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Ambalal Sarabhai Enterprises Limited

31st Annual Report

2008 - 09

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. B.S. Bohra

Mr. Anil H. Parekh

Whole-time Director

Mr. K. Mohandas

Whole-time Director

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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ase NOTICE

Notice is hereby given that the Thirty-first Annual General Meeting of the Company will be held on Monday, the 30th November 2009 at 11.00 A.M. at Prof. C.C. Mehta Auditorium, General Education Centre, The Maharaja Sayajirao University of Baroda, Vadodara-390002 to transact the following Business:

ORDINARY BUSINESS:

1. To receive, consider and adopt Audited Profit and Loss Account for the year ended 31st March 2009 and the Balance Sheet as at that date, together with Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. B.S. Bohra, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Kartikeya V. Sarabhai, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Dr. V.C. Shah, who retires by rotation and being eligible offers himself for re-appointment.

5. Appointment of Auditors:

To consider and if thought fit, to pass, with or without modifications, the following Resolution as an **Ordinary Resolution**:

"RESOLVED that pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s. Sorab S. Engineer & Co's, Chartered Accountants, Mumbai, the retiring Auditors of the Company, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company on such remuneration, plus reimbursement of service tax, out of pocket expenses, traveling and other expenses, as may be mutually agreed upon between the Board of Directors and the Auditors in connection with the work of audit to be carried out by them."

SPECIAL BUSINESS:

6. Re-appointment of Mr. Kartikeya V. Sarabhai as Whole-Time Director & Chairman:

To consider and if thought fit, to pass, with or without modifications, the following Resolution as a **Special Resolution**:

"RESOLVED that pursuant to the provisions of Section 198, 269, 309 and, 310 read with Schedule XIII and all 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 re-appointment of

Mr. Kartikeya V. Sarabhai as 'Whole-Time Director, & Chairman' for a period of 3 years with effect from 1st April 2009 on the terms and conditions as stated in 'Explanatory Statement.'

By Order of the Board of Directors,

Date : 16.10.2009

Ketan Adhvaryu

Place : Vadodara

Company Secretary

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. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 26.11.2009 to 30.11.2009 (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 dematerialized form are requested to bring their DPID and client ID numbers for easy identification of attendance at the meeting.
6. The information relating to appointment / re-appointment of Directors, as required to be given pursuant to Clause 49 of the Listing Agreement is given in Annexure A to the Explanatory Statement :

Explanatory Statement

Required under section 173 of the Companies Act 1956 to accompany the Notice of the 31st Annual General Meeting.

Item 6

Mr. Kartikeya V. Sarabhai is M.A. (Cantab), did Post Graduate studies at MIT, USA. He joined the Board of Directors of the Company since 1992 and has been appointed as the Chairman of the Company since 1995. He has been very actively associated with the operations of the Company and monitoring various areas of operations and management on day to day basis.

The Board of Directors at their Meeting held on 6.3.2009 and the Remuneration Committee of Directors at its

meeting held on 6.4.2009 had subject to requisite approval/s, re-appointed him on following terms and conditions.

1. Period : From 1st April 2009 to 31st March 2012.
2. a) Basic Salary : Rs.57,500/- p.m. in the grade of 57,500 - 2,500 - 62,500/-
- b) House rent allowance @ 40% of (a) : Rs.23,000/- p.m.
- c) Perquisites : In addition to the above, the following perquisites / allowances shall be allowed to the Chairman.
 - 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. : Only travel fare, once a year to & fro for any place in India.
 - iv) Additional allowance. : To the extent of Rs.52,710/- p.m. in the form of conveyance/ petrol / miscellaneous expenses.
 - v) Telephone facilities at Residence : Personal long distance call to be charged to Whole-Time Director.
 - vi) Club fees and personal accident insurance, as per Company's rules.

Mr. Sarabhai shall also be entitled for the following benefits. However the same will not be taken into account while computing Managerial Remuneration.

Other Benefits:

- A) Reimbursements of actual entertainment expenses incurred for the business of the Company, as per Company's rules.
- B) Leave on full pay, as per rules of the Company, but not exceeding one month's leave for every eleven months of service.
- C) Company's contribution towards provident fund and superannuation fund as per rules of the Company.
- D) Gratuity would become payable at the rate not exceeding half a month's salary for each completed years of service as applicable under provisions of Payment of Gratuity Act.
- E) Encashment of leave in respect of leave accumulated but not availed of at the end of the tenure, would be permissible.

3. Annual Increment : Entitled to get annual increment as may be decided by the Board of Directors within the basic salary of Rs.57,500/- p.m. in the grade of 57,500-2,500- 62,500/-.
4. Rs. 3,00,000/- per annum : Mr. Sarabhai shall be entitled for compensation on achieving pre determined Key Performance Area as determined by Remuneration committee in proportion to achievement of key performance target both quantitative and qualitative during the year.
5. In absence of or in case of inadequacy of profits in any financial year, he will be entitled to said salary, perquisites etc. as mentioned above as **minimum remuneration**.
6. Other terms and conditions:
 - i) In the capacity of a Whole-time Director, he 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 his respective office during any financial year, the aforesaid remuneration will be paid on a pro-rata basis.
 - iii) He shall not so long as he functions as a Whole-time Director of the Company become interested or otherwise concerned directly or through wife/ or minor children in any selling agency of the Company further 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 he nor any of his relatives nor any firm or private company in which he or any of his 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. He shall also report to the Board the names of all private companies, firms or proprietorship in which he or any of his relatives as defined in the Companies Act, have any interest as Director, member, partner or proprietor.
 - vi) This appointment is terminable by three months notice on either side or payment of salary in lieu thereof.
7. 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 or 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 required.

8. Terms of the appointment of Whole-Time Director & Chairman can be renewed by the Board of Directors before the expiry of the said term and in case the term is not renewed before the expiry of the existing terms by the Board of Directors, Mr. Sarabhai shall cease to be Whole-Time Director & Chairman on expiration of the present term.

The proposed resolution and explanatory statement may be treated as an abstract of the terms and conditions of

the re-appointment of Mr. Sarabhai as Whole Time Director & Chairman in terms of section 302 of the Companies, Act 1956

Mr. Sarabhai may be considered to be concerned or interested in proposed resolution.

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

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

By Order of the Board of Directors,

Date : 16.10.2009

Place : Vadodara

Ketan Adhvaryu

Company Secretary

Annexure A

The information relating to Appointment / Reappointment of Directors, as required to be given as per Corporate Governance Code

Name	Date of Birth	Qualifications	Experience / Expertise	Shareholding in the Company	Other Directorship in Public Limited Company
Kartikeya V. Sarabhai	27.11.1947	M.A.(Cantab) Post graduate Studies at MIT U.S.A.	Mr. Kartikeya Sarabhai has a long association with the Sarabhai Business and with the Pharmaceutical sector. He has been a member of the Board of Directors of the Company since 1992 and was appointed as the Chairman of the Company in 1995. He is also involved in a number of policies initiated by the Government of India particularly in the environmental and educational fields.	12250 Shares	1. ORG Informatics Limited 2. Synbiotics Limited
Dr. V.C. Shah	19.9.1927	M.Com. Ph.D. (Economics) Columbia University, U.S.A.	Dr. V.C. Shah is associated with the Company as a Director since 1988 and is a retired General Manager of ICICI Limited. He has wide and varied corporate business experience of different industries. He was Economic Advisor, Embassy of India, Belgium dealing with European community (EC) GATT (now WTO) and UNCTAD. <u>Expertise in:</u> - Project Appraisal. - Corporate Finance - Investment Banking and - Corporate Management	—	1. Binani Industries Ltd. 2. Coastal Roadways Ltd. 3. Binani Cement Ltd. 4. Shardul Securities Ltd.
Mr. B.S. Bohra	1.1.1940		Finance & General Administration	—	1. Julie (India) Ltd. 2. Chiranjilalji Finance Ltd. 3. B.T. Syndicate Ltd.

DIRECTORS' REPORT

To
The Shareholders,

The Directors hereby present their 31st Annual Report together with the Audited Statement of Accounts of the Company for the year ended March 31, 2009.

	(Rs.lakh)	
	2008-2009	2007-2008
Turnover (Net)	6251	6183
Other Income	316	430
Total Income	6567	6613
Interest	1120	5054
Depreciation	204	198
Extraordinary Income net of expenditure	14406	8540
Net Profit/(Loss) before taxation	1804	(735)
Transfer from Capital Reserve	—	350
Net Profit/(Loss)	1085	(404)

The extraordinary income represents the income from sale of certain assets comprising of land, building and also some items of plant & machinery amounting to Rs.14406.23 lakhs and after reducing the extraordinary expenditure towards compensation under Voluntary Retirement Scheme amounting to Rs.2972.16 lakhs. Other expenditure includes bad debts written off amounting to Rs.8165.93 lakhs.

Considering carry-over losses of previous years and operating loss during current year, 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 facilities of the Company were used by **Asence Pharma Pvt. Ltd.**, a wholly owned subsidiary of the Company to manufacture Bulk Drugs products of the Company.

Active Pharmaceutical ingredient (Bulk Drugs) :

The Bulk Drugs plant of **Synbiotics Limited**, a wholly owned subsidiary of the company at Luna has already been commenced and production activities have been started.

Marketing:

Sarabhai Chemicals Marketing Division has focused more on Generic business and achieved almost 45% growth

with a turn over of Rs.23.5 crore during the year under report.

The Company has acquired manufacturing and marketing Company i.e. **Suvik Hitek Pvt. Ltd.** The Ethical Division has re-launched the products of Suvik and Sarabhai Chemicals in market as planned with new team of field force who has promoted products to the selected doctors in India.

The Oncology Division is also strengthened by adding new products and team of field force. During the year under review, Oncology Division has launched two new products viz. Fludagem & Xtinib.

Electronics:

During the year under review, Electronics Division could improve the performance and achieved turnover of Rs.35.62 crore as against turnover of Rs.28.15 crore in the year 2007-08. The maximum contribution came from Broadcast business as the Company has increased the trading activity and added more items and customers. The manufacturing products maintained the performance at par with 2007-08.

For the year 2009-10, Electronics Division of the Company has lined up high end products for marketing from reputed manufacturers and has also owned new products like Turbidity meter, Hb meter, Vis- Doublebeam Spectro, etc.

Telerad Division would try to get the maximum possible orders for Spares/other Peripherals keeping Dollar business and system sales improving. Due to recession, there could be negative impact and will have to put in the best efforts to improve the position.

During the year under report, the Company has promoted a Company viz. **Vovantis Laboratories Pvt. Ltd.**, a pharmaceutical specialists with a vision to establish a state of the art manufacturing facility specializing in Novel Effervescent drug delivery system. In a short span of time, this company is having presence in the US, Europe and Asian markets with its own offices in the respective places.

Asence Inc., a wholly-owned subsidiary of the Company, incorporated in the 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, after getting required approvals from appropriate authorities sold 1,14,295 sq. mtrs. land for an aggregate consideration of Rs.131.14 crore during the year under review.

Postal Ballot:

As reported last year, the Company had issued fresh

postal ballot notice for obtaining consent of the shareholders for the resolutions under section 293(1)(a) of the Companies Act, 1956 to –

1. Transfer and assign as a going concern the undertaking and businesses known as Sarabhai Chemicals Bulk Drugs Division to Synbiotics Limited, a wholly-owned subsidiary of the Company.
2. Transfer and assign as a going concern the undertaking and businesses known as Electronics (Systronics, Telerad and Sarabhai Electronics Research Centre (SERC)) Division to Systronics (India) Limited, a wholly-owned subsidiary of the Company.
3. Transfer and assign as a going concern Sarabhai Common Services Division to Mautik Exim Limited, a wholly-owned subsidiary of the Company.

The shareholders in terms of the provisions of section 293(1) (a) and other applicable provisions if any, of the Companies Act, 1956 approved all the three resolutions with clear majority of 99.92%.

In terms of the said approval, your Directors have decided to transfer SCBD undertaking w.e.f. 1.10.2009 to Synbiotics Limited and Electronics undertaking w.e.f. 1.4.2010 to Systronics (India) Pvt. Ltd.

Extension of Annual General Meeting:

As per Section 166 of the Companies Act, 1956, 31st Annual General Meeting was required to be convened and held on or before 30th September 2009. 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 17.8.2009, the Company has sought extension for holding Annual General Meeting from the Registrar of Companies Ahmedabad and ROC has granted such extension up to 30.11.2009.

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 overall financial condition of the company. In order to reduce cost, the Company has announced VRS Scheme and many employees have opted for the said Scheme including accounts officials and staffs and therefore, the Company in spite of its best efforts, could not comply with the provisions of Clause 41 of the Listing Agreement in time.

Subsidiaries:

A statement pursuant to Section 212 of the Companies

Act, 1956 in respect of Subsidiary companies is appended to the balance sheet. The Company has 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. In the meanwhile, 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.

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. B.S. Bohra, Mr. Kartikeya V. Sarabhai and Dr.V.C. Shah, retire by rotation and being eligible offer themselves for re-appointment.

Dr. L. Ramaswamy, ceased to be a Director from the Board of Directors of the company w.e.f. 29.9.2009. The Board placed on record its appreciation for the valuable contribution made by Dr. Ramaswamy, during his tenure as Director.

The term of Mr. Kartikeya V. Sarabhai as Whole-Time Director & Chairman was expired on 31.3.2009 and he was reappointed for a further period of 3 years by the Board of Directors.

A necessary resolution is included in the Notice convening Annual General Meeting for approval of the shareholders.

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, 2009 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, 1956 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 doesnot feel that there is any impairment in the Goodwill shown in the books.

Auditors:

M/s. Sorab S. Engineers, Chartered Accountants, Mumbai, retires in the forthcoming Annual General Meeting and being eligible offer themselves for reappointment.

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.

By Order of the Board of Directors,

Date : 16.10.2009

Kartikeya V. Sarabhai

Place : Vadodara

Chairman

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 Director's report for the year ended 31st March 2009.

A Conservation of Energy:

- i) Energy conservation measures:
 1. Power factor improvement
 2. Quicker heat transfer
 3. Monitoring of combusting 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 lighting 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/agitations
 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.

The above measures were not effective during the year under report since the plant of the company was not operational.

- 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 188.16
 Foreign exchange used 346.41

FORM A

(Disclosure of particulars with respect to conservation of energy)

A. Power and fuel consumption:

	Unit	Current	Previous
1 Electricity			
a) Purchased (kwh)	000	219	239
Total amount	Rs. lakh	16.09	15.45
Rate / Unit	Rs./kwh	7.35	6.46
b) Own generation (kwh)	000	0.00	4907
Total Cost	Rs. Lakh	0.00	274.78
Cost / Unit	Rs./kwh	0.00	5.60
2 Coal		NIL	NIL
3 Furnance oil		NIL	NIL
4. Other - Natural gas			
Quantity	1000M ³	0.00	4106
Total cost	Rs. lakh	0.00	224.87
Rate / unit	Rs./1000M ³	0.00	5476.10

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.		
Furnance Oil			
Coal			
Others			
Form B			

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.
 - e) Updating the specifications and analytical procedures for existing formulations.
 - f) Scientific, Analytical, Electronic Test & Measuring

Insturments and cathode Ray Oscilloscope by Electronic Research Centre.

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

- a) Development of economical processes for the manufacture of bulk drugs for captive consumption.
- b) Development of formulations for new products and improvement in the existing formulations.
- c) Produce / improve instruments by Electronic Research Centre like - Water Analyzer, Buretteless titrator, Auto Scanning Visible Spectrophotometer, Split beam Spectrophotometer, Dry bath, Filter base clinical chemistry analyzer, Leaf area meter, Flame Photometer etc.

Future plan of action:

- a) Development of formulations for new drugs.
- b) Blood level studies of new formulation.
- c) Clinical trials for new drugs.
- d) Process improvement in bulk drugs and formulations.
- e) Study and development of genetically engineered products.
- f) Development and improvement of HPLC Detector wilt, Spectro Flurometer, Stand alone double beam Spectrophotometer. LPLC, 100 MHz CRO etc. products by Eelctronic Research Centre.

Expenditure on R & D: Rs. Lakh

- | | |
|--|--------|
| a) Capital | 0.00 |
| b) Recurring | 108.48 |
| Total | 108.48 |
| c) Total R & D expenditure as a percentage of total turnover | 1.68 |

Technology absorption, adaptation and Innovation:

1. The Company has in house R & D Centers recognized by the Department of Science & Technology, Government of India. One of the centers to R&D activities in the area of Drugs & Pharmaceuticals while another operates in the area of Electronics. The Research and Development department keeps itself abreast of the latest technical development and innovations relating to the Company's line of products and brings about improvements in the products of the Company for better quality, process improvement, cost effectiveness and import substitution.

The Electronics Center has developed and produced analytical and testing instruments based on in-house research. The centre has also obtained technology transfer from Central Scientific instruments Organization and the Department of Science and Technology for manufacture of Spectrophotometers.

2. Benefits derived as a result of the above efforts: The Research on drugs and pharmaceuticals have contributed to product improvement and cost reduction. The technology developed and absorbed

in the field of electronic instruments has served scarce foreign exchange resources for the country by developing import substitution.

Management Discussions and Analysis Report

a) Industry structures and developments:

About Pharmaceuticals.....

The Indian Pharmaceutical Industry (IPI) estimated at US\$ 9 bn. has grown at a CAGR of 7% during the last seven years. It is ranked 4th in volume terms and 11th in value terms globally. India's share in the global pharmaceutical market is less than 2% in value terms as drug prices in India are one of the lowest in the world. Exports contributed to more than half of IPI's turnover during 2008-09 and have been a major growth driver for the industry growing at a CAGR of 19% annually during the last six years.

In view of the Government encouragement for bringing foreign direct investment in India, many foreign corporate have shown their interest for establishing their unit in India mainly due to low cost manufacturing and research base and growing domestic market size.

On export front, the Indian companies tend to focus on exports owing to higher realization and abilities of Indian entrepreneurs to produce molecules acceptable in the export markets.

During the year 2007-2008, 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 its Asence Pharma Pvt. Ltd., a wholly owned subsidiary of the Company.

About Electronics

India has gained a 5 per 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 fluorimeters 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 is 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.

b) Opportunities and Threats:

India is emerging as a low-cost, high quality option for outsourcing of research, manufacturing and other services. This offers a great opportunity for the Indian Pharmaceutical Industry and Indian Pharma companies.

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 2009 to attain its total export volume of about 11 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 grab skill and infrastructure for their research and manufacturing activities. The Indian companies had to take extra efforts to match with the international standard of pharmacy.

c) Real Estate:

The Company had executed various sale deeds / conveyance with different parties for sale of unutilized land.

d) Segment wise performance:

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

e) Risks and concerns:

The external factors such as periodical slow down in the market; uncertain monsoon and competition are common to all the industrial sectors. It is therefore necessary to urgently address to the effects of those risks on the business of the Company. Risks which are internal on which the Directors and the management would have control, are being taken care of.

f) 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.

g) Financial performance:

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

h) 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.

The Company has declared Voluntary Retirement Scheme (VRS) during the year to reduce the excessive labour cost. Under the said VRS, 853 employees had opted for VRS and the Company is in a position to reduce its monthly wage bill substantially.

As on date of the report, total employees strength of the Company is 770.

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 4 Executive Directors and 5 Non-executive Directors. Names and categories of the Directors on the Board and the numbers of Directorships and the Committee membership 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 Membership in other public Ltd. companies
Kartikeya V. Sarabhai	Chairman and Whole-time Director	3	2
V.C. Shah	Non-Executive/Independent	4	—
B.V. Suryakumar	Non-Executive/Independent	2	2
G.D. Zalani	Non-Executive/Independent	—	—

O.D. Gulati	Non-Executive/Independent	2	—
B.S. Bohra	Non-Executive/Independent	3	—
K. Mohandas	Whole-Time Director & President & COO (Electronics Division)	—	—
A.H. Parekh	Whole-Time Director & President (Formulation)	—	—
L. Ramaswamy*	Whole-Time Director & CEO of Sarabhai Chemicals	—	—

* Resigned on 29.9.2009

b) Board Meetings:

The Board met 11 times on the following dates during the financial year 2008-2009 and the maximum time-gap between the two meetings did not exceed four months.

7.4.2008	20.8.2008	9.1.2009
16.5.2008	30.9.2008	27.1.2009
12.6.2008	17.10.2008	6.3.2009
30.6.2008	28.11.2008	

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 2008-2009 and the last Annual General Meeting held on 28.11.2008, 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	11	9	N.A.	Yes	30.07.1992
Dr. V.C. Shah	11	10	30000	Yes	30.07.1988
B.V. Suryakumar	11	11	33000	Yes	18.05.2005
G.D. Zalani	11	7	21000	Yes	01.04.1996
Dr.O.D. Gulati	11	11	33000	Yes	26.06.1991
B.S. Bohra	11	8	24000	Yes	20.04.2007
K. Mohandas	11	6	N.A.	Yes	19.07.2005
A.H. Parekh	11	11	N.A.	Yes	03.01.2006
L. Ramaswamy*	11	8	N.A.	Yes	29.09.2006

* Resigned on 29.9.2009

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 09 and details of attendance of Audit Committee Meetings held during the financial year 2008-2009 are as under:

Name of Director	Status	No. of Meetings held	No. of Meetings attended
Dr. V.C. Shah	Chairman	4	4
Dr. O.D. Gulati	Member	4	4
B.V. Suryakumar	Member	4	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, 1956.

B) Shareholders / Investors' Grievance Committee:

The composition of the Shareholders / Investors' Grievance Committee as on 31st March 2009 and details of attendance of Shareholders / Investors' Grievance Committee Meeting held during the financial year 2008-2009 are as under:

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

C) Remuneration Committee :

The composition of the Remuneration Committee as on 31st March 2009 and details of attendance of Remuneration Committee Meeting held during the financial year 2008-2009 are as under:

Name of Director	Status	No. of Meetings held	No. of Meetings attended
Dr. V.C. Shah	Chairman	1	1
Dr. O.D. Gulati	Member	1	1
G.D. Zalani	Member	1	1

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. 1.4.2006 and the terms of remuneration were approved by the shareholders at the Annual General Meeting held on 26.9.2006. The Board has reappointed

him for another period of 3 years subject to approval of shareholders and Central Government.

Appropriate resolution is included in the Notice convening Annual General Meeting for the approval/consent of the shareholders for the re-appointment Mr. Kartikeya V. Sarabhai as Whole-Time Director & Chairman for a further period of 3 years.

The contract of Mr. K Mohandas, is for a period of 3 years w.e.f. 19.7.2008 and the terms of remuneration were approved by the shareholders at the Annual General Meeting held on 28.11.2008. Application to the Central Government for reappointment and payment of remuneration to Mr. K. Mohandas 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 28.11.2008. Application to the Central Government for reappointment and payment of remuneration to Mr. A.H. Parekh as Whole-Time Director of the Company is made and approval for the same is awaited.

V) General Body Meetings:

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

Year	AGM	Date	Time	Location
2005-06	28 th	26 th September, 2006	11.00 A.M.	Mahatma Gandhinagar Grih, Vadodara
2006-07	29 th	29 th September, 2007	11.00 A.M.	Mahatma Gandhinagar Grih, Vadodara
2007-08	30 th	28 th November, 2008	11.00 A.M.	Mahatma Gandhinagar Grih, Vadodara

All the resolutions set out in the respective Notices of the aforesaid meetings were passed by the shareholder/s of the Company unanimously.

Pursuant to Section 192A of the Companies Act, 1956 / Clause 49 of the Listing Agreement, vide Postal Ballot Notice dated 27th January 2009, the company had moved following three resolutions through Postal Ballots for the approval of members:

1. To Transfer and assign as a going concern the undertaking and businesses known as Sarabhai Chemicals Bulk Drugs Division to Synbiotics Limited, a wholly-owned subsidiary of the Company.
2. To Transfer and assign as a going concern the undertaking and businesses known as Electronics (Systronics, Telerad and Sarabhai Electronics Research Centre (SERC)) Division to Systronics (India) Limited, a wholly-owned subsidiary of the Company.

3. To Transfer and assign as a going concern Sarabhai Common Services Division to Mautik Exim Limited, a wholly-owned subsidiary of the Company.

The shareholders in terms of provisions of section 293(1) (a) and other applicable provisions if any, of the Companies Act, 1956 approved all the three resolutions with clear majority of 99.92%.

VI) Disclosures:

- 1) As required under the Companies Act, the Directors disclosed the name of the Companies / parties in which they are interested and accordingly the Register of Contracts Under Section 301 of the Companies Act, 1956 is tabled and signed at the Board Meeting/s.
- 2) Transactions with the "related parties" are disclosed in detail in note forming part of Accounts' annexed to the financial statements for the year ended 31st March 2009. Adequate care was taken by the Board to ensure that the potential conflict of interest did not harm the interest of the Company.
- 3) The Company has complied with the requirements of Stock Exchange / SEBI / Statutory Authorities on all matters related to Capital Markets and there was no non-compliance during the last three years by the Company on any matter related to Capital Markets, except following:

During the year under report, the Company could not comply with the provisions of Clause 41 of the Listing Agreement within a stipulated time for the reasons, which are beyond the control of the management of the Company.

4) Means of Communications:

- a) Quarterly/Half yearly Financial Result of the Company are being submitted to the Bombay Stock Exchange Limited and published in Loksatta (Gujarati Language) and the Business Standard (English Language).
- b) Management Discussions and Analysis Report is part of the Directors' report to members.

VII) General Shareholder Information:

1 Registered Office	Sarabhai Campus Gorwa Road, Vadodara-390 023
2 Day & Date, Venue of 31 st Annual General Meeting	Monday, 30 th Nov. 2009 at Prof. C.C. Mehta Auditorium, General Education Centre, The Maharaja Sayajirao University of Baroda, Vadodara-390 002
3 Financial Year	From 1 st April 2008 to 31 st March 2009
4 Book Closure period	From 26 th November 2009 to 30 th November 2009 (Both days inclusive)
5 Dividend Payment Date	NOT APPLICABLE
6 Listing on stock exchange:	Bombay Stock Exchange Limited - Stock Code No. - 6779

VIII) Stock Price Data:

MONTH	HIGH (BSE) (Rs.)	LOW (BSE) (Rs.)	BSE SENSEX	
			High	Low
April-2008	45.95	27.00	17480.74	15297.96
May-2008	38.00	26.00	17735.70	16196.02
June-2008	26.00	18.00	16632.72	13405.54
July-2008	20.15	15.65	15130.09	12514.02
August-2008	19.80	16.20	15579.78	14002.43
September-2008	17.60	10.15	15107.01	12153.55
October-2008	11.75	6.81	13203.86	7697.39
November-2008	9.26	6.46	10945.41	8316.39
December-2008	10.42	6.25	10188.54	8467.43
January-2009	11.10	7.31	10469.72	8631.60
February-2009	8.89	7.25	9724.87	8619.22
March-2009	8.94	6.95	10127.09	8047.17

IX) Share Transfer System:

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

For physical Share Transfer, if the share transfer documents are in order, share transfers are registered upon approval by the Share Transfer Committee of Directors, the meetings of which Committee of Directors are generally held at regular intervals of about 15 / 20 days. Thereafter, duly transferred share certificates are dispatched to the respective shareholders.

Total shares transferred during financial year 2008-09	1,68,471
Total Transfer Deeds received and processed during financial year 2008-09	1341
Total No. of shares(s) Demated as on 31 st March 2009	6,09,00,753
% of total Equity shares in Demat as on 31 st March 2009.	79.47%

X) Distribution of Shareholding as on 31st March, 2009:

Category	No. of Shares	%
Promoters	23318951	30.43
FII/NRI	377535	0.49
Public Financial Institutions & Nationalized Banks	359212	0.47
Mutual Funds/UTI	-	-
Bodies Corporate	22914112	29.9
Indian Public	29663486	38.71
Total	76633296	100.00

**XI) Distribution of Shareholding as on 31st March, 2009
(both in physical & electronic form):**

No. of Equity Shares held	No. of Share-holders	% of Share-holders	No. of Shares held	% of Share-holding
1 to 500	93.7047	167201	12473541	16.2769
501 to 1000	4.3344	7734	5856648	7.6424
1001 to 2000	1.3047	2328	3390496	4.4243
2001 To 3000	0.2404	429	1085772	1.4168
3001 To 4000	0.1048	187	672773	0.8779
4001 To 5000	0.0930	166	778614	1.0160
5001 To 10000	0.1048	187	1414246	1.8455
Over 10000	0.1132	202	50961204	66.5001
Total.....	100.0000	178434	76633296	100.0000

XII) Dematerialization of Shares:

During the year under review, 508739 (0.66%) shares were dematerialized in National Securities Depository Ltd. and Central Depository Services (India) Ltd.

ISIN No. : E432A01017

XIII) Plant Locations:

- 1) Sarabhai Campus, Gorwa Road, Vadodara.
- 2) Village Ranoli, Dist. Vadodara.
- 3) Naroda Industrial Estate, Ahmedabad.

XIV) Address for Correspondence:

Shareholders can correspond either at the office of its Common Agency viz. MCS limited, Neelam Apartment, 88, Sampatrao Colony, Alkapuri, Vadodara-390007 or at the Company's Registered Office, situated at Sarabhai Campus, Gorwa Road, Vadodara-390 023.

Queries relating to the financial statements of the Company to be addressed to Mr. Deven V. Shah, CFO
Email – devenshah@sarabhai.co.in.

The Company Secretary and Dy. Company Secretary are designated by the Company as 'Compliance Officer'.

AUDITORS' CERTIFICATE

To the Members of
Ambalal Sarabhai Enterprises Limited, Vadodara

We have examined the compliance of conditions of Corporate Governance by Ambalal Sarabhai Enterprises Limited for the year ended 31st March, 2009 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 except the compliance with the provisions of clause 41 with in a stipulated time.

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

CA M.P. Antia
Partner

Place : Vadodara
Date : 16.10.2009

Membership No.7825

AUDITORS' REPORT

To the Members of Ambalal Sarabhai Enterprises Limited

1. We have audited the attached Balance Sheet of Ambalal Sarabhai Enterprises Limited as at 31st March, 2009, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the annexure referred to in paragraph 3 above, we report that:
 - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;

- (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the applicable accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, except as stated in para (f) below.
- (e) on the basis of written representations received from the Directors as on March 31, 2009, and taken on record by the Board of Directors, we report that none of the Directors of the Company is disqualified as on March 31, 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- (f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, subject to:
 - i) Adjustment in 1992-93 of debit balance in Profit and Loss Account amounting to Rs. 2519.31 lakh against revaluation reserve which was not in accordance with the accounting practice recommended by the Institute of Chartered Accountants of India.
 - ii) The Company has not considered impairment of Goodwill, as per Accounting Standard AS - 28 "Impairment of Assets" Amount unascertained.
 - iii) Due to uncertainties regarding the amounts in respect of the above point, we are unable to opine on the effect of the same on the profit for the year.

give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

 - a) in the case of the Balance Sheet of the state of affairs of the Company as at March 31, 2009;
 - b) in the case of Profit and Loss Account, of Profit for the year ended on that date; and
 - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For Sorab S Engineer & Co.
Chartered Accountants

CA. M. P. Antia
Partner

Membership no.7825

ANNEXURE TO THE AUDITORS' REPORT

Re: Ambalal Sarabhai Enterprises Limited

Referred to in Paragraph 3 of our Report of even date,

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets except Furniture.
- (b) All the major assets have been physically verified by the management during the year. We are informed that no material discrepancies were noticed on such verification.
- (c) During the year, the Company has disposed off a major part of the fixed assets. According to the information and explanations given to us, we are of the opinion that the sale of the said fixed assets has not affected the going concern status of the Company.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. No material discrepancy noticed on verification between the physical stocks and the book records.
- (iii) The Company has not granted/taken any loans, secured or unsecured to / from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Consequently, requirement of clauses (iii, b), to iii(g) of paragraph 4 of the order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) (a) On the basis of the audit procedures performed by us, and according to the information and explanations given to us, we are of the opinion that, the transactions in which Directors were interested as contemplated under section 297 and 299 of the Companies Act, 1956 and

which were required to be entered in the register maintained under section 301 of the said Act, have been so entered;

- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to prevailing market price at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA or any other relevant provision of the Act and the rules framed there under. No order has been passed by the Company Law Board, or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- (vii) The Company has appointed a firm of Chartered Accountants during the year as Internal Auditors. On going through their report, in our opinion the coverage is adequate and commensurate with the size of the Company and the nature of its business.
- (viii) We have broadly reviewed the books of accounts relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that *prima facie* the prescribed accounts and records have been maintained. We have not however made a detailed examination of these records with a view to determine whether they are complete.
- (ix) (a) The Company is generally not regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Service Tax, and Sales Tax. The extent of arrears of such outstanding statutory dues as at 31.03.2009 for a period of more than six months from the date they became payable are as under:

Particulars	Rs. Lakh
Income Tax	4.49
Sales Tax	35.05
ESIC	72.97
PF	2.43
Service Tax	1.49

Central Government has till date not prescribed the amount of cess payable under section 441A of the Companies Act, 1956.

(b) Following disputed statutory dues have not been deposited:

Nature of dues	Rs. Lakh	Forum where dispute is pending
Income tax	173.17	High Court
Sales tax	9.20	Commissioner of Sales Tax
Excise duty	2.44	Appellate Tribunal
(x)	Accumulated losses at the end of the financial year are more than fifty percent of Company's net worth. Company has not incurred cash losses in the financial year under report. The Company had incurred cash losses in the immediately proceeding financial year.	
(xi)	In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks.	
(xii)	The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.	
(xiii)	The Company is not a chit fund or a nidhi/mutual benefit fund/society.	
(xiv)	The Company is not dealing in or trading in shares, securities, debentures and other investments.	
(xv)	The Company has not given any guarantee for loans taken by others from financial institution or bank.	
(xvi)	The Company has not obtained any term loans during the year.	
(xvii)	According to the information and explanations given to us, funds raised on short term basis have not been used for long-term investment.	
(xviii)	According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act during the year.	
(xix)	According to the information and explanations given to us, the Company has not issued any Secured Debentures during the year.	
(xx)	The Company has not raised any money by public issue during the year.	
(xxi)	According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.	

For Sorab S Engineer & Co.
Chartered Accountants

CA. M. P. Antia
Partner

Vadodara
October 16, 2009

Membership no.7825

**Balance Sheet
as at 31st March, 2009**

	Schedule	As at 31-3-09 Rs. Lakh	As at 31-3-08 Rs. Lakh
SHARE CAPITAL AND LIABILITIES			
Share Capital	1	7663.33	7663.33
Reserves and Surplus	2	1910.96	2701.89
Secured Loans	3	416.38	1227.93
Unsecured Loans	4	88.60	2556.58
Current Liabilities and Provisions	5	10943.05	19462.35
Total		21022.32	33612.08
ASSETS			
Fixed Assets (Net Block)	6	6874.90	8529.41
Investments	7	4109.75	4112.20
Current Assets, Loans and Advances	8	6155.12	15250.78
Profit and Loss Account	9	3882.55	5719.69
Total		21022.32	33612.08
Significant Accounting Policies and Notes to Accounts	12		

As per our Report attached

For Sorab S Engineer & Co.

Chartered Accountants

M.P. Antia

Partner

Membership No. 7825

Vadodara, 16-10-2009

Kartikeya V. Sarabhai

Chairman

V.C. Shah

Director

Ketan Adhvaryu

Company Secretary

Vadodara, 16-10-2009

**Profit & Loss Account
for the year ended 31st March, 2009**

	Schedule	2008-09 Rs. Lakh	2007-08 Rs. Lakh
Sales and Services		6460.40	6683.35
Less: Excise Duty		209.45	500.04
		<u>6250.95</u>	<u>6183.31</u>
Other Income	10	315.82	430.04
INCOME		<u>6566.77</u>	<u>6613.35</u>
Cost of Sales and Services	11	17845.36	10636.11
EXPENDITURE		<u>17845.36</u>	<u>10636.11</u>
Gross Margin / (Loss)		<u>(11278.59)</u>	<u>(4022.76)</u>
Interest			
Term Loan		218.66	740.07
Others		901.40	4314.29
		<u>1120.06</u>	<u>5054.36</u>
Depreciation		242.69	273.89
Less: Transfer from Capital Reserve		38.93	75.80
		<u>203.76</u>	<u>198.09</u>
Operating Profit / (Loss) before extraordinary Income / Expenditure		<u>(12602.41)</u>	<u>(9275.21)</u>
Extraordinary Expenses (Refer Note No.13)		2972.16	350.00
Extraordinary Income (Refer Note No.13)		17378.39	8889.78
Extraordinary Income net of Expenditure		<u>14406.23</u>	<u>8539.78</u>
Net Profit / (Loss) before taxation		<u>1803.82</u>	<u>(735.43)</u>
Provision for taxes - Current Tax		700.00	—
Fringe Benefit Tax		18.68	18.76
Net Profit / (Loss) after taxation		<u>1085.14</u>	<u>(754.19)</u>
Add : Transfer from Capital Reserve		—	349.90
Net Profit / (Loss) after taxation		<u>1085.14</u>	<u>(404.29)</u>
Balance as per last year's Balance Sheet		<u>(9873.18)</u>	<u>(9468.89)</u>
Balance carried to Balance Sheet		<u>(8788.04)</u>	<u>(9873.18)</u>
Earning Per Share (Refer Note No. 17)			
Face Value of Rs. 10/- per Equity Share			
Basic / Diluted before Extra-ordinary item [in Rs.]		(17.38)	(12.13)
Basic / Diluted after Extra-ordinary item [in Rs.]		1.42	(0.98)
Significant Accounting Policies and Notes to Accounts	12		

As per our Report attached
For Sorab S Engineer & Co.
Chartered Accountants
M.P. Antia
Partner
Membership No. 7825

Vadodara, 16-10-2009

Kartikeya V. Sarabhai
Chairman
V.C. Shah
Director
Ketan Adhvaryu
Company Secretary

Vadodara, 16-10-2009

SHARE CAPITAL

	As at 31-3-09 Rs. Lakh	As at 31-3-08 Rs. Lakh
Authorised Capital		
9,50,00,000 Equity Shares of Rs. 10 each	<u>9500.00</u>	<u>9500.00</u>
Issued, Subscribed and Paid-up Capital		
7,66,33,296 Equity Shares of Rs. 10 each fully paid	<u>7663.33</u>	<u>7663.33</u>
Total	<u>7663.33</u>	<u>7663.33</u>

Of the above shares:

31,36,504 Shares were issued and allotted as fully paid-up bonus shares by capitalisation of reserves.

RESERVES & SURPLUS

	As at 31-3-09 Rs. Lakh	As at 31-3-08 Rs. Lakh
Capital Reserves		
Balance as per last Balance sheet	<u>1640.97</u>	<u>2066.67</u>
Less: Transferred to General Reserve Account	<u>752.00</u>	<u>-</u>
Less: Transferred to Profit & Loss Account	<u>38.93</u>	<u>425.70</u>
	<u>850.04</u>	<u>1640.97</u>
Share Premium Account		
Balance as per last Balance sheet	<u>1060.92</u>	<u>1060.92</u>
	<u>1060.92</u>	<u>1060.92</u>

General Reserve

Balance as per last Balance Sheet	<u>4153.49</u>	<u>4153.49</u>
Add: Transferred from Capital Reserve	<u>752.00</u>	<u>-</u>
	<u>4905.49</u>	<u>4153.49</u>
Less: Debit balance of Profit and Loss Account Adjusted	<u>4905.49</u>	<u>4153.49</u>
	<u>-</u>	<u>-</u>
Total	<u>1910.96</u>	<u>2701.89</u>

SECURED LOANS

	As at 31-3-09 Rs. Lakh	As at 31-3-08 Rs. Lakh
Bonds		
15% Secured Redeemable Non-Convertible Bonds of Rs. 100 each	<u>-</u>	<u>7.77</u>
10.5% Secured Redeemable Non-Convertible Bonds of Rs. 100 each	<u>-</u>	<u>1.47</u>
	<u>-</u>	<u>9.24</u>
Interest accrued and due	<u>-</u>	<u>30.42</u>
	<u>-</u>	<u>39.66</u>

SCHEDULE 1**SECURED LOANS (Contd.)**

Loans from Banks		
Cash Credit (1)	<u>-</u>	<u>835.23</u>
Term Loan (2)	<u>8.33</u>	<u>4.00</u>
	<u>8.33</u>	<u>839.23</u>
Loan from Others including interest accrued and due (3)	<u>408.05</u>	<u>349.04</u>
Total	<u>416.38</u>	<u>1227.93</u>

Notes

1. Secured by hypothecation of tangible movable assets such as stocks, stores and book debts and also secured by second charge on the fixed assets of the Company.
2. Secured by hypothecation of vehicles.
3. Secured by charge on one of the properties and pledge of 800000 Equity shares of ORG Informatics Ltd.

UNSECURED LOANS

	As at 31-3-09 Rs. Lakh	As at 31-3-08 Rs. Lakh
Short-term Loans		
From Others	<u>71.47</u>	<u>2539.45</u>
Interest Accrued and Due	<u>17.13</u>	<u>17.13</u>
Total	<u>88.60</u>	<u>2556.58</u>

CURRENT LIABILITIES AND PROVISIONS

	As at 31-3-09 Rs. Lakh	As at 31-3-08 Rs. Lakh
Current Liabilities		
Sundry Creditors:		
Due to Small and Medium Enterprises	<u>-</u>	<u>-</u>
Due to Others	<u>9615.70</u>	<u>17075.48</u>
	<u>9615.70</u>	<u>17075.48</u>
Interest accrued but not due Liability towards Investor Education and Protection Fund under Section 205C of the Companies Act, 1956. Unclaimed matured Fixed Deposits	<u>6.63</u>	<u>154.31</u>
	<u>9622.33</u>	<u>17236.27</u>
Provisions		
Accrued Gratuity Liability	<u>1104.74</u>	<u>1906.50</u>
Accrued Leave Encashment Liability	<u>215.98</u>	<u>319.58</u>
	<u>1320.72</u>	<u>2226.08</u>
Total	<u>10943.05</u>	<u>19462.35</u>

SCHEDULE 3**SCHEDULE 4****SCHEDULE 5**

FIXED ASSETS

SCHEDULE "6" Rs. Lakh

Asset	Gross Block at Cost / Revaluation				Depreciation				Net Block	
	As at 01-04-08	Additions during the Year	Deductions during the Year	As at 31-03-09	As at 01-04-08	Adjustments	For the year	As at 31-03-09	As at 31-03-09	As at 31-03-08
Goodwill	2,277.62	-	-	2,277.62	-	-	-	-	2,277.62	2,277.62
Land	3,365.34	-	1,001.42	2,363.92	-	-	-	-	2,363.92	3,365.34
Leasehold Land	32.93	-	-	32.93	-	-	-	-	32.93	32.93
Buildings	2,560.53	3.93	1,172.60	1,391.86	1,394.74	692.85	71.20	773.09	618.77	1,165.79
Plant and Machinery	5,418.54	15.17	971.70	4,462.01	3,860.88	959.37	153.62	3,055.13	1,406.88	1,557.66
Furniture & Fixture	383.08	7.30	14.68	375.70	309.65	14.54	8.96	304.07	71.63	73.43
Vehicles	100.37	14.14	14.12	100.39	68.44	12.00	8.91	65.35	35.04	31.93
Library	0.10	-	-	0.10	0.09	-	-	0.09	0.01	0.01
	14,138.51	40.54	3,174.52	11,004.53	5,633.80	1,678.76	242.69	4,197.73	6,806.80	8,504.71
Capital work-in-progress									68.10	24.70
Total	14,138.51	40.54	3,174.52	11,004.53	5,633.80	1,678.76	242.69	4,197.73	6,874.90	8,529.41
Previous Year	14,650.65	56.10	568.24	14,138.51	5,533.34	173.43	273.89	5,633.80	8,504.41	8529.41

INVESTMENTS

SCHEDULE 7

(At Cost / Book value)

As at
31-3-09
Rs. Lakh

As at
31-3-08
Rs. Lakh

Long term Investments

I Trade Investments

(Quoted)

2051275 Ordinary shares of
Rs. 10 each fully paid of
ORG informatics Limited

205.49 205.49
205.49 205.49

(Unquoted)

8,212 Cumulative Redemable
Preference shares of Rs. 100
each fully paid of Swastik
Surfactants Limited (Written
off during the year)

- 14.45
- 14.45

II Other Investments (Unquoted)

1,100 Ordinary shares of Rs. 25
each fully paid of Co-operative
Bank of Baroda Limited

0.28 0.28

5 Ordinary shares of Rs. 50 each
fully paid of Kailash Nivas Housing
Society Limited (Rs. 250/-)

* *

10 Ordinary shares of Rs. 50
each fully paid of Kailash Kripa
Housing Society Limited

0.01 0.01

1 Ordinary share of Rs. 1000
fully paid of Baroda Industrial
Development Corporation Ltd.

0.01 0.01

1,204 Ordinary shares of Rs. 25
each fully paid of Manekchowk
Co-operative Bank Limited

0.30 0.30

73,498 "B" class shares of
1 pound each fully paid of
Teknoserv (Jersey) Limited
9 Ordinary shares of 1 pound
each of Asence Limited
(Rs. 445)

36.33 36.33

* *

36.93 36.93

III In Subsidiaries (Unquoted)

35,000 Ordinary shares of
Rs. 1000 each Rs. 100 paid
up of Synbiotics Limited.

35.00 35.00

80946 Ordinary shares of
Rs. 1000 each fully paid up of
Synbiotics Limited

3804.46 3804.46

50,000** Ordinary shares of
Rs. 10 each fully paid of
Mautik Exim Limited

5.00 5.00

50,000 Ordinary shares of Rs. 10
each fully paid of
Haryana Containers Limited

8.53 8.53

500 Non-assessable shares of
US \$ 10 each of Asence Inc.

2.34 2.34

2 Ordinary shares of Rs. 100
each fully paid of Systronics
(India) Limited (Rs. 200/-)
(Acquired during the year)

* -

99998 Ordinary shares of
Rs. 100 each Rs. 10 paid of
Systronics (India) Limited
(Acquired during the year)

10.00 -

250,000 Ordinary shares of
Rs. 10 each of Suvik Hitek P.
Limited (Acquired during the year)

1.00 -

INVESTMENTS (Contd.)	SCHEDULE 7	
- 10,000 Ordinary shares of Rs. 10 each fully paid of Vovantis Laboratories P Ltd. (Acquired during the year)	1.00	—
	<u>3867.33</u>	<u>3855.33</u>
Total...	<u>4109.75</u>	<u>4112.20</u>

* Less than Rs. 500

** 240 share are in the name of nominees of the Company

Aggregate of Quoted Investments:		
Cost	205.49	205.49
Market Value	132.31	613.33
Aggregate of Unquoted Investment	3904.26	3906.71

CURRENT ASSETS, LOANS AND ADVANCES**SCHEDULE 8**

	As at	As at
	31-3-09	31-3-08
	Rs. Lakh	Rs. Lakh

Inventories

(As certified by the Management)

Stores and Spares (at cost)	10.63	36.45
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Stock-in-Trade:

Raw Materials and Packing materials (at Lower of cost or Net Realizable Value)	267.99	339.34
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Stock-in-process (at cost)	246.94	307.05
----------------------------	--------	--------

Finished Goods (at lower of cost or Net Realizable value)	300.59	264.52
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Good in transit (at cost)	—	171.67
---------------------------	---	--------

	<u>826.15</u>	<u>1119.03</u>
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Sundry Debtors (Unsecured)

Considered Good		
Over six months	528.77	1593.49
Others	1734.50	1773.04
	<u>2263.27</u>	<u>3366.53</u>

Considered Doubtful

Over six months	349.56	404.06
Less: Provision for doubtful debts	349.56	144.33
	—	259.73
	<u>2263.27</u>	<u>3626.26</u>

Cash and Bank Balances

Cash and Cheques on hand	9.59	7.44
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Balance with Scheduled Banks in:

Current Accounts	690.69	758.50
Margin Money Account	254.16	67.23
Fixed Deposits	177.50	234.66
	<u>1131.94</u>	<u>1067.83</u>

Loans and Advances**Unsecured and considered good**

Amounts receivable under the Scheme of Arrangement from Swastik Surfactants Limited	—	1166.00
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Due from Subsidiaries (Net)	339.90	79.92
Advances recoverable in cash or kind or for value to be received, including Rs. NIL from Swastik Surfactants Limited (Previous year Rs. 2023.09 Lakh)	1561.14	7121.99

Unsecured and Considered Doubtful

Advances recoverable in cash or kind or for value to be received	270.49	1214.80
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Less: Provision for doubtful advances

	<u>270.49</u>	<u>694.31</u>
	—	520.49

Balances with Customs, Port Trust etc.

	25.65	27.47
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Advance payment of Tax (net of provision of Rs. 3513.66 Lakh Previous year Rs. 2813.66 Lakh)

	7.07	521.79
	<u>1933.76</u>	<u>9437.66</u>

Total	6155.12	15250.78
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PROFIT AND LOSS ACCOUNT**SCHEDULE 9**

	As at	As at
	31-3-09	31-3-08
	Rs. Lakh	Rs. Lakh

Balance as per Last year's Balance Sheet

	(9873.18)	(9468.89)
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Profit / (Loss) for the year

	1085.14	(404.29)
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	<u>(8788.04)</u>	<u>(9873.18)</u>
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Less: Adjusted against

General Reserve	4905.49	4153.49
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Balancecarried to Balance sheet	<u>(3882.55)</u>	<u>(5719.69)</u>
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OTHER INCOME**SCHEDULE 10**

	As at	As at
	31-3-09	31-3-08
	Rs. Lakh	Rs. Lakh

Miscellaneous Income	235.80	203.60
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Dividend Income	—	0.04
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Bank and Other Interest (1)	63.94	127.43
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Profit on Sale of Investment (Net)	—	50.96
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Foreing Exchange Difference	6.26	—
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Royalty	9.82	48.01
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	<u>315.82</u>	<u>430.04</u>
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1. Tax Deducted at Source	12.03	15.49
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COST OF SALES AND SERVICES SCHEDULE 11

	2008-09	2007-08
	Rs. Lakh	Rs. Lakh

Raw and Process		
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Materials consumed	768.48	1407.76
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Trading Products purchased	3985.90	2609.70
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Salaries, Wages and Bonus	3186.22	3263.98
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COST OF SALES AND SERVICES SCHEDULE 11**(Contd.)**

Contribution to Provident and other funds	159.23	220.54
Welfare Expenses	122.96	385.51
Remuneration to Directors	62.26	54.12
Stores and Spares	35.58	28.73
Power and Fuel	123.11	344.44
Repairs to Building	37.86	19.68
Repairs to Machinery	53.51	115.82
Factory Overheads	124.14	88.26
Selling Commission	65.21	206.75
Wholesalers' / Distributors' Discount	2.11	28.57
Selling Expenses	311.23	13.12
Sales Tax	651.76	54.04
Distribution Expenses	29.95	36.86
Travelling	158.32	152.19
Rent	56.45	36.88
Rates and Taxes	95.22	80.29
Miscellaneous Expenses	495.73	651.87
Liquidated Damages	123.64	577.78
Research and Development	4.56	13.53
Insurance	7.50	14.58
Legal Charges	104.24	175.73
Investments written off	14.45	-
Loss on sale of Fixed Assets (Net)	89.25	29.81
Foreign Exchange difference (Net)	-	6.10
Audit Fees	5.00	5.00
Directors' Fees	1.98	1.04
Excise Duty - Others	25.12	70.84
Bad Debts / Advances	8165.93	7.89
Provision for Bad and Doubtful Debts and Advances	6.10	-
Sundry Debit / Credit Balances Written off (Net)	7.38	5.47
	19080.38	10706.88
Less: Adjustment for Past Provision	1259.06	117.42
	17821.32	10589.46
Increase / (Decrease) in Stock-in-Trade		
Opening Stock:		
Stock in Process	307.05	293.35
Finished Goods	264.52	324.87
	571.57	618.22
Closing Stock:		
Stock in Process	246.94	307.05
Finished Goods	300.59	264.52
	547.53	571.57
Inventory Variance	24.04	46.65
Total	17845.36	10636.11

SCHEDULE 12**Significant Accounting Policies and Notes to Accounts****I. SIGNIFICANT ACCOUNTING POLICIES:****A. ACCOUNTING CONVENTION**

The Company follows the accrual method of accounting. The financial statements have been prepared in accordance with the historical cost convention (except so far as they relate to revaluation of fixed assets and providing for depreciation on revalued amounts) and accounting principles generally accepted in India.

The preparation of financial Statements requires the management to make estimates and assumptions in the reported amounts of assets and liabilities (including current liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements as prudent and reasonable. Future results could differ from these estimates.

B. INFLATION

Assets and liabilities are recorded at historical cost to the Company (except so far as they relate to revaluation of fixed assets and providing for depreciation on revalued amounts).

C. REVENUE RECOGNITION

(C.1) Sales are recognized based on passage of title to goods which generally coincides with dispatch. Revenue from export sales are recognized on shipment basis. Sales are stated inclusive of excise duty and net of returns & Sales Tax/VAT.

(C.2) Revenue from job work services is recognized based on the services rendered in accordance with the terms of contracts.

D. VALUATION OF INVENTORY

(D.1) The stock of Raw Materials and finished goods have been valued at the lower of cost and net realizable value. The cost has been measured on weighted average cost basis and includes cost of materials and cost of conversion.

(D.2) All other inventories of stores and consumables are valued at cost. Cost is measured on weighted average cost basis. Excise duty wherever applicable is provided on finished goods lying within the factory.

E. FIXED ASSETS & DEPRECIATION

(E.1) Fixed assets are stated at their original cost of acquisition/revalued cost wherever applicable less accumulated depreciation. Cost comprises of all costs incurred to bring the assets to their location and working condition.

(E.2) Depreciation on Revalued Fixed Assets is calculated on Straight Line Method based on their expected life as determined by the valuers or lives as determined on Straight Line Method as per Schedule XIV to the Companies Act, 1956 whichever is lower.

(E.3) Depreciation on additions other than vehicles and few other assets is calculated on Straight Line Method as per Schedule XIV to the Companies Act, 1956. Depreciation of vehicles and few other assets is calculated on Written Down Value Method as per Schedule XIV to the Companies Act, 1956.

(E.4) Difference between depreciation calculated on revalued cost and historical cost of assets is withdrawn from capital reserve.

(E.5) Individual assets costing less than Rs. 5,000/- have been fully depreciated in the year of purchases.

F. IMPAIRMENT OF ASSETS

An Asset is treated as impaired when the carrying cost of an asset exceeds its recoverable value. An impairment loss is charged to Profit & Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimates of recoverable value.

G. INVESTMENTS

Long Term investments are stated at cost/book value. Fall in the value, other than temporary, has been charged to Profit & Loss Account.

H. FOREIGN CURRENCY TRANSACTIONS

(H.1) Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.

(H.2) Monetary items denominated in foreign currencies at the year end are restated at year end rates.

(H.3) Non monetary foreign currency items are carried at cost / book value

(H.4) Any income or expense on account of exchange difference either on settlement or on translation is recognised in the profit and loss account.

I. EMPLOYEE BENEFITS

(I.1) The Company has Defined Contribution Plans for post employment benefits namely (a) Superannuation Fund which is administered through trustees and (b) Provident Fund which is administered through trust and / or to the Government. The Company's contributions thereto are charged to revenue every year. The Company's Contribution to State Plans namely Employee's State Insurance Fund and Employee's Pension Scheme are charged to revenue every year.

(I.2) The Company has Defined Benefit Plans namely leave encashment / compensated absences and Gratuity for all the employees, the liability for which is determined on the basis of an actuarial valuation at the year end and incremental liability, if any, is provided for in the books. Gratuity scheme is unfunded.

(I.3) Actuarial Gains and Losses comprise of experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Profit and Loss Account as income or expense.

J. TAXES ON INCOME

(J.1) Tax expense consists of both current as well as deferred tax liability. Current tax represents amount of income tax payable in respect of taxable income for the year.

(J.2) Deferred tax is recognized on timing difference between the accounting income and the taxable income for the year that originates in one period and are capable of reversal in one or more subsequent periods. Such deferred tax is quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

(J.3) Deferred tax asset is recognised and carried forward to the extent that there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

(J.4) Fringe Benefits Tax (FBT) payable under the provisions of Section 115 WC of the Income Tax Act, 1961 is in accordance with the Guidance Note on Accounting for Fringe Benefits Tax issued by the ICAI and treated as an additional income tax and considered in determination of the profit / loss for the year.

K. EARNING PER SHARE

The company reports basic and diluted Earnings Per Share (EPS) in accordance with Accounting Standard 20 on Earnings Per Share. Basic EPS is computed by dividing the net profit or loss for the year by the weighted average number of Equity shares outstanding during the year.

II. NOTES TO ACCOUNTS

1. Figures for the previous year have been re-grouped as necessary and are shown below those of current year or in brackets in the 'Notes'.
2. 941,975 Ordinary Shares of Rs. 10 each fully paid of ORG Informatics Limited and 35,000 Ordinary Shares of Rs.1,000, each Rs. 100 paid up of Synbiotics Limited have been pledged for bill discounting facilities and 3,00,000 shares of Rs. 10 each fully

paid of ORG Informatics Ltd are pledged with a bank on behalf of another company.

3. (a) Transfer of Rs.38.93 lakh (Rs. 75.80 lakh) from Capital Reserve to Profit and Loss Account represents the difference between depreciation charged on "revalued amount" of assets and depreciation calculated on "historical cost" of assets.
- (b) Further a sum of Rs. 752.00 Lakhs has been transferred to general reserve from capital reserve on account balance of Revaluation Surplus in respect of assets sold / otherwise disposed off during the year.

4. Remuneration to Directors

	2008-09 Rs. Lakh	2007-08 Rs. Lakh
Salary	49.92	46.20
Contribution to Provident Fund and Superannuation Fund	5.29	4.34
Benefits including perquisites	7.05	3.58
	62.26	54.12
Sitting fees	1.98	1.04
	64.24	55.16

5. Hon'ble Supreme Court has allowed Company's Civil Appeals against the judgment and order of the Division Bench of Gujarat High Court vide which Division Bench by its order had set aside the order of the Single Judge sanctioning Scheme of Arrangement relating to Company's erstwhile Swastik Division and Electronics Division. While allowing the appeals, Hon'ble Supreme Court has directed that Company shall execute a guarantee favouring the Central Bank of India and Bank of Baroda in respect of their dues in the suit filed by them which is pending before the Debts Recovery Tribunal. Company has accordingly given the guarantee. BIFR passed an order for winding up of Swastik Surfactants Limited (SSL) since the Revival Scheme had failed. However, SSL appealed this order in AAIFR, which has remanded the case to BIFR with a directive to reconsider possibility of reviving SSL.

In all the earlier Revival Schemes, SSL had acknowledged liabilities of banks as well as liabilities towards ASE. In view of this, ASE had approached BIFR and AAIFR to be imp leaded in the matter, which has been allowed by AAIFR.

6. Uncalled liability in respect of party paid shares held as investments Rs. 90 Lakhs.
7. No provision is considered necessary for following contingent liabilities:

	2008-09 Rs. Lakh	2007-08 Rs. Lakh
(i) Customs and Excise Income Tax	2.44	57.34
Sales Tax	173.17	173.17
Octroi	9.20	654.29
	-	7.60
(ii) Claims not acknowledged as debt	1554.65	704.81
(iii) Claims by Government for payment into DPEA	716.09	814.81
(iv) Guarantee given by banks on behalf of the company	304.54	279.88

8. Contracts on Capital Account remaining to be executed amount to Rs.10.35 Lakh (Rs. 33.22 lakh).

9. 'Sales and Services' comprise of Sales Rs. 6092.93 lakh (Rs. 5433.60 lakh) and recovery of share in cost of various utilities, expenses, etc. Rs. 367.47 lakh (Rs. 749.71 lakh).

10. Miscellaneous expenses include fees to Auditors for other services of Rs.4.44 lakh (Rs. 5.22 lakh) and reimbursement of out of pocket expenses of Rs.1.38 lakh (Rs.0.96 lakh).

11. Deferred Tax

In terms of the provisions of the Accounting Standard – 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, there is a net deferred tax asset on account of accumulated business losses and unabsorbed depreciation.

In compliance with provisions of Accounting Standard and based on General Prudence, the Company has not recognized the deferred tax asset nor written back excess deferred tax liability, while preparing the accounts of the year under review.

12. Employee benefits AS-15(Revised)

- (i) Define benefit Plans – As per Actuarial Valuation as on 31.03.09

Sr. No.	Particulars	Rs. Lakh	
		31.03.2009	31.3.2008
1	Expense recognized in the Statement of Profit & Loss Account for the year ended		
1.	Current Service Cost	68.58	76.67
2.	Interest Cost	109.12	161.12
3.	Expected Return on Plan Assets		
4.	Past Service Cost (Non Vested Benefit) Recognized		
5.	Past Service Cost (Vested Benefit) Recognized		
6.	Actuarial (Gain) / Loss	242.56	(74.59)
7.	Total Expenses	420.26	163.20

II	Amount recognized in the Balance Sheet as on	31.03.2009	31.03.2008
1.	Liability at the end of the year	1104.74	1906.50
2.	Fair Value of Plan Assets		
3.	Amount recognized in the Balance sheet under "Provision for Gratuity"	(1104.74)	(1906.50)
III	Change in Obligation during the year ended	31.03.2009	31.03.2008
1.	Liability at the beginning of the year	1906.50	2131.45
2.	Interest Cost	109.11	161.12
3.	Current Service Cost	68.58	76.67
4.	Benefit Paid	(1222.02)	(388.15)
5.	Actuarial (Gain)/ Loss on obligation	242.56	74.59
6.	Liability at the end of the year	1104.74	1906.50
IV	Change in Fair value of Plan Assets during the year ended	31.03.2009	31.03.2008
1.	Fair Value of Plan Assets at the beginning of the year		
2.	Expected Return on Plan Assets		
3.	Contribution by Employer	1222.02	388.15
4.	Actual Benefit Paid	(1222.02)	(388.15)
5.	Actuarial gain / (loss) on Plan Assets		
6.	Fair Value of Plan Assets at the end of the year		
7.	Actuarial Gain/(Loss) to be recognized	(242.56)	74.59
V	Balance Sheet Reconciliation	31.03.2009	31.03.2008
1.	Opening Net Liability	1906.50	2131.45
2.	Expenses Recognised in Profit & Loss Account	420.26	163.20
3.	Employer's Contribution	(1222.02)	(388.15)
4.	Amount Recognised in Balance Sheet	1104.74	1906.50

(II) Actuarial Assumptions:

1.	Discount Rate:	8%	8%
2.	Salary Growth Rate:	4%	4%

13. Extra ordinary income denotes profit on sale of fixed assets and extra ordinary expenses is in relation to VRS Compensation.

14. Segment Reporting Rs. Lakh

Particulars	2008-09	2007-08
Segment Revenue		
a) Pharmaceuticals	2688.34	3261.10
b) Electronics	3562.61	2922.21
Total Sales	6250.95	6183.31
Less: Inter Segment Revenue		
Net Sales	6250.95	6183.31

Segment Results		Rs. Lakh	
Segment Result before Interest & Finance Cost			
a)	Pharmaceuticals	(11790.96)	(4942.86)
b)	Electronics	(7.21)	291.97
Total Segment Results		(11798.17)	(4650.89)
Less: Interest & Finance Cost		1120.06	5054.36
Profit/(Loss) from Ordinary Activities		(12918.23)	(9705.25)
Extra Ordinary Items (Net)		14722.05	9319.72
Profit/(Loss) before tax		1803.82	385.53
Other Information			
Segment Assets			
a)	Pharmaceuticals	10403.91	19949.66
b)	Electronics	2626.11	2664.53
c)	Unallocable	4109.75	5278.20
Total Assets		17139.77	27892.39
Segment Liabilities			
a)	Pharmaceuticals	10388.55	19108.44
b)	Electronics	554.50	353.91
c)	Unallocable		
Total Liabilities		10943.05	19462.35
Segment Depreciation			
a)	Pharmaceuticals	176.73	172.26
b)	Electronics	27.03	25.83
c)	Unallocable		
Total Depreciation		203.76	198.09
Capital Expenditure			
a)	Pharmaceuticals	21.18	31.67
b)	Electronics	19.36	24.43
c)	Unallocable		
Total Capital Expenditure		40.54	56.10
Non Cash Expense other than Depreciation			
a)	Pharmaceuticals	8000.65	4.72
b)	Electronics	185.83	6.05
c)	Unallocable		
Total Non cash expenses other than Depreciation		8186.48	10.77
(B) Secondary Segment (Geographical by customers)			
Particulars		2008-09	2007-08
Segment Revenue			
a)	In India	6062.79	6030.07
b)	Out side India	188.16	153.24
Total Sales		6250.95	6183.31
Carrying Cost of Assets by location of assets			
a)	In India	17139.77	27892.39
b)	Out side India		
Total		17139.77	27892.39
Addition to assets			
a)	In India	40.54	56.10
b)	Out side India		
Total		40.54	56.10

Notes :

- The Company has disclosed business segments as the primary segment.
Segments have been identified taking into account the nature of the products, differential risks and returns, the Organizational structure and internal reporting system. The Company's operation predominantly relate to manufacturing of Drugs, Formulation, Electronics Instruments & Services.
- Types of Products and Services in each business segment:
Pharmaceuticals : Drugs, Formulations
Electronics : Electronics Instruments and Services
- Inter-segment Revenues are recognized at sales price.

15. Related Party Disclosures:

Particulars of Subsidiary Companies:

Name of the related party	Nature of relationship
Synbiotics Limited	Subsidiary Company
Haryana Containers Limited	Subsidiary Company
Asence Inc. USA	Subsidiary Company
Asence Pharma Pvt. Ltd.	Sub. of Sub. Company
Mautik Exim Limited	Subsidiary Company
Systronics (I) Ltd	Subsidiary Company
Suvik Hitek Pvt. Ltd	Subsidiary Company
Vovanties Lab. Pvt. Ltd	Subsidiary Company

Key Management Personnel:

Name of the related party	Nature of relationship
Mr. Kartikeya V. Sarabhai	Chairman
Mr. K Mohandas	Whole time Director
Mr. A.H. Parekh	Whole time Director
Mr. L Ramaswamy	Whole time Director

Note:

Related party relationship is as identified by the Company and relied upon by the Auditors.

Transactions with Subsidiary Companies and Key Management Personnel:

Particulars	Subsidiary Companies	Key Management Personnel
Purchase of Goods/ Services	23.20	-
	(84.55)	-
Processing etc.	3.12	-
	(3.12)	-
Recovery of Salaries etc. of seconded employees	-	-
	(17.30)	-
Sale of goods	11.57	-
	(60.30)	-
Recovery of share in cost of various utilities and expenses etc.	45.61	-
	(136.37)	-
Remuneration to key management personnel	-	62.26
	-	(54.12)
Purchase of fixed assets	-	-
	(2.08)	-
Receivable in respect of Current Assets	547.05	-
	(-)	-
Payable in respect of Current Liabilities	207.15	-
	(946.31)	-

- Sundry Debtors, Sundry Creditors and Loans and Advances include certain accounts which are subject to confirmation/reconciliation and consequential adjustments if any, the effect of which is not ascertainable.

17. Earning Per Share

Particulars		2008-09	2007-08
Profit / (Loss) available to Equity Shareholder before Extra Ordinary Item	Rs. in Lakh	(13321.09)	(9293.97)
Profit / (Loss) available to Equity Shareholder after Extra Ordinary Item	Rs. in Lakh	1085.14	(754.19)
Weighted average no. of Equity Shares for Basic and Diluted EPS	Nos.	76633296	76633296
Nominal value of Equity Shares	Rs.	10	10
Basic and Diluted Earning per Equity Share before Extra Ordinary Item	Rs.	(17.38)	(12.13)
Basic and Diluted Earning per Equity Share after Extra Ordinary Item	Rs.	1.42	(0.98)

(Rs.in Lakh)

(A)	2008-09	2007-08
Reconciliation of the profit/(loss) for the year, used for calculating Earning per Share		
Profit / (Loss) for the year before Extra Ordinary Items	(13321.09)	(9293.97)
Net Extra Ordinary Income	14406.23	8539.78
Profit / (Loss) available to Equity Shareholder after Extra Ordinary Items	1085.14	(754.19)

- Small and Small and Medium Enterprises Dues
The Company has not received any intimation from "Suppliers" regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 (the Act) and hence disclosures, regarding:

- Amount due and outstanding to suppliers as at the end of accounting year,
- Interest paid during the year
- Interest payable at the end of the accounting year
- Interest accrued and unpaid at the end of the accounting year, has not been provided.

The Company is making efforts to get the confirmation from the suppliers as regards their status under the Act.

19. Information pursuant to schedule VI OF COMPANIES Act 1956 in respect of goods manufactured

A. Class of goods manufactured

	Unit	Licensed capacity	Installed capacity (Note 4)	Opening stock Qty.	Production Qty. (Note 1)	Closing Stock Qty.	Turnover Qty. (Note 2)	Rs. Lakh
I. Drug and Pharmaceuticals:								
a) Bulk Drugs and Intermediates								
1. Vitamin C	MT	1000 (1000.00)	600 (600)	2.60 (1.90)	0.00 (131.80)	2.30 (2.60)	0.30 (131.10)	0.91 (591.61)
2. Ascorbic Acid Food Grade	MT	— —	— —	— —	— (12.20)	— —	— (12.20)	— (87.72)
3. Others	MT	— (52.22)	— (47.22)	— —	— —	— —	— —	— —
b) Formulations:								
1. Injectables:	M.Vials	— —	— (232.00)	0.01 (0.40)	4.186 (4.31)	0.174 (0.01)	4.012 (4.46)	242.70 (335.89)
2. Liquid	KL	— —	— (4200.00)	0.13 (1.56)	— —	0.13 (0.13)	— (0.39)	— (0.75)
3. Ointment s	MT	— —	— (84.80)	— (0.99)	0.06 (14.36)	— (0.06)	— (15.19)	— (154.77)
4. Powders	MT	— —	— (216.00)	2.35 (1.92)	0.44 (3.42)	— (2.35)	2.79 (2.56)	2.24 (7.03)
5. Tablet and Capsules	M.Nos	— —	— (4231.60)	1.20 (2.29)	13.25** (41.86)	— (1.20)	12.81 (45.83)	151.45 (296.99)
II. Electronics								
1. Oscilloscopes	Pieces	1500 (1500)	1500 (1500)	60 (83)	44 (66)	16 (60)	44 (72)	7.64 (12.97)
2. Test Instruments	Pieces	1500 (1500)	1500 (1500)	140 (130)	469 (517)	89 (140)	483 (487)	35.40 (39.03)
3. Textile Analytical Instruments	Pieces	6000 (6000)	6000 (6000)	602 (515)	4647 (5253)	555 (602)	4651 (5111)	1220.64 (1332.05)
III. Others								
								20.12 (66.45)
								1681.10 (2925.26)

1. Includes production for captive consumption.

**Including purchases of 0.814 M. Nos.

2. Includes free samples.

3. In terms of Press Note No.4 (1994) dated October 25, 1994 issued by the Department of Industrial Development, Ministry, Government of India, and Notification no. S.O.137 (E) dated March 1, 1999 issued by the Department of Industrial Policy and Promotion, Ministry of Industry, Government of India, Industrial licencing has been abolished in respect of Bulk Drugs and Formulation.

4. Installed capacity is as certified by management except manufacturing of Formulation at Baroda Factory which is discontinued on account of Sale/discarding of plant and machinery during 2008-09, hence installed capacity for Formulation activity is not mentioned.

B. Class of goods Traded

	Unit	Opening Stock		Purchases		Closing Stock		Turnover	
		Qty.	Rs. Lakh	Qty.	Rs. Lakh	Qty.	Rs. Lakh	Qty.	Rs. Lakh
I. Drug and Pharmaceutical									
a) Formulations									
1. Injectables	Th.Nos	12.00 (22.02)	1.00 (73.13)	2479.59 (7993.69)	164.53 (362.25)	5.940 (12.00)	6.80 (1.00)	2485.65 (8003.71)	168.61 (417.03)
2. Liquid	KL	—	—	499.23 (265.62)	874.08 (276.50)	—	—	499.23 (265.62)	921.75 (290.89)
3. Ointments	MT	0.05 (0.05)	— (0.45)	— (7.60)	— (23.30)	— (0.05)	—	0.05 (7.60)	— (24.52)
4. Powders	MT	0.09 (0.09)	— (0.12)	44.43 (43.83)	110.05 (96.40)	— (0.09)	—	44.51 (43.83)	116.05 (101.44)
5. Tablets and Capsules	Th. Nos	2118.00 (3597.00)	7.55 (35.71)	59459.10 (221160.07)	1096.65 (751.82)	74.00 (2118.00)	1.00 (7.55)	62077.05 (222639.07)	1207.78 (908.84)
II. Electronics									
Video Equipment	Nos.	35.00 (18.00)	20.21 (3.88)	431.00 (319.00)	607.39 (418.13)	23.00 (35.00)	18.86 (20.21)	443.00 (302.00)	691.26 (475.27)
III. Others									
					1133.20 (681.30)				1306.38 (790.39)
					3985.90 (2609.70)				4411.83 (3008.38)

C. Raw Materials Consumed. @

	Unit	2008-09		2007-08	
		Quantity	Rs.Lakh	Quantity	Rs.Lakh
Antibiotics	MT	4	19.69	1.25	8.93
Board and Paper	MT	7.29	1.31	17.00	3.07
Chemicals	MT	-	-	227.92	48.58
Chemotherapeutic Agents	MT	1	205.50	599.38	405.27
Drugs Intermediates	MT	-	-	10.19	128.30
Gelatine Capsules	TH	3726	2.00	3707.00	2.27
Sugar	MT	0.36	0.07	4.66	0.96
Vitamins	MT	-	-	0.74	3.66
Others			422.91		661.24
Packing Materials			117.00		145.48
			768.48		1407.76

@ Includes captive consumption.

D. Consumption of Raw and Process Materials and Stores and Spares:

	2008-09		2007-08	
	Rs. Lakh	%	Rs. Lakh	%
Raw and Process Materials				
Imported	324.81	42.27	265.46	18.86
Indigenous	443.67	57.73	1142.30	81.14
	<u>768.48</u>	<u>100.00</u>	<u>1407.76</u>	<u>100.00</u>
Stores and Spares				
Imported	-	-	-	-
Indigenous	-	-	85.38	100.00
	<u>-</u>	<u>-</u>	<u>85.38</u>	<u>100.00</u>

E. CIF Value of Imports:

	2008-09	2007-08
	Rs. Lakh	Rs. Lakh
Raw Materials	104.79	99.54
Components and Spares	216.08	177.57
Other Items	13.81	16.08

F. Expenditure in foreign currencies:

	2008-09	2007-08
	Rs. Lakh	Rs. Lakh
Travelling	9.48	13.29
Others	2.25	2.39

G. Earning in foreign currencies:

	2008-09	2007-08
	Rs. Lakh	Rs. Lakh
FOB Value of Exports	0.29	0.60
Commission	187.87	152.64

Signatures to Schedules 1 to 12

As per our Report attached

For Sorab S Engineer & Co.
Chartered Accountants
M.P. Antia
Partner
Membership No. 7825

Vadodara, 16-10-2009

Kartikeya V. Sarabhai
Chairman
V.C. Shah
Director
Ketan Adhvaryu
Company Secretary
Vadodara, 16-10-2009

Cash Flow Statement for the year ended 31.03.2009.

Particulars	2008-09 Rs. Lakh	2007-08 Rs. Lakh
A. Cash Flow from Operating Activities		
Net Profit / (Loss) after tax & extra-ordinary items	1085.14	(754.19)
Less:		
Provision for Taxation	718.68	18.76
Provision for Doubtful debts & Advances	8172.03	(2.51)
Interest / Dividend (Net)	1056.12	4926.89
Depreciation	203.76	198.09
	<u>10150.59</u>	<u>5141.23</u>
Add / Less		
Extra Ordinary Income	(14406.23)	(8539.78)
Loss on Sales of Investments	14.45	(50.96)
Loss on sale of fixed assets	89.25	29.81
	<u>(4151.94)</u>	<u>(8560.93)</u>
Operating profit / (Loss) before working capital changes	<u>(3066.80)</u>	<u>(4173.89)</u>
Adjustments for:		
Trade and other receivables	180.14	(538.39)
Inventories	292.88	177.41
Trade Payables	(8371.62)	1413.56
Cash generated from Operations	(10965.40)	(3121.31)
Direct taxes paid	(203.96)	(36.17)
Cash Inflow / (Outflow) in the Course of Operating Activities	<u>(11169.36)</u>	<u>(3157.48)</u>
B. Cash Flow from Investing Activities		
Sale of fixed assets	1406.51	365.02
Sale of Investments	-	2754.90
Dividend received	-	0.04
Interest received	63.94	127.43
Extra-ordinary Income	14406.23	8539.78
	<u>15876.68</u>	<u>11787.17</u>
Purchase of Fixed Assets	(83.94)	(68.13)
Purchase of Investments	(12.00)	-
	<u>(95.94)</u>	<u>(68.13)</u>
Net Cash Flow in Investing Activities	<u>15780.74</u>	<u>11719.04</u>
C. Cash Flow from Financing Activities		
Interest paid	(1298.16)	(4906.57)
Repayment of borrowings	(3249.11)	(3270.58)
Net Cash Flow in Financing Activities	<u>(4547.27)</u>	<u>(8177.15)</u>
Net Increase / (Decrease) in Cash & Cash equivalents	64.11	384.41
Cash & Cash equivalents at the beginning of the year	1067.83	683.42
Cash & Cash equivalents at the end of the year	<u>1131.94</u>	<u>1067.83</u>

Note:(1) Figures of the previous year have been regrouped as necessary. (2) All figures in brackets are outflow.

As per our Report attached
For Sorab S. Engineer & Co.
Chartered Accountants

M.P. Antia
Partner
Membership No. 7825

Vadodara, 16-10-2009

Kartikeya V. Sarabhai
Chairman

V.C. Shah
Director
Ketan Advharyu
Company Secretary
Vadodara, 16-10-2009

Additional Information pursuant to Part IV of Schedule VI to Companies Act, 1956**Balance Sheet Abstract and Company's General Business Profile**

1. Registration Details	
Registration No.	3159
State Code	05
Balance Sheet Date	31.03.2009

2. Capital raised during the year (Amount in Rs. Thousands)	
Public Issue	NIL
Right Issue	NIL
Bonus Issue	NIL
Private placement	-

3. Position of Mobilisation and Deployment of funds (Amount in Rs. Thousand)	
Total Liabilities	Rs. 2102232
Total Assets	Rs. 2102232

Sources of Funds	
Paid-up Capital	Rs. 766333
Reserves and Surplus	Rs. 191096
Secured Loans	Rs. 41638
Unsecured Loans	Rs. 8860
Net Current Liabilities	Rs. 478793

Application of Funds	
Net Fixed Assets	Rs. 687490
Investments	Rs. 410975
Accumulated Losses	Rs. 388255

4. Performance of Company (Amount in Rs. Thousands)	
Turnover	Rs. 625095
Total Expenditure	Rs. 1916918
Profit / (Loss) Before Tax	Rs. 180382
Profit / (Loss) After Tax	Rs. 108514
Earning per share (Rs.)	Rs. 1.42
Dividend Rates (%)	Rs. NIL

5. Generic name of Principal Products/Services of the Company (as per monetary terms)	
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Item Code No. (ITC Code)	29225090
Product Description	Tramadol Hcl Capsules, Injectins, Tablets etc.

Kartikeya V. Sarabhai
Chairman

V.C. Shah
Director
Ketan Advharyu
Company Secretary

Vadodara, 16-10-2009

Statement pursuant to Section 212 of the Companies Act, 1956

Name of Subsidiary	Haryana Containers Limited	Synbiotics Limited	Asence Inc USA	Mautik Exim Limited	Asence Pharma Pvt. Ltd.	Vovantis Lab. Pvt. Ltd.	Systronics (India) Ltd.	Suvik Hitek Pvt. Ltd.
Financial year of the subsidiary ended on	31.03.09	31.03.09	31.12.08	31.03.09	31.03.09	31.03.09	31.03.09	31.03.09
Percentage of Ordinary share capital of the subsidiary held by the holding company at the above date	100%	100%	100%	100%	100%	100%	100%	100%
The net aggregate amount of Profits/(Losses) of the subsidiary so far as they concern the members of Ambalal Sarabhai Enterprises Limited:								
(i) Dealt with in the accounts of Ambalal Sarabhai Enterprises Limited for the subsidiary's financial year and the previous financial years Rs. Lakh	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(ii) Not dealt with in the accounts of Ambalal Sarabhai Enterprises Limited:								
(a) For the subsidiary's financial year Rs. Lakh	(0.12)	(376.88)	(13.66)	(0.11)	144.44	Nil	(29.36)	(121.06)
(b) For the previous financial year(s) of the subsidiary since it became subsidiary of the Company Rs. Lakh	(1.68)	585.63	102.44	(0.91)	89.71	Nil	Nil	Nil
Change in the interest of Ambalal Sarabhai Enterprises Limited in the subsidiary between end of financial year of subsidiary and that of Ambalal Sarabhai Enterprises Limited	NA	NA	NA	NA	NA	NA	NA	NA
Material changes between the end of the financial year of subsidiary and that of Ambalal Sarabhai Enterprises Limited in respect of subsidiary's fixed assets, investments, lending and borrowing for any purpose other than meeting current liabilities	NA	NA	NA	NA	NA	NA	NA	NA

Kartikeya V. Sarabhai
Chairman

V.C. Shah
Director

Ketan Adhvaryu
Company Secretary

Vadodara, 16-10-2009

Auditors' Report on the Consolidated financial statements

TO THE BOARD OF DIRECTORS OF AMBALAL SARABHAI ENTERPRISES LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AMBALAL SARABHAI ENTERPRISES LIMITED AND ITS SUBSIDIARIES.

1. We have examined the attached Consolidated Balance Sheet of Ambalal Sarabhai Enterprises Limited and its subsidiaries ("ASE Group") as at 31st March 2009, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow Statement for the year then ended.
2. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of two Subsidiaries whose financial statements reflect (before giving effect to the consolidation adjustments) total Assets of Rs.255.23 lakh as at 31st March 2009 and total Revenue of Rs. Nil lakh for the year then ended. These Financial Statements have been audited by other auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amount included in respect of these subsidiaries, is based solely on the report of the other auditors.
4. Financial Statements of a foreign subsidiary in USA have been compiled and certified by Mark R Weksler & Company, Certified Public Accountant for the year ended 31st December 2008. This report has been furnished to us. They have reported that, "We have not audited or reviewed the accompanying financial statements and accordingly, do not express an opinion or any other

form of assurance on them." We are informed that audit is not necessary under the USA law considering the size of the Company. These financial statements reflect total assets of Rs. 171.17 lakh as at 31st December 2008 and total revenue of Rs. 250.74 lakh for the year ended on that date.

5. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, 'Consolidated Financial Statements' with reference to note mentioned in para 4 above and on the basis of the separate audited financial statements of the ASE Group included in the consolidated financial statements.
6. On the basis of information and explanations given to us, and on the consideration of the separate audit reports on individual audited financial statements of the ASE Group and subject to :
 - i) Adjustment in parent company in 1992-93 of debit balance in Profit and Loss Account amounting to Rs. 2519.31 lakh against revaluation reserve which was not in accordance with the accounting practice recommended by the Institute of Chartered Accountants of India.
 - ii) The Company has not considered impairment of Goodwill, as per Accounting Standard AS - 26, "Impairment of Assets" Amount unascertained
 - iii) Due to uncertainties regarding the amounts in respect of the above point we are unable to opine on the effect of the same on the profit for the year.

we are of the opinion that :

- (a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of the ASE Group as at 31st March, 2009;
- (b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated profit of the ASE Group for the year then ended and
- (c) the Consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flows of the ASE Group for the year then ended.

For Sorab S Engineer & Co.
Chartered Accountants

M.P. Antia
Partner

Vadodara
October 16, 2009

Membership No. 7825

**Consolidated Balance Sheet
as at 31st March, 2009**

	Schedule	As at 31-3-09 Rs. Lakh	As at 31-3-08 Rs. Lakh
SHARE CAPITAL AND LIABILITIES			
Share Capital	1	7663.33	7663.33
Reserves and Surplus	2	1911.09	2701.89
Secured Loans	3	639.31	1270.49
Unsecured Loans	4	244.64	2572.62
Current Liabilities and Provisions	5	12881.46	19472.22
Deferred Tax Liability		5.76	4.10
Total		23345.59	33684.65
ASSETS			
Fixed Assets (Net Block)	6	10996.04	11163.60
Investments	7	242.91	256.88
Current Assets, Loans and Advances	8	8629.46	17319.61
Miscellaneous Expenditure	9	0.04	0.06
Profit and Loss Account	10	3477.14	4944.50
Total		23345.59	33684.65
Significant Accounting Policies and Notes to Accounts	13		

As per our Report attached

For Sorab S Engineer & Co.
Chartered Accountants
M.P. Antia
Partner
Membership No. 7825

Vadodara, 16-10-2009

Kartikeya V. Sarabhai
Chairman
V.C. Shah
Director
Ketan Adhvaryu
Company Secretary
Vadodara, 16-10-2009

**Consolidated Profit & Loss Account
for the year ended 31st March, 2009**

	Schedule	2008-09 Rs. Lakh	2007-08 Rs. Lakh
Sales and Services		8656.54	8151.49
Less: Excise Duty		237.94	529.03
		<u>8418.60</u>	<u>7622.46</u>
Other Income	11	445.66	525.63
INCOME		<u>8864.26</u>	<u>8148.09</u>
Cost of Sales and Services	12	20262.08	12611.11
EXPENDITURE		<u>20262.08</u>	<u>12611.11</u>
Gross Margin / (Loss)		<u>(11397.82)</u>	<u>(4463.02)</u>
Interest			
- Term Loan		224.21	741.45
- Others		930.59	4321.49
		<u>1154.80</u>	<u>5062.94</u>
Depreciation		<u>262.24</u>	<u>284.93</u>
Less: Transfer from Capital Reserve		38.93	75.80
		<u>223.31</u>	<u>209.13</u>
Operating Profit / (Loss) before extraordinary Income / Expenditure		<u>(12775.93)</u>	<u>(9735.09)</u>
Extraordinary Expenses (Refer Note No. 11)		2972.16	350.00
Extraordinary Income (Refer Note No. 11)		17469.08	11405.36
Extraordinary Income net of Expenditure		<u>14496.92</u>	<u>11055.36</u>
Net Profit / (Loss) before taxation		<u>1720.99</u>	<u>1320.27</u>
Short provision of Taxation Earlier year		250.55	-
Current Tax		732.28	35.00
Fringe Benefit Tax		22.63	21.72
Deferred Tax		0.56	2.99
Net Profit / (Loss) after taxation		<u>714.97</u>	<u>1260.56</u>
Add : Transfer from Capital Reserve		-	349.90
		<u>714.97</u>	<u>1610.46</u>
Balance as per last year Balance Sheet		<u>(9097.99)</u>	<u>(10708.45)</u>
Balance carried to Balance Sheet		<u>(8383.02)</u>	<u>(9097.99)</u>
Earning Per Share (Refer Note No. 15)			
Face Value of Rs. 10/- per Equity Share			
Basic / Diluted before Extra-ordinary item [in Rs.]		(17.98)	(12.78)
Basic / Diluted after Extra-ordinary item [in Rs.]		0.93	1.64

Significant Accounting Policies and Notes to Accounts

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As per our Report attached

For Sorab S Engineer & Co.

Chartered Accountants

M.P. Antia

Partner

Membership No. 7825

Vadodara, 16-10-2009

Kartikeya V. Sarabhai

Chairman

V.C. Shah

Director

Ketan Adhvaryu

Company Secretary

Vadodara, 16-10-2009

SHARE CAPITAL	SCHEDULE 1	
	As at 31-3-09 Rs. Lakh	As at 31-3-08 Rs. Lakh
Authorised Capital		
9,50,00,000 Equity Shares of Rs. 10 each (Previous year 9,50,00,000 Equity shares)	<u>9500.00</u>	<u>9500.00</u>
Issued, Subscribed and Paid-up Capital		
7,66,33,296 Equity Shares of Rs. 10 each fully paid	<u>7663.33</u>	<u>7663.33</u>
Total	<u>7663.33</u>	<u>7663.33</u>

Of the above shares:

31,36,504 Shares were issued and allotted as fully paid-up bonus shares by capitalisation of reserves.

RESERVES & SURPLUS	SCHEDULE 2	
	As at 31-3-09 Rs. Lakh	As at 31-3-08 Rs. Lakh
Capital Reserves		
Balance as per last Balance sheet	<u>1640.97</u>	<u>2066.67</u>
Add: Adjustment on Consolidation	<u>0.13</u>	-
Less: Transferred to General Reserve	<u>752.00</u>	-
Less: Transferred to Profit & Loss Account	<u>38.93</u>	<u>425.70</u>
	<u>850.17</u>	<u>1640.97</u>
Share Premium Account		
Balance as per last Balance sheet	<u>1060.92</u>	<u>1060.92</u>

General Reserve		
Balance as per last Balance Sheet	<u>4153.49</u>	<u>4153.49</u>
Add: Adjustment on Consolidation	<u>0.39</u>	-
Add: Transferred from Capital Reserve	<u>752.00</u>	-
	<u>4905.88</u>	<u>4153.49</u>
Less: Debit balance in Profit and Loss account adjusted	<u>4905.88</u>	<u>4153.49</u>
Total	<u>1911.09</u>	<u>2701.89</u>

SECURED LOANS	SCHEDULE 3	
	As at 31-3-09 Rs. Lakh	As at 31-3-08 Rs. Lakh
Bonds		
15% Secured Redeemable Non-Convertible Bonds of Rs. 100 each	-	7.77
10.5% Secured Redeemable Non-Convertible Bonds of Rs. 100 each	-	1.47
	-	9.24
Interest accrued and due	-	30.42
	-	39.66

SECURED LOANS (Contd.)	SCHEDULE 3	
Loans from Banks		
Cash Credit (1)	<u>113.55</u>	<u>835.23</u>
Overdraft Secured by Pledge of FDRs	-	25.00
Term Loan (2)	<u>117.71</u>	<u>21.56</u>
	<u>231.26</u>	<u>881.79</u>
Loans from Others including interest accrued and due (3)	<u>408.05</u>	<u>349.04</u>
Total	<u>639.31</u>	<u>1270.49</u>

Notes

1. Secured by hypothecation of tangible movable assets such as stocks, stores and book debts and also secured by second charge on the fixed assets of the Company.
2. Secured by hypothecation of vehicles.
3. Secured by charge on one of the properties and pledge of 8,00,000 Equity shares of ORG Informatics Ltd.

UNSECURED LOANS	SCHEDULE 4	
	As at 31-3-09 Rs. Lakh	As at 31-3-08 Rs. Lakh
Short-term Loans		
- From Directors	<u>27.88</u>	-
- From Banks	-	16.04
- From Others	<u>199.63</u>	<u>2539.45</u>
Interest Accrued and Due	<u>17.13</u>	<u>17.13</u>
Total	<u>244.64</u>	<u>2572.62</u>

CURRENT LIABILITIES AND PROVISIONS	SCHEDULE 5	
	As at 31-3-09 Rs. Lakh	As at 31-3-08 Rs. Lakh
Current Liabilities		
Sundry Creditors:		
Due to Small and Medium undertakings	-	-
Due to Others	<u>11111.60</u>	<u>16909.89</u>
	<u>11111.60</u>	<u>16909.89</u>
Interest accrued but not due Liability towards Investor Education and Protection Fund under Section 205C of the Companies Act, 1956. Unclaimed matured Fixed Deposits	<u>6.63</u>	<u>154.31</u>
	<u>11118.23</u>	<u>17070.68</u>

Provisions		
Accrued Gratuity Liability	<u>1274.17</u>	<u>2051.40</u>
Accrued Leave Encashment Liability	<u>253.47</u>	<u>350.14</u>
Tax Provisions (Net of Advance Payment of Tax Rs. 4136.46 Lakhs)	<u>235.59</u>	-
	<u>1763.23</u>	<u>2401.54</u>
Total	<u>12881.46</u>	<u>19472.22</u>

FIXED ASSETS

SCHEDULE "6"

Rs. Lakh

	Gross Block at Cost / Revaluation					Depreciation					Net Block	
	As at 01-04-08	Adjustment on Consoli- dation	Additions during the year	Deduc- tions during the year	As at 31-03-09	As at 01-04-08	Adjust- ments on Consoli- dation	For the year	Adjust- ments	As at 31-03-09	As at 31-03-09	As at 31.03.08
Goodwill	4558.90	-	347.63	-	4906.53	-	-	-	-	-	4906.53	4558.90
Land	3413.71	-	42.64	1001.42	2454.93	-	-	-	-	-	2454.93	3413.71
Leasehold Land	32.93	-	-	-	32.93	-	-	-	-	-	32.93	32.93
Building	2687.38	102.87	3.93	1299.45	1494.73	1460.20	3.96	76.37	758.31	782.22	712.51	1227.18
Plant and Machinery	5625.44	56.02	21.96	1030.60	4672.82	3973.98	32.64	159.72	1015.16	3151.18	1521.64	1651.46
Furniture and Fixture	443.22	34.47	9.46	14.71	472.44	357.35	10.03	14.47	14.53	367.32	105.12	85.87
Vehicles	119.62	0.38	14.31	14.18	120.13	72.75	0.38	10.47	11.41	72.19	47.94	46.87
Library	0.10	-	-	-	0.10	0.09	-	-	-	0.09	0.01	0.01
Intangible Assets	-	-	5.00	-	5.00	-	-	1.21	-	1.21	3.79	-
Total	16881.30	193.74	444.93	3360.36	14159.61	5864.37	47.01	262.24	1799.41	4374.21	9785.40	11016.93
Capital work- in-progress	-	-	-	-	-	-	-	-	-	-	1210.64	146.67
Total	-	-	-	-	-	-	-	-	-	-	10996.04	11163.60
Previous Year	18084.66	-	88.33	1291.69	16881.30	6403.45	-	284.93	824.01	5864.37	11016.93	-

INVESTMENTS

SCHEDULE 7

(At Cost / Book value)

	As at 31-3-09 Rs. Lakh	As at 31-3-08 Rs. Lakh
1. Government Securities (Unquoted)	0.01	0.01
2. Trade Investments		
Equity - (Quoted)	205.49	205.49
Preference - (Unquoted)	-	14.45
Gold Coins	0.48	-
3. Other Investments (Unquoted)	36.93	36.93
	<u>242.91</u>	<u>256.88</u>
Aggregate of Quoted Investments:		
Cost	205.49	205.49
Market Value	132.31	613.33
Aggregate of Unquoted Investments	37.42	51.39

CURRENT ASSETS,
LOANS AND ADVANCES

SCHEDULE 8

	As at 31-3-09 Rs. Lakh	As at 31-3-08 Rs. Lakh
Inventories (As certified by the Management)		
Stores and Spares (at cost)	17.77	67.72
Stock-in-trade: Raw Materials and Packing materials (at lower of cost or net realizable value)	298.38	379.04

Stock-in-process (at cost)	250.15	309.67
Finished Goods (at lower of cost or Net Realizable value)	392.28	488.97
Good in transit (at cost)	-	171.67
	<u>958.58</u>	<u>1417.07</u>

Sundry Debtors (Unsecured)

Considered Good		
Over six months	712.53	1685.91
Others	2145.48	2056.24
	<u>2858.01</u>	<u>3742.15</u>

Considered Doubtful

Over six months	365.93	404.06
Less: Provision for doubtful debts	349.56	144.33
	<u>16.37</u>	<u>259.73</u>
	<u>2874.38</u>	<u>4001.88</u>

Cash and Bank Balances

Cash and Cheques on hand	68.02	42.47
Balance with Scheduled Banks in:		
Current Accounts	957.55	942.28
Margin Money Account	254.16	67.23
Fixed Deposits	399.85	281.03
Interest Accrued	-	1.45
	<u>1679.58</u>	<u>1334.46</u>

Loans and Advances

Unsecured and considered good

Amounts receivable under the Scheme of Arrangement from Swastik Surfactants Limited	-	1166.00
Amount receivable against sale of land	1100.00	-
Advances recoverable in cash or kind or for value to be received, including Rs. Nil (Previous year Rs. 2023.09 lakh from Swastik Surfactants Limited)	1967.58	8291.30

CURRENT ASSETS, LOANS AND ADVANCES (Contd.)**SCHEDULE 8**

	As at 31-3-09 Rs. Lakh	As at 31-3-08 Rs. Lakh
Unsecured and Considered Doubtful		
Advances recoverable in cash or kind or for value to be received	286.55	1230.14
Less: Provision for doubtful advances	286.55	709.65
		520.49
Balances with Customs, Port Trust etc.	49.34	31.84
Advances payments of Tax (net of provision previous year Rs. 2895.09 Lakh)	-	556.57
Total	3116.92	10566.20
	8629.46	17319.61

MISCELLANEOUS EXPENDITURE SCHEDULE 9

	As at 31-3-09 Rs. Lakh	As at 31-3-08 Rs. Lakh
Preliminary Expenses	0.04	0.06
	0.04	0.06

PROFIT AND LOSS ACCOUNT SCHEDULE 10

	As at 31-3-09 Rs. Lakh	As at 31-3-08 Rs. Lakh
Balance as per last years Balance Sheet	(9097.99)	(10708.45)
Profit / (Loss) for the year	714.97	1610.46
	(8383.02)	(9097.99)
Less: Adjusted against General Reserve	4905.88	4153.49
Balance carried to Balance sheet	(3477.14)	(4944.50)

OTHER INCOME SCHEDULE 11

	As at 31-3-09 Rs. Lakh	As at 31-3-08 Rs. Lakh
Miscellaneous Income	270.41	285.34
Dividend	-	0.04
Bank and Other Interest (1)	69.11	131.11
Sundry Balances Written Back (Net)	44.47	55.44
Royalty	9.82	2.74
Exchange Difference	51.85	-
Profit on Sale of Investment (Net)	-	50.96
	445.66	525.63
1. Tax Deducted at Source	12.99	16.17

COST OF SALES AND SERVICES SCHEDULE 12

	2008-09 Rs. Lakh	2007-08 Rs. Lakh
Raw and Process Materials consumed	807.16	996.55
Trading Products purchased	4926.45	3643.77
Salaries, Wages and Bonus	3692.53	3829.06
Contribution to Provident and other funds	185.12	244.84
Welfare Expenses	142.83	410.30
Remuneration to Directors	62.26	54.12
Stores and Spares	41.69	50.76
Power and Fuel	135.83	346.74
Repairs to Building	37.92	28.13
Repairs to Machinery	57.56	124.68
Factory Overheads	221.25	185.61
Selling Commission	204.01	246.72
Wholesalers'/Distributors' Discount	2.13	28.57
Selling Expenses	500.92	229.29
Sales Tax	651.76	-
Distribution Expenses	35.33	36.86
Travelling	215.13	200.74
Rent	82.76	47.90
Rates and Taxes	108.69	89.11
Miscellaneous Expenses	584.69	779.11
Liquidated Damages	123.64	758.47
Research and Development	4.56	13.52
Insurance	10.09	17.75
Legal Charges	124.78	183.24
Loss on sale of Investment	16.46	-
Investment written off	14.45	0.16
Loss/(Profit) on sale of Fixed Assets (Net)	89.25	29.81
Exchange difference (Net)	-	28.27
Audit Fees	6.89	6.54
Directors' Fees	1.98	1.05
Royalty	13.95	-
Miscellaneous Expenditure Written off	0.01	0.01
Excise Duty - Others	17.11	73.20
Bad Debts/Advances	8165.93	24.89
Provision for Bad and Doubtful Debts and advances	6.82	4.34
Sundry Debit / Credit Balances Written off (Net)	-	5.47
	21291.94	12719.58
Less: Adjustment for Past Provision	1246.85	132.56
	20045.09	12587.02
(Increase) / Decrease in Stock-in-Trade		
Opening Stock:		
Stock in Process	324.78	346.34
Finished Goods	505.73	474.91
	830.51	821.25
Closing Stock:		
Stock in Process	250.15	309.67
Finished Goods	363.37	487.49
	613.52	797.16
Inventory Variance	216.99	24.09
Total	20262.08	12611.11

Significant Accounting Policies and Notes to

Schedule 13

Accounts of Consolidated Accounts:

A. Basis of Consolidation

1. The consolidated Financial Statements relate to Ambalal Sarabhai Enterprises Limited, its Subsidiaries. The Subsidiaries considered in consolidated financial statements are hereunder:

I. Subsidiary Companies & Country % of ownership of Incorporation as on 31.03.2009

a) Synbiotics Limited, India	100%
b) Haryana Containers Limited, India	100%
c) Mautik Exim Limited, India	100%
d) Asence Inc., USA	100%
e) Asence Pharma Pvt. Ltd., India	100%
f) Vovantis Lab Pvt. Ltd., India	100%
g) Systronics (India) Ltd., India	100%
h) Suvik Hitek Pvt. Ltd., India	100%

2. The consolidation is in accordance with the Accounting Standard 21 (Consolidated Financial Statements) issued by the Institute of Chartered Accountants of India.

3. Principles

(i) The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. The intra-group balances and intra-group transactions and unrealized profits or losses are fully eliminated.

(ii) The difference between cost to the Company of its investment in the subsidiary companies and its share of the equity of the subsidiary companies, at the dates on which the investment in the subsidiary companies are made, is recognized as Goodwill or Capital Reserve as the case may be.

(iii) In case of Foreign Subsidiaries, revenue items are consolidated at the average rate prevailing during the year. All assets and Liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising on translation is charged to Profit & Loss Account.

Significant Accounting Policies and Notes to Accounts

I. SIGNIFICANT ACCOUNTING POLICIES:

A. ACCOUNTING CONVENTION

The Company follows the accrual method of accounting. The financial statements have been prepared in accordance with the historical cost convention (except so far as they relate to revaluation of fixed assets and providing for depreciation on revalued amounts) and accounting principles generally accepted in India.

The preparation of financial Statements requires the management to make estimates and assumptions in the reported amounts of assets and liabilities (including current liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements as prudent and reasonable. Future results could differ from these estimates.

B. INFLATION

Assets and liabilities are recorded at historical cost to the Company (except so far as they relate to revaluation of fixed assets and providing for depreciation on revalued amounts).

C. REVENUE RECOGNITION

(C.1) Sales are recognized based on passage of title to goods which generally coincides with dispatch. Revenue from export sales are recognized on shipment basis. Sales are stated inclusive of excise duty and net of returns & Sales Tax / VAT.

(C.2) Revenue from job work services is recognized based on the services rendered in accordance with the terms of contracts.

D. VALUATION OF INVENTORY

(D.1) The stock of Raw Materials and finished goods have been valued at the lower of cost and net realizable value. The cost has been measured on weighted average cost basis and includes cost of materials and cost of conversion.

(D.2) All other inventories of stores and consumables are valued at cost. Cost is measured on weighted average cost basis. Excise duty wherever applicable is provided on finished goods lying within the factory.

E. FIXED ASSETS & DEPRECIATION

(E.1) Fixed assets are stated at their original cost of acquisition/revalued cost wherever applicable less accumulated depreciation. Cost comprises of all costs incurred to bring the assets to their location and working condition.

(E.2) Depreciation on Revalued Fixed Assets is calculated on Straight Line Method based on their expected life as determined by the valuers or lives as determined on Straight Line Method as per Schedule XIV to the Companies Act, 1956 whichever is lower.

(E.3) Depreciation on additions other than vehicles and few other assets is calculated on Straight Line Method as per Schedule XIV to the Companies Act, 1956. Depreciation of vehicles and few other assets is calculated on Written Down Value Method as per Schedule XIV to the Companies Act, 1956.

(E.4) Difference between depreciation calculated on revalued cost and historical cost of assets is withdrawn from capital reserve.

(E.5) Individual assets costing less than Rs. 5,000/- have been fully depreciated in the year of purchases.

F IMPAIRMENT OF ASSETS

An Asset is treated as impaired when the carrying cost of an asset exceeds its recoverable value. An impairment loss is charged to profit & loss account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable value.

(G) INVESTMENTS

Long Term investments are stated at cost/book value. Fall in the value, other than temporary, has been charged to Profit & Loss Account.

(H) FOREIGN CURRENCY TRANSACTIONS

(H.1) Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.

(H.2) Monetary items denominated in foreign currencies at the year end are restated at year end rates.

(H-3) Non monetary foreign currency items are carried at cost / book value

(H.4) Any income or expense on account of exchange difference either on settlement or on translation is recognised in the profit and loss account.

(I) EMPLOYEE BENEFITS

(I.1) The Company has Defined Contribution Plans for post employment benefits namely (a) Superannuation Fund which is administered through trustees and (b) Provident Fund which is administered through trust and / or to the Government. The Company's contributions thereto are charged to revenue every year. The Company's Contribution to State Plans namely Employee's State Insurance Fund and Employee's Pension Scheme are charged to revenue every year.

(I.2) The Company has Defined Benefit Plans namely leave encashment / compensated absences and Gratuity for all the employees, the liability for which is determined on the basis of an actuarial valuation at the year end and incremental liability, if any, is provided for in the books. Gratuity scheme is unfunded.

(I.3) Actuarial Gains and Losses comprise of

experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Profit and Loss Account as income or expense.

(J) TAXES ON INCOME

(J.1) Tax expense consists of both current as well as deferred tax liability. Current tax represents amount of income tax payable in respect of taxable income for the year.

(J2) Deferred tax is recognized on timing difference between the accounting income and the taxable income for the year that originates in one period and are capable of reversal in one or more subsequent periods. Such deferred tax is quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

(J.3) Deferred tax asset is recognised and carried forward to the extent that there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

(J.4) Fringe Benefits Tax (FBT) payable under the provisions of Section 115 WC of the Income Tax Act, 1961 is in accordance with the Guidance Note on Accounting for Fringe Benefits Tax issued by the ICAI and treated as an additional income tax and considered in determination of the profit / loss for the year.

(K) EARNING PER SHARE

The company reports basic and diluted Earnings Per Share (EPS) in accordance with Accounting Standard 20 on Earnings Per Share. Basic EPS is computed by dividing the net profit or loss for the year by the weighted average number of Equity shares outstanding during the year.

II. NOTES TO ACCOUNTS

1. Figures for the previous year have been re-grouped wherever necessary and are shown below those of current year or in brackets in the 'Notes' and are not comparable on account of three subsidiaries formed during the year.
2. 941,975 Ordinary Shares of Rs. 10 each fully paid of ORG informatics Limited and 35,000 Ordinary Shares of Rs.1, 000, each Rs. 100 paid up of Synbiotics Limited have been pledged for bill discounting facilities and 300000 shares of Rs. 10 each fully paid of ORG Informatics Ltd. are pledged with a bank on behalf of another company.
3. (a) Transfer of Rs.38.93 lakh (Rs. 75.80 lakh) from Capital Reserve to Profit and Loss Account represents the difference between depreciation charged on "revalued amount" of assets and

depreciation calculated on "historical cost" of assets.

- (b) Further a sum of Rs. 752.00 Lakhs has been transferred to General Reserve from capital reserve on account of balance of Revaluation Surplus in respect of assets sold / otherwise disposed off during the year.

	2008-09	2007-08
	Rs. Lakh	Rs. Lakh
4. Remuneration to Directors		
Salary	49.92	46.20
Contribution to Provident Fund and Superannuation Fund	5.29	4.34
Benefits including perquisites	7.05	3.58
	62.26	54.12
Sitting fees	1.98	1.04
	64.24	55.16

5. Hon'ble Supreme Court has allowed Company's Civil Appeals against the judgment and order of the Division Bench of Gujarat High Court vide which Division Bench by its order had set aside the order of the Single Judge sanctioning Scheme of Arrangement relating to Company's erstwhile Swastik Division and Electronics Division. While allowing the appeals, Hon'ble Supreme Court has directed that Company shall execute a guarantee favouring the Central Bank of India and Bank of Baroda in respect of their dues in the suit filed by them which is pending before the Debts Recovery Tribunal. Company has accordingly given the guarantee. BIFR passed an order for winding up of Swastik Surfactants Limited (SSL) since the Revival Scheme had failed. However, SSL appealed this order in AAIFR, which has remanded the case to BIFR with a directive to reconsider possibility of reviving SSL.

In all the earlier Revival Schemes, SSL had acknowledged liabilities of banks as well as liabilities towards ASE. In view of this, ASE had approached BIFR and AAIFR to be imp leaded in the matter, which has been allowed by AAIFR.

6. No provision is considered necessary for following contingent liabilities

	2008-09	2007-08
	Rs. Lakh	Rs. Lakh
(i) Customs and Excise	2.44	57.34
Income Tax	216.11	216.11
Sales Tax	9.20	654.29
Octroi	-	7.60
(ii) Claims not acknowledged as debt	1554.65	704.81
(iii) Claims by Government for payment into DPEA	745.51	844.23
(iv) Guarantee given by banks on behalf of the company	496.59	-

7. Contracts on Capital Account remaining to be executed amount to Rs. 316.77 Lakhs (Rs. 301.88 Lakhs)

8. 'Sales and Services' comprise of Sales Rs. 8283.92 Lakh (Rs. 6984.55 Lakh) and recovery of share in cost of various utilities, expenses, etc. Rs. 372.62 Lakh (Rs. 637.91 Lakh).

9. Miscellaneous expenses include fees to Auditors for other services of Rs. 4.66 Lakh (Rs. 5.44 lakh) and reimbursement of out of pocket expenses of Rs. 1.63 lakh (Rs. 1.19 lakh).

10. **Deferred Tax**

In terms of the provisions of the Accounting Standard - 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, there is a net deferred tax asset on account of accumulated business losses and unabsorbed depreciation.

In compliance with provisions of Accounting Standard and based on General Prudence, the Company has not recognized the deferred tax asset nor written back excess deferred tax liability, while preparing the accounts of the year under review.

11. Extra ordinary income denotes profit on sale of fixed assets and extra ordinary expenses is in relation to VRS Compensation.

12. **Segment Reporting**

Particulars	2008-09	2007-08
	Rs. Lakh	Rs. Lakh
Segment Revenue		
a) Pharmaceuticals	5093.93	4700.25
b) Electronics	3562.61	2922.21
Total Sales	8656.54	7622.46
Less: Inter Segment Revenue	-	-
Net Sales	8656.54	7622.46
Segment Results		
Segment Result before Interest & Finance Cost		
a) Pharmaceuticals	(12059.58)	(5489.75)
b) Electronics	(7.21)	291.97
Total Segment Results	(12066.79)	(5197.78)
Less: Interest & Finance Cost	1154.80	5062.97
Profit/(Loss) from Ordinary Activities	(13221.59)	(10260.72)
Extra Ordinary Items (Net)	14942.58	11930.87
Profit/(Loss) before tax	1720.99	1670.15
Other Information		
Segment Assets		
a) Pharmaceuticals	16999.39	25818.67
b) Electronics	2626.11	2664.57
c) Unallocable	-	-
Total Assets	19625.50	28483.24

Particulars	2008-09 Rs. Lakh	2007-08 Rs. Lakh
Segment Liabilities		
a) Pharmaceuticals	12326.96	19118.31
b) Electronics	554.50	353.91
c) Unallocable		
Total Liabilities	12881.46	19472.22
Segment Depreciation		
a) Pharmaceuticals	196.28	183.30
b) Electronics	27.03	25.83
c) Unallocable		
Total Depreciation	223.31	209.13
Capital Expenditure		
a) Pharmaceuticals	425.57	63.90
b) Electronics	19.36	24.43
Total Capital Expenditure	444.93	88.33
Non Cash Expense other than Depreciation		
a) Pharmaceuticals	8001.38	23.35
b) Electronics	185.83	6.05
Total Non cash expenses other than Depreciation	8187.21	29.40

(B) Secondary Segment (Geographical by customers)

Particulars	2008-09 Rs. Lakh	2007-08 Rs. Lakh
Segment Revenue		
a) In India	6806.74	6581.63
b) Out side India	1849.80	1569.86
Total Sales	8656.54	8151.49
Carrying Cost of Assets by location of assets		
a) In India	20618.51	29503.49
b) Out side India	119.40	106.10
Total	20737.91	29609.59
Addition to assets		
a) In India	444.93	88.33
b) Out side India		
Total	444.93	88.33

Notes :

1. The Company has disclosed business segments as the primary segment.

Segments have been identified taking into account the nature of the products, differential risks and returns, the Organizational structure and internal reporting system. The Company's operation predominantly relate to manufacturing of Drugs, Formulation, Electronics Instruments & Services.

2. Types of Products and Services in each business segment:

Pharmaceuticals	: Drugs, Formulations
Electronics	: Electronics Instruments and Services

3. Inter-segment Revenues are recognized at sales price.

**13. Related Party Disclosures:
Key Management Personnel:**

Name of the related party	Nature of relationship
Mr. Kartikeya V. Sarabhai	Chairman
Mr. K Mohandas	Whole time Director
Mr. A.H. Parekh	Whole time Director
Mr. L Ramaswamy	Whole time Director

Note: Related party relationship is as identified by the Company and relied upon by the Auditors.

Transactions with Key management Personnel:

Particulars	Key Management Personnel
Remuneration to key management personnel	62.26 (54.12)

14. Sundry Debtors, Sundry Creditors and Loans and Advances include certain accounts which are subject to confirmation/reconciliation and consequential adjustments if any, the effect of which is not ascertainable.

15. Earning Per Share

Particulars	2008-09	2007-08
Profit / (Loss) available to Equity Shareholder before Extra Ordinary Item	(Rs. in Lakh) (13781.95)	(9794.80)
Profit / (Loss) available to Equity Shareholder after Extra Ordinary item	(Rs. in Lakh) 714.97	1260.56
Weighted average no. of Equity Shares for Basic and Diluted EPS	Nos. 76633296	76633296
Nominal value of Equity Shares	Rs. 10	10
Basic and Diluted Earning per Equity Share before Extra Ordinary Item	Rs. (17.98)	(12.78)
Basic and Diluted Earning per Equity Share after Extra Ordinary Item	Rs. 0.93	1.64

(A) Reconciliation of the profit/(loss) for the year, used for calculating Earning per Share

Profit / (Loss) for the year before Extra Ordinary Items	(Rs.in Lakh) 2008-09 (13781.95)	2007-08 (9794.80)
Net Extra Ordinary Income	14496.92	11055.36

Profit / (Loss) available
to Equity Shareholder
after Extra Ordinary Item **714.97** 1260.56

16. Small and Small and Medium Enterprises Dues

The Company has not received any intimation from "Suppliers" regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 (the Act) and hence disclosures, regarding:

- Amount due and outstanding to suppliers as at the end of accounting year,
- Interest paid during the year
- Interest payable at the end of the accounting year
- Interest accrued and unpaid at the end of the accounting year, has not been provided.

The Company is making efforts to get the confirmation from the suppliers as regards their status under the Act.

17. No provision is made for leave encashment of Rs. 5.48 Lakh in respect of one of the subsidiary Company.

Signature to schedules 1 to 13
As per our report attached

For Sorab S. Engineer & Co. **Kartikeya V. Sarabhai**
Chartered Accountants *Chairman*

M.P. Antia **V.C. Shah**
Partner *Director*
Membership No. 7825

Ketan Adhvaryu
Company Secretary

Vadodara, 16-10-2009 **Vadodara, 16-10-2009**

Consolidated Cash Flow Statement for the year ended 31.03.2009

Particulars	2008-09 Rs. Lakh	2007-08 Rs. Lakh
A. Cash Flow from Operating Activities		
Net Profit / (Loss) after tax & extra-ordinary items	714.97	1260.56
Adjustments for :		
Provision for Taxation	1006.02	59.71
Bad debts/Advances written off	8165.93	24.89
Depreciation	223.31	209.13
Miscellaneous Expenses		
Written off	0.02	0.01
Provision for Doubtful debts & advances	6.82	(13.06)
Interest (Net)	1085.69	4931.79
(Surplus) / Loss on sale of Investments (Net)	-	(50.96)
Loss on assets discarded/sold (Net)	89.25	29.81
Investments written off	14.45	-
Extra ordinary income	(14496.92)	(11055.36)
Operating Loss before working capital changes	(3190.46)	(4603.48)
Adjustments for :		
Trade and other receivables	43.89	1594.07
Inventories	458.49	156.87
Trade Payables	(6875.10)	739.72
Cash generated from Operations	(9563.18)	(5300.96)
Direct taxes paid including Fringe Benefit Tax	(212.20)	(88.28)
Net Cash Flow in From Operating Activities	(9775.38)	(5389.24)
B. Cash Flow from Investing Activities		
Sale of fixed assets	1471.70	437.87
Sale of Investments.	-	2755.08
Dividend received	-	0.04
Interest received	69.11	131.11
Extra-ordinary Income	14496.92	11055.36
Purchase of Fixed Assets	(1655.11)	(220.84)
Purchase of Investments	(0.48)	-
Net Cash Flow from Investing Activities	14382.14	14158.62
C. Cash Flow from Financing Activities		
Interest paid	(1332.90)	(4915.15)
Repayment of Borrowings	(2928.74)	(3344.97)
Net Cash Flow From Financing Activities	(4261.64)	(8260.12)
Net Increase in Cash & Cash equivalents	345.12	509.26
Cash & Cash equivalents at the beginning of the year	1334.46	825.20
Cash & Cash equivalents at the end of the year	1679.58	1334.46

Note: (1) Figures of the previous year have been regrouped as necessary. (2) All figures in brackets are outflow.

As per our Report attached

For Sorab S. Engineer & Co. **Kartikeya V. Sarabhai**
Chartered Accountants *Chairman*

M.P. Antia **V.C. Shah**
Partner *Director*

Membership No. 7825

Vadodara, 16-10-2009

Ketan Adhvaryu
Company Secretary
Vadodara, 16-10-2009

ase Ambalal Sarabhai Enterprises Limited

Regd. Office: Sarabhai Campus, Gorwa Road, Vadodara - 390 023.

PROXY FORM

DP. Id.*	
Client Id.*	

No. of Shares	
Folio No.	

I / We _____
of _____

being a member(s) of the above named Company hereby appoint

_____ of _____ or failing him
_____ of _____ or failing him
_____ of _____

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 30/11/2009 and at any adjournment thereof.

Signed this _____ day of _____ 2009

Signature _____

*Applicable for investors holding shares in electronic form.

Affix
0.15 Paise
Revenue
Stamp
here

Note: This instrument of Proxy shall be deposited at the Registered Office of the Company not less than 48 (Forty Eight) hours before the time of holding the meeting.

ase Ambalal Sarabhai Enterprises Limited

Regd. Office: Sarabhai Campus, Gorwa Road, Vadodara - 390 023.

ATTENDANCE SLIP

Annual General Meeting

11.00 A.M. Monday, 30 November, 2009

Sarabhai Campus, Gorwa Road, Vadodara - 390 023

DP. Id.*	
Client Id.*	

No. of Shares	
Folio No.	

Name of Shareholder/Proxy Holder

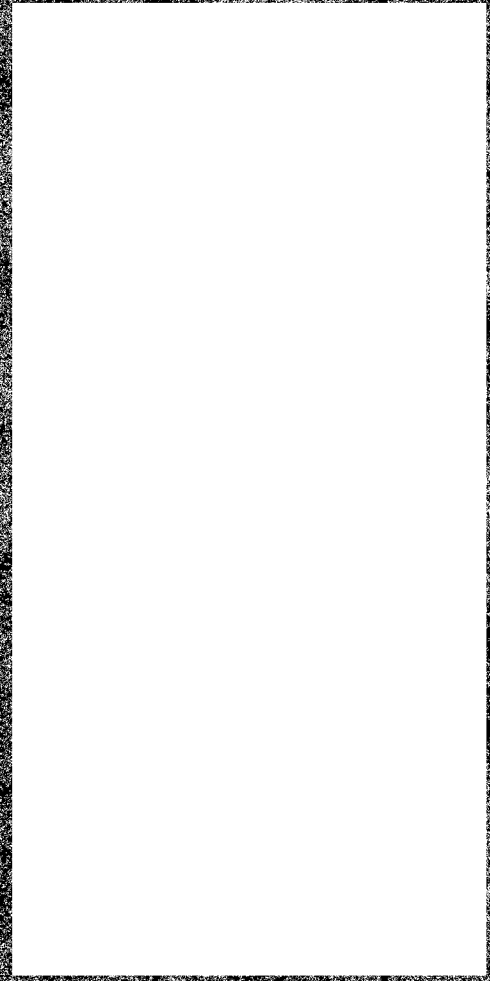
Signature

*Applicable for investors holding shares in electronic form.

Only shareholders or their proxies are allowed to attend the meeting.

Shareholders are requested to bring their Annual Reports alongwith them to the Meeting as extra copies will not be supplied due to high cost of paper and printing.

BOOK-POST



If undelivered please return to:
Ambalal Sarabhai Enterprises Ltd.
Share Department
Sarabhai Campus, Gorwa Road,
VADODARA - 390 023.

Printed at: Classic Packaging
Vadodara-390 010. Tele: (0265) 2658610