

SIMBHAOLI SUGARS LIMITED

# Investor update

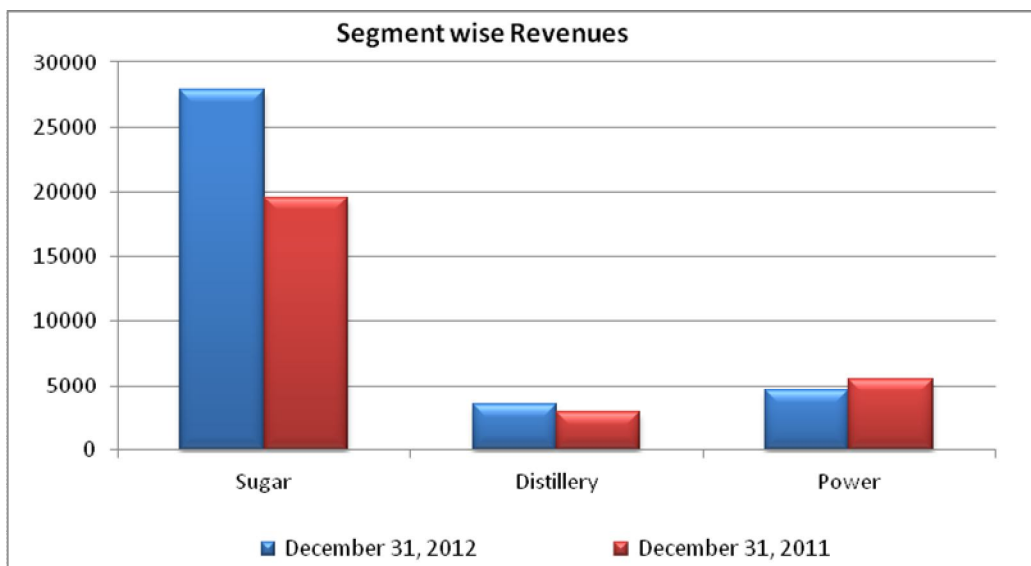
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On financial results

For the period ended December 31, 2012

**Highlights of the financial results for the Period ended  
December 31, 2012**

- ⇒ Consolidated net sales at Rs. 2823 mn, higher by 51%
- ⇒ Standalone net sales at Rs. 2562 mn, higher by 54%
- ⇒ Lowest ever inventory of finished goods due to delayed start of plant
- ⇒ Consolidated post tax loss, Rs 262 mn
- ⇒ Standalone post tax loss, Rs 208 mn
- ⇒ Average realisation at Rs 348 mn, higher by 13.3%



The Simbhaoli and Chilwaria Power undertakings of SSL have been hived off to Simbhaoli Power Limited (SPL), at a fair market value of Rs. 159.9 crores effective January 25, 2013. With this, Sindicatum has invested the 49% of the share capital in SPL and 51% shareholding has been subscribed by SSL. SPL shall execute the project to enhance the power generation capacities from 52 to 85 mw.

**Financial Highlights and Reasons for Losses (Q3 FY13)**

- The business of the Company (standalone) has been affected adversely on account of:
  - a) Higher SAP announced by the State amounting to Rs 280-290 per qtl,
  - b) No improvement in sugar recoveries in the western UP
  - c) Interest cost of Rs 248 mn (Rs 263 mn previous year) due to lower credit utilisation.
- Sugar sale higher by 0.20 mn qtl and average realisation improved by Rs. 408 per qtl.
- Other income increased by Rs 18 lacs, no income has accrued from CDM benefits.
- Higher cost of sale, commensurate to the change in sale values.
- Other expenditures are higher on account of absorption of deferred off season expenses.
- Power and fuel costs are lower at Rs. 11 mn (61%).
- The Brijnathpur Sugar complex has commissioned Bio gas engine to achieve self sufficiency in power. This shall enable the unit to meet the power requirement of the distillery, carbon dioxide plant and off-season sugar power needs.
- Staff cost is higher by 19% on account of annual increments and new recruits.
- The distillery operations at Chilwaria and Brijnathpur operated for part of the period. Operations affected for high prices of molasses.
- Power exported 25 mn units against 31 mn units in the corresponding quarter previous year. Fall has been due to delayed start of the operations in this season.

## Operational Highlights of the Season

### Lower Sugarcane Recoveries

Sugar factories of the Company, particularly Simbhaoli and Brijnathpur sugar divisions located in Western Uttar Pradesh have recorded low sugar recoveries for 2012-13 season also. The recovery achieved, however is in line with other factories in the area. A number of steps have been initiated which include change in the varieties of cane, intensive development activities and control of diseases and pests. It is expected that sugar recovery shall improve within a time frame of two to three crushing season.

### Operational Highlights

Upto the date of reporting, the operations have been as under:

S.No.	Particulars	Unit	Simbhaoli	Chilwaria	Brijnathpur
1.	Cane crushed	Lacs qtl	71.7	35.8	30.2
2.	Recovery	%	8.7	8.6	8.4
3.	Sugar produced	Lacs qtl	6.6	2.9	2.3
4.	Molasses	qtl	330	360	508
5.	Ethanol	Lacs ltr	34.9	19.6	43.8
6.	Rectified Spirit	Lacs ltr	117.2	31.2	64.2
7.	ENA	Lacs ltr	55.6	31.0	42.8



In recognition of his long and valuable service to the sugar industry, Mr. Gurmit Singh Mann was honoured with STAI's Lifetime Achievement Award at the Annual Convention function held in Hyderabad.

**Corporate highlights of the quarter**

**Business Restructuring**

As per the business restructuring study carried out by SBI Capital Markets Limited, it is recognised that by expanding the capacities of by-product businesses, the consolidated profitability of the Company could be improved significantly. The expansion of these businesses requires large capital investments and growth in these business segments cannot be achieved unless the businesses are re-organised to attract the fresh capital resources. Further, each business segment is significantly different from other and requires focused management approach. As recommended, the power and potable alcohol businesses of SSL have been hived off into separate companies for improving abilities of the new entities to receive additional funds through equity to improve its financial position.

**Simbhaoli Power Limited**

The Power undertakings of the Company at Simbhaoli, and Chilwaria have been transferred to Simbhaoli Power Limited (SPL), subsidiary of SSL, on a slump sale basis, as a going concern, at a fair market value of Rs. 159.9 crores effective January 25, 2013. The JV arrangement with Sindicatum Sustainable Resources through its subsidiary, Sindicatum Captive Energy Singapore, (SCES) to capitalize SPL has been amended and amended agreement has been executed. SCES has invested to acquire 49% of the shareholding in SPL. SPL will be implementing an expansion project to enhance its aggregate power generation capacities from the existing 52 MW to 85 MW, and for that purpose is working towards achieving the financial closing through a set of lending banks. This will enhance the earnings of SSL from the power business and improve its net worth position.

**Simbhaoli Spirits Limited**

The Company has hived off its Simbhaoli distillery unit to its subsidiary company namely Simbhaoli Spirits Limited as per Scheme of Arrangement, became effective on September 20, 2012. Transfer and registration of various licenses and approvals are in process. Credit lines have been transferred to SISPL as per sanction letters received/to be received from respective banks. The accounting and other records have already been separated and presently SSL is running the business in its name on behalf of Simbhaoli Spirits Limited till the transfer of licenses under the Industrial Regulations.

During the quarter ended Dec 31, 2012, Simbhaoli Spirits has exported over 44,000 cases of IMFL as against 13180 cases in Dec 2011 qtr. Total sales have been Rs 2,438 lacs. The Company faced a loss on account of increased cost of production including cost of molasses.

### **Uniworld Sugars Private Limited: Sugar refinery at Gujarat (Joint Venture with ED&F Man, UK)**

The project work of setting-up the 1000 tpd stand alone sugar refinery at Gandhidham is going on as per schedule and refinery is expected to be commissioned for trial run in June-July 2013. Applications for the relevant industrial approvals are in process. The civil construction and mechanical engineering services are being provided by the VMS Consultants, Mumbai and the design and drawing activities are being supervised by the Integrated Casetech Consultants Pvt Ltd. The Refinery shall be able to supply about 250,000 tons of refined sugar in 2013-14 to domestic and international markets. The strategies are being worked out for raw sugar procurement and resource allocation for the commissioning. Almost 70% of the total project cost has been incurred on the project so far out of capital and bank credits.

### **Integrated Casetech Consultants Private Limited (84% subsidiary)**

Casetech has continued to excel in performance and is getting new contracts for specialised services, around the globe. Casetech has been awarded operation and maintenance contract in Myanmar for one of the largest business house and an advisory contract for carrying out the efficiency audit of the sugar factories in Vietnam. It is also rehabilitating a sugar project in Zanzibar. The services include stabilization of the manufacturing process, improving the sugar quality and exploring possibilities of technology transfer in the field of sugar refining and energy conservation. During the quarter the Company could achieve a turnover of Rs 47 mn.

### **Raw Sugar Insurance Claim**

The Company along-with ED &F Man, the sellers of the cargo initiated the legal proceedings against the vessel owner, and in these London Arbitration proceedings, the Company has negotiated the final settlement with the vessel owner/its P&I club at USD 9.8 million (INR 5,515 lacs) inclusive of interest, costs etc and received the said amount as the compensation for the aforesaid loss..

The Company is pursuing the legal proceedings against Oriental Insurance with NCDRC, for the balance claim amount.

**Going ahead  
Sugar year 2013-14**

The Company has taken a number of steps to mitigate the business risks resulted by higher cane prices and below cost sugar prices. These include business restructuring, hiving off of potable alcohol and power businesses, steps to recapitalise these companies, costs cutting exercises and plan to restructure the speciality sugar business. It is also taking steps to change the cane variety for getting improved yield and sugar recovery in its cane area. The results of these steps will be witness in next few years.

The GOI has also initiated no of steps while implementing the Report submitted by Shri Rangrajan which include doing away with the release mechanism of sugar and levy obligations from the Mills. Further Cane side reforms have been referred to state government. The fate of the industry will depend upon the outcome of such decisions by the state/central government. The fixation of correct price for by products viz ethanol and power is also important for industry health.

**Segment wise Results**

**Sugar Segment****(Rs in lacs)**

Particulars	Dec quarter 2012	Dec quarter 2011	Change
Total income	27,930	19,599	42.5%
EBIDTA	(1,316)	(2,637)	
EBIDTA (%)	(4.71)	(13.45)	

**Alcohol Segment****(Rs in lacs)**

Particulars	Dec quarter 2012	Dec quarter 2011	Change
Total income	3,505	2,976	17.8%
EBIDTA	179	183	
EBIDTA (%)	5.11	6.16	

**Power Segment****(Rs in lacs)**

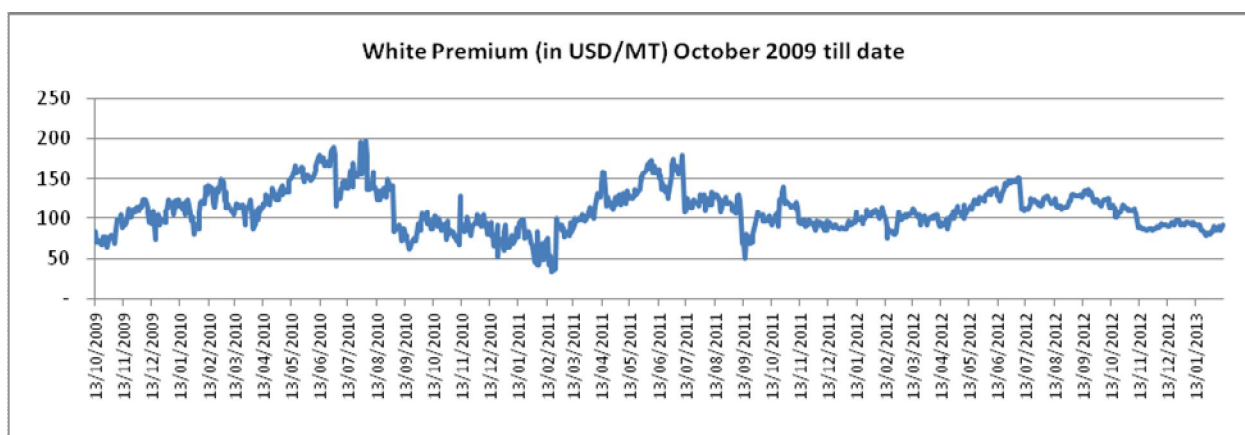
Particulars	Dec quarter 2012	Dec quarter 2011	Change
Total income	4,604	5,508	-16.4%
EBIDTA	1,759	1,649	6.7%
EBIDTA (%)	38.21	29.95	

## Industry Update

### International Sugar Industry

Global sugar demand and supply scenario assumes greater importance to find out the potential for Indian exports. Globally sugar demand and supply scenario remains bearish for two reasons: (a).The stock to use ratio is at its recent high, (b) higher production expectancy at no of production centers.

The key will be ethanol and sugar mix in Brazil and India production for 2013-14.



### India Demand and Supply

The production, demand, import and export of sugar during each of last three sugar seasons and the estimated figures for 2012-13 are as under;

Sugar Season (Oct-Sept)	Sugar Production (in lac tons)	Demand/Sugar Consumption (in lac tons)	Quantity exported (in lac tons)	Quantity imported (in lac tons)
2009-10	188	220	2.3	41.8
2010-11	244	210	28.1	3.6
2011-12	260	223	36.7	1.8
2012-13	230	230	N.A	N.A

### Sugarcane price and cost of production

ISMA calculations put the country production at about 24.5 mmt for 2012-13. The cost of production in Uttar Pradesh, India's second largest sugar producer, at Rs 36 a kg with the revised cane price at Rs 280 a quintal. Against that, mills' realisation is about Rs 32.50 a kg, which means operational units incur a loss of Rs 3.5 a kg in Uttar Pradesh. In Maharashtra there is no SAP system in the State, but sugar mills pay incentives to attract farmers. Consequently, the cost of production works out at Rs 32 a kg against the ex-mill realisation at Rs 30.5 a kg. There is no export parity. The imports are permitted at 10% duty and domestic surplus with a dash of cheaper imports will keep the prices under selling pressure.



### **Important News /Information (Current till Nov 2012)**

1. Government has estimated sugarcane production to 334.5 mn tons for 2012-13 in its second advance estimate, lower compared to last year.
2. CCEA has approved the fair and remunerative price of sugarcane payable by sugar mills for 2013-14 sugar season at Rs.210 per qtl to be linked to a basic recovery of 9.5% subject to a premium of Rs.2.21 per qtl for every 0.1% point increase in recovery.
3. The fresh non-levy quota released for the four month period from December, 2012 to March, 2013, shall stand reduced to 66.50 lakh MT instead of 68.00 lakh MT, excluding the quantity carried over from October to November, 2012 period and sold upto December, 2012. No automatic conversion of any unsold quantity into levy sugar.
4. India to produce 24.3m tonnes of the sugar in 2012/13 year ending in September, slightly higher than previous forecast of 24m tonnes.
5. Sugar output rose 3% to 10.8 mn tonnes in the season beginning Oct 2012 up to Jan 15'2013. Output state of Maharashtra was at 3.77 million tonnes, followed by 2.75 million tonnes in Uttar Pradesh state.
6. The 5% mandatory ethanol blending with petrol as already decided by the CCEA in the past is yet to be implemented across the country.

### **Others**

- Government notifies 60% relaxation in jute packing norms.
- Government has increased 4th advanced estimate for sugarcane production to 357.67 million tons from 351.1 million tons.
- Sugarcane has been planted in 52.88 lac hectares till Aug 21ST, which is more than normal area of 47.20 lac hectares for this time of the year.

## About Simbhaoli Sugars

### Simbhaoli Sugars Limited

Simbhaoli Sugars Limited (SSL) (BSE SCRIP ID: SIMBHALS, NSE SYMBOL: SIMBHSUGAR), is a 75 year old Indian Company, operating three technologically advanced sugar manufacturing facilities in North India and are capable of manufacturing up to 300,000 metric tons per annum (MTPA) of sugar. In addition; the capacities are capable to refine raw sugar upto 300,000 MTPA. SSL also has three alcohol distilleries alongside its sugar facilities with a combined capacity of 210 kilo liters of alcohol/ ethanol per day (KL/D) and is capable of producing and marketing over two mn cases of quality spirits in Ten Indian States. Simbhaoli and Chilwaria sugar complexes house bagasse- based cogeneration facility of 64 mwh, out of which 34 mwh is surplus and sold to the state power grid. The sugar refineries of the Company have quality control certifications including FSSC 22000:2011, ISO 9001:2008 and ISO 14001:2004, which signify that the Company ensures highest product and procedural quality standards.

### 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*

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### Subsidiaries

1. Simbhaoli Global Commodities DMCC  
Dubai, UAE  
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2. Integrated Casetech Consultants Pvt Ltd  
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Connaught Place, New Delhi, India  
Phone: +91 11 41510421, 43214100  
Email: info@intcasetech.com  
[www.intcasetech.com](http://www.intcasetech.com)
3. Simbhaoli Spirits Limited  
Simbhaoli, District Hapur, Uttar Pradesh, 245207
4. Simbhaoli Power Limited  
Simbhaoli, District Hapur, Uttar Pradesh, 245207

### Associated Company

Uniworld Sugars Private Limited

Simbhaoli, Hapur, Uttar Pradesh, India