



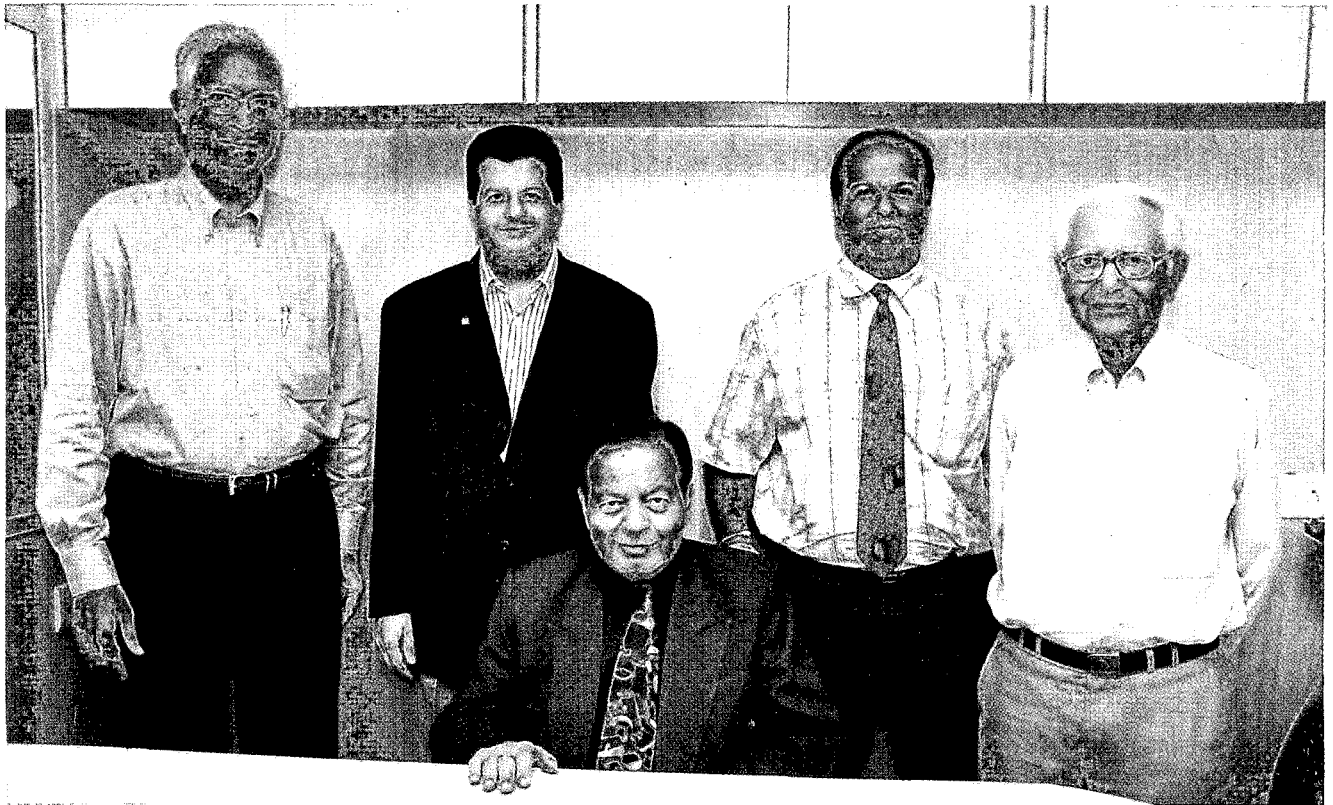
SABERO ORGANICS

GUJARAT LIMITED



18th
ANNUAL REPORT
2008-2009

the right chemistry at work



Sitting : Mr. Hero Chuganee (Chairman)

Standing: from L to R : Dr. Mahendra Kothari, Mr. Sumit Chuganee, Mr. Mohit Chuganee & Mr. Raj Tandon (Board of Directors)



View of Sabero's Manufacturing Facilities at Gujarat.



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Corporate Information

BOARD OF DIRECTORS

Mr. Hero J. Chuganee

Chairman

Mr. Mohit H. Chuganee

Vice Chairman & Managing Director

Mr. Sumit H. Chuganee

Executive Vice Chairman & Whole-Time Director

Mr. S.R.B. Nair

Whole-Time Director & Chief Operating Officer

Mr. John R. English

Director

Mr. Raj Tandon

Director

Mr. Anand Swaminathan

Director

Dr. U.T. Bhalerao

Director

(upto 4th February, 2009)

Dr. Mahendra S. Kothari

Additional Director

(w.e.f. 28th March, 2009)

COMPANY SECRETARY

Mr. Dinesh Darji

AUDITORS

M/s. S M N P & Co.,

Chartered Accountants

BANKERS

Union Bank of India

Bank of India

Oriental Bank of Commerce

IDBI Bank Ltd.

ICICI Bank Ltd.

Dena Bank

Federal Bank Ltd.

Ratnakar Bank Ltd.

SOLICITORS

M/s. Manilal Kher Ambalal & Co.

M/s. Rajani Associates

REGISTRARS & SHARE TRANSFER AGENT

Link Intime India Private Limited

C-13, Pannalal Silk Mills Compound

LBS Marg, Bhandup (West)

Mumbai 400 078

Tel. : 2596 3838

REGISTERED OFFICE & FACTORY

Plot No. 2102, GIDC

Sarigam - 396 155,

Dist - Bulsar,

Gujarat.

CORPORATE OFFICE

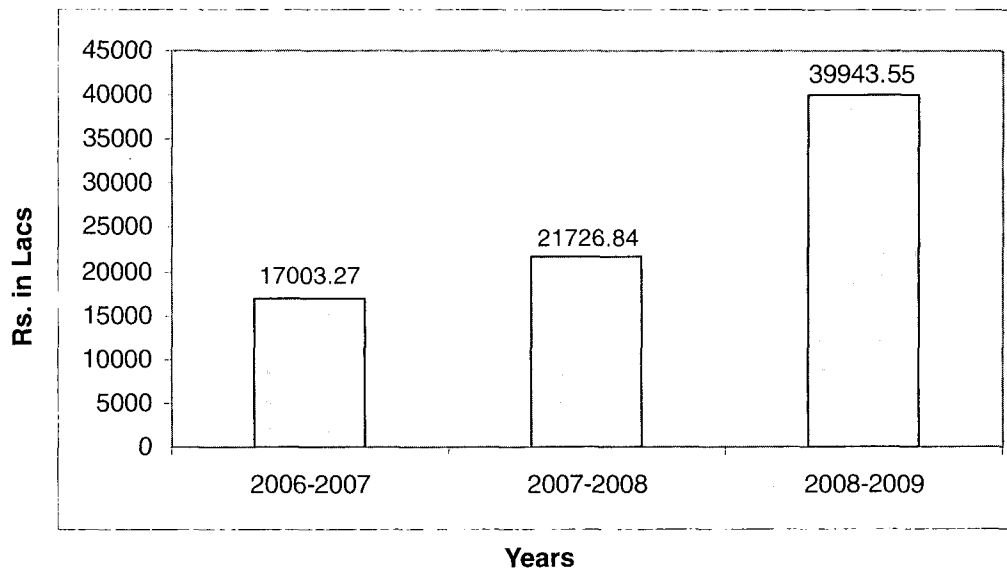
A-302, Phoenix House

3rd Floor, 462, Senapati Bapat Marg

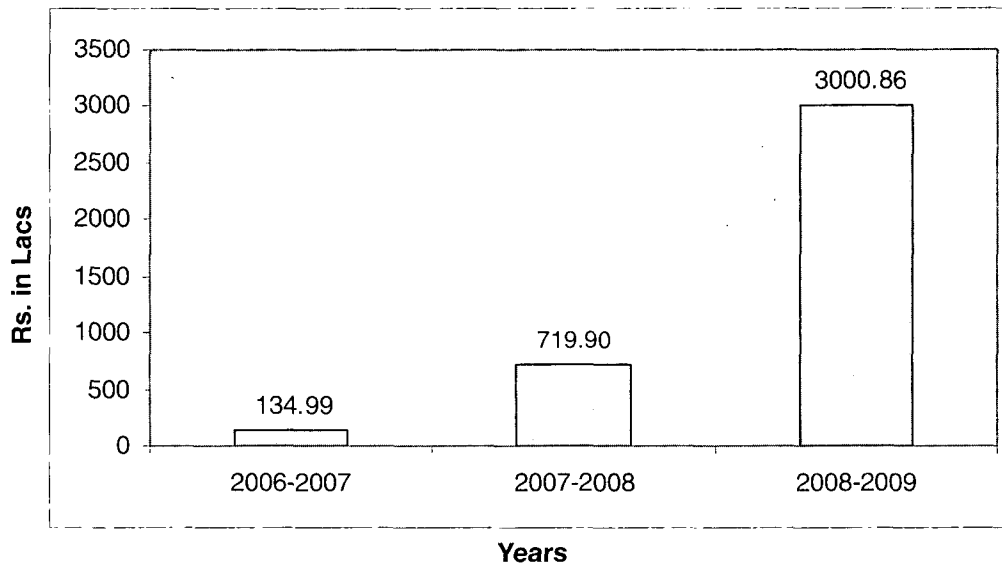
Worli (East), Mumbai 400 013



GROSS SALES

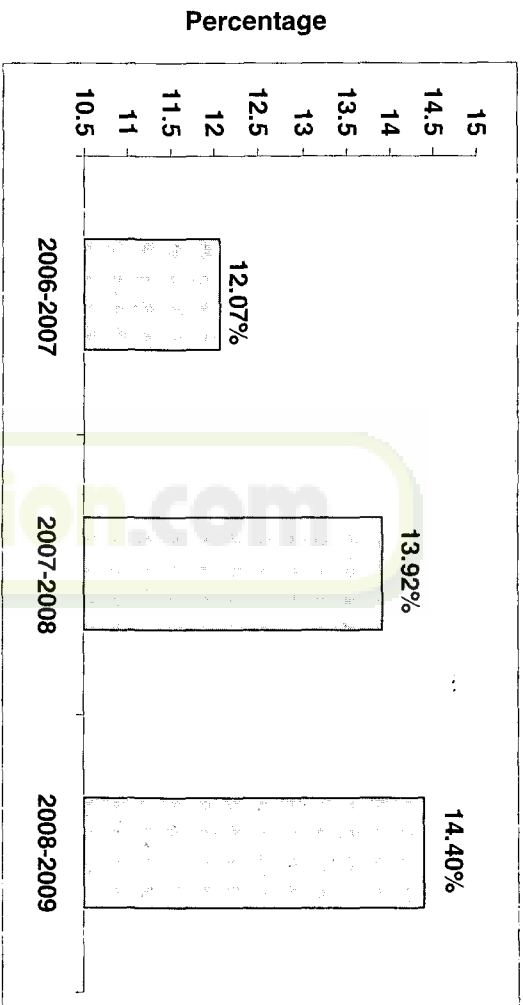


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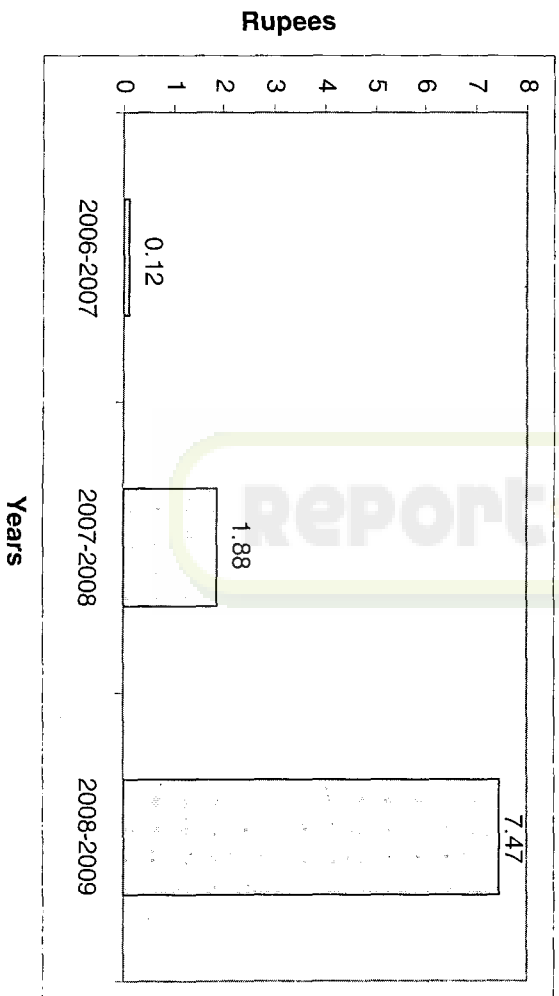




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DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 18th Annual Report and audited accounts of your Company for the year ended 31st March, 2009.

FINANCIAL HIGHLIGHTS:

The Financial Results of the Company for the year ended 31st March, 2009 is as under: **(Rs. in lacs)**

	Year Ended 31.03.2009	Year Ended 31.03.2008
Gross Sales: Export	23,897.47	8,944.32
Domestic	16,046.08	12,782.52
Total Gross Sales	39,943.55	21,726.84
Less: Excise Duty	3,277.47	2,116.77
Net Sales	36,666.08	19,610.07
Profit before interest, Depreciation and Taxation	5,281.70	2,730.20
Less: Interest & Finance Charges	1,714.11	1,482.73
Depreciation	566.73	527.57
Provision for Tax	823.79	190.62
Profit before prior period adjustments	2,177.07	529.28
Less: Prior period adjustments	(1.96)	0.31
Misc. Expenses of earlier years written off	-	42.19
Balance Carried to Balance Sheet	2,179.03	486.78

OPERATIONS:

The Company's net sales increased to Rs. 36,666.08 lacs in 2008-09 from Rs. 19,610.07 lacs in 2007-08. The Company's Exports constitutes 65% of the total net sales. The Company has reported a better margin with Net Profit of Rs. 2,177.07 lacs in 2008-09 as compared to Rs. 529.28 lacs in 2007-08.

DIVIDEND:

The internal accruals of 2008-09 were substantially utilised to part finance expansion project and therefore, the Board do not recommend any dividend for the year 2008-09.

AUDITORS' REPORT:

With respect to the observations/comments in the Annexure to the Auditors Report, your attention is invited to para II.2 & II.3.3 of Schedule 17 forming part of the Accounts & Notes, which is self-explanatory and do not call for any further comments pursuant to Section 217(3) of the Companies Act, 1956.

PUBLIC DEPOSITS:

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

INSURANCE:

All the properties of the Company have been adequately insured.

BANK & FINANCIAL INSTITUTIONS:

The Company inducted Dena Bank, Federal Bank and Ratnakar Bank Ltd. into the consortium in 2008-09.

We wish to place on record our appreciation for the support of all our Bankers viz. Union Bank of India (lead Bank), Bank of India, Oriental Bank of Commerce, IDBI Bank, ICICI Bank Ltd., Dena Bank, Federal Bank and Ratnakar Bank Ltd.

DIRECTORS:

Dr. U.T. Bhalerao, one of the independent directors, passed away on 4th February, 2009. The Board records its appreciation for the contribution made by Dr. U. T. Bhalerao during his tenure as Director with the Company.

Mr. S. R. B. Nair and Dr. Mahendra S. Kothari were appointed as Additional Directors during the year under review pursuant to the provisions of Section 260 of the Companies Act, 1956 and in accordance with the Articles of Association of the Company, will vacate their respective offices on the date of the ensuing Annual General Meeting of the Company.

Mr. Anand Swaminathan and Mr. John R. English will retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

The Company has received Notices pursuant to Section 257 of the Act from shareholders of the Company along with requisite Deposit, proposing the candidature of Mr. S. R. B. Nair and Dr. Mahendra S. Kothari for the offices of the Director of the Company, liable to retire by rotation. Requisite resolutions have been proposed in the Notice of the ensuing Annual General Meeting for appointment of Mr. S. R. B. Nair and Dr. Mahendra S. Kothari as Directors of the Company liable to retire by rotation.

DIRECTORS' 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, 2009, the applicable accounting standards have been followed along with proper explanation relating to material departures;



- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgment 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 of the Company for the year under review;
- (iii) 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;
- (iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2009 on a 'going concern' basis.

CORPORATE GOVERNANCE:

A Report on Corporate Governance along with a certificate from M/s. Rathi & Associates, Company Secretaries in Whole-Time practice, regarding compliance of the requirements of Corporate Governance and Management Discussion & Analysis Report pursuant to Clause 49 of the Listing Agreement with the Stock Exchange are annexed hereto.

AUDITORS:

The term of M/s. S M N P & Co, Chartered Accountants, as Statutory Auditors of the Company expires at the conclusion of this Annual General Meeting and they are eligible for re-appointment. The Auditors have given a certificate certifying their eligibility for re-appointment, as per prescribed limits specified u/s. 224 (1B) of the Companies Act, 1956.

SUBSIDIARIES:

A statement relating to subsidiary Companies (1) Sabero Australia Pty Ltd (2) Sabero Europe B.V. (3) Sabero Argentina S.A. and (4) Sabero Organics America Ltda pursuant to Section 212 of the Companies Act, 1956 is annexed.

The Audited Balance Sheet and Profit and Loss Accounts of the Subsidiary Companies, as on their respective year ended on various dates as per the laws of the countries wherein these companies are incorporated, are annexed.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Information relating to the Conservation of Energy, Technology Absorption, Adaptation & Innovation and

Foreign Exchange Earnings and Outgo 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 are annexed hereto and forms part of this report.

PARTICULARS OF EMPLOYEES:

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is attached and forming part of this Report.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS:

The Company continuously monitors its human resource requirements to ensure that it has adequate human skills commensurate with its requirements. Human Resource is the most valuable asset and that Company's employees are central to its sustainable success. The Company is organizing periodical programs and activities for training as also motivational programs for its employees.

The overall industrial relations in the Company, was cordial during the year under review. 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 acknowledges the co-operation and assistance received from investors, suppliers, vendors, customers, business associates, financial institutions, bankers, central government agencies and state government of Gujarat.

The Board also places on record the co-operation extended by the employees at all level and for their significant contribution in the growth of the Company.

On behalf of the Board of Directors

Sd/-

Place: Mumbai

Date: 29th June, 2009

Hero J. Chuganee

Chairman

ANNEXURE "A" TO THE DIRECTORS' REPORT

Information 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, and forming part of the Directors' Report for the year ended 31st March, 2009.



FORM - A
DISCLOSURE OF PARTICULARS WITH RESPECT
TO CONSERVATION OF ENERGY

	CURRENT YEAR 2008-2009	PREVIOUS YEAR 2007-2008
A. POWER & FUEL CONSUMPTION		
1) Electricity		
a) Purchased Units (kwh)	17031840	15304290
Total Amount (Rs.)	107514994	82816274
Average Rate / Unit (Rs.)	6.31	5.41
b) Own Generation		
Through Diesel generator		
Unit (kwh)	73648	256806
Diesel used in D.G.	23601	88050
Unit per litre of Diesel Oil	3.12	2.92
Cost per unit (Rs.)	12.30	11.95
2) Fuel for Steam Generation		
i. Furnace Oil		
Quantity (KL)	629	203
Total Amount (Rs.)	8982393	4479815
Average Rate (Rs./KL)	14275	22068
ii. HSD (kl)		
Total Amount	Nil	Nil
Average Rate (Rs./kl)	Nil	Nil
iii. Natural Gas, cubic meters	5169434	5234130
Total amount	77796718	59171662
Average rate (Rs/ cu. Mtr)	15.05	11.30

CONSERVATION OF ENERGY:

Points on conservation of energy:

1. Increased condenser area of brine system B to improve on overall efficiency
2. Conversion of Boiler to operate on dual fuel and commissioned the Boilers on Natural Gas.
3. Converting hot air generator for Mancozeb and WDG from liquid fuel to Natural Gas.
4. Replacement of condenser for Brine system A for efficiency improvement
5. Conversion and re-commissioning of KC-9 -C system on chilled water to improve on chilled water
6. Combined two brine pumping system to one system to optimize on pumping energy

DISCLOSURE OF PARTICULAR WITH RESPECT TO:

a) Research & Development (R & D):

R & D is based on strategies related to business strategy. The role of R & D is of prime importance for sustaining the growth of the Company. Due to continuous R & D activities, the Company is now one of the global players in Crop Protection product field with more than 65% of its turnover being exported to major countries of the world. The Company has been able to achieve growth with continuous improvement and innovation by garnering our innate creativeness. Through continuous process of R & D, it has been made possible for the Company to introduce new products and to get desired results in improvement in quality of existing products, productivity, yield and safety.

R & D of the Company is recognized by Department of Science & Industrial Research (DSIR), Government of India and is fully equipped with modern sophisticated instruments like Gas Chrometograph, High Pressure Liquid Chromatograph, UV - Visible Spectrophotometer, Potentiometer Titrator etc.

b) Technology absorption, adoption and innovation:

During the year 2008-09, the Company has absorbed technology for Glyphosate by Aqueous route, Peroxide route and backward integrations of intermediates like DSIDA and PMIDA. Propinel technology was also developed at the bench scale and is under commercialisation.

c) Foreign Exchange Earnings and Outgo:

(Rs. in Lacs)

	Current Year 2008-2009	Previous Year 2007-2008
1. Foreign Exchange earned		
Export of goods on FOB basis	22,091.51	8,014.99
2. Outgo of foreign exchange		
a) Raw materials on CIF basis	14,256.02	5,678.64
b) Expenditure in foreign currencies (others)	144.81	40.66

ANNEXURE "B" TO THE DIRECTORS' REPORT

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and forming part of the Directors' Report for the year ended 31st March, 2009.

Name	Designation/ Nature of duties	Gross Remuneration (Rs. in Lacs)	Qualification	Experience (Years)	Date of commencement of employment	Age	Particulars of last employment
Mr. Mohit H. Chuganee	Vice Chairman & Managing Director	53.26	B.S. in Electrical Engineering, Virginia Tech, USA; MBA in International Management Thunderbird University, USA	21 years	29 th Nov., 1991	43 yrs	Echostar Corporation, USA / Europe
Mr. Hero J. Chuganee	Chairman	47.82	B.Sc., MII CHE, D.Chem E-London, AMP, Harvard Univ., USA	42 years	29 th Nov., 1991	75 yrs	Indofil Chemical Company - Chief Executive
Mr. Sumit H. Chuganee	Executive Vice Chairman	38.50	B.S., in Electrical Engineering Virginia Tech, M.B.A. in Finance Duke University, USA	19 years	15 th Sept., 1993	42 yrs	Rohm & Haas, USA

MANAGEMENT DISCUSSION AND ANALYSIS

Statements in this Report, particularly those which relate to the Company's objectives, projections, estimates and expectations may constitute forward looking statements within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.

BUSINESS ENVIRONMENT & INDUSTRY OVERVIEW

India ranks second worldwide in farm output. Agriculture and allied sectors like forestry, logging and fishing accounted for 18% of the GDP in 2007, employed 70% of the total workforce and despite a steady decline of its share in the GDP, is still the largest economic sector and plays a significant role in the overall socio-economic development of India. Yields per unit area of all crops have grown since 1950, due to the special emphasis placed on agriculture in the five-year plans and steady improvements in irrigation, technology, application of modern agricultural practices and provision of agricultural credit and subsidies since the Green revolution in India. However, international comparisons reveal that the average yield in India is generally 30% to 50% of the highest average yield in the world.

- FAO reckons that to keep pace, the amount of food available in developing countries will have to double by 2050.
- The world's population is currently 6.7 billion and 750 million people are born every year. Population projected to reach 9 Billion by 2050.
- The right way is for farmers to boost their yields. For example, cereal yields in Africa are around one tonne/hectare compared to three to four tonnes in Europe.

(Source: The Economist, July 2nd, 2009, economist.com, "Whatever happened to the Food Crisis; It crept back")

Hence the demand for Agrochemicals will be very strong in the coming years, being one of the key inputs to increasing yields.

The Global and India economy has witnessed a complete change over and the most turbulent Financial Year 2008-09. The Financial Year 2007-08 was vibrant and bright with all round growth and

booming stock market. India's GDP grew at 8.7% in financial year 2007-08 for the fourth consecutive year and further expected to achieve 10% growth in the fiscal 2009-10 but the financial crisis in US turned into a global financial crisis.

Although it was not possible for the Indian economy to fully insulate itself from the impact of the global financial crisis, but inherent strengths such as strong agricultural base, large domestic economy, huge young workforce and deep rooted thriftiness among the general public provided the much needed shock absorbers to face the global turmoil.

The year 2009-10 still appears to be gloomy but with a strong stable government being installed at the Centre and with several timely measures by the Reserve Bank of India have enabled to put an arrest to the sudden financial crisis. To some extent the agriculture segment is insulated from the financial markets and economic scenario. However, it's performance is closely linked to weather and climatic conditions. In the year 2009-10, the Agro Chemical Industry is likely to maintain its performance as per the expectations. Our company exports 65% of its turnover and to that extent is insulated from regional climatic conditions diversifying this risk by selling to countries in all parts of the world in the southern and northern hemispheres. In addition, it is prevalent in all three segments of insecticides, fungicides and herbicides, and so if there is dip in demand in one segment it can be made up in the other segments.

COMPANY'S PERFORMANCE :

The financial year 2008-09 was an exciting year for the Company with progress achieved in its expansion plans. The Company achieved a remarkable growth of more than 83% during the financial year under review. The Company's net sales increased to Rs. 36,666.08 lacs in 2008-09 compared to Rs. 19,610.07 lacs in 2007-08. The Company's Exports contributed 65% approximately of the total net sales. The Company has reported a better margin with Net Profit of Rs. 2,177.07 lacs in 2008-09.

The Company had undertaken the expansion of its Mancozeb Plant, the Chlorpyrifos plant and Glyphosate Plant. Further the de-bottlenecking program