



# Management Discussion and Analysis



## SUGAR BUSINESS

### Indian Sugar Industry

#### Indian Sugar Industry Overview

A major industrial crop of India, sugarcane is the key source of sugar for the country. India is the largest consumer, and had, historically, been the second largest sugar producer of the world. However, in the previous sugar season, i.e. SS 2021-22, the country emerged both, the world's largest producer and consumer of sugar, as well as the world's second largest exporter of sugar. During SS 2021-22, India exported 11.1 million tonnes of sugar, which earned ~₹ 40,000 crore worth of foreign exchange for the country. The Indian sugar industry provides employment to over 50 million farmers associated and fair remuneration with a price-support system. As a crop, sugarcane is an ecologically sustainable crop that produces sugar and generates a variety of by-products, such as bagasse, molasses, filter cake (commonly known as press mud) etc., which have economic value along with the potential of being a feedstock for the production of biofuels/bioenergy such as power, bioethanol, biogas, etc.

#### Government initiatives have eradicated the cyclicity of the Indian sugar industry

In the last decade, various Government initiatives have led the Indian sugar industry to emerge as a self-sufficient

industry by enabling sugar mills to stand on their own, without having to depend on grants from the Government. Accordingly, during SS 2021-22 and 2022-23, sugar mills completed their export quota without any subsidy.

The cyclicity in the sugar industry in earlier years led to either surplus or short production of sugar, based on the climatic factors and on whether the payment of sugarcane price was delayed or paid in a timely manner. In the case of delayed sugarcane payments, farmers tended to move away from sugarcane crop, leading to lower sugar production in the country and high sugar prices. Improved financial condition of the sugar mills due to firm sugar prices would rectify the delays in payments, encouraging the farmers to again patronise sugarcane crop, which would gradually result in surplus sugar production accompanied with fall in sugar prices. Typically, in a period of five years, there were some years of surplus sugar production and some years of shortage. With measures such as promotion of ethanol production from B-heavy molasses / sugarcane juice, timely and well managed export schemes, sugar release quota mechanism, introduction of Minimum Selling Price of sugar (MSP) etc., the Government has been able to largely overcome the cyclicity, leading to better productivity and improved financial condition of the sugar mills.

**Ethanol Blended Petrol (EBP) programme has given a further boost to the sector in the last decade**

The Government launched the Ethanol Blended Petrol (EBP) programme in January 2003 for sale of 5% ethanol-blended petrol in nine States and four Union Territories. The programme, however, saw limited success. It was reinvigorated in 2014, and has been a game changer for the industry in recent years, with the nation progressively diverting more sugar to produce ethanol. The Government has been encouraging sugar mills to divert sugar to ethanol, and to export surplus sugar with a view to improving their financial health so that they are able to make timely payment of sugarcane dues to farmers. The growth of ethanol as a biofuel in recent years has amply supported the sugar sector, with the diversion of sugar for production of ethanol minimising the country’s surplus sugar position.

**DOMESTIC SUGAR INDUSTRY BALANCE SHEET**

As per the Agriculture Department, sugarcane area increased 6% year-on-year to 59 lakh hectares during SS 2022-23.

On April 26, 2023, ISMA revised its all-India sugar production estimate for SS 2022-23 (after diversion to ethanol) to 32.8 million tonnes. This took into account the diversion of about 4.0 million tonnes of sugar equivalent

to ethanol. In the previous sugar season of SS 2021-22, India’s sugar production was 35.8 million tonnes after considering diversion of 3.4 million tonnes, thus implying a decline of 8% on a net basis year-on-year.

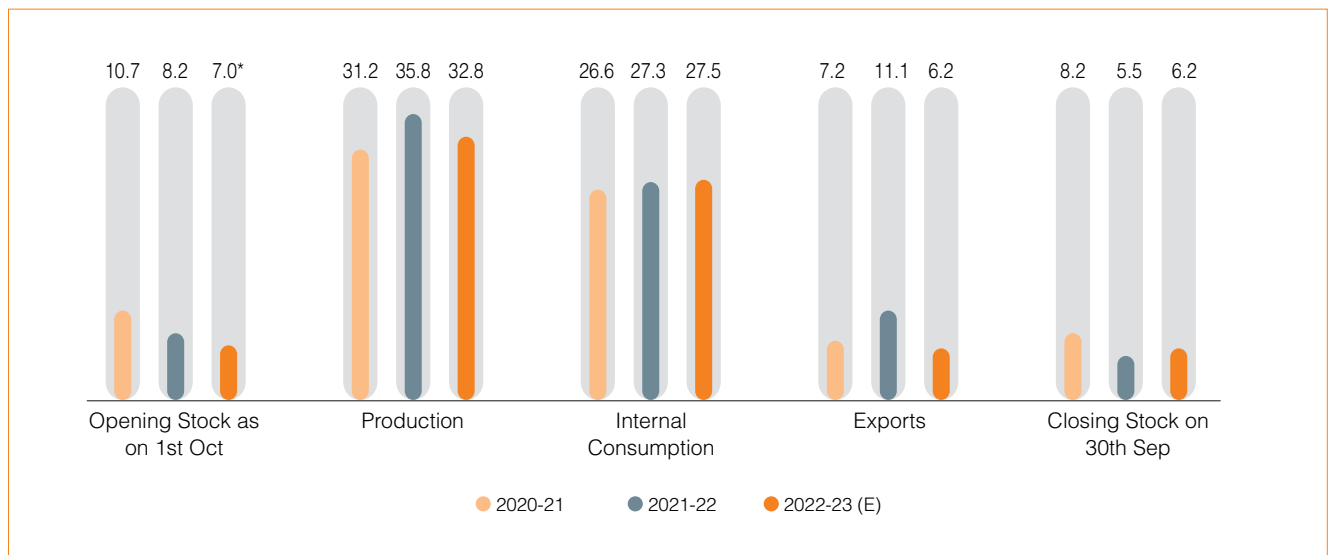
In SS 2022-23, the crushing season in Maharashtra ended at around 10.5 million tonnes, which was lower than estimates, due to unexpectedly lower sugarcane yields owing to higher ratoon crop share and uneven distribution of rainfall. These sugar production figures are after diversion of sugar to ethanol.

Sugarcane yield in Uttar Pradesh has been slightly better than expected, and the state has produced around 10.5 million tonnes of sugar after diversion towards production of ethanol. The main season in Karnataka has produced around 5.5 million tonnes. However, the special season is likely to operate in Karnataka from June/July 2023, leading to increase in the quantum.

The estimated all-India gross sugar production in SS 2022-23 of 36.8 million tonnes marks a decline of 6% from 39.2 million tonnes produced in SS 2021-22.

Accordingly, we estimate the closing stock of ~6.2 million tonnes of sugar at the end of Sugar Season 2022-23, which is sufficient to meet more than two months’ consumption.

**India Sugar Balance Sheet (million tonnes)**



Source: Triveni Estimates  
 \* As per Government data





## DOMESTIC SUGAR POLICY AND MARKET DEVELOPMENTS

- **Hike in Fair and Remunerative Price (FRP):**
  - The Central Government fixed the Fair and Remunerative Price (FRP) of sugarcane for SS 2022-23 at ₹ 305 per quintal, linked to a basic recovery of 10.25% and subject to a premium of ₹ 3.05 per quintal for every 0.1% increase of recovery, over and above 10.25%, and reduction in FRP at the same rate for each 0.1% decrease in the recovery rate till 9.5%. With a view to protecting the interests of farmers, the Government has decided that there shall not be any deduction where recovery is below 9.5%; such farmers will get ₹ 282.125 per quintal for sugarcane in the current season. The FRP for sugar season 2022-23 was 2.6% higher than the previous sugar season.
- **No hike announced in the State Advised Price (SAP):**
  - The Government of Uttar Pradesh did not announce any hike in the State Advised Price (SAP) for SS 2022-23 over the SS 2021-22 prices. In Uttar Pradesh, there are three varieties (categories) of sugarcane - early, ordinary (general) and rejected. Early variety constitutes 97% of the sugarcane cultivated, while 2.7% is the ordinary variety. The rejected variety constitutes only 0.3%. The SAP (for SS 2021-22 & SS 2022-23) of the early variety was ₹ 350 per quintal, while for ordinary variety it was ₹ 340 per quintal, and the SAP of the rejected variety was ₹ 335 per quintal.
- **Curbs on further sugar exports:**
  - During the year, the Directorate General of Foreign Trade (DGFT) had notified extension for the inclusion of sugar exports under 'Restricted' category up to October 31, 2023.
  - Earlier, Sugar had moved from the 'open category', which requires no government intervention, to 'restricted' category. Export of sugar was allowed only with specific permission from the Directorate of Sugar, Department of Food and Public Distribution (DFPD), Ministry of Consumer Affairs, Food & Public Distribution.
- **Exports of 6.15 million tonnes of sugar in SS 2022-23:**
  - The Government of India announces sugar exports from time to time. This is aimed at balancing the price stability of sugar and the financial positions of sugar mills in the country while ensuring availability of sufficient sugarcane to produce sufficient sugar to meet domestic consumption and molasses for ethanol production.
  - In the sugar export policy for SS 2022-23, based on initial estimates of sugarcane and sugar production, the Government, in November 2022, allowed initial export of sugar up to 6 million tonnes for the sugar season. With the announcement of additional quota of 0.15 million tonnes, total export quota approved for the season stood at 6.15 million tonnes, with option to swap export quota with other sugar mills.



- The Government had announced sugar mill-wise export quota for all sugar mills in the country, with an objective system based on average production of sugar mills and average sugar production of the country in the last three years.
- Further, to expedite the sugar exports and to ensure flexibility to sugar mills in execution of the export quota, mills had the option to decide to surrender the quota partially or fully within 60 days of the date of issue of order OR to swap the export quota with domestic quota within 60 days. This would reduce transportation costs involved in export of sugar and movement of sugar from one state to another for domestic consumption.
- This move would also protect the interest of sugarcane farmers and sugar mills, as the mills could benefit from the favourable international sugar price scenario.

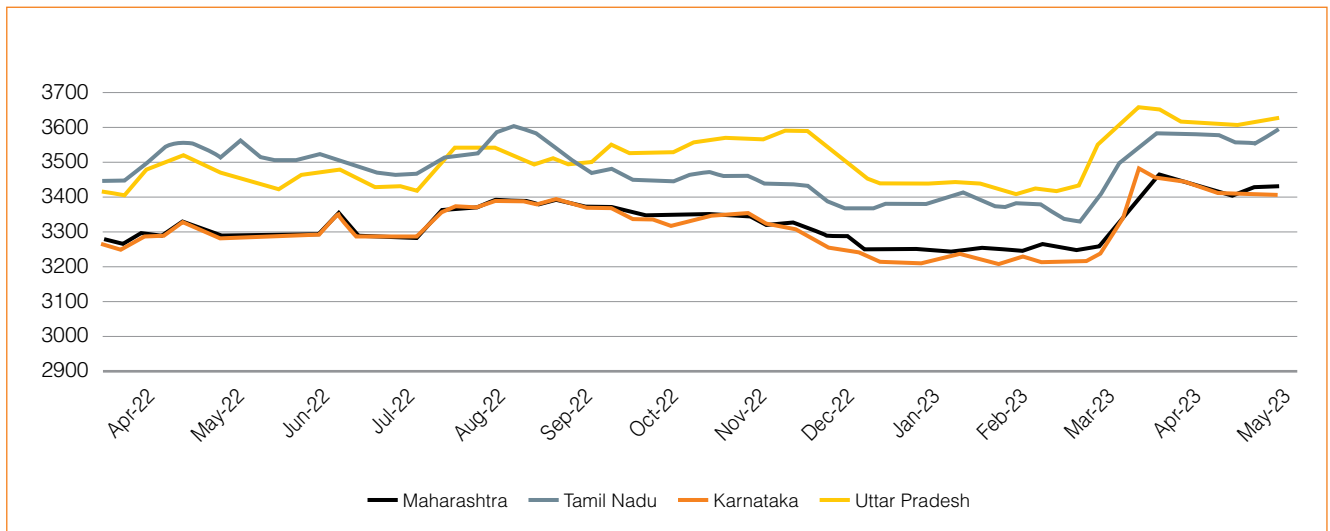
With the upcoming Lok Sabha elections in 2024, sugarcane prices may be hiked in the state of Uttar Pradesh, and it is hoped that the Government would simultaneously initiate an increase in the MSP of sugar prices adequately to mitigate the impact of the increase in sugarcane prices, if any. These measures would ensure that sugar mills are in a position to pay sugarcane dues in a timely manner as otherwise, the very purpose of increasing the sugarcane price would be defeated.

**Sugar prices in India moved up by 1-2% on an average in FY 23. However, the increase has not been commensurate to the increase in the price of sugarcane, thus leading to lower profitability.**

**DOMESTIC SUGAR PRICES**

Sugar prices in India moved up by 1-2% on an average in FY 23. However, the increase has not been commensurate to the increase in the price of sugarcane, thus leading to lower profitability. Since April 2023, the domestic prices have inched up 4-5%, given the expectations of lower sugar production and higher demand during the peak summer season.

Average Ex-Mill Sugar Prices in Major States (₹/Quintal)





## GLOBAL SUGAR INDUSTRY

### Global Sugar Industry Balance Sheet

According to the International Sugar Organization (ISO), in view of the global supply/demand situation, the global 2022-23 sugar balance sees a substantially reduced surplus in the current season. It anticipates a global surplus (the difference between world consumption and production) of 0.852 million tonnes in 2022-23, down from 4.151 million tonnes in February 2023. Changes were driven by increase in production in Brazil. However, the smaller increase in

Thailand and lower estimates for Indian and European production were the biggest negative contributors.

For the 2022-23 season that ended in March, the Centre-South Brazil region produced 33.73 million tonnes of sugar, up 5% from the year before. However, the outlook for 2023-24 is nearly 10% higher at 37.09 million tonnes. Production in Thailand in 2022-23 season is expected to be below expectations, at 12-13 million tonnes, due to lower than expected sugarcane yields.

Sugar Units	World Sugar Balance (October/September, in million tonnes)			
	2022-23	2021-22	Changes in million tonnes	in %
Production	177.365	172.503	4.862	2.82%
Consumption	176.513	174.773	1.740	1.00%
Surplus/Deficit	0.852	-2.270		
Import demand	63.559	63.968	-0.409	-0.64%
Export availability	63.898	64.001	-0.103	-0.16%
End Stocks	100.781	100.268	0.513	0.51%
Stocks/Consumption ratio in %	57.10%	57.37%		

Source: International Sugar Organisation, Quarterly Market Outlook, May 2023

### Global Sugar Prices

Notably, the global sugar prices have rallied to record highs recently. Prices surged 15-19% in FY 23 and have continued to increase thereafter, to hit the highest level in a decade.

The 2023 NY #11 raw sugar futures nearly broke the US 27.00 cents/lb threshold, ultimately settling at US 26.99 cents/lb. This had been the highest front month price since April 2012.

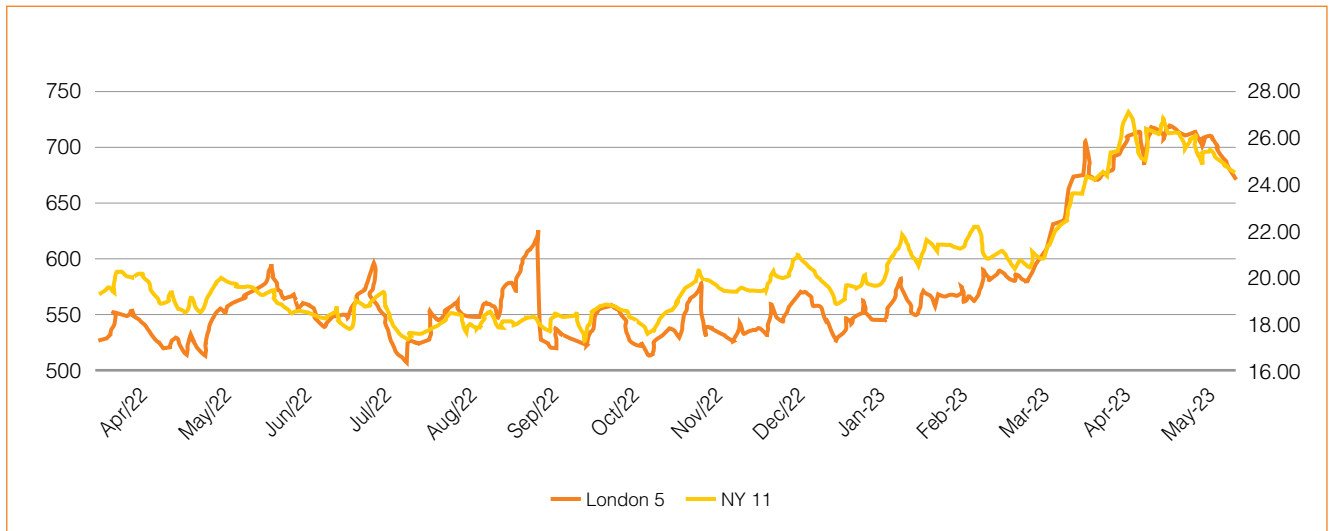
The surges were driven by growing fears of a global supply shortage. The price increases intensified as the market anticipated that India, the largest exporter in the previous sugar season, is unlikely to increase exports during the current season due to lower production estimates. This, coupled with lower stockpiles in Brazil due to late commencement of harvesting caused by a significantly rainy season, and lagging supplies in Europe, Pakistan, Thailand, China and Mexico, have been creating further pressure on the sugar supplies. This has caused sugar prices to soar.

As on June 6, 2023, the New York #11 front month contract closed at US 24.58 cents/lb, an increase of 454 points since the beginning of 2023, while the London White Sugar #5 front month contract closed at USD 670.90/tonne, up USD 116.50 since the beginning of 2023.





### New York #11 & London #5 Price Trend



Note: London #5 on left hand side (LHS) in USD/tonne; NY #11 on right hand side (RHS) in US cents/lb

### TRIVENI SUGAR BUSINESS AT A GLANCE

Triveni operates seven sugar units spread strategically across the State of UP. All units are located in well irrigated and fertile areas suitable for sugarcane cultivation. While Khatauli (District Muzaffarnagar), Deoband (District Saharanpur), Sabitgarh (District Bulandshahr) are located in western UP, Chandanpur (District Amroha), Rani Nangal (District Moradabad) and Milak Narayanpur (district Rampur) are located in Central UP. One unit, namely Ramkola (district Kushinagar), is located in Eastern UP.

Apart from plantation white sugar, the Company also manufactures refined sugar, which currently constitutes approximately 60% of the total sugar production and realises a premium over normal crystal sugar realisation. The Company also produces different grades of pharmaceutical (pharma) sugar that can be customised as per the user requirements. Such refined and pharma sugar is supplied to high grade end-users, thereby creating a niche customer profile for Triveni. The Company also supplies high quality crystal sugar from some of its non-refinery units to large institutions, which fetches it a premium.

All the seven sugar units of the Company are FSSC 22000 certified and strictly adhere to best-in-class manufacturing processes and quality benchmarks. The Company supplies sugar to major multinational soft drink companies, leading confectionery manufacturers, breweries, pharmaceutical companies, dairies, top ice cream producers, etc.

### OUR SUGAR BUSINESS PERFORMANCE

Key highlights of our sugar business performance in SS 2022-23:

- **Impact of CapEx programme undertaken:** Planned CapEx related to the modernisation, debottlenecking, rationalisation of capacities and efficiency improvement activities at Khatauli, Deoband & Sabitgarh sugar units, process conversion at Deoband unit to produce refined sugar, and increase in pharma sugar production capacity at Sabitgarh unit. This resulted in:
  - A higher crush rate across all three units, which helped the Company record the highest-ever sugarcane crush in SS 2022-23 at 9.33 million tonnes, an increase of 11% over the previous season. The Company for the first time, crossed the 900 LQ total crush figure.
  - The refined sugar production increased from ~40% last year to ~60% in SS 2022-23. The quality of sugar produced at Deoband unit in SS 2022-23 improved significantly, fetching a premium over normal sugar.
  - The Sabitgarh sugar unit produced the highest pharmaceutical sugar quantity in its history.
  - Khatauli unit became the highest sugar production unit in the country.



- **Production of export quality S-grain sugar** was undertaken at Khatauli & Sabitgarh sugar units with superior realisations. Both the units together successfully produced approximately 12.5 lakh quintals of export quality S-grain sugar, which was well accepted.
- **Sugar exports contributed significantly to the profitability.** The Company achieved sugar exports of 1,90,337 tonnes (including sale of quota for 72,988 tonnes) during FY 23, out of the total export quota of 2,04,868 tonnes at record realisations.
- Due to climatic factors and late October rains, the recoveries were impacted across the States and also in our units. The Company reported net recovery of 10.23% with 92% of sugarcane crush with B-heavy diversion in SS 2022-23 vs. 84% in the previous season. **The Company is still among the leading performers in terms of recoveries with B-heavy diversion.**
- Six of the seven sugar units operated with the B-heavy diversion process from the very beginning of SS 2022-23.

#### Our sugar business performance over the years:

The Company has a demonstrated history of improvement in key operational metrics, such as area under sugarcane, sugarcane crush, yields, recovery etc. through structured sugarcane development initiatives, timely sugarcane payments, and close relationship with the farmer community to derive mutual benefits, etc.

**Area under sugarcane:** The Company has grown its area under sugarcane at a CAGR of 2.5% p.a. since 2014-15, driven by ground-level measures to increase sugarcane intensity through farmer education and awareness creation on the economic benefits of growing sugarcane relative to other crops.

**Sugarcane crush:** Sugarcane is the primary feedstock for production of sugar, alcohol and other by-products/final

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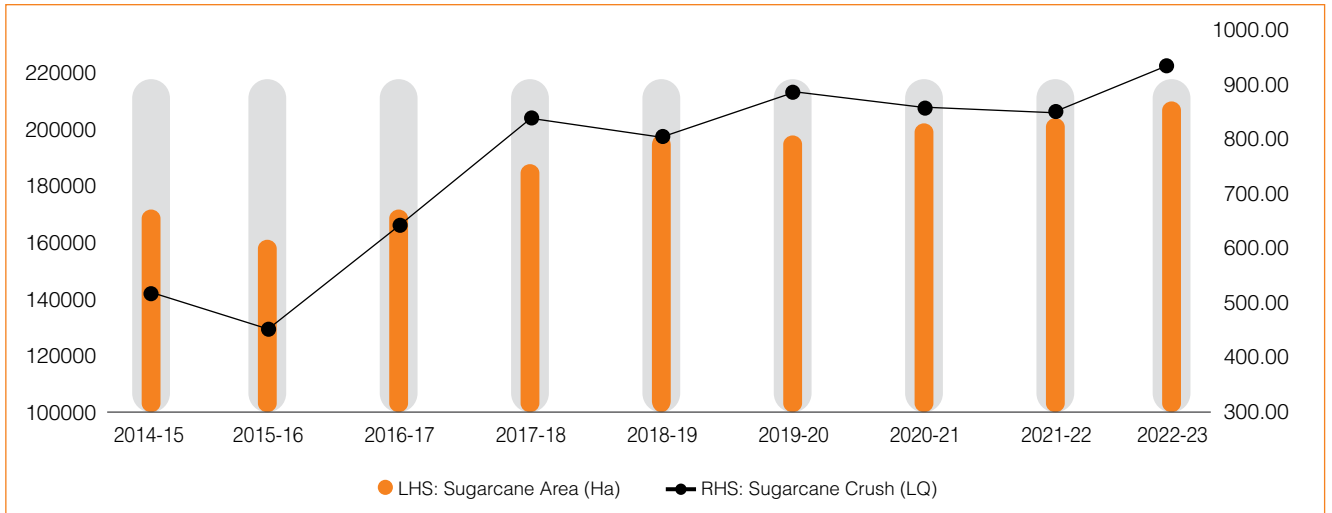
products. Enhancing sugarcane area and its availability for crush has been the key focus for the Company through its extensive sugarcane development programme. The quantum of sugarcane crushed has been improving continuously for the Company over the years, growing at an impressive CAGR of 7.8% p.a. since 2014-15. This is even more notable considering the recent trends of diseases such as red rot etc. which have plagued many sugar mills in Uttar Pradesh. The Company has been successful in mitigating those threats and recorded its highest ever crush of 9.33 million tonnes in SS 2022-23.

**Recovery:** Triveni is among the leading companies in the state of Uttar Pradesh in terms of recoveries, powered by its focus on high-sugar yielding sugarcane varieties, planting methodologies, crop management, yield improvement, shorter cut-to-crush time, etc. Gross recoveries have improved ~20% in the last 7-8 years, going from 9.57% in SS 2014-15 to 11.47% in SS 2022-23.

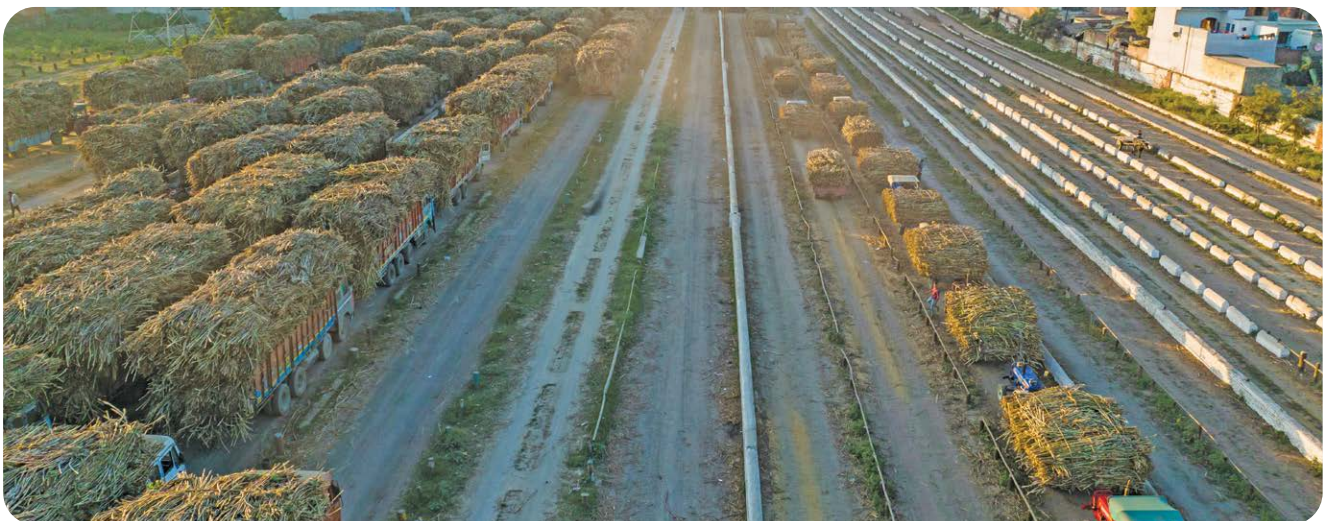
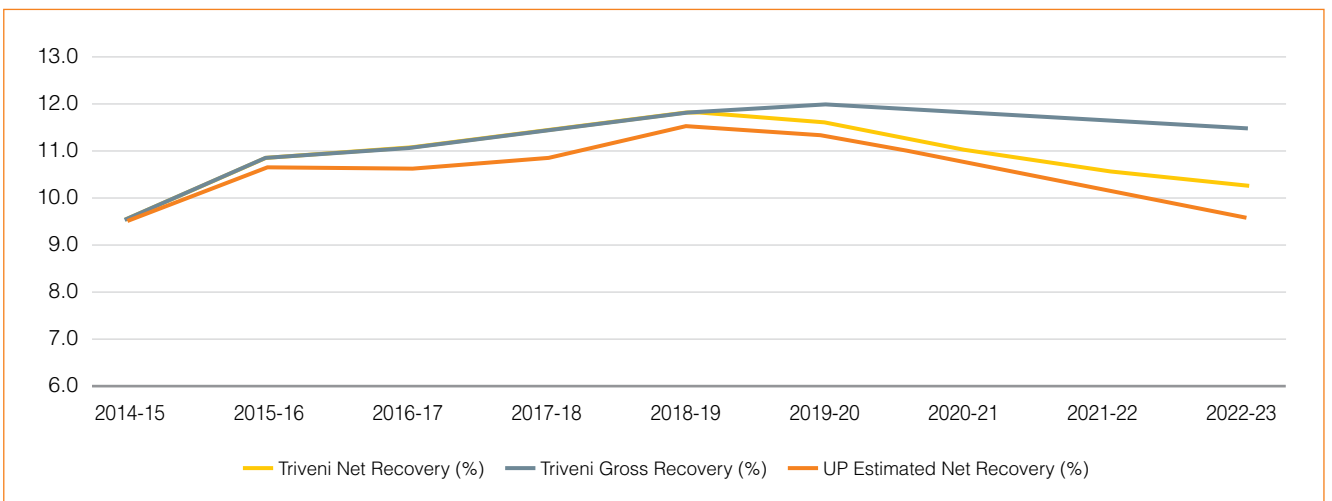
**Sugar Production:** Despite higher diversion towards ethanol production in recent years, sugar production for the Company has growth at a healthy 8.7% p.a. since 2014-15 due to higher sugarcane availability and a commensurate higher crush, along with improvement in recoveries.

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Area under sugarcane (Ha)	167068	156671	166675	183423	194159	191840	195537	198376	204092
Sugarcane crushed (LQ)	512.72	452.07	640.03	836.70	797.58	874.25	853.97	840.91	932.54
Sugar produced (LQ)	49.1	48.8	70.8	95.2	94.0	100.9	93.8	88.7	95.4
Net Recovery (%)	9.57	10.80	11.06	11.38	11.79	11.54	10.98	10.55	10.23
Gross Recovery (%)	9.57	10.80	11.06	11.38	11.79	11.97	11.86	11.70	11.47

### Triveni Sugarcane Area and Total Crush



### Triveni vs. UP Recoveries







## Unit-wise Performance:

Units	%		(Million Tonnes)			
	Sugar Recovery		Sugarcane Crushed		Sugar Production	
	SS	SS	SS	SS	SS	SS
	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23
Khatauli	10.51	9.96	2.25	2.49	0.24	0.25
Deoband	10.33	10.17	1.66	1.85	0.17	0.19
Ramkola	11.44	10.64	0.67	0.78	0.08	0.08
Sabitgarh	10.79	10.53	1.08	1.23	0.12	0.13
Chandanpur	10.62	10.28	0.95	1.04	0.10	0.11
Rani Nangal	10.86	10.54	1.02	1.11	0.11	0.12
Milak Narayanpur	9.58	9.82	0.77	0.83	0.07	0.08
<b>Group</b>	<b>10.55</b>	<b>10.23</b>	<b>8.41</b>	<b>9.33</b>	<b>0.89</b>	<b>0.95</b>

Note: Net recovery of 10.23% with 92% of sugarcane crush with B-heavy diversion in SS 2022-23 vs. 84% in the previous season.

### GROWTH THROUGH SUGARCANE DEVELOPMENT PROGRAMME

Triveni's sugarcane development programme is pivotal to its sustainable growth strategy, and the Company continuously engages with farmers to increase sugarcane productivity through its comprehensive sugarcane development programme. Its dedicated team of sugarcane development staff works closely with the farmers, disseminating knowledge on new technologies and innovations in the field of agriculture in general and sugarcane in particular.

The Company has been relentlessly working on a six-pronged strategy aimed at the development of improved planting, cultivation, crop protection and harvesting techniques. The strategy also seeks to improve the quality of crop and land productivity, resulting in enhanced income in the hands of farmers. The pillars of this strategy are:

1. Significant focus on **yield improvement** through various agronomic interventions (e.g. wide spacing, trench planting, etc.). **Emphasis on before-wheat planting**, providing higher time in the field to the spring planted sugarcane, thus leading to higher yield.
2. **Active farmer engagement:** Development of a very large number of model demonstration (demo) plots, with yields 40-50% higher than normally being obtained by farmers in their sugarcane fields, to showcase to the farmers advanced practices. The plots are also helping educate the farmers to achieve yield enhancement for replication in their own plots for income enhancements.
3. **Soil Health Improvement:** Judicious application of balanced dosage of fertilisers and nutrients as per soil analysis reports and recommendations.

4. **Crop Protection** from various pests & diseases, using a structured and scientific surveillance programme.
5. **Improvement in farm implements and mechanisation**, to make farm activities less labour intensive and drive economic improvements.
6. **Structured Varietal Development Programme**, for identification, faster multiplication, and commercial use of desired high sugar and disease resistant varieties for the mutual benefit of the Company and the farmers.

Various digitalisation measures have been undertaken in the above initiatives to promote real-time information sharing and interventions, faster dissemination of best practices across units and among the farmer community.

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**Key updates of the sugarcane development programme are as follows:**

**No. of member farmers:** 3.29 lakh, up 3% over the previous season

**Sugarcane area increased by ~3%**, from ~198,000 hectares (Ha) in SS 2021-22 to ~204,000 Ha in SS 2022-23

**Varietal replacement is being focussed on at all the units**, as the leading sugarcane variety, Co 0238, has become susceptible to a fungal disease called red rot, which damages the crop yield and affects the quality of juice. Varieties being currently propagated are Co 118, Co 98014 & Co 15023 (new variety). Co P9301 is being propagated specifically at Ramkola in the low-lying areas. Co J88 is a high-sugar variety, and is being specifically propagated at Chandanpur. Total area under Co 0238 sugarcane variety is expected to drop to 74% as against 88% last year.

**Special yield improvement interventions, e.g. wide spacing, were undertaken in 26,300 Ha this year, which is 36% higher than last year.**

A large number of **demonstration plots** (~400- 500 plots across each unit), spread across our sugar units' command area, have been developed to show to the farmers the benefits of the recommended practices and interventions in the field. Farmer meetings are organised at these plots to create awareness on the benefits of the new/scientific cropping techniques over conventional practices adopted by the farmers of the area.

**Crop protection** – A structured disease & pest surveillance programme is in place at all the units, which helps us in timely detection of pest/disease attack, forecasting, and taking corrective control measures.

**Integrated crop protection programme**, which involves following and practising preventive/curative control measures through a combination of chemical, biological and mechanical means/techniques, is practised at all our sugar units. It has yielded good results in keeping the pest and disease incidence levels in control to a large extent over the years.

**Biological measures** involve usage of bio agents (e.g. Trichoderma to control red rot). **Mechanical control measures** on the other hand include rouging & destruction of diseased clumps, destruction of egg mass and moths, and collection and destruction of the pest-affected shoots.

**Soil health improvement:** Press mud is being provided on subsidised rates to the farmers to replenish the organic carbon content in soil. Another major focus is on application of micro element mixtures & Potash (macro element), which were earlier available in abundance but now have started declining. These too are provided on a subsidised rate.

Soil samples are collected every year from the Development Zones of the factory and sent for analysis to reputed soil laboratories. Based on the soil analysis reports, recommendations are worked out for each of the Development Circles (comprising a cluster of villages)





located in the command area. The recommendations are displayed through wall paintings in the villages. Pamphlets, posters etc. are also used for disseminating information amongst the farmers. Awareness on benefits of application of balanced dosage is created through village meetings, educational sessions, as well as expert visits & goshties (large gathering of the farmers) to impart knowledge.

**Focus on ratoon management:** Farmers are being persuaded to treat the ratoon crop similar to the plant crop to maximise yields and reap maximum benefits. The farmers are educated to take up timely inter-culture operations and irrigation, apply balanced dosage of nutrients, and take timely preventive & curative pest/disease control measures to enable a good yield.

We have tied up with Regional Sugarcane Research Station, Karnal (Research Station of Sugarcane Breeding Institute, Coimbatore) for zonal varietal trials at our sugar units.

As part of the All India Coordinated Trial programme, an Inter-varietal Analysis Trial was laid out at the Company's Gagsona farm (in Khatauli), 10 pipeline varieties were planted during FY 23, along with the existing cultivated varieties, for a comparative analysis of yield & quality parameters. These arrangements will provide the Company early access to new varieties, especially in case any of the trial varieties get selected in the region.

**Discussion with senior scientists from above institutes,** to assist in propagation of best crop management practices, is an added advantage.

**Farm Mechanisation** is being encouraged on entrepreneurship model. Farm implements, e.g. small tractors, ratoon management devices, trench openers, power sprayers etc., are being made available on lower/competitive market rates. These initiatives lead to availability of tractors & farm implements on significant discounts to the farmers over and above the normally offered retail prices.

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**Digitisation:** Sugarcane area data is captured through hand held terminals; each circle supervisor is equipped with these machines. They feed data, e.g. progress of planting indents & planting, on a daily basis during the planting season, which is exported to our servers. Other important parameters, e.g. area of the sugarcane plots, type of the crop, sugarcane variety, condition of the plots (lowland/upland), irrigation source etc., are captured during the sugarcane area survey. Supply calendars are prepared on the basis of sugarcane area/type of the crop & sugarcane variety.

### OUTLOOK FOR SUGAR INDUSTRY AND TRIVENI SUGAR BUSINESS

With an increased acreage and excellent rains in April and May 2023, there are increasing chances of an El Niño impact, as warned by various meteorological agencies. There are also palpable changes in weather patterns, with unseasonal cool weather across North India in April 2023 as compared to unseasonal hot weather in March last year. All these have an impact on sugarcane growth, recoveries, new forms of pests and disease that can potentially impact the sugarcane crop. While it is difficult to predict these and hence the sugar production of the country, we believe that overall, the industry has sufficient flexibility to meet domestic consumption demands, and meet ethanol blending requirements by diverting sugar for the production of ethanol. The Government decides on sugar exports based on the surplus sugar available in the country, after meeting domestic priorities and having regards to the demand and price prevalent in the international markets.

For Triveni, as majority of the sugarcane areas associated with our factories are located in regions with rivers & well-connected canal systems and supplemented by tube wells/borewells based irrigation methods, the sugar operations are far less likely to get impacted due to scanty monsoon rains as compared to other sugarcane cultivating regions.

The Company continues to have robust and well-structured sugarcane development programmes across its seven sugar units, and is anticipating a higher crush and improvement in recovery in the upcoming sugar season. The focus is on substitution of 0238 variety by other promising, well proven and high yielding/high sucrose varieties in sugarcane command areas of the sugar units. Coupled with various yield enhancement measures, like spaced row planting, trench planting and autumn planting, sugarcane availability would be assured to meet higher sugarcane requirements at the sugar units.



During FY 23, the Company announced capital expenditure of ₹ 175 crore which would lead to increased crushing capacity (from 61,000 TCD to 63,000 TCD), modernisation, refurbishment, debottlenecking and efficiency improvements at various sugar units, to enable cost optimisation. The CapEx will also go into process conversion and a new pharma facility to enhance the refined sugar production.

Following is a summary of the upcoming planned activities:

- Expansion in crushing capacity of Sabitgarh sugar unit by 2000 TCD, thereby increasing the crushing capacity to 9000 TCD
- Process conversion at Milak Narayanpur unit to refinery process (DRP)
- Setting up of another pharma sugar facility at one of the sugar units, besides the existing facilities at the Sabitgarh unit

The proposed increase in distillation capacity to 1,110 KLPD would further enhance the integrated operation capabilities, value additions and profitability for the Company.

To support the financial health of the industry and to ensure timely payments to the farmers, we would look forward to the Government's help in increasing the Minimum Selling Price (MSP) of sugar, as the domestic sugar prices are stagnant and have not been able to offset the increased costs, including sugarcane price increase in SS 2021-22, or another such possible increase in the forthcoming season.

## ALCOHOL BUSINESS

### Indian Ethanol Industry

#### Indian Ethanol Industry Overview

The Central Government has been focussing on reducing the country's dependence on imported crude oil while minimising the environmental impact resulting from pollution and emissions. The Government has been actively promoting the production and blending of fuel ethanol with petrol, and has targeted 20% blending through Ethanol Blended Petrol (EBP) Programme or EBP20 by 2025. EBP20, which was earlier targeted by 2030, was advanced in December 2020, reaffirming the Government's focus and commitment towards biofuels.

EBP20 will lead to numerous benefits, such as saving of ₹ 30,000 crore of foreign exchange per year, lower carbon emissions, self-reliance, use of damaged food grains, increased farmers' incomes, and better investment opportunities.

#### FY 23 Industry – Domestic Outlook:

- Out of the 511.5 crore litres finalised by the OMCs for the Ethanol Supply Year 2022-23 (December 2022 to October 2023) against a total requirement of 600 crore litres, contracts for 505.2 crore litres have been executed
- Out of the 523.5 crore litres finalised by the OMCs for the Ethanol Supply Year 2022-23 (December 2022 – October 2023) against a total requirement of 600 crore litres, contracts for 519.9 crore litres have been executed till May 21, 2023
- Against the above, 268.6 crore litres have been lifted by the OMCs till May 21, 2023
- The total lifted quantity is 52% of the contracted quantity and 51% of the finalised quantity
- The average blending percentage is 11.67% till May 21, 2023

