





## **Shree Renuka Sugars Ltd**

Audited Results for Financial Year (18 Months) ended 31<sup>st</sup> Mar 2012 Earnings Presentation

Earnings Conference Call Thursday, May 31st 2012 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**



- Consolidated EBITDA margin of 16.3% for the financial year ended March 2012
- ❖ Record recovery of 12.02% for the crushing season 2011–12 in India Business
- Crushing Season Started in Brazil

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

"Last 18 months have had been difficult operationally, for Shree Renuka Sugars. Company has been continuously challenged by the adverse weather conditions in Brazil and grim global macro-environment.

Company has reported consolidated net loss of Rs. 302 million for the 18 months period ended 31st March 2012. Our bigger Brazilian subsidiary Renuka do Brasil S/A had a difficult year due to drop in yields and has reported operating EBITDA of Rs. 7,798 million and a net loss of Rs. 3,995 million for the 18 months period. The Indian Business, International trading business and the other Brazilian subsidiary Renuka Vale do Ivai (RVDI) were profitable. Operationally on a consolidated level, Company has been profitable with consolidated EBITDA margin of 16.3% for the 18 months period as compared to 15.9% for the last financial year.

Recent changes in Indian export policy augur well for the domestic business. Shree Renuka Sugars benefits from the new open export policy substantially given its Refining and Milling assets close to the port which are capable of producing high quality refined sugar.

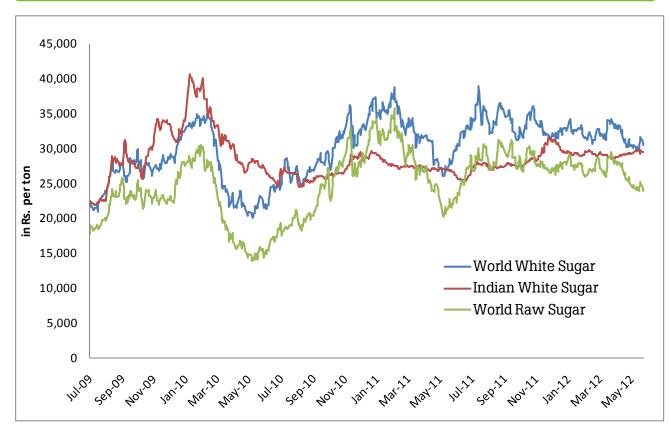
The company is concentrating on heavy cane planting program and cost reduction exercise at Renuka do Brasil. Operational turnaround of Renuka do Brasil will require two seasons to ensure availability of cane for full industrial capacity utilisation

The depreciation of Brazilian Real and Indian Rupee has created volatility in the results and balance sheet in recent quarters. However it has made both production locations more competitive in the world sugar market"

## **Market Overview**



### Global Sugar Price Trends (Rs / ton)



Source: ICE, Liffe, NCDEX

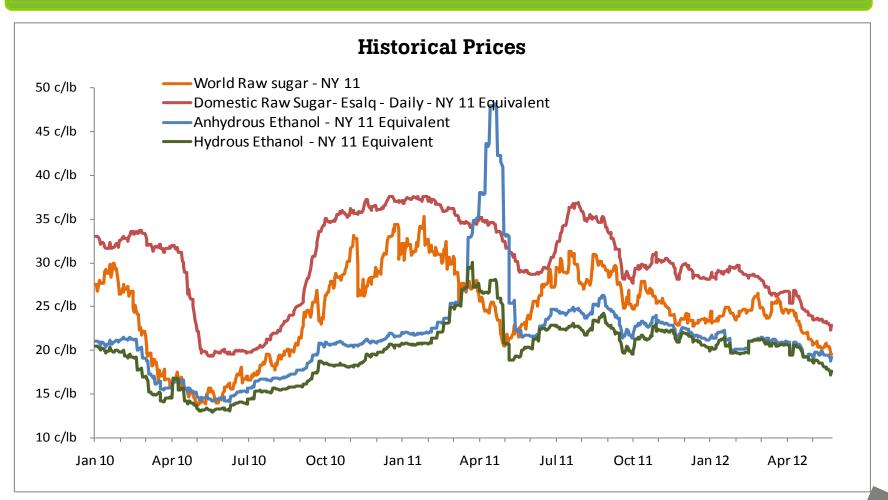
### **Key Perspectives**

- World Raw Sugar prices dipped below 23 c/lb due to the expected global sugar surplus and weak currencies in India and Brazil
- Despite surplus sugar production, sugar exports from India during the last quarter helped to stabilize domestic sugar prices
- Weaker rupee & favourable white premium has made the refining business viable

## **Brazil Market Overview**



### **Brazil Product Price Trends**



## **Consolidated Financial Performance**



(Rs. in Million)

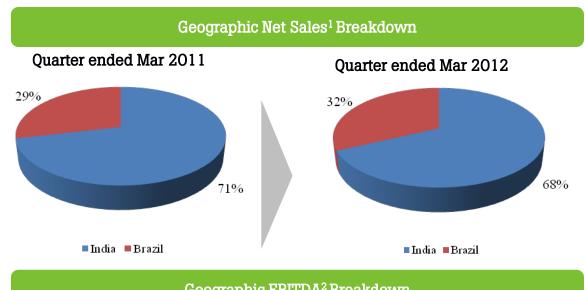
(Ks. in Million)						
	3M ended 31st Mar '12	3M ended 31st Mar '11	% Y-o-Y Growth	Y-o-Y Key Perspectives	18M ended 31st Mar '12	12M ended 31st Sep '10
Net Sales <sup>1</sup>	16,746	18,864	(11.2]%	<ul> <li>Low sugar export volumes in India</li> <li>Higher realisation and volumes across sugar and ethanol segment in Brazil</li> </ul>	125,778	77,195
Operating EBITDA <sup>2</sup>	2,670	3,246	(17.7)%	<ul> <li>Lower margins in the sugar segment</li> <li>Negative margins at Renuka do Brasil due to lower productivity and higher fixed costs</li> </ul>	20,498	12,252
% Margin	15.9%	17.2%			16.3%	15.9%
Foreign exchange gain/ (loss)	(999)	441	(326.5)%	<ul> <li>Unrealized foreign exchange loss in Brazil on Short term liabilities</li> <li>Higher loss in India business on account of matured hedges against the future export shipments</li> </ul>	(566)	1,321
Net Profit <sup>3</sup>	(719)	594	(221.0)%	Higher Interest cost in India due to peak working capital requirement	(310)	7,034
% Margin	(4.3%)	3.1%			(0.2%)	9.1%
Basic EPS <sup>4</sup> (Rs.)	(1.07)	0.89	(220.4)%		(0.46)	10.75
Diluted EPS <sup>4</sup> (Rs.)	(1.07)	0.88	(221.8)%		(0.46)	10.48

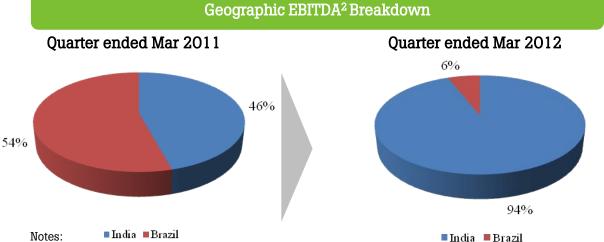
#### Notes:

- 1 Net Sales excludes excise duties, foreign exchange gains and includes other income
- 2 Operating EBITDA defined as earnings before depreciation, interest, exceptional items and taxes; includes other income and excludes foreign exchange gain/loss
- 3 Net Profit is after minority interest and prior period adjustments
- 4 Non annualized

## Consolidated Performance – Quarter Ended 31.03.2012







### **Key Perspectives**

- Offseason in Brazil resulting into lower contribution
- Higher price realization for domestic sugar and ethanol sales in India
- Improved profitability in renewable segments due to lower raw material prices and strong volumes growth
- Lower margins at Renuka do Brasil due to lower productivity during the year

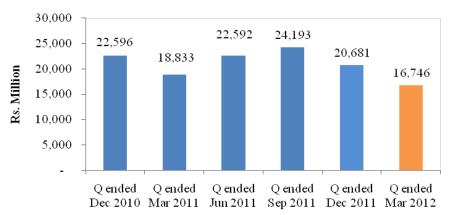
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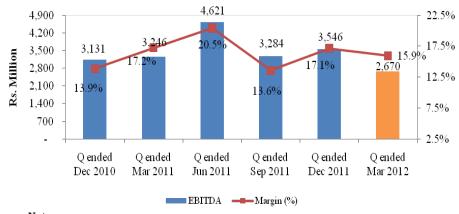
# Consolidated Quarterly Financial Performance







### Operating EBITDA<sup>2</sup> & Margin (%)



#### **Trends**

- Delayed sugar export volumes
- Improved price realization for the domestic sugar and ethanol segment in India
- Higher Sales in September-2011 quarter on account of peak crushing season in Brazil

### **Trends**

- Better margins from renewable segment in India
- Off-season quarter in Brazil resulting in lower margins
- Higher sales realisation in Renuka do Brasil offset by higher fixed costs due to lower productivity

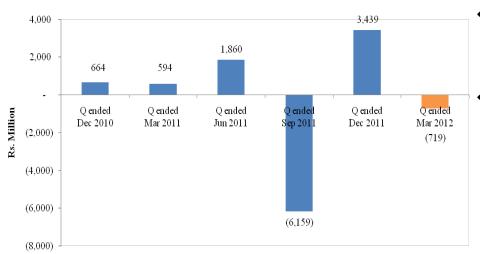
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# **Consolidated Quarterly Financial Performance**



### Net Profit1



#### Notes:

1 Net Profit is after minority interest and prior period adjustments

### **Trends**

- Higher Interest cost in the Indian subsidiary due to peak working capital requirement for crushing season in India
- Lower depreciation in Brazilian subsidiary on account of credit of higher depreciation booked in previous quarters

# **Consolidated Balance Sheet**



(Rs. in Million)

		(KS. IN MIIIION)
	31.03.2012 (Audited)	30.09.2010 (Audited)
SOURCES OF FUNDS		
Net Worth	21,771	23,478
Minority Interest	36	151
Loan Funds	100,783	65,080
Deferred Tax Liability	984	1,383
TOTAL	123,574	90,092
APPLICATION OF FUNDS		
Net Assets (including CWIP)	105,603	79,848
Investments	1,935	1,189
Net Current Assets	15,970	8,947
Total Current Assets	48,624	47,179
Less: Current Liabilities and Provisions	32,654	38,232
Miscellaneous expenditure (written off/adjusted)	66	108
TOTAL	123,574	90,092

## **Standalone Financial Performance**



### India

(Rs. in Million)

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	3M ended 31st Mar '12	3M ended 31st Mar '11	% Y-o-Y Growth	18M ended 31st Mar '12	12M ended 31 <sup>st</sup> Sep '10
Net Sales <sup>1</sup>	9,804	12,347	(20.6)%	63,632	55,979
Operating EBITDA <sup>2</sup>	1,965	1,351	45.4%	7,399	7,244
% Margin	20.0%	10.9%		11.6%	12.9%
Foreign exchange gain/ (loss)	(508)	-	-	(894)	-
Net Profit <sup>3</sup>	55	292	(81.2)%	841	4,100
% Margin	0.6%	2.4%		1.3%	7.3%
Basic EPS <sup>4</sup> (Rs.)	0.08	0.44	(81.4)%	1.25	6.27
Diluted EPS <sup>4</sup> (Rs.)	0.08	0.43	(80.9)%	1.25	6.11

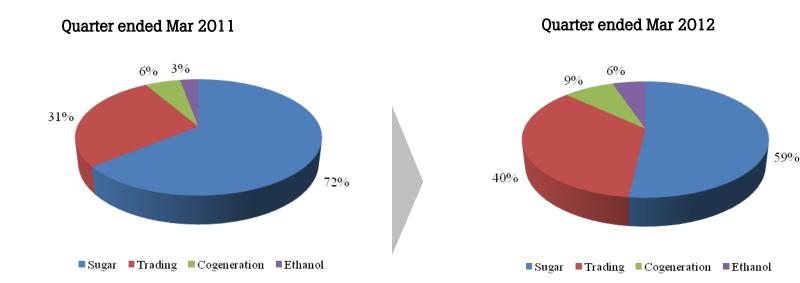
#### Notes:

- 1 Net Sales excludes excise duties, foreign exchange gains and includes other income
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- 4 Non annualized

# Standalone Performance - Quarter Ended 31.03.2012



### 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 31st March 2012 - India



### India

	Unit of Measure	As on 31 <sup>st</sup> March 2012
Sugar	MT	556,709
White Sugar	MT	533,207
Raw Sugar	MT	23,502
Ethanol	KL	33,139
Molasses	MT	174,882

Notes: Includes stock from the standalone India business and Gokak Sugars Limited

# Sales Quantity - India



## India

	3M ended Mar 2011	3M ended Mar 2010	% Y-o-Y Growth	18 M ended Mar 2012	12 M ended Sep 2010
Total Sugar Sold(MT)	186,898	231,978	(19.4)%	1,375,317	1,251,688
Export (in MT)	43,246	115,083	(62.4)%	574,265	68,397
Domestic (in MT)	143,653	116,895	22.9%	801,051	1,183,291
Ethanol (in KL)	30,905	32,988	<i>(6.3)</i> %	164,240	51,149
Co-gen (in million units)	155	159	<i>(2.5)</i> %	599	397

Notes: Includes sales from the standalone India business and Gokak Sugars Limited

# **Net Price Realization - India**



## India

	3M ended Mar 2012	3M ended Mar 2011	% Y-o-Y Growth	18 M ended Mar 2012	12 M ended Sep 2010
Average Manufactured Sugar (in Rs./MT)	26,998	28,870	<i>(6.5)</i> %	28,860	28,608
Export (in Rs./MT)	32,086	34,104	(5.9)%	33,545	30,429
Domestic (in Rs./MT)	25,466	23,717	7.4%	25,501	28,503
Ethanol (in Rs./KL)	28,220	27,578	2.3%	27,972	27,822
Co-gen (in Rs. per unit)	4.77	5.41	(12)%	4.89	4.78

#### Notes

- 1. Includes sales from the standalone India business and Gokak Sugars Limited
- 2. Export Sugar realisations are FOB prices net of taxes

# **Standalone Balance Sheet**



		(Rs. in Million)
	31.03.2012 (Audited)	30.09.2010 (Audited)
SOURCES OF FUNDS		
Net Worth	17,883	17,795
Loan Funds	43,281	17,159
Deferred Tax Liability	1,648	1,404
TOTAL	62,812	36,358
APPLICATION OF FUNDS		
Net Assets (including CWIP)	28,307	19,815
Investments	20,135	16,393
Net Current Assets	14,308	50
Total Current Assets	26,439	19,875
Less: Current Liabilities and Provisions	12,131	19,825
Miscellaneous expenditure (written off/adjusted)	62	100
TOTAL	62,812	36,358



# **BRAZILIAN SUBSIDIARIES**

## **Brazilian Subsidiaries Financial Performance**



### Brazil

(Rs. in Million)	Renuka do Brasil	Renuka Vale do Ivai
	Jan '12 - Mar '12	Jan '12 - Mar '12
Net Sales	4,600	836
Cost of Good Sold	(3,568)	(432)
G&A Expenses	(942)	(92)
Sales Expenses	(191)	(42)
Operating EBITDA	(101)	270
Interest	(1,002)	(82)
Depreciation & Amortisation	(569)	52
Depreciation	(57)	320
Amortisation of Off-season Maintenance	(280)	(6)
Amortisation of Cane Planting Expenditure	(232)	(262)
PBT (before Forex Variation)	(1,672)	240
Foreign Exchange Gain/(loss)	177	(366)
Profit Before Tax	(1,494)	(125)
Net Profit after Tax	(1,056)	142

#### Notes:

- $1\,$  Net Sales excludes excise duties, foreign exchange gains and includes other income
- 2 Operating EBITDA defined as earnings before depreciation, interest, exceptional items and taxes; includes other income and excludes foreign exchange gain/loss
- Net Profit is after minority interest and prior period adjustments 4 Non annualized

# **Balance Sheet**



## As on 31st March 2012

		(Rs. in Million)
	Renuka do Brasil	Renuka Vale do Ivai
SOURCES OF FUNDS		
Net Worth	12,098	5,183
Loan Funds	40,419	9,603
TOTAL	52,516	14,785
APPLICATION OF FUNDS		
Net Assets (including CWIP)	53,782	15,885
Investments	341	597
Deferred Tax (Net)	611	6
Net Current Assets	(2,217)	(1,703)
Total Current Assets	12,002	2,123
Less: Current Liabilities and Provisions	(14,219)	(3,826)
TOTAL	52,516	14,785

# Sales and Price Summary



### Jan 2012 – Mar 2012

Renuka do Brasil	Unit of Measure	Sales Quantity	Average Prices
Sugar	tons	59,975	24.2 c/lbs
Ethanol	$m^3$	71,123	1,236 R\$/m <sup>3</sup>
Cogen Exports	mn units	49	101 R\$/unit
By-products/Utilities*	('000 R\$)	6,0	034

Renuka Vale do Ivai	Unit of Measure	Sales Quantity	Average Prices
Sugar	tons	11,000	24.9 c/lbs
Ethanol	$m^3$	15,506	1,277 R\$/m3
By-products/Utilities*	('000 R\$)	70	05

<sup>\*</sup>By-products/utilities include yeast, molasses and steam

<sup>\*\*</sup>USD/BRL exchange rate: 1.7663 BRL/USD

# Closing stock as of 31st March 2012 - Brazil



## Renuka do Brasil

	Unit of Measure	As on 31 <sup>st</sup> March 2012
Sugar	MT	17,782
Ethanol	KL	3,673

### Renuka Vale do Ivai

	Unit of Measure	As on 31st March 2012	
Sugar	MT	3,754	
Ethanol	KL	1,054	

# Loan Funds



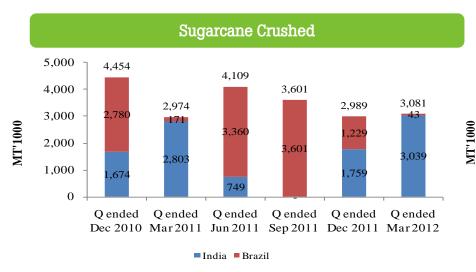
## As on 31st March 2012

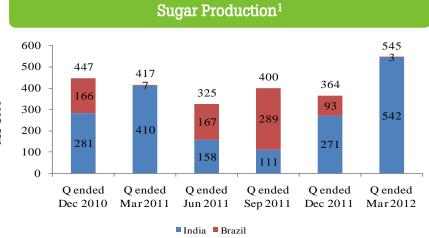
	Unit of measure	Renuka do Brasil	Renuka Vale do Ivai	TOTAL	
Bank Borrowings					
USD denominated	mn USD	373	109	482	
Brazilian R\$ denominated	mn R\$	650	139	789	
Total Bank Borrowings	mn USD	730	186	916	
Refinanced Taxes (REFIS)	mn R\$	95	-	95	
Total Loans	mn USD	782	186	968	
	mn INR	40,419	9,603	50,022	

<sup>\*</sup> Converted at 31st March 2012 closing exchange rate of 1.8221 R\$/USD and 28.4 INR/R\$

# **Sugar: Quarterly Operating Performance**







- Indian mills crushed at the average rate of more than 38,000 tons per day ( much higher than rated capacity of 35,000 tpd)
- Off-season period for Brazilian mills
- ❖ 4.9 million tons cane crushed at Indian mills during the season 2011-12

- Higher sugar production in India Y-o-Y, due to record recovery and improved refining operations
- Record recovery in the mills of about 12.44% during the quarter and 12.02% for the season

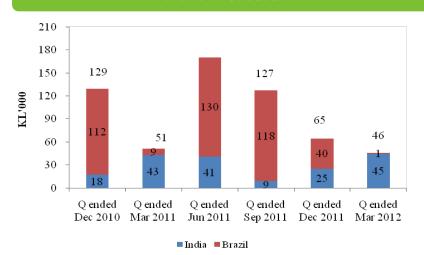
Note:

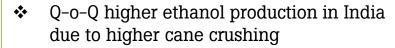
<sup>1</sup> Sugar produced includes raw sugar and white sugar produced from cane, as well as refined sugar produced from raw sugar

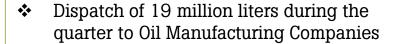
# **Ethanol & CoGen: Quarterly Operating Performance**

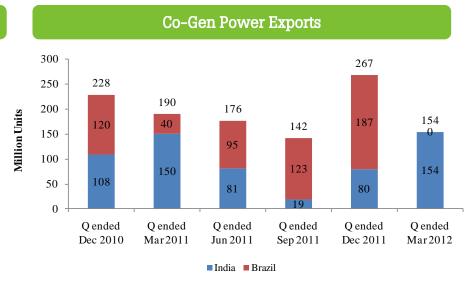












- Power Exports lower in Brazil during the quarter due to end of crushing season in Brazil
- Q-o-Q lower power exports in Brazil complemented by strong volumes in India

## **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 20.7 million tonnes per annum (MTPA) or 94,520 tonnes crushed per day (TCD). The Company operates seven sugar mills in India with a total crushing capacity of 7.1 MTPA or 35,000 TCD and two port based sugar refineries with capacity of 1.7 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 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 537MW with exportable surplus of 356MW Indian operations produce 242MW with exportable surplus of 135MW and Brazilian operations produce 295MW with

crushed a record 556.5 million tonnes of sugarcane. However, due to the effect of drought, bad weather and unpredicted frost, this year, it has crushed approximately 493 million tonnes and produced 31.3 million tons of sugar and 20.7 million m3 of ethanol.

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 221MW exportable surplus.

Ethanol: Shree Renuka manufactures fuel grade ethanol that can be blended with petrol. Global distillery capacity is 6,240 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 5,310 KLPD.

The acquisition of a majority stake in KBK Chem-Engineering (80.28% owned) 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 for 2011-12 stands at 177.0 million metric tonnes (MT).

Reduction in estimates in Brazil have been off-set by higher production estimates from Asian countries mainly India and Thailand. Thailand is expected to complete its season having produced 10.4 million tonnes of sugar this year. India too has had stronger crushing 2011-12 season with estimated production of 26.0 million tonnes of sugar. This has off-set the adverse affects on yields in Brazil (largest produced/exporter) by the effect of drought in 2010-11, lower rains in 2011-12 and other factors like frost and flowering of the cane.

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 2010/11 harvest, Brazil 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

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 2010-11 producing 24.2 million tonnes, India became a sugar surplus country in the 2010-11 sugarcane season. India is expected to produce 26.0 million tonnes in 2011-12 season. Having approved exports of up to 3.0 million tonnes of sugar in 2010-11, the government further announced 2.0 million tonnes of sugar exports in 2011-12 through the Open General License ("OGL") before recently lifting the restriction on sugar exports and allotment of licenses in proportion of the sugar production. The Government has also replaced the monthly Free Sugar Sales quota with Quarterly Free Sales Quota system and have set up a committee under Dr. C. Rangarajan to consider decontrol of the sugar industry.

Source: UNICA, Kingsman, ISO, Company Research







# Shree Renuka Sugars Ltd

### **Corporate Office**

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