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Ambalal Sarabhai Enterprises Limited

**33rd Annual Report
2010-11**

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. Anil H. Parekh
Whole-time Director

Mr. B.S. Bohra

Mr. K. Mohandas

Mr. Ashwin P. Hathi

Mr. Ketan Adhvaryu
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-third Annual General Meeting of the Company will be held on Saturday, the 24th September 2011 at 10.00 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 2011 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. Ashwin P. Hathi, who was appointed a Director of the Company on 24.6.2010 pursuant to Article 143 of the Articles of Association of the Company to fill the casual vacancy caused due to the resignation of Dr. L. Ramaswamy. Mr. Ashwin P. Hathi retires at the conclusion of this Annual General Meeting under Section 262 of the Companies Act, 1956. However, he is eligible for appointment and offers himself for reappointment
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 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. A. H. Parekh as 'Whole-Time Director & President - Formulations'.

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

"RESOLVED that pursuant to the provisions of

Section 198, 269, 309, 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. A. H. Parekh as "Whole-Time Director & President (Formulation)" for a period of 3 years with effect from 26th December, 2011 on the terms and conditions as stated in Explanatory Statement."

By Order of the Board of Directors,

Ketan Adhvaryu

Company Secretary

Date : 24.8.2011

Place : Ahmedabad

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 20.9.2011 to 24.9.2011 (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. Pursuant to SEBI Circular, it is mandatory to quote PAN for transfer / transmission of shares in physical form. Therefore, the transferee(s) / legal heirs are requested to furnish copy of their PAN to the Registrar and Share Transfer Agents - MCS Limited.
7. The information relating to appointment / re-appointment of Directors, as required to be given pursuant to Clause 49 (IV) (E) and 49 (IV) (G) (1) of the Listing Agreement is given in Annexure A to the Explanatory Statement.
8. In accordance with MCA circular No.18/2011 dated 29-04-2011, members who desire to receive their copy of Annual report through email, may register their email address to the Company Secretary at

ketanadhvaryu@sarabhai.co.in or to the Share Transfer Agent of the Company at mcsltbaroda@yahoo.com.

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

Item 6

Mr. A. H. Parekh is M. Pharma., and holding extensive and varied experience of over 39 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. Parekh as Whole-Time Director & President (Formulation) would be completed on 25th December 2011.

In view of the involvement and contribution in formulation segment and for restructuring of Company's business, the Remuneration and Compensation Committee and Board of Directors at their respective Meetings held on 24th August, 2011 have subject to requisite approval/s, re-appointed him for a further period of 3 years w. e. f. 26th December, 2011 on the following terms and conditions.

1. a) Basic Salary : Rs.75,000/- p.m. in the grade of 75,000/- 5,000/- 90,000/-
- b) House rent allowance @ 40% of (a) : Rs.30,000/- p.m.
- c) Newspaper allowance : Rs. 400/- p.m.
- d) Perquisites : Total perquisite shall be restricted to 70% of basic salary.
- 2 i) Expenditure : To be valued as per I.T. Rules incurred on gas, and in absence of such rules, electricity, water, to be valued at actual cost. furnishing.
- ii) Medical benefits : Reimbursement of expenses for self and family. 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 : Only travel fare, once a year Concession for self and family. to & fro for any place in India.

- iv) Telephone facilities at Residence : Personal long distance call to be paid by himself.
- * v) Reimbursements of actual entertainment expenses incurred for the business of the Company, as per Company's rules.
- * vi) Leave on full pay, as per rules of the Company, but not exceeding one month's leave for every eleven months of service.
- vii) Club fees and personal accident insurance, as per Company's rules.
- * ix) Gratuity would become payable at the rate not excluding half a month's salary for each completed years of service.
- x) Encashment of leave in respect of leave accumulated but not availed of at the end of the tenure, would be permissible.
- * These items would not be considered while computing Managerial remuneration.
- 2) Annual Increment : Entitled to get annual increment as may be decided by the Board of Directors within the basic salary of Rs. 5,000/- per month in the grade of 75,000/- 5,000/- 90,000/-
- 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 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 notice on either side or by payment of three months 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 then required.

- 7) Terms of the appointment of Whole-Time Director & President – (Formulation) 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 resolution as set out at Item No. 6 of the Notice for your approval and acceptance.

By Order of the Board of Directors,
Ketan Adhvaryu
Company Secretary

Date : 24.8.2011

Place : Ahmedabad

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	<p>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.</p> <p>He has wide and varied experience in the field of Drugs and Pharmaceuticals. He has been a Director of the Company since 1991.</p>	Nil	1 Haryana Containers Ltd.,
					2 Mautik Exim Ltd.,
Mr. K. Mohandas	12.5.1948	Graduate with Economics & Diploma in Materials Management.	Joined the organization in 1996 and has vast and varied experience of over 44 years in various areas of management.	Nil	Systronics (India) Limited
Mr. Ashwin P. Hathi	23.8.1940	B.A. LL.B. (Spc), D.L.P.	<p>Practicing Advocate since 1964 with an experience of over 40 years. He is registered in the Gujarat Bar and has had appearances in the Supreme Court of India and various other High Courts, District Courts and Tribunals. His experience besides litigation also encompasses corporate transactional work.</p> <p>He specializes in industrial law, arbitration, intellectual property law and other commercial laws. He regularly represents multinationals and other companies in court litigations, arbitrations and at the same time provides opinions etc. He is extensively involved in vetting and negotiation of commercial agreements, legal due diligence reports etc.</p>	-	-
Mr.A.H. Parekh	18.10.1948	M. Pharm (Pharmaceutics) & Pharmaceutical Technology	<p>Experience of Pharma production facilities of more than three decades.</p> <p>Technical expertise in:-</p> <ul style="list-style-type: none"> -Formulation, Production planning. - Inventory Control -Stores, Distributors & Logistic -Knowledge of Quality Control. 	-	1 Vovantis Laboratories Pvt.Ltd.,
					2 Suvik Hitek Pvt. Ltd.,

Directors' Report

To

The Shareholders,

The Directors hereby present their 33rd Annual Report together with the Audited Statement of Accounts of the Company for the year ended March 31, 2011.

	(Rs.lakh)	
	2010-11	2009-2010
Turnover (Net)	3906	5785
Other Income	653	160
Total Income	4559	5925
Interest	1055	158
Depreciation	154	203
Profit/(Loss) before Extra Ordinary Income	(2178)	(1924)
Extraordinary Income net of expenditure	2383	2635
Net Profit/(Loss) before taxation	(57)	711
Net Profit/(Loss)	(108)	211

An extra ordinary income mainly represents Profit on Sale of part of factory building, profit on transfer of Undertaking and other fixed assets.

Your Directors regret their inability to recommend payment of any dividend in view of loss during the year.

Operations:

Pharma Formulations:

During the year under review, the Formulation activities were managed by making loan license arrangement with other pharmaceutical company to achieve production on more efficient basis.

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

Bulk Drugs

The Bulk Drugs productions were manufactured at Ankleshwar on loan license arrangement by Asence Pharma Pvt. Ltd., a Wholly-owned subsidiary of the company.

Active Pharmaceutical Ingredient plant:

The Bulk Drugs plant of Synbiotics Limited, a Wholly-owned subsidiary of the Company, at Luna has already started its production activity.

Marketing:

Sarabhai Chemicals Marketing Division has pursued actively on Generic business and achieved turn over of

Rs.30 crore.

The Oncology Division is also strengthened by adding new products like GEMSAR, CAPCID, and SFIL and team of field force. During the year under review, the company has conducted marketing and sales training programme. Oncology Division has been registered in many institutions inclusive Government and successfully persuaded key doctors across the country to prescribe products of the company and establish Sarabhai Brand Name in market.

Oncology Division is planning to launch two specialty divisions during the year.

The pharmaceutical formulation plant of Vovantis Laboratories Pvt. Ltd., a company promoted by the Company at Ranoli has already started its production activity. It had teething troubles which will be rectified at the earliest. It has negotiated a very large bulk order with a well established and profitable pharma company. This joint venture will turn into a profitable unit during the current year.

Asence Inc., a wholly-owned subsidiary of the Company, incorporated in 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 executed documents for sale of part of factory building held in the name of the Company during the year under report.

Corporate Governance:

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

Subsidiaries:

A statement pursuant to Section 212 of the Companies Act, 1956 in respect of Subsidiary companies is appended to the balance sheet. 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. The shareholders who desire to get their Annual Reports through email may register their email address with the Company. It will ensure that all shareholders get copy of the Annual accounts provided a fairly large number of shareholders would opt for email system.

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, Dr. O.D. Gulati and Mr.K. Mohandas retire by rotation and being eligible offers themselves for re-appointment.

Mr. Ashwin P. Hathi has been appointed as Director on 24.6.2010. He would continue to be a Director till the conclusion of this Annual General Meeting and being eligible, offers himself for reappointment.

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, 2011 and its loss for the year ended on that date.
- (iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) That the Directors have prepared the annual accounts on a going concern basis.

Insurance:

Building, Plant and machinery and stocks, have been adequately insured. The Company carries a risk for certain assets like goods in transit in respect of which any loss resulting from non-insurance is small because of fairly large drop in production and sales.

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 employees of Sarabhai Pariwar

For and on behalf of the Board

Kartikeya V. Sarabhai
Chairman

Date : 24.8.2011

Place : Ahmedabad

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 2011.

(A) Conservation of Energy &**(B) Technology absorption.**

During the year under report, there was no production activities carried out in the factory of the Company and therefore, details are not required to be given.

(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 endeavoring 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 38.32

Foreign exchange used 138.67

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

The pharmaceutical industry in India is among the most highly organized sectors. This industry plays an important role in promoting and sustaining development in the field of global medicine. Due to the presence of low cost manufacturing facilities, educated and skilled manpower and cheap labor force among others, the industry is set to scale new heights in the fields of production, development, manufacturing and research. In 2010, the domestic pharma market in India was estimated to be about US\$ 13 billion and this is likely to increase at a compound annual growth rate and is expected to grow at 9.5 per cent till the year 2015.

Industry Trends:

- The pharma industry generally grows at about 1.5-1.6 times the Gross Domestic Product growth.
- Globally, India ranks third in terms of manufacturing pharma products by volume.
- The Indian pharmaceutical industry is expected to grow at a rate of 9.9 % till 2010 and after that 9.5 % till 2015.
- In 2009-10, India exported drugs worth US\$ 8.7 billion in to the US and Europe followed by Central and Eastern Europe, Africa and Latin America
- The retail pharmaceutical market in India is expected to cross US\$ 12-13 billion by 2012

Risks and Concerns:

Every industry has its own sets of advantages and disadvantages under which they have to work; the pharmaceutical industry is no exception to this. Some of the challenges the industry faces are:

- Regulatory obstacles
- Lack of proper infrastructure
- Lack of qualified professionals
- Expensive research equipments
- Lack of academic collaboration
- Underdeveloped molecular discovery program
- Divide between the industry and academia.

Government Initiatives:

The government of India has undertaken several including policy initiatives and tax breaks for the growth of the pharmaceutical business in India. Some of the measures adopted are:

- Pharmaceutical units are eligible for weighted tax

reduction at 150% for the research and development expenditure.

- Two new schemes namely, New Millennium Indian Technology Leadership Initiative and the Drugs and Pharmaceuticals Research Program have been launched by the Government.
- The Government is contemplating the creation of SRV or special purpose vehicles with an insurance cover to be used for funding new drug research
- The Department of Pharmaceuticals is mulling the creation of drug research facilities which can be used by private companies for research work on rent.

Pharma Export:

In the recent years, despite the slowdown witnessed in the global economy, exports from the pharmaceutical industry in India have shown good buoyancy in growth. Export has become an important driving force for growth in this industry with more than 50 % revenue coming from the overseas markets. For the financial year 2008-09 the export of drugs was estimated to be \$8.25 billion as per the Pharmaceutical Export Council of India, which is an organization, set up by the Government of India. A survey undertaken by FICCI, the oldest industry chamber in India has indicated 16% growth in the export of India's pharmaceutical growth during 2009-2010.

Future Scenario:

With several companies slated to make investments in India, the future scenario of the pharmaceutical industry looks pretty promising. The country's pharmaceutical industry has tremendous potential of growth considering all the projects that are in the pipeline. Some of the future initiatives are:

- According to a study by FICCI-Ernst & Young India will open a probable US\$ 8 billion market for MNCs selling expensive drugs by 2015.
- The study also says that the domestic pharma market is likely to reach US\$ 20 billion by 2015.
- The Ministry of Commerce estimates that US\$ 6.31 billion will be invested in the domestic pharmaceutical sector.
- Public spending on healthcare is likely to rise from 7 per cent of GDP in 2007 to 13 per cent of GDP by 2015.
- Due to the low cost of R&D, the Indian pharmaceutical off-shoring industry is designated to turn out to be a US\$ 2.5 billion opportunity by 2012.

Performance of your Company:

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 2011 to attain its total export volume of about 9 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 acquire skill and infrastructure for their research and manufacturing activities. The Indian companies had to make extra efforts to match with the international standard of pharmacy.

During the year 2010-11, 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 Asence Pharma Private Limited, a wholly-owned subsidiary of the Company.

Segment-wise Performance:

Segment-wise performance has been enumerated in the Directors' Report

Real Estate:

The Company had executed documents for sale of part of factory building.

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.

Financial performance:

Financial performance of the Company has been indicated in the Directors' Report.

Human resources/Industrial relations:

The focus of the management is on the organizational development such as imbibing new entrepreneurship, team work relating to commitment to achieve targeted growth.

The relations between the management and workmen continue to remain cordial.

As on date of the report, total employees strength of the Company is 628.