

ase

Report  Junction.com

Ambalal Sarabhai Enterprises Limited

Annual Report

April, 1998 to March, 1999

Board of Directors**Kartikeya V Sarabhai***Chairman***Anand Sarabhai****Bhalchandra R Shah****CVS Narayanan***Wholetime Director***Govind Das Zalani***Wholetime Director***Kshitish J Divatia****Om Dutt Gulati****Rohit K Mehta***Technical Director***Vinodchandra C Shah****Vipin N Jikar****Auditors**

Messrs Sorab S Engineer & Co

Chartered Accountants

Ismail Building

381, Dr. D Naoroji Road

Fort, Mumbai

Bankers

Punjab National Bank

Bank of India

State Bank of Saurashtra

Bank of Baroda

Canara Bank

Index

Notice	4
Directors' Report	5
Auditors' Report	8
Profit & Loss Account	10
Balance Sheet	11
Schedule A Other Income	12
Schedule B Cost of Sales & Services	12
Schedule C Loss on Assets discarded/sold	12
Schedule D Fixed Assets	12
Schedule E Investments	13
Schedule F Current Assets, Loans & Advances	13
Schedule G Miscellaneous Expenditure	13
Schedule H Share Capital	14
Schedule I Reserves & Surplus	14
Schedule J Secured Loans	14
Schedule K Unsecured Loans	14
Schedule L Current Liabilities & Provisions	14
Schedule M Notes	15

Statement regarding Subsidiaries-Section 212	20
--	----

Balance Sheet abstract and Company's	
General Business Profile	21
Cash Flow Statement	21

Subsidiaries

Synbiotics Limited	22
Haryana Containers Limited	31

Report Junction.com

ase Ambalal Sarabhai Enterprises Limited

Regd. Office : Dr. Vikram Sarabhai Marg, Wadi Wadi, Baroda 390 007

Information pursuant to Clause 31 of the Listing Agreement executed by the Company with the Delhi Stock Exchange Association Limited, New Delhi.**Notice**

The Twentyfirst Annual General Meeting of the Company will be held on Tuesday, the 28th September, 1999 at 11:00 A.M. at Mahatma Gandhi Nagar Grih, Near Jubilee Bag, Baroda to transact the following business:

Item 1 :

To receive, consider and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31.3.1999 and the Balance Sheet as on that date.

Item 2 :

To appoint a Director in place of Mr. CVS Narayanan, who retires by rotation and being eligible offers himself for re-appointment.

Item 3 :

To appoint a Director in place of Mr. Kshitish J. Divatia, Who retires by rotation and being eligible offers himself for re-appointment.

Item 4 :

To appoint a Director in place of Mr. Vipin N. Jikar, who retires by rotation and being eligible offers himself for re-appointment.

Item 5 :

To appoint a Director in place of Dr. Anand Sarabhai, who retires by rotation and being eligible offers himself for re-appointment.

Item 6 :

To appoint Messrs Sorab S. Engineer & Co., Chartered Accountants, Mumbai as Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

I. The Equity shares of the Company have been listed at the following Stock Exchanges :

(A) The Stock Exchange
Kamdhenu Complex
Opp. Sahajanand College
Panjarapole
Ahmedabad-380 015
(Regional Stock Exchange)

(B) The Stock Exchange
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai-400 001

(C) Delhi Stock Exchange Association Ltd.
West Plaza
Indira Gandhi Stadium
Indraprastha Estate
New Delhi-110 002

II. Listing fees for the year 1999-2000 has been paid to each of the above Stock Exchanges.

By Order of the Board of Directors,
Tarang Mehta
Secretary
30.8.1999

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.
2. Pursuant to Section 154 of the Companies Act, 1956, the Register of Members and the Share Transfer Books of the Company will remain closed from 16.9.1999 to 23.9.1999 (both days inclusive).

Directors' Report

To the Shareholders,

Your Directors present the report for the year 1998-99. The financial results are as under:

	(Rs. lakh)	
	1998-99	1997-98
Turnover	27099	27625
Other Income	556	2108
Total Income	27655	29733
Gross Profit / (Loss)	(1882)	1518
Interest	1234	1767
Depreciation	120	106
Net Profit / (Loss)	(3236)	(355)

On account of loss incurred by the Company during the year under report, your Directors regret their inability to recommend payment of any dividend.

Operations:

The turnover during the year was Rs. 5 crores less than the previous year, which accounts for a fall of about 2%. This is mainly due to drop in sale of Vitamin C due to heavy dumping and fall in sale of Human Health Division because of discontinuance of one of the large volume products. The Company is trying to recover the drop in sale by introducing new products. During 1997-98, the Company received a sum of Rs. 17 crore towards transfer of technical information in connection with some of the products transferred to the Joint Venture Company. During the current year there being no such extra ordinary items, the other income is considerably less. The total income during the year thus was 7% less compared to the previous year.

During the year, Glass Division of the Company stopped its manufacturing activity due to break-down of the furnace beyond repairs.

As the members are aware, your Company had during October, 1997 entered into a strategic alliance with Piramal Enterprises Ltd., for forming a pharmaceutical marketing arrangement, Sarabhai Piramal Pharmaceuticals Ltd. The operating results of this Company has been encouraging.

With a view to pursue a restructuring programme and further strategic alliances and collaborations, your Company has appointed PricewaterhouseCoopers Ltd., as consultants.

Human Health Products:

The turnover of Human Health Products was Rs. 9 crore less than last year. The Company discontinued manufacture of one of its high turnover products during last year whose effect still continues. The Company introduced a number of generic products to improve its operations.

Veterinary Products:

The Company maintained its leadership in Veterinary Healthcare Sector. The turnover of the Division grew by about

Rs. 5 crore during the year compared to the previous year. During 1998-99, number of products were introduced.

Bulk Drugs :

During the year imports of Vitamin C at prices much lower than the domestic prices continued which affected Vitamin C manufacture. As against 308 Tons manufactured in 1997-98, the production was 284 Tons during 1998-99. The Company has taken-up the matter with Government of India for revision of Anti Dumping duty on imports of Vitamin C which was imposed on imports last year as it is significantly lower. The application is under consideration of Government.

Business Development:

During the year under report your Company has signed agreement with B.V. Chiron, Netherlands for introducing their anti-cancer drugs in India.

Electronics:

The operations of Electronics division of the Company has been satisfactory. Sales have gone-up by 7% over previous year.

Subsidiaries:

The Annual Accounts of subsidiaries of the Company are attached herewith.

Synbiotics Limited:

Turnover of Synbiotics during the year increased by about 10% compared to previous year. There was less off-take of Streptomycin and Synbiotics had to curtail manufacture of this product. However, sale of Amphotericin significantly increased during the year as compared to previous year, which helped Synbiotics to reduce its losses to some extent.

As reported in the Director's Report of the last year, Synbiotics had subject to permission of BIFR, signed a Memorandum of Understanding with another Indian Company, to form a Joint Venture Company to manufacture different antibiotics. Necessary application for sanction of the revised scheme was filed with BIFR who in turn, had forwarded the Company's proposal to the Monitoring Agency viz State Bank of Saurashtra, which could not clear the proposal even after a lapse of about 11 months. Because of this inordinate delay, the proposed Indian partner withdrew from the proposed Joint Venture.

Joint Venture:

As reported last year, the Company formed Sarabhai Piramal Pharmaceuticals Limited (SPPL), a 50:50 joint-venture company with Piramal Enterprises Limited, Mumbai. The joint-venture began its operations from 1st January, 1998. For the Financial Year ended 31st March, 1999, SPPL made a net profit of Rs. 380.36 lakh and declared a dividend @ 12% on its equity. Your Company which holds equity of SPPL of Rs. 12.50 crore has thus received a dividend of Rs. 1.50 crore during the current year i.e. 1999-2000.

As members are aware, the actions relating to formation of joint-venture (SPPL) and transfer and assignment of 21 trade

marks to joint-venture company were challenged by certain shareholders of the Company in various proceedings in various courts in the country, the details of which were enumerated by the Company in its notice dated 18.2.1999 convening Extraordinary General Meeting of the Shareholders of the Company on 20.3.1999. In terms of the same, the shareholders had approved/ratified/consented to the formation of Joint Venture and matters connected with the same. However, as directed by the Hon'ble Supreme Court, the result of the meeting would be brought to the notice of the Hon'ble Supreme Court for further orders. All the matters connected with various suits stated thereat are still pending in the court for final orders.

Swastik Household and Industrial Products:

As reported, Central Bank of India and Bank of Baroda had filed an appeal in the Gujarat High Court challenging the sanction of the Scheme of Arrangement by which erstwhile Soaps & Detergents division and Electronics division of the Company vested in Swastik Surfactants Limited and Sarabhai Electronics Limited respectively with effect from 1.7.1985. The Division Bench of the Gujarat High Court has set aside the said scheme of arrangement vide its order dated 23.2.1997 and the Company had gone in appeal to the Supreme Court against the judgement of the Division Bench. In the said matter, the Hon'ble Supreme Court has granted special leave to the Company and accordingly, the appeals filed by the Company are now pending for final disposal. The stay earlier granted by the Hon'ble Supreme Court against the operation of the Gujarat High Court's order will continue till disposal of the said appeals.

Directorate :

The Board of Directors, with their deep sense of sorrow report the sad and sudden demise of Mr. Nanubhai B. Amin, a Director of the Company on 21.3.1999 and place on record its appreciation for the valuable services rendered by him as a Director of the Company.

Mr. CVS Narayanan, Mr. Kshitish J. Divatia, Mr. Vipin N. Jikar and Dr. Anand Sarabhai retire by rotation pursuant to the provisions of section 256 of the Companies Act, 1956. Being eligible, they offer themselves for reappointment.

Deposits :

As on 31.3.1999, 171 depositors with deposits aggregating to Rs. 7.02 lakh had not claimed the deposits after the date on which they became due for payment.

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 :

There was no employee in receipt of remuneration prescribed under Section 217 (2A) of the Companies Act, 1956.

Y2K Compliance :

The Company has completed significant part of the jobs required for Y2K Compliance and remaining part is scheduled to be completed by October, 1999 without incurring significant expenditure. The Company is confident of meeting any eventuality in this regard in future.

Insurance :

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

Auditor's Report :

Notes No. B(11), B(14) and B(17) forming part of the accounts are self-explanatory and clarify the observations made by the Auditors in sub-para a, b and c of para 5 of their Report.

As regards their observations in para 5(e), by an Agreement dated 2.8.1988 to which Swastik Surfactants Limited (SSL) is party. SSL has acknowledged and confirmed its obligations to pay a sum of Rs. 30 crore in four equal annual installments commencing from 2001 and the said sum covers dues of SSL and some wholesale buyers of the Company and to its other associates. The Company has also notified particulars of all the payments made by it on behalf of SSL subsequent to 2.8.1988 to the Board for Industrial and Financial Reconstruction (BIFR). The Scheme of Rehabilitation has been kept in abeyance by BIFR in view of the fact that the Division Bench of the Gujarat High Court has allowed an appeal by Central Bank of India and Bank of Baroda against the Scheme of Arrangement sanctioned by Gujarat High Court. As reported earlier, the Company had filed a SLP before the Hon'ble Supreme Court against the order of Hon'ble High Court. In the said matter, the hon'ble Supreme Court has granted special leave to the Company and accordingly the appeals filed by the Company are now pending for final disposal. The stay earlier granted by the Hon'ble Supreme Court against the operation of the Gujarat High Court's order will continue till disposal of the said appeals.

Auditors :

Members are requested to appoint Auditors to hold office until the conclusion of the next Annual General Meeting and to fix their remuneration.

Acknowledgment :

Your Directors record their appreciation of the services of employees who have given their full co-operation to the Management in furthering the Company's interest.

For and on behalf of the Board
Kartikeya V. Sarabhai
Chairman
31.5.1999

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, 1999.

A. Conservation of energy:

- a) Energy conservation measures taken :
The Company has undertaken various measures for conservation of energy in critical areas including :
1. Power factor improvement
 2. Measures to ensure quicker heat transfer
 3. Monitoring of combustion efficiency of Boilers.
 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.

The above measures have resulted in energy saving.

- b) Additional investments and proposals :
It is proposed to gradually replace some of the refrigeration equipment with more modern ones to reduce energy consumption.
It is proposed to install Co-generation plant based on natural gas.

- c) Impact of measures :
Though economies in consumption for comparable level of operations over previous year was achieved, the increase in tariffs had minimised the absolute benefits.

- d) Total energy consumption and energy consumption per unit of production:
The required information is given in the prescribed Form A.

B. Technology absorption:

- e) Efforts made in technology absorption :
Efforts made in Technology absorption are as per enclosed Form B.

C. Foreign exchange earnings and outgo:

- f) Serious efforts are being made to increase the exports of basic drugs and formulations and to commence exports of third party products including non-pharmaceutical products. Efforts are also being made to identify and improving quality of few selected products for export purposes and identifying few dealers abroad who could import our products and provide sound technical services.

- g) Total foreign exchange earned and used :

Earnings from export of goods, commission etc.	Rs. 980.27 lakh
Used for import of raw materials, books and periodicals, travel expenses, etc.	Rs. 1548.14 lakh

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	18554	22918
Total amount	Rs. lakh	943	1075
Rate/Unit	Rs./Kwh	5.08	4.69
b) Own generation			
(i) Through diesel generator(Kwh)	'000	144	76
Units per ltr. of diesel oil	Kwh/Ltr.	2.85	2.90
Cost/Unit	Rs./Kwh	4.31	3.40
(ii) Through steam turbine/generator			
Units per Ltr. of fuel oil/gas		Nil	Nil
Cost/Unit			
2. Coal (specify quantity and where used)		Nil	Nil
3. Furnace oil			
Quantity	K.Ltrs.	345	483
Total amount	Rs. lakh	27	34
Average rate	Rs./K.Ltrs.	7893	7049
4. Others - Natural Gas			
Quantity	1000 M ³	7464	10373
Total cost	Rs. lakh	320	325
Rate/Unit	Rs./1000 M ³	4281	3131

B. Consumption per unit of production:

Products	Standards	Current Year	Previous Year
Electricity	}	The Company produces a wide range of bulk drugs, pharmaceutical products, veterinary formulations and electronic instruments. It is not practicable to establish productwise energy consumption since bulk of electricity is used for services like water supply, cooling water steam, airconditioning, refrigeration, etc. which are common to all products. The Company is therefore not in a position to give the productwise information.	
Furnace Oil			
Coal			
Others			

FORM B**(DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION)****Research and Development (R & D)**

1. Specific areas in which R & D carried out by the Company :

- a) Process development for the bulk drugs and intermediates.
- b) Development of new pharmaceutical formulations.
- c) Development and standardisation of product packages.
- d) Establishing the standards, specifications and analytical procedures of new products and intermediates.
- e) Blood level studies of the new and existing formulations.
- f) Chronic and acute toxicity studies for new product formulations.
- g) Updating the specifications and analytical procedures for existing formulations.
- h) Conducting clinical trials for the new drugs.
- i) Improvement in product design and increased applications.

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

- a) Developed economical processes for the manufacture of bulk drugs for captive consumption.
- b) Developed formulations for new products and improvement in the existing formulations.
- c) Cost reduction in existing formulations.
- d) Blood level studies of new formulations.
- e) New application of various equipments will have enlarged market.
- f) Improved equipment design for better productivity/increased applications.

3. Future plan of Action :

- a) Development of formulations for new drugs
- b) Blood level studies for the new formulations
- c) Clinical trials for new drugs
- d) Process improvement in bulk drugs and formulations.
- e) Study and development of genetically engineered products.
- f) Development of improved versions of various equipment.

4. Expenditure on R & D :

a) Capital	Rs. 12.69 lakh
b) Recurring	Rs. 108.97 lakh
c) Total	Rs. 121.66 lakh
d) Total R&D expenditure as a percentage of total turnover	0.45%

Technology absorption, adaptation and innovation:

1. The Company has two in-house R & D Centres duly recognised by the Department of Science & Technology, Government of India.

These centres are -

- 1) Sarabhai Research Centre, Baroda (This Centre relate to drugs and pharmaceuticals operations).
- 2) Sarabhai Electronics Research Centre, Naroda, Ahmedabad.

The Research and Development Department keeps itself abreast of the 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 Research Centre has developed and produced analytical and testing instruments based on in-house research. The Centre has also obtained technology transfer from Central Scientific Instruments Organisation and the Department of Science and Technology for manufacture of Spectrophotometers.

2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.

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 have enabled foreign exchange saving for the country by import substitution.

3. Technology imported during the last 5 years : Technology to manufacture anti-cancer formulation

4. Year of import : 1997

5. Has Technology been fully absorbed : Yes

Auditors' Report

To the members of Ambalal Sarabhai Enterprises Limited

We have audited the attached Balance Sheet of Ambalal Sarabhai Enterprises Limited as at 31st March 1999 and the Profit and Loss Account of the Company for the year ended on that date.

A. As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

B. Further to our comments in the Annexure referred to in paragraph A above :

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit :
2. In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books, subject to our comment in para 5(a) below :
3. The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account :
4. The Company has complied with the mandatory Accounting Standards referred to in Sub Section (3C) of Section 211 of the Companies Act 1956 except what is stated in para 5(a) below :
5. In our opinion and to the best of our information and according to the explanations given to us, the accounts, subject to :
 - a) Note No.B.11 regarding non-provision of future gratuity and leave encashment to employees amounting to Rs.2492.15 lakh.
 - b) Note No.B.14 regarding non-provision for demands raised by ONGC amounting to Rs.832.78 lakh for reasons stated in the said note.
 - c) Note No. B 17 regarding adjustment in 1992-93 of debit balance in Profit and Loss Account amounting to Rs. 2519.31 lakh against revaluation reserve which was not in accordance with the accounting practice recommended by the Institute of Chartered Accountants of India.
 - d) The Company continues to value its investments in Subsidiaries/erstwhile Subsidiaries at cost as per its accounting policies, though these Companies show a negative net worth.
 - e) The Company has to receive amounts as under from Subsidiary/erstwhile Subsidiary Companies :
 - i) Swastik Surfactants Ltd. ... Rs. 2884.56 lakh (See note under Schedule F 'Loans & Advances' for contention of the Company)

ii) Sarabhai Machinery Ltd ..	Rs. 603.71 lakh
iii) Haryana Containers Ltd. ...	Rs. 26.65 lakh
iv) Synbiotics Ltd.	Rs. 2324.69 lakh

Sundry Debtors and Loans and Advances considered good also include Rs. 2982.68 lakh due from erstwhile Wholesale Buyers as well as other Companies. Out of this amount, Rs. 209.03 lakh is due from a Company in liquidation. No provision is made for the possible loss, if any, which may arise in respect of the recovery of the above dues, and, read with notes thereon,

Give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :-

- a) in the case of the Balance Sheet of the state of affairs of the Company as at 31.3.1999 and
- b) in the case of Profit and Loss Account of the Loss for the year ended on the date.

Baroda
31.5.1999

For Sorab S Engineer & Co.
Chartered Accountants
M P Antia
Partner

Annexure to the Auditors' Report

Referred to in paragraph A of our report of even date on the accounts for the year ended on 31st March, 1999 of Ambalal Sarabhai Enterprises Limited.

1. Proper records of fixed assets other than furniture and vehicles have been maintained by the Company. Physical verification of major items of Plant and Machinery have been conducted by the management during the year. No material discrepancies were noticed on such verification.
2. None of the fixed assets were revalued during the year.
3. Physical verification has been conducted by the management at reasonable intervals in respect of finished goods, stores, spare parts and raw materials.
4. Procedures of physical verification of stocks followed by management are reasonable and adequate in relation to the size and the nature of its business.
5. No material discrepancies have been noticed on physical verification of stocks as compared to book records.
6. On the basis of our examination, we are satisfied that valuation of stocks is fair and proper and in accordance with normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has not taken loans from companies or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
8. The Company has not granted any loans to companies or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
9. Employees to whom loans have been given are generally repaying the principal amount and interest, if any, as stipulated. In respect of advances in the nature of loans to some of the Subsidiaries/erstwhile Subsidiaries, there is no stipulation for recovery of principal amount.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials, plant and machinery, equipment and other assets and sale of goods.
11. According to the information and explanations given to us, there were no purchases and sale of goods and services in excess of Rs. 50,000 in value during the year to firms or companies or other parties in which Directors are interested, as listed in the register maintained under Section 301 of the Companies Act, 1956.
12. As explained to us, unserviceable or damaged stores and raw materials are determined by the Company and adjustment for loss on such materials wherever necessary has been made in the accounts.
13. In respect of the deposits accepted from the Public, the provisions of Section 58A of the Companies Act, 1956, and the rules framed thereunder have been complied with.
14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap and by-products.
15. The Company has an internal audit system commensurate with the size and nature of its business.
16. We have broadly reviewed, without carrying out a detailed examination, cost accounts and records maintained by the Company in respect of such products as prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the same have been maintained. Cost records in respect of Formulation activity could not be reviewed since they are under preparation.
17. Provident Fund and Employees' State Insurance dues have been regularly deposited by the company, however there were delays in depositing the same. Total outstanding and dues as on 31st March, 1999 in respect of Provident Fund was Rs.156.44 lakh and Employees' State Insurance was Rs.76.41 lakh.
18. There were no undisputed amounts payable in respect of Wealth Tax, Customs Duty and Excise Duty outstanding as at 31st March, 1999 for a period of more than six months from the date they became payable. As regards Sales-Tax an amount of Rs. 219.36 lakh and Income-Tax an amount of Rs. 2.28 lakh pertaining to period of more than six months is not paid.
19. Personal expenses have not been charged to Revenue Account.
20. The Company is not a sick industrial company within the meaning of Clause(O) of Sub-Section(1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In respect of trading activities of the Company, the damaged goods have been determined. Though the value of such goods is not significant, provision for such loss is made in the accounts.
22. The Company has a reasonable system of recording receipts, issues and consumption of materials and stores commensurate with its size and nature of its business. The system provides for a reasonable allocation of the materials and manhours consumed to the relative jobs.
23. There is reasonable system of authorisation at proper levels with necessary control on the issue of stores and allocation of stores and labour to jobs. The Company has an internal control system commensurate with its size and nature of its business.

Baroda
31.5.1999

For Sorab S Engineer & Co.
Chartered Accountants
M P Antia
Partner

Profit & Loss Account

for the year ended 31.3.1999

	Schedule	1998-99 Rs. lakh	1997-98 Rs. lakh
Sales & services		27098.65	27624.68
Other income	A	555.95	2108.47
Income		27654.60	29733.15
Cost of sales & services	B	26768.33	27628.94
Excise duty		2755.75	2528.19
Expenditure		29524.08	30157.13
Gross margin		-1869.48	-423.98
Interest			
on other than term loans		1029.86	990.64
on term loans		204.41	776.73
Depreciation		442.38	510.90
Less : transfer from Capital Reserve No.2 (Refer to Note No. B.6)		322.88	405.29
		119.50	105.61
Income on Transfer of Intellectual Property		-	3400.00
Donations		0.25	0.41
Loss on assets discarded/sold	C	12.26	22.29
Employees Separation Scheme		-	1435.58
Net Profit/Loss(-)		-3235.76	-355.24
Surplus brought forward		1256.87	1612.11
Surplus/Deficit (-) carried to Balance Sheet		-1978.89	1256.87
Notes	M		
Schedules A to C & M form part of the Profit and Loss Account			

As per our Report attached

For Sorab S Engineer & Co.
Chartered AccountantsM P Antia
Partner

31.5.1999

Kartikeya V. Sarabhai
ChairmanCVS Narayanan
DirectorTarang Mehta
Secretary

31.5.1999