

Wednesday, the 27th July, 2011, at 4:00pm
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 Sixth Annual General Meeting of your Company.

Looking at the economic scenario, as per the estimates for GDP growth, though India's economic performance in Q4, 2010-11 is still decent at 7.8%, an unmistakable downward trend is visible. Quarterly growth estimates show that GDP growth rate has come down from 9.3% in Q1, 2010-11 to 7.8% in Q4, 2010-11. The performance of the Agriculture and Allied activities in the 4th quarter has been particularly strong at 7.5%. The key risks to growth in India in the current year are the negative impact of continuous tightening of monetary policy by RBI and a slow down in global growth due to higher international oil prices.

Relating to agriculture, the key issues we need to address are Soil Health, Farm Mechanization, R & D in Farm Technology and Irrigation. The major risks faced by sugar business are cane availability, harvesting labour, Government regulations, linkage of sugar price to sugar cane price and capacity utilisation of plants.

At E.I.D-Parry, we have always considered soil health, mechanization, focused R & D and crop protection as our responsibilities in partnering the farmer through the harvest cycle. The company provides agronomic support through its cane extension teams with a focus on training farmers on scientific applications and farming methodologies. The company has been working continuously to increase the effectiveness of its unique concept of Namadhu Parry Mayyam (NPM), a service hub for farmers. Here, a local entrepreneur, usually a sugarcane farmer, is trained to become a Namadhu Parry Mayyam operator.

The company provides agri inputs as well as extends interest free loans to these operators for buying high end farm equipment, which in turn is hired out to small farmers who are unable to afford such sophisticated equipment. This helps mechanise farm services, accelerate sugarcane harvesting and save costs on manual labour, which is becoming increasingly expensive. The NPM also assumes a multi-dimensional role of an Information and Knowledge Centre besides being an agri clinic disseminating information on improving soil health, increasing yield and profitability of the cane growers.

For enhancing the productivity of the farming community, the company's largest subsidiary, Coromandel International has also been playing a significant role. Besides improving overall productivity by supplying the fertilizer and pesticides requirements of the farming community, they also offer agri support services. Coromandel International, through their retail Mana Gromor centres have been providing extensive products and services to the farming community.

Industry outlook

Let me briefly take you through the developments in the sugar industry in the year 2010-11.

Indian sugar industry is one of the main drivers of the country's rural economy supporting its agricultural growth. The industry worth around Rs.75,000/- crores is the largest agro based industry in the country. Located in the rural heartland, it supports 50 million farmers and their families directly or indirectly and generates employment for around 12% of the entire rural population (in major nine sugar producing States). With an estimated annual sugar production capacity of 30 million tons from around 5 million hectares of land under cultivation, it is also one of the most environmentally friendly and green industry.

Sugarcane is bought by the sugar mills directly from farmers without any middlemen. In the last sugar season 2009-10, approximately Rs.45,000 crores was paid to farmers as cane price. This year, it is expected to rise to about Rs.51,000 crores. However, the sector unfortunately continues to suffer the burden of excessive controls and regulations far in excess of those imposed on any other sector in agriculture or industry.

In 2009 / 10, Indian sugar production started recovering from an unprecedented fall of 11.7 Million MT or 45% in 2008/09. The recovery continued in 2010 / 11 season also and as per ICRA report India's Sugar output is likely to reach 24.50 Million MT as against 18.92 Million MT in previous sugar year.

There is a persistent downward trend in domestic sugar price for most part of the year 2010-11 and despite high international prices. In the last two months, the Government has come out releasing 1 Million MT of sugar to export in tranches under OGL. This has slightly improved the sentiments on sugar prices in the recent past.

Performance

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

I would now briefly touch upon the business wise performance.

Sugar

During the year, the Company crushed 28.36 LMT of cane (previous year 25.46 LMT), exported 3147 lakh units (2572 lakh units) of power to the Grid and sold 275.05 lakh litres (162.81 lakh litres) of alcohol {(including the ENA sales of 162 lakh litres) (117.44 lakh litres)}.

In terms of revenue, Sugar division registered a revenue of Rs.1197 crore (Rs.1134 crore) for the year 2010/11 with a net loss before interest of Rs.51 crore (profit of Rs.176 crore). This is due to steep fall in sugar sale realization in 2010-11 coupled with one time loss incurred on our imported sugar which was contracted at a higher cost.

Bio products

- **Bio Pesticides** - The Bio Pesticides division registered revenue of Rs.58.39 crores (Rs.36.26 crores) showing a growth of 61% and a PBIT of Rs.11.49 crores (Rs.5.61

crores). The sales increased due to higher demand for formulation, Home and Garden segments in US and Europe. Expansion to new crop and markets with new products and increased manpower had contributed to increase sale in domestic market.

- **Nutraceuticals** - The Nutraceuticals division clocked revenue of Rs.43.93 crores (Rs.37.47 crores) growth of 17% and a PBIT of Rs.1.18 crores. The Nutraceuticals products continued to grow in all the markets and are currently exported to over 38 countries with Certified Organic Spirulina continuing to outperform competition in its segment. This division is gearing to exploit the opportunities available for positioning itself as a key player in the segment.

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.

Joint Venture

During the financial year ended 31st March 2011, the joint venture entity viz. Silkroad Sugar Private Ltd., commenced commercial production. However, supply of gas is an area of concern and maximum efforts are put in for ensuring continuous supply of gas. With a capacity of 2000 tons of refined sugar production per day and with a 35 MW Co-Generation Plant, this refinery will be among the largest in the South Asian region. However, operating at a low-level of capacity utilization due to inadequate gas supply, the Company faces a challenging situation.

Acquisitions

As part of the growth strategy for the Sugar business, the company acquired 65% equity stake in the equity capital of M/s. Parry's Sugar Industries Ltd. (PSIL) (previously known as M/s. GMR Industries Ltd.) after complying with all formalities relating to open offer under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997 to the shareholders of PSIL.

Overall

E.I.D-Parry registered a total income of Rs.1435.50 crores with a Profit Before Tax (PBT) of Rs.67.40 crores.

Dividend

For the year, an interim dividend of Rs.2(200%) per equity share of Re.1 each was paid in March, 2011.

The Board has not recommended final dividend for the year ended 31st March, 2011.

Managing Director

Mr. Ravindra S.Singhvi, who joined the company as Chief Executive Officer in December, 2010 took over as Managing Director effective from 29th January, 2011, consequent to Mr.K. Raghunandan stepping down as Managing Director and from the Board with effect from 28th January, 2011.

Sub Division of Shares

In order to further improve liquidity of shares, widen the shareholder base and to make the shares affordable for smaller investors, the nominal value of equity shares were sub divided from Rs.2 per share to Re.1 per share with effect from 24th December, 2010 after obtaining the approval of shareholders through postal ballot.

Rating

During the earlier part of the year, rating agency CRISIL had reaffirmed Long-term Debt rating to AA/Stable outlook post acquisition of Parys Sugar Industries Ltd. It had reaffirmed P1+ rating for short-term borrowings. CRISIL has now retained the same rating for the proposed bank facilities as per BASEL II requirements.

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 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.

Thank you,

A.VELLAYAN
Chairman

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