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SIL Business Enterprises Limited

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48th Annual Report
2005-2006

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SIL Business Enterprises Limited

DIRECTORS:

T. B. RUIA
Chairman

R. J. PAYMASTER

D. T. RUIA

VILAS S. PARANJAPE

SHARAD K. PACHAPURKAR

SECRETARY
S. R. HEMMADY

BANKERS
Allahabad Bank
State Bank of Hyderabad
The Federal Bank Limited
Abu Dhabi Commercial Bank Limited

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AUDITORS
M/s. R. S. Shah & Associates

ADVOCATES
M/s. Crawford Bayley & Co.
M/s. Malvi Ranchoddas & Co.

REGISTERED OFFICE
Plot No. 1 & 2, Jijamata Nagar,
Nashik Road, Nashik - 422101

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SIL Business Enterprises Limited

NOTICE

NOTICE is hereby given that the Forty-eighth Annual General Meeting of the Members of the Company will be held at the **Hotel Durga International, Nashik Pune Road, Nehru Nagar Stop, Nashik Road, Nashik 422 101 on Thursday, December 28, 2006 at 10. 00 A. M.** to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet and Profit & Loss Account for the eighteen months period ended September 30, 2006 and the reports of the Directors and Auditors thereon.
2. To appoint Auditors and to fix their remuneration.
3. To appoint a Director in place of Mr. T. B. Ruia who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS :

4) To consider, and if thought fit, to pass with or without modification the following Resolution as an Ordinary Resolution:

"RESOLVED that Mr. Vilas S. Paranjape who was appointed as a Director of the Company with effect from April 28, 2006 and who holds office up to the date of the forthcoming Annual General Meeting and in respect of whom, the Company has received a notice in writing from a member pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

5) To consider, and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:

"RESOLVED that Mr. Sharad K. Pachapurkar who was appointed as a Director of the Company with effect from April 28, 2006 and who holds office up to the date of the forthcoming Annual General Meeting and in respect of whom, the Company has received a notice in writing from a member pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

By order of the Board,
FOR **SIL BUSINESS ENTERPRISES LTD,**

T. B. RUIA
CHAIRMAN

Registered Office:
Plot No. 1 & 2,
Jijamata Nagar,
Nashik Road,
Nashik-422 101.

Date : December 02, 2006

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NOTES :

1. A Member entitled to attend and vote on a poll 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 48 hours before the meeting.

2. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, December 22, 2006 to Wednesday, December 27, 2006, both days inclusive.

3. The relevant explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business set out in the Notice is annexed herewith and forms part of the Notice.

4. In terms of Sections 205A and 205C of the Companies Act, 1956, the amount of dividend remaining unclaimed or unpaid for a period of seven years from the date of transfer to the Unpaid Dividend account is required to be transferred to the Investor Education and Protection Fund. Accordingly, in the year 2006, the Company will be transferring the unclaimed or unpaid dividend for the year ended March 31, 1999 to the Investor Education and Protection Fund.

5. Members are requested to address all communication regarding transfer of shares, change of address etc. directly to the Registrars, viz. Bigshare Services Pvt. Ltd, E-2 Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Mumbai 400 072 and in case the shares are held in the dematerialised form, this information should be passed on to their respective Depository Participants without any delay.

6. Members desirous of availing nomination facility may send their nomination in the prescribed form. Nomination forms can be obtained from the Registrars/ Company.

7. On dematerialisation of shares, the nomination registered by the Company automatically stands cancelled. In the case of shares held in electronic (dematerialised) form, the Members are given an option of nomination at the time of opening a demat account. If no nomination is made at the time of opening the demat account, they should approach their respective Depository Participant.

8. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to write to the Company at least one week before the date of the meeting so that the information required may be made available at the meeting.

9. Members are requested to bring their copy of Annual Report to the meeting.

10. Members/ Proxies are requested to bring the Attendance Slip sent with the Annual Report duly filled-in for attending the meeting

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SIL Business Enterprises Limited

EXPLANATORY STATEMENT

Pursuant to Section 173(2) of the Companies Act, 1956, the following Explanatory Statement sets out all the material facts relating to the Special Business under Item Nos. 4 & 5 mentioned in the accompanying Notice dated December 02, 2006.

ITEM NO.4

Mr. Vilas S. Paranjape, Chartered Accountant, aged 47 years having experience of 12 years in finance and accounts, was appointed as an Additional Director of the Company with effect from April 28, 2006. He agreed for the directorship after lot of pursuasion. In terms of the relevant provisions of the Companies Act, 1956, he will hold the office of Director up to the date of this Annual General Meeting. The Company has received Notice from a member under Section 257 of the Companies Act, 1956 proposing Mr. Vilas S. Paranjape's candidature for the office of the Director retiring by rotation at this Annual General Meeting. Resolution No. 4 is sought to be passed for approval of appointment of Mr. Vilas S. Paranjape as a Director retiring by rotation.

None of the Directors except Mr. Vilas S. Paranjape is interested in the resolution.

ITEM NO.5.

Mr. Sharad K. Pachapurkar, B. Arch. (Hons), having more than 35 years of experience in the field of paint and water proofing/building products industry, carried out various surveys like market survey and business & marketing survey etc. was appointed as an Additional Director of the Company with effect from April 28, 2006. He agreed for directorship after lot of pursuasion. In terms of the relevant provisions of the Companies Act, 1956, he will hold the office of Director up to the date of this Annual General Meeting. The Company has received Notice from a member under Section 257 of the Companies Act, 1956 proposing Mr. Sharad K. Pachapurkar's candidature for the office of the Director retiring by rotation at this annual General Meeting. Resolution No.5 is sought for approval of appointment of Mr. Sharad K. Pachapurkar as a Director retiring by rotation.

None of the Directors except Mr. Sharad K. Pachapurkar is interested in the resolution.

By Order of the Board,
FOR **SIL BUSINESS ENTERPRISES LTD.**

T. B. RUIA
CHAIRMAN

Registered Office:
Plot No. 1 & 2,
Jijamata Nagar,
Nashik Road,
Nashik - 422 001.

Date : December 02, 2006

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DIRECTORS' REPORT

Your Directors have pleasure in presenting 48th Report on the operation of your Company together with audited accounts for the eighteen months period ended September 30, 2006.

1. FINANCIAL RESULTS

	2005/06 for eighteen months		Previous year	
	Rupees	Rupees	Rupees	Rupees
Sales and Other Income		759,302,210		603,804,356
Less				
Expenditure				
Consumption of Materials	301,949,630		187,271,183	
Employees Cost	72,246,008		30,002,435	
Operating and Other Exp.	310,191,297	684,386,935	295,518,637	512,792,255
Operating Profit		74,915,275		91,012,101
Deducting there from –				
- Bad debts written off	1,579,615		—	
- Excess Balance w/off – Halco	3,167,739		—	
- Loss on sale of Fixed Assets	2,395,279		—	
- Loss on Sale of Investment	29,352,087			
- Compensation for Brand Use	25,000,000	61,494,720	—	—
Profit / (Loss) before interest, depreciation and Taxation amount		13,420,555		91,012,101
- Interest	3,517,329		110,145,066	
- Provision for doubtful Loans & Advances & Debts	36,712,815		15,269,086	
Provision for doubtful Export Debts	—		1,335,454,617	
- Provision for Depreciation	24,157,060		16,737,501	
- Provision for FBT	917,168		—	
- Deferred Tax	—		(2,162,070)	
		65,304,372		1,475,444,200
The Net Loss for the year amounts to		51,883,818		1,384,432,099
Reversal of earlier years income/Expenses		(376,747)		(174,209)
Recovery of Excess MD Remuneration		3,690,487		—
Excess Provision of FD Interest		10,569,319		—
Balance brought forward from previous year		1,259,972,519		22,465,623
Transferred from General Reserve		—		(146,750,993)
Reduction in Liabilities to FD Holders (Interest)		7,024,142		—
The Loss before appropriation		1,290,949,136		1,259,972,519
The Loss to be carried forward to next year		1,290,949,136		1,259,972,519

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	2005-06 eighteen months	%	2004-2005	%
INCOME				
Sales and Other Income	759,302,210	100.00	603,804,356	100.00
EXPENDITURE				
Material Consumption	301,949,630	39.77	187,271,183	31.02
Employees Cost	72,246,008	9.51	30,002,435	4.97
Operating and Other expenses	310,191,297	40.85	295,518,637	48.94
Total Expenditure	684,386,935	90.13	512,792,255	84.93
Operating Profit	74,915,275	9.87	91,012,101	15.07

The above figures are not comparable with previous year figures as the accounting period was extended to 18 months due to reason explained herein after.

2. DIVIDEND :

In view of the loss for the period, the Directors have not recommended any dividend.

3. EXTENSION OF ACCOUNTING YEAR :

The Company had to discontinue the business of manufacturing paint products with effect from April 1, 2006, consequent to the termination of Registered User Agreement under which the Company was manufacturing these products. This has compelled the Company to rethink its future course of business. Therefore, the Company extended its financial year to September 30, 2006, after obtaining all necessary approvals. Hence, the accounts are prepared for eighteen months period from April 1, 2005 to September 30, 2006.

4. REVIEW OF FINANCIAL PERFORMANCE :

a) The Company has achieved a Sales Turnover of Rs.68.73 crores for the period ending March 31, 2006 and Rs. 75.93 crores for the period ending September 30, 2006.

There was no sale of paint products to the markets by the Company from April 2006 because of termination of Registered User Agreement. The termination of Registered User Agreement was confirmed by Arbitrator Justice K. N. Singh, a former retired Chief Justice of India who was appointed to arbitrate the matter, by his Award dated April 19, 2006. The sale for the period from April 2006 to September 2006 includes disposal of raw materials and finished products as per the said arbitration award. The Company in order to meet its expenses has entered into a job work agreement with the trademark owners in April and is currently doing job work for them.

b) Non-receipt of export receivables has mainly been responsible for the financial difficulty of the Company. After consistent follow up the Company has received a report from Official Receiver, High Court of London, U.K. who has been appointed to wind up the foreign debtor company. The report informed that the said foreign debtor Company has been wound up and nothing could be salvaged from its assets. The Company has, therefore, written to Reserve Bank of India requesting for its permission to write off the debts in the Company's books. However, your Directors wish to emphasize that there will not be any relaxation in the Company's effort to recover the money, even though chances looks to be remote.

5. BIFR

Your Company has been declared sick unit under section 3(1)(O) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) on 5th July, 2006 by the Board for Industrial and Financial Reconstruction (BIFR). A draft Scheme has been prepared and submitted by the Company to the BIFR for approval and to the Company's Bankers for their approval.

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6. CHANGE OF NAME OF THE COMPANY AND SHIFTING OF REGISTERED OFFICE OF THE COMPANY :

As you are aware, in view of the Arbitration award your Company had to change its name from SNOWCEM INDIA LIMITED to SIL BUSINESS ENTERPRISES LIMITED, with effect from September 18, 2006 and Company has done so after complying with all legal formalities.

The Company as a measure of economy has also shifted its Registered Office of the Company to Plot No. 1 & 2, Jijamata Nagar, Nashik Road, Nashik – 422 101 as approved by all concerned.

7. OUTLOOK FOR THE CURRENT YEAR :

A. **BUSINESS IN THE CURRENT YEAR**

In order to immediately sustain the Company's labour and creditors the Company has undertaken job work for the new Brand owner.

The Company has been trying for the last one year to tie up with other paints manufacturing Companies in the industry for job work contract, but the same could not materialize on account of other player's reluctance to share their technical know how and formulation which would be required by the Company to manufacture paints for them. Hence, the Company does not foresee much possibility in procuring outside job work contracts from other players in the industry. The Company is in negotiation with a cement major to use the Company's facilities at Gotan to manufacture ad cement plasters and ad mixers. The Company has proposed in the Scheme submitted to BIFR to sell off two plants at Sinnar and Gummidipundi in settlement of banks debts.

The Company has been into manufacturing and selling of paints since the last 5 decades, and since now it is not able to manufacture branded paints using the current technology, it proposes to use its existing experience to carry out consulting and contract painting assignments for various projects. The Company has over the years developed contacts with construction players, painting contractors on a pan national level. This venture does not entail any capital expenses but enables to employ the existing employees into productive use.

B) **SETTLEMENT OF DUES OF LENDERS**

The Company has submitted a draft rehabilitation Scheme, according to which the Company proposes to settle the dues of the secured lenders from the sale of the two manufacturing units. The Company and its promoters propose to bring in some funds to pursue other activities as per the Scheme submitted. In the said scheme liabilities of all the persons have been addressed. On approval and implementation of the Rehabilitation Scheme the Company hopes to meet all its liabilities.

8. AUDITORS' NOTES AND OBSERVATIONS :

Auditors have made certain observations in their report. These have been appropriately dealt with in the notes to accounts which are self-explanatory.

9. SUBSIDIARY COMPANIES :

PELICAN PAINTS LIMITED :

During the period equity shares held by the Company have been sold and hence Pelican Paints ceased to be a subsidiary.

KILLICK HALCO LIMITED :

During the period Equity Shares held by the Company have been sold and hence Killick Halco limited ceased to be subsidiary.

10. SNOWCEM PRODUCTS (LANKA) PVT. LTD., SRI LANKA:

There was a change in the composition of the Board of Snowcem Products (Lanka) Pvt. Ltd., the Company's joint venture partner in Sri Lanka. The present management is eager and inclined to increase the business with

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our Company. Accordingly, they are negotiating with us and getting our advice to improve the business. The Company expects better results very shortly.

11. FIXED DEPOSITS :

The outstanding fixed deposits as on September 30, 2006 aggregated to Rs. 17.50 crores inclusive of interest.

During the year the Company has paid and settled Rs. 8.29 crores inclusive of interest to the fixed deposit holders.

The Company's application with the Company Law Board, Principal Bench at New Delhi for comprehensive re-scheduling of repayments is pending for approval.

The maximum cash flow received by the Company during the period has been used towards repayment of fixed deposits. It is the Company's intention to pay the small depositors as early as possible and the draft Scheme submitted to BIFR has been prepared with this in mind.

The Company suspended acceptance of fresh deposits and renewal of existing deposits since January, 2003.

12. SALES TAX DEFERMENT :

The total amount of deferment benefit availed up to September 30, 2006 under the 1993 Package Scheme of Incentives announced by the Government of Maharashtra in respect of Wind Mills set up at Chalkewadi, District Satara, Maharashtra was Rs.1289.41 lacs.

13. ADDITIONAL INFORMATION :

In terms of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the relevant information is given below:

A. Conservation of Energy:

Energy conservation continues to be a major area of emphasis and is closely monitored with every manufacturing unit of the Company. Adequate capacitor banks have already been installed to maximize power factor.

B. Technology Absorption, Adaptation and Innovation :

The Company has fully absorbed the technologies from its collaborators. The Company's Research and Development Division has been working on various ways and means of improving the quality of the products as well as cutting down the cost of production and has introduced efficient cost effective packaging for some of the products of the Company.

C. Foreign Exchange Earnings and Outgo :

i) Activities relating to exports:

Initiative taken to increase exports, development of new export markets for products and services and exports plans.

Exploration of export markets will be undertaken once the financial condition of the Company improve.

ii) Foreign Exchange earned and used:

Used	2005-2006	2004-2005
	Rs.	Rs.
Used towards import of Raw Materials and other Expenditure	88,290	1,25,042

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14. PARTICULARS OF EMPLOYEES :

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 the names and other particulars of the Employees are set out in the Annexure forming part of the report.

15. DIRECTORATE :

Mr. T. B. Ruia ceased to be Managing Director of the Company with effect from February 06, 2006, but continues to be a Director of the Company. Mr. T. B. Ruia has been appointed as Chairman of the Board with effect from September 8, 2006.

In accordance with the Articles of Association of the Company, Mr. T. B. Ruia retires by rotation and, is eligible, for re-appointment.

Mr. V. S. Paranjape and Mr. S. K. Pachapurkar resigned as a Directors of the Company with effect from February 02, 2006 and March 11, 2006 respectively. Mr. V. S. Paranjpe and Mr. S. K. Pachaurkar were appointed as Additional Directors of the Company with effect from April 28, 2006. Mr. V. S. Paranjape and Mr. S. K. Pachapurkar hold office up to the date of ensuing Annual General Meeting, pursuant to section 260 of the Companies Act, 1956. Notices have been received from one of the members signifying his intention to propose Mr. V. S. Paranjape and Mr. S. K. Pachapurkar as Directors of the Company.

Mr. J. B. Shah was appointed as an Additional Director on the Board of the Company on February 06, 2006. However Mr. J.B.Shah resigned as Director w.e.f. October 31, 2006.

16. MANAGEMENT COMMITTEES :

As the Managing Director has resigned from February 06, 2006, the Board formed following Committees of Directors to look after the day to day administration of the Company, with liability resting with Mr. T. B. Ruia, Director.

BUSINESS OPERATION COMMITTEE

FINANCE & TAXATION COMMITTEE

GENERAL ADMINISTRATION & LEGAL COMMITTEE

17. DISQUALIFICATION OF DIRECTORS UNDER SECTION 274 (1) (g) :

The Company's application in respect of disqualification of directors under Section 274 (1) (g) of the Companies Act, 1956 has been admitted by the Supreme Court.

18. RETIREMENT OF SECRETARY :

Mr. B. M. Jhaveri retired as Secretary of the Company effective October 1, 2006, after working for the Company for 21 years. Mr. Jhaveri joined the Company in the year 1985. He has worked diligently and seen many ups and downs of the Company during these years. He never compromised on the quality of the work and was hence respected by all. The Board places on record its appreciation of the services rendered by him and wish him a very happy retired life.

Mr. S. R. Hemmady has taken over as the Secretary of the Company effective October 01, 2006.

19. AUDITORS :

Messrs R. S. Shah & Associates, Chartered Accountants, the Auditors of the Company retire and are eligible for re-appointment. Messrs R. S. Shah & Associates have furnished a certificate under Section 224 (1) of the Companies Act, 1956 of their eligibility for re-appointment. The Members are requested to appoint Auditors for the current year and authorize the Board of Directors to fix their remuneration.

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