

9TH ANNUAL REPORT

2002 – 2003

Senbo 
INDUSTRIES LTD.

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>
Mr. Pradip Kumar Chakravorty	<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. Ravi Kumar Berwar

Chief General Manager - Marketing

Mr. Subrata Basu

General Manager - Q C & R D

AUDITORS

Rajesh Chaturvedi & Associates

Chartered Accountants

675 B, New Alipur, "O" Block,

Kolkata 700 053

REGISTERED OFFICE

87, Lenin Sarani, Kolkata 700 013

Phone : 033 2244 1395, 2217 8915/8916

Fax : 033 2244 9485

Email : senbo@gaiscl01.vsnl.net.in

Website : www.senboindustries.com

WORKS

Karbala, Sonarpur Station Road,

Kolkata 700 103

Phone : 033 2434 7339/ 7340

Fax : 033 2434 7341

REGISTRAR & SHARE TRANSFER AGENT

Niche Technologies Pvt. Ltd.

C 444, Bagri Market,

71, B. R. B. B. Road,

Kolkata 700 001



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Notice is hereby given that the Ninth Annual General Meeting of the Shareholders of Senbo Industries Limited will be held at Company's Works at Sonarpur Station Road, Karbala, Sonarpur, Kolkata 700 0103 on Tuesday the 23rd day of September 2003 at 11 A. M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2003 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 S.P. Roychowdhury, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Sri Kingshuk Sengupta, 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.

By Order of the Board

Place: Kolkata,
Date: 24th June, 2003

S. Roychowdhuri
Company Secretary

NOTES

1. The Register of Members and Share Transfer Book will remain closed from 17th September 2003 to 23rd September 2003, both days inclusive.
2. A Shareholders 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.
3. 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.
4. Shareholders who are holding their DP Account with Depository may send their transfer and allied advices through their Depository.
5. 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.



DIRECTORS' REPORT

TO THE MEMBERS

Your Directors hereby present their Ninth Annual Report on the business and affairs of the Company and the audited accounts for the year ended 31st March 2003.

OPERATING PERFORMANCE

Although your Company was recognised as the only State based Unit for supply of Intravenous Fluids to the West Bengal Government Hospitals and Institutions, neither patronage nor any support was extended to the Unit for manufacture and supply of Fluids for Government requirement. For more than 2 years Tender was not finalised and the Hospitals & Institutions have been making local purchases to meet their requirement. In absence of such supply, which used to cover around Rs. 5 crores turnover in a year and by facing keen competition in the open trade market, the Company was unable to demonstrate even moderate performance. Production during the year was at 32.43 lakh bottles as against 35.67 lakh bottles of the previous year. Despatches were only 29.19 lakh bottles (previous year 36.19 lakh bottles) amounting to Sales Turnover of Rs. 251.35 lakhs (previous year Rs. 365.73 lakhs). The financial results were therefore very unsatisfactory as given below:

FINANCIAL RESULTS

	<u>Rs. Lakhs</u>	
	<u>2002 - 2003</u>	<u>2001- 2002</u>
Profit /(Loss) before Finance Charges & Depreciation	(54.11)	(14.59)
Less: Finance Charges	<u>34.88</u>	<u>38.05</u>
Profit/ (Loss) before Depreciation	(88.99)	(52.64)
Less: Depreciation	<u>131.97</u>	<u>131.97</u>
Net Loss	<u>(220.96)</u>	<u>(184.61)</u>

FUTURE PLAN

During the current financial year 2003 - 2004 some positive actions have been initiated to develop open-trade marketing network, both in West Bengal and in other States in as much as the Company cannot expect any favourable results by depending on West Bengal Government's Hospitals and Institutions. Export markets in neighbouring countries like Bangladesh, Nepal and Bhutan are being further activated and vigorous efforts are being made to explore export marketing in other countries.

LOAN FROM IDBI

As highlighted in Item 1.6 of Schedule 21 - Notes to the Accounts, an N. S. (Negotiated Settlement) proposal was re-submitted to IDBI instead of Restructuring proposal, which was not found to be viable for the Unit. IDBI agreed to the NS proposal and crystallized the loan liability to Rs. 1811.30 lakhs by waiver of large sum towards outstanding interest & other charges. According to the agreed NS Proposal the amount of Rs. 1811.30 lakhs was to be liquidated in monthly instalments from 1st March 2003 to 1st January 2006 including initial up-front payment of Rs. 200.00 lakhs. The interest @ 12.50 % p.a. on the outstanding balances would be liquidated again in monthly instalments from February 01, 2006 till 1st July 2006. Your Company has paid Rs. 70.00 lakhs and would pay Rs. 30.00 lakhs by 15th July 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY STRUCTURE AND DEVELOPMENTS

Both the installed capacity of the Industry as well as the demand for the Intra venous Fluid (I V Fluid) remained almost unchanged at the previous years level. Due to high imbalance in demand vis-à-vis supply, the manufacturers continue to shiver 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 Fluid industry the manufacturers face tremendous competition from unregulated SSI sector manufacturing I V Fluids in ordinary glass bottles. In spite of regular reports on contamination of I V Fluids in Glass Bottles, the said segment enjoys Government support on pricing and production.

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 Fluid 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 earlier through its supplies to Government hospitals. However, due to delay in finalisation of Tender for last 2 consecutive years the turnover of the year under review suffered to a great extent. Moreover, the bottom line was further affected due to severe price war as well as to severe working capital condition. The Management after meeting the terms of IDBI NS Scheme would approach its Bankers for conversion of existing cash credit into Working Capital Term Loan and fresh sanction of Cash Credit.

3. *SEGMENT-WISE PERFORMANCE*

Out of its turnover of 17 licensed products, your Company has sold almost 62 % of its production comprising five products i.e. 5D, NS, DNS, Metronidazole and Cipro-floxacin Injection under Government controlled price and balance 38 % of other products during the year under review.

4. *OUTLOOK*

Your Company with its rejuvenated marketing department, international quality products, World Health Organisation certified production process and continuous effort for higher value added product mix is expected to do well in the years to come, provided requisite finance is arranged for NS Scheme at an early date.

5. *RISKS & CONCERNS*

The major concern of your Company relate to arrangement of finance for NS Scheme of IDBI, arrangement of working capital and overhauling the Plant & Machinery. It is also concerned about excessive installed capacity of the industry, unhealthy competition, lack of regulation over manufacture of I V Fluid and DPCO, etc. 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.

Other 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. However, proposed overhauling of Plant & Machinery, when undertaken, will ensure double line production resulting in doubling the production.

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 unauthorized 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 (S.O.P.) 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 supplement the internal control system by Management of documented policies, guidelines and procedures.

7. *HUMAN RESOURCES DEVELOPMENT*

Your Company employs 189 people. It recognizes 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 loss of man-days was only due to inadequate inventory as a result of inadequate working capital. Your Company provides free canteen facilities at the factory at Sonarpur.

Your Company is committed to ensure the 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 maximize 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 being renewed.

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

- Your Directors have followed applicable Accounting Standards in the preparation of Annual Accounts.
- 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, 2003 and of the loss of the Company for the year ending 31st March, 2003.
- 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	5,13,645	8,50,079
Total Amount	Rs.	24,53,950	37,33,183
Rate	Rs. / Kwh	4.78	4.39

ii) Furnace Oil

Quantity	Ltr.	91,448	1,88,768
Total Amount	Rs.	10,02,745	18,49,934
Rate	Rs. / Ltr.	10.97	9.80

2. Consumption per unit of production

Electricity	Kwh / Bottle	0.158	0.238
Furnace Oil	Ltr. / Bottle	0.028	0.053

The Company is making an attempt to optimize 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.

C. Foreign Exchange Earnings and Expenditure

		(Rs. Lakhs)	
		<u>Current Year</u>	<u>Previous Year</u>
i)	Foreign Exchange Earnings (Realisation from Export of I V Fluids)	7.14	1.77
ii)	Foreign Exchange Expenditure		
-	Raw Materials	NIL	NIL
-	Spares & Components	0.40	10.91
-	Travelling	NIL	0.79
-	Foreign Delegation Fee	NIL	NIL

AUDITORS' REPORT

Qualifications and/or reservations as mentioned in Auditors' Report, have been duly covered in the Notes to Accounts. Due to non-availability of accurate data, estimation in related qualified accounts is difficult. As mentioned hereinbefore the Company is passing through severe working capital crisis, due to which neither salary/wages nor PF/ESI could be paid / deposited in time. Moreover, due to mounting losses over last few years the Company has become a Sick Industrial Company for which applicable measures for turning around the Company are being taken as per the provisions of the Companies Act, 1956 as amended till date.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

A certificate from the Auditors of the Company regarding compliance with the Code of Corporate Governance as stipulated under clause 49 of the Listing Agreement is attached to this report.

DIRECTORS

Sri S.P. Roychowdhury and Sri Kingshuk Sengupta retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS

Messrs Rajesh Chaturvedi & Associates, Chartered Accountants and Auditors of the Company, retire with the conclusion of the ensuing Annual General Meeting and offer themselves for re-appointment.

ACKNOWLEDGEMENT

Your Directors convey their sincere thanks to the State Government, Industrial Development Bank of India, West Bengal Industrial Development Corporation Ltd. and State Bank of India for their continued support to the growth of the Company. Your Directors also express their deep appreciation for contribution made by the employees.

For and on behalf of the Board

Place: Kolkata,

Date : 24th June, 2003

KAJAL SENGUPTA

Chairman & Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**To the Board of Directors of Senbo Industries Limited**

We have reviewed implementation of Corporate Governance procedure set by Senbo Industries Limited ("The Company") for the year ended 31st March, 2003 with the relevant records and documents maintained by the Company and furnished to us for our review.

Based on our verification and information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement with Stock Exchanges.

For Rajesh Chaturvedi & Associates
Chartered Accountants

Place: Kolkata,

Date: 24th June 2003.

R. CHATURVEDI

Partner



REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Senbo Industries Limited is committed to nurture the objectives of the Company while ensuring accountability in the exercise of powers and patronage conferred upon it. The Company is further committed to ensure compliance with code of Corporate Governance in letter and in spirit as the key to enhance the interest of the Shareholders after meeting financial, legal and contractual obligation and protecting the interest of all other stakeholders.

BOARD OF DIRECTORS

The composition of Board of Directors of the Company is governed by the provisions of Companies Act, 1956 and the Company's Articles of Association. The Board of Directors of the Company sets the strategic goals based on objectives of the Company, defines the policies and oversees implementation of these policies to enable actions that would lead to the attainment of the goals. At present the Board has a total of 8 Directors. The Board is headed by Sri Kajal Sengupta, the main promoter and Chairman & Managing Director of the Company. Sri Sengupta is a B.Sc. (Hons.) and has 17 years valuable experience in high-tech construction activity. He has also useful experience in pharmaceuticals and hotel industry. The other Executive Director on the Board is Sri C. S. Choudhury. Sri Choudhury is a Bachelor of Commerce and Fellow of the Institute of Cost and Works Accountants of India. He has vast and wide experience of nearly 5 decades spanning over Engineering, Construction, Steel, Project Management, Tea and Timber, Hotel and Pharmaceuticals Industries. The Non-executive Directors consist of eminent personalities like Sri S.P. Roychowdhury, a postgraduate in Commerce and Law and practising Chartered Accountant with additional expertise as Company Secretary and Cost & Works Accountant. He has wide experience spanning over 3 decades in Government Finance, Audit and Company Law Matters. Sri P.K. De is a Retd. IAS Officer Officiated as District Magistrate and was Joint Secretary (Labour) to Government of West Bengal and an expert in Administration and Management. Dr. Saibal Chakraborty, MBBS, is a cardiologist of high eminence. Smt. Santwana Sengupta is a Bachelor of Arts and has 12 years valuable experience in administration and management of hotel and publicity business. Sri Kingshuk Sengupta is a Bachelor of Commerce and has more than 10 years experience in high-tech construction, pharmaceuticals and hotel industries. Sri Pradip Kumar Chakravorty a representative of the Small Shareholders, has nearly 4 decades of experience in business.

Except Sri Kajal Sengupta, Chairman and Managing Director, drawing salary only @ Rs. 40,000 per month, no other Director of the Company draws any remuneration except fees for attending meeting of the Board or Committee of the Board. Sri C. S. Choudhury is designated as Joint Managing Director of the Company (drawing neither remuneration nor fees for attending Board Meetings).

All Directors other than Sri Kajal Sengupta, Chairman and Managing Director, Sri C. S. Choudhury, Joint Managing Director, Smt. Santwana Sengupta and Sri Kingshuk Sengupta are independent Directors. The composition of Executive Directors and Non-executive Directors have been maintained as per desired norms.

The Company has not entered into any materially significant transactions with non-executive Directors of the Company.

Directors eligible for re-appointment at the next Annual General Meeting are Sri S. P. Roychowdhury and Sri Kingshuk Sengupta. Sri Kingshuk Sengupta holds office of Directors in Senbo Engineering Limited, United Hotels & Properties Pvt. Ltd., Senbo Exim & Impex Pvt. Ltd. and Eleena Holdings Pvt. Ltd. Sri S. P. Roychowdhury holds no other office of directorship.

BOARD MEETINGS

During the year under review 5 Board Meetings were held; one each on 2nd April, 27th June, 30th July, 31st October, 2002 and 30th January, 2003. The last Annual General Meeting of the Company was held on 24th September 2002 and all Directors attended the said meeting. Details of attendance at the Board Meetings, directorship and membership in