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Ambalal Sarabhai Enterprises Limited

Annual Report
April, 1996 to March, 1997

MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓

Board of Directors**Kartikeya V Sarabhai***Chairman***Anand Sarabhai****Anand Zaveri****Bhalchandra R Shah****CVS Narayanan***Wholetime Director***Govind Das Zalani***Wholetime Director***Kshitish J Divatia****Nanubhai B Amin****Om Dutt Gulati****Rohit K Mehta***Technical Director***Suhrid Sarabhai****Vipin N Jikar****Auditors**

Messrs Sorab S Engineer & Co

Chartered Accountants

Ismail Building

381, Dr. D Naorji Road

Fort, Mumbai

Bankers

Punjab National Bank

Bank of Baroda

Bank of India

State Bank of Saurashtra

Canara Bank

Citibank

The Kalupur Commercial Co-op. Bank Ltd.,

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Registered Office : Wadi Wadi, Baroda 390 007.

Printed at Light Publications Ltd.
Baroda-390 003.

ASE Ambalal Sarabhai Enterprises Limited

Regd. Office : Wadi Wadi, Baroda 390 007

Notice

The Nineteenth Annual General Meeting of the Company will be held on Saturday, the 20th September, 1997 at 11:00 A.M. at Mahatma Gandhi Nagar Greh, Near Jubilee Bag, Baroda to transact the following business:

Item 1 :

To receive, consider and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31.3.1997 and Balance Sheet as on that date.

Item 2 :

To appoint a Director in place of Dr. Anand Sarabhai, who retires by rotation and being eligible offers himself for re-appointment.

Item 3 :

To appoint a Director in place of Mr. Anand Zaveri, who retires by rotation and being eligible offers himself for re-appointment.

Item 4 :

To appoint a Director in place of Mr. Bhalchandra R. Shah, who retires by rotation and being eligible offers himself for re-appointment.

Item 5 :

To appoint a Director in place of Mr. Suhrid Sarabhai, who retires by rotation and being eligible offers himself for re-appointment.

Item 6 :

To appoint Messrs Sorab S. Engineer & Co., Chartered Accountants, Mumbai as Auditors to hold office from the conclusion of the Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business :

To consider and, if thought fit, to pass with or without modifications, the following resolutions :

Item 7 - Special Resolution :

"RESOLVED THAT subject to all applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force and as may be enacted from time to time) and subject to any enactment of the Government of India and any guidelines as may be issued by SEBI, and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as the "Board"), the consent of the Company be and is hereby accorded to the Board to acquire/purchase any of its own fully paid equity shares upto 10% of its subscribed and paid-up equity share capital, on such terms and conditions as may be prescribed by law from time to time; provided that acquisition/purchase of such fully paid Equity Shares of the Company be not construed as reduction of Equity Share Capital which is subject to the controls as stipulated in Section 100 to 104 and Section 402 of the Companies Act, 1956, for the time being in force and that the Board of Directors of the Company be and is hereby authorised to do all such acts and things as may be necessary or proper to implement this resolution."

Item 8 - Special Resolution :

"RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) the Articles of Association of the Company be amended in the following manner :

A. Delete existing Article 26 along with the heading reading as "Funds of Company shall not be applied in purchase of shares of the Company" and replace Article 26 by the following :

Article 26 :

The Company shall have power, subject to and in accordance with all applicable provisions of the Act, to purchase any of its own fully paid equity shares and to make payment out of capital in respect of such purchases."

B. 1. 135 Renumber existing Article 135 as 135(1) and add the following as Article 135(2) after 135(1).

135(2) The Board of Directors may from time to time appoint such number of Whole-time Directors as it may deem fit and fix their remuneration and other terms and conditions of the appointment and to vary such terms and conditions and remuneration from time to time.

2. Delete existing Article 136(1) & (2).

3. Delete existing Article 137.

4. Delete existing Article 139(A) and (B).

5. Delete existing Articles 140(1), (2) & (3) and replace Article 140 by the following :

140 The Board of Directors shall have the power and authority from time to time to appoint Whole-time Directors and may by resolutions vest in any or each of them such of the powers vested in the Board of Directors generally as it thinks fit and any such powers may be made exercisable for such period or periods and upon such terms and

conditions and subject to such restrictions as the Board of Directors may determine. The Board of Directors shall also have the power to fix the remuneration and other terms and conditions of the appointment of the Whole-time Directors and to vary such terms and conditions and remuneration from time to time

6. Delete existing Article 141

7. Delete existing Article 143 and replace it by the following under the heading "Casual Vacancy"

143 Subject to the provisions of Section 262 and 264 of the Act, the Board shall have the power at any time and from time to time to appoint any qualified person to be a Director to fill a casual vacancy. Any person so appointed shall hold office only upto the date upto which the Director in whose place he is appointed would have held office if it had not been vacated by him

8. Delete existing Article 144 and replace it by the following under heading "Additional Director".

Subject to the provisions of Section 260 and 264 of the Act, the Board shall have the power at any time and from time to time to appoint any qualified person to be a Director, but so that the total number of Directors shall not at any time exceed the maximum fixed under Article 135 and any such additional Director shall hold office only upto the date of next Annual General Meeting.

9. Delete existing Article 145 and replace it by the following under the heading "Alternate Directors".

The Board may appoint an Alternate Director to act for a Director (hereinafter called "the Original Director") during his absence for a period of not less than 3 months from the State in which the meetings of the Board are ordinarily held. Any Alternate Director appointed under this Article shall not hold office for a period longer than that permissible to the Original Director in whose place he has been appointed and shall vacate office if and when the Original Director returns to that State. If the terms of office of the Original Director is determined before he so returns to that State, any provisions in the Act or in these Articles for the automatic re-appointment of the retiring Director in default of another appointment shall apply to the Original Director and not to the Alternate Director.

10. A. Delete the words "Chairman, the Vice Chairman, the Management Audit Director" as appearing in Article 147(1) with a view to read Article 147(1) as under :

147(1) Subject to the provisions of the Act and of these Articles, any Working Director or any Director who is in the Whole-time employment of the Company may be paid remuneration either by way of a monthly payment, or at a specified percentage of the net profit of the Company or partly by one way and partly by the other.

B. Delete Article 147(2) and replace it by the following :

147(2) Subject to the provisions of Sections 198, 309, 310, 311, 314 of the Act and of these Articles, a Director, who is not in the Whole-time employment may be paid remuneration either :

(i) by way of monthly, quarterly or annual payment with the approval of the Central Government, if necessary.

(ii) by way of commission if the Company by a Special Resolution authorises such payment.

C. Delete Article 147(3) and replace it by the following :

147(3) The Fee payable to a Director for attending a meeting of the Board or Committee thereof shall be a sum not exceeding the sum permissible from time to time for payment as sitting fees, under the Act.

11. Delete Article 158(1) & (2) and replace by the following under the heading "Retirement & rotation of Directors" :

At every Annual General Meeting of the Company, one third of such of Directors for the time being as are liable to retire by rotation or if their number is not three or multiple of three, the nearest number to one-third shall retire from office. Subject to Section 256 of the Act the Directors to retire by rotation under Article 158 at every Annual General Meeting shall be those who have been longest in office since their last appointment but as between persons who become Directors on the same day, those who are to retire, shall, in default of and subject to any agreement among themselves, be determined by lot.

12. Delete existing Article 167 and replace it by the following :

167 Subject to the supervision, control and direction of the Board of Directors, Working Directors shall be entitled to exercise such powers as may from time to time be vested in each one of them by the Board.

13. Delete existing Article 174 and replace by the following under the heading "Chairman" :

- 174 The Board of Directors may in the first meeting of the Board immediately after the Annual General Meeting appoint the Chairman, unless the tenure of appointment of the Chairman has been made for stipulated period. The Chairman shall be the Chairman of the Board and in the event of vacancy occurring in his office from any cause whether by death, resignation or otherwise, the Board of Directors may elect another Director to be the Chairman of the Board. If at any meeting of the Board, the Chairman is not present within 15 minutes after the time appointed for holding the same, the Board of Directors may elect one of their members to be the Chairman of the meeting.

Item 9 - Special Resolution :

"RESOLVED that the Company hereby consents to and approves, under Section 314 and other applicable provisions, if any, of the Companies Act, 1956, of Mr. Mohal K. Sarabhai, holding an office or place of profit as General Manager, Business Development & Exports, on a monthly basic salary of Rs. 9000 with effect from 1.4.1997 in the grade of Rs. 9000-500-12000 and all other benefits and perquisites (including Bonus, PF, Gratuity, Superannuation etc.) as are applicable to employees of the similar cadre in the Company, with an authority to the Board of Directors of the Company, to sanction, at its absolute discretion such additional increments, as it may deem fit and proper."

Item 10 - Ordinary Resolution

"Resolved that the consent of the Company be and is hereby accorded, pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors for creating the second charge on the fixed assets of the Company wherever situate, present and future, but subject to the existing mortgages and/or charges created to be created in favour of the Debenture Trustees viz. Industrial Investments Trust Limited, Mumbai as also the Financial Institutions viz. ICICI, IDBI, IFCI and LIC, for additionally securing -

- the working capital facilities availed of or to be availed of by the Company which aggregates to Rs. 3725 lakh approximately as of now from the Consortium of Banks, consisting of Punjab National Bank, Bank of India, Bank of Baroda, State Bank of Saurashtra and Canara Bank; and
- together with interest, additional interest, any charges, cost charges, expenses and other moneys, charges payable by the Company to the said Consortium of Banks in terms of the agreement/documents executed by the Company in favour of each of the aforesaid banks in respect of the working capital facilities."

"RESOLVED FURTHER that the Board of Directors of the Company be and are hereby authorised to negotiate and finalise with the aforesaid Consortium of Banks, the documents for creating the aforesaid second charge on the fixed assets of the Company and to do all other acts, deeds and things as may be necessary, desirable or expedient for the purpose of giving effect to the above resolution and to settle or resolve any questions or difficulties or matter or interpretation of whatsoever nature in that behalf."

By Order of the Board of Directors,
Tarang Mehta
Secretary
7.8.1997

Notes :

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
- The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of business under Items 7 to 10 set out above is annexed hereto.
- Pursuant to Section 154 of the Companies Act, 1956, the Register of Members and the Share Transfer Books of the Company will remain closed from 16.9.1997 to 20.9.1997, (both days inclusive).
- All the documents referred to in the Notice and Explanatory Statement would be open for inspection at the Registered Office of the Company during business hours on all working days (except Saturdays) till the date of the meeting.

Explanatory Statement :

required under Section 173 of the Companies Act, 1956 to accompany the Notice of the Nineteenth Annual General Meeting of the Company.

Item 7

Members are aware that the Companies Act, 1956 presently does not provide for the purchase of its own shares by a company unless the same is done with a view to reduce its capital. Reduction of capital is subject to the controls as stipulated in Sections 100 to 104 and 402 of the Companies Act, 1956.

The Share Capital of the Company is the outcome of original capital issue, bonus issue of shares, conversion of debentures and bonds into equity etc. May be at a point of time the capital of the Company as then existing need not necessarily be the ideal quantum of capital having regard to the size of the operations, profitability, ability to service the capital etc. Therefore, it is in the interest of the Company to readjust its share capital to the desired level by buying back its own shares in the market if such buy back is allowed by law.

Of late, there have been discussions on this subject and the Directors feel it would be desirable to have an enabling power from the shareholders for the purpose. It will be in the fitness of things if shareholders approve the resolution set out at Item no. 7 of this Notice should the provisions of the Companies Act, 1956, be modified or amended permitting such purchase upto 10% of its subscribed and paid-up equity share capital, so that your Company will be able to implement this in the interest of the shareholders at an appropriate time within the frame work of law as may be stipulated for the purpose.

It must be clearly understood that acquisition/purchase of shares of the Company, as proposed in the Resolution at this Item of the Notice and the consequential amendments to the Articles of Association as proposed in the Resolution at Item 8A of this Notice, should not be construed as reduction of Capital which is subject to the controls as stipulated in Sections 100 to 104 and Section 402 of the Companies Act, 1956, for the time being in force.

None of the Directors of the Company may be considered to be concerned or interested, save and except as the shareholders of the Company to the extent of their shareholding in the proposed resolution.

Item 8

- It is proposed to substitute existing Article 26 as set out at Item No. 8A of the Notice to enable the Company to purchase any of its own shares, in accordance with law as may be then prevailing. In the event that it is permitted by law to purchase by a company of its own shares, the resolution confers authority to the Board for the purpose.

- With a view to bringing more transparent functioning of the Board of Directors of your Company from time to time, it was considered advisable to amend/delete Articles No. 135, 136, 137, 139, 140, 141, 143, 144, 145, 147, 158, 167 and 174.

As per provisions of Section 31 of the Companies Act, 1956, the alteration in the Article of Association is required to be approved by a Special Resolution. Hence, the resolution as set out in the Notice at Item 8 is proposed for your approval and acceptance.

None of the Directors of the Company may be considered to be concerned or interested in the resolution.

Item 9

Mr. Mohal K. Sarabhai is a qualified Engineer from the University of Wisconsin, USA, and joined the Company as Executive, Business Development. He is actively associated with various business activities, with main focus on Exports and Business Development. Mr. Mohal K. Sarabhai, Son of Mr. Kartikeya V. Sarabhai, being a relative of a Director of your Company, his appointment on a total monthly remuneration including perquisites exceeding Rs. 10,000 effective from 1.4.1997, as General Manager, Business Development and Exports, would require to be approved by the Shareholders of the Company as per provisions of the Companies Act, 1956.

Mr. Kartikeya V. Sarabhai, Chairman, being a relative of Mr. Mohal K. Sarabhai, is interested in the proposed resolution.

Item 10

At the Annual General Meeting of the Company held on 30th November, 1983, the members of the Company have consented to the creation of charge by mortgage on the Company's fixed-assets in favour of the Financial Institutions viz. ICICI, IDBI, IFCI & LIC, with a view to secure them for modernisation-loan for an amount of Rs. 100 lakh granted by each of them to the Company.

The Company in respect of its various divisions has been granted and has been availing various working capital facilities from Consortium of Banks. The present position of Company's availing of such working capital facilities from the Consortium of Banks (consisting of Punjab National Bank, Bank of India, Bank of Baroda, State Bank of Saurashtra and Canara Bank) is in the aggregate of about Rs. 3725 lakh. The Company has already created a charge by hypothecation of its moveable assets in favour of above Consortium of Banks. With a view to additionally secure all the constituents of the bank's consortium, they have requested the Company to create the second charge on its all the fixed-assets which will be subject to any charge already created to be created in favour of Debenture Trustees and Financial Institutions. Accordingly, the Company would be required to create a second charge in favour of Bank's Consortium on its fixed-assets.

Since such a creation of second charge on Company's fixed assets by mortgage, may be regarded as "disposal of the undertaking" of the Company, the approval of the shareholders is sought as required u/sec. 293(1)(a) of the Companies Act, 1956, in that behalf.

None of the Directors of the Company may be deemed to be concerned or interested in the proposed resolution.

Your Directors commend the Special Resolutions/Ordinary Resolution as set out at Item Nos. 7 to 10 of the accompanying notice for your approval and acceptance.

By Order of the Board of Directors
Tarang Mehta
Secretary
7.8.1997

Directors' Report

To the Shareholders,

Your Directors present the report for the year 1996-97. The financial results are as under :

	(Rs. lakh)	
	1996-97	1995-96
Turnover	29793	24855
Expenditure	28067	23413
Gross Profit	1723	1442
Interest	987	913
Depreciation	101	97
Net Profit	636	431

Having regard to the provisions of Section 205 of the Companies Act, 1956, your Directors regret their inability to recommend payment of any dividend.

Operations :

The year's turnover is about 20% higher than the previous year. The operating profit has gone up by about 48%. During the first half of the year, the turnover was Rs. 144.5 crore whereas the turnover during the second half was Rs. 153.41 crore.

Human Health Products :

Human health products continue to be the major product line which account for over 63% of the turnover of the Company. New products introduced during the earlier year have shown encouraging growth during the year under report. During the year the Company introduced new cardiovascular, anti-inflammatory and antipepticulcer drugs in addition to extension of the existing products. Your Company has created new facilities for manufacture of anti-cancer products. This range of products will be introduced during the current year.

Veterinary Products :

The Company continues to occupy the first position in the Veterinary healthcare sector which account for about 15% of the turnover. During the year a new herbal antiseptic product was introduced. A number of herbal products are in the pipeline and some more are expected to be introduced during the current year. The ABIC range of poultry vaccines have been introduced during the last quarter of 1996-97.

Bulk Drugs :

During the year under report, there was considerable import of Vitamin C at prices much lower than the prevailing prices in India and the country of origin. This obviously was an effort at dumping of Vitamin C into the country to eliminate local manufacture of this important bulk drug. The Company had taken up this matter with Government of India and a gazette notification has been issued by designated authority stating that there is sufficient prima facie evidence that export prices from China and Japan to India were lower than the values in those countries and that there is sufficient evidence that Vitamin C is being dumped into India. The Ministry has called for information from all interested parties within 40 days from

the date of publication of the notification with a view to imposing antidumping duty. Because of dumping of Vitamin C by foreign manufacturers, the Company was forced to curtail its production during the second half of 1996-97.

Business Development :

The Company continues to explore possible technical and other collaborations with foreign pharmaceutical companies and it is expected that the Company would be able to introduce some new products of Teva Pharmaceuticals Industries a leading company of Israel, in the area of Oncology and other therapeutic ranges.

Electronics :

The working of the Electronics division comprising Systronics, Telerad and SERC has been satisfactory. Profitability of Systronics has considerably improved.

Subsidiaries :

The Annual Accounts of the subsidiaries of the Company, except Opec Innovations Limited (Opec), are attached herewith. The Annual Accounts of Opec could not be finalised by them due to non-accessibility to its accounting records.

Opec Innovations Ltd. :

The Board for Industrial and Financial Reconstruction (BIFR) has not sanctioned the rehabilitation scheme of Opec as earlier proposed because the Banks financing the Company demanded higher amounts than what was earlier agreed upon. BIFR has notified the winding up of Opec. However, discussions are continuing with the Banks to arrive at a workable rehabilitation scheme.

Synbiotics Limited :

During June 1997, Bristol-Myers Squibb Company which held 40% of the equity capital of Synbiotics, have sold their holdings to your company for a nominal consideration. Thus, with effect from 3.6.1997 Synbiotics Limited has become a wholly owned subsidiary of the Company. It would be possible for the Company now to work out alternate revival plans for the subsidiary company engaged in manufacture of bulk drugs based on fermentation.

Swastik Household and Industrial Products :

Central Bank of India and Bank of Baroda had filed an appeal in the Gujarat High Court challenging the sanction of the Scheme of Arrangement by which erstwhile Soaps & Detergents division and Electronics division of the Company vested in Swastik Surfactants Limited and Sarabhai Electronics Limited respectively with effect from 1.7.1985. The Division Bench of the Gujarat High Court has set aside the scheme of arrangement. However, the Company has gone in appeal to the Supreme Court and has also filed an application in the Gujarat High Court for stay of the operation of the judgement of the Division Bench.

Directorate :

Dr. Anand Sarabhai, Mr. Anand Zaveri, Mr. Bhalchandra R. Shah and Mr. Suhrid Sarabhai retire by rotation pursuant to the provisions of Section 256 of the Companies Act. Being

eligible they offer themselves for reappointment.

Other matters :

Your Directors propose to place before the members a resolution to enable the Company to buy back its shares upto 10% of the issued and paid-up equity shares of your Company from the market on such terms as may be notified by Government of India and SEBI. This is an enabling resolution.

Your Directors have proposed some amendments in the Articles of Association of the Company and the same will be included in the notice for the Annual General Meeting. The proposed amendments are with a view to bring the Articles of Association of the Company in line with other leading corporate bodies in the country.

Deposits :

As on 31.3.1997, 201 depositors with deposits aggregating to Rs.8.22 lakh had not claimed the deposits after the date on which they became due for payment.

Energy Conservation, Technology Absorption and Foreign Exchange earnings and outgo :

Particulars of Energy Conservation, Technology Absorption and Foreign exchange earnings and outgo required to be given by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, are given in the Annexure to this Report in the prescribed format.

Particulars of Employees :

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 is given in the annexure forming part of this Report.

Insurance :

Building, Plant and machinery and stocks, have been adequately insured. The Company carries a risk for certain assets like goods in transit in respect of which any loss resulting from non-insurance is small.

Auditors Report :

Notes No. B(11), B(14) and B(17) forming part of the accounts are self-explanatory and clarify the observations made by the Auditors in sub-para a, b, c, and d of Para 4 of their Report. As regards their observations in Para 4(e), by an Agreement dated 2.8.1988 to which Swastik Surfactants Ltd. (SSL) is a party, SSL has acknowledged and confirmed its obligations to pay a sum of Rs.30 crore in four equal annual instalments commencing from 2001 and the said sum covers dues of SSL and some wholesale buyers to the Company and to its other associates. The Company has also notified particulars of all the payments made by it on behalf of SSL subsequent to 2.8.1988 to the Board for Industrial and Financial Reconstruction (BIFR). The Scheme of Rehabilitation has been kept in abeyance by BIFR in view of the fact that the Division Bench of the Gujarat High Court has allowed an appeal by Central Bank of India and Bank of Baroda against the Scheme of Arrangement sanctioned by Gujarat High Court. The Company has filed a SLP in the Supreme Court and also made an application to the Gujarat High Court for keeping the judgement in abeyance. SSL has moved the

Court denying any liability to ASE on absolutely frivolous grounds. The Company is taking appropriate steps to safeguard its interests.

Auditors :

Members are requested to appoint Auditors to hold office until the conclusion of the next Annual General Meeting and to fix their remuneration.

Acknowledgement :

Your Directors record their appreciation of the services of employees who have given their full co-operation to the Management in furthering the Company's interest.

For and on behalf of the Board
Kartikya V Sarabhai
Chairman

Ahmedabad
14.6.1997

Annexure to the Directors' Report

Disclosure of additional particulars as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, forming part of the Directors' Report for the period ended 31st March, 1997.

A. Conservation of Energy :

a) Energy conservation measures taken :

The Company has undertaken various measures for conservation of energy in critical areas including :

1. Power factor improvement
2. Measures to ensure quicker heat transfer
3. Monitoring of combustion efficiency of Glass Furnace and Boiler
4. Reuse of steam condensate as boiler feed water
5. Repairing of damaged insulation on steam line
6. Stopping of machines during idle hours.

The above measures have resulted in energy saving.

b) Additional investments and proposals :

It is proposed to gradually replace some of the refrigeration equipment with more modern ones to reduce energy consumption.

It is proposed to install Co-generation plant based on natural gas.

c) Impact of measures :

Though economies in consumption for comparable level of operations over previous year was achieved, the increase in tariffs had minimised the absolute benefits.

d) Total energy consumption and energy consumption per unit of production :

The required information is given in the prescribed Form A.

B. Technology absorption :

e) Efforts made in technology absorption :

Efforts made in Technology absorption are as per enclosed Form B.

C. Foreign exchange earnings and outgo :

f) Serious efforts are being made to increase the exports of basic drugs and formulations and to commence exports of third party products including non-pharmaceutical products. Efforts are also being made to identify and improving quality of few selected products for export purposes and identifying a few dealers abroad who could import our products and provide sound technical services.

g) Total foreign exchange used and earned :

Earnings from export of goods, commission etc.	: Rs.599.21 lakh
Used for import of raw materials, books and periodicals, travel expenses, etc.	: Rs.1146.98 lakh

FORM A

(DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY)

A. Power and fuel consumption

	Unit	Current year	Previous year
1. Electricity :			
a) Purchased (kwh)	'000	25782	27307
Total amount	Rs.lakh	958	800
Rate/Unit	Rs./Kwh	3.72	2.93
b) Own generation :			
(i) Through diesel generator (Kwh)	'000	903	260
Units per ltr. of diesel oil	Kwh/ltr.	2.81	2.87
Cost/Unit	Rs./Kwh	2.90	2.52
(ii) Through steam turbine /generator			
Units per ltr. of fuel oil/gas		Nil	Nil
Cost/Unit			
2. Coal (specify quantity and where used)		Nil	Nil
3. Furnace oil			
Quantity	K.Ltrs.	606	694
Total amount	Rs.lakh	42	39
Average rate	Rs./K.Ltrs.	6906	5668
4. Others - Natural Gas			
Quantity	1000 M3	11767	10420
Total cost	Rs. lakh	310	272
Rate/Unit	Rs./1000 M3	2633	2611

B. Consumption per unit of production :

	Standards	Current Year	Previous Year
Products	The Company produces a wide range of bulk drugs, pharmaceutical products, veterinary formulations and electronic instruments. It is not practicable to establish productwise energy consumption since bulk of electricity is used for services like water supply, cooling water, steam, airconditioning, refrigeration, etc. which are common to all products. The Company is therefore not in a position to give the productwise information.		
Electricity			
Furnace Oil			
Coal			
Others			

FORM B

(DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION)

Research and Development (R & D)

- Specific areas in which R & D carried out by the Company :
 - Process development for the bulk drugs and intermediates.
 - Development of new pharmaceutical formulations.
 - Development and standardisation of product packages.
 - Establishing the standards, specifications and analytical procedures of new products and intermediates.
 - Blood level studies of the new and existing formulations.
 - Chronic and acute toxicity studies for new product formulations.
 - Updating the specifications and analytical procedures for existing formulations.
 - Conducting clinical trials for the new drugs.
 - Development of microprocessor based products.
 - Improvement in product design and increased applications.
- Benefits derived as a result of the above R & D :
 - Developed economical processes for the manufacture of bulk drugs for captive consumption.
 - Developed formulations for new products and improvement in the existing formulations.
 - Cost reduction in existing formulations.
 - Blood level studies of new formulations.
 - New application of various equipments will have enlarged market.
 - Improved equipment design for better productivity.
- Future plan of Action :
 - Development of formulations for new drugs
 - Blood level studies for the new formulations
 - Clinical trials for new drugs
 - Process improvement in bulk drugs and formulations.
- Expenditure on R & D :

a) Capital	Rs. 2.49 lakh
b) Recurring	Rs. 96.84 lakh
c) Total	Rs. 99.33 lakh
d) Total R&D expenditure as a percentage of total turnover	0.34%

Technology absorption, adaptation and innovation

- The Company has two in-house R & D Centres duly recognised by the Department of Science & Technology, Government of India. These centres are -
 - Sarabhai Research Centre, Baroda (This Centre relate to drugs and pharmaceuticals operations).
 - Sarabhai Electronics Research Centre, Naroda, Ahmedabad.

The Research and Development Department keeps itself abreast of the technical development and innovations relating to the Company's line of products and brings about improvements in the products of the Company for better quality, process improvement, cost effectiveness and import substitution.

The Electronics Research Centre has developed and produced analytical and testing instruments based on in-house research. The Centre has also obtained technology transfer from Central Scientific Instruments Organisation, and the Department of Science and Technology for manufacture of Spectrophotometers.

- Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction; product development, import substitution, etc. :

The Research on drugs and pharmaceuticals have contributed to product improvement and cost reduction. The technology developed and absorbed in the field of electronic instruments have enabled foreign exchange saving for the country by import substitution.

- Technology imported during the last 5 years : Nil
- Year of Import : N.A.
- Has Technology been fully absorbed : N.A.

Auditors' Report

To the members of Ambalal Sarabhai Enterprises Limited

We have audited the attached Balance Sheet of Ambalal Sarabhai Enterprises Limited as at 31st March 1997 and the Profit and Loss Account of the Company for the year ended on that date.

A. As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

B. Further to our comments in the Annexure referred to in paragraph A above:

1. 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 ;
2. 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, subject to our comment in para 4(a) below ;
3. The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account ;
4. In our opinion and to the best of our information and according to the explanations given to us, the accounts, subject to ;
 - a) Note No.B.11 regarding non-provision of future gratuity to employees amounting to Rs.1970.10 lakh ;
 - b) Note No.B.14 regarding non-provision for demands raised by ONGC amounting to Rs.2854.56 lakh for reasons stated in the said note,
 - c) Note No.B.17 regarding adjustment in 1992-93 of debit balance in Profit and Loss Account amounting to Rs.2519.31 lakh against revaluation reserve which was not in accordance with the accounting practice recommended by the Institute of Chartered Accountants of India.
 - d) The Company continues to value its investments in Subsidiaries/erstwhile Subsidiaries at cost as per its accounting policies, though these Companies show a negative net worth.
 - e) The Company has to receive amounts as under from Subsidiary / erstwhile Subsidiary Companies:
 - i) Swastik Surfactants Ltd. ... Rs.2878.53 lakh
(See note under Schedule H 'Loans & Advances' for Contention of the Company)
 - ii) Sarabhai Machinery Ltd. ... Rs.607.01 lakh
 - iii) Haryana Containers Ltd. ... Rs.16.05 lakh
 - iv) Synbiotics Ltd. Rs.909.57 lakh

Sundry Debtors and Loans and Advances considered good also include Rs.2096.66 lakh due from erstwhile Wholesale Buyers as well as other Companies. Out of this amount, Rs.209.03 lakh is due from a Company in liquidation. No provision is made for the possible loss, if any, which may arise in respect of the recovery of the above dues, and, read with notes thereon,

Give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :-

- a) in the case of the Balance Sheet of the state of affairs of the Company as at 31.3.1997 and
- b) in the case of Profit and Loss Account of the Profit for the year ended on that date.

Ahmedabad
14.6.1997

For Sorab S Engineer & Co.
Chartered Accountants
M P Antia
Partner

Annexure to the Auditors' Report

Referred to in paragraph A of our report of even date on the accounts for the year ended on 31st March, 1997 of Ambalal Sarabhai Enterprises Limited.

1. Proper records of fixed assets other than furniture and vehicles have been maintained by the Company. Physical verification of major items of Plant and Machinery have been conducted by the management during the year. No material discrepancies were noticed on such verification.
2. None of the fixed assets were revalued during the year.
3. Physical verification has been conducted by the management at reasonable intervals in respect of finished goods, stores, spare parts and raw materials.
4. Procedures of physical verification of stocks followed by management are reasonable and adequate in relation to the size and the nature of its business.
5. No material discrepancies have been noticed on physical verification of stocks as compared to book records.
6. On the basis of our examination, we are satisfied that valuation of stocks is fair and proper and in accordance with normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has not taken loans from companies or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
8. The Company has not granted any loans to companies or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
9. Employees to whom loans have been given are generally repaying the principal amount and interest, if any, as stipulated. In respect of advances in the nature of loans to some of the Subsidiaries/ erstwhile Subsidiaries, there is no stipulation for recovery of principal amount.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials, plant and machinery, equipment and other assets and sale of goods.
11. According to the information and explanations given to us, there were no purchases and sale of goods and services in excess of Rs.50,000 in value during the year to firms or companies or other parties in which Directors are interested, as listed in the register maintained under Section 301 of the Companies Act, 1956.
12. As explained to us, unserviceable or damaged stores and raw materials are determined by the Company and adjustment for loss on such materials wherever necessary has been made in the accounts.
13. In respect of the deposits accepted from the Public, the provisions of Section 58A of the Companies Act, 1956, and the rules framed thereunder have been complied with.
14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap and by-products.
15. The Company has an internal audit system commensurate with the size and nature of its business.
16. We have broadly reviewed, without carrying out a detailed examination, cost accounts and records maintained by the Company in respect of such products as prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the same have been maintained, cost records in respect of Formulation activity could not be reviewed since they are under preparation.
17. Provident Fund and Employees' State Insurance dues have been regularly deposited by the Company, however there were delays in depositing the same. Total outstanding and due as on 31st March, 1997 in respect of Employees' State Insurance was Rs.2.12 lakh.
18. There were no undisputed amounts payable in respect of Wealth Tax, Customs Duty and Excise Duty outstanding as at 31st March, 1997 for a period of more than six months from the date they became payable. As regards Sales-Tax an amount of Rs.57.82 lakh pertaining to period of more than six months is not paid.
19. Personal expenses have not been charged to Revenue Account.
20. The Company is not a sick industrial company within the meaning of Clause (O) of Sub-Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In respect of trading activities of the Company, the damaged goods have been determined. Though the value of such goods is not significant, provision for such loss is made in the accounts.
22. The Company has a reasonable system of recording receipts, issues and consumption of materials and stores commensurate with its size and nature of its business. The system provides for a reasonable allocation of the materials and man-hours consumed to the relative jobs.
23. There is reasonable system of authorisation at proper levels with necessary control on the issue of stores and allocation of stores and labour to jobs. The Company has an internal control system commensurate with its size and nature of its business.

For Sorab S Engineer & Co.
Chartered Accountants
M P Antia
Partner

Ahmedabad
14.6.1997

Profit & Loss Account

for the year ended 31.3.1997

	Schedule	1996-97 Rs.lakh	1995-96 Rs.lakh
Sales & services		29432.07	24358.47
Other income	A	360.73	496.62
Income		29792.80	24855.09
Cost of sales & services	B	25387.03	21205.54
Excise duty		2679.97	2207.58
Expenditure		28067.00	23413.12
Gross margin		1725.80	1441.97
Interest			
on other than term loans	C	890.33	840.15
on term loans	D	96.28	72.48
Depreciation		523.98	531.06
Less : transfer from Capital Reserve No. 2 (Refer to Note No.B.6)		423.46	434.19
		100.52	96.87
Donations		0.78	0.13
Loss on assets sold/discarded	E	1.80	1.83
Net Profit		636.09	430.51
Income credited to Capital Reserve, brought back		--	135.24
		636.09	565.75
Employees' Separation Scheme		158.94	153.28
Award Arrears for previous years		--	113.65
Addl. Bonus for previous years		--	202.23
Fuel charges for previous years		400.95	--
Interest for previous years		40.49	--
		35.71	96.59
Surplus brought forward		1576.40	1479.81
Surplus carried to Balance Sheet		1612.11	1576.40
Notes	O		

Schedules A to E & O form part of the
Profit and Loss Account

As per our Report attached

For Sorab S Engineer & Co.
Chartered AccountantsM P Antia
Partner

14.6.1997

Kartikeya V. Sarabhai
ChairmanCVS Narayanan
DirectorTarang Mehta
Secretary

14.6.1997