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CORPORATE INFORMATION

BOARD OF DIRECTORS

| | |
|--------------------------------|--|
| Mr. Hero J. Chuganee | <i>Chairman</i> |
| Mr. Mohit H. Chuganee | <i>Vice Chairman & Managing Director</i> |
| Mr. Sumit H. Chuganee | <i>Executive Vice Chairman & Whole-time Director</i> |
| Mr. Rajesh Sharma | <i>Whole-time Director & Chief Operating Officer</i> |
| Mr. Kishore Dudani | <i>Director</i> |
| Mr. John R. English | <i>Director</i> |
| Mr. Raj Tandon | <i>Director</i> |
| Dr. Mahendra S. Kothari | <i>Director</i> |

COMPANY SECRETARY

: **Ms. Pritam P. Vartak**

AUDITORS

: **M/s. SMNP & Co.,**
Chartered Accountants

COMPANY SECRETARIAL CONSULTANTS

: **M/s. Rathi & Associates**
Company Secretaries

BANKERS

: Union Bank of India
Bank of India
Federal Bank
IDBI Bank Ltd.
Dena Bank
State Bank of India
Ratnakar Bank
Oriental Bank of Commerce
Axis Bank Limited
ICICI Bank Limited
Export-Import Bank of India

SOLICITORS

: **M/s. Rajani Associates**

REGISTERED OFFICE & FACTORY

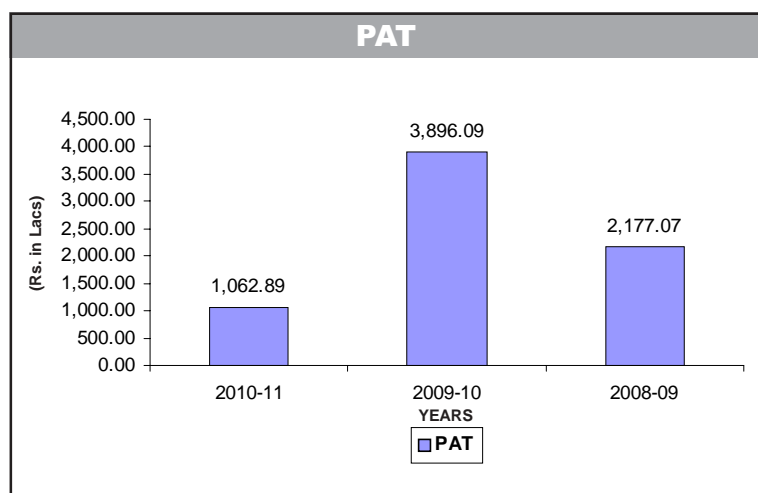
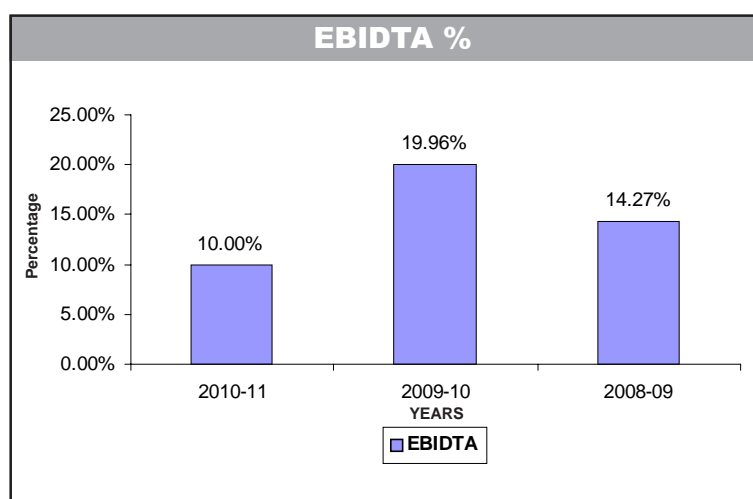
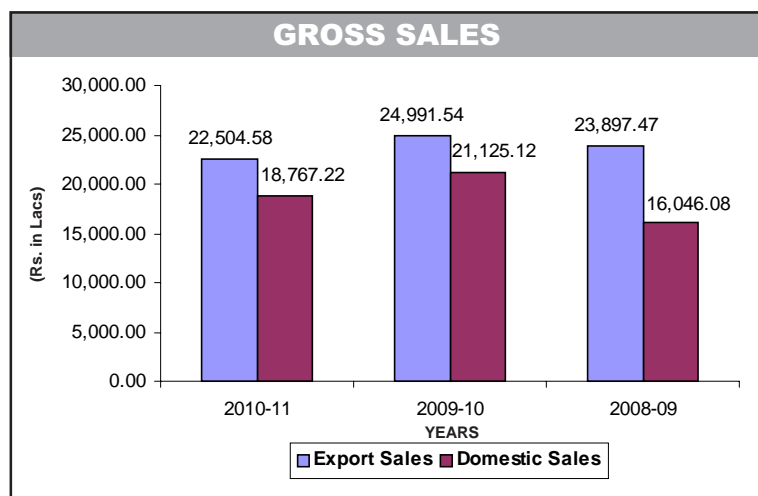
: Plot No. 2102, GIDC,
Sarigam – 396 155, Dist : Bulsar
State: Gujarat
Telefax : 0260 3918500

CORPORATE OFFICE

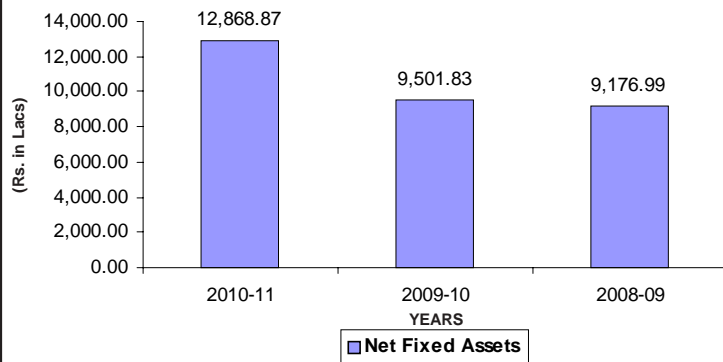
: A-302, Phoenix House,
3rd Floor, 462, Senapati Bapat Marag,
Worli (East), Mumbai – 400 013.
Tel. No. : 022-6113 2400 • Fax : 022-2495 3727

REGISTRAR & SHARE TRANSFER AGENTS

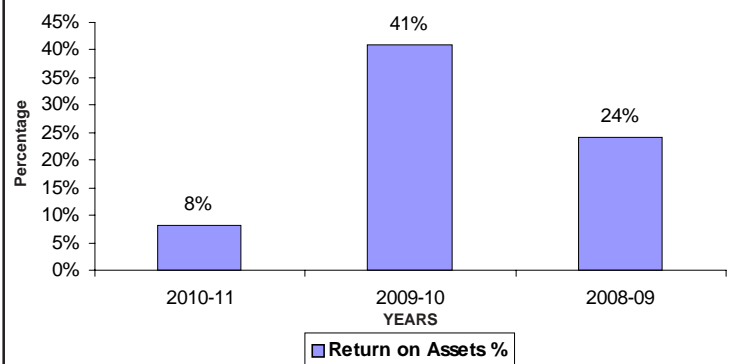
: **Link Intime India Pvt. Ltd.**
C-13, Pannalal Silk Mills Compound,
L. B. S. Marg, Bhandup (W),
Mumbai – 400 078.
Tel. : 022-2596 3838 • Fax : 022-2594 6979

**GRAPHICAL PRESENTATION OF HISTORICAL FINANCIAL RESULTS**

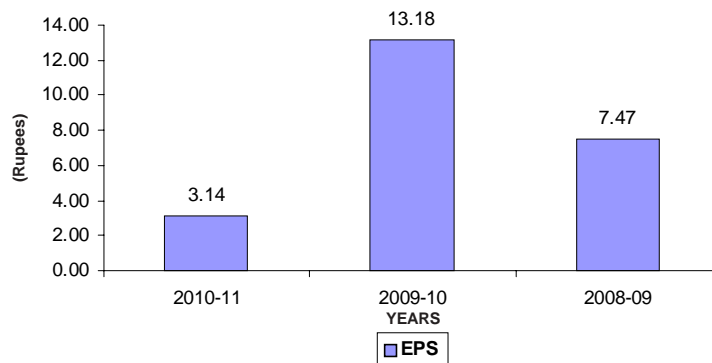
Net Fixed Assets



RETURN ON ASSETS %



EPS



**DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting the 20th Annual Report and Audited Accounts of your Company for the year ended 31st March, 2011.

FINANCIAL HIGHLIGHTS :

The Financial Results of the Company, for the year ended 31st March, 2011 is summarised below :

| | <i>(Rs. in lacs)</i> | |
|---|--------------------------|--------------------------|
| | Year ended 31.03.2011 | Year ended 31.03.2010 |
| GROSS SALES | | |
| Domestics | 21,564.21 | 21,125.12 |
| Exports | 22,504.58 | 24,991.54 |
| TOTAL | 44,068.79 | 46,116.66 |
| Net Sales | 41,271.80 | 43,031.93 |
| Profit before Interest, Depreciation, Tax & Extra ordinary items | 4,711.19 | 8,587.93 |
| Less : Interest and Finance Charges | 1,573.61 | 1,704.95 |
| Depreciation | 804.72 | 749.48 |
| Profit before Tax & Extra ordinary items | 2,332.86 | 6,133.50 |
| Less : Provision for Tax (including Deferred Tax) | 684.41 | 2,237.41 |
| Less : Extra ordinary items | 585.56 | 0.00 |
| Net Profit After Tax before prior period adjustment | 1,062.89 | 3,896.09 |
| Less : Prior period adjustments | 0.00 | 24.78 |
| Net Profit after Tax | 1,062.89 | 3,871.31 |
| Balance brought forward | 6,740.00 | 3,343.99 |
| Profit available for appropriation | 7,802.89 | 7,215.30 |
| APPROPRIATIONS : | | |
| Proposed Dividend | 0.00 | 406.25 |
| Corporate Tax on proposed Dividend | 0.00 | 69.05 |
| Balance carried forward | 7,802.89 | 6,740.00 |

OPERATIONS :

The Company's net sales were amounted to Rs. 41271.80 lacs for the financial year 2010-11 compared to Rs. 43031.93 lacs of the Previous Financial Year. There was a partial decrease in the net sales of the Company in the financial year 2010-11 as compared to that of previous financial year 2009-10. The Company's net domestic sales increased by 3.87% and it constitute more than 45.47% of total sales for financial year 2010-11. The Company has achieved net profit before taxes of Rs. 2332.86 lacs in financial year 2010-2011 as against Rs. 6133.50 lacs in financial year 2009-10. Extraordinary items amounting to Rs. 585.56 lakhs in financial year 2010-2011 were related to balances write off that resulted during the migration of the companies ERP system from Tally to SAP. The Profit after Taxes was amounted to Rs. 1062.89 lacs in

financial year 2010-11 as compared to Rs. 3871.31 lacs in financial year 2009-10. The lower operations and consequently lower profit for the financial year under review was mainly due to two shut downs of plants during financial year 2010-2011, relating to the project execution for expansion of existing plants and Queshst and EMS related issues and activities.

EXPANSION PROGRAM :

The Company is currently in the process of setting up an export-oriented unit for variety of formulations manufacture and also for technical active ingredients at Dahej SEZ in Gujarat with an estimated capacity of 2650 tonnes per annum. The first phase of the formulation section will be commissioned in this year and the technical ingredients to follow soon thereafter.

AUDITORS' REPORT :

With respect to the observations/comments in the Auditors' Report & its Annexure, your attention is invited to para II.5.2.f, II.6 of Schedule 18 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 within the meaning of 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 has inducted Export Import Bank of India as its term lender for its Expansion Scheme at Sarigam.

We wish to place on record our appreciation for the support of all our bankers including Union Bank of India, Bank of India, Federal Bank, Axis Bank, State Bank of India, Ratnakar Bank, Oriental Bank of Commerce, Dena Bank, IDBI Bank, ICICI Bank Ltd. and Export Import Bank of India.

DIRECTORS :

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Dr. Mahendra S. Kothari and Mr. John English, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

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 annual accounts for the financial year ended 31st March, 2011, 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 judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2011 and of the profit of the Company for the year ended on that date;

(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; and

(iv) that the Directors have prepared the Annual Accounts for the financial year ended 31st March, 2011 on a 'going concern' basis.

CORPORATE GOVERNANCE :

A Report on Corporate Governance along with a Certificate obtained from M/s. Rath & Associates, Company Secretaries in Whole-time practice, regarding compliance of the requirements of Corporate Governance for the financial year 2010-11 pursuant to Clause 49 of the Listing Agreement are annexed hereto.

AUDITORS :

The term of M/s. SMNP & Co, Chartered Accountants, as Statutory Auditors of the Company expires at the conclusion of the ensuing Annual General Meeting and they are eligible for re-appointment. The retiring Auditors have furnished a certificate of their eligibility for re-appointment, as per prescribed limits specified under Section 224 (1B) of the Companies Act, 1956 and have indicated their willingness to continue the said office. Members are requested to appoint auditors for the Current Financial Year and to authorise the Board to fix their remuneration.

SUBSIDIARIES :

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

Pursuant to the provision of Section 212(8) of the Companies Act, 1956, the Ministry of Corporate Affairs vide its circular dated February 8, 2011 has granted general exemption from attaching the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies with the Balance Sheet of the Company. A statement containing brief financial details of the Company's subsidiaries for the financial year ended March 31, 2011 is included in the Annual Report. The annual accounts of the Subsidiaries companies will be made available for inspection to the members of the Company, if so desired.

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

Information relating to the Conservation of Energy, Technology Absorption, Adoption & 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 forms part of this Report.

ACKNOWLEDGEMENTS :

Your Directors take this opportunity to express their sincere appreciation for the excellent support and co-operation extended by the investors, suppliers, vendors, customers, bankers, financial institutions and other business associates. Your Directors gratefully acknowledge the ongoing co-operation and support provided by

the Central and State Government of Gujarat and all regulatory bodies.

Your Directors also place on record their deep appreciation for the cooperation extended by the employees at all levels and for their significant contribution in the growth of the Company.

On behalf of the Board of Directors

Place : Mumbai
Date : 27th May, 2011

Sd/-
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, 2011.

FORM - A

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

| | CURRENT YEAR 2010-11 | PREVIOUS YEAR 2009-10 |
|--|----------------------------|-----------------------------|
| A. POWER & FUEL CONSUMPTION | | |
| 1) Electricity | | |
| a) Purchased Units (kwh) | 21,142,000 | 22,072,280 |
| Total Amount (Rs.) | 130,010,642 | 139,732,274 |
| Average Rate / Unit (Rs.) | 6.15 | 6.33 |
| b) Own Generation | | |
| Through Diesel generator | | |
| Unit (kwh) | 266,820 | 180,704 |
| Diesel used in D.G. | 109,921 | 59,970 |
| Unit per litter of Diesel Oil | 2.61 | 3.01 |
| Cost per unit (Rs.) | 16.33 | 26.85 |
| 2) Fuel for Steam Generation | | |
| i. Furnace Oil | | |
| Quantity (KL) | 69.92 | 581.755 |
| Total Amount (Rs.) | 2,487,184 | 9,900,466 |
| Average Rate (Rs./KL) | 35,572 | 17,036 |
| ii. HSD (kl) | | |
| Total Amount (Rs.) | Nil | Nil |
| Average Rate (Rs./kl) | Nil | Nil |
| iii. Natural Gas, cubic meters | 8,552,695 | 9,565,560 |
| Total amount (Rs.) | 149,005,363 | 140,418,726 |
| Average rate (Rs./ cu. Mtr) | 17.42 | 14.68 |

CONSERVATION OF ENERGY :

Points on conservation of energy :

1. Increased Boiler efficiency by installing economizer and air pre heater.



2. Replaced 270 HP motor with 150 HP Motor to improve motor loading and capacity utilization in Booster B chilled brine system.
3. Revamping of one incinerator with conversion from Liquid fuel to Natural Gas.
4. FRP roofing sheets with roof ventilation installed at Stores and Utility area, thereby reducing energy consumption.
5. Chilled Brine System insulation revamped resulting in energy saving.
6. 500 TR Chilled Water Plant installed & commissioned, thereby improving the temperature of Chilled Water.

Disclosure of particular with respect to :

a) Research & Development : (R & D)

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 Chromatography, High Pressure Liquid Chromatography, UV-Visible Spectrophotometer, Potentiometer Titrator, and ultra modern equipments with the state of art of modern technology with excellent highly qualified and skilled man power inclusive of PhD's and Post graduates as the working staff with high values and experience and contributing to the overall growth of the company.

The in-house developed products without patent infringement are being introduced on commercial scale of which a few are already commercialized keeping in mind the EMS systems whereby the effluents generated are recycled for reuse and thereby reducing the effluent loads, the process developed are user friendly.

R&D has its own regulatory affairs department wherein registration activities are done and have been internationally recognized, we are shortly going in for the accreditation of GLP

status for the enlistment of the Company's image to be a global player.

b) Technology absorption, adoption and innovation :

During the financial year 2010-11, R&D has developed products with backward integration NaHTCP the basic raw material of Chloropyrifos and subsequently Chloropyrifos using Aqueous Technology developed in-house whereby excellent yields and purity are obtained. In addition, process for Pretilachlor and a new compression technology of 90% and 97% Acephate prills was developed.

Some of the products already developed are in the process of commercialization like Azoxystrobin, Triclopyr Butotyl Ester, Thiamethoxam, Cartap Hydrochloride and the complete range of synthetic Pyrethroids.

c) Foreign Exchange Earnings and Outgo :

(Rs. in Lacs)

| | CURRENT YEAR 2010-11 | PREVIOUS YEAR 2009-10 |
|-------------------------------------|----------------------------|-----------------------------|
| 1. Foreign Exchange earned | | |
| Export of goods on FOB basis | 21,892.70 | 21,658.15 |
| 2. Outgo of foreign exchange | | |
| — Raw materials on CIF basis | 14,014.63 | 12,586.98 |
| — Traveling | 46.41 | 30.24 |
| — Commission | 147.72 | 735.26 |
| — Product Registration Expenses | 23.61 | 24.88 |
| — Others | 29.71 | 20.20 |
| TOTAL OF (2) | 14,262.08 | 13,397.56 |

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 forms part of the Directors' Report for the year ended 31st March, 2011 as under :

| Name of Directors | Designation | Gross Remuneration (Rs. in lacs) | Qualification | Experience (Years) | Date of Commencement of employment | Age | Particulars of last employment |
|-------------------|---|----------------------------------|--|--------------------|------------------------------------|----------|--|
| Hero J. Chuganee | Chairman | 9.79 | B.Sc., MII CHE, D.Chem Engg.-London, AMP, Harvard University, USA. | 44 Years | 29-11-1991 | 77 Years | Indofil Chemical Company Chief Executive |
| Mohit H. Chuganee | Vice Chairman & Managing Director | 63.08 | B.Sc. in Electrical Engineering, Virginia Tech, USA, M.B.A. in International Management Thunderbird University, USA. | 23 Years | 29-11-1991 | 45 Years | Echostar Corporation, USA / Europe |
| Sumit H. Chuganee | Executive Vice Chairman and Whole-time Director | 62.48 | B.S. in Electrical Engineering Virginia Tech, M.B.A. in Finance, Duke University, USA. | 21 Years | 07-05-1992 | 44 Years | 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

Global Agrochemical Industry :

The major developments in Global Agrochemical Industry which will have impact in coming years are:

1. Development of new pesticide molecules is highly cost and time intensive, because of same globally the R&D base is shrinking with only 25 companies presently being operative in Molecule Discovery.
2. Usage of non-crop, value added agrochemicals is increasing globally @ 4-5% p.a.
3. Various agrochemicals getting off patent in coming 5-yrs, offering manufacturers new opportunities
4. More impetus on GM crops and safety

Indian Agrochemical industry :

Agrochemicals are classified as Insecticides, Herbicides and Fungicides. In India, insecticides contribute the largest share. Globally, herbicides constitute the largest consuming agrochemical segment. As the Company directly depends on the agriculture industry, the company's performance is based on the success and performance of the Agriculture Industry. As regards the Indian Agriculture Industry, it provides significant support for economic growth and social transformation of the country. As one of the world's largest agrarian economies, the agriculture sector (including allied activities) in India accounted for more than 15% of the GDP and contributed approximately more than 10% of total exports.

Agro chemical industry was, is and would always remain the mainstay of global economics - more so in developing countries like India mainly due to:

- Meeting nutrition requirement of the population with declining, available cultivatable land poses the real challenge.
- In India alone, there would be shortage of 25MMT of approximately food grains with the present growth rate of food grains production.
- Declining growth rate of food production poses serious challenge as its growth rate would have to the literally tripled to feed the ever growing population of the country.
- Agrochemicals being part of the agriculture system get affected by every event / action that affects agriculture.

Global economies are forced to open, and the resultant need for Indian farmers to produce and deliver world quality crops at globally competitive costs. The major factors which have a bearing on the Indian Agriculture and Agro Chemicals Industry are:

- Indian agriculture to undergo major reform and maturity and same trend to be applicable to Agrochemical Industry.
- Disproportionate export subsidies to fade soon.
- Consolidation of land and operations, economies of scale, and technology up-gradation.

Consolidation in players, markets, crops will throw up large opportunities in the agrochemical industry.

Hence, Indian Agrochemical industry is at an interesting cross road with potential huge growth opportunities. However, it must gear up for and facilitate an agriculture revolution in the country, and outside focus and market orientation is must.

COMPANY'S PERFORMANCE :

The Company has exposure in all three segments of the crop protection industry *i.e.* Fungicides, Insecticides and Herbicides. In order to have diversified portfolio, the Company has strategically concentrated on one or two key products in each of the segment. The Company has also made its presence in these segments in such a way that the products have different selling seasons which ensures fairly stable and uniform sales throughout the year to overcome historical seasonality of the business.

As regards marketing, the Company had wide a spectrum of customers in over 50 countries. It is a supplier to many multinationals having their own registrations and also market through distribution network under its own brand name in a number of countries including India, Europe, Brazil, Uganda, Argentina, Morocco, etc. The Company also has four subsidiaries in Australia, Europe, Brazil and Argentina. These companies were formed with an object to obtain registrations in the respective countries and these have been used as vehicles for building a distribution network in the relevant regions.

The Company's domestic and export sales is at approximately 45%-55% in the financial year 2010-11. In the year under review there has been some decline in exports, primarily because more priorities were given to the domestic market considering the scope available in the Indian market which will help the Company to develop this market in the long-term. The Company has designed a strategy to introduce required product at the right time to get the maximum benefits of the available market through a dedicated market development team.

The sales in the financial year 2010-11 were subdued and the Company achieved net sales at Rs. 41271.80 lacs, EBITDA was at Rs. 4711.19 lacs, and the PBT was at Rs. 2332.86 lacs and the annualized EPS was at Rs. 3.14 per share.

The operations of the financial year under review disrupted for a total of about two months, due to plant shutdowns, related to the project execution and EMS related issues and activities. As a result of this, the overall sales values were lower by 4% as compared to the immediate preceding financial year. The lower operations were due to the disruption of activities primarily because of projects and QUEHST activities. In the current financial year, the contribution to the sales and net profit as a result of the investments in the current facility in terms of expansion of capacities of Monocrotophos and Chloropyriphos have not really been reflected and the Company is expected to receive its benefits in the current financial year. Of the expansion project in Sarigam, the insecticides expansion, after some delay has been completed and the plant is being stabilized. The Fungicide plant (propineb) is expected to be complete by Q3. The company's new "Pyrethroids" project in Dahej SEZ Ltd. is progressing and is expected to start its formulation section by January, 2012 and other products thereafter.

In the financial year under review in forms of international business, the company has received number of registrations in various Companies. The Company received Mancozeb 80 WP, and Acephate technical registration in Brazil, which is third technical and fifth registration in Brazil. Sales for Mancozeb to Brazil has commenced in May. The Company is further expected to receive registration for formulation of Acephate in Brazil in the current financial year, as also is expecting to receive the registration of Glyphosate next year. In 2010-2011, the company received the registration for Glyphosate 41% SL in Ireland, France and Germany and Glyphosate Technical in Spain. The company also received the registration for Mancozeb Technical and Chloropyriphos technical in China and has commenced sales of Mancozeb to China. Other notable registrations include DDVP in Nigeria, Methamidophos and Monocrotophos in Zimbabwe,



Acephate 75% in Indonesia, Methamidophos in South Africa, Glyphosate 41 in Bangladesh and Morocco, Mancozeb 600 SC and 75 WDG in Ivory Coast, Mancozeb 80 WP in Cameroun, Ghana, Pakistan, Malaysia, Chloropyrifos 48 EC in Uruguay, Mancozeb+Cymoxanil in Colombia in many other registrations in other markets.

As regards prices of raw materials, one of the main raw materials is Ethylenediamine (EDA), has shown an increase in the financial year under review. The price increase has been primarily because of a demand and supply position. However since the expansion scheme of the main suppliers of the said raw materials are under way, it is expected that from June 2011 onwards, the prices for this important raw material will start subsiding as a result of the increased supply. Initial indications are that prices in June for EDA may drop by 10% and this will improve margins. The other main raw material is phosphorus, prices of which is remained more or less stable in financial year 2010-11. In general, the raw material prices remained stable in the financial year under review. The other expenditure is consumption of gas and freight which has gone up considerably in the current financial year.

FUTURE OUTLOOK :

The Company has a diversified product portfolio for Insecticides, Herbicides, Fungicides and Specialty chemicals.

To analyse the performance of the Company it would be necessary to focus on Product wise performance. One of the key products of the Company is Mancozeb and the Company has a leadership position in this product. The key areas to grow in this molecule are really market expansion. In terms of capacities the Company has adequate capacities and presently it is operating at 60% capacity utilization and there is an availability of spare capacity of 40% of the plant. One of the largest markets for Mancozeb is Europe, however the Company is not currently participating in since the said product falls under data protection and the period for data protection is getting over in June 30, 2011. Hence, the Company is gearing up for obtaining registrations for Europe for Mancozeb. Another large market for Mancozeb is Brazil and the Company has got registration in Brazil in third quarter of the 2010-11 and it commenced supplies of Mancozeb to Brazil in the current quarter.

The Company is aspiring to achieve 20% of the global market share of Mancozeb as against present market share of 10% to 11%. The global market for Mancozeb is roughly \$500 million molecule. Hence, this would be one of the cornerstones of growth of the Company in years to come.

Another product which is one of strongest products is Monocrotophos, wherein the Company has currently undergone an expansion. In the said Product, the Company is completely backward integrated starting right from its core raw materials. On completion of proposed Expansion Programme the Company will hope to achieve a 40% market share. The Company is further expected to receive the benefit of exit of one of the major players from the Monocrotophos business in the last year and therefore it was an opportunity for the Company to expand its capacity and take over that market share or at least part of the market share vacated by exit of the said supplier.

The third important product is Chloropyrifos, where again the company has expanded its capacity in the current year and again, the plant is under trial runs and the expansion will result in more than 50% to 60% increase of the capacity. The major expansion scheme has also been taken up to optimise the plant by optimizing the process and therefore making the plant more cost-effective in terms of cost of production. The Company has global registrations of Chloropyrifos in Argentina, in Brazil, all over LATAM, Africa, Australia, Asia as well as India is a substantial market.

In terms of marketing the branded business in India will be a major growth area for the Company. In the Financial Year 2010-11, sales force is expanded by inducting an additional 50 persons in the

marketing field. The Company is planning to further expand the sales force in the current financial year. Along with these additional sales force the dealer network is also being expanded and the dealer network. Hence the Company is expecting higher than normal growth as compared to other business divisions in the branded formulation segment of the Company. Other geographical areas of growth will be Brazil, Europe, Latin America and Africa as key areas of growth.

The Company's new facility at Dahej is also to be commissioned next year would be for different products, namely, synthetic pyrethroids. The overall market size of the said product would be in the range of \$600 million to \$700 million, out of which exports from India itself are significant. Hence, this is again a product wherein a demand/supply gap exist. Hence this will also another avenue for the Company's growth, however, these would contribute in the FY 2012-13.

Hence, the current year has been indifferent primarily because of downtime and delays by three to six months in commissioning various expansion projects. However, with most of these projects at its final stages, it is expected that in next financial years, the company deliver higher sales and after full implementation of expansion scheme at Dahej, adding new products to the product portfolio, the growth strategy of the Company is to double the sales in the next four to five years.

HEALTH, SAFETY & ENVIRONMENT (HSE)

The Company with its commitment to the Safety & Health Policy continues to be compliant with all statutory permissions and approvals. The Company has revamped the existing incinerators and is also installing a state of the art incinerator of high capacity to meet the expansion in production capacity, which was commissioned in the current financial year. The Company with its commitment to safety and environment has regular internal audits in place and has created safety awareness among the employees. The company has invested close to Rs. 11 crores to expand and strengthen its EMS infrastructure and system to take care of its next phase of growth

RESEARCH & DEVELOPMENT :

The Company is further working on new products like Cartap Hydrochloride, Azoxystrobin, Thiamethoxam and various Synthetic Pyrethroids and expected to commence the commercial production of some of the products during the coming financial years, based on market conditions. The Company has several products (insecticides, herbicides and fungicides) which are at different stages of development and will commercialize them in the near future.

RISKS & CONCERNS :

The Company continues to face concerns over very high cost of power, which is a barrier to further explore the possibilities in certain products that are utility intensive processes.

INTERNAL CONTROL & SYSTEMS :

The Company's in-house internal audit cell is working satisfactorily and the Company has continued to receive services of a reputed internal audit firm with increased and comprehensive scope of services for ongoing audit of various processes and transactions. The Company's strong Internal Audit and Control Systems are already in place to achieve Total Productive Maintenance (TPM). The Company has been regularly organizing ongoing programs on TPM, and has been undergoing a continuous TPM implementation program by PriceWaterHouse Consulting, and this has helped the Company to achieve reduction in downtime, rejections and wastages and improvement in delivery schedule. The Company's effective and stronger MIS has made possible to take informed decisions well in time and is using SAP as the accounting and ERP system for the company.

CORPORATE GOVERNANCE REPORT

Corporate Governance is one of the most important aspects for building a sustainable organization. The Company believes that implementation of Corporate Governance Practices, maintaining transparency and dissemination of maximum information to stakeholders is beneficial for the Company and its stakeholders.

The Company believes in and has consistently practiced good Corporate Governance. The Company continuously endeavors to create an environment for efficient conduct of the business and to enable management to meet with its obligations towards its stakeholders, including shareholders, customers, distributors, employees and the community in which the Company operates.

The Company has belief in principles and attributes of Corporate Governance practices for enhancing shareholders' wealth. To adhere to these principles, the following initiatives were taken by the Company from time to time.

- Composition of Board of Directors with an appropriate mix/ balance of Executive and Non- Executive Directors with right element of independence,
- Transparency and accountability.
- Compliance with applicable rules and regulations.
- Proper systems of Internal Control.
- Timely flow of information to the Board and its Committees for enabling them to discharge their duties effectively.

REPORT ON CORPORATE GOVERNANCE

In terms of Clause 49 of the Listing Agreement of Stock Exchanges, the Compliance Report on Corporate Governance is given as under:

1) COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :

Sabero's Philosophy on the Code of Governance as adopted by its Board of Directors ensures:

- that quantity, quality and frequency of financial and managerial information which is shared with the Board, fully places the Board members in control of the Company's affairs.
- that the Board exercises its fiduciary responsibilities towards stakeholders thereby ensuring high accountability.
- that the extent to which the information is disclosed to present and potential investors is maximized.
- that the decision-making is transparent and documented through the minutes of the meetings of the Board/ Committees thereof.
- that maximising long term value of the stakeholders and of

the Company along with protecting interest of the minority shareholders.

- that core values of the Company are protected.
- that the Company positions itself from time to time to be at par with any other Company of the operating practices.

2) BOARD OF DIRECTORS :

(a) Composition and Category of Directors

The Composition of Board of Directors of the Company is in conformity with the requirements of the Corporate Governance Code of the Listing Agreement with the Stock Exchanges. The Board of Directors of the Company consists of optimal combination of Executive, Non-Executive and Independent Directors.

As on 31st March, 2011, the Board has Eight (8) Directors, comprising of Three (3) Executive Directors and Five (5) Non-Executive Directors of which four (4) are independent Directors. Presently, the Chairman of the Board is Non-Executive Director.

The Independent Directors on the Board are experienced, competent and having a wide knowledge in their respective fields. All the members of the Board take active part in the Board and Committee Meetings. None of the Directors on the Board is a member on more than 10 Committees. The Company has obtained requisite disclosures from the Directors in respect of their respective Directorship and Committee Membership in other Companies.

(b) Boards functioning and procedure

The Board plays a pivotal role in ensuring good governance. The Board's role, functions, responsibility and accountability are clearly defined. In addition to its primary role of setting corporate goals and monitoring corporate performance, it directs and guides the activities of the Management towards the attainment of goals and determines accountability with a view to ensure that the Corporate Philosophy and mission viz. to create long term sustainable growth that translates itself into progress, prosperity and the fulfillment of stakeholders' aspirations is accomplished.

Attendance of each Director at the meeting of the Board of Directors held during financial year 2010-11, the last Annual General Meeting and disclosure in respect of number of other companies and committees in which each of the Directors of the Company is a member or Chairman is as follows:

| Name of the Director | Category | Attendance in Board Meeting (No. of Board Meeting held : 5 during the F.Y. 2010-11) | Attendance in last AGM Held (Y=Yes N=No) | Other Companies | | | |
|-----------------------|---|--|--|--------------------|--------------------|---|------------------------|
| | | | | Board Directorship | Board Chairmanship | Committee Membership (including Chairmanship) | Committee Chairmanship |
| Mr. Hero J. Chuganee | Non-Executive Chairman | 5 | Y | Nil | Nil | Nil | Nil |
| Mr. Mohit H. Chuganee | Vice Chairman & Managing Director | 3 | Y | Nil | Nil | Nil | Nil |
| Mr. Sumit H. Chuganee | Executive Vice Chairman & Whole-Time Director | 4 | Y | Nil | Nil | Nil | Nil |
| Mr. S. R. B. Nair*** | Whole-Time Director & Chief Operating Officer | 3 | N. A. | Nil | Nil | Nil | Nil |