

THE SUKHJIT STARCH & CHEMICALS LIMITED



58th *Annual Report* **2001-2002**

Registration Certificate

*This is to certify that the
Management Systems of*

The Sukhjit Starch & Chemicals Limited

*have been assessed by
International Certifications Ltd
and found to comply with the requirements of*

ISO 9001:2000

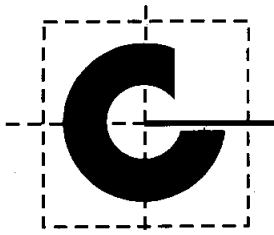
DB Bans

12524.02

Managing Director

Certificate Number

JAS-ANZ



Copy of the ISO 9001:2000 Registration Certificate

THE SUKHJIT STARCH & CHEMICALS LIMITED, PHAGWARA

BOARD OF DIRECTORS

Sh. V.K. Sardana – Chairman
Sh. H.C. Sardana
Sh. M.N. Sardana
Sh. S.C. Jindal
Sh. A.K. Sardana
Sh. Naresh 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.

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REGISTERED OFFICE

Phagwara-144 401 (Pb.)

ANNUAL REPORT & ACCOUNTS 2001-2002

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

Notice is hereby given that the 58th Annual General Meeting of the Members of The Sukhjit Starch & Chemicals Ltd., will be held at the Registered Office of the Company at Phagwara on Wednesday, the 25th day of September, 2002 at 10.00 a.m. 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 31.3.2002.
2. To declare dividend on Equity Shares for the year ended 31.3.2002.
3. To appoint Director in place of Shri A.K. Sardana who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Director in place of Shri M.N. Sardana who retires by rotation and being eligible offers himself for re-appointment.
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, to pass, with or without modification(s) the following resolution as Special Resolution :
Amendment of Articles of Association

Dematerialisation/Rematerialisation of Securities :

Resolved that pursuant to the provisions of section 31 and other applicable provisions of the Companies Act, 1956, the Articles of Association of the Company be and are hereby amended by inserting Article 21 (a) after the existing Article 21, as follows :

The Company may dematerialise/rematerialise its securities & to offer its securities in the dematerialised form pursuant to the Depositories Act, 1996, the subscriber/holder of the securities shall have an option to receive the security certificates or to hold the securities in the dematerialised form with a depository. The Board of Directors of the Company shall be authorised to do the necessary acts with regard to dematerialisation/rematerialisation of securities in accordance with the applicable rules and provisions of the Act.

Notwithstanding anything contained in these articles, the company shall be entitled to dematerialise/rematerialise its securities and to offer the securities in a dematerialised form pursuant to the Depositories Act.

Every person subscribing to Securities offered by the Company shall have the option to receive security certificates or to hold the securities with a Depository. Such a person who is the beneficial owner of the securities can at any time opt out of a Depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, and the company shall, in the manner and within the time prescribed, issue to the beneficial owner, the required certificates or securities. If a person opts to hold his security with a Depository, the Company shall intimate such depository the details of allotment of Security and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

Nothing contained in Section 108 of the Companies Act, 1956 or these articles shall apply to a transfer of securities affected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

The Register and Index of beneficial owners maintained by a Depository under the Depositories Act shall be deemed to be the Register and Index of the Members and Security Holders for the purpose of these articles.

The Board is hereby authorised to sub-delegate all or any of its authorities conferred, as above, to any Director (s)/ Committee/ Officer (s)/ Authorised Representative (s) of the company in order to give effect to the aforesaid provisions.

DEFINITIONS :

For the purpose of this Article :

"Beneficial owner" means a person or persons whose name is recorded as such with a depository or as defined in Clause (a) of Sub-section (1) of Section 2 of the Depositories Act, 1996.

"Bye laws" means bye-laws made by a Depository under Section 26 of the Depositories Act, 1996.

"Depositories Act" means Depositories Act, 1996 and shall include any statutory modification thereto or re-enactment thereof for the time being in force.

"Depository" means Depository as defined in Clause (e) of Sub-Section (1) of section 2 of the Depositories Act, 1996.

"SEBI" means the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992.

"Securities" means such security as may be specified by SEBI from time to time.

"Registered owner" means a Depository whose name is entered as such in the records of the Company.

THE SUKHJIT STARCH & CHEMICALS LIMITED, PHAGWARA

NOTICE

Explanatory Statement Pursuant to Section 173 (2) of the Companies Act, 1956 to Item No. 6.

As per directive of Securities & Exchange Board of India (SEBI), the shares of the Company are included in the list where trading in dematerialised form has been made compulsory. Securities & Exchange Board of India (SEBI) has advised the company to enter into agreements with Depositories viz. National Securities Depositories Ltd. (NSDL) and Central Depositories Services Ltd. (CDSL) for dematerialisation of securities of the Company. The Company has accordingly signed the agreements with NSDL and CDSL in order to facilitate the holding and transfer of securities of the company in dematerialised form.

Consequent to the passing of Depositories Act, 1996 and with the introduction of the Depository system certain provisions of the Companies Act, 1956 have been amended to facilitate the implementation of the Depository system.

As the Company has joined Depository system, suitable modification(s)/addition(s) is required to be made in the Articles of Association of the Company pertaining to the issue, holding, transfer of securities and other related matters.

None of the Directors is in any way concerned or interested either directly or indirectly in the aforesaid resolution except that to the extent they hold any shares in the company.

By Order of the Board,

Place : Phagwara

Dated : 27th July, 2002

S.M. JINDAL

Executive Director & Secretary

NOTES :

1. A member, entitled to attend and vote at the meeting, is entitled 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.
2. Shareholders intending to seek any clarification of 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. A copy of the Balance Sheet as at March 31, 2002 and the Profit & Loss Account for the year ended on that date together with the Auditors' and Directors' Reports thereon are enclosed. Members are, however, requested to bring their copies of Annual Report to the meeting.
3. The Register of Members and Share Transfer Books of the company shall remain closed from 16th day of September, 2002 to 25th day of September, 2002 (both days inclusive)
4. Members are requested to notify any change in their address immediately to the Company.
5. Dividend Warrants, to the resident members of the Company will be posted within 30 days from the date of declaration of dividend.
6. No income-tax shall be deducted at source from Dividend Payments upto Rs. 2,500/-. The members who are likely to receive dividend more than Rs. 2,500/- and who estimate their total income during the financial year ending 31.3.2003 to be less than the minimum amount liable to income tax, may file a declaration on Form 15-G, in duplicate, with the Company on or before the date of Annual General Meeting in order to receive dividend without deduction of tax at source.
7. Members are hereby informed that Dividends which remain unclaimed/unencashed over a period of 7 years have to be transferred by the Company to Investors Education & Protection Fund (IEPF) constituted by the Central Government under Section 205C of the Companies Act, 1956. Further, under the amended provisions of the Companies Act, 1956, no claim shall lie for the unclaimed dividend either from the Company or from IEPF.
8. Members, who have not encashed their dividend warrants for the financial year 1995-96, 1996-97, 1997-98, 1998-99, 1999-2000 and 2000-2001 may approach the company for revalidation of the original dividend warrants or for obtaining duplicate dividend warrants. The unpaid/unclaimed amount will be deposited to the Investors Education and Protection Fund as per the given schedule :

Dividend for Financial year	Date of Declaration	Due Date for Deposit
1995 - 1996	18.09.1996	17.09.2003
1996 - 1997	21.09.1997	20.09.2004
1997 - 1998	15.09.1998	14.09.2005
1998 - 1999	16.09.1999	15.09.2006
1999 - 2000	22.04.2000	21.04.2007
2000 - 2001	27.09.2001	26.09.2008

9. Section 109A and 109B of the Companies Act, 1956 has extended the nomination and transmission facility to the share holders of the company. The shareholders can avail the above facility by furnishing to the Company the particulars of their nominee (s). Every person who becomes the nominee by virtue of Section 109A may upon the production of such evidence as may be required by the Board elect either to get himself registered as the holder of the securities or to make such transfers as the case may be as the deceased holder could have made.

THE SUKHJIT STARCH & CHEMICALS LIMITED, PHAGWARA

DIRECTORS' REPORT

Ladies & Gentlemen,

Your Directors are pleased to present before you the 58th Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2002.

1. FINANCIAL RESULTS

	2001-2002 (Rs. in lacs)	2000-2001 (Rs. in lacs)
Sales & other income	6579.18	6883.28
Profit before tax & depreciation	556.46	519.26
Profit before tax but after depreciation	404.03	381.45
Provision for taxes	121.36	118.64
Surplus brought forward	18.41	47.92
Surplus available for appropriation	301.08	310.73
Proposed dividend	129.15	129.15
Corporate tax on dividend	-	13.17
Transfer to General Reserve	125.00	150.00
Surplus carried forward	46.94	18.41

2. PERFORMANCE

The company has achieved a total turnover of Rs. 65.79 crores for the year ended 31/03/2002 against Rs. 68.83 crores for the year ended 31/03/2001. However profit before depreciation has gone up to Rs. 5.56 crores against Rs. 5.19 crores for the previous year. The Company has provided Rs. 1.21 crores (Rs. 1.18 crores) for taxation including deferred tax of Rs. 16 lacs, resulting in net profit after tax of Rs. 2.83 crores against Rs. 2.63 crores for the previous year.

3. FUTURE OUTLOOK

As required under Corporate Governance, Management Discussion and Analysis Report which is forming a part of this report is a reflection of the current state of business. Raw materials prices have already increased due to scarce availability, so it may continue to keep pressure on the margins in the running quarter and profitability for the remaining quarters will depend upon Kharif crop prospects.

4. EXPANSION

The company has decided to set up a third unit at Malda in the Eastern Sector of the country to meet the growing demand of that sector. Commissioning of the project is going as per schedule and expected to start regular production by the end of this year. The project has already been appraised by the Punjab National Bank and necessary term loan has accordingly been sanctioned.

5. CORPORATE GOVERNANCE

Your company is fully committed to the philosophy of transparency and believes in conducting the business with due compliance of all the applicable laws, rules and regulations. The company has duly implemented the system of Corporate Governance as per the requirements of the Listing Agreement. Detailed report appears in the Annexures forming part of this report.

6. DIVIDEND

The Directors are pleased to recommend maintaining a dividend @ 35% (subject to deduction of tax at source) for the financial year ended 31st March, 2002, as the company needs to conserve funds for on-going expansion at Malda.

7. DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors confirm :

- that in the preparation of the Annual Accounts for the Financial Year ended 31st March, 2002, the applicable Accounting Standards have been followed alongwith proper explanation relating to material departures ;
- that the Directors' has selected such accounting policies and applied them consistently and made judgements 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 the year so ended ;
- that the Directors have taken proper and sufficient care 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
- that the Directors have prepared the Annual Accounts for the Financial Year ended 31st March, 2002 on a 'going concern' basis.

8. DEPOSITS

All the deposits have been renewed/repaid as per the provisions of Section 58-A of the Companies Act, 1956 and rules made thereunder. The company has no unclaimed/unpaid deposits.

9. SUBSIDIARY COMPANIES

- The Vijay Steel & General Mills Company Ltd., Phagwara :** The company continued to reel under recessionary conditions during the year under reference. The draught conditions, in the country put pressure on the sale of agriculture implements thus further delaying the turn around in its operations.
- Sukhjot Finance Ltd., Phagwara :** The company continued to perform under adverse circumstances, with the small scale units (potential customers of the company) facing industrial sickness, the company has cut down its operations to ward off unnecessary losses.
- Scott Industries Ltd., Phagwara :** The company has taken-up Technology Upgradation-cum-Expansion programme to meet the customer requirements, the benefits of which will accrue in the coming years.

10. PERSONNEL

Pursuant to Section 217 (2A) of the Companies Act, 1956, there has been no employee with the company drawing remuneration over Rs. 2400000/- p.a. if employed throughout the year or Rs. 200000/- p.m., if employed for a part of the year, during the financial year under reference.

11. DIRECTORS

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

12. AUDITORS

M/s. K.B. Jasuja & Co., Chartered Accountants, New Delhi retire from the office of the Auditors and are eligible for reappointment as Auditors of the Company.

Yours truly,
for and on behalf of the Board,

V.K. SARDANA

Chairman

Dated : 26th July, 2002

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, 2002.

I. (A) POWER & FUEL CONSUMPTION

1. ELECTRICITY	CURRENT YEAR	PREVIOUS YEAR
(a) Purchase Units – 000 KWH	16,714	17,506
Total Amount Rs. 000	64,251	65,279
Rate/Unit Rs.	3.84	3.73
(b) Own Generation		
(i) Through Diesel Generation		
– Units – 000 KWH	412	558
– Units per Ltr of Diesel oil	2.50	2.50
– Cost/Unit Rs.	6.49	5.70
(ii) Through Steam Turbine/Generator		
– Units – 000 KWH	Nil	Nil
– Units per Ltr of Fuel oil/Gas	Nil	Nil
– Cost/Unit Rs.	Nil	Nil
2. COAL (Steam Coal used on Boilers)		
Quantity (M. Tons)	7,257	100
Total Cost Rs. 000	19,694	247
Average Rates Rs./MT	2714	2,467
3. FURNACE OIL		
Quantity (K. Litres)	397	513
Total Cost Rs. 000	4,448	6,129
Average Rate Rs. /KL	11,213	11,947
4. OTHERS (Rice Husk)		
Quantity (M. Tons)	16,272	24,358
Total Cost Rs. 000	11,557	19,167
Average Rate Rs./MT	710	787

(B) CONSUMPTION PER M.TON OF PRODUCTION

	STANDARD, if any	CURRENT YEAR	PREVIOUS YEAR
Production	Nil	56,792	55,204
Electricity–Ton/KWH	Nil	294 *	317 *
Coal – Ton/Kgs.	Nil	128	2
Furnace Oil – Ton/Ltr.	Nil	113 **	138 **
Others – Rice Husk – Ton/Kgs.	Nil	286	441
(*) Variation due to change in product mix.			
(**) Used for production of Gluten & 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

Research & Development programme already carried out by the company has started bearing fruits and Maize growing has started gaining ground in the State of Punjab. Procurement of Maize from the state is increasing year over year.

THE SUKHJIT STARCH & CHEMICALS LIMITED, PHAGWARA**ANNEXURE 'A'****IV. EXPENDITURE ON R & D****Amount for the year (Rs.)**

- (a) Capital
 (b) Recurring
 (c) Total
 (d) Total R & D Expenditure as a percentage of total turnover

- NIL-

V. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Foreign Exchange Earnings of the company have been Rs. Nil (Rs. 159198/- Previous Year) on F.O.B. basis.
 2. The Company has imported raw material and consumables of Rs. 694120/- (Rs. 2040618/- Previous Year) on C.I.F. basis and capital goods of Rs. 2303468/- (Rs. Nil Previous Year) and incurred a sum of Rs.1,53,443/- on foreign travelling expenses (Rs. Nil Previous Year).

ANNEXURE 'B' 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 Ltd.	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 40,49,200 equity shares in the subscribed & fully paid up capital of 49,50,000 equity shares of Rs. 10/- each	Holding 35,00,000 equity shares in the subscribed & fully paid up capital of 35,01,400 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 31.3.2002	(-) 1,29,263	4,76,120	(-) 41,11,033
(b) For the previous financial years of the subsidiary of the company	13,29,115	1,01,72,544	(-) 55,92,786
4. Net aggregate amount of subsidiary company's profit less losses or vice versa dealt with or provided for in the company's accounts			
(a) For the subsidiary company's financial year ended 31.3.2002	—	20,22,600	—
(b) For the previous financial years of the subsidiary since it became subsidiary	7,07,712	2,75,86,029	—

THE SUKHJIT STARCH & CHEMICALS LIMITED, PHAGWARA**ANNEXURE 'C'****CORPORATE GOVERNANCE REPORT**

The company has implemented the code of Corporate Governance during the year under reference in terms of clause 49 of the Listing Agreement with Stock Exchanges.

1. BRIEF NOTE ON COMPANY'S PHILOSOPHY

The company has always believed in good Corporate Governance. Transparency, fair business and Standard Corporate Practices help the company to maximise long term shareholders value and in building a bond of trust with its employees, customers, creditors, lenders and others. The company has always remained prompt in discharging its statutory obligations and duties.

The board has constituted various Committees of Directors from time to time and the meetings of the Board and Committees thereof have been held as frequently as required for proper and effective control over the affairs of the Company. All the Directors, attending the Board and Committee meetings, actively participate in the proceedings and decisions are taken unanimously.

2. BOARD OF DIRECTORS

The Board of Directors comprises one Managing Director, one Joint Managing Director, one Executive Director and six Non-executive Directors.

During the year, 14 board meetings were held on 22.04.2001, 23.04.2001, 21.07.2001, 22.07.2001, 26.09.2001, 27.09.2001, 24.10.2001, 10.11.2001, 11.11.2001, 24.01.2002, 25.01.2002, 25.03.2002, 30.03.2002 & 31.03.2002.

The composition of the Board of Directors and their Attendance at the meetings during the year are given below :

Name of the Director	Category of Directorship	Number of Board meetings attended
Shri V.K. Sardana	Chairman	12
Shri I.K. Sardana	Managing Director	13
Shri K.K. Sardana	Jt. Managing Director	8
Shri S.M. Jindal	Executive Director	12
Shri S.C. Jindal	Non Executive Director	12
Shri H.C. Sardana	Non Executive Director	10
Shri A.K. Sardana	Non Executive Director	7
Shri Naresh Sardana	Non Executive Director	6
Shri M.N. Sardana	Non Executive Director	6

3. COMMITTEES OF THE BOARD

The Board of Directors have constituted the following Committees with adequate delegation of powers :

- (i) **Audit Committee** : The Audit Committee has been delegated with the powers and entrusted with the duties to oversee the company's financial reporting process and adequacy of its financial information, to review and discuss with the auditors about the internal control system, scope of audit including observations of the Auditors, adequacy of internal audit system etc. The committee also meets the Operating Management Executives and reviews the operations.

Shri S.C. Jindal	Chairman
Shri A.K. Sardana	Non Executive Director
Shri Naresh Sardana	Non Executive Director
Shri S.M. Jindal, Executive Director & Secretary of the company acts as Secretary of the Committee.	

THE SUKHJIT STARCH & CHEMICALS LIMITED, PHAGWARA**ANNEXURE 'C'****(ii) Share Transfer Committee :**

The details of Share Transfer Committee and their meetings are given below :

		Meetings held during the year	Meetings attended
Shri I.K. Sardana	Chairman	18	15
Shri K.K. Sardana	Member	18	16
Shri S.M. Jindal	Member	18	17

(iii) Shareholders/Investors Grievances Committee :

The number of complaints received from the shareholders have been quite negligible during the year under reference. The Board has, however, appointed a Committee of Directors comprising Shri A.K. Sardana, Shri Naresh Sardana and Shri S.M. Jindal as members which will redress the Investors grievances or their complaints expeditiously.

(iv) Remuneration Committee :

The company has three Whole Time Directors on the Board whose appointment and remuneration have been fixed by the Board in terms of resolution passed by the members. In view of this no remuneration committee was constituted.

Remuneration paid to the Executive Directors during the financial year is given below :

Name	Salary	Commission	Perquisite Value	Retirement Benefits	(Amount in Rs.) Total
Shri I.K. Sardana	5,76,000	96,918	78,980	1,26,720	8,78,618
Shri K.K. Sardana	5,64,000	96,918	70,410	1,24,080	8,55,408
Shri S.M. Jindal	5,64,000	96,918	19,700	1,24,080	8,04,698

4. GENERAL BODY MEETINGS

The details of location and time for the last three Annual General Meetings are given below :

Date	Location	Time
16/09/1999	Regd. Office Phagwara	10.00 A.M.
27/09/2000	Regd. Office Phagwara	10.00 A.M.
27/09/2001	Regd. Office Phagwara	10.00 A.M.

5. DISCLOSURES REGARDING MATERIALLY RELATED PARTY TRANSACTIONS

No transaction of material nature has been entered into by the company with its promoters, directors, relatives or the Management which could have potential conflict with the interests of the company.

6. MEANS OF COMMUNICATION

Quarterly/Six monthly results of the company were published during the financial year under review as per requirements of the Listing Agreement.

7. LOCATION OF PLANTS**(i) Sarai Road, Phagwara (Punjab)**

Phone No. : (01824) 60314, 60216, 60758

Fax No. : (01824) 61669, 62077

E-mail : Sukhjit@comeconnect.com

(ii) Armoor Road, Mubarak Nagar,

Nizamabad (A.P.)

Phone No. : (08462) 38622, 37521

Fax No. : (08462) 39330

E-mail : starch@nettlinx.com

The company has planned commissioning of third unit at

WBIIDC Growth Centre,

N.H. 34, Narayanpur,

Malda (West Bengal)

Phone No. : (03512) 62254, 62255