



Simbhaoli Sugars Limited

Investor Update



Sugar *Ethanol * Bio-electricity * Brands

For the eighteen months period ended September 2007

Financial performance- Quarter ended September 2007

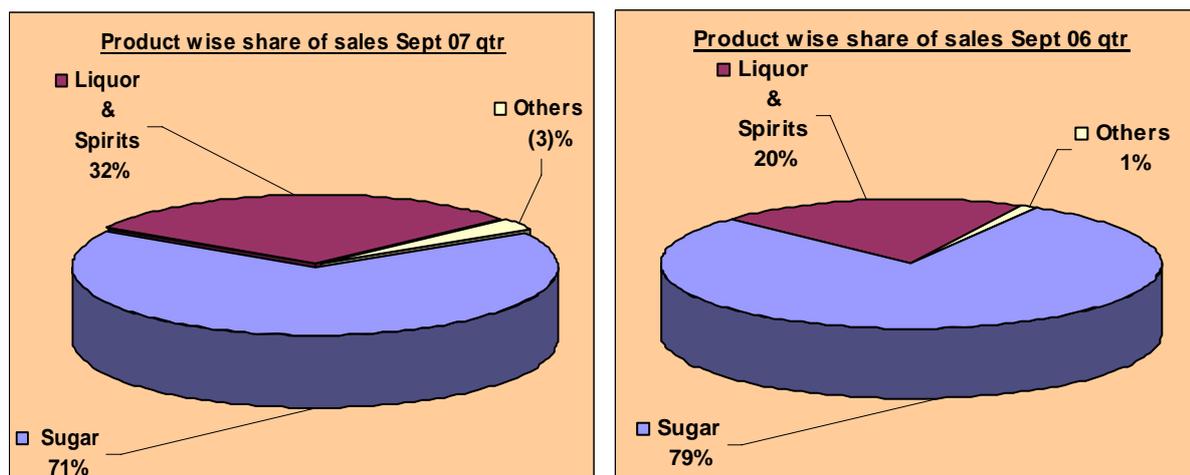
New Delhi, Dec 21, 2007: Simbhaoli Sugars Limited, one of the largest integrated sugar Company, announces its financial results for the quarter ended Sept 2007 (Q6 FY07) {financial year changed to Oct- Sept and current accounting year contains 18 months up to September 30, 2007}.

Gross Revenues at Rs. 1442.98 million

Highlights of the Q6 FY07 viz a viz Q2 FY06 (Quarter ended Sept 2006):

- The financial results continue to be adversely affected on account of lower sugar prices and lower quantity of sugar sold.
- Gross Sales/Income from operations lower at Rs.1442.98 mn from Rs.1556.25 mn.
- Excise Duty at Rs. 529.05 mn from Rs. 473.66 mn on account of increase in alcohol segment.
- Net Sales/ Income from operations at Rs. 913.94 mn from Rs. 1082.58 mn.
- Total Income (net of excise) at Rs. 902.57 mn from Rs. 1099.16 mn.
- Alcohol segment net revenue at Rs. 291.94 mn from 224.22 mn.
- Segment profit from alcohol has gone up to Rs. 44.88 mn from Rs. 20.85 mn.
- Cogeneration project at Chilwaria has started its generation on trial basis.

Financial break up



In continuation to the de-risking exercise of the Company, sugar contributed 71% of the revenue at Rs. 654.11 mn as against 79% at Rs. 902.05 mn in the previous corresponding quarter. Distillery segment has a share of Rs. 291.94 mn as against Rs. 224.22 mn in the previous corresponding quarter. Integrated operating model being pursued by the Company delivers a net turnover of Rs. 902.57 mn.

Net Loss before tax at Rs. 236.86 millions

Out of the total loss, sugar contributed Rs. 141.89 mn, whereas distillery segment has shown a profit of Rs. 44.88 mn. Loss after tax is at Rs. 372.38 mn as against a profit of Rs 20.19 mn in the same quarter last fiscal. Cash loss has been at Rs. 189.05 mn as against a cash profit of Rs. 60.00 mn in the previous corresponding quarter. EPS stands at Rs. (18.89) against Rs. 0.97 in previous corresponding quarter.

Salient features of the financial results Q6 FY07

- **Sale of sugar** has decreased by Rs 247.94 mn : Rs. 68.04 mn due to lower sale of sugar of 3500 MT and Rs. 179.90 mn due to fall in average realization by Rs. 4100 MT with reference to corresponding quarter in last fiscal.
- **Staff cost** has gone up due to commencement of commercial production at Chilwaria Ethanol, new appointment(s) and general increment.
- **Depreciation (net of revaluation reserve)** has gone up by Rs. 14.71 mn due to expansion and commissioning of new projects.
- **PBT** has decreased by Rs. 263 mn due to the lower realization and less quantity of sugar sold.
- **High carry over** inventory of sugar stands at 0.08 mn MT.
- Sugar stock is valued at Rs. 16295 per MT at NRV basis (inclusive of excise duty).
- Off season expenses of Rs. 117.30 mn, in respect of this quarter, in sugar business of the Company charged to the revenue during this accounting year. In previous quarter, these expenses were deferred to the following crushing season, pursuing an integral approach in accounting.
- The newly set up Chilwaria Ethanol distillery has commenced its commercial production.
- The cogeneration plant at Chilwaria Sugar Plant has started its commercial production on trial basis.

Recent development

The Hon'ble High Court of Allahabad, Uttar Pradesh, India has quashed the State Advice Price (SAP) of Sugar cane for the crushing season 2006-07 notified by the State Government and has directed the Government to reassess the SAP within a period of three months against a writ petition filed by the Company along with the other sugar Companies of the State. Pending final decision of Sugarcane price according to the directions given by the Hon'ble High Court, the Company has not made any adjustment in the accounts of this period. The difference between the State advised prices and statutory minimum prices of sugar cane for the season 2006-07 stand at approx Rs. 850.00 mn.

Financial performance-18 months ended Sept 2007

Change in financial year

The Company has changed its accounting year from April-March to October- September in view of coinciding it with the sugar season (October to September). While pursuing the current financial year from April to March, it is not possible to allocate off crushing season expenses in the same season. Accordingly, the current financial year is for a period of 18 months commencing from April 1, 2006 to September 30, 2007. In subsequent years, the Company will have uniform accounting year ending September 30, each year.

Highlights of the financial results for the period of 18 months ended Sept 2007 viz a viz 18 months (recomputed and un-audited) period ended Sept 2006:

Gross Revenues at Rs. 9,756.09 million

- Gross Sales/ Income from operations at Rs. 9756.09 mn from Rs. 9629.58 mn.
- Excise Duty at Rs. 3191.44 mn from Rs. 2580.90 mn
- Net Sales/ Income from operations at Rs. 6564.65 mn from Rs. 7048.68 mn.
- Other Income at Rs. 112.97 mn from Rs. 195.29 mn.
- Total Income (net of excise) at Rs. 6677.62 mn from Rs. 7243.97 mn.
- The average realization price of sugar (inclusive of excise) at Rs. 16871 per MT is lower by Rs. 1361 per MT.

Financial breakup

While the Company had 77% of revenue from sugar business in 18 months ending September 2006, the contribution of sugar business has come down to 74% in the current 18 months period. **This is in conformity with the Company's plans to diversify into other business segments and create alternate avenues for Company's revenue.** This can be seen in the rise in contribution from distillery and other segments from 20% of revenues in last fiscal to 25% in the current financial period.

Net loss before tax at Rs. 636.17 millions

The Company witnessed a sharp decline in earnings mainly on account of negative margins on sugar sold. The average sugar realization during the 18 months ended on Sept 2007 was lower at Rs 16871 per MT as compared to Rs 18232 per MT during corresponding period last fiscal. These losses are due to lower sugar prices, view of surplus sugar stock in the Country and lower international prices. The valuation of closing stock of sugar at net realizable value at the end of accounting period has also impacted the profitability of the sugar business. The profit/ (loss) after tax being at Rs. (642.27) mn, was at Rs. 391.90 mn in the previous period. Cash loss during the 18 months ending September 2007 stands at Rs. 396.06 mn against a cash profit of Rs. 792.50 mn in the previous corresponding period.

Industry Update

- Third continuous global surplus year. Fall in the raw and white sugar prices. Improved production in Brazil, Thailand and other Asian Countries leading to the highest carry over sugar stocks. Most of the sugar inventories are parked in India.
- Decline in EU exports of sugar, resulting in high demand of 45 Icumsa refined sugar. However, Indian exports remained restricted on account of periodical ban by the Government of India. Free sale sugar price are constantly falling and presently are in the range of Rs. 13500 per MT in northern India.
- Distillery and surplus co-generated power will partly de risk the business, contribute only to the extent of 25% to 30% of cash deficit in sugar.
- Start of ethanol blending program, became mandatory in most of the States. However its implementation is delayed because of procedural/ regulatory reasons.
- Margins in alcohol business have improved on account of fall in molasses prices and improved sales.

Industry, going ahead.....

Simbhaoli Sugars Limited believes that situation may improve after 2007-08 season as the production is expected to be lower in the season 2007-08 as compared to previous season and will be much lower in season 2008-09.

- Sugarcane availability is bound to decline as the farmer may shift to other crops.
- Ethanol penetration to increase; resulting in diversion of cane and/ or molasses.
- World sugar production should fall because of ethanol and normal sugar cycle.
- Increase in demand in India/Asian/African Countries.
- Government, being aware of the situation, is taking steps to improve the situation e.g. creation of buffer stock, encouraging alternate usage of cane i.e. ethanol from cane juice etc, subsidy for export of sugar. These measures will revitalize the industry and sugar prices should improve.
- The sugar Companies having an integrated business model i.e. having sugar, power and alcohol will survive the crisis and shall be the first to come out from recession.
- Major cane development activities being carried out, will result in enduring benefits in the form of higher cane yield per hectare and improved sugar recoveries.
- India poised to become major exporter of raw sugar in future.

SSL: Segment wise performance Quarter ending Sept 2007

Sugar

Particulars	(Rs. in millions)	
	Q6FY07	Q2FY06
Net Sales	636.75	939.70
Other Income	(26.11)	10.54
Total Income	610.64	950.24
Expenditure	711.84	859.52
EBDITA	(101.20)	90.72
EBDITA %	(16.57)	9.55
Depreciation	40.69	30.81
PBIT	(141.89)	59.91

Sale of the sugar has decreased by 32.24% because of fall in average realisation and lower quantity of sugar sold. Other income has also gone down by Rs. 36.65 mn. EBDITA margins are affected on account of higher cost of production, higher cane price, lower sugar recoveries and lower per MT realisation of free sale sugar. The Company continued to increase its market share in specialty sugar segment.

Alcohol/ Ethanol

Particulars	(Rs. in millions)	
	Q6FY07	Q2Y06
Net Sales	291.94	224.22
Other Income	0.00	0.00
Total Income	291.94	224.22
Expenditure	238.26	199.06
EBDITA	53.68	25.16
EBDITA %	18.39	11.22
Depreciation	8.80	4.31
PBIT	44.88	20.85

The turnover has gone up by 30% with improved sales by Rs. 67.72 mn. EBDITA margin increased by 7.17% at 18.39% from 11.22% in the previous corresponding period. The sale of ethanol has commenced from chilwaria ethanol unit and it has got orders from petroleum companies. Quality of ethanol is being appreciated and demand is increasing. IMFL sales have also gone up.

New Products Launch in the period 2006-07



SSL launched of its new range of sugars, namely **Trust Sunehra and Trust Classic range**. The Trust Sunehra is complete natural golden mineral sugar. The Trust classic white sugar is available in multiple variants namely Sulphur less white crystal sugar, Superfine, Cubes and Pure Mishri.

The Trust Sunehra sugar is a totally natural golden sugar made for the first time in India which retains all the goodness of sugarcane. It is the purest form of mineral sugar, which preserves all the natural value and taste of sugarcane. Sunehra is made from sugarcane juice without addition of sulphur or any harmful chemicals whilst retaining all its nutrients such as minerals like calcium, iron, potassium and other natural.

Trust classic sugar is in white crystal, superfine, cubes and candy form. It is made through the DRPIE technology, in which color is removed by a sophisticated filtration process supported by natural crystallization without using sulphur in the process.

Projects update

Brijnathpur Sugar Division



Brijnathpur Sugar plant is one of the most modern state of the art unit, capable to produce high quality premium refined sugar. It is being developed to cater the export supplies of the Company. The plant has commenced on trial basis in 2006-07 season, and started the commercial production of season 2007-08. It will emerge as the hub for the EU grade sugar to be expected by the Company.

Chilwaria Sugar Division



Chilwaria sugar division started working at its increased capacity at 6600 TCD.

Chilwaria Ethanol Division



The commercial production of the plant started on February 1, 2007. The gross turnover during the quarter being Rs. 52 mn resulted in a comfortable EBIDTA margin. The quality of the products being manufactured is appreciated.

Simbhaoli Sugar Cogeneration



The Simbhaoli cogeneration plant involving a budgeted project cost of Rs. 770 mn has commenced the trial generation in November 2007 and started to supply power to the utility Company. The project will also be assisted by way of funding from carbon credits benefit.

Chilwaria Sugar Cogeneration



The first phase of project has been commissioned on trial basis and started the export of power to UPPCL from September, 2007 onwards. The second phase of cogeneration (21 MW/hr) will be completed in March/April 2008.

Brijnathpur Ethanol Division



Targeted to be commissioned in March/April 2008, the Rs. 360 mn Brijnathpur ethanol plant is set up to produce 108 lacs BL of ethanol, rectified spirit (RS), and ENA. The plant will have compact layout design, fully automatic distillation, and economic structural design. Distillation plant is designed to produce the best quality of ethanol, RS, and ENA.

Results at a glance
Synopsis of financial results for
the quarter/ period ended September 2007

(Rs. in mn)

Sl.	Particulars	Quarter ended September 30, 2007	Corresponding quarter ended September 30, 2006	18 months period ended September 30, 2007	Year ended March 31, 2006
		Un-audited	Un-audited	Audited	Audited
1	Gross Sales/Income from operations	1,442.98	1,556.25	9,756.09	5912.95
2	Less:Excise duty	529.05	473.66	3,191.44	1591.24
3	Net Sales/Income from operations	913.93	1,082.59	6,564.65	4,321.71
4	Other Income	(11.37)	16.58	112.97	64.20
5	Total Income	902.56	1,099.17	6,677.62	4,385.91
6	Expenditure				
	a) Decrease/(Increase) in stock in trade	550.55	722.75	258.00	(290.70)
	b) Consumption of raw materials	90.55	82.01	4,024.08	3,061.46
	c) Purchase of traded goods	46.87	-	670.14	7.19
	d) Employees cost	51.54	48.78	361.45	201.99
	e) Depreciation (net of revaluation reserve)	49.57	34.86	246.39	125.69
	f) Other Expenditure	274.45	135.26	1,389.85	721.66
	Total	1,063.53	1,023.66	6,949.91	3,827.29
7	Interest	75.89	49.61	363.88	215.87
8	Exceptional item - Interest liability written back	-	-	-	(111.92)
9	Profit/(Loss) before tax	(236.86)	25.90	(636.17)	454.66
10	Tax expense				
	- Current tax (net of MAT credit)	-	-	-	-
	- Deferred	133.77	4.91	(0.17)	155.45
	- FBT	1.76	0.80	6.27	3.20
11	Profit/(Loss) after tax	(372.39)	20.19	(642.27)	296.01
12	Paid up Equity Share capital (face value Rs.10/- each)	1,989.54	1,989.54	1,989.54	1,989.54
13	Reserves (excluding revaluation reserve)	-	-	3,465.81	9,716.92
14	Earnings Per Share (Basic & Diluted) (Rs.)	(18.89)	0.97	(32.80)	18.19
15	Aggregate of public shareholding				
	- Number of shares	11,818,546	12,221,208	11,818,546	12,209,810
	- Percentage of shareholding	59.79	61.83	59.79	61.77

About Simbhaoli Sugars Limited

Simbhaoli Sugars Limited (SSL) (BSE SCRIP ID: SIMBHALS, NSE SYMBOL: SIMBHSUGAR), is one of India's leading producers of high quality sugar, alcohol, ethanol, co-generated power and bio manure; and operates one of the largest integrated sugar complexes in India. It produces and sells international standard refined, pharmaceutical-grade and specialty sugars to the retail and bulk institutional consumer segments. Its sugar brand, Trust, commands a significant share of the north Indian market. SSL is a major supplier to a multinational and domestic customer base that includes Indian railways and Indian Airlines, Coca-Cola, PepsiCo, GlaxoSmithKline, Haldiram's, ITC, Taj Group of Hotels, Jet Airways and Kingfisher Airlines. Currently, SSL operates three technologically advanced sugar-manufacturing facilities in Simbhaoli, Brijnathpur and Chilwaria, all of them located in Uttar Pradesh. The Company's facilities have a total installed sugarcane crushing capacity of 20,100 TCD and are capable of manufacturing up to 300,000 MTPA of sugar.

The Company also utilizes a significant proportion of the by-products from the sugar production process to co-generate power and manufacture ethanol, alcohol and bio-manure for sale to third parties. Simbhaoli Sugars Ltd (SSL) successfully commissioned its new Ethanol plant at Chilwaria (District Bahraich, UP) with an installed capacity of 60 KL/D in October 2006 on trial run basis. With the ongoing growth plan in place, the power- cogeneration capacity of the Company will go upto 34 MW/hr from March 2008 onwards. For more information, visit <http://www.simbhaolisugars.com> .

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