

# Fifteenth Annual Report 2008-09

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## Senbo Industries Ltd.

# ANNUAL REPORT

## 2008 - 2009

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## Corporate Profile

### Board of Directors

Mr. Kajal Sengupta	Chairman & Managing Director
Mr. C. S. Choudhury	Vice Chairman
Dr. Shaibal Chakraborty	Director
Dr. Asish Kumar Sengupta	Director
Mr. Kingshuk Sengupta	Director
Mr. Pradip Kumar Chakravorty	Director

### General Manager (Finance) & Company Secretary

Mr. S. K. Mukhopadhyay

### Management Team

Mr. Hirak Dasgupta Chief Executive Officer	Mr. Bhaskar Sengupta Chief General Manager
Mr. S. K. Chowdhury General Manager (Materials)	Mr. Subrata Dasgupta Asst. General Manager (Marketing)

### Registered Office

87, Lenin Sarani, Kolkata 700 013  
Phone.: (033) 2217 8915/16, Fax : 033 2265 9485  
Email : senbo@gaiscl01.vsnl.net.in  
Website: www.senboindustries.com

### Works

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

### Bankers

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.  
D511, Bagri Market,  
71, B. R. B. Road, Kolkata 700 001





## NOTICE

NOTICE is hereby given that the Fifteenth Annual General Meeting of Senbo Industries Limited will be held at the Company's Works at Sonarpur Station Road, Karbala, Kolkata 700 103 on Wednesday, the 23<sup>rd</sup> day of September, 2009 at 11 A.M. to transact the following business :

### Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2009 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 Kingshuk Sengupta, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/S. Rajesh Chaturvedi & Associates, Chartered Accountants as Auditors of the Company who shall hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

### Special Business

4. 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, 309, Schedule XIII and other applicable provisions of the Companies Act, 1956, consent of the shareholders be and is hereby accorded to the re-appointment of Sri Kajal Sengupta as Chairman & Managing Director for a period of five (5) years with effect from 1<sup>st</sup> April, 2009, and payment of remuneration to him on the following terms :  
 A. Salary : Nil  
 B. 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.  
 C. 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."
5. To consider and if thought fit, to pass, with or without modification the following resolution as an Ordinary Resolution:  
**"RESOLVED THAT** Dr. Asish Kumar Sengupta who was appointed as Additional Director with effect from 31<sup>st</sup> October, 2008 and in respect of whom the Company has received a notice from a shareholder under section 257 of the Companies Act, 1956, be and is hereby appointed as Director of the Company."

Place : Kolkata,  
Date : 29<sup>th</sup> June, 2009

By Order of the Board  
**S K Mukhopadhyay**  
 General Manager (Finance) & Company Secretary

### Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING THE PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY DULY COMPLETED NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.



2. The Register of Members and Share Transfer Book of the Company will remain closed from 17<sup>th</sup> day of September, 2009 to 23<sup>rd</sup> day of September, 2009, both days inclusive.
3. Members 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. Members who are holding their DP Account with Depository may send their dematerialization, transfer and allied advices through their Depository.
5. Members holding shares in physical form can avail of the nomination facility by submitting Form No. 2B of the Companies (Central Government's) General Rules and Forms, 1956 with the Company or its Registrar & Share Transfer Agents. Blank Forms will be made available on request. In case of shares held in demat form, the nomination has to be lodged with their Depository Participant.
6. Members are requested to intimate the Company's queries, if any, regarding Report and Annual Accounts at least ten days before the Annual General Meeting to enable the Management to keep the information ready at the Meeting.

### **Annexure to the Notice**

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

#### *Item No. 4 of the Notice*

The present term of Sri Kajal Sengupta, Chairman & Managing Director expired on 31<sup>st</sup> March, 2009. The Board of Directors at their meeting held on 15<sup>th</sup> May, 2009 re-appointed Sri Kajal Sengupta as Chairman & Managing Director for a further period of five (5) years with effect from 1<sup>st</sup> April, 2009 at a remuneration as stated in the Notice itself.

In the interest of the Company, the Board recommends the resolution. The proposed resolution may be treated as abstract of the terms of appointment in pursuance of section 302 of the Companies Act, 1956.

None of the Directors, except Sri Kajal Sengupta and Sri Kingshuk Sengupta be deemed to be concerned and interested in the above resolution.

#### *Item No. 5 of the Notice*

Dr. Asish Kumar Sengupta, MBBS, DGO (Cal) is a reputed medical practitioner having experience for 25 years. He was appointed Additional Director with effect from 31<sup>st</sup> October, 2008. The Company has received a notice under section 257 of the Companies Act, 1956 from a shareholder to appoint him as a Director of the Company. The Board also feels that his appointment as a Director will immensely help the Company.

The Board recommends the resolution.

None, except Dr. Asish Kumar Sengupta, is concerned and interested in the above resolution.

### **BRIEF PROFILE OF THE DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING**

As required under the Listing Agreement, the particulars of Directors proposed to be re-appointed and appointed are given below:

1. Shi Kingshuk Sengupta, aged 44 years is the Director of the Company. Sri Sengupta is a Bachelor in Commerce. He has over 16 years experiences in the high-tech construction and pharmaceutical and hotel industries. He is Director of Senbo Engineering Ltd, Eleena Holdings P Ltd. He does not hold any Equity shares in the Company.
2. Sri Kajal Sengupta, aged 56 years is the Chairman & Managing Director of the Company. Sri Sengupta is B. Sc. (Hons.) and a promoter Director of the Company. He is Director of Senbo Financial Services P Ltd, Eleena Holding P Ltd and Aajkaal Publishers Ltd. He is also the Chairman and Managing Director of Senbo Engineering Limited. He holds 21,08,200 Nos. of Equity Shares in the Company. He has vast experiences in the construction, hotel, pharmaceutical industries including Project Management, etc.
3. Dr. Asish Kumar Sengupta, aged 58 years, is the Additional Director of the Company. He is MBBS, DGO and is a medical practitioner. He is not a Director of any other Company. He also does not hold any Share in the Company.

Place : Kolkata,  
Date : 29<sup>th</sup> June, 2009

By Order of the Board  
**S K Mukhopadhyay**  
General Manager (Finance) &  
Company Secretary





## DIRECTORS' REPORT

### To The Members

Your Directors have pleasure in presenting their Fifteenth Annual Report on the business and operations of the Company together with the Financial Results for the year ended 31<sup>st</sup> March, 2009.

### FINANCIAL RESULTS

	Rs. Lacs	
	2008-09	2007-08
Operating Profit / (Loss) before Finance Charges, Depreciation & Items not related to operation	(120.32)	(123.26)
Finance Charges	(1.58)	(3.12)
Depreciation	(138.22)	(138.15)
Write Off	(0.07)	Nil
Net Operating Profit / (Loss)	(260.19)	(264.53)
Other Non Operating Income	9.08	1.33
Net Profit / (Loss)	(251.11)	(263.20)
Adjustment relating to previous years	(0.90)	(1.43)
Accumulated (Loss) brought forward	(2,131.83)	(1,867.20)
Accumulated (Loss) brought forward	(2,383.84)	(2,131.83)

In view of 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

Delay in execution of job as well as related approvals of the Appropriate Authorities concerning modernization of Plant and thorough overhauling of the existing manufacturing facilities led to suspension of production during the year under review and also in the previous year. Though trial run production had been undertaken during the year under review some balancing adjustments concerning automated production were considered necessary and the same are being undertaken. The exercise is expected to be completed shortly.

### FUTURE PLANS

As your Company explored both direct marketing as well as contract manufacturing and suffered for their respective inherent pitfalls, as separately discussed in the Management Analysis, it now prefers to combine both the channels of above marketing so that the risk and reward can be balanced. The modernisation exercise is expected to result in contract export orders as the manufacturing facility has been geared upto international standard of quality production. Besides, non-exclusive contract manufacturing for the indigenous market is being worked out to reduce huge working capital requirement involved with direct marketing.

Once stability from the above direction is established, your Company proposes to branch out into value-added items outside the Drug Price Control (DPC) mechanism.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### 1. INDUSTRY STRUCTURE AND DEVELOPMENTS

There are demands of Intra Venous Fluid (IV Fluid) all over the country, specially in Eastern India. In this segment of IV Fluid industry, your Company, like many others of similar nature, faces continuous competition.

#### 2. OPPORTUNITIES AND THREATS

In line with the Government policies, five products of your Company viz, 5D, NS, DNS, Metronidazole Injection and



Ciprofloxacin Injection continue to be regulated under Drug Price Control Order (DPCO) mechanism. Your Company survived market competition from other I V Fluid manufacturers, most of whom resorted to price undercutting and price war. Earlier, your Company went for direct selling of IV Fluid in the open market but rising input cost, enormous delay in recovery of outstanding caused a great concern on profitability.

### 3. **SEGMENT-WISE / PRODUCT-WISE PERFORMANCE**

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

### 4. **OUTLOOK**

In view of the inordinate and unexpected delay involved in the modernisation exercise, your Company will be required to re-launch its products in the market. Supply to Government Hospitals through specialized Distribution Houses are further worked out. However, until a major productive capacity is booked through contract manufacturing, both direct marketing and indirect distribution are likely to be effected. Alternatively, until the Government reworks the DPC mechanism or otherwise become proactive in direct procurement of quality products, it would be difficult to come out of the existing situation till value added products could be launched. Notwithstanding all difficulties as mentioned hereinbefore, all feasible avenues are being worked out to regain the market and that is why your Company incurred huge capital expenditure to modernize the factory to make its products qualified for international market.

### 5. **RISKS & CONCERNS**

The Major concern of your Company relates 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 I V Fluid, DPCO etc. Other aspects of concern of your Company include high investment, low capacity utilization and single unit production.

### 6. **INTERNAL CONTROL SYSTEMS & 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 and 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 and procedures.

### 7. **FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE**

The Income during the year ended 31<sup>st</sup> March, 2009 was Rs. 9.08 lacs, which consists of sales of scrap amounting to Rs. 4.87 lakhs and liabilities written back of Rs. 4.21 lakhs.

Your Company suffered a net operating loss of Rs. 260.19 Lacs against Rs. 264.53 lacs of previous year.

### 8. **HUMAN RESOURCES & INDUSTRIAL RELATIONS**

At present your Company has 98 employees on role. 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.

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 31<sup>st</sup> March, 2009 and of the profit/loss of the Company for the year ending 31<sup>st</sup> March, 2009.





- c. Your Directors have taken 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 preventing and detecting fraud and other irregularities.
- d. Your Directors have prepared the Annual Accounts on a going concern basis.

#### FIXED DEPOSIT

During the year under review, your Company has not accepted any deposit from Public

#### 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 WBSEDCL			
Unit	Kwh.	143,593	94,689
Total Amount	Rs.	1,757,578	1,518,811
Rate	Rs. / Kwh.	12.24	16.04
ii. Furnace Oil			
Quantity	Ltr.	7,800	Nil
Total Amount	Rs.	1,72,581	Nil
Rate	Rs. / Ltr.	22.13	Nil

2. Consumption per Unit of Production		Current Year	Previous Year
Electricity	Kwh/ bottle	Negligible Production	No Production
Furnace Oil	Ltr./ Bottle	Negligible Production	No Production

The energy consumption has always been a priority area for the Company. Your directors are very much conscious of the need for conservation of energy as on going process and for that purpose, continuous efforts are being made for optimum usage of energy.

##### 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	Nil
Travelling	Nil	Nil
Foreign Delegation Fee	Nil	Nil

#### 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 2008-09, in our opinion, have been sufficiently disclosed in the Notes on Account which forms a part of the Accounts and needs no further explanation.



### 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 Kingshuk Sengupta, Director retires at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

The present term of Sri Kajal Sengupta, Chairman & Managing Director expired on 31<sup>st</sup> March, 2009. The Board at its meeting held on 15<sup>th</sup> May, 2009 re-appointed Sri Kajal Sengupta as Chairman & Managing Director for a further period of five (5) years with effect from 1<sup>st</sup> April, 2009. Necessary resolution has been incorporated in the Notice of Annual General Meeting.

Sri P K De and Sri S P Roychowdhury, Directors have resigned from the Board of Directors of the Company with effect from 31<sup>st</sup> October, 2008. The Board places on record their deep appreciation for their valuable advices rendered during their directorship in the Company.

Dr. Asish Kumar Sengupta was appointed as Additional Director with effect from 31<sup>st</sup> October, 2008. Notice has been received from a shareholder under section 257 of the Companies Act, 1956, proposing appointment of Dr. Asish Kumar Sengupta as Director of the Company. Necessary resolution has been incorporated in the Notice of Annual General Meeting of the Company.

### ACKNOWLEDGEMENT

Your Directors place on record their sincere thanks and deep appreciation to the various Government Departments, Banks, shareholders and employees of the Company for their continuous support to the Company.

For and on behalf of the Board

Place : Kolkata  
Date : 29<sup>th</sup> June, 2009

**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 shareholders.

### 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 the 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.

At present, the composition of the Board of Directors consists of six (6) Directors. Sri Kajal Sengupta, the main promoter and the Chairman & Managing Director heads the Board. Sri Kajal Sengupta is B.Sc. (Hons.) graduate and has 30 years of valuable experience in hi-tech Construction and Pharmaceuticals industry. No remuneration is currently paid to him. The present term of Sri Kajal Sengupta, Chairman & Managing Director expired on 31<sup>st</sup> March, 2009. The Board at its meeting held on 15<sup>th</sup> May, 2009 re-appointed Sri Kajal Sengupta as Chairman & Managing Director for a period of five (5) years with effect from 1<sup>st</sup> April, 2009.

The Vice Chairman of the Board is Sri C S Choudhury. Sri 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 five (5) decades covering Engineering, Construction, Steel, Project Management, Tea, Timber, Hotel and Pharmaceuticals.

Sri Kingshuk Sengupta is a Bachelor of Commerce and has over 15 years experience in high-tech construction, pharmaceuticals and hotel industries. He is due to retire by rotation and being eligible, offers himself for re-appointment in the forthcoming Annual general Meeting.





Sri P K De and Sri S P Roychowdhury resigned from their directorships with effect from 31<sup>st</sup> October, 2008. The Board places on record their deep appreciation for the valuable services rendered by them during their association with the Company.

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

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

Dr. Asish Kumar Sengupta, MBBS, DGO (Cal) is a reputed medical practitioner having experience for 25 years. He was inducted as Additional Director with effect from 31<sup>st</sup> October, 2008. He will continue to remain as Director till the date of ensuing Annual General Meeting. The Company has received a notice from a shareholder under section 257 of the Companies Act, 1956 proposing his appointment as a Director of the Company, liable to retire by rotation. Dr. Sengupta has also consented to act as Director of the Company.

All Directors other than Sri Kajal Sengupta, Chairman & Managing Director, Sri C S Choudhury, Vice Chairman and Sri Kingshuk Sengupta are independent Directors. The representation on the Board of Directors of executive vis-à-vis non-executive Directors is 3:3.

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

## BOARD MEETING

During the year under review five Board meetings were held on 18<sup>th</sup> April, 27<sup>th</sup> June, 28<sup>th</sup> July, 31<sup>st</sup> October, 2008 and 23<sup>rd</sup> January, 2009.

The last Annual General Meeting of the Company was held on 24<sup>th</sup> September, 2008. The composition of the Board of Directors and their attendance at the Board Meetings during the year and at the Annual General Meeting and the number of other Directorship and Board Committee Membership/Chairmanship are as follows :

Name of Directors	Category	Attendance		Number of other Directorship & Committee Membership/ Chairmanship		
		Board Meeting	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
Shri Kajal Sengupta	Promoter, Executive Director	5	No	4	1	-
Shri C.S. Choudhury	Executive Director	5	Yes	1	2	-
Shri P. K. De	Independent Non-Executive Director	3	Yes	-	3	1
Shri S. P. Roychowdhury	Independent Non-Executive Director	2	Yes	-	3	1
Dr. Shaibal Chakraborty	Independent Non-Executive Director	5	Yes	-	3	2
Shri Kingshuk Sengupta	Independent Non-Executive Director	4	Yes	3	-	-
Dr. Asish Kr Sengupta	Independent Non- Executive Director	1	NA	-	1	1
Shri Pradip Kumar Chakravorty	Independent Non- Executive Director	4	Yes	-	-	-

## AUDIT COMMITTEE

Consequent on resignation by Sri P. K. De and Sri S. P. Roychowdhury from the directorships of the Company, the Audit Committee has been re-constituted with 2 Non-Executive Directors and one Executive Director. The non-executive Directors being Dr. Shaibal Chakraborty and Dr. Asish Kumar Sengupta while Sri Kajal Sengupta, Chairman & Managing Director is the sole Executive Director. During the year under review five Audit Committee Meetings were held, the dates of those meetings being 18<sup>th</sup> April, 27<sup>th</sup> June, 28<sup>th</sup> July, 31<sup>st</sup> October, 2008 and 23<sup>rd</sup> January, 2009. The composition of the Committee and the attendance at the meetings of the Committee are given below: