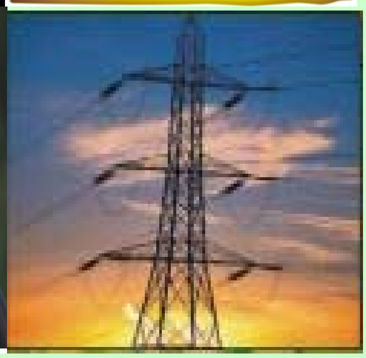
Simbhaoli Sugars Limited

Investor Update





An integrated sugar company
***Refined Sugar *Alcohol *Power**

For the period ending June 2007

Financial performance- Quarter ending June 2007

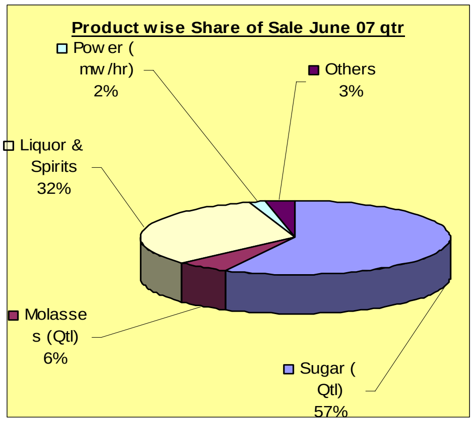
Revenues at Rs. 1699.3 million

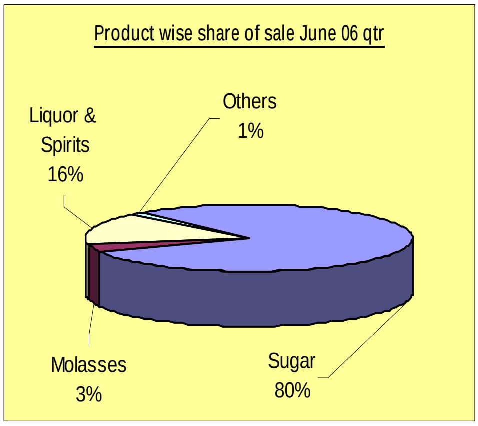
New Delhi, July 31, 2007: Simbhaoli Sugars Limited, one of the largest integrated sugar companies, announces its financial results for the quarter ended June 2007 (Q5 FY07) {financial year changed to Oct- Sept and current accounting year contains 18 months}.

Highlights of the Q5 FY07 viz a viz Q1 FY06 (Quarter ended June 2006):

- The financial results are adversely affected on account of fall in sugar prices and lower quantity of sugar sold.
- Gross Sales/ Income from operations at Rs. 1699 mn from Rs. 2160 mn.
- Excise Duty at Rs. 644 mn from Rs. 516 mn.
- Net Sales/ Income from operations at Rs. 1055 mn from Rs. 1644 mn.
- Other Income at Rs. 69 mn from Rs. 3 mn.
- Total Income (net of excise) at Rs. 1124 mn from Rs. 1647 mn.
- Segment profit from alcohol operations has gone up to Rs. 121 mn from Rs. 43 mn.
- Alcohol and cogeneration projects progressing as per schedule.

Financial break up





Sugar constitutes 57% of the revenues at Rs. 688.7 mn as against 80% at Rs. 1388 mn in the corresponding quarter pervious year. Distillery segment has a share of Rs. 386.5 mn against Rs. 274 mn in June quarter last fiscal. Similarly revenues form cogeneration has also increased from Rs. 2.85 mn to 19.46 mn. Integrated operating model being pursued by the Company delivers a net turnover of Rs. 1124 mn.

Net Loss after tax at Rs. 133 millions

Out of the total loss, sugar contributed Rs. 254.5 mn, against which distillery segment has shown a profit of Rs. 121.5 mn. Combined allied businesses contributed a profit of 11.11 % of total sales as they represent non cyclical business. Loss after tax is at Rs. 133 mn as against a profit of Rs 76 mn in the same quarter last fiscal. Cash loss has been at Rs. 212 mn as against a cash profit of Rs. 156 mn in the corresponding quarter. EPS stands at Rs. (6.8) while the EPS of Q1 FY06 being at Rs. 3.79.

Financial performance- 15 months ending June 2007

Change in financial year

With effect from the ongoing 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 and end upto September 30, 2007. In subsequent years, the Company will have uniform accounting year ending 30th September..

Revenues at Rs. 8313 million

Highlights of the financial results for the period of 15 months ended June 2007 viz a viz 15 months ended June 2006:

- Bumper crop in the country and surplus sugar stocks have resulted in lower selling prices of sugar. Sugar prices have gone even below the cost of raw material.
- Gross Sales/ Income from operations at Rs. 8313 mn from Rs. 8075 mn.
- Excise Duty at Rs. 2662 mn from Rs. 2109 mn.
- Net Sales/ Income from operations at Rs. 5651 mn from Rs. 5966 mn.
- Other Income at Rs. 124.3 mn from Rs. 67 mn.
- Total Income (net of excise) at Rs. 5775 mn from Rs. 6033 mn.

Financial breakup

While the company had 73% of revenue from sugar business in 15 months ending June 2006, the contribution of sugar business has come down to 68% in the current 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 27% of revenues in last fiscal to 32% in the current financial period.

Net loss after tax at Rs. 269.9 millions

The Company witnessed a sharp decline in earnings mainly on account of negative margins on sugar sold. The average sugar realization during the 15 months ended on June 2007 was lower at Rs 1720 per quintal as compared to Rs 1817 per quintal during corresponding period last fiscal. The valuation of closing stock of sugar at net realizable value further reduced the profitability of the Company at the end of the quarter and it accounted for the future profits also.

Further, the cost of production of sugar has gone up due to increase in the sugar cane price (SAP by Rs. 10 per qtl) and other inputs. These losses are following the general collapse of the sugar industry, following a bumper crop and unwarranted ban on sugar exports. The profit/ (loss) after tax being at Rs. (269.9) mn, was at Rs. 162.6 mn in the same period last year. Cash loss during the 15 months ending June 2007 stands at Rs. 202.6 mn against a cash profit of Rs. 625 mn in the corresponding period last fiscal.

Salient features of the financial results Q5 FY07

- **Sale of sugar** has decreased by Rs 442 mn/ 2.21 lacs qtl. It has further decreased due to fall in average realization by over Rs. 540 per qtl. The fall in the quantities of sugar sold is due to lower free sale sugar releases given by the Government of India**.**
- **Other income** has increased mainly due to profit on commodity hedging and benefits on forex transaction.
- **Staff cost** has increased due to increase in duration of crushing season in simbhaoli sugar division by 33 days and in chilwaria sugar division by 76 days**.**
- **Purchase of finished goods** has decreased by Rs. 320 mn in International trade division due to decrease in exports.
- **Depreciation** has increased by Rs. 10.6 mn due to expansion in sugar business and commissioning of chilwaria ethanol unit.
- **PBT** has decreased by Rs. 343.4 mn on account of valuation of sugar stocks on net realizable value at the end of the quarter. In addition, the lower realisation of sugar has further contributed Rs. 120 mn towards the loss.
- **Marketing expenses** have increased by 4.69% in the quarter on account of increase in IMFL sale and activities related to the re- launch of the branded sugar Trust.
- **High carry over inventory** of sugar has gone up by 4.8 lacs qtl.
- **Change in the financial year** has caused the increased charge on profit by Rs. 117.3 mn during this quarter. Earlier these off- season expenses used to be deferred for the following crushing season, pursuing an integrated approach in accounting.
- Despite a**lcohol segment** performing very positively, it could partially protect the company from overall losses arising from sugar segment.
- The newly set up chilwaria ethanol distillery operated at nearly full capacity.

Industry Update

- Third continuous surplus year. Fall in the raw and white sugar prices. Improved production in Brazil, Thailand, other Asian countries & Australia; leading to the highest carry over sugar stocks world over.
- 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 and lack of destinations for Indian white sugar.
- Free sale sugar price are constantly falling and presently are at Rs 1250- 1350 per qtl in northern India. At these levels of prices the mills are facing a loss of over Rs.400 per qtl plus carrying costs. Distillery and surplus co-generated power will partly de risk and contribute only to the extent of 30 to 40% of cash deficit in sugar.
- The country will be producing over 27.5 MT of sugar during the current season (2006-07) due to good cane crop and new sugar facilities coming up after expansion. The production will be even more in the next season.
- Start of ethanol blending program in most of the states has 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…..

Situation may improve after 2007-08 season as the production for following season (2008-09) is expected to be lower for following reasons:

- Sugarcane availability is bound to decline as the farmer will divert to the other crops.
- Ethanol penetration to increase; resulting in cane and/ or molasses diversion.
- 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 and giving new subsidies 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 in certain areas will result in benefits in the form of higher cane yield per hectare and improved sugar recoveries.
- India poised to become major exporter of raw sugar.

SSL: Segment wise performance
Quarter ending June 2007

Sugar

(Amount Rs. in millions)

Particulars	Q5 FY07	Q1 FY06
Net Sales	**667.42**	1370.50
Other Income	**67.85**	2.40
Total Income	**735.27**	1372.90
Expenditure	**1006.14**	1193.40
EBDITA	**(270.87)**	179.40
EBDITA %	**(36.84)**	13.07
Interest	**70.81**	71.00
Depreciation	**43.00**	30.30
Net Profit/ (loss)	**(384.68)**	78.19

Sale of the sugar has decreased by 51% because of fall in average realisation and lower uantity of sugar sold. Other income has gone up by Rs. 65.45 mn. Expenses have gone up on account of increase in cane prices. EBDITA margins are affected on account of higher cost of production, because of higher cane price, lower sugar recoveries and lower per qtl realisation of free sale sugar. The Company continued to increase its market share in specialty sugar segment.

Alcohol/ Ethanol

(Amount Rs. in millions)

Particulars	Q5 FY07	Q1 FY06
Net Sales	**387.38**	273.94
Other Income	**1.15**	0.57
Total Income	**388.53**	274.51
Expenditure	**253.19**	225.79
EBDITA	**135.34**	48.71
EBDITA %	**34.83**	17.75
Interest	**5.79**	1.03
Depreciation	**8.01**	4.30
Net Profit	**121.54**	43.38

The turnover has gone up by 41% with improved sales by Rs. 113 mn. EBDITA margins have almost doubled; expenses have gone down on account of lower raw material cost. The sale of ethanol has commenced from chilwaria ethanol unit and it has got orders form petroleum companies. Quality of ethanol is being appreciated and demand is increasing. IMFL sales have gone up by nearly 2.5 times.

New Products Launch

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 pigments like chlorophylls, xanthophylls, and flavanoids.

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, as some activities are still required to be undertaken for completing the plant in off-season.

Chilwaria Sugar Division

Chilwaria sugar division started working on its fullest capacity at 6600 TCD. It has produced 7.06 lac qtl of sugar during the season. On account of bumper harvesting of sugar cane, the plant continued operate upto mid June which affected the recoveries adversely.

Chilwaria Ethanol Division

The commercial production of the plant started on February 1, 2007. The gross turnover during the quarter being Rs. 95 mn resulted in an EBIDTA margin of over 50%. The quality of the products being manufactured is appreciated.

Simbhaoli Sugar Cogeneration

The Simbhaoli cogeneration plant involving a total cost of Rs. 770 mn is ready to be commissioned from November 2007. It is capable to produce 22.7 MW of power and shall start exporting right from its start of commercial production; i.e. from November 07. The project will also be assisted by way of funding from carbon credits.

Chilwaria Sugar Cogeneration

The project is going to start from November 07 with an initial power generation capacity of 10.5 MW/hr. The second phase of cogeneration (21 MW/hr) will be completed in February, 08.

Brijnathpur Ethanol Division

Targeted to be commissioned in March 2008, the Rs. 36 mn Brijnathpur ethanol plant is set 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.

SIMBHAOLI SUGARS

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

(Rs. in millions)

S.no	Particulars	Quarter ended June 30, 2007	Quarter ended June 30, 2006	15 Months ended June 30, 2007	12 Months ended March 31, 2006 (Audited)
		I	II	III	IV
1	Gross Sales/Income from operations	**1,699.35**	2,160.36	8,313.10	5,912.95
2	Less: Excise Duty	**644.57**	516.01	2,662.39	1,591.24
3	Net Sales/Income from operations	**1,054.78**	1,644.36	5,650.72	4,321.71
4	Other Income	**68.98**	3.04	124.03	64.20
5	Total Income	**1,123.76**	1,647.40	5,775.05	4,385.91
6	Total Expenditure	**1,259.25**	1,419.12	5,689.56	3,589.69
	a)Decrease/(Increase) in stock in trade	**13.60**	89.84	(292.55)	(290.70)
	b)Consumption of raw materials	**845.59**	669.68	3,933.54	3,061.46
	c)Purchase of finished goods	**76.51**	396.70	623.27	7.19
	d)Staff cost	**67.11**	47.99	309.91	201.99
	e)Other expenditure	**256.43**	214.91	1,115.39	721.65
	f)Exceptional item – Interest liability written back				(111.92)
7	Interest	**76.61**	71.97	287.99	215.88
8	Depreciation	**51.01**	34.64	196.81	125.69
9	Profit/(Loss) before tax (5-(6+7+8))	**(263.11)**	121.66	(399.32)	454.66
10	- Provision for tax (net of deferred tax and MAT credit entitlement)	**(130.73)**	44.75	(133.94)	155.45
	- Provision for FBT	**1.01**	1.00	4.51	3.20
11	Profit/(Loss) after tax	**(133.39)**	75.91	(269.89)	296.01
12	Paid up equity share capital (face value of Rs.10/- each).	**1,989.54**	1,989.54	1,989.54	1,989.54
13	Reserves (excluding revaluation reserves)				9,716.92
14	Earnings Per Share (Basic/ Diluted) (Rs.)	**(6.80)**	3.79	(13.91)	18.19

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, cogenerated 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 39 MW/hr from November 2007 onwards. For more information, visit http://www.simbhaolisugars.com .

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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 industry figures are based on management estimates. 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.