

COLINZ LABORATORIES LIMITED

Report **Colinz** Junction.com

| |
|-------------|
| 18th |
| A N N U A L |
| R E P O R T |
| 2003-2004 |

18th Annual Report 2003-2004**BOARD OF DIRECTORS**

| | |
|-----------------------|---|
| DR. L. S. MANI | <i>Chairman & Managing Director</i> |
| SHRI. N. K. MENON | <i>Whole-Time Director</i> |
| SMT. VIJAYA MANI | Director |
| SHRI. VASANT K. BHAT | Director |
| SHRI. MICHAEL D'SOUZA | Director |

AUDITORS.....

S. V. BHAT & CO.
Chartered Accountants

BANKERS

BANK OF BARODA

REGISTERED OFFICE.....

A-101, PRATIK IND. ESTATE,
MULUND-GOREGAON LINK ROAD
NEXT TO WOCKHARDT HOSPITAL
MUMBAI - 400 078.

WORKS.....

PLOT NO. 60, 'STICE', MUSALGAON
SINNAR-SHIRDI ROAD, SINNAR
NASIK - 422 103.

CONTENTS**Page No.**

| | |
|--|----|
| NOTICE..... | 2 |
| DIRECTOR'S REPORT..... | 5 |
| MANAGEMENT DISCUSSION AND ANALYSIS | 7 |
| REPORT ON CORPORATE GOVERNANCE | 8 |
| AUDITOR'S REPORT..... | 12 |
| BALANCE SHEET..... | 15 |
| PROFIT AND LOSS ACCOUNT..... | 16 |
| SCHEDULES ANNEXED TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT..... | 17 |
| CASH FLOW STATEMENT..... | 28 |
| PROXY FORM AND ATTENDANCE SLIP | |

COLINZ LABORATORIES LIMITED**NOTICE**

Notice is hereby given that the 18th Annual General Meeting of the Company will be held at the Registered Office of the Company, i.e. A-101, Pratik, Ind. Estate, Mulund-Goregaon Link Road, Mumbai - 400 078, on Monday, 27th September, 2004, at 3.30 P. M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2004, the Profit and Loss Account for the year ended on that date, together with Director's Report and also the Auditor's Report thereon.
2. To appoint a Director in place of Shri. Vasant K. Bhat, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri. Michael D'Souza, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors to hold office from conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :-

"RESOLVED THAT pursuant to provisions of Sections 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956 and Schedule XIII to the Companies Act, 1956 the Company hereby accords its approval and consent to the reappointment of Dr. L. S. Mani as Chairman & Managing Director of the Company for a further period of 5 years with effect from 01-10-2004 upon and subject to the terms and conditions including the remuneration as set out in the draft Agreement (placed before the meeting and signed by a Director for the purpose of identification) with liberty and power to the Board of Directors to alter and vary, from time to time, any of the terms and conditions of the said appointment and / or agreement but so as not to exceed the limit specified in Schedule XIII to the Companies Act, 1956 , as may be acceptable to Dr. L. S. Mani".

"RESOLVED FURTHER THAT such remunerations as aforesaid by way of salary and perquisite be paid and provided to Dr. L. S. Mani, notwithstanding that in any financial year, during the currency of tenure of Dr. L. S. Mani, as the Chairman & Managing Director, the Company may have made no profits or its profits may be inadequate".

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :-

"RESOLVED THAT pursuant to provisions of Sections 198, 269, 309 and all other applicable provisions if any, of the Companies Act, 1956 and Schedule XIII to the Companies Act, 1956 the Company hereby accords its approval and consent to the reappointment of Shri N. K. Menon as Whole-Time Director of the Company for a further period of 5 years with effect from 01-10-2004 upon and subject to the terms and conditions including the remuneration as set out in the draft Agreement (placed before the meeting and signed by a Director for the purpose of identification) with liberty and power to the Board of Directors to alter and vary, from time to time, any of the terms and conditions of the said appointment and / or agreement but so as not to exceed the limit specified in Schedule XIII to the Companies Act, 1956 , as may be acceptable to Shri N. K. Menon".

RESOLVED FURTHER THAT such remunerations as aforesaid by way of salary and perquisite be paid and provided to Shri N. K. Menon, notwithstanding that in any financial year, during the currency of tenure of Shri N. K. Menon, as the Whole-Time Director, the Company may have made no profits or its profits may be inadequate".

For Colinz Laboratories Limited.

Regd. Office:
A-101, Pratik Ind. Estate
Mulund-Goregaon Link Road
Mumbai - 400 078.
Date : 31-07-2004.

DR. L. S. MANI
Chairman & Managing Director.

NOTES :

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER. AN INSTRUMENT APPOINTING THE PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME OF HOLDING THE MEETING.
- (b) The Register of Members and Share Transfer Books of the Company will remain closed from, 18th September, 2004 to, 27th September, 2004. (both days inclusive)
- (c) Members are requested to notify immediately any change in their address to the Registrar and Transfer Agent of the Company, M/s. Bigshare Services Pvt. Ltd., E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (E), Mumbai-400072.
- (d) Members intending to require any information about accounts to be explained in the meeting are requested to inform the Company in writing at least Ten days in advance of the date of Annual General Meeting.

ANNEXURE TO NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****Item No. 5:**

Dr. Shri L. S. Mani was appointed as Chairman & Managing Director of the Company with effect from 01-10-1999, on a remuneration of Rs.20,000-1,500-27,500 for a period of 5 years. Since his term expires on 30-09-2004, the Board of Directors at their meeting held on 31st July, 2004 have reappointed Dr. L. S. Mani as Chairman & Managing Director for a further period of 5 years w.e.f. 01-10-2004.

Dr. L. S. Mani is an able and capable to head a professional management team. The Company's current success in its marketing activities is attributed to the best leadership qualities of Dr. L. S. Mani. Therefore, it is felt necessary in the interest of the Company to reappoint Dr. L. S. Mani, as Chairman & Managing Director of the Company for a further period of 5 years, on remuneration and other terms as under ;

I. Salary and Commission :

- a) Salary Rs. 30,000/- per month (Rupees Thirty Thousand only) in the scale of Rs. 30,000/-—Rs.60,000/-. Increments within the salary scale will be decided by the Board of Directors from time to time, as they may deem fit.
- b) Commission @1% on the Net Profit subject to the ceiling laid down in Section 198 and 309 of the Companies Act, 1956. Net profit to be computed in accordance with the Provisions of Section 349 and 350 of the Companies Act, 1956.

II. Perquisites:

- a) Housing :
 - (1) Expenditure by the Company in hiring unfurnished accommodation subject to the ceiling of 50% of the salary.
 - (2) In case accommodation is owned by the Company, 10% of the salary shall be deducted by the Company.
 - (3) If the Company does not provide accommodation, House Rent Allowance will be paid by the Company subject to a ceiling laid down in (1) above.

Reimbursement of expenses in respect of gas, electricity and water, furnishing and repairs as per Company policy in force from time to time or as may be decided by the Board of Directors.

- b) Medical reimbursement for self and family, personal accident insurance and such other payments in the nature of perquisites and allowances will be as per Company policy in force from time to time and as may be decided by the Board of Directors.
- c) Children studying either in India or abroad, Rs. 5,000/- per month per child or actual expenses whichever is less, subject to a maximum of two child.
- d) Leave travel concession for self and family once in a year as per the Rules of the Company applicable to Senior executives.
- e) Club fees subject to maximum of two clubs, but shall not include admission and life membership fees.
- f) Company's contribution to provident fund and Superannuation fund, as per the Rules of the Company applicable to senior executives.
- g) Gratuity not exceeding half month's salary for each completed year of service.
- h) Leave as per the Rules of the Company applicable to senior executives.
- i) Encashment of leave as per Rules of the Company applicable to senior executives, at the end of the tenure.
- j) Car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company.

Dr. L. S. Mani shall not be paid any sitting fees for attending the Board meetings or committee thereof. The Chairman & Managing Director shall not be liable for retirement by rotation.

Dr. L. S. Mani and Smt. Vijaya Mani, being the relative of Dr. L. S. Mani, are concerned or interested in the appointment of Dr. L. S. Mani. None of the other Directors of the Company, is in any way concerned or interested in the resolution.

COLINZ LABORATORIES LIMITED**Item No. 6:**

Shri N. K. Menon was appointed as Whole-Time Director of the Company with effect from 01-10-1999, on a remuneration of Rs.15,000-1,500-22,500 for a period of 5 years. Since his term expires on 30-09-2004, the Board of Directors at their meeting held on 31st July, 2004 have reappointed Shri. N. K. Menon as Whole-Time Director for a further period of 5 years w.e.f. 01-10-2004.

Shri N. K. Menon, has made valuable contribution to the progress and development of the Company. The Board of Directors consider that in view of the knowledge and experience over long years in the Company, it would be in the interest of the Company to reappoint Shri N. K. Menon, as Whole-Time Director of the Company, for a further period of 5 years on remuneration and other terms as under.

I. Salary and Commission :

- a) Salary Rs. 25,000/- per month (Rupees Twenty five Thousand only) in the scale of Rs.25,000-Rs.50,000. Increments within the salary scale will be decided by the Board of Directors from time to time, as they may deem fit.
- b) Commission @1% on the Net Profit subject to the ceiling laid down in Section 198 and 309 of the Companies Act, 1956. Net profit to be computed in accordance with the Provisions of Section 349 and 350 of the Companies Act, 1956.

II. Perquisites:

- a) Housing :
 - (1) Expenditure by the Company in hiring unfurnished accommodation subject to the ceiling of 50% of the salary.
 - (2) In case accommodation is owned by the Company, 10% of the salary shall be deducted by the Company.
 - (3) If the Company does not provide accommodation, House Rent Allowance will be paid by the Company subject to a ceiling laid down in (1) above.

Reimbursement of expenses in respect of gas, electricity and water, furnishing and repairs as per Company policy in force from time to time or as may be decided by the Board of Directors.

- b) Medical reimbursement for self and family, personal accident insurance and such other payments in the nature of perquisites and allowances will be as per Company policy in force from time to time and as may be decided by the Board of Directors.
- c) Children studying either in India or abroad, Rs. 5,000/- per month per child or actual expenses whichever is less, subject to a maximum of two child.
- d) Leave travel concession for self and family once in a year as per the Rules of the Company applicable to Senior executives.
- e) Club fees subject to maximum of two clubs, but shall not include admission and life membership fees.
- f) Company's contribution to provident fund and Superannuation fund, as per the Rules of the Company applicable to senior executives.
- g) Gratuity not exceeding half month's salary for each completed year of service.
- h) Leave as per the Rules of the Company applicable to senior executives.
- i) Encashment of leave as per Rules of the Company applicable to senior executives, at the end of the tenure.
- j) Car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company.

Shri. N. K. Menon shall not be paid any sitting fees for attending the Board meetings or committee thereof. The Whole-Time Director shall not be liable for retirement by rotation.

None of the Directors, except Shri N. K. Menon, is in any way concerned or interested in the resolution.

For Colinz Laboratories Ltd.,

Dr. L. S. Mani
Chairman & Managing Director.

Mumbai, dated 31-07-2004.

18th Annual Report 2003-2004**DIRECTORS' REPORT 2003-2004**

To
The Shareholders,

Your Directors have the pleasure in presenting their 18th Annual Report and audited Accounts of your Company, for the year ended 31st March, 2004.

FINANCIAL RESULTS :

| | 2003-2004 (Rs. in Lacs) | 2002-2003 (Rs. in Lacs) |
|---|--|--|
| Profit before Interest and Depreciation | 35.71 | 34.18 |
| Less: Bank Charges and Interest | 9.83 | 8.35 |
| Depreciation | 15.57 | 14.12 |
| Profit before Taxation | 10.31 | 11.71 |
| Less: Provision for Current Tax | 0.71 | 0.92 |
| Provision for Deferred Tax | 3.74 | 4.44 |
| Profit after Taxation | 5.86 | 6.35 |

OPERATIONS :

The year under review was another sluggish year for the Indian industry as a whole. The domestic pharmaceutical industry was no exception to this. Added to this the confusion regarding the introduction of VAT compounded the already difficult conditions in the domestic market. Fearing additional tax burden, the stockists of the Company reduced substantially the purchases in the first quarter of the financial year until the decision to defer the VAT was announced by the then Finance Minister, Govt. of India. The Transport strike in Mumbai subsequent to the decision of the Mumbai High Court to phase out old vehicles, also affected totally the production and sales for the entire month of April 2004. In spite of all these difficult conditions, your Company managed to achieve a reasonable growth during the year.

DIVIDEND :

Your Directors are unable to recommend any dividend during the year under review, considering the small surplus available and with a view to conserve funds towards margin monies.

LISTING OF SHARES:

The shares of your Company are listed in Stock Exchange, Mumbai. Annual Listing Fees for the year 2004-05 has been paid on time.

PUBLIC DEPOSITS :

There is no unclaimed deposit which is due for repayment as on 31-3-2004.

DIRECTORS :

At the forthcoming Annual General Meeting Shri. Vasant K. Bhat and Shri. Michael D'Souz retire by rotation and are eligible for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT:

Your Directors confirm:

- I. That in the preparation of the annual accounts, the applicable accounting standards have been followed;
- 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 of affairs of the Company at the end of the financial year ended 31st March, 2004 and of the profit of the company for that year;
- III. That the Directors had 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.

COLINZ LABORATORIES LIMITED**PERSONNEL :**

During the year under review, relations between the Employees and the Management remained cordial.

Particulars of employees as required under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended from time to time are not applicable to your Company as there were no employees whose remuneration is in excess of limits prescribed.

CONSERVATION OF ENERGY :

Except for the consumption of Power (Electricity) the Company does not consume any other source of energy. Pharmaceutical company is not power intensive. Since it also involves multiple products, disclosure of consumption of power per unit of product is not meaningful.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

No imported technology is adapted by the Company. Continuous developmental efforts are made by our qualified and approved staff to formulate new products and innovation of existing products. Such efforts have benefited in improving the stability of our products and simplification of manufacturing procedures.

FOREIGN EXCHANGE :

Since there was no exports during the year under review, no foreign exchange was earned by the Company (Previous Year Rs. Nil). Foreign exchange outgo was Rs. Nil

RESEARCH AND DEVELOPMENT :

Your Company has not incurred any expenditure on research and development other than the routine developmental work.

REPORT ON CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, the following form part of this Annual Report :

- i) Management Discussion and Analysis
- ii) Report on Corporate Governance
- iii) Auditor's Certificate regarding compliance of conditions of Corporate Governance.

OTHER MATTERS :

Your Company is not a polluting industry and the requirements of Pollution Control Board, if any, are met with.

AUDITORS :

M/s. S. V. Bhat & Co., Chartered Accountants, retire as auditors of the Company at the conclusion of the 18th Annual General Meeting and are eligible for reappointment.

ACKNOWLEDGMENT :

Your Directors would like to acknowledge the co-operation they received during the year under review from Bankers, Distributors as well as from various Government Departments and also the investing public. We would also like to place on record our profound admiration and sincere appreciation of the hard work put in by the members of the staff and workmen. We are grateful to you, for the confidence and faith you have reposed in us.

For and on behalf of the Board.

Dr. L. S. Mani
Chairman & Managing Director

Mumbai, 30th June, 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

This Report includes Management Discussion and Analysis as appropriate, so that duplication and overlap between Directors Report and Management Discussion and Analysis is avoided. The entire material is thus provided in a composite and comprehensive document.

A) THE PHARMACEUTICAL BUSINESS :

Colinz Laboratories Ltd., is engaged in the manufacture and marketing of pharmaceutical formulations particularly in gynaecological sector. The Indian pharmaceutical market is highly competitive and also fragmented with over 20,000 players comprising of foreign multinationals, Indian multinationals, mid-size and small scale companies. Your Company falls under the SSI sector. However, Colinz has established reputation as a quality suppliers of medicines in the domestic market wherever the company has operation.

B) OPPORTUNITIES, THREATS AND CONCERNS:

The Company's products are enjoying a good Brand image, particularly among gynaecologists. The Company has a tremendous potential to grow in future considering the fact that it is yet to open up its marketing operations in the remaining states of the country, based on the availability of working capital and distribution network.

The main threat to the Company is the booming "GENERICS" market. Today even the multinational pharma companies have entered the generic market, resulting in un-healthy competition and retarded growth for the branded products, particularly in respect of small companies.

C) OUT LOOK :

Barring the aforesaid deterrants, the Company does not foresee any major threats in its growth. In India, at least a single digit growth of 7% to 9% is expected for the next few years in pharmaceutical formulation market, and company is expecting over 10% growth in the coming year.

D) FINANCIAL PERFORMANCE :

The financial performance during the year under review has been satisfactory, considering the fact that even after making provision for Deferred Tax, the Company maintained the profit after tax, compared to previous year. The Company's bottom line has been under strain due to increase in field staff cost which is necessary to retain the skillful sales personnel, which is the backbone in pharma selling.

E) INTERNAL CONTROLS :

The Company has proper and adequate internal control system, in respect of efficiency of operations, financial reporting and compliance with applicable laws and regulations etc. There are adequate controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposal and that all transactions are authorized, recorded and reported correctly.

F) HUMAN RESOURCES :

Human resources are highly valued asset for any industry particularly in pharmaceutical selling. Therefore the Company seeks to attract and retain technical and marketing staff. The Company also recognizes the importance of human assets and ensures that proper encouragement both moral and financial is extended to the employees to motivate them. The total number of employees as on 31-03-2004 was 150. The Company enjoyed excellent relationship with its employees during the year under review.

G) CAUTIONARY STATEMENT:

The above Management Discussion and Analysis section may be forward looking and are stated as required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Directors' envisage in terms of the future performance and outlook.