



**Speech Delivered by Mr. A. Vellayan, Chairman
at the 38th Annual General Meeting of the Shareholders of
E.I.D. – Parry (India) Limited**

**Tuesday, the 30th July, 2013, 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 Eighth Annual General Meeting of your Company E.I.D.- Parry (India) Limited.

The financial year 2012-13 has indeed been a year of many challenges. The macro economic fundamentals have been subdued and was impacted by the slow pace of structural reforms which has dampened the investment climate and its economic performance. Fiscal deficit, inflation and volatile exchange rates have all been factors contributing to the downward pressure on India's' economy. The last year was a challenging one for the entire agricultural sector and the sugar industry which were buffeted by headwinds from the economic slowdown, erratic monsoon and the rising prices of raw materials/rupee depreciation. Overall, the world economic scenario continues to cause both uncertainty and concern.

Economic Scenario

Indian Economy

Now I would like to brief you on the Indian Economic Situation in 2012. The Indian economy started off in 2012 with a lot of promise continuing the high growth of the previous years. However, weaker currency, higher domestic inflation, high interest rates, weak external demand and risk adverse sentiments have prevented the emerging and developing economies from returning back to a higher growth trajectory. Compared to 6.5 percent in 2011-12, the Indian economy growth was pitted at around 5 percent in 2012-13, the lowest growth in GDP witnessed in the last one decade. The twin deficits of fiscal and current account are the main causes for concern. There was an all round decline in growth of all the sectors – Agriculture declined from 3.60% to 1.90% in 2012-13 as compared to 2.90% growth during corresponding period of previous year.

Sugar Industry Overview

World sugar production is expected to outpace consumption in 2012-13 for the third year in a row. Brazil, the top producer, would record a massive recovery under normal weather to boost the global surplus. Weighed by supply overhang, sugar prices have been caught in the dilemma of continuous climb down. Leading trade houses and commodity analysts in the global arena have in this macro scenario predicted the bearish trends in world sugar prices to persist in the near term. As a result, we are now over-burdened with huge sugar stocks hitting a 5 year high mark with little scope for its liquidation at the current juncture where

export price parity is negative. As expected, domestic sugar prices have crumbled and continue to remain subdued. Meantime, sugarcane prices have been hiked significantly both by the Centre and State. As a result, sugar margins have got stridently squeezed and turned strikingly negative for most producers. There have been a marked slowdown of growth in the soft drink segment due to early monsoon in addition to price pressure.

With the general elections round the corner, the chances of cane prices further getting increased is high. This will further impact the profitability.

Sugar Decontrol : Based on the recommendations of Dr C Rangarajan Committee, CCEA decided to do away with levy obligation for sugar produced from October 2012. While Government would continue with PDS sugar for BPL families, the subsidy burden would henceforth shift from the industry to the Government. Further, sugar release mechanism has been dismantled to confer greater freedom on industry for managing its cash flows. The decontrol is the first step in the right direction which would serve the growing needs of the millions who are dependent on this industry. The reforms have conscientiously covered the sugar-side in a comprehensive and conclusive manner but consciously shied away from addressing the sugarcane-side. It is however imperative that a long term formula on cane price with linkage to revenues from sugar and its by-products is evolved soon to decisively address the cyclicity in sugar production and build a long term relationship between the industry and the cane farmers.

The new methodology of ethanol pricing which is market related through tendering process would result in millers realizing market related realizations. However the prices offered by the Oil Marketing Companies are way below the international prices.

In the above scenario, the Company's focus area would, among other initiatives, be to improve the recovery percentage, enhance operational efficiencies, reduce costs wherever possible and creating values for its other products.

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. During the year the company focused on consolidating and integrating its operations of Haliyal and Sankili units following its merger with the Company.

Sugar

During the year, the Company crushed 65 Lakh MT of sugar cane (including merged units of Haliyal and Sankili) and the recovery of sugar was at 9.23% owing to better quality of sugarcane crop.

Power generation was at 6,534 Lakh units and the company exported 4100 Lakh units of power during the year.

Industrial Alcohol/ENA production was higher at 654 Lakh Litre, an increase of 64% over the previous year on account of increased efficiencies of production in Sivaganga distillery as well as integration of Haliyal and Sankili units.

In terms of Revenue, Sugar division registered revenue of Rs.1879 crore for the year 2012-13 as against Rs.1437 crore in the previous year. The EBITDA during the year 2012-13 was Rs.159 crore as against Rs.58 crore for the previous year.

Bio products

1. Bio Pesticides

The Bio Pesticides division registered revenue of Rs.73.21crore (previous year Rs.76.28 crore) and an EBITDA of Rs.16.78 crore (Rs.14.88 crore). Sale of technical to USA achieved an impressive growth of 25% over the previous year. Production of Tehnical Aza was 10141 kgs, the highest ever in a year.

2. Nutraceuticals

The Nutraceuticals division clocked revenue of Rs.57.31 crore (previous year Rs. 43.59 crore) and an EBITDA of Rs.1.13 crore (previous year Rs.1.30 crore). Around 76% represents exports. Our premium Organic Spirulina continues to outperform competition in its segment and sales during the year had grown over 31% in comparison with the previous year.

The company is pursuing the ethical marketing route in the domestic market for creating awareness and acceptance of the nutraceutical products, considering that the use of Nutraceutical products still depend on doctors recommendation.

Coromandel International Limited

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

Parrys Sugar Industries Limited

Pursuant to the scheme of approval by the High Courts of Karnataka and Madras, Haliyal and Sankili unit of Parrys Sugar and Industries Limited got merged with our Company effective April 1, 2012.

Silkroad Sugar Private Ltd.

Silkroad Sugar Private Ltd., became a subsidiary after the Company purchased the entire shareholding of Cargill Asia Pacific Holdings Pte Ltd, its joint venture partner. Silkroad is implementing a project for coal fired boiler. The installation is expected to be completed by March 2014/April 2014.

Dividend

For the year, an interim dividend of Rs. 6/- (600%) per equity share of Re.1/- each was paid in March, 2013.

The Board has not recommended final dividend for the year ended 31st March, 2013.

Mr. R A Savor is retiring from the Board. Mr. Savor was associated with the Company for around a decade and has immensely contributed throughout his tenure. The Board wishes to place on record its sincere appreciation for his valuable contribution to the growth of the Company.

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.