



E.I.D. - PARRY (INDIA) LIMITED



Registered Office: 'Dare House', Parrys Corner, Chennai - 600 001.
Website: www.eidparry.com

Dear Member(s)

Notice for Postal Ballot pursuant to Section 192A (2) of the Companies Act, 1956

NOTICE is hereby given pursuant to Section 192A of the Companies Act, 1956, read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, for the consent of the shareholders of the company for the following:

- i) Payment of salary, allowances and incentive, provision of perquisites and other benefits to Mr.P.Rama Babu, Managing Director for the period from 1st April, 2007 to 30th April, 2008 in the absence of adequate profits for the respective financial years;
- ii) Appointment of Mr. K. Raghunandan as Deputy Managing Director for a period of 3 years from 1st February, 2008 to 31st January, 2011 and for the payment of salary, allowances and incentive, provision of perquisites and other benefits in the absence of adequate profits for the respective financial years.

i) **Remuneration to Mr. P. Rama Babu, Managing Director in the absence of adequate profits**

At the Meeting held on 25th January, 2007, the Board of Directors reappointed Mr. P. Rama Babu as Managing Director of the company for the period from 1st February, 2007 to 30th April, 2008.

At the 32nd Annual General Meeting of the company held on 26th July, 2007, the shareholders of the company approved the reappointment and payment of remuneration to Mr. P.Rama Babu as the Managing Director of the company for the said period.

The remuneration payable to Mr. P. Rama Babu, Managing Director for any financial year was restricted to an overall limit of 5% of the net profit of the company as prescribed under Sections 198, 269, 309 read with Schedule XIII of the Companies Act, 1956.

At present, the sugar industry in India is adversely affected by several factors, such as high sugarcane prices and depressed selling price, both in the domestic and international markets. Most of the sugar companies have reported losses so far during the year 2007/08. Your company also has reported a net loss of Rs.54.48 crore for the period ended 31st December 2007. This situation in the Indian Sugar Industry is likely to continue as such for some more time.

Accordingly, in anticipation of inadequate profits, the approval of the shareholders is being sought for the payment of remuneration to Mr. P. Rama Babu, Managing Director, in the form of salary, allowances and incentive and also for the provision of perquisites and other benefits as per the terms of his appointment.

Under Schedule XIII of the Companies Act, 1956, Part II, Section II relating to Remuneration payable to managerial persons, where in any financial year during the currency of the tenure of the managerial person, a company has no profits or its profits are inadequate, it may pay remuneration to a managerial person by way of salary, dearness allowance, perquisites and any other allowances subject to:

- i) payment of remuneration being approved by the Remuneration Committee;
- ii) the approval of the shareholders through a Special Resolution and
- iii) also the prior approval of the Central Government.

The Compensation and Nomination Committee and the Board of Directors of the Company at their respective meetings held on 24th January, 2008, subject to the other approvals aforesaid, have approved such payment to the Managing Director.

The approval of the shareholders is being sought now by way of a Special Resolution through postal ballot for the payment of remuneration to Mr. P. Rama Babu, Managing Director. The actual payment is subject to the approval of the Central Government to whom an application is being made.

ii) **Consent for the appointment of Mr. K. Raghunandan as Deputy Managing Director**

The Board of Directors have appointed Mr. K. Raghunandan as the Deputy Managing Director of the company with effect from 1st February, 2008 for a period of three years and approved payment of remuneration including minimum remuneration as detailed in the Special Resolution below subject to necessary approvals.

As stated above in the case of Mr. P. Rama Babu, the payment of remuneration to Mr. K. Raghunandan in the absence of adequate profits is subject to the approval of the shareholders and the Central Government. The approval of the shareholders is being sought now by way of a Special Resolution through postal ballot for the appointment as well as payment of remuneration, including the payment in the absence of adequate profits.

The explanatory statement stating all material facts and the reasons for the proposals is also appended hereto for your consideration. The Board of Directors have appointed M/s. R. Sridharan & Associates, Practising Company Secretaries as Scrutiniser for conducting the Postal Ballot voting process in a fair and transparent manner.

You are requested to carefully read the instructions printed in the Postal Ballot Form (appended hereto) and return the form duly completed in the attached self addressed, postage prepaid envelope, so as to reach the Scrutiniser **before the closing of working hours on or before 6th March, 2008**. Please note that any Postal Ballot Form(s) received after the said date will be treated as not having been received.

The Scrutiniser will submit his report to the Chairman or Managing Director after completion of the scrutiny and the result of the voting by Postal Ballot will be announced on **7th March, 2008 at 4.00 p.m.** at the Registered Office of the Company at Dare House, Parrys Corner, Chennai- 600 001. The result of the Postal Ballot will also be posted on the Company's website www.eidparry.com besides communication to the Stock Exchanges where the Company's shares are listed.

DRAFT SPECIAL RESOLUTIONS

(1) To consider and, if thought fit, to give assent / dissent to the following resolution as a **Special Resolution** through Postal Ballot:

RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, (including any statutory modification or reenactment thereof for the time being in force) and subject to the approval of the Central Government, consent of the Company be and is hereby accorded for the payment of the following remuneration as minimum remuneration, in the absence of adequate profits in the respective financial years, to Mr.P.Rama Babu, Managing Director of the Company for the period from 1st April, 2007 to 30th April, 2008 (expiry of term of office) as set out below:

i)	Salary	Rs.1,83,255/- per month from 1 st April, 2007 to 30 th June, 2007 and Rs.2,17,525/- per month from 1 st July, 2007
ii)	Allowances and Perquisites	<p>Allowances and perquisites not exceeding 2 times the salary.</p> <p>The actual allowances and perquisites payable will be determined by the Compensation and Nomination Committee.</p> <p>Perquisites shall include provision of furnished / unfurnished accommodation, personal accident insurance, reimbursement of medical expenses incurred for self and family, club subscription, provision of cars as per the rules of the company in force from time to time and any other perquisites, benefits and amenities as may be decided from time to time and approved by the Compensation and Nomination Committee.</p> <p>Perquisites shall be valued in terms of actual expenditure incurred by the company in providing benefit to the employees. However, in cases where the actual amount of expenditure cannot be ascertained with reasonable accuracy (including car provided for official and personal purposes and loans) the perquisites shall be valued as per income tax rules.</p>
iii)	Incentive	Based on the achievement of the performance parameters laid down, an amount not exceeding the annual salary as may be determined by the Compensation and Nomination Committee.
iv)	Retirement Benefits	<p>i. Contribution to Provident Fund, Superannuation Fund and Gratuity as per the approved scheme of the company in force from time to time.</p> <p>ii. Encashment of leave as per rules of the company in force</p>

RESOLVED FURTHER THAT Mr.P. Rama Babu, Managing Director shall also be eligible for the following perquisites which shall not be included in the computation of the ceiling on remuneration;

- Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961;
- Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and
- Encashment of leave at the end of the tenure.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors or the Compensation and Nomination Committee thereof be and is hereby authorised to do all such acts, deeds, matters and things as they may in their absolute discretion deem necessary, expedient, usual and proper in the best interest of the company.

(2) To consider and, if thought fit, to give assent / dissent to the following resolution as a **Special Resolution** through Postal Ballot:

RESOLVED THAT pursuant to Sections 198, 269, 309, 310 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and subject to the approval of the Central Government, consent of the company be and is hereby accorded for the appointment of Mr. K.Raghunandan as Deputy Managing Director of the company for a period of three years with effect from 1st February, 2008 and payment of remuneration in the absence of adequate profits in the respective financial years, as minimum remuneration during the said period as set out below.

i)	Salary	Rs. 1,32,000/- per month in the range of Rs.1,25,000/- to Rs.3,75,000/- . (The increments will be decided by the Compensation and Nomination Committee)
ii)	Allowances and Perquisites	<p>Allowances and perquisites not exceeding 2.5 times the salary.</p> <p>The actual allowances and perquisites payable will be determined by the Compensation and Nomination Committee.</p> <p>Perquisites shall include provision of furnished / unfurnished accommodation , personal accident insurance, reimbursement of medical expenses incurred for self and family, club subscription, provision of cars as per the rules of the company in force from time to time and any other perquisites, benefits and amenities as may be decided from time to time and approved by the Compensation and Nomination Committee.</p> <p>Perquisites shall be valued in terms of actual expenditure incurred by the company in providing benefit to the employees. However, in cases where the actual amount of expenditure cannot be ascertained with reasonable accuracy (including car provided for official and personal purposes and loans) the perquisites shall be valued as per income tax rules.</p>
iii)	Incentive	Based on the achievement of the performance parameters laid down, an amount not exceeding the annual salary as may be determined by the Compensation and Nomination Committee.
iv)	Retirement Benefits	<p>i. Contribution to Provident Fund, Superannuation Fund and Gratuity as per the approved scheme of the company in force from time to time.</p> <p>ii. Encashment of leave as per rules of the company in force</p>
v)	ESOP	Grant of stock options under the Company's ESOP Scheme as may be determined by the Compensation and Nomination Committee from time to time

RESOLVED FURTHER THAT Mr. K. Raghunandan, Deputy Managing Director shall also be eligible for the following perquisites which shall not be included in the computation of the ceiling on remuneration;

- Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961;
- Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and
- Encashment of leave at the end of the tenure.

RESOLVED FURTHER THAT pursuant to the provisions of Sections 198, 269, 309, 310, and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, the consent of the company be and is hereby accorded for the payment of Remuneration not exceeding Rs.4.00 lakhs per month to Mr. K. Raghunandan, Deputy Managing Director during the present tenure pending compliance with the necessary formalities for the payment of above remuneration.

RESOLVED FURTHER THAT consent of the company be and the same is hereby accorded for the Board of Directors to redesignate during the currency of tenure of Mr. K. Raghunandan, Deputy Managing Director with any other designation as they may deem fit with effect from such date as they may consider necessary.

RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolution, the Board/Compensation and Nomination Committee be and are hereby authorised severally to take all such actions and give all such directions or do all such acts, deeds, matters and things as may be necessary in this regard and further to execute all such deeds, documents and writings as may be necessary in this regard.

By Order of the Board
For E.I.D. - Parry (India) Limited

Chennai
24.01.2008

G.JALAJA
Secretary

NOTES:

- Explanatory Statement setting out all material facts as required under Section 173 of the Companies Act, 1956 in respect of special business of the company is appended and forms part of the Notice.
- A Postal Ballot along with prepaid self-addressed envelope is sent herewith. Members are requested to indicate their assent or dissent about the aforesaid business in the Postal Ballot and return the same to the Scrutiniser not later than the close of working hours on **6th March, 2008**. Postal Ballot forms received after this date will be strictly treated as if the reply from the member has not been received.
- The resolutions, if assented to by requisite majority, shall be taken as passed on **7th March, 2008**.

- d) As per Clause 49 of the Listing Agreement with Stock Exchanges, the brief resume and functional expertise of Mr.K.Raghunandan, Deputy Managing Director proposed for appointment are furnished below along with the details of Companies in which he is a Director and the Board Committees of which he is a member.

Mr.K.Raghunandan

Mr.K.Raghunandan (50) holds MS in Chemical Engineering, from IIT, Madras.

He has rich experience in wide areas such as Process, Plant Operations, Sales & Marketing of Farm Inputs, Information Technology, Strategic Planning and Business Development.

He has about 26 years of total experience of which 20 years are in EID Parry.

Details of Shares held by Mr.K.Raghunandan in E.I.D.- Parry :

No. of shares – 1500

Details of other Directorships held by him are as follows:

- i) Silkroad Sugar Private Limited
- ii) Parry Infrastructure Company Private Limited
- iii) Parry Monsanto Seeds Private Limited

Mr. K. Raghunandan does not hold membership in any Committees.

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 173 and 192A of the Companies Act, 1956

Item No.1

Mr.P.Rama Babu was a key member of the Senior Management Team that brought about the transformation of EID Parry through the 80's and 90's. He held several positions in the Personnel division of EID Parry. In 1992, he moved to manage Business operations as Head of the Sugar and related businesses and joined the EID Board as an Executive Director in February 2000 and promoted as Managing Director with effect from 19th January, 2004.

EID Parry under the leadership of Mr.P.Rama Babu, Managing Director became a Sugar Business focussed entity with its fertilisers and sanitaryware businesses being separated into subsidiary/joint venture. This market driven focus has enabled EID Parry to enter into another growth phase under Mr. P.Rama Babu's leadership.

As may be seen below, under his able leadership, the profit after tax of the company for the years 2003-04 to 2006-07 has grown year by year.

Financial Year	Profit after Tax (Rs. in Lakhs)
2003-04	4323
2004-05	10426
2005-06	11584
2006-07	12742

EID Parry is planning to invest about Rs. 700 crore by 2009-10 for various projects to become one of the most profitable integrated Sugar Companies. EID Parry is also in the process of building India's first export oriented stand-alone, port based world scale Sugar Refinery of 1 million tons per year capacity as a Joint Venture with the global major Cargill Sugar.

Mr P. Rama Babu has been actively involved in the Sugar Industry Associations and has been the past President of South Indian Sugar Mills Association, Tamil Nadu and was the President of Indian Sugar Mills Association, New Delhi during 2007.

As per Sub-clause (C) of Section II of Part II of Schedule XIII of the Companies Act, 1956, for payment of remuneration in excess of Rs.4.00 lakhs per month for managerial person by the companies having inadequate profits requires disclosure of certain information including the reason for inadequacy of profits to the shareholders and also the approval of the Shareholders by a Special Resolution. The continued low selling price of sugar both in domestic and international markets, the impact of the significant rupee appreciation in the recent period making exports unattractive coupled with high inventory carrying cost and other relevant factors have adversely affected the profits of the company for the financial year 2007-08 which is expected to continue in the following year. Accordingly, it is expected that the profits of the company may be inadequate to pay the aforesaid remuneration to Mr. P. Rama Babu, Managing Director of the company in the respective financial years.

Considering his key role in the turnaround of EID Parry and later in the growth of the company in terms of turnover and profits and keeping in view of the requirement to maintain the compensation levels in line with the industry standards for Mr.P.Rama Babu, who is the Managing Director, the Compensation and Nomination Committee at its meeting held on 24th January, 2008 approved the minimum remuneration payable to him which was also approved by the Board of Directors at their meeting held on 24th January, 2008. The remuneration is subject to the approval of the Central Government for which the company is making an application.

Mr. P. Rama Babu, Managing Director, will not be entitled to any sitting fees for attending meetings of the Board or of any Committee thereof.

Accordingly, the said special resolution for payment of the minimum remuneration to Mr.P.Rama Babu, Managing Director for the period from 1st April, 2007 to 30th April, 2008, is placed before the shareholders for approval.

The details of the remuneration as set out in the resolution may be regarded as an abstract of the terms and conditions and memorandum of concern or interest for the purpose of Section 302 of the Companies Act, 1956 and the requirements of the said Act may be deemed to have been sufficiently complied with.

Mr. P. Rama Babu, Managing Director is interested or concerned in the Resolution. No other Director is interested or concerned in the Resolution.

Item No.2

Mr. K. Raghunandan, a Chemical Engineer and MS from IIT, Madras worked in ICI Group of Companies before moving to EID Parry and now is the President of Sugar Division of E.I.D.-Parry (India) Limited. He has around 20 years of experience in EID Parry in Process, Plant Operations, Sales & Marketing of Farm Inputs, Information Technology, Strategic Planning and Business Development.

Mr.K.Raghunandan heads the sugar operations of the company. He is also responsible for achieving the growth plans of the company by implementation of major capex programmes which are under progress.

The term of office of Mr. P. Rama Babu, Managing Director is due to expire on 30th April, 2008. Taking this into account and as part of the succession plan, the Board of Directors have appointed Mr. K. Raghunandan as Deputy Managing Director of the company with effect from 1st February, 2008.

The Company's sugar plants are situated at Nellikuppam, Pugalur, Pettavaittalai, and Pudukottai, all in the State of Tamil Nadu and Ariyur in Puducherry. Out of the 5 plants co-generation plants are located at Nellikuppam, Pudukottai and Pugalur. Another co-generation plant is coming up at Pettavaittalai. The company is also planning to set up new distilleries at Pudukottai and Sivaganga. Besides, the company is investing in the equity of Silkroad Sugar Private Ltd., a joint venture with Cargill Asia Pacific Holdings PTE Ltd., for setting up a Sugar Refinery at Kakinada, Andhra Pradesh. All these expansion and new plants involve heavy capital expenditure proposals for which the company is planning to invest about Rs. 700 crore by 2009-10 to become one of the most profitable integrated Sugar Companies. Mr.K.Raghunandan will be responsible for implementing these growth plans.

As per Sub-clause (C) of Section II of Part II of Schedule XIII of the Companies Act, 1956, for payment of remuneration in excess of Rs.4.00 lakhs per month for managerial person by the companies having inadequate profits requires disclosure of certain information including the reason for inadequacy of profits to the shareholders and also the approval of the Shareholders by a Special Resolution. The continued low selling price of sugar both in domestic and international markets, the impact of the significant rupee appreciation in the recent period making exports unattractive coupled with high inventory carrying cost and other relevant factors have adversely affected the profits of the company for the financial year 2007-08 which is expected to continue in the following year. Accordingly, it is expected that the profits of the company may be inadequate to pay the aforesaid remuneration to Mr.K. Raghunandan, Deputy Managing Director of the company in the respective financial years.

Taking in to account the current compensation levels prevailing in the sugar industry and in order to compensate the additional responsibility on him, the Compensation and Nomination Committee taking into account the above profitability of the company for the earlier years and also considering the inadequacy of profits, at its meeting held on 24th January, 2008 approved the minimum remuneration payable to Mr. K. Raghunandan. This was also approved by the Board of Directors at their meeting held on 24th January, 2008. The remuneration is subject to the approval of the Central Government for which the company is making an application.

Mr. K. Raghunandan, on assuming the office of Deputy Managing Director, will not be entitled to any sitting fees for attending meetings of the Board or of any Committee thereof.

Accordingly, the said special resolution for the appointment and payment of the minimum remuneration to Mr.K.Raghunandan, Deputy Managing Director is placed before the shareholders for approval.

The details of the appointment and remuneration as set out in the resolution may be regarded as an abstract of the terms and conditions and memorandum of concern or interest for the purpose of Section 302 of the Companies Act, 1956 and the requirements of the said Act may be deemed to have been sufficiently complied with.

Mr. K. Raghunandan, Deputy Managing Director is interested or concerned in the Resolution.

No other Director is interested or concerned in the Resolution.

Statement Containing Required Information as Per Category C of Part II of Section II of Schedule XIII of the Companies Act, 1956 for Item Nos.1&2

General Information:

Nature of Industry:

Sugar industry. The company is also in the businesses of Bio pesticides and Nutraceuticals.

Date of commencement of Commercial production:

The Company was incorporated on 22nd September, 1975 and obtained its Certificate of Commencement of Business on 20th November, 1975. The Company is engaged in the sugar business since then.

Financial performance based on given indicators:

(Rs. in Lakhs)

Particulars	2006 / 07	2005 / 06	2004 / 05
Gross Income	73869	103044	81913
Profit before Tax	17033	14112	12726
Profit after Tax	12742	11584	10426
Networth	53005	47939	40850
Dividend on Equity (%)	295	225	125

As per the published unaudited financial results for the nine month period ended 31st December, 2007 total income was Rs.49518 lakhs with a net loss of Rs.5448 lakhs.

Export performance and net Foreign exchange collaborations:

FOB value of the Company's exports during the year 2006/07 was Rs.3273 lakhs and other income (Despatch money) of Rs.40 lakhs

Foreign Investments or collaborators, if any:

The current foreign holding in the share capital of the company is as under:

Foreign Holding	Number of Shares	Percentage Holding
Global Depository Receipts	2345965	2.63
Foreign Institutional Investors	14746840	16.52
Total	17092805	19.15

Information about the appointees:

a) Mr.P.Rama Babu

Background details:

Mr. P. Rama Babu (59) holds a Masters degree in Social Work and Labour Welfare. He joined E.I.D.- Parry (India) Limited (EID Parry) in February 1983. He extended his varied experience in turning around companies to EID Parry. He was a key member of the Senior Management Team that brought about the transformation of EID Parry through the 80's and 90's.

He went on to become the Head of Personnel and was involved in mergers, acquisitions and disinvestments as EID Parry moved from red to black and into a growth phase. In the year 1992, the Company recognising his vast experience in managing people asked him to move to manage Business operations as Head of the Sugar and related Businesses of EID Parry.

Over the next 10 years he led the Sugar Division through an outstanding growth phase with the turnover moving from Rs. 40 crore to Rs. 400 crore - a ten fold increase, from one factory to four, even as every aspect of productivity was improved.

He was appointed to the Board of EID Parry in 2000, and was promoted as Managing Director in January 2004.

He serves as a Director on the Board of Sugar Processing Research Institute, Louisiana (USA).

He has been actively involved in the Industry Associations and has been the past President of SISMA (South Indian Sugar Mills Association) Tamil Nadu, and ISMA (Indian Sugar Mills Association), New Delhi.

He is also a member on several professional bodies.

Past remuneration:

Mr. P. Rama Babu was drawing an aggregate annual remuneration of Rs. 94.95 lakhs.

Job profile and suitability:

Mr. P. Rama Babu has been serving the company for more than 2 decades and as a member of the Senior Management Team brought about the transformation of EID Parry through the 80's and 90's. EID Parry under the leadership of Mr.P.Rama Babu, Managing Director expanded rapidly. From a single factory in Nellikuppam, it has now 5 factories out of which 3 factories are integrated sugar complexes. EID Parry under his leadership became a Sugar Business focussed entity and the market driven focus has allowed EID Parry to enter into another growth phase. With the proposed investments for expansion and new projects aggregating to Rs. 700 crore, EID Parry is expected to register growth, both in topline and bottomline.

Remuneration proposed:

The terms of remuneration proposed are detailed in the resolution

Comparative remuneration profile with respect to industry, size of the company, profile of the position and person:

The proposed remuneration is not commensurate with his experience and responsibility and significantly below par with the industry levels while compared to the salaries and incentives paid to the Managing Directors of companies of similar size.

Pecuniary relationship directly/indirectly with the company or managerial personnel if any:

Mr.P.Rama Babu has no pecuniary relationship directly or indirectly with the company or its managerial personnel other than his remuneration in the capacity of a Managing Director and the shares held by him in the company.

Other Information

Reasons of loss or inadequate profits

- i) Sugar is an essential commodity. As a result, today regulations influence almost the entire value chain including land demarcation, sugarcane price, sugarcane procurement, sugar production and sale of sugar by mills in domestic and international markets. With the cost of production being more than the selling price the company is incurring heavy losses.
- ii) Sugar production in India is seasonal and there could be steep spurts or declines in output. The production and stock levels, in turn, have a bearing on sugar prices. Sugar prices have been declining for over 12 months, primarily due to the build-up of higher stock levels in the domestic and global markets. Domestic sugar production is expected to be high in the current year (2007-08) as well, at about 28 million tonnes, further enhancing the stock levels and keeping sugar prices largely depressed. A large number of mills have reported losses for most part of 2007.
- iii) The Indian Sugar Industry is passing through a difficult period arising essentially out of a mismatch between sugar cane prices and sugar prices. The sugar cane price has increased sharply having risen by approximately 16% in the last two years, while sugar price has declined by 20% in this period. This has adversely impacted the profitability.

Steps taken or proposed to be taken for improvement

EID Parry's profitability in the sugar business continues to be governed by regulatory risks. Recognising the above, EID Parry has embarked on a forward integration programme envisaging increased cogeneration of power and manufacture of alcohol. The company's capex plan focuses on increasing capacities in each of the businesses and integrating them. EID Parry is planning to increase its sugarcane crushing capacity to 19,500 tcd (from 16300 tcd) to improve the operational efficiency, cogeneration capacity to 90.5 MW (from 64.5 MW), and distillery capacity to 200 klpd (from 40 klpd). It is also taking initiatives to straddle the entire value chain of the distillery segment – from industrial alcohol, and rectified spirit, to extra neutral alcohol (ENA) and fuel ethanol. These initiatives are expected to enable EID Parry to improve the profitability and also reduce dependence on sugar and mitigate the impact of cyclicity of sugar.

The power and distillery businesses offer higher and stable returns on capital employed as compared with the sugar business, and thus mitigate the cyclicity inherent to the sugar business.

The company will continue to represent to the State Government the need to pass on required support to the Sugar industry.

Expected increase in productivity and profits in measurable terms

The sugar industry follows a cyclical trend and the sales realisation is expected to improve in the short / medium term. This should provide the company an improvement in overall profitability.

The above steps taken by the company will help lessen the impact of weak sugar cycles and provide some stability to operating profitability.

b) Mr.K.Raghunandan

Background details:

Mr. K. Raghunandan (50) is a Chemical Engineer and MS from IIT, Madras. He worked in ICI Group of Companies before moving to Murugappa Group and currently is President of Sugar Division of E.I.D.-Parry (India) Limited. He has around 20 years of experience in EID Parry in Process, Plant Operations, Sales & Marketing of Farm Inputs, Information Technology, Strategic Planning and Business Development. He oversees the sugar operations of the Company. He has been appointed as Deputy Managing Director with effect from 1st February, 2008 and will be taking over as Managing Director from Mr.P.Rama Babu on his retirement on 30th April, 2008.

Past remuneration:

Mr. K. Raghunandan, as President (Sugar) was drawing an aggregate annual remuneration of Rs. 52.89 lakhs.

Job profile and suitability:

Mr. K. Raghunandan, Deputy Managing Director, will have the heavy responsibility of managing 5 sugar factories of which 3 are integrated sugar complexes under the superintendence control and direction of the Board of Directors. His rich experience of about 20 years in the various divisions of EID Parry will enable him to discharge his functions and responsibilities as the Deputy Managing Director of the Company more efficiently and effectively.

Remuneration proposed:

The terms of remuneration proposed are detailed in the resolution

Comparative remuneration profile with respect to industry, size of the company, profile of the position and person:

The proposed remuneration is much below the prevailing remuneration profile in the industry of similar size for similarly placed persons.

Pecuniary relationship directly/indirectly with the company or managerial personnel if any:

Mr. K. Raghunandan has no pecuniary relationship directly or indirectly with the company or its managerial personnel other than his remuneration in the capacity of a Deputy Managing Director and the shares held by him in the company.

Other Information**Reasons of loss or inadequate profits**

- i) Sugar is an essential commodity. As a result, today regulations influence almost the entire value chain including land demarcation, sugarcane price, sugarcane procurement, sugar production and sale of sugar by mills in domestic and international markets. With the cost of production being more than the selling price the company is incurring heavy losses.
- ii) Sugar production in India is seasonal and there could be steep spurts or declines in output. The production and stock levels, in turn, have a bearing on sugar prices. Sugar prices have been declining for over 12 months, primarily due to the build-up of higher stock levels in the domestic and global markets. Domestic sugar production is expected to be high in the current year (2007-08) as well, at about 28 million tonnes, further enhancing the stock levels and keeping sugar prices largely depressed. A large number of mills have reported losses for most part of 2007.
- iii) The Indian Sugar Industry is passing through a difficult period arising essentially out of a mismatch between sugar cane prices and sugar prices. The sugar cane price has increased sharply having risen by approximately 16% in the last two years, while sugar price has declined by 20% in this period. This has adversely impacted the profitability.

Steps taken or proposed to be taken for improvement

EID Parry's profitability in the sugar business continues to be governed by regulatory risks. Recognising the above, EID Parry has embarked on a forward integration programme envisaging increased cogeneration of power and manufacture of alcohol. The company's capex plan focuses on increasing capacities in each of the businesses and integrating them. EID Parry is planning to increase its sugarcane crushing capacity to 19,500 tcd (from 16300 tcd) to improve the operational efficiency, cogeneration capacity to 90.5 MW (from 64.5 MW), and distillery capacity to 200 klpd (from 40 klpd). It is also taking initiatives to straddle the entire value chain of the distillery segment – from industrial alcohol, and rectified spirit, to extra neutral alcohol (ENA) and fuel ethanol. These initiatives are expected to enable EID Parry to improve the profitability and also reduce dependence on sugar and mitigate the impact of cyclicity of sugar.

The power and distillery businesses offer higher and stable returns on capital employed as compared with the sugar business, and thus mitigate the cyclicity inherent to the sugar business.

The company will continue to represent to the State Government the need to pass on required support to the Sugar industry.

Expected increase in productivity and profits in measurable terms

The sugar industry follows a cyclical trend and the sales realisation is expected to improve in the short / medium term. This should provide the company an improvement in overall profitability.

The above steps taken by the company will help lessen the impact of weak sugar cycles and provide some stability to operating profitability.