



**Speech by**  
**Mr. M.M. Venkatachalam, Chairman**  
**at the 49th Annual General Meeting**  
**on**  
**Wednesday**  
**August 14, 2024**

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**Good afternoon, ladies and gentlemen!**

I extend a warm welcome to all of you to the 49th Annual General Meeting of your Company.

It is a privilege to host you today and connect with you all through this Video Conference. The Directors' Report and the Audited Accounts for the Financial Year ended March 31, 2024, have been with you for some days. With your consent, I shall take them as read.

In an industry that is the cornerstone of our nation's agricultural economy, your Company has always been committed to excellence, sustainability, and innovation. Our journey began with a singular focus on sustainable sugar production, but over the years, we have evolved and diversified to meet the changing needs of our consumers and to stay ahead of industry trends. Today, we operate in multiple segments.

Before I take you through the company operations and developments, let me briefly touch upon our choices, current trends in the economy and the industry in which your Company is operating.

## **Better Choices, Brighter Future:**

In an ever-changing world, the choices we make today have a profound impact on the future that we create for ourselves, our communities, and the generations to come. It is this understanding that drives our commitment to excellence, innovation, and sustainable growth.

### Making Better Choices:

Our success lies in the ability to make better choices. These choices are not just about seizing opportunities but also about addressing challenges with wisdom and foresight. As a company, we have unswervingly demonstrated the capacity to adapt to market dynamics, leverage technologies, and embrace sustainable practices.

Our pursuit for technology has yielded innovative products that meet the evolving needs of our customers. By prioritizing quality and efficiency, we have not only augmented our competitive edge but also set new benchmarks in our industry.

Our commitment to better choices extends beyond business decisions. We recognize our responsibility towards the environment and society. Our initiatives in renewable energy, waste reduction, watershed management, and community development are a testament to our dedication to creating a positive impact.

### Building a Brighter Future:

A brighter future is not a distant dream but a tangible reality that we are actively building each day. Our vision is to create a world where innovation and sustainability go hand in hand, and where prosperity is shared by all.

As we look to the future, I am excited about the opportunities that lie ahead. Our strategic roadmap is designed to navigate the complexities of the global market while staying true to our core values. We will continue to explore new markets, expand our product portfolio, and leverage emerging technologies to stay ahead.

In doing so, we remain steadfast in our commitment to sustainability. By making responsible choices today, we are paving the way for a brighter and more sustainable future.

## **Economy**

India's growth story in the last decade has been one of resilience. Despite the global economic environment being fraught with risks and uncertainties stemming from multifaceted challenges, including the pandemic and geopolitical tensions, India's growth trajectory has emerged as a ray of hope amid an otherwise increasingly gloomy global scenario. In its July 2024 World Economic Outlook update, IMF raised India's growth forecast for 2024-25 to 7% up from 6.8% on the back of strong domestic demand and a rising working-age population, making India the fastest-growing G20 economy.

The recent Economic Survey 2023-2024 rightfully highlights the impressive performance of the Indian economy. Real GDP growth is estimated at a 8.2% in FY24. As per the economic survey, an estimated 135 million Indians emerged from poverty between 2015-16 and 2019-21.

Going forward, the survey projects real GDP growth in the range of 6.5-7% for FY'25 and lays out a strategy to sustain medium term growth at 7% or more by boosting private sector investment, strengthening the MSME sector, exploiting the untapped potential of agriculture markets, securing

the financing to meet the carbon envelope, addressing the skill-employment mismatch, and finally investing in building state capacity.

In the year just gone by, India has become a US\$ 3.6 trillion economy at current exchange rates and at a per capita income of US\$ 2,500; India is in the lower middle-income group of countries. Reaching here has been an eventful and arduous journey.

In the past ten years, the Gol pursued big-ticket reforms focused on restoring the economy's health and relieving several supply-side constraints. With its vision of making India a developed nation by 2047, it is expected that GOI will be set to turn its focus to bottom-up reforms in its third term.

## **Sugar Industry**

### **Global Sugar**

According to S&P Platts, global demand supply surplus for 2023-24 increased to 5.58 MMT, the second highest since 2017-18. Significant increase in production in Brazil, EU and Turkey more than offset lower production in Thailand, Mexico and Russia. Raw sugar prices were quite

volatile during the year, climbing up to 28 c/lb (highest in 12 years) in Nov 23 and later fell to 20 c/lb in Dec 23.

S&P Platts projects a Demand-Supply deficit for 2024-25 at 0.28 MMT. This is mainly due to lower production estimates for Brazil and Mexico. Though cane production is estimated to fall by 6-8% year on year due to dry weather, Brazilian mills are expected to maximise their sugar production to around 41 MMT, as sugar realisations are higher compared to ethanol.

## **Indian Sugar**

The Indian sugar industry is poised for growth, by capitalizing on the untapped potential across the value chain of sugarcane & its by-products, albeit with challenges. The rising input costs are squeezing profit margins for sugar mills. The industry is exploring diversification into value-added products like sugar-based chemicals and biofuels to reduce reliance on sugar alone. There is growing pressure on the industry to adopt sustainable practices, including water conservation and reducing environmental impact. The focus on ethanol blending, coupled with increasing domestic demand, presents opportunities for expansion.

The sugar production estimates have been notably volatile, where the 2023-24 season started off with an initial estimate of 30 MMT mainly on the premise of poor monsoon affecting yield and recovery estimates for Maharashtra and Karnataka. Now, with production of around 32 MMTs and consumption of around 29 MMT, we have an increase of nearly 3 MMT in the closing stock, Consequently, the estimated closing stock is expected to reach about 9 MMT, equivalent to approximately 4 months of consumption. It is high time the government crafts a comprehensive long-term sugar export policy.

The Central Government hiked the Fair and Remunerative Price (FRP) by Rs.25/quintal to Rs.340/quintal for 2024-25 season for a basic recovery of 10.25%. It has also approved a premium of Rs.3.32 per quintal for every 0.1% increase in recovery over and above 10.25% and reduction in FRP to be proportionately by Rs.3.32 per quintal below 10.25%.

The sugarcane industry supports five crore sugarcane farmers and their families by procuring sugarcane at FRP without any intervention from the Government. Stable policy support in the form of harmonizing FRP of cane with MSP of sugar and procurement price of ethanol from all three feedstocks is the need of the hour for the industry.



With a view to protect the interests of the sugar mills, the Government introduced a concept of Minimum Support Price (MSP) in 2018. The MSP was fixed at Rs. 29/kg during its inception and the same was increased to Rs.31/kg. While the FRP has seen a steady increase since then, the MSP continues to remain static at Rs. 31/kg. The Indian Sugar and Bio-Energy Manufacturers Association (ISMA) has urged the Central Government to increase the MSP of sugar to Rs.44.23 per kg calculated based on the Revenue Sharing Formula of considering 75% of the revenue from sugar alone. The Niti Aayog, the Committee of Secretaries, the Group of Ministers and different State Governments have also been recommending an increase in the MSP from time to time. The Government should consider the proposal of ISMA favourably in the long-term interest of the industry.

## **Ethanol**

Sugarcane-based ethanol is vital for our country due to its many benefits which encompass energy security, environmental sustainability, and economic development. As a renewable biofuel, ethanol made out of sugarcane juice/syrup/molasses helps reduce the nation's dependency on imported crude oil, thereby enhancing energy security and mitigating the vulnerabilities associated with volatile global oil markets. The Ethanol Blending Program (EBP) aims to blend ethanol with petrol, reducing

greenhouse gas emissions and improving air quality by lowering vehicular pollution. This aligns with India's commitment to international climate agreements and its goals for sustainable development. Moreover, the EBP stimulates rural economies by creating demand for sugarcane, providing farmers with stable income and employment opportunities. The program also supports the sugar industry, enabling better price stabilization and management of surplus production.

Frequent policy changes regarding the diversion of sugar for ethanol hinder the EBP targets and affect the functional & financial viability of distilleries. The Government must ensure that a stable policy environment for ethanol is created to achieve the EBP targets on time and reduce India's growing import dependency on fossil fuel. Any policy changes with respect to ethanol should not be done in a hasty manner and there should be a consultative mechanism with respect to Ethanol Policy where policy decisions, including pricing of ethanol, sugar diversion for ethanol, any technology related interventions, fiscal incentives & other aspects are made after seeking input & consultation from registered industry associations that represent the voices of the ethanol and allied industries across India.

## **Co-generation**

The sugar industry is engaged in Co-generation of power from renewable sources. In the press release from the Press Information Bureau (PIB), the Union Minister for New & Renewable Energy and Power announced a significant target of achieving 500 GW of installed capacity from non-fossil fuels by 2030. This aligns with the government's commitment made during COP-26.

The Government should develop steady and standardised mechanisms to monetize surplus power generated through Co-generation in sugar mills. Standardising these mechanisms will ensure predictability, facilitate financial planning, and incentivize continued investment in co-generation technology. Evaluation of the central intervention in the price fixation of bagasse at the state level and promotion of exit strategy from Power Purchase Agreements (PPAs) for sugar mills and creation of parity in support and incentives provided to other forms of green energy and bioelectricity will go a long way in strengthening the Co-generation of power by sugar mills.

## **Potash Fertiliser**

Currently, our country imports all its potash fertilizer in the form of Muriate of Potash (MoP) and relies entirely on MoP, which has 60% Potash content to. Potash Derived from Molasses (PDM) with a minimum of 14.5% Potash content, is a potassium-rich fertilizer derived from ash in molasses-based distilleries, a by-product of the sugar-based ethanol industry. The pricing of PDM should be tied to the international price of MoP using a benchmark index and should be based on a pro rata evaluation of the Potash content of PDM compared to the import cost of MoP. This will create a level playing field for the PDM and generate additional revenue for the sugar industry.

## **Sugarcane and Farmers**

Sugarcane forms the basis for the sugar industry to produce a variety of final products as I mentioned earlier. The country requires approximately 29 MMT of sugar annually, with consumption increasing by 1.5 to 2% each year. According to NITI Aayog, achieving the 20% ethanol blending target under the EBP necessitates 988 crore litres of ethanol for the year 2024-25, with 55% coming from sugarcane. In addition to sugar, the sugar industry also supplies alcohol for industrial and potable purposes. Estimated alcohol production is projected to reach 132 crore litres in 2024-

25 and grow further. To achieve these goals, sugarcane productivity needs to increase from the current 76 MT/ hectare to 83 MT/ hectare within the next five years. The imminent need is to enhance sugarcane production keeping in mind the muted scope for expanding cane area to meet the demands of the sugar industry to cater to domestic consumption, create an exportable surplus and achieve the higher ethanol blend target and other energy needs.

Urbanization and varied opportunities across the sectors have led to the next generation of farmers becoming disinterested in & indifferent towards farming. Further, restrictive land ceiling regulations and consequent fragmented land holdings, though well intended to achieve social justice, have in effect blocked R & D and technology upgradation in agriculture. It is clear and evident that agricultural revolution and modernization alongside of consolidation of landholdings is critical to sustain farm production and improve farm income. The need of the hour is to optimise farming practices embracing smart agriculture, where farmers can achieve significant gains in efficiency and sustainability. Further, to tackle the decreasing landholding size & to facilitate mechanization in harvesting, land aggregation is a viable solution which would allow for larger farm sizes, resulting in lower costs & improved farming practices, ultimately leading to higher earnings for growers. The Government should consider allowing community cultivation

and leased cultivation of Sugarcane through land aggregation by making appropriate amendments.

The Government, in collaboration with state authorities, should develop & implement a strategy to mitigate the reduction in cane-producing areas as it is crucial for maintaining a stable supply of raw materials for mills & renewable energy sector. The Government of India should encourage increased involvement of Public & Private sector entities towards R&D of high yield, high sucrose content, disease resistant, drought resistant varieties of Sugarcane for outcome-oriented research culminating in on-farm trials.

The Economic Survey 2023-24 emphasized on the pressing need for comprehensive reforms in India's agricultural sector, which provides livelihoods to 42.3 % of the population and has a share of 18.2% of the GDP and recommended policy initiatives to ensure that the markets function in the interest of the farmers. It also pitched for striking a balance between incentivising farmers to increase production and keeping food prices within acceptable limits and suggested addressing the issue of land fragmentation. The survey has called for enhanced private sector investment in production methods, marketing infrastructure, technology and reduction in post-harvest losses.

## ***Climate Change***

India's increasing number of small landholders, are among the world's most vulnerable to climate change, necessitating sustainable adaptation strategies. Enhancing soil health through simple practices like crop rotations, mulching & cover cropping can significantly boost farmland productivity by maintaining soil structure, improving water retention, fostering healthy microbial communities & increasing fertility. Moreover, farmers now have the opportunity to receive direct payments from the private sector for these soil health improvements. Global corporations can procure certified carbon credits and farmers are compensated for increasing soil carbon, effectively removing CO<sub>2</sub> from the atmosphere. Sustainable farming and natural farming practices can lead to a yearly carbon credit, translating into an additional income for the farmer.

With growing concerns about climate change and water stress, another game changer is drip irrigation, a technology that ensures efficient and effective water use. This targeted approach alongside advancement in soil health management and the use of bio-fertilizers paves the way for responsible use of the land.

Your company is actively engaged in promoting drip irrigation, producing and supplying micronutrient mixtures and embracing precision agriculture, bio-pest control agents, minimized chemical interventions, and fostering regenerative agricultural practices. Our adoption of drip irrigation, rainwater harvesting, and judicious water reuse isn't merely operational efficiency; it is reverence for the watersheds that sustain us.

With the above thoughts in the background, I shall now proceed to briefly cover the highlights of FY 2023-24 and the steps being taken by your Company to stay stronger.

### **Performance and Financials**

The past year has witnessed unexpected & not very congenial transformations in our sector, and it's imperative for us to not only learn lessons from the same but also take adequate corrective measures. Regrettably, we witnessed a decline in our operational and financial performance.



Your Company, during FY 2023-24, recorded a crushing of around 50.09 LMT as compared to the corresponding period of the previous year at 51.81 LMT and the average annual recovery was at 9.06% as against 9.53% of last year, registering decline of 0.47%. Sugar production clocked around 4.55 LMT as against 4.93 LMT of previous year. The Standalone revenue from operations for the year ended March 31, 2024, was Rs. 2,809 Crore against previous year of Rs. 2,895 Crore and Earnings before depreciation, interest, taxes, and before exceptional items (EBITDA) for the year ended was Rs. 307 Crore as against previous year of Rs. 527 Crore. The Standalone Profit after tax was Rs. 107 Crore, compared to Rs. 197 Crore in the previous year.

Several factors contributed to this downturn. Firstly, the decrease in revenue can be attributed to lesser releases under the monthly release mechanism governed by the Central Government. Furthermore, the ban on sugar exports had a significant impact on our revenue streams. In the previous fiscal year, we successfully exported 1.52 LMT of sugar, a feat that we were unable to replicate this year. Additionally, while revenue from distillery operations experienced an increase from Rs. 644 Crore in FY 23 to Rs. 799 Crore in FY 24, it did not fully offset the overall revenue decline. Despite capacity expansions, regulatory constraints, such as the government's embargo on using syrup for ethanol production and limiting

the use of B-heavy molasses, hampered potential revenue growth in this segment. There was an increase in the cost of production, primarily due to the rise in sugarcane prices on an average Rs.171/- per MT of cane compared to the last year. Additionally, unfavourable weather conditions, resulting in lower sugarcane recovery rates (Reduction about 0.47%) and suboptimal utilization (87%) of sugar plants due to insufficient availability of sugarcane and plant downtime contributed to the lower EBITDA, resulting in underutilized capacity and increased per-unit production costs.

In conclusion, while we faced challenges and experienced declines in various financial metrics, we remain committed to addressing these issues strategically and with resilience. Our focus remains on sustainable growth. Our core sugar business continues to be robust. We have optimized our production processes, ensuring maximum efficiency and quality. The adoption of advanced technologies and sustainable farming practices has reinforced our commitment to environmental stewardship. We have engaged closely with the farming community, providing them with necessary support and resources to enhance productivity and ensure a stable supply chain.

The distillery segment has seen remarkable growth, driven by the increasing demand for ethanol and other industrial alcohols. We have made

significant investments in expanding our distillery capacities from 417KLPD as on March 31, 2024, to 582 KLPD, to be made fully operational in the current year. The strategic focus on this segment aligns with the government's push for ethanol blending in fuels, positioning us as a key player in this critical area.

### **New Ventures: Staples**

In the rapidly evolving consumer goods landscape, new technologies are creating opportunities for both brands and consumers. Your Company's premium brand 'Parry' instils confidence and trust among consumers. Capitalizing on this favourable situation, your Company aims to maximize growth by strategically focusing on key areas and expanding product availability and brand presence across diverse consumer demographics.

This year marks a significant expansion of our product portfolio. I am pleased to inform you that your Company launched a range of staples in Q4 of FY 2023-24, expanding 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. This strategic move is aimed at leveraging our extensive distribution network and brand equity to

provide high-quality, nutritious staples to our consumers. The market response has been overwhelmingly positive, and we are confident that this segment will become a major growth driver in the coming years, swaying towards becoming a food-nutrition-bio-fuel company. The Indian sweetener market will remain central to your company's business growth. Your company has diligently fortified its position by emphasizing flagship brands and introducing a range of new products tailored for various consumer segments. In addition to our existing low GI sugar SweetCare, your company recently launched a low GI brown sugar "Amrit Gold", developed through a collaboration with Nutrition Innovation Singapore (NIS), catering to the increasing demand for healthier sugar solutions. Plans are on the anvil to launch a slew of products both in the sweetener and non-sweetener segment.

As we look ahead, tens of millions of Indian consumers across this vast nation will seek brands that offer exceptional quality and value. This trend is likely to drive accelerated growth in various consumer-packaged goods categories. ***Our company has already embarked on reimagining its business model, making better choices for a brighter future - leveraging its brand, entering retail, and diversifying beyond sugar. The goal is to create more value, connect directly with consumers, and ensure sustainable operations.***

## **Nutraceuticals**

The Nutraceuticals Division achieved a standalone revenue of Rs. 31 Crore in 2023-24 and the Company's wholly owned subsidiary, US Nutraceuticals Inc. registered a revenue of 25 million USD. The business had a consolidated sale of Rs. 234.47 crores for the year 2023-24.

The growth of technology and social media platforms has changed the way consumers learn about Nutraceuticals. The dissemination of health and wellness information, preventive health care and importance of nutrients derived from natural and sustainable sources influence the purchasing habits of consumers. Nutraceutical supplements are fast becoming a part of a daily routine and healthy lifestyle across a wide range of popular categories in the world over, resulting in an increased demand.

Considering the huge resources and long gestation period involved in building the Direct to Customers ( D-C) Prostate Health Business in the US market , the US Nutraceuticals realigned its strategic position last year by discontinuing its efforts in this segment .

Having realigned the Business model with B-B as the core focus area for the future, options were being explored for leveraging the investments through strategic partnership.

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

Raw sugar prices were quite volatile during the year. Increasing global refined sugar demand coupled with limited exports from India and Thailand, ensured that white premium remained at elevated levels during 2023-24. This enabled most toll sugar refiners to increase their operating rates in FY24.

PSRIPL continues to be globally renowned as an efficient re-exporter of refined sugar, offering a range of quality products for international trade and institutions. PSRIPL recorded its highest ever sales of 8.3 L MT, which is 16% higher than sales of 7.18 L MT in FY23. With increased customer base and better availability of containers, 23% of the total sale volumes was shipped through containers, which was also an all-time high. Higher sugar prices along with the sales volume growth increased FY24 turnover to Rs 4415 Crores as against Rs 2870.20 Crores of FY 23. Improved operating efficiencies and softening of energy and material costs helped PSRIPL to lower its refining cost in FY24. During the year, PSRIPL incurred a loss of

Rs. 84.51 Crores due to higher finance cost and impairment charge on its investments in overseas subsidiary. Stable white premium and consolidating on operational gains made during FY 24 will help PSRIPL to improve its financial performance in FY25.

### **Embracing Sustainability in Our Journey**

Sustainability isn't confined to fields and factories; Through skill development programs, timely payments and credit initiatives, we empower our farming communities to prosper and develop, for a thriving sugar company is one that uplifts those who work alongside us.

We have invested significantly in enhancing our production capacities and improving efficiencies. Our focus on sustainability is reflected in our efforts to reduce water and energy consumption in our manufacturing processes. Additionally, our initiatives in Co-generation of power from bagasse, a byproduct of sugarcane, not only contribute to our bottom line but also align with our commitment to environmental stewardship. Your Company has developed nutrient rich, eco-friendly, soil-less media from sugarcane bagasse. Soilless culture avoids soil disturbance and reduces land pressure and degradation while promoting crop intensification through year-round production.

At this juncture, it is worthwhile to mention that through our landmark Project Nanneer supported by the AMM Foundation which is the century old CSR arm of the Murugappa Group, we have initiated the rejuvenation of seven water bodies in the districts of in Tamil Nadu in 2023-24. The Phase II of Project Nanneer expanded to Tiruppur, Erode, and Cuddalore districts to rejuvenate and conserve water sources within the command areas your Company. We are also looking forward to expanding the project to Karnataka and Andhra Pradesh. These vital water bodies are crucial for farmers, as agriculture in these arid regions relies extensively on monsoonal rains.

## **Outlook**

Our core business, sugar industry is facing both challenges and opportunities in this evolving economic landscape. Despite the adverse weather conditions affecting agricultural outputs, the sugarcane production in India has shown resilience. The Government's proactive measures, including fair and remunerative prices for sugarcane farmers, EBP and subsidies for export, whenever required have provided a much-needed boost to the industry.



Your company continues to leverage its integrated business model to mitigate risks and capitalize on opportunities. Our commitment to sustainable agricultural practices, technological advancements in sugar production, and diversification into bioenergy and nutraceuticals are driving our growth. The ethanol blending program by the Government of India has provided us with an additional revenue stream, reducing our dependency on sugar prices alone.

The Sugar Industry has a potential to be transformed into a renewable energy hub, which is sustainable and competitive and one which will contribute significantly to the socio-economic growth of the Nation.

### **Acknowledgements**

I am very grateful to all our employees, shareholders, farmers, customers, suppliers, banks, the Government, oil marketing companies and other stakeholders for their continued support, partnership, and invaluable contribution in facilitating the Company's operations. Your trust and support have been instrumental in our journey. Together, we will continue to drive growth, create value, and make a positive impact.

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**