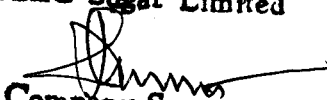


SBEC Sugar Limited



CERTIFIED TRUE COPY

For SBEC Sugar Limited


Company Secretary

THIRTEENTH ANNUAL REPORT

2006

View of the Plant



SBEC Sugar Limited

**BOARD OF DIRECTORS**

Mr. Umesh K Modi	(Chairman & President)
Mr. Abhishek Modi	(Executive Director & Chief Executive Officer)
Mrs. Kum Kum Modi	
Mr. G. C. Jain	
Mr. Man Mohan	
Mr. O.P. Modi	
Mr. Norland L. C. Suzor	
Mr. Claude Philogene	

ALTERNATE DIRECTOR

Mr. N. P. Bansal	(Alternate to Mr. Claude Philogene)
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CHIEF FINANCIAL OFFICER

Mr. R.S. Rustagi

COMPANY SECRETARY

Mr. Deepak Bansal

AUDITORS

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

BANKERS

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

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

REGISTRAR & SHARE TRANSFER AGENT

Skyline Financial Services Pvt. Ltd.
246, 1st Floor, Sant Nagar,
East of Kailash
New Delhi-110065

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NOTICE

Notice is hereby given that the Thirteenth Annual General meeting of the Shareholders of SBEC Sugar limited will be held on Friday the 30th day of March 2007 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 businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 30th September 2006 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. Norland L.C. 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. G. C. Jain, who retires from the office by rotation, and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to authorise the Board of Directors to fix their remuneration.

M/s Doogar & Associates, Chartered Accountants, the retiring auditors, being eligible, offer themselves for re-appointment.

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 Board of Directors of the company be and is hereby authorised to invest Rs 4,50,000 towards purchase of 18000 shares of Rs. 25/- each of The Shamrao Vithal Co-operative Bank Limited, Mumbai so as to comply with one of the terms and conditions of The Shamrao Vithal Co-operative Bank Limited towards disbursement of temporary Short term cash credit facility of Rs 10 Crores to the Company.

RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorised to do all acts, deeds and things as may be required or considered necessary or incidental for giving effect to the above resolution."

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 the provisions of Section 372A and other applicable provisions of the Companies Act, 1956 the Board of Directors of the company be and is hereby authorized to accept assignment of debt of Rs. 55.96 crores owed by M/s. Modi Industries Limited (MIL) to Financial institutions and Banks to the Company, as detailed in the Explanatory Statement, on such terms and conditions as mutually agreed between the Banks / Financial Institutions, MIL and the Company.

RESOLVED further that the Board of Directors of the Company be and are hereby authorized to negotiate, alter and / or amend the terms and conditions of such assignment as may be required by the Banks / Financial Institutions and to do all such acts, deeds and things as may be deemed expedient and necessary to give effect to this resolution".

By order of the Board
For SBEC Sugar Limited

Place: New Delhi
Date : 20th February, 2007

Deepak Bansal
Company Secretary

NOTES :

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on a poll in his/her stead and a proxy need not to be member of the company. The instrument appointing proxy in order to be effective should be duly completed, stamped and signed and must be deposited at the registered office of the company atleast 48 hours before the scheduled time of the meeting. A blank proxy form is annexed herewith.
2. The Register of Members & Share Transfer Books of the Company will remain closed from 26th March 2007 to 30th March 2007 (both days inclusive).



3. An explanatory statement, pursuant to section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.
4. 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. 6 is required to be obtained by means of Postal Ballot.
5. Members, who hold shares in dematerialized form, are requested to notify, changes, if any, in their address, to their respective Depository Participant and those, who hold shares in physical form, may intimate the same to the Company.
6. Members/proxies are requested to bring attendance slips sent herewith duly filled in, for attending the meeting.
7. Members desiring any information as regards accounts are requested to address their questions to the Company Secretary at least 7 days before the date of the meeting so that the required information is made available at the meeting.
8. Non-Resident Shareholders are requested to inform immediately the change in the residential status on return for permanent settlement.
9. As per the provisions of the Companies Act, 1956, as amended, facility for making nominations is available to INDIVIDUALS holding shares in the Company. The Nomination can be made in Form-2B, which can be obtained from the Share Department of the Company.
10. Documents referred to in the accompanying notice are open for inspection at the Registered Office of the Company during office hours on all working days between 11.00 A.M to 1.00 P.M upto the date of Annual General Meeting.

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

ITEM NO. 5

The Shamrao Vithal Co-Operative Bank Ltd, Mumbai vide its Letter no. CCC/CO/1300/1055/2006-2007 dated 23rd October, 2006 has sanctioned Short Term Loan of Rs. 10 Crores to the Company to meet its working Capital requirement.

As per the terms of the said sanctioned letter, the Company can avail this facility, subject to that it will purchase shares of the Bank to the extent of 18,000 shares of Rs. 25/- each at face value.

The Company has availed the said facility, pending the purchase of 18,000 shares of Rs. 25/- each.

The Board of Directors of the company at its meeting held on 26th October, 2006 has approved the purchase of 18000 shares of Rs 25/- each of The Shamrao Vithal Co-operative Bank Ltd. Since the proposed investment of Rs 4,50,000 exceeds 60% of the paid up Share Capital and Free Reserves of the Company, the proposed Resolution requires approval of the Shareholders by way of Special Resolution.

Your directors recommend the Special Resolution in accompanying notice for your approval.

None of the Directors of the Company is concerned or interested in the said Resolution.

ITEM NO. 6

The Company is engaged in the business of manufacturing and selling sugar in bulk and has ventured into the profitable area of marketing of speciality sugar. The Company has recently launched various types of speciality sugar under the Brand "Originale." These speciality products of sugar include, Quick Dissolve Sugar; Low Calorie Sugar; Demerara sugar; Icing Sugar; Tea Flavoured Sugar and Milk Flavoured Sugar.

The Company does not have the facility to manufacture these products and it has tied up with Modi Sugar (a unit of Modi Industries Limited (MIL) to develop and manufacture them on a long-term basis. Modi sugar has built an exclusive plant to manufacture fine crystalline refined sugar, which forms the base for all speciality sugar products.

The speciality sugar products launched by the Company have been well received in the market and the company intends to use Modi Sugar's expertise and its manufacturing capabilities in the area of speciality sugar on long-term basis.



Thus the Company would be in a position to have long term uninterrupted arrangement with Modi Sugar for use of the manufacturing facilities of both the units to its advantage.

MIL is a sick company and is before the Board for Industrial and Financial Reconstruction (BIFR). Because of disputes pending in the Courts, MIL could not be revived until now. The Government of UP is very much concerned about the state of MIL because it not only affects the Company but the whole township as well, thus, they have been bringing pressure on the management not only to pay the dues of the Financial Institutions and Banks but also to rehabilitate the Company.

The principal debt of MIL stands at Rs. 43.04 Crores. The Financial Institutions/Banks, in a bid to recover their dues have in principle agreed to assign their debt to M/s. SBEC Sugar Limited, a UK Modi group company at Principal Amount Plus 30% interest aggregating Rs. 55.96 Crores or such other amount as mutually agreed between the Financial Institution / Banks and MIL payable in a maximum period of four years @8% per annum simple interest on reducing balance. The details of loans outstanding along with interest are as under :

Amount Rs. / Lakhs

Name of the Institution	Principal	Interest	Total
a) Term Loans			
IDBI	702.44	211.03	913.47
IFCI	333.91	100.17	434.08
ICICI	235.00	70.50	305.50
LIC	138.98	41.69	180.67
GIC & Subsidiaries	88.49	26.54	115.03
Sub Total	1498.82	449.93	1948.75
b) Cash Credit Limits from Banks			
Allahabad Bank	493.61	148.08	641.69
Punjab National Bank	2162.00	648.60	2810.60
Hongkong & Shanghai Banking Corpn.	150.00	45.00	195.00
Sub Total	2805.61	841.68	3647.29
Total	4304.43	1291.61	5596.04

The Company will enter into an agreement with MIL for repayment of the said amount on mutually agreed terms. In consideration of SSL taking over the above debt.

- i) MIL Shall assign all marketing rights over its Sugar production to SSL to ensure timely repayment of Company's Debt.
- ii) All existing charges such as mortgage and hypothecation created by MIL in favour of each of the Financial Institutions / Banks shall after full repayment to the Banks / Financial Institutions stand assigned to and in favour of and for the benefit of SSL and the Financial Institutions and Banks shall each execute appropriate documents as required in that connection.

The aggregate investments made, loans given, guarantees / securities provided together with proposed assignment shall exceed 60% of the paid - up share capital and free reserves and thus the shareholders approval is recommended.

None of the Directors except Mr. Umesh K Modi, Mrs. Kum Kum Modi and Mr. Abhishek Modi are concerned or interested in the resolution.

By order of the Board
For SBEC Sugar Limited

Deepak Bansal
Company Secretary

Place: New Delhi
Date : 20th February, 2007



DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting the Thirteenth Annual Report of the Company together with the Audited Accounts for the period ended 30th September 2006.

FINANCIAL RESULTS

The summarised financial results of SBEC Sugar Ltd. as well as Consolidated with its subsidiaries i.e. M/s SI-AL SBEC Bioenergy Ltd. and M/s SBEC Stockholding & Investment Limited are as follows :-

(Rs. in Lakhs)

Financial Parameters	SBEC SUGAR LTD.		CONSOLIDATED	
	Year ended 30.09.06 (12 months)	Period ended 30.09.05 (18 months)	Period ended 30.09.06	Period ended 30.09.05
Sales and other income	20889.54	26940.17	22027.55	28449.61
Profit Before Interest, Depreciation & Tax	2140.95	3805.47	2756.28	4703.96
Interest and Finance Charges	558.07	799.79	608.79	879.52
Depreciation and Amortisation	474.91	587.95	948.71	1055.70
Profit Before Extra-Ordinary Expenses & Provision for Taxation	1107.76	2410.78	1197.65	2686.82
Extra-Ordinary Expenses (Earlier Year's Cane Dues as per Supreme Court Order)	—	2121.54	—	2121.54
Profit Before Tax	1107.76	289.24	1197.65	565.28
Fringe Benefit Tax	19.06	5.50	25.96	5.50
Provision for Taxation	147.26	7.33	180.95	45.13
Deferred Tax Charge / (Credit)	390.07	265.64	319.16	249.94
Profit After Tax	551.37	10.77	671.58	264.71
Minority Interest Adjustments	—	—	31.25	0.01
Transfer from Molasses Storage Fund	—	12.80	—	12.80
Transfer to Molasses Storage Fund	2.73	7.63	2.73	7.63
Profit for the Year after appropriation	548.64	15.94	637.60	269.88
Earning Per Share	1.16	0.02	1.34	0.56

The financial results for the current year ended 30.09.2006 are for a period of 12 months, and for the previous year were for a period of 18 months, and therefore are not comparable.

OPERATIONS

During the year under review, the Cane Crushing was 112.59 Lakhs Quintals in 172 days with an average crushing rate of 65459 quintals per day as against 115.51 Lakhs Quintals in 213 days with an average crushing rate of 54228 Quintals per day in the previous period. The sugar recovery was lower at 8.73% as against 9.56% in the previous period. The main reason for the lower sugar recovery was extremely adverse climatic conditions in the entire Western Uttar Pradesh. However, the recovery is expected to be much better during the current sugar season 2006-07 though some impact of the adverse climatic conditions of last season are still continuing.



The Company, during the year under review, made a profit before tax and extra-ordinary expenses of Rs. 1107.76 lakhs (previous period Rs. 2410.78 lakhs) and as consolidated Rs. 1197.65 lakhs (previous period Rs. 2686.82 lakhs). The Net Profit for the Year was Rs. 551.37 lakhs as against Rs. 10.77 lakhs in the previous period. The earning per share works out to Rs. 1.16 per share (previous period Rs. 0.02 per share) and as consolidated Rs. 1.34 per share (previous period Rs. 0.56 per share).

FIXED DEPOSITS

During the year under review, the company accepted deposits to the extent of Rs. 72.50 lakhs. The total amount of fixed deposit held as on 30th September 2006 was Rs. 140.45 lakhs and there were no deposits lying unclaimed or overdue as on that date.

DIRECTORS

In accordance with the provisions of Section 256 of the Companies Act, 1956 and Article 125 of the Articles of Association of the Company, Mr. Norland L. C. Suzor and Mr. G. C. Jain, non-executive Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

SUBSIDIARY COMPANY AND CONSOLIDATED ACCOUNTS

In terms of Settlement Agreement dated 26.11.2005, M/s SI-AL SBEC Bioenergy Limited issued 15,199,980 Equity Shares to the Company that were pending allotment due to the injunction orders dated 30th March 1999 and 12th March 2004 passed by the Delhi High Court in a suit filed by M/s SI-AL Bioenergie, France. Further in terms of Settlement Agreement the Company has purchased 59,80,000 Equity Shares of M/s SI-AL SBEC Bioenergy Limited from M/s SI-AL Bioenergie, France on 8th December 2006 and also purchased 15 shares from other shareholders. After the said acquisitions of shares, M/s SI-AL SBEC Bioenergy Limited has become 100% subsidiary of the Company.

As required by Section 212 of the Companies Act, 1956, audited statement of accounts alongwith the report of the Board of Directors of the Subsidiary Companies, namely M/s SI-AL SBEC Bioenergy Limited and M/s SBEC Stockholding and Investment Limited and the respective Auditors' Report thereon for the period/year ended 30th September 2006 and 31st March 2006 respectively and a statement thereon are annexed.

AUDITORS

M/s Doogar and Associates, Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

ACCOUNTS AND AUDITORS' REPORT

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

DIRECTORS RESPONSIBILITY STATEMENT UNDER SECTION 217

Pursuant to the requirement under section 217 (2AA) of Companies Act, 1956, the Directors of your company declare as under:

- I. That in the preparation of the Annual Accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- II. That the Company has 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 at the end of the financial year and of the profit of the company for that year;

SBEC Sugar Limited



- III. That proper and sufficient care has been taken for maintenance of adequate 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. That the Annual Accounts are prepared on going concern basis.

CORPORATE GOVERNANCE

As per clause 49 of the Listing Agreement with the Stock Exchange, Report on Corporate Governance, a Management Discussion and Analysis Statement, Certificate from the Auditors of the Company confirming compliance with the 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 Secretarial Audit Report confirms that the Company has complied with all the applicable provisions of the Companies Act, 1956, Listing Agreement with the Stock Exchanges, and all the Regulations of Securities and Exchange Board of India (SEBI) as applicable to the Company.

LISTING OF SECURITIES

The equity shares of your Company are listed on The Bombay Stock Exchange Limited, and The Calcutta Stock Exchange Association Limited. The Company's Application for delisting of shares with The Calcutta Stock Exchange Association Limited is pending.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

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, a statement giving the required information for the year ended on 30th September 2006, is annexed hereto (Annexure-A) and forms part of the Directors' Report.

PARTICULARS OF EMPLOYEES

The particulars of employees getting remuneration in excess of the limits as specified under the provisions of Sub Section (2A) of Section 217 throughout or part of the financial year under review is annexed (Annexure-B).

ACKNOWLEDGEMENTS

Your Directors take this opportunity to express their appreciation and gratitude to the farmers and to the co-operative cane 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 : 20th February, 2007

Umesh Kumar Modi
(Chairman & President)



ANNEXURE TO DIRECTORS' REPORT

ANNEXURE - A

STATEMENT PURSUANT TO SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

FORM A : DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY:

PARTICULARS	UNIT	CURRENT. YEAR	PREVIOUS ACCOUNTING PERIOD
A. Power and Fuel consumption			
Electricity			
Quantity	KWH	7189575	2678330
Total Conversion Charges	Rs.	21624752	7998850
Per Unit Conversion Charges	Rs.	3.01	2.99
a) Own generation			
(i) Through diesel generator			
Quantity	KWH	189420	518810
Units per -ltr. of diesel oil	KWH	2.75	2.75
Total amount	Rs.	2662667	6370624
Cost/ Unit	Rs.	14.06	12.28
(ii) Through Steam Turbine/generator			
Quantity	KWH	23090110	25249976
Units per- ltr. of fuel oil /gas	KWH	—	—
Cost/ unit	Rs.	0.93	1.15
B. Consumption per MT of sugar production			
1. Electricity	KWH	309.15	254.71

FORM B : DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

(A) RESEARCH AND DEVELOPMENT (R & D)

The Company per se did not carry out any basic R & D work during the year. However, some activities carried out through indigenous sources have resulted in improvement in the performance of the plant.

(B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief, made towards technology absorption, adaptation and innovation:
2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.:
- 1&2. The Company has acquired the latest technology for production of sugar.
3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year), following information may be furnished:
 - a. Technology imported — None
 - b. Year of Import — Not Applicable
 - c. Has technology been fully absorbed? — Not Applicable
 - d. If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action. — Not Applicable