

THIRTY EIGHTH ANNUAL REPORT

1998-99

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Siel

Siel Limited

BOARD OF DIRECTORS

Dr. S.S. Baijal
Shri Ravi Vira Gupta
Shri Samir Chandra Kumar
Air Chief Marshal S.K. Mehra (Retd.)
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

SECRETARY

Shri P.K. Bhalla

BANKERS

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

AUDITORS

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

REGISTERED OFFICE

15, Shivaji Marg,
New Delhi - 110 015.

Siel Limited

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 38th Annual Report alongwith Audited Accounts of the Company for the year ended September 30, 1999.

You are aware that, consequent to the closure of our Chlor-Caustic and Edible Oil businesses, your Company has been passing through some difficult times. Because interest and principal owed to the Financial Institutions from whom financial assistance has been obtained by the Company has not been able to be repaid in time, the Company had approached the Financial Institutions (FIs) for reschedulement of its debts and interest due thereupon. The reschedulement proposal of the Company is being considered by the concerned FIs and is expected to be approved shortly. We are confident that this reschedulement shall not only help the Company to streamline its financial position but also have a positive impact on the working results of the Company thereby bringing cheer for the Shareholders.

FINANCIAL RESULTS

	(Rs. Lacs)	
	Year Ended 30.9.1999	Year Ended 30.9.1998
Operating Profit	-184	1444
Add : Profit/Loss on sale of long term investment	-996	8458
Less : Provision for diminution in the value of long term investments/ doubtful debts and advances	—	6671
Gross Profit	-1180	3231
Less : Depreciation	1704	1046
Profit before tax	-2884	2185
Provision for tax	—	555
Profit after tax	-2884	1630

In view of the losses during the year under review, no transfer to debenture redemption reserve has been made.

DIVIDEND

In absence of any divisible profits, your Directors regret their inability to recommend any dividend for the year ended September 30, 1999.

OPERATIONS

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

EDIBLE OILS

The Edible Oils Operations were continued on third party manufacturing basis under the Company's Quality Control specifications. The operations have recovered from the temporary set back of quality related problems in August/September 1998 and the lost market share has been regained to a large extent. The Market continues to be difficult owing to the import of low cost oils and falling prices of the product.

CHLOR ALKALI

The commercial production at the Chemical Complex at Rajpura started w.e.f. 1st February 1999. The production and market demand for our products had been steadily on the rise.

During the 8 months period ended September 30, 1999, the market for Chlor-Alkali products had been fluctuating in terms of demand as well as realisation. This was mainly due to excess installed capacity created over the period in country, coupled with unrestricted import of Caustic Soda under OGL.

In addition to the macro market factors, the unit depends on the State Electricity Board for power, which can be erratic. Overall, the unit incurred losses during the year under review with the position gradually improving towards the later part of the year.

With the stabilisation of operations, the work-force relocated from Delhi was also in the process of getting settled comfortably at Rajpura.

SUGAR

During the year under review Mawana Sugar Works crushed 125 lac qtls. of cane. The low crush was because of limited availability of cane due to diversion of some cane areas in favour of a new sugar factory set up in the Mawana region. Despite low sugar process losses etc, sugar recovery was only 9.62% due to excessive rains and floods in our cane command area. The excessive absorption of water in the soil may effect sugar recovery in the season 1999-2000 also.

The performance of Titawi Sugar Complex has been good. It has



DIRECTORS' REPORT (Contd.)

crushed 77.07 lac qtls cane. The unit has achieved an average recovery of 9.96% which is the second highest recovery among sulphitation sugar factories of Western U.P. The losses were at 1.96% which were the lowest ever achieved since inception of the plant.

Siel PROJECTS ENGINEERING AND CONSULTANCY SERVICE

The operations in this division, though small in volume, have been successful. The unit has received orders from Oman and the successful completion of these should yield in further business.

LAND AT DELHI

The sale of Company's land at Delhi which has become available for alternative uses pursuant to shifting of manufacturing facilities to Rajpura pursuant to Supreme Court order is important for reducing the debt burden of the Company. It is a matter of concern that despite continuous efforts, it has not been possible to sell the same owing to the very sluggish real estate market conditions. There are practically no buyers to buy such a large piece of land. Efforts are however continuing in this regard and it is expected that Company should be able to realise appropriate value of this asset during the next 12-24 months.

JOINT VENTURES

HONDA Siel CARS INDIA LIMITED.

The Joint Venture with Honda Motor Co. Ltd., Japan has already sold 16,000 no. of cars since starting its commercial production and enjoys a market share of about 17% in the premium car segment.

Siel TIZIT LIMITED. During the year under review, the share of Plansee Tizit in the Joint Venture has been increased to 95% of the increased paid up capital of Rs. 46 crores.

Your Company has the option to buy back equity from Plansee Tizit within three year i.e. upto June 2002 to reinstate its holding to 50% in the Joint Venture.

SIETAL LIMITED (formerly known as Siel Overseas Limited), has performed satisfactorily and it is expected that there will be further improvement in the year 2000.

SUBSIDIARY COMPANIES

Siel Aircon Limited (SAL), a subsidiary of your Company which is engaged in airconditioning and refrigeration business has been declared sick under the Sick Industrial Companies (Special Provisions) Act, 1985. Your Company has entered into a joint Venture Agreement with Daikin Industries Limited of Japan pursuant to which a JV Company would be formed which will take over the business of SAL.

Transiel India Limited, another subsidiary of your Company engaged in the business of trading in sulphur and fertilisers has been incurring losses for some time. With a view to avoid further losses, the business of this subsidiary is being gradually brought down.

The rehabilitation of Jay Engineering Works Ltd. (JEW) undertaken by your Company in accordance with the Scheme approved by the Board for Industrial and Financial Reconstruction (BIFR) has been slow due to various factors beyond control of that Company. The sale of

surplus land of JEW at Calcutta could not be achieved during the year which is adversely affecting the implementation of the rehabilitation scheme. However the sale is expected to be completed in the next 6 months.

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 & Auditor's Report thereon of the subsidiary Companies are annexed.

DIRECTORS

Shri P.N. Vijay has resigned from the directorship of the Company w.e.f. 16.11.1999.

ICICI has withdrawn the nomination of its Nominee Director Ms. Radhika S. Minocha from the Board of Directors of the Company effective from 18.11.1999.

Shri Krishna Shriram, Shri Ashok Pratap Singh, Shri Ravinder Narain and Air Chief Marshal S.K. Mehra (Retd.), 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.

Siel Limited

DIRECTORS' REPORT (Contd.)

AUDITORS' REPORT

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

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 (NCDs) 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. Application has been made to all the above stock exchanges for listing of shares allotted against warrants on exercise of option by warrant holders and shares allotted as bonus shares on these shares. The listing fee for the year 1999-2000 has been paid to Delhi and Mumbai Stock Exchanges.

INFORMATION UNDER LISTING AGREEMENT FOR GDRs

- (a) The Directors and their connected persons held 7400228 equity shares as at September 30, 1999 representing 21.80% of the total outstanding shares.
- (b) Particulars of shareholders holding more than 5% of the issued share capital of the Company as at September 30, 1999 is as under :

Name of the Shareholders	Nos. of Equity Shares held	% to the issued Capital
— Unit Trust of India	3047758	8.98
— Life Insurance Corpn. of India	2051620	6.04
— Busneda Commercial Private Ltd.	3282170	9.67
— Sandvik Inv. & Leasing Private Ltd.	2136120	6.29
— Bank of Newyork as Depository for GDR holders	8010790	23.60

- (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.

ACKNOWLEDGMENTS

The Directors wish to thank and deeply acknowledge the co-operation, assistance and support extended by the Central Government, the State 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

Place : New Delhi

Dated : January 31, 2000



AUDITORS' REPORT

To the Members of Siel Limited

We have audited the attached balance sheet of Siel Limited as at September 30, 1999 and also the profit and loss account of the Company for the year ended on that date, annexed thereto, and report that :

1. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.

2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that :

(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

(b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;

(c) the balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;

(d) in our opinion, the profit and loss account and balance sheet comply with the accounting standards referred to in sub-section (3C) of

Section 211 of the Companies Act, 1956.

(e) i) various matters arisen/ arising out of the reorganisation of DCM Limited will be settled and accounted for in terms of the Scheme of Arrangement of DCM Limited and memorandum of understanding between the companies involved. The net maximum liability that could arise on the Company in respect of these matters is estimated to be Rs.765 lacs (refer note 8).

ii) reliance has been placed on the management confirmation that the provisions made for the diminution in the value of investments in subsidiary companies and for the estimated doubtful advances to such subsidiaries as detailed in Note 11 are adequate and no further loss is presently expected in respect of remaining balances of investments, loans and advances and guarantees given to financial institutions and banks for the repayment of financial facilities provided by them to the subsidiary companies.

iii) no provision has been made for the compensation payable to Mr. Siddharth

Shriram and his family for having given up their right not to engage, directly or indirectly, in the manufacturing, selling and repairing of compressors and parts thereof under the non compete agreements which is explained in detail in note 12 as the amount has not been determined by the Board of Directors.

Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956 in the manner so required, and give a true and fair view;

i) in the case of the balance sheet, of the state of affairs of the Company as at September 30, 1999; and

ii) in the case of the profit and loss account, of the loss of the Company for the year ended on that date.

For A.F.FERGUSON & CO.
Chartered Accountants

Place: New Delhi
Date: 31.01.2000

J.M. SETH
Partner

Siel Limited

AUDITORS' REPORT (Contd.)

Annexure referred to in paragraph '1' of the Auditors' Report to the Members of Siel Limited on the accounts for the year ended September 30, 1999.

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. A portion of the fixed assets has been physically verified by the management during the year in accordance with a phased programme of verification adopted by the Company. No major discrepancies have been noticed on such verification. In our opinion the frequency of verification is reasonable having regard to the size of the Company and the nature of its fixed assets.
2. None of the fixed assets have been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw materials have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
4. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on verification between the physical stocks and book records were not material and have been properly dealt with in the books of account.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with normally accepted accounting principles and is on the same basis as in the previous year.
7. In our opinion and according to the information and explanations given to us by the Company, the rates of interest and other terms and conditions on which loans have been taken from companies listed in the register maintained under section 301 of the Companies Act, 1956 are, prima facie, not prejudicial to the interest of the Company. We are informed that there are no companies under the same management as defined under section 370 (1-B) of the Companies Act, 1956.
8. In our opinion and according to the information and explanations given to us by the Company, the rates of interest and other terms and conditions on which loans have been given to the companies listed in the register maintained under section 301 of the Companies Act, 1956 are, prima facie, not prejudicial to the interest of the Company. We are informed that there are no companies under the same management as defined under section 370 (1-B) of the Companies Act, 1956.
9. Subject to Note 11 of schedule 12 and our comment in para 2(e)(ii) of our report to the members of the Company, in respect of loans and advances in the nature of loans given by the Company, the repayment of principal and payment of interest, where charged, are generally in accordance with the stipulated terms.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of stores, raw materials including components, plant and machinery, equipment and other assets and with regard to the sale of goods.
11. In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party, have been made at prices which are reasonable having regard to the prices at which transactions for similar goods, materials or services have been made with other parties.
12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials



AUDITORS' REPORT (Contd.)

and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.

13. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 58A of Companies Act, 1956 and the Companies (Acceptance of Deposits), Rules 1975 with regard to the deposits accepted from the public except that the Company has not maintained the liquid assets under Rule 3A of the Companies (Acceptance of Deposit) Rules, 1975.

14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable by-products and scrap.

15. In our opinion, the Company's internal audit system is commensurate with its size and nature of its business.

16. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the rules made by the Central Government, the maintenance of cost records has been prescribed under section 209 (1)(d) of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determining

whether they are accurate or complete.

17. According to the records of the Company, provident fund and employees state insurance dues have been regularly deposited during the year with the appropriate authorities.

18. According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, wealth tax, sales tax, customs duty and excise duty were outstanding, as at September 30, 1999, for a period of more than six months from the date they become payable.

19. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue accounts, other than those payable under contractual obligations or in accordance with generally accepted business practice.

20. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

21. In respect of the Company's service activity, in our opinion the Company has a reasonable system of recording receipts, issues and consumption of materials and stores commensurate with the size and nature of its business. The allocation of materials consumed

and manhours utilised to the relative jobs has not been considered necessary by the Company, since the services rendered are billed to customers at predetermined prices. In our opinion and according to the information and explanations given to us, there is a reasonable system of authorisation at proper levels, and an adequate system of internal control commensurate with the size of the Company and the nature of its business, on issue of stores and allocation of stores to jobs.

22. There were no damaged goods in the case of goods purchased for resale.

For A.F.FERGUSON & CO.
Chartered Accountants

Place: New Delhi
Date: 31.01.2000

J.M. SETH
Partner

Siel Limited

BALANCE SHEET AS AT SEPTEMBER 30, 1999

	Schedule	As at 30.09.1999 Rs. Lacs	As at 30.09.1998 Rs. Lacs
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	3,394.41	3,248.53
Reserves and surplus	2	19,007.04	21,404.83
		22,401.45	24,653.36
Loan funds			
Secured	3	34,238.40	32,269.77
Unsecured		1,687.85	2,084.20
		35,926.25	34,353.97
Total		58,327.70	59,007.33
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	39,806.41	20,949.16
Less: Depreciation		6,582.34	4,753.26
Net block		33,224.07	16,195.90
Capital work-in-progress		2,681.98	15,754.10
		35,906.05	31,950.00
Pre-operative expenditure pending allocation	5	694.86	3508.17
Investments	6	9,536.16	11,164.96
Current assets, loans and advances			
Inventories	7	9,280.73	10,472.79
Sundry debtors		3,042.70	2,004.10
Cash and bank balances		1,101.15	1,085.65
Other current assets		—	20.00
Loans and advances		5,381.83	5,338.70
		18,806.41	18,921.24
Less: Current liabilities and provisions	8		
Current liabilities		6,926.58	6,113.90
Provisions		88.44	423.14
Net current assets		11,791.39	12,384.20
Miscellaneous expenditure (to the extent not written off or adjusted)	9	399.24	—
Total		58,327.70	59,007.33
Notes to accounts	12		

As per our report attached
For A.F. FERGUSON & CO.
Chartered Accountants

J.M. SETH
Partner

New Delhi
January 31, 2000

P.K. BHALLA
Secretary

DEEPAK SONDHI
Vice President (Finance)

SIDDHARTH SHRIRAM
Chairman and Managing Director

S.S. BAIJAL	RAJINDRA LAL SAIGAL
RAVI VIRA GUPTA	KRISHNA SHRIRAM
S.K. MEHRA	K.P. SINGH
D.C. MITTAL	ASHOK PRATAP SINGH
DINESH MOHAN	MANTOSH SONDHI

Directors

Directors



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 1999

	Schedule	Year ended 30.09.1999 Rs. Lacs	Year ended 30.09.1998 Rs. Lacs
Income			
Sales and services		51,721.69	51,703.39
Profit on sale of long term investment		—	8,458.00
Other income	10	1,695.67	596.21
		<u>53,417.36</u>	<u>60,757.60</u>
Expenditure			
Manufacturing and other expenses	11	45,574.28	44,575.69
Excise duty		2,538.21	1,799.88
Miscellaneous expenditure written off		104.43	—
		<u>48,216.92</u>	<u>46,375.57</u>
		5,200.44	14,382.03
Provision for diminution in the value of long term investments		—	5,366.23
Provision for doubtful debts / advances		—	1,304.46
Loss on sale of long term investment		996.36	—
Profit/(Loss) before interest, depreciation and tax		<u>4,204.08</u>	<u>7,711.34</u>
Interest(net)	11	5,383.79	4,480.68
Depreciation	11	1,704.15	1,045.81
Profit/(Loss) before tax		<u>(2,883.86)</u>	<u>2,184.85</u>
Income tax		—	555.00
Profit/(Loss) after tax		<u>(2,883.86)</u>	<u>1629.85</u>
Adjustment relating to an earlier year			
Income tax		455.00	—
		<u>(2,428.86)</u>	<u>1,629.85</u>
Brought forward from previous year		1,765.07	1,115.07
Investment allowance reserve written back		10.50	—
Debenture redemption reserve written back		—	93.33
Transferred from general reserve		653.29	—
Amount available for appropriation		<u>—</u>	<u>2,838.25</u>
Appropriations			
Debenture redemption reserve		—	1,073.18
Balance carried to Balance Sheet		<u>—</u>	<u>1,765.07</u>
Notes to accounts	12		

As per our report attached to the balance sheet
For A.F. FERGUSON & CO.
Chartered Accountants

J.M. SETH
Partner

New Delhi
January 31, 2000

P.K. BHALLA
Secretary

DEEPAK SONDHI
Vice President (Finance)

SIDDHARTH SHRIRAM
Chairman and Managing Director

S.S. BAIJAL
RAVI VIRA GUPTA
S.K. MEHRA
D.C. MITTAL
DINESH MOHAN

RAJINDRA LAL SAIGAL
KRISHNA SHRIRAM
K.P. SINGH
ASHOK PRATAP SINGH
MANTOSH SONDHI

Directors

Directors