

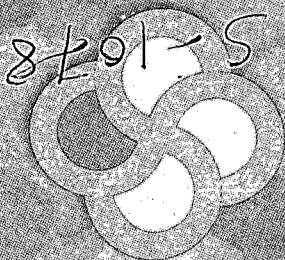
Senbo Industries Ltd.

report  junction.com

2006-07

Annual Report

Thirteenth



ANNUAL REPORT

2006 - 2007

Notice	...	1
Directors' Report	...	3
Corporate Governance	...	6
Auditors' Certificate on Corporate Governance	...	12
Auditors' Report	...	13
Annexure to Auditors' Report	...	14
Balance Sheet	...	16
Profit & Loss Account	...	17
Schedules to Balance Sheet	...	18
Schedules to Profit & Loss Account	...	20
Notes to Accounts	...	22
Balance Sheet Abstract	...	27
CEO/CFO Certification	...	28
Cash Flow Statement	...	29

Printed by
Ankana Creations

Corporate Profile

Board of Directors

Mr. Kajal Sengupta	Chairman & Managing Director
Mr. C. S. Choudhury	Vice-Chairman
Prof. Dr. Dipti Basu	Managing Director - Operations
Mr. P. K. De	Director
Mr. S. P. Roychowdhury	Director
Mr. Pradip Kumar Chakravorty	Director
Dr. Saibal Chakraborty	Director
Mr. Kingshuk Sengupta	Director

Chief Accountant cum Company Secretary

Mr. Subrata Ganguly

Management Team

Mr. Swapan Dasgupta Vice-President Commercial	Mr. Bhaskar Sengupta Chief General Manager
Mr. Sutantra Kr. Chowdhury General Manager Materials	Mr. Subrata Dasgupta Asst. General Manager Marketing

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

Works

Karbala, Sonarpur Station Road, Kolkata 700 103
Phone : 033 2434 7339, Fax : 033 2434 7341

Bankers

Canara Bank
Bank of India

Auditors

M/S. 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

Senbo

NOTICE

Notice is hereby given that the Thirteenth Annual General Meeting of Shareholders of Senbo Industries Limited will be held at Company's Works at Sonarpur Station Road, Karbala, Sonarpur, Kolkata 700 103 on Tuesday, the 25th day of September 2007 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 2007 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 Prof. Dr. Dipti Basu, who vacates office by the close of the Annual General Meeting and is eligible for re-appointment till 1st May 2009.
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. Appointment of Managing Director (Operations) :

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 Sections 269, 309, Schedule XIII and other applicable provisions of the Companies Act, 1956, consent of the shareholders be and is hereby accorded to the appointment and payment of remuneration to Prof. Dr. Dipti Basu, Managing Director (Operations) of the Company on a contractual basis for a period of 2 years with effect from 2nd May, 2007 on the following terms:

A. SALARY: Rs. 32,000/- per month.

B. AMENITIES :

- i. Conveyance Facility: She would be provided with a car with driver for use on Company's business and personal purposes. The running and maintenance of the car and the remuneration of the driver, not exceeding Rs. 12,000/- per month, will be reimbursed by the Company on submission of Statement of Expenses by her duly supported by evidences for payment.
- ii. Mobile Telephone and Landline Phone: The Company would reimburse Telephone Expenses on submission of related documents in respect of one mobile phone and one land line phone of her choice.
- iii. Reimbursement of expenditure on entertainment of Company's guests on submission of related documents.

C. MINIMUM REMUNERATION :

In the event of loss or inadequacy of profits, in any financial year, during the currency of tenure of the service of Managing Director (Operations), the payment of above salary and amenities shall be considered as minimum remuneration.

Kolkata,
The 29th day of June, 2007

By Order of the Board
Subrata Ganguly
Chief Accountant cum Company Secretary

Sanskrit

Notes :

1. The Register of Members and Share Transfer Book will remain closed from 19th September 2007 to 25th September 2007, both days inclusive.
2. 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.
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 dematerialisation, 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.

Annexure to the Notice*Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956*

The term of appointment of the previous Joint Managing Director, Sri Indranil Biswas, expired on 31st July 2006. The casual vacancy in the said office could be filled up only on 2nd May 2007 by the Board with the appointment of Prof. Dr. Dipti Basu as Managing Director (Operations).

Prof. Dr. Dipti Basu, MBBS, DGO, MS, MNAMS, FIPHA, aged 61 years, is the Ex-Principal of Calcutta National Medical College & Hospital. She has vast and wide experience in Hospital Management and Administration, Health Care, Medical Education and Research as well as Public Health and Family Welfare Services for over 35 years. Her contribution in the field of health care and research is expected to put the Company to reach new heights and the Board recommends acceptance of the resolution.

The terms of appointment of Prof. Dr. Dipti Basu, Managing Director (Operations) as mentioned in the proposed Resolution should be considered as an abstract of the terms of appointment in pursuance of Section 302 of the Companies Act, 1956. Except Prof. Dr. Dipti Basu, no other Director is considered interested in the proposed Resolution at Item No. 5.

Kolkata,
The 29th day of June, 2007

By Order of the Board
Subrata Ganguly
Chief Accountant cum Company Secretary

Sensho

DIRECTORS' REPORT

To The Members

Your Directors have pleasure in presenting their Thirteenth Annual Report on the performance of the Company and the audited accounts for the year ended 31st March, 2007.

FINANCIAL RESULTS

	Rs. Lacs	
	2006-07	2005-06
Operating Profit/ (Loss) before Finance Charges, Depreciation & Items not related to Operation	11.38	30.83
Finance Charges	(8.04)	(10.78)
Depreciation	(132.24)	(132.07)
Write Off	(14.18)	(28.24)
Net Operating Profit/ (Loss)	(143.08)	(140.26)
Non Operating Income	6.90	534.18
Net Profit/ (Loss)	(136.18)	393.92
Adjustment relating to Previous Years	(0.30)	(4.46)
Accumulated (Loss) brought forward	(1,730.72)	(2,120.18)
Accumulated (Loss) carried forward	(1,867.20)	(1,730.72)

In view of the huge accumulated loss, your Directors do not recommend payment of dividend for the year and for similar reason, no provision for income tax has been made.

OPERATING PERFORMANCE

Processing Income declined significantly from Rs. 229.63 Lacs in 2005-06 to Rs. 170.19 Lacs in 2006-07 as Conversion Job was unilaterally suspended by Fresenius Kabi India Private Limited (Fresenius) with effect from 21st August 2006. During the year the Company produced 47,26,805 numbers of chargeable bottles as compared to 74,14,541 bottles in the previous year. As the settlement of contentious issues with Fresenius relating to increase in conversion charge, godown rent, VAT, TDS Certificate and Scrap by your Company and counter-claim of Fresenius remained unresolved till date, no adjustment has been made in the related account therefor.

FUTURE PLANS

Your Company is in the advanced stage of negotiation with more than one parties of International repute for marketing its products. Your Company has further participated in CMS Tender for supply to the Hospitals of the West Bengal Government and is optimistic of positive outcome.

Your Company has also embarked upon modernisation of its Factory at Sonarpur in tune with the requirements of latest Drug Control Regulations and WHO-GMP norms. The modernisation job is expected to be over by 31st August 2007 and from 15th of September 2007, your Company will be able to resume normal production.

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY STRUCTURE AND DEVELOPMENTS

The demand for Intra Venous Fluid (IV Fluid) had been found to be satisfactory after the Company entered into conversion agreement with Fresenius. The Market is gradually firming up as new companies entered afresh. However, excessive installed capacity in the Industry still deters growth and realizing reasonable profitable margin on its products. In this segment of IV Fluid industry, your Company, like many others of similar nature, faces continuous competition from unregulated SSI units manufacturing IV Fluids packed in ordinary glass bottles. In spite of regular reports on contamination of IV Fluids in Glass Bottles, no penal action or otherwise have been taken by the Government to put a halt to such unwanted activities.

Sanku

2. OPPORTUNITIES AND THREATS

In line with the Government policies, five products of your company viz. 5D, NS DNS, Metronidazole Injection and Cipraflaxacin Injection continue to be regulated under the Drug Price Control Order (DPCO) mechanism. In spite of several representations from the FFS Association, there has been no change in the controlled Price. Your Company survived market competition from other IV Fluid manufacturers most of whom resort to price undercutting and price war. Both these factors taken together severely affected the Company's profitability in recent past. Until and unless the Price of IV Fluids is revised by the concerned authority, this industry will continue to suffer because of market imbalances.

In view of the above factors beyond the control of the Company and in view of the emergence of Multinationals in the Pharmaceuticals Industry your Company considered it fit for contract manufacturing on behalf of the Multinationals who have strong presence in the market. This would not necessitate huge marketing set up, nor necessitate enormous marketing expenses, nor involve risks of recovery of sale proceeds on the one hand and huge working capital requirement on the other. This arrangement ensures a reasonable return on your Company's products, provided the capacity utilisation is optimized. Hence, this arrangement has proved to be a safer course considering all constraints. This sort of business process outsourcing arrangement is new and hence balance of convenience is equal for both parties to the arrangement who shares strength of others to foster their respective growth. Hence, opportunities and threats in such an arrangement can be considered as equally balanced.

3. SEGMENT-WISE / PRODUCT-WISE PERFORMANCE

The Company primarily deals only in one segment, viz., Intra-venous Fluids. Hence, reporting under sector-wise performance is not considered necessary.

Out of 17 licensed products under the above category, your Company was able to process only 5 products under Contract Manufacturing during the year under review as demanded by Fresenius. More than 91% of its production comprised of four products i.e. 5D, NS, DNS, and RL and less than 9% of the balance consisted of sale of other three products, viz., 10D, IVEOLYTE-P and IVEOLYTE-M.

4. OUTLOOK

The conversion job agreement with Fresenius expired on 31st January 2007 though the said Company suspended such arrangement effective 21st August 2006. Your Board looks forward for entering into agreement with one or more Companies of repute and introduction of some value added products which may either involve backward and/or forward integration or diversification necessitating moderate capital outlay.

5. RISKS & CONCERNS

The major concern of your Company relate to earning a fair margin of profit in order to liquidate existing liabilities over a definite time-frame. It is also concerned about the unhealthy competition and lack of effective government regulation over the manufacture of IV Fluid, DPCO etc. Other aspects of concern of your Company include high investment, low capacity utilization and single unit of production. However plans for successfully increasing the level of production are in the offing.

6. INTERNAL CONTROL SYSTEM & THEIR ADEQUACY

Maintenance of proper and adequate system of internal control ensures that all assets are safeguarded and protected against loss from unauthorized use and that all transactions are authorized, 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 (SOP) of ISO 9002 and as per Good Manufacturing Practice (GMP) standards fixed by World Health Organization which ensures high level of system based checks and controls.

An extensive program of internal and continuous Audit review supplements the internal control system as part and parcel of the Company's documented policies, guidelines and procedures.

7. FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The Income during the year ended 31st March 2007 was Rs. 216.42 Lacs which included Non-Operating Income of Rs. 6.90 Lacs and Other Income of Rs. 38.05 Lacs. Sales of own products resulted an income of Rs. 1.28 Lacs (12,050 bottles) as compared to Rs. 1.96 Lacs (16,182 bottles) in the previous year. Processing Income of Rs. 170.19 Lacs reflects chargeable contract manufacturing of 4,918,983 bottles as compared to Rs.229.63 Lacs (7,272,054 bottles) of previous year.

Your Company suffered a net operating loss of Rs 143.08 Lacs. The Net operating loss for the previous year was Rs. 140.26 Lacs.

8. HUMAN RESOURCES & INDUSTRIAL RELATIONS

Your Company employs 117 workmen. 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. Relations during the year between the management and workers were cordial.

Sembong

Your Company is committed to ensure the health and safety of every employee at its Factory by providing 24 hours free medical check-up by doctor. Your Company is also committed to promoting amongst its employees proper sense of safety, conducting of training program regularly in order to accustom and update the quality of its employees as well as to ensure self-discipline and inculcate in them the need for efficient use of materials, utilities and other resources to maximize productivity. Your Company provides free canteen facilities for its employees at its factory at Sonarpur. The employees have all along accorded unflinching support to the management for effective revival of the company.

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 the "Notes to Accounts" and applied them consistently and made judgements 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 31st March, 2007 and of the profit/loss of the Company for the year ending 31st March, 2007.
- 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.
- Your Directors have prepared the Annual Accounts on a going concern basis.

PARTICULARS OF EMPLOYEES

Section 217(2A) of the Companies Act 1956 was not applicable since there was no Employee drawing salary during the year in excess of the specified amount.

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.	735,110	1,024,906
Total Amount	Rs.	3,755,433	4,940,047
Rate	Rs. / Kwh.	5.11	4.82
ii. Furnace Oil			
Quantity	Ltr.	132,316	238,440
Total Amount	Rs.	3,253,172	4,766,792
Rate	Rs. / Ltr.	24.59	19.99
2. Consumption per Unit of Production		Current Year	Previous Year
Electricity	Kwh/ bottle	0.79	0.67
Furnace Oil	Ltr./ Bottle	0.68	0.64

Your Directors are very much conscious of the need for conservation of energy as an ongoing process and for that purpose is continuously attempting or determining ways and means of optimizing on the use of energy. The Current Modernisation Programme is expected to usher savings in cost of Furnace Oil.

B. TECHNOLOGY ABSORPTION

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

C. FOREIGN EXCHANGE EARNING AND EXPENDITURE

	(Amount in Rs.)	
	Current Year	Previous Year
Foreign Exchange Earnings	Nil	Nil
Foreign Exchange Expenditure		
Raw Materials	Nil	Nil
Spares & Components	Nil	1,359,256
Travelling	Nil	Nil
Foreign Delegation Fee	Nil	Nil

Senbo

AUDITORS AND AUDIT REPORT

Messrs. Rajesh Chaturvedi & Associates, Chartered Accountants, are the statutory auditors of the Company, who retire at the forthcoming Annual General Meeting and being eligible, have consented to act if re-appointed by the members at the Annual General Meeting.

The observations of the auditors in their report on the Company's accounts for 2006-07 are, in our opinion, have been sufficiently disclosed in the Notes on Account which forms a part of the Accounts and needs no further explanation.

Due to non-availability of accurate data, estimation in related qualified accounts, viz. interest receivable on security deposit is indeed difficult. Bonus, Gratuity and Leave Encashment are treated on cash basis as a matter of consistency. As amicable settlement with Fresenius Kabi India Limited is in process, the Board considers it premature to adjust claims, if any. In spite of the best of efforts, balance confirmation from all debtors and creditors could not be obtained timely.

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 annexed to this Report.

DIRECTORS

Sri P. K. De retires by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment. Prof. Dr. Dipti Basu was inducted by the Board for a fixed term of 2 years with effect from 2nd May, 2007 in the casual vacancy created by the expiry of term of Sri Indranil Biswas. As such the office of Prof. Dr. Dipti Basu will fall vacant with the expiry of the forthcoming Annual General Meeting. Being eligible, Prof. Dr. Dipti Basu offers herself for re-appointment.

ACKNOWLEDGEMENT

Your Directors place on record their sincere thanks and deep appreciation for solidarity and support of the employees and other stakeholders.

For and on behalf of the Board

Place: Kolkata
Date: 29th June 2007

Kajal Sengupta
Chairman & Managing Director

REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Senbo Industries Limited is committed to the objectives of the Company while ensuring accountability in the exercise of power and patronage conferred upon it. The Company is further committed to ensure compliance with the code of Corporate Governance to enhance and protect the interest of all the stakeholders.

BOARD OF DIRECTORS

The composition of the Board of Directors is regulated by the 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 its policies and oversees implementation of those policies to facilitate the taking of suitable actions for attainment of its goals.

Currently the composition of the Board of Directors consists of 8 Directors. Shri Kajal Sengupta, the main promoter and the Chairman & Managing Director heads the Board. Shri Kajal Sengupta is B.Sc. (Hons.) graduate and has 28 years valuable experience in hi-tech Construction, Pharmaceuticals and Hotel industry. No remuneration is currently paid to the Chairman & Managing Director.

The Vice-Chairman of the Board is Sri C. S. Choudhury. Shri Choudhury is a graduate in the commerce stream and is also a Fellow member of the Institute of Cost & Works Accountants of India. He has experience of nearly 5 decades covering Engineering, Construction, Steel, Project Management, Tea, Timber as well as Hotel and Pharmaceuticals.

On expiry of term of office of Shri Indranil Biswas as Joint Managing Director of the Company Prof. (Dr.) Dipti Basu, Ex Principal of National Medical College of Kolkata was inducted as Managing Director (Operations) of the Company for a fixed term of two years with effect from 2nd May, 2007 at a remuneration of Rs. 32,000 per month and other usual perquisites like provision of car with driver and re-imbursement of telephone charges, and entertainment expenses incurred on Company's business. Prof.(Dr.)Dipti Basu's educational background is MBBS, DGO, MS, MNAMS, FIPHA

Sensco

and her working experience extends to Hospital Administration, Health Care and Hospital Management, Public Health and Family Welfare Services and Medical Education & Research for over 35 years.

Shri Kingshuk Sengupta is Bachelor of Commerce and has over 14 years experience in high-tech construction, pharmaceuticals and hotel industries. He is due to retire at the ensuing AGM and being eligible offers himself for reappointment.

All Directors other than Shri Kajal Sengupta, Chairman & Managing Director, Prof. Dr. Dipti Basu, Managing Director Operations, Shri C. S. Choudhury, Vice Chairman and Shri Kingshuk Sengupta are independent Directors. The representation on the Board of executive vis-à-vis non-executive directors is 4:4 and consists of eminent persons like Shri S. P. Roy Choudhury, a post graduate in law & commerce with additional expertise as "Company Secretary and Cost and Works Accountant". He has wide experience spanning over 3 decades in Government Finance, Audit and Company Law matters.

Shri P. K. De is a retired IAS Officer who during his service career officiated as District Magistrate and for sometime also held the post of Joint Secretary (Labour) to the Govt. of West Bengal. He has wide experience in Administration and Management. He is due to retire by rotation and being eligible is agreeable to re-appointment at the forthcoming Annual General Meeting.

Dr. Saibal Chakraborty, MBBS is a reputed Cardiologist and has high experience in medical profession for over 2 decades.

Shri Pradip Kumar Chakraborty, a representative of small shareholders of the Company, has nearly 4 decades of business experience.

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

BOARD MEETING

During the year under review four Board meetings were held respectively on 30th June, 29th July, 27th October 2006, and 29th January 2007.

The last Annual General Meeting of the Company was held on 26th September, 2006 and all Directors attended the said meeting. Details of attendance of the Board meetings, directorship and membership in committees of other companies of each Director of the Company are as follows :

Name of Directors	Attendance at Company's Board Meeting	Attendance at Board's Committee Meetings	Directorship of other Companies	Membership of Committees of the Companies
Shri Kajal Sengupta	2	5	4*	Nil
Shri C.S. Choudhury	4	29	1	Nil
Shri Indranil Biswas	2	2	2	Nil
Shri P. K. De	4	29	Nil	Nil
Shri S. P. Roychowdhury	4	4	Nil	Nil
Dr. Saibal Chakravorty	3	5	Nil	Nil
Shri Kingshuk Sengupta	3	NA	3	Nil
Shri Pradip Kumar Chakravorti	4	NA	Nil	Nil

*Shri Kajal Sengupta is Chairman of another company.

AUDIT COMMITTEE

The Audit Committee comprises of 3 Non-executive Directors and one Executive Director. The non-executive Directors being Sri S. P. Roychowdhury, Chairman of Audit Committee, Sri P. K. De and Dr. Saibal Chakraborty while Sri Kajal Sengupta, Chairman & Managing Director is the sole Executive Director. During the year under review 4 Audit Committee meetings were held, the dates of those meetings being 30th June, 28th July, 24th October 2006 and 29th January 2007.

The terms of reference and the scope of surveillance of the Audit Committee include

- Ensuring compliance and improving efficiency of internal control system as well as internal audit. Interacting with Chief Internal Auditor on significant findings and ensuring corrective actions on such issues.