Another Sunshine year
REI Agro Limited
2005-06 An update



REI
Agro Limited

2005 - 06
Year end review

The Opportunity

- Growing Market
- Fragmented marketplace
- Shift towards branding
- Booming export market
- New market for branded broken rice
- Focus of the economy on non-conventional sources of power

Key Performance Drivers

- Branded Sales
- Exports
- Wind Farms
- Increased yield of Head Rice
- Reduced Raw Materials cost as a percentage of turnover
- Ability to pass on variance in costs to the customer

Industry Outlook

Basmati Rice

- India has **dominant market** share with 75% of global production
- Basmati market is **growing @ 6% p.a.**
- 60-70% market fragmented into small millers, presenting an **opportunity for large organized players**
- The basmati market **rapidly evolving** towards branded sale

Wind Power Farm

- Green **environment friendly** renewable source
- Government's emphasis on non convention power
- **Shortfall of about 8-9%,** and peak demand supply gap of 12-13%
- Only a 6 month gestation period

Highlights

- Accelerating on the growth path with **capacity expansion** from 37 TPH to 49 TPH at the Bawal Plant in February 2006. Further capacity to be increased to 61 TPH by June 2006
- Increased **power generation** capacity from 20 MW to 29.9 MW
- Gained stakeholders confidence. **FIIs' now hold over 24% of Equity Capital**
- Listing of the company in the **London and Singapore Stock exchanges** with the successful issue of US $ 30 million GDR's and US $ 32 million FCCB's. Indian equity listed on BSE and NSE
- Recommended an yearly dividend payout of 20% compared to 15% last year

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Key Financial highlights

- PAT growth of 74 %. PAT margin now at 6.9 %
- Operating margin hits all time high of 15.5%
- Topline continues to grow. 13.5% growth in the current year
- Raw material cost as a percentage of sales is down to 80% in FY 2006 from 84%in FY 2005

Summary of Financial Performance

(Rs in Millions)

Particulars	Quarter ended Mar 2006	Quarter ended Mar 2005	Financial Year 2006 (Audited)	Year ended Mar 2005 (Audited)
Revenue	2164.2	2507.9	9587.7	8,450.2
Other income	0.7	0.0	2.2	0.0
Increase/(Decrease) in inventory	604.4	(133.7)	1377.4	451.1
Total	**2769.3**	**2374.2**	**10967.3**	**8,901.3**
Cost of raw material	2114.5	2011.7	8863.0	7,517.0
Manufacturing, administrative & selling expenses	255.2	119.3	614.1	510.6
Interest	115.3	81.8	373.5	291.4
Depreciation	26.4	11.1	93.4	41.0
Total expenses	**2511.4**	**2223.9**	**9944.0**	**8,360.0**
Profit before taxation	257.9	150.3	1023.3	541.3
Provision for taxation	12.4	19.0	90.5	41.5
Deferred tax liability	103.1	*121.3	272.5	121.3
Net income	142.4	10.0	660.3	378.5
EBITDA	399.6	243.2	1490.2	873.7
Operating margin %	**18.5**	**9.7**	**15.5**	**10.3**

Deferred tax provided for the full year in March 05 as provision was not made on quarterly basis in FY05

Key drivers for increased profitability

- Branded Sales of Rs. 3354 million, 35 % of basmati sale
- Export volume of 68,087 Mt, 20 % of basmati sales volume
- Export sale of Rs 1443 million, 15% of turnover up from Rs. 838 million and 10% in 2005
- Income from Wind Energy Rs.147 million up from Rs. 63 million in FY 05

Financial Overview

- Net Profit has grown to Rs. 660 million in FY 06 from Rs. 378 million in FY 05. **An increase of 74%**
- Turnover has grown from Rs. 8450 million to Rs. 9588 million. **An increase of 13.5%**
- EPS increased to **Rs. 19.32 in FY 06 from Rs. 12.13 in FY 05**
- EBIDTA margins have increased to **15.5% up from 10.3% in FY 05**
- Branded sale of Rs. 3354 million in FY 06, this is 35 % of turnover compared to Rs. 1893 million that was 22% of turnover of FY 05
- Export of 68087 MT which constitutes over 20% of total quantity sold
- Net worth has grown to Rs. 3259 million in March 2006 from Rs. 1670 million in March 2005
- Market Capitalisation increased to Rs. 7036 million as on 31 March 2006 up from Rs. 4075 million as on 31 March 2005 (NSE closing prices)

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Strategic Plan

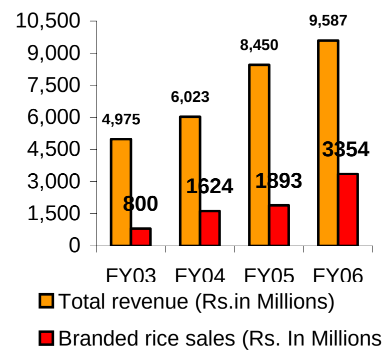
- Focus on higher margin branded sale
- Capitalise on the par boiling facility installed with growing volumes of exports
- Further strengthen the distribution network taking REI products closer to the consumer with the complete product range
- Invest in wind farms to further strengthen the company

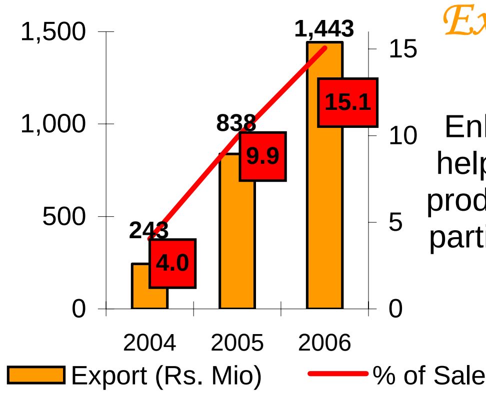
Capital Structure

- Equity Capital of Rs. 38.8 million shares of Rs. 10 each. Equity is held by promoters - 44%, FIIs' – 28% Private corporate bodies 19 %, Public 6% and NRIs' 3%
- Market capitalisation of the company has increased from Rs. 4075 million as on 31st March, 2005 to Rs. 7036 million as on March 31, 2006 (NSE closing prices)

Strong Distribution Network drives brands

The company's strong distribution network of 435 distributors has enabled the company to not only increase sale, but also helped move up the value chain with increased branded sale





Export drives bottom line

Enhanced exports of parboiled rice have helped in increasing margins. Change in product mix resulted in lesser turnover particularly during the quarter

Wind farm - Window of Future Opportunity

The company has made further investments in wind energy. The company has installed generation capacities of 29.9 MW of power at Dhule in Maharashtra and at Jaisalmer in Rajasthan. Wind energy does not require any major working capital resources. The investments in wind energy complements the core business of the company by enhancing the bottom line and also de-risks the business. The company is looking at making further investments in the segment

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Basmati Plant

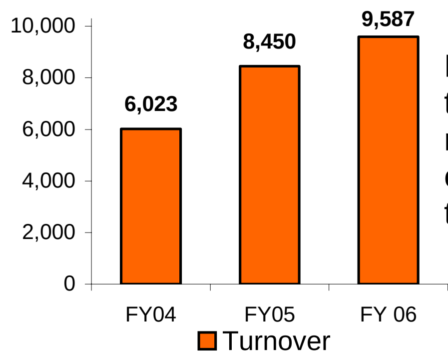
Location

1. Plot no.691
   Rewari, (Haryana)

2. Plot no.180
   Rewari
   (Haryana)

Capacity

Plant no.1 = 37MTPH
Plant no.2 = 12 MTPH*



Sustained Growth

REI has sustained growth both in terms of top and bottom line. The margins of the company have continued to grow providing value to the stakeholders

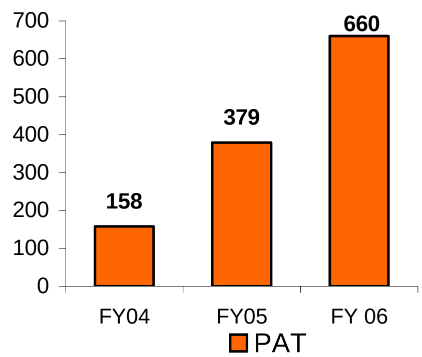
Wind Power

Location

1.Jaislamer, Rajasthan
2.Dhule, Maharashtra

Capacity

Plant 1 = 7.50 MW
Plant 2 = 22.40 MW



Corporate Governance

The company remains committed to good corporate governance practices. More than 50% of the Board Members are independent directors with varied experience in Basmati rice, finance, human resource etc

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