Simbhaoli Sugars Limited

Investor update

On the financial results

For the period ending June 30, 2009

Q 3 FY 09

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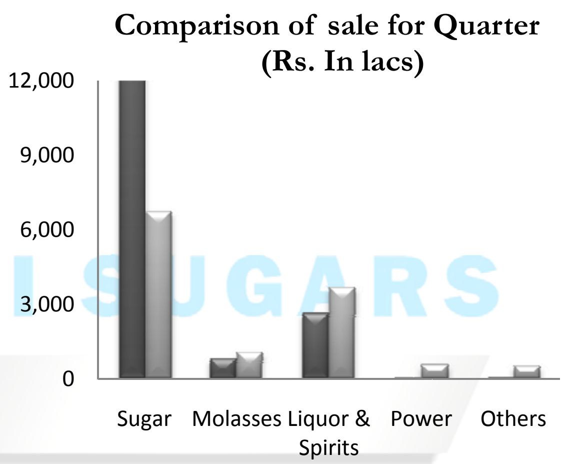
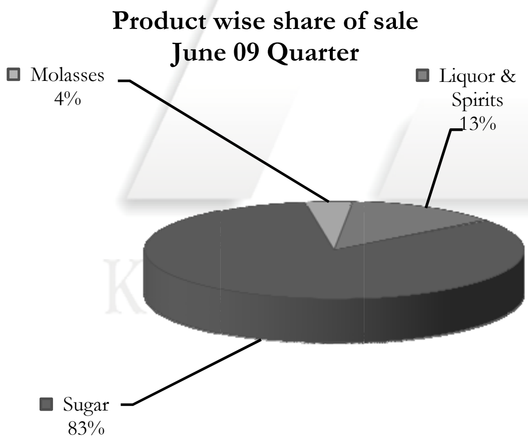
Key business indicators

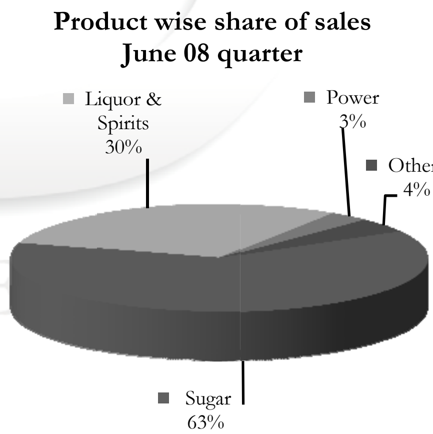
Compared to quarter ended June 30, 2008

- **Net operating revenues increased to Rs 1957mn, by 81%**
- **Sugar segment turnover increased to Rs 1753 mn by 115%**
- **Alcohol segment turnover at Rs 268 mn, reduced by 28%**
- **EBIDTA margin at Rs 205 mn (10.5%) increased by 2.5%**



Sugar segment turnover increased to 83% from 63%. Average sugar realisation for the quarter was at Rs 2419 per qtl. More quantity of sugar is sold.





With crop competition and increasing demand of sugar, India is no longer surplus in sugar and deficit is mostly being met from import of raw sugar. Possibility of creating additional capacities at this juncture is also limited

Key Highlights of the financial results

- Sale has increased by 87% from Rs. 1040 mn to Rs. 1949 mn on account of increase in sales of free sale sugar quantities and price
- Basic cane price paid for 2008-09 season was at Rs 140 per qtl as per SAP announced by UP Govt.
- Other income includes a gain of Rs. 619 mn on account of buy back of FCC bonds of US $25.11 mn, out of aggregate FCCB liability of US$ 33.00 mn (maturity in March 2011). Total reduction in liability on account of buyback exercise is Rs 1.2 bn being realised in the form of profit and loss account gain, adjustment of fixed assets and restoration of securities premium
- Contracted / purchased 112000 MT raw sugar from Brazil, out of which, 20000 MT has been refined by the end of the quarter.
- Alcohol segment turnover reduced because of underutilisation of capacities and reduced margins for higher prices of molasses. Average cost of molasses is Rs. 450 per qtl.
- 2008-09 was cane deficient season and cane crushing operations closed before March 31. No cane sugar was produced in this quarter and most of the sugar sale was made out of inventories.
- Depreciation is higher by Rs 6.7 mn as compared to Q3 FY08 on account of start of operations at Brijnathpur Ethanol Distillery
- Staff cost has decreased by Rs 3.6 mn as compared to corresponding quarter in previous year on account of early closure of crushing season inspite of start of new ethanol business unit at Brijnathpur and general increment of about 8%
- Interest cost is higher on account of withdrawal of interest subsidy on buffer stock in the current qtr against Rs. 18.5 mn in Q3 FY08. Higher working capital facilities utilised
- The Company has exercised the option under the AS-11 "The Effect of Changes in Foreign Exchange Rates". Accordingly, the foreign exchange gain of Rs. 31.2 mn (net) for the quarter has been adjusted to Capital Assets.
- The cane purchases for sugar season 2007-08 were accounted for at Rs. 110 per quintal, the rate as per the interim order of the Hon'ble Allahabad High Court and Hon'ble Supreme Court, against the state advised price of Rs. 125 per quintal. Necessary adjustments will be made in accordance with subsequent orders of the Hon'ble courts in the matter.

- For the year ended September 30, 2008, deferred tax assets (net) amounting to Rs.192.7 mn had been recognized on the basis of future projections taken on record by the Board. As an abundant caution, the Company has not recognized any further deferred tax assets (net) in the current quarter

Results at a glance

EXTRACTS FROM UNAUDITED FINANCIAL RESULTS FOR THE PERIOD ENDED (Fig in Mn Rs)

Particulars	Quarter ended June 30, 09	Quarter ended June 30, 08	Nine months ended June 30, 2009	Nine months ended June 30, 2008	Year ended September 30, 2008
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Net Sales/Income from operations	1,949.13	1,040.49	4,680.51	3,188.19	4,354.52
Other Operating Income	8.31	40.79	27.16	74.43	100.92
Total	**1,957.44**	**1,081.28**	**4,707.67**	**3,262.62**	**4,455.44**
Expenditure					
Decrease/(Increase) in stock in trade	1,248.20	375.36	(502.98)	(793.42)	(194.00)
Consumption of raw materials	221.9	299.94	3,452.45	2,594.01	2,671.34
Consumption of stores, oils & chemicals	113.19	100.86	421.24	364.30	460.39
Purchase of traded goods	2.81	1.31	4.65	5.56	6.22
Employees cost	70.58	74.11	244.86	223.50	291.10
Depreciation (net of revaluation reserve)	97.44	90.72	287.82	233.18	322.02
Exchange fluctuation and derivative loss	(31.22)	14.54	(31.38)	67.97	211.21
Other expenditure	126.25	128.17	542.10	484.64	740.73
Total	**1,849.14**	**1,085.01**	**4,418.76**	**3,179.75**	**4,509.02**
Profit/ (Loss) from Operations before other income, interest	108.30	(3.73)	288.90	82.86	(53.59)
Other Income	621.94	1.70	629.63	9.63	9.32
Profit/ (Loss) before interest	730.24	(2.03)	918.53	92.50	(44.27)
Interest	185.89	111.68	454.63	284.32	396.37
Profit/(Loss) before tax	544.35	(113.71)	463.90	(191.82)	(440.64)
Tax expense					
Deferred tax (benefit)/ charge	(51.71)	8.81	(22.90)	20.13	(155.57)
Fringe benefit tax	1.50	1.80	4.80	4.70	5.95
Net Profit/(Loss) after tax	**594.56**	**(124.32)**	**482.01**	**(216.65)**	**(291.02)**
Paid up equity share capital (face value Rs.10/- each)	215.18	206.41	215.18	206.41	215.18
Earning Per Share (Basic & diluted)	27.75	(6.11)	22.39	(10.98)	(14.65)

Operational Performance

Highlights of the quarter

- No cane crushing has been carried out in this quarter.
- The alcohol division performed with lower capacity utilisation. Spirit production down by 47 % due to lower availability of captive molasses.
- No power generation operations have been carried out in the quarter because of non availability of bio fuel/ bagasse
- Free sale price of molasses prices gone up to Rs 450 per qtl leading to higher cost of production of alcohol and negative margins in the segment
- Average sugar price went up over Rs 2400 per qtl, higher by 32%. The benefits of the higher price could not be realised owing to lower sugar cane crushing
- Simbhaoli Sugar plant refined 20,000 tones of imported raw in this quarter.
- The Company has two raw sugar refineries capable to carry out off season refining in most efficient manner
- Alcohol division has started supplies of certain brands of its IMFL range to Canteen Stores Department of Armed forces. Two consignments have already been sent
- Fixed per unit cost remained high because of lower production
- Lower sugar recoveries and higher cane costs resulted substantial increase in cost of production of 2008-09 season. Higher cost of imported raw sugar also means higher cost of production of refined sugar from imported raw
- High interest cost is concern and will need financial structuring

Raw sugar import and year round processing

- **Raw import and refining has been identified as major business drivers to meet sugarcane deficit and improved revenues**
- **Regular import of raw sugar for processing commenced from January 2009 onwards which resulted in higher white sugar available for sale and lower fixed costs of production.**
- **112,000 MT raw sugar purchased/ contracted till now at competitive prices. Most of it will be processed at Simbhaoli plant**
- **Simbhaoli's raw processing plan is comparable to other large sugar refineries/ producers**
- **Has a business plan to refine 300,000 mt of raw by June 2010 to meet domestic sugar deficit and to improve the capacity utilisation**

Segment wise performance

(Figures in Rs. mn)

Segments	Quarter ended June 09	% of total revenue	Quarter ended June 08	% of total revenue
Sugar	1752.6	85.6	816.3	**60.1**
Alcohol	268.7	13.1	374.8	**27.6**
Power	27.3	1.3	164.0	**12.1**
Others	-		2.4	**0.2**
Total	**2048.6**	**100.0**	**1357.5**	**100.0**

The share of sugar segment increased by 20%, on account of increased realisation of sugar and lower cane crushing operations, means lower utilisation of bi product capacities

Sugar Segment

Particulars	Q3 FY 09	Q3 FY 08
Total income	1752.6	816.3
EBIDTA	213.5	20.4
EBIDTA (%)	12.2	2.5

Sugar segment turnover increased by 115% due to increase in quantities sold and improvement in prices. EBIDTA margins in absolute terms and also related terms improved substantially. However, it did not reflect desired improvement because of higher cane price and lower sugar yield

Distillery Segment

Particulars	Q3 FY 09	Q3 FY 08
Total income	268.7	374.8
EBIDTA	8.7	76.5
EBIDTA (%)	3.2	20.4

Size of the operations reduced for fall in quantities produced and under utilization of capacities. Higher molasses prices and fixed costs resulted in lower EBIDTA

Power Segment

Particulars	Q3 FY 09	Q3 FY 08
Total income	27.3	164-0
EBIDTA	6.1	32.9
EBIDTA (%)	22.2	20.1

Power segment income is decreased substantially in the current qtr on account of no cane crushing operations. EBIDTA level is maintained at a decent level

The Company has issued and allotted 9,26,000 equity shares of Rs. 10 each to the specified promoters on conversion of 9,26,000 warrants on July 30, 2009 at the exercise price of Rs. 42.55 per equity share (including premium of Rs. 32.55 per equity share)

Indian Sugar Industry

Season 2008-09

- Sharp fall in sugar production, estimated at 14.7 mmt. Demand supply gap is peaked at 7 mmt
- Continuous availability of sugar cane is a question mark. Emerging crop competition is new threat to industry
- Stocks on Oct 1, 2009 likely to be at 2.5 to 3 mmt (one of the lowest in recent past)
- Domestic sugar prices have gone up from Rs 15000 to Rs 24000 per tone. However, following the international prices with a time lag of 60 to 75 days
- Government banned futures markets, brought stock limits and reduced duty on imports to zero.
- Large imports became inevitable. The country has already imported/contracted 2.5 mmt of raw sugar. CIF prices increased from 280 USD to 450 USD/ MT (Feb 09 to July 09) 61% rise; market expect further increase
- Pending export obligations are estimated at 1.2 mmt against previous seasons imports: deferred till December 09
- Large quantity of alcohol being imported by chemical industry because of high domestic prices. Distorted price parity between molasses (high) and spirit (low). With higher molasses prices, alcohol model is turning into a low margin business.
- Unutilised milling capacity in north India will become cause of concern.

Season 2009-10: expectations

- Demand estimated at 23 mmt; based upon GDP/PDI growth estimates, expected growth 2.5 to 3% y on y. Some tapering in demand may be there with high sugar prices
- With deficit monsoon rains prediction and changing agriculture practices, the cane availability is continued to be issue for 2009-10 season.
- Latest production estimates are coming between 16 to 17 mmt. Demand supply shortfall is estimates for the season are at 5 mmt
- The country will continue to operate with thin sugar stock levels
- Value addition businesses will continue to suffer with lack of margins, shrinking business and less possibilities of cost plus pricing

Simbhaoli Sugars Limited

Simbhaoli Sugars Limited (SSL) (BSE SCRIP ID: SIMBHALS, NSE SYMBOL: SIMBHSUGAR), is a 75 year old Indian Company, operates 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. In addition; the capacities are capable to toll raw sugar upto 300,000 MTPA.

SSL also has three alcohol distilleries alongside its sugar facilities with a combined capacity of 210 kilo liters of alcohol/ ethanol per day (KL/D) is capable of producing and marketing a million cases of quality spirits 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 grid.

Forward Looking Statement

Certain statements in this document with words or phrases such as "will", "should", etc., and similar expressions or variation of these expressions or those concerning our future prospects are forward looking statements. Actual results may differ materially from those suggested by the forward-looking statements due to a number of risks or uncertainties associated with the expectations. These risks and uncertainties include, but are not limited to, our ability to successfully implement our strategy and changes in government policies. The company may, from time to time, make additional written and oral forward looking statements, including statements contained in the company's filings with the stock exchanges and our reports to shareholders. The company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the company

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