

61st *Annual Report* 2004-2005



THE SUKHJIT STARCH & CHEMICALS LIMITED

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

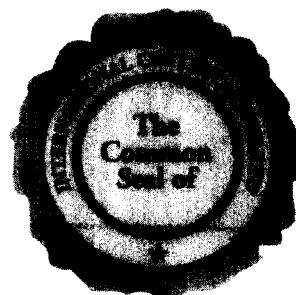
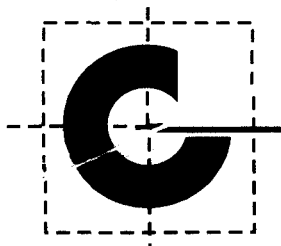
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Managing Director

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. 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.

REGISTERED OFFICE

Phagwara-144 401 (Pb.)

ANNUAL REPORT & ACCOUNTS 2004-2005

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

NOTICE is hereby given that the 61st Annual General Meeting of the Members of The Sukhjith Starch & Chemicals Ltd. will be held at the Registered Office of the Company at Phagwara on the 27th day of September, 2005 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 31.3.2005.
2. To declare dividend on Equity Shares for the year ended 31.3.2005.
3. To appoint Director in place of Shri M.N. Sardana who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Director in place of Shri A.K. 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, pass with or without modification(s) the following resolution as an ordinary resolution :
 "Resolved that pursuant to the provisions of Section 198, 269, 309, 310, 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 K.K. Sardana as Joint Managing Director of the Company with effect from 1st September, 2005 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 K.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 K.K. Sardana from time to time.
 Further Resolved if in any financial year closing after 31/03/2005 the Company has no profit or its profits are inadequate, the Company shall pay minimum remuneration to Shri K.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."
7. 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, 310, 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 S.M. Jindal as Executive Director of the Company with effect from 1st September, 2005 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 S.M. Jindal 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 S.M. Jindal from time to time.
 Further Resolved that if in any financial year closing after 31/03/2005 the Company has no profit or its profits are inadequate, the Company shall pay minimum remuneration to Shri S.M. Jindal 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."
8. To consider and if thought fit, pass with or without modification(s) the following resolution as a special resolution :
 "Resolved that in pursuant to the provisions of Section 314 and other applicable provisions of The Companies Act 1956, the consent of the Company be and is hereby granted to the appointment of Shri Bhavdeep Sardana as Vice President (Operations) at Nizamabad unit of the company with effect from 1st, January 2005 on the terms and conditions as are set out in the explanatory statment annexed hereto with the liberty to the Board of Directions to alter/vary and/or modify the terms of reappointment and to decide the annual increment in accordance with the provision of Section 314 of The Companies Act 1956".
9. To consider and if thought fit, pass with or without modification(s) the following resolution as a special resolution :
 "Resolved that in pursuant to the provisions of Section 314 and other applicable provisions of The Companies Act 1956, the consent of the Company be and is hereby granted to the appointment of Shri Dhiraj Sardana as Vice President (Operations) at Malda unit of the company with effect from 1st April 2005 on the terms and conditions as are set out in the explanatory statement annexed hereto with the liberty to the Board of Directors to alter/vary and/or modify the terms of reappointment and to decide the annual increment in accordance with the provision of Section 314 of The Companies Act 1956".

By Order of the Board

S.M. JINDAL

Executive Director & Secretary

Place : Phagwara

Dated : 25th July, 2005

THE SUKHJIT STARCH & CHEMICALS LIMITED, PHAGWARA

NOTES :

1. 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.
2. 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. A copy of the Balance Sheet as at 31.3.2005 and the profit & Loss Account for the year ended on that date together with the Auditors' and Directors' Reports thereon are also enclosed. Members are, however, requested to bring their copies of the Annual Report to the meeting.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from 15th day of September, 2005 to 27th day of September, 2005 (both days inclusive).
4. Members are requested to notify any change in their address immediately to the Registrar-cum-Share Transfer Agent of 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. 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 there after.
7. Members who have not encashed their dividend warrants for the financial year 1997-98, 1998-99, 1999-2000, 2000-2001, 2001-2002, 2002-2003 and 2003-2004 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
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
2001-2002	25.09.2002	24.09.2009
2002-2003	24.09.2003	23.09.2010
2003-2004	17.09.2004	16.09.2011

8. Provisions of section 109A and 109B of the Companies Act, 1956 have 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.
9. Reappointment of Directors retiring by rotation :

It is proposed to re-appoint Sh. M.N. Sardana and Sh. A.K. Sardana, who retire by rotation and being eligible offers themselves for reappointment.

Sh. M.N. Sardana is B.Sc. & Elec. Engineer. He has vast experience in the technical field and had served as Technical Advisor to Tata Finlays Ltd.

Sh. A.K. Sardana, B.E. (Elec.) has rich business experience and had served as Divisional Manager in Indian Oil Corporation.

THE SUKHJIT STARCH & CHEMICALS LIMITED, PHAGWARA

EXPLANATORY STATEMENT

(PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956) ITEM NO. 6 AND 7

The reappointment of Shri K.K. Sardana and Shri S.M. Jindal was approved in the Annual General Meeting held on 27th September, 2000 (with effect from 1st September, 2000). Their term of office has expired on 31st August, 2005. Their rich experience and vision in this field has contributed a lot to the smooth running of company. The company has achieved new heights under their able management. Your Directors have, subject to the approval of the members, reappointed Shri K.K. Sardana as Joint Managing Director and Shri S.M. Jindal as Executive Director of the Company respectively for a further period of 5 years with effect from 1st September, 2005 on the following terms & conditions :

1. REMUNERATION : (TO EACH)

- (a) Salary : Rs. 62,000/- 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 for each financial year.

Unless otherwise the context requires Shri K.K. Sardana and S.M. Jindal Shall be entitled to the following perquisites under three categories :

CATEGORY "A" (TO EACH)

- (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 month's, salary in a period of three year as per the rules of the company.
- (iii) Leave Travel Concession to 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" (TO EACH)

- (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" (TO EACH)

Provision of chauffeur driven car for use on company's business and telephone at resident 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 K.K. Sardana and S.M. Jindal respectively. They shall be entitled to travelling and other expenses incurred during the course of business or in connection thereof as per rules of the company. Both Shri K.K. Sardana and S.M. Jindal will not receive any sitting fee for attending the meeting of the Board of Directors of the company and shall not, so long as they function as a Joint Managing Director and Executive Director respectively 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.

THE SUKHJIT STARCH & CHEMICALS LIMITED, PHAGWARA

None of the Directors except Shri I.K. Sardana is concerned or interested in this resolution as he is brotherly related to Shri K.K. Sardana.

ITEM NO. 8

The Board of Directors of your company discussed the need to strengthen the management structure of the Nizamabad Unit of the company in view of expanding business operations and continuously increasing competition. The Board appreciated the technical qualifications and business experience, in the field of production, of Shri Bhavdeep Sardana and have, subject to approval of members, appointed him Vice President (Operations) of the Nizamabad unit on the following terms and conditions:

1. Salary : Rs. 30,000/- p.m.
 2. He will be entitled to free accommodation with reasonable furnishing as per rules of the company.
 3. He will be eligible to the benefits of provident fund, superannuation fund and group gratuity scheme as per rules of the company as applicable to the officers of this level from time to time.
 4. Facilities of medical re-imbursement, leave travel assistance and company's car, telephone etc. will be available to him as per the rules of the company subject to a condition that the cost of personal journey and telephone expenses will be recoverable from him on actual basis.
 5. His annual increment will be decided by the Board of Directors from time to time subject to a condition that the total remuneration shall not exceed the limits specified in Section 314 of The Companies Act 1956.
- None of the Directors except Shri K.K. Sardana is concerned or interested in this resolution being father of Sh. Bhavdeep Sardana.

ITEM NO. 9

The Board of Directors of your company discussed the need to strengthen the management structure of the Malda Unit of the company in view of expanding business operations and continuously increasing competition. The Board appreciated the administrative qualification and business experience, in the field of marketing, of Shri Dhiraj Sardana and have, subject to approval of members, appointed him Vice President (Operations) of the Malda unit on the following terms and conditions:

1. Salary : Rs. 30,000/- p.m.
 2. He will be entitled to free accommodation with reasonable furnishing as per rules of the company.
 3. He will be eligible to the benefits of provident fund, superannuation fund and group gratuity scheme as per rules of the company as applicable to the officers of this level from time to time.
 4. Facilities of medical re-imbursement, leave travel assistance and company's car, telephone etc. will be available to him as per the rules of the company subject to a condition that the cost of personal journey and telephone expenses will be recoverable from him on actual basis.
 5. His annual increment will be decided by the Board of Directors from time to time subject to a condition that the total remuneration shall not exceed the limits specified in Section 314 of The Companies Act 1956.
- None of the Directors except Shri I.K. Sardana is concerned or interested in this resolution being father of Sh. Dhiraj Sardana.

By Order of the Board

S.M. JINDAL

Executive Director & Secretary

Place : Phagwara

Dated : 25th July, 2005

THE SUKHJIT STARCH & CHEMICALS LIMITED, PHAGWARA

DIRECTORS' REPORT

Dear Share Holders,

Yours Directors are pleased to present before you the 61st Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2005.

1. FINANCIAL RESULTS

	2004-05 (Rs. in Lacs)	2003-04 (Rs. in Lacs)
Sales & Other income	9877.86	8554.13
Profit before tax & depreciation	574.77	550.54
Profit before tax but after depreciation	355.07	328.13
Provision for taxes	86.81	105.87
Surplus brought forward	84.39	86.99
Surplus available for appropriation	352.65	309.25
Proposed dividend (including Corporate Tax)	126.22	149.86
Transfer to General Reserve	100.00	75.00
Surplus carried forward	126.43	84.39

2. PERFORMANCE

The company has achieved a growth of 15.48% in its turnover, being Rs. 98.78 crores for the year ended 31/3/2005 against Rs. 85.54 crores for the year ended 31/3/2004. The profit before tax is Rs. 3.55 crores against Rs. 3.28 crores for the previous year. The Company has provided Rs. 0.82 Crores (Rs. 1.05 crores) for taxation including deferred tax resulting in net profit after tax of Rs. 2.73 crores against Rs. 2.23 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. Competition continues to squeeze the selling prices thus reducing margins of some products.

4. 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.

5. DIVIDEND

The Directors are pleased to recommend a dividend @ 30% for the financial year ended 31st March, 2005, which with the Corporate Tax on Dividends give an effective pay out of 34.21%.

6. DIRECTORS RESPONSIBILITY STATEMENT

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

- that in the preparation of the Annual Accounts for the Financial Year ended 31st March, 2005 the applicable Accounting Standards have been followed alongwith proper explanations relating to material departures;
- that the Directors have 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, 2005 on a 'going concern' basis.

7. 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.

8. SUBSIDIARY COMPANIES

- The Vijoy Steel & General Mills Company Ltd., Phagwara. The company continued to reel under recessionary conditions during the year under reference.
- 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.

9. PERSONNEL

Pursuant to Section 217 (2A) of the Companies Act, 1956 there has been no employee with the company who is in receipt of remuneration over Rs. 24,00,000/- p.a. if employed throughout the year or Rs. 2,00,000/- p.m. if employed for a part of the year, during the financial year under reference.

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. AUDITORS

M/s. K.B. Jasuja & Co., Chartered Accountants, New Delhi, who are the Auditors of the Company, have confirmed their eligibility to be reappointed as Auditors of the Company at the ensuing Annual General Meeting. The Board of Directors recommend appointment of M/s. K.B. Jasuja & Co., Chartered Accountants, as Auditors of the Company for the approval of the Members and fix their remuneration.

12. ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the co-operation received from the bankers 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,

V.K. SARDANA

Chairman

Dated: 25th July, 2005

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, 2005.

I. (A) POWER & FUEL CONSUMPTION		CURRENT YEAR	PREVIOUS YEAR
1. ELECTRICITY			
(a) Purchase Units – 000 KWH		22,705	20,300
Total Amount Rs. 000		86,719	78,575
Rate/Unit Rs.		3.82	3.87
(b) Own Generation			
(i) Through Diesel Generation			
– Units – 000 KWH		141	255
– Units per Ltr of Diesel oil		2.50	2.50
– Cost/Unit Rs.		8.25	8.05
2. COAL (Steam Coal used on Boilers)			
Quantity (M. Tons)		8,607	12,013
Total Cost Rs. 000		19,152	26,091
Average Rate Rs./MT		2,225	2,174
3. FURNACE OIL			
Quantity (K. Litres)		600	508
Total Cost Rs. 000		9,163	7,271
Average Rate Rs. /KL		15,268	14,313
4. OTHERS (Rice Husk)			
Quantity (M. Tons)		25,750	16,604
Total Cost Rs. 000		33,604	18,550
Average Rate Rs./MT		1,305	1,117

(B) CONSUMPTION PER M.TON OF PRODUCTION

	STANDARD, if any	CURRENT YEAR	PREVIOUS YEAR
Production	Nil	80,183	66,835
Electricity–Ton/KWH	Nil	283 *	304 *
Coal – Ton/Kgs.	Nil	107	180
Furnace Oil – Ton/Ltr.	Nil	109 **	113 **
Others – Rice Husk – Ton/Kgs.	Nil	321	248

(*) 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

- Foreign Exchange Earnings of the Company have been Rs. 1.33.025/- during the current year (Rs. Nil previous year) on F.O.B. basis.
- The Company has imported capital goods of Rs. 7,32.305/- during the current year (Rs. NIL Previous Year) on C.I.F. basis.

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.	Sukhjit Finance Ltd.	Scott Industries Ltd.
2. Holding Company's Interest	Holding 2,25,800 equity shares in the subscribed & fully paid up capital of 2,30,640 equity shares of Rs. 10/- each & fully paid	Holding 44,82,100 equity shares in the subscribed & fully paid up capital of 49,50,000 equity shares of Rs. 10/- each	Holding 44,00,000 equity shares in the subscribed & fully paid up capital of 44,01,400 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 31.3.2005	(-) 4,82,706	(-) 84,48,979	75,29,940
(b) For the previous financial years of the subsidiary of the company	(-) 2,37,151	(-) 22,64,174	(-) 5,08,033
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 company's financial year ended 31.3.2005	—	—	—
(b) For the previous financial years of the subsidiary since it became subsidiary	—	—	—