

Executive Director's Message

The quarter ending March 2008 reflects an early sign of turnaround in the sugar industry. And, though the cycle has been very volatile, the downturn has been short lived. Your Company's latest quarterly results have proven beyond a shadow of doubt that the fundamentals are strong and we are on the right track.

Our strategy of adopting a multi-revenue business model (comprising sugar, potable liquor, co-generation and ethanol) is paying off. Although the oil companies failed to procure the mandated quantities, our ethanol sales touched record highs. This situation can only get better with the 10% blending rule coming into force by October this year.

With the completion of our co-generation plants, co-generation has started generating revenue for your Company. Simultaneously, benefits under CDM have also started accruing.

We have identified potable liquor as a key thrust area. A detailed marketing plan has been worked out to give us the necessary traction in this fast growing and lucrative market.

On the sugar front, I am happy to note that the worst appears to be behind us. The industry is coming out of a glut situation, resulting in better price realizations in the domestic market. And, although the export market is currently not very attractive, it should pick up in the future. At Simbhaoli, we've had a good recovery rate, which has played a role in sweetening our bottom line. I am confident that we can build on this quarter's performance, and achieve sustained growth and profitability in the quarters ahead.



Dr. G.S.C. Rao

OVERVIEW

EXPORT UPDATE

During the period ending March 2008, Simbhaoli Sugars exported 5460 MT of EU-grade (below 45 ICUMSA) sugar. This included export of 4000 MT to the European Union. Export of refined sugar is an important element of our business plan, which we hope to sustain in the medium and long terms. Export of speciality sugars, a category we specialize in and dominate in India, will be the future thrust area for your Company.

FINANCIAL RESULTS (Q2 FY08)

(All comparisons with March 2007)

- **Net sales** at Rs 112.24 crore, an increase of 12% from Rs 100.14 crore
- **Net profit before tax** at Rs 4.2 crore, against loss
- **Revenue segmentation:** Sugar - Rs 108.7 crore, accounts for 61% of the total revenue. **Distillery and power** account for 39% of the total revenue

The increase in revenue was on account of higher power produced and exported, from Simbhaoli and Chilwaria sugar complexes during the quarter. A higher earning is expected in the future under this segment, once all the projects are completed. Revenue from the sugar business registered a growth of 13.4% to Rs. 108.7 crore in the quarter under review.

According to **Dr. G.S.C Rao, Executive Director**, "The Company has attained a profitable financial position after a gap of 5 quarters as the industry cycle is turning back to normal within a short span. During the last crushing season, the Simbhaoli plant achieved a recovery of over 12% and peaked at a record 12.35%, with an average of 11.14% for the quarter. This resulted in lower production costs".

Sanjay Tapriya, Director - Finance, added: "The high carryover stocks and high margins are locked therein. Simbhaoli has completed most of its planned growth. The power projects have operated at 20 MW/HR surplus capacity and have been major contributors to the margins this quarter. Full capacity utilization of power and alcohol capacities and earnings under segments will be reflected in the next sugar year onwards. Sugar revenues of the Company are at 61% for this quarter and shall further reduce in the future. These efforts will reduce the reliance on sugar segment, which is in line with the de-risked approach of the Company".



Republic Day celebrations at Simbhaoli Sugar plant. More pictures on pages 3-4



Executive Development Programme

A two-day Executive Development Programme was organized for 15 executives of Simbhaoli Distillery Division from 3rd February to 4th February. Mr. Arvind Kaul, a reputed management consultant conducted the programme.

QUALITY CIRCLE ACTIVITIES

Training programmes were conducted to sharpen the problem-solving skills of 10 executives and 69 staff members.

Regular steering committee meetings were organized, where Quality Circle members presented their completed projects. All members of the steering committee appreciated the efforts of the QC members and suggested some improvements in their projects. After incorporating these suggestions, the projects will be selected for presentation to the management.

ETHANOL NEWS

In the quarter under review, we sold around 5 lac BL of ethanol to petroleum companies. For 2007-08, we sold 43 lac BL against an order position of 48 lac BL. The state wise breakup of ethanol sales is: U.P. - 33 lac BL; Delhi - 6 lac BL; Haryana - 2.50 lac BL; Rajasthan - 1 lac BL and Punjab - 0.5 lac BL.

BREAKING NEWS

Integrated sugar plant to be set up in Madhya Pradesh

Simbhaoli Sugars has inked an MOU with Madhya Pradesh Trade and Investment Facilitation Corporation (TRIFAC) and will explore the possibilities of setting up a fully integrated sugar complex in Madhya Pradesh. The total project cost is estimated to be Rs. 400 cr.

BONANZA FOR FARMERS!

Punjab National Bank and Simbhaoli Sugars have joined hands to provide a credit facility to cane farmers in the region. 10,000 Simbhaoli farmers will benefit from this scheme.

B2B PORTAL BEING SET UP

We are establishing an interactive business-to-business portal linked to our website - www.simbhaolisugars.com - for our international customers and institutional buyers. This will help shrink time lines, reduce paper work and put in place a simple and speedier mechanism to place orders and track deliveries. In time, this portal will become the conduit for most of our business transactions, across segments including export-import.

Some of our institutional customers for Trust sugar



PEPSICO



GlaxoSmithKline



New godown under construction

Construction work of a new godown at Simbhaoli plant is under way. On completion, the storage capacity at Simbhaoli will go up by an additional 18,000 MT.





PROJECT UPDATE



● **Simbhaoli co-generation plant:** Commissioning took place on December 1, 2007. In the period ended March, 2008 300 lac/units were sold to the National Grid.

● **Chilwaria co-generation plant:** Erection of turbine is complete. Second phase (12MW/HR capacity) is expected to be completed by the next crushing season. The quarter under review saw record sales, amounting to 133 lac/units.



● **Brijnathpur ethanol distillery:** 80% of the project (comprising fermentation, distillation and steam sections) is complete. The 60 KLD ethanol plant will be ready by November this year.

REPUBLIC DAY CELEBRATIONS: Republic Day was celebrated at the Simbhaoli plant with enthusiasm and patriotic fervour. Mr. Gurmit Singh Mann, Chairman and Managing Director hoisted the national flag and inspected the guard of honour. Mr. Gurupal Singh, Deputy Managing Director was also present at the function.

Employees of various departments - production, engineering, speciality sugar, cane, workshop and the distillery - put up a great show, participating in colourful jhankies (tableaux) showing different facets of the Company. School children performed ghidha and bhangra and stole the show. CMD and DMD distributed prizes to the participants.



Crowning achievement!

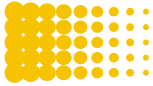
Record cane crushing: Simbhaoli Sugar Division smashed all records on February 18 by crushing 92,500 quintals of cane in just a single day.

Record recovery: Simbhaoli Sugar Division broke another record - by clocking an on-date recovery of 12.25%, which was achieved on March 27. The recovery rate was highest in the northern region and 3rd highest all over India.



In recognition of our sustained export efforts, Ministry of Commerce, Government of India has bestowed Simbhaoli Sugars with the coveted Star Export House status.

Export of refined sugar and speciality sugars are important elements of our business plan; and we are fully equipped to compete internationally. We see exports as an opportunity, which we hope to exploit fully in the medium and long terms.



CANE DEVELOPMENT

Cane endowment plan has been implemented in the command areas of Simbhaoli, Chilwaria and Brijnathpur. Varietals have been replaced. Increased area has been incorporated under the development plans. Farmers have been distributed bio-manure free of cost. The results of these measures, carried out for the last 3 to 4 years are bearing good results. Simbhaoli has notched up record recovery rates - a feat that can be directly attributed to Simbhaoli's highly effective cane development programme.

VISITORS

Glaxo SmithKline (Consumer Healthcare)

- Nidhi Jain, Sourcing Group Manager - Procurement
- Puneet Arya, Deputy Manager - Central Quality

The objective of their visit was to conduct an initial assessment of our hygiene related systems. Glaxo generally conducts a detailed audit only after an initial assessment of suppliers.

Coca Cola India

- N. Ravi Prasad, Manager Quality - Standards & Supplier Development

The purpose of his visit was to carry out an assessment of our systems and to evaluate our ability to engage in international business with Coca Cola.

Japan Broadcasting Corporation (JBC)

A JBC team visited our Simbhaoli sugar plant to produce an audio-visual feature on our co-generation facility.

The team comprised Akira Yoshizawa - principal program director; Yasushi Ogawa - principal cameraman and Mitsuko Nishikawa - correspondent.



Rotycan Turbotech, our business associate



The co-generation expansion programme at Simbhaoli and Chilwaria, including the green field project at Brijnathpur have been carried out under the advice and supervision of Rotycan Turbotech, a Vadodara based company. Rotycan handled the inspection, erection and installation of TG sets at all the project sites on a turnkey basis.

FOOD FOR THOUGHT

I am determined to be cheerful and happy, in whatever situation I may be, for I have learned from experience that the greater part of our happiness or misery depends upon our disposition and not upon our circumstances.

Martha Washington

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. E-mail: harmmeet@simbhaolisugars.com



India's largest integrated sugar refinery
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