

34th ANNUAL REPORT 2007-2008

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SINNAR
BIDI UDYOG LIMITED

SINNAR BIDI UDYOG LIMITED

34th ANNUAL REPORT

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AREQUEST

The Practice of distributing copies of the Annual Report at the Annual General Meeting has been discontinued in view of the high cost of paper and printing. You are therefore requested to bring your copy of the Annual Report of the Meeting.

SINNAR BIDI UDYOG LIMITED

34th ANNUAL REPORT

2007 - 2008

BOARD OF DIRECTORS

- V. S. MAYDEO Executive Director
- N. L. PATIL Director
- M. D. DESHPANDE Director
- B. S. PAWAR Director
- D. P. DEVHAD Director
- S. P. BAHETI Director

AUDITORS

- ANAND S. DAGA
Chartered Accountants
Nashik - 422 001.

BANKERS

- BANK OF BARODA
Nashik - 422 001.

REGISTERED OFFICE

- 2, Gurukrupa Apartment,
N. C. Kelkar Marg,
Dadar (W), Mumbai - 400 028.

ADMINISTRATIVE OFFICE

- "CAMEL HOUSE"
Nashik - Pune Road,
Nashik - 422 011.

SINNAR BIDI UDYOG LIMITED

Notice of the Meeting

NOTICE IS HEREBY GIVEN THAT the 34th Annual General Meeting of the members of the Company will be held at the Registered Office of the Company at 2, Gurukrupa Apartments, N. C. Kelkar Marg, Dadar (West), Mumbai - 400 028 on Wednesday, 24th September 2008 at 1.30p.m. to transact the following business :

Ordinary Business :

- 1.To receive, consider and adopt the Audited Balance Sheet as at 31st March 2008 and the Profit and Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.
- 2.To appoint a Director in place of Shri M.D.Deshpande, who retires by rotation and being eligible offers himself for reappointment.
- 3.To appoint Auditors and to fix their remuneration.

Special Business :

- 4.To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Shri. V.S.Maydeo in respect of whom the Company has received a Notice pursuant to section 257 of the companies Act, 1956 be and is hereby appointed as a Director of the Company, liable to retire by rotation."

- 5.To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Shri. S.P.Baheti in respect of whom the Company has received a Notice pursuant to section 257 of the companies Act, 1956 be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

"RESOLVED THAT Shri. D.P.Devhad in respect of whom the Company has received a Notice pursuant to section 257 of the companies Act, 1956 be and is hereby appointed as a Director of the Company, liable to retire by rotation."

- 7.To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT in accordance with the provisions of sections 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies act, 1956, consent of the members of the Company be and is hereby accorded to the appointment of Shri.Vinayak Suryakant Maydeo as "Executive Director-Purchase and Marketing" for a period of Five Years from 1st January, 2008 on the following remuneration, benefits and perquisites:

a) Salary: Monthly salary from 1st January, 2008 Rs.18,096/-

b) Perquisites: In addition to salary, the Executive Director shall be allowed the following perquisites:

(i) Transport Allowance: Rs.800/- per month will be paid as transport allowance.

(ii) Leave: On full pay as per rules of the Company, but not exceeding one month's leave for every completed year of service subject to the condition that the leave accumulated but not availed of, may be accumulated or encashed.

(iii) Provident Fund: Company's contribution towards provident fund as per rules of the Company but not exceeding 10% of the salary as laid down by the Income Tax Rules, 1962.

(iv) Gratuity: Gratuity not exceeding half the month's salary for each completed year of service subject to the maximum of Rs.3,50,000/- or 20 month's salary whichever is less or subject to such upper limit as may be permissible by the law, for the time being in force.

c) The Whole Time Director shall not be paid any fees for attending the meeting of the Board of Directors or committee thereof from the date of his appointment.

"RESOLVED FURTHER THAT in case the Company has no profits or its profits are inadequate in any financial year, the Company shall pay to Shri.Vinayak Suryakant Maydeo by way salary and perquisites in aggregate the sum not exceeding the limit set against the effective capital of the Company under Section II of Part II of Schedule XIII to the Companies Act, 1956 or any amendment thereto, subject to approval of Remuneration committee".

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to alter the

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terms and conditions of the aforesaid appointment at any time throughout the currency of the said appointment, so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto".

NOTES: A member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and on a poll to vote instead of himself and that a proxy need not be a member.

1. The Register of Members and Share Transfer Book of the Company will remain closed from 17th September, 2008 to 24th September, 2008 (both days inclusive).

2. The Company has appointed M/s Intime Spectrum Registry Ltd., C-13, Pannalal Silk Mills Compounds, LBS Marg, Bhandup West, Mumbai 400 078 as its Share Transfer Agents.

3. Members are requested to bring their copy of Annual Report and Accounts to the meeting.

4. Members are requested to intimate immediately the changes if any, in their registered address.

5. The Unclaimed dividend for F.Y. 2000-2001 is due for transfer to the Central Governments Investor Education And Protection Fund on 28th October, 2008, pursuant to Section 205 C of the Companies Act, 1956.

6. The Shareholders whose dividends for F.Y. 2000-2001 are unpaid, are requested to lodge their claims on or before 27th October, 2008.

7. Explanatory Statement in respect of item nos. 4, 5, 6 and 7 in the Notice, pursuant to Section 173(2) of the Companies Act, 1956 is annexed herewith.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item No. 4: Shri. V.S. Maydeo was appointed as an additional director w.e.f. 28th December, 2007. Pursuant to section 260 of the Companies Act, 1956 he holds office till the ensuing Annual General Meeting. The Company has received a notice from shareholder in terms of section 257 of the Act alongwith requisite deposit, for proposing the candidature of Shri. V.S. Maydeo

as a Director. Therefore this ordinary resolution for the appointment of Director is placed before the members for their approval.

None of the Directors except Shri. V.S. Maydeo is interested in this resolution.

Item No. 5: Shri. S.P. Baheti was appointed as an additional director w.e.f. 28th December, 2007. Pursuant to section 260 of the Companies Act, 1956 he holds office till the ensuing Annual General Meeting. The Company has received a notice from shareholder in terms of section 257 of the Act alongwith requisite deposit, for proposing the candidature of Shri. S.P. Baheti as a Director. Therefore this ordinary resolution for the appointment of Director is placed before the members for their approval.

None of the Directors except Shri. S.P. Baheti is interested in this resolution.

Item No. 6: Shri. D.P. Devhad was appointed as an additional director w.e.f. 28th December, 2007. Pursuant to section 260 of the Companies Act, 1956 he holds office till the ensuing Annual General Meeting. The Company has received a notice from shareholder in terms of section 257 of the Act alongwith requisite deposit, for proposing the candidature of Shri. D.P. Devhad as a Director. Therefore this ordinary resolution for the appointment of Director is placed before the members for their approval.

None of the Directors except Shri. D.P. Devhad is interested in this resolution.

Item No. 7: Shri. V.S. Maydeo was appointed as "Executive Director - Purchase and Marketing" for a period of Five Years from 1st January, 2008 by the Board of Directors. The appointment of the executive director is as per the terms and conditions mentioned in the resolution placed before the members. Approval of Members pursuant to Schedule XIII of the Act is required for the appointment. The Directors recommend the resolution as an ordinary resolution. None of the Directors except Shri. V.S. Maydeo is interested in this resolution.

By Order of the Board of Directors,

Place : Nashik

N.L. Patil

Date : 30th June, 2008

Chairman

SINNAR BIDI UDYOG LIMITED

Directors' Report

Financial Results

Gentlemen,

Your Directors have pleasure in presenting their Thirty Fourth Annual Report alongwith the audited statement of accounts for the year ended 31st March, 2008.

| | 2007-2008 (Rs. Lacs) | 2006-2007 (Rs. Lacs) |
|-------------------------------------------|-------------------------|-------------------------|
| Profit/(Loss) Before Tax | (5.92) | (4.14) |
| Less : Provision for Deferred Tax | (9.84) | 0.01 |
| Fringe Benefit Tax | 0.20 | 0.50 |
| Profit after Tax | 3.72 | (4.65) |
| Add : Balance from Previous year | (9.25) | (4.61) |
| Profit available for Appropriation | <u>(5.54)</u> | <u>(9.25)</u> |
| Appropriations: | | |
| Balance Carried to Balance Sheet | (5.54) | (9.25) |
| | <u>(5.54)</u> | <u>(9.25)</u> |

Business Operations

During the financial year ended 31st March, 2008 the sales turnover from tobacco trading was Rs.161 lacs as against Rs.272 lacs in the previous year. In the forthcoming period, the Company has plans to concentrate on the activities of processing and trading of tobacco.

Dividend

The Directors regret their inability to recommend dividend due to inadequacy of Profit.

Energy, Technology And Foreign Exchange

The information required to be furnished under the Companies (Disclosure of Particulars in the Report of the Board of the Directors) Rules, 1988. The activities of the Company are carried on with the aid of human labour. The manufacturing process does not require power (electrical energy) and offers no scope for absorption of technology.

SINNAR BIDI UDYOG LIMITED

Personnel

The employer employee relations continued to be cordial during the year and we wish to place on record our appreciation for the services rendered by employees and staff at all the levels. None of the employees received emoluments exceeding the limits set out under section 217 (2A) of the Companies Act, 1956.

Directors

Shri. V. S. Maydeo, Shri. D. P. Devhad and Shri. S. P. Baheti were appointed as Additional Directors on 28th December, 2007. They hold office till the ensuing Annual General Meeting and are eligible for reappointment. The Company has received notices pursuant to Section 257 from Shareholder, proposing their candidature for the office of the Director. Shri. V. S. Maydeo was appointed as an Executive (Whole-Time) Director w.e.f. 1st January, 2008.

Shri. M.D. Deshpande, Director, retires by rotation and being eligible, offers himself for reappointment.

Directors' Responsibility Statement

As stipulated in Section 217(2AA) of The Companies Act, 1956, your directors subscribe to the 'Directors Responsibility Statement' and confirm that :

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- ii) appropriate accounting policies have been selected and applied consistently and judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2008 and the profit of the company for the year ended 31st March, 2008;

iii) proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

iv) the annual accounts have been prepared on a going concern basis.

Compliance Certificate From Practicing Company Secretary:

Certificate obtained from M/s. J.H. Ranade & Associates, Company Secretaries, Thane under section 383A of the Companies Act, 1956, is attached to the Director Report.

Corporate Governance :

A separate report on Corporate Governance is produced as a part of the Annual Report, along with a Certificate on the compliance.

Auditors

Mr. Anand S Daga, Chartered Accountant, Nashik, retires at the forthcoming Annual General Meeting and has furnished a certificate of his eligibility for appointment under Section 224 (1) of the Companies Act, 1956. The Board recommends appointment of the Auditor.

Acknowledgments

Your Directors take opportunity to place on record their appreciation of the devoted services of the employees at all levels throughout the year. Your Directors also wish to place on record their appreciation of the assistance and continued co-operation extended by Bankers, Government Authorities and Financial Institutions.

For and on Behalf of The Board of Director

Place : Nashik

Date : 30th June, 2008

N. L. Patil

Director

SINNAR BIDI UDYOG LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

Business of the Company:

The Company operates in the tobacco industry, with tobacco processing and trading as its core activity. The working of the company during the year could be summarized as under:

Abridged Profit & Loss Statement for 2007-08

(Rs. in lacs)

| <i>Particulars</i> | <i>2007-08</i> | <i>2006-07</i> |
|--------------------------------|----------------|----------------|
| Net Sales | 161.39 | 668.14 |
| Other Income | 38.70 | 29.62 |
| Total Income | 200.09 | 697.76 |
| Manufacturing & Other Expenses | 191.30 | 682.28 |
| PBDIT | 8.79 | 15.48 |
| Depreciation | 4.98 | 6.10 |
| PBIT | 3.81 | 9.38 |
| Interest | 9.73 | 13.52 |
| PBT | (5.92) | (4.14) |
| Current & Differed Tax | (9.64) | 0.51 |
| PAT | 3.72 | (4.65) |

Key Financial Ratios:

| <i>Particulars</i> | <i>2007-08</i> | <i>2006.-07</i> |
|--------------------|----------------|-----------------|
| PBDIT/Net Sales | 5.45 | 2.32 |
| PBT/Net Sales | 2.36 | 1.40 |
| PAT /TOTAL INCOME | 1.86 | (0.67) |

Industry structure and developments:

India ranks among the top 5 five countries in both production and consumption of tobacco and tobacco products. Tobacco Industry in India employs 10 million people. Out of these, around 60 lakh are directly employed in the rolling of bidi activity. The rest are tendu leaves cultivators in the forest areas of the country. Maharashtra is home to around 2.5 to 3 lakh of this workforce. Solapur district alone employs nearly 65,000 workers in different activities of bidi industry. Andhra Pradesh and Karnataka also house tobacco processing units. Bidi products are 100 per cent natural with low nicotine and tar percentages. Also, Bidi is an important source of income, for women, whose earnings constitute on an average 45 to 50% of the total income.

Opportunities and threats:

Your Company's strength lies in the Tobacco processing plant, which is situated at Nipani in the state of Karnataka running exceptionally well, and its expertise is exhibited in developing specialised

SINNAR BIDI UDYOG LIMITED

blends to satisfy its customers.

Your Company's weakness stems from the fact that it is deeply affected by the amendments made in The Cigarettes and other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003 and this has impacted the business of the Company. The Government's plan to halve tobacco production by 2015 is also a major threat to the business of the Company, with raw material being scarce, which will also entail increase in costs.

Internal control systems and their adequacy

The Company has evolved a system of internal control which is adequate to its size and nature of business operations. The internal control system is designed to ensure desired level of control over the transactions. Internal audit plays an important role as it conducts audit of all key business areas as per a pre-drawn audit plan. The internal audit, among other things, looks at internal controls and gives suggestions for strengthening them.

The Company has a strong management information system which is an integral part of control mechanism and clearly defined roles and responsibilities, down the line for all managerial positions.

Material developments in Human Resources / Industrial Relations

The company's Human Resource philosophy is to work towards building a strong performance driven culture with greater accountability and responsibility at all levels. The personnel at all levels are made to identify their goals, resources and measurement of their achievement of the goals was sought.

For the workers in the tobacco industry, the Company has taken innovative employee welfare initiatives. Our deep-rooted work ethics ensure that both the management and workers help each other to achieve the goal of production and distribution of wealth upon principles of equity, reason and common good. We incessantly endeavour to create a scalable business model for our people, our biggest assets. These include working towards the benefit and safety through various welfare activities for the workers and their families, which include comprehensive medical and educational facilities.

Cautionary Statement:

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations and predictions may be "forward looking statements" within the meaning of applicable securities law and regulations. Actual results could differ materially from those expressed or implied, important factors that could make difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in the government regulations, tax regimes, economic developments in India and other incidental factors.

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CORPORATE GOVERNANCE REPORT

1. Company's Philosophy :

The Company is managed and operated on lines of a social enterprise. We are remaining firmly attached to the vision and values of our founding father, facilitating as a consequence, the economic wellbeing and child welfare of our workers. We look at the customer as an entity who monetizes the value chain... Actually, all our businesses revolve around the worker.

Giving back to our employees, stakeholders and communities enriches us with loyalty, talent and opportunity. We believe it is the right thing to do.

We have evolved a way to quantify our vision. The quantification of our vision and its achievement is based on two parameters: 1) The minimum wages guidelines set by the Ministry of Labour and 2) the UNICEF yardsticks for child welfare. A regular feedback from our workers and their families on the fulfillment of these parameters fructifies our vision which is ably supported by the following core set of values:

COMMITMENT - MEASUREMENT - FAIRNESS - ACCOUNTABILITY - TRANSPARENCY - ENABLING GROWTH

Our Governance Philosophy:

Your Company is committed to the Best practices in corporate governance. Sinnar Bidi Udyog Limited (SBUL) fosters the culture of focusing on transparency, integrity, responsibility and accountability. The Company has adopted various codes and systems which act as guiding principle to its functioning.

2. Board of Directors:

Composition of Board:

There are six Directors on the Board of the Company. One Executive Director and Five independent non-executive Directors. The Directors come from various disciplines and having varied experience in the field of Management.

Three new Directors were appointed during the year, as additional directors on 28th December, 2007. Various committees of the board were constituted on that date for the implementation of Corporate governance requirements.

Board Meetings:

Board meetings are held after giving due notice and agenda to all the Directors. The Board of Directors duly met 22 times in the financial year, respectively on :

5th April, 2007, 20th April, 2007, 31st May, 2007, 28th June, 2007, 29th June, 2007, 7th July, 2007, 30th July, 2007, 7th August, 2007, 28th September, 2007, 29th September, 2007, 25th October, 2007, 29th October, 2007, 21st November, 2007, 15th December, 2007, 20th December, 2007, 28th December, 2007, 1st January, 2008, 7th January, 2008, 30th January, 2008, 19th February, 2008, 19th March, 2008 & 26th March, 2008.