SHREE RENUKA SUGARS

Annual Report
2013-14

New beginnings
Wider horizons

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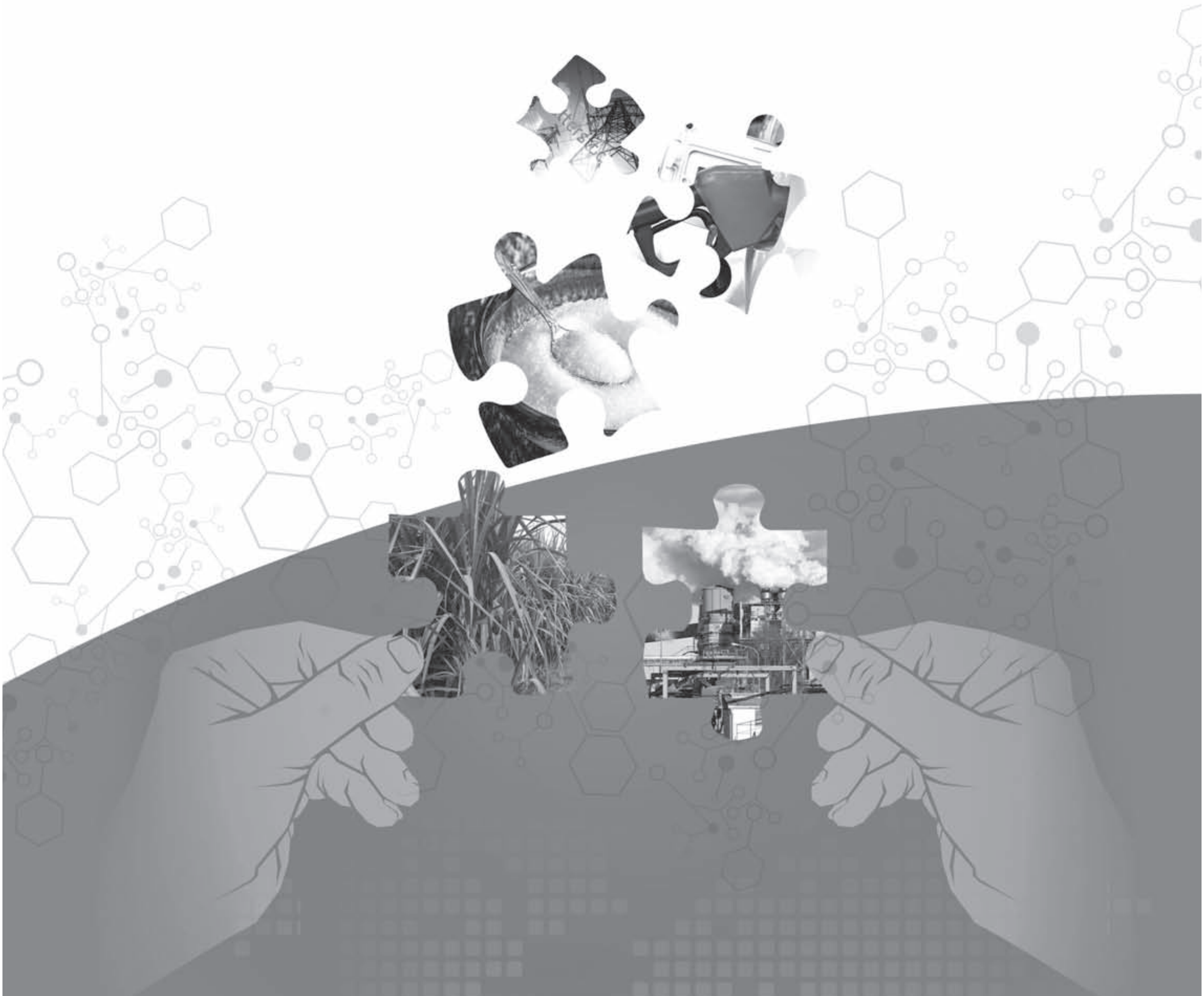
Forward-looking statements

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take 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', 'expects', 'projects', 'intends', 'plans', 'believes', 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 assumptions. The achievements of results are 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. Readers should keep 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.



New beginnings Wider horizons

It is a time for new beginnings. A time to welcome a new partner, revitalise our business and consolidate on the expansion that we undertook in the past.

It is time to shed the weight of debt, reduce our interest outgo, and capitalise on the increased operational efficiency of our business over the past years.

It is time to widen our horizons and bring to bear the synergies with our new partner.

New beginnings and wider horizons beckon us towards a brighter future, where promise will be fulfilled by performance.

The year in review

The highlight of the year was the strategic partnership with Wilmar International Ltd., with the company coming on board via a proposed equity infusion of US$ 200 million for an equal stake as the existing promoters. This partnership bodes well for our Company as it underlines our inherent strength, our enhanced operational performance and our shared confidence in the future. It is a new beginning that will help the Company widen its horizons.

India standalone performance

The Company recorded total standalone revenues including other income of ₹ 65,771 million during the year, as compared to a total of ₹ 64,104 million in FY 13. This represents an increase of standalone revenues by 2.6%.

₹ 65,771 million

Standalone revenues including other income in FY 14

₹ 64,104 million

in FY 13

In the sugar business, there was a Y-O-Y decrease in cane crushing by 8%.

Sugar production witnessed a 3% decrease in the Indian mills whereas sugar production at our Indian refineries increased by 9%.

In the ethanol business, there was a Y-O-Y decrease in production at our Indian distilleries due to lower crushing.

Energy sales in India increased by 4% as compared to previous year.

During the same period, EBITDA was reduced by 68% on account of higher cane prices and relatively lower domestic sugar prices.

The foreign exchange loss for the year was ₹ 3,317 million compared to a loss of ₹ 77 million in the last year. The high foreign exchange loss was mainly attributable to the highly volatile INR against USD.

The Company has reported a net loss of ₹ 4,661 million for the year ended 2014 as compared to a profit of ₹ 518 million in the previous year.

Performance of Brazilian Subsidiaries

For the year ended March 2014, the total revenues of the Brazilian subsidiaries increased by 12% compared to the last year.

The revenues for Renuka do Brasil S/A (RdB) increased by 20% Y-O-Y, on account of higher capacity utilisation, whereas the revenues for Renuka Vale do Ivai S/A (RVdI) reduced by 13% due to cane damage caused by frost.

In the sugar business, cane crushing in the Brazilian subsidiaries increased by 19% due to increased cane availability.

The Y-O-Y sugar production in Brazil decreased by 21% due to lower diversion of cane towards sugar production.

There was a 75% increase in ethanol production Y-O-Y in Brazil due to higher ATR diverted to ethanol as a result of higher ethanol prices at the start & end of season.

Energy sales from the Brazilian units increased by 18% Y-O-Y due to higher sales from power.

The EBITDA for RdB increased by 31%, but the EBITDA for RVdI reduced by 75% compared to the previous year on account of frost, which impacted the cane crop.

The overall EBITDA for the Brazilian subsidiaries was impacted by the performance of RVdI and stood at ₹ 7,485 million for the year, as compared to ₹ 8,023 million in the previous fiscal.

For FY 14, the interest cost for the Brazilian subsidiaries increased on account of interest paid on subordinated debt, higher utilisation of working capital, increase in base rate (SELIC) of Brazil and the depreciation of the Brazilian Real. There was also foreign exchange loss of ₹ 2,372 million. The Brazilian subsidiaries reported a net loss of ₹ 9,354 million for the year ended 31st March, 2014.

The Company's performance was impacted by several forces - climatic conditions in Brazil resulting in frost, subdued global prices of sugar because of a global surplus, foreign exchange fluctuations in currencies of the emerging markets as well as low refining margins.

Letter from the Managing Director

The year gone by was one of a new beginning for us, as we moved into the next phase of our corporate evolution. Amid continuing concerns impacting the sugar industry around the globe, we remained steadfastly committed to our consolidation plans, which we had initiated last year. Concurrently, we concluded a strategic partnership that will lead our positive transformation moving forward.

Globally, fiscal 2013-14 was another year of surplus sugar stocks, which adversely affected the sugar price.

The total sugar production was approximately 177.5 million metric tonnes in 2012-13, whereas in 2013-14, as per the latest estimate, it is close to 175.7 million metric tonnes leading to a reduced global sugar surplus.

Towards full liberalisation of the Sugar Sector in India

The Indian sugar industry is now largely liberalised, following the removal of product side controls as per the recommendations of expert committee headed by Dr. C Rangarajan. Both the states, in which we operate, Maharashtra & Karnataka, have passed progressive laws on sugarcane pricing based on a revenue sharing mechanism between farmers and millers whereby cane prices are linked to the realisation of sugar & its by-products.

The effects of full decontrol, however, would take a couple of years to show positive results as currently the industry is witnessing a bearish sentiment due to four straight years of sugar surplus which is overpowering the positives of sugar decontrol. Once the dynamics of the sugar cycle change and with the new progressive policies in place, we would expect to witness consolidation in the sector and stable profitability in our business going forward.

Renewed prospects in sugar exports

The Government's decision to give a subsidy of ₹ 3,300 per tonne on exports of 4 million tonnes of raw sugar over the next two years is expected to give some respite to the industry. Domestic sugar exports for the year have been good, with total exports of about 2 million tonnes.

Amid a depressing industry environment, our net sales in India reported an increase across our sugar, ethanol and co-generation segments during the year. There was, however, an impact on the total revenues due to the lower price realisation in domestic markets.

Your Company's performance was also impacted by foreign exchange loss due to extreme volatility of the rupee in the year gone by. This coupled with low operating margins pulled the net profit in the standalone business down into the red.

Post March 2014, your Company received ₹ 1,460 million of loans under the SEFASU (Scheme for Extending Financial Assistance to Sugar Undertakings) 2014 scheme, announced by the Central Government to provide loans to the sugar mills with an interest subsidy of up to 12%. This came as a big boost at a time when the sugar industry, was in the midst of troubled times, due to the bearish pricing scenario domestically.

Brazilian operations show improvement

In Brazil, despite frost adversely affecting operations at RVdI, the Company improved its operational performance, marked by a significantly increased cane crushing. The Net Sales including other income from the Brazilian operations was ₹ 35,281 million in FY 14 as compared to ₹ 31,513 million in FY 13.

RdB has reported an improved EBITDA of ₹ 6,747 million for the year ending 31st March, 2014, which is 31% higher than previous year. However, the performance of RVdI was impacted by frost, which reduced productivity and recovery of cane. Overall, there was net loss at our Brazilian subsidiaries, resulting from higher depreciation and foreign exchange variation charges.

On a consolidated basis, revenues increased as compared to previous financial year however, there was a net loss reported for the year. On the whole, while the operational performance of your Company improved, a situation of low global prices of sugar due to excess stocks, fluctuating currencies of the emerging economies and subsequent foreign exchange losses, along with non cash expenses and high interest costs on debt, resulted in net loss.

Towards wider horizons

We have entered into a strategic partnership with Wilmar International Ltd. (through its 100% subsidiary Wilmar Sugar Holdings Pte Ltd), with the Wilmar group coming on board as equal stakeholders with the existing promoter group. The fresh primary equity infusion of US$ 200 million as a combination of preferential allotment to Wilmar Sugar Holdings and proposed rights issue to all shareholders will enable us to retire a substantial part of our Indian debt. The existing Promoters will continue with the management of your Company with Wilmar being actively involved in strategic decisions. This new beginning will see your Company emerging stronger, more resilient, with lower and manageable levels of debt, and a strong partner with a shared vision of the future.

I take this opportunity to warmly welcome on board our strategic partner Wilmar International Ltd., which is Asia's leading agribusiness group. The company's business activities include palm oil cultivation, oil seeds crushing, edible oils refining, sugar milling and refining, specialty fats, oleo chemicals, biodiesels, fertilisers manufacturing and grains processing. The Group has presence in the sugar space with assets in Australia, New Zealand, Indonesia and Morocco.

Our partnership with Wilmar will enhance our global reach, augment our inherent capabilities in sugar manufacturing and put our business on a firm foundation.

I take this opportunity to thank our management, our bankers, our customers and our new strategic partner for their immense support.

Together, we will steer a course that will help us widen our horizons, expand our businesses and enhance our profitability.

Warm regards,
Narendra Murkumbi

The India story

It was a difficult year for the sugar industry globally as well as in India, with a large surplus weighing in the international and domestic sugar markets.

The start to the domestic crushing season was delayed due to prolonged cane pricing negotiations. There was a decline in the total sugar production, which is estimated at 24.3 million tonnes in sugar season 2013-14, as against 25.1 million tonnes during the previous season. Karnataka, however, produced a record crop with sugar production at 4.15 million tonnes as against 3.46 million tonnes last year. The other key sugar producing states of Maharashtra and Uttar Pradesh recorded a decline.

On the ethanol front, the delay in finalisation of tenders and slow lifting of stocks by the Oil Marketing Companies resulted in piling up of inventory of ethanol and increased the working capital requirements for sugar companies.

24.3 million tonnes

sugar production in season 13-14

25.1 million tonnes

in season 12-13

Highlights of our operations:

Sugar

* Total sale of 1,772,982 tonnes of sugar as compared to 1,550,377 tonnes in the previous year.
* Export of sugar amounted to 824,779 tonnes as compared to 872,123 tonnes in the previous year.
* The average price realisation for exported sugar stood at ₹ 30,197 per metric tonne as compared to ₹ 32,382 per metric tonne in the previous year.

Ethanol

* Sold 92,174 kilolitres of ethanol at an average price realisation of ₹ 37,504 per kilolitre, as compared to sales of 78,454 kilolitres at ₹ 29,960 per kilolitre in the previous year.

Co-generation

* We exported 372 million units of power at a price of ₹ 4.86 per unit.
* There was a 4% Y-O-Y increase in energy sales .

Net sales improved marginally with increased contribution from sugar, ethanol and co-generation segments though total revenue was impacted due to lower contribution from the trading segment and lower domestic price realisation. Foreign exchange losses, losses in the trading segment and lower margins in the sugar segment severely impacted the Company's performance during the year.

The Brazil story