



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

***Fourteenth Annual Report***  
***2008 - 2009***

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**K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED****BOARD OF DIRECTORS as on 25.06.2009**

<b>Chairman</b>	Shri.Vinod R. Sethi
<b>Managing Director</b>	Smt.Irmgard Velagapudi M. Rao
<b>Executive Director</b>	Smt.V.Kiran Rao
<b>Directors</b>	Shri.K.A.Rangaswamy Shri.Ranvir R. Shah Shri.Prathap K.Moturi Dr.Vithal Rajan Shri.M.S.V.M.Rao

**Board Committees****Audit Committee**

Shri.K.A.Rangaswamy  
Dr.Vithal Rajan  
Smt.V.Kiran Rao  
Shri. Vinod R. Sethi  
Shri. M.S.V.M. Rao

**Remuneration Committee**

Shri.K.A.Rangaswamy  
Dr. Vithal Rajan  
Shri. Vinod R. Sethi

**Share Transfer & Grievances Committee**

Shri. K.A. Rangaswamy  
Smt.Irmgard Velagapudi M.Rao  
Smt.V.Kiran Rao

**General Manager (Finance)**

Shri.R. Ganesan

**Deputy General Manager  
(Finance) and Company Secretary**

Shri.S.Chidambaram, B.Sc.,AICWA,ACS

**Auditors**

Messrs. B.Purushottam & Co.  
Chartered Accountants,  
Flat No.3-D, "Pioneer Homes"  
23/A, North Boag Road, T.Nagar  
Chennai 600017.

**Legal Advisor**

Shri.T.Raghavan

**Bankers**

State Bank of India  
Punjab National Bank  
ICICI Bank Ltd  
ING Vysya Bank Ltd  
Axis Bank Ltd

**Registered & Corporate Office**

"Ramakrishna Buildings"  
239, Anna Salai,  
Chennai - 600 006.  
Ph: 044-28555171 to 28555176.  
Fax: 044-28546617

**Units**

Vuyyuru

- Sugar
- Industrial Chemicals
- Incidental Co-Generation power
- Biotech
- Research and Development
- CO2
- Calcium Lactate

Lakshmipuram

- Sugar
- Incidental Co-Generation power

**Registrars to Deposits**

TIPS Data Systems Private Limited  
19 (old 11) Nagarjuna Nagar, 1st Street  
Rangarajapuram, Kodambakkam, Chennai - 600 024.  
Telefax: 044-24812336  
Website : www.tipsdatasys.com

**Registrars & Share Transfer Agent**

M/s Integrated Enterprises (India) Limited,  
2nd Floor, "Kences Towers", No.1,Ramakrishna Street,  
North Usman Road, T.Nagar, Chennai - 600 017.  
Ph: 044-28140801 to 28140803 Fax: 044-28142479  
Website: www.iepindia.com



## FINANCIAL HIGHLIGHTS

Rs. in Lakhs

Particulars	Year Ended									
	31.03.2009	31.03.2008	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001	31.03.2000
Share Capital	1,133.85	1,133.85	1,133.85	1,133.85	1,133.85	1,133.85	1,133.85	1,133.85	*1,133.85	1,289.30
Reserves and Surplus	14,546.49	14,342.19	14,475.97	12,784.19	9,012.45	6,554.82	4,962.81	5,384.94	6,772.84	6,105.68
Net Worth	15,680.34	15,476.04	15,609.82	13,918.04	10,146.30	7,688.67	6,096.66	6,518.79	7,906.69	7,394.98
Fixed Assets (Net)	13,959.19	14,758.28	15,541.25	13,970.66	10,448.77	9,649.21	10,141.13	10,114.89	9,589.37	8,979.56
Gross Income	19,954.65	25,442.27	33,611.64	36,184.68	29,977.81	20,890.02	17,690.59	14,947.76	22,204.78	18,939.46
Gross Profit	3,270.26	2,280.74	5,000.54	10,555.24	8,033.82	3,022.50	1,535.38	2,542.94	3,720.16	2,813.74
Depreciation	1,085.35	1,059.37	1,001.49	743.45	619.97	626.02	611.21	575.87	531.30	428.73
Interest	360.18	459.93	351.56	420.53	915.01	1,373.05	1,501.80	1,430.90	1,520.70	1,201.44
Profit / (Loss) before Tax	1,824.73	761.44	3,647.49	9,391.26	6,498.84	1,023.43	-577.63	536.17	1668.16	1,183.57
Profit / (Loss) after Tax	1,132.88	710.97	2,355.05	5,711.05	4,065.21	1,911.79	-422.13	340.19	1368.16	983.57
Earnings per Share (Rs.)	**0.999	**0.63	**2.08	**5.04	35.85	16.86	-3.72	3.00	*10.79	7.63
Cash Earnings per Share (Rs.)	**1.96	**1.56	**2.96	**5.69	41.32	22.38	1.67	8.08	*14.97	10.95
Book Value per Share (Rs.)	**13.83	**13.65	**13.77	**12.28	89.49	67.81	53.77	57.49	69.73	57.36
Dividends on Equity %	70.00	50.00	50.00	150.00	100.00	25.00	—	25.00	25.00	25.00
Long term Debt Equity Ratio (excluding working capital borrowings)	0.25	0.22	0.12	0.16	0.30	0.49	0.58	0.70	0.73	0.75

\* 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.

\*\* Face value of each equity share of Rs.10/- has been sub-divided into 10 equity shares of Face Value of Re.1/- each w.e.f. 17.03.2006.

## SEASON WISE CANE CRUSHED, SUGAR BAGGED AND RECOVERY

SEASON	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
<b>SUGAR UNIT, VUYURU</b>										
Cane Crushed in MTS	5,38,686	8,46,674	12,21,209	10,72,145	9,97,945	10,14,957	9,74,932	6,88,821	6,09,355	10,47,565
Sugar bagged in QTLS	5,64,150	9,19,000	13,19,880	11,97,470	11,44,442	10,60,812	9,81,994	7,22,284	6,31,820	10,66,540
Recovery ( % )	10.45	10.85	10.83	11.15	11.46	10.47	10.07	10.48	10.38	10.20
<b>SUGAR UNIT, LAKSHMIPURAM</b>										
Cane Crushed in MTS	1,35,957	2,74,193	4,53,307	4,35,534	3,72,153	3,13,619	2,27,826	82,058	1,85,586	4,68,010
Sugar bagged in QTLS	1,22,686	2,68,948	4,67,905	4,61,679	4,13,580	3,14,879	2,09,638	68,658	1,75,071	4,51,700
Recovery ( % )	9.05	9.80	10.32	10.63	11.10	10.05	9.07	9.40	9.36	9.65

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

## NOTICE TO SHAREHOLDERS

## NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Fourteenth 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 Wednesday, the 23rd day of September 2009 at 10.00 a.m. to transact the following business:

## ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the financial year ended 31st March, 2009 and the Balance Sheet as on that date and the Reports of the Directors and Auditors thereon.
2. To declare a dividend, if any.
3. To appoint a Director in place of Shri. Ranvir R. Shah, who retires by rotation, and being eligible, offers himself for reappointment.
4. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:  
"Resolved that the vacancy caused by retirement by rotation of Shri. Prathap K. Moturi, who has conveyed in writing to the Company his unwillingness to offer himself for reappointment, be not filled up."
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting, on such remuneration as shall be fixed by the Board of Directors.

// BY ORDER OF THE BOARD //

Place : Chennai

Date : 25.06.2009

VINOD R. SETHI

CHAIRMAN

## NOTES:

- (i) 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. **The Register of Members, Register of Beneficial Owners and Share Transfer Books** of the Company will remain closed from 16th day of September 2009 to 23rd day of September 2009, both days inclusive, **for the purpose of payment of dividend.**
- c. **Dividend on equity shares**, as recommended by the Board, on approval by the shareholders at the AGM, will be paid on or after 25.09.2009, but within the stipulated time, subject however to the provisions of Section 206A of the Companies Act, 1956:
  - i. to those Members whose names appear on the Register of Members of the Company as on 15.09.2009, after giving effect to all valid **share transfers in physical form** lodged with the Company/Registrars on or before the close of business hours of 15.09.2009, and
  - ii. in respect of shares held in electronic form, to those "Deemed Members" whose names appear in the Statement of Beneficial Ownership furnished by the National Securities Depository Ltd (NSDL) and the Central Depository Services (India) Ltd. (CDSL) as at the end of business hours on 15.09.2009.
- d. **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.
- e. 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 a Beneficiary owner account with a Depository Participant, if not done so far.
- f. 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.
- g. **Members holding shares in dematerialized form**, may please note that while opening a depository account with participants they might have given **their bank account details**, which will be printed on their dividend warrants. However, if Members want to change/correct the Bank details, they should send the same immediately to the concerned Depository Participant. Members are also requested to give MICR code of their bank to their Depository Participant



**The Company will not entertain any direct request from Members for addition/deletion/change in bank account details furnished by Depository Participants to the Company.**

- h. **Members holding shares in physical form** are requested to note that in order to avoid any loss/interception in postal transit and also to get prompt credit of **dividend through Electronic Clearing Service (ECS)**, they should submit their ECS details to the Company's Registrar and Transfer Agents latest by 15.09.2009. The requisite **ECS application form is printed with this Annual Report**, which can be completed by Members and mailed to reach us latest by 15.09.2009. Alternatively, Members may provide details of their Bank Accounts quoting their folio numbers by the said date, to the Company's Registrar and Transfer Agents to enable them print such details on the dividend warrants. Please ensure that the details submitted by you to our Registrars / your Depository Participant are correct as any error therein could result in the dividend amount being credited to wrong account. Payment of dividend through ECS and / or to the designated Bank Account which will appear on the dividend warrant, will help to prevent fraudulent encashment of dividend warrants.
- i. 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**.
- j. **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.
- k. As required under the provisions of the Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31st March, 2002 and thereafter, which remain unclaimed for a period of seven years will be transferred to the **Investor Education and Protection Fund (IEPF)** established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

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

Financial year ended		Date of dividend warrant	Last date for claiming unpaid dividend	Due date for transfer to IEP Fund
31.03.2002		16.09.2002	15.09.2009	14.10.2009
31.03.2003		No Dividend declared for the year		
31.03.2004		09.09.2004	08.09.2011	07.10.2011
31.03.2005	(interim)	22.11.2004	21.11.2011	20.11.2011
	(Final)	05.09.2005	04.09.2012	03.09.2012
31.08.2006	(interim)	08.11.2005	07.11.2012	06.12.2012
	(Final)	18.10.2006	17.10.2013	16.11.2013
31.03.2007		03.10.2007	02.10.2014	01.10.2014
31.03.2008		13.09.2008	12.09.2015	11.10.2015

- l. Shareholders are requested to **encash their Dividend Warrants on receipt** as Dividend remaining **unclaimed for seven years**, are required to be **transferred to the Investor Education and Protection Fund** established by the Central Government under Section 205C of the Companies Act, 1956. Once unclaimed dividends are **transferred** to this fund, shareholders will **not be entitled to claim** these dividends.

[The Unclaimed Dividend for the above year(s), 2001-02, 2003-04, 2004 - 05 (interim & final), 2005-06 (interim & final), 2006-07 and 2007-08 are held in separate Bank Accounts and Shareholders who have not received the dividend/ encashed the said warrants, are in their own interest advised to write to the Registrar immediately with complete details. Shareholders are requested to note that no claim 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 date they first became due for payment and no payment shall be made in respect of any such claim.]

- m. 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.PV.Chcrian Crescent, Chennai - 600 008 at the earliest with a copy marked to the Registrar. New share certificates of this Company will be despatched after receipt of confirmation from The K.C.P.Ltd.
- n. 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.
- o. **Members desirous of obtaining any information** concerning the accounts and operations of the Company are requested to **address their queries in writing** to the Secretarial Division **at least two weeks before the Meeting** so

**K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED**NOTICE  
(CONTD.,)

that the information may be made available at the Meeting.

**(ii) Additional information on Director seeking reappointment at the Fourteenth Annual General Meeting:****Item No.3:**

As per Section 255 read with 256 of the Companies Act, 1956 and in pursuance of Article 119 and 120 of Articles of Association of the Company, at least two thirds of the Board should consist of retiring Directors. Shri. Ranvir R. Shah, Director, retires by rotation at this Annual General Meeting and being eligible, offers himself for reappointment.

Shri.Ranvir R. Shah has a Masters Degree in Political Science and is a businessman with over two decades of experience in the domestic and international markets in garment exports. He is currently the Director of Eagle Apparels Pvt.Ltd., A.R. Gherkins Pvt.Ltd., and P.S.A. Textile Processors Pvt.Ltd. He was co-opted on the Board of the Company on 26th Oct' 05 as an Independent Additional Director and held Office upto the date of the Eleventh Annual General Meeting. He was reappointed at the said Annual General Meeting.

The Directors recommend the appointment of Shri.Ranvir R. Shah as a Director.

No other Director other than Shri.Ranvir R. Shah may be deemed to be concerned or interested in this resolution

**Item No.4:**

Shri.Prathap K. Moturi, a Director of the Company, is due to retire by rotation at the forthcoming Annual General meeting. He has, however, by notice in writing addressed to the Company conveyed his unwillingness to offer himself for reappointment as Director. The Company does not intend to fill up the resulting vacancy. The resolution at Item 4 is pursuant to Section 256 (4) of the Companies Act, 1956.

// BY ORDER OF THE BOARD //

Place : Chennai

Date : 25.06.2009

**VINOD R. SETHI**

CHAIRMAN

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# DIRECTORS' REPORT

## DIRECTORS' REPORT

Your Directors present their 14th Annual Report and the audited statement of accounts for the year ended 31st March 2009.

### I. FINANCIAL RESULTS:

	For the Year ended 31.03.2009	For the Year ended 31.03.2008
<b>Physical Performance</b>		
Cane crushed – in Tonnes	7,17,363	13,34,589
Sugar bagged – In Quintals	7,34,306	14,15,553
<b>Financial Performance – Rs. Crores</b>		
Turnover	250.35	309.98
Other Income	5.35	3.73
Profit Before Tax	18.25	7.61
Profit After Tax	11.33	7.11
Surplus from Previous Year	39.91	40.25
Amount available for appropriation	51.24	47.36
<b>Appropriations</b>		
Transfer to General Reserve	1.14	0.81
Proposed Dividend	7.94	5.67
Tax on proposed Dividend	1.35	0.96
Carried forward	40.81	39.91

### II. PERFORMANCE:

During the financial year under review your Company recorded a Turnover of Rs.250.35 crores (Prev.Year: Rs.309.98 cr) including Excise Duty of Rs.10.96 crores (Prev.Year: Rs.15.84 cr.) and Inter-divisional transfers of Rs. 56.15 crores (Prev.year: Rs. 59.43 cr.). The profit before interest and depreciation is Rs.2578.41 lakhs. Profit before tax is Rs.1824.73 lakhs and after providing Rs.691.85 lakhs, for Income tax and deferred tax the Profit after tax is Rs.1132.88 lakhs.

A rapid shift in sugar cycle signifying reversal of high supply - low prices scenario was witnessed in 2008-09. The shift in the cropping pattern from sugarcane to other crops has resulted in lower production and hence lower sugar supply. With the trend reflecting falling production on the current and the next sugar season, sugar prices firmed up in the second half of the financial year. Despite increase in average realisation of free sugar and molasses, reduced off-take of sugar consequent to the lower inventory levels contributed for the fall in turnover.

### III. DIVIDEND:

The Board of Directors recommends a dividend of 70 % on the Paid-up Equity Capital for the year ended 31.03.2009 as against the total 50% approved for the previous year ended 31.03.2008. The dividend recommended by your Directors, if approved at the ensuing Annual General Meeting by the Shareholders would be paid within the stipulated time.

### IV. SHARE CAPITAL AND RESERVES:

The Share Capital of the Company is Rs.11.33 crores. The General Reserves & Surplus as at 01.04.2008 was Rs.101.50 crores and after transferring from Net Profits a sum of Rs.1.14 crores to the General Reserve for the year ended 31.03.2009, the General Reserve stood at Rs.102.65 crores as on 31.03.2009. The total Reserves and Surplus has increased to Rs.145.46 crores as on 31.03.2009 as against Rs. 143.42 crores as on 31.03.2008.



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

**V. MANAGEMENT DISCUSSION AND ANALYSIS:****a. Sugar Industry - Opportunities, Threats and Future Outlook:****Opportunities:**

- The long term outlook for sugar remains positive and promising on account of:
- Sugar prices may firm up further on account of lower inventories to meet the increasing cost of cultivation of sugarcane and sugar manufacturing.
- Growing energy consumption in India allowing the sugar industry to play a vital role.
- Environmental friendly power generated by Cogeneration Units equipped with high-pressure boilers and turbines that intelligently use the fuel to get optimum energy output.
- More emphasize on Bio-composting process and consequent efforts to convert organic and inorganic matter into bio-manure to ensure zero discharge from the distillery.
- Clearly defined Clean Development Mechanism and the expected flow of Carbon Credits.
- Implementation of Kyoto Protocol by India requiring fuel Ethanol blending with petrol and exploring the possibilities of enhancing the blending proportion.
- Potential for value addition to the Bagasse residue if put to use in manufacture of Medium Density Fibre (MDF) and particle Boards as substitute for wood, curtailing the impact on Indian exchequer on account of import of MDF and preventing felling of millions of mature trees.
- Growing demand for bio manure, which works as the perfect soil conditioner. Bio manure made from distillery and organic matter does not allow leaching of chemicals and hence can offer a solution to the problem of depletion of soil productivity.

**Threats:**

- Sugar industry is at present confronted by the following threats:
- With continued depletion in sugar inventory and upward spiralling in domestic sugar prices, price regulatory mechanism is expected to be more rigorous.
- Dearth in availability of farm labour for harvesting, and transportation, loading and unloading of sugar cane.
- Continuing trend of switching over of cane growers to more remunerative cash crops adversely affecting the availability of sugar cane.
- The spurt in cane procurement prices is expected to remain volatile for a couple of years.
- Continued fall in sugarcane production and lower availability of sugar may prompt more and more import of white and raw sugar from foreign countries.
- Continued impact on the industry on account of various controls and administrative measures by the Central and State Governments.
- Cyclical nature of industry and local climatic conditions over the crop affecting both the quantity and quality of cane available.
- Sugar weightage in WPI.
- Short crushing season.

**Future Outlook:**

Buoyed by a steep increase in realisation of sugar as well as by-products, the outlook for the sugar sector is favourable in the near term. The key drivers for profitability would however be the volume of cane crushed and the extent to which the low cost sugar was available, given that the cane and sugar production has fallen sharply during the current sugar year.

The outlook for sugar mills for the next 12 months appears favourable. However, the long term prices and profitability of Indian sugar companies would depend on domestic and international supply-demand trends. These in turn depend on agro-climatic conditions in major producing countries and crude oil price trends,



which determine the diversion of cash crop to ethanol. Consequently the price trends in international markets would be the key determinants of future profitability. Further, the Government / Court action in ensuring a rational linkage between SAP and Sugar Price will also be a key to long term viability of sugar operation especially in states governed by SAP. The raw material availability will be crucial for mills in sugar year 2009-10. Nevertheless, given the significant stock correction and limited CAPEX by most mills, the liquidity of most mills are likely to improve in sugar year 2009-10.

#### b. REVIEW OF OPERATIONS:

##### i. SUGAR UNITS AT VUYURU AND LAKSHMIPURAM:

The summary of cane crushed, sugar bagged, etc. of both the Sugar Units seasonwise and financial year wise are presented herein below:

#### SEASONWISE

UNIT / SEASON PARTICULARS	VUYURU		LAKSHMIPURAM	
	2008-09	2007-08	2008-09	2007-08
Crushing commenced on	08.12.2008	25.11.2007	13.12.2008	29.11.2007
Crushing completed on	23.03.2009	16.04.2008	22.02.2009	13.03.2008
No. of days	106	144	71	106
Cane crushed (in MT)	5,38,686	8,46,674	1,35,957	2,74,193
Sugar Bagged (in qtls)	5,64,150	9,19,000	1,22,686	2,68,948
Recovery (%)	10.45	10.85	9.05	9.80
Cane Price paid -Rs. per MT	1400.00	1,100.00	1,350.00	1060.00

#### FINANCIAL YEARWISE

UNIT/YEAR ENDED DETAILS	VUYURU		LAKSHMIPURAM	
	31.03.2009	31.03.2008	31.03.2009	31.03.2008
2006-07 Season - From / To	--	01.04.2007 to 08.05.2007	---	01.04.2007 to 16.04.2007
2007-08 Season - From / To	01.04.2008 to 16.04.2008	25.11.2007 to 31.03.2008	---	29.11.2007 to 31.03.2008
2008-09 Season - From / To	08.12.2008 to 23.03.2009	--	13.12.2008 to 22.02.2009	--
No. of days	122	166	71	122
Cane crushed (in MT)	5,81,406	10,18,749	1,35,957	3,15,840
Sugar Bagged (in qtls)	6,11,620	11,02,299	1,22,686	3,13,254
Recovery (%)	10.52	10.82	9.05	9.92