BOOK POST

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Shree Renuka Sugars Ltd.

Registered Office:

BC 105, Havelock Road, Camp, Belgaum-590 001.

Tel.: 91-831-2404000 (7 lines) Fax: 91-831-2404961

www.renukasugars.com

OLD IDEALS.
NEW IDEAS.

Shree Renuka Sugars Limited | Annual Report 2007-08

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FORWARD-LOOKING STATEMENT

In this Annual Report we have disclosed forward-looking information to enable investors to know our product portfolio, business logic and direction and comprehend our prospects. This report and other statements - written and oral - that we periodically make are based on our assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'believe', 'estimate', 'expect', 'intend', 'plan', 'project' 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. If known or unknown risks or uncertainties materialize, or if underlying assumptions prove inaccurate, actual results can vary materially from those anticipated, estimated or projected. Readers may bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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CORPORATE INFORMATION

Board of Directors

Mrs. Vidya M. Murkumbi	*Executive Chairperson*
Mr. Narendra M. Murkumbi	*Vice Chairman & Managing Director*
Dr. B.P. Baliga	*Director*
Mr. J.J. Bhagat	*Director*
Mr. Sanjay K. Asher	*Director*
Mr. Nandan V. Yalgi	*Director - Commercial*
Mr. Robert Taylor	*Director*
Mr. S.M. Kaluti	*Director (President)*
Mr. Jonathan Kingsman	*Director*
Mr. Hrishikesh Parandekar	*Director*
Mr. S. K. Tuteja	*Director*
Mr. Nitin Puranik	*Executive Director*

Auditors

M/s. Ashok Kumar, Prabhashankar & Co.
Chartered Accountants, Bangalore.

Registered Office

BC 105, Havelock Road, Camp, Belgaum-590 001.
Tel.: 91-831-2404000 (7 Lines) Fax: 91-831-2404961.

Corporate Office

7th Floor, Devchand House, Shiv Sagar Estate,
Dr. Annie Besant Road, Worli, Mumbai-400 018.
Tel: 91-22-2497 7744 / 4001 1400
Fax: 91-22-2497 7747.

Plant Locations

Unit -I: Munoli
Sugar, Distillery, Co-generation and Sugar Refinery
Taluka Saundatti, District: Belgaum, Karnataka.

Unit – II Ajara (Leased)
Sugar,
Tauka Ajara District Kolhapur, Maharashtra.

Unit – III: Arag (Leased)
Sugar & Co-Generation
Taluka Miraj, District- Sangli, Maharashtra.

Unit – IV: Athani
Sugar, Distillery, Co-Generation and sugar refinery
Taluka Athani, District Belgaum, Karnataka.

Unit – V: Havalga
Sugar, Distillery & Co-Generation
Taluka: Afzalpur, Dist: Gulbarga, Karnataka.

Unit – VI Aland (Leased)
Sugar
Taluka: Aland, District: Gulbarga, Karnataka.

Unit – R1: Haldia
Sugar Refinery
Haldia, Kolkata, West Bengal.

Unit – E1: Khopoli
Ethanol
Taluka: Khalapur, District: Raigad, Maharashtra.

Unit – VII – Balaghat (Leased)
Sugar
Taluka:Ahmadpur, Dist: Latur, Maharashtra.

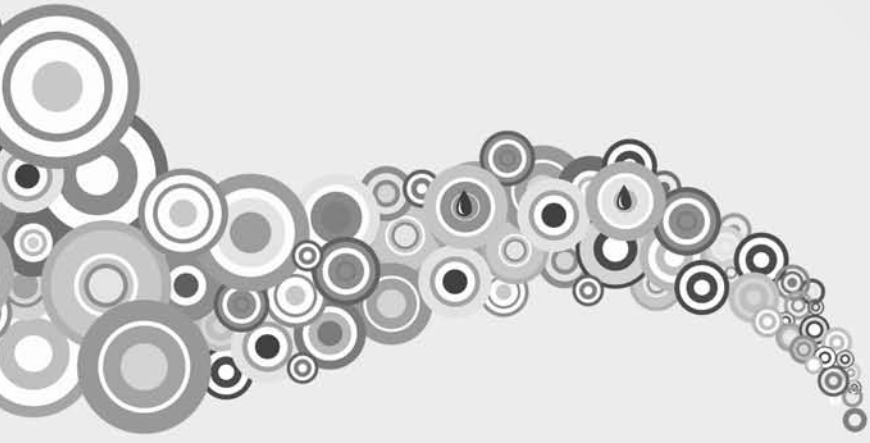
Unit – VIII – Raibag (Leased)
Sugar
Taluka: Raibag, Dist: Belgaum, Karnataka.

Bankers

ABN AMRO Bank N.V.
Axis Bank Limited
IDBI Bank Limited
ING Vysya Bank Limited
Standard Chartered Bank
State Bank of India

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IT SAYS SOMETHING ABOUT A COMPANY'S BLUEPRINT WHEN IT GROWS ITS REVENUES AND PROFITS IN FOUR YEARS OUT OF FIVE, IN WHAT IS GENERALLY DISMISSED AS A CYCLICAL INDUSTRY.

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CYCLICAL BUSINESS. STABLE PROXY.

THIS IS HOW WE EMERGED AS ONE.

Most sugar companies have a 160-day season.
At Shree Renuka Sugars, our season lasts an average of 200 days.

Most sugar companies embark on greenfield or brownfield expansions.
At Shree Renuka Sugars, we embarked on greenfield, brownfield and leased capacity expansions.

Most sugar companies enjoy a recovery of 10%.
At Shree Renuka Sugars, we reported a recovery of 11.5-12%.

Most sugar companies do not export at all.
At Shree Renuka Sugars, we account for 20% of India's sugar exports.

Shree Renuka Sugars Limited is three companies in one.

Sugar company. Biofuels company. Power co-generation company.

Operating in one business but catering to three industries.

Possessing the largest respective capacities per tonne of cane crushed. With a blueprint of making these capacities one of the largest in India within the shortest possible time.

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VISION

Our corporate vision is to be the most efficient processor of sugarcane and the largest marketer of sugar and ethanol in the country.

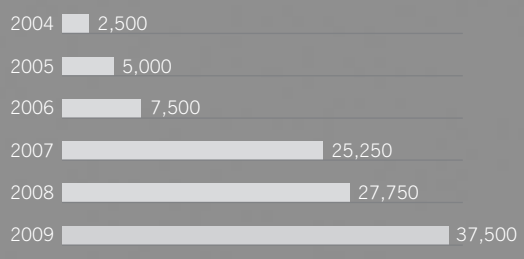
Our business activities

- Engaged in the manufacture and marketing of sugar, ethanol and power.
- Sugar capacity of 37,500 TCD (captive and leased), ethanol capacity of 600 KLPD and energy capacity of 129 MW.
- Leader in India's fuel ethanol business with a near 21% market share.
- The largest (4,000 TPD) raw sugar refining capacity in India.
- Accounts for 20% of India's international sugar trade.

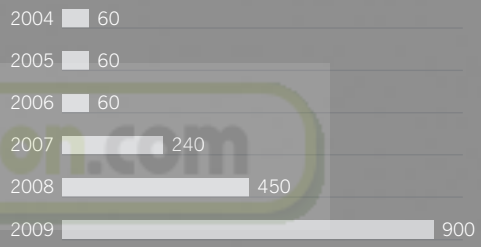
Financial performance, 2007-08

- Net income increased 120% from Rs. 9,682 million in 2006-07 to Rs. 21,295 million in 2007-08.
- EBIDTA grew 79% from Rs.1,496 million in 2006-07 to Rs. 2678 million in 2007-08.
- Pre-tax profit surged 51% from Rs. 1,066 million in 2006-07 to Rs. 1,608 million in 2007-08.
- Cash profit grew 58% from Rs. 1,079 million in 2006-07 to Rs. 1,708 million in 2007-08.
- Earnings per share (EPS, basic) improved 31% from Rs. 33.01 in 2006-07 to Rs. 4.31* in 2007-08

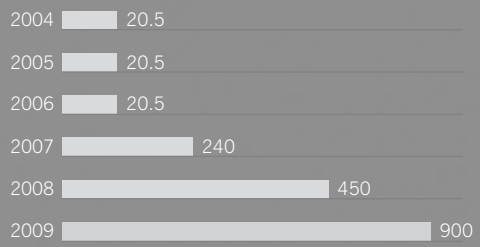
**The equity shares of the Company were sub-divided (split) from a face value of Rs. 10 to Re.1 each with effect from April 21, 2008; accordingly the high/low/closing share prices from April to September 2008 are on face value of Re.1 each*



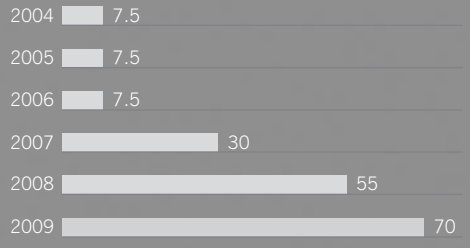
Sugar plant capacity (TCD)



Ethanol plant capacity (KLPD)



Power plant capacity (MW)



Exportable power capacity (MW)

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OUR STRENGTHS

Extensive integration

Shree Renuka Sugars is extensively integrated, extracting the maximum value out of sugarcane through the processing of cane, molasses and bagasse to produce sugar, power and ethanol. In 2007-08, revenues of the Company's non-sugar business increased from 15% in 2006-07 to 28% in 2007-08, and its proportion in the bottomline enhanced from 28% to 77% during the period.

Strong global presence

The Company is the second largest exporter of sugar from India with a presence in the Middle East, South East Asia and East Africa, among others. This export revenue provides the Company with an enhanced trade flow larger than its production, acting as a consolidator and enabling it to capitalise on global price as well as purchasing trends.

Preferred supplier status

The Company is a sugar 'supplier of choice' across brand-enhancing multinational companies that produce carbonated soft drinks, fruit juices, chocolates, baby foods and dairy products. Its clients include reputed names like Coca Cola, Pepsi, ITC, Britannia, Nestle and Cadbury, among others.

Successful acquisitions

The Company scaled capacity by acquiring co-operative mills and leased production assets, reducing direct and opportunity costs. It acquired a standalone ethanol plant of 100 KL expanded to 300 KL, to cater to the ethanol requirements of oil marketing companies (OMC) located in the coastal states of Goa, Maharashtra and Kerala for exports. The Company also acquired a strategic 54% stake in KBK Chem-Engineering Pvt. Ltd., engaged in providing turnkey solutions (EPC contracts) in the field of distilleries, ethanol plants and biofuels.

Increasing capacities

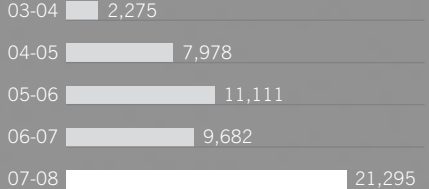
The Company has relentlessly enhanced its capacity. Since its IPO in October 2005, its sugar capacity grew seven-fold (5,000 TCD to 37,500 TCD), ethanol capacity 15-fold (60 KLPD to 450 KLPD to 900 KLPD by March 2009) and power capacity eight-fold (20 MW to 158 MW).

Moderating the impact of sugar cyclicality

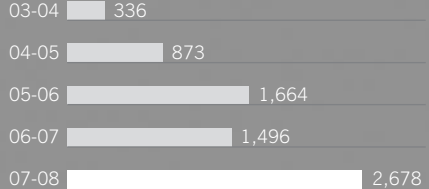
The Company is unique in consuming multiple feedstock (sugarcane and raw sugar). During the off-season, it consumes raw sugar for conversion, enhancing its asset utilisation and sustaining cash flows.



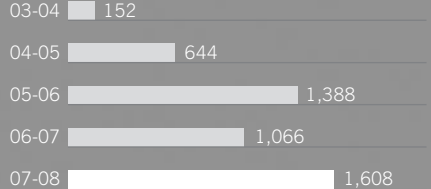
UNCONVENTIONAL BUSINESS MODEL



Revenue (Rs. million)



EBIDTA (Rs. million)



PBT (Rs. million)

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Superior fixed asset utilisation

The Company enjoys one of the industry's highest capacity utilisation and asset turnover ratios on the back of a longer operating season, higher sugar content availability in cane and dual raw material capability. It produces 20 tons of sugar per TCD capacity, as against the top four sugar companies by market capitalisation (excluding SRSL) which produce 10 tons of sugar per TCD capacity.

Technical expertise

The Company has tied up with Tate & Lyle Industries PLC of UK – a GBP 4.07-billion organisation and one of Europe's largest sugar refiners (for the Company's refinery business). The international partner provides a robust technical expertise in refining.

Institutional focus

The Company directly markets sugar to institutional buyers – a paradigm shift from the tradition of selling to wholesale agents and dealers. This has translated into a relatively large market share, an effective hedge against price-driven risks. This has also rationalised working capital outlay and has reduced the Company's dependence on sugar brokers.

Locational advantage

The Company enjoys a number of advantages on account of its South Indian location. It enjoys a longer crushing season (over 200 days, starting from October till May), higher recovery (10-20% higher than that of other regions), matured market for co-generation power as well as port proximity (160-200 kms).

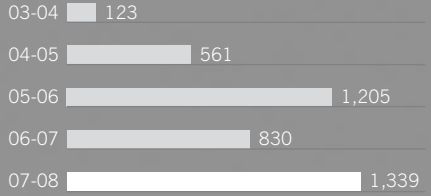
Excellent farmer relationships

Farmer dues are cleared on time, encouraging them to grow more sugarcane than switching to alternatives. Being shareholders, farmers also enjoy a preferential sale and an attractive dividend income. The Company enjoys the benefit of healthy relationships with more than 5,000 farmers as shareholders.

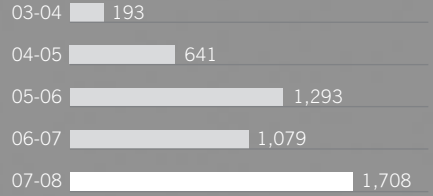
Seamless sugarcane collection network

The Company possesses a dedicated department to supervise cane development and procurement. It is engaged in organising the harvesting programme for desired cane quantity and quality to be harvested daily, with adequate transportation to the mills. Besides, it acquires cane directly from the farmers without going through intermediaries.

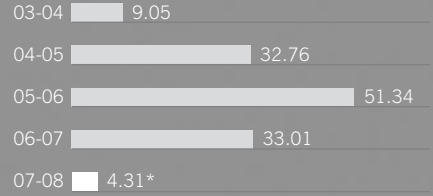
= FASTER-THAN-INDUSTRY GROWTH



PAT (Rs. million)



Cash profit (Rs. million)



EPS (Rs.)

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HOW DO YOU CREATE ONE OF INDIA'S LARGEST SUGAR CAPACITIES IN ONE OF THE SHORTEST TENURES – WITHOUT LAYING A SINGLE BRICK?

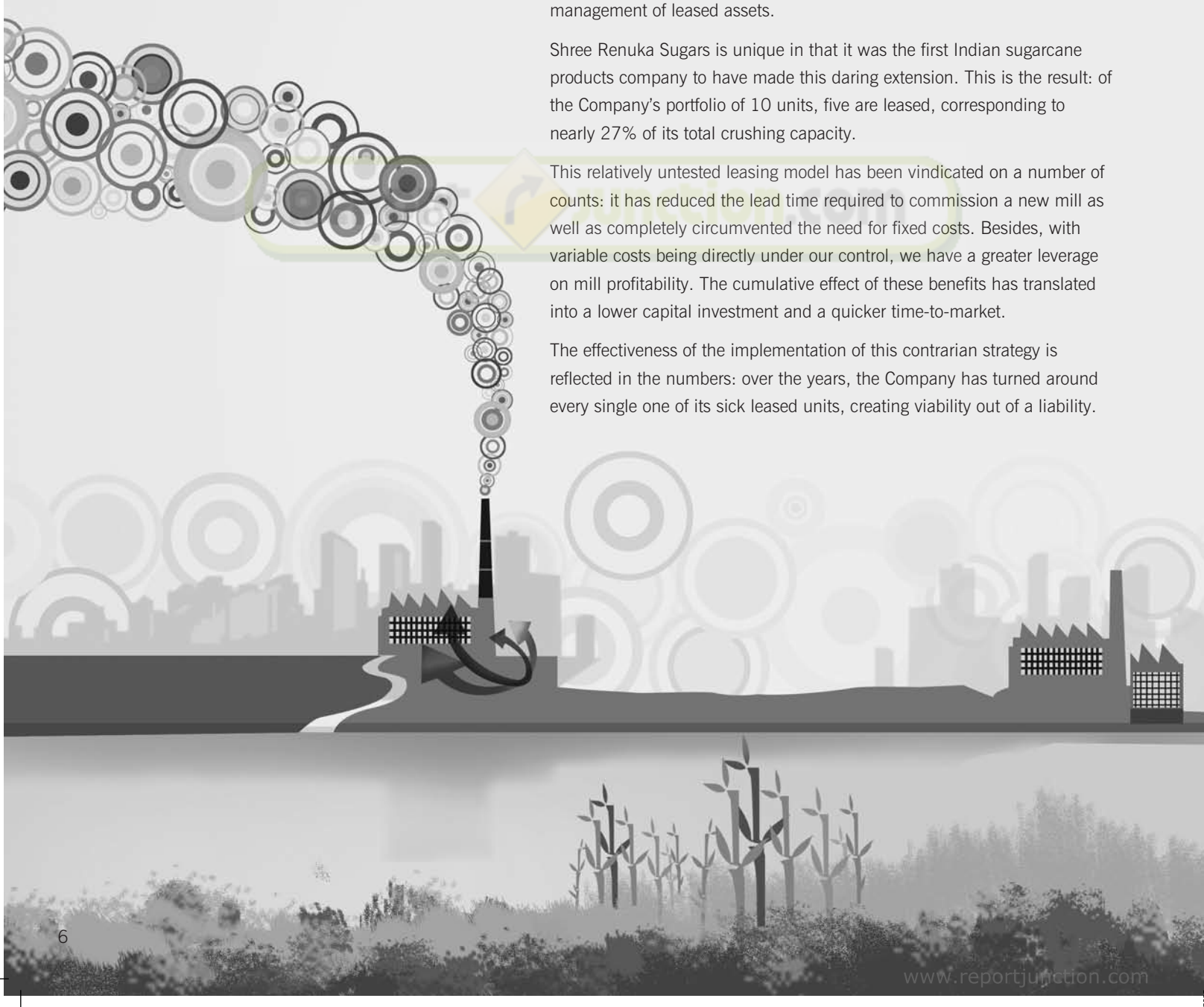
BY THINKING DIFFERENT.

Nowhere is this more visibly highlighted at Shree Renuka Sugars than its decision to extend from the management of owned sugar capacities to the management of leased assets.

Shree Renuka Sugars is unique in that it was the first Indian sugarcane products company to have made this daring extension. This is the result: of the Company's portfolio of 10 units, five are leased, corresponding to nearly 27% of its total crushing capacity.

This relatively untested leasing model has been vindicated on a number of counts: it has reduced the lead time required to commission a new mill as well as completely circumvented the need for fixed costs. Besides, with variable costs being directly under our control, we have a greater leverage on mill profitability. The cumulative effect of these benefits has translated into a lower capital investment and a quicker time-to-market.

The effectiveness of the implementation of this contrarian strategy is reflected in the numbers: over the years, the Company has turned around every single one of its sick leased units, creating viability out of a liability.



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HOW DO YOU EXTEND A 150-DAY SUGAR SEASON TO 365 DAYS – WITHOUT CRUSHING ANY ADDITIONAL CANE?

BY ENTERTAINING THE LATERAL.

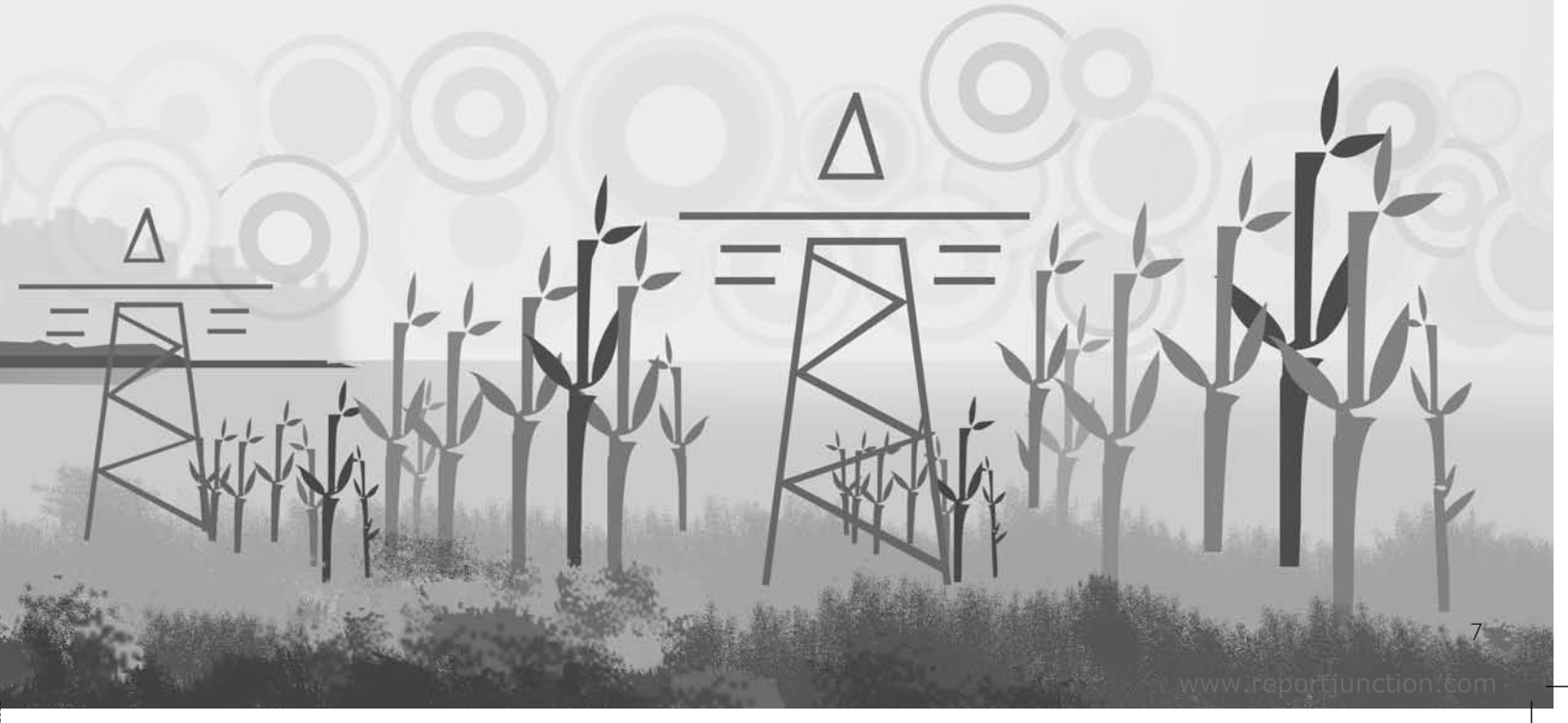
Until a few years ago, Shree Renuka Sugars was like most other sugar companies in the country – idling for more months than working. Until it embarked on the seminal initiative to commission a refinery to extend its business model from the conventional cane-to-sugar conversion to a raw sugar-to-sugar value-addition.

In doing so, Shree Renuka Sugars has become one of the first companies in India to seriously consider raw sugar refining as an intrinsic part of its business portfolio.

Over the years, Shree Renuka Sugars has graduated this segment of its business to the status of national leadership. It possesses the largest raw sugar refinery capacity in India (4,000 TCD). This consolidated capacity comprises an export-oriented unit in the port-city of Haldia (2,000 TCD, operationalised in June 2008) and two units in the existing Munoli and Athani plants (1,000 TCD each) in Karnataka.

What makes this business extension special is the quality of throughput. Shree Renuka's refineries are among the few in India to produce EU-grade sulphurless sugar (Euro II-compliant) for a global market. The Company utilises raw material being generated from within as well as imports, enhancing its sourcing flexibility. Besides, the Company's refining capacities are competently equipped in transforming poor raw sugar into the finest quality of end product.

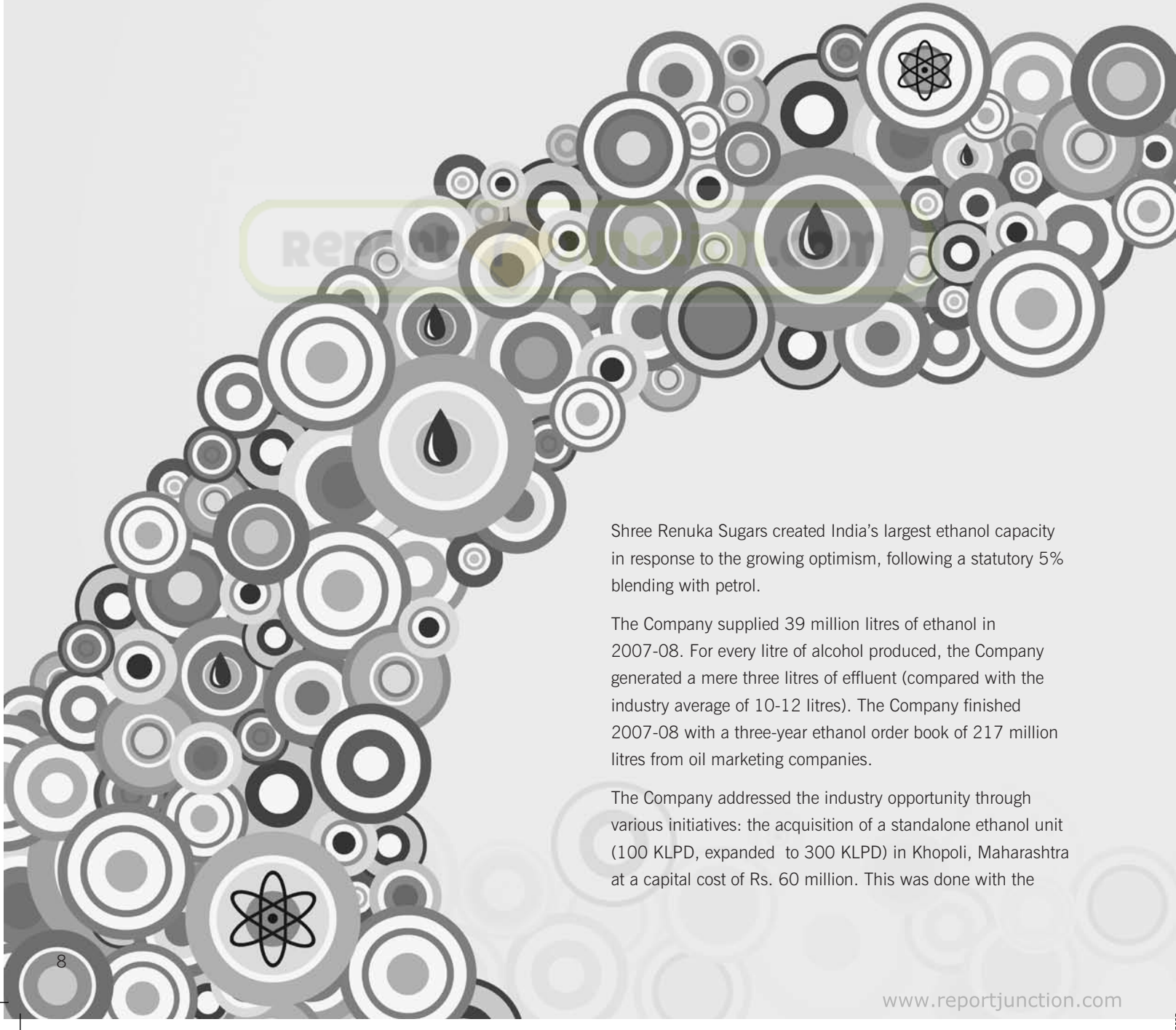
Because of the season-independent nature of business and the consequent high asset utilisation that it facilitates, refining provides a financial stability to the business of Shree Renuka Sugars. Besides, the capital cost for setting up a sugar refinery is lower than commissioning a greenfield sugar manufacturing unit (from cane) to the extent of nearly 75% per TCD, accelerating payback.



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HOW DO YOU CREATE ONE OF INDIA'S LARGEST AUTOMOTIVE FUEL CAPACITIES – WITHOUT DIGGING INTO THE SOIL?

BY THINKING OUTSIDE THE BARREL.



Shree Renuka Sugars created India's largest ethanol capacity in response to the growing optimism, following a statutory 5% blending with petrol.

The Company supplied 39 million litres of ethanol in 2007-08. For every litre of alcohol produced, the Company generated a mere three litres of effluent (compared with the industry average of 10-12 litres). The Company finished 2007-08 with a three-year ethanol order book of 217 million litres from oil marketing companies.

The Company addressed the industry opportunity through various initiatives: the acquisition of a standalone ethanol unit (100 KLPD, expanded to 300 KLPD) in Khopoli, Maharashtra at a capital cost of Rs. 60 million. This was done with the

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