Speech

by

Mr. V. Ravichandran, Chairman

at the 46th Annual General Meeting

on

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Ladies and Gentlemen,

Good evening. I have great pleasure in extending a warm welcome to each and every one of you to the Forty sixth Annual General Meeting of E.I.D.-Parry (India) Limited.

I hope you, your families and loved ones are safe during this health crisis. The past 18 months have been dramatic in a way we have not experienced before. On one hand we have together faced tremendous challenges and adversities. At the same time, we have experienced advancement that we could not have imagined – from scientific breakthroughs to new ways of learning, living, working and adopting to the environment. In the face of this adversity, the safety of our people and extended community have been our top priority. We have ensured that our facilities are in compliance with all the regulations and safety measures including sanitisation, safety equipment and social distancing norms.

The annual report for the Financial Year 2020-21 was sent to you some time back and I trust it would have given you an overview of your Company's performance.

Economy

The scale of economic and social disruption due to COVID-19 has been one of the most unprecedented one in recent human history. The Indian economy, which was already reeling under pressure of a cyclical slowdown much before the pandemic, witnessed a sharp drop in GDP due to the impact of Covid 19 induced lockdown. The economy showed signs of improvement during the second half of FY 2020 - 21. However, the second wave that started in late March 21 came in the way of further recovery, which necessitated large scale deployment of resources by the Government to protect the lives, safety, and basic needs of a sizeable vulnerable sections of society. There have been lock downs by all the States across the country since April 21, causing shutdown of manufacturing facilities as well as off-line trade in most geographies. Following the drop in cases and mass scale vaccination initiatives, the lockdown was relaxed in stages in many geographies since mid-June 21.

Your Company being engaged in manufacturing of sugar and generation of power which fall under the purview of essential commodities, its operations continued normally both during the first wave and second wave, in accordance with guidelines of the Govt of India

As per the recent data released; post the Covid slump the Indian economy has recorded growth in its quarterly GDP nearing to 20.1 percent. The economy has not been as badly affected by the second wave due to less stringent lockdowns by State Governments. The RBI has also forecasted the annual growth projections to be 9.5 percent for the current fiscal year. Another silver lining is that following a bountiful monsoon in FY 2020-21, the monsoon during FY 2021-22 is also expected to be normal. As per the NITI Aayog, it is believed that India's growth rebound in the first quarter of this fiscal will set the tone for economic revival in successive quarters.

Notwithstanding the positives, there does exist a fair probability of conditions remaining uncertain over a longer duration as the pandemic is yet to completely abate. It is believed that the economic recovery will continue to need both fiscal and monetary policy support in the near term to ensure that recovery does not falter on the way to full recovery. It is expected that the Economic activity would start normalising from the quarter ending September 2021 supported by pent-up demand, ramp-up of the vaccination drive, favourable policy mix and robust global growth. However, the threat of the potential third wave of Covid-19 infections still looms large.

The Govt of India has steadfastly taken series of steps to combat the onslaught caused by pandemic. Apart from nurturing, incentivizing the development of indegineous vaccines, launching the world's largest vaccination programme, spending on covid relief packages, the Government kept on investing in various infrastructure projects and schemes envisaged in the Union Budget for FY 20-21 and it is expected that the planned investments outlined in the FY 22 budget will also continue. This can create employment as well as income generation that can boost consumption especially in the rural economy.

GLOBAL SUGAR INDUSTRY

As against a marginal surplus in SS 2019-20, SS 2020-21 is expected to be a deficit season for the global sugar industry. The production estimates for SS 2021-22 have also been dragged down by the unprecedented dry weather conditions in Brazil. In August 2021 raw sugar prices in the international market touched their highest level in over four years due to the expected fall in supply. The next sugar season in Brazil would commence in April 2022. Sources say that the sugar production in Thailand is likely to remain high but Thai sugar would arrive in the market only after January 2022 thus, indicating a good opportunity for Indian sugar mills to export their surplus sugar.

Sugar Exports

With global prices ruling near 4 year high, the Indian sugar industry can turn out to be a direct beneficiary. Sugar mills have already entered into contracts for about 7 MMT in the current sugar season of which over 6 MMT of sugar have already been exported. The firm global prices and a wider export market to cater, auger well for the industry. The government subsidy has made exports viable for India which aided the economy to maintain the domestic sugar demand-supply balance and stabilizing domestic ex-mill prices. The recent rally in prices have, however, made exports feasible even without subsidy. With exports under open general license already getting contracted, export prospects look promising for upcoming sugar season even if the quantum of subsidy moderates from current levels.

Indian sugar

India's sugar season 2020-21 commenced with an opening stock of 10.7 MMT. As per the latest estimates of ISMA, sugar mills across the country are likely to produce around 30.9 MMT of sugar after considering 2 MMT diversion of production towards ethanol. The total availability of sugar in 2020-21 SS is likely to be about 39.06 MMT and considering a consumption of 26 MMT and export of 7 MMT, India could end with a closing stock of 8.6 MMT, a significant reduction when compared with the closing stock of last Sugar Season.

The Indian sugar industry is on the threshold of a paradigm shift. With the ethanol blending program gaining traction, sugar production is expected to moderate with more mills sacrificing sugar production to produce more ethanol. The expeditious lifting of ethanol and the timely payment by oil marketing companies could result in a moderation of working capital requirement of sugar mills resulting in efficient cash-flow management. Also, there is a need to continue with the monthly release mechanism to moderate the availability of sugar in the open market. Based on a strong visibility over ethanol blending, current international crude oil prices and remunerative ethanol prices and current sugar situation in Brazil, it is expected that the sugar prices in India will hold up and the sugar industry will be benefitted on both sugar and ethanol.

Sugarcane and Sugar- Pricing

The sugarcane pricing remains the biggest challenge for the industry, making Indian sugar globally uncompetitive. This enduring problem, caught in a political predicament by successive Governments requires a credible resolution. As per CACP report, sugarcane guarantees and bestows the best of return for the farmer compared to other competing crops. The existing pricing formula fails to address the paying capacity of sugar mills and it is time the Government acts on the recommendations of both CACP and NITI Aayog who have resoundingly recommended the revenue sharing formula, backed by the setting up of a Sugar Price Stabilization Fund to protect farmer's interest during times of low sugar price. In fact, NITI Aayog in its March 2020 report had recommended payment of FRP in three instalments which would be necessary to help mills to remain financially healthy and viable. Further, CACP has also suggested similar mechanism and in its latest report, has asked the Centre to suitably amend the Sugarcane (Control) Order 1966 to bring about this change.

The Central government recently hiked the sugarcane price by ₹5 a quintal, setting the fair and remunerative price (FRP) at ₹290 a quintal for the 2021-22 sugar season. The Centre had hiked FRPs by 38% since the ₹210 a quintal rate of 2013-14 without considering the legitimate interest of the industry for a fair hike in MSP. The MSP of sugar has remained static for over 30 months, even though the FRP was increased by ₹10/quintal in 2020-21 SS. It seems the Central Govt is of the view that there is no need of increasing the MSP at this time. The stance of the Government is based upon the premise that the mills have received governmental support for exports as well as diversion of surplus sugar to ethanol and it has to maintain a delicate balance between the interest of farmers and consumers, as well as the industry.

The sugar industry has come a long way from being a cyclical sector where its fortunes would be marked by swings. The Central Government as well as the State Government have played a decisive role in the turnaround of India's sugar sector. The sector is poised to play a significant role in addressing the energy needs of the country. The Govt's right move on the sugarcane pricing to address the long-standing issue and MSP can build the foundation of a sector that had faithfully served as the life-line of rural India for several years.

Cogeneration

The cogeneration power, which was the first major diversification for the sugar industry and came with much fanfare some years ago now faces multifarious challenges. The lowering of power tariffs coupled with the issues involved in the renewal of long term PPAs and most menacingly, the inordinate delay in payment by Discoms has posed a serious challenge to the industry. If the situation continues, the sugar industry will be faced with a formidable task of finding out alternative ways for economic usage of bagasse.

It is necessary that the government should not consider cogeneration of power by the sugar industry, which is a renewable source of energy, at par with the power generated through fossil fuels and should provide specific protected tariffs for sustenance of this industry.

Ethanol

The Government has strategically stepped-up the promotion of ethanol as a long term and lasting solution for absorbing the surplus sugarcane in the system. In this preventative pursuit, it is meticulously continuing with interest subvention support, monitoring project implementation in coordination with State Governments, facilitating environment clearance for expansion of capacities and panning out premium pricing for ethanol. This pragmatic and futuristic policy of the Government is poised to replicate the Brazilian model in India's sugar sector. The advancement of the ethanol blending target up to 20% by 31st March 2023 is directionally a clear signal from the Government. The season 2020-21 witnessed more sugar units producing ethanol from B Heavy molasses and some sugar units directly from sugarcane juice. The real transformation is expected from SS 2022-23 onwards when more sugar mills produce ethanol directly from sugarcane juice. Ethanol as a fuel is indigenous, non-polluting and will improve the environment and eco-system. The proposed action plan of the Government aiming to establish a network of ethanol pumps in India and the proposal to the Auto industry to come up with flex-fuel engines, which can run on both petrol and ethanol will further augment the demand for ethanol. The industry is truly indebted to the Central Government for its persistent focus and forceful thrust for implementation of the Ethanol Blending Programme, to obviate the foreseeable sugar glut and avert sugar price downfall.

With the above background I shall now proceed to briefly cover the highlights of FY 21 and the steps being taken by your Company to stay stronger.

Performance & Financials

During the FY 2020-21, your company crushed 39.69 LMT of sugar cane at an average recovery of 10.28% vis-à-vis a recovery of 9.99%. last year. The average recovery at our Karnataka Plants was at 11.72%. Your company continues to earn the trust and confidence among the farming company for practicing its long legacy of making cane payment in time and assisting them in adopting sustainable cultivation.

The structural reform initiated by your company a few years back involving closure of a few unviable units in TN and Puducherry and moving some of the said capacities to the high sugar cane growing belt of Karnataka will bear fruit in future. The company undertook the arduous task of dismantling the assets at Pudukkottai and shifting them to Haliyal and the said expansion at Haliyal is under the final stage of completion. The Haliyal plant situated amid high recovery cane rich belt of North Karnataka, which was 3500 TCD plant a decade ago, will be a 11500 TCD plant, in the near future. Your company's continued focus on enhancing efficiencies and the unrelenting pursuit towards cost optimisation and exploring new avenues of growth through adjacencies will enhance the long-term value for the shareholders.

Your Company has resolved to build a resilient business model with a strong foray in value added segments and retail space. As the economy opened post the nationwide lockdown, your company took some innovative approaches, to use digital platforms to connect with the customers. We pushed ourselves strongly into upgrading the packaging of Products. We displayed agility when we introduced a new healthier sugar so that we could enhance the value proposition of our products and deepen our engagement with consumers. The new low GI Sugar, Parry's Sweet Care is aimed at catering to the needs of the health-conscious consumer segment. We have a strong commitment to create healthier products that will address the challenges of traditional sugar. The company is on a journey to make a paradigm shift in its pursuit to look at all available opportunities in the sweetener space and enter into new geographies, which will give us an edge and the ability to keep the business going even in tough times.

As part of our Vision, we have embarked up on a project to set up a 120 KLPD grain/ sugar syrup-based distillery at our Sankili unit in AP. This is in line with the Government's commitment to broaden the ethanol manufacturing base in India from agricultural resources. The proposed distillery will utilize sugarcane juice / syrup as its principal feedstock during the cane crushing season and grain like broken rice/maize during the off season. The project is expected to be commissioned by last quarter of next year and will be funded largely through concessional debt provided under the aegis of the Government to accelerate investments into this sunrise sector. We are at an inflection point and with the green field distillery at Bagalkot commissioned in June 2021 and on the successful consummation of the proposed project at Sankili our combined distillery capacity will be over 400 KLPD. Our integration will thus be complete, and we will be aligned not only to reap the benefits of the Government's ethanol blending program but also contribute our bit to address the energy needs of the country.

Your Company's performance during the year 2020-21 has been discussed at length in the Annual Report. I look back at the financial numbers of FY 2020-21 with a sense of optimism.

- Revenue from operations at Rs.2024 crores during FY 2020-21 as compared to the revenue of Rs. 1875 crores during 2019-20. Increase in revenue is primarily attributable to the increased releases under the monthly release mechanism, higher exports and higher revenues from the distillery segment.

- EBIDTA during FY 2020-21 was Rs.556 crores compared to EBIDTA of Rs.235 crores during previous FY excluding exceptional items.

Nutraceuticals

The Nutraceuticals Division's standalone revenue was at Rs.72 Crore in 2020-21 compared to Rs.58 Crore of previous year. The Company's wholly owned subsidiary, US Nutraceuticals Inc registered a revenue of US$ 26.12 million against US$ 21.70 million of previous year. The pandemic has underlined the importance of nutrition in human wellbeing and the role of supplements, in particular the ones from natural sources, has found significant interest among the consumers. In this context, the Nutraceutical division with its longstanding commitment in providing quality supplements through algae and botanical extracts is poised for an accelerated growth in the future. As market leader in the premium organic Spirulina segment, we strengthened our position by enlarging our customer base in the relevant Western Europe and North American markets. Apart from strengthening the commercial production of Chlorella, the product portfolio was enhanced with valued added algae products catering to differential needs of the customers. The US Nutraceuticals Business enhanced its position in the saw palmetto prostate health segment by continuing to cater the ingredient to leading brands. The joint health products with its unique formulations continue be an important category for the US product portfolio with substantial scope for growth in the future.

Subsidiary Company

Let me now brief you about the performance of our subsidiary, Parry Sugars Refinery India Private Ltd (PSRIPL)

During the year 2020-21, global demand-supply for refined sugar was balanced. This was due to most destinations stocking up to avoid shortages during the pandemic, as well as, due to lower exports from Thailand and EU. Making use of this market opportunity and despite competition from subsidized Indian exports, PSRIPL's sugar export volume grew from 7.59 LMT in 2019-20 to 8.21 LMT in 2020-21. Consequently, the turnover increased from Rs 2008 Crore in 2019-20 to Rs 2251 Crore in 2020-21. Availability of containers for exports during the year restricted further increase in sales volume. During the year, the company doubled its sales to prestigious institutional customers by commencing supplies into newer markets. Company's sugar refinery successfully overcame several challenges posed by the pandemic.

Sugar refining margins and operating costs are under pressure during 2021-22 due to significant inflation in material costs, ocean freight and fuel. However, availability of Indian raw sugar/LQWs will help us in mitigating the same to some extent. PSRIPL with focus on increasing sales to value added segments whilst making further improvements in efficiencies in refining to counter escalation in costs during the year 2021-22.

Acknowledgements

The Sugar Industry is entering a transforming phase with greater thrust towards ethanol. The several strategic moves that your Company has made over the last few years and propose to make will give its the structural and financial strength to capture the opportunities that will arise going forward, while ensuring its resilience in the face of uncertainty and a dynamic operating environment. As we continue to position ourselves to capitalise on the opportunities in the coming years, we are uniquely positioned to begin a journey with pushing targets and ambitions forward. On the long-term front, we are confident that with our singular focus on placing the customer at the centre of all our actions, will not only navigate any short-term turbulences successfully but also strengthen our leadership position further. We will continue to evolve along with our customers and will keep reinforcing our strong and enduring bond with our beloved farmers, the biggest stakeholder.

I must also mention here that during the outbreak of deadly pandemic COVID-19, sugar industry rose to the occasion and manufactured sanitizers in the Nation's fight against the pandemic. The industry, under its CSR initiative, also made oxy-generators available to community health centers.

I take this opportunity to really commend the dedication and zeal of all our employees who strived through a difficult period and ensured that as an organization we surmounted all the challenges and continued to take our organization forward.

I would also like to thank all my colleagues on the Board for their continued support in all our endeavours. Finally, I thank all our shareholders for their trust and confidence on team EID Parry and seek your continued trust, confidence, and support in the coming years.

With Best Wishes

Thanking You

V.Ravichandran.

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