

Simbhaoli Sugars Limited

Investor Update for the Quarter ended December 31, 2008 (Q1 FY09)



Brijnathpur Sugar Complex



Chilwaria cogeneration: power
export to the grid



*Simbhaoli Sugar Plant Celebrates
75 years of Innovation & Excellence*

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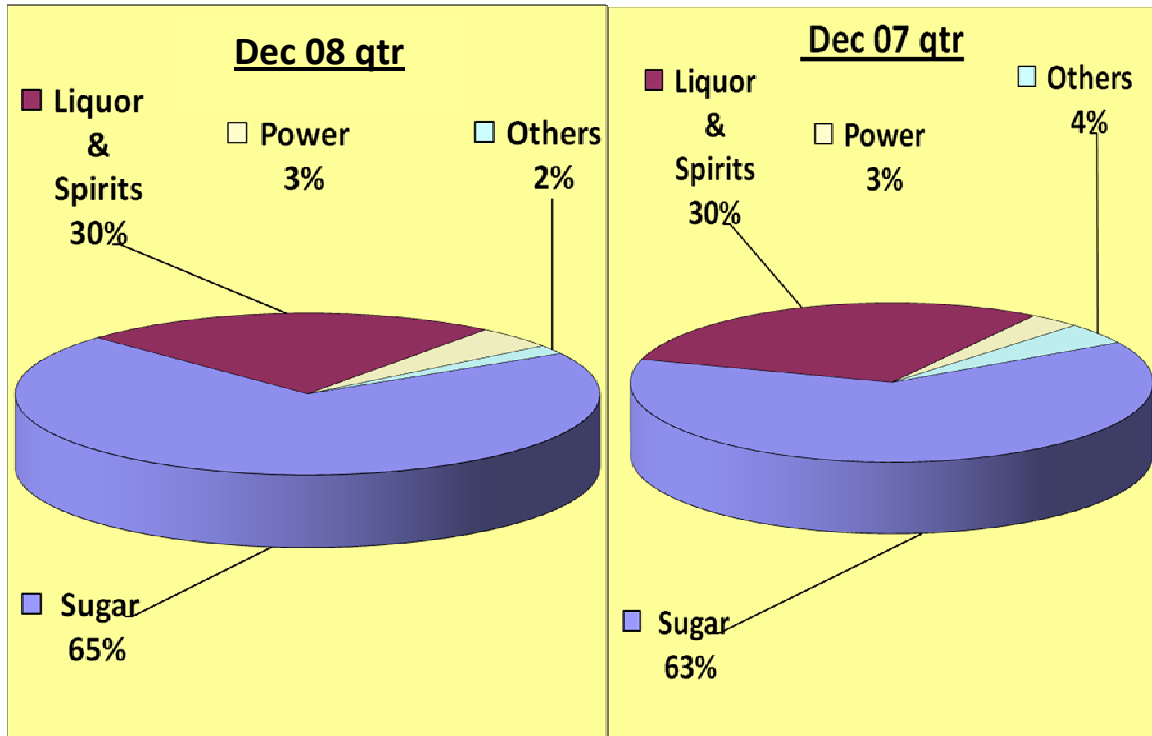
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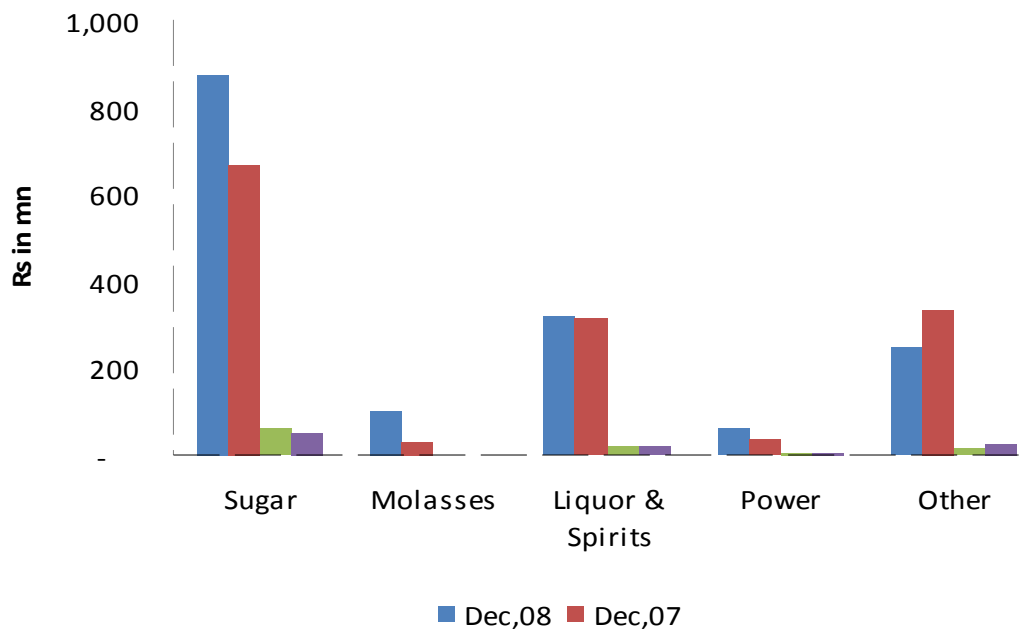
Financial highlights

- ✓ Turnover (net) at Rs. 1248 mn increased by Rs. 215 mn (21%)
- ✓ Segment sale of sugar is increased by 61% over Q1 FY08 on account of increase in avg. realisation by over Rs. 300/- per qtl and also marginal rise in the quantity of sugar sold during the current quarter
- ✓ Loss before tax of Rs. 104 mn with a cash profit of Rs. 36 mn in the Q1 FY09 against a loss before tax of Rs. 120 mn and a cash loss Rs. 40 mn during the corresponding quarter last fiscal. This is after taking into account the change on reinstatement of USD liability by Rs. 52 mn on FCCBs (non cash charge) in the current quarter.
- ✓ Continuing the penetration in potable liquor business, marked an increase in IMFL sales by Rs. 75 mn
- ✓ The additional cane cost of Rs 30 per qtl for current season resulted in higher cost of production and carrying cost of inventory
- ✓ Substantial increase in molasses price by Rs. 2610 PMT as compared to corresponding quarter last year, resulting in higher costs of spirit and lower earnings in alcohol segment
- ✓ Interest cost is higher by 71% due to the capitalisation of projects , new loans taken and higher utilisation of working capital limits
- ✓ Depreciation has gone up by Rs. 27 mn due to expansion and capitalisation of new projects
- ✓ The sugar inventory at the end of current quarter is higher than the previous quarter
- ✓ The taxation charge is on account of deferred tax liability and fringe benefit tax

Financial analysis



Comparison of sale for quarter



Results at a glance

(Rs in mn)

Sl. No.	Particulars	Quarter ended		
		Dec, 2008	Dec, 2007	% Change
1	Net Sales / Income	1240	1025	21
2	Other Income	8	10	(20)
3	Total Income	1248	1035	21
4	Manufacturing Exp.	1374	662	107
5	Increase/ (Decrease) in stock in trade	556	166	(435)
6	Purchase of finished goods	1	3	(67)
7	Staff Cost	81	67	20
8	Other Expenditure	182	101	84
9	Foreign Exchange Fluctuation	52	19	174
10	Interest	130	76	70
11	Depreciation	89	61	46
12	Profit/ (Loss) Before Tax	(104)	(120)	13
13	Cash Profit/ (Loss)	36	(40)	220
14	Provision for taxation	14	4	250
15	Profit/ (loss) after tax	(118)	(124)	15

Highlights

- ✓ Delayed crushing in current season lead to higher off season expenses, which are fully charged in current quarter
- ✓ Less sugarcane availability due to fall in crop in entire area
- ✓ Staff costs, other expenses, interest and depreciation are higher because of impact of new projects commissioned during previous year and appearing first time in this quarter
- ✓ Alcohol segment turnover remained flat with lower sale of bulk alcohol and higher sale of potable alcohol
- ✓ Lower capacity utilisation at Simbhaoli and Chilwaria distilleries on account of raw material unavailability and its higher price
- ✓ Higher cane costs for 2008-09 resulted in higher cost of production

Segment wise analysis of financial performance

(Rs in mn)

Sugar

Particulars	Quarter ended December 31, 2008	Quarter ended December 31 2007	% shift
Total income	1282	794	61
EBITA	9	(94)	110
EBITA (%)	1	(1)	

- ✓ Increase in sugar sale is on account of marginally higher quantities sold and improved selling price

Alcohol

Particulars	Quarter ended December 31, 2008	Quarter ended December 31 2007	% shift
Total income	320	314	2
EBITA	6	41	(85)
EBITA (%)	2	13	

- ✓ Alcohol plants operated at lower capacities owing to lower availability of molasses
- ✓ Sale remained flat in spite of increase in potable alcohol sale by 25%

Power

Particulars	Quarter ended December 31, 2008	Quarter ended December 31 2007	% shift
Total income	387	145	167
EBITA	36	30	20
EBITA (%)	9	21	

- ✓ Power income has increased because of increased power generation, sale/ transfer.
- ✓ Margin has gone down on account of higher transfer price of bagasse

Industry Update

UP Sugar Industry

- ✓ Price of sugar cane for the sugar season 2008-09 is announced at Rs. 140/ per quintal for general variety. UP sugar Industry has filed a petition with Supreme Court against 2008-09 price announced by the UP Govt; it being arbitrary and without a consultation process
- ✓ Sugar mills are accounting and paying the cane price as per SAP announced
- ✓ Considerably lower quantity of cane is available, in entire region because of diversion of cane area for other crops and lower productivity
- ✓ Most of the mills are running at 50-60% capacity. Sugar recovery is also lower by 0.5% to 1.0% compared to last season.
- ✓ Production estimates for State are around 5.0 mmt against 7.4 mmt last season (an estimated fall of 33%).

Indian Sugar Industry

- ✓ 2008-09 season production estimates have been further lowered to around 18 mmt (27 MMT in 2007-08)
- ✓ With comfortable opening sugar inventory, availability of sugar will be assumed. Deficit may emerge by the end of season if production estimates are further lowered
- ✓ Govt of India is considering liberalized raw sugar imports to meet this deficit
- ✓ Prices have shown upward movement during this quarter by Rs 1500 PMT from Rs. 18500 to 20000. Presently, spot prices are over Rs. 20500 PMT (Jan 31, 2009).
- ✓ Lower sugarcane availability may lead to lower molasses availability. Although in Q1 FY09, alcohol availability has improved and prices have shown marginal fall but raw



material shortage may lead to higher prices in coming months.

- ✓ Power generation by using bagasse may be lower on the same account.

Government of India's role

- ✓ A national policy to be formulated for sugar cane pricing to avoid wide fluctuation, regional disparity and thereby to regain confidence of the farmer
- ✓ Need for formulation of a long term sugar import- export policy is emphasised; which would bring stability in industry actions and maintain market balances.
- ✓ New initiatives/ drive for sugarcane development for improving area and farm productivity of sugar cane.
- ✓ An immediate clarity on policy for raw sugar import policy is needed for 2009-10 season.
- ✓ Fresh impetus to ethanol production is needed.

Going Forward

- ✓ India is emerging as a large and growing domestic sugar market with smaller surpluses to export. With the rising demand and lower production estimates as predicted, India will be a net importer up to 2009- 10.
- ✓ Sugar demand and deficit may touch 5 to 7 mmt by the end of 11th plan period.
- ✓ Availability of sugarcane and its optimum utilisation in the form of ethanol/ power/ plant utilization factor would be major revenue drivers for sugar industry. Sugar mills will be major source of providing green energy

Global Sugar Industry

- ✓ Production forecast for season 2008-09 is expected to be lower by 11-12 MMT.
- ✓ Availability of sugar for cross border trade will be yet lower (mainly factoring India deficit)
- ✓ Brazil, the largest sugar producer has diverted more cane (approx 62%) in last season towards ethanol due to high ethanol demand. In coming year also, there will not be any appreciable fall in this ratio though sugar realization are encouraging
- ✓ India, Pakistan and middle East countries will resort to import of Brazil sugar, which will keep the prices high
- ✓ EU's export program curtailment is leading to reduced production. Subsidy program to ACP countries has been curtailed the cost of production of these countries is substantially higher than Brazil, India and Thailand

Going Forward

- ✓ World consumption is projected to grow in excess of 2.6% p.a., with sizeable increase in consumption in Indian subcontinent, China and African countries. Demand in these areas may grow over 4% p. a.
- ✓ White sugar availability will remain tight as India may no longer be exporting and sugar will be moving to longer distances
- ✓ India will remain exporter for small quantities of raw and white sugar in its sub continent and east African countries under pre committed export obligation
- ✓ After Brazil and India, Africa would be the new hub for sugar industry having plentiful fertile land and growing demand of sugar

Simbhaoli Sugars Update

Sugar Plants

All three sugar plants have started manufacturing operations for 2008-09 crushing season in November 2008. With the lower cane availability and expected fall in sugar yields, the aggregate sugar production from cane is likely to be lower by 15-20%. The units will make up the production shortfall by resorting to refine the raw/ below grade sugar during the crushing period.



New Vodka Brand Launch

SSL has entered the premium segment of the vodka market with Xing brand. Positioned for young professionals, it has been test launched in Uttar Pradesh

New Brijnathpur Ethanol Distillery

Simbhaoli Sugars Ltd (SSL) completed its new extra neutral alcohol (ENA) and fuel ethanol plant at Brijnathpur (District Ghaziabad, Uttar Pradesh). The molasses based ethanol manufacturing plant with an installed capacity of 60 kilo liters per day (KL/D) has been set up adjacent to SSL's Brijnathpur sugar plant converting it into an integrated sugar complex.



With the start of Brijnathpur distillery facility, SSL's total ethanol/ alcohol production capacity is now 210 KL/D. The project is completed at a cost of over Rs 420 mn. The state of the art plant has been supplied by Alfa Laval. Simbhaoli has become one of the largest producers of ethanol in the country today. It envisages higher revenues from its ethanol/ alcohol business as Simbhaoli is poised to benefit from Government of India's ethanol blended petrol (EBP) program and also because of its proximity to key markets of Delhi, UP and Haryana. Getting into Ethanol production is part of its strategy to de-risk its business model and getting into non sugar businesses such as fuel Ethanol, potable alcohol, ENA and power cogeneration.

The Company is already supplying over 12 million liters of ethanol to oil majors such as Indian Oil and BPCL in various states including state of Uttar Pradesh.

The ethanol plant has been part of growth plan envisaged in the year 2004 with investments of over Rs 4.6 bn (USD 95 mn). With this all the expansions/ green field projects have been successfully commissioned.



Simbhaoli Sugars Limited



Simbhaoli Sugar complex: 75 years of quality sugar making

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 to the extent of 60,000 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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