

# 44th ANNUAL REPORT

## 2005-2006



## **BOARD OF DIRECTORS**

Mr. Bhalla P.K.

Mr. Goila N.K.

Mr. Khaitan O.P.

Mr. Mehra A.K.

Mr. Mittal D.C.

Prof. Mohan Dinesh

Mr. Shriram Siddharth

Mr. Singh K.P.

– *Chairman and Managing Director*

– *Whole-time Director*

## **COMPANY SECRETARY**

Mr. Jain Sushil

## **AUDITORS**

A.F. Ferguson & Co.

Scindia House,

New Delhi - 110 001

## **BANKERS**

Punjab National Bank

State Bank of Hyderabad

## **REGISTERED OFFICE**

5th Floor, Kirti Mahal,

19, Rajendra Place,

New Delhi-110 008

## **WORKS**

Siel Chemical Complex

Charatrapur, Vill. Khadauli/Sardargarh

P.O.Box. No. 52, Rajpura, Distt. Patiala

Punjab - 140401

## **REGISTRAR & SHARE TRANSFER AGENT**

Mas Services Private Ltd.

AB-4, Safdarjung Enclave,

New Delhi-110029

Phone : 011-26104142, Fax : 26181081

E-Mail: masserv@giasdl01.vsnl.net.in



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## NOTICE

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Notice is hereby given that the 44<sup>th</sup> Annual General Meeting of the members of Siel Limited will be held as scheduled below:

Day : Friday  
Date : 21.07.2006  
Time : 10.00 A.M.  
Place : Kamani Auditorium  
1, Copernicus Marg  
New Delhi - 110001

to transact the following business:

### ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31<sup>st</sup> March, 2006 and the Profit and Loss Account of the Company for the financial year ended on that date together with the Reports of Board of Directors and Auditors thereon.
2. To approve the interim dividend on Equity Shares paid in February 2006, as final dividend for the financial year ended 31.3.2006.
3. To appoint a Director in place of Mr. K.P. Singh, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Prof. Dinesh Mohan, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to authorise the Board of Directors to fix their remuneration.

M/s. A.F. Ferguson & Co., Chartered Accountants are the retiring Auditors.

### SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION:  
“Resolved that Mr. D.C. Mittal who was co-opted as an Additional Director on the Board of the Company under Article 86 of the Articles of Association of the Company and who holds such office upto the date of this Annual General Meeting and in respect of whom the Company has received notice in writing, pursuant to Section 257 of the Companies Act, 1956 proposing his candidature to the office of Director, be and is hereby appointed as a Director of the Company”.
7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION:  
“Resolved that Mr. O.P. Khaitan who was co-opted as an Additional Director on the Board of the Company under Article 86 of the Articles of Association of the Company and who holds such office upto the date of this Annual General Meeting and in respect of whom the Company has received notice in writing, pursuant to Section 257 of the Companies Act, 1956 proposing his candidature to the office of Director, be and is hereby appointed as a Director of the Company”.
8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION:  
“Resolved that Mr. N.K. Goila who was co-opted as an Additional Director on the Board of the Company under Article 86 of the Articles of Association of the Company and who holds such office upto the date of this Annual General Meeting and in respect of whom the Company has received notice in writing, pursuant to Section 257 of the Companies Act, 1956 proposing his candidature to the office of Director, be and is hereby appointed as a Director of the Company”.
9. To consider and if thought fit, to pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION:  
“Resolved that pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act

# Siel Limited

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## NOTICE (Contd.)

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1956, the Articles of Association of the Company be and are hereby altered by inserting the following new Article 53B after Article 53A of the Articles of Association of the Company in the manner and to the extent as set out below:

“53B. Subject to and in compliance of the provisions of Sections 77A, 77AA, 77B and other applicable provisions, if any, of the Companies Act, 1956, or corresponding provisions of any re-enactment thereof and the Rules & Regulations as prescribed from time to time by the Central Government, the Securities and Exchange Board of India (SEBI) or any other appropriate authority, the Company may buy-back such part of its Share Capital or other Securities which the Board/Shareholders may authorize from time to time. Such buy-back shall not be construed as reduction of Share Capital within the meaning of the Act.”

By Order of the Board of Directors  
For **Siel Limited**

Place : New Delhi  
Dated : May 10, 2006

**(SUSHIL JAIN)**  
COMPANY SECRETARY

### NOTES:

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE MEETING. A PROXY FORM IS APPENDED WITH THE ADMISSION SLIP.**
2. The information as required to be provided under the Listing Agreement entered into with various Stock Exchanges, regarding the Directors who are proposed to be appointed/re-appointed and the Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 are enclosed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 17.07.2006 to 21.07.2006 (both days inclusive).
4. In compliance of SEBI requirements, with effect from 30.4.2003, M/s Mas Services Private Limited have been appointed the Share Transfer Agent of the Company, who handle share transfer work in Physical as well as in Electronic Form and other related activities at the following address:  

M/s Mas Services Pvt. Ltd.  
AB-4, Safdarjung Enclave,  
New Delhi – 110 029  
Phone No.: 26104142  
Fax No. : 26181081
5. Members are requested to notify immediately any change in their address to M/s Mas Services Pvt. Ltd. quoting their folio numbers/DP ID/Client ID etc.
6. Members who have not yet returned their undivided DCM Limited's share certificate(s) to DCM Limited may do so promptly to enable the Company to dispatch the new share certificate(s) to members.
7. Documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company during office hours on all working days (Monday to Friday) between 11.00 A.M. and 1.00 P.M. upto the date of Annual General Meeting and will also be available for inspection at the meeting.
8. Members/Proxies should bring the attendance slip duly filled in for attending the meeting.
9. Shareholders seeking any information with regard to accounts are requested to write to the Company at least ten days in advance so as to enable the Company to keep the information ready.
10. Pursuant to provisions of Section 205A(5) of the Companies Act, 1956, the amount of dividend for the Financial Year 1996-97, which remained unpaid or unclaimed for a period of 7 years from the date of transfer to unpaid dividend account of the Company has been transferred to the Investor Education and Protection Fund, established by the

## NOTICE (Contd.)

Central Government. Shareholders are requested to note that no claim lie against the Company or the said Fund in respect of the dividend so transferred to the Fund and no payment shall be made in respect of any such claim.

In respect of the unclaimed dividends upto financial year 1995-1996, already transferred by the Company to the General Revenue Account of the Central Government, shareholders may claim the same by writing to the Registrar of Companies, NCT of Delhi & Haryana, Paryavaran Bhawan, CGO Complex, Lodhi Road, New Delhi - 110003. In case any assistance is required, please write to the Company, at its Registered Office.

Members who have not yet received the interim dividend paid in February 2006, for the financial year ended 31.3.2006, may write to the Company, at its Registered Office.

11. In terms of Section 109 (A) of the Companies Act, 1956 the Shareholder of the Company may nominate a person to whom the shares held by him/her shall vest in the event of death.

In case any member wishes to avail the nomination facility in respect of shares held by him/her, please write to the Company to obtain the nomination form.

12. The equity shares of the Company have been notified for compulsory trading in demat form by all investors and are available for trading in demat form both on National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

Shareholders are requested to avail this facility and get their shareholding converted into dematerialised form by sending the Dematerialisation Request Form (DRF) along with the share certificates through their Depository Participant (DP) at the following address:

M/s Mas Services Pvt. Ltd.  
AB-4, Safdarjung Enclave,  
New Delhi – 110 029  
Phone No. : 26104142  
Fax No. : 26181081

### INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT

As required under the Listing Agreement, the particulars of Directors who are proposed to be appointed/reappointed are as given below:

1. **Name** : Mr. K.P. Singh  
**Age** : 70 years  
**Qualifications** : M.A. in History and Political Science  
**No. of Shares held in the Company** : Nil  
**Expertise** : Vast experience of working at senior position in various Companies like Zuari Agro Chemicals Ltd. (a Birla Group Company), ITC Limited and DCM Limited. Instrumental in implementation of growth and diversification of these Companies. Director of the Company since 1990 and presently holding the position of Whole Time Director of the Company.  
**Outside Directorships** : M/s. Sogar Pvt. Ltd.  
**Chairmanship/Membership of the Board Committees**
- |              |  |          |
|--------------|--|----------|
| Siel Limited | - Shareholders/Investors Grievance/<br>Share Transfers | - Member |
|              | - Legal Sub-Committee                                  | - Member |
2. **Name** : Prof. Dinesh Mohan  
**Age** : 61 years  
**Qualifications** : Ph.D. and M.S. in Bioengineering, M.S. in Mechanical and Aerospace Engineering, B.Tech (Hons.) in Mechanical Engineering.

# Siel Limited

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## NOTICE (Contd.)

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- No. of Shares held in the Company** : Nil
- Expertise** : Prof. Dinesh Mohan is Henry Ford Professor for Biomechanics and Transportation Safety and Co-ordinator of the Transportation Research and Injury Prevention Programme at the Indian Institute of Technology (IIT), Delhi.
- He is member of the WHO Advisory panel on Accident Prevention. He serves on the editorial boards of the international journal. Professor Mohan has been a consultant on safety related matters to government departments in India, Nepal, Indonesia, Thailand, Bangladesh, Iraq and Libya and many automotive industrial houses.
- Recipient of many prestigious awards.
- Outside Directorships** : Nil
- Chairmanship/Membership of the Board Committees**
- |              |  |            |
|--------------|--|------------|
| Siel Limited | - Audit Sub-Committee                              | - Chairman |
|              | - Shareholders/Investors Grievance/Share Transfers | - Chairman |
|              | - Remuneration Committee                           | - Member   |
3. **Name** : Mr. D.C. Mittal
- Age** : 79 years
- Qualifications** : Post Graduate & Gold Medalist
- No. of Shares held in the Company** : 160 fully paid Equity Shares of Rs.10/- each
- Expertise** : Mr. D.C. Mittal has rich managerial experience for almost 50 years.
- He has held many very senior important positions covering all management functions including financial, commercial, administration, human relation etc. Considerable experience in management/execution of many big industrial projects like fertilizer, plastic, chemicals etc.
- He is presently holding a very important position in a large industrial house.
- He is also associated with various business associations and academic organizations.
- Outside Directorships** : Nil
- Chairmanship/Membership of Board Committees**
- |              |                          |            |
|--------------|--------------------------|------------|
| Siel Limited | - Audit Sub-Committee    | - Member   |
|              | - Remuneration Committee | - Chairman |
4. **Name** : Mr. O.P. Khaitan
- Age** : 63 years
- Qualifications** : B. Com., LL.B, Attorney-at-Law (Solicitor), Received Bell Chambers Gold Medal from Calcutta High Court
- No. of Shares held in the Company** : 870 fully paid Equity Shares of Rs.10/- each
- Expertise** : Practising as Solicitor & Advocate since 1967- doing commercial law, corporate law, industrial disputes and labour law, maritime laws, insurance laws, commission of inquiry, arbitration, conveyancing, foreign collaborations etc.
- He is sole proprietor of M/s O.P. Khaitan & Co., Solicitors & Advocates.

## NOTICE (Contd.)

<b>Outside Directorships</b>	:	<b><u>Director</u></b>	
	-	ECE Industries Limited	
	-	J.K. Industries Limited	
	-	Honda Siel Power Products Limited	
	-	Shriram Pistons & Rings Limited	
	-	WGF Financial Services Limited	
	-	Curls & Curves (I) Limited	
	-	J.K. Employees Welfare Association Ltd.	
	-	Ilpea Paramount Limited	
	-	Sharda Motor Industries Limited	
	-	Nipshell Builders Pvt. Ltd.	
<b>Chairmanship/Membership of the Board Committees</b>			
J.K. Industries Limited	-	Shareholders/Investors Grievance Committee	- Member
	-	Audit Committee	- Chairman
Honda Siel Power Products Limited	-	Remuneration Committee	- Member
	-	Audit Committee	- Member
ECE Industries Limited	-	Audit Committee	- Member
Shriram Pistons & Rings Ltd.	-	Remuneration Committee	- Member
Ilpea Paramount Ltd.	-	Remuneration Committee	- Chairman
	-	Audit Committee	- Chairman
Siel Limited	-	Audit Committee	- Member
<b>5. Name</b>	:	Mr. N.K. Goila	
<b>Age</b>	:	59 years	
<b>Qualifications</b>	:	B.Tech (Mechanical Engg) from IIT Delhi (with Distinction). MBA from Faculty of Management Studies, University of Delhi	
<b>No. of Shares held in the Company</b>	:	NIL	
<b>Expertise</b>	:	Mr. N.K. Goila is associated with the Group for more than 38 years. He has worked in various areas of Management and has made significant contributions to the Japanese Joint Ventures of the Company. Presently he is the Vice President & Director of Honda Siel Cars India Limited.	
<b>Outside Directorships</b>	:	<b><u>Director</u></b>	
	-	Mawana Sugars Limited	
	-	Honda Siel Cars India Limited	
	-	Usha International Limited	
	-	The Jay Engineering Works Limited	
	-	Siel Holdings Limited	
	-	Shriram Fuel Injection Industries Limited	
<b>Chairmanship/Membership of Board Committees</b>			
Honda Siel Cars India Ltd.	-	Audit Committee	- Member
	-	Borrowing & Investment Committee	- Member
Usha International Ltd.	-	Share Transfer & Shareholders/Investors Grievances Committee	- Chairman
	-	Audit Committee	- Chairman
	-	Remuneration Committee	- Member
The Jay Engineering Works Limited	-	Audit Sub-Committee	- Member
Shriram Fuel Injection Industries Ltd.	-	Remuneration Committee	- Chairman
	-	Audit Sub-Committee	- Member
Mawana Sugars Limited	-	Remuneration Committee	- Member
	-	Audit Sub-Committee	- Member
	-	Shareholders/Investors Grievance/Share Transfers Committee	- Chairman
	-	Banking & Investment Committee	- Member



# Siel Limited

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## NOTICE (Contd.)

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### Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956

#### ITEM NO. 6

Mr. D.C. Mittal was co-opted as an Additional Director on the Board of the Company effective from 30.12.2005. He holds office upto the date of this Annual General Meeting. Notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose the candidature of Mr. D.C. Mittal for office of Director of the Company.

Mr. D.C. Mittal has rich managerial experience of about 50 years and has held many senior positions in various management areas including finance, commercial, administration, human relation etc. He has considerable experience in management/execution of many big industrial projects like fertilizer, plastic, chemicals etc. He is also associated with various business associations and academic organizations. Presently Mr. Mittal is holding an important position in a large industrial house.

The Board of Directors considers that the continuance of Mr. D.C. Mittal on the Board of the Company will be beneficial to the Company and recommend the resolution for your approval.

None of the Directors except Mr. D.C. Mittal is concerned or interested in the said resolution.

#### ITEM NO. 7

Mr. O.P. Khaitan was co-opted as an Additional Director on the Board of the Company effective from 30.12.2005. He holds office upto the date of this Annual General Meeting. Notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose the candidature of Mr. O.P. Khaitan for office of Director of the Company.

Mr. O.P. Khaitan is practicing as a Solicitor & Advocate since 1967 and has expertise in commercial laws, corporate laws, industrial disputes and labour law, maritime laws, insurance laws, commission of inquiry, arbitration, conveyancing, foreign collaborations etc. He is sole proprietor of O.P. Khaitan & Co., Solicitors & Advocates.

The Board of Directors considers that the continuance of Mr. O.P. Khaitan on the Board of the Company will be beneficial to the Company and recommend the resolution for your approval.

None of the Directors except Mr. O.P. Khaitan is concerned or interested in the said resolution.

#### ITEM NO. 8

Mr. N.K. Goila was co-opted as an Additional Director on the Board of the Company effective from 31.3.2006. He holds office upto the date of this Annual General meeting. Notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose the candidature of Mr. N.K. Goila for office of Director of the Company.

Mr. N.K. Goila is associated with the Group for more than 38 years. He has worked in various areas of Management and has made significant contributions to the Japanese Joint Ventures of the Company. Presently he is the Vice President & Director of Honda Siel Cars India Limited.

In view of his vast experience in the area of Corporate Management, the Board of Directors considers that the continuance of Mr. N.K. Goila on the Board of the Company will be beneficial to the Company and recommend the resolution for your approval.

None of the Directors except Mr. N.K. Goila is concerned or interested in the said resolution.

#### ITEM NO. 9

Pursuant to the provisions of Sections 77A, 77AA and 77B of the Companies Act, 1956, the Company can buy-back its own Shares and other securities. At present, the Articles of Association of the Company does not enable the Company to buy-back its own Securities. The resolution is therefore, proposed for the limited purpose of bringing the Articles of Association of the Company in line with the provisions of the Companies Act, 1956, so that, if the Company decides to buy-back the Shares and other Securities in future, lack of enabling provisions does not become an impediment. Hence, the Special Resolution in the accompanying notice.

Alteration in Articles of Association requires the approval of the shareholders.

Your Directors recommend the resolution for your approval by way of a Special Resolution.

None of the Directors of the Company is concerned or interested in the said resolution.

By Order of the Board of Directors  
For **Siel Limited**

Place : New Delhi  
Dated : May 10, 2006

(**SUSHIL JAIN**)  
COMPANY SECRETARY

## DIRECTORS' REPORT

Your Directors have pleasure in presenting the 44<sup>th</sup> Annual Report along with Audited Accounts of the Company for the year ended March 31, 2006.

### EFFECTUATION OF THE SCHEME OF ARRANGEMENT

The Scheme of Arrangement (SOA) of your Company as approved by Hon'ble High Court of Delhi has been fully implemented. The shares of Shivajimarg Properties Limited, a wholly owned subsidiary, which held 24.88 acres of freehold land at Najafgarh Road were sold during the year and proceed thereof applied as per the SOA. As a result thereof, your Company is debt free as on 31.3.2006.

### EDIBLE OIL BUSINESS

The undertaking of Siel Foods & Fertilizer Industries (SFFI), a unit of your Company engaged in the business of Edible Oils has been sold to Siel Edible Oils Limited (SEOL), a wholly owned subsidiary w.e.f. closure of the business hours on 31.3.2006 for a consideration of Rs.3.08 crores paid by SEOL by issue of its 30,80,000 fully paid equity shares of Rs.10/- each at par.

### CHLOR ALKALI BUSINESS

The Board of Directors have appointed M/s J.M. Morgan Stanley for conducting a study on restructuring of business of the Company including sale of Chlor Alkali business by the Company. The report of M/s J.M. Morgan Stanley is awaited and any further action would be considered after receipt of their report.

### INVESTMENT IN JEW

During the year under review, your Company has decided to explore the option to convert the outstanding loan of Rs.7.77 crores advanced to M/s Jay Engineering Works Limited pursuant to BIFR approved Rehabilitation Scheme into 77,70,000 fully paid equity shares of Rs.10/- each at par.

### FINANCIAL RESULTS

(Rs. Lacs)

Sl. No.	Particulars	Amount	
		31.03.06	31.03.05
1.	Profit / (Loss) before interest, depreciation, exceptional items and tax	1593.09	1572.42
2.	Interest	118.28	319.09
3.	Depreciation	1145.49	1149.08
4.	Profit / (Loss) before exceptional items and tax	329.32	104.25
5.	Exceptional items	4018.15	-
6.	Profit / (Loss) before tax	4347.47	104.25
7.	Provision for taxation (including FBT)	297.16	-
8.	Profit/(Loss) after tax	4050.31	104.25
9.	Dividend (including tax)	209.26	-
10.	Net Addition/(Deduction) to Reserves and Surplus	410.26	(155.71)

### DIVIDEND

An interim dividend of 10% was paid for the year ended March 31, 2006.

Your Directors regret their inability to recommend any further dividend for the year under review.

### OPERATIONS

A review of operations of the major businesses of the Company, for the year ended March 31, 2006 is as under (some discussion is also presented in the Management Discussion and Analysis report):

### Chlor-Alkali

During the year under review, cell liquor production was 75107 MT compared to 64854 MT in the previous year.

PSERC had increased the power tariff for the financial year 2005-06 by about 10% effective from 1.4.2005. A further increase of about 8% in the effective power rate is proposed for the financial year 2006-07.

During the year Chlor-Alkali industry witnessed a production growth of 7.7% on account of improved demand in the user industries. The industry added 0.18 million MT capacity, which resulted in surplus availability of material leading to volatility in the Caustic Soda and Chlorine prices and weak market sentiments during the year. The international prices of Caustic Soda and Chlorine were stable, except in USA, which witnessed spurt in Caustic Soda prices for a short period during 2<sup>nd</sup> quarter of 2005-06.

### Edible Oils

The Edible Oils operations were continuing on a third party manufacturing basis till 31.3.2006, the date of sale of undertaking of SFFI to SEOL. During the year, company restarted marketing of Vanaspati in small packs after 5 years which found good acceptance from consumers.

### JOINT VENTURES

**CERATIZIT INDIA PVT. LTD.** (Formerly Siel TIZIT LIMITED (STL). During the financial year ended February 2006, the Company has earned a net profit of Rs. 538.75 lacs, as against Rs. 158.19 lacs during the previous year. The sales turnover of the Company increased by about 35% over the previous year to Rs. 3189.36 lacs.

### SUBSIDIARY COMPANIES

During the year under review, Siel Edible Oils Ltd. was incorporated as a wholly owned subsidiary of your Company. On completion of sale of shares of Shivajimarg Properties Ltd. (SPL), SPL ceased to be subsidiary of your Company.

A statement pursuant to Section 212 of the Companies Act, 1956, is attached to the Accounts.

The Audited statements of accounts along with Report of Board of Directors and Auditors Report thereon of the subsidiary Companies are annexed.

### CONSOLIDATED FINANCIAL STATEMENT

In accordance with the accounting standard (AS-21) on consolidated financial statements, the consolidated financial statements are attached, which form part of the Annual Report and Accounts.

### DIRECTORS

The nomination of Mr. Subrata Lahiri and Mr. R.K. Ahoja on the Board of Directors of the Company have been withdrawn by IFCL Limited & UTI respectively.

During the year Mr. D.C. Mittal, Mr. O.P. Khaitan and Mr. N.K. Goila were co-opted as Additional Directors on the Board of Directors of your Company.

Mr. K.P. Singh and Prof. Dinesh Mohan, Directors retire by rotation and being eligible, offer themselves for re-appointment.

### AUDITORS

M/s. A.F. Ferguson & Co., Chartered Accountants, Auditors of the

# Siel Limited

## DIRECTORS' REPORT (Contd.)

Company hold office until the conclusion of the forthcoming Annual General Meeting and are recommended for reappointment. The Company has received a certificate from them to the effect that their reappointment, if made, would be within the prescribed limits under Section 224(1) of the Companies Act, 1956.

### AUDITORS' REPORT

The observation of Auditors are explained where necessary, in the appropriate notes to the accounts.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO

A statement containing the necessary information as required under 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 is annexed hereto as Annexure I and forms an integral part of this report.

### PARTICULARS OF EMPLOYEES

There is no employee in the company whose particulars are required to be given under Section 217 (2A) of the Companies Act, 1956.

### DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, your directors state:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the accounting policies selected and applied are consistent and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- (iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the annual accounts have been prepared on a going concern basis.

### CORPORATE GOVERNANCE

A separate report on Corporate Governance is included/attached as a part of the Annual Report and annexed hereto as Annexure II along with the Auditors' Certificate on its compliance.

The Management Discussion and Analysis Report forms a part of this report and is annexed hereto as Annexure III.

### SHARE REGISTRY ACTIVITIES

In terms of SEBI Circular No. D&CC/FITTC/CIR-15/2002 dated 27 December 2002, your Company has transferred the work related to share registry to Mas Services Pvt. Ltd., a registrar and share transfer agent registered with SEBI.

### INFORMATION UNDER LISTING AGREEMENT WITH STOCK EXCHANGES

The funds amounting to Rs. 800 lacs raised by issue of 80,00,000 equity shares of Rs. 10/- each at par to M/s Mawana Sugars Limited have been utilized as per the Scheme of Arrangement.

### DEMATERIALISATION OF SHARES

The shares of the Company are traded in dematerialized form and are available for trading under the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Ltd. (CDSL).

As on March 31, 2006, a total of 1,77,06,328 equity shares of the Company, which form 96.68% of the equity share capital, stand dematerialized.

### LISTING OF SECURITIES OF COMPANY

During the year under review, the equity shares of your Company were de-listed from Delhi (Regional) and Hyderabad Stock Exchanges.

The equity shares of your Company continue to be listed on the Bombay Stock Exchange Ltd., Mumbai.

The application for listing of these shares on Calcutta Stock Exchange is still pending.

The listing fee upto the year 2005-2006 has been paid to the Bombay Stock Exchange Ltd., Mumbai.

### INFORMATION UNDER LISTING AGREEMENT FOR GDRs

- a) The Directors and their connected persons held 40,35,662 equity shares as at March 31, 2006 representing 22.03% of the total outstanding equity shares.
- b) Particulars of shareholders holding more than 5% of the issued share capital of the Company as at March 31, 2006 is as under:

Name of the Shareholders	No. of Equity Shares held	% to the issued capital
- Mawana Sugars Limited	80,00,000	43.68
- Greenfields Commercial Pvt. Ltd.	24,57,493	13.42

- (c) If the United Kingdom resident holders in the Company's shares or depository receipts representing the Company's shares wish to know whether they are able to obtain any relief from United Kingdom Taxation to which they are entitled in respect of their holdings of such securities, they should consult their own tax advisors.

### ACKNOWLEDGMENTS

The Directors wish to thank and deeply acknowledge the co-operation, assistance and support extended by the Central Government, the State Governments, the Financial Institutions, the Company's bankers, the Shareholders, the dealers, vendors and foreign collaborators of the Company. The Directors also wish to place on record their appreciation for the all-round co-operation and contribution made by the employees at all levels.

On behalf of the Board of Directors

Place : New Delhi  
Dated : May 10, 2006

(SIDDHARTH SHRIRAM)  
Chairman

## ANNEXURE - I TO DIRECTORS' REPORT

Information as required under 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.

### 1. CONSERVATION OF ENERGY

#### a) Energy Conservation Measures Taken:

1. Replacement of rectifier house cooling water pump of 50 HP with energy efficient pump of 20 HP rating.
2. Replacement of cooling tower feed pump (40 HP) at evaporator house with energy efficient pump and motor of 20 HP.
3. Replacement of 3<sup>rd</sup> effect caustic circulator motor (100 HP) with energy efficient motor.
4. Replacement of chilled water circulation pump motor (40 HP) with energy efficient motor.
5. Replacement of one of the Rectifier Return water supply pumps of 30 HP rating with energy efficient pump of 10 HP rating.
6. Replacement of aluminum blades (40 HP cooling tower fan) of HCL cooling tower with FRP blades.
7. Replacements of Effluent Circulation pump (15 HP) with lower size of pump of 5 HP.
8. Replacement of Raw Water pump of 40 HP with energy efficient pump of 25 HP.
9. Replacement of Caustic dispatch pump motor of 10 HP with 7.5 HP.

10. Replacement of Cell house cooling tower pump of 75 HP with energy efficient pump of 40 HP rating.

11. Replacement of caustic circulation motor of 7.5 HP in WAD-I with energy efficient motor.

#### b) Additional investments and proposals being implemented for reduction of energy consumption

A number of energy saving proposals have been identified and shall be implemented.

#### c) Impact of above measures

Savings in energy consumption and reduction in cost of production

#### d) Total Energy Consumption and Energy Consumption per Unit of Production

Form A is annexed.

### 2. Technology Absorption

Form B is annexed.

### 3. Foreign Exchange Earnings and Outgo

- **Activities relating to export initiatives taken to increase exports, development of new export markets for productions and services.**

The company exported Caustic Soda Flakes and Stable Bleaching Powder to various countries during the period ended March 31, 2006.

- **Total foreign exchange used and earned:**

The information is given in Notes to Accounts.

# Siel Limited

## ANNEXURE - I TO DIRECTORS' REPORT (Contd.)

### FORM 'A'

#### A. POWER AND FUEL CONSUMPTION PARTICULARS

	Year Ended 31.03.06	Year Ended 31.03.05
<b>1. ELECTRICITY</b>		
(a) Purchased		
Units	211,530,000	191,013,000
Total Amount (Rs./Lacs)	8733	7254
Rate Unit (Rs.)	4.13	3.80
(b) Own Generation		
(i) Through Diesel Generator		
Units	0	0
Units per Liter. of Diesel oil	NA	NA
Cost/Unit (Rs.)	NA	NA
(ii) Through Steam Turbine/Generator		
Units	0	0
Units per Kg. of Coal	NA	NA
Cost/Unit (Rs.)	NA	NA
<b>2. COAL</b>		
(used for steam/power generation)		
Quantity (M.T.)	0	0
Total Cost (Rs./lacs)	NA	NA
Average rate (Rs./MT)	NA	NA
<b>3. FURNACE OIL</b>		
Quantity (MT)	4865	4070
Total amount (Rs./lacs)	826	515
Average rate (Rs./MT)	16970	12661
<b>OTHER/ INTERNAL GENERATION</b>	0	0
<b>B. CONSUMPTION PER UNIT OF PRODUCTION</b>		
Particulars	Standards	
Electricity (KWH/M.T.)		
- Edible Oil	-	NA
- Caustic Soda	-	2752
Steam (M.T. / M.T.)		
- Edible Oil	-	NA
- Caustic Soda	-	0

### FORM "B"

Form for disclosure of particulars with respect to Technology absorption.

#### RESEARCH & DEVELOPMENT

##### 1. SPECIFIC AREAS IN WHICH R & D CARRIED OUT BY THE COMPANY

- R & D was carried out in areas of product development, process development, energy conservation, environment protection, cost reduction and automation.

##### 2. BENEFITS DERIVED AS A RESULT OF R & D

- Development of New Products
- Optimization of process parameters
- Increase in process efficiency
- Improvement in Process Control

##### 3. EXPENDITURE ON R & D

Capital : Nil  
Recurring : Nil

#### TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

##### 1. Efforts made

No change in technology

##### 2. Benefits derived

Not applicable

## ANNEXURE-II TO DIRECTORS' REPORT

### CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED MARCH 31, 2006

The Securities and Exchange Board of India (SEBI), the regulatory body for Capital Market, vide its Circular dated March 29, 2005, has extended the date for ensuring compliance with the revised Clause 49 of the listing agreement which was introduced by it vide SEBI circular dated October 29, 2004 suggesting changes to the then existing Clause 49 and has mandated listed companies to comply with the revised Clause 49 by December 31, 2005. In view of the above, this report complies with earlier Clause 49 for the transition period i.e. April 1, 2005 to December 31, 2005 and also with the revised Clause 49 for the period from January 1, 2006 till March 31, 2006.

#### 1. Company's Philosophy on Code of Corporate Governance

Good Corporate Governance is the adoption of best business practices which ensure that the Company operates not only within the regulatory framework, but is also guided by ethics. The adoption of such corporate practices ensures accountability of the persons in charge of the Company on one hand and brings benefits to investors, customers, creditors, employees and the society at large on the other. The Company firmly believes in practicing good Corporate Governance in true spirit and endeavour to improve on these aspects on ongoing basis.

#### 2. Board of Directors

##### (i) Composition

Presently the Company has a broad-based Board consisting of 8 members. The Board comprises of 2 Executive Directors and 6 Non-Executive Directors out of which 4 Directors are Independent Directors. The Independent Directors do not have any material pecuniary relationship or transactions with the Company, its promoters, its directors, its senior management and its subsidiaries, which may effect the independence of judgment of the Directors. The Board members possess the skills, experience and expertise necessary to guide the Company.

The composition of Board of Directors and their attendance at the Board Meetings held during the year ended March 31, 2006 and at the last Annual General Meeting as also the number of other directorship and membership/ chairmanship of committees are as follows:

Director	Category	No. of Board Meetings Attended (Total meetings held 16)	Attended last AGM	No. of outside Directorship held (excluding Private & Foreign Companies)	Committee Membership	
					Member	Chairman
1	2	3	4	5	6	7
• Mr. Ahoja R.K. <sup>1</sup> (Nominee of UTI, Lender Institution)	Independent Non-Executive	7	Yes	1	NIL	1
• Mr. Bhalla P.K.	Non-Independent Non-Executive	16	Yes	NIL	1	NIL
• Mr. Goila N.K. <sup>2</sup>	Independent Non-Executive	NIL	N.A.	6	4	3
• Mr. Khaitan O.P. <sup>3</sup>	Independent Non-Executive	3	N.A.	9	4	2
• Mr. Lahiri Subrata <sup>4</sup> (Nominee of IFCI, Lender Institution)	Independent Non-Executive	9	Yes	1	2	NIL
• Mr. Mehra A.K.	Non-Independent Non-Executive	14	Yes	NIL	1	NIL
• Mr. Mittal D.C. <sup>5</sup>	Independent Non-Executive	5	N.A.	NIL	1	NIL
• Prof. Mohan Dinesh	Independent Non-Executive	11	Yes	NIL	NIL	2
• Mr. Shriram Siddharth (Chairman & Managing Director)	Executive	15	Yes	8	3	2
• Mr. Singh K.P.	Executive	12	Yes	NIL	1	NIL

1. Nomination withdrawn by UTI by w.e.f. 10.10.2005.
2. Co-opted as Additional Director w.e.f. 31.3.2006.
3. Co-opted as Additional Director w.e.f. 30.12.2005.
4. Nomination withdrawn by IFCI Limited w.e.f. 17.1.2006.
5. Co-opted as Additional Director w.e.f. 30.12.2005.

# Siel Limited

## ANNEXURE-II TO DIRECTORS' REPORT (Contd.)

### CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED MARCH 31, 2006

#### (II) Attendance at Board of Directors Meetings

The Board of your Company met 16 times during the year ended March 31, 2006. The Company placed before the Board all statutory and other important items recommended by the SEBI committee on Corporate Governance.

Sl. No.	Date	Board Strength	No. of Directors Present
1.	06.04.2005	7	6
2.	09.04.2005	7	6
3.	26.05.2005	7	6
4.	22.07.2005	7	6
5.	09.09.2005	7	7
6.	09.09.2005	7	7
7.	17.09.2005	7	5
8.	28.10.2005	6	5
9.	29.11.2005	6	6
10.	15.12.2005	6	4
11.	30.12.2005	6	5
12.	05.01.2006	8	7
13.	17.01.2006	8	5
14.	21.02.2006	7	6
15.	21.03.2006	7	5
16.	31.03.2006	8	6

### 3. Audit Committee

#### (i) Terms of Reference

The Company has an Audit Committee which was constituted in 1992 (thereafter reconstituted from time to time) and since then is dealing with the matters prescribed by the Board of Directors. The Committee deals with accounting matters, financial reporting and internal controls. The power, role, delegation, responsibilities and terms of reference of the Audit Committee are as prescribed under Section 292 A of the Companies Act, 1956 and also as provided in Clause 49 of the Listing Agreement.

#### (ii) Composition

Presently the composition of Audit Sub-Committee is as under:

- Independent Non-Executive Directors	3
- Non Independent Non-Executive Director	1
	<u>4</u>

All the committee members have sound knowledge of finance and accounting.

The Chairman of the Committee had attended the last Annual General Meeting.

The Company Secretary acts as the Secretary of the Committee. The head of Finance, Internal Auditors and Statutory Auditors attend the meetings of the Committee on the invitation of the Chairman.

## ANNEXURE-II TO DIRECTORS' REPORT (Contd.)

### CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED MARCH 31, 2006

The composition of the Committee and their attendance at the Committee meetings held during the year ended March 31, 2006 are as under:

Member Director	Executive/ Non-Executive	Independent/ Non-Independent	No. of Meetings Attended (Total meetings held 4)
• Mr. Bhalla P.K.	Non-Executive	Non-Independent	4
• Mr. Khaitan O.P. <sup>1</sup>	Non-Executive	Independent	1
• Mr. Mittal D.C. <sup>1</sup>	Non-Executive	Independent	1
• Mr. Lahiri Subrata <sup>2</sup> (IFCI Nominee)	Non-Executive	Independent	3
• Prof. Mohan Dinesh (Chairman)	Non-Executive	Independent	1

1. Co-opted as member of the Committee w.e.f. 13.1.2006.
2. Ceased to be the member of the Committee due to withdrawal of nomination from the Board of Directors of the Company by IFCI w.e.f. 17.1.2006.

#### (iii) Audit Committee Meetings (Attendance)

It meets at least 4 times in a year and reviews the quarterly, half yearly and annual financial statements before they are submitted to the Board. For the year ended March 31, 2006, four meetings of the Audit Committee were held as under:

Sl. No.	Date	Committee Strength	No. of Members Present
1.	26.05.2005	3	2
2.	22.07.2005	3	3
3.	28.10.2005	3	2
4.	17.01.2006	5	3

#### 4. Remuneration Committee

##### (i) Terms of Reference

The committee reviews and approves the salaries, commission, service agreements and other employment conditions for the Executive Directors. The Committee takes into consideration the remuneration practice followed by other Companies in the Industry.

##### (ii) Composition

All the members of the Remuneration Committee are Non-Executive Directors. The composition of the Remuneration Committee during the year ended March 31, 2006 is as under:

Member Director	Executive/ Non-Executive	Independent/ Non-Independent
• Mr. Bhalla P.K. <sup>1</sup>	Non-Executive	Non-Independent
• Mr. Lahiri Subrata <sup>2</sup> (IFCI Nominee)	Non-Executive	Independent
• Mr. Mittal D.C. <sup>3</sup> (Chairman)	Non-Executive	Independent
• Prof. Mohan Dinesh	Non-Executive	Independent

1. Ceased to be Chairman of the Committee w.e.f. 21.2.2006.
2. Ceased to be the member of the Committee on withdrawal of nomination by IFCI from the Board w.e.f. 17.1.2006.
3. Co-opted as a member of the Committee w.e.f. 21.2.2006 and designated as Chairman of the Committee in place of Mr. P.K. Bhalla.



# Siel Limited

## ANNEXURE-II TO DIRECTORS' REPORT (Contd.)

### CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED MARCH 31, 2006

#### (iii) Remuneration Committee Meeting (Attendance)

During the year ended March 31, 2006, no meeting of this Committee was held.

The then Chairman of the Remuneration Committee had attended the last Annual General Meeting.

#### (iv) Remuneration Policy

The Managing/Executive Directors are paid remuneration approved by the Board of Directors on the recommendation of Remuneration Committee. The remuneration so approved is subject to the approval by the shareholders at the general meeting and such other authorities as the case may be.

The Non-Executive Directors do not draw any remuneration from the Company except sitting fees of Rs. 2,000 for each meeting of the Board/Board Committee.

#### (v) Details of Directors' Remuneration

The details of remuneration paid/provided to Directors are furnished below:

(A) The details of the remuneration to the Executive Director provided as per accounts for the year ended March 31, 2006 is given below:

Sl. No.	Name	Salary and Allowances (Rs.)	Perquisites (Rs.)	Contribution to Provident and other Funds (Rs.)	Total (Rs.)
1.	Mr. Singh K.P.	14,90,000	2,05,738	1,20,000	18,15,738

1. Service contract is for 5 years.
2. Notice period is 6 calendar months.
3. Severance fee is payable in accordance with provisions of Section 318 of the Companies Act, 1956.
4. Directors' remuneration does not include contribution to gratuity fund since the same is paid for the Company as a whole.

(B) The details of the remuneration/sitting fee to the Non-Executive Directors provided as per accounts for the year ended March 31, 2006 are given below:

Sl. No.	Name	Sitting Fee (Gross) (Rs.)	Total (Rs.)
1.	Mr. Ahooja R.K. (UTI Nominee)	14,000	14,000
2.	Mr. Bhalla P.K.	40,000	40,000
3.	Mr. Khaitan O.P.	8,000	8,000
4.	Mr. Lahiri Subrata (IFCI Nominee)	24,000	24,000
5.	Mr. Mehra A.K.	58,000	58,000
6.	Mr. Mittal D.C.	12,000	12,000
7.	Prof. Mohan Dinesh	58,000	58,000

The Company has not paid any fixed component and performance linked incentives to the Directors during the year.

The Company does not have any stock option scheme.

### 5. Shareholders/Investors Grievance/Share Transfers Committee

#### (i) Terms of reference

The Company has a Board Committee namely 'Shareholders/Investors Grievance/ Share Transfers Committee' to look into various issues relating to shareholders including the redressal of shareholders complaints, share transfers/transmission/issue of duplicate shares etc.

The meeting of this Committee is held frequently to ensure completion of share transfer work within the stipulated period. Besides this, Mr. Sushil Jain, the Company Secretary has been delegated the power to approve share transfers upto 500 shares/debentures per case. The Company Secretary is also the Compliance Officer appointed under the relevant SEBI directions.

## ANNEXURE-II TO DIRECTORS' REPORT (Contd.)

### CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED MARCH 31, 2006

#### (ii) Composition

The Chairman of this Committee is a Non-Executive Independent Director. The composition of the Committee and their attendance at the Committee meetings held during the year ended March 31, 2006 are as under:

Member Director	Executive/ Non-Executive	Independent/ Non-Independent	No. of Meetings Attended (Total meetings held 19)
• Mr. Mehra A.K.	Non-Executive	Non-Independent	15
• Prof. Mohan Dinesh (Chairman)	Non-Executive	Independent	17
• Mr. Singh K.P.	Executive	Non-Independent	19

#### (iii) Attendance at Shareholders/Investors Grievance/Share Transfers Committee Meetings

Sl.No.	Date	Committee Strength	No. of Members Present
1.	16.04.2005	3	3
2.	02.05.2005	3	3
3.	26.05.2005	3	2
4.	13.06.2005	3	2
5.	29.06.2005	3	3
6.	12.07.2005	3	2
7.	27.07.2005	3	3
8.	11.08.2005	3	3
9.	25.08.2005	3	3
10.	19.09.2005	3	2
11.	10.10.2005	3	3
12.	08.11.2005	3	3
13.	29.11.2005	3	3
14.	16.12.2005	3	3
15.	12.01.2006	3	2
16.	25.01.2006	3	3
17.	09.02.2006	3	3
18.	27.02.2006	3	3
19.	24.03.2006	3	2

The minutes of all meetings of the above Committee are placed at the Board meeting held immediately after the committee meetings.

During the year ended March 31, 2006, 12 complaints were received from the shareholders. All complaints were replied/resolved to the satisfaction of the shareholders.

As on March 31, 2006, 2 cases covering 31 equity shares for registration of transfer of shares were pending. Transfer in all these cases have been given effect on 11.04.2006 and dispatched on 15.04.2006.

# Siel Limited

## ANNEXURE-II TO DIRECTORS' REPORT (Contd.)

### CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED MARCH 31, 2006

#### 6. General Body Meetings

(i) The last three Annual General Meetings were held as under:

Financial Year	Location	Date	Time	Special Resolution Passed
2004-2005	15, Shivaji Marg, New Delhi – 110015.	22.07.2005	10.30 A.M.	Delisting of equity shares from Delhi, Hyderabad and Kolkata stock exchanges.
2003-2004	FICCI Auditorium, Federation House, Tansen Marg, New Delhi – 110001.	20.08.2004	11.00 A.M	Delisting of equity shares from Delhi, Hyderabad and Kolkata stock exchanges.
2001-2003 (18 months)	15, Shivaji Marg New Delhi – 110015.	29.09.2003	10.00 A.M.	-To shift and keep the Registers and indices of Members and Debenture holders at the Office of Mas Services Pvt. Ltd. instead of being kept at the Registered Office of the Company.  -Delisting of equity shares from Hyderabad and Kolkata stock exchanges.

(ii) No Special resolution was put through a Postal Ballot in the previous year.

(iii) During the year the Company had obtained shareholders approval by way of Ordinary Resolution through Postal Ballot for sale of the undertaking of Siel Foods & Fertilizer Industries (SFFI), the Company's unit engaged in the Edible Oils Business on third party manufacturing basis to Siel Edible Oils Limited. The result of the Postal Ballot was declared on 30.3.2006 by the Chairman of the Company at the Registered Office of the Company based on the Report submitted by the Scrutinizer viz. Ms. Mamta Jain, a practising Company Secretary, appointed for conducting the Postal Ballot process in a fair and transparent manner. Mr. P.K. Bhalla, Director and Mr. Sushil Jain, Company Secretary were appointed as persons responsible for the process of Postal ballot.

The voting pattern on the above Item was as under:

Sl. No.	Particulars	No. of Shareholders	No. of Votes (Shares)
1.	Total votes polled	2671	11363937
2.	- Valid votes	2581	11362842
3.	- Invalid votes	90	1095
4.	Votes cast in favour of the Resolution	2503	11358548
5.	Votes cast against the Resolution	78	4294

Result of Postal Ballot: Passed with overwhelming majority on 30.3.2006.

(iv) There is no item in the Notice for the forthcoming Annual General Meeting that is proposed to be passed through a Postal Ballot.

#### 7. Disclosures

##### (i) Related Party Transactions

In terms of the Accounting Standard (AS) 18, "Related Party Disclosures" issued by the Institute of Chartered Accountants of India, the Company has identified the related parties covered therein and details of transactions with such related parties have been disclosed in the Note no. 17 to Schedule 13 – Notes to Accounts of the Annual Report for the year ended March 31, 2006.

## ANNEXURE-II TO DIRECTORS' REPORT (Contd.)

### CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED MARCH 31, 2006

During the year, there were no transactions of material nature of the Company with the promoters, directors, management or their relatives, subsidiaries and other related parties covered under AS 18 that had potential conflict with the interest of the Company.

- (ii) There were no instances of non-compliance by the Company, penalties, strictures imposed on the Company by stock exchange or SEBI or any statutory authority on any matter related to the capital markets, during the last three years.

**(iii) Disclosure of Accounting Treatment**

The financial statements have been prepared in accordance with applicable Accounting Standards and relevant presentational requirements of the Companies Act, 1956 and are based on the historical cost convention.

**(iv) Insider Trading**

The Company has adopted the Code of Internal Procedures and Conduct framed under the SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, to inter alia, prevent insider trading in the shares of the Company.

**(v) Code of Conduct**

The Company has adopted a Code of Conduct (Code) for the members of Board of Directors and Senior Management Personnel of the Company. The essence of the Code is to conduct the business of the Company in an honest and ethical manner, in compliance with applicable laws and in a way that excludes considerations of personal advantage.

The Code has also been posted on the Company's Website.

**(vi) Subsidiary Companies**

The Minutes of the Board Meetings of unlisted subsidiary companies are regularly placed before the Board.

**(vii) Risk Management**

The Company has laid down Risk Management Policy to inform Board members about the risk assessment and minimization procedures.

**(viii) Shareholding of the Non-Executive Directors**

The shareholding of the Non-Executive Directors of the Company as on 31.3.2006 are as under:

Sl. No.	Name of the Director	No. of Shares
1.	Mr. P.K. Bhalla	251
2.	Mr. A.K. Mehra	106
3.	Mr. O.P. Khaitan	807
4.	Mr. D.C. Mittal	160
5.	Prof. Dinesh Mohan	Nil
6.	Mr. N.K. Goila	Nil

**(ix) Proceeds from preferential Issue**

During the year ended March 31, 2006, the company has received final call money @ Rs. 3.50 per share on 80,00,000 equity shares of Rs. 10 each allotted for cash at par with paid up amount of Rs. 6.50 per share on 27.10.2004 in terms of the debt and business restructuring package approved by the Empowered Group of Corporate Debt Restructuring Cell (CDR) and implemented through the Scheme of Arrangement as approved by the Hon'ble High Court of Delhi vide its Order dated 26.8.2003.

The funds so received have been utilized for meeting capital expenditure/working capital requirements in accordance with the terms of the Scheme of Arrangement.

# Siel Limited

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## ANNEXURE-II TO DIRECTORS' REPORT (Contd.)

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### CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED MARCH 31, 2006

#### 8. Means of Communication

- (i) Half yearly reports of the Company are not sent to the individual shareholders of the Company.
- (ii) Quarterly results are published in prominent daily newspapers viz. The Financial Express and Jansatta. The quarterly results are sent to stock exchanges on which the Company is listed in the prescribed format so as to enable the respective stock exchanges to put the same on their own Website. The Notice of AGM along with the Annual Report is sent to the shareholders well in advance of the AGM. The stock exchanges are notified of any important developments that may materially effect the working of the Company. Disclosures with regard to shareholding pattern, change in major shareholdings etc. are sent to the stock exchanges as required under SEBI Takeover Regulations and SEBI Prohibition of (Insider Trading) Regulations.
- (iii) The Company has its own website namely – [www.siellimited.com](http://www.siellimited.com)
- (iv) During the year no presentations were made to any institutional investors or analysts.
- (v) A Management Discussion and Analysis report, which forms a part of the Annual Report, is given by means of a separate Annexure and is attached to the Directors' Report.

#### 9. General Shareholders' Information

- (i) Annual General Meeting is proposed to be held on 21.07.2006 at 10.00 A.M. at Kamani Auditorium, 1, Copernicus Marg, New Delhi-110001.

- (ii) **Financial Calendar for the year 2006-2007**

Accounting year	April 1, 2006 to March 31, 2007
First Quarter results	July 2006
Second Quarter results	October 2006
Third Quarter results	January 2007
Fourth Quarter results	April 2007
Annual results	July/August 2007
Mailing of Annual Reports	July/August 2007
Annual General Meeting	September 2007

- (iii) **Date of Book Closure:** 17.07.2006 to 21.07.2006 (both days inclusive)

- (iv) **Dividend Payment Date**

Interim dividend at the rate of 10% on equity shares	February 2, 2006
Dividend on Preference Shares:	
– 0.01% Redeemable cumulative preference shares	September 29, 2005
– 13.5% Redeemable cumulative preference shares	November 30, 2005

- (v) **Listing on Stock Exchanges:**

The equity shares of the Company are listed on The Bombay Stock Exchange Ltd., Mumbai.

During the year, the equity shares of the Company were delisted from Delhi and Hyderabad Stock Exchanges.

The application for listing of these shares on Kolkata Stock Exchange is still pending.

Stock Code at the Bombay Stock Exchange Ltd. : 523371

Listing fees upto the year 2005-2006 has been paid to the Bombay Stock Exchange Ltd.

## ANNEXURE-II TO DIRECTORS' REPORT (Contd.)

### CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED MARCH 31, 2006

#### (vi) Stock Market Data for the year ended March 31, 2006

Monthly High & Low quotation and volume of Company's Share on BSE and BSE Sensex are as under:

Month	High (Rs.)	Low (Rs.)	Volume (Nos.)	BSE Sensex	
				High	Low
April, 2005	35.90	28.50	271018	6649.42	6118.42
May, 2005	43.60	29.50	956144	6772.74	6140.97
June, 2005	42.50	34.00	479041	7228.21	6647.36
July, 2005	117.00	40.00	3156548	7708.59	7123.11
August, 2005	211.55	91.05	3117293	7921.39	7537.50
September, 2005	232.00	102.75	2984889	8722.17	7818.90
October, 2005	117.80	65.75	795172	8821.84	7656.15
November, 2005	95.45	63.00	579489	9033.99	7891.23
December, 2005	83.40	60.10	554201	9442.98	8769.56
January, 2006	82.75	58.45	1557751	9945.19	9158.44
February, 2006	72.00	51.05	2301523	10422.65	9713.51
March, 2006	75.40	54.30	848083	11356.95	10344.26
<b>TOTAL</b>			<b>17601152</b>		

#### (vii) Registrar and Transfer Agent

In compliance of SEBI requirements, with effect from 30.4.2003, M/s Mas Services Private Limited have been appointed the Share Transfer Agent of the Company, who handle share transfer work in Physical as well as in Electronic Form and other related activities at the following address:

M/s Mas Services Pvt. Ltd.  
 AB-4, Safdarjung Enclave,  
 New Delhi – 110 029  
 Phone No. : 26104142  
 Fax No. : 26181081

#### (viii) Share Transfer System

All valid share transfers are registered and duly transferred share certificates are despatched within a period of 30 days from the date of receipt.

#### (ix) Investors' Service

The Company has a system of attending and redressing all investors' grievances/ correspondence within a period of 10 days from the date of receipt of the same.

No complaints/grievances are pending as on date.

#### (x) Distribution of shareholding as on March 31, 2006

No. of Equity Shares held	Folios		Shares	
	Numbers	%	Numbers	%
Up to 500	45769	98.15	1188581	6.49
501-1000	429	0.92	340934	1.86
1001-2000	200	0.43	293737	1.60
2001-3000	55	0.12	138815	0.76
3001-4000	42	0.09	151132	0.83
4001-5000	29	0.06	137436	0.75
5001-10000	51	0.11	367218	2.00
10001 and above	55	0.12	15697449	85.71
<b>TOTAL</b>	<b>46630</b>	<b>100.00</b>	<b>18315302</b>	<b>100.00</b>

# Siel Limited

## ANNEXURE-II TO DIRECTORS' REPORT (Contd.)

### CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED MARCH 31, 2006

#### (xi) Categories of shareholders as on March 31, 2006

	Category	No. of Shares held	% of Shareholding
<b>A.</b>	<b>Promoters' holding</b>		
<b>1.</b>	<b>Promoters</b>		
	– Indian Promoters	3873611	21.15
	– Foreign Promoters	–	–
<b>2.</b>	<b>Persons acting in concert</b>	159179	0.87
	<b>Sub-Total</b>	<b>4032790</b>	<b>22.02</b>
<b>B.</b>	<b>Non-Promoters holding</b>		
<b>3.</b>	<b>Institutional Investors</b>		
	a. Mutual Funds and UTI	13514	0.07
	b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-government Institutions)	881259	4.81
	c. FIIs	–	–
	<b>Sub-Total</b>	<b>894773</b>	<b>4.88</b>
<b>4.</b>	<b>Others</b>		
	a. Private Corporate Bodies	9827987	53.66
	b. Indian Public	2483327	13.56
	c. NRI/OCBs (Including 25841 shares held by Pakistanis)	849200	4.64
	d. Any other		
	– GDRs Shares	225538	1.23
	– Foreign Banks	1687	0.01
	<b>Sub-Total</b>	<b>13387739</b>	<b>73.10</b>
	<b>Grand Total</b>	<b>18315302</b>	<b>100.00</b>

#### (xii) Dematerialisation of shares and liquidity

The shares of the Company are compulsorily traded in dematerialized form and are available for trading on both the Depository Systems in India – National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL).

As on March 31, 2006, a total of 1,77,06,328 equity shares of the Company, which form 96.68% of the equity share capital, stand dematerialized.

Under the depository system, the ISIN allotted to the Company's equity shares is INE636A01021.

#### (xiii) Outstanding GDRs and Convertible Preference Shares, conversion dates and likely impact on equity

##### GDRs

Pursuant to an offer of Global Depository Receipts (GDRs) made by the Company in 1994 – 72,659 GDRs representing 2,17,977 underlying equity shares of the Company were outstanding as on March 31, 2006.

##### Redeemable Cumulative Preference Shares

Pursuant to the scheme of arrangement which became effective on September 5, 2003, the financial institutions/banks were to be issued 8,86,168 - 0.01% Redeemable Cumulative Preference Shares (RCPS) of Rs. 100 each in lieu of 12,63,593 - 8.5% Redeemable Cumulative Convertible Preference Shares (RCCPS) of Rs. 100 each fully paid up held by them in proportion to their respective debts allocated as per the Scheme. Out of 8,86,168-0.01%, RCPS, 8,77,073 RCPS have been issued and balance 9,095 RCPS held by one of the Financial Institutions had been cancelled pursuant to a one-time settlement.

These preference shares, redeemable in 4 annual instalments commencing from March 2008 and ending in March 2011 with redemption premium to give a yield of 6% per annum, have been redeemed during the year.

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## ANNEXURE-II TO DIRECTORS' REPORT (Contd.)

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**(xiv) Plant Location:**

**Chemical Factory:**

Siel Chemical Complex  
Charatrapur, Vill. Khadauli/Sardargarh  
P.O. Box No.52  
Rajpura, Distt. Patiala  
Punjab -140401

**(xv) Investors' correspondence may be addressed to:**

Mr. N.K. Rastogi  
M/s Mas Services Pvt. Ltd.  
AB-4, Safdarjung Enclave  
New Delhi -110029  
Ph.26104142  
Fax. 26181081

**10. Non-mandatory Clauses**

The Company has not adopted any of the non-mandatory requirements except the remuneration committee as mentioned in Annexure 3 of Clause 49 of the Listing Agreement.

On behalf of the Board of Directors

Place : New Delhi  
Dated : May 10, 2006

**(SIDDHARTH SHRIRAM)**  
Chairman

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### **Declaration**

I, Siddharth Shriram, the designated Chief Executive Officer (CEO) hereby declare that the Code of Conduct adopted by Siel Limited for its Board Members and Senior Management Personnel has been duly complied by all Board Members and Senior Management Personnel of the Company.

**Siddharth Shriram**  
Chief Executive Officer



# Siel Limited

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## AUDITORS' CERTIFICATE ON THE COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

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### To the Members of Siel Limited

We have examined the compliance of conditions of Corporate Governance by Siel Limited, for the year ended March 31, 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement, except that:

- (i) The composition of the Board of Directors (BOD) should consist of at least half of the BOD being independent as the chairman is an executive director. This requirement has not been complied with for a part of the year. On appointment of an independent director with effect from March 31, 2006, the aforesaid requirement has been complied with.
- (ii) The Company has adopted non-mandatory requirements of Remuneration Committee pursuant to which the Chairman of the Committee should be an independent director and composition of committee should consist of at least three directors. These requirements have not been complied with for a part of the year. On appointment of an independent, non executive chairman of the Committee with effect from February 21, 2006, the aforesaid requirements have been complied with.

We state that in respect of investors' grievances received during the year ended March 31, 2006, no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/ Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **A.F. FERGUSON & CO.**  
Chartered Accountants

Place : New Delhi  
Date : May 10, 2006

**MANJULA BANERJI**  
Membership No. 086423  
Partner

## ANNEXURE-III TO DIRECTORS' REPORT

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

#### CHLOR-ALKALI DIVISION

##### Industry Structure and Development

The Chlor-Alkali is a basic heavy chemical Industry comprising of products such as Caustic Soda, Chlorine, Hydrogen and Hydrochloric Acid. These products are used in a variety of industries as under:

Chlor Alkali Products	Product User Industries
Caustic Soda	Aluminium, Pulp & Paper, Textile, Soap, Edible Oil Refineries, Dyes & Chemicals, Drugs & Drug Intermediates, Thermal Power plants etc.
Chlorine	PVC, CPW, Pulp & Paper, Pesticides, Chloromethanes, Refrigerant gases, Water purification, Stable bleaching powder, Aluminium Chloride, Chlorinated Solvents etc.
Hydrochloric Acid	Steel pickling, Water treatment, Effluent treatment in chemical process industries, Thermal Power plants etc.
Hydrogen	Hydrogenated Vegetable Oils, Sorbitol, Stearic Acid, Pesticides, Filament Lamps, Picture Tubes, Steel units, Power plants (in Turbo cooling), etc.

The demand of the Chlor-Alkali products is thus linked to the performance of the end user products of these industries.

During the last two years, Aluminum and Paper industries have continued to show good performance and this has provided a major avenue for growth of Caustic Soda. The domestic demand in the Aluminum Sector is estimated to average in the region of 6–8%. Major Aluminum producers have gone in for large expansions. Domestic demand for Paper is expected to grow at 6-7% and should touch 8.0 million MT per annum by the year 2010. The FMCG industry has recovered from a prolonged slump and the sector is now poised to achieve an overall growth between 8.0-8.5% in 2005-06. In this, soap and toiletries, which consume Caustic Soda, are expected to achieve 14% growth. The textile sector is also poised for substantial growth in exports over the next couple of years, especially after the scrapping of Multi Fiber Agreement / Quota regime and curbs on exports from China. The domestic demand for Caustic Soda is thus expected to remain firm at least for the next two years.

The PVC sector projected growth rate of 10% augurs well for the demand for Chlorine for PVC.

In the current year, growth rate in GDP is expected to be about 8%. The Chlor-Alkali industry is expected to perform

well as it is linked directly with the GDP growth.

##### Opportunities and Threats

The year 2005-06 witnessed a good market both for Caustic Soda and Chlorine in the first quarter of the year. However, poor demand resulting from shutdown of consuming units during floods in Gujarat and Maharashtra, coupled with surplus availability of material owing to capacity additions led to a decline in prices in the second and third quarters. The last quarter saw some recovery in the prices as the directive from the Supreme Court to disallow overloading of vehicles led to restricted inter-regional material movement.

The international prices of Caustic Soda have remained stable at USD 220 – 250 per MT in the Far East region and USD 260–300 per MT in Europe. In the US, the market witnessed a spurt in price from USD 330–340 to USD 470–480 per MT during September 05, when Katrina and Rita hurricanes lashed the US Gulf coast and US industry had to shutdown some of its units as a precautionary measure. There was some shortage of material in the US markets during September–December 05. However, now the Caustic Soda market is gradually coming back to a level of USD 340–360 per MT.

Ethylene Dichloride (EDC) prices in the international market witnessed a steep drop from USD 460 per MT to USD 230–240 per MT during July 05.

The prices of the two principal products viz. Caustic Soda and Chlorine in the Indian domestic markets have been in consonance with the international prices. During the last year, domestic Caustic Soda demand and availability has been in balance and imports have been less. Caustic Soda prices have thus remained stable. The domestic Chlorine prices are determined by the international prices of EDC which is imported in large quantities by the PVC industry. However, the domestic Chlorine prices have remained under pressure due to excess availability as a result of capacity additions.

*The international prices of Caustic Soda, EDC and thus Chlorine are expected to be stable in line with the global energy prices which may vary on the basis of crude oil prices.*

There is a reduction of peak custom duty from 15% to 12.5%. Accordingly, the cost of imported cell spares will be reduced. The custom duty on membranes continues at 5%.

Energy cost on supply of power from the Punjab State Electricity Board continues to be a matter of significant concern.

# Siel Limited

## ANNEXURE-III TO DIRECTORS' REPORT (Contd.)

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

#### Segment Performance

The global production of Caustic Soda is around 45 million MT per annum, out of which India contributes about 4%. In India, presently, there are a total of 33 Caustic Soda plants in operation. Seeing an improvement in demand and profitability, the Indian Chlor-Alkali industry added 0.18 million MT per annum additional capacities in the year 2005-06. During the year, the domestic production of caustic soda was 1.95 million MT representing 86% utilization of the installed capacity of 2.26 million MT. The industry recorded a production growth of 7.7%, while capacity growth was 8.7% during the same year.

Despite increase in capacity, the improved demand has led to a reasonable level of capacity utilization.

Year	2002-03	2003-04	2004-05	2005-06
Capacity Utilization	65-70%	80%	87%	86%
Demand (Million MT)	1.75	1.80	1.81	1.95

#### Outlook

The end-user segments of Caustic Soda viz. Aluminum, Paper, Textile and Soaps are poised for positive growths with major expansions coming up in the Aluminum and paper segments.

With general upswing in the economy and GDP growth of 7.5 – 8% projected in the next year, the Chlor-Alkali industry is expected to perform reasonably well. The Caustic Soda prices during the next year are expected to remain firm, while Chlorine may come under pressure, due to surplus availability and volatility in the demand in the end-user segments. Additional capacity of 0.30 Million MT is further getting added during the next year which will increase the installed capacity to 2.55 Million MT.

#### Power Scenario

Power is a major cost input accounting for almost 65% of the total product cost. The Company is dependent on power

supply from Punjab State Electricity Board (PSEB). The frequent hikes in power tariff have always remained a cause of concern. Punjab State Electricity Regulatory Commission (PSERC), vide its order dated 25<sup>th</sup> January 2006, has fixed the transmission and wheeling charges. Total wheeling charges for power sourced from supplier other than PSEB comes to around Rs 0.90 per unit. Further, the power trading companies, e.g. Power Trading Corporation, are now willing to supply power at the boundary of the Punjab at Rs. 3.50 per unit. Thus the landed cost of power will be around Rs. 4.40 per unit which is costlier than PSEB power. Therefore, under the present scenario the Company is not considering wheeling of power from other states.

#### Risks and Concerns

Caustic Soda availability will be less than the demand and there would be a general improvement in prices. Threat of imports of Caustic Soda would bring down domestic prices, which will have to be aligned with import prices. The import tariff for Caustic Soda as announced in the Government of India's budget 2006–07 has been further reduced from 15.0% to 12.5%, thus allowing greater flexibility for imports.

Chlorine prices in the North will remain under pressure, as demand is limited with CPW and Paper, which are major Chlorine utilization segments.

Costs are likely to see an upward trend due to increase in energy prices from Crude Oil / Furnace Oil, Coal and Power tariffs by the State Electricity Boards. Freight rates for movement of Salt and finished goods are expected to go up after the directive of the Supreme Court banning the overloading of vehicles. This would affect profitability of units especially if the market does not allow passing on these costs to customers.

Expansion of various units in the country is still on-going and is a major threat to the industry. Expected national growth of the industry during the next two years is as under:

Zone	Actual 2005-06			Projections (2006-07)			Projections (2007-08)		
	Installed Capacity (MT/million)	Production (MT/million)	Capacity Utilisation	Installed Capacity (MT/million)	Production (MT/million)	Capacity Utilisation	Installed Capacity (MT/million)	Production (MT/million)	Capacity Utilisation
North	0.339	0.266	79%	0.339	0.280	82%	0.339	0.294	87%
West	1.095	0.973	89%	1.324	1.021	77%	1.324	1.072	81%
East	0.240	0.201	84%	0.306	0.211	69%	0.357	0.221	62%
South	0.583	0.512	88%	0.583	0.537	92%	0.631	0.564	89%
<b>Total</b>	<b>2.257</b>	<b>1.951</b>	<b>86%</b>	<b>2.552</b>	<b>2.049</b>	<b>80%</b>	<b>2.651</b>	<b>2.152</b>	<b>81%</b>

## ANNEXURE-III TO DIRECTORS' REPORT (Contd.)

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

#### **EDIBLE OILS DIVISION**

##### **Re-organization of Business**

To bring greater focus to this business, the Company had decided to vest the Edible Oil business into a wholly owned subsidiary. Accordingly, the Edible Oil business was vested into Siel Edible Oils Limited w.e.f. the closure of the business hours on 31.3.2006.

##### **Industry Structure and Development**

Indigenous production of edible oils has not been able to keep pace with the increase in demand. Hence, India continues to depend heavily on imported oils. Accordingly, Indian Vanaspati and Edible oil business remains exposed to international market trends and Government policies regarding import.

##### **Opportunities and Threats**

At company level re-introduction of Vanaspati in small packs presents a good opportunity to extend distribution and increased volumes of entire basket of products.

In Vanaspati industry price competition has intensified due to import of Vanaspati from some neighboring countries at zero rate of custom duty.

Consumption pattern in urban markets has significantly shifted to refined oils.

##### **Product Performance**

During the year, company re-started marketing of Vanaspati in small packs, after a gap of 5 years. The new product launched under the brand name PANGHAT SPECIAL, has been launched in 8 states during the year and is finding acceptance among the consumers.

##### **Outlook**

Vanaspati and Refined Oils, being items of essential consumption, will always be in demand from household as well as institutional segments. Robust economic growth in the country augurs well for the demand of edible oil products. While consumption pattern in urban markets has shifted to refined oils, semi-urban and rural markets consume a mix of Vanaspati, raw/filtered oils and less expensive refined oils. The demand for Vanaspati and Refined Oils will continue to grow with increase in population and income levels.

Panghat Special Vanaspati will become a prime mover for the growth of business in the coming years.

##### **Risks and Concerns**

With setting up of large refining units near ports the over all refining capacity has increased significantly and as such third party manufacturing and marketing model (such as ours) is sustainable.

On a macro level business continues to be impacted by changes in Government Policy and International Oil Markets.

##### **BRANDED CONSUMER PACK SUGAR SALES**

Siel Edible Oils Limited, has also been selling consumer packs of 'MAWANA' branded sugar. The volume of this business is expected to grow significantly on account of enhanced distribution, new product offerings and with the introduction of the highest grade refined sugar from the next years.

##### **HUMAN RESOURCE DEVELOPMENT**

In the era of globalization & competitiveness and knowledge-based economy, the industrial scenario is changing frequently, which forces the organization to develop its human resources, to achieve its business goals. To sustain in this challenging environment, the management values its human resources as one of its most valuable assets and actuate their talent by providing opportunities to develop themselves. The management firmly believes that business cannot grow without utilizing the potential of its human resources. The management is committed to provide a conducive working environment to its employees, fully utilizing their potential and enhancing their skills through cross-functional exposure, training & development, sharing of information and experiences. The management believes in maintaining cordial and harmonious relations with its employees.

Community development has always been a focus area for the company. Moving ahead in this direction, several initiatives for the development of the community have been taken and the employees have been encouraged and motivated to actively participate in such initiatives to preserve the decade long ethos and values of the organization.

##### **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The company has in place adequate system of internal controls commensurate with its size and the nature of its operations. Internal audits, conducted by an experienced firm of Chartered Accountants in close coordination with Company's own Internal Audit Department, review the adequacy of internal controls and checks in the systems covering all significant area of Company operations. These audits also provide reasonable assurance to the management that its assets are safeguard and protected against unauthorized use or disposition and that the transactions are authorized, recorded and reported correctly.

Drawing up the detailed annual Internal Audit Plan ensures objectively in the internal audits conducted and periodic review meetings with active participation of top management ensure implementation of corrective actions suggested.

# Siel Limited

## AUDITORS' REPORT

### To the Members of Siel Limited

1. We have audited the attached balance sheet of Siel Limited as at March 31, 2006 and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) 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 those books;
  - c) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - d) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - e) on the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - f) **(i) attention is invited to note 8, which sets out the position regarding the current status of the pending export obligation of US \$ 50.12**

millions as at March 31, 2006. The possible liability that would devolve on the Company due to the pending export obligation has not been determined and provided for in the accounts by the Company. We are unable to express an opinion in the matter.

- (ii) various matters arisen/arising out of the reorganisation arrangement of DCM Limited will be settled and accounted for as and when the liabilities/benefits are finally determined as stated in note 9. The effect of these on the accounts has not been determined by the Company; and
- (iii) attention is invited to note 10 which sets out the position regarding the recoverability of a loan given to a Company. The management having regard to the restructuring plan of the company approved by Board of Industrial and Financial Reconstruction (BIFR), is of the view that no provision at this stage is necessary. We are unable to express an opinion in the matter.

The matters referred to in paragraphs f (ii) and (iii) above, to the extent covered here above, were also subject matters of qualifications in our audit report on the financial statements for the year ended March 31, 2005.

Subject to our comments in paragraph (f) above and their consequential effect which could not be determined, on the profit for the years ended March 31, 2006 and March 31, 2005, and on the reserves and surplus as at March 31, 2006 and on the debit balance in the profit and loss account as at March 31, 2005, in our opinion and to the best of our information and according to explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2006;
- (ii) in the case of the profit and loss account, of the profit of the Company, for the year ended on that date; and
- (iii) in the case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

**For A.F. FERGUSON & CO.**  
Chartered Accountants

Place : New Delhi  
Date : May 10, 2006

**MANJULA BANERJI**  
Membership No. 086423  
Partner

## AUDITORS' REPORT (Contd.)

### ANNEXURE REFERRED TO IN PARAGRAPH '3' OF THE AUDITORS' REPORT TO THE MEMBERS OF SIEL LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006

- i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As explained to us, the Company has a programme of physically verifying all its fixed assets once in a period of three years, and in accordance therewith, fixed assets were physically verified by the management during the current year. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its fixed assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- ii) (a) During the year, the inventories have been physically verified by the management. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the records of inventories, we are of the opinion that the Company is maintaining proper records of inventories. The discrepancies noticed on physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of account.
- iii) According to the information and explanations given to us, the Company has, during the year, not granted any loan, secured or unsecured to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

In an earlier year, the Company had advanced an interest free loan, repayable on demand, to a company, formerly its subsidiary, in terms of a rehabilitation scheme of the Board of Industrial and Financial Reconstruction (BIFR). The maximum amount due during the year and the year end balance is Rs. 777 lacs.

In our opinion, the terms on which the said loan was made by the Company are not prejudicial to the interest of the Company. Further, we are informed that the said loan has not been recalled as at March 31, 2006.

According to the information and explanations given to us, the Company has, during the year, not taken any loan, secured or unsecured from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

- iv) 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 purchases of inventories and fixed assets and with regard to the sale of goods. There are no sale of services during the year. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have been informed of any instance of major weaknesses in the aforesaid internal control procedures.
- v) According to the information and explanations given to us and having regard to the view taken by the Company that the transactions, which are subjected to the provisions of sub-section 6 of section 299 of the Companies Act, 1956 (the Act), are not required to be entered in the register maintained in pursuance of Section 301 of the Act, there were no transactions during the year that were required to be entered in this register. Notwithstanding the Company's view regarding the provisions of sub-section 6 of Section 299 of the Act in respect of certain transactions, exceeding the value of Rs. 5 lacs entered into during the year with parties listed under the provisions of sub-section 3 of Section 301 of the Act, these have been made at prices which are reasonable having regard to prevailing market prices at the relevant time except in the case of items stated to be of specialised nature for which, as informed, there are no alternate sources of supply to enable a comparison of the prices paid/charged.
- vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. As per the information and explanations given to us, no order on the Company has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any Court or any other tribunal with regard to fixed deposits.

# Siel Limited

## AUDITORS' REPORT (Contd.)

vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.

viii) We have broadly reviewed the books of account maintained by the Company in respect of products where pursuant to the Rules made by the Central Government, the maintenance of cost records has been prescribed under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

ix) (a) According to the information and explanations given to us and the records of the Company examined by us, the Company has been regular in depositing undisputed statutory dues including provident fund,

investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, customs duty, excise duty and other material statutory dues applicable to it with the appropriate authorities. We are informed that there are no undisputed statutory dues as at the year end outstanding for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no disputed dues of wealth tax, cess, customs duty and service tax matters.

The details of dues of sales tax, income-tax and excise duty as at March 31, 2006 which have not been deposited on account of disputes are as follows: -

S. No	Name of the Statute	Nature of dues	Net unpaid amount (Rs. Lacs)	Amount paid under protest (Rs. Lacs)	Period to which the amount relates (various years covering the period) #	Forum where dispute is pending
1.	Sales Tax Laws	Sales tax	0.27 548.99 1788.97	- 28.55 216.27	1973-74 1978-79 to 1979-80, 1986-87 to 1996-97 1975-76 to 1977-78 and 1983-84 to 2003-04	High Court Sales Tax Tribunal  Appellate authority upto Commissioner's level
2.	Income Tax Laws	Income-Tax	3.00 3.99	5.49 14.84	1994-95 1996-97 and 2001-2002	High Court Income-tax Appellate Tribunal
3.	Central Excise Laws	Excise Duty	55.73  56.95	-  395.73	1997-1998  1981-82 to 1984-85, 1990-91 to 1992-93,1997-98	Central Excise and Service Tax Appellate Tribunal (CESTAT)  Appellate authority upto Commissioner's level

# Period in respect of Income Tax represents assessment year.

The following matters have been decided in favour of the Company but the department has preferred appeal at a higher level:

S. No	Name of the Statute	Nature	Net unpaid amount (Rs. Lacs)	Period to which the amount relates	Forum where department has preferred appeal
1.	Central Excise Laws	Excise Duty	53.36 691.28 2.14	1995-96 to 2000-01 1992-93 to 1997-98 1997-98	Supreme Court  High Court Customs Excise And Service Tax Appellate Tribunal (CESTAT)

## AUDITORS' REPORT (Contd.)

- x) According to the information and explanations given to us, without considering the items mentioned in paragraph 4(f) of our main report, the effect of which has not been determined, the Company does not have accumulated losses at the end of the financial year March 31, 2006. Further, the Company has not incurred any cash losses during the financial year ended March 31, 2006 and in the immediately preceding financial year ended March 31, 2005.
- xi) In an earlier year, the dues of financial institutions and banks were rescheduled pursuant to a Scheme of Arrangement. After considering the aforesaid reschedulement, in our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks.
- xii) As the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities, paragraph 4(xii) of the Order is not applicable.
- xiii) The provisions of any special statute as specified under paragraph 4(xiii) of the Order are not applicable to the Company.
- xiv) As the Company is not dealing or trading in shares, securities, debentures and other investments, paragraph 4(xiv) of the Order is not applicable.
- xv) According to the information and explanations given to us, the Company has not given any guarantees during the year for loans taken by others from banks or financial institutions.
- xvi) In our opinion and according to the information and explanations given to us, the term loans taken have been applied for the purpose for which they were obtained.
- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that during the year short term funds have not been used to finance long term investments.
- xviii) The Company has not made any preferential allotment of shares during the year.
- xix) During the year, since the Company has not issued any debentures, paragraph 4(xix) of the Order is not applicable.
- xx) During the year, the Company has not raised any money by way of public issue.
- xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that, no fraud on or by the Company has been noticed or reported during the course of our audit for the year ended March 31, 2006.

**For A.F.FERGUSON & CO.**  
Chartered Accountants

Place : New Delhi  
Date : May 10, 2006

**MANJULA BANERJI**  
Membership No. 086423  
Partner



# Siel Limited

## BALANCE SHEET AS AT MARCH 31, 2006

	Schedule	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	1	1,831.53	2,428.70
Reserves and surplus	2	16,971.33	16,561.07
		<b>18,802.86</b>	18,989.77
<b>Loan funds</b>			
Secured	3	250.60	3,619.74
Unsecured		140.83	1,473.45
		<b>391.43</b>	5,093.19
<b>Total</b>		<b>19,194.29</b>	24,082.96
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	4	22,903.29	22,930.70
Less: Depreciation		8,420.41	7,441.52
Net block		14,482.88	15,489.18
Capital work-in-progress		125.68	95.04
		<b>14,608.56</b>	15,584.22
<b>Investments</b>			
	5	2,029.69	1,725.14
<b>Current assets, loans and advances</b>			
Inventories	6	715.60	483.56
Sundry debtors		954.64	719.46
Cash and bank balances		1,074.82	1,380.51
Loans and advances		3,549.04	4,395.53
		<b>6,294.10</b>	6,979.06
<b>Less: Current liabilities and provisions</b>			
Current liabilities	7	3,137.88	3,340.05
Provisions		600.18	315.14
		<b>2,556.04</b>	3,323.87
<b>Net current assets</b>			
Miscellaneous expenditure (to the extent not written off or adjusted)	8	-	21.67
Profit and loss account		-	3,428.06
<b>Total</b>		<b>19,194.29</b>	24,082.96
<b>Notes to accounts</b>	13		

Per our report attached  
For A.F. Ferguson & Co.  
Chartered Accountants

SIDDHARTH SHRIRAM  
Chairman and Managing Director

**MANJULA BANERJI**  
Membership No. 086423  
Partner

GOILA N.K.  
MEHRA A.K.  
MITTAL D.C.  
SINGH K.P.  
Directors

New Delhi  
May 10, 2006

SUSHIL JAIN  
Company Secretary

VISHNU DUTT  
Dy. General Manager (Accounts)



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

	Schedule	Year ended 31.03.2006 Rs. Lacs	Year ended 31.03.2005 Rs. Lacs
<b>Income</b>			
Gross Sales		24,182.23	21,995.59
Less : Excise duty		2,772.53	2,377.24
Net Sales		21,409.70	19,618.35
Other income	9	581.70	239.27
		<b>21,991.40</b>	<b>19,857.62</b>
<b>Expenditure</b>			
Manufacturing and other expenses	10	20,376.64	18,222.28
Interest	11	118.28	319.09
Depreciation	4	1,145.49	1,149.08
Miscellaneous expenditure written off		21.67	62.92
		<b>21,662.08</b>	<b>19,753.37</b>
<b>Profit/(Loss) before tax and exceptional items</b>		<b>329.32</b>	<b>104.25</b>
Exceptional Items	12	4,018.15	-
<b>Profit/(Loss) before tax after exceptional items</b>		<b>4,347.47</b>	<b>104.25</b>
<b>Provision for tax</b>			
Current tax		279.00	-
Fringe Benefit tax		18.16	-
<b>Profit/(Loss) after tax</b>		<b>4,050.31</b>	<b>104.25</b>

Profit from continuing operations before tax (refer note 21 of Schedule 13)	4,128.30	153.05
Current Tax	261.00	-
Fringe Benefit Tax	14.84	-
Profit from continuing operations after tax	<u>3,852.46</u>	<u>153.05</u>
Profit/(loss) from discontinuing operations before tax (refer note 21 of Schedule 13)	202.50	(48.80)
Current Tax	17.00	-
Fringe Benefit Tax	3.32	-
Profit from discontinuing operations after tax	<u>182.18</u>	<u>(48.80)</u>
Profit on Transfer of Edible Oil Business before Tax (refer note 21 of Schedule 13)	16.67	-
Current Tax	1.00	-
Fringe Benefit Tax	-	-
Profit on transfer of Edible Oil Business after tax	<u>15.67</u>	<u>-</u>

<b>Profit/(Loss) after tax</b>		<b>4,050.31</b>	<b>104.25</b>
<b>Appropriations</b>			
Capital redempiton reserve		877.17	-
Proposed Dividends			
- Preference shares		0.37	-
- Equity shares			
- Interim		1.83.15	-
Corporate Dividend Tax		25.74	-
		<b>2,963.88</b>	<b>104.25</b>
Balance of profit/ (loss) brought forward from previous year		<b>(3,428.06)</b>	<b>(3,532.31)</b>
<b>Balance carried to balance sheet</b>		<b>(464.18)</b>	<b>(3,428.06)</b>
Basic and diluted earnings per share (Rs.)		22.97	0.83
(Face value Rs. 10 per share)			

Notes to accounts 13

Per our report attached to the balance sheet  
For A.F. Ferguson & Co.  
Chartered Accountants

SIDDHARTH SHRIRAM  
Chairman and Managing Director

**MANJULA BANERJI**  
Membership No. 086423  
Partner

GOILA N.K.  
MEHRA A.K.  
MITTAL D.C.  
SINGH K.P.  
Directors

New Delhi  
May 10, 2006

SUSHIL JAIN  
Company Secretary

VISHNU DUTT  
Dy. General Manager (Accounts)

# Siel Limited

## Cash flow statement for the year ended March 31, 2006

	Year ended 31.03.2006 Rs. Lacs	Year ended 31.03.2005 Rs. Lacs
<b>A. Cash flow from operating activities :</b>		
Net Profit before tax after exceptional items	4,347.47	104.25
Add : Depreciation	1,145.49	1,149.08
Deferred revenue expenditure written off	21.67	62.92
Interest expense	118.28	319.09
Provision for diminution in the value of long term trade investment	3.45	-
Foreign Exchange (Gain)/Loss	(0.03)	(0.21)
Loss on sale/write off of fixed assets	0.22	1.70
Less : Interest income	60.38	38.55
Dividend on long term non-trade investment	0.43	0.25
Excess provision/liabilities written back	326.37	9.52
Principal amount of loan written back	-	16.92
Profit on transfer of edible oil business	16.67	-
Profit on sale of fixed assets	0.03	0.67
Surplus arisen from sale of long term non-trade investment	4,645.68	-
<b>Operating profit before working capital changes</b>	<b>586.99</b>	<b>1,570.92</b>
Adjustments for :		
Decrease/(Increase) in trade/other receivables	(214.69)	501.87
Decrease/(Increase) in inventories	(571.70)	(79.12)
(Decrease)/Increase in trade/other payables	383.00	(1,002.82)
<b>Cash generated from operations</b>	<b>183.60</b>	<b>990.85</b>
Direct taxes paid	(192.06)	(67.85)
<b>Net cash inflow/(outflow) from operations</b>	<b>(8.46)</b>	<b>923.00</b>
<b>B. Cash flow from investing activities :</b>		
Purchase of fixed assets	(209.69)	(126.64)
Sale of fixed assets	0.15	3.83
Loans/advances to subsidiaries companies	-	(2.36)
Investment in the subsidiary company	(5.00)	-
Sale of investment in subsidiary company	5,038.42	-
Expenditure incurred on sale of shares of subsidiary company	(558.25)	-
Dividend received	0.43	0.25
Loans/advances to subsidiaries received back	1,119.76	38.57
Interest received	65.07	44.00
<b>Net cash inflow/(outflow) from investing activities</b>	<b>5,450.89</b>	<b>(42.35)</b>
<b>C. Cash flow from financing activities :</b>		
Proceeds from issue of share capital	280.00	520.00
Redemption of Preference shares	(877.17)	-
Premium paid on redemption of preference shares	(167.54)	-
Proceeds from long term borrowings - secured	-	5.63
Repayment of long term borrowings - secured	(2,965.41)	(69.73)
Repayment of working capital borrowings	(403.73)	(102.30)
Repayment of borrowings - unsecured	(1,263.41)	(443.20)
Interest paid	(115.84)	(329.04)
Dividend paid	(183.52)	(11.77)
Corporate dividend tax paid	(25.74)	-
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(5,722.36)</b>	<b>(430.41)</b>

## Cash flow statement for the year ended March 31, 2006 (Contd.)

	Year ended 31.03.2006 Rs. Lacs	Year ended 31.03.2005 Rs. Lacs
<b>D. Net increase/(decrease) in cash and cash equivalents</b>	<b>(279.93)</b>	450.24
<b>E. Cash and cash equivalents as at opening*</b>		
Cash and bank balances	<b>678.84</b>	228.39
<b>Cash and cash equivalents as at closing</b>		
Cash and bank balances*	<b>398.94</b>	678.84
Effect of exchange rate changes on foreign currency bank balance	<b>(0.03)</b>	(0.21)
	<b>398.91</b>	678.63

\* Excludes balances with banks on margin account

*Per our report attached to the balance sheet  
For A.F. Ferguson & Co.  
Chartered Accountants*

SIDDHARTH SHRIRAM  
*Chairman and Managing Director*

**MANJULA BANERJI**  
Membership No. 086423  
Partner

GOILA N.K.  
MEHRA A.K.  
MITTAL D.C.  
SINGH K.P.  
*Directors*

New Delhi  
May 10, 2006

SUSHIL JAIN  
*Company Secretary*

VISHNU DUTT  
*Dy. General Manager (Accounts)*

# Siel Limited

## SCHEDULES 1 TO 13 ANNEXED TO AND FORMING PART OF THE ACCOUNTS

### Schedule 1 : SHARE CAPITAL

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
<b>Authorised</b>		
Equity - 7,00,00,000 shares of Rs.10 each	7,000.00	7,000.00
Preference - 5,00,000 13.5% Redeemable cumulative preference shares of Rs.100 each	500.00	500.00
- 25,00,000 0.01% Redeemable cumulative preference shares of Rs. 100 each	2,500.00	2,500.00
	<b>10,000.00</b>	<b>10,000.00</b>
<b>Issued, subscribed and paid-up</b>		
Equity - 1,03,15,302 (previous year 1,03,15,302) shares of Rs. 10 each fully paid-up	1,031.53	1,031.53
- 80,00,000 (previous year 80,00,000) shares of Rs. 10 each, fully paid-up (previous year Rs. 6.50 per share called and paid-up)	800.00	520.00
Preference - Nil (previous year 100) 13.5% Redeemable cumulative preference shares of Rs. 100 each fully paid-up redeemed during the year	-	0.10
- Nil (previous year 8,86,168 less 9,095 cancelled pursuant to a one time settlement with a Financial Institution) 0.01% Redeemable Cumulative Preference Shares (RCPS) of Rs. 100 each fully paid-up redeemed during the year	-	877.07
	<b>1,831.53</b>	<b>2,428.70</b>

#### Footnotes :

- 1 Pursuant to the Scheme of Arrangement (Scheme) as approved by the Hon'ble High Court of Delhi, which became effective upon filing of the certified copy of the said Order with the Registrar of Companies on September 5, 2003 (refer note 4 of Schedule 13) :
  - (i) the paid-up equity share capital of the Company had been reduced from Rs. 4126.12 lacs comprising of 4,12,61,206 equity shares of Rs.10 each fully paid-up to Rs. 1,031.53 lacs comprising of 1,03,15,302 equity shares of Rs.10 each fully paid-up by cancelling Rs. 3,094.59 lacs being the paid-up amount on 3,09,45,904 equity shares of Rs. 10 each fully paid-up. The reduction in capital had been approved under Section 100 of the Companies Act, 1956 by the High Court of Delhi vide its Order dated August 29, 2003.
  - (ii) the shareholders of the Company had been allotted 1 new equity share of Rs.10 each fully paid-up aggregating 103,15,302 equity shares for every 4 equity shares of Rs.10 each fully paid-up held by them in the Company on October 30, 2003, the record date which had been fixed for this purpose by the Board of Directors.
  - (iii) the shareholders of the Company have also been allotted three new equity shares of Rs.10 each fully paid-up aggregating 3,09,45,904 equity shares in Siel Sugar Limited now known as Mawana Sugars Limited for every four equity shares of Rs. 10 each fully paid-up held by them in the Company on October 30, 2003, the record date which had been fixed for this purpose by the Board of Directors.
  - (iv) The financial institutions / bank were to be issued 8,86,168 0.01% Redeemable Cumulative Preference Shares (RCPS) of Rs. 100 each in lieu of 12,63,593 8.5% Redeemable Cumulative Convertible Preference Shares (RCCPS) of Rs. 100 each fully paid-up held by them in proportion to their respective debts allocated as per the Scheme. Out of 886,168 0.01% RCPS, 877,073 have been issued and balance 9,095 RCPS held by one of the Financial Institutions had been cancelled pursuant to a one time settlement.

## Schedules 1 to 13 (Contd.)

### Schedule 1 : SHARE CAPITAL (Contd.)

- These preference shares redeemable in 4 annual instalments commencing from March 2008 and ending in March 2011 with redemption premium to give a yield of 6% per annum, have been redeemed during the year.
- 2 The issued, subscribed and paid-up equity share capital, before giving effect to the Scheme of Arrangement (Scheme) dated August, 26, 2003 (whereby the equity share capital was reduced to Rs. 1031.53 lacs from Rs. 4126.12 lacs) include :-
- 1,15,10,302 equity shares of Rs. 10 each allotted as fully paid-up pursuant to the Scheme of Amalgamation of erstwhile Shriram Industrial Enterprises Limited (SIEL) with the Company as approved by the High Court of Delhi vide its Order dated April 10, 1992 without payment being received in cash (Refer note 2 of schedule 13)
  - 469 equity shares of Rs.10 each, allotted as fully paid-up without payment being received in cash pursuant to the Scheme of Arrangement of the erstwhile India Hard Metals Limited (IHM), the then subsidiary of the Company as approved by the Board of Industrial and Financial Reconstruction vide its Order dated April 28, 1994.
  - 56,57,368 equity shares of Rs. 10 each fully paid-up allotted as bonus shares by capitalisation of share premium.
  - 12,15,679 equity shares of Rs. 10 each fully paid-up allotted against warrants issued alongwith 13% secured redeemable non-convertible Debentures (NCDs) of Rs. 100 each.
  - 73,17,000 equity shares of Rs. 10 each issued to certain companies on preferential basis at a premium of Rs. 2.30 per share.
- 3 80,00,000 (previous year 80,00,000) equity shares of Rs. 10 each fully paid-up (previous year Rs 6.50 per share called and paid-up) issued at par to Mawana Sugars Limited in terms of the Scheme as approved by the Hon'ble High Court of Delhi.
- 4 13.5% Nil (previous year 100) Redeemable Cumulative Preference Shares, redeemable together with premium, if any, agreed to be paid on redemption at any time or times after such date or dates as the directors may determine after giving one month's notice, have been redeemed during the year.

### Schedule 2 : RESERVES AND SURPLUS

	As at 31.03.2005 Rs. Lacs	Additions Rs. Lacs	Deductions Rs. Lacs	As at 31.03.2006 Rs. Lacs
Capital	387.15	-	-	387.15
Share premium	9,676.70	-	2.73 a	9,673.97
Capital redemption reserve	-	877.17 b	-	877.17
Restructuring reserve	6,497.22	-	6,497.22 c	-
General Reserve	-	6,497.22	-	6,497.22
Deduct debit balance in profit and loss account	-	-	-	464.18
	16,561.07	7,374.39	6,499.95	16,971.33

#### Footnotes:

- a Applied in providing for premium paid on redemption of 0.01% Redeemable cumulative preference shares.
- b Capital Redemption Reserve created pursuant to redemption of 0.01% Redeemable cumulative preference shares and 13.5% Redeemable cumulative preference shares.
- c On sale of shares of Shivajimarg Properties Limited (SPL), the restructuring reserve of Rs. 6497.22 lacs created on transfer of land to SPL, pursuant to the Scheme referred to in note 4 of schedule 13 stands realised and has been transferred to General reserve.

# Siel Limited

## Schedules 1 to 13 (Contd.)

### Schedule 3 : LOANS

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
<b>Secured</b>		
Banks		
Working capital demand loans	250.60	654.33
Term loans	-	305.13
Funded Interest term loan	-	418.55
Financial institutions		
Term loans	-	1,159.56
Funded interest term loans	-	1,082.17
	<b>250.60</b>	<b>3,619.74</b>
<b>Unsecured</b>		
Deposits		
Fixed #	4.43	18.96
Others	109.03	180.28
Interest accrued and due thereon	-	3.88
Other loans and advances - others##	27.37	1,270.33
	<b>140.83</b>	<b>1,473.45</b>
	<b>391.43</b>	<b>5,093.19</b>

#### Footnotes :

# Do not include any amounts outstanding as on March 31, 2006 which are required to be credited to the Investor Education and Protection Fund.

## Includes Rs. 27.37 lacs (previous year Rs. 1270.33 lacs) due to Mawana Sugars Limited.

#### SECURED

##### 1. WORKING CAPITAL - BANKS

- i) Rs. 250.60 lacs (previous year Rs. 654.33 lacs) working capital demand loans are secured by hypothecation of stocks/stores, book debts/receivables and second charge on fixed assets. (Due within a year Rs. 250.60 lacs; previous year Rs. 654.33 lacs).
- ii) Funded interest term loans amounting to Rs. Nil (previous year Rs. 129.20 lacs) are secured by first pari-passu charge on the current assets i.e. book debts and inventories. (Due within a year Rs. Nil; previous year Rs. Nil).

The working capital facilities will be further secured by personal guarantee of Chairman and Managing Director.

All existing charges on the assets of Mawana Sugars Limited held by the working capital providers of the Company shall be vacated.

##### 2. TERM LOANS – FINANCIAL INSTITUTIONS / BANKS

- i) Term loan amounting to Rs. Nil from a Bank (previous year Rs. 305.13 lacs) apportioned to the Company pursuant to the Scheme were secured / to be secured by way of first pari-passu charge on the fixed assets and second charge on current assets of the Company (Due within a year Rs. Nil ; previous year Rs. 27.74 lacs).
- ii) Funded interest term loan amounting to Rs. Nil (previous year Rs. 289.35 lacs) from a bank which were secured/to be secured by first pari-passu charge on fixed assets and second charge on the current assets of the Company. (Due within a year Rs. Nil; previous year Rs. Nil).
- iii) Term loans amounting to Rs. Nil from financial institutions (previous year Rs. 1159.56 lacs) apportioned to the

## Schedules 1 to 13 (Contd.)

### Schedule 3 : LOANS (contd.)

Company pursuant to the Scheme are secured/to be secured by way of first pari-passu charge on the fixed assets and second charge on current assets of the Company (Due within a year Rs. Nil; previous year Rs. 105.42 lacs).

- iv) Funded interest term loans amounting to Rs. Nil (previous year Rs. 1082.17 lacs) from financial institutions are secured/ to be secured by first pari-passu charge on fixed assets and second charge on the current assets of the Company. (Due within a year Rs. Nil; previous year Rs Nil).

On repayment of loans at (i) to (iv) above the personal guarantee of Chairman and Managing Director has been released by all lenders except one. The Company's registered trade marks are yet to be released.

All existing charges on assets of Mawana Sugars Limited held by lenders of the Company shall be vacated.

The existing charges on the assets of the Company created in favour of lenders on the loans / debentures outstanding prior to the Scheme shall be vacated.

### Schedule 4 : FIXED ASSESTS

Description	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at 31.03.2005 Rs. Lacs	Additions Rs. Lacs	Deductions Rs. Lacs	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs	For the year Rs. Lacs	On deductions Rs. Lacs	As at 31.03.2006 Rs. Lacs	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
Land	417.75	-	-	417.75	-	-	-	-	417.75	417.75
Buildings	1,007.79	20.00	-	1,027.79	166.23	27.29	-	193.52	834.27	841.56
Plant and machinery	21,262.69	137.75	81.12	21,319.32	7,125.68	1,102.29	80.91	8,147.06	13,172.26	14,137.01
Furniture and fixtures	53.47	21.30	-	74.77	35.77	2.58	-	38.35	36.42	17.70
Vehicles	66.60	-	2.94	63.66	39.71	4.58	2.81	41.48	22.18	26.89
Trade mark	122.40	-	122.40 #	-	74.13	8.75	82.88#	-	-	48.27
Current year	22,930.70	179.05	206.46	22,903.29	7,441.52	1,145.49	166.60	8,420.41	14,482.88	
Previous year	22,875.56	88.52	33.38	22,930.70	6,320.96	1,149.08	28.52	7,441.52		15,489.18
Capital work-in-progress including capital advances									125.68	95.04
									14,608.56	15,584.22

#### Footnotes :

#Transferred to "Siel Edible Oils Limited" (Refer Note 21 of Schedule 13)



# Siel Limited

## Schedules 1 to 13 (Contd.)

### Schedule 5 : INVESTMENTS

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
<b>AT COST UNLESS OTHERWISE STATED</b>		
<b>Non-trade investments - Quoted</b>		
— Mawana Sugars Limited \$ 50000 Equity shares of Rs. 10 each fully paid-up	5.00	5.00
<b>Trade investments - Unquoted</b>		
— Ceratizit India Pvt. Limited 2300000 Equity shares of Rs. 5 each fully paid-up Less: Provision for diminution in value	230.00 118.45	230.00 115.00
— Capaxil Agencies Limited * 5 Equity shares of Rs.1000 each fully paid-up	0.05	0.05
— Agro Pumpsets and Implements Limited 10 Equity shares of Rs. 500 each fully paid-up	0.05	0.05
<b>Non-trade investments - Unquoted</b>		
— Government securities	0.04	0.04
<b>Investment in subsidiary companies</b>		
<b>Non - trade</b>		
<b>Quoted</b>		
— Siel Financial Services Limited 9011982 Equity shares of Rs. 10 each fully paid-up Less: Provision for diminution in value	2,029.67 2,029.67	2,029.67 2,029.67
<b>Unquoted</b>		
— Siel Financial Services Limited 730000 Preference shares of Rs.100 each fully paid-up Less: Provision for diminution in value	730.00 730.00	730.00 730.00
— Siel Industrial Estate Limited 20000000 Equity shares of Rs.10 each fully paid-up Less: Provision for diminution in value	2,000.00 500.00	2,000.00 500.00
— SFSL Investments Limited 15000000 Equity shares of Rs.10 each fully paid-up Less: Provision for diminution in value	1,500.00 1,500.00	1,500.00 1,500.00
— Transiel India Limited (Refer Note 11 of Schedule 13) 5000007 Equity shares of Rs.10 each fully paid-up Less: Provision for diminution in value	500.00 500.00	500.00 500.00
— 1000000 15% Preference shares of Rs. 100 each fully paid-up Less: Provision for diminution in value	1,000.00 900.00	1,000.00 900.00
— Shivajimarg Properties Limited Nil (Previous year 50000) Equity shares of Rs. 10 each fully paid-up	—	5.00
— Siel Edible Oils Limited# 3130000 (Previous year Nil) Equity shares of Rs. 10 each fully paid-up	313.00	—
	<b>2,029.69</b>	<b>1,725.14</b>
<b>Aggregate value of investments</b>		
Quoted (Market value - Rs. 62.70 lacs; previous year Rs. 37.88 lacs)	5.00	5.00
Unquoted	2,024.69	1,720.14
	<b>2,029.69</b>	<b>1,725.14</b>

#### Footnotes:

All investments are long term investments.

\$ A company under same management.

\* Represent investments transferred from DCM Limited under the Scheme of Arrangement and are pending endorsement in the name of the Company.

Movements in investments during the year

Additions - Unquoted

3130000 Equity shares of Rs. 10 each fully paid up of Siel Edible Oils Limited

Deduction - Unquoted

50,000 Equity shares of Rs. 10 each fully paid up of Shivajimarg Properties Limited

# 3080000 Equity shares of Rs.10 each allotted on 31.3.06 by Siel Edible Oils Ltd. (SEOL). Share certificates are yet to be issued by SEOL.

## Schedules 1 to 13 (Contd.)

### Schedule 6 : CURRENT ASSETS, LOANS AND ADVANCES

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
<b>Current assets</b>		
<b>Inventories</b>		
Stores and spares (at cost or under)	296.48	146.51
Stock in trade (At lower of cost and net realisable value)		
Raw materials, components etc.	261.03	112.87
Work-in-progress	86.53	69.35
Finished goods	71.56	154.83
	<u>715.60</u>	<u>483.56</u>
<b>Sundry debtors</b>		
<b>Secured</b>		
Over six months - good	-	0.79
Other debts - good	213.16	164.51
<b>Unsecured</b>		
Over six months - good	0.40	0.40
- doubtful	835.54	1,405.85
Other debts - good	741.08	553.76
	<u>1,790.18</u>	<u>2,125.31</u>
Less: Provision for doubtful debts	835.54	1,405.85
	<u>954.64</u>	<u>719.46</u>
<b>Cash and bank balances</b>		
Cash in hand	7.88	6.39
Cheques on hand	75.00	46.01
With scheduled banks on		
Current accounts	298.89	609.86
Deposit accounts	17.17	16.58
Margin accounts	659.47	680.57
Interest accrued on deposits and margin money	16.41	21.10
	<u>1,074.82</u>	<u>1,380.51</u>
<b>Loans and advances</b>		
Unsecured and considered good unless otherwise stated		
Loans and advances to subsidiary companies*		
Considered good	0.34	1,085.10
Considered doubtful	1,523.81	1,558.81
Advances recoverable in cash or in kind or for value to be received		
Considered good **	1,773.27	1,750.70
Considered doubtful	41.53	51.34
Taxation	1,597.45	1,423.55
With customs/excise authorities	177.98	136.18
	<u>5,114.38</u>	<u>6,005.68</u>
Less: Provision for doubtful advances	1,565.34	1,610.15
	<u>3,549.04</u>	<u>4,395.53</u>
	<u>6,294.10</u>	<u>6,979.06</u>

# Siel Limited

## Schedules 1 to 13 (Contd.)

### Schedule 6 : CURRENT ASSETS, LOANS AND ADVANCES (contd.)

#### Footnotes:

- \* Dues from subsidiaries represent non interest bearing loans / advances which can be recalled on demand:
- Loans/advances to Siel Financial Services Limited Rs. 365.88 lacs and considered doubtful of recovery (given prior to insertion of section 372 A on October 31, 1998) (previous year Rs. 400.88 lacs). Maximum amount due during the year Rs. 400.88 lacs (previous year Rs. 400.88 lacs).
  - Loans/ advances to SFSL Investments Limited, a wholly owned subsidiary Rs. 1157.93 lacs and considered doubtful of recovery (previous year Rs. 1157.93 lacs). Maximum amount due during the year Rs. 1157.93 lacs (previous year Rs. 1196.50 lacs).
  - Advances to Shivajimarg Properties Limited, a wholly owned subsidiary upto September 15, 2005 pursuant to the Scheme Rs. Nil (previous year Rs. 1085.10 lacs). Maximum amount due during the year Rs. 1085.10 lacs (previous year Rs. 1085.10 lacs).
  - Advances to Siel Edible Oils Limited Rs. 0.34 lac (previous year Rs. Nil). Maximum amount due during the year Rs. 0.34 lac (previous year Rs. Nil)

#### \*\* Includes:

- Loans/advances to The Jay Engineering Works Limited as per the BIFR scheme Rs. 777 lacs (previous year Rs. 777 lacs). Maximum amount due during the year Rs. 777 lacs (previous year Rs. 1077 lacs).

### Schedule 7 : CURRENT LIABILITIES AND PROVISIONS

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
<b>Current liabilities</b>		
Sundry creditors #		
- Dues of small scale industrial undertakings (refer Note 13 of Schedule 13)	44.84	17.83
- Dues of other than small scale industrial undertakings *	3,091.76	3,320.25
Interest accrued but not due on loans	1.28	1.97
	<u>3,137.88</u>	<u>3,340.05</u>
<b>Provisions</b>		
Income tax provision	542.28	263.29
Employees leave encashment	57.90	51.85
	<u>600.18</u>	<u>315.14</u>
	<u>3,738.06</u>	<u>3,655.19</u>

#### Footnotes :

- \* - Includes Rs. 73.52 lacs (previous year Rs. 77.30 lacs) due to subsidiaries.  
- Includes an amount of Rs. Nil (previous year Rs. 300 lacs) payable to financial institution pursuant to the Scheme of Arrangement.
- # Sundry creditors do not include any amounts outstanding as on March 31, 2006 which are required to be credited to the Investor Education and Protection Fund.

## Schedules 1 to 13 (Contd.)

### Schedule 8 : MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
Deferred revenue expenditure		
Voluntary retirement scheme	-	21.67
	-	21.67

### Schedule 9 : OTHER INCOME

	Year ended 31.03.2006 Rs. Lacs	Year ended 31.03.2005 Rs. Lacs
Export benefits	0.86	1.90
Dividend - on long term non-trade investments (Gross)	0.43	0.25
Interest received on term deposit etc (Gross)*	60.38	38.55
Profit on sale of fixed assets	0.03	0.67
Excess provisions /liabilities written back**	448.43	31.12
Principal amount of loan written back	-	16.92
Exchange gain	1.63	5.65
Commission received	24.50	41.47
Miscellaneous	45.44	102.74
	<b>581.70</b>	<b>239.27</b>

#### Footnotes:

\* Income-tax deducted at source Rs. 12.36 lacs (previous year Rs. 6.64 lacs).

\*\* Includes Rs. 326.37 lacs (previous year Rs. 9.52 lacs) provision for doubtful debts/advances no longer required written back.

### Schedule 10 : EXPENDITURE

	Year ended 31.03.2006 Rs. Lacs	Year ended 31.03.2005 Rs. Lacs
<b>Manufacturing and other expenses</b>		
Purchases-finished goods	5,328.46	5,309.05
Raw materials consumed	1,998.12	1,380.11
Stores, spares and components	2,379.18	1,933.79
Jobs on contract	112.46	137.73
Power and fuel	8,778.20	7,290.13
Repairs - buildings	25.14	25.76
- plant and machinery	90.63	58.90
- others	33.60	22.69
Salaries, wages, bonus etc.	801.45	779.97
Provident and other funds	74.83	102.03
Carried forward	<b>19,622.07</b>	<b>17,040.16</b>

# Siel Limited

## Schedules 1 to 13 (Contd.)

### Schedule 10 : EXPENDITURE (contd.)

	Year ended 31.03.2006 Rs. Lacs	Year ended 31.03.2005 Rs. Lacs
Brought forward	<b>19,622.07</b>	17,040.16
Welfare	<b>47.32</b>	44.88
Rent	<b>19.54</b>	36.01
Lease rent	<b>78.65</b>	55.66
Insurance	<b>67.47</b>	70.50
Rates and taxes	<b>18.59</b>	69.55
Legal and professional	<b>78.77</b>	131.79
Increase/(decrease) in excise duty provision on stocks	<b>0.41</b>	6.80
Auditors' remuneration		
As auditors		
-Audit fee	<b>10.00</b>	10.80
-Out of pocket expenses	<b>0.26</b>	0.26
In other capacity		
-For Consolidated Financial Statements	<b>1.50</b>	2.20
-For limited reviews of unaudited financial results	<b>14.24</b>	7.99
-For corporate governance and other certification works	<b>1.34</b>	1.21
-For tax audits	<b>2.80</b>	2.76
Loss on sale/write-off of fixed assets	<b>0.22</b>	1.70
Provision for diminution in value of long term trade investment	<b>3.45</b>	-
Freight outwards	<b>109.54</b>	111.32
Donations	-	8.85
Miscellaneous	<b>574.04</b>	614.02
	<b>20,650.21</b>	18,216.46
Movements of finished goods and process stocks		
Opening stocks		
Work-in-progress	<b>69.35</b>	71.23
Finished goods	<b>154.83</b>	158.77
	<b>224.18</b>	230.00
Less: Closing stocks		
Work-in-progress	<b>86.53</b>	69.35
Finished goods	<b>411.22 @</b>	154.83
	<b>497.75 (273.57)</b>	224.18 5.82
	<b>20,376.64</b>	18,222.28

\*Includes Rs. Nil (Previous year Rs. 0.80 lac) service tax relating to previous year(s).

@ Includes Rs. 339.66 lacs transferred to Siel Edible Oils Limited (Refer note 21 of Schedule 13)

## Schedules 1 to 13 (Contd.)

### Schedule 11 : INTEREST

	Year ended 31.03.2006 Rs. Lacs	Year ended 31.03.2005 Rs. Lacs
On loans for fixed period	83.00	190.80
Others	35.28	128.29
	118.28	319.09

### Schedule 12 : EXCEPTIONAL ITEMS

	Year ended 31.03.2006 Rs. Lacs	Year ended 31.03.2005 Rs. Lacs
Surplus arisen from sale of long term non-trade investment (refer note 4(b) of schedule 13)	4,645.68	-
Profit on transfer of Edible Oil Business (refer note 21 of schedule 13)	16.67	-
	4,662.35	-
Less :		
Compensation paid to Chairman and Managing Director and his family for executing non-compete undertaking (refer note 12 of schedule 13)	(644.20)	-
	4,018.15	-

### Schedule 13 : NOTES TO ACCOUNTS

#### 1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards and relevant presentational requirements of the Companies Act, 1956 and are based on the historical cost convention. The significant accounting policies followed are stated below:

(a) Fixed assets:

Fixed assets are stated at cost of acquisition/construction less accumulated depreciation. The cost includes all pre-operative expenses relating to construction year in the case of new projects and expansion of existing factories.

(b) Depreciation:

(i) The Company follows the straight-line method of depreciation (SLM).

(ii) The rates of depreciation charged on all fixed assets are those specified in Schedule XIV to the Companies Act, 1956, except for trademarks, which are depreciated over a period of fourteen years.

(iii) Depreciation is not provided on assets sold/discarded during the year.

(iv) Depreciation is calculated on a pro-rata basis from the month of acquisition/installation of the asset and in case of assets costing upto Rs. 5,000 each, such asset is fully depreciated in the year of purchase.

# Siel Limited

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## Schedules 1 to 13 (Contd.)

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### Schedule 13 : NOTES TO ACCOUNTS (Contd.)

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- (c) Investments:  
Investments are stated at cost less provision for permanent diminution in value of long-term investments, if any.
- (d) Inventories:  
Stores and spares are valued at cost or under.  
Raw materials, components, work-in-progress and finished goods are valued at lower of cost and net realisable value.  
Cost of inventory is ascertained on the 'weighted average' basis. Further, in respect of the manufactured inventories, i.e. process stocks and finished goods, an appropriate share of manufacturing expenses is included on absorption costing basis.  
Finished goods purchased for resale are valued at cost or net realisable value, whichever is lower.
- (e) Revenue recognition:  
Sale of goods is recognised at the point of despatch of finished goods to customers. Sales are inclusive of excise duty and exclusive of sales tax.
- (f) Research and development expenditure:  
Revenue expenditure on research and development is expensed out under the respective heads of account in the year in which it is incurred.
- (g) Retirement benefits:  
The Company has various schemes of retirement benefits such as provident fund, superannuation fund, gratuity fund and leave encashment. The Company's contributions to these funds recognised by the income-tax authorities and the provision for employees' leave encashment determined on an actuarial basis at the year end are charged against revenue every year except that contribution to the gratuity fund of Rs. 338.92 lacs (previous year Rs. 336.64 lacs) though provided for in the books of account has not yet been funded.
- (h) Income-tax:  
Income-tax is ascertained in accordance with the provisions of the Income-tax Act, 1961.
- (i) Foreign exchange transactions:  
Exchange differences are dealt with as follows:-  
Transactions in foreign currency are recorded at the exchange rate prevailing at the time of the transaction. In case of liabilities relating to the acquisition of fixed assets from a country outside India, the loss or gain on translation (at the rates prevailing at the year end or at the forward rates where forward cover has been taken) and roll over charges in respect of forward cover is included in the carrying amount of the related fixed assets and loans.  
Current assets (other than inventories) and current liabilities, (other than relating to fixed assets) are restated at the rate prevailing at the year end. In respect of forward contracts, the forward premium or discount is recognised as income or expense over the life of contract in the profit and loss account and the exchange difference between the exchange rate prevailing at the year end and the date of the inception of the forward exchange contract is recognised as income or expense in the profit and loss account.
- (j) Share/debenture issue expenses and premium on redemption of debentures/redeemable cumulative preference shares are written-off against share premium account.
- (k) Write-off of miscellaneous expenditure:  
Deferred revenue expenditure is written off over a period of three years.
2. Pursuant to the Scheme of Amalgamation of the erstwhile Shriram Industrial Enterprises Limited (SIEL) with the Company, as approved by the High Court of Delhi vide its Order dated April 10, 1992 which became effective on May 20, 1992 on filing of the certified copy of the Order of the High Court with the Registrar of Companies, Delhi and Haryana, all the properties, assets, liabilities and reserves of the erstwhile SIEL were transferred to and vested in the Company with effect from the transfer date i.e. April 1, 1990 including those vested in and transferred to the erstwhile SIEL pursuant to the Scheme of Arrangement of DCM Limited approved by the High Court of Delhi by its Order dated April 16, 1990.

## Schedules 1 to 13 (Contd.)

### Schedule 13 : NOTES TO ACCOUNTS (Contd.)

3. Pursuant to the Scheme of Arrangement under Section 391 to 394 of the Companies Act, 1956, approved by the High Court of Delhi vide its Order dated July 22, 1996, which became effective on August 29, 1996, on filing of the certified copy of the Order of the High Court of Delhi with the Registrar of Companies, NCT Delhi and Haryana, the Compressors, Appliances and Hard Metals businesses, together with all the property, rights and powers and all the liabilities and duties thereof at their respective book values had been transferred to and vested in the then subsidiary companies namely Siel Compressors Limited, Siel Aircon Limited and Siel Tizit Limited respectively with effect from April 1, 1996, the transfer date.
4. (a) Pursuant to the Scheme of Arrangement (Scheme) under section 391 to 394 of the Companies Act, 1956 approved by the Hon'ble High Court of Delhi vide its Order dated August 26, 2003, which became effective on September 5, 2003 on filing of the certified copy of the Order of the High Court of Delhi with the Registrar of Companies, NCT Delhi and Haryana and consequent thereto:-
- (i) The sugar business comprising the undertakings of Mawana Sugar Works and Titawi Sugar Complex together with all properties, assets both movable and immovable and liabilities, including contingent liabilities at their respective book values have been transferred to and vested in Mawana Sugars Limited (formerly Siel Sugar Limited) with effect from October 1, 2002, the appointed date.
  - (ii) The land admeasuring 24.88 acres situated at 15, Shivaji Marg, New Delhi alongwith all rights, entitlements, easements and other conveniences attached thereto or known to be attached thereto at a realisable value (net of cost of sales) have been transferred to and vested in Shivajimarg Properties Limited (SPL), a 100% subsidiary of the Company with effect from October 1, 2002.
  - (iii) Certain specified investments of the Company alongwith all rights, privileges, benefit properties, assets and liabilities comprised therein at a realisable value (net of cost of sales) have been transferred to and vested in Siel Holdings Limited (SHL) with effect from October 1, 2002.
  - (iv) The Company has considered the impact of financial restructuring resulting in extinguishment of redeemable cumulative convertible preference shares (RCCPS), reduction of principal amount and waiver of interest on term liabilities to financial institutions as on October 1, 2002.
  - (v) The Company has considered additional liability of Rs. 300 lacs payable to a financial institution at any time during the currency of the period of the Scheme in terms of the Order of the High Court.
- (b) During the year, the Company has sold the equity shares of Shivajimarg Properties Limited (SPL) to a party, for a consideration of Rs. 26,730.00 lacs. In terms of the Scheme referred to in (a) above, Rs. 20,235.00 lacs received after meeting SPL obligations of Rs. 6,495.00 lacs have been first appropriated towards specified liabilities of interest recompense to SPL lenders, payments to financial institutions (including dues of Mawana Sugars Limited of Rs.1,857.50 lacs) aggregating to Rs. 7,139.44 lacs and the surplus of Rs. 13,095.56 lacs remaining thereafter have been utilized towards payment of term debts of Mawana Sugars Limited amounting to Rs. 8,057.12 lacs. The Company's dues to a financial institution of Rs. 300.00 lacs is no longer payable and has been credited to the surplus account. After discharge of the aforesaid balance, the surplus of Rs. 4,645.68 lacs after adjusting the book value of investments in SPL of Rs. 5.00 lacs and expenses aggregating Rs. 687.76 lacs incurred on sale of shares has been credited under "Exceptional Items" in the profit and loss account.
- (c) Pursuant to the sale of equity shares of SPL, the term debts of the Company aggregating to Rs. 2,936.91 lacs have been repaid and stand so discharged.
- (d) The Company had surrendered on October 23, 2003 possession of 46.58 acres of its land at 15, Shivaji Marg, New Delhi to the Delhi Development Authority (DDA) pursuant to the order of Hon'ble Supreme Court.
- The matter regarding compensation for this surrender is sub-judice before Hon'ble Supreme Court under a review petition.
- In terms of the share purchase agreement entered into with a party for the sale of equity shares of Shivajimarg Properties Limited (SPL), the Company has extended protection to the party, that the Company shall compensate



# Siel Limited

## Schedules 1 to 13 (Contd.)

### Schedule 13 : NOTES TO ACCOUNTS (Contd.)

the party by providing them additional land for any loss of buildable area suffered by the party on account of an order passed by Supreme Court whereby the additional Floor Area Ratio (FAR) on the land granted by Supreme Court is withdrawn or curtailed subject however to the following conditions:

- (i) That additional area of land shall be given by the Company to the party only if the surrendered land is returned to the Company under the Order of the Hon'ble Supreme Court in the Review petition and the order is with the stipulation that the returned land is to be used in accordance with the Master Plan and the additional FAR earlier granted for the land is curtailed .
  - (ii) The additional area of the land, if any, to be provided by the Company to the party shall be in proportion to the reduction, if any, in percentage of additional FAR.
  - (iii) The said protection to the party by the Company shall be valid only upto the sanction of the party's building plan by the appropriate authorities or for the period of 12 months from the completion of the transaction relating to purchase of equity shares of SPL pursuant to the signing of the Share purchase agreement on September 15, 2005, which ever is earlier.
5. Capital redemption reserve, dividend on preference shares and interim dividend at the rate of 10% on equity shares have been appropriated out of the profits available for dividend, ascertained in accordance with the provisions of proviso (b) of Section 205(1) of the Companies Act, 1956.

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
6. Capital commitments (net of advances)	142.58	7.00
7. Contingent liabilities		
(a) Claims not acknowledged as debts:-*		
In respect of :-		
- Income tax	1470.20	958.03
- Sales tax	831.50	933.20
- Excise duty	114.17	136.58
- Customs duty	-	37.39
- Licence fee for railway siding	606.83	606.83
- Supplier's claim	156.24	681.12
- Others	108.02	111.44
* All the above matters are subject to legal proceedings in the ordinary course of business. The legal proceedings, when ultimately concluded will not, in the opinion of management, have a material effect on the results of operation or financial position of the Company.		
(b) Bills discounted	134.63	34.21
(c) Unpaid preference dividend on 13.5% Preference shares for the years ended September 30, 1998, 1999, 2000, 2001, eighteen months ended March 31, 2003 years ended March 31, 2004 and March 31, 2005	-	0.10
(d) Unpaid preference dividend on 0.01% Preference shares for six months ended March 31, 2003, year ended March 31, 2004 and March 31, 2005.	-	0.22
(e) The Company has provided bank guarantees aggregating Rs. 1260 lacs to Tecumseh Products India Limited (TPIL), to whom it had sold the compressor business in a previous year, for any loss, damage, claim, action, suit etc., arising from various representations /breach of representations including for contingent liabilities existing as at March 31, 1997, or prior to March 31, 1997, which TPIL may eventually be liable to pay.		

## Schedules 1 to 13 (Contd.)

### Schedule 13 : NOTES TO ACCOUNTS (Contd.)

In the previous year, TPIL had received excise demands aggregating to Rs. 392 lacs (including interest of Rs. 224 lacs) for the period August 1990 to April 1992, which was paid by it to the concerned authorities. Amounts so paid were reimbursed by the Company to TPIL. Based on legal advice, the Company had accounted for the maximum possible exposure of Rs. 90 lacs in this regard in the profit and loss account in the previous year and the balance amount of Rs. 302 lacs has been included under "Loans and advances recoverable in cash or kind or for value to be received" in Schedule 6.

8. Consequent to import of plant and machinery in previous years, the balance of export obligation pending as at March 31, 2006 is US\$ 50.12 millions.

During the year, the Board of Directors of the Company, on a review of the status of the export obligation, were of the view that it is unlikely for the Company to fulfill the export obligation within the stipulated time period (i.e. March 30, 2007).

As per the existing policy, the DGFT may consider requests for grant of extension in export obligation period for a period of two years provided the exporter chooses to do any of the following for each year of extension sought :-

- (i) Pay a composition fee of 2% of the total duty saved; or
- (ii) Accept enhancement in export obligation imposed to the extent of 10% of the total export obligation imposed.

The Foreign trade policy with effect from April 1, 2006 states that a further extension of two years to the above extension could be considered by DGFT upon the exporter depositing 50% of the duty payable in proportion to the unfulfilled export obligation. In case the exporter is still not able to complete the export obligation the duty already deposited will be deducted from total duty plus interest to be paid for default in the export obligation.

The management of the Company is exploring various avenues available in the current scenario and would then file an application with the DGFT. At this stage, the Company is not in a position to estimate the liability that would devolve with respect to the export obligation pending filing of the application with the DGFT and its final outcome.

9. There are various issues relating to sales tax, income tax etc. arisen/arising out of the reorganisation arrangement of DCM Limited which will be settled and accounted for in terms of the Scheme of Arrangement of DCM Limited and memorandum of understanding between all the companies involved as and when the liabilities/benefits are fully determined.

In the opinion of the management, having regard to the current status of the assessment proceedings at various stages, the effect of these matters on the accounts could not be determined at this stage.

10. The Company had advanced an interest free loan of Rs. 777 lacs (previous year Rs. 777 lacs) to Jay Engineering Works Limited (JEW).

As per the latest audited balance sheet, JEW has accumulated losses of Rs. 2652.28 lacs as against equity capital and reserves of Rs. 2428.98 lacs upto March 31, 2005. In view of the revised restructuring plan approved by Board for Industrial and Financial Reconstruction (BIFR), the management is of the view that no provision in respect of its financial exposure amounting to Rs. 777 lacs in JEW is necessary at this stage.

11. The Company has an investment of Rs. 1500 lacs, comprising Rs. 1000 lacs in preference shares and Rs. 500 lacs in equity shares of Transiel India Limited (Transiel), a wholly owned subsidiary. As per the latest audited balance sheet, Transiel has accumulated losses of Rs. 1426.25 lacs upto March 31, 2006. The Company, as a measure of prudence, has made a total provision of Rs. 1400.00 lacs for the estimated diminution in the value of investment on the basis of its own assessment of the erosion of the net worth of the subsidiary. The management has confirmed to auditors that the provision made is adequate and the remaining balance of investment is good and fully recoverable.

12. The Company and Mr. Siddharth Shriram, had entered into Non-Compete Agreements whereby the Company and Mr. Siddharth Shriram and his family had inter-alia agreed not to engage, directly or indirectly, in the manufacturing, selling or repairing of Compressors and parts thereof as would compete with Tecumseh Products Company, TPC Mauritius Holdings, Tecumseh India Private Limited and Siel Compressors Limited, in any country of the world for a period of 15 years from the date of the Agreements for an aggregate consideration of US \$ 18 million i.e. Rs. 6442.00 lacs to the Company. In connection with this agreement, Mr. Siddharth Shriram had requested the Board

# Siel Limited

## Schedules 1 to 13 (Contd.)

### Schedule 13 : NOTES TO ACCOUNTS (Contd.)

of Directors to consider an appropriate compensation for his family for giving up the valuable right as described above in the interest of Siel Limited.

During the year, the Board of Directors of the Company had considered the aforesaid request by determining and paying a sum of Rs. 644.20 lacs in full and final settlement to Mr. Siddharth Shriram towards compensation for him and his family to execute a non-compete undertaking at the time of sale of the Compressor business of the Company, which has been included under exceptional items in the profit and loss account.

13. (a) The Company has not received any claim for interest from any supplier covered under the "Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993" to the extent such parties have been identified from the available information.
- (b) The names of small scale industrial undertakings to whom the Company owes amount outstanding for more than 30 days as at March 31, 2006 are as under:-
- Ash Bee Systems, Chandigarh Electro Controls, Deeksha Packaging, Engindia Rubbers Pvt. Ltd., Ganesh Mechancial Works, Hi-Tech Rubber Products, North Street Cooling Towers Pvt. Ltd., Manbik Graphics Pvt. Ltd., Mohindra Packing Industries, Lord Krishna Poly Plast, Poly Bag Overseas, Sanghvi Pharma Chem Pvt. Ltd., and Solvay Vishnu Barium Pvt. Ltd.
- (c) The above information has been compiled in respect of parties to the extent to which they could be identified as small scale and ancillary undertakings on the basis of information available with the Company.
14. (a) The provision for current tax represents Minimum Alternate Tax under Section 115 JB of the Income Tax Act, 1961.
- (b) As the Company has substantial unabsorbed depreciation and carry forward losses under the Income-tax Act, 1961 and is unlikely to have taxable income in the foreseeable future, in accordance with Accounting Standard (AS) 22 issued by the Institute of Chartered Accountants of India, the net deferred tax asset has not been recognised in these accounts.
15. Segment reporting
- A. Business segments:
- Based on the guiding principles given in Accounting Standard AS-17 "Segment Reporting" issued by the Institute of Chartered Accountants of India, the Company's business segments include: Chemicals and edible oils.
- B. Geographical segments:
- Since the Company's activities/operations are primarily within the country and considering the nature of products/services it deals in, the risk and returns are same and as such there is only one geographical segment.
- C. Segment accounting policies:
- In addition to the significant accounting policies applicable to the business segments as set out in note 1 of schedule 13 "Notes to Accounts", the accounting policies in relation to segment accounting are as under:
- a) Segment revenue and expenses:
- Segment revenue and expenses are directly attributable to the segments.
- b) Segment assets and liabilities:
- Segment assets include all operating assets used by a segment and consist principally of operating cash, debtors, inventories and fixed assets, net of allowances and provisions which are reported as direct offsets in the balance sheet. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities.
- c) Inter segment revenues:
- Inter segment revenues between operating segments are accounted for at market price. These transactions are eliminated in consolidation.

## Schedules 1 to 13 (Contd.)

### Schedule 13 : NOTES TO ACCOUNTS (Contd.)

d) Information about business segments

Rs./ lacs

PARTICULARS	Chemicals		Oils		Unallocated		Total	
	This Year	Previous Year	This Year	Previous Year	This Year	Previous Year	This Year	Previous Year
<b>SEGMENT REVENUE</b>								
External sales #	16,036.25	14,023.23	5,373.45	5,595.12	-	-	21,409.70	19,618.35
Other income	144.12	41.99	323.30	63.53	53.90	95.20	521.32	200.72
<b>Total revenue</b>	<b>16,180.37</b>	<b>14,065.22</b>	<b>5,696.75</b>	<b>5,658.65</b>	<b>53.90</b>	<b>95.20</b>	<b>21,931.02</b>	<b>19,819.07</b>
<b>RESULTS</b>								
Segment results	677.56	1,140.82	203.52	(31.22)	-	-	881.08	1,109.60
Unallocated income / (expenses)	-	-	-	-	(493.85)	(724.81)	(493.86)	(724.81)
<b>Operating profit</b>	<b>677.56</b>	<b>1,140.82</b>	<b>203.52</b>	<b>(31.22)</b>	<b>(493.85)</b>	<b>(724.81)</b>	<b>387.22</b>	<b>384.79</b>
Interest expense	-	-	-	-	(118.28)	(319.09)	(118.28)	(319.09)
Interest income	-	-	-	-	60.38	38.55	60.38	38.55
<b>Net Profit/ (Loss) before tax &amp; exceptional items</b>	<b>677.56</b>	<b>1,140.82</b>	<b>203.52</b>	<b>(31.22)</b>	<b>(551.75)</b>	<b>(1,005.35)</b>	<b>329.32</b>	<b>104.25</b>
<b>Exceptional Items</b>								
Surplus arisen from sale of long term non-trade investment					4,645.68	-	4,645.68	-
Profit on transfer of Edible Oil Business					16.67	-	16.67	-
Compensation paid to Chairman and Managing Director and his family for executing non-compete undertaking					(644.20)	-	(644.20)	-
<b>Net Profit/ (Loss) before tax</b>	<b>677.56</b>	<b>1,140.82</b>	<b>203.52</b>	<b>(31.22)</b>	<b>3,466.40</b>	<b>(1,005.35)</b>	<b>4,347.47</b>	<b>104.25</b>
Current Tax	-	-	-	-	279.00	-	279.00	-
Fringe Benefit Tax	-	-	-	-	18.16	-	18.16	-
<b>Net Profit/ (Loss) after tax</b>	<b>677.56</b>	<b>1,140.82</b>	<b>203.52</b>	<b>(31.22)</b>	<b>3,169.24</b>	<b>(1,005.35)</b>	<b>4,050.31</b>	<b>104.25</b>
<b>OTHER INFORMATION</b>								
	As at	As at	As at	As at	As at	As at	As at	As at
	31.03.2006	31.03.2005	31.03.2006	31.03.2005	31.03.2006	31.03.2005	31.03.2006	31.03.2005
<b>A. ASSETS</b>								
Segment assets	17,124.46	17,764.21	*	347.25	-	-	17,124.46	18,111.46
Profit and Loss Account	-	-	-	-	-	3,428.06	-	3,428.06
Unallocated assets	-	-	-	-	5,807.89	6,198.63	5,807.89	6,198.63
<b>Total assets</b>	<b>17,124.46</b>	<b>17,764.21</b>	<b>-</b>	<b>347.25</b>	<b>5,807.89</b>	<b>9,626.69</b>	<b>22,932.35</b>	<b>27,738.15</b>
<b>B. LIABILITIES</b>								
Segment liabilities	1,732.05	1,750.15	*	122.56	-	-	1,732.05	1,872.71
Share capital and reserves	-	-	-	-	18,802.86	18,989.77	18,802.86	18,989.77
Secured and unsecured loans	-	-	-	-	391.43	5,093.19	391.43	5,093.19
Unallocated liabilities	-	-	-	-	2,006.01	1,782.48	2,006.01	1,782.48
<b>Total liabilities</b>	<b>1,732.05</b>	<b>1,750.15</b>	<b>-</b>	<b>122.56</b>	<b>21,200.30</b>	<b>25,865.44</b>	<b>22,932.35</b>	<b>27,738.15</b>
	This Year	Previous Year	This Year	Previous Year	This Year	Previous Year	This Year	Previous Year
<b>C. OTHERS</b>								
Capital expenditure	187.19	111.94	-	0.36	22.50	14.34	209.69	126.64
Depreciation	1,129.89	1,134.24	11.91	9.19	3.69	5.65	1,145.49	1,149.08
Non cash expenses other than depreciation	7.68	15.74	4.15	15.93	13.51	31.25	25.34	62.92

# Net of excise duty

\* The Company as at the close of business hours as of March 31, 2006 transferred segment assets Rs. 606.79 lacs and segment liabilities Rs. 315.46 lacs to Siel Edible Oils Limited.

# Siel Limited

## Schedules 1 to 13 (Contd.)

### Schedule 13 : NOTES TO ACCOUNTS (Contd.)

#### 16. Earnings per share

	Year ended 31.03.2006 (Rs. Lacs)	Year ended 31.03.2005 (Rs. Lacs)
Profit/(loss) after tax	4,050.31	104.25
Less: Preference dividend and dividend tax thereon	0.06	0.11
Profit/(loss) attributable to equity shareholders	4,050.25	104.14
Weighted average number of equity shares outstanding	17632562	12537768
Basic and diluted earnings per share in rupees (Face value – Rs.10 per share)	22.97	0.83

#### 17. Related party disclosures under Accounting Standard 18

Name of related party and nature of related party relationship

**Subsidiaries:** SFSL Investments Limited, Siel Financial Services Limited, Transiel India Limited, Siel Industrial Estate Limited, Shivajimarg Properties Limited (upto September 15, 2005) and Siel Edible Oils Limited (w.e.f. January 3, 2006)

#### **Enterprises over which key management personnel have significant influence :**

The Jay Engineering Works Limited (upto March 24, 2005), Mawana Sugars Limited (MSL) and Subsidiaries of MSL viz. Siel Holdings Limited (upto December 1, 2005 and an associate w.e.f. December 2, 2005 and upto February 27, 2006) and Nanglamal Sugar Limited, (an erstwhile subsidiary, merged with MSL w.e.f. October 1, 2004).

#### **Key Management Personnel and their relatives:**

Mr. Siddharth Shriram and Mr. K.P. Singh

	Year ended 31.03.2006 Rs. Lacs	Year ended 31.03.2005 Rs. Lacs
<b>A. Subsidiaries</b>		
<b>SFSL Investments Limited</b>		
- Payments received against loans/advances given	-	38.56
<b>Siel Financial Services Limited</b>		
- Payment received against loans/advances	35.00	-
<b>Shivajimarg Properties Limited</b>		
- Advances given	0.56	6.37
- Payments received against loans/advances given	1,050.12	4.00
- Guarantee given/ to be given by the Company	-	5,445.07
<b>Siel Edible Oils Limited</b>		
- Advances given	0.34	-
- Investment in equity shares	313.00	-
- Transfer of edible oils business	308.00	-
<b>Transiel India Limited</b>		
- Repayment of loans/advances	3.50	-
- Loans/advances received	-	32.00
- Expenses recovered	0.18	-
<b>Siel Industrial Estate Limited</b>		
- Repayment of loans/advances	0.10	-
- Expenses recovered	0.01	-

## Schedules 1 to 13 (Contd.)

### Schedule 13 : NOTES TO ACCOUNTS (Contd.)

	Year ended 31.03.2006 Rs. Lacs	Year ended 31.03.2005 Rs. Lacs
<b>Balances outstanding included under :</b>		
- Loans and advances #	1,524.15	2,643.91
- Sundry creditors	73.52	77.30
- Guarantee given/to be given by the Company	-	5,445.07
<b>(B) Enterprises over which key Management personnel have significant influence</b>		
<b>Mawana Sugars Limited ##</b>		
- Sales	73.06	5.88
- Commission received	24.50	41.47
- Purchases	928.62	201.35
- Expenses recovered	36.37	6.76
- Professional/Management fee/Other expenses paid	139.94	147.01
- Repayment of loans / advances	1,368.68	308.71
- Issue of 80,00,000 equity shares of Rs. 10 each, Rs. 6.50 per share called and paid-up	-	520.00
- Call money received on 80,00,000 equity shares of Rs.10 each, @ Rs. 3.50 per share	280.00	-
<b>Siel Holdings Limited</b>		
- Payments received against loans / advances given	-	420.94
<b>The Jay Engineering Works Limited</b>		
- Rent received	-	1.49
- Expenses recovered	-	7.62
- Payments received against loans/advances given	-	300.00
<b>Balance outstanding included under :</b>		
- Loans and advances	-	777.00
- Sundry creditors/Loans and advances taken	41.93	1,273.19
<b>(C) Key Management personnel and their relatives</b>		
<b>Mr. Siddharth Shriram</b>		
- Guarantee given/ to be given on behalf of the Company	250.60	3,619.74
- Compensation paid for executing non-compete undertaking	644.20	-
<b>Remuneration to key management personnel :-</b>		
- Mr. K.P. Singh	18.16	14.56
- Mr. P.K. Bhalla*	0.40	0.34
- Mr. A.K. Mehra*	0.58	0.54
<b>Balance outstanding included under :</b>		
- Guarantee given/ to be given on behalf of the Company	250.60	3,619.74

# Includes Rs. 1523.81 lacs (previous year Rs. 1558.81 lacs provided for as doubtful advances.)

(\*) Sitting Fee.

## Does not include debt aggregating to Rs. 8057.12 lacs which got discharged pursuant to the surplus arisen on the sale of shares of Shivajimarg Properties Limited (SPL). [Also refer note 4(b) of schedule 13]

# Siel Limited

## Schedules 1 to 13 (Contd.)

### Schedule 13 : NOTES TO ACCOUNTS (Contd.)

18. Director's remuneration\*

	Year ended 31.03.2006 (Rs. Lacs)	Year ended 31.03.2005 (Rs. Lacs)
Salaries and allowances	14.90	12.20
Contribution to provident and other funds	1.20	1.20
Value of perquisites	2.06	1.16
Directors' fees	2.14	2.18

\* Do not include contribution to gratuity fund and provision for leave encashment, since the same are paid/determined for the Company as a whole.

19. Sales are net of commission of Rs. 64.18 lacs (previous year Rs. 43.32 lacs).

20. The following are the particulars of disputed dues on account of sales tax, income-tax, and excise duty matters that have not been deposited by the Company:-

S. No	Name of the Statute	Natur of dues	Net unpaid amount (Rs. Lacs)	Amount paid under protest (Rs. Lacs)	Period to which the amount relates (various years covering the period)#	Forum where dispute is pending
1.	Sales Tax Laws	Sales tax	0.27 548.99 1788.97	- 28.55 216.27	1973-74 1978-79 to 1979-80, 1986-87 to 1996-97 1975-76 to 1977-78 and 1983-84 to 2003-04	High Court Sales Tax Tribunal  Appellate authority upto Commissioner's level
2.	Income Tax Laws	Income-tax	3.00 3.99	5.49 14.84	1994-95 1996-97 and 2001-02	High Court Income-tax Appellate Tribunal
3.	Central Excise Law	Excise Duty	55.73 56.95	- 395.73	1997-98  1981-82 to 1984-85, 1990-91 to 1992-93, 1997-98	Central Excise and Service tax Appellate Tribunal (CESTAT) Appellate authority upto Commissioner's level

# Period in respect of Income Tax represents Assessment years.

The following matter has been decided in favour of the Company but the department has preferred appeal at higher level, the detail of which are given below :-

S. No	Name of the Statute	Nature	Net unpaid amount (Rs. Lacs)	Period to which the amount relates	Forum where department has preferred appeal
1.	Central Excise Laws	Excise Duty	53.36 691.28 2.14	1995-96 to 2000-01 1992-93 to 1997-98 1997-98	Supreme Court  High Court Customs Excise and Service tax Appellate Tribunal (CESTAT)

## Schedules 1 to 13 (Contd.)

### Schedule 13 : NOTES TO ACCOUNTS (Contd.)

21 a) The Siel Foods and Fertiliser Industries (SFFI), a unit of the Company is engaged in the business of edible oils, a primary business segment. The Board of Directors of the Company pursuant to a formal plan announced on February 21, 2006 transferred the undertaking being all assets including brands and loans including security deposits from the dealers but without any other liability of SFFI, at the close of business hours as of March 31, 2006 to Siel Edible Oils Limited (SEOL), a wholly owned subsidiary for a total consideration of Rs. 308 lacs. assets and liabilities transferred are as under:-

Particulars	Amount (Rs. in Lacs)
Net book value of fixed assets	39.52
Inventories	339.66
Sundry debtors	222.66
Loans and advances	4.95
Less :	
Unsecured loans	(65.33)
Current liabilities	(250.13)
	<b>291.33</b>

The consideration of Rs. 308 lacs has been settled by acquiring 30,80,000 equity shares of Rs. 10 each in Siel Edible Oils Limited.

The resultant profit on such transfer amounting to Rs. 16.67 lacs has been included under exceptional items in the profit and loss account.

b) The following statement shows the revenues and expenses and assets and liabilities of the continuing and discontinuing operations:-

Particulars	(Rs. in Lacs)					
	Continuing Operations		Discontinuing Operations		Total	
	Year ended 31.3.06	Year ended 31.3.05	Year ended 31.3.06	Year ended 31.3.05	Year ended 31.3.06	Year ended 31.3.05
Gross Sales	<b>18808.78</b>	16400.47	<b>5373.45</b>	5595.12	<b>24182.23</b>	21995.59
Less: Excise duty	<b>2772.53</b>	2377.24	-	-	<b>2772.53</b>	2377.24
Net Sales	<b>16036.25</b>	14023.23	<b>5373.45</b>	5595.12	<b>21409.70</b>	19618.35
Other Income	<b>252.40</b>	169.95	<b>329.30</b>	69.32	<b>581.70</b>	239.27
Total Income	<b>16288.65</b>	14193.18	<b>5702.75</b>	5664.44	<b>21991.40</b>	19857.62
Manufacturing and other expenses	<b>14899.44</b>	12556.15	<b>5477.20</b>	5666.13	<b>20376.64</b>	18222.28
Interest	<b>108.56</b>	296.97	<b>9.72</b>	22.12	<b>118.28</b>	319.09
Depreciation	<b>1136.75</b>	1140.34	<b>8.74</b>	8.74	<b>1145.49</b>	1149.08
Miscellaneous expenditure written off	<b>17.08</b>	46.67	<b>4.59</b>	16.25	<b>21.67</b>	62.92
Total Expenditure	<b>16161.83</b>	14040.13	<b>5500.25</b>	5713.24	<b>21662.08</b>	19753.37
Profit/(loss) before exceptional items and tax	<b>126.82</b>	153.05	<b>202.50</b>	(48.80)	<b>329.32</b>	104.25



# Siel Limited

## Schedules 1 to 13 (Contd.)

### Schedule 13 : NOTES TO ACCOUNTS (Contd.)

Particulars	(Rs. in lacs)					
	Continuing Operations		Discontinuing Operations		Total	
	Year ended 31.3.06	Year ended 31.3.05	Year ended 31.3.06	Year ended 31.3.05	Year ended 31.3.06	Year ended 31.3.05
<b>Brought forward</b>	<b>126.82</b>	153.05	<b>202.50</b>	(48.50)	<b>329.32</b>	104.25
<b>Exceptional Item</b>						
Surplus arisen from sale of long term non-trade investments	<b>4645.68</b>	–	–	–	<b>4645.68</b>	–
Profit on transfer of edible oils business	–	–	<b>16.67</b>	–	<b>16.67</b>	–
Compensation paid to Chairman and Managing Director and his family for executing non-compete undertaking	<b>(644.20)</b>	–	–	–	<b>(644.20)</b>	–
Profit/(loss) before tax	<b>4128.30</b>	153.05	<b>219.17</b>	(48.80)	<b>4347.47</b>	104.25
<b>Provision for tax</b>						
Current tax	<b>261.00</b>	–	<b>18.00</b>	–	<b>279.00</b>	–
Fringe Benefit tax	<b>14.84</b>	–	<b>3.32</b>	–	<b>18.16</b>	–
Profit/(loss) after tax	<b>3852.46</b>	153.05	<b>197.85</b>	(48.80)	<b>4050.31</b>	104.25
Assets	<b>22932.35</b>	24070.74	–	226.73	<b>22932.42</b>	24310.09
Liabilities	<b>22932.35</b>	27199.80	–	538.35	<b>22932.42</b>	27738.15
Debit balance in profit and loss account	–	3428.06	–	–	–	3428.06

(c) The following statement discloses the net cash flows from operating, investing and financing activities of the continuing and discontinuing operations:-

Particulars	(Rs. in lacs)					
	Continuing Operations		Discontinuing Operations		Total	
	Year ended 31.3.06	Year ended 31.3.05	Year ended 31.3.06	Year ended 31.3.05	Year ended 31.3.06	Year ended 31.3.05
Net Cash inflow/(outflow) from operating activities	<b>71.81</b>	926.38	<b>(80.27)</b>	(3.38)	<b>(8.46)</b>	923.00
Net Cash inflow/(outflow) from investing activities	<b>5450.88</b>	(42.35)	–	–	<b>5450.88</b>	(42.35)
Net Cash inflow/(outflow) from financing activities	<b>(5757.02)</b>	(437.86)	<b>34.66</b>	7.45	<b>(5722.36)</b>	(430.41)
Net increase/(decrease) in cash and cash equivalents	<b>(234.33)</b>	446.17	<b>(45.61)</b>	4.07	<b>(279.94)</b>	450.24

22. Foreign currency exposures that are not hedged by derivative instruments or otherwise is as follows :

Particulars	Year ended 31.3.2006		Year ended 31.3.2005	
	Amount in foreign currency (Lacs)	Amount in (Rs./Lacs)	Amount in foreign currency (Lacs)	Amount in (Rs./Lacs)
Sundry debtors*	<b>1.12 US\$</b>	<b>50.14</b>	0.68 US\$	29.55
Sundry creditors	<b>0.19 GBP</b>	<b>15.13</b>	0.52 GBP	42.11
Export obligation	<b>501.20 US\$</b>	<b>22,358.53</b>	750 US\$	32,805

\* Excluding US\$ 303,120 (Previous year – US\$ 46,375) on account of bills discounted by the Company as on March 31, 2006.

## Schedules 1 to 13 (Contd.)

### Schedule 13 : NOTES TO ACCOUNTS (Contd.)

#### 23 STATEMENT OF ADDITIONAL INFORMATION

##### (i) PARTICULARS OF CAPACITY AND PRODUCTION

Description	Unit	CAPACITY				PRODUCTION		
		Licensed		Installed		Unit	Year ended 31.03.2006	Year ended 31.03.2005
		Year ended 31.03.2006	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2005			
Vanaspati/ Refined Oil*	M.T. per day	#	#	-	-	-	-	-
Caustic soda	M.T. per annum	132,000	132,000	82,500	82,500	M.T.	69,362	60,082
Caustic flakes	M.T. per annum	33,000	33,000	33,000	33,000	M.T.	11,085	5,890
Chlorine (dry and liquid)	M.T. per annum	116,600	116,600	73,095	73,095	M.T.	66,544	57,461
Hydrogen	M.T. per annum	2,100	2,100	2,063	2,063	M.T.	1,878	1,621
Hydrochloric acid	M.T. per annum	#	#	66,000	66,000	M.T.	28,896	25,441
Stable bleaching powder	M.T. per annum	#	#	18,000	18,000	M.T.	14,386	12,683
Sodium hypochlorite	M.T. per annum	#	#	23,100	8,250	M.T.	16,474	12,991

# No licence required. Delicensed

##### Footnotes:

- The licences transferred from undivided DCM Limited pursuant to the Scheme of Arrangement are pending endorsement in the name of the Company.
- The licensed capacity, in some cases, has been given on the basis of Letters of Intent.
- Installed capacity is as certified by the management and relied upon by the auditors being a technical matter.
- Production figures representing gross production are inclusive of internal consumption.

\*The edible oil business has been transferred to Siel Edible Oils Limited at the close of business hours as of March 31, 2006.

##### (ii) PARTICULARS OF STOCKS AND SALES

Description	Unit	STOCKS								SALES*			
		Opening				Closing				Year ended 31.03.2006		Year ended 31.03.2005	
		Quantity	Value Rs. Lacs	Quantity	Value Rs. Lacs	Quantity	Value Rs. Lacs	Quantity	Value Rs. Lacs	Quantity	Value Rs. Lacs	Quantity	Value Rs. Lacs
Vanaspati/Refined oil #	M.T.	163.00	74.79	185.00	97.37	657.38	287.32	163.00	74.79	9,145.75	4,223.18	8,309.00	4,175.07
Sugar #	M.T.	46.00	9.35	57.00	9.29	122.58	26.92	46.00	9.35	4,478.13	929.68	6,274.00	1,116.47
Caustic soda	M.T.	103.30	12.90	20.65	2.54	176.75	22.64	103.30	12.90	58,205.56	10,981.34	54,140.35	9,516.77
Caustic flakes	M.T.	96.80	16.32	135.90	16.73	31.15	5.13	96.80	16.32	11,151.05	1,782.49	5,928.80	768.28
Chlorine (dry and liquid)	M.T.	287.76	21.38	136.85	8.68	372.90	17.21	287.76	21.38	50,085.90	3,052.15	42,799.66	3,473.50
Hydrochloric acid	M.T.	29.92	0.72	16.64	0.38	131.23	3.55	29.92	0.72	21,737.70	498.95	19,140.68	533.76
Hydrogen	M.T.	-	-	-	-	-	-	-	-	326.38	343.41	329.99	338.70
Stable bleaching powder	M.T.	47.45	4.64	143.87	12.71	191.00	20.87	47.45	4.64	14,242.60	1,562.35	12,779.06	1,300.80
Soap #	M.T.	75.00	13.19	46.00	8.06	139.77	25.42	75.00	13.19	1,025.69	220.58	1,476.00	303.58
Sodium hypochlorite	M.T.	50.95	1.54	119.39	3.01	72.65	2.16	50.95	1.54	16,452.31	512.99	13,059.44	377.85
Others		-	-	-	-	-	-	-	-	-	75.11	-	90.81
<b>TOTAL</b>			<b>154.83</b>		<b>158.77</b>		<b>411.22</b>		<b>154.83</b>		<b>24,182.23</b>		<b>21,995.59</b>

##### Footnotes :

\* Excludes for own use, claims, samples, write offs, etc.

# Inventory relating to edible oils business as on March 31, 2006 has been transferred to Siel Edible Oils Limited.

# Siel Limited

## Schedules 1 to 13 (Contd.)

### Schedule 13 : NOTES TO ACCOUNTS (Contd.)

#### (iii) PARTICULARS OF RAW MATERIALS CONSUMED

Description	Unit	Year ended 31.03.2006		Year ended 31.03.2005	
		Quantity	Value Rs. Lacs	Quantity	Value Rs. Lacs
Salt	M.T.	114,233.49	1,799.79	98,577.90	1,269.59
Quick Lime	M.T.	1,797.63	83.74	11,719.77	87.18
Lime Stone	M.T.	13,768.10	114.59	723.82	23.34
<b>TOTAL</b>			<b>1,998.12</b>		<b>1,380.11</b>

#### (iv) PARTICULARS OF PURCHASES - FINISHED GOODS

Description	Unit	Year ended 31.03.2006		Year ended 31.03.2005	
		Quantity	Value Rs. Lacs	Quantity	Value Rs. Lacs
Soap	M.T.	1,090.13	198.28	1,505.00	266.50
Refined oil / Vanaspati	M.T.	9,640.88	4,201.56	8,287.00	3,953.15
Sugar	M.T.	4,555.13	928.62	6,263.00	1,089.40
<b>TOTAL</b>			<b>5,328.46</b>		<b>5,309.05</b>

#### (v) OTHER ADDITIONAL INFORMATION

Description	Year ended 31.03.2006		Year ended 31.03.2005	
	Rs. Lacs	%	Rs. Lacs	%
(a) Value of imports on C.I.F. basis				
- Components and spare parts	794.27		655.45	
(b) Expenditure in foreign currency (on cash basis)				
- Travel, etc.	1.06		0.49	
- Others	8.87		10.74	
(c) Earnings in foreign exchange				
- Export of goods on F.O.B. basis	932.33		666.75	
(d) Remittance in foreign currency towards dividends				
- Interim Dividend for the year	2005-06		-	
- No. of Non Resident Shareholders	3		-	
- No. of Equity Shares held	1267360		-	
- Dividend remitted (Rs. in lacs)	12.67		-	
(e) Value of imported/indigenous raw materials, stores, spares and components consumed				
Imported	894.24	20.43	827.67	24.98
Indigenous	3,483.06	79.57	2,486.23	75.02
	<b>4,377.30</b>	<b>100.00</b>	<b>3,313.90</b>	<b>100.00</b>

24. Previous year figures have been regrouped wherever necessary.

Signatures to Schedules 1 to 13

SIDDHARTH SHRIRAM  
Chairman and Managing Director

GOILA N.K.  
MEHRA A.K.  
MITTAL D.C.  
SINGH K.P.  
Directors

New Delhi  
May 10, 2006

SUSHIL JAIN  
Company Secretary

VISHNU DUTT  
Dy. General Manager (Accounts)

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

S.No.	NAME OF THE SUBSIDIARY	SIEL INDUSTRIAL ESTATE LIMITED	TRANSIEL INDIA LIMITED	SFSL INVESTMENTS LIMITED	SIEL FINANCIAL SERVICES LIMITED	SIEL EDIBLE OILS LIMITED
1.	Financial year of the subsidiary	March 31, 2006	March 31, 2006	March 31, 2006	March 31, 2006	March 31, 2006
2.	Extent of holding company's interest in the subsidiary – Number of shares	2,00,00,000 Equity shares of Rs.10 each fully paid-up	50,00,007 Equity shares of Rs.10 each fully paid-up. 10,00,000 Preference shares of Rs.100 each fully paid-up	1,50,00,000 Equity shares of Rs.10 each fully paid-up	90,11,982 Equity shares of Rs. 10 each fully paid-up. 7,30,000 Preference shares of Rs.100 each fully paid-up.	31,30,000 Equity shares of Rs. 10 each fully paid-up
	– % holding (equity)	100%	100%	100%	93.56% @	100%
	– % holding (preference)	–	100%	–	100%	–
3.	Net aggregate amount of subsidiary's profits/losses so far as they concern members of the holding company and not dealt with in the holding company's accounts.					
	i) For subsidiary's financial year	(-)Rs.5.56 lacs	(-)Rs.3.71 lacs	(-) Rs.0.74 lac	Rs.34.52 lacs	(-) Rs. 0.58 lac
	ii) For subsidiary's previous financial years since it became subsidiary	(-)Rs.596.25 lacs	(-)Rs.1426.25 lacs	(-)Rs.2631.28 lacs	(-)Rs.1627.48 lacs	(-) Rs. 0.58 lac
4.	Net aggregate amount of subsidiary's profits/ losses so far as they concern members of the holding company and dealt with in the holding company's accounts.					
	i) For subsidiary's financial year	–	–	–	–	–
	ii) For subsidiary's previous financial year since it became subsidiary	–	–	–	–	–
5.	Change in the interest of holding company between the end of subsidiary's financial year and the end of holding company's financial year.	–	–	–	–	–
6.	Material changes between the end of subsidiary's financial year and the end of holding company's financial year.					
	i) Fixed assets	–	–	–	–	–
	ii) Investments	–	–	–	–	–
	iii) Monies lent by the subsidiary	–	–	–	–	–
	iv) Monies borrowed by the subsidiary other than for meeting current liabilities.	–	–	–	–	–

@ 1601400 equity shares (14.12%) are held by SFSL Investments Limited a wholly owned subsidiary of Siel Limited.

SIDDHARTH SHRIRAM  
*Chairman and Managing Director*

GOILA N.K.  
MEHRA A.K.  
MITTAL D.C.  
SINGH K.P.  
*Directors*

New Delhi  
May 10, 2006

SUSHIL JAIN  
*Company Secretary*

VISHNU DUTT  
*Dy. General Manager (Accounts)*

# Siel Limited

## Additional information as required under Part IV of Schedule VI to the Companies Act, 1956

### I. REGISTRATION DETAILS

Registration No.  State Code   
Balance Sheet Date

### II CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)

Public Issue  Right Issue   
Bonus Issue  Private Placement \*

### III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)

Total Liabilities  Total Assets

#### SOURCES OF FUNDS

Paid up Capital   
Reserves and Surplus   
Secured Loans   
Unsecured Loans

#### APPLICATION OF FUNDS

Net Fixed Assets   
Capital work-in-progress   
Investments   
Net Current Assets   
Misc. Expenditure   
Accumulated Losses

### IV PERFORMANCE OF THE COMPANY (Amount in Rs. Thousands)

Turnover  Total Expenditure   
Profit before Tax  Profit after Tax   
Earning per Share (Rs.)  Dividend Rate (%)

### V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/ SERVICES OF THE COMPANY

(As per Monetary terms)

Item Code No. (ITC Code)   
Product Description   
Item Code No. (ITC Code)   
Product Description

\* Represents Rs. 3.50 per share final call money on 80,00,000 equity shares of Rs. 10 each.

## REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF SIEL LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF SIEL LIMITED AND ITS SUBSIDIARIES

1. We have examined the attached consolidated balance sheet of Siel Limited and its subsidiaries, as at March 31, 2006 and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the management of Siel Limited. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, i.e., SFSL Investments Limited, Transiel India Limited, Siel Industrial Estate Limited, Shivajimarg Properties Limited and Siel Edible Oils Limited, whose financial statements reflect total assets of Rs.2139.78 lacs as at March 31, 2006 and total revenues of Rs.100.28 lacs for the year ended March 31, 2006 (these figures include intragroup balances and intragroup transactions eliminated on consolidation). These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the reports of the other auditors.
4. (i) **attention is invited to note 6 which sets out the position regarding the current status of the pending export obligation of US \$ 50.12 millions as at March 31, 2006. The possible liability that would devolve on the Company due to the pending export obligation has not been determined and provided for in the accounts by the Company. We are unable to express an opinion in the matter;**
  - (ii) **various matters arisen/arising out of the reorganization arrangement of DCM Limited will be settled and accounted for as and when the liabilities/benefits are finally determined as stated in note 12. The effect of these on the accounts has not been determined by the Company; and**
  - (iii) **attention is invited to note 13 which sets out the position regarding the recoverability of a loan given to a Company. The management, having regard to the restructuring plan of that company approved by Board of Industrial and Financial Reconstruction (BIFR), is of the view that no provision at this stage is necessary. We are unable to express an opinion in the matter.**

**The matters referred to in paragraphs 4(ii) and 4(iii) above, to the extent covered here above, were also subject matters for qualifications in our audit report on the consolidated financial statements for the year ended March 31, 2005.**

On the basis of information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of Siel Limited and its aforesaid subsidiaries and *subject to our comments in paragraph 4 above*, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:-

  - i) in the case of the consolidated balance sheet, of the consolidated state of affairs of Siel Limited and its subsidiaries as at March 31, 2006;
  - ii) in the case of the consolidated profit and loss account, of the consolidated results of operations of Siel Limited and its subsidiaries for the year ended on that date; and
  - iii) in the case of the consolidated cash flow statement, of the consolidated cash flows of Siel Limited and its subsidiaries for the year ended on that date.

**For A.F. FERGUSON & CO.**  
Chartered Accountants

**MANJULA BANERJI**  
Membership No. 086423  
Partner

Place : New Delhi  
Date : May 10, 2006

# Siel Limited

## CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2006

	Schedule	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	1	1,831.53	2,428.70
Reserves and surplus	2	17,254.58	16,600.66
		<b>19,086.11</b>	19,029.36
<b>Loan funds</b>			
Secured	3	250.60	9,064.80
Unsecured		206.17	1,473.45
		<b>456.77</b>	10,538.25
<b>Total</b>		<b>19,542.88</b>	29,567.61
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	4	25,398.80	25,303.81
Less: Depreciation		10,467.34	9,341.07
Net block		14,931.46	15,962.74
Capital work-in-progress		125.68	95.07
		<b>15,057.14</b>	16,057.81
Less: lease equalisation/adjustment		246.43	300.90
		<b>14,810.71</b>	15,756.91
<b>Investments</b>	5	116.93	120.38
<b>Current assets, loans and advances</b>			
Inventories	6	2,139.77	8,169.42
Sundry debtors		1,226.02	759.31
Cash and bank balances		1,108.28	1,419.94
Loans and advances		4,289.08	4,045.97
		<b>8,763.15</b>	14,394.64
<b>Less: Current liabilities and provisions</b>	7		
Current liabilities		3,561.02	3,508.30
Provisions		600.18	379.48
		<b>4,601.95</b>	10,506.86
<b>Miscellaneous expenditure (to the extent not written off or adjusted)</b>	8	13.29	33.34
<b>Profit and loss account</b>		-	3,150.12
<b>Total</b>		<b>19,542.88</b>	29,567.61
<b>Notes to consolidated accounts</b>	13		

Per our report attached  
For A.F. Ferguson & Co.  
Chartered Accountants

SIDDHARTH SHRIRAM  
Chairman and Managing Director

**MANJULA BANERJI**  
Membership No. 086423  
Partner

GOILA N.K.  
MEHRA A.K.  
MITTAL D.C.  
SINGH K.P.  
Directors

New Delhi  
May 10, 2006

SUSHIL JAIN  
Company Secretary

VISHNU DUTT  
Dy. General Manager (Accounts)



## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

	Schedule	Year ended 31.03.2006 Rs.Lacs	Year ended 31.03.2005 Rs.Lacs
<b>Income</b>			
Gross Sales		24,182.48	21,995.59
Less: Excise duty		2,772.53	2,377.24
Net Sales		21,409.95	19,618.35
Income from capital market operations	9	0.24	4.41
Other income	9A	754.21	372.43
		<b>22,164.40</b>	<b>19,995.19</b>
<b>Expenditure</b>			
Manufacturing and other expenses	10	20,499.19	18,377.38
Interest	11	118.99	319.37
Depreciation	4	1,209.99	1,213.76
Miscellaneous expenditure written off		24.44	65.31
		<b>21,852.61</b>	<b>19,975.82</b>
<b>Profit/(Loss) before tax and exceptional items</b>		<b>311.79</b>	<b>19.37</b>
Exceptional Items	12	4,001.48	-
<b>Profit/(Loss) before tax after exceptions items</b>		<b>4,313.27</b>	<b>19.37</b>
<b>Provision for tax</b>			
Current tax		279.00	0.12
Fringe Benefit tax		18.24	-
<b>Profit/(Loss) after tax</b>		<b>4,016.03</b>	<b>19.25</b>
<b>Appropriations</b>			
Capital redemption reserve		877.17	-
Transfer to reserve fund		5.82	-
Proposed Dividends			
- Preference shares		0.37	-
- Equity shares			
- Interim		183.15	-
Corporate Dividend Tax		25.74	-
		<b>2,923.78</b>	<b>19.25</b>
Balance of profit/(loss) brought forward from previous year		<b>(3,150.12)</b>	<b>(3,169.37)</b>
<b>Balance carried to balance sheet</b>		<b>(226.34)</b>	<b>(3,150.12)</b>
Basic and diluted earnings per share (Rs.) (Face value Rs. 10 per share)		<b>22.78</b>	<b>0.15</b>

### Notes to consolidated accounts 13

Per our report attached to the consolidated balance sheet  
For A.F. Ferguson & Co.  
Chartered Accountants

SIDDHARTH SHRIRAM  
Chairman and Managing Director

**MANJULA BANERJI**  
Membership No. 086423  
Partner

GOILA N.K.  
MEHRA A.K.  
MITTAL D.C.  
SINGH K.P.  
Directors

New Delhi  
May 10, 2006

SUSHIL JAIN  
Company Secretary

VISHNU DUTT  
Dy. General Manager (Accounts)



# Siel Limited

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2006

	Year ended 31.03.2006 Rs. Lacs	Year ended 31.03.2005 Rs. Lacs
<b>A. Cash flow from operating activities :</b>		
Net Profit/(loss) before tax	4,313.27	19.37
Add: Depreciation	1,209.99	1,213.76
Deferred revenue expenditure written off	24.44	65.31
Interest expense	118.99	319.37
Foreign exchange (gain)/loss	(0.03)	(0.21)
Loss on sale of fixed assets	0.22	1.77
Loss on sale of long term- trade investments	-	0.42
Provision for diminution in value of long term trade investment	3.45	-
Less: Interest income	60.42	44.63
Dividend on long term non-trade investment	0.43	0.26
Profit on sale of fixed assets	0.03	0.77
Surplus arisen from sale of investment in subsidiary company	4,645.68	-
Excess provisions written back	498.73	134.15
Principal amount of loan written back	-	18.51
Profit on sale of non-trade long term investment	-	0.14
<b>Operating profit before working capital changes</b>	<b>465.04</b>	<b>1,421.33</b>
Adjustments for:		
(Increase)/Decrease in trade/other receivables	(166.60)	639.89
Decrease/(Increase) in inventories	(470.35)	(77.27)
(Decrease)/Increase in trade/other payables	384.68	(966.16)
<b>Cash generated from operations</b>	<b>212.77</b>	<b>1,017.79</b>
Direct taxes paid	(192.37)	(161.65)
Preliminary expenses paid	(4.39)	-
<b>Net cash inflow from operations</b>	<b>16.01</b>	<b>856.14</b>
<b>B. Cash flow from investing activities :</b>		
Purchase of fixed assets	(209.69)	(126.75)
Sale of fixed assets	0.15	17.82
Expenditure incurred on sale of investment in subsidiary company	(558.26)	-
Sale of long term investments - trade	-	36.38
Sale of investment in subsidiary company	5,038.45	-
Amount received from a subsidiary company, divested during the year	1,085.07	-
Interest received	65.07	50.08
Dividend received	0.43	0.26
<b>Net cash inflow/(outflow) from investing activities</b>	<b>5,421.22</b>	<b>(22.21)</b>
<b>C. Cash flow from financing activities :</b>		
Proceeds from issue of share capital	280.00	520.00
Redemption of preference shares	(877.17)	-
Premium paid on redemption of preference shares	(167.54)	-
Proceeds from long term borrowings - secured	-	5.63
Repayments of long term borrowings - secured	(2,965.41)	(76.08)
Repayments of working capital borrowings	(403.73)	(102.30)
Repayments of borrowings - unsecured	(1,267.28)	(443.95)
Interest paid	(112.67)	(329.32)
Dividend paid	(183.52)	(11.77)
Corporate dividend tax paid	(25.74)	-
<b>Net cash (outflow) from financing activities</b>	<b>(5,723.06)</b>	<b>(437.79)</b>

## Consolidated Cash flow statement (Contd.)

	Year ended 31.03.2006 Rs. Lacs	Year ended 31.03.2005 Rs. Lacs
<b>D. Net (decrease)/ increase in cash and cash equivalents</b>	<b>(285.83)</b>	396.14
<b>E. Cash and cash equivalents as at opening</b>		
Cash and bank balances *	717.13	320.78
Less: Cash and bank balances of a subsidiary, divested during the year	0.11	—
	<u>717.02</u>	<u>320.78</u>
<b>Cash and cash equivalents as at closing</b>		
Cash and bank balances *	431.22	717.13
Effect of exchange rate changes on foreign currency bank balance	(0.03)	(0.21)
	<u>431.19</u>	<u>716.92</u>

\* Excludes balances with banks on margin account

**Notes to consolidated accounts**

**Schedule 13**

*Per our report attached to the consolidated balance sheet  
For A.F. Ferguson & Co.  
Chartered Accountants*

SIDDHARTH SHRIRAM  
*Chairman and Managing Director*

**MANJULA BANERJI**  
Membership No. 086423  
Partner

GOILA N.K.  
MEHRA A.K.  
MITTAL D.C.  
SINGH K.P.  
*Directors*

New Delhi  
May 10, 2006

SUSHIL JAIN  
*Company Secretary*

VISHNU DUTT  
*Dy. General Manager (Accounts)*

# Siel Limited

## SCHEDULES 1 TO 13 ANNEXED TO AND FORMING PART OF CONSOLIDATED ACCOUNTS

### Schedule 1 : SHARE CAPITAL

		As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
<b>Authorised</b>			
Equity	– 7,00,00,000 shares of Rs.10 each	7,000.00	7,000.00
Preference	– 5,00,000 13.5% Redeemable cumulative preference shares of Rs.100 each	500.00	500.00
	– 25,00,000 0.01% Redeemable cumulative preference shares of Rs. 100 each	2,500.00	2,500.00
		<b>10,000.00</b>	10,000.00
<b>Issued, subscribed and paid-up</b>			
Equity	– 1,03,15,302 (previous year 1,03,15,302) shares of Rs. 10 each fully paid-up	1,031.53	1,031.53
	– 80,00,000 (previous year 80,00,000) shares of Rs. 10 each, fully paid-up (previous year Rs. 6.50 per share called and paid-up)	<u>800.00</u>	<u>520.00</u>
Preference	– Nil (previous year 100) 13.5% Redeemable cumulative preference shares of Rs. 100 each fully paid-up redeemed during the year	–	0.10
	– Nil (previous year 8,86,168 less 9,095 cancelled pursuant to a one time settlement with a Financial Institution) 0.01% Redeemable Cumulative Preference Shares (RCPS) of Rs. 100 each fully paid-up redeemed during the year	–	877.07
		<b>1,831.53</b>	2,428.70

### Footnotes :

- 1 Pursuant to the Scheme of Arrangement (Scheme) as approved by the Hon'ble High Court of Delhi, which became effective upon filing of the certified copy of the said Order with the Registrar of Companies on September 5, 2003 (refer note 9 of Schedule 13):
  - (i) the paid-up equity share capital of the Company had been reduced from Rs. 4126.12 lacs comprising of 4,12,61,206 equity shares of Rs.10 each fully paid-up to Rs.1,031.53 lacs comprising of 1,03,15,302 equity shares of Rs.10 each fully paid-up by cancelling Rs. 3,094.59 lacs being the paid-up amount on 3,09,45,904 equity shares of Rs. 10 each fully paid-up. The reduction in capital had been approved under Section 100 of the Companies Act, 1956 by the High Court of Delhi vide its Order dated August 29, 2003.
  - (ii) the shareholders of the Company had been allotted 1 new equity share of Rs.10 each fully paid-up aggregating 103,15,302 equity shares for every 4 equity shares of Rs.10 each fully paid-up held by them in the Company on October 30, 2003, the record date which had been fixed for this purpose by the Board of Directors.
  - (iii) the shareholders of the Company have also been allotted three new equity shares of Rs. 10 each fully paid-up aggregating 3,09,45,904 equity shares in Siel Sugar Limited now known as Mawana Sugars Limited for every four equity shares of Rs. 10 each fully paid-up held by them in the Company on October 30, 2003, the record date which had been fixed for this purpose by the Board of Directors.
  - (iv) The financial institutions / bank were to be issued 8,86,168 0.01% Redeemable Cumulative Preference Shares (RCPS) of Rs. 100 each in lieu of 12,63,593 8.5% Redeemable Cumulative Convertible Preference Shares (RCCPS) of Rs. 100 each fully paid-up held by them in proportion to their respective debts allocated as per the Scheme. Out of 886,168 0.01% RCPS, 877,073 have been issued and balance 9,095 RCPS held by one of the Financial Institutions had been cancelled pursuant to a one time settlement.

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## SCHEDULES 1 TO 13 (Contd.)

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### Schedule 1 : SHARE CAPITAL (Contd.)

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- These preference shares are redeemable in 4 annual installments commencing from March 2008 and ending in March 2011 with redemption premium to give a yield of 6% per annum, have been redeemed during the year.
2. The issued, subscribed and paid-up equity share capital, before giving effect to the Scheme of Arrangement (Scheme) dated August, 26, 2003 (whereby the equity share capital was reduced to Rs. 1031.53 lacs from Rs. 4126.12 lacs) include :-
- (i) 1,15,10,302 equity shares of Rs. 10 each allotted as fully paid-up pursuant to the Scheme of Amalgamation of erstwhile Shriram Industrial Enterprises Limited (SIEL) with the Company as approved by the High Court of Delhi vide its Order dated April 10, 1992 without payment being received in cash (Refer note 7 of schedule 13)
  - (ii) 469 equity shares of Rs.10 each, allotted as fully paid-up without payment being received in cash pursuant to the Scheme of Arrangement of the erstwhile India Hard Metals Limited (IHM), the then subsidiary of the Company as approved by the Board of Industrial and Financial Reconstruction vide its Order dated April 28, 1994.
  - (iii) 56,57,368 equity shares of Rs. 10 each fully paid-up allotted as bonus shares by capitalisation of share premium.
  - (iv) 12,15,679 equity shares of Rs. 10 each fully paid-up allotted against warrants issued alongwith 13% secured redeemable non-convertible Debentures (NCDs) of Rs. 100 each.
  - (v) 73,17,000 equity shares of Rs. 10 each issued to certain companies on preferential basis at a premium of Rs. 2.30 per share.
- 3 80,00,000 (previous year 80,00,000) Equity Shares of Rs. 10 each fully paid-up (previous year Rs. 6.50 per share called and paid-up) issued at par to Mawana Sugars Limited in terms of the Scheme as approved by the Hon'ble High Court of Delhi.
- 4 13.5% Nil (previous year 100) Redeemable Cummulative Preference Shares are redeemable together with premium, if any, agreed to be paid on redemption at any time or times after such date or dates as the directors may determine after giving one month's notice, have been redeemed during the year.

# Siel Limited

## SCHEDULES 1 TO 13 (Contd.)

### Schedule 2 : RESERVES AND SURPLUS

	As at 31.03.2005 Rs. Lacs	Additions Rs. Lacs	Deductions Rs. Lacs	As at 31.03.2006 Rs. Lacs
Capital	387.15	-	-	387.15
Share premium	9,676.70	-	2.73 a	9,673.97
Capital redemption reserve	-	877.17 b	-	877.17
Restructuring reserve	6,497.22	-	6,497.22 c	-
Reserve Fund	39.59	5.82 d	-	45.41
General Reserve	-	6,497.22 c	-	6,497.22
Deduct debit balance in profit and loss account			226.34	6,270.88
	16,600.66	7,380.21	6,499.95	17,254.58

#### Footnotes:

- a Applied in providing for premium paid on redemption of 0.01% Redeemable cumulative preference shares.
- b Capital Redemption Reserve created pursuant to redemption of 0.01% Redeemable cumulative preference shares and 13.5% Redeemable cumulative preference shares.
- c On sale of shares of Shivajimarg Properties Limited (SPL), the restructuring reserve of Rs. 6497.22 lacs created on transfer of land to SPL, pursuant to the Scheme referred to in note 9 of schedule 13 stands realised and has been transferred to General reserve.
- d Maintained pursuant to Section 45-IC of Reserve Bank of India (Amendment) Act 1997.

### Schedule 3 : LOANS

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
<b>Secured</b>		
Banks		
Working capital demand loans	250.60	654.33
Term loans	-	305.13
Funded Interest term loan	-	418.55
Financial institutions		
Term loans	-	6,604.62
Funded interest term loans	-	1,082.17
	250.60	9,064.80
<b>Unsecured</b>		
Deposits		
Fixed #	4.43	18.96
Others	174.37	180.28
Interest accrued and due thereon	-	3.88
Other loans and advances - others ##	27.37	1,270.33
	206.17	1,473.45
	456.77	10,538.25

#### Footnotes:

- # Do not include any amount outstanding as on March 31, 2006 which are required to be credited to the Investor Education and Protection Fund.
- ## Includes Rs. 27.37 lacs (previous year Rs. 1,270.33 lacs) due to Mawana Sugars Limited.

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## SCHEDULES 1 TO 13 (Contd.)

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### Schedule 3 : LOANS (Contd.)

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#### Footnotes :

#### SECURED

##### 1. WORKING CAPITAL - BANKS

- i) Rs. 250.60 lacs (previous year Rs. 654.33 lacs) working capital demand loans are secured by hypothecation of stocks/ stores, book debts/ receivables and second charge on fixed assets. (Due within a year Rs. 250.60 lacs; previous year Rs 654.33 lacs).
- ii) Funded interest term loans amounting to Rs Nil (previous year Rs. 129.20 lacs) are secured by first pari-passu charge on the current assets i.e. book debts and inventories. (Due within a year Rs. Nil; previous year Rs. Nil).

The working capital facilities will be further secured by personal guarantee of Chairman and Managing Director.

All existing charges on the assets of Mawana Sugars Limited held by the working capital providers of the Parent Company shall be vacated.

##### 2. TERM LOANS – FINANCIAL INSTITUTIONS/BANKS

- i) Term loan amounting to Rs.Nil from a Bank (previous year Rs. 305.13 lacs) apportioned to the Parent Company pursuant to the Scheme were secured/to be secured by way of first pari-passu charge on the fixed assets and second charge on current assets of the Parent Company (Due within a year Rs. Nil; previous year Rs. 27.74 lacs)
- ii) Funded interest term loan amounting to Rs. Nil (previous year Rs.289.35 lacs) from a bank which were secured/ to be secured by first pari-passu charge on fixed assets and second charge on the current assets of the Parent Company. (Due within a year Rs. Nil; previous year Rs. Nil).
- iii) Term loans amounting to Rs. Nil from financial institutions (previous year Rs.1159.56 lacs) apportioned to the Parent Company pursuant to the Scheme are secured/to be secured by way of first pari-passu charge on the fixed assets and second charge on current assets of the Parent Company (Due within a year Rs. Nil; previous year Rs. 105.42 lacs).
- iv) Funded interest term loans amounting to Rs. Nil (previous year Rs.1082.17 lacs) from financial institutions are secured/ to be secured by first pari-passu charge on fixed assets and second charge on the current assets of the Parent Company. (Due within a year Rs. Nil; previous year Rs Nil).

On repayment of loans at (i) to (iv) above the personal guarantee of Chairman and Managing Director has been released by all lenders except one. The Parent Company's registered trade marks are yet to be released.

All existing charges on assets of Mawana Sugars Limited held by lenders of the Parent Company shall be vacated.

The existing charges on the assets of the Parent Company created in favour of lenders on the loans/debentures outstanding prior to the Scheme referred to in note 9 of schedule 13, shall be vacated.

- v) Term loan amounting to Rs. Nil (previous year Rs. 5,445.06 lacs) apportioned to Shivajimarg Properties Limited (SPL) pursuant to the Scheme were to be secured by way of first pari-passu charge on the land vested in SPL and pledge of equity shares of SPL held by the Parent Company with ICICI Bank Limited. All the existing charges on the land have been vacated. (Due within a year Rs. Nil previous year Rs. 5,445.06 lacs)

Pursuant to the sale of equity shares of SPL held by the Parent Company, the guarantee given by the Parent Company, for the minimum realisation of the principal amount of loans transferred to SPL as on September 30, 2002, the cut off date, has been released.

# Siel Limited

## SCHEDULES 1 TO 13 (Contd.)

### Schedule 4 : FIXED ASSETS

Description	GROSS BLOCK			DEPRECIATION				NET BLOCK		Lease adjustment #		NET BLOCK after lease adjustment		
	As at 31.03.2005 Rs.Lacs	Additions Rs. Lacs	Deductions Rs. Lacs	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs	For the year Rs. Lacs	On deductions Rs. Lacs	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs	
<b>Assets given on lease</b>														
Plant and machinery	987.56	-	-	987.56	526.51	63.36	-	589.87	397.69	461.05	246.43	300.90	151.26	160.15
	987.56			987.56	526.51	63.36		589.87	397.69	461.05	246.43	300.90	151.26	160.15
<b>Other fixed assets</b>														
Goodwill *	1,352.53	-	-	1,352.53	1,352.53	-	-	1,352.53	-	-	-	-	-	-
Land	423.74	-	-	423.74	-	-	-	-	423.74	423.74	-	-	423.74	423.74
Buildings	1,007.78	20.00	-	1,027.78	166.22	27.29	-	193.51	834.27	841.56	-	-	834.27	841.56
Plant and machinery	21,274.60	137.75	81.12	21,331.23	7,135.27	1,102.70	80.91	8,157.06	13,174.17	14,139.33	-	-	13,174.17	14,139.33
Furniture and fixtures	65.44	21.30	-	86.74	45.27	3.02	-	48.29	38.45	20.17	-	-	38.45	20.17
Vehicles	69.76	-	2.94	66.82	41.14	4.87	2.81	43.20	23.62	28.62	-	-	23.62	28.62
Trade mark	122.40	-	-	122.40	74.13	8.75	-	82.88	39.52	48.27	-	-	39.52	48.27
Current year	25,303.81	179.05	84.06	25,398.80	9,341.07	1,209.99	83.72	10,467.34	14,931.46	15,962.74	246.43	300.90	14,685.03	
Previous year	25,266.80	88.63	51.62	25,303.81	8,106.11	1,213.76	32.80	9,341.07	15,962.74		-	300.90		15,661.84
Capital work-in-progress including capital advances													125.68	95.07
													14,810.71	15,756.91

#### Footnotes:

\*Represent Goodwill arising on consolidation and has been written off in an earlier year.

#Includes Rs. 220.19 lacs (previous year Rs. 274.67 lacs) being provision for non-performing.

### Schedule 5 : INVESTMENTS

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
<b>AT COST UNLESS OTHERWISE STATED</b>		
<b>Non-trade investments - Quoted</b>		
— Mawana Sugars Limited \$ 50,000 Equity shares of Rs. 10 each fully paid-up	5.00	5.00
— MSD Industrial Enterprises Limited ## 2,95,700 Equity Shares of Rs. 10 each fully paid-up	108.23	108.23
Less: Provision for diminution in value	108.23	-
<b>Trade investments - Unquoted</b>		
— Ceratizit India Pvt. Limited 23,00,000 Equity shares of Rs. 5 each fully paid-up	230.00	230.00
Less: Provision for diminution in value	118.45	115.00
— Capaxil Agencies Limited* 5 Ordinary shares of Rs. 1,000 each fully paid-up	0.05	0.05
— Agro Pumpsets and Implements Limited 10 Equity shares of Rs. 500 each fully paid-up	0.05	0.05
<b>Non-trade investments - Unquoted</b>		
— Government securities	0.28	0.28
— Lotus Finance and Investment Private Limited 1,87,464, 4% Redeemable non cumulative preference shares of Rs. 100 each fully paid up	187.46	187.46
Less: Provision for diminution in value	187.46	-
— Midopa Holdings Private Limited 4,39,060 4% Redeemable non cumulative preference shares of Rs. 100 each fully paid up	439.06	439.06
Less: Provision for diminution in value	439.06	-
Carried forward	116.93	120.38

## SCHEDULES 1 TO 13 (Contd.)

### Schedule 5 : INVESTMENTS (Contd.)

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
Brought forward	116.93	120.38
<b>Non-trade investments – unquoted (Contd.)</b>		
— Deluxe Fabrics Limited ##		
1,00,000 Equity Shares of Rs. 10 each fully paid up	10.00	10.00
Less: Provision for diminution in value	10.00	10.00
	<u>116.93</u>	<u>120.38</u>
<b>Aggregate value of investments</b>		
Quoted (Market value Rs. 62.70 lacs; previous year Rs. 38.09 lacs )	5.00	5.00
Unquoted	111.93	115.38
	<u>116.93</u>	<u>120.38</u>

**Footnotes:**

All investments are long term investments.

\$ A company under same management.

## Investment acquired from erstwhile SFSL in terms of the Scheme of Amalgamation (Refer note 10 of Schedule 13)

\* Represent investments transferred from DCM Limited under the Scheme of Arrangement and are pending endorsement in the name of the Company.



# Siel Limited

## SCHEDULES 1 TO 13 (Contd.)

### Schedule 6 : CURRENT ASSETS, LOANS AND ADVANCES

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
<b>Current assets</b>		
<b>Inventories</b>		
Stores and spares (at cost or under)	296.48	146.51
Stock in trade (At lower of cost and net realisable value)		
Shares (refer Schedule 6A)	0.06	1.41
Raw materials, components etc.	261.03	112.87
Work-in-progress	86.53	69.35
Finished goods	411.22	154.83
Land	1,084.45	7,684.45
	<u>2,139.77</u>	<u>8,169.42</u>
<b>Sundry debtors</b>		
<b>Secured</b>		
Over six months - good	0.07	0.79
Other debts - good	220.29	164.51
<b>Unsecured</b>		
Over six months - good	49.13	40.25
- doubtful	1,171.31	1,515.56
Other debts - good	956.53	553.76
	<u>2,397.33</u>	<u>2,274.87</u>
Less: Provision for doubtful debts	<u>1,171.31</u>	<u>1,515.56</u>
	<u>1,226.02</u>	<u>759.31</u>
<b>Cash and bank balances</b>		
Cash in hand	7.88	6.40
Cheques on hand	75.00	46.01
With scheduled banks on		
current accounts	324.48	641.70
deposit accounts	23.86	23.02
margin accounts	660.47	681.57
Interest accrued on deposits and margin money	16.59	21.24
	<u>1,108.28</u>	<u>1,419.94</u>
<b>Loans and advances</b>		
Unsecured and considered good unless otherwise stated		
Advances recoverable in cash or in kind or for value to be received		
Considered good*	2,044.58	2,018.04
Considered doubtful	59.39	59.39
Inter corporate deposit		
Considered doubtful	102.50	102.50
Taxation	2,066.52	1,891.75
With customs/excise authorities	177.98	136.18
	<u>4,450.97</u>	<u>4,207.86</u>
Less: Provision for doubtful advances	<u>161.89</u>	<u>161.89</u>
	<u>4,289.08</u>	<u>4,045.97</u>
	<u>8,763.15</u>	<u>14,394.64</u>

#### Footnotes:

\* Includes:

Loans/advances to The Jay Engineering Works Limited as per the BIFR scheme Rs. 777 lacs (previous year Rs. 777 lacs). Maximum amount due during the year Rs. 777 lacs (previous year Rs. 1,077 lacs).

## SCHEDULES 1 TO 13 (Contd.)

### Schedule 6A : STOCK IN TRADE

	As at 31.03.2006 Rs. Lacs		As at 31.03.2005 Rs. Lacs	
<b>Stock in trade</b>				
(at lower of cost and market price/break-up value)				
<b>Quoted</b>				
<b>Equity shares of Rs. 10 each fully paid-up*</b>				
Nagarjuna Fertilisers and Chemicals Limited	100	0.01	100	0.01
Spice Net Limited (formerly Modi Olivetti Limited)	300	0.05	300	-
Seasons Furnishings Limited	-	-	29,500	1.40
Asian Hotels Limited	-	-	80	-
Vijayata Audio World Limited	-	-	13,400	-
		<b>0.06</b>		<b>1.41</b>
Aggregate value of shares held as stock-in-trade				
Quoted (market value Rs. 0.54 lac previous year - Rs. 1.68 lacs)				

#### Footnotes:

\* Acquired from erstwhile SFSL in terms of the Scheme of Amalgamation.

# Siel Limited

## SCHEDULES 1 TO 13 (Contd.)

### Schedule 7 : CURRENT LIABILITIES AND PROVISIONS

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
<b>Current liabilities</b>		
Sundry creditors#		
– Dues of small scale industrial undertakings	44.84	17.93
– Dues of other than small scale industrial undertakings @	3,514.90	3,488.40
Interest accrued but not due on loans	1.28	1.97
	<u>3,561.02</u>	<u>3,508.30</u>
<b>Provisions</b>		
Income tax provision	542.28	263.41
Contingencies charges	–	64.22
Employees leave encashment	57.90	51.85
	<u>600.18</u>	<u>379.48</u>
	<u>4,161.20</u>	<u>3,887.78</u>

#### Footnotes :

@ Includes an amount of Rs. Nil (previous year Rs. 300 lacs) payable to a financial institution pursuant to the Scheme of Arrangement.

# Sundry creditors include Rs. 0.01 lac (previous year Rs. Nil) outstanding as on March 31, 2006 which are required to be credited to the Investor Education and Protection Fund.

### Schedule 8 : MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)

	As at 31.03.2006 Rs.Lacs	As at 31.03.2005 Rs.Lacs
Deferred revenue expenditure:-		
Voluntary retirement scheme	–	21.67
Preliminary expenses	13.29	11.67
	<u>13.29</u>	<u>33.34</u>

### Schedule 9 : INCOME FROM CAPITAL MARKET OPERATIONS

	Year ended 31.03.2006 Rs. Lacs	Year ended 31.03.2005 Rs. Lacs
Sale of shares, debentures and other securities	1.59	3.05
Add : Closing stock (see schedule 6A)	0.06	1.41
	<u>1.65</u>	<u>4.46</u>
Less : Opening stock	1.41	0.05
	<u>0.24</u>	<u>4.41</u>

## SCHEDULES 1 TO 13 (Contd.)

### Schedule 9A : OTHER INCOME

	Year ended 31.03.2006 Rs. Lacs	Year ended 31.03.2005 Rs. Lacs
Export benefits	0.86	1.90
Dividend on long term non-trade investments	0.43	0.26
Interest received on term deposits etc (Gross)*	60.42	44.63
Profit on sale of non-trade long term investment	-	0.14
Excess provisions /liabilities written back**	620.79	155.76
Profit on sale of fixed assets	0.03	0.77
Principal amount of loan written back	-	18.51
Exchange gain	1.63	5.64
Commission received	24.50	41.47
Miscellaneous	45.55	103.35
	<b>754.21</b>	<b>372.43</b>

#### Footnotes:

\* Income-tax deducted at source Rs.12.36 lacs (previous year Rs. 7.97 lacs)

\*\* – Includes Rs. 344.25 lacs (previous year Rs. 9.52 lacs) provision for doubtful debts/advances no longer required written back.

– Includes provision for non-performing assets written back.

### Schedule 10 : EXPENDITURE

	Year ended 31.03.2006 Rs. Lacs	Year ended 31.03.2005 Rs. Lacs
<b>Manufacturing and other expenses</b>		
Purchases-finished goods	5,328.46	5,309.05
Raw materials consumed	1,998.12	1,380.11
Stores, spares and components	2,379.18	1,933.79
Jobs on contract	112.46	137.73
Power and fuel	8,779.29	7,291.20
Repairs - Buildings	25.14	25.76
- Plant and machinery	90.63	58.90
- Others	33.69	23.28
Salaries, wages, bonus etc.	806.64	784.66
Provident and other funds	75.10	102.26
Welfare	47.44	45.07
Rent	19.78	36.25
Lease rent	78.65	55.66
Insurance	67.47	70.50
Rates and taxes	18.75	69.86
Legal and professional	81.57	136.50
Increase/(decrease) in excise duty provision on stocks	0.41	6.80
Auditors' remuneration (including Service tax)		
As auditors		
- Audit fee*	11.23	12.09
- Out of pocket expenses	0.28	0.57
Carried forward	<b>19,954.29</b>	<b>17,480.04</b>

# Siel Limited

## SCHEDULES 1 TO 13 (Contd.)

### Schedule 10 : EXPENDITURE (Contd.)

	Year ended 31.03.2006 Rs. Lacs	Year ended 31.03.2005 Rs. Lacs
Brought forward	<b>19,954.29</b>	17,480.04
In other capacity		
–For Consolidated Financial Statements	<b>1.50</b>	2.20
–For limited reviews of unaudited financial results	<b>14.24</b>	7.99
–For corporate governance and other certification works	<b>1.34</b>	1.21
–For tax audits	<b>2.90</b>	2.76
–For verification of statements and other reports	<b>1.49</b>	1.25
Bad debts written off	–	127.17
Provision for diminution in value of long term trade investments	<b>3.45</b>	–
Loss on sale of long term trade investment	–	0.42
Loss on sale/write off fixed assets	<b>0.22</b>	1.77
Freight outwards	<b>109.56</b>	111.32
Donations	–	8.85
Miscellaneous	<b>583.77</b>	626.58
	<b>20,672.76</b>	18,371.56
Movements of finished goods and process stocks		
Opening stocks		
Work-in-progress	<b>69.35</b>	71.23
Finished goods	<b>154.83</b>	158.77
Land	<b>7,684.45</b>	7,684.45
	<b>7,908.63</b>	7,914.45
Less: Stock of land in subsidiary company divested during the year	<b>6,500.00</b>	–
	<b>1,408.63</b>	7,914.45
Less: Closing stocks		
Work-in-progress	<b>86.53</b>	69.35
Finished goods	<b>411.22</b>	154.83
Land	<b>1,084.45</b>	7,684.45
	<b>1,582.20</b>	7,908.63
	<b>(173.57)</b>	5.82
	<b>20,499.19</b>	<b>18,377.38</b>

\* Includes remuneration of auditors of the Company and its subsidiaries.

## SCHEDULES 1 TO 13 (Contd.)

### Schedule 11 : INTEREST

	Year ended 31.03.2006 Rs. Lacs	Year ended 31.03.2005 Rs. Lacs
On loans for fixed period	83.00	190.80
Others	35.99	128.57
	<u>118.99</u>	<u>319.37</u>

### Schedule 12 : EXCEPTIONAL ITEMS

	Year ended 31.03.2006 Rs. Lacs	Year ended 31.03.2005 Rs. Lacs
Surplus arisen from sale of investment in subsidiary company (refer note 9(b) of schedule 13)	4,645.68	-
Less :		
Compensation paid to Chairman and Managing Director and his family for executing non-compete undertaking (refer note 14 of schedule 13)	(644.20)	-
	<u>4,001.48</u>	<u>-</u>

# Siel Limited

## SCHEDULES 1 TO 13 (Contd.)

### Schedule 13 : NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006

#### 1. BASIS OF CONSOLIDATION

The consolidated financial statements have been prepared in accordance with Accounting Standard 21 (AS 21) – “Consolidated Financial Statements” issued by the Institute of Chartered Accountants of India.

The subsidiaries (which along with Siel Limited, the Parent Company, constitute the Group) considered in the preparation of these consolidated financial statements are:

Name	Country of Incorporation	Percentage of voting power, as at March 31, 2006	Percentage of voting power, as at March 31, 2005
Siel Industrial Estate Limited (SIEL-IE)	India	100.00	100.00
Siel Financial Services Limited (SFSL)	India	93.56*	93.56*
SFSL Investments Limited (SFSL I)	India	100.00	100.00
Transiel India Limited (TIL)	India	100.00	100.00
Shivajimarg Properties Limited (SPL) (Held upto September 15, 2005)	India	–	100.00
Siel Edible Oils Limited (SEOL) (w.e.f. January 3, 2006)	India	100.00	–

\* Includes 14.12% held by SFSLI, a wholly owned subsidiary.

These consolidated financial statements are based, in so far as they relate to amounts included in respect of the subsidiaries, on the audited financial statements prepared for consolidation in accordance with the requirements of AS 21 by each of the aforesaid subsidiaries.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with applicable accounting standards and are based on the historical cost convention. The significant accounting policies followed are stated below:

##### i) Fixed assets

Fixed assets are stated at cost of acquisition / construction less accumulated depreciation. The cost includes all pre-operative expenses relating to construction period in the case of new projects and expansion of existing factories.

##### ii) Depreciation

- a) The Group follows the straight-line method of depreciation (SLM).
- b) The rates of depreciation charged on all fixed assets are those specified in Schedule XIV to the Companies Act, 1956, except for trademarks, which are depreciated over a period of fourteen years.
- c) Depreciation is not provided on assets sold/discarded during the year.
- d) Depreciation is calculated on a pro-rata basis from the month of acquisition/installation of the asset and in case of assets costing upto Rs. 5000 each such asset is fully depreciated in the year of purchase.
- e) Leased fixed assets
  - i) Lease fixed assets are ‘depreciated’ by a method derived from the guidance note on “Accounting for Leases” issued by the Institute of Chartered Accountants of India under which 100% of the cost of the asset is depreciated over the primary lease period. As per this method, the interest rate implicit in the lease is calculated for each of the leases to arrive at the amount of principal recovery during the primary lease period. The depreciation in excess of minimum depreciation prescribed in Schedule XIV to the Companies Act, 1956, on the straight-line method is shown as lease equalisation charge.
  - ii) Leased fixed assets, wherein the lease rentals are classified as non performing asset, depreciation is being charged on the straight-line method at the rates prescribed in the Schedule XIV to the Companies Act, 1956, with effect from the date on which the lease rentals have been classified as non performing assets and not over the primary lease period as indicated in (i) above.

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## SCHEDULES 1 TO 13 (Contd.)

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### Schedule 13 : NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

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#### iii) Investments

Investments are stated at cost less provision for permanent diminution in the value of long-term investments, if any.

#### iv) Inventories

- a) Stores and spares are valued at cost or under.
- b) Stock in trade
  - i) Raw materials, components, work-in-progress and finished goods are valued at the lower of cost and net realisable value.

Cost of inventory is ascertained on the weighted average basis. Further, in respect of manufactured inventories, i.e., process stocks and finished goods, an appropriate share of manufacturing expenses is included on absorption costing basis.
  - ii) Finished goods purchased for resale are valued at cost or net realisable value, whichever is lower.
  - iii) Stock in trade – shares, debentures and other securities are valued at lower of cost and market price/breakup value determined for each category of stock in trade. The cost is ascertained on the basis of annual weighted average purchase price.
  - iv) Stock of land is valued at :-
    - a) lower of cost and estimated realisable value in respect of Siel-IE.
    - b) lower of the value on vesting pursuant to Scheme of Arrangement (Scheme) plus appropriate expenses relating to sale of land and net realisable value in respect of SPL.

#### v) Revenue recognition

- a) Sale of goods is recognised at the point of despatch of finished goods to customers. Sales are inclusive of excise duty and exclusive of sales tax.
- b) Lease rentals income is accrued as per the terms and conditions of the agreements entered into with the lessees.
- c) Income from the non-performing assets is recognised in accordance with the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 issued by the Reserve Bank of India on January 31, 1998 and as amended from time to time.

Further, provision for non-performing assets viz, investments, fixed assets, current assets and loans and advances is made in accordance with the said guidelines and are reduced against such assets.
- d) Income from sale of land is recognised on receipt of full consideration from customers.

#### vi) Research and development expenditure

Revenue expenditure on research and development is expensed out under the respective head of accounts in the year in which it is incurred.

#### vii) Retirement benefits

The Group has various schemes of retirement benefits such as provident fund, superannuation fund, gratuity fund and leave encashment. The Parent Company's contributions, to these funds recognised by the income-tax authorities and the provision for employees' leave encashment determined on an actuarial basis at the year end are charged against revenue every year except that contribution to the gratuity fund of Rs. 338.92 lacs (previous year Rs. 336.64 lacs) though provided for in the books of account has not yet been funded.



# Siel Limited

## SCHEDULES 1 TO 13 (Contd.)

### Schedule 13 : NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

#### viii) Income-tax

Income-tax is ascertained in accordance with the provisions of the Income-tax Act, 1961.

#### ix) Foreign exchange transactions

Exchange differences are dealt with as follows: -

Transactions in foreign currency are recorded at the exchange rate prevailing at the time of the transaction. In case of liabilities relating to the acquisition of fixed assets from a country outside India, the loss or gain on translation ( at the rates prevailing at the year end or at the forward rates where forward cover has been taken) and roll over charges in respect of forward cover is included in the carrying amount of the related fixed assets and loans.

Current assets (other than inventories) and current liabilities, (other than relating to fixed assets) are restated at the rate prevailing at the year end. In respect of forward contracts, the forward premium or discount is recognised as income or expenses over the life of contract in the profit and loss account and the exchange difference between the exchange rate prevailing at the year end and the date of the inception of the forward exchange contract is recognised as income or expense in the profit and loss account.

#### x) Write off of miscellaneous expenditure

- a) Deferred revenue expenditure is written off over a period of three years.
- b) Preliminary expenses are written off over a period of ten years from the year of commencement of commercial activities.

- xi) Share/ debenture issue expenses and premium on redemption of debentures/redeemable cumulative preference shares are written-off against share premium account.

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
3. Capital commitments (net of advances)	142.58	7.00
4. Contingent liabilities:		
a) Claims not acknowledged as debts*		
– Income tax	1,945.24	1,433.07
– Sales tax	831.50	933.20
– Excise duty	114.17	136.58
– Customs duty	–	37.39
– Licence fee for railway siding	606.83	606.83
– Supplier's claim	156.24	681.12
– Others	113.43	116.85
* All the above matters are subject to legal proceedings in the ordinary course of business. The legal proceedings, when ultimately concluded will not, in the opinion of management, have a material effect on the results of operation or financial position of the Parent Company/its subsidiaries.		
b) Bills discounted	134.63	34.21
c) Unpaid preference dividend on 13.5% Preference shares for the years ended September 30, 1998, 1999, 2000, 2001, eighteen months period ended March 31, 2003, year ended March 31, 2004 and March 31, 2005	–	0.10

## SCHEDULES 1 TO 13 (Contd.)

### Schedule 13 : NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

	As at 31.03.2006 Rs. Lacs	As at 31.03.2005 Rs. Lacs
d) Unpaid preference dividend on 0.01% Preference shares for the six months ended March 31, 2003, years ended March 31, 2004, and March 31, 2005	-	0.22
e) Bank guarantees issued	1.00	1.00
f) The Parent Company has provided bank guarantees aggregating Rs. 1260 lacs to Tecumseh Products India Limited (TPIL), to whom it had sold the compressor business in a previous year, for any loss, damage, claim, action, suit etc., arising from various representations/breach of representations including for contingent liabilities existing as at March 31, 1997, or prior to March 31, 1997, which TPIL may eventually be liable to pay.		
<p>In the previous year, TPIL had received excise demands aggregating to Rs. 392 lacs (including interest of Rs. 224 lacs) for the period August 1990 to April 1992, which was paid by it to the concerned authorities. Amounts so paid were reimbursed by the Parent Company to TPIL. Based on legal advice, the Parent Company had accounted for the maximum possible exposure of Rs. 90 lacs in this regard in the profit and loss account in the previous year and the balance amount of Rs. 302 lacs has been included under "Loans and advances recoverable in cash or kind or for value to be received" in Schedule 6.</p>		
5. Capital redemption reserve, dividend on preference shares and interim dividend at the rate of 10% on equity shares of the Parent Company have been appropriated out of the profits available for dividend, ascertained in accordance with the provisions of proviso (b) of Section 205(1) of the Companies Act, 1956.		
6. Consequent to import of plant and machinery in previous years by the Parent Company, the balance of export obligation pending as at March 31, 2006 is US\$ 50.12 millions.		
<p>During the year, the Board of Directors of the Parent Company, on a review of the status of the export obligation, were of the view that it is unlikely for the Parent Company to fulfill the export obligation within the stipulated time period (i.e. March 30, 2007).</p> <p>As per the existing policy, the DGFT may consider requests for grant of extension in export obligation period for a period of two years provided the exporter chooses to do any of the following for each year of extension sought:-</p> <ol style="list-style-type: none"> <li>i. Pay a composition fee of 2% of the total duty saved; or</li> <li>ii. Accept enhancement in export obligation imposed to the extent of 10% of the total export obligation imposed.</li> </ol> <p>The Foreign trade policy with effect from April 1, 2006 states that a further extension of two years to the above extension could be considered by DGFT upon the exporter depositing 50% of the duty payable in proportion to the unfulfilled export obligation. In case the exporter is still not able to complete the export obligation the duty already deposited will be deducted from total duty plus interest to be paid for default in the export obligation.</p> <p>The management of the Parent Company is exploring various avenues available in the current scenario and would then file an application with the DGFT. At this stage, the Company is not in position to estimate the liability that would devolve with respect to the export obligation pending filing of the application with the DGFT and its final outcome.</p>		
7. Pursuant to the Scheme of Amalgamation of the erstwhile Shriram Industrial Enterprises Limited (SIEL) with the Parent Company, as approved by the High Court of Delhi vide its Order dated April 10, 1992 which became effective on May 20, 1992 on filing of the certified copy of the Order of the High Court with the Registrar of Companies, Delhi and Haryana, all the properties, assets, liabilities and reserves of the erstwhile SIEL were transferred to and vested in the Parent Company with effect from the transfer date i.e. April 1, 1990 including those vested in and transferred to the erstwhile SIEL pursuant to the Scheme of Arrangement of DCM Limited approved by the High Court of Delhi by its Order dated April 16, 1990.		
8. Pursuant to the Scheme of Arrangement under Section 391 to 394 of the Companies Act, 1956, of the Parent Company, approved by the High Court of Delhi vide its Order dated July 22, 1996, which became effective on August		

# Siel Limited

## SCHEDULES 1 TO 13 (Contd.)

### Schedule 13 : NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

29, 1996, on filing of the certified copy of the Order of the High Court of Delhi with the Registrar of Companies, NCT Delhi and Haryana, the Compressors, Appliances and Hard Metals businesses, together with all the property, rights and powers and all the liabilities and duties thereof at their respective book values had been transferred to and vested in the then subsidiary companies namely Siel Compressors Limited, Siel Aircon Limited and Siel Tizit Limited respectively with effect from April 1, 1996, the transfer date.

9. (a) Pursuant to the Scheme of Arrangement (Scheme) under section 391 to 394 of the Companies Act, 1956 of the Parent Company approved by the Hon'ble High Court of Delhi vide its Order dated August 26, 2003, which became effective on September 5, 2003 on filing of the certified copy of the Order of the High Court of Delhi with the Registrar of Companies, NCT Delhi and Haryana and consequent thereto:-

- (i) The sugar business comprising the undertakings of Mawana Sugar Works and Titawi Sugar Complex together with all properties, assets both movable and immovable and liabilities, including contingent liabilities at their respective book values have been transferred to and vested in Mawana Sugars Limited (formerly Siel Sugar Limited) with effect from October 1, 2002, the appointed date.
  - (ii) The land admeasuring 24.88 acres situated at 15, Shivaji Marg, New Delhi alongwith all rights, entitlements, easements and other conveniences attached thereto or known to be attached thereto at a realisable value (net of cost of sales) have been transferred to and vested in Shivajimarg Properties Limited (SPL) , a 100% subsidiary of the Parent Company with effect from October 1, 2002.
  - (iii) Certain specified investments of the Parent Company alongwith all rights, privileges, benefit properties, assets and liabilities comprised therein at a realisable value (net of cost of sales) have been transferred to and vested in Siel Holdings Limited (SHL) with effect from October 1, 2002.
  - (iv) The Parent Company has considered the impact of financial restructuring resulting in extinguishment of redeemable cumulative convertible preference shares (RCCPS), reduction of principal amount and waiver of interest on term liabilities to financial institutions as on October 1, 2002.
  - (v) The Parent Company has considered additional liability of Rs. 300 lacs payable to a financial institution at any time during the currency of the period of the Scheme in terms of the Order of the High Court.
- b) (i) During the year, the Parent Company has sold the equity shares of Shivajimarg Properties Limited (SPL) to a party, for a consideration of Rs. 26,730.00 lacs. In terms of the Scheme referred to in (a) above, Rs. 20,235.00 lacs received after meeting SPL obligations of Rs. 6,495.00 lacs have been first appropriated towards specified liabilities of interest recompense to SPL lenders, payments to financial institutions (including dues of Mawana Sugars Limited of Rs.1,857.50 lacs) aggregating to Rs. 7,139.44 lacs and the surplus of Rs. 13,095.56 lacs remaining thereafter have been utilized towards payment of term debts of Mawana Sugars Limited amounting to Rs. 8,057.12 lacs. The Parent Company's dues to a financial institution of Rs. 300.00 lacs is no longer payable and has been credited to the surplus account. After discharge of the aforesaid balance, the surplus of Rs. 4,645.68 lacs after adjusting the carrying amount of assets less liabilities of SPL of Rs. 5.00 lacs and expenses aggregating Rs. 687.76 lacs incurred on sale of shares has been credited under "Exceptional Items" in the consolidated profit and loss account.
- (ii) Pursuant to the sale of equity shares of SPL, the following assets and liabilities of SPL as at September 15, 2005 do not form part of consolidated financial statements:

Amount (Rs. Lacs)

<b>Assets</b>	
Inventories	
- Land	<b>6500.00</b>
- Cash and bank balances	<b>0.11</b>
<b>Liabilities</b>	
Loans	
- Secured	<b>5445.07</b>
- Unsecured	<b>1049.93</b>

## SCHEDULES 1 TO 13 (Contd.)

### Schedule 13 : NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

- c) Pursuant to the sale of equity shares of SPL, the term debts of the Parent Company aggregating to Rs. 2,936.91 lacs have been repaid and stand so discharged.
- d) The Parent Company had surrendered on October 23, 2003 possession of 46.58 acres of its land at 15, Shivaji Marg , New Delhi to the Delhi Development Authority (DDA) pursuant to the order of Hon'ble Supreme Court. The matter regarding compensation for this surrender is sub-judice before Hon'ble Supreme Court under a review petition. In terms of the share purchase agreement entered into with a party for the sale of shares of Shivajimarg Properties Limited (SPL), the Parent Company has extended protection to the party, that it shall compensate the party by providing them additional land for any loss of buildable area suffered by the party on account of an order passed by Supreme Court whereby the additional Floor Area Ratio (FAR) on the land granted by Supreme Court is withdrawn or curtailed subject however to the following conditions:
- i) That additional area of land shall be given by the Parent Company to the party only if the surrendered land is returned to the Parent Company under the Order of the Hon'ble Supreme Court in the Review petition and the order is with the stipulation that the returned land is to be used in accordance with the Master Plan and the additional FAR earlier granted for the land is curtailed .
  - ii) the additional area of the land, if any, to be provided by the Parent Company to the party shall be in proportion to the reduction, if any, in percentage of additional FAR.
  - iii) The said protection to the party by the Parent Company shall be valid only upto the sanction of the party's building plan by the appropriate authorities or for the period of 12 months from the completion of the transaction relating to purchase of equity shares of SPL pursuant to the signing of the Share purchase agreement on September 15, 2005, which ever is earlier.
10. Pursuant to the Scheme of Amalgamation of erstwhile Siel Financial Services Limited (erstwhile SFSL), a Non banking financial company with the Company i.e. Shriram Agro-Tech Industries Limited (since renamed as SFSL) under section 391 and 394 of the Companies Act, 1956 as approved by the High Court of Madhya Pradesh and Delhi vide their Order dated November 11, 1997, which became effective on January 8,1998 on filing of the certified copy of the Order of the High Court of Delhi with the Registrar of Companies, Delhi and Haryana, all the properties, assets movable or immovable, rights and power together with all present and future liabilities, including contingent liabilities, obligations and reserves of the erstwhile SFSL were transferred to and vested in the SFSL with effect from the transfer date i.e. April 1, 1996 being the transfer date.
11. Sales are net of commission of Rs. 64.18 lacs ( previous year Rs. 43.32 lacs).
12. There are various issues relating to sales tax, income tax etc. arisen / arising out of the reorganisation arrangement of DCM Limited which will be settled and accounted for in terms of the Scheme of Arrangement of DCM Limited and memorandum of understanding between all the companies involved as and when the liabilities/benefits are fully determined. In the opinion of the management, having regard to the current status of the assessment proceedings at various stages the effect of these matters on the accounts of the Parent Company could not be determined at this stage.
13. The Parent Company had advanced an interest free loan of Rs. 777 lacs (previous year Rs. 777 lacs) to Jay Engineering Works Limited (JEW). As per the latest audited balance sheet, JEW has accumulated losses of Rs. 2652.28 lacs as against equity capital and reserves of Rs.2,428.98 lacs upto March 31, 2005. In view of the revised restructuring plan approved by Board for Industrial and Financial Reconstruction (BIFR), the management is of the view that no provision in respect of its financial exposure amounting to Rs. 777 lacs in JEW is necessary at this stage.
14. The Parent Company and Mr. Siddharth Shriram, had entered into Non-Compete Agreements whereby the Company and Mr. Siddharth Shriram and his family had inter-alia agreed not to engage, directly or indirectly, in the manufacturing, selling or repairing of Compressors and parts thereof as would compete with Tecumseh Products Company, TPC Mauritius Holdings, Tecumseh India Private Limited and Siel Compressors Limited, in any country of the world for a period of 15 years from the date of the Agreements for an aggregate consideration of US \$ 18 million i.e. Rs. 6,442.00 lacs to the Parent Company. In connection with this agreement, Mr. Siddharth Shriram

# Siel Limited

## SCHEDULES 1 TO 13 (Contd.)

### Schedule 13 : NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

had requested the Board of Directors to consider an appropriate compensation for his family for giving up the valuable right as described above in the interest of Parent Company.

During the year, the Board of Directors of the Parent Company had considered the aforesaid request by determining and paying a sum of Rs. 644.20 lacs in full and final settlement to Mr. Siddharth Shriram towards compensation for him and his family to execute a non-compete undertaking at the time of sale of the Compressor business of the Parent Company, which has been included under exceptional items in the consolidated profit and loss account.

15. As there are substantial unabsorbed depreciation and carry forward losses under the Income-tax Act, 1961 and it is unlikely to have taxable income in foreseeable future, in accordance with Accounting Standard (AS) 22 issued by the Institute of Chartered Accountants of India, the net deferred tax assets have not been recognised in the consolidated accounts.

16. Earnings per share	<b>Year ended March 31, 2006 (Rs. Lacs)</b>	Year ended March 31, 2005 (Rs. Lacs)
Profit / (Loss) after tax	<b>4016.03</b>	19.25
Less: Preference dividend and dividend tax thereon	<b>0.06</b>	0.11
Profit/(Loss) attributable to equity shareholders	<b>4015.97</b>	19.14
Weighted average number of equity shares outstanding	<b>1,76,32,562</b>	1,25,37,768
Basic and diluted earnings per share in rupees (face value – Rs.10 per share)	<b>22.78</b>	0.15

17. Related party disclosures under Accounting Standard 18  
Names of related party and nature of related party relationship

**Enterprises over which key management personnel have significant influence:** The Jay Engineering Works Limited (upto March 24, 2005), Mawana Sugars Limited (MSL) and Subsidiaries of MSL viz. Siel Holdings Limited (upto December 1, 2005 and an associate w.e.f. December 2, 2005 and upto February 27, 2006) and Nanglamal Sugar Limited, (an erstwhile subsidiary, merged with MSL w.e.f. October 1, 2004).

**Key Management Personnel and their relatives:**

Mr. Siddharth Shriram and Mr. K.P. Singh

	<b>Year ended 31.03.2006 (Rs. Lacs)</b>	Year ended 31.03.2005 (Rs. Lacs)
<b>(A) Enterprises over which Key Management Personnel have significant influence</b>		
<b>Mawana Sugars Limited #</b>		
– Sales	<b>73.06</b>	5.88
– Commission received	<b>24.50</b>	41.47
– Purchases	<b>928.62</b>	201.35
– Expenses recovered	<b>36.37</b>	6.76
– Professional/Management fee/other expenses paid	<b>139.94</b>	147.01
– Repayment of loans/advances given	<b>1368.68</b>	308.71
– Issue of 80,00,000 equity shares of Rs.10 each, Rs. 6.5 per share called and paid-up	–	520.00
– Call money received on 80,00,000 Shares @ Rs. 3.50 per share	<b>280.00</b>	–
<b>Siel Holdings Limited</b>		
– Payments received against loans / advances given	–	420.94

## SCHEDULES 1 TO 13 (Contd.)

### Schedule 13 : NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

	Year ended 31.03.2006 (Rs. Lacs)	Year ended 31.03.2005 (Rs. Lacs)
<b>The Jay Engineering Works Limited</b>		
–Rent received	–	1.49
–Expenses recovered	–	7.62
–Payments received against loans/ advances given	–	300.00
Balance outstanding included under :		
–Loans and advances	–	777.00
–Sundry creditors/ Loans and advances taken	<b>41.93</b>	1273.19
<b>(B) Key Management Personnel and their Relatives</b>		
–Guarantee given/ to be given on behalf of the Parent Company	<b>250.60</b>	3619.74
–Compensation paid for executing non compete undertaking	<b>644.20</b>	–
Remuneration to key management personnel :–		
– Mr. K.P. Singh	<b>18.16</b>	14.56
– Mr. P.K. Bhalla*	<b>0.40</b>	0.34
– Mr. A.K. Mehra*	<b>0.58</b>	0.54
<b>Balance outstanding included under:</b>		
– Guarantee given/to be given on behalf of the Parent Company	<b>250.60</b>	3619.74
(*) Sitting Fee		
(#) Does not include debts aggregating to Rs. 8057.12 lacs which got discharged pursuant to the surplus arisen on the sale of shares of Shivajimarg Properties Limited (SPL). (Also refer note 9(b) of schedule 13)		
<b>18. Directors remuneration*</b>		
Salaries and allowances	<b>14.90</b>	12.20
Contribution to provident and other funds	<b>1.20</b>	1.20
Value of perquisites	<b>2.06</b>	1.16
Director's fees	<b>2.14</b>	2.18
* Do not include contribution to gratuity fund and provisions for leave encashment, since the same are paid/determined for the Parent Company as a whole.		
19. SFSL has severely curtailed its operations due to paucity of funds and adverse market conditions. The management is negotiating with certain parties for realising some of the assets and is hopeful of generating funds for this business. In view of the above, the accounts of SFSL have been prepared on a going concern basis.		
20. The trading operations of TIL have been suspended since June 1999 with a view to prevent further losses. The accounts of TIL for the year ended March 31, 2006 have been prepared on a going concern basis although revival of business activities will depend upon more favourable conditions prevailing in the market.		
21. SIEL-IE is in the process of setting up an Industrial Estate in Rajpura, Distt. Patiala (Punjab) pursuant to Parent Company's signing a MOU with the State Government of Punjab. The Parent Company vide its letter dated February 27, 1995 had assigned the principal MOU to SIEL-IE to develop the industrial estate. In terms of the MOU, the Punjab Government would be acquiring the land and transferring it to SIEL-IE. As at the close of the year, SIEL-IE has taken possession of 540 acres of land out of which 298.46 acres of land has been transferred to SIEL-IE by the Government of Punjab vide conveyance deed dated May 26, 2000. Registration in respect of the balance land of 241.54 acres is still pending as at the close of the year. The amount of Rs.1,600 lacs deposited by SIEL-IE in an		

# Siel Limited

## SCHEDULES 1 TO 13 (Contd.)

### Schedule 13 : NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

earlier year in response to the demand made by the Government of Punjab had been appropriated towards cost of the land in possession of SIEL-IE. In an earlier year, vide Order dated 5.9.2003 issued by the Collector, Land Acquisition, Government of Punjab, an amount of Rs. 264.70 lacs pertaining to excess development charges already deposited by SIEL-IE had been appropriated against the cost of 115.35 acres of land to be allotted to SIEL-IE. Accordingly, the said amount of Rs. 264.70 lacs has been adjusted in the carrying cost of land in possession of SIEL-IE. Pending ascertainment of final cost of land including amount payable towards enhancement of compensation, if any, additional liability on SIEL-IE on this account has not been provided for.

22. The State Government of Punjab had taken a decision that the development of the Industrial Estate should take place under the provisions of The Punjab Apartment and Property Regulation Act, 1995. In terms of the provisions of the said Act, Siel Industrial Estate Limited was required to furnish bank guarantees (BG's) against internal development works and pay external development charges (EDC) for external development works to be carried out by Punjab Urban Development Authority (PUDA). However, as per the provisions of the Memorandum of Understanding (MoU) between the Parent Company and Government of Punjab, all development works had to be carried out by the developers and not by or through PUDA. SIEL-IE, accordingly, represented to the Government that the MoU itself was a guarantee and there was, therefore, no need to furnish BG's and also since PUDA has not undertaken to carry out any development works in the area, EDC should also not be charged. This position was accepted in a meeting held under the chairmanship of the State Chief Secretary on July 17, 2002 and this was further approved by the Empowered Committee (ref. Order Inc.1/EC/SIEL/2002 dated January 3, 2003) under the chairmanship of the Hon'ble Chief Minister of Punjab, in terms of which it was agreed that these exemptions were for the Estate as a whole and therefore, the BG's already furnished will be returned and the EDC amounts already paid would be refunded. Accordingly, a notification dated 12th February, 2004 was issued by Govt. of Punjab, Department of Housing & Urban Development, Chandigarh exempting SIEL-IE from all the provisions of the Punjab Apartment & Property Regulation Act, 1995 subject to the condition that the exemption shall extend only in respect of the land for which the licence has already been granted by the Competent Authority under the above Act. SIEL-IE has approached the Govt. of Punjab for issuance of a fresh notification exempting the entire land because as per the decision of the empowered committee, SIEL-IE was given exemption from the said Act for the entire land. During the previous year, the Govt. of Punjab has issued the desired notification, exempting SIEL-IE for submission of BGs against internal development works and payment of external development charges (EDC) for external development works, for the entire land. Accordingly, the BGs of Rs. 43.57 lacs and EDC of Rs. 15.88 lacs have been received back from PUDA.

23. In case of SIEL-IE, out of 425.93 acres of land in stock at the close of the year, 150.69 acres of land is earmarked for roads, open spaces, green belts and public spaces in terms of the Government of Punjab regulations, which is required to be transferred back to the Government of Punjab at a later date, free of cost. Consequently, the entire cost of such land has been apportioned over the land available for sale.

#### 24. Segment reporting

##### A. Business segments:

Based on the guiding principles given in Accounting Standard AS-17 "Segment Reporting" issued by the Institute of Chartered Accountants of India, the Group's business segments include: chemicals, edible oils and others consisting of financing operations, industrial estate etc.

##### B. Geographical segments:

Since the Group activities/operations are primarily within the country and considering the nature of products/services it deals in, the risk and returns are same and as such there is only one geographical segment.

##### C. Segment accounting policies:

In addition to the significant accounting policies applicable to the business segments as set out in note 2 of schedule 13 "Notes to the Consolidated Accounts", the accounting policies in relation to segment accounting are as under:

## SCHEDULES 1 TO 13 (Contd.)

### Schedule 13 : NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

- a) Segment revenue and expenses:  
Segment revenue and expenses are directly attributable to the segments.
- b) Segment assets and liabilities:  
Segment assets include all operating assets used by a segment and consists principally of operating cash, debtors, inventories and fixed assets, net of allowances and provisions which are reported as direct offsets in the balance sheet. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities.
- c) Inter segment revenues:  
Inter segment revenues between operating segments are accounted for at market price. These transactions are eliminated in consolidation.
- d) Information about business segments

(Rs. lacs)

PARTICULARS	Chemicals		Oils		Others		Unallocated		Elimination		Total	
	This Year	Previous Year	This Year	Previous Year	This Year	Previous Year	This Year	Previous Year	This Year	Previous Year	This Year	Previous Year
<b>SEGMENT REVENUE</b>												
External sales #	16,036.25	14,023.23	5,373.45	5,595.12	0.25	-	-	-	-	-	21,409.95	19,618.35
Other Income	144.12	41.99	323.30	63.53	207.71	170.06	53.90	95.20	(35.00)	(38.57)	694.03	332.21
Inter segment	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>16,180.37</b>	<b>14,065.22</b>	<b>5,696.75</b>	<b>5,658.65</b>	<b>207.96</b>	<b>170.06</b>	<b>53.90</b>	<b>95.20</b>	<b>(35.00)</b>	<b>(38.57)</b>	<b>22,103.98</b>	<b>19,950.56</b>
<b>RESULTS</b>												
Segment result	677.56	1,140.82	203.52	(31.22)	18.28	(187.41)	-	-	(35.00)	96.73	864.36	1,018.92
Unallocated expenses (net of income)	-	-	-	-	-	-	(494.00)	(724.81)	-	-	(494.00)	(724.81)
<b>Operating profit / (loss)</b>	<b>677.56</b>	<b>1,140.82</b>	<b>203.52</b>	<b>(31.22)</b>	<b>18.28</b>	<b>(187.41)</b>	<b>(494.00)</b>	<b>(724.81)</b>	<b>(35.00)</b>	<b>96.73</b>	<b>370.36</b>	<b>294.11</b>
Interest expense	-	-	-	-	-	-	(118.99)	(320.62)	-	1.25	(118.99)	(319.37)
Interest income	-	-	-	-	-	-	60.42	45.88	-	(1.25)	60.42	44.63
<b>Net profit / (loss)</b>	<b>677.56</b>	<b>1,140.82</b>	<b>203.52</b>	<b>(31.22)</b>	<b>18.28</b>	<b>(187.41)</b>	<b>(552.57)</b>	<b>(999.55)</b>	<b>(35.00)</b>	<b>96.73</b>	<b>311.79</b>	<b>19.37</b>
<b>Exceptional Items</b>												
Surplus arisen from sale of long term non-trade investment	-	-	-	-	-	-	4,645.68	-	-	-	4,645.68	-
Profit on transfer of Edible Oil Business	-	-	-	-	-	-	16.67	-	(16.67)	-	-	-
Compensation paid to Chairman and Managing Director and his family for executing non-compete undertaking	-	-	-	-	-	-	(644.20)	-	-	-	(644.20)	-
	<b>677.56</b>	<b>1,140.82</b>	<b>203.52</b>	<b>(31.22)</b>	<b>18.28</b>	<b>(187.41)</b>	<b>3,465.58</b>	<b>(999.55)</b>	<b>(51.67)</b>	<b>96.73</b>	<b>4,313.27</b>	<b>19.37</b>
Current Tax	-	-	-	-	-	-	279.00	-	-	-	279.00	-
Fringe Benefit Tax	-	-	-	-	-	-	18.24	-	-	-	18.24	-
<b>Net Profit/ (Loss) after tax</b>	<b>677.56</b>	<b>1,140.82</b>	<b>203.52</b>	<b>(31.22)</b>	<b>18.28</b>	<b>(187.41)</b>	<b>3,168.34</b>	<b>(999.55)</b>	<b>(51.67)</b>	<b>96.73</b>	<b>4,016.03</b>	<b>19.37</b>
<b>OTHER INFORMATIONS</b>												
	As at 31.03.2006	As at 31.03.2005	As at 31.03.2006	As at 31.03.2005	As at 31.03.2006	As at 31.03.2005	As at 31.03.2006	As at 31.03.2005	As at 31.03.2006	As at 31.03.2005	As at 31.03.2006	As at 31.03.2005
<b>A. ASSETS</b>												
Segment assets	17,124.46	17,764.21	623.46	347.25	2,137.77	8,750.86	-	-	-	-	19,885.69	24,862.32
Profit and loss account	-	-	-	-	-	-	-	10,133.44	-	(6,983.32)	-	3,150.12
Unallocated assets	-	-	-	-	-	-	5,821.23	6,210.30	(2,002.84)	(2,767.35)	3,818.39	3,442.95
<b>Total assets</b>	<b>17,124.46</b>	<b>17,764.21</b>	<b>623.46</b>	<b>347.25</b>	<b>2,137.77</b>	<b>8,750.86</b>	<b>5,821.23</b>	<b>16,343.74</b>	<b>(2,002.84)</b>	<b>(9,750.67)</b>	<b>23,704.08</b>	<b>33,455.39</b>
<b>B. LIABILITIES</b>												
Segment liabilities	1,732.05	1,750.15	249.30	122.56	246.67	309.91	-	-	-	-	2,228.02	2,182.62
Share capital and reserves	-	-	-	-	-	-	19,334.89	25,901.79	(248.78)	(6,872.43)	19,086.11	19,029.36
Secured and unsecured loans	-	-	-	-	-	-	2,137.92	13,339.16	(1,681.15)	(2,800.91)	456.77	10,538.25
Unallocated liabilities	-	-	-	-	-	-	2,006.09	1,782.49	(72.91)	(77.33)	1,933.18	1,705.16
<b>Total liabilities</b>	<b>1,732.05</b>	<b>1,750.15</b>	<b>249.30</b>	<b>122.56</b>	<b>246.67</b>	<b>309.91</b>	<b>23,478.90</b>	<b>41,023.44</b>	<b>(2,002.84)</b>	<b>(9,750.67)</b>	<b>23,704.08</b>	<b>33,455.39</b>
<b>C. OTHERS</b>												
Capital expenditure	187.19	111.94	-	0.36	-	0.11	22.50	14.34	-	-	209.69	126.75
Depreciation	1,129.89	1,134.24	11.91	9.19	64.50	64.68	3.69	5.65	-	-	1,209.99	1,213.76
Non cash expenses other than depreciation	7.68	15.74	4.15	15.93	2.77	2.39	13.51	31.25	-	-	28.11	65.31

# Net of excise duty.



# Siel Limited

## SCHEDULES 1 TO 13 (Contd.)

### Schedule 13 : NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

25 Foreign currency exposures of the Parent Company that are not hedged by derivative instruments or otherwise is as follows :

Particulars	Year ended 31.3.2006		Year ended 31.3.2005	
	Amount in foreign currency (Lacs)	Amount in (Rs./Lacs)	Amount in foreign currency (Lacs)	Amount in (Rs./Lacs)
Sundry debtors *	1.12 US\$	50.14	0.68 US\$	29.55
Sundry creditors	0.19 GBP	15.13	0.52 GBP	42.11
Export obligation	501.20 US\$	22,358.53	750 US\$	32,805

\* Excluding US\$ 303,120 (Previous year – US\$ 46,375) on account of bills discounted by the Parent Company as on March 31, 2006.

26. The Siel Foods and Fertiliser Industries (SFFI), a unit of the Parent Company was engaged in the business of edible oils, a primary business segment. The Board of Directors of the Company pursuant to a formal plan announced on February 21, 2006 transferred the undertaking being all assets including brands and loans including security deposits from the dealers but without any other liability of SFFI, at the close of business hours as of March 31, 2006 to Siel Edible Oils Limited (SEOL), a wholly owned subsidiary for a total consideration of Rs. 308 lacs. The assets and liabilities transferred are as under:-

Particulars	Amount (Rs. in Lacs)
Net book value of fixed assets	39.52
Inventories	339.66
Sundry debtors	222.66
Loans and advances	4.95
Less :	
Unsecured loans	(65.33)
Current liabilities	(250.13)
	<b>291.33</b>

However, the above did not have any significant impact on the Consolidated Financial Statements.

27. Previous year figures are regrouped and / or rearranged, wherever considered necessary.

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# **SUBSIDIARY COMPANIES**

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# Siel Industrial Estate Limited

Registered Office:  
5th Floor, Kirti Mahal,  
19, Rajendra Place, New Delhi-110 008

## DIRECTORS' REPORT

The Shareholders,

Your Directors present the Twelfth Annual Report along with Audited Accounts of the Company for the Year ended March 31, 2006.

### PROGRESS OF THE PROJECT

The Company has agreed with Siel Limited (The Holding Company) for implementation of the Memorandum of Understanding (MOU) between Siel Limited and Punjab Government for setting up an Industrial Estate of 1084 acres (later reduced to 655 acres), at Rajpura, District Patiala (Punjab). In terms of the MOU, Punjab Government would acquire the land and transfer encumbered possession to the Company. The Government of Punjab has given Company possession of 540 acres and the balance 115 acres is under litigation. Out of 540 acres, 298 acres of land were registered in the name of the Company.

The Company has sold 114.07 acres of land since it started the sales activities. However, there was no sale of land during the year under review.

The Company has now been exempted from the provisions of the Punjab Apartments and Property Regulation Act (PAPRA), 1995. The notification to this effect has been issued by the Secretary, Housing and Urban Development, Government of Punjab, Chandigarh on 27.05.04. The Company will however be required to deposit service charges at the rate of rupee one per square meter as per the provisions of Section 32 of the PAPRA, 1995.

The impact of the above notification on the Company will be as under:

1. The Company will not be required to get the license for sale of land. However the Layout plan, already approved by the Competent Authority, shall not be altered except with the written recommendations of the Chief Town Planner, Punjab.
2. External Development Charges (EDC) will not be payable for future transactions.
3. Submission of Bank Guarantee towards internal development charges will not be required for future transactions. However, as per the stipulations of the notification, Company has given an undertaking that it shall continue to complete and maintain internal development works at its expense to the specification of the Competent Authority.

### FINANCIAL RESULTS

The summary of the financial results of the Company is as under:

PARTICULARS	(Rs. /Lacs)	
	2005-06	2004-05
- Profit/(Loss) before interest, depreciation, and tax	(5.13)	(3.23)
- Interest	-	1.52
- Depreciation	0.43	0.45
- Profit/(Loss) before tax	(5.56)	(5.20)
- Provision for tax	-	-
- Profit/(Loss) after tax	(5.56)	(5.20)

### DIVIDEND

In view of the losses incurred during the year, your Directors regret their inability to recommend any dividend for the year ended March 31, 2006.

### AUDITORS

M/s.S.S. Kothari Mehta & Co., Chartered Accountants, Auditors of the Company hold office until the conclusion of the forthcoming Annual General meeting of the Company and are recommended for reappointment. The Company has received certificate from them to the effect that their appointment, if made, would be within the provisions of Sec. 224(1) of the Companies Act, 1956.

### DIRECTORS

Mr. Deepak Banerjee retires by rotation and being eligible offers himself for reappointment.

### AUDITORS' REPORT

The observations of Auditors are explained wherever necessary, in the appropriate notes to the accounts.

### CONSERVATION OF ENERGY

The Company has not consumed any significant amount of energy during the year under review. Hence, no information is required to be given.

### TECHNOLOGY ABSORPTION

No information is necessary keeping in view the nature of activities undertaken by the Company.

### FOREIGN EXCHANGE EARNING & OUTGO.

During the period under review foreign exchange earning & outgo is Nil.

### PARTICULARS OF EMPLOYEES

There is no employee in the Company whose particulars are required to be given under Section 217(2A) of the Companies Act, 1956.

### DIRECTORS' RESPONSIBILITY STATEMENT

As required Under Section 217(2AA) of the Companies Act, 1956, your Directors state:

- (i) that in preparation of the accounts, the applicable accounting standards have been followed;
- (ii) that the accounting policies selected and applied are consistent and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that year;
- (iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the accounts have been prepared on a going concern basis.

### AUDIT COMMITTEE

The Audit Committee of the Board oversees and reviews the financial results, the systems and quality of audits and the internal control systems.

The composition of the Audit Committee is as follows:

1. Mr. Ashok Aggarwal – Chairman
2. Mr. Sushil Kumar Jain
3. Mr. Deepak Banerjee

### ACKNOWLEDGMENTS

Your Directors wish to thank and deeply acknowledge the co-operation, assistance and support extended by the Central Government, the State Government, the Company's bankers, dealers and vendors.

Yours Directors also wish to place on record their appreciation for all-round cooperation and contributions made by the employees of the Company.

On Behalf of the Board  
for Siel Industrial Estate Limited

Place : New Delhi  
Date : 29.04.2006

(Ashok Aggarwal) (Sushil Kumar Jain)  
Director Director

# Siel Industrial Estate Limited

## AUDITORS' REPORT

To The Members of

### SIEL INDUSTRIAL ESTATE LIMITED

1. We have audited the attached balance sheet of **SIEL INDUSTRIAL ESTATE LIMITED**, as at 31st March, 2006, and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003, as amended by the Companies (Auditors' Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) 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 those books;
  - (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - (v) On the basis of written representations received from the directors as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of these directors is disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2006;
    - (b) in the case of the profit and loss account, of the loss for the year ended on that date; and
    - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

for **S.S. KOTHARI MEHTA & CO.**  
Chartered Accountants

Place : New Delhi  
Date : 29.04.2006

**J. KRISHNAN**  
Partner  
Membership No. 84551

## ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 3 of our report of even date,

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
2. The fixed assets have been physically verified by the management during the year, the frequency of which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
3. In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
4. The Company does not have any stocks of raw materials, stores, spares and finished goods except for stock of land in industrial estate and therefore, clauses (ii) (a), (ii) (b) and (ii)(c) of paragraph 4 of the Companies (Auditors' Report) Order, 2003 are not applicable. In respect of stock of land in industrial estate, as informed to us, physical verification has been conducted by the management at reasonable intervals during the year, the procedures for which, in our opinion, are reasonable and adequate in relation to the size of the Company and the nature of its business. On the basis of our examination of the records of land, in our opinion, the Company has maintained proper records and there are no discrepancies between the book records and physical stocks of land in industrial estate.
5. The Company has neither taken nor granted any loans, secured or unsecured from/to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
6. 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 purchase of inventory and fixed assets and for the sale of land. Further, on the basis of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, we have neither come across nor have we been informed of any instance of a continuing failure to correct major weaknesses in the aforesaid internal control procedures.
7. Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that there were no contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956.
8. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits within the meaning of section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and rules framed thereunder.
9. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
10. According to the records of the Company examined by us and the information and explanations given to us, in our opinion, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including income-tax.
11. According to the records of the Company examined by us and the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, service tax, customs duty and excise duty were outstanding, as at 31st March, 2006 for a period of more than six months from the date they became payable.
12. According to the records of the Company examined by us and the information and explanations given to us, there are no dues of sales tax, income tax, service tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
13. The accumulated losses of the Company at the end of the financial

# Siel Industrial Estate Limited

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- year are less than fifty percent of its net worth. The Company has incurred cash losses during the financial year covered by our audit as well as during the immediately preceeding financial year.
14. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
  15. According to the information and explanations given to us and on the basis of an overall examination of the balance sheet of the Company, in our opinion, generally, there are no funds raised by the Company on short-term basis, which have been used for long-term investment.
  16. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
  17. During the period covered by our audit report, the Company has not issued any debentures.
  18. During the period covered by our audit report, the Company has not raised any money by public issue.
  19. During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
  20. The other provisions of the Order do not appear to be applicable for the year under report.

**for S.S. KOTHARI MEHTA & CO.**  
Chartered Accountants

Place : New Delhi  
Date : 29.04.2006

**J. KRISHNAN**  
Partner  
Membership No. 84551

# Siel Industrial Estate Limited

## BALANCE SHEET AS AT MARCH 31, 2006

	Schedule	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share Capital	1	200,000,000	200,000,000
		<u>200,000,000</u>	<u>200,000,000</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross Block	2	1,456,927	1,456,927
Less : Depreciation		695,750	652,338
Net Block		761,177	804,589
<b>Current assets, loans and advances</b>			
Stock-in-Trade	3	108,445,000	108,445,000
Cash and bank balances		1,345,555	1,434,761
Other current assets		11,601	18,251
Loans and advances		30,931,964	30,935,330
		<u>140,734,120</u>	<u>140,833,342</u>
<b>Less : Current liabilities and provisions</b>			
Current liabilities	4	2,054,442	1,874,466
<b>Net current assets</b>		<u>138,679,678</u>	<u>138,958,876</u>
<b>Miscellaneous expenditure (to the extent not written off or adjusted)</b>			
	5	933,635	1,167,043
<b>Profit and Loss Account</b>		<u>59,625,510</u>	<u>59,069,492</u>
<b>Total</b>		<u>200,000,000</u>	<u>200,000,000</u>
<b>NOTES TO ACCOUNTS</b>	9		

As per our report of even date attached for **S.S. KOTHARI MEHTA & CO.**  
Chartered Accountants

**J.KRISHNAN**  
Partner

Place : New Delhi  
Dated : 29.04.2006

Ashok Aggarwal  
Sushil Kumar Jain  
Directors

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

	Schedule	Year ended 31.03.2006 Rs.	Year ended 31.03.2005 Rs.
<b>INCOME</b>			
Interest and Other Income	6	3,198	345,371
<b>Total</b>		<u>3,198</u>	<u>345,371</u>
<b>EXPENDITURE</b>			
(Increase)/Decrease in stock	7	-	-
Administrative & Other expenses	8	282,395	434,944
Preliminary expenses written off		233,408	233,408
<b>Total</b>		<u>515,803</u>	<u>668,352</u>
<b>Profit/(Loss) before interest, depreciation and tax</b>		<u>(512,605)</u>	<u>(322,981)</u>
Interest		-	151,649
Depreciation		43,413	45,435
<b>Profit/(Loss) for the year before tax</b>		<u>(556,018)</u>	<u>(520,065)</u>
Provision for Tax		-	-
<b>Profit/(Loss) for the year after tax</b>		<u>(556,018)</u>	<u>(520,065)</u>
Brought forward from previous year		(59,069,492)	(58,549,427)
<b>Balance carried to Balance Sheet</b>		<u>(59,625,510)</u>	<u>(59,069,492)</u>
<b>Basic &amp; Diluted Earnings per share (Face value Rs.10/- per share)</b>			
		(0.03)	(0.03)
(refer note B (e) - schedule 9)			

## NOTES TO ACCOUNTS

As per our report of even date attached for **S.S. KOTHARI MEHTA & CO.**  
Chartered Accountants

**J. KRISHNAN**  
Partner

Place : New Delhi  
Dated : 29.04.2006

Ashok Aggarwal  
Sushil Kumar Jain  
Directors

# Siel Industrial Estate Limited

## Schedule 1 -9

### Schedule 1 : Share Capital

	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.
<b>Authorised</b>		
Equity - 50,000,000 shares of Rs. 10 each.	<u>500,000,000</u>	<u>500,000,000</u>
<b>Issued, Subscribed and Paid up</b>		
Equity - 20,000,000 shares of Rs. 10 each fully paid up.	<u>200,000,000</u>	<u>200,000,000</u>
	<u>200,000,000</u>	<u>200,000,000</u>

**Note : 100% equity shares are held by Siel Limited, the holding company.**

### Schedule 2 : Fixed Assets

(Rs.)

Description	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at 31.03.2005	Additions	Deductions	As at 31.03.2006	Up to 31.03.2005	For the year	Adjust- ments	Up to 31.03.2006	As at 31.03.2006	As at 31.03.2005
Land (Free Hold)	597,367	-	-	597,367	-	-	-	-	597,367	597,367
Data processing equipments	491,545	-	-	491,545	465,976	13,109	-	479,085	12,460	25,569
Office equipments	30,938	-	-	30,938	30,938	-	-	30,938	-	-
Furniture and fixtures	19,697	-	-	19,697	11,641	1,247	-	12,888	6,809	8,056
Motor Car/Cycle	317,380	-	-	317,380	143,783	29,057	-	172,840	144,540	173,597
	1,456,927	-	-	1,456,927	652,338	43,413	-	695,750	761,177	804,589
Previous Year	1,456,927	-	-	1,456,927	606,903	45,435	-	652,338	804,589	850,024

### Schedule 3 : Current Assets, Loans and Advances

	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.
<b>Current Assets</b>		
<b>Stock-in-trade (as taken, valued and certified by the management)</b>	108,445,000	10,844,5000
<b>Cash and Bank Balances</b>		
With scheduled banks in		
Current account	1,245,555	1,334,761
Margin Money account (Against bank guarantees issued)	100,000	100,000
	<u>1,345,555</u>	<u>1,434,761</u>
<b>Other current assets</b>		
Interest receivable	11,601	8,403
Siel Limited, the holding company	0	9,848
	<u>11,601</u>	<u>18,251</u>
	<u>109,802,156</u>	<u>109,898,012</u>
<b>Loans and Advances (Unsecured - considered good)</b>		
Advances recoverable in cash or in kind or for value to be received		
-Advance Income Tax	4,457,862	4,457,862
-Other advances	26,474,102	26,477,468
	<u>30,931,964</u>	<u>30,935,330</u>
	<u>140,734,120</u>	<u>140,833,342</u>

### Schedule 4 : Current Liabilities and Provisions

	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.
<b>Current Liabilities</b>		
Advance against sale of land	2,020,000	1,770,000
Others	34,442	104,466
	<u>2,054,442</u>	<u>1,874,466</u>

### Schedule 5 : Miscellaneous Expenditure (to the extent not written off or adjusted)

	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.
Preliminary expenses	1,167,043	1,400,451
Less: written off during the year	233,408	233,408
	<u>933,635</u>	<u>1,167,043</u>

### Schedule 6 : Interest and Other Income

	Year ended 31.03.2006 Rs.	Year ended 31.03.2005 Rs.
Interest on margin money with banks*	3,198	330,298
Interest on advance tax	-	3,897
Miscellaneous income	-	11,176
	<u>3,198</u>	<u>345,371</u>

\* Income tax deducted at source Rs. Nil (previous year Rs. 79612)

### Schedule 7 : (Increase) /Decrease in Stock

	Year ended 31.03.2006 Rs.	Year ended 31.03.2005 Rs.
Opening Stock	108,445,000	108,445,000
Closing Stock	108,445,000	108,445,000
(Increase)/Decrease in Stock	<u>-</u>	<u>-</u>

# Siel Industrial Estate Limited

## Schedule 1 -9 (Contd.)

### Schedule 8 : Administrative and Other Expenses

	Year ended 31.03.2006 Rs.	Year ended 31.03.2005 Rs.
Salaries, Wages, Gratuity etc	-	17,741
Rates and taxes	2,000	2,100
Legal, professional and consultancy expenses	67,791	2,68,980
Electricity Charges	58,671	-
Auditors' remuneration		
- As auditors	49,590	48,600
- Verification of statements and other reports	99,180	11,020
- Out of pocket expenses	1,888	1,540
Bank charges	1,780	2,103
Miscellaneous	1,495	82,860
	<b>2,82,395</b>	<b>4,34,944</b>

### Schedule 9 : Notes to Accounts

#### (A) Significant Accounting Policies

##### a) Convention

The financial statements are prepared in accordance with applicable Accounting Standards and relevant presentational requirements of the Companies Act, 1956 and are based on historical cost convention.

##### b) Fixed Assets

Fixed Assets are stated at cost. The cost of an asset comprises its purchase price and other attributable expenses.

##### c) Depreciation

- (i) The Company follows the straight-line method of depreciation on fixed assets.
- (ii) The rates of depreciation charged on fixed assets are those specified in Schedule XIV to the Companies Act, 1956.
- (iii) Depreciation has been calculated on pro-rata basis from the month of acquisition/ installation of the assets, except in case of fixed assets costing up to Rs.5000/- each which are fully depreciated in the year of purchase.
- (iv) In respect of fixed assets sold/discarded during the year, depreciation is not provided.

##### d) Revenue recognition

Income from sale of land is recognized on receipt of full consideration from customers.

##### e) Stock in trade

Stock of land in Industrial Estate is valued at lower of cost and estimated realisable value.

##### f) Preliminary expenses

Preliminary expenses are written off over a period of ten years from the year of commencement of commercial activities.

#### (B) Other Notes

	This Year (Rs.)	Previous Year (Rs.)
a) Contingent liabilities		
i) Claims against the Company not acknowledged as debt		
(a) Land cost and development charges thereon	-	-
(b) Income-tax demands together with interest thereon	4,614,369	4,614,369
ii) Bank Guarantees issued	100,000	100,000

b) The Company is in the process of setting up an Industrial Estate in Rajpura, Distt. Patiala (Punjab) pursuant to Siel Limited's signing an MOU with the State Government of Punjab. Siel Ltd., vide its letter dated February 27, 1995 had assigned the principal MOU to the Company to develop the industrial estate. In terms of the MOU, the Punjab Government would be acquiring the land and transferring it to the Company. As at the close of the year, the Company has taken possession of 540 acres of land out of which 298.46 acres of land has been transferred to the Company by the Government of Punjab vide conveyance deed dated May 26, 2000. Registration in respect of the balance land of 241.54 acres is still pending as at the close of the year. The amount of Rs.16,00,00,000/- deposited by the Company in an earlier year in response to the demand made by the Government of Punjab had been appropriated towards cost of the land in possession of the Company. In an earlier year, vide Order dated 5.9.2003 issued by the Collector, Land Acquisition, Government of Punjab, an amount of Rs. 2,64,70,102 pertaining to excess development charges already deposited by the Company had been appropriated against the cost of 115.35 acres of land to be allotted to the Company. Accordingly, the said amount of Rs. 2,64,70,102 has been adjusted in the carrying cost of land in possession of the Company. Pending ascertainment of final cost of land including amount payable towards enhancement of compensation, if any, additional liability on the Company on this account has not been provided for.

c) The State Government of Punjab had taken a decision that the development of the Industrial Estate should take place under the provisions of The Punjab Apartment and Property Regulation Act, 1995. In terms of the provisions of the said Act, Siel Industrial Estate Limited was required to furnish bank guarantees (BG's) against internal development works and pay external development charges (EDC) for external development works to be carried out by Punjab Urban Development Authority (PUDA). However, as per the provisions of the Memorandum of Understanding (MOU) between Siel Ltd. and Government of Punjab, all development works had to be carried out by the developers and not by or through PUDA. The Company, accordingly, represented to the Government that the MOU itself was a guarantee and there was, therefore, no need to furnish BG's and also since PUDA has not undertaken to carry out any development works in the area, EDC should also not be charged. This position was accepted in a meeting held under the chairmanship of the State Chief Secretary on July 17, 2002 and this was further approved by the Empowered Committee (ref. Order Inc.1/EC/SIEL/2002 dated January 3, 2003) under the chairmanship of the Hon'ble Chief Minister of Punjab, in terms of which it was agreed that these exemptions were for the Estate as a whole and therefore, the BG's already furnished will be returned and the EDC amounts already paid would be refunded. Accordingly, a notification dated 12<sup>th</sup> February, 2004 was issued by Govt. of Punjab, Department of Housing & Urban Development, Chandigarh exempting Siel Industrial Estate Limited from all the provisions of the Punjab Apartment & Property Regulation Act, 1995 subject to the condition that the exemption shall extend only in respect of the land for which licence has already been granted by the Competent Authority under the above Act. The Company has approached the Govt. of Punjab for issuance of a fresh notification exempting the entire land because as per the decision of the empowered committee, the Company was given exemption from the said Act for the entire land. During the year 2004-05, the Govt. of Punjab has issued the desired notification, exempting the Company from submission of BGs against internal development works and payment of external development charges (EDC) for external development works, for the entire land. Accordingly, the BGs of Rs. 43.57 lacs and EDC of Rs. 15.88 lacs have been received back from PUDA.

d) Out of 425.93 acres of land in stock at the close of the year, 150.69 acres of land is earmarked for roads, open spaces, green belts and public spaces in terms of the Government of Punjab regulations, which is required to be transferred back to the Government of Punjab



# Siel Industrial Estate Limited

at a later date, free of cost. Consequently, the entire cost of such land has been apportioned over the land available for sale.

- e) Earnings per share (EPS) in terms of Accounting Standard – 20
- |  | Year ended<br>31.03.2006 | Year ended<br>31.03.2005 |
|--|--------------------------|--------------------------|
| a) Profit/(Loss) as per P&L A/c (in Rs.)   | (556,018)                | (520,066)                |
| b) Weighted average number of equity shares of Rs.10/- each outstanding during the year Nos. | 20,000,000               | 20,000,000               |
| c) Earnings/(Loss) per share - Basic & Diluted   | Rs. (0.03)               | (0.03)                   |
- f) In accordance with the requirements of Accounting Standard-22 on "Accounting for Taxes on Income", the Company has deferred tax assets in the form of brought forward losses/depreciation of the previous years allowable under the Income Tax Act. However, in view of uncertainty as regards availability of taxable income in future years in order to avail the benefit of the above losses / depreciation, the Company has not recognized such deferred tax assets.
- g) In the opinion of the management, current assets, loans and advances have a value on realisation in the ordinary course of business, not less than the amount at which they are stated in the Balance Sheet.
- h) Previous year figures are regrouped and/or rearranged, wherever considered necessary.
- i) Figures are rounded off to the nearest rupee.

**(C) Additional information as required by Part II of Schedule VI to the Companies Act, 1956 (to the extent applicable) are as under:**

Description	This Year (Acres)	Previous Year (Acres)
Opening stock	425.93	425.93
Purchases	-	-
Sales	-	-
Closing stock	425.93	425.93

Signatures to Schedules 1 to 9 inclusive

As per our report of even date attached  
for **S.S. KOTHARI MEHTA & CO.**,  
Chartered Accountants

**J. KRISHNAN**  
Partner

New Delhi  
Dated: 29.04.2006

Ashok Aggarwal  
Sushil Kumar Jain  
Directors

## Cash flow statement for the year ended on 31.03.2006

	01.04.2005 To 31.03.2006 Rs.	01.04.2004 To 31.03.2005 Rs.
<b>A. Cash flow from operating activities :</b>		
Net Loss before tax	(556,018)	(520,065)
Depreciation	43,413	45,435
Interest expense	-	151,649
Loss on sale of fixed assets (net)	-	-
Preliminary expenditure written off	233,408	233,408
Write off of inventories	-	-
Interest income	(3,198)	(334,195)
Excess provision written back	-	-
<b>Operating loss before working capital changes</b>	<b>(282,395)</b>	<b>(423,768)</b>
Adjustments for :		
(Increase)/ Decrease in trade/ other receivables (net)	10,015	7,454,805
(Increase)/ Decrease in inventories	-	-
(Decrease) / Increase in trade / other payables	179,976	416,396
<b>Cash generated from operations</b>	<b>(92,404)</b>	<b>7,447,433</b>
Direct taxes paid	-	(3,330,471)
<b>Net cash outflow from operations</b>	<b>(92,404)</b>	<b>4,116,962</b>
<b>B. Cash flow from investing activities :</b>		
Sale of fixed assets	-	-
Interest received	3,198	334,195
<b>Net cash inflow from investing activities</b>	<b>3,198</b>	<b>334,195</b>
<b>C. Cash flow from financing activities :</b>		
Loans received	-	-
Loans repaid (ICD)	-	(3,000,000)
Interest paid	-	(151,649)
<b>Net cash outflow from financing activities</b>	<b>-</b>	<b>(3,151,649)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(89,206)</b>	<b>1,299,507</b>
<b>Cash and cash equivalents as at opening</b>		
Cash and bank balances *	1,334,761	35,254
<b>Cash and cash equivalents as at closing</b>		
Cash and bank balances *	1,245,555	1,334,761
	<b>(89,206)</b>	<b>1,299,507</b>

\* Excludes balances with banks on margin money account Rs.1,00,000 (Previous year Rs.1,00,000)

As per our report of even date attached  
for **S.S. KOTHARI MEHTA & CO.**  
Chartered Accountants

**J. KRISHNAN**  
Partner

New Delhi  
Dated: 29.04.2006

Ashok Aggarwal  
Sushil Kumar Jain  
Directors

# Siel Industrial Estate Limited

## ADDITIONAL INFORMATION AS REQUIRED UNDER PART-IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

### I. REGISTRATION DETAILS

Registration No.  State Code   
 Balance Sheet Date

### II CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)

Public Issue  Right Issue   
 Bonus Issue  Private Placement

### III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)

Total Liabilities  Total Assets

#### SOURCES OF FUNDS

Paid up Capital  Reserves and Surplus   
 Secured Loans  Unsecured Loans

#### APPLICATION OF FUNDS

Net Fixed Assets  Preoperative expenditure pending allocation   
 Net Current Assets  Investments   
 Accumulated Losses  Misc. Expenditure

### IV PERFORMANCE OF THE COMPANY ( Amount in Rs. Thousands)

Turnover  Total Expenditure   
 Profit/(Loss) before Tax  Profit/(Loss) after Tax   
 Earnings per Share (Rs.)  Dividend Rate (%)

### V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY

(As per Monetary terms) NOT APPLICABLE

Item Code No. (ITC Code)   
 Product Description   
 Item Code No. (ITC Code)   
 Product Description   
 Item Code No. (ITC Code)   
 Product Description

# SFSL INVESTMENTS LIMITED

## Registered Office:

5th Floor, Kirti Mahal,  
19, Rajendra Place, New Delhi-110 008

### DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the Thirteenth Annual Report alongwith the Audited Accounts of the Company for the financial year ended March 31, 2006.

### FINANCIAL RESULTS

The Company had incurred a net loss of Rs. 0.74 Lacs during the year under review as against the net loss of Rs. 110.31 Lacs during the previous year ended March 31, 2005.

### DIVIDEND

In view of the losses incurred by the Company, your Directors regret their inability to recommend any dividend for the year ended March 31, 2006.

### FIXED DEPOSIT

The Company has not accepted any Fixed Deposit from public.

### DIRECTORS

Mr. Satyendra Gupta will retire by rotation from the Board at the forthcoming Annual General Meeting and is eligible for reappointment.

### AUDITORS

M/s. Krishan Malhotra & Co., Chartered Accountants, Auditors of the Company hold office until the conclusion of the forthcoming Annual General meeting of the Company and are recommended for reappointment. The Company has received certificate from them to the effect that their appointment, if made, would be within the provisions of Section 224(1) of the Companies Act, 1956.

### AUDITORS' REPORT

The observations of Auditors are explained wherever necessary, in the appropriate notes to the accounts.

### CONSERVATION OF ENERGY

Your Company being an Investment Company has not consumed energy of any significant level.

### TECHNOLOGY ABSORPTION

No comments is necessary considering the nature of activities undertaken by your Company during the year under review.

### FOREIGN EXCHANGE EARNINGS & OUTGO

There has been no Foreign Exchange Earnings/Outgo during the year under review.

### PARTICULARS OF EMPLOYEES

There is no employee in the Company whose particulars are required to be given under Section 217(2A) of the Companies Act, 1956.

### DIRECTORS' RESPONSIBILITY STATEMENT

As required Under Section 217(2AA) of the Companies Act, 1956, your Directors state:

- (i) that in preparation of the accounts for the year ended March 31, 2006, the applicable accounting standards have been followed;
- (ii) that the accounting policies selected and applied are consistent and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that year;
- (iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the accounts for the year ended March 31, 2006 have been prepared on a going concern basis.

### AUDIT COMMITTEE

The Audit Committee of the Board oversees and reviews the financial results, the systems and quality of audits and the internal control systems. The composition of the Audit Committee is as follows:

1. Mr. Satyendra Gupta – Chairman
2. Mr. Sushil Kumar Jain
3. Mr. Virender Sharma

### ACKNOWLEDGMENTS

Your Directors wish to thank and deeply acknowledge the co-operation, assistance and support received from various Government Departments, Financial Institutions and Banks.

On Behalf of the Board  
**FOR SFSL Investments Limited**

(Sushil Kumar Jain)  
Director

(Satyendra Gupta)  
Director

Place : New Delhi  
Date : 29.04.2006

# SFSL INVESTMENTS LIMITED

## AUDITORS' REPORT

To The Shareholders,  
M/s. SFSL Investments Limited, New Delhi

We have audited the attached balance sheet of M/s. SFSL Investments Limited as at 31<sup>st</sup> March, 2006 and the profit & loss account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to in paragraph 3 above we report that:-

1. We have obtained all the information and explanations 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 company's balance sheet and profit & loss account dealt with by this report are in agreement with the books of account.
4. The profit and loss account and balance sheet comply with the Accounting Standards referred to in section 211(3C) of the Companies Act, 1956.
5. Based on the representations made by all the Directors of the company and the information and explanations duly certified given to us by the company none of the Directors of the company has prima facie any disqualification as referred to in clause (g) of sub-section (1) to Section 274 of the Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us the said balance sheet and profit & loss account **subject to Note 3 on non provision on interest on loan** and read with other notes and the Accounting Policies thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
  - (a) In the case of the balance sheet of the state of affairs of the company as at March 31, 2006.
  - (b) In the case of the profit & loss account of the loss of the company for the year ended on March 31, 2006.

### ANNEXURE TO THE AUDITORS' REPORT (Referred to in paragraph (3) of our report of even date)

- (i) (a) According to the information and explanations given to us, the company has granted unsecured loan, to companies, firms or other parties as per details given below, who are required to be listed in the register maintained under section 301 of the Companies Act, 1956

Loan given to Siel Financial Services Limited (Fellow Subsidiary)  
Rs. 157 lakhs

- (b) The rate of interest and other terms and conditions of the loans are, in our opinion not prejudicial to the interest of the company.
  - (c) **The company is not regular in recovery of principal of loan and interest thereon.**
  - (d) **Reasonable steps have not been taken by the management to recover the amount of principal and interest.**
- (ii) There are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of stocks.
  - (iii) According to the information and explanations given to us there were no transactions of sale and purchase of goods and materials and services made in pursuance of contracts or arrangements falling under section 301 of the Companies Act, 1956 and aggregating to Rs. 5,00,000/- or more during the year in respect of each party.
  - (iv) The company has not accepted any deposits from the public.
  - (v) **The company has no internal audit system during the year under review.**
  - (vi) (a) The company is regular in depositing undisputed statutory dues including income tax, and other statutory dues with the appropriate authorities.  
(b) As per information and explanations given to us there is no dispute with income tax and other authorities for non-payment of any dues.
  - (vii) The company is registered for period of more than five years and its accumulated losses at the end of financial year are more than fifty percent of its net worth and it has also incurred cash losses in the current year and in the financial year immediately preceding such financial years.
  - (viii) The company is dealing in shares, securities debentures and other investments and proper records have been maintained for all transactions.
  - (ix) As explained to us, the company has not given any guarantee for loans taken by others from banks or financial institution.
  - (x) As explained to us, the company has not obtained any term loans during the year.
  - (xi) According to information and explanations given to us, there are no funds raised on short term or on long-term basis during the year.
  - (xii) The company has not made any preferential allotment of shares during the year.
  - (xiii) The company has not issued any debentures.
  - (xiv) The company has not raised any money from the public issues during the year.
  - (xv) According to information and explanations given to us, there have been no frauds on or by the company noticed during the year.
  - (xvi) Sub-paragraphs (i), (ii), (viii), (xi), (xii) (xiii) of clause 4 are inapplicable and have therefore not been commented upon.

For **Krishan Malhotra & Co.**  
Chartered Accountants

Place: New Delhi  
Date: 29.04.2006

SANJAY VOHRA  
Partner  
M. No. 95930

# SFSL INVESTMENTS LIMITED

## BALANCE SHEET AS AT MARCH 31, 2006

	Schedule	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	1	<u>150,000,540</u>	150,000,540
		<u>150,000,540</u>	<u>150,000,540</u>
<b>Loan funds</b>			
Unsecured loans	2	<u>115,793,594</u>	115,793,594
		<u>265,794,134</u>	<u>265,794,134</u>
<b>APPLICATION OF FUNDS</b>			
Investments	3	-	-
<b>Current assets, loans and advances</b>			
	4		
Cash and bank balances		640,910	713,673
Loans and advances		<u>2,035,393</u>	<u>2,031,508</u>
		<u>2,676,303</u>	<u>2,745,181</u>
<b>Less: Current liabilities and provisions</b>			
	5		
Current liabilities		<u>10,612</u>	5,510
<b>Net current assets</b>		<u>2,665,691</u>	2,739,671
Profit and loss account		<u>263,128,443</u>	263,054,463
		<u>265,794,134</u>	<u>265,794,134</u>
Significant Accounting Policies & Notes to accounts 7			

As per our report attached to the Balance Sheet  
For **KRISHAN MALHOTRA & CO.**  
Chartered Accountants

SANJAY VOHRA (Sushil Kumar Jain) (Satyendra Gupta)  
Partner Director Director

Place : New Delhi  
Date : 29.04.2006

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

Schedule	Year ended March 31, 2006 Rs.	Year ended March 31, 2005 Rs.
<b>INCOME</b>		
Income from financing operations \$	<b>25,318</b>	26,906
Provision for Diminution in value of investment no longer required written back	-	2,500,000
Provision no longer required written back on ICD	-	-
Miscellaneous	-	150
	<u>25,318</u>	<u>2,527,056</u>
<b>EXPENDITURE</b>		
Operating, administrative and other expenses	<b>99,298</b>	13,558,192
Depreciation Exp.	-	-
	<u>99,298</u>	<u>13,558,192</u>
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>(73,980)</b>	(11,031,136)
Brought forward from previous year	<b>(263,054,463)</b>	(252,023,327)
Balance carried to Balance Sheet	<b>(263,128,443)</b>	(263,054,463)
Earning Per Share	-	(0.74)
<hr/>		
\$ Tax deducted at source Rs. 3885 (previous year Rs. 2732)		

As per our report attached to the Balance Sheet  
For **KRISHAN MALHOTRA & CO.**  
Chartered Accountants

SANJAY VOHRA (Sushil Kumar Jain) (Satyendra Gupta)  
Partner Director Director

Place : New Delhi  
Date : 29.04.2006

# SFSL INVESTMENTS LIMITED

## Schedule 1-7

### Schedule 1: SHARE CAPITAL

	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.
<b>Authorised</b>		
20,000,000 (Previous year 20,000,000) Equity shares of Rs.10/- each.	<b>200,000,000</b>	200,000,000
	<b>200,000,000</b>	200,000,000
<b>Issued, subscribed and paid up</b>		
15,000,054 (Previous year 15,000,054) Equity shares of Rs.10/- each fully paid up.	<b>150,000,540</b>	150,000,540
	<b>150,000,540</b>	150,000,540

Note :15,000,000 (Previous year 15,000,000) equity shares of Rs.10/- each are held by Siel Limited, the holding company.

### Schedule 2: LOAN FUNDS

	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.
<b>Unsecured</b>		
Short term loans and advances from holding company	<b>115,793,594</b>	115,793,594
	<b>115,793,594</b>	115,793,594

### Schedule 3: INVESTMENT (AT COST)

	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.
<b>Other Investments</b>		
<b>Quoted</b>		
1601400 equity shares of Siel Financial Services Ltd. (Formerly Shriram Agro-Tech Industries Ltd.) of Rs. 10/- fully paid up.	<b>40,235,175</b>	40,235,175
	<b>40,235,175</b>	40,235,175
Less : Provision for diminution In value of Invesments	<b>40,235,175</b>	40,235,175
	<b>-</b>	-

### Schedule 4: CURRENT ASSETS, LOANS AND ADVANCES

	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.
<b>CURRENT ASSETS</b>		
<b>Inventories</b>		
<b>Stock In Trade</b>	-	-
(at lower of cost or net realisable value)		
<b>Cash and bank balances</b>		
Cash in hand	-	-
With scheduled banks on current account	<b>208,449</b>	306,530
fixed deposit	<b>432,461</b>	407,143
	<b>640,910</b>	713,673
<b>Other current assets</b>		
(Unsecured, considered good)		
Inter-corporate deposits - good	-	-
- doubtful	<b>15,700,000</b>	15,700,000
	<b>15,700,000</b>	15,700,000
Less : Provision for doubtful intercorporate deposits	<b>15,700,000</b>	15,700,000
	<b>-</b>	-
<b>LOANS AND ADVANCES</b>		
(Unsecured, considered good)		
Interests accrued but not due	<b>1,409</b>	1,409
Security deposit With HPCL	<b>10,000</b>	10,000
Taxation (Net)	<b>20,23,984</b>	20,20,099
	<b>20,35,393</b>	20,31,508
	<b>26,76,303</b>	27,45,181

### Schedule 5: CURRENT LIABILITIES AND PROVISIONS

	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.
Current liabilities	-	-
Other liabilities	<b>10,612</b>	5,510
	<b>10,612</b>	5,510

### Schedule 6: OPERATING, ADMINISTRATIVE AND OTHER EXPENSES

	Year ended March 31, 2006 Rs.	Year ended March 31, 2005 Rs.
Salaries, wages, etc.	-	-
Rates & Taxes	<b>500</b>	1,000
Auditors' remuneration		
- As Auditors	<b>11,122</b>	5,510
- Tax Audit fee	<b>4,449</b>	2,204
Miscellaneous	<b>331</b>	8,478
Professional Fee	<b>45,396</b>	11,000
Provision for non performing assets	-	13,530,000
Prior Period exp.	<b>37,500</b>	-
	<b>99,298</b>	13,558,192

# SFSL INVESTMENTS LIMITED

## Schedule 7 NOTES TO THE ACCOUNT

### 1. Significant Accounting Policies

The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards and relevant presentational requirements of the Companies Act, 1956.

Income from non-performing assets is recognised in accordance with the Non-Banking financial Companies Prudential Norms (Reserve Bank) Directions, 1998, issued by the Reserve Bank of India on January 31, 1998 and as modified vide notification dated May 12, 1998 and December 18, 1998.

Further, provision for investments, current assets and loans and advances are made in accordance with the said guidelines.

Investments are stated at cost less provision for diminution in value of investments.

Classification between Investment and / or stock-in-trade is done by the management.

Stock-in-trade is valued at the lower of cost and net realisable value/break-up value. The basis of determining cost is weighted average.

### 2 Fixed Assets

- The Company follows written down value method of depreciation on its fixed assets.
- The rate of depreciation charged on these fixed assets are those specified in Schedule XIV to the Company Act, 1956.
- In respect of additions made during the year, depreciation is computed from the beginning of the month of acquisition and in respect of assets sold/discarded during the period, no depreciation is charged upto the date of sold/discard.

3. Interest of Rs. 138.95 lacs (for the period from 01.04.2005 to 31.03.2006) on loan taken from Holding Company has not been provided for and accordingly net loss to this extent has been understated.

### 4. Related Party disclosures under Accounting Standard AS-18

A. Name of the related party and the nature of related party relationships.

Holding Company: Siel Ltd.

Fellow subsidiary with whom there has been no transaction during the year

Siel Financial Services Ltd.

B. Disclosure of transactions between the Company and related parties and the status outstanding balances as on March 31, 2006

(Lacs/Rs.)

Nature of Transaction	Holding Company	Fellow Subsidiary
Loan repaid	-	-
Balance outstanding as at the year end – Unsecured loan	1,157.94	-
Balance outstanding as at the year end – ICD given.	-	157.00

5. As the Company's business activity falls within a single, primary business segment "Financing Operations viz, inter corporate deposits and investment" the disclosure requirements of Accounting Standard (AS-17) "Segment Reporting" issued by the Institute of Chartered Accountants of India are not applicable.

### 6. Earning Per Share

	This Year (Rs.)	Previous Year (Rs.)
Profit/(loss) after taxation as per Profit and loss account.	73,980	(11,031,136)
Profit/(loss) attributable to equity Shareholders	73,980	(11,031,136)
Weighted average number of equity Shares outstanding	1,50,00,054	1,50,00,054
Basic and diluted earning per share in Rupees (face value – Rs.10 per share)	(0.001)	(0.74)

7. As the Company has substantial unabsorbed depreciation and carry forward losses under the Income Tax Act, 1961 and is unlikely to have taxable income in the foreseeable future, the net deferred tax assets has not been recognised in these accounts, in accordance with the Accounting Standard (AS) 22 issued by the Institute of Chartered Accountants of India.

8. With regard to clause 3(ii) of Part II of Schedule VI of the Companies Act, 1956, the Company is of the view that in respect of its activities relating to sale and purchase of securities held as stock in trade, the Company does not fall under the category of clause 3(ii)(a) "manufacturing company" of the clause 3(ii)(b) "trading company" or clause 3(ii)(c) "Company rendering or supplying services" but falls under the category of "other companies" as given in clause 3(ii)(e). As such, quantitative data for opening and closing stock, purchases and sales have not been given.

9. Figures for the previous year have been regrouped & rearranged wherever necessary.

As per our report of even date  
For **KRISHAN MALHOTRA & CO.**  
Chartered Accountants

SANJAY VOHRA  
Partner

(Sushil Kumar Jain)  
Director

(Satyendra Gupta)  
Director

Place : New Delhi  
Date : 29.04.2006

# SFSL INVESTMENTS LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

Schedule	Period	
	31.03.2006	31.3.2006
	Rs.	Rs.
<b>A. Cash flow from operating activities</b>		
Net Profit/(loss) before tax and extraordinary items	(73,980)	(11,031,136)
<b>Adjustment for:</b>		
Depreciation	-	-
Loss on sale of investments	-	47,500,000
Provision no longer required written back	-	(50,000,000)
Profit on sale of non trade long term investments	-	-
Provision for Non - Performing assets	-	-
Excess liabilities written back	-	-
<b>Operating profit before working capital changes</b>	<b>(73,980)</b>	<b>(13,531,136)</b>
<b>Adjustment for :</b>		
(Increase) / Decrease in other receivables	(3,885)	13,753,487
(Increase) / Decrease in stock in trade	-	-
(Increase) / Decrease in trade / other payables	5,102	(50,390)
	1,217	13,703,097
<b>Cash generated from operations</b>	<b>(72,763)</b>	<b>171,961</b>
Direct taxes paid	-	-
<b>Net cash inflow/(outflow) from operations</b>	<b>(72,763)</b>	<b>171,961</b>
<b>B. Cash flow from investing activities</b>		
Sale of trade long term investments	-	2,500,000
Sale of other fixed assets	-	1,356,406
Purchase of non trade long term investments	-	-
Dividend received on long term investments	-	-
Interest received on non trade long term investments	-	-
<b>Net cash inflow from investing activities</b>	<b>-</b>	<b>3,856,406</b>
<b>C. Cash flow from financing activities</b>		
Repayment of short term borrowings	-	(3,856,406)
<b>Net cash (outflow) from financing activities</b>	<b>-</b>	<b>(3,856,406)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(72,763)</b>	<b>171,961</b>
<b>Cash and cash equivalents as at opening</b>	<b>713,673</b>	<b>541,712</b>
<b>Cash and cash equivalents as at closing</b>	<b>640,910</b>	<b>713,673</b>

As per our report attached  
For **KRISHAN MALHOTRA & CO.**  
Chartered Accountants

SANJAY VOHRA (Sushil Kumar Jain) (Satyendra Gupta)  
Partner Director Director

Place : New Delhi  
Date : 29.04.2006



# SFSL INVESTMENTS LIMITED

## ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI TO THE COMPANIES ACT 1956. Balance Sheet Abstract and Company's General Business Profile:

### I. REGISTRATION DETAILS

Registration No.  State Code

Balance Sheet Date

### II CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)

Public Issue  Right Issue

Bonus Issue  Private Placement

### III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)

Total Liabilities  Total Assets

#### SOURCES OF FUNDS

Paid up Capital  Reserves and Surplus

Secured Loans  Unsecured Loans

#### APPLICATION OF FUNDS

Net Fixed Assets  Preoperative expenditure pending allocation

Net Current Assets  Investments

Accumulated Losses  Misc. Expenditure

### IV PERFORMANCE OF THE COMPANY (Amount in Rs. Thousands)

Turnover  Total Expenditure

Profit/(Loss) before Tax  Profit/(Loss) after Tax

Earning per Share (Rs.)  Dividend Rate (%)

### V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (As per monetary terms)

Item Code No. (ITC Code)

Product Description

Item Code No. (ITC Code)

Product Description

## DIRECTORS' REPORT

The Shareholders,

The Board of Directors of the Company presents you its Twelfth Annual Report on the performance of the Company during the financial year ended March 31, 2006.

### FINANCIAL RESULTS

	AS AT 31.3.2006 (Rs.)
INCOME	Nil
EXPENDITURE	3,71,363
PROFIT/LOSS(-)	(-)3,71,363
PROVISION FOR TAX	Nil
DIVIDEND	Nil

### OPERATIONS:

During the year under review the Company has incurred a net loss Rs. 3,71,363/- .

### DIVIDEND

In view of the losses incurred during the year, your Directors regret their inability to recommend any dividend for the year ended March 31, 2006.

### AUDITORS

M/s. V. Sahai & Co., Chartered Accountants, Auditors of the Company hold office until the conclusion of the forthcoming Annual General Meeting of the Company and are recommended for reappointment. The Company has received certificate from them to the effect that their appointment, if made, would be within the provisions of Sec. 224(1) of the Companies Act, 1956.

### DIRECTORS

Mr. Sushil Kumar Jain and Mr. N.C. Jain, Directors retire by rotation and being eligible offer themselves for reappointment.

### AUDITORS' REPORT

The observations of Auditors are explained wherever necessary, in the appropriate notes to the accounts.

### CONSERVATION OF ENERGY

The Company has not consumed any significant amount of energy during the year under review. Hence, no information is required to be given.

### TECHNOLOGY ABSORPTION

No information is required, since the Company is engaged in the trading business.

### FOREIGN EXCHANGE EARNINGS & OUTGO.

During the year under review foreign exchange earnings & outgo is Nil.

## PARTICULARS OF EMPLOYEES

There is no employee in the Company whose particulars are required to be given under Section 217(2A) of the Companies Act, 1956.

## DIRECTORS' RESPONSIBILITY STATEMENT

As required Under Section 217(2AA) of the Companies Act, 1956, your Directors state:

- (i) that in preparation of the accounts, the applicable accounting standards have been followed;
- (ii) that the accounting policies selected and applied are consistent and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- (iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the accounts have been prepared on a going concern basis.

## AUDIT COMMITTEE

The Audit Committee of the Board oversees and reviews the financial results, the systems and quality of audits and the internal control systems. The composition of the Audit Committee is as follows:

1. Mr. Ashok Kumar Jain – Chairman
2. Mr. Sushil Kumar Jain
3. Mr. N.C. Jain

## ACKNOWLEDGMENTS

Your Directors wish to thank and deeply acknowledge the co-operation, assistance and support extended by the Central Government, the State Government, the Company's bankers, dealers and vendors.

Yours Directors also wish to place on record their appreciation for all-round cooperation and contributions made by the employees of the Company.

On Behalf of the Board  
for Transiel India Limited

Place : New Delhi  
Date : 29.04.2006

(Ashok Kumar Jain) (Sushil Kumar Jain)  
Director Director

# Transiel India Limited

## AUDITORS' REPORT

The Shareholders,  
M/s. Transiel India Limited, New Delhi.

We have audited the attached balance sheet of M/s. Transiel India Limited as at 31<sup>st</sup> March, 2006 and the profit & loss account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to in paragraph 3 above we report that:-

1. We have obtained all the information and explanations 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 and proper records adequate for the purposes of our audit have been received from branches not visited by us.
3. The company's balance sheet and profit & loss account dealt with by this report are in agreement with the books of account.
4. In our opinion, the profit and loss account and balance sheet comply with the Accounting Standards referred to in section 211(3C) of the Companies Act, 1956 *except for Accounting Standard 15 for retirement benefits which have been accounted for on cash basis as stated in Accounting Policy 1(e)*.
5. As per certificates received from the Directors no Director is disqualified from being appointed as a Director under clause (g) of sub-section (1) of section 274.
6. In our opinion and to the best of our information and according to the explanations given to us the said accounts *subject to fact that the operations of the company have been suspended since June, 1999 and company is not a going concern as stated in Note 2 and read with the remaining notes and statement of accounting policies give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:-*
  - (a) In the case of the balance sheet of the state of affairs of the company as at March 31, 2006.
  - (b) In the case of the profit & loss account of the loss of the company for the year ended on March 31, 2006.

- (ii) There are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of stocks.
- (iii) According to the information and explanations given to us there were no transactions of sale and purchase of goods and materials and services made in pursuance of contracts or arrangements falling under section 301 of the Companies Act, 1956 and aggregating to Rs. 5,00,000/- or more during the year in respect of each party.
- (iv) The company has not accepted any deposits from the public.
- (v) **The company has no internal audit system during the year under review.**
- (vi) (a) The company is regular in depositing undisputed statutory dues including income tax, Provident fund, Family pension fund, ESI, and other statutory dues with the appropriate authorities.  
(b) As per information and explanations given to us there is no dispute with income tax and other authorities for non-payment of any dues.
- (vii) The company is registered for period of more than five years and its accumulated losses at the end of financial year are more than fifty percent of its net worth and it has also incurred cash losses in the current year and in earlier years.
- (viii) The company is not dealing in shares, securities debentures and other investments.
- (ix) As explained to us, the company has not given any guarantee for loans taken by others from banks or financial institution.
- (x) As explained to us, the company has not obtained any term loans during the year.
- (xi) According to information and explanations given to us, there are no funds raised on short term or on long-term basis during the year.
- (xii) The company has not made any allotment of shares during the year.
- (xiii) The company has not issued any debentures.
- (xiv) The company has not raised money from the public during the year.
- (xv) According to information and explanations given to us, there have been no frauds on or by the company noticed during the year.
- (xvi) Sub-paragraphs (i), (ii), (viii), (xi), (xii) (xiii) of clause 4 are inapplicable and have therefore not been commented upon.

**For V. Sahai & Co.**  
Chartered Accountants

Place : New Delhi  
Dated : 29.04.2006

**SANJAY VOHRA**  
Partner  
M. No. 95930

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (3) of our report of even date)

- (i) According to the information and explanations given to us, the company has not taken/given unsecured loans to/from companies, firms or other parties, who are required to be listed in the register maintained under section 301 of the Companies Act, 1956.

# Transiel India Limited

## BALANCE SHEET AS AT MARCH 31, 2006

	Schedule	As at March 31, 2006 (Rs.)	As at March 31, 2005 (Rs.)
<b>SOURCES OF FUNDS</b>			
Share Capital	1	150,000,070	150,000,070
		<u>150,000,070</u>	<u>150,000,070</u>
Unsecured Loans	2	-	-
		<u>-</u>	<u>-</u>
<b>Total :</b>		<u>150,000,070</u>	<u>150,000,070</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross block	3	-	-
Less : Depreciation		<u>-</u>	<u>-</u>
Net block		<u>-</u>	<u>-</u>
<b>Current assets, loans and advances</b>			
Inventories	4	-	-
Sundry debtors		-	-
Cash and bank balances		13,023	19,610
Loans and advances		<u>7,377,560</u>	<u>7,745,540</u>
		<u>7,390,583</u>	<u>7,765,150</u>
Less : Current liabilities and provisions	5	-	-
Current liabilities		15,732	18,936
Provisions		<u>-</u>	<u>-</u>
Net current assets		<u>7,374,851</u>	<u>7,746,214</u>
Miscellaneous expenditure (to the extent not written off or adjusted)	6	-	-
Profit and loss account		<u>142,625,219</u>	<u>142,253,856</u>
<b>Total :</b>		<u>150,000,070</u>	<u>150,000,070</u>

## NOTES TO ACCOUNTS 10

As per our report attached  
**FOR V. SAHAI & CO.,**  
Chartered Accountants

**SANJAY VOHRA**  
Partner  
M. No. 95930

**SUSHIL JAIN**  
**ASHOK KUMAR JAIN**  
Directors

Place : New Delhi  
Date : 29.04.2006

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

	Schedule	Year ended March 31, 2006 (Rs.)	Year ended March 31, 2005 (Rs.)
<b>INCOME</b>			
Recovery against Bags		-	-
Other income	7	-	6,485,969
		<u>-</u>	<u>6,485,969</u>
<b>EXPENDITURE</b>			
Trading and other expenses	8	370,528	13,073,936
Interest	9	835	1,143
Depreciation		-	-
Preliminary & Preoperative Exp. w/o		-	5,420
		<u>371,363</u>	<u>13,080,499</u>
<b>(LOSS) FOR THE YEAR</b>		<b>(371,363)</b>	(6,594,530)
Balance brought forward (loss)		<b>(142,253,856)</b>	(135,659,326)
		<u>(142,625,219)</u>	<u>(142,253,856)</u>
<b>EARNING PER SHARE</b>		<b>(0.07)</b>	(1.32)

As per our report attached to the balance sheet

**FOR V. SAHAI & CO.,**  
Chartered Accountants

**SANJAY VOHRA**  
Partner

**SUSHIL JAIN**  
**ASHOK KUMAR JAIN**  
Directors

Place : New Delhi  
Date : 29.04.2006

# Transiel India Limited

## Schedule 1-10

### Schedule 1: SHARE CAPITAL

	As at March 31, 2006 (Rs.)	As at March 31, 2005 (Rs.)
<b>AUTHORISED</b>		
Equity - 1,00,00,000 shares of Rs. 10/- each	100,000,000	100,000,000
Preference - 10,00,000 15% Redeemable Cumulative Preference shares of Rs. 100/- each	100,000,000	100,000,000
	<u>200,000,000</u>	<u>200,000,000</u>
<b>ISSUED, SUBSCRIBED AND PAID UP</b>		
Equity - 50,00,007 shares of Rs. 10/- each	50,000,070	50,000,070
Preference - 10,00,000 15% Redeemable Cumulative Preference shares of Rs. 100/- each	100,000,000	100,000,000
	<u>150,000,070</u>	<u>150,000,070</u>

The company is a 100% subsidiary of Siel Limited

Redeemable Cumulative Preference shares shall be redeemable at any time at the discretion of the Board of Directors within a period of 10 years from the date of allotment i.e. by September, 2006.

### Schedule 2: LOANS

	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.
<b>UNSECURED</b>		
<b>Deposits</b>		
- From Dealers	-	-
- Interest accrued on deposits	-	-
Short term loans - holding company	-	-
	<u>-</u>	<u>-</u>

### Schedule 3: FIXED ASSETS

Description	Gross Block			As at March, 31 2006 (Rs.)	Depre- ciation to date	Net Block	
	As at April, 1 2005 (Rs.)	Additions	Deductions			As at March, 31 2006 (Rs.)	As at March, 31 2005 (Rs.)
	Furniture and Fixtures	-	-			-	-
Office equipments	-	-	-	-	-	-	
Computers	-	-	-	-	-	-	
Vehicles	-	-	-	-	-	-	
This year	-	-	-	-	-	-	
Previous year	-	-	-	-	-	-	
Capital work in progress including capital advances						-	-

### Schedule 4: CURRENT ASSETS, LOANS AND ADVANCES

	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.
<b>CURRENT ASSETS</b>		
<b>Inventories</b>		
Stores and spares (at cost)	-	-
Stock in trade	-	-
	<u>-</u>	<u>-</u>
<b>Sundry debtors – Unsecured</b>		
Over six months - good	-	-
- doubtful	-	-
Other debts - good	-	-
	<u>-</u>	<u>-</u>
Less : Provision for doubtful debts	-	-
	<u>-</u>	<u>-</u>
<b>Cash and bank balances</b>		
Cash in hand	-	-
With scheduled banks on C/A	13,023	19,610
Remittance in transit	-	-
	<u>13,023</u>	<u>19,610</u>
<b>Loans and advances – Unsecured considered good</b>		
Advances recoverable in cash or in kind or for value to be received	7,377,560	7,745,540
	<u>7,377,560</u>	<u>7,745,540</u>
	<u>7,390,583</u>	<u>7,765,150</u>

# Transiel India Limited

## Schedule 1-10 (Contd.)

### Schedule 5: CURRENT LIABILITIES AND PROVISIONS

	As at March 31, 2006 (Rs.)	As at March 31, 2005 (Rs.)
<b>CURRENT LIABILITIES</b>		
Sundry Creditors	-	-
Other Liabilities	10,120	18,936
Provision for expenses	-	-
Audit fee	5,612	-
	<u>15,732</u>	<u>18,936</u>

### Schedule 6: MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

	As at March 31, 2006 (Rs.)	As at March 31, 2005 (Rs.)
Preliminary expenses	-	5,420
Less: Written off	-	5,420
	<u>-</u>	<u>-</u>

### Schedule 7: DETAILS OF OTHER INCOME

	Year ended March 31, 2006 (Rs.)	Year ended March 31, 2005 (Rs.)
Unclaimed Liabilities & Excess Prov.	-	6,351,336
Interest Received other	-	126,511
Miscellaneous income	-	-
Profit on sale of assets	-	8,122
	<u>-</u>	<u>6,485,969</u>

### Schedule 8: TRADING AND OTHER EXPENSES

	Year ended March 31, 2006 (Rs.)	Year ended March 31, 2005 (Rs.)
<b>TRADING AND OTHER EXPENSES</b>		
Purchase - Finished goods	-	-
Stores, spares and components	-	-
Repairs - others	-	-
Salaries, wages, etc.	132,552	106,550
Rent	-	-
Registration and filing fees	-	-
Rates and taxes	2,000	3,400
Auditor's remuneration		
- As Auditors	22,142	14,426
- Verification of statements & other reports	-	-
Freight outwards (net)	-	-
Commission on sales	-	-
Miscellaneous	152,184	176,592
Professional Fee	29,850	48,700
Bad debts written off	-	12,717,400
Loss on sale of assets	-	6,867
Prior period expenses	31,800	-
	<u>370,528</u>	<u>13,073,936</u>
Movements of finished goods	-	-
Closing stocks	-	-
Less - Opening stocks	-	-
	<u>370,528</u>	<u>13,073,936</u>

### Schedule 9: INTEREST & FINANCING CHARGES

	Year ended March 31, 2006 (Rs.)	Year ended March 31, 2005 (Rs.)
Interest - Others	-	-
Financing charges	835	1,143
	<u>835</u>	<u>1,143</u>

# Transiel India Limited

## Schedule 1-10 (Contd.)

### Schedule 10 : ACCOUNTING POLICIES & NOTES TO ACCOUNTS

#### ACCOUNTING POLICIES

1. The financial statements have been prepared in accordance with applicable Accounting Standards and relevant presentational requirements of the Companies Act, 1956 and are based on the historical cost convention. The significant accounting policies followed are stated below:

**(a) Fixed Assets**

Fixed assets are stated at cost of acquisition less accumulated depreciation.

**(b) Depreciation**

- (i) The Company follows the straight line method of depreciation (SLM) on all its fixed assets.
- (ii) Depreciation charged on all fixed assets are as per rates specified in Schedule XIV to the Companies Act, 1956.
- (iii) Depreciation has been calculated on a pro-rata basis from the date of acquisition of the asset.
- (iv) On the assets sold, discarded etc., during the period depreciation is not provided upto the date of sale/discard.

**(c) Inventories**

Stores and spares are valued at cost.

**(d) Preliminary expenses are written off over a period of ten years**

**(e) Leave encashment and gratuity is accounted for on cash bases since the number of employees are few.**

#### NOTES

1. Loans and advances are shown as good for recovery by the management and no provision for bad and doubtful advances have been made during the year.
2. The trading operations of the Company have been suspended since June, 99 with a view to prevent further losses. The Accounts of the Company for the year ending March 31, 2006 have been prepared on the going concern basis. Revival of business activities will depend upon more favourable conditions prevailing in the market.
3. Contingent liability on account of dividend on 15% Cumulative Redeemable preference shares payable not provided for Rs. 14,29,50,810/- upto 31<sup>st</sup> March, 2006 (Rs. 12,79,50,810/- till 31<sup>st</sup> March, 2005).
4. In terms of notification No. GSR-129(e) dated Feb 22, 1999 total outstanding dues to SSI undertaking and the names to whom the Company owes any sum for more than 30 days are required to be separately disclosed along with outstanding dues of creditors other than SSI undertakings. The company has not been able to identify such undertakings and hence the said information is not reflected in the balance sheet.
5. In view of past brought forward losses and loss during the current period, company has not recognised deferred tax assets as it reliability is uncertain.
6. Related party disclosures under Accounting Standard AS-18
  - (a) Name of related party and nature of related party relationship.
    - Holding Company : Siel Limited
    - Fellow Subsidiary Company : Siel Industrial Estate Limited
  - (b) Disclosure of transactions between the company and related parties and the status of outstanding balance as on March 31, 2006.

Sl. No.	Nature of Transaction	Amount Rs.	Related Party
1.	Balance in Current A/c.	73,51,613/-	Siel Ltd. (Holding Co.)
2.	Repayment of ICD Received	-	Siel Industrial Estate Ltd.
7.	Figures for the previous year have been regrouped & rearranged wherever necessary.		

#### Cash Flow Statement for the year ended March 31, 2006

	Year ended 31.03.06 (Rs./Lacs)	Year ended 31.03.05 (Rs./Lacs)
<b>A. Cash flow from operating activities:</b>		
Net Profit/(Loss) before tax and extraordinary items	(371,363)	(6,594,530)
<b>Add:</b> Depreciation	-	-
Deferred revenue expenditure written off	-	5,420
<b>Less:</b> Interest Income (On ICD to M/s Siel Industrial Estate Ltd.)	-	126,511
Profit on sale of non trade long term investments	-	-
Provision for non performing assets	-	-
Excess liabilities written back	-	-
<b>Operating Profit before working capital changes</b>	<b>(371,363)</b>	<b>(6,715,621)</b>
Adjustments for:		
Increase/(Decrease) in trade/ other payables	(3,204)	(6,386,221)
(Increase)/Decrease in stock in trade	-	320,523
(Increase)/Decrease in trade/ other receivables	367,980	12,231,388
	<b>364,776</b>	<b>6,165,690</b>
<b>Cash generated from operations</b>	<b>(6,587)</b>	<b>(549,931)</b>
Direct taxes paid	-	-
<b>Net cash inflow/(outflow) from operations</b>	<b>(6,587)</b>	<b>(549,931)</b>
<b>B. Cash flow from Investing activities:</b>		
Interest received (On ICD to M/s Siel Industrial Estate Ltd)	-	126,511
Sale/(purchase) of fixed income	-	37,255
<b>Net cash Inflow from Investing activities</b>	-	163,766
<b>C. Cash flow from financing activities:</b>		
Repayment of short term borrowings	-	-
<b>Net cash (outflow) from financing activities</b>	-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(6,587)</b>	<b>(386,165)</b>
Cash and cash equivalents as at opening	19,610	405,775
Cash and cash equivalents as at closing	13,023	19,610

As per our report attached to the Balance Sheet

**FOR V. SAHAI & CO.,**  
Chartered Accountants

**SANJAY VOHRA**  
Partner

**SUSHIL JAIN**  
**ASHOK KUMAR JAIN**  
Directors

Place : New Delhi  
Date : 29.04.2006





# Siel Financial Services Limited

**Registered Office:**

4th Floor, Soni Mansion,  
12 B, Ratlam Kothi, Indore-452 001 (M.P.)

**DIRECTORS' REPORT**

To the Members,

Your Directors present the 15th Annual Report along with Audited Accounts for the year ended March 31, 2006.

**FINANCIAL RESULTS**

The Company earned a net profit of Rs.29.09 lacs during the year under review.

**DIVIDEND**

In view of accumulated losses, your Directors express their inability to recommend any dividend.

**DIRECTORS**

Mr. Satyendra Gupta, Director retires by rotation and being eligible, offers himself for re-appointment.

**FIXED DEPOSIT**

As on March 31, 2006 there were 6 cases amounting to Rs. 0.44 lacs whose deposits had remained unclaimed by the respective deposit holders, which remains unclaimed as on date.

**AUDITORS**

M/s. A.F. Ferguson & Co., Chartered Accountants, Auditors of the Company who hold office until the conclusion of the forthcoming Annual General Meeting has expressed their unwillingness to be reappointed as Auditors of the Company on the expiry of their term of office. In view of the circumstances, the Board of Directors has recommended the appointment of M/s V. Sahai & Co., Chartered Accountants, to act as auditors of the Company from the conclusion of the forthcoming Annual General Meeting until the conclusion of next Annual General Meeting of Company. The Company has received a certificate from them to the effect that their appointment is within the prescribed limits under Section 224(1) of the Companies Act, 1956.

**AUDITORS' REPORT**

The observation of Auditors are explained where necessary, in the appropriate notes to the accounts.

**CORPORATE GOVERNANCE REPORT**

A separate report on Corporate Governance is included/attached as a part of the Annual Report and annexed hereto as Annexure I along with the Auditors' Certificate on its compliance.

The Management Discussion and Analysis Report forms a part of this report and is annexed hereto as Annexure II.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO**

Since the manufacturing operations of the Company have been discontinued, the information on Conservation of Energy, Technology Absorption, Foreign Exchange Earnings & Outgo is not applicable.

**PARTICULARS OF EMPLOYEES**

There is no employee in the Company whose particulars are required to be given under Section 217 (2A) of the Companies Act, 1956.

**DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 217(2AA) of the Companies Act, 1956, your directors state:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the accounting policies selected and applied are consistent and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- (iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the annual accounts have been prepared on a going concern basis.

**LISTING OF THE COMPANY'S SHARES**

The Annual Listing Fee upto the years 2005-2006 has been paid to Mumbai Stock Exchange. The Annual Listing fee upto the year 2000-2001 and for the year 2002-2003 has been paid to Madhya Pradesh Stock Exchange. The Annual Listing Fee upto the year 1998-1999 has been paid to Calcutta Stock Exchange.

**SHARE REGISTRY ACTIVITIES**

In terms of SEBI Circular No. D&CC/FITTC/CIR-15/2002 dated 27th December 2002, your Company has transferred the work related to share registry to M/s Mas Services Pvt. Ltd., a registrar and share transfer agent registered with SEBI.

**DELISTING OF EQUITY SHARES OF THE COMPANY AT DSE, CSE, ASE AND MPSE**

The Equity Shares of your Company have been delisted from Delhi and Ahmedabad Stock Exchanges.

It is proposed to get the Equity Shares of your Company delisted from Calcutta and Madhya Pradesh (Regional) Stock Exchanges also.

The Shares shall, however continue to be listed at Mumbai Stock Exchange.

**DEPOSITORY SYSTEM**

The equity shares of the Company have been notified for compulsorily trading in dematerialized form by all investors. The shares of the Company are available for trading on Central Depository Services (India) Ltd. (CDSL). The Company's application for admission of its equity shares on National Securities Depository Limited (NSDL) is still pending.

As on 31st March 2006, a total of 12675 equity shares of the Company, which form 0.11% of the Share Capital, stood dematerialized.

**ACKNOWLEDGMENTS**

The Directors wish to thank the Company's Bankers, the Shareholders and Business Associates for their support in a difficult period.

On behalf of the Board of Directors

(SUSHIL KR. JAIN)  
DIRECTOR

(SATYENDRA GUPTA)  
DIRECTOR

Place: New Delhi  
Dated: May 10, 2006

# Siel Financial Services Limited

## ANNEXURE-I TO DIRECTORS' REPORT

### Corporate Governance Report for the year Ended March 31, 2006

The Securities and Exchange Board of India (SEBI), the regulatory body for Capital Market, vide its Circular dated March 29, 2005, has extended the date for ensuring compliance with the revised Clause 49 of the Listing Agreement which was introduced by it vide SEBI Circular dated October 29, 2004 suggesting changes to the then existing Clause 49 and has mandated listed companies to comply with the revised Clause 49 by December 31, 2005. In view of the above, this report complies with earlier Clause 49 for the transition period i.e. April 1, 2005 to December 31, 2005 and also with the revised Clause 49 for the period from January 1, 2006 till March 31, 2006.

#### 1. Company's Philosophy on Code of Corporate Governance

Good Corporate Governance act as a catalyst for consistent growth of an organisation. It is the adoption of best business practices which ensure that the Company operates not only within the regulatory framework, but is also guided by ethics. The adoption of such corporate practices ensures accountability of the persons in charge of the Company on one hand and brings benefits to investors, customers, creditors, employees and the society at large on the other. The Company firmly believes in practicing good Corporate Governance in true spirit and endeavour to improve on these aspects on ongoing basis.

#### 2. Board of Directors

##### (I) Composition

The Board meets the expected composition level with all the Directors being Non-Executive Directors. The Board comprises of one Independent and two Not-Independent Directors as on March 31, 2006.

There are no material pecuniary professional and/or business relationship or transactions of the Independent Directors with the Company, its promoters, its directors, senior management and its holding company which may effect the independence of judgement of the Directors.

The composition of Board of Directors and their attendance at the Board Meetings held during the year ended March 31, 2006 and at the last Annual General Meeting as also the number of other directorship and membership/ chairmanship of committees are as follows:

Director	Category	No. of Board Meetings Attended (Total meetings held 7)	Attended last AGM	No. of outside Directorship held (excluding Private & Foreign Companies)	Committee Membership	
					Member	Chairman
■ Mr. Gupta Satyendra	Not-Independent Non-Executive	6	No	1	2	1
■ Mr. Jain Sushil	Not-Independent Non-Executive	7	No	4	5	Nil
■ Mr. Sharma Virender	Independent Non-Executive	6	Yes	2	1	2

Note: All Directors were independent till 31.12.2005. Mr. Virender Sharma became Independent on resignation from the services of the holding company w.e.f. 27.2.2006.

##### (II) Attendance at Board of Directors Meetings

The Board of your Company met 7 times during the year ended March 31, 2006. The Company placed before the Board all statutory and other important items recommended by the SEBI committee on Corporate Governance.

Sl. No.	Date	Board Strength	No. of Directors Present
1.	26.05.2005	3	2
2.	23.06.2005	3	3
3.	20.07.2005	3	2
4.	28.10.2005	3	3
5.	30.11.2005	3	3
6.	30.12.2005	3	3
7.	19.01.2006	3	3

#### 3. Audit Committee

##### (I) Terms of Reference

The Company has an Audit Committee, which is dealing with the matters prescribed by the Board of Directors. The Committee deals with accounting matters, financial reporting and internal controls. The power, role, delegations, responsibilities and terms of reference of the Audit Committee are as prescribed under Section 292 A of the Companies Act, 1956 and also as provided in Clause 49 of the Listing Agreement.

##### (II) Composition

The Audit Committee has three Directors, all being Non-Executive and Chairman being Independent Director. All the Committee members have accounting and related financial management expertise.

The Chairman of the Committee had attended the last Annual General Meeting.

The Company Secretary acts as the Secretary of the Committee and also attends to finance and accounting functions of the Company, which is reported to the Committee periodically. The Statutory Auditors attend the meetings of the Committee on the invitation of the Company.

The composition of the committee and their attendance at the Committee meetings held during the year ended March 31, 2006 are as under:

Member Director	Executive/ Non-Executive	Independent/ Not Independent	No. of Meetings Attended (Total meetings held 4)
* Mr. Gupta Satyendra	Non-Executive	Not-Independent	3
* Mr. Jain Sushil	Non-Executive	Not-Independent	4
* Mr. Sharma Virender (Chairman)	Non-Executive	Independent	3

# Siel Financial Services Limited

## ANNEXURE-I TO DIRECTORS' REPORT (contd.)

### (III) Audit Committee Meetings (Attendance)

It meets atleast 4 times in a year and reviews the quarterly, half-yearly and annual financial statements before they are submitted to the Board. In the financial year ended March 31, 2006, four meetings of the Audit Committee were held as under:

Sl. No.	Date	Committee Strength	No. of Members Present
1.	26.05.2005	3	2
2.	20.07.2005	3	2
3.	28.10.2005	3	3
4.	19.01.2006	3	3

### 4. Managerial Remuneration Committee

The Company does not have any Managerial Remuneration Committee.

The Company does not have any Executive Directors.

The Non-Executive Directors do not draw any remuneration from the Company.

### 5. Shareholders Grievance/Share Transfers Committee

#### (I) Terms of reference

The Company has constituted a Board Committee namely 'Shareholders Grievance/Share Transfers Committee', which looks into various issues relating to shareholders including the redressal of shareholders complaints, share transfers/transmission/issue of duplicate shares etc.

The meeting of this Committee is held frequently to ensure completion of share transfer work within the stipulated period

The Company Secretary, Mr. Anup Kumar, is the Compliance Officer appointed under the relevant SEBI directions.

#### (II) Composition

The Chairman of this Committee is a Non-Executive Independent Director. The Composition of the Committee and their attendance at the Committee meetings held during the year ended March 31, 2006 are as under:

Member Director	Executive/ Non-Executive	Independent/ Not Independent	No. of Meetings Attended (Total meetings held 24)
Mr. Gupta Satyendra	Non-Executive	Not-Independent	24
Mr. Jain Sushil	Non-Executive	Not-Independent	24
Mr. Sharma Virender (Chairman)	Non-Executive	Independent	18

### (III) Attendance at Shareholders Grievance/Share Transfers Committee Meetings

Sl. No.	Date	Committee Strength	No. of Members Present
1.	09.04.2005	3	3
2.	23.04.2005	3	3
3.	07.05.2005	3	3
4.	23.05.2005	3	2
5.	08.06.2005	3	3
6.	23.06.2005	3	3
7.	08.07.2005	3	3
8.	22.07.2005	3	3
9.	08.08.2005	3	3
10.	23.08.2005	3	3
11.	08.09.2005	3	3
12.	23.09.2005	3	3
13.	07.10.2005	3	3
14.	22.10.2005	3	3

Sl. No.	Date	Committee Strength	No. of Members Present
15.	07.11.2005	3	3
16.	22.11.2005	3	2
17.	08.12.2005	3	3
18.	22.12.2005	3	3
19.	06.01.2006	3	3
20.	22.01.2006	3	3
21.	08.02.2006	3	2
22.	23.02.2006	3	2
23.	08.03.2006	3	2
24.	24.03.2006	3	2

The minutes of all meetings of the above Committee are placed at the Board meeting held immediately after the committee meetings.

During the year ended March 31, 2006, 5 complaints were received from the shareholders. All complaints were replied/resolved to the satisfaction of the Shareholders.

As on March 31, 2006, 3 transfer cases covering 150 shares for registration of transfer of shares were pending. Transfer in all these cases have been given effect on 11.04.2006 and despatched on 15.04.2006.

### 6. General Body Meetings

The last three Annual General Meetings were held as under:

Financial Year	Location	Date	Time	Special Resolution Passed
2004-2005	4 <sup>th</sup> Floor, Soni Mansion, 12-B, Ratlam Kothi, Indore - 452 001 (M.P.)	15.7.2005	10.00 A.M.	No Special Resolution
2003-2004	4 <sup>th</sup> Floor, Soni Mansion, 12-B, Ratlam Kothi, Indore - 452 001 (M.P.)	13.8.2004	10.00 A.M.	For Delisting of Equity shares from Delhi, Kolkata Ahmedabad and Madhya Pradesh Stock Exchanges
2002-2003	4 <sup>th</sup> Floor, Soni Mansion, 12-B, Ratlam Kothi, Indore - 452 001 (M.P.)	30.9.2003	10.00 A.M.	- For shifting and keeping the Register and Indices of Members at the office of the Registrar & Share Transfer Agent instead of Registered office of the Company. - For Delisting of Equity shares from Delhi, Kolkata and Ahmedabad Stock Exchanges.

No special resolution was put through the postal ballot last year.

There is no item in the Notice for convening forthcoming Annual General Meeting proposed to be passed through Postal Ballot.

### 7. Disclosures

#### (I) Related Party Transactions

In terms of the Accounting Standard (AS) 18, "Related Party Disclosures" issued by the Institute of Chartered Accountants of India, the Company has identified the related parties covered therein and details of transactions with such related parties have been disclosed in the Note no.3 to Schedule 11 - Notes to Accounts of the Annual Report for the year ended March 31, 2006.

During the year, there were no transactions of material nature of the Company with the promoters, directors, management or their relatives, holding Company and other related parties covered under AS 18 that had potential conflict with the interest of the Company.

(II) There were no instances of non-compliance by the Company, penalties, strictures imposed on the Company by stock exchanges or SEBI or any statutory authority on any matter related to the capital markets, during the last three years.

#### (III) Disclosure of Accounting Treatment

The financial statements have been prepared in accordance with applicable Accounting Standards and relevant presentational requirements of the Companies Act, 1956 and are based on the historical cost convention.

# Siel Financial Services Limited

## ANNEXURE-I TO DIRECTORS' REPORT (contd.)

### (IV) Insider Trading

The Company has adopted the Code of Internal Procedures and Conduct framed under the SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, to inter alia, prevent insider trading in the shares of the Company.

### (V) Code of Conduct

The Company has adopted a Code of Conduct (Code) for the members of Board of Directors and Senior Management Personnel of the Company. The essence of the Code is to conduct the business of the Company in an honest and ethical manner, in compliance with applicable laws and in a way that excludes considerations of personal advantage.

### (VI) Risk Management

Since the Company at present has not been carrying any business activity, the requirement of laying down a Risk Management Policy to inform Board Members about the risk assessment and minimization procedures is not applicable.

### (VII) Shareholding of the Non-Executive Directors

The shareholding of the Non-Executive Directors of the Company as on 31.3.2006 are as under:

Sl. No.	Name of the Director	No. of Shares
1.	Mr. Sunshil Jain	25
2.	Mr. Satyendra Gupta	25
3.	Mr. Virendra Sharma	25

## 8. Means of Communication

- (I) Half-yearly reports of the Company are not sent to the individual shareholders of the Company.
- (II) Quarterly results are published in prominent daily newspapers viz. Free Press Journal and Swadesh. The quarterly results are sent to stock exchanges on which the Company is listed in the format so as to enable the respective stock exchanges to put the same on their own Web-site. The Notice of AGM along with the Annual Report is sent to the shareholders well in advance of the AGM. The stock exchanges are notified of any important developments that may materially effect the working of the Company. Disclosures with regard to shareholding pattern, change in major shareholdings etc. are also periodically sent to the stock exchanges as required under SEBI Takeover Regulations and SEBI Prohibition of (Insider Trading) Regulations.
- (III) The Company, at present, does not have any Website.
- (IV) During the year, no presentations were made to any institutional investors or analysts.
- (V) A Management Discussion and Analysis report, which forms a part of the Annual Report, is given by means of a separate Annexure and is attached to the Directors' Report.

## 9. General Shareholders' Information

- (I) Annual General Meeting is proposed to be held on 14.7.2006 at 10.00 A.M. at 4th Floor, Soni Mansion, 12- B, Ratlam Kothi, Indore -452001 (M.P.).
- (II) **Financial Calendar for the year 2006-2007**

Accounting year	April 1, 2006 to March 31, 2007
First Quarter results	July 2006
Second Quarter results	October 2006
Third Quarter results	January 2007
Annual results	June/July 2007
Mailing of Annual Reports	August 2007
Annual General Meeting	August/September 2007
- (III) **Date of Book Closure:** 13.7.2006 to 14.7.2006 (Both days inclusive)

## (IV) Listing on Stock Exchanges

1. The Bombay Stock Exchange Ltd., Mumbai
2. The Calcutta Stock Exchange Association Ltd.
3. The Madhya Pradesh Stock Exchange

The equity shares of the Company have been delisted from Ahmedabad Stock Exchange w.e.f. 10.6.2005.

Stock Code at - The Bombay Stock Exchange Ltd. : 532217

No stock code has been allotted to the Company for the Stock Exchanges indicated in serial numbers 2 & 3 above.

The Annual Listing fee upto the year 2005-2006 has been paid to Mumbai Stock Exchange.

## (V) Stock Market Data for the year 2005-2006

Monthly High & Low quotation and volume of Company's Share on BSE and BSE Sensex are as under:

Month	High (Rs.)	Low (Rs.)	Volume (Nos.)	BSE Sensex	
				High	Low
April, 2005	-	-	-	6649.42	6118.42
May, 2005	0.84	0.84	100	6772.74	6140.97
June, 2005	-	-	-	7228.21	6647.36
July, 2005	-	-	-	7708.59	7123.11
August, 2005	-	-	-	7921.39	7537.50
September, 2005	-	-	-	8722.17	7818.90
October, 2005	-	-	-	8821.84	7656.15
November, 2005	-	-	-	9033.99	7891.23
December, 2005	-	-	-	9442.98	8769.56
January, 2006	-	-	-	9945.19	9158.44
February, 2006	-	-	-	10422.65	9713.51
March, 2006	-	-	-	11356.95	10344.26
<b>TOTAL</b>			<b>100</b>		

## (VI) Registrar and Transfer Agent

M/s Mas Services Pvt. Ltd. have been appointed as the Registrar and Share Transfer Agent of the Company, who handle share transfer work in Physical as well as in Electronic Form and other related activities at the following address:

M/s Mas Services Pvt. Ltd.  
AB-4, Safdarjung Enclave,  
New Delhi - 110 029

## (VII) Share Transfer System

All the valid share transfers are registered and duly transferred share certificates are dispatched within a period of 30 days from the date of receipt.

## (VIII) Investors' Service

The Company has a system of attending and redressing all investors' grievances/ correspondence within a period of 7-10 days from the date of receipt of the same.

No complaints/grievances are pending as on March 31, 2006.

## (IX) Distribution of shareholding as on March 31, 2006

No. of Equity Shares held	Folios		Shares	
	Numbers	%	Numbers	%
Up to 500	19761	99.80	614422	5.42
501-1000	15	0.08	12000	0.10
1001-2000	4	0.02	5600	0.05
2001-3000	7	0.04	18000	0.16
3001-4000	1	0.01	3625	0.03
4001-5000	2	0.01	9125	0.08
5001-10000	1	0.01	5800	0.05
10001 and above	5	0.03	10675180	94.11
<b>TOTAL</b>	<b>19796</b>	<b>100.00</b>	<b>11343752</b>	<b>100.00</b>

# Siel Financial Services Limited

## ANNEXURE-I TO DIRECTORS' REPORT (contd.)

### (X) Categories of shareholders as on March 31, 2006

Category	No. of Shares held	% of shareholding
<b>A. Promoters' holding</b>		
<b>1. Promoters</b>		
- Indian Promoters	10613382	93.56
- Foreign Promoters	-	-
<b>2. Persons acting in concert</b>	-	-
<b>Sub-Total</b>	<b>10613382</b>	<b>93.56</b>
<b>B. Non-Promoters Holding</b>		
<b>3. Institutional Investors</b>		
a. Mutual Funds and UTI	-	-
b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/ Non-Government Institution)	50	0.00
c. FIIs	-	-
<b>Sub-Total</b>	<b>50</b>	<b>0.00</b>
<b>4. Others</b>		
a. Private Corporate Bodies	53000	0.47
b. Indian Public	625045	5.51
c. NRI/OBCs	52275	0.46
d. Any other	-	-
<b>Sub-Total</b>	<b>730320</b>	<b>6.44</b>
<b>GRAND TOTAL</b>	<b>11343752</b>	<b>100.00</b>

### (XI) Shares under lock-in

The shares of the Company are not subject to any Lock-in period.

### (XII) Dematerialisation of shares and liquidity

The shares of the Company are compulsorily traded in dematerialized form and are available for trading on Central

Depository Services (India) Ltd. (CDSL). The Company's application for admission of its shares on National Securities Depository Limited (NSDL) is still pending.

As on 31<sup>st</sup> March, 2006, a total of 12675 equity shares of the Company, which form 0.11% of the Equity Share Capital, stand dematerialised.

Under the depository system, the ISIN allotted to the Company's equity shares by CDSL is INE027F01014.

### (XIII) Outstanding GDRs and convertible Preference Shares, conversion dates and likely impact on equity

The Company has not issued any GDRs or convertible preference shares.

### (XIV) Plant Locations

The Company is a financial Company.  
The address of Delhi Office is as under:

5th Floor, Kirti Mahal  
19, Rajendra Place  
New Delhi – 110008

### (XV) Investors' correspondence may be addressed to:

Mr. Anup Kumar  
Compliance Officer  
C/o Siel Limited  
5<sup>th</sup> Floor, Kirti Mahal, 19, Rajendra Place,  
New Delhi-110008.  
Ph.25739103 Fax. 25743659

### 10. Non-mandatory requirements

The Company has not adopted any of the non-mandatory requirements specified in Annexure – III of clause 49 of the Listing Agreement.

On behalf of the Board of Directors

(SUSHIL KR. JAIN) (SATYENDRA GUPTA)  
Director Director

Place : New Delhi  
Dated : May 10, 2006

## DECLARATION

I, Sushil Kr. Jain, the designated Chief Executive Officer (CEO) hereby declare that the Code of Conduct adopted by Siel Financial Services Limited for its Board Members and Senior Management Personnel has been duly complied by all Board Members and Senior Management Personnel of the Company.

**Sushil Kr. Jain**  
Chief Executive Officer

Place : New Delhi  
Date : May 10, 2006

# Siel Financial Services Limited

## AUDITORS' CERTIFICATE ON THE COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

### To the Members of Siel Financial Services Limited

We have examined the compliance of conditions of Corporate Governance by Siel Financial Services Limited, for the year ended March 31, 2006, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement, except that:

- (i) a) The Company is of the view that since its board composition comprises of non-executive directors only as at March 31, 2006, the requirement of optimal combination of executive and non-executive directors specified in clause 49 of the Listing agreement is not attracted.
- b) The composition of the Board of Directors (BOD) should consist of at least one third of the BOD being independent as the chairman is a non-executive director. This requirement has not been complied with for a part of the year. With effect from February 27, 2006, one of the directors became independent and the aforesaid requirement has been complied with.
- (ii) a) The audit committee comprises of non-executive directors and the requirement of two-third of the directors to be independent has not been complied with effect from January 1, 2006.
- b) During the year, four meetings of the audit committee were held. In the meeting held on January 19, 2006, the requirement of minimum of two independent directors has not been complied with.
- c) The requirement of Chairman of the audit committee to be an independent director has not been complied with for a part of the year. With effect from February 27, 2006, the chairman becoming independent, the requirement has been complied with.

We state that in respect of investors' grievances received during the year ended March 31, 2006, no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **A.F. FERGUSON & CO.**  
Chartered Accountants

Place : New Delhi  
Date : May 10, 2006

**MANJULA BANERJI**  
Membership No. 086423  
Partner

### ANNEXURE-II TO DIRECTORS' REPORT

#### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Siel Financial Services Limited is a Non-Banking Financial Company mainly engaged in the business of leasing, advancing loan/ICDs, making investments, bill discounting and other financial activities. During the course of its business operations, the company had entered into such financial transactions with various parties. However, due to continuous deterioration of general economic and business conditions, these parties have defaulted and have not been able to fulfill their commitment. This has resulted into the Company's substantial funds and assets blocked in these Non performing Assets.

Further, the Company's financial assets are substantially blocked in leasing transactions with various parties who have defaulted in the payment of lease rentals. As a result, the Company had to severely curtail its operations due to paucity of funds and adverse market conditions.

However, the Company is negotiating vigorously with these parties for realizing its money and is quite hopeful of generating funds for the business of the Company. The Company is also hopeful of reviving its business with the help of these funds, which it expects to receive from these parties.

The internal control systems and procedures are adequate, commensurate to the size of the Company.

The financial performance of the Company is covered in the Directors' Report. The Company being engaged only in financing operations viz, intercorporate deposits and investments, segmentwise reporting of revenue, results and capital employed is not required to be given.

There being only one employee on the rolls of the Company, there is nothing to report on the development of human resources.

# Siel Financial Services Limited

## AUDITORS' REPORT

### To the Members of Siel Financial Services Limited

1. We have audited the attached balance sheet of Siel Financial Services Limited as at March 31, 2006 and also the profit and loss account and the cash flow statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. *Attention is invited to Note 7 indicating that the accounts of the Company have been prepared on the basis that the Company is a going concern although the ability of the Company to continue its operation in the foreseeable future is dependent on the improvement of the related market conditions and financial position of the Company.*
5. Further to our comments in the Annexure referred to in paragraph 3 above and subject to our comments in paragraph 4 above, we report that:
  - a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) *subject to our remarks in paragraph (f) below, 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 those books;*
  - c) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - d) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the mandatory accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - e) on the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and
  - f) *attention is invited to Note 8 indicating that no provision has been made for interest amounting to Rs. 116.05 lacs (including Rs. 97.21 lacs up to March 31, 2005) payable on an inter corporate deposit for the reasons stated in that note. Had such provision been made, the profit for the year would have been lower by Rs. 18.84 lacs (loss for the year ended March 31, 2005 would have been higher by Rs. 18.84 lacs) and the debit balance carried forward in the profit and loss account would have been higher by Rs. 116.05 lacs (Rs. 97.21 lacs upto March 31, 2005).*

***The matters referred to in paragraphs 4 and 5 (f) above, to the extent covered here above, were also subject matters of qualifications in our audit report on the financial statements for the year ended March 31, 2005.***

Subject to above, in our opinion and to the best of our information and according to the explanations given to us, the accounts give

the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India:

- (i) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2006,
- (ii) in the case of the profit and loss account, of the profit of the Company, for the year ended on that date, and
- (iii) in the case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

**For A.F. FERGUSON & CO.**  
Chartered Accountants

**MANJULA BANERJI**  
Membership No. 086423  
Partner

Place: New Delhi  
Date: May 10, 2006

## ANNEXURE

### Annexure referred to in paragraph '3' of Auditors' Report to to the Members of Siel Financial Services Limited on the accounts for the year ended March 31,2006

- (i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) We are informed that a major portion of fixed assets, other than assets given on lease has been verified by the management in accordance with phased programme of verification adopted by the Company. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and nature of its fixed assets.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- (ii) (a) During the year, the inventories comprising of shares, debentures and other securities have been physically verified by the management. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories comprising of shares, debentures and other securities followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the records of inventories comprising of shares, debentures and other securities, we are of the opinion that the Company is maintaining proper records of inventories. No discrepancies have been noticed on physical verification of stock of shares, debentures and other securities as compared to book records.
- (iii) According to the information and explanations given to us, the Company has neither taken nor granted any loans, secured or unsecured to/from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly paragraphs 4 (iii) (b) to (g) of the Companies (Auditors' Report) order, 2003 (hereinafter referred to as the Order) are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases and sales of stocks of shares and purchase of fixed assets. There is no sale of services. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have been informed of any

# Siel Financial Services Limited

## AUDITORS' REPORT (contd.)

instance of major weaknesses in the aforesaid internal control system.

- v) According to the information and explanations given to us there are no contracts or arrangements during the year that need to be entered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4(v)(b) of the Order is not applicable.
- vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 to the extent applicable with regard to the deposits accepted from the public. As per the information and explanations given to us, no order has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India, any other court or any other tribunal with regard to fixed deposits.
- vii) The Company did not have an internal audit system during the year.
- viii) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 .
- ix) (a) As explained to us, the statutory dues payable by the Company comprise of provident fund, investor education and protection fund and income-tax. According to the records of the Company and information and explanations given to us, the Company is regular in depositing the aforesaid undisputed statutory dues with the appropriate authorities except investor education and protection fund and income-tax. There are no undisputed statutory dues as referred to above as at March 31, 2006 outstanding for a period of more than six months from the date they became payable except investor education and protection fund amounting to Rs.1,060.
- (b) According to the information and explanations given to us and the records of the Company examined by us, following are the particulars of disputed dues on account of income tax and excise duty matters as at March 31, 2006 that have not been deposited by the Company:

Name of the statute	Nature of the dues	Amount (Rs.)	Financial year to which the amount relates	Forum where dispute is pending
Income tax Laws	Income tax	3,61,47,142	1994 and 1996	Income Tax Appellate Tribunal
	Income tax	2,55,458	1997	Commissioner of Income tax (Appeals)
	Interest	5,41,461	1996	Commissioner of Income tax (Appeals)

We have been informed that there were no dues in respect of customs duty, excise duty, sales tax, wealth tax, service tax and cess which have not been deposited on account of any dispute.

The following matters which have been excluded from the table above have been decided in favour of the Company but the concerned authorities have preferred appeals at higher levels:

Name of the statute	Nature	Amount (Rs.)	Financial year to which the amount relates	Forum where department has preferred appeal.
Income tax Laws	Income tax	64,87,400	1998	Income Tax Appellate Tribunal
Central Excise Laws	Excise duty	4,66,755	1992	Customs, Excise and Service Tax Appellate Tribunal (CESTAT)

- x) According to the records of the Company, the Company's accumulated losses at the end of the financial year would be in excess of fifty percent of the net worth of the Company. The Company has not incurred cash losses during the financial year ended March 31, 2006. However, cash losses were incurred in the preceding financial year ended March 31, 2005.
- xi) Since the Company has not defaulted in repayments of dues to any financial institution or bank or debenture holder, paragraph 4 (xi) of the Order is not applicable.
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The provisions of any special statute as specified under paragraph 4(xiii) of the Order are not applicable to the Company.
- xiv) The Company has maintained proper records of its dealing in shares, debentures and other investments and timely entries are being made therein. The investments have been held by Company in its own name.
- xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- xvi) According to the information and explanations given to us, the Company has not obtained any term loan during the year.
- xvii) According to the information and explanations given to us, the Company has not raised any funds on short term basis during the year.
- xviii) The Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
- xix) The Company has not issued any debentures during the year.
- xx) The Company has not raised money by way of public issue during the year.
- xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that, no fraud on or by the Company has been noticed or reported during the course of our audit for the year ended March 31, 2006.

For **A.F. Ferguson & Co.**  
Chartered Accountants

**MANJULA BANERJI**  
Membership No. 086423  
Partner

Place : New Delhi  
Date : May 10, 2006



# Siel Financial Services Limited

## BALANCE SHEET AS AT MARCH 31, 2006

	Schedule	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	1	186,229,895	186,229,895
Reserves and surplus	2	5,053,989	4,472,156
		<b>191,283,884</b>	190,702,051
<b>Loan funds</b>			
Unsecured	3	52,287,613	55,787,613
		<b>52,287,613</b>	55,787,613
<b>Total</b>		<b>243,571,497</b>	246,489,664
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	4	100,602,097	100,602,097
Less: Depreciation		60,459,931	54,052,125
Net block		40,142,166	46,549,972
Less: Lease adjustment account		24,642,013	30,090,389
		<b>15,500,153</b>	16,459,583
<b>Investments</b>			
<b>Current assets, loans and advances</b>			
Inventories	5	23,543	23,543
Stock in trade		5,825	141,320
Sundry debtors		4,872,972	3,985,348
Cash and bank balances		1,260,934	1,689,906
Other current assets		-	-
Loans and advances	6	40,551,192	40,566,760
		<b>46,690,923</b>	46,383,334
<b>Less: Current liabilities and provisions</b>			
Current liabilities	7	22,585,748	22,646,759
<b>Net current assets</b>		<b>24,105,175</b>	23,736,575
Profit and loss account		203,942,626	206,269,963
<b>Total</b>		<b>243,571,497</b>	246,489,664
NOTES TO THE ACCOUNTS	11		

Per our report attached  
For **A.F. FERGUSON & CO.**  
Chartered Accountants

For and on behalf of the  
Board of Directors

**MANJULA BANERJI**  
Partner

Place : New Delhi  
Date : May 10, 2006

Anup Kumar  
Company Secretary

Satyendra Gupta  
Sushil Kr. Jain  
Directors

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

	Schedule	Year ended March 31, 2006 Rs.	Year ended March 31, 2005 Rs.
<b>INCOME</b>			
Profit from capital market operations	10	23,700	440,899
Other income	8	10,746,739	7,781,933
		<b>10,770,439</b>	8,222,832
<b>EXPENDITURE</b>			
Operating and administration expenses	9	1,445,049	1,964,069
Depreciation	4	6,407,806	6,422,242
		<b>7,852,855</b>	8,386,311
<b>Profit before taxation</b>		<b>2,917,584</b>	(163,479)
Current Tax Provision for taxation		-	-
Fringe Benefit Tax		8,413	-
<b>Profit after taxation</b>		<b>2,909,171</b>	(163,479)
<b>APPROPRIATIONS</b>			
Transfer to Reserve Fund		581,834	-
		<b>2,327,337</b>	(163,479)
Loss brought forward from the previous year		(206,269,963)	(206,106,484)
<b>Balance carried to balance sheet</b>		<b>(203,942,626)</b>	(206,269,963)
Basic and diluted earnings per Share (Rs.) (Face value - Rs. 10 per share)		(0.11)	(0.38)

NOTES TO THE ACCOUNTS 11

Per our report attached  
For **A.F. FERGUSON & CO.**  
Chartered Accountants

For and on behalf of the  
Board of Directors

**MANJULA BANERJI**  
Partner

Place : New Delhi  
Date : May 10, 2006

Anup Kumar  
Company Secretary

Satyendra Gupta  
Sushil Kr. Jain  
Directors

# Siel Financial Services Limited

## Schedules 1-11 ANNEXED TO AND FORMING PART OF THE ACCOUNTS

### Schedule-1 : Share Capital

	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.
<b>Authorised</b>		
Equity - 2,00,00,000 shares of Rs. 10 each	200,000,000	200,000,000
Preference - 10,00,000 5% Redeemable Cumulative Preference shares of Rs. 100 each	100,000,000	100,000,000
	<b>300,000,000</b>	<b>300,000,000</b>
<b>Issued, subscribed and paid up</b>		
Equity - 11,343,752 (previous year 11,343,752 ) shares of Rs. 10 each.	113,437,520	113,437,520
Less - Calls in arrears	207,625	207,625
	<b>113,229,895</b>	<b>113,229,895</b>
Preference - 730,000 (previous year 730,000) 5% Redeemable Cumulative preference shares of Rs. 100 each	73,000,000	73,000,000
	<b>186,229,895</b>	<b>186,229,895</b>

#### Notes:

1. Of the issued, subscribed and paid-up capital 10,000,000 (previous year 10,000,000) equity shares of Rs. 10 each have been allotted to the members of the erstwhile Siel Financial Services Limited in the ratio of 1:1, pursuant to the Scheme of Amalgamation [ refer note 2 of schedule 11], without payment being received in cash.
2. 9,011,982 (previous year 9,011,982) equity shares are held by Siel Limited, the holding company.
3. 730,000 (previous year 730,000 ) preference shares are held by Siel Limited, the holding company.
4. The preference shares of Rs. 100 each, allotted on January 13, 1998 are redeemable at par at the option of the Company at any time not later than the ninth year from the date of the issue.

### Schedule-4 : Fixed Assets

	Gross block			Depreciation			Net block		Lease adjustment#		Net block after lease adjustment			
	As at March 31, 2005 Rs.	Additions Rs.	Deductions Rs.	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.	For the year Rs.	On deductions Rs.	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.	
<b>Assets given on lease:</b>														
Plant and machinery	98756485	-	-	98756485	52651391	6336000	-	58987391	39769094	46105094	24642013	30090389	15127081	16014705
	98756485	-	-	98756485	52651391	6336000	-	58987391	39769094	46105094	24642013	30090389	15127081	16014705
<b>Other fixed assets:</b>														
Plant and machinery	698643	-	-	698643	490605	28938	-	519543	179100	208038	-	-	179100	208038
Furniture and fixtures	1146969	-	-	1146969	910129	42868	-	952997	193972	236840	-	-	193972	236840
	1845612	-	-	1845612	1400734	71806	-	1472540	373072	444878	-	-	373072	444878
<b>This year</b>	100602097	-	-	100602097	54052125	6407806	-	60459931	40142166	-	24642013	-	-15500153	-
Previous year	100616097	10,500	24500	100602097	47653799	6422242	23916	54052125	-	46549972	-	30090389	-	16459583

# Includes Rs. 2,20,184,723 (previous year Rs. 27,466,849) being provision for non performing assets.

### Schedule-2 : Reserves and Surplus

	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.
Reserve fund	5,053,989	4,472,156
	<b>5,053,989</b>	<b>4,472,156</b>

Maintained pursuant to Section 45-IC of the Reserve Bank of India (Amendment) Act, 1997.

### Schedule-3 : Loan funds

	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.
<b>Unsecured</b>		
Due to Holding company (includes intercorporate deposit of Rs. 12,000,000; Previous year Rs. 12,000,000)	36,587,613	40,087,613
Short-term loans and advances-others	15,700,000	15,700,000
	<b>52,287,613</b>	<b>55,787,613</b>

# Siel Financial Services Limited

## SCHEDULES 1-11 (Contd.)

### Schedule-5 : Investment

	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.
<b>Long term investments - Non-trade at cost unless otherwise stated</b>		
<b>Quoted</b>		
<b>Government Securities</b>		
200,7.40% - GOI 2012	23,542	23,542
<b>Others*</b>		
Voltas Limited 75 equity shares of Rs. 10 each fully paid-up	-	-
MSD Industrial Enterprises Limited 2,95,700 equity shares of Rs. 10 each fully paid-up	\$ 10,822,620	10,822,620
<b>Unquoted*</b>		
Deluxe Fabrics Limited 1,00,000 equity shares of Rs. 10 each fully paid-up	\$ 1,000,000	1,000,000
SFSL Investments Limited 54 equity shares of Rs 10 each fully paid-up (being a company under the same management)	\$ 540	540
	<b>11,846,702</b>	11,846,702
Less: Provision for diminution in value of investments	<b>11,823,159</b>	11,823,159
	<b>23,543</b>	23,543
\$ - Provided fully		
<b>Aggregate value of investments</b>		
Quoted (market value - Rs. 23542** ; previous year Rs. 21500)	<b>23,542</b>	23,542
Unquoted	<b>1</b>	1
	<b>23,543</b>	23,543

\* All investments acquired from erstwhile Siel Financial Services Limited in terms of the Scheme of Amalgamation [refer note 2 of schedule 11]

\*\* Represents Rs. 23542 being the cost of investments at face value as market quotations are not available.

### Schedule-6A : Stock-in-trade: Shares, debentures and other securities (At lower of Cost and Market price/break-up value)

	As at March 31, 2006 No.	As at March 31, 2005 No.	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.
Equity Shares of Rs. 10 each fully paid-up*				
<b>Quoted:</b>				
Nagarjuna Fertilisers and Chemicals Limited	100	100	1,325	1,195
Spice Net Limited (Formerly Modi Olivetti Limited)	300	300	4,500	-
Seasons Furnishings Limited	-	29,500	-	140,125
Asian Hotels Limited	80	80	-	-
Vijayata Audio World Limited	13,400	13,400	-	-
	<b>13,800</b>	43,380	<b>5,825</b>	141,320

Aggregate value of shares held as stock-in-trade

Quoted (market value- Rs. 54,385 previous year Rs. 1,68,418)

\* All stock-in-trade acquired from erstwhile Siel Financial Services in terms of the Scheme of Amalgamation. [refer note 2 of schedule 11]

### Schedule-6 : Current assets, loans and advances

	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.
<b>Inventories</b>		
Stock in trade (refer schedule 6A)	5,825	141,320
<b>Sundry debtors - Unsecured</b>		
Over six months - good	4,872,972	3,985,348
- doubtful	5,684,003	10,971,628
	<b>10,556,975</b>	14,956,976
Less: Provision for doubtful debts	5,684,003	10,971,628
	<b>4,872,972</b>	3,985,348
<b>Cash and bank balances</b>		
Cash and cheque in hand	-	895
With scheduled banks		
on current accounts	1,024,169	1,452,245
on fixed deposit accounts	236,765	236,766
	<b>1,260,934</b>	1,689,906
<b>Other current assets</b>		
Intercompany deposits - good	-	-
- doubtful	10,250,150	10,250,150
	<b>10,250,150</b>	10,250,150
Less: Provision for doubtful intercompany deposits	10,250,150	10,250,150
	-	-
<b>Loans and advances</b> (Unsecured and considered good unless otherwise stated)		
Interest accrued on investments	603	603
Interest accrued on fixed deposit	4,500	4,500
Advances recoverable in cash or in kind or for value to be received		
- good	184,885	219,483
- doubtful	804,907	804,907
	<b>994,895</b>	1,029,493
Less: Provision for doubtful advances	804,907	804,907
	<b>189,988</b>	224,586
Income-tax payments less provisions	40,361,204	40,342,174
	<b>40,551,192</b>	40,566,760
	<b>46,690,923</b>	46,383,334

# Siel Financial Services Limited

## SCHEDULES 1-11 (Contd.)

### Schedule-7 : Current liabilities and provisions

	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.
<b>Current liabilities</b>		
Sundry creditors		
Total outstanding dues of creditors other than small scale industrial undertakings	2,541,638	2,602,649
Amounts unclaimed and unpaid to be credited to investor education and protection fund:		
Matured fixed deposits	1,060	-
Other liabilities	20,043,050	20,044,110
	<b>22,585,748</b>	<b>22,646,759</b>

### Schedule-8 : Other income

	Year ended March 31, 2006 Rs.	Year ended March 31, 2005 Rs.
Interest - bank (gross) (tax deducted at source Rs. Nil; previous year Rs. 49,758)	-	243,961
Income from non-trade long term investments (gross) (tax deducted at source Rs. Nil; previous year Rs. 14)		
Interest	740	1,536
Dividend	1,320	625
Excess liabilities written off	-	3,321
Provisions no longer required written back *	10,736,000	7,465,950
Miscellaneous	8,679	50,158
Profit on sale of non trade long term Investment	-	14,466
Profit on sale of fixed assets	-	1,916
	<b>10,746,739</b>	<b>7,781,933</b>

\* including provisions for non performing assets written back.

### Schedule-9 : Operating and administration expenses

	Year ended March 31, 2006 Rs.	Year ended March 31, 2005 Rs.
Power and fuel	50,944	107,108
Repairs - others	8,886	58,390
Salaries, wages, etc.	386,420	343,960
Contribution to provident and other funds	26,800	22,380
Staff welfare	11,734	18,747
Rates and taxes	11,500	24,500
Auditors' remuneration (including service tax)	-	-
- as auditors	28,060	56,600
- tax audit	5,510	27,550
- verification of statements and other reports	49,590	110,750
Rent	24,000	24,000
Advertisement and publicity expenses	79,076	131,051
Travelling and conveyance	56,460	132,103
Professional and legal expenses	137,303	142,993
Printing and stationery	28,281	33,626
Loss on sale of long term investment	-	42,190
Telephone expenses	34,581	98,077
Postage expenses	194,564	181,537
Security expenses	27,533	81,376
Listing fee	110,000	90,000
Miscellaneous	173,807	237,131
	<b>1,445,049</b>	<b>1,964,069</b>

### Schedule-10 : Income from capital market operations

	Year ended March 31, 2006 Rs.	Year ended March 31, 2005 Rs.
Sale of shares, debentures and other securities	159,195	304,160
Add: Closing stock (see schedule 6A)	5,825	141,320
	<b>165,020</b>	<b>445,480</b>
Less: Opening stock (see schedule 6A)	141,320	4,581
	<b>23,700</b>	<b>440,899</b>

# Siel Financial Services Limited

## Schedule-11 : Notes to the accounts

### 1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards and relevant presentational requirements of the Companies Act, 1956 and are based on the historical cost convention. The significant accounting policies followed are stated below:

#### A. FIXED ASSETS

Fixed assets are stated at cost of acquisition/construction less accumulated depreciation. The cost includes all pre-operative expenses and the financing cost of borrowed funds relating to the construction period.

#### B. DEPRECIATION

##### i) Leased fixed assets

a) Leased assets are "depreciated" by a method derived from the guidance note on 'Accounting for Leases', issued by the Institute of Chartered Accountants of India under which 100% of the cost of the asset is depreciated over the primary lease period. As per this method, the interest rate implicit in the lease is calculated for each of the leases to arrive at the amount of principal recovery during the primary lease period. The depreciation in excess of the minimum depreciation prescribed in Schedule XIV to the Companies Act, 1956 on the straight line method is shown as lease equalisation charge.

b) Leased fixed assets wherein the lease rentals are classified as non-performing assets, depreciation is being charged on the straight line method at the rates prescribed in Schedule XIV to the Companies Act, 1956 with effect from the date on which the lease rentals have been classified as non performing assets and not over the primary lease period as indicated in B(i)(a) above.

##### ii) Other fixed assets

a) The Company follows written down value method of depreciation on its fixed assets.

b) The rates of depreciation charged on these fixed assets are those specified in Schedule XIV to the Companies Act, 1956.

c) In respect of additions made during the year, depreciation is computed from the beginning of the month of acquisition and in respect of assets sold/discarded during the year, no depreciation is charged upto the date of sale/discard.

#### C. INVESTMENTS

Long term investments are stated at cost less provision for permanent diminution in the value of investments.

#### D. INVENTORIES

Stock in trade- shares, debentures and other securities are valued at lower of cost and market price/break-up value determined for each category of stock-in-trade. The cost is ascertained on the basis of annual weighted average purchase price.

#### E. REVENUE RECOGNITION

##### i) Lease income

Lease rentals income is accrued as per the terms and conditions of the agreements entered into with the lessees.

ii) In respect of other heads of income, the Company follows the practice of accounting for such income on accrual basis.

iii) Income from non-performing assets is recognised in accordance with the Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998, issued by the Reserve Bank of India on January 31, 1998 and as amended from time to time.

Further, provision for non-performing assets viz. investments, fixed assets, current assets and loans and advances is made in accordance with the said guidelines and are reduced against such assets.

#### F. RETIREMENT BENEFITS

The Company's contribution to the provident and superannuation fund is charged to revenue every year.

#### G. PROVISION FOR INCOME TAX

Income tax is ascertained in accordance with the provisions of the Income - tax Act, 1961.

#### H. MERGER ACCOUNTING

The accounting entries relating to amalgamation referred to in note 2 below have been done on a "pooling of interest" basis.

2. Pursuant to the Scheme of Amalgamation of erstwhile Siel Financial Services Limited (erstwhile SFSL), a Non banking financial company with the Company i.e. Shriram Agro-Tech Industries Limited (since renamed as Siel Financial Services Limited) under section 391 and 394 of the Companies Act, 1956 as approved by the High Court of Madhya Pradesh and Delhi vide its Order dated November 11, 1997 respectively which became effective on January 8, 1998 on filing of the certified copy of the Order of the High Court of Delhi with the Registrar of Companies, Delhi and Haryana, all the properties, assets movable or immovable, rights and power together with all present and future liabilities, including contingent liabilities, obligations and reserves of the erstwhile SFSL were transferred to and vested in the Company with effect from the effective date i.e. April 1, 1996 being the transfer date.

3. Related Party Disclosures under Accounting Standard AS-18

Name of the related party and the nature of related party relationships.

Holding Company : Siel Ltd.

Fellow subsidiary : SFSL Investments Limited

(Rs.)

Nature of transactions	Holding Company	Fellow Subsidiary (SFSL Investment Ltd.)
Repayment of loan	35,00,000	-
Balance outstanding as at the year end –		
Unsecured loans	3,65,87,613	1,57,00,000

4. As the Company's business activity falls within a single primary business segment "Financing Operations viz., inter corporate deposits and investments", the disclosure requirements of Accounting Standard (AS 17) "Segment Reporting" issued by Institute of Chartered Accountants of India are not applicable.

Earning Per Share	This year (Rs.)	Previous year (Rs.)
Profit/(loss) after taxation as per profit and loss account.	29,09,171	(1,63,479)
Less: Preference dividend and dividend tax thereon.	41,61,912	(41,27,009)
Profit/(loss) attributable to equity shareholders	(12,52,741)	(42,90,488)
Weighted average number of equity Shares outstanding	1,13,43,752	1,13,43,752
Basic and diluted earnings per share in Rupees (face value – Rs. 10 per share)	(0.11)	(0.38)

6. As the Company has substantial unabsorbed depreciation and carry forward losses under the Income Tax Act, 1961 and is unlikely to have taxable income in the foreseeable future, in accordance with Accounting Standard (AS) 22 issued by the Institute of Chartered Accountants of India, the net deferred tax assets has not been recognised in these accounts.

7. The Company has severely curtailed its operations due to paucity of funds and adverse market conditions. The management is negotiating with certain parties for realising some of the assets and is hopeful of generating funds for this business. In view of the above, the accounts of the Company have been prepared on a going concern basis.

# Siel Financial Services Limited

## SCHEDULES 1-11 (Contd.)

8. The Company is negotiating with SFSL Investments Limited for waiver of interest amounting to Rs. 116.05 lacs (including Rs. 97.21 lacs upto March 31, 2005) on inter corporate deposit. Accordingly, no provision for the same has been made in these accounts.
9. With regard to clause 3(ii) of Part II of Schedule VI to the Companies Act, 1956, the Company is of the view that in respect of its activities relating to sale and purchase of securities held as stock in trade, the Company does not fall under the category of clause 3(ii)(a) "manufacturing company" or clause 3(ii)(b) "trading company" or clause 3(ii)(c) "company rendering or supplying services" but falls under the category of "other companies" as given in clause 3(ii)(e). As such quantitative data for opening and closing stock, purchases and sales have not been given.
10. Contingent liabilities

	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.
Unpaid preference dividend	2,99,70,000	2,63,20,000
Disputed Income tax demands	4,28,90,000	4,28,90,000
Disputed Interest tax demand	5,41,461	5,41,461

11. The details of disputed dues relating to income-tax and excise duty that have not been deposited by the company, pending with various authorities are indicated below:-

Nature of the Statute	Nature of the dues	Amount (Rs.)	Financial year to which the amount relates	Forum where dispute is pending
Income Tax Laws	Income Tax	3,61,47,142	1994 and 1996	Income Tax Appellate Tribunal
	Income Tax	2,55,458	1997	Commissioner of Income Tax (Appeals)
	Interest	5,41,461	1996	Commissioner of Income Tax (Appeals)

The following matters which have been excluded from the table above, have been decided in favour of the Company but the concerned authorities have preferred appeals at higher levels:

Nature of the Statute	Nature of the dues	Amount (Rs.)	Financial year to which the amount relates	Forum where department has preferred appeal
1. Income Tax Laws	Income Tax	64,87,400	1998	Income Tax Appellate Tribunal
2. Central Excise Laws	Excise duty	4,66,755	1992	Customs, Excise and Service Tax Appellate Tribunal

12. Previous year's figures have been re-grouped, wherever necessary.

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2006

	Year ended March 31, 2006 Rs.	Year ended March 31, 2005 Rs.
<b>A. Cash flow from operating activities</b>		
Net profit / (loss) before tax	2,917,584	(163,479)
Adjustment for:-		
Depreciation	6,407,806	6,422,242
Provision no longer required written back	(10,736,000)	(7,465,950)
(Profit) on sale of non trade long term investments	-	(14,466)
Loss on sale of non trade long term investments	-	42,190
(Profit) on sale of fixed assets	-	(1,916)
Excess liabilities written back	-	(3,321)
Interest/Dividend income on non trade long term investments	(2,060)	(2,161)
<b>Operating profit before working capital changes</b>	<b>(1,412,670)</b>	<b>(1,186,861)</b>
Adjustment for:-		
Decrease in trade and other receivables	4,434,598	91,293
Decrease/(Increase) in stock in trade	135,495	(136,739)
Increase/ (Decrease) in trade/ other payables	(69,425)	134,609
<b>Cash generated from operations</b>	<b>3,087,998</b>	<b>(1,097,698)</b>
Direct taxes paid	(19,030)	(6,049,758)
<b>Net cash inflow/(outflow) from operations</b>	<b>3,068,968</b>	<b>(7,147,456)</b>
<b>B. Cash flow from investing activities</b>		
(Purchase) of other fixed assets	-	(10,500)
Sale of other fixed assets	-	2,500
Sale of non trade long term investments	-	1,137,848
Dividend received on long term investments	740	626
Interest received on non trade long term investments	1,320	2,277
<b>Net cash inflow from investing activities</b>	<b>2,060</b>	<b>1,132,751</b>
<b>C. Cash flow from financing activities</b>		
Repayment of long term borrowings	(3,500,000)	(75,000)
<b>Net cash outflow from financing activities</b>	<b>(3,500,000)</b>	<b>(75,000)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(428,972)</b>	<b>(6,089,705)</b>
<b>Cash and cash equivalents as at opening</b>	<b>1,689,906</b>	<b>7,779,611</b>
<b>Cash and cash equivalents as at closing</b>	<b>1,260,934</b>	<b>1,689,906</b>

Per our report attached to the balance sheet

For **A.F. FERGUSON & CO.** For and on behalf of the Board of Directors  
Chartered Accountants

**MANJULA BANERJI**  
Partner

Anup Kumar  
Company Secretary

Satyendra Gupta  
Sushil Kr. Jain  
Directors

Place : New Delhi  
Date : May 10, 2006

# Siel Financial Services Limited

Additional Information as Required Under Part iv of Schedule vi to the Companies Act 1956.

## I. REGISTRATION DETAILS

Registration No.  State Code

Balance Sheet Date

## II CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)

Public Issue  Right Issue

Bonus Issue  Private Placement

## III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)

Total Liabilities  Total Assets

### SOURCES OF FUNDS

Paid up Capital  Reserves and Surplus

Secured Loans  Unsecured Loans

### APPLICATION OF FUNDS

Net Fixed Assets  Investments

Net Current Assets  Misc. Expenditure

Accumulated Losses

## IV PERFORMANCE OF THE COMPANY (Amount in Rs. Thousands)

Turnover  Total Expenditure

Profit/(Loss) Before Tax  Profit/(Loss) After Tax

Earning per Share in Rs.  Dividend Rate (%)

## V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (As per monetary terms)

Item Code No. (ITC Code) N.A.

Product Description Corporate Finance

Lease and Hire purchase

Investment Banking

Place : New Delhi

Date : May 10, 2006

## DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 1<sup>st</sup> Annual Report along with the Audited Accounts of the Company for the period ended March 31, 2006.

### ACQUISITION OF UNDERTAKING OF SFFI, UNIT OF Siel LIMITED

The undertaking of Siel Foods & Fertilizer Industries (SFFI), a Unit of the Siel Ltd. engaged in the Edible Oils business on third party manufacturing basis has been acquired by the Company w.e.f. the closing hours on 31.3.2006 for a consideration of Rs.3.08 Crores paid by the Company to Siel Limited by issue of its 30,80,000 fully paid up equity shares of Rs.10/- each at par.

### DIRECTORS

At the ensuing Annual General Meeting of the Company all the Directors viz. Mr. Siddharth Shriram, Mr. Rajendra Khanna and Mr. Sushil Jain shall cease to hold the office.

The Company has received notices from the shareholders signifying their intention to propose Mr. Siddharth Shriram, Mr. Rajendra Khanna and Mr. Sushil Jain as the Directors of the Company.

### AUDITORS

M/s. V. Sahai & Co., Chartered Accountants, Statutory Auditors of the Company hold office until the conclusion of the forthcoming Annual General Meeting of the Company and are recommended for reappointment. The Company has received certificate from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1) of the Companies Act, 1956.

### AUDITORS' REPORT

The observations of Auditors are explained where necessary, in the appropriate notes to the accounts.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO

There are no particulars to be furnished in respect of conservation of energy, technology absorption, foreign exchange earning and outgo during the year under review.

## DIRECTORS' RESPONSIBILITY STATEMENT

As required Under Section 217(2AA) of the Companies Act, 1956, your Directors state:

- (i) that in preparation of the accounts, the applicable accounting standards have been followed;
- (ii) that the accounting policies selected and applied are consistent and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- (iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the accounts have been prepared on a going concern basis.

## PARTICULARS OF EMPLOYEES

No information is required as per Section 217(2A) of the Companies Act, 1956. Since no employees of the Company is in receipt of remuneration in excess of Rs.24,00,000/- p.a. or Rs.2,00,000/- p.m. during the period.

## ACKNOWLEDGMENTS

The Directors thankfully acknowledge and place on record the continued support and co-operation received from various Government Departments and Banks.

Your directors also wish to place on record their appreciation for the all-round co-operation and contribution made by the employees.

**On Behalf of the Board  
for Siel Edible Oils Limited**

Place : New Delhi  
Date : 29.04.2006

**(Siddharth Shriram)  
Chairman**



# Siel Edible Oils Limited

## AUDITORS' REPORT

We have audited the attached balance sheet of Siel Edible Oils Limited as at March 31, 2006 and the profit & loss account for the period from January 3, 2006 to March 31, 2006 annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to in paragraph 3 above we report that:-

- a. We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit.
- b. 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.
- c. The company's balance sheet and profit & loss account dealt with by this report are in agreement with the books of accounts.
- d. In our opinion the profit & loss account and balance sheet of the company comply with accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable.
- e. Based on the representations made by all the Directors of the company and the information and explanations duly certified given to us by the company none of the Directors of the company has prima facie any disqualification as referred to in clause (g) of sub-section (1) to section 274 of the Companies Act, 1956.
- f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the Statement of Accounting Policies and Notes appended thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
  - (i) In the case of the balance sheet of the state of affairs of the company as at March 31, 2006; and
  - (ii) In the case of the profit & loss account of the company of loss for the period January 3 to March 31, 2006.

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (3) of our report of even date)

- (i) The company hold only a trademark as a fixed asset and there are no other assets for which proper records showing full particulars, including quantitative details and situation of fixed assets are required to be maintained.
- (ii) The company holds "inventories" which were transferred to it on 31.3.2006 pursuant to the agreement with its holding company to

acquire and carrying on the edible oil business of its SFFI unit. As certified by the management they have physically verified these inventories after the transfer.

- (iii) (a) The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act & therefore paras 3(a), (b), (c) and (d) are not applicable and have therefore not been commented upon.
- (b) According to the information and explanations given to us, the company has taken an interest free unsecured loans from the holding company and the balance payable at the close of the year was Rs. 34,482 which is required to be listed in the register maintained under section 301 of the Companies Act, 1956.
- (c) The rate of interest and other terms and conditions of loans taken by the company, are prima facie not prejudicial to the interests of the company.
- (d) In the absence of a written loan agreement we understand from the management that the payment of principal and interest was not overdue as on March 31, 2006
- (iv) There are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of stocks and fixed assets.
- (v) According to the information and explanations given to us there were no transactions of sale and purchase of goods and materials and services made in pursuance of contracts or arrangements falling under section 301 of the Companies Act, 1956 and aggregating to Rs. 5,00,000/- or more during the year in respect of each party.
- (vi) The company has not accepted any deposits from the public.
- (vii) (a) As per certificate obtained from the management there are no undisputed statutory dues payable as on March 31, 2006 including income tax and other statutory dues with the appropriate authorities.
- (b) As per certificate obtained from the management and as per information and explanations given to us there is no dispute with income tax and other authorities for non-payment of any dues.
- (viii) As explained to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- (ix) The company has issued 30,80,000 shares at the rate of Rs. 10/- each to its holding company as per the terms of agreement to acquire the edible oils business of its unit Siel Foods & Fertilizers Industries.
- (x) The company has not issued any debentures.
- (xi) The company has not raised any money from public issues during the year.
- (xii) According to the information and explanations given to us, there were no frauds committed by or against the company noticed during the year or reported by the management.
- (xiii) Sub-paragraphs (i) (b) (c), (vii), (viii), (x) to (xiv), (xvi) and (xvii) of clause 4 are inapplicable and have therefore not been commented upon.

**For V. Sahai & Co.**  
Chartered Accountants

Place : New Delhi  
Dated : 29.04.2006

**SANJAY VOHRA**  
Partner  
Membership No. 95930

# Siel Edible Oils Limited

## BALANCE SHEET AS AT MARCH 31, 2006

	Schedule	As at March 31, 2006 (Rs.)
<b>SOURCES OF FUNDS</b>		
<b>Shareholders' Funds</b>		
Share Capital	1	31,300,000
<b>Loan Funds</b>		
Secured	2	-
Unsecured		6,567,755
<b>Total :</b>		<b>37,867,755</b>
<b>APPLICATION OF FUNDS</b>		
<b>Fixed Assets</b>		
Gross block	3	5,619,096
		<b>5,619,096</b>
<b>Current assets, loans and advances</b>		
Inventories	4	33,966,261
Sundry debtors		22,265,542
Cash and bank balances		68,889
Loans and advances		496,056
		<b>56,796,749</b>
<b>Less : Current liabilities and provisions</b>		
Current liabilities	5	24,988,683
Provisions		11,224
		<b>24,999,907</b>
Net current assets		31,796,842
<b>Profit and loss account</b>		56,588
<b>Miscellaneous expenditure</b>	6	395,229
(to the extent not written off of adjusted)		
<b>Total :</b>		<b>37,867,755</b>

## NOTES TO ACCOUNTS 7

Schedule 1 to 7 annexed to and forming part of this balance sheet

Per our report attached to the balance sheet

**FOR V. SAHAI & CO.**  
Chartered Accountants

**SANJAY VOHRA**  
Partner

**SIDDHARTH SHRIRAM  
RAJENDRA KHANNA  
SUSHIL KUMAR JAIN**  
Directors

Place : New Delhi  
Date : April 29, 2006

## PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2006

	Schedule	Period ended March 31, 2006 (Rs.)
<b>INCOME</b>		
		-
<b>EXPENDITURE</b>		
Miscellaneous expenses		1,450
Audit Fee - As Auditor		11,224
- For verification of statements		-
Preliminary Expenses written off	6	43,914
		<b>56,588</b>
Profit/(Loss) for the year before tax		<b>(56,588)</b>
Income tax		-
Profit/(Loss) for the year after tax		<b>(56,588)</b>
<b>Adjustment relating to an earlier year</b>		
Income tax excess provided in earlier year written-back		-
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<b>(56,588)</b>
Profit/(Loss) Brought forward for previous period		-
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<b>(56,588)</b>
NOTES TO ACCOUNT	7	

Per our report attached to the balance sheet

**FOR V. SAHAI & CO.**  
Chartered Accountants

**SANJAY VOHRA**  
Partner

**SIDDHARTH SHRIRAM  
RAJENDRA KHANNA  
SUSHIL KUMAR JAIN**  
Directors

Place : New Delhi  
Date : April 29, 2006

# Siel Edible Oils Limited

## Schedule 1-7

### Schedule 1: SHARE CAPITAL

	As at March 31, 2006 (Rs.)
<b>AUTHORISED</b>	
50,00,000 Equity shares of Rs. 10/- each	50,000,000
	<u>50,000,000</u>
<b>ISSUED, SUBSCRIBED AND PAID UP</b>	
31,30,000 Equity Shares of Rs. 10 each fully paid-up*	31,300,000
	<u>31,300,000</u>

\* 31,30,000 equity shares of Rs.10 each are held by Siel Limited,the Holding Company

\* Of the issue and subscribed paid up capital 30,80,000 equity shares of Rs. 10 each have been allotted as fully paid up pursuant to the scheme (refer note 3 of Schedule 7)

50,000 equity shares of Rs. 10 each for cash at par have been issued to Siel Limited

### Schedule 2: LOANS

	As at March 31, 2006 (Rs.)
<b>UNSECURED</b>	
Deposits - others	6,140,253
Interest accrued and due thereon	393,020
Loan from Holding Company	34,482
	<u>6,567,755</u>

### Schedule 4: CURRENT ASSETS, LOANS AND ADVANCES

	As at March 31, 2006 (Rs.)
<b>CURRENT ASSETS</b>	
<b>Inventories</b>	
Finished goods	<u>33,966,261</u>
<b>Sundry debtors</b>	
<b>Secured</b>	
Over six month - good	6,960
Other debts - good	712,124
<b>Unsecured</b>	
Over six month - good	71,760
- doubtful	27,893,420
Other debts - good	<u>21,474,698</u>
	50,158,962
Less: Provision for doubtful debts	<u>27,893,420</u>
	<u>22,265,542</u>
<b>Cash and bank balances</b>	
With scheduled banks on	
Current account	68,889
Deposit account	-
	<u>68,889</u>
<b>Loans and advances</b>	
Advances recoverable in cash or in kind or for value to be received	1,412,940
Advance Tax	63,914
	<u>1,476,854</u>
Less: Provision for doubtful advances	<u>980,798</u>
	<u>496,056</u>
	<u>56,796,749</u>

### Schedule 3 : Fixed Assets

(Rs.)

Description	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As at 31.03.2005	Additions	Deductions	As at 31.03.2006	As at 31.03.2005	For the period	On deduction	As at 31.03.2006	As at 31.03.2005
Fixed assets									
Trade Marks Cornola	-	5619096	-	5619096	-	-	-	5619096	-
Current Year	-	5619096	-	5619096	-	-	-	5619096	-
Previous Year	-	-	-	-	-	-	-	-	-

# Includes Rs. 1,39,06,620/- and accumulated depreciation Rs. 82,87,524/- vested in acquisition.

### Schedule 5: CURRENT LIABILITIES AND PROVISIONS

	As at March 31, 2006 (Rs.)
<b>CURRENT LIABILITIES</b>	
Sundry Creditors	24,988,683
Provision for expenses payable	11,224
	<u>24,999,907</u>

### Schedule 6: MISCELLANEOUS EXPENDITURE

	As at March 31, 2006 (Rs.)
<b>Miscellaneous expenditure</b>	
Preliminary expenditure	439,143
Less: Written off	43,914
	<u>395,229</u>

# Siel Edible Oils Limited

## Schedule 1-7 (Contd.)

## CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2006

### Schedule 7: ACCOUNTING POLICIES & NOTES TO ACCOUNTS

#### SIGNIFICANT ACCOUNTING POLICIES

1. The financial statements have been prepared in accordance with applicable Accounting Standards and relevant presentational requirements of the Companies Act, 1956 and are based on the historical cost convention. The significant accounting policies followed are stated below:
  - (a) **Fixed Assets**  
Fixed assets are stated at cost of acquisition less accumulated depreciation.
  - (b) Preliminary expenses are written off over a period of ten years
  - (c) **Inventories**  
Stores and spares are valued at cost or under.  
Raw materials, components, work-in-progress and finished goods are valued at lower of cost and net realisable value.  
Cost of inventory is generally ascertained on the 'weighted average' basis.  
Finished goods purchased for resale are valued at cost or net realisable value, whichever is lower.
  - (d) **Revenue recognition**  
Sale of goods is recognised at the point of dispatch of finished goods to customers. Sales are inclusive of excise duty and exclusive of sales tax.
  - (e) **Income-tax**  
Income-tax is ascertained in accordance with the provisions of the Income-tax Act, 1961.

#### Notes to the Accounts

2. Siel Edible Oils Ltd. is a wholly owned subsidiary of Siel Limited incorporated for the purpose of acquiring and carrying on the edible oils business of the holding company with the view to focus attention, leverage the strength and unlock the potential value of the edible oils business.
3. As per agreement dated 24<sup>th</sup> day of February 2006 the company acquired "M/s Siel Foods & Fertiliser Industries (SFFI)" a unit engaged in the business of edible oils, from Siel Limited (holding company). The unit was acquired along with all assets including brands and loans, inventories, debtors including security deposits from the dealers at the close of business hours as on March 31, 2006 for a total consideration of Rs. 308 lacs settled by way of issue of 30,80,000 equity shares of Rs. 10 each at par.
4. The company has been incorporated on 3<sup>rd</sup> January 2006. Expenses incurred on its incorporation and expenses for increase in its authorised capital has been treated as preliminary expenses to be written off over a period of ten years (including current year).
5. As the company has been incorporated during the period, there are no figures for the previous year.

Particulars	Period ended March 31, 2006 Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>	
Net profit / (loss) before tax and extraordinary items	(56,588)
Adjustment for :-	
Depreciation	-
Preliminary expence written off	43,914
Interest/Dividend income on non trade long term investments	-
<b>OPERATING CASH FLOW BEFORE WORKING CAPITAL CHANGES</b>	<b>(12,674)</b>
Adjustment for :-	
Increase in trade and other receivables	-
Increase in Loan and Advacnes	(25,000)
Increase in stock in trade	-
Increase in trade / other payables	11,224
<b>Cash generated from operations</b>	<b>(26,450)</b>
Direct taxes paid	-
Preliminary expence paid	(439,143)
<b>NET CASH FLOW FROM OPERATIONS</b>	<b>(465,593)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>	
(Purchase) of other fixed assets	-
Sale of other fixed assets	-
Purchase of non trade long term investments	-
Sale of non trade long term investments	-
Dividend on long term investments received	-
Interest received on non trade long term investments	-
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>	
Proceeds from issue of share capital	500,000
Proceeds from unsecured loans	34,482
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>534,482</b>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>68,889</b>
<b>OPENING CASH &amp; BANK BALANCE</b>	<b>-</b>
<b>CLOSING CASH &amp; BANK BALANCE</b>	<b>68,889</b>

Per our report attached to the balance sheet  
**FOR V. SAHAI & CO.**  
Chartered Accountants

**SANJAY VOHRA**  
Partner

**SIDDHARTH SHRIRAM**  
**RAJENDRA KHANNA**  
**SUSHIL KUMAR JAIN**  
Directors

Place : New Delhi  
Date : April 29, 2006





## **Siel Limited**

**Regd. Office: 5th Floor, Kirti Mahal, 19, Rajendra Place, New Delhi-110 008.**

**Tel-91-11-25739103; Fax: 91-11-25743659**

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**Website: [www.siellimited.com](http://www.siellimited.com)**

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