

# Simbhaoli Sugars Limited

## Investor Update

Period ended June 30, 2011

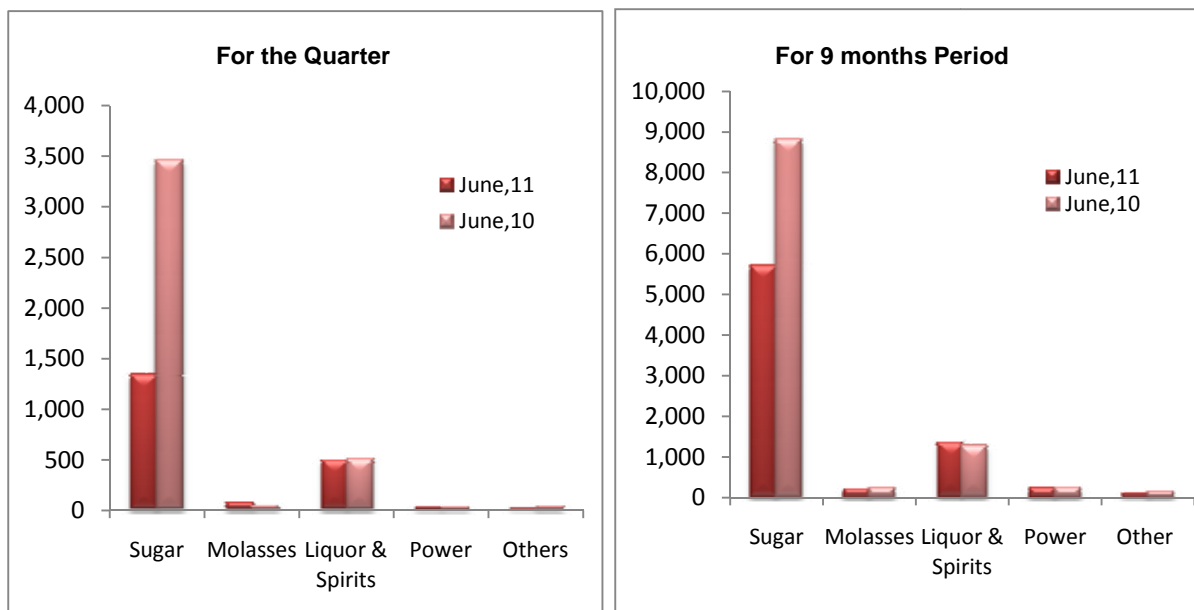
Q3 FY11

**Highlights of the Financial Results for the June 2011 quarter**

- Net turnover for the quarter Rs 1800 mn (Rs 3970 mn in Q3 FY10)
- EBIDTA Rs 11 mn, against loss of Rs 589 mn
- High interest cost Rs 281 mn, higher working capital deployment
- Sugar segment sales decreased by 61% to Rs 1455 mn
- Average sugar realisation Rs 2863 per qtl
- Revenue from power business Rs 66 mn, lower off season power generation
- Loss after tax Rs. 281 mn, against 621 mn loss in Q3 FY10
- Undergoing Business restructuring for Drinking alcohol and Power businesses to achieve growth and improve earnings
- Negligible quantities of cane crushed and raw refined

**Comparison of segment wise sale**

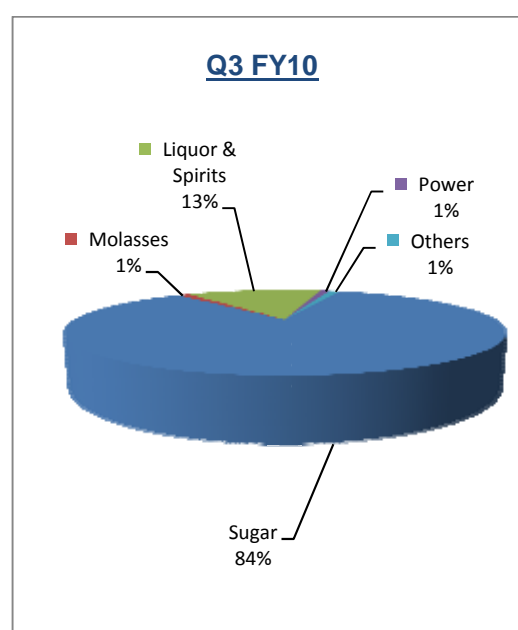
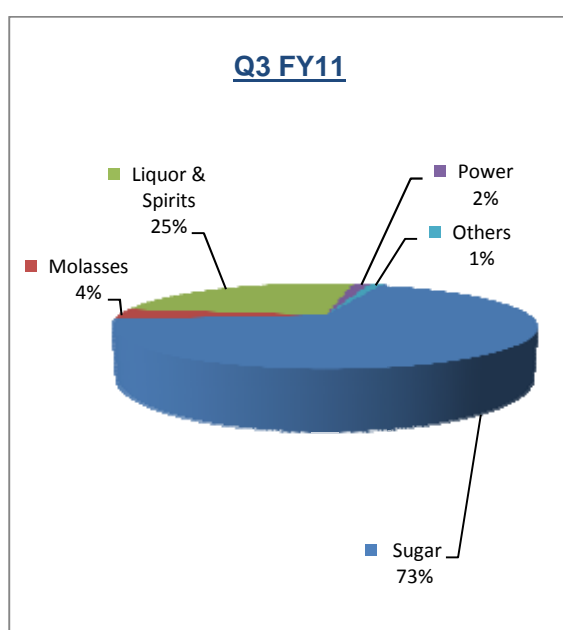
(Rs in mn)



## Salient features of the Financial Results (All comparatives with the Q3 FY10)

The net turnover has decreased by over 55% due to lower production and sale of sugar. Interest charge is 22% higher on account of regular utilization of credit lines, and interest on external commercial borrowings availed to repurchase the foreign currency convertible bonds. The Potable alcohol business has shown an improvement, whereas off take of Indian Made Foreign Liquor (IMFL) remained low for approvals from State authorities.

### Product wise Proportion of Sale



### Sugar Segment Results

(Rs in mn)

Parameters	Qtr June 11	Qtr June 10	Change%
Total Income	1,455.8	3696.0	(60.6)
EBIDTA	(25.3)	(676.8)	(96.3)
EBIDTA %	(1.7)	(18.3)	-

The sugarcane crushing ended in the last week of March in Chilwaria and first week of April in the Simbhaoli and Brijnathpur sugar complexes. The Company did not carry cane crushing operations during the quarter and also not carried out significant refining of raw sugar. As a result, it produced 0.44 lacs quintal of sugar in the June 2011 quarter, compared to 17.40 lacs quintal in Q3 FY10. Sugar segment turnover decreased on account of 7.75 lacs qtl lesser sugar sold. Average sugar realisation was Rs. 2863 per qtl, higher by Rs 72 per qtl. The

Company exported 0.43 lacs qtl sugar in the quarter at an average realisation of Rs. 3151 per qtl against its pending ALS obligation. Manufacturing expenses have decreased by 66% and other expenditures by 27.5% on account of reduction in sugar volume and lower provisioning of excise duty.

## Alcohol Segment Results

(Rs in mn)

Parameters	Qtr June 11	Qtr June 10	Change%
Total Income	445.1	535.5	(16.9)
EBIDTA	61.1	48.3	26.7
EBIDTA %	13.7	9.0	-

The Company sold 1.4 lacs cases of IMFL, higher by 29%, contributing Rs 56 mn to the revenues. Country Liquor sales were higher by 45% during the quarter contributing Rs 89 mn to the segment revenues. The alcohol units of the Company supplied 59 lacs BL ethanol to oil marketing companies (OMCs) at Rs 27 per BL. Increase in the average molasses price by Rs 56 per qtl affected the margins of this segment.

## Power Segment Results

(Rs in mn)

Parameters	Qtr June 11	Qtr June 10	Change%
Total Income	65.9	245.5	(73.2)
EBIDTA	(4.9)	53.0	(109.3)
EBIDTA %	(7.4)	21.6	-

The power segment revenues have decreased owing to lower generation of power during the off crushing period. A total surplus power of 76.3 lacs units (264.5 lacs units in Q3 FY10) was generated during the quarter using Bagasse as against Q3 FY10. The average realisation was Rs 4.19 per unit against Rs 3.96 per unit.

## Change in Accounting Year

The Company has proposed to change its Accounting year from October-September to April-March, from current financial year onwards to have a uniform accounting period. To give effect to the change in accounting year on transitional basis, the current accounting period will close on March 31, 2012, covering a period of 18 months i.e. from October 1, 2010 to March 31, 2012. Thereafter, the Company will continue to have accounting year ending March 31 in subsequent years.

## Operational performance of the Company

### Hiving off the Potable Business

SSL is under process of hiving off the potable alcohol business to its subsidiary company. The main objective behind this exercise is to achieve growth in potable alcohol business by exploring new business and marketing areas, creation of new brands, their promotion, capacity enhancement and increase its presence in most of the states in India against 8 states at present. Post restructuring, it is planned to increase the bottling capacities in different states. The potable alcohol business has an aggressive growth plan with a back drop of 12 to 13% year on year basis growth in domestic drinking alcohol segment and evolution of the segment with changing consumption habits and product mix.

A meeting of the equity shareholders of the Company was held on June 27, 2011 under sections 391-394 of the Companies Act to consider and approve the Scheme of Arrangement between Simbhaoli Sugars Limited with Simbhaoli Spirits Limited, as directed by the Hon'ble High Court of Judicature, at Allahabad. Shareholders approved the resolution with requisite majority and the matter is pending approval from lenders and subsequent sanction of the Scheme by the Hon'ble High Court.

The Company is under discussion with the international majors for marketing and distribution of their high end brands in India, both under Scotch and Vodka categories, through its established distribution network.

The management is confident that the hiving off strategy with focused marketing and branding shall give Simbhaoli an extra edge amongst the growing competition in the liquor market. The business should be able to achieve two times growth in next three years as per the revised business plan.

### Hiving off the Power Businesses

The Company has proposed to hive-off its power businesses being carried on at all the three locations, Simbhaoli, Brijnathpur and Chilwaria complexes to its subsidiary company Simbhaoli Power Limited, a SPV incorporated for this purpose. The power undertakings of SSL shall be transferred as a going concern on slump sale basis by way of Business Transfer Agreements. Notice along with Postal Ballot Form for passing the resolution has been sent to all the shareholders of the Company. Last date of receipt of the forms is August 20, 2011.

Simbhaoli Power Limited shall implement the expansion plans of achieving a total power generation capacity of 115 mwh with a surplus of 80 mwh in two years time frame through an additional capital outlay of approx Rs 3 bn. At present, Simbhaoli and Chilwaria power

plants are selling surplus power to UPPCL, however; for Brijnathpur power plant, SPL will have to construct transmission line. The expanded power generation businesses would be entitled for credit under Clean Development Mechanism of United Nations Framework Convention on Climate Change (UNFCCC) and Renewable Energy Certifications (REC) under the Electricity Act, 2003 and National Action Plan on Climate Change (NAPCC). New Power Purchase Agreements will be entered into with the Utility companies/proposed buyers in terms with the guidelines laid down by the Uttar Pradesh Electricity Regulatory Commission and/or under the provisions of other applicable laws.

The new entity will run and operate the power plants, implement the expansion projects and arrange its own finance with bank/financial institution(s). This will also include further capital raising by way of participation from outside investors/joint venture partners/PE investors/ Mutual Funds etc as considered necessary for the growth of the business. The Company will consider various alternatives to meet the additional finance required achieving the expansion and growth.

### **Power business RECs**

Simbhaoli Sugars has become the first renewable power generation company in Uttar Pradesh to get REC accreditation as per the Electricity Act, 2003 for generation of electricity from renewable energy sources. These units have got registration with the Central Agency designated by the Central Commission for registration of RE generators participating in the scheme. The distribution companies, Open Access consumer, Captive Power Plants (CPPs) will have option of purchasing the REC to meet their Renewable Purchase Obligations (RPO). RPO is the obligation mandated by the State Electricity Regulatory Commission (SERC) under the Act, to purchase minimum level of renewable energy out of the total consumption in the area of a distribution licensee.

### **Exports Business**

The sugar units of the Company have successfully exported over 33,000 MT in the Sugar Year 2010-2011 to various destinations including Oman, UAE, Vanuatu, Iran, Kuwait, Tajikistan, Vancouver, Toronto, Beirut, Turkey etc. Alcohol division has commenced exports of its premium Whiskey brand, Board's Verdict. In May 2011, two container loads of IMFL were exported to Africa. The Company is focussing on various international markets for its products as the sugar and alcohol produced by it are having internationally acceptable standards and command premium.

### **Uniworld Sugars Private Limited: Kandla Refinery Project**

The Company is pursuing the stand alone green field sugar refinery project having 1000 TPD refining capacity near Kandla port through its subsidiary, namely Uniworld Sugars Private



Limited. The environmental approvals are in place and the project is ready to kick off before the start of the coming season. The project is slated to be executed in joint venture with ED & F Man Holdings BV, Netherland, one of the largest international traders of raw and white sugar.

## Results at a Glance

*Extracts of the published unaudited financial results for the quarter /nine months ended June 30, 2011. For complete results, please refer our website, [www.simbhaolisugars.com](http://www.simbhaolisugars.com)*

Particulars	Quarter ended		Year ended
	June 30, 2011	June 30, 2010	September 30, 2010
	Unaudited	Unaudited	Audited
Net Sales	1,800.4	3,969.9	12,616.6
Exchange fluctuation gain/ (loss)	(13.1)	(53.5)	221.0
Other operating Income	6.9	120.8	349.6
<b>Total income</b>	<b>1,794.2</b>	<b>4,037.2</b>	<b>13,187.2</b>
<b>Expenditure</b>			
Decrease/(Increase) in stock in trade	1,053.6	1,390.7	(949.7)
Consumption of raw materials	367.5	2,799.4	12,134.1
Consumption of stores, oils & chemicals	94.5	114.1	533.6
Purchase of traded goods	17.2	-	5.8
Power and fuel	72.2	105.6	427.2
Employee cost	96.3	101.7	405.9
Depreciation	104.1	102.9	400.9
Other expenditure	94.2	129.9	706.4
<b>Total expenditure</b>	<b>1,899.6</b>	<b>4,744.3</b>	<b>13,664.2</b>
<b>Profit/(loss) from operations before other income, interest and tax</b>	<b>(105.4)</b>	<b>(707.1)</b>	<b>(477.0)</b>
Other income	12.6	15.5	63.9
<b>Profit/(loss) before interest and tax</b>	<b>(92.8)</b>	<b>(691.6)</b>	<b>(413.1)</b>
Interest	281.3	231.3	847.2
<b>Profit/(loss) before tax</b>	<b>(374.1)</b>	<b>(922.9)</b>	<b>(1,260.3)</b>
<b>Tax expense/ (benefit)</b>	<b>(92.8)</b>	<b>(301.6)</b>	<b>(513.3)</b>
<b>Net Profit/(loss) after tax</b>	<b>(281.3)</b>	<b>(621.3)</b>	<b>(747.0)</b>
<b>Earnings Per Share</b>	<b>(10.73)</b>	<b>(26.78)</b>	<b>(32.21)</b>

## Industry Update

### Domestic Sugar Industry: Sugar Year 2010-11

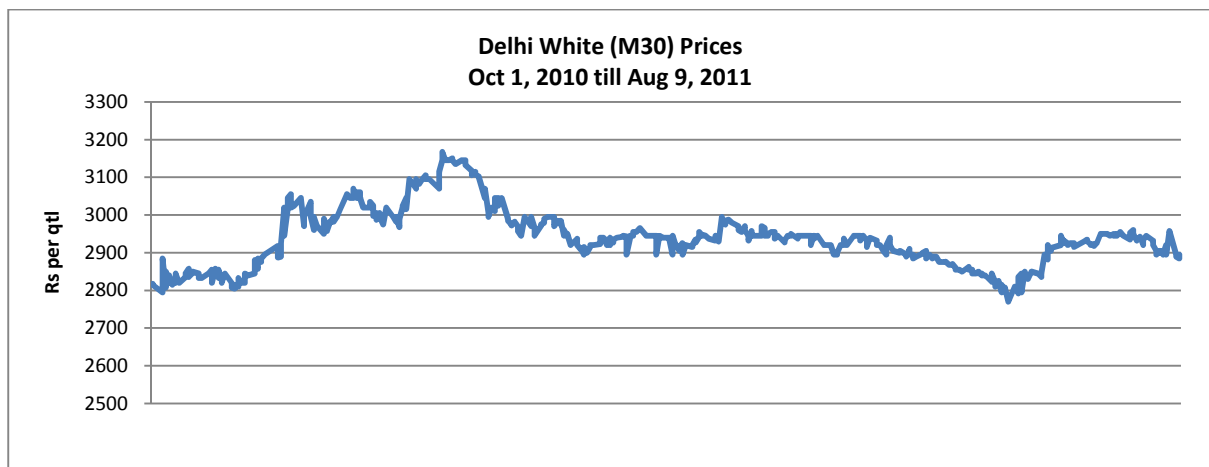
The sugar production estimate for this season has been scaled down to 24.2 mmt from an earlier estimate of 25 to 25.5 mmt. With the availability of 28.4 mt in the current October-September season and estimated consumption and export of 21.5 and 2.6 mt, respectively, the opening stock is estimated at about 4.3 mmt as on October 1. UP ended its crushing season in April and reached a sugar production of 5.9 mmt, significantly less than the 6.6 mmt expected at the beginning of the campaign. Maharashtra, due to crush till mid June reached to 9.05 mmt. Government of India has permitted 1.5 mmt of exports under the open general license in three trenches.

### 2011-12 Sugarcane Production Prospects

The Agriculture Ministry has indicated a production of 350 mmt of cane, up from about 315 mmt in 2010/11. Cane offered good earnings to farmers in 2010-11 season, which encouraged them to increase cane cultivation by maximizing input allocation as well as maintaining or even expanding cane areas. Considering an average monsoon season, the 11/12 crop should be around 8% to 10% more than 10/11, means an output estimate of 26 mt. In terms of trade flows this may lead India to be again an exporter with a volume of about 3 mmt from January 2012 onward.

### Domestic Sugar Prices Trend

Sugar realizations have remained below the cost of production for three quarters in a row. Increased sugar production and restrictions on exports have created a surplus in domestic markets. The outlook, especially on the price front, is not likely to be very positive as the 2011-12 season is expected to see an even higher production, which is likely to serve to keep prices low.





## Indian Ethanol

As per ISMA about 580 mln litres of fuel ethanol supplies were contracted for the Oct/Sep 2011/12 blending seasons. Against this, nationwide E-5 mandate, targeted by the Central Government, would require 1 bln litres. Currently, there are apprehensions that sufficient ethanol is available for fuel purposes because of requirements from the beverage and chemicals industry and restrictions imposed by certain sugarcane producing states on movement of ethanol/spirits.

## Exports of Sugar and impact on International Markets

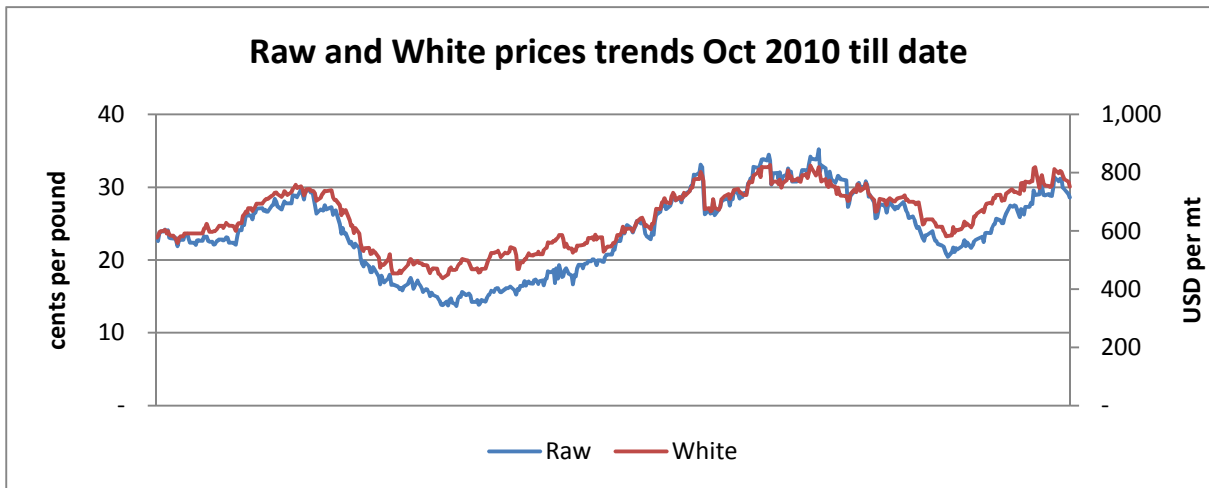
Based upon the better-than-expected sugarcane production and comfortable stock situation, Government of India (GOI) has permitted sugar export quotas under open general licence aggregating to 1.5 mmt in a bid to maintain fair price in the domestic market for the sugar year 2010-11. The government has also permitted exports of 1.12 mmt of sugar under advance authorisation scheme and to the US and European Union countries under preferential quota. Sugar totalling ~2.1 mmt has been exported from November till July 2011. This is in addition to the re export of raw sugar (unprocessed) stocked at the port in the beginning of the season.

## International Sugar Industry: Sugar Year 2010-11

As per the latest available estimates, the market is entering into a small surplus after two years of deficit and it should prevail for a while. According to UNICA, sugar production at CS Brazil up to July has reached to only 14.76 mmt, tel quel, almost 12% down on the 16.79 mmt produced during the same period last year. There have been normal logistics constrains at the ports, which resulted in short term price rise. Initial forecasts for Thailand was 6.9 mmt sugar for 2010-11, which finally reached to an all time record with 9.7 mmt sugar produced due to acreage expansion and improved agricultural yields. For the year 2010-11, the production is now estimated at over 10 mmt. Thus India and Thailand will meet the shortfall in production/surplus in Brazilian crop.

## International Prices Trend

Raw sugar prices remained highly volatile and were nearing 28 c/lb (on August 10, 2011) after touching the low of 20.40 c/lb in May and over 36 c/lb in July 2011, as the overall supply balance tightened and trade flow surpluses narrowed. The market was further supported by delays from the Brazilian government in reducing the ethanol blend in gasoline and the Indian Government's slow decision on further exports under OGL.



### Outlook for the Sugar Year 2011-12

According to a London based trader, in the coming season (2011-12) sugar supplies will exceed demand by about 8 to 10 mmt. Global production will rise by about 12 mmt to a record 180 mmt. Consumption will grow by 2% in 2012 to 172 mmt as an expected lower price volatility caused by the surplus should cause further buying.

High sugar prices over the past two years have led major worldwide producers (India, Thailand, Russia etc) to increase their cane production. The demand for sugar is expected to increase, especially with lower prices. Furthermore world stocks have been low for three years and many importing countries will have to replenish their stocks if world sugar prices remain at these levels. The season's production for CS Brazil is at 31.57 mmt against 33.50 in 2010-11.

Due to the debt crisis in Eurozone and US Federal, Euro and Dollar are expected to remain volatile and shall have a long term bearing on the currency and trade movements in the international markets.

## Simbhaoli Sugars Limited

### Registered Office

Simbhaoli, District Ghaziabad, Uttar Pradesh-245207  
Phone: +91-5731-223117-9 Fax: +91-5731-223039

### Corporate Office

C- 11, Connaught Place, New Delhi- 110001  
Phone: +91-11-43214100 Fax: +91-11-23413088  
Email: info@simbhaolisugars.com

### Subsidiaries

1. Simbhaoli Global Commodities DMCC  
Dubai, UAE
2. Integrated Casetech Consultants Pvt Ltd  
E- 13/29, IIIrd Floor, Harsha Bhawan,  
Connaught Place, New Delhi, India
3. Uniworld Sugars Private Limited  
Simbhaoli, Ghaziabad, Uttar Pradesh, India
4. Simbhaoli Spirits Limited  
Simbhaoli, Ghaziabad, Uttar Pradesh, India
5. Simbhaoli Power Limited  
Simbhaoli, Ghaziabad, Uttar Pradesh, India

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 a million 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 ISO 9001:2008, ISO 14001:2004 and ISO 22000:2005 and HACCP, which signifies that the Company ensures highest product quality.

### 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:

Mr. Sanjay Tapriya  
Tel: +91 11 43214100  
stapriya@simbhaolisugars.com

Ms. Harmeet Kaur  
Tel: +91 11 43214107, +91 7838777119  
harmmeet@simbhaolisugars.com

