

### OVERVIEW Executive Director's Message

The sugar industry is passing through difficult times.

Excess global and domestic production (estimated at 24 million tonnes in India), untimely export ban and bearish international prices have led to a softening of prices. This has adversely impacted sentiments in the sugar industry. The impact has been particularly significant for those sugar mills that are operating on a stand-alone basis.

Simbhaoli Sugars, which is in the middle of a capacity expansion programme, has quite understandably, come under same pressure in Q3. Nevertheless, our fundamentals remain strong.

I'm confident that given our robust fundamentals, multiple revenue business model (comprising sugar, potable liquor, ethanol and power) and an improvement in the external environment, our results will fully reflect our potential and innate strengths in the quarters ahead.



G.S.C. Rao

January 31, 2007

### LOGO FACELIFT



As announced in the last issue of Trust Talk, we now have a new, shorter name - Simbhaoli Sugars Limited. The name change has occurred after more than 25 years.

A new symbol has been created using the letter S. Along with the symbol, a new logo type has been introduced in response to the overall brand strategy of creating a younger, more energetic and dynamic brand persona. The stylized S against the backdrop of a blue roundel has distinct strokes representing our core businesses of sugar, ethanol, potable liquor and co-generation.

The name change and logo facelift mark the beginning of an enterprising, new era in our history. A time when we are growing in scale, consolidating our businesses across the sugar value-chain, and becoming a more consumer-facing company.



Mr. Gurmit Singh Mann, Chairman & Managing Director, Simbhaoli Sugars Limited inaugurating the Brijnathpur sugar plant. (More pictures on page 3.)

### SBI and Simbhaoli initiative to help farmers

Simbhaoli Sugars and State Bank of India (SBI) have joined hands to offer post-harvest finance to farmers in the Simbhaoli and Chilwaria command areas. The agri-finance is being disbursed from the Hapur and Simbhaoli branches of the bank.



Presently, SBI offers a post-harvest loan facility designed to meet a farmer's working capital needs for his next crop. The money is disbursed immediately after the farmer signs the loan agreement.

What's more, SBI is offering other need-based financial products. To serve the local farmers better, the Lucknow circle of SBI has decided to re-locate its rural branch to our Chilwaria sugar factory.

Simbhaoli Sugars and SBI go back a long way - to the 1930s - when SBI was known as Imperial Bank. This latest collaboration will further strengthen the bond between the two entities committed to the well-being of farmers.

### Q3 RESULTS 2006-07

(Quarter ended Dec 31, 2006)

Rs. Crore

	2006-07	2005-06
Net Sales	87.31	108.73
Profit (Loss) after tax	(5.59)	4.82
EPS (Rs.)	2.88	2.43

Even though crushing started late in the season as compared to last year, the company was able to crush 55.62 lac quintal of cane in Q3 FY07.

However, the average realization of sugar declined by Rs. 69 per quintal and the quantity of sugar sold also dropped by 124,295 quintal in this quarter, leading to lower sales. Sugar sales were adversely affected by the continuing ban on sugar exports. ➔



### Q3 RESULTS 2006-07 (contd.)

During the quarter under review, the cost of production has gone up on account of steep increase in state-advised sugarcane prices and lower recoveries in the beginning of the season.

#### Revenue Segmentation

**Sugar business:** Rs. 66.35 crore - accounting for 46% of total revenue. **Distillery business:** Rs. 78.12 crore - accounting for 54% of total revenue.

While the sugar business contributed to 60% of the total revenue in Q3 FY06, its contribution came down sharply to 46% in Q3 FY07. This is in tune with the company's plans to diversify into other business segments and create alternate avenues for revenue. This is also evident in the rise in contribution of the distillery business to the revenue kitty - up from 40% in Q3 FY06 to 54% in Q3 Fy07.

### POTABLE LIQUOR



In the quarter under review, IMFL sales shot up by more than 600% - from 11004 cases in Q3 FY06 to 82275 cases in Q3 FY07.

Seven Knights has emerged as our flagship IMFL brand.

Besides Seven Knights, our brand basket includes Hunter, Ice Blue Tango, Club 10, Gorki and Utopia. These brands are available in U.P., Tripura, West Bengal, Nagaland, Orissa, Uttaranchal and Punjab.

We intend to intensify our focus on the IMFL segment going forward and view it as an important and growing business.

### ETHANOL REPORT

The ethanol-blending programme in India is expected to increase the sales of ethanol and bring in good revenues. Since, we have concrete plans for strengthening and growing the ethanol business segment, we are looking towards capitalizing on our diversified business model with a major thrust on ethanol.

We plan to set up another ethanol distillery at Brijnathpur. This will augment our existing capacity of 120KL/Day and positively impact the revenues from this segment.

In this quarter, Chilwaria made its first delivery of ethanol to petroleum companies in Uttar Pradesh. What's more, our Simbhaoli unit has signed an agreement for supplying ethanol in the Delhi NCR region.

### New Customers added this quarter

**Sachet sugar:** ITC Group of Hotels, Airport Hotel, Claremont Hotel, Goan Heritage, Grand Laxmi, Isole-Di-Coca, Kingfisher Airlines, Lake End Hotel, Palace-on-Wheels, Paras Mahal, Ronil Gaon, Rajasthan Tourism, Sea Princes, Suzo Lobo, Café Coffee Day vending units.

**Pharma-grade sugar:** Halewood Laboratories, Akums Drugs Pharmaceuticals, Crest Health Care, Surya Herbal, Elder Pharma.

### TECHNOLOGY UPDATE

- **Membrane Filter for Cane Juice:** In collaboration with the Sugar Technology Mission, research has started on the Membrane Filter. The objectives are to explore the possibility of eliminating or simplifying the process of clarification, improving sugar quality and reducing losses
- The Simbhaoli Sugar plant is successfully operating at 47% steam consumption
- Simbhaoli has emerged as India's first sugar mill to produce the complete range of sugars under one roof - raw sugar, 45 ICUMSA grade refined sugar, pharma-grade sugar, candy sugar and a range of specialty sugars

### BRAND NEW Candy Sugar

We have become the first sugar mill in the country to manufacture and market candy sugar (mishri). A state-of-the-art plant has been set up, taking special care to establish international standards of hygiene and quality control. The candy sugar will be dispensed in bulk and retail packs. The marketing focus will be on major pilgrimage towns all over India. The product will also be available in grocery stores in northern India.





A view of the co-generation facility coming up at Simbhaoli

## PROJECT UPDATE Co-generation

**Simbhaoli:** Civil work completed; erection work of 110 tonne high-pressure boiler is progressing. Bay and switchyard work is progressing as per schedule. Most of the equipment has been purchased. Approximately 40% of erection work has been completed.

**Chilwaria:** Civil work of 11.5 MW turbine completed; erection is about to start. 60% of switchyard and bay erection work has been completed.

### Total installed capacity of co-generated power will rise to 39MW/HR

**Simbhaoli:** Post expansion, the exportable surplus power will rise from 5MW/HR to 19MW/HR (75,000MW/annum). We have entered into a power purchase agreement with Uttar Pradesh Power Corporation for supplying 19MW/HR to the National Grid - which is 500 metres away.

Under construction: Chilwaria co-generation plant

**Chilwaria:** The co-generation plant which is under construction will have an exportable surplus of 20MW/HR (90,000 MW/annum).



## OTHER INITIATIVES

**Risk hedging:** We have set up a dedicated desk at our corporate office for commodity hedging operations with NCDEX. The idea is to avoid volatility in sugar prices and minimize risks.

**Cane development plan:** We have initiated an all round development plan in all our units for improving the quality and yield of cane varieties. The plan includes distribution of cane seed, fertilizers and other inputs to farmers.

**Exports:** We have commenced production of EU-grade 45 ICUMSA sugar for exports, which will be channeled through ED & F Man. This is basically to fulfill our export obligations.



INAUGURATION CEREMONY OF BRIJNATHPUR SUGAR PLANT





## BOON FOR FARMERS



Wall painting announcing the ICICI Bank-Simhaoli initiative for providing free Rs. 1 lac personal accident insurance to farmers in the Simhaoli command area

We have introduced intercropping of sugarcane with different vegetables at Simhaoli, Chilwaria and Brijnathpur. The plan is to bring 15,000 hectares of land under intercropping - benefitting about 10,000 farmers in the three command areas.

**There are tangible benefits:** Reduction in fixed/overhead

costs; increase in cane production; better realisation on account of two crops; ability of cane to withstand stress of pesticides as compared to the crop planted in February/March.

A case in point is Duli Chand, a farmer in Simhaoli who has earned Rs. 75,000 by intercropping one acre of land.

## VISITORS



Mr. Pasi Rantonen, President, Wartsila Biopower Oy., Finland along with his company's 7-member team visited the Simhaoli plant

### Simhaoli

- Mr. Sunil Porwal, Jt. Secretary (Sugar), Ministry of Consumer Affairs, Government of India
- Mr. Pasi Rantonen, President, Wartsila Biopower Oy., Finland along with his company's 7-member team

### Chilwaria

- Mr. Waqar Ahmed Shah, Labour Minister, Government of Uttar Pradesh
- Mr. Rahul Bhatnagar, Cane Commissioner, Uttar Pradesh
- Mr. C.P. Singh, Dy. Cane Commissioner, Uttar Pradesh
- Mr. Devasheesh Sarkar, DGM, SBI (Zonal office, Lucknow)

## QUALITY NEWS

For us, quality is an abiding commitment. We have put in place the right technology, systems and checks and balances to ensure the integrity of the finished product.

A key driver of our effort to achieve zero-defect products is the Quality Circle movement. Quality Circles, with the enthusiastic participation of our employees are firmly entrenched at Simhaoli and Chilwaria. At Brijnathpur (our new sugar plant), too, Quality Circles are beginning to take root.

### New Appointments

### Welcome on Board!

**Simhaoli:** Mr. Kaushal Kumar Singh, Senior Manager (Instrumentation); Mr. Prashant Kumar Singh, Deputy General Manager (Projects)

**Chilwaria:** Mr. Siva Ram Vinjamuri, Deputy General Manager (Projects)

**Brijnathpur:** Mr. Suresh Kumar, Manager (Cane)

**Corporate Office:** Mr. Sumer Chandra, Deputy General Manager (Retail Sales & Marketing); Mr. Mohit Dheer, Senior Manager (Materials)

### FOOD FOR THOUGHT

"People of mediocre ability sometimes achieve outstanding success because they don't know when to quit. Most people succeed because they are determined to."

George Allen

### We look forward to your participation

### Appeal to Employees

Trust Talk is your newsletter. It reflects your aspirations, showcases your achievements and records the challenges you face everyday in the service of your company.

Please contribute a point of view, a joke, a limerick, a recipe or even a story that will inspire others.

We look forward to your participation.

Please mail your contributions to Ms. Harmeet Kaur at the Delhi office.



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