

62nd *Annual Report* 2005-2006



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

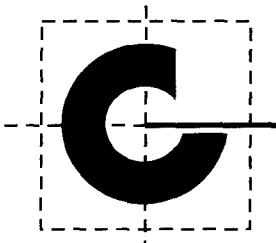
DB Bans

Managing Director

I 2524.02

Certificate Number

JAS-ANZ



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. S.K. Anand
Sh. V.P. Kapahi
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.)

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

NOTICE is hereby given that the 62nd 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 the 20th day of September, 2006 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 31.3.2006.
2. To declare dividend on Equity Shares for the year ended 31.3.2006.
3. To appoint Director in place of Shri V.K. Sardana who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Director in place of Shri Naresh Sardana who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Director in place of Shri S.C. Jindal who retires by rotation and being eligible offers himself for re-appointment.
6. To pass the following resolution as an ordinary resolution :

"Resolved that M/s Y.K. Sud & Company, Chartered Accountants be and are hereby appointed as Auditors of the Company including all its Units/Branch Offices, for holding office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting in place of retiring Auditors M/s. K.B. Jasuja & Company, Chartered Accountants, (who have expressed their unwillingness to continue as auditors of the company, and have not offered for re-appointment) on a remuneration to be decided by the Board/Audit Committee of the Company in addition to Service tax as applicable, travelling and other out of pocket expenses incurred in connection with the audit of the Company."

SPECIAL BUSINESS

7. To consider and if thought fit, pass with or without modification(s) the following resolution(s) as special resolution(s) :
"Resolved that Shri S.K. Anand who was appointed as an additional Director of the Company by the Board of Directors and who ceases to hold office under section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 in writing proposing his candidature as a Director be and is hereby appointed as Director of the Company liable to retirement by rotation."
8. To consider and if thought fit, pass with or without modification(s) the following resolution(s) as special resolution(s) :
"Resolved that Shri V.P. Kapahi who was appointed as an additional Director of the Company by the Board of Directors and who ceases to hold office under section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under section 257 of the Companies Act, 1956 in writing proposing his candidature as a Director be and is hereby appointed as Director of the Company liable to retirement by rotation."
9. To consider and if thought fit, pass with or without modification(s) the following resolution(s) as a special resolution(s) :
"Resolved that pursuant to the provisions of Section 31 and other applicable rules / provisions of The Companies Act 1956, Articles of Association of the Company be and are hereby amended and altered to add clause/article No. 8(A) after the existing Clause No. 8 reading as under :
BUY BACK OF SHARES : 8(A) : "Notwithstanding anything contained in these articles, but subject to the provisions of Section 77A, 77B and other applicable provisions of the Companies Act, 1956 and rules made thereunder read with SEBI (Buy Back of Securities), regulations 1998 and other rules / enactments, if any, applicable, the Company may purchase / buy back its own equity shares or any other specified securities from its existing share holders, odd lot holders, open market through stock exchange or otherwise at a price as may be decided by the board from time to time, out of the Company's free reserves/ security premium account or the proceeds of any shares or other specified securities."
10. To consider and if thought fit, pass with or without modification(s) the following resolution(s) as special resolution(s) :
"Resolved that pursuant to the applicable provisions of the Companies Act, 1956 or any amendment or enactment thereof and article 60 of Articles of Association and subject to other guidelines / regulations issued by Securities & Exchange Board of India in this regard and such approvals / consents / directions and sanctions as may be necessary from appropriate authorities consent be and is hereby accorded to the Board of Directors of the Company (Board which term shall deem to include any Committee thereof) for Capitalisation of a sum not exceeding Rs. 3,68,99,100/- (rupees Three Crores Sixtyeight Lacs Ninety Nine Thousand One Hundred only) from the Share Premium Account / General Reserves of the Company for the purpose of issue of bonus shares of Rs. 10/- (Rs. Ten only) per share as fully paid up Equity Shares of the Company to the Shareholders whose name shall appear on the Register of Members on the record date as decided by the Board or Committee thereof for the purpose, in the proportion of one bonus share of Rs. 10/- for every one fully paid up Equity Share of Rs. 10/- held by them and that bonus shares so distributed shall for all purposes be treated as increase in the paid up share capital of the Company.
- (A) That bonus shares so allotted shall always be subject to terms and conditions contained in the Memorandum & Articles of Association of the Company and shall rank pari passu in all respects with fully paid up Equity Shares of the Company save and except that they shall not be entitled to any dividend for the financial year ended March 31, 2006.
- (B) That in case of members who hold shares in Dematerialised form, bonus shares shall be credited to the respective beneficiary account of the members with their respective depository participants and in case the members who hold Equity Shares in non-dematerialised form, Share Certificates in respect of bonus shares shall be despatched to them as prescribed by law.
- (C) That issue and allotment of bonus shares to non residents shall be subject to approval of the Reserve Bank of India as may be necessary.
- (D) That for the purpose of giving effect to this resolution the Board be and is hereby authorised to take necessary steps for listing of such shares on the Bombay Stock Exchange where securities of the Company are listed as per applicable guidelines, rules & regulations and to do all such act, deeds, matters and things and to give such directions as may be necessary or expedient

THE SUKHJIT STARCH & CHEMICALS LIMITED, PHAGWARA

and to settle any question that may arise in this regard as the Board in its absolute discretion may deem fit or desirable.

11. To consider and if thought fit, pass with or without modification(s) the following resolution(s) as Special resolution(s) :
"Resolved that pursuant to section 16 of the Companies Act, 1956 or any amendment or enactment thereof, a part of Capital Clause stated under item No. 5 of the Memorandum of Association be and is hereby substituted to read as "Capital of the Company is Rs. 10,00,00,000/- (Rupees Ten Crores) divided into 1,00,00,000 (One Hundred Lac Shares of Rs. 10/- each" for the existing wording "The Capital of the Company is Rs. 5,00,00,000 divided into 50,00,000 shares of Rs. 10/- each."
12. To consider and if thought fit, pass with or without modification(s) the following resolution(s) as Special resolution(s) :
"Resolved that pursuant to Section 31 and other applicable provisions of the Companies Act including any amendment or re-enactment thereof, Article No. 5 of the Articles of Association of the Company be and is hereby substituted by "Capital of the Company is Rs. 10 Crores divided into 1,00,00,000 Equity Shares of Rs. 10/- each."
13. To consider and if thought fit, pass with or without modification(s) the following resolution(s) as Special resolution(s) :
"Resolved that pursuant to Section 31 and other applicable provisions of the Companies Act including any amendment or re-enactment thereof, Article No. 109 (b) of the Articles of Association of the Company be and is hereby deleted."

By Order of the Board

S.M. JINDAL

Executive Director & Secretary

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 31.3.2006 and 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 11th day of September, 2006 to 20th day of September, 2006 (both days inclusive).
4. Members are requested to notify any change in their address immediately to the Registrar-cum-Share Transfer Agents 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 thereafter.
7. Members who have not encashed their dividend warrants for the financial year 1998-99, 1999-2000, 2000-2001, 2001-2002, 2002-2003, 2003-2004 and 2004-2005 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
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
2004-2005	27.09.2005	26.09.2012

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. Re-appointment of Directors retiring by rotation :

It is proposed to re-appoint Sh. V.K. Sardana, Sh. Naresh Sardana and Sh. S.C. Jindal, who retire by rotation and being eligible offers themselves for re-appointment.

Sh. V.K. Sardana is Managing Director, Teama Consortium India Ltd. Calcutta and has life long business experience.

Sh. Naresh Sardana is B.E. (Elec.) and has rich business experience, He had served as Area Sales Manager (Middle East) with M/s. Brook Crompton International.

Sh. S.C. Jindal is an industrialist and has life long business experience.

THE SUKHJIT STARCH & CHEMICALS LIMITED, PHAGWARA**EXPLANATORY STATEMENT(S) OF ITEM NO. 7 TO 13
(PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956)****ITEM NO. 7**

Shri S.K. Anand was appointed as an Independent (additional) Director of the Company on 26-12-2005 by the Board of Directors of the Company in consonance with the new Clause 49 of the Listing Agreement with the Bombay Stock Exchange. He is B.E. (Elec.) & is a retired Member (Distribution) of Punjab State Electricity Board, Patiala.

According to the provisions of section 260 of the Companies Act, 1956, he holds office as Director only upto the date of ensuing Annual General Meeting. As required by section 257 of the Companies Act, a notice has been received from a member signifying his intention to propose the appointment of Shri S.K. Anand as a Director alongwith a deposit of Rs. 500/-. The Board recommends appointment of Shri S.K. Anand as a Director.

None of the Directors except Shri S.K. Anand is interested or concerned in the proposed resolution.

ITEM NO. 8

Shri V.P. Kapahi was appointed as an Independent (additional) Director of the Company on 26-12-2005 by the Board of Directors of the Company in consonance with the new Clause 49 of the Listing Agreement with the Bombay Stock Exchange. He is B.A., C.A.I.I.B. and retired Executive of Punjab National Bank.

According to the provisions of section 260 of the Companies Act, 1956, he holds office as Director only upto the date of ensuing Annual General Meeting. As required by section 257 of the Companies Act, a notice has been received from a member signifying his intention to propose the appointment of Shri V.P. Kapahi as a Director alongwith a deposit of Rs. 500/-. The Board recommends appointment of Shri V.P. Kapahi as a Director.

None of the Directors except Shri V.P. Kapahi is interested or concerned in the proposed resolution.

ITEM NO. 9

The Companies (Amendment) Act, 1999 introduces another provision through Section 77A & Section 77B to enable the companies to buy back their own shares/securities. In view of the above your company has decided to amend its Articles of Association and incorporate a new clause No. 8(A) after existing clause No. 8 for buy back of shares to make the Articles of Association in consonance with the relevant provisions of the Act and enable the company to buy back its shares / securities as may be deemed fit in the future. The Directors consider this amendment to be in the best interest of the company and accordingly recommend the same.

None of the Directors of the Company may be regarded as interested or concerned in this resolution, except as a shareholder of the Company.

ITEM NO. 10

The Board has recommended the bonus issue in the ratio of 1:1 by capitalising the free reserves / Share Premium account of the company for issuing bonus shares of Rs. 10/- each fully paid up to the shareholders of the company whose names shall appear on the Register of Members on the record date as may be decided by the Board / Committee thereof for the purpose after approval of this resolution by the shareholders in the Annual General Meeting. The bonus shares shall be subject to the terms & conditions contained in the Memorandum & Articles of Association of the Company and shall rank pari passu in all respects with the existing fully paid up Equity Shares of the Company save and except that they shall not be entitled to payment of dividend for the year ended 31-3-2006.

None of the Directors of the Company may be regarded as interested or concerned in this resolution, except as a shareholder of the Company.

ITEM NO. 11

Capital clause under item No. 5 of the Memorandum & Articles of Association of the Company States "Authorised Capital of the Company is Rs. 5,00,00,000/- divided into 50,00,000 Equity shares of Rs. 10/- each."

The Board of Directors of the Company has recommended bonus issue of one share for every one share held which will increase the authorised capital of the Company beyond the existing capital and warrants increase in the authorised capital of the company. The Board recommends the increase of authorised capital of the company to Rs. 10,00,00,000/- divided into 1,00,00,000 Equity Shares of Rs. 10/- each.

None of the Directors of the Company may be regarded as interested or concerned in this resolution, except as a shareholder of the Company.

ITEM NO. 12

Article No. 5 of the Articles of Association of the company reads as under :

"Capital of the company is Rs. 5,00,00,000/- divided into 50,00,000 equity shares of Rs. 10/- each." The issue of bonus shares will increase the capital beyond the existing level and warrants an increase in the authorised capital. The Board recommends the increase of authorised capital of the company to Rs. 10,00,00,000 divided into 1,00,00,000 shares of Rs. 10/- each in order to make the Articles of Association in consonance with the Memorandum of Association of the Company.

None of the Directors of the Company may be regarded as interested or concerned in this resolution, except as a shareholder of the Company.

ITEM NO. 13

The relevant provisions of the companies Act, 1956 as amended to date provide for payment of Sitting Fee to the Non Executive Directors with no exception for payment of sitting Fee to the Non Executive Chairman. The Company has also been making payment of sitting Fee equally to all the Non Executive Directors including the Chairman for the last over forty years. So the existing article No. 109(b) providing for payment of Sitting Fee to the Chairman double the amount of Sitting Fee payable to other Directors has become quite irrelevant and redundant. The Board, therefore, recommends deletion of this clause from the Articles of Association.

None of Directors is interested or concerned in this resolution

Place : Phagwara.
Dated : 22nd July, 2006

By Order of the Board
S.M. JINDAL
Executive Director & Secretary

THE SUKHJIT STARCH & CHEMICALS LIMITED, PHAGWARA

DIRECTORS' REPORT

Dear Share Holders :

Yours Directors are pleased to present before you the 62nd Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2006.

1. FINANCIAL RESULTS

	2005-06 (Rs. in Lacs)	2004-05 (Rs. in Lacs)
Sales & Other income	13136.58	9877.86
Profit before tax & depreciation	1086.84	574.77
Profit before tax but after depreciation	821.18	355.07
Provision for taxes	108.41	86.81
Surplus brought forward	126.43	84.39
Surplus available for appropriation	839.20	352.65
Proposed dividend (including Corporate Tax)	176.71	126.22
Transfer to General Reserve	400.00	100.00
Surplus carried forward	262.49	126.43

2. PERFORMANCE

The turnover of the Company has increased by 33% with net profit showing a jump of over 130%. Profit before tax stands at Rs. 8.21 Crores against Rs. 3.55 crores for the previous year. The Company has provided Rs. 1.08 Crores (Rs. 0.87 Crores) for income tax and thus leaving a net profit of Rs. 7.13 Crores (Rs. 2.73 Crores). The Company has transferred a sum of Rs. 4.00 Crores to General Reserves against Rs. 1.00 Crore last year.

3. FUTURE PROSPECTUS

As required under Corporate Governance, Management Discussion and Analysis Report forming part of this report reflects the current state of affairs of business. The Company has embarked upon a new expansion project in H.P. entailing a capital cost of Rs. 30 Crores; the implementation is going fully as per the schedule and regular production is expected to commence in February, 2007.

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 @ 42% for the financial year ended 31st March, 2006, against 30% last year which with the Corporate Tax on Dividend give an effective pay out of 47.88% (34.21)%.

6. BONUS SHARES

The Board of Directors has recommended an issue of Bonus Shares in the ratio of one share for one share held. The Board will take necessary steps for the issue of shares, after approval by share holders in the Annual General Meeting.

7. 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, 2006 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, 2006 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 has shown considerable turn around during the year under reference and it is expected to show better results in the coming years.
- Sukhjoti Finance Ltd., Phagwara : The operations of the company have been cut down substantially to ward off unnecessary losses and the company is looking for some diversification plans.
- 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. CONTINGENT LIABILITY

The central excise department has raised demands of Rs. 7.89 crores (Previous Year 6.92) since 1.4.1997 through various show cause notices alleging sale of Maize Starch as that of Modified Starch. The demand is totally baseless/trivial since the chemical examiner of CENTRAL REVENUE LABORATORY has clearly held the product to be Maize Starch. Moreover, the product being manufactured by the company for the last over five decades has been sold as Maize Starch, accepted by the market as Maize Starch and classified by the Department itself as maize starch from time to time. Hon'ble High Court has since stayed the demand and the matter is subjudice.

11. 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.

12. DIRECTORS

In accordance with the provisions of the Companies Act, 1956. Shri V.K. Sardana, Shri Naresh Sardana and Shri S.C. Jindal retire by rotation and being eligible the Board recommends their reappointment.

The Company had appointed two new Directors Mr. S.K. Anand and Mr. V.P. Kapahi who had joined the Board of Directors in December, 2005. Since both the Directors were appointed as Additional Directors, their term expires on the date of Annual General Meeting. The Company has received notice(s) under section 257 of the Companies Act, accordingly proposing resolution for the appointment of Mr. S.K. Anand and Mr. V.P. Kapahi shall be placed before the members at the ensuing Annual general Meeting.

13. AUDITORS

M/s. K.B. Jasuja & Co., Chartered Accountants, New Delhi, have expressed their inability to continue as Auditors of the Company and have not offered themselves for re-appointment in the ensuing Annual General Meeting. The Board of Directors have received a letter of eligibility from M/s. Y.K. Sud & Co., Chartered Accountants, Jalandhar for appointment in place of the retiring Auditors. The Board of Directors recommend appointment of M/s. Y.K. Sud & Co., as statutory auditors of the Company for the approval by members and fix their remuneration.

14. 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 : 21st July, 2006

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, 2006.

I. (A) POWER & FUEL CONSUMPTION		CURRENT YEAR	PREVIOUS YEAR
1. ELECTRICITY			
(a) Purchase Units – 000 KWH		24,247	22,705
Total Amount Rs. 000		94,991	86,719
Rate/Unit Rs.		3.92	3.82
(b) Own Generation			
(i) Through Diesel Generation			
– Units – 000 KWH		40	136
– Units per Ltr of Diesel oil		2.50	2.50
– Cost/Unit Rs.		9.61	8.55
2. COAL (Steam Coal used on Boilers)			
Quantity (M. Tons)		10,627	8,607
Total Cost Rs. 000		26,580	19,152
Average Rate Rs./MT		2,501	2,225
3. FURNACE OIL			
Quantity (K. Litres)		129	600
Total Cost Rs. 000		2,370	9,163
Average Rate Rs. /KL		18,372	15,268
4. OTHERS (Rice Husk / Fire Wood)			
Quantity (M. Tons)		26,189	25,750
Total Cost Rs. 000		38,092	33,604
Average Rate Rs./MT		1,455	1,305

(B) CONSUMPTION PER M.TON OF PRODUCTION

	STANDARD, if any	CURRENT YEAR	PREVIOUS YEAR
Production	Nil	95841	80,183
Electricity–Ton/KWH	Nil	253 *	283 *
Coal – Ton/Kgs.	Nil	111	107
Furnace Oil – Ton/Ltr.	Nil	N.A.	109
Others – Rice Husk – Ton/Kgs.	Nil	273	321

(*) Variation due to change in product mix.

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. 1,33,025/- during the current year (Rs. Nil previous year) on F.O.B. basis.
2. 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.	Sukhjot 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 45,58,600 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 31.3.2006	1,17,310	(-) 18,58,017	(-) 95,84,791
(b) For the previous financial years of the subsidiary of the company	(-) 5,30,078	(-) 62,63,858	17,44,791
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 31.3.2006	—	—	—
(b) For the previous financial years of the subsidiary since it became subsidiary	7,07,712	2,96,08,629	—

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 revised 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, integrity, commitment to values and other 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 and regular in discharging its statutory obligations and duties.

In accordance with the new clause 49 of the Listing Agreement, the Company has appointed two Independent Directors on its Board of Directors in December, 2005. Moreover, 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 a Non-Executive Chairman, one Managing Director, One Joint Managing Director, one Executive Director, three Non-executive Directors and three Independent Directors.

During the year, 14 board meetings were held on : 14.04.2005, 15.04.2005, 25.07.2005, 26.07.2005, 25.08.2005, 26.09.2005, 27.09.2005, 26.10.2005, 16.11.2005, 18.11.2005, 26.12.2005, 20.01.2006, 21.01.2006 and 04.03.2006.

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	11
Shri I.K. Sardana	Managing Director	12
Shri K.K. Sardana	Jt. Managing Director	9
Shri S.M. Jindal	Executive Director	14
Shri A.K. Sardana	Non Executive Director	10
Shri Naresh Sardana	Non Executive Director	7
Shri M.N. Sardana	Non Executive Director	2
Shri S.C. Jindal	Independent Director	12
Shri S.K. Anand	Independent Director	3
Shri V.P. Kapahi	Independent Director	3

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 of the Company consists of three Independent Directors & has been delegated with the powers and entrusted with the duties to oversee the capital & revenue budget of the company, oversee the company's financial reporting process, review with the management the adequacy of internal control systems, hold discussions with auditors about the internal control system and scope of audit including observations of the Auditors, review company's financial & risk management policies and review with the management the quarterly, half yearly & annual financial statements before submission to the Board.

The composition of the Audit Committee is given below :

Shri S.C. Jindal	Chairman
Shri S.K. Anand	Independent Director
Shri V.P. Kapahi	Independent Director

Shri S.M. Jindal, Executive Director & Secretary of the company acts as Secretary of the Committee.