GOBIND SUGAR MILLS LTD.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

[For the quarter ended 31st March, 2010]

The management of Gobind Sugar Mills Limited is pleased to present its assessment of the scenario of the Sugar industry for the quarter ending 31st March, 2010.

1. World Sugar Market

For the Sugar season 2009-10 International Sugar Organisation (ISO) forecasts a widening gap between the world sugar production and world sugar consumption. World sugar production is estimated at 157.160 million tonnes raw value up by 4.678 million tonnes or 3.07 % from the last season. World consumption is expected at 166.585, million tonnes which is significantly lower than the long term 10 year average. The lower growth rate of consumption is attributed to soaring world market prices as well as some lingering effect of 2008-09 global recession on sugar consumption growth rates. Global sugar stock will reduce by 7.300 million tonnes. A continuing decrease in the level of sugar stocks is also estimated during the current season.

A summary of the revised world sugar balance in 2009-2010 is given below.

World Sugar Balance (million tonnes, raw value)

	2009/10	2008/09	Change	
			In Mln ton	In %
Production	157.160	152.482	4.678	3.07
Consumption	166.585	164.153	2.432	1.48
Surplus/Deficit	-9.425	-11.671		
Import Demand	54.281	50.068	4.213	8.41
Export Availability	52.156	50.070	2.086	4.17
End Stocks	53.068	60.368	-7.300	-12.09
Stocks / Consumption ratio in %	31.86	36.78		

There has been a dramatic turnaround in the global sugar markets in the last few months. Raw Sugar prices that were prevailing around USc/lb 27 in the month of January 2010 have crashed to USc/lb 15.69 in April 2010. Increased production trends from India and a strong crop in Brazil is seeing the deficit phase as its end as the sugar economy is now slowly moving to the surplus phase.

2. Indian Sugar Industry

India is expected to produce approximately 18.5 million tonnes of sugar in the current season 2009-10 as against 14.6 million tonnes last year. Consumption is expected to be lower at around of 21.5 million tonnes. For the second consecutive year sugar consumption is projected to be higher than production. However, timely imports of raw and white sugar and increase in domestic production have ensured adequate availability of sugar in the country.

The availability of sugarcane was extremely limited during the entire season due to poor plantation and poor yield. Furthermore, soaring sugar and gur prices saw keen competition amongst sweeteners resulting in soaring sugarcane prices. In fact the industry has paid Rs 19,000 crore higher that the Fair and Remunerative Price announced by the Central Government.

The free sale sugar market has been volatile throughout the year with prices reaching record levels. In response to high food inflation and mounting pressure from the opposition, the government took drastic steps to control the rise in sugar price. Firstly, the government increased levy sugar obligation from 10% to 20% for distribution through PDS which the industry has contributed at a staggering loss. Secondly, stock limitations were imposed on consumers for domestic sugar thereby curbing consumption. Thirdly, white sugar imports were allowed at zero duty leading to abundant availability of sugar in the country. Finally, the monthly release system was to a weekly system. All these measures have seen a collapse in the domestic sugar prices leading to huge cash losses for the sugar industry.

Indian Sugar Equation (lac tones)

	2008-09 Actual	**2009-10 Estimated**
Opening Stock as on 1st October	100.72	44.10
Production During the Season	145.38	185.00
Imports	25.00	50.00
Total availability	271.10	279.10
Domestic Consumption	225.00	215.00
Exports	2.00	-
Closing Stock as on 30th September	44.10	64.10

3. Prices

The Central Government increased the levy obligation for the sugar industry from 10% to 20 per cent of their output from 1st October, 2009 in view of the projected shortfall in the country's production to meet the requirements of the Public Distribution System. Recently, the government introduced weekly sugar release mechanism and directed the mills to sell non-levy quota on a stipulated weekly basis.

For the season 2009-10 The Central Government fixed "Fair and remunerative price" of Rs.129.84 per quintal. U.P Government has fixed the State Advised Price at Rs. 165 per quintal. However, due to shortage of cane, farmers were paid around Rs.260-265 per quintal in Uttar Pradesh. Faced with tough situation, sugar industry through the Indian Sugar Mills' Association (ISMA) has asked government for tariffs on imports of raw or refined sugar, a reversal of stock and trade limit orders and other help to ensure viability in the next season.

4. Exports / Imports

For the first time in India import of white refined sugar is expected to exceed purchases of raw sugar. The government allowed duty free import of refined / raw sugar without any obligation for fulfillment of re-export as was allowed in the year 2004-2005. The Government has extended the period of duty free import of the refined sugar till December, 2010. The industry in private sector imported 2.5 million tonnes in 2008—09 out of which 1.20 million tones of raw sugar has been carried forward to the current season 2009-10. India became the largest importer of sugar this year.

5. Company's Operations

The operations at the company's plant during the quarter ended 31st March 2010 are as follows:

Crushing & Production (lac qtls)

		Full Season 2008-09	**Full Season 2009-10**
1.	Total cane crushed	53.00	73.89
2.	Average recovery	8.72%	8.81%
3.	Sugar production	4.74	6.50
4.	Crushing started	27.11.2008	29.11.2009
5.	Crushing stopped	27.02.2009	18.03.2010

6. Cautionary Statement

The statements in the Management Report detailing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable securities laws and regulations. As these statements are based on certain assumptions and expectations of future events, actual results could differ materially from those expressed or implied. The Company assumes no responsibility in respect of such forward looking statements which may be revised or modified in the future on the basis of subsequent developments, information or events.