

8th ANNUAL REPORT

2001 – 2002

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Senbo 
INDUSTRIES LTD.

SENBO INDUSTRIES LIMITED

Registered Office : 87, Lenin Sarani, Kolkata - 700 013

NOTICE pursuant to the provisions of Section 192A of the Companies Act, 1956 read with Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 is hereby given that the following Special Business be passed by means of postal ballot as an Ordinary Resolution without modification at the Eighth Annual General Meeting of the Company to be held on Tuesday, the 24th day of September 2002 at 11 AM at Factory Premises of the Company at Sonarpur Station Road, Karbala, Kolkata 700 103.

RESOLVED that pursuant to the provisions of proviso to Section 252(1) of the Companies Act, 1956, Sri Pradip Kumar Chakravorti, be and is hereby appointed Director of the Company for a term of 3 years, eligible for re-election on the expiry of the said term.

By Order of the Board

S. Roychowdhuri

Company Secretary

Kolkata,

The 27th day of June 2002

Notes:

Shareholders are requested to sign the Postal Ballot Paper (enclosed herewith) after filling therein, requisite particulars. The Postage prepaid self-addressed envelope containing the above Postal Ballot Paper, after due completion and sealing, should be mailed back to the Company at the earliest so as to reach the Company latest by 4 PM on 23rd September 2002. Ballot Papers received after above time date and/or incomplete/ unsigned/ mutilated Ballot Papers are liable to be rejected.

ANNEXURE TO THE NOTICE

Explanatory Statement Pursuant to Section 173 (2) of the Companies Act, 1956

Proviso to Section 252(1) of the Companies Act, 1956 requires appointment of Shareholders' Representative as Director of a Company where the Share Capital of a Company is Rs. 5.00 crores or above and the number of Small Share holders (holding nominal value of Shares of Rs. 20,000 or less) are 1000 or more. Companies (Appointment of the Small Shareholders' Director) Rules, 2001 provides that such a Director should not be subjected to retirement by rotation, may be appointed for a term upto 3 years and is eligible for re-election.

Shri Pradip Kumar Chakravorti has been nominated by a few small shareholders of the Company as a representative of the small shareholders and deposited a sum of Rs. 500 for his election u/s. 252(1). Shri Chakravorti has also consented to act as Director of the Company upon his election.

As Shri Pradip Kumar Chakravorti is associated as a Shareholder of the Company since Public Issue of the Company's Shares and actively participated in Company's all Annual General Meetings with his immaculate way of constructive observations on Company's performance, his induction in the Board for all intents and purposes will strengthen the cause of small shareholders and the Board of Directors recommends the acceptance of the resolution.

Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 requires voting on the Resolution by Postal Ballot for which Ballot Paper on Postage pre-paid self-addressed Envelope is enclosed to enable the Shareholders to exercise their franchise. Shareholders are requested to return the said Envelope containing the Ballot Paper duly filled in and signed at the earliest so as to reach the Company on or before 4 PM of 23rd September 2002.

Letters of nomination and allied documents as mentioned above are available for inspection at the Company's Registered Office on all working days, upto the date of the Annual General Meeting, between 11 AM and 1 PM.

None of the Directors of the Company is concerned or interested in the said resolution.

By Order of the Board

S. Roychowdhuri

Company Secretary

Kolkata,

The 27th day of June 2002

Senbo Industries Limited

Regd. Office: 87, Lenin Sarani, Kolkata - 700 013

Attendance Slip

Name:	*DP ID No.
No. of Shares Held:	*Client ID No.
Folio No.:	

I hereby record my presence at the Eighth Annual General Meeting of the Company held at the Company's Works at Sonarpur Station Road, Karbala, Kolkata 700 103, on this Tuesday, 24th day of September 2002 at 11 - 30 AM.

Signature of Attending Member/ Proxy

--

Notes

1. Members / Proxy holders wishing to attend the Meeting must bring the Attendance Slips to the Meeting and hand them over at the entrance duly signed.
 2. Members/ Proxy holders desiring to attend the meeting are requested to bring their copies of the Annual Report for reference at the meeting.
- * In respect of Dematerialised Shares

SENBO INDUSTRIES LIMITED

87, Lenin Sarani, Kolkata - 700 013

PROXY

*DP ID No.	
*Client ID No.	Folio No.:

I/we of a Member / Members of the above named Company, hereby appoint of or failing him/ her of as my /our Proxy to attend and vote for me / us and on my / our behalf at the Eighth Annual General Meeting of the Company, to be held on Tuesday, the 24th September, 2002 at 11 - 30 A M and at any adjournment thereof.

Signed this day of , 2002.

No. of Shares.....

Signature

Affix Revenue
stamp of Rs.1/-**NOTE**

- 1 The Proxy form must be returned so as to reach the Registered Office of the Company at 87, Lenin Sarani, Kolkata 700 013 not less than 48 hours before the time for holding the aforesaid Meeting.
- * In respect of Dematerialised Shares.

CORPORATE PROFILE

BOARD OF DIRECTORS

Mr. Kajal Sengupta	<i>Chairman & Managing Director</i>
Mr. C. S. Choudhury	<i>Joint Managing Director</i>
Mr. P.K. De	<i>Director</i>
Mr. S.P. Roychowdhury	<i>Director</i>
Dr. Saibal Chakraborty	<i>Director</i>
Ms. Santwana Sengupta	<i>Director</i>
Mr. Kingshuk Sengupta	<i>Director</i>

COMPANY SECRETARY

Mr. Subhankar Roychowdhuri

BANKER

State Bank of India

MANAGEMENT TEAM

Mr. Bhaskar Sengupta
Chief General Manager

Mr. Subrata Basu
General Manager (Q C & R D)

Mr. D. Bhattacharya
General Manager (Minarel Water Project)

Mr. S. K. Choudhury
Asst. General Manager (P & S)

Mr. Subrata Dasgupta
Asst. General Manager (Marketing)

Mr. R. N. Ganguly
Asst. General Manager (Engineering)

REGISTERED OFFICE

87, Lenin Sarani, Kolkata 700 013
Phone: (033) 244 1395, 245 0816, 249 0441
Fax: (033) 244 9485
Email : senbo@gaiscl01.vsnl.net.in
Website: www.senboindustries.com

WORKS

Karbala, Sonarpur Station Road,
Kolkata 700 103
Phone: (033) 434 7339/7340
Fax: (033) 434 7341

AUDITORS

Rajesh Chaturvedi & Associates
Chartered Accountants
675 B, "O" Block, New Alipur,
Kolkata 700 053

REGISTRAR & SHARE TRANSFER AGENT

Niche Technologies P. Ltd.
C 444, Bagri Market,
71, B.R.B.B. Road,
Kolkata 700 001

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NOTICE

Notice is hereby given that the Eighth Annual General Meeting of the Shareholders of Senbo Industries Limited will be held at Company's works at Sonarpur Station Road, Karbala, Kolkata 700 103 on Tuesday, the 24th day of September 2002 at 11 - 30 AM to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2002 and the Profit & Loss Account for the year ended on that date, together with the Reports of Directors and Auditors thereon.
 2. To appoint a Director in place of Sri P.K. De, who retires by rotation and is eligible for re-appointment.
 3. To appoint a Director in place of Dr. Saibal Chakraborty, who retires by rotation and is eligible for re-appointment.
 4. To appoint Auditors and to fix their remuneration.
- M/S. Rajesh Chaturvedi & Associates, Chartered Accountants, the retiring Auditors of the Company, being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass, with or without modification the following resolution as an Ordinary Resolution :
RESOLVED that pursuant to the provisions of proviso to Section 252(1) of the Companies Act, 1956, Sri Pradip Kumar Chakravorti be and is hereby appointed Director of the Company for a term of 3 years, eligible for re-election on the expiry of the said term.
6. To consider and if thought fit, to pass, with or without modification the following resolution as a Special Resolution:
RESOLVED that subject to the provisions of Section 269 and other applicable provisions, if any, of the Companies Act, 1956, consent of the Shareholders of the Company be and is hereby accorded to the appointment of Sri C.S. Choudhury as Joint Managing Director of the Company without any remuneration for the time being for a period of 3 years with retrospective effect from 1st April 2002.

By Order of the Board

Kolkata,
The 27th day of June, 2002

S. Roychowdhuri
Company Secretary

NOTES

1. Postal Ballot Paper along with postage pre-paid self-addressed envelope for Item 5 above is enclosed. Shareholders are requested to return the said envelope containing the Postal Ballot Paper duly filled in and signed at the earliest so as to reach the Company latest by 4 PM on 23rd September 2002. Postal Ballot Papers received after the aforesaid time and date and incomplete or unsigned (including variance in signature) Postal Ballot Paper/s will be treated as invalid/ cancelled.
2. The Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956 in respect of item nos. 5 and 6 are annexed hereto. Notices received from Small Shareholders nominating Shri Pradip Kumar Chakravorti as Director (Representing Small Shareholders) along with a Deposit of Rs. 500 and requisite letter of consent from Shri Chakravorti to act as Director of the Company consequent to his election will be available for inspection by the Shareholders at the Registered Office of the Company between 11 AM and 1 PM on all working days upto the date of the Eighth Annual General Meeting.
3. The Register of Members and Share Transfer Book will remain closed from 17th September 2002 to 24th September 2002, both days inclusive.
4. A Shareholder entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself / herself and a proxy need not be a Shareholder.
5. Shareholders who are holding Equity Shares in identical order of names in more than one folio are requested to write to the Company to enable the Company to consolidate their holdings in one folio.
6. Shareholders who are holding their DP Account with Depository may send their transfer and allied advices through their Depository.



7. Shareholders are requested to intimate the Company queries, if any, regarding Report and the Annual Accounts, at least ten days before the Annual General Meeting to enable the Management to keep the information ready at the Meeting.

ANNEXURE TO THE NOTICE

Explanatory Statement Pursuant to Section 173 (2) of the Companies Act, 1956

Item No.5

Proviso to Section 252(1) of the Companies Act, 1956 requires appointment of Shareholders' Representative as Director of a Company where the Share Capital of a Company is Rs. 5 crores or above and the number of Small Shareholders (holding nominal value of Shares of Rs. 20,000 or less) are 1,000 or more. Companies (Appointment of the Small Shareholders' Director) Rules, 2001 provides that such a Director should not be subjected to retirement by rotation, may be appointed for a term upto 3 years and is eligible for re-election.

Shri Pradip Kumar Chakravorti has been nominated by a few small shareholders of the Company as a representative of the small shareholders and deposited a sum of Rs. 500 for his election u/s. 252(1). Shri Chakravorti has also consented to act as Director of the Company upon his election.

As Shri Pradip Kumar Chakravorti is associated as a Shareholder of the Company since Public Issue of the Company's Shares and actively participated in Company's all Annual General Meetings with his immaculate way of constructive observations on Company's performance, his induction in the Board for all intents and purposes will strengthen the cause of small shareholders and the Board of Directors recommends the acceptance of the resolution.

Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 requires voting on the Resolution by Postal Ballot for which Ballot Paper and Postage pre-paid self-addressed envelope are enclosed to enable the Shareholders to exercise their franchise. Shareholders are requested to return the said Envelope containing the Ballot Paper duly filled in and signed at the earliest so as to reach the Company on or before 4 PM of 23rd September 2002.

Letters of nomination and allied documents as mentioned above are available for inspection at the Company's Registered Office on all working days, upto the date of the Annual General Meeting, between 11AM and 1 PM.

None of the Directors of the Company is concerned or interested in the said resolution.

Item No. 6

As an Executive Director, Sri C.S. Choudhury, functioned as Director Finance of the Company, since 20th March 1995 (without any remuneration). In order to monitor day-to-day performance and governance of the Company vis-à-vis Company's objectives, goals, plans, policies and programmes, Sri C. S. Choudhury, Director Finance was proposed for appointment as Joint Managing Director of the Company.

The Board of Directors approved his appointment for a period of 3 years with retrospective effect from 1st April 2002 at its meeting held on 27th June 2002. No remuneration will be paid to Sri Choudhury during the said term. The Board considers it imperative to retain the services of Sri C. S. Choudhury as Joint Managing Director and recommends appointment as contained in the proposed resolution for the approval of the Shareholders. Except Sri C.S. Choudhury no other Directors are considered interested in the proposed resolution.

By Order of the Board

Kolkata,
The 27th day of June, 2002

S. Roychowdhuri
Company Secretary

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors hereby present their Eighth Annual Report on the business and affairs of the Company and the financial accounts for the year ended 31st March 2002.

OPERATING PERFORMANCE

Your Company, being the only State-based unit in manufacturing Intravenous Fluids in Polyethylene Bottles, has the privilege of supplying Fluids to the Hospitals & Institutions of Government of West Bengal. This supply covers more than 50 % of Fluids manufactured in the Plant. Last Tender for such supply expired on 31st January 2001 and finalisation of fresh Tender took about 12 months. In fact, the new Tender was finalised in the middle of December 2001 resulting in scant supply to State Government Hospitals during the financial year 2001 - 2002. Since the supply status to the Government Institutions was affected and marketing the products in the Open Trade Markets at very low rates owing to prevailing 'Price War' initiated by multi-national Companies involved Cash Losses, production was restricted to only 35.67 lakh bottles as against 54.41 lakh bottles in the previous year. Despatches during the year were 36.19 lakh bottles compared to 53.70 lakh bottles in the previous year. The financial results were, therefore, not at all satisfactory and were as follows:

FINANCIAL RESULTS

	<u>2001 - 2002</u>	<u>2000-2001</u>
	<u>(Rs. Lakhs)</u>	
Profit / (Loss) before Finance Charges & Depreciation	(14.59)	107.53
Less: Finance Charges	<u>38.05</u>	<u>44.81</u>
Profit/ (Loss) before Depreciation	(52.64)	62.72
Less: Depreciation	<u>131.97</u>	<u>131.95</u>
Net Loss	<u>(184.61)</u>	<u>(69.23)</u>

During the current financial year the existing Tender is continuing and fresh Tender finalisation process also has been started. It is expected that there will be significant improvement in the results in the current financial year.

RESTRUCTURING PROPOSAL TO IDBI

In view of the adverse situation prevailing in the Industry and the consequent inability of the Company to service the debt with its prevailing structure, the Company had submitted in October, 2000 a Restructuring Plan requesting Industrial Development Bank of India (IDBI) for some relief and concessions in Interest & Other Charges and re-schedulement of Loan. This was taken up for consideration by IDBI after payment of an ad-hoc Rs. 100 lakhs towards outstanding interest.

The said proposal has been revised from time to time as suggested by IDBI. In view of the same, no Interest Liability was taken in the year 2000 - 2001 as well as in 2001 - 2002. The results would have been further depressed by Rs. 237.39 lakhs (previous year Rs. 224.84 lakhs) had interest been charged. The value of Plant and Machinery would have been increased by Rs. 141.19 lakhs (previous year Rs. 58.18 lakhs) if Currency Fluctuation was accounted for and the resultant loss after accounting of depreciation would have been increased by Rs. 3.07 lakhs (previous year Nil) had the currency fluctuation been capitalised in the previous year. In view of the accumulated loss, your Directors regret their inability to recommend payment of any dividend for the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY STRUCTURE AND DEVELOPMENTS

The installed capacity of the Industry in the country is 740 million polyethylene bottles per annum but during the year under review, demand for the Intravenous Fluids (I. V. Fluids) remained almost unchanged at the previous years level of 50 per cent capacity utilisation. Due to high imbalance in demand vis-à-vis supply, the manufacturers are under severe pressure of price war, which have resulted in mergers and consequential increase in market share of the leaders. Over and above, in this segment of I.V. Fluids industry the manufacturers face tremendous competition from unregulated SSI sector manufacturing I. V. Fluids in ordinary glass bottles.



2. OPPORTUNITIES AND THREATS

In line with the Government Policies five products of your Company viz. 5D, NS, DNS, Metronidazole Injection and Ciprofloxacin Injection are regulated under Drug Price Control Order (DPCO) Mechanism. Over and above, the Company faces normal market competition from other I.V. Fluids manufacturers most of which resort to price war for surviving in the competition. Both the factors taken together severely affected the Company's profitability. The DPCO mechanism combined with excess capacity and unhealthy competition resulted in extinction and/or merger/ take over of a few units. Until and unless specific attention is taken, this industry will suffer miserably till removal of market imbalances.

Your Company, in spite of tough conditions, carved out a niche through its supplies to Government Hospitals. However, due to delay in finalisation of Tender the turnover of the year under review suffered to a great extent. Moreover, the bottom line was further affected due to severe price war. The Management is still in process of reviewing ways and means to come out of the crisis.

3. SEGMENTWISE PERFORMANCE

Out of its turnover of 17 licensed products, your Company has sold almost 68 % of its production comprising five products i.e. 5D, NS, DNS, Metronidazole and Cipro-floxacin Injection under Government controlled price and balance 32 % of other products during the year under review.

4. OUTLOOK

Your Company with its present market share, international quality products, World Health Organisation certified production process and continuous effort for higher value added product mix and additional marketing thrust is expected to do well in the years to come, subject to immediate implementation of Loan Restructuring Package as was submitted to IDBI in October 2000 and as revised for time to time in terms with their requirements.

5. RISKS & CONCERNS

The major concern of your Company relate to excessive installed capacity of the industry, unhealthy competition; lack of regulation over manufacture of I. V. Fluids and DPCO, etc. on the macro angle. Moreover, concentration of excessive capacity along with huge market share coupled with severe price war forces the small and medium sized industries to close down.

The micro aspects of concern for your Company include high operational and financial cost, high investment and low capacity utilisation and single line of production. Moreover, high weightage of DPCO controlled product vis-à-vis slow moving uncontrolled products affects Company's turnover and margin of profit.

6. ADEQUACY OF INTERNAL CONTROLS

Your Company maintains proper and adequate system of Internal Controls to ensure that all assets are safeguarded and protected against loss from any unauthorised use and disposition and that all transactions are authorised, recorded and reported correctly.

All Large Volume Parenteral (LVP) operations are highly automated and fully integrated with Aseptic Form-Fill-Seal (AFFS) Technology and through Standard Operation Procedure (SOP) system of ISO 9002 and Good Manufacturing Practice (GMP) under World Health Organisation (WHO) which ensure high level of system based checks and controls.

An extensive programme of internal and continuous Audit review supplements the internal control system by Management of documented policies, guidelines and procedures.

7. HUMAN RESOURCES DEVELOPMENT

Your Company employs 191 people. It recognises the importance and contribution of its employees and is committed to uplift their welfare and to improve the quality of their living standard. Industrial Relations during the year under review were highly satisfactory and there was no loss of man-days due to strained relationship. Your Company offers free canteen facilities at the factory at Sonarpur.

Your Company is committed to ensure health and safety of every employee at its factory by taking care of health by providing 24 hours free doctors check-up facility, promoting safety culture among all the employees, conducting training programme once a week in order to motivate, accustom, update the quality of the employees, ensure self-discipline and educate efficient use of materials, utilities and other resources to maximise productivity.

8. ENVIRONMENT

Your Company is committed to the protection of the environment.

The manufacturing unit's Boiler is run by Furnace Oil and height of the Chimney has been kept well above the specification given by the West Bengal Pollution Control Board (WBPCB). The ISO norms relating to cleanliness and house-keeping are followed so vigorously day and night that it may act as a bench mark for any other company to emulate. Moreover, greeneries and plantations are also being maintained within the factory premises to keep ecological balance in order. The validity of Green Certificate as obtained by the Company earlier, from the WBPCB is yet to expire.

Deep tube-well water is the source of water for the factory. Deep tube-well distillation plant meets all domestic and injection water requirements. The manufacturing operations do not affect the quality of Air, Water and Soil. A well-planned monitoring system has been set in place to monitor the quality of the environment.

DIRECTORS' RESPONSIBILITY STATEMENT

- Save and except accounting of "Interest on Term Loan", "Currency Fluctuation" and "Depreciation on Plant and Machinery due to Currency Fluctuation" for the year under review your Directors have followed applicable Accounting Standards in the preparation of Annual Accounts. Proper explanation for such deviations has already been indicated.
- Except for the deviation as mentioned in 'a' above your Directors had selected such accounting policies as mentioned in 'Notes to Accounts' 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 at the end of the 31st March 2002 and of the loss of the Company for the year ending 31st March 2002.
- Your Directors have been taking 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 detecting fraud and other irregularities.
- The Directors have prepared the Annual Accounts on a going concern basis.

PARTICULARS OF EMPLOYEES

Section 217 (2A) of the Companies Act, 1956, does not apply since there is no Employee drawing Salary more than the specified amount during the year.

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND EXPENDITURE

A. Conservation of Energy

1. Power and Fuel Consumption

i) Electricity from WBSEB		Current Year	Previous Year
Unit	Kwh	8,50,079	11,60,067
Total Amount	Rs.	37,33,183	44,94,688
Rate	Rs. / Kwh	4.39	3.87
ii) Furnace Oil			
Quantity	Ltr.	1,88,768	2,43,562
Total Amount	Rs.	18,49,934	26,94,667
Rate	Rs. / Ltr.	9.80	11.06

2. Consumption per unit of production

Electricity	Kwh / Bottle	0.238	0.213
Furnace Oil	Ltr. / Bottle	0.053	0.045

The Company is making an attempt to optimise use of energy.

B. Technology Absorption

Your Company has fully absorbed the Form-Fill-Seal (FFS) technology for its entire range of I.V. Fluids. Use of indigenous materials for manufacturing process has been successfully implemented. Except for critical components, some spares have also been developed indigenously for the imported plant.