



# **Ambalal Sarabhai Enterprises Limited**

**27th Annual Report  
2004 - 05**

2 *Ambalal Sarabhai Enterprises Limited***Board of Directors****Mr. Kartikeya V. Sarabhai***Chairman***Mr. Govind Das Zalani****Dr. Om Dutt Gulati****Dr. Vinodchandra C. Shah****Mr. Krishnakant H. Shah***Whole-time Director***Mr. B. V. Suryakumar****Mr. K. Mohandas***Whole-time Director***Mr. Surendra U. Tamboli***Company Secretary***Auditors****Messrs. Sorab S Engineer & Co****Chartered Accountants****Ismail Building****381, Dr. D. Naoroji Road****Fort, Mumbai****Bankers****Punjab National Bank****State Bank of Saurashtra****Bank of Baroda****UTL Bank Ltd.****Registered Office****Dr. Vikram Sarabhai Marg,****Wadi Wadi, Vadodara 390 023.****Index**

Notice .....	3
Directors' Report and its Annexures .....	8
Auditors' Report .....	14
Balance Sheet .....	16
Profit and Loss Account .....	17
Schedules to the Accounts .....	18
Cash Flow Statement .....	25
Balance Sheet abstract and Company's	
General Business Profile .....	25
Statement regarding Subsidiaries-Section 212 .....	26
Consolidated Financial Statements .....	27

**Subsidiary :****Synbiotics Ltd.****Haryana Containers Ltd.****Mautik Exim Ltd.****Asence Inc.**

Report Junction.com

## ASE Ambalal Sarabhai Enterprises Limited

Notice is hereby given that **Twenty-seventh Annual General Meeting** of the Company will be held on Thursday, the 29<sup>th</sup> September, 2005 at 11.00 A.M. at Gandhinagar Grih, Near Jubilee Baug, Vadodara to transact the following Business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31<sup>st</sup> March, 2005 and the Balance Sheet as at that date, together with Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. B.V. Suryakumar, who was appointed a Director of the Company on 18.5.2005 pursuant to Article 143 of the Articles of Association of the Company to fill the casual vacancy caused due to the resignation of Mr. V. N. Jikar. Mr. B. V. Suryakumar ceases to hold office at the conclusion of this Annual General Meeting under Section 262 of the Companies Act, 1956 but being eligible for appointment and in respect of whom, the Company has received a notice in writing from a member proposing his candidature for the office of a Director.
3. To appoint a Director in place of Dr. O. D. Gulati, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. K. Mohandas, who was appointed a Director of the Company on 19.7.2005 pursuant to Article 143 of the Articles of Association of the Company to fill the casual vacancy caused due to the resignation of Dr. A. K. Shukla. Mr. K. Mohandas ceases to hold office at the conclusion of this Annual General Meeting under Section 262 of the Companies Act, 1956 but being eligible for appointment and in respect of whom, the Company has received a notice in writing from a member proposing his candidature for the office of a Director.
5. **Appointment of Auditors:**

To consider and if thought fit, to pass, with or without modifications, the following Resolution as an **Ordinary Resolutions**:

"RESOLVED that pursuant to the provisions of Section 224 and other applicable provisions. If any of the Companies Act, 1956. M/s. Sorab S. Engineer & Co., Chartered Accountants, Mumbai, the retiring Auditors of the Company, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting of the Company for the financial year 2005-2006 on such remuneration plus reimbursement of service tax, out of pocket expenses, traveling and other expenses, as may be mutually agreed upon between the Board of Directors and the Auditors in connection with the work of audit to be carried out by them."

### SPECIAL BUSINESS:

6. Appointment of Mr. K. Mohandas as Whole-time Director, President & C.O.O. (Electronics)."

To consider and if thought fit, to pass, with or without modifications, the following Resolutions as a **Special Resolution**:

"RESOLVED that pursuant to the provisions of Section 198, 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 appointment of Mr. K. Mohandas as whole-time Director designated as Whole-time Director, President & C.O.O. (Electronics)." for a period of 3 years with effect from 19.7.2005 and holding and continuing to hold an office or place of profit, subject to terms, conditions and stipulations as contained in the draft Letter of Appointment to be issued by the Company, a copy whereof is placed before the meeting detailing the remuneration pattern which is in line with Part II of Schedule XIII of the Companies Act, 1956."

7. Payment of Sitting Fees:

To consider and if thought fit, to pass, with or without modifications, the following Resolutions as an **Ordinary Resolution**:

"RESOLVED that pursuant to the provisions of Clause 49 of the Listing Agreement and other applicable provisions, if any, consent and approval of the Company be and is hereby accorded for the payment of a sum of Rs. 1000/- (Rupees one thousand) or such other amount as may be approved by the Board of Directors subject to the ceiling prescribed under the Companies Act, 1956, or rules framed thereunder, as may be amended from time to time, as sitting fees for each meeting of the Board of Directors and of any Committee(s) thereof, attended by the non-executive Directors of the company."

8. Issue of Equity Shares on Preferential basis:

To consider and if thought fit, to pass, with or without modifications, the following Resolutions as a **Special Resolution**:

"RESOLVED that in accordance with the provisions of Section 81 and other applicable provisions, if any, of the Companies Act, 1956, (including any reenactment and/or amendment thereof, for the time being in force), the provisions of Memorandum and Articles of Association of the Company, guidelines issued by Securities and Exchange Board of India (SEBI) applicable to issue of equity shares on preferential basis, Listing Agreement entered into with Stock Exchange, Foreign Exchange Management Act, 1999 and their regulations, and any other applicable law for the time being in force and subject to such consents, approvals, permissions or sanctions, required if any, and subject to necessary approvals of requisite authorities as may be required; the consent/approval of the shareholders of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board") to issue and allot, on preferential basis, 3,00,00,000 equity shares of Rs. 10/- each as fully paid, to the group of companies consisting of Caplin Viniyog Pvt. Ltd., Castle Consultants Pvt. Ltd., Prestige Suppliers Pvt. Ltd., Sethia Chemicals Pvt. Ltd., Navtech Farm Products Pvt. Ltd., Ontime Hire Purchase & Agencies Pvt. Ltd., Swetsri Investments Pvt. Ltd. (hereinafter referred to as "group of Allottees") at a price of Rs. 17.00 per share (Rs. 10.00 towards face value + Rs. 7.00 towards premium per share) as arrived as per the relevant provisions of the SEBI (Disclosure and Investor Protection Guidelines), 2000 as amended to date for an amount of Rs. 51.00 Crores towards settlement of claims of partial creditors lying in the books of the Company as on March 31<sup>st</sup>, 2005 as per the Company's arrangement with group of Allottees in this regard upto the value of Rs. 51.00 Crores upon and subject inter-alia to the following terms and conditions:

- i) the new equity shares will be issued and allotted as fully paid up to the Group of Allottees.
- ii) the said new equity shares to be issued and allotted by the Company will be subject to the Memorandum and Articles of Association of the Company and will carry the same rights including that of voting as the existing issued Equity Shares of the Company and shall rank pari passu with the existing issued Equity Shares of the company.

"RESOLVED FURTHER that the group of Allottees will be solely responsible to settle the claims of aforesaid creditors of the company as at March 31, 2005 either by further transfer of shares of the Company, which is being issued to group of Allottees as per this resolution, to the creditor(s) as per their consent or through direct cash payment, within a period of 3 years from the date of allotment or any such further period as may be think fit by the Board of Directors (settlement period). In case of claim of any such creditor(s) remaining unsettled after the cessation of the settlement period, group of Allottees shall pay to the Company in cash an amount equivalent to the unsettled portion."

"RESOLVED FURTHER that for the purpose of giving effect to all or any of the foregoing from time to time, the Board be and is hereby authorized to prescribe and finalise such forms and document, in respect of the said new equity shares, to give such directions or instructions, as it may, from time to time, deem fit and proper and do all such acts, deeds, matters and things whatsoever including settling any question, doubt or difficulty that may arise with regard to or in relation to the issue or allotment of the said

#### 4 Ambalal Sarabhai Enterprises Limited

new equity shares or any of them and paying Service Charge to the group of Allottees not exceeding 1% of the value of the Creditors settled by the group of Allottees, obtaining Bank Guarantees, bonds from the group of Allottees to protect the Company and its shareholders etc. from any claim of creditors or any other agency, as the Board may in its absolute discretion deem necessary, desirable, expedient, usual or proper and the Board is also authorized to make such modifications and alterations in the terms of settlement of creditors with the group of Allottees as it may in its absolute discretion, think fit in the best interest of the Company."

By Order of the Board of Directors,  
Surendra U. Tamboli  
Company Secretary  
Regd. Office : Dr. Vikram Sarabhai Marg,  
Wadi Wadi, Vadodara  
Date : 29.8.2005

#### Notes:

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
- An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.
- The Register of Members and the Share Transfer Books of the Company will remain closed from 16.9.2005 to 29.9.2005 (both days inclusive).
- All the documents referred to in the Notice and Explanatory Statement would be open for inspection at the Registered Office of the Company during business hours on all working days till the date of meeting.
- 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.
- The information relating to appointment of Directors, as required to be given as per Corporate Governance Code, are as under:

Name	Date of Birth	Qualification	Expertise & Experience	Share holding in the Company	Other Director ship
Mr. B.V. Suryakumar	30.5.1943	ICWAI	He has to his credit wide and varied experience of over 43 years in managing various areas of Corporate Management with Shriram Group, IBM World Trade Corpn., Sarabhai Group & Essar Group. He had Served at ASE during 1978 to 1990 and had held last position as Vice President (Drugs & Pharma Divn.). His last employment was at Essar Projects Ltd., Mumbai where he served as its Whole-time Director & CEO. He is also representing ADGECO Group, Abu Dhabi (having Interests in Project- Constructions, Financial and Economic Consultancy and Trading) in India as Director- Business Development - India Region.	374	- ORG Informatics Ltd., - Sarabhai Zydus Animal Health Ltd., - Mautik Exim Ltd., - Medico Interfarm Ltd., - Essar Projects Ltd.,

Dr. O. D. Gulati	31.1.1927	Pharmacologist	He was a professor of pharmacology and Dean of Medical College of Vadodara. Further, He is a retired Director of Charotar Arogya Mandal, Karamsad, which is running a medical college in Gujarat. He has been making an in-depth study of various new drugs being discovered. Internationally, which has been of immense help to the Company. Thus, he has wide experience in the field of Drugs and Pharmaceuticals. He has been a Director of the Company since 1991.	Nil	- Haryana Containers Ltd. - Mautik Exim Ltd.
Mr. K. Mohandas	12.5.1948	Graduate with Economics & Diploma in Materials Management	Joined the organization in 1966 and has wide and varied experience of over 39 years in various areas of Management. At present, he is a President and C.O.O. (Electronics Division) at Ahmedabad.	Nil	Nil

#### Explanatory Statement

Required under section 173 of the Companies Act, 1956 to accompany the Notice of the 27<sup>th</sup> Annual General Meeting.

#### Item 6

The Board of Directors at its meeting held on 19.7.2005 appointed Mr. K. Mohandas as Whole-time Director. Subsequently at the meeting of remuneration and compensation committee and at the meeting of the Board of Directors held on 9.8.2005, subject to the approval of share holders and Central Government in terms of applicable provisions of companies Act, 1956 approved detailed terms and conditions of appointment and remuneration payable to Mr. K. Mohandas.

Mr. K. Mohandas is a Graduate with Economic and holding a diploma in Material Management. Mr. K. Mohandas joined the organization in 1966 and has wide and varied experience of over 39 years in various areas of Management and reached upto the position of President & C.O.O. Electronics Division. At present, he is carrying out over all day to day management functions related to Electronics Division subject to the superintendence and control of the Board of Directors.

The Company would make an application under Section 269 of the Companies Act, 1956 for seeking the approval of the Central Government for his appointment and terms of remuneration. Brief particulars of remuneration payable to him are as under:

- Period : From 19th July, 2005 to 18th July, 2008
- Basic Salary : Rs. 25,907/- p.m.
- House Rent Allowance : Rs. 5,605/- p.m.
- Perquisites / Allowance : To the extent of Rs. 20,500/- p.m. under the following heads.

#### CATEGORY A:

- Leave Travel Allowance:  
Maximum to the extent of 16% of basic salary or as per the Company rules.
- Medical Reimbursement:  
Maximum to the extent of 8.33% of basic salary or as per the Company rules.

## iii) Additional Allowances:

To the extent of Rs. 14,196/- p.m. in form of Conveyance / Petrol / Miscellaneous Expenses.

## iv) Club Fees and personal accident insurance:

As per Company's rules.

## v) Annual increment:

Entitled to get annual increment as may be decided by the Board of Directors.

**CATEGORY B:**

- i) Contribution to Provident Fund, superannuation Fund or Annuity Fund as per Rules of the Company.
- ii) Gratuity payable at the rate not exceeding half month salary for each completed year of continuous service calculated as per the provisions of The Payment of Gratuity Act, 1972.
- iii) Encashment of leave at the end of tenure as per the Company's Rules.

**CATEGORY C:**

Telephone facilities at Residence : Personal long distance call to be paid for by the appointee.

- 5) Minimum Remuneration – Notwithstanding anything to the contrary herein contained, wherein for any financial year during the tenure as Whole-time Director and President & COO (Electronics) of the Company, the company has no profit or the profits are inadequate, the company shall, subject to the provisions of section 198, 269, 309 and 310 of the Act, pay basic salary, perquisites, allowances, performance bonus and other entitlements as specified above.
- 6) Terms of the appointment of Whole-time Director and President & COO (Electronics) can be renewed by the Board of Directors before the expiry of the said term and in case the terms are not renewed before the expiry of the existing terms by the Board of Directors, Mr. K. Mohandas, shall cease to be Whole-time Director and President & COO (Electronics) on expiration of the present term.
- 7) Whole-time Director and President & COO (Electronics) shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.
- 8) The appointment of Whole-time Director may be terminated by 90 days of notice on either side or by payment of salary in lieu thereof.

Mr. K. Mohandas may be considered to be concerned or interested in 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**

The Securities and Exchange Board of India (SEBI) has advised all the Stock Exchanges to amend the Listing Agreement by inserting revised clause 49 relating to Corporate Governance required to be full-filled by listed companies. Accordingly, the Stock Exchanges have amended clause 49, the implementation of which has been deferred till December 31, 2005. One of the requirements stipulated under the revised clause is that any fee / compensation payable to non-executive directors, including independent directors, shall be fixed by the Board of Directors and would require previous approval of the members in a general meeting.

In view of the revised clause 49, approval of the members is required for the payment of sitting fees to non-executive directors.

All non-executive Directors i.e. Mr. G.D. Zalani, Dr. O. D. Gulati, Dr. V. C. Shah, and Mr. B. V. Suryakumar are interested in the said resolution.

None of the other Directors of the Company are concerned or interested in the resolution.

**Item 8**

The following group of Allottees has independently agreed to take over respective portion of total current liabilities against consideration of the shares as mentioned herein.

Sr. No.	Name of Allottee	Liabilities taken over Rs. in Lakh	No. of Equity Shares proposed to be issued and allotted.
1	Caplin Viniyog Pvt. Ltd.	728.57	4285714
2	Castle Consultants Pvt. Ltd.	728.57	4285714
3	Prestige Suppliers Pvt. Ltd.	728.57	4285714
4	Sethia Chemicals Pvt. Ltd.	728.57	4285714
5	Navtech Farm Products Pvt. Ltd.	728.57	4285714
6	Ontime Hire Purchase & Agencies Pvt. Ltd.	728.57	4285715
7	Swetsri Investments Pvt. Ltd.	728.57	4285715

Current liabilities as stated above have been verified by an Independent Chartered Accountant and a certificate to these effect has also been obtained which is available for inspection of the Shareholders of the Company at the registered office of the Company or can be posted to Shareholders at their request. An agreement covering terms and conditions has been executed on 31<sup>st</sup> August 2005 with the above mentioned companies and extract of the said Agreement entered into can also be provided to the Shareholders / other concerned persons on request.

In order to clear of outstanding liabilities of the Company, the Board of Directors of the Company has finalised an arrangement with the above stated group of companies to settle these Creditors either through further transfer of shares of the Company or through direct payment to them, subject to condition that proportionate number of equity shares of the Company are issued and allotted to each of these companies in compliance with applicable acts/ rules/ regulations/ guidelines.

These Companies will keep the Company regularly updated regarding settlement of Creditors on behalf of the Company through monthly reporting and shall keep the company reimbursed if Company has to pay any creditors against whom shares have already been allotted to such companies pursuant to this resolution. Respective company will settle the Creditors within a period of 36 months from the date of allotment of shares under this resolution or any such further period as may be decided by the Board of Directors (Settlement Period) of the Company and in respect of creditors remaining unsettled after Settlement Period pursuant to this resolution, Allottee Companies shall pay to Company, in cash an amount equivalent to unsettled Creditors. List of the Creditors along with relevant details have been finalised between the Companies and Board of Directors of your Company and the same has been agreed to and signed by both the parties.



## 6 Ambalal Sarabhai Enterprises Limited

## Disclosure pursuant to Clause (C) of Sub-regulation (1) of Regulation (3) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

1. Identity of the proposed allottees and the price at which the allotment is proposed:

(A) Issue price : Share of Rs. 10/- each at a premium of Rs. 7/- per share.

(B) Name & Address of proposed allottee with No. of equity shares to be allotted.

Name	Address	No. of equity shares to be allotted
Caplin Viniyog Pvt. Ltd.	30 CR Avenue, Kolkata-12	4285714
Castle Consultants Pvt. Ltd.	30, Chittaranjan Avenue Kolkata-12	4285714
Prestige Suppliers Pvt. Ltd.	7 Swallow Lane, 1st Floor Kolkata-1	4285714
Sethia Chemicals Pvt. Ltd.	134/4 MG Road, 5th Floor Kolkata-7	4285714
Navtech Farm Products Pvt. Ltd.	30, Chittaranjan Avenue Kolkata - 12	4285714
Ontime Hire Purchase & Agencies Pvt. Ltd.	Chatra Bari Road, Ramkumar Plaza, Guwahati - 781001	4285715
Swetsri Investments Pvt. Ltd.	Unit No. 50 A to Z Industrial Estate, Ganpatrao Kadam Marg, Lower Parel, Mumbai - 400013	4285715

(C) Type of Security : Equity Shares

2. The objects of the issue through preferential offer.

At present Company is facing financial crises and not in a position to settle its outstanding liabilities. With a view to improve upon, the arrangement as been made by sum of the outstanding liabilities of the company would be settle against the considerations of proposed issue of equity shares which will in future improve the current ratio. Moreover, the Company would not be required to discharge the liability by cash payment, whereby the Company would be in a position to carry out its operations which in turn will improve performance / profitability in long run.

3. Present shareholding of the proposed allottee:

Presently, proposed allottees does not hold any share in the Company.

4. After the securities proposed to be allotted as in (1) above, the percentage of their holding to the post issue capital, after the proposed allotment will be as below:

Sr. No.	Name of Allottee	No. of shares to be allotted	% of enhanced capital of the Company.
1	Caplin Viniyog Pvt. Ltd.	4285714	4.515
2	Castle Consultants Pvt. Ltd.	4285714	4.515
3	Prestige Suppliers Pvt. Ltd.	4285714	4.515
4	Sethia Chemicals Pvt. Ltd.	4285714	4.515
5	Navtech Farm Products Pvt. Ltd.	4285714	4.515
6	Ontime Hire Purchase & Agencies Pvt. Ltd.	4285715	4.515
7	Swetsri Investments Pvt. Ltd.	4285715	4.515

By virtue of proposed issue and allotment of equity shares, the enhanced equity share capita of the Company would come at Rs. 94,91,87,150 divided into 94918715 equity shares of Rs. 10/- each.

5. Intention of promoters / Directors / Key Management persons to subscribe to the offer.

Neither promoters, Directors or Key management person are going to subscribe any equity shares out of the present offer

6. Consequential change in the Board of Directors and voting rights:

The company does not envisage any change in the Board of Directors or in control of the Company.

7. Proposed time within which allotment shall be complete.

The allotment of the proposed issue of equity shares shall be completed within 15 days after the approval of share holders in the general meeting to consider the proposed issue.

Pre-issue and post issue shareholding pattern of the company based on holding on 29.08.2005.

## PRE-ISSUE SHAREHOLDING PATTERN:

Category	No. of Shares held	Percentage of Shareholding
A Promoters holding		
1 Promoters		
- Indian Promoters	16575271	25.532
- Foreign Promoters	-	-
2 Persons acting in Concert		
Sub Total	16575271	25.532
B Non Promoters holding		
3 Institutional Investors		
a. Mutual Funds & UTI	-	-
b. Banks, Financial Institutions, Insurance Companies, (Central/State Govt. Institutions/ Non Govt. Institutions)	671219	1.034
c. FIIS	-	-
Sub Total	671219	1.034
4 Others		
a. Corporate Bodies	15132702	23.310
b. Indian Public	32192982	49.590
c. NRIs/OCBs	337786	0.521
d. Any others		
i) Foreign National	29	0.000
ii) Trust	8726	0.013
Sub Total	64918715	100.00

**POST ISSUE SHAREHOLDING PATTERN:**

Category	No. of Shares held	Percentage of Shareholding
<b>A Promoters holding</b>		
1 Promoters		
- Indian Promoters	16575271	17.463
- Foreign Promoters	-	-
2 Persons acting in Concert	-	-
Sub Total	16575271	17.463
<b>B Non Promoters holding</b>		
3 Institutional Investors		
a. Mutual Funds & UTI	-	-
b. Banks, Financial Institutions, Insurance Companies, (Central/State Govt. Institutions/ Non Govt. Institutions)	671219	0.707
c. FIIS	-	-
Sub Total	671219	0.707
4 Others		
a. Corporate Bodies	15132702	15.944
b. Proposed issue to body corporates	30000000	31.605
c. Indian Public	32192982	33.916
d. NRIs/OCBs	337786	0.356
e. Any others		
i) Foreign National	29	0.000
ii) Trust	8726	0.009
Sub Total	94918715	100.00

Section 81, 81(1A) of the Companies Act, 1956 requires the approval of the shareholders for issue and allotment of equity shares to any person/s, whether the said person/s is/are the shareholder/s of the Company or not, if the allotment is not to be made on a pro rata basis to the existing shareholders. The Listing Agreements with Stock Exchanges, provide, inter alia, that the Company in the first instance should offer all the shares to be issued pro rata to the equity shareholders unless the shareholders in a general meeting decide otherwise. A Special Resolution proposed at item No. 8 of the accompanying notice relates to such a proposal of issue of equity share by the Company to discharge its liabilities.

Therefore the Company is seeking your consent for such proposal as contained in the draft Special Resolution No. 8 of the accompanying notice. The Explanatory Statement pertaining to the said resolution setting out all material facts and the reason for which such resolution is proposed is also given.

The Board of Directors of the Company accordingly recommends the Special Resolution as set out in the notice for your approval and acceptance.

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

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

By Order of the Board of Directors

Surendra U. Tamboli  
Company Secretary

29<sup>th</sup> August, 2005

## 8 Ambalal Sarabhai Enterprises Limited

**Directors' Report**

To the Shareholders,

The Directors hereby present their 27<sup>th</sup> Annual Report on the business and operations of the Company together with the Audited Statement of Accounts for the year ended March 31, 2005.

	(Rs.lakh)	
	2004-05	2003-04
Turnover (Net)	13040	12074
Other Income	1038	478
Total Income	14078	12552
Interest	1165	955
Depreciation	208	212
Operating Profit/(Loss) before extraordinary income/expenditure	(1146)	(3582)
Profit on sale of Investment	-	4331
Net Profit/(Loss) before Leave encashment	(1146)	749
Provision for accrued leave encashment	-	320
Net Profit/(Loss)	(1146)	429

Considering carry-over losses of previous years and operating losses during current year, your Directors are unable to recommend dividend on Equity Shares for the year under review.

**Operations:**

Your Directors continued its process of minimizing operating losses by means of reduction in cost of services, overheads and other means, as well as by way of sourcing out extra avenues for generating income. You will be happy to note that during the year under review there is a substantial reduction in the operating losses i.e. from Rs. 3581.58 lacs to Rs. 1146.17 lacs only.

Your Directors would like to bring to your notice that the Company has concentrated its efforts of increasing revenue by way of sales and services in its core area and could achieve extra revenue of Rs. 966.52 lacs in the form of sales and services during the year.

Your Directors would like to state that on account of concentrated efforts, there was a marginal increase in turnover of Rs. 960 lac as compared to previous year.

**Marketing :**

Your Company is making all out efforts to establish its market position by improved marketing tie-up, product innovation and competitive cost analysis.

With a view to boost-up sales, marketing net work has been strengthened by introducing new schemes / concepts which are well accepted.

Your Directors are pleased to report that sales of the generics products have increased three times during the year under report. Several steps have been initiated to launch the products across the country and it is expected that operations of generic business would be further increase in the current year 2005-06.

**Pharma Formulations:**

Sales of Pharma Formulations during the year under report amounted to Rs. 59 crore as compared to Rs. 46 crore in preceding year. Your Company is of the view that there are enough potential for further improvement and same can prove to be one of the growth driven in years to come.

**Bulk Drugs:**

Sales of Rs. 15 crore in Vitamin-C is maintained during the year under report.

Based on domestic and international market survey, your Company expects to make substantial improvement in performance of Bulk Drugs operations.

**Electronics:**

Your Company maintained a sales volume of Rs.15 crore in its Electronics unit.

**Joint Venture:**

The turnover of joint venture, Sarabhai Zydus Animal Health Limited for the year under report was about Rs. 7094 lakh as compared to Rs. 8400 lakh in the previous year.

**Corporate Governance:**

Pursuant to clause 49 of the Listing Agreement with the Stock Exchange, Mumbai, Management Discussion and Analysis Report, Corporate Governance Report and Auditors' Certificate regarding Compliance of Conditions of Corporate Governance are made as a part of the Annual Report.



**Subsidiary companies / Consolidated Financial Statement:**

As per the provisions of section 212 of the Companies Act, 1956, the Annual Accounts of the Subsidiaries of the Company are attached herewith. Further, In compliance of the Accounting Standard AS-21 on Consolidated Financial Statements, the Consolidated Financial Statements which form part of the Annual Report and Accounts are also attached herewith.

**Directorate:**

Mr. Rajiv Dhru, Mr. CVS Narayanan, Mr. V.N.Jikar and Dr. A. K.Shukla have resigned as Directors of the Company w.e.f. 31.1.2005, 30.3.2005, 22.4.2005 and 18.5.2005 respectively. The Board places on records its deep appreciation for the guidance and valuable contribution during their long association with the Company.

Mr. B. V. Suryakumar and Mr. K. Mohandas have been appointed as Directors at the meeting of the Board of Directors held on 18<sup>th</sup> May 2005 and 19<sup>th</sup> July 2005 respectively. Both the Directors would continue to be Directors till the conclusion of 27<sup>th</sup> Annual General Meeting and both being eligible offer themselves for reappointment.

Pursuant to the provisions of Section 256 of the Companies Act, 1956 Dr. O. D. Gulati, retires by rotation and being eligible offer himself for re-appointment.

**Fixed Deposits:**

The Company has not accepted any fixed deposit during the year.

**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 along with proper explanation relating to material departures, if any.
- (ii) That the Directors have 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 affairs of the Company as at 31<sup>st</sup> March, 2005 and its profit for the year ended on that date.
- (iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) That the Directors have prepared the annual accounts on a going concern basis.

**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. 9 and 10 forming part of the accounts are self-explanatory and clarify the observations made by the Auditors in para 4f (i & iv) of their Report.

**Auditors:**

M/s. Sorab S. Engineers, Chartered Accountants, Mumbai, retires in the forthcoming Annual General Meeting and being eligible offer themselves for reappointment.

**Acknowledgement:**

Your Directors would like to take this opportunity to express their deep sense of gratitude to the Banks, Government Authorities, Customers and Shareholders for their continued guidance and support. Further, they would also like to place on record their sincere appreciation for the dedication and hard work put in by one and all members of Sarabhai Pariwar.

For and on behalf of the Board

Kartikeya V. Sarabhai

Chairman

Date : 9<sup>th</sup> August, 2005

## 10 Ambalal Sarabhai Enterprises Limited

## AUDITORS' CERTIFICATE

To the Members 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 31<sup>st</sup> March, 2005, as stipulated in clause 49 of the Listing Agreement with stock exchange.

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 : 19.7.2005

## 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 2004.

## A. Conservation of Energy:

## i) Energy conservation measures taken:

1. Power factor improvement
2. Quicker heat transfer
3. Monitoring of combusting 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. Continuous 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 and cooling towers
11. Installation of autotransformer in main lightning panel and new pharma building
12. Awareness by display of banners and stickers

## ii) Additional investments and proposals:

1. Gradually some of the existing refrigeration equipment would be replaced with more modern ones to reduce energy consumption
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.
5. Replacement of conventional chokes (Ballast) by electronic/energy efficient chokes

## iii) Impact of measures:

Though economies in consumption for energy for comparable level of operations over previous year were achieved, increase in power tariffs had lead to reduction in absolute benefits.

## 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 making all efforts to boost up the exports of its various products. In this direction, the Company is endeavouring to improve the quality of various products for export market. Company is also forging ties with various foreign parties to strengthen the exports.
  - ii) Total foreign exchange earned and used: Rs. Lakh
- |                         |        |
|-------------------------|--------|
| Foreign exchange earned | 174.43 |
| Foreign exchange used   | 935.27 |

## 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	471	3,895
Total amount	Rs.lakh	41.61	241.52
Rate/Unit	Rs./kwh	8.83	6.20
b) Own generation (kwh)	000	11,358	9,667
Total Cost	Rs. Lakh	636.07	539
Cost/Unit	Rs./kwh	5.60	5.57
2 Coal		Nil	Nil
3 Furnace oil			
Quantity	K. ltrs.	22,303	Nil
Total cost	Rs. Lakh	5.19	Nil
Average rate	Rs./K. ltrs.	23.26	Nil
4 Other - Natural gas			
Quantity	1000M <sup>3</sup>	6,959	6,201
Total cost	Rs.lakh	343.60	234
Rate/unit	Rs./1000M <sup>3</sup>	4,938	3,776

## 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 &amp; 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.