


*sugar  
cogeneration  
wind power  
distillery  
ethanol  
reduced emissions*



# WIDER VISTAS NEW HORIZONS







01	New Identity
02	Focused on Values
04	From the Desk of the Vice Chairmen
06	Managing Directors' Perspective
08	Transformation of a Diversified Conglomerate
09	Contributing to the Nation's Carbon Footprint
10	Transformation of the Company to a Carbon Credits Earner
12	Going Green
14	Giving Back to the Community
16	Scaling Wider Vistas through Financial Performance
18	Board of Directors
21	Corporate Information
22	Management Discussion and Analysis
38	Director's Report
42	Corporate Governance Report
54	Standalone Financials
88	Consolidated Financials





# A NEW IDENTITY

## WIDER VISTAS, NEW HORIZONS

The search for wider vistas and new horizons is as old as civilization itself. This primeval, essential human urge lies behind every new discovery, invention and the entire continuum of the human race. Corporations are no different.

A corporation is representative of the collective will of people who come together for the mutual benefit of all. As a collective, it identifies opportunities, endeavours to realize them and leverages them to add value to the organization. Enterprise demands that we move towards new, focussed and distinct paradigms.

The search for wider vistas and new horizons brings human beings and organizations to an inflection point. A point of identifying new opportunities, adding new milestones and charting a new odyssey of growth and success.

Dalmia Bharat Sugar and Industries Limited is at such an inflection point. After our demerger from the cement and other businesses, we see the opportunities available to us with a new vision. A vision powered by wider vistas of our role as an organization and new horizons that we have to reach. This Annual Report includes these wider vistas and new horizons that we have identified and plan to leverage.



# FOCUSED ON VALUES



## Values

### Logo representing our values

Our logo is the Akshayapatra (Sanskrit); meaning the vessel of plenty, which, according to Hindu mythology, was given to Yudhishtira by the Sun God - Surya. For us, Akshayapatra is the result of the integration of each of the four elements of nature, viz. Fire, Water, Air and Earth; each representing one of our values. All four natural elements are powerful and they nurture life.

Similarly, we believe our four values will empower and nurture each one of us and the Dalmia Group as a whole. They would also help us fulfill our pledge of creating value for all stakeholders.



Dalmia Bharat Sugar and Industries Limited is inter alia one of the leading producers of sugar in Uttar Pradesh, which is the second largest producer of sugar in the country. It has three integrated plants, with a total cane crushing capacity of 22,500 TCD, located at Ramgarh, Jawaharpur and Nigohi in U.P. The Jawaharpur plant has 80 KLPD distillery capacity to produce ethanol from molasses.

### **Cogeneration and renewable power generation**

The integrated sugar plants have a capacity to produce 79 MW of power, two third of which is exportable. The company also has wind farm capacity of 16.5 MW, located at Muppandal near Kanyakumari in Tamil Nadu. The company, through its 100% subsidiary, is also incubating a 10 MW solar power generation unit in Rajasthan, land for which has already been procured. The project is in advanced stage of incubation.

The company produces around 96 MW of power through renewable energy with an aim to increase power generation from non-conventional methods.

Going forward, the company seeks to expand its presence in the renewable energy space, while continuing to seek opportunities in augmenting processes and enhancing value additions and efficiencies in its sugar business.

### **Connecting elements to values they represent**

**Learning:** Fire represents our Value of Learning. The fire within is the source of curiosity to learn and learning applied creatively leads to innovation.

**Team Work:** Water represents our Value of Team Work. Water best represents trust and mutual respect and collaboration as, being the best solvent, it absorbs and mixes with maximum number of elements.

**Speed:** Air represents our Value of Speed. Air empowers and evokes passion and nurtures growth. Air also promotes fastest mode of travel.

**Excellence:** Earth represents our Value of Excellence. Focused around Sun, Earth's ability to withstand extreme heat and pressure is essential for taking on big challenges.

**Our Values are captured in the Acronym of 'Let's Excel':**

LE: Learning

T: Teamwork

S: Speed

Excel: Excellence



## From the desk of the Vice Chairmen



**Mr. Jai Hari Dalmia, Vice Chairman**



**Mr. Yadu Hari Dalmia, Vice Chairman**

### **Dear Shareholders,**

It is a privilege to address you this year, our first year after demerger from Dalmia Cement (Bharat) Limited. We are at an inflection point in our growth story. From being a part of a conglomerate of diverse businesses, we have now emerged as a sugar and renewable energy focused entity.

This change has led us to wider vistas and new horizons of business. There is an opportunity before us to navigate our growth to a whole new horizon and an opportunity to widen our vistas by both strengthening our present structure and by focusing on new initiatives. A strong sense of vigour runs through the organization and we are gratified by this enthusiasm and response from all our team members and stakeholders.

### **New Global Vistas**

The year 2010-11 witnessed a resurgence in the global markets with the world economy reporting positive growth of 4.7%. This growth was propelled largely by consumption in developed nations combined with stimulus given by several governments in the western countries. However, inflationary headwinds threatened to slowdown the recovery and growth process. This inflationary pressure was felt in India too. Soaring oil prices and weakening of domestic investment were causes of worry for the country. Yet, robust economic growth and sagacious inflation management strategies promise a virtuous growth cycle for the Indian economy as a whole.

### **Wider Vistas, New Horizons**

Dalmia Bharat Sugar and Industries Limited is one of the leading manufacturers of sugar in Uttar Pradesh. We seek to expand to new horizons by growing the proportion of contribution of our cogeneration, renewable power and ethanol in our revenue mix to emerge as an integrated manufacturer of sugar and renewable power.

### **New Vistas for Stakeholders**

The new vistas we seek to conquer in the sugar business are higher efficiencies in our manufacturing and cultivation of high yielding varieties of cane. Our new positioning helps investors selectively invest in industries where they perceive traction instead of having to invest in a diversified conglomerate.

### **New Horizons for the Nation**

India's continuing concerns are two-fold. On the one hand, there is the need to substitute and reduce the



**“There is an opportunity before us to navigate our growth to a whole new horizon and an opportunity to widen our vistas by both, strengthening our present structure and by focusing on new initiatives”**



consumption of crude oil, the prices of which are ever increasing and at the same time, to increase electricity production by introducing power generation from renewable sources. In each of these sectors, Dalmia Sugar and Industries Limited seeks to play a pivotal role by participating in power generation with wind farm and solar energy projects. We currently have a power generation capacity of 16.5 MW from our wind farms at Muppandal, near Kanyakumari in Tamil Nadu, 79 MW of cogeneration capacity and we are incubating a 10 MW solar power project at Jodhpur in Rajasthan.

We also plan to foray into ethanol production soon with our existing distillery production capacity of 80 KLPD at our Jawaharpur plant.

#### **New Vistas for Farmers**

We also seek new horizons in our relationship with our farmers by contributing to the improvement of their quality of cane with better inputs and modern farming methods. We are committed to work with our farmer community with the clear understanding that we have a symbiotic relationship with them, wherein their betterment positively impacts our growth.

#### **New Horizons for the Future**

With the restructuring of the businesses, the unlocking of value, the new initiatives that synergistically lead to more value creation, we are addressing holistic goals. We envisage a future where we build the business on a sustainable basis, de-risk ourselves from the cyclical nature of the sugar business by bringing in other revenue streams, while contributing to the nation through our green energy initiatives and carbon reduction measures. In doing so, what we perceive as wider vistas and new horizons will translate into greater value creation for stakeholders, team members, farmers, the Government and society as a whole.

We take this opportunity to thank our Board members, our management team, our employees, our farmers, investors, vendors and the Government with whose help, support and participation we are building wider horizons.

Jai Hari Dalmia  
Vice Chairman

Yadu Hari Dalmia  
Vice Chairman



## Managing Directors' Perspective



**Mr. Gautam Dalmia,**  
**Managing Director**



**Mr. Puneet Yadu Dalmia,**  
**Managing Director**

### **Dear Shareholders,**

After being part of a conglomerate business for a long time, this is the first year of our operations as an independent sugar and renewable energy company. The company has an integrated business model with 22,500 TCD of sugar, 79 MW cogeneration of power (of which 2/3rds is exportable), 16.5 MW of wind farm and an 80 KLPD distillery. Further, we are also incubating a 10 MW solar energy project at Jodhpur in Rajasthan.

The year in review was one of ambition and achievement. We have laid plans for the future growth of the business and look forward to the years when these plans fructify to the benefit of our stakeholders.

The Indian economy performed well in the year 2010-11, with GDP growing from 7.3% in the previous year to 8.3%. There was inflationary pressure though, due to increase in the prices of commodities.

At the international level, production of sugar exceeded consumption for the first time since 2007-2008. Production stood at 162 Million Tonnes, whereas consumption was estimated at 159 Million Tonnes, as per USDA Research Reports, November 2010. Sugar prices fell significantly since reaching a high in early February 2011, due to larger than expected Thai sugarcane crop. Prices are currently around 27 cents per pound due to tight supply of sugar to world market from Brazil.

### **Indian Sugar Industry Overview**

The Indian sugar industry is cyclical in nature starting with years of over-production leading to falling cane prices, followed by a shift in acreage and subsequent firming of the prices of sugar.

Your company is one of the leading producers of sugar in Uttar Pradesh – the second largest sugar producing state of India.

Sugar production for SY10-11 was buoyant, with an expected growth of around 30% (24.2 Million Tonnes). With the domestic consumption at around 23 Million Tonnes and exports of around 2.3 Million Tonnes, inventory levels are expected to remain at last year's level of approximately 2 months. Prices have formed a good base at ₹ 25,000 - 27,000/T range from where they have moved up and are likely to remain steady.

### **Consolidated Performance of the Company**

Your company has recorded net sales of ₹ 6,668 Million for FY11 and earned EBITDA of ₹ 857 Million. PAT stood at





₹ 38 Million. Sugar production and sales volumes stood at 2.1 lakh Metric Tonnes and 1.9 lakh Metric Tonnes respectively during the year. The average sugar realization was at ₹ 26,682 per Tonne in FY11, as compared to ₹ 27,076 per Tonne during the previous year.

### Major Achievements and Initiatives

The cane crushed has improved significantly, with a growth of 35% y-o-y for the year under review, at 20.5 lakh metric tonnes, with a recovery of 9.3%, as compared to the previous year's total of 15.2 lakh Metric Tonnes with a recovery of 9.2%.

Power generation also recorded a phenomenal growth during the year under review at 309 Million KWH and power exports stood at 246 Million KWH.

All our three units - Ramgarh, Jawaharpur and Nigohi - have been certified as Clean Development Mechanism (CDM) projects, which will enable us to earn about 1,00,000 tradable Carbon Emission Reduction (CER) credits. This initiative will not only reduce our carbon footprint and contribute to environment conservation but will also add approximately ₹ 80 Million each year to our bottom line for the next 10 years.

### Increase in Power Production

Dalmia Bharat Sugar and Industries Limited has an integrated business model so as to de-risk itself from the cyclical nature of the sugar industry. Cogeneration of power helps in mitigating the impact of the sugar industry downcycle on our EBITDA.

### Outlook for 2011-2012

We will continue to seek improved productivity in the sugar business with improved varieties of cane, higher farm yields and efficient crushing. We will also focus on improving institutional sales to increase margins.

In the cogeneration business, we will focus our attention on higher capacity utilization, improving efficiencies and increasing the sale of electricity to the grid.

The distillery operations are another focus area, with the company expecting considerable revenues from the processing of the by-product – molasses.

We are clearly focused on becoming a significant player in the green energy field and will seek opportunities to expand our wind farm and crystallize our ambitions to set up the solar energy project at Jodhpur in Rajasthan.

We have identified CDM as a way forward to both reduce carbon emissions as well as to benefit from the sale of carbon credits. Going forward and we will continue to seek more ways of reducing carbon emissions and emerging as a green producer.

Your company also stands to gain from Renewable Energy Certification (REC) mechanism. The concept of REC seeks to address the mismatch between availability of renewable energy sources and the requirement of discoms to meet the renewable purchase obligations. The company is in the process of applying for registration under this mechanism.

With an integrated revenue model, a strong and entrenched presence in the sugar industry, we foresee a future with significant unlocking of value and sustained rewards for our team, our vendors, our stakeholders and the communities we work in.

We seek wider vistas of opportunities and intend to create new horizons in our business with our achievements.

Gautam Dalmia  
Managing Director

Puneet Yadu Dalmia  
Managing Director



# WIDER VISTAS, NEW HORIZONS - THE TRANSFORMATION OF A DIVERSIFIED CONGLOMERATE INTO A SUGAR AND RENEWABLE ENERGY FOCUSED ENTITY

**It might sound contradictory, but it is actually true. When you sharpen your focus, your horizons actually widen.**

At Dalmia Bharat Sugar and Industries Limited, we have been through a paradigm change. We have restructured from a diversified conglomerate to one with business interests in two main and distinct businesses - cement and sugar & renewable energy play.

While on the surface it has meant narrowing of focus, like a specialization, it has actually opened up wider vistas and new horizons. It has enabled us to extract full value from the derivatives of the sugar business - distillery and cogeneration. Further, it has directed the company to expand its focus into renewable energy generation.

It has allowed the management to unifocus on its business and ensure its smooth running. It has unlocked value for stakeholders and offered them greater choice by way of deciding which business to be a part of. The industry dynamics of sugar and renewable power offer great opportunities for growth and our new corporate structure is conducive to achieving long-term growth. The demerged entity has enabled each business to discover and leverage its true intrinsic value.

**Wider Vistas, New Horizons, More Intense Focus.**

