

bioRe[®]
INDIA Ltd.



Annual Report
2010 / 2011



EDITORIAL

The writing of the editorial is a time to reflect on the year that went by and also to put the priorities for the coming year.

There was drastic reduction in the cotton crop and a dramatic increase in the cotton price. Prices reached an unprecedented high breaking all records. While the price issue is something beyond our control the reasons for lower crops is a clear reflection of our performance. There are various reasons for the same, main amongst them are issues of GMO and the fact that farmers did not sell their entire produce to us. This fact has also had serious repercussion on the costing and especially the rise of the indirect costs – a matter of great concern.

These above concerns are being continually addressed both at farmers and staff meeting, and concrete steps are being taken so that the same situation is not repeated in the coming years.

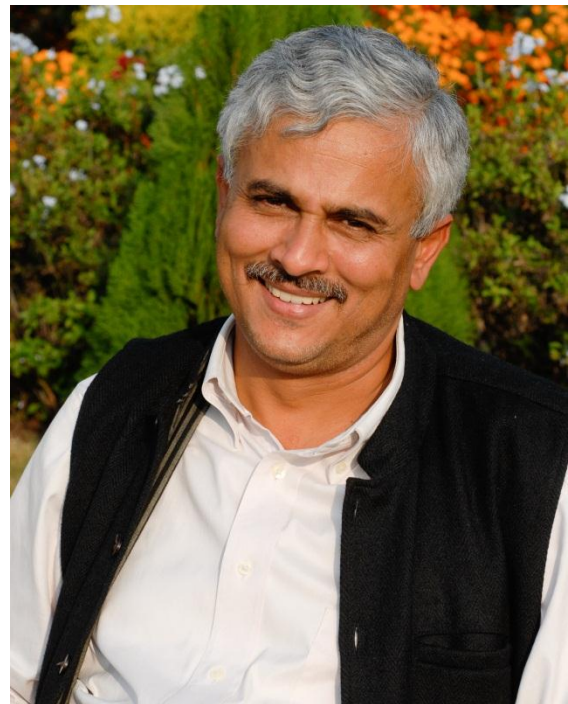
The cotton seed issue continues to remain a critical one, with farmers demanding new and better quality seeds. Some headway has already been made on this front. In the coming years the relationship being built with leading cotton breeding institutions, for seed production would help us in this direction.

The ban on cotton yarn exports by the Indian government took everyone by surprise. The repercussions of this ban meant that the mills we worked with were running out of space and no longer could store of yarn at their end, hence bioRe® had to take over the storage of the same.

Further bioRe® is working towards building long term collaboration with Chetna Organic – one of serious organic cotton players in India. It is believed that this collaboration will help both the organizations.

The strong relationship and cooperation with Remei AG continues, we remain thankful to Remei AG and the bioRe® Foundation for their understanding. We also realize that we have to streamline our operation, come to a crop size that can sustain us and the bioRe® chain.

Thank you all for the support.



Rajeev Baruah, Managing Director bioRe® India Ltd.

COMPANY REPORT

COTTON PRODUCTION

The total production of figures for the season 2009/10 and 2010/11 are as follows:

Year	2009/10	2010/11
Raw Cotton in t	3'963	2'061
Lint Cotton in t	1'332	658
Average Price per kg in USD	0.63	0.98
Lint Cotton from Chetna Organic in t	-	197
Total Lint bioRe® and Chetna in t	-	855

It was a dramatic year both in terms of the reduction in cotton quantity (lower by 50%) and the price (higher by 53 %.)

The price is something that is not within our purview but the reduction in cotton quantity has been a major setback and cause of serious review at all levels. Apart from lower production in some areas there has been side selling, detection of GMO in the cotton which could not be purchased.

Various steps are being taken to ensure that we can drastically improve upon the situation.

Further bioRe® is intending to go into long term collaboration with Chetna Organic so that cotton from farmers from the state of Orissa can be purchased. Adequate care is being taken to ensure that the bioRe Social Standards are in no way jeopardized.



COTTON YARN

This has been the 2nd year since bioRe® has been involved in the yarn business– a tumultuous year for this venture.

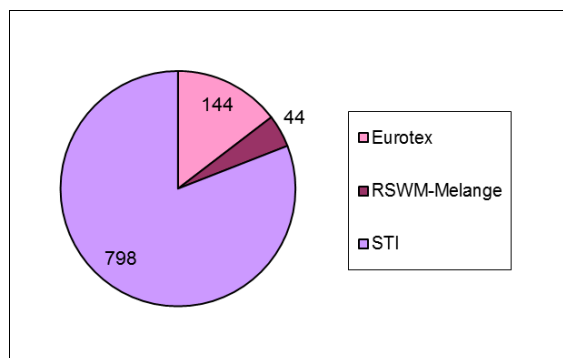
Things were moving well until the end of November when the government of India announced a ban on the cotton yarn exports, in order to protect the domestic garment industry. The ripples were being felt since May as the government wanted all yarn contracts to be registered and all exports incentives were slowly withdrawn.

A ceiling of 720 million kgs were put for the year 2010/11 and then there was hope each week (from January 2011), that the government would ascertain the quantity that was exported till January and then allow the balance to be exported, the situation was chaotic and the yarn industry suffered losses, rising inventories and loss of face to overseas customers. Finally in the third week of February 2011, small quantities for exports were released and bioRe®'s allocation based on past export performance was a meager 15 tons. In the meanwhile some relaxations to melange and yarns manufactured from imported cotton were made to the manufacturers only, this helped to tide over the crisis to an extent.

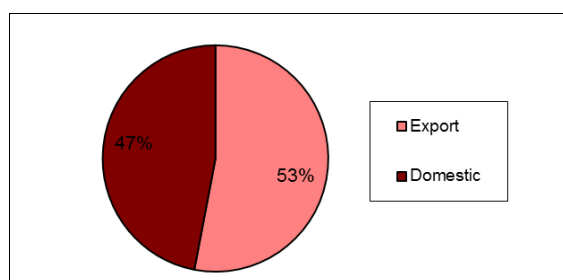
The repercussion of this was that STI – the mill with whom we started to work since last year had no storage space and we had to find warehouses and organize the storage of the yarns. Apart from that the management of STI decided that with the uncertain situation with the yarn exports the small line where bioRe® cotton was being spun would be converted to cotton viscose blend and this meant that it would be difficult for bioRe® to continue as in the other lines the quantity of cotton needed for a mixing was nearly double and count flexibility needed was also limited.

After a great deal of deliberations it was decided that Eurotex should be main spinner and another option to be kept open.

Yarn produced quantity in tons (mill wise)



Yarn Sale



GINNING OPERATIONS

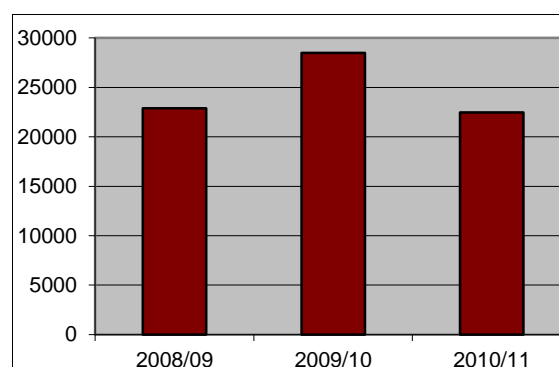
Due to lesser cotton the ginning mainly ran on single shift and about 8 tons of production was achieved per day. Some of the machines like the pre- cleaner and the post- cleaner were completely overhauled and its beaters replaced so as to achieve better quality.

FINANCIAL ASPECTS

In a nutshell the results in USD are as follows:

Year	2009/10	2010/11
Sales	3'928'367	7'816'049
Profit before Depreciation	62'753	61'028
Depreciation	- 24'285	- 25'149
Profit after Depreciation	38'468	35'878
Current Tax	- 9'031	- 13'401
Net Profit	29'437	22'477

Net Profit (USD) for the last three years of operation:



LEGAL MATTERS

SUBSIDY ON INVESTMENTS

We received approximately 33'000 USD from the District Industrial Centre for the investments made in the past in the ginning.

WORKING CAPITAL

The working capital needs are met by Remei AG (69%) and by HDFC Bank (31%) which was backed by a Stand by letter of credit from Remei AG.

BOARD - CONSTITUTION AND MEETINGS

The board continues to be constituted with following members:

- Mr P. Hohmann (Managing Director Remei AG)
- Mr PV Rajagopal (Ekta Parishad a social activist organization)
- Mr Surendra Sing (organic farmer)
- Mr Dharamendra Badole (organic farmer)
- Mr Rajeev Baruah

The full board met once in November 2010. Expansion of the bioRe® Board has been discussed and it is hoped that in the coming year this will be done.

BIORE® PERSONNEL

The present strength of bioRe® personnel is 77. 48 persons are involved in the work with the farmers. The rest of the personnel are the back office, administration and ginning.

The drastic reduction of cotton quantity is a matter of great concern and all the team members have taken steps that the same situation is not repeated in the coming year. In-house training programs are being made to build the capacities especially of the field staff so that they are well equipped to handle the challenges.

EXTERNAL & INTERNAL CONTROL

The internal control system continued to work efficiently as most of the problematic farmers were detected internally.

A total of 91 farmers were excluded from the farmers list. 70 farmers were excluded internally and 21 by the external certification.

CERTIFICATION

ORGANIC (NPOP-INDIAN STANDARDS & NOP-AMERICAN)

All farmers continued to be certified as per the above standards. In addition the Indian government has for its NPOP Standards started an on line traceability system called 'tracenet'. The intention is to bring greater credibility to the Indian organic sector.

The administrative work and the confusion with the new system were experienced by many of the certificate holders, delays in issuing scope certificate, transaction certificates were common. The data entry work because of this system has increased tremendously.

SA8000

RINA (Registro Italiano Navale India Pvt. Ltd) continues to be the inspection bodies for SA 8000, surveillance audits in accordance to the standards were conducted.

GOTS (GLOBAL ORGANIC TEXTILE STANDARDS)

Continue to be GOTS certified for export and administration.

RELATIONSHIP WITH REMEI AG

A close relationship continues with Remei AG on all fronts. The crisis that we find ourselves in have further cemented the ties with Remei AG.

CHALLENGES FOR THE COMING YEAR

Like I have been mentioning each year the challenges are innumerable and some of the challenges do not change year to year. However, I would like to summarize the same as follows:

SEEDS (COTTON)

This remains a major challenge as all the NON GMO seeds available today through the normal routes of the seed companies are all 'old' seeds coming out of the cold storages, we are at our end checking the germination, and also would be sowing each variety that we would be giving to the farmers on our farm to see its performance. Further the seed production contracted to the State Seed Certification Agency would be able to cater to about 50% of our needs.

Here again the farmers interest to take seed production of non GMO are low but with the assurance of 100% buy back and a remunerative price it is hoped that we should be able to produce more seed in the year 2010/11 so that the coming years requirement 2011/12 is met.

In the meanwhile since some strong links have been (and continue to be) developed with the Cotton Breeders of India and we are at the moment going for joint project with one of the leading institutions of the country. There seems to be a big gap between the breeders and the spinning mills as to quality requirement of the cotton and we are hoping that we shall be able to bridge this gap slowly. A cotton seed breeding workshop is being planned with the involvement of FiBL in June 2011 to take the matter forward. The issue of seeds has to be addressed on larger forums and we believe that we need to join forces with other players to able to succeed.

MARKETING OF SOYABEANS

Some links with an established Danish firm has been made for the supply of Soya; this firm uses the soya for organic animal feed. The business has to be developed in the coming year. We are hopeful that we can build on this network.

EMPOWERMENT OF THE FARMERS

Various steps towards this have been taken in terms of strengthening the representation system and to make farmers true stakeholders of bioRe®. Help from various quarters to put this into practice is being taken including from Mr PV Rajagopal (board member of bioRe®)

