

Eleventh Annual Report 2004-05

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Senbo Industries Ltd.



ANNUAL REPORT

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Corporate Profile

Board of Directors

Mr. Kajal Sengupta	Chairman & Managing Director
Mr. C. S. Choudhury	Vice-Chairman
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
Mr. Kingshuk Sengupta	Director

Company Secretary

Mr. Subhankar Roychowdhuri

Management Team

Mr. Ravi Kumar Berwar <i>Chief Executive Officer</i>	Mr. Bhaskar Sengupta <i>Chief General Manager</i>
Mr. Sutantra Kr. Chowdhury <i>General Manager - Materials</i>	Mr. Subrata Dasgupta <i>Asst. General Manager - Marketing</i>

Registered Office

87, Lenin Sarani, Kolkata 700 013
Tel. : 033 2244 1395, 2217 8915/8916, Fax : 033 2244 9485
Email : senbo@giascl01.vsnl.net.in
Website : www.senboindustries.com

Works

Karbala, Sonarpur Station Road, Kolkata 700 103
Tel. : 033 2434 7339, Fax : 033 2434 7341
Email : senbo@vsnl.net

Bankers

State Bank of India

Auditors

Rajesh Chaturvedi & Associates

Chartered Accountants

643 A, New Alipore, "O" Block, Kolkata 700 053

Registrar & Share Transfer Agent

Niche Technologies Pvt. Ltd.

C 444, Bagri Market

71, B. R. B. Road, Kolkata 700 001

Notice

Notice is hereby given that the Eleventh 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 Monday the 29th day of August 2005 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 2005 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 C. S. Choudhury, 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 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 Chakraborti be and is hereby re-appointed Director of the Company for a term of 3 years.

By Order of the Board

Kolkata
The 29th day of June 2005

S. Roychowdhuri
Company Secretary

Notes

1. The Register of Members and Share Transfer Book will remain closed from 23rd August 2005 to 29th August 2005, both days inclusive.
2. The Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956 in respect of item No.5 is annexed hereto. Notice received from Small Shareholders nominating Sri Pradip Kumar Chakravorti as Director (representing Small Shareholders) along with a Deposit of Rs.500 and requisite letter of consent from Sri Chakraborti to act as Director of the Company consequent to his re-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 Eleventh Annual General Meeting.
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 dematerialization, 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.

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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 up to 3 years and is eligible for election.

Sri Pradip Kumar Chakravorti had been presenting the Small Shareholders since his appointment on 24th September 2002. His association for the last three years has strengthened the cause of the small shareholders and the Board of Directors recommends acceptance of the resolution. He has again 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). Sri Chakravorti has also consented to act as Director of the Company upon his re-election.

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 2.30 PM on 27th August 2005.

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

None of the Directors of the Company, except Sri Pradip Kumar Chakravorti, is concerned or interested in the said resolution.

By Order of the Board

Kolkata
The 29th day of June 2005

S. Roychowdhuri
Company Secretary

Annual Report 2004-05

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors hereby present their Eleventh Annual Report on the business and affairs of the Company and the audited accounts for the year ended 31st March 2005.

OPERATING PERFORMANCE

Operations during the year under review had been insignificant. Supply of electricity to the Factory had been snapped on some occasions. On account of severe working capital crisis dues to Employees and Statutory Dues like Provident Fund, Employees State Insurance, Sales Tax, etc., accumulated.

In spite of regular participation, State Government Tender was neither awarded to the Company nor to any other manufacturer in the Form-Fill-Seal Sector for the fourth year in succession. Extreme delay in release of payment from hospitals run by the State Government over a period of 3-4 years created tremendous shortage of working capital.

As a result of such blockage in working capital, continuous operation and continuous supply could not be maintained for last several years and this led to serious bottleneck in production. This non-conformity in the regularity of conversion from input to output and as a consequence of impossibility of realization of debts, save and except a few contested debts for which also provisions have been considered necessary, a huge sum has been written off during the year against Bad Debts.

FINANCIAL RESULTS

	2004 - 2005	2003 - 2004
Loss before Finance Charges and Depreciation	163.99	129.86
Add : Finance Charges	222.57	252.10
Loss before Depreciation	386.56	381.96
Add : Depreciation	131.99	131.98
Add : Write offs	164.66	47.77
Add : Provision for Doubtful Debts	60.51	Nil
Net Loss	743.72	561.71
Accumulated Loss brought forward	1376.46	814.75
Total Loss carried forward	2120.18	1376.46

FUTURE PLAN

In view of the compelling circumstances beyond the control of the Company, your Board considered it appropriate to enter into such type of Restructuring of operation whereby the Company entered into a Contract Manufacturing Agreement with M/s Fresenius Kabi India Private Limited (100% subsidiary of Fresenius Kabi AG Germany) to convert raw materials supplied by the Party, into 10 Lac bottles per month in 12 varieties of Intra Venous Fluids for sale by the Party at a pre-determined conversion charge by using existing infrastructure of your Company for a initial period of 2 years.

The above arrangement may turn out to be the only silver line for revival of your Company. Market survey had been conducted in the Eastern Region during the year under review and for the said purpose samples were distributed free of cost. A comprehensive test run production was undertaken for the purpose of ascertaining production capacity, quality of products and the overhauling requirement in respect of production facilities. However, with tremendous constraints operation of the bottlpack machine has started on 30th March 2005.

As mentioned hereinbefore, first and foremost concern of the Company is to consolidate its operation so that it is able to break even. Next immediate concern is to pay off the dues of the secured creditors. Once the above problems are overcome, the Company will definitely chart its path towards consolidation and growth.

RESTRUCTURING OF LOAN

You are aware that IDBI referred its case to Debt Recovery Tribunal (DRT) for realizing dues from your Company and though SBI is yet to refer to DRT, it has transferred the file to its Stressed Asset Management Branch. Application had been made to the Board for Industrial and Financial Reconstruction (BIFR) but the application is yet to be considered for registration. You are also perhaps aware that the above Financial Institution and Bank has got ample power under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and Security Interest (Enforcement) Rules, 2002. As such your Board prefers to settle the dues of both IDBI and SBI for which some fresh restructuring proposal, involving one-time-settlement, would be imperative and also acceptable to all these bodies and other stakeholders of the Company.

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. The Plants taken over under Securitisation Act by Banks and Financial Institutions are being sold to different parties and as such high imbalance in demand vis-à-vis supply remain and as a result, the manufacturers continue to face severe pressure of price war. These have resulted in mergers and business combination by way of conversion job processing or simply outsourcing and consequential increase in market share of the multinational companies. 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 as 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 /business combination 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

Though Production and Sales were insignificant during the year under review 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 Directors believe that the contract manufacturing operations for Fresenius Kabi India Private Limited will help the Company in many ways. The Company will be able to improve the process technology and eventually reduce the cost with technical inputs from Fresenius. This will consequently enable the Company to bring in value added products.

5. RISKS & CONCERNS

The major concern of your Company relate to arrangement of finance for overhauling the manufacturing

facilities, settlement of dues to IDBI and SBI and arrangement of working capital for sustainable business operation and liquidation of several statutory dues. It is also concerned about excessive installed capacity of the industry, unhealthy competition, lack of regulation over manufacture of IV Fluid and DPCO, pampering of the SSI Glass Bottle IV Fluid Sector by the State Government 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.

In addition to observation of a few major and additional guidelines on quality and manufacturing process as recommended by the Market Leader for its conversion job orders, 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**

Current employee strength of your Company is 115. 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 mandays 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 checkup 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 provides free canteen facilities at the factory at Sonarpur. Its dues to the employees accumulated for several months though a part has been liquidated at regular intervals. Though it defaulted in contributing PF and ESI regularly, a part is being now cleared in respect of ESI to enable the Employees to claim medical benefits. All 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, could not be renewed mainly due to working capital constraints.

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, 2005 and of the loss of the Company for the year ending 31st March, 2005.
- 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 & EXPENDITURE

A. Conservation of Energy

1. Power and Fuel consumption		Current Year	Previous Year
i) Electricity from WBSEB			
Unit	Kwh	59,952	335,106
Total Amount	Rs.	838,134	2,048,719
Rate	Rs. / Kwh	13.98	6.11
ii) Furnace Oil			
Quantity	Ltr.	6,373	84,230
Total Amount	Rs.	88,414	1,064,161
Rate	Rs. / Ltr.	13.87	13.14
2. Consumption per unit of production		Current Year	Previous Year
Electricity	Kwh / Bottle	14.83	1.64
Furnace Oil	Ltr. / Bottle	0.73	0.85

The Company is making an attempt to optimise use of energy. The distorted unit consumption of Electricity is mainly for negligible production during the year.

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	Nil
ii) Foreign Exchange Expenditure		
- Raw Materials	Nil	Nil
- Spares & Components	Nil	0.86
- 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. 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, servicing of interest and principal repayment to IDBI and SBI affected. As a sick Company it is entitled to some relief for its restructuring / revival and as such no interest on Cash Credit Account has been taken into consideration in parity with the Bankers' practice.

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 Indranil Biswas was inducted as Joint Managing Director w.e.f. 1st August 2004 on a contractual basis for a period of two years. In order to balance the interested vis-à-vis non-interested Directors Smt. Santwana Sengupta resigned from the Board on 29th October 2004. The Board records its deep appreciation for the valuable advices rendered by Smt. Sengupta during his directorship in the Company.

Sri C. S. Choudhury, erstwhile Joint Managing Director of the Company attained superannuation on 2nd April 2005. As such he immediately relinquished his position as Executive Director of the Company and the same was accepted by the Board on 27th June 2005 ipso facto. On the same date the Board appointed him as Vice-Chairman of the Board.

Sri C. S. Choudhury and Dr. Saibal Chakraborty 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 and express their deep appreciation for contribution made by the employees.

For and on Behalf of the Board

Place : Kolkata
Date : 29th June 2005

Kajal Sengupta
Chairman & Managing Director