

SBEC Sugar Limited



N I N T H A N N U A L R E P O R T
2002

View of The Plant



**BOARD OF DIRECTORS**

Mr. Umesh K Modi (Chairman & President)
 Mr. G C Jain
 Mr. Abhishek Modi (Executive Director)
 Mrs. Kum Kum Modi
 Mr. S K Mittal - Nominee (PICUP)
 Mr. Man Mohan
 Mr. Claude Philogene
 Mr. Norland L C Suzor

ALTERNATE DIRECTOR

Mr. N P Bansal (alternate to Mr. Claude Philogene)

COMPANY SECRETARY

Mr. Rakesh Dhody

AUDITORS

Doogar & Associates
 13, Community Centre
 East of Kailash
 New Delhi-110 065

BANKERS

Citi Bank
 Canara Bank
 Oriental Bank of Commerce
 Nainital Bank Ltd.

REGISTERED OFFICE & PLANT

Village Lohan Malakpur,
 Tehsil Baraut,
 Distt. Baghpat,
 Uttar Pradesh - 250 611

CORPORATE OFFICE

613, Modi Tower,
 98, Nehru Place,
 New Delhi- 110 019

Contents

Notice	2
Directors' Report	4
Corporate Governance Report	10
Auditor's Report	17
Balance Sheet	20
Schedules	22
Notes to Accounts	30
Cash Flow Statement	36



NOTICE

NOTICE is hereby given that the Ninth Annual General Meeting of the Shareholders of **SBEC SUGAR LIMITED** will be held on Monday the 30th day of September, 2002 at the Registered Office of the Company at Village: Lohan Malakpur, Tehsil: Baraut, District: Baghpat, Uttar Pradesh at 4.00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2002, the Profit and Loss Account for the period ended as on that date along with Directors' Report and Auditor's Report thereon.
2. To consider and appoint a Director in place of Mrs. Kum Kum Modi, who retires from office by rotation, and being eligible offers herself for re-appointment.
3. To consider and appoint a Director in place of Mr. G C Jain, who retires from office by rotation, and being eligible offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to the provisions of Section 314 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded for holding an office of profit under the Company by Mr. Umesh K Modi, Chairman and President of the Company, for providing Professional Services with effect from 30th April 2002.

RESOLVED FURTHER THAT the shareholders do hereby approve the agreement dated 2nd September, 2002 executed between the Company and Mr. Umesh K Modi, Chairman and President for providing professional services to the Company.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to revise the Fees and other terms and conditions of the Agreement in consultation with Mr. Umesh K Modi from time to time."

By order of the Board
For SBEC Sugar Limited

Place : New Delhi
Date : 2nd September, 2002

Rakesh Dhody
General Manager (Legal & Taxation) &
Company Secretary

**NOTES:****1. PROXY**

A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his/her stead and a proxy need not be a member of the Company. Proxies, in order to be effective must be deposited with the Company at least 48 hours before the scheduled time of the meeting. A blank proxy form is annexed herewith.

2. BOOK CLOSURE

The Register of Members and Share Transfer Books shall remain closed on 30th September, 2002.

3. The Members are requested to notify the Change in Address, if any, to the Company at the earliest.

4. Members / Proxies are requested to bring the Attendance Slip sent herewith duly filled in, for attending the meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Agenda Item No. 5**

The Board of Directors in their meeting held on 30th April 2002 had decided that Mr. Umesh K Modi, Chairman & President of the Company, who is a non-executive director and has been continuously providing various expert services of a professional nature as required by the Company from time to time, be compensated for such professional services by payment of 'Fees for Professional Services' subject to the confirmation by the Central Government under Clause (b) of proviso to Section 309(1) of the Companies Act, 1956 of his professional qualifications.

Mr. Umesh K Modi is an engineering graduate in the field of Chemical Engineering having expert knowledge of the Sugar Industry.

The Company has received from the Government of India, Ministry of Law Justice and Co. Affairs, Department of Company Affairs, New Delhi vide its letter No. 6/10/2002 - CL. VII dated 5th June, 2002 its opinion under clause (b) of proviso to Section 309(1) of the Companies Act, 1956 that Mr. Umesh K Modi possesses the requisite qualifications for rendering professional services to the Company.

The Company has entered into an Agreement on 2nd September, 2002 with Mr. Umesh K Modi to provide Professional Services. A copy of the said Agreement is available for inspection at the Registered Office. Such payment of 'Fees for Professional Services' to Mr. Umesh K Modi attracts the provisions of Section 314(1)(a) of the Companies Act, 1956 and may constitute his holding an office or place of profit by him under the Company. Hence, this resolution is before you for your approval.

None of the Directors of your Company are interested, either directly or indirectly, in the resolution except Mr. Umesh K Modi, Mrs. Kum Kum Modi and Mr. Abhishek Modi.

By order of the Board
For SBEC Sugar Limited

Place : New Delhi
Date : 2nd September, 2002

Rakesh Dhody
General Manager (Legal & Taxation) &
Company Secretary



DIRECTORS' REPORT



MR. UMESH K MODI

Dear Shareholders,

Your Directors hereby present the Ninth Annual Report of the Company together with Audited Accounts for the period ended 31st March, 2002.

PLANT PERFORMANCE

The Plant performance during the year under review has been very satisfactory. During the full crushing season of 210 days which lasted till 16th May 2002, the plant crushed a total of 87.84 Lac Quintals of sugar cane as compared to 55.34 Lac quintals during the previous season. Sugar recovery also improved to 9.26% as against 9.05 % during the previous year. Total losses were lower at 2.00% as against 2.29 % during the previous year. The sugar production stood at 8.11 lac quintals for the current season as compared to 5.00 lac quintal for the previous season.

During the year another boiler and a 5 MW turbine were also commissioned. This power generation will reduce the expenditure on power acquired under conversion from SIAL- SBEC Bioenergy Company Limited, a sister concern. The full effect of savings on this account will be reflected during next year's operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure & Development

India in recent years has emerged as the largest sugar cane and sugar producing country in the World. With around 500 sugar factories installed in both tropical and sub-tropical regions of the country, it is the second largest agro based industry and is poised for substantial growth in the years to come.

The modern sugar industry of India has witnessed vast technological changes over the past years, thanks to the research and development work carried out in the production of raw material (Cane sugar) as well as the manufacture of sugar and the country is now in a position to export both raw and white sugar after meeting its internal demand of this sweetening agent.

The sugar generally produced in India is of 99.8 % purity and contains slightly higher amount of impurities than the refined sugar. India's sugar production in 2001-02 season is estimated at record 180 lakh tons while the domestic demand is in the region of 175 lakh tons.



Opportunities

The outlook for demand of sugar is encouraging. With changing lifestyle, eating habits and consumer behavior opting for Branded and Refined sugar, the per capita consumption of sugar is increasing constantly. Moreover, there is a distinct shift towards sugar by the Gur and Khandsari consumers. The exports of sugar can be globally competitive if the government considers hundred percent transport subsidy.

Threats

The sugarcane production is likely to be affected adversely during 2002-03 season due to the drought conditions prevalent in many parts of the country which may ultimately lead to reduction in sugar production.

Outlook

Your directors are pleased to inform you that after the close of the last season, the Company has taken up the cane development in a big way, with a view to improve recovery. A total of approximately 7000 hectares of land is proposed to be covered with high yielding variety of sugar cane. The Company is also providing insecticides and fungicides to the farmers to save the sugar cane crop from diseases. In addition the Company is providing expert advice to the farmers to improve quality of sugar cane and for increase in per hectare yield. The positive effect in the recovery of sugar from the cane development programme, taken up last year will be reflected in the current year's operations.

With the installation of some balancing equipment thereby improvement in average daily cane crushing and saving in power cost due to installation of 5MW Turbine, your Directors are hopeful that next year your Company will further improve its performance considerably.

Risks and Concerns

The present market scenario is very uncertain and the prices of sugar are at its lowest level in the last 4-5 years.

Internal Controls and Systems

The company has a proper and adequate system of internal controls to ensure that its assets are safeguarded and protected against loss from unauthorized use or disposition and transactions are authorised, recorded and reported correctly. The internal control system is also supplemented by an independent internal audit system which is reviewed by the management periodically. The internal control system is designed to ensure that the financial and other records are reliable for preparing financial statements.

FINANCIAL RESULTS

The financial performance for the current year as well as for the previous accounting period are given hereunder :

Financial Parameters	2001-2002 (12 months) (Rs in Lacs)	1999-2001 (18 months) (Rs in Lacs)
Net Sales	9259.71	8876.41
Other Income	384.83	700.03
Total Expenditure	8839.92	8233.19
Profit before interest, Depreciation & Tax	804.62	1343.25
Interest and Finance Charges	462.12	801.95
Depreciation & Amortisation	422.07	667.25
Profit / (Loss) for the year	(79.59)	(125.95)
Paid up Equity Capital	4768.17	4768.17
Reserves excluding Revaluation Reserve	59.86	48.50

**FIXED DEPOSITS**

During the year under review, the Company accepted deposits to the extent of Rs. 236.66 Lac. The total amount of fixed deposits held as on 31st March 2002 were Rs. 351.46 Lacs. There were no deposits overdue.

SUBSIDIARY COMPANY

Your Company has formed a wholly owned subsidiary which was incorporated on 14th September, 2001. The first year of the Company closes on 30th September, 2002. The Company has not commenced business as yet since the Certificate of Commencement of Business is yet to be received.

DIRECTORS

Mrs. Kum Kum Modi and Mr. G C Jain, Directors of the Company will retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES

Information required under section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended from time to time:- There is no employee in receipt of remuneration aggregating more than Rs. One Lac per month.

PARTICULARS OF CONVERSION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUT GO

As stipulated under the provisions of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 Annexure containing the particulars is annexed hereto which forms a part of this report.

LISTING OF SHARES

The Shares of the Company are listed on the following stock exchanges namely (1) The U.P. Stock Exchange Association Ltd., Padam Towers 14/113, Civil Lines, Kanpur U.P. (2) The Delhi Stock Exchange Association Limited 3/1 D S E House, Asaf Ali Road, New Delhi (3) The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street, Mumbai 400 001 (4) The Stock Exchange Ahmedabad- Kamdhenu Complex opp. Shahjanand College, Panjirpole Ahmedabad- 380015 (5) The Calcutta Stock Exchange Association Ltd, 7 Lyons Range Calcutta 700 001 (6) Madras Stock Exchange- Exchange Building 11, Second Line Beach Chennai-600 001. However, the Company has initiated steps to get the shares delisted at the Ahmedabad, Calcutta and Chennai Stock Exchanges.

AUDITORS

M/s Doogar and Associates, Chartered Accountants, are the retiring Auditors and being eligible offer themselves for reappointment.

AUDITOR'S REPORT

The observations of Auditors have been explained wherever necessary, in appropriate notes to the account.



DIRECTORS RESPONSIBILITY STATEMENT UNDER SECTION 217

As required under section 217 (2AA) of the Companies Act, 1956 your Directors state

- (i) While preparing Annual Accounts, the Applicable Accounting Standards have been followed.
- (ii) Company has selected such accounting policies and applied them consistently and made judgements that are reasonable and prudent which gives true and fair view of the affairs of the Company.
- (iii) Company has taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) Company has prepared accounts on a going concern basis.

CORPORATE GOVERNANCE

A separate report on Corporate Governance is attached as Annexure to the Annual Report. The Auditors Certificate confirming compliance of conditions of Corporate Governance is included in the said Corporate Governance Report.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to express their appreciation and gratitude to the farmers and to the co- operative societies for their invaluable support. Your Directors also take this opportunity to express their appreciation and gratitude to Government Agencies, Shareholders, Business Associates, Employees, Suppliers and Bankers of the Company for their help and support continuously extended to the Company.

For & behalf of the Board

Place : New Delhi
Date : 2nd September, 2002

Umesh K Modi
(Chairman & President)



ANNEXURE TO DIRECTORS' REPORT

Information required pursuant to section 217 (1) (e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 forming part of the Directors Report for the year ended 31st March, 2002 :

- a) Energy Conservation measures taken : The Company has taken all actions and will continue to make efforts to conserve and optimise use of energy through improved operational techniques.
- b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy: Nil
- c) Total energy consumption and energy consumption per unit of production as per Form A below:

A. DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY:-

Form – A

PARTICULARS	UNIT	CURRENT YEAR	PREVIOUS PERIOD
A. Power & Fuel consumption			
1. Electricity			
a) Purchased			
Quantity	KWH	12,341,531	24,358,905
Total Conversion Charges	Rs	30,823,328	66,474,108
Per Unit Conversion Charges	Rs	2.50	2.73
b) Own Generation			
(i) Through Diesel Generator			
Quantity	KWH	144,537	389,647
Units per litre of diesel oil	KWH	2.75	2.75
Total Amount	Rs	1,068,325	2,158,427
Cost / Unit	Rs	7.39	5.54
(ii) Through Steam Turbine/ Generator			
Quantity	KWH	5,557,300	----
Units per litre of fuel oil/gas	KWH	----	----
Cost / Unit	Rs	0.40	----
B. Consumption per MT of Sugar Production			
1. Electricity	KWH	273.16	293.88