

MD	✓		BKC	✓
CS	✓		DPY	NA
RC	✓		DIV	NA
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓

ANNUAL REPORT 1997



SBEC SYSTEMS (INDIA) LIMITED
Sugar, Bio-Energy & Control Systems

BOARD OF DIRECTORS

Mr. Umesh K. Modi – Chairman & President
Mr. Norland L. C. Suzor
Mr. Abhishek Modi
Mrs. Elisabet Carlberg Suzor
Miss Meghna Modi

COMPANY SECRETARY

Mr. Atul Kumar

AUDITORS

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

BANKERS

ANZ Grindlays Bank
Allahabad Bank

REGISTERED OFFICE

1400, Hemkunt Tower,
98, Nehru Place,
New Delhi-110 019.

SHARE TRANSFER AGENTS

SRG Infotech (India) Ltd.
118 A Zamrudhpur,
New Delhi-110 048.

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NOTICE

Notice is hereby given that the Ninth Annual General Meeting of the Shareholders of **SBEC SYSTEMS (INDIA) LIMITED** will be held on Monday the **14th July, 1997** at **2.30 P.M.** at **Executive Club, 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi-110 030** to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1997, 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 Miss Meghna Modi, who retires from office by rotation and being eligible, offers herself for re-appointment.
3. To consider and appoint a Director in place of Mrs. Elisabet Carlberg Suzor, who retires from office by rotation and being eligible, offers herself for re-appointment.
4. To consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution :
"RESOLVED THAT M/s K. K. Jain & Co., Chartered Accountants be and are hereby appointed Auditors of the Company in place of the retiring Auditors to hold office from the conclusion of 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

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION :
"RESOLVED THAT in supersession of the earlier resolution passed by the shareholders of the Company pursuant to the provisions of Section 370 and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as "the Act") and subject to the approval of the Central Government and other concerned authorities, wherever required, consent of the Company be and is hereby accorded to the Board of Directors of the Company to make any loan(s) to, or give any guarantee(s) and/or provide any security in connection with a loan(s) made or to be made by any other person(s) to, or to any other person(s) by any body corporate whether or not under the same management, from time to time on such terms and conditions as the Board of Directors may deem fit, notwithstanding that the loans made or guarantees given or securities provided may be in excess of all or any of the limits or percentages prescribed, by the Central Government from time to time under sub-section (1) of Section 370 of the Act and the proviso thereto. Provided that the aggregate of such loans made or guarantees given or securities provided to all such bodies corporate together shall not at any time exceed Rs. 30 crores (Rupees Thirty Crores only) (i.e. over and above the investments for which approval has been given by the shareholders in the earlier Annual General Meetings).
"FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to determine the amount and the terms and conditions of each such loan or guarantee or to decide on any other matters arising out of or incidental, consequential or supplemental thereto and to do and execute all such acts, deeds, matters and things as may be necessary to give effect to the resolution aforesaid."

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

"RESOLVED THAT in supersession of the earlier resolution passed by the shareholders of the Company pursuant to the provisions contained in Section 372 and other applicable provisions, if any, of the Companies Act, 1956 or any amendment or modification thereof and the applicable provisions of any other statute for the time being in force, and subject to the requisite approval of the Central Government or such other approvals as may be necessary from time to time, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to invest from time to time, such sums as may be considered necessary in one or more body or bodies corporate incorporated or to be incorporated which may or may not be subsidiary or subsidiaries of the Company as the Board may think fit, under such name(s), as the Board may deem fit, notwithstanding that the aggregate of the investments made by the Company in all bodies corporate together with proposed investment(s) may exceed the percentage(s) prescribed from time to time by and under the provisions of Section 372 of the Companies Act, 1956 or any amendment or modification thereof provided that the proposed additional investments shall not at any time exceed Rs. 20.00 crores (Rupees Twenty Crores only) (i.e. over and above the investments for which approval has been given by the shareholders in the earlier Annual General Meetings) and further that the Board be and is hereby authorised to settle all questions and matters arising out of, and incidental to the proposed investment(s)."

By Order of the Board

Place: New Delhi
Date : 16th June, 1997

ATUL KUMAR
Company Secretary

NOTE :

- (a) A member entitled to attend and vote is entitled to appoint proxy to attend and vote instead of himself. A proxy need not be a member of the Company. Proxy forms in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the meeting.
- (b) The members are requested to notify the change in their address, if any, to the Company at the earliest.
- (c) Members/Proxies are requested to bring the Attendance Slip sent herewith duly filled in for attending the meeting.
- (d) The Register of Members and Share Transfer Books will remain closed from 12th July, 1997 to 14th July, 1997, (both days inclusive) in terms of the provisions of Section 154 of the Companies Act, 1956.

Explanatory Statement Pursuant to Section 173 (2) of the Companies Act, 1956.**ITEM NO. 5**

In view of increasing operations of the Company, it is likely that in future, in the course of its business, the Company may be required to make loans or give guarantees or provide securities in connection with loans to one or more bodies corporate on such terms and conditions as the Board of Directors may deem fit.

Under section 370 of the Companies Act, 1956 the making of any loans or giving of guarantees or provisions of any security in excess of the limits or percentage prescribed in the said Section are required to be previously authorised by a special resolution of the Shareholders of the lending Company as also previously approved by the Central Government for making loans in excess of the limits or percentage in certain cases. Accordingly, consent of the shareholders is being sought pursuant to the provisions of Section 370 to make loans, give guarantees or provide security to other bodies corporate upto the limit of Rs. 30 Crores set out in the resolution.

The resolution is of an enabling nature and will be made use of, as and when necessary.

The Board of Directors recommend the passing of the Special Resolution contained in item no. 5 of the accompanying notice.

None of the Directors is interested or concerned in the passing of the resolution.

ITEM NO. 6

As a part of its growth and development plans it may become necessary for the company to associate with, enter into joint ventures or invest in other bodies corporate for which the Company may be required to invest in their share capital. Under Section 372 of the Companies Act, 1956 a company cannot invest in the share capital of any other body corporate in excess of the percentages or limits prescribed in the said section unless the said investment is sanctioned by the shareholders of the Company and previously approved by the Central Government, wherever necessary.

Since the above investments together with investments already made by your Company exceed limits prescribed under section 372 of the Companies Act, 1956, your Directors recommend the above resolution for your approval.

The resolution is of an enabling nature and will be made use of, as and when necessary.

None of the Directors is concerned or interested in the above resolution.

By order of the Board

Place: New Delhi
Date : 16th June, 1997

ATUL KUMAR
Company Secretary

DIRECTORS' REPORT**Dear Shareholders,**

Your Directors hereby present the Ninth Annual Report of the Company together with Audited Accounts for the period ended 31st March, 1997.

FINANCIAL RESULTS*(Rs. in lacs)*

	Period ended 31.03.97	Period ended 30.09.95
Sales & Services, Consultancy Fees and Other Income	910.38	1551.05
(Loss) / Profit before Tax	(30.38)	71.47
Provision for Minimum Alternate Tax	11.06	—
(Loss) / Profit after Tax	(41.44)	71.47

During the period under review, your Company's performance suffered a set back compared to the previous year. The setback is mainly on account of delay in commissioning of sugar project of SBEC Sugar Ltd. and Co-generation project of SI-AL SBEC Bioenergy Pvt. Ltd. being executed by your Company.

SBEC Sugar Ltd. was expected to commence commercial production in October, 1996. The company came out with public issue in July, 1996. Due to adverse market conditions, there was a considerable delay in receipt of allotment money from the shareholders. Since the project is totally equity based, delay in receipt of allotment money has resulted in delay in the commencement of commercial production. However, the commercial production is now slated to commence in November, 1997.

The Co-generation project of SI-AL SBEC Bioenergy Pvt. Ltd. was also to commence commercial production in October, 1996. However, the delay in getting the necessary Government approvals for the joint venture and approval for long term loan from Indian Renewable Energy Development Agency Limited (IREDA) has delayed the project. However, the Company has since received necessary Government approvals and in-principle sanction for a term loan from IREDA. Now, the Company is slated to commence commercial production in November, 1997.

PROSPECTS FOR THE CURRENT YEAR

Your company has promoted SBEC Sugar Limited which will commence commercial production in November, 1997 to coincide with the sugar cane season of 1997-98. The sugar plant is situated in the heart of the sugar cane growing belt of western U.P.. The sugar cane availability in this area is more than enough to meet the requirements and the sugar plant will crush its planned capacity in the first year of operation. The Government of India, to give an impetus to new sugar units has given an incentive by way of excess of free sale sugar. The existing units are allowed to sell only 60% of their production as free sale sugar. However, the sugar plant being a new unit is entitled to sell 90% of its production as free sale sugar in the first year. This incentive is for a period of 7 years. The percentage of free sale sugar gradually increases to 93% in the 6th & 7th year of production.

In terms of profitability, this incentive gives this sugar plant a distinct advantage over the existing units. This excess free sale sugar will result in healthier bottom line for the new sugar unit which will ultimately

have a positive impact on the bottom line of your company by way of royalty on sale of sugar as well as higher dividend income.

The Company is also in the process of implementing a bagasse based power generation project of 12 MW capacity in immediate vicinity of SBEC Sugar Plant. The plant is expected to start commercial production by November, 1997. Once operational, the power plant will produce 12 MW of electricity out of which approximately 7 MW will be supplied to U.P.S.E.B. after meeting the requirements of SBEC Sugar Plant. A new company under the name and style of SI-AL SBEC Bioenergy (P) Ltd. has already been incorporated in joint venture with SI-AL Bioenergie of France. The Project is expected to give handsome return on the investment being made by your Company. Your Directors would also like to mention that this plant will be constructed by your Company, which will be reflected in the working results of your Company for the next year.

The Board is confident that the Company will be definitely show much improved performance during the year 1997-98.

FIXED DEPOSITS

The Company has not accepted any deposits from the public during the period ended 31st March, 1997 under section 58A of the Companies Act, 1956.

DIRECTORS

Mrs. Elisabet Carlberg Suzor and Miss Meghna Modi, Directors of the Company will retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

The Board of Directors places on record the valuable services rendered by Late Shri Sadhu Ram Gupta who expired during the year.

Mr. Abhishek Modi was appointed Director in place of Late Shri Sadhu Ram Gupta.

PERFORMANCE VS. PROJECTIONS

The comparison between projections stated in Letter of Offer of the Company dated October 28, 1994 and performance of the Company for the period under review is detailed below :

(Rs. in lacs)

Particulars	Projected	Actual
Total Income	7262.58	910.38
Profit Before Interest, Tax & Depreciation	1435.15	320.98
(Loss) / Profit After Tax	719.07	(41.44)

The setback in the working is on account of delay in completion of the sugar project of SBEC Sugar Ltd. and Co-generation project of SI-AL SBEC Bioenergy Pvt. Ltd. The reasons for delay have already been explained under the head Financial Results.

PARTICULARS OF EMPLOYEES

Information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended from time to time is annexed.

PARTICULARS OF CONSERVATION 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 containing the above particulars is annexed to this report.

AUDITORS

M/s. S. R. Batliboi & Co., Chartered Accountants, retiring Auditors, have expressed their inability to continue as Auditors of the Company, due to pre-occupation. However, they continue as Auditors of SBEC Sugar Limited and SI-AL SBEC Bioenergy Pvt. Ltd., being the other ventures promoted by your Company. The Company has received Certificate u/s 224(1)(B) of the Companies Act, 1956 from M/s K. K. Jain & Co., 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 except the following :

1. Note No. B-5 & B-6, regarding non provision of interest on foreign currency loan & non provision of deputation fees of foreign technicians – The amount will be accounted for in the year in which it will be paid.
2. Note No. B-8 – It is submitted that your company has promoted a Company SI-AL SBEC Bioenergy Pvt. Ltd. for setting up Co-generation project in collaboration with AIR LIQUIDE & SIDEC, France. It has provided consultancy & other services to the extent of Rs. 376.22 lacs in terms of Agreements entered into with the said company. This amount should have been adjusted against issue of shares towards promoters' contribution. However, due to non receipt of approvals from statutory authorities, the same has not been adjusted. On receipt of such approvals the same would be adjusted in the current year.
3. Note No. B-12 regarding investment in a body corporate u/s 372 of the Companies Act, 1956 – The necessary steps are being taken by the Company for obtaining necessary approval from statutory authorities.
4. Note No. B-13 regarding non transfer of unpaid dividend in General Revenue Account – The Company is taking necessary steps to transfer the amount of unpaid dividend in General Revenue Account of the Central Government.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to express gratitude to all Shareholders, Business Associates, Employees 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 : 16th June, 1997

UMESH K. MODI
CHAIRMAN & PRESIDENT

ANNEXURE TO DIRECTORS' REPORT

Information required pursuant to 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 forming part of the Directors Report for the year ended 31st March, 1997.

A. CONSERVATION OF ENERGY : Not Applicable

B. TECHNOLOGY ABSORPTION :

The information required to be disclosed under Rule 2 of the aforesaid Rules is given hereunder in Form B.

FORM B

Form for disclosure of particulars with respect to Technology Absorption, Research and Development (R&D).

(i) Research & Development : NIL

Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation.

The Company has acquired the latest technology for manufacture of equipment for Sugar Industry from its foreign collaborator SBEC Systems Limited, United Kingdom.

2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc.

The Company has been able to introduce in Indian Sugar Industry modern equipment which result in :

- i) Savings in energy,
- ii) Improvement in sugar recovery from the cane as well as improvement in the quality of sugar, and
- iii) Reduction in air pollution / emission.

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 :** Technology for manufacture of equipment for Sugar Industry

(b) **Year of Import :** 1993

(c) **Has technology been fully absorbed ?**

Technology absorption has been successfully completed.

(d) **If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action.**

N.A.

C, FOREIGN EXCHANGE EARNINGS AND OUTGO

	Current Year (Rs.)	Previous Year (Rs.)
Total foreign exchange used :	3,58,27,663	4,53,10,107
Earned :	NIL	NIL

PARTICULARS OF EMPLOYEES

Details of employees pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended and forming part of the Directors' Report for the period ended 31st March, 1997.

Employed Partly During the Year :

Name	Designation	Qualification	Expe- rience (yrs.)	Date of Commence- ment of Employment	Total Remune- ration (Rs.)	Age (yrs.)	Last Employ- ment
Champak Nayar	Vice President	BE, MBA(Finance)	27	1.10.96	262050	50	Bihar Sponge Iron Ltd.
Kapil K. Agarwal	GM (F&C)	FCA	11	1.04.92	148528	35	Bihar Sponge Iron Ltd.
Dev P. Chadha	Vice President	FIE, FSTAI	33	5.06.95	269808	55	Walchand Nagar Industries Ltd.

Notes :

1. All appointment are contractual. Other terms & conditions are as per Company's rules.
2. Remuneration includes Salary, Company's contribution to PF, actual expenditure incurred in connection with Residential Accommodation, Medical Expenses, House rent allowance, LTA, and value of other perquisites calculated in accordance with the rules framed under Income Tax Act, 1961.
3. The above named employees are not related to any director of the Company.
4. The above named employees, either individually or together with his spouse or dependent children have not held more than 2% of the equity shares of the Company.