





Shree Renuka Sugars Ltd

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

# **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 32%
- Ethanol sales realization increase by 36%
- Lower EBITDA margin due to high cost sugar inventory
- ❖ Higher Forex loss of INR 759 million on account of currency depreciation and volatility

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

"Last quarter, profitability of our Indian Operations got impacted by volatile Indian currency leading to higher foreign exchange loss of Rs. 759 million for mark-to-market variation of foreign currency denominated liabilities. On account of above and off-season quarter for India milling business, Company had reported a net loss of Rs. 1,203 million during the quarter.

For last couple of years, we have put lot of efforts in linking the domestic sugarcane price to the end product price. As a result of the same, from this year we expect the cane pricing situation for the crushing season 2013–14 to improve in our operating regions. Karnataka Government has passed a law to determine sugarcane price on a revenue sharing model linking cane price to market prices of the end products. This will help us in protecting the margins in the cane milling business.

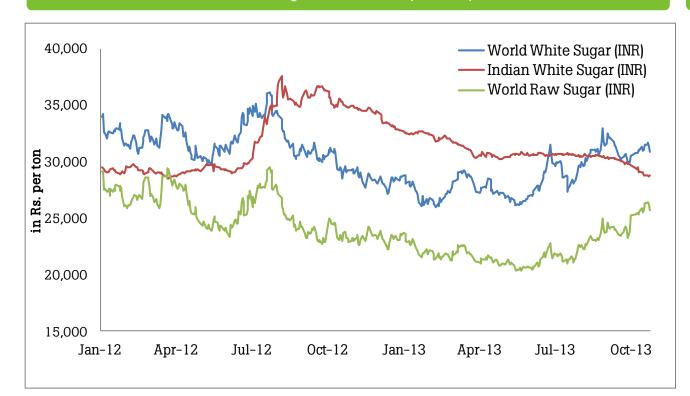
In the refinery business segment, we are able to utilize our refineries higher as compared to last year. Last quarter we refined 278,138 tons of sugar which is higher by 146% Y-o-Y.

Our Brazilian units continued their better operating performance during the quarter where we crushed about 4.5 million tons of cane combined in both the subsidiaries Renuka do Brasil S/A (RdB) and Renuka Vale do Ivai S/A (RVdI). Continuing with the operational turn-around achieved over the last one year, our Brazilian subsidiaries RdB and RVdI have cumulatively crushed 8.7 million tons till 31st October 2013. We are on course to achieve our crushing estimate of 11.0 million tons for the crushing season 2013-14 combined for RdB and RVdI."

## **Market Overview**



## Global Sugar Price Trends (Rs / ton)



Source: ICE, Liffe, NCDEX

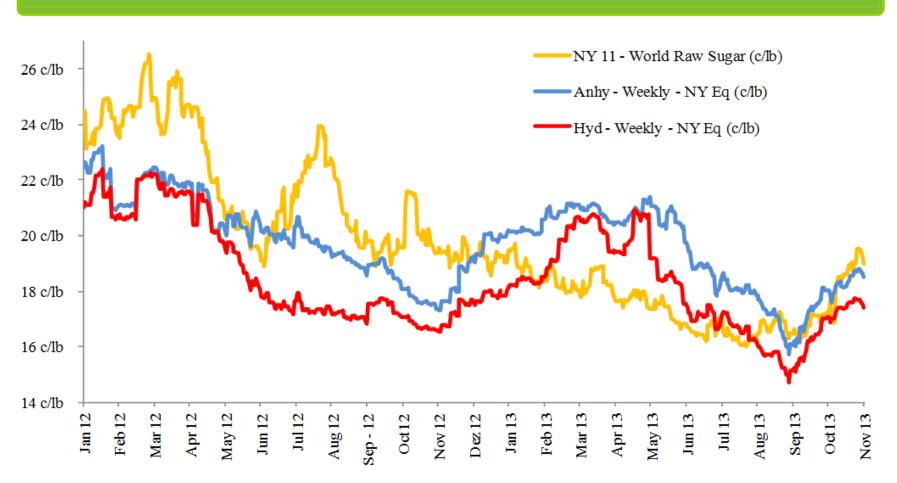
## **Key Perspectives**

- World raw sugar prices remained range bound around 17 c/lb in the quarter
- World raw sugar prices have climbed since then on account of lower sugar output from Brazil and reducing surplus in the world
- Domestic Sugar Prices decreased during the quarter due to higher supply in the market
- Sugar production in the 2013/14 season is estimated to be 25 million tons with the late rains in October expected to lead to higher yields in Maharashtra.

# **Brazil Market Overview**



## **Brazil Product Price Trends**



# Standalone Financial Performance



(Rs. in Million)

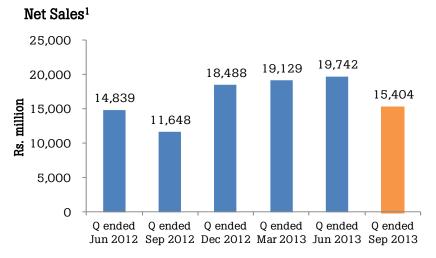
	3M ended 30-09-2013	3M ended 30-09-2012	% Y-o-Y Growth	Y-o-Y Key Perspectives
Net Sales <sup>1</sup>	15,404	11,648	32%	Higher sugar sales contribution from the refineries and from the ethanol segment
EBITDA <sup>2</sup>	107	1,128	(91%)	<ul> <li>Low margin and off-season costs in sugar segment for cane milling business</li> <li>Higher margin in the ethanol segment due to higher realizations from the ethanol blending program</li> </ul>
% Margin	0.7%	9.7%		
Foreign exchange gain/ (loss)	(759)	337	(325)%	Mark-to-Market loss due to depreciation and high volatility of INR against USD
Net Profit <sup>3</sup>	(1,203)	77		
% Margin	(7.8%)	0.7%		
Basic EPS <sup>4</sup> (Rs.)	(1.79)	0.11		
Diluted EPS <sup>4</sup> (Rs.)	(1.79)	0.11		

#### 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 Net Profit is after minority interest and prior period adjustments
- 4 Non annualized

# Standalone Quarterly Financial Performance

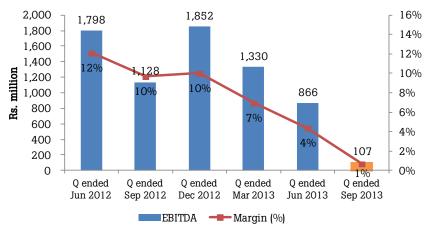




### **Trends**

- Higher Y-o-Y Sales volumes from the refineries due to higher utilization
- Higher ethanol sales volume and realization
- Higher power sales from refineries

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



### **Trends**

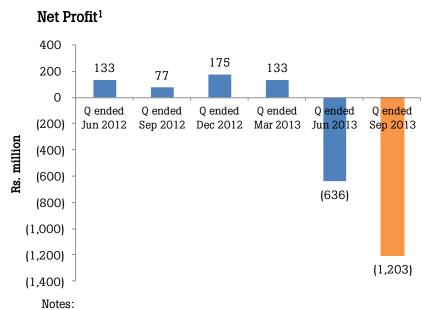
- Low margin in the sugar segment
- Lower Cogeneration margin due to utilization of coal based boilers at the refineries
- Improved margin in the ethanol segment

#### 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

# Standalone Quarterly Financial Performance





## 1 Net Profit is after minority interest and prior period adjustments

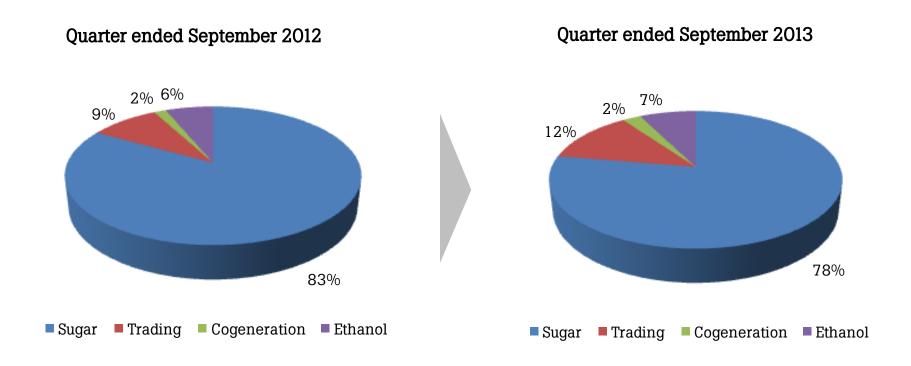
### **Trends**

Depreciation of INR against USD leading to foreign exchange loss of Rs. 759 million during the quarter

# Standalone Performance - Quarter Ended 30th Sep, 2013



## Net Sales Breakdown - India



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



## Standalone

	Unit of Measure	As on 30.09.2013
Sugar	MT	226,863
White Sugar	MT	167,777
Raw Sugar	MT	59,086
Ethanol	KL	41,708
Molasses	MT	50,839

# Sales Quantity - India



# Standalone

	3M ended 30-09-2013	3M ended 30-09-2012	% Y-o-Y Growth
Total Sugar Sold(MT)	385,051	299,343	28.6%
Export (in MT)	148,162	216,352	(31.5%)
Domestic (in MT)	236,889	82,991	185.4%
Ethanol (in KL)	29,546	25,101	17.7%
Co-gen (in million units)	33	7	367.7%

# **Net Price Realization - India**



## Standalone

	3M ended 30-09-2013	3M ended 30-09-2012	% Y-o-Y Growth
Average Manufactured Sugar (in Rs./MT)	31,504	32,502	(3.1%)
Export (in Rs./MT)	32,375	33,817	(4.3%)
Domestic (in Rs./MT)	30,960	29,072	6.5%
Ethanol (in Rs./KL)	39,441	29,049	35.8%
Co-gen (in Rs. per unit)	2.89	2.70	7.0%

### Notes:

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

# **Standalone Balance Sheet**

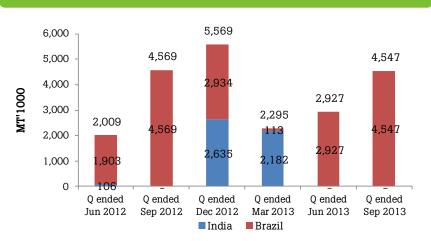


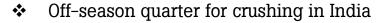
	(Rs. in Million)		
	30.09.2013	31.03.2013	
SOURCES OF FUNDS			
Net Worth	16,017	17,930	
Loan Funds	31,200	26,116	
Deferred Tax Liability	1,602	2,431	
Other Non-Current Liabilities	31	32	
TOTAL	48,850	46,509	
APPLICATION OF FUNDS			
Net Fixed Assets	27,603	27,621	
Investments	20,129	20,129	
Other Long Term Assets	4,075	4,029	
Net Current Assets	(2,957)	(5,270)	
TOTAL	48,850	46,509	

# **Sugar: Quarterly Operating Performance**









- Y-o-Y cane crushing in Brazil is almost the same
- Overall accumulated crushing in Brazil for the season 2013/14 is higher by 12% as compared to 2012/13



- Sugar produced in India in the quarter from the Kandla and Haldia refineries
- Lower sugar production in Brazil Y-o-Y due to lower sugar mix of 51% as compared 65% last year
- ❖ Y-o-Y, 1% decrease in recovery at Brazilian units in Q2 FY13

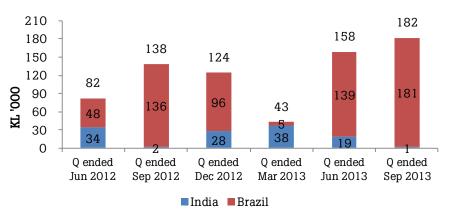
#### Note:

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

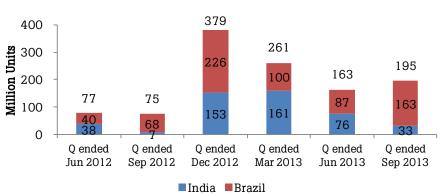
# **Ethanol & CoGen: Quarterly Operating Performance**







## **Co-Gen Power Exports**



- Y-o-Y, 35% increase in ethanol production in Brazil due to higher ATR diverted towards ethanol
- Of the total ethanol produced in Brazil, 59% was anhydrous and 41% hydrous
- Higher energy sales in India due to higher utilization from refineries
- Sales of energy from our Brazilian cogen units increased 139% compared to corresponding quarter last year

## 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 10 mn tonnes of sugar for 2012-13 and 4.5 mn tonnes 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.

Source: UNICA, Kingsman, ISO, Company Research







# Shree Renuka Sugars Ltd

## **Corporate Office**

7th Floor, Devchand House
Shiv Sagar Estate, Dr. Annie Besant Road,
Worli, Mumbai-400 018.
www.renukasugars.com

Vishesh Kathuria Shree Renuka Sugars Ltd. +91 22 4001 1400 vishesh.kathuria@renukasugars.com