

# Annual Financial Results - 2008-09

SUGAR • POWER • ETHANOL

**Energy**  
for the future



Shree Renuka Sugars Limited

## MANAGEMENT DISCUSSION AND ANALYSIS - 2008-09

**Acquisition in Brazil**

As a part of our strategy to become a global player, Shree Renuka Sugars Limited (“SRSL”) has entered into Definitive Agreements for the acquisition of Vale do Ivaí S.A. Açúcar e Álcool (“VDI”), a Brazilian sugar and ethanol production company. The acquisition includes two sugar and ethanol production facilities located in the Southern State of Parana with a combined cane crushing capacity of 3.1 million tons per annum. Larger part of the sugarcane requirements at VDI are met through its own cultivation of more than 18,000 Ha of land (74% own cane). In addition, VDI holds strategic stakes in several logistics assets including terminals for storage and loading of sugar and ethanol at the port of Paranagua.

Brazil is the largest and among the lowest-cost producers of sugar in the world with strong growth potential in the medium and long-term. The global trade and imports into Asia are in particular dependent significantly on production surplus of sugar in Brazil. In addition the area around India which is the Middle-East, South Asia, East Africa and Southeast Asia are covered profitably or competitively distance wise from our two refineries in India. Hence, there is a significant value that can accrue through such an acquisition over the long term.

The acquisition is strategically compelling in many ways. It is a key step to secure raw sugar supplies for our refineries. The acquisition also offers a great cost proposition as cost of production is much lower compared to India enabling substantial gains during an up-cycle and protection during a down cycle. The logistics asset and proximity of VDI to the port also adds substantial value to the acquisition.

The acquisition provides Shree Renuka Sugars Ltd. with an entry opportunity in Brazil and it plans to grow and expand its production base in the Centre-South region of Brazil to enhance its competitiveness in the global sugar business.

**Revenues - Standalone**

Our total turnover including total revenues net of excise duty and including other income, for the year ending September 30, 2009 was Rs. 22,398 million as compared to Rs. 18,151 million in the year ending September 30<sup>th</sup>, 2008, which is an increase of 23%.

Our total turnover increased mainly due to increase in the segment sales of Sugar to Rs. 18,616 million in year ending September 30, 2009 from Rs. 7,645 million in year ending September 30, 2008, increase in segment sale of power generation to Rs.2,955 million from Rs.1,838 million, an increase in segment sales of Ethanol to Rs. 1,686 million in the year ending September 30, 2009 from Rs. 1,113 million in year ending September 30, 2008.

The segment sales of Manufactured Sugar increased by 50% from 535,643 MT to 802,485 MT of sugar sold in year ending September 30, 2009 with an average net realization of Rs. 21,398/- per MT for the year as compared to Rs. 12,916/- per MT last year. The Manufactured Sugar sales in Q4 2009 increased by 48% from 192,976 in Q4 2008 MT to 285,270 MT of sugar with an average net realization of Rs. 24,836/- per MT for the quarter as compared to Rs. 13,511/- per MT for corresponding quarter

Revenue from cogeneration plant was Rs. 1,504 Mn, due to increase in export of power to Grid by 40% from 166 million units to 232 million units. There has been an increase in net realization from Rs. 5.88 to Rs. 6.48 per unit export of power. There was an increase in export of power to Grid by 120% from 15 million units in Q4 2009 to 33 million units in Q4 2008.

Sales from Ethanol division in the year ending September 30, 2009 have increased by 27% as compared to the year ending September 30, 2008 due to higher sales during the year from 51,115 KL to 65,025 KL with average realization of Rs. 25,924 in 2009 as compared to Rs. 22,719 in 2008. Sales from Ethanol plant in Q4 2009 have increased by 51% from 11,198 KL to 16,950 KL as compared to the sales for Q4 2008 with average realization from Rs. 24,111/- to Rs. 30,457/- which is an increase of 26%.

**The revenues from Renewable Segment (Ethanol & Power) as a percentage of Manufacturing Revenues have decreased from 28% to 20% even though there is an increase in absolute terms from Rs.2,951 million in 2008 to Rs. 4,641 million in 2009 due to increased contribution from sugar segment.**

**The profit (PBIT) from Renewables (Ethanol & Power) has increased from Rs. 1,417 million in 2008 to Rs.1,522 million in 2009 an increase of 7%. Profit from Renewables contributed 46% of the total manufacturing profit.**

### Production

The cane crushing at all the plants totaled 3,519,953 MT in the year ending September 30, 2009, as compared to 4,623,550 MT in the year ending September 30, 2008. Sugar bagged decreased to 377,750 MT from 523,797 MT, a decrease of 28%. Sugar yield [recovery] per ton of cane from has decreased to 10.73% for 2009 from 11.43% for 2008.

Total sugar produced in the refineries from raw sugar has increased from 67,845 MT to 637,089 MT. Total sugar produced for the year has increased to 1,014,839 MT as compared to 591,642 MT in 2008 which is an increase of 72%.

As on 30<sup>th</sup> September 2009, we had closing stock of sugar of 390,344 MT including 74,200 MT of imported white sugar and 98,171 MT of raw sugar. Inventory of Ethanol and molasses was 24,591 KL and 88,805 KL respectively.

### Expenditure

Our total expenditure excluding provisions for tax, interest & depreciation was Rs. 18,713 million in year ending September 30, 2009 which is an increase by 17%, as compared to Rs. 15,971 million in year ending September 30, 2008.

### Raw materials

The total consumption of raw materials in year ending September 30, 2009 was Rs. 18,713 million as compared to Rs.15,971 million in year ending September 30, 2008. The increase is on account of increase in cane prices even though there was lower cane crushing.

### Interest

As a percentage of total revenues the interest cost has marginally increased to 3.95 % in year ending September 30, 2009 from 3.74 % in year ending September 30, 2008. The interest cost in year ending September 30, 2009 increased to Rs. 884 million from Rs. 678 million in year ending September 30, 2008, which is an increase by 30%. This was primarily due to increase in term borrowings for CAPEX programs and increased working capital borrowings for the increased manufacturing activities.

The long term debt outstanding as on 30<sup>th</sup> September 2009 is Rs. 9,077 million.

## **Profit before Tax**

Our Profit before Tax in year ending September 30, 2009 was Rs. 2,176 million as compared to Rs. 1,137 million in year ending September 30, 2008. This represents an increase of 91%. This increase is due to the changes in various revenue and cost items as discussed above.

## **Provision for Income Tax**

Provision for Income Tax increased to Rs. 741 million in year ending September 30, 2009 from Rs. 392 million in year ending September 30, 2008 – an increase of 89%. This is primarily due to increase in taxable income.

## **Profit after Tax**

Our Profit after Tax in year ending September 30, 2009 was Rs.1,435 million as compared to Rs. 927 million in year ending September 30, 2008. This represents an increase of 55%. This increase is due to the changes in various revenue and cost items as discussed above.

**Company Performance**

OPERATIONAL PERFORMANCE FOR 2008-09

KEY OPERATIONAL PARAMETERS CUMULATIVE	2008-09	2007-08
<b>(A) Sugar Plant</b>		
Sugarcane Crushed (Tons)	3,519,953	4,623,550
Raw Sugar Processed (Tons)	663,032	72,296
Recovery (weighted average)	10.73%	11.43%
<b>Sugar Produced</b>		
From Cane (Tons)	377,750	523,797
From Raw Sugar (Tons)	637,089	67,845
<b>Total Sugar produced (Tons)</b>	<b>1,014,780</b>	<b>591,641</b>
<b>(B) Cogeneration Plant - Munoli &amp; Athani</b>		
Generation of Power (Million kwh)	373	268
Power Exported (Million kwh)	<b>231</b>	<b>154</b>
Captive Consumption (Million kwh)	142	115
<b>(C) Ethanol Plant - Munoli &amp; Athani</b>		
Total Spirit Produced (Kiloliters)	<b>77,508</b>	<b>47,020</b>

**Consolidated basis**

Rs. in Million

Particulars	2007-08	2008-09	% Change
Total Income	21,192	28,225	33.19%
EBIDTA	2,663	4,721	77.28%
PBT	1,608	2,968	84.58%
PAT	1,339	2,235	66.92%
EPS	4.31	7.80	81.17%
Net worth	8,320	15,274	83.58%
Net block	7,516	14,149	88.24%

**Key Ratios**

Ratios	2007 - 08	2008 - 09
Long term debt / equity	0.87	0.62
EBIDTA / Total income	12.57%	16.73%
PBT / Total income	7.59%	10.52%
PAT / Total income	6.32%	7.92%

**Standalone Basis**

Rs. in Million

Particulars	2007-08	2008-09	% Change
Total Income	18,151	22,398	23.40%
EBIDTA	2,180	3,685	69.04%
PBT	1,137	2,176	91.38%
PAT	927	1,435	54.80%
EPS	2.78	4.99	79.73%
Net worth	6,383	12,625	97.78%
Net block	6,912	12,569	81.85%

**Key Ratios**

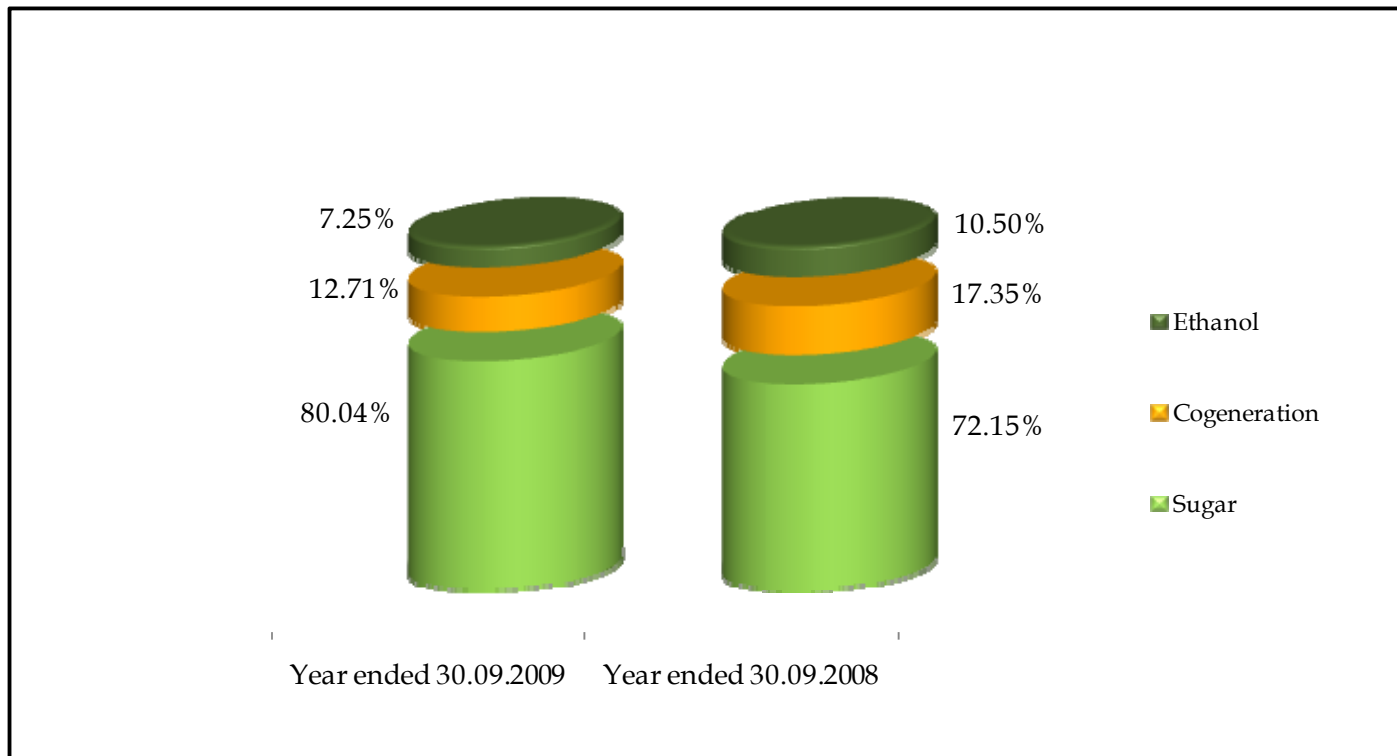
Particulars	2007-08	2008-09
Long term debt / equity	1.13	0.72
EBIDTA / Total income	12.01%	16.45%
PBT / Total income	6.26%	9.72%
PAT / Total income	5.11%	6.41%



# Annual Results

## 2008-09

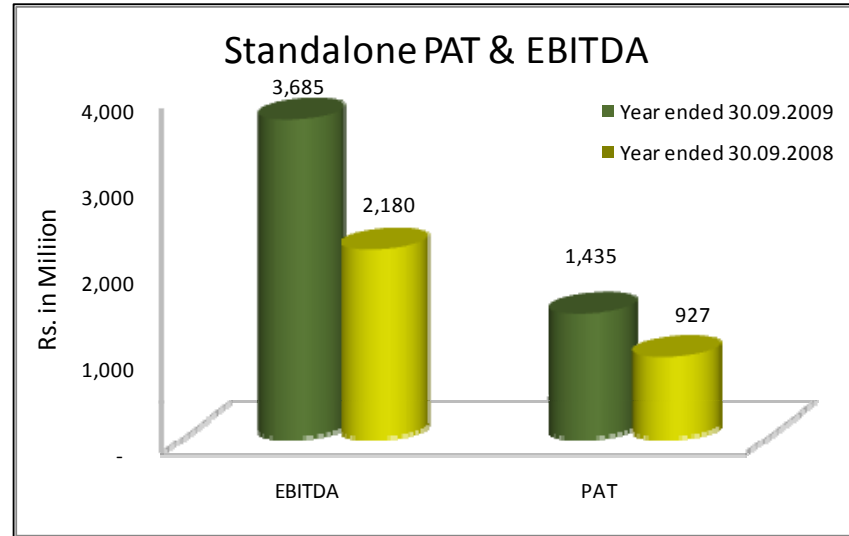
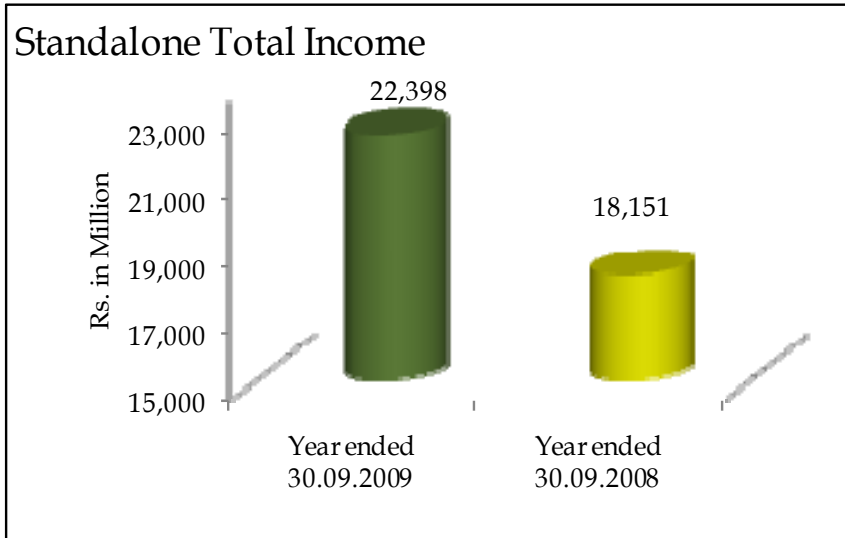
Segment wise Comparison- Manufacturing



General Comments:

- ✓ Increase in contribution of Sugar from 72.15% to 80.04% of the total revenues

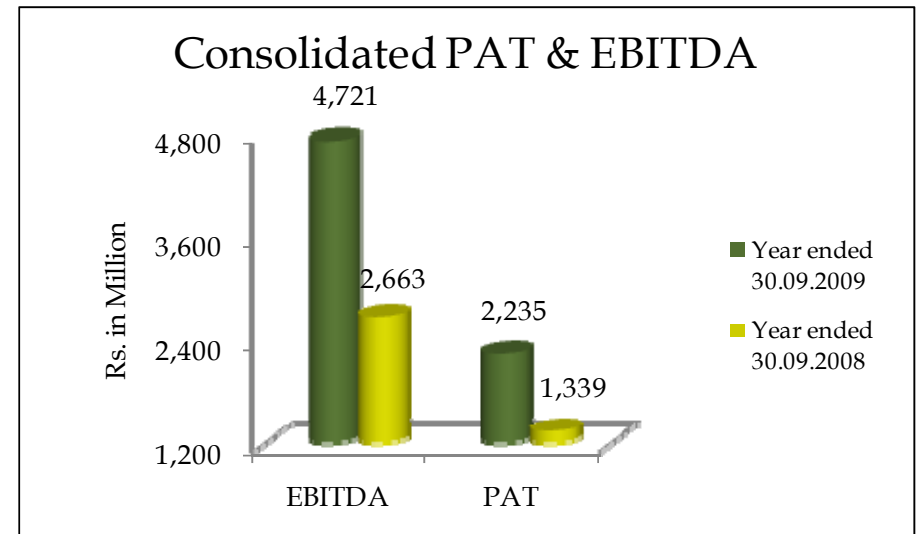
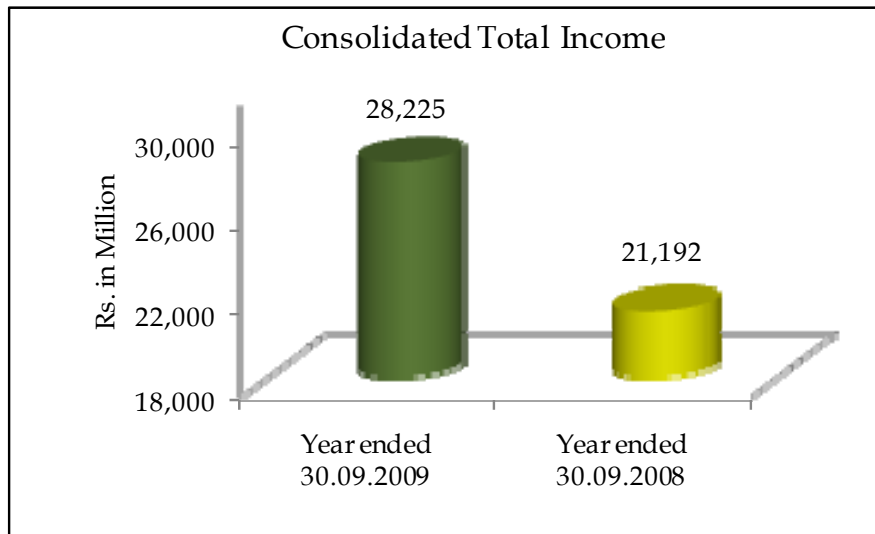
### Standalone Analysis



### Comments

- ✓ Net Revenues increased by 23% in 2009 as compared to 2008
- ✓ EBITDA increased by 69% in 2009 as compared to 2008
- ✓ PAT increased by 55% in 2009 as compared to 2008

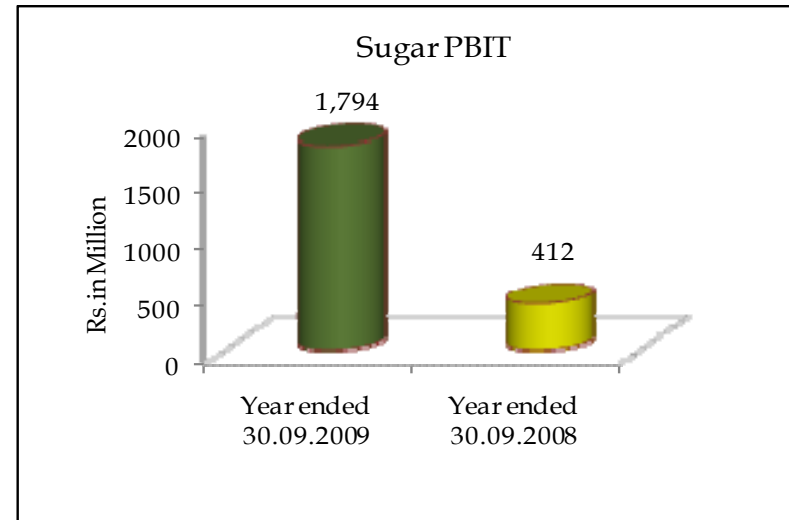
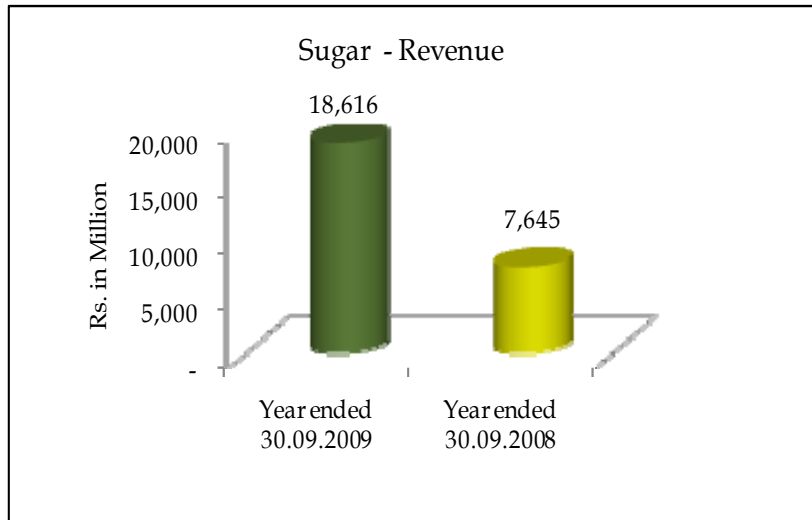
### Condoliated Analysis



### Comments

- ✓ Consolidated Net Revenues increased by 33% in 2009 as compared to 2008
- ✓ Consolidated EBITDA increased by 77% in 2009 as compared to 2008
- ✓ Consolidated PAT increased by 67% in 2009 as compared to 2008

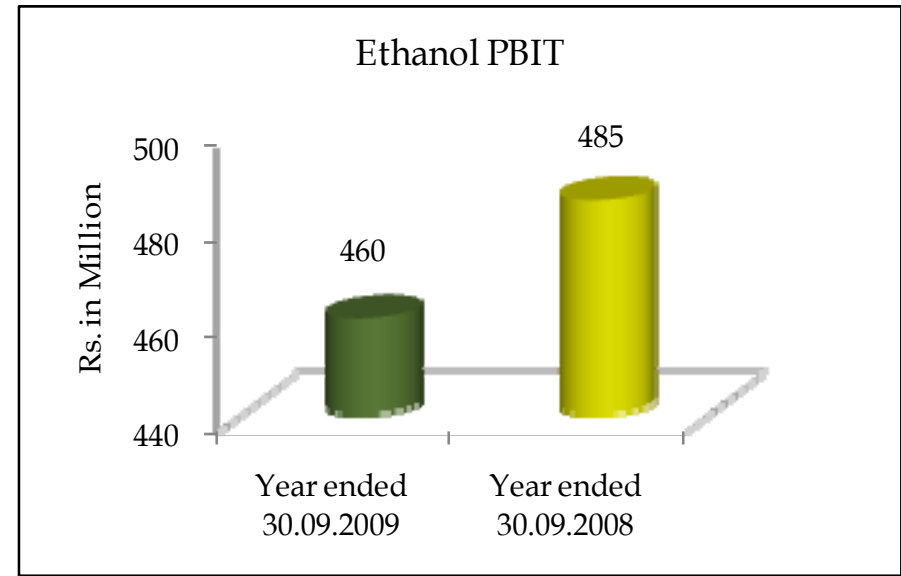
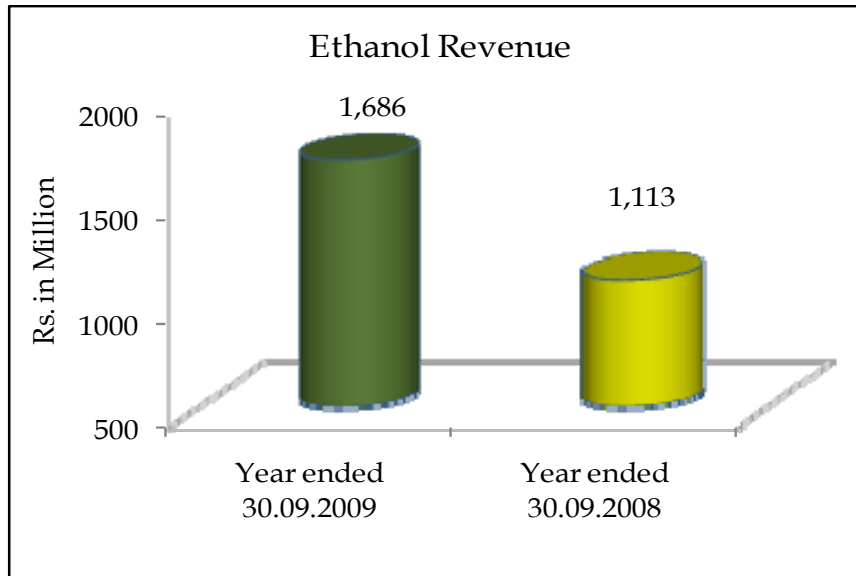
## Segmental Analysis - Sugar



## Comments

- ✓ Sugar Revenues increased by 144% in 2009 as compared to 2008
- ✓ Sugar PBIT increased by 335% in 2009 as compared to 2008

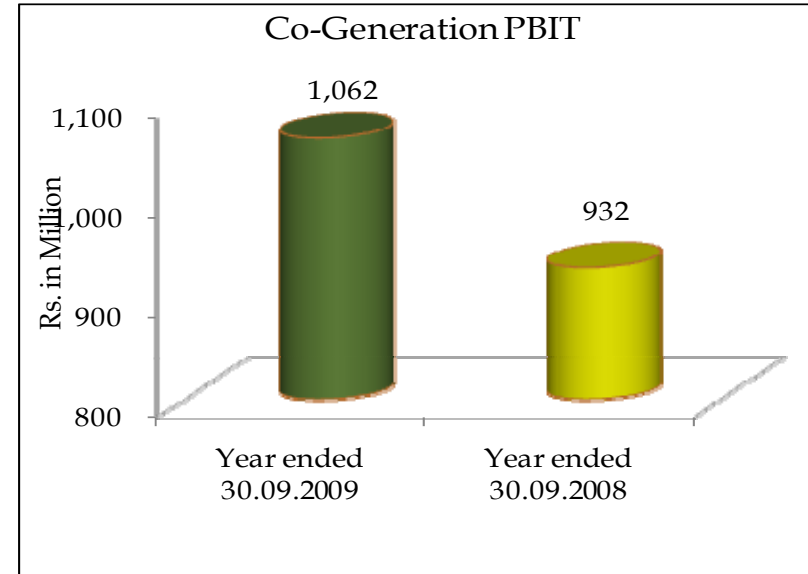
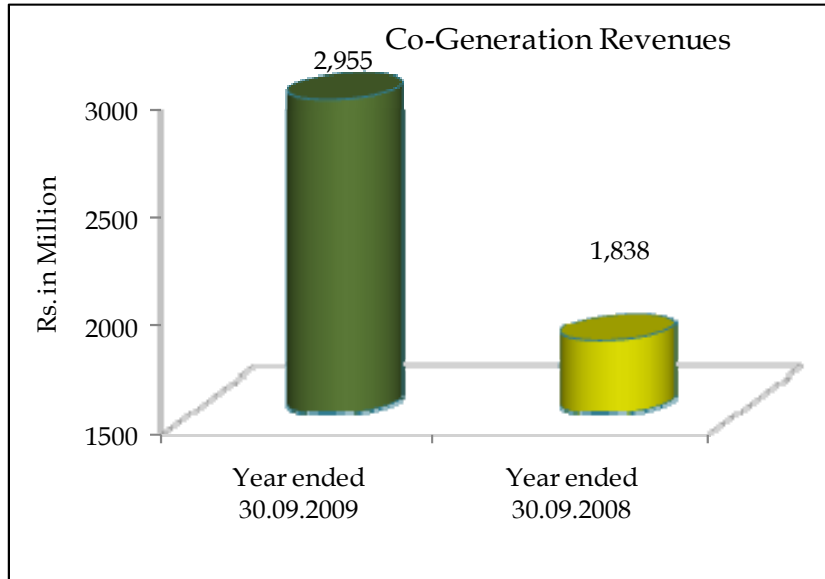
## Segmental Analysis - Ethanol



## Comments

- ✓ 51% increase in revenues in 2009 as compared to 2008

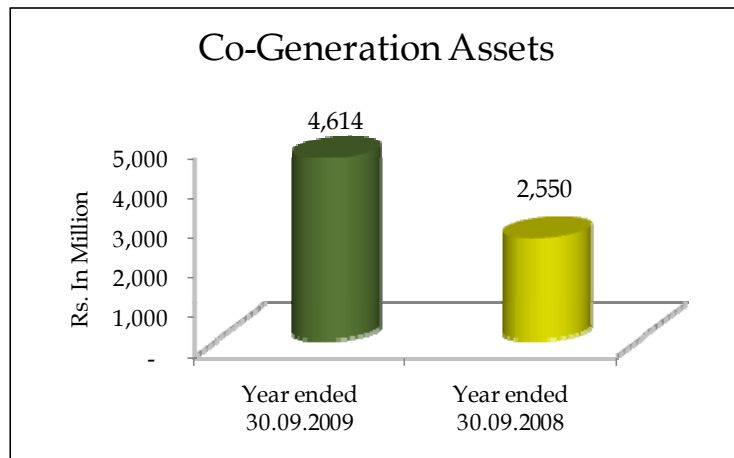
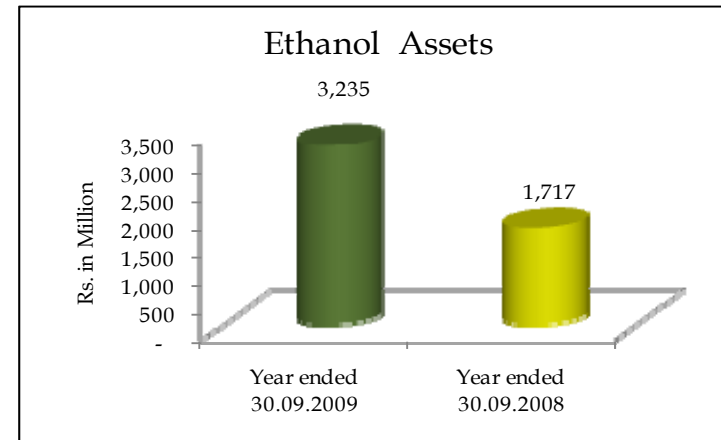
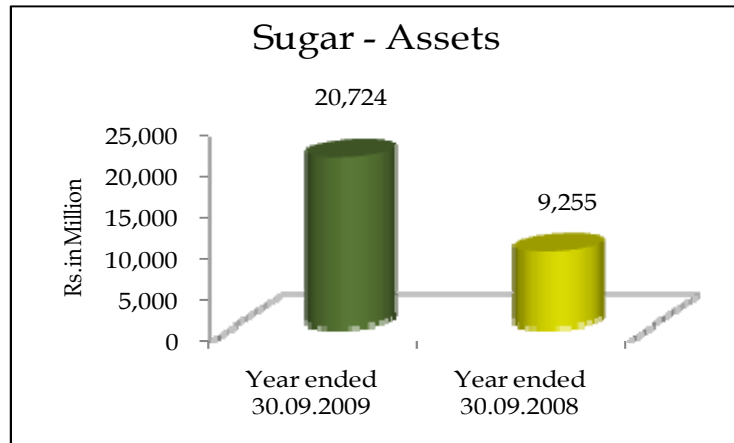
## Cogeneration



## Comments

- ✓ 61% increase in revenues in 2009 as compared to 2008
- ✓ 14% increase in PBIT in 2009 as compared to 2008

### Assets



### Comments

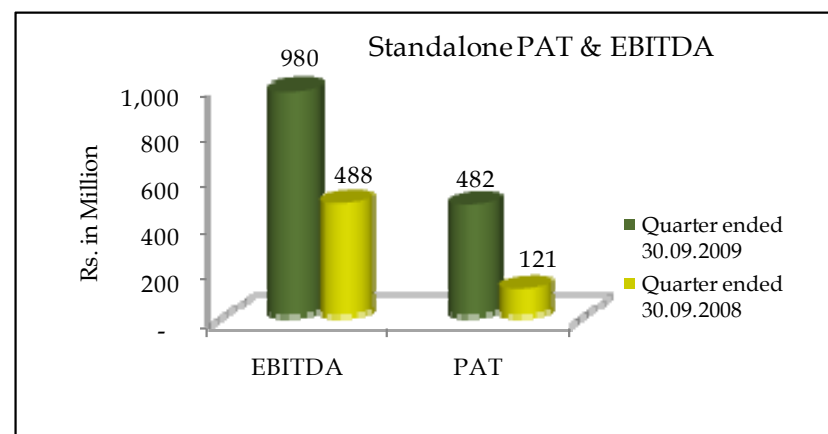
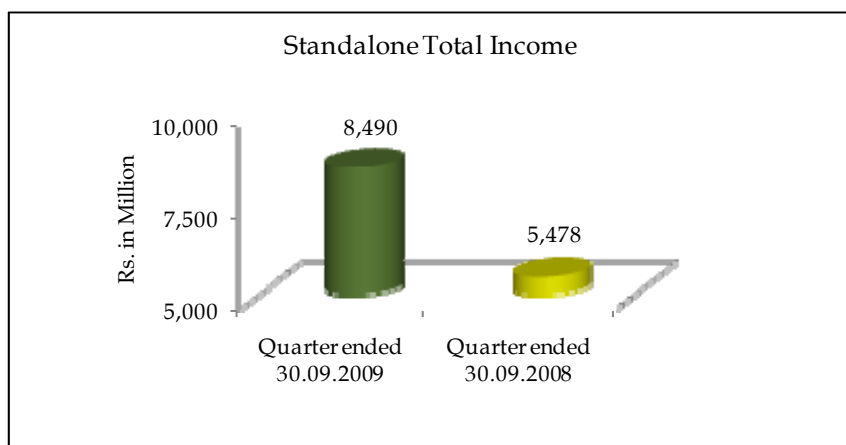
- ✓ Sugar Assets have increased by 124% in 2009 as compared to 2008
- ✓ Distillery Assets have increased by 88% in 2009 as compared to 2008
- ✓ Cogen Assets have increased by 81% in 2009 as compared to 2008



# Quarter IV Results

## 2008-09

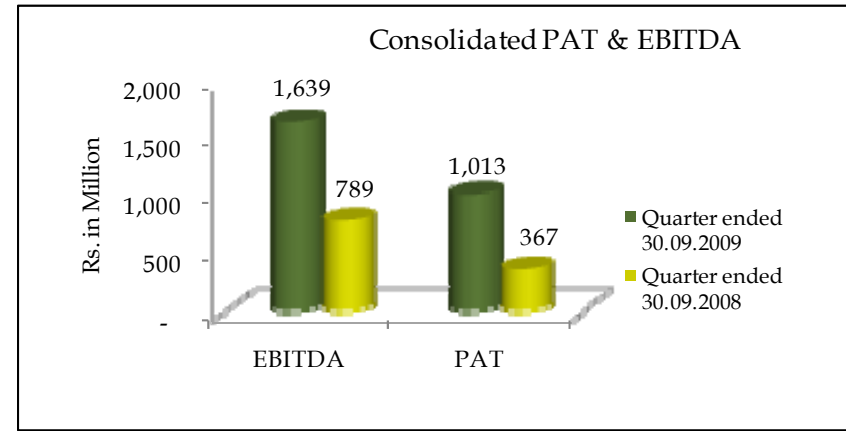
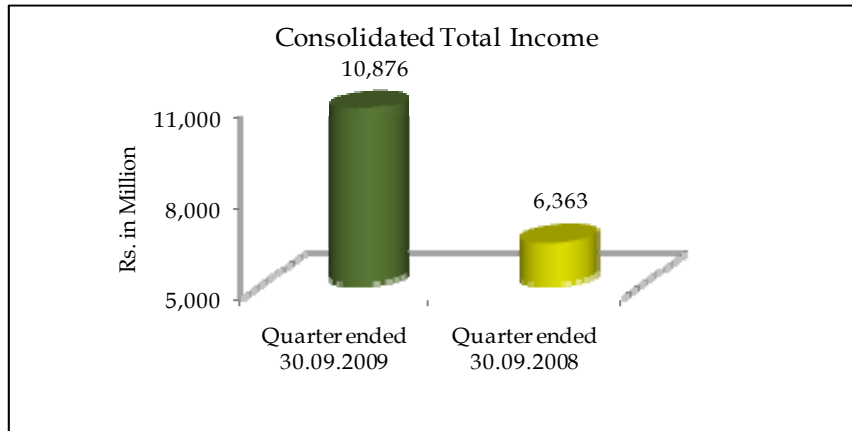
### Quarter IV- Standalone Analysis



### Comments

- ✓ Total Income increased by 55% in Q4 2009as compared to Q4 2008
- ✓ EBITDA increased by 101% in Q4 2009as compared to Q4 2008
- ✓ PAT increased by 300% in Q4 2009as compared to Q4 2008

### Quarter IV- Consolidated Analysis



### Comments

- ✓ Net Revenues increased by 71% in Q4 2009 as compared to Q4 2008
- ✓ EBITDA increased by 108% in Q4 2009 as compared to Q4 2008
- ✓ PAT increased by 176% in Q4 2009 as compared to Q4 2008