

Dear Shareholders (ladies and gentlemen)

On behalf of the Board of Directors of the Company, it is my pleasure to extend a warm welcome to all of you on the occasion of 40th Annual General Meeting of your Company.

I am particularly pleased to be able to report that 2012-13 was a successful year for your company. During the year, the revenues and profits improved significantly despite adverse market conditions and challenges on the price front in the second half of the year.

The financial performance is especially pleasing given the challenging global and Indian macroeconomic conditions.

Europe went into a deepening crises, and the Asian economies which had proved resilient so far, have been affected by the uncertainty and by declining growth especially within China and India. Our country where there is huge internal demand could have abated this crisis with appropriate safeguards for the domestic producers. Meanwhile, the world has become a far more competitive place now than five years ago. Most of the industries where bulk chemicals and polymers are used, such as: housing and construction, automotives, consumer durables, have seen a slowdown.

These problems have deeply affected our own Businesses. Phthalic Anhydride, where your Company did well in the first quarter of the year, saw a long period of poor margins thereafter due to low growth and demand in the downstream market. In our food Ingredients we have been facing fierce competition within Europe, where volumes and Prices fell sharply due to the economic down turn.

For nearly a year your company has been working on a comprehensive revamp of the organizational and management structure. We have focused on improving the efficiencies through integrated decision making and implementation, and Review processes in all aspects of the Business Operations. The division of your Company's structure, into individual Business Units and Operating Teams for each, has helped greatly in transparency and focus, and has resulted in better and faster decision making and execution, better utilization of assets and improved customer service. These processes are ongoing and will continue through the current year.

Your Company has also implemented a rigorous Review and Audit of key business systems, through expert agencies. This has already thrown up many gaps and opportunities for improvement and better risk management, which are being implemented.

Whilst these new initiatives have shown improved performance in the Food & Specialty businesses and in the Malaysian operations, much more needs to be done in the Phthalic Anhydride Business in reducing costs, reducing the Interest burden, and especially in managing

the Price and Volume Volatility Risks, which often result in major losses. This is a key area where much more attention is needed.

For our subsidiary in Malaysia, this has been a good year; the Business and Operations Teams had taken up the challenge to turn around the Company in record time and have shown excellent results. This company was making losses for the past several years. There was a delay in the repayment of advances to your Company. During the year the subsidiary has performed well. On a turnover of USD 51 Million (Rs 279 crore), it has made a Profit Before Tax of USD 3.6 Mn (Rs 21 crore), and a Cash Profit of USD 5.4 Mn. Resulting from improved profits and a healthy positive cash flow, the repayments from the Malaysian Subsidiary to your Company have commenced.

After many years of financial support from your Company, we now expect the Malaysian subsidiary to contribute significantly to your company's Cash flows, Profitability and Growth. During the current year, the team there is planning a major debottlenecking to upgrade the capacity and efficiency, which will help to increase the plant capacity by 25 % by 2014-15 and improve margins.

The pioneering processes to recover Energy and Chemicals from Waste, developed in-house has helped your company to emerge as one of the Greenest Chemical Companies. The energy required for our manufacturing process is generated In-house from Waste Heat and we are now almost 90 % self sufficient. All water used in the plant is treated, recycled and recovered fully. You will be happy to know that your company has been a "**Zero-discharge**" Company since 2007.

Following the vision and example set by of the Founders, your company continues its long history of service to Society especially in Education, Health and Rural Development.

For more than three decades, the Thirumalai Charity Trust, supported by your Company, has been working toward "*Bringing the rural poor together in building their own future*". Voluntary services, women empowerment and community involvement are the hallmark of these programmes. In 2010 the Thirumalai Mission Hospital was set up in Ranipet to provide Quality Healthcare that is accessible and affordable by all. Your company has also assisted the Akshaya Vidya Trust, in 1994, to set up the Vedavalli Vidyalaya Schools which has now grown to 3 prominent schools on 2 campuses.

Your company's commitment and contributions in various fields such as: in Energy and Water management, Ethical Business practices, Manufacturing Excellence, and Community and Social initiatives, have been well recognised and rewarded by the Government and other professional bodies.

While the current economic and market conditions are challenging and these may have an impact on the company's performance in the short term, your Company's strong fundamentals and commitment to improve its competitiveness, will help us in the medium to long term to improve the profitability and improve shareholders value. Your Company's Directors and Employees are working actively to address these issues.

Acknowledgements

On behalf of the Board of Directors and the Management, I would like to place on record your Company's sincere appreciation of the co-operation extended by the Central & State Governments and their agencies, our Banks, Customers, Suppliers, Distributors, and the continuing patronage & support of all our stakeholders. The Directors also appreciate and value the contributions made by the employees of our Company and subsidiaries.