

SBEC

Fifteenth Annual Report-2004



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



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SBEC

SBEC SYSTEMS (INDIA) LIMITED

BOARD OF DIRECTORS

Mr. Vijay K. Modi (Chairman & President)

Mr. Norland L.C. Suzor

Mr. Sarat Jain

Ms. Elisabeth Carlberg Suzor

Ms. Meghna Modi

ALTERNATE DIRECTOR

Mr. Ashok Rustagi (Alternate to Ms. Elisabeth Carlberg Suzor)

COMPANY SECRETARY

Mr. Atul Kumar

AUDITORS

M/s K.K. Jain & Co.

Chartered Accountants

7/35, Ansari Road, Daryaganj,

New Delhi-110 002

BANKERS

Standard Chartered Grindlays Bank Limited

Canara 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 Fifteenth Annual General Meeting of the Shareholders of SBEC SYSTEMS (INDIA) LIMITED will be held on Wednesday, the 29th day of September, 2004 at the Executive Club, 439 Village Shahoorpur, P.O. Fatehpur Beri, New Delhi at 4 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2004, the Profit and Loss Account for the period ended on that date along with the Directors' Report and the Auditor's Report thereon.
2. To consider and appoint a Director in place of Ms Meghna Modi who retires from the office by rotation and being eligible offers herself for re-appointment.
3. To consider and appoint a Director in place of Mrs. T.E.C Suzor who retires from the office by rotation and being eligible offers herself for re-appointment.
4. To Appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, with or without modification (s) the following resolution as an Ordinary Resolution.
"Resolved that Mr. Vijay K Modi, who was appointed as an additional director be and is hereby appointed as a non rotational director in terms of Article 41(b) of the Articles of Association of the Company"
6. To consider and if thought fit, with or without modification (s) the following resolution as an Ordinary Resolution.
"Resolved that Mr. Sarat Jain who was appointed as an additional director be and is hereby appointed as a director liable to retire by rotation"

By order of the Board

Place: New Delhi
Date: September 1, 2004

Atul Kumar
Company Secretary

NOTES:

1. 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 MEMBER OF THE COMPANY. THE PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY AT LEAST 48 HOURS BEFORE THE SCHEDULED TIME OF THE MEETING. A BLANK PROXY FORM IS ANNEXED TO THE ANNUAL REPORT.
2. The Register of the Members and Share Transfer Book of the Company shall remain closed as on 29th September 2004.
3. The Members are requested to notify the Change in address, if any, to the Company at the earliest.
4. Members / Proxies are requested to bring 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. Vijay K Modi was appointed as an additional director with effect from 29th September 2003 on the resignation of Mr. U K Modi and holds office up to the conclusion of the forthcoming Annual General Meeting. In terms of Article 41(b) of the Articles of Association, Mr. Vijay K Modi would be a non rotational director

and shall not be liable to retire by rotation. Mr. Vijay K Modi has vast experience in the fields of commercial and General Management with around 30 years and the appointment would be in the best interest of the company.

Notice under section 257 of the Companies Act, 1956 has been received by the Company from a member together with a requisite deposit intending to propose Mr. Vijay K Modi as a candidate for the office of Director.

The Board recommends the appointment of Mr. Vijay K Modi for the approval of members.

No Director other than Mr. Vijay K Modi is concerned or interested in the resolution.

Item No.6

Mr. Sarat Jain was appointed as an additional director with effect from 18th October, 2003 and he holds office upto the conclusion of this Annual General Meeting. Mr. Sarat Jain is a fellow member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India, with around 30 years experience in the fields of Finance and Accounts.

The Board is of the view that Mr. Sarat Jain's association as Director would be of value to the company and recommends the resolution for approval.

Notice under section 257 of the Companies Act, 1956 has been received by the Company from a member together with a requisite deposit intending to propose Mr. Sarat Jain as a candidate for the office of Director.

No Director other than Mr. Sarat Jain is concerned or interested in the resolution.

By order of the Board

Place: New Delhi
Date: September 1, 2004

Atul Kumar
Company Secretary

INFORMATION REGARDING THE DIRECTORS PROPOSED TO BE APPOINTED/ RE-APPOINTED (REFER CLAUSE 49 (VI) (A) OF THE LISTING AGREEMENT WITH STOCK EXCHANGES)**Ms. Meghna Modi**

Ms. Meghna Modi is a graduate of the Harvard School of Management USA. She has rich experience in the fields of Finance and General Management and has been instrumental in the progress of M/s Modi Revlon Private Limited. She is not on the Board of any other Public Limited Company.

Mrs. T.E.C Suzor

Mrs. T.E.C Suzor is a Non resident director who has vast experience in General Management. She is not on the Board of any other Public Limited Company.

Mr. Vijay K Modi

Mr. Vijay K Modi is a BSc (Chemical Engineering) graduate. He has rich experience in the fields of Manufacturing, Commercial and General Management of over 30 years. His Directorship in other Public Limited Companies include Bihar Sponge Iron Limited.

Mr. Sarat Jain

Mr. Sarat Jain is a fellow member of the Institutes of Chartered Accountants of India and the Institute of Company Secretaries of India. He has about three decades of experience in the fields of Finance and Accounts. Mr. Sarat Jain is not on the Board of any other Public Limited Company.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors hereby present the Fifteenth Annual Report of the Company together with Audited Accounts for the year ended 31st March 2004.

FINANCIAL RESULTS

	Year ended 31.03.2004 (Rs. in Lacs)	Year ended 31.03.2003 (Rs. in Lacs)
Sales & Other Income	33.81	7.18
Total Expenditure	33.57	152.61
Operating profit / (Loss) before depreciation	0.24	(145.43)
Depreciation	0.47	0.58
Operating Profit / (Loss) before tax	(0.23)	(146.01)
Profit / (Loss) after tax	(0.23)	(146.01)
Reserves excluding revaluation reserves	192.62	192.62

MANAGEMENT DISCUSSION AND ANALYSIS

The Sugar Plant promoted by your company has reported satisfactory results for the year ended 31st March 2004, in spite of one of the most difficult year for the sugar industry. The sugar plant has also reported cash profit for the year 2003-2004. The sugar plant will start paying dividend as well as royalty once it starts earning net profit.

Your Company is in the business of supplying equipment and consultancy services to the sugar industry. The sugar industry is passing through a very difficult phase and hardly any modernization or expansion activities have taken place in the industry in the past few years.

INTERNAL CONTROLS AND SYSTEMS

The company has a proper and adequate system of internal controls to ensure that its assets are safeguarded and protected against loss from unauthorized use or disposition and transactions are authorized, recorded and reported correctly. The internal control system is also supplemented

by an independent internal audit system which is reviewed by the management periodically. The internal control system is designed to ensure that the financial and other records are reliable for preparing financial statements.

FIXED DEPOSITS

The Company has not accepted any deposits from the Public during the period under review.

DIRECTORS

Ms. Meghna Modi and Mrs. 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. The necessary resolutions are being placed before the members for approval.

During the year Mr. U K Modi and Mr. Abhishek Modi ceased to be Directors on the Board by resignation. The Board places on record its appreciation of the advice and guidance received from Mr. U K Modi and Mr. Abhishek Modi during their tenure as Directors.

Consequent to the resignation of Mr. U K Modi and Mr. Abhishek Modi, Mr. Vijay K Modi was appointed in place of Mr. U K Modi and in place of Mr. Abhishek Modi, Mr. Sarat Jain has been appointed. Notices have been received from some members proposing their appointment as Directors of the Company.

CONSOLIDATED ACCOUNTS

As required under the Listing Agreement, consolidated accounts conforming to the applicable accounting standards are attached to the Annual Report.

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:

During the year there were no employees who were in receipt of remuneration more than the limit prescribed under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended.

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 along with the report of the Board of Directors of SBEC Investments Ltd. (subsidiary company) and Auditor's Report thereon for the period ended on 31st March 2004, and a statement thereon are annexed. Consolidated financial statements are being published in the Current Year's Annual Report.

LISTING OF SHARES

The shares of the company have been delisted by the Ahmedabad Stock Exchange from their exchange vide its letter no. ASE/20041042 dated July 2, 2004 w.e.f. 8th July 2004. Applications submitted to The Delhi Stock Exchange Association Ltd., New Delhi; The U.P. Stock Exchange Association Ltd., Kanpur, U.P., for delisting are pending. After the delisting from the above stock exchanges, the shares would remain listed on the Mumbai Stock Exchange which has a nation wide coverage.

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.

SECRETARIAL AUDIT

The Secretarial Audit of the Company is being carried out periodically. The observations of the Secretarial Auditor were satisfactory.

CORPORATE GOVERNANCE

A separate report on Corporate Governance is attached as Annexure to the Annual Report. The Auditors Certificate confirming the compliance of Corporate Governance is included in the said Corporate Governance Report.

DIRECTORS' RESPONSIBILITY STATEMENT UNDER SECTION 217

As required under section 217(2AA) of the Companies Act 1956 your Directors state:

1. that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of affairs of the Company at the end of the financial year and of the profit or loss of the company for that period;
3. that the directors had taken proper & sufficient care for the maintenance of adequate Accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. that the directors had prepared the annual accounts on a going concern basis;

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 : September 1, 2004

Vijay K Modi
Chairman

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 year ended 31st March 2004.

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 : Nil
- (b) Year of Import : NA
- (c) Has technology been fully absorbed : NA
- (d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action : NA

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.

ii)		(Rs. in Lacs)	
		Current Year	Previous Year
Total Foreign Exchange Used		Nil	12.54
Total Foreign Exchange Earned		Nil	Nil

CORPORATE GOVERNANCE REPORT**1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

At SBEC Systems, Corporate Governance is an on going process and an integral part of the Company's values, ethics, business practices and norms.

The Board of Directors and the Management of SBEC Systems (I) Limited commit themselves to strive towards enhancement of shareholders value, ensure transparency and professionalism in all decisions of the Company and achieve excellence in corporate governance.

2. BOARD OF DIRECTORS

The Company has a broad based Board of Directors conforming to the requirement of good Corporate Governance. The Board is headed by a non-executive chairman. The composition of the Board is as under:

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SBEC SYSTEMS (INDIA) LIMITED

Name of The Director	Category of Director	No. of Board Meetings Held	No. of Board Meetings Attended	No. of Other Directorships (*)	Committee Member-ships (***) (excluding SBEC Systems (India) Ltd.)	Committee Chairman ships	Last AGM Attended
1. Mr. Umesh K. Modi @	Non-Executive	5	2	6	—	—	No
2. Mr. Abhishek Modi @	Non-Executive	5	3	2	1	—	No
3. Ms. Meghna Modi @	Non- Executive	5	—	—	—	—	No
4. Mr. Norland Suzor #	Non-Executive	5	—	—	—	—	No
5. Mrs. Elisabet Carlberg Suzor #	Non-Executive	5	—	—	—	—	No
6. Mr. Ashok Rustagi	Alternate to Mrs. Elisabet Carlberg Suzor Non-Executive	5	5	—	—	—	Yes
7. Mr. Vijay K. Modi	Non - Executive	5	3	1	—	—	Yes
8. Mr. Sarat Jain	Non-Executive	5	2	—	—	—	No

(*) Directorship in companies registered under the Companies Act, 1956 excluding directorships in private limited companies, companies under Section 25 of the Companies Act and alternate directorships.

(**) Specified Committees — Audit Committee, Investor's Grievance Committee, Remuneration Committee,

(@) Mr. U.K.Modi and Ms. Meghna Modi are related as father and daughter and Mr. Abhishek Modi is related to them as his son and her brother respectively.

— Mr. U K Modi resigned from the Board w.e.f. 29th September 2003 and Mr. Vijay K Modi has been appointed in his place.

— Mr. Abhishek Modi resigned from the Board w.e.f. 18th October 2003 and Mr. Sarat Jain has been appointed in his place.

(#) Mr. Norland Suzor and Mrs.Elisabet Carlberg Suzor are related as husband and wife.

Details of the Board Meeting held during the year

Date of Meeting	Board Strength	No. of Directors Present
31st May, 2003	6	3
1st September, 2003	6	3
28th September, 2003	6	3
18th October, 2003	6	3
9th February, 2004	6	3

3. Audit Committee :

In Compliance to the requirement of Section 292 A of the Companies (Amendment) Act, 2000 the Board of Directors at their meeting held on 27th February 2001 constituted an Audit Committee. The role and terms of the Audit Committee covers the areas mentioned in Clause 49 of the Listing Agreement and Section 292 A of the Companies Act, 1956. Consequent to the resignation of Mr. Abhishek Modi, the Audit Committee was reconstituted and as on 31st March 2004 the Audit Committee comprised of with Mr. Vijay K Modi as the Chairman, Mr. Sarat Jain and Mr. Ashok Rustagi being the other members.

The Company Secretary of the Company acts as the Secretary of the Audit Committee. The Audit Committee has met three times during the last financial year. The attendance of the Directors at the respective dates of the meetings is shown below.

Meetings Held

Attendance of Directors	1st September, 2003	30th Octobr, 2003	28th January, 2004
Mr. Abhishek Modi	Yes	—	—
Ms. Meghna Modi	Yes	—	—
Mr. Ashok Rustagi	Yes	Yes	Yes
Mr. Vijay K. Modi	—	Yes	Yes
Mr. Sarat Jain	—	Yes	Yes

4. Investors Grievance Committee :

As on 31st March 2004, the Investor Grievance Committee comprised of Mr. Vijay K Modi and Mr. Sarat Jain as its Members. The committee is chaired by Mr. Vijay K Modi. The Company attends to the investor grievances / correspondences expeditiously and usually a reply is sent within 14 days of receipt of letter. There have been no complaints that have not been resolved to the satisfaction of the shareholders nor are there any pending transfers.

5. Remuneration Committee :

The Remuneration Committee consists entirely of Non executive directors. Mr. Vijay K Modi, an independent director is the Chairman of the Committee and Mr. Sarat Jain is the other member.

Details of the remuneration paid to the Directors during the Financial Year Ended 31st March, 2004.

No remuneration is paid to the Directors as sitting fee:

6. Means of Communication:

The Quarterly, Half-yearly and the Annual results are published by the Company in Financial Express (English) and in Jansattta (Hindi).

7. Details of last three Annual General Meetings:

Year	Location	Date	Time
2003	Executive Club, 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi.	September 29, 2003	4.00 P.M.
2002	Executive Club, 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi.	November 12, 2002	10.00 A.M.
2001	Executive Club, 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi.	September 26, 2001	3.00 P.M.

8. Disclosures:

- There has been no non compliance penalties/ strictures Imposed on the Company by Stock Exchange(s) or SEBI or any other statutory authority, on any matter related to capital markets during the last three years.
- There are no materially significant related party transactions which may have potential conflict with the interests of the company at large.

9. Shareholders Information :**i) Annual General Meeting:-**

Date	:	29th September, 2004
Time	:	4.00 P.M.
Venue	:	Executive Club, 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi.
Book Closure		Date : 29th September, 2004

ii) Financial Calendar

The financial calendar of the Company commences from April 1, and ends on March 31.

Adoption of quarterly results Ended:	In the Month of
1. 30 th June, 2003	July, 2003
2. 30 th Sept., 2003	October, 2003
3. 31 st Dec., 2003	January, 2004
4. 31 st March, 2004	April, 2004

iii) Investors Correspondence

All the queries of investors regarding the company's shares may be sent at the following address:

SBEC Systems (I) Limited
1400, Hemkunt Tower
98, Nehru Place
New Delhi- 110 019

iv) Listing on stock Exchanges:

Stock Exchange	Stock Code
The Delhi Stock Exchange Association Limited*	6960
The Stock Exchange, Mumbai	17360
The Uttar Pradesh Stock Exchange*	S-00135

- * The Stock Exchange, Ahmedabad has delisted the shares of the Company from its exchange w.e.f July 8, 2004 vide its letter no. ASE/2004/1042 dated July 02, 2004.
- * The applications for the delisting of the shares of the Company from the Stock Exchanges at Delhi and Kanpur are pending. However the shares of the Company will continue to be listed at the Bombay Stock Exchange which has a nation wide coverage.