

# 13th Annual Report 2003-2004



**Prudential Sugar Corporation Limited**

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**Prudential Sugar Corporation Limited**



**BOARD OF DIRECTORS**

Shri Vinod Baid — *Chairman & Managing Director*  
Shri U.C. Bhandari  
Shri Kishore Jhunjunwala  
Shri Y. Ravinder Reddy

**AUDITORS**

M/s. Lakshminiwas & Jain  
Chartered Accountants, Hyderabad

**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.,  
2nd Floor, 60 A & B, Chowringhee Road,  
Kolkata - 700 020.

**Prudential Sugar Corporation Limited**



**NOTICE**

Notice is hereby given that the Thirteenth Annual General Meeting of the Members of **M/s. PRUDENTIAL SUGAR CORPORATION LIMITED** will be held on Thursday, the September 30, 2004 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 Audited Balance Sheet as at March 31, 2004 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 Kishore Jhunjunwala, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors for the year 2004-2005 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.

For and on behalf of the Board

Place: Nindra  
Date : 03.09.2004

**Vinod Baid**  
Chairman & Managing Director

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**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 Register of Members and Share Transfer Books of the Company shall remain closed from September 27, 2004 to September 30, 2004 (both days inclusive).
3. 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.
4. Members are requested to notify change in address, if any, immediately to the company, quoting their Folio Number.
5. 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.
6. Members/Proxy holders must bring the Attendance Slip duly signed to the meeting and hand it over at the entrance. Members who hold shares in dematerialised form are requested to bring their client ID and DPID numbers for easy identification of attendance at the meeting. 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.
7. Consequent upon amendment of Sec 205A of the Companies Act, 1956 and introduction of section 205C by the Company's (Amendment Act, 1999), the unclaimed dividend for the financial year 1995-1996 is yet to be transferred to the Investor Education and Protection Fund.

For and on behalf of the Board

Place: Nindra  
Date : 03.09.2004

**Vinod Baid**  
Chairman & Managing Director

**Prudential Sugar Corporation Limited**

**DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2004**

To  
The Members,

1. Your Directors have pleasure in submitting their Thirteenth Annual Report with the Audited Balance Sheet and Profit and Loss Account for the year ended March 31, 2004.
2. **Financial Performance**

(Rs. in Lakhs)

	For the Year ended 31.03.2004	For the Year ended 31.03.2003
Total Income	4055.79	5236.56
Profit/(Loss) before Interest, Depreciation and Tax	419.38	646.28
Less: Interest	513.63	584.38
Profit/(Loss) after Interest but before Depreciation & Tax	(94.25)	61.90
Less: Depreciation	261.51	261.08
Profit/(Loss) before Tax	(355.76)	(199.18)
Provision for Tax	—	—
Current Tax	—	—
Deferred Tax Asset	2.19	(94.22)
Profit/(Loss) after Tax	(353.57)	(293.40)
Add: Balance brought from Previous Year	(416.37)	(122.97)
Surplus/(Loss) Carried to Balance Sheet	(769.94)	(416.37)

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**

The current season which was started on 12.12.2003 and ended on 05.03.2004. The total cane crushed during the season of 2003-2004 was 2,00,648.144 MTs. and sugar produced was 20415 MTs as against 4,15,557.440 MTs. of Cane crushed and 39249 MTs. of Sugar produced during the previous season. The Crushing operations were carried on for 84 days as against 150 days in the previous season. Average recovery achieved was 10.10% as against 9.41% achieved in the previous season. The performance of the unit continued to be good.

5. **Management Discussion and Analysis**

a. **Industry Structure and Development**

The all India Sugar production for the current season 2003-2004 is expected to be substantially low at 150-155 lakhs tons. This reduction is mainly on account of severe drought prevailing in

## Prudential Sugar Corporation Limited

the major sugar producing states like Maharashtra, Tamil Nadu and Andhra Pradesh. For the season 2004-2005 also it is not expected to be more than 140 to 150 lakh tons. All the southern state are severely affected by drought. This is likely to result in a major shortage of sugar and the sugar price is likely to increase. Govt. of India has constituted a committee for revitalisation of sugar industry under the chairmanship of the Food and Public Distribution Secretary. The Committee will review the present status of the Sugar industry and suggest a package for the revitalization of the industry to make it vibrant. According to a study by the CMIE the Industry pays the highest interest rate on Bank, Loans among the agro based industries. Therefore, the industry expects Banks and Financial Institutions to lower the interest rate to PLR levels. Further the Govt. of India have extended the Buffer Stock of 20 lakhs tons of sugar for a further period of one year from 18.12.2003 to 17.12.2004 and will reimburse the interest, storage and insurance charges on quarterly basis which will also add improvement in the sugar market in the near future.

### b. Sugar Industry Policy

That which goes up has to come down and that which goes down will have to come up. It is the same with the sugar industry as it is a seasonal, cyclical industry largely influenced by external factors. Huge stocks on account of three or more successive good seasons has largely affected the industry. However, with poor rains in the predominantly sugar producing states like Maharashtra, Karnataka, Tamil Nadu and Andhra Pradesh and drought conditions prevailing there, the production for the 2003-04 sugar season was estimated about 150 lakh Mts as against the production of about 201.45 lakh MTs in the previous season. The continuing drought is also likely to affect the prospectus of these states in the ensuing 2004-05 season as well and the estimated output will be about 140-150 lakh MTs. This has resulted in lower level of stocks than anticipated which has boost up the prices at times to higher levels and with lower stocks and lower production in the ensuing season, the sugar prices are expected to remain firm at considerably higher levels, the Government is continuing its impetus on ethanol, which if the oil companies offer more appropriate prices will add to the sugar industry's bottom line. Your Directors are confident of crushing about 2.5 lakh Mts during the ensuing season.

### c. Risks and concerns

1. Due to severe drought conditions that prevailed in the cane growing areas, cane availability has declined and this may result in lower production in the next year.
2. Due to less production and increase in consumption, the sugar price has improved considerably. It will improve the profitability of the company in the coming year- The Govt. policy to introduce ethanol blended petrol will be a good business prospect for the Company.
3. Due to delay in inserting Schedule IX in the amended act, the sugar mills started dumping sugar in the market after seeking fresh orders from court in many states.
4. State Government and other Government Agencies do not lift the levy quota of sugar promptly which resulted in storage cost, interest cost and insurance charges.
5. Cost of production of sugar remains high when compared to present selling price.

### d. Cautionary statement

Statements in this Report describing the Company's objectives, estimates and expectations

## Prudential Sugar Corporation Limited

may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.

### 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 Ammana Sugars Limited and M/s Prudential Tirumala Sugars Limited are attached herewith.

### 8. Public Deposits

Deposits collected from Shareholders and Public as on March 31, 2004 are Nil. No Deposits are due and outstanding for payment as on March 31, 2004.

### 9. Directors

Shri Kishore Jhunjunwala is retiring by rotation at the ensuing Annual General Meeting and is eligible for reappointment. Necessary resolution is placed before the shareholders for their approval.

### 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

Your Company continued to maintain cordial and harmonious relations between the employees & ryots, 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.

### 13. Directors' Responsibility Statement

Your Directors confirm:



## Prudential Sugar Corporation Limited

- i. that in the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- 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, 2004 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. 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.

### 15. Corporate Governance

As prescribed under the listing Agreement with the stock Exchanges a separate report along with Auditors' Certificate on its compliance by your Company, are included as a part of the Annual Report.

### 16. 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. As regards Auditor observation in their report the notes given in schedule 'O' are self explanatory.

### 17. 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 2004-05.

### 18. Acknowledgment

Your Directors place on record their gratitude to the Company's bankers, Sugar dealers, Growers, Shareholders, Business Associates and Government bodies for the patronage, encouragement and 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 : 03.09.2004

Vinod Baid  
Chairman & Managing Director

<b>Prudential Sugar Corporation Limited</b>		
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**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. Desuper 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.

**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'****C. Foreign Exchange Earnings & Outgo:****f. Activities relating to exports, initiatives taken to increase exports development of new export markets for products and services — > NIL**

<b>g. Total Foreign Exchange Earnings and Outgo</b>	<b>Rs. Lakhs</b>
Foreign Exchange Earnings	NIL
Foreign Exchange Outgo	NIL