

Parrys Confectionery Ltd
Annual Report 2001-2002



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Together, we always find a way... or make one.



Success never comes easy. Because it calls for fighting against the odds at every step. And as a team.

So although times have been tough in the last year, we, the team at Parry's, have had a year of modest success. Because we've been united by a common vision that's rooted in commitment and infused with a sense of pride in all we've done in the last two years. Where we've worked collectively as a team to cut costs and put systems in place so what we do tomorrow is better than what we do today. And while doing so we've also spent each day not just widening our network, but also strengthening and extending existing relationships.



And while we celebrate today's success, we're also looking at rising above the ordinary tomorrow. To new areas of innovation and product development. To new markets. And most importantly, to build in a sense of fun and delight in everything we do.





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PARRYS CONFECTIONERY LIMITED

Board of Directors	M.V. SUBBIAH, Chairman M.M. MURUGAPPAN D. JAYACHANDRAN J. SAHNI
Managing Director	N.C. VENUGOPAL
Secretary	S. VENKATASUBRAMANIAN
Registered Office	DARE HOUSE, PARRY'S CORNER CHENNAI
Factories	IN TAMIL NADU : NELLIKUPPAM MANAPAKKAM
Auditors	LOVELOCK & LEWES CHARTERED ACCOUNTANTS CHENNAI
Bankers	STATE BANK OF INDIA
Insurers	UNITED INDIA INSURANCE CO. LTD. CHENNAI THE NEW INDIA ASSURANCE CO. LTD. CUDDALORE



"The fundamental principle of economic activity is that no man you transact with will lose then you shall not"
— Arthashastra

Values & Beliefs

- Adhere to ethical norms in all dealings with share-holders, employees, customers, suppliers, financial institutions and government.
- Provide value for money to customers through quality products and services.
- Treat our people with respect and concern; provide opportunities to learn, contribute and advance; recognise and reward initiative, innovativeness and creativity.
- **MAINTAIN**
 - An organisational climate conducive to trust, open communication and team spirit.
 - A style of operations befitting our size, but reflecting moderation and humility.
- Manage environment effectively for harnessing opportunities.
- Discharge responsibilities to various sections of society and preserve environment.
- Grow in an accelerated manner, consistent with values and beliefs, by continuous organisation renewal.

COMPANY HISTORY AND PROFILE

In 1914, EID and SF Ltd. started the Confectionery Factory at Nellikuppam in the South Arcot district of Tamilnadu.

In 1954, a new Company, Parrys Confectionery Ltd., was formed and this Company took over the Confectionery factory and started independent operations as a Company.

The Company has its headquarters in Chennai with Zonal Offices in Delhi, Mumbai, Kolkata and Bangalore and has 28 stock points and more than 1600 Redistribution Stockists. Over the years, Parrys has grown from strength to strength and today is one of the leading Sugar Boiled Confectionery manufacturers in the country.

The Company's main brands are Coffy Bite, Lacto King, Caramilk, Coconut Punch, Madras Café and Chocolate Eclairs.

The Company's vision is to be a significant player in the Sugar Confectionery business in India and to be a dominant player in the Fun food sector in the long term.

Parrys Confectionery Limited is a part of the Rs.3900 Crore Murugappa Group, which is the recipient of the Distinguished Family Business Award-2001 from The International Institute of Management (IMD) in Switzerland. Murugappa Group is the only Asian Group to have won the award from the prestigious Business School.

The Group has strong presence in the Engineering, Bio-products, Sanitaryware, Confectionery, Sugar, Farm Inputs, Finance, Plantations and Nutraceuticals. A pioneer and market leader in several fields with operations across 12 states Murugappa Group is well known for its ethical values and excellence in Corporate Governance.



TEN YEARS FINANCIAL SUMMARY

Rs. Lakh

	92-93	93-94	94-95	95-96	96-97	97-98	98-99*	99-2000*	2000-01*	2001-02*
OPERATING RESULTS:										
GROSS INCOME	5372.54	6430.02	9381.32	11093.96	13117.65	15590.98	14185.74	10663.45	10625.42	9956.74
PROFIT/(LOSS) BEF DEPN., INTEREST & TAX	485.27	544.55	712.15	1116.89	1478.93	1901.11	1493.45	(507.00)	475.68	918.55
PROFIT/(LOSS) BEFORE INTEREST AND TAX	385.34	437.68	562.30	793.87	1044.33	1383.00	815.70	(1236.34)	(180.51)	308.20
PROFIT/(LOSS) BEFORE TAX (PBT)	253.90	324.72	461.15	684.48	852.68	1027.95	370.81	(1657.66)	(522.82)	70.20
PROFIT/(LOSS) AFTER TAX (PAT)	135.90	169.72	345.15	634.48	742.68	922.95	335.81	(1657.66)	(522.82)	47.67
DIVIDENDS	33.19	37.08	43.26	80.75	108.17	162.25	103.49	—	—	—
DIVIDEND TAX	—	—	—	—	10.82	16.23	11.38	—	—	—
RETAINED PROFITS/(LOSS)	102.71	132.64	301.89	553.73	623.69	744.47	220.94	(1657.66)	(522.82)	47.67
SOURCES AND APPLICATION OF FUNDS:										
SOURCES OF FUNDS:										
SHARE CAPITAL	123.62(a)	123.62	123.62	216.34(b)	216.34	216.34	377.13(d)	377.13	377.13	377.13
RESERVES AND SURPLUS	586.62	719.26	1021.15	3104.68	3704.59	4444.51	6660.54	5002.88	4517.91	4503.07
TOTAL SHAREHOLDERS' FUNDS	710.24	842.88	1144.77	3321.02	3920.93	4660.85	7037.67	5380.01	4895.04	4880.20
BORROWINGS	642.51	635.57	2532.22	2079.77	2668.33	2953.90	3310.53	2572.65	2140.06	1157.14
DEFERRED TAX LIABILITY	—	—	—	—	—	—	—	—	—	47.19
FUNDS EMPLOYED	1352.75	1478.45	3676.99	5400.79	6589.26	7614.75	10348.20	7952.66	7035.10	6084.53
APPLICATION OF FUNDS:										
GROSS FIXED ASSETS	878.85	1135.45	2021.64	4436.11	5987.11	7956.08	9268.81	9570.36	9411.79	8931.02
DEPRECIATION	383.20	475.69	625.29	937.12	1362.25	1874.20	2472.84	3166.81	3669.62	3843.89
NET FIXED ASSETS	495.65	659.76	1396.35	3498.99	4624.86	6081.88	6795.97	6403.55	5742.17	5087.13
CAPITAL WORK-IN-PROGRESS	—	0.07	1139.94	17.96	27.12	49.31	214.79	57.29	42.79	4.27
INVESTMENTS	22.10	250.02	359.27	434.86	646.17	1050.21	1098.59	971.54	914.04	713.87
GROSS CURRENT ASSETS	1302.20	1074.64	1506.00	2641.36	2393.65	2765.35	4357.44	2525.95	2274.36	1722.56
CURRENT LIABILITIES & PROVISIONS	467.20	506.04	724.57	1192.38	1102.54	2485.16	2270.51	2005.67	1976.11	1524.75
NET CURRENT ASSETS	835.00	568.60	781.43	1448.98	1291.11	280.19	2086.93	520.28	298.25	197.81
DEFERRED REVENUE EXPENDITURE	—	—	—	—	—	153.16	151.92	—	—	81.45
DEBIT BALANCE IN P & L	—	—	—	—	—	—	—	—	37.85	—
NET ASSETS EMPLOYED	1352.75	1478.45	3676.99	5400.79	6589.26	7614.75	10348.20	7952.66	7035.10	6084.53
RATIOS:										
ROCE (%)	34.04	30.92	21.61	17.49	17.42	19.47	9.08	-13.51	-2.41	4.71
PBDIT TO GROSS INCOME(%)	9.03	8.47	7.59	10.07	11.27	12.19	10.54	-4.75	4.48	9.23
PAT ON SHAREHOLDERS' FUNDS(%)	19.13	20.14	30.15	19.10	18.94	19.80	4.77	-30.81	-10.68	0.98
EARNINGS PER EQUITY SHARE(Rs)	10.99(c)	13.73	27.82	29.33(c)	34.33	42.66	8.90(c)	-43.95	-13.86	1.26
DIVIDEND PER EQUITY SHARE(Rs)	3.00	3.00	3.50	4.00	5.00	7.50	2.74	—	—	—
NET WORTH PER EQUITY SHARE(Rs)	57.45	68.18	92.60	153.51	181.24	215.45	186.61	142.66	129.80	129.40
DEBT EQUITY RATIO	0.90	0.75	2.21(e)	0.63	0.68	0.63	0.47	0.48	0.44	0.24

* Includes merger of Cocoa Products & Beverages Ltd (100% Subsidiary)

a. After considering 1:1 Rights Equity Issue in June '92

b. After considering 3:4 Rights Equity Issue in May '95

c. Earnings per share calculated on diluted capital

d. After considering warrants conversion in May '98

e. After considering Bridge Loan against Rights Issue

DIRECTORS' REPORT

Your Directors present the Forty-seventh Annual Report together with Audited Accounts for the year ended 31st March 2002

Financial Results

	(Rs. in Lakh) 2001-2002	(Rs. in Lakh) 2000-2001
Sales and Services	9712.49	10390.27
Profit / (Loss) before depreciation and interest	918.55	475.68
Less : Depreciation and Interest	848.35	998.50
Profit / (Loss) before tax	70.20	(522.82)
Less : Provision for Current Income Tax	—	—
Less : Deferred Income Tax	22.53	—
Profit / (Loss) after Tax	47.67	(522.82)
Add : Balance brought forward	(1557.01)	(1034.19)
Balance Profit / (Loss) transferred to Balance Sheet	(1509.34)	(1557.01)

Though the Company has returned to profitability, albeit slim, your Board does not recommend any dividend for the year ended 31st March 2002 in order to retain resources. A sum of Rs.243.37 Lakh has been transferred to General Reserve by withdrawing from existing Debenture Redemption Reserve being in excess of statutory requirement .

Review of Operations and Outlook

The Board is happy to report that the gross profit before interest and depreciation was Rs.918.55 Lakh (Rs. 475.68 Lakh previous year), an increase of 93% over last year. As a result, your Company has made a profit before tax of Rs.70.20 Lakh as against a loss of Rs.522.82 Lakh in the last year.

During the year under review, your Company faced difficult business conditions. The demand for Sugar Boiled Confectionery in the organised sector was more or less stagnant. Your Company focused on its core brands for better profitability although it meant that Sales and Services income of the Company was lower by 6% at Rs.9712.49 Lakh .

The Company through various cost management and value addition measures have successfully brought down the break-even level resulting in the Company making a marginal profit even at a lower volume.

Due to lower inventory levels and repayment of first tranche (30%) on its non-convertible debentures during the year amounting to Rs.486.75 Lakh, the interest cost was lower at Rs. 239.00 Lakh in the current year compared to Rs.342.31 Lakh in the previous year.

The Company is well placed, and has strategies drawn up, to seize various emerging opportunities through increased levels of branding, penetration of distribution network and cost management measures. The organised sector in recent months has shown signs of revival and marginal growth. The Company is looking forward to capitalising these opportunities in the current year and achieving higher volumes and profitability.