

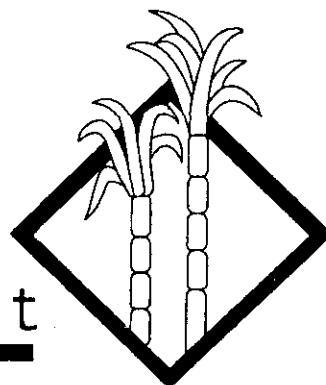
SBEC Sugar Limited 1999



CERTIFIED TRUE COPY

LAKESH DHODY
G.M. (Legal & Taxation)
and Company Secretary

Seventh Annual Report





BOARD OF DIRECTORS Mr. Umesh K. Modi (Chairman & President)
 Mr. R. K. Bansal
 Mr. Gosta Carlberg
 Mr. S.K.Mittal - Nominee (PICUP)
 Mr. Abhishek Modi (Executive Director)
 Mr. Man Mohan
 Mr. Claude Philogene
 Mr. Anil Sapra
 Mr. Norland L.C. Suzor

ALTERNATE DIRECTOR Mr. N.P. Bansal (alternate to Mr. Claude Philogene)

COMPANY SECRETARY Mr. Rakesh Dhody

AUDITORS M/s. S.R. Batliboi & Co.
 20, Community Centre, Pushp Vihar
 New Delhi - 110 062

BANKERS Allahabad Bank
 Canara Bank
 Deutsche Bank
 Oriental Bank of Commerce
 Nainital Bank Ltd.

REGISTERED OFFICE & PLANT Village Lohan Malakpur,
 Tehsil Baraut,
 Distt. Baghpat,
 Uttar Pradesh - 250 611

CORPORATE OFFICE B-12, Okhla Industrial Area Phase - II
 New Delhi - 110 020

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NOTICE

NOTICE is hereby given that the Seventh Annual General Meeting of the Shareholders of SBEC SUGAR LIMITED will be held on Friday the 31st day of March, 2000 at the Registered Office of the Company at Village: Lohan Malakpur, Tehsil: Baraut, District: Baghpat, Uttar Pradesh at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 30th September, 1999, the Profit & Loss Account for the period ended on that date alongwith the Directors' Report and the Auditor's Report thereon.
2. To consider and appoint a Director in place of Mr. Man Mohan, who retires from office by rotation and being eligible, offers himself for re-appointment.
3. To consider and appoint a Director in place of Mr. Anil Sapra, who retires from office by rotation and being eligible, offers himself for re-appointment.
4. To consider and appoint a Director in place of Mr. Gosta Carlberg, who retires from office by rotation and being eligible, offers himself for re-appointment.
5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution: "RESOLVED THAT M/s Doogar & Associates, Chartered Accountants be and are hereby appointed as Auditors of the Company in place of the retiring Auditors to hold office from the conclusion of the forthcoming Annual General Meeting until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Board of Directors of the Company."

SPECIAL BUSINESS

6. To consider & if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution: "RESOLVED THAT pursuant to provisions of Section 372 A of the Companies Act, 1956 and subject to the prior approval of Pradeshia Industrial and Investment Corporation of Uttar Pradesh Ltd., consent of the Company be and is hereby accorded to provide a corporate guarantee of up to Rs 15 crores (Rupees Fifteen Crores Only) guaranteeing the repayment of principal and interest by SBEC Systems (I) Ltd. to its foreign suppliers, M/s EKN and M/s COFACE."

By order of the Board

Place : New Delhi
Date : 28.02.2000

Rakesh Dhody
General Manager (Legal & Taxation) &
Company Secretary

NOTES:

1. **Proxy**
A member entitled to attend and vote is entitled to appoint proxy to attend and vote in his / her stead and a proxy need not be a member of the company. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the scheduled time of the meeting. A blank proxy form is annexed to the Annual Report.



2. **Explanatory Statement.**

The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of item No.6 of the Notice is given below and forms part thereof.

3. **Book closure**

The Register of Members and Share Transfer Books of the Company shall remain closed on 31st March 2000.

4. The Members are requested to notify the change in address, if any, to the company at the earliest.

5. Members / Proxies are requested to bring the Attendance Slip sent herewith duly filled in for attending the meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

ITEM No. 6

M/s SBEC Systems (I) Ltd., the promoter company has to pay to its overseas suppliers towards principal, interest and other charges thereon US\$ 21,56,428.20 & FRF 82,86,927.20. SBEC Systems (I) Ltd. has requested your Company to furnish a corporate guarantee of up to Rs 15 Crores (Rupees Fifteen Crores only) in favour of its foreign suppliers, M/s EKN and M/s COFACE for repayment of principal & interest thereon.

In order to secure your Company, SBEC Systems (I) Ltd. has undertaken that in case it fails to fulfil its obligation and your Company is called upon to pay the defaulted amount, such amount can be adjusted against the royalty payable by your Company to it. SBEC Systems (I) Ltd. has so structured its payment schedule that at no given point of time the payment due would be in excess of the royalty receivable by it from your Company. However in the unlikely event of the defaulted amount being in excess of the royalty due to it, such amount can be adjusted against the future royalty payable by your Company to it.

In terms of the provisions of Section 372A of the Companies Act, 1956, the total investments made, loans given and guarantees furnished in excess of 60 % of the paid-up share capital of the Company requires the prior approval of the Shareholders and Financial Institutions from whom term loans are subsisting. With the proposed corporate guarantee, the total investments made, loans given and guarantees furnished, will be in excess of 60 % of the paid-up share capital of the Company. Accordingly furnishing of corporate guarantee would also require the approval of Pradeshia Industrial and Investment Corporation of Uttar Pradesh Ltd., from whom the company has taken a term loan.

Your Directors recommend the passing of the resolution.

No other Director, except Mr. U.K.Modi, Mr. Norland Suzor & Mr.Abhishek Modi, being Directors of SBEC Systems (I) Ltd., is deemed to be interested or concerned in the resolution.

By order of the Board

Rakesh Dhody

General Manager (Legal & Taxation)
& Company Secretary

Place : New Delhi

Date : 28.02.2000



DIRECTORS' REPORT



MR. UMESH K. MODI

Dear Shareholders,

Your Directors hereby present the Seventh Annual Report of the Company together with Audited Accounts for the period ended 30th September, 1999.

FINANCIAL RESULTS

	Period ended 30.09.99 (Rs. in Lacs)
Net Sales	1,526.93
Other Income	10.51
Total Expenditure	1,910.53
Gross profit/(loss) before interest, depreciation and amortisation	(373.09)
Interest and Finance charges	323.74
Depreciation & Amortisation	352.76
Provision for taxation	-
Profit/(Loss) for the period	(1,049.59)
Reserves excluding revaluation reserve	48.50

The period under review was the first year of operations of the Company. The plant started trial run only in the month of January 1999 and started its commercial operations from 15th of February 1999. The plant had only 56 days of commercial production as against a normal sugarcane season of 180 to 200 days. Even during these 56 days of operation, the plant did not perform as expected. The Company had installed many sophisticated equipments imported from abroad which took much longer time to stabilize their working. The engineers from the foreign suppliers also had to work for extended periods to fine tune their equipments. The problems faced during the period were all rectified during the off season between April 1999 to October 1999.



PROSPECTS FOR THE CURRENT YEAR

During the current cane crushing season the operations of your Company started on 10th November, 1999. Your Directors are pleased to inform you that since then the Company has been running very efficiently and its crushing performance has been going up every month. Till 15th February, 2000, the plant has already crushed 28 lacs quintals of sugar cane and produced 24,300 tons of sugar. The sugar cane availability in this area is very good and it is expected that there will not be any shortage of sugar cane during the current cane season.

Your Company has invested in the equity of the co-generation plant put up in the vicinity of the Company. This co-generation plant is also operating very efficiently and regularly supplying between 5-6 MW of power to U.P. State Electricity Board. Your Directors are confident that this full year of operation will end with very healthy cane crushing and sugar production levels.

SHARE CAPITAL

During the period under the review, 11,64,250 shares have been re-issued at par, taking the total paid up capital of your Company to Rs. 47,67,40,300.

FIXED DEPOSITS

During the period under review, the Company accepted deposits to the extent of Rs 64,000. The total amount of fixed deposits held as on 30th September, 1999 was Rs 4.27 lacs. There were no overdue deposits. There were however 11 unclaimed deposits amounting to Rs 39,000/-. Of these 4 deposits amounting to Rs 8,000 have since been repaid.

DIRECTORS

During the year, Mr. S.K. Mittal, Dy. General Manager (PICUP) was appointed as a nominee of Pradeshia Industrial & Investment Corporation of U.P. Ltd. (PICUP) on the Board of the Company. The Board looks forward to valuable counsel and guidance from Mr. S.K. Mittal. During the year Mr Rajive Sawhney resigned due to preoccupation. The Board places on record its appreciation for the valuable guidance given by him during his tenure. In the casual vacancy caused by the resignation of Mr Rajive Sawhney, Mr Anil Sapra has been appointed. Mr. Anil Sapra is a leading advocate of high standing. The induction of Mr. Anil Sapra on your Board would be in the interest of the Company. Mr Man Mohan, Mr Anil Sapra and Mr. Gosta Carlberg, Directors of the Company will retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES

Information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given in the Annexure "A" annexed hereto which forms a part of this report.

PARTICULARS OF CONVERSION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

As stipulated under the provisions of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, the Annexure "B" containing the above particulars is annexed hereto which forms a part of this report.

LISTING OF SHARES

The shares of the Company are listed on the stock exchanges at Kanpur, Mumbai, Ahmedabad, New Delhi, Chennai and Calcutta.

SBEC Sugar Limited

**AUDITORS**

The Statutory Auditors M/s S.R. Batliboi and Co. have expressed their inability to continue as the statutory auditors of the Company due to pre-occupation. However, they continue as Auditors of SI-AL SBEC Bioenergy Limited, in which your Company has invested. The Company has received certificate under Section 224(1)(B) of the Companies Act, 1956 from M/s Doogar & Associates, Chartered Accountants, signifying that the appointment if made, at the ensuing Annual General Meeting, will be within the limits specified.

You are requested to appoint Auditors for the current year to hold office from the conclusion of the forthcoming Annual General Meeting until the conclusion of the next Annual General Meeting.

AUDITOR'S REPORT

The observations of Auditors are explained wherever necessary, in the appropriate notes to the accounts.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to express their appreciation and gratitude to the farmers and the co-operative societies for their invaluable support.

Your Directors also take this opportunity to express their appreciation and gratitude to Government Agencies, Shareholders, Business Associates, Employees, Suppliers and Bankers of the Company for their help and support continuously extended to the Company.

For & on behalf of the Board

**Place : New Delhi
Date : 28.02.2000**

**Umesh K Modi
Chairman & President**





ANNEXURE "A" TO DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES

Details of employees pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended and forming part of the Directors' Report for the period ended 30th September 1999.

Employed during the year

Name	Designation	Qualification	Experience (Years) Commencement	Date of of employment	Total Remuneration (Rs)	Age (Years)	Last Employment
S.S. Agarwal	Vice President (Commercial)	B.Sc, LLB	35	1.11.94	8,44,169	58	Vice President (Projects and Co-ordination) Bihar Sponge Iron Limited
R.N. Srivastava*	Vice President (Technical)	Diploma in Mech. Engg.	32	25.10.97	6,95,188	62	Executive Vice President Oudh Sugar Mills Limited

* Employed for part of the year.

NOTES

1. All appointments are non-contractual. Other terms and conditions are as per Company's rules.
2. In accordance with the clarification given by Department of Company Affairs, remuneration has been computed on the basis of actual expenditure incurred by the Company.
3. The above named employees are not related to the Directors of the Company.

ANNEXURE "B" TO DIRECTORS' REPORT

A. DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

Form -A

PARTICULARS	UNIT	CURRENT PERIOD	PREVIOUS PERIOD
A. Power & fuel consumption			
1. Electricity			
a) Purchased			
Quantity	KWH	29,43,239	—
Total Amount	Rs	79,40,315	—
Rate / Unit	Rs	2.70	—



b) Own Generation

Through diesel generator

Quantity	KWH	8,49,128	—
Units per litre of diesel oil	KWH	2.75	—
Total Amount	Rs	34,76,795	—
Rate / Unit	Rs	4.09	—

B. Consumption per MT of Sugar Production

I. Electricity	KWH	365.70	—
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B . DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

(e) Efforts made in technology absorption as per Form B below:

FORM –B**Research and Development (R&D)**

The Company is not engaged in any R & D activity.

Technology Absorption, Adaptation and Innovation

1. Efforts in brief, made towards technology absorption, adaptation and innovation:
2. Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, import substitution etc. :
1 and 2. :The Company has acquired the latest technology for manufacture of sugar.
3. In case of imported technology (Imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished :
 - (a) Technology imported – NIL
 - (b) Year of import – Not Applicable
 - (c) Has technology been fully absorbed? – Not Applicable
 - (d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action. – Not Applicable

C. FOREIGN EXCHANGE EARNING AND OUTGO

- i) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export Plans:

Not applicable as the Company has not been carrying on any export activities.

ii)

	Current period (Rs.)	Previous Period (Rs.)
Total foreign exchange used	30,72,784	—
Earned	NIL	—



AUDITOR'S REPORT

To the Members of SBEC Sugar Ltd.

We have audited the attached Balance Sheet of **SBEC SUGAR LIMITED** as at September 30, 1999 and the Profit & Loss Account for the period ended on that date. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, we report that in our opinion and as per the information and explanations furnished to us and the books and records examined by us in the normal course of our audit:

1. Proper records of fixed assets, except for assets capitalized in the current year for which records are under compilation, have been maintained to show full particulars including quantitative details and situation thereof. As informed to us, physical verification of fixed assets has been carried out by the Management during the period and no discrepancies are stated to have been noticed on such verification as compared to book records. In our opinion, the frequency of physical verification is reasonable having regard to the size of the Company and the nature of the assets.
2. None of the fixed assets have been revalued during the period.
3. (a) Physical verification has been conducted by the Management at reasonable intervals in respect of Finished Goods, Goods in Process and Stores and Spares.
- (b) The discrepancies noticed on such physical verification as compared to book records, which were not material, have been properly dealt with in the books of account.
- (c) The procedures followed by the Management for such physical verification are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
- (d) On the basis of our examination, we are satisfied that the valuation of such stocks is fair and proper and in accordance with normally accepted accounting principles.
4. In our opinion, the rate of interest and other terms and conditions on which an unsecured loan has been taken from a party listed in the Register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
5. In our opinion, the rate of interest and other terms and conditions on which an unsecured loan has been given to a party listed in the Register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
6. Advances in the nature of Loans given to employees and others are generally being recovered as per stipulations, wherever made, along with interest, wherever applicable.
7. In our opinion and according to the information and explanations given to us, there are generally adequate internal control procedures commensurate with the size of the Company and the nature of its business, with regard to purchase of fixed assets, stores and spares and for sale of goods.
8. According to the information and explanations given to us, the transactions of purchase and sale of goods made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and aggregating during the period to Rs. 50,000/- or more in respect of each party, have been made at prices which, in our opinion, are reasonable having regard to the prevailing market prices of such goods.