



Speech by

Mr. M.M. Venkatachalam, Chairman

at the 48th Annual General Meeting

on

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

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Good afternoon ladies and gentleman

I extend a warm welcome to each one of you to the 48th Annual General Meeting of your Company.

It is a privilege to host you today and connect with you all through this Video Conference or other Audio-visual means. The Directors' Report and the Audited Accounts for the Financial Year ended March 31, 2023, have been with you for some days and, with your consent, I shall take them as read. Before I take you through the company operations and latest developments, let me briefly touch upon the current trends in the economy and the industry in which your Company is operating.

Economy

The International Monetary Fund (IMF) in its World Economic Outlook predicts the global outlook as uncertain amid financial sector turmoil, high inflation, ongoing effects of Russia's invasion of Ukraine, and three years of COVID. The baseline forecast is for growth to fall from 3.4 percent in 2022 to 2.8 percent in 2023, before settling at 3.0 percent in 2024. Advanced economies are expected to see an especially pronounced growth slowdown, from 2.7 percent in 2022 to 1.3 percent in 2023. Geopolitical tensions, conflicts and social unrests and natural disasters stemming from climate change also present downside risks in varying degrees. The world economy seems to be in stormy seas.

Against this challenging backdrop, India, appears to be a silver lining. The World Economic Forum had referred to India as a “bright spot in a fragile world”. Emerging steadily from the shadows of being a ‘poor nation’, The Indian economy was the fastest growing economy in the last decade, we are now the world's fifth biggest economy.

India's GDP is expected to grow faster than 6% in each of the next three years, compared to the U.S., which is expected to grow less than 2%. Goldman Sachs has predicted the Indian economy and market to be among the top five globally by 2050 — and even outshine the US by 2075.

Though India is now the 5th Largest Economy, it has the lowest per capita income among the largest economies. India is getting closer to reach its potential output, thereby leaving less room to accelerate growth, and hence the country needs to step up investments in infrastructure, upgradation of healthcare and increased access to education to lift its potential growth. Further, India’s economic size has come mostly through adding physical capital and not Intellectual capital, which needs a big boost. Niti Aayog carried out a cross-country comparison of R&D spends. India’s spend is about 0.7% of GDP, while that of most technologically proficient nations is over 2% of GDP. A measure of an economy’s competitiveness derives from its human capital. India has done well to surpass most countries in economic size, but henceforth intellectual capital will be critical in boosting per capita GDP. The National Research Foundation (NRF), approved by the Cabinet recently, is seen as a critical step in India’s efforts to streamline its research ecosystem. The Govt’s focus on four I’s,

Infrastructure, Investment, Innovation and Inclusivity will catapult India into the league of developed nations by 2047.

Sugar Industry

Global Sugar

Global sugar production in the 2022-23 crop year is heading towards small surplus and a larger surplus of just over 5 MMT in 2023-24. The El-nino in the second half of 2023 could impact the production numbers in the coming season. The El-nino could result in drier climatic conditions in Asia and wetter climatic conditions in Brazil, both of which are not unsuitable for sugarcane growth in their respective geographies.

Global consumption has been on the rise every year except for 2020, when the pandemic shut much of the world. Consumption is growing at about 1.5% per year, slightly faster than population growth, driven by growth from developing countries in Africa and Asia.

Indian Sugar

The sugar industry in India has had a chequered history and has emerged as a robust sector only in recent years. The turnaround of the sugar sector can be credited to three broad set of factors.

The flagship initiative which has contributed the most to revival of the sugar sector, has been the National Biofuel Policy 2018 which promotes blending of ethanol with petrol. Secondly, exports have enabled the sugar sector to dispose of its additional inventory which hitherto used to block funds for sugar mills and delay payments to cane farmers. The third factor relates to diversification of product baskets of the sugar mills. The sugar sector today is the torchbearer in the country of a circular economy with minimal impact on the environment. The industry is creating additional value with co-gen power, potash-based fertilizers and use of press mud to generate Compressed Biogas (CBG).

Indian Sugar production in the current season is set to fall to 32.8 MMT from 35.8 MMT of the previous sugar season, a decline of over 8%. With domestic consumption estimated to be at 27.5 MMT and the Government capping the export at 6 million tons, the estimated closing stock to be around 6 MMT during 2022-23 season.

The Central Government very recently, hiked sugarcane Fair and Remunerative Price (FRP) by Rs 10/quintal to Rs. 315/quintal for the 2023-24 season for a basic recovery rate of 10.25 per cent. It has also approved a premium of Rs.3.07/quintal for each 0.1% increase in recovery over and above 10.25% & reduction in FRP by Rs.3.07/quintal for every 0.1% decrease in recovery.

It is pertinent to note that FRP for sugarcane climbed significantly from Rs. 255/quintal in 2017-18 to Rs. 315/quintal for 2023-24 season. On the other hand,

the Minimum Support Price MSP for sugar remained at Rs. 31 per kg since 2018-19. The Indian Sugar Mills Association (ISMA) has urged the government to increase the MSP of sugar to Rs 38 per kg. Since 85% of the sugar mills' revenue comes from the sales of sugar, it is an important component to pay the cane price to farmers. ISMA has also highlighted the sharp increase in the cost of sugar production due to rising prices of essential chemicals like sulphur and lime, jute and high-density polyethylene bags for packing sugar. The Niti Aayog, the Committee of Secretaries, the Group of Ministers and different State Governments have also been recommending for increase in the MSP.

Though the National Biofuel Policy has provided the much-needed succour to the Sugar Mills, large part of the industry has been struggling financially due to the increase in FRP and other cost elements that have raised the cost of production of sugar. The problem of surplus cane & sugar can be addressed by correcting this distortion of huge gap between Cost of Production and Ex-mill sugar prices. Further, if India is a structural surplus sugar producer, it needs to export regularly, and such high cane prices make Indian sugar uncompetitive which is always dependent on Govt. subsidies on exports. The lack of linkage between cane price and sugar price makes the cane price unaffordable. The Government has to adopt the Revenue Sharing Formula (RSF) system along with the Price Stabilization Fund to protect interests of farmers.

Ethanol

The Indian Sugar industry is gradually moving towards economic sustainability due to various factors including pragmatic diversification policies. New avenues of diversification especially bioethanol (EBP) and emerging biorefinery models are silver lining for the long-term sustainability of the industry. Ethanol plays a prominent role in lowering Co2 emissions, a cleaner environment, reduces import bill, increase self-reliance, foreign exchange saving and higher income generation for farmers.

India started its Ethanol Blending Petrol (EBP) program two decades ago in 2003. Although, EBP has been under implementation since 2003, announcement of the National Biofuel Policy can be termed as the watershed event leading to a resurgence in the sector. Since then, a slew of policy initiatives has simplified the procedures of establishing ethanol plants and offered remunerative prices for ethanol apart from the Interest Subvention Scheme.

Your Company also responded with alacrity to this landmark National Biofuel Policy. Two years ago, your Company had a distillery capacity of 237 KLPD, which increased to 417 KLPD by the close of FY2022- 23 and is expected to be 582 KLPD a year from now. The output from this perennial distillery capacity is expected to almost treble to 18 Crore litres; the distillery revenue is expected to increase from 22% of the Company's overall revenues to around 35% a year from now; this will generate

better outcomes on our overall profitability and position us more as a biofuel business.

Regulatory Updates & Climate Change

The Energy Conservation (Amendment) Act, 2022 which came into force from 1st Jan 2023 seeks to mandate use of non-fossil sources, including Green Hydrogen, Green Ammonia, Biomass and Ethanol for energy and feedstock and to establish Carbon Markets. The Bureau of Energy Efficiency has been made the administrator and nodal authority for creating and executing India's Emission Trading System. This can have major implications for sugar industry having several potential areas to tap carbon credits. It has earlier done so for its Cogen plants in the United Nations Framework Convention on Climate Change (UNFCCC) Clean Development Mechanism (CDM) regime. Currently, Brazil and USA have carbon linked incentives for ethanol production through sugarcane route, but no such incentive exists in India. ISMA is working towards getting similar accreditation for sugar-based ethanol that helps avoid annually about 7 MMT of emissions.

Cogeneration

Sugar industry is engaged in cogeneration of power from renewable sources. Renewable energy was central to India's ambitious climate challenge

announcements of achieving 500 GW installed electricity capacity from non-fossil fuel sources by 2030 at UN 26th Conference of Parties (COP26).

India announced plans to achieve the target of net zero emission by 2070 and reduce the carbon intensity of its economy by more than 45%. India currently occupies fourth position globally in overall renewable energy with 42% cumulative installed capacity from non-fossil fuel sources and the target is to take it to 50% by 2030. As the source of about 75% of global greenhouse gas emissions, the energy sector holds the key to respond to world's climate challenge. The current global energy crisis brings both new opportunities and new challenges for renewable energy. Sugar industry for ever was rooted in renewable energy to meet its captive needs and export surplus power to the Grid.

With the above thoughts in background, I shall now proceed to briefly cover the highlights of FY 2022-23 and the steps being taken by your Company to stay stronger.

Performance and Financials

Your Company, during FY 2022-23 recorded an all-time high crushing of around 51.81 LMT as compared to the corresponding period of previous year at 50.21 LMT and maintained the average annual recovery at 10.62%. Sugar production clocked around 4.93 LMT as against 4.83 LMT of previous year.

The Standalone revenue from operations for the year ended March 31, 2023, was Rs. 2,895 Crore against previous year of Rs. 2,489 Crore and Earnings before depreciation, interest, taxes, and exceptional items (EBITDA) for the year ended was Rs. 527 Crore as against previous year of Rs. 492 Crore. Standalone Profit after tax was Rs. 197 Crore as against Rs. 284 Crore in the previous year. The profit after tax for the year ended 31st March 2023 includes loss of Rs. 155 Crore representing a provision for impairment of investment in subsidiaries/joint venture.

Considering the financial performance for the year, your Board of Directors have declared the first Interim Dividend of Rs.5.50 per equity share and second Interim Dividend of Rs.4.00 per share on a face value of Re.1 for the year ended March 31, 2023. The total Dividend for the financial year ended March 31, 2023, amounted to Rs.9.50 per share of face value of Rs.1 each.

Good governance and transparent relationships have been at the heart of your Company for conducting its business, in an environment, which is challenging and straddled by regulatory mechanisms and restrictions. The Indian Sweetener market, which is at the core of your Company's business, not only witnessed healthy growth, but also increased competition and challenges. Your Company has worked intensively at strengthening its position during the year, by focusing on its flagship brands and also through multiple new products like Low GI Sugar - Sweet Care, Parrys Jaggery, Parrys Brown Sugar, and Parry's Superfine Sugar, customised for different consumer segments. Simultaneously, the Company has also recognised the

urgent need to enhance its sales and distribution network and make it future ready. The opportunities ahead of the Company are exciting and energising for all of us. With rising incomes, a young demographic profile, and concerted efforts to enhance agricultural & social development, a New India is indeed being shaped. The Company is well poised to benefit from the anticipated acceleration in the growth trajectory whilst simultaneously making a meaningful contribution to the Government's vision for inclusive socioeconomic development. The years ahead, will see tens of millions of Indian consumers across this vast country, aspire to use brands that offer them very good quality and value. This will undoubtedly lead to accelerated growth in India, for several categories of consumer-packaged goods. EID Parry began reimagining its business model, by capitalising its brand and entering retail and also adding non-sugar businesses to its core sugar business with the objective of generating more value, getting closer to the consumer, and making its operations more sustainable. The reimagined business model is a proof to your Company's capacity to be innovative and decisive when required.

I am pleased to inform you that your Company recently test launched a range of staples with an aspiration to expand its footprint in kitchens across South India. This is keeping in mind with the vision of the brand to go beyond its legacy of sweeteners and be part of the daily cooking repertoire and even more deeply entrenched into the lives of our consumers. With a wide range of products and competent brand management, your Company intends to create a unique positioning across the geographies where it is present. We expect that the "Parry" brand name will be a

key consideration point for consumers eager to try our offerings which come with the Parry's promise of trust, purity and reputed quality. The reimagining journey at EID Parry is well under progress and strong platforms for growth are being created. From a largely singular vertical of wholesale sugar, your Company is now engaged across four business verticals of institutional sugar, retail sugar, distillery operations, power generation and sweetener derivatives. Your Company is working on other synergetic and adjacent avenues for growth. The Jaggery market in India which is largely unbranded and unpenetrated provides immense opportunity for your Company in the sweeteners space. Further, your Company is working on a number of sugar substitutes for the ever-increasing health-conscious young consumers. I am happy to inform you that the Company has recently forged a collaboration with Incredito Ltd, Israel for bringing Incredito sugar to India. Incredito® Sugar is a sugar-based sugar reduction solution that provides anywhere between 30%-50% reduction of sugar in food and snacks such as cakes, cookies, chocolates, candies and more, with no compromise to the taste or the level of sweetness. It is our aspiration to be a leader in every business segment that we operate in and be acknowledged as a trusted provider of best-in-class products and services.

Nutraceuticals

I will now move to the Nutra segment. The Nutraceuticals Division achieved a standalone revenue of Rs. 55.80 Crore in 2022-23 and the Company's wholly owned

subsidiary, US Nutraceuticals Inc. registered a revenue of 29.10 million USD. The business had a consolidated sale of Rs. 258.65 crores for the year 2022-23.

The growing importance of Nutrition in human health has enhanced the long-term global outlook for the Nutraceuticals Business and in this regard supplements from Natural sources are expected to have a robust growth in future.

Last Year, the US Nutraceuticals consolidated its market leadership position for Saw palmetto botanical extract for men's prostate Health and Hair wellness segments. With fully integrated operations across the saw palmetto value chain, we are tactically well positioned. The Company is also making a comprehensive and holistic review of its Nutraceuticals Business with the intent of putting it on a better strategic path.

Subsidiary Company, Parry Sugars Refinery India Pvt Ltd (PSRIPL)

Global demand supply for 2022-23 was more balanced after two consecutive years of deficit. Lower production in Asian countries contributed to the tightness. As per Czarnikow, consumption of sugar recovered from pandemic lows and grew more than the global population growth. Demand Supply balance for 2023-24 depends on the El Nino based weather in Asia, whilst Brazil is poised for record production.

Higher refined sugar demand and export restrictions/low operating rates at some key refineries led to a surge in white premium in FY23. PSRIPL continues to be globally renowned as an efficient re-export refiner of sugar. We managed to convert some of our institutional supply into break bulk and recorded the highest ever sale of sugar to institutions. Sales volumes increased to 7.18 L MT in comparison to 6.23 L MT in FY22. Consequently, the turnover increased to 2850 Crore in FY 23 from 2006 Crore in FY 22. However, on account of delay in clearance of shipments consequent to the suspension of operations resulting from accidents at factory coupled with increased refining costs, PSRIPL incurred a loss of Rs.253.58 Crore. The Company has carried out an assessment of PSRIPL financial projections for the future and accordingly has made an impairment of Rs.105.96 Crore of its investment in PSRIPL. The Company is taking a number of steps to strengthen its operations. Softening of energy costs will help PSRIPL in keeping costs under control, whilst increasing sugar prices and interest rates are challenging operating costs in FY 2024. Increasing white premium would help PSRIPL counter these escalations in costs during the year FY 24. Improvement in container availability will help in restoration of container business volumes.

Sustainability

Your Company is driving advocacy around sustainability and getting broader industry participation to lead the change. Your Company integrates sustainability into the business strategy with a belief that sustainable business and financial

performance go hand-in-hand. With a robust governance mechanism, we are continually working towards our ESG goals to lead change and make a positive difference to people and the planet. Sustainability is one of our core beliefs and our vision is to generate no adverse impact on the environment through our operations. We believe that in this way, we would be able to approach the business risks with a different perspective and build more resilient operations.

At this juncture, it is worth to mention about our landmark Project Nanneer. We have initiated the rejuvenation of seven water bodies in the districts of Sivagangai and Pudukkottai in Tamil Nadu in 2022-23. These critical water bodies are a farmer's lifeline, as agriculture in these dry areas is completely dependent on the monsoons. With an incremental 1 billion litres of water holding capacity, Project Nanneer provides relief to around 2000 farming families. As an extension, we are working on the horizontal deployment of Project Nanneer. The aspiration is to achieve 10 billion Litres of Water Under Management by 2026.

Acknowledgements

I am very grateful to all our beloved shareholders, farmers, customers, suppliers, banks, the Government, and other stakeholders for their continued support, partnership, and invaluable contribution in facilitating the Company's operations.

As we move forward, your Company will remain steadfast in executing against its strategy with a sharp focus on growth. Your Company is committed to strengthening its core businesses, accelerating innovation, and unlocking efficiencies while exploring new opportunities both organic and inorganic, and building for the future. As one of the pioneers in the industry, we will continue to evolve along with our farmers and customers and will keep reinforcing our company's bond with them. I am grateful for your unwavering support and the dedication of our employees, which have been instrumental in the steady progress the Company has made thus far.

We, as a Board, have full confidence in the excellent leadership team of your Company to lead the way for next phase growth of the business in a competent, compliant, socially responsible, and transparent manner. I look forward to witnessing the continued growth journey of EID Parry with all your support. EID Parry is well positioned to take on future challenges with passion.

With Best Wishes

Thanking You

M.M.Venkatachalam

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