



**E.I.D.- Parry (India) Limited**

CIN: L24211TN1975PLC006989

Registered Office: 'Dare House', Parrys Corner, Chennai - 600 001

Tel: 044 – 2530 6789, Fax: 044 – 2534 1609

Website: [www.eidparry.com](http://www.eidparry.com)

E-mail Id: - investorservices@parry.murugappa.com

**TRANSCRIPT OF THE PROCEEDINGS OF THE 45TH ANNUAL GENERAL MEETING OF THE COMPANY HELD ON WEDNESDAY, AUGUST 5, 2020 AT 3:30 P.M. THROUGH VIDEO CONFERENCING**

Mr. V.Ravichandran, Chairman

**Good Afternoon Ladies and Gentlemen!**

1. I have great pleasure in welcoming you all to the 45<sup>th</sup> Annual General Meeting of the Company convened through Video Conference.
2. I hope all of you are safe and in good health. Due to the Corona Virus related lock down and social distancing norms, we are holding this AGM for the first time through Video Conference. This is in compliance and in accordance with the directions of the Ministry of Corporate Affairs (MCA) and Securities and Exchange Board of India (SEBI).
3. Further, as per the said circulars issued by MCA and SEBI, the company has dispensed with the requirement of sending the physical copies of annual report to the shareholders for the Financial Year 2019-20. The Annual Reports of the Company for the Financial Year 2019-20 have been sent by electronic means to all those shareholders whose email id's were registered with the Company/Depositories.
4. The facility for joining this meeting through Video Conferencing / Other Audio-Visual Means is made available to the members of the Company on first come first serve basis.
5. All the members who have joined this meeting are by default placed on mute mode by the host to avoid any disturbance arising from background noise and to ensure smooth and seamless conduct of the meeting.
6. Based on registrations received from members for attending this -meeting through Video Conferencing / Other Audio-Visual Means, requisite quorum for the meeting is present and I call the meeting to order.
7. As this AGM is being held through VC / OAVM, the facility for appointment of proxies by the Members is not available and hence inspection of the Register of Proxy is not applicable.



8. The Register of Directors and Key Managerial Personnel and their shareholding, the Register of Contracts in which Directors are interested and other documents required for inspection of the members under the Act are electronically available for inspection. Members who intend to inspect may write to [investorservices@parry.murugappa.com](mailto:investorservices@parry.murugappa.com).
9. As required under the relevant SEBI Regulations on ESOP Schemes, a Certificate obtained from the Auditors of the Company confirming that the Company's ESOP Schemes have been implemented in accordance with the said SEBI Regulations and in accordance with the resolutions passed by the Shareholders, is also electronically available for inspection.
10. I am now pleased to introduce now my colleagues with me

To my right - Mr. S. Suresh, Managing Director

To my left - Mr. Biswa Mohan Rath, Company Secretary

- I also take privilege in introducing distinguished Board Members who are joining this meeting through Video Conference
  1. Mr. V.Manickam, Independent Director, Chairman - Audit Committee and Risk Management Committee joining from Chennai
  2. Mr. C K Ranganathan, Independent Director, Chairman - Nomination & Remuneration Committee joining from Chennai
  3. Dr. Rca Godbole, Independent Director joining from Mumbai
  4. Mr. Ajay B Baliga, Independent Director joining from Pune
  5. Mr. Ramesh K B Menon, Director joining from Chennai
  6. Mr. M M Venkatachalam, Director joining from Chennai
- I wish to inform that apart from the Directors our key executives and Business Heads are also joining this meeting through Video Conference.
  - a) Mr. S.Rameshkumar, Chief Financial Officer
  - b) Mr. S.K.Sathyavrdhan, Head – HR
  - c) Mr. Madhusudhan Sharma- Vice President & Head - Manufacturing,
  - d) Mr. Balaji Prakash- Sr. Vice President - Marketing & Sales
  - e) Mr. T Kannan, Vice President – Commercial
  - f) Mr. Muthiah Murugappan – Business Head – Nutraceuticals
  - g) Mr. Suresh Kannan, Whole Time Director, our Wholly Owned Subsidiary, Parry Sugars Refinery India Private Limited



Apart from the above, Mr. Baskar Pannerselvam, Partner, M/s. Price Waterhouse Chartered Accountants LLP, our Statutory Auditors. and Mr. R. Sridharan, Partner, M/s. R. Sridharan & Associates, Secretarial Auditors are attending the Meeting through Video Conference.

- Notice dated July 11, 2020 convening this Annual General Meeting along with copy of the Annual Report for the financial year ended March 31, 2020 has already been circulated to the members of the Company. With your permission, I shall take the same as read.
- The Auditors' Report on the financial statements of the Company for the year ended March 31, 2020 does not contain any qualifications, reservations or adverse remarks. Accordingly, the Auditors' Report is not required to be read out before the meeting, as provided under the Companies Act, 2013.

Now, I would give you a brief overview of the Company's operations for the year gone by and also the industry.

### **Chairman's speech**

#### **Good Afternoon, Ladies and Gentlemen once again.**

I have great pleasure in extending a warm welcome to each and every one of you to the Forty Fifth Annual General Meeting of E.I.D.- Parry (India) Limited.

The annual report for the Financial Year 2019 – 20 was sent to you some time back through e-mail and I trust it would have given you an overview of your Company's performance.

### **Economy**

In the past few years, India has been considered as the fastest-growing trillion-dollar economy in the world with a nominal GDP of \$2.94 trillion. In the year 2019, India became the world's fifth largest economy, according to data from the IMF's October World Economic Outlook. When ranked by nominal GDP, the country leapfrogged France and the UK. India's GDP is expected to reach US\$ 5 trillion by FY 2025 and achieve upper-middle income status on the back of digitization, globalization, favourable demographics and reforms. India climbed 14 rungs in the World Bank's Ease of Doing Business 2020 survey to stand at 63, among 190 countries, making it the one of the fastest top 10 most improved countries for the third time in a row.

The Indian economy grew at 4.2% in 2019-20, lower than the 6.1 per cent figure registered in 2018-19, as the Covid-19 pandemic adversely impacted economic activity in the last month of the fiscal year. As per the International Monetary Fund (IMF) forecast India's economy is likely to contract by 4.5% in 2020-21, while the world economy is projected to contract 4.9% in 2020.



In the wake of an adverse economic scenario, the Government of India announced the 'Atma Nirbhar' economic stimulus package, to the tune of 10% of the GDP, to cushion the economy. The Government also initiated a slew of reforms in several sectors including coal, minerals, defence production, civil aviation, power distribution, social infrastructure, space and atomic energy and agriculture sector through number of ordinances.

Championing the call for 'Made in India, made for the World', the Government of India is looking towards "sector-wise structural reforms" to revive growth and has urged the Indian industry to invest in robust local supply chains. The Prime minister has envisioned a bold list of five 'I's - Intent, Inclusion, Investment, Infrastructure, Innovation as key pillars for the revival of economic growth. Centre and states will need to work in tandem to revive economic activity and deliver on reforms. This is the only way to rebuild languishing businesses and decimated livelihoods.

## **SUGAR INDUSTRY**

### **Indian sugar**

A bumper sugarcane production for two consecutive seasons, Sugar Season (SS) 2018 and SS 2019 has led to a huge pile-up of 12-13 Million Metric Tons (MMT) of inventory. To deal with this situation, the GOI created a buffer stock of 4 MMT of sugar for one year from August 1, 2019 and announced compulsory export through MIEQ/MAEQ. However, even after these measures, likely diversion of sugar by way of production of ethanol and requirement of normative stock for two months, there would still be excess sugar stock that needs evacuation through export.

A combination of factors explain why over the past couple of years India has reached a new production threshold above consumption over the past couple of years. The government has been fixing sugarcane prices to support farmers' revenues, which has always been above that of alternative crops, which has a broader social objective that goes beyond the rationale of sugar markets. Moreover, when combined with fixed minimum domestic sugar prices well above international levels, the sugar acreage will remain high and immune to any international price signals. The Sugar Mills are bound to crush all the sugarcane in their command area which is meant to guarantee farmers' revenues. The introduction of higher yielding sugarcane varieties in some key producing states has taken production to new highs. Indian production has reached new normal levels of around 30-32 MMT from the earlier 25-26 MMT, unless yields, planting etc... are affected by adverse weather conditions this production is set to continue. This exceptional conditions happened this year, like low level of planting and lower yield the forecast range production for the year 2020 is expected to 26 - 28 MMT. For 2020-21, sugar production is expected to go above 30 MMT level.

If five years ago the big topic of discussion was the de-regulation of the sugar industry in India, since 2019 the trend has reversed completely. Recent Indian policy interventions have shifted the focus from sugar to sugarcane. It is highly unlikely that the current cane price



support mechanism will go away any time soon. There may be another increase in yields and, consequently, in sugar production to 35 – 37 MMT in three to four years when a similar rise in yields might emerge in other states like that happened in UP. It is strongly believed that we will continue to have more and more sugarcane in the country as compared to what we require for producing sugar to meet our domestic consumption. Therefore, there was a need of finding an alternative use of the Sugarcane.

### **Ethanol**

The Government has been taking various measures for the sugar sector from time to time. Nevertheless, going forward diversion of excess sugarcane and sugar to other products is the long-term solution for addressing the problem of excess inventory. With a view to encourage this, the Government recently announced extension of soft loans for enhancement and augmentation of ethanol production capacity, with an interest subvention. The “National Policy on Biofuels - 2018” announced by the Ministry of Petroleum and Natural Gas in June 2018 proposed a 20% blending for ethanol by 2030. Previously, India had a 10% ethanol blending target for 2022. To increase the ethanol blending rate, the GOI allowed the sugar mills and distilleries to expand the feedstock from C-heavy molasses to include sugarcane juice, B-heavy molasses, and damaged food grains besides increasing the ethanol procurement price.

### **Sugar Exports**

With a view to encourage sugar mills to export sugar during the sugar year 2019-20, the GOI announced a lump sum export subsidy of Rs 10,448/ MT to the Mills to cover the expenses towards marketing, including handling, upgrading, other processing costs, transport and freight charges up to 6 MMT of sugar.

### **COVID-19 pandemic and Sugar**

The ongoing COVID-19 pandemic accompanied by the curbs on social gatherings and outings is expected to put pressure on the sugar consumption patterns. The industry is also facing reduced off-take from beverage and other FMCG companies amid the lockdown. This has even led to fall in domestic & international sugar prices. In the current scenario, it is expected that domestic sugar consumption could fall to or below 25 MMT as against 26 MMT expected previously with the possibility that the consumption could be further lowered given the zone wise lockdown announced by various state Governments post ease of the nationwide lockdown. The lockdown has also affected the demand for petrol & diesel leading to reduced off-take of ethanol.

### **Sugar Outlook**

As per Indian Sugar Mills Association (ISMA), the total sugar production in 2019-20 SS is expected to be about 27 MMT after considering the special season in TN and Karnataka. With an opening stock of 14.5 MMT, consumption of 25 MMT and exports of 5.2 MMT, the opening stocks as on 1st October 2020 for the sugar year 2020-21, is estimated to be around 11.5 MMT, which is around 6 months consumption.



The total acreage under sugarcane in the country is estimated to be around 52.28 Lakh hectare in 2020-21 sugar year, which is about 8% higher than sugar year 2019-20. ISMA estimates sugar production of 32 MMT in SS 2020-21 assuming normal rainfall and other optimum conditions. However, an equivalent 1.5 MMT of sugar in the form of sugar juice and B-heavy molasses is likely to be diverted to production of ethanol.

### **Sugar Industry – South India**

As per ISMA, due to timely and adequate rainfall, sugarcane area in Karnataka has increased in 2020-21 SS to be about 4.85 lakh hectare as against 4.20 lakh hectare in 2019-20 SS. The production estimated to be around 43.13 Lakh Metric Ton (LMT), as against 34.20 LMT.

Sugarcane area in Tamil Nadu for 2020-21 SS is expected to be more or less at the same level as last year at about 2.30 lakh hectare. Sugar production is therefore expected to be around 7.51 LMT in 2020-21 SS as against 7.80 LMT expected to be produced in 2019-20 SS. The Sugar industry in Tamil Nadu has in the recent years undergone huge stress caused by recurring drought. Almost all players have suffered significant loss in cane volume leading to abysmally low-capacity utilization and steep erosion in sugarcane quality resulting in poor sugar recovery.

Sugar Cane area in Andhra Pradesh for 2020-21 Sugar Year is expected to be lesser than last year at about 0.42 lakh hectare as against 0.63 lakh hectare in 2019-20. Sugar produced is expected to be around 2.5 LMT in 2020-21 as against 2.83 LMT in 2019-20. The sugar industry in Andhra Pradesh in recent years has undergone huge stress caused by lower cane volumes, due to paucity of Agriculture Labour and harvesting issues.

### **Performance & Financials**

Your Company registered a total income from operation of Rs.1874.88 Crore as against Rs.1845.17 Crore of previous year and a PBIT of Rs.115.62 Crore against 300.44 Crore in 2018-19 on a standalone basis. During the year, the total cane crushed by the Company was at 36.72 LMT as against 37.19 LMT in 2018-19.

The Company's operational performance during the year has improved as compared to the last year. The Sugar division registered a revenue and EBIDTA of Rs.1377 Crore and 53 Crore respectively as against Rs.1386 Crore and loss of 30 crore the previous year. This was mainly on account of the aggressive cost management, improvement in operational efficiencies and higher retail sales to de-risk the dependence on the volatile commodity market and volume trade

The strategy of expanding retail footprint with intensive brand building and market storming initiatives has started to yield positive results. The Company's 'Amrit' brand of brown sugar consolidated its market presence among discerning customers with a considerable growth in sales. The Company expanded its retail range of products launching the 'Amrit' brand of pure jaggery. A slew of value-added products is in the pipeline as part of the strategies of expanding the retail portfolio including low glycemic sugar to cater to the



increased health conscious consumers and a range of sanitizers and disinfectants to meet the rising hygiene needs. I am happy to inform you that Parrys Sugar once again has won the prestigious Economic Times 2019 - 'Best Brands' Award - the only sugar manufacturer to receive this recognition in the industry.

### **Nutraceuticals**

The Nutraceuticals Division's standalone revenue was at Rs.58 Crore in 2019-20 as compared to Rs.69 Crore of previous year. The sales of Spirulina and Chlorella were affected across all the regions over last year due to continuous price pressure and Chinese competition. The business was also impacted in Quarter 4 2019-20 due to the outbreak of the Pandemic, globally.

### **Subsidiary Company**

#### **Coromandel International Limited**

Your Company's subsidiary, Coromandel International Limited ("CIL") has taken significant strides during the year towards driving farm prosperity by promoting healthy agricultural practices and providing quality farm solutions. CIL's differentiated, value-added services and products continued to gain traction in the market ably supported by the integrated nutrient marketing structure. During the year, CIL successfully commissioned its second Phosphoric Acid plant at Vizag unit, making it self-sufficient relative to the acid requirements of that unit. Speciality nutrients, Organic fertilisers, and Bio pesticides businesses, key offerings in CIL's business portfolio, continued to make progressive strides. With increased consumer preference towards sustainable and balanced foods, these businesses will gain significant traction, especially in a post COVID-19 scenario. The Company continued to focus on offering superior farm solutions, introducing new generation products, improving cost and operational efficiencies through backward integration, smart sourcing and managing its working capital. During the year, CIL has delivered a strong performance across all its businesses and on all the operational and functional parameters. CIL's revenue from operations for the year was at Rs. 13,117 Crores vs Rs. 13,204 Crore in the previous year. The Profit after tax grew by 48% to Rs.1059 Crore from Rs. 714 Crore in the previous year.

#### **Parry Sugars Refinery India Private Limited (PSRIPL)**

During 2019-20, unprecedented drought in Thailand and lower production in major sugar producing countries such as Brazil and India, tightened the availability of refined sugar globally. This helped PSRIPL, to grow sales volume by 40% year -on -year to reach 7.59 LMT despite competition from subsidised Indian exports. Based on the efforts undertaken to increase institutional sales, PSRIPL increased its container sales by more than 50% compared to the previous year. Consequently, the total revenue grew from INR 1447 Crore in 2018-19 to INR 2,061 Crore in 2019-20. PSRIPL's refining operations continues to set new records in throughput and efficiencies. PSRIPL's wholly owned subsidiary, viz., Parry International DMCC, successfully scaled up its sugar trading operations and recorded a revenue of AED 19.49 Million. With good monsoon in India and higher sugar mix in Brazil, global sugar market is expected to move to a small surplus in 2020-21. Covid-19 pandemic is also expected to lower global consumption. PSRIPL with well hedged spreads, is



better positioned to grow its sales with increasing focus on value added segments, whilst making further improvements in refining costs.

Your company achieved many admirable wins and milestones through the Financial Year, which are highlighted in the Annual Report. But it was in the final days of the year that the true nature of its purpose-driven societal view truly shone through. In the wake of a inconceivable health crisis, your company prioritized the health and safety of its employees, lifted all sugar canes from its command area under difficult circumstances, kept its plants running with strict protocols and pitched in to help the communities battling the pandemic. The Company initiated a series of initiatives to cater to this new way of doing work. I am sure, when we emerge out of this crisis, the world will be a very different place. We are witnessing many of those changes already in the business. With new technologies and the new class of collaboration tools, people are discovering that they can collaborate with each other just as well working from home as they did in person in the pre-COVID era. Employers are discovering that the productivity is just as good if not better in this new way of working.

The next few months may be difficult till the Pandemic subsides, but your company's strong and deep rooted relationships with its farmers, customers and partners and a diversified portfolio, a mix of robust and resilient business model is well positioned to weather all storms ahead and take advantage of opportunities that come up during the downturn. In the post-pandemic world, technology will play an ever-larger role in helping enterprises adapt to the new normal and differentiate themselves. Your company is well poised to adapt to the new normal by partnering with its stakeholders to recover and rebound on to its growth and transformation journey.

The Company continues to nurture its people asset to realise its HR vision of 'Building Organizational Capability to deliver superior business performance. The Company believes that 'happy employees make happier customers' and a motivated people resource driven by a passion for innovation is vital to its plans of nurturing growth.

### **Acknowledgements**

Your Company's philosophy is to achieve long term value to serve the best interest of all stakeholders – farmers, shareholders, customers, employees, Government and the society at large. I appreciate the confidence and faith reposed by the shareholders in the Board and the Management team which has, in my view, geared up to take on more challenges. I can say with confidence that the Company will improve its performance further in the coming years. This is however only possible through tireless efforts; dedication and commitment of our team who have helped us reach where we are now and look forward to their continued commitment in the journey forward.

On behalf of EID Parry, I assure you that your Company will continue to put tireless efforts and commitment to fulfil your expectations. With the unmatched knowledge pool and skill of Team EID Parry, I once again assure you that each employee of the company will work as a "Power Soldier" for improving the performance in the years to come



To conclude, I on behalf of the Board of Directors of your Company would like to convey my sincere appreciation to the Central and State Government departments for consistently supporting the sugar industry with swiftness, passion and finesse in times of crisis. I also take this opportunity to express gratitude to the valued Farmers, customers, bankers, business associates and all the stakeholders for sharing a profound relationship with the Company and constantly supporting and strengthening the developmental efforts of your Company.

Before taking up the business contained in the Notice of the meeting, I would like to brief you regarding voting on the resolutions proposed in the notice of this Meeting:

- a) Pursuant to the provisions of the Companies Act, 2013 read with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has extended remote e-voting facility to the members to exercise their votes on the resolutions proposed in the Notice of this AGM from August 2, 2020 9.00 a.m till August 4, 2020 5.00 p.m.
- b) The e-voting window shall now be activated for allowing the members to vote during the AGM and will be active for 15 minutes after the closure of this meeting. Members who have not casted their vote are requested to vote by clicking on the thumbsup icon on the bottom left corner of your screen.
- c) Mr.R. Sridharan, Practising Company Secretary, Chennai, have been appointed as scrutiniser for the purpose of scrutinizing the remote e-voting process and e-voting at this Meeting.
- d) The Ordinary businesses set out in the AGM notice under item Nos.1 to 3 pertains to:

1.	Adoption of the Audited Standalone Financial Statements for the financial year ended March 31, 2020 and the reports of the Board of Directors and Independent Auditors thereon. – Ordinary Resolution
2.	Adoption of the Audited Consolidated Financial Statements for the financial year ended March 31, 2020 and the report of Independent Auditors thereon – Ordinary Resolution
3.	Mr. M. M. Venkatachalam’s appointment as a Director retiring by rotation. – Ordinary Resolution

The special businesses set out in the AGM notice under item Nos. 4 to 5 pertains to:

4.	Remuneration of Cost Auditors - Ordinary Resolution
5.	Amendment of the Object Clause of the Memorandum of Association – Special Resolution



The notice containing the resolutions to be passed along with explanatory statement pertaining to the resolutions, wherever applicable, is already with you.

Now I would like to give any clarifications that the members may require regarding the Financial Statements and the operations of the Company during the year 2019-20. Before we go live on question and answer session, I would like to request members to note some of the points for convenience.

- The Company has received requests from members to register themselves as speakers at this AGM. Accordingly, the floor will be open to only those members who have registered as speakers.
- The moderator will facilitate the session once the floor is open for Question and Answers session.
- The name of the member will be announced, who has registered himself as a speaker, one by one.
- The speaker will be thereafter unmuted by the host. Members are requested to turn on their Video / audio button and speak.
- While speaking, we request the members to use earphones, so that it will be clearly audible, minimize any noise in the background and ensure that the WiFi connectivity is good .
- In case of any connectivity problem at the speaker end, we would ask the next speaker to join. Once the connectivity is improved, the speaker will be asked to re-connect.
- In case any registered member is unable to join through video mode for any reason, the shareholder can speak through audio mode.
- Each registered speaker will have 3 minutes to speak.
- Once all the speakers spoke, we will answer the questions at the end of Question and Answer Session.
- I request the members to be brief and confine their queries to the operations and accounts for the year 2019-20.
- I request the members not to repeat the queries already raised by other members.

Now request the Moderator to begin the process and activate the speakers.

### **Questions and Answers:**

#### **Speaker 1:**

#### **Mr. Kamal Kishore Jawar:**

Today is the excellent results. Share has gone up by 300 crores. Murugappa is in India top group. We are not receiving dividend every year. If we declare every year, it will be helpful for small shareholders. I request the management to consider this request. Thank you.



**Speaker 2:**

**Mr. M. V. Murugappa:**

Mr. Chairman and distinguished Directors, thank you for giving me the opportunity to speak at the AGM.

I speak on behalf of Mr. M. V. Murugappan HUF. It is encouraging to see that the company has recovered well from 2018-19 and I commend you for your efforts. However, it continues to consistently lag its closest competitor Balrampur Chinni.

My first two questions with respect to the core sugar business.

1. The standalone segment performance does not match up with the consolidated segment performance.

For example, the three year CAGR is -8.57% for the standalone versus -2.78 for consolidated. The year over year revenue growth for standalone is -0.67% versus positive 22.16% for consolidated. What are the top three reasons for the significant mismatch?

2. Despite the 22.16% year over year growth, the three year CAGR is negative 2.78, whereas the three year CAGR for your competitor is positive 10.23%. Also, the consolidated profitability is only 0.71% and was negative in the previous two financial years. In comparison, Balrampur Chinni delivered 7.63% profitability in the sugar segment, and this year has consistently maintained profitability. So I have three questions here.
  - A. Why is the company constantly lagging behind its competitors in the core business?
  - B. What are the sources of inefficiency?
  - C. How do you plan to improve the performance of the core business segment?
  - D. My last question is about the distillery business.

To put the question in context, ethanol production capacity in the country has increased to over 400 crore litres. The Government of India is targeting an ethanol production and supply target of 300 to 350 crore litres in 2020-2021, with the aim of achieving 7.5 to 8% ethanol blend blends with petrol. Further national biofuels policy 2018 which the chairman referenced, the government intends to achieve ethanol with petrol blend levels of 10% by 2022 and 20% by 2030 and therefore, efforts are being made to achieve these targets. Between 1<sup>st</sup> December 2019 and 22<sup>nd</sup> June 2020, the blend levels have maintained an all India average of 5.09% for the country. Now for my question, the consolidated performance of the Company's distillery segment is weak with respect to competitors like Balrampur Chinni for example, the three year revenue CAGR is 4.3% versus 18.59% for the competitor, year over year growth is 12.29% versus 17.4% and segment profitability is 17.1% versus 47.6%. Why is the company underperforming in this segment, and how does it plan to monetize this opportunity in the ethanol business? Thank you.



**Answers:**

**Mr. Ravichandran (Chairman):**

**Answer to Mr. Kamal Kishore**

Thank you for your compliments, you have raised the question on dividend. You know the company / Board made efforts to declare dividend out of profits in the past, but 2019 - 20 the profits are inadequate for declaring dividend. So, the board has decided against declaring dividend because of inadequacy of profits.

**Answer to Mrs. Valli on behalf of M M Murugappa HUF**

Mrs. Valli, thank you for the compliments. You have raised two very important questions, which goes through our mind all the time and I ask my MD to detail you because this is a very involved question and requires a detailed answer.

So, I'll ask my Managing Director, Mr. Suresh to provide answers for the questions you have raised.

**Mr. Suresh, Managing Director**

Good Evening, Thanks for the question. When you compare ourselves to this specific competitor with North, if you look at India's sugar belt, Uttar Pradesh, Maharashtra and Karnataka are the real sugar belt of the country. Uttar Pradesh as a State has got huge levels of sugar production and get copious rainfalls, the mills there continue to run close to 150 to 180 days in a year. Balarampur Chinni happens to have its mills over there. Since we specifically talk about the mills, I am just showing some comparison –

- These mills are predominantly integrated plants, and if you look at they operate around 150 days in a year. If you come to comparison of EID I'll take the comparison on like to like. EID has got around five plants in Tamil Nadu and we have three in Karnataka and one in Andhra Pradesh. In the sugar belt we have the plants in Karnataka are the ones which are having a relatively better recovery compared to the plants of Tamil Nadu and Andhra. Normally, if you see in Uttar Pradesh recoveries are somewhere around 12 plus, 10.5 to 12.5 is average recoveries because they happen to be in the sugar belt itself. If you look up the sugar cane mapping of the country, Maharashtra is somewhere around 11 - 11.5, Karnataka will be somewhere around 10 - 10.5. To take the states like Tamil Nadu and Andhra the mills are located in the coastal. These Mills happen to have recoveries in the range of around 8.5 and 9.5 percent. For a mill which has the price of sugarcane being fixed by the government, higher the recoveries the lower the cost of production. You can see there is a close to almost three percentage points drop in the recoveries for the mills in Tamil Nadu and Andhra which significantly pushes up the cost of production. There is a structural disadvantage for the entire Mills which are there in Tamil Nadu and Andhra. Karnataka is slightly Okay, in terms of recovery around 10 -10.5 percent but still lagging

behind the Uttar Pradesh in terms of the recovery of 11 – 11.5 percent. So, the cost of cane being almost the same. Uttar Pradesh got a SAP pricing, which is advantage. Tamilnadu, FRP we pay the price, but we get a recovery what you're supposed to get at least nine and a half percent, we get close to 8.8%.

- Since we are talking about details, I just thought I should elaborate this over here.
- Karnataka is somewhere around 10. The important thing about Karnataka is about the recovery is the revenue sharing formula, more and more the recovery almost 80 - 90% of the incremental recovery benefits goes to the farmers as per a government formula.
- Whereas in Uttar Pradesh when it is in SAP for a given price in the recovery is more the benefit flows.
- This is from a cane perspective and second is from the MSP the sugar selling price perspective. Whatever is the MSP, North the prices on any day rules are two rupees better than the MSP price which rules in other parts of the country. So, these tools significantly give us structural advantage for the mills which are located in India, having recognized that these are the structural disadvantages.
- In addition, you can also talk about the power where the power rates what we get in places in South is definitely two rupees lower than what normally comes in places like Uttar Pradesh, where the PPA rates are very high. And the revenue channels of sugar and the power and once again, the distillery, I'll come to the distillery question later. This structural disadvantage if you can say for the mills which are there in the south compared to the northern Mills.
- The company has already been in the process of taking some significant shift in terms of its core strategy, because the givens are the prices of the cane the recoveries the structural disadvantages and so many other things. That is where the company has taken a call in terms of revisiting the infrastructure facilities, which are there in the southern part of the country, mainly Tamil Nadu where the recoveries are very low, the rainfall is not at all there.
- In Tamil Nadu the drought hit for the fourth year in succession. Out of the five mills we have, hardly two Mills operating for almost 60 to 70% of the normal season. So, the calls have been taken and your company has already taken decision in terms of closure of other factories, and then relocating these factories into places like Karnataka, where we have a significant recovery advantage compared to the Tamil Nadu of around 9 - 9.25%. We'll be getting into somewhere around 10 and 10.5 percent. So, that means we are not going to put up a new plant. We are looking at relocating this facility to an existing facility. Thereby all the other fixed costs remain the same we get incremental contribution to the business. This is one major structural shift which we are doing. Maybe in the next financial year all the process will be completed.
- Second thing is about we are going ahead with aggressive cost reduction measures across having known that these are the challenges are going to be there in the business, has been working on completely interested in lean structuring, and also revisiting the entire cost measures across the benefits of which we'll be seeing in the years to come.
- The other important aspect which no other mill is doing in a big way is about leveraging the brand Parry. Brand Parry is also named in the southern part of India, and that is where the business has taken a lot of steps in terms of moving into retail as a business



packaged Sugar. If you talk three years earlier, we were somewhere around 800 tons per month in terms of retail. As we speak today we are talking about around 5000 - 5800 tons in terms of retail. This is the area with all this pandemic and other things catching up. The demand for branded hygienic sugar from a trusted house like Parry is going to be the real demand from the consumer. That is one area that companies are aggressively pursuing Chairman also mentioned in his speech about the foray into retail, and that is where we have already launched some new products into the market like Amrit brown sugar, Amrit brand jaggery powder, these are all gaining quite a lot of traction in the market. So we are in terms of the core strategy for growth is what broadly we've been talking about. How are we really pushing us into this to regain the real profitability for the business despite all odds which are provided by the structural disadvantages of location, lack of rainfall and so many other things. Despite that the business is well poised to grow in the years to come. This is about the first question what you have raised

- In terms of the ethanol blending. Our ethanol capacity is somewhere around 234 KLPD. We are also participating in the government's ethanol program. Given the cash crunch and in terms of the investments, have to be very choosy. We have chosen one of the projects in Bagalkot as an expansion project for the distillery. We are not going to put up any standalone distilleries, we are going to participate in the ethanol branding program of the country wherein the B-heavy and the syrup based for the ethanol blending is what we are looking at for Bagalkot distillery and we will be having our own share in terms of the government's ethanol blending program. Ethanol is one part of the story as a company we will also evaluate what are the other products in terms of improving the distillery profitability that is also being worked upon like pharma ethanol and similar products which are based out of ethanol. Recently you can see how we are starting launching the sanitizer brands into the market. These are the ones, once again it is a brand play for the consumer segment. These are going to give us good benefits for the distillery in the long run. Thank you ma'am.

### **Ravichandran (Chairman):**

Thank you, Mr. Suresh. There are two more questions which have just come in the mail and are raised by Mr. Sattainder Gola. This is regarding dividend for the year. Is there a dividend for the year or not? As I mentioned already, there is no dividend for the year 2019 - 2020 due to inadequate profits.

The other question is by Ms. Shilpa Sanjay Shah. His query is - Can you please share with us management strategy to improve sugar business, sugar refinery business and then whether all volatility in prices of sugar, future prospects of Nutra business next three years.

In terms of sugar strategy, Mr. Suresh, MD explained in detail strategy how we are moving away from Tamil Nadu low recovery zone to higher recovery zone through shifting of some plant, putting up new distillery in Bagalkot which should be ready by January 2021.

In terms of refinery business, I've already explained to you PSRIPL is the plant which we



have started in 2010 capacity per day and is now running at 2810 capacity per day, and it is time to sell the entire volume this year. The only challenge we're facing there is only the spread. The variable costs have been brought down substantially. A bit of luck, hopefully we should turn the corner this year.

In terms of Nutra business, Nutra business, as we know it has operations in India and US and US we have started to go into B2C from B2B business. We are launching our own brand of Flomentum.

We hope that this business succeeds and then the Nutra business will turn the corner and then get on the growth path in the next years. The Nutra business prospects at this point of time is looking very good.

#### **CHAIRMAN STATED**

- Now that the Members' queries have been answered and dealt with, I request members who have not yet voted to exercise their vote. The e-voting will end within 15 minutes from the end of this meeting.
- Mr.Sridharan, the scrutiniser would consolidate the results of the remote e-voting and the results of the electronic voting at this meeting and then submit his report.
- The results along with the scrutiniser's report will be placed on the Company's website, the website of Company's RTA KFin Technologies Private Limited and will also be communicated to the Stock Exchanges within 48 hours.
- I thank once again all the members for taking their time to join this meeting. I also thank our team and KFin Technologies Private Limited for conducting this AGM in a seamless way.
- I thank all my colleagues on the Board.
- With your consent, I and other members of the Board and senior management team would like to leave the meeting.
- Ladies and Gentlemen! This concludes business of the meeting and I thank you all for your participation and declare the meeting as closed. I wish all of you to be safe and in good health.

Thank you