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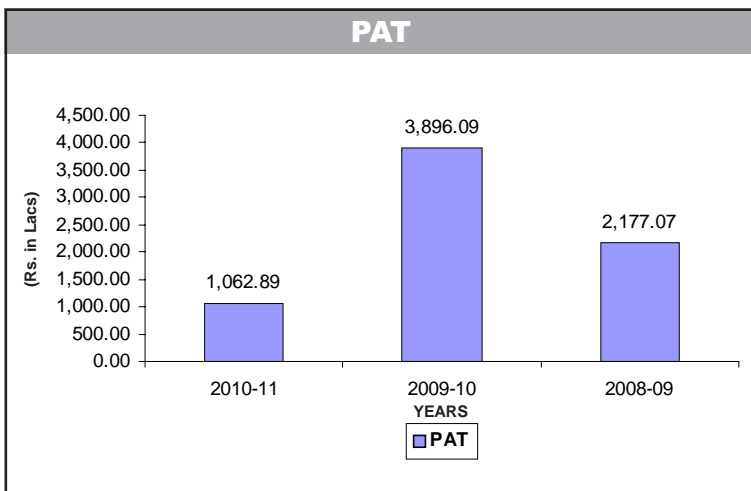
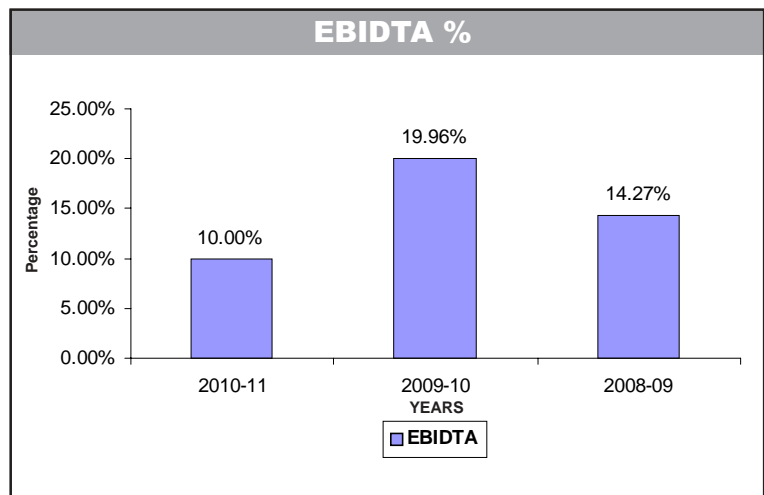
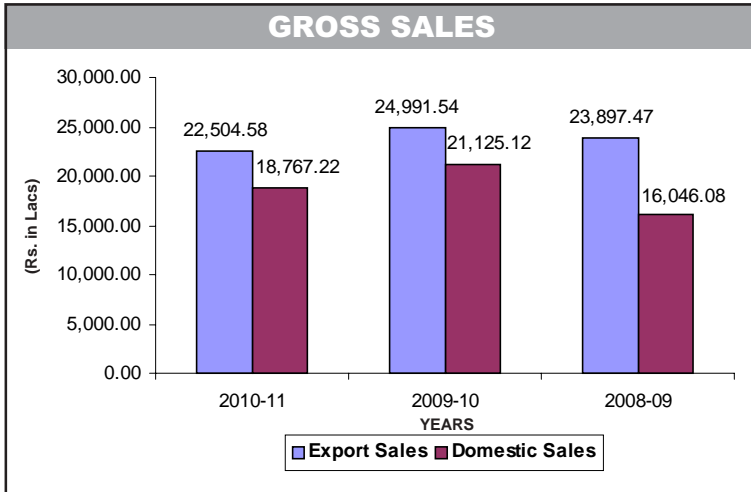
**CORPORATE INFORMATION****BOARD OF DIRECTORS**

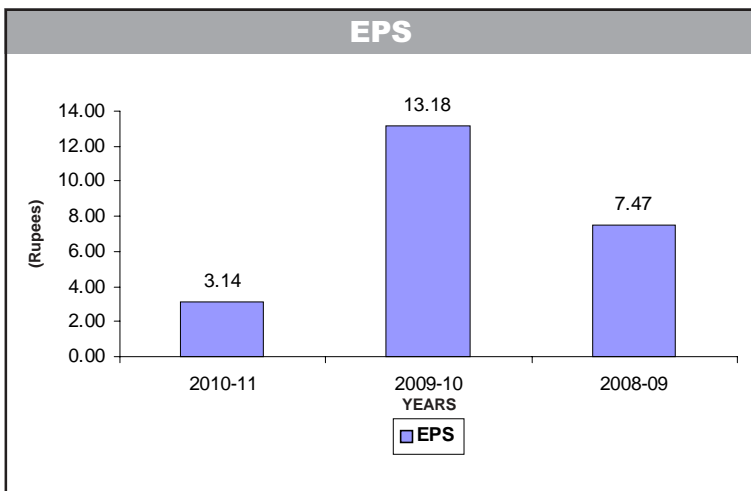
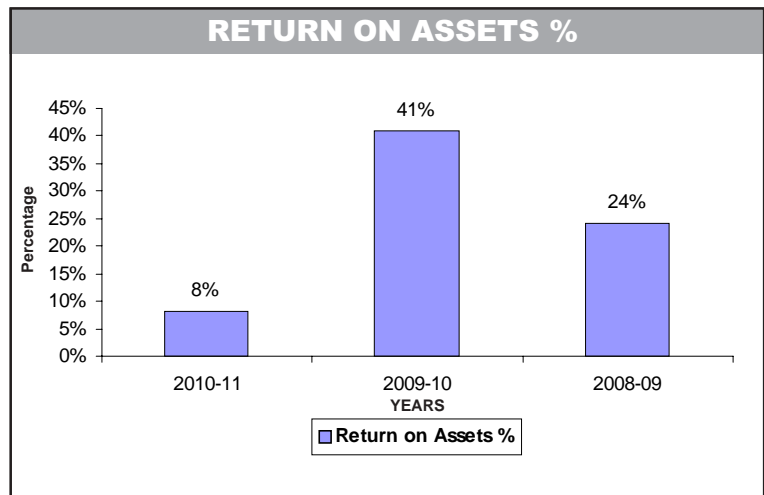
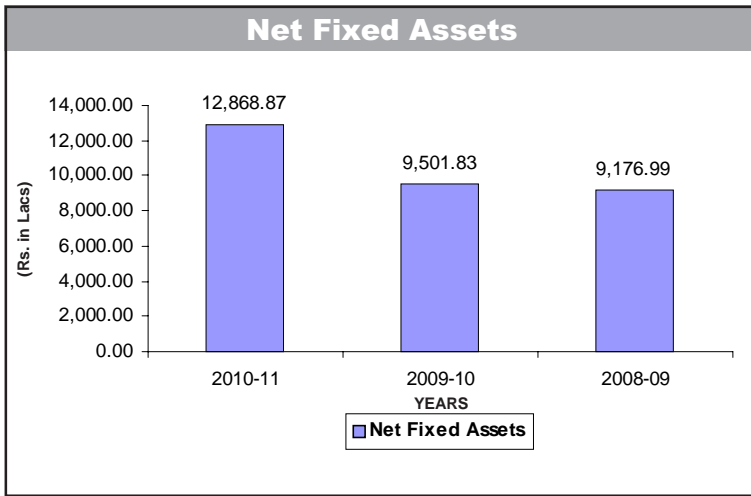
<b>Mr. Hero J. Chuganee</b>	<i>Chairman</i>
<b>Mr. Mohit H. Chuganee</b>	<i>Vice Chairman &amp; Managing Director</i>
<b>Mr. Sumit H. Chuganee</b>	<i>Executive Vice Chairman &amp; Whole-time Director</i>
<b>Mr. Rajesh Sharma</b>	<i>Whole-time Director &amp; Chief Operating Officer</i>
<b>Mr. Kishore Dudani</b>	<i>Director</i>
<b>Mr. John R. English</b>	<i>Director</i>
<b>Mr. Raj Tandon</b>	<i>Director</i>
<b>Dr. Mahendra S. Kothari</b>	<i>Director</i>

**COMPANY SECRETARY****: Ms. Pritam P. Vartak****AUDITORS****: M/s. SMNP & Co.,**  
*Chartered Accountants***COMPANY SECRETARIAL  
CONSULTANTS****: M/s. Rathi & Associates**  
*Company Secretaries***BANKERS****: Union Bank of India**  
Bank of India  
Federal Bank  
IDBI Bank Ltd.  
Dena Bank  
State Bank of India  
Ratnakar Bank  
Oriental Bank of Commerce  
Axis Bank Limited  
ICICI Bank Limited  
Export-Import Bank of India**SOLICITORS****: M/s. Rajani Associates****REGISTERED OFFICE &  
FACTORY****: Plot No. 2102, GIDC,**  
Sarigam – 396 155, Dist : Bulsar  
State: Gujarat  
Telefax : 0260 3918500**CORPORATE OFFICE****: A-302, Phoenix House,**  
3<sup>rd</sup> Floor, 462, Senapati Bapat Marag,  
Worli (East), Mumbai – 400 013.  
Tel. No. : 022-6113 2400 • Fax : 022-2495 3727**REGISTRAR & SHARE  
TRANSFER AGENTS****: Link Intime India Pvt. Ltd.**  
C-13, Pannalal Silk Mills Compound,  
L. B. S. Marg, Bhandup (W),  
Mumbai – 400 078.  
Tel. : 022-2596 3838 • Fax : 022-2594 6979



**GRAPHICAL PRESENTATION OF HISTORICAL FINANCIAL RESULTS**





**DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting the 20<sup>th</sup> Annual Report and Audited Accounts of your Company for the year ended 31<sup>st</sup> March, 2011.

**FINANCIAL HIGHLIGHTS :**

The Financial Results of the Company, for the year ended 31<sup>st</sup> March, 2011 is summarised below :

	<i>(Rs. in lacs)</i>	
	Year ended 31.03.2011	Year ended 31.03.2010
<b>GROSS SALES</b>		
Domestics	21,564.21	21,125.12
Exports	22,504.58	24,991.54
<b>TOTAL</b>	<b>44,068.79</b>	46,116.66
<b>Net Sales</b>	<b>41,271.80</b>	43,031.93
<b>Profit before Interest, Depreciation, Tax &amp; Extra ordinary items</b>	<b>4,711.19</b>	8,587.93
<b>Less : Interest and Finance Charges</b>	<b>1,573.61</b>	1,704.95
Depreciation	<b>804.72</b>	749.48
<b>Profit before Tax &amp; Extra ordinary items</b>	<b>2,332.86</b>	6,133.50
<b>Less : Provision for Tax</b> (including Deferred Tax)	<b>684.41</b>	2,237.41
<b>Less : Extra ordinary items</b>	<b>585.56</b>	0.00
<b>Net Profit After Tax before prior period adjustment</b>	<b>1,062.89</b>	3,896.09
<b>Less : Prior period adjustments</b>	<b>0.00</b>	24.78
<b>Net Profit after Tax</b>	<b>1,062.89</b>	3,871.31
Balance brought forward	<b>6,740.00</b>	3,343.99
<b>Profit available for appropriation</b>	<b>7,802.89</b>	7,215.30
<b>APPROPRIATIONS :</b>		
Proposed Dividend	<b>0.00</b>	406.25
Corporate Tax on proposed Dividend	<b>0.00</b>	69.05
<b>Balance carried forward</b>	<b>7,802.89</b>	6,740.00

**OPERATIONS :**

The Company's net sales were amounted to Rs. 41271.80 lacs for the financial year 2010-11 compared to Rs. 43031.93 lacs of the Previous Financial Year. There was a partial decrease in the net sales of the Company in the financial year 2010-11 as compared to that of previous financial year 2009-10. The Company's net domestic sales increased by 3.87% and it constitute more than 45.47% of total sales for financial year 2010-11. The Company has achieved net profit before taxes of Rs. 2332.86 lacs in financial year 2010-2011 as against Rs. 6133.50 lacs in financial year 2009-10. Extraordinary items amounting to Rs. 585.56 lakhs in financial year 2010-2011 were related to balances write off that resulted during the migration of the companies ERP system from Tally to SAP. The Profit after Taxes was amounted to Rs. 1062.89 lacs in

financial year 2010-11 as compared to Rs. 3871.31 lacs in financial year 2009-10. The lower operations and consequently lower profit for the financial year under review was mainly due to two shut downs of plants during financial year 2010-2011, relating to the project execution for expansion of existing plants and Queshst and EMS related issues and activities.

**EXPANSION PROGRAM :**

The Company is currently in the process of setting up an export-oriented unit for variety of formulations manufacture and also for technical active ingredients at Dahej SEZ in Gujarat with an estimated capacity of 2650 tonnes per annum. The first phase of the formulation section will be commissioned in this year and the technical ingredients to follow soon thereafter.

**AUDITORS' REPORT :**

With respect to the observations/comments in the Auditors' Report & its Annexure, your attention is invited to para II.5.2.f, II.6 of Schedule 18 forming part of the Accounts & Notes, which is self-explanatory and do not call for any further comments pursuant to Section 217(3) of the Companies Act, 1956.

**PUBLIC DEPOSITS :**

The Company has not accepted any Deposits from Public within the meaning of Section 58A of the Companies' Act, 1956 during the financial year under review.

**INSURANCE :**

All the properties of the Company have been adequately insured.

**BANK & FINANCIAL INSTITUTIONS :**

The company has inducted Export Import Bank of India as its term lender for its Expansion Scheme at Sarigam.

We wish to place on record our appreciation for the support of all our bankers including Union Bank of India, Bank of India, Federal Bank, Axis Bank, State Bank of India, Ratnakar Bank, Oriental Bank of Commerce, Dena Bank, IDBI Bank, ICICI Bank Ltd. and Export Import Bank of India.

**DIRECTORS :**

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Dr. Mahendra S. Kothari and Mr. John English, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

**DIRECTOR'S RESPONSIBILITY STATEMENT :**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed :

- (i) that in the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March, 2011, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- (ii) that the Directors have selected such accounting policies 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 as at 31<sup>st</sup> March, 2011 and of the profit of the Company for the year ended on that date;

- (iii) that the 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; and
- (iv) that the Directors have prepared the Annual Accounts for the financial year ended 31<sup>st</sup> March, 2011 on a 'going concern' basis.

#### CORPORATE GOVERNANCE :

A Report on Corporate Governance along with a Certificate obtained from M/s. Rathi & Associates, Company Secretaries in Whole-time practice, regarding compliance of the requirements of Corporate Governance for the financial year 2010-11 pursuant to Clause 49 of the Listing Agreement are annexed hereto.

#### AUDITORS :

The term of M/s. SMNP & Co, Chartered Accountants, as Statutory Auditors of the Company expires at the conclusion of the ensuing Annual General Meeting and they are eligible for re-appointment. The retiring Auditors have furnished a certificate of their eligibility for re-appointment, as per prescribed limits specified under Section 224 (1B) of the Companies Act, 1956 and have indicated their willingness to continue the said office. Members are requested to appoint auditors for the Current Financial Year and to authorise the Board to fix their remuneration.

#### SUBSIDIARIES :

A statement relating to subsidiary Companies (1) Sabero Australia Pty. Ltd. (2) Sabero Europe B. V. (3) Sabero Argentina S. A. (4) Sabero Organics America S. A. as per the provision of Section 212 of the Companies Act, 1956 is annexed.

Pursuant to the provision of Section 212(8) of the Companies Act, 1956, the Ministry of Corporate Affairs vide its circular dated February 8, 2011 has granted general exemption from attaching the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies with the Balance Sheet of the Company. A statement containing brief financial details of the Company's subsidiaries for the financial year ended March 31, 2011 is included in the Annual Report. The annual accounts of the Subsidiaries companies will be made available for inspection to the members of the Company, if so desired.

#### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ADOPTION & INNOVATION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

Information relating to the Conservation of Energy, Technology Absorption, Adoption & Innovation and Foreign Exchange Earnings and Outgo required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are annexed hereto and forms part of this report.

#### PARTICULARS OF EMPLOYEES :

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, is attached and forms part of this Report.

#### ACKNOWLEDGEMENTS :

Your Directors take this opportunity to express their sincere appreciation for the excellent support and co-operation extended by the investors, suppliers, vendors, customers, bankers, financial institutions and other business associates. Your Directors gratefully acknowledge the ongoing co-operation and support provided by

the Central and State Government of Gujarat and all regulatory bodies.

Your Directors also place on record their deep appreciation for the cooperation extended by the employees at all levels and for their significant contribution in the growth of the Company.

On behalf of the Board of Directors

Place : Mumbai  
Date : 27<sup>th</sup> May, 2011

Sd/-  
Hero J. Chuganee  
Chairman

### ANNEXURE "A" TO THE DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, and forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2011.

#### FORM - A

#### DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	CURRENT YEAR 2010-11	PREVIOUS YEAR 2009-10
<b>A. POWER &amp; FUEL CONSUMPTION</b>		
<b>1) Electricity</b>		
a) Purchased Units (kwh)	21,142,000	22,072,280
Total Amount (Rs.)	130,010,642	139,732,274
Average Rate / Unit (Rs.)	6.15	6.33
b) Own Generation		
Through Diesel generator		
Unit (kwh)	266,820	180,704
Diesel used in D.G.	109,921	59,970
Unit per litter of Diesel Oil	2.61	3.01
Cost per unit (Rs.)	16.33	26.85
<b>2) Fuel for Steam Generation</b>		
<b>i. Furnace Oil</b>		
Quantity (KL)	69.92	581.755
Total Amount (Rs.)	2,487,184	9,900,466
Average Rate (Rs./KL)	35,572	17,036
<b>ii. HSD (kl)</b>		
Total Amount (Rs.)	Nil	Nil
Average Rate (Rs./kl)	Nil	Nil
<b>iii. Natural Gas, cubic meters</b>		
Total amount (Rs.)	8,552,695	9,565,560
Average rate (Rs./ cu. Mtr)	149,005,363	140,418,726
	17.42	14.68

#### CONSERVATION OF ENERGY :

##### Points on conservation of energy :

1. Increased Boiler efficiency by installing economizer and air pre heater.



2. Replaced 270 HP motor with 150 HP Motor to improve motor loading and capacity utilization in Booster B chilled brine system.
3. Revamping of one incinerator with conversion from Liquid fuel to Natural Gas.
4. FRP roofing sheets with roof ventilation installed at Stores and Utility area, thereby reducing energy consumption.
5. Chilled Brine System insulation revamped resulting in energy saving.
6. 500 TR Chilled Water Plant installed & commissioned, thereby improving the temperature of Chilled Water.

Disclosure of particular with respect to :

**a) Research & Development : (R & D)**

R & D of the Company is recognized by Department of Science & Industrial Research (DSIR), Government of India and is fully equipped with modern sophisticated instruments like Gas Chromatography, High Pressure Liquid Chromatography, UV-Visible Spectrophotometer, Potentiometer Titrator, and ultra modern equipments with the state of art of modern technology with excellent highly qualified and skilled man power inclusive of PhD's and Post graduates as the working staff with high values and experience and contributing to the overall growth of the company.

The in-house developed products without patent infringement are being introduced on commercial scale of which a few are already commercialized keeping in mind the EMS systems whereby the effluents generated are recycled for reuse and thereby reducing the effluent loads, the process developed are user friendly.

R&D has its own regulatory affairs department wherein registration activities are done and have been internationally recognized, we are shortly going in for the accreditation of GLP

status for the enlistment of the Company's image to be a global player.

**b) Technology absorption, adoption and innovation :**

During the financial year 2010-11, R&D has developed products with backward integration NaHTCP the basic raw material of Chloropyrifos and subsequently Chloropyrifos using Aqueous Technology developed in-house whereby excellent yields and purity are obtained. In addition, process for Pretilachlor and a new compression technology of 90% and 97% Acephate prills was developed.

Some of the products already developed are in the process of commercialization like Azoxystrobin, Triclopyr Butotyl Ester, Thiamethoxam, Cartap Hydrochloride and the complete range of synthetic Pyrethroids.

**c) Foreign Exchange Earnings and Outgo :**

(Rs. in Lacs)

	CURRENT YEAR 2010-11	PREVIOUS YEAR 2009-10
<b>1. Foreign Exchange earned</b>		
Export of goods on FOB basis	<b>21,892.70</b>	21,658.15
<b>2. Outgo of foreign exchange</b>		
— Raw materials on CIF basis	<b>14,014.63</b>	12,586.98
— Traveling	<b>46.41</b>	30.24
— Commission	<b>147.72</b>	735.26
— Product Registration Expenses	<b>23.61</b>	24.88
— Others	<b>29.71</b>	20.20
<b>TOTAL OF (2)</b>	<b>14,262.08</b>	<b>13,397.56</b>

**ANNEXURE "B" TO THE DIRECTORS REPORT**

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and forms part of the Directors' Report for the year ended 31<sup>st</sup> March, 2011 as under :

Name of Directors	Designation	Gross Re-muneration (Rs. in lacs)	Qualification	Experi-ence (Years)	Date of Commencement of employment	Age	Particulars of last employment
Hero J. Chuganee	Chairman	9.79	B.Sc., MII CHE, D.Chem Engg.-London, AMP, Harvard University, USA.	44 Years	29-11-1991	77 Years	Indofil Chemical Company Chief Executive
Mohit H. Chuganee	Vice Chairman & Managing Director	63.08	B.Sc. in Electrical Engineering, Virginia Tech, USA, M.B.A. in International Management Thunderbird University, USA.	23 Years	29-11-1991	45 Years	Echostar Corporation, USA / Europe
Sumit H. Chuganee	Executive Vice Chairman and Whole-time Director	62.48	B.S. in Electrical Engineering Virginia Tech, M.B.A. in Finance, Duke University, USA.	21 Years	07-05-1992	44 Years	Rohm & Haas, USA

## MANAGEMENT DISCUSSION AND ANALYSIS

Statements in this Report, particularly those which relate to the Company's objectives, projections, estimates and expectations may constitute forward looking statements within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.

### BUSINESS ENVIRONMENT & INDUSTRY OVERVIEW

#### Global Agrochemical Industry :

The major developments in Global Agrochemical Industry which will have impact in coming years are:

1. Development of new pesticide molecules is highly cost and time intensive, because of same globally the R&D base is shrinking with only 25 companies presently being operative in Molecule Discovery.
2. Usage of non-crop, value added agrochemicals is increasing globally @ 4-5% p.a.
3. Various agrochemicals getting off patent in coming 5-yrs, offering manufacturers new opportunities
4. More impetus on GM crops and safety

#### Indian Agrochemical industry :

Agrochemicals are classified as Insecticides, Herbicides and Fungicides. In India, insecticides contribute the largest share. Globally, herbicides constitute the largest consuming agrochemical segment. As the Company directly depends on the agriculture industry, the company's performance is based on the success and performance of the Agriculture Industry. As regards the Indian Agriculture Industry, it provides significant support for economic growth and social transformation of the country. As one of the world's largest agrarian economies, the agriculture sector (including allied activities) in India accounted for more than 15% of the GDP and contributed approximately more than 10% of total exports.

Agro chemical industry was, is and would always remain the mainstay of global economics - more so in developing countries like India mainly due to:

- Meeting nutrition requirement of the population with declining, available cultivatable land poses the real challenge.
- In India alone, there would be shortage of 25MMT of approximately food grains with the present growth rate of food grains production.
- Declining growth rate of food production poses serious challenge as its growth rate would have to the literally tripled to feed the ever growing population of the country.
- Agrochemicals being part of the agriculture system get affected by every event / action that affects agriculture.

Global economies are forced to open, and the resultant need for Indian farmers to produce and deliver world quality crops at globally competitive costs. The major factors which have a bearing on the Indian Agriculture and Agro Chemicals Industry are:

- Indian agriculture to undergo major reform and maturity and same trend to be applicable to Agrochemical Industry.
- Disproportionate export subsidies to fade soon.
- Consolidation of land and operations, economies of scale, and technology up-gradation.

Consolidation in players, markets, crops will throw up large opportunities in the agrochemical industry.

Hence, Indian Agrochemical industry is at an interesting cross road with potential huge growth opportunities. However, it must gear up for and facilitate an agriculture revolution in the country, and outside focus and market orientation is must.

### COMPANY'S PERFORMANCE :

The Company has exposure in all three segments of the crop protection industry *i.e.* Fungicides, Insecticides and Herbicides. In order to have diversified portfolio, the Company has strategically concentrated on one or two key products in each of the segment. The Company has also made its presence in these segments in such a way that the products have different selling seasons which ensures fairly stable and uniform sales throughout the year to overcome historical seasonality of the business.

As regards marketing, the Company had wide a spectrum of customers in over 50 countries. It is a supplier to many multinationals having their own registrations and also market through distribution network under its own brand name in a number of countries including India, Europe, Brazil, Uganda, Argentina, Morocco, etc. The Company also has four subsidiaries in Australia, Europe, Brazil and Argentina. These companies were formed with an object to obtain registrations in the respective countries and these have been used as vehicles for building a distribution network in the relevant regions.

The Company's domestic and export sales is at approximately 45%-55% in the financial year 2010-11. In the year under review there has been some decline in exports, primarily because more priorities were given to the domestic market considering the scope available in the Indian market which will help the Company to develop this market in the long-term. The Company has designed a strategy to introduce required product at the right time to get the maximum benefits of the available market through a dedicated market development team.

The sales in the financial year 2010-11 were subdued and the Company achieved net sales at Rs. 41271.80 lacs, EBITDA was at Rs. 4711.19 lacs, and the PBT was at Rs. 2332.86 lacs and the annualized EPS was at Rs. 3.14 per share.

The operations of the financial year under review disrupted for a total of about two months, due to plant shutdowns, related to the project execution and EMS related issues and activities. As a result of this, the overall sales values were lower by 4% as compared to the immediate preceding financial year. The lower operations were due to the disruption of activities primarily because of projects and QUEHST activities. In the current financial year, the contribution to the sales and net profit as a result of the investments in the current facility in terms of expansion of capacities of Monocrotophos and Chloropyriphos have not really been reflected and the Company is expected to receive its benefits in the current financial year. Of the expansion project in Sarigam, the insecticides expansion, after some delay has been completed and the plant is being stabilized. The Fungicide plant (propineb) is expected to be complete by Q3. The company's new "Pyrethroids" project in Dahej SEZ Ltd. is progressing and is expected to start its formulation section by January, 2012 and other products thereafter.

In the financial year under review in forms of international business, the company has received number of registrations in various Companies. The Company received Mancozeb 80 WP, and Acephate technical registration in Brazil, which is third technical and fifth registration in Brazil. Sales for Mancozeb to Brazil has commenced in May. The Company is further expected to receive registration for formulation of Acephate in Brazil in the current financial year, as also is expecting to receive the registration of Glyphosate next year. In 2010-2011, the company received the registration for Glyphosate 41% SL in Ireland, France and Germany and Glyphosate Technical in Spain. The company also received the registration for Mancozeb Technical and Chloropyriphos technical in China and has commenced sales of Mancozeb to China. Other notable registrations include DDVP in Nigeria, Methamidophos and Monocrotophos in Zimbabwe,





Acephate 75% in Indonesia, Methamidophos in South Africa, Glyphosate 41 in Bangladesh and Morocco, Mancozeb 600 SC and 75 WDG in Ivory Coast, Mancozeb 80 WP in Cameroun, Ghana, Pakistan, Malaysia, Chloropyriphos 48 EC in Uruguay, Mancozeb+Cymoxanil in Colombia among many other registrations in other markets.

As regards prices of raw materials, one of the main raw materials is Ethylenediamine (EDA), has shown an increase in the financial year under review. The price increase has been primarily because of a demand and supply position. However since the expansion scheme of the main suppliers of the said raw materials are under way, it is expected that from June 2011 onwards, the prices for this important raw material will start subsiding as a result of the increased supply. Initial indications are that prices in June for EDA may drop by 10% and this will improve margins. The other main raw material is phosphorus, prices of which is remained more or less stable in financial year 2010-11. In general, the raw material prices remained stable in the financial year under review. The other expenditure is consumption of gas and freight which has gone up considerably in the current financial year.

#### **FUTURE OUTLOOK :**

The Company has a diversified product portfolio for Insecticides, Herbicides, Fungicides and Specialty chemicals.

To analyse the performance of the Company it would be necessary to focus on Product wise performance. One of the key products of the Company is Mancozeb and the Company has a leadership position in this product. The key areas to grow in this molecule are really market expansion. In terms of capacities the Company has adequate capacities and presently it is operating at 60% capacity utilization and there is an availability of spare capacity of 40% of the plant. One of the largest markets for Mancozeb is Europe, however the Company is not currently participating in since the said product falls under data protection and the period for data protection is getting over in June 30, 2011. Hence, the Company is gearing up for obtaining registrations for Europe for Mancozeb. Another large market for Mancozeb is Brazil and the Company has got registration in Brazil in third quarter of the 2010-11 and it commenced supplies of Mancozeb to Brazil in the current quarter.

The Company is aspiring to achieve 20% of the global market share of Mancozeb as against present market share of 10% to 11%. The global market for Mancozeb is roughly \$500 million molecule. Hence, this would be one of the cornerstones of growth of the Company in years to come.

Another product which is one of the strongest products is Monocrotophos, wherein the Company has currently undergone an expansion. In the said Product, the Company is completely backward integrated starting right from its core raw materials. On completion of proposed Expansion Programme the Company will hope to achieve a 40% market share. The Company is further expected to receive the benefit of exit of one of the major players from the Monocrotophos business in the last year and therefore it was an opportunity for the Company to expand its capacity and take over that market share or at least part of the market share vacated by exit of the said supplier.

The third important product is Chloropyriphos, where again the company has expanded its capacity in the current year and again, the plant is under trial runs and the expansion will result in more than 50% to 60% increase of the capacity. The major expansion scheme has also been taken up to optimise the plant by optimizing the process and therefore making the plant more cost-effective in terms of cost of production. The Company has global registrations of Chloropyriphos in Argentina, in Brazil, all over LATAM, Africa, Australia, Asia as well as India is a substantial market.

In terms of marketing the branded business in India will be a major growth area for the Company. In the Financial Year 2010-11, sales force is expanded by inducting an additional 50 persons in the

marketing field. The Company is planning to further expand the sales force in the current financial year. Along with these additional sales force the dealer network is also being expanded and the dealer network. Hence the Company is expecting higher than normal growth as compared to other business divisions in the branded formulation segment of the Company. Other geographical areas of growth will be Brazil, Europe, Latin America and Africa as key areas of growth.

The Company's new facility at Dahej is also to be commissioned next year would be for different products, namely, synthetic pyrethroids. The overall market size of the said product would be in the range of \$600 million to \$700 million, out of which exports from India itself are significant. Hence, this is again a product wherein a demand/supply gap exist. Hence this will also another avenue for the Company's growth, however, these would contribute in the FY 2012-13.

Hence, the current year has been indifferent primarily because of downtime and delays by three to six months in commissioning various expansion projects. However, with most of these projects at its final stages, it is expected that in next financial years, the company deliver higher sales and after full implementation of expansion scheme at Dahej, adding new products to the product portfolio, the growth strategy of the Company is to double the sales in the next four to five years.

#### **HEALTH, SAFETY & ENVIRONMENT (HSE)**

The Company with its commitment to the Safety & Health Policy continues to be compliant with all statutory permissions and approvals. The Company has revamped the existing incinerators and is also installing a state of the art incinerator of high capacity to meet the expansion in production capacity, which was commissioned in the current financial year. The Company with its commitment to safety and environment has regular internal audits in place and has created safety awareness among the employees. The company has invested close to Rs. 11 crores to expand and strengthen its EMS infrastructure and system to take care of its next phase of growth

#### **RESEARCH & DEVELOPMENT :**

The Company is further working on new products like Cartap Hydrochloride, Azoxystrobin, Thiamethoxam and various Synthetic Pyrethroids and expected to commence the commercial production of some of the products during the coming financial years, based on market conditions. The Company has several products (insecticides, herbicides and fungicides) which are at different stages of development and will commercialize them in the near future.

#### **RISKS & CONCERNS :**

The Company continues to face concerns over very high cost of power, which is a barrier to further explore the possibilities in certain products that are utility intensive processes.

#### **INTERNAL CONTROL & SYSTEMS :**

The Company's in-house internal audit cell is working satisfactorily and the Company has continued to receive services of a reputed internal audit firm with increased and comprehensive scope of services for ongoing audit of various processes and transactions. The Company's strong Internal Audit and Control Systems are already in place to achieve Total Productive Maintenance (TPM). The Company has been regularly organizing ongoing programs on TPM, and has been undergoing a continuous TPM implementation program by PriceWaterHouse Consulting, and this has helped the Company to achieve reduction in downtime, rejections and wastages and improvement in delivery schedule. The Company's effective and stronger MIS has made possible to take informed decisions well in time and is using SAP as the accounting and ERP system for the company.

## CORPORATE GOVERNANCE REPORT

Corporate Governance is one of the most important aspects for building a sustainable organization. The Company believes that implementation of Corporate Governance Practices, maintaining transparency and dissemination of maximum information to stakeholders is beneficial for the Company and its stakeholders.

The Company believes in and has consistently practiced good Corporate Governance. The Company continuously endeavors to create an environment for efficient conduct of the business and to enable management to meet with its obligations towards its stakeholders, including shareholders, customers, distributors, employees and the community in which the Company operates.

The Company has belief in principles and attributes of Corporate Governance practices for enhancing shareholders' wealth. To adhere to these principles, the following initiatives were taken by the Company from time to time.

- Composition of Board of Directors with an appropriate mix/balance of Executive and Non- Executive Directors with right element of independence,
- Transparency and accountability.
- Compliance with applicable rules and regulations.
- Proper systems of Internal Control.
- Timely flow of information to the Board and its Committees for enabling them to discharge their duties effectively.

### REPORT ON CORPORATE GOVERNANCE

In terms of Clause 49 of the Listing Agreement of Stock Exchanges, the Compliance Report on Corporate Governance is given as under:

#### 1) COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :

Sabero's Philosophy on the Code of Governance as adopted by its Board of Directors ensures:

- that quantity, quality and frequency of financial and managerial information which is shared with the Board, fully places the Board members in control of the Company's affairs.
- that the Board exercises its fiduciary responsibilities towards stakeholders thereby ensuring high accountability.
- that the extent to which the information is disclosed to present and potential investors is maximized.
- that the decision-making is transparent and documented through the minutes of the meetings of the Board/ Committees thereof.
- that maximising long term value of the stakeholders and of

the Company along with protecting interest of the minority shareholders.

- that core values of the Company are protected.
- that the Company positions itself from time to time to be at par with any other Company of the operating practices.

#### 2) BOARD OF DIRECTORS :

##### (a) Composition and Category of Directors

The Composition of Board of Directors of the Company is in conformity with the requirements of the Corporate Governance Code of the Listing Agreement with the Stock Exchanges. The Board of Directors of the Company consists of optimal combination of Executive, Non-Executive and Independent Directors.

As on 31<sup>st</sup> March, 2011, the Board has Eight (8) Directors, comprising of Three (3) Executive Directors and Five (5) Non-Executive Directors of which four (4) are independent Directors. Presently, the Chairman of the Board is Non-Executive Director.

The Independent Directors on the Board are experienced, competent and having a wide knowledge in their respective fields. All the members of the Board take active part in the Board and Committee Meetings. None of the Directors on the Board is a member on more than 10 Committees. The Company has obtained requisite disclosures from the Directors in respect of their respective Directorship and Committee Membership in other Companies.

##### (b) Boards functioning and procedure

The Board plays a pivotal role in ensuring good governance. The Board's role, functions, responsibility and accountability are clearly defined. In addition to its primary role of setting corporate goals and monitoring corporate performance, it directs and guides the activities of the Management towards the attainment of goals and determines accountability with a view to ensure that the Corporate Philosophy and mission viz. to create long term sustainable growth that translates itself into progress, prosperity and the fulfillment of stakeholders' aspirations is accomplished.

Attendance of each Director at the meeting of the Board of Directors held during financial year 2010-11, the last Annual General Meeting and disclosure in respect of number of other companies and committees in which each of the Directors of the Company is a member or Chairman is as follows:

Name of the Director	Category	Attendance in Board Meeting (No. of Board Meeting held : 5 during the F.Y. 2010-11)	Attendance in last AGM Held (Y=Yes N=No)	Other Companies			
				Board Directorship	Board Chairmanship	Committee Membership (including Chairmanship)	Committee Chairmanship
Mr. Hero J. Chuganee	Non-Executive Chairman	5	Y	Nil	Nil	Nil	Nil
Mr. Mohit H. Chuganee	Vice Chairman & Managing Director	3	Y	Nil	Nil	Nil	Nil
Mr. Sumit H. Chuganee	Executive Vice Chairman & Whole-Time Director	4	Y	Nil	Nil	Nil	Nil
Mr. S. R. B. Nair***	Whole-Time Director & Chief Operating Officer	3	N. A.	Nil	Nil	Nil	Nil



Name of the Director	Category	Attendance in Board Meeting (No. of Board Meeting held : 5 during the F.Y. 2010-11)	Attendance in last AGM Held (Y=Yes N=No)	Other Companies			
				Board Director-ship	Board Chairman-ship	Committee Membership (including Chairmanship)	Committee Chairman-ship
Mr. John R. English	Independent Director	Nil	N	Nil	Nil	Nil	Nil
Mr. Raj Tandon	Independent Director	5	Y	Nil	Nil	Nil	Nil
Dr. Mahendra S. Kothari	Independent Director	5	Y	Nil	Nil	Nil	Nil
Mr. Kishore Dudani**	Independent Director	2	N	Nil	Nil	Nil	Nil
Mr. Rajesh Sharma**	Whole-Time Director & Chief Operating Officer	Nil	Y	Nil	Nil	Nil	Nil
Mr. Anand Swaminathan*	Independent Director	Nil	N. A.	Nil	Nil	Nil	Nil

\* Resigned w.e.f. 26<sup>th</sup> May, 2010

\*\* Appointed w.e.f. 30<sup>th</sup> July, 2010

\*\*\* Resigned w.e.f. 31<sup>st</sup> July, 2010

Private Limited Companies, Foreign Companies and Companies under section 25 of the Companies Act, 1956 are excluded for above purposes. Only Audit Committee & shareholders. Grievance Committee are considered for the purpose of Committee position as per the listing agreement.

**(c) Details of Board Meetings held during the Financial Year :**

Dates of Board Meeting	26-04-2010	27-05-2010	30-07-2010	02-11-2010	14-02-2011
Board Strength	8	7	9	8	8
No. of Directors attended	6	5	5	5	6

**3) CODE OF CONDUCT :**

The Company has adopted a Code of Conduct for the members of the Board and the Management Committee in compliance with the provisions of Clause 49 of the Listing Agreement.

All the members of the Board and the Management Committee have affirmed compliance to the Code of Conduct as on 31<sup>st</sup> March, 2011 and a declaration to that effect signed by the Managing Director and CEO is attached and forms a part of this Report.

**4) BOARD COMMITTEES :**

To enable better and more focused attention on the affairs of the Company, the Board delegates specific matters to Committees of the Board set up for the purpose. The Committees prepare the groundwork for decision making and report at the subsequent meeting of the Board of Directors.

Currently, the Board has four Committees viz. Audit Committee, Remuneration Committee and Shareholders / Investors Grievance Committee, Share Transfer Committee.

The Board is responsible for the constitution, co-opting and fixing the terms of reference for Committee members of the said Committees.

The Quorum for Committee meeting is either two members or one-third of the total members of committee, whichever is higher. Draft minutes of the Committee Meetings duly initialed by the Chairman of the respective Committee meeting is circulated to the members of that Committee for their comments and thereafter, confirmed in its next meeting. The Board of Directors also takes note of the minutes of the meetings of the Committees, at their Board Meeting.

**I. AUDIT COMMITTEE :**

**(a) Primary Objectives of the Audit Committee :**

The Audit Committee of the Board of Directors of the Company inter-alia provides assurance to the Board

on the adequacy of the internal control systems, compliance of Accounting Standards and financial disclosures.

As required under Section 292 A of the Companies Act, 1956 read with the provisions of Clause 49 of the Listing Agreement(s) with the Stock Exchange(s), the Board has constituted an Audit Committee. This Committee acts as a link between the Statutory Auditors and the Board of Directors. It addresses itself to matters pertaining to adequacy of internal controls, reliability of financial statements and other management information and adequacy of provisions of liabilities. The primary objective of the Audit Committee (the "Committee") is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures and the transparency, integrity and quality of financial reporting.

The terms of reference of the Audit Committee are as outlined in Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

The Committee oversees the work carried out in the financial reporting process by the management, including the independent auditor and notes the processes and safeguards employed by each.

**(b) Scope of the Audit Committee**

- i. Provide an open avenue of communication between the independent auditor and the Board of Directors ("BOD").
- ii. Recommending the appointment and removal of statutory auditors, fixation of audit fees and also to approve the payment to them for other services.
- iii. Meets four times a year or more frequently as circumstances require. The Audit Committee may ask members of management or others to attend

- meetings and provide pertinent information as necessary.
- iv. Confirm and assure the independency of the external auditor.
  - v. Review with independent auditor the co-ordination of audit efforts to assure completeness of coverage, reduction of redundant efforts and the effective use of all audit resources.
  - vi. Consider and review with the independent auditor, the adequacy of internal controls including the computerized information system controls and security.
  - vii. Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
  - viii. Reviewing with the management the Annual financial statements before submission to the Board, focusing primarily on :
    - Any changes in the Accounting policies and practices,
    - The going concern assumption,
    - Compliance with Accounting Standards,
    - Compliance with stock exchanges and legal requirements concerning financial statements, and;
    - Significant adjustment arising out of audit.
  - ix. Consider and review with the management and the independent auditor :
    - Significant findings during the year, including the status of previous audit recommendations, and;
    - Any difficulties encountered in the course of audit work including any restrictions on the scope of activities or access to required information.
  - x. Review of the following information :
    - Management Discussion and Analysis of financial condition and results of operations;
    - Statement of significant related party transactions submitted by the management;
    - Management letters/letters of internal control weaknesses issued by the Statutory Auditors.

**(c) Composition of the Audit Committee as on 31<sup>st</sup> March, 2011 :**

The Audit Committee currently comprises of three of which two are Independent Directors. Dr. Mahendra S. Kothari, a Non-Executive Independent Director acts as the Chairman of the Committee. The statutory auditors are invited to the Audit Committee Meetings whenever required.

The Audit Committee comprises of the following members as on 31<sup>st</sup> March, 2011:

Sr. No.	Name of the Audit Committee Members	Position
1.	Dr. Mahendra S. Kothari	Chairman
2.	Mr. Raj Tandon	Member
3.	Mr. Hero Chuganee	Member

**(d) Audit Committee Meetings and Attendance during the Financial Year ended 31<sup>st</sup> March, 2011:**

During the Financial Year 2010-11, four meetings of the Audit Committee were held *i.e.* on 27<sup>th</sup> May, 2010, 30<sup>th</sup> July, 2010, 2<sup>nd</sup> November, 2010 & 14<sup>th</sup> February, 2011. The table hereunder gives the attendance record of the Audit Committee members.

Name of the Audit Committee Members	Number of meetings held (during the F.Y. 2010-11)	Number of meetings attended
Dr. Mahendra S. Kothari	4	4
Mr. Raj Tandon	4	4
Mr. Hero Chuganee*	4	3
Mr. Anand Swaminathan*	4	Nil

\* Mr. Anand Swaminathan resigned as Director and member of the Audit Committee *w.e.f.* 26<sup>th</sup> May, 2010 & Mr. Hero Chuganee was nominated as the Member of the Audit Committee in place of Mr. Anand Swaminathan.

The Committee has recommended appointment of M/s. SMNP & Co., Chartered Accountants as the statutory auditors of the Company for the Financial Year 2011-12 and that necessary resolution for appointing them as auditors be placed before the shareholders.

**II. REMUNERATION COMMITTEE :**

The Broad terms of reference of the Remuneration Committee is to ensure that the remuneration practices of the Company in respect of the Senior Executives including the Executive Directors are competitive keeping in view prevalent compensation packages so as to recruit and retain suitable individual(s) in such capacity.

**a) Composition, Meetings and Attendance :**

The Remuneration Committee comprises of the following members as on 31<sup>st</sup> March, 2011:

Sr. No.	Name of the Remuneration Committee Members	Position
1.	Dr. Mahendra S. Kothari	Chairman
2.	Mr. Raj Tandon	Member
3.	Mr. Kishore Dudani*	Member

\* *w.e.f.* 2<sup>nd</sup> November, 2011, Mr. Kishore Dudani was nominated and appointed as a member of Remuneration Committee.

During the Financial Year 2010-11, the Remuneration Committee met twice on 30<sup>th</sup> July, 2010 and on 14<sup>th</sup> February, 2011. The table hereunder gives the attendance record of the Remuneration Committee members :

Name of the Remuneration Committee Members	Number of meetings held (during the F.Y.2010-11)	Number of meetings attended
Dr. Mahendra S. Kothari	2	2
Mr. Raj Tandon	2	2
Mr. Kishore Dudani	2	1

**(b) Remuneration Policy**

The Executive Directors are paid remuneration as per the agreements entered into between the Company and the



respective Executive Directors. These agreements are placed before the Board, the shareholders and such authorities as may be necessary for seeking their approval.

The Non-Executive Directors are paid sitting fees for attending meeting of the Board and Audit Committee Meetings. However, Mr. Hero Chuganee, the Non-Executive Director is appointed as Technical Consultant and paid Consultancy Fees as per approval sought from the members for such payment.

The appointment and remuneration of the Managing Director and Whole Time Directors is governed by resolutions passed by the Board of Directors and shareholders of the Company, which covers terms of such appointment, read with the service rules of the Company. Remuneration paid to the Managing Director and Whole Time Directors is recommended by the Remuneration Committee, approved by the Board and is within the limits set by the shareholders.

**Details of Remuneration paid to Executive Directors for the financial year ended 31<sup>st</sup> March, 2011 are as under :**

(Rs. in Lacs)

Name of the Director	Designation	Salary & Allowance	Contribution to Provident Fund	Perquisites	Total
Mr. Mohit Chuganee	Vice Chairman & Managing Director	58.00	3.60	1.48	63.08
Mr. Sumit Chuganee	Executive Vice Chairman	58.00	3.60	0.88	62.48
Mr. Rajesh Sharma	Whole-Time Director & Chief Operating Officer	17.48	0.96	04.00	18.44
Mr. S.R.B.	Whole-Time Director & Chief Operating Officer	4.49	—	—	4.49
Mr. Hero Chuganee	Chairman	9.63	0.16	—	9.79

**Details of Sitting fees paid to Non-Executive Directors for the Financial Year ended 31<sup>st</sup> March, 2011 are as under :**

(Rs. in Lacs)

Name of the Directors	Sitting Fees paid for the financial year 2010-11	
	Board Meetings	Audit Committee
Mr. John R. English	—	—
Mr. Raj Tandon	0.29	0.12
Mr. Hero Chuganee	0.29	0.09
Dr. Mahendra S. Kothari	0.29	0.12
Mr. Kishore Dudani	0.20	—

**Details of Technical Consultancy Fees paid to Non Executive Director**

Mr. Hero Chuganee is paid Technical Consultancy Fees of Rs. 45.87 Lacs during the Financial Year 2010-11. Apart from this no other remuneration is paid to Non Executive Directors.

**Details of Shares held by Non-Executive Directors :**

Name of the Non-Executive Director	Equity Shares held (Nos.)
Mr. Raj Tandon	100
Dr. Mahendra S. Kothari	—
Mr. John R. English	62,390
Mr. Hero Chuganee	2,961,755
Mr. Kishore Dudani	—

**III. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE :**

**(a) Scope of the Shareholders/Investor Grievance Committee :**

The Shareholders/Investors Grievance Committee, inter-alia, deals with various matters relating to redressal of shareholders and investors complaints like delay in transfer/transmission of shares, non-receipt of balance sheet, non-receipt of dividends etc. and also recommends measures to improve the performance of investor services.

**(b) Composition**

The composition of the Shareholders/Investors Grievance consists of three Directors out of which, two Directors are Non-Executive Independent Directors. The Shareholders/Investors Grievance Committee currently comprises of the following members :

**Composition of the Committee :**

Name of Director	Designation
Mr. Raj Tandon	Chairman
Mr. Kishore Dudani #	Member
Mr. Rajesh Sharma #	Member

# nominated as member w.e.f. 30<sup>th</sup> July, 2010.

Ms. Pritam P. Vartak is acting as the Company Secretary and Compliance Officer of the Company since 1<sup>st</sup> May, 2010.

**(c) Meetings and Attendance**

During the Financial Year 2010-11, 5 Meetings of the Shareholders/Investors Grievance Committee were held i.e. on 26<sup>th</sup> April, 2010, 27<sup>th</sup> May, 2010, 30<sup>th</sup> July, 2010, 2<sup>nd</sup> November, 2010 and 14<sup>th</sup> February, 2011. The attendance record of the members is given in the table hereunder :

Name of the Share holders/ Investors Grievance Committee Members	Number of meetings held (during the F.Y. 2010-11)	Number of meetings attended
Mr. Raj Tandon	5	5
Mr. Anand Swaminathan*	5	Nil
Mr. S.R.B. Nair**	5	3
Mr. Rajesh Sharma	5	2
Mr. Kishore Dudani	5	2

\* resigned w.e.f. 26<sup>th</sup> May, 2010

\*\* resigned w.e.f. 31<sup>st</sup> July, 2010

The Committee expresses satisfaction at the Company's performance in dealing with investors' grievances and its share transfer system.

**Details of Shareholders' complaints received, solved and pending during the Financial Year ended 31<sup>st</sup> March, 2011 :**

The total numbers of complaints received and replied to the satisfaction of the shareholders during the year ended March 31, 2011 were 48; there were no pending/unattended complaints as on March 31, 2011.

**Nature of complaints received and attended to during 2010-2011**

Sr. No.	Nature of complaint	Pending As on 01.04.10	Received During the year	Resolved During the year	Pending As on 31.03.11
1.	Non-receipt of Warrant Dividend/ Interest	Nil	10	10	Nil
2.	Non-receipt of Refund Order	Nil	Nil	Nil	Nil
3.	Non Receipt of Demat Credit/ Remat Certificate	Nil	6	6	Nil
4.	Non Receipt of Annual Report	Nil	26	26	Nil
5.	Non-receipt of Share Certificate	Nil	1	1	Nil
6.	Non Receipt of Rep/Spl/Con/Dup	Nil	Nil	Nil	Nil
7.	Non Receipt of stickers for change in the name of the Company	Nil	1	1	Nil
8.	Non Receipt of End Stickers	Nil	1	1	Nil
9.	Non Receipt of Exchange Certificate	Nil	1	1	Nil
10.	Non Receipt of Redemption Amount	Nil	3	3	Nil
11.	Others	Nil			
	<b>TOTAL</b>	<b>Nil</b>	<b>48</b>	<b>48</b>	<b>Nil</b>

**IV. Share Transfer Committee :**

As per Clause 49 of the Listing Agreement and to expedite the process of share transfers speedily, the Board has delegated the powers of share transfers and related matters to Mr. Hero J. Chuganee, Mr. Mohit H. Chuganee and Mr. Sumit H. Chuganee, members of the Committee who shall attend to share transfer formalities at least once in a fortnight.

**5. GENERAL BODY MEETINGS :**

Details of last **three** Annual General Meetings are given hereunder :

Year	Date	Venue	Time
2007-2008	26.09.2008	Umerngam Club, Madhuban Complex, Sanjan Road, Umerngaon – 396 171.	11.30 A.M.
2008-2009	24.09.2009	The Umerngaon Club, Madhuban Complex, Umerngaon - Sanjan Road, Umerngaon – 396 171, Dist.: Bulsar, Gujarat State.	11.00 A.M.
2009-2010	28.09.2010	The Umerngaon Club, Madhuban Complex, Umerngaon - Sanjan Road, Umerngaon – 396 171, Dist.: Bulsar, Gujarat State.	11.00 A.M.

One Extra ordinary General Meeting was held in last three financial years *i.e.* on 17<sup>th</sup> June, 2009.

**Special Resolutions passed in the last three Annual General Meetings :**

**For 2007-2008**

- 1) Consent to Board of Directors of the Company to borrow moneys in excess of the Paid up Share Capital and Free Reserves of the Company but not exceeding Rs. 350 Crores.
- 2) Appointment of Mr. S.R.B. Nair as Whole-time Director of the Company for a period of 2 years and 5 months from 1<sup>st</sup> November, 2007 to 31<sup>st</sup> March, 2010.
- 3) Re-appointment of Mr. Mohit H. Chuganee as Vice Chairman & Managing Director of the Company for a period of five years *w.e.f.* 01.08.2007.
- 4) Re-appointment of Mr. Sumit H. Chuganee as a Technical Consultant of the Company from 01.08.2007 for a period of 1 year & 2 months.
- 5) Appointment of Mr. Sumit H. Chuganee as Executive Vice Chairman & Whole-time Director for a period of five years *w.e.f.* 01.10.2008.
- 6) Re-appointment of Mr. Hero J. Chuganee as Whole-time Director designated as Chairman *w.e.f.* 17.10.2008.

**For 2008-2009**

- 1) Alterations to the Articles of Association of the Company.
- 2) Voluntary delisting of securities from five stock exchanges viz. Vadodara Stock Exchange Ltd. The Calcutta Stock Exchange Association Ltd., Delhi Stock Exchange Ltd. and Hyderabad Securities and Enterprises Ltd.

**For 2009-10**

- 1) Appointment of Mr. Hero Chuganee as Technical Consultant of the Company *w.e.f.* 17.04.2010 for a period of three years.
- 2) Re-appointment of Mr. Mohit Chuganee as Vice Chairman & Managing Director of the Company *w.e.f.* 1<sup>st</sup> August, 2010 for a period of three years.

**Details of Special Resolutions passed in the Extra-Ordinary General Meetings held on 17<sup>th</sup> June, 2009 :**

- 1) Alteration of Articles of Association of the Company.
- 2) Issue of 5580000 Optionally Fully Convertible Warrants to the Promoters, Person acting in concert and other than promoters.

**Postal Ballot**

No Special Resolution requiring postal ballot was placed before the last Annual General Meeting. No Special Resolution requiring postal ballot is being proposed at ensuing Annual General Meeting.

**6. DISCLOSURES**

**(a) Related Party Transactions :**

There are no transactions of material nature with Directors/Promoters or any related entity, which will have any potential conflict with the interests of the Company at large except the transactions mentioned under the Section of Notes to Accounts which forms a part of the Auditors' Report for the year ended 31<sup>st</sup> March, 2011.

**(b) Compliance by the Company :**

There is no non-compliance by the Company or any



penalties, strictures imposed by the Stock Exchange, SEBI or any other statutory authority on any matter related to capital markets, during the last three years. However, the SEBI has issued Show Cause Notice dated 18<sup>th</sup> March, 2011 in the matter of pending investor grievances. The Complaints were pending as per the record of SEBI because there were some discrepancies while submitting Action Taken Report by the Company. However, the Company has communicated correspondence for the action taken in connection with the pending investors' grievances in the prescribed manner as per SEBI format. The Company has also filed Application under Consent Terms with SEBI. As on date no complaints are pending with SEBI.

**(c) Whistle Blower Policy and Access of personnel to the Audit Committee :**

The Company has not established the non-mandatory requirement of Whistle Blower Policy. However, the Company's personnel have access to the Chairman of the Audit Committee in cases such as concerns about unethical behaviour, frauds and other grievances. No personnel of the Company have been denied access to the Audit Committee.

**(d) Compliance with the Mandatory requirements and Implementation of the Non-mandatory requirements:**

The Company has complied with the mandatory requirements of the Corporate Governance Clause of Listing Agreement. The Company has not implemented the non-mandatory requirements, except the constitution of Remuneration Committee, enlisted by way of annexure to Clause 49 of the listing agreement.

**7. MEANS OF COMMUNICATION**

- a. Half-yearly report sent to each : No shareholders
- b. Quarterly results Published in : The Economic Times-English  
The Economic Times-Gujarati  
DNA-English (Ahmedabad & Mumbai Edition)
- c. Website where displayed : www.sabero.com
- d. Whether the website also displays : Yes  
official news releases and presentations to the media, analysts, institutional investors' etc.
- e. Audited financial results : The Economic Times-English  
The Economic Times-Gujarati (Ahmedabad & Mumbai Edition)  
DNA-English (Mumbai Edition)
- f. Whether MDA (Management : Yes  
Discussion & Analysis) is a part of Annual Report ?
- g. No presentations were made to the institutional investors or to analysts during the year under review.

\* As the results are published in newspapers having wide circulation and also displayed on the Company's website, half yearly results are not sent separately to each shareholder.

**8. CERTIFICATE ON CORPORATE GOVERNANCE**

As required by Clause 49 of the Listing Agreement, a certificate issued by M/s. Rathi & Associates, Practicing Company Secretaries, regarding compliance with Corporate Governance norms is given as an annexure to this Report.

**9. CEO DECLARATION**

As required by Clause 49 of the Listing Agreement, the CEO *i.e.* the Managing Director's declaration on compliance of the Company's Code of Conduct is provided as an annexure to this Report.

**10. GENERAL SHAREHOLDERS' INFORMATION:**

**1. Annual General Meeting of Shareholders :**

- Date** : 29<sup>th</sup> September, 2011
- Day** : Thursday
- Venue** : The Umbergaon Club,  
Madhuvan Complex,  
Umbergaon – Sanjan Road,  
Umbergaon – 396 171.  
Dist.: Bulsar  
Gujarat State

**2. Financial Calendar : Financial Reporting for quarter ended :**

- (tentative and subject to change)** June 30, 2011 : 14<sup>th</sup> August, 2011
- September 30, 2011 : 14<sup>th</sup> November, 2011
- December 31, 2011 : 14<sup>th</sup> February, 2012
- March 31, 2012 : 14<sup>th</sup> May, 2012
- Annual General Meeting for year ended : On or before 30<sup>th</sup> September, 2012
- 31<sup>st</sup> March, 2012

**3. Dates of book closures** : 22<sup>nd</sup> September, 2011 to 29<sup>th</sup> September, 2011 (both days inclusive)

**4. Registered Office** : Plot No. 2102, GIDC, Sarigam – 396 155, Dist.: Bulsar, Gujarat

**5. Listing on Stock Exchanges :**

- a. Stock Exchange : Bombay Stock Exchange Limited  
The National Stock Exchange of India Limited
- b. Depository : Central Depository Services (India) Ltd. and National Securities Depository Ltd.

**6. Stock Exchange Code** : a. The Bombay Stock Exchange Limited : 524446  
b. The National Stock Exchange Limited: SABERORGAN

**7. Demat ISIN No. in NSDL & CDSL** : INE243A01018

**8. Listing fees** : Paid for year 2011-2012

**9. Disclosures regarding appointment or re-appointment of Directors :**

Pursuant to the provisions of Sections 255 & 256 of the Companies Act, 1956, Dr. Mahendra S. Kothari and Mr. John English will retire by rotation in the forthcoming Annual General Meeting. The Board has recommended re-appointment of the said Directors to the shareholders. The detailed resume of Directors proposed to be re-appointed is provided in the notice of the Annual general Meeting.

**11. STOCK MARKET PRICE DATA :**

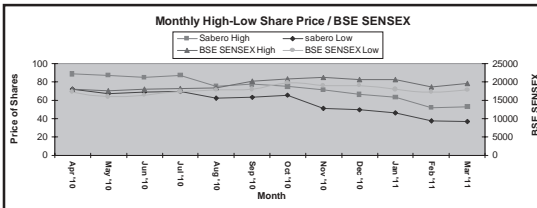
**A. Bombay Stock Exchange Limited :**

Monthly High and Low of Closing prices of the Company's

Equity Shares traded at Bombay Stock Exchange Limited for the financial year ended 31<sup>st</sup> March, 2011 is noted below :

Month	High (Rs.)	Low (Rs.)	BSE Sensex (High)	BSE Sensex (Low)
April 2010	88.95	71.85	18,048	17,559
May 2010	86.95	67.60	17,537	15,960
June 2010	84.75	69.00	17,920	16,318
July 2010	87.45	70.00	18,238	17,396
August 2010	75.30	62.30	18,475	17,820
September 2010	77.35	63.05	20,268	18,027
October 2010	74.95	65.80	20,855	19,769
November 2010	70.85	51.00	21,109	18,955
December 2010	66.45	49.50	20,552	19,075
January 2011	63.55	46.80	20,665	18,038
February 2011	52.00	38.00	18,691	17,296
March 2011	52.80	36.50	19,575	17,792

**Performance in comparison to BSE Sensex :**



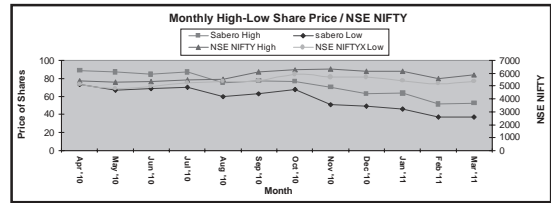
———— Sabero Organics Gujarat Limited  
 ..... BSE Sensex

**B. National Stock Exchange of India Limited**

Monthly High and Low of Closing prices of the Company's Equity Shares traded at National Stock Exchange of India Limited for the financial year ended 31<sup>st</sup> March, 2011 is noted below :

Month	High (Rs.)	Low (Rs.)	NSE Nifty (High)	NSE Nifty (Low)
April 2010	89.00	73.00	5,399.65	5,160.90
May 2010	86.75	67.00	5,278.70	4,786.45
June 2010	84.75	68.75	5,366.75	4,961.05
July 2010	87.35	70.35	5,477.50	5,225.60
August 2010	74.65	60.00	5,549.80	5,348.90
September 2010	77.45	63.05	6,073.50	5,403.05
October 2010	77.00	68.05	6,284.10	5,937.10
November 2010	70.40	51.05	6,338.50	5,690.35
December 2010	63.20	49.50	6,147.30	5,721.15
January 2011	63.85	46.35	6,181.05	5,416.65
February 2011	51.75	37.50	5,599.25	5,177.70
March 2011	52.70	37.00	5,872.00	5,348.20

**Performance in comparison to NSE Nifty :**



———— Sabero Organics Gujarat Limited  
 ..... NSE Nifty

**12. REGISTRAR AND SHARE TRANSFER AGENTS :**

For both Physical and Demat (Common Registry)

Link Intime India Private Limited  
 C-13, Pannalal Silk Mills Compound,  
 LBS Marg, Bhandup (West),  
 Mumbai – 400 078.

**Tel.** : 022-25963838

**Fax** : 022-25946969

**Website** : www.linkintime.co.in

**13. SHARE TRANSFER SYSTEM :**

The Share Transfer work is being entrusted to the Registrar and Share Transfer Agent, Link Intime India Private Limited.

**14. DISTRIBUTION OF SHAREHOLDING :**

**A. Distribution of Shareholding as on March 31, 2011 is noted below :**

No. of Shares	No. of Share-holders	% to total Share-holders	Share Amount (Rs.)	% to Total Holdings
1 – 5000	18966	82.6045	32027010	9.45
5001 – 10000	1990	8.6672	16887920	4.98
10001 – 20000	939	4.0897	14759180	4.35
20001 – 30000	365	1.5897	9448920	2.79
30001 – 40000	144	0.6272	5287080	1.56
40001 – 50000	168	0.7317	8107320	2.39
50001 – 100000	211	0.9190	15851640	4.68
100000 & above	177	0.7709	236291700	69.77

**B. Shareholding Pattern as on 31<sup>st</sup> March, 2011 is noted below :**

Category	No. of shares	Percentage (%)
Promoter Group including Relatives, Associates and Corporate Bodies	14306362	42.24
Mutual Funds, UTI, Banks, FIs, FIS & Trust	56544	0.16
Indian Public	11105185	32.80
NRIs/OCBs/Foreign Company	5888009	17.39
Private Corporate Bodies	2509977	7.41

**15. DEMATERIALISATION OF SHARES AND LIQUIDITY :**

The Shares of the Company are in compulsory demat segment and are available for trading in the depository systems of both NSDL and CDSL under ISIN No. INE243A01018. As on 31<sup>st</sup> March, 2011, 32843603 Equity Shares of the Company, forming 96.98% of the Share Capital of the Company, stand dematerialized.



**16. OUTSTANDING GDR'S / ADR'S / WARRANTS OR ANY CONVERTIBLE INSTRUMENTS, CONVERSION DATE AND LIKELY IMPACT ON EQUITY :**

There are no GDR's / ADR's / Warrants or any convertible instruments pending conversion or any other instrument likely to impact the Equity Share Capital of the Company.

**17. PLANT LOCATION :**

- **Sarigam** : Plot No. 2102, GIDC, Sarigam – 396 155, Dist.: Bulsar, Gujarat
- **Dahej**, SEZ

**18. ADDRESS FOR CORRESPONDENCE :**

Registrar and Transfer Agent (share transfer and communication regarding share certificates, dividends and change of address)	Link Intime India Private Limited C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai – 400 078 <b>Tel.</b> : 022-25963838 <b>Fax</b> : 022-25946969 <b>Website</b> : www.linkintime.co.in
Compliance Officer	Ms. Pritam Vartak 3 <sup>rd</sup> Floor, A-302, Phoenix House, 462, S. B. Marg, Worli (E), Mumbai – 400 013.

**19. REQUEST TO INVESTORS**

- a) Investors are requested to communicate change of address, if any, directly to the share transfer agent of the Company at the above address.
- b) As required by SEBI, investors shall furnish details of their bank account number and name and address of the bank for incorporating the same in the warrants. This would avoid wrong credits being obtained by unauthorized persons.
- c) The Shareholders are requested to dematerialise their physical share certificates, through a depository participant. Shareholders requiring any further clarification / assistance on the subject may contact the Company's Registrar and share transfer agent.
- d) Investors who have not availed nomination facility are requested to avail the same by submitting the nomination form. The form will be made available on request.
- e) Investors holding shares in electronic form are requested to deal only with their depository participant in respect of change of address, nomination facility and furnishing bank account number etc.
- f) Investors are requested to kindly note that any dividend which remains un-encashed for a period of seven years will get transferred to "Investors Education and Protection Fund" in terms of Section 205C of the Companies Act, 1956.

**IMPORTANT COMMUNICATION THE SHAREHOLDERS**

Ministry of Corporate Affairs has taken a 'Green initiative in Corporate Governance' by allowing paperless compliances by the Companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members. To support this Green initiative of the Government in full measures, members who have not registered their e-mail addresses so far, are requested to register their e-mail addresses in respect of electronic holdings with the depository through their concerned depository participants.

For and on behalf of the Board

**Place : Mumbai**  
**Date : 27<sup>th</sup> May, 2011**

*Sd/-*  
**Mohit H. Chuganee**  
*Vice Chairman & Managing Director*

**REGISTERED OFFICE :**

Plot No. 2102, GIDC,  
Sarigam – 396 155,  
Dist: Bulsar, Gujarat



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## PRACTICING COMPANY SECRETARIES' CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of  
**Sabero Organics Gujarat Limited.**

We have examined the compliance of conditions of Corporate Governance by Sabero Organics Gujarat Limited ("the Company") for the year ended March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examinations were limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

As per the records of the Company, there were no investor grievances remaining unattended for a period exceeding one month against the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of  
**M/s. Rathi & Associates**  
*Company Secretaries*

**Place : Mumbai**  
**Date : 27<sup>th</sup> May, 2011**

Sd/-  
**Narayan Rathi**  
*Partner*  
FCS No.: 1433

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## CEO DECLARATION

### DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

Pursuant to Clause 49 I (D) of the Listing Agreement entered into with the Stock Exchange, I hereby declare that all the Board members and senior management personnel of the Company have affirmed compliances with the Code of Conduct for the year ended 31<sup>st</sup> March, 2011.

For **Sabero Organics Gujarat Limited**

**Place : Mumbai**  
**Date : 27<sup>th</sup> May, 2011**

Sd/-  
**Mohit H. Chuganee**  
*Vice Chairman & Managing Director*

**AUDITORS' REPORT ON FINANCIAL STATEMENTS**

To,

The Members

**Sabero Organics Gujarat Limited**

We have audited the attached balance sheet of **Sabero Organics Gujarat Limited**, as at 31<sup>st</sup> March, 2011 and the Profit and Loss Account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. In our opinion and as per the information and explanations given to us, the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of the said Order, to the extent applicable to the company during the year under review.
3. Further to our comments in the Annexure referred to in Para 2 above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - ii. In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books;
  - iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement, dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred in sub section (3C)

of section 211 of the Companies Act, 1956 to the extent made mandatory, *except Accounting Standard 27 - Financial Reporting of Interests in Joint Venture with a Brazilian Company due to severance of the Joint Venture relationship and filing of arbitration proceedings in the ICC International council of arbitration against the company and non-availability of information during the year. (Refer Note II.5.2.f). Reference is also invited to Note II.4.3 of Schedule 18.*

- v. On the basis of written representations received from the directors as on 31<sup>st</sup> March, 2011 and taken on record by the Board of Directors, we report that none of directors is disqualified as on 31<sup>st</sup> March, 2011 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts *subject to Note II.6 regarding unreconciled balances in the Cenvat receivable accounts, which are pending reconciliation where in no provision has been considered necessary in the books during the current year since the management is hopeful of reconciling the same.* and read together with Note II.3 in respect of non-confirmation of balances and other Notes given in Schedule 18, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) In case of the Balance Sheet, of the State of Affairs of the Company as at 31<sup>st</sup> March, 2011;
  - b) In case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
  - c) In the case of Cash Flow Statement, of the cash flow for the year ended on that date.

For **S M N P & Co**  
Chartered Accountants  
Registration No - 105929W

Sd/-

**Sunil S. Dayma**

Partner

Mumbai, 27<sup>th</sup> May, 2011

Membership No. F-100542

**ANNEXURE TO THE AUDITORS' REPORT**

*(Referred to in paragraph 2 of our report of even date on the Financial Statements for the year ended 31<sup>st</sup> March, 2011 of Sabero Organics Gujarat Limited)*

In terms of the information and explanation given to us and the books and records examined by us and on the basis of such checks, as we considered appropriate, we further report as under:

**(i) Fixed Assets :**

- a) In our opinion, the Company has maintained proper records pertaining to fixed assets showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
- b) As explained to us, during the year, the fixed assets have been physically verified by the management in a phased periodical manner, which in our opinion is reasonable

having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such physical verification.

- c) During the year, the Company has not disposed off substantial part of the fixed assets and the going concern status of the company has not been affected.

**(ii) Inventories :**

- a) As explained to us, during the year the management has conducted physical verification of inventories at regular intervals.

- b) The procedures of physical verification of inventories followed by the management, in our opinion, needs to be further strengthened to commensurate with the size of the Company and nature of its business.
- c) The Company has maintained proper records of inventory. As explained to us the discrepancies noticed during the said physical verification are in the process of reconciliation and the same would be dealt with in the books of accounts upon completion of the exercise.

**(iii) Loans & Advances either granted or taken**

- (i) As per the records verified by us, the Company has not taken any loans, secured or unsecured from the parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (ii) The Company has during the year granted interest free advances to 3 bodies corporate and 2 individuals being parties covered in the register maintained under Section 301 of the Companies Act, 1956 in addition to an interest free advance given in the earlier years to a body corporate being a party covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum and closing balance of the said loans are given as under:

(Amount in Rs.)

Nature and number of the Parties	Maximum balance during the year	Closing balance
Bodies Corporate – 4	21.74	21.74
Individuals – 2	13.22	13.22

- b) In our opinion, the other terms and conditions of the above advances are not prima facie prejudicial to the Company's interests.
- c) Since no repayment schedule has been prescribed in respect of the above loans, we cannot comment on the overdue principal and on the reasonability in the steps taken by the Company to recover the aforesaid loans.

**(iv) Internal Controls :**

In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for sale of goods. There is no continuing failure to correct major weakness in internal control.

**(v) Transactions covered by Section 301 :**

- a) In our opinion, transactions entered with the parties listed in the Register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion, the transactions entered in the said Register in respect of each party during the year, have been made at prices which are reasonable, having regard to the prevailing market prices at the relevant time, wherever such market prices are available.

**(vi) Public Deposits :**

During the year, the Company has not accepted any deposits from the public under the directives issued by the Reserve Bank of India and the provisions of Sections 58A and 58-AA or any other relevant provisions of the Companies Act, 1956.

**(vii) Internal Audit :**

In our opinion, the scope and coverage of the Internal Audit needs to be further strengthened to make the same commensurate with the size of the Company and the nature of its business.

**(viii) Cost Records :**

The Central Government has prescribed maintenance of cost records under clause (d) of section (1) of section 209 of the Companies Act, 1956. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion, that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate or complete.

**(ix) Statutory Dues:**

- a) As per the records verified by us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, investor education and protection fund, Employees' State Insurance, Income Tax, Value Added Tax, Wealth Tax, Custom Duty, Service Tax, Excise Duty, Cess or any other statutory dues with the appropriate authorities which is outstanding for more than six months as at the end of the year.
- b) As per the records of the Company, except for the disputed dues aggregating to Rs. 179.18 Lacs relating to Income Tax, there are no disputed dues relating to investor education and protection fund, employees' state insurance, Customs duty, Wealth tax, Excise duty and Cess or any other undisputed statutory dues, which were lying pending to be deposited at the year end, for a period of more than six months from the date they became payable. The details of the disputed Income Tax pending before respective authorities are as follows:

Name of Statute	Period to which is pertains	Tax (Rs.)	Forum before which pending
Income Tax Act, 1961	98-99	307,576	Income Tax Appellate Tribunal
Income Tax Act, 1961	99-00	307,324	Income Tax Appellate Tribunal
Income Tax Act, 1961	02-03	7,250,000	Commissioner of Income Tax
Income Tax Act, 1961	04-05	6,800,000	Commissioner of Income Tax
Income Tax Act, 1961	05-06	164,748	Commissioner of Income Tax
Income Tax Act, 1961	06-07	465,521	Commissioner of Income Tax (applied for rectification U/s. 154 of the Income Tax Act, 1961)
Income Tax Act, 1961	07-08	1,651,880	Commissioner of Income Tax
Income Tax Act, 1961	08-09	971,119	Commissioner of Income Tax
<b>TOTAL</b>		<b>17,918,168</b>	

**(x) Accumulated Losses :**

The company neither has accumulated losses as at the end of the financial year, nor has it incurred any cash losses during the financial year ended on that date or in the immediately preceding financial year.

**(xi) Dues to Financial Institutions/Banks :**

As per the records verified by us and based on our audit procedures we are of the opinion that the Company has not defaulted in repayment of dues to Financial Institutions or banks.

**(xii) Loans against pledge of Securities:**

According to the information and explanations given to us the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

**(xiii) Chit fund or nidhi/mutual benefit fund:**

The Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

**(xiv) Trading in shares, securities, debentures and other investments:**

In our opinion, the Company does not deal or trade in shares, securities and debentures. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

**(xv) Guarantees given:**

As per the records verified by us and based on the explanations given to us, during the year the Company has not given any guarantee for loans taken by others from bank or financial institutions, the terms and conditions, whereof, are in our opinion prejudicial to the interest of the company.

**(xvi) Application of Funds raised:**

- a) The Company has raised new terms loans during the year. According to the information and explanation given to us, in our opinion, the terms loans outstanding at the beginning of the year and those raised during the year have been applied for the purposes for which they were obtained.
- b) Based on the overall examination of the balance sheet of the Company, in our opinion, there are no funds raised on a short term basis which have been used for long term investment.

**(xvii) Preferential Allotments of Securities**

During the year the Company has allotted 56,972 equity shares of Rs. 10 each at a premium of Rs. 7.75 per share on preferential basis to parties covered in the Register maintained under Section 301 of the Companies Act 1956.

Considering the premium attached to the said issue and based on the explanations given to us in the matter, we are of the opinion that the price at which the shares were allotted to the said party was not prima facie pre judicial to the interest of the Company.

**(xviii) Security against Debentures :**

As per the records verified by us, the Company did not have any outstanding debentures during the year.

**(xix) Frauds :**

As per the records verified by us, no fraud on or by the Company has been noticed or reported during the year that causes the financial statements to be materially misstated.

For **S M N P & Co.**  
*Chartered Accountants*  
Registration No. 105929W

Sd/-  
**Sunil S. Dayma**  
*Partner*

**Mumbai, 27<sup>th</sup> May, 2011**

Membership No. F-100542



## BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2011

(Rs. in lacs)

Particulars	Schedule	As at 31-Mar-11	As at 31-Mar-10
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	3,385.45	3,379.75
Reserves & Surplus	2	9,188.86	8,121.55
<b>Loan Funds</b>			
Secured Loans	3	13,209.82	8,106.30
<b>Deferred Tax Liability</b>		1,340.58	1,129.72
<b>TOTAL</b>		27,124.71	20,737.32
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	4	18,102.21	15,299.95
<b>Less</b> : Depreciation		6,911.38	6,106.66
Net Block		11,190.83	9,193.29
Capital in Progress		1,496.04	308.54
		12,686.87	9,501.83
<b>Investments</b>		258.32	53.19
<b>Current Assets, Loans and Advances</b>			
Inventories	6	7,542.87	5,503.59
Sundry Debtors	7	6,924.67	7,485.21
Cash & Bank Balances	8	4,545.65	1,822.51
Loans & Advances	9	5,162.99	4,086.58
		24,176.18	18,897.89
<b>Less : Current Liabilities and Provisions</b>			
Current Liabilities	10	10,338.26	7,645.06
Provisions		38.97	155.13
		10,377.23	7,800.19
<b>Net Current Assets</b>		13,798.95	11,097.70
<b>Miscellaneous Expenditure</b> (to the extent not written off)		380.57	84.60
<b>TOTAL</b>		27,124.71	20,737.32
<b>Significant Accounting Policies and Notes on Accounts</b>		18	

As per our report of even date

For and on behalf of the Board

For **S M N P & Co.**  
Chartered Accountants  
(Registration No. 105929W)

Sd/-  
**Sumit H. Chuganee**  
Executive Vice Chairman & Whole Time Director

Sd/-  
**Sunil S. Dayma**  
Partner  
M. No. F-100542

Sd/-  
**Pritam Vartak**  
Company Secretary

Sd/-  
**Mohit H. Chuganee**  
Vice Chairman & Managing Director

Mumbai : 27<sup>th</sup> May, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011***(Rs. in lacs)*

Particulars	Schedule	Year ended 31-Mar-11	Year ended 31-Mar-10
<b>INCOME</b>			
Gross Sales		44,068.79	46,116.66
<b>Less</b> : Excise Duty		2,796.99	3,084.73
Net Sales		41,271.80	43,031.93
Other Income	12	679.60	371.24
Variation in Inventories	13	1,468.86	(533.78)
<b>TOTAL</b>		<b>43,420.26</b>	<b>42,869.39</b>
<b>EXPENDITURE</b>			
Materials Consumed	14	27,736.60	24,755.50
Employee related expenditure	15	1,997.31	1,659.17
Manufacturing, Administrative and Other Expenses	16	8,919.79	7,845.64
Interest and Finance Charges	17	1,573.61	1,704.95
Depreciation		804.72	749.48
Miscellaneous Expenditure written off		55.37	21.15
<b>TOTAL</b>		<b>41,087.40</b>	<b>36,735.89</b>
<b>Profit before Tax &amp; Extra Ordinary Items</b>		<b>2,332.86</b>	<b>6,133.50</b>
Extra Ordinary Items		585.56	—
<b>Profit / (Loss) before Tax</b>		<b>1,747.30</b>	<b>6,133.50</b>
Provision for Income tax — Current		388.97	1,844.42
— MAT Tax		—	(102.29)
Short / (Excess) Tax of prior period(s)		84.59	—
— Deferred Tax		210.85	495.28
— Fringe Benefit Tax		—	—
<b>Net Profit / (Loss) for the year</b>		<b>1,062.89</b>	<b>3,896.09</b>
Prior Period Adjustments		0.00	24.78
<b>Amount Available for Appropriation</b>		<b>1,062.89</b>	<b>3,871.31</b>
Dividend		—	406.25
Dividend distribution tax		—	69.05
<b>Balance carried to Balance Sheet</b>		<b>1,062.89</b>	<b>3,396.01</b>
<b>Earnings Per Share – Basic</b>		<b>3.14</b>	<b>13.18</b>
<b>Earnings Per Share – Diluted</b>		<b>3.14</b>	<b>13.15</b>
<b>Significant Accounting Policies and Notes on Accounts</b>	18		

As per our report of even date

For and on behalf of the Board

For **S M N P & Co.**  
Chartered Accountants  
(Registration No. 105929W)Sd/-  
**Sumit H. Chuganee**  
Executive Vice Chairman & Whole Time DirectorSd/-  
**Sunil S. Dayma**  
Partner  
M. No. F-100542Sd/-  
**Pritam Vartak**  
Company SecretarySd/-  
**Mohit H. Chuganee**  
Vice Chairman & Managing DirectorMumbai : 27<sup>th</sup> May, 2011



## CASH FLOW STATEMENT FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH, 2011

(Rs. in lacs)

Particulars	Year ended 31-Mar-11	Year ended 31-Mar-10
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net profit/(loss) before tax & exceptional items	1,747.30	6,133.50
<b>Adjustments for :</b>		
— Depreciation	804.72	749.48
— Interest Expenses	1,573.61	1,704.95
— Miscellaneous Exp Written off	55.37	21.15
— Profit on Sale of Fixed Assets	—	—
<b>Operating profit before working capital changes</b>	<b>4,181.00</b>	<b>8,609.08</b>
<b>Adjustments for :</b>		
— Trade & Other Receivables	(515.86)	(2,449.16)
— Inventories	(2,039.28)	(613.99)
— Trade Payables	2,793.71	(2,137.13)
<b>Cash flow before extra ordinary items</b>	<b>4,419.57</b>	<b>3,408.79</b>
Exceptional Items	—	—
Prior Period Items	(0.00)	(24.78)
Dividend & tax on the same	—	(475.30)
Taxes	(684.41)	(1,742.13)
<b>Net cash from operating activities</b>	<b>3,735.16</b>	<b>1,166.59</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(3,989.76)	(826.81)
Sale of Fixed Assets	—	—
Product Registration Expenses	(351.33)	(105.75)
Investments	(205.13)	—
<b>Net cash used in investing activities</b>	<b>(4,546.22)</b>	<b>(932.56)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
— Proceeds from borrowings	5,103.52	628.19
— Interest paid	(1,579.44)	(1,710.85)
— Issue of Equity Shares	5.70	461.51
— Premium on Equity Shares Issued	4.42	357.67
<b>Net cash used in financing activities</b>	<b>3,534.20</b>	<b>(263.48)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,723.14</b>	<b>(29.46)</b>
Opening Cash and cash equivalents	1,822.51	1,851.97
Closing Cash and cash equivalents	4,545.65	1,822.51
	<b>2,723.14</b>	<b>(29.46)</b>

As per our report of even date

For **S M N P & Co.**  
Chartered Accountants  
(Registration No. 105929W)

Sd/-  
**Sunil S. Dayma**  
Partner  
M. No. F-100542

Mumbai : 27<sup>th</sup> May, 2011

For and on behalf of the Board

Sd/-  
**Sumit H. Chuganee**  
Executive Vice Chairman & Whole Time Director

Sd/-  
**Pritam Vartak**  
Company Secretary

Sd/-  
**Mohit H. Chuganee**  
Vice Chairman & Managing Director



**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2011***(Rs. in lacs)*

Particulars	As at 31-Mar-11	As at 31-Mar-10
<b>SCHEDULE – 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised :</b>		
3,60,00,000 Equity Shares of Rs. 10/- each (Previous Year 3,60,00,000 Equity Shares of Rs. 10/- each)	<u>3,600.00</u>	<u>3,600.00</u>
<b>Issued :</b>		
3,38,66,077 Equity Shares of Rs. 10/- each (Previous Year 3,38,09,105 Equity Shares of Rs. 10/- each)	<u>3,386.61</u>	<u>3,380.91</u>
<b>Subscribed and Paid-up :</b>		
3,38,66,077 Equity Shares of Rs. 10/- each (Previous Year 3,38,09,105 Equity Shares of Rs. 10/- each)	3,386.61	3,380.91
<b>Less : Calls in arrears (others)</b>	<u>(1.16)</u>	<u>(1.16)</u>
	<u>3,385.45</u>	<u>3,379.75</u>
<b>TOTAL</b>	<u><u>3,385.45</u></u>	<u><u>3,379.75</u></u>
<b>SCHEDULE – 2</b>		
<b>RESERVES AND SURPLUS</b>		
<b>i) Capital Reserve (Government Subsidy )</b>		
As per last Balance Sheet	15.00	15.00
<b>ii) Securities Premium Account</b>		
As per last Balance Sheet	1,366.55	1,008.88
<b>Add : Additions during the year</b>	4.42	357.67
	<u>1,370.97</u>	<u>1,366.55</u>
<b>iii) General Reserve</b>		
As per last Balance Sheet	6,740.00	3,343.99
<b>Add : Transferred from Profit &amp; Loss Account</b>	1,062.89	3,396.01
	<u>7,802.89</u>	<u>6,740.00</u>
<b>TOTAL</b>	<u><u>9,188.86</u></u>	<u><u>8,121.55</u></u>

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2011**
*(Rs. in lacs)*

Particulars	As at 31-Mar-11	As at 31-Mar-10
<b>SCHEDULE – 3</b>		
<b>SECURED LOANS</b>		
<b>A) Term Loans</b>		
a) Banks	5,135.76	1,499.25
b) Others	—	344.43
	<u>5,135.76</u>	<u>1,843.68</u>
<b>B) Working Capital, Loans from Banks</b>	<b>7,967.21</b>	<b>6,199.40</b>
<b>C) Other Loans :</b>		
a) Banks	106.85	63.22
<b>D) Interest Accrued and Due</b>	—	—
	<u>—</u>	<u>—</u>
<b>TOTAL</b>	<b><u>13,209.82</u></b>	<b><u>8,106.30</u></b>

**NOTES :**

- The above Term Loans are secured by a first mortgage on the immovable properties, both present and future and a first charge by way of hypothecation of all the movables (save and except book debts), present and future, ranking pari passu inter se, subject to prior charges created in favour of the Bankers, on the inventories and other moveables for securing the borrowings for working capital requirements.
- Working capital loans from banks are secured by a first charge by way of hypothecation of all tangible assets including stocks of raw materials, work-in-process, finished goods and book debts and a second charge on the immovable properties, both present & future.
- Other Loans are secured by hypothecation of earmarked vehicles acquired there against.
- Long term Borrowings from Banks and Financial Institutions are personally guaranteed as follows .

Term Loan Details	Guaranted By	Outstanding as at 31.3.2011
<b>a. Axis Bank</b> ECB Loan	Mr. Mohit Chuganee & Mr. Sumit Chuganee	<b>Rs. 2340.50 Lacs</b>
<b>b. Exim Bank</b> Foreign Currency Term Loan Rupee Term Loan	Mr. Sumit Chuganee Mr. Sumit Chuganee	<b>Rs. 1500.00 Lacs</b> <b>Rs. 364.38 Lacs</b>
<b>c. All Other Term Loans (*)</b>		
1 IDBI Bank		<b>Rs. 150.00 Lacs</b>
2 Union Bank of India		<b>Rs. 404.50 Lacs</b>
3 Federal Bank		<b>Rs. 252.97 Lacs</b>
4 Dena Bank		<b>Rs. 123.41 Lacs</b>

(\*) All other term loans are guaranteed by all the three directors viz-Mr. Hero Chuganee, Mr. Mohit Chuganee and Mr. Sumit Chuganee.

- Working capital loans and non fund based facilities amounting to Rs. 22,000 lacs from consortium of Banks viz Union Bank of India, Bank of India, Dena Bank, Federal Bank, Axis Bank, State Bank of India, Ratnakar Bank, Oriental Bank of Commerce, & IDBI Bank are further secured by personal guarantee of all three directors of the company, viz-Mr. Hero Chuganee, Mr. Mohit Chuganee and Mr. Sumit Chuganee.
- Installments due within one year on term loans is Rs. 676 Lakhs (P.Y. 752.90 Lakhs) and in case of other loans Rs. 39.89 Lacs (P.Y.Rs. 23.19 Lacs)

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2011****SCHEDULE – 4****FIXED ASSETS***(Rs. in Lacs)*

ASSETS	Rate %	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01/04/2010	Additions	Deductions	As at 31/3/2011	Upto 01/04/2010	For the year	Deductions	As at 31/3/2011	As at 31/3/2011	As at 31/03/2010
Freehold Land		7.28	—	—	7.28	—	—	—	—	7.28	7.28
Leasehold Land	1.01%	129.29	—	—	129.29	12.75	1.31	—	14.06	115.23	116.54
Building	3.34%	2,474.96	439.74	—	2,914.70	623.86	82.79	—	706.65	2,208.05	1,851.10
Plant & Machinery	5.28%	12,027.59	2,237.42	—	14,265.01	5,207.68	638.52	—	5,846.20	8,418.81	6,819.91
Computer	16.61%	149.43	24.81	—	174.24	93.68	31.16	—	124.84	49.40	55.75
Software (intangible Asset)	16.61%	125.01	—	—	125.01	11.77	15.57	—	27.34	97.67	113.24
Furniture & Fixtures	6.33%	63.62	4.51	—	68.13	47.83	4.08	—	51.91	16.22	15.79
Vehicles	9.50%	221.29	95.78	—	317.07	108.95	24.12	—	133.07	184.00	112.34
Ships	7.07%	101.48	—	—	101.48	0.14	7.17	—	7.31	94.17	101.34
<b>TOTAL</b>		<b>15,299.95</b>	<b>2,802.26</b>	<b>—</b>	<b>18,102.21</b>	<b>6,106.66</b>	<b>804.72</b>	<b>—</b>	<b>6,911.38</b>	<b>11,190.83</b>	<b>9,193.29</b>
Capital Work-in-progress (*)		308.54	3,793.38	2,605.88	1,496.04	—	—	—	—	1,496.04	308.54
<b>GRAND TOTAL</b>		<b>15,608.49</b>	<b>6,595.64</b>	<b>2,605.88</b>	<b>19,598.25</b>	<b>6,106.66</b>	<b>804.72</b>	<b>—</b>	<b>6,911.38</b>	<b>12,686.87</b>	<b>9,501.83</b>
PREVIOUS YEAR		14,534.15	1,997.73	923.41	15,608.47	5,357.17	749.48	—	6,106.65	9,501.83	

(\*) Refer Note No. II.19 to Schedule 18

*(Rs. in lacs)*

Particulars	As at 31-Mar-11	As at 31-Mar-10
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**SCHEDULE – 5****INVESTMENTS (At cost, Long Term, Unquoted)****Trade :** (In wholly owned subsidiary companies)

100 Equity shares of Aus \$ 14 each of Sabero Australia Pty. Ltd.	0.39	0.39
40 Equity shares of NLG 10/- each of Sabero Europe BV	1.42	1.42
4400 (Previous Year – 4400) Equity Shares in Markan Agroquimica Ltda, R\$ 0.10 paid up	1.19	1.19
161500 - (Previous Year – 161500) Equity Shares in Sabero Argentina S.A.	11.26	11.26
Capital Stock in Sabero Organics America S/A	243.18	38.20
14,60,805 (Previous Year 2,11,600) Equity Shares in Sabero Organics America S/A		

**Non-Trade :**

In Government Securities (National Savings Certificate VIIIth Series deposited with Excise Department/Sales Tax Department)	0.88	0.73
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<b>TOTAL</b>	<b>258.32</b>	<b>53.19</b>
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**SCHEDULE – 6****INVENTORIES (As taken, valued and certified by the Director)**

Stores & Spares	683.81	607.12
Raw Materials	3,223.65	2,729.92
Stock-in-process	340.53	370.39
Finished Goods	3,324.88	1,826.16
<b>Less : Provision for obsolete stock</b>	<b>(30.00)</b>	<b>(30.00)</b>
<b>TOTAL</b>	<b>7,542.87</b>	<b>5,503.59</b>

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2011**
*(Rs. in lacs)*

Particulars	As at 31-Mar-11	As at 31-Mar-10
<b>SCHEDULE – 7</b>		
<b>SUNDRY DEBTORS (Unsecured)</b>		
<b>Outstanding for a period exceeding six months :</b>		
— Considered good	791.14	602.55
— Considered doubtful	53.96	19.68
	<b>845.10</b>	<b>622.23</b>
<b>Less :</b> Provision for Doubtful debts		
Balance as per Last Balance Sheet	19.68	40.00
<b>Add :</b> Provided during the year	53.96	296.16
<b>Less :</b> Written off during the year	(19.68)	(316.48)
	<b>53.96</b>	<b>19.68</b>
Outstanding for a period exceeding six months (Net of Provisions)	791.14	602.55
Others- Considered good	6,133.53	6,882.66
<b>TOTAL</b>	<b>6,924.67</b>	<b>7,485.21</b>
<b>SCHEDULE – 8</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	22.02	16.98
<b>Balance with Scheduled Banks :</b>		
<b><i>In Current Accounts</i></b>		
a) Public Issue Accounts		
b) Others	2,350.05	230.60
<b><i>In Margin Money Account *</i></b>	2,173.58	1,574.93
<b>TOTAL</b>	<b>4,545.65</b>	<b>1,822.51</b>
* Against Letter of Credit, Bills Discounted and Guarantees issued by the bank.		
<b>SCHEDULE – 9</b>		
<b>LOANS AND ADVANCES (Unsecured, Considered Good)</b>		
Advances recoverable in cash or in kind or for value to be received	1,998.49	1,481.32
Modvat Credit Receivable	2,873.94	2,302.35
Balance with Excise Department	13.18	8.54
Deposits	248.30	220.98
Loan to subsidiary Companies	29.08	73.39
<b>TOTAL</b>	<b>5,162.99</b>	<b>4,086.58</b>

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2011***(Rs. in lacs)*

Particulars	As at 31-Mar-11	As at 31-Mar-10
<b>SCHEDULE – 10</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Current Liabilities</b>		
Sundry Creditors	9,282.72	6,424.84
Other Liabilities	1,052.13	735.68
Interest accrued but not due	3.41	9.24
Proposed Dividend	—	406.25
Dividend Distribution tax Payable	—	69.05
	<u>10,338.26</u>	<u>7,645.06</u>
<b>Provisions</b>		
Income Tax (net of payments)	37.56	154.79
Wealth Tax	1.41	0.34
	<u>38.97</u>	<u>155.13</u>
<b>TOTAL</b>	<u><u>10,377.23</u></u>	<u><u>7,800.19</u></u>
<b>SCHEDULE – 11</b>		
<b>MISCELLANEOUS EXPENDITURE</b> (to the extent not written off)		
Product Development Expenditure	435.94	105.75
<b>Less : Written off</b>	<u>55.37</u>	<u>21.15</u>
	<u><u>380.57</u></u>	<u><u>84.60</u></u>

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE  
YEAR ENDED 31<sup>ST</sup> MARCH, 2011**

*(Rs. in lacs)*

Particulars	Year ended 31-Mar-11	Year ended 31-Mar-10
<b>SCHEDULE – 12</b>		
<b>OTHER INCOME</b>		
Insurance Claim Received	52.86	15.68
Interest Received	190.13	88.44
Others	18.54	22.15
Exchange Gain	418.07	244.97
<b>TOTAL</b>	<b>679.60</b>	<b>371.24</b>
<b>SCHEDULE – 13</b>		
<b>VARIATION IN INVENTORIES</b>		
<b>Closing Stock</b>		
Finished Goods	3,324.88	1,826.16
Stock-in-process	340.53	370.39
	<b>3,665.41</b>	<b>2,196.55</b>
<b>Less : Opening Stock</b>		
Finished Goods	1,826.16	2,175.38
Stock-in-process	370.39	554.95
	<b>2,196.55</b>	<b>2,730.33</b>
<b>TOTAL</b>	<b>1,468.86</b>	<b>(533.78)</b>
<b>SCHEDULE – 14</b>		
<b>MATERIALS CONSUMED</b>		
Opening Stock	2,729.92	1,928.06
Purchases during the year	28,230.33	25,557.36
<b>Less : Closing Stock</b>	<b>3,223.65</b>	<b>2,729.92</b>
<b>TOTAL</b>	<b>27,736.60</b>	<b>24,755.50</b>



**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE  
YEAR ENDED 31<sup>ST</sup> MARCH, 2011**

(Rs. in lacs)

Particulars	Year ended 31-Mar-11	Year ended 31-Mar-10
<b>SCHEDULE – 15</b>		
<b>EMPLOYEE RELATED EXPENDITURE</b>		
Salaries, Wages and Bonus	1,756.89	1,426.56
Contribution to Provident & Other Funds	89.96	73.69
Staff Welfare Expenses	150.46	158.92
<b>TOTAL</b>	<b>1,997.31</b>	<b>1,659.17</b>
<b>SCHEDULE – 16</b>		
<b>MANUFACTURING, ADMINISTRATIVE AND OTHER EXPENSES</b>		
Power & Fuel	2,815.03	2,801.51
Insurance	145.62	163.84
Stores & consumables	1,017.55	1,001.55
Waster Water Disposal charges	315.86	9.58
Water Charges	56.74	71.10
Conversion Charges	175.48	39.85
<b>Repairs &amp; Maintenance :</b>		
Plant & Machinery	269.23	326.90
Building	14.91	31.39
Others	15.63	22.69
Rent	105.98	85.16
Rates and taxes	3.53	5.46
Directors' sitting fees	1.40	0.82
Travelling & Conveyance	396.38	300.23
Legal & Professional fees	288.09	138.75
<b>Selling &amp; Distribution Expenses:</b>		
Selling Expenses and Commission	153.34	735.99
Discounts- (Cash/Trade and others)	405.22	286.52
Freight & other expenses	1,882.49	1,161.12
Provision for doubtful debts/advances	53.96	70.00
Provision for Closing stock	—	30.00
Balances Written off(net)	168.93	—
Miscellaneous Expenses	634.42	563.18
<b>TOTAL</b>	<b>8,919.79</b>	<b>7,845.64</b>
<b>SCHEDULE – 17</b>		
<b>INTEREST &amp; FINANCE CHARGES</b>		
<b>Interest on :</b>		
Term Loans & Debentures	176.36	279.32
Others	1,225.08	1,131.37
	1,401.44	1,410.69
Finance Charges	172.17	294.26
<b>TOTAL</b>	<b>1,573.61</b>	<b>1,704.95</b>

**SCHEDULE – 18**
**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011**
**I. SIGNIFICANT ACCOUNTING POLICIES :**
**1. Basis of preparation of financial statements**

The Financial statements have been prepared on accrual basis, except otherwise stated, under the historical cost convention, in accordance with the accounting principles generally accepted in India and comply with the Accounting standards as referred to in the Companies (Accounting Standards) Rules 2006 issued by the Central Government in exercise of the power conferred under the sub-section (i) (a) of Section 642 and the relevant provisions of the Companies Act, 1956.

**2. Use of Estimates :**

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that may affect the reported amount of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimated.

**3. Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation. Cost comprises the purchase price and any attributable costs of bringing the asset to their working condition for their intended use. Fixed assets acquired under finance lease are accounted as per the **Accounting Standard - 19 Leases** issued by The Institute of Chartered Accountants of India.

Borrowing costs directly attributable to acquisition or construction of fixed assets, which necessarily take a substantial period of time to get ready for their intended use, are capitalized till the assets are put to use.

**4. Intangible Assets :**

Intangible Assets are recorded at their cost of acquisition. Cost of an internally generated asset, if any, comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use.

**5. Depreciation :**

5.1 Cost of leasehold land is amortised over the remaining period of lease after the commencement of commercial production.

5.2 Depreciation on other fixed assets is provided on Straight Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956. Continuous process plants are classified on technical assessment and depreciation provided accordingly.

5.3 Depreciation on the Fixed Assets added/disclosed off/discarded during the year is provided on pro-rata basis with reference to the month of addition / disposal/discarding.

**6. Amortisation of Intangibles :**

The Intangible Assets being Computer Software is being amortised over a period of six years based on the estimated life of the asset as ascertained by the management.

**7. Borrowing Costs :**

Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalised as part of cost of such asset up to the date when such asset is ready for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

**8. Investments :**

Long-term investments including investments in Joint Venture entity are carried at cost of acquisition. Provision is made only when in management's opinion there is a decline, other than temporary, in the carrying value of such investments.

**9. Inventories :**

Inventories, as taken valued and certified by one of the Directors, are valued at lower of the cost and estimated net realisable value on following basis:

**9.1 Raw Materials and Stores & Spares :**

Cost of raw materials, stores and spares is computed on Weighted Average Cost basis.

**9.2 Finished Goods & Work in Progress :**

Cost of finished goods and work-in-progress include conversion and other costs incurred in bringing the inventories to their present location and condition. The obsolete, defective and unserviceable stocks are duly provided for wherever required.

**10. Foreign Currency Transactions**

10.1 Transactions in foreign currency are recorded at the rates of exchange in force at the time of occurrence of the transactions.

10.2 Assets and outstanding liabilities in foreign currency at the year end are stated at the rates of exchange prevailing at the close of the year (except investments made outside India, which are carried at the rate of exchange prevailing at the date of transaction) and resultant gains/losses are adjusted to Profit and Loss Account in other case.

**11. Revenue Recognition**
**11.1 Sales & Sales Return :**

The company recognizes Sales at the point of dispatch of goods to the customers. Sales include amounts invoiced for goods sold including the accrued export benefits, but net of sales tax and sales returns. The sales returns are accounted on return of goods from the customers.

**11.2 Others :**

Interest income is accounted for on accrual basis. All other incomes are accounted on receipt basis.

**12. Taxation**

12.1 Provision for Taxation is made for the current accounting period (reporting period) on the basis of the taxable profits computed in accordance with the Income Tax Act, 1961.

12.2 Deferred Tax resulting from timing differences between book and tax profits is accounted for under the liability method using the tax rates and laws that have been substantively enacted as of the balance sheet date, to the extent that the timing differences are expected to crystallize.





Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each Balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain to be realized.

**13. Government Grants :**

Grants relating to Fixed Assets in the nature of project capital subsidy are credited to Capital Reserve.

**14. Retirement Benefits :****14.1 Privilege Leave entitlements :**

Privilege leave entitlements are recognised as a liability, in the calendar year of rendering of service, as per the rules of the Company. As accumulated leave can be availed and / or encashed at any time during the tenure of employment the liability is recognised at the actuarially determined value by an Appointed Actuary.

**14.2 Gratuity :**

Payment for present liability of future payment of gratuity is being made to approved Gratuity Fund, which covers the same under Cash Accumulation Policy of the Life Insurance Corporation of India.

**14.3 Provident Fund :**

All employees are eligible for benefits under Provident Fund (PF) scheme. Provident Funds of 12% of covered employee's basic salary is deducted and paid along with Company's contribution of an equal amount on a monthly basis to the Government administered provident fund schemes and charged to the Profit and loss account.

**15. Earnings per Share :**

Basic earning per share is calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events of subsequent issue of shares.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

**16. Miscellaneous Expenditure :**

Product registration charges for allowing sales of products in overseas market are written off by the Company in five equal annual installments.

**17. Impairment of Assets :**

The carrying amounts of the Company's assets are reviewed at each Balance Sheet date. If any indication of impairment exists, an impairment loss is recognised to the extent of the excess of the carrying amount over the estimated accountable amount.

**18. Provisions, Contingent Liabilities and Contingent Assets :**

Provisions are recognised in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company.

A Contingent asset is neither recognized nor disclosed in the financial statements.

**II. NOTES ON ACCOUNTS :****1. Contingent Liabilities / Capital Contract :**

- i) Bills discounted and outstanding Rs. 5,613.11Lacs (Previous Year Rs. 4,842.40 Lacs). (Since realised Rs. 2,348.05 Lacs; Previous Year Rs. 1,941.89 Lacs)
- ii) Bank Guarantees outstanding Rs. 475.40 Lacs (Previous Year Rs. 740.53 Lacs).
- iii) Disputed income tax liability of Rs. 179.18 Lacs (Previous Year Rs. 146.94 Lacs) excluding interest liability and penalty, if any, as may arise on conclusion of the relevant matter.
- iv) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 4,317.74 Lacs (Previous Year Rs. 980.80 Lacs)
- v) Contingent Liabilities as may arise due to delayed/non-compliance of certain fiscal statutes - Amount unascertainable (Previous Year - Amount Unascertainable)

2. The Company has allotted 56972 Equity Shares of Rs. 10/- each at premium of Rs. 7.75 per Shares, vide resolution passed in the Board Meeting held on 26<sup>th</sup> April, 2010 & the said allotment was made upon the conversion of Optionally Fully Convertible Warrants issued by the Company to the allottee. The object of the issue was to fulfill the working capital requirements of the Company.

**3. Confirmation of Balances :**

Certain balances appearing under the heads Sundry Debtors, Loans & Advances including inter branch balances and Current Liabilities are as per books of accounts and as such are subject to consequential adjustments which may arise on receipts of confirmations and/or completion of reconciliations.

**4. Consolidated Accounts of Subsidiary Companies :**

- 4.1 No adjustment in the carrying cost with respect to diminution in the value of long term unquoted investments of Rs. 257.44 Lacs (Previous year Rs. 52.46 Lacs) has been made in the accounts, since these are long-term strategic investments and such diminution does not represent inherent loss in value thereof and also is not of permanent nature.
- 4.2 The financial year of the subsidiaries have been aligned with the parent Company and are drawn up to the same reporting date as of the Company *i.e.* year ended March 31, 2011.
- 4.3 The company has consolidated its accounts with its subsidiary companies viz. Sabero Argentina S.A., Sabero Europe B.V., Sabero Australia Pty. Ltd. and Sabero Organics America S/A. While the provisional accounts of all the companies were provided to us and were accordingly consolidated as per the recommendations of Accounting Standard - 21 Consolidated Financial Statements issued by the Institute of Chartered Accountants of India, the accounts of Sabero Australia Pty Ltd. were provided and considered for consolidation only

upto 31<sup>st</sup> December, 2010. We were given to understand by the management that there were no material transactions in Sabero Australia Pty Ltd, during the three months ended 31<sup>st</sup> March, 2011.

## 5. Investments in Joint Venture

**5.1** The Company is a shareholder in the entity Markan Agroquimica Ltda, Brazil, where the company holds 44% interest in the shares of the entity.

**5.2** The other disclosures as stipulated in para 51 to para 54 of the **Account Standard 27 - Financial Reporting of Interests in Joint Ventures** issued by the Institute of Chartered Accountants of India in relation to this joint venture are as follows :

- a. Contingent Liabilities : Nil incurred by the company in relation to its interest in the joint venture
- b. Company's share of : Unascertainable contingent liabilities of the jointly controlled entity
- c. Contingent liabilities arising : Since the details of the other against the contingent liabilities of the venture for the other liabilities of the other venturer  
venturer are not available any contingent liability arising on account of other liabilities of other venturer cannot be ascertained
- d. Capital Commitments of the Venturer in relation to its interest in the joint venture and share of capital commitments in the venture. : 4400 R\$ (Brazilian Reais) 44% Share in the jointly controlled entity (Rs. 0.97 Lacs)
- e. Share of the capital : Nil commitments of the joint venture.
- f. The Company does not have management control in Marakan argoquimica Ltda., Brazil. Further during the previous year, the Company had intention to withdraw from Markan and to sever the relationship of Joint Venture with Markan Argoquimica Ltda, Brazil. Accordingly in the current year the Co-venturer company has initiated Arbitration proceedings with the ICC International Council of Arbitration. As a consequence, the details of assets, liabilities, income and expenses of the above Joint Venture are not available with the Company and hence not given. Due to the above non-availability of information, the impact on the Profit of the Company for the year cannot be ascertained. The share of Company's Liabilities/ assests/losses as on the Balance Sheet date, if any, in the above Joint Venture as a consequence of the severance and filing of arbitration is presently not ascertainable.

Aggregate amount of each of the assets, liabilities income and expenses related to the Interest of the Company in the Joint Venture for the current year is not available.

**6.** As at the close of the current year, there were unreconciled balances in the Cenvat receivable accounts amounting to Rs. 335 Lacs (Previous Year Rs. 490 Lacs) which is under reconciliation. Any consequential adjustment arising out of

such reconciliation would suitably be made in the accounts upon completion of the reconciliation.

No provision has been considered necessary in the books during the current year since the management is hopeful of reconciling the same without any loss to the company.

7. a. Inventory as at the close of the year was as taken, valued and certified by the management.
- b. Inventory lying with the C&F agents on behalf of the Company as at the Balance Sheet date aggregating to Rs. 610 Lacs (Previous Year - Nil) is subject to confirmation from the respective agents. However, the Company does not foresee any material deviation from the book stock in regards to the said inventory.
8. In the opinion of the Board, Current Assets and Loans & Advances have a value on realization in the ordinary course of business, at least equal to the amount at which they are stated.
9. **Assets under Lease**  
Secured loans include Rs. 106.85 Lacs (Previous year Rs. 63.22 Lacs), being the liability towards the lessors on account of the assets acquired under finance lease.  
Significant Terms in the Lease Agreements: The Company is entitled to the benefits of the warranties given by the equipment manufacturer. The costs of repairs, maintenance and insurance against normal risks are required to be incurred by the Company.
10. There are no reported cases of dues payable to Micro, Small and Medium Enterprises for more than 45 days, and hence there is no need for provision of interest in current year. The same is based on the information available with the Company and relied upon by the Auditors.
11. Sundry balances written off amounting to Rs. 169 Lacs (Previous Year - Nil) are net off debit balances no longer receivable representing Rs. 198 Lacs as adjusted against certain credit balances/liabilities written back aggregating to Rs. 29 Lacs which in the opinion of the management are not payable.
12. Deferred Tax liability comprising of timing differences on account of :

Particulars	As on 31.03.11 (Rs. In Lacs)	As on 31.03.10 (Rs. In Lacs)
<b>Deferred Tax Liability</b>		
1. Depreciation	1,378.03	1,283.11
2. Research & Development Expenses	0.12	—
3. Product Development Expenditure	126.42	28.76
<b>Total Deferred Tax Liability</b>	<b>1,504.57</b>	<b>1,311.87</b>
<b>Deferred Tax Asset</b>		
1. Expenses covered by section 43B & 40(a)(ia)	79.94	98.10
2. Unabsorbed Depreciation	—	—
3. Others	84.05	84.05
<b>Total Deferred Tax Asset</b>	<b>163.99</b>	<b>182.15</b>
<b>Net Deferred Tax Liability</b>	<b>1,340.58</b>	<b>1,129.72</b>



**13. Basic & Diluted Earnings per Share :**

Basic and Diluted earnings per share is calculated as under (Rs. In Lacs) :

Particulars	2010-11	2009-10
Numerator – Profit as per the Profit & Loss account (Rs. In Lacs)	<b>1,062.89</b>	3,896.09
Denominator – No. of Equity Share outstanding (*)	<b>33,862,019</b>	29,564,044
Nominal value of share (in Rs.)	<b>10.00</b>	10.00
Basic Earnings per Share (Rs.)	<b>3.14</b>	13.18
Diluted Earnings per Share (Rs.)	<b>3.14</b>	13.15

\* 33866077 Shares out of which 56972 shares were for 339 days {average shares 33,862,019} (Previous Year - 29,564,044 shares for 365 days).

14. As at the close of the current year, there were unreconciled balances in the VAT receivable/ payable accounts which are in the process of reconciliation. However, no provision has been considered necessary in the books during the current year since the management is hopeful of reconciling the same without any significant loss/liability to the company.

**15. Retirement benefit**

Actuarial Valuation of leave encashment and gratuity have been done on the following assumptions :

**Profit and Loss Account**

(Rs. in Lacs)

Particulars	2010-11		2009-10	
	Leave Encashment (unfunded)	Gratuity (Funded)	Leave Encashment (unfunded)	Gratuity (Funded)
Current Service Cost	18.71	6.36	12.22	15.69
Interest on defined Benefit Obligation	2.35	4.93	1.74	—
Expected Return on Plan Assets	—	—	—	—
Settlement Cost/Credit	(11.26)	(11.30)	—	—
Net actuarial (gain) / loss Recognized in the year	7.72	7.53	(6.33)	3.42
Past Service Cost	—	—	—	—
Losses / (Gains) on "Curtailments & Settlements"	—	—	—	—
Losses / (Gains) on "Acquisition / Divestiture"	—	—	—	—
Effect of the limit in Para 59(b)	—	—	—	—
<b>Total included in Employee Benefit Expenses</b>	<b>17.52</b>	<b>7.52</b>	7.63	19.11

**Balance Sheet**

Details of provision for Leave Encashment and Gratuity

(Rs. in Lacs)

Particulars	2010-11		2009-10	
	Leave Encashment (unfunded)	Gratuity (Funded)	Leave Encashment (unfunded)	Gratuity (Funded)
Liability at the beginning of the year	29.36	82.45	21.73	63.34
Fair Value of Plan Assets at the end of the year	Nil	Nil	Nil	Nil
Present value of unfunded obligation at the end of the year	17.52	7.52	7.63	19.11
<b>Amount in Balance Sheet</b>	<b>46.88</b>	<b>89.97</b>	29.36	82.45

Changes in the present value of the defined benefit obligation are as follows :

Particulars	2010-11		2009-10	
	Leave Encashment (unfunded)	Gratuity (Funded)	Leave Encashment (unfunded)	Gratuity (Funded)
Liability at the beginning of the year	29.36	82.45	21.73	63.34
Interest Cost	2.35	4.93	1.74	—
Current Service Cost	18.71	6.36	12.21	15.69
Benefits paid	11.26	11.30	3.83	—
Actuarial Losses / (Gain)	7.72	7.53	(2.49)	3.42
<b>Liability at the end of the year</b>	<b>46.88</b>	<b>89.97</b>	29.36	82.45

Principal actuarial assumptions as at the balance sheet date :

Particulars	31 <sup>st</sup> March, 2011		31 <sup>st</sup> March, 2010	
	Leave Encashment (unfunded)	Gratuity (Funded)	Leave Encashment (unfunded)	Gratuity (Funded)
Discount Rate	8.00 %	8.00 %	8.00 %	8.00 %
Salary Escalation Rate (p.a.)	5.00 %	5.00 %	5.00 %	5.00 %
Expected Rate of Return on Assets (p.a.)	N.A.	N.A.	N.A.	N.A.
Expected average remaining working lives of employees (years)	19	19	19	19

**16. Segment Reporting :**

**16.1 Primary Segment – Business**

The Company's main business is to manufacture and sale Crop Protection Chemicals and Inputs. All other activities of the company are incidental to the main business. As such, there is no separate reportable

segment as per the Accounting Standard 17 Segment Reporting issued by the Institute of Chartered Accountants of India.

### 16.2 Secondary Segment – Geographical

The Company's operating facilities are located in India. The segmental reporting for the Secondary Segment - Geographical as per the Accounting Standard 17 Segment Reporting issued by the Institute of Chartered Accountants of India is as follows:

<i>(Rs. in Lacs)</i>		
Particulars	2010-11	2009-10
Domestic Revenue	<b>18,767.22</b>	18,040.39
Export Revenue (Including Export benefits)	<b>22,504.58</b>	24,991.54
<b>TOTAL</b>	<b>41,271.80</b>	43,031.93

### 17. Related Party disclosures :

Related party disclosures, as required by Accounting Standard 18, Related Party Disclosures, are given below.

#### 17.1 List of Related parties :

- I. Parties where control exists : Subsidiaries
  - Sabero Australia Pty. Ltd.
  - Sabero Europe BV
  - Sabero Argentina S.A.
  - Sabero Organics America S/A.
- II Associates (Including Joint Venture) :
  - Sabero Echostar (India) Pvt. Ltd.
  - Harvard Finance Co. Pvt. Ltd.
  - White Waves Capital LLP
  - Tranquilitta Capital Advisors Private Limited.
  - Markan Argoquimica Ltda.
  - Mosum Enterprises Ltd.
  - Sabero Organics Philippines Asia Inc
- III Key Management Personnel & their relatives :
  - Mr. Hero J. Chuganee *Non Executive Director*
  - Mr. Mohit H. Chuganee *Vice Chairman & Managing Director*
  - Mr. Sumit H. Chuganee *Executive Vice Chairman & Whole Time Director*
  - Mr. S.R.B Nair *Director (part of the year)*
  - Mr. Rajesh Sharma *Director & Chief Operating Officer*
  - Mrs. Sabita H. Chuganee *Wife of Director*

The above Related parties are as identified by the Company and relied upon by the Auditors.

#### 17.2 Transactions with Related Parties :

During the year, the following transactions were carried out with the related parties in the normal course of the business :

Nature of Transaction	Subsidiary/Associate Companies		Key Management Personal		Relatives of Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Purchase of Fixed Assets	—	1.00	—	—	—	—
Purchase of Services (Excluding service tax)	<b>4.82</b>	2.88	<b>45.87</b>	—	<b>16.80</b>	11.80
Sales of Goods	<b>40.31</b>	—	—	—	—	—
Remuneration	—	—	<b>137.29</b>	154.01	—	—
Sitting Fees	—	—	<b>1.40</b>	0.82	—	—
Commission to Directors	—	—	<b>21.00</b>	112.93	—	—

#### Outstanding balances as on 31<sup>st</sup> March, 2011

Investments	<b>257.44</b>	52.46	—	—	—	—
Payables	<b>0.85</b>	0.65	<b>30.24</b>	22.58	<b>1.52</b>	1.71
Receivables	<b>0.40</b>	73.39	<b>0.62</b>	—	<b>12.60</b>	12.60

18. Sundry Debtors amounting to Rs. 347.44 Lacs (Previous year - Rs. 169.67 Lacs) were outstanding for a period exceeding 365 days. However, provision for the doubtful recovery has been made in the accounts only to the extent of Rs. 53.96 Lacs (Previous Year. 19.68 Lacs) since in the opinion of the management the balance debts are fully recoverable, considering that the recoveries have also been made in the past against such old outstanding amounts.

#### 19. Pre-operative Expenses pending allocation :

(In respect of projects upto 31<sup>st</sup> March, 2011, included under Capital Work-in-progress)

<i>(Rs. In Lacs)</i>		
Particulars	2010-11	2009-10
Opening Balance	<b>247.51</b>	—
<b>Add : Incurred during the Year</b>		
Loan Processing/Documentation charges	—	247.51
Interest on Borrowings	<b>49.09</b>	—
Documentation charges	<b>3.26</b>	—
Travelling Expenses	<b>0.81</b>	—
Professional Fees	<b>22.24</b>	—
Staff Cost	<b>108.00</b>	—
License/Application Fees	<b>3.13</b>	—
Other Miscellaneous Expenses	<b>9.04</b>	—
	<b>195.57</b>	—
<b>Less : Capitalized during the year</b>	—	—
<b>Closing Balance</b>	<b>443.08</b>	247.51

20. Disclosure of the amount at the year ended of loans and advances of concerns, companies and persons in which some of the directors of the Company are interested as directors/ members.



Name of the Concern/ company/etc.	Balance as at 31.03.2011 (Rs.)	Balance as at 31.03.2010 (Rs.)
Sabero Organics America S/A.	—	59.08
Sabero Australia Pty. Ltd.	11.68	7.41
Sabero Europe BV	7.70	4.98
Sabero Organics Phillipines Asia Inc	1.96	1.92
Mosum Enterprises Ltd.	0.40	—
Mr. Hero J. Chuganee	0.62	—
Mrs. Sabita H. Chuganee	12.60	12.60

21. The Company believes that no impairment of assets arises during the year as per the recommendations of Accounting Standard - 28 Impairment of Assets, issued by the Institute of Chartered Accountants of India considering the age of the Fixed Assets situated at its Sarigam unit.
22. In view of common pool of facilities for research and development activities, the research and development expenditure is not identifiable separately.
23. Remuneration to Auditors grouped under miscellaneous expenses comprises of :

	Current Year (Rs. in Lacs)	Previous Year (Rs. in Lacs)
Audit fees	3.50	3.50
Management Services	1.50	1.50
Certification fees	1.80	0.45
Out of pocket expenses (excluding service tax)	—	—

24. i) **Value of imports on C.I.F. basis :**

Raw Material	14,014.63	12,586.98
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ii) **Expenditure in Foreign Currency (on payment basis) :**

a) Traveling	46.41	30.24
b) Commission	147.72	735.26
c) Product Registration Expenses	23.61	24.88
d) Others	29.71	20.20

25. **Earnings in Foreign Currency :**

F.O.B. Value of Exports	21,892.70	21,658.15
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26. **Managerial Remuneration :**

Salary	126.60	136.30
Commission	21.00	112.93
Sitting Fees	1.40	0.82
Contribution to Provident Fund	8.32	9.72
Monetary Value of Perquisites (Computed wherever necessary as per income tax rules)	2.37	7.99
<b>TOTAL</b>	<b>159.69</b>	<b>267.76</b>

As per the resolution passed at the last Annual general meeting of the shareholders, all whole time Directors are entitled to a commission equal to 1% of the Net Profits of the Company in a particular year, subject to the overall ceilings laid down in Sections 198 & 309 of the Companies Act, 1956. Accordingly the computation of net profit for the purpose of Managerial Remuneration under Section 349 of the Companies Act, 1956 is enumerated below :

**Computation of Managerial Remuneration :**

	2010-11	2009-10
Profit before Exception items and Tax as per Profit and Loss Account	2,332.86	6,133.50
<b>Add :</b> Directors' Remuneration and Commission	159.69	267.76
Provision for doubtful debts	—	—
	<b>2,492.55</b>	6,401.26
<b>Less :</b> Profit on sale of Fixed Assets	—	—
<b>Net Profit as per Section 349 of the Companies Act, 1956</b>	<b>2,492.55</b>	6,401.26
Maximum permissible remuneration to Whole time Directors under Section 198 of the Companies Act, 1956 @ 10% of the profits computed above	249.55	640.13

In the determination of manager's remuneration, certain perquisites have been valued in accordance with the Income Tax Rules, 1962.

Expenses towards gratuity and leave encashment provisions are determined actuarially on an overall Company basis at the end of the year and accordingly have not been considered in the above information.

27. Professional Fees paid to a Director for rendering technical consultancy services Rs. 45.87 Lacs (excluding service tax), (Previous Year - Nil).

28. Disclosure as regards Accounting Standard-29 (Provisions, Contingent Liabilities and Contingent Assets) :

Particulars	Opening balance as on 01-04-2010	Provision during the year	Payment / Adjustment during the year	Closing Balance as on 31-03-2011
Provision for Gratuity	82.45	18.82	11.30	89.97
Provision for Leave Encashment	29.36	27.38	9.86	46.88

**29. Additional information pursuant to the provisions of paragraph 3, 4C and 4 D of Schedule VI Of the Companies Act, 1956**
**i. Installed Capacity & Production**

Product	Installed Capacity (MT)		Production (MT)	
	As at 31-Mar-11	As at 31-Mar-10	Year ended 31-Mar-11	Year ended 31-Mar-10
Inorganic Compounds	21,696	16,000	4,732.95	9127.33
Organo Phosphorus Intermediates	14,400	15,120	5,070.45	2727.15
Pesticides	47,307	41,600	24,005.22	20,084.03
Pesticide Formulation ( in MT ) #	10,000	10,000	4,495.50	1,690.85
Pesticide Formulation ( in KL ) #	10,000	10,000	9,970.41	2,491.45

**Licensed capacity :** Not applicable

Installed capacities are as certified by the Managing

Director on which auditors have relied, being a technical matter

# represents quantities produced in the factory of a third party on job work basis.

Product	2010-11		2009-10	
	Quantity (MT)	Value (Rs. In Lacs)	Quantity (MT)	Value (Rs. In Lacs)
<b>ii. Sales *</b>				
Inorganic Compounds	4,807.39	30.49	5,824.40	7.86
Organo Phosphorus Intermediates	5,101.79	2,104.01	1,122.90	1869.26
Pesticides	23,756.21	29,399.67	15,111.26	28,645.02
Pesticide Formulation ( in MT )	4,519.73	5,406.99	3,749.67	10,896.40
Pesticide Formulation ( in KL )	9,596.58	7,127.63	2,494.38	4,698.12
<b>TOTAL</b>		<b>44,068.79</b>		<b>46,116.66</b>

\* includes captive consumption

**iii. Closing Stock**

Inorganic Compounds	16.42	0.33	90.86	53.52
Organo Phosphorus Intermediates	14.48	18.19	45.82	58.86
Pesticides *	758.27	1,569.17	509.26	743.07
Pesticide Formulation ( in MT )	140.56	405.17	164.79	323.3
Pesticide Formulation ( in KL )	887.65	1,332.02	513.82	647.42
<b>TOTAL</b>		<b>3,324.88</b>		<b>1,826.16</b>

\* includes stock out of trial run production.

# includes sale of trial run production

**iv. Opening Stock**

Inorganic Compounds	90.86	53.52	46.30	28.89
Organo Phosphorus Intermediates	45.82	58.86	22.09	33.95
Pesticides *	509.26	743.07	478.21	1,301.99
Pesticide Formulation ( in MT )	164.79	323.30	94.80	368.87
Pesticide Formulation ( in KL )	513.82	647.41	282.99	441.68
<b>TOTAL</b>		<b>1,826.16</b>		<b>2,175.38</b>

\* includes stock out of trial run production

**v. Consumption of Raw Materials**

Inorganic Chemicals	5,098.30	853.18	6,022.30	883.38
Pesticide Formulation	49,502.28	18,574.58	64,304.38	21,272.43
Others		8,308.84		2,599.69
<b>TOTAL</b>		<b>27,736.60</b>		<b>24,755.50</b>

	Percentage		Percentage	
Imported	55.32 %	15,342.80	46.02 %	11,490.41
Indigenous	44.68 %	12,393.80	53.98 %	13,265.09
	100.00 %	27,736.60	100.00 %	24,755.50

**vi. Consumption of Store & Spares**

	Percentage		Percentage	
Imported	—	—	—	—
Indigenous	100.00 %	1017.55	100.00 %	1001.55
		1017.55	100.00 %	1001.55

**30. Previous Year's figures are regrouped/rearranged wherever considered necessary to conform to current year's presentation.**

As per our report of even date

For and on behalf of the Board

For **S M N P & Co.**  
Chartered Accountants  
(Registration No. 105929W)

Sd/-  
**Sumit H. Chuganee**  
Executive Vice Chairman & Whole Time Director

Sd/-  
**Sunil S. Dayma**  
Partner  
M. No. F-100542

Sd/-  
**Pritam Vartak**  
Company Secretary

Sd/-  
**Mohit H. Chuganee**  
Vice Chairman & Managing Director

Mumbai : 27<sup>th</sup> May, 2011

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****ADDITIONAL INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956****I. Registration Details**

Registration No. : 04-20753

State Code : 04

Balance Sheet Date : 31/03/2011

**II. Capital raised during the year (Rs. in thousands )**

Public Issue : Rs. NIL

Rights Issue : Rs. NIL

Bonus Issue : Rs. NIL

Private Placement : Rs. 569.72

**III. Position of Mobilisation and Deployment of Funds (Rs. in thousands )**

Total Liabilities : Rs. 2,712,471

Total Assets : Rs. 2,712,471

**Sources of Funds**

Paid-up Capital Rs. 338,545

Reserves &amp; Surplus Rs. 918,886

Secured Loans Rs. 1,320,982

Deferred Tax Assets/Liability Rs. 134,057

**Application of Funds**

Net Fixed Assets Rs. 1,268,687

Investments Rs. 25,832

Net Current Assets Rs. 1,379,895

Miscellaneous Expenditure Rs. 38,057

Accumulated Losses Rs. Nil

**IV. Performance of Company (Rs. in thousands )**

Turnover Rs. 4,342,026

Total Expenditure Rs. 4,108,740

Profit/Loss before tax Rs. 233,286

Profit/Loss after tax Rs. 106,289

Earning per Share -Basic Rs. 3.14

Dividend Rate % —

Earning per Share -Diluted Rs. 3.14

**V. Generic Names of Three Principal Products of the Company (as per monetary terms)**

Item Code No. 38081029

Product Description MANCOZEB

Item Code No. 29310009

Product Description TRIMETHYL PHOSPHITE

Item Code No. 38081029

Product Description ACEPHATE

For and on behalf of the Board

Sd/-

**Sumit H. Chuganee**

Executive Vice Chairman &amp; Whole Time Director

Sd/-

**Pritam Vartak**

Company Secretary

Sd/-

**Mohit H. Chuganee**

Vice Chairman &amp; Managing Director

Mumbai : 27<sup>th</sup> May, 2011

**STATEMENT UNDER SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO  
SUBSIDIARY COMPANIES**

Subsidiary Company	Sabero Australia Pty. Ltd.	Sabero Europe B.V.	Sabero Organics America S.A.	Sabero Argentina S.A.
1. Financial Year of the Subsidiary Company ended on	31/03/2011	31/03/2011	31/03/2011	31/03/2011
2. Date From which it became subsidiary companies	28/04/1999	10/02/2000	16/08/2000	26/08/2003
3. Country of Incorporation	Australia	Netherlands	Brazil	Argentina
4. (a) No. of shares held by the Company & Face Value	100 Equity shares of Aus \$ 14 .00 each	40 Equity shares NLG 10 each	1460805 Equity of shares of Brazil Reais 1 each	161500 Equity shares of ARS 1 each
(b). Extent of holding	100%	100%	99.94%	95%
5. Net aggregate amount of subsidiary's Profit/(Loss) so far as it concerns the members of the Holding Company				
(a) Not dealt with in the accounts of Holding Company				
For the Financial Year ended on 31 <sup>st</sup> March, 2011 (Profit / Loss after tax *4(b))	(2.65)	(1.73)	—	(0.19)
For the Previous Financial years of the Subsidiary since it became a subsidiary (Profit/ Loss after tax of P.Y.-March, 2010*4(b))	(10.59)	(16.15)	—	(17.43)
(b) Dealt with in the accounts of the Holding Company				
For the Financial year ended 31 <sup>st</sup> March, 2011	NIL	NIL	NIL	NIL
For the Financial year ended 31 <sup>st</sup> March, 2010	NIL	NIL	NIL	NIL



**AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS**

To

The Members

**Sabero Organics Gujarat Limited**

We have audited the attached consolidated balance sheet of **Sabero Organics Gujarat Limited** ('the Company') and its subsidiary and joint venture (together referred to as the group) as at 31<sup>st</sup> March, 2011, the consolidated Profit and Loss Account for the year ended on that date annexed thereto and the consolidated cash flow statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Company's management and have been prepared by the Management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. We did not audit the financial statements of 4 Subsidiary companies, namely, Sabero Argentina S.A; Sabero Europe B.V., Sabero Australia Pty. Ltd; Sabero Organics America S/A whose statements reflect the Groups share of total assets of Rs. 318.50 Lacs as at 31<sup>st</sup> March, 2011 and the Group's share of total loss of Rs. 4.57 Lacs and net cash inflow amounting to Rs. 2.99- Lacs for the year ended on that date as considered in the consolidated financial statements. These unaudited statements and other information of the subsidiaries as approved by the Board of Directors of these Companies have been furnished to us by the Management and our report in so far as it relates to the amounts included in respect of these subsidiaries and joint venture is based solely on such unaudited financial statements.
3. The details of assets, liabilities income and expenses of the Joint Venture Markan Argoquimica Ltda, Brazil are not

available with the Company. Due to the above non-availability of information the Groups share of total assets as at 31<sup>st</sup> March, 2011 and the Group's share of total revenue and net cash inflow for the year ended on that date cannot be ascertained.

4. We report that the consolidated financial statements have been prepared by Company's management in the accordance with the requirements of Accounting Standard 21 - Consolidated Financial Statements and Accounting Standard 27 - Financial Reporting of Interests in Joint ventures issued by the Institute of Chartered Accountants of India.
5. Based on our audit and on consideration of the unaudited financial statements and on the other financial information of the components and accounts approved by the Board of Directors as well as non-availability of information of the Joint venture as explained in paragraph 3 & 4 above respectively and subject to Note II. 6 regarding unreconciled balances in the Cenvat receivable accounts, which are pending reconciliation where in no provision has been considered necessary in the books during the current year since the management is hopeful of reconciling the same and read together with Note II.3 in respect of non-confirmation of balances, in our opinion and to the best of our information and according to the explanations given to us and other Notes given in Schedule 19, the said consolidated financial statements give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) In case of the consolidated Balance Sheet, of the State of Affairs of the Group as at 31<sup>st</sup> March, 2011;
  - b) In case of the consolidated Profit and Loss Account, of the Profit of the Group for the year ended on that date; and
  - c) In the case of consolidated Cash Flow Statement, of the cash flow of the Group for the year ended on that date.

For **S M N P & Co**  
Chartered Accountants  
Registration No. 105929W

Sd/-  
**Sunil S. Dayma**  
Partner

**Mumbai, 27<sup>th</sup> May, 2011**

Membership No. F-100542



## CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2011

(Rs. in lacs)

Particulars	Schedule	As at 31-Mar-11	As at 31-Mar-10
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	3,385.45	3,379.75
Reserves & Surplus	2	9,319.75	8,112.64
<b>Minority Interest</b>		<b>0.02</b>	4.42
<b>Loan Funds</b>			
Secured Loans	3	13,209.82	8,106.30
Unsecured Loans	4	187.24	172.90
<b>Deferred Tax Liability</b>		<b>1,340.58</b>	1,129.72
<b>TOTAL</b>		<b><u>27,442.86</u></b>	<b><u>20,905.73</u></b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	18,103.96	15,301.63
<b>Less : Depreciation</b>		<b><u>6,911.66</u></b>	<u>6,106.94</u>
Net Block		11,192.30	9,194.69
Capital in Progress		<u>1,496.04</u>	<u>308.54</u>
		<b>12,688.34</b>	9,503.23
<b>Intangible Assets</b>		<b>574.11</b>	286.38
<b>Investments</b>	6	<b>2.07</b>	1.92
<b>Current Assets, Loans and Advances</b>			
Inventories	7	7,542.87	5,503.59
Sundry Debtors	8	6,924.67	7,490.43
Cash & Bank Balances	9	4,560.12	1,834.00
Loans & Advances	10	5,147.54	4,077.44
		<b>24,175.20</b>	18,905.46
<b>Less : Current Liabilities and Provisions</b>	11		
Current Liabilities		10,338.26	7,720.64
Provisions		<u>39.17</u>	<u>155.22</u>
		<b>10,377.43</b>	7,875.86
<b>Net Current Assets</b>		<b>13,797.77</b>	11,029.60
<b>Miscellaneous Expenditure</b> (to the extent not written off)	12	<b>380.57</b>	84.60
<b>TOTAL</b>		<b><u>27,442.86</u></b>	<b><u>20,905.73</u></b>
<b>Significant Accounting Policies and Notes on Accounts</b>			
	19		

As per our report of even date

For and on behalf of the Board

For **S M N P & Co.**  
Chartered Accountants  
(Registration No. 105929W)

Sd/-  
**Sumit H. Chuganee**  
Executive Vice Chairman & Whole Time Director

Sd/-  
**Sunil S. Dayma**  
Partner  
M. No. F-100542

Sd/-  
**Pritam Vartak**  
Company Secretary

Sd/-  
**Mohit H. Chuganee**  
Vice Chairman & Managing Director

Mumbai : 27<sup>th</sup> May, 2011

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011***(Rs. in lacs)*

Particulars	Schedule	Year ended 31-Mar-11	Year ended 31-Mar-10
<b>INCOME</b>			
Gross Sales		44,068.79	46,116.66
<b>Less</b> : Excise Duty		2,796.99	3,084.73
Net Sales		41,271.80	43,031.93
Other Income	13	679.60	376.46
Variation in Inventories	14	1,468.86	(533.78)
<b>TOTAL</b>		<b>43,420.26</b>	<b>42,874.61</b>
<b>EXPENDITURE</b>			
Materials Consumed	15	27,736.60	24,755.50
Employee related expenditure	16	1,997.31	1,659.17
Manufacturing, Administrative and Other Expenses	17	8,924.20	7,855.89
Interest and Finance Charges	18	1,573.78	1,705.13
Depreciation		804.72	749.48
Miscellaneous Expenditure written off		55.37	21.15
<b>TOTAL</b>		<b>41,091.98</b>	<b>36,746.32</b>
<b>Profit before Tax &amp; Extra Ordinary Items</b>		<b>2,328.28</b>	<b>6,128.29</b>
Extra Ordinary Items		585.56	—
<b>Profit / (Loss) before Tax</b>		<b>1,742.72</b>	<b>6,128.29</b>
Provision for Income tax — Current		388.97	1,844.65
— MAT Tax		—	(102.29)
Short / (Excess) Tax of prior period(s)		84.59	—
— Deferred Tax		210.85	495.28
— Fringe Benefit Tax		—	—
<b>Net Profit / (Loss) for the year</b>		<b>1,058.31</b>	<b>3,890.65</b>
Prior Period Adjustments		0.00	24.78
		<b>1,058.31</b>	<b>3,865.87</b>
Dividend		—	406.25
Dividend distribution tax		—	69.05
Minority Interest		(0.01)	(0.02)
<b>Add./Less</b> : Consolidated share in profit/(loss) of associate		<b>(0.02)</b>	<b>—</b>
<b>Amount Available for Appropriation</b>		<b>1,058.34</b>	<b>3,390.57</b>
<b>Balance carried to Balance Sheet</b>		<b>1,058.34</b>	<b>3,390.57</b>
<b>Earning Per Share – Basic</b>		<b>3.12</b>	<b>13.16</b>
<b>Earning Per Share – Diluted</b>		<b>3.12</b>	<b>13.13</b>
<b>Significant Accounting Policies and Notes on Accounts</b>	19		

As per our report of even date

For and on behalf of the Board

For **S M N P & Co.**  
Chartered Accountants  
(Registration No. 105929W)Sd/-  
**Sumit H. Chuganee**  
Executive Vice Chairman & Whole Time DirectorSd/-  
**Sunil S. Dayma**  
Partner  
M. No. F-100542Sd/-  
**Pritam Vartak**  
Company SecretarySd/-  
**Mohit H. Chuganee**  
Vice Chairman & Managing DirectorMumbai : 27<sup>th</sup> May, 2011



## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011

(Rs. in lacs)

Particulars	Year ended 31-Mar-11	Year ended 31-Mar-10
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net profit/(loss) before tax & exceptional items	1,742.72	6,128.29
<b>Adjustments for :</b>		
— Depreciation	804.72	749.48
— Interest Expenses	1,573.78	1,705.13
— Miscellaneous Exp Written off	55.37	21.15
— Profit on Sale of Fixed Assets	—	—
— Unrealized Foreign Exchange on Consolidation	144.39	7.22
— Unrealized addition to Capital Reserve/Minority interest	(4.40)	0.43
<b>Operating profit before working capital changes</b>	<b>4,316.58</b>	<b>8,611.70</b>
<b>Adjustments for :</b>		
— Trade & Other Receivables	(504.34)	(1,723.62)
— Inventories	(2,039.28)	(420.92)
— Trade Payables	2,501.57	(2,739.06)
<b>Cash flow before extra ordinary items</b>	<b>4,274.53</b>	<b>3,728.10</b>
Exceptional Items	—	—
Prior Period Items	(0.00)	(24.78)
Dividend & tax on the same	—	(475.30)
Taxes	(388.97)	(1,742.36)
<b>Net cash from operating activities</b>	<b>3,885.56</b>	<b>1,485.66</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(3,989.83)	(813.77)
Purchase of intangible assets	(287.73)	(76.12)
Sale of Fixed Assets	—	—
Product Registration Expenses	(435.93)	(105.75)
Investments	(0.15)	(1.19)
<b>Net cash used in investing activities</b>	<b>(4,713.64)</b>	<b>(996.83)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
— Proceeds from borrowings	5,117.85	371.88
— Interest paid	(1,573.78)	(1,705.13)
— Issue of Equity Shares	5.70	461.51
— Premium on Equity Shares Issued	4.42	357.67
<b>Net cash used in financing activities</b>	<b>3,554.19</b>	<b>(514.07)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,726.11</b>	<b>(25.24)</b>
Opening Cash and cash equivalents	1,834.00	1,859.24
Closing Cash and cash equivalents	4,560.12	1,834.00
	<b>2,726.11</b>	<b>(25.24)</b>

As per our report of even date

For **S M N P & Co.**  
Chartered Accountants  
(Registration No. 105929W)

Sd/-  
**Sunil S. Dayma**  
Partner  
M. No. F-100542

Mumbai : 27<sup>th</sup> May, 2011

For and on behalf of the Board

Sd/-  
**Sumit H. Chuganee**  
Executive Vice Chairman & Whole Time Director

Sd/-  
**Pritam Vartak**  
Company Secretary

Sd/-  
**Mohit H. Chuganee**  
Vice Chairman & Managing Director

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2011***(Rs. in lacs)*

Particulars	As at 31-Mar-11	As at 31-Mar-10
<b>SCHEDULE – 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised :</b>		
3,60,00,000 Equity Shares of Rs. 10/- each (Previous Year 3,60,00,000 Equity Shares of Rs. 10/- each)	<u>3,600.00</u>	<u>3,600.00</u>
<b>Issued :</b>		
3,38,66,077 Equity Shares of Rs. 10/- each (Previous Year 3,38,09,105 Equity Shares of Rs. 10/- each)	<u>3,386.61</u>	<u>3,380.91</u>
<b>Subscribed and Paid-up :</b>		
3,38,66,077 Equity Shares of Rs. 10/- each (Previous Year 3,38,09,105 Equity Shares of Rs. 10/- each)	3,386.61	3,380.91
<b>Less : Calls in arrears (others)</b>	<b>(1.16)</b>	<b>(1.16)</b>
	<u>3,385.45</u>	<u>3,379.75</u>
<b>TOTAL</b>	<u><u>3,385.45</u></u>	<u><u>3,379.75</u></u>
<b>SCHEDULE – 2</b>		
<b>RESERVES AND SURPLUS</b>		
<b>i) Capital Reserve (Government Subsidy )</b>		
As per last Balance Sheet	24.46	24.46
Additions on consolidation of subsidiaries	—	—
	<u>24.46</u>	<u>24.46</u>
<b>ii) Securities Premium Account</b>		
As per last Balance Sheet	1,366.55	1,008.88
<b>Add</b> : Additions during the year	4.42	357.67
	<u>1,370.97</u>	<u>1,366.55</u>
<b>iii) Foreign Currency Translation Reserve</b>		
	169.28	24.93
<b>iv) General Reserve</b>		
As per last Balance Sheet	6,696.70	3,306.15
<b>Add, / (Less)</b> : Transferred from Profit & Loss Account	1,058.34	3,390.55
	<u>7,755.04</u>	<u>6,696.70</u>
<b>TOTAL</b>	<u><u>9,319.75</u></u>	<u><u>8,112.64</u></u>

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2011**
*(Rs. in lacs)*

Particulars	As at 31-Mar-11	As at 31-Mar-10
<b>SCHEDULE – 3</b>		
<b>SECURED LOANS</b>		
<b>A) Term Loans :</b>		
a) Banks	5,135.76	1,499.25
c) Others	—	344.43
	<u>5,135.76</u>	<u>1,843.68</u>
<b>B) Working Capital Loans from Banks</b>	<b>7,967.21</b>	<b>6,199.40</b>
<b>C) Other Loans</b>		
a) Banks	106.85	63.22
b) Others	—	—
	<u>106.85</u>	<u>63.22</u>
<b>TOTAL</b>	<b><u>13,209.82</u></b>	<b><u>8,106.30</u></b>

**NOTES :**

- The above Term Loans are secured by a first mortgage on the immovable properties, both present and future and a first charge by way of hypothecation of all the movables (save and except book debts), present and future, ranking pari passu inter se, subject to prior charges created in favour of the Bankers, on the inventories and other moveables for securing the borrowings for working capital requirements.
- Working capital loans from banks are secured by a first charge by way of hypothecation of all tangible assets including stocks of raw materials, work-in-process, finished goods and book debts and a second charge on the immovable properties, both present & future.
- Other Loans are secured by hypothecation of earmarked vehicles acquired there against.
- Long term Borrowings from Banks and Financial Institutions are personally guaranteed as follows .

Term Loan Details	Guaranted By	Outstanding as at 31.3.2011
<b>a. Axis Bank</b> ECB Loan	Mr. Mohit Chuganee & Mr. Sumit Chuganee	<b>Rs. 2340.50 Lacs</b>
<b>b. Exim Bank</b> Foreign Currency Term Loan Rupee Term Loan	Mr. Sumit Chuganee Mr. Sumit Chuganee	<b>Rs. 1500 Lacs</b> <b>Rs. 364.38 Lacs</b>
<b>c. All Other Term Loans(*)</b>		
1 IDBI Bank		<b>Rs. 150 Lacs</b>
2 Union Bank of India		<b>Rs. 404.50 Lacs</b>
3 Federal Bank		<b>Rs. 252.97 Lacs</b>
4 Dena Bank		<b>Rs. 123.41 Lacs</b>

(\*) All other term loans are guaranteed by all the three directors viz-Mr. Hero Chuganee, Mr. Mohit Chuganee and Mr. Sumit Chuganee.

- Working capital loans and non fund based facilities amounting to Rs. 22,000 lacs from consortium of Banks viz Union Bank of India, Bank of India, Dena Bank, Federal Bank, Axis Bank, State Bank of India, Ratnakar Bank, Oriental Bank of Commerce, & IDBI Bank are further secured by personal guarantee of all three directors of the company, viz-Mr. Hero Chuganee, Mr. Mohit Chuganee and Mr. Sumit Chuganee.
- Installments due within one year for term loans Rs. 676 Lakhs (P.Y. 752.90 Lakhs) and in case of other loans Rs. 39.89 Lacs (P.Y.Rs. 23.19 Lacs)



**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2011**

(Rs. in lacs)

Particulars	As at 31-Mar-11	As at 31-Mar-10
<b>SCHEDULE – 4</b>		
<b>UNSECURED LOANS</b>		
Long Term Loan From Others	187.24	172.90
<b>TOTAL</b>	<b>187.24</b>	<b>172.90</b>

**SCHEDULE – 5**  
**FIXED ASSETS**

(Rs. in Lacs)

ASSETS	Rate %	GROSS BLOCK			DEPRECIATION			NET BLOCK		
		As at 01/04/2010	Additions	Deductions	As at 31/3/2011	Upto 01/04/2010	For the year	Deductions	As at 31/3/2011	As at 31/03/2010
Freehold Land		7.28	—	—	7.28	—	—	—	7.28	7.28
Leasehold Land	1.01%	129.29	—	—	129.29	12.75	1.31	—	14.06	115.23
Building	3.34%	2,474.96	439.74	—	2,914.70	623.86	82.79	—	706.65	2,208.05
Plant & Machinery	5.28%	12,027.78	2,237.42	—	14,265.20	5,207.71	638.52	—	5,846.23	8,418.97
Computer	16.61%	150.25	24.88	—	175.13	93.86	31.16	—	125.02	50.11
Software(intangible Asset)	16.61%	125.01	—	—	125.01	11.77	15.57	—	27.34	97.67
Furniture & Fixtures	6.33%	64.29	4.51	—	68.80	47.90	4.08	—	51.98	16.83
Vehicles	9.50%	221.29	95.78	—	317.07	108.95	24.12	—	133.07	184.00
Ships	7.07%	101.48	—	—	101.48	0.14	7.17	—	7.31	94.17
<b>TOTAL</b>		<b>15,301.63</b>	<b>2,802.33</b>	<b>—</b>	<b>18,103.96</b>	<b>6,106.94</b>	<b>804.72</b>	<b>—</b>	<b>6,911.66</b>	<b>11,192.31</b>
Capital Work-in-progress (*)		308.54	3,793.38	2,605.88	1,496.04	—	—	—	—	1,496.04
<b>GRAND TOTAL</b>		<b>15,610.17</b>	<b>6,595.71</b>	<b>2,605.88</b>	<b>19,600.00</b>	<b>6,106.94</b>	<b>804.72</b>	<b>—</b>	<b>6,911.66</b>	<b>12,688.35</b>
PREVIOUS YEAR		14,551.87	1,997.73	939.45	15,610.15	5,357.46	749.48	—	6,106.94	9,503.23

(\*) Refer Note No.II.19 to Schedule 19

(Rs. in lacs)

Particulars	As at 31-Mar-11	As at 31-Mar-10
<b>SCHEDULE – 6</b>		
<b>INVESTMENTS (At cost, Long Term, Unquoted)</b>		
<b>Trade :</b> (In wholly owned subsidiary companies)		
4400 (Previous Year – Nil )Equity Shares in Markan Agroquimica Ltda, R\$ 0.10 paid up	1.19	1.19
<b>Non Trade :</b>		
In Government Securities	0.88	0.73
(National Savings Certificate VIIIth Series deposited with Excise Department/Sales Tax Department)		
<b>TOTAL</b>	<b>2.07</b>	<b>1.92</b>

**SCHEDULE – 7**

**INVENTORIES (As taken, valued and certified by the Director)**

Stores & Spares	683.81	607.12
Raw Materials	3,223.65	2,729.92
Stock-in-process	340.53	370.39
Finished Goods	3,324.88	1,826.16
<b>Less : Provision for obsolete stock</b>	<b>(30.00)</b>	<b>(30.00)</b>
<b>TOTAL</b>	<b>7,542.87</b>	<b>5,503.59</b>

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2011**
*(Rs. in lacs)*

Particulars	As at 31-Mar-11	As at 31-Mar-10
<b>SCHEDULE – 8</b>		
<b>SUNDRY DEBTORS (Unsecured)</b>		
<b>Outstanding for a period exceeding six months :</b>		
— Considered good	791.14	602.55
— Considered doubtful	<u>53.96</u>	<u>19.68</u>
	<b>845.10</b>	<b>622.23</b>
<b>Less :</b> Provision for Doubtful debts		
Balance as per Last Balance Sheet	19.68	40.00
<b>Add :</b> Provided during the year	<u>53.96</u>	<u>296.16</u>
<b>Less :</b> Written off during the year	<u>(19.68)</u>	<u>(316.48)</u>
	<b>53.96</b>	<b>19.68</b>
Outstanding for a period exceeding six months (Net of Provisions)	791.14	602.55
Others – Considered good	<u>6,133.53</u>	<u>6,887.88</u>
<b>TOTAL</b>	<b><u>6,924.67</u></b>	<b><u>7,490.43</u></b>
<b>SCHEDULE – 9</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	22.46	17.08
<b>Balance with Scheduled Banks :</b>		
<b>In Current Accounts</b>		
a) Public Issue Accounts	—	—
b) Others	<u>2,350.05</u>	<u>230.60</u>
<b>In Margin Money Account *</b>	<u>2,173.58</u>	<u>1,574.93</u>
Bank Balances Outside India	<u>14.03</u>	<u>11.39</u>
<b>TOTAL</b>	<b><u>4,560.12</u></b>	<b><u>1,834.00</u></b>
* Against Letter of Credit, Bills Discounted and Guarantees issued by the bank.		
<b>SCHEDULE – 10</b>		
<b>LOANS AND ADVANCES (Unsecured, Considered Good)</b>		
Advances recoverable in cash or in kind or for value to be received	2,002.90	1,484.99
Modvat Credit Receivable	<u>2,873.94</u>	<u>2,302.35</u>
Balance with Excise Department	<u>13.18</u>	<u>8.54</u>
Deposits	<u>248.30</u>	<u>220.98</u>
Loan to subsidiary company	<u>9.22</u>	<u>60.58</u>
<b>TOTAL</b>	<b><u>5,147.54</u></b>	<b><u>4,077.44</u></b>
<b>SCHEDULE – 11</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Current Liabilities</b>		
Sundry Creditors	9,282.71	6,428.55
Other Liabilities	<u>1,052.14</u>	<u>807.55</u>
Interest accrued but not due	<u>3.41</u>	<u>9.24</u>
Proposed Dividend	—	406.25
Dividend Distribution tax Payable	—	<u>69.05</u>
	<b>10,338.26</b>	<b>7,720.64</b>
<b>Provisions</b>		
Income Tax (net of payments)	37.76	154.88
Wealth Tax	<u>1.41</u>	<u>0.34</u>
	<b>39.17</b>	<b>155.22</b>
<b>TOTAL</b>	<b><u>10,377.43</u></b>	<b><u>7,875.86</u></b>
<b>SCHEDULE – 12</b>		
<b>MISCELLANEOUS EXPENDITURE (to the extent not written off)</b>		
Product Development Expenditure	435.94	105.75
<b>Less :</b> Written off	<u>55.37</u>	<u>21.15</u>
	<b>380.57</b>	<b>84.60</b>





**SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS  
ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011**

(Rs. in lacs)

Particulars	Year ended 31-Mar-11	Year ended 31-Mar-10
<b>SCHEDULE – 13</b>		
<b>OTHER INCOME</b>		
Insurance Claim Received	52.86	15.68
Interest Received	190.13	88.44
Others	18.54	27.37
Exchange Gain	418.07	244.97
<b>TOTAL</b>	<b>679.60</b>	<b>376.46</b>
<b>SCHEDULE – 14</b>		
<b>VARIATION IN INVENTORIES</b>		
<b>Closing Stock</b>		
Finished Goods	3,324.88	1,826.16
Stock-in-process	340.53	370.39
	<b>3,665.41</b>	<b>2,196.55</b>
<b>Less : Opening Stock</b>		
Finished Goods	1,826.16	2,175.38
Stock-in-process	370.39	554.95
	<b>2,196.55</b>	<b>2,730.33</b>
<b>TOTAL</b>	<b>1,468.86</b>	<b>(533.78)</b>
<b>SCHEDULE – 15</b>		
<b>MATERIALS CONSUMED</b>		
Opening Stock	2,729.92	1,928.06
Purchases during the year	28,230.33	25,557.36
<b>Less : Closing Stock</b>	<b>3,223.65</b>	<b>2,729.92</b>
<b>TOTAL</b>	<b>27,736.60</b>	<b>24,755.50</b>
<b>SCHEDULE – 16</b>		
Employee Related Expenditure		
Salaries, Wages and Bonus	1,756.89	1,426.56
Contribution to Provident & Other Funds	89.96	73.69
Staff Welfare Expenses	150.46	158.92
<b>TOTAL</b>	<b>1,997.31</b>	<b>1,659.17</b>

**SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS  
ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011**

*(Rs. in lacs)*

Particulars	Year ended 31-Mar-11	Year ended 31-Mar-10
<b>SCHEDULE – 17</b>		
<b>MANUFACTURING, ADMINISTRATIVE AND OTHER EXPENSES</b>		
Power & Fuel	2,815.03	2,801.51
Insurance	145.62	163.84
Stores & Spares consumed	1,017.55	1,001.55
Waster Water Disposal charges	315.86	9.58
Water Charges	56.74	71.10
Conversion Charges	175.48	39.85
<b>Repairs &amp; Maintenance :</b>		
Plant & Machinery	269.23	326.90
Building	14.91	31.39
Others	15.63	22.69
Rent	105.98	85.16
Rates and taxes	3.53	5.46
Directors' sitting fees	1.40	0.82
Travelling & Conveyance	396.38	300.23
Legal & Professional fees	290.74	142.21
<b>Selling &amp; Distribution Expenses:</b>		
Selling Expenses and Commission	153.34	735.99
Discounts- (Cash/Trade and others)	405.22	286.52
Freight & other expenses	1,882.49	1,161.12
Provision for doubtful debts/Advances	53.96	70.00
Provision for Closing stock	—	30.00
Balances Written off(net)	168.93	—
Miscellaneous Expenses	636.18	569.97
<b>TOTAL</b>	<b>8,924.20</b>	<b>7,855.90</b>

**SCHEDULE – 18**

**INTEREST & FINANCE CHARGES**

**Interest on :**

Term Loans & Debentures	176.36	279.32
Others	1,225.08	1,131.37
	<b>1,401.44</b>	<b>1,410.69</b>
Finance Charges	172.34	294.40
<b>TOTAL</b>	<b>1,573.78</b>	<b>1,705.09</b>

**SCHEDULE – 19****SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011****I. SIGNIFICANT ACCOUNTING POLICIES :****1. Basis of preparation of financial statements**

The Financial Statements have been prepared under historical cost convention on going concern basis and in accordance with the accounting principles generally accepted in India and comply with the Accounting standards as referred to in the Companies (Accounting Standards) Rules 2006 issued by the Central Government and the relevant provisions of the Companies Act, 1956.

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

**2. Basis of consolidation :**

a) The consolidated financial statements are prepared by consolidating the accounts of Sabero Organics Gujarat Limited (the Company) with those of its subsidiaries and joint venture, which constitute the Group, in accordance with the generally accepted accounting principles and in consonance with the Accounting Standard 21- "Consolidated Financial Statements", Accounting Standard 27 - "Financial Reporting of Interests in Joint ventures" and Accounting Standard 23 - "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

b) The financial year of the group have been aligned with the Company and are drawn up to the same reporting date as of the Company *i.e.* year ended March 31, 2011 except in case of Sabero Argentina S.A. whose accounts are drawn up to December 31, 2010.

**3. Principles of Consolidation :**

i. The financial statements of the parent company and its subsidiaries have been combined on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenses. Intra-group balances and intra-group transactions and resulting unrealized profits or losses if any have been fully eliminated.

ii. Consolidated financial statements have been prepared using uniform accounting policies for the like transactions and other events in similar circumstances are presented, to the extent possible, in the same manner as the Parent Company's separate financial statements. Changes have been made in the accounting policies followed by the subsidiary to the extent they were material and identifiable from their respective audited accounts to make them uniform with the accounting policies followed by the Holding Company. In case the uniform accounting policy is not followed by each company in the Group, the same, as disclosed in the provisional accounts of the said company, are reproduced.

iii. In case of foreign subsidiaries, being non-integral operations, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at rates prevailing at the end of the year. Any exchange differences arising on consolidation is recognized in the exchange fluctuation reserve.

iv. The excess / deficit of cost to the parent company of its investments in the Subsidiaries over its share of equity in the subsidiary companies, at the respective dates on which

investment in the subsidiaries are made, is recognised as Goodwill / Capital Reserve. The parent company's portion of equity in such subsidiaries is determined on the basis of book values of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment.

v. Current assets / outside liabilities and income / expenses of overseas subsidiaries and joint venture have been translated in reporting currency in terms of exchange rates prevailing on year-end date and average rate respectively on the basis of non-integral operation approach as per revised AS-11 "The Effects of changes in Foreign Exchange Rates" issued by the Institute of Chartered Accountants of India there by accounting for the aggregate net impact of exchange fluctuation in this regard as Foreign Currency Translation Reserve under the head Reserve and Surplus.

vi. Minority interest's share of net profit is adjusted against the income to arrive at the net income attributable to shareholders. Minority interest's share of net assets is presented separately in the balance sheet.

vii. The following Associate / subsidiaries are considered in the consolidated financial statements :

*% voting power held*

Sr. No.	Associate / Subsidiary	Country of Incorporation	As at 31.03.11	As at 31.03.10
1.	Sabero Australia Pty. Ltd.	Australia	100.00	100.00
2.	Sabero Europe BV	Netherlands	100.00	100.00
3.	Sabero Organics America S.A.	Brazil	99.94	92.00
4.	Sabero Argentina S.A.	Argentina	95.00	95.00
5.	Sabero Organics Philip-pines Asia Inc.	Philippines	39.75	0.00

**4. Use of Estimates**

The presentation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions to be made that may affect the reported amount of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimated. Any revision to accounting estimates is recognised prospectively in current and future periods.

**5. Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation. Cost comprises the purchase price and any attributable costs of bringing the asset to their working condition for their intended use. Fixed assets acquired under finance lease are accounted as per the Accounting Standard - 19 Leases issued by The Institute of Chartered Accountants of India.

Borrowing costs directly attributable to acquisition or construction of fixed assets, which necessarily take a substantial period of time to get ready for their intended use are capitalized till the assets are put to use.

**6. Intangible Assets**

Intangible Assets are recorded at their cost of acquisition. Cost of an internally generated asset, if any, comprises all expenditure that can be directly attributed, or allocated on a

reasonable and consistent basis, to creating, producing and making the asset ready for its intended use.

#### 7. Depreciation

- a) Cost of leasehold land is amortised over the remaining period of lease after the commencement of commercial production.
- b) Depreciation on other fixed assets is provided on Straight Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 or on the basis of depreciation rates prescribed under respective local laws. Continuous process plants are classified on technical assessment and depreciation provided accordingly.
- c) Depreciation on the Fixed Assets added/disposed off/discarded during the year is provided on pro-rata basis with reference to the month of addition / disposal/discarding.

#### 8. Amortisation of Intangibles :

The Intangible Assets being Computer Software is amortised over a period of six years based on the estimated life of the asset as ascertained by the management.

#### 9. Borrowing Costs :

Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalised as part of cost of such asset up to the date when such asset is ready for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

#### 10. Investments :

Investments in entities in which the parent company has significant influence but not a controlling interest, are reported according to the equity method *i.e.* the investments is initially recorded at cost. Provision is made only when in management's opinion there is a decline, other than temporary, in the carrying value of such investments.

#### 11. Inventories

Inventories, as taken valued and certified by one of the Directors, are valued at lower of the cost and estimated net realisable value on following basis:

##### 11.1 Raw Materials and Stores & Spares

Cost of raw materials, stores and spares is computed on Weighted Average Cost basis.

##### 11.2 Finished Goods & Work in Progress:

Cost of finished goods and work-in-progress include conversion and other costs incurred in bringing the inventories to their present location and condition. The obsolete, defective and unserviceable stocks are duly provided for wherever required.

#### 12. Foreign Currency Transactions

- a) Transactions in foreign currency are recorded at the rates of exchange in force at the time of occurrence of the transactions.
- b) Assets and outstanding liabilities in foreign currency at the year end are stated at the rates of exchange prevailing at the close of the year (except investments made outside India, which are carried at the rate of exchange prevailing at the date of transaction) and resultant gains/losses are adjusted to Profit and Loss Account in other case.

#### 13. Revenue Recognition :

##### 13.1 Sales & Sales Return :

The company recognizes Sales at the point of dispatch of goods to the customers. Sales include amounts invoiced for goods sold including the accrued export benefits, but net of sales tax and sales returns. The sales returns are accounted on return of goods from the customers.

##### 13.2 Others :

Interest income is accounted for on accrual basis. All other incomes are accounted on receipt basis.

#### 14. Taxation :

**14.1** Income tax expense comprises current tax (*i.e.* amount of tax for the year determined in accordance with the Income Tax law), deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the year) computed in accordance with the relevant provisions of the Income Tax Act, 1961 or as prescribed under the respective local laws.

**14.2** Deferred Tax resulting from timing differences between book and tax profits is accounted for under the liability method using the tax rates and laws that have been substantively enacted as of the balance sheet date, to the extent that the timing differences are expected to crystallize.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each Balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain to be realized.

#### 15. Government Grants

Grants relating to Fixed Assets in the nature of project capital subsidy are credited to Capital Reserve.

#### 16. Employee Benefits:

##### 16.1 Privilege Leave entitlements :

Privilege leave entitlements are recognized as a liability, in the calendar year of rendering of service, as per the rules of the Company. As accumulated leave can be availed and / or encashed at any time during the tenure of employment the liability is recognized at the actuarially determined value by an Appointed Actuary.

##### 16.2 Gratuity :

Payment for present liability of future payment of gratuity is being made to approved Gratuity Fund, which covers the same under Cash Accumulation Policy of the Life Insurance Corporation of India.

##### 16.3 Provident Fund :

All employees are eligible for benefits under Provident Fund (PF) scheme. Provident Funds of 12% of covered employee's basic salary is deducted and paid along with Company's contribution of an equal amount on a monthly basis to the Government administered provident fund schemes and charged to the Profit and loss account.

**17. Earnings per Share**

Basic earning per share is calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events of subsequent issue of shares.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

**18. Miscellaneous Expenditure**

Product registration charges for allowing sales of products in overseas market are written off by the Company in five equal annual installments.

**19. Impairment of Assets**

The carrying amounts of the Company's assets are reviewed at each Balance Sheet date. If any indication of impairment exists, an impairment loss is recognised to the extent of the excess of the carrying amount over the estimated accountable amount.

**20. Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognised in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company.

A Contingent asset is neither recognized nor disclosed in the financial statements.

**II. NOTES ON ACCOUNTS :****1. Contingent Liabilities / Capital Contract:**

- i) Bills discounted and outstanding Rs. 5,613.11 Lacs (Previous Year Rs. 4,842.40 Lacs). (Since realised Rs. 2,348.05 Lacs; Previous Year Rs. 1941.89 Lacs)
- ii) Bank Guarantees outstanding Rs. 475.40 Lacs (Previous Year Rs. 740.53 Lacs).
- iii) Disputed income tax liability of Rs. 179.18 Lacs (Previous Year Rs. 146.94 Lacs) excluding interest liability and penalty, if any, as may arise on conclusion of the relevant matter.
- iv) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 4,317.74 Lacs (Previous Year Rs. 980.80 Lacs).
- v) Contingent Liabilities as may arise due to delayed/non-compliance of certain fiscal statutes - Amount unascertainable (Previous Year - Amount Unascertainable)

2. The Company has allotted 56972 Equity Shares of Rs. 10/- each at premium of Rs. 7.75 per Shares, vide resolution passed in the Board Meeting held on 26<sup>th</sup> April, 2010 & the said allotment was made upon the conversion of Optionally Fully Convertible Warrants issued by the Company to the allottee. The object of the issue was to fulfill the working capital requirements of the Company.

**3. Confirmation of Balances**

Certain balances appearing under the heads Sundry Debtors, Loans & Advances including inter branch balances and Current Liabilities are as per books of accounts and as such are subject to consequential adjustments which may arise on receipts of confirmations and/or completion of reconciliations.

**4. Consolidated Accounts of Subsidiary Companies :**

- 4.1 No adjustment in the carrying cost with respect to diminution in the value of long term unquoted investments of Rs. 257.44 Lacs (Previous year Rs. 52.46 Lacs) has been made in the accounts, since these are long-term strategic investments and such diminution does not represent inherent loss in value thereof and also is not of permanent nature.
- 4.2 The financial year of the subsidiaries have been aligned with the parent Company and are drawn up to the same reporting date as of the Company i.e. year ended March 31, 2011.
- 4.3 The company has consolidated its accounts with its subsidiary companies viz. Sabero Argentina S.A., Sabero Europe B.V., Sabero Australia Pty. Ltd., and Sabero Organics America S/A. While the provisional accounts of all the companies were provided to us and were accordingly consolidated as per the recommendations of Accounting Standard - 21 Consolidated Financial Statements issued by the Institute of Chartered Accountants of India, the accounts of Sabero Australia Pty Ltd were provided and considered for consolidation only upto 31<sup>st</sup> December, 2010. We were given to understand by the management that there were no material transactions in Sabero Australia Pty Ltd, during the three months ended 31<sup>st</sup> March, 2011.
- 4.4 Intangible assets of a subsidiary Sabero America S/A includes expenses amounting to Rs. 574.11 Lacs (Previous Year Rs. 286.38 Lacs) incurred in relation to the organizing and constitution of the company and general administrative expenses incurred after their formation. In the opinion of the management the amortisation would be done from the year in which the Company starts generating profit.

**5. Investments in Joint Venture**

- 5.1 The Company is a shareholder in the entity Markan Agroquimica Ltda, Brazil, where the company holds 44% interest in the shares of the entity.
- 5.2 The other disclosures as stipulated in para 51 to para 54 of the Account Standard 27 - Financial Reporting of Interests in Joint Ventures issued by the Institute of Chartered Accountants of India in relation to this joint venture are as follows:
  - a. Contingent Liabilities : Nil incurred by the company in relation to its interest in the joint venture
  - b. Company's share of : Unascertainable contingent liabilities of the jointly controlled entity
  - c. Contingent liabilities arising : Since the details of the other against the contingent venturer are not available any liabilities of the venture for contingent liability arising on account of other liabilities of the other venturer: other venturer cannot be ascertained

d. Capital Commitments of : 4400 R\$ (Brazilian Reais) the Venturer in relation to 44% Share in the jointly its interest in the joint controlled entity (Rs. 0.97 venture and share of Lacs) capital commitments in the venture:

e. Share of the capital : Nil commitments of the joint venture:

f. The Company does not have management control in Marakan argoquimica Ltda., Brazil During the previous year, the Company had intention to withdraw from Marakan and to sever the relationship of Joint Venture with Marakan Argoquimica Ltda, Brazil. Accordingly in the current year the Co-venturer company has initiated Arbitration proceedings with the ICC International Council of Arbitration. As a consequence, the details of assets, liabilities, income and expenses of the above Joint Venture are not available with the Company and hence not given. Due to the above non-availability of information, the impact on the Profit of the Company for the year cannot be ascertained. The share of Company's Liabilities/ assets/losses as on the Balance Sheet date, if any, in the above Joint Venture as a consequence of the severance and filing of arbitration is presently not ascertainable..

Aggregate amount of each of the assets, liabilities income and expenses related to the Interest of the Company in the Joint Venture for the current year is not available.

6. As at the close of the current year, there were unreconciled balances in the Cenvat receivable accounts amounting to Rs. 335 Lacs (Previous Year Rs. 490 Lacs) which is under reconciliation. Any consequential adjustment arising out of such reconciliation would suitably be made in the accounts upon completion of the reconciliation.

No provision has been considered necessary in the books during the current year since the management is hopeful of reconciling the same without any loss to the company.

7. a. Inventory as at the close of the year was as taken, valued and certified by the management.

b. Inventory lying with the C&F agents on behalf of the Company as at the Balance Sheet date aggregating to Rs. 610 Lacs (Previous Year - Nil) is subject to confirmation from the respective agents. However, the Company does not foresee any material deviation from the book stock in regards to the said inventory.

8. In the opinion of the Board, Current Assets and Loans & Advances have a value on realization in the ordinary course of business, at least equal to the amount at which they are stated.

#### 9. Assets under Lease

9.1 Secured loans include Rs. 106.85 Lacs (Previous year Rs. 63.22 Lacs), being the liability towards the lessors on account of the assets acquired under finance lease.

Significant Terms in the Lease Agreements: The Company is entitled to the benefits of the warranties given by the equipment manufacturer. The costs of repairs, maintenance and insurance against normal risks are required to be incurred by the Company.

10. There are no reported cases of dues payable to Micro, Small and Medium Enterprises for more than 45 days, and hence there is no need for provision of interest in current year. The same is based on the information available with the Company and relied upon by the Auditors.

11. Sundry balances written off amounting to Rs. 169 Lacs (Previous Year - Nil) are net off debit balances no longer receivable representing Rs. 198 Lacs as adjusted against certain credit balances/liabilities written back aggregating to Rs. 29 Lacs which in the opinion of the management are not payable.

12. Deferred Tax liability comprising of timing differences on account of :

Particulars	As on 31.03.11 (Rs. In Lacs)	As on 31.03.10 (Rs. In Lacs)
<b>Deferred Tax Liability</b>		
1. Depreciation	1,378.03	1,283.11
2. Research & Development Expenses	0.12	—
3. Product Development Expenditure	126.42	28.76
<b>Total Deferred Tax Liability</b>	<b>1,504.57</b>	<b>1,311.87</b>
<b>Deferred Tax Asset</b>		
1. Expenses covered by section 43B & 40(a)(ia)	79.94	98.10
2. Others	84.05	84.05
<b>Total Deferred Tax Asset</b>	<b>163.99</b>	<b>182.15</b>
<b>Net Deferred Tax Liability</b>	<b>1,340.58</b>	<b>1,129.72</b>

#### 13. Basic & Diluted Earnings per Share :

Basic and Diluted earnings per share is calculated as under (Rs. In Lacs) :

Particulars	2010-11	2009-10
Numerator - Profit as per the Profit & Loss account (Rs. In Lacs)	1,058.34	3,890.65
Denominator- No. of Equity Share outstanding (*)	33,862,019	29,564,044
Nominal value of share (in Rs.)	10.00	10.00
Basic Earnings per Share (Rs.)	3.12	13.16
Diluted Earnings per Share (Rs.)	3.12	13.13

\* 33866077 Shares out of which 56972 shares were for 339 days {average shares 33,862,019} (Previous Year - 29,564,044 shares for 365 days).

14. As at the close of the current year, there were unreconciled balances in the VAT receivable/ payable accounts which are in the process of reconciliation. However, no provision has been considered necessary in the books during the current year since the management is hopeful of reconciling the same without any significant loss/liability to the company.

#### 15. Retirement benefit :

Actuarial Valuation of leave encashment and gratuity have been done on the following assumptions :



**Profit and Loss Account**

(Rs. in Lacs)

Particulars	2010-11		2009-10	
	Leave Encashment (unfunded)	Gratuity (Funded)	Leave Encashment (unfunded)	Gratuity (Funded)
Current Service Cost	18.71	6.36	12.22	15.69
Interest on defined Benefit Obligation	2.35	4.93	1.74	—
Expected Return on Plan Assets	—	—	—	—
Settlement Cost/Credit	(11.26)	(11.30)	—	—
Net actuarial (gain) / loss Recognized in the year	7.72	7.53	(6.33)	3.42
Past Service Cost	—	—	—	—
Losses / (Gains) on "Curtailments & Settlements"	—	—	—	—
Losses / (Gains) on "Acquisition / Divestiture"	—	—	—	—
Effect of the limit in Para 59(b)	—	—	—	—
<b>Total included in Employee Benefit Expenses</b>	<b>17.52</b>	<b>7.52</b>	<b>7.63</b>	<b>19.11</b>

**Balance Sheet**

Details of provision for Leave Encashment and Gratuity

(Rs. in Lacs)

Particulars	31 <sup>st</sup> March, 2011		31 <sup>st</sup> March, 2010	
	Leave Encashment (unfunded)	Gratuity (Funded)	Leave Encashment (unfunded)	Gratuity (Funded)
Liability at the beginning of the year	29.36	82.45	21.73	63.34
Fair Value of Plan Assets at the end of the year	Nil	Nil	Nil	Nil
Present value of unfunded obligation at the end of the year	17.52	7.52	7.63	19.11
<b>Amount in Balance Sheet</b>	<b>46.88</b>	<b>89.97</b>	<b>29.36</b>	<b>82.45</b>

Changes in the present value of the defined benefit obligation are as follows :

Particulars	2010-11		2009-10	
	Leave Encashment (unfunded)	Gratuity (Funded)	Leave Encashment (unfunded)	Gratuity (Funded)
Liability at the beginning of the year	29.36	82.45	21.73	63.34
Interest Cost	2.35	4.93	1.74	—
Current Service Cost	18.71	6.36	12.21	15.69
Benefits paid	11.26	11.30	3.83	—
Actuarial Losses / (Gain)	7.72	7.53	(2.49)	3.42
<b>Liability at the end of the year</b>	<b>46.88</b>	<b>89.97</b>	<b>29.36</b>	<b>82.45</b>

Principal actuarial assumptions as at the balance sheet date :

Particulars	31 <sup>st</sup> March, 2011		31 <sup>st</sup> March, 2010	
	Leave Encashment (unfunded)	Gratuity (Funded)	Leave Encashment (unfunded)	Gratuity (Funded)
Discount Rate	8.00 %	8.00 %	8.00 %	8.00 %
Salary Escalation Rate (p.a.)	5.00 %	5.00 %	5.00 %	5.00 %
Expected Rate of Return on Assets (p.a.)	N.A.	N.A.	N.A.	N.A.
Expected average remaining working lives of employees (years)	19	19	19	19

**16. Segment Reporting :**

**16.1 Primary Segment – Business**

The Company's main business is to manufacture and sale Crop Protection Chemicals and Inputs. All other activities of the company are incidental to the main business. As such, there is no separate reportable segment as per the Accounting Standard 17 Segment Reporting issued by the Institute of Chartered Accountants of India.

**16.2 Secondary Segment - Geographical**

The Company's operating facilities are located in India. The segmental reporting for the Secondary Segment - Geographical as per the Accounting Standard 17 Segment Reporting issued by the Institute of Chartered Accountants of India is as follows :

(Rs. in Lacs)

Particulars	2010-11	2009-10
Domestic Revenue	<b>18,767.22</b>	18,040.39
Export Revenue (Including Export benefits)	<b>22,504.58</b>	24,991.54
<b>TOTAL</b>	<b>41,271.80</b>	43,031.93

**17. Related Party disclosures**

Related party disclosures, as required by Accounting Standard 18, Related Party Disclosures, are given below :

**17.1 List of Related parties :**

- I. Parties where control exists : Subsidiaries
  - Sabero Australia Pty. Ltd.
  - Sabero Europe BV
  - Sabero Argentina S.A.
  - Sabero Organics America S/A.
- II. Associates(Including Joint Venture) :
  - Sabero Echostar (India) Pvt. Ltd.
  - Harvard Finance Co. Pvt. Ltd.
  - White Waves Capital LLP

Tranquilitta Capital Advisors Private Limited.

Markan Argoquimica Ltda.

Mosum Enterprises Ltd.

Sabero Organics Phillipines Asia Inc

III. **Key Management Personnel & their relatives :**

Mr. Hero J. Chuganee	<i>Non-Executive Director</i>
Mr. Mohit H. Chuganee	<i>Vice Chairman &amp; Managing Director</i>
Mr. Sumit H. Chuganee	<i>Executive Vice Chairman &amp; Whole Time Director</i>
Mr. S.R.B. Nair	<i>Director (part of the year)</i>
Mr. Rajesh Sharma	<i>Director &amp; Chief Operating Officer</i>
Mrs. Sabita H. Chuganee	<i>Wife of Director</i>

The above Related parties are as identified by the Company and relied upon by the Auditors.

**17.2 Transactions with Related Parties :**

During the year, the following transactions were carried out with the related parties in the normal course of the business :

Nature of Transaction	Subsidiary/Associate Companies		Key Management Personal		Relatives of Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Purchase of Fixed Assets	—	1.00	—	—	—	—
Purchase of Services (excluding service tax)	4.82	2.88	45.87	—	16.80	11.80
Sales of Goods	40.31	—	—	—	—	—
Unsecured Loan	187.24	172.90	—	—	—	—
Remuneration	—	—	137.29	154.01	—	—
Sitting Fees	—	—	1.40	0.82	—	—
Commission to Directors	—	—	21.00	112.93	—	—

**Outstanding balances as on 31<sup>st</sup> March, 2011**

Investments	257.44	52.46	—	—	—	—
Loans & Advances	187.24	172.90	—	—	—	—
Payables	0.85	0.65	30.24	22.58	1.52	1.71
Receivables	0.40	73.39	0.62	—	12.60	12.60

18. Sundry Debtors amounting to Rs. 347.44 Lacs (Previous year - Rs. 169.67 Lacs) were outstanding for a period exceeding 365 days. However, provision for the doubtful recovery has been made in the accounts only to the extent of Rs. 53.96 Lacs (Previous Year 19.68 Lacs) since in the opinion of the management the balance debts are fully recoverable, considering that the recoveries have also been made in the past against such old outstanding amounts.

**19. Pre-operative Expenses pending allocation**

(In respect of projects upto 31<sup>st</sup> March, 2011, included under Capital Work-in-progress)

(Rs. In Lacs)

Particulars	2010-11	2009-10
Opening Balance	247.51	—
<b>Add : Incurred during the Year</b>		
Loan Processing/ Documentation charges	—	247.51
Interest on Borrowings	49.09	—
Documentation charges	3.26	—
Travelling Expenses	0.81	—
Professional Fees	22.24	—
Staff Cost	108.00	—
License/Application Fees	3.13	—
Other Miscellaneous Expenses	9.04	—
	195.57	—
<b>Less : Capitalized during the year</b>	—	—
<b>Closing Balance</b>	<b>443.08</b>	<b>247.51</b>

20. Disclosure of the amount at the year ended of loans and advances of concerns, companies and persons in which some of the directors of the Company are interested as directors/ members.

Name of the Concern/ company/etc.	Balance as at 31.03.2011 (Rs.)	Balance as at 31.03.2010 (Rs.)
Sabero Organics America S/A	—	59.08
Sabero Australia Pty. Ltd.	11.68	7.41
Sabero Europe BV	7.70	4.98
Sabero Organics Phillipines Asia Inc	1.96	1.92
Mosum Enterprises Ltd.	0.40	—
Mr. Hero J. Chuganee	0.62	—
Mrs. Sabita H. Chuganee	12.60	12.60

21. The Company believes that no impairment of assets arises during the year as per the recommendations of Accounting Standard - 28 Impairment of Assets, issued by the Institute of Chartered Accountants of India considering the age of the Fixed Assets situated at its Sarigam unit.

22. In view of common pool of facilities for research and development activities, the research and development expenditure is not identifiable separately.

23. Remuneration to Auditors grouped under miscellaneous expenses comprises of :

	Current Year (Rs. in Lacs)	Previous Year (Rs. in Lacs)
Audit fees	3.50	6.96
Management Services	1.50	1.50
Certification fees	1.80	0.45
Out of pocket expenses (excluding service tax)	—	—





	Current Year (Rs. in Lacs)	Previous Year (Rs. in Lacs)
<b>24. i) Value of imports on C.I.F. basis :</b>		
Raw Material	<b>14,014.63</b>	12,586.98
<b>ii) Expenditure in Foreign Currency (on payment basis) :</b>		
a) Traveling	<b>46.41</b>	30.24
b) Commission	<b>147.72</b>	735.26
c) Product Registration Expenses	<b>23.61</b>	24.88
d) Others	<b>29.71</b>	20.20
<b>25. Earnings in Foreign Currency :</b>		
F.O.B. Value of Exports	<b>21,892.70</b>	21,658.15

**26.** Professional Fees paid to a Director for rendering technical consultancy services Rs. 45.87 Lacs(excluding service tax) (Previous Year Rs. Nil).

**27.** Disclosure as regards Accounting Standard-29 (Provisions, Contingent Liabilities and Contingent Assets) :

Particulars	Opening balance as on 01-04-2010	Provision during the year	Payment / Adjustment during the year	Closing Balance as on 31-03-2011
Provision for Gratuity	82.45	18.82	11.30	89.97
Provision for Leave Encashment	29.36	27.38	9.86	46.88

**28.** Previous Year's figures are regrouped/rearranged wherever considered necessary to conform to current year's presentation.

As per our report of even date

For and on behalf of the Board

For **S M N P & Co.**  
Chartered Accountants  
(Registration No. 105929W)

Sd/-  
**Sumit H. Chuganee**  
Executive Vice Chairman & Whole Time Director

Sd/-  
**Sunil S. Dayma**  
Partner  
M. No. F-100542

Sd/-  
**Pritam Vartak**  
Company Secretary

Sd/-  
**Mohit H. Chuganee**  
Vice Chairman & Managing Director

**Mumbai : 27<sup>th</sup> May, 2011**

## NOTICE

**NOTICE** is hereby given that the **20<sup>th</sup> Annual General Meeting** of the Members of **Sabero Organics Gujarat Limited** will be held on Thursday, 29<sup>th</sup> September, 2011 at 11 A.M. at The Umbergaon Club, Madhuvan Complex, Umbergaon-Sanjan Road, Umbergaon – 396 171, Dist: Bulsar, State: Gujarat, to transact the following business:

### ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31<sup>st</sup> March, 2011 and the Profit & Loss Account for the financial year ended on that date together with the Report of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Dr. Mahendra S. Kothari, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. John English, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. SMNP & Co., Chartered Accountants, the retiring Auditors of the Company as Statutory Auditors, to hold office from the conclusion of this Annual General Meeting, until the conclusion of the next Annual General Meeting on such remuneration as may be fixed by the Board of Directors.

By Order of the Board of Directors  
For **Sabero Organics Gujarat Limited**

Place : Mumbai  
Date : 27<sup>th</sup> May, 2011

Sd/-  
**Pritam Vartak**  
Company Secretary

### NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY ON BEHALF OF HIM TO ATTEND AND VOTE ONLY ON A POLL INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. Proxies in order to be effective, should be duly completed, stamped and signed, must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
3. Members desirous of obtaining any information as regards accounts and operations of the Company are requested to send their queries in writing so as to reach at the Corporate Office of the Company at Mumbai at least 10 (Ten) days before the date of the meeting, to enable the Company to keep the information ready.
4. The Register of Members of the Company will remain close from Thursday, 22<sup>nd</sup> September, 2011 to Thursday, 29<sup>th</sup> September, 2011 (both days inclusive).
5. Members are requested to notify immediately any change in their address to their Depository Participants (DPs) in respect of their electronic share accounts quoting Client ID No. and in case of shares are held in physical form, to **Link Intime India**

**Private Limited**, Registrar and Share Transfer Agent quoting Folio No.

6. The Company's shares are traded in electronic form. The investors are requested to hold their securities in the electronic form.
7. The relevant details of Directors seeking appointment / re-appointment, under the item nos. 2 and 3 are as follows:

<b>Name</b>	Dr. Mahendra S. Kothari	Mr. John English
<b>Age</b>	69 years	64 years
<b>Date of Appointment</b>	28 <sup>th</sup> March, 2009	30 <sup>th</sup> August, 1993
<b>Qualifications</b>	Pharmacy at Hamburg University PhD in Pharmaceutical Chemistry	B.Sc. & B.E. from Australia.
<b>Expertise in specific functional areas</b>	Marketing of Pharmaceuticals & Consumer products	International Sales & Manufacturing of Chemicals & Pesticides with Union Carbide & Montedison SPA
<b>Experience</b>	37 years	40 years
<b>Directorship held in other Companies (excluding foreign Companies)</b>	Nil	Nil
<b>Membership / Chairmanship of Committees of other public Companies (includes only Audit Committees and Shareholders' / Investors' Grievance Committee)</b>	Nil	Nil
<b>Shareholdings in the Company</b>	Nil	62390

8. All documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on all working days except Saturdays between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting and the same will be available for inspection at the Annual General Meeting of the Company.

By Order of the Board of Directors  
For **Sabero Organics Gujarat Limited**

Place : Mumbai  
Date : 27<sup>th</sup> May, 2011

Sd/-  
**Pritam Vartak**  
Company Secretary



# SABERO ORGANICS GUJARAT LIMITED

Registered Office: Plot No. 2102, GIDC, Sarigam - 396 155, Dist. - Bulsar, Gujarat.

## PROXY FORM

\*\* Client Id \_\_\_\_\_

\*\* DP Id \_\_\_\_\_

I/We \_\_\_\_\_

\_\_\_\_\_ being a member/members of **SABERO ORGANICS GUJARAT LIMITED**

hereby appoint \_\_\_\_\_ of \_\_\_\_\_ of

failing him/her \_\_\_\_\_ of \_\_\_\_\_ as my/

our proxy to vote for me/us on my/our behalf at the **20<sup>TH</sup> ANNUAL GENERAL MEETING** of the Company to be held on **Thursday, 29<sup>th</sup> September, 2011** at **11.00 A.M.** at Umbergoan Club, Madhuvan Complex, Umbergaon, Sanjan Road, Umbergaon – 396 171. Dist. Bulsar, Gujarat and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011

\*\* Applicable only in case of investors holding shares in Electronic form

Affix  
1 Re.  
Revenue  
Stamp

(Signature of Member)

**NOTES:** The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.

(TEAR HERE)



# SABERO ORGANICS GUJARAT LIMITED

Registered Office: Plot No. 2102, GIDC, Sarigam - 396 155, Dist. - Bulsar, Gujarat.

## ATTENDANCE SLIP

### 20<sup>TH</sup> ANNUAL GENERAL MEETING

\*\* Client Id \_\_\_\_\_

\*\* DP Id \_\_\_\_\_

Reg. Folio No. \_\_\_\_\_

I certify that I am a Registered Shareholders / Proxy. The Registered Shareholders of the Company.

I hereby record my presence at the 20<sup>th</sup> Annual General Meeting at Umbergoan Club, Madhuvan Complex, Umbergaon, Sanjan Road, Umbergaon – 396 171. Dist. Bulsar, Gujarat.

Full name of the Share holder/Proxy attending the meeting.

\_\_\_\_\_  
(First Name) (Second Name) (Surname)

FIRST HOLDER/JOINT HOLDER/PROXY  
(Strick out whichever is not applicable)

FULL NAME OF FIRST HOLDER  
(If joint holder/proxy attending) \_\_\_\_\_  
(First Name) (Second Name) (Surname)

\_\_\_\_\_  
Signature of the Share holder/Proxy