

JULY 2023



Investor Presentation

Q4/FY23—



DAVANGERE SUGAR
COMPANY LIMITED

Agenda –



01 Company Overview

02 Industry Outlook

03 Financial Performance

04 Management Team

Company Overview—



Davangere Sugar Company Snapshot –

Incorporated in 1970, Davangere Sugar Company Limited (DSCL) is involved in the business of production of **Sugar, Ethanol and Co-generation**. DSCL commenced commercial production of sugar with a **capacity of 1250 TCD** and has increased the capacity **to 4750 TCD** over the years .

DSCL is one of the foremost manufacturer of high-quality range of ethanol (**dual mode - sugar and grain based**).

Company Snapshot

50+

YEARS OF RICH
BUSINESS
LEGACY

65 KLPD

DISTILLERY
CAPACITY

17.3 Mn Ltr

ETHANOL
PRODUCTION
CAPACITY

80 KLPD

CAPACITY-
GRAIN BASED
PLANT

24.45 MW

CO-
GENERATION
CAPACITY

4750 TCD

SUGARCANE
CRUSHING
CAPACITY

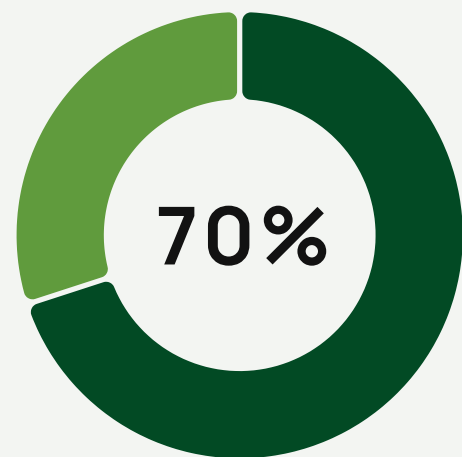


Key Details of Business Operations

Sugar Business

Sugar Production	3,06,192 Qtls
Sugar Recovery	6.34%
Sugarcane Crushed	4,82,453 MTs

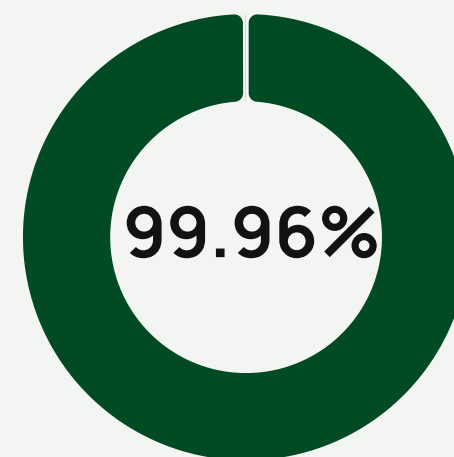
Capacity Utilization



Ethanol Business

Installed Capacity	65 KLPD
Ethanol Produced	1,99,39,345 KL

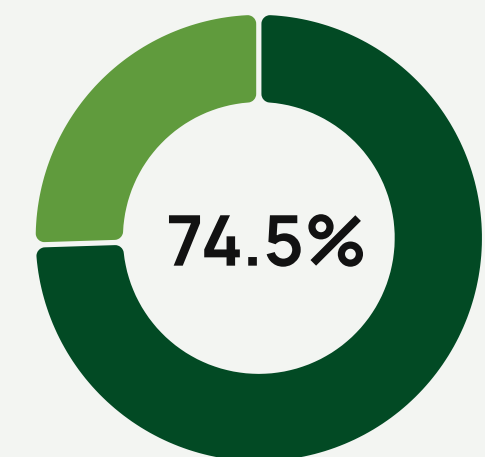
Capacity Utilization



Co-Generation Business

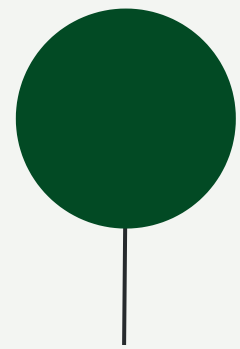
Installed Capacity	24.45 MWs per day
Power Generated	6,22,17,400 KWH

Capacity Utilization



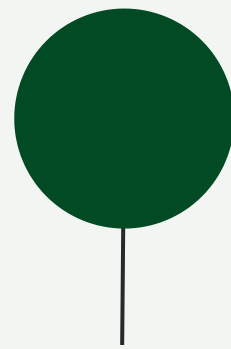
*The company aims to further expand its existing ethanol production capacity from **65 KLPD** to **110 KLPD** with the projected timeline **for completing the expansion plan set for the year 2024**

Journey since Inception



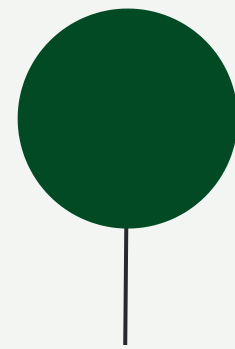
1970

Incorporated as a Joint Sector Company



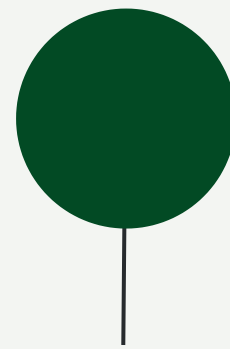
1974

DSCCL commenced commercial production of Sugar with a capacity of 1250TCD



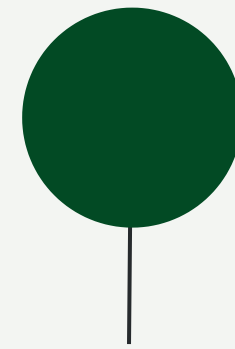
1995

Shamanur Group acquired the shares and took over the management of the company



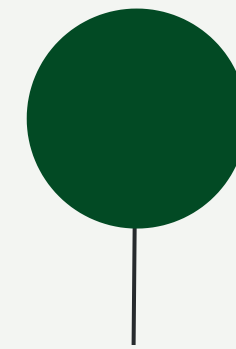
2004-2012

Company completed commissioning of Co-generation power plant with an installed capacity of 24.5 MWs per day and expanded the cane crushing capacity to 4750TCD



2022

Company installed molasses/sugar syrup based Ethanol unit with installed capacity of 65 KLPD and started commercial production from Q1FY23.



2023

Company installed grain-based plant for ethanol production with installed capacity of 65 KLPD

Product Portfolio

Sugar	White crystal sugar manufactured from sugarcane
Molasses	By Product in the Process of manufacturing sugar
Electricity	Co-generation Power Plant
Ethanol	Sugar syrup, molasses, and grain as raw material to produce ethanol
Press Mud	Bi-product which is sold as fertilizer
Potash	Potassium rich fertilizer
CO2	Co2 Generation Plant

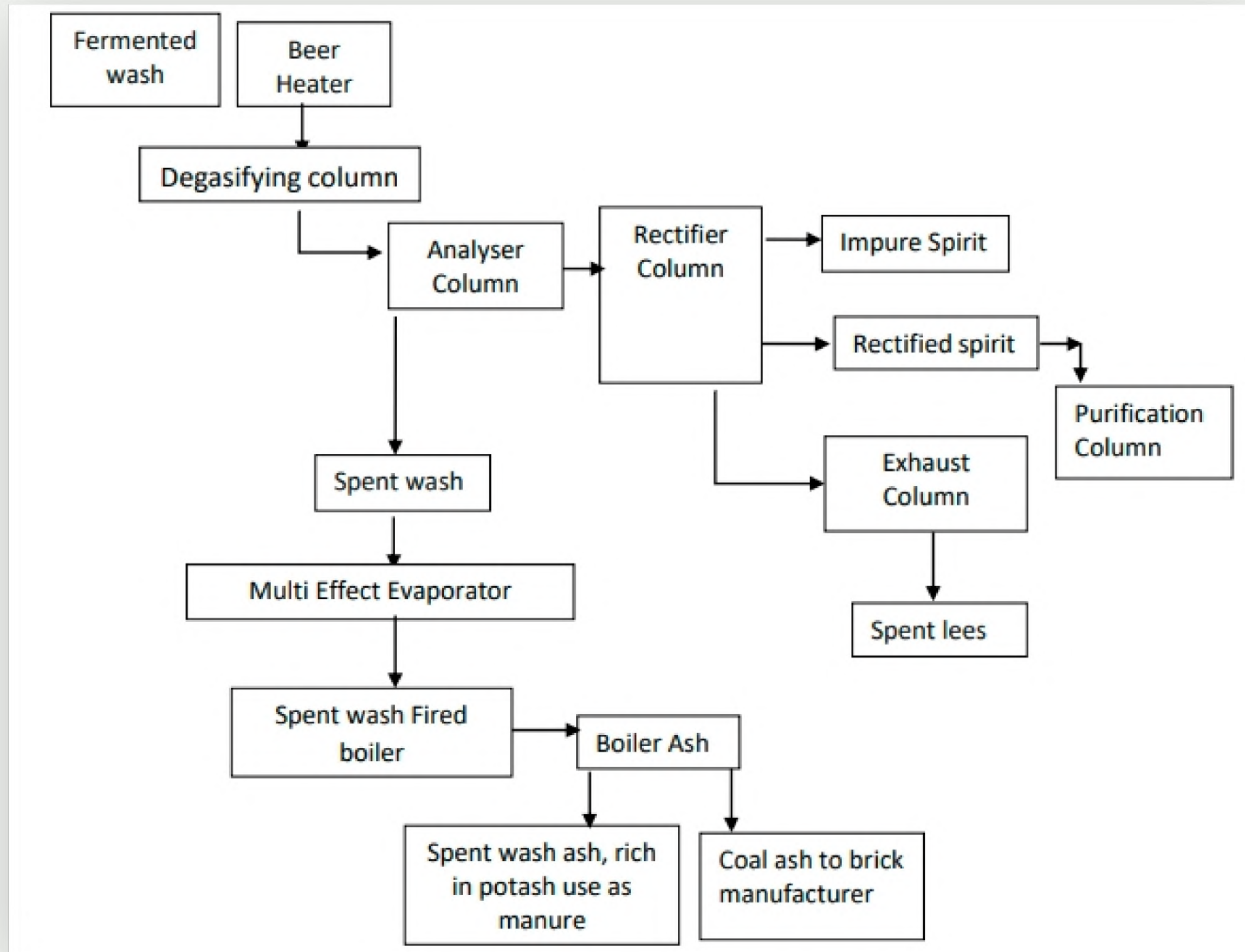


Ethanol Manufacturing Process

Alcohol will be manufactured by continuous fermentation of molasses. The main steps in this operation are as follow,

- Feed preparation and weighing
- Dilution: Preparation of syrup or molasses for fermentation by appropriate dilution
- Fermentation: Production of alcohol from fermentable sugars in molasses solution with the help of yeast and enzymes
- Distillation: Product recovery through distillation processes

Process Flow Chart:



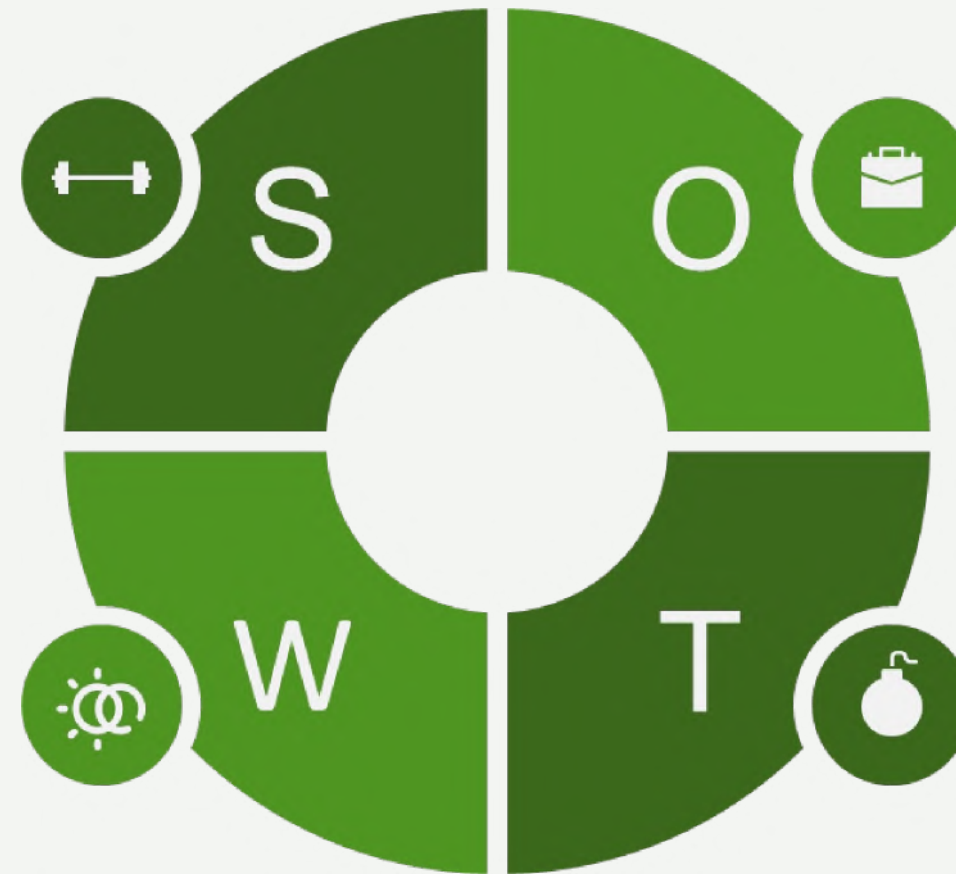
SWOT Analysis

Strengths

- Fully integrated sugar and ethanol manufacturing plant
- Ample availability of sugarcane, Grains, Labour, Water and Power
- Huge Land Bank (**150 acres at approx. value of INR 450 Cr**), sufficient land available for expansion
- Process in place to produce high quality Ethanol
- Co-generation of power for captive use and excess power exported
- Promotes sustainable economy by providing employment opportunities to local community

Weakness

- Dependency on supply of sugarcane
- Climatic Limitations



Opportunities

- Demand & Supply gap of Ethanol blending ratio. Govt target 20% by 2025, currently at 14%
- Superior and efficient technology to further expand business
- Track Record of successful operations for decades
- Superior utilization of fixed assets
- Introduction of sustainable solutions

Threats

- Competition from surrounding sugar mills
- Political uncertainty
- Government Regulations

Investment Rationale

DSCCL has shifted its business focus **from being commodity producers to green energy producers** in the last financial year

Sustainable Business Model:

Modern Effluent Treatment Plant with Zero Liquid Effluent Discharge

Expansion of Ethanol production and additional revenue sources:

- a) Grain based Plant (Production from corn, rice etc.)
- b) Carbon Dioxide (Production Plant)
- c) Potash Production Plant (Joint Venture)

Strong relationships with sugarcane producers:

Strong farmer relations and goodwill due to the long-standing existence of company over 50+ years

Integrated operations and economies of scale:

Company has a fully integrated sugar industry plant with backward integration with scope for economies of scale

Strategic location of our manufacturing unit:

Sugar production in India is mainly from three states: Uttar Pradesh (35%), Maharashtra (33%) and Karnataka (15%).



Investment Rationale

DSCCL focuses on **producing Green Fuel and Green Power** which plays a small but crucial role in country's aim to:

- Help **reduce its Import Bill (\$4 billion under E20)** and thereby **increasing Self-Reliance**,
- **Lower CO2 emissions** (1 Cr litres of ethanol blended petrol can save around 20,000 tons of CO2 emissions), **thereby contributing towards cleaner environment**,
- **Protecting the economic interest of farmers.**

With India's energy demand steadily rising (11% of global demand) with growth in population and urbanization, **demand and therefore reliance on ethanol is expected to increase** in a bid to reduce the dependency on imported fossil fuel.

Table: Emission Reduction potential of ethanol-gasoline blends

Emissions	Gasoline	Two-Wheelers		Four-Wheelers	
		E10*	E20*	E10*	E20*
Carbon Monoxide	Baseline	20% lower	50% lower	20% lower	30% lower
Hydrocarbons	Baseline	20% lower	20% lower	20% lower	20% lower
Oxides of Nitrogen	Baseline	No significant trend	10% higher	No significant trend	same

*E10 project was carried out in 2009-10, E20 project in 2014-15. Hence, the test vehicles were not the same. However, the emission trend is similar.

Corporate Social Responsibility

Company also contributes in **uplifting the social community** by way of its CSR activities:

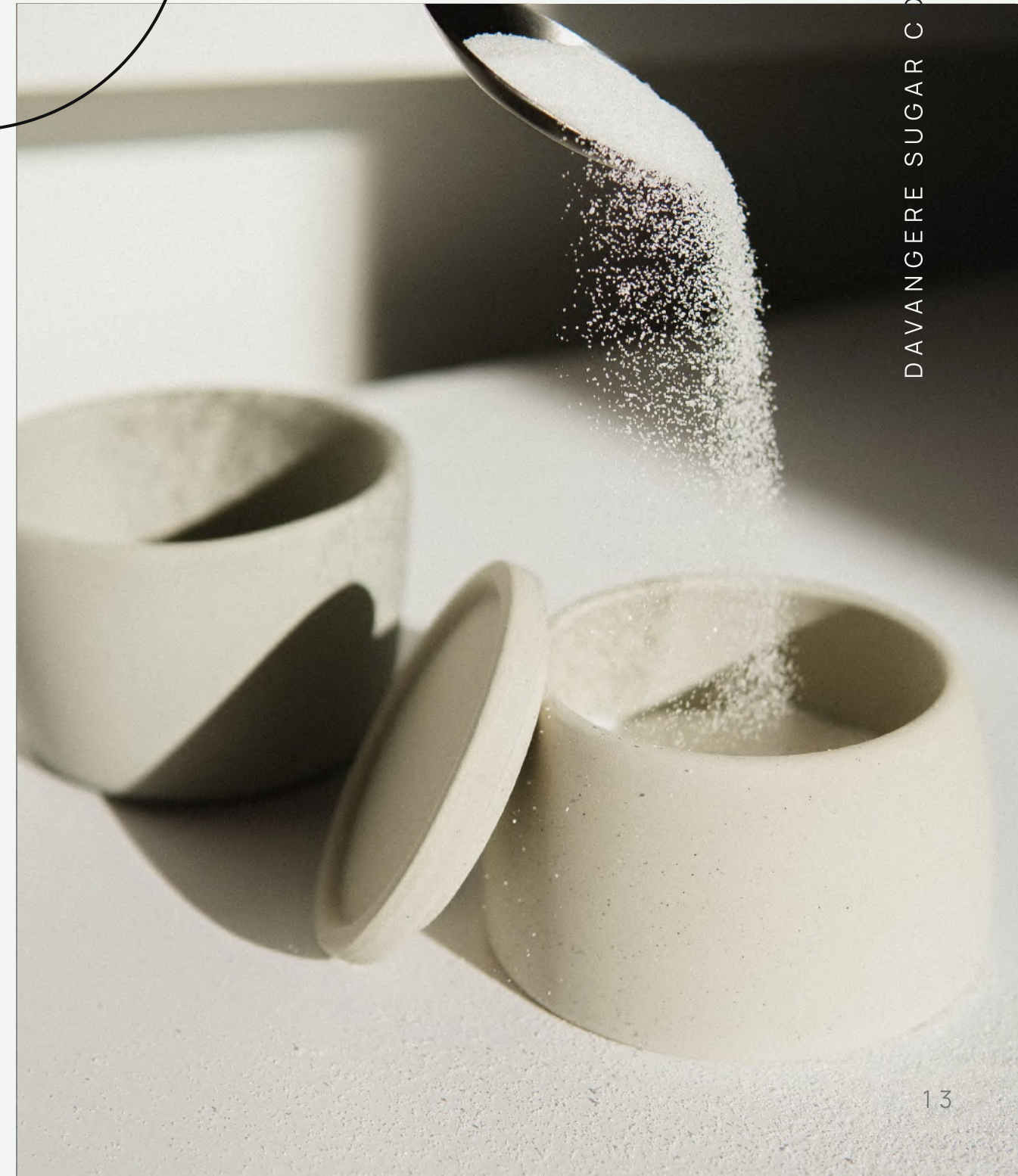
- Providing employment opportunities to the locals,
- Running schools for the benefit of children of poor farmers residing in villages surrounding the factory area,
- Promoting sports among rural youths, etc.

Every year the company spends substantial amount for the purpose of education and other charitable activities for the welfare of the society.



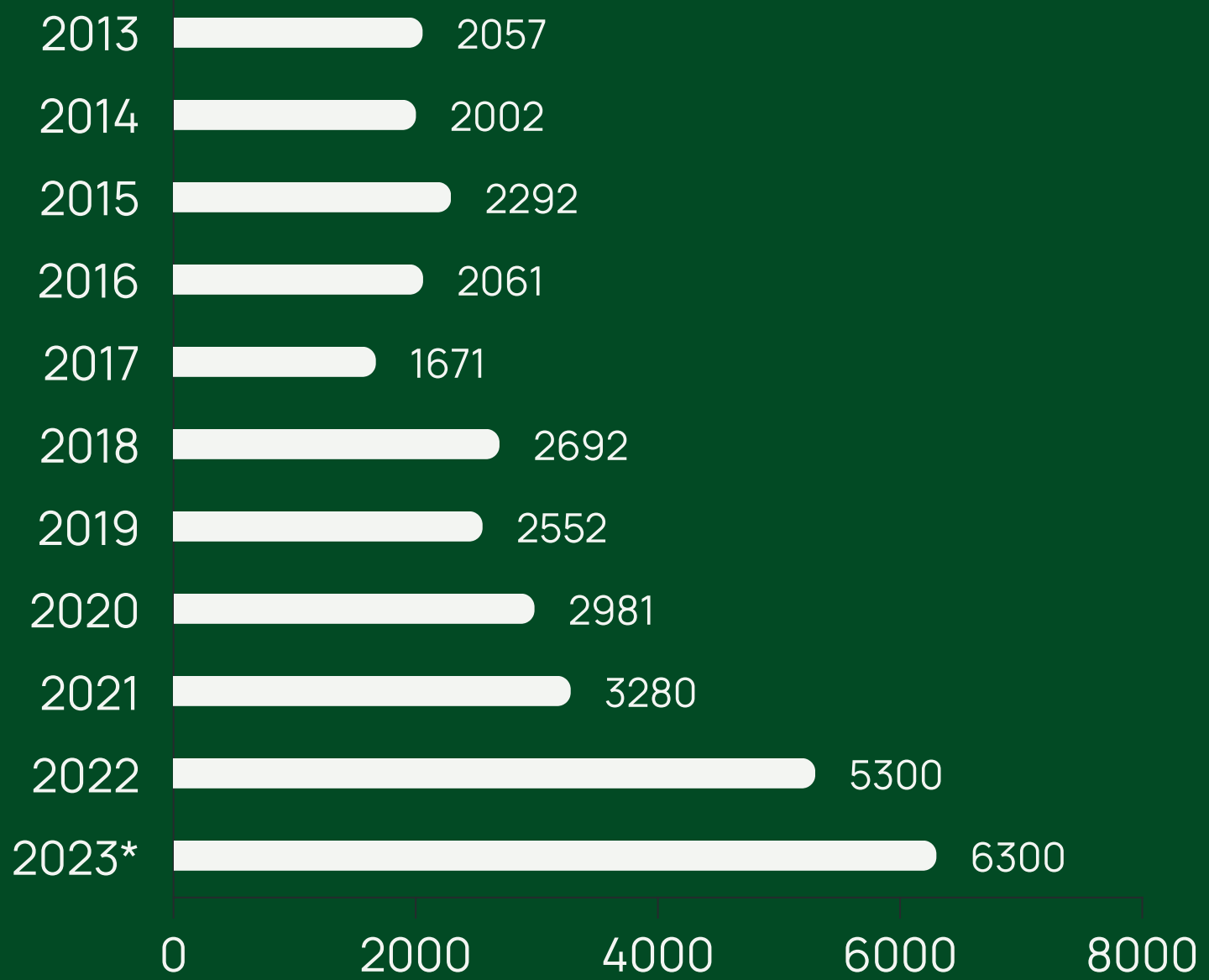
02

Industry Outlook —



Ethanol Industry Outlook –

Production of Ethanol used as a fuel in India
● Production (in million Litres)



Try Pitch

Source: Statista

- Indian Ethanol Market was valued at USD 2.81 billion in 2021 and is predicted to increase with a CAGR of 12.68% during the forecast period to reach a market value of USD 5.64 Bn by 2027
- This growth is anticipated to occur as a result of the rising demand for biofuels
- The Indian Ethanol Market will develop over the next five years because of government initiatives like the new **ethanol blending programme** (EBP), which requires oil manufacturing companies (OMCs) to mix 10 percent ethanol in gasoline by the end of 2022 and 20 percent by 2025
- According to the International Energy Agency, India is anticipated to overtake the US and Brazil as the third largest ethanol market in the world by 2026
- Sugar mills and distilleries are expected to earn over RS.18,000 crore from selling ethanol to oil marketing companies (OMC) for blending with gasoline in FY22.

Ethanol Blended Petrol Program —

- The Ethanol Blended Petrol Programme was launched in 2003 with an aim to promote the use of renewable and environmentally friendly fuels and reduce India's import dependence for energy security.
- The Ethanol Blending Programme (EBP) seeks to achieve blending of Ethanol with automobile fuel with a view to reducing pollution, conserve foreign exchange and increase value addition in the sugar industry.
- Under this programme, oil marketing companies (OMCs) will procure ethanol from domestic sources at prices fixed by the government.
- Till 2018, only sugarcane was used to derive ethanol. Now, the government has extended the ambit of the scheme to include foodgrains like rice, corn etc. to produce ethanol.
- At present, 10 percent ethanol is blended in petrol with the government advancing E20 blended petrol target to 2025
- As much as 440 crore litre of ethanol was blended in petrol during the supply year ending November, 2022 with the target for 540 Crore litres set for next year.

Ethanol Blended Petrol Program –

Demand Projection of Fuel Ethanol

To achieve the target of 20% ethanol blending with petrol by 2025, about 1,016 crore litres of ethanol would be required and about 334 crore litres would be required for other uses, creating huge demand-supply gap.

Ethanol Supply Year	Projected Petrol Sale (Cr. litres)	Blending (in %)	Requirement of ethanol for blending in petrol (Cr. litres)
2019-20	3413 (Actual)	5	173
2020-21	3908	8.5	332
2021-22	4374	10	437
2022-23	4515	12	542
2023-24	4656	15	698
2024-25	4939	20	988
2025-26	5080	20	1016

Source: NITI Aayog

India Expands Curbs of Rice Exports

India Implements 20% Duty on Rice Exports

The Indian government has introduced a 20% duty on rice exports in an effort to stabilize domestic rice prices. This measure aims to ensure that even during a global rice shortage, rice remains accessible in India at affordable rates. Global rice prices recently saw a slight moderation after surging by over 25% due to India's export restrictions in the previous month.

However, experts predict that international rice prices may rise once again in the near future. This duty imposition is part of India's strategy to strike a balance between addressing domestic food security concerns and contributing to the global food supply amid fluctuations in rice availability.

Analysis-

- It helps prevent spikes in rice prices domestically.
- The global rice market is expected to face further price increases despite recent stabilizing trends.

Financial Performance —



Q4/FY23 Financial Highlights

Q4-FY23-Financial Performance

INR 86.81 Cr

Revenue

INR 17.14 Cr

EBITDA

19%

EBITDA Margin

INR 10.84 Cr

Cash Profit*

FY23-Financial Performance

INR 280.58 Cr

Revenue

INR 56.37 Cr

EBITDA

20%

EBITDA Margin

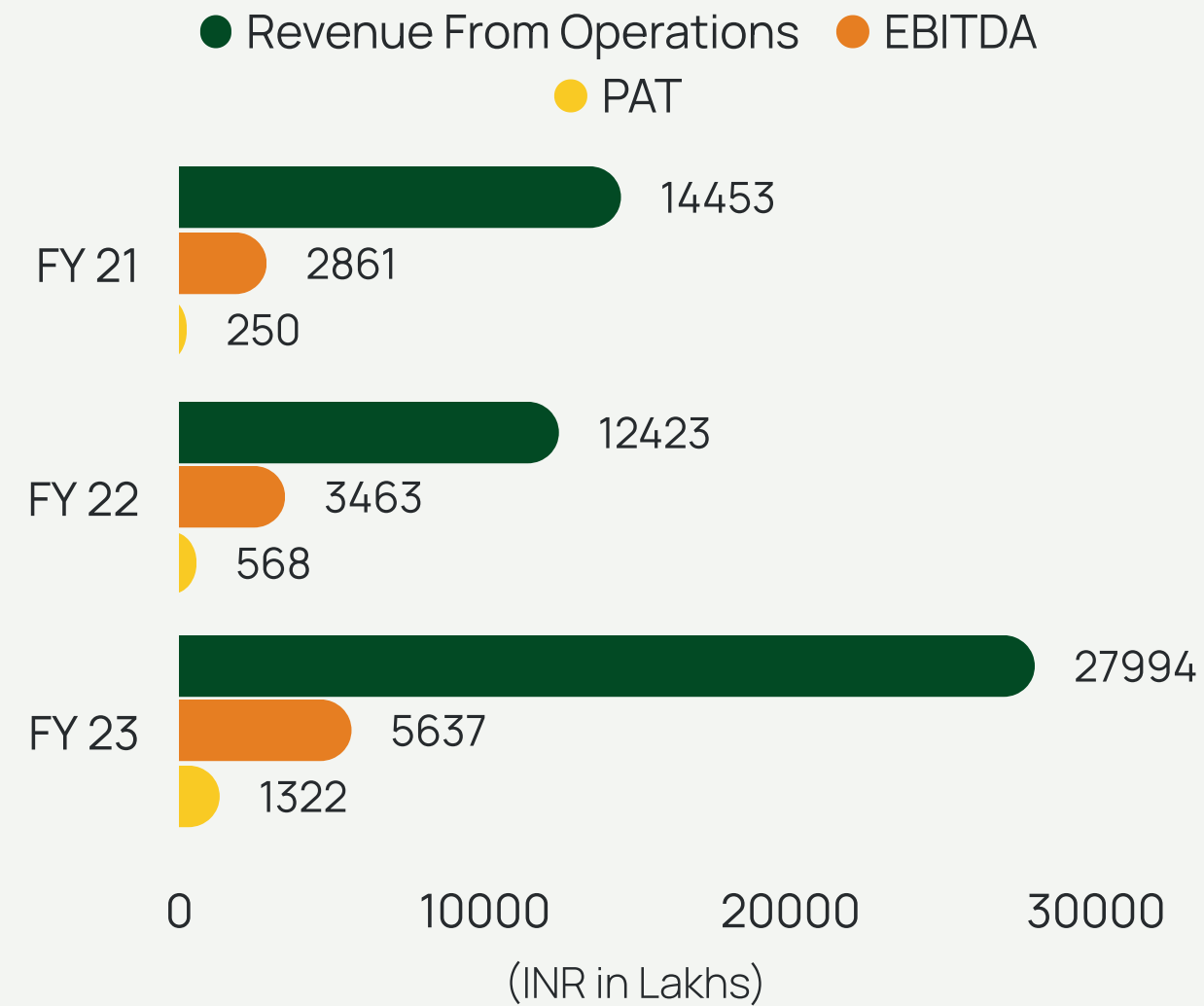
INR 24.78 Cr

Cash Profit*

Cash flow from Operations (CFO) stood at INR 80.71 Cr for FY23

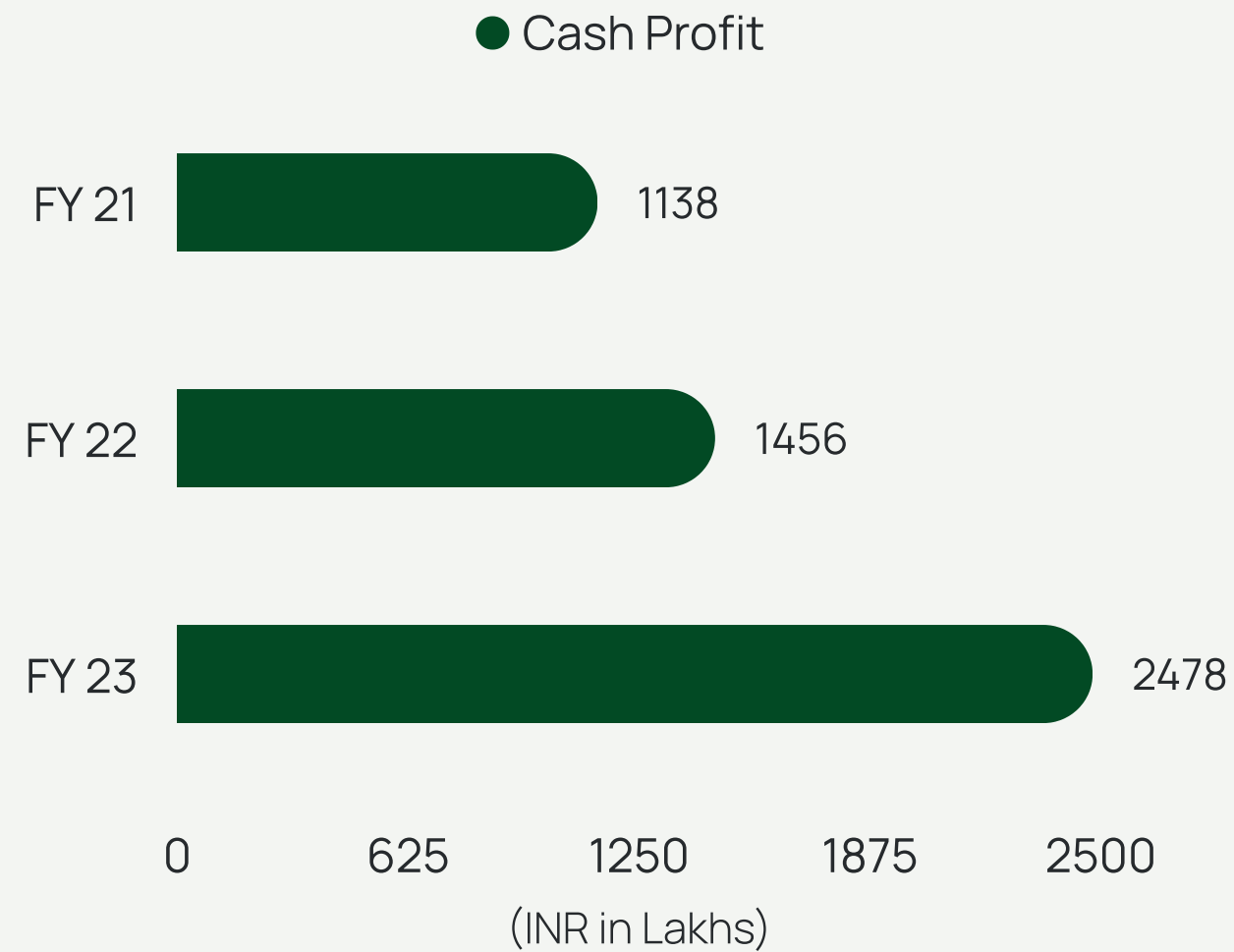
* Cash Profit= PAT + Depreciation + Non-cash interest on account of Ind AS

Historical Financial Highlights



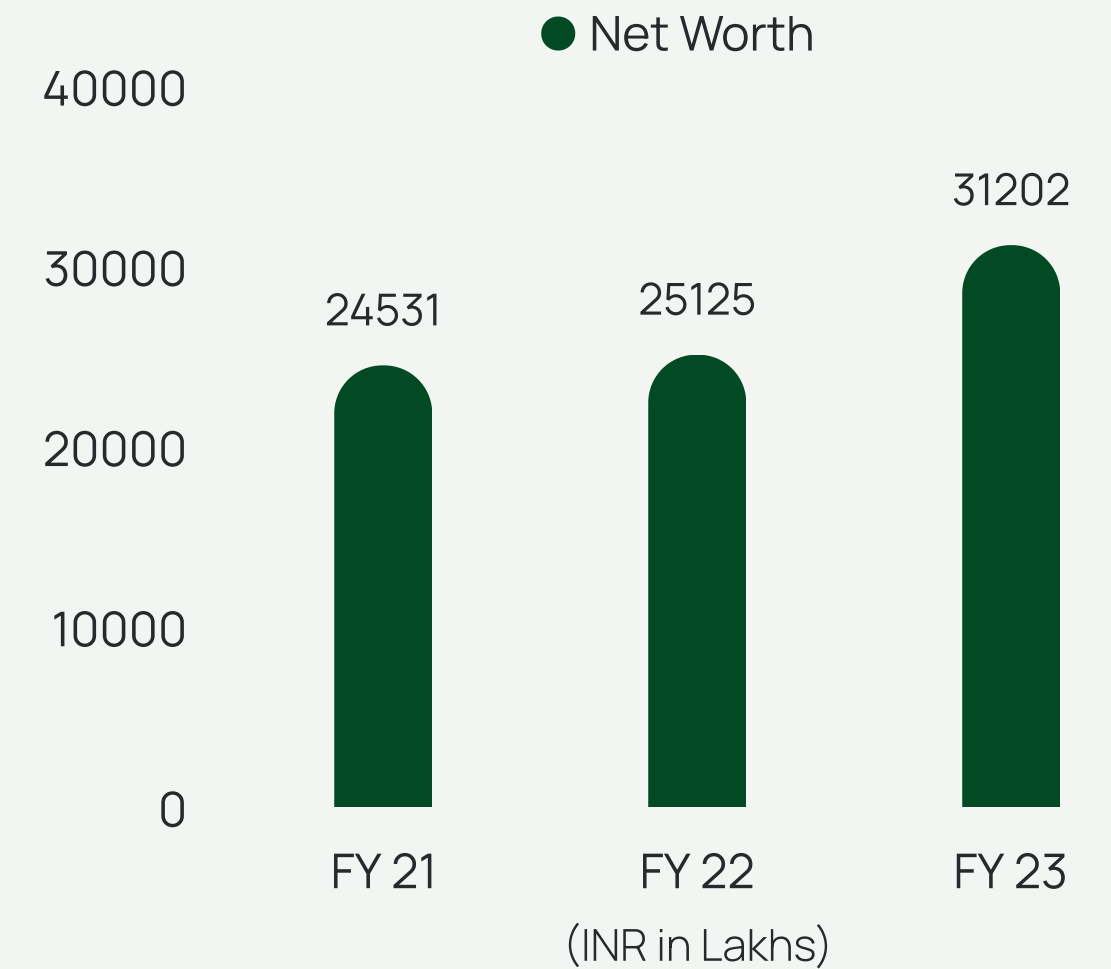
Revenues and Profits

Revenue from Operations has increased exponentially in FY23 owing to growth in Sugar and Distillery Operations



Cash Profit

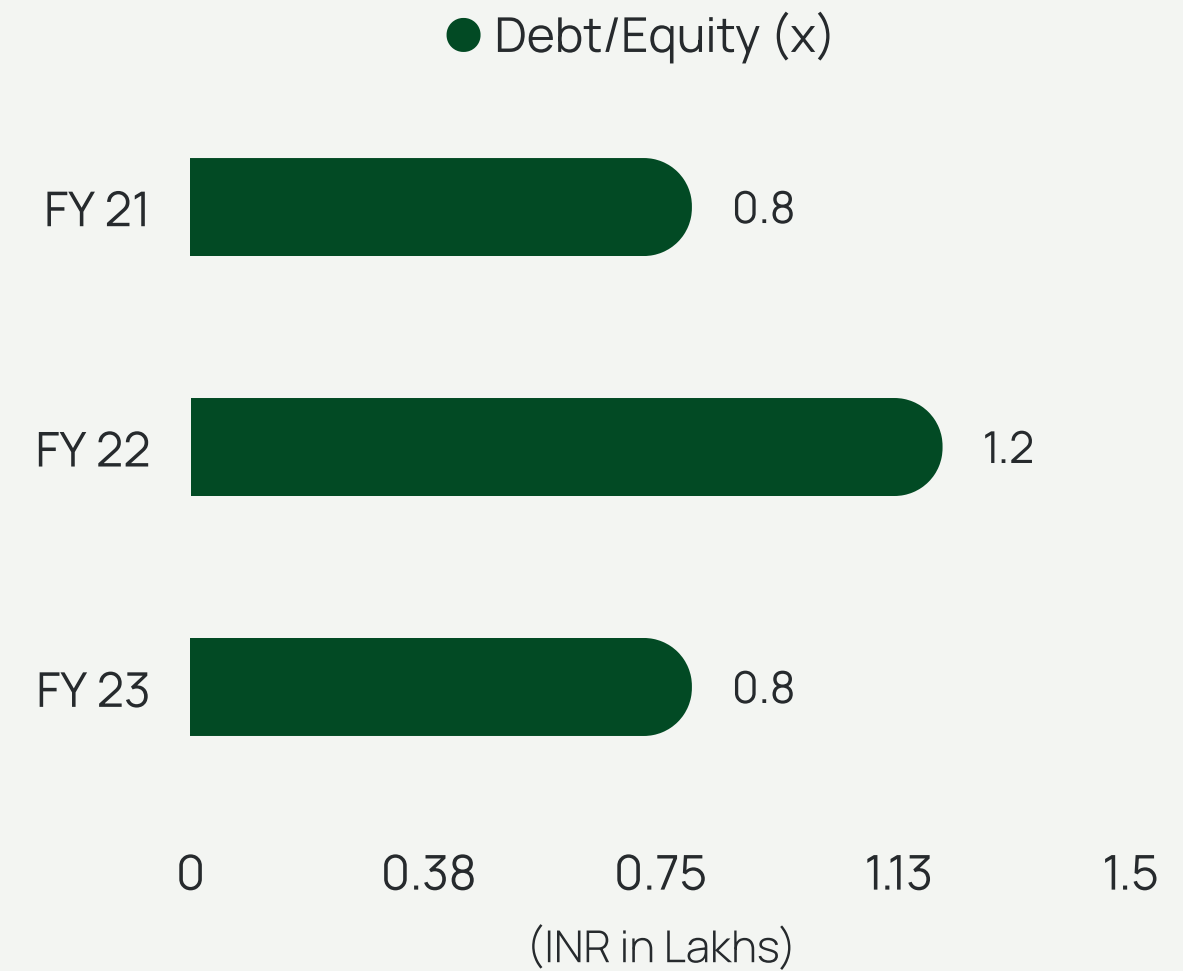
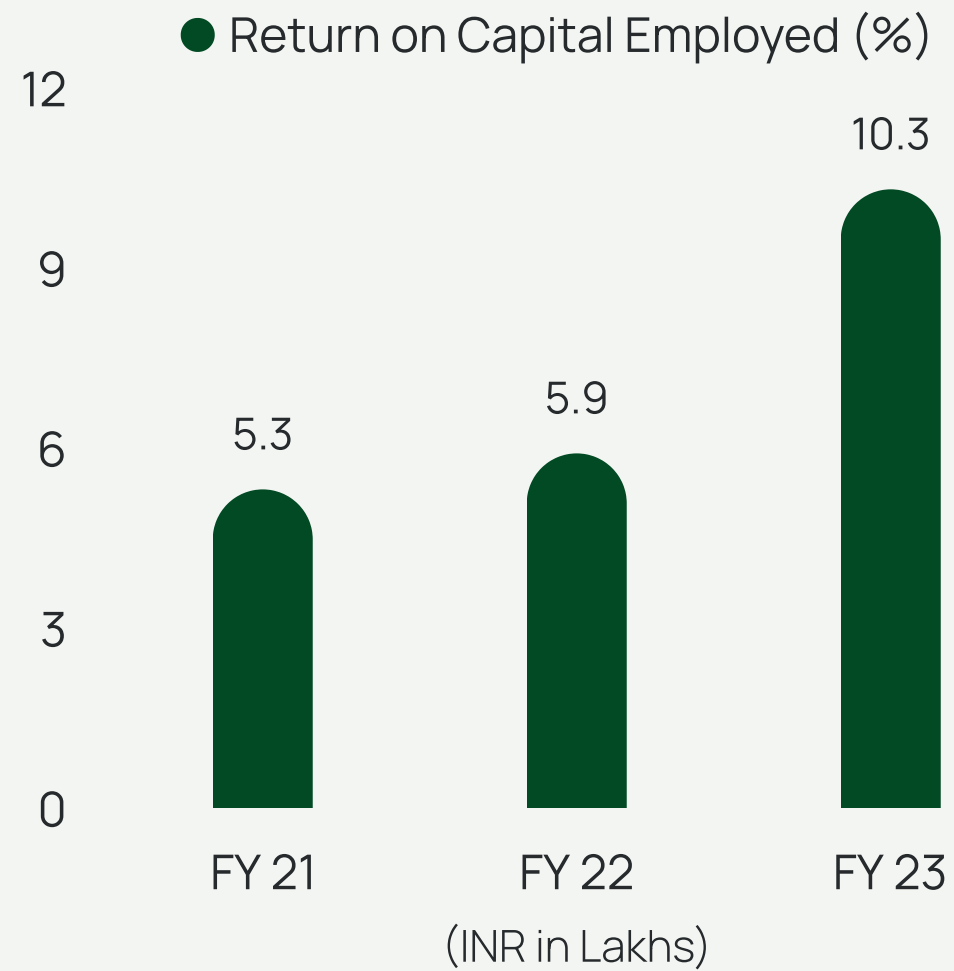
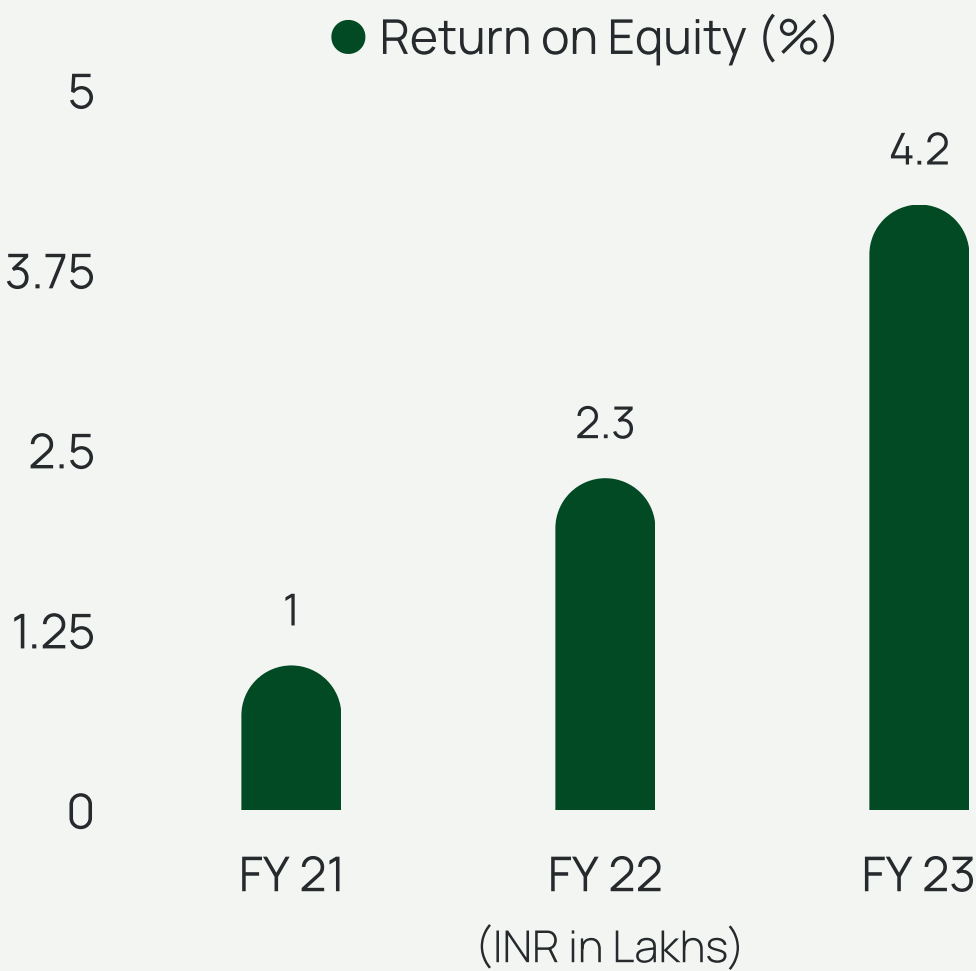
Increasing Cash Profit, availability of funds for expansion



Net Worth

Net Worth has improved in FY 23 as compared to the previous financial year on the back of healthy profits recorded during the current financial year

Historical Financial Highlights



Return On Equity

Over the past three years, the return on equity has shown consistent growth, indicating a positive trajectory for the company's profitability and effectiveness in delivering value to shareholders.

Return on Capital Employed

The consistent increase in ROCE from FY21 to FY23 reflects a positive trend in the company's efficient utilization of capital resources, contributing to its overall financial strength and growth potential.

Debt-Equity Ratio

The Debt to Equity ratio demonstrates a fluctuating yet controlled pattern across the mentioned years, indicating a strategic and balanced approach to financial leveraging and prudent management.

Quarterly Financial Performance

(INR in Lakhs)

PARTICULARS	Q4-FY23	Q4-FY22	Y-o-Y	Q3-FY23	Q-o-Q
Total Income	8,680.60	4,753.93	82.60%	9,495.50	(8.58%)
Total Expenses	7,533.42	4,360.25	72.77%	9,197.36	(18.09%)
EBITDA	1,713.82	1,325.72	40.76%	1,716.80	(7.52%)
EBITDA Margin (%)	19.45%	27.97%	(852 bps)	18.13%	132 bps
Depreciation and Ammortisation	226.64	221.91	2.13%	486.05	(53.37%)
Finance Cost	340.00	710.13	(52.12%)	932.61	(63.54%)
Profit Before Tax	1,147.18	393.68	191.40%	298.14	284.77%
Tax	289.94	98.61	-	68.20	-
PAT	857.24	295.07	-	229.94	190.52%
PAT Margin (%)	9.73%	6.23%	350 bps	2.42%	731 bps
Earnings Per Share					
Basic EPS	0.91	0.47	-	0.24	-
Diluted EPS	0.91	0.47	-	0.24	-

Annual Financial Performance

(INR in Lakhs)

PARTICULARS	FY23	FY22	Y-o-Y
Total Income	28,058.43	12,446.79	125.43%
Total Expenses	26,290.43	11,780.17	123.75%
EBITDA	5,637.03	3,463.15	62.01%
EBITDA Margin (%)	20.14%	27.88%	(774 bps)
Depreciation and Ammortisation	1,156.49	887.61	30.28%
Finance Cost	2,712.54	1,908.92	42.09%
Profit Before Tax	1,768.00	666.62	165.22%
Tax	446.46	98.61	-
PAT	1,321.54	568.01	132.65%
PAT Margin (%)	4.72%	4.57%	15 bps
Earnings Per Share			
Basic EPS	1.48	0.91	-
Diluted EPS	1.48	0.91	-

Historical Income Statement

(INR in Lakhs)

PARTICULARS	FY23	FY22	FY21	Q4-FY23
Total Income	28,058.43	12,446.79	14,781.17	8,680.60
Total Expenses	26,290.43	11,780.17	14,459.47	7,533.42
EBITDA	5,637.03	3,463.15	2,789.21	1,713.82
EBITDA Margin (%)	20.14%	27.88%	19.30%	19.45%
Depreciation and Ammortisation	1,156.49	887.61	887.60	226.64
Finance Cost	2,712.54	1,908.92	1,651.68	340.00
Profit Before Tax	1,768.00	666.62	321.70	1,147.18
Tax	446.46	98.61	71.77	289.94
PAT	1,321.54	568.01	249.93	857.24
PAT Margin (%)	4.72%	4.57%	1.73%	9.73%
Earnings Per Share				
Basic EPS	1.48	0.91	0.45	0.91
Diluted EPS	1.48	0.91	0.45	0.91

Balance Sheet Statement

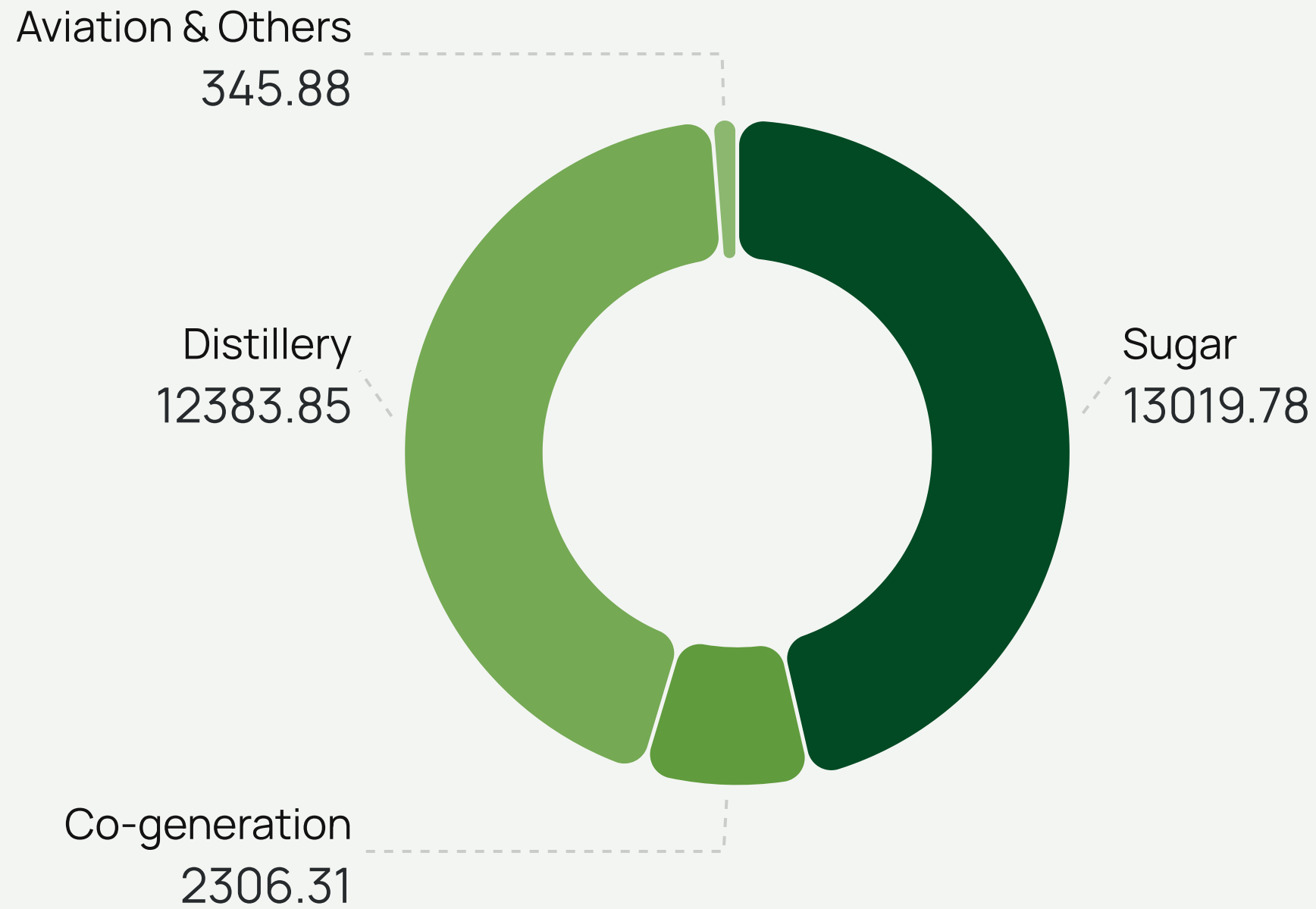
(INR in Lakhs)

PARTICULARS	FY21	FY22	FY23
Equity and Liabilities			
Equity			
a) Share Capital	5,568.0	5,568.45	9,408.45
b) Other Equity	18,963.0	19,556.80	21,794.35
Liabilities			
Non-Current Liabilities			
Borrowings	5,069.0	11,154.33	9,491.61
Deferred Tax Liability	100.0	87.82	203.60
Other Long Term Liabilities	5,548.0	5,324.81	1,424.81
Provisions	-	-	-
Current Liabilities			
Borrowings	8,129.0	14,780.81	14,971.31
Trade Payables	10.0	402.15	1,548.99
Other Liabilities	432.0	380.27	498.47
Provisions	59.0	111.27	330.68
Total Equity and Liabilities	43,878.0	57,366.71	59,672.27

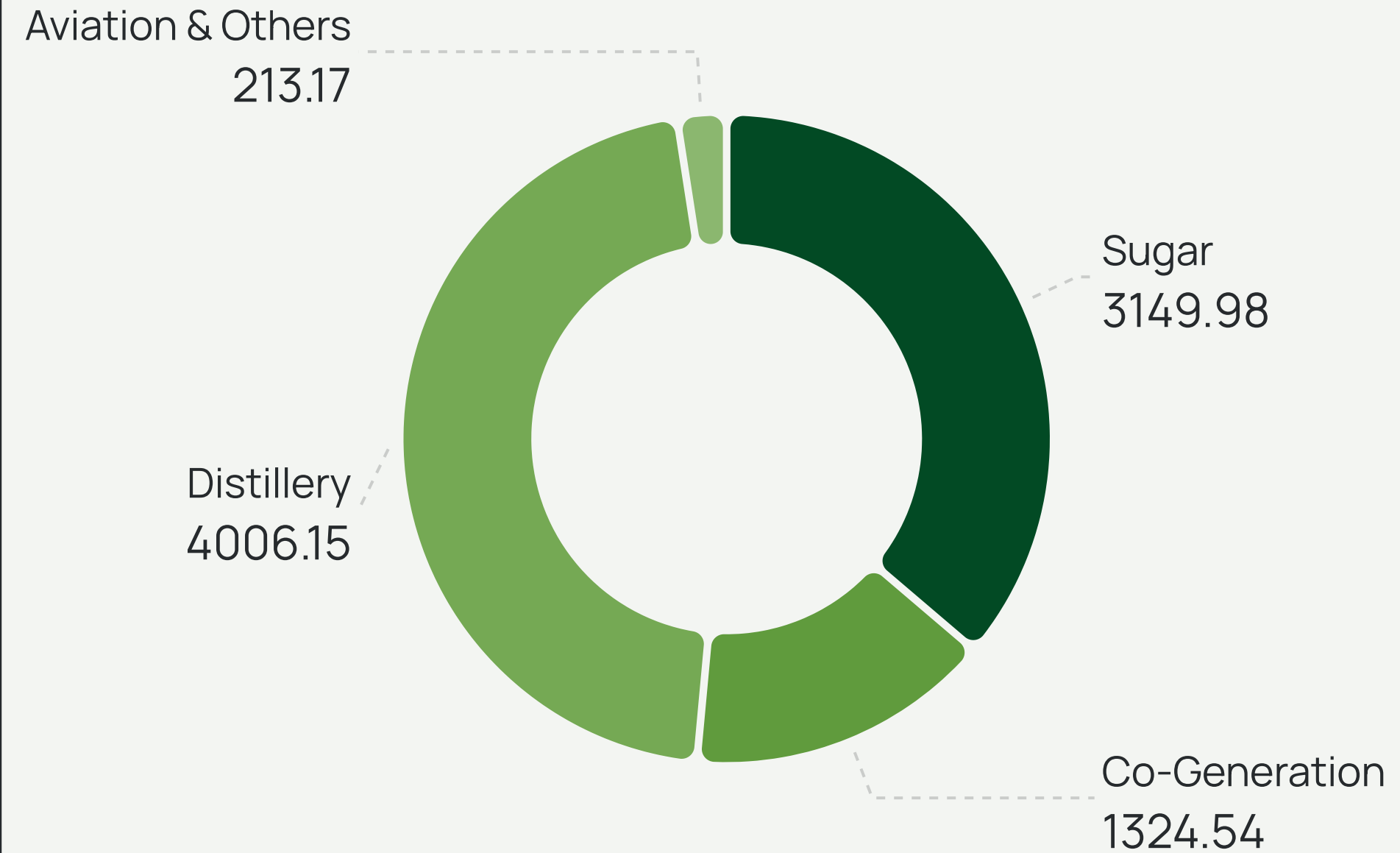
PARTICULARS	FY21	FY22	FY23
Assets			
Non-Current Assets			
a) Property, Plant & Equipments	27,108.0	34,591.14	34,957.93
b) Capital Work-in-progress	-	-	-
c) Investments	234.0	404.76	404.76
d) Loans	-	-	-
e) Other Non-Current Assets	416.0	416.05	416.05
Current Assets			
a) Inventories	4,242.0	11,608.83	9,155.40
b) Trade Receivables	3,176.0	3,562.43	2,132.74
c) Cash and Cash Equivalents	1,703.0	799.60	331.50
d) Loans and Advances	6,999.0	5,983.90	12,273.89
Total Assets	43,878.0	57,366.71	59,672.27

Segment-wise Performance

Annual Revenue

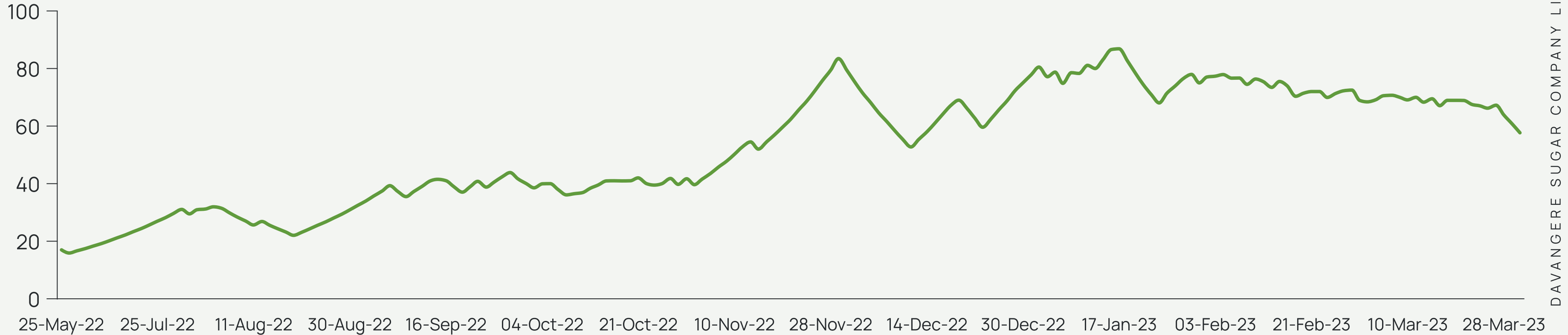


Quarterly Revenue



Capital Market Highlights

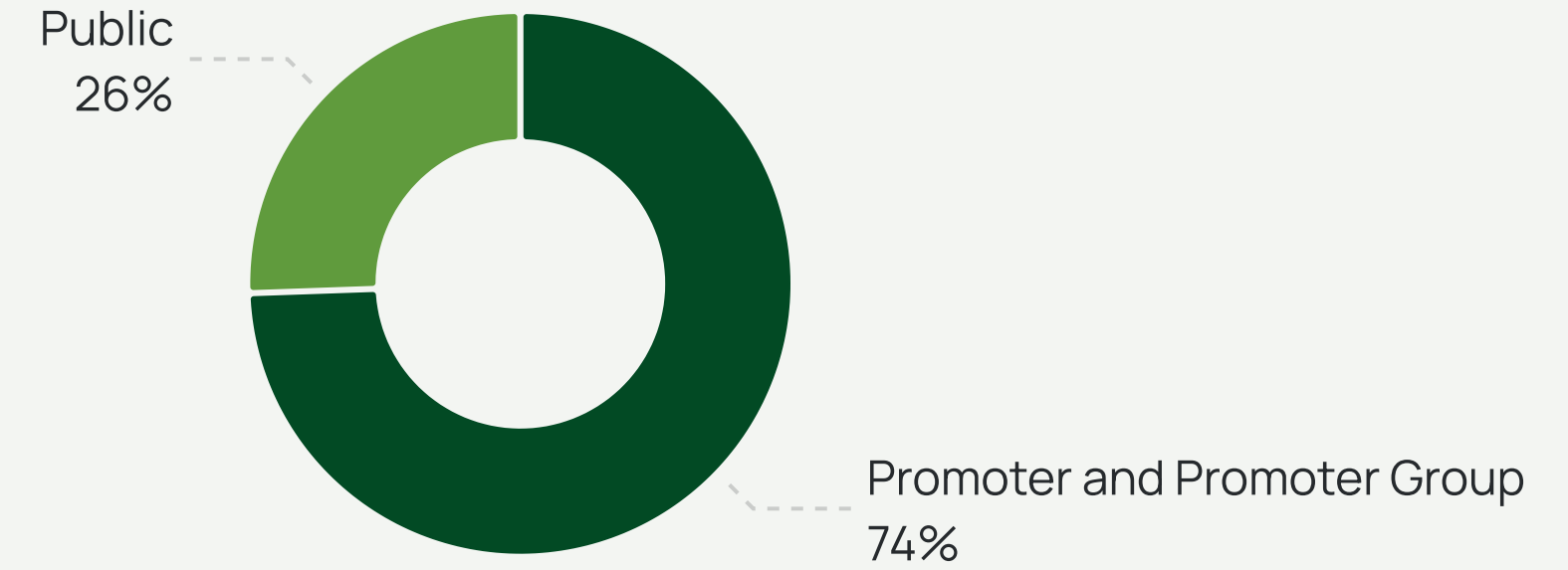
1-year Stock Performance (as on 1st April, 2023)



DAVANGERE SUGAR COMPANY LIMITED

Price Data (As on 8th July, 2023)	
Face Value : 10;	Book Value per Share: 33.16
CMP	110.98
52 Week H/L	119.88/28.05
Market Cap (INR Cr)	1,044.15
No. of Shares Outstanding (Cr)	9.41
Avg. Trading Volume ('000)	25.25

Shareholding Pattern (As on 8th July, 2023)



04

Management Team



Management Profile



Ganesh
Shivashankarappa
Shamanur

CHAIRMAN AND MANAGING DIRECTOR

One of the leading industrialist and businessman based out of Davangere, Karnataka. Honored with “BEST BUSINESS LEADERSHIP – (CO-GENERATION)” awarded by the Solar Energy Society of India with Winrock International, which is an award for the best performance power plant in India.



Abhijith Ganesh
Shamanur

EXECUTIVE DIRECTOR

He is a qualified Industrial Engineer, Graduated from Northeastern University, Boston, U.S.A. He has also completed his Masters, from University College London. He is appointed as Executive Director of the Company in the year 2012.



Rekha S. Ganesh

NON-EXECUTIVE DIRECTOR

She is the spouse of Mr. S.S. Ganesh, Managing Director of the Company. She is active in managing the business with her husband Mr. S.S. Ganesh. She was appointed as Director of M/s. Davangere Sugar Company in the year 2009.



Ganesh Rao
Virupakshappa

CHIEF FINANCIAL OFFICER

He is M.B.A (Finance) with rich experience of about 25 years in the field of Accounts and Finance. He worked in various companies as Finance Executive. He is having fair knowledge of company law, income Tax Law and GST law. He is having fair experience in the managing the financial affairs of the company.

Contact me

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