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1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000

**Board of Directors****Kartikeya V Sarabhai***Chairman***Anand Sarabhai****A. K. Shukla***Wholtime Director***Bhalchandra R Shah****CVS Narayanan***Wholtime Director***Govind Das Zalani***Wholtime Director***Om Dutt Gulati****Vinodchandra C Shah****Vipin N Jikar****Auditors**

Messrs. Sorab S Engineer &amp; 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

**Registered Office**

Dr. Vikram Sarabhai Marg,

Wadi Wadi, Vadodara 390 023.

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**ase Ambalal Sarabhai Enterprises Limited**

Regd. Office : Dr. Vikram Sarabhai Marg, Wadi Wadi, Vadodara 390 023.

**Notice**

The Twentythird Annual General Meeting of the Company will be held on Thursday, the 20th September, 2001 at 11.00 A.M. at Mahatma Gandhi Nagar Grih, Near Jubilee Baug, Vadodara 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 31.3.2001 and the Balance Sheet as on that date.

**Item 2 :**

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

**Item 3 :**

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

**Item 4 :**

To appoint a Director in place of Dr. A. K. Shukla, who was appointed a Director of the Company on 3.5.2001 pursuant to Article 143 of the Articles of Association of the Company to fill the casual vacancy caused by the death of Mr. N.B. Amin. Dr. A. K. Shukla ceases to hold office at the conclusion of the Annual General Meeting under Section 262 of the Companies Act, 1956 but is eligible for appointment and in respect of whom, the Company has received a notice in writing from a member proposing his candidature for the office of a Director.

**Item 5 :**

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.

**Special Business :**

To consider and if thought fit, to pass, with or without modifications, the following resolutions :

**Item 6 - Special Resolution :**

\*RESOLVED THAT pursuant to the provisions of Section 269, 309, 310 and 314 and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to Mr. Karlikeya V. Sarabhai, the Chairman of the Company, for holding and continuing to hold an office or place of profit under the Company with effect from 1.4.2001 for a period of 5 years upon and subject to the terms, conditions and stipulations contained in the letter dated 8.5.2001 issued by the Company, a copy whereof is placed before the meeting, which is in line with Part II of Schedule XIII of the Companies Act, 1956.

**Item 7 - Special Resolution :**

\*RESOLVED THAT pursuant to the provisions of Section 269, 309, 310 and 314 and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the appointment of Dr. A. K. Shukla as a Director in the whole-time employment of the Company for a period of 2 years with effect from 3.5.2001 and holding and continuing to hold an office or place of profit, subject to terms, conditions and stipulations contained in the Letter of Appointment dated 27.6.2001 issued by the Company, a copy whereof is placed before the meeting, which is in line with Part II of Schedule XIII of the Companies Act, 1956.

**Item 8 - Special Resolution :**

\*RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956, and other statutory enactment, if any, consent of the Company be and is hereby accorded to the Board of Directors of the Company to invest an aggregate sum of Rs. 325 lakh in the share capital of Sarabhai Electronics Limited, Vadodara (SEL) by accepting the allotment of 32.5 lakh equity shares of Rs. 10/- each at par, which equity shares may be allotted by SEL to the Company on a Preferential basis, towards repayment by SEL to the Company of the sum of Rs. 325 lakh due by SEL to the Company, being the amount of unpaid purchase consideration and current finance account balances; notwithstanding the fact that such investments when made, together with its other investments, shall exceed any or all the limits prescribed under section 372A of the Companies Act, 1956."

\*RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary

desirable or expedient for obtaining such approvals, in relation to such an investment and in general to take such steps as may be necessary, desirable or expedient to implement and/or to give effect to this resolution."

By Order of the Board of Directors,  
Tarang Mehta  
Secretary  
26.7.2001

**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. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 is annexed hereto.
3. 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 15.9.2001 to 20.9.2001 (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 (except Saturdays) till the date of meeting.
5. Members who hold equity shares in dematerialised 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 as per Corporate Governance Code, are as under :

**Mr. G. D. Zalani**

Mr. G. D. Zalani is a Master of Pharmacy (M. Pharm). Originally he had joined the services of the Company in 1951. He retired from the services of the Company during 1991 and thereafter joined Torrent Group where he had been a Director. Again with effect from 1st April, 1996, he has joined the Company as its whole-time Director. During his tenure, he had several assignments of various functions including purchase, finance and other commercial aspects and also has been representing the Company before various government authorities, drug control activities, trade association etc. Mr. Zalani with his wide and varied experience and association of about 45 years with the Company, has contributed substantially to the management of the Company and has strengthened the Company's management group.

Mr. Zalani neither holds any directorship nor membership of committee of Board of Directors of any other company.

**Dr. O. D. Gulati**

Dr. O. D. Gulati is a renowned pharmacologist. Formerly, Dr. Gulati was a professor of pharmacology and Dean of Medical College of Vadodara. Further, Dr. Gulati is a retired Director of Charotar Arogya Mandal, Karamsad, Gujarat which is running a medical college in Gujarat. Dr. Gulati has been making an indepth study of various new drugs being discovered internationally, which has been of immense help to the Company. Thus, he has wide experience in the field of Drugs and Pharmaceuticals. Dr. Gulati has been a Director of the Company since 1991. His association with the Company as a Director on the Board of Directors of the Company is of great help and guidance.

Dr. Gulati neither holds any directorship nor membership of committee of Board of Directors of any other company.

**Dr. A. K. Shukla**

Dr. A. K. Shukla is M. Pharm. and Ph. D. He is having wide and varied experience in handling various areas of operations and management functions of the Company. He joined the Company in 1979 and served upto 1987. In past, he had worked at various levels in renowned pharmaceuticals-group like Cadila and Torrent, Ahmedabad. Dr. Shukla rejoined the Company during July 2000 as its Chief Operating Officer.

Dr. Shukla is a Director on the Board of Directors of :

- i. Synbiotics Limited, Vadodara
- ii. Haryana Containers Limited, Vadodara; and
- iii. 3 other private limited Companies

Dr. Shukla is not a member of any Committee of Board of Directors of any Company.

**Explanatory Statement :**

required under Section 173 of the Companies Act, 1956 to accompany the Notice of the Twentythird Annual General Meeting of the Company.

**Item 6 and 7:**

Mr. Kartikeya V. Sarabhai M.A. [Cantab] did Post Graduate studies at MIT, U.S.A. He joined the Board of Directors of the Company in 1992. He has been very actively associated with many companies/institutions of trade, commerce, industry and social services related sphere. He is a Director of :

- (i) Sarabhai Electronics Limited, Vadodara
- (ii) Synbiotics Limited, Vadodara
- (iii) Organisation of Pharmaceutical Producers of India, Mumbai; and
- (iv) 32 other private limited Companies.

He is also a member of the Committee of the Board in 2 public limited Companies and of DDE ORG Systems Private Limited.

Mr. Kartikeya V. Sarabhai had been appointed Chairman of the Company w.e.f. 13.9.1995. Since then, he has been very actively associated with the operations and management functions of the Company and has been monitoring the various areas of management on a day to day basis.

In terms of the letter issued by the Company to Mr. Kartikeya V. Sarabhai during 1996, and which had been approved by the shareholders of the Company at their Annual General Meeting held on 21.9.1996, he had been drawing remuneration from the Company w.e.f. 1.4.1996.

Keeping in view the contribution of Mr. Kartikeya V. Sarabhai, chairman, and in view of the fact that he has been very actively associated with the operations and management functions of the Company, the Board of Directors of the Company at its meeting held on 6.3.2001, decided that subject to the approval of the shareholders, Mr. Kartikeya V. Sarabhai, be paid remuneration w.e.f. 1.4.2001 for a period of 5 years as provided in the letter issued by the Company to Mr. Kartikeya V. Sarabhai.

The Board of Directors, subject to the necessary approval of the shareholders of the Company had in its meeting held on 3.5.2001, appointed Dr. A. K. Shukla as a Director in the whole-time employment of the Company for a period of 2 years w.e.f. 3.5.2001.

Dr. A. K. Shukla is M. Pharm. and Ph. D. He is having wide and varied experience in handling various areas of operations and management functions of the Company. He joined the Company in 1979 and served upto 1987. In past, he had worked at various levels in renowned pharmaceuticals-group like Cadila and Torrent, Ahmedabad. Dr. Shukla rejoined the Company during July 2000 as its Chief Operating Officer.

The terms of remuneration of Mr. Kartikeya V. Sarabhai and Dr. A. K. Shukla are as under:

- i. (a) Salary Rs. 30,000 per month in the grade of 30,000 - 2,000-38,000 (for Mr. Kartikeya V. Sarabhai).
- (b) Salary Rs. 65,000/- per month during first year and Rs. 70,000/- per month during second year (for Dr. A. K. Shukla).
- ii. Commission : As may be determined by the Board of Directors subject to a maximum of 1% of the annual net profit of the Company or 50% of annual salary, whichever is less. (Applicable in the case of Mr. Kartikeya V. Sarabhai)
- iii. Benefits : The total amount payable to Mr. Kartikeya V. Sarabhai in the form of benefits and perquisites other than iv (a), (c), (d), v and vi herein shall not exceed the amount of salary and for Dr. A. K. Shukla the total amount payable in form of benefits and perquisites other than iii (a), (b), (c), (f), iv (c), (d), v and vi herein shall not exceed an amount of Rs. 7,43,000 in the first year and Rs. 8,66,000 in the second year.
- (a) Company's contribution towards provident fund as per rules of the Company, but not exceeding 10% of the salary.
- (b) Company's contribution towards pension/superannuation fund as per the rules of the Company, but it will not, together with the Company's contribution to provident fund, exceed 25% of the salary as laid down under the Income Tax Rules, 1962.
- (c) Gratuity not exceeding 1/2 month's salary for each completed year of service as per the rules of the Company.
- (d) Medical Benefits for self and family: Reimbursement of expenses actually incurred for self, wife and dependant children.
- (e) Leave travel concession for self, wife and dependant children : Once a year to and fro any place in India subject to the condition that only actual fares and no hotel expenses etc. will be allowed.
- (f) Leave on full pay and allowances, as per the rules of the Company, but not exceeding one month's leave for every eleven months of service, and which can be accumulated upto a maximum of 90 days, subject to further condition that leave accumulated but not availed of will be allowed to be encashed at the end of the tenure.

- iv. Perquisites : They shall be further entitled to the following perquisites.

- (a) Furnished residential accommodation together with utilities such as gas, electricity, etc. the monetary value of which will be determined as per Income Tax Rules, 1962.

OR

House rent allowance not exceeding 40% of the salary. The expenditures on gas, electricity, water, furnishings and amenities shall be borne by the Company, the monetary value of which shall be evaluated as per the Income Tax Rules, 1962.

- (b) Use of Company's car : The monetary value of which may be evaluated as per the Income Tax Rules, 1962.
- (c) Personal accident insurance of an amount the premium of which does not exceed Rs. 1000/- per annum.
- (d) Free telephone facility at residence. Personal long distance calls shall be paid for by them.
- (e) Subscription fees of clubs subject to a maximum of two clubs provided no admission fee or life membership fee is paid by the Company.

- v. They will be entitled to reimbursement of actual out of pocket expenses incurred in connection with the business of the Company.

- vi. They shall also be entitled to reimbursement of entertainment expenses actually and appropriately incurred for the business of the Company. The reasonable ceiling of such expenses may however, be fixed by the Company.

- vii. In the event of loss or inadequacy of profits of the Company in any year, they shall be entitled to remuneration by way of salary and perquisites as specified above.

Mr. Kartikeya V. Sarabhai and Dr. A. K. Shukla may be considered to be concerned or interested in respective resolutions relating to their terms of remuneration and/or terms of appointment. None of the other Directors may be considered to be concerned or interested in the said resolution.

The accompanying notice together with explanatory statement is and should be treated as an abstract of the Terms of Memorandum of Interest under Section 302 of the Companies Act, 1956.

**Item 8 :**

As the members are aware, in terms of the Scheme of Arrangement, approved by the Hon'ble High Court of Gujarat on 24.12.1987, the Electronic (Computer) Division of the Company vested in Sarabhai Electronics Limited (SEL) with effect from 1.7.1985 for a value of Rs. 732 lakh. As provided in the Scheme, SEL issued and allotted its fully paid equity shares of the aggregate face value of Rs. 358 lakh to the shareholders of ASE and the balance amount of Rs. 374 lakh remained payable by SEL to the Company, against which SEL had paid to the Company a sum of Rs. 64 lakh. Accordingly, as provided in the Scheme, balance amount of Rs. 310 lakh was to be discharged by way of promissory note and an amount of around Rs. 15 lakh is also payable by SEL to the Company on account of current financial transactions, thus aggregating to Rs. 325 lakh.

SEL has not been able to discharge its obligations of payment of Rs. 325 lakh to the Company. It is proposed that in satisfaction of the debt, SEL issues 3250000 equity shares of Rs. 10/- each at par by way of preferential issue and allotment to the Company.

The Board of Directors of the Company felt it to be in the best interest of the Company to convert the loan into investment, since, it would discharge the long pending receivable from SEL.

The provisions of Section 372A of the Companies Act, 1956, stipulate that the prior permission of the shareholders of the Company has to be obtained, if the aggregate of the investments of the Company would exceed the prescribed limits specified therein viz. 60% of the equity and free reserves. The proposed investment of Rs. 325 lakh in the equity capital of SEL, would exceed the prescribed limit as specified under section 372A of the Companies Act, 1956. Accordingly, for the purpose of making this investment of Rs. 325 lakh in the equity share capital of SEL, this resolution as appearing at item No. 8 of the accompanying Notice is proposed.

The Company presently holds 6.63% of equity share capital of SEL and upon this proposal, being implemented, it would come to hold 49.42% of enhanced share capital of SEL. Mr. Kartikeya V. Sarabhai, Dr. Anand Sarabhai, Mr. CVS Narayanan and Dr. V. C. Shah being the Directors/ shareholders of the Company and also of SEL may be deemed to be concerned or interested in the resolution.

None of the other Directors of the Company may be deemed to be concerned or interested in the proposed resolution.

Your Directors commend the resolutions as set out in the Notice for your approval and acceptance.

By Order of the Board of Directors,  
Tarang Mehta  
Secretary  
26.7.2001



**Directors' Report**

To the Shareholders,

Your Directors present the report for the year 2000-01. The financial results are as under :

	(Rs. lakh)	
	2000-01	1999-2000
Turnover	19945	23099
Other income	890	1225
Total income	20835	24324
Interest	1145	1565
Depreciation	149	123
Operating Profit/(Loss) before non-recurring income/expenditure	(2906)	(4062)
Non Recurring income, net of Expenditure	2744	4419
Taxation for earlier period	32	11
Net Profit/(Loss)	(194)	345

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

**Operations :**

The operating loss which was Rs. 4062 lakh in 1999-00 has come down Rs. 2906 lakh during the year under report.

During the year, the Company had initiated various cost cutting measures and labour rationalisation programme which have yielded positive results. There has been significant savings in expenditure on power and fuel and in various other heads of expenditure.

This process of achieving cost reduction will be carried forward in the current year. With a view to strengthen the management structure, the Company has adopted policy of lateral entry by inducting few professionals and appointing a Chief Operating Officer / Whole time Director who would also look after over all management functions of your Company.

The fall in turnover is mainly due to formation of the joint venture Sarabhai Zydus Animal Health Private Limited by the Company with Cadila Health care Limited, to whom marketing of Veterinary products of the Company has been transferred.

**Joint Ventures :**

The Joint Venture Company Sarabhai Zydus Animal Health Pvt. Ltd. has achieved turnover of about Rs. 63 crores during its first operating year.

The turnover of Joint Venture Company Sarabhai Piramal Pharmaceuticals Private Limited (SPPPL) shown substantial increase over the earlier year. The growth was about 13% over previous year on a comparable basis. The profit after tax was Rs. 19.30 crore. SPPPL has declared a dividend of 30% on its equity capital and the share of dividend of the Company is Rs. 6.75 crore which when received would be accounted for by the Company in the current accounting year.

**Human Health Products :**

The turnover of human health products during the year amounted to around Rs. 80 crores as compared to Rs. 115 crores in the previous year. The apparent fall is due to transfer of marketing of these products to the Joint Venture Company. However, there has been a quantitative increase in the production of these products.

The Company has started a "Speciality Division" for marketing specialised products and during the current year two products have been introduced in the market.

**Veterinary Products :**

During the year under report, as mentioned earlier, the marketing of Veterinary products were transferred to Joint Venture Company. There is an apparent fall in the turnover, as turnover of these products was accounted in the year under report at the transfer prices and not at the ultimate selling prices.

**Bulk Drugs :**

Your Company has achieved substantial growth in the Vitamin C business despite stiff competition in the market and dumping from other countries. Government fixed the anti-dumping duty on the imports from Japan and Europe at the difference between normal landed value of import and the rupee equivalent of \$ 12.62 per kg. and in case of imports from China at the difference between landed price and the rupee equivalent of \$ 12.71 per kg. in other cases. Adoption of aggressive marketing strategies by the Company coupled with imposition of anti-dumping duty by the Government allowed growth in the Vitamin C business which has doubled

during the year at around Rs. 28 crores compared to Rs. 14 crores in the previous year.

**Electronics :**

Your Company could sustain the sales volume of its Electronics division with marginal increase as compared to the previous year. The Company would continue its endeavour to further strengthen its market share in this business segment.

**Exports :**

The export business has continued to witness an upward trend. Your Company achieved export sales of Rs. 12.11 crores during the year as compared to Rs. 10.20 crores in the previous year.

**Generic Products :**

The sales of Generic Products have increased marginally to Rs. 11.31 crores compared to Rs. 10.19 crores in the previous year. The Company expects to achieve substantial growth in this business and plans to launch newer products and expanding customer base.

**Business Development :**

With a view to expand the market of the products, the Company is negotiating with some overseas parties who would provide necessary technology as also buy-back arrangements of the products manufactured. Upon finalisation and implementation of such arrangements, it is expected that there would be considerable increase in the volume of bulk drug business and increase in profits.

**Corporate Governance :**

During the year, your Company has already initiated process of achieving the goal of Corporate Governance of high standard. It will put in place full fledged corporate governance structure well before 31st March, 2002 as required by Stock Exchange directives.

As required under the amended Listing Agreement with the Stock Exchanges the details required to be given in the area of Corporate Governance are given in the Annexure B and C to this report.

A Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated in the Listing Agreement is also attached to this report.

**Report of BIFR :**

As mentioned in the Directors' Report last year, the Company had given intimation to the Board for Industrial and Financial Reconstruction (BIFR) to the effect that the erosion in the peak net worth of the Company was below 50% of the peak net worth. BIFR has now cleared that the provisions of The Sick Industrial Companies (Special Provisions) Act 1985 do not apply to your Company.

**Subsidiaries :**

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

- (i) Synbiotics Limited
- (ii) Haryana Containers Limited

During the year under report, the Company has acquired 100% equity of Asence Inc. USA, thus making it wholly-owned subsidiary of your Company. The first financial year of this wholly owned subsidiary would end on 31st December, 2001.

**Swastik Household and Industrial Products :**

The appeal filed by the Company in the Supreme Court against the order dated 23.2.1997 of the Gujarat High Court setting aside 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, are pending before Hon'ble Supreme Court for final disposal. The Hon'ble Supreme Court has granted Special Leave to the Company to appeal against the said order of Gujarat High Court and has also granted stay of the operation of the order till disposal of the appeals.

**Directorate :**

Dr. A. K. Shukla was appointed as a Director in the casual vacancy caused by the death of Mr. N. B. Amin. Simultaneously, the Board of Directors of your Company, has subject to necessary approvals of shareholders of the Company, as required under section 269 and other applicable provisions of the Companies Act, decided to appoint him as a Working Director in the whole-time employment of the Company with effect from 3.5.2001.

Dr. A. K. Shukla has been prior to this appointment, holding the position of Chief Operating Officer of the Company. He is M. Pharm. and Ph.D. and carries rich professional experience in the technical and other operational management areas.

Pursuant to the provisions of Section 256 of the Companies Act, 1956 Mr. G. D. Zalani, and Dr. O. D. Gulati retire by rotation but being eligible offer themselves for re-appointment. Dr. A. K. Shukla, who was appointed a Director to fill the casual vacancy on the Board caused by the death of Mr. N. B. Amin ceases to hold office under Section 262 of the Companies Act, 1956, but is eligible for appointment. The Company has received notice in writing from a member proposing candidature of Dr. A. K. Shukla, for the office of a Director.

#### Fixed Deposits :

As on 31.3.2001, 160 depositors with deposits aggregating to Rs. 6.60 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 A 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 :

- That in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures, if any.
- That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2001 and its loss for the year ended on that date.
- 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.
- 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 :

Notes No. B(8) and B(13) forming part of the accounts are self explanatory and clarify the observations made by the Auditors in subpara a and b of para 6 of their Report.

As regards their observations in para 6(d), 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 instalments 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 already reported, the Hon'ble Supreme Court has granted Special Leave to the Company to appeal against the said order of Gujarat High Court and has also granted stay of the operations of the said order 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.

#### Acknowledgement :

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  
26.7.2001

#### AUDITORS' CERTIFICATE

To the Members of

Ambalal Sarabhai Enterprises Limited  
Vadodara

We have examined the compliance of conditions of corporate governance by Ambalal Sarabhai Enterprises Limited, for the year ended 31st March, 2001, as stipulated in clause 49 of the Listing Agreement with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of  
Sorab S. Engineer & Co.  
Chartered Accountants  
M. P. Antia  
Partner

Place : Vadodara  
Date : 27.6.2001

#### Annexure 'A' 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, 2001.

##### A. Conservation of energy :

##### i) Energy conservation measures taken :

The Company has undertaken various measures for conservation and saving of energy in critical areas including :

1. Power factor improvement.
2. 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.

##### ii) Additional investments and proposals :

Gradually some of the existing refrigeration equipment would be replaced with more modern ones to reduce energy consumption. The Co-generation plant based on natural gas is being set up by the Company.

##### iii) 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.

- iv) Total energy consumption and energy consumption per unit of production :

The required information is given in the enclosed prescribed Form A.

#### B. Technology absorption :

- v) Efforts made in technology absorption :

Efforts made in Technology absorption are as per enclosed Form B.

#### C. Foreign exchange earnings and outgo :

- vi) The Company is putting all efforts to further boost up the exports of various basic drugs and formulations and also to export third party products, including non-pharmaceutical products. In this direction, company is endeavouring to identify and improve the quality of various products for export market. The Company is also forging ties with various parties abroad to strengthen the exports.

- vii) Total foreign exchange earned and used :

Earnings from export of goods, commission etc.	: Rs. 1428.91 lakh
Import of raw materials, Foreign travel expenses, etc.	: Rs. 2386.66 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	12168	12750
Total amount	Rs. lakh	719	680
Rate/Unit	Rs./Kwh	5.91	5.33
b) Own generation			
(i) Through diesel generator (Kwh)	'000	Nil	31
Units per ltr. of diesel oil	Kwh/Ltr.	Nil	2.56
Cost/Unit	Rs./Kwh	Nil	12.98
(ii) Through steam turbine/generator			
Units per Ltr. of fuel oil/gas		Nil	Nil
Cost/Unit			
2. Coal		Nil	Nil
3. Furnace oil			
Quantity	K.Ltrs.	4	144
Total amount	Rs. lakh	0.20	14
Average rate	Rs./K.Ltrs.	5600	9368
4. Others - Natural Gas			
Quantity	1000 M <sup>3</sup>	4242	3954
Total cost	Rs. lakh	178	182
Rate/Unit	Rs./1000 M <sup>3</sup>	4199	4599

##### 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 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 has been 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) 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) Cost reduction in existing formulations.  
 d) Blood level studies of new formulations.  
 e) Enlarged market.  
 f) Better productivity and 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.

#### 4. Expenditure on R & D :

- |                                                            |                   |
|------------------------------------------------------------|-------------------|
| a) Capital                                                 | : Rs. 1.37 lakh   |
| b) Recurring                                               | : Rs. 118.13 lakh |
| c) Total                                                   | : Rs. 119.50 lakh |
| d) Total R&D expenditure as a percentage of total turnover | : 0.59%           |

#### Technology absorption, adaptation and innovation :

1. The Company has in-house R & D Centres recognised by the Department of Science & Technology, Government of India. One of the centres cater to R & D activities in the area of Drugs and 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 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 :

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.

- |                                                                      |                                                     |
|----------------------------------------------------------------------|-----------------------------------------------------|
| 3. Information regarding 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                                               |



**Annexure 'B' to the Directors' Report****Management Discussions and Analysis Report :****a. Industry structures and developments :**

The year under review, by and large, witnessed a marginal slow down in growth of market for pharmaceutical products due to several factors such as economic condition, cheaper imports, weak monsoon etc.

In this scenario an attempt is being made to introduce necessary changes in the various areas of operations so as to optimise the operating results.

**b. Opportunities and Threats :**

Your Company operates in an area where a large market exists and offers ample opportunities for growth. Your Company's product are well-received in the market.

**c. Sector wise performance :**

Sector wise performance has been enumerated in the Directors' Report.

**d. Outlook :**

In view of slow down in the market, your Directors feel the performance of the Company has been reasonably good.

The management is conscious about the changing scenario in pharmaceutical industry and reviews take place regularly. With the launching of Generic and Speciality products, it is expected that your Company would be in a position to strengthen its operations.

**e. Risks and concerns :**

The external factors such as slow down in the growth of economy, natural calamities, poor monsoon and competition are common to all the industrial sectors. It is therefore necessary to address urgently to the effects of those risk on the business of the Company. Risk which are internal on which the Directors and the management would have control, are being taken care of.

Diversified portfolio of products, focus on financial disbursement, introduction of new products, are inbuilt strategies which are identified by the Company to manage business risks.

**f. Internal control systems and their adequacy :**

The internal control systems are being fine tuned in line with the changing requirements in the industry. The management regularly reviews the internal control systems in the areas of finance, procurement, sales and distribution and marketing and new products launches. Thus emphasis on internal control system is spread over across all major functions and processes.

With regular review of the systems by the Audit Committee of the Board, the internal control within the organisation would be further strengthened.

**g. Financial performance :**

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

**h. Human resources/Industrial relations :**

Your Directors believe that employees are the most valued assets of the organisation. Thus, all the human resources practices are directed towards enhancing the value of these assets. The focus of the management is on the organisational development and to imbibe new organisation values - entrepreneurship, team work achievement and commitment. Several work shops and/or communication meetings, were organised and would be continued to be so organised by the Company with a view to achieve these organisational values.

The relations between the management and workmen have remained cordial.

Total employee strength of the Company is 3475 at the end of the year under review.

**Annexure 'C' to the Directors' Report****Report on Corporate Governance****i. Corporate Governance Philosophy :**

The Company has put in place an appropriate structure of Corporate Governance by implementing relevant provisions of Corporate Governance Code of Securities and Exchange Board of India (SEBI) as also Companies Act, 2000.

Your Company has been practicing the broad principles of Corporate Governance over the years by placing strong emphasis on transparency, empowerment, accountability and integrity so as to continuously enhance the stakeholders value - the shareholders, the customers, the employees and the creditors.

**ii. Board of Directors (Board) :**

Presently, the Board, comprises of 9 Directors of whom 4 are Executive, and 5 are Non-Executive Directors. The Non-executive Directors are eminent industrialists and/or professionals with experience in overall management, finance and law, who bring a wide range of skills and experience to the Board.

**a. Composition of the Board :**

Name of Director	Category Executive / Non executive/Independent	No of other Directorships Held @
Kartikya V. Sarabhai	Chairman/Executive	35
Anand Sarabhai	Non-Executive/ Independent	55
B. R. Shah	Non-Executive Independent	3
CVS Narayanan	Executive/Independent	6
G.D. Zalani	Executive/Independent	—
O.D. Gulati	Non-Executive/ Independent	—
V. C. Shah	Non-Executive/ Independent	5
V. N. Jikar	Non Executive/ Independent	5
A. K. Shukla + K. J. Divatia	Not Applicable for the year 2000-01 Non Executive/ Independent	Ceased to be a Director w.e.f 15.4.2000

+ Appointed as Director w.e.f. 3.5.2001 in the casual vacancy of Shri Nanubhai B. Amin.

@ Includes private Companies and Alternate Directorship.

**b. Number of Board Meetings :**

During the year under report, the Board of Directors met ten times on the following dates.

3rd Apr., 2000	21st Apr., 2000	23rd June, 2000
27th July, 2000	1st Sept., 2000	21st Sept., 2000
31st Oct., 2000	28th Nov., 2000	30th Jan., 2001
6th Mar., 2001		

**c. Attendance of Directors :**

Name of Director	Meetings Attended	Attended last AGM on 21.9.2000 Yes/No
Kartikya V. Sarabhai	10	Yes
Anand Sarabhai	3	No
B. R. Shah	6	No
CVS Narayanan	10	Yes
G. D. Zalani	8	Yes
O. D. Gulati	10	Yes
V. C. Shah	10	Yes
V. N. Jikar	7	Yes
A. K. Shukla + K. J. Divatia	Not applicable 1	Not Applicable Ceased to be a Directed w.e.f. 15.4.2000

+ Appointed as Director w.e.f. 3.5.2001 in the casual vacancy of Shri Nanubhai B. Amin.



**iii. Committee of Directors :**

The involvement of non-executive Directors in providing guidance on policy matters to the operating management is formalised through constitution of committees of the Board. The committees provide periodical and regular exchange of information and ideas between the Non-Executive Directors and the operating management.

The Board, has accordingly constituted following Committees :

**A. Audit Committee** comprises of following independent Directors of the Board.

Dr. V. C. Shah  
Mr. V. N. Jikar  
Mr. B. R. Shah  
Mr. CVS Narayanan

The terms of reference specified by the Board to the Audit Committee are as contained under Clause 49 of the Listing Agreement. They are as follows :

- Oversight of the company's financial reporting process and the disclosure of its financial information.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the annual financial statements before submission to the Board, focussing primarily on (i) any changes in accounting policies and practices (ii) major accounting entries based on exercise of judgement by management (iii) qualifications in draft audit report (iv) significant adjustments arising out of audit (v) the going concern assumption (vi) compliance with accounting standards (vii) compliance with stock exchange and legal requirements concerning financial statements and (viii) any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit functions.
- Discussion with internal auditors any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with external auditors before the audit commences nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- Reviewing the company's various financial and risk management policies.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

**B. Investors/Shareholders Grievance Committee** comprises of following Directors of the Board :

Mr. V. N. Jikar  
Dr. V. C. Shah  
Mr. B. R. Shah  
Mr. CVS Narayanan  
Mr. Kartikeya V. Sarabhai

Matters attended to by Investors/Shareholders Grievance Committee

- |                                                                                                |     |
|------------------------------------------------------------------------------------------------|-----|
| i. No. of complaints received during the year                                                  | 93  |
| ii. Outstanding complaints for reply as on 31.3.2001. (Since replied to on 12.4.2001)          | 1   |
| iii. Pending share transfer cases for approvals as on 31.3.2001 (Since processed on 10.4.2001) | 23  |
| iv. Pending Demat cases as on 31.3.2001 (Since processed by 19.4.2001)                         | 718 |

**C. a. Remuneration Committee :**

The function of deciding remuneration of the executive Directors is attended to by the entire Board of Directors.

**b. Details of Remuneration paid to Directors :**

Sr. No.	Director	Relationship with other Directors	Sitting fees for Board & Committee Meetings (2000-01) Rs.	Salaries & perquisites (including P.F., Super Annuation & Gratuity (2000-01) Rs.	Commission (2000-01) Rs.	Total (2000-01) Rs.
1	Kartikeya V. Sarabhai Chairman	None	Nil	6,19,938	Nil	6,19,938
2	Anand Sarabhai	None	3,000	Nil	Nil	3,000
3	B. R. Shah	None	6,000	Nil	Nil	6,000
4	CVS Narayanan	None	Nil	6,29,144	Nil	6,29,144
5	G. D. Zalani	None	Nil	5,38,847	Nil	5,38,847
6	O. D. Gulati	None	10,000	Nil	Nil	10,000
7	V. C. Shah	None	10,000	Nil	Nil	10,000
8	V. N. Jikar	None	7,000	Nil	Nil	7,000
9	A. K. Shukla +	None	Not applicable for the year 2000-2001			
10	K. J. Divatia	None	1,000	Ceased to be a Director w.e.f. 15.4.2000		1,000

+ Appointed as Director w.e.f. 3.5.2001 in the casual vacancy of Shri Narubhai B. Amin.

**c. Details of Terms of Contracts of Whole time Directors :**

- The contracts of Mr. G. D. Zalani and Mr. CVS Narayanan, Whole-time Directors are initially from 1.4.2001 to 31.3.2002, and the terms of their remuneration are as approved by the shareholders at the AGM of the Company held on 21.9.2000.
- Mr. Kartikeya V. Sarabhai, the Chairman, in terms of letter dt. 8.5.2001 issued by the Company and subject to the approval of the shareholders of the Company under section 269 and other applicable provisions of the Companies Act, would continue to draw remuneration as Chairman, for a period of 5 years w.e.f. 1.4.2001. The details of remuneration are covered in the Explanatory Statement attached to the notice convening AGM on 20th September, 2001.
- Subject to the approval of the shareholders of the Company proposed to be obtained at ensuing AGM of the Company to be held on 20th September, 2001, the contract of Dr. A. K. Shukla, a Director in the whole-time employment of the Company would be for a period of 2 years and during the period, he would draw the remuneration, details of which are covered in the Explanatory Statement attached to the notice convening AGM on 20th September, 2001.

**iv. General Body Meetings :**

The last three Annual General Meetings and two Extra-ordinary General Meetings of the Company were held at Mahatma Gandhi Nagar Grih, Near Jubilee Baug, Vadodara on the following dates and time.

- The 20th AGM on 22nd September, 1998, at 11.00 A.M.
- The 21st AGM on 28th September, 1999, at 11.00 A.M.
- The 22nd AGM on 21st September, 2000, at 11.00 A.M..
- Extra-ordinary General Meeting - 25th November, 1999 at 11.00 A.M. and 20th March, 2000 at 11.00 A.M.

**v. Disclosures :**

- As required under the companies Act, the Directors disclose the name of the Companies / parties in which they are interested and accordingly the Register of Contracts Under Section 301 of the Companies Act, 1956 is tabled and signed at the Board Meetings. During the year under review, there was no transaction with any of the related parties which was in any way in conflict with the interest of the Company.

2. There was no non-compliance during the last three years by the Company on any matter related to Capital Market.

**vi. Means of Communications :**

- a. Quarterly / Half Yearly Financial Results of the Company are forwarded to the Stock Exchanges at Ahmedabad, Mumbai and New Delhi and published in following news papers :  
Sandesh - Gujarati Language  
The Indian Express - English Language
- b. The Company has not made any presentations to any Institutional Investors / Analyst during the year.
- c. Management Discussion & Analysis Report is covered in Directors' Report to the shareholders. (Ref. Annexure - B)

**vii. General Shareholder Information :**

**a. Annual General Meeting**

Date : 20th September, 2001  
Time : 11.00 A.M.  
Venue : Gandhinagar Grih, Near Jublee Baug, Vadodara.

**b. Date of Book Closure**

: 15.9.2001 to 20.9.2001 (both days inclusive)

**c. Financial**

**Calendar 2001-02 :** Annual General meeting Sept. 2002  
(Next year)

Event	Board Meeting	
Unaudited Results - Qtrly.	June '01	July '01
Unaudited Results - Qtrly.	Sept. '01	Oct. '01.
Unaudited Results - Qtrly.	Dec. '01	Jan. '02
Audited Accounts -	Mar. '02	by June '02

**d. Stock Exchanges where securities are listed**

Ahmedabad, Mumbai and New Delhi.

**Stock Code**

- The Stock Exchange : 05450  
Kamdhenu Complex  
Opp. Sahajanand College  
Panjarapole, Ahmedabad-380 015  
(Regional Stock Exchange)
- The Stock Exchange : 6779  
Phiroze Jeejeebhoy Tower  
Dalal Street, Mumbai-400 001
- Delhi Stock Exchange Association Ltd., : 3974  
DSE House, 3/1, Asaf Ali Road  
New Delhi-110 002

- e. Listing fees for the year 2001-2002 have been paid to each of the above Stock Exchanges.

**f. Stock Price Data :**

Month	High	Low
	(BSE) (Rs.)	(BSE) (Rs.)
April-2000	9.25	6.80
May-2000	7.50	5.55
June-2000	7.65	6.00
July-2000	6.70	5.50
August-2000	9.55	4.25
September-2000	11.45	8.10
October-2000	9.95	7.10
November-2000	8.85	7.15
December-2000	9.90	7.60
January-2001	8.50	6.25
February-2001	9.05	6.50
March-2001	7.05	5.00

**g. Share Transfer System :**

The shares of the Company are compulsorily to be traded in dematerialisation from, w.e.f. 28.8.2000, as per SEBI's directive. The Company has already appointed MCS Ltd., Vadodara as its RTA for dematerialisation purposes and also has set up the requisite facilities for dematerialisation of shares with National Securities Depositories Ltd. (NSDL) and Central Depository Securities (India) Ltd. (CDSL).

For physical Share Transfer, if the share transfer documents are otherwise in order, share transfers are registered upon approval by the Share Transfer Committee of Directors the meetings of which Committee of Directors are generally held at regular intervals of less than 15 days, demat option letters cum share transfer intimations are sent to the transferees and thereafter, duly transferred share certificates are despatched after giving stipulated/reasonable time to the investors to exercise demat option.

The total number of shares transferred in the Non-Dematerialised segment during year 2000-2001 was 37, 27, 290.

**h. Distribution of Shareholding - as on 31st March, 2001 :**

Category	No. of Shares		%
	Physical	Demat	
Promoters	16371494	193850	25.517
FII/NRI	288039	99500	0.597
Public Financial Institutions & Nationalised Banks	362385	313580	1.041
Mutual Funds/UTI	650	—	0.001
Bodies Corporate	24037333	492464	37.785
Public	17867743	4891677	35.059
Total	58927644	5991071	100.00

**Distribution of Shareholding as on 31st March, 2001 :**

Shareholding of Nominal Value of Rs.	No. of Shares in Physical Form	No. of Shares in Demat Form	Total No. of Shares
1 to 5000	15166390	1514425	16680815
5001 to 10000	6607444	874273	7481717
10001 to 20000	3155704	655546	3811250
20001 to 30000	593247	313997	907244
30001 to 40000	383291	160855	544146
40001 to 50000	350443	268528	618971
50001 to 100000	509703	417277	926980
Over 100000	32161422	1786170	33947592
Total	58927644	5991071	64918715

**i. Dematerialisation of Shares :**

During the year under review, 59,91,071 shares were dematerialised in the following depositories.

NSDL : 58,42,581  
CDSL : 1,48,490  
ISIN No. of Company : E432A01017

**j. Plant Locations :**

- Dr. Vikram Sarabhai Marg, Wadi Wadi, Vadodara-390 023 and Village Ranoli, Dist. Vadodara.
- Naroda Industrial Estate, Ahmedabad.

**k. Address for Correspondence :**

Shareholders can correspond at the Registered Office of the Company at Vadodara and / or at Company's Share Transfer Centre located at 12/3, Asaf Ali Road, New Delhi-110 002. The Company Secretary and Manager - Secretarial Services are designated by the Company as Compliance Officer.