

Parrys Confectionery Ltd

Annual Report 2003 - 2004

Report  junction.com





Report  junction.com



CONTENTS

BOARD OF DIRECTORS	3
TEN YEARS AT A GLANCE	4
DIRECTORS' REPORT	5
CORPORATE GOVERNANCE REPORT	12
AUDITORS' REPORT ON CORPORATE GOVERNANCE	16
REPORT OF THE AUDITORS	17
BALANCE SHEET	20
PROFIT AND LOSS ACCOUNT	21
SCHEDULES TO ACCOUNTS	22
CASH FLOW STATEMENT	41
BALANCE SHEET ABSTRACT	43
SHARE HOLDERS INFORMATION	44



Board of Directors

M.V. SUBBIAH, Chairman (till 24.05.04)
 YONG TACK KIM, Chairman (w.e.f. 24.05.04)
 M.M. MURUGAPPAN (till 24.05.04)
 DONG BIN SHIN (w.e.f. 24.05.04)
 SOO KIL HAN (w.e.f. 24.05.04)
 IN DO HWANG (w.e.f. 24.05.04)
 SANG MAN SHIM (w.e.f. 24.05.04)
 J. SAHNI
 K.R.GANAPATHY

Managing Director

N.C. VENUGOPAL

Secretary

S. VENKATASUBRAMANIAN

Registered Office

DARE HOUSE, PARRY'S CORNER
 CHENNAI

Factory

NELLIKUPPAM, TAMIL NADU

Auditors

LOVELOCK & LEWES
 CHARTERED ACCOUNTANTS
 CHENNAI

Bankers

STATE BANK OF INDIA
 HDFC BANK LTD.

Insurers

UNITED INDIA INSURANCE CO. LTD.
 CHENNAI
 THE NEW INDIA ASSURANCE CO. LTD.
 CUDDALORE.

TEN YEARS AT A GLANCE

Rs. Lakh

	94-95	95-96	96-97	97-98	98-99 *	99-2000	2000-01	2001-02	2002-03	2003-04**
OPERATING RESULTS:										
GROSS INCOME	9381.32	11093.96	13117.65	15590.98	14165.74	10663.45	10625.42	9963.15	9512.85	10138.13
PROFIT/(LOSS) BEF DEPN., INTEREST & TAX	712.15	1116.89	1478.93	1901.11	1493.45	(507.00)	475.68	918.55	427.16	800.97
PROFIT/(LOSS) BEF INTEREST & TAX	562.30	793.87	1044.33	1383.00	815.70	(1236.34)	(180.51)	309.20	(109.17)	297.13
PROFIT/(LOSS) BEFORE TAX (PBT)	461.15	684.48	852.68	1027.95	370.81	(1657.66)	(522.82)	70.20	(286.90)	219.40
PROFIT/(LOSS) AFTER TAX (PAT)	345.15	634.48	742.68	922.95	335.81	(1657.66)	(522.82)	47.67	(118.03)	77.99
DIVIDENDS	43.26	80.75	108.17	162.25	103.49	-	-	-	-	-
DIVIDEND TAX	-	-	10.82	16.23	11.38	-	-	-	-	-
RETAINED PROFITS / (LOSS)	301.89	553.73	623.69	744.47	220.94	(1657.66)	(522.82)	47.67	(118.03)	77.99
SOURCES AND APPLICATION OF FUNDS:										
SOURCES OF FUNDS:										
SHARE CAPITAL	123.62	216.34 (a)	216.34	216.34	377.13(b)	377.13	377.13	377.13	377.13	377.13
RESERVES AND SURPLUS	1021.15	3104.68	3704.59	4444.51	6660.54	5002.88	4517.91	4503.07	3892.99	4048.30
TOTAL SHAREHOLDERS' FUNDS	1144.77	3321.02	3920.93	4660.85	7037.67	5380.01	4895.04	4880.20	4270.12	4425.43
BORROWINGS	2532.22	2079.77	2668.33	2953.90	3310.53	2572.65	2140.06	1155.86	1288.34	517.98
DEFERRED TAX LIABILITY	-	-	-	-	-	-	-	47.19	-	-
FUNDS EMPLOYED	3676.99	5400.79	6589.26	7614.75	10348.20	7952.66	7035.10	6083.25	5558.46	4943.41
APPLICATION OF FUNDS:										
GROSS FIXED ASSETS	2021.64	4436.11	5987.11	7956.08	9268.81	9570.36	9411.79	8931.02	8242.32	8684.49
DEPRECIATION	625.29	937.12	1362.25	1874.20	2472.84	3166.81	3669.62	3843.89	4326.84	4694.04
NET FIXED ASSETS	1396.35	3498.99	4624.86	6081.88	6795.97	6403.55	5742.17	5087.13	3915.48	3990.45
CAPITAL WORK-IN-PROGRESS	1139.94	17.96	27.12	49.31	214.79	57.29	42.79	4.27	4.27	4.27
INVESTMENTS	359.27	434.86	646.17	1050.21	1098.59	971.54	914.04	713.87	686.76	5.80
DEFERRED TAX ASSET	-	-	-	-	-	-	-	-	355.59	848.44
GROSS CURRENT ASSETS	1506.00	2641.36	2393.65	2765.35	4357.44	2525.95	2274.36	1722.56	1952.07	1402.01
CURRENT LIABILITIES & PROVISIONS	724.57	1192.38	1102.54	2485.16	2270.51	2005.67	1976.11	1526.03	1355.71	1307.56
NET CURRENT ASSETS	781.43	1448.98	1291.11	280.19	2086.93	520.28	298.25	196.53	596.36	94.45
DEFERRED REVENUE EXPENDITURE	-	-	-	153.16	151.92	-	-	81.45	-	-
DEBIT BALANCE IN P & L	-	-	-	-	-	-	37.85	-	-	-
NET ASSETS EMPLOYED	3676.99	5400.79	6589.26	7614.75	10348.20	7952.66	7035.10	6083.25	5558.46	4943.41
RATIOS:										
ROCE (%)	21.61	17.49	17.42	19.47	9.08	-13.51	-2.41	4.71	-1.88	5.66
PBDIT TO GROSS INCOME(%)	7.59	10.07	11.27	12.19	10.54	-4.75	4.48	9.23	4.49	7.90
PAT ON SHAREHOLDERS' FUNDS(%)	30.15	19.10	18.94	19.80	4.77	-30.81	-10.68	0.98	-2.76	1.76
EARNINGS PER EQUITY SHARE(Rs)	27.92	29.33 (c)	34.33	42.66	8.90 (c)	-43.95	-13.86	1.26	-3.13	2.07
DIVIDEND PER EQUITY SHARE(Rs)	3.50	4.00	5.00	7.50	2.74	-	-	-	-	-
NET WORTH PER EQUITY SHARE(Rs)	92.60	153.51	181.24	215.45	186.61	142.66	129.80	129.40	113.23	117.35
DEBT: EQUITY RATIO	2.21(d)	0.63	0.68	0.63	0.47	0.48	0.44	0.24	0.30	0.12

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

** Includes merger of Confectionery Specialities Ltd. (100 % Subsidiary).

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

b. After considering warrants conversion in May'98.

c. Earnings per share calculated on diluted capital.

d. After considering bridge loan against rights issue.

DIRECTORS' REPORT

Your Directors' are happy to present the Forty-Ninth Annual Report together with audited accounts for the year ended 31st March 2004, posting a turnaround performance in the Golden jubilee year of your Company's incorporation.

Financial Results

	(Rs. in Lakh) 2003-2004	(Rs. in Lakh) 2002-2003
Sales and Services	10051.93	9382.09
Profit before Depreciation and Interest	800.98	427.16
Less : Depreciation and Interest	581.58	714.06
Profit / (Loss) before Tax	219.40	(286.90)
Less : Provision for Income tax :		
Current Income Tax	16.50	—
Deferred Income Tax	124.91	(168.87)
Profit / (Loss) after Tax	77.99	(118.03)
Add : Balance brought forward	—	(1509.34)
Balance Profit / (Loss) transferred to Balance Sheet	77.99	(1627.37)

The Board of Directors have decided not to recommend any dividend for the year ended 31st March, 2004. Consequent to this the surplus has been transferred to Balance Sheet.

On full repayment / redemption of Non Convertible Debentures, the balance in Debenture Redemption Reserve of Rs. 47.33 lakh has been transferred to General Reserve.

Review of operations

The gross sales for the year ended 31st March 2004 was Rs.10051 lakh as against Rs. 9382 lakh in the previous year. Your Company has achieved a growth of 7.1% in gross sales despite intense competitive conditions. Your Company has made a profit before tax of Rs.219.40 lakh as against a loss before tax of Rs.286.90 lakh in the previous year. This has been mainly due to increased focus on marketing and promotional activities for key brands, expansion of distribution network, continuing cost management measures and higher net realisation on sales. Cash profit for the year is Rs. 723 lakh as against Rs.249 lakh in the previous year.

A detailed analysis of performance and outlook is given in the Management Discussion and Analysis Report attached herewith.

Proposed acquisition by Lotte, Korea

M/s. Lotte Confectionery Company Limited (Lotte), Korea has signed a share purchase agreement on 16th January 2004 for acquiring the entire 60.39% holding of the Murugappa group, the current promoters of the Company, at a price of Rs 283.12 per share. Consequent to this, Lotte has made an open offer as per SEBI requirements to non-promoter shareholders of the Company at a price of Rs.283.25 per share. The open offer closed on 7th April, 2004. Lotte is a major international group with a wide range of businesses including confectionery. Currently, the process of complying with all the formalities required and obtaining all statutory approvals for completion of the transaction, is going on.

Your Directors feel that this is in the best interest of the Company and its stakeholders and would provide sustainable growth opportunities for the Company.

Amalgamation

The Hon'ble High Court at Madras has approved the scheme of amalgamation of Confectionery Specialities Limited (CSL), a wholly owned subsidiary of the Company with your Company, with effect from 1st April 2003. The effect of the amalgamation has been incorporated in the accounts for the year ended 31st March 2004.

Sale of Subsidiary

Your Company has sold its entire shareholding in Parrys Confectionery Investment and Finance Company Limited (PIFCO), a wholly owned subsidiary, to East India Sugars Pvt. Ltd., Chennai, and the profit of Rs.11.25 lakh is reflected in the current year's results.

Your Company has no subsidiaries as on 31st March, 2004.

Fixed Deposits

Outstanding fixed deposits as on 31st March, 2004 was Rs. 17,000/- which were unclaimed.

Investors' Protection Fund

Pursuant to provisions of Section 205C of the Companies Act 1956, your Company has transferred unclaimed dividend as per details given below to the Investors' Protection Fund.

Year to which the dividend relates	Amount transferred	Date of Transfer
1995-96 (interim)	22,333.94	11.06.2003
1995-96 (final dividend)	61,017.65	23.10.2003

Your Company has also transferred unclaimed interest on Non Convertible debentures amounting to Rs.6,969.43 to Investors' Protection Fund as of date.

Directors

Mr. J Sahni, retires by rotation in the ensuing Annual General Meeting.

Directors' Responsibility Statement

As required under Section 217(2AA) of the Companies (Amendment) Act, 2000, Directors' Responsibility Statement, is annexed.

Auditors

M/s. Lovelock & Lewes, Chartered Accountants, Chennai, Company's Auditors, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement, a report of compliance of Corporate Governance as on 31st March, 2004 is annexed together with a certificate from the auditors of the Company on compliance.

Human Resources

There are no employees covered under sub section 2A of Section 217 of the Companies Act 1956 and Companies (Particulars of employees) Rules 1975.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

As required under Section 217 (1) (e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, wherever applicable, are annexed.

General

Your Board of Directors are grateful to the Bankers, Fixed Deposit Holders, Debenture holders, Suppliers, Converters and the Shareholders for the support extended from time to time. Your Board of Directors also wish to place on record the wholehearted co-operation given by employees, at all levels, during the year.

On behalf of the Board

Chennai
30th April, 2004

M. V. SUBBIAH
Chairman



ANNEXURE TO DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of Directors' Report.

A (i) POWER AND FUEL CONSUMPTION	Current year (2003-04)	Previous year (2002-03)
1. Electricity		
(a) Purchases:		
Units	2504756	2213040
Total amount (Rs. lakh)	116.95	107.95
Rate/unit (Rs.)	4.67	4.88
(b) Own generation:		
Through Diesel generator		
Units	88288	163772
Total amount (Rs. lakh)	4.67	13.15
Units per litre of diesel oil	3.62	2.56
Cost/unit (Rs.)	5.29	8.03
2. Furnace Oil quantity (K. litre)	1027.67	846.33
Total amount (Rs. lakh)	106.00	108.12
Average rate per K.Litre (Rs.)	10314.38	12775.16
(ii) CONSUMPTION OF ELECTRICITY PER QUINTAL OF PRODUCTION (UNITS)	38.31	35.11

B TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- (i) The Company's R & D activity is directed towards development of new formulations & flavours, material substitution and indigenising machineries. These activities have resulted in improved quality, cost reduction, improved hygiene and new products.
- (ii) Recognition has been accorded for Company's R & D unit by Dept. of Scientific & Industrial Research, New Delhi.

C FOREIGN EXCHANGE

Earnings	Rs. 11.62 lakh
Outgo	Rs. 18.89 lakh

On behalf of the Board

Chennai
30th April, 2004

M.V. SUBBIAH
Chairman