

Report Junction.com  
ase

**Ambalal Sarabhai Enterprises Limited**

**Annual Report 2003-2004**

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

Messrs. Sorab S Engineer &amp; Co

Chartered Accountants

Ismail Building

381, Dr. D. Naoroji Road

Fort, Mumbai

**Bankers**

Punjab National Bank

State Bank of Saurashtra

Bank of Baroda

UTI Bank Ltd.

**Registered Office**

Dr. Vikram Sarabhai Marg,

Wadi Wadi, Vadodara 390 023.

**Index**

Notice .....	3
<b>Directors' Report</b> .....	8
Auditors' Report .....	14
<b>Profit and Loss Account</b> .....	16
<b>Balance Sheet</b> .....	17
Schedule 1 Other Income .....	18
Schedule 2 Cost of Sales and Services .....	18
Schedule 3 Fixed Assets .....	18
Schedule 4 Investments .....	19
Schedule 5 Current Assets, Loans and Advances .....	19
Schedule 6 Miscellaneous Expenditure .....	20
Schedule 7 Share capital .....	20
Schedule 8 Reserves and Surplus .....	20
Schedule 9 Secured Loans .....	20
Schedule 10 Unsecured Loans .....	20
Schedule 11 Current Laibilities and Provisions .....	20
Schedule 12 Notes .....	20
Cash Flow Statement .....	25
Balance Sheet abstract and Company's	
General Business Profile .....	25
Statement regarding Subsidiaries-Section 212 .....	26
<b>Consolidated Financial Statements</b> .....	27

## ASE Ambalal Sarabhai Enterprises Limited

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

### Notice

The Twenty-sixth Annual General Meeting of the Company will be held on Thursday, the 23rd September, 2004 at 11.00 A.M. at Gandhinagar 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 31.3.2004 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 Mr. K.H. Shah, who retires by rotation and being eligible offers himself for re-appointment.

#### Item 4:

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

#### 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 and subject to the approval of the Central Government, consent of the Company be and is hereby accorded to the appointment of Mr. K.H. Shah as a Director in the whole-time employment of the Company for a period of 3 years with effect from 22.4.2004 and holding and continuing to hold an office or place of profit, subject to terms, conditions and stipulations contained in the draft Letter of Appointment to be issued by the Company, a copy whereof is placed before the meeting detailing the remuneration pattern 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 and subject to the approval of the Central Government, consent of the Company be and is hereby accorded to the appointment of Mr. Rajiv Dhru as a Director in the whole-time employment of the Company for a period of 3 years with effect from 1.5.2004 and holding and continuing to hold an office or place of profit, subject to terms, conditions and stipulations contained in the draft Letter of Appointment to be issued by the Company, a copy whereof is placed before the meeting detailing the remuneration pattern which is in line with Part II of Schedule XIII of the Companies Act, 1956."

#### Item 8 – Ordinary Resolution:

"RESOLVED THAT in supersession of the resolution passed by the Shareholders of the Company at their Annual General Meeting held on 30.11.1983, consent of the Company be and is hereby accorded under Section 293(1)(d) of the Companies Act, 1956 to borrow any sum or sums of money from time to time for the purpose of the Company upon such terms and conditions and with or without security as the Board of Directors in its absolute discretion may think fit; notwithstanding that moneys borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of the Company's business) may exceed the aggregate of the paid up capital of the Company and its free reserves that is, reserves not set apart for any specific purpose; provided however, that the total amount of such borrowings shall not in the aggregate exceed at any one time, a sum of Rs.200 crore."

#### Item 9 - 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 and further subject to Company obtaining requisite approval/s and / or clearance from the concerned agency/ies, like SEBI, Mumbai, as might be warranted; consent of the Company be and is hereby accorded to the Board of Directors of the Company to invest an aggregate sum upto Rs.300 lakh in the share capital of ORG Informatics Limited, Vadodara (ORG Informatics) by accepting the allotment of upto 30 lakh equity shares of Rs.10/- each at par, which equity shares may be allotted by ORG Informatics to the Company on a preferential basis towards settlement of outstanding receivables by the Company of equivalent amount upto Rs.300 lakh from the said ORG Informatics, 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 accept the proposal of ORG Informatics for conversion of its dues to the Company within an over all limit upto Rs.300 lakh and 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".

#### Item 10 – Ordinary Resolution:

"RESOLVED that the Company hereby notes / approves / ratifies / confirms and consents to the action of the Board of Directors of the Company (hereinafter referred to as the 'Board') in granting guarantee of the Company during December 2003 to Central Bank of India and Bank of Baroda for the suit amounts claimed in a suit in respect of advances made to erstwhile Swastik Undertaking, in terms of and in compliance with directions given by Hon'ble Supreme Court of India vide its order dated 2.11.2003 while allowing Company's appeal against the order of Division Bench of Hon'ble Gujarat High Court (Court) dated 27.2.1997 for setting aside the order of the Single Judge of Court for sanctioning the Scheme of Arrangement for its erstwhile Swastik and Electronics undertakings."

#### Item 11 – Ordinary Resolution:

"RESOLVED that the Authorised Share Capital of the Company be increased from Rs. 65,00,00,000 divided into 6,50,00,000 equity shares to Rs. 95,00,00,000 divided into 9,50,00,000 equity shares of Rs.10/- each."

#### Item 12 – Special Resolution:

1. "RESOLVED that in Clause-V of the Memorandum of Association of the Company for the words "The Authorised Share Capital of the Company is Rs.65,00,00,000 (Rupees Sixtyfive crores) divided into 6,50,00,000 (Six crores fifty lakh) equity shares of Rs.10/- (Rupees Ten) each, the words "The Authorised Share Capital of the Company is Rs.95,00,00,000 (Rupees Ninetyfive crores ) divided into 9,50,00,000 (Nine crores fifty lakh) equity shares of Rs.10/- (Rupees Ten) each" be substituted.
2. "RESOLVED that Article 3 of the Articles of Association of the Company be deleted and instead the following new Article be substituted in its place:
3. The Authorised Share Capital of the Company is Rs. 95,00,00,000 (Rupees Ninety five crores) divided into 9,50,00,000 (Nine crores fiftylakh) equity share of Rs.10/- (Rupees Ten) each."

#### Item 13– Special Resolution:

"RESOLVED that in accordance with the provisions of Section 81 and other applicable provisions, if any, of the Companies Act, 1956, the relevant provisions of the Memorandum and Articles of Association of the Company and subject to the approval(s), if any required from the Government of India (GOI), Reserve Bank of India (RBI) and Securities and Exchange Board of India (SEBI) and subject to consent, permissions, approvals, sanctions of such other appropriate authorities, as may be necessary, consent, authority and approval of the Company be and is hereby accorded to the Board of Directors of the Company ("the Board" which term shall include any Committee which the Board of Directors of the Company may have constituted or hereafter constitute) to issue and allot through prospectus/letter of offer and/or by way of preferential allotment/private placement to national and / or state financial institutions, Industrial Development Agency(ies), Mutual Funds, International Financial Institutions, Foreign Institutional Investors (FII), Non-resident Indians (NRI), Overseas Body Corporate (OBC), or to any other person(s) whether shareholder of the Company or not, equity shares of the face value of Rs.10/- each at such price (not less than par) for the aggregate amount not exceeding Rs.35 crore (including premium, if any) as may be deemed

appropriate by the Board such offer, issue and allotment to be made at such time or times, in cash and in one or more tranches at such prices, and in such manner and on such terms and conditions as the Board may in absolute discretion think fit in its own judgement or in consultation with others with power to settle details as to the form and terms of issue of securities and all other terms and conditions and matters connected therewith and to accept any modifications in the proposals as may be required by the authorities/ parties involved in such issue but subject to such conditions as the GOI, RBI, SEBI or such other appropriate authorities may impose at the time of according/granting their approvals, consents, permissions and sanctions as may be required and as agreed to by the Board."

"RESOLVED FURTHER that the Board be and is hereby authorised to accept any modifications in the proposal as may be required by the agency(ies) involved in such issues but subject to such conditions as the GOI, RBI, SEBI, or such other appropriate authorities may impose at the time of their approval."

"RESOLVED FURTHER that the Board be and is hereby authorised to take such steps including any modifications and amendments, if any, and appointment of Financial Advisors, Consultants for the private placement / preferential allotment of shares as may be necessary and/or desirable to give effect to this resolution."

"RESOLVED FURTHER that such equity shares as may be issued and allotted, shall rank *pari passu* with the existing equity shares of the Company in all respects, except that they shall be entitled to *pro-rata* dividend from the date of allotment".

"RESOLVED FURTHER that the equity shares to be so allotted shall be listed on the Stock Exchange on which the existing shares of the Company are listed."

#### Item 14 – Special Resolution

"RESOLVED THAT in accordance with the provisions of Sections 79A and 81 and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as "the ACT") and the provisions contained in the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as "The Regulations" including any statutory modification(s) or re-enactment of the Act or the Regulations for the time being force) and the Regulations/ Guidelines prescribed by any other relevant authority from time to time to the extent applicable and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as "The Board" which term shall be deemed to include the Compensation Committee of the Board of Directors) or as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board in its sole discretion, the consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot at any time to or for the benefit of such Employees and / or Directors of the Company as may be eligible under the Regulations and as may be decided solely by the Board under a scheme titled "Employee Stock Option Scheme" (hereinafter referred to as "the ESOS" or "the Scheme"), such number of equity linked options ("the Options") which grant to such Employees and / or Directors, the benefit or right to purchase or subscribe to securities offered by the Company at a future date, the exercise of which could give rise to the issue of equity shares not exceeding 5% of the issued equity share capital of the Company as on the date of such grant, at such price, in such manner, during such period in one or more tranches and on such terms and conditions as the Board may decide in accordance with the regulations or other provisions of the law as may be prevailing at the relevant time.

"RESOLVED FURTHER THAT the Options may be allotted directly to such Employees / Directors or in accordance with a Scheme framed in that behalf through any appropriate mechanism including a trust or other entity which may be set up in any permissible manner for that purpose and that such scheme may also contain provisions for providing financial assistance to the employees / trust / entity to enable the employees / trust / entity to acquire, purchase or subscribe to the securities".

"RESOLVED FURTHER THAT the new equity shares to be issued and allotted in the manner aforesaid shall rank *pari passu* in all respects with the then existing equity shares of the Company save and except that such equity shares shall carry the right to receive either the full dividend or a *pro rata* dividend from the date of allotment, as may be determined by the Board, declared for the financial year in which the new equity shares are allotted."

"RESOLVED FURTHER THAT for the purpose of creating, offering, issuing, allotting and listing of the securities, the Board be and is hereby authorized on behalf of the Company to evolve, decide upon and bring into effect the

Scheme and to make any modifications, changes, variations, alterations or revisions in the said Scheme from time to time as may specified by any statutory authority and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, usual, proper or desirable for such question, difficulty or doubt whatsoever as may arise with regard to the creation, offer, issue and allotment of the shares without requiring the Board to secure any further consent or approval of the members of the Company".

"RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of its powers to any Committee of Directors of the Company to give effect to the aforesaid Resolution."

By Order of the Board of Directors,

Tarang Mehta

Secretary

11.8.2004

#### 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 16.9.2004 to 23.9.2004 (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 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 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 had joined the Company as its whole-time Director. He then ceased to be a whole-time Director w.e.f. 1.4.2002. During this tenure, he had handled 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 authorities, trade association etc. Mr. Zalani with his wide and varied experience and association of about 48 years with the Company, has contributed substantially to the management of the Company and his guidance is of immense help.

Mr. Zalani is a Director on the Board of Asence Inc., USA and a member of two Committees of Directors of the Company.

#### Mr. K. H. Shah

Mr. K. H. Shah is M. Pharm. He is having wide and varied business experience of 23 years. Before joining the Company as its whole-time Director w.e.f. 22nd April, 2004, he had worked with Elysium Pharmaceuticals Limited as its Vice-President (Production). In past, he has served the Company for about 15 years and reached upto the position of Chief Executive of its Sarabhai Chemicals Division. At present, he is carrying out over all day to day management functions related to formulations activity of the Company subject to the superintendence and control of the Board of Directors.

Mr. Shah neither holds any directorship nor membership of Committee of Board of Directors of the company as well as of any other company.

#### Mr. Rajiv Dhru

Mr. Rajiv Dhru is B.E. (Chem.) and P.G. Diploma in Industrial Engineering & Management. He is having wide and varied business experience of 30 years. Prior to joining the Company as its whole-time Director w.e.f. 1st May, 2004, he was in past associated with the Company as a Consultant and had also served with Synbiotics Limited (Company's wholly-owned subsidiary) as its Chief Executive and had also served as Sr. Vice-President at Dishman Pharmaceuticals & Chemicals Limited, Ahmedabad. At present, he is carrying out over all day to day management functions related to Bulk Drugs activity subject to the superintendence and control of the Board of Directors.



Mr. Dhru is a Director on the Board of Synbiotics Limited. He is not a member of any Committee of Board of Directors of the Company as well as of any other company.

#### Explanatory Statement

Required under section 173 of the Companies Act, 1956 to accompany the Notice of the 26th Annual General meeting of the Company

#### Item 6 & 7

Mr. K.H. Shah and Mr. Rajiv Dhru joined the the Company w.e.f. 22.4.2004 and 1.5.2004 as whole-time Director and President (Formulations) & (Bulk Drugs) respectively for a period of 3 years. The Board of Directors and the Remuneration Committee of Directors at their respective Meetings held on 28.4.2004, had subject to requisite approval/s, appointed them as such and approved the terms of remuneration.

Mr. K.H. Shah is M. Pharm. He is having wide and varied business experience of 23 years. Before joining the Company as its whole-time Director w.e.f. 22nd April, 2004, he had worked with Elysium Pharmaceuticals Limited as its Vice-President (Production). In past, he has served the Company for about 15 years and reached upto the position of Chief Executive of its Sarabhai Chemicals Division. At present, he is carrying out over all day to day management functions related to formulations activity subject to the superintendence and control of the Board of Directors.

Mr. Rajiv Dhru is B.E. (Chem.) and P.G. Diploma in Industrial Engineering & Management. He is having wide and varied business experience of 30 years. Prior to joining the Company as its whole-time Director w.e.f. 1st May, 2004, he was in past associated with the Company as a Consultant and had also served with Synbiotics Limited (Company's wholly-owned subsidiary) as its Chief Executive and had also served as Sr. Vice-President at Dishman Pharmaceuticals & Chemicals Limited, Ahmedabad. At present, he is carrying out over all day to day management functions related to Bulk Drugs activity subject to the superintendence and control of the Board of Directors.

The Company has made an application under Section 269 of the Companies Act, 1956 for seeking the approval of the Central Government for their appointments and terms of remuneration. Brief particulars of remuneration payable to each of them are as under:

1. a) Fixed Salary : Rs.6.00 lakh p.a.
- b) House rent allowance @ 40% of (a) : Rs.2.40 lakh p.a.
- c) Perquisites : Annual entitlement limited upto 40% of fixed salary for following:
  - i) Expenditure incurred on gas, electricity, water, furnishing. : To be valued as per I.T. Rules and in absence of such rules, to be valued at actual cost.
  - ii) Medical benefits for self and family: Reimbursement of expenses actually incurred for self, wife and dependent children. However, such reimbursement as it would exceed maximum limit laid down under I.T. Rules, would be subject to tax, from time to time.
  - iii) Leave Travel Concession for self and family. : Once a year to & fro any place in India. Only fare to be reimbursed and hotel bills, if any, would be not be reimbursed.
  - iv) Telephone facilities : Personal long distance call to be paid for by the appointed.
  - \*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.

- \*d) i) Contribution to - )  
PF @ 10% of Fixed Salary )  
....(i.e. Rs.60,000 p.a.) )  
Gratuity @ 4.165% of Fixed Salary )  
....(i.e. Rs.24,990 p.a.) )  
Super annuation Fund @ 10% of Fixed Salary )  
.... (i.e.Rs.60,000 p.a.) ) Rs.1.45 lakh p.a.
- ii) Gratuity would become payable at the rate not exceeding half a month's salary for each completed years of service.
- iii) 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) In case of absence of OR in-adequacy of profits in any financial year, each of them will be entitled to said salary, perquisites etc. as mentioned above as minimum remuneration.
- 3) Other terms and conditions:
  - i) In the capacity of a Whole-time Director, each of them 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 their respective office during any financial year, the aforesaid remuneration will be paid on a pro-rata basis.
  - iii) Each of them shall not so long as they function as a Whole-time Directors of the Company become interested or otherwise concerned directly or through wife/or minor children in any selling agency of the company without the prior approval of the Central Government.
  - iv) The Company shall deduct all taxes from the remuneration, as per applicable law, from time to time.
  - v) Without the approval of the Board of Directors of the Company, neither of them nor any of their relatives nor any firm or private company in which each of them or any of their 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. Each of them shall also report to the Board the names of all private companies, firms or proprietorship in which they or any of their relatives as defined in the Companies Act, have any interest as Director, member, partner or proprietor.
  - vi) This appointment would be terminable by 90 days' notice on either side or by payment of 90 days' salary in lieu thereof.
- 4) 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.

Mr. K.H. Shah and Mr. Rajiv Dhru may be considered to be concerned or interested in their respective proposed resolutions

None of the other Directors of the Company may be deemed to be concerned or interested in the said resolutions.

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

**Item 8**

At the Annual General Meeting of the Company held on 30.11.1983, an ordinary resolution was passed authorising the Board of Directors of the Company to borrow moneys from time to time upto an amount not exceeding Rs.100 crore for the purpose of business of the Company. Since then the volume of the Company's business has increased considerably and in view of restructuring plan of the Company, it is likely that the Company may be required to borrow additional funds for its operations. Thus, it will be necessary for the Company to borrow the moneys from time to time either from its Bankers or other bodies corporate or Financial Institutions. Approval of the shareholders is therefore necessary under Section 293(1)(d) to increase the said borrowing limit from Rs. 100 to Rs. 200 crore (Rupees two hundred crore only) by passing the ordinary resolution as mentioned at item 8 of the accompanying Notice.

None of the Directors of the Company may be considered to be concerned or interested in the passing of the resolution mentioned at item 8.

**Item 9**

As the shareholders are aware, in terms of the Scheme of Arrangement approved by the High Court of Gujarat, the Electronic Division of the Company was vested in Sarabhai Electronics Limited (now known as ORG Informatics Limited) with effect from 1.7.1985 for a value of Rs.732 lakh, assigned under the scheme.

Currently, the Company holds 23,20,590 equity shares of Rs.10/- each in the issued and subscribed share capital of ORG Informatics. The management of ORG Informatics is under 'joint control' of the Company and Global Asia Partners LP (GAP), USA.

The Company as in past, continues to supply various utilities services, watch and ward services, power etc. to ORG Informatics and as per latest data, its receivable from ORG Informatics is about Rs.303 lakh, after allowing an interest waiver of about Rs.92 lakh.

ORG Informatics had, requested the Company, to consider its proposal to accept its equity shares towards settlement of outstanding receivables by the Company of equivalent amount upto Rs.300 lakh. ORG Informatics also informed the Company that in view of its business plans it would be better if it could enlarge its equity base by this proposal. Due to liquidity problems, ORG Informatics also indicated its inability to consider payment plan through cash payment in respect of receivables by the Company at least in near future.

Therefore, the Board of Directors of the Company felt it to be in the best interest of the Company to agree to convert its receivables either in full / part, from ORG Informatics into investment, since by this ORG Informatics would be able to discharge the pending dues to the Company.

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 upto Rs.300 lakh in the equity capital of ORG Informatics would exceed the prescribed limit as specified under section 372A of the Companies Act, 1956. Accordingly, for the purpose of enabling the Board of Directors to decide to make this investment upto Rs.300 lakh in the equity share capital of ORG Informatics, the resolution as appearing at item No.9 of the accompanying Notice is proposed. This proposal would also require clearance of SEBI, Mumbai under applicable regulation/s.

Mr. Kartikeya V. Sarabhai being the Director/ shareholder of the Company and also of ORG Informatics 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.

**Item 10**

As the members are aware, the erstwhile Swastik Undertaking of the Company was vested as a going concern in Swastik Surfactants Limited (SSL) (formerly known as Whitco Limited), Lalol, District Panchmahals, by order passed by the Hon'ble High Court of Gujarat on 24.12.1987 whereby the Scheme of Arrangement as proposed by the Company and duly approved by the shareholders was sanctioned.

Central Bank of India (CBI) AND Bank of Baroda (BOB) subsequently contested the Scheme of Arrangement and filed a Petition in the Gujarat High Court challenging the Order dated 24.12.1987 of the High Court sanctioning the Scheme of Arrangement. In the said appeals, the Division Bench of the Court set aside the Order of the Single Judge sanctioning the Scheme of Arrangement by Order dated 23.2.1997. The Company preferred an appeal against the said Order of the Division Bench in the Supreme Court.

Hearing of the Company's Appeal against the order of the Division Bench of the Gujarat High Court dated 27.2.1997 is concluded in the Supreme Court in November 2003 and by its order dated 20.11.2003 the Court has allowed the said Appeal and set aside the order of the Division Bench. The Division Bench by its order of 27.2.1997 had set aside the order of the single judge of the Gujarat High Court sanctioning the Scheme of Arrangement relating to erstwhile Swastik and Electronics undertakings, as proposed by the Company. In terms of the directions given by the Hon'ble Supreme Court while allowing Company's appeal the Company was required to furnish guarantee to the CBI and BOB for the suit amount claims of the banks and the guarantee were to be furnished within a period of 30 days from the order of the Hon'ble Supreme Court. Accordingly, in terms of the authority given by the shareholders of the Company to its Board of Directors vide a resolution passed by the shareholders of the Company at AGM held on 26th September, 2002 and with a view to honour the directions of the Hon'ble Supreme Court, the Company has during December '03 given guarantee to CBI and BOB for the outstanding dues of the erstwhile Swastik Division. The Company is negotiating with SSL to arrive at a compromise solution and a MOU has been entered into.

Accordingly, the approval / ratification / consent of the shareholders of the Company is sought for the purpose at resolution provided at item No.10 of the accompanying notice.

None of the Directors of the Company, is any way interested in the above resolution.

**Item 11, 12 and 13**

As the shareholders are aware, the Board of Directors of the Company have initiated steps for rebuilding the Company's operations. In the process, it is deemed necessary to arrange mobilization of funds partly through equity option and partly through debt instruments as well.

The proposed mobilization of funds would involve the issue of equity shares of the face value of Rs.10/- each at such price (not less than par) for an aggregate amount of Rs.35 crore (including premium if any) as may be decided by the Board of Directors of the Company and permitted by the appropriate authorities, to Foreign Institutional Investors, Non-Resident Indians, State Financial Institutions, Institutional Financial Institutions, Mutual Funds, Indian Nationals and Corporate Bodies / Overseas Bodies Corporate, whether the existing shareholders of the Company or not.

Keeping this in view, the authorised share capital is proposed to be increased from Rs.65 crore to Rs.95 crore and for the purpose, resolutions at Item 11 and 12 are proposed to seek your consent for increase in the Authorised share capital and consequential amendment in the Memorandum and Articles of Association of the Company.

Resolution set out at Item 13 seeks your consent/ authority/s.81 of the Companies Act, 1956 for issue and allotment, by way of private placement/ preferential allotment of equity shares, to various entities including individuals, institutions and bodies as set out in the resolution in one or more tranches and on such terms and conditions as the Board of Directors of the Company may decide and approved by the concerned authorities.

Your Directors hold a strong view that mobilization of such funds is a dire necessity for the Company to enable rebuilding its operations. The Directors, therefore, commend the resolutions set out at Item 11, 12 and 13 for your approval, and acceptance.

None of the Directors of the Company is concerned or interested in the aforesaid resolutions.

**Item 14**

With liberalization and opening up of the Indian economy, the country's business environment has become increasingly competitive. It is, therefore, considered imperative that appropriate measures be adopted by the Company for attracting and retaining qualified, talented and competent personnel. An Employee Stock Option Scheme ("the ESOS" or "the Scheme") is being resorted to by many Indian Companies as a tool for this purpose. Internationally also the scheme has been widely accepted by the employees. The scheme is designed to foster a sense of ownership and belongingness amongst the employees by aligning their interests with those of the Company and its shareholders so as to enhance shareholders value. ESOS has the potential to provide an opportunity to employees to share in the Company's growth.

The Securities and Exchange Board of India (SEBI) has introduced a comprehensive set of regulations known as SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 (the Regulations). Pursuant to the Regulations, the Company proposes to introduce an ESOS for the benefit of the permanent employees of the Company and its Directors (present and future) in accordance with the aforesaid Regulations issued by SEBI. The scheme will be under the superintendence of and be administered by the Compensation Committee of the Board, the majority Members thereof to be Independent Directors. The Compensation Committee will formulate the detailed terms and conditions of the Scheme including:

- \* Number of options to be granted to any employee, and in the aggregate;
- \* Terms on which the options will vest;
- \* The conditions under which options vested in employees may lapse;
- \* The exercise period within which an employee should exercise the option, and lapsing of option on failure to exercise the option within the exercise period;
- \* The specified time period within which the employee shall exercise the vested options in the event of termination or resignation of the employee;
- \* The right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period;
- \* The procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of rights issues, bonus issues and other corporate actions;
- \* The grant, vesting and exercise of option in case of employees who are on long leave;
- \* Procedure and mechanism for cashless exercise of options;
- \* Lock-in period for the shares issued pursuant to exercise of the options; and
- \* Any other related or incidental matters.

The salient features of the proposed ESOS are as under:

a) The total number of Options to be granted

The total number of Options that may, in the aggregate, be granted under this ESOS shall not exceed 5% of the then issued, subscribed and paid-up share capital. Thus, it is estimated that this number would be around 40 lakh equity shares.

b) Identification of classes of employees entitled to participate in the ESOS

Persons who are "employees" of the company including directors, as defined in the Regulations for the time being in force, and as may be decided by the compensation committee from time to time.

The class of employees eligible for participating in the ESOS shall be determined on the basis of the grade of the employee, length of service, his role and contribution to overall performance of the Company, the performance of profit centre / division to which he belongs, merit of the employee, future potential contribution by the employee, sense of loyalty and / or such other criteria as may be decided by the Compensation Committee in its sole discretion from time to time.

c) Requirement of vesting and period of vesting

Vesting of options may commence after a period of not less than one year from the date of grant. Vesting may occur in one or more trenches, subject to the terms and conditions of vesting, as may be stipulated by the Compensation Committee in its sole discretion.

d) The Options shall, unless vested within a maximum period of four years from the date of grant (subject to fulfillment of the conditions of vesting, if any), lapse.

e) Exercise Price or pricing formula

The Exercise price for the purpose of the grant of Options will be decided by the Compensation Committee at the time of the grant of Options to an employee/director and shall not be less than the par value of the Company's equity share. The Exercise price shall be calculated based on the weighted average of the daily market price of the Company's equity shares quoted on the Stock Exchange, Mumbai during such period as may be determined at the time of the grant by the Compensation Committee.

f) Exercise Period and the process of Exercise

The exercise period may commence from the date of vesting and will expire not later than 4 years from the date of vesting or such other period as may be decided by the Compensation Committee from time to time.

The options will be exercisable by the employees by a written application to the Company to exercise the options in such manner, and on execution of such documents, as may be prescribed by the Compensation Committee from time to time.

The options will lapse if not exercised within the specified exercise period. The options may also lapse under certain circumstances even before expiry of the specified exercise period.

g) Appraisal Process for determining the eligibility of employees of the Scheme.

The appraisal process for determining the eligibility of the employee will be specified by the Compensation Committee, and will be based on criteria such as the grade of the employee, length of service, performance record, merit of the employee, future potential contribution by the employee, and / or any such other criteria that may be determined by the Compensation Committee in its sole discretion.

h) Maximum number of Options to be granted per employee/director.

The Compensation Committee may finalise the norms in this regard. However, the maximum number of Options that may be granted to an individual employee / director shall not exceed 1 lakh shares.

The Options may be allotted directly to the eligible employees / directors or in accordance with a scheme framed in that behalf through any appropriate mechanism including a trust or other entity which may be set up for that purpose, and such scheme may also contain provisions for providing financial assistance to the employees / trust / entity to enable the employees / trust / entity to acquire, purchase or subscribe to the securities.

i) The Company will conform to the accounting policies specified in Clause 13 of the Regulations, and / or such other guidelines as may be applicable from time to time.

j) The Options shall be evaluated using the Fair value Method / Intrinsic Value Method.

k) In case the Company calculates the employee compensation cost using the intrinsic value of the Options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the Options, shall be disclosed in the Directors' report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' report.

As the Scheme will entail further shares to be offered to persons other than existing shareholders of the Company, consent of the members is sought pursuant to the provisions of Section 81 (1A) and all other applicable provisions, if any, of the Act, and as per the requirement of Clause 6 of the Regulations.

The Resolution at item No. 14 accordingly seeks the consent of the shareholders pursuant to the provisions of Section 81 and other applicable provisions of the Companies Act 1956 and as per the requirement in terms of clause 6.1 of the Regulations so as to enable the Company to introduce the ESOS and issue the equity shares in the manner set out therein. The said Resolution is an enabling Resolution Authorizing the Board / Compensation Committee to introduce ESOS in the terms of the Regulations, if considered desirable or necessary.

The Directors commend the Resolution as set out at item No.14 for your approval.

The Directors of the Company may be deemed to be concerned or interested in this resolution to the extent of the options that may be offered to them under the Scheme.

Your Directors commend the resolution/s as set out in the Notice for your approval and acceptance.

By Order of the Board of Directors

Tarang Mehta

Secretary

11.8.2004



## 8 Ambalal Sarabhai Enterprises Limited

## Directors' Report

To the Shareholders,

Your Directors present the report for the year 2003-04. The financial results are as under:

	(Rs.lakh)	
	2003-04	2002-03
Turnover (Net)	12074	12649
Other Income	478	1825
Total Income	12552	14474
Interest	955	955
Depreciation	212	205
Operating Profit/(Loss) before extraordinary income/expenditure	(3582)	(2605)
Profit on sale of Investment	4331	-
Net Profit/(Loss) before Taxation	749	(2605)
Taxation for earlier period	-	39
Provision for accrued leave encashment	320	-
Net Profit/(Loss) after taxation	429	(2644)

Your Directors regret their inability to recommend payment of any dividend in view of carry-over losses of previous years and operating losses during the year under report.

## Operations:

As could be seen from the audited statement of accounts annexed herewith, there was a marginal reduction in turnover by about Rs.575 lakh compared to the previous year. Unfavourable market conditions for some products of your Company were the major factors which affected the turnover. The operating margin/s were also consequentially adversely affected.

During the year under report, your Company continued its process of achieving cost-reduction in its various areas of operations. This process is still continuing and the management is continuously exploring the possibilities of implementing various cost-reduction measures.

Power and fuel are one of the important constituents in a pharmaceutical manufacturing activities. Considering this significance, as the shareholders are aware, your Company has, during 2002-03, set-up a 4.6 M.W. Co-generation plant for generation of electricity and steam with natural gas available to the Company. It is expected that with increased utilisation of the capacity of the plant, your Company would be in a position to derive further reduction in its power and fuel costs. Your company is in the process of negotiating settlements with the supplier for re-schedulement of the payment commitments towards the facilities. Your Company is also in the process for arriving an amicable settlement with GEB to discharge its pending dues.

Pursuant to the order of the Hon'ble Supreme Court dated 12th April 2004, requiring interest to be charged at simple rate, ONGC has demanded interest on price difference for gas supplied during the period April, 1979 to January, 1987. Your Company has contested the method and basis for interest claim by ONGC. The matter is under negotiation with ONGC for settling the dispute and interest liability would be recognized upon final settlement with ONGC.

During January 2003 a Court convened Meeting of Equity shareholders of the Company was held when a Scheme of Arrangement & Restructure in the nature of Demerger (the Scheme) of Investment Division of your Company and vesting the same in Mautik Exim Limited, Ahmedabad (the wholly-owned subsidiary of your Company) was approved. Subsequently, your Company had filed a petition before the Hon'ble High Court of Gujarat during January 2003, for seeking its sanction to the Scheme. However in November 2003 your Board of Directors decided to withdraw the said Scheme in view of lapsation of considerable time. Accordingly, the Hon'ble High Court of Gujarat has vide its orders passed during December, 2003, permitted such withdrawal.

As a part of restructuring programme and with a view to make available much needed funds, the Board of Directors of your Company has during December, 2003 decided to divest your company's shareholding in Sarabhai Piramal Pharmaceuticals Pvt. Ltd., (SPPL)-Mumbai of about Rs.2250 lakh to Nicholas Piramal India Limited, Mumbai, for an aggregate consideration of Rs.6675 lakh. Consequent there to the Directors nominated by your Company on the Board of Directors of SPPL resigned and SPPL ceased to be a joint venture of your company. However, your Company will continue manufacturing of several products, as hitherto, which are marketed by SPPL on a regular basis.

The Board for Industrial and Financial Reconstruction (BIFR) vide order dated 15.1.04 recorded and forwarded its opinion to the Hon'ble High Court of Gujarat that Company's wholly owned subsidiary viz. Synbiotics Ltd. should be wound up. The matter is pending before the Hon'ble High Court. Company has also filed an appeal before the Appellate Authority for Industrial and Financial Reconstruction (AAIFR) challenging the said order dated 15.1.04 passed by the BIFR. Company's appeal is pending adjudication before AAIFR. Meanwhile, business plans to revive and strengthen operations of Synbiotics Ltd. are under way.

Board of Directors of your Company had reported the fact of erosion of its peak net-worth to the Board for Industrial and Financial Reconstruction (BIFR) under section 23(1) of the Sick Industrial Companies (Special Provisions) Act, 1985. Company had also held Extra-ordinary General Meeting of the shareholders on 25.11.03 for the purpose of consideration of erosion of the peak net-worth by the shareholders. Your Company has however, received a communication dated 17.5.04 from the BIFR observing that erosion in the peak net-worth is below the prescribed percentage and therefore report filed by your Company was not processed further.

As reported in Directors' Report for the year 2002-03, since 1st July, 2003, the exports related operations for exports of branded and generic products and of bulk drugs of your Company and of its subsidiary (Synbiotics) are handled by India branch of Asence Inc., USA (a wholly-owned subsidiary of your Company). With the adoption of this new business model in respect of exports operations of your company there is now focussed approach for exports and widening overseas market for various exports.

Your Company has strengthened its marketing team and plans to boost-up sales of its speciality products during the current year 2004-05. Your Company is also planning to introduce few newer generic products.

## Generic Products :

Sales of generic products have marginally fallen during the year under report. However, with the various steps taken to launch the products across the country, it is expected that the operations of generic business would be strengthened in the current year 2004-05.

## Pharma Formulations :

The turnover of Pharma Formulations during the year under report amounted to Rs. 86 Crore (Rs. 100 Crore in previous year). The marketing team set up by your Company has been able to increase sales volume of speciality products from Rs. 3 Crore to Rs. 6 Crore during the year under report and it is expected that the trend would be continued in future and it would be an important growth driver in times to come. Your Directors are exploring possible avenues to improve the revenue generations from this area of operations.

## Bulk Drugs :

Your Company has achieved a sales volume of Rs. 19 Crore in Vitamin-C during the year under report as compared to Rs. 9 Crores in the previous year. Similarly, with management initiative, your Company could achieve sales volume of Rs. 1.50 Crore during the year under report for its other bulk drugs products. Your Directors are reviewing the domestic and international market scenario and it is expected that during the current year 2004-05, the performance of Bulk Drugs operations would improve further.



**Electronics :**

Your Company has achieved a sales volume of Rs. 16 Crore in its Electronics unit during year under report as compared to Rs. 17 Crores in the previous year.

Your Directors are exploring options for optimisation of revenue generation from this area of operations.

**Joint Venture :**

The turnover of joint venture, Sarabhai Zydus Animal Health Limited for the year under report was about Rs.8400 lakh as compared to Rs.7400 lakh in the previous year thereby registering 12.5% growth therein. At PBIDT level, margins increased from 15.7% to 16.6%.

**Corporate Governance :**

As required under the amended Listing Agreement with the Stock Exchange, the details required to be given in the area of Corporate Governance are attached 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.

**Subsidiaries :**

A statement showing interest of your Company as the holding company of its various subsidiaries as required under Section 212 of the Companies Act, 1956, is annexed to this report. Similarly, in the context of mandatory requirements to present consolidated accounts which provides shareholders with a consolidated position of the Company along with its subsidiaries, at the first instance, shareholders are being provided with the report and accounts of the Company only. The Company has also made an application to the Central Government for seeking exemption for non-attachment of report and accounts of its various subsidiaries as contemplated under Section 212 of the Companies Act, 1956 and its response is awaited. In the meanwhile, the report and 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 accounts of the various subsidiaries of the Company, will be provided the same on receipt of the 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.

**Consolidated Financial Statements:**

In accordance with the Accounting Standard AS-21 ON Consolidated Financial Statements, your Directors have pleasure in attaching the Consolidated Financial Statements which form part of the Annual Report and Accounts.

**De-listing:**

In accordance with the approval granted by the shareholders, the Company's equity shares are de-listed from the Stock Exchange at Ahmedabad and Delhi. However, the company's equity shares continue to remain listed at the Stock Exchange, Mumbai.

**Swastik Household and Industrial Products:**

As the shareholders are aware, your Company had filed an appeal in the Supreme Court against the order dated 27.2.1997 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. Hearing of the Company's Appeal against the order of the Division Bench of the Gujarat High Court dated 27.2.1997 is concluded in the Supreme Court in November 2003 and by its order dated 20.11.2003 the Court has allowed the said Appeal and set aside the order of the Division Bench. In terms of and in compliance of the directions given by the Hon'ble Supreme Court while allowing Company's appeal, the Company has since given guarantee to Central Bank of India and Bank of Baroda for the outstanding dues (suit amount) of the Swastik Division. The Company is negotiating with Swastik Surfactants Limited and a MOU has been entered into.

**Directorate:**

Effective 22.4.2004 and 1.5.2004 and for a period of 3 years therefrom Mr. K.H. Shah and Mr. Rajiv Dhru have been appointed as whole time Directors in the casual vacancies caused by the resignations of Mr. Suhrid Sarabhai and Dr. R.K. Mehta respectively.

The above appointments were made by the Board of Directors of your Company subject to necessary approvals of shareholders of your Company and further subject to such other approval/s, as required under Section 269 and other applicable provisions of the Companies Act, 1956.

Pursuant to the provisions of Section 256 of the Companies Act, 1956 Messrs G. D. Zalani, K. H. Shah and Rajiv Dhru retire by rotation and being eligible offer themselves for re-appointment.

**Fixed Deposits:**

The Company has not accepted any fixed deposit during the year.

**Energy Conservation, Technology Absorption and Foreign Exchange earnings and outgo:**

Particulars of Energy Conservation, Technology Absorption and Foreign Exchange earnings and outgo required to be given by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are given in the Annexure to this Report in the prescribed format.

**Particulars of Employees:**

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees Rules 1975) is not given since there was no employee drawing remuneration as prescribed under the said Section.

**Directors' responsibility statement.**

As required under Section 217(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 judgements 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, 2004 and its profit for the year ended on that date.
- (iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) That the Directors have prepared the annual accounts on a going concern basis.

**Insurance:**

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

**Auditor's Report:**

Note No. B 10 forming part of the accounts is self-explanatory and clarify the observations made by the Auditors in sub-para 4f (i) of their Report.

As regards their observations in para 4f (III), 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 hearing by BIFR is pending. Meanwhile, your Company is arranging requisite steps to safeguard claims of your Company of Rs.30 crore as aforesaid.

**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 would like to express their appreciation for the co-operation received from the, Banks, Government Authorities, Customers, shareholders and other stakeholders during the year under review. Your Directors also wish to place on 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

11.8.2004

### AUDITORS' CERTIFICATE

To the Member 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, 2004, as stipulated in clause 49 of the Listing Agreement with stock exchange.

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 : 28.6.2004

### 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 2004.

#### A. Conservation of Energy:

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

1. Power factor improvement
2. Quicker heat transfer
3. Monitoring of combustions efficiency
4. Reuse of steam condensate as boiler feed water
5. Repairing of damaged insulation on steam line
6. Stopping of machines during idle hours
7. Optimum use of utility depending upon process requirement
8. Continuous operation of Gas based Co-generation plant
9. Replacement of reciprocating refrigeration plant by direct fired vapour absorption plant
10. Use of R.O. water in place of raw water for the manufacturing of D.M. water and cooling towers
11. Installation of autotransformer in main lightning panel and new pharma building
12. Awareness by display of banners and stickers

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

1. Gradually some of the existing refrigeration equipment would be replaced with more modern ones to reduce energy consumption
2. Installation of variable frequency drive for chiller damper/agitators
3. Automatic power factor correction system
4. Conservation of water by recycling of raw water and distilled water
5. Replacement of conventional chokes (Ballast) by electronic/energy efficient chokes

##### iii) Impact of measures:

Though economies in consumption for energy for comparable level of operations over previous year were achieved, increase in power tariffs had lead to reduction in absolute benefits.

##### iv) Total energy consumption and energy per unit of production – as per Form A attached hereto.

#### B. Technology absorption:

Efforts made in technology absorption are – as per Form B attached hereto.

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

i) The company is making all efforts to boost up the exports of its various products. In this direction, the Company is endeavouring to improve the quality of various products for export market. Company is also forging ties with various foreign parties to strengthen the exports.

ii) Total foreign exchange earned and used:	Rs. Lakh
Foreign exchange earned	481.58
Foreign exchange used	640.19

#### 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	3,895	2,527
Total amount	Rs.lakh	241.52	159
Rate/Unit	Rs./kwh	6.20	6.29
b) Own generation (kwh)	000	9,667	9,294
Total Cost	Rs. Lakh	539	472
Cost/Unit	Rs./kwh	5.57	5.08
2 Coal		Nil	Nil
3 Furnace oil			
Quantity	K. ltrs.	Nil	Nil
Total cost	Rs. Lakh	Nil	Nil
Average rate	Rs./K. ltrs.	Nil	Nil
4 Other - Natural gas			
Quantity	1000M <sup>3</sup>	6,201	6,241
Total cost	Rs.lakh	234	231
Rate/unit	Rs./1000M <sup>3</sup>	3,776	3,705

##### B. Consumption per unit of production:

Products	Standards	Current year	Previous year
Electricity	The Company produces a wide range of bulk drugs, pharmaceutical preparations and electronic instruments etc. It is not practicable to establish each product wise energy consumption since bulk of electricity is used for services like water supply, cooling water, steam, air-conditioning, refrigeration etc. which are common to all products. The company is therefore not in a position to give the product wise information.		
Furnace Oil			
Coal			
Others			

#### Form B

#### (Disclosure of particulars with respect to technology absorption)

##### A. Research and Development (R & D)

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

- a) Process development for the bulk drug and intermediates.
- b) Development of new pharmaceutical formulation
- c) Development and standardization of product packages.
- d) Establishing the standards, specifications and analytical procedures of new products and intermediates.