

SBEC

Seventeenth Annual Report-2006



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

BOARD OF DIRECTORS

Mr. Vijay K. Modi Chairman

Mr. Norland L.C. Suzor

Ms. Meghna Modi

Mr. Sarat Jain

Mr. G.C. Jain

Dr. Anupam Bansal

ALTERNATE DIRECTOR

Mr. Bindu Kumar Luthra (Alternate to Mr. Norland L.C. Suzor)

CHIEF FINANCIAL OFFICER

Mr. Sushil K. Agrawal

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 Bank Limited

Canara Bank

REGISTERED OFFICE

1400, Modi Tower

98, Nehru Place,

New Delhi-110 019

SHARE TRANSFER AGENT

Fintech Compu Systems Ltd.

WZ-1390/7, 1st Floor, Nangal Raya,

New Delhi-110 046

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NOTICE

NOTICE is hereby given that the Seventeenth Annual General Meeting of the Shareholders of SBEC SYSTEMS (INDIA) LIMITED will be held on 28th September 2006, at the Executive Club, 439 Village Shahoorpur, P.O. Fatehpur Beri, New Delhi at 2.00 P.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006, 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 Mr. Sarat Jain, who retires from the office by rotation, and being eligible offers him for re-appointment.
3. To Appoint Auditors and fix their remuneration. M/s K.K. Jain & Co., Chartered Accountants, the retiring Auditors, being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:

"RESOLVED THAT pursuant to Article 46 of the Articles of Association of the Company and Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Mr. G. C. Jain, who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director subject to retirement by rotation."

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

"RESOLVED THAT pursuant to Article 46 of the Articles of Association of the Company and

Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Dr. Anupam Bansal, who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director subject to retirement by rotation."

**By order of the Board
For SBEC Systems (India) Ltd.**

Place: New Delhi
Date : 29th August, 2006

**Atul Kumar
Company Secretary**

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on a poll in his/her stead and a proxy need not to be member of the company. The instrument appointing proxy in order to be effective should be duly completed, stamped and signed and must be deposited at the registered office of the Company at least 48 hours before the scheduled time of the meeting. A blank proxy form is annexed herewith.
2. The Register of the Members and Share Transfer Books of the Company will remain closed on 28th September, 2006.
3. An explanatory statement, pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.
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 Attendance Slips sent herewith duly filled in, for attending the Meeting.
6. Members desiring any information as regards to accounts are requested to address their

questions to the Company Secretary at least 7 days before the date of the meeting so that the required information is made available at the meeting.

7. Non-Resident Shareholders are requested to inform immediately the change in the residential status on return for permanent settlement.
8. As per the provisions of the Companies Act, 1956, as amended, facility for making nominations is available to individuals holding shares in the Company. The Nomination can be made in Form-2B, which can be obtained from the Share Department of the Company.

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

ITEM NO.4

Pursuant to Article 45 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956, the Board of Directors at their meeting held on 14th December 2005 have appointed Mr. G. C. Jain as an Additional Director, who holds office upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member together with a deposit of Rs. 500/- as required by Section 257 of the Companies Act, 1956 proposing the candidature of Mr. G. C. Jain for the office of Director.

Mr. G. C. Jain is a Fellow member of the Institute of Chartered Accountant of India. He has more than 40 years of experience in the fields of Finance, Accounts, Taxation and Company Law Matters. Mr. G. C. Jain, if appointed, would be an Independent Non-Executive Director. He is also on the Boards of M/s Bihar Sponge Iron Limited, M/s Own Investment Limited and M/s SBEC Sugar Limited. He is Chairman of the Audit Committees of M/s Bihar Sponge Iron Limited & M/s SBEC Sugar Limited, Chairman of the Shareholders Grievance Committee of M/s SBEC Sugar Limited and member of the Shareholders Grievance Committee of M/s Bihar

Sponge Iron Limited. He does not hold any share in the Company.

The Board of Directors accordingly recommend the resolution for the approval of the shareholders.

None of the directors except Mr. G. C. Jain is concerned or interested in the passing of the resolution.

ITEM NO.5

Pursuant to Article 45 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956, the Board of Directors at their meeting held on 14th December 2005 have appointed Dr. Anupam Bansal as an Additional Director, who holds office upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member together with a deposit of Rs. 500/- as required by Section 257 of the Companies Act, 1956 proposing the candidature of Dr. Anupam Bansal for the office of Director.

Dr. Anupam Bansal is a Doctor of Medicines, Practising Consultant, Physician & cardiologist for the last 27 years. Dr. Anupam Bansal, if appointed, would be an Independent Non-Executive Director. He is also on the Board of Win-Medicare Pvt. Ltd. He is not holding any Committee Chairmanship/ Membership. He does not hold any share in the Company.

The Board of Directors accordingly recommend the resolution for the approval of the shareholders.

None of the directors except Dr. Anupam Bansal is concerned or interested in the passing of the resolution.

**By order of the Board
For SBEC Systems (India) Ltd.**

Place: New Delhi
Date : 29th August, 2006

**Atul Kumar
Company Secretary**

DIRECTORS' REPORT

Dear Shareholders,

Your directors take pleasure in presenting the Seventeenth Annual Report of the Company together with Audited Accounts for the year ended 31st March 2006.

FINANCIAL RESULTS

The summarised financial results of the Company for the Financial year 2005-06 vis-à-vis 2004-05 are as under:-

Particulars	Year ended 31.03.2006 (Rs. in Lacs)	Year ended 31.03.2005 (Rs. in Lacs)
Sales & Other Income	30.29	86.18
Total Expenditure	90.99	163.18
Operating profit / (Loss) before depreciation	(60.70)	(77.00)
Depreciation	0.31	0.38
Operating Profit / (Loss) before tax	(61.01)	(77.38)
Profit / (Loss) after tax	(61.34)	(77.38)
Reserves excluding revaluation reserves	192.62	192.62

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

Your Company is in the business of supplying equipment and consultancy services to the sugar industry. The present outlook of the sugar industry is optimistic and it is expected that the Company will perform better in future years.

The Sugar Plant promoted by your Company has reported a profit before extra - ordinary items of Rs. 2132.31 Lakhs for the accounting period ended 30th September, 2005 (18 months). However, the net profit was reduced to Rs. 10.77 Lakhs due to payment of cane price differential for earlier years amounting to Rs. 2121.54 Lakhs in terms of order of the Honourable Supreme Court. The Company is re-negotiating with SBEC Sugar Ltd. for charging of royalty.

INTERNAL CONTROLS AND SYSTEMS

The key features of the internal control system in the company are given below:

1. Assets are adequately maintained and protected against theft, burglary and other losses.

2. Transactions are properly recorded and accounted for.
3. Accounting records are maintained in compliance with all the statutory laws and reflect true and fair view.
4. There are adequate management reporting systems for control and monitoring of performance.
5. Budgetary control system is in place.
6. Periodical review of internal controls and systems by the management and Audit Committee Meeting is being done.

FINANCIAL PERFORMANCE

During the year under review, the Company has not carried out any activity. The other income stood at Rs. 30.29 lacs. The net loss of the Company stood at Rs. 61.34 lacs as compared to Rs. 77.38 lacs for the last year.

The Management is confident to revive the business activities in near future depending upon more favourable conditions prevailing in the market barring unforeseen circumstances.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The company's human resources philosophy is to establish and build a strong performance and competence driven culture with greater sense of accountability and responsibility. The effort to rationalize and streamline the workforce is a continuous process. The industrial relations scenario remained harmonious throughout the year.

DISCLOSURE RELATING TO SENIOR MANAGEMENT

During the year under review there was no material financial or commercial transaction where senior management personnel has personal interest that may have potential conflict with the interest of the Company at large. The Company has received necessary declarations from the senior management personnel.

RESOLUTION OF DISPUTES WITH SI-AL BIOENERGIE, FRANCE

The Company alongwith SBEC Sugar Ltd., SI-AL SBEC Bioenergy Ltd. (the JV Company) and others have entered into a Settlement Agreement with SI-AL Bioenergie, France (SI-AL) on 26th November, 2005. In terms of the Settlement Agreement, all pending disputes including Arbitration Award against the Company, have been settled. Further, the equity shares of the JV Company held by SI-AL would be purchased by SBEC Sugar Ltd. on or before 30th September, 2006. There is no liability on the Company under the Agreement.

FIXED DEPOSITS

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

DIRECTORS

Since the last Annual General Meeting, the following changes have taken place in the Board of Directors:

Ms. Elisabet Carlberg Suzor has resigned from the Board of Directors w.e.f. 14th December 2005. Accordingly, Mr. Ashok Rustagi, Alternate Director to Ms. Elisabet Carlberg Suzor has ceased from Directorship w.e.f. 14th December 2005.

Mr. G. C. Jain and Dr. Anupam Bansal have been appointed as Additional Directors w.e.f. 14th December 2005 and hold office upto the date of the ensuing Annual General Meeting and are eligible for re-appointment.

In accordance with the provisions of Section 256 of the Companies Act, 1956 and Article 43 of the Articles of Association of the Company, Mr. Sarat Jain, Non-Executive Director will retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

SUBSIDIARY COMPANY AND CONSOLIDATED ACCOUNTS

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 year ended on 31st March 2006, and a statement thereon are annexed. Consolidated financial statements are being published in the Current Year's Annual Report.

LISTING OF SHARES

The Equity Shares of the Company are listed at Bombay, Delhi and Uttar Pradesh Stock Exchanges. Applications for delisting of Shares are pending with the Delhi and Uttar Pradesh Stock Exchanges.

AUDITORS

M/s K. K. Jain & Co., Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITOR'S REPORT

The Notes to the Accounts referred to in the Auditors' Report are self explanatory and, therefore, do not call for any further comments.

DIRECTORS' RESPONSIBILITY STATEMENT UNDER SECTION 217 OF THE COMPANIES ACT, 1956

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, the Directors of your company declare as under:

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 Company has 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 proper & sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and preventing and detecting fraud and other irregularities;
4. That the Annual Accounts are prepared on going concern basis;

CORPORATE GOVERNANCE

A Report on Corporate Governance together with a certificate from Auditors of the Company, confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are annexed hereto and forms part of this report.

SECRETARIAL AUDIT

As per the direction of the Securities and Exchange Board of India, the Secretarial Audit of the Company is being conducted on quarterly basis by a Practicing Company Secretary. The Secretarial Audit Report confirms that the Company has complied with all the applicable provisions

of the Companies Act, 1956, Listing Agreement with the Stock Exchanges, and all the Regulations of Securities and Exchange Board of India (SEBI) as applicable to the Company.

PARTICULARS OF EMPLOYEES

None of the employees of the company were in receipt of remuneration of more than the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

ENERGY CONSERVATION, 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, a statement giving the required information for the year ended on 31st March 2006, is annexed hereto and forms part of the Directors' Report.

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: 29th August, 2006

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 2006.

- A. CONSERVATION OF ENERGY** : Not Applicable
B. TECHNOLOGY ABSORPTION :

The information required to be disclosed under Rule 2 of the previously mentioned 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** : Nil
2. **Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc.** : NA
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	Nil
Total Foreign Exchange Earned	Nil	Nil

For & on behalf of the Board

Place: New Delhi
Date: 29th August, 2006

Vijay K. Modi
Chairman

CORPORATE GOVERNANCE REPORT

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

At SBEC Systems (I) Limited, Corporate Governance is an integral part of the Company's values, ethics, business practices and norms. Towards this, the company consistently evaluates and defines its management practices aimed at enhancing its commitment and delivery of the basic tenets of the Corporate Governance.

BOARD OF DIRECTORS

Composition of the Board of Directors and other details as on 31.03.2006 is as under:

Sl. No.	Name of the Directors	Catatory of Director	No. of Board Meetings Attended	No. of Other Director-ships(*)	Committee Member-ships(**) (Excluding SBEC Systems (India) Ltd.)	Committee Chairman-ships(**) (Excluding SBEC Systems (India) Ltd.)	Attendance at Last AGM
1.	Mr. Vijay K. Modi	Chairman and Non-Executive Director	6	1	Nil	Nil	Present
2.	Ms. Meghna Modi	Non- Executive Director	Nil	Nil	Nil	Nil	Not Present
3.	Mr. Norland L.C. Suzor #	Non-Executive Director	1	2	Nil	Nil	Not Present
4.	Mr.Sarat Jain	Non-Executive Director	6	Nil	Nil	Nil	Not Present
5.	Mr.G.C.Jain@	Non Executive & Independent Director	2	3	1	3	N/A
6.	Dr. Anupam Bansal@	Non Executive & Independent Director	2	Nil	Nil	Nil	N/A
7.	Mr.B.K. Luthra \$	Alternate to Mr. Norland L.C. Suzor	5	1	Nil	Nil	Not Present
8.	Mrs. Elisabet Carlberg Suzor#!	Non Executive Director	Nil	Nil	Nil	Nil	Not Present
9.	Mr. Ashok Rustagi\$\$	Alternate to Mrs. Elisabet Carlberg Suzor	4	Nil	Nil	Nil	Present

* Directorship in companies registered under the Companies Act, 1956 excluding Directorships in private limited companies, companies covered under Section 25 of the Companies Act and Alternate Directorships.

** Includes only Specified Committees i.e. Audit Committee and Shareholders' Grievance Committee

Mr. Norland L.C. Suzor and Mrs. Elisabet Carlberg Suzor are related as husband and wife.

@ Appointed as Independent Directors w.e.f. 14th December 2005

\$ Mr. B. K. Luthra ceased to be Alternate Director to Mr. Norland L.C. Suzor on 14th December 2005 on Mr. Suzor's attending this Meeting and was again appointed as Alternate Director to Mr. Norland L.C. Suzor on 30th January, 2006.

! Resigned from Alternate Directorship w.e.f.14th December 2005.

\$\$ Ceased to be Alternate Director to Mrs. Elisabet Carlberg Suzor on her resignation w.e.f. 14th December 2005. Six Board Meetings were held during the year under review on 29th April, 2005, 28th July, 2005, 1st September, 2005, 29th October, 2005, 14th December, 2005 and 30th January, 2006.

INFORMATION REGARDING RE- APPOINTMENT OF DIRECTORS

Mr. Sarat Jain, Director, retires by rotation and being eligible offers himself for re-appointment. Mr. Sarat Jain is a Non Executive Director. He 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. He is not on the Board of any other public limited company. He does not hold any shares in the Company.

CODE OF CONDUCT FOR BOARD MEMBERS AND SENIOR MANAGEMENT

Pursuant to Clause 49 of the Listing Agreement, the Board of Directors in their meeting held on 14th December 2005, have adopted a Code of Conduct for Board Members and Senior Management personnel.

The Company has received affirmation of Compliance with the Code from all the Directors and Senior Management personnel for the financial year ending 31st March 2006.

AUDIT COMMITTEE

The Company has an Audit Committee comprising of three Non-Executive Directors, two third of whom are Independent Directors. After reconstitution of the Committee in December 2005, Mr. G. C. Jain is the Chairman and Dr. Anupam Bansal & Mr. Sarat Jain are its Members. The Company Secretary of the Company acts as the Secretary of the Audit Committee. All Members of the Audit Committee are financially literate and two members, including the Chairman of the Committee have accounting and financial management expertise.

The functioning and terms of reference of the Audit Committee are as prescribed under Section 292A of the Companies Act, 1956 and the Listing Agreement with the Stock Exchanges including their role, powers and duties, review of information, quorum for meeting and frequency of meeting. The Committee is responsible for effective supervision of the financial reporting process, ensuring financial, accounting and operating controls and ensuring compliance with established policies and procedures. Audit Committee also determines adequacy and effectiveness of internal control. It identifies, defines and categorizes all the risks that the company faces.

Four Meetings of the Audit Committee were held during the year under review on 28th April 2005, 28th July 2005, 29th October 2005 and 30th January 2006. Attendance in the above meetings is as follows:

Name of Director	No. of Meetings Held	No. of Meetings Attended
Mr. Vijay K. Modi @	3	3
Mr. Sarat Jain	4	4
Mr. Ashok Rustagi #	3	3
Mr. G. C. Jain \$	1	1
Dr. Anupam Bansal *	1	1

@ Ceased to be Chairman of the Audit Committee w.e.f. 14th December 2005

Ceased to be Director of the Company w.e.f. 14th December 2005

\$ Appointed as Chairman of the Audit Committee w.e.f. 14th December 2005

* Appointed as Member of the Audit Committee w.e.f. 14th December 2005

SHAREHOLDERS' GRIEVANCE COMMITTEE

The Shareholders' Grievance Committee comprises of Mr. Vijay K. Modi as the Chairman and Mr. Sarat Jain as the other member. Mr. Atul Kumar, Company Secretary is the Compliance Officer and acts as Secretary of the Shareholders' Grievance Committee.

The functioning and terms of reference of the Committee is as prescribed under and in due compliance with the Listing Agreement with the Stock Exchanges with particular reference to complaints of shareholders relating to non - receipt of Annual Report, non – receipt of Share Certificates etc.

47 shareholders'/ investors' complaints, received directly from them or through SEBI/ Stock Exchanges and other authorities, were replied and redressed by the company to the satisfaction of the shareholders and none remained unresolved at the end of the year under review.

REMUNERATION COMMITTEE

The Remuneration Committee consists of Non-Executive Directors. Mr. Vijay K. Modi, is the Chairman of the Committee and Mr. Sarat Jain is the other member.

At present, there is no Executive Director on the Board of the Company and the Company does not pay any remuneration to the Non – Executive Directors.

MEANS OF COMMUNICATION:

Wide publicity is accorded to the Quarterly, Half-yearly and the Annual Results which are published in widely circulated English daily (Financial Express) and a Hindi daily (Jansatta) as is required under the Listing Agreement with the Stock Exchanges. The same are also faxed to the Stock Exchanges where the company is listed.

The Company has not yet started sending the half yearly report to each household but if the shareholder seeks any information, the same is provided by the Company.

ANNUAL GENERAL MEETING:

Location and time of the last three Annual General Meetings:-

Year	Location	Date	Time	Special Resolution Passed (Yes/No)
2005	Executive Club, 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi.	September 30, 2005	2.30 P.M.	No
2004	Executive Club, 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi.	September 29, 2004	4.00 P.M.	No
2003	Executive Club, 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi.	September 29, 2003	10.00 A.M.	Yes

No Special Resolution requiring Postal Ballot was proposed last year. No Special Resolution requiring Postal Ballot is proposed for the ensuing AGM.