



**Speech**

**by**

**Mr. V. Ravichandran, Chairman**

**at the 43<sup>rd</sup> Annual General Meeting**

**on**

**August 8, 2018**

**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 this Forty Third Annual General Meeting of E.I.D.-Parry (India) Limited. This is my maiden speech after assuming the office of Chairman, taking over the reins from Mr. A. Vellayan. I would like to convey my sincere thanks and gratitude to Mr A. Vellayan under whose guidance and vision, EID Parry has become one of the leading sugar producers in the country, having facilities spanning across several states.

It is indeed an honour and privilege to share my thoughts with you.

## **Economy**

The year 2017 was marked by a number of key structural initiatives to build strength across macro-economic parameters for sustainable growth in the future. The growth in the first half of the year suffered despite global tailwinds. However, the weakness seen at the beginning of 2017 bottomed out as 2018 set in. It is believed that India's economic outlook which remained promising in FY17-18 is expected to strengthen further in FY18-19. The biggest challenges for 2018 are as to how the economy can maintain its recovery in the face of increasing inflationary pressures, coupled with a higher fiscal deficit as well as an increasing debt burden. The key to this conundrum lies in the revival of consumer demand and private investment. As per IMF and World Bank, world economy is expected to grow at 3.7% and 3.1% respectively in 2018 while the Indian economy is expected to grow at 7.4% and 7.3%. The Indian economy has once again regained the tag of the "fastest growing economy". How sustainable this momentum will depend on how effectively the various policies, especially with respect to structural and infrastructure related reforms are implemented.

The rollout of the much-awaited GST, implementation of the IBC, the radical step to demonetise high-value currency, the large-scale mobilisation of Jan Dhan Yojana, the Direct Benefit Transfer scheme, the rapid progress in highways and electrification are undoubtedly examples of inspired action towards progress. It is heartening to note that we as a country for the first time has broken into the top 100 in the world Bank's Ease of Doing Business global rankings on the back of sustained business reforms. The spirit of competitive federalism has also spurred State Governments to closely examine the ease of doing business. This in turn should positively impact the investment climate. The Govt's Vision to shape a new India resonates deeply with your Company's aspiration to be an exemplary Indian enterprise serving national priorities. This is manifest in Company's relentless efforts to deeply engage with lakhs of farmers which enables your Company to pursue inclusive growth and generate sustainable livelihoods.

## **Sugar Industry**

World sugar output is set to reach an all-time high production of 186 MMT in 2017-18 sugar year. This has resulted in a world surplus of 10.5 MMT after two deficit years. World sugar output will again see a surplus during 2018-19 sugar year with India in all probability overtaking Brazil as the world's largest producer and consumer of sugar. The successive surplus years has led to downward spiral in global prices and as evidenced by raw and refined world futures contracts. This coupled with weak domestic demand is exerting downward pressure on domestic prices.

During the year 2017-18, the country produced around 32 MMT of sugar in addition to the carry-overstocks of over 4 MMT of previous year. The domestic demand is stagnated at 25 MMT. The resulting glut sent sugar prices crashing and most of the mills went deep into the red. It is ironical that world prices are also lower due to global

sugar surplus making sugar exports a near impossibility .While global consumption is still rising, the pace of growth has slowed to an average 1.4 percent in recent seasons, down from 1.7 percent over the past decade.

The Industry, faced with this unprecedented crisis sought Government's intervention and the Govt was swift in taking the desirable measures. The government came out with a Rs 7,000 crore package to bail out the beleaguered industry groaning under a cane arrears burden that had climbed to nearly Rs 22,000 crore. For the first time, the government directed sugar mills not to sell sugar below a given minimum price. The Govt decided to freeze stocks totalling 3 MMT be kept in buffer with the government reimbursing the interest, insurance and storage charges. The other positives are Rs. 3 a litre hike in ethanol procurement along with the path breaking initiative by the centre in announcing differential pricing for ethanol that gives a premium for its production from B heavy molasses and sugar cane juice. This clear and clever move is in the right direction to absorb excess cane by promoting bio fuel. The Govt introduced sugar quota release mechanism that was dispensed with in 2013 as part of progressive reforms. The Union government again directing the Industry how much sugar they could sell in a month could be seen as a step back on reforms, but at the extraordinarily difficult times, the sugar mills require Government's support

The Govt's swift and timely action was laudable. Fixation of minimum price and imposition of stock holding limit have already brought the desired results. Expectedly, the market greeted the government moves by posting better and better ex-mill sugar prices. This improvement in prices enabled the sugar industry to liquidate the sugarcane price dues of farmers to the extent of about ₹4,000 crore. The imposition of stock holding limit along with minimum price of ₹29 per kg for sale in domestic market is one of the pillars of the four-fold strategy evolved by the Govt for improving the financial

health of mills, ensuring payment to growers, and liquidating the accumulated sugarcane price arrears.

It is expected that the industry may face a bigger challenge next season when sugar production could be anything between 34 MMT to 35 MMT. The forecast of a good monsoon, cane offering better returns to growers vis-a-vis competing crops and productivity improvements resulting from planting of early season varieties of cane are expected to bring additional acreage under cultivation. It is in expectation of a record sugar production, much in excess of domestic use and carry forward stocks, that ISMA has tossed the idea with the government of 6 MMT sugar exports during 2018-19. But to make meaningful exports to happen, Government has to come out with subsidies that have to be WTO compliant.

The Vision enunciated by the Govt to double farmer incomes by 2022 is indeed laudable. The Govt has now recommended a FRP of Rs. 2750 /MT linked to 10% recovery. This will increase the cost of production of sugar and the minimum selling price of sugar at Rs 29/kg fixed by the Government would not be sufficient to accommodate such increase.

## **TN Sugar Industry**

For the past five seasons, the cane availability in TN has been coming down due to scanty rainfall. Inadequate rainfall and the drought witnessed by the State in the year 2016 has brought down the cane availability to 65 lakh tons during the current season from a high of 254.55 lakh tons during SS 2011-12. The capacity utilization by the TN sugar mills during the current season is around 25% leading to higher cost of production - much higher than that of their counterparts elsewhere in the country. Sugar recovery hovers around 8.70% whereas the base recovery rate for fixing FRP is 9.5%. Low sugar recovery and underutilization of capacities over five

years, beyond the control of the industry, have eroded the financial strength of most TN sugar mills. I wish to inform you that even at this difficult time, your Company paid Rs.87 crore towards the cane price demand of the farmers for the previous years.

The initiatives taken by Government of India to stabilize the sugar prices alone may not be adequate enough to pull the Tamil Nadu sugar industry out of the unprecedented crisis it is facing during the current season.

1. The TN Govt should consider granting direct subsidy to lessen the FRP Burden.
2. The Cogen units should be permitted to supply power throughout the year using bagasse/coal under long-term PPA with TANGEDCO.
3. The Distilleries attached to the mills to be given freedom to produce ENA or Ethanol based upon market conditions and alcohol imports from other states should be restricted.
4. The TN sugar mills may be given special exemption from MIEQ export quotas for the current and next season and also from stock and sales quotas.

Your Company welcomes the TN Govt's initiative to move in the direction of the sugarcane price fixation based upon the revenue sharing. The Bill called "Tamilnadu Sugarcane (Regulation of Purchase & Supply) Bill,2018 " has already been introduced by the Govt and eventually will become an Act. The Industry expects the sugarcane price fixation in TN to be more realistic in the days to come.

However, a sustainable solution to the sugar sector's problem lies in a series of measures and out of the box ideas that can be implemented holistically after systematic deliberations and discussions with various stake holders.

Firstly, vertical integration of the growing of cane with crushing and conversion into sugar. The vertical integration can take place either via producer companies formed by farmers or regular mills that lease land from farmers to grow cane on their own.

Secondly, there is a need in reforming the method of price determination by CACP. The sugarcane price determined should inextricably be linked with the market price of sugar or the Govt determined minimum selling price.

Thirdly, the Govt should resort to dual pricing mechanism for sugar, one for the consumers and the other for institutional customers.

## **Our Purpose**

While agriculture is the lifeline of India's economy and is critical for the country's development, it is besieged by its myriad challenges. Recognising this need, your Company promotes sustainable agricultural practices among farmers through multiple ways. At EID Parry, we have always believed that innovation in agriculture is the key to productivity and rural prosperity. Working with more than one lakh farmers and promoting progressive farming practices, enriching and energising the agrarian communities and the rural landscape is an integral part of our vision at EID Parry. Our advanced and sustainable manufacturing systems and processes have set new parameters in efficiencies and optimisation of resources and adhere to the highest standards in Health, Safety, Quality and Environment. Our unshakeable commitment to serve national priorities enjoins on us the responsibility to ensure that this growth is inclusive, creates



meaningful sustainable livelihoods and a secure ecological environment.

Pioneers in algal nutrition, our nutraceuticals business has enriched and energised lives for more than two decades. We are known for our superior product quality and safety and have an enviable global customer base for our products. As global trends make a major shift to natural wellness products, Parry Nutraceuticals is getting ready to ride the change and shape the future. Focussing on sustainable growth through value addition and value creation in each of the three strategic pillars – men's Health, Joint Health and Immune Health (Greens) is part of the growth plans of the business.

## **Performance & Financials**

Your Company's performance during the year 2017-18 has been discussed at length in the Annual Report. The Company registered a total income from operation of Rs.2080 Crore as against Rs.2476 Crore last year and a profit of Rs.101 Crore Vs. profit of Rs.284 Crore in 2016-17 on a standalone basis. Your Company's subdued performance was mainly on account of lower sugar prices/ lower cane crush. Despite the challenge of a low sugar price and severe drought conditions in the command areas in TN impacting the cane availability, the Company capitalized the opportunities of its internal efficiencies, focussed management measures and farmers support. Profitability was achieved notwithstanding lower sugar price, lower cane availability in TN, due to host of initiatives taken by the Company. The Company has focussed on differentiation and value addition to the customer to improve realizations. The Company is a preferred sugar supplier to major institutional customers due to its strong product customisation expertise, stringent quality systems and global certification standards. The institutional segment accounts for a significant part of E.I.D.-Parry's total sales with roster



of institutional customers comprising major pharmaceutical, soft drinks, beverage, food and confectionary companies.

During the year, the total cane crushed by the Company was at 36.72 LMT as against 44.44 LMT of last year. The cane crushed at TN declined by 50 % and the cane crushed at Karnataka units increased by 31%.The Sugar division registered a revenue of Rs.1907 Crore as against Rs.2319 Crore.

### ***Nutraceuticals***

The Nutraceuticals Division's standalone revenue was at Rs.68 Crore in 2017-18 as compared to Rs.71 Crore of previous year representing 3% of the Company's revenue. US Nutraceuticals LLC registered revenue of Rs.152 Crore. On a consolidated basis, the Nutraceutical Business registered revenue of Rs. 216 Crore as compared to Rs. 228 Crore in the previous year. During the year the Company entered into a 50:50 Joint Venture with Synthite Industries, Cochin, and formed a new Company, Algavista Greentech, for the manufacture of Value Added Algal products.

### **Awards and Recognitions**

This year, your Company was privileged to be conferred with the India's Best Sugar Manufacturing Company of the year 2017 Award by International Brand Consulting Corporation, USA, "Commitment to Engagement" award from Aon Hewitt and "Chennai Best Employer Award 2017" from Employer Branding Institute, India. The Company also received the ET Now's Best Corporate Social Responsibilities Practices Award.



## **Subsidiary Companies**

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

### **Coromandel International Ltd**

During the year 17-18, Coromandel has made significant strides in improving its operations and continued its growth trajectory. The Company registered a turnover of Rs.11044 Crore and PAT of Rs.659 Crore. The Company's Fertiliser business recorded its best ever production and sales numbers, operating at 83% capacity and marketing ~2.8 mil ton phosphatic fertiliser. During the year, the Company acquired the Bio Pesticide business from EID Parry which is expected to provide synergistic fit for its existing operations, complementing its product portfolio and market access in developed geographies. Retail continues to be the Company's Consumer facing front, connecting it directly with ~3 million farmers. With reforms targeting farmer's income stability and soil health, it is expected that the agrarian economy will flourish in the foreseeable future. Coromandel, with its integrated crop solutions, extension services and wide farmer reach, is uniquely positioned to partner with the farming community and drive farm productivity.

### **Parry Sugars Refinery India Pvt Ltd**

During the year, PSRIPL increased its refined sugar export volume by 18% to 6.70 LMT. The Company also commenced direct exports to institutional customers and CIF sales to destination traders. Consequently, the sales turnover of the company increased from Rs.1847 Cr in 2016-17 to Rs.2418 Cr in 2017-18. The refinery operations successfully reduced refining costs and increased its production of refined sugar to 6.73 LMT from 6.23 LMT of previous year. The company also debottlenecked its refinery capacity to 2500 TPD. During the year, the company incorporated a wholly subsidiary

in UAE named, Parry International DMCC at Dubai Multi commodities Centre, Dubai. Due to higher production, the surplus in global sugar market is expected to reach to 10.5 MMT levels during 2018-19. Due to this supply overhang, spreads are at historically lowest level. The company will respond to this challenge by increasing its value added sales and aggressively improving its cost structure of refining.

## **Acknowledgements**

As reported in the Annual Report, Mr. M.B.N.Rao, Independent Director of the Company stepped down from the Board on 27.02.2018. Mr. A. Vellayan, Chairman took early retirement on 07.02.2018. The Board wishes to place on record their valuable contributions made to the Company and steering the Company ahead in most challenging times.

The Company during the year received commendable understanding and cooperation from the farmers despite various issues facing the industry and I am thankful to them. I am also thankful to all the other stakeholders comprising of the suppliers, banks, financial institutions, employees and the customers who have contributed to the Company's operations during the year. A deep sense of patriotic fervour inspires EID to continuously strive against all odds to create a national institution of pride. We firmly believe that good corporate governance is fundamental and brings value to the company and is of benefit to all. Constant improvement is part of our culture and we always have best practice as our aim. We are convinced that your Company will continue to maintain its unique leadership position in sugar industry and its products will be the choice of most customers.

I have tremendous faith in Company's team of dedicated professionals, and I know that they will leave no stone unturned in



their continuing quest to take the Company to new heights to serve our society, and you, our shareholders.

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.

Thank you,

**Mr. V.Ravichandran**  
**Chairman**

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