



Speech

by

Mr. V. Ravichandran, Chairman

at the 45th Annual General Meeting

on

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

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Ladies and Gentlemen,

Good Evening 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 world's top 10 most improved countries for the third consecutive time.



The Indian economy grew at 4.2% in 2019-20, lower than the 6.1 % 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 GOI announced the 'Atma Nirbhar' economic stimulus package, to the tune of 10% of the GDP (Rs 21 lakh crores), to cushion the economy. The Govt 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 especially the agriculture sector vide number of ordinances.

Championing the call for 'Made in India, made for the World', the GOI 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 and 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, SS 2018 and SS 2019 has led to a huge pile-up of 12-13 MMT of inventory. To deal with this situation, the GOI created a buffer stock of 4 MT 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 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, it means 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 level of around 30-32 MMT from the earlier 25-26 MMT levels, unless the yield, planting etc. are affected by adverse weather conditions. This exceptional set of conditions happened this year, which is why for SS2020 forecasts range



between 26 – 28 MMT. For 2020-21, the sugar production is expected to be above 30 MMT.

If five years ago the big topic of discussion was the de-regulation of the sugar industry in India, in 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 has been a need to find 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, limited to the MAEQ allocated for the SS 2020.

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 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 Govts 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 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, expected domestic sales of around 25 MMT and exports of around 5.2 MMT, the opening stocks as on 1st Oct 2020, is estimated to be around 11.5 MMT.

The total acreage under sugarcane in the country is estimated to be around 52.28 Lakh ha. in SS 2020-21, which is about 8% higher than SS 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 ha as against 4.20 lakh ha in 2019-20 SS. The production estimated to be around 43.13 LMT, as against 34.20 LMT expected to be produced in 2019-20 SS.

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 ha. 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.



Sugarcane area in Andhra Pradesh for 2020-21 SS is expected to be lesser than last year at about 0.42 lakh ha as against 0.63 lakh ha in 2019-20 SS. Sugar production is expected to be around 2.5 LMT in 2020-21 SS as against 2.83 LMT expected to be produced in 2019-20 SS. The Sugar industry in Andhra Pradesh has in the recent years 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 last year and a PBIT of Rs.115.62 Crore Vs. 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 of last year.

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 Rs. 30 crore last 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 Q4 2019-20 due to the outbreak of the Pandemic, globally.

Subsidiary Company

Coromandel International Ltd

Your Company's subsidiary, Coromandel International Ltd ("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 Ltd (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 L MT 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 2061 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 besides 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, facilitating your company and Industry in all its endeavours. 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.

With Best Wishes

Thanking You

V.Ravichandran.

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