

THE SUKHJIT STARCH & CHEMICALS LIMITED



55th
Annual Report
1998-99

THE SUKHJIT STARCH & CHEMICALS LIMITED, PHAGWARA

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 1998-99

THE SUKHJIT STARCH & CHEMICALS LIMITED, PHAGWARA**NOTICE**

Notice is hereby given that the 55th Annual General Meeting of the Members of The Sukhjit Starch & Chemicals Ltd., will be held on Thursday, the 16th day of September, 1999 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 31.3.1999.
2. To declare dividend on Equity Shares for the year ended 31.3.1999.
3. To appoint a Director in place of Shri M.N. Sardana, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Shri A.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.

By order of the Board,

S.M. Jindal

Executive Director & Secretary

Place : Phagwara

Dated : 2nd August, 1999

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, 1999 to 16th September, 1999 (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 31-3-1995 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 Investor Protection and Education Fund as follows :

Financial Year ended	Due on
31-3-1996	30-10-2003
31-3-1997	22-10-2004
31-3-1998	27-10-2005

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

- (f) Members are requested to notify immediately any change in their addresses to the company.

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

Ladies and Gentlemen,

Your Directors are pleased to present before you the 55th Annual Report and the Audited Statement of Accounts for the year ending 31st March, 1999.

1. FINANCIAL RESULTS

	1998-99 (Rs. in lacs)	1997-98 (Rs. in lacs)
Sales and other income	5856.40	5978.11
Profit before tax & depreciation	601.16	850.79
Profit before tax but after depreciation	482.14	705.44
Provision for taxes	108.76	164.56
Surplus brought forward	28.99	12.47
Surplus available for appropriation	402.37	553.35
Proposed dividend	147.60	203.96
Corporate tax on dividend	16.23	20.40
Transfer to General Reserve	200.00	300.00
Surplus carried forward	38.54	28.99

2. PERFORMANCE

Contrary to the expectations, the recessionary trend continued to afflict the trade and industry as a whole and to top it off, the weather conditions have not been very kind to the agricultural sector, affecting the availability and prices of Maize—the basic raw material, as a result of which lower production and higher cost adversely affected the turnover and profitability of the company.

3. FUTURE OUTLOOK

The market conditions have started showing some improvement in the current year. However, poor weather conditions and floods in the state of Bihar continue to affect the procurement and prices of Maize from Rabi Crop. The Industry has resorted to import of Maize and it is expected that once the contracted quantities of import reach the Indian Ports, the upward trend may be arrested. There seems to be a turnaround in the core industrial sector such as Steel and Cement and if that is any indication, it will have a salutary impact on other industrial segments.

4. DIVIDEND

The Directors are pleased to recommend a Dividend of 40% which with Corporate Tax on Dividend will work out to an effective pay out of 44.4%.

5. DEPOSITS

There have been no cases of unclaimed and unpaid deposits during the year. All the deposits have been repaid/renewed as per the 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 :** The turnover of the company has been adversely affected due to recessionary trends in Steel Industry last year.
- (b) **Sukhjot Finance Ltd., Phagwara :** Industrial recession continued to adversely affect the operations of the Non Banking Finance Companies during 1998-99. However, the company has been able to achieve 30% growth from the previous year. It has earned a profit of Rs. 107.55 lacs before tax showing a minor fall due to charge of unusual items.
- (c) **Scott Industries Ltd., Phagwara :** The Company has made significant progress in the completion of civil works at site and most of the machinery has arrived and is under erection. During the financial year, company has made a turnover of Rs. 144.08 lacs, but due to initial expenditure on market exploration there is a loss of Rs. 11.02 lacs.

THE SUKHJIT STARCH & CHEMICALS LIMITED, PHAGWARA**DIRECTORS' REPORT****7. PERSONNEL**

Pursuant to Section 217 (2A) of the Companies Act, 1956, particulars of the employees of the company drawing remuneration above Rs. 50,000/- 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. Y2K COMPLIANCE

Y2K problem will not affect the operational activities of the company since being manually controlled. However, the Company has already taken necessary steps for the upgradation of Hardware for the Accounting Systems. The cost on this account is quite insignificant as the regular replacement/upgradation has taken due care of Y2K problem. No contingency plan is warranted for the purpose.

10. DIRECTORS

In accordance with the provisions of the Companies Act, 1956, Shri M.N. Sardana and Shri A.K. Sardana retire by rotation and being eligible, the Board recommends their reappointment.

11. 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, 1999

THE SUKHJIT STARCH & CHEMICALS LIMITED, PHAGWARA**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, 1999.

I A. POWER & FUEL CONSUMPTION

1. ELECTRICITY	CURRENT YEAR	PREVIOUS YEAR
(a) Purchase Units-000KWH	15989	17155
Total amount Rs. 000	53566	50939
Rate/Unit Rs.	3.35	2.97
(b) Own Generation		
(i) Through Diesel Generation		
—Units-000KWH	456	1187
—Units per litre of Diesel Oil	2.50	2.50
—Cost/Unit Rs.	3.82	3.67
(ii) Through Steam Turbine/Generator		
—Units	Nil	Nil
—Unit per litre of Fuel Oil/Gas	Nil	Nil
—Cost/Unit-Rs.	Nil	Nil
2. Coal (Steam Coal used on Boilers)		
Quantity (M. Tons)	842	3011
Total Cost Rs. 000	2307	8280
Average Rate Rs./MT	2740	2750
3. Furnace Oil		
Quantity-K.Litres	482	345
Total amount Rs. 000	3186	2343
Average Rate-Rs./K.Litre	6610	6790
4. Others (Rice Husk)		
Quantity-M.Tons	21865	18633
Total Cost-Rs. 000	17272	12914
Average Rate-Rs./MT	790	693

THE SUKHJIT STARCH & CHEMICALS LIMITED, PHAGWARA**ANNEXURE 'A'****(B) CONSUMPTION PER. M.TON OF PRODUCTION**

	Standard, if any	CURRENT YEAR	PREVIOUS YEAR
Production	Nil	48879	47545
Electricity-Ton/KWH	Nil	327*	361*
Coal-Ton/Kgs	Nil	17	63
Furnace Oil-Ton/Ltr.	Nil	165**	108**
Other Rice Husk-Ton/Kgs.	Nil	447	392

* 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

- (i) The pioneer work on Maize continues at the Company's Research & Development Centre.
- (ii) Maize growing has started gaining ground in the State of Punjab. The company expects increased procurement of maize locally.
- (iii) 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 could benefit.

IV. EXPENDITURE ON R & D

Amount for the year (Rs.)

(a) Capital	Nil
(b) Recurring	178244
(c) Total	178244
(d) Total R & D Expenditure as a percentage of total turnover	0.03%

V. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Foreign Exchange earnings of the company have been to the tune of Rs. 10915044/- (Rs. 24073338- Previous year) on F.O.B. basis.
2. The Company has imported other raw materials/consumables of Rs. 2429054/- (Rs.1569823/- Previous year) on C.I.F. basis and incurred a sum of Rs. Nil (Rs. 72520/- Previous year) on foreign travel, paid Rs. 113100/- (Rs. 147385/- Previous year) as commission to foreign agents and Rs. Nil (Rs. 181510/- Previous year) as interest to Bank and Rs. 16025/- (Rs. 19425/- 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.	Sukhjait Finance Limited	Scott Industries Ltd.
2. Holding Company's interest	Holding 36,860 equity shares in the subscribed & fully paid up capital of 41,700 equity shares of Rs. 10/- each	Holding 40,24,200 equity shares in the subscribed & fully paid up capital of 49,50,000 equity shares of Rs. 10/- each.	Holding 15,00,000 equity shares in the subscribed & fully paid up capital of 15,01,400 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 the year ended 31.3.99	(—) 2,29,011	58,62,130	(—) 11,01,180
(b) For the previous financial years of the subsidiary of the Company	15,02,382	78,28,484	—
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 31.3.99	73,720	48,08,400	—
(ii) For the previous financial years of the subsidiary since it became subsidiary.	6,33,992	1,47,20,729	—

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, 1999

(A) Persons employed throughout the financial year and were in receipt of remuneration in aggregate of not less than Rs. 6,00,000/- 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	709488	B.A.	32	53	—	2.8.67	Brother of Sh. K.K. Sardana
Sh. K.K. Sardana	Jt. M.D.	672223	B.A.	27	52	—	18.1.72	Brother of Sh. I.K. Sardana
Sh. S.M. Jindal	E. Dir. & Secretary	652073	B.Sc. LL.B.	39	68	—	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. 50,000/- 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 other 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, 1999 and also the Profit and Loss Account of the company for the year ended on that date annexed hereto and report that :—

1. As required by the 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 paragraphs 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 and Loss Account dealt with by this report are in agreement with the books of account.
 - (d) In our opinion, the Profit & Loss Account and Balance Sheet comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, to the extent applicable.
 - (e) 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, 1999.
 - (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,

Place : New Delhi
Dated : 24th day of July, 1999

(K.B. JASUJA)

B. Com., F.C.A.
Prop.

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 accounts 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.

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

5. The discrepancies noticed on such verification between physical stock and book records were not material and the same have been properly dealt with in the books of account.
6. In our opinion, the valuation of stock of finished goods, stores and spare-parts, raw materials has been fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the earlier years.
7. According to the information given to us the Company has not taken any loans from the Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
8. The Company has not granted any loans, secured or unsecured, to Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/or Companies under the same management as defined under Sub-section (IB) of Section 370 of the Act.
9. According to the information given to us, the company has given loans/advances to its employees who are repaying regularly stipulated instalments towards principal amount. No interest is being charged on such loans/advances.
10. On the basis of checks carried out during the course of audit and as per explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of stores, raw-materials, including components, plant & machinery, equipment and other assets and for sale of goods.
11. The Company has not made any purchase of stores, raw-materials and components from firms, companies or other parties in which the directors are interested, exceeding Rs. 50,000/- in value as listed in the register maintained under Section 301 of the Act.
12. As explained to us the Company has regular procedure for the determination of unserviceable or damaged stores and raw-materials which are adjusted in the accounts on the basis of technical evaluation. Adequate provision has been made in the accounts for the loss arising on the items so determined.
13. In our opinion and according to the explanations given to us, the Company has complied with the provisions of Section 58-A of the Companies Act, 1956 and the rules framed thereunder with regard to the deposits accepted from the public.
14. In our opinion, reasonable records have been maintained by the company for the sale and disposal of by-products and scrap.
15. In our opinion and according to the information and explanations given to us, the internal audit system as installed commensurates with the size of the Company and of the nature of business.
16. The Central Govt. has not prescribed the maintenance of cost records for any of the products of the Company under Section 209 of the Companies Act, 1956.
17. According to the records of the Company, the Company has been regular in depositing Provident Fund and Employees State Insurance dues.
18. There was no amount outstanding as on 31.3.1999 in respect of undisputed Income-tax, Sales-tax, Custom-duty and Excise duty for a period of more than 6 months from the date they become due.
19. The Company has a policy of authorising expenditure based on reasonable checks and balances. The policy is intended to ensure that expenses are authorised on the basis of contractual obligations or accepted business practices having regard to the Company's business needs and exigencies. In terms of these observations, we have not come across any expenses charged to revenue account which, in our opinion and judgement and to the best of our knowledge and belief, could be regarded as personal expenses.
20. The Company is not a sick industrial unit within the meaning of Clause (0) of Section 3 (1) of the Sick Industrial Companies (Special Provisions) Act, 1985

FOR K.B. JASUJA & COMPANY

Chartered Accountants,

Place : New Delhi

Dated : 24th day of July, 1999

(K.B. JASUJA)

B. Com., F.C.A.

Prop.