

Select Investor update

Explanatory Statements on Financial Results



Simbhaoli Sugars Limited

Quarter ended March 31, 2010

Financial Results

Common explanatory statement for the issues raised by certain investors on quarterly results for March 31, 2010.

Summary of the financial results

(Rs in mn)

Particulars	Quarter ended	
	March 31, 2010	March 31, 2009
	Unaudited	Unaudited
Net Sales/ Income from operations	3,256.9	1,491.5
Other Operating Income	153.9	64.8
Total	3,410.8	1,556.3
Decrease/(Increase) in inventories	(2,273.2)	(1,194.6)
Consumption of raw materials	5,054.0	2,006.8
Consumption of stores, oils & chemicals	177.4	158.0
Purchase of traded goods	0.1	0.5
Power and fuel	80.9	18.6
Employees cost	109.0	92.8
Other expenditure	205.7	215.5
Total	3354.0	1297.6
EBDITA	56.9	258.7
Depreciation (net)	98.6	101.8
Profit/(loss) from operations before other income, interest and tax	(41.7)	156.9
Other Income	8.8	6.1
Interest	218.8	139.1
Profit/(Loss) before tax	(251.7)	23.9
Tax expense/ (benefit)	(80.0)	17.8
Net Profit/(Loss) after tax	(171.7)	6.1

1. Net sales

- Net sales for the quarter at Rs 3256.9 mn include sale of 7.7 lacs qtl of sugar, both levy and non levy, at an average realisation of Rs. 3458 per qtl.

- Net sales also include Rs 550.7 mn turnover of alcohol segment and Rs 919 mn of power segment (figures before inter segmental adjustments).
- Sale of levy sugar has been accounted for at Rs 1326 per qtl (average of all units) without taking into account the impact of likely increase in levy prices. These might have a positive impact on the profits in future by approx. Rs 160 mn. Other operating income includes an exchange gain of Rs 129.2 mn in the values of raw sugar procured and processed.

2. Increase in inventories / Cost of production

- Increase in stocks by Rs 2273.2 mn comprises increase in the stocks of white sugar from cane and raw sugars, work in process, alcohol etc.
- Inventory of the white sugar as on March 31, 2010 stands at 1.68 lacs mt which has been valued at the cost or market price whichever is lower for each of the plant in accordance with AS2 of ICAI.
- Average cost of production for the quarter has been Rs 30.1 per kg both for raw and cane sugar. This has been valued at Rs 27.2 per kg (including levy sugar valued at historical prices).
- This resulted in writing down of sugar stocks by Rs 487 mn at the end of the quarter. Out of this, Rs 246 mn (net) is stock adjustment on account of levy sugar which includes specific write down of Rs 164 mn on account of increase in levy % from 10 to 20% for the current year.
- Other write downs on sugar stocks are on account of higher COP of sugar made both from cane and raw sugar. This has been subjected to onetime adjustment to the NRV levels at the end of the period.

3. Raw Material Costs

- Consumption of raw material, Rs 5054 mn has been impacted by higher sugar cane price, Rs 261 per qtl (average for this quarter) against an average SAP of Rs.162.5 per qtl.
- Average procurement price of raw sugar for the season has been USD 456 pmt. At quarter end the stock of raw sugar in hand and in transit has been 1.04 lac mt.
- A one- time inventory write down of Rs 166 mn is accounted for towards the fall in the values of imported raw sugar.

4. Operations of alcohol divisions reflected a loss of Rs 35.6 mn in spite of increase in turnover by 66%. This is on account of higher molasses prices and lowering of sales of value added products. Molasses prices have come down by nearly Rs 150 per quintal recently. No significant quantities of ethanol have been sold during the quarter

5. Other expense including power, fuel and employees costs is higher in this quarter on account of increase in the quantum of sugar operations. Further, alternate fuels have been used along with bagasse during the crop season, in order to conserve fuel for off season raw sugar processing

6. Interest cost during the Q2 is higher by Rs 80 mn on account of higher utilisation of working capital, higher inventory of sugars, and interest on ECB loan taken to re-purchase the foreign currency bonds, hitherto, this charge was being adjusted to securities premium account

The results for the Q2 FY10 are affected on account of Extra ordinary reasons including write down of free sale sugar stocks both of white and raw by Rs 377 mn in spite of one of the best realisations of sugar (higher by Rs. 15.4 per Kg over the previous quarter) among the industry. Besides, 10% increase in levy obligations impacted the results by Rs 164 mn. The free sale sugar prices have shown an improvement by Rs 1.5 per kg recently.

The sugar refineries of Simbhaoli Sugars will continue with their business model of importing and refining raw sugar during the current off crop period as the basic arbitrage between imported raw and domestic white realisation values is re emerging.

Industry Update

Sugar demand and supply balancing

Production in India is forecast at 18.6 mmt for the 2009-10 season and 23 to 24 mmt in the next season against the demand of 23.5 mmt this year and 24 mmt likely in the 2010-11 season. Against current year deficit, by April 30, 2010 there have been imports of 2.5 mmt of raw sugar and 0.7 mmt of white sugar.

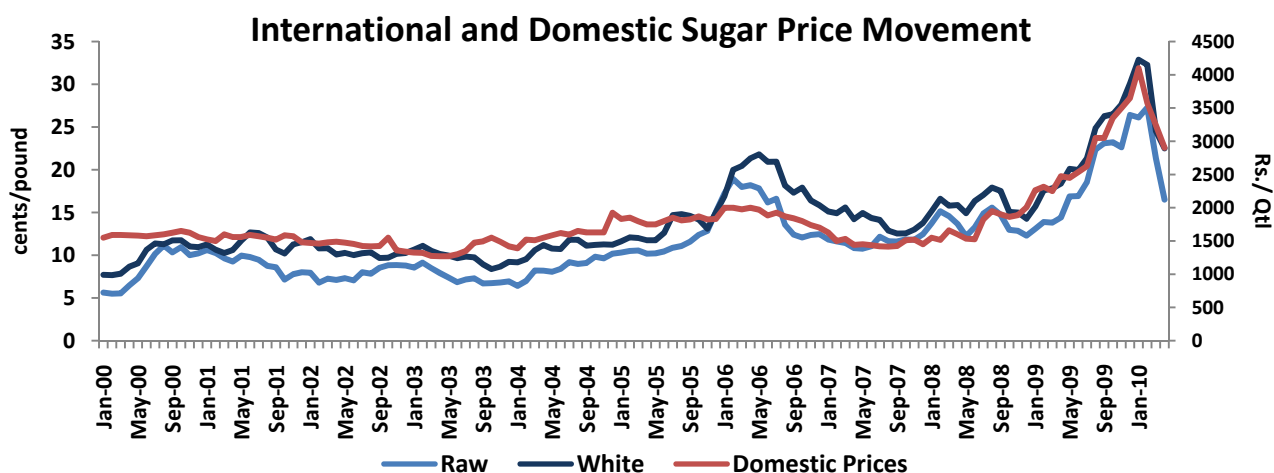
Government measures

The Indian government is reviewing the ban on sugar futures after assessing production, with regard to the monsoon and next season's planting of sugar cane. Last December, India's commodities market regulator Forward Market Commission extended the ban on launch of new sugar futures contracts until September this year.

GOI is considering rolling back some measures taken last year to handle a severe sugar shortage. However, the authorities would like to keep a tight control on the sector for the time being.

GOI has also eased the stock holding limits for large sugar consumers by allowing bulk users to stock the sweetener for 15 days of their consumption.

Sugar market



International prices of raw sugar gone down by over 45% recently on upward revision in production estimates in India and Brazil, the world's top producers.

Raw sugar price for July contract stands at 14.78 cents a pound (approx. USD 326 pmt), on ICE Futures, New York, on May 12, 2010.

White-sugar futures for August contract have been at USD 471 pmt on May 12, 2010 on the Liffe exchange in London.

Comparative domestic white prices in Delhi market have been at Rs. 29500 per mt (USD 650).

For clarifications, please contact

Investor Relation Department

Simbhaoli Sugar Ltd.

C-11, Connaught Place,

New Delhi -110001, India

Tel : 91-11-41510421/ 91-11-43214100

Email : harmeet@simbhaolisugars.com