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**Ambalal Sarabhai Enterprises Limited**

**28th Annual Report**

**2005 - 06**

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. B. V. Suryakumar****Mr. K. Mohandas***Whole-time Director***Mr. Anil H. Parekh***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****Bank of Baroda****Registered Office****Dr. Vikram Sarabhai Marg,****Wadi Wadi, Vadodara 390 023.****Index**

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**ase Ambalal Sarabhai Enterprises Limited**

Notice is hereby given that **Twenty-eighth Annual General Meeting** of the Company will be held on Tuesday, the 26<sup>th</sup> September, 2006 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, 2006 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. Kartikeya V. Sarabhai, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Dr. V.C. Shah, who retires by rotation and being eligible offers himself for re-appointment.
4. Appointment of Auditors:

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

"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 2006-2007 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:**

5. To consider and if thought fit, to pass, with or without modifications, the following Resolution as an Ordinary Resolution:
- "RESOLVED that Mr. A.H. Parekh who was appointed as an Additional Director of the Company by the Board of Directors and who holds office up to the date of the Annual General Meeting under Section 260 of the Companies, Act 1956 and in respect of whom the Company has, under Section 257 of the said Act, received notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
6. Appointment of Mr. A.H. Parekh as 'Whole-Time Director & President - Formulations'.

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

is hereby accorded to the appointment of Mr. A.H. Parekh as 'Whole-Time Director designated as 'Whole-time Director & President - Formulations.' for a period of 3 years with effect from 26.12.2005 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 detailing the remuneration pattern which is in line with Part II of Schedule XIII of the Companies Act, 1956."

7. Appointment of Mr. Kartikeya V. Sarabhai as 'Whole-Time Director & Chairman'.

To consider and if thought fit, to pass, with or without modifications, the following Resolution 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. Kartikeya V. Sarabhai as "Whole-Time Director & Chairman." for a period of 3 years with effect from 1.4.2006 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 detailing the remuneration pattern which is in line with Part II of Schedule XIII of the Companies Act, 1956."

By Order of the Board of Directors,  
Surendra U. Tamboli  
Company Secretary  
29.7.2006  
Vadodara

**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. 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.
2. 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.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 18.9.2006 to 26.9.2006 (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.

## 4 Ambalal Sarabhai Enterprises Limited

## Explanatory Statement

Required under section 173 of the Companies Act, 1956 to accompany the Notice of the 28<sup>th</sup> Annual General Meeting.

## Item 5 &amp; 6

With effect from 26.12.2005, Mr. A.H. Parekh was appointed an Additional Director on 3.1.2006 by the Board of Directors of the Company pursuant to the provisions of Article 144 of the Articles of Association of the Company. In terms of Section 260 of the Companies Act, 1956, he holds his office as a Director upto the date of Annual General Meeting of the Company. Notice under section 257 of the Companies Act, 1956 has been received from the shareholder of the Company, proposing Mr. A.H. Parekh as a candidate for an office of a Director, liable to retire by rotation.

Mr.A.H. Parekh is M.Pharm. and holding extensive and varied experience of over 33 years in various area of Management. He has been associated with the Company for more than 3 decades. At present, he is carrying out over all day to day management functions related to Pharmaceuticals subject to the superintendence and control of the Board of Directors.

The Board of Directors and the Remuneration Committee of Directors at their respective Meetings held on 3.1.2006, had subject to requisite approval/s, appointed him as such and approved the terms of remuneration.

The Company made 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:

- |   |                         |   |
|---|-------------------------|---|
| 1 | Period                  | : From 26 <sup>th</sup> December 2005 to 25 <sup>th</sup> December 2008 |
| 2 | Basic Salary            | : Rs.47,000/- p.m.  |
| 3 | House Rent Allowance    | : Rs.18,800/- p.m.  |
| 4 | Perquisites / Allowance | : Rs.28,200/- p.m.  |
| 5 | Newspaper Allowance     | : Rs.400/- p.m.   |

## CATEGORY A:

- i) Leave Travel Allowance:  
Maximum to the extent of 15% of basic salary or as per the Company's rules.
- ii) Medical Reimbursement:  
Maximum to the extent of 8.33% of basic salary or as per the Company's rules.
- iii) Additional Allowances:  
To the extent of Rs.17,235/- p.m. in the form of Conveyance/ Petrol / Miscellaneous Expenses.
- v) 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 Annuity Fund as per the Rules of the Company.
- ii) Gratuity payable at the rate not exceeding half month salary for each completed year of continuous services 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.
- 6) Minimum Remuneration – Notwithstanding anything to the contrary herein contained, wherein for any financial year during the tenure as Whole-Time Director & President - Formulations 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.
- 7) Terms of the appointment of Whole-Time Director & President – Formulations 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. A.H. Parekh shall cease to be Whole-Time Director & President – Formulations on expiration of the present term.
- 8) Whole-Time Director & President – Formulations shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.
- 9) The appointment of Whole-Time Director may be terminated by 90 days of notice on either side or equivalent payment of salary in lieu thereof.

The Board of Directors / Remuneration Committee of Directors of the Company would be empowered to modify the terms of remuneration as may be required by the Central Government/ Shareholders, upon their respective permission / approval and also to increase the above remuneration on an annual basis during the tenure and such an increase would be within the limits of Schedule XIII of the Companies Act, 1956 (or any amendment or reenactment made thereof from time to time ) as applicable to the Company and would be subject to other compliances, if any, as might be then required.

In response to the application, the Company has received approval of Central Government for the payment of remuneration not exceeding Rs.75,000/- (Rupees Seventy five thousand only) p.m. (all inclusive) till the date of Annual General Meeting. Approval for the remuneration payable for remaining period will be granted on submission by the Company "No Objection Certificate" from the Banks / Financial Institutions to whom the Company has defaulted.

The Board of Directors is of the view that the services of Mr. A.H. Parekh will be of immense value to the Company.

Directors, therefore, recommend his appointment as Whole-Time Director of the Company.

None of the other Directors of the Company except Mr. A.H. Parekh is concerned or interested in the 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

Mr. Kartikeya V. Sarabhai is M.A. (Cantab), did Post Graduate studies at MIT, USA. He joined the Board Directors of the Company since 1992 and was appointed as the 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.

The Remuneration Committee of Directors and the Board of Directors at their Meetings held on 15.5.2006 & 17.5.2006 respectively had subject to requisite approval/s, re-appointed him as such and approved the terms of remuneration.

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

1. Period : From 1<sup>st</sup> April 2006 to 31<sup>st</sup> March 2009
2. Basic Salary : Rs.50,000 - 2500 - 57,500/- p.m.
3. Perquisites and Allowances :

#### CATEGORY A:

##### i) Housing:

The Company shall provide furnished accommodation to the Whole Time Director. If the Whole Time Director is having its own accommodation, the Company shall pay house rent allowance at the rate of 40% of the Basic Salary i.e. Rs. 20,000/- p.m.

##### ii) Leave Travel Allowance:

Maximum to the extent of 15% of basic salary i.e. Rs. 7,500/- p.m. or as per the Company's rules.

##### iii) Medical Reimbursement:

Maximum to the extent of 8.33% of basic salary i.e. Rs. 4,165/- p.m. or as per the Company's rules.

##### v) Additional Allowance:

To the extent of Rs.18,335/- p.m. in the form of Conveyance/ Petrol / Miscellaneous expenses.

##### v) Club Fees and personal accident insurance:

As per Company's rules.

##### vi) 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 the Rules of the Company.
- II) Gratuity payable at the rate not exceeding half month salary for each completed year of continuous services calculated as per the provisions of 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.

- 4) Minimum Remuneration – Notwithstanding anything to the contrary herein contained, wherein for any financial year during the tenure as Whole-Time Director 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.
- 5) Terms of the appointment of Whole-Time Director 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. Kartikeya V Sarabhai shall cease to be Whole-Time Director & Chairman on expiration of the present term.
- 6) Whole-Time Director shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.
- 7) The appointment of Whole-Time Director may be terminated by 90 days of notice on either side or equivalent payment of salary in lieu thereof.

The Board of Directors / Remuneration Committee of Directors of the Company would be empowered to modify the terms of remuneration as may be required by the Central Government/ Shareholders, upon their respective permission / approvals/ and also to increase the above remuneration on an annual basis during the tenure and such an increase would be within the limits of Schedule XIII of the Companies Act, 1956 (or any amendment or reenactment made thereof from time to time) as applicable to the Company and would be subject to other compliances, if any, as might be then required.

None of the other Directors of the Company except Mr. Kartikeya V. Sarabhai is concerned or interested in the 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.

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

**The information relating to appointment of Directors, as required  
to be given as per Corporate Governance Code**

Name	Date of Birth	Qualifications	Experience / Expertise	Shareholding in the Company	Other Directorship in Public Limited Company
Kartikeya V. Sarabhai	27.11.1947	M.A.(Cantab) Post graduate Studies at MIT U.S.A.	Mr. Kartikeya Sarabhai has a long association with the Sarabhai Business and with the Pharmaceutical sector. He has been a member of the Board of the Company since 1992 and was appointed Chairman in 1995.  He is also involved in a number of policies initiated by the Government of India particularly in the environmental and educational fields.	12250	1 Albrao Pea. Ltd. — Singapore 2 Asence Inc. USA 3 ORG Telecom Limited 4 Synbiotics Limited
Dr. V.C. Shah	19.09.1927	M.Com.Ph.D. (Economics) Columbia	He is associated with the Company as a Director since 1988 and is a retired General Manager of ICICI Limited. He has wide and varied corporate business experience of different industries.  He was Economic Advisor, Embassy of India, Balgium dealing with European community (EC) GATT (now WTO) and UNCTAD.  Expertise in: - Project Appraisal. - Corporate Finance - Investment Banking and - Corporate Management	—	1 Binani Industries Ltd., 2 Costal Roadways Ltd., 3 Binani Cement Ltd., 4 Shardul Securities Ltd.,
A.H. Parekh	18.10.1948	M. Pharm. (Pharmaceutics) & Pharmaceutical Technology	He is associated with the Company from 1973. He has wide and varied experience of over 33 years in various operational areas of production.  Technical expertise in: - Formulation. - Production planning. - Inventory Control -Stores, Distributors & Logistic -Knowledge of Quality Control & Supply chain management.	—	Nil



**Directors' Report**

To  
The Shareholders,

The Directors hereby present their 28<sup>th</sup> Annual Report together with the Audited Statement of Accounts of the Company for the year ended March 31, 2006.

	(Rs.lakh)	
	2005-2006	2004-05
Turnover (Net)	10668	13040
Other Income	227	1038
Total Income	10895	14078
Interest	1592	1165
Depreciation	201	208
Operating Profit/(Loss) before extraordinary income/expenditure	(3434)	(1146)
Net Profit/(Loss) before taxation	(625)	(1146)
Net Profit/(Loss)	(640)	(1146)

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 process of minimizing operating losses by means of reduction in cost of services, overheads and other means.

As known, Baroda city was worst affected by flood during June – July 2005 and due to this, Company's power plant remain non operational for a number of days. In order to make required compliances of revised Schedule M of Drug & Cosmetics Act, 1940, production activities at formulation division have been suspended resulting in reduction in turn over of the Company. During the year under review, operating loss works out to Rs.3433.90 lacs as compared to Rs.1146.17 lacs for previous year.

**Marketing:**

Your Company has achieved good growth in sales of Generic division (100%) and Oncology division (100%) during the year. Plans are on to strengthen the ethical marketing team further to achieve healthy growth.

**Pharma Formulations:**

Contractual manufacturing of Pharma Formulations during the year under report amounted to Rs. 68.00 crores as compared to Rs. 89.00 crore in preceding year. Reduction in volume is on account of shifting of business by client companies for availing various tax incentives offered in the State of Himachal Pradesh and Uttarachal

**Bulk Drugs:**

Company maintained Sales of Rs 15.00 crore in Bulk Drugs 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:**

Electronics division of your Company did better as sales volume has increased to Rs.18.00 crores from Rs. 15.00 crores in last year.

**Joint Venture:**

The turnover of joint venture, Sarabhai Zydus Animal Health Limited for the year under report was Rs.83.19 cores as

**Increase of Authorised Capital and Issue and allotment of Equity Shares on Preferential basis:**

Company has complied all necessary formalities for increase in Authorised Share Capital from Rs.65.00 crores divided in to 6,50,00,000 equity shares of Rs.10.00 each to Rs.95.00 crores divided in to 9,50,00,000 equity shares of Rs.10.00 each.

In January 2006, the Company had issued and allotted 1,17,14,581 equity shares of Rs.10/- each at a premium of Rs.7/- per share to the group of bodies corporate on a preferential basis against partial discharge of existing liabilities of the Company.

**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.

**Subsidiaries:**

A statement pursuant to Section 212 of the Companies Act, 1956 in respect of the subsidiary companies is appended to the Balance Sheet. The Company has made an application to the Central Government for seeking exemption for non-attachment of report and accounts of its various subsidiaries as contemplated under section 212 of the Companies Act, 1956 and its response is awaited. In the meanwhile, the report and the accounts of the company may be treated as Abridged Accounts as contemplated under section 219 of the Companies Act, 1956. Those shareholders, who are desirous of receiving full reports and accounts including the report and the accounts of the subsidiaries of the Company, will be provided the same on receipt of written request / requisition in this regard. This will help to save considerable cost in connection with printing and mailing of the report and accounts in respect of the various subsidiaries of the company.

**Consolidated Financial Statement:**

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 attached herewith.

**Directorate:**

Mr. B.R. Shah and Mr. K.H. Shah have resigned as Directors of the Company w.e.f. 29.8.2005 and 3.1.2006 respectively. The Board places on records its appreciation for the guidance and valuable contribution during their association with the Company.

Mr. A.H. Parekh has been appointed as an Additional Director at the meeting of Board of Directors held on 3.1.2006 and would continue to be a Director till the conclusion of 28<sup>th</sup> Annual General Meeting. Mr.A.H. Parekh being eligible offers for re-appointment.

Pursuant to the provisions of Section 256 of the Companies Act, 1956 Mr.Kartikeya V. Sarabhai and Dr. V.C. Shah retires by rotation and being eligible offer themselves 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 alongwith proper explanation relating to material departures, if any.
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state affairs of the Company as at 31st March, 2006 and its loss 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 4 f ( i to iv).

#### 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

29<sup>th</sup> July 2006

#### Annexure to the Directors' Report :

Disclosure of additional particulars as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, forming part of the Directors' report for the year ended 31st March 2006.

#### 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 attaced 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



## orm A

## Disclosure of particulars with respect to conservation of energy)

## Power and fuel consumption :

	Unit	Current year	Previous year
Electricity			
a) Purchased (kwh)	000	333	471
Total amount	Rs lakh	18.58	41.61
Rate / Unit	Rs./kwh	5.58	8.83
b) Own generation (kwh)	000	67154	11358
Total Cost	Rs. Lakh	376.06	636
Cost / Unit	Rs./kwh	5.60	5.60
Coal		Nil	Nil
Furnace oil			
Quantity	k. ltrs.	247248	22.303
Total cost	Rs. Lakh	7.55	5.19
Average rate	Rs./K. ltrs	3.05	23.26
Other - Natural gas			
Quantity	1000M <sup>3</sup>	6332	6959
Total cost	Rs. lakh	148.17	344
Rate / unit	Rs./1000M <sup>3</sup>	2340.00	4938

## 3 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)

- Specific areas in which R & D has been carried out by the Company
  - Process development for the bulk drug and intermediates.
  - Development of new pharmaceutical formulation
  - Development and standardization of product packages.
  - Establishing the standards, specifications and analytical procedures of new products and intermediates.
  - Blood level studies of the new product formulations.
  - Chronic and acute toxicity studies for new product formulations.
  - Updating the specifications and analytical procedures for existing formulations.
  - Conducting clinical trials for the new drugs.
  - Improvement in product design and increased applications.
  - Scientific, Analytical, Electronic Test & Measuring Instruments and Cathode Ray Oscilloscope by Electronic Research Centre.

Benefits derived as a result of the above R &amp; D :

- Development of economical processes for the manufacture of bulk drugs for captive consumption.
- Development of formulations for new products and improvement in the existing formulations.
- Produce / improve instruments by Electronic Research Centre like - Water Analyzer, Buretteless-titrator, Auto Scanning Visible Spectrophotometer, Split beam Spectrophotometer, Dry bath, Filter base clinical chemistry analyzer, Leaf area meter, Flame photometer etc.

## Future plan of action :

- Development of formulations for new drugs.
- Blood level studies of new formulation.
- Clinical trials for new drugs.
- Process improvement in bulk drugs and formulations.
- Study and development of genetically engineered products.
- Development and improvement of HPLC Detector with, Spectro Fluometer, Stand alone double beam Spectrophotometer. LPLC, 100 MHz CRO etc. products by Electronic Research Centre.

## Expenditure on R &amp; D :

	Rs. Lakh
a) Capital	-
b) Recurring	75.65
Total	75.65
c) Total R & D expenditure as a percentage of total turnover	0.38

## Technology absorptin, adaptation and Innovation :

- The Company has in house R & D Centers recognized by the Department of Science & Technology, Government of India. One of the centers 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 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.

- 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 in the field of electronic instruments has served scarce foreign exchange resources for the country by developing import substitution.

**Management Discussions and Analysis Report :****a) Industry structures and developments:**

The Pharmaceutical industry is at frontline of India's science based industries and has continued to grow along with global pharmaceutical market. The global pharmaceutical market grew by about 7%.

The industry continues to remain highly fragmented with more than 20000 registered Pharma units. Leading around 250 pharmaceutical companies control 70% of the market with the market leader holding about 7% of the market share.

As awaited, the changes in the Country's patent took place on 1<sup>st</sup> January 2005. The amendment to the Patent Act of 1970 introduced was expected to users in significant changes to the Indian Pharma market. However, these were not long in coming.

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 still 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) Segment wise performance:**

Segment 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 are taking necessary steps.

**e) Risks and concerns:**

The external factors such as periodical slow down in the market, uncertain monsoon and competition are common to all the industrial sectors. It is therefore necessary to address urgently to the effects of those 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 continues to 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 2709 as on 29-7-2006.

**REPORT ON CORPORATE GOVERNANCE****I. Corporate Governance Philosophy:**

The Company's Corporate Governance policy aims to achieve maximization of stakeholder value including shareholders by adhering to all applicable legal compliances and demonstrating high standard of ethical behavior in all endeavors. The Company has taken all the steps whereby the strong foundation can be laid to achieve high standard of transparency, aggressiveness and sound organizational system.

**a) Composition of the Board:**

The Company's Board at present has 7 Directors comprising of 3 Executive Directors and 4 Non-executive Directors. Names and categories of the Directors on the Board and the numbers of Directorships and the Committee position held by them in other public limited company are given below:

Name of Director	Category / Designation	No. of other Directorships held	No. of Committee Memberships in other companies
Kartikeya V. Sarabhai	Chairman/Executive	4	4
G.D. Zalani	Non-Executive/ Independent	2	-
O.D. Gulati	Non-Executive/Independent	2	-
V.C. Shah	Non-Executive/Independent	4	-
B.V. Suryakumar	Non-Executive/Independent	5	-
K. Mohandas	Executive	-	-
A.H. Parekh	Executive	-	-

**b) Board Meetings:**

The Board met 13 times on the following dates during the financial year 2005-2006 and the maximum time-gap between the two meetings did not exceed four months.

22.04.2005	9.08.2005	3.01.2006
19.05.2005	29.08.2005	31.01.2006
30.06.2005	29.09.2005	23.03.2006
19.07.2005	10.10.2005	
3.08.2005	31.10.2005	

The Agenda papers were circulated to the Directors well in advance before the meetings with sufficient information. The details of attendance of each Directors at the Board Meeting held during the financial year 2005-2006 and the last Annual General Meeting held on 29.9.2005, together with the sitting fees paid to each Director are given below:

Name of Director	No. of Meetings held during the tenure	No. of Meetings attended	Sitting fees paid (Rs.)	Attendance at the last AGM	Date of appointment
Kartikeya V. Sarabhai	13	12	Nil	Yes	30.07.1992
A.K. Shukla	1	1	Nil	N.A.	12.05.2005
B.R. Shah	2	2	8000	N.A.	29.08.2005
G.D. Zalani	13	08	12000	Yes	01.04.1996
Dr.O.D. Gulati	13	13	21000	Yes	26.06.1991
Dr. V.C. Shah	13	12	22000	Yes	30.07.1998
B.V. Suryakumar	13	11	19,000	Yes	18.05.2005
K. Mohandas	10	6	Nil	Yes	19.07.2005
A.H. Parekh	3	3	Nil	N.A.	03.01.2006
K.H. Shah	10	10	Nil	Yes	03.01.2006
V.N. Jikar	1	1	1000	N.A.	22.04.2005