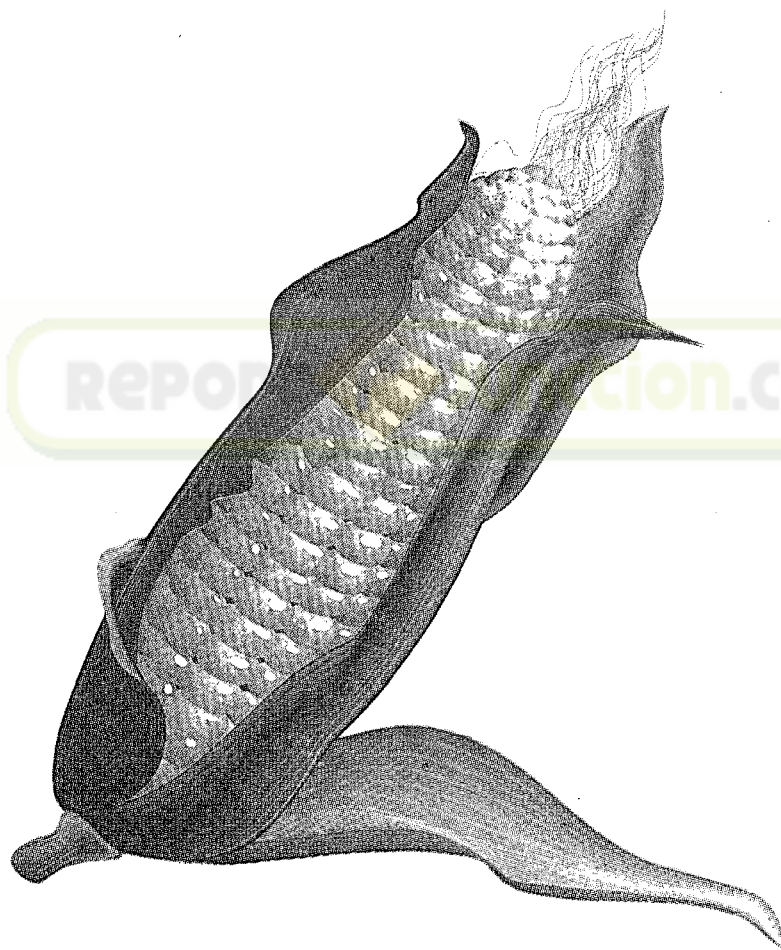


# 63rd *Annual Report* 2006-2007



**THE SUKHJIT STARCH & CHEMICALS LIMITED**

# Certificate of Registration



This is to certify that the  
Quality Management System of

## The Sukhjit Starch & Chemicals Ltd.

Sarai Road, Phagwara-144401  
Distt. Kapurthala (Punjab)

has been assessed and found compliant with the requirements of

**ISO 9001:2000**

Approval is hereby granted for registration providing the  
certification rules and conditions are observed at all times.

### Certification Scope :

Manufacture of Maize Starch, Dextrins, Modified Starches and its By-Products and  
Derivatives like Gluten, Maize Oil Cake, Maize Oil, Dextrose Monohydrate, Dextrose  
Anhydrous, Sorbitol and Maltodextrin (Liquid and Powder)

Certificate No. IPK-0583.06

Issue Date : 17 October 2006

Expiry Date : 26 July 2008

Authorised Signature

**Moody International Certification Ltd.**

[www.moodyint.com](http://www.moodyint.com)



014

The use of the Accreditation Mark indicates accreditation in respect of those activities covered by the Accreditation Certificate 014.  
The certificate remains the property of Moody International Certification Limited to whom it must be returned on request.

# THE SUKHJIT STARCH & CHEMICALS LIMITED, PHAGWARA

## BOARD OF DIRECTORS

Sh. V.K. Sardana - Chairman  
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 Y.K. Sud & Company  
Chartered Accountants  
Durga Niwas, Opp. Friends Cinema,  
Jalandhar.

## REGISTERED OFFICE

Phagwara-144 401 (Pb.)

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**ANNUAL REPORT & ACCOUNTS 2006-2007**

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## The Sukhjit Starch & Chemicals Limited, Phagwara

### NOTICE

NOTICE is hereby given that the 63rd 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 12th day of September, 2007 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 31.3.2007.
2. To declare dividend on Equity Shares for the year ended 31.3.2007.
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 Naresh 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 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(s) as special resolution(s) :  
 "Resolved that pursuant to the provisions of Sub Section (1B) of Section 314 and other applicable provisions of The Companies Act, 1956 and subject to the approval of Central Government, consent of the company be and is hereby granted to increase/revise the salary of Shri Bhavdeep Sardana, Vice President (Operations), for the time being of Nizamabad Unit of the Company as per particulars given in the Explanatory Statement. Further resolved that Board of Directors be and is hereby authorized to effect such modification(s) in the remuneration of Shri Bhavdeep Sardana as may be approved by Central Government and as may be agreed to between the Board of Directors and Shri Bhavdeep Sardana."
7. To consider and if thought fit to pass with or without modification(s) the following resolution(s) as special resolution(s) :  
 "Resolved that pursuant to the provisions of Sub Section (1B) of Section 314 and other applicable provisions of The Companies Act, 1956 and subject to the approval of Central Government, consent of the company be and is hereby granted to increase/revise the salary of Shri Dhiraj Sardana, Vice President (Operations), for the time being of Malda Unit of the Company as per particulars given in the Explanatory Statement. Further resolved that Board of Directors be and is hereby authorized to effect such modification(s) in the remuneration of Shri Dhiraj Sardana as may be approved by Central Government and as may be agreed to between the Board of Directors and Shri Dhiraj Sardana."
8. To consider and if thought fit to pass with or without modification(s) the following resolution(s) as a special resolution(s) :  
 "Resolved that consent of the Company be and is hereby granted to continue the payment of Commission to the Non Executive/Independent Directors of the Company @ 1% of net profits of the Company computed under section 349/350 of the Companies Act, 1956.  
 Resolved Further that consent of the company be and is hereby granted to increase the payment of Sitting Fee from Rs. 1,500/- to Rs. 2,500/- per meeting to the Non Executive Directors including Independent Directors of the Company.

Place : Phagwara.  
 Dated : 26th July, 2007

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

## 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 31.3.2007 and Profit & Loss Account for the year ended on that date together with the Auditors' Report and Directors' Report 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 1st day of September, 2007 to 12th day of September, 2007 (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 2000-2001, 2001-2002, 2002-2003, 2003-2004, 2004-2005 and 2005-2006 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
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
2006-2007	20.09.2006	19.09.2013

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. A.K. Sardana and Sh. Naresh Sardana who retire by rotation and being eligible offer themselves for re-appointment.  
Sh. A.K. Sardana is a qualified Engineer and is a retired Senior Executive of IOC.  
Sh. Naresh Sardana is B.E. (Elec.) and had served as Area Sales Manager (Middle East) with M/s. Brook Crompton International.  
Both the directors have long business & management experience to their credits. They are associated with the company as directors for the last over 10 years and have contributed significantly to the overall growth of the Company. The Board, therefore, recommend their re-appointment.  
Each of two directors and Shri V.K. Sardana (being brother related to Shri A.K. Sardana) may be deemed to be interested in the resolutions relating to their re-appointments.



## The Sukhjit Starch & Chemicals Limited, Phagwara

### EXPLANATORY STATEMENT(S) OF ITEM NO. 6, 7 & 8 (PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956)

#### ITEM NO. 6

Mr. Bhavdeep Sardana was appointed as Vice President (Operations) of Nizamabad Unit of the Company with effect from 1/1/2005 at a salary of Rs. 30,000/- p.m. with usual perks, applicable to other Senior Executives as per rules of the Company. His appointment was duly approved by the Share-holders in the Annual General Meeting as per provisions of section 314 of The Companies Act, 1956.

Mr. Bhavdeep Sardana is a qualified Engineer from a leading University of U.K. and has contributed a lot in improving the operations of Nizamabad Unit where productivity and efficiency has considerably improved with substantial increase in the profitability. His salary has not been revised since 1/1/2005 and is totally not commensurate with his qualification and experience. His salary can only be increased with the approval of the Central Government as per sub section (1B) of Section 314 of The Companies Act read with Directors' Relatives (Office or Place of Profit) Rules, 2003 where any increase in total remuneration beyond Rs. 50,000/- can be made with the approval of the Central Government. The Board, therefore, in the overall interest and future growth of the Unit and the Company, recommend increase/revision in his salary in the Pay Scale of Rs. 50,000/- to Rs. 1,00,000/- with usual perks as applicable to other Senior Executives of his level i.e. :

1. He will be entitled to free accommodation with reasonable furnishing as per rules of the Company.
2. 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.
3. Facilities of Medical re-imbursement, leave travel assistance and Company's car, telephone subject to a condition that cost of personal journey and personal telephone calls will be recoverable from him on an actual basis, subject to the approval of Central Government and any change which may be made by the Central Government and agreed to by the Board of Directors and Shri Bhavdeep Sardana.

None of the directors except Shri K. K. Sardana, being father of Shri Bhavdeep Sardana, is concerned or interested in this resolution.

#### ITEM NO. 7

Mr. Dhiraj Sardana was appointed as Vice President (Operations) of Malda Unit of the Company with effect from 1/4/2005 at a salary of Rs. 30,000/- p.m. with usual perks as applicable to other Senior Executives as per rules of the Company. His appointment was duly approved by the Share-holders in the Annual General Meeting as per provisions of section 314 of The Companies Act, 1956.

Mr. Dhiraj Sardana is B.B.A. in Business and Finance from a leading University of U.K. and has strongly improved and strengthened the Management functions of Malda Unit raising its productivity, efficiency and profitability considerably. His salary has not been revised since 1/4/2005 and is totally not commensurate with his qualification and experience. His salary can only be increased with the approval of the Central Government as per sub section (1B) of Section 314 of The Companies Act read with Directors' Relatives (Office or Place of Profit) Rules, 2003 where any increase in total remuneration beyond Rs. 50,000/- can be made with the approval of the Central Government. The Board, therefore, in the overall interest of the Unit and the Company, recommends increase/revision in his salary in the Pay Scale of Rs. 50,000/- to Rs. 1,00,000/- with usual perks as applicable to other Senior Executives of his level i.e. :

1. He will be entitled to free accommodation with reasonable furnishing as per rules of the Company.
2. 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.
3. Facilities of Medical re-imbursement, leave travel assistance and Company's car, telephone subject to a condition that cost of personal journey and personal telephone calls will be recoverable from him on an actual basis, subject to the approval of Central Government and any change which may be made by the Central Government and agreed to by the Board of Directors and Shri Dhiraj Sardana.

None of the directors except Shri I.K. Sardana, being father of Shri Dhiraj Sardana, is concerned or interested in this resolution.

#### ITEM NO. 8

The Company has been paying Commission to its Non-Executive Directors @ 1% of the net profits of the company for the last over four decades as per necessary approval/sanction obtained at that time. However, fresh approval by the members is being obtained, again by way of abundant caution as the revised clause 49 of the Listing Agreement (Corporate Governance) requires the approval of members to the payment of Commission payable to the Non Executive/Independent Directors of the Company. So the Board recommends to continue the payment of Commission @ 1% on the net profits of the company computed under section 349/350 of The Companies Act, 1956 to Non-Executive Directors including Independent Directors. Further the Board recommend to increase the payment of Sitting Fee from Rs. 1,500/- to Rs. 2,500/- per meeting to Non-Executive Directors including Independent Directors. The Sitting Fee has not been revised for the last seven years. All the Non-Executive Directors including Independent Directors may be deemed to be interested in this resolution.

Place : Phagwara.  
Dated : 26th July, 2007

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

## The Sukhjit Starch & Chemicals Limited, Phagwara

### DIRECTORS' REPORT

Dear Share Holders :

Your Directors are pleased to present before you the 63rd Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2007.

#### 1. FINANCIAL RESULTS

	2006-07 (Rs. in Lacs)	2005-06 (Rs. in Lacs)
Sales & Other income	17485.22	13136.58
Profit before tax & depreciation	2797.74	1086.84
Profit before tax but after depreciation	2506.92	821.18
Provision for taxes	464.28	108.41
Surplus brought forward	262.49	126.43
Surplus available for appropriation	2305.13	839.20
Proposed dividend (including Corporate Tax)	345.36	176.71
Transfer to General Reserve	1600.00	400.00
Surplus carried forward	359.77	262.49

#### 2. PERFORMANCE

The turnover of the Company has increased by over 32% with substantial jump in the net profits which after tax works out to Rs. 20.42 Crores and adding thereto surplus brought forward of Rs. 2.63 Crores, the surplus available for appropriation comes to Rs. 23.05 Crores (Rs. 8.39 Crores previous year). The Company has transferred a sum of Rs. 16.00 Crores to General Reserves against Rs. 4.00 Crores last year.

#### 3. FUTURE PROSPECTUS

As required under Corporate Governance, Management Discussion and Analysis, forming part of this report, reflects the current state of affairs of business.

#### 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. The detailed report appears in the Annexures forming part of this report.

#### 5. DIVIDEND

The Directors are pleased to recommend a dividend @ 40% for the financial year ended 31st March, 2007, on the expanded capital, consequent to the issue of bonus shares in the ratio of 1:1. The effective payout comes to 80% on the pre-bonus issue capital against 42% last year.

#### 6. 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, 2007 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, 2007 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 on 31/03/2007.

#### 8. SUBSIDIARY COMPANIES

- The Vijoy Steel & General Mills Company Ltd., Phagwara : The company has shown considerable turn around during the year under reference and it is expected to maintain the same in the coming years.
- Sukhjit Finance Ltd., Phagwara : The operations of the company have been cut down substantially to ward off unnecessary losses.

## The Sukhjit Starch & Chemicals Limited, Phagwara

(c) 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. CONTINGENT LIABILITY

The central excise department has raised demands of Rs. 10.19 crores (Previous Year Rs. 7.89 crores) since 1.4.1997 through various show cause notices alleging sale of Maize Starch as that of Modified Starch. The demand is totally baseless/frivolous 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.

### 10. PERSONNEL

Pursuant to Section 217 (2A) of the Companies Act, 1956 details of the employees who were in receipt of remuneration over Rs. 24.00 lacs if employed throughout the year or Rs. 2.00 lacs p.m. if employed for a part of the year is given below :

(a) Persons employed through out the year and were in receipt of remuneration aggregating not less than Rs. 2400000/- for the year :

No.	Name	Age	Designation	Gross Remuneration (Rs.)
1.	Sh. I.K. Sardana	61	Managing Director	3040641/-
2.	Shri K.K. Sardana	59	Jt. Managing Director	2566909/-

Qualification	Experience	Date of Joining	Last Employment/Designation Held
B.A.	41 Years	02.08.1967	The Sukhjit Starch & Chemicals Ltd., Phagwara Sales Manager
B.A.	36 Years	18.01.1972	The Sukhjit Starch & Chemicals Ltd., Phagwara G.M. (Commercial)

(b) Persons employed for a part of the year and were in receipt of remuneration at a rate not less than Rs. 200000/- per month — Nil —

Note : Remuneration shown above includes salaries, superannuation fund, commission, contribution to provident fund and perquisites values in accordance with Income tax rules.

### 11. DIRECTORS

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

### 12. AUDITORS

M/s. Y.K. Sud & Company, Chartered Accountants, the retiring Auditors of the Company, have confirmed their eligibility to be re-appointed as Auditors of the Company at the ensuing Annual General Meeting. The Board of Directors recommend appointment of M/s. Y.K. Sud & Co., Chartered Accountants as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting.

### 13. 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, 2007



## 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, 2007.

I. (A) POWER & FUEL CONSUMPTION	CURRENT YEAR	PREVIOUS YEAR
1. ELECTRICITY		
(a) Purchase Units – 000 KWH	25,094	24,247
Total Amount Rs. 000	92,389	94,991
Rate/Unit Rs.	3.68	3.92
(b) Own Generation		
(i) Through Diesel Generation		
– Units – 000 KWH	45	40
– Units per Ltr of Diesel oil	2.50	2.50
– Cost/Unit Rs.	13.20	9.61
2. COAL (Steam Coal used on Boilers)		
Quantity (M. Tons)	11,355	10,627
Total Cost Rs. 000	39,093	26,580
Average Rate Rs./MT	3,443	2,501
3. FURNACE OIL		
Quantity (K. Litres)	–	129
Total Cost Rs. 000	–	2,370
Average Rate Rs. /KL	–	18,372
4. OTHERS (Rice Husk / Fire Wood)		
Quantity (M. Tons)	24,241	26,189
Total Cost Rs. 000	37,605	38,092
Average Rate Rs./MT	1,551	1,455

### (B) CONSUMPTION PER M.TON OF PRODUCTION

	STANDARD, if any	CURRENT YEAR	PREVIOUS YEAR
Production	Nil	1,09,821	95,841
Electricity–Ton/KWH	Nil	228 *	253 *
Coal – Ton/Kgs.	Nil	103	111
Furnace Oil – Ton/Ltr.	Nil	N.A.	N.A. **
Others – Rice Husk – Ton/Kgs.	Nil	221	273

(\*) Variation due to change in product mix.

(\*\*) Not relevant as used only for a part of the year.

### 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

The Company has not incurred any expenditure on Research & Development during the year under reference (Rs. Nil Previous Year).

#### V. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Foreign Exchange Earnings of the Company have been Rs. Nil during the current year (Rs. 45,69,500/- previous year) on F.O.B. basis.
2. The Company has imported capital goods of Rs. 93,25,064/- (Rs. 39,19,246/- during previous year) on C.I.F. basis, raw materials and consumables of Rs. 26,29,998/- (Rs. 43,050/- during previous year) and incurred foreign travelling expenditure of Rs. 87,120/- (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.	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	Holding 45,75,600 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 31.3.2007	4,14,759	(—) 32,33,528	(—) 52,64,569
(b) For the previous financial years of the subsidiary of the company	(—) 4,12,762	(—) 81,52,131	(—) 78,22,597
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 31.3.2007	—	—	—
(b) For the previous financial years of the subsidiary since it became subsidiary	7,07,712	2,96,08,629	—