



**SIMBHAOLI  
SUGARS**

**Investor Update**

**Simbhaoli Sugars Limited**

**Quarter/ twelve months ended March 2007**

## Financial performance in the quarter and twelve months ended March 2007

Pursuant to the approval of Registrar of Companies of Uttar Pradesh, the Company has extended its current accounting period to a period of eighteen months, ending September 30, 2007. The subsequent accounting years will be from October- September, so as to coincide with the sugarcane crushing season.

### Revenues

Rs in crores

Particulars	Q4 FY07	Q4 FY06	Twelve months ended Mar 31, 2007	Twelve months ended Mar 31, 2006
Sales/ Income from operations	148.22	154.59	659.78	591.29
Less: Excise Duty	50.13	39.29	202.24	159.12
Net Sales/ Income from operations	98.09	115.30	457.54	432.17
Other Income	3.74	2.42	7.02	6.42
Total income (net)	101.83	117.72	464.56	438.59

For twelve months ended March 31, 2007, the net sales increased to Rs 457.54 crores as compared to Rs 432.17 crore in the corresponding period last fiscal resulting in an increase by 5.87%. The Company recorded net sales of Rs 98.09 crore in Q4 FY07 as compared to Rs 115.30 crore in Q4 FY06. Under sugar segment the sales declined from Rs. 100.92 crore in Q4 FY06 to Rs. 86.93 crore in same quarter in current fiscal on account of lower quantity of sugar sold and substantial reduction in average sales price of free sale sugar. The other income reported remained in line with the corresponding period.

The Company had 57% revenue from its sugar business, 43% revenue from the distillery division and 0.18% from other business segments in twelve months ended March 31 2007.

**Profits/ (Loss)**

Particulars	Rs in crore			
	Q4 FY07	Q4 FY06	Twelve months ended Mar 31, 2007	Twelve months ended Mar 31, 2006
Earnings before Interest, Depreciation and Tax	(8.40)	18.89	24.17	79.62
Profit/ (Loss) before Tax	(18.63)	9.60	(11.56)	45.47
Profit/ (Loss) after Tax	(16.01)	6.02	(11.59)	29.60
EPS (Basic & Diluted) (Rs)	(8.17)	3.00	(6.08)	18.19

The Company incurred a loss in the quarter ended March 2007 which resulted loss over the period of twelve months. This was largely on account of negative margins on the sugar sold and valuation of sugar at net realizable value at the end of the period. The realizable value of the sugar in the quarter remained below cost of production and prices further came down at/after the end of quarter.

The average sugar realization was lower by Rs 125 per quintal in this quarter as compared to the corresponding quarter last fiscal and the decline in the profitability is analogous with the industry trends.

The fall in margins also owed to increase in cost of production of sugar including cost of sugarcane and other inputs. Free sale sugar prices fell to a level below cost of production in March quarter.

Although the Company has made a profit of Rs. 6.75 crores from its distillery operations, yet the decline in sugar prices was so severe that it could not contribute much towards the bottom-line.

## Finance Cost, Depreciation and Other Factors

- Depreciation increased by Rs 0.76 crores due to capitalization of expanded capacities at Simbhaoli and Chilwaria cogeneration and Chilwaria ethanol divisions.
- The Staff costs also increased in this quarter by 22% to Rs 7.88 crores as compared to Q4 FY06 on account of settlement under the voluntary separation plan, provision of ex-gratia, general increments and new recruitments.
- The interest costs came down in the twelve months ended March 2007 by Rs. 0.55 crores due to fall in the cost of funds.
- Higher cane development expenses, incurred to support the expanded capacity at Simbhaoli, have contributed further to increase in cost of production.
- The sugar stock which was hitherto valued at cost, is valued at net realizable value at the end of quarter, resulting in accounting of unrealized losses.

## Projects: Work in Progress

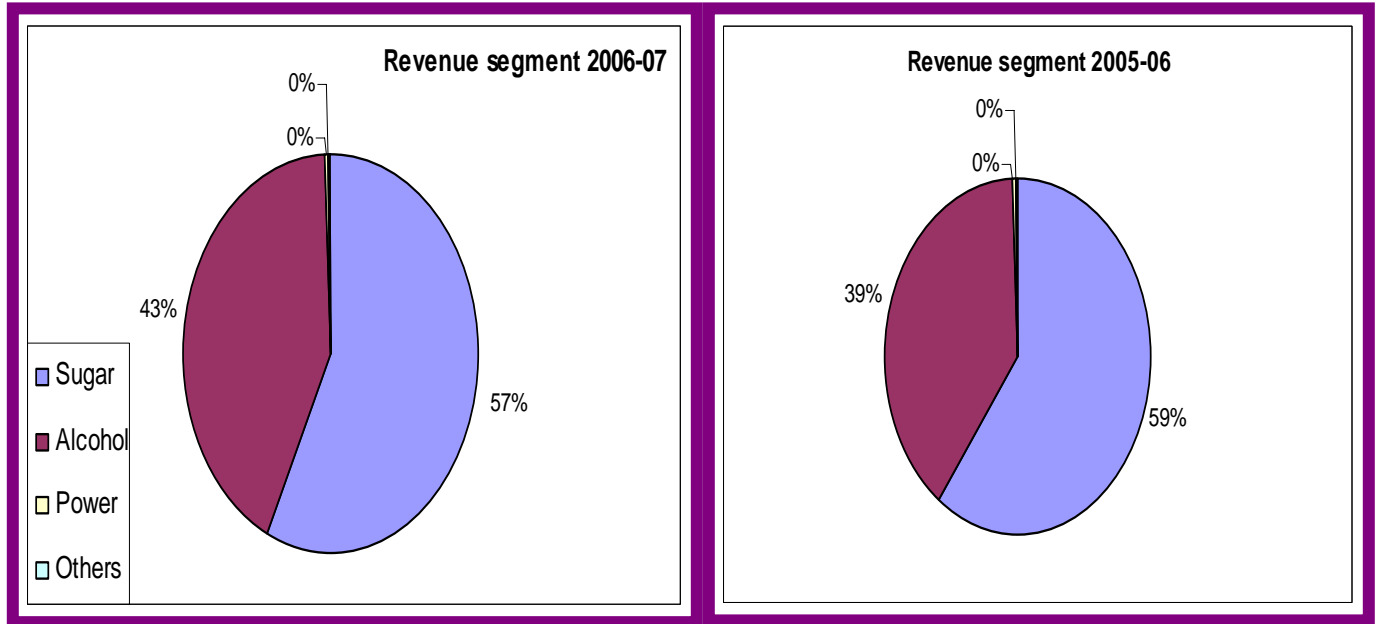
The Company is implementing its growth plan involving Capital expenditure of over Rs. 423 crores towards expansion of sugar, ethanol, and cogeneration capacities. During the twelve months ended March 2007, it has spent over Rs. 350 crores towards these projects and commissioned the expanded capacities at its Simbhaoli and Chilwaria sugar plants. The commercial production of 60 kl/day ethanol has also started at Chilwaria ethanol distillery in this quarter.

The company plans to commence the cogeneration at Simbhaoli and Chilwaria in July 2007.

The trial run at the 4000 TCD Greenfield sugar plant at Brijnathpur commenced in January 2007 within a record period of 13.5 months.

The 60 Kl/day ethanol distillery at Brijnathpur will be commissioned along with next sugar season.

## Revenue Diversification Strategy of the Company



Simbhaoli Sugars has relied on a strategy of business diversification, to withstand and survive from the adversities of cyclical nature of sugar business. Accordingly it is implementing its business plan so as to expand the capacities of alcohol and co-generated power at all the sugar locations.

Accordingly, in the twelve months ended March 2007, the revenues from sugar business have declined to 57% as compared to 59% in the same period in 2006. This strategy will enable the Company to entrust upon more reliable and profitable revenue sources like alcohol and power generation.

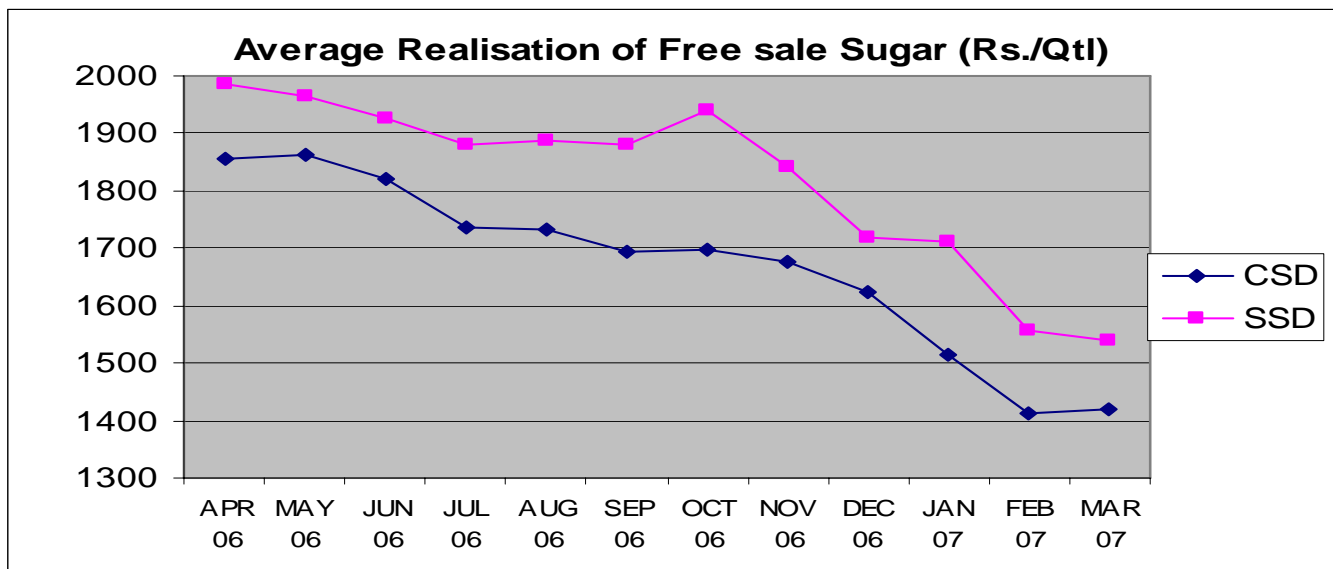
## Sugar

Simbhaoli sugar plant of the Company is the largest integrated sugar refinery in India and produces and sells international standard refined, pharmaceutical grade and specialty sugars to the retail and bulk institutional consumer segments. The Company has successfully completed the Brownfield expansions in the sugar divisions at Simbhaoli and Chilwaria in the twelve months ended March 2007. Going further, it is also planning to commission the Brijnathpur sugar plant on commercial basis which is running under trial run currently.

Rs in crore

Particulars	Q4 FY07	Q4 FY06	Twelve months ended Mar 31, 2007	Twelve months ended Mar 31, 2006
Revenue	86.93	100.91	395.08	371.81
Profits/(Loss) (before unallocated expenditure, Interest and Tax)	(18.06)	9.89	(3.31)	43.22
Cane Crushed (lac qtl)	120.67	86.64	182.37	154.21
Qty. of sugar sold (In lac quintals)	3.95	4.83	16.99	18.88
Average sugar realization price (Rs/quintal)	1561	1686	1738	1732

During the quarter/twelve months, lesser quantity of sugar was sold. Further the average realization price also came down sharply by over Rs 125 per quintal in the last quarter. The expected realizable value, being lesser than cost of production; the valuation of inventory has been made at NRV. During this period the cost of sugar cane has gone up by Rs 10 per quintal in view of increase in sugar cane price by the State Government. The Company has not accounted for any benefit under the UP Sugar Industry Promotion Policy 2004.



## Alcohol

The Company successfully commissioned the Chilwaria ethanol distillery thereby raising the total Ethanol distillation capacity of the Company to 120 KL/day and total alcohol capacity to 150 KL/day.

Rs in crores

Particulars	Q4 FY07	Q4 FY06	Twelve months ended Mar 31, 2007	Twelve months ended Mar 31, 2006
Revenue (net of excise)	31.67	21.61	109.54	101.90
Profits (before unallocated expenditure, Interest and Tax)	6.75	7.40	16.46	15.00
Margins as % of Revenue	21.31	34.24	15.03	14.72

The distillery segment has revealed notable results by increase in revenue (net) in Q4 FY07 by 29% over that of Q4 FY06. The profits (before unallocated expenditure, Interest and Tax) over the twelve months period ended March 2007 have increased to Rs. 16.46 crores as compared to Rs. 15.00 crores in the corresponding period last fiscal.

The Company has recognized the alcohol and ethanol sectors as its thrust areas going further as they provide a platform to the Company for balanced earnings and reduce the risks associated with cyclical nature of sugar industry. During the period the Company started supplying ethanol to petroleum companies in the States of UP and Delhi.

## Exports ban

The ban on sugar exports by the Government for the most part of second half of the year 2006 and the entire third quarter of FY07, led to increasing stocks of sugar and decline in domestic sugar prices. With the start of the fresh season, in the current quarter, the prices of sugar declined further because of unpleasant sentiments and of course expectation of bumper sugar production.

The export ban was lifted in January 2007. However with the decline in the international prices and surplus situation in the world market, the ability of the industry to export the major part of domestic surplus was impaired. Further lack of destinations for Indian white (150 icumsa) also hindered large exports at remunerative prices. Thus, the benefits of lifting the ban could not accrue to the industry. Meanwhile, the international prices of white sugar have come down to the level of around \$ 300 MT, showing a decline of over 47%. Simbhaoli Sugars is capable to produce EC grade sugar at two of its three plants and expects to export a part of its production at a premium to the world prices.

## Ethanol and Co-generation of Power: Thrust areas for the Company

SSL is implementing its business plan to expand the alcohol capacity to 210 KI/day (out of which 180 KI/day shall be ethanol) and 39 MW/hr of power (34 mw/hr surplus). Part of the ethanol capacity is implemented and the cogen capacity will be in line with effect from July 2007. The alcohol and power have been identified as the future thrust areas, in order to mitigate the cyclical nature of sugar industry. During the coming quarters, the company expects to commence sale of ethanol to the States of Haryana, Punjab, and Rajasthan. It has also executed the Power Supply Agreement with the UP Power Corporation Limited.

**Overall, the Company expects that once the projects are commissioned; margins influenced by un-remunerative sugar prices would be considerably offset by the expected increase in margins from the ethanol and cogeneration segments. The diversified business model of the Company is expected to provide a strong cushion to the decline in profitability of sugar business.**

## Summary of the financial results

Rs in Lakhs

S. No.	Particulars	Q4 FY07	Q4 FY06	Nine Months ended Dec 31, 2006	Twelve months ended Mar 31, 2007	Twelve months ended Mar 31, 2006
1.	Sales/Income from operations	14822.03	15459.06	51155.76	65977.79	59129.46
2.	Less: Excise Duty	5013.06	3928.66	15210.54	20223.60	15912.35
3.	Net Sales/Income from operations	9808.97	11530.40	35945.22	45754.19	43217.11
4.	Other Income	373.71	242.33	328.13	701.84	641.95
5.	Total Income	10182.68	11772.73	36273.35	46456.03	43859.06
6.	Total Expenditure	11022.57	9884.03	33017.28	44039.85	35896.86
	a) (Increase) / Decrease in stock in trade	(9201.85)	(6334.89)	5903.83	(3298.02)	(2907.03)
	b) Consumption of raw materials	15153.60	13263.67	15647.20	30800.80	30614.64
	c) Purchase of finished goods	1470.57	18.65	3997.06	5467.63	71.92
	d) Staff cost	787.89	646.53	1640.09	2427.98	2019.93
	e) Other expenditure	2812.36	2290.07	5829.10	8641.46	7216.55
	f) Exceptional item (interest liability written back)	-	-	-	-	(1119.15)
7.	Interest	611.12	593.48	1502.69	2113.81	2158.76
8.	Depreciation	411.74	335.59	1046.32	1458.06	1256.85
9.	Profit / (Loss) before tax	(1862.75)	959.63	707.06	(1155.69)	4546.59
10.	-Provision for tax (net of deferred tax & MAT credit entitlement)	(269.82)	347.11	237.71	(32.11)	1554.48
	-Provision for FBT	8.00	10.61	27.00	35.00	32.00
11.	Profit / (Loss) after tax	(1600.93)	601.91	442.35	(1158.58)	2960.11
12.	Paid up equity share capital (face value of Rs.10/- each).	1989.54	1989.54	1989.54	1989.54	1989.54
13.	Reserves (excluding revaluation reserves)	-	-	-	-	9716.92
14.	Earnings Per Share (Basic and diluted) (Rs.)	(8.17)	3.00	2.09	(6.08)	18.19
15.	Aggregate of public shareholding					
	- No. of equity shares	12126708	12209810	12138708	12126708	12209810
	- Percentage of shareholding	61.41	61.77	61.41	61.41	61.77

## About Simbhaoli Sugars Ltd

Simbhaoli Sugars Limited (SSL) is one of India's leading producers of high quality sugar 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 Coca-Cola, Heinz, PepsiCo, GlaxoSmithKline, Haldiram's, Oberoi Hotels, Taj Group of Hotels, Indian Airlines and Kingfisher Airlines. Currently, SSL operates three technologically advanced sugar-manufacturing facilities in Simbhaoli, Brijnathpur and Chilwaria, 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. It has raised total alcohol distillation capacity to 120 KL/ day in the current fiscal. In the fiscal 2007, the total turnover of the Company has risen over Rs. 650 crores.

### 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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