

# Ambala Sarabhai Enterprises Ltd.

## Annual Report 1999 - 2000

### Board of Directors

**Kartikeya V Sarabhai**

*Chairman*

**Anand Sarabhai**

**Bhalchandra R Shah**

**CVS Narayanan**

*Wholetime Director*

**Govind Das Zalani**

*Wholetime Director*

**Om Dutt Gulati**

**Vinodchandra C Shah**

**Vipin N Jikar**

### Auditors

Messrs Sorab S Engineer & Co

Chartered Accountants

Ismail Building

381, Dr. D Naoroji Road

Fort, Mumbai

### Bankers

Punjab National Bank

Bank of India

State Bank of Saurashtra

Bank of Baroda

Canara Bank

### Registered Office

Dr. Vikram Sarabhai Marg,

Wadi Wadi, Vadodara 390 023.

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**ase Ambalal Sarabhai Enterprises Limited**

Regd. Office : Dr. Vikram Sarabhai Marg, Wadi Wadi, Vadodara 390 023.

**Notice**

The Twentysecond Annual General Meeting of the Company will be held on Thursday, the 21st September, 2000 at 11:00 A.M. at Mahatma Gandhi Nagar Grih, Near Jubilee Baug, Vadodara 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 31.3.2000 and the Balance Sheet as on that date.

**Item 2 :**

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

**Item 3 :**

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

**Item 4 :**

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

**Item 5 :**

To appoint Messrs Sorab S. Engineer & Co., Chartered Accountants, Mumbai as Auditors to hold office from the conclusion of this 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 6 - Ordinary Resolution :**

"RESOLVED THAT the Company hereby approves/ratifies/confirms and consents to the action of the Board of Directors of the Company (hereinafter referred to as the 'Board').

(i) in transferring and assigning 46 Trade Marks alongwith the goodwill in respect of veterinary products hitherto owned by the Company, more particularly described in the Deed of Assignment of Trade Marks executed on 15.6.2000 by the Company with Sarabhai Zydus Animal Health Limited (SZAHL);

and

(ii) in entering into a marketing arrangement with SZAHL in respect of veterinary products covered under 23 Trade Marks;

for an aggregate consideration of Rs. 73 crores.

"FURTHER RESOLVED that the acts, deeds, matters and things done/caused to be done by the Board, as it may have, in the exercise of its discretion, considered necessary and expedient and desirable in furtherance of the above and in the best interest of the Company are hereby approved, ratified and confirmed and that the Board be and is hereby authorised to do all remaining acts, deeds, matters and things, if any, as it may, in its absolute discretion consider expedient and desirable in the best interest of the Company".

**Item 7 - Special Resolution :**

"RESOLVED THAT pursuant to Clause (c)(ii) of Part-I of Schedule XIII of Companies Amendment Act, 1999 and the provisions of Section 269, 309, 310 and 314 and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the re-appointment of Mr. Govind D. Zalani as a Director in the whole-time employment of the Company initially for a period of one year with effect from 1.4.2001 and holding and continuing to hold an office or place of profit, subject to terms, conditions and stipulations contained in the draft Letter of Appointment to be issued by the

Company, a copy whereof is placed before the meeting and for the purpose of identification subscribed by the Chairman Mr. Kartikeya V. Sarabhai which is in line with Part II of Schedule XIII of the Companies Act, 1956.

**Item 8 - Special Resolution :**

"RESOLVED THAT pursuant to Clause (c)(ii) of Part-I of Schedule XIII of Companies Amendment Act, 1999 and the provisions of Section 269, 309, 310 and 314 and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the re-appointment of Mr. CVS Narayanan as a Director in the whole-time employment of the Company initially for a period of one year with effect from 1.4.2001 and holding and continuing to hold an office or place of profit, subject to terms, conditions and stipulations contained in the draft Letter of Appointment to be issued by the Company, a copy whereof is placed before the meeting and for the purpose of identification subscribed by the Chairman Mr. Kartikeya V. Sarabhai, which is in line with Part II of Schedule XIII of the Companies Act, 1956.

By Order of the Board of Directors,

CVS Narayanan

Director

27.7.2000

**Notes:**

1. 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.
2. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 is annexed hereto.
3. 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 16.9.2000 to 21.9.2000 (both days inclusive).

**Explanatory Statement :**

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

**Item 6:**

The Board of Directors of the Company has been constantly making efforts for restructuring various areas of operations of the Company, particularly with a view to strengthen functional areas.

A 50:50 Joint Venture Sarabhai Zydus Animal Health Limited (SZAHL) was formed in association with Cadila Healthcare Limited (Cadila) for marketing of veterinary products under trade marks being used by the Company and those being used by Cadila in their Subsidiary. The Company has on 15.6.2000 entered into a Deed of Assignment of Trade Marks with SZAHL. It has also entered into marketing arrangement in respect of veterinary products with SZAHL. The aggregate consideration for the assignment of Trade Marks, marketing arrangement and technical knowhow is Rs. 73 crores.

The Board is advised that the transfer of Trade Marks and entering into an agreement for marketing arrangement, are within the competence of Board of Directors and does not require any permission/sanction of the shareholders of the Company in terms of any provisions of the Companies Act and in particular Section 293(1)(a) of the Act.

However, by way of abundant caution, the Board considers it prudent to seek the shareholders' approval/ratification/confirmation for the said arrangement. Accordingly, resolution at Item 6 of the accompanying Notice is proposed for consideration and passing by the shareholders of the Company.

The Board of Directors of SZHL comprises of 6 Directors out of which 3 Directors have been nominated by your Company. The nominees of the Company as aforesaid are Mr. Kartikeya V. Sarabhai, the Chairman, Dr. Anand Sarabhai and Mr. CVS Narayanan, Directors. None of the Directors of the Company holds any share in SZHL.

The Directors of the Company may be deemed to be concerned or interested in the resolution appearing at Item 6 of the accompanying Notice only to the extent of their respective shareholdings in the Company.

#### Item 7 and 8 :

In terms of the resolutions passed by the shareholders of the Company at their meeting held on 21.9.1996, Mr. Govind D. Zalani and Mr. CVS Narayanan were appointed as whole-time Directors of the Company for a period of 5 years with effect from 1.4.1996. The term of 5 years of these Directors expires on 31.3.2001. Since both the Directors have attained the age of 70 years, pursuant to Clause (c)(ii) of Part I of Schedule XIII of the Companies Amendment Act, 1999, the re-appointment of both the Directors has to be approved by the shareholders. Mr. Govind D. Zalani and Mr. CVS Narayanan with their wide and varied experience have contributed substantially to the management of the Company. It is therefore proposed to re-appoint both of them initially for a further period of one year with effect from 1.4.2001, on the same terms and conditions as approved by the shareholders at their Annual General Meeting held on 21.9.1996.

The terms of remuneration of Mr. Govind D. Zalani and Mr. CVS Narayanan effective from 1.4.2001 are as under:

- (i) Salary Rs. 25,000/- per month.
- (ii) Commission : As may be determined by the Board of Directors subject to a maximum of 1% of the annual net profit of the Company or 50% of annual salary, whichever is less.
- (iii) Benefits : The total amount payable to each of the Directors in the form of benefits and perquisites other than (iv)(c), (d), (v) and (vi) herein, shall not exceed the amount of salary.
  - (a) Company's contribution towards provident fund as per rules of the Company, but not exceeding 10% of the salary as laid down under Income Tax Rules, 1962.
  - (b) Company's contribution towards pension/superannuation fund as per the rules of the Company, but it will not, together with the Company's contribution to provident fund, exceed 25% of the salary as laid down under the Income Tax Rules, 1962.
  - (c) Gratuity not exceeding 1/2 month's salary for each completed year of service as per the rules of the Company.
  - (d) Medical Benefits for self and family :  
Reimbursement of expenses actually incurred for self, wife and dependant children, the total cost of which to the Company will not exceed one month's salary.
  - (e) Leave travel concession for self, wife and dependant children:  
Once a year to and fro any place in India subject to the condition that only actual fares and no hotel expenses etc. will be allowed.
  - (f) Leave on full pay and allowances, as per the rules of the Company, but not exceeding one month's leave for every eleven months of service, and which can be accumulated upto a maximum of 90 days, subject to further condition that leave accumulated but not availed of will be allowed to be encashed at the end of the tenure.
- (iv) Perquisites :  
They shall be further entitled to the following perquisites :
  - (a) Furnished residential accommodation together with utilities such as gas, electricity, etc. the monetary value of which will be determined as per Income Tax Rules, 1962.

OR

House rent allowance not exceeding 40% of the salary.

The expenditures on gas, electricity, water, furnishings and amenities shall be borne by the Company, the monetary value of which shall be evaluated as per the Income Tax Rules, 1962.

- (b) Free use of car :  
The monetary value of which may be evaluated as per the Income Tax Rules, 1962.
- (c) Personal accident insurance of an amount the premium of which does not exceed Rs. 1000 per annum.
- (d) Free telephone facility at residence. Personal long distance calls shall be paid for by each of the Directors.
- (e) Subscription fees of clubs subject to a maximum of two clubs provided no admission fee or life membership fee is paid by the Company.
- (v) They will be entitled to reimbursement of actual out of pocket expenses incurred in connection with the business of the Company.
- (vi) They shall also be entitled to reimbursement of entertainment expenses actually and appropriately incurred for the business of the Company. The reasonable ceiling of such expenses may however, be fixed by the Company.
- (vii) In the event of loss or inadequacy of profits of the Company in any year, they shall be entitled to remuneration by way of salary and perquisites as specified above.

Mr. Govind D. Zalani and Mr. CVS Narayanan may be considered to be concerned or interested in the respective resolutions relating to their re-appointments and/or their terms of remuneration. None of the other Directors may be considered to be concerned or interested in the said resolutions.

The accompanying notice together with explanatory statement is and should be treated as an Abstract of the Terms and Memorandum of Interest under Section 302 of the Companies Act, 1956.

Your Directors commend the resolutions as set out in the Notice for your approval and acceptance.

By Order of the Board of Directors,  
CVS NARAYANAN  
DIRECTOR  
27.7.2000

Information pursuant to Clause 31 of the Listing Agreement executed by the Company with the Delhi Stock Exchange Association Limited, New Delhi.

- I The Equity shares of the Company have been listed at the following Stock Exchanges :
  - (a) The Stock Exchange  
Kamdhenu Complex  
Opp. Sahajanand College  
Panjarapole,  
Ahmedabad-380 015  
(Regional Stock Exchange)
  - (b) The Stock Exchange  
Phiroze Jeejeebhoy Towers  
Dalal Street  
Mumbai-400 001
  - (c) Delhi Stock Exchange Association Ltd.,  
DSE House  
3/1, Asaf Ali Road,  
New Delhi-110 002
- II Listing fees for the year 2000-2001 has been paid to each of the above Stock Exchanges.

## Directors' Report

To the Shareholders,

Your Directors present the report for the year 1999-2000. The financial results are as under :

	(Rs. lakh)	
	1999-2000	1998-1999
Turnover	23099	27099
Other income	1225	556
Total income	24324	27655
Gross Profit/(Loss)	(2375)	(1882)
Interest	1565	1234
Depreciation	123	120
Non Recurring Receipt-- net of Expenditure	4419	--
Taxation for earlier period	11	--
Net Profit/(Loss)	345	(3236)

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 turnover during the year was less than the previous year by about Rs. 40 crore. Effective November 1, 1999, the marketing of the Ethical Products division essentially comprising Sarabhai Chemicals products were transferred to the Joint Venture Company, Sarabhai Piramal Pharmaceuticals Ltd. Thus the turnover of the Company for the period 1.11.1999 to 31.3.2000 is accounted for on the basis of transfer price and not the selling price to the distributor. This has affected the turnover by about Rs. 26 crore for the period November '99 - March 2000.

### Human Health Products :

The turnover of the Human health products which was Rs. 160 crore during previous year has come down to Rs. 126 crore during current year. As explained earlier this reduction is mainly due to transfer of the marketing activities to the Joint Venture Company. It is worth mentioning that the Joint Venture Company, Sarabhai Piramal Pharmaceuticals Ltd., has shown an increase of a little over Rs. 60 crore in its turnover compared to the previous year.

### Veterinary Products :

The turnover of Veterinary products was about Rs. 54 crore compared to about Rs. 56 crore during previous year. This shortfall is mainly because of uncertainty in respect of one of the products of the Company which was banned for human use and which had an effect on the veterinary use as well. During the current year, the ban of the use of this drug in veterinary practice has been lifted by the authorities.

### Bulk Drugs :

The pressure on Vitamin C continued during the year on account of cheaper imports from China and Japan. In spite of anti-dumping duty imposed by Government the turnover of this drug continued to be affected. Government has, recently, issued a notification increasing the anti-dumping duty on imports from Japan as the difference between normal landed value of import and the rupee equivalent of \$12.62 per kg and in respect of imports from China, the difference between landed price and the rupee equivalent is \$12.17 per kg. This would effectively mean that imports from China would cost about Rs. 535 and from Japan Rs. 555 per kg. With this change in the anti-dumping duty the realisation on sale of Vitamin C by the Company would substantially improve and would act as disincentive to large scale of import of Vitamin C from China and Japan.

### Electronics :

There was a slight increase in the sales of the Electronics division and the working has been satisfactory.

### Exports :

The Export turnover which was around Rs. 8.4 crore during the last year has gone up to Rs. 10.2 crore. The Company is putting sufficient emphasis to increase turnover of exports.

### Business Development :

The Company has entered into a Memorandum of Understanding for marketing of Oncology products of M/s. Chiron Corporation, USA.

### Generic Products :

In August 1999 the Company introduced a number of products in the human range in Generic names. The total estimated market for Generic products in the country is about Rs. 4000 crore per annum and the Company plans to participate in this significant market segment. In the first full year of operation, the Company could achieve a turnover of about Rs. 10 crore which is expected to go up substantially in the coming years.

### Voluntary Retirement Scheme :

The Company announced a Voluntary Retirement Scheme and about 828 employees opted for retirement. With this, the total number of employees who have opted for voluntary retirement during the past 2 years is 1423. In addition, services of about 1350 employees were transferred to Joint Venture Companies.

### Subsidiaries :

The Annual Accounts of subsidiaries of the Company are attached.

#### (i) Synbiotics Limited :

Turnover of Synbiotics during the year decreased by about 16% compared to previous year. Synbiotics discontinued manufacture of Streptomycin Sulphate due to high cost of production compared to import and because of reduction in market demand. Sales of Amphotericin has increased significantly during the year. This helped Synbiotics to reduce its losses to some extent.

Due to the fact that Synbiotics could not achieve the projected operating profit as estimated in the rehabilitation plan approved by BIFR, the present scheme of Rehabilitation was recorded as "failed" in the review meeting held on 16.3.2000 and BIFR has directed Synbiotics to submit a fresh Revival Proposal. The Revival Proposal submitted to the operating agency incorporates starting of Streptomycin production with improved strain/culture and new technology to be imported from Italy. The Scheme after consideration by the operating agency will be submitted to BIFR.

#### (ii) Haryana Containers Limited :

The registered office of Haryana Containers Limited has been shifted from Delhi to Vadodara with effect from 1.4.2000 after obtaining necessary approval from the Company Law Board.

### Joint Ventures :

#### Sarabhai Piramal Pharmaceuticals Limited :

As members are aware, the Company has entered into Deed of Assignment of Trade Marks, technology, copyrights and marketing arrangement on 19.10.1999 in respect of some of the ethical products with Sarabhai Piramal Pharmaceuticals Limited (SPPL) for an aggregate consideration of Rs. 85 crore.

For the Financial Year ended 31st March, 2000, SPPL has made a net profit of Rs. 797.66 lakh and declared pro-rata dividend @ 15% on its equity. Your Company which holds equity in SPPL of Rs. 2250.03



lakh has thus received a dividend of Rs. 404.08 lakh during the current year i.e. 2000-2001 (for financial year 1998-99 and 1999-2000).

#### **Sarabhai Zydus Animal Health Limited :**

A 50:50% Joint Venture Sarabhai Zydus Animal Health Limited was formed in association with Cadila Healthcare Limited (Cadila) for marketing of veterinary products under trade marks being used by the Company and those being used by Cadila in their subsidiary. The trade marks, technical know how for manufacture of products covered by the trade marks of the Company and also copy rights relating to label, sales promotion and marketing materials of the products were transferred to the JVC for an aggregate consideration of Rs. 73 crore.

#### **Report of BIFR :**

During the year under report, the Company had made reference to BIFR and filed Report of the Board of Directors of the Company in pursuance of provisions of Section 23(1) (a) of Sick Industrial Companies Act, 1985. Consequent upon adoption of unaudited provisional financial results for the quarter ended 31.12.1999, the erosion in the peak net worth of the Company was below 50% and therefore your Company is out of the purview of provisions of The Sick Industrial Companies (Special Provisions) Act, 1985. Necessary intimation will be given to the Board for Industrial and Financial Reconstruction as soon as the accounts for 1999-2000 are adopted by the Shareholders.

#### **Demat :**

Securities and Exchange Board of India notified that the shares of the Company should be dealt on dematerialised form so far as Banks and Financial Institutions are concerned. Accordingly the Company has entered into an agreement with Central Depository Services (India) Limited and National Securities Depository Limited. Your Company has appointed M/s. MCS Ltd., Mumbai, as the Registrar and Transfer Agents (RTA) for this purpose. Shareholders other than banks and financial institutions also can transact the shares of the Company in the dematerialised form. Subsequently in May, 2000, SEBI has notified that effective August 28, 2000, the shares of your company shall compulsorily be traded in dematerialised form.

#### **Swastik Household and Industrial Products :**

The appeal filed by the Company in the Supreme Court against the order dated 23.2.1997 of the Gujarat High Court setting aside 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 are pending before Hon'ble Supreme Court for final disposal. As already reported, the Hon'ble Supreme Court has granted Special Leave to the Company to appeal against the said order of Gujarat High Court and has also granted stay of the operation of the said order till disposal of the appeals.

#### **Directorate :**

Mr. Suhrid Sarabhai, Dr. R. K. Mehta and Mr. K. J. Divatia resigned as Directors with effect from 31.5.1999, 30.10.1999 and 15.4.2000 respectively. The Directors placed on record their appreciation for the valuable services received from them during their association with the Company.

Mr. Bhalchandra R. Shah, Dr. Vinodchandra C. Shah and Mr. Kartikeya V. Sarabhai retire by rotation pursuant to the provisions of section 256 of the Companies Act, 1956. Being eligible, they offer themselves for re-appointment.

#### **Deposits :**

As on 31.3.2000, 164 depositors with deposits aggregating to Rs. 6.75 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 the report.

#### **Y2K Compliance :**

The roll over of your Company to the year 2000 was smooth and without any disruption due to Y2K problem.

#### **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.

#### **Auditor's Report :**

Notes No. B(10), B(13) and B(17) forming part of the accounts are self-explanatory and clarify the observations made by the Auditors in sub-para a, b and c of para 5 of their Report.

As regards their observations in para 5(e), by an Agreement dated 2.8.1988 to which Swastik Surfactants Limited (SSL) is party. SSL has acknowledged and confirmed its obligations to pay a sum of Rs. 30 crore in four equal annual installments commencing from 2001 and the said sum covers dues of SSL and some wholesale buyers of 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. As already reported, the Hon'ble Supreme Court has granted Special Leave to the Company to appeal against the said order of Gujarat High Court and has also granted stay of the operations of the said order till disposal of the said appeals.

#### **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  
Kartikeya V. Sarabhai  
Chairman  
27.7.2000

**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 year ended 31st March, 2000.

**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 Boilers.
  4. Reuse of steam condensate as boiler feed water.
  5. Repairing of damaged insulation on steam line.
  6. Stopping of machines during idle hours.
  7. Optimum use of utility depending upon process requirement.
- 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 earned and used :
- |  |                  |
|--|------------------|
| Earnings from export of goods, commission etc.                                 | Rs. 1145.15 lakh |
| Used for import of raw materials, books and periodicals, travel expenses, etc. | Rs. 1440.98 lakh |

**FORM A****(DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY)****A. Power and fuel consumption**

	Unit	Current year	Previous year
<b>1. Electricity</b>			
a) Purchased (kwh)	'000	12750	18564
Total amount	Rs. lakh	680	943
Rate/Unit	Rs./Kwh	5.33	5.08
b) Own generation			
(i) Through diesel generator(Kwh)	'000	31	144
Units per ltr. of diesel oil	Kwh/Ltr.	2.56	2.85
Cost/Unit	Rs./Kwh	4.98	4.31
(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
<b>3. Furnace oil</b>			
Quantity	K.Ltrs.	144	345
Total amount	Rs. lakh	14	27
Average rate	Rs./K.Ltrs.	9368	7893
<b>4. Others - Natural Gas</b>			
Quantity	1000 M <sup>3</sup>	3954	7464
Total cost	Rs. lakh	182	320
Rate/Unit	Rs./1000 M <sup>3</sup>	4599	4281

**B. Consumption per unit of production :**

Products	Standards	Current Year	Previous Year
<b>Electricity</b>	}	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.	
<b>Furnace Oil</b>			
<b>Coal</b>			
<b>Others</b>			

**FORM B****(DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION)****Research and Development (R & D)**

1. Specific areas in which R & D carried out by the Company :
- a) Process development for the bulk drugs and intermediates.
  - b) Development of new pharmaceutical formulations.
  - c) Development and standardisation of product packages.
  - d) Establishing the standards, specifications and analytical procedures of new products and intermediates.
  - e) Blood level studies of the new and existing formulations.
  - f) Chronic and acute toxicity studies for new product formulations.
  - g) Updating the specifications and analytical procedures for existing formulations.
  - h) Conducting clinical trials for the new drugs.
  - i) Improvement in product design and increased applications.
2. Benefits derived as a result of the above R & D :
- a) Developed economical processes for the manufacture of bulk drugs for captive consumption.
  - b) Developed formulations for new products and improvement in the existing formulations.
  - c) Cost reduction in existing formulations.
  - d) Blood level studies of new formulations.
  - e) New application of various equipments will have enlarged market.
  - f) Improved equipment design for better productivity/increased applications.
3. Future plan of Action :
- a) Development of formulations for new drugs
  - b) Blood level studies for the new formulations
  - c) Clinical trials for new drugs
  - d) Process improvement in bulk drugs and formulations.
  - e) Study and development of genetically engineered products.
  - f) Development of improved versions of various equipment.
4. Expenditure on R & D :
- |  |     |             |
|--|-----|-------------|
| a) Capital   | Rs. | Nil lakh    |
| b) Recurring   | Rs. | 122.91 lakh |
| c) Total   | Rs. | 122.91 lakh |
| d) Total R&D expenditure as a percentage of total turnover |     | 0.53%       |

**Technology absorption, adaptation and innovation :**

1. The Company has two in-house R & D Centres duly recognised by the Department of Science & Technology, Government of India.  
These centres are -
- 1) Sarabhai Research Centre, Baroda ( This Centre relate to drugs and pharmaceuticals operations).
  - 2) 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.
2. 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.
3. Technology imported during the last 5 years : Technology to Manufacture anti-cancer formulation
4. Year of import : 1997
5. Has Technology been fully absorbed : Yes

**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 2000 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 (Auditor's 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 paragraph 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 5(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. The Company has complied with the Mandatory Accounting Standards referred to in Sub Section (3C) of Section 211 of the Companies Act 1956 except what is stated in para 5 (a) below.
5. 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 10 regarding non-provision of future gratuity and leave encashment to employees amounting to Rs.2025.91 lakh.
  - b) Note No.B 13 regarding non-provision for demands raised by ONGC amounting to Rs.289.39 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.....  
(See note under Schedule 6  
'Loans & Advances' for Contention  
of the Company) ..... Rs. 2884.56 lakh
    - ii) Sarabhai Machinery Ltd..... Rs. 605.11 lakh

- iii) Haryana Containers Ltd ..... Rs. 26.68 lakh
- iv) Synbiotics Ltd ..... Rs. 2302.78 lakh

Sundry Debtors and Loans and Advances considered good also include Rs.3421.06 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 31.3.2000 and
- b) in the case of Profit and Loss Account of the Profit for the year ended on that date.

Vadodara  
23.6.2000

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, 2000 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 stock 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.50000/- 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 dues as on 31st March 2000 in respect of Provident Fund was Rs.44.17 lakh and Employees' State Insurance was Rs.82.62 lakh.
18. There were no undisputed amounts payable in respect of Wealth Tax, Customs Duty and Excise Duty outstanding as at 31st March, 2000 for a period of more than six months from the date they became payable. As regards Sales-Tax an amount of Rs.60.27 lakh and Income-Tax an amount of Rs.8.86 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 manhours 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.

Vadodara  
23.6.2000

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



**Profit & Loss Account**

for the year ended 31.3.2000

	Schedule	1999-2000 Rs. lakh	1998-99 Rs. lakh
Sales & services .....		23099.59	27098.65
Other income .....	1	1225.05	555.95
<b>Income</b> .....		<b>24324.64</b>	<b>27654.60</b>
Cost of sales & services .....	2	23831.37	26780.59
Excise duty .....		2868.09	2755.75
<b>Expenditure</b> .....		<b>26699.46</b>	<b>29536.34</b>
<b>Gross margin</b> .....		<b>-2374.82</b>	<b>-1881.74</b>
Interest			
on other than term loans .....		952.34	1029.86
on term loans .....		612.55	204.41
Depreciation .....		431.94	442.38
Less : transfer from Capital Reserve No.2 (Refer to Note No. B.6) .....		309.30	322.88
		122.64	119.50
Receipt on Transfer of Intellectual Property .....	3	6500.00	--
Surplus on Transfer of Trademarks .....		200.00	--
Donations .....		--	0.25
Employees Separation Scheme .....		1673.51	--
Professional fees pertaining to transfer of Intellectual Property/Trademarks .....		276.08	--
<b>Net Profit/Loss(-)</b> .....		<b>688.06</b>	<b>-3235.76</b>
Taxation for the earlier period .....		11.22	--
Fuel charges for earlier period .....		331.39	--
		345.45	-3235.76
Surplus/Deficit(-) brought forward .....		-1978.89	1256.87
<b>Surplus/Deficit (-) carried to Balance Sheet</b>		<b>-1633.44</b>	<b>-1978.89</b>
Notes .....	13		

As per our Report attached

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

23.6.2000

Kartikeya V. Sarabhai  
ChairmanCVS Narayanan  
DirectorAnuradha Prasad  
Asst. Secretary

23.6.2000