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**K.C.P. SUGAR AND INDUSTRIES
CORPORATION LIMITED**

Eighth Annual Report
2002 - 2003

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K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED**BOARD OF DIRECTORS**

Executive Chairman	Smt.Rajeswary Ramakrishnan
Managing Director	Smt.Irmgard Velagapudi M. Rao
Executive Director	Ms.V.Kiran Rao
Directors	Dr.N.B.Prasad Shri.K.A.Rangaswamy Shri.K.Subramanian
General Manager (Finance) and Secretary	Shri.V.C.Unnikrishnan, FCA, FICWA, FCS
Auditors	Messrs. Brahmayya & Co. Chartered Accountants, Vijayawada
Legal Advisor	Shri.T.Raghavan
Bankers	State Bank of India Punjab National Bank ICICI Bank Ltd. Bank of Baroda
Registered & Corporate Office	"Ramakrishna Buildings" 239, Anna Salai, Chennai - 600 006.
Units	Vuyyuru - Sugar Industrial Chemicals Biotech Research and Development Lakshmipuram - Sugar Tada - Workshop
Registrars to Deposits	M/s. Trident Investment Portfolio Services Pvt. Limited, No. 7, Fourth Main Road, United India Colony, Kodambakkam, Chennai - 600 024. Phone : 24844204 /24844217 Fax : 24800884
Registrars & Share Transfer Agent & Depository Registrars	M/s Integrated Enterprises (India) Limited, 2nd Floor, "Kences Towers", No.1,Ramakrishna Street, North Usman Road, T.Nagar, Chennai - 600 017. Ph: 28140801 to 28140803 Fax: 28142479 Website: www.iepindia.com



AT A GLANCE

(Rs. in Lakhs)							
FINANCIAL HIGHLIGHTS	Year Ended						
	31.03.2003	31.03.2002	31.03.2001	31.03.2000	31.03.1999	31.03.1998	31.03.1997
Share Capital	1,133.85	1,133.85	*1,133.85	1,289.30	1,289.30	1,289.30	1,289.30
Reserves and Surplus	4,962.81	5,384.94	6,772.84	6,105.68	5,515.34	4,926.30	3,875.85
Net Worth	6,096.66	6,518.79	7,906.69	7,394.98	6,804.64	6,215.60	4,955.24
Fixed Assets (Nett)	10,141.13	10,114.89	9,589.37	8,979.56	7,878.04	6,341.50	6,598.96
Gross Income	17,690.59	14,947.76	22,204.78	18,939.46	21,519.59	20,579.09	18,853.87
Gross Profit	1,535.38	2,542.94	3,720.16	2,813.74	2,879.39	3,823.65	2,713.07
Depreciation	611.21	575.87	531.30	428.73	368.96	350.29	335.44
Interest	1,501.80	1,430.90	1,520.70	1,201.44	1,263.60	1,458.44	1,404.16
Profit / (Loss) before Tax	(577.63)	536.17	1,668.16	1,183.57	1,246.83	2,014.92	973.47
Profit / (Loss) after Tax	(422.13)	340.19	1,368.16	983.57	946.83	1,614.92	673.47
Earnings per Share (Rs.)	-3.72	3.00	*10.79	7.63	7.34	10.90	4.68
Cash Earnings per Share (Rs.)	1.67	8.08	*14.97	10.95	10.21	15.24	7.83
Book Value per Share (Rs.)	53.77	57.49	69.73	57.36	52.78	48.21	38.43
Dividends on Equity (%)	-	25.00	25.00	25.00	25.00	25.00	25.00
Debt Equity Ratio (excluding working capital borrowings)	0.58	0.70	0.73	0.75	0.77	0.48	0.61
*During the year 2000-01, the Company bought back 15,54,511 shares and hence EPS & CEPS have been calculated on the weighted average of capital held during the year.							
SEASON WISE CANE CRUSHED, SUGAR BAGGED AND RECOVERY							
SEASON	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
SUGAR UNIT, VUYURU							
Cane Crushed in MTS	9,74,932	6,88,821	6,09,355	10,47,565	9,32,052	8,91,340	9,00,781
Sugar bagged in QTLS	9,81,030	7,22,284	6,31,820	10,66,540	9,62,300	8,63,146	9,47,253
Recovery (%)	10.07	10.49	10.38	10.20	10.33	9.68	10.52
SUGAR UNIT, LAKSHMIPURAM							
Cane Crushed in MTS	2,27,826	82,058	1,85,586	4,68,010	4,50,431	3,30,772	4,10,949
Sugar bagged in QTLS	2,09,638	68,658	1,75,071	4,51,700	4,41,310	3,04,238	4,34,208
Recovery (%)	9.07	9.40	9.36	9.65	9.80	9.20	10.57

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED**NOTICE TO SHAREHOLDERS**

NOTICE is hereby given that the Eighth Annual General Meeting of the Members of the Company will be held at "Sathguru Gnanananda Hall" Narada Gana Sabha, 314, T.T.K.Road, Alwarpet, Chennai 600018, on Monday, the 25th day of August, 2003 at 10.15 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2003 and Profit and Loss Account for the financial year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Shri.K.A.Rangaswamy who retires by rotation and is eligible for re-appointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

4. To consider and, if thought fit, to pass with or without modification the following resolution as a **Special Resolution**:

"RESOLVED that, in accordance with the applicable provisions of the Companies Act, 1956, the Securities Contracts (Regulation) Act, 1956, the Listing Agreement with Stock Exchanges and the provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, or any amendment or modification thereof, and subject to such other approvals, permissions and sanctions as may be necessary, and such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions or sanctions which may be agreed to by the Board of Directors of the Company ('the Board') or any Committee / person(s) authorized by the Board, consent be and is hereby accorded to delist the Equity Shares of the Company from the Madras Stock Exchange Ltd.

RESOLVED FURTHER that authority be and is hereby accorded to the Board or any Committee/person(s) authorized by the Board, to settle all questions, issues, or compliances that may arise in this regard and to do all such acts, deeds and things as may be necessary, expedient and desirable, for the purpose of giving effect to this Resolution."

// **BY ORDER OF THE BOARD** //

Place : Chennai
Date : 25.06.2003

SMT.RAJESWARY RAMAKRISHNAN
EXECUTIVE CHAIRMAN

**NOTES:**

- a. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**

The proxy form, in order to be effective must be duly completed, stamped and lodged with the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.

- b. **M/s.Integrated Enterprises (India) Ltd**, Kences Towers, II Floor, No.1 Ramakrishna Street, T.Nagar, Chennai 600 017 are the Registrar and Transfer Agents and Depository Participants of the Company for physical / electronic shares and all correspondences with regard to transfer of shares etc may be addressed to them directly.
- c. Securities and Exchange Board of India has made **trading** in the shares of the company **compulsory in dematerialized form** for all investors. Members are requested to open an account with a Depository Participant, if not done so far.
- d. **The Register of Members, Register of Beneficial Owners and Share Transfer Books** of the Company will remain closed from 12th day of August 2003 to 25th day of August 2003, both days inclusive, **for the purpose of updation of Register of Members.**
- e. Members are requested to **quote their Registered Folio number** in all correspondence with the Company/Registrar and are requested to notify to the Registrar, change, if any, in the Registered Address and/or of their mandates. In case your mailing address mentioned on this Annual Report is without the PIN CODE, then you are requested to **kindly inform your PIN CODE** immediately to the Registrar.
- f. Members who are holding shares in identical order of names in more than one folio are requested to send to the Registrar the details of all such folios together with the Share Certificates for **consolidation of their holdings into a single folio.**
- g. Members who hold shares in the physical form can nominate a person in respect of all the shares held by them singly or jointly. Members who hold shares in single name are advised, in their own interest to avail the **nomination facility** by filling **Form 2B printed with this Annual Report**. Members holding shares in dematerialized form may please contact their Depository Participants for recording nomination in respect of their shares.
- h. As required under the provisions of the Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31st March, 1997 and thereafter, which remain unclaimed for a period of seven years will be transferred to the **Investor Protection and Education Fund (IEPF)** established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

NOTICE (CONTD.)

Information in respect of such unclaimed dividend when due for transfer to the said Fund is given below:

Financial period/ year ended	Date of declaration of dividend	Last date for claiming unpaid dividend	Due date for transfer to IEP Fund dividend
31.03.1997	29.09.1997	28.09.2004	26.10.2004
31.03.1998	02.09.1998	01.09.2005	29.09.2005
31.03.1999	30.07.1999	29.07.2006	26.08.2006
31.03.2000	11.09.2000	10.09.2007	08.10.2007
31.03.2001	23.07.2001	22.07.2008	19.08.2008
31.03.2002	11.09.2002	10.09.2009	08.10.2009

- i. The **Unclaimed Dividend** for the above year(s) 1996-97, 1997-98, 1998-99, 1999-00, 2000-01 and 2001-02 are held in separate Bank Accounts and Shareholders who have not received the dividend/encashed the said warrants, are advised in their own interest to write to the Registrar immediately with complete details. **Shareholders are requested to note that no claims shall lie against the Company or the said Fund in respect of any amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.**
- j. Shareholders who have **not lodged their old share certificates of "The K.C.P.Ltd"** for exchange of new share certificates of both the Companies in terms of the approved Scheme of Arrangement are requested to surrender the same to The K.C.P.Ltd, No.2, Dr.P.V.Chريان Crescent, Chennai -8 at the earliest with a copy marked to the Registrar. New share certificates of this Company would be despatched after receipt of confirmation from The K.C.P.Ltd.
- k. Members/Proxy holders must bring the **Attendance Slip duly signed to the meeting** and hand it over at the entrance. Xerox copy/torn attendance slips will not be accepted at the entrance of the Meeting Hall. Members are requested to **bring their copy of the Annual Report to the Meeting** as copies will not be distributed at the Meeting hall.
- l. **Members desirous of obtaining any information** concerning the accounts and operations of the Company are requested to address their queries in writing to the General Manager (Finance) and Secretary at least ten days before the Meeting so that the information may be made available at the Meeting.
- m. **Reappointment of Director :**

At the ensuing Annual General Meeting, Shri.K.A.Rangaswamy retires by rotation and being eligible offer himself for re-appointment. The additional information pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges in respect of the Director seeking reelection is furnished hereinbelow:

Shri.K.A.Rangaswamy aged 70 years is an experienced Chartered Accountant and Company Secretary and in addition holds a Master's Degree in Business Administration, with over 45 years of experience and expertise in the fields of finance, management, business administration, taxation and other related fields. He served as Executive Director of this Company for five years and retired at the close of the tenure on 1st April'2001 and was inducted again in the Board on 29.03.2002 as Non Executive Director. He is a Director of Energy Device Technology (India) Pvt Ltd.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:****Item No. 4:**

The Equity Shares of your Company are presently listed on two Stock Exchanges, viz., Madras Stock Exchange Ltd (MSE) and National Stock Exchange of India Ltd. (NSE) and trading in the shares has been made compulsory in dematerialized form for all investors with effect from 26.03.2001. The Company has already signed the necessary agreements with National Securities Depository Limited and Central Depository Services (India) Limited. The Company now proposes to delist the shares of your Company from the Regional Stock Exchange, MSE. Over the last few years, the trading data has indicated sparse/no transactions of the Company's share in the Madras Stock Exchange and more particularly during the last financial year ended 31.03.2003. Due to the online network facilities of NSE across the country, which has facilitated extensive trading of the shares of your Company, the proposed delisting of the shares from MSE will not adversely affect the interest of any investor, including those residing in the said region.

In view of the above, your Board of Directors have at their Meeting held on 25.06.2003 accordingly, recommended for the approval of the Members, the proposal to voluntarily delist the Company's shares from the Regional Stock Exchange, viz., Madras Stock Exchange Ltd, pursuant to the Securities Exchanges Board of India (Delisting of Securities) Guidelines, 2003. As per the said guidelines, since the shares of the Company are listed and will continue to be on NSE, no exit option needs to be given to the Shareholders. Further, the consent of the Shareholders have to be obtained by a Special Resolution for the said delisting.

None of the Directors of your Company is interested in this Special Resolution.

The Board of Directors recommend this Special resolution for your approval.

// BY ORDER OF THE BOARD //

Place : Chennai
Date : 25.06.2003

SMT. RAJESWARY RAMAKRISHNAN
EXECUTIVE CHAIRMAN

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

DIRECTORS' REPORT

TO THE SHAREHOLDERS OF K.C.P.SUGAR AND INDUSTRIES CORPORATION LIMITED

Your Directors have pleasure in submitting the Eighth Annual Report of your Company together with the Statement of Audited Accounts for the year ended 31st March, 2003.

I. FINANCIAL HIGHLIGHTS

(Rs.in lakhs)

	For the Year ended	
	31.03.2003	31.03.2002
Sales & Other Income	16,643.18	14,222.24
Profit before extraordinary items, interest, depreciation & tax	1,595.84	2,628.49
Less : Extraordinary items - payments for Voluntary Retirement Scheme	60.46	85.55
Interest	1,501.80	1,430.90
Depreciation	611.21	575.87
(Loss) / Profit before tax	(577.63)	536.17
Provision for taxation - current and deferred	155.50	195.98
(LOSS) / PROFIT FOR THE YEAR AFTER TAX	(422.13)	340.19
Add: Balance brought forward from previous year	2083.80	2,071.70
SURPLUS AVAILABLE FOR APPROPRIATION	1661.67	2,411.89
APPROPRIATIONS:		
General Reserve	—	44.63
Proposed Dividend	—	283.46
BALANCE CARRIED TO BALANCE SHEET	1661.67	2083.80
Earnings per share in Rs.	-3.72	3.00
Cash earnings per share in Rs.	1.67	8.08
Book value per share in Rs.	53.77	57.49

During the financial year ended 31st March 2003, the sales and other income of the Company showed a marginal improvement by about 17% at Rs.16643.18 lakhs as against Rs.14222.24 lakhs in the previous year. The year 2002-03 was as much a difficult year for the sugar industry as it was for the company, with the prices falling from an average of about Rs.1350/- per Qtl., in April 2002 to Rs.1204/- per Qtl. in March 2003. The steep fall in prices had its toll on the operations of the Company and the gross profit before extraordinary items, interest, depreciation and taxes was down by 39.26% at Rs.1595.84 lakhs as against Rs.2628.49 lakhs in the previous year. The shift in the release mechanism from monthly to quarterly, depleting margins on the sugar sold, resulted in a higher utilization of bank borrowings and the overall interest outgo increased to Rs.1501.80 lakhs (previous year: Rs.1430.90 lakhs). After providing for a smaller payout of Rs.60.46 lakhs as against Rs.85.55 lakhs in the previous year towards voluntary retirement scheme and a higher depreciation of Rs.611.26 lakhs (P.Y. 575.87 lakhs), the Company incurred a loss of Rs.577.63 lakhs against a profit of Rs.536.17 lakhs.

In compliance with the Accounting Standard No.22 (AS 22), there is a provision of Rs.155.50 lakhs, which is a deferred asset, and when added to the loss, results in the loss after taxation of Rs.422.13 lakhs as against a profit of Rs.340.19 lakhs for the year ended 31.03.2002.

**II. DIVIDEND:**

Despite the loss incurred by the Company in the year under review, in order to reward the shareholders by maintaining continuity in the payment of dividend, your Board of Directors had recommended the payment of a minimum 10% dividend to the shareholders, subject to the approval of the financial institutions and banks. The financial institutions and banks have, however, laid down guidelines whereby we, on the Board, are unable to implement our recommendation. Hence there is no dividend for the year under review.

III. SHARE CAPITAL AND RESERVES:

The Share Capital of the Company as on 31st March 2003 is Rs.1133.85 lakhs and the Reserves and Surplus as on the said date stood at Rs.4962.81 lakhs.

IV. MANAGEMENT AND DISCUSSION ANALYSIS:**a. SUGAR INDUSTRY POLICY AND OUTLOOK:**

This time it was the turn of the sugar industry. Already beleaguered with policies which controls both the cane price and the sale of sugar, industry went through one of its worst scenarios in the recent past, with sugar prices touching lows of Rs.900 – 1000 per Qtl, which was even below the levy prices. Despite huge stocks, with the releases being lower, the sugar mills were unable to make ends meet or even to run the factory in the normal course. This prompted many sugar mills, initially in the North and later in the South, to approach the Courts to permit them to sell sugar over and above the quota released by the Central Government. But what started as a trickle, had its snowballing effect and almost 50% of the mills followed suit with a result that sugar was dumped in the open market and the sugar prices came crashing to all time lows of Rs.900 – 1000 per Qtl since October – November 2002. However, the Government stepped into action and amended the Essential Commodities Act, 1955 whereby the Central Government would have a greater control of the release mechanism and in ensuring that its sugar release quotas are not flouted and if mills did so, they could be penalized under the Act. It is expected that the recent amendment would push up the prices considerably and ensure a fair play in the market for all the factories. With the use of ethanol blended petrol becoming a reality in 2002-03, more sugar mills have set up the facility and if reasonable prices are fixed in the tenders by the oil companies, the sugar factories would be able to improve their turnover and profitability satisfactorily. Despite the beating in the sugar prices, the Government announced a higher Statutory Minimum Price (SMP) of Rs.645/- per MT, (P.Y.: Rs.620.50) linked to 8.50% recovery and the situation was further worsened with an adhoc increase of Rs.50/- per MT being announced in January 2003. On one hand, the realizations have fallen drastically and on the other the cane costs which constitute about 65 – 70% of the cost of production, have risen which means that the sugar industry will take some more time to be on its feet on its own.

b. REVIEW OF OPERATIONS:**i. SUGAR UNITS:**

On account of the consistent efforts of the Management and support from the cane growers, Vuyyuru Unit was able to crush a higher quantum of 9,74,932 MT during 2002-03 season as against 6,88,821 MT of cane during the previous season. On account of inadequate rains and lesser availability of water and in anticipation of water shortage during February – March 2003, crushing had commenced on 20.11.2002 and after bagging 9,81,030 Qtls of sugar at 10.07% recovery, the season closed on 09.04.2003. The Unit expects a crushing of about 10 lakh MT of sugar cane during 2003-04 season barring unforeseen circumstances. The Statutory Minimum Price (SMP) applicable to Vuyyuru Unit was Rs.797/- per MT, which was subsequently revised to Rs.859/-* per MT. The Vuyyuru Unit sold 8,94,073 Qtls of sugar valued at Rs.11562.29 lakhs as against 4,54,759 Qtls of sugar valued at Rs.6662.88 lakhs during the previous year ended 31.03.2002. During the same period, this Unit sold 34,746 MT of Molasses valued at Rs.798.15 lakhs, as against 26,089 MT valued at Rs. 551.97 lakhs during the previous year ended 31.03.2002.