

THE SUKHJIT STARCH & CHEMICALS LIMITED



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54th
Annual Report
1997-98



THE SUKHJIT STARCH & CHEMICALS LIMITED

BOARD OF DIRECTORS

Sh. M.N. Sardana-Chairman

Sh. H.C. Sardana

Sh. Ram Nath

Sh. S.C. Jindal

Sh. A.K. Sardana

Sh. Naresh Sardana

Sh. V.K. Sardana

Sh. I.K. Sardana- Managing Director

Sh. K. K. Sardana-Jt. Managing Director

Sh. S.M. Jindal-Executive Director & Secretary

BANKERS

Punjab National Bank

G.T. Road, Phagwara- 144 401

AUDITORS

M/s K.B. Jasuja & Company

Chartered Accountants

B-2/49, Safdarjang Enclave

New Delhi.

REGISTERED OFFICE

Phagwara- 144 401. (Pb.)

ANNUAL REPORT & ACCOUNTS 1997-98

THE SUKHJIT STARCH & CHEMICALS LIMITED, PHAGWARA

NOTICE

Notice is hereby given that the 54th Annual General Meeting of the Members of The Sukhjith Starch & Chemicals Ltd., will be held on Tuesday, the 15th day of September, 1998 at 10-00 A.M. at the Registered Office of the Company at Phagwara, to transact the following business :—

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, Auditors' Report, Audited Balance Sheet and Profit & Loss Account for the year ended 31.3.1998.
2. To declare dividend on Equity Shares for the year ended 31.3.1998.
3. To appoint a Director in place of Shri H. C. Sardana, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Shri V. K. Sardana, who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, pass with or without modification (s) the following resolution as an ordinary resolution :—
 "RESOLVED that pursuant to the provisions of Section 198, 269, 309, 311 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, the consent of the Company be and is hereby granted to the reappointment of Shri I. K. Sardana as Managing Director of the Company with effect from 1st July, 1998 on the terms and conditions including remunerations as are set out in the Explanatory Statement annexed hereto with the liberty to the Board of Directors to alter and vary and / or modify the terms & conditions of the reappointment including remuneration, commission, etc. payable to Shri I. K. Sardana within the limits specified in Schedule XIII to the Companies Act, 1956 and / or any amendment thereto as may be made by the Central Government from time to time and as may be agreed between the Board of Directors and Shri I. K. Sardana.

FURTHER RESOLVED that if in any financial year closing after 31-3-1998 the Company has no profit or its profits are inadequate, the Company shall pay minimum remunerations to Shri. I. K. Sardana by way of salary/allowances and perquisites not exceeding the limits specified under Schedule XIII to the Companies Act, 1956 including any statutory modification or re-enactment thereof for the time being in force."

By Order of the Board.

S. M. Jindal

Executive Director & Secretary

Place : Phagwara

Dated : 10th August 1998.

NOTES

- (a) A member, entitled to attend and vote at the meeting, is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than FORTY EIGHT HOURS before the commencement of the meeting.
- (b) Shareholders intending to seek any clarification on the accounts in the meeting are requested to inform the company at least seven days in advance from the date of the Annual General Meeting.
- (c) The Register of Members and Share Transfer Books will remain closed from 1st September, 1998 to 15th September, 1998 (both days inclusive) for the purpose of payment of dividend.
- (d) Dividend Warrants to the members of the company will be posted within 42 days from the date of declaration of dividend.
- (e) Pursuant to Section 205A of the Companies Act, 1956 all the unclaimed dividends upto the financial year ended 31-3-1994 have been transferred to the General Revenue Account of the Central Government. Shareholders, who have not encashed their dividend warrants upto the said period, are requested to claim the amount from the Registrar of Companies, Punjab, H. P. & Chandigarh at 286, Garha Road, Defence Colony, Jalandhar.

Unclaimed dividends for the other years will be due for transfer to the Central Government on the following dates :—

Financial Year ended	Due on
31-3-1995	14-11-1998
31-3-1996	30-10-1999
31-3-1997	30-09-2000

Members who have not encashed their dividend warrants may approach the company for encashment of dividend warrants or for obtaining duplicate instruments.

- (f) Dividend, on shares allotted to the promoters on preferential basis on 1st October, 1997, shall be paid on pro-rata basis,
- (g) Members are requested to notify immediately any change in their addresses to the company.

THE SUKHJIT STARCH & CHEMICALS LIMITED, PHAGWARA

NOTICE

EXPLANATORY STATEMENT TO ITEM NO. 6

(Pursuant to Section 173 of The Companies Act, 1956)

The reappointment of Shri I.K. Sardana was approved in the Annual General Meeting held on 27th September, 1993 (with effect from 1st July, 1993). His term of office has expired on 30th June, 1998 and your Directors have reappointed Shri I. K. Sardana as Managing Director of the Company for a further term of 5 years with effect from 1st July, 1998 on the following terms & conditions :—

1. The Managing Director shall act under the superintendence, control and directions of the Board of Directors and is vested with the powers of governance and control of the company and is authorised to exercise all the powers for the general conduct of business and affairs of the company efficiently and profitably.
2. The re-appointment is made for a period of 5 years with effect from 1st July, 1998.

3. REMUNERATION :

- (a) Salary : Rs. 33,000/- p.m. with annual increment as may be decided by the Board of Directors from time to time within the overall limits specified under Schedule XIII to the Companies Act, 1956.
- (b) Commission : 1/2% (Half percent) of the net profits of the company for each financial year.
- (c) Perquisites : perquisites shall be allowed in addition to salary and commission. These will be restricted to an amount equal to annual salary or Rs. 4.5 Lacs whichever is less.

Unless otherwise the context requires Shri I.K. Sardana shall be entitled to the following perquisites under three categories :—

CATEGORY 'A'

- (i) Free furnished accommodation with 10% deduction of salary.
- (ii) Medical re-imbursement for the expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months' salary in a period of three years as per the rules of the company.
- (iii) Leave Travel Concession for the appointee and his family once in a year as per rules of the Company.
- (iv) Club fee subject to a maximum of two clubs and not including membership fee or life membership fee.
- (v) Personal Accident Insurance : Personal Accident Insurance subject to a premium not exceeding Rs. 4,000/- per annum.

CATEGORY 'B'

- (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent that these either singly or put together are not taxable under the Income Tax Act. Gratuity : Gratuity payable @ not exceeding 1/2 month's salary for each completed year of service. (Contribution to Gratuity Fund as per rules of the company).
- (ii) Earned Leave : Full pay and allowances as per rules of the company but not exceeding one month's leave for every 11 months of service. Encashment of leave at the end of tenure will not be considered as ceiling on the computation of perquisites.

CATEGORY 'C'

Provision of chauffeur driven car for use on company's business and telephone at residence will not be considered as perquisites. However, personal long distance calls or private use of car shall be billed to the appointee as per rules of the company.

The above limits shall be subject to Schedule XIII of the Companies Act, 1956 and any amendment thereto as may be made by the Central Government from time to time and agreed between the Board of Directors and Shri I.K. Sardana. He shall be entitled to actual entertainment and travelling expenses incurred during the course of business as per rules of the company. Shri I.K. Sardana will not receive any sitting fee for attending the meeting of the Board of Directors of the company and shall not, so long as he functions as a Managing Director of the company, become interested or concerned directly or through his wife or minor children in any selling agency of the company without prior approval of the Central Government. None of the Directors except Shri I. K. Sardana and Shri K. K. Sardana are concerned or interested in this resolution.

The Explanation together with the accompanying notice is and should be treated as an abstract under Section 302 of the Companies Act, 1956 in respect of re-appointment of Shri I. K. Sardana as Managing Director of the Company.

By Order of the Board,

S. M. Jindal
Executive Director & Secretary

Place : Phagwara

Dated : 10th August 1998

THE SUKHJIT STARCH & CHEMICALS LIMITED, PHAGWARA**DIRECTORS' REPORT**

Ladies and Gentlemen,

Your Directors are pleased to present before you the 54th Annual Report and the Audited Statement of Accounts for the year ending 31st March, 1998.

1. FINANCIAL RESULTS

	1997-98	1996-97
	(Rs. in Lacs)	(Rs. in Lacs)
Sales and other Income	5978.11	5644.78
Profit before tax & Depreciation	850.79	718.55
Profit before tax but after depreciation	705.44	612.05
Provision for taxes	164.56	105.00
Surplus brought forward	12.47	10.61
Surplus available for appropriation	553.35	517.66
Proposed Dividend	203.96	186.54
Corporate tax on Dividend	20.40	18.65
Transfer to General Reserve	300.00	300.00
Surplus carried forward	28.99	12.47

2. PERFORMANCE

Recessionary trends in the industry continue to inflict the country including the Starch Industry, resulting in severe competition inspite of which there has been a marginal increase of 5% in the turn-over, however, there has been an increase of 15% in the profitability before tax (after depreciation), which has been possible due to stringent controls and judicious purchase of raw-materials which showed divergent trend during the year under review. There has been handsome increase of 22% in the exports of company's products. The company continues to enjoy its leading position in the Industry.

3. FUTURE OUTLOOK :

Although the recessionary trends continue to persist however, the company has been able to maintain its sales at the previous year's level and if the effects of the new budget and the liberalization policy of the Government take hold of the economy, the company shall be able to improve its performance before the year comes to an end. The company has been able to cover sufficient raw-materials to ensure its continuous working till the arrival of the next crop.

4. DIVIDEND

The Directors are pleased to recommend a dividend of 60% i.e. the same as previous year, subject to tax, in view of the fact that the company has been able to maintain its profitability during the year.

5. DEPOSITS

There have been no cases of unclaimed and unpaid deposits during the year. All the deposits have been repaid/renewed as per instructions of the depositors and provisions of Section 58-A of the Companies Act, 1956 and the relevant rules made thereunder.

6. SUBSIDIARY COMPANIES

(a) **The Vijoy Steel & General Mills Co. Ltd., Phagwara** continues to perform well despite recession in the steel industry.

(b) **SUKHJIT FINANCE LTD**

The financial year 1997-98 was one of the difficult years for Non-banking Finance Companies due to general economic recession, sluggish capital market and inadequate liquidity. However, the company has been able to perform reasonably well. It has earned a profit of Rs. 111.04 Lacs before tax.

THE SUKHJIT STARCH & CHEMICALS LIMITED, PHAGWARA**DIRECTORS' REPORT**

Statement in respect of (a) and (b) is annexed hereto pursuant to Section 212 of The Companies Act, 1956 and forms an integral part of this report.

7. PERSONNEL

Pursuant to Section 217 (2A) of the Companies Act, 1956, particulars of the employees of the company drawing remunerations above Rs. 25,000/— per month are set out in the Schedule.

8. CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, TECHNICAL ADAPTATION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The recommendations of the energy audit are being implemented and extensive modernization of the Starch Plant has been done, which has resulted in saving of power, fuel, etc. directly.

The information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with the provisions of The Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988 is appended hereto and forms part of this report.

9. DIRECTORS

Shri H. C. Sardana retired as the Chairman of the Company at the conclusion of the last annual general meeting and showed his inability to continue, as a result of which Shri M.N. Sardana was elected to the Chair. However, the board decided to retain Shri H. C. Sardana as the Chairman Emeritus in view of the long and outstanding services rendered by him. In accordance with the provisions of the Companies Act, 1956, Shri H. C. Sardana and Sh. V. K. Sardana retire by rotation and being eligible, the Board recommends their reappointment.

10. ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the co-operation received from the bankers, Punjab National Bank, and place on record their deep sense of appreciation for the devoted services of the Executives, staff and workers of the Company for its success.

Yours truly,

for and on behalf of the Board,

M. N. Sardana

Chairman

Dated 24th July, 1998.

ANNEXURE 'A'

STATEMENT CONTAINING PARTICULARS PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1998.

A. POWER & FUEL CONSUMPTION		CURRENT YEAR	PREVIOUS YEAR
1. ELECTRICITY			
(a) Purchase Units— 000KWH		17155	16246
Total amount Rs. 000		50939	43082
Rate/Unit Rs. KWH		2.97	2.65
(b) Own Generation			
(i) Through Diesel Generation			
—Units 000KWH		1187	1174
—Units per litre of Diesel Oil		2.50	2.40
—Cost/Unit Rs.		3.67	3.35
(ii) Through Steam Turbine/Generator			
—Units		Nil	Nil
—Units per litre of Fuel Oil/Gas		Nil	Nil
—Cost/Unit Rs.		Nil	Nil
2. Coal (Steam Coal used on Biolers)			
Quantity (M. Tons)		3011	4146
Total Cost Rs. 000		8280	9627
Average Rate Rs./MT		2750	2339
3. Furnace Oil			
Quantity (K. Liters)		345	389
Total amount—Rs. 000		2343	2670
Average Rate—Rs./ K. Litre		6790	6850
4. Others (Rice Husk)			
Quantity: (M. Tons)		18633	18394
Total Cost-Rs. 000		12914	12144
Rate Unit-Rs./MT		693	660

B. CONSUMPTION PER M.TON OF PRODUCTION

	Standard, if any		
Production	Nil	47545	47422
Electricity-Ton/KWH	Nil	361*	343*
Coal-Ton/Kgs	Nil	63	87
Furnace Oil-Ton/Ltr.	Nil	108**	128**
Other-Rice Husk-Ton/Kgs	Nil	392	388

Variation due to change in product mix.

** Used for production of Gluton and Fine Maize Husk only.

II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

The company has not entered into any technical collaboration agreement. It has not acquired any technical know-how from any foreign source so far.

III. RESEARCH & DEVELOPMENT

- The pioneer work on maize continues at the Company's Research & Development Centre.
- Maize growing has started gaining ground in the State of Punjab. The company expects increased procurement of Maize locally. The Company has procured 77669 bags of Maize this year against 53250 bags previous year.
- Future Plan of Action : The company proposes to continue research work in developing suitable varieties of seed by which both the industry and the Farming community would benefit.

IV. EXPENDITURE ON R & D

Amount for the year (Rs.)

- Capital Nil
- Recurring 194794
- Total 194794
- Total R & D Expenditure as a percentage of total turnover. .03%

V. FOREIGN EXCHANGE EARNINGS & OUTGO

- Foreign Exchange earnings of the Company have been to the tune of Rs. 24073338/- (Rs. 19610171/- previous year) on F. O. B. basis.
- The Company has imported other raw materials/consumables of Rs. 1569823/- (Rs. 1881379/- previous year) on C.I.F. basis and incurred a sum of Rs. 72520/- (Rs. 227064/- previous year) on foreign travel, paid Rs. 147385/- (Rs. 227064/- previous year) as commission to foreign Agents and Rs. 181510/- (Nil previous year) as interest to Bank and Rs. 19425/- (Nil previous year) towards subscription to foreign Journals.

THE SUKHJIT STARCH & CHEMICALS LIMITED, PHAGWARA**STATEMENT SHOWING SUBSIDIARY COMPANIES PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956.**

1. Name of the Company	The Vijoy Steel & Gen Mills Co. Ltd.	Sukhjot Finance Limited
2. Holding Company's interest	Holding 36860 equity shares in the subscribed & fully paid up capital of 41700 equity shares of Rs. 10/- each	Holding 4000000 equity shares in the subscribed & fully paid up capital of 4950000 equity shares of Rs. 10/- each.
3. Net aggregate amount of subsidiary Company's profits less losses so far as it concerns the members of the holding company and is not dealt with in Company's accounts.		
(a) For year ended 31.3.98	270521	6558530
(b) For the previous financial years of the subsidiary of the company.	1305580	6022875
4. Net aggregate amount of subsidiary Company's profit less losses or vice versa dealt with or provided for in the company's accounts.		
(i) For the subsidiary Company's financial year ended 31.3.98	73720	4800000
(ii) For the previous financial years of the subsidiary since it became subsidiary.	560272	9912329

PARTICULARS OF EMPLOYEES PURSUANT TO PROVISIONS OF SECTION 217 (2-A) OF THE COMPANIES ACT, 1956 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 1998.

(A) Persons employed throughout the financial year and were in receipt of remuneration in aggregate of not less than Rs. 3,00,000/- for the year.

Name of Employee	Designation	Annual Remuneration	Qualification	Exp. in Yrs.	Age Yrs.	Previous Employment	Date of commencement	Relationship with Director
Sh. I. K. Sardana	Managing Director	735627	B.A.	31	52	—	2.8.67	Brother of Sh. K. K. Sardana
Sh. K. K. Sardana	Jt. M. D.	703696	B. A.	26	51	—	18.1.72	Brother of Sh. I.K. Sardana
Sh. S. M. Jindal	Ex. Dir. & Secretary	688733	B.Sc. LL.B.	38	67	—	15.6.60	—

(B) Persons employed for the part of the year and were in receipt of remuneration in aggregate at the rate of not less than Rs. 25000/- per month.

— — — NIL — — —

NOTES :

1. Remuneration shown above includes Salaries, Commission, Contribution to P.F., Superannuation and perquisites valued in accordance with Income-tax Rules.
2. All the appointments are on non-contractual basis and others terms & conditions as per rules of the company.

THE SUKHJIT STARCH & CHEMICALS LIMITED, PHAGWARA**AUDITORS' REPORT**

To
The Shareholders of
The Sukhjit Starch & Chemicals Ltd.,
PHAGWARA.

We have audited the attached Balance Sheet of The Sukhjit Starch & Chemicals Ltd., Phagwara as at 31st March, 1998 and also Profit & Loss Account of the Company for the year ended on that date and annexed hereto and report that :—

1. As required by Manufacturing and other Companies (Auditors' Report) Order, 1988 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters in paragraph 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph 1 above :—
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (b) In our opinion, proper books of accounts as required by law have been kept by the company, so far as appears from our examination of the books.
 - (c) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account.
 - (d) In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit & Loss Account together with the notes thereon and attached thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :—
 - i) in the case of Balance Sheet of the State of affairs of the company as at 31st March, 1998.
 - ii) in the case of Profit & Loss Account, of the profit of the company for the year ended on that date.

FOR K.B. JASUJA & COMPANY,
Chartered Accountants,

(K. B. JASUJA)

B.COM. F.C.A.

Prop.

New Delhi

Dated : 24th day of July, 1998

ANNEXURE TO AUDITORS' REPORT :

(Annexure to our report of even date to the Members of The Sukhjit Starch & Chemicals Ltd., Phagwara)

1. The Company has maintained proper records showing full particulars (including quantitative details and situation of its fixed assets). As per information given to us the fixed assets have been physically verified by the management. The discrepancies noticed on such verification were not serious and have been properly dealt with in the books of account.
2. None of the fixed assets as appearing in the account of the company on the Balance Sheet date has been revalued at any time during the year.
3. Stock of finished goods, stores, spare-parts and raw materials have been physically verified at reasonable intervals during the year by the management which is considered reasonable.
4. In our opinion, the procedure of physical verification of stock followed by the management is reasonable and adequate in relation to the size of the company and the nature of its business.