

(AN ISO 9001, 14001, 50001/ HACCP & FSSC 22000 CERTIFIED COMPANY)

CIN: L24100MH1972PLC016149

25th July 2019

Dear Members,

Welcome to the 46th Annual General Meeting of our company.

This has been a very mixed year. For our country and for your company. There were a lot of mixed messages. We have been hearing that the economy is doing well; and then that growth and employment have not been not as good as reported; it is difficult to decode the truth in this barrage of information.

It is a good thing that the election fever has passed. It is to be hoped the Government will use its strong mandate to focus on the pressing issues that need correction.

For your company and its subsidiary in malaysia, it has indeed, been a very mixed year. The first half of the financial year was outstanding in every parameter. But we saw a slowdown in the months that followed were the reverse as Far East slowed, as product prices softened. As we have mentioned in the Directors' report customers in downstream industries started destocking, as the prices were driven further down by the knee-jerk reaction of nervous bankers.

The residual effects of this lasted till the end of the fiscal but have started recovering in Q1 of FY20.

The major revamp project underway in India in our Phthalic Plants also led to lower production and higher costs in this period.

Except for the lower profits, we were able to get through this period smoothly - though we have spent nearly Rs 200 Cr on capital expenses in the last 18 months.

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Our conservative and tight stance in operations and working capital management has proved its value.

As I mentioned, business in our commodity chemical Phthalic Anhydride has started improving though we have to be careful in this environment of uncertainty caused by the ongoing trade conflicts and the macroeconomic situation in the Far East.

The 5 years till 2017 was a time for improving operations and performance in every aspect.

Two years ago we started on the long term initiatives of growth, and modernization.

The first and major phase is nearing the end - the revamp in our Phthalic Anhydride facility in Tamil Nadu is just being completed. This was a major project where large sections of all our aging plants have been completely replaced; this will enable us to retire the older inefficient units. These are under start-up during these weeks and are designed to help us reduce input costs, our energy costs, and improve reliability and capacity utilization which had become erratic in the last few years.

It also involves major technology changes which will help us reduce our emissions and increase productivity.

We will see the positive results of these in coming years.

In our food ingredients, we are still limited by capacity issues as the domestic market has grown well, mainly due to our market development efforts; this and the International market are able to absorb all our volumes. Capacity addition in this business is ongoing. We continue to hold a strong position in India and Europe and have started active marketing into the US/ N. Am markets.

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The PA project in Gujarat, was delayed in getting Government approvals and we could start construction during Q3. This is now going on in full swing and we expect to see the initial results next year.

Our Malaysian subsidiary has also performed well, despite facing similar market uncertainties and volatilities in H2. Their cash flows continue to be robust, which has enabled them to focus on expanding further in their core product Maleic Anhydride.

The Board has approved the proposal to set up a subsidiary to establish and operate a Food Ingredients Manufacturing facility (including Malic and Fumaric Acid) in the US, with a capacity of about 30,000 Metric Tons per Year, to address the growing demand in the global market, including North America.

This investment is planned as the first phase of what we hope will be a long-term and major hub for us; And enable further growth in intermediates and fine chemicals based on local stocks and aimed at the US and EU markets.

Thus, your company is moving towards having manufacturing facilities in 4 different locations in 3 countries – addressing varied geographies and de-risking our businesses, as it enables us to operate in the most advantageous locations and markets. This is essential given the greater volatility in business and trade barriers going up in each region.

At this moment I wish to thank our outstanding management and operating teams, led by our CEO Mr Sethuram, Mr Nair and Ms Ramya Bharathram and their teams.

Your Directors reinforce this with their critical reviews and guidance.

As shareholders we owe them our thanks and can be proud of them.

As we work on improvement in our current Businesses we look forward to the future with confidence.

Jai Hind.