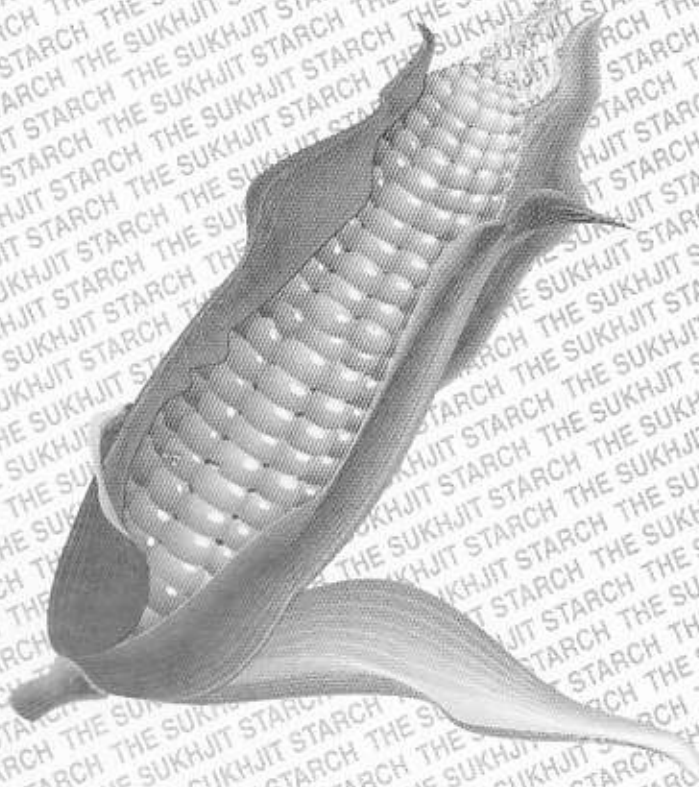


# 69th *Annual Report* 2012-2013



**THE SUKHJIT STARCH & CHEMICALS LIMITED**

# 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  
Ambika Towers, 4th Floor,  
Police Line Road, Jalandhar-144 001.

## REGISTERED OFFICE

Phagwara-144 401 (Pb.)

## REGISTRAR & SHARE TRANSFER AGENTS

M/s. Skyline Financial Services (Pvt.) Ltd.  
D-153A, 1st Floor, Okhla Industrial Area,  
Phase-I, New Delhi-110 020  
Tel. : 011-26812682, 83  
Fax : 011-26812684

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ANNUAL REPORT & ACCOUNTS 2012-2013

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## NOTICE

NOTICE is hereby given that the 69th 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 Tuesday, the 6th day of August, 2013 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 31.03.2013.
2. To declare dividend on the Equity Shares for the year ended 31.03.2013.
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 the next Annual General Meeting and fix their remuneration.

### **SPECIAL BUSINESS**

6. To consider and if thought fit to pass with or without modification(s) the following resolution as a special resolution :

"Resolved that pursuant to the provisions of Section 198, 269, 309, 311 read with the 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 the Managing Director of the Company with effect from 1st July, 2013, 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 & conditions of the reappointment 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.

Place : Phagwara.

Dated : 1st June, 2013

By Order of the Board

Sd/-

**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 31.03.2013 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 29th July, 2013 to 6th August, 2013 (both days inclusive).
4. Members are requested to notify any change in their addresses 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 the Investor 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 unclaimed dividends either from the company or the IEPF thereafter.
7. Members, who have not encashed their dividend warrants for the financial year 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, Interim Dividend 2010-2011 and Final Dividend 2010-2011 & 2011-12 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
2005-2006	20.09.2006	19.09.2013
2006-2007	12.09.2007	11.09.2014
2007-2008	27.08.2008	26.08.2015
2008-2009	25.08.2009	24.08.2016
2009-2010	09.08.2010	08.08.2017
2010-2011 (Interim Dividend)	11.01.2011	10.01.2018
2010-2011 (Final Dividend)	01.08.2011	31.07.2018
2011-2012	09.08.2012	08.08.2019





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 share-holders 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 shares of the Company are under the compulsory demat list, so trading in the equity shares can only be made in the dematerialized form. In case you have not dematerialized your shares, you may do so by opening an account with a depository participant.
10. Information under clause 49 of the Listing Agreement with the Stock Exchange, Mumbai in respect of Directors seeking appointment/re-appointment at the Annual General Meeting is given hereunder :
  - (a) Shri A.K. Sardana retires by rotation in the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.  
 Shri A.K. Sardana is qualified Engineer and is a retired Senior Executive of Indian Oil Corporation Ltd. He does not hold any other directorship and holds 26,620 shares of our Company.
  - (b) Shri Naresh Sardana retires by rotation in the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.  
 Shri Naresh Sardana is B.E. (Electrical) and has served as Area Sales Manager (Middle East) with M/s. Brook Crompton International. He does not hold any other directorship and holds 29,300 shares of our company.  
 Both the directors have long Managerial and administrative business experience to their credit. They are associated with the company as directors for last over 16 years and have contributed significantly to the overall growth of the company. The Board, therefore, recommends their re-appointment.  
 Shri V.K. Sardana (being the brother of Shri A.K. Sardana) may be deemed to be interested in the resolution relating to the re-appointment of Shri A.K. Sardana and both of the Directors in their own re-appointment.

**EXPLANATORY STATEMENT OF ITEM NO. 6  
(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, 2008 (with effect from 1st July, 2008). His term of office expiring on 30th June, 2013 and your Directors have re-appointed Shri I.K. Sardana as Managing Director of the Company for a further period of 5 years with effect from 1st July, 2013 on the following terms & 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, 2013.
3. Remuneration :
  - (a) Salary & Allowances : Rs. 4.61 lacs 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 :  $\frac{1}{2}\%$  (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 and will be restricted to an amount equal to the annual salary.

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 month's 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 policies 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 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 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 I.K. Sardana. He shall be entitled to actual entertainment and travelling 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 grown significantly with new projects, expansions or diversified product portfolios under his able stewardship. The Company has shown a quantum jump in its turnover and profitability over the years. The Board, therefore, in the overall interest and future growth of the company, recommends his re-appointment for a period of five years with effect from 1st July, 2013.

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.



## DIRECTORS' REPORT

Dear Share Holders :

Your Directors' are pleased to present before you the 69th Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2013 :-

### 1. FINANCIAL RESULTS

	2012-13 (Rs. in Crores)	2011-12 (Rs. in Crores)
Sales & Other income	420.10	354.94
Earning before Interest, tax and Depreciation	51.33	45.99
– Less Interest	14.12	11.19
– Depreciation	8.85	7.14
– Provision for taxes (including Deferred Tax)	6.78	5.56
Profit After Tax	21.58	22.10
Surplus brought forward from previous year	10.15	6.91
Surplus available for appropriation	31.73	29.01
Proposed dividend (including Corporate Tax)	4.32	3.86
Transfer to General Reserve	15.00	15.00
Surplus carried forward	12.41	10.15

### 2. PERFORMANCE

The sales and other income of the company have increased from Rs. 354.95 crores for the year ended 31/03/2012 to Rs. 420.10 crores for the year ended 31/03/2013 registering an increase of over 18% (year over year). The interest cost has continued to take a heavy toll on the profits of the Company due to high rates of interest prevailing through out the year. The prices of the finished goods also remained under pressure due to addition of new capacities in the industry and having operationalised during the current year. The earnings before depreciation, interest and tax have increased from Rs. 45.99 crores to Rs. 51.32 crores for the current year which after providing financial cost Rs. 14.12 crores (Rs. 11.19 crores), depreciation of Rs. 8.85 crores (Rs. 7.14 crores) and tax expense including deferred tax of Rs. 6.78 crores (Rs. 5.56 crores) leave a net profit of Rs. 21.58 crores (Rs. 22.10 crores).

### 3. FUTURE PROSPECTUS

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

A higher capacity utilization of the expansion of Malda Unit during the running year is expected to contribute to the sales of the company significantly with reasonable increase in profits. The overall turnover of the company may further show a growth of about 20% during the running year.



#### 4. CORPORATE GOVERNANCE

Your company is fully committed to the philosophy of transparency and believes in conducting its 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 of 50% during the financial year ended 31st March, 2013 against 45% last year.

#### 6. DIRECTORS' RESPONSIBILITY STATEMENT

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

- (i) that in the preparation of the Annual Accounts for the Financial Year ended 31st March, 2013, the applicable Accounting Standards have been followed alongwith proper explanations relating to material departures;
- (ii) 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 ;
- (iii) 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
- (iv) that the Directors have prepared the Annual Accounts for the Financial Year ended 31st March, 2013 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 had no unclaimed/unpaid deposits on 31/03/2013.

#### 8. SUBSIDIARY COMPANIES AND CONSOLIDATED FINANCIAL STATEMENTS

- (a) The Vijoy Steel & General Mills Company Ltd., Phagwara : The company has shown a turn around with a net profit for the year under reference. The company is expected to improve upon its performance in the years to come.
- (b) Sukhjit Finance Ltd., Phagwara : The operations of the company have almost been shut down to ward off unnecessary losses and efforts are being made to realize overdues and the available assets of the Company.
- (c) Scott Industries Ltd., Phagwara : The company has shut down its operations owing to huge losses over the years. Most of its assets have been disposed off in May, 2013 to redeem the maximum investment and efforts are on to realize the dues from its customers.

There has been no material change in the nature of business of the Subsidiaries.

As required under the Listing Agreement with the Bombay Stock Exchange, a Consolidated Financial Statements





of the Company and its subsidiaries are attached, which have been prepared in accordance with the relevant Accounting Standard(s) as prescribed under Section 211 (3C) of the Companies Act, 1956.

In pursuance to the general circular issued by the Ministry of Corporate Affairs, the Balance Sheet, Profit & Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. A statement containing the requisite financial details of the company's subsidiaries for the financial year ended 31st March, 2013 is annexed to the consolidated results in the Annual Report. The annual accounts of these subsidiaries and the related detailed information will be made available to any shareholder of the Company/its subsidiaries who may be interested in seeking such information and are also available for inspection by any shareholder of the Company/its subsidiaries at the registered office of the Company/its subsidiary companies. The Company shall furnish a copy of details of annual accounts of subsidiaries to any shareholder on demand.

#### 9. CONTINGENT LIABILITY

Disputed Liabilities, not provided as expense in the accounts, comprise of Rs. 20.38 Crores mainly Rs. 19.12 Crores on account of disputed Central Excise Duty excluding penalty and interest. The amount is on account of demand raised by Central Excise Department since 01/04/1997 alleging the sale of Maize Starch as that of Modified Starch. The product has been repeatedly got tested by the Department from its Central Revenue Laboratory where it has been clearly held to be Maize Starch. So the demand is totally baseless and without any substance and the matter is subjudice. The company has been manufacturing Maize Starch by following the standard Wet Milling Process for the last many decades and the product is sold and accepted by the market as Maize Starch, so the company does not foresee any liability to crystallize on this account. Other items include show cause notice concerning demand of Rs. 1.19 crores on exempted goods and the case is pending before The Commissioner, Central Excise.

#### 10. PERSONNEL

In terms of the provisions of section 217 (2A) of The Companies Act, 1956 and rules made thereunder (amended to date), the names and other particulars of employees are set out in the Annexure to the Directors' Report. However, in view of the provisions of section 219(b)(iv) of the said Act, the aforesaid schedule is not annexed to the Annual Report being sent to the Members of the Company.

Any member interested in obtaining the particulars may write to the company.

#### 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 the re-appointment of M/s. Y.K. Sud & Company, Chartered Accountants as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting.

The Board of Directors recommend, subject to the approval of the Central Government, the appointment of M/s. Khushwinder Kumar & Associates, Cost Accountants, as Cost Auditors of the Company for the financial year 2012-13. The cost audit report for the said year is due to be filed with the Ministry of Corporate Affairs on or before the 30th September, 2013 and the cost audit report for the financial year ended 31/03/2012 was duly filed on 29/12/2012 (i.e. within the extended due date for the said filing).

### 13. ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the co-operation received from the bankers, customers and other business associations. They 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 : 31st May, 2013