

22nd Annual Report 2012-2013



Prudential Sugar Corporation Limited



BOARD OF DIRECTORS

Sri Vinod Baid	—	<i>Chairman</i>
Sri Ch. Krishnamoorthy	—	<i>Managing Director (upto 16.05.2013)</i>
Sri P.M. Nair	—	<i>Director</i>
Sri U.C. Bhandari	—	<i>Director</i>
Sri Kishore Jhunjunwala	—	<i>Director</i>
Sri Y. Ravinder Reddy	—	<i>Director</i>
Sri K. Subba Rao	—	<i>Additional Director (w.e.f. 16.05.2013)</i>

COMPANY SECRETARY

Sri Sandeep Daga	—	Company Secretary
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AUDITORS

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

BANKERS

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

REGISTERED OFFICE

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

FACTORY

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

DEPOSITORY REGISTRAR

R&D Infotech (P) Ltd.,
1st Floor, 7A, Beltala Road
(Naresh Mitra Sarani), Kolkata - 700 026



NOTICE

Notice is hereby given that the Twenty Second Annual General Meeting of the Company will be held on Monday, the 30th September, 2013 at 04.00 P.M. at "Akash Ganga", Plot No. 144, 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, 2013 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 Jhunjhunwala, 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 2013-2014 and to authorize 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.

SPECIAL BUSINESS:

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

"RESOLVED THAT Mr. K. Subba Rao, who was appointed as an Additional Director at the Board Meeting held on 16th May, 2013 and who holds office as such up to the date of this Annual General Meeting, pursuant to Section 260 of the Act and Articles of Association and in respect of whom the Company has received a notice in writing from a member, under Section 257 of the Act, signifying the member's intention to propose Mr. K. Subba Rao, as a candidate for the office of Director, be and is hereby appointed a Director of the Company."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 and 311, Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or reenactment thereof, for the time being in force) and subject to such sanctions and approvals as may be necessary, approval of the Company be and is hereby accorded to the appointment of Mr. K. Subba Rao, as a Whole-Time Director of the Company for a period of Three years, with effect from 2nd September, 2013 on such remuneration comprising a salary performance linked bonus, and perquisites, as may be determined by board from time to time within the maximum limits specified below.

1. Salary per month – Rs.75,000 in the scale of Rs.75,000-Rs.85,000.
2. Bonus – Mr. K. Subba Rao shall be entitled to a bonus of upto a maximum of 10% of the salary, payable quarterly or at other intervals, as may be decided by the Board of Directors.
3. Company performance linked incentive – Mr. K. Subba Rao shall be entitled to the Company performance linked incentive, payable quarterly or at other intervals, as may be decided by the Board.
4. Individual performance linked incentive – Mr. K. Subba Rao shall be entitled to the individual performance linked incentive, payable quarterly or at other intervals, as may be decided by the Board.
5. Long-term bonus plan – Mr. K. Subba Rao shall be entitled to a bonus payment, as may be decided by the Board, pursuant to the terms of the long-term bonus plan applicable to the senior officers of the Company.



Perquisites and allowances:

Mr. K. Subba Rao shall be entitled to the following perquisites and allowances:

- a. Housing – furnished/unfurnished residential accommodation or house rent allowance up to 10% of the salary in lieu thereof. The expenditure incurred by the Company on gas, electricity, water and furnishings, if any, shall be valued as per Income Tax Rules, 1962.
- b. Medical reimbursement/allowance – Reimbursement of actual expenses for self and family and/or allowance will be paid as decided by the Board from time to time.
- c. Leave travel concession/allowance – for self and family once in a year, as decided by the Board from time to time.
- d. Club fees – Fees payable subject to a maximum of two clubs.
- e. Provision for driver/driver's salary allowance – as per the rules of the Company.
- f. Personal Accident Insurance – as per the rules of the Company.

Other benefits:

- a. Earned / Privilege leave – as per the rules of the Company.
- b. Company's contribution to Provident Fund and Superannuation Fund – as per the rules of the Company.
- c. Gratuity – as per the rules of the Company.
- d. Encashment of leave - as per the rules of the Company.
- e. Company car and telephone – use of the Company's car and telephone at the residence for official purposes, as per the rules of the Company.

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to vary, alter or modify the different components of the above-stated remuneration as may be agreed to by the Board of Directors and Mr. K. Subba Rao.

For and on behalf of the Board

VINOD BAID
Chairman

Place : Hyderabad

Date : 02/09/2013

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, 2013 to 30th September, 2013 (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 them 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

VINOD BAID
Chairman

Place : Hyderabad

Date : 02/09/2013



Explanatory Statement

Pursuant to Section 173(2) of the Companies Act, 1956

Item 5

At the Board meeting held on 16th May 2013, Mr. K. Subba Rao was appointed as an Additional Director of the Company. In terms of Section 260 of the Act, read with Articles of Association, Mr. K. Subba Rao holds office as Director until the date of this Annual General Meeting of the Company. The Company has received a notice in writing along with the requisite deposit from a Member, under Section 257 of the Act, signifying his intention to propose Mr. K. Subba Rao for appointment as a Director of the Company.

The Directors recommend passing of the resolution set out in Item 4 of the Notice.

Excepting Mr. K. Subba Rao, no other Director is concerned or interested in this resolution.

Item 6

At the Board meeting held on 16th May, 2013, Mr. K. Subba Rao was appointed as Additional Director of the Company. In terms of Section 260 of the Act and Article of Association, Mr. K. Subba Rao will hold office as Director until the date of this Annual General Meeting. The Company has received a notice in writing along with the requisite deposit from a Member, under Section 257 of the Act, signifying his intention to propose Mr. K. Subba Rao for appointment as a Director of the Company. Further, in the meeting held on 2nd September, 2013, the Board appointed Mr. K. Subba Rao as Whole-Time Director of the Company, with immediate effect, for a period of three years, subject to the approval of the shareholders. In terms of Articles of Association of the Company, Mr. K. Subba Rao shall not be liable to retirement by rotation till he continues to hold such office. The terms and conditions of the appointment are set out in a separate Agreement to be entered into between Mr. K. Subba Rao and the Company, the relevant provisions of which are briefly discussed below:

1. Period of appointment: Three years beginning September 2, 2013 and ending on September 2, 2016, subject to the retirement policy applicable to the Directors of Board of the Company.
2. Details of remuneration: As provided in the Resolution.
3. The agreement, executed between the Company and Mr. K. Subba Rao may be terminated by either party by giving notice as specified in the agreement in writing of such termination.
4. Mr. K. Subba Rao shall perform such duties as shall from time to time be entrusted to him, subject to the superintendence, guidance and control of the Board of Directors and he shall perform such other duties as shall from time to time be entrusted to him by the Board of Directors.

The Resolution seeks the approval of the members in terms of Section 269 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 for the appointment of Mr. K. Subba Rao as the Whole-Time Director of the Company for a period of three years commencing from September 2, 2013.

The terms of appointment of Mr. K. Subba Rao, as stated in this notice, may be treated as the abstract under Section 302 of the Companies Act, 1956. The copies of relevant Resolutions of the Board with respect to the appointment is available for inspection by members at the registered office of the Company during working hours on any working day till the date of the Annual General Meeting.

The Board accordingly recommends the Resolution as set out in Item no. 6 for approval of the members.

**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

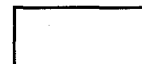
S.No.	Particulars	Y. Ravinder Reddy
1.	Age	46 years
2.	Date of Appointment	22.03.2003
3.	Qualification	B.A.
4.	Experience	He has vast experience in executing Civil Works i.e., Roads, Buildings, Bridges, Canals in Government sector and Private Sectors, Cultivating Agriculture and Poultry Business.
5.	Other Directorships	1. Gennex Laboratories Ltd. 2. Rose Garden Developers Ltd. 3. B&B Infratech Ltd. 4. B&B Realty Ltd. 5. Beam Cox Constructions (P) Ltd.
6.	Member of the Committees	(A) Audit Committee 1. Prudential Sugar Corporation Ltd. (B) Share Transfer Committee/ Investors' Grievances Committee 1. Prudential Sugar Corporation Ltd.

Prudential Sugar Corporation Limited**Item No. 3**

S.No.	Particulars	Sri Kishore Jhunjunwala
1.	Age	65 years
2.	Date of Appointment	31.10.2002
3.	Qualification	FCA
4.	Experience	He has vast experience in businss and various other industries.
5.	Other Directorships	1. Gennex Laboratories Limited 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.

Item No. 3

S.No.	Particulars	Sri K. Subba Rao
1.	Age	64 years
2.	Date of Appointment	16.05.2013
3.	Qualification	B.Tech. (Mech.), B.O.E.
4.	Experience	He has vast experience in Sugar Industries since last 35 years
5.	Other Directorships	NIL
6.	Member of the Committees	NIL

**DIRECTORS' REPORT**

To,

The Members,

1. Your Directors have pleasure in submitting their Twenty Second Annual Report with the Audited Balance Sheet and Profit & Loss Account for the year ended 31st March, 2013.

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

	for the Year ended 31.03.2013	for the Year ended 31.03.2012
Total Income	11244.73	8527.98
Profit/(Loss) before Interest and Depreciation	798.59	846.22
Less: Interest	263.38	276.70
Profit/(Loss) after Interest but before Depreciation & Tax	535.21	569.52
Less: Depreciation	283.79	280.06
Profit/(Loss) before tax	251.42	289.46
Provision for Tax:		
- Taxation for earlier year	—	—
- Current	—	—
- Deferred Tax Asset	83.07	52.91
Profit/(Loss) after Tax and Dividend	168.36	236.55
Add: Balance brought from previous year	(283.55)	(520.10)
Surplus/(Loss) carried to Balance Sheet	(115.19)	(283.55)

3. Review of Operations

During the crushing season 2012-2013 Company has crushed 327718 Mts of cane as against 386689 MTs of cane crushed during crushing season 2011-12. The average recovery during the year under review was 8.91% as against 8.93% during last crushing season.

4. Dividend

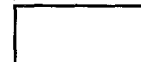
In view of the adverse working results caused by factors explained in this report, your Directors regret their inability to recommend payment of any Dividend for the year.

5. Sugar Industry Overview

World Sugar production is poised to outpace consumption in 2012-2013 for the third year in row, touching an all time high of 182 million tonnes. India yet again fumbled and floundered during 2011-2012 to capitalize on buoyant world sugar prices. By restricting and rationing export quotas, we were lackadaisical to let go a golden opportunity to pare inventories through aggressive exports at lucrative world prices. As a result, we are now overburdened with huge sugar stocks hitting a 5 year high mark with little scope for its liquidation at the current juncture where export price parity is palpably negative. As feared, domestic sugar prices have crumbled and continually crashed during 2012-2013 sugar season. After peaking to Rs.3800 per Qtl in August 2012, Ex-factory prices in Andhra Pradesh currently rule below Rs.3000 per Qtl, too sharp a slide in too short a period. In addition to that Govt. of Andhra Pradesh has levied VAT of 5% on Sugar Sales within the state. Hence, Ex-factory prices in the state has come down due to buyers getting the stocks from nearby states.

Sugar Decontrol

The Central Government has finally taken the crucial decision to liberate the sugar sector from the clutches of excruciating controls. Pursuant to the recommendation of Dr. C. Rangrajan Committee made in October 2012, CCEA on 4th April 2013 decided to do away with levy obligation for with sugar produced from October 2012. While Government would continue with PDS sugar for BPL



families, the subsidy burden would henceforth shift from Industry to Government. Further, Sugar Release Mechanism has been dismantled to confer greater freedom on industry for managing its cash flows.

Indian Industry Outlook 2013-14

World sugar balance would record a surplus on the fourth year in succession in 2013-14, a feat not witnessed for over two decades. The only redeeming feature is the strong ethanol price parity that would prompt Brazil divert a larger share of cane from sugar to ethanol production to correspondingly slice the size of surging sugar surplus. With export availability outweighing demand, world prices would remain bearish, virtually shutting the export window for the high cost Indian sugar.

Indian Meteorological Department has predicted a normal monsoon for 2013 for the country as a whole but a sub-par rainfall in the southern parts that include Andhra Pradesh. With likely steep fall in cane area in Maharashtra, Indian sugar production would decline by about 10% during 2013-14 sugar season. This is still adequate to meet local off-take, thereby limiting meaningful scope for inventory draw-down. Accordingly, local sugar prices should only remain range bound under continual supply side pressures.

Meanwhile, there was advance signaling by Centre in hiking Fair and Remunerative Price for sugarcane for 2013-14 by a hefty 24% (Rs.170 to 210 per quintal). State Governments are generally prone to give pro-rata or higher hikes and hence cane pricing risk looms large on the industry.

With persistent drought, sugar production in Andhra Pradesh is on the throes of steep decline and the industry may hardly operate at 50% of its potent capacity. Your Company has been the hardest hit on this front, with fresh cane planting having virtually come to naught and ratoon crops wilting under woeful water shortage.

There are thus clearly more negatives and little positives for the sugar industry in general and your Company in particular in the coming year. Your Company is poised to face the severest of challenge in recent times on cane availability, sugar recovery and margins. It has of course no choice but to play a patient waiting game till the resumption of monsoon.

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 31.03.2013 is Nil. No Deposits are due and outstanding for payment as on 31.03.2013.

8. Directors

Shri Kishore Jhunjunwala and Shri Y.Ravinder Reddy are retiring by rotation at the ensuing Annual General Meeting and are eligible for reappointment. Shri Ch. Krishnamoorthy ceased as a Managing Director with effect from 16.05.2013. Shri K. Subba Rao was appointed as an Additional Director at the Board Meeting held on 16.05.2013. In the Board Meeting held on September 2, 2013, Shri K.Subba Rao was appointed as a Executive Director. Resolution seeking your approval for the appointment of Shri K. Subba Rao has been incorporated in the notice of the ensuing AGM of the Company.

9. Directors' Clarification on Auditors' Report

Point-wise explanations to the qualified opinion of the Auditors are as follows: Note No. 4 of the Auditors' Report:



Since the company is having accumulated losses, 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

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 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 31st March, 2013 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.

16.Acknowledgement

Your Directors place on record their gratitude to the Company's Bankers, Sugar Dealers, Cane 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 : 02/09/2013

Vinod Baid
Chairman