

BOARD'S REPORT

To the members of Parrys Sugar Industries Limited

The Directors have pleasure in presenting their Thirtieth Annual Report together with the audited financial statements for the Financial Year ended March 31, 2016.

FINANCIAL RESULTS

The financial summary, performance highlights, operations/state of affairs of the Company for the year are summarised below:

	₹ in Lakh	
Particulars	2015-16	2014-15
Gross Income	29,233.96	19,946.53
Profit/(Loss) Before Interest and Depreciation (EBITDA)	(328.64)	805.00
Finance Charges	1,526.85	1,666.43
Gross Profit/(Loss)	(1,855.49)	(861.43)
Provision for Depreciation	743.14	712.55
Net Profit/(Loss) Before Tax	(2,598.63)	(1,573.98)
Taxes	-	-
Net Profit/(Loss) After Tax	(2,598.63)	(1,573.98)

DIVIDEND & RESERVES

In view of the losses incurred, your Board is unable to recommend any dividend for the financial year ended March 31, 2016. The Company has not transferred any amount to the reserves for the year ended March 31, 2016.

SHARE CAPITAL

During the year, the Company has allotted 3,50,00,000, 8% Redeemable Cumulative Preference shares of ₹10/- each to E.I.D.- Parry (India) Limited, the Holding Company aggregating to ₹35 Crore. Consequently, the paid up share capital of the Company stood at ₹115.52 Crore w.e.f. March 31, 2016.

During the year, the Company has not issued any equity shares. As on March 31, 2016, none of the Directors of the Company hold any shares or convertible instruments of the Company.

COMPANY PERFORMANCE

During the year under review, the total revenue of the Company from operations was ₹29121.44 lakh, 46.80% higher than ₹19836.63 lakh in the previous year. Operating Loss (Loss before Interest and Tax) was ₹1071.78 lakh as against ₹92.45 lakh profit in the previous year. The interest cost was ₹1526.85 lakh during the current Financial Year as against ₹1666.43 lakh during the previous year. During the year under review, the Company achieved an all around improvement on many operating parameters. The cane crushed was higher at 7.39 LMT as against 5.55 LMT in the previous year; the power generation was at 540.84 lakh Units as against 382.75 lakh Units in the previous year. The amount realized on power export was higher at ₹1442.13 lakh as against ₹785.64 lakh in the previous year. There was also improvement in most efficiency parameters this year. However, the sugar recovery dropped to 11.91% as against 12.14% in the previous year but higher as compared to many other factories in North Karnataka in the face of adverse agro-climatic conditions caused by lack of rain and drought like situation. The Company also worked on improving its sales mix to enhance sales to Institutions and get a better margin on its products. In spite of all the above, the Company reported a loss before tax of ₹2598.63 lakh during the Financial Year. The primary reason for the loss was low sugar prices during the first 9 months of the Financial Year which offset the achievements of the Company on all other fronts.

The Sugar Industry in India went through an unprecedented crisis due to all time low sugar selling prices caused by fifth straight year of surplus production as well as a drop in global prices. In fact it went below the cost of production for a substantial portion of the year. The sugar prices which remained subdued showed an upward trend only during the last quarter of the financial year.

In spite of the low sugar selling prices, the Company paid the Fair & Remunerative Price (FRP) of ₹2200/T for the SY 14-15 and ₹2300/T for the SY 15-16, the price being linked to a recovery percentage of 9.5%. Since your Company achieved higher recovery, the FRP was prorated. In fact, the Company is one of the few Mills in Karnataka to have discharged its obligations towards the farmers in time.

During the Financial Year, the Central Government announced a number of measures to alleviate the difficulties faced by the Industry including grant of a direct cane subsidy of ₹ 45/- MT as part of the FRP. The Government also took a series of measures viz. compulsory export of sugar linked to the Cane Subsidy, hike in import duty of sugar, abolition of the Duty Free Import Authorization Scheme, Interest Subvention scheme, subsidy for sugar exports, direct subsidy to farmers, remunerative prices for ethanol procurement and waiver



of excise duties on ethanol to further incentivize ethanol supplies for the Ethanol Blending Program. All these steps were taken by the Central Government with a view to improve the cash flows of sugar mills so that the Mills would be in a position to make cane payments to sugarcane farmers in time. This also improved the general sentiments in the Industry and had a positive impact on the sugar price during Q4 of the Financial Year.

There are reports which suggest that due to less rainfall and lower water availability in reservoirs in some Districts in Maharashtra and North Karnataka, the acreage of sugarcane available for harvesting in SY 16-17 will be lower. Therefore, there is an expectation that sugar production during SY 16-17 from the States of Maharashtra and Karnataka, due to lower acreage in some of their districts, will be lower than the current sugar season. This is expected to have an impact on the demand supply equilibrium of Cane and Sugar but positively impact the selling price.

Effective February 2016, the Central Government created a Sugarcane Price Stabilization Fund, funded through a levy of Special Cess as advocated by the Commission on Agricultural Costs and Prices. We hope that the Central Government will continue this since it will augur well for the Industry in the long run and help the Government in providing subsidies directly to the farmers in the event sugar prices go below the economic levels of the sugar prices linked to FRP. This could also resolve the financial crisis faced by the Sugar Industry to a large extent.

The major challenges for the Company is to continuously strive towards safeguarding the cane area in the face of stiff competition, improve recovery and yield, operating efficiencies with the Central Government playing its role by providing due subsidy in the event of low sugar prices.

PERFORMANCE OF BUSINESS SEGMENTS

Sugar

During the year, the Company crushed a total 7.39 lakh MT of cane as against 5.55 lakh MT of cane crushed in the previous year. The Company produced 8.80 lakh quintals of sugar as against 6.73 lakh quintals of sugar produced during the previous year. The recovery of sugar from sugar cane was at 11.91% during the year as against the recovery of 12.14% during the previous year.

Power

The total power generated by our Co-generation plant was 540.84 lakh units as against the 382.75 lakh Units generated during the previous year. The revenue from sale of power was at ₹1442.13 lakh as against ₹ 785.64 lakh during the previous year.

SUBSIDIARY

The Company has no subsidiary.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the provisions contained in Section 134(5) of the Companies Act, 2013, your Directors to the best of their knowledge and belief and according to information and explanations obtained from the management, confirm that:

- in the preparation of the annual accounts for the financial year ended March 31, 2016, the applicable accounting standards have been followed and there are no material departures from the same;
- the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016 and of the loss of the Company for the year ended on that date;
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The Directors have prepared the Annual Accounts on a going concern basis.
- The Directors have laid down proper internal financial controls to be followed by the Company and such controls are adequate and operating effectively.
- the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

During the year Mr. K. Balasubramanian resigned with effect from the close of business hours on July 24, 2015. Mr. K. Balasubramanian was the Chairman from 24.10.2005 to 29.10.2007; 27.10.2009 to 27.08.2010; and from 23.07.2013 to 24.07.2015. The Board records its deep appreciation for the commendable services rendered by him. Mr. C. R.Rajan was elected as the Chairman of the Board with effect from November 5, 2015.

In accordance with the provisions of Section 152 of the Companies Act, 2013 read with the Articles of Association of the Company, Mr. V. Ravichandran, Director retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment. The details required under Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 of Mr. V. Ravichandran are annexed to the Notice convening the 30th Annual General Meeting of the Company.

All the Independent Directors viz., Mr. C. R.Rajan, Mr. K. Ramadoss and Ms. Lalitha Balakrishnan have submitted declarations confirming that they meet the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of the SEBI (LODR) Regulations, 2015.

The Board met 6 times during the financial year 2015-16, the details of which are given in the Corporate Governance Report.

Board Evaluation

In accordance with the provisions of Section 134 of the Act and SEBI (LODR) Regulations, 2015, the Board has carried out an evaluation of its own performance, the performance of Committees of the Board, namely, Audit Committee, Risk Management Committee, Stakeholders Relationship Committee and Nomination and Remuneration Committee and also the directors individually. The manner in which the evaluation was carried out and the process adopted has been mentioned in the Corporate Governance Report.

The Board, on the recommendation of the Nomination & Remuneration Committee has laid down a policy for selection and appointment of Directors, Senior Management and their remuneration and also framed the criteria for determining qualifications, positive attributes and independence of directors. The Remuneration Policy and criteria for Board nominations are given in Annexure - A to this Report.

Mr. V. Ramesh, Managing Director; Mr. V. Suri, Chief Financial Officer and Mr. Amar Kumar Dora, Company Secretary are the Key Managerial Personnel of the Company as per Section 203 of the Companies Act, 2013.

AUDITORS AND AUDITOR'S REPORT

Statutory Auditors

The Shareholders at the 28th Annual General Meeting held on July 25, 2014, had appointed M/s R.G.N. Price & Co., as Statutory Auditors of the Company to hold office until the conclusion of 30th Annual General Meeting. As per the Companies Act, 2013 M/s R.G.N. Price & Co., are eligible to be appointed for a second term. M/s R.G.N. Price & Co., have expressed their willingness to continue as auditors of the Company and accordingly, their appointment is recommended to the Shareholders at the ensuing meeting.

Cost Auditors

As per Section 148 of the Companies Act 2013 read with Rule 4 of the Companies (Cost Records and Audit) Rules, 2014, the cost records maintained by the Company in respect of its Sugar and Cogeneration activity are required to be audited by a Cost Auditor. The Board of Directors, based on the recommendation of the Audit Committee, have appointed M/s Narashima Murthy & Co, Cost Accountants (FRN: 000042), as the Cost Auditors for auditing the cost accounting records maintained by the Company for the financial year 2016-17 on a remuneration of ₹ 90,000/- plus service tax as applicable and reimbursement of out of pocket expenses. As required under the Companies Act, 2013, a resolution seeking members approval of the remuneration payable to the Cost Auditor forms part of the notice convening the Annual General Meeting.

The Cost Audit Report for the year 2014-15 was filed with the Ministry of Corporate Affairs on September 28, 2015.

Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s V. Sreedharan & Associates, Company Secretaries in practice as the Secretarial Auditor to undertake the Secretarial Audit of the Company. The Report of the Secretarial Audit for the year 2015-16 is given in Annexure-B to this Report.

There are no qualifications, reservations or adverse remarks or disclaimers made by the Statutory Auditors/Secretarial Auditors in their respective reports. The Statutory Auditors have not reported any incident of fraud to the Audit Committee of the Company during the year under review.

RISK MANAGEMENT

The Company has voluntarily constituted a Risk Management Committee as per the terms given under Regulation 21 of the SEBI (LODR) Regulations, 2015. The details of Committee and its terms of reference are set out in the Corporate Governance Report forming part of the Board's Report.

The Company has a mechanism to identify, assess, monitor and mitigate various risks to its key business objectives. Major risks identified by the business and functions are systematically addressed through mitigating actions on a continuing basis. The Company has formulated a Risk Management Policy which is also available on the Company's website at www.parrysugar.com.

**INTERNAL FINANCIAL CONTROLS**

The Company has adequate Internal Financial Controls with proper checks to ensure that transactions are properly authorised, recorded and reported apart from safeguarding its assets. These systems are reviewed and improved on a regular basis. It has a comprehensive budgetary control system to monitor revenue and expenditure against approved budget on an ongoing basis. The internal auditors of the Company review the controls across the key processes and submits reports periodically to the Management and significant observations are also presented to the Audit Committee for review. Follow up mechanism is in place to monitor the implementation of the various recommendations.

CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES.

As the Company does not fall under any of the threshold limits given under the provisions of Section 135 of the Companies Act, 2013, the compliances under CSR are not applicable to the Company.

RELATED PARTY TRANSACTIONS

All contracts/arrangements/transactions entered into during the financial year with the related parties were on arm's length basis and were in the ordinary course of business. Section 188(1) of the Companies Act, 2013 exempts related party transactions that are in the ordinary course of business and are on arm's length basis. However, under erstwhile clause 49 of the Listing Agreement and Regulation 23 of the SEBI (LODR) Regulations, 2015, all material Related Party Transactions requires approval of the shareholders. Accordingly, the Company has obtained the approval of the shareholders by way of special resolution for the material related party transactions. The Board of Directors and the Audit Committee have also approved the said related party transactions. There were no loans and advances from / to the Holding / associate Company or to the firms/companies in which the Directors are interested.

There are no materially significant related party transactions with the promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

The policy on dealing with Related Party Transactions as approved by the Board is available at the Web Link: www.parrysugar.com/html/corporate_governance.html.

The particulars of contracts/arrangements entered into by the Company with related parties as required to be disclosed are given in Annexure-C to this Report.

CORPORATE GOVERNANCE

The Report on corporate governance as stipulated under the SEBI (LODR) Regulations, 2015 forms part of this Report. The requisite certificate from M/s V. Sreedharan & Associates, Practicing Company Secretaries confirming compliance with the conditions of corporate governance is attached to the Corporate Governance Report. The report also contains the details as required to be provided on Board evaluation, remuneration policy, implementation of risk management policy, whistle blower policy/vigil mechanism etc.

The Managing Director and the Chief Financial Officer have submitted a certificate to the Board regarding the financial statements and other matters as required under the SEBI (LODR) Regulations, 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report for the year under review, as stipulated under Regulation 34 of the SEBI (LODR) Regulations, 2015, forms part of this Annual Report.

TRANSFER TO THE INVESTOR EDUCATION AND PROTECTION FUND

During the year, the Company has transferred an amount of ₹ 504,493/- being the unclaimed dividend for the year 2007-08 to the Investor Education and Protection Fund established by the Central Government.

LISTING AGREEMENT

The Securities and Exchange Board of India (SEBI), on September 2, 2015 issued SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015. The said regulations which became effective December 1, 2015 required all Listed Companies to enter into the fresh Listing Agreements within six months from the effective date. Accordingly, the Company entered into Listing Agreement with BSE Limited and the National Stock Exchange of India Limited during December, 2015.

DISCLOSURES**Committees of the Board**

The Company has the following Committees constituted in accordance with the Companies Act, 2013 and SEBI (LODR) Regulations, 2015:

- Audit Committee
- Nomination & Remuneration Committee
- Stakeholders Relationship Committee
- Risk Management Committee

The details of all the Committees alongwith their composition, terms of reference and meetings held during the year are provided in the "Report on Corporate Governance" forming part of this Annual Report.

Vigil Mechanism & Whistle Blower Policy

The Company has a vigil mechanism and a whistle blower policy. The same has been posted on the Company's website and the details of the same are given in the Corporate Governance Report.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo pursuant to Section 134(3) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 is given in Annexure-D to this Report.

Particulars of Loans, Guarantees or Investments

During the financial year 2015-16, the Company has not given any guarantees/loan or made any investments.

Credit Rating

The Rating Committee of CRISIL has downgraded its rating on the Company's longterm and short term bank loan facilities of ₹200 Crore to CRISIL A/Stable and CRISIL A1 from CRISIL A+/Stable and CRISIL A1+ and the Short Term Debt (including commercial paper) of ₹100 Crores to CRISIL A1 from CRISIL A1+.

Particulars of Employees

The information required pursuant to Section 197 of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is given in Annexure -E to this Report.

Extract of the Annual Return

The details of the extract of the Annual Return in Form MGT-9 are given in Annexure-F to this Report.

Report to the Board for Industrial and Financial Reconstruction (BIFR)

As the members are aware, the Company had reported the erosion in the net worth of the Company by more than 50% of the peak networth as required under Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 to BIFR. The Company has been filing quarterly reports with BIFR from time to time.

GENERAL

Your Directors state that no disclosure is required in respect of the following items as there were no transactions on these items during the year under review:

1. Details relating to deposits covered under Chapter V of the Companies Act, 2013.
2. Issue of equity shares with differential rights as to dividend, voting or otherwise.
3. Issue of shares (including sweat equity shares) to employees of the Company under any scheme.

No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.

PERSONNEL RELATIONS

Your directors hereby place on record their appreciation for the services rendered by the executives, staff and workers of the Company for their hard work, dedication and commitment. During the year under review, relations between the employees and the management continued to remain cordial.

APPRECIATION

Your directors thank the various Central and State Government Authorities and Agencies for the continued help and cooperation extended by them. The Directors gratefully acknowledge all stakeholders of the Company viz., farmers, customers, members, dealers, vendors and banks for their excellent support during the year. The Directors also place on record their sincere appreciation to all employees of the Company for their unstinted commitment and continued cooperation to the Company.

For and on behalf of the Board of Directors

Chennai
May 2, 2016

C. R. Rajan
Chairman