

# SABERO

*The right chemistry at work*

## 14TH ANNUAL REPORT 2004-2005



### SABERO ORGANICS GUJARAT LIMITED





# SABERO ORGANICS GUJARAT LIMITED

## BOARD OF DIRECTORS

Mr. Hero J. Chuganee  
Mr. Mohit H. Chuganee  
Mr. John R. English  
Mr. Raj Tandon  
Mr. A. B. Shah  
Mr. Anand Swaminathan  
Mr. Sumit H. Chuganee  
Mr. J. S. Sethi

Chairman  
Vice Chairman & Managing Director

GLIC Nominee

Director-Corporate Affairs

## AUDITORS

**SMNP & COMPANY**  
Chartered Accountants

## BANKERS

Union Bank of India  
Bank of India

## SOLICITORS

Manilal Kher Ambalal & Co.  
Rajani Associates

## REGISTRARS & SHARE TRANSFER AGENTS

**M/s. Intime Spectrum Registry Ltd.**  
C-13, Kantilal Mangalal Industrial Estate,  
Pannalal Silk Mills Compound,  
LBS Marg, Bhandup (West), Mumbai - 400 078.  
Tel. : 55555454  
Fax : 022-55555353

## REGISTERED OFFICE & FACTORY

Plot No. 2102, GIDC,  
Sarigam - 396 155, Dist - Bulsar,  
Gujarat.  
Tel. : 0260-2780395, 2780852  
Fax : 0260-2780853

## CORPORATE OFFICE

A-302, Phoenix House,  
3rd Floor, 462, Senapati Bapat Marg,  
Worli (E), Mumbai 400 013.  
Tel. : 022-24964898, 24960979  
Fax : 022-24953727

14th Annual General Meeting  
of the Company on Saturday,  
24th September, 2005 at  
11.00 A.M. at Umergam Club,  
Madhuban Complex, Sanjan  
Road, Umergam - 396 171,  
Dist. Bulsar, Gujarat.

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## 14TH ANNUAL REPORT



## NOTICE

NOTICE is hereby given that the 14<sup>th</sup> Annual General Meeting of the Members of Sabero Organics Gujarat Limited will be held on 24<sup>th</sup> September, 2005 at 11.00 A.M. at Umargam Club, Madhuban Complex, Sanjan Road, Umargaon - 396 171, Dist. Bulsar to transact the following business:

## ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2005 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. Anand Swaminathan who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. John R English who retires by rotation and being eligible offers himself for re-appointment.
4. 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.

## SPECIAL BUSINESS:

5. To consider and if thought fit to pass with or without modification/s the following as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions of the Companies Act, 1956, the consent of the Company be and is hereby accorded to amend the Articles of Association of the Company by adopting the new set of regulations in lieu of existing regulations thereof and in exclusion of all the previous articles thereof (draft copy of the proposed new set of regulations available at the Registered Office of the Company for inspection by the members) which shall be deemed to have formed an integral part of the Special Resolution".

RESOLVED FURTHER THAT Mr. Hero J. Chuganee, Chairman and/or Mr. J. S. Sethi, Director- Corporate Affairs, be and are hereby jointly and severally authorized by the Company to undertake such acts, deeds and matters, including but not limited to making requisite filings with the Registrar of Companies and the stock exchanges, that may be required to give effect to the amendment of the Articles of Association of the Company in accordance with this resolution."

By Order of the Board of Directors

Place : Mumbai

J. S. Sethi

Date : 28.7.2005

Director - Corporate Affairs

## 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.
2. 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.
3. 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.
4. The Register of Members of the Company will remain closed from 19<sup>th</sup> September, 2005 to 24<sup>th</sup> September, 2005 (both days inclusive).
5. Members are requested to notify immediately any change in their addresses to the Registrars & Share Transfer Agent, M/s Intime Spectrum Registry Pvt. Ltd.
6. The Company's shares continue to be traded in electronic form and the investors may hold the securities in the electronic form. The investors may avail the facility of dematerialisation of shares of the Company.
7. Mr. Anand Swaminathan who is retiring by rotation and being eligible offers himself for re-appointment.
8. Mr. John R English who is retiring by rotation and offering himself for re-appointment.

9. 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.
10. Explanatory Statement pursuant to Section 173 (2) of the Companies Act 1956 is attached herewith.

By Order of the Board of Directors

Place : Mumbai

J. S. Sethi

Date : 28.7.2005

Director - Corporate Affairs

## ANNEXURE TO THE NOTICE

**Explanatory Statement as required by Section 173 (2) of the Companies Act, 1956 ('the Act')**

The following Explanatory Statement relating to Special Business at item No. 5 of the accompanying Notice sets out all material facts as required under Section 173 (2) of the Act.

The Company and its promoters had entered into an Shareholders Agreement dated 9<sup>th</sup> November, 1993 (the "GIIC Agreement") with Gujarat Industrial Investment Corporation Limited ("GIIC"), a company registered under the Companies Act, 1956 and having its registered office at Udyog Bhavan, 6<sup>th</sup> floor, Block No. 11 & 12, Sector No.11, Gandhinagar - 382 011. As GIIC is not holding anymore shares in the Company, Board of Directors are of the view that all references to the terms and conditions imposed by GIIC pursuant to the GIIC Agreement must be deleted from the Articles of Association of the Company and the Articles be amended accordingly.

Further, the Company and its promoters have entered into a Share Subscription Agreement dated 27<sup>th</sup> June, 2005 and Shareholders Agreement dated 27<sup>th</sup> June, 2005 with Clearwater Capital Partners (Cyprus) Limited, a company registered under the laws of Cyprus with principal office at Arch Makariou III, 22, 3rd Floor, PC 1065, Nicosia, Cyprus (the "Clearwater") in relation to issue and subscription of 35,00,000 equity shares to Clearwater on preferential basis. In terms of the Shareholders Agreement entered into by the Company with Clearwater and the promoters of the Company, the Company is required to amend its articles of association to reflect the provisions of the Shareholders Agreement and hence the articles needs to be amended accordingly.

Further, the existing Articles of Association of the company do not provide the changing requirements of the Listing Agreement entered by the Company with the Stock Exchanges, the requirements of The Companies Act, 1956, Securities and Exchange Board of India Act, 1992, The Depositories Act, 1996, Securities Contracts (Regulations) Act, 1956 and the regulations passed thereunder including the changes coming into effect due to the dilution of company's co-promoters shareholding in the Company. In order to bring the Articles of Association of the Company in line with the changing requirements of these Acts and other applicable changes as necessary, including deletion of references to GIIC Agreement, and inclusion of references and terms and conditions of the Shareholders Agreement with Clearwater, it is proposed to adopt the new set of Regulations and amend the Articles of Association of the Company to reflect the changes, which will entail numerous changes in the Articles Of Association of the Company, hence, it is considered desirable to adopt a comprehensive new set of articles of association of the Company in substitution of and exclusion of the present articles of association of the Company.

As per the Section 31 of the Companies Act, 1956, any amendment to the Articles of Association of the Company requires the approval of members by way of Special Resolution. Hence the above resolution is submitted to the meeting for the members' approval. Board of Directors commends the above resolution.

The draft copy of the proposed Articles of Association incorporating the proposed amendments as initiated by the Chairman of the Company at the Board Meeting held on 28<sup>th</sup> July, 2005 is available for member's inspection at the Registered Office of the Company during the business hours between 11.00 a.m. to 5.00 p.m.

None of the Directors is interested or concerned in the proposed resolution.

By Order of the Board of Directors

Place : Mumbai

J. S. Sethi

Date : 28.7.2005

Director - Corporate Affairs



## SABERO ORGANICS GUJARAT LIMITED

### DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 14th Annual Report and audited accounts of your company for the year ended 31st March, 2005.

#### FINANCIAL HIGHLIGHTS :

The salient features of the company's results are :

	(Rs.in lacs)	
	Year Ended 31.03.2005	Year Ended 31.03.2004
Gross Sales : Domestic	7199.94	8167.23
Export	6801.41	4841.70
Total Sales	14001.35	13008.93
Profit before interest, Depreciation and Taxation	1388.40	1929.62
Less : Interest & Finance Charges	779.92	870.89
Less : Depreciation	467.03	451.48
Exceptional Items	49.95	84.20
Provision for Tax (including deferred Tax)	(119.15)	304.90
Profit (Loss) for the year before prior period adjustments	310.55	386.55
Less : Prior period adjustments	Nil	203.15
Profit / (Loss) for the year	310.55	183.40
Surplus Brought forward from last year	-	-
Transfer to General Reserve	310.55	183.40

Exceptional Items represent waiver of interest for earlier years on account of restructuring of terms of debentures held by Financial Institutions.

#### DIVIDEND :

Although company has made profits during the year, with a view to conserve the resources the directors do not recommend any dividend for the year 2004-2005.

#### AUDITORS' OBSERVATION :

The auditors of the Company have commented vide para 3(iv) and 3(vi) of their report regarding recognition of interplant sales valuing Rs.1,386.28 lacs as revenue which is not in line with the provisions of Accounting Standard 9 – Revenue Recognition. Since the clarification has been made in this regard by the Institute of Chartered Accountants of India on 2<sup>nd</sup> April, 2005 and interplant sales were included in sales and consumption of materials upto 31<sup>st</sup> December, 2004, the Company has also considered interplant sales for the last quarter of the year ended 31<sup>st</sup> March, 2005 in order to make the figures comparable with previous year. The company will discontinue this practice from the year 2005-06. However this has no effect on the profits of the current year.

#### DEPOSITORY SYSTEM :

The company's shares continue to be traded in the DEMAT form and is registered with National Securities Depository Limited (NSDL) and Central Depository Services Ltd.(CDSL)

#### 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 :

We recognise the value of people as our most valuable asset and believe that your Company's employee are central to its sustainable success.

Consequently, our people strategies are fully aligned with business strategies. Business goals are communicated down the line regularly so that our people have a complete understanding of the Company's strategic direction and can identify with it. Importantly employee goals are linked to organisational goals.

Developing, motivating, rewarding and retaining talent at all levels is a business priority and a key responsibility of your Company's Senior Management. Performance accountability is textured into the reward systems and recognition of achievements forms a critical part of our HR processes. Delegation, empowerment, learning from failures that emanate from calculated risks is being institutionalised as well.

Your management has met with considerable success in creating a work place environment that nurtures innovation and encourages people to constantly learn and grow. As a result of this human resources focus, your Company boasts of a highly engaged and committed workforce.

#### 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 and Bank of India.

#### INFORMATION TECHNOLOGY (IT)

Your Company is taking several fresh initiatives in the area of IT which is going to be the focus in the coming year.

#### DIRECTORS :

Mr. Anand Swaminathan and Mr. John R English will be retiring by rotation at the forthcoming Annual General Meeting and being eligible for re-appointment.

#### DIRECTOR'S RESPONSIBILITY STATEMENT :

Pursuant to the requirement under Section 217(2AA) of the Companies Act 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed :

- That in the preparation of the accounts for the financial year ended 31st March 2005, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- That the Directors have selected such accounting policies and applied them consistently and made judgement and estimates that were 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 the year under review;
- That the Directors have taken proper and sufficient care 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;
- That the Directors have prepared the accounts for the financial year ended 31st March 2005 on a 'going concern' basis.

#### CORPORATE GOVERNANCE:

As a listed Company your Company has taken necessary measures to comply with the Listing Agreements with the Stock Exchanges. A report on Corporate Governance, along with a certificate of compliance from the Auditors forms a part of this Annual Report.



## 14TH ANNUAL REPORT

**AUDITORS :**

The term of M/s SMNP & Co, 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. The observations made in the Auditors' Report are a statement of facts and do not require further clarifications.

**SUBSIDIARIES :**

A statement relating to subsidiary Companies, Sabero Australia Pty. Ltd., Sabero Europe BV and Sabero Argentina S.A. pursuant to Section 212 of the Companies Act, 1956 is attached to the Annual Report.

**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 is not applicable as no employee or Directors is drawing remuneration above the limit prescribed under the aforesaid Section.

**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 our Customers, Suppliers, Bankers, Central Government, Government of Gujarat, Mumbai Stock Exchange, National Stock Exchange where the Company had paid the Listing fees.

On behalf of the Board of Directors

Place : Mumbai

Date : 28<sup>th</sup> July 2005.

Hero J. Chuganee  
Chairman

**ANNEXURE "A" TO THE DIRECTORS' REPORT****FORM - A****DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**

	CURRENT YEAR 2004-2005	PREVIOUS YEAR 2003-2004
<b>A. POWER &amp; FUEL CONSUMPTION</b>		
1) Electricity		
a) Purchased Units (kwh)	11953845	10571104
Total Amount (Rs.)	62324000	55817706
Average Rate / Unit (Rs.)	5.21	5.28
b) Own Generation		
Through Diesel generator		
Unit (kwh)	160037	89572
Unit per litter of		
Diesel Oil	3.38	3.20
Cost per unit (Rs.)	6.49	8.44
2) Fuel for Steam Generation		
i. Furnace Oil		
Quantity (KL)	4489	4387
Total Amount (Rs.)	55483370	48339797
Average Rate (Rs./KL)	12360	11019
ii. HSD (KL)	547.87	569.48
Total Amount	15401001	11916689
Average Rate (Rs./KL)	28110	20926

**CONSERVATION OF ENERGY :**

- 1) The whole utility system was audited by M/s. Senergy Consultants Pvt. Ltd. for improvement. Implementation of their recommendations are in progress.
- 2) Booster A Chiller Tubes and KC A & B condensor refurbished.
- 3) Process side Cooling Tower- one cell revamped to increase the capacity
- 4) Booster Chiller taken on chilled water to increase capacity.

**Energy Saving opportunities to be encashed in the year 2004-05**

- 1) Furnace Oil in place of Light Diesel Oil (LDO) for Hot Oil generation.
- 2) Energy recovery in ammonia evaporation and chlorine evaporation
- 3) Power factor improvement
- 4) Optimization of cooling water pumps capacity
- 5) Condensate Flash steam recovery
- 6) Cooling Tower revamping for effective performance

**FORM - B****DISCLOSURE OF PARTICULARS WITH RESPECT TO****A) RESEARCH & DEVELOPMENT :**

The R&D Department is recognised by Department of Science and Industrial Research (DSIR), Government of India and fully equipped with pilot plant and sophisticated instruments like GLCs, HPLC, UV-Visible Spectro Photometer, Potentiometric Titrator etc.

Our R&D Department has successfully developed processes for various environmental friendly formulations of Mancozeb and Acephate and during the year all these formulations are commercialised. Major emphasis is laid on improvisation of existing products, reduction in Raw Material consumption, enhancement in overall profitability and development of new products viz. Triazophos, Trichlopyr Butyl Ester, Acetamaprid, Imidachloprid, Tebuconazole etc.

On the basis of development work at our R&D centre, we have successfully commercialised Chlorpyrifos (T) to the plant scale.

**B) TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION :**

During the year 2004-05, the company has absorbed technology of Chlorpyrifos (T) and commercialised the same. Also we are in the process of introducing new products such as Trichlorpyr, Triazophos, Acetamaprid, Tebuconazole, Imidachloprid, Cypermethrin and Permethrin and the detailed study is in progress.



## SABERO ORGANICS GUJARAT LIMITED

### MANAGEMENT DISCUSSION AND ANALYSIS

#### REVIEW OF THE OPERATIONS

The Company's net sales increased from Rs.12034.33 lacs in 2003-2004 to Rs.13064.10 lacs in 2004-2005 with remarkable strides in exports comprising 57.40% of total net sales excluding interdivisional transfers.

The company has reported PBT of around Rs.191 lacs for 2004-2005 as compared to PBT of Rs.691 lacs for 2003-2004. This was mainly due to substantial rise in price of key raw materials. The overall raw material cost has gone up to 65.90% in 2004-05, compared to 56.98% in 2003-04.

The last year, owing to the unprecedented levels of global oil prices saw a huge increase in the cost of most raw materials especially those which were energy driven such as Yellow Phosphorus, Chlor-Alkalis, Petrochemical solvents and Ethanol and its Alco – Chemical derivatives. As most of these raw materials are consumed in large quantities for the manufacture of our products, the raw material cost increased significantly resulting in low profits.

#### ENTERPRISE SYSTEM

The company successfully implemented an ERP system based on the Tallyserver enterprise system, and achieved integration between the Corporate Office at Mumbai, factory at Sarigam and some of its C & F agents. This system has enabled the company to integrate its sales, purchase, inventory and production with its accounting and financial systems. The company still believes that it needs to further integrate its balance C & F's and also exploit all the features of the system to get the full economic benefits that can be delivered by a well integrated ERP, which it plans to do in this coming year.

#### INTERNAL AUDIT

The company appointed Chandabhoj & Jassoobhoj, Chartered Accountants as Internal Auditors. The scope of the internal audit included systems and process audits besides transactions audit. The findings and recommendations of the audit have been by and large implemented and have been accepted by the statutory auditors of the company. Areas audited included comprehensive MIS of the company and material and utility processes at the plant. However, the company still believes that it can further strengthen this area given its importance in ensuring accountability especially during periods of high growth that the company expects in the coming year.

#### FUTURE OUTLOOK

The Company expects to increase its sales and profitability for the current year 2005-2006. The Company expects growth in sales owing to better demand in all segments as well as increased sales from new products such as Chloropyrophos. The company has been expanding its presence in the global market by increased penetration in various markets including the regulated market of USA.

The Company was successful in raising Rs.15 crores by way of Preferential allotment of Equity Shares. These Equity Shares were allotted in a Board Meeting held on 30<sup>th</sup> June, 2005. These entire funds will be utilized for strengthening Working Capital requirements as well as for international registrations and capital expenditure for environment and safety. This will enable the Company to achieve substantial rise in turnover as envisaged.

In the last year since raw material prices touched their peak, some of these costs were passed on to customers gradually. In this year, the prices are expected to stabilize or reduce marginally which should result in stabilizing of margins although there will still be pressure on contributions.

With the raising of funds, the Company expects to increase its capacity utilization but which will parallelly require greater efforts to improve preventive maintenance and implement predictive maintenance to ensure consistency in plant operations. The Company intends to focus on cost reduction in this year with a view to reduce raw material consumption as well as to reduce energy consumption by both managing the demand side at the plant level as well as improving the performance of utilities on the supply side.

On the sales front, the Company will make greater efforts owing to its higher level of production to satisfy the customers needs as well as develop new market segments by growing the formulation branded business domestically. The domestic branded formulation business is currently quite small compared to the Company's overall business and compared to our competitors businesses, and therefore presents a significant opportunity.

Strategically, the Company has also decided to enter into the branded formulation business internationally and has chosen Brazil as its first international venture based on a local operating sales force since the Brazilian agriculture market is the second largest in the world after the USA and has a size of approximately USD 4 Billion for Agrochemicals which is four times the size of the Indian market. The Company has set up two joint ventures with a local Brazilian Company, which is primarily active in local distribution. The first joint venture Company would be responsible to register products in Brazil, which are manufactured by SABERO, and to import these technicals and bulk formulations for sale to various formulators/ super distributors in Brazil. The second joint venture Company will be a super distributor and will be in the business of distributing various agrochemicals purchased from various importers and local manufacturing Companies, one of which will be the other joint venture Company. This Company will be distributing products in either

bulk or small packs to smaller distributors, either under its own brand or in the supplier's brand.

The Company also intends to commercialize new products in the existing manufacturing facilities by making investments in de-bottlenecking and balancing equipment. These will also be generic products, some of which have recently gone off-patent and which enjoy large markets both in India and globally. We expect that in the next year, the new products will contribute another Rs. 30 – Rs. 45 Crores to the turnover of the Company.

While the Company faces competition from China on various products, the Company's current range of products include those products where it has some competitive advantage in terms of quality or technology. While the Chinese are definitely attempting to narrow these gaps thereby reducing the premium for Indian manufactured products, the Company is strengthening its position by relentlessly pursuing registrations internationally and setting up local operating subsidiaries which will provide a marketing advantage. Parallely, the Company imports various raw materials and intermediates from China, taking advantage of China's low cost manufacturing base to manufacture those stages or products, which result in greater value addition.

The Company has been working on interest reduction through various measures. We have a well structured organization and intensive infrastructure so that the fixed costs will increase only marginally as compared to the increase in sales, envisaged in the coming year.

In order to achieve our objective of both optimizing operations by increasing capacity utilization, reducing raw material and energy costs as well as growing the sales through our existing channels and through our new strategic focus on the branded market both in India and Brazil, it is important for all employees to operate efficiently and smartly. Towards this endeavour, detailed KPI's have been identified for senior managers so that they can work on a more focused basis and be objective driven.

#### SAFETY, HEALTH AND ENVIRONMENT

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

The company is meeting all the requirements of the Gujarat Pollution Control Board and conducts annual environment audits through certified external agencies.

We have further implemented holistically integrated audit system covering Quality, Environment, Health, Safety and Technology (QuEHST) to meet the global requirements of our multinational customers.

The Safety Audits are conducted on monthly basis as per the audit format and rating systems of British Safety Council.

The Company is signatory to an international programme of Chemical Industries called "Responsible Care" and follows the code of conduct as prescribed by "Responsible Care".

The company continues to conduct mock drills, safety training programmes, periodic safety committee meetings and plantation activities at the factory on an on going basis.

#### ISO 9001 & ISO 14001

Your company has been an ISO 9001 company certified by Bureau Veritas Quality International since 12<sup>th</sup> November, 2002. The ISO 9001 certification is given for the quality standards of the Company. This will be due for renewal during the financial year 2005-2006.

At present our certification for environment is for ISO 14001-1996 since 13<sup>th</sup> January, 2003. The certification after audit will be renewed and converted to ISO 14001 – 2000, which is the latest version of the standard.

The company is in the process of integrating systems of ISO 9001, ISO 14001 and OHSAS 18001. The audit will be completed for OHSAS 18001 before 31.3.2006.

#### RESEARCH & DEVELOPMENT

For the Company to have a sustainable growth in the future as well as to continually improve its existing processes, it is necessary to have a strong R & D department, which the Company plans to further strengthen as well as to achieve the GLP certification for its laboratory.

The company has received R&D Centre accreditation by Ministry of Science and Technology of Government of India upto 31.03.2006. As reported, the company has developed new formulation of Mancozeb namely WDG (Dry Flowable), SE & SC, Blue-Green Mancozeb, Red Mancozeb and Mancozeb OS (Oil Suspension).

Our R&D is also working on development of various insecticides, fungicides and herbicides including Acetamiprid, Triazophos, Cypermethrin and Tebuconazole among others. Another important focus of R & D is to consolidate the existing products w.r.t. cost reduction, along with quality improvement, and environment friendliness.

#### RESTRUCTURING OF LONG TERM DEBTS

The Company continued its efforts to restructure its long term debt and successfully negotiated terms with IDBI and United India Insurance (UIIC). The restructuring has reduced the debt servicing burden of the company and also improved its profitability with a lower interest burden.

## 14TH ANNUAL REPORT

**REPORT ON CORPORATE GOVERNANCE**

(Pursuant to Clause 49 of the Listing Agreements entered into with the Stock Exchanges)

**1. Company's Philosophy**

Sabero Organics Gujarat Limited (SOGIL) is committed to the highest standards of corporate governance in all its activities and processes. SOGL looks at corporate governance as the cornerstone for all sustained superior financial performance, for serving all the stakeholders and for instilling pride of association. At the heart of Company's corporate governance policy is the ideology of transparency and openness in the effective working of the management and Board. It is believed that the imperative for good corporate governance lies not merely in drafting a code of corporate governance but in practicing it. Your Company has put in place systems of good corporate governance, as recommended by SEBI under the Corporate Governance Committee headed by Mr. Kumaramangalam Birla and now confirms the compliance of Corporate Governance as contained in clause 49 of the Listing Agreement, the details of which are given below:

**2. Board of Directors:****Composition & Size of the Board**

The Board of Directors of the Company consists of eminent persons with considerable professional experience in business and industry, finance, management, legal and marketing. The composition of the Board of Directors with reference to number of Executive and Non-Executive Directors, meets with the requirements of Clause 49 (I) (A) of the Listing Agreement. The number of Independent Directors exceeds one-half of the total number of Directors.

The Board of Directors consists of eight directors comprising of three Whole time Executive directors & the remaining Directors of Non- Executive category, of which one is a Nominee of Gujarat Industrial Investment Corporation Limited. The Chairman is an Executive Director.

Number of Board Meetings held and attended by Directors

Five Board Meetings were held during the year 2004-2005. The dates on which the said meetings were held are as follows:

29<sup>th</sup> June 2004, 30<sup>th</sup> July 2004, 27<sup>th</sup> October 2004, 28<sup>th</sup> January 2005 and 11<sup>th</sup> March 2005

The Composition of the Board, Category of Directors and their Attendance at the Board Meetings and last Annual General Meeting (AGM) and the number of Companies and Committees where he is Director/ Member (as on the date of the Directors' Report) are as follows:

Directors	Category of Directorship	No. of Board Meetings Attendance	Attended at the last AGM	Directorship in other Companies*	No of Other Board Committees	
					Chairman	Member
Mr. Hero J. Chuganee	Executive	5	Yes	-	1	-
Mr. Sumit H. Chuganee	Non-Executive	5	No	-	-	2
Mr. J. S. Sethi	Executive	4	Yes	-	-	1
Mr. A. B. Shah (Nominee of GIC Ltd.)	Non-Executive	5	No	4	-	-
Mr. Raj Tandon	Non-Executive	5	Yes	-	1	2
Mr. Anand Swaminathan	Non-Executive	5	Yes	-	-	1
Mr. John R. English	Non-Executive	0	No	-	-	1
Mr. Mohit H. Chuganee	Executive	5	Yes	-	-	1

\* Excludes directorship in Private Limited Companies and Overseas Companies.

Note: Only three committee has been considered for this purpose viz. Audit Committee, Investors Grievances Redressal Committee and Remuneration Committee.

All significant information had been placed before the Board. Henceforth, the required information as listed in the Annexure I of Clause 49 will be made available to the Board.

**3. Audit Committee:****Broad Terms of Reference**

The Audit Committee of the Board of Directors of the Company, inter-alia, provides assurance to the Board on the adequacy of the internal control systems and financial disclosures.

The terms of reference of this Committee covers the matters specified for Audit Committee under clause 49 of the Listing Agreements and Section 292A of the Companies Act, 1956

- Reviewing the Company's financial reporting process and the disclosure of its financial information
- Recommending the appointment and removal of statutory auditors, fixation of audit fees and also to approve payment for other services.
- Reviewing the quarterly and annual financial statements with primary focus on accounting policies and practices, compliance with accounting standards and legal requirements concerning financial statements

- Reviewing the adequacy of internal control systems and internal audit function, ensuring compliance of internal control systems and reviewing the Company's financial risk and management policies.

- Reviewing the reports furnished by the internal auditors and statutory auditors and ensure suitable follow-up thereon.

**Composition**

The Company has formed Audit Committee consisting of three Non- Executive Directors under the Chairmanship of Mr. Anand Swaminathan, the other members of the Committee being Mr. Raj Tandon and Mr. Sumit H. Chuganee. The Statutory Auditors and the Internal Auditors attend the meeting on invitation by the Chairman. The Company Secretary acts as the Secretary to the Committee.

Meetings and the attendance during the year

There were four meetings of the Audit Committee during the year. The attendance of each member of the committee is given below:

Name of Director	No. of meetings attended
Mr. Raj Tandon	4
Mr. Sumit H. Chuganee	4
Mr. Anand Swaminathan	4

**4. Remuneration Committee / Remuneration to Directors:**

The Remuneration Committee consists of three directors namely Mr. Anand Swaminathan as Chairman, Mr. Raj Tandon and Mr. John R. English as members, all of whom are independent directors. The Remuneration Committee met once during 2004-05.

**Remuneration Policy:**

The Executive Directors are paid remuneration as per the agreements entered between them and the Company. These agreements are placed for approval before the Board, the Shareholders and such authorities as may be necessary. The remuneration structure of the Executive Directors comprises of salary, house rent allowance, perquisites and contribution to provident fund.

The Non-Executive Directors except one to whom Professional Fees is paid for rendering Technical Advisory Services do not draw any remuneration from the company. Sitting fees are paid to all other Non-Executive Directors.

Remuneration (excluding gratuity) to the Executive Directors:

(Figures in Rs.)

Director	Position	Salary and Allowances	Contribution to Provident Fund	Perquisites	Total
Mr. Hero Chuganee	Chairman	8,04,000	99,840	Nil	9,03,840
Mr. Mohit Chuganee	Vice Chairman & MD	8,04,000	99,240	Nil	9,03,240
Mr. J. S. Sethi	Director- Corporate Affairs	3,02,600	Nil	14,400	3,17,000

Remuneration/sitting fees paid to the Non-Executive Directors:

(Figures in Rs.)

Director	Professional Fees	Sitting Fees
Mr. Sumit Chuganee	18,00,000	-
Mr. Raj Tandon	-	9,000
Mr. Anand Swaminathan	-	9,000
Mr. A. B. Shah	-	5,000

**5. Investors Grievances Redressal Committee**

The Company has formed an Investors Grievances Redressal Committee under Chairmanship of Mr. Raj Tandon. The other members of the Committee are Mr. Anand Swaminathan and Mr. J. S. Sethi.

The committee looks into redressing of shareholders/investors complaints. During the year under review 131 requests and complaints were received from shareholders/investors, which were replied/resolved to the satisfaction of the investors.

Mr. J. S. Sethi, Director - Corporate Affairs is designated as a Compliance Officer.

**6. Share Transfer Committee**

The Board has delegated the powers to a committee to approve transfer/transmission of shares/debentures and attend to all other matters related thereto.

The Committee consist of Mr. Hero Chuganee, Mr. Mohit Chuganee and Mr. Sumit Chuganee.

The Committee generally meets twice a month. Our Registrar & Transfer Agent M/s Intima Spectrum Registry Ltd. have processed 762 requests of transfer during the year. All the requests were processed within the prescribed time except 92 cases where precautionary notices were sent to the registered shareholders for confirmation of sale.

**7. General Body Meetings**

The details of Annual General Meetings (AGM) held in last three years are as under:

Financial Year	Date & Time
2003-2004	28 <sup>th</sup> September 2004 at 11:00 A.M
2002-2003	26 <sup>th</sup> September, 2003 at 11:00 A.M.
2001-2002	30 <sup>th</sup> August, 2002 at 11:00 A.M.

All the AGMs were held at Umergam Club, Madhuban Complex, Sanjan Road, Umergaon - 396 171, Dist. Bulsar, Gujarat.

All the resolutions including the special resolutions set out in the respective Notices were passed by the Shareholders. No postal ballots were used for voting at all these meetings.





# SABERO ORGANICS GUJARAT LIMITED

## 8. Disclosures

There are no materially significant related party transactions made by the Company with its Promoters, Directors or Management, their subsidiaries or relatives etc. that may have potential conflict of interest with the Company at large. The Register of Contracts containing the transactions in which Directors are interested is placed before the Board regularly for its approval.

Transactions with the related parties are disclosed in Note no.11 of Schedule 18 to the Accounts in the Annual Report.

There were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any statutory authority for non-compliance of any matter related to the capital markets during the last year.

## 9. Means of Communication

The un-audited financial results on quarterly basis and the half yearly results are published within 48 hours in two newspapers, one in English and other in Regional Language.

As per clause 51 of the Listing Agreement, all the data related to quarterly financial results, shareholding pattern etc. is provided to the special website [www.sebiidmr.nic.in](http://www.sebiidmr.nic.in) within the timeframe prescribed in this regard. There were no presentations made to the institutional investors or analysts.

Management Discussion and Analysis form part of the Annual Report, which is posted to the shareholders of the Company.

## 10. General Shareholder information

AGM : Date, Time and Venue	24 <sup>th</sup> September, 2005 at 11.00 A.M at Umbergaon Club, Madhuban Complex, sanjan Road, Umbergaon -396171, Dist Bulsar, Gujarat.
Financial Calendar	April to March
Date of Book Closure	19 <sup>th</sup> September, 2005 to 24 <sup>th</sup> September, 2005
Dividend Payment Date	Not Applicable
Listing on Stock Exchange	The Mumbai Stock Exchange. The National Stock Exchange of India Ltd.
Stock Code	At Mumbai Stock Exchange : 524446 At National Stock Exchange : 25146
Demat ISIN number	For NSDL : INE243A01018 For CDSL : INE243A01018

High / Low of market price of the Company's shares traded on the Mumbai Stock Exchange during the Financial year 2004- 2005 is furnished below :

Period	High (Rupees)	Low (Rupees)	Period	High (Rupees)	Low (Rupees)
April, 2004	17.40	14.05	October, 2004	21.30	15.10
May, 2004	15.85	10.05	November, 2004	23.00	15.50
June, 2004	13.50	10.75	December, 2004	40.60	18.00
July, 2004	14.00	11.25	January, 2005	37.45	25.10
August, 2004	16.14	13.50	February, 2005	32.35	25.00
September, 2004	22.50	15.10	March, 2005	31.60	21.85

Performance in comparison to broad-based: Since the shares are quoted Indices such as BSE Sensex, CRISIL Index etc below par and thinly traded. This information is not relevant.

Registrar and Transfer Agents :	M/s InTime Spectrum Registry Ltd C - 13, Pannalal Silk Mills Compound, L.B.S Marg, Bhandup (W). Mumbai - 400 078 Tel.No 022-55555454 Fax : 022-55555353
Share Transfer System	The share transfer work is being entrusted to the Registrar and Share Transfer Agents. M/s InTime Spectrum Registry Limited.

## Distribution of shareholding and shareholding pattern as on 31.03.2005

Distribution of Shareholding and shareholding pattern as on 31.03.2022						
No. of equity shares held			No. of Shareholders	%	Share Amount (Rs.)	%
1	-	5000	15919	84.9830	27732450	13.3690
5001	-	10000	1429	7.6290	12390080	5.9730
10001	-	20000	609	3.2510	9983160	4.8120
20001	-	30000	237	1.2650	6128000	2.9540
30001	-	40000	109	0.5820	4014120	1.9350
40001	-	50000	151	0.8060	7313780	3.5260
50001	-	100000	158	0.8430	12422390	5.9880
100001	-	99999999	120	0.6410	127459170	61.4430
Total			18732	100.00	207443150	100.00

## Shareholding pattern as on 31.03.2005

Category	No. of Shares	%
Promoters Group including Relatives, Associates and Corporate Bodies	9233128	44.51
Mutual Funds, UTI and Banks	127600	0.62
Indian Public	8124386	39.15
NRIs/OCBs/Foreign Company	1370355	6.61
Private Corporate Bodies	1888846	9.11
<b>Total :-</b>	<b>20744315</b>	<b>100.00</b>

## Status of Dematerialisation of shares as on 31<sup>st</sup> March, 2005

Particulars	No. of Shares	% To Total Capital
National Securities Depository Limited	9717957	46.85
Central Depository Services (India) Limited	1126340	5.43
Total Dematerialised	10844297	52.28
Physical Form	9900018	47.72
<b>Grand Total</b>	<b>20744315</b>	<b>100.00</b>

Outstanding GDRs/ADRs/Warrants or any convertible instruments conversion date and likely on equity.

Not issued

## Plant Locations

The Company's plant located at Plot No. 2102, GIDC, Sarigam - 396 155 Dist. - Bulsar, Gujarat

## Address for correspondence

A-302, Phoenix House,  
3<sup>rd</sup> Floor, 462 Senapati Bapat Marg, Worli (E).  
Mumbai - 400 013  
Tel. Nos. 24964898/24981198 Fax : 24953727

## B. NON-MANDATORY REQUIREMENTS :

- Chairman of the Board**  
The company has an Executive Chairman and hence, the requirement pertaining to reimbursement of expenses to a Non-Executive Chairman does not arise.
- Remuneration Committee**  
Please refer to Item No 4 under the heading "Mandatory Requirements"
- Shareholder Rights**  
As the Company's results are published in English, and Gujarati newspapers having wide circulation in the state of Maharashtra and Gujarat, the same are not sent each household of shareholders.
- Postal Ballot**  
The provisions relating to Postal Ballot will be complied with in respect of matters where applicable.

## Auditors' Certificate of Corporate Governance

To,  
The Members,  
Sabero Organics Gujarat Limited

We have examined the compliance conditions of Corporate Governance by Sabero Organics Gujarat Limited for the year ended 31<sup>st</sup> March 2005 as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedure and implementation therefore, 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 statement of the Company. In our opinion and to be the best of our information and explanations given to us and the representation made by the Directors and Management, we certify that the Company has complied the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements. As required by the guidance issued by the Institute of Chartered Accountants of India and as explained to us and as per the records made available to us by the Company we have to state that, all request for transfer were processed within prescribable time expect for the cases which have been mentioned in para 6 of the Report Corporate Governance along with the reasons thereof. We further state such compliance is neither an assurance as to the further viability of the Company nor the efficiency nor effectiveness with which the Management has conducted the affairs of the Company.

Place : Mumbai  
Date : 29<sup>th</sup> June, 2005

For SMNP & Co.  
Chartered Accountants  
Sunil Dayma  
Partner