



**Ambalal Sarabhai Enterprises Limited**

**Annual Report 2002 - 2003**

**Board of Directors****Kartikeya V Sarabhai***Chairman***Anand Sarabhai****A.K. Shukla***Wholtime Director***Bhalchandra R Shah****CVS Narayanan****Govind Das Zalani****Om Dutt Gulati****Vinodchandra C Shah****Vipin N Jikar****Auditors**

Messrs. Sorab S Engineer &amp; Co

Chartered Accountants

Ismail Building

381, Dr. D. Naoroji Road

Fort, Mumbai

**Bankers**

Punjab National Bank

State Bank of Saurashtra

Bank of Baroda

UTI Bank Ltd.

**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, Vadodra 390 023

### Notice

The Twentyfifth Annual General Meeting of the Company will be held on Thursday, the 25th September, 2003 at 11.00 A.M. at Mahatma Gandhi Nagar Greh, Near Jubilee Baug, Vadodra 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 31.3.2003 and the Balance Sheet as on that date.

#### Item 2:

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

#### Item 3:

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

#### Item 4:

To appoint a Director in place of Dr. V. C. Shah, 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 - Special Resolution:

"RESOLVED that pursuant to the provisions of Section 269, 309, 310 and 314 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, consent of the Company be and is hereby accorded to the re-appointment of Dr. A.K. Shukla as a Director in the whole-time employment of the Company for a period of 3 years with effect from 3.5.2003 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 inter alia, and detailing the remuneration pattern which is in line with Part II of Schedule XIII of the Companies Act, 1956."

##### Item 7 - Special Resolution:

"RESOLVED that, subject to the provisions of the Companies act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereinafter, and subject to the relevant provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003) and subject to such 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", which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), consent is hereby accorded to the Board to delist the Company's Equity Shares from The Stock Exchange Ahmedabad and The Delhi Stock Exchange Association Limited."

By Order of the Board of Directors,  
Tarang Mehta  
Secretary  
8.8.2003

#### 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 16.9.2003 to 25.9.2003 (both days inclusive).
4. 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 till the date of meeting.
5. Members who hold equity shares in dematerialised form are requested to bring their DPID and client ID numbers for easy identification of attendance at the meeting.
6. The information relating to Re-appointment of Directors, as required to be given as per Corporate Governance Code, are as under:

#### Mr. Kartikeya V. Sarabhai

Mr. Kartikeya V. Sarabhai is a Director of the Company since 1992 and has been appointed as Chairman of the Company since 1995. He has been very actively associated with the operations of the Company and has been monitoring various areas of operations and management on day to day basis. It is, therefore, in the interest of the Company to re-appoint Mr. Kartikeya V. Sarabhai as a Director.

Mr. Kartikeya V. Sarabhai is also a Director on the Board of Directors of -

- i) ORG Informatics Limited
- ii) Symbolics Limited
- iii) Mautik Exim Limited
- iv) Asence Inc. USA
- v) Sarabhai Zydus Animal Health Limited
- vi) 29 other Private Limited Companies.

Mr. Kartikeya V. Sarabhai is also a member of Committees of Directors of the Company and ORG Informatics Ltd.

#### Mr. B.R. Shah

Mr. B.R. Shah is associated with the Company as a Director since 1995. He has been a prominent Senior Advocate in the High Court of Gujarat, Ahmedabad. He has to his credit wide professional experience in various corporate and other legislations. His being on the Board of the Company will be of immense help. It is, therefore, in the interest of the Company to re-appoint Mr. B.R. Shah as a Director of the Company. Mr. B.R. Shah is also a Director on the Board of Directors of Mautik Exim Limited and 4 other Limited Companies.

Mr. B.R. Shah is also a member of Committee of Directors of the Company.

#### Dr. V.C. Shah

Dr. V.C. Shah is associated with the Company as a Director since 1998. He is M.Com. Ph.D (Economics), Columbia and is a retired General Manager of ICI (Limited). He has wide and varied corporate business experience of different industries. It is, therefore, in the interest of the Company to re-appoint him as a Director.

Dr. V.C. Shah is also a Director on the Board of Directors of (i) Mautik Exim Limited (ii) ORG Informatics Limited and 5 other Limited Companies.

Dr. V.C. Shah is also a member of Committees of Directors of the Company and ORG Informatics Ltd.

#### Explanatory Statement:

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

#### Item 6

Dr. A.K. Shukla joined the Board of Directors of the Company with effect from 3.5.2001 and was appointed

as whole-time Director for a period of 2 years. This appointment had been approved by the shareholders at the Annual General Meeting held on 20.9.2001. Dr. A.K. Shukla is having professional qualifications of Master of Pharmacy (M.Pharm) and Doctorate (Ph.D.). Moreover, he has management experience in pharmaceutical companies of repute of over 25 years. He has been associated with the Company in various capacities since 1979 to 1987 and rejoined the Company during July 2000 as its Chief Operating Officer. Thus he has deep insight to the various management areas.

The tenure of appointment as whole-time Director of Dr. A.K. Shukla expired on 2.5.2003. Considering the contribution made by Dr. A.K. Shukla in the management operations of the Company on a day to day basis, the Board of Directors of the Company at its meeting held on 27.3.2003, subject to requisite approval/s re-appointed Dr. A.K. Shukla as whole-time Director of the Company for a period of 3 years with effect from 3.5.2003. The Remuneration Committee of Directors at its meeting held on 27.3.2003 approved the remuneration pattern to Dr. A.K. Shukla upon his re-appointment as mentioned below. The Company has made an application under section 269 of Companies Act for seeking the approval of the Central Government for his re-appointment.

(i) Salary Rs.70,000/- per month, i.e. Rs.8.40 lakh p.a.

(ii) Benefits:

The total amount payable to him in form of benefits and perquisites other than (i)(a)(b)(c)(f), (iii)(c) (d), (iv) and (v) herein, shall not exceed an amount of Rs.8,66,000 in any financial year during the entire tenure aforesaid.

(a) Company's contribution towards provident fund as per rules of the Company, but not exceeding 10% of the salary.

(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 rules of the Company.

(d) Medical Benefits for self and family:

Reimbursement of expenses actually incurred for self, wife and dependant children. However, such reimbursement, as it would exceed the maximum limit laid down under applicable tax-law, would subject to taxes, as applicable from time to time.

(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.

(iii) Perquisites:

He shall be further entitled to the following perquisites:

(a) Furnished accommodation together with utilities such as gas, electricity, etc. the monetary value of which shall be determined as per the Income Tax Rules, 1962 in force from time to time.

OR

He would be entitled to House Rent Allowance @ 40% of his monthly 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, in force from time to time.

(b) Use of Company's car:

The monetary value of which may be evaluated as per 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 him.

(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.

(iv) He will be entitled to reimbursement of actual out of pocket expenses incurred in connection with the business of the Company.

(v) He 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.

(vi) The Company shall deduct all taxes from his remuneration, as per applicable law, from time to time.

Dr. A.K. Shukla may be considered to be concerned or interested in the proposed resolution.

None of the other Directors of the company may be deemed to be concerned or interested in the said resolution.

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.

#### Item 7

As the members are aware, Presently the Company's securities are listed on the following Stock Exchanges in India:

1. The Stock Exchange Mumbai (BSE).
2. The Delhi Stock Exchange Association Ltd.
3. The Stock Exchange Ahmedabad.

With the wide and extensive networking of centres of the BSE and National Stock Exchange (NSE), the investors have access to online dealings in the Company's securities across the country. Moreover, the Company's Equity Shares are one of the scrips which Securities and Exchange Board of India (hereinafter referred to as "SEBI") has specified for settlement only in demat form by all investors, effective 28th August, 2000.

The trading volumes of the Company's equity shares on the Stock Exchange at Ahmedabad and Delhi are practically nil. In sharp contrast the listing fees paid to both the Stock exchanges constituted a sizable portion of the total listing fees paid to the Stock Exchanges for each financial year. The annual recurring listing fees paid to the said Stock Exchanges, do not now offer commensurate benefits to the Company/its investors in the changed scenario of the nationwide trading terminals set up by the BSE and NSE. The continued listing on the said Stock Exchanges is not considered necessary. It would further contribute to reduction in administrative costs/efforts of the Company. Therefore, the Board of Directors, at its meeting held on 30th June, 2003 has decided to apply for the voluntary delisting of the Company's Equity Shares from the said Ahmedabad and Delhi Stock Exchanges.

The proposed voluntary delisting of the Company's Equity Shares from the said Stock Exchanges will not adversely affect any investors including the Members located in the regions where the said Stock Exchanges are situated. Pursuant to the SEBI (Delisting of Securities) Guidelines 2003, it is now proposed to seek the Members' approval by way of a Special Resolution for the voluntary delisting of the Company's Equity Shares from the said Stock Exchanges as set out in the resolution at Item 7 in terms of the said guidelines, as the Company's Equity Share shall continue to remain listed on BSE, No Exit Option is required to be offered to the shareholders.

The proposed delisting is in the interest of the Company and the Board commends the resolution for acceptance by the Members.

None of the Directors of the Company is concerned or interested in the resolution at Item 7.

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

By Order of the Board of Directors  
Tarang Mehta  
Secretary  
8.8.2003

**Directors' Report**

To the Shareholders,

Your Directors present the report for the year 2002-03. The financial results are as under:

	(Rs.lakh)	
	2002-03	2001-02
Turnover (Net)	12649	14909
Other Income	1825	1340
Total Income	14474	16249
Interest	955	751
Depreciation	205	145
Operating Profit/(Loss) before extraordinary income/expenditure	(2605)	(2322)
Adjustment for past provisions upon settlement of liability.	-	1625
Net Profit/(Loss) before Taxation	(2605)	(697)
Taxation for earlier period	39	-
Net Profit/(Loss)	(2644)	(697)

Your Directors regret their inability to recommend payment of any dividend in view of loss during the year.

**Operations:**

As could be seen from the audited statement of accounts annexed herewith, there was a reduction in turnover by about Rs.23 crore compared to the earlier year. The slow down in the growth rate in the industry in general and unfavourable market conditions were the major factors which affected the turnover of the Company. The operating margin/s were also consequentially adversely affected.

During the year under report, your Company continued its process of achieving cost reduction in its various areas of operations. This process is still continuing and the management is continuously exploring the possibilities of implementing various cost-reduction measures.

Your Company has set up a 4.6 M.W. Co-generation Plant for generation of electricity and steam with natural gas available to the Company. The Power plant has been made operational since June 2002. The utilisation of power and steam generated by this plant has offered reduction in the cost of power and fuel. It is expected that with increased utilisation of the capacity of the plant, it would be possible for the Company to further reduce its cost of power & fuel.

Your Company has strengthened its own marketing-wing with a view to increase the sales-volume of Speciality Products of your Company. Your Company is planning for introduction of few newer generic products.

As a part turn-around strategy, with a view to develop focussed business approach, your Board of Directors proposed a Scheme of Arrangement & Restructure in the nature of De-merger of the Investment Division of the Company, and vesting the said Investment Division in Mautik Exim Limited (MEL), Ahmedabad (the wholly-owned subsidiary of your Company), upon terms and conditions mentioned in the Scheme. The shareholders of the Company have accorded requisite approval/s to the said Scheme at Court Convened General Meeting held on 16th January 2003. The Company has thereafter filed the requisite Company Petition before the Hon'ble High Court of Gujarat, Ahmedabad for seeking its sanction to the said Scheme. Some parties have raised objections to the Scheme and the Company is suitably handling the same.

With a view to establish a focused approach in relation to exports of branded and generic products and of bulk drugs of your Company/its Subsidiary, (Synbiotics Limited), it was considered desirable to handle exports operations by a separate entity.

Besides offering management efficiencies, this business-model would enable exploring possibilities of deriving financial-strengths options. Asence Inc. USA (the wholly owned subsidiary of the Company) has established its branch office in India during the current year and with effect from 1st July, 2003, the exports related operations of your Company, are being carried-on by Asence Inc. on an exclusive basis. It is expected that this would improve export performance of the Company.

The exports amounted to Rs. 11 crore during the year as compared to Rs.10 crore in previous year.

**Joint Venture:**

Working of the Joint Venture Company, Sarabhai Piramal Pharmaceuticals Pvt. Ltd., (SPPPL) for the year ended 31.3.2003 was about 2.7% lower than previous year mainly due to price reductions in its four major brands.

SPPPL had declared and paid dividend @ 25% on its equity share capital and your Company's share in the dividend is Rs.5.62 crore.

The turnover of another Joint Venture, Sarabhai Zydus Animal Health Limited for the year ended 31.3.2003 was Rs.74 crore as compared to Rs.78 crore in the previous year.

**Human Health Products.**

The turnover of the human health products during the year under report amounted to Rs.65 crore. (Rs.82 crore in the previous year) which include the products supplied to Joint Venture Companies and also Speciality Products.

**Bulk Drugs:**

Your Company has achieved a sales volume of Rs. 9 crore in the sale of Vitamin-C during the year under report as compared to Rs.20 crore in the previous year. The downfall in the sales volume was mainly on account of unremunerative market prices due to availability of cheaper imports in the market.

**Electronics:**

Your Company has achieved a sales volume of Rs.17 crore in the sales of Electronic Division during the year under report as compared to Rs.16 crore in the previous year.

**Generic Products:**

The sales of Generic products was Rs.4 crore during the year under report as compared to Rs.10 crore in the previous year due to severe competition. The Company plans to strengthen these operations during the current year.

**Corporate Governance:**

As required under the amended Listing Agreement with the Stock Exchanges, the details required to be given in the area of Corporate Governance are attached to this report.

A certificate from the auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated in the Listing Agreement is also attached to this report.

**Subsidiaries:**

The Report and Accounts of the subsidiary companies are annexed to the Report along with the statement pursuant to Section 212 of the Companies Act, 1956. However, in the context of mandatory requirement to present consolidated accounts, which provides shareholders with a consolidated position of the Company including subsidiaries, at the first instance, shareholders are being provided with the Report and Accounts of the Company treating these as abridged accounts as contemplated by Section 219 of the Companies Act, 1956.

Shareholders desirous of receiving the full Report and Accounts including the Report and Accounts of the subsidiaries will be provided the same on receipt of a written request from them. This will help to save considerable cost in connection with printing and mailing of the Report and Accounts.

**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. 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 order till disposal of the appeals. Meanwhile, with a view to settle all the pending issue/s with Swastik Surfactants Limited relating to erstwhile Swastik (Soap & Detergents) Division, the management of your Company had initiated a dialogue with the management of Swastik Surfactants Limited. After series of meetings and negotiation/s, MOU is since signed on 5.2.2002 by your Company with SSL detailing therein the understanding reached between SSL and your Company.

**Directorate:**

Pursuant to the provisions of Section 256 of the Companies Act, 1956. Mr.Kartikeya V. Sarabhai, Mr. B. R. Shah and Dr.V.C. Shah retire by rotation but being eligible offer themselves for re-appointment.

Subject to requisite approval/s as required under Section 269 and other applicable provisions of the Companies Act, 1956, Dr.A.K. Shukla has been re-appointed as whole-time Director of your company for a period of 3 years with effect from 3.5.2003. Necessary resolution seeking approval/s of the shareholders of the Company for his re-appointment has been included in the accompanying notice convening the Annual General Meeting of your Company.



**Fixed Deposits:**

As on 31.3.2003, 159 depositors with deposits aggregating to Rs.6.56 lakh had not claimed the deposits after the date on which they became due for payment. As required under the provisions of the Companies Act, 1956, your Company has since transferred an amount of Rs.6.56 lakh to a separate Investors Protection Fund in its accounts of financial year 2002-03.

**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 not given since there was no employee drawing remuneration as prescribed under the said Section.

**Directors' responsibility statement.**

As required under Section 217(2AA) of the Companies Act, 1956, we hereby state:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures, if any.
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2003 and of the loss for the year ended on that date.
- (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) that the Directors had prepared the annual accounts on a going concern basis.

**Insurance:**

Building, Plant & 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(7) and B(II) forming part of the notes to accounts are self-explanatory and clarify the observations made by the Auditors in sub-para 4(f)(I) and (II) of their Report.

As regards their observations in para 4(f)(iv), 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 Vadodara 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  
Kartikaya V. Sarabhai  
Chairman  
8.8.2003

**AUDITORS' CERTIFICATE**

To the Member of

Ambalal Sarabhai enterprises Limited

Vadodara

We have examined the compliance of conditions of Corporate Governance by Ambalal Sarabhai Enterprises Limited for the year ended 31st March, 2003 as stipulated in clause 49 of the Listing Agreement with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the 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.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

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

Place: Vadodara

Date : 30.6.2003

**Annexure- A 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 2003.

**A. Conservation of Energy:**

- i) Energy conservation measures taken:
  1. Power factor improvement
  2. Quicker heat transfer
  3. Monitoring of combustions efficiency
  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
  8. Operation of Gas based Co-generation plant.
  9. Replacement of reciprocating refrigeration plant by direct fired vapour absorption plant.
  10. Use of R.O. water in place of raw water for the manufacturing of D.M. water.
  11. Installation of auto-transformer in main lightning panel.
- ii) Additional investments and proposals:
  1. Gradually some of the existing refrigeration equipment would be replaced with more modern ones to reduce energy consumption. The co-generation plant based on natural gas has been installed by the company.
  2. Installation of variable frequency drive for chiller damper/agitators.
  3. Automatic power factor correction system.
  4. Conservation of water by recycling of Raw Water and distilled water.
- iii) Impact of measures:
 

Economies in consumption for comparable level of operations over previous year were achieved.
- iv) Total energy consumption and energy per unit of production - as per Form A attached hereto.

**B. Technology absorption:**

Efforts made in technology absorption are - as per Form B attached hereto

**C. Foreign exchange earnings and outgo:**

- i) The company is putting all efforts to boost up the exports of various basic drugs and formulations and also to export third party products, including non-pharmaceutical products. In this direction, the Company is endeavouring to identify and improve the quality of various products for export market. The company is also forging tie ups with various parties abroad to strengthen the exports.

## ii) Total foreign exchange earned and used:

	Rs. Lakh
Total foreign exchange earned	1159.60
Total foreign exchange used	1534.05

**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	2,527	11,385
Total amount	Rs.lakh	159	663.
Rate/Unit	Rs./kwh	6.29	5.82
b) Own generation(kwh)	000	9,294	Nil
Total Cost	Rs. Lakh	472	Nil
Cost/Unit	Rs./kwh	5.08	Nil
2 Coal		Nil	Nil
3 Furnace oil			
Quantity	K. ltrs.	Nil	170.00
Total cost	Rs. Lakh	Nil	19.00
Average rate	Rs./K. ltrs.	Nil	11,176
4 Other - Natural gas			
Quantity	1000M <sup>3</sup>	6,241	4,538.00
Total cost	Rs.lakh	231	187.00
Rate/unit	Rs./1000M <sup>3</sup>	3,705	4,121

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

Products	Standards	Current year	Previous year
Electricity	The Company produces a wide range of bulk drugs, pharmaceutical preparations and electronic instruments etc. It is not practicable to establish each product wise energy consumption since bulk of electricity is used for services like water supply, cooling water, steam, air-conditioning, refrigeration etc. which are common to all products. The company is therefore not in a position to give the product wise information.		
Furnace Oil			
Coal			
Others			

**Form B****(Disclosure of particulars with respect to technology absorption)****A. Research and Development (R & D)**

- 1 Specific areas in which R & D has been carried out by the Company:
  - a) Process development for the bulk drug and intermediates.
  - b) Development of new pharmaceutical formulation
  - c) Development and standardization of product packages.
  - d) Establishing the standards, specifications and analytical procedures of new products and intermediates.
  - e) Blood level studies of the new product 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.
  - j) Scientific, Analytical, Electronic Test & Measuring Instruments and Cathode Ray Oscilloscope by Electronic Research Centre.
2. Benefits derived as a result of the above R&D:
  - a) Development of economical processes for the manufacture of bulk drugs for captive consumption.
  - b) Development of formulations for new products and improvement in the existing formulations.
  - c) Produce / improve instruments by Electronic Research Centre like - Water Analyzer, Burette less titrator, Auto Scanning Visible Spectrophotometer, Split beam Spectrophotometer, Dry bath, Filter base clinical chemistry analyzer, Leaf area meter, Flame photometer etc.
3. Future plan of action:
  - a) Development of formulations for new drugs.
  - b) Blood level studies of new formulation.
  - c) Clinical trials for new drugs.
  - d) Process improvement in bulk drugs and formulations.
  - e) Study and development of genetically engineered products.
  - f) Development and improvement of HPLC Detector with, Spectro Fluorometer, Stand alone double beam Spectrophotometer, LPLC, 100 MHz CRO etc. products by Electronic Research Centre.
4. Expenditure on R & D:
 

	Rs. Lakh
a) Capital	-
b) Recurring	87.15
Total	87.15
- c) Total R & D expenditure as a percentage of total turnover : 0.60

**B. Technology absorption, adaptation and innovation:**

1. The Company has in house R&D Centers recognized by the Department of Science & Technology, Government of India. One of the centers caters to R&D activities in the area of Drugs & Pharmaceuticals while another operates in the area of Electronics. The Research and Development department keeps itself abreast of the latest 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 Center has developed and produced analytical and testing instruments based on in-house research. The center has also obtained technology transfer from Central Scientific Instruments Organization, and the Department of Science and Technology for manufacture of Spectrophotometers.
2. Benefits derived as a result of the above efforts:  
The Research on drugs and pharmaceuticals have contributed to product improvement and cost reduction. The technology developed and absorbed and absorbed in the field of electronic instruments has served scarce foreign exchange resources for the country by developing import substitution.

**Annexure- B to the Directors' Report****Management Discussions and Analysis Report****a) Industry structures and developments:**

The Indian Pharmaceutical industry grew by 5.7% during 2002-03. Industry growth was severely impacted during January-March'03 when growth registered was only 0.67%.

The Government had announced Pharmaceutical Policy 2002, inter alia, to replace the Drug Policy 1984, as modified from time to time. The policy is expected to further reduce the products under price control and provide growth impetus to the pharmaceutical industry. However, implementation of the policy is awaited.

**b) Opportunities and Threats:**

Your Company operates in an area where a large market exists and offers ample opportunities for growth. Your Company's products are well-received in the market.

**c) Sector wise performance:**

Sector wise performance has been enumerated in the Directors' Report.

**d) Outlook :**

Your Directors are also aware of the fact that Indian pharmaceutical industry is highly competitive and fragmented. The management is conscious about this and is taking necessary steps.

**e) Risks and concerns:**

The external factors such as slow down in the market, uncertain monsoon and competition are common risk to all the industrial sectors. It is therefore necessary to address urgently to the effects of these risks on the business of the Company. Risks which are internal on which the Directors and the management would have control, are being taken care of.

**f) Internal control systems and their adequacy:**

The internal control systems are continuously being fine tuned in line with the changing requirements in the industry.

With regular review of the systems by the Audit Committee of the Board, the internal control within the organisation would be further strengthened.

**g) Financial performance:**

Financial performance of the Company has been indicated in the Directors' Report.

**h) Human resources/Industrial relations:**

The focus of the management is on the organisational development and to imbibe new organisation values - entrepreneurship, team work achievement and commitment.

The relations between the management and workmen have remained cordial.

Total employees strength of the Company is 3094 at the end of the year under review.

**ANNEXURE 'C' TO THE DIRECTORS' REPORT****REPORT ON CORPORATE GOVERNANCE****I. Corporate Governance Philosophy :**

The Company has put in place an appropriate structure of Corporate Governance by implementing relevant provisions of Corporate Governance Code of Securities and Exchange Board of India (SEBI) as also Companies Act, 2000.

Your Company has been practicing the broad principles of Corporate Governance over the years by placing strong emphasis on transparency, empowerment, accountability and integrity so as to continuously enhance the stakeholders value - the shareholders, the customers, the employees and the creditors.

**II. Board of Directors (Board) :**

Presently, the Board, comprises of 9 Directors of whom 2 are Executive, and 7 are Non-Executive Directors. The Non-Executive Directors are eminent industrialists and/or professionals with experience in over-all management, pharmaceuticals, finance, law, commerce, taxation and accounts who bring a wide range of skills and experience to the Board.

**a) Number of Board Meetings:**

During the financial year ended on 31st March, 2003, the Board of Directors met 13 times on the following dates.

25.4.2002	30.5.2002	25.6.2002
30.7.2002	12.9.2002	24.9.2002
26.9.2002	25.10.2002	30.10.2002
19.11.2002	7.1.2003	30.1.2003
27.3.2003		

**b) Composition of the Board:**

Name of Directors	Category Executive/ Non-executive/ Independent	No. of other Directorships Held @	No. of Committee Memberships in other companies @	No. of Board Meetings attended during 2002-2003	Attendance at last AGM held on 26.9.2002.
Kartikaya V. Sarabhai	Chairman/ Executive	34	1	13	Yes
Anand Sarabhai	Non-Executive/ Independent	52	-	6	Yes
A.K. Shukla	Executive/ Independent	6	-	13	Yes
B. R. Shah	Non-Executive/ Independent	5	-	12	Yes
CVS Narayanan	Non-Executive/ Independent	7	4	13	Yes
G.D. Zalani	Non-Executive/ Independent	2	-	10	Yes
O.D. Gulati	Non-Executive/ Independent	1	-	11	Yes
V.C. Shah	Non-Executive/ Independent	7	1	11	Yes
V.N. Jikar	Non-Executive/ Independent	6	-	13	Yes

@ Includes private Companies.

**III. Committees of Directors :**

The involvement of non-executive Directors in providing guidance on policy matters to the operating management is formalised through constitution of committees of the Board. These committees provide periodical and regular exchange of information and ideas between the Non-Executive Directors and the operating management.

The Board, has accordingly as required under the Code of Corporate Governance, constituted following Committees:

**A) Audit Committee comprises of following Independent Directors of the Board:**

Dr. V.C. Shah - Chairman  
Mr. V.N. Jikar  
Mr. B.R. Shah  
Mr. CVS Narayanan

The broad terms of reference specified by the Board to the Audit Committee are as contained under Clause 49 of the Listing Agreement and under the Companies Act.

During the financial year ended on 31st March, 2003, three meetings of the Committee were held and were attended to by all the Committee Members except Dr.V.C. Shah who has attended two meetings.

**B) Investors/Shareholders Grievance Committee comprises of following Directors from the Board:**

Mr.V.N. Jikar - Chairman  
Dr.V.C. Shah  
Mr.B.R. Shah  
Mr.CVS Narayanan  
Mr.Kartikaya V. Sarabhai

The Committee met once during the financial year ended on 31st March, 2003 which was attended to by all the members thereof.

Matters attended to by Investors/Shareholders Grievance Committee:

- |  |   |     |
|--|---|-----|
| i) No. of complaints received during the year.                   | - | 18  |
| ii) Outstanding complaints for reply as on 31.3.2003.            | - | Nil |
| iii) Pending share transfer cases for approvals as on 31.3.2003. | - | Nil |
| iv) Pending Demat cases as on 31.3.2003.                         | - | Nil |

**C) a) Remuneration Committee :**

Remuneration Committee comprises of following Directors from the Board:

Mr. V.N. Jikar - Chairman  
Dr. Anand Sarabhai  
Dr. V.C. Shah  
Mr. B.R. Shah

The Committee met once during the financial year ended 31.3.2003 which was attended to by all the members thereof.

**b) Details of Remuneration paid to Directors :**

Sr. No.	Director	Relationship with other Directors	Sitting fees paid for attending Board & Committee Meetings (2002-03) Rs.	Salaries & perquisites (including P.F., Super Annuity & Gratuity (2002-03) Rs.	Commission (2002-03) Rs.	Total (2002-03) Rs.
1	Kartikaya V. Sarabhai Chairman	None	Nil	6,52,200.00	Nil	6,52,200.00
2	Anand Sarabhai	None	7,000.00	Nil	Nil	7,000.00
3	A.K. Shukla	None	Nil	14,30,483.00	Nil	14,30,483.00
4	B.R. Shah	None	17,000.00	Nil	Nil	17,000.00
5	CVS Narayanan	None	54,000.00	Nil	Nil	54,000.00
6	G.D. Zalani	None	16,000.00	Nil	Nil	16,000.00
7	O.D. Gulati	None	11,000.00	Nil	Nil	11,000.00
8	V.C. Shah	None	14,000.00	Nil	Nil	14,000.00
9	V.N. Jikar	None	18,000.00	Nil	Nil	18,000.00

**c) Details of Terms of Contracts of Whole time Directors :**

The contract of Mr. Kartikaya V. Sarabhai, Chairman, is for a period of 5 years with effect from 1.4.2001 and the terms of remuneration were approved by the shareholders at the Annual General Meeting held on 20.9.2001. The initial tenure of appointment as whole-time Director of Dr.A.K. Shukla expired on 2.5.2003. The Board of Directors of the Company at its meeting held on 27.3.2003 subject to requisite approval/s, re-appointed Dr.A.K. Shukla as whole-time Director of the Company for a period of 3 years with effect from 3.5.2003. The Remuneration Committee of Directors at its meeting held on 27.3.2003 approved the remuneration upon his re-appointment. An appropriate resolution seeking approval / consent of the shareholders of the Company is proposed for the consideration of the shareholders at the ensuing AGM. The Company has also made an application to Central Government for the re-appointment of Dr.A.K. Shukla as whole-time Director of the Company.

**IV General Body Meetings :**

The last three Annual General Meetings and one Extra-ordinary General Meeting of the Company were held at Mahatma Gandhi Nagar Grih, Near Jubilee Baug, Vadodara on the following dates and time.

- |                   |                      |            |
|-------------------|----------------------|------------|
| 1. 22nd AGM       | 21st September, 2000 | 11.00 A.M. |
| 2. 23rd AGM       | 20th September, 2001 | 11.00 A.M. |
| 3. 24th AGM       | 26th September, 2002 | 11.00 A.M. |
| 4. Court convened | 16th January, 2003   | 11.00 A.M. |
- Adjourned Meeting of Equity Shareholders

All the resolutions set out in the respective Notices of the meetings aforesaid were passed by the shareholder/s of the Company at the meetings and as such there was no occasion for the Company to put any resolution through postal ballot on any of the matter/s as mandated by Section 192A of the Companies Act/Clause 49 of the Listing Agreement.

The Court Convened Adjourned Meeting of Equity Shareholders was convened on 16.1.2003 in terms of the order of the Hon'ble High Court of Gujarat pursuant to the provisions of the Companies Act, 1956 with a view to consider the Scheme of Arrangement & Restructure (De-merger) of Investment Division of the Company and vesting the same with Mautik Exim Limited, Ahmedabad. The resolution relating to the Scheme was approved at this meeting by the majority of the shareholders in number representing more than 3/4 in value.

At the ensuing AGM, there are no Special Resolutions for which postal ballot is mandated under Section 192A of the Companies Act/Clause 49 of the Listing Agreement.

# 8 Ambalal Sarabhai Enterprises Limited

## V Disclosures :

- 1) As required under the Companies Act, the Directors disclose the name of the Companies / parties in which they are interested and accordingly the Register of Contracts Under Section 301 of the Companies Act, 1956 is tabled and signed at the Board Meeting/s.
- 2) Transactions with the "related parties" are disclosed in detail in note No. 22 in Schedule 12 "Notes forming part of Accounts" annexed to the financial statements for the year ended 31st March 2003. Adequate care was taken by the Board to ensure that the potential conflict of interest did not harm the interest of the Company.
- 3) There was no non-compliance during the last three years by the Company on any matter related to Capital Market.

## VI Means of Communications :

- a) Quarterly / Half Yearly Financial Results of the Company were forwarded to the Stock Exchanges at Ahmedabad, Mumbai and New Delhi and published in following news papers:  
Loksatta - Gujarati language  
Business Standard - English language
- b) The Company has not made any presentations to any Institutional Investors / Analyst during the year.
- c) Management Discussion & Analysis Report is covered in Directors' Report to the Members. (Ref. Annexure - B)

## VII General Shareholder Information :

- a) Annual General Meeting  
Date : 25th September, 2003  
Time : 11.00 A.M.  
Venue : Mahatma Gandhinagar Grih,  
Near Jubilee Baug, Vadodara
- b) Date of Book Closure : 16.9.2003 to 25.9.2003
- c) Financial Calendar : 2003-04  
Event Board Meetings  
i) Unaudited Results Qtrly. June 03 July' 03  
Unaudited Results Qtrly. Sep.03 Oct.'03  
Unaudited Results Qtrly. Dec.03 Jan.'04  
Audited Accounts Mar.04 by June '04  
ii) Annual General Meeting September 2004

## d) Stock Exchanges where securities are listed

### Stock Code:

1. The Stock Exchange, Ahmedabad : 05450
2. The Stock Exchange, Mumbai : 6779
3. The Stock Exchange, New Delhi : 3974

The Board of Directors of the Company has already proposed to delist equity shares from The Stock Exchange, Ahmedabad and Delhi. This proposal has been intimated to the respective Stock Exchanges. At the ensuing AGM, an appropriate resolution is being proposed for seeking approval/consent of the shareholders of the Company.

## e) Listing fees for the year 2003-2004 is paid to The Stock Exchange, Mumbai.

## f) Stock Price Data :

MONTH	HIGH (BSE)(Rs.)	LOW (BSE)(Rs.)
April-2002	9.40	4.10
May-2002	7.00	5.10
June-2002	9.70	5.75
July-2002	9.85	5.40
August-2002	6.15	5.50
September-2002	5.55	4.55
October-2002	5.25	4.25
November-2002	5.25	4.20
December-2002	5.85	4.45
January-2003	5.15	4.35
February-2003	4.90	3.35
March-2003	4.00	3.25

## g) Share Transfer System :

The shares of the Company are compulsorily to be traded in dematerialisation form, w.e.f. 28.8.2000, as per SEBI's directive. The Company has already appointed MCS Ltd., Vadodara as its RTA for dematerialisation purposes and also has set up the requisite facilities for dematerialisation of shares with National Securities Depositories Ltd. (NSDL) and Central Depository Securities (India) Ltd. (CDSL).

For physical Share Transfer, if the share transfer documents are otherwise in order, share transfers are registered upon approval by the Share Transfer Committee of Directors, the meetings of which Committee of Directors are generally held at regular intervals of about 15 days, demat

option letters cum share transfer intimations are sent to the transferees and thereafter, duly transferred share certificates are despatched after giving stipulated/reasonable time to the investors to exercise demat options.

The total number of shares transferred in the Non-Dematerialised segment during year 2002-2003 was 349720.

- h) In compliance with SEBI directive, the Board of Directors has appointed Common Agency viz. MCS Limited for share registry work for both Physical as well as Electronic Connectivity with effect from 1.4.2003.

## i) Distribution of Shareholding - as on 31st March, 2003 :

Category	No. of Shares		%
	Physical	Demat	
Promoters	62,01,011	1,03,64,333	25.517
FII/NRI	2,45,388	65,819	0.480
Public Financial Institutions & Nationalised Banks	3,60,365	3,11,158	1.034
Mutual Funds/UTI	-	-	-
Bodies Corporate	1,63,38,820	20,08,581	28.262
Public	2,02,69,681	87,53,559	44.707
Total	4,34,15,265	2,15,03,450	100.000

## Distribution of Shareholding as on 31st March, 2003:

Shareholding of Nominal Value of Rs.	No. of Shares in Physical Form	No. of shares in Demat Form	Total No. of Shares
1 to 5000	13482280	2699653	16181933
5001 to 10000	5880434	1619153	7499587
10001 to 20000	2719138	1311881	4031019
20001 to 30000	448040	587034	1035074
30001 to 40000	292751	400305	693056
40001 to 50000	251229	465346	716575
50001 to 100000	381698	793504	1175202
Over 100000	19959695	13626374	33586268
Total	43415265	21503450	64918715

## j) Dematerialisation of Shares :

During the year under review, 15,34,382 shares were dematerialised in the following depositories.

- National Securities Depository Ltd.(NSDL) : 14,21,825  
Central Depository Services (India) Ltd. (CDSL) : 1,12,557  
ISIN No. : E432A01017

- k) As per directive of Stock Exchange, Mumbai, the Company has obtained registration under EDIFAR System and the user ID 'AMBALALSARABHAI' has been allotted to the Company.

## l) Plant Locations :

- 1) Dr.Vikram Sarabhai Marg, Wadi Wadi, Vadodara-390 023 and Village Ranoli, Dist. Vadodara.
- 2) Naroda Industrial Estate, Ahmedabad.

## m) Address for Correspondence :

Shareholders can correspond either at the office of its Common Agency viz. MCS Limited, Neelam Apartment, 88 Sampatrao Colony, Alkapuri, Vadodara-390 007 or at Company's Registered Office situated at Dr.Vikram Sarabhai Marg, Wadi Wadi, Vadodara-390 023 and/or at Share services Center located at 12/3, Asaf Ali Road, New Delhi-110 002.

The Company Secretary and Manager - Secretarial Services are designated by the Company as 'Compliance Officer'.



## Auditors' Report

### To the Members of Ambalal Sarabhai Enterprises Limited

1. We have audited the attached Balance Sheet of Ambalal Sarabhai Enterprises Limited as at 31st March, 2003 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. 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.
  2. 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 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. We believe that our audit provides a reasonable basis for our opinion.
  3. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
  4. Further to our comments in the annexure referred to in paragraph 3 above, we report that:
    - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
    - (b) 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;
    - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
    - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the applicable accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
    - (e) on the basis of written representations received from the Directors, as on March 31, 2003, and taken on record by the Board of Directors, we report that none of the Directors of the Company is disqualified as on March 31, 2003 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
    - (f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, subject to:
      - i) Note No. 7 regarding non-provision of future liability in respect of leave encashment to employees amounting to Rs. 301.64 lakh;
      - ii) Note No. 11 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.
      - iii) The Company continues to value its investments in Subsidiaries/ erstwhile Subsidiaries at cost as per its accounting policies, though some of these Companies show a negative net worth.
      - iv) The Company has to receive amounts as under from Subsidiary/ erstwhile Subsidiary Companies:
 

i) Swastik Surfactants Ltd.	Rs. 3009.56 lakh
ii) Sarabhai Machinery Ltd.	Rs. 604.46 lakh
iii) Haryana Containers Ltd.	Rs. 25.33 lakh
iv) Synbiotics Ltd.	Rs. 2608.30 lakh
- Sundry Debtors and Loans and Advances considered good also include Rs. 3525.42 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.
- 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 the case of the Balance Sheet of the state of affairs of the Company as at March 31, 2003;
  - b) in the case of Profit and Loss Account, of the loss for the year ended on that date; and
  - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

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

Vadodara  
30.6.2003

### Annexure to the Auditors' Report

Referred to in paragraph 3 of our report of even date on the accounts for the year ended on 31st March 2003 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 have been 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 repaying the principle 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 principle 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, 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 have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials, or services or the prices at which transactions for similar goods or services have been made with other parties.
12. As explained to us, the Company has a regular procedure for determination of unserviceable or damaged stores, raw materials and finished goods and adjustment for loss on such items, 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 the 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, except Electronics Division and are of the opinion that prima facie the same have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
17. Provident Fund and Employees' State Insurance dues have not been regularly deposited by the Company. Total outstanding dues as on 31st March 2003 in respect of Provident Fund were Rs. 414.81 lakh and Employees' State Insurance was Rs. 123.21 lakh.
18. There were no undisputed amounts payable in respect of Wealth Tax, Customs Duty and Excise Duty outstanding as at 31st March 2003 for a period of more than six months from the date they became payable. As regards Sales-Tax an amount of Rs. 85.46 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 activity, the Company has a regular procedure for determination of the damaged goods. Adequate provision has been made in the accounts for the loss arising on the goods so determined which is not significant.
22. In respect of the service activities of the Company, in our opinion and according to the information and explanations given to us - (i) the Company has a reasonable system of recording receipts, issues and consumption of materials and stores commensurate with its size and nature of its service activities and the system provides for a reasonable allocation of the materials and labour consumed to the relative jobs and (ii) there is a reasonable system of authorisation at proper levels with necessary control on the issue of stores and allocation of stores and labour to jobs and there is a system of internal control commensurate with the size of the Company and nature of its service activities.

Vadodara  
30.6.2003

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