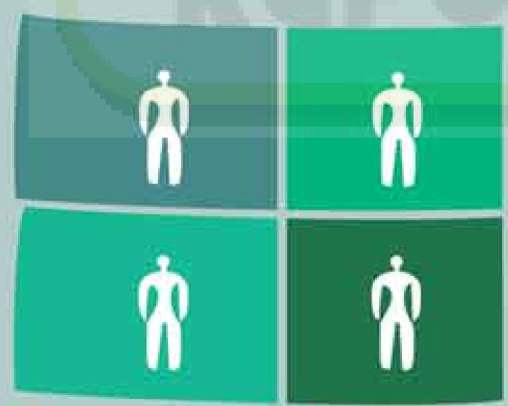


dhampur
Dhampur Sugar Mills Limited
241, Okhla Industrial Estate Phase – III, New Delhi – 110 020, India
Tel: +91-11-3065 9400, Fax: +91-11-26935697
Email: corporateoffice@dhampur.com
www.dhampur.com

One + One + One = Four

Dhampur Sugar Mills Limited | Annual Report, 2011*

*The financial year 2009-11 comprising 18 months ending 31st March, 2011

Caution regarding forward-looking statements

In this annual report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expect', 'project', 'intend', 'plan', 'believe' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Inside the report

** Consolidated*

Corporate information

Board of Directors

Mr. V. K. Goel, *Chairman*

Mr. A. K. Goel, *Vice Chairman*

Mr. Gaurav Goel, *Managing Director*

Mr. Gautam Goel, *Managing Director*

Mr. A. K. Gupta

Mr. M. P. Mehrotra

Mr. Harish Saluja

Mr. Rahul Bedi

Mr. J. P. Sharma

Mr. Priya Brat

Mr. B. B. Tandon

Mr. S. P. Arora, Nominee – *IFCI Limited*

Ms. Romi Chakravorty,
Nominee – *IDBI Bank Limited*

Executive President (Finance) and Secretary

Mr. Arhant Jain

Auditors

S. Vaish & Company
Chartered Accountants, Kanpur

Mittal Gupta & Company
Chartered Accountants, Kanpur

Internal Auditors

T. R. Chadha & Company
Chartered Accountants, New Delhi

Bankers

Punjab National Bank
Bank of Baroda
Central Bank of India
State Bank of India
Axis Bank
State Bank of Travencore
J&K Bank
ICICI Bank Limited
IDBI Bank Limited
IFCI Limited
UP Cooperative Bank
District Cooperative Banks

Registrar and Share Transfer Agent

M/s Alankit Assignments Limited
Alankit House
2E/21 Jhandewalan Extension
New Delhi – 110055

Registered office

Dhampur Sugar Mills Limited
Dhampur (N.R.)
District Bijnor – 246761 (UP)

Corporate office

241, Okhla Industrial Estate
Phase–III, New Delhi – 110020

Works

Dhampur, District Bijnor (UP)
Mansurpur, District Muzaffarnagar (UP)
Asmoli, District Moradabad (UP)
Rajpura, District Budaun (UP)

Most drivers of the Indian sugar industry are unpredictable.

Costs. Climate. Policy. Raw material availability. Realisations.

The challenge of a serious long-term player like Dhampur is to deliver solid and sustainable returns. Regardless of the uncertainties.

Dhampur's business model creditably weathered these diverse variables to generate a profit in 2009-11, due to a healthy contribution from its Power business.

What Dhampur stands for.
Insight. Initiative. Integration

Parentage
Dhampur Sugar was founded by the late Shri Ram Narain and commenced operations in 1933 at Dhampur (Uttar Pradesh), with a crushing capacity of 300 TCD. Dhampur remains one of the oldest and largest sugarcane derivate companies in India.

Presence
- Headquartered at Dhampur with its corporate office in New Delhi, India
- Four integrated manufacturing facilities in Uttar Pradesh (Dhampur, Asmoli, Mansurpur and Rajpura)
- Equity shares listed on the Bombay Stock Exchange and National Stock Exchange; GDRs listed on the Luxembourg Stock Exchange; market capitalisation was ₹ 321.51 crore as on 31st March 2011

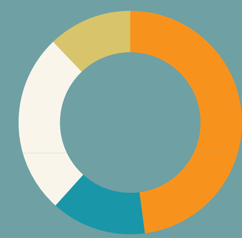
Vision
- To de-risk from the cyclical nature of a commodity business, by enhancing value and generating revenues from our by-products
- To be one of the most efficient and profitable companies in our sector
- To incorporate technology as the key differentiator, leading to growth and industry leadership
- To create value for our customers and stakeholders

Products
- Sugar – refined sugar, plantation white sugar and retail sugar (branded as Dham*pure*)
- Power – 87 MW exportable capacity
- Chemical – ethanol, rectified spirits, extra neutral alcohol and ethyl acetate

Manufacturing facilities

Plant location	Sugar installed capacity (TCD)	Cogeneration installed capacity (MW)	Distillery installed capacity (LPD)	Refinery installed capacity (TPD)
Dhampur	15,000	65	170,000	NA
Asmoli	9,000	40	100,000	900
Mansurpur	8,000	33	NA	800
Rajpura	7,500	12	NA	NA
Total	39,500	150	270,000	1,700

Shareholding pattern (as on 31st March, 2011)



Promoter	47.91%
Corporates	13.77%
Individuals	26.20%
Others	12.12%

321.51
₹ crore - Market capitalization as on 31st March 2011

Competitive advantage
- Integrated sugar company, with one of the industry's highest power-to-sugar capacity (3.8 kw per TCD)
- First Indian sugar company:
  - To install a sugar refinery in 1993
  - To launch sulphurless sugar in consumer packs in 2000
  - To provide energy alternatives through cogeneration and ethanol
  - To install multi-fuel, high-pressure boilers (105 kg per sq. cm and 170 tonnes per hour capacities)
- One of India's largest refining capacities – 1,700 TPD
- Largest exporter of agro fuel-produced power in India
- Among India's largest manufacturers of ethanol and sugar derivatives
- Most efficient sugarcane product company in North India
- Largest producer of molasses-based alcohol, including diverse value-added chemicals

Our fully integrated model of sugar-power-chemical helps us to offset the cyclicality arising out of a standalone sugar business

What we achieved in 2009-11*

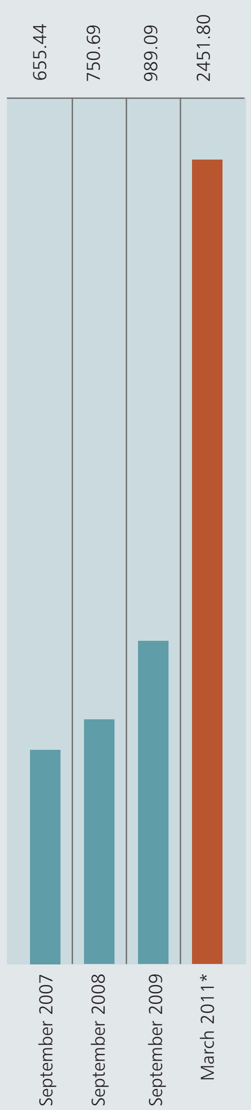
- Increased net sales to ₹ 2,337.89 crore from ₹ 933.71 crore in 2008-09
- Improved revenues from ₹ 947.36 crore in 2008-09 to ₹ 2,375.97 crore in 2009-11
- EBIDTA stood at ₹ 239.25 crore as against ₹ 205.61 crore in 2008-09

1,700
TPD – one of India's largest sugar refining capacities

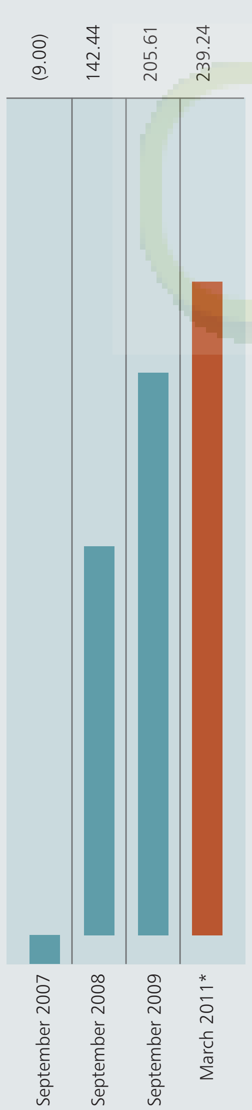
What we achieved in 2009-11*

**The financial year 2009-11 comprising 18 months ending 31st March, 2011. All the figures are pertaining to consolidated accoounts.*

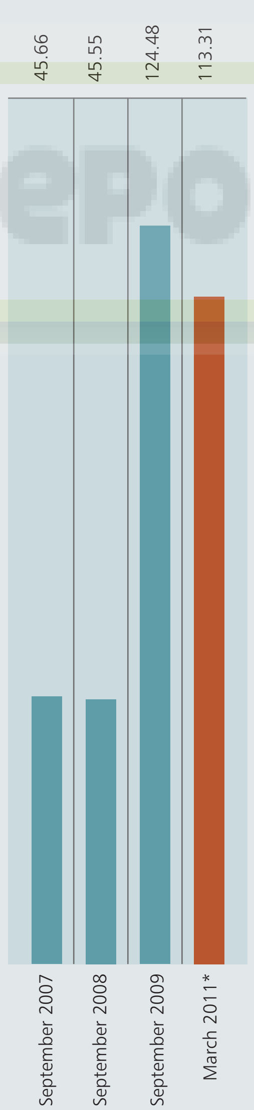
Income from operations
(in ₹ crore)



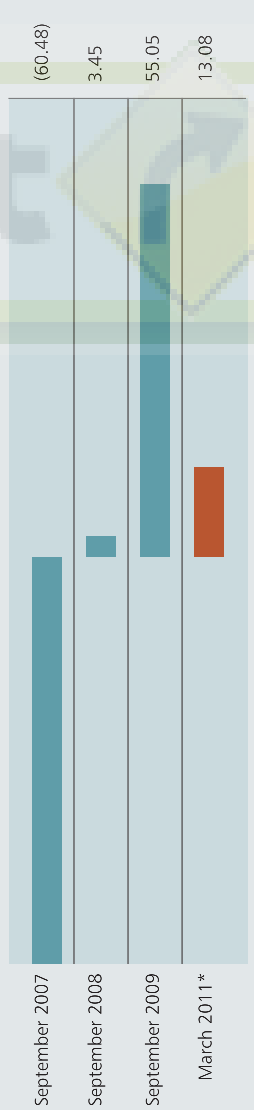
Operating profit
(in ₹ crore)



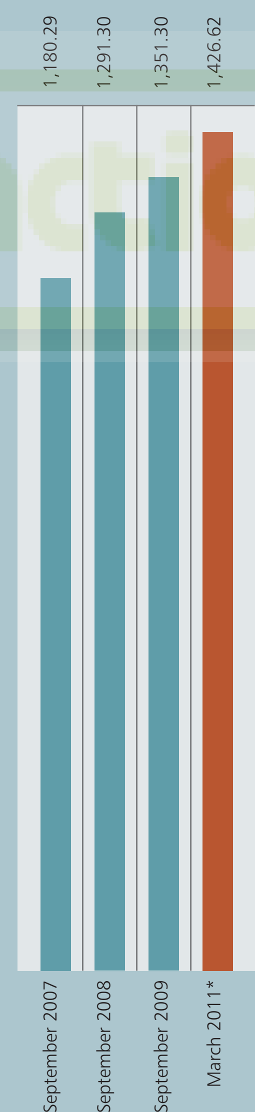
Cash profit
(in ₹ crore)



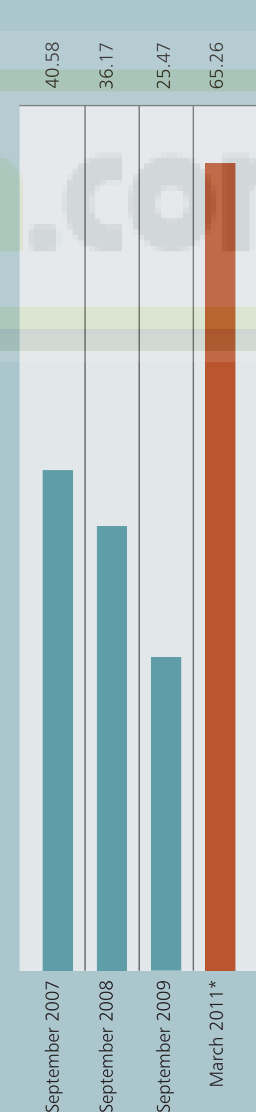
Post-tax profit
(in ₹ crore)



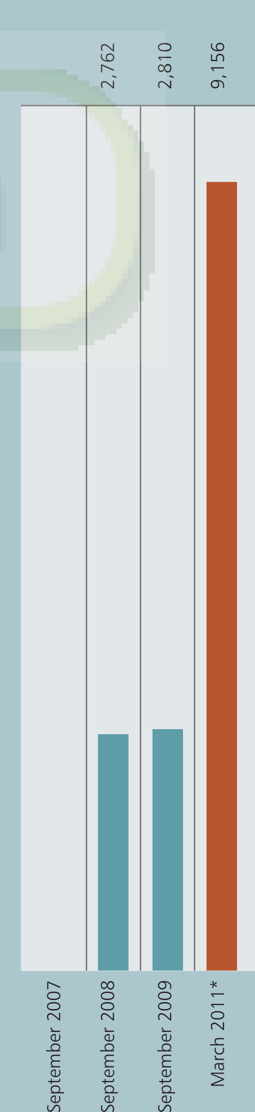
Gross block
(including capital work in progress)
(in ₹ crore)



Sugarcane crushed
(lac tonnes)



Power generated
(in lac units)



Divisional Performance

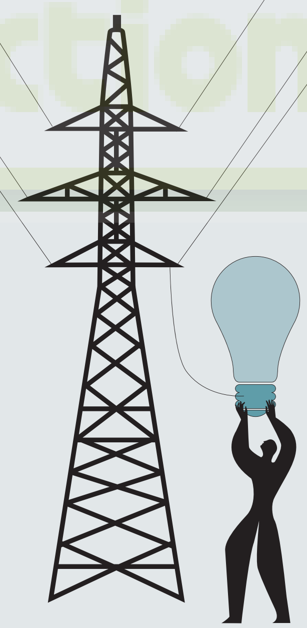
(The year 2008-09 refers to the 12 month period ending September 2009, and 2009-11 refers to the 18 month period ending March 2011)

Sugar business

- Revenues stood at ₹ 2,386.12 crore for 2009-11 against ₹ 976.14 crore in 2008-09, owing to higher sales volumes
- Contribution to total revenues stood at 73% for 2009-11 as against 83% in 2008-09, owing to lower sugar realisations
- Crushed 65.26 lac tonnes of sugarcane in 2009-11 and 25.47 lac tonnes in 2008-09
- Average recovery in 2009-11 was 9.27% and 9.26% in 2008-09
- Produced 7.76 lac tonnes of sugar (including raw sugar); marketed 6.10 lac tones (including raw sugar) in 2009-11
- Processed 1.76 lac tonnes of raw sugar in 2009-11 and 0.18 lac tonnes in 2008-09
- Refined sugar contributed 53% of total sugar produced
- Average inventory value was ₹ 24.43 per kg combined for free sale and levy sugar as on 31st March 2011 (free sale sugar cost at ₹ 25.17 per kg and levy sugar cost at ₹ 18.84 per kg)

Power business

- Total revenue stood at ₹ 665.06 crore in 2009-11 and ₹ 155.52 crore for 2008-09
- Accounted for 21% of total revenues for 2009-11 and 13% in 2008-09, on account of increased exports derived from the impact of multi-fuel boilers and improved realisations
- Exported 6,216 lac units of power for an average realisation of ₹ 4.37 per unit in 2009-11 against ₹ 3.25 in 2008-09
- Generated thermal power from economically available fuels like bagasse, coal and other biomass
- Reinforced its integration through 150 MW capacity (87 MW for sale round the year), one of the highest cogeneration capacities in India



Chemical business

- Contributed 6% of total revenues at ₹ 196.66 crore in 2009-11 and 4% in 2008-09 at ₹ 47.83 crore
- Merging Dhampur Sugar Distillery Private Limited (DSDPL), a wholly-owned subsidiary with a capacity of 100 KLPD, with Dhampur Sugar Mills Limited (DSML) with effect from 1st October, 2010

How our divisions performed, 2009-11 *

Business segment	Revenue (₹ crore)	% of total revenue	Factors
Sugar	2,386.12	73%	■ Steep variation in cane cost to ₹ 218 per quintal in sugar season 2010-11 from ₹ 263 per quintal in sugar season 2009-10 ■ Decline in sugar realisations from peak of ₹ 40-plus per kg to a low of ₹ 24 per kg in 2009-11
Cogeneration	665.06	21%	■ Improved realisations at ₹ 4.37 per unit ■ Increased sales volume to 6,216 lac units, owing to multi-fuel boilers
Distillery	196.66	6%	■ Increase in realisations in later part of the year ■ Higher cost of molasses (raw materials for chemicals)

*(*18 month period)*

Managing Directors' perspective

"We expect to report an attractive bottomline in 2011-12 and emerge as the most efficient and integrated sugarcane company in the country."

Mr. Gaurav Goel and **Mr. Gautam Goel**, *Managing Directors*, review Dhampur's performance and prospects.

Q. How would you summarise Dhampur's performance in the financial year 2009-11?

A. For the Indian sugar industry, the financial year 2009-11 was one of the most volatile. It wasn't just a question of cyclicality during the course of the year under review; it was also about the speed of change in operating fortunes. In this respect, the cyclical whiplash was similar to the general economic meltdown that transpired in September 2008 – unprecedented for its speed and sharp decline.

What transpired between January and March 2010 in India was perhaps no different: Sugar realisations crashed from a peak of ₹ 40 plus per kg to a trough of ₹ 24 per kg, even as the industry was struggling to address the variance in landed cane cost from ₹ 162 per quintal in sugar season 2008-09, to ₹ 263 per quintal in sugar season 2009-10 and to ₹ 218 per quintal in sugar season 2010-11.

Further, the financial year under review reflected an inverted 'V' – sugar realisations stood at ₹ 29 per kg, peaked at ₹ 40 per kg, bottomed to ₹ 24 per kg and finished the financial year at ₹ 28 per kg.

Q. How did this volatility translate into Dhampur's performance for the financial year 2009-11?

A. Our Company's turnover stood at ₹ 2,414 crore in 2009-11 (18 months) as against ₹ 975 crore in 2008-09 (12 months). This growth resulted from a higher sugar sale contribution, including refined sugar from imported raws and from the power and chemical businesses, further leading to increased sales volumes and improved realisations.

Q. How did the other divisions perform?

A. We were satisfied with our power business performance, accounting for 21% of the total revenue in 2009-11 (18 months) against its contribution of 14% in 2008-09 (12 months). The improvement was a result of higher cogeneration revenues, on account of better realisations, higher generation and improved power export. This division accounted for 92% of Dhampur's EBIDTA in 2009-11 (18 months) which stood at 32% in 2008-09 (12 months). The power business was a major factor in reducing the cyclical impact on the Company.

It was a challenging year for our chemicals business (ethanol and alcohol) owing to a higher cost of molasses and other raw materials, coupled with lower realisations at the beginning of the financial year. However, higher realisations in the later part of the year resulted in marginal profits at the EBIDTA level.

Q. What were the highlights of the Company's performance in the financial year 2009-11?

A. In the preceding paragraphs, we provided a perspective of the challenges the industry faced during the financial year 2009-11. This could have been worse, had it not been for some longstanding initiatives aimed at capacity growth and product diversification. Consider the following:

- The Company crushed 65.26 lac tonnes of sugarcane, against 25.47 lac tonnes in 2008-09. Raw sugar imports processed, stood at 1.78 lac tonnes, against 0.18 lac tonnes in 2008-09. This increased conversion enhanced our asset utilisation. Additionally, the Company exported 0.31 lac tonnes of sugar under the Advance Licence Scheme, which served as a cushion against a sharp decline in domestic realisations in early 2010. These factors enabled the sugar division to report a lower loss than equivalent companies during the period under review.
- The proportion of revenue from the non-sugar business stood at 27% for the 18 month period ending March 2011, while it stood at 18% for the 12 month period ending September 2009, vindicating investments in downstream by-product utilisation. Power revenues stood at ₹ 665.05 crore for the 18 month period and ₹ 155.52 crore for the 12 month period. The average per unit realisation stood at ₹ 4.37 in 2009-11 and ₹ 3.25 in 2008-09, facilitated by increased realisations under the Open Access Policy announced by the U.P. State Government.
- The Company commenced the supply of ethanol to oil marketing companies like Indian Oil Corporation Ltd, Bharat Petroleum Corporation Ltd and Hindustan Petroleum Corporation Ltd at a selling price of ₹ 27 per litre. Consequently, the percentage of chemical business revenues in the Company's overall revenue mix was 6% in 2009-11 (18 months) and 4% in 2008-09 (12 months).

The big picture was that cogeneration and chemical revenues stood at 27% of Dhampur's total revenues for the 18 month period, against 18% during the 12 month period ending September 2009, justifying the investments we made to reduce our cyclical exposure.

Q. What were the challenges addressed by Dhampur during the period under review?

A. Cane pricing continued to be our biggest challenge. Even though the Central Government stipulated a Fair and Remunerative Price (FRP) of ₹ 129.84 and 139.12 per quintal in 2009-10 and 2010-11 respectively and the actual price stood to ₹ 248 per quintal for the 18 month period, which could not be covered by the realisations. This resulted in a loss for the sugar division.

However, we were able to limit our downside, owing to effective business integration – the end product of one business represented the raw material for another. This integration made it possible for us to set off the sugar division losses with the improved revenues of the power division.

The outlook is optimistic: Sugar production is anticipated to increase in 2011-12, following a higher cane output, coupled with increased biomass generation for our power business and higher molasses for ethanol production.

Q. What cost optimisation measures helped arrest divisional losses?

A. Our cost optimisation initiatives comprised:

- Processing 1.76 lac tonnes of raw sugar during the period under review and running sugar operations during the off season, resulting in superior absorption of fixed costs.

- Repayment of long-term debt worth ₹ 104.16 crore (net).

Q. How does the Company expect to capitalise on emerging opportunities?

A. **Sugar:** Sugar production is expected to rise to 24.5 million tonnes on the back of improved cane acreage and higher yield in 2010-11; international sugar prices touched a 30-year high owing to heavy rainfall and cyclones in Australia, adverse climatic conditions in Brazil, Thailand and China. These factors have created export opportunities for India.

Power: India is a power-deficient country and Uttar Pradesh is one of its worst-affected states, providing an opportunity for our power division. We secured business viability by venturing into Power Purchase Agreements (PPA) with the U.P. Government. With the projected higher rate of sugarcane crushing, bagasse availability will improve and the power division could run throughout the year. Purchase of a certain minimum percentage of renewable energy by the states has been made mandatory, which gives us an added opportunity.

Ethanol: The 5% (E5) ethanol blending program is part of the Government's objective of reducing the country's dependence on fossil fuels and crude oil imports. The earlier ethanol blending program could not take off in spite of E5 being made mandatory due owing to the non-remunerative pricing of ₹ 21.50 per litre. However, the current price of ₹ 27 effective from October 2010 provides an incentive to revive the ethanol blending program.

Cane production and molasses availability are expected to increase, resulting in higher ethanol production. With E10 (10% blending) on the horizon, a shift in the sugar economy from a situation of shortage to self-sufficiency will ensure adequate ethanol availability for blending with petrol. Our focus will be to improve the production of chemicals as well, while capitalising on the ethanol blending programme, thereby strengthening realisations.

How does the Company expect to perform in 2011-12?

Going ahead, we will concentrate on increasing our capacities in the power and chemical businesses to offset sugar business cyclicality, helping us earn profits during sugar downturns. We expect a better performance on account of higher sugar production and better average realisations, which should help us emerge with a stronger balance sheet.

Controls decide...	Decontrol will...
raw material (sugarcane) costs that mills must pay farmers	even out the sugar cyclicality
end product (sugar) realisations regulated through the monthly release mechanism	ensure remunerative cane prices
size of production through control of the quantity of cane that a mill can crush	lead to capacity consolidation and economies of scale
sugar availability for the domestic market through control of exports and imports	double ethanol production and replace 3% of India's gasoline consumption
which sugar mill a farmer may sell his cane to	generate close to 8,000 MW of green power against today's 900 MW
	make India a consistent sugar exporter

What is the basis of this optimism?

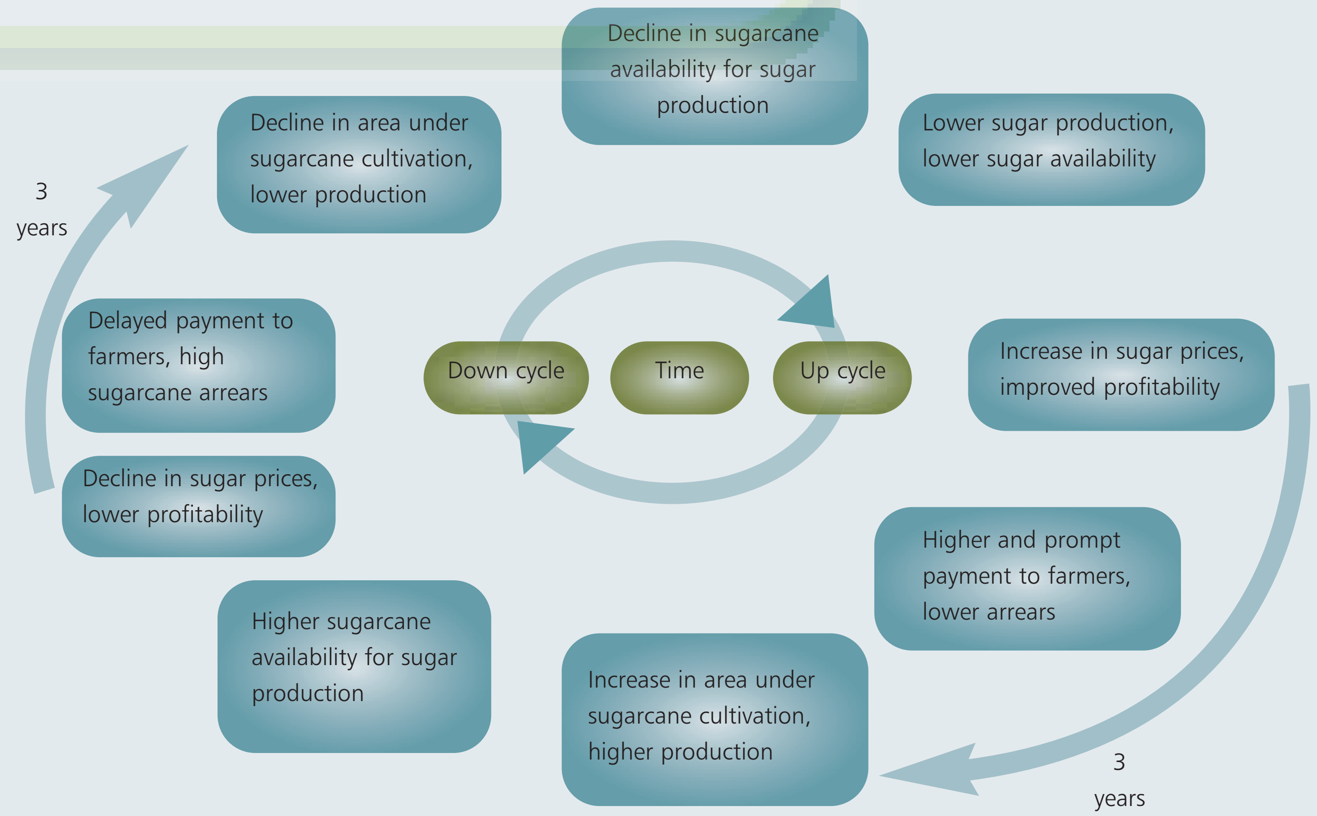
Our optimism is well supported by various positive trends:

- Sugar industry decontrol is anticipated, which will be beneficial for the industry in the long run as it will result in a larger quantum of sugar being sold in the open market at relatively higher realisations.
- Higher cane production will result in adequate feedstock for the cogeneration and ethanol businesses, countering sugar cyclicality.
- India's growing appetite for automobiles will enhance fuel demand and boost ethanol requirements.
- The current Power Purchase Agreements with the U.P. Government will be in effect for a period of 20 years, providing a remunerative offtake for this renewable power.

What message do you want to give your shareholders?

We will continue to focus on higher margins across all three divisions – bottomline-accretive revenue from cogeneration, value-added chemicals, especially ethanol, and higher sugar production. In doing so, we expect to report an attractive bottomline in 2010-11 and emerge as the most efficient integrated sugarcane products company in the country.

**(The year 2008-09 refers to the 12 month period ending September 2009, and 2009-11 refers to the 18 month period ending March, 2011)*



39,500
TCD - Cane
crushing capacity

150
MW – Power
generating
capacity

Numbers that reflect our strength

Our Company

- 321 ₹ in crore – Market capitalisation as on 31st March, 2011

Our sugar business

- 39,500 TCD - Cane crushing capacity
- 9.27 % - Average recovery for the 18 month period ending March, 2011
- 1,700 TPD – Sugar Refining capacity 4.15 lac Tonnes – Volume refined

Our power business

- 150 MW – Generating capacity as on 31st March, 2011
- 87 MW – Power Exportable capacity
- 4.37 ₹ per kwh – Average realisation

Our chemical business

- 270 KLPD – Distillery capacity as on 31st March, 2011
- 40.63 Million litres – Sales volume
- 25.28 ₹ per litre – Average realisation

Dhampur has three businesses in one company.
The consolidated sum is larger than
the standalone value of the constituents.

One + One + One = Four.

At Dhampur, we came to an early conclusion that in an unpredictable industry environment, the biggest insurance would come from integration.

An integration, where one business would represent the raw material for another.

So, from a longstanding dependence on the core sugar business, the Company extended into the downstream cogeneration of energy and manufacture of alcohol.

Dhampur has three businesses in one company. Where their consolidated sum is larger than the standalone value of the constituents.

Enhancing sustainability.