



The Simbhaoli Sugar Mills Ltd.  
India's largest integrated sugar refinery

## SIMBHAOLI SUGAR'S LOW-RISK, HIGH-GROWTH BUSINESS STRATEGY

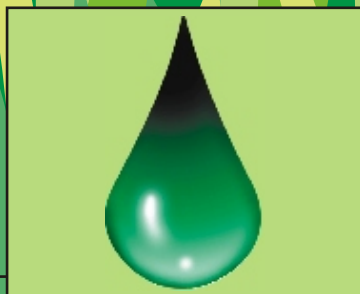
World-class sugar



Co-generation



Ethanol

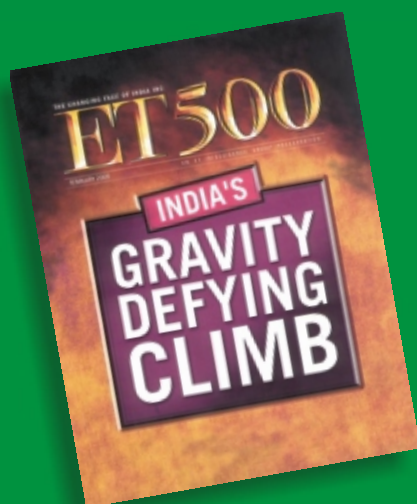


Brand building





Performance Highlights	12
Chairman's Message	14
Company Information	16
Director's Report	
Corporate Governance Report	
Management Discussion & Analysis	
Report of the Auditors	
Balance Sheet	
Profit & Loss Account	
Cash Flow Statement	
Schedules to the Accounts	
Balance Sheet Abstract	



In the latest ET500 ranking, an Economic Times survey of India's most valuable companies, Simbhaoli Sugar has made its debut at 306th position

“ We are now well on our way to acquiring scale and critical mass, and reinforcing our technological edge. We are confident this will spur growth at the top and bottom ends. ”

The Simbhaoli Sugar Mills Limited is a technology company with a product mix that spans specialty sugars, co-generated power, extra neutral alcohol (ENA), ethanol, potable liquor and bio-manure. As India's largest integrated sugar refinery, the company has pioneered path-breaking innovations in sugar refining (Defeco Remelt Phosphotation and Ion Exchange technology), high value, niche products (specialty sugars) and clean energy (ethanol).

What sets Simbhaoli Sugar apart from the rest of the sugar companies is not only its longevity, but also its unique ability to grow and push limits. In fact, growth is a way of life - ingrained in the Simbhaoli Sugar culture.

The ability to reinvent itself and grow continuously during its long history is an important reason why Simbhaoli Sugar continues to be competitive, deliver stakeholder value and is in great shape for the future - even seven decades after its founding.

And all along this remarkable journey, the company has steadfastly adhered to its core values of ethical business policies, fair and respectful treatment of people and environmental stewardship.

**Rs. 400 crore expansion plans**

We have successfully issued US\$33M Foreign Currency Convertible Bonds (FCCBs) to partly fund our capital expenditure programme, which is to be completed by March 2007.

The ongoing expansion will significantly hike capacities across businesses and firmly place Simbhaoli Sugar in a growth orbit.

Sugarcane crushing capacity will increase to 20,100TCD; alcohol / ethanol capacity will rise to 210KLD; and surplus co-generation power capacity will touch 39MW/HR.

These capacity expansions will positively impact the company's topline and bottomline in the years to come.



“ Sugar is our core strength and dominant revenue earner. This fiscal, we have initiated brown-field expansions, enhanced plant efficiencies and improved product quality. ”

Presently, we operate two of India's most technologically advanced sugar plants at Simbhaoli and Chilwaria.

Post brownfield expansions, our total sugarcane crushing capacity has touched 13,300 TCD. The two plants can now produce up to 200,000 MT of sugar every year. The sugar recovery rate compares favourably with the best in the industry.

Our total sugarcane reserved area is 280,000 hectares, which gives us a steady and assured supply of sugarcane.

Most significantly, we have made research and quality control an integral part of the sugar manufacturing process. This has enabled us to consistently produce 100% pure sugar - totally free of sulphur and other harmful chemicals - in line with world-class quality standards.

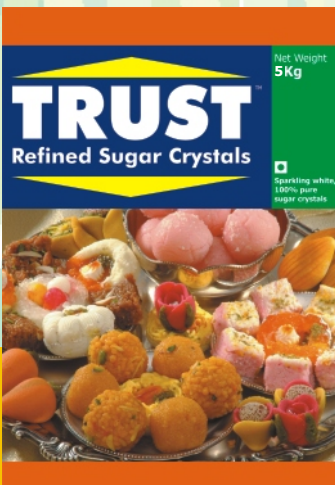
In the years ahead, sugar will continue to drive growth and sweeten our bottomline.

#### Simbhaoli capacity expansion

- Sugarcane processing capacity hiked from 7500TCD to 9500TCD
- India's largest integrated sugar refinery

#### Chilwaria capacity expansion

- Sugarcane processing capacity to be hiked from 3800TCD to 6600TCD
- Chilwaria to emerge as the company's second integrated sugar complex
- One of India's most energy-efficient sugar plants with bagasse savings of 12% on cane
- Sugarcane reserved area of 200,000 hectares



Our new 1kg and 5kg consumer packs for refined crystal sugar

“ Our 4000 TCD capacity Brijnathpur sugar plant is expected to be commissioned by 2006 end. With Brijnathpur, our total sugarcane crushing capacity will jump to 20,100TCD. ”

Located at the village that goes by its name Brijnathpur will set standards in sugar manufacturing: full automation; 24 x 7 production; top quality sugar with minimum wastage and high energy efficiency.

Close proximity to the sugarcane heartland will ensure expedient crushing of sugarcane within a very short time of harvest, thereby ensuring a high sugar recovery rate. And since Brijnathpur and Simbhaoli are adjacent to each other, both the plants will enjoy operational synergies.

A 60KLD capacity, single-stream ethanol unit will be setup as a part of the sugar plant, which will make Brijnathpur India's most efficient integrated sugar complex.

Plus, the Brijnathpur sugar plant will be integrated with a bagasse fired co-generation plant.

#### Project highlights

- Excellent plant location for cane production and growth
- Cane command area around 25KM
- Adjacent to Simbhaoli sugar plant - will result in operational synergies
- India's most energy-efficient sugar plant
- 60KLD capacity ethanol plant

The foundation stone laying function of our new sugar plant at Brijnathpur, Uttar Pradesh



“ Central to our drive towards diversifying and sustaining revenue streams is the production of environment-friendly, renewable fuels such as ethanol. ”

We have identified ethanol - India's energy future - as a key business driver.

The new molasses-based 60KLD ethanol plant at Chilwaria will double our ethanol production to 120KLD - which will further shoot up to 180KLD once the Brijnathpur unit becomes operational. Making Simbhaoli Sugar one of the largest ethanol players in the country.

To be built at a cost of Rs. 25 crore, the Chilwaria plant will have additional revenue spin-offs - production of rectified spirit and extra neutral alcohol (ENA).

In the year under review, Simbhaoli Ethanol Division bagged two orders from the Uttar Pradesh and Punjab governments worth Rs. 13.5 crore and Rs. 5.3 crore per annum respectively for supplying ethanol to oil majors there.

Existing Simbhaoli ethanol plant

- New generation Molecular De-Hydration Sieve technology
- Fully automated
- 60KLD capacity

Chilwaria ethanol project

- Molasses-based ethanol manufacturing plant with an installed capacity of 60KLD
- Low cost, single stream ethanol unit
- India's lowest cost rectified spirit producer

Brijnathpur ethanol project

- Molasses-based, 60KLD capacity ethanol plant - fully integrated with sugar unit



With the setting up of the new 60KLD ethanol plant at Chilwaria, our ethanol production will touch 120KLD - which will further shoot up to 180KLD once the Brijnathpur unit becomes operational.

“ Our objective of sustainable growth and profitability is being partly realised by co-generation. The total installed capacity of co-generated power will rise to 39MW/HR. ”

We are actively de-risking our business model by seeking additional revenue earners. One example of a stable revenue source is co-generation of power - which is happening at both Simbhaoli and Chilwaria.

Simbhaoli: Post expansion, the exportable surplus power will rise from 5MW/HR to 16MW/HR. The total power generated will be over 50,000MW per annum. This will be achieved by January 2007.

We have entered into a power purchase agreement with the Uttar Pradesh Power Corporation for supplying 19MW/HR to the National Grid.

Chilwaria: A Rs. 72-crore, bagasse-based co-generation power plant is being set up at Chilwaria, which will have an exportable surplus of 20MW/HR. The plant will have an installed capacity of over 90,000MW per annum.

**Simbhaoli co-generation expansion (March 2007 onwards)**

- Capacity being hiked from 5MW/HR to 19MW/HR of exportable surplus power per day
- National Power Grid 500 metres away

**Chilwaria co-generation expansion (March 2007 onwards)**

- Exportable surplus of 20MW/HR per day during the season and 10MW/HR per day during the off-season
- Almost round-the-year generation

Bagasse, a by product of the sugar manufacturing process is used to generate power for captive consumption and export.





“ We have established Trust as the leading brand in the specialty sugars space. As India's largest producer of specialty sugars, we have now launched golden brown sugar in cube and crystal forms. ”

Our aim is to supplement the 'commodity space' with the 'branded space' in the sugar industry. A move to seek higher volumes and margins by strengthening our brand equity in the retail market.

This year, we have added brown sugar to our product basket - that includes table sugar, icing sugar, white sugar cubes, sachet sugar and pharma-grade sugar.

Our marketing footprint now extends to virtually all parts of north India, covering the major markets in tier-1, tier-2 and tier-3 towns located there.

In the institutional segment, we have broken fresh ground by adding new customers such as the Taj Group, Oberoi Hotels, Grand Hyatt, Pepsico, Heinz, Jet Airways, Haldiram's, Hans Plaza, Café Coffee Day, Indian Airlines, Air Sahara and the Indian Railways.

We have also commenced supplies of pharma-grade sugar to Glaxo Smithkline, Cadila, Ozone Pharmaceuticals, MMC Health Care and Akusms Drugs.

Specialty sugars product basket

- Table sugar
- Icing sugar
- White sugar cubes
- Golden brown sugar
- Golden brown sugar cubes
- Sachet sugar
- Candy sugar (Misri)
- Pharma-grade sugar



Trust Golden Brown Sugar and Trust Golden Brown Sugar Cubes were launched in 500g pouches and cartons respectively.



We are supplying sachet sugar to organisations such as the Taj Group, Café Coffee Day and Indian Railways

In great shape for the future



“ As part of our strategy to broaden our revenue spectrum and increase our global footprint, we have started exporting white sugar. ”

As a direct consequence of our business strategy and in order to fulfill our commitment against import of raw sugar under the Advance Licence Scheme, we are actively pursuing exports - another revenue earning opportunity. Our export effort is evidence of the sure-fire quality of our products and confidence to compete with the best in the world.

**White sugar:** We have signed agreements with Cargill International and ED&F Man for exporting white sugar. Presently, the price of white sugar at the London Commodity Exchange ranges between US\$440 and US\$460 per MT.

We are also looking at markets such as Pakistan, Bangladesh and the Middle East for exporting bulk quantities.

**Specialty sugars:** We have identified international markets for our range of specialty sugars. Currently, efforts are underway to revamp our consumer packs to suit international food regulations and life-style trends.

Export of high-value products (specialty sugars) to developed markets such as Europe, USA and Canada will be a key thrust area in the years to come.



“ We are strengthening our presence in the potable liquor market (and broadening our revenue base) by building brands across the quality chain. ”

Our distillation plant at Simbhaoli enables us to capitalise on the inherent value of by-products like molasses, press mud, bio-gas and carbon dioxide.

One important molasses-based revenue earner is potable liquor. The Simbhaoli distillery can produce 20KLD of extra neutral alcohol (ENA).

In the current fiscal, we have strengthened our IMFL product mix by introducing four new brands - Gorki Vodka, Seven Knights Whisky, Seven Knights Dry Gin and Ice Blue Tango (a sugar spiked Gin). With these new additions, our brand basket has swelled to ten brands.

We have strengthened our presence in Uttar Pradesh, Punjab, Rajasthan, Uttaranchal and Tripura. We have increased our geographical footprint by entering new markets such as Meghalaya, Assam, Nagaland, West Bengal and Orissa.

Presently, we are engaged in the research and development of new products so as to cover all the major price points.

**Distillery highlights**

- Alcohol production to touch 90KLD
- Besides potable liquor, other revenue streams include extra neutral alcohol (ENA), ethanol, industrial alcohol and carbon dioxide
- Apart from IMFL, a clutch of country liquor brands are being marketed

We have added four new brands to our IMFL product basket; and increased our market penetration by entering five new states.



We have a strong presence in the country liquor market as well. At present we have a brand portfolio comprising seven brands.

In great shape for the future

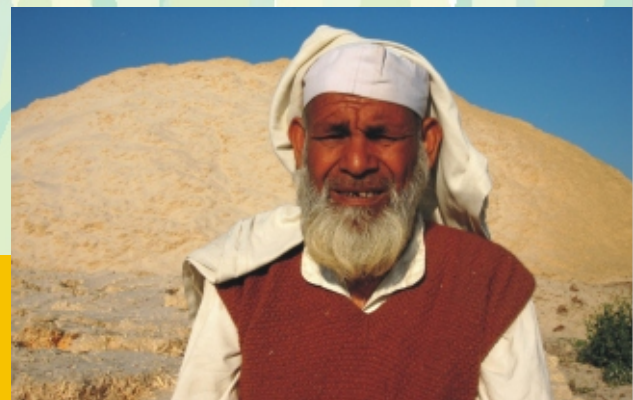
“ We have forged deep and abiding relationships with farmers - our most important constituency. We are committed to fair prices; ethical business practices; and equipping farmers with best agricultural know-how and technology. ”

We recognise the farmer as the most critical element in the sugar production chain; and our most important partner in growth. We work closely with farmers at all stages of the crop cycle.

**Farmer Meets and Service Centres:** Simbhaoli Sugar has taken the lead to educate farmers about new high yielding varieties, latest agricultural practices, cane agronomy, ratoon management, disease prevention and control. In the year under review, Simbhaoli Sugar successfully persuaded farmers to introduce inter-cropping as a means to generate additional income and replenish the nutrients in the soil.

A transparent and systematic procurement system is in place for the farmers. Farmers can either deposit their harvest at the company collection centers (established virtually at the doorstep of farmers) or transport it to the factory. The entire process of procurement, weighing and inspection of produce has been streamlined keeping in mind the convenience of farmers. Dues, too, are settled fairly and promptly.

We have earned the trust of generations of over 90,000 farmers.  
We are committed to their economic upliftment and social well-being.



“ We are bench-marking ourselves against the best in the world. So it’s no coincidence that we have earned all the three international quality certifications in one year - the first by a sugar plant in Asia. ”

For over 70 years, we have lived by the credo ‘To be the best, not necessarily the biggest’. This motto has been the touchstone of our management processes, plant operations and quality assurance systems.

By earning the industry’s most coveted three international quality certifications - ISO 9001: 2000, ISO 14001 : 2004 and HACCP 2002 in one year - we have demonstrated that our product quality, environment protection measures and food safety norms are at par with global standards.

As a quality-conscious company, we aren’t resting on our laurels. We are continuously striving to improve and re-invent ourselves in tune with world trends and norms.



Our quality control efforts - closely aligned with our research and development initiatives - extend from the farm to the lab and to the manufacturing floor. The goal being to produce quality at par with world standards.

“ Our HR programme is designed to nurture a work culture that attracts and sustains exceptional talent and helps them realise their full potential as professionals. ”

As we grow as a company, we expect our people to grow with us. That's why, we have initiated a continuous growth-enhancement programme across the company - which involves enhancing their knowledge quotient, leadership skills and decision making ability.

We have established a stimulating work environment that rewards both individual performance and team efforts.

Some recent HR initiatives:

Quality Circles have taken deep roots at Simbhaoli Sugar. The idea is to create a chain of self-help groups that are adept at proactive initiatives, out-of-box thinking and problem solving skills.

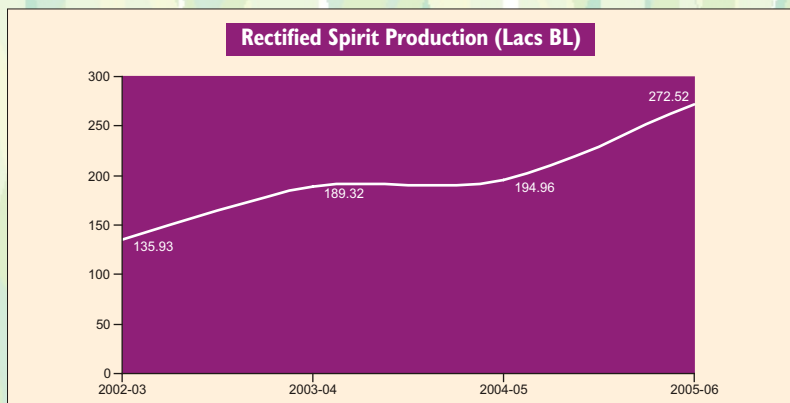
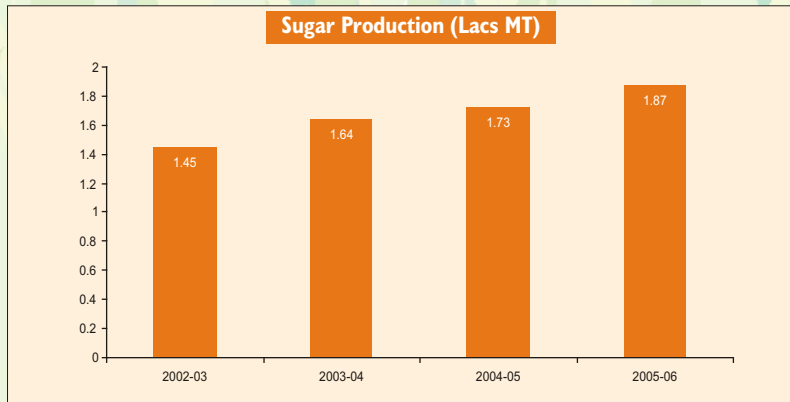
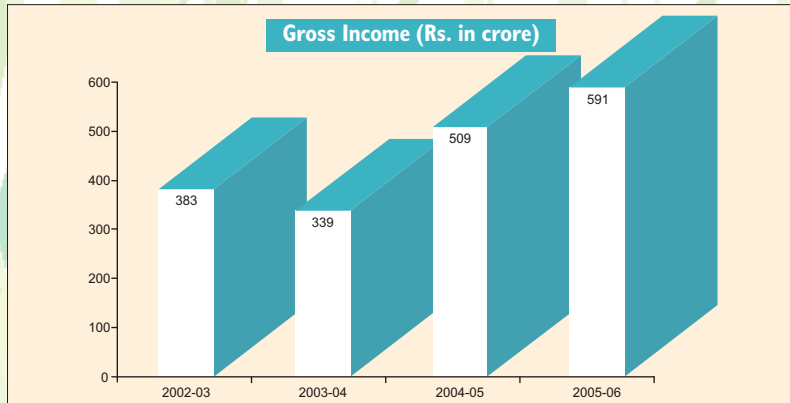
Competency Mapping is a continuous effort to identify skill strengths and weaknesses of executives. The objective is to help individuals grow in competencies essential for optimum performance.

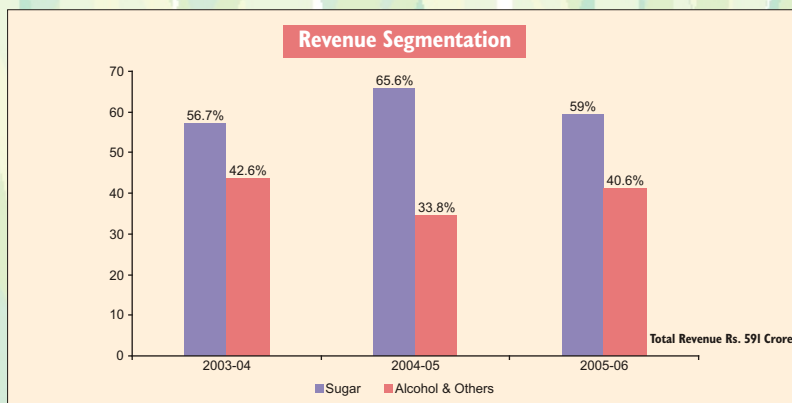
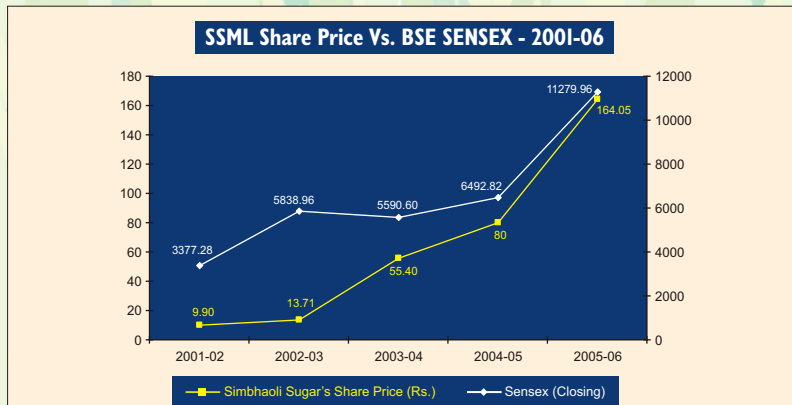
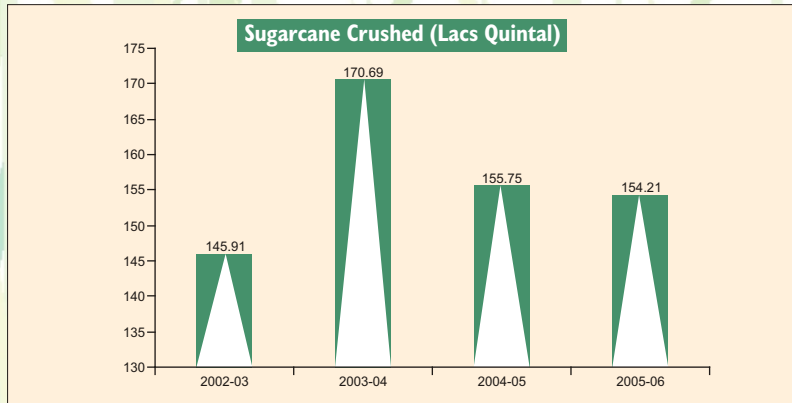
We have one of the most technology-literate and committed workforces in the industry. Many of our workers are third generation employees, upholding a family tradition of life-long loyalty and service.





“ Net profit up by 150%  
EPS doubled to Rs. 18.19 ”  
Turnover up by 16%





“The key elements of our growth strategy are to de-risk our business model by achieving multiple revenue streams, consolidate core strengths through green field and brown field expansions, leverage brands and harness human capital.”

Last year, I had mentioned that your company had laid the foundation for a strong future by unlocking its innate potential, strengthening its core competencies and anticipating and seeking opportunities of the day.

I am now happy to report that this fiscal, we have taken great strides ahead and that the 'growth blocks' for a profitable future are well in place.

Prudent green field and brown field expansions have enabled us to achieve economies of scale, thereby consolidating our position in the sugar industry. We have sought to insure your company from the ups and downs of the sugar business cycle by focusing on related non-sugar businesses such as extra neutral alcohol, ethanol, potable liquor, co-generation of power, industrial alcohol and bio-manure. Sizeable capacities are being built up to give us traction in these high value, high potential businesses. We have also started to look beyond our borders - seeking global opportunities. White sugar export and trading are steps in that direction.

In the retail space, we continue to strengthen our Trust brand by adding to our range of specialty sugars.





Important initiatives have been taken in HR which is helping us attract and retain outstanding talent. A Simbhaoli Sugar employee is technology savvy, innovative and adept at problem solving.

Farmers are our prized stakeholders. We are fully committed to fair crop prices, timely payment of dues, respectful treatment and dissemination of best agricultural practices. We are working hard to keep their trust - every day, every year - for over seven decades now.

Looking ahead, sugar, ethanol, co-generated power, brand building, international trade, world-class quality will continue to be the 'growth blocks' of the Simbhaoli Sugar story. I am confident that with your support and participation, we will touch greater heights than before.

Gurmit Singh Mann  
Chairman & Managing Director

The 'growth blocks' of a profitable future are well in place

- Sugar
- Ethanol
- Co-generated power
- Brand building
- International trade
- World-class quality



## Board of Directors

### Chairman & Managing Director

- Gurmit Singh Mann

### Whole time Directors

- Gurpal Singh, Dy. Managing Director
- G. S. C. Rao, Executive Director
- Sanjay Tapriya, Director (Finance) & Company Secretary

### Non-executive Directors

- Shivinder Pal Singh Mann
- S. C. Kumar
- S. K. Ganguli
- Ram Sharma

### Nominee Directors

- J.K. Jain  
(ICICI Bank Ltd.)
- Suman Kumar  
(Industrial Development Bank of India Ltd.)

Board of Directors L to R: Back row - Ram Sharma, G.S.C. Rao, Sanjay Tapriya, Shivinder Pal Singh Mann  
Front row - Suman Kumar, J.K. Jain, S.K. Ganguli, Gurmit Singh Mann, Gurpal Singh, S.C. Kumar



#### Auditors

- A.F. Ferguson & Co.

#### Solicitors

- J. Sagar Associates

#### Bankers

- State Bank of India
- Punjab National Bank
- ICICI Bank Ltd.
- Industrial Development Bank of India Ltd.
- Bank of Baroda
- State Bank of Patiala
- Yes Bank

#### Registered Office

- Simbhaoli  
District Ghaziabad, Uttar Pradesh - 245 207

#### Corporate Office

- C-11, Connaught Place  
New Delhi 110 001

#### Manufacturing Units

##### Sugar Mills and Co-generation Plants

- Simbhaoli Sugar Division, Simbhaoli  
District Ghaziabad, Uttar Pradesh - 245 207
- Chilwaria Sugar Division, Chilwaria  
District Baharaich, Uttar Pradesh - 271 801

##### Distillery

- Simbhaoli Distillery Division, Simbhaoli  
District Ghaziabad, Uttar Pradesh - 245 207

##### Projects

- Brijnathpur Sugar Division  
Brijnathpur  
District Ghaziabad, Uttar Pradesh - 245 207
- Chilwaria Distillery Division  
Chilwaria, District Baharich,  
Uttar Pradesh - 271 801

A view of our Chilwaria sugar plant





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India's largest integrated sugar refinery

Concept, editorial & design: spawncommunications@gmail.com



Trust Talk, our quarterly newsletter is an important effort to keep our stakeholders abreast of the latest events in the company and the sugar industry.



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Registered Office : Simbhaoli, Distt. Ghaziabad, (U.P.) 245207 India