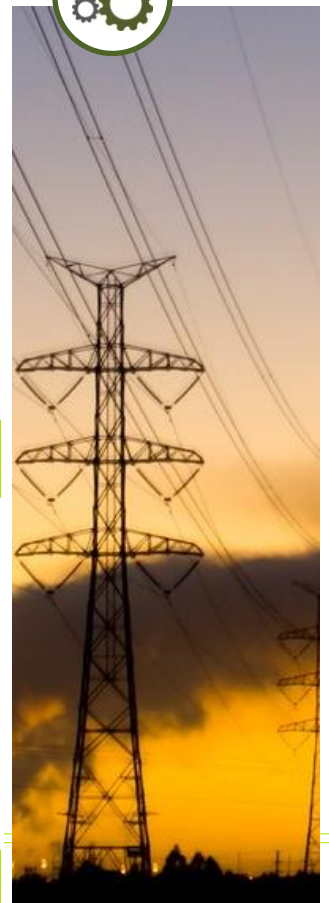
Sugar

power



ethanol

Shree Renuka Sugars Ltd

Audited Results for Quarter ended 30th Jun 2014

Earnings Presentation

18th Aug 2014

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 for quarter down by 41% Y-o-Y due to lower sugar sales
- Ethanol revenues up by 155% Y-o-Y due to increased sales volume & realisation
- Cane crushing in Brazil during quarter increased by 3% Y-o-Y
- Preferential allotment of Rs. 5,170 million to Wilmar Sugar Holdings in the quarter

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 was 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. Margins in the refinery segment were affected by lower realisations as well as lower refining spreads. In ethanol segment, revenues were up by 155% on account of higher sales & realisation. Ethanol blending program has received a major boost as OMCs have come up with the largest tender ever for the requirement of 1,560 million liters for supply between Nov'14 & Oct'15.

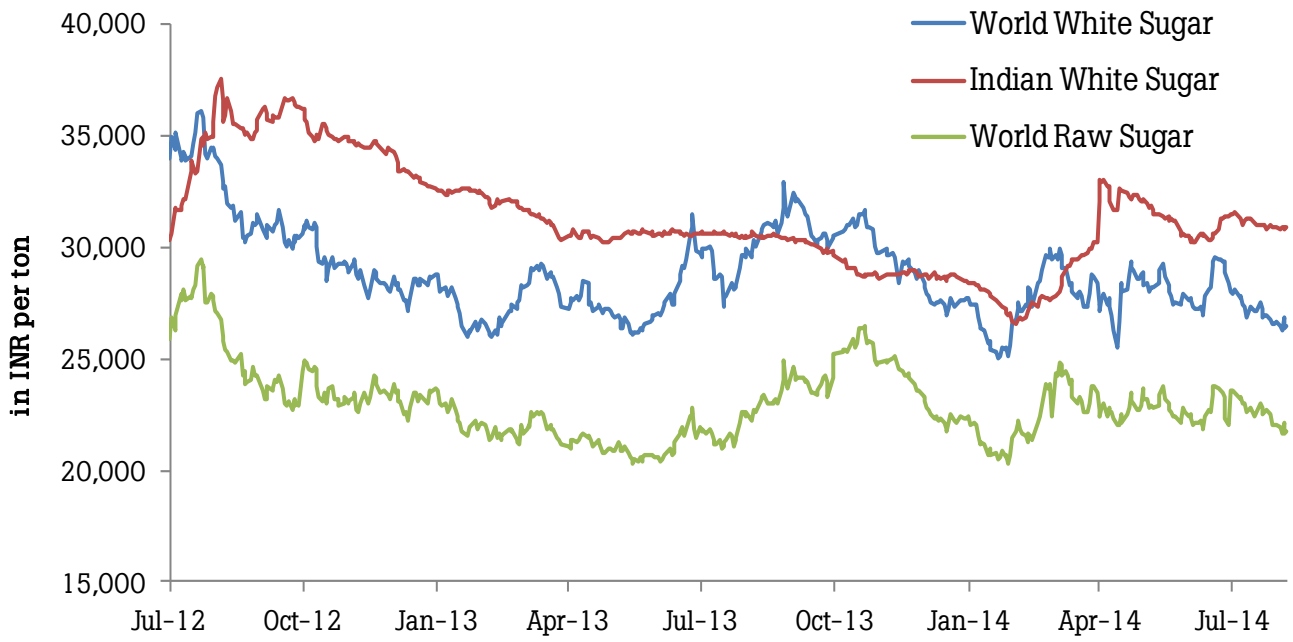
Our Indian mills were crushing for some of the quarter due to delayed start to the season. We were able to increase capacity utilisation of our Kandla refinery and the refinery was running at close to full capacity. Refining at our Haldia unit was lower due to lower refining margins.

India standalone business reported an EBITDA of Rs. 193 million for the quarter which was impacted by low margins in the cane milling and refining segment. The standalone business was also impacted by a foreign exchange loss of Rs. 186 million during the quarter. The standalone business reported a net loss of Rs. 806 million for the quarter.

In Brazil, we crushed 3.0 mn tons cane, higher by 3% compared to the same quarter last year. This was due to drier weather and early start to the crushing season. Sugar mix in Brazil was 29% during the quarter as ethanol was more remunerative compared to sugar in this period. Centre-South Brazil has witnessed a drought which has resulted into lower agricultural yields in this season."

Market Overview

Global Sugar Price Trends (Rs / ton)



Source: ICE, Liffe, NCDEX

Key Perspectives

- World raw sugar prices remained range bound during the quarter and traded at an average of USD 17.23 c/lb
- Domestic sugar prices were higher compared to last quarter due to anticipated drought resulting from below average rainfall, rise in local demand and anticipation of El-Nino effect
- Sugar production in the 2013/14 season at 24.3[1] million tons and for 2014/15 estimated at 25.3[1] million tons

1 Source: ISMA Estimate

Standalone Financial Performance

(Rs. in Million)

	3M ended 30-06-2014	3M ended 30-06-2013	*% Y-o-Y Growth*	Y-o-Y Key Perspectives
Net Sales[1]	11,601	19,742	*(41)%*	• Lower volumes & realisation in sugar segment
Operating EBITDA[2]	193	866	*(78)%*	• Lower margin & off-season cost in the cane milling segment • Lower spreads in the refinery segment • EBITDA of Quarter ended Jun'13 includes dividend income of Rs. 336 million
% Margin	*1.7%*	*4.4%*		
Foreign exchange gain/ (loss)	(186)	(874)	*(79)%*	
Net Profit[3]	(806)	(636)	*27%*	• Impacted due to higher interest expense
% Margin	*(6.9)%*	*(3.2)%*		
Basic EPS[4] (Rs.)	(1.05)	(0.95)		
Diluted EPS[4] (Rs.)	(1.05)	(0.95)		

Notes:

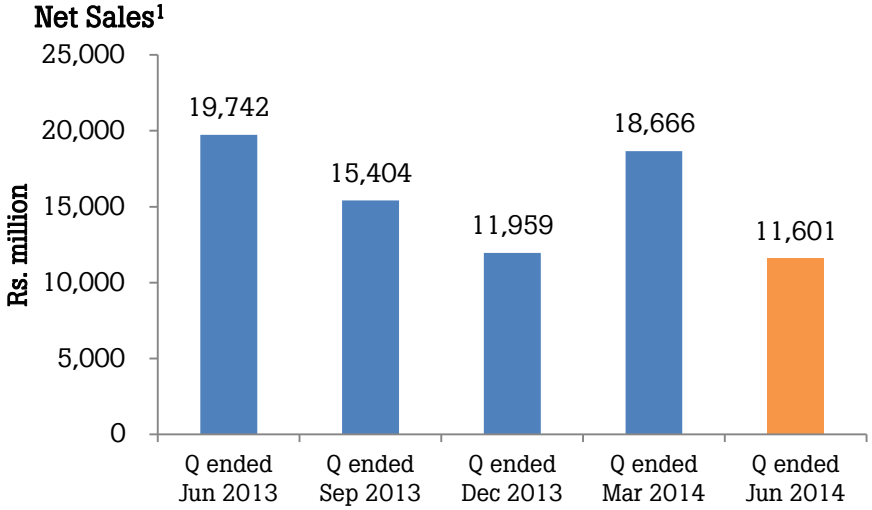
1 Net Sales excludes excise duties, foreign exchange gains and includes other income

2 EBITDA defined as earnings before depreciation, interest, exceptional items and taxes; includes other income and excludes foreign exchange gain/loss; Inclusive of dividend income of Rs. 336 million from Renuka DMCC for the Quarter ended June 13

3 Net Profit is after minority interest and prior period adjustments

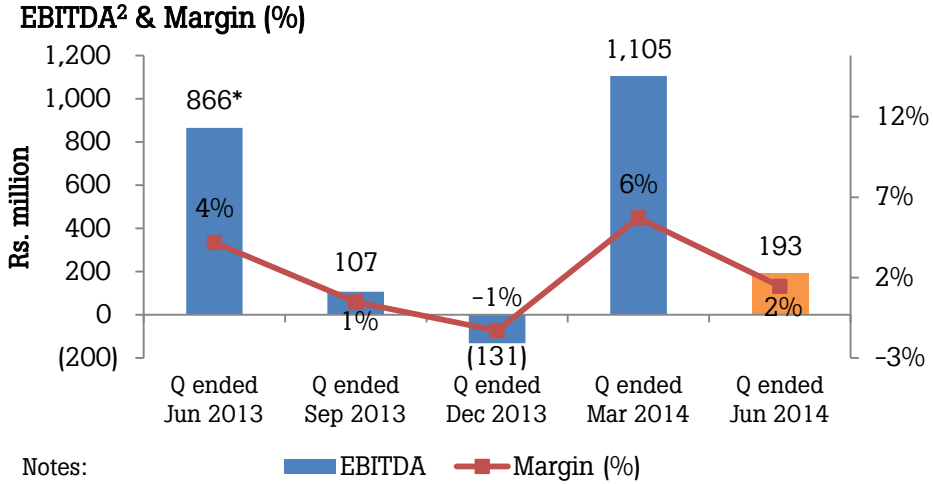
4 Non annualized

Standalone Quarterly Financial Performance



Trends

- Lower Sugar sales contribution from milling and refinery segments
- Higher ethanol sales volume and realization
- Lower revenue contribution from the Trading segment

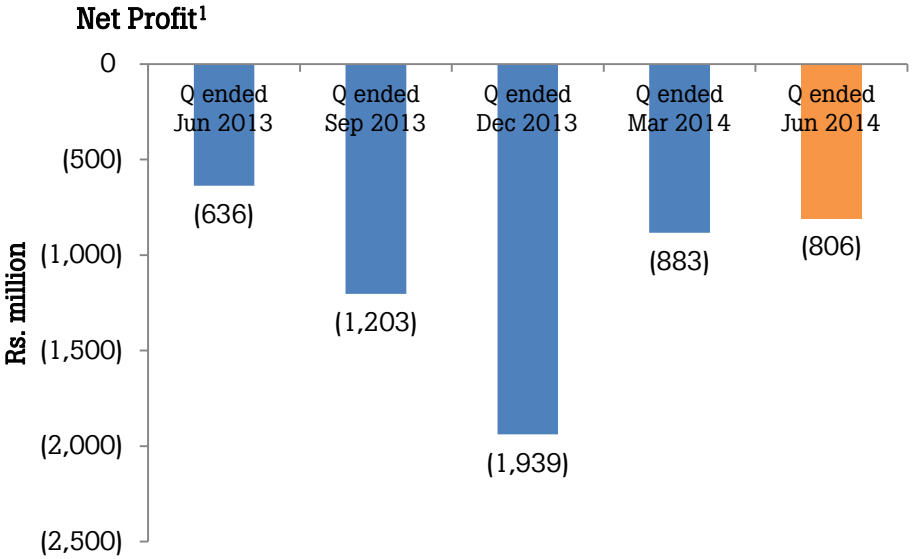


Trends

- Impacted due to lower spread in the refinery segment
- Lower margins in the milling segment & off-season cost
- Higher contribution by ethanol segment

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; excludes foreign exchange gain / loss
* Inclusive of dividend income of Rs. 336 million from Renuka DMCC for the Quarter ended June 13

Standalone Quarterly Financial Performance



Notes:
1 Net Profit is after minority interest and prior period adjustments

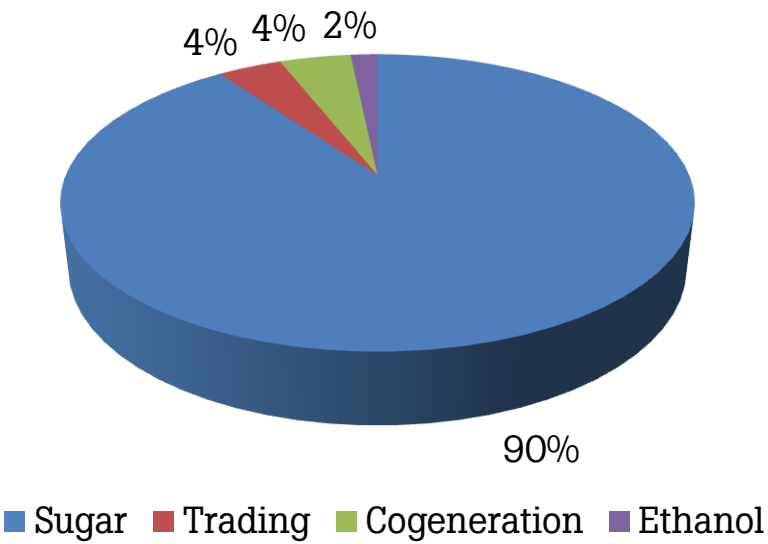
Trends

- Impacted due to higher interest expense
- Foreign exchange loss of Rs. 186 million on account of depreciation of INR against USD

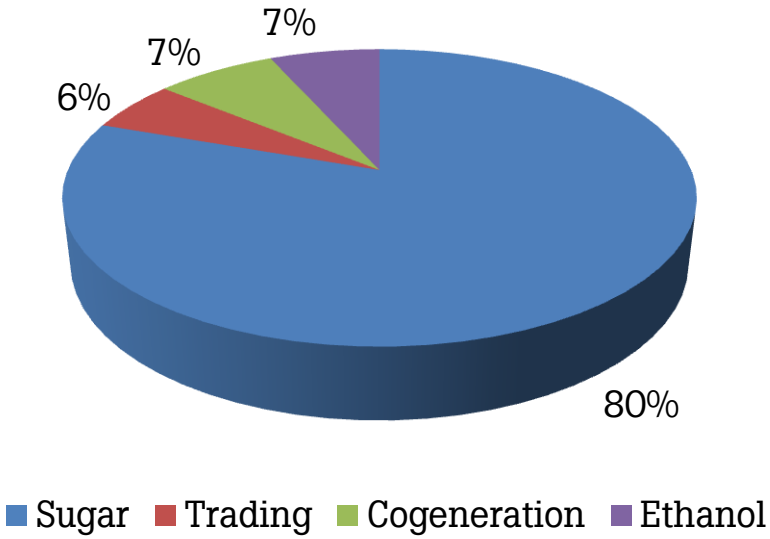
Standalone Performance – Quarter Ended 30th Jun, 2014

Net Sales Breakdown – India

Quarter ended June 2013



Quarter ended June 2014



Closing stock as on 30th Jun 2014 – India

Standalone

	Unit of Measure	As on 30.06.2014
Sugar	MT	298,474
White Sugar	MT	251,901
Raw Sugar	MT	46,573
Ethanol	KL	42,610
Molasses	MT	41,041

Sales Quantity – India

Standalone

	3M ended 30-06-2014	3M ended 30-06-2013	*% Y-o-Y Growth*
Total Sugar Sold(MT)	333,487	598,530	*(44.3%)*
Export (in MT)	213,191	240,732	*(11.4%)*
Domestic (in MT)	120,296	357,798	*(66.4%)*
Ethanol (in KL)	23,861	9,677	*146.6%*
Co-gen (in million units)	82	76	*7.3%*

Net Price Realization – India

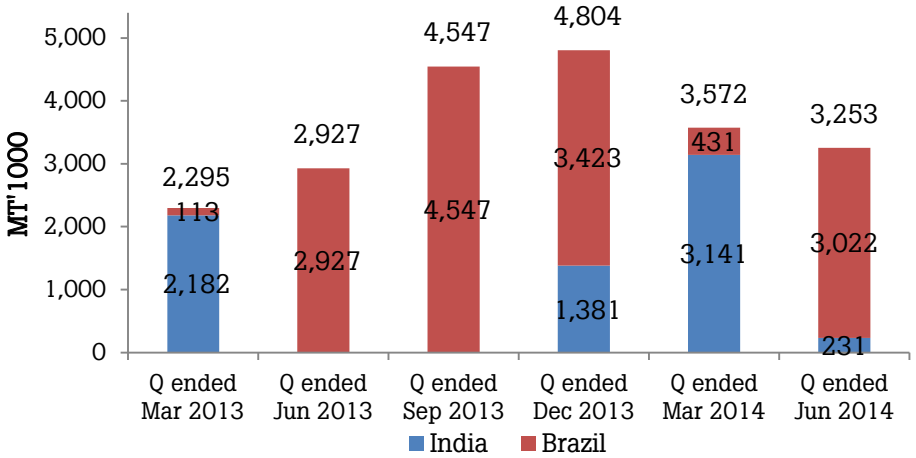
Standalone

	3M ended 30-06-2014	3M ended 30-06-2013	*% Y-o-Y Growth*
Average Manufactured Sugar (in Rs./MT)	29,039	29,812	*(2.6%)*
Export (in Rs./MT)	28,509	28,790	*(1.0%)*
Domestic (in Rs./MT)	29,978	30,500	*(1.7%)*
Ethanol (in Rs./KL)	34,641	33,553	*3.2%*
Co-gen (in Rs. per unit)	4.34	5.30	*(18.1%)*

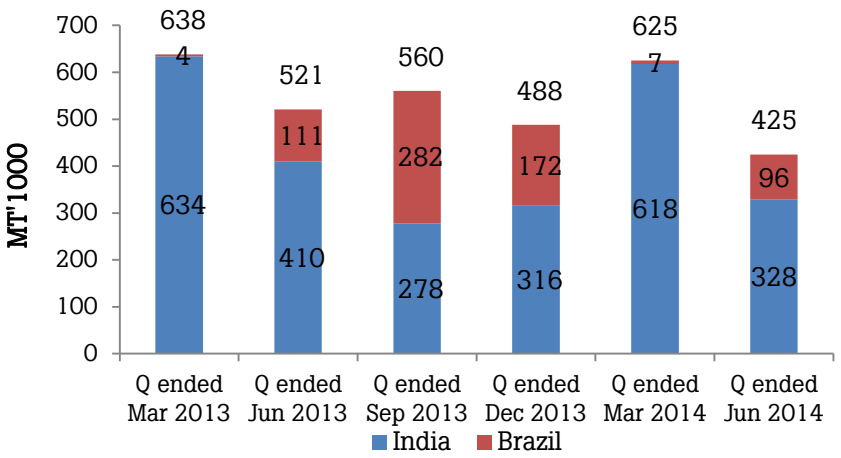
Notes:
1. Export Sugar realizations are FOB prices net of taxes

Sugar: Quarterly Operating Performance

Sugarcane Crushed



Sugar Production[1]



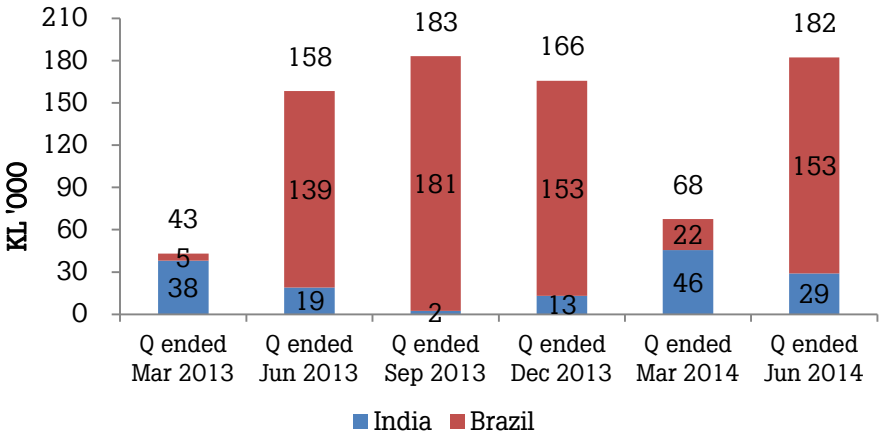
- Higher crushing in Brazil mills this quarter on account of drier weather & early start
- Some of our Indian mills crushed during last quarter due to delayed start of crushing
- 29% of cane juice diverted towards sugar production in Brazilian units

- Sugar production in Indian refineries decreased by 27% Y-o-Y
- Y-o-Y, 2.4% decrease in recovery at Brazilian units
- Y-o-Y, 13% reduction in Brazil sugar production due to lower sugar mix of 29% as compared to 34% same quarter last year

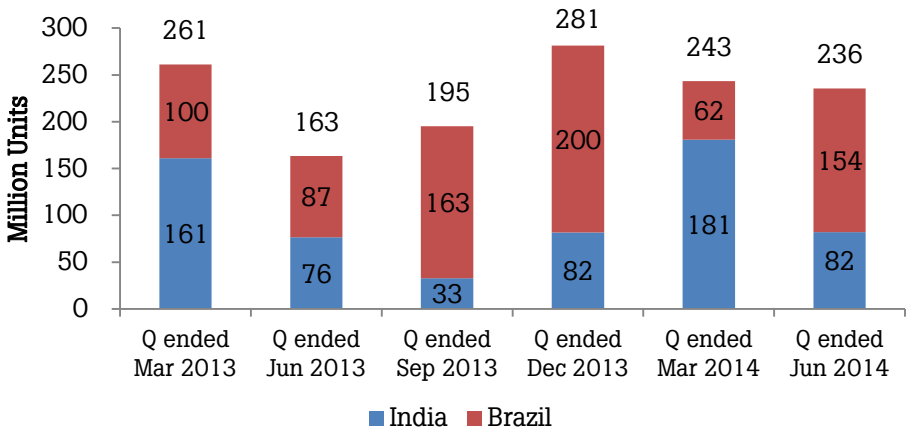
Note:
1 Sugar produced includes raw sugar and white sugar produced from cane, as well as refined sugar produced from raw sugar

Ethanol & CoGen: Quarterly Operating Performance

Ethanol Production



Co-Gen Power Exports



- Y-o-Y, 54% increase in ethanol production in India
- Y-o-Y, 10% increase in ethanol production in Brazil due to higher prices of ethanol
- Of the total ethanol produced in Brazil, 70% was anhydrous and 30% hydrous

- Y-o-Y, energy sales in India increased by 8% on account of higher utilization of mills and distilleries
- Y-o-Y, 77% increase in energy sales from Brazil units due to additional bagasse purchase and contribution from traded power

Fact Sheet

COMPANY BACKGROUND

Shree Renuka Sugars is a global agribusiness and bio-energy 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 584 MW with exportable surplus of 371 MW. The Indian operations produce 271MW with exportable surplus of 150 MW 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 whereas in 2013-14 the production is expected at 181.5mn tonnes.

Improved weather conditions globally especially in Brazil have resulted in a good 2013-14 season across major producers. Estimated global surplus of sugar as per the latest estimate of ISO is close to 4.4 mn tonnes of sugar for 2013-14. Centre-South Brazil produced close to 34 mn tonnes of sugar while India produced 24 mn tonnes of sugar in 2013-14. 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 ~50% of India's sugar capacity, the rest is owned by the private sector.

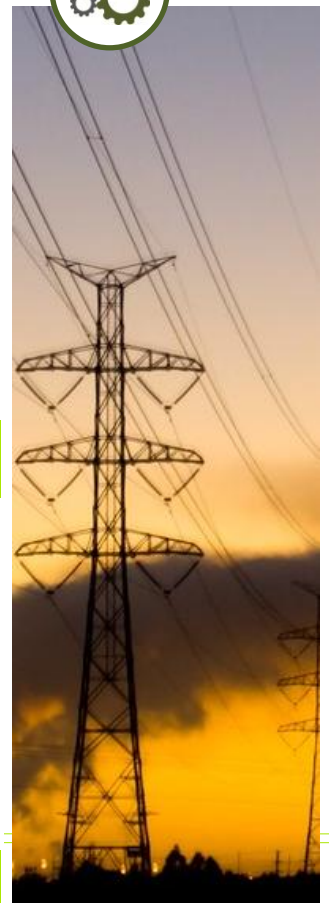
Brazil is the leading producer and exporter of sugarcane, sugar and ethanol. It is among the most efficient major sugar producers in the world. During the 2013/14 harvest, Center-South Brazil had crushed 596 million tonnes of cane, producing 34.3 million tonnes of sugar and 25.5 bn liters of ethanol.

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.

Source: UNICA, Kingsman, ISO, Company Research

sugar

power



ethanol

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