

SBEC Sugar Limited



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

2004

**BOARD OF DIRECTORS**

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

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
 UTI Bank Ltd.
 Canara Bank
 Oriental Bank of Commerce Ltd.

REGISTERED OFFICE & PLANT

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

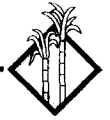
CORPORATE OFFICE

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

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SBEC Sugar Limited



NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of the Shareholders of SBEC Sugar Limited will be held on Thursday the 23rd day of December 2004 at the Registered Office of the Company at Village: Lohan Malakpur, Tehsil: Baraut, District: Baghpat, Uttar Pradesh at 2.30 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2004 and 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 Mr. Claude Philogene, 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. G C Jain, 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 Section 372 A and other applicable provisions, if any, of the Companies Act, 1956, the company hereby confirms the providing of a Corporate Guarantee of Rs.32.50 Crores by the Board of Directors to the State of Jharkhand in connection with a loan of Rs.32.50 Crores granted to Bihar Sponge Iron Limited by the State of Jharkhand".

By Order of the Board
For SBEC Sugar Limited

Place : New Delhi
Date : September 25, 2004

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

NOTES:

1. 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. The Members are requested to notify, the changes in address, if any to the Company at the earliest.



3. Members / Proxies are requested to bring the Attendance Slip sent herewith duly filled in for attending the meeting.
4. The Explanatory Statement, pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto.
5. As per Section 192 A of the Companies Act, 1956, read with Companies (Passing of Resolution by Postal Ballot) Rules, 2001 consent of the Shareholders for Resolution at item No. 5 is required to be obtained by means of voting by Postal Ballot.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT 1956

The Board of Directors of the Company at their meeting held on 26th May 2004, have subject to the confirmation of the shareholders in a general meeting, given a Corporate Guarantee to the tune of Rs.32.50 Crores in favour of the Governor of the State of Jharkhand in connection with the soft loan of Rs.32.50 Crores sanctioned by the State of Jharkhand to M/s Bihar Sponge Iron Limited (BSIL) for its rehabilitation scheme under BIFR.

As per the sanctioned scheme of BSIL by the Honourable BIFR, the debt of the Secured Creditors of Rs. 376.64 Crores has been settled at Rs. 135 Crores. Out of this debt of Rs. 135 Crores, a sum of Rs.65 Crores has been paid as upfront payment, with Rs.32.50 Crores being brought in by Mr. Umesh K Modi through his associate company M/s Moderate Leasing and Capital Services Limited by way of equity and Rs. 32.50 Crores by the Government of Jharkhand by way of Soft Loan to BSIL. The remaining debt of Rs. 70 Crores is payable by BSIL over a period of seven years by 31.09.2011 in quarterly instalments. BSIL has already paid two instalments aggregating approximately Rs. 5.40 Crores till date.

The Corporate Guarantee can be invoked by the lender only in the event of any deficiency in the pledged security of the borrower as follows, in making good the default

- i) Second charge on the fixed and moveable assets of BSIL
- ii) Pledge of equity shares of Rs.32.50 Crores by M/s Moderate Leasing and Capital Services Limited
- iii) Personal Guarantee of Mr. Umesh K Modi.

In order to secure the Corporate Guarantee, Mr. Umesh K Modi has given a Counter Guarantee in favour of the company. Besides this, the company would also get a guarantee commission @ 1% p.a. for the period of the guarantee so given.

The outlook of the steel industry is very strong and is likely to continue for more time. With the completion of the re-structuring of BSIL and with the present scenario, the future outlook of BSIL is very optimistic.

In terms of Section 372 A of the Companies Act, 1956, a company may with the prior approval of the shareholders make any loan to any body corporate or give any guarantee or provide security in connection with a loan made by any other person exceeding 60% of its paid up share capital and free reserves or 100% of its free reserves, which

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ever is more. The proviso to Section 372 A of the Companies Act, 1956 provides that the Board of Directors may give a guarantee, without, being previously authorised by a special resolution if the resolution of the Board of Directors giving the corporate guarantee is confirmed within twelve months in a general meeting of the company or the annual general meeting held immediately after passing of the board resolution.

With the guarantee of Rs.32.50 Crores given in favour of the Governor of the State of Jharkhand, the limit specified in section 372 A of the Companies Act, 1956 would be exceeded, hence this resolution.

The Board commends this resolution for the approval of the shareholders.

Mr. Umesh K Modi and Mr. Abhishek Modi directors are interested in the resolution.

By Order of the Board
For SBEC Sugar Limited

Place : New Delhi

Date : September 25, 2004

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

INFORMATION REGARDING THE DIRECTORS PROPOSED TO BE RE-APPOINTED (REFER CLAUSE 49(VI) (A) OF THE LISTING AGREEMENT WITH STOCK EXCHANGE)

Mr. Claude Philogene

Mr. Claude Philogene holds a general Certificate of Education (Advanced Level) and a Full Technological Diploma in Sugar Technology from "City And Guilds" of London Institute. He is a diploma holder in Mechanical Engineering from "International Correspondence School" South Africa. Mr. Claude Philogene has about forty six years experience of working in various sugar factories, sugar equipment manufacturing organisations and sugar consultancy companies. He is **only** on the board of SBEC Sugar Limited.

Mr. G C Jain

Mr. G C Jain is a Fellow member of the Institute of Chartered Accountants of India. He has experience exceeding forty years in the fields of Finance, Accounts and Taxation. He is also on the Board of M/s Bihar Sponge Iron Limited and Own Investments India Limited.



DIRECTORS' REPORT

Dear Shareholders,

Your Directors hereby present the Eleventh Annual Report of the Company together with the Audited Accounts for the period ended 31st March 2004.

MANAGEMENT DISCUSSIONS AND ANALYSIS

Industry Structure and Development

Sugar industry in India is one of the largest agro processing industries. It is also the second largest sugar producing country in the world. The Sugar Industry generates its own renewable source of energy and does not depend on fossil fuel. The sugar production increased from 182 lac tonnes in 1999–2000 to around 202 lac tonnes in 2002–2003. As against this, the consumption increased from 155 lac tonnes to 184 lac tonnes resulting in a glut situation.

Opportunities & Threats

The Sugar Industry has been highly regulated by both the Central and State Governments who control the price of sugarcane, distribution of sugar and also the by – products i.e. Molasses. However during the last few years there has been a gradual reduction in the regulations and it is expected that the regulations would further ease in view of the sugar industry being delicensed in September 1998.

Sugarcane prices are controlled by the Government through Statutory Minimum Price Mechanism and State Advised Price Mechanism and also the quantity of sugar to be sold in free markets by the release mechanism. As such the performance of the company depends to a large extent on Government policies

Outlook

The Company started the operation in 1999 with the daily Crushing capacity of 3125 Tones (TCD). Since then the Company has been steadily increasing its crushing capacity, and in the current sugar season plant capacity has been increased to 6600 Tones Crushing per Day. A 30 Ton capacity Boiler and 3 MW Turbine, in addition to other equipment, has been installed to achieve this capacity. With these installations in addition to higher cane crushing capacity the power generation has also increased

Plans have already been finalised to increase this capacity to 7200 TCD by upgrading the boilers to generate more steam, increasing the milling capacity by adding pressure feeder and by installing some balancing equipment in the boiling and drier house. These additions and modifications are planned to be completed so as to achieve the increased plant capacity of 7200 TCD by next sugar season of 2005–2006



**Umesh K Modi, Chairman & President and
Abhishek Modi, Executive Director (Standing)**



The cane development programme undertaken by the company in previous years has started showing results. In the current year availability of the early variety cane has increased. It is expected that in the current sugar season the overall recovery from sugar cane will be better than previous years.

The demand of sugar is also better in the current year. As a result the sugar prices are more remunerative in the current season as compared to previous years.

Overall, with increased capacity resulting in lower overheads, additional power generation, higher sugar recovery and better sales realisation, the future of your company is very promising. The company is expected to achieve much better results in the coming years.

Risks and Concerns

The performance of the company to a large extent depends upon a number of factors beyond the control of the Company viz. fixing of sugarcane prices by the Government, sale of sugar as per the release mechanism of the Government, availability of sugarcane which is dependent on the monsoon including political and economic developments in India.

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 unauthorised 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 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 period is given hereunder:

(Rs. Lakh)		
Financial Parameters	Current Year	Previous Year
Net Sales	12401.45	10916.92
Other Income	34.72	321.09
Total Expenditure	11124.85	10434.38
Profit Before interest, Depreciation & Tax	1311.32	803.63
Interest and Finance Charges	383.83	431.60
Depreciation and Amortisation	430.52	424.87
Profit / (Loss) for the year	496.97	(52.84)
Paid up Equity Capital	4769.40	4769.40
Reserves excluding Revaluation Reserve	60.81	59.28

FIXED DEPOSITS

During the period under the review, the company accepted deposits to the extent of Rs. 230.05 lacs. The total amount of fixed deposit held as on 31st March 2004 were Rs. 289.97 lacs. There unclaimed deposits amounting to Rs. 12.20 lacs which have been renewed. There were no deposits overdue as at 31st March 2004.



SUBSIDIARY COMPANY AND CONSOLIDATED ACCOUNTS

The Company has two subsidiaries M/s SBEC Stockholding and Investment Limited and M/s SI-AL SBEC Bioenergy Limited. The accounts of M/s SBEC Stockholding and Investment Limited have been duly audited and the same have been consolidated conforming to the applicable accounting standards and are attached to the annual report. The accounts of M/s SI-AL SBEC Bioenergy Limited however could not be audited (or consolidated with these accounts) on account of the pendency of various disputes and operation of stay orders in particular Order dated 30th March 1999 passed by the Hon'ble Delhi High Court and subsequent order dated 12th March 2004 also passed by the Hon'ble Delhi High Court in case no.OMP/89/2004. In these circumstances, M/s SI-AL SBEC Bioenergy Limited has been unable to finalise and get its accounts audited and the same cannot therefore be consolidated with the accounts of the company.

DIRECTORS

Mr. Claude Philogene and Mr. G C Jain, Non Executive Directors of the Company will retire by rotation at 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:-

During the year there was no employee who was 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 have been delisted by the Ahmedabad Stock Exchange from its Exchange w.e.f. from 8th July 2004. Applications submitted to The Delhi Stock Exchange Association Ltd., New Delhi; The U.P. Stock Exchange Association Ltd., Kanpur, U.P., The Calcutta Stock Exchange Association Ltd., Calcutta and the Madras Stock Exchange, Chennai for delisting are pending. After the delisting from the above stock exchanges, the shares would remain listed on the Mumbai Stock Exchange which has a nation wide coverage.

CORPORATE GOVERNANCE

A separate report on Corporate Governance is attached as Annexure to the Annual Report. The Auditor's 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 a 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 & behalf of the Board

Place : New Delhi
Date : 25th September, 2004

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 Directors) Rules, 1988 forming part of the Directors' Report for the year ended 31st March, 2004

- a) Energy Conservation measures taken: The Company has taken all actions and will continue to make efforts to conserve and optimize 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 YEAR
A. Power and Fuel consumption			
Electricity			
Quantity	KWH	5559318	7194980
Total conversion Charges	Rs.	15219127	18810238
Per Unit Conversion Charges	Rs.	2.74	2.61
a) Own generation			
(i) Through diesel generator			
Quantity	KWH	270089	209396
Units per -ltr. of diesel oil	KWH	2.75	2.75
Total amount	Rs.	2246018	1817798
Cost/ Unit	Rs.	8.32	8.68
(ii) Through Steam Turbine/generator			
Quantity	KWH	19309211	15969060
Units per- ltr. Of fuel oil /gas	KWH	—	—
Cost/ unit	Rs.	0.47	0.59
B. Consumption per MT of sugar production			
1. Electricity	KWH	287.11	294.38