





# Shree Renuka Sugars Ltd

Audited Results for Quarter ended 30<sup>th</sup> Jun 2013 Earnings Presentation

Earnings Conference Call Monday, August 19th 2013 at 17:30 hrs IST

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# **Important Notice**



## **Forward Looking Statements**

This presentation contains statements that contain "forward looking statements" including, but without limitation, statements relating to the implementation of strategic initiatives, and other statements relating to Shree Renuka's future business developments and economic performance.

While these forward looking statements indicate our assessment and future expectations concerning the development of our business, a number of risks, uncertainties and other unknown factors could cause actual developments and results to differ materially from our expectations.

These factors include, but are not limited to, general market, macro-economic, governmental and regulatory trends, movements in currency exchange and interest rates, competitive pressures, technological developments, changes in the financial conditions of third parties dealing with us, legislative developments, and other key factors that could affect our business and financial performance.

Shree Renuka undertakes no obligation to publicly revise any forward looking statements to reflect future / likely events or circumstances.

# **Highlights**



- Standalone revenues increase by 33%
- ❖ Reduction in Standalone interest cost by 55%
- ❖ Higher Foreign exchange loss of INR 874 million on account of currency depreciation
- ❖ Cane crushing at Brazilian units increases by 54%

Commenting on the results and performance, Mr. Narendra Murkumbi, Vice Chairman and Managing Director of Shree Renuka Sugars said:

"Profitability during the quarter for India Standalone business came under pressure due to low margins for sugar in the cane milling business on account of lower realisation in the domestic market and high cost of production which includes costs for the off-season quarter. Sales volume in the ethanol segment during the quarter was affected by the lower sales of alcohol/ethanol. We expect this trend to reverse as substantial orders of over 37 million litres of ethanol have since been received from Oil Marketing Companies (OMC's).

Last quarter we saw higher operational efficiencies in our business in India and Brazil with high quantity of sugar refined at our Indian refineries and higher cane crushing at our Brazilian subsidiaries. Quarter ended 30<sup>th</sup> June 2013 was the third consecutive quarter where we were able to run our refineries at full capacity. Our Brazilian units continued its better operating performance during the quarter compared to last year and we crushed about 2.9 million tons of cane combined in both the subsidiaries as compared to 1.9 million tons last year.

The company had reported a net loss of Rs. 636 million on account of higher foreign exchange loss of Rs. 874 million for mark-to-market variation of foreign currency denominated liabilities, especially overseas supplier credit, during the quarter. Over the past one and half years we have put a lot of focus in managing our financial operations to reduce the interest cost, the result of which can be seen during this quarter with reduction in interest cost by 55% Y-o-Y.

Finally on Brazil subsidiaries, Centre-South Brazil has witnessed better weather conditions in the current season especially in the state of Sao Paulo with more number of dry days and improved yields enabling higher crushing. The state of Parana, where our smaller unit Renuka Vale do Ivai is located, was hit by frost in the month of July. The expected reduction in cane crushing volumes at RVdI due to frost will be more than made up by increase in crushing at RdB due to higher cane yields being recorded in the region of Sao Paulo. Overall we are expecting to crush 11.0 million tons of cane in 2013/14 combined in both our subsidiaries"

## **Market Overview**



## Global Sugar Price Trends (Rs / ton)



Source: ICE, Liffe, NCDEX

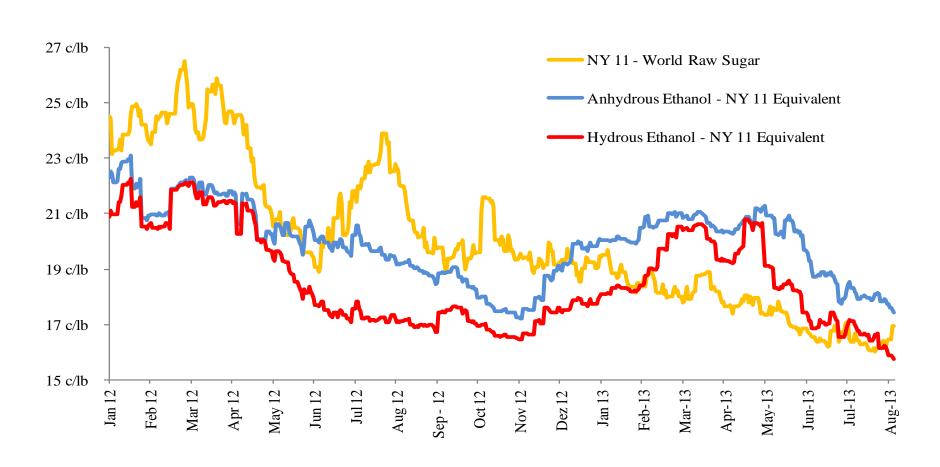
## **Key Perspectives**

- World Raw Sugar prices have been lower in USD c/lb on account of improved crushing in Brazil and depreciating Brazilian Real
- Domestic Sugar Prices has remained flat during the quarter
- Acreage of sugar cane growing areas in Maharashtra and Karnataka reduced. The sugar production for 2013/14 season expected to be ~23 million tons

## **Brazil Market Overview**



### **Brazil Product Price Trends**



## Standalone Financial Performance



(Rs. in Million)

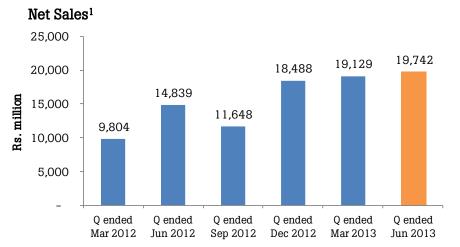
	3M ended 30-06-2013	3M ended 30-06-2012	% Y-o-Y Growth	Y-o-Y Key Perspectives
Net Sales <sup>1,3</sup>	19,742	14,839	33.0%	Higher sugar sales contribution from the refineries
EBITDA <sup>2</sup>	866	1,798	(51.8)%	<ul> <li>Low margin and off-season costs in sugar segment for cane milling business</li> <li>Lower sales volume from ethanol</li> </ul>
% Margin	4.4%	12.1%		
Foreign exchange gain/ (loss)	(874)	(81)		<ul> <li>Mark-to-Market loss due to depreciation of INR against USD (9% during Q1 FY2013)</li> </ul>
Net Profit <sup>4</sup>	(636)	133		
% Margin	(3.2)%	0.9%		
Basic EPS <sup>5</sup> (Rs.)	(0.95)	0.20		
Diluted EPS <sup>5</sup> (Rs.)	(0.95)	0.20		

#### Notes:

- 1 Net Sales excludes excise duties, foreign exchange gains and includes other income
- 2 EBITDA defined as earnings before depreciation, interest, exceptional items and taxes; includes other income and excludes foreign exchange gain/loss
- 3 Other Income for Quarter ended June 13 include dividend income of Rs. 336 million
- 4 Net Profit is after minority interest and prior period adjustments
- 5 Non annualized

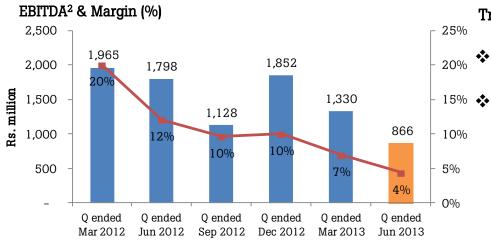
# Standalone Quarterly Financial Performance





### **Trends**

- Higher Sales volumes from the refineries
- Higher power sales volume and realization
- Lower sales volume from the Ethanol Segment



### Trends

- Low margin in sugar for cane milling business
  - Offseason Quarter for the Cogeneration Business with unavailability of bagasse

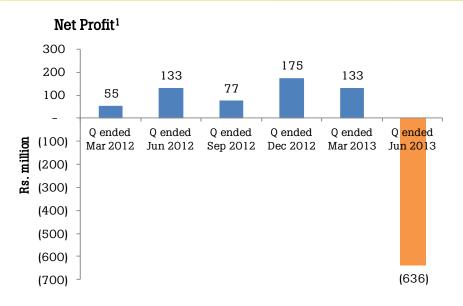
Notes:

EBITDA — Margin (%) 1 Net Sales excludes excise duties, foreign exchange gains and includes other income

<sup>2.</sup> EBITDA defined as earnings before depreciation, interest, exceptional items and taxes; includes other income; excludes foreign exchange gain / loss

# Standalone Quarterly Financial Performance





#### Notes:

1 Net Profit is after minority interest and prior period adjustments

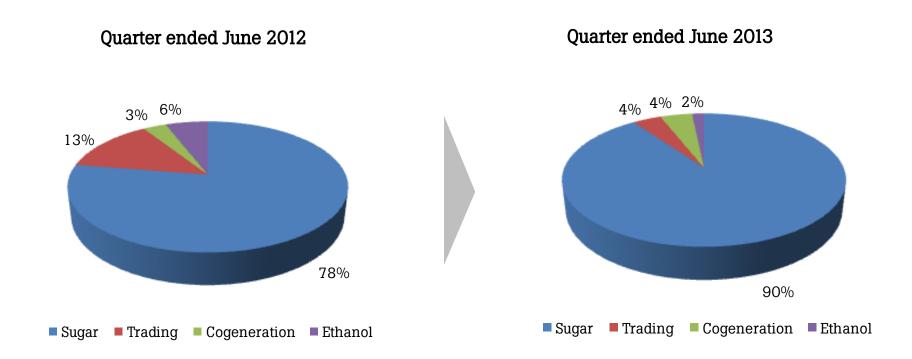
### **Trends**

- ❖ Y-o-Y Interest cost is reduced by 55%
- Depreciation of INR against USD leading to foreign exchange loss of Rs. 874 million during the quarter

# Standalone Performance - Quarter Ended 30th June, 2013



## Net Sales<sup>1</sup> Breakdown - India



Notes: Net Sales excludes excise duties, foreign exghange gain/loss and includes other income

# Closing stock as on 30<sup>th</sup> June 2013 - India



## Standalone

	Unit of Measure	As on 30.06.2013
Sugar	MT	356,812
White Sugar	MT	278,847
Raw Sugar	MT	77,965
Ethanol	KL	69,086
Molasses	MT	60,801

# Sales Quantity - India



## Standalone

	3M ended Jun-13	3M ended Jun-12	% Y-o-Y Growth
Total Sugar Sold(MT)	598,530	359,779	66.4%
Export (in MT)	240,732	240,990	<i>-0.1%</i>
Domestic (in MT)	357,798	118,790	201.2%
Ethanol (in KL)	9,677	31,137	-68.9%
Co-gen (in million units)	76	38	103.3%

## **Net Price Realization - India**



## Standalone

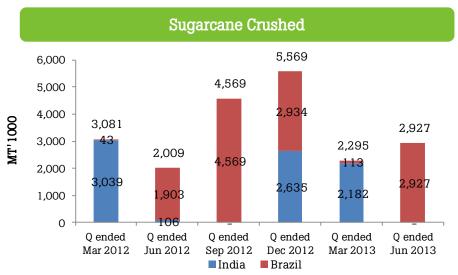
	3M ended Jun-13	3M ended Jun-12	% Y-o-Y Growth
Average Manufactured Sugar (in Rs./MT)	29,812	32,536	-8.4%
Export (in Rs./MT)	28,790	35,052	-17.9%
Domestic (in Rs./MT)	30,500	27,433	11.2%
Ethanol (in Rs./KL)	33,553	28,720	16.8%
Co-gen (in Rs. per unit)	5.30	4.64	14.1%

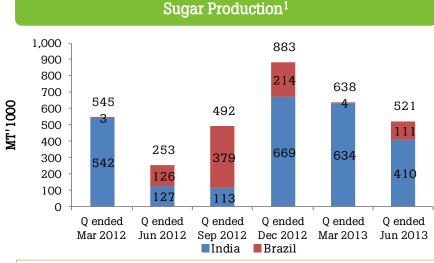
#### Notes:

<sup>1.</sup> Export Sugar realizations are FOB prices net of taxes

# **Sugar: Quarterly Operating Performance**







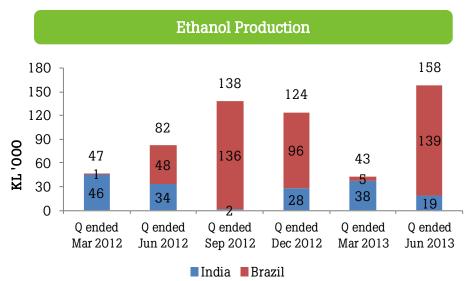
- Crushing for the new season began in Brazil during the quarter and off-season period for our mills in India
- During the Quarter, crushing at Brazilian units increased by 54% Y-o-Y due to higher number of dry days and higher availability of cane
- Sugar production in India increased by 224% due to higher utilization of the refineries
- Lower sugar production in Brazil due to lower sugar mix of 35% as compared to Ethanol
- ❖ Y-o-Y, 3% increase in recovery at Brazilian units

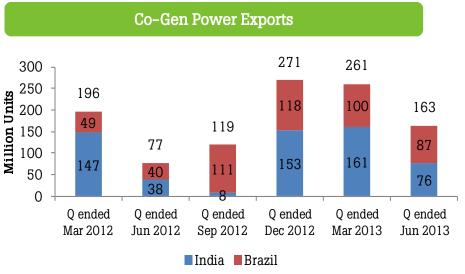
Note:

<sup>1</sup> Sugar produced includes raw sugar and white sugar produced from cane, as well as refined sugar produced from raw sugar

# **Ethanol & CoGen: Quarterly Operating Performance**







- Ethanol production reduced in India by 44% due to lower stock of molasses at start of the quarter
- Ethanol production in Brazil increased by 189% due to higher crushing and greater diversion of sucrose towards ethanol
- Of the total ethanol produced in Brazil, 55% was anhydrous and 45% hydrous

- Energy sales in India increased by 101% on account of higher utilization of the refineries
- Energy sales in Brazilian units increased by 117% due to higher bagasse availability on account of increase in crushing volumes

## Fact Sheet



#### COMPANY BACKGROUND

Shree Renuka Sugars is a global agribusiness and bioenergy corporation. The Company is one of the largest sugar producers in the world, the leading manufacturer of sugar in India, and one of the largest sugar refiners in the world. Shree Renuka operates in three segments:

**Sugar:** The Company operates eleven mills globally with a total crushing capacity of 22 million tonnes per annum (MTPA) or 101,520 tonnes crushed per day (TCD). The Company operates seven sugar mills in India with a total crushing capacity of 8.4 MTPA or 42,000 TCD and two port based sugar refineries with capacity of 2.3 MTPA.

The Company also has significant presence in South Brazil, through acquisitions of Renuka Vale do Ivai on 19 March 2010 (100% owned) and Renuka do Brazil on 7 July 2010 (formerly Equipav Acucar e Alcool -50.34% stake for USD 250 million). The company has exercised its option to increase its stake to 59.4% at the same valuation by a further investment of USD 115 million. The combined crushing capacity of the Brazilian subsidiary companies is 13.6 MTPA.

**Trading**: Operates a trading hub in Dubai to capitalize on trade opportunities in the Asian region.

**Power:** Shree Renuka produces power from bagasse (a sugar cane by product) for captive consumption and sale to the state grid in India and Brazil. Total Cogeneration capacity increased to 583.5MW with exportable surplus of 371.4MW. The Indian operations produce 271MW with exportable surplus of 135MW and the Brazilian operations produce 313MW with exportable surplus of 221 MW.

Ethanol: Shree Renuka manufactures fuel grade ethanol that can be blended with petrol. Global distillery capacity is 4,160 KL per day (KLPD) with Indian distillery capacity at 930 KLPD (630 KLPD from molasses to ethanol and 300 KLPD from rectified spirit to ethanol) and Brazil distillery capacity at 3,230 KLPD.

The acquisition of a stake in KBK Chem-Engineering facilitates turnkey distillery, ethanol and bio-fuel plant solutions.

### **INDUSTRY**

The top 5 sugar producing countries are Brazil, India, China, Thailand and USA. The total sugar production was approximately 174mn tonnes in 2012-13.

Improved weather conditions globally especially in Brazil have resulted in a good 2012-13 season across major producers. Estimated global surplus of sugar as per the latest estimate of ISO is close to 3.5 mn tonnes of sugar for 2013-14. Brazil has produced close to 38 mn tonnes of sugar while India is expected to produce 25 mn tonnes of sugar in 2012-13. Other key producing countries are Thailand, Australia etc.

India, the world's largest sugar consumer and second largest producer, is a key player in the global sugar supply/demand dynamics. The sugar industry in India is highly fragmented. There are 624 sugar factories, dispersed over UP, Maharashtra and other states, with average crushing capacity of approximately 3,500 TCD. While co-operative societies and government-owned entities own  $\sim\!50\%$  of India's sugar capacity, the rest is owned by the private sector.

Brazil is the leading producer and exporter of sugarcane, sugar and ethanol. It is among the most efficient major sugar producers in the world. During the 2012/13 harvest, Center–South Brazil had crushed 533 million tonnes of cane, producing 34.1 million tonnes of sugar and 21 bn liters of ethanol.

After two years of being a major net importer, India has been a net exporter since the last two seasons backed by robust sugarcane cultivation and favorable weather. With Indian sugar season 2012-13 producing close to 24.0 million tonnes, India will became a net marginal importer of sugar for the season. The Government has partially decontrolled the Indian Sugar sector with removing levy obligations and release quota mechanism as per the suggestions of Dr. C. Rangarajan to consider decontrol of the sugar industry.







## Shree Renuka Sugars Ltd

## **Corporate Office**

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