



Speech

by

Mr. A Vellayan, Chairman

at the 39th 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 Thirty Ninth Annual General Meeting of E.I.D.- Parry (India) Limited.

Indian Economy

At the outset I would like to briefly talk about the Indian economic scenario in 2013/14 and in particular about the agriculture sector. The financial year 2013-14 has been a year of many challenges as in 2012/13. A combination of high inflation, tight liquidity, low growth and large current account deficit adversely impacted the Indian economy. The GDP growth was only 4.7% compared with 4.5% in 2012-13 and for the first time in 25 years, the economy has recorded two successive years of sub-5% growth. The South-west monsoon in 2013-14 was one of the best experienced in the recent years and positively influenced the Kharif season. However, the start of 2014-15 monsoon has been weak with delayed onset of monsoon. This delayed onset has resulted in the country receiving 35% deficient rainfall upto July 16th and this will impact the sowing levels, patterns and nutrient application levels.



With the new Government in place at the Centre with an absolute majority, there has been all round positive improvement in sentiments. The new government's budget has given thrust to agriculture with budget allocation for better technology, irrigation, improving soil health by improving the nutrients, facilities through NABARD, etc. Thrust on improving infrastructure, new ports, assurance on doing way with retrospective taxation, opening up FDI will help in making India a good investment destination. Thus there is a clear long term growth agenda and I am optimistic that the economy will be back on track.

Sugar Industry Overview

Let me now move on to Sugar, which is the most significant business of EID Parry. FAO estimated the world sugar production at 180.2 million tonnes for 2013/14 season, with near flat growth over previous season. With a net surplus situation, the international sugar prices remained muted. India also had a similar pattern with supply outpacing demand resulting in surplus stock situation. The industry was looking at export opportunities but found it economically unviable. Considering the lower import duty structure

on sugar coupled with unrealistic cane price announced by some of the state governments not in sync with the realization, there was no margin on exports. With muted sugar prices in the domestic market and unviable exports, the industry faced a severe liquidity crisis resulting in mounting cane price arrears.

For reviving the sinking sugar industry, GOI has taken several initiatives. In December 2013, the Cabinet Committee on Economic Affairs cleared the norms for Rs.6,600 Crores of interest-free loans to the sugar industry to enable the sugar manufacturers to pay off sugarcane arrears to farmers. Under this scheme, interest subvention up to 12 percent or at actual rate charged, whichever is less was provided to sugar mills for five years. This has been a great relief, as mills were able to clear part of the farmers' arrears and also have some respite on interest burden. Other initiatives include introduction of subsidy of Rs.3300 per MT of raw sugar exports and proposed hike in import duty of raw sugar from 15% to 40%. Though these measures may provide some respite to the ailing sugar industry in the short-term, the real turnaround of the Indian Sugar industry will depend much on the full implementation of a National Sugar Policy.

National Sugar Policy

The National Sugar Policy must enable sugarcane pricing to be linked to the market price of sugar and by products; stabilize sugar prices through a common stock mechanism; enhance cane production through public-private R & D partnerships; progressively increase ethanol blending in petrol to at least 10% and allow mills to export power on open access basis.

Performance

The Company's performance during 2013/14 has been discussed at length in the Management Discussion and Analysis Report. The company registered a total income of Rs. 1943.19 cr (Rs. 2099.78 cr) and an EBITDA of Rs. 262.37 cr (Rs. 605.62 cr) on a standalone basis. At the PBT level, the company registered a loss of Rs 31.10 cr (Profit of Rs.361.07 cr). On account of the adverse performance, the Board has not recommended any dividend for 2013/14.

Sugar

The sugar division achieved a crushing of 48 lakh MT of sugarcane in FY 2013-14 as against 65 lakh MT crushed last year. The sugar mills at Tamil Nadu and Pondicherry crushed 31 lakh MT of cane; a decline over last year's 53 lakh MT. This was mainly on account of poor weather and drought conditions in Tamil Nadu. Recovery remained almost on par with last year at 9% levels. Karnataka and Andhra Pradesh plants together crushed 17 lakh MT's in 2013-14 at an average recovery of 11.38% as against 12 lakh MT's at 10.35% last year. Cane crushed by Karnataka plants in 2013/14 includes 6 lakh MT by Bagalkot unit. While the performance of distillery and power resulted in positive EBITDA, the company's results were adversely affected by the sugar operations consequent to high cost of production and lower realization. The EBITDA for the year 2013-14 was Rs 83.23 cr compared to Rs 256.22 cr in 2012-13.

The major factors affecting the performance have been the lower cane crushed consequent to drought conditions particularly in Tamil Nadu, muted sugar prices in the second half of the financial year and cane price announcements by the State Governments unrelated to the sugar price. The Company, as Member

of SISMA, has been in discussion with the State Government of Tamilnadu and Karnataka and is hoping for an earlier resolution to the vexing problem of cane price fixation. The industry clearly needs a permanent solution to the cane price fixation. A revenue sharing formula on the lines of recommendations of Rangarajan Committee will be a win-win for the farmers and the industry in the long run.

Bio pesticides

The division performed well during 2013-14. The sale of Neemazal registered a growth of 43% over 2012-13. Export sale of Neemazal technical registered a growth of 22%. In the domestic market, Naamazal T/s and Neemazal F formulations recorded an impressive growth of 400% over 2012-13. The EBITDA for the year 2013-14 was Rs 23.83 cr compared to Rs 16.78 cr in 2012-13.

Nutraceuticals

In 2013-14, the the division's turnover was Rs. 69.30 cr, registering a growth of 21% over 2012-13. The EBITDA for the year 2013-14 was Rs. 6.45 cr compared to Rs 1.13 cr in 2012-13. Our Premium organic spirulina continued to outperform competition. In order to



focus on its ingredients business, the company exited from OTC/OTX product range.

Consolidation of Sugar business

As you are aware, the Sankili Unit and Haliyal Unit, part of Parrys Sugar Industries Ltd, (PSIL) were merged with EID Parry during 2012-13. The operations of these two units have been fully integrated with EID Parry during 2013-14.

Sadashiva Sugar Ltd., a wholly owned subsidiary merged with EID Parry effective 1st April 2013. With this merger, the company has two sugar factories besides a leased sugar factory through its subsidiary, PSIL, in North Karnataka, a high recovery zone.

Subsidiary Companies

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

Coromandel International Ltd

Coromandel's overall financial performance for the year 2013-14 has been good. The company leveraged the good monsoon and its complete portfolio of agri-inputs comprising of fertilizers, crop protection and



specialty to register robust performance growth. The company has expanded its retail footprint in Andhra Pradesh & Karnataka and improved its performance by growing the non-fertilizer segment thereby registering profitable growth over previous year.

The total revenue for 2013-14 stood at Rs 9442 crore with a PBT of Rs 494 crore.

The Board had recommended a dividend of Rs.4.50 per share of Rs.1/- each which has been approved by the shareholders at the AGM held on 23rd July '14.

Parrys Sugar Industries Ltd

PSIL'S Ramdurg Unit operated at full capacity and crushed a total 4.95 Lakh tonnes during 2013-14 as compared to 5.74 lakh tonnes in the previous year.

This was mainly due to the delay in start of the crushing operations resulting from the uncertainty surrounding cane price. The average recovery was higher at 11.80% as compared to 10.98% during the previous year. The total revenue for 2013-14 stood at Rs 172.53 crore with a Loss of Rs. 36.04 crore.



Parry Phytoremedies Private Ltd

The total revenue for 2013-14 stood at Rs 12.72 crore with a Loss of Rs. 5.75 crore.

Overseas Subsidiaries

US Nutraceuticals LLC (Valensa) earned an income of US\$ 20,770 thousand with a PAT of US\$ 820 thousand.

Parry America Inc reported an income of US\$ 7671 thousand with a PAT of US\$ 342 thousand.

Developments in 2014/15

Acquisition of Alimtec S.A.

As part of creating value in the Nutraceuticals business, in April '14, EID Parry acquired 100% stake in Alimtec S.A. . Chile, a subsidiary of the Bayer AG. This acquisition will provide raw material security to our US subsidiary, Valensa International.

Silkroad Sugar Private Ltd.

I am happy to inform you that with the commissioning of the coal fired boiler, at the sugar refinery in Kakinada, Silkroad Sugar Private Limited has commenced operations this month.



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 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.