

## Prudential Sugar Corporation Limited



### NOTICE

Notice is hereby given that the Twentieth Annual General Meeting of the Company will be held on Friday, the 30th September, 2011 at 4.00 P.M. at the Registered office at 4th Floor, Akash Ganga, Plot No. 144, Door No. 8-3-1053, Sri Nagar Colony, Hyderabad - 500 073, Andhra Pradesh, to transact the following business:

#### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011 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 Kishore Jhunjunwala, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Shri Y. Ravinder Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors for the year 2011-2012 and to authorise Board of Directors to fix their remuneration. The present Auditors of the Company, M/s. Laxminiwas & Jain, Chartered Accountants, Hyderabad, bearing registration No. 001859S with the Institute of Chartered Accountants, retire at this Annual General Meeting and are eligible for reappointment.

For and on behalf of the Board

Place : Hyderabad

Date : 30/08/2011

**VINOD BAID**

Chairman

#### 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 26th September, 2011 to 29th September, 2011 (both days inclusive).
3. Members desiring any information as regards to 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 dematerialized 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 has been transferred to the Investor Education and Protection Fund.

For and on behalf of the Board

Place : Hyderabad

Date : 30/08/2011

**VINOD BAID**

Chairman

**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	Sri Y. Ravinder Reddy
1.	Age	50 years
2.	Date of Appointment	16.04.2003
3.	Qualification	BA
4.	Experience	He has vast experience in executing Civil works i.e. Road, Building Bridges, Canals in Government Sector and Private Sectors, Cultivating Agriculture and Poultry business.
5.	Other Directorships	1. Gennex Laboratories Ltd.
6.	Member of the Committees	(A) Audit Committee (B) Share Transfer Committee/Investors' Grievances Committee - Gennex Laboratories Ltd.

**Item No. 3**

S.No.	Particulars	Sri Kishore Jhunjunwala
1.	Age	64 years
2.	Date of Appointment	31-10-2002
3.	Qualification	FCA
4.	Experience	He has vast experience in business and various other Industries.
5.	Other Directorships	1. Gennex Laboratories Ltd. 2. Mercury Fund Management Co. Ltd. 3. Deccan Remedies Ltd. 4. Discovery e-com Ltd. 5. Discovery Infoways Ltd. 6. Discovery Institute of Information and Technology Ltd. 7. Sindia Steels Ltd. 8. Priyatama Exports (P) Ltd.
6.	Member of the Committees	(A) Audit Committee 1. Gennex Laboratories Ltd. (B) Share Transfer Committee/Investors' Grievances Committee 1. Gennex Laboratories Ltd. (C) Remuneration Committee 1. Gennex Laboratories Ltd.

**DIRECTORS' REPORT**

To,  
The Members,

1. Your Directors have pleasure in submitting their Twentieth Annual Report with the Audited Balance Sheet and Profit & Loss Account for the year ended 31st March, 2011.

**2. Financial Performance****(Rs. in Lakhs)**

	<b>for the Year ended 31.03.2011</b>	<b>for the Year ended 31.03.2010</b>
Total Income	<b>8091.41</b>	7530.24
Profit/(Loss) before Interest and Depreciation	<b>758.64</b>	532.01
Less: Interest	<b>276.43</b>	238.07
Profit/(Loss) after Interest but before		
Depreciation & Tax	<b>482.21</b>	293.94
Less: Depreciation	<b>278.77</b>	278.76
Profit/(Loss) before tax	<b>203.44</b>	15.18
Provision for Tax:		
- Taxation for earlier year	—	3.12
- Deferred Tax Asset	<b>149.29</b>	105.39
Profit/(Loss) after Tax and Dividend	<b>54.15</b>	(93.33)
Add: Balance brought from previous year	<b>(574.25)</b>	(480.92)
Surplus/(Loss) carried to Balance Sheet	<b>(520.10)</b>	(574.25)

**3. Review of Operations**

During the crushing season 2010-2011 Company has crushed 357617 Mts of cane as against 259220 MTs of cane during crushing season 2009-10. The average recovery during the year under review was 8.73% as against 8.40% during last crushing season.

**4. Dividend**

In view of inadequate profits during the year under review, your Directors have not recommended any Dividend for the year.

**5. Sugar Industry Overview****“Sugar Industry Overview:**

After two years of deficit, Indian sugar production was well poised to rebound during 2010-11 season with a moderate surplus. As a welcome departure, India was enviably placed this year to cash on the physical tightness in global market with ready surplus sugar stock on hand further bolstered by a positive production outlook for the season. Indian producers were however denied the golden opportunity to ride on buoyant global prices by reason of prolonged delay and repeated deferral of the decision to reopen OGL exports that has remained closed for two years.



With its overwhelming concern over inflation, the Government predictably preferred to play it safe and persisted with its policy of total liberalization on imports and convoluted controls on exports. It flooded the local market by choking exports during rising production and announcing huge releases with unfailing extensions month after month. All this deplorably dented market sentiments, demoralized trade and decisively destabilized domestic sugar prices. Finally OGL export of a measly 5 lakh tonnes was first announced in January 2011 and then put on back burner, was confirmed during April 2011. By then, global prices have considerably corrected and noticeably nosedived by about 40% on the arrival of fresh crop from Brazil and changes in market dynamics.

The rebound and resurgence of Indian sugar production was unarguably triggered and convincingly catalyzed by lucrative cane prices voluntarily paid by sugar mills over and above Government fixed prices during the last two years on the strength of viable sugar prices. This helped to bring the farmer back to cane crop, improve the drawl rate for sugar mills ( in preference to other competing users) and further motivate and empower the farmer to take better care of the cane crop that has turned valuable. In turn, the resultant higher sugar production helped in significant price correction (that rose to dizzy heights in the previous year on perceived shortage) to benefit the consumer.

It is however imperative that the fine and delicate balance between sugar and sugarcane price is not stretched beyond the point of elasticity. Regretfully, sugar prices have suffered a factitious fall below breakeven due to excessive Government intervention in the past one year. Sugar cycles in India, of late, would seem to be the bizarre outcome of unhelpful Government policies than by the vagaries of nature.

The current mismatch between input and output prices has come to inflict losses even on most efficient producers of sugar. It cries for early correction lest it leads to mounting cane arrears and moribund sugar production.

#### **Government measures**

Levy obligation was restored to 10% on the strength of higher sugar production to meet PDS supply. Levy sugar price after several years of hibernation was revised for 2009-10 on 21.06.2010 and for 2010-11 on 18.01.2011. With retrospective amendment to the Essential commodities Act, levy sugar price computation continues to ignore well settled legal and commercial principles that does not cover even the cane cost. The industry is again before the Apex Court for relief.

Duty-free raw sugar import facility was repetitively extended and is now in force till end of June 2011. Restrictions on bulk users brought under inventory norms is also similarly getting undue extensions though the ceiling has been moderately hiked. While these measures were introduced during domestic deficit, repeated extensions unmindful of market realities have only helped to accentuate the bearish undertone of the market.

Fair and remunerative price for 2010-11 was fixed at 139.12 per qtl linked to 9.5% recovery. Advance FRP announcement for 2011-12 has now been made by the Centre at Rs.145 per qtl.

Sugar decontrol looks presciently off the radar of the Central Government. Despite several of the Expert Committees unanimously recommending decontrol, there appears little political will to push forward at the current juncture.

Sugar has been taken out of the purview of additional excise duty to pave way for states imposing VAT on sugar under the proposed GST regime.

**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 31.03.2011 is Nil. No Deposits are due and outstanding for payment as on 31.03.2011.

**8. Directors**

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

**9. Directors' Clarification on Auditors' Report**

Point-wise explanations to the observations of the Auditors are as follows:

Note No. 4(d) of the Auditors' Report:

Since the company is having accumulated losses, therefore the management has decided not to make Provision of Retirement Benefits as per AS-15 and Provision for Liabilities as per AS-29 in the books of accounts.

**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 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.

**12. 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.

**13. Directors' Responsibility Statement:**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- i. that in the preparation of the accounts for the financial year ended March 31, 2011, the applicable accounting standards except AS-15 and AS-29 as to the extent as referred to in this report under the head Auditors' Report have been followed along with proper explanations relating to material departures;
- ii. the Directors have selected such Accounting Policies and applied them consistently and made judgment 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 31<sup>st</sup> March, 2011 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.

**14. 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.

**15. Auditors**

M/s. Laxminiwas & 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 observations in their report, the notes given in schedule 'N' is self explanatory.

**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 : 30/08/2011

**Vinod Baid**  
Chairman

**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. lakhs  
Foreign Exchange Outgo NIL



**FORM A  
(See Rule 2)**

**FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION  
OF ENERGY**

DESCRIPTION	2010-11	2009-10
<b>A. POWER AND FUEL CONSUMPTION</b>		
<b>1. ELECTRICITY</b>		
a. PURCHASED		
Units KWH	<b>4,55,236</b>	5,27,506
Total Amount (Rs.)	<b>28,60,533</b>	25,78,027
Rate per Unit (Rs.)	<b>6.235</b>	4.887
b. OWN GENERATION		
1. Through Diesel		
Generator Units (KWH)	<b>5,064</b>	5,028
Units per Ltr. of Diesel Oil	<b>2.25</b>	2.37
Cost per Unit (Rs.)	<b>18.19</b>	16.17
2. Through Steam Turbine /		
Generator Units (KWH)	<b>75,59,240</b>	64,21,000
KWH per tonne of Bagasse	<b>187.80</b>	193.8
Cost per Unit (Rs.1,000/-)	<b>4.25</b>	3.64
<b>2. BAGASSE</b>		
Quantity (Tonnes)	<b>40,246</b>	33,132
Total Cost (Rs.)	<b>Own Bagasse</b>	Own Bagasse
Average Rate (Rs.)	<b>—</b>	—
<b>B. CONSUMPTION PER UNIT OF PRODUCTION</b>		
Electricity KWH (Per Tonne)	<b>242.23</b>	294.3



**FORM – B****Disclosure of particulars with respect to Technology Absorption,  
Research and Development****1. Specific areas in which R&D carried out by the company**

- a. Usage of Trichogramma card, a new biological tool used to control borers as successfully tested for the internode borer management in sugar cane.
- b. Usage of Wildmint extract spray on sugar cane to control leaf sucking pest effectively as a low cost technology in sugar cane crop management.
- c. For better variety evaluation, varietal screening is done in stages.
- d. Modified cane planting method like paired row method and pit method for using drip irrigation system effectively.

**2. Benefits derived as a result of the above R & D**

- a. Internode borer is controlled to manageable extent and improvement in yield is achieved.
- b. Better varieties of cane have been identified which are suitable for cultivation.
- c. Drip installation is made efficient.
- d. Productivity per acre is increased and farm earnings also improved.

**3. Future plan of action**

- a. Increase in cane area under micro irrigation system to face drought in future and optimizing planting geometry by introduction of paired row system in planting of cane.
- b. Organic farming in sugar cultivation and taking effective steps to evolve a farmer friendly technology for trash composting and introduction of vermi compost as an additional income generating plan to the farmer.
- c. Introduction of mechanical harvester for sugar cane harvesting to reduce the manpower dependence.

**4. Expenditure on Research and Development**

(Rs.in lakhs)

a. Capital	—
b. Recurring	1.47
c. Total	1.47
d. Total R&D expenditure as a percentage of total turnover	0.019%



**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

**1. Efforts in brief, made towards technology absorption, adaptation and innovation.**

Introduction of African breed of earthworms suited to local condition with expected production of maximum quantity of humus.

**2. Benefits derived as a result of the above efforts, eg., product improvement, cost reduction, product development, import substitution, etc.**

Nutritive value of vermi compost is improved and the impact on vermi compost over sugar cane yield is also significant.

**3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished.**

- |  |   |                |
|--|---|----------------|
| a) Technology imported                         | } |                |
| b) Year of Import                              | } |                |
| c) Has technology been fully absorbed ?        | } | Not applicable |
| d) If not fully absorbed, areas where this has | } |                |
| Not taken place, reasons therefore and         |   |                |
| Future plan of action                          |   |                |