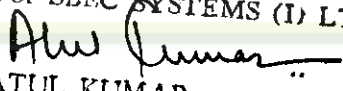


SBEC

Eleventh Annual Report 1999

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For SBEC SYSTEMS (I) LTD.


ATUL KUMAR
Company Secretary

SBEC SYSTEMS (INDIA) LIMITED

Sugar, Bio-Energy & Control Systems

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board of directors

Mr. Umesh K. Modi (Chairman & President)
Mr. Norland L.C. Suzor
Mr. Abhishek Modi
Ms. Elisabet Carlberg Suzor
Ms. Meghna Modi

company secretary

Mr. Atul Kumar

auditors

M/s. K.K. Jain & Co.
Chartered Accountants
7/35, Ansari Road, Daryaganj,
New Delhi - 110 002

bankers

ANZ Grindlays Bank
Allahabad Bank

registered office

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

share transfer agents

Fintech Compu Systems Ltd.
WZ - 1390/4, 3rd Floor, Nangal Raya
New Delhi - 110 046

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NOTICE

NOTICE is hereby given that the Eleventh Annual General Meeting of the Shareholders of SBEC SYSTEMS (INDIA) LIMITED will be held on Wednesday the 29th March, 2000 at Executive Club, 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi at 10.00 a.m. to transact the following businesses:

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. Abhishek Modi, who retires from office by rotation and being eligible, offers himself for re-appointment.
3. To consider and appoint a Director in place of Ms. Elisabet Carlberg Suzor, who retires from office by rotation and being eligible, offers herself for re-appointment.
4. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

5. To consider & if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT in accordance with the provisions of sections 198, 269 & 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded for the appointment of Mr. Sushil K. Agrawal as a Manager of the Company within the meaning of Section 2(24) of the Companies Act, 1956 for a period of three years with effect from 18th October, 1999 on such remuneration and terms & conditions, a copy whereof duly initialled by the Chairman for the purpose of identification is placed before this meeting, with a liberty to the Board of Directors to alter and vary terms & conditions of the said appointment as may be agreed to between the Board of Directors and Mr. Sushil K. Agrawal.

By order of the Board

Place : New Delhi
Date : 18.02.2000

Atul Kumar
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

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item No.5 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 29th 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. 5

Mr. Sushil K. Agrawal, Chief Manager- Finance & Accounts, was appointed as Manager within the meaning of Section 2(24) pursuant to provisions of Section 269 of the Companies Act, 1956 by the Board of Directors in their meeting held on 18th October, 1999 for a period of three years with effect from 18th October, 1999 on such remuneration and terms & conditions as detailed below:

Basic Salary	-	Rs 13875/- p.m.
House Rent Allowance/Lease rent	-	Upto 60 % of Basic Salary
Reimbursement for Conveyance Expenses	-	Co.'s car + driver
Reimbursement for News paper/Periodicals	-	Upto Rs. 500/- p.m.
Washing Allowance	-	Rs 400/- p.m.
Reimbursement – Medical Expenses	-	Upto 7 % of the basic salary
Bonus/Ex-gratia	-	As per policy of the Company
Leave Travel Assistance	-	One month basic salary p.a.
Provident Fund	-	12 % of the basic salary
Reimbursement for residential telephone	-	Actual for official purposes

Mr Sushil K. Agrawal is a Chartered Accountant, having adequate experience to hold the post of Manager and his appointment would be in the interest of the Company and your Directors recommend this resolution for your approval.

None of the Directors of your Company is interested in this resolution.

The Explanatory Statement together with the accompanying notice is, and may be, treated as an abstract of terms of appointment and memorandum of interest under section 302 of the Companies Act, 1956.

By order of the Board

Place : New Delhi
Date : 18.02.2000

Atul Kumar
Company Secretary

DIRECTORS' REPORT**Dear Shareholders,**

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

FINANCIAL RESULTS

(Rs. In lacs)

	Period ended 30.09.99	Period ended 30.06.98
Sales, Royalty & other Income	504.40	2069.21
Total Expenditure	699.66	2441.06
Gross profit/(loss) before Depreciation	(195.26)	(371.85)
Depreciation	1.30	7.44
Profit/(Loss) before tax	(196.56)	(379.29)
Payment under VIDS 97	-	(2.20)
Profit/(Loss) after tax	(196.56)	(381.50)
Reserves excluding revaluation reserve	192.62	192.62

The net loss for the period is higher by Rs 120.44 lacs due to amortisation of Technical Know-how fees and Expenses on deputation of Foreign Technicians over a period of five (5) years instead of ten (10) years which was being followed till last year. This change in accounting policy is in line with the recommendations of the Institute of Chartered Accountants of India (ICAI).

PROSPECTS FOR THE CURRENT YEAR

Your Directors are pleased to inform you that the Sugar & the Co-generation Plants, promoted by your Company, started their trial run in the month of January, 1999. Both the plants started commercial production from 15th February, 1999 and operated for only 56 days as against the normal sugarcane season of 180 to 200 days. Even during these 56 days of operation, both the plants did not perform as expected due to initial teething problems. The sugar plant had installed many sophisticated equipments imported from abroad which took much longer time to stabilise their workings. However, in the current sugarcane season, both the Plants have started the production from 10th November, 1999 and have been running very efficiently. The Sugar Plant till 15th February, 2000 has already produced 24,300 tonnes of sugar and the Co-generation Plant has also been supplying regularly 5-6 MW of power to U.P. State Electricity Board. The sugarcane availability in the command area of the sugar plant is very good and it is expected that both the plants will be operating for full crushing season.

Your Directors are confident that during the current year, your company will be receiving good amount of royalty from the Sugar Plant and is also likely to receive dividend from both the plants on the investments made by your Company.

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FIXED DEPOSITS

The Company has not accepted any deposits from the Public during the period ended 30th September, 1999 under the Companies Act, 1956.

DIRECTORS

Mr Abhishek Modi and Ms Elisabet Carlberg Suzor, 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 as amended from time to time is annexed. However, as per the provisions of section 219(1)(b)(iv), the Report and Accounts are being sent to all Shareholders of the Company excluding the statement of particulars of employees. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.

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 containing the above particulars is annexed to this report.

SUBSIDIARY COMPANY

As required under section 212 of the Companies Act, 1956, the audited accounts alongwith the report of the Board of Directors of SBEC Investments Ltd. (subsidiary company) and Auditors' Report thereon for the period ended on 30th September, 1999 and a statement thereon are annexed.

LISTING OF SHARES

The shares of the company are listed on the following stock exchanges namely (1) The Delhi Stock Exchange Association Ltd., 3/1 " DSE House" Asaf Ali Road, New Delhi; (2) The Stock Exchange, Mumbai, Phiroz Jeejeebhoy Towers, 25th Floor, Dalal Street, Mumbai - 400 001; (3) The U.P. Stock Exchange Association Ltd., Padam Towers, 14/113, Civil Lines Kanpur, U.P. and (4) The Stock Exchange, Ahmedabad, Kamdhenu Complex opp. Sahajanad College, Panjrapole, Ahmedabad - 380015.

AUDITORS

M/s K.K. Jain & Co., Chartered Accountants, are the retiring Auditors and being eligible, offer themselves for re-appointment.

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 Shareholders, all 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 : 18.02.2000

Umesh K Modi
Chairman & President

ANNEXURE TO DIRECTORS' REPORT

Information required pursuant to section 217 (1) (e) of the Companies Act, 1956, read with Companies (Disclosure of particulars in the Report of Directors) Rules, 1988 forming part of the Directors Report for the period ended 30th September, 1999:

- 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).

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 collaborators 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) Saving in energy.
- ii) Improvement in sugar recovery from the cane as well as improvement in 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 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 or intending to carry on any export activities in near future.

	Current period (Rs.)	Previous Period (Rs.)
ii)		
Total foreign exchange used :	57,75,038	2,56,03,055
Earned :	NIL	NIL

AUDITOR'S REPORT**TO THE MEMBERS OF SBEC SYSTEMS (INDIA) LIMITED**

We have audited the attached Balance Sheet of SBEC SYSTEMS (INDIA) LIMITED as at 30th September 1999, and the Profit and Loss Account for the period ended on that date, annexed thereto and report that :

1. We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit;
2. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of the books;
3. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
4. In our opinion, the Profit & Loss Account and Balance Sheet of the Company comply with the Accounting Standards referred to in sub section (3c) of Section 211 of the Companies Act, 1956.
5. In our opinion and to the best of our information and according to the explanations given to us the said Balance Sheet and Profit and Loss Account read with the Schedules and Notes thereon and subject to the consequential impact on the result for the year of Note No. B (2) regarding non-provision for doubtful Debtors and Loans & Advances, Note No B (11) regarding non-provision of tax on deputation charges of foreign technicians, Note No. B (15) regarding Change in Accounting Policies, give the information required by the Companies Act, 1956, in the manners so required and a true and fair view:-
 - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 30th September, 1999 and
 - (ii) In the case of the Profit and Loss Account of the Loss for the period ended on that date.
6. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that :
 - 6.1 The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. The Fixed Assets have been physically verified by the management at reasonable intervals and have been reconciled with the book records and no material discrepancies are reported to have been observed.
 - 6.2 None of the Fixed Assets of the Company have been revalued during the period.
 - 6.3
 - (a) The stocks of Stores and Spare parts, Components and Goods purchased for resale have been physically verified by the management at reasonable intervals during the period.
 - (b) The discrepancies between physical stocks and the 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 verifications are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (d) In our opinion, the valuation of stocks is fair and proper and in accordance with the normally accepted accounting principles and is on the same basis as in the preceding period.
 - 6.4 The Company had taken unsecured loans from erstwhile promoters/directors and from a company in which they are interested, which are being carried forward. As per the information given to us, the said

- loans are interest free and thus the terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
- 6.5 The Company has during the period given an Unsecured Loan to a company in which Directors are interested as listed in the Register maintained under Section 301 of the Companies Act, 1956. The terms and conditions of this loan are prima facie not prejudicial to the interest of the Company. We are informed that there is no company under the same management within the meaning of Section 370(1B) of the Companies Act, 1956.
 - 6.6 Loans and Advances in the nature of interest free loans given by the Company to its employees are being recovered as stipulated.
 - 6.7 In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of stores and spares, components, plant & machinery, equipment and other assets and for sale of goods.
 - 6.8 In our opinion, the transactions of purchase of goods and materials and sale of goods, material and services made by the Company in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs 50,000/- (Rupees fifty thousand) or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods, material or services or the prices at which the transactions for similar goods or services have been made with other parties.
 - 6.9 As informed to us, the Company has a system of determination of unserviceable or damaged stores & spares, components including goods purchased for resale. Adequate provision has been made in respect of the loss arising on such items in the accounts under review.
 - 6.10 The Company has not accepted any deposits from the public within the meaning of Section 58 A of the Companies Act, 1956 and the rules framed thereunder.
 - 6.11 Since the Company does not have its own manufacturing activities, there is no generation of realisable scrap or by-product.
 - 6.12 In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
 - 6.13 We are informed that the provisions of Section 209(1)(d) of the Companies Act, 1956 relating to the maintenance of cost records are not applicable to the Company.
 - 6.14 According to the record of the company, the company has been generally regular in depositing Provident Fund dues with the appropriate authorities. We are informed that the provisions of Employees State Insurance Act do not apply to the Company.
 - 6.15 According to the information and explanations given to us there were no undisputed amounts payable in respect of Income Tax, Wealth Tax, Custom & Excise Duty outstanding as at 30th September 1999 for a period of more than six months from the date they become payable except the Sales Tax & Service Tax of Rs. 53.11 lacs and Rs. 4.19 lacs respectively.
 - 6.16 The Company has a policy of authorising expenditure based on reasonable checks and controls. This policy is intended to ensure that expenses are authorised on the basis of contractual obligations or accepted business practices having regard to the Company's business needs and exigencies. In terms of these observations, we have not come across any expenses charged to revenue account, which in our opinion and judgment and to the best of our knowledge and belief, could be regarded as personal expenses other than those payable under contractual obligations or in accordance with generally

accepted business practice.

- 6.17 The Company is not a sick industrial company within the meaning of clause (0) of sub section(I) of Section 3 of the Sick Industrial Companies(Special Provisions) Act, 1985.
- 6.18 In respect of trading activities, we are informed that there are no damaged goods in the possession of the Company as at the close of the accounting period.
- 6.19 In respect of services rendered, the nature of the services is such that it does not involve consumption of materials. The allocation of man-hours utilised to the respective jobs is not considered necessary by the company, since the services rendered are billed to customers at predetermined prices.
- 6.20 The investment are held by the company in its own name.

For K.K.JAIN & CO.,
Chartered Accountants,

(RAKESH KUMAR MITTAL)
Partner

Place : New Delhi
Dated : 18.02.2000

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