CHAPTER - 4

THE PROFILE OF SELECT SUGAR MILLS: MAWANA SUGARS LIMITED AND SIMBHAOLI SUGARS LIMITED

Uttar Pradesh Sugar Industry is one of the largest sugar industries in the Indian economy. The lavish measures in form of new promotional policies for the Uttar Pradesh sugar industry by the state government of Uttar Pradesh was introduced at a time when it was much needed to further boost the growth of the Uttar Pradesh sugar industry. The improvements in the plant capacity and the introduction of new techniques which enables the optimization of the existing plant capacities has the further made the growth definite.

With the new promotional policies of the Uttar Pradesh sugar industry, the investors have already starting eying the future prospects. There are 20 more sugar processing units are coming up as a part of Uttar Pradesh sugar industry. The existing companies under the Uttar Pradesh sugar industry are planning an investment pertaining to expansion of about Rs 4,000 crore. At present the major companies in the Uttar Pradesh sugar industry are Balrampur Chini, Bajaj Hindusthan Ltd., Simbhaoli Sugars Ltd., Mawana Sugars Ltd., etc. A batch of Brownfield and
Greenfield expansion projects has already started their activities of crushing cane. The increase in the capacity would help the Uttar Pradesh sugar industry to churn out an extra 140,000 tons of crushed cane everyday to the existing 2.5 million tons of sugar produced within a few years time. The total sugar production under the Uttar Pradesh sugar industry would lead to 7.5 million tons, making Uttar Pradesh the biggest manufacturer of sugar in India.

The Uttar Pradesh sugar industry has a bright future as one of the prospective players in the global sugar market. The demand for sugar across the world has been growing exponentially. The Uttar Pradesh sugar industry with its capacity can cater to this international demand. The advantages of the Uttar Pradesh sugar industry are that the cost of production is quite low and the climatic conditions and the conditions of the soil are favorable to the sugarcane production. The region of India where the state of Uttar Pradesh lies is one of the most fertile lands in India called the 'doab'. This is an extremely fertile belt of lands between the rivers Ganges and Yamuna. To boost the production of the Uttar Pradesh sugar industry, the government of Uttar Pradesh is likely to set up a research and development unit which would develop better quality sugarcane plants to have better yield and diseases-resistant crops to ensure that the industry has a sustainable growth. The geographical position of the state of Uttar Pradesh is one of the key
advantages as it is very easy to access. With all these developments the Uttar Pradesh sugar industry can meet the increasing domestic demands in India, which due to the improvements in the economic conditions and the rise in the general income level. The per capita consumption of sugar in 2008-09 was estimated to be 19.9 kgs. annually and it has equal chances of rising further.

At present, the situation of the Indian sugar production can improve with all these measures. In the financial year of 2008-2009, India had to import 28 lakh tons of sugar from different countries due to the huge decline in the national sugar production. These measures would have a long term effect on the sugar production of the state and therefore of the entire country.

4.1 Profile of Mawana Sugars Limited

Mawana is a city and a municipal board in Meerut district in Uttar Pradesh state of India. In the northeast side of town is Mawana Sugar Works, one of the biggest sugars producing factories in India.

ORIGIN

A long-time generational resident of Mawana, Jagdish Prakash Kaushik, was the first person to be honored with the title of Krishi Pandit by the Government of India for his outstanding contribution to the wheat produce. One personality of this town was Chaudhary Balwant Singh
(Mahal wale) popularly known as Munshi Ji. Munsiji Ji was a famous freedom fighter of the Indian freedom movement. Mrs. Indra Gandhi gave him TAMPATRA and freedom fighter pension. He was born in village Bhishm Nagar aka Bhainsa of Mawana Tehsil. His nephew was the first Village Bhainsa Pardhan, Choudhary Ranvir Singh Who sacrifice all for Village. He is till now popular Pardhan in the Village Bhainsa. He did so many works in his period in 1962 to 1964 all village road and gali was paaki in 1964. Electricity come in the village 1964. Every villager always remembers him.

The economy of Mawana is based on sugarcane and its products. Sugarcane is main crop of the agricultural land in villages near the town. The farmers either sell their crop to Mawana Sugar Works or produce 'Gur'(raw sugar) out of sugarcane and sell it in the market (Gur-Mandi).

**GEOGRAPHY**

Mawana is located at 29°06'N 77°55'E 29.1°N 77.92°E. It has an average elevation of 221 metres (725 feet). There is a very popular village name Sandhan in Mawana tehsil. The main farming in sandhan is sugarcane and very famous village Kareempur biggest sugarcane & potato farming & producing Village near Hastinapur, the famous historic town of Mahabharata.
DEMOGRAPHICS

As of 2001 India census, Mawana had a population of 69,199. Males constitute 53% of the population and females 47%. Mawana has an average literacy rate of 53%, lower than the national average of 59.5%: male literacy is 61%, and female literacy is 44%. In Mawana, 17% of the population is under 6 years of age.

Promoted by Mr. Siddharth Shriram, Mawana Sugar Limited operates three factories in UP aggregate crushing capacity of 29,500 tonnes cane a day (tcd). Of these, two – Mawana (13,000 tcd) and Nanglamal (6,000 tcd) – are in Meerut and the third, Titawi (10,500 tcd), is in Muzaffarnagar district.

Mawana Sugar Limited is planning capacity expansion at both its existing facilities and is also putting up a 3,000 TCD at Nangalamal, near Meerut. MSL has provided for all cane price arrears in its accounts and the business outlook going forward looks promising.
MANAGEMENT TEAM OF MAWANA SUGARS LIMITED

CHIEF EXECUTIVE

Mr. SIDDHARTH SHRIRAM

Whole Time Directors

Mr. A.K. MEHRA

Mr. K.P. SINGH

MANAGING DIRECTOR

Mr. SUNIL KAKRIA

BOARD OF DIRECTORS

Mr. R.S. BEDI

Ms. ANURADHA DUTT

Mr. RAVI VIRA GUPTA

Mr. N.K. GOILA

Mr. D.C. MITTAL

Prof. DINESH MOHAN

COMPANY SECRETARY

Mr. AMIT KHURANA

AUDITORS

M/s A.F. FERGUSON & CO.

REGISTERED OFFICE

5th FLOOR, KIRTI MAHAL, 19, RAENDRA PLACE, NEW DELHI-110125

SHAREHOLDING PATTERN

Promoters hold 41%, Institutions hold 9.5% and the balance 49.5% represents public holding.
THE INTEGRATED BUSINESS MODEL OF MAWANA SUGARS LTD.

- CANE
  - SUGAR
    - WHITE SUGAR
    - Refined Sugar
    - Raw Sugar
  - Molasses
  - Bagasse
    - Fuel Ethanol
    - Steam
      - Process Steam
      - Power
        - Saleable Surplus
  - Trade segments
  - Institutions
  - Consumer Pack
FINANCIAL RESULTS

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2009

<table>
<thead>
<tr>
<th>Schedule</th>
<th>Year ended 30.09.2009</th>
<th>11 Months ended 30.09.2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rs. Million</td>
<td>Rs. Million</td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Sales</td>
<td>7,153.13</td>
<td>11,112.89</td>
</tr>
<tr>
<td>Less : Excise duty</td>
<td>389.91</td>
<td>994.21</td>
</tr>
<tr>
<td>Net Sales</td>
<td>6,763.22</td>
<td>10,118.68</td>
</tr>
<tr>
<td>Other income</td>
<td>156.27</td>
<td>334.86</td>
</tr>
<tr>
<td></td>
<td>6,920.49</td>
<td>10,453.54</td>
</tr>
<tr>
<td>Expenditure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing and other expenses</td>
<td>6,364.45</td>
<td>13,514.58</td>
</tr>
<tr>
<td>Interest</td>
<td>704.26</td>
<td>944.67</td>
</tr>
<tr>
<td>Depreciation</td>
<td>525.04</td>
<td>753.86</td>
</tr>
<tr>
<td>(Loss) before tax</td>
<td>(648.29)</td>
<td>(1,077.07)</td>
</tr>
<tr>
<td>Provision for taxation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax</td>
<td></td>
<td>(14.40)</td>
</tr>
<tr>
<td>Fringe benefit tax</td>
<td>5.89</td>
<td>6.51</td>
</tr>
<tr>
<td>(Loss) after tax</td>
<td>(772.18)</td>
<td>(1,092.19)</td>
</tr>
<tr>
<td>(Loss) of Mawana Sugars Limited (MIL) for the period 1.10.2008 to 31.3.2007 (Refer note 2 of Schedule 12)</td>
<td>-</td>
<td>(149.52)</td>
</tr>
<tr>
<td>Balance profit(loss) brought forward from previous period/year</td>
<td>(183.89)</td>
<td>10.93</td>
</tr>
<tr>
<td>Balance of profit brought forward from earlier period Mawana Sugars Limited</td>
<td>-</td>
<td>817.77</td>
</tr>
<tr>
<td>(Pursuant to the Scheme Refer note 2 of Schedule 12)</td>
<td>-</td>
<td>816.51</td>
</tr>
<tr>
<td>Deducted from General reserve</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance carried to balance sheet</td>
<td>(755.97)</td>
<td>(163.50)</td>
</tr>
<tr>
<td>Basic and diluted earnings per share (Rs.)</td>
<td>10.80 (per share)</td>
<td>64.67</td>
</tr>
</tbody>
</table>

SUGAR DIVISION

The year 2008-09 witnessed country wide cane shortages and consequential decrease in sugar production. The cane crush of Mawana Sugars Limited was 2.30 Mn Tons in 2008-09 as compared to 3.34 Mn Tons last year. In view of the above, all out efforts were made to give a thrust on cane development with the main focus being on increasing cane intensity and maintaining cane crop health.

There are no arrears of cane payment. Because of lower production and consequently lower stocks in the country, sugar prices rose sharply from Rs.1750/Qtl in September 2008 to Rs.2950/Qtl in September 2009. All the
three sugar plants performed satisfactorily during the year. The sugar losses reduced from 2.16% in 2007-08 to 2.06% in 2008-09. The surplus power generated by the Cogen was exported to the State grid.

The distillery operations were streamlined and rectified spirit was sold to various customers. As the Oil Marketing Companies had entered into three year contract for ethanol supply before our distillery was commissioned we did not manufacture any ethanol this year.

**DEMATERIALISATION OF SHARES**

The shares of the Company are traded in dematerialized form and are available for trading under the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Ltd. (CDSL). As on September 30, 2009, a total of 2,96,95,009 equity shares of the Company, which form 84.95% of the equity share capital, stand dematerialized.

**ISSUE OF FURTHER CAPITAL**

During the year under review, the Company had allotted 43,83,561 equity shares of Rs.10/- each at a price of Rs.36.50 per share (including a premium of Rs.26.50 per share) to M/s Usha International Limited, Promoter of the Company on preferential basis in terms of the package sanctioned by the Corporate Debt Restructuring (CDR)
mechanism of RBI and in accordance with the Securities and Exchange Board of India Guidelines for preferential issues.

**LISTING OF SECURITIES OF COMPANY**

The equity shares of your Company are listed on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited, Mumbai. The equity shares of the Company have been delisted w.e.f. 12.1.2009 from the Calcutta Stock Exchange Association Limited, Kolkata. The listing fee for the year 2009-2010 has been paid to the Bombay Stock Exchange Limited and National Stock Exchange of India Limited, Mumbai.

**FOREIGN EXCHANGE EARNINGS AND OUTGO:**

a) Activities relating to export initiatives taken to increase exports, development of new export markets for productions and services.

- The Company could not export Sugar due to sizeable gap in Sugar production and demand leading to shortage of Sugar in the country.

- International market conditions were not conducive for export of Caustic Soda in the last year and hence no export of Caustic Soda was undertaken by the Company
**RESEARCH AND DEVELOPMENT**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Specific areas in which R &amp; D carried out by the Company</td>
<td>Mawana Sugars Limited has collaborated with Massachusetts Institute of Technology (MIT) USA and set up practice school at Mawana. The following projects were undertaken: - Selective Crystallization of sugar crystals - Sugar Losses in manufacturing process - Efficient Energy Utilization</td>
</tr>
<tr>
<td>2</td>
<td>Benefits derived as a result of above R&amp;D</td>
<td>- Optimization of process parameters - Improvement in process control - Improvement in quality of sugar - Improvement in energy efficiency</td>
</tr>
<tr>
<td>3</td>
<td>Future plan of action</td>
<td>- Improvement in process efficiencies - Manufacturing of specialty sugars</td>
</tr>
<tr>
<td>4</td>
<td>Expenditure on R&amp;D</td>
<td>Current Year</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Predecess Period</td>
</tr>
<tr>
<td></td>
<td></td>
<td>01.10.08 – 30.09.08 (12 Months)</td>
</tr>
<tr>
<td></td>
<td>Capital (Rs. Lacs)</td>
<td>00.00</td>
</tr>
<tr>
<td></td>
<td>Recurring (Rs. Lacs)</td>
<td>142.20</td>
</tr>
<tr>
<td></td>
<td>Total (Rs. Lacs)</td>
<td>142.20</td>
</tr>
<tr>
<td></td>
<td>Total R&amp;D expenditure as a percentage of total turnover</td>
<td>0.23%</td>
</tr>
</tbody>
</table>

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Efforts, in brief, made towards technology absorption, adaptation and innovation</td>
<td>- Provision of quintuple effect evaporator operation at reduced crush - Provision of feeding clear juice by 1st vapour - Provision of boiling B-Massescale by 2nd vapour - Increasing capacity at B-Massescale conditioning - Installation of Czistic acid recirculation system - Load balance at cane cutter for improved cane preparation and power saving</td>
</tr>
<tr>
<td>2</td>
<td>Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.</td>
<td>The overall advantages are as follows: - Reduction in molasses purity - Reduction in steam consumption - Reduction in Chemical cost</td>
</tr>
<tr>
<td>3</td>
<td>In case of imported technology imported during the last 5 years reckoned from the beginning of the financial year, the following information may be furnished</td>
<td>NL - Not Applicable - Not Applicable - Not Applicable</td>
</tr>
<tr>
<td></td>
<td>Technology Imported</td>
<td>- Year of import - Has technology been fully absorbed? - If not fully absorbed, areas where this has not been taken place, reasons thereof and future plans of action.</td>
</tr>
</tbody>
</table>

**SUBSIDIARY COMPANIES**

During the year under review, Nanglamal Sugar Limited has ceased to be a subsidiary of the Company having merged with Mawana Sugars Limited and Siel Holdings Limited is now held 10% by Mawana Sugars Limited.
CHANGE OF FINANCIAL YEAR

Mawana Sugars Ltd has informed that the Registrar of Companies, NCT of Delhi & Haryana vide its letter dated March 31, 2008 has granted its permission for extension of the financial year 2007-2008 of the Company by 6 months i.e. up to September 30, 2008. Further the Company has informed that, the financial year of the Company shall thereafter be October to September every year.

MERGER AND CHANGE OF NAME

The merger of erstwhile Mawana Sugars Limited with Siel Limited and reduction of equity shares of the merged company w.e.f. 1.10.2006 i.e. the Appointed Date has been completed in the year 2007-2008. The name of the Company has been changed to Mawana Sugars Limited w.e.f. 4.1.2008. Pursuant to the Scheme of Arrangement for Amalgamation (the “Scheme”) of the erstwhile Mawana Sugars Limited (MSL) with the Company under Sections 391 to 394 of the Companies Act, 1956 approved by the Hon’ble High Court of Delhi vide its Order dated September 11, 2007 which became effective on October 15, 2007 on filing of the certified copy of the Order of the High Court in the Office of Registrar of Companies, NCT Delhi & Haryana, all the properties, assets, both movable and immovable, liabilities including contingent liabilities and reserves of MSL have without further act or deed, been transferred to and vested in the Company at their book values, as a going
concern with effect from the appointed date i.e. October 1, 2006. Subsequently, the name of the Company has been changed to *Mawana Sugars Limited* w.e.f. *January 4, 2008*.

**SWOT ANALYSIS OF MAWANA SUGAR MILLS LIMITED**

**STRENGTHS**

- **Higher end product prices**: Sugar is the main product of sugar mills, which is most likely to fetch record prices this year. The mills that are able to secure cane supply will be the biggest beneficiaries. In recent past the mills have undergone capacity expansion, which will increase their processing capacity leading to higher productivity.

- **Favorable policy**: like any other industry, sugar companies too have liquidity crunch which can be meet through Sugar Development Fund of the Government of India under special case schemes.
**WEAKNESS**

- **Fall in derivatives:** The prices of derivatives like ethanol, bagasse, waste or manure etc will also have adverse impact on almost all the companies.

- **Currency risk:** Most of the companies which have exposure in form of overseas loans, imports etc will be vulnerable to the forex losses in advent of rupee depreciation as is the case while writing report, rupee is quoting at 50.00 against dollar.

**OPPORTUNITY**

- **Seasonality:** Sugar follows 3-5 years cycle, which is a function of prices. We have already witnessed the bearish phase following glut of supply. Now the situation is of lower production and higher consumption, which calls for higher remuneration to the farmers for attracting higher acreage coverage under sugarcane.

- **Crude oil revival:** The revival in crude oil prices will throw this industry into limelight again. The derivative products of cane would be in demand and supply constraints are clearly visible to push prices higher.
**THREAT**

- **Low cane availability**: Limited or non-availability of cane will eventually lead to early closure of mills. The limited stocks however may be sold at higher levels will not be able to improve the bottom line significantly.

- **Higher debt**: The fund raising capabilities of most of the existing companies in this sector are under serious threat amid ongoing tight liquidity. The severe dent in bottom line will eat away the cash reserves of the companies; else it will result in further equity dilution.

- **Arrears**: Although numerous cases are pending in UP against the states unilateral policy decisions but rulings in favour of state will lead to heavy arrear charges for the mills.

- **Inflation**: Although is not a dragon now, but still any sharp rise in sugar prices will call for a government intervention.

- **Unfavorable policy**: The call for change in policy will now be via inflation route only, since for securing supplies government has already relaxed norms for imports, which are acceptable at zero duty.
Higher SMP: Increase in SMP prices as recommended by the CACP, will lead to significant increase in operating cost for the mills.

SOCIAL FACE OF MAWANA SUGARS

A business unit doesn’t exist to generate surplus alone, rather it is a constituent of the composite social structures and systems and as a responsible member of the society it is incumbent upon business organizations to relate with the society as a whole and the surrounding community in particular by working for their betterment and welfare.

At Mawana Sugars it is their continuous endeavour to evolve and initiate activities for the development and betterment of the surrounding community in Rajpura and several programs have been initiated to achieve this noble goal.

To promote the cultural heritage of our nation they had organized Dance and Drama ‘RAM’ shows by the internationally renowned troupe, SBKK, for the local community. A number of health check up camps and sports activities have been organized for the surrounding villages. School children are being regularly invited to their organization on occasions such as World Environment Day to promote environmental awareness through activities like tree plantations, painting competitions, debates and discussions etc. Extending their initiatives further, they
have also adopted a linear stretch of land in the Rajpura city and worked on improving its aesthetic look by way of plantation and beautification.

As responsible corporate citizens, Mawana Sugars Ltd. believes that such interface with the community is a continuous process and it shall continue to evolve in the times to come.
4.2 Profile of Simbhaoli Sugars Limited

Simbhaoli Sugars Limited (SSL), formerly known as The Simbhaoli Sugar Mills Limited (SSML), a 75 years old company is reinventing itself as a growth oriented, innovative and customer facing enterprise. A culmination of a process that started at the turn of the century, SSL has transformed itself into a leaner, fitter and stronger corporation. The Company has evolved a de-risked growth model that mitigates the volatility of the commodity market by investing in the diversified revenue streams, stringent quality and branding, in a cost effective man Origin.

Simbhaoli Sugars Limited (SSL) was established as a partnership firm in 1933 with a 400 TCD (tones of sugarcane crushed per day) sugar unit at Simbhaoli in Western Uttar Pradesh region of India. It was incorporated in 1936 as a private limited company. The company went public in 1989 and has followed a stable growth strategy in its business. In the year 1992 it acquired a distillery and converted its Simbhaoli sugar plant into a sugar complex.

Established by Sardar Raghbir Singh Sandhanwalia in the village that goes by its name, Simbhaoli was one of the earliest sugar plants to be set up in western Uttar Pradesh. Over the years, SSL set industry trends for technology, professional management, product quality, research and innovation efforts, and covenant with farmers, corporate
social responsibility initiatives and welfare schemes for employees.

**SIMBHAOLI SUGARS LTD.: FROM INCEPTION TILL TO DATE**

**1936**

The Company was incorporated as a Private Limited Company on 29th June. The Company became a deemed Public Limited Company since 1975 and became a Public Limited Company on July 28, 1989.

The company was promoted by the late Raghbir Singh Sandhanwalia and his associates. The main object of the company manufacture of sugar.

It was proposed to merge the operations of Simbhaoli Industries Pvt. Ltd. (SIPL) with the company. SIPL is manufacturing alcohol with licensed capacity of 13,360 thousand kilo litres per annum.

**1,200 shares issued as bonus shares in prop. 1:1 in 1980-81.**

**1984**

The quantity of sugar cane crushed and the recovery were low due to drought and severe frost. As a part of capital programme, a high pressure lipi boiler was commissioned during year.
1985

The plant operations were adversely affected due to a strike by cane growers in the west U.P. region, large diversion of sugarcane to khandasari and gur manufactures and low yield of sugar cane in the fields owing to severe pyrilla attack on the crop in the previous year.

After successful completion of the capital programme, the company took up a modernization programme involving mainly the installation of a Buckau Wolf milling tandem of modern design in place of the existing Stork Works poor milling tandem.

2,400 bonus shares issued in prop. 1:1.

1987

The plant operations were adversely affected due to unfavourable climatic conditions which affected the sugar crop in the Western Zone of Uttar Pradesh.

The Company embarked upon an expansion programme for increasing the sugarcane crushing capacity from 2,750 tonnes per day to 5,000 tonnes per day. The programme also involved addition/replacement of equipment/builders, construction of sugar godown, expansion of boiler house, power house and underground and overhead
water tanks and improvement in the effluent disposal scheme.

4,800 bonus shares issued in prop. 1:1.

1989

- The recovery rate was also lower due to early start of the crushing season in the month of October.

Equity shares sub-divided. 14,40,000 bonus shares issued (pro. 3:2) in Jan. 1990. 6,00,000 No. of equity shares issued (prem. Rs. 10 of which 30,000 shares offered to employees/workers of the Company (only 20,800 shares taken up). The remaining 5,70,000 shares along with 9,200 shares not taken up by employees were offered to the public in November. Additional 90,000 shares allotted to retain oversubscription.

1990

- Some of the fixed assets, namely, land, buildings, railway siding and plant and machinery were revalued as at 31st March.

1991

- Crushing capacity of 5000 TPD was achieved. The performance of the plant was satisfactory except for frequent breakdown of certain power generation equipments.
1993

Performance of the sugar and distillery divisions was reported to be satisfactory. Certain new brands launched by the distillery division were well received in the market.

1994

▷ A net 4500 litres per day distillation plant was commissioned in its distillery division.

In the distillery division, the Company undertook to set up a net efficient treatment plant for maximizing the bio gas productivity at expanded capacity. A new boiler was also being commissioned for meeting the stream requirement.

1995

▷ During the year, the project for the establishment of a new distillery for manufacture of 45000 LPD of industrial alcohol and 20,000 LPD of extra neutral alcohol was in progress. It was to be eligible for 100% free sale sugar for the first nine years of its operation.

▷ In addition, a high pressure boiler and 12 MW power turbine were being set up at Simbhaoli. A total of 5 MW 1 hour power was to be available as surplus from the system which was to be offered to UP State Electricity Board.
2004

Simbhaoli Sugar Mills starts manufacture of Ethanol

2006

Simbhaoli Sugars commissions Greenfield sugar unit at Brijnathpur.

**CHANGE IN FINANCIAL YEAR**

The Company has changed its accounting year from April-March to October-September in view of coinciding it with the sugar season (October to September). While pursuing the current financial year from April to March, it is not possible to allocate off crushing season expenses in the same season. Accordingly, the financial year 2006-2007 is for a period of 18 months commencing from April 1, 2006 to September 30, 2007. In subsequent years, the Company will have uniform accounting year ending September 30, each year.

2007

Simbhaoli Sugars Limited has informed that Mr. Kamal Samtani has been elevated to the position of Company Secretary of the Company and shall continue to be the compliance officer.
VISION

"To be an environment friendly, stakeholder centric, innovative, professionally managed, integrated sugar refining company with low cost global technologies producing range of value added products."

MANAGEMENT TEAM OF SIMBHAOLI SUGARS LIMITED

<table>
<thead>
<tr>
<th>CHAIRMAN &amp; MANAGING DIRECTOR</th>
<th>Mr. GURMEET SINGH MANN</th>
</tr>
</thead>
<tbody>
<tr>
<td>WHOLE TIME DIRECTORS</td>
<td></td>
</tr>
<tr>
<td>DY.MANAGING DIRECTOR</td>
<td>Mr. GURPAL SINGH</td>
</tr>
<tr>
<td>EXECUTIVE DIRECTOR</td>
<td>Mr. G.S.C.RAO</td>
</tr>
<tr>
<td>DIRECTOR – FINANCE</td>
<td>Mr. SANJAY TAPRIYA</td>
</tr>
<tr>
<td>NON-EXECUTIVE DIRECTOR</td>
<td>Mr. S.K.GANGULI</td>
</tr>
<tr>
<td></td>
<td>Mr. S.C.KUMAR</td>
</tr>
<tr>
<td></td>
<td>Mr. YASHWANT VARMA</td>
</tr>
<tr>
<td>NOMINEE DIRECTOR</td>
<td>Mr. S.D.SAXENA</td>
</tr>
<tr>
<td>COMPANY SECRETARY</td>
<td>Mr. KAMAL SAMTANI</td>
</tr>
<tr>
<td>AUDITORS</td>
<td>M/s A.F.FERGUSON &amp; CO.</td>
</tr>
<tr>
<td>SOLICITORS</td>
<td>M/s J.SAGAR ASSOCIATES</td>
</tr>
<tr>
<td>REGISTERED OFFICE</td>
<td>SIMBHAOLI</td>
</tr>
<tr>
<td>CORPORATE OFFICE</td>
<td>C-11, CANNAUGHT PLACE, NEW DELHI - 110001</td>
</tr>
</tbody>
</table>
**OPERATING SEGMENTS**

**SUGAR**

SSL has three sugar plants (Simbhaoli and Brijnathpur and Chilwaria) with a combined, crushing capacity of 20,100 TCD. It is capable of producing a wide range of world-class sugars i.e. white crystal refined sugar, pharmaceutical grade sugar, EU grade sugar (for exports), superfine sugars, sugar cubes and candy sugar.

**DISTILLERY**

SSL has three alcohol distilleries (at Simbhaoli, Chilwaria and Brijnathpur) with a combined capacity of 210 kilo liters of alcohol/ethanol per day (KLD). It includes 180 KLD of ethanol/rectified spirits/extra neutral alcohol (ENA) capacities. Simbhaoli distillery is a potable distillery capable of producing a million cases of quality potable spirits.

**CO GENERATED POWER**

Simbhaoli and Chilwaria sugar complexes house bagasse based surplus co-generation facility of 30 MW/hour. Biomass-based co-generation projects are accredited by UNFCCC under the Clean Development Mechanism programme.
BIO-MANURE

Each of the sugar complexes, house bio-manure facilities with aggregate capacity of 44,000 MTPA. The bio-manure is distributed both to farmers and domestic consumers across northern India. The Company’s research has shown that the use of organic manure increases crop yields. Further, the Company distributes the organic manure to its cane farmers at cost or below, for increasing the farm productivity.

FINANCIAL RESULTS AND ANALYSIS

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Year ended Sept 30, 2009</th>
<th>Year ended Sept 30, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales/Income from operations</td>
<td>70,632</td>
<td>43,545</td>
</tr>
<tr>
<td>Other operating income</td>
<td>1,212</td>
<td>1,009</td>
</tr>
<tr>
<td>Total operating income</td>
<td>71,844</td>
<td>44,554</td>
</tr>
<tr>
<td>Profit from operations before other income,</td>
<td>5,218</td>
<td>1,576</td>
</tr>
<tr>
<td>interest, exchange fluctuation and derivative loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other income</td>
<td>7,407</td>
<td>93</td>
</tr>
<tr>
<td>Profit/before interest, exchange fluctuation and derivative loss</td>
<td>12,625</td>
<td>1,670</td>
</tr>
<tr>
<td>Interest and finance cost</td>
<td>6,311</td>
<td>3,964</td>
</tr>
<tr>
<td>Exchange fluctuation and derivative loss/(profit)</td>
<td>(567)</td>
<td>2,112</td>
</tr>
<tr>
<td>Profit /(Loss) before tax</td>
<td>6,881</td>
<td>(4,406)</td>
</tr>
<tr>
<td>Tax expense</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax benefit</td>
<td>(317)</td>
<td>(1,556)</td>
</tr>
<tr>
<td>Fringe benefit tax</td>
<td>20</td>
<td>60</td>
</tr>
<tr>
<td>Net Profit/(Loss) after tax</td>
<td>7,178</td>
<td>2,910</td>
</tr>
</tbody>
</table>

In view of the recent turn round, and need to conserve cash, the directors express their inability to recommend any
dividend for the year. The analysis of balance sheet of the Company as at September 30, 2009 and profit and loss account for the year ended as on that date is reported as under:

**SHARE CAPITAL**- The following movement in the share capital has taken place during the year 2008-2009:

**Preference shares**: 8,12,000 preference shares of Rs. 100/- each aggregating to Rs. 812 lacs have been redeemed at par by the Company in trenches, last redemption being on November 5, 2009. Consequent upon redemption, the contingent liability towards dividend on these preference shares is also extinguished.

**Equity shares**: 16,04,000 share warrants held by certain promoters have been converted into 16,04,000 equity shares; and 1,75,836 stock options issued to eligible employees have been converted into 1,75,836 equity shares in the share capital of the Company.

The issue proceeds of Rs. 682.83 lacs were utilized for augmenting capital expenditure/working capital requirements of the Company.

**Reserve and surplus**- The following movement has taken place during the year under the reserve and surplus:

(i) **Revaluation reserve**: Deduction of Rs. 74.67 lacs due to depreciation charged on re-valued amount of fixed assets.
(ii) **Security premium account**: Increased by Rs. 1,188 lacs on account of fresh issue of capital and transfer of the premium payable on redemption of FCCB after buy back.

Total equity shareholder funds excluding revaluation reserve of the Company increased to Rs. 11,622 lacs as on September 30, 2009 (previous year Rs. 2,513 lacs). The book value per equity share is Rs. 50.16 as on September 30, 2009.

**Secured loans**- External commercial borrowings of Rs. 63.25 Cr (USD 13 mn) has been availed from Punjab National Bank, Hong Kong for buy back of FCCBs. The cash credit facilities utilization remained higher on account of higher inventory balances and not from working capital borrowings.

**Unsecured loans**- Bought back FCCBs of USD 29.61 million out of the total liability of USD 33.00 million and thereby reducing liability by Rs. 13,868 lacs.

**Deferred tax liabilities/assets (net)**- Deferred tax asset of Rs. 1,927 lacs, recognized in previous years, is continued in the accounts keeping in view that sufficient taxable income will be available in future, against which these assets will be realized in the normal course of business of the Company.

**Fixed assets**- The following movements have taken place under the head of fixed assets during the year:
a. **Capital expenditure**: Rs. 4,250 lacs have been spent on capital expenditures including capital work in progress. The Brijnathpur ethanol plant having capacity of 60 Kl/day is commissioned. The bagasse-fired boilers have been converted into multi-fuel boilers at Simbhaoli and Chilwaria plants.

b. **Retirement of assets**: The Company has retired/transferred certain assets having gross book value of Rs. 152 lacs (previous year Rs. 229 lacs) and net book value of Rs. 73 lacs (previous year Rs. 47 lacs).

**Pre-operative expenditure**- The pre-operative expenses pending allocation of Rs. 133 lacs (Previous year Rs. 1,175 lacs) represents pre-operative expenses related to capital projects under execution.

**Sundry debtors** - Sundry debtors (net), amounting to Rs. 5,695 lacs on September 30, 2009 (previous year Rs. 3,695 lacs), are considered good and realizable. Provisions are generally made for all debtors outstanding for over 360 days subject to their scope of realization depending on the management’s perception. Debtors are at 5.7% (previous year 5.6%), representing an outstanding of 20 days of gross revenues (previous year 20 days).

**Current liabilities and provisions**- Sundry creditors comprises amount due to small scale industries, the suppliers of raw materials, stores and services and other
expenses. Other provisions include provision of Rs. 409 lacs (previous year Rs. 2,718 lacs) towards premium on redemption of FCCBs and Rs. 187 lacs (previous year Rs. 128 lacs) towards provisions for leave encashment.

**Sales and other income**- Sales and other income (net of excise) for the year Rs. 79,251 lacs (Previous year Rs. 44,648 lacs), was higher by 77.50%. The other income comprises interest, rent, profit on sale of fixed assets; liability/provisions no longer required written back and miscellaneous earnings from carbon credits.

**Accounting policies**- The Company’s financial statements are prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles in India. The management of the Company accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates/judgments used in preparation of these statements. The estimates and/or judgments have been made on a consistent, reasonable and prudent basis to reflect true and fair picture of the state of the affairs of the Company.

**Debt servicing and public deposits**- The Company has been able to meet its obligations towards the lenders for principle and interest, in terms with the respective letter of sanctions/approvals. During the year, the Company has not accepted any fresh public deposit and has paid the entire outstanding fixed deposits of Rs. 14.69 lacs.
The comments on the statement of account referred to in the report of the auditors are self-explanatory, and explained in the appropriate notes to accounts.

EMPLOYEE STOCK OPTION SCHEME

During the year, the Company has granted 5,97,800 stock options to eligible employees under Simbhaoli Sugars Limited- Employees Stock Option Scheme 2007 and converted 1,75,836 stock options into 1,75,836 equity shares of the Company in accordance with the provisions of SEBI (Employee stock option scheme and employee stock purchase scheme) Guidelines, 1999.

The scheme has been implemented in accordance with the said guidelines and the resolutions passed by the shareholders of the Company.

FOREIGN CURRENCY CONVERTIBLE BONDS

During the year, Company has bought back Foreign Currency Convertible Bonds (FCCBs) of USD 29.61 million out of total liability of USD 33.00 million by raising external commercial borrowings from Punjab National Bank, Hong Kong in accordance with the guidelines issued by the Reserve Bank of India.

LISTING OF SECURITIES

The equity shares of Company are listed with Bombay Stock Exchange Limited and National Stock Exchange of
India Limited. Foreign Currency Convertible Bonds are listed with the Singapore Stock Exchange.

FOREIGN EXCHANGE EARNINGS AND OUTGO

An aggregate of Rs. 2,432 lacs (Previous year Rs. 2,853 lacs) was earned by the Company against export of sugar. A sum of Rs. 33,412 lacs (previous year Rs. 193 lacs) inclusive of import of raw material of Rs.33,145 lacs was spent in foreign currency.

SWOT ANALYSIS OF SIMBHAOLI SUGAR LIMITED

STRENGTHS

Three technologically advanced facilities located in the sugarcane rich area of Uttar Pradesh.

➢ Sugarcane crushing capacity of 20,100 tcd with a capability to produce up to 0.22 mmt of premium refined sugar and 0.08 mmt of white sugar annually. The entire sugar at Simbhaoli and Brijnathpur locations conforms to EU standards (45 ICUMSA and below)

➢ Capability to process external raw sugar in the event of shortfall in cane availability and to create economic arbitrage.
Strong relationships with over 1,20,000 sugarcane farmers, not only in sugarcane related areas but also in other crops.

- Producer of pharmaceutical grade and specially sugar products under branded categories, targeting retails, industrial users, and hospitality and tourism industries.

Venturing into premium/semi-premium potable alcohol segments, a business not dependent upon sugar cycles.

- De-risked operations with power co-generation, alcohol and bio-manure.

**Weaknesses**

Sugar business is affected on account of financial constraints and lower margins in sugar business.

- Company is part of the sugar manufacturing system of the country and subject to induced agro climatic/business cycles and Government regulations.

- High gearing leading to higher financial costs and risks.
**OPPORTUNITIES**

Growing opportunities in bio-energy segment which includes bio-power and ethanol.

▷ Brand building in potable alcohol and sugar. Trust brand of sugar has created a number of opportunities. The potable alcohol market, in which the company is increasing its penetration, is growing by over 10% annually.

Commodity trading, both domestic and global. An offshore associate company has been set up for this purpose.

▷ An excellent relationship with the cane farmers for implementing an integrated agri-model for them.

**THREATS**

The sugar is the primary business of the Company, which may not only be impacted by the changing agro-climatic conditions but also the Government policies and regulations.

▷ The present economic slowdown may affect the business of the Company in more than one manner.

**SOCIAL FACE OF SIMBHAOLI SUGARS LIMITED**

Simbhaoli has over seven decade track record of engaging with farmers in improving their quality of life. To
commemorate its 75th birth anniversary, and in order to synergize its multiple CSR interventions, the Company has now established Simbhaoli India Foundation (SIF). The foundation will plan & implement health, education, water & other social welfare schemes for village communities adjacent to its plants. Specifically, these programmes will target the more vulnerable sections of rural India – children, women and elderly people in and around the sugarcane catchments areas abutting Simbhaoli, Chilwaria & Brijnathpur plants.

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