCIAL OFFICER -  
AVADH SUGAR & ENERGY LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Avadh Sugar & Energy Limited Q4 & FY24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

Please note that this conference is being recorded. We have with us today the senior management team of Avadh Sugar & Energy Limited, Mr. Devendra Kumar Sharma, Whole-Time Director and COO, and Mr. Dilip Patodia, Chief Financial Officer, who will represent the company on the call today. The management will be sharing the key operating and financial highlights for the quarter and full year ended March 31, 2024, followed by a question-and-answer session.

Please note that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. Documents relating to the company's financial performance are available on the website of the Stock Exchange and the Company's Investors section. Trust you have been able to go through the same.

I now hand the conference over to Mr. Dilip Patodia. Thank you and over to you, sir.

**Dilip Patodia:** Thank you all for joining us on this call today. We hope you will get a chance to go through our investor presentation uploaded on the Exchange's website. We will be sharing key operating and financial highlights for the quarter as well as full year March 31, 2024.

But before we begin with the quarterly update, some of you might be looking at the company for the first time. We would like to take this opportunity to brief you all about our business. Oudh Sugar was incorporated early in 1932 post a scheme of merger-de-merger, the name of the company has been changed to Avadh Sugar & Energy Limited, with a core focus on sugar along with the power generation.

Together with our team of skilled executives, we have established a strong presence in the sugar industry. We are operating with the four sugar mills in Uttar Pradesh, with a pressing capacity of around 14,800 in the Central UP, 10,000 in Western UP and 7,000 in Eastern UP. Additionally, we run two distilleries with a combined capacity of 325 KLPD, further diversifying our portfolio and a core generation facility capable of supplying to the grid 74MW of power.

In January 2024, Rating agency India Ratings has upgraded our rating to A+, from earlier A/Stable. This validates and underscores our financial stability and prudent management practices, positioning us even stronger in the market. Moreover, our strides in operational efficiency are evident with the expansion of our sugarcane pressing capacity from 10,000 to 13,000 TCD at our Hargaon unit.

Not only we are scaling up production, but we are also significantly enhancing energy efficiency through strategic measures aimed at reducing steam consumption. This not only supports the bottom-line but also underscores our dedication to sustainable practices. The

project will significantly enhance the company's return on capital employed, benefiting the company overall.

In line with our forward-looking vision, we are also looking into new greenfield multi-feed distilleries at our Rosa unit, pending necessary clearance from the government bodies. Our focus is on lowering our debt burden. We are enhancing our financial flexibility and reducing our interest expenses over the period of the last 3-4 years, thus enabling us to allocate more resources towards strategic initiatives and value creation.

Recent changes in government's ethanol procurement policy has burdened us to carry higher inventory by almost 52% as on 31<sup>st</sup> March 2024 compared to last year, resulting into higher short-term borrowing. Just to summarise, we have transitioned from a cash-intensive model to one that prioritises superior liquidity in the system. We have moved away from the volatility of one-off profitability towards a steady commitment to business sustainability.

Instead of relying on debt-driven expansion, we are now focused on accruing sustainable growth through prudent financial management and strategic investments. Let me now take you through some of the industry developments which have taken place. As of April 2024, ISMA reported a significant milestone in sugar production, reaching approximately 314 lakh tons.

Moreover, with additional output expected from mills in Karnataka and Tamil Nadu, it is anticipated that the final net sugar production will be nearly 320 lakh tons. Looking ahead, ISMA projects a closing stock of approximately 91 lakh tons by September 30, significantly higher than last year's stock of 55 lakh tons. While this surplus indicates potential challenges such as idle inventory and carrying costs for millers.

Considering these and anticipated factors influencing the 2024-25 pricing season, ISMA urged the government to consider permitting the export of sugar in the current season. This strategic move will not only ensure sufficient stock for domestic consumption and the Ethanol Blending programme, but also strengthen the financial liquidity of sugar mills, enabling timely payment to the farmers. Now coming to our financial and segment-wise performance.

Revenue from operations during the quarter stood at Rs 620 crores versus Rs 846 crores and EBITDA is Rs 122 crores versus last year Rs 142 crores. This is primarily because of lower uptake of sugar. Last year, during this quarter, we have exported a certain quantity of sugar, which has not happened during the current quarter of the current financial year. PBT is at Rs 85 crores versus Rs 111 crores and PAT is Rs 55 crores versus Rs 79 crores last year.

Now, on a full-year basis, the same numbers are the consolidated revenue from operations is lower than last year. It is at Rs 2,694 crores versus Rs 2,798 crores. But there is a significant increase in EBITDA. It stands at Rs 334 crores versus last year Rs 264 crores with a higher EBITDA margin too. PBT is Rs 197 crores versus last year, Rs 144 crores and similarly the PAT is Rs 128 crores as against last year, Rs 120 crores representing a growth of 28%.

The company crushed Rs 299 lakh quintal of sugarcane compared to last year's Rs 315 lakh quintal in the previous quarter, representing a 5% decrease. This is mainly because some of our

units run on [C-basis production only. This reduction is primarily due to operational adjustments related to C-molasses at some of our units.

Sugar production during this quarter is INR33.37 lakhs quintal which was INR30.73 lakhs quintal in the corresponding quarter last year, an increase of 9%. Domestic sugar sales during the quarter stands at INR11.08 lakhs quintal as against INR9.4 lakhs quintal in the corresponding quarter of last fiscal, an increase of 18%. There is no export in this quarter compared to INR7.22 lakhs quintal sugar exported in the last same quarter.

The average sugar realization in this quarter is INR3,776 per quintal as against INR3,411 per quintal in the corresponding quarter of last year, an increase of around 11%. Sugarcane crushing is around INR618.92 lakhs quintal as against INR569.07 lakhs quintal in the previous year, an increase of 9%. This year, we have crushed around 42% under C-route and 58% under B-route. Last year it was 24% under C-route and 69% under B-route.

Sugar sales during the year stands at INR50.93 lakhs quintal compared to last year INR57.37 lakhs quintal. Last year figures includes INR12.77 lakhs quintal of sugar which we exported. The average sugar realization for the full year financial basis is INR3,727 per quintal as against INR3,483 per quintal, an increase of around 7%.

The way I told you earlier, sugar inventory is INR37.99 lakhs quintal as on 31st March 2024. This was INR24.92 lakhs quintal as on 31st March 2023, and the sugar inventory is valued at INR3,441 per quintal.

Now coming to the ethanol side. In FY'24, total ethanol production stood at INR9.90 crores litre as against last year INR9.30 lakhs litre last year, an increase of around 7%. Total ethanol sales stood at INR9.51 crores litre as against INR9.01 crores litre last year, an increase of around 6%. However, ethanol sales during quarter 4 was lower by 26% at INR183 lakhs quintal compared to last year INR246 lakhs quintal due to changes in government policies. So these are the significant operating and financial numbers for the quarter and the financial year '23-'24.

Thank you once again for joining us on this conference. We will be happy to answer any questions that you may have. Thank you.

**Moderator:** Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Nikhil Saboo from SKP Securities Ltd. Please go ahead.

**Nikhil Saboo:** Yes, congratulations, sir, for the decent FY'24 performance. I have a couple of questions. Sir, what is the actual sugarcane crush for sugar season '23-'24 compared to '22-'23?

**Dilip Patodia:** Last year, it was 602 lakhs quintal. And in this sugar season, we have crushed 534 lakhs quintal.

**Nikhil Saboo:** So, it's a dip of 11%, right, sir?

**Dilip Patodia:** Yes, Nikhil.

- Nikhil Saboo:** So what is the reason for such a drastic fall and what measures are we planning to take to overcome this?
- Dilip Patodia:** First, I will give you the number. The major reason of lower crushing during the current season is on account of lower crushing at one of our units in Western UP at Bijnor called Seohara. Last year, in the same unit, we have crushed around 225 lakh quintal of sugarcane, whereas in this year, we have crushed 162 lakh quintal. The reason for this more precisely will be answered to your question by Mr. D.K. Sharmaji.
- D.K. Sharma:** Yes. Hello, Mr. Saboo. This is D.K. Sharma. Actually, Mr. Saboo, last year, there was a disease called red rot came in that area of Seohara Sugar. And if you compare with that Seohara Sugar dip with Dwarkesh Sugar 2 units, which is the same city of Bijnor district, Bijnor district totally around 30% to 40% less than last year because of that red rot variety. And there was a flood for particular one month period in Ramganga river. But some area has totally destroyed and the rest of the area has been deteriorated by red rot disease. So these two impacts were basically major for this Seohara area, which gives a major setback in that area.
- Nikhil Saboo:** Sir, your peer group also highlighted that a new plant has also come up. So there was diversion because of a new plant has also come up and also there was a diversion towards [gur and khandsari 0:13:54] unit. Is it true?
- D.K. Sharma:** Yes, it is very much true. But if you take total crushing of Bijnor district after taking new plant or last year, the total is again 25% less than last year. If you take 5 plant in last year and 6 plant in this year, total is again 25. Total availability of cane is 25% less than last year.
- Nikhil Saboo:** Okay. And sir, what is your view for the upcoming season '24-'25? Because this year we have ended with 534 lakh quintals. So what are the measures we are taking to overcome this shortfall? And is it possible for you to share your thoughts on a plant-wise action?
- D K Sharma:** Yes. Actually, out of 4 plants, the Seohara plant last year flood was there and this year. Every year we are not -- we can't anticipate flood situation every year because it comes in once in a 10-year or once in a 15 years. So slightly improvement because of that.
- Secondly, we are changing our variety -- varietal balance we are changing from or one specific variety CO238, which is red rot from variety. We are changing that variety. So, by that way, not in very next year, we will not increase or crushing will not increase very much from Seohara slightly, maybe 10% from this year we can increase at Seohara. We can go for Hargaon. Hargaon this year we have crushed around 190 lakhs of quintal cane. Again, last year 205 lakh quintal cane.
- So, in coming year, we are thinking, we have already changed all the varietal issues at Hargaon. So, next year we will crush certainly 200 at Hargaon, not less than that. Hata and Rosa, both plants will be crushed more than last year, more than this year, rather Hata crushed this year more than last year. 324 crushing in Hata is higher than '22-'23, '22-'23 crushing was 95 lakhs and this year it is 102 lakhs. Next year, we are anticipating 115 lakhs. So, Hata, Rosa and Hargaon, all these three units will be higher than this year, next year and Seohara is slightly higher than this year.

So, overall, we are thinking around, again, this is 544, 534 next year, we are anticipating around 560, 570, but it is very early to say because the whole period of monsoon is still pending. So, right estimation can be given after September.

**Nikhil Saboo:** Sir, one of the reason is also because of too much of dependent on C0238 and so your peer group is also looking at having a varietal change. So, what is our thought process or what are the steps we are taking for this varietal change?

**D K Sharma:** Yes, out of four factories, we have already replaced major varietals 238. Only Seohara, where last year 238 was 99%, in current year showing around 15% to 18% we have already replaced and next year it will be going up to 60% because first year availability of seeding always lesser. So, first year it is always 15% to 20% and we have achieved around 18% replacement of variety, 18% area replacement of variety and next year it will be 60% to 70%. So, we have already started that varietal changing scheme in our system.

**Nikhil Saboo:** So, as a company, if I look at, so what would be the percentage of C0238 for the season '23-'24 and what is your view over the next year as a company I am talking about, not from the plant wise?

**D K Sharma:** '23-'24 we can say around or total C0238 was around 60%-65% and next year we are anticipating around 20% maximum, 20% to 25%.

**Nikhil Saboo:** So, which are the seeds we are using? Is it possible for you to share the name of the seed?

**D K Sharma:** No, we have already shifted to C0118, 15023. These are two prominent varieties which we are going for increasing in our area against C0238.

**Nikhil Saboo:** Okay, and so how is the yield and recovery by using this seed?

**D K Sharma:** Recovery more or less same as 238 but yield slightly 5% to 10% less than 238.

**Nikhil Saboo:** So, going forward, seems currently as a...

**Moderator:** Sorry, sir. Mr. Saboo, will you rejoin the queue for follow-up questions, please? The next question is from the line of Sanjay Manyal from -- I am sorry. The next question is from the line of Akshata Telisara from Aionios Alpha Investment Management. Please go ahead.

**Akshata Telisara:** Hi, thanks for taking my question. So, there has been inventory build-up in sugar and ethanol obviously because of the ethanol restriction but how do you see that unfold in this coming year?

**Dilip Patodia:** Yes, madam. Actually, the last year till we have got in quota of around 4 lakh quintal every month we are getting a quota of more than 5 lakh quintal starting from the month of March. So, we are expecting whatever inventory build-up is there that is going to be liquidated the way it has been liquidated last year by November or December end.

**Akshata Telisara:** So, for FY '25, do we see it coming to normal levels of 2 lakhs or 3 lakhs thousand tons?

- Dilip Patodia:** Yes, madam. And the way we are seeing that we are urging government to allow us to export something, if that policy also comes that will bring down the overall inventory for the company. And considering that there is an opening stop around 91, 80, 85 to 91, the government may again relook into the allowing B molasses or syrup.
- Akshata Telisara:** Right. And any qualitative comments on all India sugar production next year and therefore the crisis?
- Dilip Patodia:** We are estimating the production is going to be similar to the current year level only. On a gross level basis, around 34, 35 and with allowing a diversion of again 1.7, 1.8. So, we have a net sugar in the position around 32, 32.5.
- Akshata Telisara:** We just had some reports that said that the acreage in south has been lower than last year, but we don't anticipate that.
- Dilip Patodia:** Madam, initially we have anticipated, for the current year too we have anticipated Maharashtra, Karnataka production is going to be far lower than what was the last year, but they have ended up with a higher crushing and higher production during the current year itself. It's too early to say, ma'am.
- Moderator:** The next question is from the line of Sanjay Manyal from DAM Capital. Please go ahead....
- Sanjay Manyal:** Hi, sir. Just have one question on the ethanol capacity front. I think you have mentioned that you are taking capex plan. So, can you share the timeline and what would be our annual ethanol capacity or annual ethanol volume once this capacity come on stream?
- Dilip Patodia:** Right now we have an ethanol capacity of 325 KLPD. We are considering a new plant, multi-feed plant at Rosa of 100 KLPD. It means our capacity will go up from 325 to 425 and our production capacity on 345 days if you convert into it will be around INR14 crores litre.
- Sanjay Manyal:** And when this capacity will be on stream?
- Dilip Patodia:** Actually, we are waiting for the government clearances. Once the government clearance comes whether it comes in June or September, it will take 18 months time – 15 months to 18 months time to implement it.
- Sanjay Manyal:** Okay. And sir will you then be thinking about because it's a multi-feed plant, will you be thinking about the grain ethanol as well. So availability of grain in your catchment area is sufficient in any one of your plants?
- Dilip Patodia:** Yes. In the Rosa plant the availability of the grain is there that's why we have considered Rosa plant only for the multi-feed distillery.
- Sanjay Manyal:** Sir what is your sense given the fact that now inventory as a country level inventories are quite high, you think that next season despite the possibility of lower sort of production sugar production as a country level, is it possible that government will consider full 3 billion to 4 billion ton divergence, given we are literally sitting at close to 8 million ton inventory by September end?



- Dilip Patodia:** Yes, Sanjay, you rightly pointed out. We are sitting on inventory. We are going to sit on inventory on 91. And next year again even our lower production we are estimating 31 or 32 and our consumption is 28. So, inventory is going to pile up if they doesn't allow diversion of further sugarcane into ethanol.
- Sanjay Manyal:** So, full utilization of capacities is possible?
- Dilip Patodia:** That's why we are also not in a too hurry because we are waiting for the government policies also. Once the ethanol policy of the government for the next year is clear then we can take further necessary steps to implement the project at the earliest.
- Sanjay Manyal:** I have seen the sugar prices have moved up a bit probably it's a month of summer and extreme heat, but given the fact that we are sitting on a sufficiently large inventory as a country you think that there is a possibility of this prices sustaining or do you think this will sort of fizzle out as and when the next month quota comes or higher quota comes?
- Dilip Patodia:** No, Sanjay, this month the quota was 27 and the prices in rupees hovering around INR39. So 27 will not come in the coming months once all the elections and everything is over. So, in our view the prices will hover around in between 38 to 40, 40, 50 up to the month of September, October. Then after it may little bit cool down, but our estimate is the average realizations in UP for the next year is going to be around INR39.
- Sanjay Manyal:** Thank you very much, sir.
- Moderator:** Thank you. The next question is from the line of Akshay from Green Portfolio. Please go ahead.
- Akshay:** Hi, sir. So, as you said that we are planning a capex. So, how we are going to balance the debt and the capex going forward?
- Dilip Patodia:** How we are going to balance?
- Akshay:** The debt to reduce the debt what will be the plan in FY25?
- Dilip Patodia:** The project which we are investing here is a total capital cost of around INR151 crores. Right now our return on capital employed is 15% to 16%. The project which we are going to implement is with an ROC of around 27%, 28%. Between the INR151 crores we will give a PBIT of around INR45, INR46 crores every year. Against this project we are hoping to borrow around INR100 crores against INR151 crores total project cost and INR100 crores borrowing on a new generation of around INR47, INR48 crores will be repaid over a period of 2 years time. Our overall borrowing is not going to go up because every year we have a repayment of around INR95 to INR111 crores in the next 2 years, 3 years.
- Akshay:** Okay. Got it, sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Nikhil Saboo from SKP Securities Limited. Please go ahead.

- Nikhil Saboo:** Major of my queries has already been answered. So, just to follow up to my previous question, since you mentioned that because of change in varietal the recovery is slightly less. So, what is your view on the recovery for the next season? Will it be better than current year or it will be slightly similar levels?
- D K Sharma:** It is very interesting question. Basically, in other varieties recovery is slightly lesser than good health of 238, but since last 2 years, 3 years the health of 238 has been deteriorated. And whatsoever recoveries we are getting last 2 years in 238 the upgraded new varieties will give better recovery than 238 is giving at the moment. We are expecting better recovery next year.
- Nikhil Saboo:** Got it sir. Sir, you also mentioned about a capex of INR151 crores. Is this including both your cane crushing capacity enhancement and multi-feed?
- Dilip Patodia:** No, multi-feed is separate because for the multi-feed we are awaiting still the clearance from the government department.
- Nikhil Saboo:** So, what will be the capex for multi-feed then?
- Dilip Patodia:** It is around INR147 crores.
- Nikhil Saboo:** So, as a company the capex would be close to around INR300 crores in the period of next 2 years?
- Dilip Patodia:** Yes, Nikhil.
- Nikhil Saboo:** Okay. Next 2 years, 3 years and we are expecting an ROCE or somewhere around close to around 25% from same?
- Dilip Patodia:** Yes. And the ROCE major reason is in Hargaon we are also looking into the reduction in steam consumption. It is right now 42%. We are trying to bring it down to 31%, 32%.
- Nikhil Saboo:** Okay. And so, we will have additional steam or additional bagasse for our distillery then multi-feed?
- Dilip Patodia:** Yes.
- Nikhil Saboo:** Got it sir. So, I think the dynamic of the company will completely change over the next 3 years once we are done with both the capex?
- Dilip Patodia:** Yes, Nikhil. You are rightly told.
- Nikhil Saboo:** Right, sir. Thank you.
- Dilip Patodia:** Thank you Nikhil.
- Nikhil Saboo:** And wish you all the best for future.
- Dilip Patodia:** Thank you Nikhil.

**Moderator:** Thank you. The next question is from the line of Varun Gajaria from Boring AMC. Please go ahead.

**Varun Gajaria:** Hi, sir. And thanks for the opportunity. So, in case I missed it, could you please tell us the capex plan at your distillery and the plan that you announced? I think I missed it a little bit.

**Dilip Patodia:** Okay. We have total 2 capex programs. One is at Hargaon increasing capacity from 10,000 to 13,000 TCD as well as to bring down the steam consumption from 42% to 31%, 32%. When I am saying steam consumption is going down by 10%, it means it will give me an additional bagasse saving of around 4.5% nearly.

The total capex at Hargaon is INR151 crores and it is to be completed in the first phase, partly in 2024, 2025 and it will be completed totally in 2025, 2026 and start giving benefit from November, 2025. At Rosa, we are still awaiting from the government approval. We are hoping all the government approvals will come to us by September 2024 and the distillery will start operation by the end of financial year 2025, 2026. And the capital outgo for Rosa distillery is INR147 crores.

**Varun Gajaria:** Okay. And what part of it will be borrowed and rest will be accrued?

**Dilip Patodia:** We will get the loan sanctioned but whether we will take the loan or not that depends upon the circumstances and cash approval. We are hoping that major liquidation of our inventory in a big way will help us to not to borrow too much of fund for this ongoing capex.

**Varun Gajaria:** And recently there have been some news of floods in Brazil. So, has there been any impact or anything material seen on ground in terms of global inventory?

**Dilip Patodia:** No. In my opinion, the Brazil even next year estimate is more or less similar to the last year. It was 3.49 million metric tons. Next year, they are estimating around 3.57 million metric tons. And Mexico production is down in a significant way this time.

**Moderator:** The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.

**Saket Kapoor:** Namaskar, sir. And thank you for this opportunity. Sir, I joined a bit late. So, you were answering to the earlier participants in the coming time our profile will totally change, 2 years, 3 years down the line. Sir, can you explain that story once again?

**Dilip Patodia:** The question was asked by Mr. Nikhil Saboo. Actually, he was asking about our ongoing planned capex. So, for that, we are answering the way that at Hargaon, we are going to increase our crushing capacity from 10,000 to 13,000 TCD. And along with that, we will bring down our steam consumption from 42% to 31% or 32%.

This 31% or 32% compared to the 42% will give us an extra bagasse saving. And the ROCE for this project is around 26% to 27%. Right now, we are doing an ROCE of around 15% to 17%, depending upon year-to-year environment policies on ethanol and sugar. Similarly, at Rosa, we are putting up a multi-feed distillery, which will feed both molasses as well as grain.

The project will be completed over a period of 15 months' time, once the government approval comes through.

And this project also, as on grain, there is a lower profitability. We are estimating an ROCE of around 24%. The two projects, around INR298 crores project, will give us an extra EBITDA level around INR72 crores, INR75 crores every year. So, this is the story. We have a sustainable EBITDA of around INR300 crores every year and INR75 crores additional and depending upon government further policies on B molasses. We are looking for a good number in the coming year.

**Saket Kapoor:**

Sir, when we look at the procurement from the OMC in terms of ethanol, there has been a shortfall. Please correct me there. So, what has led to lower output from OMC than the committed quantity? And going forward, what is your outlook on the feedstock for ethanol blending? And since country liquor and ethanol blending both have the same sugar feedstock as one of the feedstocks, so what is your thought process and how are things aligned going ahead?

**Dilip Patodia:**

Yes. In the quarter 1 and quarter 2, we have an order of 3 crores 64 lakh litres. Against that, they have taken from us 3 crores 42 lakh litres. It means around 95% we have supplied to them. And the balance they have diverted to the next quarter 3 and quarter 4. And in quarter 3 and quarter 4, we have an order in hand of 3 crores 64 lakh litres. So, it means we have the order in hand till quarter 4. And this order is based on the availability of the molasses at our end to convert this into the ethanol. Now, after December 2023 notification, at 2 of the units, we have manufactured only C molasses.

And C molasses, you know, the recovery is lower than the B molasses. And the yield is also lower. So, we have restricted our all the tenders to the extent of molasses available with the company till October 2024.

**Saket Kapoor:**

So, sir, going ahead in terms of... So, this is what the yield part is. Now, we are routing it through a different source or different grade of molasses. Hence, the yield is lower and hence your contract will get delivered in the subsequent quarter. So, sir, going into this policy, this flip-flop in policy, quote-unquote, what should we look as a regular feedstock as maize have been talked about earlier, being the consistent feedstock for ethanol blending and ethanol, availability of ethanol mainly towards the country liquor part.

So, what is your thought and how is our company aligned? I think we are working with the retrofitting at our distilleries also with multiple feedstocks. So, sir, how are you aligning yourself with the sugar plant in terms of feedstocks, sir?

**Dilip Patodia:**

Yes. I am giving the answer in the first part. Mr. Sharma will give the answer in the second part. If I follow the policy of this government and the capacity will be restricted to be utilized to the extent of 68% or 69% because there is no availability of C molasses at our end. Now, coming to the maize and other parts, Mr. Sharma is going to reply.

**D.K. Sharma:**

I would like to give a reply to both the things. In today's date, the capacity of our distillery, if you look at the data of 23-24 financial year, then our total production is 990 lakhs against 10

crores litres. Our production is 9.9 crores lakhs, which means our balance was perfectly equipped. But due to the shortage of sugar this year, due to the policy of the government, our carry forward molasses availability will be reduced.

In the coming time, the capacity will be utilized in the range of 65%-70%. But again, according to the opening stock of 90 lakh tons of sugar, the policy of the last year will remain as we are anticipating. So, according to that, our total production will increase.

And again, we will do it on both the capacities of 10 crores litres. After that, the new distillery that we are setting up, we are setting it up for multifeed. We will be able to leverage both the existing distilleries by using all the molasses there that when we have to take it on grain and when we have to take it on molasses.

If molasses availability is more, then we can use molasses. If molasses availability is less, we can use grain. So, we have kept it for its leverage.

**Saket Kapoor:** So, sir, for country liquor, the commitment that we have in the sugar season of molasses, how do we balance that in this?

**D.K. Sharma:** We have mapped it. We have got four sugars mills, two of which are distilleries. And two of them are not distilleries in today's date. So, what we do is, first of all, whatever molasses is made from our unit in Hatta, we give it to the country liquor. Such a state government allows that you can give country liquor from anywhere out of your group.

So, we give country liquor from where there is no distillery. And where there is distillery, we distil it completely from there. This is how we have done the mapping.

**Dilip Patodia:** Balancing has been done, sir.

**Saket Kapoor:** And sir, the second feedstock that is being discussed about maize, you are getting higher prices in it. What has been the chalk out done on its availability, sir? What will be your freight cost in which part of the country is maize?

And how will it affect all the sugar slaves that they can keep maize as a feedstock, sir? What are our expectations for this?

**D.K. Sharma:** In today's date, the multi-feed distillery that we are installing is in Rosa. And the area of Rosa Shahjahanpur district is a very large area of rice. So, now our distillery is going to come after 1.5 years. It is not going to come for 1.5 years. What will be the price of maize by the government after 1.5 years? What will be the price of rice? What will be the cost of importing maize from outside? What will be the transportation cost? What will be the local comparison of rice? I don't think it will be of any use by doing a very advanced study.

This study will be done at the time when we are producing rice. Do we benefit more from rice or from importing maize? We can decide that at that time by doing a post-benefit analysis.

**Saket Kapoor:** Sir, you are absolutely right. Sir, if we look at the whole sugar space, this is my last question, then I will come to the end. If we look at the whole sugar space, how does USP stand out from other sugar companies?

Because everyone's models are similar. Margins also differ according to efficiencies, availability, and region. So, if we want to see a difference or if we want to keep our quality in front of investors, how does Avadh stand out, sir, if your investors ask you?

**D.K. Sharma:** Yes, I will answer this. You have all the geographical information about all the other companies. Avadh's USP is that we are right from east to west, we are at every place.

We are in western UP, we are in central UP, and then a little further. The location of our four plants is such that from Bijnor district to Kushinagar, if you look at the 10-year data every time, at some time, western UP, like this year, Bijnor district, western UP, has gone down completely. So, Sitapur district has risen.

If Sitapur district sits down, then Kushinagar, Gorakhpur rises. Out of 4 locations, 2 locations always perform well for us. So, we always stay in balancing leverage. It is not that either we will go to the very bottom or we will go to the very height. The location of some factories is such that I don't want to quote anyone's name. You know everything. Some companies have gone down a lot, some have gone down less. That is because of location. But we are more or less on the level that we maintain the average of the state.

And it is better than that. If we look at the average of the state, suppose we have a dip of 15% or 12% in the entire state, then our company has a dip of 10% or 11%.

**Saket Kapoor:** And lastly, as you said, as our last 3 years' run rate of EBITDA is going on, so taking into account, if unfortunately any circumstances or any policy change, we can factor this EBITDA number of INR300 crores and run the current year?

**Dilip Patodia:** This is a sustainable EBITDA.

**Saket Kapoor:** Yes, this is a sustainable EBITDA.

**Dilip Patodia:** Today's policies.

**D.K. Sharma:** 300 sustainable EBITDA, absolutely.

**Saket Kapoor:** Thank you, Mr. Sharma.

**Moderator:** We have a question from the line of Saket Kapoor from Kapoor Company. Please go ahead.

**Saket Kapoor:** Sir, there was one more point. Regarding biogas and CNG, the story of the mud is also being kept, that the remaining gas can also create a new cycle, an ecosystem can be created. So what is our role in that, sir?

D K Sharma We are studying it. We are visiting plants regularly. It is a new technology. There are some challenges in it. I think those challenges will be covered in the next 2 to 4 to 6 months. We are

seriously looking to it. Once everything is technically established, then we will certainly take up it.

- Saket Kapoor:** But what kind of opportunity is this? I mean, if you just explain to me its ecosystem.
- D.K. Sharma:** What we have is that the press mud comes out of a sugarcane tree, which is completely dirty soil and there are some ingredients in that dirty soil with which we can make gas and also make fertilizer. Now all that dirt comes out and is used to be put in the fields without processing. Some people also make fuel bricks from it.
- Some people also burn it in bricks. Instead of that, we will plant our plant, process it and separate the gas from it. And the remaining residual will be used as a fertilizer, as manure and will be able to give it to the farmers. And if we take out its gas, then the government also has a subsidy on it. So, the whole system of it is that as much gas as you can take out from it, if you take out the gas and give it to the farmers, then it becomes double utilization and the benefit will be more.
- Saket Kapoor:** Yes, sir. But what kind of a system is this?
- D.K. Sharma:** The capex depends on how big the plant is. For example, if we do it in Hargaon plant, then it will be around INR100 crores approximately.
- Saket Kapoor:** Okay, and what is the gestation period expected, sir?
- Dilip Patodia:** The plant takes a year to grow.
- Saket Kapoor:** Okay, and in its ecosystem, you have to do the erection of machineries only. That is what it has to be.
- D.K. Sharma:** You have to do the erection of machineries. And you have to get the government approval from the subsidy.
- Saket Kapoor:** Yes, sir. Say it again.
- D.K. Sharma:** You have to get the approval from the government. We have land available, power available, and expert staff available. The issue is that you have to do the erection of machineries and start it.
- Dilip Patodia:** In this, one thing has to be seen that the gas station should be near our plant. Otherwise, carrying it in a cylinder and delivering it there, that is an extra cost involved in that. So, one should look into where we are going to put up the plant for this.
- Saket Kapoor:** Okay, because then the transport part will also come from your sugarcane mud also. That you need to transfer to the pit head where the plant will be there, and then the gas connectivity. That is what you are trying to explain.
- D.K. Sharma:** Once the technical feasibility gets completed and then the commercial thing is always good.

- Saket Kapoor:** So, the import of machinery will also be done from an indigenous country because in that, your lead time increases a lot?
- D.K. Sharma:** Indigenously.
- Dilip Patodia:** We will do it Indigenously.
- Saket Kapoor:** And who are the current contractors, sir, who are working on this?
- D.K. Sharma:** We have not started exploring it yet. We are still studying other people and looking at the feasibility of technology.
- Saket Kapoor:** And which existing company is it, sir, that is already doing this work in the sugar field?
- D.K. Sharma:** In sugar, DSTL, they have already started. Some people have collaborated with other people. They have allowed them to install their plant by agreeing with other third-party parties. Balrampur has allowed another company to install their plant in the near future.
- Saket Kapoor:** What is the name of Balrampur?
- D.K. Sharma:** Balrampur. And all this is still in the stage of getting started. Some have started a month ago, some will start after two months, some will start in the next season. So, it is still in the early stages.
- Saket Kapoor:** Two names you mentioned, Dhampur Sugar and Balrampur, both of them. Thank you, sir. Thank you for all the business answers, sir. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. Devendra Sharma for closing comments. Over to you, sir.
- D.K. Sharma:** Thank you very much, everyone, for joining us on this call for Q4 as well as for financial year 24. For any query and clarification, you can always reach out to us. And also our investor relations team, Stellar IR advisors. Thank you. Thank you very much. Have a nice day and have a good year ahead. Thank you.
- Dilip Patodia:** Thank you.
- Moderator:** Thank you, members of the management. Ladies and gentlemen, on behalf of Avadh Sugar & Energy Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.