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Ambalal Sarabhai Enterprises Limited

31st Annual Report

2008 - 09

Board of Directors

Mr. Kartikeya V. Sarabhai

Chairman

Dr. Vinodchandra C. Shah

Mr. B.V. Suryakumar

Mr. Govind Das Zalani

Dr. Om Dutt Gulati

Mr. B.S. Bohra

Mr. Anil H. Parekh

Whole-time Director

Mr. K. Mohandas

Whole-time Director

Mr. Ketan Adhvaryu

Company Secretary

Mr. Deepak Desai

Dy. Company Secretary

Auditors

M/s. Sorab S. Engineer & Co.

Chartered Accountants

Ismail Building

381, Dr. D. Naoroji Road

Fort, Mumbai-400 001

Banker

Punjab National Bank

ICICI Bank Limited

Axis Bank Limited

Registered Office

Sarabhai Campus

Gorwa Road,

Vadodara-390 023.

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NOTICE

Notice is hereby given that the Thirty-first Annual General Meeting of the Company will be held on Monday, the 30th November 2009 at 11.00 A.M. at Prof. C.C. Mehta Auditorium, General Education Centre, The Maharaja Sayajirao University of Baroda, Vadodara-390002 to transact the following Business:

ORDINARY BUSINESS:

1. To receive, consider and adopt Audited Profit and Loss Account for the year ended 31st March 2009 and the Balance Sheet as at that date, together with Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. B.S. Bohra, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Kartikeya V. Sarabhai, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Dr. V.C. Shah, 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 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. 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 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 re-appointment of

Mr. Kartikeya V. Sarabhai as 'Whole-Time Director, & Chairman' for a period of 3 years with effect from 1st April 2009 on the terms and conditions as stated in 'Explanatory Statement.'

By Order of the Board of Directors,

Date : 16.10.2009

Ketan Adhvaryu

Place : Vadodara

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 26.11.2009 to 30.11.2009 (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

Required under section 173 of the Companies Act 1956 to accompany the Notice of the 31st Annual General Meeting.

Item 6

Mr. Kartikeya V. Sarabhai is M.A. (Cantab), did Post Graduate studies at MIT, USA. He joined the Board of Directors of the Company since 1992 and has been appointed as the Chairman of the Company since 1995. He has been very actively associated with the operations of the Company and monitoring various areas of operations and management on day to day basis.

The Board of Directors at their Meeting held on 6.3.2009 and the Remuneration Committee of Directors at its

meeting held on 6.4.2009 had subject to requisite approval/s, re-appointed him on following terms and conditions.

1. Period : From 1st April 2009 to 31st March 2012.
2. a) Basic Salary : Rs.57,500/- p.m. in the grade of 57,500 - 2,500 - 62,500/-
- b) House rent allowance @ 40% of (a) : Rs.23,000/- p.m.
- c) Perquisites : In addition to the above, the following perquisites / allowances shall be allowed to the Chairman.
 - 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) Additional allowance. : To the extent of Rs.52,710/- p.m. in the form of conveyance/ petrol / miscellaneous expenses.
 - v) Telephone facilities at Residence : Personal long distance call to be charged to Whole-Time Director.
 - vi) Club fees and personal accident insurance, as per Company's rules.

Mr. Sarabhai 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 as applicable under provisions of Payment of Gratuity Act.
- E) Encashment of leave in respect of leave accumulated but not availed of at the end of the tenure, would be permissible.

3. Annual Increment : Entitled to get annual increment as may be decided by the Board of Directors within the basic salary of Rs.57,500/- p.m. in the grade of 57,500-2,500- 62,500/-.
4. Rs. 3,00,000/- per annum : Mr. Sarabhai shall be entitled for compensation on achieving pre determined Key Performance Area as determined by Remuneration committee in proportion to achievement of key performance target both quantitative and qualitative during the year.
5. In absence of or in case of inadequacy of profits in any financial year, he will be entitled to said salary, perquisites etc. as mentioned above as **minimum remuneration**.
6. 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 further 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.
7. 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

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during the tenure and such an increase would be within the limit 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 compliance/s, if any, as might be required.

8. Terms of the appointment of Whole-Time Director & Chairman can be renewed by the Board of Directors before the expiry of the said term and in case the term is not renewed before the expiry of the existing terms by the Board of Directors, Mr. Sarabhai shall cease to be Whole-Time Director & Chairman 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 re-appointment of Mr. Sarabhai as Whole Time Director & Chairman in terms of section 302 of the Companies, Act 1956

Mr. Sarabhai 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 commend the resolution as set out in the Notice for your approval and acceptance.

By Order of the Board of Directors,

Date : 16.10.2009

Place : Vadodra

Ketan Adhvaryu

Company Secretary

Annexure A

**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
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 Directors of the Company since 1992 and was appointed as the Chairman of the Company 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 Shares	1. ORG Informatics Limited 2. Synbiotics Limited
Dr. V.C. Shah	19.9.1927	M.Com. Ph.D. (Economics) Columbia University, U.S.A.	Dr. V.C. Shah 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, Belgium dealing with European community (EC) GATT (now WTO) and UNCTAD. <u>Expertise in:</u> - Project Appraisal. - Corporate Finance - Investment Banking and - Corporate Management	—	1. Binani Industries Ltd. 2. Coastal Roadways Ltd. 3. Binani Cement Ltd. 4. Shardul Securities Ltd.
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 31st Annual Report together with the Audited Statement of Accounts of the Company for the year ended March 31, 2009.

	(Rs.lakh)	
	2008-2009	2007-2008
Turnover (Net)	6251	6183
Other Income	316	430
Total Income	6567	6613
Interest	1120	5054
Depreciation	204	198
Extraordinary Income net of expenditure	14406	8540
Net Profit/(Loss) before taxation	1804	(735)
Transfer from Capital Reserve	—	350
Net Profit/(Loss)	1085	(404)

The extraordinary income represents the income from sale of certain assets comprising of land, building and also some items of plant & machinery amounting to Rs.14406.23 lakhs and after reducing the extraordinary expenditure towards compensation under Voluntary Retirement Scheme amounting to Rs.2972.16 lakhs. Other expenditure includes bad debts written off amounting to Rs.8165.93 lakhs.

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

Operations:

Pharma Formulations:

During the year under review the Formulation activities were managed by making loan licence arrangement with other pharmaceutical company to meet the production requirements.

Your Directors have planned to relocate manufacturing activities at Ranoli plant to meet the market demand.

The Bulk Drugs facilities of the Company were used by **Asence Pharma Pvt. Ltd.**, a wholly owned subsidiary of the Company to manufacture Bulk Drugs products of the Company.

Active Pharmaceutical ingredient (Bulk Drugs) :

The Bulk Drugs plant of **Synbiotics Limited**, a wholly owned subsidiary of the company at Luna has already been commenced and production activities have been started.

Marketing:

Sarabhai Chemicals Marketing Division has focused more on Generic business and achieved almost 45% growth

with a turn over of Rs.23.5 crore during the year under report.

The Company has acquired manufacturing and marketing Company i.e. **Suvik Hitek Pvt. Ltd.** The Ethical Division has re-launched the products of Suvik and Sarabhai Chemicals in market as planned with new team of field force who has promoted products to the selected doctors in India.

The Oncology Division is also strengthened by adding new products and team of field force. During the year under review, Oncology Division has launched two new products viz. Fludagem & Xtinib.

Electronics:

During the year under review, Electronics Division could improve the performance and achieved turnover of Rs.35.62 crore as against turnover of Rs.28.15 crore in the year 2007-08. The maximum contribution came from Broadcast business as the Company has increased the trading activity and added more items and customers. The manufacturing products maintained the performance at par with 2007-08.

For the year 2009-10, Electronics Division of the Company has lined up high end products for marketing from reputed manufacturers and has also owned new products like Turbidity meter, Hb meter, Vis- Doublebeam Spectro, etc.

Telerad Division would try to get the maximum possible orders for Spares/other Peripherals keeping Dollar business and system sales improving. Due to recession, there could be negative impact and will have to put in the best efforts to improve the position.

During the year under report, the Company has promoted a Company viz. **Vovantis Laboratories Pvt. Ltd.**, a pharmaceutical specialists with a vision to establish a state of the art manufacturing facility specializing in Novel Effervescent drug delivery system. In a short span of time, this company is having presence in the US, Europe and Asian markets with its own offices in the respective places.

Asence Inc., a wholly-owned subsidiary of the Company, incorporated in the US specializes in the supply of quality pharmaceutical preparations (Finished Dosage Forms and Active Pharmaceutical Ingredients) to international markets. Asence Inc., through the company, pursues a multi-layered growth strategy combining internal product development, strategic alliances and collaboration with cGMP manufacturing partners, acquisitions of products and leverage of infrastructure in India and the US.

Real Estate:

As a part of restructuring process, the Company has, after getting required approvals from appropriate authorities sold 1,14,295 sq. mtrs. land for an aggregate consideration of Rs.131.14 crore during the year under review.

Postal Ballot:

As reported last year, the Company had issued fresh

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postal ballot notice for obtaining consent of the shareholders for the resolutions under section 293(1)(a) of the Companies Act, 1956 to –

1. Transfer and assign as a going concern the undertaking and businesses known as Sarabhai Chemicals Bulk Drugs Division to Synbiotics Limited, a wholly-owned subsidiary of the Company.
2. Transfer and assign as a going concern the undertaking and businesses known as Electronics (Systronics, Telerad and Sarabhai Electronics Research Centre (SERC)) Division to Systronics (India) Limited, a wholly-owned subsidiary of the Company.
3. Transfer and assign as a going concern Sarabhai Common Services Division to Mautik Exim Limited, a wholly-owned subsidiary of the Company.

The shareholders in terms of the provisions of section 293(1) (a) and other applicable provisions if any, of the Companies Act, 1956 approved all the three resolutions with clear majority of 99.92%.

In terms of the said approval, your Directors have decided to transfer SCBD undertaking w.e.f. 1.10.2009 to Synbiotics Limited and Electronics undertaking w.e.f. 1.4.2010 to Systronics (India) Pvt. Ltd.

Extension of Annual General Meeting:

As per Section 166 of the Companies Act, 1956, 31st Annual General Meeting was required to be convened and held on or before 30th September 2009. 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 17.8.2009, the Company has sought extension for holding Annual General Meeting from the Registrar of Companies Ahmedabad and ROC has granted such extension up to 30.11.2009.

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 is under restructuring process of its business to strengthen and improve the over all financial condition of the company. In order to reduce cost, the Company has announced VRS Scheme and many employees have opted for the said Scheme including accounts officials and staffs and therefore, the Company in spite of its best efforts, could not comply with the provisions of Clause 41 of the Listing Agreement in time.

Subsidiaries:

A statement pursuant to Section 212 of the Companies

Act, 1956 in respect of 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. 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.

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:

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

Dr. L. Ramaswamy, ceased to be a Director from the Board of Directors of the company w.e.f. 29.9.2009. The Board placed on record its appreciation for the valuable contribution made by Dr. Ramaswamy, during his tenure as Director.

The term of Mr. Kartikeya V. Sarabhai as Whole-Time Director & Chairman was expired on 31.3.2009 and he was reappointed for a further period of 3 years by the Board of Directors.

A necessary resolution is included in the Notice convening Annual General Meeting for approval of the shareholders.

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, 2009 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, 1956 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 submits the following explanations:

Impairment of goodwill:

The Company's key corporate brands and brand names command considerable Goodwill in the Market and the Company's turnaround strategy is based on building on this Goodwill to establish its new line of businesses. The Board therefore doesnot feel that there is any impairment in the Goodwill shown in the books.

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 continuous 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.

By Order of the Board of Directors,

Date : 16.10.2009

Kartikeya V. Sarabhai

Place : Vadodara

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 Director's report for the year ended 31st March 2009.

A Conservation of Energy:

- i) Energy conservation measures:
 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 lighting 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/agitations
 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.

The above measures were not effective during the year under report since the plant of the company was not operational.

- 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

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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 | 188.16 |
| Foreign exchange used | 346.41 |

FORM A

(Disclosure of particulars with respect to conservation of energy)

A. Power and fuel consumption:

	Unit	Current	Previous
1 Electricity			
a) Purchased (kwh)	000	219	239
Total amount	Rs. lakh	16.09	15.45
Rate / Unit	Rs./kwh	7.35	6.46
b) Own generation (kwh)	000	0.00	4907
Total Cost	Rs. Lakh	0.00	274.78
Cost / Unit	Rs./kwh	0.00	5.60
2 Coal		NIL	NIL
3 Furnance oil		NIL	NIL
4. Other - Natural gas			
Quantity	1000M ³	0.00	4106
Total cost	Rs. lakh	0.00	224.87
Rate / unit	Rs./1000M ³	0.00	5476.10

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.		
Furnance Oil			
Coal			
Others			
Form B			

A. Research and Development (R & D)

1. Specific areas in which R & D has been carried out by the Company
 - a) Process development for the bulk drug and intermediates.
 - b) Development of new pharmaceutical formulation
 - c) Development and standardization of product packages.
 - d) Establishing the standards, specifications and analytical procedures of new products and intermediates.
 - e) Updating the specifications and analytical procedures for existing formulations.
 - f) Scientific, Analytical, Electronic Test & Measuring

Insturments and cathode Ray Oscilloscope by Electronic Research Centre.

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

- a) Development of economical processes for the manufacture of bulk drugs for captive consumption.
- b) Development of formulations for new products and improvement in the existing formulations.
- c) Produce / improve instruments by Electronic Research Centre like - Water Analyzer, 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:

- a) Development of formulations for new drugs.
- b) Blood level studies of new formulation.
- c) Clinical trials for new drugs.
- d) Process improvement in bulk drugs and formulations.
- e) Study and development of genetically engineered products.
- f) Development and improvement of HPLC Detector wilt, Spectro Flurometer, Stand alone double beam Spectrophotometer. LPLC, 100 MHz CRO etc. products by Eelctronic Research Centre.

Expenditure on R & D:

	Rs. Lakh
a) Capital	0.00
b) Recurring	108.48
Total	108.48
c) Total R & D expenditure as a percentage of total turnover	1.68

Technology absorption, adaptation and Innovation:

1. The Company has in house R & D Centers recognized by the Department of Science & Technology, Government of India. One of the centers 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 centre has also obtained technology transfer from Central Scientific instruments Organization and the Department of Science and Technology for manufacture of Spectrophotometers.

2. Benefits derived as a result of the above efforts: The Research on drugs and pharmaceuticals have contributed to product improvement and cost reduction. The technology developed and absorbed

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:

About Pharmaceuticals.....

The Indian Pharmaceutical Industry (IPI) estimated at US\$ 9 bn. has grown at a CAGR of 7% during the last seven 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 2008-09 and have been a major growth driver for the industry growing at a CAGR of 19% annually during the last six years.

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 Asence Pharma Pvt. Ltd., a wholly owned subsidiary of the Company.

About Electronics

India has gained a 5 per cent share of the analytical instruments, laboratory technology and biotechnology instruments industry with a market size of \$ 1.1 billion. The global market size is put at \$20 billion. The industry in India is growing at rate of 15-16%.

The role of Systronics Division of the Company is to offer the customers the latest in instrumentation, and to identify products that are ahead of their time. As a result, the focus on a single market is not possible, but evolve to focus on market needs and growing market segments. Systronics Division has been contributing and delivering some of the import substitute products like Double Beam UV - Visible Spectrophotometers, Photo fluorimeters etc. Further, to make it complete range available under one roof, Systronics division has entered in to strategic tie up with some of the Local and foreign manufacturers with co-branding or marketing their products like Gas Chromatographs, HPLC, Atomic Absorption spectrophotometers, FTIR, Amino Acid Analyser,

Fermentor, Electrophoresis Systems, CO2 Incubators & Hybridization Incubators etc.

TELERAD division of the Company is one of the oldest representatives of Sony in India promoting Broadcast and Professional Video/Audio products for more than 3 decades. The division has expanded its services through 8 branch offices in different locations of India. Telerad division has also extended its services in the area of Design, System Supply, Installation, Integration, Training, Maintenance and supply of spares.

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 the end of financial year 2009 to attain its total export volume of 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 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.

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 urgently address 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