

15th Annual Report

2005-2006



For Prudential Sugar Corporation Ltd.

K. RAMAKANTH
Company Secretary

Prudential Sugar Corporation Limited

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Prudential Sugar Corporation Limited



• **BOARD OF DIRECTORS**

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

REGISTERED OFFICE & FACTORY

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

CORPORATE OFFICE

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

BANKERS

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

AUDITORS

M/s. Lakshminiwas & Jain
Chartered Accountants,
5-4-726, Nampally Station Road,
Hyderabad - 500 001.

REGISTRAR & SHARE TRANSFER AGENTS

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

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NOTICE

Notice is hereby given that the Fifteenth Annual General Meeting of the Company will be held on Thursday the 28th September 2006 at 10.00 A.M. at the Registered Office of the Company at "Prudential Nagar", Koppedu Post, Nindra Mandal, Chittoor Dist., 517587, Andhra Pradesh to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006 and the Profit & Loss Account for the year ended on that date together with Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri U.C. Bhandari, who retires by rotation, and, being eligible, offers himself for re-appointment.
3. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT M/s. Lakshminiwas & Jain, Chartered Accountants, Hyderabad be and are hereby appointed, Auditors of the Company from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting on such remuneration as may be fixed by the Board of Directors of the Company."

SPECIAL BUSINESS

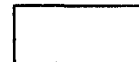
4. To consider, and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Shri. P.M. Nair, who was appointed as an Additional Director of the Company, by the Board of Directors at its meeting held on 26th May, 2006 pursuant to Article 92 of the Articles of Association of the Company and who, under Section 260 of the Companies Act, 1956, holds office only upto the date of the forthcoming Annual General Meeting but who is eligible for appointment and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director under the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including any Statutory modifications or re-enactment thereof, for the time being in force consent of the members of the Company be and is hereby accorded for the reappointment of Shri. Vinod Baid as the Chairman and Managing Director of the Company whose term of office expires on September 3rd, 2006 for a period of five years, w.e.f. 10th August, 2006 on the terms and conditions as to remuneration as set out in the Explanatory Statement annexed to the notice convening the meeting with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any remuneration/compensation committee constituted thereof) to alter and vary the terms & Conditions of the said appointment and / or the remuneration, subject to the same not exceeding the limits specified in Schedule XIII to the Companies Act, 1956, including any statutory modifications or re-enactment thereof, for the time being in force or as may hereafter be made by the Central Government in that behalf from time to time, or any amendments thereto.

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RESOLVED FURTHER THAT pursuant to the provisions of Section 198(4) and other applicable provisions, if any, of the Companies Act, 1956, Shri Vinod Baid, Chairman and Managing Director, may be paid the above mentioned remuneration as minimum remuneration in the event of absence or inadequacy of net profits in any financial year during his term of office in accordance with the provisions of Section II of Part II of Schedule XIII to the Companies Act, 1956.

RESOLVED FURTHER THAT during the tenure of Shri Vinod Baid as Chairman and Managing Director, he shall not be liable to retirement by rotation as Director.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper and expedient to give effect to this resolution."

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to provisions of Section 80 read with Section 81 (1A) of the Companies Act, 1956 and all other applicable provisions, if any, of the Companies Act, 1956 (including statutory modification(s), amendments or re-enactment(s) thereof for the time being in force) and in accordance with the provisions of the Articles of Association of the Company, the Listing Agreement entered into between the Company and the various Stock Exchanges, the subsisting guidelines and clarifications issued by the Government of India / Reserve Bank of India (RBI) / Securities Exchange Board of India (SEBI) or any other relevant authority and subject to such approvals, consents, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company, consent of the Company be and is hereby accorded to the Board of Directors of the Company and / or a duly authorized Committee thereof for the time being exercising the powers conferred by the Board of Directors (hereinafter referred to as "the Board") in its absolute discretion, to offer/issue and allot 400000 6% Cumulative Redeemable Preference Shares of Rs.50/- each amounting to Rs.200 Lacs to IFCI Ltd in compliance of the OTS Agreement entered between IFCI Ltd and the Company, which are convertible into equity shares at the option of IFCI Ltd in case company defaults to redeem the said preference shares by 30.06.2008 on such terms and conditions as the Board considers fit, subject to the following:

1. The said Preference Shares shall carry a fixed Cumulative Preference dividend at the rate of 6% p.a. and shall be redeemable not later than 30.06.2008.
2. The voting rights of the persons holding the said preference shares shall be in accordance with the provisions of Section 87 of the Companies Act, 1956.
3. The Preference Shares and the equity shares to be offered and allotted upon conversion shall be subject to the provisions of the Memorandum and Articles of Association of the Company in all respects.
4. The Equity Shares to be allotted on conversion of the Preference Shares shall rank pari passu with the existing equity shares of the company in all respects.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and matters as may be necessary or expedient to give effect to this resolution."

By order of the Board

Place : Hyderabad
Date : 10.08.2006

K. Ramakanth
Company Secretary

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NOTES

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself. A Proxy need not be a member of the Company. Proxies, to be effective, should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting.
2. The Register of Members and share transfer books of the Company will remain closed from 22nd September, 2006 to 28th September, 2006 (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 are requested to quote their Registered folio numbers in all their Correspondence with the Company and notify change in their registered address, if any.
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 dematerialized form are requested to bring their client ID and DP ID numbers for easy identification of attendance at the meeting. Xerox copy / 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, 1956**Item No. 4:**

Shri. P. M. Nair, aged 65 years is a technocrat & Businessman. In view of his considerable experience in Sugar Industry and further to broad base the Board, your Board of Directors in their meeting held on 26th May, 2006 inducted Shri. P. M. Nair as an Additional Director on the Board of the Company. It is now proposed to appoint him as a Director of the Company liable to retire by rotation.

No other Director is interested in the aforesaid resolution either directly or indirectly.

Item No. 5:

The term of Shri. Vinod Baid, as Chairman and Managing Director of the Company terminates on 3rd September, 2006. The Board of Directors in their meeting held on 10th August, 2006 accorded their approval to reappoint Shri. Vinod Baid as Chairman and Managing Director for another term of five years w.e.f. 10th August, 2006 and on payment of the following remuneration:

- | | | |
|---------------------------|---|---|
| 1. Basic Salary | : | Rs. 75,000 per month i.e., Rs. 9,00,000/- per annum |
| 2. Consolidated Allowance | : | Rs. 75,000 per month i.e., Rs. 9,00,000/- per annum |
| 3. Perquisites | : | Provision of car with driver for use on Company's business and telephone at the residence. Personal long distance call on telephone and the use for private purpose shall be charged to the Chairman and Managing Director. |
| 4. Commission | : | Remuneration by way of commission on the net profits in addition to basic salary, consolidated commission in aggregate is subject to an overall ceiling of 5% of net profits of the company in a |

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particular financial year as laid down in Sections 198 and 309 read with section 350 of the Companies Act, 1956.

5. Minimum remuneration : Notwithstanding anything to the contrary herein contained wherein any financial year during the currency of the tenure of Shri Vinod Baid, the company has no profits or its profits are inadequate the Company will pay to him as minimum remuneration – basic salary, consolidated allowance and perquisites as stated above, however not exceeding the limits specified under Section II part II of Schedule XIII of the Companies Act, 1956 and he shall not be entitled to a commission.

The above may also be treated as an abstract of the terms of the contract between the Company and Shri. Vinod Baid pursuant to Section 302 of the Companies Act, 1956.

None of the Directors are interested either directly or indirectly in the aforesaid resolution except Shri. Vinod Baid.

Item No. 6:

Your Company has entered into One Time Settlement (OTS) with IFCI Limited for the Loan outstanding with them. In terms of the said settlement, Company has to issue 400000, 6 % Cumulative Redeemable Preference Shares for Rs.200 Lakhs on or before 01.10.2006 and redeemable not later than 30.06.2008. It is now proposed to pass the aforementioned resolution granting approval for issue of the said shares.

None of the Directors are interested in the aforesaid resolution.

By order of the Board

Place : Hyderabad
Date : 10.08.2006

K. Ramakanth
Company Secretary

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Annexure to the Notice

Informations about Directors seeking appointment/re-appointment as required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

Profile of Directors being Appointed/Re-appointed:

Item No. 2, 4 and 5

Sl. No.	Particulars	Sri. U.C. Bhandari	Sri. P.M. Nair	Sri. Vinod Baid
1.	Age	55 Years	65 Years	46 years
2.	Date of Appointment	31/08/2002	26/05/2006	04/09/2001
3.	Qualification	FCA	B.E., MBA	B.com, FCA and MIIA (USA)
4.	Experience	He is currently practicing as a Chartered Accountant. He is having good experience in Taxation, project financing, company law and other Corporate Laws.	He has 30 years of experience in Sugar industry. He is a fellow member of Indian Sugar Technologists Association and of the Indian Institute of Plant Engineers. He is also a member of Indian Council of Arbitrators, Indian Labour Law Association and Loss Prevention Association of India. He worked in different capacities across various Companies.	After practicing as a Chartered Accountant for five years, he successfully carried on the business of stock broking and Merchant Banking. Then he ventured into the manufacturing industry and pioneered many industries under his able leadership. He is having wide knowledge of Industry, trade, finance, legal, banking, capital market, etc.
5.	Other Directorships	1. Prudential Pharmaceuticals Limited. 2. Raj Packaging Industries Ltd. 3. Ritual Developers Ltd. 4. Atlantis Stocks Ltd.	1. Ganpati Sugar Industries Ltd. 2. Ganpati Systems & Solutions Ltd. 3. Response Informatics Ltd. 4. Haritha Krishi Vikas (P) Ltd.	1. Prudential Pharmaceuticals Limited. 2. Prudential Spinners Ltd. 3. Prudential Infotech Ltd. 4. Prudential Stocks & Securities Ltd.

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		5. Ritual Garments Exports (P) Ltd. 6. Bonchance Finance (P) Ltd. 7. Paresh Exports (P) Ltd. 8. Gaurav Securities (P) Ltd. 9. Ritual Finance & Investments (P) Ltd. 10. Sitar Construction (P) Ltd.		
6.	Chairman/Member of the Committees of the Board of other Companies on which he is a Director	A. Audit Committee 1. Prudential Pharmaceuticals Ltd. B. Share transfer Committee / Investors' Grievances Committee 1. Prudential Pharmaceuticals Ltd. C. Remuneration Committee 1. Prudential Pharmaceuticals Ltd.	A. Audit Committee 1. Response Informatics Ltd. B. Share transfer Committee / Investors' Grievances Committee 1. Response Informatics Ltd.	A. Share transfer Committee / Investors' Grievances Committee 1. Prudential Pharmaceuticals Ltd. B. Remuneration Committee 1. Prudential Pharmaceuticals Ltd.

Prudential Sugar Corporation Limited

**DIRECTORS' REPORT**

Your Directors are pleased to present the Fifteenth Annual Report and the Audited Accounts for the year ended 31.03.2006.

1. Financial Results**(Rs. in Lakhs)**

	for the Year ended 31.03.2006	for the Year ended 31.03.2005
Total Income	7959.46	5155.19
Profit/(Loss) before interest and Depreciation	1351.96	110.82
Less: Interest	235.81	504.47
Profit/(Loss) after Interest but before Depreciation & Tax	1116.15	(393.65)
Less: Depreciation	261.90	261.68
Profit/(Loss) before Prior Period Adjustments	854.25	(655.33)
Add: Prior Period Adjustments	2.75	(0.44)
Profit/(Loss) before Tax	857.00	(655.77)
Provision for Tax:		
- Taxation for earlier year	0.00	(7.15)
- Current	3.02	0.00
- Deferred Tax Asset	181.13	208.71
Profit/(Loss) after Tax	672.85	(454.21)
Surplus/(Loss) Brought forward	(179.55)	274.67
Surplus/(Loss) carried to Balance Sheet	493.30	(179.55)

2. Review of Operations:

During the crushing season 2005-06 the Company have crushed 339148 MTs of cane with average recovery of 8.50% and produced 288140 Qtls of Sugar as against 125515 MTs of crushing during previous season 2004-05. The Company continued to process raw sugar and during the year 23486 Mts of raw sugar was processed and 223020 Qtls of Sugar had been produced out of raw sugar process.

3. Dividend:

In view of the inadequate profits earned by the company your Board of Directors could not recommend the dividend and decided to retain the same in the company for future needs of the company.

4. Management Discussion and Analysis Report:**a. Industry Structure and Development**

Last year sugar Industry has experienced a very good period in general and also particular to our company. Your Company has shown substantial improvement in its performance during the year. During the year under review, the Company has crushed 3.39 lakh tonnes of cane as against 1.25 lakh tonnes of cane in the previous year. The increase in cane crushing is mainly due to good rainfall in cane command areas and continuous developmental activities carried out by the Company. The Company has processed 0.23 lakh tonnes of raw sugar against 0.21 lakh tonnes of raw sugar during the previous year.