

GOBIND SUGAR MILLS LTD.

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

[for the quarter ended 31st March, 2007]

WORLD SUGAR SCENARIO:

1. The sugar season 2006-07 is set to be a distinctively surplus year with global production exceeding consumption by 7.195 million tonnes, raw value (mtrv) as well as export availability considerably higher than projected import demand. As a result, the spot price for raw sugar have come down sharply and are the lowest in 17 months since mid-September 2005. Despite an healthy growth in world consumption, closing stocks are estimated at 62.873 mtrv and the closing stock-consumption ratio as high as 41.09%.
2. The recently improved crude oil prices are not expected to affect sugar prices in view of the existing and projected ample availability of sugar both globally and in Brazil.

World Sugar Balance (mln tonnes, raw value)

	2006-07	2005-06	Change	% Change
Production	160.203	152.710	7.493	4.91
Consumptions	153.008	149.782	3.226	2.15
Surplus/Deficit	7.195	2.928		
Import demand	43.724	46.678	-2.954	-6.33
Export availability	48.108	46.691	1.417	3.03
End Stocks	62.873	60.062	2.811	4.68
Stocks/Consumption ratio in %	41.09	40.10		

INDIAN SUGAR SCENARIO:

1. Indian sugar production is estimated to be around 26 million tonnes for the season 2006-07. With consumption pegged at 19.5 million tonnes and an inexplicable export ban, domestic prices of sugar have come under tremendous pressure. The Government has since relaxed the export ban, announced export incentives and decided to create a buffer stock in its attempt to arrest the falling sugar prices. However, these measures are yet to make any impact on the dipping sugar price.

Indian Sugar Balance (mln tonnes, raw value)

	2006-07	2005-06
Opening Stock as on 1st October	4.462	4.825
Production During the Season	26.000	19.267
Imports	0.000	0.000
Total availability	30.462	24.092
Domestic Consumption	19.500	18.500
Exports	1.500	1.130
Closing Stock	9.462	4.462

2. Sitting on a huge surplus and softening of the domestic and international prices, the Indian sugar industry is confronted with many problems including timely payment of sugarcane price to the farmers. Root cause of this problem is the persistent sharp increases in the statutorily enforced sugarcane price. Currently, the Indian sugar industry pays the highest cane price in the world while realising the lowest sugar price.
3. The Central Government has fixed the Statutory Minimum Price (SMP) of sugarcane for 2007-08 season at Rs.81.18 per quintal linked with a basic recovery of 9% subject to a premium of Rs.0.90 for every 1% point increase in the recovery level over the base. The corresponding figures for the previous season are Rs.80.25 per quintal linked with a recovery of 9% and an additional payment of Rs.0.88 for every 0.1% recovery over the base rate of 9%.

- The Uttar Pradesh Government declared Rs.10 per quintal increase in the State Advised Price (SAP) for the sugarcane during the ongoing 2006-07 crushing season (October-September). Sugar Mills would have to pay Rs.125 per quintal for common variety of cane and Rs.130 per quintal for early maturing varieties of cane besides Rs.122.50 per quintal for nonstandard varieties during the current season. During the 2005-06 season, the per quintal SAP was fixed at Rs.112.50 for non-standard cane, Rs.115 for normal and Rs.120 for early maturing varieties, while these were Rs.104.50, Rs.107 and Rs.112 in 2004-05 and Rs.92.50, Rs.95 and Rs.100 in the preceding three seasons.

OPERATIONS:

With the 2006-07 crushing season nearing its conclusion, the comparative figures of canes crushed and sugar produced are given below:

<u>Crushing & Production (lac qtls.)</u>		<u>Season 2005-06</u>		<u>Season 2006 - 07</u>
		<u>Total Season</u>	<u>Upto 31.03.2006</u>	<u>Upto 31.03.2007</u>
1.	Total cane crushed	106.00	87.53	91.68
2.	Average recovery	9.62%	9.51%	9.68%
3.	Sugar produced	10.19	8.25	8.87
4.	Crushing started	07.11.2005	07.11.2005	12.11.2006
5.	Crushing stopped	08.05.2006		

GROWTH INITIATIVES

The Company has expanded its production capacity at its sugar mill at Aira (U.P.) from 6500 TCD to 7500 TCD. Further a Distillery of 60 kilo litres per day capacity is being set up at a capital outlay of Rs.47.60 crores.

OUTLOOK

The sentiment in the sugar market is bearish in anticipation of a record sugar production during the season 2006-07 and likely strong production 2007-08. It is expected that sugarcane plantation for 2008-09 will fall substantially due to cane arrears and low price of sugarcane being paid in the states like Maharashtra, etc. The operations in co-generation and ethanol are likely to provide some support to the sugar industry. Sugar prices are likely to remain under pressure but should revised once sugar exports accelerate.

CAUTIONARY STATEMENT

Any statement made in the Management Discussion and Analysis Report relating to Company's objectives, projections, outlook, expectations, estimates etc. may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ from such expectations, projections etc., whether express or implied. Several factors could make a significant difference to the Company's operations. These include climatic conditions, economic conditions affecting demand/supply, Government regulations and taxation, natural calamity etc. over which the Company does not have any direct control.