

SARABHAI ELECTRONICS LIMITED

Annual Report 2000-2001

Board of Directors

Kartikeya V. Sarabhai
Chairman
Ajay R. Mehta
Vice-Chairman
Anand S. Sarabhai
CVS Narayanan
Himanshu B. Dave
KVM Yerkadithaya
Vinodchandra C. Shah

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Auditors

Messrs Sorab S Engineer & Co.
Chartered Accountants
Ismail Building
381, Dr. D. Naorji Road,
Fort, Mumbai.



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

SARABHAI ELECTRONICS LIMITED

Regd. Office:

Dr. Vikram Sarabhai Marg, Wadi Wadi, Vadodara 390 023.

Notice

The Twenty Fifth Annual General Meeting of the Company will be held on Thursday, the 13th September, 2001 at 11.00 A.M. at Vanijya Bhavan, Race Course, 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 of the Company as on that date.

Item 2

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

Item 3

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

Item 4

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 resolution.

Item 5 - Special Resolution

"RESOLVED that in accordance with the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956, (including any reenactment and/or amendment thereof, for the time being in force), the provisions of Memorandum and Articles of Association of the Company, guidelines issued by Securities and Exchange Board of India (SEBI), Listing Agreement entered into with Stock Exchanges and their regulations and subject to such consents, approvals, permissions or sanctions, required if any, and subject to necessary approvals of requisite authorities as might be required, the consent/ approval of the shareholders of the Company be and is hereby accorded to issue and allot, on preferential basis, equity shares of Rs.10/- each, at par, (being the price determined which would meet with SEBI guidelines on preferential allotment dated 4th August 1994) for

an amount of Rs.325 lakh, towards balance repayment to Ambalal Sarabhai Enterprises Limited (ASE), Vadodara, in respect of the unpaid purchase consideration and current finance account balances, remaining payable by the Company to ASE upon and subject inter alia to following terms and conditions.

- i) the new equity shares will be issued and allotted as fully paid-up to Ambalal Sarabhai Enterprises Limited.
- ii) the said new equity shares to be issued and allotted by the Company will be subject to the Memorandum and Articles of Association of the Company and will carry the same rights including that of voting as the existing issued Equity Shares of the Company and shall rank pari passu with the existing issued Equity Shares of the Company save and except that in respect of dividends, if any declared for the financial year in which such new equity shares are allotted, the new equity shares would be entitled to pro rata dividend from the first day of the month next following the month in which the allotment is made."

"RESOLVED FURTHER that for the purpose of giving effect to all or any of the foregoing from time to time, the Board be and is hereby authorized to prescribe and finalise such forms and documents, in respect of the said new equity shares, to give such directions or instructions, as it may, from time to time, deem fit and proper and do all such acts, deeds, matters and things whatsoever including settling any question, doubt or difficulty that may arise with regard to or in relation to the issue or allotment of the said new equity shares or any of them as the Board may in its absolute discretion deem necessary, desirable, expedient, usual or proper and the Board is also authorized to make such modifications and alterations in the foregoing resolutions, as it may in its absolute discretion, think fit in the best interest of the Company".

Disclosure pursuant to Clause (C) of Sub-regulation (1) of Regulation (3) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

1. Identity of the proposed allottee and the price at which the allotment is proposed:

- | | |
|---|---|
| (A) Issue price | : At par, viz Rs.10/- per equity share. |
| (B) Name & Address of proposed allottee | : Ambalal Sarabhai Enterprises Ltd.
Dr. Vikram Sarabhai Marg,
Wadi Wadi,
Vadodara - 390 023. |
| (C) Type of Security | : Equity Shares |

2. Reasons for allotment:

The allotment is proposed to be made with a view to

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discharge the Company's long pending liability towards unpaid purchase consideration and current finance account balance.

3. Present shareholding of the proposed allottee:

ASE presently holds 2,50,040 equity shares of Rs.10/- each of the Company which constitutes 6.52% of its paid-up equity share capital. The present issued and subscribed share capital of the Company is Rs.3.83 Crore divided into 38,32,576 equity shares of Rs.10/- each.

4. Further to the securities proposed to be allotted as in (1) above, the percentage of their holding to the post issue capital, after the proposed allotment will be as below:

ASE would come to hold 35,00,040 equity shares of Rs. 10/- each of the Company which would constitute 49.42% of its enhanced equity share capital. The enhanced equity share capital of the Company would be Rs. 7.08 crore divided into 70,82,576 equity shares of Rs.10/- each.

5. Consequential change in the Board of Directors and voting rights:

The Company does not envisage any change in the Board of Directors or in control of the Company.

6. Pre-Issue and post issue shareholding pattern of the Company based on holding on 31.03.2001:

Pre-Issue Shareholding Pattern

Category	No. of shares held	Percentage of Shareholding
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Promoters :

Directors & their Relatives	32847	0.8570
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Bodies Corporate in which Bodies Corporate, the Directors or their Relatives hold shares substantially (showing ASE separately)

ASE	250040	6.5241
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Other Bodies Corporate	1453164	37.9161
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Non Promoters :

Institutional Investors	560	0.0146
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Corporate Bodies	30020	0.7833
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Indian Public	2064071	53.8560
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NRIs/ OCBs	1868	0.0487
Foreign National	6	0.0002
	3832576	100.00

Post-Issue Shareholding Pattern

Category	No. of shares held	Percentage of Shareholding
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Promoters :

Directors & their Relatives	32847	0.4638
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Bodies Corporate in which Bodies Corporate, the Directors or their Relatives hold shares substantially (showing ASE separately)

ASE	3500040	49.4176
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Other Bodies Corporate	1453164	20.5174
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Non Promoters:

Institutional Investors	560	0.0079
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Corporate Bodies	30020	0.4239
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Indian Public	2064071	29.1429
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NRIs/ OCBs	1868	0.0264
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Foreign National	6	0.0001
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	7082576	100.00
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By Order of the Board of Directors,

Anju Sharma
Company Secretary
26th July, 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. 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 08.09.2001 to 13.09.2001 (both days inclusive)

3. Shareholders holding the shares in Electronic form are requested to bring their Client ID and DPID at the meeting for easy identification.
4. Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividend for the financial year 1994-95 which remains unpaid or unclaimed for a period of 7 years will be transferred to the "Investor Education and Protection Fund" of the Central Government. Those members who have so far not encashed their Dividend Warrants for the said financial year may immediately approach the Company with their dividend warrant to facilitate payment. Further, it may be noted that once the unclaimed dividend is transferred to the Government, as above, no claim shall lie in respect of such amount.
5. As per the provisions of the Companies Act, 1956, as amended, the facility for making nominations is now available to individuals holding shares in the Company. Those who desire to avail this facility may send their requests for nomination in the prescribed Form 2B duly filled in and signed to the Company's Share Department.
6. With a view to offer dematerialisation facility in respect of equity shares of the Company, the Company has entered into a Tripartite Agreement with the Two Depositories viz. National Securities Depository Limited & Central Depository Services (India) Limited and the Registrar & Transfer Agent, MCS Ltd. It is hoped that the share holders will take full benefit of the said facility by getting their shares dematerialized through the Depository Participants.
7. The information required to be given pursuant to Corporate Governance Code regarding appointment / reappointment of Director/s is as under:
 - (i) Mr. C.V.S. Narayanan is D.Com., ACMA, London, AICWA, India. He has more than 45 years of experience in operational and management areas. He is the Whole-time Director in Ambalal Sarabhai Enterprises Limited and holds directorship in 5 other companies.
 - (ii) Dr. V.C. Shah is M.Com., Ph.D (Economics), Columbia. He is the retired General Manager of ICICI Limited, a premier financial institution of India. He holds directorship in 6 other companies.

Explanatory Statement.

required under Section 173 of the Companies Act, 1956, to accompany the notice of Twenty Fifth Annual General Meeting of the Company.

Item 5

As the Shareholders are aware, in terms of the Scheme of Arrangement approved by the High Court of Gujarat, the Electronic Division of Ambalal Sarabhai Enterprises Limited (ASE) is vested in Sarabhai Electronics Limited (SEL) with effect from 1.7.1985 for a value of Rs.732 lakh, assigned under the scheme. 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 of Rs.374 lakh was payable by SEL to ASE, against which SEL had paid to ASE the sum of Rs.64 lakh. At the end of 1989, ASE was to receive from SEL an amount of Rs.325 lakh for which as per the scheme, it was to be discharged by way of Promissory Note and payment thereof.

With a view to discharge this obligation of the Company, the Board of Directors of the Company has considered the matter afresh and considered advisable if ASE is to be agreeable to convert the said dues into equity of the Company at par to the tune of Rs.325 lakh.

Such a conversion of liability of the Company into its equity would reduce the outstanding liability of the Company and may, in future, improve the current ratio. Moreover, the Company would not be required to discharge the liability by cash payment.

Section 81, 81 (1A) of the Companies Act, 1956 requires the approval of the shareholders for issue and allotment of equity shares to any person/s, whether the said person/s is/are the shareholder/s of the Company or not, if the allotment is not to be made on a pro rata basis to the existing shareholders. The Listing Agreements with Stock Exchanges, provide, inter alia, that the Company in the first instance should offer all the shares to be issued pro rata to the equity shareholders unless the shareholders in a general meeting decide otherwise. Resolution proposed at item No.5 of the accompanying notice relates to such a proposal of issue of equity shares by the Company to discharge its liabilities.

None of the Directors of the Company except, Messrs Kartikeya V. Sarabhai, Dr. Anand Sarabhai, Dr. Vinodchandra C. Shah and Mr. CVS Narayanan, who are also Directors/ members of ASE, may be considered to be interested in the aforesaid resolution.

Your Directors commend the resolution/ item as set out in the accompanying notice for your approval and acceptance.

By order of the Board of Directors,

Anju Sharma
Company Secretary
26th July, 2001