

**5<sup>th</sup>**  
*Annual Report*  
*2006-2007*



**MONNET SUGAR LIMITED**

**MONNET SUGAR LIMITED****BOARD OF DIRECTORS**

|                        |                     |
|------------------------|---------------------|
| Shri P. C. Gupta       | Chairman            |
| Shri M. S. Gujral      |                     |
| Shri Sandeep Jajodia   |                     |
| Shri Amitabh S. Mudgal |                     |
| Shri J. P. Lath        | Whole-time Director |

**BANKERS**

Punjab National Bank  
State Bank of Bikaner & Jaipur

**AUDITORS**

M/s. O. P. Bagla & Co.  
New Delhi

**REGISTERED OFFICE**

Plot No. 216, Sector-C  
Urli Industrial Complex  
Raipur-493 221 [Chhattisgarh]

**CORPORATE OFFICE**

Monnet House,  
11, Masjid Moth,  
Greater Kailash-II,  
New Delhi - 110 048

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**MONNET SUGAR LIMITED****NOTICE**

**NOTICE** is hereby given that the 5th Annual General Meeting of **MONNET SUGAR LIMITED** will be held on Friday, 28th September, 2007 at 4.30 P.M. at Monnet Marg, Mandir Hasaud, Raipur, Chhattisgarh- 492101, to transact the following business:—

**ORDINARY BUSINESS**

1. To consider and adopt the Balance Sheet as at 31st March, 2007, Profit & Loss Account for the year ended on that date along with Auditors' Report & Directors' Report thereon.
2. To appoint a director in place of Shri P.C. Gupta, who retires by rotation.
3. To appoint a director in place of Shri M.S. Gujral, who retires by rotation.
4. To appoint auditors and fix their remuneration.

By order of the Board of Directors  
**MONNET SUGAR LIMITED**

Date : 31st July, 2007.

Place : New Delhi

Sd/-  
**(VIDHI KHARBANDA)**  
COMPANY SECRETARY

**Registered Office :-**

216, Sector C, Urla Industrial Complex,  
Raipur-493221.

**Corporate Office :-**

Monnet House,  
11, Masjid Moth,  
Greater Kailash - II,  
New Delhi-110048.

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**NOTES**

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member. Proxy in order to be valid must be lodged at the Registered Office of the Company not less than 48 hours before the commencement of the Annual General Meeting.
2. Members desiring any information on the Accounts are requested to write to the Company at least one week before the date of the meeting so as to enable the Management to keep the information ready.
3. The Share Transfer Books of the Company shall remain closed from Friday, 21st September, 2007 to Friday, 28th September, 2007 [both days inclusive].

**MONNET SUGAR LIMITED****DIRECTORS' REPORT****TO THE MEMBERS**

Your Directors have pleasure in presenting the Fifth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2007.

**FINANCIAL RESULTS**

|   | <b>2006-2007</b> | <b>(Rs. in Crores)</b><br>2005-2006 |
|---|------------------|-------------------------------------|
| Sales (Net of Excise) & Other Income            | <b>94.51</b>     | 88.02                               |
| Profit before depreciation                      | <b>-1.70</b>     | 12.64                               |
| Depreciation                                    | <b>3.90</b>      | 3.88                                |
| Profit for the year                             | <b>(5.60)</b>    | 8.76                                |
| Provision for Income Tax                        | <b>0.00</b>      | 0.66                                |
| Provision for Income Tax Adjustment             | <b>0.02</b>      | 0.00                                |
| Provision for FBT                               | <b>0.05</b>      | 0.06                                |
| Profit after taxation                           | <b>(5.67)</b>    | 8.04                                |
| Add: Transfer from Debenture Redemption Reserve | <b>0.00</b>      | 2.00                                |
| Balance as per last year                        | <b>4.60</b>      | [5.45]                              |
| Balance carried to Balance Sheet                | <b>(1.07)</b>    | 4.60                                |

**RESULTS OF OPERATIONS**

| <b>Description</b>               | <b>2006-07</b> | <b>2005-06</b> |
|----------------------------------|----------------|----------------|
| Sugarcane crushed (lac quintals) | <b>56.60</b>   | 45.57          |
| Sugar production (lac quintals)  | <b>5.54</b>    | 4.26           |
| Average Recovery (%)             | <b>9.79</b>    | 9.36           |

The Company has generated a Net Loss of Rs. 566.99 lacs during the financial year 2006-07 as compared to Net Profit of Rs. 804.36 lacs during the preceding year 2005-06. The reason of losses during the year is because of steep fall in the price of sugar and increase in the prices of raw materials such as cane price etc.

**SALE OF SUGAR PLANT**

Subsequent to authority given to the Board of Directors by the shareholders through Special Resolution passed in the Extra-ordinary General Meeting held on 27th August, 2005, the Company has negotiated the deal to sell its sugar mill on as is where is basis as a slump sale to Sir Shadi Lal Enterprises Ltd. The closing formalities and finalization of documents are underway. The closing of the deal and transfer of sugar mill is expected to be completed before the agreed date of closing of the deal.

**NEW VENTURES**

The Company plans to start some new business activity after exiting from the sugar business.

**DIVIDEND**

Due to Loss during the year under review, no dividend is being recommended by the Board of Directors.

**DIRECTORS**

Pursuant to Section 255 of the Companies Act, 1956, Shri P.C. Gupta, Chairman and Shri M.S. Gujral, Director, retire by rotation on the day of 5th Annual General Meeting and being eligible offer themselves for reappointment.

**RESPONSIBILITY STATEMENT**

In terms of Section 217 (2AA), your directors confirm having:

- (i) followed in the preparation of Annual Accounts, the applicable accounting standards, with proper explanation relating to material departures, if any;
- (ii) selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (iii) 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) prepared the accounts on a 'going concern' basis.

# MONNET SUGAR LIMITED

## DEPOSITORY SYSTEM

As on 31st March, 2007, about 95.36% of the shares of your Company have been dematerialized. Since the Securities and Exchange Board of India (SEBI) has made trading in the Company's shares mandatory in dematerialized form, those members who are still holding their shares in physical form are advised to dematerialize their shareholding.

## STATUTORY DISCLOSURES

- i) All board members and senior management personnel have affirmed compliance with the code of conduct for the year 2006-07. A declaration to this effect signed by the Whole-time Director of the company is annexed to this report as **Annexure-II**.
- ii) The Whole-time Director and Head of Finance have certified to the board with regard to the financial statements and other matters as required in clause 49 of the listing agreement and the said certificate is annexed to this report as **Annexure-III**.

## MANAGEMENT DISCUSSION & ANALYSIS

Pursuant to clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion & Analysis is given in Annexure-IV and forms an integral part of this report.

## CORPORATE GOVERNANCE REPORT

Pursuant to clause 49 of the Listing Agreement, necessary measures are taken to comply with the requirements of said clause. A report on Corporate Governance along with a certificate of compliance from the Auditors, is given in Annexure-V and forms an integral part of this report.

## RISK MANAGEMENT

Your Company's Risk Management Policy is backed by strong internal control systems. The risk management framework consists of centrally issued policies and divisionally laid down procedures to ensure that the business risks are adequately covered including their monitoring and implementation. The policy is periodically reviewed by the Board and Audit Committee with emphasis on maintaining its effectiveness in dynamic business environment.

## AUDIT COMMITTEE

The Audit Committee of Board of Directors constituted in terms of Clause 49 of the Listing Agreement and pursuant to Section 292A of The Companies Act, 1956 consists of Shri P.C. Gupta as Chairman, Shri M.S. Gujral and Shri Amitabh S. Mudgal, as its members.

## AUDITORS

The Auditors' Report and Notes to the Accounts as referred in the Auditors' Report are self explanatory and therefore, do not call for any further comments or explanation.

M/s. O.P. Bagla & Co., Chartered Accountants, New Delhi, Auditors of the Company, hold the office till the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. A Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956.

## FIXED DEPOSITS

The Company has not invited or accepted any deposits during the year from the Public under Section 58A of The Companies Act, 1956.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO

As required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 the relevant data is enclosed as **Annexure-I** forming part of this report.

## PERSONNEL

Since none of the employee is drawing salary in excess of the limits laid down under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended up-to-date, the same are not applicable.

## ACKNOWLEDGEMENTS

Your Directors take this opportunity to offer their sincere thanks to the various Departments of the Central and State Government, Financial Institutions, Bankers to the Company, all Customers, Suppliers and contractors for their continued valued assistance and support. Your Directors also wish to place on record their appreciation for dedicated services rendered by all officers, staff and workers of the Company at all levels.

For and on behalf of Board of Directors

Place : New Delhi  
Date : 31<sup>st</sup> July, 2007

Sd/-  
**(P. C. Gupta)**  
Chairman

**MONNET SUGAR LIMITED****Annexure-I****ANNEXURE TO THE DIRECTORS' REPORT**

Information as per Section 217[1][e] of Companies Act, 1956 read with the Companies [Disclosure of Particulars in the Report of Board of Directors] Rules, 1988 and forming part of the Directors' Report for the period ended 31st March, 2007.

**A. CONSERVATION OF ENERGY :**

- a] Energy conservation measures taken : The Company has installed various energy savings equipments such as Cards of DC Drive has been modified & Clear Juice Heating with Semi Kestrel Vapour Cell, Modification of cooling tower and its pipelines.
- b] Additional Investments and proposals, if any, being implemented for reduction of consumption of energy : The Company has upgraded the 20 ton Boiler by modifying the Hot air distribution for efficient generation of Steam so as to conserve the energy cost.
- c] Impact of measures of [a] and [b] above for reduction of energy consumption and consequent impact on the cost of production of goods. : The consumption of energy as well as cost per unit of production of the same has gone down effectively.
- d] Total energy consumption and energy consumption per unit of production are as per **Form A** annexed.

**B. TECHNOLOGY ABSORPTION**

- e] Efforts made in technology absorption are as per **Form B** annexed.

**C. FOREIGN EXCHANGE EARNING AND OUTGO**

- f] Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans. : NIL
- g] Total Foreign Exchange used and earned :  
 - Used : NIL  
 - Earned : NIL

**FORM - A****DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY****Current Year  
(2006-2007)****Previous Year  
(2005-2006)****A. POWER AND FUEL CONSUMPTION :****1. Electricity****a] Purchased**

|                              |            |     |
|------------------------------|------------|-----|
| - Units                      | <b>NIL</b> | NIL |
| - Total Amount (Rs. in lacs) | <b>NIL</b> | NIL |
| - Rate/Unit (Rs.)            | <b>NIL</b> | NIL |

**b] Own Generation****[i] Through Diesel Generator**

|                                |                 |           |
|--------------------------------|-----------------|-----------|
| - Units (in KWH)               | <b>3,95,222</b> | 14,96,937 |
| - Units per ltr. of Diesel Oil | <b>2.98</b>     | 2.98      |
| - Cost/Unit (Rs.)              | <b>10.49</b>    | 10.65     |

**[ii] Through Steam Turbine**

|                                  |                    |             |
|----------------------------------|--------------------|-------------|
| - Units (in KWH)                 | <b>1,48,79,405</b> | 1,13,89,457 |
| - Units per ltr. of Fuel Oil/Gas | <b>2.04</b>        | 2.96        |
| - Cost/Unit                      | <b>3.00</b>        | 2.72        |

# MONNET SUGAR LIMITED

## 2. Coal (Specify quality and where used)

Quantity (tonnes)

Total Cost (Rs. in lacs)

Average rate (Rs. per ton)

## 3. Furnace Oil/LDO

Quantity (K. Ltrs)

Total Cost (Rs. in lacs)

Average rate (Rs.)

## 4. Others/(Own Baggase)

Quantity (MT)

Total Cost (Rs. in lacs)

Average rate (Rs. per ton)

|        |        |
|--------|--------|
| NIL    | NIL    |
| NIL    | NIL    |
| NIL    | NIL    |
| NIL    | NIL    |
| NIL    | NIL    |
| NIL    | NIL    |
| NIL    | NIL    |
| 99,225 | 67,316 |
| 899.27 | 620.88 |
| 906.3  | 921.60 |

## B. CONSUMPTION PER MT OF FERRO ALLOYS

Electricity (in KWH)

Furnace Oil (Litres)

Steam Coal (Tonnes)

Others

|     |     |
|-----|-----|
| NIL | NIL |
| NIL | NIL |
| NIL | NIL |
| NIL | NIL |

## C. CONSUMPTION PER BAG OF SUGAR

Electricity (in KWH)

Furnace Oil (Litres)

Steam Coal (Tonnes)

Fire Wood (MT)

Other-Baggase (Qtls.)

26.87

NIL

NIL

Negligible

1.79

26.21

NIL

NIL

Negligible

2.74

## FORM - B

## DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

### A. RESEARCH AND DEVELOPMENT :

i] Specific areas in which R&D carried out by the Company

The Company is continuing its efforts on R&D work in developing disease free, healthy and sugar rich varieties of sugar cane in its command areas.

ii] Benefits derived as a result of the above R&D :-

The new and high sugar varieties of cane will increase the sugar recovery.

iii] Future plan of action

The Company will continue the above efforts on R&D work.

iv] Expenditure on R&D

(a) Capital

(b) Recurring

(c) Total

(d) Total R&D expenditure as percentage of Total Turnover

NIL

NIL

NIL

NIL

## B. TECHNOLOGY, ABSORPTION, ADAPTATION & INNOVATION :

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

The Company is continuously making efforts to adopt latest and most modern technology in the cane crushing process and also for sugar manufacturing process.



**MONNET SUGAR LIMITED****Annexure-IV****MANAGEMENT DISCUSSION AND ANALYSIS****Industry Structure and Developments**

The consolidation and expansion in sugar industry that has taken place in last couple of years have resulted in supply of sugar growing faster than the demand. Consequently, increased demand of sugarcane led to pressure on cane areas and over-supply brought down the sugar prices to lowest levels. In the present scenario, running smaller units of 5000 tcd has become unviable.

**Opportunities and Threats**

The Sugar Industry is going through the critical phase. The opportunities to grow are limited due to limited cane areas available to sugar industry. Consolidation in the industry as mentioned above, has also become a threat to small sugar mills specially those having capacity around 5000 tcd. Therefore, to sustain in the sugar business, it has become imperative to either go in for consolidation or exit in time.

**Segment-wise or Product-wise Performance**

During the year, the company was engaged mainly in the manufacturing and selling of sugar, Molasses and cogeneration of power for captive use.

**Outlook**

It is expected that the Sugar production will remain the same as in the previous year and consequently, the sugar prices will remain depressed and hence, the margins will be affected.

**Risks and Concerns**

The risks that relate to the industry as a whole primarily comprise of sugar cane pricing, government policies in relation to cane pricing, export policies and weather. The risks specific to the Company are uninterrupted and adequate supply of sugar cane by the growers and the quality of sugar cane produced in sugar cane area allocated to the Company. The Company constantly endeavours to improve the quality of sugar cane for achieving higher yield. The efforts are being constantly made to ensure continued supply of sugar cane during the season.

**Internal Control Systems and their Adequacy**

Your Company has adequate internal control systems commensurate with the size and nature of the business and are supplemented by an extensive programme of internal audits, reviews by management and documented policies, guidelines, and procedures to provide reasonable assurance that all assets are safeguarded, transactions are authorised, recorded and reported properly. Your Company has an independent MIS and Audit Department to oversee the day to day functioning of the Company. The Company has proper budgeting system and the actual performance is continuously evaluated and the corrective measures are taken from time to time.

**Discussion on Financial Performance with respect to Operational Performance**

Selling price of sugar is a function of market dynamics. With the addition of capacities in Northern India, availability of sugarcane and sale of sugar will come under tremendous pressure. Therefore, your Company has already started to optimize the available resources and cut the manufacturing expenses to mitigate the risk of shrinking margins.

**Material Developments in Human Resources/Industrial Relations front**

Industrial relations in the Company are satisfactory. The relations with the labour are cordial and friendly.

The operations of the plant are under the charge of an independent Chief Executive Officer, who has rich experience and qualifications in the field.

**Cautionary Note**

Certain statements in the "Management Discussion and Analysis" section may be forward-looking and are stated as required by applicable laws and regulations. Many factors may effect the actual results, which could be different from what the Directors envisage in terms of the future performance and outlook.



**MONNET SUGAR LIMITED****Annexure-V****CORPORATE GOVERNANCE REPORT****CORPORATE GOVERNANCE PHILOSOPHY**

Monnet believes in conducting its affairs in a fair and professional manner and in maintaining the high standards.

The Company is committed to following good Corporate Governance practices through a series of measures which include having professional Directors on the Board, adopting pragmatic policies and effective systems and procedures, sharing of information with shareholders on a regular basis through newspapers, audits and checks.

The policies and actions of the Company, while being in full compliance of applicable laws and regulations, are dictated by the underlying objective of maximizing shareholder value on a long-term basis.

**BOARD OF DIRECTORS:**

The Board of Directors consists of five directors, i.e. an Independent & Non-executive Chairman and four other Non-executive Directors. Two of these four directors are independent.

The Board of Directors meets at least once in a quarter to review the Company's performance and more often, if considered necessary, to transact any other business.

Present structure of the Board of Directors is as following: —

| Name                   | Category            | No. of Directorships in other Companies | No. of Committee Memberships in other Companies |
|------------------------|---------------------|---|---|
| Shri P. C. Gupta       | Chairman            | 0                                       | 0   |
| Shri M. S. Gujral      | Director            | 6                                       | 6   |
| Shri Sandeep Jajodia   | Director            | 3                                       | 1   |
| Shri Amitabh S. Mudgal | Director            | 4                                       | 2   |
| Shri J. P. Lath        | Whole-time Director | 4                                       | 3   |

During the year, six Board Meetings were held. The dates on which the Board Meetings were held are as follows: —

19th May 2006, 17th June 2006, 26th July 2006, 20th September 2006, 31st October 2006 and 31st January 2007.

The last Annual General Meeting was held on 29th September, 2006. Following are the details of attendance of Directors at Board Meetings and at the Annual General Meeting held during the year:—

| Name                   | No. of Board Meetings held during the tenure of the Directors | No. of Board Meetings attended | Last AGM attendance |
|------------------------|---|--------------------------------|---------------------|
| Shri P. C. Gupta       | 6   | 5                              | No                  |
| Shri M. S. Gujral      | 6   | 5                              | No                  |
| Shri Sandeep Jajodia   | 6   | 6                              | Yes                 |
| Shri Amitabh S. Mudgal | 6   | 2                              | No                  |
| Shri J. P. Lath        | 6   | 6                              | Yes                 |

**INFORMATION IN CASES OF APPOINTMENT OR RE-APPOINTMENT OF DIRECTORS AS REQUIRED UNDER LISTING AGREEMENT IS GIVEN AS UNDER:—****SHRI P.C. GUPTA**

Shri P.C. Gupta is an Ex-Chairman of National Mineral Development Corporation, Ex-Chairman and Managing Director of Sponge Iron India Ltd. Ex-Managing Director of Vijayanagar Steel Plant, Ex-Managing Director of Manganese Ore India Limited. He has 36 years experience in mining and mineral based industry including 22 years experience in senior management positions in various public sector undertakings. He is responsible for turning around NMDC and has been awarded 'Excellent Chief Executive' award among others.

**SHRI M.S. GUJRAL**

Shri M.S. Gujral did his Master of Arts from the Punjab University before joining the Army.

After a short stint as an Army Officer, Shri M.S. Gujral joined the Indian Railways in 1948. He rose to the position of Chairman of Railway Board and retired from the Indian Railways in 1983.

After retiring from the railways, Shri M.S. Gujral was given the assignment of Chairman of Coal India Ltd. for a period of two years.

After retirement from Coal India, Shri M.S. Gujral's services were utilized on a number of high power committees of Government of India. He was nominated by the Government of India as a Special Director on a number of Companies under BIFR.