

SABERO

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SABERO ORGANICS GUJARAT LIMITED 9TH ANNUAL REPORT 1999-2000



SABERO ORGANICS GUJARAT LIMITED

BOARD OF DIRECTORS

Mr. Hero J. Chuganee

(Chairman)

Mr. Bipin R. Shah

Mr. Mohit H. Chuganee

Mr. Rohit J. Patel

Mr. John R. English

Mr. Suresh N. Talwar

Mrs. Sabita H. Chuganee

Mr. Ranjit Bannerji

Mr. B. Arvamudham

Mr. Sumit H. Chuganee

Mr. Raj Tandon

Mr. N.C. Singhal

Mr. J. S. Sethi

(Alternate to Mr. John R. English)

(Resigned w.e.f. 30.6.2000)

(Resigned w.e.f. 30.6.2000)

(GIIC Nominee)

(Managing Director)

COMPANY SECRETARY

Mr. Narendra R. Ochani

AUDITORS

M/s. Lodha & Co.

Chartered Accountants.

BANKERS

Union Bank of India

Bank of India

REGISTRARS & SHARE TRANSFER AGENTS

M/s. Intime Spectrum Registry Pvt. Ltd.

260-A, Shanti Industrial Estate,

Sarojini Naidu Road,

Mulund (W), Mumbai - 400 080

Tel No. - 5672716, 5647731

Fax - 5672693

REGISTERED OFFICE & FACTORY

Plot No. 2102, GIDC,

Sarigam - 396 155, Dist. - Bulsar,

Gujarat.

Tel. : 0260-82395, 82852

Fax : 0260-82853

CORPORATE OFFICE

A-302, Phoenix House,

3rd Floor, 462, Senapati Bapat Marg,

Worli (E), Mumbai 400 013.

Tel.: 022-4953726, 4935647

Fax : 022-4953727

9th Annual General Meeting
on Monday, the 21st August,
2000 at 10.00 A.M. at
Umergam Club, Madhuban
Complex, Sanjan Road,
Umergam - 396 171, Dist.
Bulsar, Gujarat.

C O N T E N T S

	Page No.
Notice.....	2
Directors' Report.....	3
Auditors' Report.....	6
Balance Sheet.....	8
Profit & Loss A/c.....	9
Schedules.....	10
Cash Flow Statement.....	19

9TH ANNUAL REPORT 1999-2000

**NOTICE**

NOTICE is hereby given that the 9th Annual General Meeting of the Members of the Company will be held on Monday, 21st August, 2000 at 10.00 A.M. at Umernagar Club, Madhuban Complex, Sanjan Road, Umernagar - 396 171, Dist. Bhusar, to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2000 and the Profit & Loss Account for the financial year ended on that date together with the Report of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Bipin R. Shah, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Raj Tandon, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. B. Aravamudham, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

By Order of the Board of Directors
for **SABERO ORGANICS GUJARAT LIMITED**

Place : Mumbai
Date : 30.6.2000

NARENDRA OCHANI
COMPANY SECRETARY

NOTES :

- a) 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.
- b) The Register of Members of the Company will remain closed from 14th August, 2000 to 21st August, 2000 (both days inclusive).
- c) 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.
- d) Members are requested to notify immediately any change in their addresses to the Registrars & Share Transfer Agent, **M/s Intime Spectrum Registry Pvt. Ltd.**
- e) The Company has entered into an agreement with the National Securities Depository Limited (NSDL) and Central Depository Services Ltd. (CDSL) to facilitate investors to hold the securities in the electronic form. The investors may avail the facility of dematerialisation of shares of the Company.
- f) All documents referred to in the Notice are open for inspection at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day prior to the date of the Meeting and also at the Meeting.

By Order of the Board of Directors
for **SABERO ORGANICS GUJARAT LIMITED**

Place : Mumbai
Date : 30.6.2000

NARENDRA OCHANI
COMPANY SECRETARY



SABERO ORGANICS GUJARAT LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the Ninth Annual Report and audited accounts of your company for the year ended 31st March, 2000.

FINANCIAL HIGHLIGHTS :

The salient features of the company's results are :

	(Rs in lacs)	
	Year Ended 31.03.2000	Year Ended 31.03.1999
Sales	7268.84	8164.68
Profit before interest, Depreciation & Taxation	510.78	925.91
Less : Interest & Finance Charges	668.39	566.54
Depreciation	315.03	253.85
Provision for Tax	-	12.00
Profit / (Loss) for the year	(472.64)	93.52
Less : Prior period adjustments	13.37	11.99
Add : Surplus brought forward from last year	27.29	65.26
PROFIT / (LOSS) AVAILABLE FOR APPROPRIATION	(458.72)	146.79
Appropriations :		
Transfer to Debenture Redemption Reserve	-	119.50
Transfer from General Reserve	458.72	-
Balance carried to Balance Sheet	-	27.29

The performance of the company with respect to the profitability projections as per ICICI Appraisal Letter dated 25th March 1997 is as under :

	(Rs. in lacs)	
Particulars	Actual	Projections
Sales (Net of Inter divisional transfer and inclusive of trial sales)	6,278.03	9,430.00
Profit / (Loss) after tax	(486.01)	993.00
EPS (Rs.)	-	4.82

DIVIDEND :

The Directors do not recommend any Dividend in view of Loss during the year 1999-2000.

REVIEW OF THE OPERATIONS :

The overall performance of your Company including operations during the year under review were affected by a series of adverse developments which included drop in price of products, increase in finance cost and less working capital owing to the extension of the working capital cycle. Additionally, the continuing slow-down of the economy and strict competition in the Agrochemical industry as a whole took its toll on your Company. All these stand reflected into your Company's working results as summarised above.

INTERMEDIATES :

Tri Methyl Phosphite (TMP) has been yielding lower margins and lower volumes due to closure of some end consumer units. Di Ethyl Thio Phosphoryl Chloride (DETC) sales and profitability grew marginally. Credit terms are increasing due to increased competition. Despite this, your Company achieved and maintained a sizeable market share.

ACEPHATE & GLYPHOSATE :

The Acephate Plant was stabilised during March, 1999 and has started giving desired yields at rated capacity. However on account of excess capacity and recessionary conditions the prices of Acephate were depressed and the market stagnant. The Glyphosate plant was stabilised in the second quarter of financial year 1999 and is producing at the desired yields and capacity. While the domestic price stayed stable, international prices were under pressure. However the Company was able to increase its sales of Glyphosate both domestically & internationally, as global markets for Glyphosate are growing annually at a healthy pace.

MANCOZEB :

The Company has successfully commissioned the Mancozeb Plant (fungicides) and commenced trial production in February, 2000 which was successfully stabilised to give the desired yields, capacity and quality by March, 2000.

The Company's new product, Mancozeb, is the world's largest selling fungicide and holds great potential on account of less competition and higher margins. The Company is actively promoting this product and has got substantial orders for supply from its overseas customers for which it has already commenced supplies.

FUTURE OUTLOOK & MARKETS:

A number of measures, comprising both tactical action plans for controlling costs and improving productivity as well as strategic shifts in product mix and new products development were initiated in the last two quarters of the year under review with a view to not only arrest the declining trend in profitability but also restore your Company's operational and financial viability. With expectations of a normal and hopefully, steadier monsoon and an improvement in general economic conditions, your Directors feel reasonably confident of a marked up trend in performance and profitability during the current year and view prospects in the years ahead with cautious optimism.

In addition, the Company hopes to further rationalize its operations by using its existing plants during the off season to produce other products such as Insecticides, Fungicides, Intermediates etc., to improve its return on capital employed.

Despite adverse agro-climatic condition in certain parts of the country our formulation business have grown both horizontally and vertically. We have extended our operations in states like Kerala, Tamil Nadu and north eastern states. We have strengthened our field force in focus areas and measures have been undertaken to streamline the operations. Formulation turnover has increased almost four times over the previous year to Rs. 7.50 crores. To achieve a sustainable growth we are developing an improved MIS system, through the implementation of an ERP package.

9TH ANNUAL REPORT 1999-2000**RESEARCH & DEVELOPMENT :**

The R & D Department of the Company has a well equipped pilot plant to carry out development activities for new products. The Company has several products under various stages of development. The Company will choose to commercialise these products in the future based on the market feasibility, investment etc.

The R & D and pilot plant department has been expanded by installing additional sophisticated equipments and instruments to conduct analysis of various products and intermediates.

The Company has carried out further development work on Mancozeb this year and hopes to carry out further work on other pesticides and intermediates in the current year.

DEPOSITORY SYSTEM :

Your Directors have pleasure in informing you that the company has also entered into an Agreement with Central Depository Services Ltd. (CDSL) in January, 2000 apart from its existing agreement with National Securities Depository Limited (NSDL) in August 1998 to facilitate investors to hold the Securities in the electronic form.

FIXED DEPOSITS :

The company has not accepted any deposits from Public under Section 58A of the Companies Act, 1956 during the financial year under review.

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- The Company's strength is its dedicated employees.

SUBSIDIARY COMPANY(S) :

The details of audited statement of accounts and report of Board of Directors of the Sabero Australia Pty. Ltd. are not furnished, since the said Company was incorporated during the year under review and its books of accounts shall close on 30.6.2000, which is its first accounting year.

SAFETY, HEALTH AND ENVIRONMENT :

Your Company continues to maintain a high level of awareness towards Safety, Health and Environment.

Your Company has been taking effective pollution control measures as an ongoing process and has also recently conducted an "environmental audit" by a competent outside agency. The Company is meeting all the environmental requirements of the Gujarat Pollution Control Board.

Meetings of safety committees are held regularly to review safety performance. Safety Audits are carried out annually by an external agency as per statutory requirement. The Company continues to conduct fire fighting and safety training programmes at the Factory on an ongoing basis.

Tree plantation activities at the Factory have been increased in the last year and treated waste water is extensively used at the site for gardening.

INSURANCE :

All the properties of the company have been adequately insured.

BANK & FINANCIAL INSTITUTIONS :

We wish to place on record our appreciation of the support of the financial institutions like ICICI, IDBI and GIC as well as our bankers, Union Bank Of India & Bank Of India. We solicit the co-operation of our bankers and financial institutions in the future as well.

DIRECTORS :

Mr. Ranjit Bannerji and Mrs. Sabita H. Chuganee resigned from the Directorship of the Company with effect from 30th June, 2000. The Board placed on record its appreciation for the services rendered by Mr. Ranjit Bannerji and Mrs. Sabita H. Chuganee during their tenure of Directorship.

Mr. Bipin R. Shah, Mr. Raj Tandon and Mr. B. Aravamudham will be retiring by rotation at the forthcoming Annual General Meeting. They are eligible 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 (1 B) of the Companies Act, 1956. The observations made in the Auditors' Report are a statement of facts and do not require further clarifications.

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 ICICI, IDBI, GIC and its Subsidiaries and the bankers namely Union Bank of India and Bank of India 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

Place : Mumbai
Date : 30th June 2000.

Hero J. Chuganee
Chairman



SABERO ORGANICS GUJARAT LIMITED

ANNEXURE "A" TO THE DIRECTORS' REPORT

FORM - A

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	CURRENT YEAR 1999-2000	PREVIOUS YEAR 1998-99
A. POWER & FUEL CONSUMPTION		
1) Electricity		
a) Purchased Units (kwh)	9621355	11712401
Total Amount (Rs.)	4,66,38,977	4,57,08,079
Average Rate/Unit (Rs.)	4.85	3.90
b) Own Generation		
Through diesel generator		
Unit (Kwh)	932680	157717
Units per litter of Diesel Oil	3.43	3.42
Cost per unit (Rs.)	3.33	2-30
2) Fuel (or Steam Generation		
i. Furnace Oil		
Quantity (KL)	4567.01	5200.03
Total Amount (Rs.)	3,33,12,705	3,08,10,888.40
Average Rate (Rs./KL)	7294.20	5925.14
ii. HSD (KL)	271.82	99.50
Total Amount	25,63,434.96	7,86,065.15
Average Rate (Rs./KL)	9430.52	7900.07
3) Consumption per unit of Production :		
Phosphorus Compounds (per Kg.)	16962.34	
Electricity (Kwh)	0.620	0.855
Furnace Oil (Ltr)	0.269	0.438
Coal	-	-
Others	-	-

FORM - B

DISCLOSURE OF PARTICULARS WITH RESPECT TO

A) RESEARCH & DEVELOPMENT

Our R&D Department has developed processes for Mancozeb, Acephate, Glyphosate, Methyl Parathion, Monocrotophos and their intermediates DETC, DMTC-Amide & Glycine.

Our R&D has taken up New Projects on Insecticides, fungicides and herbicides with a view to implement them in existing Plants so as to utilise capacities fully by manufacturing multiple products.

As far as existing products, quality is as good or even surpassing international standards.

Our R&D and pilot plant facility has been expanded by installing additional sophisticated equipments and instruments.

B) TECHNOLOGY ABSORPTION, ADAPTATION, INNOVATION

The Company has commercialised the technology of all the above products but is not manufacturing Methyl Parathion, DMTC Amide and Glycine as imports from China are cheaper.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

a. The Company's products were exported to South America, U.S.A., Europe, Taiwan, Israel and other countries.

b. Total Foreign Exchange Used and Earned :

	Current Year	Previous Year
Total Foreign Exchange earned :		
F.O.B. Value of Exports	1468.35	1252.42
Total Foreign Exchange Used :		
i) Imports of Raw Materials on C.I.F. basis	750.94	1769.32
ii) Capital Goods	-	-
iii) Foreign Travel	11.11	18.12
iv) Other Matters	4.09	18.81
v) Dividend to Non Resident Shareholders	-	24.40

ANNEXURE "B" THE DIRECTORS' REPORT

STATEMENT OF PARTICULARS OF EMPLOYEE(S) 217(2A)

Statement of Particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 and forming part of the Directors Report for the period ended 31st March, 2000.

NAME & AGE	DESIGNATION, NATURE OF DUTIES & DATE OF COMMENCEMENT OF EMPLOYMENT	GROSS REMUNERATION (Rs.)	QUALIFICATION/ EXPERIENCE	PARTICULARS OF LAST EMPLOYMENT
MR. SUMIT H. CHUGANEE (33 YEARS)	MANAGING DIRECTOR (15.9.1993)	19,83,725/-	B.S. ENGG. (VPI, USA), MBA (DUKE, USA) (8 YEARS)	ROHM & HAAS COMPANY INC., USA.
MR. HERO J. CHUGANEE (65 YEARS)	WHOLE TIME DIRECTOR AND CHAIRMAN (17.10.1998)	18,08,776/-	B.Sc., D. Chem.E. (LONDON) M.I.I.Ch.E. A.M.P. (HARVARD) (38 YEARS)	INDOFIL CHEMICALS COMPANY (DIVISION OF MODIPON LIMITED)

Note : 1) The nature of employment is contractual.