

64th *Annual Report* 2007-2008



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.

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014

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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. S.C. Jindal - Chairman
Sh. V.K. Sardana
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.)

ANNUAL REPORT & ACCOUNTS 2007-2008

The Sukhjit Starch & Chemicals Limited, Phagwara

NOTICE

NOTICE is hereby given that the 64th 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 27th day of August, 2008 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 31.3.2008.
2. To declare dividend on the Equity Shares for the year ended 31.3.2008.
3. To appoint Director in place of Shri S.K. Anand who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Director in place of Shri V.P. Kapahi 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 Section 198, 269, 309, 311 read with Schedule XIII and other applicable provisions of The Companies Act, 1956, if any, the consent of the Company be and is hereby granted to the re-appointment of Shri I.K. Sardana as Managing Director of the Company with effect from 1st July, 2008, on the terms and conditions including remuneration 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 and conditions of the re-appointment including remuneration, commission etc. payable to Shri I.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 I.K. 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, if any and subject to the approval of the Central Government, consent of the company be and is hereby granted to increase/revise the salary of Shri Puneet Sardana, Vice President, for the time being of M/s. Scott Industries Ltd., a Subsidiary for the time being of the Company as per particulars given in the Explanatory Statement.
 Further resolved that the Board of Directors be and is hereby authorized to effect such modification(s) in the remuneration of Shri Puneet Sardana as may be approved by the Central Government and as may be agreed to between the Company / Scott Industries Ltd. and Shri Puneet Sardana."
8. 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, if any and subject to the approval of the Central Government, consent of the company be and is hereby granted to increase/revise the salary of Shri Pankaj Sardana, Vice President, for the time being of M/s. Scott Industries Ltd., a Subsidiary for the time being of the Company as per particulars given in the Explanatory Statement.
 Further resolved that the Board of Directors be and is hereby authorized to effect such modification(s) in the remuneration of Shri Pankaj Sardana as may be approved by the Central Government and as may be agreed to between the Company / Scott Industries Ltd. and Shri Pankaj Sardana."

Place : Phagwara.
 Dated : 25th June, 2008

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. The 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 31.3.2008 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 the Share Transfer Books of the Company shall remain closed from 20th August, 2008 to 27th August, 2008 (both days inclusive).
4. The Members are requested to notify any change in their address immediately to the Registrar-cum-Share Transfer Agents of the company.
5. The Dividend Warrants, to the resident members of the Company, will be posted within 30 days from the date of declaration of dividend.
6. The Members are hereby informed that the Dividends, which remain unclaimed/unencashed over a period of 7 years, have to be transferred by the Company to the 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. The Members, who have not encashed their dividend warrants for the financial year 2000-2001, 2001-2002, 2002-2003, 2003-2004, 2004-2005, 2005-2006 and 2006-2007, 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
2005-2006	20.09.2006	19.09.2013
2006-2007	12.09.2007	11.09.2014

8. The 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. The Re-appointment of Directors retiring by rotation :
It is proposed to re-appoint Sh. S.K. Anand and Sh. V.P. Kapahi who retire by rotation and being eligible offer themselves for re-appointment.
Sh. S.K. Anand is B.E. (Elec.) and is a retired Member (Distribution) of Punjab State Electricity Board, Patiala having vast management and Administrative experience.
Sh. V.P. Kapahi is B.A., C.A.I.I.B. and is a retired Executive of the Punjab National Bank having long Banking, Finance and Management experience to his credit.
Both the directors were appointed as Independent (Additional) Directors of the Company on 26/12/2005 in consonance with clause 49 of the Listing Agreement with Bombay Stock Exchange. The Board, therefore, recommend their re-appointment.
Sh. S.K. Anand and Sh. V.P. Kapahi 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

The reappointment of Shri I.K. Sardana was approved in the Annual General Meeting held on 24th September, 2003 (with effect from 1st July, 2003). His term of office is expiring on 30th June, 2008 and your Directors have re-appointed Shri I.K. Sardana as the Managing Director of the Company for a further period of 5 years with effect from 1st July, 2008 on the following terms and conditions :

1. The Managing Director shall act under the superintendence, control and directions of the Board of Directors and is vested with the powers of governance and control of the Company and is authorized to exercise all the powers for the general conduct of business and affairs of the company, efficiently and profitably.
2. The re-appointment is made for a period of 5 years with effect from 1st July, 2008.
3. Remuneration :
 - (a) Salary and Allowances : Rs. 1,41,000/- p.m. with an 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 : ½% (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 and will be restricted to an amount equal to the annual salary / allowances.

Unless otherwise the context requires, Shri I.K. Sardana shall be entitled to the following perquisites under three categories :

Category 'A'

- (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 months salary in a period of three years 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 and Mediclaim Insurance as per rules of the company.

Category 'B'

- (i) Contribution to Provident Fund will not be included in the computation of the ceiling on perquisites to the extent it is not taxable under the Income Tax Act.
- (ii) Earned Leave : Full pay and allowances as per rules of the Company but not exceeding one months' leave for every 11 months of service. Encashment of leave at the end of the tenure will not be considered as ceiling on the computation of perquisites.

Category 'C'

Provision of a chauffeur driven car for use on company's business and telephone at residence will not 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 I.K. Sardana. He shall be entitled to actual entertainment and traveling expenses incurred during the course of business as per rules of the Company. Shri I.K. Sardana will not receive any sitting fee for attending the meeting of the Board of Directors of the Company and shall not, so long as he functions as a Managing Director 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 company has shown quantum jump in its sales and profits during the last couple of years under his stewardship. The Board, therefore, in the overall interest and future growth of the company, recommend his re-appointment for a period of five years with effect from 1st July, 2008.

None of the Directors except Shri I.K. Sardana and Shri K.K. Sardana (being brother of Shri I.K. Sardana) are concerned or interested in this resolution.

The Sukhjit Starch & Chemicals Limited, Phagwara

ITEM NO. 7

Mr. Puneet Sardana was appointed in M/s. Scott Industries Ltd. on 16/11/2000 and is presently working as Vice President at a remuneration of Rs. 15,000/- p.m. with usual perks as per rules of the Company.

Mr. Puneet Sardana is B.A. (Hons.) Economics from Northumbria University, U.K. and M.A. (Financial Services) from New Castle University, New Castle, U.K. He has contributed a lot in improving the operations of the company where productivity and efficiency has considerably improved and the company has turned around during the year ended 31/03/2008. His salary is totally incommensurate with his qualifications and experience and has not been revised since Oct., 2002. 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, 1956 read with the Directors' Relatives (Office or Place of Profit) Rules, 2003 where any increase in total remuneration beyond Rs. 50,000/- P.M. can be made with the approval of the Central Government. The Board, therefore, in the overall interest and future growth of the Company, recommend increase/revision in his salary in the Pay Scale of Rs. 35,000/- to Rs. 1,00,000/- P.M. with usual perks as per rules of the Company 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.
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 the Central Government and any change which may be made by the Central Government and agreed to by the Company/Scott Industries Ltd. and Shri Puneet Sardana.

An annual increment may be decided by the Board from time to time subject to the limits specified u/s 314 of The Companies Act, 1956.

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

ITEM NO. 8

Mr. Pankaj Sardana was appointed in M/s. Scott Industries Ltd. on 01/08/2002 and is presently working as Vice President at a remuneration of Rs. 15,000/- p.m. with usual perks as per rules of the Company.

Mr. Pankaj Sardana is BBE (Bachelor of Business Economics) from University of Durham, U.K. and M.Sc. in International Hotel and Tourism Management from Oxford Brookes University, U.K. His salary has become quite incommensurate with the work/responsibilities shouldered by him. His salary has not been revised since April, 2006. 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, 1956 read with the Directors' Relatives (Office or Place of Profit) Rules, 2003 where any increase in total remuneration beyond Rs. 50,000/- P.M. can be made with the approval of the Central Government. The Board, therefore, in the overall interest and future growth of the Company, recommend increase/revision in his salary in the Pay Scale of Rs. 35,000/- to Rs. 1,00,000/- P.M. with usual perks as per rules of the Company 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.
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 the Central Government and any change which may be made by the Central Government and agreed to by the Company/Scott Industries Ltd. and Shri Pankaj Sardana.

An annual increment may be decided by the Board from time to time subject to the limits specified u/s 314 of The Companies Act, 1956.

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

Place : Phagwara.

Dated : 25th June, 2008

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 64th Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2008.

1. FINANCIAL RESULTS

	2007-08 (Rs. in Lacs)	2006-07 (Rs. in Lacs)
Sales & Other income	19326.80	17485.22
Profit before tax & depreciation	2635.55	2797.74
Profit before tax but after depreciation	2271.85	2506.92
Provision for taxes	(257.05)	(465.10)
Profit After Tax	2014.80	2041.82
Taxes relating to previous years	(8.61)	0.82
Surplus brought forward	359.77	262.49
Surplus available for appropriation	2365.96	2305.13
Proposed dividend (including Corporate Tax)	(431.70)	(345.36)
Transfer to General Reserve	(1600.00)	(1600.00)
Surplus carried forward	334.26	359.77

2. PERFORMANCE

The sales and other income of the company have increased by over 10% during the year under reference. The profit has slightly gone down owing to higher charge of interest on Term Loan raised for the new unit. However, net profit after tax compares well with that of last year. The new unit, set up in H.P. has been commissioned during the year and its full year working is expected to show up in the performance of the running year.

3. FUTURE PROSPECTUS

As required under the Corporate Governance, the 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 @ 50% for the financial year ended 31st March, 2008 against 40% 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, 2008, 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, 2008 on a 'going concern' basis.

7. DEPOSITS

All the deposits have been timely 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 31/03/2008.

8. SUBSIDIARY COMPANIES

- The Vijoy Steel & General Mills Company Ltd., Phagwara : The profits of the company have been adversely affected during the year under reference due to high cost of steel.
- Sukhjit Finance Ltd., Phagwara : The operations of the company have been cut down substantially to ward off unnecessary losses.
- Scott Industries Ltd., Phagwara : The company has shown turn around during the year under reference and is expected to further improve the performance in the years to come.

The Sukhjit Starch & Chemicals Limited, Phagwara

9. CONTINGENT LIABILITY

The Disputed Liabilities, not adjusted as expense in the accounts include Rs.11.83 crores on account of Central Excise Duty / Service Tax in appeals. The major item, consists of Rs. 11.72 crores (Previous Year Rs. 10.19 crores) on account of demands raised by Central Excise Department since 01.04.1997 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, the 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) The 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	62	Managing Director	31,34,834/-
2.	Sh. K.K. Sardana	60	Jt. Managing Director	27,60,236/-
3.	Sh. S.M. Jindal	76	Executive Director & Secretary	24,39,859/-

Qualification	Experience	Date of Joining	Last Employment/Designation Held
B.A.	42 Years	02.08.1967	The Sukhjit Starch & Chemicals Ltd., Phagwara Sales Manager
B.A.	37 Years	18.01.1972	The Sukhjit Starch & Chemicals Ltd., Phagwara G.M. (Commercial)
B.Sc., LLB	49 Years	15.06.1960	The Sukhjit Starch & Chemicals Ltd., Phagwara Controller of Accounts

(b) The 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 : The Remuneration shown above includes salaries, commission, contribution to provident fund & superannuation fund and perquisite values in accordance with Income tax rules.

11. DIRECTORS

In accordance with the provisions of the Companies Act, 1956. Shri S.K. Anand and Shri V.P. Kapahi 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 the reappointment 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,

S.C. JINDAL

Chairman

Dated : 24th June, 2008

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, 2008.

I. (A) POWER & FUEL CONSUMPTION	CURRENT YEAR	PREVIOUS YEAR
1. ELECTRICITY		
(a) Purchase Units – 000 KWH	27,419	25,094
Total Amount Rs. 000	1,08,643	92,389
Rate/Unit Rs.	3.96	3.68
(b) Own Generation		
(i) Through Diesel Generation		
– Units – 000 KWH	297	45
– Units per Ltr of Diesel oil	2.50	2.50
– Cost/Unit Rs.	12.48	13.20
2. COAL (Steam Coal used on Boilers)		
Quantity (M. Tons)	13,960	11,355
Total Cost Rs. 000	49,634	39,093
Average Rate Rs./MT	3,555	3,443
3. OTHERS (Rice Husk / Fire Wood)		
Quantity (M. Tons)	25,091	24,241
Total Cost Rs. 000	45,195	37,605
Average Rate Rs./MT	1,801	1,551

(B) CONSUMPTION PER M.TON OF PRODUCTION

	STANDARD, if any	CURRENT YEAR	PREVIOUS YEAR
Production in M. Tons	Nil	1,16,990	1,09,821
Electricity–Ton/KWH	Nil	234 *	228 *
Coal – Ton/Kgs.	Nil	119 *	103 *
Others – Rice Husk – Ton/Kgs.	Nil	214 *	221 *

(*) 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.