

**DALMIA BHARAT SUGAR AND INDUSTRIES LTD.**

**Financial Results**  
**for quarter and six months ended Sep 30, 2010**

**OCTOBER 29, 2010**

## Presentation Plan

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# Corporate Highlights

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# Restructuring Update

## Update on Demerger Scheme

- Approved by Shareholders of Dalmia Cement (Bharat) Limited on June 2<sup>nd</sup> 2010
- The same has been approved by the High Court of Madras on 29th July'10
- Filed with the Registrar of Companies and stock exchanges on 1st September'10
- Application with Information Memorandum filed with stock exchanges for listing and trading approval on 12<sup>th</sup> Oct'10
- The Demerger is effective from 1st April'10

## Name Change

- The existing listed entity **Dalmia Cement (Bharat) Limited (DCBL)**, renamed to **Dalmia Bharat Sugar and Industries Limited (DBSIL)**

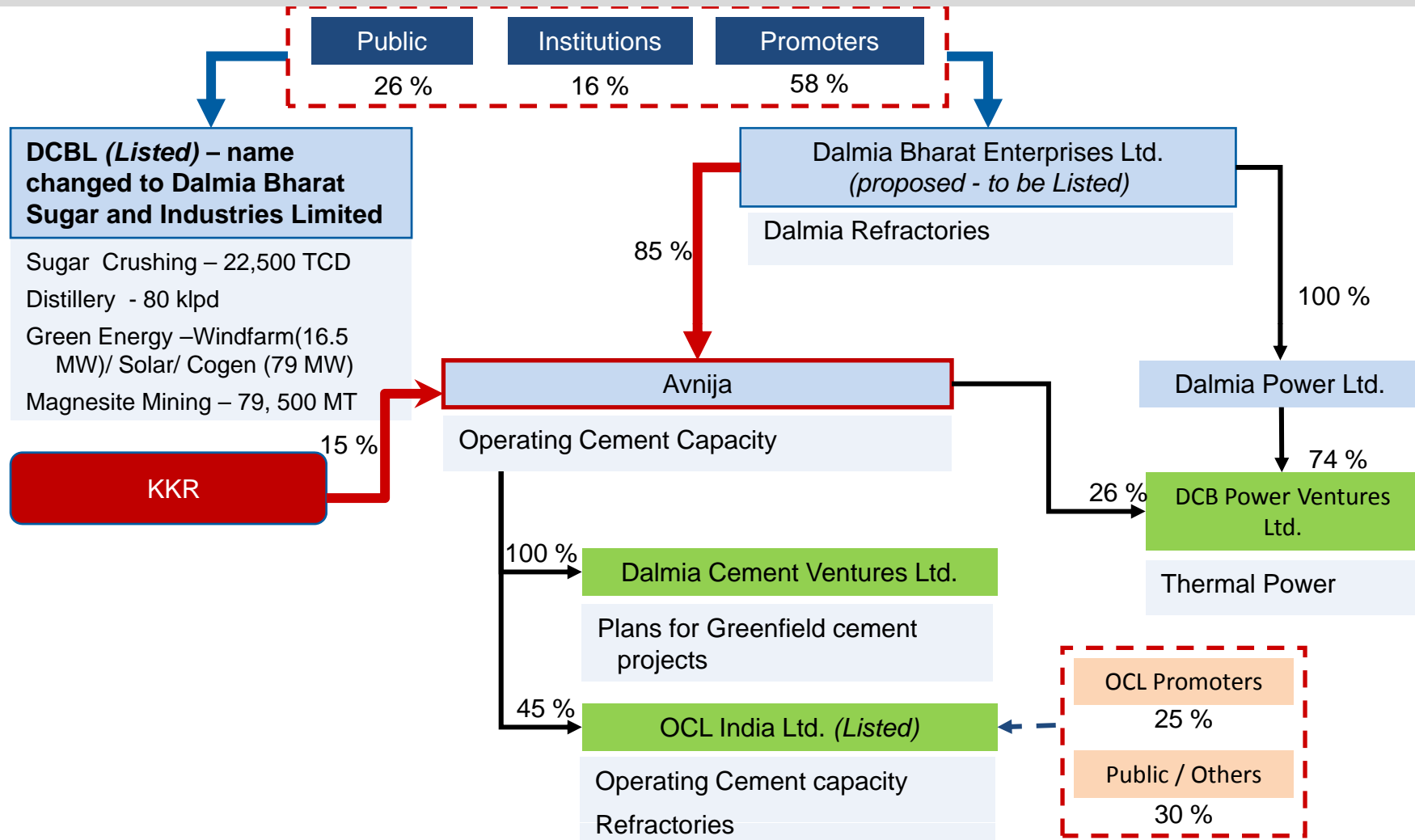
## Record Date for the issue of Dalmia Bharat Enterprise Ltd. (DBEL) shares

- Announcement of Record Date as Sep 27, 2010 for the issue of DBEL shares; EX Date was Sep 24, 2010.
- Post Ex Date, **equity shares of DCBL (renamed to DBSIL) have started trading at the price pertaining to valuations of Sugar Business and the renewable energy business**, which remain housed in it.

## Listing of DBEL

- DBEL would apply for listing of its shares pursuant to allotment of shares in DBEL.
- Listing of DBEL expected by mid November 2010

# Resultant Structure – Unlocking Value



**A Distinct Business line with a Distinct Cycle and Different Investor Appetite**

## Key Strategic Initiatives

### Contributing to reducing greenhouse emissions

- Cogen project at **Ramgarh** registered with United Nations Framework Convention on Climate Change (**UNFCCC**)
- Revenue realized through sale of CERs in FY10
- Issuance of CER this year expected by Jan'11

### Plan to install Bio-methanation plant at distillery

- Enable the distillery to run for ~270-300 days in a year – EBITDA accretive

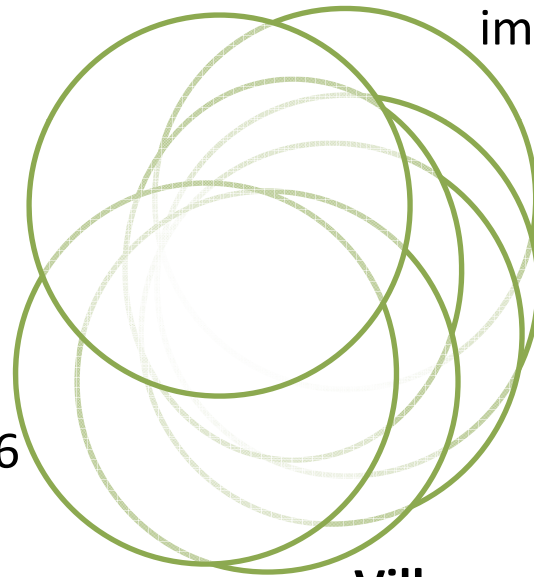
### Expanding footprint in the Renewable Energy space

- **Solar incubation of 10 MW in Rajasthan at advanced stages**
- Land possession and all other statutory approvals have been received
- Average tariff for Solar Thermal Technology is Rs 15.31/kwh
- The company presently has capacity of 95.5 MW of renewable energy

# Corporate Social Responsibility

Supporting **school children** - 330 children benefitted – zero drop out during intervention period and improvement in school performance observed

**Income generation** - 66 youth trained - 25 beneficiaries earning Rs. 500-Rs. 6000 a month



**Health services**  
1,890 beneficiaries from health camps, ante-natal and post-natal treatment and care – improved health indices

**Long Term Livelihood Development** – Partnerships proposed with NABARD and L&T's construction skills training

**Village empowerment and institutional strengthening** – 4 Self Help Groups formed with 44 members – savings have started forming

# Financial Results

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## Financial Results Highlights

Income	Q2'11	HY1'11 (YoY)
• Gross Sales	: Rs. 133 cr	Rs. 334 cr ; ↑ 15%
• Net Sales	: Rs. 127 cr	Rs. 322 cr ; ↑ 16%
• Total Income	: Rs. 131 cr	Rs. 331 cr ; ↑ 17%

Profits	Q2'11	HY1'11
• EBITDA	: Rs. (13) cr	Rs. (29) cr
• Net Profit	: Rs. (23) cr	Rs. (50) cr

- Profitability impacted due to high inventory carrying costs and lower realizations in the quarter
- Repayment of Rs. 210 cr leading to significantly lower Debt Equity ratio of 1.2 x
- Sugar spot prices higher at Rs. 29/kg

## Q2'11 Results – Business wise

Period ending (Rs In crores)	Q2'10			Q2'11			YoY%		
	Sugar	Others	Total	Sugar	Others	Total	Sugar	Others	Total
Gross Sales	124	16	140	119	15	133	-4%	-8%	-5%
Net Sales	120	16	135	113	15	127			
Operating Other Income	1	1	2	2	1	3			
<b>Total Income</b>	<b>120</b>	<b>17</b>	<b>138</b>	<b>115</b>	<b>16</b>	<b>131</b>			
Operating Expenses	104	10	114	135	9	144			
<b>EBITDA</b>	<b>17</b>	<b>7</b>	<b>24</b>	<b>(20)</b>	<b>7</b>	<b>(13)</b>			
<b>EBITDA Margins %</b>	14%	41%	<b>17%</b>	-17%	44%	<b>-10%</b>			
Other Income			0			0			
Depreciation			10			11			
Interest			12			11			
<b>Profit Before Tax</b>			<b>2</b>			<b>(34)</b>			
Tax			(0)			(11)			
<b>PAT</b>			<b>2</b>			<b>(23)</b>			

\* Sugar segment includes Cogen & Distillery; Others include Windfarm, Magnesite and miscellaneous businesses

\*\* Previous period numbers have been reclassified/regrouped as per current quarter groupings

## HY1'11 Results – Business wise

Period ending (Rs In crores)	HY1'10			HY1'11			YoY%		
	Sugar	Others	Total	Sugar	Others	Total	Sugar	Others	Total
Gross Sales	261	28	289	308	26	334	18%	-9%	15%
Net Sales	250	28	278	297	25	322	18%	-9%	16%
Other Operating Income	2	3	4	6	3	9			
<b>Total Income</b>	<b>252</b>	<b>31</b>	<b>282</b>	<b>303</b>	<b>28</b>	<b>331</b>	<b>20%</b>	<b>-9%</b>	<b>17%</b>
Operating Expenses	217	18	235	342	17	360			
<b>EBITDA</b>	<b>35</b>	<b>13</b>	<b>47</b>	<b>(39)</b>	<b>10</b>	<b>(29)</b>			
<b>EBITDA Margins %</b>	14%	42%	<b>17%</b>	-13%	37%	<b>-9%</b>			
Other Income			0			2			
Depreciation			20			21			
Interest			26			26			
<b>Profit Before Tax</b>			<b>1</b>			<b>(74)</b>			
Tax			(1)			(24)			
<b>PAT</b>			<b>2</b>			<b>(50)</b>			

Net Sales grow 16% ...

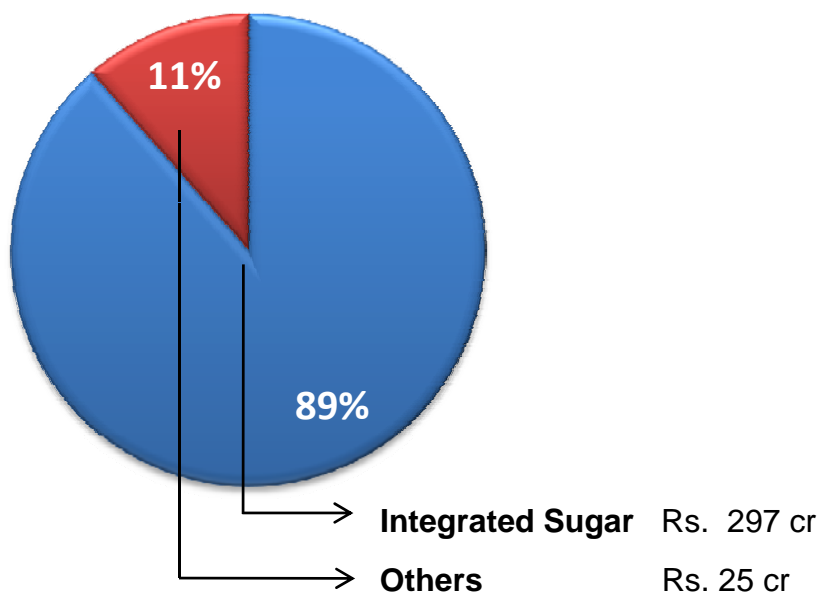
- **Realizations:**
  - Sugar 8%↑;
- **Volume:**
  - Sugar 4%↑

\* Sugar segment includes Cogen & Distillery; Others include Windfarm, Magnesite and miscellaneous businesses

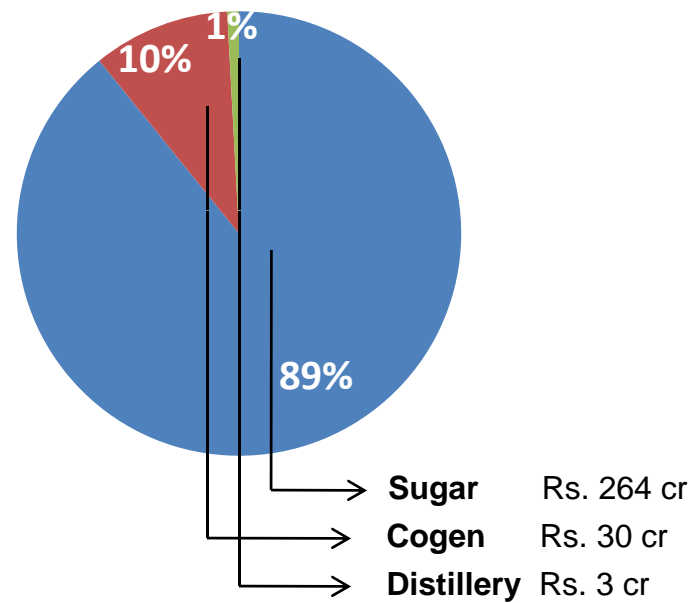
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# HY1'11 Business Mix

**Total Net Revenue Mix**



**Integrated Sugar Net Revenue Mix**



\* Sugar segment includes Cogen & Distillery; Others include Windfarm, Magnesite and miscellaneous businesses

\*\* Previous period numbers have been reclassified/regrouped as per current quarter groupings

## Key Balance Sheet Parameters

(Rs. In Crore)	30-Jun-10	30-Sep-10
Net Worth	384	374
Debt	728	460
Term Loans	500	300
Soft Loans	116	108
Working Capital	112	52
Deferred Tax	97	73
<b>Total</b>	<b>1,209</b>	<b>906</b>
Net Fixed Assets*	633	623
Investments	5	5
Cash and equivalents	255	69
Net Current Assets	317	209
<b>Total</b>	<b>1,210</b>	<b>906</b>
Debt to Equity	1.9	1.2
Net Term Debt to Equity	0.6	0.6

\* including CWIP

- Repayment of term loan from internal accruals leading to **improved Debt to Equity**
- New sugar season funds requirement will be met by undrawn working capital
- Investments in mutual funds to the tune of Rs. 10 cr as on Sep 30'10

# **Integrated Sugar Business**

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## Integrated Sugar Highlights – HY1'11

### Multifuel boiler contributed to revenue & profitability during off season

- Cogen revenue up Rs. 31 cr vs Rs. 9 cr in corresponding period of last year

### Revision in levy quota

- Levy obligation has been reduced from 20% to 10% w.e.f. October 1'10

### Crushing for season 2010-2011 expected to start in Nov'10

- Higher cane crushed volumes, higher recovery% and higher power generation expected in 2010-11 season
- Higher Spot Prices at Rs. 29/kg and higher global prices at 28 cents / pound

## Integrated Sugar Metrics

Operational Metrics Sugar	Units	Q2'10	Q2'11	Growth%/bps	HY1'10	HY1'11	Growth %/bps
Crushed cane	T	-	-	-	-	-	
Recovery	%	-	-	-	-	-	-
Production Volume	T	-	-		14,431	10,006	-31%
Sales Volumes	T	44,275	40,037	-10%	97,012	100,821	4%
Sales Realizations	Rs/T	26,150	25,147	-4%	24,206	26,045	8%

- YTD sugar realizations up 8% YoY
- White Sugar inventory as on Sep 30'10 - 52,485 T @ Rs. 24,802/T
- Raw Sugar inventory -7,850 T



## Integrated Sugar Metrics

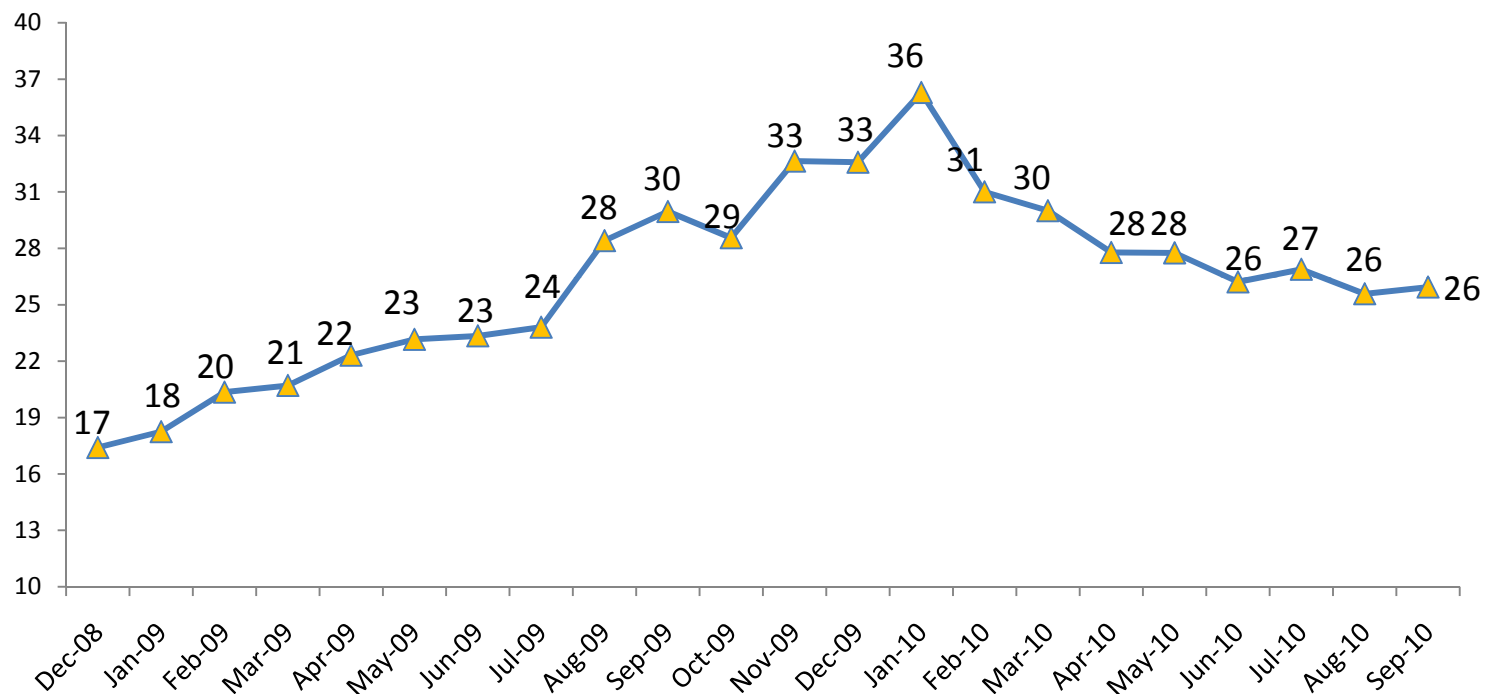
Cogeneration Units	Units	Q2'10	Q2'11	Growth%	HY1'10	HY1'11	Growth
Installed Capacity	MW	79	79	-	79	79	-
Power generated	lakh kwh	-	266		275	626	128%
Power Exported	lakh kwh	-	240		235	554	136%
Power Realization	Rs/Kwh	3.61	5.0	39%	3.6	5.3	47%

Distillery	Units	Q2'10	Q2'11	Growth%	HY1'10	HY1'11	Growth
Installed Capacity	KLPD	80	80	-	80	80	-
Sales Volumes	KL	1,084	80	-93%	2,288	1,207	-47%

- Power export up 136% YoY during off season
- Co-gen Realizations up 47% YoY

# Free Sugar Pricing

Free Sugar Sale Price (Rs./Kg)



- Sugar prices seem to be forming a good base at current levels
- Spot prices at Rs. 29/Kg in our markets

## Regulatory Update

### Decontrol of Sugar

- PM office has formed the Sub Committee to formulate policy of linkage of cane price with the sugar prices.

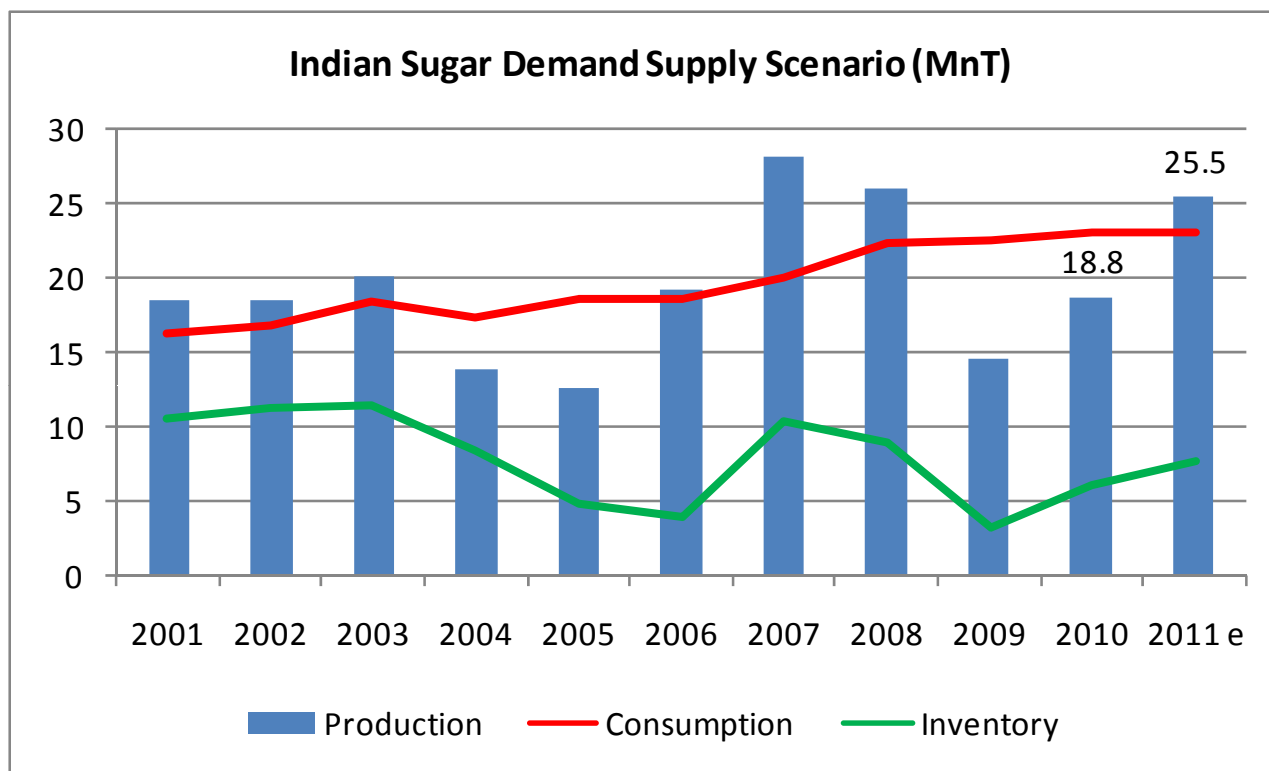
### Other Matters:

- Levy quota for 2010-11 season has been reduced to 10 %.
- Stockholding Limit of Dealers extended till 31<sup>st</sup> December
- Ban on Future Trading lifted on 1-10-10, although we expect the contracts to be launched from January 2011 onwards.

# **Sugar Industry Highlights**

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# More than Anticipated Sugar Production in India



Source: CMA

- Government may allow export of sugar due to bumper production this year which will help in reducing the international parity
- International raw sugar prices have recovered to 28 cents per pound

## Domestic Production Outlook for SY11

State	SY07	SY08	SY09	SY10	SY11e
UP	8.5	7.3	4.1	5.2	7.3
Maharashtra	9.1	9.1	4.6	7.1	9.5
Karnataka	2.7	2.9	1.7	2.5	3.1
TN	2.5	2.1	1.7	1.2	1.5
Others	5.6	5.0	2.6	2.8	4.1
<b>India Total</b>	<b>28.4</b>	<b>26.4</b>	<b>14.7</b>	<b>18.8</b>	<b>25.5</b>

**Production likely to cross 25 MnT in SY11 against estimated demand of 23 MnT**

## Ethanol Blending Programme Finally Takes Off

- Interim price fixed at Rs. 27/litre for blending with petrol, up from Rs. 21/litre
- We expect ethanol blending programme will finally take-off with the upward price revision – this is a positive move for the industry players
- The current requirement for ethanol blending at 5% comes to around 850-900 mn litres
- Oil manufacturers have agreed to buy 1 bn litres of ethanol from sugar producers

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**Ethanol blending programme will help us in sustaining margins in years of down cycle**

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## Decontrol of the Sector – Never So Close in the Past

Detailed presentation made by the Agricultural Ministry to the Prime minister.

- PM has directed that State Government's advice may also be taken in this matter.
- Following measures are being considered in this regard:
  - To abolish levy obligation w.e.f. 01.04.2011.
  - To dispense with regulatory non levy quota mechanism by 1st Dec' 10/ 1st Jan' 11.
  - Scrap the system of cane area reservation and abolish the power of State Government in this regard

Linking cane price with Sugar prices is also being considered

- In line with globally accepted Benchmarking formula over and above the FRP
- Help to reduce volatility leading to steady increase of return on investments

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**With production likely to be above 25 MnT in SY11, Agricultural Ministry feels that the time is right for the long awaited decontrol of the sector**

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# **Sugar Outlook**

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## Global Sugar Outlook – Opportunity for India

### Worries with respect to dry conditions in Brazil and Russia continue to persist

- Enhanced dry weather in Brazil has resulted in Brazilian Sugarcane Industry Association to lower production estimates to 33.7 MnT, down from earlier estimates of 34.1 MnT
- Drought conditions in Russia has also negatively impacted sugar production (down ~1 MnT) in the country
- Flood issues in China and Pakistan also likely to impact global production
- If export regulations are altered, Indian players can benefit by exporting excess production expected in SY11

### International raw sugar prices have recovered almost 100% from lows of 13 cents to close to 26 cents in September , presently at 28 cents

- However, Indian sugar prices continue to hover around Rs 27-29 per kg

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**With little change expected in Global Inventory levels – prices are likely to hold on to current levels**

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# Global Raw Sugar Prices Inching Upwards

Cents per pound



## Sugar Outlook – Medium to long Term

- Industry is likely to see a bout of consolidation
- Farmers may start producing more cane post 2015 (higher than historical levels) given the fundamental upward shift in domestic consumption levels
- However, given the growing demand for other agricultural commodities as well, domestic cane production may not be able to increase above a certain level
- Full decontrol of the sector is likely in such a scenario. Market dynamics in the long run will ensure protection of farmer's interest
- More refineries likely to be added at ports/in-land to cater to the growing domestic demand post 2015

## Contact Us



### For Queries and Comments

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# THANK YOU

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