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**Ambalal Sarabhai Enterprises Limited**

**32nd Annual Report  
2009-10**



## Board of Directors

**Mr. Kartikeya V. Sarabhai**

Chairman

**Dr. Vinodchandra C. Shah**

**Mr. B.V. Suryakumar**

**Mr. Govind Das Zalani**

**Dr. Om Dutt Gulati**

**Mr. Anil H. Parekh**

Whole-time Director

**Mr. B.S. Bohra**

**Mr. K. Mohandas**

**Mr. Ashwin P. Hathi**

**Mr. Ketan Adhvaryu**

Company Secretary

**Mr. Deepak Desai**

Dy. Company Secretary

### Auditors

**M/s. Sorab S. Engineer & Co.**

Chartered Accountants

Ismail Building

381, Dr. D. Naoroji Road

Fort, Mumbai-400 001

### Banker

Punjab National Bank

ICICI Bank Limited

Axis Bank Limited

### Registered Office

Sarabhai Campus

Gorwa Road,

Vadodara-390 023

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## NOTICE

Notice is hereby given to the shareholders of Ambalal Sarabhai Enterprises Limited that the 32nd Annual General Meeting of the Company held on 31st December 2010 and adjourned sine die, will now be held on Monday, the 28th March, 2011 at 10.00 A.M. at Prof. C.C. Mehta Auditorium, General Education Centre, The Maharaja Sayajirao University of Baroda, Vadodara-390002 to receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March 2010 and the Balance Sheet as at that date, together with Reports of the Board of Directors and Auditors thereon.

By Order of the Board of Directors,

Ketan Adhvaryu

Company Secretary

Date : 3.3.2011

Place : Ahmedabad

### Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Members who hold equity shares in dematerialized form are requested to bring their DPID and client ID numbers for easy identification of attendance at the meeting.



## Directors' Report

To

The Shareholders,

The Directors hereby present their 32nd Annual Report together with the Audited Statement of Accounts of the Company for the year ended March 31, 2010.

	(Rs.lakh)	
	2009-10	2008-2009
Turnover (Net)	5765	6251
Other Income	160	316
Total Income	5925	6567
Interest	158	1120
Depreciation	203	204
Extraordinary Income net of expenditure	2635	14406
Net Profit/(Loss) before taxation	711	1804
Net Profit/(Loss)	211	1086

An extraordinary income mainly represents Profit on Sale of part of factory Land and other fixed assets and extraordinary expenses represent expenses incurred in connection with the Sale of factory Land.

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

### Operations:

#### Pharma Formulations:

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

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

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

#### Active Pharmaceutical ingredient plant : (Bulk Drugs)

The Bulk Drugs plant of Synbiotics Limited, a Wholly-owned subsidiary of the Company, at Luna was already commenced and production activities have been started.

SCBD undertaking of the Company has already been transferred to **Synbiotics Limited** with w.e.f. 1-10-2010

### Marketing:

Sarabhai Chemicals Marketing Division has focused more on Generic business and achieved turn over of Rs.20 crore during the Year under report.

The Oncology Division is strengthened by adding new products like GEMSAR, CAPCID, and SFIL and team of 15 field force.

During the year under review, the Company has conducted marketing and sales training programme. Oncology Division has been registered in many institutions and converted key doctors across the country.

**Suvik Hitek Pvt. Ltd.** has planned to bifurcate its activities in to two SBU i.e. Production and Marketing.

### Electronics :

During the year under review, due to sluggish market scenario, Electronics Division could achieve turnover of Rs. 32 crore as against turnover of Rs. 35.62 crore in the year 2008-09.

From the year 2010 onwards, Electronics Division has entered into other areas such as system integration/audio products marketing as per the current market requirement. With the change in business model, it is expected to do better in the coming years.

The Electronics undertaking of the Company has already been transferred to **Systronics (India) Limited** w.e.f. 1.10.2010.

The pharmaceutical formulation plant of **Vovantis Laboratories Pvt. Ltd.**, a company promoted by the Company at Ranoli has already been commenced and production activities have been started.

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

### Real Estate:

As a part of restructuring process, the Company has executed various documents for sale of (i) land at Vadodara and Gandhinagar and (ii) unutilized flat in Mumbai during the year under review.

### Extension of Annual General Meeting:

As per Section 166 of the Companies Act, 1956, 32nd

Annual General Meeting was required to be convened and held on or before 30th September 2010. However, as the Company is passing through restructuring process, certain major activities are carried out during the year under report and in view of this, as per decision of the Board of Directors at its meeting held on 20.8.2010, the Company sought extension for holding Annual General Meeting from the Registrar of Companies Ahmedabad and ROC granted such extension up to 31.12.2010. The company held 32nd Annual General Meeting on 31.12.2010 and the same was adjourned sine die to receive, consider and adopt Audited Balance Sheet & Profit and Loss Accounts for the year ended 31.3.2010.

**Corporate Governance:**

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

The Company is under restructuring process of its business to strengthen and improve the over all financial condition of the company. During the year under report, the employees union of the Company resorted tactic of stay in strike for above five months in protest of delay in payment of salary/wages of the employees / workers of the company. During this period, they were not allowing managerial staff and executives to enter into their premises and to do their work. Due to such situation, it became almost impossible to carry out day to day functions of the Company and fulfill compliances under provisions of Clause 41 of the Listing Agreement within stipulated period.

**Subsidiaries:**

A statement pursuant to Section 212 of the Companies Act, 1956 in respect of Subsidiary Companies is appended to the balance sheet. The report and the accounts of the Company may be treated as abridged accounts as contemplated under Section 219 of the Companies Act, 1956. Those shareholders, who are desirous of receiving full reports and accounts including the report and the accounts of the Subsidiaries of the Company, will be provided the same on receipt of written request / requisition in this regard. This will help to save considerable cost in connection with printing and mailing of the report and accounts in respect of the various subsidiaries of the company.

**Consolidated Financial Statement:**

In compliance of the Accounting Standard AS-21 on Consolidated Financial Statements, the Consolidated Financial Statements, which form part of the Annual Report and Accounts, are attached herewith.

**Directorate:**

Pursuant to the provisions of Section 256 of the Companies Act, 1956, Mr.G.D. Zalani, Mr.B.V. Suryakumar and Mr. A.H. Parekh were retired by rotation and being eligible were re-appointed.

**Fixed Deposits:**

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

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

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

**Particulars of Employees:**

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

**Directors' Responsibility Statement.**

As required under Section 217(2AA) of the Companies Act, 1956, we hereby state:

- (i) That in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures, if any.
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state affairs of the Company as at 31st March, 2010 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 :**

With reference to the qualification in the Auditor's Report, the Board submits the following explanations:

#### **Impairment of goodwill :**

The Company's key corporate brands and brand names command considerable Goodwill in the Market and the Company's turnaround strategy is based on building on this Goodwill to establish its new line of businesses. The Board therefore does not feel that there is any impairment in the Goodwill shown in the books.

#### **Auditors:**

M/s. Sorab S. Engineer & Co., Chartered Accountants, Mumbai, who retired at the Annual General Meeting were reappointed.

#### **Acknowledgement:**

Your Directors would like to take this opportunity to express their deep sense of gratitude to the Banks, Government Authorities, Customers and Shareholders for their continuous guidance and support. Further, they would also like to place on record their sincere appreciation for the dedication and hard work put in by one and all members of Sarabhai Pariwar.

For and on behalf of the Board

Kartikeya V. Sarabhai

Chairman

Date: 3.3.2011

Place: Ahmedabad

## **ANNEXURE TO THE DIRECTORS' REPORT**

Disclosure of additional particulars as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, forming part of the Directors' report for the year ended 31st March 2010.

### **(A) Conservation of Energy &**

### **(B) Technology absorption.**

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

### **(C) Foreign exchange earnings and outgo:**

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

	Rs. Lakh
Total foreign exchange earned and used	
Foreign exchange earned	- 83.06
Foreign exchange used	- 321.39

## **Management Discussions and Analysis Report**

### **a) Industry structures and developments:**

#### **About Pharmaceuticals....**

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

#### **Industry Trends:**

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

- The retail pharmaceutical market in India is expected to cross US\$ 12-13 billion by 2012

**Risks and Concerns:**

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

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

**Government Initiatives:**

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

- Pharmaceutical units are eligible for weighted tax reduction at 150% for the research and development expenditure.
- Two new schemes namely, New Millennium Indian Technology Leadership Initiative and the Drugs and Pharmaceuticals Research Program have been launched by the Government.
- The Government is contemplating the creation of SRV or special purpose vehicles with an insurance cover to be used for funding new drug research
- The Department of Pharmaceuticals is mulling the creation of drug research facilities which can be used by private companies for research work on rent.

**Pharma Export:**

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

**Future Scenario:**

With several companies slated to make investments in India, the future scenario of the pharmaceutical industry looks pretty promising. The country's pharmaceutical industry has tremendous potential of growth considering all the projects that are in the pipeline. Some of the future initiatives are: •According to a study by FICCI-Ernst & Young India will open a probable US\$ 8 billion market for MNCs selling expensive drugs by 2015.

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

**Performance of your Company:**

Your Company operates in an area where a large market exists and offers ample opportunities for growth. As per the statistic available, Indian pharmaceutical export will have potential to increase around 9% by the end of financial year 2010 to attain its total export volume of about 9 billion US \$. In order to sustain the future growth, the Indian companies must achieve the right product-mix. The Indian Pharmaceutical industry has witnessed some regulatory and much awaited patent law changes. Due to expansion of patent law covering products into new patent system, MNCs have shown much interest to acquire skill and infrastructure for their research and manufacturing activities. The Indian companies had to make extra efforts to match with the international standard of pharmacy.

During the year 2009-10, the Indian Pharmaceutical industry has significantly exported to regulated markets of US and Europe in Generic Drugs Markets, wherein your Company has also exported substantially its products through Asence Pharma Private Limited, a wholly-owned subsidiary of the Company.

**About Electronics**

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

The role of Systronics Division of the Company is to offer the customers the latest in instrumentation, and to



identify products that are ahead of their time. As a result, the focus on a single market is not possible, but evolve to focus on market needs and growing market segments. Systronics Division has been contributing and delivering some of the import substitute products like Double Beam UV- Visible Spectrophotometers, Photo flourimeters etc. Further, to make it complete range available under one roof, Systronics division has entered in to strategic tie up with some of the Local and foreign manufacturers with co-branding or marketing their products like Gas Chromatographs, HPLC, Atomic Absorption spectrophotometers, FTIR, Amino Acid Analyser, Fermentor, Electrophoresis Systems, CO2 Incubators & Hybridization Incubators etc.

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

The Electronics Division of the Company has been transferred to Systronics (India) Limited w.e.f. 1.10.2010.

#### Segment-wise Performance:

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

#### Real Estate:

The Company had executed deeds of conveyance with different parties for the sale of unutilized land as well as flat at Mumbai.

#### Internal control systems and their adequacy:

The internal control systems are continuously being fine-tuned in line with the changing requirements in the industry. With regular review of the systems by the Audit Committee of the Board, the internal control within the organization continues to be further strengthened.

#### Financial performance:

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

#### Human resources/Industrial relations:

The focus of the management is on the organizational development such as imbibing new entrepreneurship, team work relating to commitment to achieve targeted growth. The relations between the management and workmen continue to remain cordial.

As on date of the report, total employees strength of the Company is 655.

## ANNEXURE TO THE DIRECTORS' REPORT REPORT ON CORPORATE GOVERNANCE

### I. Corporate Governance Philosophy:

Good Corporate Governance calls for transparency and accountability of a company's management. Your company remains committed to these basic tenets of good governance by full disclosure of its policies and operational practices as will be evident below:-

### a) Composition of the Board:

The Company's Board at present has 9 Directors comprising of 2 Executive Directors and 7 Non-executive Directors. Names and categories of the Directors on the Board and the numbers of Directorships and the Committee position held by them in other public limited companies are given below:

Name of Director	Category / Designation	No. of Directorships held in other Public Ltd. companies	No. of Committee Memberships in other companies
Kartikeya V. Sarabhai	Chairman and Whole-time Director	3	2
V.C. Shah	Non-Executive/ Independent	4	-
B.V. Suryakumar	Non-Executive	2	2
G.D. Zalani	Non-Executive/ Independent	-	-
O.D. Gulati	Non-Executive/ Independent	2	-
B.S. Bohra	Non-Executive/ Independent	3	-
K. Mohandas *	Non-Executive	1	-
A.H. Parekh	Whole-Time Director & President (Formulations)	-	-
Ashwin P. Hathi **	Non-Executive/ Independent	-	-

\*Ceased to be Whole-Time Director w.e.f. 14.10.2010

\*\* Joined the Board of Directors w.e.f. 24.6.2010.

### b) Board Meetings:

The Board met 8 times on the following dates during the

financial year 2009-2010 and the maximum time-gap between the two meetings did not exceed four months.

6.4.2009	16.10.2009
13.4.2009	30.11.2009
18.5.2009	9.1.2010
17.8.2009	4.2.2010

The Agenda papers were circulated to the Directors well in advance before the meetings with sufficient information. The details of attendance of each Directors at the Board Meeting held during the financial year 2009-2010 and at the last Annual General Meeting held on 30.11.2009, together with the sitting fees paid to each Director are given below:

Name of Director	No. of Meetings held during the tenure	No. of Meetings attended	Sitting fees paid for Board Meetings & other Committee Meetings (Rs.)	Attendance at the last AGM	Date of Appointment
Kartikeya					
V.Sarabhai	8	7	Nil	Yes	30.07.1992
Dr. V.C. Shah	8	7	51000	No	30.07.1998
B.V. Suryakumar	8	7	36000	Yes	18.05.2005
G.D. Zalani	8	8	36000	Yes	01.04.1996
Dr.O.D. Gulati	8	8	48000	Yes	26.06.1991
B.S. Bohra	8	3	9000	Yes	20.4.2007
K. Mohandas	8	5	Nil	Yes	19.07.2005
A.H. Parekh	8	8	Nil	Yes	03.01.2006
Ashwin P. Hathi	N.A.	N.A.	N.A.	N.A.	26.6.2010

### III Committees of Directors :

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

The Board has accordingly as required under the Code of Corporate Governance, constituted following Committees:

#### A) Audit Committee:

The Company has complied with requirements of Clause 49(ii)(D) with regard to composition of the Audit Committee. The composition of the Audit Committee as on 31st March 10 and details of

attendance of Audit Committee Meetings held during the financial year 2009-2010 are as under:

Name of Director	Status	No. of Meetings held	No. of Meetings attended
Dr. V.C. Shah	Chairman	5	5
Dr. O.D. Gulati	Member	5	5
B.V. Suryakumar	Member	5	4

The broad terms of reference specified by the Board to the Audit Committee are as contained under Clause 49 of the Listing Agreement and under the Companies Act.

#### B) Shareholders / Investors' Grievance Committee:

The composition of the Shareholders / Investors' Grievance Committee as on 31st March 2010 and details of attendance of Shareholders / Investors' Grievance Committee Meetings held during the financial year 2009-2010 are as under:

Name of Director	Status	No. of Meeting held	No. of Meeting attended
Dr.V.C. Shah	Chairman	1	1
Kartikeya V. Sarabhai	Member	1	1

#### C) Remuneration Committee :

The composition of the Remuneration and Compensation Committee as on 31st March 2010 and details of attendance of Remuneration Committee Meetings held during the financial year 2009-2010 are as under:

Name of Director	Status	No. of Meeting held	No. of Meeting attended
Dr. V.C. Shah	Chairman	3	3
Dr. O.D. Gulati	Member	3	3
G.D. Zalani	Member	3	3

#### IV) Details of Terms of Contracts of Whole time Directors :

- The Contract of Mr. Kartikeya V. Sarabhai, Whole-Time Director and Chairman was for a period of 3 years w. e. f. 1.4.2009 and the terms of remuneration were approved by the shareholders at the Annual General Meeting held on 30.11.2009. Application to the Central Government for reappointment and payment of remuneration to Mr.Kartikeya V. Sarabhai as Whole-Time Director of the Company is made and approval for the same is awaited.
- The Contract of Mr. A.H. Parekh, Whole-Time Director is for a period of 3 years w. e. f. 26.12.2008 and the terms of remuneration were approved by the shareholders at the Annual General Meeting held on