

REI Agro Limited –Nine Months ended December 2005

Highlights

- Achieved a growth of 22.5 % in sales revenues, increasing to Rs. 7423 million for the 9 months ended December 31, 2005 compared to Rs 6057 million in the corresponding period in 2004
- Increase in the profits of the company to Rs. 513 millions in the 9 months ended December 2005 from Rs. 376 million in December 2004
- Successfully penetrated new markets in Libya, Kuwait and Lebanon
- Successfully placed US \$ 30.16 million GDR's in the international market
- Interim dividend of 10% per equity share in third quarter in addition to 10% in June 05
- Change in the product mix with larger par boiled rice sale which is sold at half the price of raw rice even as it fetches higher margins in the international market
- Shipment of 10,000 MT of approx value of Rs. 250 million lying at the port at the end of the quarter due to non availability of vessel. To be shipped in the next quarter
- Having moved far ahead in terms of volume, the Company is strategically moving up the value chain by increased exports and branded sale. It has done no trading during the quarter and has also reduced low margin unbranded sale by Rs. 1048 million in the quarter concentrating instead on establishing the brands

Increased Profitability in spite of reduction in turnover during the quarter

The net income margin of the company has increased primarily due to:-

- Increased branded sale which has gone up to 66% of total sale during the quarter compared to 22% during the Fiscal Year 2005
- Increase in the exports of the Company to Rs 780 million in the current year from Rs 541 million during the period ended December 2004
- Increase in the sales realizations due to the above factors. Rs. 376 million of the increase in turnover was on account of increased sales realization

Value addition with reduced production

- The company has increased paddy holding period during the quarter ended December 2005 resulting in value addition to the company products. In order to increase the holding period, the Company reduced production to 57903 MT in the quarter ended December 2005 from a production of 80260 MT in the previous
- Reduced processing of raw paddy because of higher moisture content in paddy which would have resulted in increased breakage. The company has chosen to process paddy for par boiled rice instead

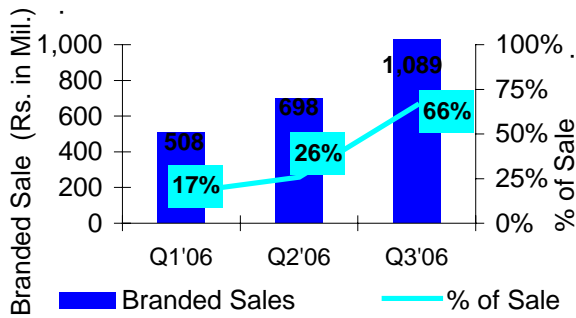
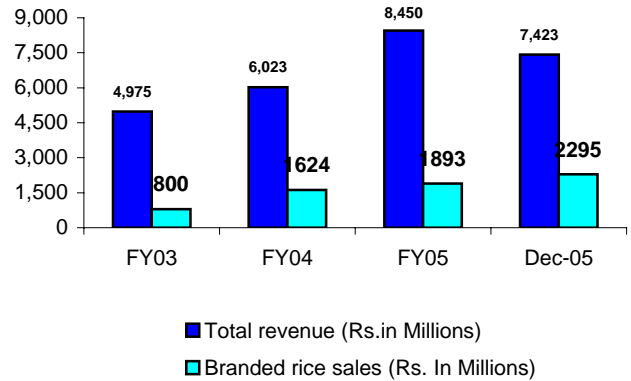
Brief Summary of performance in the Quarter and nine months ended December 31, 2005

(Rs in Millions)

Particulars	Quarter ended Dec 2005	Quarter ended Dec 2004	Nine Months ended Dec 2005	Nine Months ended Dec. 2004	Year ended Mar 2005 (Audited)
Revenue	1647.59	2144.11	7423.49	6056.86	8,450.2
Other Income	0.03	0.38	1.47	0.49	0.0
Increase/(Decrease) in Inventory	557.33	(6.38)	765.76	584.79	451.1
Total Income	2204.95	2138.11	8190.72	6642.14	8,901.3
Cost of Raw Material	1708.26	1765.92	6748.53	5505.38	7,517.0
Manufacturing, Administrative & Selling Expenses	133.49	125.91	358.81	505.83	511.2
Interest	73.77	76.89	258.20	209.64	291.4
Depreciation	24.17	9.89	66.98	29.22	40.4
Total Expenses	1939.69	1978.61	7432.52	6250.06	8,360.0
Profit Before Taxation	265.26	159.49	758.20	392.07	541.3
Provision For Taxation	-	7.50	78.17	16.50	41.5
Deferred Tax Liability	85.18		166.92		121.3
Net Income	180.08	151.99	513.11	375.57	378.5
EBITDA	363.20	246.27	1083.38	630.93	873.2
Operating margin %	22.04	11.5	14.6	10.4	10.3

Growing Revenues

During the 9 months ended December 2005 REI has increased the revenues to Rs. 7423 million compared to Rs 6057 million in the corresponding period of the previous year. The company has consolidated its leadership position in the market in terms of Turnover.

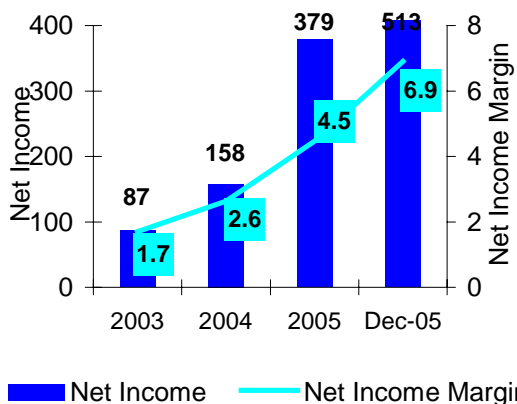
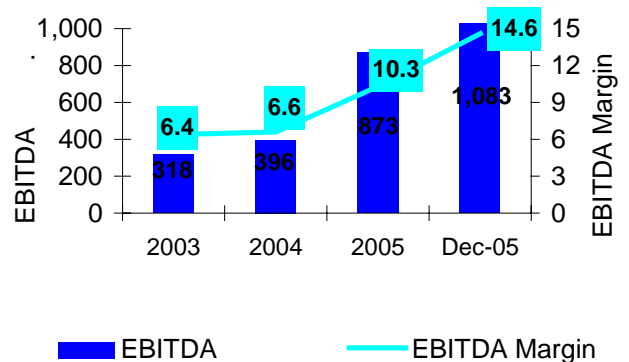


Moving up the value chain

The company has established its brands in the market with branded sale of Rs. 1089 million during the quarter. This contributed to 66% of the turnover of the company. Within the brands the share of premium segment brands has gone up from 8% in FY 05 to 24% in the quarter ended December 2005

Increased Operational Efficiency

The increased operational efficiency of the company is reflected in the increased EBITDA and EBITDA margins. During the 9 months ended December 2005 the company has an EBITDA margin of 14.6 % compared to 10.3 % in FY 05. This increase is primarily on account of higher percentage of branded sale and exports of par boiled rice.

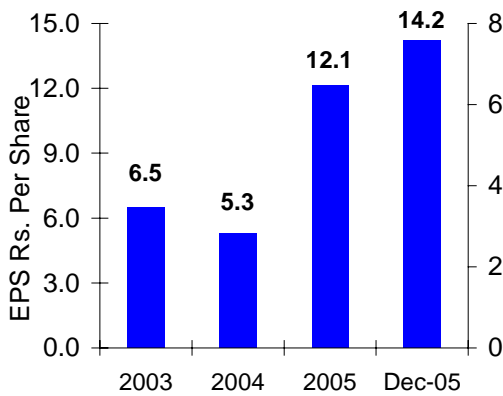
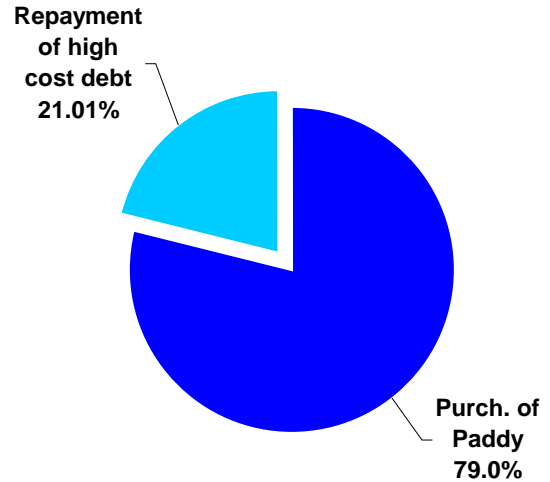


Net Income

During the quarter the company has recorded a net profit of Rs. 513 million. The margins have also increased backed on the performance of the brands of the company and the increased exports both in terms of both volume and value. The margin of 6.9% is the highest margin in the history of REI Agro Limited

Effective use of GDR proceeds

During the quarter, the company has successfully closed a GDR issue of US \$ 30 million resulting in net proceeds of 133 crores. The company has used Rs 28 crores for the repayment of high cost debts and Rs. 105 crores for the procurement of paddy during the ongoing season. Going forward, we expect incremental net profit contribution of Rs. 20 crores on account of the additional paddy procured.



Providing value to stakeholders (EPS)

The EPS of the company has gone up from Rs. 12.10 to Rs. 14.18 per share notwithstanding the increase of 28% in the equity capital of the company with the issue of 92,30,587 equity shares of Rs. 10 each. 75,40,000 equity shares are issued by the company on successful closure of US \$ 30 million GDR issue. 16,90,587 equity shares issued on part conversion of FCCB's

Shareholding pattern

The company has gained recognition in the international financial markets with GDR listing in the London Stock Exchange and FCCB listing in the Singapore Stock Exchange. Some of the top Foreign and domestic financial institutions are now the esteemed shareholders of the company. Foreign institutional investors hold 24.7 % of the equity shares of the company. Indian Promoters hold 40.2% and Indian Public holds 7.6% of the equity shares

