



Simbhaoli Sugars: Buyback of FCCB

- *USD 25.11 mn FCCBs (76% of the issue size) bought back*
- *Purchased at average discount of 60.3%*
- *Total issue size of USD 33 mn*
- *Resulted reduction in liability by USD 20.5 mn (Rs 1.04 bn)*
- *Corresponding increase in the net worth*
- *The balance 24% bonds shall be bought subject to costs remaining within acceptable parameters*

New Delhi, May 29, 2009: Simbhaoli Sugars Ltd (SSL), one of the largest manufacturers of refined and specialty sugars, has announced buyback of its foreign currency convertible bonds (FCCBs) having a face value of USD 25.11 mn out of total USD 33.0 mn FCCBs issued in March 2006 and having maturity of five years (March 2011). These bonds are optionally convertible into equity at Rs 153 per share or redeemable with 37% premium on the principal amount on maturity. The maturity value, unless redeemed or converted before, is USD 45.2 mn on entire issue value.

The Company has bought back 76% of the total bond liability, having face value of USD 25.11 mn at an average discount of 60.3 percent by utilizing external commercial borrowings (ECB) in terms of the recent RBI guidelines. The buyback and resulted cancellation of these bonds will reduce the long term liabilities by Rs 1.04 bn comprising Rs 771 mn (USD 15.2 mn) on principal account and Rs 272 mn (USD 5.3 mn) on account of premium payable on maturity. The buy-back has improved the net worth of the Company and reduced the long term debt by this amount.

On this, Mr. Gurmit Singh Mann, the Chairman and Managing Director of Simbhaoli Sugars told that “these bonds were issued to part finance the growth plan of Rs 4.60 bn of the Company, involving enhancing and setting up of fresh sugar, alcohol and power capacities at its sugar plants in the years 2006 to 2008. All these capacities are complete and operational.”

On account of global economic slowdown, and general presumption of long term fall in the valuation of the companies, these bonds have been traded at discounts to their par values. Further, the option to convert them into shares has become remote because of erosion in market valuations of corporate securities, particularly of sugar companies. This has resulted in lack of liquidity in corporate bonds and lower interest of the fund houses towards purchasing and holding them.

Considering this as an opportunity to deleverage the balance sheet of the Company by reducing or replacing long term liabilities, and encouraged by the RBI initiatives, permitting Indian corporate to cancel their FCCBs prior to their maturity, SSL drew out plan for raising replacement loans to reduce its bonds liability at discounts to issue price for providing existing options to bond holders and improve its financial position.

Commenting on this, Mr. Sanjay Tapriya, Director (Finance) and CFO of Simbhaoli Sugars told that “The buy back and cancellation of bonds will strengthen the financial position of the Company and de-leverage its financials in order to improve its debt- equity ratio and achieve reduction in financial costs. This is the part of the financial strengthening exercise which the Company has initiated.”

“The Company will continue to buyback the remaining 24% (USD 7.89 mn) bonds subject to the costs of buying remain attractive and within the agreed parameters.” He further added.

After current buy back, the Company’s outstanding FCCBs will stand at USD 7.89 mn (Rs 402 mn) at par value, which is 24% of the original bonds issued. The current paid up equity capital of the Company is Rs 214 mn; whereas the fully diluted capital after cancellation of 76% outstanding FCCBs will be at Rs 237 mn.

Simbhaoli Sugars Limited (SSL) (BSE SCRIP ID: SIMBHALS, NSE SYMBOL: SIMBHSUGAR), is a 75 year old Indian Company, operating three technologically advanced sugar manufacturing facilities in North India and are capable of manufacturing up to 300,000 metric tons per annum (MTPA) of sugar from sugarcane. In addition; the Company is capable to refine raw sugar, both domestic or imported to the extent of 150,000 MTPA in its two states of the amount of sugar refineries. SSL also has three ethanol distilleries alongside its sugar facilities with a combined capacity of 210 kilo liters of alcohol/ ethanol per day (KL/D). Its branded alcohol division is capable of producing and marketing two million cases of quality spirits annually and presently operating in Ten Indian States. Simbhaoli and Chilwaria sugar complexes house bagasse based cogeneration facility of 64 mwh, out of which 33 mwh is surplus and sold to the state power corporation under PPA.

Being a regular exporter, Simbhaoli is a star trading and has got accredited ISO systems certifications namely, ISO 9001:2000, ISO 14001:2004; and HACCP, which signifies that the Company ensures highest product quality. For the ongoing season, Company has drawn up ambitious plans to refine Brazilian Raw to meet sugar deficit in the Company.

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