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44th ANNUAL REPORT

2005-2006

Siel

Siel Limited

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Siel Limited

BOARD OF DIRECTORS

Mr. Bhalla P.K.
Mr. Goila N.K.
Mr. Khaitan O.P.
Mr. Mehra A.K.
Mr. Mittal D.C.
Prof. Mohan Dinesh
Mr. Shriram Siddharth – *Chairman and Managing Director*
Mr. Singh K.P. – *Whole-time Director*

COMPANY SECRETARY

Mr. Jain Sushil

AUDITORS

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

BANKERS

Punjab National Bank
State Bank of Hyderabad

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REGISTERED OFFICE

5th Floor, Kirti Mahal,
19, Rajendra Place,
New Delhi-110 008

WORKS

Siel Chemical Complex
Charatrampur, Vill. Khadauli/Sardargarh
P.O.Box. No. 52, Rajpura, Distt. Patiala
Punjab - 140401

REGISTRAR & SHARE TRANSFER AGENT

Mas Services Private Ltd.
AB-4, Safdarjung Enclave,
New Delhi-110029
Phone : 011-26104142, Fax : 26181081
E-Mail: masserv@giasdl01.vsnl.net.in

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NOTICE

Notice is hereby given that the 44th Annual General Meeting of the members of Siel Limited will be held as scheduled below:

Day : Friday

Date : 21.07.2006

Time : 10.00 A.M.

Place : Kamani Auditorium
1, Copernicus Marg
New Delhi - 110001

to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st March, 2006 and the Profit and Loss Account of the Company for the financial year ended on that date together with the Reports of Board of Directors and Auditors thereon.
2. To approve the interim dividend on Equity Shares paid in February 2006, as final dividend for the financial year ended 31.3.2006.
3. To appoint a Director in place of Mr. K.P. Singh, 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 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.

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

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SPECIAL BUSINESS

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

   "Resolved that Mr. D.C. Mittal who was co-opted as an Additional Director on the Board 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".

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

   "Resolved that Mr. O.P. Khaitan who was co-opted as an Additional Director on the Board 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".

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

   "Resolved that Mr. N.K. Goila who was co-opted as an Additional Director on the Board 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 31 and other applicable provisions, if any, of the Companies Act

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NOTICE (Contd.)

1956, the Articles of Association of the Company be and are hereby altered by inserting the following new Article 53B after Article 53A of the Articles of Association of the Company in the manner and to the extent as set out below:

"53B. Subject to and in compliance of the provisions of Sections 77A, 77AA, 77B and other applicable provisions, if any, of the Companies Act, 1956, or corresponding provisions of any re-enactment thereof and the Rules & Regulations as prescribed from time to time by the Central Government, the Securities and Exchange Board of India (SEBI) or any other appropriate authority, the Company may buy-back such part of its Share Capital or other Securities which the Board/Shareholders may authorize from time to time. Such buy-back shall not be construed as reduction of Share Capital within the meaning of the Act."

By Order of the Board of Directors
For **Siel Limited**

Place : New Delhi
Dated : May 10, 2006

(SUSHIL JAIN)
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 information as required to be provided under the Listing Agreement entered into with various Stock Exchanges, regarding the Directors who are proposed to be appointed/re-appointed and the Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 are enclosed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 17.07.2006 to 21.07.2006 (both days inclusive).
4. In compliance of SEBI requirements, with effect from 30.4.2003, M/s Mas Services Private Limited have been appointed the Share Transfer Agent of the Company, who handle share transfer work in Physical as well as in Electronic Form and other related activities at the following address:

   M/s Mas Services Pvt. Ltd.
   AB-4, Safdarjung Enclave,
   New Delhi – 110 029
   Phone No.: 26104142
   Fax No. : 26181081
5. Members are requested to notify immediately any change in their address to M/s Mas Services Pvt. Ltd. quoting their folio numbers/DP ID/Client ID etc.
6. Members who have not yet returned their undivided DCM Limited's share certificate(s) to DCM Limited may do so promptly to enable the Company to dispatch the new share certificate(s) to members.
7. Documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company during office hours on all working days (Monday to Friday) 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.
8. Members/Proxies should bring the attendance slip duly filled in for attending the meeting.
9. 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.
10. Pursuant to provisions of Section 205A(5) of the Companies Act, 1956, the amount of dividend for the Financial Year 1996-97, which remained unpaid or unclaimed for a period of 7 years from the date of transfer to unpaid dividend account of the Company has been transferred to the Investor Education and Protection Fund, established by the

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NOTICE (Contd.)

Central Government. Shareholders are requested to note that no claim lie against the Company or the said Fund in respect of the dividend so transferred to the Fund and no payment shall be made in respect of any such claim.

In respect of the unclaimed dividends upto financial year 1995-1996, 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.

Members who have not yet received the interim dividend paid in February 2006, for the financial year ended 31.3.2006, may write to the Company, at its Registered Office.

11. In terms of Section 109 (A) of the Companies Act, 1956 the Shareholder of the Company may nominate a person to whom the shares held by him/her shall vest in the event of death.

    In case any member wishes to avail the nomination facility in respect of shares held by him/her, please write to the Company to obtain the nomination form.

12. The equity shares of the Company have been notified for compulsory trading in demat form by all investors and are available for trading in demat form both on National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

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

    M/s Mas Services Pvt. Ltd.
    AB-4, Safdarjung Enclave,
    New Delhi – 110 029
    Phone No. : 26104142
    Fax No. : 26181081

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INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT

As required under the Listing Agreement, the particulars of Directors who are proposed to be appointed/reappointed are as given below:

1. **Name** : Mr. K.P. Singh
   Age : 70 years
   Qualifications : M.A. in History and Political Science
   No. of Shares held in the Company : Nil
   Expertise : Vast experience of working at senior position in various Companies like Zuari Agro Chemicals Ltd. (a Birla Group Company), ITC Limited and DCM Limited. Instrumental in implementation of growth and diversification of these Companies. Director of the Company since 1990 and presently holding the position of Whole Time Director of the Company.
   Outside Directorships : M/s. Sowar Pvt. Ltd.
   Chairmanship/Membership of the Board Committees

Siel Limited	-	Shareholders/Investors Grievance/ Share Transfers	- Member
	-	Legal Sub-Committee	- Member

2. **Name** : Prof. Dinesh Mohan
   Age : 61 years
   Qualifications : Ph.D. and M.S. in Bioengineering, M.S. in Mechanical and Aerospace Engineering, B.Tech (Hons.) in Mechanical Engineering.

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NOTICE (Contd.)

No. of Shares held in the Company : Nil

Expertise : Prof. Dinesh Mohan is Henry Ford Professor for Biomechanics and Transportation Safety and Co-ordinator of the Transportation Research and Injury Prevention Programme at the Indian Institute of Technology (IIT), Delhi.

He is member of the WHO Advisory panel on Accident Prevention. He serves on the editorial boards of the international journal. Professor Mohan has been a consultant on safety related matters to government departments in India, Nepal, Indonesia, Thailand, Bangladesh, Iraq and Libya and many automotive industrial houses.

Recipient of many prestigious awards.

Outside Directorships : Nil

Chairmanship/Membership of the Board Committees

Siel Limited	- Audit Sub-Committee	- Chairman
	- Shareholders/Investors Grievance/Share Transfers	- Chairman
	- Remuneration Committee	- Member

3. **Name** : Mr. D.C. Mittal

Age : 79 years

Qualifications : Post Graduate & Gold Medalist

No. of Shares held in the Company : 160 fully paid Equity Shares of Rs.10/- each

Expertise : Mr. D.C. Mittal has rich managerial experience for almost 50 years.

He has held many very senior important positions covering all management functions including financial, commercial, administration, human relation etc. Considerable experience in management/execution of many big industrial projects like fertilizer, plastic, chemicals etc.

He is presently holding a very important position in a large industrial house.

He is also associated with various business associations and academic organizations.

Outside Directorships : Nil

Chairmanship/Membership of Board Committees

Siel Limited	- Audit Sub-Committee	- Member
	- Remuneration Committee	- Chairman

4. **Name** : Mr. O.P. Khaitan

Age : 63 years

Qualifications : B. Com., LL.B, Attorney-at-Law (Solicitor), Received Bell Chambers Gold Medal from Calcutta High Court

No. of Shares held in the Company : 870 fully paid Equity Shares of Rs.10/- each

Expertise : Practising as Solicitor & Advocate since 1967- doing commercial law, corporate law, industrial disputes and labour law, maritime laws, insurance laws, commission of inquiry, arbitration, conveyancing, foreign collaborations etc.

He is sole proprietor of M/s O.P. Khaitan & Co., Solicitors & Advocates.

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NOTICE (Contd.)

Outside Directorships : **Director**

- ECE Industries Limited
- J.K. Industries Limited
- Honda Siel Power Products Limited
- Shriram Pistons & Rings Limited
- WGF Financial Services Limited
- Curls & Curves (I) Limited
- J.K. Employees Welfare Association Ltd.
- Ilpea Paramount Limited
- Sharda Motor Industries Limited
- Nipshell Builders Pvt. Ltd.

Chairmanship/Membership of the Board Committees

J.K. Industries Limited	- Shareholders/Investors Grievance Committee	- Member
	- Audit Committee	- Chairman
Honda Siel Power Products Limited	- Remuneration Committee	- Member
	- Audit Committee	- Member
ECE Industries Limited	- Audit Committee	- Member
Shriram Pistons & Rings Ltd.	- Remuneration Committee	- Member
Ilpea Paramount Ltd.	- Remuneration Committee	- Chairman
	- Audit Committee	- Chairman
Siel Limited	- Audit Committee	- Member

5. **Name** : Mr. N.K. Goila

Age : 59 years

Qualifications : B.Tech (Mechanical Engg) from IIT Delhi (with Distinction).
MBA from Faculty of Management Studies, University of Delhi

No. of Shares held in the Company : NIL

Expertise : Mr. N.K. Goila is associated with the Group for more than 38 years. He has worked in various areas of Management and has made significant contributions to the Japanese Joint Ventures of the Company. Presently he is the Vice President & Director of Honda Siel Cars India Limited.

Outside Directorships : **Director**

- Mawana Sugars Limited
- Honda Siel Cars India Limited
- Usha International Limited
- The Jay Engineering Works Limited
- Siel Holdings Limited
- Shriram Fuel Injection Industries Limited

Chairmanship/Membership of Board Committees

Honda Siel Cars India Ltd.	- Audit Committee	- Member
	- Borrowing & Investment Committee	- Member
Usha International Ltd.	- Share Transfer & Shareholders/ Investors Grievances Committee	- Chairman
	- Audit Committee	- Chairman
	- Remuneration Committee	- Member
The Jay Engineering Works Limited	- Audit Sub-Committee	- Member
Shriram Fuel Injection Industries Ltd.	- Remuneration Committee	- Chairman
	- Audit Sub-Committee	- Member
Mawana Sugars Limited	- Remuneration Committee	- Member
	- Audit Sub-Committee	- Member
	- Shareholders/Investors Grievance/ Share Transfers Committee	- Chairman
	- Banking & Investment Committee	- Member

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NOTICE (Contd.)

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956

ITEM NO. 6

Mr. D.C. Mittal was co-opted as an Additional Director on the Board of the Company effective from 30.12.2005. 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 Mr. D.C. Mittal for office of Director of the Company.

Mr. D.C. Mittal has rich managerial experience of about 50 years and has held many senior positions in various management areas including finance, commercial, administration, human relation etc. He has considerable experience in management/ execution of many big industrial projects like fertilizer, plastic, chemicals etc. He is also associated with various business associations and academic organizations. Presently Mr. Mittal is holding an important position in a large industrial house.

The Board of Directors considers that the continuance of Mr. D.C. Mittal on the Board of the Company will be beneficial to the Company and recommend the resolution for your approval.

None of the Directors except Mr. D.C. Mittal is concerned or interested in the said resolution.

ITEM NO. 7

Mr. O.P. Khaitan was co-opted as an Additional Director on the Board of the Company effective from 30.12.2005. 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 Mr. O.P. Khaitan for office of Director of the Company.

Mr. O.P. Khaitan is practicing as a Solicitor & Advocate since 1967 and has expertise in commercial laws, corporate laws, industrial disputes and labour law, maritime laws, insurance laws, commission of inquiry, arbitration, conveyancing, foreign collaborations etc. He is sole proprietor of O.P. Khaitan & Co., Solicitors & Advocates.

The Board of Directors considers that the continuance of Mr. O.P. Khaitan on the Board of the Company will be beneficial to the Company and recommend the resolution for your approval.

None of the Directors except Mr. O.P. Khaitan is concerned or interested in the said resolution.

ITEM NO. 8

Mr. N.K. Goila was co-opted as an Additional Director on the Board of the Company effective from 31.3.2006. 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 Mr. N.K. Goila for office of Director of the Company.

Mr. N.K. Goila is associated with the Group for more than 38 years. He has worked in various areas of Management and has made significant contributions to the Japanese Joint Ventures of the Company. Presently he is the Vice President & Director of Honda Siel Cars India Limited.

In view of his vast experience in the area of Corporate Management, the Board of Directors considers that the continuance of Mr. N.K. Goila on the Board of the Company will be beneficial to the Company and recommend the resolution for your approval.

None of the Directors except Mr. N.K. Goila is concerned or interested in the said resolution.

ITEM NO. 9

Pursuant to the provisions of Sections 77A, 77AA and 77B of the Companies Act, 1956, the Company can buy-back its own Shares and other securities. At present, the Articles of Association of the Company does not enable the Company to buy-back its own Securities. The resolution is therefore, proposed for the limited purpose of bringing the Articles of Association of the Company in line with the provisions of the Companies Act, 1956, so that, if the Company decides to buy-back the Shares and other Securities in future, lack of enabling provisions does not become an impediment. Hence, the Special Resolution in the accompanying notice.

Alteration in Articles of Association requires the approval of the shareholders.

Your Directors recommend the resolution for your approval by way of a Special Resolution.

None of the Directors of the Company is concerned or interested in the said resolution.

By Order of the Board of Directors
For **Siel Limited**

Place : New Delhi
Dated : May 10, 2006

(SUSHIL JAIN)
COMPANY SECRETARY

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DIRECTORS' REPORT

Your Directors have pleasure in presenting the 44th Annual Report along with Audited Accounts of the Company for the year ended March 31, 2006.

EFFECTUATION OF THE SCHEME OF ARRANGEMENT

The Scheme of Arrangement (SOA) of your Company as approved by Hon'ble High Court of Delhi has been fully implemented. The shares of Shivajimarg Properties Limited, a wholly owned subsidiary, which held 24.88 acres of freehold land at Najafgarh Road were sold during the year and proceed thereof applied as per the SOA. As a result thereof, your Company is debt free as on 31.3.2006.

EDIBLE OIL BUSINESS

The undertaking of Siel Foods & Fertilizer Industries (SFFI), a unit of your Company engaged in the business of Edible Oils has been sold to Siel Edible Oils Limited (SEOL), a wholly owned subsidiary w.e.f. closure of the business hours on 31.3.2006 for a consideration of Rs.3.08 crores paid by SEOL by issue of its 30,80,000 fully paid equity shares of Rs.10/- each at par.

CHLOR ALKALI BUSINESS

The Board of Directors have appointed M/s J.M. Morgan Stanley for conducting a study on restructuring of business of the Company including sale of Chlor Alkali business by the Company. The report of M/s J.M. Morgan Stanley is awaited and any further action would be considered after receipt of their report.

INVESTMENT IN JEW

During the year under review, your Company has decided to explore the option to convert the outstanding loan of Rs.7.77 crores advanced to M/s Jay Engineering Works Limited pursuant to BIFR approved Rehabilitation Scheme into 77,70,000 fully paid equity shares of Rs.10/- each at par.

FINANCIAL RESULTS

(Rs. Lacs)

Sl. No.	Particulars	Amount	
		31.03.06	31.03.05
1.	Profit / (Loss) before interest, depreciation, exceptional items and tax	1593.09	1572.42
2.	Interest	118.28	319.09
3.	Depreciation	1145.49	1149.08
4.	Profit / (Loss) before exceptional items and tax	329.32	104.25
5.	Exceptional items	4018.15	–
6.	Profit / (Loss) before tax	4347.47	104.25
7.	Provision for taxation (including FBT)	297.16	–
8.	Profit/(Loss) after tax	4050.31	104.25
9.	Dividend (including tax)	209.26	–
10.	Net Addition/(Deduction) to Reserves and Surplus	410.26	(155.71)

DIVIDEND

An interim dividend of 10% was paid for the year ended March 31, 2006.

Your Directors regret their inability to recommend any further dividend for the year under review.

OPERATIONS

A review of operations of the major businesses of the Company, for the year ended March 31, 2006 is as under (some discussion is also presented in the Management Discussion and Analysis report):

Chlor-Alkali

During the year under review, cell liquor production was 75107 MT compared to 64854 MT in the previous year.

PSERC had increased the power tariff for the financial year 2005-06 by about 10% effective from 1.4.2005. A further increase of about 8% in the effective power rate is proposed for the financial year 2006-07.

During the year Chlor-Alkali industry witnessed a production growth of 7.7% on account of improved demand in the user industries. The industry added 0.18 million MT capacity, which resulted in surplus availability of material leading to volatility in the Caustic Soda and Chlorine prices and weak market sentiments during the year. The international prices of Caustic Soda and Chlorine were stable, except in USA, which witnessed spurt in Caustic Soda prices for a short period during 2nd quarter of 2005-06.

Edible Oils

The Edible Oils operations were continuing on a third party manufacturing basis till 31.3.2006, the date of sale of undertaking of SFFI to SEOL. During the year, company restarted marketing of Vanaspati in small packs after 5 years which found good acceptance from consumers.

JOINT VENTURES

CERATIZIT INDIA PVT. LTD. (Formerly Siel TIZIT LIMITED (STL). During the financial year ended February 2006, the Company has earned a net profit of Rs. 538.75 lacs, as against Rs. 158.19 lacs during the previous year. The sales turnover of the Company increased by about 35% over the previous year to Rs. 3189.36 lacs.

SUBSIDIARY COMPANIES

During the year under review, Siel Edible Oils. Ltd. was incorporated as a wholly owned subsidiary of your Company. On completion of sale of shares of Shivajimarg Properties Ltd. (SPL), SPL ceased to be subsidiary of your Company.

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

The Audited statements of accounts along with Report of Board of Directors and Auditors Report thereon of the subsidiary Companies are annexed.

CONSOLIDATED FINANCIAL STATEMENT

In accordance with the accounting standard (AS-21) on consolidated financial statements, the consolidated financial statements are attached, which form part of the Annual Report and Accounts.

DIRECTORS

The nomination of Mr. Subrata Lahiri and Mr. R.K. Ahooja on the Board of Directors of the Company have been withdrawn by IFCI Limited & UTI respectively.

During the year Mr. D.C. Mittal, Mr. O.P. Khaitan and Mr. N.K. Goila were co-opted as Additional Directors on the Board of Directors of your Company.

Mr. K.P. Singh and Prof. Dinesh Mohan, Directors retire by rotation and being eligible, offer themselves for re-appointment.

AUDITORS

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

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