

CHAIRMAN'S SPEECH

Dear Shareholders,

It is my great pleasure and privilege to welcome you all to the 71st Annual General Meeting of your Company. The Annual Report together with the Annual Accounts and Auditors Report for the year 2010-11 is in your hands and with your permission, I take them as read.

Economy:

According to the information contained in the new report by the IMF's World Economic Outlook, the world's GDP at the end of 2010 could grow by 4.2% (January forecast reported 3.9% growth). With regard to this indicator for 2011, compared to January, it has not changed and remains at 4.3%. According to IMF chief economist Olivier Blanchard, a global recession has been avoided, so that a gradual recovery of world economy is expected.

For developing countries, where the formation of the market only occurs, they have restored after the world crisis quicker. The highest rate of growth is in Asia, where they make up 8.7% in 2010. The highest recovery rate – China, India, Brazil and Mexico. The growth of Chinese economy in 2010 will amount to 10% and in 2011 – 9.9%. The Indian economy will grow in 2010 by 8.8% in 2011 – by 8.4%. Brazil show 5.5% growth in 2010 and 4.1% in 2011, while Mexican GDP will grow by 4.2% in 2010 to 4.5% – in 2011.

Sugar Industry:

The sugar production for the season 2010-11 is around 25 million tonnes. Sugar prices remained stable during the first half of the season and moved in the range of Rs. 25000 to 27000 PMT. However, with the higher production than the estimated consumption of 22 MT Tonne, the sugar prices came down substantially. The Govt. of India in order to arrest the falling prices allowed export of 1.5 MT. Tonne under Advance Licence System (ALS) due to which the sugar prices are slowly stabilizing at Rs.26,000PMT. Levy entitlement was also brought down to 10% against 20% during last season.

Working results:

The turnover of the Company during the Financial Year is Rs. 73,568.61 Lakh as against Rs. 57,013.33 Lakh in the previous year. In spite of fluctuation in sugar prices, depreciation of Jewargi Unit Rs. 1,653.95 Lakh., and payment of additional cane price of Rs. 200/- per MT for season 2009-10 the Company was able to earn a profit of Rs. 401.57 Lakh this year, as compared to net loss of Rs.2,003.64 Lakh during previous year. As there were carried forward losses during FY 2009-10 the Surplus/ (Deficit) carried forward is (Rs. 997.14 Lakh).

Dividend:

Your Directors regret for their inability to recommend the dividend during the current year.

Sugar Section (Ugar):

Availability of sugar cane during sugar season 2010-11 was good but at the fag end of season the recovery declined sharply. During the season 2010-11 your Company has crushed 15.99 Lakh Mt., at a recovery of 11.26% as against earlier season crushing of 14.27 Lakh Mt., at a recovery of 11.54%. The sugar bagging for current season was 18.00 Lakh Qtls. of sugar as against previous years sugar bagging of 16.47 Lakh Qtls.

Co-generation :

During the year 2010-11, Company has generated 1,157.57 Lakh units and exported 647.54 Lakh units at Ugar through Tata Power Trading Company Ltd. During the current year, the export rates were good which helped the Company in earning reasonable revenues.

Distillery and IML:

During the year 2010-11, the Rectified Spirit production is 94.08 Lakh Bls as against 85.94 Lakh Bls during previous year. Potable Liquor production is 89.38 Lakh Bls as against 82.25 Lakh Bls during the previous year. We have supplied 9.64 Lakh BL Etahnol to the Oil Companies during the year. Our newly introduced premium brand "Sandpiper" Brandy and Whisky is well received by the market along with other premium brands like U.S.Whisky, Old Castle,etc. We have bottled 10.22 Lakh cases during the current year as against 9.39 Lakh cases during the previous year at Ugar. Further we have made entry in the Andhra Pradesh and Delhi liquor market.

Bottling Arrangement:

The bottling arrangements at K. S. Distilleries and S. D. F. Industries in Kerala and M/s Chamundi Winery & Distillery, Bangalore and M/s. Rana Sugar, Punjab are continuing.

Export Oriented Unit:

During the year under review the EOU has exported sugar ships worth Rs. 231.46 Lakh as against Rs.260 Lakh in the previous year to M/s Frabies (GmbH), Germany. The export orders from M/s. Frabies have slow down. Further negotiations are on for supply order from Edeka and Rowe (Germany) in addition to Netto.

The EOU has maintained the positive NFE status during the year. We have already introduced our products at Café Coffee Day at their 1000 retail outlets all over India. Further we are exploring the possibility of developing the market for *Fondant Mass* for biscuit manufacturing.

Jewargi Unit:

During the crushing season 2010-11, this unit has shown excellent performance. During the season 2010-11 this unit has crushed 3.47 Lakh Mt., at a recovery of 11.06% as against 2.02 Lakh Mt., at a recovery of 10.11% during the previous season. The total sugar bagging during the current season was 3.84 Lakh Qtls., as against 2.05 Lakh Qtls., during the previous season. The Co-generation activity was also satisfactorily, we have generated 322.00 Lakh units and exported 208.02 Lakh Units through Tata Trading Power Co.

Company expects to improve the crushing and co-generation at this unit during the coming season. With the cane development activity there will be improvement in the availability of cane from nearby area.

Future Prospects:

The sugar cane plantation during the sugar season 2011-12 is good and Company expects to crush around 20 to 22 Lakh MT sugar cane including Jewargi unit. We also expect to achieve better realization from Co-generation and IMFL. Further we expect better performance from Ugar & Jewargi Unit to improve our bottom-line.

Acknowledgement:

On behalf of the Board of Directors I would like to express the deep sense of gratitude to all the shareholders, cane growers and suppliers, harvesters, workers and staff members for their continued support. I also thank the Central Government, Government of Karnataka, Government of Maharashtra, Sugar Development Fund, Technology Development Board, Central Bank of India, Bank of Baroda, Union Bank of India, IDBI Ltd., Bank of India, ICICI Bank, Axis Bank, IFCI Ltd., and HDFC Bank for their co-operation.

May I now request the Company Secretary to read the Auditors' Report and thereafter you may raise queries, if any, on the reports and accounts.

Thank you,

Sd/-

R.V. Shirgaokar - Chairman & Mentor