

# ***SBEC Sugar Limited***



**FOURTEENTH ANNUAL REPORT**  

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**2008**



View of the Plant

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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. Anup Gupta

**AUDITORS**

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

**BANKERS**

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

**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

**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 Fourteenth Annual General meeting of the Shareholders of SBEC Sugar limited will be held on Wednesday, the 24th day of September 2008 at the Registered Office of the company at Village: Loyan , 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 31<sup>st</sup> March, 2008 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. O.P. Modi, 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 the following resolution with or without modification, as an Ordinary Resolution:-

"RESOLVED THAT in accordance with the provisions of Section 198, 269 and 309 read with Schedule XIII as amended from time to time and Other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the shareholders and such other approvals as may be necessary, the Company hereby approves the re-appointment of Mr. Abhishek Modi as Executive Director of the company for a further period of 5 years with effect from 10<sup>th</sup> July , 2008 on the terms and conditions contained in item no. 6 of the notice.

6. To consider and if thought fit, to pass the following resolution with or without modification, as a Special Resolution:-

"RESOLVED THAT in accordance with the provisions of Section 198, 309 and 310 read with Schedule XIII as amended from time to time and Other applicable provisions, if any, of the Companies Act, 1956, Mr. Abhishek Modi, Executive Director be paid the following remuneration for a period of three years with effect from 10<sup>th</sup> July , 2008:

1. Salary Rs. 2,00,000 p.m.
2. Perquisites and Allowances
  - (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 a maximum of 60% of the salary: or  
in case the accommodation is owned by Mr. Modi the expenses by him on repair, maintenance and upkeep of the house shall be reimbursed subject to a maximum of 60% of the salary
  - (ii) Medical Reimbursement : Expenses incurred for him and the family subject to a maximum of seven percent of the basic salary in a year.
  - (iii) Leave Travel Concession: For himself and family once in a year in accordance with the rules of the company.
  - (iv) Personal Accident Insurance: The annual premium not to exceed Rs.5000/-.



## SBEC Sugar Limited

(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 as per the rules of the Company. The same will not be included in computation of the ceiling on perquisites.
(viii) Car	One Company car with driver on actual basis
(ix) Telephone	One Telephone at residence on actual basis. Personal long distance calls will be billed by the company.

**Explanation :-** Provision of car for use of company's business and telephone at residence will not be considered in computing the value of perquisites.

**Note : -** All the perquisites will be interchangeable i.e. any excess in a particular perquisite may be permissible by a corresponding reduction in one or more of the other perquisites(s)

### Other Terms

(a) Leave	As per the rules of the Company
(b) Sitting Fee	Mr. Abhishek Modi will not be entitled for sitting fees for attending the meetings of the Board or Committees thereof
(c) Reimbursement of entertainment expenses	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) Commission	Mr. Abhishek Modi will also be paid commission @ 1% of the net profits of the Company subject to the overall ceiling laid down in Sections 198, 269, 309 and Schedule XIII of the Companies Act, 1956.
(e) Minimum Remuneration	In the event of inadequacy or absence of profits in any financial year during his tenure, Mr. Abhishek Modi will be entitled to the above remuneration along with the perquisites / benefits mentioned above by way of minimum remuneration in terms of para 1(B) of section II of Part II of Schedule XIII of The Companies Act, 1956."

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

"RESOLVED THAT the consent of the Company be and is hereby accorded to the Board of Directors under section 293 (1) (d) of the Companies Act, 1956 allowing them to borrow any sum or sums of money from time to time for the purposes of the Company upon such terms and conditions and with / without security, as the Board of Directors may, in the absolute discretion, think fit, notwithstanding the fact that the money or moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the paid-up Capital of the Company and its Free Reserves, that is to say, reserves not set apart for any specific purpose (s), provided, however, that the total borrowing shall not exceed at any time the sum of Rs. 100 Crores."

By order of the Board  
For SBEC Sugar Limited

Place: New Delhi  
Date : 23rd August, 2008

Anup Gupta  
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 17<sup>th</sup> September , 2008 to 24<sup>th</sup> September 2008 (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. The members may please note that the Special Resolution sent through notice dated 8.12.2007 to all members for voting through Postal Ballot have been passed on 24.01.2008 by requisite majority. Relevant details in this regard are covered in the Corporate Governance Report annexed to the Report of the Board of Directors.
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 to 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**

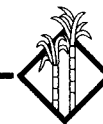
At the Annual General Meeting held on 28<sup>th</sup> November, 2003, the shareholders had approved the re-appointment of Mr. Abhishek Modi as Executive Director of the company for a further period of 5 years with effect from 10<sup>th</sup> July , 2003.

The term of office of Mr. Abhishek Modi as Executive Director of the Company will expire on 09<sup>th</sup> July, 2008. Considering the efforts made by the Executive Director in enhancing the manufacturing capacity, substantial improvement in the performance of the company, the Board has subject to your approval, re-appointed him as Executive Director of the Company for a further period of 5 years with effect from 10<sup>th</sup> July , 2008 on the remuneration and perquisites as contained in item no. 6 of the notice hereof.

The present proposal is to seek the member's approval for reappointment of Mr. Abhishek Modi as Executive Director in terms of the applicable provisions of Companies Act, 1956. The Board therefore recommends this resolution for your approval.

The term of re-appointment given in the said resolution may be treated as an abstract of the terms and conditions of appointment of the said Executive Director u/s 302 of the Companies Act, 1956.

Mr. Abhishek Modi is interested or concerned in the resolution . Further Mr. Umesh 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.

**ITEM NO. 6**

Mr. Abhishek Modi is an Engineering Graduate and MBA from Harvard Business School USA.. The shareholders in their Annual general Meeting held on 21<sup>st</sup> March, 2006 had approved payment of Salary of Rs.1,00,000/- per month together with perquisites for a period 3 years with effect from 1<sup>st</sup> April, 2005.

The Company, under the stewardship of Mr. Abhishek Modi, has expanded its crushing capacity of the plant from 6600 TCD to 8000 TCD resulting in substantial improvement in the performance of the company.

Considering the efforts made by the Executive Director in enhancing the manufacturing capacity, substantial improvement in the performance of the company and keeping in view the inflationary pressure, cost of living, his qualifications and also the comparative remuneration in the industry, the Remuneration Committee approved and recommended to the Board for payment of basic salary of Rs. 2,00,000/- per month plus perquisites to Mr. Abhishek Modi for a period of three years w.e.f. 10<sup>th</sup> July, 2008. Accordingly, the Board of Directors had approved the payment of said remuneration, subject to your approval.

The information as required under Schedule XIII to the Companies Act, 1956 is given hereunder:

**I. GENERAL INFORMATION:**

- |     |  |   |
|-----|--|---|
| (1) | Nature of Industry:  | Sugar   |
| (2) | Date or expected date of commencement of commercial production:  | The Company commenced commercial production on 15 <sup>th</sup> February 1999 |
| (3) | In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: | Not Applicable  |
| (4) | Financial performance based on given indicators:   | (Rs. in Lacs)   |

<b>Financial Parameters</b>	<b>Current accounting period ended 31.03.2008(18 Months)</b>
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Sales and other income	30351.72
<b>Profit/(Loss) before interest, depreciation &amp; tax</b>	<b>(455.85)</b>
Interest and Finance charges	1251.63
Depreciation and Amortisation	762.65
Prior period expenses (net)	15.08
<b>Profit/(Loss) before extra-ordinary items &amp; provision for taxation</b>	<b>(2485.21)</b>
Extra-ordinary items	-
<b>Profit/(Loss) before tax</b>	<b>(2485.21)</b>
Fringe benefit tax	19.35
Provision for taxation	0.74
Deferred tax charge/ (credit)	(535.94)
<b>Profit/( Loss) after tax</b>	<b>(1969.36)</b>
Transfer from molasses storage fund	-
Transfer to molasses storage fund	9.24
<b>Profit/ (Loss) for the period after appropriation</b>	<b>(1978.60)</b>

- |   |                 |
|---|-----------------|
| (5) Export performance and net foreign exchange collaborations: | Rs. 72.62 lakhs |
| (6) Foreign investments or collaborators, if any:               | None            |

**II. INFORMATION ABOUT THE APPOINTEE :****(1) Background details:**

Mr. Abhishek Modi is an Engineering Graduate and MBA from Harvard Business School, USA. He is on the Board of various other companies carrying on business of steel, engineering, pharmaceuticals and travel services, etc.

**(2) Past remuneration:**

At the Annual General Meeting held on 21<sup>st</sup> March, 2005, the shareholders has increased the remuneration of Mr. Abhishek Modi with basic salary of Rs. 1,00,000/- plus perquisites and allowances as per policy of the company and commission @ 1% of the net profits subject to the overall ceiling laid down in Sections 198, 309 and Schedule XIII of the Companies Act, 1956.

**(3) Recognition or awards:**

None

**(4) Job profile and his suitability:**

He is working as an Executive Director and Chief Executive Officer of the company. He has given his valuable contribution towards continuous growth of the company over the years.

**(5) Remuneration proposed:**

Details of proposed remuneration is given in Item No. 6 of the Notice convening the 14<sup>th</sup> Annual General Meeting.

**(6) Comparative remuneration profile with respect to industry size of the company, profile of the position and person:**

In the similar sized sugar mills, remuneration is ranging between Rs. 15 lakhs to Rs. 85 lakhs per annum.

**(7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any:**

He is related to Mr. Umesh K. Modi, Chairman and President and Mrs. Kum Kum Modi, Director, as their son.

**III. OTHER INFORMATION:****(1) Reasons of loss or inadequate profits:**

During the period ended 31<sup>st</sup> March 2008, the company has made a loss after tax of Rs.1969.36 Lacs due to higher cane price fixed by the State Government of U.P. and lower sales realization of sugar during the reported period.

**(2) Steps taken or proposed to be taken for improvement:**

The company is taking steps to reduce the cost of production and optimize the utilization of plant capacity.

**(3) Expected increase in productivity and profit measurable in measurable terms :**

To achieve maximum productivity, the company intends to start crushing in the middle of October.2008

Since any increase in the remuneration of the Executive Director requires approval of the shareholders by way of a special resolution in terms of the provisions of Schedule XIII of the Companies Act, 1956, therefore, the Board recommends this resolution to be passed as a special resolution.

The terms of the 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. Umesh 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.

**ITEM NO. 7**

Pursuant to the provisions of Section 293 (1) (d) of the Companies Act 1956, the Board of Directors of the company cannot, except with the consent of the company in the General Meeting, borrow money in the aggregate (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) which exceed the aggregate of the paid up capital of the company and its free reserves not set apart for any specific purpose.

Presently, as per the resolution passed under section 293(1)(d) of the Companies Act, 1956, at the Extra ordinary general meeting of the company held on 21<sup>st</sup> July 1994, the Board of Directors of the company are authorized to borrow monies which may exceed at any time the aggregate paid up capital of the company and free reserve but not exceeding Rs. 60 Crores (Rs.Sixty Crores). Considering the increasing business operations and future growth plans, the Board is of the opinion that this limit needs to be increased to Rs. 100 Crores (Rs. Hundred Crores) to meet out the fund requirement. So Your Directors commends to pass the above Resolution.

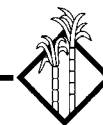
None of the Directors of the Company is concerned or interested in this resolution.

By order of the Board  
For SBEC Sugar Limited

Place: New Delhi  
Date : 23rd August, 2008

Anup Gupta  
Company Secretary





SBEC Sugar Limited

## DIRECTORS' REPORT

**Dear Shareholders,**

Your Directors take pleasure in presenting the Fourteenth Annual Report of the Company together with the Audited Accounts for the period ended 31<sup>st</sup> March 2008.

### FINANCIAL RESULTS

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

Rs. in Lakhs

Financial Parameters	SBEC SUGAR LTD.		CONSOLIDATED	
	Period ended 31.03.08 (18 months)	Period ended 30.09.06 (12 months)	Period ended 31.03.08 (18 months)	Period ended 30.09.06
Sales and other income	30351.52	20889.54	31605.41	22027.55
<b>Profit/(Loss) Before Interest, Depreciation &amp; Tax</b>	<b>(455.85)</b>	<b>2140.95</b>	<b>332.10</b>	<b>2756.28</b>
Interest and Finance Charges	1251.63	558.07	1371.18	608.79
Depreciation and Amortisation	762.65	474.91	1153.15	948.71
Prior period expenses (net)	15.08	0.21	17.42	1.13
<b>Profit/(Loss) before Extra-Ordinary Expenses &amp; Provision for Taxation</b>	<b>(2485.21)</b>	<b>1107.76</b>	<b>(2209.65)</b>	<b>1197.65</b>
Extra-Ordinary Expenses (Earlier Year's Cane Dues as per Supreme Court Order)	-	-	-	-
<b>Profit/(Loss) before Tax</b>	<b>(2485.21)</b>	<b>1107.76</b>	<b>(2209.65)</b>	<b>1197.65</b>
Fringe Benefit Tax	19.35	19.06	22.06	25.96
Provision for Taxation	0.74	147.26	20.01	180.95
Deferred Tax Charge/ (Credit)	(535.94)	390.07	(543.99)	319.16
<b>Profit/(Loss) After Tax</b>	<b>(1969.36)</b>	<b>551.37</b>	<b>(1707.73)</b>	<b>671.58</b>
Minority Interest Adjustments	-	-	-	31.25
Transfer from Molasses Storage Fund	-	-	-	-
Transfer to Molasses Storage Fund	9.24	2.73	9.24	2.73
<b>Profit/(Loss) for the Year after appropriation</b>	<b>(1978.60)</b>	<b>548.64</b>	<b>(1716.97)</b>	<b>637.60</b>
Earning Per Share	(4.13)	1.16	(3.58)	1.34

The financial results for the current year ended 31.03.2008 are for a period of 18 months, and for the previous year were for a period of 12 months, and therefore are not comparable.

### OPERATIONS

The year 2007-08 remained one of the worst years for the sugar industry. The company despite improvement in the average crushing and recovery incurred losses.

The cane crushing for the period under review was 232.61 lakhs quintals in 326 days with an average crushing rate of 71,354 quintals per day as against 112.59 lakhs quintals in 172 days with an average crushing rate of 65,459 quintals per day for the previous period. The sugar recovery has improved to 9.12% as against 8.73% in the previous period.

The Company, during the period under review, made a loss before tax and extra-ordinary expenses of Rs. 2485.21 lakhs against profit for the previous period Rs. 1107.76 and as consolidated loss of Rs. 2209.65 lakhs against profit of the



previous period Rs. 1197.65 lakhs. The Net loss for the period was Rs. 1969.36 lakhs as against Profit of Rs. 551.37 lakhs in the previous period. The earning per share works out to Rs. (4.13) per share (previous period Rs. 1.16 per share) and as consolidated Rs. (3.58) per share (previous period Rs. 1.34 per share).

#### **FIXED DEPOSITS**

During the year under review, the Company accepted deposits to the extent of Rs. 61.50 lakhs. The total amount of fixed deposit held as on 31<sup>st</sup> March 2008 was Rs. 115.70 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. Claude Philogene and Mr. O.P. Modi, 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**

Pursuant to 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 SBEC Bioenergy Limited and M/s SBEC Stockholding and Investment Limited and the respective Auditors' Report thereon for the period/year ended 30<sup>th</sup> September 2007 and 31<sup>st</sup> March 2008 respectively and a statement thereon are annexed.

#### **AUDITORS**

M/s Doogar and Associates, Chartered Accountants, who are Statutory Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and are eligible 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 judgments 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;
- 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 still pending.