ANNUAL REPORT FOR THE YEAR 2009-2010

All products have CE marking & GMP. Awarded thrice for excellence in exports through Ministry of Commerce.

Dr. Sabharwal’s Mfg. Labs. Ltd.

Regd. Office : 26/19 East Patel Nagar, New Delhi - 110 008 India
Tel / Fax : +91-11-25881731
Email : drsmpl@gmail.com sales@drsabharwal.com Website: drsabharwal.com

If undelivered please return to
Dr. Sabharwal’s Manufacturing Labs Ltd.
26/19 East Patel Nagar
New Delhi - 110 008 India
CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31ST MARCH, 2010

A. CASH FLOW FROM OPERATING ACTIVITIES

Net Loss/Profit before Tax & Extraordinary Items
3,51,815.87
3,74,680.70

Adjustment for -

i) Depreciation   10,378,15.39
10,353,93.03

ii) Interest Paid
4,667,30.00
10,574,87.94

iii) (Profit) Loss on Sales of Fixed Assets
4,830,71.44
4,008,140.03

iv) (Profit) Loss from Investment         —           —

v) Dividend received from mutual fund
(3,000.00)
(1,300.00)

Operating Profit before Working Capital Changes
19,01,668.40
64,74,401.67

Adjusted for -

Trade and Other Receivables
(2,198,662.43)
(5,666,144.12)

Inventories
5,497,770.96
2,310,637.71

Other Loans & Advances
(2,769,892.61)
(7,053,526.68)

Trade Payables
(2,138,321.08)
(1,199,124.66)

Cash generated from operations activities
(2,925,022.14)
(3,422,608.08)

Interest Paid
6,925,018.44
10,574,879.4

Direct Taxes Paid
—
1,060,000.00

Cash Flow before Extraordinary Items
(1,466,730.00)
(11,977,140.22)

Sale of Fixed Assets
—
—

Net Cash Flow from Operating activities
(1,159,231.84)
(1,197,714.02)

B. CASH FLOW FROM INVESTING ACTIVITIES

Purchase of Fixed Assets
(7,19,530.00)
3,08,700.00

Dividend received from Mutual Fund
3,000.00
1,300.00

Net Cash Used in Investing Activities
6,89,530.00
3,10,000.00

C. CASH FLOW FROM FINANCING ACTIVITIES

Repayment of Loan
(3,64,462,836)
1,68,675.68

Dividend Paid
—
—

Dividend Tax Paid
—
—

Net Cash used in financing activities
(3,64,462,836)
1,68,675.68

Net Increase (Decrease) in Cash and Cash Equivalents
(4,472,281.35)
(7,19,038.34)

(A - B - C) Cash & Cash Equivalents as at 31st March 2009
2,424,007.82
3,14,3046.16

Note:
Figures in Brackets represent cash outflow
The Directors, having pleasure in presenting the 26th Annual Report of the Company for the year ended on 31st March, 2010, and the Balance Sheet as at that date, in conformity with the requirements of the Companies Act, 1956, read with the Companies (Profits分配) Rules, 1957, and the other relevant provisions of the Companies Act, 1956, and Rules made thereunder, are pleased to report on the performance during the year 2009-10.

DIRECTORS’ RESPONSIBILITY STATEMENT:

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, on the Directors’ Responsibility Statement, it is hereby confirmed:

1. The Directors selected such accounting policies and applied them consistently and made judgements and estimates that provide a fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.

2. The Directors, having regard to the Company’s financial position, believe that the Company is able to meet its liabilities as they fall due during the ensuing financial year.

3. The Company has not defaulted in repayment of its Debentures or in payment of interest thereon.

4. The Company has not issued any debentures during the year.

5. The accounts of the Company have been prepared in accordance with the Companies Act, 1956, and rules made thereunder.

DIRECTORS’ REPORT

Your Directors have pleasure in presenting the 26th Annual Report of the Company for the year ended on 31st March, 2010.

PERFORMANCE:

Your Directors are happy to announce that the Company after getting ISO 9001:2008, 13485 Certificate is maintaining the spirit of total quality management and is earning more by reducing rejections and failures. We hope to have more business and growth for the time to come.

FUTURE PROSPECTS:

The comparative results for the year and those of previous year are summarised below:

DIVIDEND:

Your Directors are not recommending any dividend for the financial year ended on 31st March, 2010.

CONSUMPTION OF PACKING MATERIAL:

S.No. Description Units Quantity Value
1. Corrugated Boxes 1,000 100,000
2. Polythene Bags 1,000 50,000

CONSUMPTION OF RAW MATERIAL:

S.No. Description Units Quantity Value
1. Fabrics Mtrs. 1,000 500,000
2. Organic Solvents Kg. 1,000 100,000
3. Others (None of which are indigenous and imported)

The Directors have pleasure in presenting the 26th Annual Report of the Company for the year ended 31st March, 2010, and the Balance Sheet as at that date, in conformity with the requirements of the Companies Act, 1956, read with the Companies (Profits 分配) Rules, 1957, and the other relevant provisions of the Companies Act, 1956, and Rules made thereunder, are pleased to report on the performance during the year 2009-10.

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3. The Company has not defaulted in repayment of its Debentures or in payment of interest thereon.

4. The Company has not issued any debentures during the year.

5. The accounts of the Company have been prepared in accordance with the Companies Act, 1956, and rules made thereunder.
7. Rebate & Discount include a sum of Rs.22812.06 being value of material lost in transit (Previous year Rs. 16,624.34).

8. Fixed deposit Amounting to Rs. 2560791.00 (Previous year Rs. 1546642.00) have been pledged with Bank / Government Departments as security and margin deposit.

9. Research & Development expenses incurred on revenue account Rs. NIL (Previous year Rs. 0.00).

10. Pursuant to Department of company Affairs notification No. G.R.S. 129(E) dt. 22nd February 1999, details are given as under:
   - Total outstanding dues to Small Scale Industries: Rs. 2778267.63
   - Total outstanding dues other than Small Scale Industries: Rs. 526969.10
   - Total: Rs. 3306236.73

11. Secured Loans from Punjab National Bank are collaterally secured against Land and Building of the Company.

12. In the opinion of board current assets, Loans & advances are approximately of the value stated and not in excess of the account considered reasonable.

13. Previous year's figures have been regrouped / rearranged wherever necessary to render them comparable with current year's figures.

14. Figures in ( ) represent deductions.

15. Additional information pursuant to the provisions of paragraph 3 & 4 of schedule VI to the Companies Act, 1956 in respect of goods manufactured.

### Annexure - A

#### COMPLIANCE CERTIFICATE

TO, THE MEMBERS, DR. SABHARWAL'S MANUFACTURING LABS. LTD.

We have examined the registers, records, books and papers of M/s Dr. Sabharwal's Manufacturing Labs Limited (the company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the company for the Financial Year ended on 31.3.2010 (Financial Year). In our opinion and to the best of our information and according to the examination carried out by us and explanations furnished to us by the company, its officers and agents, we report that in respect of the aforesaid Financial Year:

1. The company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per provisions of the Act and the rules made thereunder and all entries therein have been duly recorded.

2. The company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Company Law Board or other Authorities under the Act and the rules made thereunder.

3. The company being a public limited company, comments are not required.

4. The Board of Directors duly met six times during the year in respect of which meeting proper notices were given and the proceedings were properly recorded and signed including circular resolutions passed in the Minute Book maintained for the purpose.

5. The company has closed its Register of Members from 29.9.2009 TO 30.09.2009 and complied with the provisions of the Act.

6. The Annual General Meeting for the Financial Year ended on 31st March, 2010 was held on 30.09.2010 after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.

7. No Extra ordinary General Meeting was held during the Financial Year.

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### Table: Capacities and Production

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Class of Goods</th>
<th>Units</th>
<th>Licensed Capacity</th>
<th>Installed Capacity</th>
<th>Actual Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>ADHESIVE TAPE</td>
<td></td>
<td>5.46 Lacs</td>
<td>347829.00</td>
<td>1261007</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>266558.00</td>
<td>966370</td>
</tr>
<tr>
<td>2.</td>
<td>P.O.P. BANDAGE</td>
<td></td>
<td>7.56 Lacs</td>
<td>204333.00</td>
<td>739227</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>208739.00</td>
<td>755167</td>
</tr>
<tr>
<td>3.</td>
<td>MICROPOROUS SURGICAL TAPE</td>
<td>N.A</td>
<td>161</td>
<td>21445</td>
<td>21445</td>
</tr>
</tbody>
</table>

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16. Impact of the measures at a) & b) above for reduction of energy consumption and consequent impact on the cost of production. Our energy conservation efforts as described in a) above have kept the cost of production fairly low.

17. Total energy consumption and energy consumption per unit of production are shown in Form "A" annexed hereto.

TECHNOLOGY UPGRADATION

Efforts made in technology upgradation as per Form "B" is annexed hereto.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

Information on Foreign Exchange Earnings and outgo is given hereunder. Efforts are being made to explore possibility of increasing export within the purview of the present policy.

Total Foreign Exchange used: Rs. 10,02,316.00

Total Foreign Exchange earned: Rs. 86,61,866.00

ANNEXURE - A

COMPLIANCE CERTIFICATE
v) In respect of transactions covered under section 301 of the Companies Act, 1956:

iv) In our opinion and according to the information and explanations given to us, there are adequate internal controls for the proper custody and safekeeping of Inventory, Fixed Assets and also for the sale of goods. During the course of our audit we have not observed any

c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

iii) The Company has not taken any loan secured or unsecured to / from companies, firms or other parties covered in the register u/s 301 of the Companies Act, 1956. However the company has granted unsecured Loan of Rs. 152.65 Lacs

c) The Company has maintained proper records of inventory. The discrepancies between physical stocks and

ii) In respect of its inventories:

a) The Company has maintained proper records to show full particulars including quantitative details and situation of its Fixed Assets.

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 the books.

a) In the case of the Balance Sheet, of the State of Affairs of the Company as at 31 March' 2010, and

b) In our opinion and to the best of our information and according to the explanations given to us the accounts give the information required by the companies Act, 1956 in the manner so required and give a true and fair view:

i) Revenue grants are recognised as income in the period in which it becomes receivable.

c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

f) In our opinion and to the best of our information and according to the explanations given to us the accounts give the information required by the companies Act, 1956 in the manner so required and give a true and fair view:

b) In our opinion the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply

c) The Balance Sheet, Profit & Loss Account and Cash flow Statement dealt with by this report are in agreement with the

i) In respect of Fixed Assets:

a) The Company has maintained proper records to show full particulars including quantitative details and situation of its Fixed Assets.

12. GOVERNMENT GRANTS:

The Research & Development Cost (other than cost of fixed assets acquired) are charged as an expenses in the year in which these are incurred.

9. INSURANCE CLAIMS:

The insurance claims are being accounted for on actual realisation of amount claimed.

8. EMPLOYEES BENEFITS:

The companies contribution to Provident Fund & Family Pension fund are charged to Profit & Loss Account every year. The companies contribution to Gratuity is charged to Profit & Loss Account in the year to which it relates.

7. INVESTMENT:

The investment in quoted shares are being stated at cost. The earning on Investment are recognised on receipt basis.

6. DEPRECIATION:

The Depreciation on all assets is provided on a straight line basis at rates specified in schedule XIV to the Companies Act, 1956 and are based on the historical cost convention as adopted consistently by the company. The

5. INVENTORIES:

The inventories, Raw Materials, Work-in-Progress, Fixed Assets and Finished Goods are valued as per the cost mentioned in the Cost Book.

4. FIXED ASSETS:

The cost of all fixed assets is capitalized and included in the cost of fixed assets. They are depreciated using the straight line method.

3. FIXED ASSETS:

Fixed Assets are capitalised at cost, inclusive of all direct expenses attributable to such assets.

2. DEPARTMENTAL ACCOUNTS:

No material discrepancies were noticed on such physical verification.

1. SYSTEM OF ACCOUNTING:

The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles applicable in India.

A. SIGNIFICANT ACCOUNTING POLICIES:

1. SIGNIFICANT ACCOUNTING POLICIES:

The following accounting policies have been adopted in the preparation of the financial statements:

- A. SYSTEM OF ACCOUNTING:

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         No material discrepancies were noticed on such physical verification.

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         Fixed Assets are capitalised at cost, inclusive of all direct expenses attributable to such assets.

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         The insurance claims are being accounted for on actual realisation of amount claimed.

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         - 14. SIGNIFICANT ACCOUNTING POLICIES:

            The following accounting policies have been adopted in the preparation of the financial statements:

            - 15. GOVERNMENT GRANTS:

               The Research & Development Cost (other than cost of fixed assets acquired) are charged as an expenses in the year in which these are incurred.
Dr. Sabharwal’s Mfg. Labs. Ltd.

OPENING STOCK    : 29,50,337.75

19,58,664.30

Add : Purchases During the year

17,36,538.03  24,33,802.64  33,56,239.57

Less : VAT Claimed

—  1,31,621.00

Less : Modvate Excise Duty

—  74,219.00

17,36,538.03  22,27,962.64

Add : Freight & Cartage

—  17,36,538.03  1,72,175.80  24,00,138.44

46,86,875.78  43,58,802.74

Less : Closing Stock

13,86,142.75  29,50,337.75

PACKING MATERIALS CONSUMED=

33,00,733.03  14,08,464.99

SCHEDULE - 11 : PACKING MATERIAL CONSUMED

Repair & Maintenance - Building

2,93,696.00  2,45,902.00

Repair & Maintenance - Plant & Machinery

1,03,387.00  1,91,455.50

Power & Fuel

25,83,598.12  33,75,073.16

Standardisation Expenses

79,270.00  46,630.00

Other Expenses

—  17,854.28

Consumable Store

85,603.00  85,007.00

Excise Duty

3,59,822.00  4,42,501.00

Laboratory Exp.

30,574.44 —

TOTAL       35,35,950.56  44,04,422.94

SCHEDULE - 10 : INCREASE (DECREASE) IN FINISHED GOODS

OPENING STOCK

Finished Goods

2,24,359.10  29,04,593.50

Semi Finished & Stock in Process

52,69,938.20  5,48,649.75

Trading (Microporous Surgical)

5,48,649.75  60,42,947.05

CLOSING STOCK :

1.Finished Goods

7,56,340.00  24,95,449.20

2. Trading (Microporous Surgical)

3,26,712.00  5,48,649.75

3. Semi Finished & Stock in Process

4,75,183.00  15,58,235.39

INCREASE  (DECREASE) IN FINISHED GOODS (44,84,711.66)  (24,95,449.20)

SCHEDULE - 12 : MANUFACTURING EXPENSES

SCHEDULE - 13 : EMPLOYEES’ REMUNERATION & BENEFITS

Wages Salaries & Allowances

19,26,725.00  19,97,848.00

Contribution to PF, FPF, ESI EDLI Fund

—  2,15,286.00

(Including Administration Charges)Directors’ Remuneration

36,00,000.00  36,00,000.00

Bonus

2,26,658.00  2,66,981.00

Gratuity (In previous year Rs. 2,00,000/- was payable to Directors)

46,632.00  21,459.00

Staff & Labour Welfare

70,992.00  67,876.00

Earn Leave Incashment

19,813.00  —

TOTAL      58,90,620.00  61,69,450.00

BALANCE SHEET AS AT 31ST MARCH, 2010

1. SOURCES OF FUNDS

(i) Share Holders’ Funds

(a) Share Capital

80,00,000.00  80,00,000.00

(b) Reserves & Surplus

3,14,76,564.10  3,94,76,564.10  3,11,24,748.23  3,91,24,748.23

(ii) Loan Funds

(a) Secured Loans (Bank)

59,49,430.78  33,47,923.20  69,92,551.56

TOTAL

4,28,24,487.30  4,61,17,299.79

2. APPLICATION OF FUNDS

(i) Fixed Assets :

(a) Gross Block

2,40,77,987.67  2,40,06,034.67

(b) Less : Depreciation

1,45,51,880.65  95,26,106.81  1,40,57,253.61

(c) Net Block

99,48,781.06  99,48,781.06

(ii) Investment :

3,100.00  3,100.00

(iii) Current Assets, Loans and Advances:

4,40,52,553.19  4,47,12,828.57


97,75,020.42  3,42,77,532.77  76,32,199.34  3,70,80,629.23

(iv) Deferred Tax Liability

(9,82,252.28)  (9,15,210.50)

TOTAL

4,28,24,487.30  4,61,17,299.79

Significant Accounting Policies & Notes to Accounts & Contingent Liabilities

As per our report of even date attached.

A. KAY. MEHRA & COMPANY

CHARTERED ACCOUNTANTS

PLACE  :  NEW DELHI  (A.KAY. MEHRA)       (Dr. A.R. SABHARWAL)      (MRS. A. SABHARWAL)

DATED  :  20th August 2010

PARTNER             MANAGING DIRECTOR  DIRECTOR.

(M. No. 9963)
### SCHEDULE - 1: SHARE CAPITAL

<table>
<thead>
<tr>
<th>Type of Capital</th>
<th>Authorized Capital</th>
<th>Amount</th>
<th>Paid Up</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Shares</td>
<td>15,00,000</td>
<td>1,50,00,000</td>
<td>80,00,000</td>
</tr>
</tbody>
</table>

### A. RESERVES

- **Capital Reserve**
  - **Central Investment Subsidy**: Balance as per last Balance Sheet (18,40,000.00)
  - **Generator Set Subsidy**: Balance as per last Balance Sheet (1,58,400.00)
  - **Share Forfeiture Account**: Balance as per last Balance Sheet (45,500.00)

- **Other Reserves**
  - **General Reserve**: Balance as per last Balance Sheet (2,54,61,265.48)
  - **Add Deferred Tax Liability written back**: 19,40,000.00
  - **Add Transferred To Profit & Loss Account**: 2,54,61,265.48

  (Note No. 6 Schedule No. 17)

- **Surplus**: Balance of Profit & Loss Account (39,71,398.62)

### TOTAL RESERVES & SURPLUSES: 3,14,76,564.10

### SCHEDULE - 2: SECURED LOANS

<table>
<thead>
<tr>
<th>Type of Loan</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Bank Loan</td>
<td>33,47,923.20</td>
</tr>
</tbody>
</table>

### SCHEDULE - 3: CURRENT ASSETS, LOANS & ADVANCES

#### CURRENT ASSETS:

- **A. CLOSING STOCK**
  - **Raw Materials**: 41,86,182.40
  - **Packing Materials**: 13,86,142.75
  - **Finished Goods Manufactured**: 7,56,340.00
  - **Trading Goods**: 3,26,712.39
  - **Semi Finished & Stock in Process**: 4,75,183.00
  - **Diesel**: 2,36,460.00

- **B. SUNDRY DEBTORS**
  - **Debts outstanding for a period exceeding six months**: 1,02,25,167.36

- **C. CASH & BANK BALANCE**
  - **Cash in hand as per Cash Book**: 8,165.07
  - **With Scheduled Banks in:
    - Current Accounts**: 63,32,576.11
    - Fixed Deposit A/C.**: 13,10,942.00
  - **Interest Accrued on fixed deposit**: 1,80,989.00

#### TOTAL CURRENT ASSETS: 4,40,52,553.19

#### LOANS & ADVANCES:

- **Advances Recoverable in cash or in kind or for value to be received**: 1,57,95,397.11
- **Prepaid Expenses**: 17,636.00
- **Security Deposits**: 14,33,785.00
- **Advance Tax**: 13,80,875.00

#### TOTAL LOANS & ADVANCES: 4,47,12,828.57

### SCHEDULE - 6: INVESTMENTS

- **100 Equity Shares of Punjab National Bank**: 3,100.00 (Market Value Rs. 45,000.00, Previous Year Rs. 38,700.00)

### TOTAL INVESTMENTS: 3,100.00

### SCHEDULE - 5: CURRENT LIABILITIES

- **Current Liabilities**
  - **Amount**: 1,83,04,540.00