
Investor Update on the financial results

Period ended
March 31, 2010
(Q2 FY10)

**Simbhaoli Sugars
Limited**

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Corporate Office

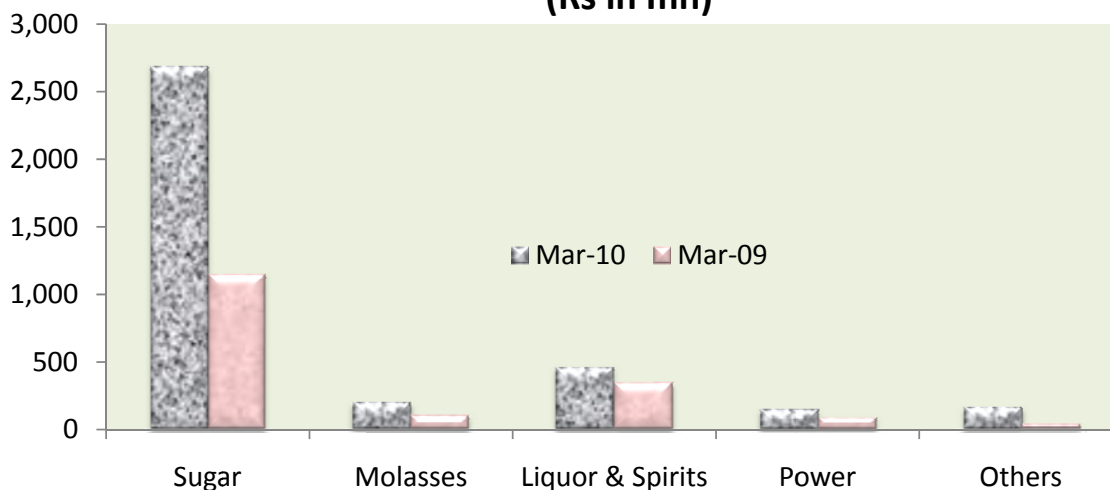
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Key Financial Highlights

(Comparatives are with Q2FY09)

- Net Turnover at Rs 3257 mn, higher by Rs 1765 mn, 118%
- Average realization at Rs 34580 pmt, (considering levy sale price at Rs 13 per kg), higher by Rs 15440 pmt
- Mark to Market (MTM) loss of Rs 166.1 mn, on account of marking down of inventory valuation, fully provided for in the results for this quarter
- Net sales of sugar, 77,700 mt, higher by 30%, contributed Rs 2,687 mn to the top line
- March 31, inventory levels at 1.7 lacs mt, valued at Rs 27220
- Levy quota increase from 10 to 20% affected the bottom line by Rs 170 mn
- Capacity utilization for the quarter at 90%
- Sugar recovery is slightly higher by 0.5%

Comparison of sale for the March Quarter
(Rs in mn)



Factors affecting financial results

- Adverse effect on account of sharp decline in the free sale sugar prices in March 2010
- A one- time correction by marking the valuation of closing stocks of sugar to market value affected the profits by Rs 166 mn
- Average cane price of Rs 261 per qtl paid was in excess of SAP in line with the trends in UP industry. Means higher cost of production (COP) in all the sugar units
- The levy price revision for this and earlier years is not yet announced. Resultant benefits thereof have not been accounted for as notification for increment in levy prices is still awaited. At Rs 3 per kg, expected benefit is Rs 160 mn.
- Interest cost is higher by Rs 80 mn on account of higher utilisation of working capital, higher inventory of sugars, and interest on ECB loan take to purchase the foreign currency bonds
- Average cost of molasses is higher by 11.5%
- Quantity of sugar sold is 30% higher, and average realization has been Rs 34,580 pmt, higher by Rs 15430 pmt. This increase is more than offset by increase in cost of production.
- Power sale is higher by 105.90 lacs kwh amounting to Rs 60.4 mn
- Pre payment of certain term loans has been affected
- Increase in power and fuel expenses by Rs. 62.4 mn is on account of usage of alternate fuel for processing of raw sugar in the off season.
- Staff cost is increased on account of payment of arrears of wages after Sugar Wage Board announcement and raw sugar processing

Project Update

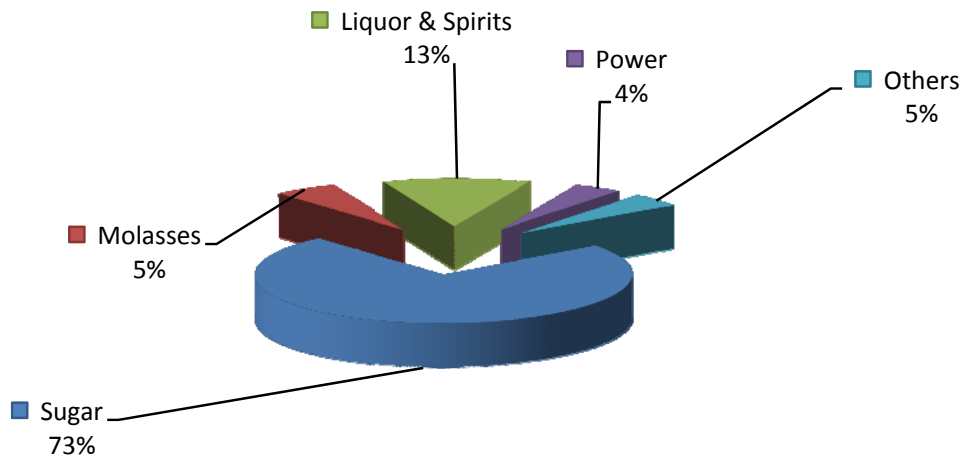
Kandla Refinery

- SSL is setting up a stand- alone port based sugar refinery of 1000 TPD capacity scalable to 2000 TPD near Kandla port in Gujarat. SSL has already acquired 46 acres of land for this purpose
- The project is slated to commission by November 2011
- The estimated project cost is Rs 1.95 bn out of which application for financial participation of Rs 950 mn submitted to banks
- Major approvals are in place and the rest are also applied for.
- Detailed Techno- Feasibility report has been prepared by Integrated Casetech Consultants Private Limited.

Key Operational Highlights

- The crushing season 2009-10 was closed with a crushing of 17.2 lacs mt of cane at an average recovery of 9.17%
- Alcohol segment margins have been lower on account of higher prices of molasses, lower capacity utilization and lower sale of Country liquor, Ethanol and IMFL.
- Alcohol units commenced the export of extra neutral alcohol to create new market for bulk products with first order of 25 lacs BL, already executed
- 1.52 lacs mt of white sugar was produced including sugar from raw processing at all the three locations
- Under IMFL segment, 3.09 lacs cases were dispatched against 2.9 lacs cases
- Power segment contributed to the top line by Rs 919 mn however, its margins declined as the fuel and raw material costs increased.

Product wise Share of Sale (Quarter)



To increase the derived demand of sugar, SSL has introduced variants of instant natural fruit drink, "SIPP" in north Indian market

Simbhaoli entering FMCG products market



Trust Sipp has been introduced in various markets of Northern India and has gathered a appreciation from customers and users. The special wet sampling drive has created an immediate demand for the product.

Especially natural coconut is a unique flavour which has been very much appreciated in Delhi market.

- ★ Tangy Lemon
- ★ Orange Delight
- ★ Alphonso Mango
- ★ Tender Coconut

IMFL Segment: White Rum Launched

Hunters White Rum

Its unique blend and the bottle shape, adopted for the first time in India, has been very well received in the Kerala market.



The brand is showing a healthy growth of more than 50% in south Indian markets. Other brands of white spirits, Ice Blue Gin and Ice Blue Tango (Gin and Orange), in the same internationally recognised bottle, are being introduced in Eastern markets shortly.

Segment wise results

(Rs in mn)

Sugar

Parameters	Qtr March 10	Qtr March 09	Change%
Total Income	3674.5	1639.8	127.6
EBIDTA	44.5	118.8	(62.5)
EBIDTA %	1.2	7.2	

Fall in EBIDTA margins is on account of higher cost of production and fall in realizations. The revised levy prices have not yet been announced.

Alcohol

Parameters	Qtr March 10	Qtr March 09	Change%
Total Income	550.7	330.3	66.7
EBIDTA	(18.3)	15.7	-ve
EBIDTA %	-ve	4.8	

Lower sale of IMFL and country liquor brands resulted fall in EBIDTA. Average molasses price has gone up by 11.5%. The production of alcohol at 163.15 lac BL is higher by 64% with a capacity utilization factor of 86%. Fuel costs remained high.

Power

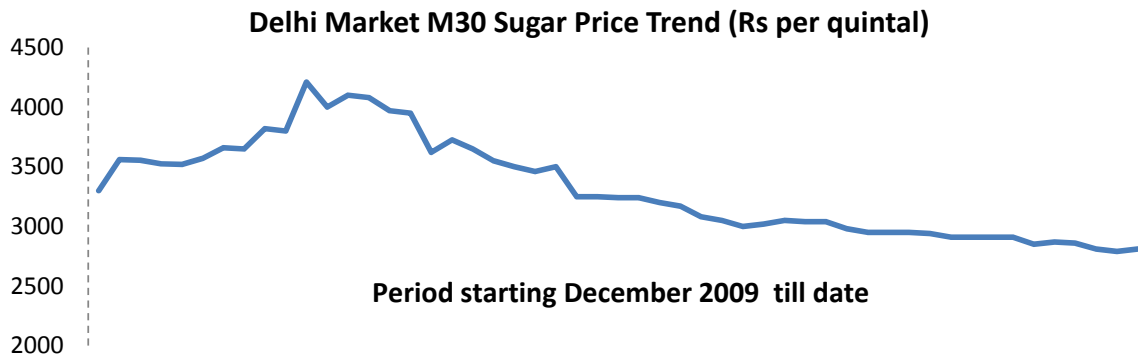
Parameters	Qtr March 10	Qtr March 09	Change%
Total Income	919.0	534.8	71.8
EBIDTA	215.2	145.6	47.8
EBIDTA %	23.4	27.2	

Sale of power to utility companies at 376.49 lacs kwh is higher by 39%. Average price realized is rs 3.91 per kwh. Fall in EBIDTA margins is on account of higher price of fuel/ bagasse during the reported period.

Results at a glance

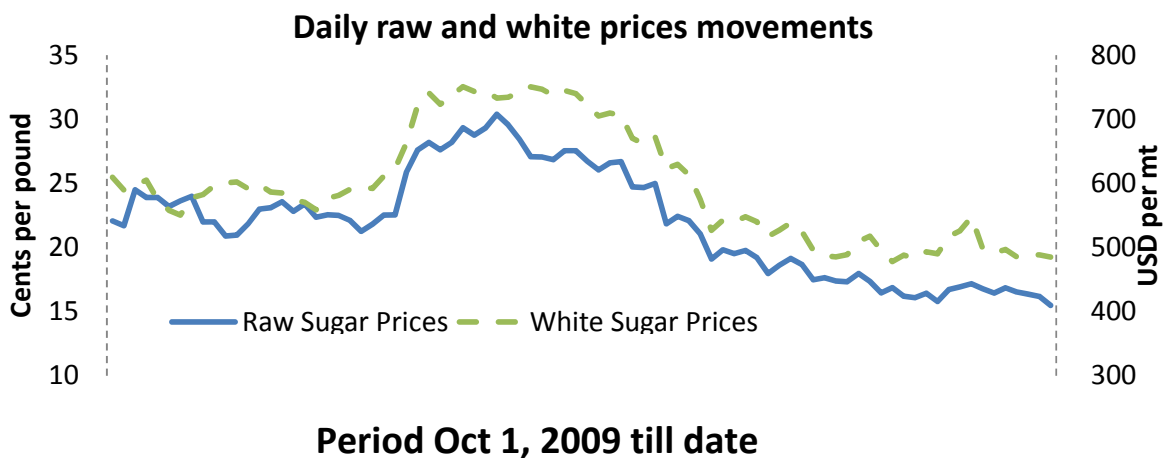
Particulars	Quarter ended		Six months ended		Year ended
	'March 31, 2010	'March 31, 2009	'March 31, 2010	'March 31, 2009	'September 30, 2009
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Gross Sales	3,849.2	2,195.1	7,613.2	4,142.5	10,007.9
Excise duty	592.3	703.6	1,273.3	1,411.1	2,944.7
Net Sales/ Income from operations	3,256.9	1,491.5	6,339.9	2,731.4	7,063.2
Exchange fluctuation gain	129.2	51.9	221.5	5.4	62.4
Other Operating Income	24.7	12.9	206.6	18.8	121.1
Total	3,410.8	1,556.3	6,768.0	2,755.6	7,246.7
Decrease/(Increase) in stock in trade	(2,273.2)	(1,194.6)	(3,251.6)	(1,751.2)	(518.1)
Consumption of raw materials	5,054.0	2,006.8	8,083.4	3,230.6	5,091.0
Consumption of stores, oils & chemicals	177.4	158.0	306.3	308.0	538.5
Purchase of traded goods	0.2	0.5	1.0	1.8	5.6
Power and fuel	80.9	18.6	168.3	37.2	179.2
Employees cost	109.0	92.8	206.1	174.3	317.4
Depreciation (net of revaluation reserve)	98.6	101.8	195.6	190.4	365.6
Other expenditure	205.7	215.5	449.5	383.9	689.0
Total	3,452.5	1,399.4	6,158.6	2,575.0	6,668.2
Profit from operations before other income, interest and tax	(41.7)	156.9	609.4	180.6	578.5
Other Income	8.8	6.1	29.6	7.7	740.7
Interest	218.8	139.1	376.0	268.7	631.1
Profit/(Loss) before tax	(251.7)	23.9	263.0	(80.4)	688.1
Tax expense/ (benefit)	(80.0)	17.8	(3.1)	32.1	(29.7)
Net Profit/(Loss) after tax	(171.7)	6.1	266.1	(112.5)	717.8

Industry Update
Indian Sugar Industry



The international as well as domestic sugar market has shown a sudden fall following the change in basic assumptions for the sugar cane production in two major sugar producers of the world, India and Brazil on account of improved farm productivity for plant cane, near zero diversion of cane to alternate sweeteners and continuous milling in Brazil even in the months of Feb and March 2010.

The forecast for the next season has also been revised upwards based upon increased cane availability and favourable weather forecasts. These projections also had an adverse impact on the sugar prices so much so that raw, white and domestic sugar prices have fallen by almost 30 to 45% in the last eight weeks. This means lower free sale realizations and reduced margins after a high cost of production season.



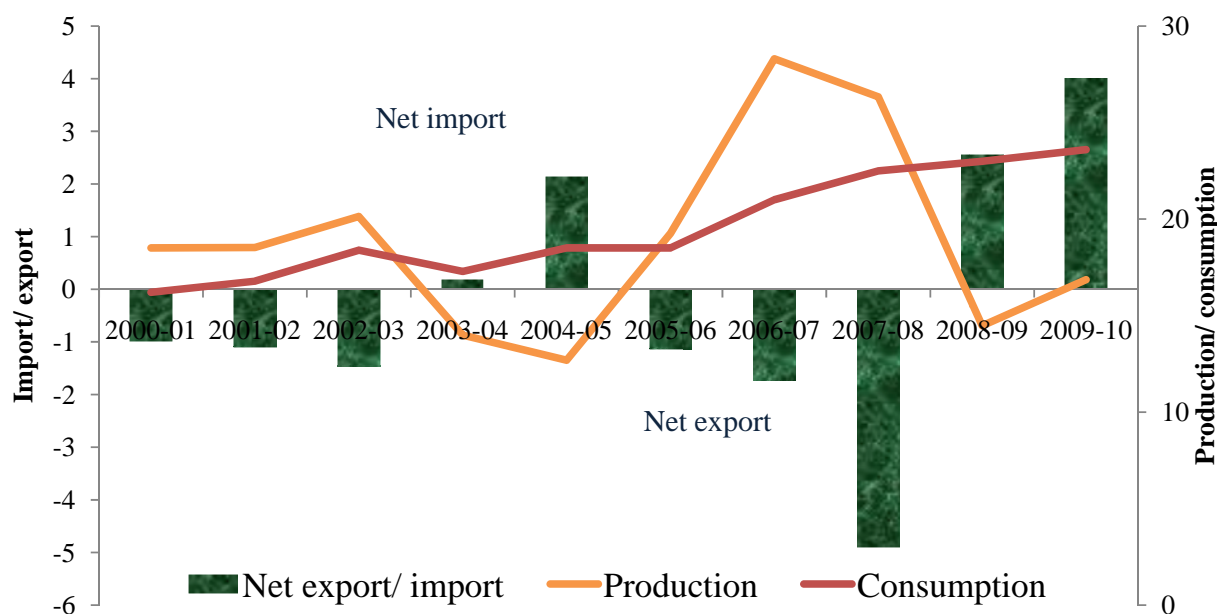
Change in the key assumptions

- Revision in 2009-10 production estimates by 4 mmt to 18.2 mmt
 - higher prices for current cane crop,
 - improved farm yield
 - lesser diversion to alternate sweeteners
 - increase in sugar recoveries

Year	Op stocks	Production	Import	Dom Cons	Exports	Cl stocks	Stock/use ratio
2009-10	4.0	18.2	4.0	23.5	0	3.2	13.6
2010-11	3.2	24.0	0.6	24.0	0	3.8	15.8

SSL estimates

- Import stands at 3.2 mmt comprising raw sugar 2.5 mmt and white sugar 0.7 mmt till April 2010
- Further, imports of raws and whites are reduced on account of losses on previous contracts
- The sugar supply however, continue to remain tight, with inventories less than 2 months level



- Sugar prices in domestic markets fell nearly by 35% from Feb 2010
 - Revision in production estimates in India for 2009-10 and 10-11
 - Stringent Government policy measures
 - Positive weather forecasts
 - Fall in international markets on account of higher Brazilian production estimates in 2010-11 season

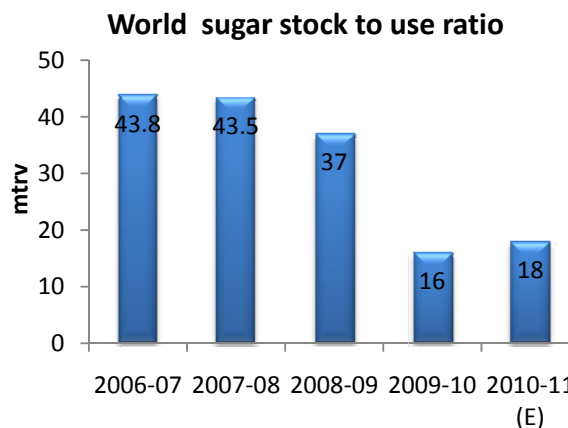
Latest Government regulations over last 3 months (since Jan 2010)

- Jan: Permitted the import of raw sugar (extended for refined sugar) at zero duty up to Dec 31, 2010.
- Feb: Reduced the stockholding limit on bulk consumers from 15 to 10 days
- Mar: Extended time period for buying imported raw sugar for bulk/institutional consumers at zero duty up to March 2011.
- Mar: Sugar mills were asked to sell a part of their monthly non levy quota every week; having the greatest impact on the prices
- Apr: Relaxed monthly quota spill over to fortnight basis

Price guidelines: Based upon tight supply and demand situation, the country is still not surplus in sugar and inventory in hand being even lower than that of last year’s levels, is barely sufficient for this off season. This warrants some positive correction in the prices; subject however to relaxation by the GOI, from stringent policy measures.

World Sugar Industry

- Despite bad weather, Brazil produced the highest ever sugar in 2009-10 season
- EU offered additional white of 5lacs mt to world
- Demand postponement in high price period
- The world demand and supply is likely to be in surplus from a deficit of 7 mmt in 2009-10



Source: SSL own analysis

Brazilian Sugar Industry

Brazil has proven its capability to meet the world deficit. It can alter its cane allocation and can make a difference of upto 3 to 4 mmt in sugar output and availability.

	Brazilian Production 2009-10	2010-11 expected
Cane (mmt)	610	666
Sugar prod(mmt)	35.2	40.6
Sugar allocation (%)	42.6	44
Ethanol prod (bn ltr)	25.4	29.78

- After a fall in the prices by nearly 40%, the sugar market is likely to remain less volatile unless any change in output is reported from Brazil
- With increase in demand (at lower prices) of white, raw- white premium continue to remain high
- Indian import story is nearly over with expectancy of good cane crop for the next season
- Raw sugar prices marginally gained after U.S. increased its import quota and on speculation that drought in China will curb production.
- Cuban sugar economy has fallen from the historical high of 8 mmt to a mere projected 1.2 mmt for 2010. Industry is up for privatisation
- Thailand finished sugar crushing for 2009-10 season with a lower yield leading to a decline of 4% in sugar output at 6.9 mmt. Next crop is likely to be the same
- Physical purchases which remained suppressed, have re-emerged particularly from countries like Pakistan, Russia, Egypt, Iraq etc.

Company Profile

Simbhaoli Sugars Limited (SSL) is an over 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. It is one of the leading sugar companies producing all types of specialty/ branded sugars for institutional/ domestic usages. In addition; the Company is capable to refine raw sugar, both domestic or imported to the extent of 400,000 mtpa in its refineries. SSL also has three ethanol distilleries alongside its sugar facilities with a combined capacity of 210 kilo liters of alcohol/ ethanol per day. Its branded alcohol division is capable of producing and marketing two mn cases of quality spirits annually and presently operating in Nine Indian States with 11 bottling tie ups. Simbhaoli and Chilwaria sugar complexes house bagasse based cogeneration facility of 64 mwh, out of which 34 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 a business plan to refine 360,000 mt raw sugar to meet sugar deficit in the Country.

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