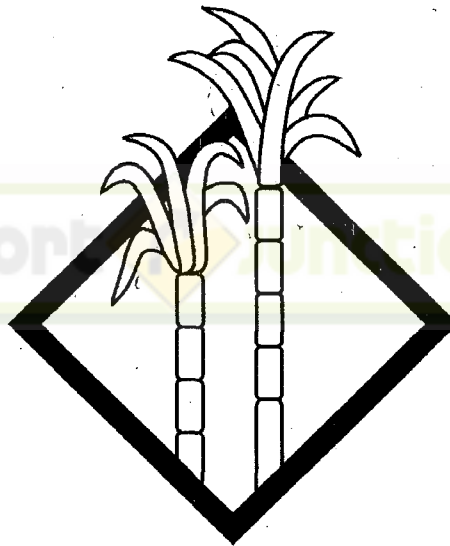


SBEC Sugar Limited



F I F T E E N T H A N N U A L R E P O R T
2009



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)

CHIEF FINANCIAL OFFICER

Mr. Rajeev Malhotra

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

CORPORATE OFFICE

1502-A, 16th Floor, Modi Tower,
 98, Nehru Place,
 New Delhi-110 019

REGISTRAR & SHARE TRANSFER AGENT

M/s Beetal Financial & Computer Services (P) Ltd.
 Beetal House, 3rd Floor, 99 Madangir,
 Behind Local Shopping Centre,
 New Delhi-110062

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NOTICE

Notice is hereby given that the 15th Annual General Meeting of the Shareholders of SBEC Sugar Limited will be held on Saturday, the 10th day of October 2009 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 June 2009 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 Mrs. KumKum Modi who retires from the office by rotation, and being eligible offers herself for re-appointment.
3. To consider and appoint a Director in place of Mr. Man Mohan, 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.

By order of the Board
For SBEC Sugar Limited

Place : New Delhi
Date : 3rd September, 2009

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 at least 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 5th October, 2009 to 10th October 2009 (both days inclusive).
3. 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.
4. Members/proxies are requested to bring attendance slips sent herewith duly filled in, for attending the meeting.
5. 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.
6. Non-Resident Shareholders are requested to inform immediately the change in the residential status on return for permanent settlement.
7. 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.
8. 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.

By order of the Board
For SBEC Sugar Limited

Place : New Delhi
Date : 3rd September, 2009

Anup Gupta
Company Secretary

**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors take pleasure in presenting the 15th Annual Report of the Company together with the Audited Accounts for the period ended 30th June 2009.

FINANCIAL RESULTS

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

(Rs. in Lakhs)

Financial Parameters	SBEC SUGAR LTD.		CONSOLIDATED	
	Period ended 30.06.09 (15 months)	Period ended 31.03.08 (18 months)	Period ended 30.06.09 (15 months)	Period ended 31.03.08 (18 months)
Sales and other income	31021.12	30351.52	33079.92	31605.41
Profit/(Loss) Before Interest, Depreciation & Tax	2888.55	(455.85)	4297.02	332.10
Interest and Finance Charges	1555.05	1251.63	1813.44	1371.18
Depreciation and Amortisation	648.65	762.65	1226.53	1153.15
Prior period expenses (net)	6.84	15.08	6.84	17.42
Profit/(Loss) before Extra-Ordinary Expenses & Provision for Taxation	678.01	(2485.21)	1250.21	(2209.65)
Extra-Ordinary Expenses (Earlier Year's Cane Dues as per Supreme Court Order)	—	—	—	—
Profit/(Loss) before Tax	678.01	(2485.21)	1250.21	(2209.65)
Fringe Benefit Tax	13.27	19.35	15.28	22.06
Provision for Taxation	0.23	0.74	42.47	20.01
Deferred Tax Charge/ (Credit)	(35.65)	(535.94)	2.67	(543.99)
Profit/(Loss) After Tax	700.16	(1969.36)	1189.79	(1707.73)
Minority Interest Adjustments	—	—	—	—
Transfer from Molasses Storage Fund	13.00	—	13.00	—
Transfer to Molasses Storage Fund	9.03	9.24	9.03	9.24
Profit/(Loss) for the Period after appropriation	703.86	(1978.60)	1193.76	(1716.97)
Earning Per Share	1.47	(4.13)	2.50	(3.58)

The financial results for the period ended 30.06.2009 are for a period of 15 months, and for the previous year were for a period of 18 months, and therefore are not comparable.

OPERATIONS

The cane crushing for the period under review was 101.15 lakhs quintals in 150 days with an average crushing rate of 67435 quintals per day as against 232.61 lakhs quintals in 326 days (Include two crushing season) with an average crushing rate of 71354 quintals per day for the previous period. The sugar recovery has reduced to 8.77 % as against 9.12% in the previous period. The main reason for the lower cane crushing was less sowing of cane crop by the farmers and sugar recovery was adversely affected due to irritating rains and climate condition in the entire Western Uttar Pradesh.

The Company, during the period under review, made a profit before tax Rs. 678.01 lakhs against loss for the previous period Rs. 2485.21 Lakhs and as consolidated profit of Rs.1250.21 lakhs against loss of the previous period Rs. 2209.65 lakhs. The Net profit for the period was Rs.700.16 lakhs as against loss of Rs.1969.36 lakhs in the previous period. The earning per share works out to Rs. 1.47 per share (previous period Rs. (4.13) per share) and as consolidated Rs. 2.50 per share (previous period Rs. (3.58) per share).



FIXED DEPOSITS

During the period under review, the Company accepted deposits to the extent of Rs. 563.75 lakhs. The total amount of fixed deposit held as on 30th June 2009 was Rs. 602.95 lakhs and there were three deposits lying unclaimed 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, Mrs. KumKum Modi, Non Executive Director and Mr. Man Mohan, Independent and Non-Executive Director 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, M/s SBEC Stockholding and Investment Limited and Modi Gourmet Limited and the respective Auditors' Report thereon for the period/year ended 31st March 2009 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

Reference to the Auditors comments relating to the deviation from the AS-2: Valuation of Inventories, it is hereby clarified that the management decided to value the stock of free sugar as on 30.06.2009 at average market price prevailing during June, 2009 in lieu of the cost price so as to show realistic profits of this period. This was necessitated because of the wide variation in the cost and market price of sugar as was prevalent during this period and further on account of the change in the accounting year of the Company which does not correspond with the seasonal cycle of the sugar Industry.

The Company has duly mentioned the reasons for such deviation in schedule 13 Note no. B 6 of the Notes to account in compliance with the requirements of the Statute.

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, except that for deviation from accounting standard -2, 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

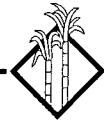
As per the direction of the Securities and Exchange Board of India, the Secretarial Audit of the Company is being conducted on quarterly basis by a Practicing Company Secretary. The Secretarial Audit Report confirms that the Company has complied with all the applicable provisions of the Companies Act, 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.

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, Annexure containing the particulars is annexed hereto which forms a part of this report

**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 period under review, there was one 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.

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 & behalf of the Board
for SBEC Sugar Ltd.

Place: New Delhi
Date : 3rd September, 2009

Umesh Kumar Modi
(Chairman & President)

ANNEXURE TO DIRECTORS' REPORT

**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**

S.N.	Name	Age	Designation	Remuneration	Qualification	Experience	Date of Commencement of Employment	Last Employment
1.	Mr. Abhishek Modi	33	Executive Director	Rs. 41,74,505/-	B.E.(Chem.) M.B.A. from Harvard Business School, USA	15 years	13.05.1994	Nil

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

PARTICULARS		UNIT	CURRENT ACCOUNTING PERIOD (01.04.2008 – 30.06.2009 (15 Months)	PREVIOUS ACCOUNTING PERIOD (01-10-2006 - 31.03.2008) (18 Months)
A.	Power and Fuel consumption			
	Electricity			
	Quantity	KWH	4399010	1804009
	Total Conversion Charges	Rs.	—	5628503
	Per Unit Conversion Charges	Rs.	—	3.12
	Own generation			
(i)	Through diesel generator			
	Quantity	KWH	204508	133403
	Units per -ltr. of diesel oil	KWH	3.25	2.75
	Total amount	Rs.	2586183	2551609
	Cost/ Unit	Rs.	12.65	19.13
(ii)	Through Steam Turbine/generator			
	Quantity	KWH	20360568	57344503
	Units per- ltr. of fuel oil /gas	KWH	—	—
	Cost/ unit	Rs.	0.29	0.14
B.	Consumption per MT of sugar production			
1.	Electricity	KWH	281.25	280.21

**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 period. 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

FOREIGN EXCHANGE EARNING AND OUTGO

- i) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export Plans: Efforts are being made towards export of the product of the company.
- ii)

(Rs. in lakhs)

Particulars	Current Accounting Period (Rs.) (1.04.2008-30.06.2009) (15 Months)	Previous accounting period (Rs.) (01.10.2006-31.03.2008) (18 Months)
Total foreign exchange. used	76.10	38.98
Earned	71.12	72.63

For & on behalf of the Board

For SBEC Sugar Ltd.

Place : New Delhi
Date : 3rd September, 2009

Umesh Kumar Modi
(Chairman & President)



MANAGEMENT DISCUSSION & ANALYSIS

INDUSTRY SCENARIO :

The sugarcane area in U.P. is expected to reduce by 6 % in crushing season 2009-10 due to short rain fall. However, in spite of decrease in cane acreage, cane yield is likely to increase by 15 to 20 % in 2009-10. The sugar production in the country is expected to be 17.5 – 18.5 million tons in the season 2009-10 against the production of 14.5 million tons in 2008-09. After two consecutive year of decline in sugar production, and the consequent increase in sugar & sugar cane prices, Indian sugar production is said to recover in marketing year 2009-10

The consumption of sugar is likely to increase by 4.5%. The decrease in supply of sugar coupling with increase in demand of sugar will impact on the sugar price, the price will remain firm. The prices of sugar in open market have moved up about 35% since January, 2009.

OPPORTUNITIES & THREATS :

The State Government has so far been unable to evolve an equitable policy for allocation of sugarcane area amongst factories. Efforts are continuing at various levels to evolve an equitable methodology for reservation of cane area on factory wise basis, in the overall interest of the industry.

After the decision of Hon'ble Supreme Court empowering the State Government to fix the Cane Price, one of the major threat to the Sugar Industry relates to the successive interventions of the Government in the pricing as well as distribution of Sugarcane.

OPERATIONAL PERFORMANCE:

The cane crushing for the period under review was 101.15 lakhs quintals in 150 days with an average crushing rate of 67435 quintals per day as against 232.61 lakhs quintals in 326 days (Include two crushing seasons) with an average crushing rate of 71354 quintals per day for the previous period. The sugar recovery has reduced to 8.77 % as against 9.12% in the previous period. The main reason for the lower cane crushing is less sowing of cane crop by the farmers and sugar recovery was adversely affected due to irritating rains and climate condition in the entire Western Uttar Pradesh.

FUTURE OUTLOOK :

The situation for the sugar business seems to be improving considering the domestic requirement and the looming shortfall due to low production of sugarcane resulted in increase in sugar realizations. Therefore, the future outlook for the sugar industry appears to be encouraging.

RISK AND CONCERNS

The company has risk of the government policies regarding the cane area allocation, cane availability in the proximity of factory, statutory minimum price and state advised price etc. The Company's business also depends heavily upon the climatic conditions. The cane availability, yield, recovery of sugar are the major factors which may affect the quantity and quality of the raw material. The company operates in a highly regulated environment and changes in government policies in relation to the sugar industry, sugarcane prices, sugar prices, alcohol, ethanol, imports and exports may affect its operations and profitability. There is an inherent risk related to the



skilled and specialised manpower and there is risk of specialised manpower leaving the jobs, joining competitors, sharing confidential information etc.

INTERNAL CONTROLS AND SYSTEMS

The key features of the internal control system in the Company are given below:

1. Assets are adequately maintained and protected against theft, burglary and other losses.
2. Transactions are properly recorded and accounted for.
3. Accounting records are maintained complying with all the statutory laws and reflects true and fair view.
4. There are adequate management reporting systems for control and monitoring of performance.
5. Budgetary control system is in place.
6. Periodical review of internal controls systems by the Management and Audit Committee Meeting is being done.
7. Periodical review of system, procedures and transactions by internal auditors is conducted.

FINANCIAL PERFORMANCE

The Company, during the period under review, made a profit before tax Rs. 678.01 lakhs against loss for the previous period Rs. 2485.21 lakhs and as consolidated profit of Rs.1250.21 lakhs against loss of the previous period Rs. 2209.65 lakhs. The Net profit for the period was Rs.700.16 lakhs as against loss of Rs. 1969.36 lakhs in the previous period. The earning per share works out to Rs. 1.47 per share (previous period Rs. (4.13) per share) and as consolidated Rs. 2.50 per share (previous period Rs. (3.58) per share).

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The company's human resources philosophy is to establish and build a strong performance and competence driven culture with greater sense of accountability and responsibility. The effort to rationalize and streamline the workforce is a continuous process. The industrial relations scenario remained harmonious throughout the year.

DISCLOSURE RELATING TO SENIOR MANAGEMENT

During the year under review there was no material financial or commercial transaction where senior management personnel has personal interest that may have potential conflict with the interest of the Company at large.

CAUTIONARY STATEMENT

The above Management Discussion and Analysis describing the Company's Objectives, projections, estimates and expectations may be forward looking statements within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include external economic conditions affecting demand / supply influencing price conditions in the market in which the Company operates, changes in Government regulations, statutes, tax laws and other incidental factors.