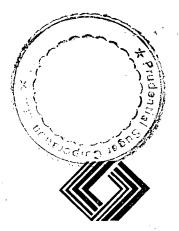
16th Annual Report 2006-2007

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Prudential Sugar Corporation Limited





BOARD OF DIRECTORS

Shri Vinod Baid — Chairman & Managing Director

Shri P.M. Nair — Director
Shri U.C. Bhandari — Director
Shri Y. Ravinder Reddy — Director
Shri Kishore Jhunjhunwala — Director

Shri K. Ramakanth — Company Secretary

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

R&D Infotech (P) Ltd. 22/4, Nakuleswar Bhattacharya Road Kolkata - 700 026.





NOTICE

Notice is hereby given that the Sixteenth Annual General Meeting of the Company will be held on Saturday, the 29th September, 2007 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:

- To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007 and the Profit & Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
- 2. To appoint a Director in the place of Shri Y. Ravinder Reddy, 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, the following resolution as an Ordinary Resolution:

"RESOLVED THAT M/s. Lakshminiwas & Jain, Chartered Accountants, 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."

By order of the Board

Place: Hyderabad

Date: 4th September, 2007

K. Ramakanth

Company Secretary

NOTES

- 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 25th September, 2007 to 29th September, 2007 (both days inclusive).
- 3. 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.
- 4. 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.

By order of the Board

K. Ramakanth

Company Secretary

Place: Hyderabad

Date: 4th September, 2007

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Prudential Sugar Corporation Limited



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Annexure to the Notice

Notes on 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

S.No.	Particulars	Y. Ravinder Reddy	
1.	Age	40 years	
2.	Date of Appointment	22nd March, 2003	
3.	Qualification	B.A.	
4.	Experience	He has vast experience in executing Civil works i.e. Roads, Building Bridges, Canals in Government Sector and Private Sectors. Cultivating Agriculture and Poultry business.	
5.	Other Directorships	Prudential Pharmaceuticals Ltd.	
6.	Chairman/Member of the Committees of the Board of the other Companies on which he is a Director	(A) Audit Committee Prudential Pharmaceuticals Ltd. (B) Share Transfer Committee/ Investors' Grievances' Committee Prudential Pharmaceuticals Ltd.	



DIRECTORS' REPORT

To.

The Members.

Prudential Sugar Corporation Limited

1. Your Directors have pleasure in submitting their Sixteenth Annual Report with the Audited Accounts for the year ended 31st March, 2007.

. Financial Results	(Rs. in Lakhs)		
,	for the Year ended 31.03.2007	for the Year ended 31.03.2006	
Total Income	9059.44	7959.46	
Profit/(Loss) before interest and Depreciation	3.36	1351.96	
Less: Interest	262.66	235.81	
Profit/(Loss) after Interest but before			
Depreciation & Tax	943.72	1116.15	
Less: Depreciation	267.94	261.90	
Profit/(Loss) before Prior Period Adjustment	675.78	854.25	
Add: Prior Period Adjustment		2.75	
Less: Extra Orindary Items:	424.64		
Profit/(Loss) before tax	251.14	857.00	
Provision for Tax:			
- Taxation for earlier year		0.00	
- Current	2.47	3.02	
- Deferred Tax Asset	97.16	181.13	
Profit/(Loss) after Tax	151.52	672.85	
Add: Balance brought from previous year	493.31	(179.55)	
Surplus/(Loss) carried to Balance Sheet	644.82	493.30	

3. Review of Operations

During the crushing season 2006-07, the Company have crushed highest ever crushing of 593630 MTs as against 339148 MTs of crushing during crushing season 2005-06. The average recovery during the year under review was 8.56% as against 8.50% during last crushing season. The Company continued to process Raw Sugar and during the year 8588 MTs of Raw Sugar was processed.

4. Dividend

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

5. Management Analytical Report

a. Sugar Industry - Opportunities, Threats and Future Outlook

Opportunities:

The long term outlook for sugar remains positive and promising on account of:

Strong GDP growth and changing food habits. Leading to growing demand for sugar especially in internal consumption.





- Growing energy consumption in India allowing the sugar industry to play a vital role
- Environmental friendly power generated by Co-generation Units.
- Clearly defined Clean Development Mechanism and the expected flow of Carbon Credits
- Implementation of Kyto Protocol by India requiring the Ethanol blending with petrol.

Threats:

Sugar industry is at present confronted by the following threats:

- Situation switching over from "paucity of supply and prices ruling high" to "glut in supply with low prices" within a short span.
- The decision of the Government to ban exports in July 2006 pulling down the sugar prices to uneconomical levels contrary to the expectations of the industry.
- Bumper cane production in the next few years, resulting in piling of stocks.
- Continued impact on the industry on account of various controls and administrative measures by the Central and State Governments.
- Cyclical nature of industry and local climate conditions over crop affecting both the quantity and quality of cane available.
- The profitability of alternative crops, pests and disease and non-availability of farm labour.
- Sugar weightage in WPI.
- Short crushing season.

Future Outlook:

The remedial measures undertaken by the government by introducing buffer stock system, incentive for exports, and the proposal to enhance the mandatory add mixture of Ethanol to 10% etc., for setting right the imbalance may yield short-term relief. The industry is looking forward to the following relief measures from the Government:

- Increased emphasis on "Green Power" generated by Co-generation Unit.
- De-control of sugar, Review of price mechanism, Pro-active National policy on Ethanol.
- Proper linkage between cane price and sugar price realizations.

Your Company, on its part, has taken the following measures to insulate it against the price risks and other threats:

- Experiments in farm mechanization, improved cane varieties, carefully crafted schedule of cane planting and harvesting through R & D and field staff.
- Supplementing revenue from sugar business by extracting more values from co-products.

b. Cautionary statement

Statemeths 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.

7. Public Deposits

Deposits collected from Shareholders and Public as on 31st March, 2007 is Nil. No Deposits are due and outstanding for payment as on 31st March, 2007.

8. Directors

Shri Y. Ravinder Reddy 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.

9. Environmental friendliness & pollution free techniques

The consultants and the management of your Company are putting continous 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.

10.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 are 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.

11. Conservation of energy, technology absorption and foreign exchange earning/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.

12. Directors' Responsibility Statement:

Your Directors confirm that:

- i. in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- ii. the Directors have selected such Accounting Policies and applied them consistently and made judgement and estimates that are resonable 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, 2007 and of the profit of the Company for that year;





- iii. 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. the Directors have prepared the annual accounts on a going concern basis.

13. 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 part of the Annual Report.

14. Auditors

M/s. Lakshminiwas & 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 'N' is self explanatory.

15. Cost Auditor

As per the directives of the Central Government to appoint Cost Auditor pursuant to Section 233B of the Companies Act, 1956, your company has appointed M/s. AKS & Associates, Chennai as Cost Auditor of the Company for the year 2007-2008.

16.Acknowledgement

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 extended to company.

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

For and on behalf of the Board

Place: Hyderabad

Date: 4th September, 2007

Vinod Baid

Chairman & Managing Director





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 1998.

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 condenser systems and all the pans with spray nozzle type condenser 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
 - 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

Efforts made in technology — As per Form 'B'

C. Foreign Exchange Earnings & Outgo

- 1. Activities relating to exports, initiatives taken to increase exports development of new export markets for products and services.... NIL
- 2. Total Foreign exchange Earnings and Outgo

Rs.

Foreign Exchange Earnings

\$2,524,245 (Rs.12,52,27,852/-)

Foreign Exchange Outgo

NIL





FORM A (See Rule 2)

FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

DESCRIPTION	2007	2006
A. POWER AND FUEL CONSUMPTION		
1. ELECTRICITY		
a. PURCHASED		
Units KWH	4,05,298	4,04,485
Total Amount (Rs.)	23,86,198	23,01,370
Rate per Unit (Rs.)	5.89	5.69
b. OWN GENERATION	·	
1. Through Diesel		
Generator Units (KWH)	5,520	6,360
Units per Ltr. of Diesel Oil	2.30	2.32
Cost per Unit (Rs.)	14.44	14.56
Through Steam Turbine / Generator Units (KWH)	1,11,81,894	<mark>6</mark> 8,67,140
KWH per tonne of Bagasse	201.84	194.40
Cost per Unit (Rs.900/-)	2.97	4.63
2. BAGASSE		
Quantity (Tonnes)	1,45,965	80,923
Total Cost (Rs.)	Own Bagasse	Own Bagasse
Average Rate (Rs.)	· —	
B. CONSUMPTION PER UNIT OF PRODUCTION		
Electricity KWH (Per Tonne)	208	181