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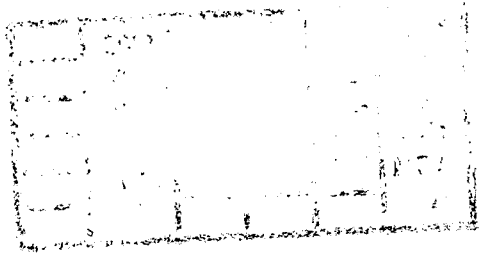
# THIRTY SEVENTH ANNUAL REPORT

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ReportJunction.com 1997-98



**Siel Limited**



## BOARD OF DIRECTORS

Dr. S.S. Baijal  
Shri Ravi Vira Gupta  
Shri Samir Chandra Kumar  
Air Chief Marshal S.K. Mehra (Retd.)  
Ms. Radhika S. Minocha  
Shri D.C. Mittal  
Prof. Dinesh Mohan  
Shri Ravinder Narain  
Shri Rajindra Lal Saigal  
Shri Siddharth Shriram  
*Chairman and Managing Director*

Shri Krishna Shriram

Shri K.P. Singh  
*Wholetime Director*

Shri Ashok Pratap Singh

Shri Mantosh Sondhi

Shri P.N. Vijay

## SECRETARY

Shri P.K. Bhalla

## BANKERS

Punjab National Bank  
State Bank of India  
State Bank of Hyderabad  
The Sanyal Bank Ltd.

## AUDITORS

A.F. Ferguson & Co.  
Scindia House,  
New Delhi — 110 001

## REGISTERED OFFICE

Surya Kiran Building,  
19, Kasturba Gandhi Marg,  
New Delhi - 110 001.

**Siel Limited**

Regd. Office: Surya Kiran, 19 Kasturba Gandhi Marg, New Delhi-110001

**NOTICE**

Notice is hereby given that the 37th Annual General Meeting of the members of Siel Limited will be held as scheduled below :

Day : Tuesday  
 Date : 30.3.1999  
 Time : 10.00 A.M.  
 Place : FICCI Auditorium, Federation House, Tansen Marg, New Delhi-110001

to transact the following business:

**ORDINARY BUSINESS**

1. To consider and adopt the Balance Sheet as at 30th September 1998, and the Profit and Loss Account of the Company for the year ended on that date and the Reports of Board of Directors and Auditors thereon.
2. To appoint a Director in place of Dr. S.S. Bajjal, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Mantosh Sondhi, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Prof. Dinesh Mohan, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Shri K.P. Singh, who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to authorise the Board of Directors to fix their remuneration and the mode of payment.

M/s A.F. Ferguson & Co., Chartered Accountants, are the retiring Auditors.

**SPECIAL BUSINESS**

7. To consider and if thought fit to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

RESOLVED that Shri Ravi Vira Gupta who was co-opted as an Additional Director of the Company under Article 86 of the Articles of Association of the Company and who holds such office upto the date of this Annual General Meeting and in respect of whom the Company has received notice in writing, pursuant to Section 257 of the Companies Act, 1956, proposing his candidature to the office of Director, be and is hereby appointed as Director of the Company.

8. To consider and if thought fit to pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION:

RESOLVED that pursuant to provisions of Section 372A of the Companies Act, 1956 as amended by the Companies (Amendment) Ordinance 1999 and other applicable provisions and further subject to the approval of the Financial Institutions, sanction be and is hereby accorded to the Board of Directors of the Company to fulfill Company's obligation in terms of the Joint Venture Agreement already entered into with Honda Motor Company of Japan and acquire equity shares of Honda Siel Cars India Ltd. worth Rs. 54 crores from Honda Motor Company on such terms and conditions and in one or more tranches as may be decided by the Board so as to make the total holding of the Company in Honda Siel Cars India Ltd. at Rs. 72 crores.

By Order of the Board  
 For Siel Limited

Place: New Delhi  
 Dated: 28.1.1999

(P.K. Bhalla)  
 Sr. Vice President &  
 Company Secretary

**NOTICE (Contd.)****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. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE MEETING. A PROXY FORM IS APPENDED WITH THE ADMISSION SLIP.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business as set out above is appended hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 26.3.1999 to 30.3.1999 (both days inclusive).
4. Members are requested to notify immediately any change in their addresses to the Legal & Secretarial Department of the Company situated at 12th Floor, Surya Kiran Bldg., 19, Kasturba Gandhi Marg, New Delhi-110 001.
5. Documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on all working days (Monday to Friday) except holidays between 11.00 A.M. and 1.00 P.M. upto the date of Annual General Meeting and will also be available for inspection at the meeting.
6. Members/Proxies should bring the attendance slip duly filled in for attending the meeting.
7. Shareholders seeking any information with regard to accounts are requested to write to the Company at least ten days in advance so as to enable the Company to keep the information ready.
8. Pursuant to Section 205 A of the Companies Act, 1956, the dividend upto the Financial Year 1994-95 which remains unpaid/unclaimed has been transferred to the General Revenue Account of the Central Government. Members concerned are requested to claim the amount from the Registrar of Companies NCT of Delhi & Haryana, Paryavaran Bhawan, CGO Complex, Lodi Road, New Delhi. In case any assistance is required, please write to the Company, at its Registered Office.
9. In terms of Section 109 (A) of the Companies Act, 1956 the Shareholder/Debentureholder of the Company may nominate a person to whom the shares or debentures held by him shall vest in the event of death. In case you wish to avail the nomination facility in respect of shares/debentures held by you, please write to the Company to obtain the nomination form.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM NO. 7**

Since the last Annual General Meeting Shri Ravi Vira Gupta was appointed as an Additional Director on the Board of Directors of the Company. He holds office upto the date of this Annual General Meeting. Notice under Section 257 of the Companies Act 1956 has been received from a member signifying his intention to propose the candidature of Shri Ravi Vira Gupta for office of the Director of the Company.

Shri Ravi Vira Gupta has retired as Deputy Governor of Reserve Bank of India and has held many senior positions in the Government of India.

The Board of Directors considers that the continuance of Shri Ravi Vira Gupta on the Board will be beneficial to the Company and recommend the resolution of his appointment for your approval.

Shri Ravi Vira Gupta may be deemed to be interested or concerned in this resolution. No other Director of the Company is interested or concerned in the said resolution.

**ITEM NO. 8**

As per terms of the existing Joint Venture Agreement with Honda Motor Company (HMC) of Japan, Company has to acquire 40% shares in the paid up equity of Honda Siel Cars India Ltd. (HSCI), the JV Company.

## Siel Limited

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### NOTICE (Contd.)

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The initial capital of HSCI was fixed at Rs. 180 crores and accordingly, Siel was expected to acquire shares worth Rs. 72 crores. As against this, Siel has already acquired shares worth Rs. 18 crores and still has to acquire the remaining shares worth Rs. 54 crores from HMC. As per the existing approval of the Government of India, Siel is entitled to acquire these shares upto end October 2000.

The investment in shares of HSCI is proposed to be funded by internal accruals.

As per Section 372A of the Companies Act, 1956, as amended by the Companies (Amendment) Ordinance 1999 prior approvals of shareholders and financial institutions are required for making investment in shares of other body corporate beyond specified limits.

The investment in shares of HSCI worth Rs. 54 Crores requires the approval of the shareholders. Therefore the Directors recommend the resolution for your approval.

The investment in share of HSCI shall be further subject to the approval of financial institutions.

None of the Director is concerned or interested in the said resolution.

By Order of the Board  
For Siel Limited

Place: New Delhi  
Dated: 28.1.1999

(P.K. Bhalla)  
Sr. Vice President &  
Company Secretary



## DIRECTORS' REPORT

Your Directors have pleasure in presenting the 37th Annual Report alongwith Audited Accounts of the Company for the year ended September 30, 1998.

### FINANCIAL RESULTS

complex at Rajpura and inability to dispose off the surplus land at Delhi due to sluggish real estate market, the Company has come under a severe liquidity crunch and has not been able to pay some of its dues on debentures held by Financial

	(Rs. Lacs)	
	Year Ended 30.9.1998	Year Ended 30.9.1997
— Gross Profit before depreciation, extra-ordinary item and tax	3230.66	(844.70)
— Less : Depreciation	1045.81	1048.91
— Profit before extra-ordinary item and tax	2184.85	(1893.61)
— Add: Extra-ordinary item	—	6442.20
— Profit before tax	2184.85	4548.59
— Provision for tax	555.00	820.00
— Profit after tax	1629.85	3728.59

The above financial results include Rs. 8458 lacs being the profit realised on transfer of the Company's entire holding of 33.33% in Honda Siel Power Products Ltd. to Honda Motor Company, Japan. As a matter of prudence, your Directors have decided to set apart 70% of this profit by way of a provision towards diminution in value of investments/loans to certain subsidiaries.

An amount of Rs. 1073.18 lacs has been transferred to debenture redemption reserve.

### DIVIDEND

Your Directors had, in their last report, indicated their intent that in the absence of any unavoidable or unforeseen circumstances, Company will pay a dividend of Rs. 3 per share. However, due to unexpected cost overrun in setting up of chemical

Institutions. While the Financial Institutions are being approached for reschedulement of the above interest payment, the Company, under the covenants entered into with the Debenture Trustees, can not declare or pay any dividend unless it has paid all the amounts due and payable on such debentures. Under the circumstances, your Directors regret their inability to recommend any dividend for the year ended September 30, 1998.

Efforts are being made to improve the liquidity including sale of land and your Directors feel that the Company will achieve a healthy liquidity position in the next couple of years.

### OPERATIONS

A review of operations of the major businesses of your Company is as under:

### EDIBLE OILS

The Vanaspati and Edible Oils operations were continued on third party manufacturing basis under the Company's strict Quality Control specifications. There was a temporary set back to this business in the Month of August/September 1998 due to quality related perception about the products of the Company. These have been sorted out and the products under Company's brand name are back in the market and operations are setting back to normal.

### CHLOR ALKALI

Your Directors have pleasure in informing you that the relocated facilities at Rajpura, Punjab, have been successfully commissioned. With the start up of this operation, your Company will be able to re-enter the Chlor Alkali market with superior quality products which will help in improving the profitability of the Company.

Essentially, the relocation of Chlor Alkali plant at Rajpura has meant that the Company has remained in the same business and yet spent over Rs. 200 crores.

### SUGAR

The sugar operations during the year under review registered an improvement over the previous year due to increase in volume of cane crush and high recovery/efficiency level. Sugar produced at both the units enjoyed premium due to better quality. Profits from both the units were restricted due to depressed market condition owing to import of sugar. Realisation from sale of molasses was

# Siel Limited

## DIRECTORS' REPORT (Contd.)

higher due to decontrol of molasses.

Site development work for setting up a new 2500 TCD sugar plant at Village Nangla Mal (Mau Khas) is in progress.

### **Siel PROJECTS ENGINEERING AND CONSULTANCY SERVICE**

The division has assisted in successfully commissioning of Chlor-Alkali Plant of your Company at Rajpura, Punjab.

It has also successfully commissioned a 200 TPD Sulphuric Acid and 400 TPD Single Superphosphate Plant for its clients during the year.

It has been awarded a Turnkey Contract of a value of about Rs. 2.50 Crores for setting up Stable Bleaching Powder Plant at Durgapur which is progressing steadily.

### **LAND AT DELHI**

Hon'ble Supreme Court of India has permitted development of 32% of the land, becoming vacant pursuant to relocation of Siel Foods & Fertiliser Industries, with an additional FAR of 50%. The remaining 68% of the land is directed to be surrendered to DDA for being kept open. Your Company has filed an application before Hon'ble Supreme Court seeking compensation for the land directed to be surrendered. Efforts are being made to realise the value of the remaining 32% of land either by outright sale or by joint development with some reputed party.

### **JOINT VENTURES**

**HONDA Siel POWER PRODUCTS LTD. (HSPPL)**, your Company had contracted to sell 23.33% of its investment in HSPPL during the

previous year to Honda Motor Co. Ltd. of Japan (HONDA), sale proceed of which was credited during the current financial year. The remaining 10% investment in HSPPL has also been sold during current year to HONDA who in a unique gesture of goodwill and demonstration of high confidence in your Company has offered an option to your Company to buy back 10% of equity of HSPPL from HONDA at the same price within a period of two years.

**HONDA Siel CARS INDIA LIMITED (HSCIL)**, the other Joint Venture with Honda Motor Co. Ltd. has successfully started commercial production w.e.f. December 15, 1997. It has achieved No. 2 position in premium car segment. Honda City has been adjudged the best car in terms of quality on Indian Roads by one of the World's leading automotive market research company. Your Company has an option to buy back from Honda Motor Co. Japan, the equity of HSCIL equivalent to the face value of Rs. 5400 lacs in one or more transaction by October 2000 end. An enabling resolution for the purpose has been proposed for your approval.

**Siel TIZIT LIMITED (STL)**, your Company presently holds 41.66% Equity of STL. STL incurred losses during the year ended February 1998 due to acute recessionary economic conditions and severe market competition.

Various measures have been taken to improve the profitability of STL. These include modernisation and rearrangement of the machineries, upgradation of quality system, discontinuing of unprofitable activities, rationalisation of manpower strength,

strengthening marketing department and commissioning of imported coating plant etc.

**Siel OVERSEAS LIMITED (SOL)**, the U.K. based manufacturing Company, which was a 100% subsidiary of your Company has been converted into 50:50 joint venture between your Company and M/s Thorn and Longley U.K.

The investment in M/s Covrad Heat Transfer Limited (CHTL), another U.K. based Company has been exchanged as a part of restructuring of SOL and CHTL after obtaining approvals from Reserve Bank of India and Company has received preferential shares worth GBP 1.44 million against its original investment of GBP 850230.

### **DIRECTORS**

Directors, condole the sad demise of Shri Virendra Laroia, a Director of the Company and place on record their appreciation for the valuable services rendered by Shri Virendra Laroia.

Shri Ravi Vira Gupta was co-opted as Additional Director and will hold office upto the date of the forthcoming Annual General Meeting. Requisite notice under Section 257 of the Companies Act, 1956 has been received from a member of the Company signifying his intention to propose him for the office of Director.

Shri Krishna Shriram resigned from the position of Whole Time Director of the Company with effect from 13.10.1998. However, he continues as Director on the Board.

Dr. S.S. Baijal, Shri Mantosh Sondhi, Prof. Dinesh Mohan and Shri K.P.

## DIRECTORS' REPORT (Contd.)

Singh Directors, retire by rotation and being eligible, offer themselves for re-appointment.

### AUDITORS

M/s A.F. Ferguson & Co., Chartered Accountants, Auditors of the Company hold office until the conclusion of the forthcoming Annual General Meeting and are recommended for reappointment. The Company has received a certificate from them to the effect that their reappointment, if made, would be within the prescribed limits under Section 224(1) of the Companies Act, 1956.

### AUDITORS' REPORT

The observation of Auditors are explained where necessary, in the appropriate notes to the accounts.

### SUBSIDIARY COMPANIES

During the year under review The Jay Engineering Works Limited (JEW) became subsidiary of the Company on acquisition of its shares by the Company. The rehabilitation of JEW, undertaken by your Company in accordance with the Scheme approved by The Board for Industrial and Financial Reconstruction (BIFR) has been progressing well.

The Scheme of Amalgamation of Siel Financial Services Limited, a subsidiary with another subsidiary namely Shriram Agro-Tech Industries Limited, has become effective from Transfer Date i.e. April 1, 1996 on filing certified copies of High Court Orders with the Registrar of Companies of Madhya Pradesh and Delhi during the year. The name of

the Company has been changed to Siel Financial Services Limited.

Siel Aircon Limited, the subsidiary has been declared a Sick Company in terms of provisions of Sick Industrial Companies (Special Provisions) Act, 1985.

A statement pursuant to Section 212 of the Companies Act, 1956 is attached to the Accounts.

The audited statements of accounts alongwith Report of Board of Directors & Auditors' Report thereon of the subsidiary Companies are annexed.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO

A statement containing the necessary information as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed to this report.

### PARTICULARS OF EMPLOYEES

A statement showing particulars of employees under Section 217 (2A) of the Companies Act, 1956, is annexed.

### INFORMATION UNDER LISTING AGREEMENT WITH STOCK EXCHANGES

The funds amounting to Rs. 9427 lacs raised by issue of 13% Secured Non-Convertible Debentures on a rights basis as per Letter of Offer dated August 12, 1994 and Rs. 150 lacs by issue of NCDs to the Employees have been utilized to part finance the projects as mentioned in the Letter of

Offer subject to the changes as already approved by the shareholders.

### LISTING OF SECURITIES OF COMPANY

The equity shares, 15% non-convertible debentures of Rs. 90/- each and 13% non-convertible debentures of Rs. 100/- each of the Company are listed on Delhi (Regional), Mumbai, Calcutta and Hyderabad Stock Exchanges. The listing fee for the year 1998-99 has been paid to each of the above Stock Exchanges.

### CONVERSION OF WARRANTS

The issue for exercising option for conversion of detachable warrants issued alongwith 13% non-convertible debentures into equity shares at a price of Rs. 16.50 per share was open from October 8, 1998 to November 7, 1998.

Equity Shares have been allotted against warrants on exercise of option by warrant holders.

Warrant holders have also been issued and allotted one Bonus equity share of Rs. 10/- credited as fully paid up for every 5 equity shares applied for and allotted against the warrants.

### INFORMATION UNDER LISTING AGREEMENT FOR GDRs

- (a) The Directors and their connected persons held 6796155 equity shares as at September 30, 1998 representing 20.92% of the total outstanding shares.
- (b) Particulars of shareholders holding more than 5% of the issued share

# Siel Limited

## DIRECTORS' REPORT (Contd.)

capital of the Company as at September 30, 1998 is as under: assistance and support extended by the Central Government, the State

Name of the Shareholders	Nos. of Equity Shares held	% to the issued Capital
— Unit Trust of India	3114808	9.59
— Life Insurance Corpn. of India	2051620	6.32
— Busneda Commercial Private Ltd.	3354275	10.33
— Sandvik Inv. & Leasing Private Limited	2047048	6.30
— Bank of Newyork as Depository for GDR holders	9063580	27.90

- (c) If the United Kingdom resident holders in the Company's shares or depository receipts representing the Company's shares wish to know whether they are able to obtain any relief from United Kingdom Taxation to which they are entitled in respect of their holdings of such securities, they should consult their own tax advisors.
- Governments, the Financial Institutions, the Company's bankers, the Shareholders, the dealers, vendors and foreign collaborators of the Company. The Directors also wish to place on record their appreciation for the all-round co-operation and contribution made by the employees at all levels.

On behalf of the Board

(SIDDHARTH SHRIRAM)  
Chairman & Managing Director

### ACKNOWLEDGEMENTS

The Directors wish to thank and deeply acknowledge the co-operation,

New Delhi  
Dated: January 28, 1999