

**BOOK - POST**

*If undelivered please return to*  
**Dr. Sabharwal's Manufacturing Labs Ltd.**  
Registered Office :  
26/19 East Patel Nagar,  
New Delhi - 110 008

**Dr. Sabharwal's Mfg. Labs. Ltd.**  
**24th. ANNUAL REPORT FOR THE YEAR 2007-2008**  
*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 : drsbd@vsnl.net, sales@drsabharwal.com Website: drsabharwal.com

Folio Number

**ATTENDANCE SLIP**

To be handed over at the entrance of the Meeting Hall

Name of the attending Member(s)

(IN BLOCK LETTERS).....

Name of Proxy (IN BLOCK LETTERS).....

(To be filled in if the Proxy attends instead of the Member)

No. of Shares held.....

I hereby record my presence at the 24th ANNUAL GENERAL MEETING at the Regd. Office of the Company at 26/19 East Patel Nagar, New Delhi - 110 008 at 10.30 A.M. on Tuesday 30th September, 2008.

For Office use Member's/Proxy's Signature  
(To be signed at the time of handing over this slip)

**FORM OF PROXY**  
DR. SABHARWAL'S MANUFACTURING LABS LIMITED  
Regd. Office: 26/19 EAST PATEL NAGAR,  
NEW DELHI - 110 008

I/We..... of  
..... being a  
member(s) of the above named Company hereby appoint..... or falling  
him.....  
of.....

as my / our proxy to vote for me/us and on my/our behalf at the 24th Annual General Meeting of the Company to be held at 10.30 A.M. on Tuesday 30th September, 2008, and at any adjournment thereof.

Folio Number

Date:.....

REVENUE  
STAMP OF  
Re. 1.00

- Note :
1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself / herself.
  2. A proxy need not be a member.
  3. This form (Proxies) duly completed should be deposited at the registered office of the company at least 48 hours before the time of the meeting.



**CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31ST MARCH, 2008**

	31-03-2007 Amount Rs. P	31-03-2008 Amount Rs. P
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Loss/Profit before Tax & extra ordinary items	(2722382.48)	1287921.89
Adjustment for -		
<b>i) Depreciation</b>	1061970.48	1089132.92
ii) Interest Paid	1134122.81	788849.47
iii) (Profit) loss on Sales of Fixed Assets	—	243613.27
iv) (Profit) Loss from Investment	—	—
v) Dividend received from mutual fund	(600.00)	(1000.00)
Operating Profit before Working Capital Changes	(526889.19)	3408517.55
Adjusted for -		
Trade and Other Receivables	4068764.04	(2677868.42)
Inventories	822802.00	(4144802.15)
Other Loans & Advances	(2890133.07)	3211926.68
Trade Payables	(317442.70)	577143.21
Cash generated from operations activities	1217101.22	374916.87
Interest Paid	1134122.81	788849.47
Direct Taxes Paid	100000.00	450000.00
Cash Flow before Extra Ordinary Items	(77021.59)	(863932.60)
Sale of Fixed Assets	—	18500.00
Net Cash Flow from Operating activities	(77021.59)	(845432.60)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(42354.00)	(52990.00)
Dividend received from Mutual Fund	600.00	1000.00
Net Cash Used in Investing Activities.	(41754.00)	(51990.00)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Re-payment of Loan	(2591968.37)	5858820.72
Dividend Paid	—	(1200000.00)
Dividend Tax Paid	—	(168300.00)
Net Cash used in financing activities	(2591968.37)	4490520.72
Net Increase (Decrease) in Cash and Cash Equivalents	(2710743.96)	3593098.12
(A - B - C)		
Cash & Cash Equivalents as at 31st. March 2007	5853790.12	2260692.00
(Opening Balance)		
Cash & Cash Equivalents as at 31st March 2008	3143046.16	5853790.12
(Closing Balance)		

**Note :** Figures in Brackets represent cash outflow

Sd/-  
**Dr. A.R. Sabharwal**  
Managing Director

**AUDITORS' CERTIFICATE**

Sd/-  
**MRS. A. SABHARWAL**  
Director

We have examined the above Cash Flow Statement of Dr. Sabharwal's Mfg. Labs Ltd. for the year ended 31st March, 2008. The statement has been prepared by the Company in accordance with the requirements of Listing Agreement Clause 32 with Stock Exchanges and is based on and in agreement with corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report of July 26, 2008 to the Members of the Company.

**AKAY MEHRA & CO.**

Chartered Accountants

Sd/-

(A. KAYMEHRA) Partner

(M. No. 9963)

Place : New Delhi  
Dated : 26th July, 2008.

**Dr. Sabharwal's Manufacturing Labs Limited**

**Board of Directors**

Dr. A.R. Sabharwal

MBBS, DMRE, LLB.

*Chairman-Cum-Managing Director*

Mrs. Anjana Sabharwal

B.A., B.T.

*Director Administration & Sales*

Dr. Prem Nath.

MBBS.

**Auditors**

M/s A.Kay Mehra & Co.

114(Basement) Mall Road

Kingsway Comp.

New Delhi - 110 009

**Bankers**

Punjab National Bank

Pandu Nagar, Kanpur - 208 005

**Registered Office**

26/19 East Patel Nagar

New Delhi - 110 008

**Works**

Bhawanipur, G.T. Road,

Mandhana,

Kanpur - 209 217

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**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**NOTICE**

NOTICE is hereby given that the 24th Annual General Meeting of Dr. Sabharwal's Manufacturing Labs Ltd. will be held on Tuesday 30th September, 2008 at 10.30 A.M. at the registered office of the Company at 26/19 East Patel Nagar, New Delhi - 110 008 to transact the following business :

- To receive, consider and adopt the Balance Sheet as at 31st March, 2008 and Profit and Loss Account for the year ended as on that date together with the Reports of the Board of Directors and Auditor's thereon.
- To appoint a Director in place of Mrs. Anjana Sabharwal who retires by rotation and being eligible offers her self for re-appointment.
- To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

Place : New Delhi  
Dated : 23rd August, 2008

*By Order of the Board*  
Sd/-  
**Dr. A.R. SABHARWAL**  
Managing Director

**NOTES :**

- A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself / herself and the proxy need not to be a member. Proxy form duly completed and signed should be deposited at the registered office of the Company atleast 48 hours before the commencement of the meeting.
- The Register of members and Share Transfer Books of the Company will remain closed from 29th September, 2008 to 30th September, 2008 both days inclusive.
- Members are requested to inform the change, if any, in their registered addresses to the Company at Company's Registered Office at 26/19 East Patel Nagar, New Delhi - 110 008.
- Member/Proxy should bring the attendance slip duly filled in for attending the meeting.

**1. Registration Details :**

Registration No.  State Code  (Refer Code List)

Balance Sheet Date

**II. Capital raised during the year (Amount in Rs. Thousands)**

Public Issue   
Bonus Issue   
N.I.L

**III. Position of Mobilisation and Development of Funds (Amount in Rs. Thousands)**

Total Liabilities   
Source of Funds  
Paid-up-Capital   
Secured Loans

Application of Funds  
Net Fixed Assets   
Net Current Assets   
Accumulated Losses

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover   
Profit/Loss before Tax   
Earning per Share in Rs.  (Please Tick Appropriate box + for Profit - for Loss)

Product : ADHESIVE TAPE USP  
Description   
Item Code No. (ITC Code)

\* Net of current liabilities and provisions.

Total Assets   
Reserves & Surplus   
Unsecured Loans   
Investment

Deferred Tax Liability(Net)   
Misc. Expenditure   
Total Expenditure

Profit/Loss after Tax   
Dividend Rate %

Item Code No.   
(ITC Code)  
Product : PLASTER OF PARIS BANDAGE B.P.  
Description





That the Directors took proper and sufficient care to maintain adequate accounting records in accordance with the provisions of this Act, to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

**AUDITORS :** M/s A. Kay Mehra & Co., Chartered Accountants, retire at this Annual General meeting and being eligible offer themselves for re-appointment.

**Compliance certificate:** Provision to Sec. 383A of the Companies Act, 1956, Compliance certificate obtained from a practicing company secretary is enclosed.

**PARTICULARS OF DISCLOSURES UNDER SECTION 217 OF THE COMPANIES ACT, 1956:**

Information required under Section 217(2A) and 217(1)(e) of the Companies Act, 1956, are given in Annexure.

**Statement pursuant to section 217(2A) of the companies Act, 1956.**

Read with the companies (particulars of employees) Rule, 1975  
Name, Qualification Designation Nature of duties Remuneration Experience Date of commencement of Employment & Age in years. Received

Dr. A.R. Sabharwal	Managing Director	Managerial & Administrative	Rs. 24,00,000.00	23 Years.	25.02.91	Self Employed as medical practitioner
MBBS, DMRE LLB,	Director					
70 Years						
Smt. A. Sabharwal	Director Admn. & Sales	Managerial	Rs. 12,00,000.00	23 Years.	1.10.94	Director of Public Ltd Co.
B.A.B.T.						
66 Years						

**INDUSTRIAL RELATIONS:**

Directors are pleased to record their deep appreciation for the efforts put in and co-operation extended by the employees at each level. A spirit of team work and cordial relations existed throughout the year.

**ACKNOWLEDGEMENT:**

Your Directors wish to place on record their sincere appreciation for the continued support and accommodation extended by its bankers viz Punjab National Bank through out the year.

Place : New Delhi  
Dated : 23rd August, 2008  
On behalf of the Board of Directors  
Sd/-  
Dr. A.R. SABHARWAL  
(Chairman)

**ANNEXURE TO THE DIRECTORS' REPORT:**

(Additional information given in terms of Notification No. GSR-1029 of 31.12.88 issued by the Department of Company Affairs)

**CONSERVATION OF ENERGY:**

Our plant is not a big user of energy. The total cost of electricity generated during 2007-2008 is Rs. 31.76 lacs on which we achieved a turnover of Rs. 389.39 Lacs. The percentage of cost of energy in relation to turnover therefore comes to 8.16% only.

a) Energy Conservation measures taken:  
We have 30 KVA, 45 KVA, 125 KVA and 160 KVA Gensets at our works, which are running satisfactorily. The generators are periodically serviced and turned and critical components replaced for efficiency.

b) The baby boiler is automatic energy saver. It automatically cuts off when steam pressure becomes sufficient. Thus it is very efficient energy saver. The boiler is descaled every 6 months.  
We are ISO 9001:2000 Company. All our devices are latest with energy saving equipment. There is no further requirement of any energy saving device. Such as all the electric motors are with shunt.

**Notes to Accounts- Contd.**

**(B) DETAILS OF TURNOVER AND STOCK**

S.No.	PARTICULARS	TURNOVER		OPENING STOCK		CLOSING STOCK	
		Quantity	Value	Quantity	Value	Quantity	Value
1.	ADHESIVE TAPE	NOS. 743277 (834445)	12896464.68 (17266883.49)	27460 (46766)	1021309.00 (467009.40)	80695 (27460)	2112754.50 (1021309.00)
2.	P.O.P BANDAGE	NOS. 830782 (850678)	21166272.58 (21978514.99)	6423 (11977)	225708.00 (316973.60)	12873 (6423)	499939.00 (225708.00)
4.	OTHERS	150967 (114806)	4876077.24 (4728566.61)	76 ( 558)	7490.40 ( 47530.00)	2085 ( 76 )	291900.00 ( 7490.40)
	<b>TOTAL =</b>		3,89,38,814.50 (4,39,75,965.09)		1254507.40 (831513.00)		2904593.50 (1254507.40)

Figure in Brackets are for previous year.

**(C) DETAILS OF OPENING STOCK, PURCHASES, TURNOVER AND CLOSING STOCK IN RESPECT OF TRADING ITEMS :**

S.No.	Particulars of Goods	Unit	Opening Stock		Purchases		Sales		Closing Stock	
			Quantity	Value	Quantity	Value	Quantity	Value	Qty.	Value
1.	CREPE BANDAGE/COTTON RUBBER ELASTIC BANDAGE	NOS. (—)	(—)	(168)	(14096.84)	(168)	(15926.00)	(—)	(—)	
2.	ELASTIC ADHESIVE BANDG. ORTHOPAEDIC CAST PADD. & P.U.	NOS. (—)	(—)	1335542 (23966)	1267489.00 (1185677.21)	1335542 (23966)	1348742.00 (1264635.00)	(—)	(—)	
3.	SURGICAL DRESSING	NOS. 9931 (9931)	1103649.75 (1103649.75)	(—)	(—)	4994 (—)	645819.63 (9931)	4937 (1103649.75)	548649.75	
4.	GUM ROSIN	(—)	(—)	6525 (7875)	397432.00 (469368.00)	6525 (7875)	437175.00 (492838.00)	(—)	(—)	
4.	POP POWDER	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	
4.	OTHER	(—)	(—)	(—)	45180 (—)	(—)	54600.00 (—)	(—)	(—)	
	(Not ascertainable due to its nature and various mix products)									
	<b>CURRENT YEAR TOTAL</b>		1103649.75	1710101.00	2486336.63	548649.75				
	<b>PREVIOUS YEAR TOTAL</b>		(1103649.75)	(1669142.05)	(1773399.00)	(1103649.75)				

**SALES**

Own Manufacturing	3,64,52,477.87	4,22,02,566.09
Trading Items	24,86,336.63	17,73,399.00
	<u>3,89,38,814.50</u>	<u>4,39,75,965.09</u>



**Notes to the Account --- Contd.**

7. Rebate & Discount include a sum of Rs. 84,411.76 being value of material lost in transit (Previous year Rs. 1,53,480.40 )
8. Fixed deposit Amounting to Rs. 21555849.00 ( Previous year Rs.48,65,349.00) 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. NIL )
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. 144408.00
Total outstanding dues other than Small Scale Industries	RS. 2673368.57
<b>Total</b>	<b>Rs. 281776.57</b>
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.

**(A) CAPACITIES AND PRODUCTION**

S.No.	Class of Goods	Units	Licenced capacity	Actual Production				
				Installed capacity 31-03-08 Sq. Mtr.	31-03-2008 Sq. Mtr.	Pcs.	31-03-2007 Sq. Mtr.	Pcs.
1.	ADHESIVE TAPE	NOS.	NOT APPLICABLE	5.46 Lacs Per shift	219705.00	796512	304440.00	815139
2.	PO.PBANDAGE	NOS.	NOT APPLICABLE	7.56 Lacs	233081.00	843232	223564.00	810476
3.	MICROPOROUS SURGICAL TAPE	NOS.	NOT APPLICABLE	N/A	139606	16116.00		129273

(As certified by the Managing Director and not verified by the Auditors being technical matter)

- c) 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. 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. 3,56,034.43
Total Foreign Exchange earned	Rs. 68,00,526.00

**ANNEXURE - A**

**COMPLIANCE CERTIFICATE**

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

26/19 East Patel Nagar, New Delhi - 110 008

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 31.3.2008 (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 four 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 28.9.2007 TO 29.09.2007 and complied with the provisions of the act.
6. The Annual General Meeting for the Financial Year ended on 31st March, 2007 was held on 29.09.2007 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.



8. As per the information provided the Company has not advanced any loans to its directors or persons or firms or Companies referred to under section 295 of the Act.
9. As per the information provided the Company has not entered into any contract falling within the purview of Section 297 of the Act.
10. The company has made necessary entries in the Register maintained under Section 301 of the Act.
11. As per the information provided there was no instance falling within the purview of Section 314 of the Act, hence the Company has not obtained any approvals from the Board of Directors members or Central Government, as the case may be.
12. The Company has not issued any Duplicate Share Certificates during the Financial year.
13. The Company has :
  - i) there was no allotment of shares during the year.
  - ii) As per the information provided, since there was no amounts in unpaid dividend account, application money due for refunds, matured deposits, matured debentures and interest accrued thereon which have remained unclaimed or unpaid for a period of seven years no amount has been transferred to Investor Education and Protection fund.
  - iii) Posted warrants for dividend within a period of Thirty Days from the date of declaration.
  - iv) The company has deposited the amount of dividend declared in a separate bank account within five days from the date of declaration.
  - v) Duly complied with the requirements of Section 217 of the Act.
14. The Board of directors of the company is duly constituted and there was no appointment of additional directors, alternate directors and directors to fill casual vacancies during the year under scrutiny.
15. There was no appointment of Managing Director during the year under scrutiny.
16. As per the information provided the company has not appointed any sole selling agents during the financial year.
17. As per the information provided, the company was not required to obtain any approvals of the central government / company law board / regional director / Registrar of Companies and / or such authorities prescribed under the various provisions of the Act. during the financial year.
18. The director have disclosed their interest in other firms / companies to the Board of Director pursuant to the provisions of the Act and the rules made thereunder.
19. The company has not issued any shares during the financial year.
20. The company has not bought back any shares during the financial year.
21. There was no redemption of preference shares / debentures during the financial year.
22. There were no transactions necessitating the company to keep in abeyance the rights to dividend, right shares and bonus shares pending registration of transfer of shares.
23. As per the explanations furnished the company has not invited / accepted any deposits falling within the purview of section 58A of the Companies Act, 1956.
24. The amount borrowed by the company is within the borrowing limits of the company.
25. As per the information provided the company has not made any loan or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.

**B. Contingent Liabilities :**

- i) In respect of Bank Guarantee Rs. NIL (Previous year Rs. NIL )
- ii) Against pending sales tax cases Rs. NIL (Previous year Rs. NIL )

**C. Notes on Accounts :**

1. The company has provided depreciation on all Fixed Assets on Straight line method in accordance with the provisions of section 205 (2) (b) and section 350 of the Companies Act, 1956 as amended by the companies (Amendment) Act, 1988 at the rates prescribed in schedule XIV of the said Act. and as revised vide notification G.S.R. 756 (E) dated 16.12.93 of Department of company affairs, Government of India and on prorata basis on additions during the year.
2. Managerial Remuneration under section 198 of the Companies Act, 1956  
 Managing Director Rs. 24,00,000.00 (Previous year Rs. 24,00,000.00)  
 Director Rs. 12,00,000.00 (Previous year Rs. 12,00,000.00)
3. SEGMENT REPORTING : With reference to Accounting Standard 17 (AS-17) the company has one segment i.e. manufacture of Surgical Dressings.
4. Related Party Disclosures  
 Pursuant to Accounting Standard 18 (AS-18). The company has identified all related parties and details of transactions are given below :
  1. Relationship
    - (a) Key management personnel and their relatives Dr. Ajit Rai Sabharwal, Mrs. Anjana Sabharwal.
    - (b) Other related Parties :
      - i. Ajit Rai Sabharwal HUF, Mrs. Kriti Sabharwal, A.D. Traders.
      - ii. Dr. Sabharwal's Medicals Pvt. Ltd., Dr. Sabharwal's Wound Care
  2. Transactions with parties mentioned above :-
 

Sl.No.	Name of the Transacting Related Party.	Relationship	Nature of transactions	Amount in Rs.	Amount outstanding as on 31.3.08
1.	Dr. Ajit Rai Sabharwal	M.D.	Remuneration	2400000.00	—
2.	Mrs. Anjana Sabharwal	Director	Remuneration	1200000.00	—
3.	Ajit Rai Sabharwal HUF	Associates	Rent	360000.00	—
4.	Dr. Sabharwal's Medicals Pvt. Ltd.	Associates	Sales	2345617.16	—
5.	-do-	-do-	Purchase	1253551.00	—
6.	Dr. Ajit Rai Sabharwal	M.D.	Loan	10816085.00	9941865.00
7.	Mrs. Kriti Sabharwal	Associates	Rent	360000.00	—
8.	Dr. Sabharwal's Wound Care	Associates	Rent	312000.00	—
			Sales	10311343	—
			Purchase	2363681.23	—
					2006-2007
					Rs. 11,19,182.89
5. EARNING PER SHARE : **2007-2008** Rs. (19,41,472.48) **2006-2007** Rs. 11,19,182.89  
 Net Profit/Loss for the period attributable to Equity Share Holders Rs. (19,41,472.48)  
 No. of Equity shares 8,00,000  
 Basic & diluted earning per share (-) Rs. 2.43 Rs. 1.40  
 Face Value Rs. 10/- EACH.
6. Deferred Tax Liability  
 Pursuant to Accounting Standard (AS-22). Accounting for taxes on Income the company has revised its Deferred Tax Liability upto 31-03-2008. Further the impact of net deferred tax Asset of Rs. 8,80,910.00 for the year ended 31st March 2008 has been credited to Profit & Loss Account.





**SCHEDULE - 17  
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

**A. Significant Accounting Policies :**

1. **SYSTEM OF ACCOUNTING :** The financial statements have been prepared in accordance with applicable accounting standards and relevant presentational requirements of the Companies Act, 1956 and are based on the historical cost convention as adopted consistently by the company. The company follows mercantile system of accounting.
2. **SALES :** Sales are inclusive of duty, if any and net of return and usual trade discounts.
3. **FIXED ASSETS :** Fixed Assets are capitalised at cost, inclusive of all direct expenses attributable to such assets.
4. **DEPRECIATION :** The Depreciation on all assets is provided on a straight line basis at rates specified in schedule XIV to the Companies Act, 1956.
5. **INVENTORIES :** The Raw materials, Packing materials, Diesel & Trading Goods are valued at cost determined on FIFO basis. The Finished & Semi Finished Goods are valued at lower of cost and net realisable value arrived at on the basis of selling price less percentage of gross profit margin included therein.
6. **INVESTMENT :** The investment in quoted shares are being stated at cost. The earning on Investment are recognised on receipt basis.
7. **EMPLOYEES BENEFITS :** For Gratuity Liability the policy of life Insurance corporation is being taken and premium for the year is being paid. The liability for earned leave is being charged to Profit & Loss Account every year. The companies contribution to Provident Fund & Family Pension fund are charged against revenue of every year.
8. **INSURANCE CLAIMS :** The insurance claims are being accounted for on actual realisation of amount claimed.
9. **FOREIGN CURRENCY TRANSACTIONS :** The foreign currency transactions are accounted for at the rate of exchange prevailing at the date of transactions and subsequent gains and losses are being properly accounted for.
10. **Duty Entitlement Credit on export sales under DEPB (Duty Entitlement Pass Book Scheme) is being accounted for in the year of actual credit claimed and received.**
11. **RESEARCH & DEVELOPMENT :** The Research & Development Cost (other than cost of fixed assets acquired) are charged as an expenses in the year in which these are incurred.
12. **GOVERNMENT GRANTS :**
  - i) Revenue grants are recognised as income in the period in which it becomes receivable.
  - ii) Capital grants, if any, have been credited to capital reserve.
13. Contingencies which can be reasonably ascertained are provided for.
14. **PROVISION FOR CURRENT & DEFERRED TAX :** Provision for current tax is made on the basis of estimated taxable income for the current Accounting year and in accordance with the provision of the Income Tax Act, 1961. Deferred Tax resulting from 'timing difference' between book and taxable profit for the year is accounted for using the tax rates and laws that have been enacted as on Balance Sheet date.

**AUDITORS' REPORT**

**A.Kay Mehra & Co.**

Chartered Accountants  
120/128 Lalpat Nagar, Kanpur

**TO  
THE SHAREHOLDERS,  
DR. SABHARWAL'S MANUFACTURING LABS. LIMITED.**

We have audited the attached Balance Sheet of Dr. Sabharwal's Manufacturing Labs Limited as at 31<sup>st</sup> March' 2008 and the annexed Profit & Loss Account and Cash flow statement of the Company for the year ended on that date. 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.

A) 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 amount and disclosure in the Financial Statement. 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.

B) We report that:

- a) We have obtained all the information & explanations which to the best of our knowledge and belief were necessary for the purpose 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 the books.
- c) The Balance Sheet, Profit & Loss Account and Cashflow Statement dealt with by this report are in agreement with the books of account.
- d) In our opinion the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub sec. (3C) of sec. 211 of the companies Act, 1956.
- e) On the basis of the written representation received from the directors and taken on record by Board of Directors, we report that none of the Director is disqualified as on 31<sup>st</sup> March' 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Company Act, 1956.
- 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:
  - a) In the case of the Balance Sheet, of the State of Affairs of the Company as at 31<sup>st</sup> March' 2008, and
  - b) In the case of Profit & Loss Account, of the Loss for the year ended on that date.
  - c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.
- g) Further as required by the companies (Auditors' Report) Order 2003 issued by the Central Government in terms of Sec. 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate, we have to state that:
  - i) In respect of its Fixed Assets:
    - a) The Company has maintained proper records to show full particulars including quantitative details and situation of its Fixed Assets.
    - b) The Fixed Assets of the Company have been physically verified during the year by the management in phased periodical manner, which in our opinion is reasonable, having regard to the size of the company, and nature of its assets. No material discrepancies were noticed on such physical verification.
    - c) In our opinion, the Company has not disposed of substantial part of Fixed Assets during the year and the going concern status of the Company is not affected.
  - ii) In respect of its inventories:
    - a) The inventory of the Company have been physically verified by the management at reasonable intervals during the year.
    - b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
    - c) The Company has maintained proper records of inventory. The discrepancies between physical stocks and the book stocks, which have been properly dealt with, were not material.
  - 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. 99.42 Lacs (Previous Year Rs. 70.66 Lacs) to Dr. Sabharwal's Medicals Pvt. Ltd., on such rate of interest and terms & conditions which are not prejudicial to the interest of the company.
  - 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 purchase of Inventory, Fixed Assets and also for the sale of goods. During the course of our audit we have not observed any major weaknesses in internal controls.
  - v) In respect of transactions covered under section 301 of the Companies Act, 1956:





As on  
31-03-08  
Amount  
Rs. P.

As on  
31-03-07  
Amount  
Rs. P.

**SCHEDULE - 10 : INCREASE (DECREASE) IN FINISHED GOODS**

Schedule

**BALANCE SHEET AS AT 31ST MARCH, 2008**

**Dr. Sabharwal's Mfg. Labs. Ltd.**

<b>OPENING STOCK</b>			
Finished Goods	12,54,507.40	8,31,513.00	
Semi Finished & Stock in Process	11,03,649.75	20,76,362.90	
Trading (Microporous Surgical)	45,25,482.39	11,03,649.75	
<b>CLOSING STOCK :</b>			
1. Finished Goods	29,04,593.50	12,54,507.40	
2. Trading (Microporous Surgical)	5,48,649.75	11,03,649.75	
3. Semi Finished & Stock in Process	50,35,153.00	45,25,482.39	

	40,11,525.65		
	68,83,639.54		

**INCREASE (DECREASE) IN FINISHED GOODS**

	28,72,113.89		
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**SCHEDULE - 11 : PACKING MATERIAL CONSUMED**

<b>OPENING STOCK :</b>			
Add : Purchases During the year	17,47,472.62	27,06,191.36	
Less : VAT Claimed	51,971.37	29,97,270.35	
Less : Modvate Excise Duty	64,462.00	1,17,751.00	
	16,31,039.25	28,79,519.35	
Add : Freight & Cartage	1,88,343.65	1,27,863.00	
Less : Closing Stock	18,19,382.90	30,06,882.35	
	45,25,574.26	50,16,591.89	
PACKING MATERIALS CONSUMED	19,58,664.30	27,06,191.36	
	25,66,909.96	23,10,400.53	

	20,09,709.54		
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**SCHEDULE - 12 : MANUFACTURING EXPENSES**

Repair & Maintenance - Building	1,95,041.00	1,91,688.00	
Repair & Maintenance - Plant & Machinery	4,39,953.50	2,30,342.00	
Power & Fuel	31,76,309.80	32,81,821.00	
Standardisation Expenses	—	16,553.00	
Other Expenses	21,463.27	50,334.00	
Consumable Store	57,972.00	91,092.50	
Excise Duty	9,14,020.02	24,24,859.00	
<b>TOTAL</b>	48,04,759.59	62,86,689.50	

	24,42,886.00		
	3,60,855.00		
	36,00,000.00		
	3,24,668.80		
	65,665.00		
	1,56,491.76		
	69,50,546.56		

**SCHEDULE - 13 : EMPLOYEES' REMUNERATION & BENEFITS**

Wages Salaries & Allowances	22,29,444.00	24,42,886.00	
Contribution to PF, FPE, ESJ EDLI Fund (Including Administration Charges)	2,55,598.00	3,60,855.00	
Directors' Remuneration	36,00,000.00	36,00,000.00	
Bonus	1,68,000.00	3,24,668.80	
Gratuity	10,50,322.00	65,665.00	
Staff & Labour Welfare	89,010.00	1,56,491.76	
<b>TOTAL</b>	73,92,374.00	69,50,546.56	

	24,42,886.00		
	3,60,855.00		
	36,00,000.00		
	3,24,668.80		
	65,665.00		
	1,56,491.76		
	69,50,546.56		

**1. SOURCES OF FUNDS**

<b>(I) Share Holders' Funds :</b>			
(a) Share Capital	1	80,00,000.00	80,00,000.00
(b) Reserves & Surplus	2	2,75,06,499.03	2,94,47,971.51
<b>(II) Loan Funds :</b>			
(a) Secured Loans (Bank)	3	68,23,875.885	94,15,844.25
<b>TOTAL</b>		4,23,30,374.91	4,68,63,815.76

**2. APPLICATION OF FUNDS**

<b>(I) Fixed Assets :</b>			
(a) Gross Block	4	2,43,14,734.67	2,42,72,380.67
(b) Less : Depreciation		1,30,21,860.58	1,19,59,890.10
(c) Net Block		1,12,92,874.09	1,23,12,490.57
<b>(II) Investment :</b>	5	3,100.00	3,100.00
<b>(III) Current Asset, Loans and Advances :</b>	6	4,01,22,363.82	4,48,34,540.89
Less : Current Liabilities & Provisions	7	88,31,324.00	91,48,766.70
<b>(iii) Deferred Tax Liability</b>		(2,56,639.00)	(11,37,549.00)
Note No. 6 Schedule No. 17		4,23,30,374.91	4,68,63,815.76
<b>TOTAL</b>		4,23,30,374.91	4,68,63,815.76

Significant Accounting Policies & Notes to Accounts & Contingent Liabilities

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AUDITOR'S REPORT : AS PER OUR REPORT OF EVEN DATE ATTACHED.

PLACE : NEW DELHI  
DATED : 26th July, 2008

For A. KAY MEHRA & COMPANY  
CHARTERED ACCOUNTANTS  
Sd/-  
(A KAY MEHRA)  
PARTNER  
(M. No. 9983)

For Dr. Sabharwal's Manufacturing Labs Limited  
Sd/-  
(DR. A.R. SABHARWAL)  
MANAGING DIRECTOR  
(MRS. A. SABHARWAL)  
DIRECTOR.



**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008**

**Dr. Sabharwal's Mfg. Labs. Ltd.**

Schedule	31-03-08 Amount Rs. P.	31-03-07 Amount Rs. P.
<b>INCOME :</b>		
Sales	3,99,38,814.50	4,39,75,965.09
Miscellaneous Income	15,93,792.95	14,21,611.78
<b>EXPENDITURE :</b>		
Raw Materials Consumed (Increase) Decrease in stock of Finished / Semi Finished Goods	1,95,83,696.67	2,13,34,483.37
Packing Materials Consumed	(16,54,756.71)	(28,72,113.89)
Purchases for Trading	25,66,909.96	23,10,400.53
Manufacturing Expenses	17,10,101.00	16,69,142.05
Employees Remunerations & Benefits	48,04,759.59	62,86,689.50
Administration & Other Expenses	73,92,374.00	69,50,546.56
Selling & Distribution Expenses	48,76,881.13	36,39,061.07
Interest	17,78,931.00	24,74,080.53
Depreciation on Fixed Assets	11,34,122.81	7,88,849.47
Loss on Sale of Fixed Assets	10,61,970.48	10,89,132.92
	—	2,43,613.27
	<b>4,32,54,989.93</b>	<b>4,39,13,865.38</b>
	(27,22,382.48)	14,83,691.49
	—	1,95,769.60
Add: Less Expenses relating to previous year written back	—	12,87,921.89
Loss/ Profit Before taxation	(27,22,382.48)	14,83,691.49
Less: Provision for Taxation	—	1,95,769.60
Provision for Fringe Benefits Tax	1,00,000.00	1,24,000.00
	—	5,74,000.00
Add: Less Adjusted on a/c, Deferred Tax Liability	1,00,000.00	7,13,921.89
Loss/ Profit after Taxation	(28,22,382.48)	(4,05,261.00)
Balance Brought Forward from Previous Year	(8,80,910.00)	(4,05,261.00)
<b>LOSS/ PROFIT AVAILABLE FOR APPROPRIATIONS</b>	<b>19,41,472.48</b>	<b>11,19,182.89</b>
Transfer to / from General Reserve	2,806.03	19,583.14
Proposed Dividend	(19,38,666.45)	11,38,766.03
Provision for Dividend Tax & Surcharge thereon	19,40,000.00	2,00,000.00
Surplus Transferred to Balance Sheet	—	8,00,000.00
	1,333.55	1,35,960.00
	—	2,806.03
Earning per Share (As per Note 5 of Notes to the Accounts)	(—) 2.43	1.40

Significant Accounting Policies & Notes to Accounts & Contingent Liabilities - 17  
AUDITORS REPORT : AS PER OUR REPORT OF EVEN DATE ATTACHED.

For, A. KAY. MEHRA & COMPANY  
CHARTERED ACCOUNTANTS  
Sd/-  
PLACE : NEW DELHI  
DATED : 26th July, 2008

For Dr. Sabharwal's Manufacturing Labs Limited  
Sd/-  
(Dr. A.R. SABHARWAL)  
MANAGING DIRECTOR  
Sd/-  
(MRS. A. SABHARWAL)  
DIRECTOR

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**SCHEDULE - 7 : CURRENT LIABILITIES & PROVISIONS**

	As on 31-03-08 Amount Rs. P.	As on 31-03-07 Amount Rs. P.
<b>1. CURRENT LIABILITIES :</b>		
Sundry Creditors	59,70,223.89	55,18,037.88
Advance from customers	3,15,722.11	1,66,348.82
Gratuity Payable	8,12,755.00	8,12,755.00
<b>2. PROVISIONS :</b>		
Provision for Taxation	16,50,000.00	16,50,000.00
Proposed Dividend	—	8,00,000.00
Provision for Dividend Tax/Surcharge thereon	82,623.00	1,35,980.00
Provision for Gratuity	—	65,665.00
<b>TOTAL</b>	<b>88,91,324.00</b>	<b>91,48,766.70</b>

**SCHEDULE - 8 : MISCELLANEOUS INCOME**

	1,47,905.95	64,385.00
<b>INTEREST RECEIVED :</b>		
i) On Fixed Deposits with Banks	11,16,621.00	10,42,675.78
ii) From Parties	64,845.00	1,02,677.00
Sales of DEPB	—	35,000.00
MDA Grant Subsidy	13,364.00	19,593.00
Duty Draw Back Received	600.00	1,000.00
Dividend Received from Mutual Funds	2,50,457.00	—
Income Tax Refund	—	—
Bad Debts recovered	—	1,56,281.00
<b>TOTAL</b>	<b>15,93,792.95</b>	<b>14,21,611.78</b>

**SCHEDULE - 9 : RAW MATERIAL CONSUMED**

	62,88,859.55	54,74,467.21
<b>OPENING STOCK :</b>		
<b>OPENING STOCK DIESEL</b>	1,19,479.80	3,57,665.70
Add : Purchases During the year	1,79,71,374.90	2,19,83,270.81
Less : Transfer for Trading	4,42,612.00	—
Less : Vat Claimed	38,391.63	—
Less : Modrate Excise Duty	3,90,081.02	5,82,035.00
Add : Expenses there on	1,71,00,290.25	2,14,01,235.81
Less : Closing Stock	7,53,374.63	5,09,454.00
<b>RAW MATERIALS CONSUMED</b>	<b>1,95,83,696.67</b>	<b>2,13,34,483.37</b>

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## SCHEDULE - 5 : INVESTMENTS

	As on 31-03-08 Amount Rs. P.	As on 31-03-07 Amount Rs. P.
INVESTMENT :		
(iii) 100 Equity Shares of Punjab National Bank Market Value Rs. 45000.00( Previous Year Rs. 38700.00)	3,100.00	3,100.00
<b>TOTAL</b>	<b>3,100.00</b>	<b>3,100.00</b>

## SCHEDULE - 6 : CURRENT ASSETS, LOANS & ADVANCES

1. CURRENT ASSETS :			
<b>A. CLOSING STOCK :</b> (As per inventory taken, valued & certified by the management)			
(i) Raw Materials	44,86,199.91	62,88,859.55	
(ii) Packing Materials	19,58,664.30	27,06,191.36	
(iii) Finished Goods Manufactured	29,04,593.50	12,54,507.40	
(iv) Trading Goods	5,48,649.75	11,03,649.75	
(v) Semi Finished & Stock in Process	50,85,153.00	45,25,482.39	
(vi) Diesel	1,92,107.65	1,19,479.80	
	<b>1,51,75,368.11</b>	<b>1,59,98,170.25</b>	
<b>B. SUNDRY DEBTORS ( Unsecured, unconfirmed and considered Good)</b>			
(i) Debts outstanding for a period exceeding six months	22,50,275.07	23,00,960.21	
(ii) Others	52,09,615.44	92,27,694.34	
	<b>74,59,890.51</b>	<b>1,15,28,654.55</b>	
<b>C. CASH &amp; BANK BALANCE</b>			
(i) Cash in hand as per Cash Book	2,09,818.28	1,10,831.07	
(ii) With Scheduled Banks in:			
a. Current Accounts	3,79,313.93	5,63,221.05	
b. Fixed Deposit A/C.	21,55,849.00	48,65,349.00	
(iii) Interest Accrued on fixed deposit.	3,98,064.95	3,14,389.00	
	<b>31,43,046.16</b>	<b>58,53,790.12</b>	
<b>2. LOANS &amp; ADVANCES (Unsecured, Unconfirmed &amp; Considered Good)</b>			
(i) Advances Recoverable in cash or in kind or for value to be received.	1,06,04,974.04	83,28,299.97	
(ii) Prepaid Expenses	20,577.00	74,399.00	
(iii) Security Deposits	9,01,959.00	8,51,634.00	
(iv) Advance Tax	28,16,549.00	21,99,593.00	
	<b>1,43,44,059.04</b>	<b>1,14,53,925.97</b>	
<b>TOTAL</b>	<b>4,01,22,363.82</b>	<b>4,48,34,540.89</b>	

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## Dr. Sabharwal's Mfg. Labs. Ltd.

	As on 31-03-08 Amount Rs. P.	As on 31-03-07 Amount Rs. P.
<b>SCHEDULE - 1 : SHARE CAPITAL</b>		
<b>AUTHORISED CAPITAL :</b>		
15,00,000 Equity Shares of Rs. 10/- each	1,50,00,000.00	1,50,00,000.00
<b>ISSUED, SUBSCRIBED &amp; PAID UP CAPITAL :</b>		
8,00,000 Equity Shares of Rs. 10/- each fully paid up	80,00,000.00	80,00,000.00
<b>TOTAL</b>	<b>80,00,000.00</b>	<b>80,00,000.00</b>

## SCHEDULE - 2 : RESERVES & SURPLUS

A. RESERVES :			
<b>(i) CAPITAL RESERVE :</b>			
(a) CENTRAL INVESTMENT SUBSIDY : Balance as per last Balance sheet.	18,40,000.00		18,40,000.00
(b) GENERATOR SET SUBSIDY Balance as per last Balance Sheet.	1,58,400.00		1,58,400.00
(c) SHARE FORFEITURE ACCOUNT Balance as per last Balance sheet	45,500.00		45,500.00
(ii) OTHER RESERVES :			
(a) GENERAL RESERVE : Balance as per Last Balance sheet Add: Transferred from Profit & Loss Account	2,74,01,265.48	2,72,01,265.48	2,74,01,265.48
	<b>2,74,01,265.48</b>	<b>2,00,000.00</b>	<b>2,74,01,265.48</b>
Less Transferred To Profit & Loss Account	2,74,01,265.48		2,74,01,265.48
	<b>19,40,000.00</b>		
(b) SURPLUS Balance of Profit & Loss Account	1333.55		2,806.03
<b>TOTAL</b>	<b>2,75,06,499.03</b>		<b>2,94,47,971.51</b>

## SCHEDULE - 3 : SECURED LOANS

FROM PUNJAB NATIONAL BANK			
<b>1. CASH CREDIT LOANS :</b>			
(i) Secured by hypothecation of stock of Raw Materials, Packing Materials, Finished goods and personal guarantee of Managing Director & One of the Directors	68,08,927.82		92,26,698.00
<b>2. VEHICAL LOAN</b>			
ICICI BANK CAR LOAN	14,948.06		1,89,146.25
<b>TOTAL</b>	<b>68,23,875.88</b>		<b>94,15,844.25</b>

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