

THIRTY NINTH ANNUAL REPORT

1999-2000

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Siel Limited**BOARD OF DIRECTORS**

Dr. Baijal S. S.	
Mr. Bhalla P. K.	- Whole-time Director and Company Secretary
Mr. Goila N. K.	
Mr. Gupta Ajay	- ICICI Nominee
Mr. Gupta Ravi Vira	
Mr. Loonkar Ravindra	- IFCI Nominee
Mr. Mehra A. K.	- Whole-time Director
Air Chief Marshal (Retd.) Mehra S. K.	
Mr. Mittal D. C.	
Prof. Mohan Dinesh	
Mr. Narain Ravinder	
Mr. Saigal Rajindra Lal	
Mr. Shriram Krishna	
Mr. Shriram Siddharth	- Chairman and Managing Director
Mr. Singh K. P.	- Whole-time Director
Mr. Sondhi Mantosh	

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

CHAIRMAN'S MESSAGE

Skel

February 7, 2001

Dear Shareholders,

I am writing to you with some degree of optimism relating to the fortunes of the Company, hoping that the 'PAST' is substantially behind us. This is so even though the weight of the past still rests heavily on us and this weight will not be lifted unless our long term debt is significantly reduced.

After almost three years of continuing losses, for the month of November 2000, the Company made a net profit from operations (after all interest and depreciation).

"THIS SIGNALLED THAT THE WORST IS OVER".

However, we were reminded to continue to be conservative owing to the events that took place in December, 2000 and January, 2001.

One was the shutting down of all factories in Delhi (basically implementing the Supreme Court order that was applied on us in November 1996) which affected our business because quite a lot of our chemical business customers were in Delhi; the other was the dreadful earthquake that hit certain parts of Gujarat causing havoc. While there has been much loss of life and material and our Company has made reasonable donations to the cause of relief of those affected, it has hit our business as the event has temporarily upset the improving economy for chlor - caustic products. At end February is the budget presentation by the Government of India and we do not know the impact of this on our immediate future.

It is pleasing to note that the chemical operations are stable and, if the market is not disturbed as described above, at 65% capacity utilization we make money.

For two years our sugar business was adversely affected because of very low recoveries. This position has been completely reversed this year indicating a very much improved sugar operation. If it were not for the huge sugar inventory carried by the country leading to very heavy interest expenses, this business would be very profitable indeed. To ease the burden of inventory, we are one of the few companies that has exported significant quantities.

Furthermore, in sugar, the regulatory environment is improving in favour of the sugar economy and this is beneficial to us.

Siel Limited

CHAIRMAN'S MESSAGE (Contd.)

I must inform you of the significant changes that are being made to improve our Company:

1. The land on which our chemical and vegetable oil plant used to sit at Najafgarh Road in Delhi, is likely to be sold. In the Supreme Court hearings, when the plant was shut down, a realization of over Rs. 300 crores was being mooted by various people involved. The reality is that the actual realizable sum may not even exceed a fifth of this sum. Even so, to reduce the interest burden and fulfil our obligation to the lending institutions, this land will be sold. The resulting impact on profitability will exceed Rs. 10 crores per annum.
2. In the sugar business, our carbonation plant will be converted, at a cost of about Rs. 14 crores, to a sulphitation process plant yielding about Rs. 5 crore per annum. In due course we would like to convert this plant to a sugar refinery.
3. In the sugar business, we are actively studying co-generation of power. This has now become possible because the regulatory environment for power allows the Company to be more sure of payment from the UPSEB.
4. In the chlor-caustic business, we are investing a further Rs. 9 crores, to raise the production capacity to an average of 200 tons per day of caustic soda, 180 tons per day of chlorine and other related products. This investment has a very handsome rate of return.
5. Pricewaterhouse Coopers has been commissioned to study what could be the best structure of Siel Limited for maximising shareholders value.
6. Detailed studies are being conducted to introduce Enterprise Resource Planning into the Company as this system has the capability of significantly improving management and also instituting excellent Corporate Governance.
7. And finally, kindly peruse the CORPORATE GOVERNANCE report enclosed with the annual report which indicates compliance with the new SEBI guidelines for Corporate Governance.

I must conclude by saying that, like you, I as a shareholder have suffered acutely in receiving no dividends and having a very low share price. In a year or so, if net profits accrue, we will surely improve on both fronts.

With warm regards,

Yours sincerely,



SIDDHARTH SHRIRAM



NOTICE

Notice is hereby given that the 39th Annual General Meeting of the members of Siel Limited will be held as scheduled below:

Day : Tuesday
Date : 20.3.2001
Time : 10.00 A.M.
Place : FICCI Auditorium, Federation House,
Tansen Marg, New Delhi - 110 001.

to transact the following business :

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 30th September, 2000 and the Profit and Loss Account of the Company for the year ended on that date and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri D.C. Mittal, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Rajindra Lal Saigal, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr. S.S. Bajaj, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Shri Mantosh Sondhi, 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 A.K. Mehra 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

Siel Limited

NOTICE (Contd.)

- 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 a Director of the Company".
8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION :
- "RESOLVED that Shri P.K. Bhalla 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 a Director of the Company".
9. 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 372A of the Companies Act, 1956 and other applicable provisions, if any, and further subject to the approval of the Financial Institutions and such other approvals as may be necessary in this regard, sanction be and is hereby accorded to the Board of Directors of the Company to purchase and acquire upto 1,01,400 equity shares of Rs.10/- each of M/s Honda Siel Power Products Limited at a total cost not exceeding Rs.1,00,00,000/- (Rupees One Crore only)".
10. 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 372A of the Companies Act, 1956 and other applicable provisions, if any, and further subject to the approval of the Financial Institutions and such other approvals as may be necessary in this regard, sanction be and is hereby accorded to the Board of Directors of the Company to purchase and acquire upto 11,75,000 equity shares of Rs.10/- each being equal to 5% of the authorised capital of Hongo India Limited, a Subsidiary of Hongo Company Ltd. of Japan at a total cost not exceeding Rs.1,17,50,000 (Rupees One Crore Seventeen Lacs Fifty Thousand Only)".
11. To consider and if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION :
- "RESOLVED that pursuant to the provisions of Section 198, 269 & 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 or any amendment thereof, consent of shareholders of the Company be and is hereby accorded to the appointment and remuneration of Shri A.K. Mehra as the Whole-Time Director of the Company for a period of 5 years w.e.f. 1.10.2000 on the following terms and conditions :
- 1. REMUNERATION**
- | | |
|-------------------|---|
| (A) Basic Salary | Rs. 1,00,000 (Rupees One Lac) per month |
| Special Allowance | Rs. 45,000 (Rupees Forty Five Thousand) per month |



NOTICE (Contd.)

(B) Perquisites**Category 'A'**

- a) **Housing** : The expenditure on leasing unfurnished accommodation upto Rs.40,000 (Rupees Forty Thousand only) per month or House Rent Allowance of Rs.40,000 (Rupees Forty Thousand only) per month in lieu thereof.
- b) **Medical Reimbursement** : Expenses incurred for self and family subject to the ceiling of half month's basic salary in a year or upto one and a half months basic salary in a block of 3 (three) years.
- c) **Leave Travel** : One month's basic salary in a year as per rules of the Company.
- d) **House Furnishing** : House Furnishing Subsidy upto Rs.3 lacs in a period of 5 years as per rules of the Company.

Category 'B'

- a) **Car** : Facility of car for which all running and maintenance expenses including driver's salary shall be borne by the Company. A sum of Rs.1,000 (Rupees One Thousand only) per month will be recovered from Mr. A.K. Mehra for personal use of car.
- b) **Telephone** : Actual expenses for telephones at residence. All personal long distance calls shall be paid for by Mr. A.K. Mehra.

Category 'C'

- a) **Provident Fund** : As per the rules of the Company.
- b) **Superannuation** : As per the rules of the Company.
- c) **Gratuity** : As per the rules of the Company.
- d) **Earned Leave** : One month's leave for every completed year of service.

Encashment of leave accumulated but not availed of subject to maximum of 90 days will be allowed and governed as per Income Tax Rules, 1962.

Perquisites mentioned at categories 'B' & 'C' are not included in the computation of the ceiling of Rs.2 lacs as provided in Notification No.GSR 215(E) dated 2.3.2000 issued by Department of Company Affairs, Government of India.

For the purpose of contribution towards PF, Superannuation Fund and Gratuity, the basic salary only shall be considered.

The Housing Loan availed by Shri A.K. Mehra in terms of the House Loan Scheme of the Company for its Officers in terms of Office Order No. PNL/92/451 dated 20.5.1992 shall continue on the same terms and conditions".

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NOTICE (Contd.)

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

"RESOLVED that pursuant to the provisions of Section 198, 269 & 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 or any amendment thereof, consent of shareholders of the Company be and is hereby accorded to the appointment and remuneration of Shri P.K. Bhalla as the Whole-Time Director of the Company for a period of 5 years w.e.f. 1.10.2000 on the following terms and conditions :

1. REMUNERATION

- | | | |
|-------------------|---|---|
| (A) Basic Salary | - | Rs. 1,00,000 (Rupees One Lac) per month |
| Special Allowance | - | Rs. 45,000 (Rupees Forty Five Thousand) per month |

(B) Perquisites

Category 'A'

- Housing** : The expenditure on leasing unfurnished accommodation upto Rs.40,000 (Rupees Forty Thousand only) per month or House Rent Allowance of Rs.40,000 (Rupees Forty Thousand only) per month in lieu thereof.
- Medical Reimbursement** : Expenses incurred for self and family subject to the ceiling of half month's basic salary in a year or upto one and a half months basic salary in a block of 3 (three) years.
- Leave Travel** : One month's basic salary in a year as per rules of the Company.
- House Furnishing** : House Furnishing Subsidy upto Rs.3 lacs in a period of 5 years as per rules of the Company.

Category 'B'

- Car** : Facility of car for which all running and maintenance expenses including driver's salary shall be borne by the Company. A sum of Rs.1,000 (Rupees One Thousand only) per month will be recovered from Mr. P.K. Bhalla for personal use of car.
- Telephone** : Actual expenses for telephones at residence. All personal long distance calls shall be paid for by Mr. P.K. Bhalla.

Category 'C'

- Provident Fund** : As per the rules of the Company.
- Superannuation** : As per the rules of the Company.



NOTICE (Contd.)

- c) **Gratuity** : As per the rules of the Company.
- d) **Earned Leave** : One month's leave for every completed year of service.

Encashment of leave accumulated but not availed of subject to maximum of 90 days will be allowed and governed as per Income Tax Rules, 1962.

Perquisites mentioned at categories 'B' & 'C' are not included in the computation of the ceiling of Rs.2 lacs as provided in Notification No.GSR 215(E) dated 2.3.2000 issued by Department of Company Affairs, Government of India.

For the purpose of contribution towards PF, Superannuation Fund and Gratuity, the basic salary only shall be considered.

The Housing Loan availed by Shri P.K. Bhalla in terms of the House Loan Scheme of the Company for its Officers in terms of Office Order No. PNL/92/451 dated 20.5.1992 shall continue on the same terms and conditions".

By Order of the Board
For Siel Limited

Place : New Delhi
Dated : 30.1.2001

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(P.K. BHALLA)
Wholtime Director &
Company 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. 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 attached hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 19.3.2001 to 20.3.2001 (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 15, Shivaji Marg, New Delhi - 110015 quoting their folio numbers.
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) between

Siel Limited

NOTICE (Contd.)

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 the provisions of Section 205A of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 1999, the amount of dividend which remains unpaid or unclaimed for a period of 7 years from the date of transfer to unpaid dividend account of the Company would be transferred to the Investor Education and Protection Fund, constituted by the Central Government and the shareholders would not be able to claim any amount of dividend so transferred to the fund. As such, shareholders who have not yet encashed their dividend warrants are requested in their own interest to write to the Company immediately for claiming outstanding dividends declared by the Company for the Financial Year 1996-97.

In respect of the unclaimed dividends upto financial year 1994-1995, already transferred by the Company to the General Revenue Account of the Central Government, shareholders may claim the same by writing to the Registrar of Companies, NCT of Delhi & Haryana, Paryavaran Bhawan, CGO Complex, Lodhi Road, New Delhi - 110003. 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.

10. The equity shares of the Company have been notified for compulsory trading in demat form by all investors from 27th November, 2000.

The Company has entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), the two depositories and the equity shares of the Company have already been activated for dematerialisation on NSDL as well as CDSL.

Shareholders are requested to avail this facility and get their shareholding converted into dematerialised form by sending the Dematerialisation Request Form (DRF) alongwith the share certificates through their Depository Participant (DP) at the following address :

Mr. Sushil Kumar Jain
Asst. General Manager
Legal & Secretarial Department
Siel Limited
15, Shivaji Marg
New Delhi - 110015.