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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Mr. Hero J. Chuganee**, *Chairman*  
**Mr. Mohit H. Chuganee**, *Vice Chairman & Managing Director*  
**Mr. Sumit H. Chuganee**, *Executive Vice Chairman & Whole-time Director*  
**Mr. S.R.B. Nair**, *Whole-time Director & Chief Operating Officer*  
*(Upto 31/07/2010)*  
**Mr. Rajesh Sharma**, *Whole-time Director & Chief Operating Officer*  
*(W.e.f. 31/07/2010)*  
**Mr. Kishore Dudani**, *Director (W.e.f. 30/07/2010)*  
**Mr. John R. English**, *Director*  
**Mr. Raj Tandon**, *Director*  
**Mr. Anand Swaminathan**, *Director (upto 26<sup>th</sup> May, 2010)*  
**Dr. Mahendra S. Kothari**, *Director*

### COMPANY SECRETARY

**Ms. Pritam P. Vartak**

### AUDITORS

**M/s. S M N P & Co.,**  
*Chartered Accountants*

### COMPANY SECRETARIAL CONSULTANTS

**M/s. Rathi & Associates**  
*Company Secretaries*

### BANKERS

Union Bank of India  
 Bank of India  
 Federal Bank  
 IDBI Bank Limited  
 Dena Bank  
 State Bank of India  
 Ratnakar Bank  
 Oriental Bank of Commerce  
 Axis Bank Limited  
 ICICI Bank Limited

### SOLICITORS

M/s. Rajani Associates

### REGISTERED OFFICE & FACTORY

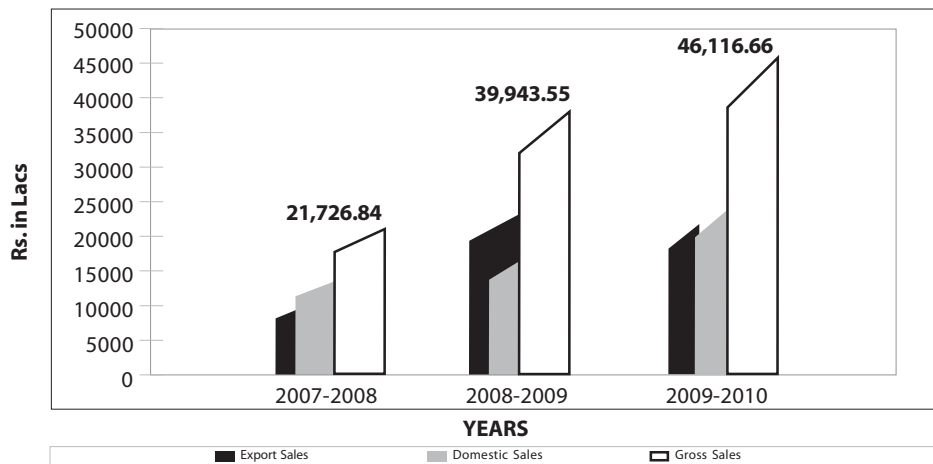
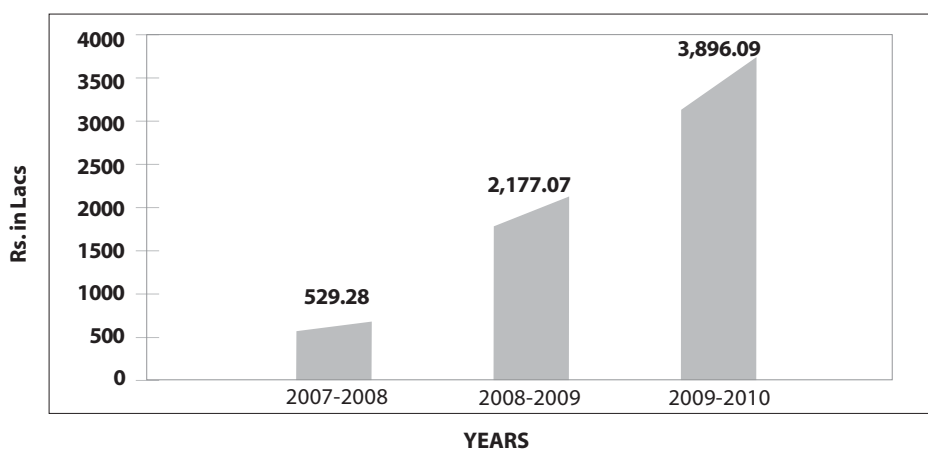
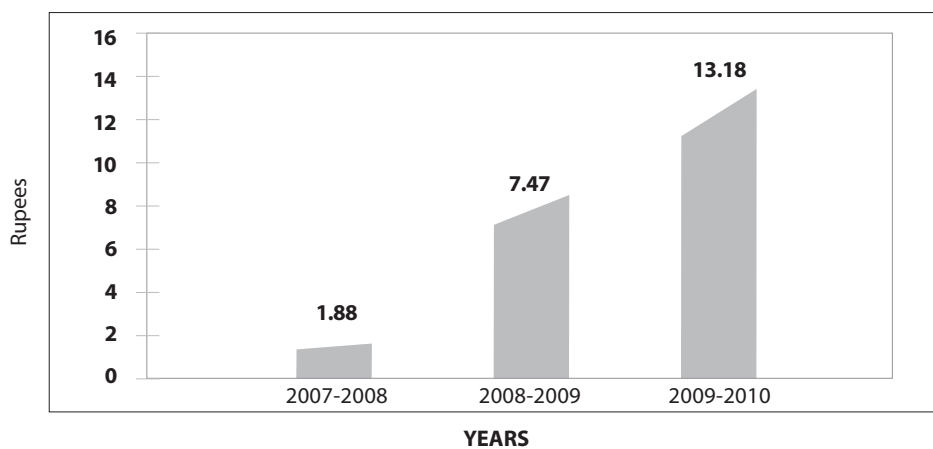
Plot No. 2102, GIDC  
 Sarigam-396 155  
 Dist. Bulsar, Gujarat  
 Telefax : 0260 3918500

### CORPORATE OFFICE

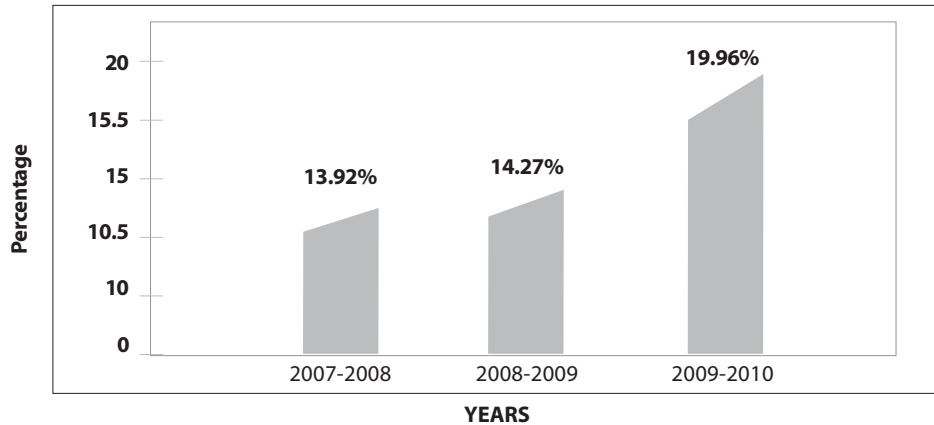
A-302, Phoenix House  
 3<sup>rd</sup> Floor, 462, Senapati Bapat Marg  
 Worli (East) Mumbai 400 013  
 Tel. 022 61132400 • Fax 022 24953727

### REGISTRAR & SHARE TRANSFER AGENTS

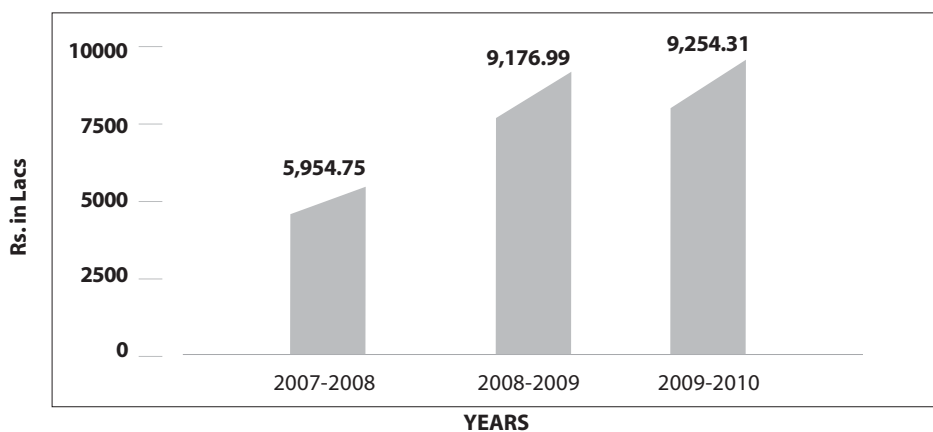
Link Intime India Private Limited  
 C-13, Pannalal Silk Mills Compound  
 LBS Marg, Bhandup (West)  
 Mumbai 400 078  
 Tel.: 022 25963838 • Fax : 022 2594 6979

**GROSS SALES****PAT****EPS**

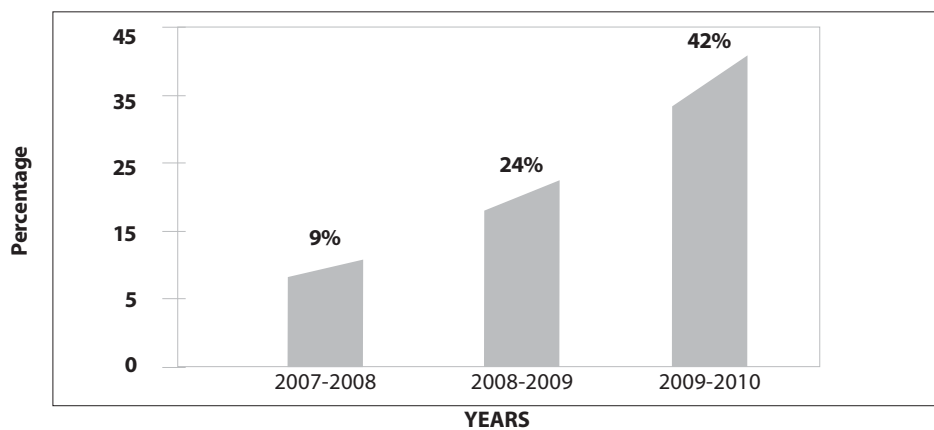
### EBIDTA %



### NET FIXED ASSETS



### RETURN ON ASSETS %



**DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting the 19<sup>th</sup> Annual Report and Audited Accounts of your Company for the year ended 31<sup>st</sup> March, 2010.

**FINANCIAL HIGHLIGHTS:**

The Financial Results of the Company, for the year ended 31<sup>st</sup> March 2010 is summarised below:

	<b>(Rs. in lacs)</b>	
	<b>Year Ended 31.03.2010</b>	<b>Year Ended 31.03.2009</b>
<b>Gross Sales :</b>		
Domestic	<b>21,125.12</b>	16,046.08
Export	<b>24,991.54</b>	23,897.47
<b>Total Gross Sales</b>	<b>46,116.66</b>	39,943.55
<b>Net Sales</b>	<b>43,031.93</b>	36,666.08
<b>Profit before Interest, Depreciation, Taxation &amp; Extra Ordinary Items</b>	<b>8,587.93</b>	5,233.84
<b>Less:</b> Interest & Finance Charges	<b>1,704.95</b>	1,666.25
Depreciation	<b>749.48</b>	566.73
<b>Profit before Extra-Ordinary items and Tax</b>	<b>6,133.50</b>	3,000.86
Less: Provision for Tax (including deferred Tax & FBT)	<b>2,237.41</b>	823.79
<b>Profit before prior period adjustments</b>	<b>3,896.09</b>	2,177.07
<b>Less:</b> Prior period adjustments	<b>24.78</b>	(1.96)
<b>Net Profit after tax</b>	<b>3,871.31</b>	2,179.03
Balance brought forward from Previous Year	<b>3,343.99</b>	1,164.96
<b>Profit available for appropriation</b>	<b>7,215.30</b>	3,343.99
<b>APPROPRIATIONS:</b>		
Proposed Dividend	<b>406.25</b>	-
Corporate Tax on proposed Dividend	<b>69.05</b>	-
Balance carried forward	<b>6,740.00</b>	3,343.99

**OPERATIONS:**

The Company's net sales increased to Rs.43,031.93 lacs in 2009-10 from Rs.36,666.08 lacs in 2008-09, registering a growth of more than 17% compared to Previous Financial Year. The Company's net domestic sales increased by 41% and it constitute more than 41% of overall sales in 2009-10. The Company has reported a better margin with net profit before taxes at Rs.6,133.5 lacs in 2009-2010 as against Rs.3,000.86 lacs in 2008-09. The profit after taxes also increased and was Rs.3,871.31 lacs in 2009-10 as compared to Rs.2,179.03 lacs in 2008-09.

**EXPANSION PROGRAM:**

The Company is currently in the process of setting up an export-oriented unit for technical active ingredients, their formulations at Dahej SEZ in Gujarat with an estimated capacity of 2650 tonnes per annum to be commissioned by November, 2011. The capital cost of the said scheme of Rs.55 Crores will be financed by combination of external commercial borrowings of USD 9 million and internal accruals. The

Company also has plans to increase the capacity of its Chloropyriphos plant by 50% by September 2010. Moreover, in the Current Financial Year it is set to launch four new products i.e. two each of fungicides and herbicides segment.

**DIVIDEND:**

Your Directors are pleased to recommend dividend of Rs.1.20 per Equity share on the Paid up Share Capital of the Company for the financial year under review, which if approved will absorb Rs.475.30 lacs including Rs.69.05 lacs as tax of dividend. (previous year Rs. Nil)

**ALLOTMENT OF SHARES:**

The Company had after obtaining necessary approval from the Shareholders of the Company, allotted 46,72,077 Optionally Fully Convertible Warrants (OFCW), of which 28,79,659 to Promoter Group including persons acting in concert with them and 17,92,418 to Persons other than promoter group. As per the terms of the issue the said Warrants were convertible into One Equity Share at a premium of Rs. 7.75 per share for every Warrant held within 18 months from the date of allotment. During the year under review, the Company had converted 46,15,105 Warrants into Equity Shares. The balance 56,972 Warrants were also subsequently converted into Equity Shares on 26<sup>th</sup> April, 2010.

**AUDITORS' REPORT:**

With respect to the observation of Auditors for maintenance of records pertaining to the Fixed Assets of the Company the Directors state that as it was the first year of SAP implementation some capitalisation of assets entries are identified off late which are capitalised on the basis of asset put to use date and hence due to paucity of time updation of Fixed Assets register to the tune of Rs.258 Lacs was incomplete upto the date of finalization of Accounts. But now due care has been taken to update the same in the current year.

With respect to the other observations/comments in the Auditors' Report & its Annexure, your attention is invited to para II.6.2.f, II.26, I.3 & II.17 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 consortium of bankers of the Company has extended and increased the working capital facilities considering additional growth in operations. Axis Bank Limited has sanctioned credit facilities of USD 9 million for the new project.

**DIRECTORS:**

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Raj Tandon and Mr. Hero Chuganee, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

Mr. Hero Chuganee, one of the Promoters and Executive Chairman since last two decades, under whose guidance and supervision the Company has achieved number of milestones and the present position in the Agro Chemical Industry of India, has considering his age and to make way for the young blood, has stepped down from the Executive Directorship of the Company with effect from 17<sup>th</sup> April 2010. However, at the request of the Board he has agreed to remain associated with the Company as a Non Executive Chairman to provide his expert services to the Company for its further growth.

Mr. Anand Swaminathan, resigned as a Director of the Company with effect from 26<sup>th</sup> May 2010. Mr. S.R.B. Nair also resigned as a Whole time Director and Chief Operating Officer (COO) of the Company w.e.f. 31<sup>st</sup> July, 2010. The Board places on record its appreciation for the benefits and contribution received by the Company from their rich and vast knowledge in various areas.

Mr. Rajesh Sharma and Mr. Kishore Dudani who were appointed as Additional Directors w.e.f. 30<sup>th</sup> July, 2010 pursuant to the provisions of Section 260 of the Companies Act, 1956 and in accordance with the Articles of Association of the Company, will vacate their respective offices on the date of the ensuing Annual General Meeting of the Company.

The Company has received Notices pursuant to Section 257 of the Act from Shareholders of the Company along with requisite Deposit, proposing the candidature of Mr. Rajesh Sharma and Mr. Kishore Dudani for the offices of the Director of the Company, liable to retire by rotation. Requisite resolutions have been proposed in the Notice of the ensuing Annual General Meeting for appointment of Mr. Rajesh Sharma and Mr. Kishore Dudani as the Directors of the Company.

#### **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 2010, 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 March 31, 2010 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, 2010 on a 'going concern' basis.

#### **CORPORATE GOVERNANCE:**

A Report on Corporate Governance along with a Certificate from M/s. Rathi & Associates, Company Secretaries in Whole-Time practice, regarding compliance of the requirements of Corporate Governance and Management Discussion & Analysis Report pursuant to Clause 49

of the Listing Agreement with the Stock Exchanges are annexed hereto.

#### **AUDITORS:**

The term of M/s. S M N P & 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 in 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 Ltda as per the provision of Section 212 of the Companies Act, 1956 is annexed.

The Audited Balance Sheet and Profit and Loss Accounts of the Subsidiary Companies, as on their respective year ended on various dates as per the laws of the countries wherein these companies are incorporated, are also annexed.

#### **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 co-operation 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

Sd/-

**Hero J. Chuganee**  
Chairman

Place: Mumbai  
Date: 30<sup>th</sup> July, 2010



## 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 2010.

## FORM - A

## DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	CURRENT YEAR 2009-10	PREVIOUS YEAR 2008-09
<b>A. POWER &amp; FUEL CONSUMPTION</b>		
<b>1) Electricity</b>		
a) Purchased Units (kwh)	<b>22072280</b>	17031840
Total Amount (Rs.)	<b>138371261</b>	107514994
Average Rate / Unit (Rs.)	<b>6.27</b>	6.31
b) Own Generation		
Through Diesel generator		
Unit (kwh)	<b>180704</b>	73648
Diesel used in D.G.	<b>59970</b>	23601
Unit per litre of Diesel Oil	<b>3.01</b>	3.12
Cost per unit (Rs.)	<b>26.85</b>	12.30
<b>2) Fuel for Steam Generation</b>		
i. Furnace Oil		
Quantity (KL)	<b>581</b>	629
Total Amount (Rs.)	<b>11274407</b>	8982393
Average Rate (Rs./KL)	<b>19400</b>	14275
ii. HSD (kl)		
Total Amount( Rs.)	<b>Nil</b>	Nil
Average Rate (Rs./kl)	<b>Nil</b>	Nil
iii. Natural Gas, cubic meters	<b>9565560</b>	5169434
Total amount(Rs.)	<b>155270730</b>	77796718
Average rate( Rs/ cu. Mtr)	<b>16.23</b>	15.05

## 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.

## Disclosure of particular with respect to:

## a) Research &amp; Development: (R &amp; D)

The Company is in the process and working towards the objective of achieving GLP accreditation of its analytical laboratory in 2010-11. R&D has developed Acephate 97%, 90% & 75% Prills and Pretilachlor Technical, Tricyclazole Technical, Triclopyr Technical, Propineb Technical, Zineb Technical and its formulations. 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 current and next financial year, based on market conditions. The Company has several products (insecticides, herbicides and fungicides) that are off patent products, at different stages of development and the said product will be introduced in the market in near future.

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 Chromatograph, High Pressure Liquid Chromatograph, UV – Visible Spectrophotometer, Potentiometer Titrator etc.

## b) Technology absorption, adoption and innovation:

During the Financial Year 2009-10, R&D has developed Acephate 97%, 90% & 75% Prills, Pretilachlor Technical, Tricyclazole Technical, Triclopyr Technical, Propineb Technical, Zineb Technical and its formulations, and the said products are under commercialization.

## c) Foreign Exchange Earnings and Outgo:

	CURRENT FINANCIAL YEAR 2009-10	PREVIOUS FINANCIAL YEAR 2008-09
<i>(Rs. in Lacs)</i>		
<b>1. Foreign Exchange Earned</b>		
Export of goods on FOB basis	<b>21658.15</b>	22091.51
<b>2. Foreign Exchange Expenses</b>		
- Raw materials on CIF basis Traveling	<b>12586.98</b>	14256.02
- Selling Expenses & Commission	<b>30.24</b>	40.22
- Product Registration Expenses	<b>735.26</b>	62.66
- Others	<b>24.88</b>	32.54
- Others	<b>20.20</b>	9.39
<b>Total of (2)</b>	<b>13397.56</b>	14400.83

## 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, 2010.

Name	Designation	Gross Remuneration (Rs. in Lacs)	Qualification	Experience (Yrs)	Date of commencement of employment	Age	Particulars of last employment
Mr. Hero J. Chuganee	Chairman	87.12	B.Sc., MII CHE, D.Chem E-London, AMP, Harvard University, USA.	43 Years	29 <sup>th</sup> November, 1991	76 Years	Indofil Chemical Company- Chief Executive
Mr. Mohit H. Chuganee	Vice Chairman & Managing Director	86.86	B.Sc. in Electrical Engineering, Virginia Tech, USA, M.B.A. in International Management Thunderbird University, USA.	22 Years	29 <sup>th</sup> November, 1991	44 Years	Echostar Corporation, USA / Europe
Mr. Sumit H. Chuganee	Executive Vice Chairman and Whole time Director	85.23	B.S. in Electrical Engineering Virginia Tech, M.B.A. in Finance, Duke University, USA	20 Years	7 <sup>th</sup> May, 1992	43 Years	Rohm & Haas, USA





## MANAGEMENT DISCUSSION AND ANALYSIS

### 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:

There is great potential in the global agrochemical industry, which has grown from USD 25.8 billion in the year 2001 to USD 41.7 billion in 2008. The industry is expected to be worth USD 196 billion by 2014, with Asian markets accounting for nearly 43% of the total revenues.

#### Indian Agrochemical industry:

As the Company directly depends on Agriculture Industry, the Agrochemical Industry's performance is based on the success and performance of the Agriculture Industry. The Indian Agriculture Industry 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. Notwithstanding the fact that the share of this sector in the GDP has been declining over the years, its role remains critical as it provides employment to around 60% of the workforce. Agriculture Growth Rate had grown earlier but in the last few years it is constantly declining. Still, the Growth Rate of Agriculture in India in the share of the country's GDP remains the biggest economic sector in the country.

In spite of its decline in the share of the country's GDP Agriculture Growth Rate plays a very important role in the all round economic and social development of the country. Agriculture Growth Rate in India's GDP has slowed down as the production in this sector has reduced over the years. The agricultural sector had low production due to a number of factors such as illiteracy, insufficient finance, inadequate marketing of agricultural products and the average size of the farms being very small. Secondly, growth in production of agricultural crops depends upon acreage and yield. Further, multiple cropping can be used as a means to increase the gross cropped area. It is clear that the main source of long-term output growth can only be improvement in yields. Improvement in yield, which is a key to long-term growth, depends on a host of factors including technology, use of quality seeds, fertilizers pesticides, micronutrients and irrigation. Each of these plays an important role in determining yield level and in turn augmentation in the level of production.

The Indian Agrochemical Industry which is estimated at USD 1 billion ranks 2<sup>nd</sup> in Asia and 12<sup>th</sup> globally. It is estimated that India loses approximately 18% of its crop yield, valued at Rs.90,000 Crores, due to pest attacks each year. In value terms, the size of the Indian pesticide industry was estimated at Rs.7,400 Crores in 2007. Agrochemicals are classified as Insecticides, Herbicides and Fungicides. In India, insecticides contribute the largest share at 62% compared to global consumption of 28%. Globally herbicides constitute the largest consuming Agrochemical with a share of 48%.

Demand for Agrochemicals is expected to be very strong in the coming years due to the following reasons:

- International comparisons reveal that the average yield in India is only 30% to 50% of the highest average yield in the world. Shortage of food across the world has already pushed the demand for agrochemicals to a huge extent.
- The World's population is currently 6.7 billion and 750 million people are born every year. The population is expected to reach 9 billion by 2050. To keep pace with the growing population, food production, especially in developing countries will have to double by 2050.
- The farmers will have to boost their yields. This will encourage the demand for agrochemicals, being one of the key inputs to increase in yields.
- Crop prices remain stable and are on an uptrend for the last one year, improving the profitability of the farmer.

### COMPANY'S PERFORMANCE

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

In the current financial year, the company has plans to introduce new products in the market viz. Pretilachlor (rice herbicide), Tricyclazole (rice fungicide), Triclopyr (Herbicide) and Propineb (broad spectrum fungicide). With these new products, the company hopes to grow these businesses to a respectable size in the coming years. In propineb, which is a broad spectrum fungicide and is a product with global sales of USD 150 million, the Company hopes to be a viable alternative to the only other supplier of this product in the world, namely Bayer. Hence, the Company will be the second manufacturer of this product in the world. The Company already has a registration package for propineb and the product is under registration in various countries in Asia and Latin America. The Company has registered the product in India and is expected to introduce this product in India shortly. In FY 2009-10, the Company introduced Methamidaphos, an insecticide used across several fruit and vegetable produce and is sold in South America and Africa. The Company is now one of the main suppliers of Methamidaphos in the world.

In the Current Financial Year 2010, the Company was accorded Trading House status by Ministry of Commerce and Industry, Government of India.

The Company has taken up the expansion program for setting up an export –oriented unit of technical active ingredients at Dahej SEZ, Gujarat with an estimated capacity of 2650 t.p.a. The Company has achieved financial closure for this project, and civil work is expected to start soon. Further, engineering for the project is at an advanced stage and project is likely to be commissioned in November, 2011. The Company expects to generate additional sales revenue of 2-3 times of the investment after commissioning of this new project in Dahej SEZ.

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.

The Company's net sales increased to Rs.43031.93 lacs in 2009-10 compared to Rs.36666.08 lacs in 2008-09. The domestic sales have shown a good growth of over 41% in 2009-2010, contributing to 41% of the overall sales of the Company in 2009-10. The Company has reported a better margin with net Profit of Rs.3896.09 lacs in 2009-10 as compared to Rs.2177.07 lacs in 2008-09. The debt equity ratio is 0.71 as of 31<sup>st</sup> March, which reveals healthy financial position of the Company.

After successful completion of the expansion program which was taken up in 2008-09, resulted in significant increase in the capacity of Herbicide segment. To achieve the benefit of increased capacity of Herbicide segment, the Company has decided to focus on the European market with more efforts. As a first step it has obtained registration of Glyphosate, an environmental friendly formulation in U.K and Germany, Ireland with France expected shortly. In addition, the Company is generating registration packages for Europe for four formulations in the segment of herbicides and fungicides including an environmental friendly green glyphosate formulation at a total cost of US\$2 million. The benefits of the registrations and penetration in the said market are expected to be accrued to the Company in coming years. The Company has also been invited to join the glyphosate task force in Europe which will ensure it to remain an important and serious player in glyphosate in Europe.

In Fungicides Segment, the Company's key product Mancozeb has been performing very well as per expectations. The global market for the said product is estimated at US \$ 600 million. Further, the Company manufactures entire range of formulations of Mancozeb viz. granules, oil suspension, wettable powder, suspension concentrate. Hence the Company has an edge over the other manufacturers who offer only

specific range of product. Additionally, the Company being the second largest producer of the said product and having 240 registrations world wide will definitely help to boost its share in the global market and in India. The Company expects to obtain registrations for Mancozeb in a number of countries where it is not currently present such as Brazil, France, UK, Spain, Italy, Cameroon etc. and to thereby increase its market share in the global mancozeb business. The Company also plans to enter new segments such as the fruit and banana plantation segments and its product is under testing and approval from all the main global plantation companies.

In Insecticides Segment, the Company manufactures and has a strong presence in the local and international market for its main product, Monocrotophos. It is currently one of the largest manufacturers of Monocrotophos and has completely backward integrated products such as Acephate, Chlorpyrifos, Dichlorovos and Methamidophos. The Company has obtained registration for chlorpyrifos in Brazil in the year 2009 and during the first year of operations, 50% of the sales of the said product were accounted by the Brazil market only. It was sold under the brand name "Sabero". The Company is in the process of debottlenecking the capacity of its chlorpyrifos plant and this is expected to start by October, 2010. After completion of debottleneck programme, the increased capacity will help the Company increase its market share in countries such as Argentina, Brazil and in domestic market where there is a good opportunity for the Company to increase its business. The Company is also a major player in acephate, one of the largest selling insecticides in the world, majorly in India, Brazil, USA, Argentina, Pakistan, Paraguay, and Japan. The Company recently registered and started selling Acephate 90% prills, an environmentally friendly formulation in USA. The Company's other insecticide products viz. monocrotophos and dichlorovos where the Company is completely backward integrated from yellow phosphorous continues to give the Company a very competitive cost position and control over quality at every stage of manufacture. The said debottlenecking programme will be completed in second quarter of 2010-11 wherein the capacity of monocrotophos will stand increased at 4400 t.p.a.

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 in domestic market as well as other countries viz. 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 will be used as vehicles for building a strong distribution network in the relevant regions. Further, considering the market segment to which it is catering, it would be interesting to note that 30% business of the Company is attributed to Multinational Companies, 40% to strong domestic and international companies (B2B) and balance 30% through Dealers Distribution Network under its own brand. Hence, with presence in all three segments, strong marketing strategies, 240 registrations in 50 countries and a wide spread market would definitely



further boost the sales in the coming years. In the domestic market, the Company has strengthened its domestic distribution network by appointing additional 500 dealers in the current year and also increasing its field sales staff by additional 40 persons. In addition, product development teams in the south, north and west zone dedicated to farmer demonstrations and product promotions have been put in place.

#### **FUTURE OUTLOOK**

The Indian Agriculture Industry is on the brink of a revolution that will modernize the entire food chain, as the total food production in India is likely to Double in the next ten years.

As per recent studies the turnover of the total food market is approximately Rs.250000 crores (US \$ 69.4 billion) out of which value-added food products comprise of Rs.80000 crores (US \$ 22.2 billion). The Government of India has also approved proposals for joint ventures, foreign collaborations, industrial licenses and 100% export oriented units envisaging an investment of Rs.19100 crores (US \$ 4.80 billion) out of which foreign investment is over Rs. 9100 crores (US \$ 18.2 Billion). The agricultural food industry also assumes significance owing to India's sizable agrarian economy. In terms of foreign investment and number of joint- ventures / foreign collaborations, the consumer food segment has the top priority.

Excellent export prospects, competitive pricing of agricultural products and standards that are internationally comparable has created trade opportunities in the agro industry. This has further enabled the Indian Agriculture Industry Portal to serve as a means by which every exporter and importer of India and abroad, can fulfill their requirements and avail the benefits of agro related buy sell trade leads and other business opportunities.

In the domestic market, the country has been able to manage one of the most deficient monsoons with concerted efforts of the Governments. Several incentives and concessions allowed to farmers by the States and the Central Government resulted in motivation for growth. The sector, however, faces various challenges which need to be addressed sooner than later. Although the yield per hectare of food grains has shown some improvement in recent years, it is not significant enough to cater to the needs of the rising population, particularly when income levels are also rising. Since farm productivity is not showing desirable growth there is an urgent need to focus on research as well as better agricultural practices to ensure that productivity levels are increased in the shortest time possible. Hence there is a lot of scope available for further improvement in the productivity, cultivation techniques and effective use of arable land with amalgamation of fragmented land which can provide further scope in the domestic market.

Secondly, with a major step towards favourable policy environment and availability of credit at reasonable rates for the private sector will attract more private investment in the agriculture sector which can further boost the growth in the sector.

However, the Agriculture Sector is still a matter of concern after the global meltdown in fiscal 2008-09 which had resulted in slow down of economy and recession all over the world. Though with strong all round efforts and stimulation packages as announced by the Government the industrial sector has shown some recovery, but the Agriculture sector has not responded to the favourable environment.

In the international market, Agrochemical Industry is expected to grow at a CAGR of 10.4% from 2009 to 2014 to \$196 billion in which Asia's share of nearly 40 percent. With all the large agricultural nations like U.S, Brazil, China, Canada, Argentina, and Australia acting towards increasing their food yield for internal consumption as well as for export, the governments in these countries are encouraging the extensive usage of agrochemicals. China and India are the world's largest consumers of agrochemicals, which have made Asia the dominating market, accounting for 43 % of global agrochemical revenue in 2008.

Agro chemical products are protected by the Patents to encourage innovations. As per estimates, the patents of the major products will expire by 2014 and this will open up the markets for generic manufactures. The Company, being one of the leading manufacturers of generic products is likely to get the benefits of new market to be opened for generic product manufacturers.

With a growing global population, the pressure on the limited agricultural land is increasing and to meet this demand, agro-chemicals has proven vital for increase in production of Agricultural products. Agro-chemicals, which includes fertilizers and pesticides, give a boost to the agricultural yield for agricultural land by providing nutrients and protecting the crops against pests and non-essential herbs.

In the present condition, the Company is not only expected to perform well with quality products and long term measures taken by it to sustain in the difficult time, but it is expected to take a long stride with the favourable market support.

#### **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 incinerator and is also installing a state of the art incinerator of high capacity to meet the expansion in production capacity, which is expected to be commissioned shortly. The biological effluent treatment plant capacity is also being expanded to double its capacity in the current year and is under implementation. The Company with its commitment to safety

and environment has regular internal audits in place and has created safety awareness among the employees.

#### **RESEARCH & DEVELOPMENT**

The Company is in the process of and is working towards the objective of achieving GLP accreditation of its analytical laboratory in 2010. R&D has developed Acephate 97%, 90% & 75% Prills, Pretilachlor Technical, Tricyclazole Technical, Propineb technical, Triclopyr technical, Zineb technical and its formulations. 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 current and next financial year, based on market conditions. The Company has several products (insecticides, herbicides and fungicides) which are at different stages of development and will be commercialized 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 has formed an in house internal audit cell and has also appointed the services of a reputed internal audit firm with increased and comprehensive scope of services to continuously audit the 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 retained the services of Price Waterhouse for its TPM project at the factory which 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.



## SABERO'S HISTORY AND MILESTONES

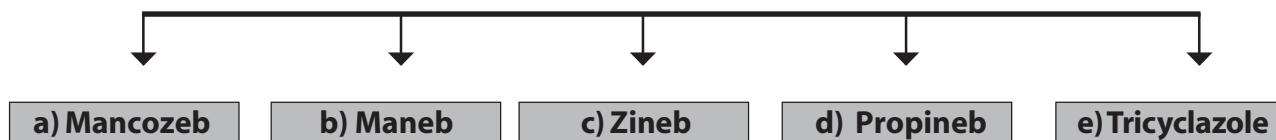
- |             |                                                                                                                                                                                                                    |
|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1991</b> | : Sabero Organics Gujarat Limited (Sabero) founded by Chuganee Family, was incorporated on 29 <sup>th</sup> November, 1991, with a vision of building a strong agrochemical business.                              |
| <b>1994</b> | : Was listed on the NSE and BSE, also began manufacturing Organo Phosphorous pesticide intermediates namely Phosphorus Trichloride (PCL3), TriMethyl Phosphite (TMP) and Di-Ethyl Thio Phosphoryl Chloride (DETC). |
| <b>1998</b> | : Forward integrated to manufacture active ingredients - Acephate and Glyphosate.                                                                                                                                  |
| <b>1999</b> | : Formed subsidiaries in Australia and Europe and commenced exports to Asia, Australia and Europe.                                                                                                                 |
| <b>1999</b> | : Began production of Mancozeb and also entered the business of branded formulations, building an all-India distribution network.                                                                                  |
| <b>2002</b> | : Obtained ISO 9001 certification and also began manufacturing Monocrotophos (Insecticide) and Dichlorvos. Also expanded international export business to Latin America, USA and Africa.                           |

- |             |   |                                                                                                                                                                                                          |
|-------------|---|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>2004</b> | : | Obtained ISO 9001 and ISO 14001 quality certifications.                                                                                                                                                  |
| <b>2005</b> | : | Started manufacturing Chlorpyrifos (insecticide).                                                                                                                                                        |
| <b>2006</b> | : | Set up subsidiaries in Brazil and Argentina.                                                                                                                                                             |
| <b>2008</b> | : | De-bottlenecked Acephate and Monocrotophos plants while conducting major expansion plans to expand Mancozeb, Chlorpyrifos and Glyphosate capacities with majority of the capital investment in Mancozeb. |
| <b>2009</b> | : | Started manufacturing Propineb and also obtained registrations in Europe and Brazil, taking its total number of registrations to over 250 across 50 countries.                                           |
| <b>2010</b> | : | Commenced branded formulations business in Europe and Brazil.                                                                                                                                            |

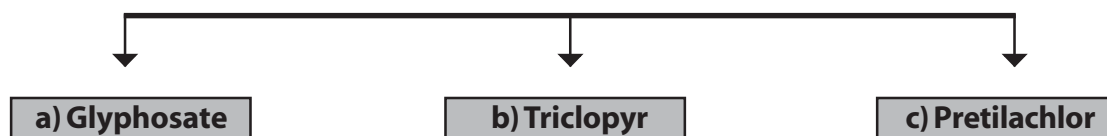


## PRODUCT DETAILS

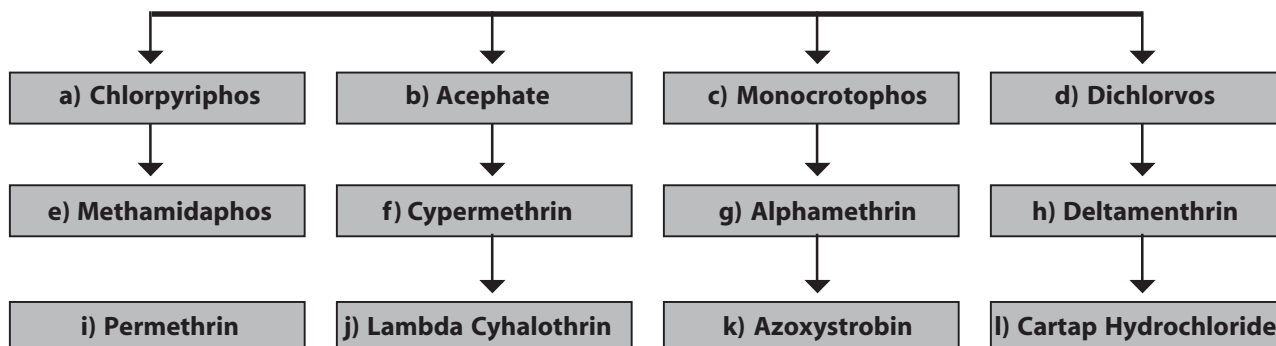
### FUNGICIDES



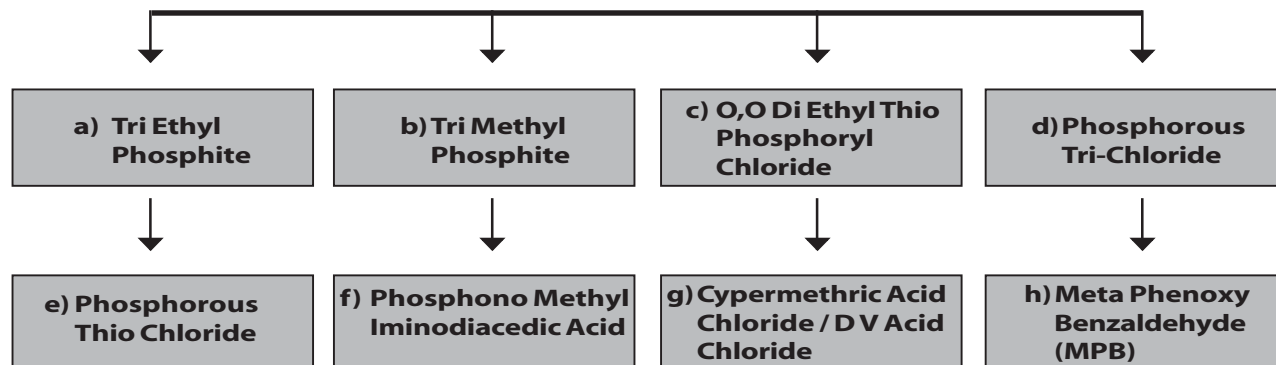
### HERBICIDES



### INSECTICIDES



### SPECIALITY CHEMICALS





## 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 healthy 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 adopted a codified Corporate Governance Charter, inter alia, to fulfill its corporate responsibilities and achieve its financial objectives. It is important that such a code is institutionalized to ensure transparency, consistency and uniformity of decision making processes and actions.

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 Risk Management and Internal Control.
- Timely flow of information to the Board and its Committees for enabling them to discharge their duties effectively.

### REPORT ON CORPORATE GOVERNANCE

As the Company's shares are listed at Bombay Stock Exchange Limited and National Stock Exchange of India Limited, 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:

- Ensure 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.
- Ensure that the Board exercises its fiduciary responsibilities towards stakeholders thereby ensuring high accountability.
- Ensure that the extent to which the information is disclosed to present and potential investors is maximized.
- The decision-making is transparent and documented

through the minutes of the meetings of the Board/ Committees thereof.

- Maximising long term value of the stakeholders and of the Company along with protecting interest of the minority shareholders.
- Ensure that core values of the Company are protected.
- Ensure that the Company positions itself from time to time to be at par with any other Company of the world class 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 Exchange. 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, 2010, the Board has Eight (8) Directors, comprising of four (4) Executive Directors and four (4) Non-Executive Directors and all four (4) Non Executive Directors are independent Directors, having rich and varied experience. Presently the Chairman of the Board is a 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 Directorships 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 the financial year 2009-10, the last Annual General Meeting and disclosure in respect of number of Companies and Committees in which each of the Directors of the Company is a member or Chairman is as follows:





**Details of Directors:**

Name of the Director	Category	Attendance in Board Meeting		Attendance in last AGM held	Other Companies			
		Held	Attended		Board Directorship	Board Chairmanship	Committee Membership (including Chairmanship)	Committee Chairmanship
Mr. Hero J. Chuganee *	Executive Chairman	7	6	Y	Nil	Nil	Nil	Nil
Mr. Mohit H. Chuganee	Vice Chairman & Managing Director	7	5	Y	Nil	Nil	Nil	Nil
Mr. Sumit H. Chuganee	Executive Vice Chairman & Whole-Time Director	7	7	Y	Nil	Nil	Nil	Nil
Mr. S. R. B Nair***	Whole-Time Director & Chief Operating Officer	7	3	Y	Nil	Nil	Nil	Nil
Mr. John R. English	Independent Director	7	Nil	N	Nil	Nil	Nil	Nil
Mr. Raj Tandon	Independent Director	7	6	N	Nil	Nil	Nil	Nil
Mr. Anand Swaminathan**	Independent Director	7	3	Y	Nil	Nil	Nil	Nil
Dr. Mahendra S. Kothari	Independent Director	7	7	Y	Nil	Nil	Nil	Nil

\* w.e.f. 17<sup>th</sup> April 2010, has become Non-Executive Chairman.

\*\* w.e.f. 26<sup>th</sup> May 2010, has resigned from the Directorship in the Company.

\*\*\* w.e.f. 31<sup>st</sup> July 2010, has resigned from the Directorship in the Company.

**Notes:** The Company has appointed Mr. Rajesh Sharma and Mr. Kishore Dudhani as an Additional Directors w.e.f. 30<sup>th</sup> July, 2010.

Private Limited Companies, Foreign Companies and Companies under Section 25 of the Companies Act, 1956 are excluded for the above purposes. Only audit committee and shareholders' grievance committee are considered for the purpose of committee positions as per the listing agreement.

None of the Director was a member in more than ten committees, nor a chairman in more than five committees across all companies in which he was a director.

**(a) Details of Board Meetings held during the financial year:**

Date of Board Meeting	29-04-2009	21-05-2009	29-06-2009	31-07-2009	31-10-2009	28-01-2010	29-03-2010
Board Strength	8	8	8	8	8	8	8
No. of Directors attended	6	4	6	5	6	5	5

**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, 2010 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 three Committees viz. Audit Committee, Remuneration Committee and Shareholders / Investors Grievance 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 the Committee, whichever is higher. Draft minutes of the Committee meetings duly initiated 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 Meetings.

**[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 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 for other services.
- iii. Meet 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 computerised 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 exchange 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;

**(c) Composition of the Audit Committee as on 31<sup>st</sup> March, 2010**

During the financial year 2009-10, Audit Committee comprised of three members who are Non-Executive 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 comprised of the following members as on 31<sup>st</sup> March, 2010.**

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

\* w.e.f 29-04-2009, the Audit Committee was reconstituted with the appointment of Dr. Mahendra S. Kothari in place of Mr. Sumit H. Chuganee as the member of the Audit Committee.

\*\* Mr. Anand Swaminathan, Chairman of the Audit Committee resigned from the Chairmanship with the w.e.f. 31<sup>st</sup> October, 2009 and Dr. Mahendra S. Kothari has been appointed as the Chairman of the Audit Committee.

**Presently, the Audit Committee comprises of the following members**

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

# w.e.f 27-05-2010, the Audit Committee was reconstituted with the nomination of Mr. Hero Chuganee in place of Mr. Anand Swaminathan as the member of the Audit Committee.



**(d) Audit Committee Meetings and Attendance during the financial year ended 31<sup>st</sup> March, 2010**

During the Financial Year 2009-10, five meetings of the Audit Committee were held i.e. on 29<sup>th</sup> April 2009, 29<sup>th</sup> June 2009, 31<sup>st</sup> July 2009, 31<sup>st</sup> October 2009 and 28<sup>th</sup> January 2010. The table hereunder gives the attendance record of the Audit Committee members.

Name of the Audit Committee Members	Number of meetings held	Number of meetings attended
Mr. Anand Swaminathan	5	3
Mr. Raj Tandon	5	4
Dr. Mahendra S. Kothari	5	5

The Committee has recommended appointment of M/s. SMNP & Co., Chartered Accountants as the statutory auditors of the Company for the Financial Year 2010-11 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 comprised of the following Members as on 31<sup>st</sup> March, 2010.**

Sr. No	Name of the Audit Committee Members	Position
1	Mr. Anand Swaminathan	Chairman
2	Mr. John R. English *	Member
3	Mr. Raj Tandon	Member
4	Dr. Mahendra S. Kothari*	Member

\* w.e.f 31-07-2009, the Remuneration Committee was reconstituted with appointment of Dr. Mahendra S. Kothari as the member of the said Committee in place of Mr. John R. English.

**The Remuneration Committee currently comprises of the following Members:**

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

# Presently the remuneration Committee consists of only 2 members in view of resignation of Mr. Anand Swaminathan as a Director of the Company with effect from 26<sup>th</sup> May, 2010. The Board is in process to induct the independent director

in order to fill up the casual vacancy and to meet with the requirement of minimum number of members as per the listing agreement.

During the Financial Year 2009-10, the Remuneration Committee met twice on 31<sup>st</sup> July, 2009 and 28<sup>th</sup> January, 2010.

The table hereunder gives the attendance record of the Remuneration Committee members:

Name of the Remuneration Committee Members	Number of meetings held	Number of meetings attended
Mr Anand Swaminathan	2	1
Mr. John English	1	Nil
Mr Raj Tandon	2	2
Dr. Mahendra Kothari	1	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 for approval before the Board, the shareholders and such authorities as may be necessary. The remuneration structure of the Executive Directors comprises of Salary, House Rent Allowance, Perquisites and contribution to Provident fund.

The Non-Executive Directors are paid sitting fees for each meeting of the Board and Audit Committee Meetings except Remuneration Committee Meetings.

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 approved based on the recommendation by the Remuneration Committee and duly approved by the Board and the shareholders.

Details of Remuneration paid to Executive Directors for the Financial Year ended 31<sup>st</sup> March, 2010 are as under:

EXECUTIVE DIRECTORS					(Rs. in Lacs)
Name of the Director	Designation	Salary & Allowance	Contribution to Provident Fund	Perquisites	Total
Mr. Hero Chuganee	Executive Chairman	80.50	3.24	3.38	87.12
Mr. Mohit Chuganee	Vice Chairman & Managing Director	80.50	3.24	3.12	86.86
Mr. Sumit Chuganee	Executive Vice Chairman	80.50	3.24	1.49	85.23
Mr. S.R.B. Nair	Whole Time Director	7.73	-	-	7.73

Details of Sitting fees paid to Non-Executive Directors for the Financial Year ended 31<sup>st</sup> March, 2010 are as under:

**NON-EXECUTIVE DIRECTORS:** (Rs. In Lacs)

Name of the Directors	Sitting Fees paid for the financial year 2009-10	
	Board Meetings	Audit Committee
Mr. John R. English	Nil	Nil
Mr. Raj Tandon	0.18	0.10
Mr. Anand Swaminathan	0.11	0.09
Dr. Mahendra S. Kothari	0.21	0.13

**SHARES HELD BY NON-EXECUTIVE DIRECTORS:**

Name of the Non-Executive Director	Equity Shares held (Nos.)
Mr. Raj Tandon	100
Mr. Anand Swaminathan	-
Dr. Mahendra S. Kothari	-
Mr. John R. English	62390

### [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 Committee 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	Position
Mr. Raj Tandon	Chairman
Mr. Anand Swaminathan *	Member
Mr. S.R.B. Nair **	Member
Dr. Mahendra S. Kothari	Member

\* w.e.f. 26<sup>th</sup> May, 2010, resigned as the member of the Committee.

\*\* w.e.f. 31<sup>st</sup> July, 2010, resigned as the member of the Committee. Shareholders/Investors Grievance Committee was reconstituted with appointment of Dr. Mahendra S. Kothari as the Member w.e.f. 31<sup>st</sup> July, 2010.

Presently the Shareholders/Investors Grievance consists of only 2 members in view of resignation of Mr. Anand Swaminathan and Mr. S.R.B. Nair as the Directors of the Company with effect from 26<sup>th</sup> May, 2010 and 31<sup>st</sup> July, 2010 respectively. The Board is in process to induct the independent director in order to fill up the casual vacancy and to meet with the requirement of minimum number of members as per the listing agreement.

Mr. Khozem Poonawala was Compliance Officer upto 30<sup>th</sup> April, 2010.

W.e.f. 1<sup>st</sup> May, 2010, Ms. Pritam P. Vartak has been appointed as the Compliance Officer of the Company.

#### (c) Meetings and Attendance:

During the financial year 2009-10, 7 (seven) meetings of the Shareholders/Investors Grievance Committee were held i.e. on 29<sup>th</sup> April, 2009, 21<sup>st</sup> May, 2009, 29<sup>th</sup> June, 2009, 31<sup>st</sup> July, 2009, 31<sup>st</sup> October, 2009, 28<sup>th</sup> January, 2010 and 29<sup>th</sup> March, 2010. The attendance record of the members is given in the table hereunder:

Name of the Shareholders / Investors Grievance Committee Members	Number of meetings held	Number of meetings attended
Mr. Raj Tandon	7	6
Mr. Anand Swaminathan	7	3
Mr. S.R.B. Nair	7	3

The Committee expresses satisfaction at the Company's Registrar and Transfer Agent'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, 2010:

The total numbers of complaints received and replied to the satisfaction of the shareholders during the year ended March 31, 2010 were 39; there were no pending/unattended complaints as on March 31, 2010.

#### Nature of complaints received and attended to during 2009-2010

Nature of complaint	Pending As on 01.04.09	Received During the year	Resolved During the year	Pending As on 31.03.10
Non-receipt of Warrant Dividend / Interest	-	5	5	Nil
Non-receipt of Refund Order	-	-	-	Nil
Non Receipt of Demat Credit / Remat Certificate	-	3	3	Nil
Non Receipt of Annual Report	-	7	7	Nil
Non-receipt of Share Certificate	-	10	10	Nil
Non Receipt of Rep / Spl / Con/Dup	-	3	3	Nil
Non Receipt of End Stickers	-	1	1	Nil
Non Receipt of Exchange Certificate	-	2	2	Nil
Others	-	8	8	Nil
Complaints received from:	-			Nil
• Securities and Exchange Board of India	-	Nil	Nil	Nil
• Stock Exchange	-	Nil	Nil	Nil
• Registrar of Companies / Department of Company Affairs	-	Nil	Nil	Nil
• Legal	-	Nil	Nil	Nil
<b>Total</b>	-	<b>39</b>	<b>39</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
2006-2007	25.09.2007	The Umbergaon Club, Madhuban, Complex, Umbergaon-Sanjan Road, Umbergaon-396171, Dist: Bulsar, Gujarat State.	11.00 A.M.
2007-2008	26.09.2008	Umergam Club, Madhuban Complex, Sanjan Road, Umergaon-396171.	11.30 A.M.
2008-2009	24.09.2009	The Umbergaon Club, Madhuban Complex, Umbergaon-Sanjan Road, Umbergaon-396171, Dist: Bulsar, Gujarat State.	11.00 A.M.

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

##### **For 2006-2007**

- 1) Re-appointment of Mr. J. S. Sethi as Whole-Time Director designated as Director- Corporate Affairs for one year from 1<sup>st</sup> April, 2007 to 31<sup>st</sup> March, 2008.

##### **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.
- 4) Re-appointment of Mr. Sumit H. Chuganee as a Technical Consultant of the Company.
- 5) Appointment of Mr. Sumit H. Chuganee as Executive Vice Chairman & Whole-time Director.
- 6) Re-appointment of Mr. Hero J. Chuganee as Whole-Time Director designated as Chairman.

##### **For 2008-2009**

Special resolutions passed at the last Annual General Meetings were as follows:

- 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.

#### **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, 2010.

##### **(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.

##### **(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 behavior, 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 the 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 shareholders : No \*
- b. Quarterly results published in : The Economic Times- English  
The Economic Times-Gujarati  
(Ahmedabad & Mumbai Edition)  
DNA- English (Mumbai Edition)
- c. Website where displayed : www.sabero.com
- d. Whether the website also displays official news releases and presentations to the media, analysts, institutional investors' etc. : No
- e. Audited Financial results published in : The Economic Times-English  
The Economic Times-Gujarati  
(Ahmedabad & Mumbai Edition)  
DNA- English (Mumbai Edition)
- f. Whether MD&A (Management Discussion & Analysis) is a part of Annual Report? : Yes
- 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:

<b>1. Annual General Meeting of Shareholders:</b>	
<b>Date &amp; Time</b>	28 <sup>th</sup> September, 2010; 11:00 A.M.
<b>Day</b>	Tuesday
<b>Venue</b>	The Umbergaon Club, Madhuvan Complex, Umbergaon- Sanjan Road, Umbergaon- 396171, Dist: Bulsar Gujarat State
<b>2. Financial Calendar (tentative and subject to change)</b>	<b>Financial Reporting for quarter ended:</b>
	June 30, 2010 14 <sup>th</sup> August 2010
	September 30, 2010 14 <sup>th</sup> November 2010
	December 31, 2010 14 <sup>th</sup> February 2011
	March 31, 2011 14 <sup>th</sup> May 2011
	Annual General Meeting for year ended 31 <sup>st</sup> March 2011 30 <sup>th</sup> September 2011
<b>3. Dates of book closures</b>	21 <sup>st</sup> September, 2010 to 28 <sup>th</sup> September, 2010 (both days inclusive)
<b>4. Registered Office</b>	Plot No. 2102, GIDC, Sarigam - 396155, Dist: Bulsar, Gujarat
<b>5. Listing on Stock Exchanges</b>	
a. Stock Exchange	Bombay Stock Exchange Limited National Stock Exchange of India Limited
b. Depository	Central Depository Services (India) Ltd. and National Securities Depository Ltd.
<b>6. Stock Exchange Code</b>	
a. The Bombay Stock Exchange Limited	524446
b. The National Stock Exchange Limited	SABERORGAN
<b>7. Demat ISIN No. in NSDL &amp; CDSL</b>	INE243A01018
<b>8. Listing fees</b>	Paid for year 2010-2011
<b>9. Disclosures regarding appointment or re-appointment of Directors:</b>	
Pursuant to the provisions of Sections 255 & 256 of the Companies Act, 1956, Mr. Raj Tandon and Mr. Hero Chuganee retire by rotation in the forthcoming Annual General Meeting. Mr. Rajesh Sharma & Mr. Kishore Dudhani, Additional Directors of the Company are eligible to hold office upto the date of ensuing Annual General Meeting. The detailed resume of Directors proposed to be appointed & re-appointed is provided in the notice of the Annual General Meeting. The Board has recommended the appointment and re-appointments of the said Directors to the shareholders.	

## 11) STOCK MARKET PRICE DATA:

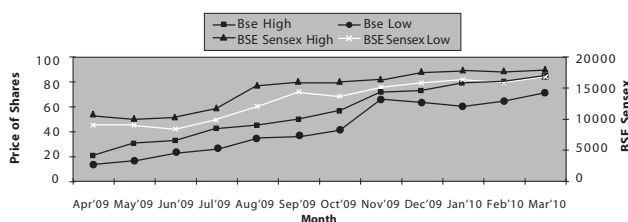
### A) Bombay Stock Exchange Limited

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 2010 is noted below:

Month	High (Rs.)	Low (Rs.)	BSE Sensex (High)	BSE Sensex (Low)
April 2009	19.10	12.40	10,469.72	8,631.60
May 2009	28.90	15.10	9,724.87	8,619.22
June 2009	30.75	21.40	10,127.09	8,047.17
July 2009	40.65	24.35	11,492.10	9,546.29
August 2009	43.70	33.55	14,930.54	11,621.30
September 2009	48.50	35.10	15,600.30	14,016.95
October 2009	54.40	40.00	15,732.81	13,219.99
November 2009	70.00	44.00	16,002.46	14,684.45
December 2009	70.40	61.00	17,142.52	15,356.72
January 2010	75.95	58.30	17,493.17	15,805.20
February 2010	77.50	63.10	17,290.48	15,330.56
March 2010	83.40	69.50	17,530.94	16,577.78

### Performance in comparison to BSE Sensex:

#### Monthly High-Low Shares Price / 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 2010 is noted below:

Month	High (Rs.)	Low (Rs.)	NSE Sensex (High)	NSE Sensex (Low)
April 2009	18.90	12.65	3517.25	2965.7
May 2009	29.10	13.00	4509.4	3478.7
June 2009	30.65	20.40	4688.95	4143.25
July 2009	40.70	24.45	4669.75	3918.75
August 2009	43.40	33.50	4731.45	4353.45
September 2009	49.00	36.00	5087.6	4576.6
October 2009	54.40	39.70	4826.1	4687.5
November 2009	70.30	44.45	5138	4538.5
December 2009	70.20	61.25	5221.85	4943.95
January 2010	76.00	58.10	5310.85	4766
February 2010	75.00	62.20	4951.15	4675.4
March 2010	83.30	70.90	5329.55	4935.35



### Performance in comparison to NSE Sensex:



### 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-400078  
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, M/s Link Intime India Private Limited.

### 14) DISTRIBUTION OF SHAREHOLDING

#### A. Distribution of Shareholding as on March 31, 2010 is noted below:

No. of Shares	No. of Shareholders	% to total Shareholders	Shares Amt. (Rs)	% to Total Holdings
1-5000	15994	83.3672	26498900	7.84
5001-10000	1511	7.8759	13008000	3.85
10001-20000	718	3.7425	11520080	3.41
20001-30000	281	1.4647	7314840	2.16
30001-40000	115	0.5994	4085470	1.21
40001-50000	165	0.86	7905950	2.34
50001-100000	199	1.0373	14927970	4.42
100000 & above	202	1.0529	252829840	74.78

#### B. Shareholding Pattern as on 31<sup>st</sup> March, 2010 is noted below:

Category	No. of shares	Percentage (%)
Promoter Group including Relatives, Associates and Corporate Bodies	14,249,390	42.15
Mutual Funds, UTI, Banks and FIs	92400	0.27
Indian Public	5989020	17.72
NRIs/OCBs/Foreign Company	10802972	31.95
Private Corporate Bodies	2,675,323	7.91

### 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. JNE243A01018. As on 31<sup>st</sup> March, 2010, 28,116,576 Equity Shares of the Company, forming 83.16% 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:

During the year under review, as per the terms of the issue, the Company had converted 46,15,105 Warrants into Equity Shares. The balance 56,972 Warrants were also subsequently converted into Equity Shares on 26<sup>th</sup> April, 2010. As on date of signing this report, the Company does not have outstanding Warrants pending conversion into Equity Shares.

There are no GDR's / ADR's 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, LBS Marg, Bhandup (West), Mumbai - 400078. Tel: 022 25963838 Fax: 022-25946969 Website: www.linkintime.co.in
Compliance Officer	Ms. Pritam Vartak A - 302, Phoenix House, 462, S. B. Marg, Worli (E), Mumbai - 400013.

### 19) REQUEST TO INVESTORS:

- Investors are requested to communicate change of address, if any, directly to the share transfer agent of the Company at the above address.
- 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.
- 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 share transfer agent.
- 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.
- 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.
- Investors are requested to kindly note that any dividend which remains unencashed 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.

Place : Mumbai  
Date : 30th July, 2010

**Registered Office**  
Plot No. 2102, GIDC,  
Sarigam - 396155,  
Dist : Bulsar, Gujarat

For and on behalf of the Board

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

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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, 2010

**For Sabero Organics Gujarat Limited**

Sd/-

**Mohit Chuganee**

*Vice Chairman & Managing Director*

Place: Mumbai

Date: 30<sup>th</sup> July, 2010

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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, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange.

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*

Sd/-

**Narayan Rathi**

*Partner*

FCS No.: 1433

Place: Mumbai

Date: 30<sup>th</sup> July, 2010



**AUDITORS' REPORT**

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 2010 and the Profit and Loss Account and 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 non-availability of information during the year. (Refer Note II.6 f).* Reference is also invited to Note II.5.3 of Schedule 18.
- v. On the basis of written representations received from the directors as on 31<sup>st</sup> March, 2010 and taken on record by the Board of Directors, we report that none of directors is disqualified as on 31<sup>st</sup> March, 2010 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. 26 regarding unreconciled balances of earlier years in the CENVAT receivable account, which is pending reconciliation and read together Note II.2 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, 2010;
  - 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 SMNP & Co**  
Chartered Accountants  
(Registration No – 105929W)  
Sd/-

**Anand Malpani**  
Partner  
Membership No. F-125779

**Mumbai, 27<sup>th</sup> May, 2010**

**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 2010 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) The Company has maintained proper records pertaining to fixed assets showing full particulars including quantitative details and situation of fixed assets *except in respect of certain additions during the year amounting to Rs. 258.00 Lacs (Previous Year - Nil).*

- b) During the year, the fixed assets have been physically verified by the management in a phased periodical manner, which in our opinion is reasonable.
- 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) 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 in relation to the size of the Company and nature of its business.
- c) The Company has maintained proper records of inventory. As explained to us no material discrepancies have been noticed upon physical verification conducted by the management.

(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 advances to parties covered in the register maintained under Section 301 of the Companies Act, 1956. Further the Company has also continued with an interest free advance given to a party covered in the register maintained under Section 301 of the Companies Act, 1956 in the earlier years and the same balance has been carried forward during the year.

(Amount in Rs.)

Nature and number of the Parties	Maximum balance during the year	Closing balance
Bodies Corporate – 4	1,1159,001	7,338,985
Individual-1	12,60,000	12,60,000

- 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 the schedule for repayment of the advances amounting to Rs. 1.91 Lacs (Previous Year – Rs. 1.91 Lacs) given to Sabero Philippines is not prescribed the regularity of the repayment of the same cannot be commented upon.*
- d) Based on the representations received from the management, we are of the opinion that the Company has taken reasonable steps for the recovery of the above advances.

(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 58AA or any other relevant provisions of the Companies Act, 1956.

(vii) **Internal Audit:**

The Company has a formal internal audit system. However, considering the increased volumes, in our opinion, the scope and coverage of the present internal audit system of the Company needs to be further strengthened so as to make it commensurate with the Company's size 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. 146.94 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 & Value Added Tax due 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	2005-06	209,865	Income Tax Appellate Tribunal
Income Tax Act, 1961	2006-07	14,483,678	CIT Appeals
<b>Total</b>		<b>14,693,543</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) According to the information and explanation given to us, in our opinion, the term loans were 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 10,26,000/- 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.

**(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/-  
**Anand Malpani**  
*Partner*  
Membership No. F-125779

**Mumbai, 27<sup>th</sup> May, 2010**

## BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2010

(Rs in Lacs)

Particulars	Schedule	As at 31-Mar-10	As at 31-Mar-09
<b><u>SOURCES OF FUNDS</u></b>			
<b>Shareholders' Funds</b>			
Share Capital	1	3,379.75	2,918.24
Reserves & Surplus	2	8,121.55	4,367.87
<b>Loan Funds</b>			
Secured Loans	3	8,198.42	7,570.23
<b>Deferred Tax Liability</b>		<b>1,129.72</b>	634.44
<b>TOTAL</b>		<b>20,829.44</b>	15,490.78
<b><u>APPLICATION OF FUNDS</u></b>			
<b>Fixed Assets</b>			
Gross Block	4	15,299.93	14,295.76
Less: Depreciation		6,106.65	5,357.17
Net Block		9,193.28	8,938.59
Capital work-in-progress		61.03	238.40
		9,254.31	9,176.99
<b>INVESTMENTS</b>			
	5	53.19	53.19
<b>Current Assets, Loans and Advances</b>			
Inventories	6	5,503.59	4,889.60
Sundry Debtors	7	7,577.58	5,501.22
Cash & Bank Balances	8	1,929.44	1,851.97
Loans & Advances	9	4,334.09	3,961.28
		19,344.70	16,204.07
<b>Less: Current Liabilities and Provisions</b>			
Current Liabilities	10	7,752.23	9,412.22
Provisions		155.13	531.25
		7,907.36	9,943.47
<b>Net Current Assets</b>		<b>11,437.34</b>	6,260.60
<b>Miscellaneous Expenditure</b>	11	84.60	-
(to the extent not written off)			
<b>TOTAL</b>		<b>20,829.44</b>	15,490.78
<b>Significant Accounting Policies and Notes on Accounts</b>	18		

**As per our report of even date**

**For S M N P & Co.**

Chartered Accountants

(Registration No – 105929W)

Sd/-

**Anand Malpani**

Partner

Membership No. F-125779

**Mumbai: 27th May, 2010**

**For and on behalf of the Board**

Sd/-

**Mohit H. Chuganee**

Vice Chairman and Managing Director

Sd/-

**A. P. Kumar Agrawal**

Group CFO

Sd/-

**Hero J. Chuganee**

Chairman

Sd/-

**Pritam P. Vartak**

Company Secretary

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2010**

(Rs. In Lacs)

Particulars	Schedule	Year Ended 31-Mar-10	Year Ended 31-Mar-09
<b>INCOME</b>			
Gross Sales		<b>46,116.66</b>	39,943.55
Less: Excise Duty		<b>3,084.73</b>	3,277.47
Net Sales		<b>43,031.93</b>	36,666.08
Other Income	<b>12</b>	<b>371.24</b>	153.81
Variation in Inventories	<b>13</b>	<b>(533.78)</b>	(212.16)
<b>TOTAL</b>		<b>42,869.39</b>	36,607.73
<b>EXPENDITURE</b>			
Materials Consumed	<b>14</b>	<b>24,968.21</b>	24,670.77
Employee related expenditure	<b>15</b>	<b>1,659.17</b>	1,208.46
Manufacturing, Administrative and Other Expenses	<b>16</b>	<b>7,632.93</b>	5,494.66
Interest and Finance Charges	<b>17</b>	<b>1,704.95</b>	1,666.25
Depreciation		<b>749.48</b>	566.73
Miscellaneous Expenditure written off		<b>21.15</b>	-
<b>TOTAL</b>		<b>36,735.89</b>	33,606.87
<b>Profit before Tax &amp; Extra Ordinary Items</b>		<b>6,133.50</b>	3,000.86
Extra Ordinary Items		-	-
<b>Profit / (Loss) before Tax</b>		<b>6,133.50</b>	<b>3,000.86</b>
Provision for Income tax			
- Current Tax		<b>1,844.42</b>	621.77
- MAT Credit Entitlement		<b>(102.29)</b>	-
- Deferred Tax		<b>495.28</b>	176.02
- Fringe Benefit Tax		-	26.00
<b>Net Profit / (Loss) for the year</b>		<b>3,896.09</b>	<b>2,177.07</b>
Prior Period Adjustments		<b>24.78</b>	(1.96)
Amount Available for Appropriation		<b>3,871.31</b>	2,179.03
Dividend		<b>406.25</b>	-
Dividend distribution tax		<b>69.05</b>	-
Balance carried to Balance Sheet		<b>3,396.01</b>	2,179.03
Earnings Per Share -Basic		<b>13.18</b>	7.47
Earnings Per Share -Diluted		<b>13.15</b>	7.47

**Significant Accounting Policies and Notes on Accounts****18****As per our report of even date****For S M N P & Co.**

Chartered Accountants

(Registration No – 105929W)

Sd/-

**Anand Malpani**

Partner

Membership No. F-125779

**For and on behalf of the Board**

Sd/-

**Mohit H. Chuganee**

Vice Chairman and Managing Director

Sd/-

**Hero J. Chuganee**

Chairman

Sd/-

**A. P. Kumar Agrawal**

Group CFO

Sd/-

**Pritam P. Vartak**

Company Secretary

**Mumbai: 27th May, 2010**

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2010

(Rs. In Lacs)

Particulars	Year Ended 31-Mar-10	Year Ended 31-Mar-09
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net profit/(loss) before tax & exceptional items	6,133.50	3,000.86
<b>Adjustments for:</b>		
- Depreciation	749.48	566.73
- Interest Expenses	1,704.95	1,666.25
- Miscellaneous Exp Written off	21.15	-
- Profit on Sale of Fixed Assets	-	(0.34)
<b>Operating profit before working capital changes</b>	<b>8,609.08</b>	<b>5,233.50</b>
<b>Adjustments for:</b>		
- Trade & Other Receivables	(2,449.17)	(4,566.91)
- Inventories	(613.99)	(923.59)
- Trade Payables	(2,030.20)	4,532.41
<b>Cash flow before extra ordinary items</b>	<b>3,515.72</b>	<b>4,275.41</b>
Exceptional Items	-	-
Prior Period Items	(24.78)	1.96
Dividend & tax on the same	(475.30)	-
Taxes	(1,742.13)	(647.77)
<b>Net cash from operating activities (A)</b>	<b>1,273.51</b>	<b>3,629.60</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(826.81)	(3,789.57)
Sale of Fixed Assets	-	0.94
Product Registration Expenses	(105.75)	-
Investments	-	(45.40)
<b>Net cash used in investing activities (B)</b>	<b>(932.56)</b>	<b>(3,834.03)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
- Proceeds from borrowings	628.19	2,419.51
- Interest paid	(1,710.85)	(1,687.29)
- Issue of Equity Shares	461.51	-
- Premium on Equity Shares Issued	357.67	-
<b>Net cash used in financing activities (C)</b>	<b>(263.48)</b>	<b>732.22</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>77.47</b>	<b>527.79</b>
Opening Cash and cash equivalents	1,851.97	1,324.18
Closing Cash and cash equivalents	1,929.44	1,851.97
	<b>77.47</b>	<b>527.79</b>

**As per our report of even date**

**For S M N P & Co.**

Chartered Accountants

(Registration No – 105929W)

Sd/-

**Anand Malpani**

Partner

Membership No. F-125779

**For and on behalf of the Board**

Sd/-

**Mohit H. Chuganee**

Vice Chairman and Managing Director

Sd/-

**Hero J. Chuganee**

Chairman

Sd/-

**A. P. Kumar Agrawal**

Group CFO

Sd/-

**Pritam P. Vartak**

Company Secretary

**Mumbai: 27th May, 2010**

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2010**

(Rs.in Lacs)

Particulars	As at 31-Mar-10	As at 31-Mar-09
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised:</b>		
3,60,00,000 Equity Shares of Rs.10/- each	<u>3,600.00</u>	<u>3,100.00</u>
(Previous Year 3,10,00,000 Equity Shares of Rs.10/- each)		
<b>Issued:</b>		
3,38,09,105 Equity Shares of Rs.10/- each	<u>3,380.91</u>	<u>2,919.40</u>
(Previous Year 2,91,94,000 Equity Shares of Rs.10/- each)		
<b>Subscribed and Paid-up</b>		
3,38,09,105 Equity Shares of Rs.10/- each	<u>3,380.91</u>	<u>2,919.40</u>
(Previous Year 2,91,94,000 Equity Shares of Rs.10/- each)		
Less: Calls in arrears (others)	<u>(1.16)</u>	<u>(1.16)</u>
<b>TOTAL</b>	<u><b>3,379.75</b></u>	<u><b>2,918.24</b></u>
<b>SCHEDULE 2</b>		
<b>RESERVES AND SURPLUS</b>		
<b>i) Capital Reserve (Government Subsidy)</b>		
As per last Balance Sheet	<u>15.00</u>	<u>15.00</u>
<b>ii) Securities Premium Account</b>		
As per last Balance Sheet	<u>1,008.88</u>	<u>1,008.88</u>
Add :Additions during the year	<u>357.67</u>	<u>-</u>
	<u>1,366.55</u>	<u>1,008.88</u>
<b>iii) General Reserve</b>		
As per last Balance Sheet	<u>3,343.99</u>	<u>1,164.96</u>
Add: Transferred from Profit & Loss Account	<u>3,396.01</u>	<u>2,179.03</u>
	<u>6,740.00</u>	<u>3,343.99</u>
<b>TOTAL</b>	<u><b>8,121.55</b></u>	<u><b>4,367.87</b></u>
<b>SCHEDULE 3</b>		
<b>SECURED LOANS</b>		
<b>A) TERM LOANS</b>		
a) Banks	<u>1,499.25</u>	<u>2,167.27</u>
b) Others	<u>344.43</u>	<u>518.89</u>
	<u>1,843.68</u>	<u>2,686.16</u>
<b>B) WORKING CAPITAL LOANS FROM BANKS</b>	<u>6,291.52</u>	<u>4,817.95</u>
<b>C) OTHER LOANS</b>		
a) Banks	<u>63.22</u>	<u>66.12</u>
<b>TOTAL</b>	<u><b>8,198.42</b></u>	<u><b>7,570.23</b></u>

**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 movables 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.
- Borrowings from Banks and Financial Institutions are personally guaranteed by three Directors of the Company.
- A Financial Institution under certain circumstances of default by the company, has an option to convert the outstanding Term Loan in to fully paid-up equity shares of the company, at par, at any time during the currency of the Term Loan.
- Installments due within one year for term loans Rs. 752.90 Lacs (P.Y. 784.65 Lacs) and in case of other loans Rs. 30.09 Lacs (P.Y. Rs. 23.19 Lacs).



## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2010

### SCHEDULE 4 : FIXED ASSETS

(Rs.in Lacs)

ASSET	Rate %	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01/04/2009	Additions	Deductions	As at 31/03/2010	Upto 01/04/2009	For the year	Deductions	As at 31/03/10	As at 31/03/10	As at 31/03/2009
Freehold Land		7.28			<b>7.28</b>	-	-		-	<b>7.28</b>	7.28
Leasehold Land	1.01%	129.29	-	-	<b>129.29</b>	11.44	1.31	-	<b>12.75</b>	<b>116.54</b>	117.85
Building	3.34%	2,276.15	198.81	-	<b>2,474.96</b>	546.97	76.89	-	<b>623.86</b>	<b>1,851.10</b>	1,729.18
Plant & Machinery	5.28%	11,487.34	540.24	-	<b>12,027.58</b>	4,594.17	613.51	-	<b>5,207.68</b>	<b>6,819.90</b>	6,893.17
					-				-	-	-
Computer	16.61%	137.26	12.17	-	<b>149.43</b>	70.35	23.32		<b>93.67</b>	<b>55.76</b>	66.91
Software(intangible Asset)	16.61%	-	125.01	-	<b>125.01</b>	-	11.77		<b>11.77</b>	<b>113.24</b>	-
Furniture & Fixtures	6.33%	63.62	-	-	<b>63.62</b>	43.80	4.03	-	<b>47.83</b>	<b>15.79</b>	19.82
Vehicles	9.50%	194.81	26.47	-	<b>221.28</b>	90.44	18.51	-	<b>108.95</b>	<b>112.33</b>	104.38
Ships	7.07%	-	101.48	-	<b>101.48</b>	-	0.14		<b>0.14</b>	<b>101.34</b>	-
<b>TOTAL</b>		<b>14,295.75</b>	<b>1,004.18</b>	-	<b>15,299.93</b>	<b>5,357.17</b>	<b>749.48</b>	-	<b>6,106.65</b>	<b>9,193.28</b>	<b>8,938.59</b>
Capital Work-in-progress		238.40	746.04	923.41	<b>61.03</b>	-	-	-	-	<b>61.03</b>	238.40
<b>GRAND TOTAL</b>		<b>14,534.15</b>	<b>1,750.22</b>	<b>923.41</b>	<b>15,360.97</b>	<b>5,357.17</b>	<b>749.48</b>		<b>6,106.65</b>	<b>9,254.31</b>	<b>9,176.99</b>
<b>Previous Year</b>		<b>10,623.03</b>	<b>3,681.34</b>	<b>8.61</b>	<b>14,295.76</b>	<b>4,798.45</b>	<b>566.73</b>	<b>8.01</b>	<b>5,357.17</b>	<b>9,176.99</b>	

(Rs.in Lacs)

### SCHEDULE 5

As at 31-Mar-10

As at 31-Mar-09

#### INVESTMENTS (At cost, Long Term, Unquoted)

##### Trade : (In Wholly owned subsidiary Companies)

100 Equity shares of Aus \$ 14 each of Sabero Australia Pty Ltd	<b>0.39</b>	0.39
40 Equity shares of NLG 10 each of Sabero Europe BV	<b>1.42</b>	1.42
4400 (P.Y.4400) Equity Shares in Markan Agroquimica Ltda, R\$ 0.10 paid up	<b>1.19</b>	1.19
161500 (P.Y.161500) Equity Shares in Sabero Argentina S.A.	<b>11.26</b>	11.26
Capital Stock in Sabero Organics America Ltda	<b>38.20</b>	38.20

##### Non Trade :

In Government Securities	<b>0.73</b>	0.73
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(National Savings Certificate VIIIth Series deposited with  
Excise Department/Sales Tax Department)

#### TOTAL

**53.19**
**53.19**

### SCHEDULE 6

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

Stores & Spares	<b>607.12</b>	231.21
Raw Materials	<b>2,729.92</b>	1,928.06
Stock-in-Process	<b>370.39</b>	554.95
Finished Goods	<b>1,826.16</b>	2,175.38
Less: Provision for Obsolete Stock	<b>(30.00)</b>	-
<b>TOTAL</b>	<b>5,503.59</b>	<b>4,889.60</b>

### SCHEDULE 7

#### SUNDRY DEBTORS (Unsecured)

Outstanding for a period exceeding six months :

- considered good	<b>602.56</b>	450.26
- considered doubtful	<b>19.67</b>	336.16
	<b>622.23</b>	786.42

#### Less: Provision for Doubtful debts

Balance as per Last Balance Sheet	<b>336.16</b>	296.16
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#### Add: Provided during the year

**(316.49)**
**40.00**
**19.67**
**336.16**

Outstanding for a period exceeding six months (Net of Provisions)

**602.56**
**450.26**

Others- Considered good

**6,975.02**
**5,050.96**

#### TOTAL

**7,577.58**
**5,501.22**



**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2010**

(Rs.in Lacs)

Particulars	As at 31-Mar-10	As at 31-Mar-09
<b>SCHEDULE 8</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	16.98	14.06
Balance with Scheduled Banks:		
In Current Accounts		
a) Public Issue Accounts	-	-
b) Others	337.53	228.66
In Margin Money Account *	1,574.93	1,609.25
<b>TOTAL</b>	<b>1,929.44</b>	<b>1,851.97</b>
* Against Letter of Credit, Bills Discounted and Guarantees issued by the bank.		
<b>SCHEDULE 9</b>		
<b>LOANS AND ADVANCES</b> (Unsecured, Considered Good)		
Advances recoverable in cash or in kind or for value to be received	1,728.83	1,293.67
Modvat Credit Receivable	2,302.35	2,436.17
Balance with Excise Department	8.54	33.36
Deposits	220.98	190.62
Loan to subsidiary Company	73.39	7.46
<b>TOTAL</b>	<b>4,334.09</b>	<b>3,961.28</b>
<b>SCHEDULE 10</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Current Liabilities</b>		
Sundry Creditors	6,531.96	8,685.45
Other Liabilities	735.73	711.63
Interest accrued but not due	9.24	15.14
Proposed Dividend	406.25	-
Dividend Distribution tax Payable	69.05	-
	<b>7,752.23</b>	<b>9,412.22</b>
<b>Provisions</b>		
Income Tax (net of payments)	154.79	531.00
Wealth Tax	0.34	0.25
	<b>155.13</b>	<b>531.25</b>
<b>TOTAL</b>	<b>7,907.36</b>	<b>9,943.47</b>
<b>SCHEDULE 11</b>		
<b>MISCELLANEOUS EXPENDITURE</b>		
(to the extent not written off)		
Product Development Expenditure	105.75	-
Less: Written off	21.15	-
	<b>84.60</b>	<b>-</b>
<b>SCHEDULE 12</b>		
<b>OTHER INCOME</b>		
Insurance Claim Received	15.68	6.97
Interest Received	88.44	54.77
Others	22.15	92.07
Exchange rate fluctuation gain (net)	244.97	-
<b>TOTAL</b>	<b>371.24</b>	<b>153.81</b>

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2010

(Rs.in Lacs)

Particulars	As at 31-Mar-10	As at 31-Mar-09
<b>SCHEDULE 13</b>		
<b>VARIATION IN INVENTORIES</b>		
<b>Closing Stock</b>		
Finished Goods	1,826.16	2,175.38
Stock-in-process	370.39	554.95
	<u>2,196.55</u>	<u>2,730.33</u>
<b>Less: Opening Stock</b>		
Finished Goods	2,175.38	2,397.62
Stock-in-process	554.95	544.87
	<u>2730.33</u>	<u>2942.49</u>
<b>TOTAL</b>	<u>(533.78)</u>	<u>(212.16)</u>
<b>SCHEDULE 14</b>		
<b>MATERIALS CONSUMED</b>		
Opening Stock	1,928.06	810.81
Purchases during the year	25,770.07	25,788.02
Less: Closing Stock	2,729.92	1,928.06
<b>TOTAL</b>	<u>24,968.21</u>	<u>24,670.77</u>
<b>SCHEDULE 15</b>		
<b>EMPLOYEE RELATED EXPENDITURE</b>		
Salaries, Wages and Bonus	1,262.38	1,013.08
Contribution to Provident & Other Funds	73.69	34.08
Staff Welfare Expenses	323.10	161.30
<b>TOTAL</b>	<u>1,659.17</u>	<u>1,208.46</u>
<b>SCHEDULE 16</b>		
<b>MANUFACTURING, ADMINISTRATIVE AND OTHER EXPENSES</b>		
Power & Fuel	2,882.19	2,019.33
Insurance	163.84	44.79
Stores & Spares consumed	638.57	278.68
<b>Repairs &amp; Maintenance :</b>		
Plant & Machinery	326.90	93.70
Building	31.39	32.91
Others	22.69	10.43
Rent	85.16	28.11
Rates and taxes	5.46	13.60
Directors' sitting fees	0.82	0.12
Travelling & Conveyance	300.23	194.36
Legal & Professional fees	138.75	40.75
<b>Selling &amp; Distribution Expenses:</b>		
Selling Expenses and Commission	735.99	64.93
Discounts- (Cash/Trade and others)	278.36	234.94
Freight & other expenses	1,265.82	730.91
Exchange rate fluctuation loss (net)	-	1,112.82
Provision for doubtful debts	-	40.00
Provision for doubtful advances	70.00	70.00
Provision for Closing stock	30.00	-
Miscellaneous Expenses	656.76	484.28
<b>TOTAL</b>	<u>7,632.93</u>	<u>5,494.66</u>

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2010**

(Rs.in Lacs)

Particulars	As at 31-Mar-10	As at 31-Mar-09
<b>SCHEDULE 17</b>		
<b>INTEREST &amp; FINANCE CHARGES</b>		
<b>Interest on:</b>		
Term Loans & Debentures	279.32	188.79
Others	1,131.37	1,273.86
	1,410.69	1,462.65
Finance Charges	294.26	203.60
<b>TOTAL</b>	<b>1,704.95</b>	<b>1,666.25</b>

**SCHEDULE 18**

Significant Accounting Policies and Notes on Accounts for the Year Ended 31<sup>st</sup> March, 2010

**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 is 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 FIFO 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 rate 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 realised 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 realised.

## 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

fully 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. 4842.40 Lacs (Previous Year Rs. 2284.24 Lacs). (Since realised Rs. 1941.89 Lacs; Previous Year Rs. 1640.71 Lacs)
- ii) Bank Guarantees outstanding Rs. 740.53 Lacs (Previous Year Rs. 929.16 Lacs).
- iii) Disputed income tax liability of Rs. 146.94 Lacs (Previous Year Rs. 2.10 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. 980.80 Lacs (Previous Year Rs. 213.25 Lacs)



2. The Company has during the year increased the Authorised Capital from Rs. 3100 Lacs comprising of 310 Lacs Equity Shares of Rs. 10 each to Rs. 3600 Lacs comprising of 360 Lacs Equity Shares of Rs. 10 each vide a resolution passed in the Board Meeting held on 21<sup>st</sup> May, 2009.

3. The Company has vide resolution passed in the Board Meeting held on 21<sup>st</sup> May, 2009 and subsequently by resolution passed in Extra-Ordinary General Meeting held on 17<sup>th</sup> June, 2009 issued 46,72,077 Optionally Fully Convertible Warrants which are convertible into one equity shares at a premium of Rs. 7.75 per share for every warrant held within 18 months from the date of allotment at the option of the holder. On conversion of these warrants, 28,22,687 Equity Shares were issued to Promoter Group including persons acting in concert with them and 17,92,418 Equity Shares were issued to others at various dates during the year. The object of the issue was to fulfill the working capital requirements the Company.

#### 4. Confirmation of Balances:

4.1 The balances appearing under the head 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.

4.2 Unreconciled Bills discounted under the head Loans and Advances amounting to Rs. 25 Lacs (Previous Year - Nil) are in the process of being identified.

#### 5. Consolidated Accounts of Subsidiary Companies:

5.1 No adjustment in the carrying cost with respect to diminution in the value of long term unquoted investments of Rs. 52.46 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.

5.2 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, 2010 except in case of Sabero Argentina S.A. whose accounts are drawn up to December 31, 2009.

5.3 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 Ltda.

#### 6. Investments in Joint Venture:

6.1 The Company has a Joint Venture (JV) in Brazil, viz. Markan Argoquimica Ltda (hereinafter referred to as jointly controlled entity), where in the Company holds 44% interest in the shares of the jointly controlled entity and also has joint management control.

6.2 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 incurred by the Company in relation to its interest in the joint venture : Nil

b Company's share of contingent liabilities of the jointly controlled entity : Unascertainable

c Contingent liabilities arising against the contingent liabilities of the venture for the other liabilities of the other venturer : Since the details of the co-venturer are not available the same 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 commitments of the joint venture : Nil

f) During the year, the Company has severed the relationship of Joint Venture with Markan Argoquimica Ltda, Brazil. 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, if any in the above Joint Venture as a consequence of the severance 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. The previous year's figures are given in the brackets below:

Particulars	Amount (Brazilian Reais)	Amount (Rs.)
Assets	(9,597,257)	(211,907,435)
Liabilities	(9,597,257)	(211,907,435)
Income	(15,399,183)	(340,013,961)
Expenses	(16,533,629)	(365,062,528)

7. 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.

#### 8. Assets under Lease:

8.1 Secured loans include Rs. 63.22 Lacs (Previous Year Rs. 66.12 Lacs), being the liability towards the lessors on account of the assets acquired under finance lease.

8.2 Certain assets represented under Plant & Machinery – Leased amounting to Rs. 273.86 Lacs (gross) and Rs. 92.80 Lacs (net) in the earlier years have been re-classified under the head Plant & Machinery - Owned assets during the current year, since as per the management of the Company, the same are Company's owned property.

9. 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 the current year. The same is based on the information available with the Company and relied upon by the Auditors.

**10. Deferred Tax liability comprising of timing differences on account of:**

(Rs. in Lacs)

Particulars	As on 31.03.10	As on 31.03.09
<b>Deferred Tax Liability</b>		
1. Depreciation	1283.11	1077.16
2. Product Development Expenditure	28.76	-
<b>Total Deferred Tax Liability:</b>	<b>1311.87</b>	1077.16
<b>Deferred Tax Asset</b>		
1. Expenses covered by section 43B & 40(a)(ia)	98.10	40.47
2. Unabsorbed Depreciation	-	330.18
3. Others	84.05	72.07
<b>Total Deferred Tax Asset:</b>	<b>182.15</b>	442.72
<b>Net Deferred Tax Liability</b>	<b>1129.72</b>	634.44

11. Obsolescence in the closing Inventory of Raw Materials and Finished Goods lying with the C&F agents as well as in the factory has been provided as arrived at by the management to the extent of Rs. 30 Lacs (Previous Year – Nil). Any further provision in this regard will be made upon completion of the exercise of identifying such obsolete/ slow moving inventory.
12. Amount of expenditure incurred by the Company toward Research and Development till the close of the current year to be eligible for weighted average deduction under Section 35 (2AB) of the Income Tax Act, 1961 has not been identified as such and continued to be shown under the respective revenue heads – Amount presently unascertainable.

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

Basic and Diluted earnings per share is calculated as under :

Particulars	2009-10	2008-09
Numerator – Profit as per the Profit & Loss account (Rs. In Lacs)	3,896.09	2,179.03
Denominator- No. of Equity Share outstanding *	29564044	29182400
Nominal value of share (in Rs.)	10.00	10.00
Basic Earnings per Share (Rs.)	13.18	7.47
Diluted Earnings per Share (Rs.)	13.15	7.47

\*33,809,105 shares out of which 80,000 shares, 18,216,81 shares, 27,134,24 shares were for 152 days, 63 days and 3 days respectively [average shares 29,564,044] (Previous Year 29,194,000; for 365 days)

**14. Retirement benefit:**

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

**Profit and Loss Account**

(Rs. in Lacs)

Particulars	2009-10		2008-09	
	Leave Encashment (unfunded)	Gratuity (Funded)	Leave Encashment (unfunded)	Gratuity (Funded)
Current Service Cost	12.22	15.69	8.60	12.22
Interest on defined Benefit Obligation	1.74	-	0.66	-
Expected Return on Plan Assets	-	-	Nil	Nil
Settlement Cost / Credit	-	-	Nil	Nil
Net actuarial (gain) / loss recognised in the year	(6.33)	3.42	5.94	2.55
Past Service Cost	-	-	-	-
Losses / (Gains) on "Curtailements & Settlements"	-	-	-	-
Losses / (Gains) on "Acquisition / Divestiture"	-	-	-	-
Effect of the limit in Para 59(b)	-	-	-	-
<b>Total included in Employee Benefit Expenses</b>	<b>7.63</b>	<b>19.11</b>	<b>15.20</b>	<b>14.77</b>

**Balance Sheet**

Details of provision for Leave Encashment and Gratuity

(Rs. in Lacs)

Particulars	31 <sup>st</sup> March, 2010		31 <sup>st</sup> March, 2009	
	Leave Encashment (unfunded)	Gratuity (Funded)	Leave Encashment (unfunded)	Gratuity (Funded)
Liability at the end of the year	21.73	63.34	Nil	48.56
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	7.63	19.11	21.73	14.78
<b>Amount in Balance Sheet</b>	<b>29.36</b>	<b>82.45</b>	<b>21.73</b>	<b>63.34</b>

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

(Rs. in Lacs)

Particulars	2009-10		2008-09	
	Leave Encashment (unfunded)	Gratuity (Funded)	Leave Encashment (unfunded)	Gratuity (Funded)
Liability at the beginning of the year	21.73	63.34	8.87	48.57
Interest Cost	1.74	-	0.66	-
Current Service Cost	12.21	15.69	8.60	12.22
Benefits paid	3.83	-	2.34	-
Actuarial Losses / (Gain)	(2.48)	3.42	5.94	2.55
<b>Liability at the end of the year</b>	<b>29.36</b>	<b>82.45</b>	<b>21.73</b>	<b>63.34</b>





**Principal actuarial assumptions as at the Balance Sheet date:**

Particulars	2009-10		2008-09	
	Leave Encashment (unfunded)	Gratuity (Funded)	Leave Encashment (unfunded)	Gratuity (Funded)
Discount Rate	8.00 %	8.00 %	7.50 %	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

**15. Segment Reporting:**

**15.1 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.

**15.2 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	2009-10	2008-09
Domestic Revenue	18,040.39	12,768.61
Export Revenue (Including Export benefits)	24,991.54	23,897.47
Total	43,031.93	36,666.08

**16. Related Party disclosures**

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

**16.1 List of Related parties:**

**I Parties where control exists:**

**Subsidiaries:**

Sabero Australia Pty. Ltd.  
Sabero Europe B.V.  
Sabero Argentina S.A.  
Sabero Organics America Ltda.

**II Associates(Including Joint Venture):**

Sabero Echostar (India) Pvt. Ltd.  
Harvard Finance Co. Pvt. Ltd.  
Markan Argoquimica Ltda.  
Mosum Enterprises Ltd.  
Sabero Organics Phillipines Asia Inc.

**III Key Management Personnel & their relatives**

Mr. Hero J. Chuganee, Chairman

Mr. Mohit H. Chuganee, Vice Chairman & Managing Director  
Mr. Sumit H. Chuganee, Executive Vice Chairman & Whole-Time Director

Mr. S. R. B. Nair, Whole-Time Director & Chief Operating Officer  
Mrs. Sabita H. Chuganee, Wife of Chairman

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

**16.2**

**Transactions with Related Parties:**

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

(Rs. in Lacs)

Nature of Transaction	Subsidiary/ Associate Companies		Key Management Personnel		Relatives of Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Purchase of Fixed Assets	1.00	50.11	-	-	-	-
Purchase of Services	2.88	2.88	-	18.30	11.80	10.80
Remuneration	-	-	154.01	96.86	-	-
Sitting Fees	-	-	0.82	0.12	-	-
Commission to Directors	-	-	112.93	51.00	-	-
<b>Outstanding balances as on 31<sup>st</sup> March, 2010</b>						
Investments	52.46	52.46	-	-	-	-
Payables	0.65	40.71	22.58	56.18	1.71	0.75
Receivables	73.39	1.92	-	-	12.60	-

**Notes:**

- No amount pertaining to Related Parties have been provided for as doubtful debts. Also, no amounts have been written off/written back during the year.
  - Details relating to investments in the above-related parties have been disclosed in Schedule 5 Investments.
  - Details relating to remuneration to the above key management personnel have been disclosed in Note No. 23 here below.
17. 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.

(Rs. in Lacs)

Name of the Concern / Company/etc.	Balance as at 31.03.2010	Balance as at 31.03.2009
Sabero Americana Ltda.	<b>59.08</b>	-
Sabero Australia Pty. Ltd.	<b>7.41</b>	3.99
Sabero Europe B.V.	<b>4.98</b>	1.56
Sabero Organics Phillipines Asia Inc.	<b>1.92</b>	1.92
Mrs. Sabita H. Chuganee	<b>12.60</b>	-

18. 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.
19. In view of common pool of facilities for research and development activities, the research and development expenditure is not identifiable separately.

**20. Remuneration to Auditors grouped under miscellaneous expenses comprises of:**

(Rs. in Lacs)

	Current Year	Previous Year
Audit fees	3.50	3.50
Management Services	1.50	1.50
Certification fees	0.45	0.30
Out of pocket expenses(excluding service tax)	-	-

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

a) Raw Material	12,586.98	14,256.02
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**ii) Expenditure in Foreign Currency (on payment basis):**

a) Traveling	30.24	40.22
b) Selling Expenses & Commission	735.26	62.66
c) Product Registration Expenses	24.88	32.54
d) Others	20.20	9.39

**22. Earnings in Foreign Currency:**

F.O.B. Value of Exports	21,658.15	22,091.51
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**23. Managerial Remuneration:**

Salary	136.30	88.52
Commission	112.93	51.00
Sitting Fees	0.82	0.12
Contribution to Provident Fund	9.72	6.02
Monetary Value of Perquisites (Computed wherever necessary as per Income Tax Rules, 1962)	7.99	2.32
<b>Total</b>	<b>267.76</b>	<b>147.98</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**

Rs. in Lacs

	2009-10	2008-09
Profit before exceptional items and Tax as per Profit and Loss Account	6133.50	3,000.86
<b>Add:</b>		
Directors' Remuneration and Commission	267.76	147.98
Provision for doubtful debts	-	40.00
	6,401.26	3,188.84
<b>Less :</b>		
Profit on sale of Fixed Assets	-	0.34
Net Profit as per Section 349 of the Companies Act, 1956	6,401.26	3,188.50
Maximum permissible remuneration to Whole-Time Directors under Section 198 of the Companies Act, 1956 , @ 10% of the profits computed above	640.13	318.85

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.

24. Professional Fees paid to a Director for rendering technical consultancy services Rs. Nil Lacs (Previous Year Rs. 18.30 Lacs).

**25. Provision for Doubtful recovery**

25.1 Sundry Debtors amounting to Rs. 169.67 Lacs (Previous Year Rs. 182.78 Lacs) were outstanding for a period exceeding 365 days. However, no provision for the doubtful recovery has been made in the accounts since in the opinion of the management the debts are fully recoverable, considering that the recoveries have also been made in the past against such old outstanding amounts.

25.2 Advances to suppliers given in the earlier years against which performance/reconciliation is pending have been provided to the extent of Rs. 70 Lacs (Previous Year Rs. 70 Lacs). The Company is in the process of reconciling the same. Any consequential adjustment arising out of the same would suitably be made in the accounts upon completion of this exercise, the amount of which is presently unascertainable (Previous Year Rs. 39.69 Lacs).

26. As at the close of the Current Year, there were unreconciled balances of earlier years in the CENVAT receivable account, the amount of which at present is unascertainable. Any consequential adjustment arising out of such reconciliation would suitably be made in the accounts upon completion of the exercise.

However, no provision has been considered necessary in the books during the current year since the Company has already initiated the process of reconciliation.

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

(Rs. in Lacs)

Particulars	Opening Balance As on 01-04-2009	Provision During the Year	Payment / Adjustment During the Year	Closing Balance As on 31-03-2010
Provision for Gratuity	63.34	19.11	-	82.45
Provision for Leave Encashment	21.73	8.13	-	29.36





28. 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-10	As at 31-Mar-09	Year ended 31-Mar-10	Year ended 31-Mar-09
Inorganic Compounds	16,200	16,000	9,127.33	4,697.73
Organo Phosphorus Intermediates	15,120	13,000	2,727.15	2410.52
Pesticides	41,600	41600	20,084.14	11,488.03
Pesticide Formulation (in MT) #	10,000	3,000	1,690.85	1,229.60
Pesticide Formulation (in KL) #	10,000	3,000	2,491.45	1,660.05

----- 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	Year ending 31-03-2010		Year ending 31-03-2009	
	Quantity (MT)	Value (Rs. In Lacs)	Quantity (MT)	Value (Rs. In Lacs)
<b>ii. Sales *</b>				
Inorganic Compounds	5,824.40	7.86	4,655.09	16.82
Organo Phosphorus Intermediates	1,122.90	1,869.26	2,467.86	2,789.34
Pesticides	15,111.26	28,645.02	11,759.82	29,071.05
Pesticide Formulation (in MT)	3,749.67	10,896.40	1,144.45	4,418.60
Pesticide Formulation (in KL)	2,494.38	4,698.12	1,428.03	3,647.74
<b>TOTAL</b>		<b>46,116.66</b>		<b>39,943.55</b>

\* includes captive consumption

**iii. Closing 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	647.42	282.99	441.68
<b>TOTAL</b>		<b>1,826.16</b>		<b>2,175.38</b>

\* includes stock out of trial run production

# includes sale of trial run production

**iv. Opening Stock**

Inorganic Compounds	46.30	28.89	3.66	0.33
Organo Phosphorus Intermediates	22.09	33.95	79.43	106.91
Pesticides *	478.21	1,301.99	750.00	2134.96
Pesticide Formulation (in MT)	94.80	368.87	9.65	23.59
Pesticide Formulation (in KL)	282.99	441.68	50.97	121.01
<b>TOTAL</b>		<b>2,175.38</b>		<b>2,386.80</b>

\* includes stock out of trial run production

**v. Consumption of Raw Materials**

Inorganic Chemicals	6,022.30	883.38	5,373.58	1,377.45
Pesticide Formulation	64,304.38	21,272.43	36,290.37	20,766.11
Others		2,812.40		2,527.21
<b>TOTAL</b>		<b>24,968.21</b>		<b>24,670.77</b>

	<b>Percentage</b>		<b>Percentage</b>	
Imported	46.02 %	11,490.41	59.71 %	14,731.03
Indigenous	53.98 %	13,477.80	40.29 %	9,939.74
	<b>100.00%</b>	<b>24,968.21</b>	<b>100.00%</b>	<b>24,670.77</b>

**vi. Consumption of Store & Spares**

	<b>Percentage</b>		<b>Percentage</b>	
Imported	-	-	-	-
Indigenous	100.00%	638.57	100.00%	278.68
	<b>100.00%</b>	<b>638.57</b>	<b>100.00%</b>	<b>278.68</b>

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

30. Other income includes Rs. Nil(Rs. 85.35Lacs) being amount received towards settlement of asserted claims from one of its suppliers.

31. Provision for current tax includes provision for wealth tax Rs.0.34 Lacs (P.Y.0.23 Lacs).

**As per our report of even date**

**For S M N P & Co.**

Chartered Accountants

Sd/-  
**Anand Malpani**  
Partner  
M. No. F-125779

**Mumbai: 27th May, 2010**

**For and on behalf of the Board**

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

Sd/-  
**A. P. Kumar Agrawal**  
Group CFO

Sd/-  
**Hero J. Chuganee**  
Chairman

Sd/-  
**Pritam P. Vartak**  
Company Secretary

## 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	:	31/03/2010			

#### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	:	Rs.	Nil	Rights Issue	:	Rs.	Nil
Bonus Issue	:	Rs.	Nil	Private Placement	:	Rs.	46,151.05

#### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	:	Rs.	2,082,944	Total Assets	:	Rs.	2,082,944
<b>Sources of Funds</b>				<b>Application of Funds</b>			
Paid-up Capital		Rs.	337,975	Net Fixed Assets		Rs.	925,431
Reserves & Surplus		Rs.	812,155	Investments		Rs.	5,319
Secured Loans		Rs.	819,842	Net Current Assets		Rs.	1,143,734
Deferred Tax Assets/Liability		Rs.	112,972	Miscellaneous Expenditure		Rs.	8,460
				Accumulated Losses		Rs.	Nil

#### IV. Performance of Company (Amount in Rs. Thousands)

Turnover	Rs.	4,286,939	Total Expenditure	Rs.	3,673,589
Profit/Loss before tax	Rs.	613,350	Profit/Loss after tax	Rs.	389,609
Earning per Share -Basic	Rs.	13.18	Dividend Rate	%	12%
Earning per Share -Diluted	Rs.	13.15			

#### 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/-  
**Mohit H. Chuganee**  
*Vice Chairman and Managing Director*

Sd/-  
**Hero J. Chuganee**  
*Chairman*

Sd/-  
**A. P. Kumar Agrawal**  
*Group CFO*

Sd/-  
**Pritam P. Vartak**  
*Company Secretary*

**Mumbai: 27th May, 2010**



**STATEMENT UNDER SECTION 212 OF THE COMPANIES ACT, 1656  
RELATING TO SUBSIDIARY COMPANIES**

<b>A) Subsidiary Company</b>	<b>Sabero Australia Pty. Ltd.</b>	<b>Sabero Europe B.V.</b>	<b>Sabero Organics America Ltda</b>	<b>Sabero Argentina S.A.</b>
1 Financial Year of the Subsidiary Company enden on	31/03/2010	31/03/2010	31/03/2010	31/12/2009
2 Date From which it became subsidiary company	28/04/1999	10/02/2000	16/082000	26/8/2003
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 of NLG 10 each	2,11,600 Equity shares of Brazil Reais 1 each	1,61,500 Equity shares of ARS 1 each
(b). Extent of holding	100%	100%	92%	95%
5 Net agreegate 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, 2010 (Profit / Loss after tax *4(b)	(3.50)	(2.40)	-	0.46
For the Previous Financial years of the Subsidiary since it became a subsidiary (Profit/ Loss after tax of P.Y. March 2010*4(b)	(7.94)	(15.50)	-	(16.23)
(b) Dealt with in the accounts of the Holding Company				
For the Financial Year ended 31 <sup>st</sup> March, 2010	NIL	NIL	NIL	NIL
For the Financial Year ended 31 <sup>st</sup> March, 2009	NIL	NIL	NIL	NIL

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## 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 2010, 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 Ltda whose statements reflect the Groups share of total assets of Rs. 168.56 Lacs as at 31<sup>st</sup> March 2010 and the Group's share of total revenue of Rs. 5.46 Lacs and net cash inflow amounting to Rs. 4.21 Lacs for the year ended on that date as considered in the consolidated financial statements. These financial statements and other information of the subsidiaries have been audited by other auditors whose reports have been furnished to us and in our opinion, in so far as it relates to the amounts included in respect of this subsidiary and joint venture is based solely on the reports of the other auditors.
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 2010 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 reports of the other auditors on separate 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. 27 regarding unreconciled balances of earlier years in the CENVAT receivable account, which is pending reconciliation and read together with Note II.4.1 in our opinion and to the best of our information and according to the explanations given to us, read together with Note II.2 in respect of non-confirmation of balances 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, 2010;

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/-

**Anand Malpani**

**Partner**

Membership No. F-125779

**Mumbai, 27<sup>th</sup> May, 2010**

## CONSOLIDATED BALANCE SHEET AS T 31<sup>ST</sup> MARCH 2010

Rs. in Lacs

Particulars	Schedule	As at 31-Mar-10	As at 31-Mar-09
<b><u>SOURCES OF FUNDS</u></b>			
Shareholders' Funds			
Share Capital	1	3,379.75	2,918.24
Reserves & Surplus	2	8,112.78	4,357.33
<b>Minority Interest</b>		4.42	3.98
<b>Loan Funds</b>			
Secured Loans	3	8,198.42	7,570.23
Unsecured Loans	4	172.90	429.21
<b>Deferred Tax Liability</b>		1,129.72	634.44
<b>TOTAL</b>		<b>20,997.99</b>	<b>15,913.43</b>
<b><u>APPLICATION OF FUNDS</u></b>			
<b>Fixed Assets</b>	5		
Gross Block		15,301.61	14,313.47
Less: Depreciation		6,106.65	5,360.16
Net Block		9,194.96	8,953.31
Capital in Progress		61.03	238.40
		9,255.99	9,191.71
<b>INTANGIBLE ASSETS</b>		286.38	210.26
<b>INVESTMENTS</b>	6	1.92	0.73
<b>Current Assets, Loans and Advances</b>			
Inventories	7	5,503.59	5,082.67
Sundry Debtors	8	7,582.80	6,213.51
Cash & Bank Balances	9	1,940.90	1,859.24
Loans & Advances	10	4,324.95	3,970.59
		19,352.24	17,126.01
<b>Less: Current Liabilities and Provisions</b>	11		
Current Liabilities		7,827.80	10,067.54
Provisions		155.34	547.74
		7,983.14	10,615.28
<b>Net Current Assets</b>		11,369.10	6,510.73
<b>Miscellaneous Expenditure</b>	12	84.60	-
(to the extent not written off)			
<b>TOTAL</b>		<b>20,997.99</b>	<b>15,913.43</b>

**As per our report of even date**

**For S M N P & Co.**

Chartered Accountants

(Registration No – 105929W)

Sd/-

**Anand Malpani**

Partner

Membership No. F-125779

**Mumbai: 27<sup>th</sup> May, 2010**

**For and on behalf of the Board**

Sd/-

**Mohit H. Chuganee**

Vice Chairman and Managing Director

Sd/-

**A. P. Kumar Agrawal**

Group CFO

Sd/-

**Hero J. Chuganee**

Chairman

Sd/-

**Pritam P. Vartak**

Company Secretary



## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2010

Rs. in Lacs

Particulars	Schedule	Year ended 31-Mar-10	Year ended 31-Mar-09
<b>INCOME</b>			
Gross Sales		46,116.66	41,012.33
Less: Excise Duty		3,084.73	3,277.47
Net Sales		43,031.93	37,734.86
Other Income	13	376.46	186.76
Variation in Inventories	14	(533.78)	(212.16)
<b>TOTAL</b>		<b>42,874.61</b>	<b>37,709.46</b>
<b>EXPENDITURE</b>			
Materials Consumed	15	24,968.21	25,510.88
Employee related expenditure	16	1,659.17	1,286.73
Manufacturing, Administrative and Other Expenses	17	7,643.18	5,677.16
Interest and Finance Charges	18	1,705.13	1,799.17
Depreciation		749.48	569.72
Miscellaneous Expenditure written off		21.15	-
<b>TOTAL</b>		<b>36,746.32</b>	<b>34,843.66</b>
<b>Profit before Tax &amp; Extra Ordinary Items</b>		<b>6,128.29</b>	<b>2,865.80</b>
Extra Ordinary Items		-	-
<b>Profit / (Loss) before Tax</b>		<b>6,128.29</b>	<b>2,865.80</b>
Provision for Income tax - Current			
- Current Tax		1,844.65	621.83
- MAT Credit Entitlement		(102.29)	-
- Deferred Tax		495.28	176.02
- Fringe Benefit Tax		-	26.00
<b>Net Profit / (Loss) for the year</b>		<b>3,890.65</b>	<b>2,041.95</b>
Prior Period Adjustments		24.78	(1.96)
		<b>3,865.87</b>	<b>2,043.91</b>
Dividend		406.25	-
Dividend distribution tax		69.05	-
Minority Interest		0.01	0.33
<b>Amount Available for Appropriation</b>		<b>3,390.56</b>	<b>2,044.24</b>
Balance carried to Balance Sheet		3,390.56	2,044.24
Earning Per Share-Basic		13.16	7.00
Earning Per Share-Diluted		13.13	7.00

As per our report of even date

For S M N P &amp; Co.

Chartered Accountants

(Registration No – 105929W)

Sd/-

Anand Malpani

Partner

Membership No. F-125779

For and on behalf of the Board

Sd/-

Mohit H. Chuganee

Vice Chairman and Managing Director

Sd/-

Hero J. Chuganee

Chairman

Sd/-

A. P. Kumar Agrawal

Group CFO

Sd/-

Pritam P. Vartak

Company Secretary

Mumbai: 27<sup>th</sup> May, 2010



## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2010

Rs. in Lacs

Particulars	Year Ended 31-Mar-10	Year Ended 31-Mar-09
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net profit/(loss) before tax & exceptional items	6,128.29	2,865.80
Adjustments for:		
- Depreciation	749.48	569.72
- Interest Expenses	1,705.13	1,799.17
- Miscellaneous Exp Written off	21.15	-
- Profit on Sale of Fixed Assets	-	(0.34)
- Unrealized Foreign Exchange on Consolidation	7.22	13.81
- Unrealized addition to Capital Reserve/Minority interest	0.43	2.33
<b>Operating profit before working capital changes</b>	<b>8,611.70</b>	<b>5,250.48</b>
Adjustments for:		
- Trade & Other Receivables	(1,723.63)	(4,271.95)
- Inventories	(420.92)	(1,116.66)
- Trade Payables	(2,632.13)	4,674.69
<b>Cash flow before extra ordinary items</b>	<b>3,835.02</b>	<b>4,536.56</b>
Exceptional Items	-	-
Prior Period Items	(24.78)	1.96
Dividend & tax on the same	(475.30)	-
<b>Taxes</b>	<b>(1,742.36)</b>	<b>(647.83)</b>
<b>Net cash from operating activities (A)</b>	<b>1,592.58</b>	<b>3,890.70</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(813.77)	(4,015.58)
Purchase of intangible assets	(76.12)	-
Sale of Fixed Assets	-	0.94
Product Registration Expenses	(105.75)	-
Investments	(1.19)	-
<b>Net cash used in investing activities (B)</b>	<b>(996.83)</b>	<b>(4,014.64)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
- Proceeds from borrowings	371.88	2,476.76
- Interest paid	(1,705.13)	(1,820.21)
- Issue of Equity Shares	461.51	-
- Premium on Equity Shares Issued	357.67	-
<b>Net cash used in financing activities (C)</b>	<b>(514.07)</b>	<b>656.55</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>81.68</b>	<b>532.61</b>
Opening Cash and cash equivalents	1,859.24	1,326.63
Closing Cash and cash equivalents	1,940.92	1,859.24
	<b>81.68</b>	<b>532.61</b>

**As per our report of even date**

**For S M N P & Co.**

Chartered Accountants

(Registration No – 105929W)

Sd/-

**Anand Malpani**

Partner

Membership No. F-125779

**For and on behalf of the Board**

Sd/-

**Mohit H. Chuganee**

Vice Chairman and Managing Director

Sd/-

**Hero J. Chuganee**

Chairman

Sd/-

**A. P. Kumar Agrawal**

Group CFO

Sd/-

**Pritam P. Vartak**

Company Secretary

**Mumbai: 27th May, 2010**

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2010**

(Rs.in Lacs)

Particulars	As at 31-Mar-10	As at 31-Mar-09
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised:</b>		
3,60,00,000 Equity Shares of Rs.10/- each	<b>3,600.00</b>	3,100.00
(Previous Year 3,10,00,000 Equity Shares of Rs.10/- each)		
<b>Issued:</b>		
3,38,09,105 Equity Shares of Rs.10/- each	<b>3,380.91</b>	2,919.40
(Previous Year 2,91,94,000 Equity Shares of Rs.10/- each)		
<b>Subscribed and Paid-up</b>		
3,38,09,105 Equity Shares of Rs.10/- each	<b>3,380.91</b>	2,919.40
(Previous Year 2,91,94,000 Equity Shares of Rs.10/- each)		
Less: Calls in arrears (others)	<b>(1.16)</b>	(1.16)
	<b>3,379.75</b>	2,918.24
<b>TOTAL</b>	<b>3,379.75</b>	2,918.24
<b>SCHEDULE 2</b>		
<b>RESERVES AND SURPLUS</b>		
i) <b>Capital Reserve</b> (Government Subsidy)		
As per last Balance Sheet	<b>24.46</b>	24.46
Additions on consolidation of subsidiaries	-	-
ii) <b>Securities Premium Account</b>		
As per last Balance Sheet	<b>1,008.88</b>	1,008.88
Add :Additions during the year	<b>357.67</b>	-
	<b>1,366.55</b>	1,008.88
iii) <b>Foreign Currency Translation Reserve</b>		
	<b>25.16</b>	17.94
iv) <b>General Reserve</b>		
As per last Balance Sheet	<b>3,306.05</b>	1,261.81
Add/ (less) : Transferred from Profit & Loss Account	<b>3,390.56</b>	2,044.24
	<b>6,696.61</b>	3,306.05
<b>TOTAL</b>	<b>8,112.78</b>	4,357.33
<b>SCHEDULE 3</b>		
<b>SECURED LOANS</b>		
<b>A) TERM LOANS</b>		
a) Banks	<b>1,499.25</b>	2,167.27
b) Others	<b>344.43</b>	518.89
	<b>1,843.68</b>	2,686.16
<b>B) WORKING CAPITAL LOANS FROM BANKS</b>	<b>6,291.52</b>	4,817.95
<b>C) OTHER LOANS</b>		
a) Banks	<b>63.22</b>	66.12
b) Others	-	-
<b>TOTAL</b>	<b>8,198.42</b>	<b>7,570.23</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
- 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.
- Borrowings from Banks and Financial Institutions are personally guaranteed by three Directors of the Company.
- A Financial Institution under certain circumstances of default by the company, has an option to convert the outstanding Term Loan in to fully paid-up equity shares of the company, at par, at any time during the currency of the Term Loan.
- Installments due within one year for term loans Rs. 752.90 Lakhs (P.Y. 784.65 Lakhs) and in case of other loans Rs. 30.09 lakhs (P.Y. Rs. 23.19 Lakhs)

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2010**

(Rs.in Lacs)

Particulars	As at 31-Mar-10	As at 31-Mar-09
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**SCHEDULE 4  
UNSECURED LOANS**

Long Term Loan From Others

<b>172.90</b>	429.21
<b>172.90</b>	429.21

**SCHEDULE 5  
FIXED ASSETS**

ASSET	Rate %	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01/04/2009	Additions	Deductions	As at 31/03/2010	Upto 01/04/2009	For the year	Deductions	As at 31/03/10	As at 31/03/10	As at 31/03/2009
Freehold Land		7.28	-	-	7.28	-	-	-	-	7.28	7.28
Leasehold Land	1.01%	129.28	-	-	129.28	11.44	1.31	-	12.75	116.53	117.84
Building	3.34%	2,276.15	198.81	-	2,474.96	546.97	76.89	-	623.86	1,851.10	1,729.18
Plant & Machinery	5.28%	11,488.50	540.24	-	12,028.74	4,594.23	613.51	-	5,207.74	6,821.00	6,894.27
Computer	16.61%	137.26	12.17	-	149.43	70.35	23.32	-	93.67	55.76	66.91
Software(intangible Asset)	16.61%	-	125.01	-	125.01	-	11.77	-	11.77	113.24	-
Furniture & Fixtures	6.33%	64.28	-	-	64.28	43.80	4.03	-	47.83	16.45	20.48
Vehicles	9.50%	210.72	26.47	16.04	221.15	93.37	18.51	2.99	108.89	112.26	117.35
Ships	7.07%	-	101.48	-	101.48	-	0.14	-	0.14	101.34	-
<b>TOTAL</b>		<b>14,313.47</b>	<b>1,004.18</b>	<b>16.04</b>	<b>15,301.61</b>	<b>5,360.16</b>	<b>749.48</b>	<b>2.99</b>	<b>6,106.65</b>	<b>9,194.96</b>	<b>8,953.31</b>
Capital Work-in-progress		238.40	746.04	923.41	61.03	-	-	-	-	61.03	238.40
<b>GRAND TOTAL</b>		<b>14,551.87</b>	<b>1,750.22</b>	<b>939.45</b>	<b>15,362.64</b>	<b>5,360.16</b>	<b>749.48</b>	<b>2.99</b>	<b>6,106.65</b>	<b>9,255.99</b>	<b>9,191.71</b>
Previous Year		10,623.03	3,699.05	8.61	14,313.47	4,798.45	569.72	8.01	5,360.16	9,191.71	

(Rs.in Lacs)

**As at 31-Mar-10**      **As at 31-Mar-09**
**SCHEDULE 6  
INVESTMENTS (At cost, Long Term, Unquoted)**
**Trade:**

(In wholly owned subsidiary companies)

4400 (p.y.-Nil) Equity Shares in Markan Agroquimica Ltda, R\$ 0.10 paid up

**1.19**      -

**Non Trade:**

In Government Securities

**0.73**      0.73

(National Savings Certificate VIIIth Series deposited with  
Excise Department/Sales Tax Department)

**TOTAL**
**1.92**      0.73

**SCHEDULE 7**
**INVENTORIES (As taken, valued and certified by the Director)**

Stores &amp; Spares

**607.12**      424.28

Raw Materials

**2,729.92**      1,928.06

Stock-in-process

**370.39**      554.95

Finished Goods

**1,826.16**      2,175.38

Less Provision for obsolete stock

**(30.00)**      -

**TOTAL**
**5,503.59**      5,082.67

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2010**

Particulars	(Rs.in Lacs)	
	As at 31-Mar-10	As at 31-Mar-09
<b>SCHEDULE 8</b>		
<b>SUNDRY DEBTORS (Unsecured)</b>		
Outstanding for a period exceeding six months :		
- Considered good	602.56	450.26
- Considered doubtful	19.67	336.16
	622.23	786.42
Less: Provision for Doubtful debts		
Balance as per Last Balance Sheet	336.16	296.16
Add: Provided during the year	(316.49)	40.00
	19.67	336.16
Outstanding for a period exceeding six months (Net of Provisions)	602.56	450.26
Others- Considered good	6,980.24	5,763.25
<b>TOTAL</b>	<b>7,582.80</b>	<b>6,213.51</b>
<b>SCHEDULE 9</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	17.08	14.30
<b>Balance with Scheduled Banks:</b>		
In Current Accounts		
a) Public Issue Accounts	-	-
b) Others	337.53	228.66
In Margin Money Account *	1,574.93	1,609.25
Bank Balances Outside India	11.36	7.03
<b>TOTAL</b>	<b>1,940.90</b>	<b>1,859.24</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	1,732.50	1,308.53
Modvat Credit Receivable	2,302.35	2,436.17
Balance with Excise Department	8.54	33.36
Deposits	220.98	190.62
Loan to subsidiary company	60.58	1.91
<b>TOTAL</b>	<b>4,324.95</b>	<b>3,970.59</b>
<b>SCHEDULE 11</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Current Liabilities</b>		
Sundry Creditors	6,535.66	9,101.44
Other Liabilities	807.60	950.96
Interest accrued but not due	9.24	15.14
Proposed Dividend	406.25	-
Dividend Distribution tax Payable	69.05	-
	7,827.80	10,067.54
<b>Provisions</b>		
Income Tax (net of payments)	155.00	547.49
Wealth Tax	0.34	0.25
	155.34	547.74
<b>TOTAL</b>	<b>7,983.14</b>	<b>10,615.28</b>

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2010**

Particulars	(Rs.in Lacs)	
	As at 31-Mar-10	As at 31-Mar-09
<b>SCHEDULE 12</b>		
<b>MISCELLANEOUS EXPENDITURE</b>		
(to the extent not written off)		
Product Development Expenditure	105.75	-
Less: Written off	21.15	-
	<u>84.60</u>	<u>-</u>
<b>SCHEDULE 13</b>		
<b>OTHER INCOME</b>		
Insurance Claim Received	15.68	6.97
Interest Received	88.44	54.77
Others	27.37	125.02
Exchange Gain	244.97	-
<b>TOTAL</b>	<u>376.46</u>	<u>186.76</u>
<b>SCHEDULE 14</b>		
<b>VARIATION IN INVENTORIES</b>		
<b>Closing Stock</b>		
Finished Goods	1,826.16	2,175.38
Stock-in-process	370.39	554.95
	<u>2,196.55</u>	<u>2,730.33</u>
<b>Less: Opening Stock</b>		
Finished Goods	2,175.38	2,397.62
Stock-in-process	554.95	544.87
	<u>2,730.33</u>	<u>2,942.49</u>
<b>TOTAL</b>	<u>(533.78)</u>	<u>(212.16)</u>
<b>SCHEDULE 15</b>		
<b>MATERIALS CONSUMED</b>		
Opening Stock	1,928.06	810.81
Purchases during the year	25,770.07	26,628.13
Less: Closing Stock	2,729.92	1,928.06
<b>TOTAL</b>	<u>24,968.21</u>	<u>25,510.88</u>
<b>SCHEDULE 16</b>		
<b>Employee Related Expenditure</b>		
Salaries, Wages and Bonus	1,262.38	1,091.35
Contribution to Provident & Other Funds	73.69	34.08
Staff Welfare Expenses	323.10	161.30
<b>TOTAL</b>	<u>1,659.17</u>	<u>1,286.73</u>

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2010**

(Rs.in Lacs)

Particulars	As at 31-Mar-10	As at 31-Mar-09
<b>SCHEDULE 17</b>		
<b>MANUFACTURING, ADMINISTRATIVE AND OTHER EXPENSES</b>		
Power & Fuel	2,882.19	2,021.22
Insurance	163.84	44.79
Stores & Spares consumed	638.57	281.42
<b>Repairs &amp; Maintenance:</b>		
Plant & Machinery	326.90	93.70
Building	31.39	32.91
Others	22.69	10.43
Rent	85.16	28.11
Rates and taxes	5.46	13.60
Directors' sitting fees	0.82	0.12
Travelling & Conveyance	300.23	209.94
Legal & Professional fees	142.21	40.74
<b>Selling &amp; Distribution Expenses:</b>		
Selling Expenses and Commission	735.99	111.17
Discounts- (Cash/Trade and others)	278.36	234.94
Freight & other expenses	1,265.82	758.59
Exchange rate fluctuation loss (net)	-	1,113.04
Provision for doubtful debts	-	66.89
Provision for doubtful advances	70.00	70.00
Provision for Closing stock	30.00	-
Miscellaneous Expenses	663.55	545.55
<b>TOTAL</b>	<b>7,643.18</b>	<b>5,677.16</b>
<b>SCHEDULE 18</b>		
<b>INTEREST &amp; FINANCE CHARGES</b>		
Interest on:		
Term Loans & Debentures	279.32	188.79
Others	1,131.37	1,273.86
	1,410.69	1,462.65
Finance Charges	294.44	336.52
<b>TOTAL</b>	<b>1,705.13</b>	<b>1,799.17</b>

**SCHEDULE 19****Significant Accounting Policies and Notes on Accounts for the Year Ended 31<sup>st</sup> March, 2010****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**

- 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" and Accounting Standard 27 – "Financial Reporting of Interests in Joint ventures" issued by the Institute of Chartered Accountants of India.
- 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, 2010 except in case of Sabero Argentina S.A. whose accounts are drawn up to December 31, 2009.

### 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 audited 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 subsidiaries are considered in the consolidated financial statements:

% voting power held

S.No.	Associate / Subsidiary	Country of Incorporation	As at 31.03.10	As at 31.03.09
1	Sabero Australia Pty Ltd.	Australia	100.00	100.00
2	Sabero Europe BV	Netherlands	100.00	100.00
3	Sabero Organics America Ltda.	Brazil	92.00	92.00
4	Sabero Argentina S.A.	Argentina	95.00	95.00

### 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/disclosed 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 FIFO 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 fully 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:**

- Bills discounted and outstanding Rs. 4842.40 Lacs (Previous Year Rs. 2284.24 Lacs). (Since realised Rs. 1941.89 Lacs; Previous Year Rs. 1640.71 Lacs)
- Bank Guarantees outstanding Rs. 740.53 Lacs (Previous Year Rs. 929.16 Lacs).
- Disputed income tax liability of Rs. 146.94 Lacs (Previous Year Rs. 2.10 Lacs) excluding interest liability and penalty, if any, as may arise on conclusion of the relevant matter.
- Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 980.80 Lacs (Previous Year Rs. 213.25 Lacs).

2. The Company has during the year increased the Authorised Capital from Rs. 3100 Lacs comprising of 310 Lacs Equity Shares of Rs. 10 each to Rs. 3600 Lacs comprising of 360 Lacs Equity Shares of Rs. 10 each vide a resolution passed in the Board Meeting held on 21<sup>st</sup> May 2009.

3. The Company has vide resolution passed in the Board Meeting held on 21<sup>st</sup> May 2009 subsequently revised by resolution passed in EGM held on 17<sup>th</sup> June 2009 issued 4,672,077 Optionally Fully Convertible Warrants which are convertible into one equity shares at a premium of Rs. 7.75 per share for every warrant held within 18 months from the date of allotment at the option of the holder. As conversion of these warrants 2,822,687 Equity Shares were issued to Promoter Group including persons acting in concert with them and 1,792,418 Equity Shares were issued to others at various dates during the year. The object of the issue was to fulfill the working capital requirements the Company.

##### 4. **Confirmation of Balances**

- The balances appearing under the head sundry debtors, loans & advances (including Cenvat receivable) 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.
- Unreconciled Bills discounted under the head Loans and Advances amounting to Rs. 25.00 Lacs (Previous Year - Nil) are in the process of being identified.

#### 5. **Consolidated Accounts of Subsidiary Companies**

5.1 No adjustment in the carrying cost with respect to diminution in the value of long term unquoted investments of Rs. 52.46 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.

5.2 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, 2010 except in case of Sabero Argentina S.A. whose accounts are drawn up to December 31, 2009.

5.3 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 Ltda.

#### 6. **Investments in Joint Venture**

6.1 The Company has a Joint Venture (JV) in Brazil, viz. Markan Agroquimica Ltda (hereinafter referred to as jointly controlled entity), where in the company holds 44% interest in the shares of the jointly controlled entity and also has joint management control.

6.2 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 incurred by the company in relation to its interest in the joint venture                                                     | : Nil                                                                |
| b | Company's share of contingent liabilities of the jointly controlled entity                                                                          | : Unascertainable                                                    |
| c | Contingent liabilities arising against the contingent liabilities of the venture for the other liabilities of the other venturer available the same | : Since the details of the co-venturer are not 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                | : Nil                                                                |
| e | Share of the capital commitments of the joint venture                                                                                               | : Nil                                                                |

\* Figures in Brackets indicate previous years figures

f) During the year, the Company has severed the relationship of Joint Venture with Markan Agroquimica Ltda, Brazil. 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, if any in the above Joint Venture as a consequence of the severance 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. The previous year's figures are given in the brackets below:

Particulars		Amount (Brazilian Reais)	Amount (Rs.)
Assets	:	(9,597,257)	(211,907,435)
Liabilities	:	(9,597,257)	(211,907,435)
Income	:	(15,399,183)	(340,013,961)
Expenses	:	(16,533,629)	(365,062,528)

7. 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.

**8. Assets under Lease**

- 8.1 Secured loans include Rs. 63.22 Lacs (Previous year Rs. 65.96 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.

- 8.2 Certain assets represented under Plant & Machinery – Leased amounting to Rs. 273.86 Lacs (gross) and Rs. 73.64 Lacs (net) in the earlier years have been re-classified under the head Plant & Machinery - Owned assets during the current year since as per the management of the Company the same are Company's owned property.

9. 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.

10. Provision for current tax includes provision for wealth tax Rs. 0.34 Lacs (P.Y. Rs. 0.23 Lacs).

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

(Rs. In Lacs)

Particulars	As on 31.03.10	As on 31.03.09
<b>Deferred Tax Liability</b>		
1. Depreciation	1283.11	1077.16
2. Product Development Expenditure	28.76	-
<b>Total Deferred Tax Liability:</b>	<b>1311.87</b>	1077.16
<b>Deferred Tax Asset</b>		
1. Expenses covered by section 43B & 40(a)(ia)	98.10	40.47
2. Unabsorbed Depreciation	-	330.18
3. Others	84.05	72.07
<b>Total Deferred Tax Asset:</b>	<b>182.15</b>	442.72
<b>Net Deferred Tax Liability</b>	<b>1129.72</b>	634.44

12. Obsolescence in the closing Inventory of Raw Materials and Finished Goods lying with the C&F agents as well as in the factory has been provided as arrived at by the management to the extent of Rs. 30 Lacs (Previous Year – Nil). Any further provision in this regard will be made upon completion of the exercise of identifying such obsolete/ slow moving inventory.

13. Amount of expenditure incurred by the Company toward Research and Development till the close of the current year to be eligible for weighted average deduction under Section 35 (2AB) of the Income Tax Act, 1961 has not been identified as such and continued to be shown under the respective revenue heads – Amount presently unascertainable

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

Basic and Diluted earnings per share is calculated as under

(Rs. In Lacs)

Particulars	2009-10	2008-09
Numerator – Profit as per the Profit & Loss account (Rs. In Lacs)	3890.68	2,043.91
Denominator- No. of Equity Share outstanding #	29564044	29182400
Nominal value of share (in Rs.)	10.00	10.00
Basic Earnings per Share (Rs.)	13.16	7.00
Diluted Earnings per Share (Rs.)	13.13	7.00

# {33809105 Shares out of which 80000 shares, 1821681 shares, 2713424 shares were for 152 days, 63 days and 3 days respectively [average shares 29564044.32] (Previous Year 29,182,400 Shares for 365 days)}

**15. Retirement benefit**

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

**Profit and Loss Account**

(Rs. in Lacs)

Particulars	2009-10		2008-09	
	Leave Encashment (unfunded)	Gratuity (Funded)	Leave Encashment (unfunded)	Gratuity (Funded)
Current Service Cost	12.22	15.69	8.60	12.22
Interest on defined Benefit Obligation	1.74	-	0.66	-
Expected Return on Plan Assets	-	-	Nil	Nil
Settlement Cost / Credit	-	-	Nil	Nil
Net actuarial (gain) / loss Recognized in the year	(6.33)	3.42	5.94	2.55
Past Service Cost	-	-	-	-
Losses / (Gains) on "Curtailements & Settlements"	-	-	-	-
Losses / (Gains) on "Acquisition / Divestiture"	-	-	-	-
Effect of the limit in Para 59(b)	-	-	-	-
<b>Total included in Employee Benefit Expenses</b>	<b>7.63</b>	<b>19.11</b>	<b>15.20</b>	<b>14.77</b>

## Balance Sheet

Details of provision for Leave Encashment and Gratuity

(Rs. in Lacs)

Particulars	31st March, 2010		31st March, 2009	
	Leave Encashment (unfunded)	Gratuity (Funded)	Leave Encashment (unfunded)	Gratuity (Funded)
Liability at the end of the year	21.73	63.34	Nil	48.56
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	7.63	19.11	21.73	14.78
<b>Amount in Balance Sheet</b>	<b>29.36</b>	<b>82.45</b>	<b>21.73</b>	<b>63.34</b>

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

(Rs. in Lacs)

Particulars	2009-10		2008-09	
	Leave Encashment (unfunded)	Gratuity (Funded)	Leave Encashment (unfunded)	Gratuity (Funded)
Liability at the beginning of the year	21.73	63.34	8.87	48.57
Interest Cost	1.74	-	0.66	-
Current Service Cost	12.21	15.69	8.60	12.22
Benefits paid	3.83	-	2.34	-
Actuarial Losses / (Gain)	(2.48)	3.42	5.94	2.55
<b>Liability at the end of the year</b>	<b>29.36</b>	<b>82.45</b>	<b>21.73</b>	<b>63.34</b>

### Principal actuarial assumptions as at the balance sheet date:

Particulars	31st March, 2010		31st March, 2009	
	Leave Encashment (unfunded)	Gratuity (Funded)	Leave Encashment (unfunded)	Gratuity (Funded)
Discount Rate	8.00 %	8.00 %	7.50 %	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)

	2009-10	2008-09
Domestic Revenue	18,040.39	12,768.61
Export Revenue (Including Export benefits)	24,991.54	24,966.25
<b>Total</b>	<b>43,031.93</b>	<b>37,734.86</b>

## 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 B. V.  
Sabero Argentina S.A.  
Sabero Organics America Ltda.

#### II Associates(Including Joint Venture):

Sabero Echostar (India) Pvt. Ltd.  
Harvard Finance Co. Pvt. Ltd.  
Mosum Enterprises Ltd.  
Sabero Organics Philippines Asia Inc

#### III Key Management Personnel & their relatives

Mr. Hero J. Chuganee - Chairman  
Mr. Mohit H. Chuganee - Vice Chairman & Managing Director  
Mr. Sumit H. Chuganee - Executive Vice Chairman & Whole-time  
Mr. S.R.B. Nair - Whole-time Director & Chief Operating Officer  
Mrs. Sabita H. Chuganee Wife of Chairman

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:

(Rs. in Lacs)

Nature of Transaction	Subsidiary / Associate Companies		Key Management Personnel Management		Relatives of Key Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Purchase of Fixed Assets	1.00	50.11	-	-	-	-
Purchase of Goods	-	125.38	-	-	-	-
Purchase of Services	2.88	2.88	-	18.30	11.80	10.80
Unsecured Loan	73.39	262.04	-	-	-	-
Remuneration	-	-	154.01	96.86	-	-
Sitting Fees	-	-	0.82	0.12	-	-
Commission to Directors	-	-	112.93	51.00	-	-
<b>Outstanding balances as on 31<sup>st</sup> March 2010</b>						
Investments	52.46	52.46	-	-	-	-
Loans & Advances	73.39	1.92	-	-	12.60	-
Payables	0.65	226.49	22.58	56.18	1.71	0.75



**Notes:**

- i. No amount pertaining to Related Parties have been provided for as doubtful debts. Also, no amounts have been written off/written back during the year.
- ii. Details relating to investments in the above-related parties have been disclosed in Schedule 6 Investments.
- iii. For details relating to remuneration to the above key management personnel of the parent Company refer Note No. 18 of Notes to Accounts of Stand alone Sabero Organics Gujarat Limited.

18. 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

(Rs. in Lacs)

Name of the Concern /	Balance as at 31.03.2010	Balance as at 31.03.2009
Sabero Americana Ltda.	59.08	-
Sabero Australia Pty. Ltd.	7.41	3.99
Sabero Europe BV	4.98	1.56
Sabero Organics Phillipines Asia Inc	1.92	1.92
Mrs. Sabita H. Chuganee	12.60	-

19. 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.
20. In view of common pool of facilities for research and development activities, the research and development expenditure is not identifiable separately.
21. Remuneration to Auditors grouped under miscellaneous expenses comprises of:

(Rs. in Lacs)

	<b>Current Year</b>	Previous Year
Audit fees	<b>6.96</b>	9.81
Management Services	<b>1.50</b>	1.50
Certification fees	<b>0.45</b>	0.30

22. Amount of foreign exchange difference debited/ (credited) to:

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

Raw Material **12,586.98** 14,256.02

ii) **Expenditure in Foreign Currency (on payment basis):**

a) Traveling	30.24	40.22
b) Selling Expenses & Commission	735.26	62.66
c) Product Registration Expenses	24.88	32.54
d) Others	20.20	9.39

**23. Earnings in Foreign Currency:**

F.O.B. Value of Exports	21,658.15	22,091.51
		(Rs. in Lacs)

**Current Year** Previous Year

**24. Managerial Remuneration:**

Salary	<b>136.30</b>	88.52
Commission	<b>112.93</b>	51.00
Sitting Fees	<b>0.82</b>	0.12
Contribution to Provident Fund	<b>9.72</b>	6.02
Monetary Value of Perquisites (Computed wherever necessary as per income tax rules)	<b>7.99</b>	2.32
<b>Total</b>	<b>267.76</b>	147.98

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 the overall company basis at the end of the year and accordingly have not been considered in the above information.

25. Professional Fees paid to a Director for rendering technical consultancy services Rs. Nil Lacs (Previous Year Rs. 18.30 Lacs).

**26. Provision for Doubtful recovery**

26.1 Sundry Debtors amounting to Rs. 169.67 Lacs (Previous Year Rs. 182.78 Lacs) were outstanding for a period exceeding 365 days. However, no provision for the doubtful recovery has been made in the accounts since in the opinion of the management the debts are fully recoverable, considering that the recoveries have also been made in the past against such old outstanding amounts.

- 26.2 Advances to suppliers given in the earlier years against which performance/reconciliation is pending have been provided to the extent of Rs. 70 Lacs (Previous Year - Rs. 70 Lacs). The Company is in the process of reconciling the same. Any consequential adjustment arising out of the same would suitably be made in the accounts upon completion of this exercise, the amount of which is presently unascertainable (Previous Year - Rs. 39.69 Lacs).

27. As at the close of the current year, there were unreconciled balances of earlier years in the CENVAT receivable account, the amount of which at present is unascertainable. Any consequential adjustment arising out of such reconciliation would suitably be made in the accounts upon completion of the exercise.

No provision has been considered necessary in the books during the current year since the Company has already initiated the process of reconciling the same.

28. Other Income includes Rs. Nil (Previous Year Rs. 85.35 Lacs) being amount received towards settlement of asserted claims from one of its suppliers.

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

(Rs. in Lacs)

Particulars	Opening balance as on 01-04-2009	Provision during the year	Payment / Adjustment during the year	Closing Balance as on 31-03-2010
Provision for Gratuity	63.34	19.11	-	82.45
Provision for Leave Encashment	21.73	8.13	-	29.36

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 S M N P & Co.**

Chartered Accountants

(Registration No. 105929W)

Sd/-

**Anand Malpani**

Partner

Membership No. F-125779

**Mumbai: 27th May, 2010**
**For and on behalf of the Board**

Sd/-

**Mohit H. Chuganee**

Vice Chairman and Managing Director

Sd/-

**A. P. Kumar Agrawal**

Group CFO

Sd/-

**Hero J. Chuganee**

Chairman

Sd/-

**Pritam P. Vartak**

Company Secretary





**SABERQ ORGANICS AMERICA LTDA,**  
**CNPJ nº 04,016.649/0001-51**  
**Balance Sheets as of March, 31, 2010 and March, 31, 2009**  
(In Local Currency Brazilian Reais)

<b>ASSETS</b>	<b>31.03.10</b>	<b>31.03.09</b>	<b>LIABILITIES</b>	<b>31.03.10</b>	<b>31.03.09</b>
<b>Current Assets</b>			<b>Current Liabilities</b>		
Cash equivalents	41.479	12.702	Suppliers	0	21.895
			Contributions and Taxes Payable	601	624
				<u>601</u>	<u>22.519</u>
<b>Non-Current Assets</b>			<b>Non-Current Liabilities</b>		
Property, plant and equipment	6.424	7.549	Related Parties		
Deferred	<u>1.135.992</u>	<u>952.267</u>	Advance to capital increase	685.858	685.858
	1.142.416	959.816		<u>285.036</u>	<u>51.741</u>
				<u>970.894</u>	<u>737.599</u>
			<b>SHARE HOLDER EQUITY</b>		
			Capital	230.000	230.000
			(-) Complement the capital	<u>(17.600)</u>	<u>(17.600)</u>
				<u>212.400</u>	<u>212.400</u>
<b>Assets Total</b>	<b>1.183.895</b>	<b>972.518</b>	<b>Liabilities Total</b>	<b>1.183.895</b>	<b>972.518</b>
The notes are an integral part of the Financial Statements					

**CHARGES IN SHAREHOLDER EQUITY**  
**FOR THE PERIOD AS OF MARCH 31, 2010**  
(In Local Currency Brazilian Reais)

	<b>Capital Stock</b>	<b>Total</b>
<b>Balances at March, 31, 2009</b>	<b>212.400</b>	<b>212.400</b>
Payment in full in capital	0.00	0.00
<b>Balances at March, 31, 2010</b>	<b>212.400</b>	<b>212.400</b>

The notes are an integral part of the Financial Statements



## CASH FLOW FOR THE PERIOD AS OF MARCH, 31, 2010

(In Local Currency Brazilian Reais)

<b>Operating activities</b>	
Change in tax obligations	(204.518)
<b>Net cash provided by operating activities</b>	<b>(204.518)</b>
<b>Activities of investment</b>	
Adding property	(0)
<b>Net cash provided by investing activities</b>	<b>(0)</b>
<b>Funding Activities</b>	
Loans and financing	0
Advance for capital increase	233.295
Payment in full in capital	0
<b>Net cash provided by financing activities</b>	<b>233.295</b>
<b>Net change in cash and cash equivalents</b>	<b>28.774</b>
<b>Change in assets</b>	
Cash at beginning of period	12.702
Cash at end of period	41.479
	<u>28.777</u>
The notes are an integral part of the Financial Statements	

## NOTES TO THE FINANCIAL STATEMENTS

(In Local Currency Brazilian Reais)

### 1. OPERATIONS

Namely **SABERO ORGANICS AMERICA LTDA.** Company limited is a company with headquarters in the city of Itauna, Minas Gerais, and social aims to the manufacture, distribution, import and export of products: insecticides, herbicides, fungicides, acaricides and products related to agriculture, and veterinary domissanitario.

### 2. PRESENTATION OF FINANCIAL ACCOUNTING

The financial statements were prepared based on accounting practices adopted in Brazil, following the accounting guidelines issued by the Corporate Law, Law No. 6404/76, adopting also the Law No. 11638/07 and Provisional Measure n° 449/08.

The accounting practices adopted due to the initial adoption of the Law 11638/07 and Measure No 449/08 did not effect the result and equity.

As provided by the CPC 13 (Initial Adoption of Law 11638/07 and Measure in 449/08), namely ORGANICS AMERICA LTDA. chosen in this first year of validity of the Act by disclosing the statements of cash flows without the indication of the values corresponding to the previous year.

### 3. PRINCIPAL ACCOUNTING POLICIES

#### a. Cash

Are shown the value of output, including income and monetary variations earned, if applicable.

#### b. Property

Shown at cost.

#### c. Deferred

Expenses incurred related to the organization and constitution of the company and general and administrative expenses incurred after their formation, were recorded as pre-operating expenses, the deferred asset for depreciation from the year in which profits are generated.

#### d. Liabilities and due to long-term

Demonstrated by the known or estimated amounts, plus, when applicable, the corresponding charges and monetary variations incurred.

**4. CASH EQUIVALENTS**

Cash	108
Financial application	41.371
	<b>41.479</b>

**5. PROPERTY, PLANT AND EQUIPMENT**

	<b>corrected value</b>	<b>accumulated depreciation</b>	<b>net</b>	<b>annual rates of depreciation</b>
Machinery and equipment	849	(85)	764	10%
Furniture	3.000	(300)	2.700	10%
Computer equipment	3.700	(740)	2.960	20%
	<b>7.549</b>	<b>(1.125)</b>	<b>6.424</b>	

**6. RELATED PARTIES**

EMBRASIL - Empresa Brasileira de Distribuicao Ltda.	<b>685.858</b>
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Refers to Loans between financial SABERO and EMBRASIL. The contributions are made through the request is SABERO, after submission of the planning of expenditures / expenses.

**7. CAPITAL**

The share capital is represented by 230,000 shares at par value of \$ 1.00 each.

**JAYANT KUMAR RUH SINGHANI**

Partner

**Thiago Aguiar Paes**

Accountancy CRCMG 092828/0-8

**ICL AUDITORIA E CONSULTORIA LTDA**

CRC-MG n°6.270

**Sergio de Oliveira**

Accountancy CRCMG 51.699

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**SABERO AUSTRALIA PTY LIMITED****Auditor's Independence Declaration Under Section 307C of The Corporations Act 2001 To The Directors of Sabero Australia Pty Ltd.**

I declare that, to the best of my knowledge and belief, during the year ended 31 March 2010 there has been:

- i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

**Terry Borelia**

Chartered Accountant  
Level 6/100 William Street  
Woolloomooloo NSW  
Dated 27 May 2010

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**SABERO AUSTRALIA PTY LTD  
A.B.N. 33 087 313 059  
INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF SABERO AUSTRALIA PTY LTD**

**REPORT ON THE FINANCIAL REPORT**

I have audited the accompanying financial report, being a special purpose financial report, of Sabero Australia Pty Limited (the company), which comprises the balance sheet as at 31 March 2010 and the income statement and changes in equity for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the director's declaration.

**DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT**

The directors of the company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the financial reporting requirements of the company's constitution and are appropriate to meet the needs of the members. The directors' responsibilities also includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**AUDITOR'S RESPONSIBILITY**

My responsibility is to express an opinion on the financial report based on my audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the members. I have conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

My audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the

assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

The financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting under the company's constitution. I disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**INDEPENDENCE**

In conducting my audit, I have complied with the independence requirements of the Australian professional ethical pronouncements,

**AUDITOR'S OPINION**

In my opinion, the financial report presents fairly, in all material respects the financial position of Sabero Australia Pty Limited as of 31 March 2010 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

**Terry Borelia**

Chartered Accountant  
Level 6/100 William Street, Woolloomooloo, NSW  
Dated this 27<sup>th</sup> day of May 2010

**SABERO AUSTRALIA PTY LTD**  
**A.B.N. 33 087 313 059**  
**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH, 2010**

	Note	2010	2009
		\$	\$
Continuing operations			
Revenue and Other Income		–	–
Revenue and Other Income		–	–
Expenditure		–	–
Other expenses		<b>(8,482)</b>	–
(Deficiency) / Net Surplus for the year from continuing operations		<b>(8,482)</b>	–
Income tax expense		–	–
(Loss) / Profit for year		<b>(8,482)</b>	–
Other comprehensive Income		–	–
Nat loss on revaluation of land and buildings		–	–
Net gain on revaluation of financial assets		–	–
Other comprehensive Income for the year net of tax		–	–
Total comprehensive Income for the year net of tax		<b>(8,482)</b>	–
Total comprehensive income attributable to:			
Members of the parent entity		<b>(8,482)</b>	–

**SABERO AUSTRALIA PTY LTD**  
**A.B.N. 33 087 313 059**  
**BALANCE SHEET AS AT 31 MARCH, 2010**

	Note	2010	2009
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	2	100	100
<b>TOTAL CURRENT ASSETS</b>		100	100
<b>TOTAL ASSETS</b>		100	100
<b>LIABILITIES CURRENT LIABILITIES</b>			
Trade and other payables	3	19,807	11,325
<b>TOTAL CURRENT LIABILITIES</b>		19,807	11,325
<b>TOTAL LIABILITIES</b>		19,807	11,325
<b>NET ASSETS (LIABILITIES)</b>		<b>(19,707)</b>	<b>(11,225)</b>
<b>EQUITY</b>			
Issued capital	4	1,400	1,400
Retained profits (accumulated losses)		(21,107)	(12,625)
<b>TOTAL EQUITY (DEFICIT)</b>		<b>(19,707)</b>	<b>(11,225)</b>

**SABERO AUSTRALIA PTY LTD**  
**A.B.N. 33 087 313 059**  
**STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH, 2010**

	Share Capital Ordinary Shares	Retained Earning	Total
	\$	\$	\$
Balance at 1 April 2008	1,400	(12,625)	(11,225)
Balance at 31 March 2009	1,400	(12,625)	(11,225)
Profit (Loss) attributable to equity shareholders	–	(8,482)	(8,482)
Balance at 31 March 2010	1,400	(21,107)	(19,707)

**SABERO AUSTRALIA PTY LTD**  
**A.B.N. 33 087 313 059**  
**CASH FLOW STATEMENT FOR THE YEAR 31 MARCH, 2010**

	Note	2010 \$	2009 \$
Net Increase in cash held		–	–
Cash at beginning of financial year		100	100
Cash at end of financial year	5	100	100

**SABERO AUSTRALIA PTY LTD**  
**A.B.N. 33 087 313 059**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010**

**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES:**

The directors have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial reports. The financial statements are therefore a special purpose financial report that has been prepared in order to meet the needs of the member.

The financial statements have been prepared in accordance with the significant accounting policies disclosed below which the directors have determined are appropriate to meet the needs of the member. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. The accounting policies that have been adopted in the preparation of the financial statements are as follows;

**(a) Income Tax**

Income tax expense (revenue) for the year comprises current

Income tax expense (income), The company does not apply deferred tax.

Current Income tax expense charged to the profit or loss is the tax payable on taxable Income calculated using applicable Income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

**(b) cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid Investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within financial liabilities in current liabilities on the balance sheet.

**(c) Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade



discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the rendering of a service is recognised upon the delivery of a service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

**(d) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not

recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

**(e) Going Concern**

Notwithstanding the company's deficiency of net assets, the financial report has been prepared on the going concern basis. This basis has been adopted as the company has received a guarantee of continuing financial support from the parent entity to allow the company to meet its liabilities and it is the directors' belief that such financial support will continue to be made available.

**SABERO AUSTRALIA PTY LTD**

**A.B.N. 33 087 313 059**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010**

	Note	2010 \$	2009 \$
<b>CASH AND CASH EQUIVALENTS</b>			
Cash		100	100
<b>TRADE AND OTHER PAYABLES</b>			
<b>CURRENT</b>			
Loan from Sabero Organics Gurajal Ltd.		19,807	11,325
<b>ISSUED CAPITAL</b>			
Issued Capital		1,400	1,400
<b>CASH FLOW INFORMATION</b>			
<b>(a) Reconciliation of Cash</b>			
Cash at the end of financial year as shown in the Statement of Cash Flows is reconciled to the related items in the statement of financial position as follows:			
Cash		100	100
Cash at Bank		–	–
Bank Overdraft		–	–
		100	100
<b>(b) Reconciliation of cash flow from operations with profit</b>			
Profit after Income tax			
Changes in Assets & Liabilities:		(8,482)	–
Not cash provided by operating activities		8,482	–
		–	–

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**SABERO EUROPE B.V., VENHUIZEN**  
**AUDITOR'S REPORT**

To the Shareholders and Board of Directors of  
Sabero Europe B.V.

We have audited the accompanying financial statements 2010 of Sabero Europe B.V., Venhuizen, which comprise the balance sheet as at 31 March 2010, the profit and loss account for the year ended 31 March 2010 and the notes.

**Management's responsibility**

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the

entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Sabero Europe B.V. as at 31 March 2010 and of its result for the year ended 31 March 2010 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Wognum, 12 May 2010

BDO Audit & Assurance B.V.  
For and behalf of it,

M. E. Jager RA

**Appropriation of result**

The management proposes to the General Meeting of Shareholders to add the result for the year 2010 to the accumulated losses.

The financial statements have been prepared on the assumption that this result appropriation will be adopted by the Annual General Meeting of Shareholders.





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**SABERO EUROPE B.V.**

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To the Shareholders and Board of Directors of  
Sabero Europe B.V.  
Markerwaardweg 8 1606 AS  
VENHUIZEN

Wognum, 12 May 2010

Ref.: mab/sw/1003939

Dear Sirs,

Following your request we have audited the 2010 financial statements of Sabero Europe B.V., Venhuizen, included in this report. On 12 May 2010 we issued our audit on these financial statements. Our audit is included under the paragraph Other information on page \_\_\_\_.

---

**FISCAL POSITION**

---

**Corporate income tax**

The taxable amount has been calculated as follows:

	<b>(in Euro's) 2010</b>
Result before tax before tax	-3,745
Taxable sum	<u>-3,745</u>

No corporate tax is payable for this amount.

Please do not hesitate to contact us if you require further details.

Yours sincerely,

**BDOAu**

for dit & Assurance B.V. and on behalf of it,

**M. E. Jager RA**

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**SABERO CB.V., VENHUIZEN****FINANCIAL STATEMENTS ACCOUNTING PRINCIPLES****Accounting principles - General**General

The general principle for the valuation of assets and liabilities, as well as the determination of results, is the historical purchase price or manufacturing cost.

Unless otherwise stated, assets and liabilities are stated at the values at which they were acquired or incurred.

**Accounting policies - assets and liabilities**Receivables

Accounts receivable are shown after deduction of a provision for bad and doubtful debts where appropriate.

The accounts receivable have a maturity date due within one year.

Cash and banks

Cash and bank balances are freely disposable, unless stated otherwise.

Short-term liabilities

The short-term liabilities are due within one year.

**Accounting policies - profit and loss account**General result

Profit is determined as the difference between net sales and all expenses relating to the reporting periode. Costs are determined in accordance with the accounting policies applied to the balance sheet.

Profit is realised in the year in which the sales are recognised. Losses are taken upon recognition.

Other income and expenses are allocated to the periods to which they relate.

SABERO EUROPE B.V., VENHUIZEN  
**BALANCE SHEET AS AT 31 MARCH 2010**  
 after appropriation of result

ASSETS	(in Euro's)		EQUITY AND LIABILITIES	(in Euro's)	
	31 March 2010	31 March 2009		31 March 2010	31 March 2009
<b>Current assets</b>			<b>Shareholders' equity</b>		
Receivables	706	148	Share capital	18,151	18,151
Taxes and social security premiums			Accumulated losses	-23,512	-19,767
Cash and banks	1,572	875		-5,361	-1,616
			<b>Short-term liabilities</b>		
			Amounts owed to shareholders	7,639	2,639
<b>Total assets</b>	<b>2,278</b>	<b>1,023</b>	<b>Total liabilities</b>	<b>2,278</b>	<b>1,023</b>

SABERO EUROPE B.V., VENHUIZEN  
**PROFIT AND LOSS ACCOUNT FOR THE  
 YEAR ENDED 31 MARCH 2010**

	(in Euro's)	
	31st March 2010	31st March 2009
Other operating expenses	3,745	55_5
<b>Total operating expenses</b>	<b>3,745</b>	<b>555.</b>
<b>Net loss</b>	<b>-3,745</b>	<b>-555</b>



SABERO EUROPE B.V., VENHUIZEN  
NOTES TO THE BALANCE SHEET AS AT 31 MARCH 2010

(in Euro's)

	31/03/2010	31/03/2009
<b>ASSETS</b>		
<b>Current assets</b>		
<b>Receivables</b>		
<u>Taxes and social security premiums</u>		
Value added tax	706	148
<b>Cash and</b>		
Rabobank	1,572	875
<b>EQUITY AND LIABILITIES</b>		
<u>Shareholders' equity</u>		
<u>Share capital</u>		
Balance as at 1 April	18,151	18,151
Movements in	0	0
Balance as at 31 March	18,151	18,151
<u>Accumulated losses</u>		
Balance as at 1 April	-19,767	-19,212
Result accounting year	-3,745	-555
Balance as at 31 March	-23,512	-19,767
<b>Short-term liabilities</b>		
<u>Amounts owed to shareholders</u>		
Sabero Organics Gujarat Ltd, current account	7,639	2,639
Other operating expense		
General expenses	3,745	555
<i>General expenses</i>		
Insurance policies	2,935	0
Administrative expenses	162	140
Other general expenses	648	415
	3,745	555
<b>Other information</b>		

*Average number of employees*

During 2010 and 2009 no employees were employed on the basis of a full time contract of services.

Venhuizen, 12 May 2010

Sabero Europe B.V.

Director

Sabero Organics Gujarat Ltd.

**SOCIETY NAME: SABERO ARGENTINA S.A.**  
**CONSOLIDATED STATEMENTS AT: December 31, 2009.**

## **INDEPENDENT AUDITORS' REPORT**

Shareholders of  
SABERO ARGENTINA S.A.

1430. Marcelo T. de Alvear 6th Floor

As an Independent Public Accountant, I report the audit of the Consolidated Statements of SABERO ARGENTINA S.A., detailed in section I. My responsibility is to express an opinion on these Consolidated Statements based on my audit, following certain standards that are mentioned in section 2.

### **1. CONSOLIDATED STATEMENTS AUDITED**

- 1.1. Financial Statement at December 31, 2009.
- 1.2. Result Statement for the fiscal year ended on December 31, 2009.
- 1.3. Shareholders' Equity Statement for the fiscal year ended on December 31, 2009.
- 1.4. Additional Information: Notes I to 4 and Additional Report I, which are part of these statements.

### **2. STANDARDS TO PERFORM AN AUDIT OF CONSOLIDATED STATEMENTS**

I conducted my audit in accordance with auditing standards accepted by the Consejo Profesional de Ciencias Economicas de la Ciudad Autonoma de Buenos Aires.

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 amounts 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. To identify felony and irregular intentions are not the primary focus of an audit. We believe our audits provide a reasonable basis of our opinion.

### **3. REPORT**

In my opinion, the consolidated statements referred to above present fairly, in all material respects, the financial position of SABERO ARGENTINA S.A. for the fiscal year ended on December 31, 2009 and the results of its operations and the variations of Shareholders' Equity, in conformity with accounting principles generally accepted in Argentina.

### **4. INFORMATION REQUIRED BY LEGAL PRINCIPLES.**

In order to comply with legal requirements, I inform:

Consolidated statements are based on accounting registers prepared in conformity with the accepted accounting principles.

- The consolidated statements have been prepared in accordance with what was governed by the Law of Societies and the Resolutions of Inspeccion General de Justicia.
- There are no debts deferred in favour of the National Regime of Social Security at December 31, 2009). That is because there are no employees hired by this company at that period of time.

Buenos Aires City, January 15 2010.

**Dr. EZEQUIEL GANDOLFO**

Public Accountant (U.B.A.)

C.P.C.E.C.A.B.A. To. 272 Fo. 63



SOCIETY NAME: SABERO ARGENTINA S.A. CONSOLIDATED STATEMENTS AT: DECEMBER 31, 2009.

Register Nr. at the R.P.C.: 12071

**FINANCIAL STATEMENT**

ASSETS			LIABILITIES		
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Cash and cash equivalents	(Note 2.1)	240,03	Accounts Payable	(Note 2.4)	30.250,00
Receivables, net	(Note 2.2)	42.751,00	Other liabilities	{Note 2.5}	100,00
Other assets	(Note 2.3)	27.033,42			
<b>TOTAL CURRENT ASSETS</b>		<b>70,024,45</b>	<b>TOTAL CURRENT LIABILITIES</b>		<b>30.350,00</b>
<b>NO CURRENT ASSETS</b>			<b>NO CURRENT LIABILITIES</b>		
They do not exist		0.00	They do not exist		0.00
<b>TOTAL NO CURRENT ASSETS</b>		<b>-</b>	<b>TOTAL NO CURRENT LIABILITIES</b>		<b>-</b>
			<b>TOTAL LIABILITIES</b>		<b>30.350,00</b>
			SHAREHOLDERS' EQUITY		39.674,45
			According to the Shareholders' Equity Statement		
<b>TOTAL ASSETS</b>		<b>70,024,45</b>	<b>TOTAL</b>		<b>70,024,45</b>

See accompanying notes to consolidated statements. Auditors' Report aside.

ALEJANDRO SRAGOW1CZ  
ChairmanDr. EZEQUIEL GANDOLFO  
Public Accountant (U.B.A.)  
C.P.C.E.C.A.B.A. To. 272 Fo. 63  
Signed m order to be identified with the report dated on  
January 15,2010

SOCIETY NAME: SABERO ARGENTINA S.A.

CONSOLIDATED STATEMENTS AT: DECEMBER 31, 2009.

Register Nr. at the R.P.C.: 12071

**RESULT STATEMENT**

<b>Revenues</b>		42,751.00
<b>GROSS PROFIT FROM OPERATIONS</b>		<b>42,751.00</b>
Less:	(Additional Report I)	(641.00)
Financial	(Additional Report I)	(35,669.51)
Clericnl Expenses		
<b>NET INCOME (LOSS)</b>		<b>6,440.49</b>

See accompanying notes to consolidated statements. Auditors' Report aside.

ALEJANDRO SRAGOW1CZ  
ChairmanDr. EZEQUIEL GANDOLFO  
Public Accountant (U.B.A.)  
C.P.C.E.C.A.B.A. To. 272 Fo. 63  
Signed m order to be identified with the report dated on  
January 15,2010

**SOCIETY NAME: SABERO ARGENTINA S.A.**  
**CONSOLIDATED STATEMENTS AT: December 31, 2009.**  
**Register Nr. at the R. r. <.: 12071**

**SHAREHOLDERS' EQUITY STATEMENT**

CONCEPT	SHAREHOLDERS' EQUITY			RETAINED EARNINGS		NO AFFECTED RESULTS	DIRECTOR'S ACCOUNTS	TOTAL SHAREHOLDERS' EQUITY
	SUSCRIBED	ADDITIONAL PAID-IN CAPITAL	IRREVOCABLE PAID-IN CAPITAL	LEGAL RETAINED EARNINGS	OTHER RETAINED EARNINGS			
Total for December 31, 2008	170.000,00					(136.766,04)		33.233,96
Net Income (Loss)						6.440,49		6.440,49
Total for December 31, 2009	170.000,00		0,00			(130.325,55)		39.674,45

See accompanying notes to consolidated statements. Auditors' Report aside.

**ALEJANDRO SRAGOWICZ**  
**Chairman**

**Dr. EZEQUIEL GANDOLFO**  
**Public Accountant (U.B.A.)**  
**C.P.C.E.C.A.B.A. To. 272 Fo. 63**  
**Signed in order to be identified with the report dated on**  
**January 15, 2010**

**SOCIETY NAME: SABERO ARGENTINA S.A. CONSOLIDATED**  
**STATEMENTS AT: December 31, 2009. Register Nr. at the R.P.C.: 12071**

**NOTES TO CONSOLIDATED STATEMENTS**

**ACCOUNTING PRINCIPLES.**

**1.1. Summary of significant Accounting policies**

The Consolidated Statements have been prepared in conformity with generally accepted accounting principles in Argentina.

The Consejo Profesional de Ciencias Economicas de la Ciudad Autónoma de Buenos Aires

(C.P.C.E.C.A.B.A.) has governed along the Resolution CD. 87/03, dated on June 18, 2003, the series of professional rules which must be applied in that jurisdiction (Technical Resolutions Nr. 6, 8, 9, 16, 17, 18 and 21) and added the Technical Resolutions from the Federación Argentina de Consejos Profesionales de

Ciencias Economicas (F.A.C.P.C.E.) with the changes and interpretations exposed by the C.P.C.E.C.A.B.A.

In accordance with the accounting principles, the Consolidated Statements must be expressed in homogeneous currency when there is a context of price stability. According to this, it was considered that the period from September 1<sup>st</sup>, 1995 to December 31, 2001 was of the price stability and, as a consequence, it was not necessary to re-express the Consolidated Statements according to the inflation level.

Because of the economic crisis and instability of the country, the Poder Ejecutivo Nacional (P.E.N.) ruled the Decreto N° 1269/02 on July 16, 2002 which establishes that the Consolidated Statements must reflect the change in the households' disposable income. The Decreto governs from March 25, 2003 when the Decreto Nr.

664/03 (P.E.N.) has suspended the re-expression of the Consolidated Statements according to the inflation level.

About the Decreto Nr. 664/03, the Inspección General de Justicia (I.G.J.) established, along; the General Resolution Nr. 4/03, the obligation to stop applying the method of the Consolidated Statements' re-expression, ruled by the T.R. Nr. 6 since March 1<sup>st</sup>, 2003. The C.P.C.E.C.A.B.A., by the Resolution M.D. Nr. 10/2003, supported that "there is not a situation of economic stability in the country" so it governed that R.T. Nr. 6 was still in use, along its jurisdiction. Only on October 29, 2003 the C.P.C.E.C.A.B.A. considered that the context of economic stability has allowed, from October 1<sup>st</sup>, 2003, to stop applying the method of the Consolidated Statements' re-expression ruled by the T.R. Nr. 6.

**1.2. Valuation Criteria.**

**1.4.1 Cash and cash equivalents, Other assets and Liabilities.**

These assets have been estimated to their nominal value at the end of the year.

**1.4.2 Shareholders' Equity Statement's Accounts.**

These accounts are re-expressed in currency of the end of the year. In accordance with the principles described on note 1.1.

**1.4.3 Results Accounts.**

Revenues and expenses are imputed to results when they are deferred.



**SOCIETY NAME: SABERO ARGENTINA S.A. CONSOLIDATED**  
STATEMENTS AT: December 31, 2009. Register Nr. at the R.P.C.: 12071

## **NOTES TO CONSOLIDATED STATEMENTS (CONTINUATION)**

### **2. Composition of the principal items.**

#### **2.1 CASH AND CASH EQUIVALENTS**

Cash	\$	256,30
Cash at HSBC Bank	\$	- 16,27
	\$	<u><b>240,03</b></u>

#### **2.2 RECEIVABLES, NET**

\$	<u><b>42.751,00</b></u>
\$	
\$	

#### **2.3 OTHER ASSETS**

Alejandro A. Gotkin	\$	16.000,00
Alejandro Sragowicz	\$	7.321,00
Sumit Chuganee	\$	3.208,19
Taxes	\$	504,23
	\$	<u><b>27.033,42</b></u>

#### **2.4 ACCOUNTS PAYABLE**

\$	<u><b>30.250,00</b></u>
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#### **2.5 OTHER LIABILITIES**

Directors Guarantee Deposit	\$	<u><b>100,00</b></u>
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### **3. Facts happened later to the closing.**

There have not been facts happened later to the closing of the fiscal year that could affect significantly the result of the same one.

### **4. Independent Auditor Report is attached in a document apart.**

**ALEJANDRO SRAGOWICZ**  
Chairman

**Dr. EZEQUIEL GANDOLFO**  
Public Accountant (U.B.A.)  
C.P.C.E.C.A.B.A. To. 272 Fo. 63  
Signed in order to be identified with the report dated on  
January 15, 2010



SOCIETY NAME: SABERO ARGENTINA S.A.  
 CONSOLIDATED STATEMENTS AT: December 31,2009.  
 Register Nr. at the R.P.C.: 12071

**ADDITIONAL REPORT I: INFORMATION REQUIRED  
 BY THE LAW 19550, ART.64, INC. B).**

ITEMS	TOTAL	CLERICAL EXPENSES	COMMERCIAL EXPENSES	FINANCIAL EXPENSES
General	1,429.13	1.429,13	-	
Travels	-	-	-	
Stationery and printer	110,00	110.00	-	
Taxes	1.100,00	1.100,00	-	
Sales Taxes	641,00	-	641,00	
Fees	31,962.44	641.00		
Bank expenses	31.962,44	1,067.94	1.067,94	
<b>TOTALES</b>	<b>36.310,51</b>	<b>35.669.51</b>	<b>641,00</b>	<b>-</b>

See accompanying notes to consolidated statements. Auditors' Report  
 aside.

**ALEJANDRO SRAGOW1CZ**  
 Chairman

**Dr. EZEQUIEL GANDOLFO**  
 Public Accountant (U.B.A.)  
 C.P.C.E.C.A.B.A. To. 272 Fo. 63  
 Signed in order to be identified with the report dated on  
 January 15,2010



## NOTICE

NOTICE is hereby given that the 19<sup>th</sup> Annual General Meeting of the Members of **Sabero Organics Gujarat Limited** will be held on Tuesday, 28<sup>th</sup> September, 2010 at 11 A.M. at The Umbergaon Club, Madhuvan Complex, Umbergaon-Sanjan Road, Umbergaon - 396171, 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, 2010 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 Mr. Raj Tandon, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Hero Chuganee, who retires by rotation and being eligible, offers himself for re-appointment.
4. To declare dividend on Equity Share Capital of the Company.
5. To appoint M/s. S.M.N.P. & 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.

### SPECIAL BUSINESS:

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

**"RESOLVED THAT** Mr. Rajesh Sharma, who was appointed as an Additional Director pursuant to Section 260 of the Companies Act, 1956 and Article 74 of the Articles of Association of the Company to hold office up to the date of this Annual General Meeting of the Company and in respect of whom the Company has received a notice in writing pursuant to the provisions of Section 257 of the Companies Act, 1956, proposing his candidature as a Director of the Company be and is hereby appointed as a Director liable to retire by rotation."
7. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:  

**"RESOLVED THAT** Mr. Kishore Dudani, who was appointed as an Additional Director pursuant to Section 260 of the Companies Act, 1956 and Article 74 of the Articles of Association of the Company to hold office up to the date of this Annual General Meeting of the Company and in respect of whom the Company has received a notice in writing pursuant to the provisions of Section 257 of the Companies Act, 1956, proposing his candidature as a Director of the Company, be and is hereby appointed as a Director liable to retire by rotation."
8. To consider and if thought fit, to pass, with or without modification(s) the following resolution as a Special Resolution:  

**"RESOLVED THAT** pursuant to Section 314 (1) of the Companies Act, 1956, consent of the members be and is hereby accorded to the appointment of Mr. Hero Chuganee, Director of the Company as Technical Consultant of the Company for a period of Three (3) Years with effect from 17<sup>th</sup> April, 2010 at a remuneration of

Rs.4,00,000/- (Rupees Four Lacs only) per month and that he shall also be entitled for reimbursement of traveling and hotel expenses incurred by him in connection with the performance of his duties as a Technical Consultant and otherwise on the terms and conditions, as per draft placed before the meeting and approved by the Board and that any one of Directors of the Company be authorised to enter into such agreement in the name and on behalf of the Company."

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

**"RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309 & 310 and other applicable provisions of the Companies Act, 1956, if any, read with Schedule XIII to the Act, the approval of the members of the Company be and is hereby accorded to the appointment of Mr. S. R. B. Nair as the Whole time Director and Chief Operating Officer (COO) of the Company for the period of 4 months from 1<sup>st</sup> April 2010 to 31<sup>st</sup> July, 2010 on the terms, conditions as stipulated in the Agreement entered by the Company with Mr. S. R. B. Nair."

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

**"RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309 & 310 and other applicable provisions of the Companies Act, 1956, if any, read with Schedule XIII to the Act, the approval of the members of the Company be and is hereby accorded to the appointment of Mr. Rajesh Sharma as the Whole time Director and Chief Operating Officer (COO) of the Company for the period of 3 years from 31<sup>st</sup> July, 2010 to 30<sup>th</sup> July, 2013 on the terms, conditions as stipulated in the Agreement entered by the Company with Mr. Rajesh Sharma."

11. To consider and if deemed fit, to pass, with or without modification(s), the following Resolution as a Special Resolution:

**"RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309 and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company do hereby accord its approval for the re-appointment of Mr. Mohit H. Chuganee as Vice Chairman and Managing Director of the Company for a period of Three years w.e.f. 1<sup>st</sup> August 2010 upon remuneration and terms and conditions and stipulations contained in an Agreement entered by the Company with Mr. Mohit H. Chuganee with authority to the Board of Directors to alter and to vary the terms and conditions of the aforesaid re-appointment of Mr. Mohit H. Chuganee as Vice Chairman and Managing Director.

**RESOLVED FURTHER THAT** in the event of modification / amendment / alteration of revision of limits of remuneration as specified under Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act during the tenure of Mr. Mohit H. Chuganee as Vice Chairman and Managing Director of the Company, the consolidated remuneration payable to the said Vice Chairman and Managing Director shall automatically stand revised to the maximum permissible amount payable to him as Managerial remuneration under the said statutory provisions based on the then effective capital of the Company.

**RESOLVED FURTHER THAT** in case if the Company has no profits or its profits are inadequate, the aforesaid consolidated remuneration by way of salary, perquisites, allowances, incentives etc. payable to Mr. Mohit H. Chuganee, Vice Chairman and Managing Director shall be restricted as per the provisions of Part-B of Part-II of Schedule XIII of the Companies Act, 1956.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to vary the remuneration and perquisites including the monetary value thereof as specified in the aforesaid terms and conditions, to the extent as may be considered appropriate and necessary by the Board of Directors

in mutual consultation with Mr. Mohit H. Chuganee, Vice Chairman and Managing Director and further authorised to take all such actions and do all such things as may be deemed necessary, desirable and expedient for giving effect to the above resolution."

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

Sd/-

**Pritam P. Vartak**  
Company Secretary

Place: Mumbai  
Date: 30th July, 2010

**NOTES:**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES 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. Explanatory Statement relating to the Special Business mentioned under item no. 6 to 11 as required under Section 173 (2) of the Companies Act 1956 is annexed hereto.
5. The Register of Members of the Company will remain close from Tuesday, 21<sup>st</sup> September, 2010 to Tuesday, 28<sup>th</sup> September, 2010 (both days inclusive).
6. 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 in respect of their physical shares, quoting Folio No.
7. The Company's shares are traded in electronic form. The investors are requested to hold their securities in the electronic form.



8. The relevant details of Directors seeking appointment / re-appointment, under the item nos. 2, 3, 6, 7, 8, 9, 10 & 11 above, are as follows:

Name	Mr. Raj Tandon	Mr. Hero J. Chuganee	Mr. S. R. B. Nair	Mr. Rajesh Sharma	Mr. Mohit H. Chuganee
Age	78 years	76 years	61 years	47 years	44 years
Date of Appointment	24 <sup>th</sup> December, 1994	29 <sup>th</sup> November, 1991	1 <sup>st</sup> November, 2007	30 <sup>th</sup> July 2010	29 <sup>th</sup> November, 1991
Qualifications	B.Sc., Post Graduate Management studies in Marketing from Leeds College of Commerce, Leeds England, U.K. British Institute of Management	B.Sc., MII CHE, D. Chem E-London, AMP, Harvard Univ., USA	Master Degree in Science	Bachelor of Engineering (Chemical)	B.Sc. in Electrical Engineering, Virginia Tech, USA, M.B.A. in International Management Thunderbird University, USA.
Expertise in specific functional areas	Overseas marketing of commodities like Rice, Spices, and Textiles both as an Advisor and a Venture Partner	Managerial Experience in Chemical Industry specially in agrochemicals	Bulk Drugs & Allied Industries	Manufacturing of Agro chemicals	Managerial Experience in Chemical Industry specially in agrochemicals
Experience	48 years	50 years	35 years	25 years	22 years
Directorship held in other Companies (excluding foreign Companies)	None	1) Harvard Finance Company Private Limited 2) Sabero Echostar (India) Pvt. Ltd.	None	None	1) Harvard Finance Company Private Limited 2) Sabero Echostar (India) Pvt. Ltd.
Membership/ Chairmanship of Committees of other public Companies (includes only Audit Committees and Shareholders'/ Investors' Grievance Committee)	Nil	Nil	Nil	Nil	Nil
Shareholdings in the Company	100 Equity Shares	2961755 Equity Shares	Nil	Nil	3216091 Equity Shares

Name	Mr.Kishore Dudani
Age	61 years
Date of Appointment	30 <sup>th</sup> July 2010
Qualifications	MA (Political Science) Delhi University B.Com, Delhi University Two Year (Part time) Post Graduate Diploma in Personnel Management, Polytechnic of Central London
Expertise in specific functional areas	Retired as Senior Foreign Service Officer of Government of India and having wide experience of 35 years in various Administrative Divisions. viz. Protocol & Conference, Administration, Establishment and Accounts, Territorial & Specialized Divisions.
Experience	35 years
Directorship held in other Companies(excluding foreign Companies)	None
Membership/Chairmanship of Committees of other public Companies (includes only Audit Committees and Shareholders'/Investors' Grievance Committee)	Nil
Shareholdings in the Company	Nil

9. 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 : 30<sup>th</sup> July, 2010

**Sd/-**  
**Pritam P. Vartak**  
Company Secretary

**ANNEXURE TO THE NOTICE****Explanatory Statement as required under Section 173 (2) of the Companies Act, 1956 ('the Act')****ITEM NO 6 & 7:**

The Board of Directors of the Company had appointed Mr.Rajesh Sharma and Mr.Kishore Dudani as Additional Directors of the Company with effect from 30<sup>th</sup> July 2010 to hold office upto the date of ensuing Annual General Meeting and being eligible to offer themselves for re-appointment. The Company has received notices under Section 257 of the Companies Act, 1956 proposing their candidature for the office of Director of the Company.

Mr.Rajesh Sharma is holding Bachelor Degree in Engineering (Chemical) from Jadavpur University and has experience of more than 25 years in various companies in the field of manufacturing of Agro Chemicals.Mr.Kishore Dudani is holding degree of MA (Political Science) and B.Com and having vast experience of 35 years in the various Administrative Departments.

Except Mr.Rajesh Sharma and Mr.Kishore Dudani in their respective resolution as set out at item nos.6 & 7 of the notice,none of the Directors of the Company is in any way deemed to be concerned or interested in the aforesaid resolutions.

The resolutions as set out at Item Nos. 6 & 7 of the accompanying Notice are recommended for approval of the members.

**ITEM NO. 8**

Mr.Hero Chuganee the key promoter of the Company has been instrumental in setting up of facilities for manufacture of Agro Chemicals in 1992. He is Chemical Engineer from Batterseas College of Technology,London University and under his supervision and Guidance, the Company has earned the position as one of the leading manufacturers of Agro Chemicals in India. He has a rich experience of more than 40 years in managing the Agro Chemical Unit and he has worked as Chief Executive in Indofil Chemicals Company and General Manager of Rohm & Haas (Asia) Inc., Bombay before formation of this Company by him. He was also a Director of the Loss Prevention Association of India Limited, & Antop Hill Warehousing Co. Ltd. The Company has been immensely benefited with his wide knowledge and experience under his Chairmanship for more than 20 years, but due to his growing age he has expressed his inability to continue to work as an Executive Chairman.

However,considering his long association and indepth knowledge in the field,it is proposed to avail his services as a Technical Consultants. As per the provisions of Section 314 (1) of the Companies Act, 1956, approval of the shareholders is necessary hence the said resolution is placed before you for your approval.

None of the directors of the Company except Mr.Hero Chuganee,Mr.Mohit Chuganee and Mr.Sumit Chuganee are interested or concerned in the above resolution.

The Board recommends the resolution.

**ITEM NO. 9**

Your Board of Directors on recommendation of the Remuneration Committee and subject to the approval of the Members at the ensuing Annual General Meeting, at their meeting held on 29<sup>th</sup> March, 2010, re-appointed Mr.S.R.B.Nair as Whole-Time Director designated as Director & Chief Operating Officer (COO), for a period of 4 months with effect from 1<sup>st</sup> April, 2010 to 31<sup>st</sup> July, 2010. The present term of appointment of the said Whole time Director and COO was upto 31<sup>st</sup> March 2010. However, considering his vast experience in the field of manufacturing of agro chemicals and benefits received by the Company with his expertise in the field, his term of appointment was further extended by 4 months i.e. upto 31<sup>st</sup> July, 2010.

In compliance with the requirements of Section 302 (7) of the Companies Act, 1956 an abstract of the terms of appointment of Mr.S.R.B. Nair as Whole time Director as contained in the Agreement and Memorandum of Interest is set out below:

1. Mr.S.R.B.Nair has been performing the duties subject to the superintendence, control and direction of the Board of Directors of the Company.
2. Period of Appointment is from 1<sup>st</sup> April, 2010 to 31<sup>st</sup> July, 2010.
3. In consideration of the performance of his duties, Mr.S.R.B.Nair has been entitled to receive remuneration and other terms of appointment are as stated here in below:-

A	Basic Salary	Rs.45,000/- per month in Grade Rs.45,000/ per month to Rs.60,000/- per month.
B	House Rent Allowance	60% of Basic salary i.e. Rs.27,000/- per month to Rs.36,000/- per month.
C	Leave Travel Allowance	Rs.1500/- Per month
D	Medical Reimbursement	As per the rules of the Company subject to maximum of Rs.1250/- per month.
E	Car & Telephone	Company maintained car and telephone facility at the residence for official purpose. The Whole time Director & COO will also be reimbursed the driver's salary, not exceeding Rs.5000/- per month
F	Encashment of Privilege Leave	At the end of tenure as per Company's rules

G	Minimum remuneration	Notwithstanding anything mentioned in this part, where in financial year 2010-11, during the currency of the tenure of the Whole time Director & COO, where the Company has no profits or its profits are inadequate, the Company shall pay him by way of salary and perquisites not exceeding the limits specified above.
H	Other perquisites	The said Whole time Director & COO has been entitled to other perquisites as allowed to executives in the Company based on the approval of the Remuneration Committee and Board of Directors from time to time.
I	Sitting Fees	The Whole time Director and COO, so long as he functions as such, has not been entitled to any sitting fees for attending meetings of the Board of Directors or committee thereof.
J	Notice period	The Appointment may be terminated at any time by either party hereto by giving to the other four month's notice in writing for such termination and neither party will have any claim against other for damages or compensation by reason of such termination. In any event, the Whole time Director and COO shall not be entitled to any compensation in cases mentioned in Section 318 (3) of the Companies Act, 1956.
K	Cessation of director	If any time this Agreement is terminated and or Mr.S.R.B.Nair ceases to be a Director of the Company, he shall cease to be Whole time Director and Chief Operating Officer of the Company.

The resolution mentioned under Item No. 9 of the notice is being proposed to seek your consent under Section 198, 269, 309, 311 of the Companies Act, 1956 and other applicable provisions of the Companies Act, 1956, read with Schedule XIII of the said Act.

None of the directors is concerned or interested in the above resolution.

#### ITEM NO. 10

Your Board of Directors on recommendation of the Remuneration Committee, and subject to the approval of the Members at the ensuing Annual General Meeting, at their meeting held on 30<sup>th</sup> July, 2010, appointed Mr. Rajesh Sharma as Whole-Time Director designated as Chief Operating Officer (COO), in place of Mr. S.R.B. Nair since been resigned with effect from 31<sup>st</sup> July 2010, for a period of 3 years with effect from 31<sup>st</sup> July, 2010 to 30<sup>th</sup> July, 2013.

In compliance with the requirements of Section 302 (7) of the Companies Act, 1956 an abstract of the terms of appointment of Mr. Rajesh Sharma as Whole time Director as contained in the Agreement and Memorandum of Interest is set out below:

1. Mr. Rajesh Sharma shall perform the duties subject to the superintendence, control and direction of the Board of Directors of the Company.
2. Period of Appointment shall be from 31<sup>st</sup> July, 2010 to 30<sup>th</sup> July, 2013.
3. In consideration of the performance of his duties, Mr. Rajesh Sharma shall be entitled to receive remuneration and other terms of appointment are as stated here in below:-

A	Basic Salary	Rs.1,00,000/- per month in the Grade of Rs.1,00,000/- to Rs.1,50,000/- per month.
B	House Rent Allowance	50% of Basic Salary i.e. Rs.50,000/- per month.
C	Leave Travel Allowance	Rs.60,000/- per annum, subject to Company Policy as may be amended from time to time.
D	Medical Reimbursement	As per the rules of the Company, payable quarterly subject to maximum upto Rs.15,000/- per annum.
E	Encashment of Privilege Leave	At the end of tenure as per Company's rules.
F	Other perquisites	The said Whole time Director & COO shall be entitled to following perquisites: <ol style="list-style-type: none"> <li>1. Special allowance :Rs.60,000/- per month</li> <li>2. Conveyance allowance:Rs.800/- per month</li> <li>3. Ex-Gratia:Rs.5,000/- per month, payable six monthly.</li> <li>4. Reimbursement of other expenses like Entertainment, Books &amp; Periodicals, Telephone, Regional Travel, Car Maintenance/ Driver/ Petrol expenses upto maximum of Rs.51,425/- per month.</li> </ol> And such other perquisites as are allowed to executives in the Company based on the approval of the Remuneration Committee and Board of Directors from time to time.
G	Performance Bonus	The said Whole time Director and COO will be eligible for performance Bonus upto Rs.5,00,000/- per annum, based on achievement of Key Performance Indicators (KPIs) & overall performance of the Company, as per the discretion of the management, payable six monthly.
H	Sitting Fees	The Whole time Director and COO, so long as he functions as Whole time Director, he will not be entitled to any sitting fees for attending meetings of the Board of Directors or committee thereof.
I	Notice period	The Appointment may be terminated at any time by either party hereto by giving to the other three month's notice in writing for such termination and neither party will have any claim against other for damages or compensation by reason of such termination. In any event, the Whole time Director and COO shall not be entitled to any compensation in cases mentioned in Section 318 (3) of the Companies Act. 1956.





J	Minimum remuneration	Notwithstanding anything mentioned in this part, where in any financial year, during the currency of the tenure of the said Whole time Director & COO, where the Company has no profits or its profits are inadequate, the Company shall pay him by way of salary and perquisites not exceeding the limits specified above.
K	Cessation of director	If any time this Agreement is terminated and / or Mr. Rajesh Sharma ceases to be a Director of the Company, he shall cease to be Whole time Director and Chief Operating Officer of the Company.

The resolution mentioned under Item No. 10 of the notice is being proposed to seek your consent under Section 198, 269, 309, 311 of the Companies Act, 1956 and other applicable provisions of the Companies Act, 1956, read with Schedule XIII of the said Act.

None of the directors, except Mr. Rajesh Sharma is concerned or interested in the proposed resolution.

#### **ITEM NO. 11**

During the past few years, the operations of the Company have grown manifold. Your Company expects to reap rich benefits from the knowledge, experience and expertise of Mr. Mohit H. Chuganee, Vice Chairman and Managing Director. Mr. Mohit H. Chuganee through his global vision is expected to contribute significantly in identifying new business opportunities and converting them into remunerative projects. The Board of Directors on recommendation of the Remuneration Committee and considering vast experience of Mr. Mohit H. Chuganee in the Agro Chemical Industry, at their Meeting held on 30<sup>th</sup> July 2010, has subject to approval of the shareholders of the Company considered and approved re-appointment of Mr. Mohit H. Chuganee as Vice Chairman and Managing Director for the period of 3 years from 1<sup>st</sup> August, 2010 to 31<sup>st</sup> July, 2013 on the terms and conditions as enumerated in the resolution as set out below.

A.	Salary	:	Monthly basic salary of Rs. 2,50,000/- in the scale of Rs. 2,50,000/- to Rs. 7,50,000/-. He shall be entitled to such annual increments as may be decided by the Board of Directors
B.	Perquisites	:	Perquisites shall be restricted to an amount equal to annual salary. These perquisites are as follows:
	(a)	Furnished Accommodation:	
		<u>Housing I:</u>	The expenditure by the Company on hiring furnished accommodation will be subject to the ceiling of 60 (Sixty) per cent of the salary.
		<u>Housing II:</u>	In case the accommodation is owned by the Company, ten percent of the salary shall be deducted by the Company.
		<u>Housing III:</u>	In case no accommodation is provided by the Company, the appointee shall be entitled to House Rent Allowance equal to sixty percent of the salary.
		<u>Explanation:</u>	The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962. This shall, however be subject to a ceiling of ten percent of the Salary.
	(b)	Medical Re-imbursement:	Expenses incurred for self and his family subject to a ceiling of one months' salary in a year or three months salary for a period of 3 years.
	(c)	Leave Travel Concession:	For self and his family, once in a year equivalent of one month's salary.
	(d)	Club Fee:	Fees of Clubs subject to a maximum of two Clubs. This will not include the Admission and Life Membership Fee.
	(e)	Personal Accident Insurance.	
	(f)	Contribution to Provident Fund, Superannuation Fund or Annuity Fund	will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income-Tax Act. Gratuity payable should not exceed half a month's salary for each completed year of service.
	(g)	Encashment of Leave at the end of the tenure	will be permitted in accordance with the Rules of the Company and not be included in the computation of the ceiling on perquisites.
	(h)	Provision of Car for use on Company's business and telephone at the residence	will not be considered as perquisite. Personal long distance calls on telephone and use of Car for private purpose shall be billed by Company to the Vice Chairman and Managing Director.
	(i)	Commission equal to 1% of the Net Profits of the Company in a particular year,	shall be subject to the overall ceilings laid down in section 198 and sections 309.

in the event of modification / amendment / alteration of revision of limits of remuneration as specified under Section 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act, during the tenure of Mr. Mohit H. Chuganee as Vice Chairman and Managing Director of the Company, the consolidated remuneration payable to the Vice Chairman and Managing Director shall automatically stand revised to the maximum permissible amount payable to him as Managerial remuneration under the said statutory provisions based on the then effective capital of the Company.

Mr.Mohit H.Chuganee will not be liable to retire by rotation.

No sitting fees shall be paid to Mr.Mohit H.Chuganee for attending Meetings of the Board of Directors or any committee thereof.

Disclosures pursuant to the provisions of Schedule XIII of the Companies Act, 1956.

I.	GENERAL INFORMATION		
1.	Nature of Industry	Manufacturing of Agro Chemicals.	
2.	Date or expected date of commencement of commercial production	The Company has been engaged in the manufacturing of Agro Chemicals since more than two decades.	
3.	In case of new companies, expected date of commencement of activities as per project approved by the financial institutions appearing in the prospectus	Not applicable	
4.	Financial performance based on the given indicators	Financial performance based on the Audited Accounts for the year ended 31 <sup>st</sup> March 2010 is as under:	
		Sales	Rs. 43031.93 lacs
		Profit after Tax	Rs. 3896.09 lacs
		Asset Turnover Ratio	4.65 times
		Current Ratio	2.45:1
		Profit to Net Sales	9%
5.	Export performance and net foreign exchange collaborations	The Company's 60% of the total sales is derived from export sales. The Company has during the financial year 2009-10 earned foreign exchange equivalent to Rs. 21658.15 lacs.	
6.	Foreign investments or collaborations, if any	The Company' total investment as on 31 <sup>st</sup> March 2010 in its foreign Subsidiary Companies is Rs. 53.19 lacs.	
II.	INFORMATION ABOUT THE APPOINTEE		
	1. Background details	Mr. Mohit H. Chuganee has more than 22 years of experience in Agro Chemical Industry. He holds B.Sc. Degree in Electrical Engineering from Virginia Tech, USA, M.B.A. in International Management from Thunderbird University, USA.	
	2. Past remuneration	Rs. 86,86,000/- per annum inclusive of perquisites for the financial year 2009-2010.	
	3. Recognition or awards	None	
	4. Job profile and his suitability	The Vice Chairman and Managing Director is responsible for the overall management of the Company as well as growth of the business in domestic and global markets. Mr. Mohit H. Chuganee is expected to play a pivotal role in formulating the Company's long term business strategies and policies.	
	5. Remuneration proposed	Monthly basic salary of Rs. 2,50,000/- in the scale of Rs. 2,50,000/- to Rs. 7,50,000/-.	
	6. Comparative remuneration profile with respect of industry, size of the company, profile with the position and person.	The proposed remuneration of the Vice Chairman and Managing Director is comparable with the other companies in the Industries.	
	7. Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any.	The Vice Chairman and Managing Director is one of the Promoters of the Company and related to Mr. Hero Chuganee and Mr. Sumit Chuganee, Directors of the Company.	



III.	OTHER INFORMATION	
	1. Reasons of loss of inadequacy of profits	The remuneration paid to Mr. Mohit H. Chuganee, Vice Chairman and Managing Director for the Financial Year 2009-10 is within the limit of 5% of the Net Profit computed in accordance with the provisions of Section 198 / 349 of the Companies Act, 1956 for the said Financial Year. Hence, not applicable.
	2. Steps taken or proposed to be taken for improvement	The Company has been continuously taking steps to improve productivity and margin with development of new products through its R & D and implementing cost effective measures from time to time.
	3. Expected increase in productivity and profits in measurable items	The Company's unit at Sarigam, Vapi has been declared as Pioneer Unit by the government of Gujarat. Further, it has taken up Expansion Scheme at Dahej, Gujarat. Thus, the Company is expected to achieve significant growth in terms of productivity and profits.

The said Draft agreement referred to in the resolution at Item No. 11 is available for inspection to the members at the registered office of the Company on any working day (excluding Saturdays) between 11.00 a.m. to 1.00 p.m. and including the day of the Annual General Meeting. The resolution mentioned under Item No. 11 of the notice is being proposed to seek your consent under Section 198, 269, 309, 311 of the Companies Act, 1956 and other applicable provisions of the Companies Act, 1956, read with Schedule XIII of the said Act. Mr. Mohit H. Chuganee, Mr. Hero J. Chuganee and Mr. Sumit H. Chuganee, Directors shall be deemed to be concerned or interested in the above resolution.

The material facts as set out above may be treated as an abstract pursuant to Section 302 of the Companies Act, 1956.

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

Place: Mumbai  
Date: 30<sup>th</sup> July, 2010

Sd/-  
**Pritam P. 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 **19<sup>TH</sup> ANNUAL GENERAL MEETING** of the Company to be held on **Tuesday, 28<sup>th</sup> September, 2010** at **11.00 A.M.** at Umbergaon Club, Madhuvan Complex, Umbergaon-Sanjan Road, Umbergaon - 396171, Dist. Bulsar and at any adjourment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010

Affix  
1 Re.  
Revenue  
Stamp

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

(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

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

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

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

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

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

I hereby record my presence at the 19<sup>th</sup> Annual General Meeting at Umbergaon Club, Madhuvan Complex, Umbergaon-Sanjan Road, Umbergaon - 396171. 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



## NOTES

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## NOTES

This image shows a full page of blank white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page, providing a template for writing or drawing. There are no margins, text, or other markings on the page.