



Seventy Seventh Annual Report 2007-08



Peace will not come out of
a clash of arms but out of justice
lived and done by unarmed nations
as in the face of odds.

- Mahatma Gandhi



It is not kingdom I desire,
nor heaven, nor release from rebirth;
what I desire is the destruction
of the pains of creatures scorched
by suffering.

Jamnalal Bajaj



We must be the change
we wish to see in the world.

Mahatma Gandhi



Key social practices

Bajaj Hindusthan pioneered Corporate Social Responsibility from the very beginning of its existence and it had been integrated into the fundamentals of our business by the founding fathers of our Company much before the concept was adopted by the Indian companies. As the Numero Uno among sugar producing Companies in India, our Company has consistently striven to enhance the quality of life of India's rural population. Our sense of mission is significantly larger than the pursuit of business profits and bottom-line objectives.

Ever aware of its responsibilities towards society in general and farmers in particular, we have tried to uplift the lives of rural people by educating the farmers about the results from agricultural yield and irrigation systems that they themselves can put in place, and by providing a means for the farmers to convert wasted crop residues into useful bio-fuels produce. We have also created valuable employment opportunities and have provided farmers with subsidised, high-yielding and disease-resistant seeds in addition to fertilisers and pesticides, especially in those states and rural areas where it currently operates. Virtually spanning all of Uttar Pradesh, BHL continues to touch the lives of over 2 million farmers.

Our Company has striven to create an economic and social infrastructure in hitherto backward areas by constructing roads and bridges in a 15 kilometres radius around every sugar mill, apart from this we also

induce the institution of other civic amenities like banks, post offices and petrol pumps, thus continually strengthening the economic and social infrastructure.

We are committed to energize, involve and enable the various stakeholders including employees, communities, suppliers and customers in realizing the potential of achieving Corporate Social Responsibility. We strictly adhere to EHS norms in all its manufacturing locations. Critical activities that have a potential to cause injuries are scrutinised in detail. We believe that human capital is precious and therefore does not leave any stone unturned to protect and nurture our human resources.

In the future we are determined to make efforts towards rapidly modernising rural India and ensure that the gains of development reach every corner of our vast country.



We must combine the toughness
of the serpent and the softness
of the dove, a tough mind and
a tender heart.

Martin Luther King Jr.



Key environmental practices

We at Bajaj Hindusthan have pledged to make a greener and healthier India. Being a socially responsible Company, we believe in giving back to the environment and always aim for a green country today and a greener world tomorrow.

We strongly recommend the need to prepare a comprehensive road map for energy efficiency and sustainable development in major sectors such as agriculture, forestry and environment infrastructure. We are on the verge of commencing the manufacture of Medium Density Fibre (MDF) Boards and Particle Boards from sugarcane bagasse waste. These are completely wood-free and environment-friendly engineered products which can increasingly replace wood in building construction and furniture manufacture. Bajaj Hindusthan Group's manufacture of 210,000 cubic metres MDF and Particle Boards will effectively prevent the destruction of an estimated 420,000 fully grown and mature trees in a year.

We generate surplus power from sugarcane bagasse waste which is then fed to our homes and factories through the state grid. Giving back to our environment, our country and our people has become a key guiding principle for corporate organizations today. We in BHL are inspired by the mission of creating eco-friendly products for the nation and setting examples by eco-friendly practices.

As the threat of global warming increases over time, we are taking carefully considered measures to reduce greenhouse gas emissions, our co-generation facility in Thanabhwani Unit successfully registered as a Certified Emission Reduction (CER) project under the United Nations Framework Convention on Climate Change (UNFCCC). We have emphasized on Green-belt development in all Units to reduce the adverse environmental impact of industrial activity. As a step towards creating a pollution-free environment, 35% of the area in each Unit has been converted into a green-belt. The MDF and the Particle Boards have been certified as green building materials by the International Green Building Council (IGBC).

With increasing globalization and the growing need for cost-competitiveness, we see green concepts as one of the drivers for sustained business growth and enhanced competitiveness, thereby maximizing shareholder wealth with a higher PE ratio in the years to come. BHL is all set to take a call on the parameters on which it will do transparent and voluntary reporting under Global Reporting Initiatives (GRI). We have also emphasized on the need of zero-discharge of solid or liquid effluents from distilleries.

BHL's sense of environmental mission is testimony to the pioneering initiatives of fuel ethanol manufacturing programme and co-generation of power from bagasse waste.



Force is all-conquering,
but its victories are short-lived.

Abraham Lincoln

Key operational practices

Bajaj Hindusthan was established in 1931, since then it has been weaving a success story as India's number one intergrated Sugar Company with Sugar, Industrial Alcohol (including ethanol) and Power as its key products. The Company has fourteen sugar mills [including four of its 75% subsidiary – Bajaj Hindusthan Sugar and Industries Ltd. (BHSIL)] with distilleries at six locations (including one of BHSIL) and bagasse-based power generation plants at all the locations, spread across the length and breadth of UP, the largest sugar producing state in India.

The Company has a strong track record of profitability – have declared dividend in 73 out of BHL's 76 years of existence. It has nurtured a tradition of strong relationships with farmers for mutual benefit and they are very much a part of our family. We have forayed into a relatively value-additive business of making MDF/HDF/Particle Boards from bagasse under the aegis, its wholly owned subsidiary was one of the pioneering initiatives taken up by the Company through is continuous zest for growth in business.

The Product range of the Company reflects from its sugarcane crushing capacity of 1,36,000 TCD (including 40,000 TCD of BHSIL); 800 KL per day of Ethanol (including 160 KL per day of BHSIL) and aggregate of captive as well as bagasse based surplus power generation capacity of 105 KW (including 15 KW of BHSIL).

Operational highlights that support our commitment: 2007-08

- Sugar Recovery was marginally up to 9.99% in 2007-08 from 9.80% in 2006-07
- Sugar cane crush decreased to 10.012 million MT in 2007-08 from 13.362 million MT in 2006-07
- Sugar cane production decreased to 0.98 Million MT in 2007-08 from 1.25 million MT in 2006-07
- Absolute alcohol production increased to 1,15,031 KL in 2007-08, from 87,516 KL in 2006-07
- Power export (to the grid) increased to 1,11,002 MW in 2007-08, from 7,616 MW in 2006-07
- Gross Block increased to 30,563.8 million in 2007-08, from 26,392.6 million in 2006-07, primarily on account of setting up of one 7,000 TCD capacity sugar plant and four power co-generation plants
- Financial performance
 - o Revenue increased from Rs. 1802.87 crore in 2007-08 as against Rs. 1743.66 crore in 2006-07
 - o Incurred a net loss of Rs. 47.68 crore in 2007-08, as against earning a net profit of Rs. 45.65 crore in 2006-07



If you want to make peace
with your enemy, you have to
work with your enemy.
Then he becomes your partner.

Nelson Mandela

- o BHL Segmental Revenue chart indicates efficacy of BHL's plans to de-risk the business from sugar cycle by creating steady revenue streams from Distillery, power and board business

	FY03	FY04	FY05	FY06	FY07	FY08
Sugar	92%	92%	94%	91%	90%	80%
Distillery	8%	8%	6%	9%	10%	14%
Power	0%	0%	0%	0%	0%	6%
Total	100%	100%	100%	100%	100%	100%

- Price differential for Sugarcane Prices continued with State Advised Price (SAP) of Rs.140 per quintal announced by UP Government for the Sugar Season 2008-09.
- Volatility on sugar prices continues with sugar prices moving up due to substantial fall in sugar production estimates. The domestic sugar prices have already firmed up at Rs. 18000 per MT (ex BHL factory average).
- Ethanol opportunity:
 - o Ethanol continues to be used as an automotive fuel by itself and can be mixed with petrol to form what has been called "FUEL ETHANOL". The most common blends contain 5% to 10% ethanol mixed with petrol.
 - o With a view to give boost to agriculture sector and reduce environmental pollution, Government of India had made ethanol-doped-petrol mandatory in the country.
 - o In October 2007 Government of India has mandated 5% ethanol blending and has indicated

that from October 2008, 10% ethanol blending will be mandatory.

- o Utilization of molasses for the production of ethanol in India will not only provide value-addition to the by-product, it can also ensure better price stability and price realization of molasses for the sugar mills. This will improve the viability of the sugar mills, which will in turn benefit cane growers.

- MDF / HDF/ Particle Board Business – an update
 - o The 100% subsidiary Bajaj Eco-Tec Products Limited (BEPL) has successfully set up three plants for manufacturing Particle Boards (PB) and Medium Density Fibre Boards (MDF), from sugarcane bagasse.
 - o Three plants have a combined capacity of 210,000 m³ per annum, the largest in India.
 - o Commercial production of PB & MDF commenced in April 2008.
 - o Country-wide marketing & distribution network established with PB & MDF Boards being marketed under the brand - "Bajaj Boards".
 - o BEPL's innovative and futuristic products - "ZERO WOOD, ECO- FRIENDLY, PARTICLE BOARDS AND MEDIUM DENSITY FIBRE BOARDS", now provides a cost effective and sustainable alternative/ substitute for wood, plywood and other similar panel products, required for interiors and furniture manufacturing, and in the process will significantly reduce deforestation, which is one of the major concern for "Global Warming".