



Speech

by

Mr. Anand Narain Bhatia, Chairman

at the 40th Annual General Meeting

on

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E.I.D.- Parry (India) Limited

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Ladies and Gentlemen,

Good Evening. I have great pleasure in extending a warm welcome to all of you to the Fortieth Annual General Meeting of E.I.D.- Parry (India) Limited.

I am here to address you, since I have assumed the office of Chairman w.e.f. 29th May, 2015. As you may be aware, Mr A Vellayan has stepped aside as Chairman due to an ex-parte interim order passed by SEBI relating to purchase of shares of Sabero Organics by certain persons prior to its acquisition by Coromandel in the year 2011, alleged to be based upon price sensitive information. Mr Vellayan has denied the allegation and is legally contesting it. Though he need not have stepped aside as Chairman, he has chosen to do so; thus maintaining the highest tradition of the Murugappa Family in maintaining utmost standards of governance and values. I am confident that he will soon come out clean and we all look forward to that. In the interim, the Board has elected me to be the Chairman of the Company.



Indian Economy

In its recent World Economic Outlook Update, IMF has forecast India to be world's fastest growing economy in 2015 and 2016 at 7.5%, even as it lowered its global economy growth forecast to 3.3%. Fiscal year 2014-15 saw the GDP numbers rise to 7.3% and current account deficit contracting to 1.3% of GDP from 1.7% last year. India is experiencing a positive business environment, with lower deficit and inflation and higher capital inflows. Foreign portfolio inflows (US \$40.8 billion) have stabilized the rupee, and RBI's continuous intervention in the forex market has led to sizeable accretion to the dollar reserves. Going forward, continuous policy level reforms backed by healthy macroeconomic parameters such as low inflation, stable exchange rate and lower current and fiscal deficit would further strengthen India's recovery in 2015-16.

Sugar Industry Overview

Let me now move on to Sugar, which is the most significant business of EID Parry.



At present, the world sugar industry is transiting through challenging times with prices barely meeting production costs. A global surplus sugar production for 4 years, beginning from 2011, continued to tilt the demand-supply equilibrium, sending sugar prices on a downward spiral. In 2014-2015, the key sugar producers such as Australia, India, the EU, Central America and Thailand have exceeded the past production records, a peak in the world surplus. India is the second largest producer of sugar in the world, producing around 28 million tons of white plantation sugar per annum. Called the 'growth engine' of the rural economy, the sugar industry is ranked as the second largest agro processing industry in the country. The total sugar production for the Sugar Year 2014-15 exceeded 28 Million Metric Tonnes, a surplus for the 5th consecutive year.

Over the years, there has been a steady increase in the Fair & Remunerative Price (FRP) announced by the Central Government apart from the high populist State Advised Price announced by some of the State Govts. The cane price has gone up by over 50% in the last three years, unmatched by



any other crop in the country. On the other hand, the sugar price has only fallen and is at its lowest in the last 6 years to the peril of Sugar Mills. The rising cane procurement costs combined with escalating production costs has been unevenly balanced against the low price realization, adding to the severe hardship for the sugar industry. The continuous losses of several years have already made cane dues across the country to hit a record high.

It is estimated that during the 2015-16 Sugar Season, the total cane acreage in the country would be around 53.58 lakh hectares, which is almost similar to the last season. The estimated sugar production would be around 280 lakh tons against an estimated consumption of 252 lakh tons adding 28 lakh tons to the already high opening stocks of 102 lakh tons.

As a result of this, the Financial Year 2015-16 is going to be one of the most difficult years for the Company. Post April 2015, the sugar prices have dropped dramatically and has been hovering around Rs.19,000/- MT which is not even sufficient to cover the cost of cane leave alone the conversion costs. While the high inventories in the

domestic market depressed the sugar prices, exports remained unattractive with global surplus stocks and the depreciating Brazilian Real leading to volatility. There is an urgent need to adopt rationalized cane pricing policy across the country and check the huge mismatch between sugarcane price and sugar price.

The Government, in fact, has taken several steps in the last one year to mitigate the situation. The Central Government announced an export subsidy for raw sugar and reduced the export obligation period from 18 months to 6 months under the Advanced Authorization Scheme in February 2015. However, sugar mills were not able to reap the benefit, as it came at the tail end of the crushing season when there was no major quantity of raw sugar left and international market prices had hit an all-time low. The Government also fixed remunerative prices for ethanol for blending with petrol and dismantled the tender based price discovery procedures and also waived the excise duties on ethanol with effect from 1st October 2015. Furthermore, to improve the price sentiments of sugar, the Government increased the import duty to 40 percent. The Central Govt also announced an Interest Subvention scheme, providing loans to



the Mills for making outstanding FRP Payment to the farmers for the sugar season 2014-15. However, few Mills like some of the units of the Company who have cleared the entire FRP payment for the sugar season 2014-15 are yet to receive clarity regarding their eligibility under the Scheme.

The industry through SISMA/ISMA has made several proposals to the Central Govt for providing incentives/benefits to come out of the present unprecedented crisis confronting the industry viz. compulsory export and export subsidy compensating the cane cost, constitution of a sugar price stabilization fund through a cess, mandatory linking of sugarcane price to the revenue generation, procurement of 10% sugar production by the Govt at FRP based COP etc. The said proposals are under consideration by the Govt and the Industry is hopeful that something positive will come out to provide succour to the Industry at this catastrophic state of affairs. Time is running out and the Government needs to intervene quickly, otherwise, it is estimated that more than a quarter of the sugar mills may not be able to start their crushing operations in the next season.



Performance

Your Company's performance during 2014-15 has been discussed at length in the Management Discussion and Analysis Report. Your Company registered a total income of Rs.2265.04 Crore as against Rs.1945.48 Crore last year and a PAT of Rs.148.25 Crore Vs. Rs.26.53 Crore on a standalone basis. Your Company's performance was good in the context of a volatile and uncertain environment, especially with the sugar prices falling during the second half of the year. I am also happy to share with you that Dun & Bradstreet selected EID Parry as the "Best Performing Company" in the Indian Sugar Sector, earlier this year.

Sugar

During the Financial Year 2014-15, the focus of the Sugar Division was on strengthening the fundamentals to improve "Sustainability" and progressively improve realisation by selling more sugar to Institutions and re-building Retail with a clear value proposition on products and building distribution. In terms of Institutional focus, your



Company has worked on building its Haliyal factory as a Centre for Manufacturing Excellence, in addition to the focus in TN & AP factories. The Haliyal factory has now the requisite quality certifications for supplies to a wide range of Institutions. Further, the Pugalur factory was certified by Bonsucro for sustainable sugar production, thereby becoming the first Plant in Asia to be certified by Bonsucro. Your Company continues to work on new packaging formats for Institutions and Retail.

The factories focused on improving consistency in crushing rates and optimising operational efficiencies relating to steam and power. There was also considerable work done in improving the Sugar Quality and Standards of Hygiene and Safety across all factories. Your Company has commenced TPM to achieve manufacturing excellence at three of its factories.

In respect of Cogeneration, your Company opted out of the existing PPAs at two of its Units in TN so that we can operate the Cogen Units through the year. The focus in respect of Distilleries, is firstly to ensure complete adherence to all Statutory norms while running for longer periods. The



Distilleries also focused on product mix for better realisations. Your Company continues to work on providing value added products from Press Mud and other wastes so as to get better realisations.

All these and many other measures helped the Division to register an operating profit of Rs.103.7 Crore as against a loss of Rs.6.5 Crore for the corresponding period.

Bio pesticides

During the year, the sale of Azadirachtin (AZA) products registered a marginal growth of 3% over 2013-14. Export sale of Neemazal technical registered a de-growth of 5% over 2013-14 primarily due to drop in South American markets, esp., Brazil and depreciation of the Euro. Parry's Azadirachtin, with the highest purity and best stability, continued to command a premium pricing and maintain its leadership position in the agriculture segment in spite of stiff competition.

In the domestic market, while sales of Aza products grew by 29%, the non Aza segment registered a marginal de-growth of 2% over 2013-14, primarily due to the monsoon failure in Tamil



Nadu. During the year, the business forayed into green triangle molecules with the launch of 3 new products viz., Valeo, Hexy Plus and Parry Monas.

The division registered revenue of Rs. 93.57 Cr as compared to Rs.97.16 Cr of previous year. The PBIT for the year 2014-15 was higher at Rs.26.52 Cr as compared to Rs.22.76 Cr of corresponding period due to improved realisation and cost savings.

Nutraceuticals

During the year 2014-15, the Nutraceuticals Division focussed on developing and consolidating its leadership position in Premium Organic Spirulina. Capital investments have been committed to expand production capacity to meet the increasing market demand. Your company continues to have a significant presence in more than 40 countries across various continents.

Your company has established a significant presence in Astaxanthin Segment by stabilising the production in India and by acquiring Alimtec, a Chile based company to meet the increasing Astaxanthin requirements of the subsidiary



Valensa, based in USA. Our presence in both Spirulina and Astaxanthin, makes us one of the leading players in the micro algae segment of the Nutraceuticals market.

Your company's decision to exit from loss making OTC/OTX segment, improvement in realisation and cost savings helped in achieving higher PBIT of Rs 18 Cr as against Rs 3.45 Cr for the corresponding period.

Subsidiary Companies

Let me now brief about the performance of our major operating subsidiaries.

Coromandel International Ltd

During the year, though the farm sector was adversely affected by weak monsoons and drop in crop acreages, Coromandel's performance improved, emerging as one of the leading agri-inputs player in India. The Company leveraged its strengths to post significant growth by offering its complete portfolio of agri-inputs, comprising of fertilisers and organic manure, crop protection



products and speciality nutrients. The Company continued its expansion of its rural retail footprint in Andhra Pradesh, Telangana and Karnataka to about 800 stores and improved its performance by growing the non-fertiliser business with increased realizations. The Company has strengthened its market leadership position in complex fertilisers segment, growing the volumes by 32% and improving its market share from 23% to 26%.

The total revenue for 2014-15 stood at Rs 11,340 Cr. with a PBT of Rs 592.44 Cr. The Company has declared a total dividend of Rs.4.50 per share of Rs.1/- each for the year 2014-15.

Parrys Sugar Industries Ltd(PSIL)

PSIL'S Ramdurg Unit operated at full capacity and crushed a total of 5.55 Lakh tonnes during 2014-15 as compared to 4.96 lakh tonnes in the previous year.

The average recovery was higher at 12.14% as compared to 11.80% during the previous year. PBIT was Rs.92.45 Lakhs as against the loss of Rs.1300 Lakhs in the previous year. The total



revenue for 2014-15 stood at Rs 199.46 crore with a Loss of Rs. 15.73 crore.

Overseas Subsidiaries

US Nutraceuticals LLC (Valensa) earned an income of US\$ 28050 thousand with a PAT of US\$ 982 thousand.

Parry America Inc reported an income of US\$ 6206 thousand with a PAT of US\$ 331 thousand.

The operations of Alimtec S.A., which the Company acquired last year has been fully integrated with the Company. The Company reported an income of US\$ 964 thousand with a loss of US\$ (194) thousand.

Parry Sugars Refinery India Pvt Ltd (*Formerly Silkroad Sugar Private Limited*)

I am happy to inform you that Parry Sugars Refinery India Pvt Ltd has re-commenced its operations last year with the commissioning of the coal fired boiler. It has produced about 136000 MT of Refined sugar and sold 88800 MT of Refined Sugar during the year 2014-15. The company has



also started hedging its exposure of raw sugar and Refined sugar by locking spreads in the commodity exchange, thus securing the operating margin. In the current year, the company has stabilized its operation and achieved an average of 1500 TPD (75% of the capacity). For the year 2015-16, the Company has made sizable progress in securing sale contracts for refined sugar and locking in spreads. With the above measures, the Company's performance is expected to improve significantly for the current year 2015-16.

Dividend for 2014-15

The Board of Directors of your company have recommended for your approval, a final dividend of Re 1 per equity share (100%). Thus the total dividend for the year 2014-15 is Rs 3 per share (300%), taken together with the interim dividend of Rs 2 per share(200%). This compares with a "NIL" dividend in the previous year. I am sure the shareholders will appreciate the Board's decision in the current difficult circumstances.



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, financial institutions and the customers who have contributed to the Company's operations during the year.

Thank you,

Anand Narain Bhatia
Chairman

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