

# 14th Annual Report 2004-2005

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**Prudential Sugar Corporation Limited**

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**Prudential Sugar Corporation Limited**



**BOARD OF DIRECTORS**

Shri Vinod Baid	—	<i>Chairman &amp; Managing Director</i>
Shri U.C. Bhandari	—	<i>Director</i>
Shri Kishore Jhunjunwala	—	<i>Director</i>
Shri Y. Ravinder Reddy	—	<i>Director</i>
Shri K. Ramakanth	—	<i>Company Secretary</i>

**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.

**SHARE TRANSFER AGENT**

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 Fourteenth Annual General Meeting of the Members of M/s. **PRUDENTIAL SUGAR CORPORATION LIMITED** will be held on Monday, the 26th September, 2005 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, 2005 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 U.C. Bhandari, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors for the year 2005-2006 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.

By order of the Board

Place: Hyderabad  
Date : 06.06.2005

**K. Ramakanth**  
Company Secretary

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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 22, 2005 to September 26, 2005 (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/Proxies should bring the Attendance Slips 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 205 A 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.

By order of the Board

Place: Hyderabad  
Date : 06.06.2005

**K. Ramakanth**  
Company Secretary

## Prudential Sugar Corporation Limited



## DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2005

To  
The Members,

- Your Directors have pleasure in submitting their Fourteenth Annual Report with the Audited Balance Sheet and Profit and Loss Account for the year ended March 31, 2005.

## 2. Financial Performance

(Rs. in Lakhs)

	For the Year ended 31.03.2005	For the Year ended 31.03.2004
Total Income	5155.19	4055.79
Profit/(Loss) before Interest and Depreciation	110.82	419.38
Less: Interest	504.47	513.63
Profit/(Loss) after Interest but before Depreciation & Tax	(393.65)	(94.25)
Less: Depreciation	261.68	261.51
Profit/(Loss) before Tax	(655.33)	(355.76)
Provision for Tax		
Taxation of earlier year	7.15	—
Current Tax	—	—
Deferred Tax Asset	208.70	2.19
Profit/(Loss) after Tax	(454.21)	(353.57)
Add: Balance brought from		
Previous Year		
Transfer from General Reserve	274.67	353.57
Surplus/(Loss) Carried to Balance Sheet	(179.55)	—

The Company has been passing through a stressful period of about 5 years on account of very low selling price of sugar and severe drought. The scenario is now turning better with improved sugar price as well as favourable monsoon. It is expected that favourable effect of the changes will be reflected in the next financial year.

## 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 crushing season 2004-05 the Company could only crush 125515 MT cane as against crushing 200548 MT during the previous season 2003-04. The above reduction was mainly on account of continuous drought prevailing in the area since last 5 years. Taking advantage of the Government Policies the Company took over processing of Raw Sugar imported from Brazil and it has refined 20579 MTS of Raw Sugar. As a consequence of drought prevailing continuously in the area the crop got deteriorated and the recovery of sugar has reduced to 8.89% against 10.10% during the season 2003-04. The company has achieved substantial cane plantation in

## Prudential Sugar Corporation Limited



the area for the current year and it is expected that crushing will also increase significantly during the next financial year. The Company also proposed to continue to refine the Raw Sugar and accordingly it is expected that the financial performance during the next year would be considerably better than the current year.

### 5. Management Discussions and Analysis

#### a. Industry Structure and Development

Sugar industry is a seasonal, cyclical industry largely influenced by external factors. Huge stocks on account of three or more successive good seasons have largely affected the industry. However, with poor rains in the predominantly sugar producing states like Maharashtra, Karnataka, Tamilnadu and Andhra Pradesh and drought condition prevailing there, the production for the 2004-05 sugar season is estimated about 150 Lakhs MTs. The continuing drought is also likely to affect the prospects of these states in the ensuing season, the sugar prices are expected to remain firm. 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.

#### b. Sugar Industry Policy

The Government of India has removed the grain to grain commitment on import of Raw Sugar and the export can be done out of subsequent production, thus has resulted in import of about 25 Lakhs MT of Raw Sugar. Government has also constituted a committee to review the financial position of sugar industry and a package very soon is going to be worked out by the said committee for restructuring the loan taken by sugar industry.

#### c. Risks and concerns & outlook

- 1) Due to severe drought conditions that prevailed in the cane growing areas, cane availability has declined and this may result lower capacity utilisation during 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 amendment 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 remain high when compared to present selling price.

#### d. Cautionary statement

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

**Prudential Sugar Corporation Limited****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**

During the year under review your company neither accepted nor renewed any Deposits.

**9. Directors**

Shri U.C. Bhandari 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 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 employees 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:**

- 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 judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company at the end of the Accounting year ended 31st March, 2005 and of the loss of the Company for that year;
- iii. that the Directors had 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.



**Prudential Sugar Corporation Limited****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 it's compliance by your Company, are included as 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' is 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 2005-2006.

**18. Reference to BIFR**

Your company has Accumulated carry forward loss of Rs.179.55 Lacs. However as a consequences of nonaccounting of various liabilities as explained in detail in note no. 2 & 3 of schedule 'O', the auditors of the company has quantified their report stating that as on 31.03.2005 the accumulated loss taking into account the above stated Liabilities of Rs.3116.43 Lacs the Net worth of the company is fully eroded and your Directors proposed to refer the same to BIFR under Sick Industrial Companies (Special Provisions) Act.


**19. Acknowledgement**

Your Directors place on record their gratitude to the Company's bankers, sugar dealer, growers, shareholders, business associates and government bodies for the patronage, encouragement and support extended to 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: Hyderabad  
Date : 06.06.2005

**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 vapor 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 condenser systems & all the pans with spray nozzle type condenser to save around 3% energy.
3. Desugar 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

g. Total Foreign exchange Earnings and Outgo.	Rs. Lakhs
Foreign Exchange Earnings	5.82 Lakhs
Foreign Exchange Outgo	NIL