

SABERO

The right chemistry at work

MD	✓	BKC	✓
CS	✓	DPY	ND
RG	✓	DTV	✓
TRA	✓	AC	✓
ACM	✓	SHI	✓
YE	✓		✓

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SABERO ORGANICS GUJARAT LIMITED

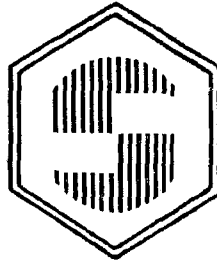
6TH ANNUAL REPORT 1996 - 97



Sitting from Left to Right : R. Swaroop (V.P. Operations), S.H. Chuganee (M.D.), H.J. Chuganee (Chairman), M.H. Chuganee (Director), A.Y. Medhekar (G.M. Commercial), H.V. Naik (D.G.M. Finance).

MISSION STATEMENT

- ❑ *To be a global player in speciality agro and industrial chemicals.*
- ❑ *To produce the highest quality products with continuous improvement and innovation by garnering our innate creativeness, with complete commitment to safety, health and environment.*
- ❑ *To constantly upgrade and optimize the use of financial, material and human resources in our operations and to continuously strive for excellence in all fields of activities.*
- ❑ *To have ethical and fair business practices and to strive to work for the benefit of all our stakeholders including the environment, customers, community, suppliers, shareholders and employees.*
- ❑ *To explore new avenues by informed risk taking and creative solutions.*



SABERO ORGANICS GUJARAT LIMITED

BOARD OF DIRECTORS

Mr. Hero J. Chuganee (Chairman)
 Mr. Larry Jay
 Mr. Bipin R. Shah
 Mr. Mohit H. Chuganee
 Mr. Rohit J. Patel
 Mr. John R. English
 Mr. Suresh N. Talwar (Alternate to Mr. John R. English)
 Mrs. Sabita H. Chuganee
 Mr. L. Mansingh (GLIC Nominee)
 Mr. B. Aravamudham (GLIC Nominee)
 Mr. Sumit H. Chuganee (Managing Director)
 Mr. Raj Tandon
 Dr. U.T. Bhalariao

COMPANY SECRETARY

Mr. Narendra R. Ochani

AUDITORS

M/s. Lodha & Co.
 Chartered Accountants.

SOLICITORS

M/s Crawford Bayley & Co.

BANKERS

Union Bank of India
 Bank of India
 State Bank of India
 Bank of Baroda

REGISTRARS & SHARE TRANSFER AGENTS

M/s. Karvy Consultants Ltd.
 46 Avenue 4, Street 1, Banjara Hills,
 Hyderabad - 500 034.
 Tel. : 040-3312454
 Fax : 040-3311968

REGISTERED OFFICE & FACTORY

Plot No. 2102, GIDC,
 Sarigam - 396 155, Dist. - Bular,
 Gujarat.
 Tel. : 02638-82395, 82852
 Fax : 02638-82853

CORPORATE OFFICE

302, Phoenix House,
 3rd Floor, 462, Senapati Bapat Marg,
 Worli (E), Mumbai 400 013.
 Tel. : 022-4927395, 4935647
 Fax : 022-4953727

Sixth Annual General Meeting on Friday, the 26th day of September, 1997 at 9.30 a.m. at Umergam Club, Madhuban Complex, Umergam-Sanjan Road, Umergam - 396 171, Dist. Bular, Gujarat.

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NOTICE

Notice is hereby given that the sixth Annual General Meeting of the members of Sabero Organics Gujarat Limited will be held on Friday, 26th September, 1997 at 9.30 a.m. at the Umergam Club, Madhuban Complex, Sanjan Road, Umergam - 396 171, Dist. Bulsar, Gujarat to transact the following business:-

ORDINARY BUSINESS :-

1. To receive, consider & adopt the audited Balance Sheet of the Company as at 31st March, 1997 and the Profit & Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. Raj Tandon who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. Rohit Patel who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr. John R. English who retires by rotation and is eligible for re-appointment.
6. To appoint Auditors and to authorise the Board to fix their remuneration.

SPECIAL BUSINESS :-

7. To consider and if thought fit, to pass with or without modification(s) as an Ordinary Resolution the following :-

"RESOLVED THAT in supersession of the resolution passed by the members at the 5th Annual General Meeting of the Company held on 10th September 1996 and pursuant to the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, (the Act) the consent of the Company be and is hereby accorded to the Board of Directors (the Board) of the Company for borrowing from time to time any sum or sums of monies which, together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose provided that the total amount so borrowed by the Board shall not, at any time exceed the sum of Rs.35 crores (Rupees Thirty Five crores) over and above the aggregate of the paid-up capital of the Company and its free reserves."

8. To consider and if thought fit, to pass with or without modification(s) as an Ordinary Resolution the following:-

"RESOLVED THAT the consent of the Company be and is hereby accorded pursuant to the provisions of Section 293(1)(a) of the Act to the Board of the Company for creating such mortgages, charges and other encumbrances on such terms and conditions and at such time or times and in such form or manner as it may think fit on the whole or substantially the whole or any one or more of the Company's undertakings or all its undertakings including the present and/or future properties whether movable or immovable comprised in any and/or existing and/or new undertakings of the Company, as the case may be, together with the power to take over the management of the undertaking(s) of the Company in certain events to or in favour of the Banks, Financial Institutions (Lenders) as security together with interest thereon and further compound interest if any thereon, commitment charges, liquidated charges, costs, charges, expenses and other monies payable in the above connection in terms of the agreement to be entered into between the Company and the Lenders in respect of the loan, such security to rank pari passu with or second or subservient to the mortgages and or charges already created or to be created in future by the Company

or in such manner as may be agreed to between the concerned parties and may be thought expedient by the Board and further that the Board be and is hereby authorised to finalise and execute the documents and any other deeds, papers and writing for creating the aforesaid mortgages and or charges and to do all such acts deeds and things as may be necessary or expedient for implementing this Resolution."

9. To consider and thought fit, to pass, with or without modification, the following Resolution as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 31(1) of the Act, the existing Article 100 of the Articles of Association of the Company be and it is hereby deleted and in its place the following new Article 100 be substituted:

Article 100 Every deed or other instrument, to which the Seal of the Company is required to be affixed, shall unless the same is executed by a duly constituted Attorney be signed by the Managing Director, or by any two Directors, or by any two authorised persons, or by any one Director and Secretary or any other person authorised by the Board or Committee of the Board for the purpose."

NOTES :

- a) The relative explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of the above items is annexed hereto.
- b) A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him/her on a poll only and such proxy need not be a member of the Company.
Proxies in order to be effective, should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
- c) Payment of dividend as recommended by the Directors, if declared at the meeting will be made to those Members whose names stand on the Register of Members of the Company on 26th September 1997.
- d) Members desirous of obtaining any information as regards accounts and operations of the Company are requested to write to the Company at least one week before the meeting, so that the information required will be made available at the meeting.
- e) Members are requested to notify immediately any change in their addresses to the Company's Registered Office.
- f) Members holding more than one Share Certificate in the same name under different ledger folios are requested to apply for consolidation of such folios and send the relevant share certificates to the Company.
- g) The Register of Members of the Company will remain closed from 24th September, 1997 to 26th September, 1997 (both days inclusive).

By the Order of the Board of Directors

MUMBAI
29th July, 1997

NARENDRA R. OCHANI
COMPANY SECRETARY

**SABERO ORGANICS GUJARAT LIMITED****ANNEXURE TO THE NOTICE****EXPLANATORY STATEMENT FOR THE SPECIAL BUSINESS PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.****ITEM NO.7**

By a resolution passed at the 5th Annual General Meeting of the Company held on 10th September 1996, consent of the Company was accorded to the Board of Directors of the Company for borrowing from time to time all such sums of money upto a limit of Rs.30 crores (Rupees Thirty crores) (apart from temporary loans obtained or to be obtained from the Company's Bankers in the ordinary course of business).

With the increase in the volume of business activities of the Company as well as keeping in view the future requirements of funds on account of expansion programmes undertaken/to be undertaken by the Company, the total borrowings of the Company may exceed the aforesaid limit in the coming years. In view of the above, the present borrowing limit of Rs.30 crores (Rupees Thirty Crores) is, therefore, considered inadequate. The consent of the Company in General Meeting under Section 293(1)(d) of the Companies Act, 1956, is, therefore, being sought for increasing the borrowing limit upto Rs.35 Crores (Rupees Thirty Five Crores) over and above the aggregate of the paid-up capital of the Company and its free reserves.

None of the Directors of the Company is, in any way, concerned or interested in this Resolution.

ITEM NO.8

The Company may have to create mortgage or charge on the assets of the Company to secure the loans borrowed by the Company. The authority of the members is sought under the provisions of Section 293(1)(a) of the Act for the Board of Directors to create such mortgage on the assets of the Company.

None of the Directors of the Company is, in any way, concerned or interested in this Resolution.

ITEM NO.9

According to Article 100 of the Articles of Association of the Company, the Board of Directors shall provide a Common Seal for the purpose of the Company and shall have power from time to time to destroy the same and substitute a new seal in lieu thereof, and the Board shall provide for the safe custody

of the seal for the time being under such regulations as the Board may prescribe and the seal shall never be fixed to any instrument except by the authority of the Board of Directors or a Committee of the Board previously given and in the presence of at least one Director of the Company who shall sign every instrument to which seal is affixed and every such instrument shall be countersigned by the Managing Director or the Secretary or such other Officer or person as the Director may from time to time resolve. Provided however that the Certificates of shares or debentures shall be signed in the same manner as the Certificates of the shares are required to be signed in conformity with the provisions of Companies (Issue of Share Certificates) Rules 1960 and their statutory modifications for the time being in force.

Further the authorisation has to be given only by the Board. With the increase in activities of the Company at different locations, certain times, practical difficulty is faced in affixing the Common Seal in the presence of the Directors with the authority of Board. It is proposed to alter the Article of Association of the Company for affixing Common Seal in the presence of Managing Director, or any two Directors, or by any two authorised persons, or by any one Director and Secretary or any other person authorised by the Board or Committee of the Board.

According to Section 31 of the Companies Act, 1956, any alteration in the Articles of Association has to be done by passing a Special Resolution. The Directors recommend the resolution for the approval of shareholders.

The Memorandum and Articles of Association is available for inspection at the Registered Office of the Company during the business hours on any working day upto the date of the meeting.

None of the Directors is interested in the Resolution.

By the Order of the Board of Directors

MUMBAI
29th July, 1997

NARENDRA R. OCHANI
COMPANY SECRETARY



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DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the Sixth Annual Report and Audited Accounts of your company for the year ended 31st March, 1997.

FINANCIAL HIGHLIGHTS

The salient features of the company's results are :

	(Rs. in lacs)	
	Year Ended 31.03.1997	Year Ended 31.03.1996
Sales/Income from Operations	7252.02	4831.04
Gross Profit before interest and Depreciation	1319.41	926.06
Less : Interest & Finance Charges	434.91	417.61
Depreciation	156.65	144.95
Provision for Tax	92.20	—
Profit for the year	635.65	363.50
Less : Prior period adjustments	20.60	1.34
Add : Surplus brought forward from last year	120.66	48.70
Profit available for appropriation	735.71	410.86
Appropriations :		
Debt Redemption Reserve	52.50	52.50
General Reserve	360.00	120.00
Recommended Dividend on Equity Shares	141.36	117.70
Corporate Dividend Tax	14.13	—
Balance carried to Balance Sheet	167.72	120.66

The performance of the company with respect to the profitability projection of ICICI as given in the prospectus dated 12.3.93 is as under :

	(Rs. in lacs)	
Particulars	Actual	Projection
Total Income	7,337.51	3,423.00
Profit after tax	615.05	436.00
EPS (Rs.)	5.22	3.76

DIVIDEND

Your Directors are pleased to recommend a Dividend of 12% (free of tax in the hands of the Shareholders) on the Equity Capital for the year ended 31st March, 1997, compared to 10% (subject to tax) last year and importantly, it will be free of tax and there will be no deduction of tax at source.

REVIEW OF THE OPERATIONS

The total Income for the year 1996-97 was Rs.73.37 crores, (previous year Rs.49.85 crores) up by 47% and profit after tax of Rs.6.15 crores (previous period Rs.3.62 crores) up by 70%. This was the Company's second full year of operation and the profit before tax was up by 95% from Rs. 3.62 crores in the previous year to Rs.7.07 crores. The Company hopes to further consolidate its operations this year while increasing the capacity utilization of its existing production plants to higher levels.

MARKETS

India, being mainly an Agricultural Economy, has an evergrowing demand for pesticides. The Organo-Phosphorous Chemicals manufactured by the Company are directly supplied to large

pesticide companies both in India and abroad, as well as through distributors to smaller consumers. The Company has a good market share in the products manufactured by it.

The Company has further structured and strengthened its marketing department for catering to the expanding markets, especially for its new products that it plans to manufacture as explained below. With the introduction of new products, the company plans to also focus on its exports so as to build it up to atleast 30% of total sales over the next three years.

NEW PRODUCTS, PROJECTS AND EXPANSION

The Company has entered into the formulation business of pesticides in 1997-98, namely Acephate, Methyl Parathion, Fenvelarate, Ethephon and Monocrotophos, all of which have a good demand in the local markets. These products are being sold under the brand names of Acehero, Sabidol, Fenoro, Phosgrow and MOSUM respectively. The company plans to build up its brand equity over the years on these products which will be sold through an extensive distributor and dealer network in Rajasthan, Punjab, Haryana, Gujarat and Madhya Pradesh in the first year (1997-98) and gradually over all of India over a three year period. These products are being formulated and packaged by sub contractors resulting in no capital investment by the company.

The company has also embarked on an expansion of its product base for the manufacture of 1000 tpa of Acephate technical which is also a multi purpose plant, 1200 tpa of Glyphosate Acid and 2000 tpa of DMTC Amide at its existing location at Sarigam, Gujarat with plans to commission the new plants between March 1998 and July 1998 in a phased manner. These products have an enormous domestic and international demand which the company will cater to. With the introduction of these products in 1998-99, the Company hopes to substantially increase its sales and profitability. With the companies entry into both pesticide formulations and pesticide technicals and by virtue of the fact that the company is already manufacturing the critical organophosphorus pesticide intermediate building blocks, it will become a truly fully integrated company in the agrochemical business. This will allow the company to control its costs and quality throughout all the stages of manufacture.

Acephate is a contact and systemic organophosphorus insecticide and is becoming one of the largest selling insecticides in the Indian Market. Glyphosate is a non-selective, systemic, organophosphorus weedicide with a tremendous export potential as it is one of the world's largest selling weedicides.

The Company intends to finance this above-mentioned project of Rs.23.29 Crores through a Rights Issue of Rs.9.73 Crores, Term Loan of Rs.12.00 Crores and Internal Accruals of Rs.1.56 Crores.

RESEARCH & DEVELOPMENT

The R & D Department of the Company has set up a well equipped pilot plant to carry out development activities for the new products. The pilot plant has facilities to carry out the trials for both continuous and batch processes. The technology for the products of the Company under the proposed expansion have been developed at the Pilot Plant. The R & D Department is well equipped with High Performance Liquid Chromatograph, Gas Liquid Chromatograph, Ultra Violet Spectrophotometer etc. to conduct analyses of various products and intermediaries.

HUMAN RESOURCES :

Your Company has been successful in mobilising a highly professional and motivated team of people resulting in world class productivity, systems and quality.

SAFETY, HEALTH AND ENVIRONMENT

Sabero has a comprehensive environment management policy covering treatment and disposal of all wastes. The protection



SABERO ORGANICS GUJARAT LIMITED

of the environment is one of the main criteria used in the selection of products, technology, plant and equipment. The company has invested heavily in its effluent treatment facilities and monitors the quality of effluent generated every shift. Sophisticated scrubbers have been installed in every Plant to prevent air pollution and the output of these scrubbers are also monitored daily. The company follows the highest standards of quality in areas of health, safety and environment. Safety and Pollution Management meetings are held every fortnight to review the activities and plan further course of action.

INSURANCE

All the properties of the Company have been adequately insured.

BANK & FINANCIAL INSTITUTIONS

The Company has been meeting all its financial commitments to the financial institutions and banks. We wish to place on record our appreciation of the continued support from banks and financial institutions and solicit their cooperation in the future also.

DIRECTORS

Mr. Ashok Chawla (GIIC Nominee) resigned as Director on 14.5.97, as he was transferred as Industries Commissioner, Gujarat. The Board of Directors place on record their deep appreciation of the valuable services rendered by Mr. Ashok Chawla during his tenure on the Board.

Mr. L. Mansingh, Managing Director, GIIC (GIIC Nominee) was appointed on 14.5.97 to fill the casual vacancy arising from the resignation of Mr. Ashok Chawla.

Mr. Raj Tandon, Mr. J.R. English and Mr. Rohit Patel retire by rotation and being eligible offer their services for re-appointment.

AUDITORS

The term of M/s Lodha & Company, Chartered Accountants, expires at the conclusion of this Annual General Meeting and they are eligible for re-appointment. The Auditors have given a certificate to the effect that the re-appointment if made will be within the prescribed limits specified u/s 224 (1B) of the Companies Act. 1956.

CONSERVATION OF ENERGY, TECHNOLOGY, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars of Conservation of Energy, Technology, Foreign Exchange Earnings and Outgo required under section 217 (1)(e) of the Companies Act, 1956 read with the Company's (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are given in Annexure - A forming part of the Report.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended, about the names and other particulars of employee(s) are set out in Annexure 'B' forming part of this Report.

INDUSTRIAL RELATIONS

The overall industrial relations in the Company have been cordial. Your directors wish to place on record their appreciation of the contribution made by the employees at all levels, to the continued growth and prosperity of the Company.

ACKNOWLEDGEMENTS

The Board is thankful to the financial institutions namely ICICI, SCICI, General Insurance Corporation of India, United India Insurance Co. Limited, The Oriental Insurance Co. Limited and the bankers namely Bank of India, Union Bank of India, State Bank of India and Bank of Baroda, for their continued support and assistance and to the Central Government and the Government of Gujarat for their support.

On behalf of the Board of Directors

Hero J. Chuganee
Chairman

Place : MUMBAI
Date : 29th July, 1997