



ANNUAL REPORT 2017-18

Driving Synergies for a Sweeter Tomorrow

AS A WILMAR SUGAR SUBSIDIARY



Contents

01 Corporate Overview

Corporate Identity	2
Core Verticals	4
Flagship Products	5
Letter to the Shareholders	6
CSR Initiatives	8
Corporate Information	10

02 Statutory Reports

Management Discussion and Analysis	12
Board's Report	18
Corporate Governance Report	50

03 Financial Statements

STANDALONE

Independent Auditor's Report	66
Balance Sheet	72
Statement of Profit and Loss	73
Statement of Cash Flow	74
Statement of Change in Equity	75
Notes to the Financial Statements	76

CONSOLIDATED

Independent Auditor's Report	123
Balance Sheet	128
Statement of Profit and Loss	129
Statement of Cash Flow	130
Statement of Change in Equity	131
Notes to the Financial Statements	132

04 Notice of Annual General Meeting

187

Driving Synergies for a Sweeter Tomorrow

As a Wilmar Sugar subsidiary

At Shree Renuka Sugars Limited, we are at an inflection point. We have evolved into a lean enterprise with a sharpened focus on improving the bottom line. FY18 was a watershed year for us, as it witnessed the culmination of our efforts to revive our creditworthiness and instil investor confidence.

Wilmar Sugar Holdings increased their stake in our Company, enabling us to scale up the production of our flagship offerings – refined sugar and ethanol. We are poised to drive cross-organisational synergies that will help us leverage the expertise, exposure and experience of Wilmar to provide a strong product value, bringing us closer to a sweeter tomorrow.



Corporate Identity

About Shree Renuka Sugars Limited

Shree Renuka Sugars Limited (SRSL) is one of the principal sugar manufacturers and refiners in the world. As a global agribusiness and bioenergy corporation, it is present across three segments: sugar, ethanol and power generation. It is one of the first in India's sugar industry to have ventured into sugar refining. The Company pioneered the concept of operating sugar manufacturing assets on lease in India. It also undertakes power projects at third-party mills on a build-own-operate-transfer (BOOT) basis. SRSL has aligned its strategies to achieve synergies from its presence in Brazil, the world's largest sugar producer and India, the largest sugar consumer globally, as well as the Company's extensive reach in the growing sugar markets of Asia.

Celebrating Two Decades of Sweetness

OUR VISION

To be among the top three integrated sugar and ethanol companies in the world by harnessing our strengths and realising synergies through our global presence.

OUR CORE STRENGTHS

- We are present in the world's largest sugar-producing and consuming regions, leveraging information flows for sustainable growth
- Our Indian operations are conducted across southern and western parts of the country (where there is higher recovery rate for sugarcane compared to other sugarcane-growing regions)
- Our strategically located port-based refineries in India help us cater to the markets in South Asia and the Middle East
- We are the largest supplier of ethanol to oil marketing companies in India
- Madhur, one of our key brands, is very well established in India, particularly in the western and southern regions

OUR MANUFACTURING ASSETS

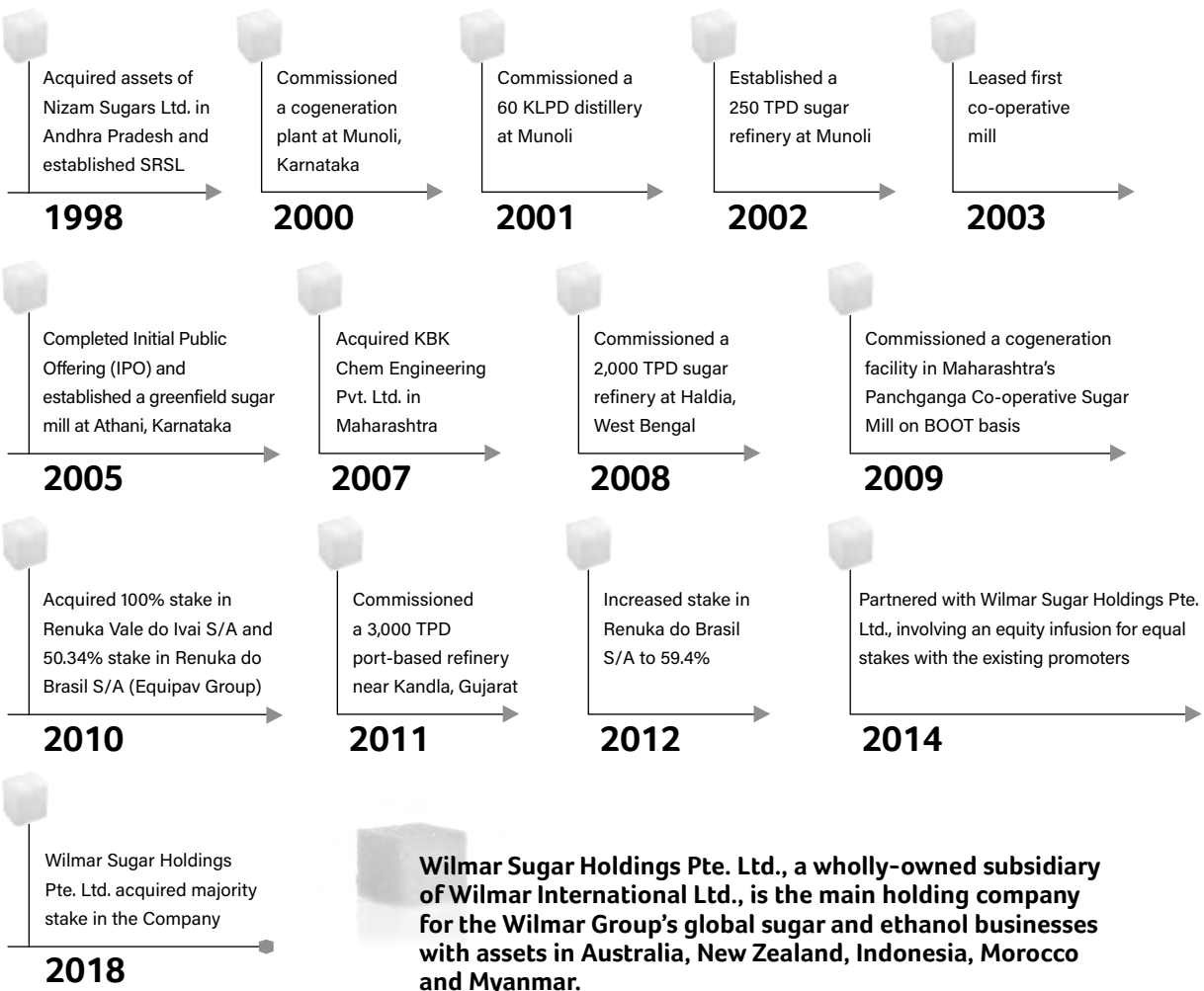
We operate 11 integrated sugar mills (**four in Brazil and seven in India**) and two port-based refineries in India.



Note: Map not to Scale



OUR JOURNEY



Core Verticals

Reviewing Our Business



SUGAR

- Our mills are fully integrated to process sugarcane and produce sugar and its by-products – molasses, bagasse and organic manure
- The seven sugar mills in India have a total crushing capacity of 8.4 MTPA and the two port-based sugar refineries in India have a total capacity of 1.7 MTPA



ETHANOL

- We manufacture potable and fuel-grade ethanol that can be blended with petrol
- Our distillery capacity in India is 930 KLPD (630 KLPD from molasses and 300 KLPD from denatured spirit). KBK Chem Engineering, our subsidiary, provides turnkey distillery, ethanol and certain sugar process equipment and biofuel plant solutions



POWER

- We generate power from bagasse for captive consumption and sell surplus power to national grids in India
- Our Indian operations produce 256 MW of power with an exportable surplus of 142 MW

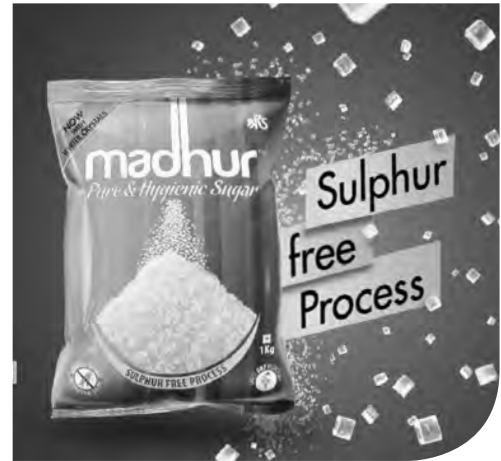


Flagship Products

Building a Sweeter and Greener Tomorrow

MADHUR

Refined white sugar contains 99.9% sucrose and is used as a key ingredient in various processed foods and beverages. Launched in 2007, Madhur is India's leading refined white sugar brand, known for its purity and hygiene. From local 'kirana' stores to leading supermarket chains, Madhur sugar is available across a variety of retail platforms. Strong on-ground marketing and sales resources drive the brand's market dominance. At present, Madhur has a strong presence in Gujarat, Maharashtra, Delhi, Rajasthan and Karnataka. At SRSL, we are also increasing our footprint in the states of Haryana, Madhya Pradesh, Andhra Pradesh, Kerala, Punjab and Jammu and Kashmir.



What sets Madhur apart?

Natural sweetness

Made from a superior variety of sugarcane

Globally compliant production technology

Manufactured, packed, stored and shipped in state-of-the-art facilities

Healthy for consumption

Stringent quality control coupled with a sulphur-free refining process

Reliable quality

Refined, sparkling white, moisture-free and highly soluble sugar crystals

ETHANOL

Molasses which is a by-product of sugar manufacturing process is converted to alcohol. This alcohol is used to manufacture ethanol and potable alcohol. Ethanol is used for blending primarily in petrol by oil marketing companies and potable alcohol is used by liquor companies.



Why focus on ethanol?

While the global demand for transportation fuel will continue to grow, the role of renewable energy sources will increase at the expense of fossil fuels. The importance of biofuels in lowering carbon-intensity of transportation fuels is expected to expand greatly. Further, curbing greenhouse gas (GHG) emission has become increasingly important for countries after the 2015 United Nations Climate Change Conference (COP21). At the Conference, countries across the world committed to taking immediate action to significantly reduce emissions in the transportation sector and mandate the blending of biofuels as part of their national plan.

Ethanol is proven to reduce vehicular emissions vis-à-vis fuels based on petroleum. It has emerged as a key for global sustainable progress, and India has been at the forefront of these developments in the production of ethanol.

At SRSL, we are well-positioned to harness this opportunity and help countries reduce their carbon footprint.

Letter to the Shareholders

Embarking on a New Path



“The strength of our product portfolio lies in its diversity, lending us competitive advantage over other sugar producing companies. We are motivated to grow our renewable energy potential and build our sugar brand Madhur.”

Dear Friends,

FY18 was critical to both the Indian economy and the sugar industry. India forged ahead with comprehensive structural reforms, such as the landmark Goods and Services Tax (GST), to usher in an era of greater transparency and accountability. The country retained its pole position as ‘the fastest-growing economy in the world,’ outperforming its neighbour China. Clocking an annualised growth rate of 6.7%, India is projected to continue showcasing robust numbers across all focus areas of progress and development.

Despite drought in major sugarcane growing states, sugarcane production in India posted record growth during the reporting period. The industry’s cyclical nature was particularly pronounced during the year, with more than 32 MTPA of sugar being produced in the October-September season alone, surpassing expectations by a wide margin. With the onset of a sugar production boom across the world, sugar prices in India too were impacted negatively. The Government of India acted proactively and implemented various measures to ensure that the sugar industry was able to meet its payment obligation to sugarcane farmers.

'Green' shoots

The renewable energy sector in India is growing at a promising rate. The Government raised the price of ethanol to ₹43.70 per litre in a bid to lower India's dependence on oil imports, while also incentivising higher ethanol production. It has also fixed the price of ethanol produced directly from sugarcane juice at ₹47.49 per litre, helping mill owners diversify their product mix in years of sugar surplus. The Government, in accordance to global commitments made at COP21, mandated the blending of up to 10% of ethanol in petrol, but oil companies achieved less than 4% of this target in the year under review.

In line with the Government's increasing focus on renewable energy, your Company is expanding its ethanol-producing capacity to cater to the growing demand.

Cross-organisational synergies

Your Company continued extensive debt-restructuring exercise during the year, in conjunction with Singapore-based agro-company Wilmar International Ltd. As a part of this endeavour, Wilmar Sugar Holdings Pte. Ltd. (WSH), made an additional equity

investment and subsequently also acquired additional equity shares in your Company through an open offer. Consequently, WSH's total stake stands at 58.34% of the paid-up equity share capital. Your Company also issued on preferential basis, equity shares, optionally convertible preference shares, redeemable preference shares and non-convertible debentures to the lenders against conversion of debt.

Strategic outlook amid challenges

With adequate and timely monsoon predicted in FY19, sugarcane production is likely to continue its upward trend. The boost in yield will also be felt in the production of ethanol and renewable power. In the context of falling market prices and high fair remunerative prices in the sector, shrinking net realisation and earnings across sugar mills, high levels of sugar inventory and mounting liabilities accruing towards sugarcane farmers, it is imperative that we further sharpen our bottom line focus.

The strength of our product portfolio lies in its diversity, lending us competitive advantage over other sugar-producing companies. We are motivated to grow our renewable energy potential and build our sugar brand Madhur.

Going forward, we will sustain our efforts to divest our Brazilian subsidiaries and concentrate on manufacturing refined sugar and sugarcane-based ethanol. Madhur is the market leader in India and we will continue to reinforce its presence in the segment.

As we proceed to write the next chapters of our journey, I must reiterate that I am grateful for your continued support. Your confidence in us has enabled us to steer our ship past the difficult challenges of the recent years. I am excited to see what the future holds for us, as we join forces with WSH.

Warm regards,

Mr. Atul Chaturvedi
Chairman

CSR Initiatives

Uplifting Communities

At SRS, we believe in holistically developing the communities around us. The 'greener tomorrow' that we envision is incomplete without growth that is inclusive and well-rounded. Our efforts in the fields of health, education, skills training and infrastructure empower communities and elevate the quality of their lives. The Shree Renuka Sugars Development Foundation (SRSDF) Trust and Shree Renuka Institute for Rural Development and Research (SRIRDR) have been founded under the aegis of SRS to drive our initiatives towards socio-economic development. While the SRSDF Trust focusses on education and related activities to hone personal skills of individuals, SRIRDR emphasises uplifting the underprivileged sections of rural communities through a host of health and education programmes.

EDUCATION



1,900+

Students received quality education at nominal cost

ITIs

Established to upskill local youth

Operating schools and colleges

- SRSDF runs three CBSE schools near our Kokatnur, Munoli and Havalga plants. With a student count of over 1,700, spread across 10 grades, the schools focus on delivering quality education at nominal cost. Each of the schools is furnished with large classrooms, audio-visual aids, library, e-learning, bus facilities and advanced laboratories
- Since 2008, we operate Raibag Polytechnic College that provides diploma courses across several engineering streams.

We consistently invest in upgrading infrastructure and improving teaching standards

Upskilling students, youth and workers

- Our Industrial Training Institutes (ITI) at Kokatnur and Havalga offer necessary technical education to local youth, with the objective of upskilling them and enhancing their employability
- We also offer technical courses, including vocational education and research opportunities for gaining skills and knowledge, through our

Sugar Institute at Kokatnur. The institute is affiliated with Directorate General of Employment and Training, State Council of Vocational Training and Government of Karnataka, and enables employment opportunities in sugar and allied industries

- We introduced Sakhar Shalas near our plants to impart quality training related to sugarcane-harvesting for students and migrant workers. Further, these institutes also serve daily wholesome meals comprising milk, bread, eggs and bananas to students, along with organising health check-up camps for them