

# **SIMBHAOLI SUGARS LIMITED**

## **Investor Update**



### **Quarter 2**

### **(Jan- Mar 2008)**



#### **Corporate Office**

**C- 11, Connaught Place, New Delhi- 110001, India**

**Phone: +91-11-41510421-23 Fax: +91-11-23413088**

**Email: [info@simbhaolisugars.com](mailto:info@simbhaolisugars.com)**

#### **Registered Office**

**Simbhaoli, District Ghaziabad, Uttar Pradesh-245207, India**

**Phone: +91-5731-223117-9 Fax: +91-5731-223039**

**[www.simbhaolisugars.com](http://www.simbhaolisugars.com)**

## Key Financial Highlights of the quarter

- Net Sales of the Company at Rs 1122.4 million in the quarter ended March 2008 (Q2 FY08), an increase of 12% from Rs 1001.4 million in the quarter ended March 2007 (Q4 FY07) on account of
  - ✓ 13.4% increase in the revenue from sugar business at Rs 1087 million in the second quarter of current fiscal as compared Rs 958 million in the corresponding quarter last year
  - ✓ 50% increase in revenue from the power segment to Rs 390 million in Q2 FY08 from Rs 260 million in the corresponding quarter last fiscal
- Operating profit margins at Rs 123.1 million
- Profit before tax expense at Rs 42 million
- Net Profit after tax at Rs 32 million. Earnings per share Rs.1.57
- Cost of sugar cane for 2007-08 crushing season is accounted for at Rs.1100/Mt in accordance with the interim order of Hon'ble High Court of Uttar Pradesh. However, in respect of 2006-07 season, the Company has paid and accounted for the cane expense at Rs. 1250/ MT

- Simbhaoli Sugars successfully completed its capex plan of over Rs 4.6 billion for enhancing sugar, ethanol and cogeneration capacities
- Most of the projects are implemented
- Operated the co-generated power plants at Simbhaoli and Chilwaria a surplus capacity of 20 MW/ hr
- Brijnathpur ethanol distillery to commission by the start of next season i.e. by October 2008
- During last crushing season, the Simbhaoli plant has achieved a recovery at a record 12.35% (peak) with an average recovery of 11.14% for the quarter
- Got approval under CDM for carbon credit accreditation for Simbhaoli Sugar Cogen Plant (effective from 07-08 crushing season)
- The Company has started supplying branded IMFL in 7 new states; Delhi, Kerala, West Bengal, Himachal Pradesh, Haryana and Rajasthan
- Significant client addition in Q2 FY08, particularly in the pharmaceutical grade/ specialty sugar segments on account of extra-refined sugar

## Analysis of financials

(Figures in Rs. mn)

### Revenue Segmentation

Segments	Quarter ended March 08	% of total revenue	Quarter ended March 07	% of total revenue
Sugar	1086.94	61.1	958.41	61.6
Alcohol	285.21	16.0	321.23	20.7
Power	392.96	22.1	261.13	16.8
Others	13.44	0.8	14.12	0.9
Total	1778.55	100.0	1554.89	100.0

### Sugar

Particulars	Q2 FY 08	Q2 FY 07
Total income	1086.94	958.41
EBIDTA	60.68	(247.78)
EBIDTA (%)	5.58	(25.85)

### Alcohol

Particulars	Q2 FY 08	Q2 FY 07
Total income	285.21	321.23
EBIDTA	22.93	60.39
EBIDTA (%)	8.04	18.80

### Power

Particulars	Q2 FY 08	Q2 FY 07
Total income	392.96	261.13
EBIDTA	170.31	95.85
EBIDTA (%)	43.34	36.71

## Industry Update

### Indian Sugar Industry

- High carryover stocks at Oct 07- approx.10.5 million metric ton (MMT) (approx) from 2006/07 sugar season
- Lower sugar production of 27 MMT is estimated for 07-08 season. (Last season 28.3 MMT)
- Free sale sugar prices are showing an upward movement since Jan 08, however still not above the cost of production
- Indian sugar industry emerged as a raw sugar exporter first time. The production and export of refined sugar (below 45 ICUMSA) has also increased
- Domestic market for refined sugar enlarged
- Annual demand growth estimate improved to 4% against earlier estimates of 3% due to higher per capita income consumption, and population increase
- Per capita consumption in India at 19 kg per person per year is still lower than those of other developed/ developing countries
- Ethanol adoption is taking more time on account of State level restrictions and alternative uses of alcohol
- Potential for usage of sugarcane directly for bio fuel. Statutory provisions already enacted to this respect at Central/State Government level. At present crude prices (over \$117) it is emerging as a viable option
- Bio-electricity has become a valuable by-product. Potential 4000 MW/ hr, current operating capacity 1000 MW/hr
- Production in 2008-09 season is expected to be further lower than 07-08 on account of increased earnings from other crops.
- India's chances to continue to remain net exporter are fair due to rising global consumption particularly in Asian- African countries

## Global Sugar Industry

- International Sugar Organization cut its forecast for Global market's supply surplus by more than 16 percent because of lower output in India. Still Global production for 2007-08 may outstrip consumption by 9.3 million tons (revised downward from surplus of 11.1 million tons in Nov 07)
- World consumption is projected to grow @ 2.4% annually
- Brazil the major sugar producer is diverting more sugar cane towards ethanol production (54% of cane in last season) due to increase in flex fuel vehicles (FFV) and raising crude prices. This might limit the availability of sugar
- No. of other sugar producing countries like Guatemala, Argentina Thailand etc. would divert a part of cane towards fuel ethanol thus reducing their sugar exports. With further rise in Oil prices, its natural that ethanol production will go up
- Brazil consumes nearly 17.5 billion liters of Ethanol annually, which is estimated to be doubled in next 4 years
- If US reduces the production of ethanol (presently 29% of world ethanol production) by rising corn and meet the requirements by importing ethanol from Brazil, the entire global sugar scenario will undergo a sea change
- Other than US, the countries including EU, China, and India etc. are seriously pursuing their ethanol blending program.

## Future Outlook

### Indian Sugar Industry

- Domestic production will be lower and the balance surplus stocks available
- Indian sugar market will remain domestic demand driven with exports to neighboring countries. Exports from India will also be necessitated on account of higher freight costs
- The quality of sugar (refined sugar) will continue to command premium with both institutional and direct consumers
- Change in the retailing format shall bring in shift towards branding and retail consumer packs
- Existing laws have been amended so as the cane may be used to produce ethanol directly. At 10% blending with petrol, present demand of ethanol is estimated at over 1.20 bn liter p.a. Thus any surplus cane in future will find place in favour of Alcohol
- Availability of sugarcane and its optimum utilization in the form of sugar/ethanol/ power along with utilization factor will be the major revenue drivers for the sugar industry
- A well structured futures market has emerged and it will create stability and price discovery
- The sugar mills will be major source of green energy to the society (10% green power is mandated for Discoms under Electricity Act applicable in India)
- With the emerging alternative usage of sugar cane the Indian sugar cycles, will not remain as volatile as in the past

### Global Sugar Industry

- A direct relation between crude and raw sugar is re-emerging on account of higher crude prices. With the rise in crude prices the shift of sugarcane from sugar to ethanol is inevitable
- US may have to opt for higher ethanol import for sustaining its ethanol blending program. The food vs fuel controversy crisis may limit the higher production of ethanol in US
- India and China will be large consumers of ethanol subject to regulatory changes
- In most of the countries, ethanol is growing more as a blending agent rather than an alternative for gasoline
- World, though will not see the shortage of sugar in near future, the days of surplus seems to be over

***With the shortage of food commodities and rising crude prices, reduction in sugar availability and increase in its prices is inevitable unless more area is brought under sugarcane cultivation or increase in farm productivity is affected in a big way***

## Financials- Quarterly performance

### Unaudited Financial Results for the Quarter Ended March 2008

(Figures in Rs. mn)

S. No	Particulars	Quarter ended March 31, 2008	Quarter ended March 31, 2007	Eighteen months ended Sept 30, 2007 (audited)
1	Net Sales/Income from operations	1,122.44	1,001.41	6,564.65
2	Other Income	29.54	22.55	112.97
3	Total Income	1,151.98	1,023.96	6,677.62
4	Total Expenditure			
(a)	(Increase) / Decrease in stock in trade	(1,334.73)	(896.53)	258.00
(b)	Consumption of raw materials	1,904.63	1,654.51	4,636.75
(c)	Purchase of traded goods	1.51	147.06	670.15
(d)	Staff cost	81.73	78.79	361.45
(e)	Other expenditure	274.75	144.76	777.17
5	Interest	101.00	61.11	363.88
6	Depreciation	81.13	41.17	246.39
7	Profit/ (loss) before tax	41.96	(206.91)	(636.17)
8	Provision for tax and FBT	9.95	(26.18)	6.10
9	Profit/(loss) after tax	32.01	(180.73)	(642.27)
10	Earnings per Share (Rs.)	1.57	(9.20)	(32.80)

## Segment wise revenues

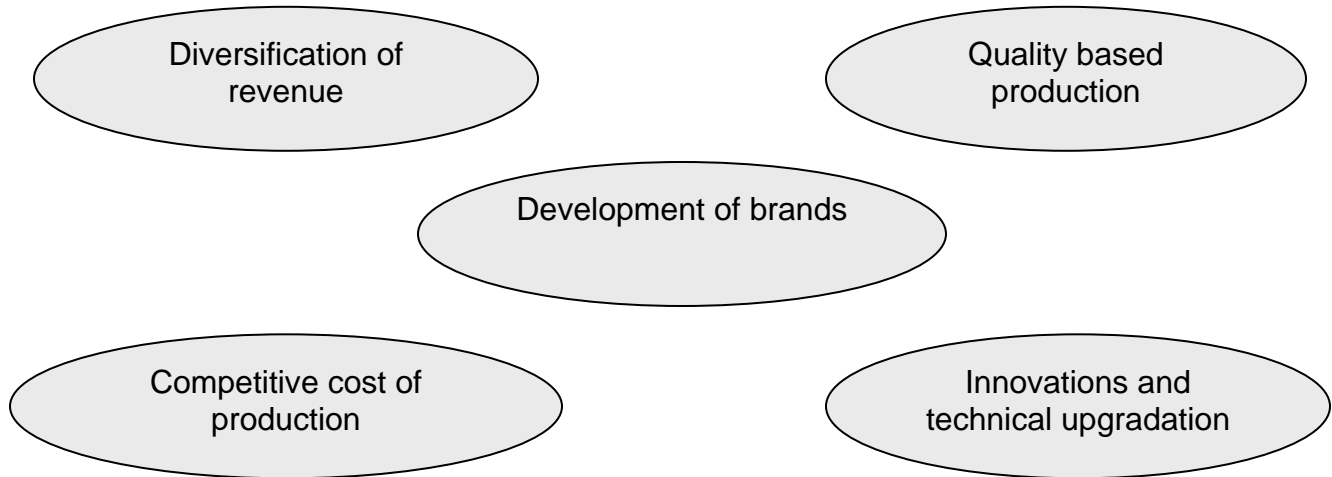
(Figures in Rs. mn)

S. No.	Particulars	Quarter ended March 31, 2008	Quarter ended March 31, 2007	Eighteen months ended Sept 30, 2007 (audited)
1.	<b>Segment Revenue</b>			
	Sugar	1086.94	958.41	5501.34
	Power	392.96	261.13	593.64
	Distillery	285.21	321.24	1775.22
	Others	9.07	8.34	20.35
	<b>Total</b>	<b>1774.18</b>	<b>1549.12</b>	<b>7890.55</b>
	Less: Inter Segment Revenue	626.57	530.93	1270.46
	<b>Net Segment Revenue</b>	<b>1147.61</b>	<b>1018.19</b>	<b>6620.09</b>
	Add: Unallocated income	4.37	5.77	57.53
	<b>Total Revenue</b>	<b>1151.98</b>	<b>1023.96</b>	<b>6677.62</b>
2	<b>Segment Results</b>			
	Profit/ (loss) (before unallocated expenditure, Interest and Tax)			
	Sugar	17.60	(272.23)	(617.16)
	Power	142.99	86.98	82.63
	Distillery	13.28	53.69	322.87
	Others	(1.39)	(1.62)	(1.34)
	<b>Total</b>	<b>172.48</b>	<b>(133.18)</b>	<b>(213.00)</b>
	Add: Other un-allocated income (net of expenses)	(29.52)	(12.63)	(59.29)
	<b>Total</b>	<b>142.96</b>	<b>(145.81)</b>	<b>(272.29)</b>
	Less: Interest	101.00	61.11	363.88
	<b>Total Profit/ (loss) before Tax</b>	<b>41.96</b>	<b>(206.92)</b>	<b>(636.17)</b>
3	<b>Segment Capital Employed</b>			
	Sugar	3990.50	3076.02	2800.68
	Power	1958.45	1417.41	1773.01
	Distillery	1380.56	1141.37	1267.78
	Other assets	4.32	4.65	4.49
	Unallocated assets (net)	(82.32)	55.88	(42.89)
	<b>Total Segment Capital Employed</b>	<b>7251.51</b>	<b>5695.33</b>	<b>5803.07</b>

*Refer to the contents of advertisements published in the News papers and filed with BSE/NSE/SGX for full text of the quarterly results.*



## Our Vision



***“To be an environment friendly, stake holder centric, innovative, professionally managed, Integrated sugar refining company with low Cost global technologies producing range of value added products.”***

### 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 Railways and all Airlines. Currently, SSL operates three technologically advanced sugar-manufacturing facilities in Simbhaoli, Brijnathpur and Chilwaria, all 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, high quality alcohol and bio-manure for sale to third parties. It is creating additional capacity to produce upto 210 KLPD of alcohol/ Extra Neutral Alcohol, and upto 30 MW/hr of exportable surplus power.



## 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*

**For any Investor Relations queries please contact:**

Ms. Harmeet Kaur  
Simbhaoli Sugars Limited  
Mob: 9911987419  
harmmeet@simbhaolisugars.com

Mr. Sanjay Tapriya  
Simbhaoli Sugars Limited  
Tel: +91 11 41510424  
stapriya@simbhaolisugars.com