

10th ANNUAL REPORT

2003 – 2004

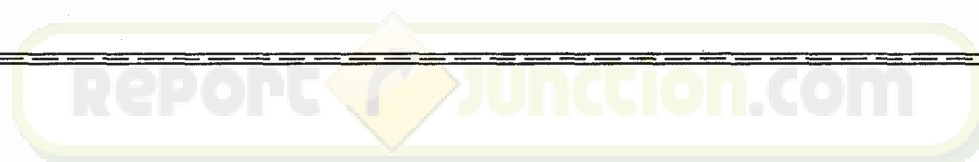
Report  Junction.com

Senbo 
INDUSTRIES LTD.

CORPORATE PROFILE

BOARD OF DIRECTORS

Mr. Kajal Sengupta	Chairman & Managing Director
Mr. C. S. Choudhury	Joint Managing Director
Mr. Indranil Biswas	Joint Managing Director
Mr. P. K. De	Director
Mr. S. P. Roychowdhury	Director
Mr. Pradip Kumar Chakravorty	Director
Dr. Saibal Chakraborty	Director
Ms. Santwana Sengupta	Director
Mr. Kingshuk Sengupta	Director



COMPANY SECRETARY

Mr. Subhankar Roychowdhuri

MANAGEMENT TEAM

Mr. Ravi Kumar Berwar

Chief Executive Officer

Mr. Bhaskar Sengupta

Chief General Manager

Mr. Subrata Dasgupta

Asst. General Manager - Marketing

Mr. Sutantra Kr. Chowdhury

Asst. General Manager - Purchase & Stores

REGISTERED OFFICE

87, Lenin Sarani, Kolkata 700 013

Phone : 03322441395, 22178915/8916

Fax : 033 2244 9485

E-mail : senbo@gaisclo1.vsnl.net.in

Website : www.senboindustries.com

WORKS

Karbala, Sonarpur Station Road,

Kolkata 700 103

Phone : 033 2434 7339/7340:

Fax : 033 2434 7341

E-mail : senbo@vsnl.net.in

BANKERS

State Bank of India

AUDITORS

Rajesh Chaturvedi & Associates

Chartered Accountants

675 B, New Alipur, "0" Block,

Kolkata 700 053

REGISTRAR & SHARE TRANSFER AGENT

Niche Technologies Pvt. Ltd.

C 444, Bagri Market,

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

Kolkata 700 0 01

CONTENTS

	Page No.
Notice	1
Directors' Report	4
Auditors' Certificate on Corporate Governance	8
Corporate Governance	9
Auditors' Report	14
Annexure to Auditors' Report	15
Balance Sheet	18
Profit & Loss Account	19
Schedules to Balance Sheet	20
Schedules to Profit & Loss Account	23
Notes to Accounts	25
Cash Flow Statement	30
Attendance Slip and Proxy	31

NOTICE

Notice is hereby given that the Tenth Annual General Meeting of the Shareholders of Senbo Industries Limited will be held at Company's Works at Sonarpur Station Road, Karbala, Sonarpur, Kolkata - 700 103 on Tuesday the 21st day of September 2004 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 2004 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 Smt. Santwana Sengupta, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Sri P. K. De, who retires by rotation and is eligible for re-appointment.
4. To re-appoint Sri Indranil Biswas, who vacates his office as Additional Director and being eligible offers himself for re-appointment.
5. To appoint Auditors and fix to their remuneration.
M/s Rajesh Chaturvedi & Associates, Chartered Accountants, the retiring Auditors of the Company, being eligible, offer themselves for re-appointment.

Special Business

6. Re-appointment of Managing Director:

To consider and if thought fit, to pass, with or without modification the following resolution as a Special Resolution:

RESOLVED that pursuant to the provisions of Section 269 of the Companies Act, 1956 consent of the Shareholders be and is hereby accorded to the re-appointment of Sri Kajal Sengupta, as Managing Director of the Company for a period of 5 years with effect from 1st April, 2004.

RESOLVED further that subject to the provisions of Sections 309 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, consent of the Shareholders be and is hereby accorded to the payment of remuneration to Sri Kajal Sengupta, Chairman & Managing Director of the Company for a period of 4 months with effect from 1st April, 2004 as per the following:

1. Salary: 40,000/- per month
2. Perquisites:
 - i. Free medical facilities for self and family;
 - ii. Leave travel expenses at actual for self and family once a year;
 - iii. Club Membership Fees, subject to a maximum of two clubs;
 - iv. Personal accident insurance not exceeding Rs. 10,000/- per annum;
 - v. Gratuity not exceeding half a month's salary for each completed year of service, subject to a limit of Rs. 350,000/-.
3. Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls and use of car for private purposes shall be billed by the Company to the Chairman & Managing Director.
4. In the event of loss or inadequacy of profit during the above period, the above Salary shall be considered as minimum Salary.

7. Appointment of Joint Managing Director:

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, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, consent of the Shareholders be and is hereby accorded to the appointment and payment of remuneration to Sri Indranil Biswas, Joint Managing Director of the Company on a contractual basis for a period of 2 years with effect from 1st August 2004 on the following terms:

1. Salary: 30,000/- per month
2. Perquisites:
 - i. Club Membership Fees, subject to a maximum of one club;



- ii. Reimbursement of Entertainment Expenses incurred on Clients for Company's business purposes against submission of documents.
3. Provision of car with Driver for use on Company's business and telephone (one cell phone and land line at residence) will not be considered as perquisites. Personal long distance calls and use of car for private purposes shall be billed by the Company to the Joint Managing Director.
4. No severance fees or compensation will be paid by the Company for non-renewal of contract at any time.
5. In the event of loss or inadequacy of profit during the above period, the above Salary shall be considered as minimum Salary.

8. Reference to BIFR / NCLT:

To consider and if thought fit, to pass, with or without modification the following resolution as an Ordinary Resolution:

RESOLVED that consequent to the Company becoming sick in pursuance of Section 3 (1) (o) the Sick Industrial Companies (Special Provisions) Act, 1985 and Section 2 (46AA) of the Companies Act, 1956, reference be made to the Board for Industrial and Financial Reconstruction and / or National Company Law Tribunal and that the Board of Directors of the Company be and is hereby authorised to take such requisite action, including revival and rehabilitation, as may be considered appropriate to implement this resolution.

By Order of the Board

Kolkata

The 29th day of July, 2004

S. Roychowdhuri

Company Secretary

Notes:

1. The Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956 in respect of item nos. 6 to 8 are annexed hereto.
2. The Register of Members and Share Transfer Book will remain closed from 14th September 2004 to 21st September 2004, both days inclusive.
3. 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 of the Company.
4. 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.
5. Shareholders who are holding their DP Account with Depository may send their dematerialisation, transfer and allied advices through their Depository.
6. 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 Nos. 6 and 7:

The present term of Sri Kajal Sengupta, Chairman & Managing Director expired on 31st March 2004. The Board at its meeting held on 27th May 2004 re-appointed Sri Kajal Sengupta for a further period of 5 years with effect from 1st April 2004. However, considering the long demand of the Shareholders for induction of a Professional Director, the search for a suitable candidate completed with the induction of Sri Indranil Biswas as Joint Managing Director. Considering the financial constraints and independent charge required to given for day-to-day management and business affairs of the Company to Sri Indranil Biswas, Sri Sengupta renounced his remuneration as Managing Director with effect from 1st August 2004.

Existing remuneration as paid to Sri Kajal Sengupta in item No. 6 has been retained till 31st July 2004 in view of weak health of the Company. The said remuneration has so far been treated as minimum remuneration in the event of loss or inadequacy of profit, shall continue to be so treated.

The Board at its Meeting held on 29th July 2004 accepted the renunciation of remuneration by Sri Sengupta with effect from 1st August 2004 and appointed Sri Indranil Biswas as Joint Managing Director with effect from 1st August 2004 at such terms as detailed in the Resolution to item No.7.

Sri Indranil Biswas is a Master of Commerce of the University of Calcutta and a Fellow of the Institute of Chartered Accountants of India and is widely reputed for his outstanding contribution as a Leader in the Corporate Sector for over last 3 decades in the areas of Corporate Restructuring, Finance, Accounts, Human Resources and MIS based on Information Technology. Besides his past and present association with numerous prestigious associations Sri Biswas is also associated with Indian Institute of Technology, Kharagpur as Adjunct Professor on Strategic Management.

The proposed items may be treated as an abstract of the terms of appointment in pursuance of Section 302 of the Companies Act. Except Sri Kajal Sengupta, Smt. Santwana Sengupta and Sri Kingshuk Sengupta, no other Director is interested in the resolution at item No. 6 and except Sri Indranil Biswas, no other Director is interested in the resolution at item no. 7.

Item No. 8:

Net worth of your Company has been completely eroded on 31st March 2004 and more than 50% erosion in Net Worth was reported to you vide our previous Annual Report. Though the Company should have been considered a sick company in pursuance of Section 2 (46AA) of the Companies Act, 1956 since the date of previous AGM, reference could not be made to National Company Law Tribunal as the said Tribunal is yet to form. Though the Sick Industrial Companies (Special Provisions) Act, 1985 has been repealed, Board for Industrial and Financial Reconstruction (BIFR) is still functioning. Reference for sickness has been delayed only for complete erosion in Net Worth that will be effective with the adoption of accounts at the ensuing 10th Annual General Meeting of the Company.

Reporting and sanction of the Shareholders is required to be reported in requisite form to BIFR under Regulation 19 of the Board for Industrial and Financial Reconstruction Regulations, 1987. Hence, the Board of Directors of the Company recommends acceptance of the resolution.

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

By Order of the Board

Kolkata
The 29th day of July, 2004

S. Roychowdhuri
Company Secretary



DIRECTORS' REPORT

TO THE MEMBERS

Your Directors hereby present their tenth Annual Report on the business and affairs of the Company and the Audited Accounts for the year ended 31st March 2004.

OPERATING PERFORMANCE

The operations for the year under review suffered mostly due to working capital crisis. Your Company, in spite of tough conditions though successful about 5-6 years earlier to carve out a niche through its supplies to Government hospitals, has not been awarded any State Government Tender for non-finalisation of the same for this FFS Sector for last 3 consecutive years as a result of which the turnover for the year under review dwindled. Moreover, the bottom line was further affected due to severe price war as well as for acute working capital stringency. The Management after partly meeting the terms of IDBI NTS Scheme approached its Bankers for restructuring its working capital including conversion of existing cash credit into Working Capital Term Loan and fresh sanction of Cash Credit. SBI, though sanctioned an ad-hoc additional working capital of Rs. 30 Lacs and engaged its empanelled Consultants CETCON for a comprehensive study for revival and rehabilitation of your Company, and though the above Consultants in their report observed that your Company is fit for revival and rehabilitation, SBI is yet to accept their proposal and demanded repayment of the ad-hoc working capital. It may be noted that the said ad-hoc facility was disbursed over a period of 3-4 months after adjustment of some outstanding interest.

IDBI, even after realizing Rs. 130 Lacs never put their weight behind SBI to put the Company back on its rails and continued its case against the Company in DRT and have recently threatened to nullify the concessions it accorded under the NTS Scheme.

FINANCIAL RESULTS

	Rs. in Lakhs	
	2003-2004	2002-2003
Profit /(Loss) before Finance Charges and Depreciation	(177.63)	(54.11)
Less: Finance Charges	252.10	34.88
Profit/ (Loss) before Depreciation	(429.73)	(88.99)
Less: Depreciation	131.98	131.97
Net Loss	(561.71)	(220.96)

FUTURE PLAN

You are perhaps aware that Drinking Water is now covered under Prevention of Food Adulteration Act and the norms for quality of water are yet to be codified. As such the proposed expansion into purified drinking water has been withheld. Considering your Company's basic strength and opportunities it can exploit, as well as the limitations under which the Company is passing, several options for revival and rehabilitation are being examined and would be forwarded to the National Company Law Tribunal as soon it starts functioning.

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 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 multinational companies after the extinction of Indian corporate leader. 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 as well supplies to Government Hospitals.

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.

3. *SEGMENT-WISE PERFORMANCE*

Out of its turnover of 17 licensed products, your Company has sold almost 70% of its production comprising five products i.e. 5D, NS, DNS, Metronidazole and Ciprofloxacin Injection under Government controlled price and balance 30% of other products during the year under review.

4. *OUTLOOK*

Your Company with its new marketing strategy, 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 working capital 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 weight-age 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 Parenterals (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 supplements the internal control system by Management of documented policies, guidelines and procedures.

7. **HUMAN RESOURCES DEVELOPMENT**

Your Company employs 169 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 working capital crisis.

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.

Your Company though provides free canteen facilities at the factory at Sonarpur; it could not pay its employees for last several months and even defaulted in contributing PF and ESI. However, the employees have so far accorded unflinching support to the Management for revival of your Company.

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

- a. Your Directors have followed applicable Accounting Standards in the preparation of Annual Accounts.
- b. 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, 2004 and of the loss of the Company for the year ending 31st March, 2004.
- c. 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.
- d. 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 & EXPENDITURE
A. Conservation of Energy
1. Power and Fuel consumption

i) Electricity from WBSEB		Current Year	Previous Year
Unit	Kwh	3,35,106	5,13,645
Total Amount	Rs.	20,48,719	24,53,950
Rate	Rs. / Kwh	6.11	4.78
ii) Furnace Oil			
Quantity	Ltr.	84,230	91,448
Total Amount	Rs.	10,64,161	10,02,745
Rate	Rs. / Ltr.	13.14	10.97

2. Consumption per unit of production

Electricity	Kwh /Bottle	1.64	0.158
Furnace Oil	Ltr. / Bottle	0.85	0.028

The Company is making an attempt to optimise use of energy. The distorted unit consumption of Electricity and Furnace Oil is due to Minimum Electricity Charge and Machine upkeep respectively.

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)

	Current Year	Previous Year
i) Foreign Exchange Earnings (Realisation from Export of I V Fluids)	NIL	7.14
ii) Foreign Exchange Expenditure		
- Raw Materials	NIL	NIL
- Spares & Components	0.86	0.61
- Travelling	NIL	NIL
- 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 (like, Interest receivable on security deposit, bonus, gratuity and leave encashment) is difficult. Write-off of expired Stock is pending only for non-availability of clearance from Excise Department at the end of the year. Confirmation from all related parties could not be submitted before end of Audit. However, efforts are being made to get the same at the earliest. As mentioned hereinbefore the Company is passing through severe working capital crisis resulting into a vicious cycle of cash loss and lower production and sale. As a result, neither salary/wages nor PF, ESI, Profession Tax, Income Tax Deduction at Source, Municipal Tax, Sales Tax could be paid / deposited in time. For same reason servicing of interest and principal repayment to IDBI and SBI affected. 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 considered as per the provisions of the Companies Act, 1956 as amended till date.