



REI!

REI Agro is the largest processor of basmati rice in the world



December 2006 quarter



REI brands its retail chain 6Ten; set to roll out in the current fiscal

By our staff reporter

New Delhi: REI Agro is all set to launch its 6Ten chain of retail outlets in the last quarter of the current fiscal of 2006-07 as part of its objective to get closer to the customer and enhance margins and realisations.

REI will launch its outlets in the National Capital Region (NCR) before moving to the other parts of North India before widening its pan-Indian presence. The neighbourhood convenience stores will comprise multiple formats catering to food and grocery. This is a relevant space to be present in; on the one hand, it accounts for almost 75 per cent of the total national retail offtake and on the

other it is the least penetrated by organised retail. In doing so, REI will leverage its existing relationships with suppliers and retailers. Besides, the company has taken up shop spaces in strategic locations in the NCR to draw footfalls. REI will source its entire wet grocery directly from farmers and mandis at economical prices. Staple foods will be procured directly from millers and marketed under private labels under the REI brand of "REAL MAGIC".

The company has created a retail team for this purpose comprising the best available talent.

REI to expand par boiling capacities at Bawal

By our staff reporter

New Delhi: One of the principal recent successes of the company is the launch of par boiled rice. The company commissioned its par boiled facility in January 2005. The ensuing income stream has met with enthusiastic response and the export of par boiled

rice increased from Rs. 83.8 cr in 2004-05 to Rs. 144.3 cr in 2005-06. In the current fiscal the company has already achieved export sale of Rs. 132.3 cr by December 2006.

In view of this optimism, REI is in the process of expanding its par boiling capacities by 108,000 TPA, strengthening

its total par boiling capacity from 230,400 TPA to 338,400 TPA.

The company has established itself in the export market and the enhanced par boiling capacity will enable it to increase exports substantially in the coming year. "We have seen an exponential increase in export demand and are proactively

expanding our processing capacities. With this expansion, we will be able to increase par boiled capacity to milling capacity from the present 29 per cent to 42 per cent paving the way for us to outperform the export market growth", says Mr. Ajay Sharma, President, REI Agro Limited.



REI to set up its first wind project in Gujarat

By our staff reporter

New Delhi: REI is in the process of setting up its first wind project at Surajbari in Gujarat. Its proposed project comprises 10 turbines possessing an installed capacity of 6 MW. As a result, the cumulative capacity of the company's power division will rise to 41.9 MW.

To de-risk itself, REI intends to enter into long-term power purchase agreements (PPAs) for the sale of power from the incremental capacities. The company expects to make additional wind power investments in Gujarat and will explore the possibility of foraying into Karnataka besides adding capacities in Maharashtra.

REI bags large export orders

By our staff reporter

New Delhi: In 2005-06, REI exported 68,807 MT of basmati rice and this is expected to increase in 2006-07 and beyond.

During the third quarter of 2006-07, REI won large export orders aggregating 65,000 MT. Notwithstanding steadily rising prices, REI capitalised on this order, thanks to the back-to-back procurement of a large quantity of paddy of around 325,000 MT.

The significant orders were procured from large buyers of basmati rice in the Gulf supported by retail chain outlets across Saudi Arabia. The company is committed to supply premium quality par boiled basmati and will complete all shipments by September 2007.



Editorial



“At a recent Board meeting, we declared an interim dividend of Rs 1.50 per share in line with our ongoing growth and consistent policy to reward our equity shareholders.”

– Mr. Sandip Jhunjunwala,
Vice Chairman and Managing Director,
REI Agro Limited

Investors show confidence seeking FCCB conversions

By our staff reporter

New Delhi: In July 2005, REI made a successful issue of FCCBs aggregating to USD 32.20 mn.

During the third quarter of 2006-07, the company received requests to convert 525 FCCBs worth USD 5.25 mn, which resulted in the issuance of 1,890,433 equity shares. This conversion increased the company's equity capital from Rs. 38.83 cr to Rs. 40.72 cr and securities premium account from Rs. 143.8 cr to Rs. 164.7 cr as on 31 December 2006.

"The conversion of the CBs is heartening as it indicates investor confidence on the growth prospects of the company", says Mr. Danish Beg, Assistant Finance Controller, REI Agro Limited. As on 31 December 2006, 36 per cent of the company's FCCBs have converted into equity shares.



“As per the 2006 Global Retail Development Index developed by AT Kearney, India is the most sought-after retail destination in the world. As a forward-looking organisation, REI has prudently entered into the retail sector, which will emerge as a powerful growth driver over the future.”

Mr. Pravin Jaiswal,
General Manager, Operations,
who has joined REI in January 2007

REI sitting high on stocks as basmati prices touch an all-time high



By our staff reporter

New Delhi: There has been an unprecedented increase in the prices of basmati paddy in the procurement season of 2006-07. This increase is the result of a significant growth in demand from the export markets, coupled with growing domestic demand. The unorganised millers are apprehensive of their prospective performance as they do not possess the resources to procure adequate material of acceptable quality during the season. Going

ahead, the declining inventory of small millers is likely to strengthen off-season prices.

REI, by the virtue of being the largest in its industry, deploys the highest quantum of capital among its peer companies. This enables the company to maximise its in-season purchases. "With the support of our lenders and other investors, we have procured 325,000 MT of paddy up to December 2006 and will continue to make

purchases during the coming months. I am confident that we are in a position of strength, with satisfactory stock levels as on date. Moreover, our ability to pay upfront to farmers has ensured procurement of large quantity at economical prices. This will result in reducing our higher cost off-season purchases, thereby strengthening our EBIDTA margins considerably," says Mr. Ajay Sharma, President, REI Agro Limited.

REI Agro's project among the first 15 to get UNFCCC registration

By our staff reporter

New Delhi: REI's wind power project of 7.5 MW is one of the first 15 projects of India to be registered by the United Nations Framework Convention for Climate Change (UNFCCC) under the Clean Development Mechanism (CDM). This registration will enable the company earn additional income by way of trading its earned carbon credits.

Mr. S.C. Dhingra, who heads REI's power team, says: "Though we are in a position to trade, we will not capitalise on the same immediately as we expect to realise better value than the present realisation of 10 Euros per CER."

The company has made fair progress in this regard; it has obtained the host country's approval for its 15.8 MW project

in Maharashtra while the validation process for the UNFCCC registration is presently in progress. The process for the host country's approval for the recent 12.6 MW in Maharashtra and Tamil Nadu is also in progress. On completion of the process for all its current projects, the company is likely to earn an estimated 100,000 CERs per annum.

Mr. Shyam Sunder Chandak joins REI

By our staff reporter

New Delhi: Mr. S.S. Chandak joined REI as Vice President, Finance and Accounts, with a rich experience of 25 years. Mr Chandak will spearhead the company's finance and accounts function to help strengthen the internal control system and ensure an optimum utilisation of resources. Mr. Chandak was earlier heading the finance and accounts function of a large retail company with business interests in India and Nepal. The management of REI is optimistic of Mr. Chandak's contribution to the company.

REI – setting the retail venture in motion

By our staff reporter

New Delhi: REI plans to open neighbourhood convenience stores at strategic locations in multiple formats with areas ranging from 750 sq. ft. to 3000 sq. ft. The capital expenditure on the stores is expected to be in the range of Rs. 1900 to Rs. 2000 per sq. ft.

The relationships built by REI over the years with both suppliers and retailers will ensure a major competitive advantage that will help it in consolidating the fragmented retail industry. REI's retail foray will strengthen the REI brand, thereby achieving sustained growth and adding value to its stakeholders.



REI's retail foray will strengthen the REI brand, thereby achieving sustained growth and adding value to its stakeholders

“With the initiatives that the company has taken over the last few quarters, going forward we expect that the topline will grow steadily but bottomline will grow faster.”

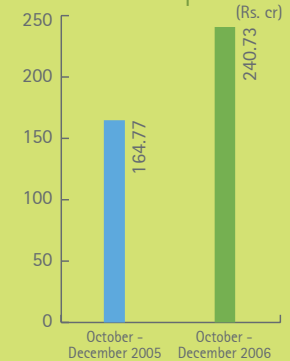
Mr. Sandip Jhunjhunwala, Vice Chairman and Managing Director, REI Agro Limited, reviews the financial performance of the company

- REI has reported yet another quarter of topline and bottomline growth during the quarter ended on 31 December 2006.
- REI Agro's revenue increased 46.10 per cent to Rs. 240.73 cr during the quarter ended on 31 December 2006 compared to Rs. 164.77 cr during the corresponding quarter of the previous financial year. This growth in revenues was largely on account of increased volumes and realisations. Sales volume increased to 75,859 MT in December 2006 up from 55,465 MT in December 2005, an increase of 37 per cent on a year-on-year basis.
- Average realisation increased from Rs. 29,669 per MT to Rs. 30,454 per MT, an increase of 3 per cent on a year-on-year basis. During the quarter ended December 2006, production increased from 57,903 MT in December 2005 to 93,092 MT, an increase of 60.77 per cent on a year-on-year basis.
- The company's operating profit increased to Rs. 60.89 cr during the quarter ended on 31 December 2006 compared to Rs. 36.32 cr in December 2005, an increase of 68 per cent on a year-on-year basis. The company's operating profit margin increased to 25.29 per cent during the quarter ended December 2006, registering an increase of 325 basis points on year-on-year basis. The growth in operating profit

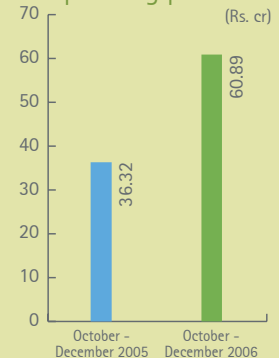
and margin was largely on account of the increased sale of branded basmati rice and exports.

- The company's sales of branded basmati rice increased to Rs. 163.52 cr during the quarter ended on 31 December 2006 from Rs. 108.92 cr in December 2005, an increase of 50 per cent on a year-on-year basis. Exports grew to Rs. 43.22 cr in December 2006 from Rs. 14.66 cr in December 2005 an increase of 195 per cent on year-on-year basis.
- Personnel cost increased to Rs. 3.05 cr in December 2006 from Rs. 1.96 cr in the corresponding quarter of the previous year on account of higher recruitments and improved remuneration.
- Interest cost increased from Rs. 7.38 cr during the quarter ended December 2005 to Rs. 18.32 cr during the quarter ended 31 December 2006 on account of loans for new wind energy assets and increased working capital to fund the additional paddy purchased during the season.
- REI Agro's post-tax profit increased 40.56 per cent to Rs. 25.30 cr in December 2006 as compared to Rs. 18.00 cr during the quarter December 2005.
- The company's cash flow grew by 30 per cent from Rs. 28.94 cr during the corresponding quarter in 2005-06 to Rs. 37.61 cr during the quarter ended in December 2006.

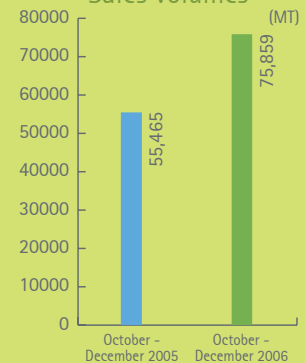
Income from operations



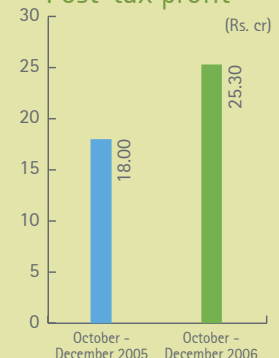
Operating profit



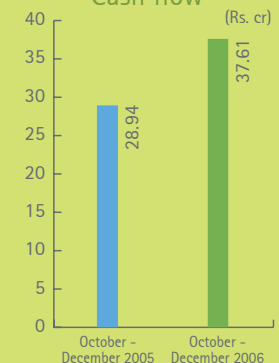
Sales volumes



Post-tax profit



Cash flow





Registered Office : 46C, Chowringhee Road, "Everest House", Kolkata-71.

(Rs. in lacs)

Unaudited financial results for the quarter ended 31st December 2006

Sl.No.	Particulars	Qtr. ended 31.12.2006	Qtr. ended 31.12.2005	Nine months ended 31.12.2006	Nine months ended 31.12.2005	Year ended 31.03.2006 (audited)
	Income					
1	Net sales/income from operation	24,072.67	16,475.86	71,639.20	74,234.92	95,876.50
2	Other income	0.00	0.33	2.25	14.67	22.02
		24,072.67	16,476.19	71,641.45	74,249.59	95,898.52
3	Expenditure					
	A) (increase)/decrease in stock	(8,242.52)	(5,573.37)	1,496.30	(7,657.63)	(13,774.38)
	B) consumption of raw materials/purchase of goods	25,134.67	17,082.50	51,849.55	67,485.27	89,923.53
	C) personnel cost	304.65	195.74	686.40	629.13	780.34
	D) manufacturing, administration & selling cost	786.88	1,139.14	2,718.97	2,958.93	4,066.97
	Total expenditure	17,983.68	12,844.01	56,751.22	63,415.70	80,996.46
4	Interest/finance cost	1,882.34	737.69	4,459.71	2,582.02	3,734.72
5	Depreciation	369.00	241.71	1,139.21	669.81	934.27
		20,235.02	13,823.41	62,350.14	66,667.53	85,665.45
6	Profit before tax	3,837.65	2,652.78	9,291.31	7,582.06	10,233.07
7	Provision for taxation-current	436.12	-	1,048.02	781.68	889.69
8	Provision for fringe benefit tax	10.00	-	15.70	-	15.91
9	Provision for taxation-deferred	861.17	851.89	2,084.97	1,669.27	2,724.53
10	Profit after tax	2,530.36	1,800.89	6,142.62	5,131.11	6,602.94
11	Paid up equity share capital (Face value Rs. 10 per share)	4,072.16	4,267.73	4,072.16	4,267.73	3,883.12
12	4% Non-convertible preference share (Face value Rs. 100/- per share)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
13	Reserve excluding revaluation reserve					24,709.71
14	Earning per share (Rs.)					
	- Basic & diluted	6.38	4.98	15.43	14.18	19.32
15	Aggregate of non promoter share holding No of shares	23,998,407	26,017,841	23,998,407	26,017,841	21,671,687
	Percentage of shareholding	58.93	60.96	58.93	60.96	55.81

Segment wise results and capital employed as required under clause 41 of the listing agreement

Sl.No.	Particulars	Qtr. ended 31.12.2006	Qtr. ended 31.12.2005	Nine months ended 31.12.2006	Nine months ended 31.12.2005	Year ended 31.03.2006 (Audited)
1	Segment revenue (net sale/income from each Segment should be disclosed under this head)					
	A) segment rice	23,170.94	16,455.78	68,959.34	73,393.28	94,402.23
	B) segment wind farm & others	901.73	20.08	2,679.86	841.64	1,474.27
	Total	24,072.67	16,475.86	71,639.20	74,234.92	95,876.50
	Less: inter segment revenue	-	-	-	-	-
	Net sales/income from operations	24,072.67	16,475.86	71,639.20	74,234.92	95,876.50
2	Segment results (profit) (+)/loss (-) before Tax and interest from each segment					
	A) segment rice	5,648.23	3,520.67	12,869.17	9,705.97	13,086.78
	B) segment wind farm & others	71.76	(130.53)	879.60	443.44	858.99
	Results	5,719.99	3,390.14	13,748.77	10,149.41	13,945.77
	Less: i) interest	1,882.34	737.69	4,459.71	2,582.02	3,734.72
	ii) other unallocable expenditure net	-	(0.33)	(2.25)	(14.67)	(22.02)
	Off unallocable income					
	Total profit before tax	3,837.65	2,652.78	9,291.31	7,582.06	10,233.07
3	Capital employed (segment assets - segment liabilities)					
	A) segment rice	42,144.70	38,445.36	42,144.70	38,445.36	32,804.45
	B) segment wind farm & others	5,982.48	2,458.46	5,982.48	2,458.46	4,813.95
	C) unallocable	(7,110.53)	(3,975.54)	(7,110.53)	(3,975.54)	(5,025.56)
	Total	41,016.65	36,928.28	41,016.65	36,928.28	32,592.84

Notes :

- The above results have been reviewed by audit committee and taken on record by the board of directors at their meeting held on 29th January, 2007.
- During the quarter 18,90,433 equity shares of Rs. 10 each have been allotted at Rs. 120.75 per share on conversion of 525 1.5% FCCB's of USD10,000 each.
- The Board of Directors of the company have recommended 1st interim dividend of Rs.1.50 per equity share for the financial year 2006-07.
- There were no investor's complaints pending at the beginning and end of the quarter. However there was one investor complaint received and resolved during this quarter.
- Figure have been regrouped/rearranged wherever considered necessary.

For and on behalf of the Board of Directors

Place: New Delhi
Date: 29.1.2007Sandip Jhunjhunwala
Vice Chairman and
Managing Director