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Ambalal Sarabhai Enterprises Limited

30th Annual Report

2007 - 08

2 Ambalal Sarabhai Enterprises Limited**Board of Directors**

Mr. Kartikeya V. Sarabhai
Chairman

Mr. B. S. Bohra
Mr. B. V. Suryakumar
Mr. Govind Das Zalani
Dr. Om Dutt Gulati
Dr. Vinodchandra C. Shah

Mr. Anil H. Parekh
Whole-time Director

Mr. K. Mohandas
Whole-time Director

Mr. L. Ramaswamy
Whole-time Director

Mr. Surendra U. Tamboli
Company Secretary

Auditors

M/s. Sorab S. Engineer & Co
Chartered Accountants
Ismail Building
381, Dr. D. Naoroji Road
Fort, Mumbai

Banker

Punjab National Bank

Registered Office

Dr. Vikram Sarabhai Marg,
Wadi Wadi, Vadodara 390 023.

Index

Notice	3
Directors' Report and its Annexure	7
Auditors' Report	13
Balance Sheet	16
Profit and Loss Account	17
Schedules to the Accounts	18
Cash Flow Statement	28
Balance Sheet abstract and Company's General Business Profile	28
Statement regarding Subsidiaries-Section 212 ...	29
Consolidated Financial Statements	30

ase Ambalal Sarabhai Enterprises Limited

Notice is hereby given that the Thirtieth Annual General Meeting of the Company will be held on Friday, the 28th November 2008 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 31st March, 2008 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 Dr. O.D. Gulati, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. K. Mohandas, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. L. Ramaswamy, who retires by rotation and being eligible offers himself for re-appointment.

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 2008-2009 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. Re-appointment of Mr. K. Mohandas as 'Whole-Time Director, President & COO (Electronics Division) :**

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 and, 310 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 reappointment of Mr. K. Mohandas as 'Whole-Time Director, President & COO (Electronics Division)' for a period of 3 years with effect from 19th July, 2008 on the terms and conditions as stated in Explanatory Statement."

7. Re-appointment of Mr. A. H. Parekh as 'Whole-Time Director & President (Formulation).

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, and 310 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 reappointment of Mr. A. H. Parekh as

'Whole-Time Director & President (Formulation)' for a period of 3 years with effect from 28th December, 2008 on the terms and conditions as stated in Explanatory Statement."

By Order of the Board of Directors,

Date : 17.10.2008

Surendra U. Tamboli

Place : Ahmedabad

Company Secretary

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 24.11.2008 to 28.11.2008 (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 / re-appointment of Directors, as required to be given pursuant to Clause 49 of the Listing Agreement is given in Annexure A to the Explanatory Statement.

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956.**Item 6**

The Board of Directors of the Company and Remuneration & Compensation Committee at their meetings held on 19th July, 2005 and 9th August, 2005 respectively, subject to the approval of Shareholders and Central Government, have appointed Mr. K. Mohandas, as Whole-Time Director, President & C.O.O. (Electronics Division) for a period of 3 years, w. e. f. 19th July, 2005. Subsequently, subject to the approval of Central Government, the Shareholders of the Company at their Annual General Meeting held on 29th September, 2005 have accorded their approval to the appointment of Mr. K. Mohandas as Whole-Time Director, President & C.O.O. (Electronics Division) and remuneration payable to him. The Company has also received approval from Central Government vide its letter No. 1/415/2005-cc.VII dated 16th December, 2005 for the said appointment and remuneration payable to Mr. 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 varied experience of over 42 years in various areas of Management and reached upto the position of Whole-Time Director, 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 tenure of Mr. K. Mohandas was completed on 18th July, 2008. In view of the involvement and contribution in electronic segment of the Company, Remuneration and Compensation Committee and Board of Directors at their respective meetings held on 17th October, 2008 subject to the approval of Shareholders and Central Government, re-appointed Mr. K. Mohandas as Whole-Time Director, President & C.O.O. (Electronics Division) of the Company for a further

4 Ambalal Sarabhai Enterprises Limited

period of 3 years with retrospective effect from 19th July, 2008 on following terms and conditions:

1. a) Basic Salary : Rs.60,000/- p.m. in the grade of 60,000 - 5,000 - 80,000/-
- b) House rent allowance @ 40% of (a) : Rs.24,000/- p.m.
- c) Perquisites : Total perquisite shall be restricted to 60% of basic salary.
 - i) Expenditure incurred on gas, electricity, water, furnishing. : To be valued as per I.T. Rules and in absence of such rules, to be valued at actual cost.
 - ii) Medical benefits for self and family. : Reimbursement of expenses actually incurred for self, wife and dependent children. However, such reimbursement as it would exceed maximum limit laid down under I.T. Rules, would be subject to tax, from time to time.
 - iii) Leave Travel Concession for self and family. : Only travel fare, once a year to & fro for any place in India.
 - iv) Telephone facilities at Residence : Personal long distance call to be paid for by the appointee.
 - v) Club fees and personal accident insurance, as per Company's rules.

Mr. Mohandas shall also be entitled for the following benefits. However the same will not be taken into account while computing Managerial Remuneration
Other Benefits:

- A) Reimbursements of actual entertainment expenses incurred for the business of the Company, as per Company's rules.
 - B) Leave on full pay, as per rules of the Company, but not exceeding one month's leave for every eleven months of service.
 - C) Company's contribution towards provident fund and superannuation fund as per rules of the Company.
 - D) Gratuity would become payable at the rate not exceeding half a month's salary for each completed years of service.
 - E) Encashment of leave in respect of leave accumulated but not availed of at the end of the tenure, would be permissible.
2. Annual Increment : Entitled to get annual increment as may be decided by the Board of Directors within the basic salary of Rs.60,000/- p.m. in the grade of 60,000 - 5,000 - 80,000/-
 3. Rs. 3,00,000/- Per annum : Mr. Mohandas shall be entitled for compensation on achieving pre determined Key Performance Area as determined by Remuneration and Compensation committee in proportion to achievement of key performance target both quantitative and qualitative during the year.
 4. In absence of or in-adequacy of profits in any financial year, he will be entitled to said salary, perquisites etc. as mentioned above as **minimum remuneration**.

5. Other terms and conditions:

- i) In the capacity of a Whole-time Director, he shall not be paid any sitting fees to attend the meeting of the Board and/or Committee thereof.
 - ii) In the event of cessation of his respective office during any financial year, the aforesaid remuneration will be paid on a pro-rata basis.
 - iii) He shall not so long as he functions as a Whole-time Director of the Company become interested or otherwise concerned directly or through wife/or minor children in any selling agency of the company without the prior approval of the Central Government.
 - iv) The Company shall deduct all taxes from the remuneration, as per applicable law, from time to time.
 - v) Without the approval of the Board of Directors of the Company, neither he nor any of his relatives nor any firm or private company in which he or any of his relatives are a Director, member or partner shall enter into any contract with the Company for sale, purchase or supply of any goods, materials or services for whatever value. He shall also report to the Board the names of all private companies, firms or proprietorship in which he or any of his relatives as defined in the Companies Act, have any interest as Director, member, partner or proprietor.
 - vi) This appointment is terminable by three months notice on either side or payment of salary in lieu thereof.
6. 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 limit of Schedule XIII of the Companies Act, 1956 (or any amendment of reenactment made thereof from time to time) as applicable to the Company and would be subject to other compliance/s, if any, as might be required.
 7. Terms of the appointment of Whole-Time Director & President & C.O.O. (Electronics Division) 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. Mohandas shall cease to be Whole-Time Director, President & C.O.O. (Electronics Division) on expiration of the present term.

The proposed resolution and explanatory statement may be treated as an abstract of the terms and conditions of the appointment of Mr. K Mohandas as Whole Time Director, President & C O O. (Electronics Division) in terms of section 302 of the Companies, Act 1956

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.

Item 7

The Remuneration & Compensation Committee and the Board of Directors of the Company at their respective meetings held on 3rd January, 2006, subject to the approval of Shareholders and Central Government, have appointed Mr. A. H. Parekh, as Whole-Time Director & President. (Formulation) for a period of 3 years, w. e. f. 26th December, 2005. Subsequently, subject to the approval of Central Government, the Shareholders of the Company at their Annual General Meeting held on 26th September, 2006 have accorded their approval to the appointment of Mr. A. H. Parekh, Whole-Time Director & President (Formulation) and remuneration payable to him. The Company has also complied with the formalities for getting approval of Central Government.

Mr. A. H. Parekh is M. Pharma. and holding extensive and varied experience of over 36 years in various areas 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 tenure of Mr.A.H. Parekh would be completed on 25th December, 2008. In view of the involvement and contribution in formulation segment, and restructuring of Company's business, Remuneration and Compensation Committee and Board of Directors at their respective meetings held on 17th October, 2008 subject to the approval of Shareholders and Central Government, re-appointed Mr.A.H. Parekh as Whole-Time Director & President (Formulation) of the Company for a further period of 3 years with effect from 26th December, 2008 on following terms and conditions:

1. a) Basic Salary : Rs.60,000/- p.m. in the grade of 60,000 - 5,000 - 80,000/-
- b) House rent allowance @ 40% of (a) : Rs.24,000/- p.m.
- c) News paper Allowance : Rs.400/- p.m.
- d) Perquisites: : Total perquisite shall be restricted to 70% of basic salary.
 - i) Expenditure incurred on gas, electricity, water, furnishing. : To be valued as per I.T. Rules and in absence of such rules, to be valued at actual cost.
 - ii) Medical benefits for self and family. : Reimbursement of expenses actually incurred for self, wife and dependent children. However, such reimbursement as it would exceed maximum limit laid down under I.T. Rules, would be subject to tax, from time to time.
 - iii) Leave Travel Concession for self and family. : Only travel fare, once a year to & fro for any place in India.
 - iv) Telephone facilities at Residence : Personal long distance call to be paid for by the appointee.
 - v) Club fees and personal accident insurance, as per Company's rules.

Mr. Parekh shall also be entitled for the following benefits. However the same will not be taken into account while computing Managerial Remuneration

Other Benefits:

- A) Reimbursements of actual entertainment expenses incurred for the business of the Company, as per Company's rules.
 - B) Leave on full pay, as per rules of the Company, but not exceeding one month's leave for every eleven months of service.
 - C) Gratuity would become payable at the rate not exceeding half a month's salary for each completed years of service.
 - D) Encashment of leave in respect of leave accumulated but not availed of at the end of the tenure, would be permissible.
2. Annual Increment : Entitled to get annual increment as may be decided by the Board of Directors within the basic salary of Rs.60,000/- p.m in the grade of 60,000 - 5,000 - 80,000/-.

3. Rs.3,00,000/-
Per annum

Mr. Parekh shall be entitled for compensation on achieving pre determined Key Performance Area as determined by Remuneration and Compensation committee in proportion to achievement of key performance target both quantitative and qualitative during the year.

4. In absence of or in-adequacy of profits in any financial year, he will be entitled to said salary, perquisites etc. as mentioned above as **minimum remuneration**.

5. Other terms and conditions:

- i) In the capacity of a Whole-time Director, he shall not be paid any sitting fees to attend the meeting of the Board and/or Committee thereof.
- ii) In the event of cessation of his respective office during any financial year, the aforesaid remuneration will be paid on a pro-rata basis.
- iii) He shall not so long as he functions as a Whole-time Director of the Company become interested or otherwise concerned directly or through wife/or minor children in any selling agency of the company without the prior approval of the Central Government.
- iv) The Company shall deduct all taxes from the remuneration, as per applicable law, from time to time.
- v) Without the approval of the Board of Directors of the Company, neither he nor any of his relatives nor any firm or private company in which he or any of his relatives are a Director, member or partner shall enter into any contract with the Company for sale, purchase or supply of any goods, materials or services for whatever value. He shall also report to the Board the names of all private companies, firms or proprietorship in which he or any of his relatives as defined in the Companies Act have any interest as Director, member, partner or proprietor.
- vi) This appointment is terminable by three months notice on either side or by payment of salary in lieu thereof.

6. 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 limit of Schedule XIII of the Companies Act, 1956 (or any amendment of reenactment made thereof from time to time) as applicable to the Company and would be subject to other compliance/s, if any, as might be required.
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 (Formulation) on expiration of the present term.

The proposed resolution and explanatory statement may be treated as an abstract of the terms and conditions of the appointment of Mr. Parekh as Whole Time Director & President (Formulation) in terms of section 302 of the Companies, Act 1956

Mr. Parekh 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.

Your Directors recommend the resolutions as set out at item number 6 & 7 of the Notice for your approval and acceptance.

By Order of the Board of Directors,

Date : 17.10.2008
Place : Ahmedabad

Surendra U. Tambohi
Company Secretary

The information relating to Appointment / Reappointment 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
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. He has wide and varied experience in the field of Drugs and Pharmaceuticals. He has been a Director of the Company since 1991.	Nil	<ul style="list-style-type: none"> - Haryana Containers Ltd. - Mautik Exim Ltd.,
Mr. K. Mohandas	12.5.1948	Graduate with Economics & Diploma in Materials Management	Joined the organization in 1996 and has varied experience of 42 years in various areas of management. At present he is a President & C.O.O(Electronics Division) of the company.	Nil	Nil
A.H. Parekh	18.10.1948	M. Pharm. (Pharmaceutics) & Pharmaceutical Technology	Experience of Pharma production facilities of more than three decades. Technical expertise in: <ul style="list-style-type: none"> - Formulation, Production planning. - Inventory Control - Stores, Distributors & Logistic - Knowledge of Quality Control. 	Nil	Nil
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	Nil

Directors' Report

To

The Shareholders,

The Directors hereby present their 30th Annual Report together with the Audited Statement of Accounts of the Company for the year ended March 31, 2008.

	(Rs.lakh)	
	2007-2008	2006-07
Turnover (Net)	6183	8947
Other Income	430	858
Total Income	6613	9805
Interest	5054	1395
Depreciation	198	200
Extraordinary Income net of expenditure	8540	-
Net Profit/(Loss) before taxation	(735)	(2931)
Transfer from Capital Reserve	350	-
Net Profit/(Loss)	(404)	(2956)

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.

Turnaround Scheme:

As reported last year, the management has formulated a detailed restructuring programme for the turn around of the Company. The plan would crystallize and pay off old liabilities, decrease the staff strength through VRS, re-locate units and modernize them and rebuild the Company's marketing force. The plan also envisages the operation to be in focused SBUs (Strategic Business Units) for faster growth, more accountability and better ability to attract financial and technical resources.

The company has already acquired Suvik Hi Tek Private Limited and Systronics (India) Private Limited.

During the year under review, the main focus of the company was on implementation of the restructuring programme and has taken the following major steps in this direction:

i) Settlement of dues of Bond / Debenture holders:

The Company had settled outstanding dues towards redemption of 11% Secured Redeemable Bonds and 15% Secured Non-convertible Debentures, issued to Financial Institutions and to individuals respectively. In view of such settlement of bondholders / debentureholders, the fixed assets of the Company are now free from any encumbrances.

ii) Settlement of ONGC dues:

In terms of Agreement dated 21st August 2007 between ONGC and the Company, total dues of Rs. 42.00 crores are now settled with the payment of second installment of Rs.21.00 crores and stay on the Sale of Company's immovable assets given to the Supreme Court is vacated.

iii) Voluntary Retirement Scheme (VRS) :

In order to reduce employees cost, the Company had implemented VRS in four phases during current financial year, under which 853 employees of the Company have been relieved and compensation of Rs.40.90 crores have been paid to them. Such reduction in employees would result in saving of approx. Rs.11.00 crores per annum.

iv) Real Estate:

As a part of restructuring process during the year under review, the Company has after getting required approvals from appropriate Government and Semi-government authorities sold 28431 sq. mtrs. land of Baroda at a consideration of Rs. 51.14 crores and during the current financial year i.e. 2008-2009, the company has further entered into MOUs with various parties for sale of 1,05,042 sq.mtrs land of Baroda for a total consideration of Rs. 213.00 crores.

Postal Ballot:

In last Directors' report, it was stated that as part of restructuring scheme, Sarabhai Chemicals Bulk Drugs Division and Electronic Division were proposed to transfer to the Company's wholly owned subsidiary companies. Over and above with a view to liquidate liabilities and offer VRS Scheme, it was also planned to sell some of the immovable properties of the Company. With these objectives, the Board of Directors at its meeting held on 23rd August, 2007 decided to obtain consent of the shareholders through the process of Postal Ballot in terms of the provisions of section 192A of the Companies Act, 1956 and Companies (Passing of the Resolution by Postal Ballot) Rules 2001 and proposed three separate Ordinary Resolutions. Notice along with its Explanatory statement as required under the Companies Act were sent to all the shareholders. However, some of the shareholders have filed Company Petition with Company Law Board (CLB), principle Bench, New Delhi under Section 397

and 398 of the Companies Act, 1956. CLB vide its order dated 29th November, 2007, directed to with hold the declaration of the result of the said Postal Ballot.

On adequate representation to the CLB by the company and affected parties, the shareholders who have filed Company Petitions are now settled and withdrawn. As quite a reasonable time has been passed in this process and various parameters are also changed, the Board of Directors of the Company, at its meeting held on 20th August, 2008 has decided to withdraw the said Postal Ballot and issue fresh postal Ballot Notice for obtaining the consent of the shareholders for the said proposals.

Extension of AGM :

As per Section 166 of the Companies Act, 1956, 30th Annual General Meeting was required to be convened and held on or before 30th September, 2008. However, as the Company is passing through restructuring process, certain major activities are carried out during the year under report and in view of this, as per decision of the Board of Directors at its meeting held on 20th August 2008, the Company has sought extension for holding Annual General Meeting from the Registrar of Companies Ahmedabad and ROC has granted such extension upto 30th November 2008.

Power Plant:

The Company has its own 4.6 MW Power plant. In view of relocation of production facilities, the Company will have surplus capacity which can be commercially utilized and it can be made as one of the key profit centre. With this objective, Company intent to transfer its power plant as going concern to one of its wholly owned subsidiary company. Appropriate approvals/sanctions as required from shareholders is being taken through postal ballot.

Operations:**i) Pharma Formulations:**

The formulation activities were adversely affected due to break down of the power plant of the Company. However, the Company could manage its activities at marginal level through third party manufacturing arrangements. Further, the Company has planned to relocate the manufacturing activities to meet domestic market by updating its plant at Ranoli.

ii) Marketing:

Sarabhai Chemicals Marketing Division has focused more on Generic Business through franchises and achieved almost 100% growth over the previous year. The Ethical Division is also being re-launched at all India level with the patient friendly product basket & new team of field force. Novartis has also renewed the marketing and distribution contract for Chiron products for another 3 years. The Company is also negotiating with ITC for the supply of a food product.

iii) Electronics:

Electronics division of your Company did better as sales volume has increased to Rs.28.15 crores from Rs.24.27 crores in last year. As mentioned above, after getting required approval, the Company intent to transfer its Electronics Division to one of its wholly owned subsidiary company for better performance and also to make a separate profit centre.

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.

The Company could not comply with the provisions of Clause 41 of the Listing Agreement within stipulated period due to VRS opted by the majority of the officials and deactivation of company's own power plant for quite substantial period during the year on account of technical snags.

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 on receipt of written request / requisitor 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:

8 Ambalal Sarabhai Enterprises Limited

Pursuant to the provisions of Section 256 of the Companies Act, 1956, Dr. O. D. Gulati, Mr. K. Mohandas and Mr. L. Ramaswamy, 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 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(2A.4) 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, 2008 and its profit 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:

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 submits the following 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 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 whole-sale buyer / other companies.

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

Doubtful debts and advances

Company is pursuing with the concerned parties for the recovery and settlement of the outstanding amount for which the Company is hopeful for settlement. As and when final settlement is made with the parties, necessary entries for amount which is not recoverable would be recognized in the books. In view of this, Company has not treated amounts due from various parties as bad / doubtful of recovery and no provision is made in the accounts.

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

Date : 17th October 2008

Kartikeya V Sarabhai

Place : Ahmedabad

Chairman

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 2008.

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	153.24
Foreign exchange used	308.97

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	239	256
Total amount	Rs lakh	15.45	15.88
Rate / Unit	Rs./kwh	6.46	6.20
b) Own generation (kwh)	000	4907	7037
Total Cost	Rs. Lakh	274.78	394.09
Cost / Unit	Rs./kwh	5.60	5.60
2 Coal		Nil	Nil
3 Furnace oil		Nil	Nil
4 Other - Natural gas			
Quantity	1000M ³	4106	5608
Total cost	Rs. lakh	224.87	145.68
Rate / unit	Rs./1000M ³	5476.10	2556.69

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 & 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 & D :

	Rs. Lakh
a) Capital	-
b) Recurring	60.89
Total	60.89
c) Total R & D expenditure as a percentage of total turnover	0.98

Technology absorption, 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 saved scarce foreign exchange resources for the country by developing import substitution.

10 Ambalal Sarabhai Enterprises Limited

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

The Indian Pharmaceutical Industry (IPI) estimated at US\$ 9 bn. has grown at a CAGR of 7% during the last six years. It is ranked 4th in volume terms and 11th in value terms globally. India's share in the global pharmaceutical market is less than 2% in value terms as drug prices in India are one of the lowest in the world. Exports contributed to more than half of IPI's turnover during 2007-08 and have been a major growth driver for the industry growing at a CAGR of 19% during the last six years.

The changing dynamics of the global pharmaceutical industry especially that of the regulated markets like USA and Europe have presented a number of opportunities for IPI to capitalize on. Some of the major concerns facing the global pharmaceutical industry are higher healthcare costs, competition from generics, patent expiries of blockbuster drugs, drying R&D pipelines and increasing R&D costs. These translate into a significant growth opportunity for IPI in the form of exports of generics to regulated markets and contract manufacturing/ research for global pharmaceutical 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 2007-2008, 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.

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:

India is emerging as a low-cost, high quality option for outsourcing of research, manufacturing and other services. This offers a great opportunity for the Indian Pharmaceutical Industry and Indian Pharma companies.

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 9% by end of financial year 2009 to take its total export volume to about 11 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) Real Estate:

The Company had executed various sale deeds / conveyance with different parties for sale of unutilized land.

d) 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.

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 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.

The Company has declared Voluntary Retirement Scheme (VRS) during the year to reduce the excessive labour cost. Under the said VRS, 853 employees had taken advantage of VRS, whereby the Company would be in a position to reduce its monthly wage bill substantially.

As on date of the report, total employees strength of the Company is 1180.

REPORT ON CORPORATE GOVERNANCE**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
Kartikaya V. Sarabhai	Chairman	5	2
A.H. Parekh	Whole-Time Director and President (Formulations)	-	-
B.S. Bohra	Non-Executive/ Independent	3	-
B.V. Suryakumar	Non-Executive/Independent	4	-
G.D. Zalani	Non-Executive/ Independent	2	-
K. Mohandas	Whole-Time Director, President & COO (Electronic)	-	-
L. Ramaswamy	Whole-Time Director and CEO-Sarabhai Chemicals	-	-
O.D. Gulati	Non-Executive/Independent	2	-
V.C. Shah	Non-Executive/Independent	4	-

b) Board Meetings:

The Board met 14 times on the following dates during the financial year 2007-2008 and the maximum time-gap between the two meetings did not exceed four months.

20.4.07	29.9.07	25.1.08
30.6.07	17.10.07	29.2.08
31.7.07	8.11.07	12.3.08
23.8.07	30.11.07	27.3.08
20.9.07	31.12.07	

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 2007-2008 and the last Annual General Meeting held on 29.9.2007, 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
Kartikaya V. Sarabhai	14	13	Nil	Yes	30.07.1992
A.H. Parekh	14	12	Nil	Yes	03.01.2006
B.S. Bohra	14	11	15000	Yes	20.4.2007
B.V. Suryakumar	14	13	23000	Yes	18.05.2005
G.D. Zalani	14	11	15000	Yes	01.04.1996
K. Mohandas	14	11	Nil	Yes	19.07.2005
L. Ramaswamy	14	09	Nil	No.	29.9.2006
Dr. O.D. Gulati	14	14	25000	Yes	26.06.1991
Dr. V.C. Shah	14	14	26000	Yes	30.07.1998