

**Speech Delivered by Mr. A. Vellayan, Chairman  
at the 37<sup>th</sup> Annual General Meeting of the Shareholders of  
E.I.D. – Parry (India) Limited**

**Tuesday, the 31<sup>st</sup> July, 2012, at 4 P.M.  
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 Seventh Annual General Meeting of your Company E.I.D.- Parry (India) Limited.

I am very happy to be part of this illustrious organization which is entering 225 years of its existence. Over the years, the fortunes of "PARRYS" have grown manifold and have witnessed lot of ups and downs in its journey. This journey would not have been possible but for the unstinted support of the farmers, resilience of the employees and support of all the shareholders. E.I.D.- Parry , which started its first unit at Nellikuppam, today has 9 units (including its subsidiaries) and is one of the largest producer of sugar in South India with a total crushing capacity of around 34750 TCD of sugar. More importantly, as we enter the next year, the total sugar production capacity of EID and subsidiaries will stand at 750,000 Tonnes per year because of the longer period for which we can engage in crushing.

### **Economic Scenario**

#### **Indian Economy**

The Indian economy after growing at 8.5 – 9% in the past 2 years has seen a downward trend during the year 2011 – 12 recording a growth of 6.5%. Combined with the effect of uncertainties in the global market, it looks like the rate of growth for the current year will also be in this region.

Coming to the Sugar Industry, the Indian Sugar Industry is a highly regulated industry, wherein the entire value chain, from the price of sugarcane to the distribution of sugar and the use of its byproducts, is under the regulatory purview. While the Central Government exercises various controls like levy sugar obligation, regulated release mechanism, import and export regulations, the State Governments exercise controls like minimum distance criteria, cane area reservation, dual cane pricing etc. Over all the Sugar industry is the only industry in India to bear the burden of social welfare program of Government (PDS).

The Jute Packaging Material Act, 1987 (JPMA) which covered sugar translates into an increase of 40 paise/kilo of sugar resulting in a loss of Rs.1000 crore revenue to sugar industry and loss of approximately Rs.700 crore to cane farmers. Sugar should be completely removed from JPMA like cement and fertiliser industries.

The Government at the Centre while having realized the need for decontrol of the Sugar industry and having appointed the Rangarajan Committee and staffing it with eminent and knowledgeable members is yet to come out with its recommendations. Even if this Committee recommends, the moot point is whether the Government has

the political will to implement some basic reforms in this sector. The Sugar industry is clearly the most controlled industry in the country between the State and the Central Governments. The divergent policies adopted by the Centre and State have structurally damaged the industry in some States. Fortunately, in two of the major States that we are operating in namely Tamilnadu and Karnataka, the Government has adopted a more enlightened policy towards this industry and this is reflected in the higher production from these two States. This should also augur well for the farmers in the States of Tamilnadu and Karnataka.

## **Industry Outlook**

Let me briefly take you through the developments in the Sugar industry in the year 2011 – 12.

- Indian Sugar Industry is the 2<sup>nd</sup> largest producer of sugar in the world and is an Rs.80,000 crore industry
- It covers 5 million hectares and 50 million cane farmers and dependants
- Cane payment of Rs.55,000 crore are directly paid to farmers without middlemen
- 65% of sugar consumed by bulk consumers comprising of Multinationals, Beverage Companies, FMCG and the Pharma Sector
- Located in the rural heartland, directly contributed to rural economic development & employment

The Indian Sugar Mills Association (ISMA) has estimated that the sugar production in the ongoing 2011-12 season will be 260 lakh tons. Till June this year, 257 lakh tons has been produced. ISMA lowered its all India sugar production estimate for 2012-13 by close to 4% as it expects output in biggest sugar-producing state Maharashtra to decline by about 16%.

According to ISMA due to delayed monsoon rains over India which has affected the sugar production for 2012-13, the country's output is estimated to be lower than 2011-12 at 250 lakh tons from current years estimated output of 260 lakh tons.

## **Performance**

The Company's performance has been discussed at length in the Directors' Report and in the Management Discussion and Analysis Report.

I would now briefly touch upon the business wise performance.

## **Sugar**

I am happy to share with you, that our brand "**Parry's**" has been selected and is being awarded the consumer Superbrand for 2011-12 by popular consensus among both Consumers and Industry Experts.

This global acknowledgement places us in an elite league of the world's best brands. Parry's Sugar is the only sugar brand in India to be conferred Superbrand status.

## **Sugar Division performance**

During the year 2011-12, the total cane crush was 48.02 Lakh MT which showed a 169% growth against 28.35 Lakh MT of the previous year. In terms of sugar production, the Company produced 4.37 Lakh MT as compared to 2.89 Lakh MT representing growth of 151%. Distillery sales increased to 398 Lakh litres from 275 Lakh litres representing a 144% growth and Power Export to Grid was 3427 Lakh Units as against 3147 Lakh Units representing 8% growth.

In terms of Revenue, Sugar division registered a revenue of Rs. 1448 crore for the year 2011/12 as against Rs.1189 crore in the previous year with a profit of Rs. 58 crore (loss of Rs.51 crore) registering a growth of around 122%.

## **Bio products**

### **1. Bio Pesticides**

The Bio Pesticides division registered revenue of Rs.76.66 crore (Rs. 58.33 crore) showing a growth of 31% and a PBIT of Rs. 13.05 crore (Rs. 11.51 crore). The sales of Azadirachtin in US Home & Garden segments continued to register an impressive growth. The domestic business had recorded an impressive growth of 42% over last year. The business capitalized on the growing demand for organic farming crop protection products. The division posted a robust growth, establishing itself as a provider of total solutions in crop protection.

### **2. Nutraceuticals**

The Nutraceuticals division clocked revenue of Rs. 43.59 crore (Rs. 43.94 crore) incurring a loss of Rs.1 crore (Rs.1.19 crore). About 78% of the revenue represents exports.

The company has initiated an effort to leverage the Parry brand into the wellness sector in the Indian Nutraceutical market by launching a range of OTC products under the Parry brand addressing preventive as well as health specific management segments. Two new products were added during the year viz., "GreenT<sup>6</sup>" and "Rejuveneyes" to its existing portfolio of Spirulina, Pro9, Pro9D and NBC9.

## **Coromandel International Limited**

The Company's major listed subsidiary – Coromandel International Limited, had a record year of performance and contributed substantially by way of dividend income to the Company.

## **Parrys Sugar Industries Limited**

The Board of Directors at their meeting held on April 25, 2012 have approved a Scheme of Arrangement (Demerger) between the Company and Parrys Sugar Industries Limited (PSIL), a subsidiary of the Company, under Sections 391 to 394 of the Companies Act, 1956 pursuant to which the Sankili and Haliyal undertakings of PSIL would be merged into the Company with effect from 1st April, 2012. This is subject to the approval of the shareholders and various other statutory and regulatory approvals.

This would enlarge EID's scope of operations in the future. Technology upgradation, reduction in cyclicity and diversification into value added products, would be the drivers of future growth. Operations of Parrys Sugar have improved substantially since EID Management took over and the units of this Company are well placed to have a profitable year ahead. Under the merger scheme, the Company shall issue equity shares of the Company to the shareholders of PSIL in the ratio of 5 (Five) equity shares of Re. 1/- each fully paid for every 19 (Nineteen) equity Shares of Rs.10/- each fully paid, held by them in PSIL.

### **Joint Venture**

Silkroad Sugar Private Ltd. has temporarily suspended the plant operations from 1<sup>st</sup> November, 2011 due to stoppage of natural gas supplies. We are working hard in an uncertain environment to seek resolution to this stalemate despite our joint venture project being allotted gas by EGOM.

### **Investments**

Acquisitions made during the previous years were consolidated in the year with an increase in stake in Sadashiva Sugars Ltd. to 100%.

During the year, the company increased the voting rights in its subsidiary company, US Nutraceuticals LLC (doing business as Valensa International), Florida, USA to 100% level.

Valensa International is a leading science-based developer and provider of high quality botanically sourced products for nutritional supplements and functional foods and has launched health condition specific formulations including for eye and joint health. This increase in holding provides the platform for your company to move up the value chain by manufacturing value added formulations from its ingredients, apart from cross selling opportunities in the US and in the rest of the world for both your company and Valensa.

### **Overall**

EID Parry registered a total income of Rs.1712.17 crore with a Profit Before Tax (PBT) of Rs. 136.07 crore.

### **Dividend**

For the year, an interim dividend of Rs. 4/- (400%) per equity share of Re.1/- each was paid in March, 2012.

The Board has not recommended final dividend for the year ended 31<sup>st</sup> March, 2012.

### **Rating**

The Company continues to have "AA" rating from CRISIL for its various debt placements signifying Stable Outlook.

I would like to close by thanking the shareholders for their continued and valuable support. I thank my colleagues on the Board for their valuable counsel and support.

I also place on record my appreciation for the commitment and 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.

Thank you,

**A.VELLAYAN**

Chairman

***This does not purport to be a record of the proceedings of the Annual General Meeting.***