

SBEC Sugar Limited



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

2003

**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

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NOTICE

Notice is hereby given that Tenth Annual General Meeting of the Shareholders of SBEC Sugar Limited will be held on Friday the 28th day of November, 2003 at Registered Office of the Company at Village: Lohan, Malakpur, Tehsil: Baraut, District: Baghpat, Uttar Pradesh at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2003 and the Profit and Loss Account for the year ended as on that date along with Directors' Report and Auditor's Report thereon:
2. To consider and appoint a Director in place of Mr. Norland Suzor, who retires from the office by rotation, and being eligible offers himself for re-appointment.
3. To consider and appoint a Director in place of Mr. Manmohan, who retires from the 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 Sections 198, 269, 309, Schedule XIII and other applicable provisions, if any of the Companies Act, 1956, Mr. Abhishek Modi be and is hereby re-appointed as Executive Director of the Company for further period of five years with effect from 10th July 2003 on the following terms and conditions:

- a) Salary - Rs. 70,000 – 3,500 – 84,000
- b) Perquisites
 - (i) Housing : 60% of the Salary, if no accommodation is provided by the Company; or: In case, the accommodation is provided by the Company, the Company will pay the hiring charges of unfurnished accommodation subject to maximum of 60% of the Salary; or: In case, the accommodation is owned by Mr. Modi, the expenses incurred by him on repair, maintenance and upkeep of the house shall be reimbursed subject to maximum of 60% of the salary.
 - (ii) Medical reimbursement ;Expenses incurred for himself and the family subject to maximum of seven percent of basic salary in a year.
 - (iii) Leave Travel Concession : For himself and family once in a year in accordance with rules of the Company.
 - (iv) Personal Accident Insurance : The annual premium not to exceed Rs.5,000/-
 - (v) Contribution to provident fund, superannuation fund or annuity fund : as per the rules of the Company which shall not be computed for the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act.



- (vi) Gratuity : Gratuity payable shall not exceed half month's salary for each completed year of service.
- (vii) Encashment of leave : Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites
- (viii) One Company Car with driver use on actual basis
- (ix) One Telephone at residence on actual basis

OTHER TERMS

- (a) Leave : As per the rules of the Company.
- (b) Sitting Fees : Mr. Abhishek Modi will not be entitled for sitting fees for attending the Meetings of the Board or Committee thereof.
- (c) Mr. Abhishek Modi will be entitled to reimbursement of entertainment and other expenses incurred in the course of legitimate business purpose of the company.
- (d) Mr. Abhishek Modi, Executive Director of the Company be also paid commission @ 1% of the net profits of the Company subject to overall ceilings laid down in Sections 198,269, 309 and Schedule XIII of the Companies Act, 1956.
- (e) In case of absence or inadequacy of profit in any financial year, an amount equal to the aforesaid remuneration shall be paid to Mr. Abhishek K Modi as minimum remuneration in terms of Para 1 (B) of Section II of Part II of Schedule XIII of the Companies Act, 1956"
- 6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution.

"RESOLVED THAT Pursuant to Regulation 5 of Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and all other applicable laws, rules, regulations, guidelines etc and subject to approvals/ permissions, if any, from regulatory authorities and /or government departments, as may be required for this purpose, approval be and hereby given for delisting of equity shares (including equity that may be issued and listed in future) of the Company with immediate effect from the following stock exchanges;

1. The Delhi Stock Exchange Association Limited
2. The Stock Exchange Ahmedabad
3. The Calcutta Stock Exchange Association Limited
4. The Madras Stock Exchange Limited
5. The U P Stock Exchange Association Limited

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to give necessary approvals, take appropriate steps, give necessary authority to any director, officer of the Company for purpose of delisting of shares as mentioned herein above"

By Order of the Board
For SBEC Sugar Limited

Place : New Delhi
Date : 18th October, 2003

Rakesh Dhody
General Manager (Legal and 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 TO BE 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 the Member and Share Transfer Book shall remain closed on 28th November, 2003.

3. The Members are requested to notify, the Changes 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**

Mr. Abhishek Modi is an engineering graduate and an MBA from Harvard Business School USA. Mr. Abhishek modi was appointed as Executive Director of the Company for a period of five years w.e.f. 10th July 1998. During this period his contribution to the overall growth of the company has been considerable.

Considering his overall contribution, the Board has subject to your approval, appointed him as Executive Director of the Company for a period of five years with effect from 10th July 2003 on the terms and conditions as mentioned in the resolution.

The approval of the Shareholders is required in terms of 1 (A) of Schedule XIII and other applicable Sections of the Companies Act, 1956. The Board therefore recommends this resolution to the shareholders for their approval.

The terms of appointment given in the said resolution may be treated as an abstract of the terms and conditions of appointment of the said Executive Director under Section 302 of the Companies Act, 1956.

Mr. Abhishek Modi is interested or concerned in the resolution to the extent of his remuneration and perquisites. Further Mr. U K Modi Chairman and President, and Mrs. Kum Kum Modi Director being relatives of Mr. Abhishek Modi are deemed to be concerned or interested in the resolution.

Agenda Item No. 6

The Company's equity shares are listed on the Stock Exchanges at Mumbai, Kolkata, Ahmedabad, Chennai, Kanpur and New Delhi.

In terms of the revised guidelines brought out by SEBI in February 2003 a Company may delist from any one or more Stock Exchanges where the Company's Shares are listed, provided the Company's equity shares are listed on either The Stock Exchange Mumbai or the National Stock Exchange of India Limited.



The shares of the Company are not being traded on the The Delhi Stock Exchange Association Limited, The Stock Exchange Ahmedabad, The Calcutta Stock Exchange Association Limited, The Madras Stock Exchange Limited and The U P Stock Exchange Association Limited. The continued listing at the above stock exchanges is not providing any advantage to the members of the Company. The proposed delisting from these five exchanges will not adversely affect any investor including the members located in regions where the above five stock exchanges are situated.

The Shares of the Company will continue to be listed on The Stock Exchange Mumbai having nation wide terminals.

The Board has decided, subject to the approval of the shareholders, to delist the Company's equity shares from the above mentioned Stock Exchanges. The Board recommends this Resolution for approval.

None of the Directors of the Company is in any way concerned or interested in this Resolution.

By Order of the Board
For SBEC Sugar Limited

Place : New Delhi
Date : 18th October, 2003

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





DIRECTORS REPORT



Umesh K Modi
Chairman & President

Dear Shareholders,

Your Directors hereby present the Tenth Annual Report of the Company together with the Audited Accounts for the year ended 31st March 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure & Development

The sugar Industry developed rapidly in India from 1932 onwards when protection was granted under the Indian Sugar Industry (Protection) Act, 1932. The growth of the sugar industry has been accompanied by technological advancement in the production of raw material as well as the manufacture of sugar. Sugar Industry is the largest Agro based industry in India. India has emerged as the third largest sugar producing country in the world having a share of over 15% of the world's sugar production.

Opportunities

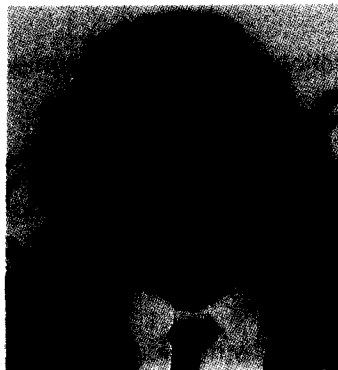
In view of the large sugar production in the country, the Government of India raised the import duty on sugar three times between October 1998 and February 2000. In addition, the Government has also imposed a levy obligation on importers of sugar equivalent to the levy obligation on Indigenous manufacturers. The Government has announced a package of various policy measures aimed at boosting sugar export and further liberalising the sugar market. The package includes lifting the ban on export of raw sugar, changing the free sale sugar release quota mechanism, enhancing incentives for exports and creating market conditions conducive for the smooth operation of forward trading in sugar.

Threats

The sugar industry is suffering from overstocking and low domestic prices. In the last seven years, crop production has risen by an estimated 32%, creating a persistent glut situation. Unless the Government hikes the ocean freight subsidy, the industry would be in deep trouble with burgeoning fresh stocks.

Outlook

The plant was set up for a crushing capacity of 3125 TCD (Tonne crushed per day). The crushing capacity was further increased to 4200 TCD for the season 2001 -2002 by small alterations/ modifications in the equipment and addition of main balancing equipment. In the season 2002 – 2003, with few minor modifications, crushing



Abhishek Modi
Executive Director

capacity of 4800 TCD has been achieved. The Company has in addition installed a 28 tons boiler and with the 5 MW Turbine installed last year, your company has become self sufficient in its power requirement. Your Company has increased its crushing capacity to 5,000 TCD for the current season 2003-2004 and plans to further increase its crushing capacity to 6000 TCD for the next sugar season 2004-2005.

Risks and Concerns

The sugar industry is suffering from overstocking and low domestic prices. The prices of sugar have been depressed during most of the last year and a certain amount of uncertainty for the future pricing persists.

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 authorized, recorded and reported correctly. The internal control system is also supplemented by an independent internal audit system which is reviewed by the Audit Committee periodically. The internal control system is designed to ensure that the financial and other records are reliable for preparing financial statements.

Financial Performance

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

Financial Parameters	Current Year (Rs in Lacs)	Previous Year (Rs in Lacs)
Net Sales	10916.92	9259.71
Other Income	321.09	384.83
Total Expenditure	10434.38	8839.92
Profit Before Interest, Depreciation & Tax	803.63	804.62
Interest and Finance Charge s	431.60	462.12
Depreciation and Amortisation	424.87	422.07
Profit / (Loss) for the year	(52.84)	(79.59)
Paid up Equity Capital	4769.40	4768.17
Reserves excluding Revaluation Reserve	59.28	59.86

FIXED DEPOSITS

During the period under the review the company accepted deposits to the extent of Rs. 169.07 lacs . The total amount of fixed deposit held as on 31st March 2003 were Rs. 370.73 lacs. There were no deposits overdue.



SUBSIDIARY COMPANY

The statement and particulars relating to the Company's subsidiary pursuant to Section 212 of the Companies Act, 1956 is attached to this report.

CONSOLIDATED ACCOUNTS

As required under the Listing Agreement, consolidated accounts conforming to the applicable accounting standards are attached to the Annual Report.

DIRECTORS

Mr. Norland Suzor and Mr. Manmohan, Non executive Directors of the Company will retire by rotation at ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. Abhishek Modi, who is the Executive Director of the Company since 10th July 1998 has been successfully discharging his responsibilities. Looking into his wide experience, the Board has decided, subject to approval of the shareholders at the ensuing Annual General Meeting, to re-appoint him as Executive Director of the Company for a further period of five years commencing 10th July 2003.

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:-

During the year there were no employees who were in receipt of remuneration more than the limit prescribed under Section 217 (2A) of the Companies (Particulars of Employees) Rules, 1975 as amended.

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 Delhi Stock Exchange Association Ltd., New Delhi; (2) The Stock Exchange, Mumbai; (3) The U.P. Stock Exchange Association Ltd., Kanpur, U.P. (4) The Stock Exchange, Ahmedabad, (5) The Calcutta Stock Exchange Association Ltd., Kolkatta and (6) Madras Stock Exchange, Chennai

Pursuant to the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, your Directors have decided to seek delisting of shares from the Delhi Stock Exchange Association Ltd., The U.P. Stock Exchange Association Ltd.; The Stock Exchange, Ahmedabad; The Calcutta Stock Exchange Association Ltd., and Madras Stock Exchange as the shares are not traded on these exchanges. The Shares of your company will however continue to be listed on The Stock Exchange, Mumbai, which has nation wide trading terminals and the shareholders/ investors will not face any difficulty in trading the shares.



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.

SECRETARIAL AUDIT

As per the direction of the Securities and Exchange Board of India the Secretarial Audit of the Company is being conducted on quarterly basis by a Practicing Company Secretary. The observations made by the Secretarial Auditor were quite satisfactory.

AUDITORS

M/s Doogar and Associates, Chartered Accountants, retire as the Auditors of the Company at the conclusion of the forthcoming Annual General Meeting and being eligible have offered themselves for reappointment.

AUDITOR'S REPORT

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

DIRECTORS RESPONSIBILITY STATEMENT UNDER SECTION 217

As required under section 217 (2AA) of 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 accounting records in accordance with the provisions of the Act for safe guarding the assets of the company and preventing and detecting fraud and other irregularities.
- IV. Company has prepared accounts on going concern basis.

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 & on behalf of the Board

Place : New Delhi
Date : 18th October 2003

Umesh K Modi
(Chairman & President)