

SPEECH DELIVERED BY Mr A.VELLAYAN, CHAIRMAN, AT THE 34TH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF E.I.D. - PARRY (INDIA) LIMITED HELD ON WEDNESDAY, THE 29TH JULY, 2009, AT 4 P.M. AT TAMIL ISAI SANGAM, RAJAH ANNAMALAI MANDRAM, 5, ESPLANADE ROAD, CHENNAI- 600 108

Ladies and Gentlemen,

I have great pleasure in extending you a warm welcome to the Thirty Fourth Annual General Meeting of your Company.

The Annual Report 2008-2009 has been with you for some time now and I am quite sure you would have gone through the same. To briefly summarise the performance of the Company during 2008/09, the Company registered a **total income of Rs.1677.72 crores** with a **Profit Before Tax (PBT) of Rs. 888.40 crores**, of which Profit from ordinary activities is Rs. 142.01 crores and Rs. 746.39 crore arising from divestment of stake in Parryware Roca Private Limited.

DIVIDEND

I am sure that you will be pleased with the dividend recommendation totaling 1000% for the year that is coming up for your approval. This total dividend is the highest ever dividend to be paid out by your company since inception. This dividend comprises of a special dividend of Rs.4 per equity share (200%) paid in October, 2008 and an interim dividend of Rs. 10 per share (500%) in March, 2009.

Your Directors have recommended a final dividend of Rs. 6. per equity share of Rs.2/- each (300%) which requires your approval.

Let me briefly take you through the development in the sugar industry in the year 2008 - 09 and then on the performance of the businesses of the Company during the same period.

INDIAN SUGAR INDUSTRY

In 2008-09, Sugar Industry witnessed a dramatic change in Sugar cycle, with the reversal of high supply - low prices scenario. The year started with high sugar surplus, low prices and higher inventories. By the second half of the year it was clear that sugarcane planting and also its diversion reflecting falling production in the current and next sugar year, sugar prices firmed up in the second half of the year. The shift in the cropping pattern from cane to other crops and diversion to non – crystal sugar production resulted in lower cane and hence lower supply of sugar. The expectation of a steep drop in sugar output to 14.5 million tonnes in 2008-09 season (October-September) against 26.4 million tonnes in 2007-08, following a decline in cane production to 289.23 million tonnes from 340 million tonnes resulted in a surge in sugar prices in the open market.

The Government of India quickly intervened in the beginning of the year by dismantling the Buffer Stock and withdrawing export benefits to arrest the fall in prices. In the last quarter of the year it initiated stronger measures to arrest rise in sugar prices by allowing duty free imports of raw sugar and finally resorted to imposing weekly quota on sugar stock releases.

As anticipated, India's power requirement has surged beyond the installed capacity (in Tamil Nadu as well) and thus resulting in improved power tariffs. The implementation of Electricity Act, 2003 as well as India's commitment towards renewable green power augurs well for the company's Cogen units.

The sugar industry in India continues to be highly regulated and many of these regulations have outlived their usefulness. Following decontrol measures would augur well for the industry:

- the sugar millers must be free to determine the timing and quantity of their sugar sales;
- Pricing of sugar cane instead of being often influenced / determined by political aspirations should be linked to market forces. Better sugar prices will result in better cane price, directly benefiting and making a difference to the lives of sugarcane farmers.
- Restrictions on transportation of ethanol and molasses across the state borders must be done away with;
- Electricity Act, 2003 to be implemented uniformly across all States for sale of electricity across the country by providing access to its existing transmission infrastructure

I would now briefly touch upon the business wise performance.

SUGAR

During the year, your company faced shortfall of cane as experienced by the rest of the industry.

Cane planting has reduced across India which is a major area of concern. This is on account of a variety of factors including lack of early summer rains, delayed SW monsoon, low reservoir levels, very poor power supply in rural areas as well as decrease in farm labour availability. Higher ruling prices for the competing crops also affect the economics of cane planting. Linking cane and sugar prices to increase planting is being affected by diversion of cane to Gur, Khandsari and other purposes with raw and white sugar imports adding to the uncertainty.

The Company crushed 33.7 lakh (42.30 lakh) tonnes of cane, exported 2518 lakh (2668 lakhs) units of power to the Grid and sold 97.8 lakh (99 lakh) litres of alcohol. In terms of Revenue, Sugar division registered a revenue of Rs. 760 crore (Rs.641 crore) for the year 2008/09 with a PBIT of Rs. 47 crore (loss of Rs.60 crore).

During 2008/09, at the 20 MW cogeneration power plant at Pettavaithalai trial production was commenced.

The 60 KLPD Distillery plant in Sivaganga was also commissioned.

On completion of the various capex programs, the total sugar capacity stands at 19000 TCD, Cogeneration at 85 MW and Distillery at 100 KLPD.

In order to secure the cane supplies and ensure adequate plantings, appropriate cane price will be ensured. To drive the cane planting and resolve some of the problems faced by our cane growers, the Namadhu Parry Mayyams provide inputs to farmers in the form of various farm services and implements, at his doorstep.

PUDUCHERRY SUGAR UNIT

The acquisition of the Pondy Sugar Mills has again gone to the Courts with earlier owners approaching the Debts Recovery Tribunal (DRT) against its auction by M/s Indian Bank under SARFAESI Act. This required the company and M/s Indian Bank to seek directions from the Supreme Court of India. The legal proceedings /cases are delaying payment of the legal dues to the erstwhile workmen of New Horizon Sugar Mills; Consequently they are disrupting operations of the unit. They forced entry into the unit and resorted to violence which led to the temporary stoppage of the Mill. The standing sugarcane has been harvested and crushed in the other units of the company. The Puducherry Government has

been directed by the Supreme Court to disburse the compensation to the erstwhile workmen. In the meantime, as per earlier directions of the Supreme Court DRT has passed an order confirming the sale by Indian Bank in favour of the company. The matter is now before the Supreme Court for further orders. The company is simultaneously working towards mutual trust building and an amicable settlement of the issue without compromising on the principles with which the company had acquired and turned around the units in the past.

BIO PRODUCTS

Bio Pesticides

The Bio Pesticides division registered a **turnover of Rs.36.36 crores** and a **PBIT of Rs.7.17 crores**. Sales increased by 19% mainly driven by increased realisation. Majority of the sales being exports, the depreciation of Rupee against US Dollar resulted in higher realisation compared to last year.

In the US market, EPA registration was achieved for 9 new Home & Garden (H&G) formulation labels.

In the domestic market, improved realisation in the high end markets like Tea and participation in the North eastern states' organic drive through low end formulations helped in achieving 50% growth in value over 2007-08.

Nutraceuticals

The Nutraceuticals division clocked a **turnover of Rs.29.11 crores**. Sales increased by 72%, due to higher sales volume of Spirulina, Astaxanthin and traded products that primarily include Lycopene.

The Nutraceuticals products continued to grow in all the markets and are currently exported to over 35 countries. Certified Organic Spirulina continues to outperform competition in its segment.

The Company acquired a 48% stake in US Nutraceuticals, Florida USA. Headquartered in Florida USA, Valensa is a leading science-based developer and provider of high quality botanically sourced products for nutritional supplements and functional foods.

The Tomato Lycopene extraction facility of the Company's subsidiary, Parry Phytoremedies at Boisar, Maharashtra was scaled up to a rated capacity of 900 kg of 6% Lycopene oil per month.

To ensure that Parry Nutraceuticals maintains its edge in product development, the Parry Life Sciences division was started, which is an initiative that aims at providing an innovative R & D platform dedicated to the development and manufacture of world class natural products.

With these various measures, the company is building a platform of products that address the wellness market which is a sunrise business both in India and overseas. This business has a good growth potential for the company in future.

Buy Back of Equity Shares

Your company has advantageously bought back 31,34,701 equity shares of Rs 2 each at an average price of Rs 141.18 for an aggregate amount of Rs 44.26 crore. The buyback was done between December '08 and March '09, through the open market purchases in the stock exchanges. This accounts for 3.51% of share capital of the company.

The Company was able to implement its investment proposals, both in Sugar and Nutraceuticals businesses, as scheduled despite the liquidity problem and high interest cost prevailing in the country during the year 2008/09. The Company has funded the capital expenditure programme and the buyback of shares in a cost effective manner. The interest cost has been contained by prudently investing the surplus funds arising from sale of shares in Parryware Roca Private Ltd. and Parry Monsanto Seeds Private Limited.

The Company enjoys a credit rating of P1+ for its short term borrowings and AA- (stable) for the long term borrowings.

JOINT VENTURE

During the year, your company has invested **Rs. 35.50 Crores** in the equity of the Joint Venture entity viz. Silkroad Sugar Private Ltd. The Sugar refinery, coming up in the Food Processing Special Economic Zone of Parry Infrastructure Company Private Limited at Kakinada is expected to commence operations during 2009/10.

Q1 PERFORMANCE

The **total income** for the quarter ended 30th June, 2009 was **Rs. 221.40 crores** as against Rs. 219.17 crores with a **net profit of Rs. 26.25 crores** as against Rs.2.77 crores.

(Rs. Crores)	Sales		PBIT	
	2009-10	2008-09	2009-10	2008-09
Sugar Division (Sugar, Cogen & Alcohol)	208.95	214.14	43.19	(8.03)
Bio Products (Bio & Nutra)	14.10	9.81	(0.28)	0.02

I thank the shareholders for their continued and valuable support. I thank my colleagues on the Board for their valuable counsel and support. I wish to place on record the appreciation of the Board for the valuable contribution made by Mr. S. B. Mathur and Mr. S. Viswanathan during their tenure as Directors.

I also place on record my appreciation for the commitment and excellent team work put in by the employees of the Company at all levels.

I am also thankful to all the other stakeholders comprising of the cane growers, suppliers, banks, depositors, financial institutions, and the customers who have contributed to the Company's successful operations during the year.

A.VELLAYAN