

**AUDITORS' REPORT
TO THE BOARD OF DIRECTORS OF
SIMBHAOLI SUGARS LIMITED**

1. We have reviewed the accompanying statement of Unaudited Financial Results of **SIMBHAOLI SUGARS LIMITED** ("the Company") for the quarter ended June 30, 2012 ("the Statement"). This Statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review.
2. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatements. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
3. Without qualifying our report,
 - (a) attention is invited to note 3 which sets out the position regarding repudiation by the insurance company of the Company's insurance claim amounting to Rs. 769 lacs on account of sinking of ship carrying raw sugar purchased by the Company. Pending completion of legal proceedings in the matter, the effect thereof in these accounts cannot be determined at this stage.
 - (b) attention is invited to note 4(a) regarding preparation of financial results of the Company on a going concern basis for the reasons stated therein. The appropriateness of assumption of going concern is dependent upon the Company's ability to complete various business restructuring initiatives and to generate cash flows from operations in future to meet its obligations.
4. (a) Attention is invited to note 4(d) wherein it is stated that deferred tax assets (net) amounting to Rs.12,586 lacs has been recognised on the basis of future projections prepared based upon the restructuring plans under implementation and taken on record by the Board of Directors that there is a virtual certainty that sufficient future taxable income will be available against which these assets would be realised. However, in our opinion, recognition of such deferred tax credit is not in line with the virtual certainty requirement of Accounting Standard 22 "Accounting for Taxes on Income". Had such deferred tax credit not been recognised, loss after tax and debit balance in profit and loss account would have been higher by Rs.12,586 lacs and deferred tax asset would have been lower by the same amount.

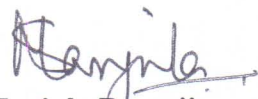
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- (b) Attention is invited to note 5 wherein it is stated that the Company has deferred off-season expenditure amounting to Rs.1,178 lacs for the quarter ended June 30, 2012 for inclusion in the cost of sugar to be produced in the remaining part of the financial year. Had the Company charged expenditure so incurred to the accounting period in which such expenses were incurred, changes in inventories of finished goods, work-in-progress and stock-in-trade would have been higher by Rs.1,178 lacs for the quarter ended June 30, 2012 and loss after tax would have been higher by Rs. 796 lacs for the quarter ended June 30, 2012.
5. Further to our comments in paragraph 3 above and except for the matters referred to in paragraph 4 above, based on our review nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956 and other recognised accounting practices and policies, has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreements with the stock exchanges, including the manner in which it is to be disclosed, or that it contains any material misstatement.
6. We also report that we have traced the number of shares as well as the percentage of shareholding in respect of the aggregate amount of public shareholding and the number of shares as well as the percentage of shares pledged/encumbered and non-encumbered in respect of the aggregate amount of promoters and promoter group shareholding in terms of Clause 35 of the Listing Agreements and the particulars relating to undisputed investor complaints from the details furnished by the Management/Registrars.

For **DELOITTE HASKINS & SELLS**

Chartered Accountants
(Registration No. 015125N)


Manjula Banerji
Partner

(Membership No. 086423)

Place: Gurgaon
Date: August 14, 2012



SIMBHAOLI SUGARS LIMITED
Regd. Office : Simbhaoli- 245207 Dist.Ghaziabad (U.P.)
UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED
JUNE 30, 2012

(Rs. in lacs)						
Particulars	Three months ended			Nine months ended	Eighteen months ended	Year ended
	June 30, 2012	March 31, 2012	June 30, 2011	June 30, 2011	March 31, 2012	September 30, 2010
	I	II	III	IV	V	VI
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1 Income from operations						
Gross Sales	17,965	21,768	24,709	95,269	165,000	149,206
Excise duty	919	977	6,705	19,308	31,572	23,040
Net Sales/ income from operations	17,046	20,791	18,004	75,961	133,428	126,166
Other operating income	66	204	69	655	1,593	3,496
Total income from operations	17,112	20,995	18,073	76,616	135,021	129,662
2 Expenses						
(a) Cost of materials consumed	5,506	35,223	3,675	50,537	112,048	121,341
(b) Purchase of stock-in-trade	72	15	172	4,917	4,873	58
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	7,735	(21,048)	10,536	1,179	(19,515)	(9,497)
(d) Employee benefits expense	1,133	1,330	975	3,318	6,737	4,106
(e) Depreciation and amortisation expense (net of revaluation reserve)	989	1,040	1,041	3,088	6,220	4,009
(f) Consumption of stores, oils & chemicals	721	1,511	945	4,726	9,166	5,336
(g) Power and fuel	226	340	722	1,823	3,174	4,272
(h) Exchange fluctuation loss/(gain)	(68)	267	131	781	1,013	(2,210)
(i) Other expenses	1,596	3,067	857	4,905	11,346	6,691
Total expenses	17,910	21,745	19,054	75,274	135,062	134,106
3 Profit/(loss) from operations before other income, finance costs, exceptional items and tax	(798)	(750)	(981)	1,342	(41)	(4,444)
4 Other income	1,357	2,898	126	493	3,720	638
5 Profit/(loss) from ordinary activities before finance costs, exceptional items and tax	559	2,148	(855)	1,835	3,679	(3,805)
6 Finance cost	3,239	3,002	2,886	7,910	16,270	8,798
7 Profit/(Loss) from ordinary activities before exceptional items and tax	(2,680)	(854)	(3,741)	(6,075)	(12,591)	(12,603)
8 Exceptional item						
Differential cane price for sugar season 2007-08	-	-	-	-	2,511	-
9 Profit/(loss) from ordinary activities before tax	(2,680)	(854)	(3,741)	(6,075)	(15,102)	(12,603)
10 Tax expense/ (benefit)	(870)	69	(928)	(1,703)	(4,285)	(5,133)
Current tax	-	378	-	-	378	-
Deferred tax (benefit)/ charge	(870)	(309)	(928)	(1,703)	(4,663)	(5,133)
11 Net Profit/(loss) from ordinary activities after tax	(1,810)	(923)	(2,813)	(4,372)	(10,817)	(7,470)
12 Paid up equity share capital (face value Rs. 10/- each)	2,770	2,770	2,636	2,636	2,770	2,333
13 Reserves (excluding revaluation reserve)	-	-	-	-	9,260	7,600
14 Earning Per Share (of Rs. 10 each) (not annualized)						
Basic and diluted EPS before exceptional item (Rs.)	(6.57)	(3.34)	(10.73)	(17.56)	(35.30)	(32.21)
Basic and diluted EPS after exceptional item (Rs.)	(6.57)	(3.34)	(10.73)	(17.56)	(41.86)	(32.21)
(A) PARTICULARS OF SHAREHOLDING						
1) Public shareholding						
- Number of shares	16,035,429	16,035,429	16,068,597	16,068,597	16,035,429	13,187,587
- Percentage of shareholding	58.16	58.16	61.26	61.26	58.16	56.85
2) Promoters and promoter group shareholding						
a) Pledged/ Encumbered						
- Number of shares	2,250,000	2,250,000	2,600,000	2,600,000	2,250,000	2,265,770
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	19.50	19.50	25.59	25.59	19.50	22.64
- Percentage of shares (as a % of the total share capital of the Company)	8.16	8.16	9.92	9.92	8.16	9.77
b) Non - encumbered						
- Number of shares	9,285,881	9,285,881	7,560,213	7,560,213	9,285,881	7,742,543
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	80.50	80.50	74.41	74.41	80.50	77.36
- Percentage of shares (as a % of the total share capital of the Company)	33.68	33.68	28.82	28.82	33.68	33.38
Particulars	Three months ended June 30, 2012					
(B) INVESTOR COMPLAINTS						
Pending at the beginning of the quarter	-	-	-	-	-	-
Received during the quarter	-	-	-	-	-	-
Disposed off during the quarter	-	-	-	-	-	-
Remaining unsolved at the end of quarter	-	-	-	-	-	-



**SEGMENT WISE REVENUE, RESULTS AND CAPITAL EMPLOYED UNDER
CLAUSE 41 OF THE LISTING AGREEMENT**

Particulars	Three months ended			Nine months ended	Eighteen months ended	Year ended
	June 30, 2012	March 31, 2012	June 30, 2011	June 30, 2011	March 31, 2012	September 30, 2010
	I	II	III	IV	V	VI
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
(A). Segment Revenue						
(a) Sugar	14,050	22,222	14,670	71,111	125,530	128,411
(b) Distillery	4,943	4,261	4,452	14,185	28,013	18,367
(c) Power	1,259	8,500	678	11,103	25,211	18,485
Total	20,252	34,983	19,800	96,399	178,754	165,263
Less: Inter Segment Revenue	3,140	13,988	1,727	19,783	43,733	35,601
Net sales/ income from operations	17,112	20,995	18,073	76,616	135,021	129,662
(B). Segment Results						
Profit/(loss) before finance costs, unallocated expenditure, exceptional items and tax from each segment						
(a) Sugar	(694)	(3,099)	(713)	(138)	(3,802)	(4,782)
(b) Distillery	229	1,001	433	1,149	1,852	(1,000)
(c) Power	(11)	2,090	(362)	1,337	4,220	2,549
Total	(476)	(8)	(642)	2,348	2,270	(3,233)
Less: (i) Finance cost	3,239	3,002	2,886	7,910	16,270	8,798
(ii) Other un-allocated expenses (net of income)	(1,035)	(2,156)	213	513	(1,409)	572
(iii) Exceptional items	-	-	-	-	2,511	-
- Differential cane price for sugar season 2007-08	-	-	-	-	-	-
Total Profit/(loss) from ordinary activities before tax	(2,680)	(854)	(3,741)	(6,075)	(15,102)	(12,603)
(C). Capital Employed						
(a) Sugar	15,455	17,395	27,362	27,362	17,395	28,818
(b) Distillery	18,654	18,729	18,082	18,082	18,729	16,343
(c) Power	19,693	20,243	18,949	18,949	20,243	19,869
(d) Unallocated assets/(liabilities) (net)	18,087	15,643	10,549	10,549	15,643	10,369
Total Capital Employed	71,889	72,010	74,942	74,942	72,010	75,399


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Notes:

1. The above results as reviewed by the audit committee were taken on record by the Board of Directors at its meeting held on August 14, 2012 at New Delhi.
2. Sugar, one of the major businesses of the Company, is a part of seasonal industry. The results may vary from quarter to quarter.
3. A vessel carrying 22,500 MT of raw sugar purchased by the Company sank in July 2009 for which an insurance claim for Rs. 4,780 lacs was filed with the insurance Company. Following the repudiation of insurance claim by Cargo insurers, in an arbitrary manner, the Company has initiated legal proceedings against the insurer in India and vessel owner in London. During the quarter, the Company, in the London proceedings, has accepted a final compensation of USD 98 lacs (Rs.5,515 lacs) towards the cost of raw sugar, interest loss and legal costs. The Company is continuing to pursue the ongoing legal proceedings against the cargo insurer for balance Rs. 769 lacs. Based on expert advice, management is confident that the proceedings against insurer would be settled in favour of the Company and no loss would arise in this regard. (Refer para 4 (e) (i) of auditors report for the year ended September 30, 2010).
4. (a) During the last two years Indian sugar industry had faced difficulties on account of higher sugar cane prices particularly in Uttar Pradesh. During the 2011-12 sugar season also, the country had a large surplus of sugar resulting in lower sugar realization and under recovery of cost of production and higher finance cost leading to operating/cash losses and consequent erosion of its net worth. The Company has initiated a number of measures, including business and financial restructuring comprising of transfer of potable alcohol and power undertakings to separate SPVs, disinvestments of the shares in such SPVs, fresh capital infusion and Company's foray into sugar refining business in joint venture with a global major etc. to de-risk its businesses and improving its financial position. Subsequent to the end of June 2012 quarter, the free sale sugar price have witnessed an uptrend owing to change in cycle, balanced supply and demand situation and steps initiated by the State/Central governments to strengthen the sugar industry. Taking into account these steps, which will bring long term business viability to the sector and correction in free sugar prices, these financial results are prepared on going concern basis.
(b) The Scheme of Arrangement, under Sections 391-394 of the Companies Act, 1956, as approved by the Board of Directors, has been filed with Hon'ble High Court of Judicature at Allahabad, Uttar Pradesh (the Hon'ble Court) for transfer and vesting of the Alcohol Undertaking at Simbhaoli Distillery Division into Simbhaoli Spirits Limited (wholly owned subsidiary company) by way of Slump Sale method. The appointed date has been fixed as October 1, 2010. All the steps/approvals related activities for hiving off have been completed and Petitions have been submitted with the Hon'ble Court. However, pending sanction of the Scheme by the Hon'ble Court, no financial effect of the Scheme has been considered in these results. The impact of the Scheme will be given in the financial accounts pertaining to the eighteen months period ended March 31, 2012, in terms of the final approval of the Scheme by the Hon'ble Court.
(c) The Company had taken approval from the shareholders of the Company under section 293(1) (a) of the Companies Act, 1956 to hive off its power businesses to Simbhaoli Power Limited, wholly owned subsidiary to facilitate expansion in power generation/export capacities. The transfer of assets was conditional upon the finalization of the business restructuring for giving effect to the transfer, capital contribution by a select investor and approvals from the lenders for financing expansion plan within a given time frame. Therefore, pending completions of the conditions, no effect/disclosures of such hiving off was considered necessary in these results.
(d) Relying upon the future projections prepared based upon the Business restructuring plans under implementation, changing sugar cycle and improved sector scenario, taken on record by the Board of Directors, deferred tax assets (net) amounting to Rs. 12,586 lacs (Rs. 870 lacs provided during the quarter) has been recognized as there is a virtual certainty that sufficient future taxable income will be available against which these assets would be realized. (Refer para 4 (f) of auditors report for the year ended September 30, 2010).
5. In accordance with accounting policy consistently followed by the Company, the off-season expenditure aggregating Rs. 1,178 lacs (corresponding previous quarter Rs. Nil), has been deferred for inclusion in the cost of sugar to be produced in the remaining part of the financial year.
6. The Company has issued and allotted 6,57,500 equity shares on conversion of 6,57,500 warrants to a promoter at a price of Rs. 46/- (including premium of Rs. 36/-) per equity share under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 for preferential issue on July 30, 2012.
7. Figures for the quarter ended March 31, 2012 pertaining to the Company are the balancing figures between published unaudited figures in respect of the eighteen months period ended March 31, 2012 and published unaudited figures for the fifteen months period ended December 31, 2011 for the Company.
8. The previous period's figures have been regrouped/rearranged wherever necessary.

For **SIMBHAOLI SUGARS LIMITED**

G S C Rad
(G S C Rad)

CEO & Whole Time Director

Place: New Delhi

Date: August 14, 2012

Website: www.simbhaolisugars.com

