

## Chairperson's Insight



Dear Shareholders,

On behalf of Avadh Sugar & Energy Limited, it is my privilege to share some of our achievements and thoughts with you. At the very outset, I would like to express our deepest appreciation for your trust and support to the company that has been critical to pave for our success.

Despite various economic challenges, the Indian economy continued to deliver strong growth reinforcing the International Monetary Fund's projection of India being the world's fastest-growing economy poised to grow at 7.4% in this fiscal. India's growth is lifted by strong private consumption despite the fading temporary effects of the demonetization initiative and implementation of the national goods and services tax. India's structural reforms in recent past and implementation of GST will help to reduce internal barriers to trade and will also increase efficiency and improve tax compliance. Bank recapitalization will also enhance improvement in India's banking sector.

We believe that growth in the economy and rural development is likely to support the sugar industry, and we at Avadh Sugar & Energy Limited with our strategic position and greater industry expertise are prepared to reap these benefits in long run benefitting our company and its stakeholders.

### Industry Insight

We experienced a mixed scenario during this fiscal. The industry witnessed a dramatic growth from the last fiscal during the first half of this year. However, during second half the industry witnessed a

challenging scenario due to over production arising out of higher productivity and increased area under sugarcane cultivation led by above average rainfall. Sugar prices plummeted in anticipation of over production discovering new lows every day. Cane arrears have already started mounting and several initiatives have been attempted by the Government to stabilize the fall in sugar prices, which included reverse stock holding limits on sugar mills and encouraging export targets; despite these steps the sugar prices have continued to fall.

### Business Performance

As it is said *"surviving a storm makes, the walls of the castle stronger"* our performance for the first half of fiscal was very strong, whereas second half was a challenging period for the company as well sugar industry as a whole. I am glad to report that all our units stepped up to the challenging environment with excellent efficiencies and recoveries. Despite this, the steep decline in the price of sugar has dealt a crippling blow to the financials of the industry. While the situation globally is facing the similar condition, exports from India is critical to stabilize domestic prices and inventory management. On a positive note, the ethanol blending program is working well. Nevertheless, the falling sugar prices have impacted our profitability significantly and the situation is likely to continue during the next fiscal.

### Our Core Strategies

Our priority is always to make conscious efforts to sustain our core business strategy. Unwavering support to cane development has yielded results for us and we will continue our aggressive exercise. Maintaining healthy relationship with farmers will be our key focus area. Our value and allegiance towards our famers, builds trust and support of our farming community who continue to rely on the ethical business practices of our Company.

### Way Forward

We believe the current headwinds will have a temporary effect on the business. We continue to strengthen our operations and working towards building a healthy balance sheet. Our conscious efforts and pro-activeness have always made us successful to achieve our goals and helped us to achieve a better margin profile. On behalf of the Board and the entire leadership team, I thank all our stakeholders, business partners as well as customers for their continued guidance and support.

Warm regards,

**Nandini Nopany**

Chairperson