

Executive Director's Message

Simbhaoli sweetens off-season with raw sugar refining

In order to overcome the current sugar deficit in the country, the Central Government in April this year had allowed sugar mills to import duty-free raw sugar till 1st August, 2009, under the open general license, without any export obligation.

Simbhaoli was amongst the first sugar manufacturing companies in north India to take the initiative under the new raw sugar import policy. So far, we have executed raw sugar contracts aggregating to 133,000 MT, which will be processed during the off season and completed by November this year. Of the contracted tonnage, 72,000 MT has already been received; and 38,000 MT has been refined up to July 09. Off-season refining has been possible because we have converted single-fuel boilers into multi-fuel ones.

The import of raw sugar by the company will hike our sugar segment turnover by Rs. 300 crore, with a likely margin of Rs. 3 to Rs. 4 per kilogram on gross contribution basis. Steam generated out of the refining process will be used for power generation and the surplus will be exported to the national grid.

We have set a target of refining 300,000 MT of raw sugar (which almost equals the company's total sugarcane crushing capacity) in 2009-10. Given our international standard raw refining efficiencies and low cost of conversion, raw refining will be a growth driver for Simbhaoli in the sugar deficient years.



Dr. G.S.C. Rao

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FCCB Buyback Kicked Off!

Simbhaoli Sugars has announced buyback of its foreign currency convertible bonds (FCCBs) having a face value of USD 25.11 mn out of total USD 33.0 mn FCCBs issued in March 2006 and having maturity of five years (March 2011). These bonds are optionally convertible into equity at Rs. 153 per share or redeemable with 37% premium on the principal amount on maturity. The maturity value is USD 45.2 mn on entire issue value.

The Company has bought back 76% of the total bond liability, at an average discount of over sixty percent by availing fresh external commercial borrowings (ECB). The buyback and resultant cancellation of these bonds will reduce the long term liabilities by Rs. 1.04 bn comprising Rs. 771 mn (USD 15.2 mn) on principal account and Rs. 272 mn (USD 5.3 mn) on account of premium payable on maturity. The buy-back has improved the net worth of the Company and reduced the long term debt by this amount. ▶

These bonds were issued to part finance the Rs. 4.60 bn growth plan of the Company, which involved expansion of sugar, alcohol and power capacities between 2006 and 2008. All these capacities are operational at present.

The buy back and cancellation of bonds will strengthen the financial position of the Company and de-leverage its financials, thereby improving its debt-equity ratio and result in a reduction in financial costs.

Simbhaoli Sugars will make efforts to buyback the remaining 24% (USD 7.89 mn) bonds subject to the costs of buying remaining attractive and within the agreed parameters.

Financial Results Q3 FY 09

- Net operating revenues increased to Rs. 1957mn - up by 81%
- Sugar segment turnover shot up to Rs. 1753mn - up by 115%
- Alcohol segment turnover at Rs. 268mn - down by 28%
- EBITDA margin at Rs. 205mn (10.5%) - up by 2.5%

Raw sugar Processing Starts at Simbhaoli

Off-season processing of raw sugar commenced at the Simbhaoli plant on 29th June. This initiative is yet another example of Simbhaoli ingenuity and innovation at work.

For the sugar season 2009-10, we plan to refine 300,000 metric tonnes of raw sugar, which will go some way to mitigate the sugar shortage in the country.



Stop Press! Dr. G.S.C. Rao, has been elected president, Sugar Technologists Association of India (STAI) for a 3 year term – 2009-12. Established in 1925, STAI (2600 plus member body) is the sugar industry's apex technical body. It is playing a key role in strengthening the technical quotient of the sugar industry.



Cane Development

Varietal Development: After conducting in-house trials for the last two years, we have identified co.238, co.239 and co.118 as the future varieties of sugarcane for our three units. These varieties have the potential to increase cane yield (which will enhance cane availability to our units) and improve sugar recovery.

Pest Control: Thanks to our continuous monitoring of pests and diseases in the cane areas, we have been able to identify the onset of mealy bug damage in Simbhaoli and Brijnathpur units. We have also undertaken timely and corrective measures to keep the pest under control.



Drought Control: We have entered into a partnership with Weather Trends International, USA. This partnership entails sharing of information on weather/climate trends for periods ranging from 15 days to 335 days in advance. Because of this tie up, we were able to advise farmers about the impending drought and the control measures to be taken up by them.



Associated Company: Casetech Consultancy

- Casetech has been hired by Mekong Sugar Company Project, Sucret for a study on sugarcane cultivation for green-field projects.
- Universal Rubina Corp., one of the largest corporates in Philippines has signed an agreement with Casetech for consultancy in matters pertaining to the sugar business, including upgradation of sugar mills. This will result in dollar earnings for the company.



Trust combo scheme for consumers

We have recently launched a sales promotion scheme directly targeting consumers of Trust Classic sugar. For every 1 kg of Trust Classic, the consumer gets 100 g of Trust Sunehra, free of cost. We hope to achieve two objectives. One, boost sales of Trust Classic. Second, initiate trial of Trust Sunehra. This combo scheme is available for a vast swathe of Trust consumers in a vast majority of markets where our brand is retailed.

Annual Business Plan



The Annual Business Plan review meeting for the three units was held on 24th July at Chilwaria. Executive director and director (finance) along with corporate functional heads, unit heads and department heads reviewed the previous year's performance. KRAs and objectives for 2009-10 were also presented by all the executives in person. The grueling work sessions were followed by informal discussions. Business plan targets for 2009-10 which have been finalized, will be subject to mid-year review.



Test marketing of new crystal candy sugar brand – Tuk Tuk

We have developed crystal candy sugar, which has been branded Tuk Tuk Candy. The candy is available in a range of attractive 14g poly packs. The introductory retail price is Rs. 2. The brand is targeting young children on the go, who are looking for an affordable away to satisfy their craving for sweets. Tuk Tuk is presently being test marketed in Delhi. A detailed marketing plan will be firmed up once the test results come in.





ALCOHOL REPORT



- 215,000 cases of country liquor supplied in April, which is the highest sales figure in the liquor segment.
- 70,500 cases of IMFL despatched to Uttar Pradesh in April, which is also the highest sales figure in the segment.
- In this quarter, sales touched the 2.54 lakh cases mark, which is a 23% increase over the same period last year.
- Simbhaoli has commenced supplies to Canteen Store Department (CSD) of the armed forces after a gap of 13 years. First consignment to CSD was sent from the bottling unit at Patiala to Pathankot cantonment. The next consignment has been delivered from our own distillery.
- Achieved highest sales in the economy segment in West Bengal. The sales figure is a record for Simbhaoli as well.



Team Vedant, Kolkata

- Two brands – Seven Knights whiskey and Seven Knights XXX rum – have been launched in CSD. Orders for 25,000 cases have been received.



Export News



Brijnathpur sugar plant has completed the export of over 9000 MT of white sugar to the European Union. The plant, reputed for its quality and hygiene standards has received the coveted order for 45 ICUMSA refined sugar under stiff competition.

Valued Institutional Customers - Trust sugar



Trust Road Show (2 to 5): A special road show involving placement, display and sampling of Trust specialty sugars was undertaken in Khari Baoli, north India's major sugar market. The response was very heartening.





Trip to Jim Corbett National Park

A 3-day vacation was organized for Simbhaoli executives and their families at Jim Corbett National Park between 29th May and 31st May. Although the group was not lucky to sight a tiger, there was plenty of excitement and fun, not to forget great food for the holiday makers. The trip was also a great opportunity for the executives to bond with each other in an 'out-of-office' setting.



Safety Drill at Simbhaoli Plant

To check the system preparedness and test the reaction time of our employees, contractors and labour to an emergency, a mock evacuation drill was organized at Simbhaoli plant on 15th June. The results were extremely gratifying.

Ninety six per cent of the employees gathered at the assembly area within 10 minutes of the emergency siren being blown. Security personnel promptly reached the venue with fire extinguishers, fire buckets and other equipments.



Special Scheme for Staff Members

Simbhaoli employees can now pick up Trust sugar at attractive prices. Plus, they stand a chance to win wonderful gifts in a lucky draw that's held every month. For order forms and other details, please contact the reception in your plant/office.

Winners of the June lucky draw

First prize – Sugar Gift Hamper – M.K. Sharma; Second prize – Trust Sunehra 5kg pack – Harmeet Kaur; Third prize – Set of 4 coffee mugs – Kundan Prasad



Executive Profile



Mr. S.C. Reddy, Advisor - Agriculture

Mr. Reddy is a qualified agronomist. In a career spanning 30 plus years, he has played many roles – technocrat, project manager, research analyst and consultant. He has undertaken feasibility reports on improving sugarcane production in Australia, Fiji, Nigeria, Ghana, Vietnam, Thailand, Cambodia, Ethiopia and Indonesia. He has developed an exhaustive database on sugarcane farmers, acreage under cultivation, yield, use of inputs, availability of irrigation. He has published papers on sugarcane cultivation in Indian and foreign journals. Mr. Reddy started his career with Nizam Sugars. He has worked as a senior research analyst with ED&F Man Plc, UK. He was also Vice President (Sugarcane) at Saraswati Sugar Mills. He has two children, both of whom are married. Raghu is bio-medical engineer, settled in Pittsburgh, USA. Shruti is an MBA, settled in Hyderabad.

Employee Achievement



Due to the efforts of Mr. Sunil Gupta, General Manager - Finance, External Commercial Borrowings of US Dollars 15 million was sanctioned by Punjab National Bank for buy-back of foreign currency convertible bonds (FCCBs) issued by the Company in March 2006. The Company

has bought back 76% of FCCBs so far, which has led to an improvement in profitability and net worth.

In the face of strong competition and muted demand, Mr. Amit Sharma has successfully negotiated a price increase for the economy range of IMFL in Himachal Pradesh.

Keep it up Mr. Gupta and Mr. Sharma. Our heartiest congratulations to both of you.



India's largest integrated sugar refinery

• Simbhaoli • Brijnathpur • Chilwaria

An ISO 9000:2008, 14001:2004 & 22000:2005 Certified Company

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