

11th Annual Report 2001-2002

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Prudential Sugar Corporation Limited

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PRUDENTIAL SUGAR CORPORATION LIMITED**BOARD OF DIRECTORS**

Shri Vinod Baid — *Chairman & Managing Director*
 Shri R.S. Tulsian
 Shri R.S. Choudhury
 Shri U.C. Bhandari

**EXECUTIVE VICE PRESIDENT
& COMPANY SECRETARY**

Shri S.K. Daga

AUDITORS

M/s. Lakshminiwas & Jain
 Chartered Accountants, Hyderabad

SENIOR MANAGEMENT EXECUTIVES

Shri Vinod Baid — *Chairman & Managing Director*
 Shri K. Subba Rao — *President*
 Shri S.K. Daga — *Executive Vice President & Company Secretary*

BANKERS

Bank of India
 The South Indian Bank Limited
 The Dhanalakshmi Bank Limited
 Bank of Maharashtra
 Indian Bank

CORPORATE OFFICE

4th Floor, Akash Ganga,
 Plot No.144,
 Door No. 8-3-1053, Sri Nagar Colony,
 Hyderabad - 500 073.

REGISTERED OFFICE & FACTORY

“PRUDENTIAL NAGAR”
 P.O. Koppedu,
 Nindra Mandal,
 Dist. - Chittoor, A.P.
 Pin - 517 587.

DEPOSITORY REGISTRAR

AMI COMPUTERS (I) LTD.,
 60 A & B, Chowringhee Road,
 Kolkata - 700 020.

PRUDENTIAL SUGAR CORPORATION LIMITED**NOTICE**

Notice is hereby given that the Eleventh Annual General Meeting of the Members of **M/s. PRUDENTIAL SUGAR CORPORATION LIMITED** will be held on Monday, the 30th September, 2002 at 4.00 p.m. at Registered Office at "Prudential Nagar", Koppedu Post, Nindra Mandal, Chittoor Dist., 517 587, Andhra Pradesh to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2002 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Shri R.S. Choudhury, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors for the year 2002-2003 and to authorise Board of Directors to fix their remuneration. The present Auditors of the Company, M/s Lakshminiwas & Jain, Chartered Accountants, Hyderabad retire at this Annual General Meeting and are eligible for re-appointment.

SPECIAL BUSINESS:

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

"RESOLVED THAT Shri U.C. Bhandari who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 (the "Act") and holds office upto the date of this Annual General Meeting and in respect of whom the Company received a notice from a Member in writing under Section 257 of the Act alongwith the requisite deposit of money signifying his intention to propose Shri U.C. Bhandari as a candidate for the office of Director, be and is hereby appointed as a Director of the Company subject to retirement by rotation in accordance with the Articles of Association of the Company."

By Order of the Board

Place: Nindra
Date : 31.08.2002

S.K.Daga
Executive Vice President
& Company Secretary

PRUDENTIAL SUGAR CORPORATION LIMITED**NOTES:**

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and a proxy need not be a member.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business set out in item No.4 above is annexed hereto. All documents referred to in the above Notice and Explanatory Statement are open for inspection at the Registered Office of the Company between 1.00 p.m. and 3.00 p.m. on any working day from Monday to Friday.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from 28th September, 2002 to 30th September, 2002 (both days inclusive).
4. Members desiring any information as regards the Accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready.
5. The instruments of share transfer, complete in all respects should reach the Company prior to the closure of Register of Members as stated above.
6. Members are requested to notify change in address, if any, immediately to the company, quoting their Folio Number.
7. Members who are holding shares in identical order of names in more than one folio are requested to send to the Company the details of all such folios together with Share Certificates for Consolidation of their holdings into a single folio.
8. Members who had 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 dematerialised form may please contact their Depository Participants for recording nomination in respect of their shares.
9. Shareholders who have not lodged their old share certificates in the name of Prudential Mouli Sugars Ltd. for exchange of new share certificates in the name of Prudential Sugar Corporation Ltd. subsequent to change of Company's name pursuant to Company Law Board Order are requested to surrender the same to the registered office of the Company for exchange of new share certificates in the name of Prudential Sugar Corporation Ltd.
10. 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 due to prohibitive cost of printing.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956Item No. 4:

Shri U.C. Bhandari, aged 52 years is a Chartered Accountant by profession. In view of his considerable experience as a Chartered Accountant and further to broad base the Board, your Board of Directors have at their meeting held on 31st August, 2002 deemed it fit to induct Shri U.C. Bhandari as an Additional Independent Director on the Board of the Company.

No other Director other than Shri U.C. Bhandari may be deemed to be concerned or interested in this resolution

By Order of the Board

Place : Nindra
Date : 31.08.2002

S.K. Daga
Executive Vice President
& Company Secretary

PRUDENTIAL SUGAR CORPORATION LIMITED**DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2002**

To
The Members,

- Your Directors have pleasure in submitting their Eleventh Annual Report with the Audited Balance Sheet and Profit and Loss Account for the year ended March 31, 2002.

2. Financial Performance

	(Rs. in Lakhs)	
	For the Year ended 31.03.2002	For the Nine Months ended 31.03.2001
Total Income	4949.03	4421.60
Profit/(Loss) before Interest, Depreciation and Tax	475.29	1094.72
Less: Interest	565.73	685.14
Profit/(Loss) after Interest but before Depreciation & Tax	(90.44)	409.58
Less: Depreciation	141.71	114.15
Profit/(Loss) before Tax	(232.15)	295.43
Less: Provision for Tax	—	—
Current Tax	—	—
Deferred Tax Asset	(60.20)	—
Profit/(Loss) after Tax	(171.95)	295.43
Add: Balance brought from Previous Year	48.98	(246.45)
Surplus/(Loss) Carried to Balance Sheet	(122.97)	48.98

3. Dividend

In view of the adverse working results caused by factors explained in this report, your Directors regret their inability to recommend payment of any Dividend for the year.

4. Review of Operations

During the current season which was started on 19.11.2001 and ended on 11.05.2002 with a cane crushing of 4.27 lacs MTs at a capacity utilisation of 113% as against 3.03 lacs MTs at a capacity utilisation of 80% during the previous season on an average recovery of 8.81% in comparison to last year of 9.52% due to severe drought conditions prevailed in our area since last three consecutive years and particularly no rain during the last year in the month of May' 01, June'01 and July'01 which are considered grand growth period for Sugar Cane Crop resulting in reduction of recovery. The unit has improved its performance substantially by crushing 4.27 lacs MTs of Sugar Cane as against around 3 Lacs MTs of cane crushing during last 2 preceding years. The Crushing operations were carried on for 173 days as against 116 days in the previous season. The continued slump in the prices of Molasses had its effect of lowering the contribution therefrom. Unfavourable market conditions throughout the year and government policy effected the average gross realisations from sugar.

5. Future Prospects

Taking into account the less recovery got during the current season, all our efforts are being put to develop and produce quality cane by adopting scientific practices for cane development in our zone to get more yield and good recovery in ensuing season and to have minimum of 4.50 lacs MTs of cane crushing during 2002-2003 season. Your company is in the continuous process of upgrading the quality of sugar cane by introducing new varieties of sugar cane in order to improve yield per acre and to achieve higher recovery. The sugar industry continues to be one which is highly regulated and controlled by the Government, Politicized, seasonal in character

PRUDENTIAL SUGAR CORPORATION LIMITED

and also cyclical, like any other agriculture produce. In spite of many changes and reforms brought in the policies pertaining to the sugar industry in the recent years, the general perception is yet to change. The unwarranted imports of huge sugar during 1997 followed by three successive seasons of higher crushing of cane and consequent production, has resulted in the country continuing to hold huge stocks, at the beginning of the sugar season which is almost equal to one year consumption. In addition, from October 2002 the Government is proposing to decontrol the release mechanism also. If that happens, then sugar prices may fall down to its lowest level as at present country is holding huge stock of sugar. The International prices are also not encouraging to off load our sugar. In fact the future of the sugar industry depends wholly on the policies of the Central and State Governments and are not in the managements of the Companies. The recent proposal by the Government to mix 5% of Anhydrous Ethanol with petrol initially would partially help the sugar industries and Cogeneration of Power was also seen as a thrust to reviving the sugar mills but with the existing pricing policy on power generated from non conventional energy sources such as bagasse coming to a close by 2004 unless the new policy provides a reasonable pricing, the industry cannot expect to reap the benefits thereof. Your Directors are hopeful to receive favourable policy changes from Government of India for the benefit of sugar industry which in turn may help in achieving better profitability in the years to come.

6. Internal Control System and their Adequacy

The Company has established framework of internal controls for ensuring optimum use of resources and safeguarding of assets. Clear Policies have been laid down for approval and control of expenditure. Investment decision and capital expenditure are subject to formal detailed appraisal and review. Capital and revenue expenditure is monitored and controlled with reference to approved budgets.

7. Subsidiaries

Annual Reports and Accounts along with Statements pursuant to Section 212 of the Companies Act, 1956 of Subsidiary Companies i.e., M/s Prudential Tirumala Sugars Limited and M/s Prudential Ammana Sugars Limited are attached herewith.

8. Public Deposits

Deposits collected from Shareholders and Public as on 31st March, 2002 is Nil. No deposits are due and outstanding for payment as on 31st March, 2002.

9. Directors

Shri R.S. Choudhury, a Director of the company retires by rotation and is eligible for re-appointment.

Shri Rakesh Kapoor, nominee Director of IFCI resigned from the Board w.e.f. 28.07.02 and the same was accepted by the Board in its meeting held on 28.07.02. The Board places on record its appreciation of the valuable services rendered by him during his tenure on the Board.

10. Environmental friendliness & pollution free techniques

The consultants and the management of your company are putting continuous efforts on the protection of environment and industrial safety at the factory zone and adequate anti-pollution measures viz. installation of effluent treatment plant, etc., have been taken for the protection of environment of the factory as per the norms prescribed by the Government. The Company has valid Pollution Control Clearances in respect of both Air and Water.

11. Personnel

The Company had 371 persons inclusive of executives, workmen and trainees. Personnel development programs are being conducted periodically for Staffs and Executives of the Company. The Company aims at providing adequate Compensation packages to the employees at various levels. Your Company continued to maintain cordial and harmonious relations between the employees during the year under review. The Directors hereby place on record their appreciation of efficient and loyal services rendered by the employees at all levels.

There is no employee in the company whose particulars are required to be given pursuant to Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

12. Conservation of energy, technology absorption and foreign exchange earnings/outgo

A Statement containing necessary information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto and marked 'A' forming part of this Report.

PRUDENTIAL SUGAR CORPORATION LIMITED**13. Directors' Responsibility Statement**

Your Directors confirm:

- i. that in the preparation of the annual accounts, the applicable Accounting Standards have been followed;
- ii. that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Accounting year ended 31st March, 2002 and of the loss of the Company for that year;
- iii. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that the Directors have prepared the annual accounts on a going concern basis.

14. Corporate Governance

Your Directors are pleased to inform you that your Company has implemented the requirements of the Code of Corporate Governance formulated by the Securities and Exchange Board of India (SEBI) and incorporated as Clause 49 in the Listing Agreement of the Stock Exchanges, where the shares of your Company are listed, in the manner as detailed in a Report on Corporate Governance included as a part of the Annual Report.

A certificate from the Auditors of the Company regarding compliance of Code of Corporate Governance is annexed to the Directors' Report.

15. Depository System

The Company has entered into agreements with the National Securities Depository Limited (NSDL) as well as the Central Depository Services (India) Limited (CDSL) to enable shareholders to hold shares in a dematerialised form. Investors would be benefited from this move as it would facilitate speedier transfer of shares and minimise the paper work and eliminate the fear of loss of share certificates. The Company also offers simultaneous dematerialisation of the physical shares lodged for transfer.

16. Consolidated Financial Statements

As stipulated by Clause 32 of the Listing Agreement, Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 - Consolidated Financial Statements issued by the Institute of Chartered Accountants of India. The audited Consolidated Financial Statements form part of the Annual Report.

17. Auditors

M/s Lakshminiwas and Jain, Chartered Accountants, Hyderabad, the Auditors of your company retire at the conclusion of this Annual General Meeting and are eligible for re-appointment.

18. Cost Auditor

As per the directives of the Central Government to appoint Cost Auditor pursuant to Section 233-B of the Companies Act, 1956 your Company has appointed M/s Aks & Associates, Chennai as Cost Auditor of the Company for the year 2000-01 and 2001-02.

19. Acknowledgement

The performance of business depends on the efforts of the management and also the support of many direct and indirect partners and joint venturists. Your Directors wish to take this opportunity to thank Government Agencies, the Consortium of Bankers and Financial Institutions, Cane Growers, Shareholders and Sugar dealers for their valuable cooperation and continued support to the Company.

Your Directors also wish to place on record their acknowledgement of the committed efforts of the Executive Staffs and workers at all levels in attaining the results for the year.

For and on behalf of the Board

Place: Nindra
Date : 31.08.2002

Vinod Baid
Chairman & Managing Director

PRUDENTIAL SUGAR CORPORATION LIMITED**ANNEXURE TO THE DIRECTORS' REPORT**

Information pursuant to clause 32 of the Listing Agreement with the Stock Exchanges.

The securities of the company are listed on the stock exchanges as stated below with stock code.

Name of the Stock Exchange	Stock Code	Address
1. The Hyderabad Stock Exchange Limited	PMOULI\$	3-6-275, Himayat Nagar, Hyderabad - 500 029.
2. The Stock Exchange, Mumbai	500342	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.
3. National Stock Exchange of India Limited	PRUDMOULI	Exchange Plaza, 5th floor, Plot No C/1 G Block, Bandra Kurla Complex, Bandra (East) Mumbai - 400 051.
4. Madras Stock Exchange Limited	PRUDENTSUG	Exchange Building, Post Box No. 183, 11, Second Line Beach, Chennai - 600 001.
5. The Stock Exchange, Ahmedabad	PRUDSUG	Manik Chowk, Ahmedabad - 380 001.
6. The Calcutta Stock Exchange Association Limited	PRUDSUG	7, Lyons Range, Kolkata - 700 001.

Company has paid the annual listing fees for the year to the following Stock Exchanges:

1. The Stock Exchange, Mumbai	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.
2. National Stock Exchange of India Limited	Exchange Plaza, 5th floor Plot No- C/1 G Block, Bandra Kurla Complex, Bandra (East) Mumbai - 400 051
3. The Calcutta Stock Exchange Association Limited	7, Lyons Range, Kolkata - 700 001.

ANNEXURE 'A'

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

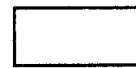
A. Conservation of Energy :

a. Energy Conservation measures taken :

1. The Plant is equipped with highly efficient equipment to run at optimum conditions. The boilers are working at higher pressures. Evaporation of Juice is done with the Double effect vapour cell resulting in steam economy for the process, the total steam consumption is of the order of 47% on cane crushed against the standard of 50%.
2. We have replaced all the jet condensor systems and all the pans with spray nozzle type condensor to save around 3% energy.
3. Desupar heating station condensate is diverted to boiler water storage tank. Hereby we are saving about 0.5% heat energy and reducing effluent quantity.

b. Additional investment and proposals, if any, being implemented for reduction of consumption of energy → NIL

The Company is planning to set up a co-generation plant of 10 MW capacity.

PRUDENTIAL SUGAR CORPORATION LIMITED

c. Impact of the measures at (a) and (b) above for reduction of consumption and consequent impact on reduction in cost of production is Rs. 3.50 per bag.

d. Total energy consumption and energy consumption per unit of production → as per Form 'A'.

B. Technology Absorption:

e. Efforts made in technology as per Form 'B' → N I L

C. Foreign Exchange Earnings & Outgo:

f. Activities relating to exports, initiatives taken to increase exports development of new export markets for products and services — > N I L

g. Total Foreign Exchange Earnings and Outgo Rs. Lakhs

Foreign Exchange Outgo NIL

FORM A
(See Rule 2)

FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

DESCRIPTION	2002	2001
A. POWER AND FUEL CONSUMPTION		
1. ELECTRICITY		
a. PURCHASED		
Units KWH	377,126	275,738
Total Amount (Rs.)	2,224,412	1,674,627
Rate/Unit (Rs.)	5.89	6.07
b. OWN GENERATION		
i. Through Diesel Generator		
Units KWH	13,448	6,996
Unit per Ltr. of Diesel oil	2.49	2.71
Cost/Unit (Rs.)	7.34	6.90
ii. Through Steam Turbine/Generator		
Units KWH	4,675,565	4,390,160
KWH Per tonne of Bagasse	194.44	188.89
Cost/Unit (Rs.)	2.57	2.11
2. BAGASSE		
Quantity (Tonnes)	120,772	102,820
Total cost (Rs.)	own bagasse	own bagasse
Average Rate (Rs.)	—	—
B. CONSUMPTION PER UNIT OF PRODUCTION		
Electricity KWH (Per Tonne)	148.33	152.00