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**Ambalal Sarabhai Enterprises Limited**

**29th Annual Report**

**2006 - 07**

**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. L. Ramaswamy***Whole-time Director***Mr. B. S. Bohra****Mr. Surendra U. Tamboli***Company Secretary***Auditors**

Messrs. Sorab S. Engineer &amp; 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.

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**ase Ambalal Sarabhai Enterprises Limited**

Notice is hereby given that **Twenty-ninth Annual General Meeting** of the Company will be held on Saturday, the 29<sup>th</sup> September, 2007 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, 2007 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. G.D. Zalani, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. A.H. Parekh, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. B. V. Suryakumar, who retires by rotation and being eligible offers himself for re-appointment.

**5. 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 till the conclusion of the next Annual General Meeting of the Company for the financial year 2007-2008 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. To consider and if thought fit, to pass, with or without modifications, the following Resolution as an **Ordinary Resolution**:  
  
"RESOLVED that Mr. L. Ramaswamy, who retains his office as an Additional Director up to the date of this meeting, pursuant to the provisions of Section 260 the Companies Act, 1956 read with Article 144 of the Articles of Association of the Company, be and is hereby appointed as a rotational Director, liable to retire by rotation."
7. To consider and if thought fit, to pass, with or without modifications, the following Resolution as an **Ordinary Resolution**:

"RESOLVED that Mr. B.S. Bohra, who retains his office as an Additional Director up to the date of this meeting, pursuant to the provisions of Section 260 the Companies Act, 1956 read with Article 144 of the Articles of Association of the Company, be and is hereby appointed as a rotational Director, liable to retire by rotation."

**8. Appointment of Mr. L. Ramaswamy as 'Whole-Time Director & CEO of Sarabhai Chemicals'.**

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 read with Schedule XIII and all 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. L. Ramaswamy as 'Whole-Time Director & CEO of Sarabhai Chemicals', for a period of 3 years with effect from 29.9.2006 on the terms and conditions as stated in Explanatory Statement."

By Order of the Board of Directors,  
Surendra U. Tamboli  
Company Secretary  
23.8.2007  
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 25.9.2007 to 29.9.2007 (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 dematerialized form are requested to bring their DPID and client ID numbers for easy identification of attendance at the meeting.
6. The information relating to appointment of Directors, as required to be given as per Corporate Governance Code, are as under:



**Explanatory Statement**

Required under section 173 of the Companies Act, 1956 to accompany the Notice of the 29th Annual General Meeting.

**Item 6&7**

With effect from 29.9.2006 and 20.4.2007, Mr. L. Ramaswamy and Mr. B.S. Bohra were appointed as Additional Directors on 26.9.2006 and 20.4.2007 respectively 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, they hold their offices as Directors upto the date of Annual General Meeting of the Company. Notice/s under section 257 of the Companies Act, 1956 have been received from the shareholders of the Company, proposing Mr. L. Ramaswamy and Mr. B.S. Bohra as candidates for a office of the Directors, liable to retire by rotation. None of the other Directors of the Company except Mr. L. Ramaswamy and Mr. B.S. Bohra are concerned or interested in the respective resolutions.

**Item 8**

Mr. L. Ramaswamy is Post Graduate studies in Marketing Management and Human Resource Development Management. Prior to joining the Company, he was the Managing Director of Stiefel India Pvt. Ltd., (a 100% subsidiary of Stiefel Laboratories Inc., USA). He has experience of over 28 years.

The Board of Directors and the Remuneration Committee of Directors at their respective Meetings held on 26.9.2006, had subject to requisite approval/s, appointed him on the following terms and conditions:

1. Designation: Whole-time Director & CEO of Sarabhai Chemicals
2. Period of Appointment: From 29th September 2006 to 28th September 2009.
3. Basic Salary: Rs.1,00,000 pm in the grade of Rs.1,00,000-5000-5000-115000/-
4. Perquisites and Allowances:

In addition to salary, the following perquisites / allowances shall be allowed to the Whole-time Director.

**CATEGORY A:**

- i) **Housing:** The Company shall provide accommodation to the Whole-time Director. If he is having his own accommodation, the Company shall pay house rent allowance at the rate of 40% of the Basic Salary i.e. Rs.40,000/- p.m.
- ii) **Leave Travel Allowance:**

Maximum to the extent of 15% of basic salary i.e. Rs.15,000/- 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.8,330/- pm. or as per the Company's rules.

**iv) Additional Allowance:**

To the extent of Rs.37,070/- pm in the form of Conveyance / Petrol / Newspaper Allowance and other 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 The Payment of Gratuity Act, 1972.**

- iii) **Encashment of leave at the end of tenure as per the Company's rules.**

**CATEGORY C:**

- 4) **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 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 can be renewed by the Board of Directors before the expiry of the said term.**

- 7) **Whole-time Director 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 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/s 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.

The Board of Directors is of the view that the services of Mr. L. Ramaswamy will be of immense value to the Company. Your Directors, therefore, recommend his appointment as Whole-Time Director of the Company.

Information as required in terms of amended provisions of Schedule XIII of the Companies Act, 1956

#### A. General Information:

##### 1) Nature of Industry

The Company is in the business of manufacturing and marketing of Pharmaceutical products, Bulk Drugs Formulations and Electronic goods since 3 decades.

##### 2) Expected date of commencement of Commercial Production:

Not applicable as the Company is already in the Commercial Production.

##### 3) In case of New companies, expected date of Commencement of activities as per Project approved by financial institutions appearing in the Prospectus:

Not applicable

##### 4) Financial Performance based on given indicators:

On account of heavy overheads in the form of huge labour force, outdated technology for manufacturing pharmaceutical products and implication of Drug Price Control, the Company is running in to the losses since more than 10 years. The Company is also facing acute financial crises and has jotted down various plans to overcome present financial situation and to bring better performance of the Company.

##### 5) Export Performance and net Foreign Exchange earnings:

Not applicable

##### 6) Foreign Investments or Collaborators, if any:

Not applicable

#### B. Information about the Appointee

##### 1) Past Remuneration for last three years:

Organization	Designation	Duration From To	Total remuneration per annum Rs.
Stiefel India Pvt.Ltd	G. M.	Apr 04 Mar 05	1,555,000.00
Stiefel India Pvt.Ltd	M. D.	Apr 05 Mar 06	2,015,000.00
Stiefel India Pvt.Ltd	M. D.	Apr 06 Sept 06	2,600,000.00

##### 2) Job Profile and his suitability:

Based on technical and working experience of the appointee, especially in the marketing field, the Company expect to have a better performance in terms of sales and profitability of the Company in the years to come.

##### 3) Remuneration proposed:

The proposed remuneration is as mentioned herein above

##### 4) Comparative remuneration profile with respect to Industry, size of the Company, profile of the position and person

Remuneration payable to Mr. L. Ramaswamy is within the parameters / norms of the industry prevalent

##### 5) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any:

There is no pecuniary relationship directly or indirectly with the Company of the person to be appointed.

None of the Directors except Mr. L. Ramaswamy is concerned or interested in the resolution.

The accompanying notice together with explanatory statement 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

23.8.2007

**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
Mr. G.D. Zalani	15.11.1927	M. Pharm.	Associated with the company for last more than four decades. Expertise in Commercial aspects and liaison with Government authorities.	10	- Asence Inc.
A.H. Parekh	18.10.1948	M. Pharm. (Pharmaceutics) & Pharmaceutical Technology	Experience of Pharma production facilities of more than three decades. <u>Technical expertise in:</u> - Formulation, Production planning. - Inventory Control-Stores, Distributors & Logistic - Knowledge of Quality Control.	-	Nil
B.V. Suryakumar	30.5.1943	ICWAI	At Essar Projects Limited, he was Whole-Time Director & CEO. Expertise in finance and General Management. Total experience of more than four decades in different capacities.	374	1 ORG Informatics Ltd., 2 Mautik Exim Ltd., 3 Medico Interfarm Ltd., 4 Essar Projects Ltd.,
Mr. L. Ramaswamy	1.11.1957	Post Graduate in Marketing Management and Human Resources Management	Prior to joining the company, he was the Managing Director of Stiefel India Pvt. Ltd. (a 100% subsidiary of Stiefel Laboratories Inc., USA). He has experience of over 28 years.	-	Nil
Mr. B.S. Bohra	1.1.1940		Finance & General Administration.	-	1 Julie (India) Ltd. 2 Chiranjilalji Finance Ltd. 3 B.T. Syndicate Ltd.

**Directors' Report**

To,

The Shareholders,

The Directors hereby present their 29<sup>th</sup> Annual Report together with the Audited Statement of Accounts of the Company for the year ended March 31, 2007.

**Financial Highlights:**

	(Rs.lakh)	
	2006-2007	2005-06
Turnover (Net)	8947	10668
Other Income	858	227
Total Income	9805	10895
Interest	1395	1592
Depreciation	200	201
Net Profit/(Loss) before taxation	(2931)	(625)
Net Profit/(Loss)	(2956)	(640)

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.

During the year under review, the Company has redeemed 11% bond issued to five institutions in 1985, by way of one time settlement, paying principle amount of Rs.1.75 cores. On account of redemption of bond, company has written back interest of Rs.397.92 lakhs payable to the bond holders.

Further, as a result of renegotiation in the terms of the borrowing, the Company could save Rs.197.00 lakhs in terms of Interest.

**Operations:****Pharma Formulations:**

During the year under review, our formulation manufacturing activity was adversely affected due to two major factors;

1. Closure of our plant for almost four months due to modifications being carried out in the plant to meet requirements of Schedule M - by FDCA, Gujarat. The Company had to suspend activities in its injectable plant as it was not possible at this stage to invest in its modernization.

2. A major portion of our production got shifted to excise exempt zones as clients found production at ASE uneconomical.

In order to strengthen its formulation activity, the Company has identified new products for export and the first such product exported after its approval from importing country. In order to manufacture the new products, the Company has established a special de-humidified facility.

**Marketing :**

The Company is currently restructuring its Ethical Marketing division and it is expected to be re-launched in early 2008. In the meanwhile the Oncology division of the Company has shown good growth and its further building on its product portfolio which includes products marketed under license from Bristol Myers Squibb and Novartis. The Company has also a significant growth in the sales of Generic drugs.

**Bulk Drugs:**

During the current year, sale of bulk drug has also been heavily suffered and the sales came down to Rs.6.00 crores as compared to Rs.15.00 crores for the previous year. However, looking to the present market scenario, Company expects to make reasonable progress.

As part of Company's restructuring strategy, plans are on to transfer the chemical Bulk Drugs division to its wholly owned subsidiary company as a going concern.

**Electronics Division:**

As evident during last few years, competition is very stiff in the electronic business with the entry of international players and manufacturers in small scale sector. Despite this, company has sustained business growth by concentrated efforts and by expanding custom base. The Company's sale during the year reached to Rs.24.27 crores as compared to Rs 18.00 crores for the previous year.

With a view to rapid growth, a focused company in electronics is recommended. Therefore, plans are on to transfer electronic division to wholly owned subsidiary company as going concern.

**Turnaround Scheme**

The Management has formulated a detailed scheme for turning

around the company which has over the period accumulated huge liabilities. One of the measures for the turnaround strategy is to settle outstanding overdue liabilities so that the company can function without encumbrances. The plan also envisages appreciable reduction in excessive labour cost by offering voluntary retirement benefits. All these steps require funds. The Management has been pursuing a strategy for raising maximum proportion of interest free funds so as to minimize interest costs. Yet another facet of the revival plan is to unlock value of potentially very profitable divisions of the Company by refocusing some of its divisions as wholly owned subsidiaries.

**Disinvestments in Joint Venture:**

As part of re-structuring program, and with a view to make best use of available needed funds, in the month of May 2007, the Company had divested its 50% shareholding i.e. 2.70 lacs equity shares of Rs.10/- each fully paid up held in Sarabhai Zydus Animal Health Limited to its other 50% Joint Venture Partner Cadila Healthcare Limited.

**ONGC**

An agreement between ONGC and the Company was executed on 21.8.2007 for the settlement of outstanding dues of Rs.42 crores payable in two equal installments. The Company had already paid first installment of Rs.21 crores. Based on the agreement arrived, the Company is approaching the Supreme Court for vacating the Company's undertaking on the sale of its immovable assets.

**Voluntary Retirement Scheme:**

In order to reduce employees cost, the Company had announced Voluntary Retirement Scheme in August 2006 and June 2007, under which over 257 employees of the Company have been relieved and compensation amount of Rs.8.10 crores has been paid to them. Such reduction of employees would result in approximate saving of Rs.26 lacs per month.

**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:**

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:**

With effect from 29.9.2006 and 20.4.2007, Mr. L Ramaswamy and Mr. B.S. Bohra were appointed as Additional Directors on 26.9.2006 and 20.4.2007 respectively by the Board of Directors of the Company pursuant to the provisions of Article 143 of the Articles of Association of the Company. In terms of Section 260 of the Companies Act, 1956, they hold their offices as Directors upto the date of 29<sup>th</sup> Annual General Meeting of the Company. Pursuant to the provisions of Section 256 of the Companies Act, 1956 Mr.G.D. Zalani, Mr. A.H. Parekh and Mr. B.V. Suryakumar, retire 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 on.com



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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 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, 2007 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:

With reference to the qualification in the Auditor's Report, the Board submit the following the explanations:

### Impairment of goodwill and fixed assets of closed Units:

Company is providing depreciation in the manner and at the rates as provided in the Companies Act, 1956 in respect of assets of closed Units. As regards goodwill, having regard to future economic benefits, based on Company's business plans, Company does not expect any impairment.

### Investment in subsidiaries

In case of investment in share capital of Company's wholly owned subsidiary, net worth is no longer negative and, therefore, investments are carried at cost in the balance sheet.

### Dues from erstwhile wholesale buyers / other companies

Company expects settlement and / or recovery of dues from erstwhile wholesale buyers / other companies and, therefore, no provision is made for any possible loss on account of non-recovery.

### Auditors:

M/s. Sorab S. Engineers & Co., 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

Kartikaya V Sarabhai

Chairman

23<sup>rd</sup> August 2007  
Vadodara

### 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 2007.

### 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	113.17
Foreign exchange used	719.68



**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	256	333
Total amount	Rs lakh	15.88	18.58
Rate / Unit	Rs./kwh	6.20	5.58
b) Own generation (kwh)	000	70374	67154
Total Cost	Rs. Lakh	394.09	376.06
Cost / Unit	Rs./kwh	5.60	5.60
2 Coal		Nil	Nil
3 Furnace oil			
Quantity	k. ltrs.	-	247248
Total cost	Rs. Lakh	-	7.55
Average rate	Rs./K. ltrs	-	3.05
4 Other - Natural gas			
Quantity	1000M <sup>3</sup>	5698	6332
Total cost	Rs. lakh	145.68	148.17
Rate / unit	Rs./1000M <sup>3</sup>	2556.69	2340.00

**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)**

- 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 Fluorometer, 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	84.61
Total	84.61
c) Total R & D expenditure as a percentage of total turnover	0.95

**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.

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**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. Indian Pharmaceutical industry is growing at 10% compared with the global industry rate of 7%.

As an evident from the available statistic of Indian Pharmacy, the pharmaceutical industry continues to remain fragmented in to medium size and small size manufacturing units. The 37% of the total pharmaceutical products are being manufactured by top 10 Indian companies.

In view of the Government encouragement for bringing foreign direct investment in India, many foreign corporate have shown their interest for establishing their unit in India mainly due to low cost manufacturing and research base and growing domestic market size.

On export front, the Indian companies tend to focus on exports owing to higher realization and abilities of Indian entrepreneurs to produce molecules acceptable in the export markets.

During the year 2006-2007, the Indian Pharmaceutical industry has significantly exported to regulated markets of US and Europe in Generic Drugs Markets, wherein your Company has also exported substantially its products through its Subsidiary Company.

**b) Opportunities and Threats:**

Your Company operates in an area where a large market exists and offers ample opportunities for growth. As per the statistic available, Indian pharmaceutical export will have potential to increase around 18% by end of financial year 2008 to take its total export volume to about 6.24 billion US \$. In order to sustain the future growth, the Indian companies must achieve the right product-mix. The Indian Pharmaceutical industry has witnessed some regulatory and much awaited the patent law changes. Due to expansion of patent law covering products into new patent system, MNCs have shown much interest to grab skill and infrastructure for their research and manufacturing activities. The Indian companies had to take extra efforts to match with the international standard of pharmacy.

**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 is taking necessary steps.

**b) 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 organization 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 organizational development and to imbibe new organization values - entrepreneurship, team work achievement and commitment.

The relations between the management and workmen have remained cordial. Total employees strength of the Company is 2324 at the end of the year under review.

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

Good corporate governance calls for transparency and accountability of a company's management. Your company remains committed to these basic tenets of good governance by full disclosure of its policies and operational practices as will be evident below:-

**a) Composition of the Board:**

The Company's Board at present has 9 Directors comprising of 4 Executive Directors and 5 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	6	5
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	-	-
L. Ramaswamy	Executive	-	-
B. S. Bohra	Non-Executive/Independent	3	-

**b) Board Meetings:**

The Board met 9 times on the following dates during the financial year 2006-2007 and the maximum time-gap between the two meetings did not exceed four months.

17.5.2006	26.9.2006	29.1.2007
29.6.2006	31.10.2006	7.3.2007
29.7.2006	30.12.2006	9.3.2007

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 2006-2007 and the last Annual General Meeting held on 26.9.2006, 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 for Board Meetings & other Committee Meetings (Rs.)	Attendance at the last AGM	Date of appointment
Kartikeya V. Sarabhai	9	9	Nil	Yes	30.07.1992
G.D. Zalani	9	4	7000	Yes	01.04.1996
Dr.O.D. Gulati	9	8	16000	Yes	26.06.1991
Dr. V.C. Shah	9	7	16000	Yes	30.07.1998
B.V. Suryakumar	9	8	13000	Yes	18.05.2005
K. Mohandas	9	8	Nil	Yes	19.07.2005
A.H. Parekh	9	9	Nil	Yes	03.01.2006
L. Ramaswamy	5	3	Nil	N.A.	29.9.2006