

COLINZ LABORATORIES LIMITED

Colinz

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| |
|-------------|
| 19th |
| A N N U A L |
| R E P O R T |
| 2004-2005 |

BOARD OF DIRECTORS

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

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.

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COLINZ LABORATORIES LIMITED**NOTICE**

Notice is hereby given that the 19th 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 Thursday, 29th September, 2005, at 1.00 P. M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2005, 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 Smt. Vijaya Mani, who retires by rotation and being eligible offers herself 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.

For Colinz Laboratories Limited.

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

DR. L. S. MANI
Chairman & Managing Director

Date : 30-07-2005.

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, 22nd September, 2005 to, 29th September, 2005. (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.

DIRECTORS' REPORT 2004-2005

To

The Shareholders,

Your Directors have the pleasure in presenting their 19th Annual Report and audited Accounts of your Company, for the year ended 31st March, 2005.

FINANCIAL RESULTS :

| | 2004-2005 (Rs. in Lacs) | 2003-2004 (Rs. in Lacs) |
|---|--|--|
| Profit before Interest and Depreciation | 32.85 | 35.71 |
| Less: Bank Charges and Interest | 8.42 | 9.83 |
| Depreciation | 15.89 | 15.57 |
| Profit before Taxation | 8.54 | 10.31 |
| Less: Provision for Current Tax | 0.58 | 0.71 |
| Provision for Deferred Tax | 3.32 | 3.74 |
| Profit after Taxation | 4.64 | 5.86 |

OPERATIONS :

During the year under review, the turnover of the company grew by 16% from Rs. 541.64 lacs to Rs. 630.83 lacs. The turnover could have been still higher except for the confusion that was prevalent over the VAT implementation, in place of local taxes with effect from 01.04.2005. In the run up to the new VAT regime, the stockists had totally stopped the purchases as the VAT rate fixed for the medicines were much lower than the prevailing local tax. In spite of the increase in sales the margins were still under pressure due to escalation of input costs and Union Govt's decision to levy MRP based excise duty instead of the, then prevailing system of transaction based excise duty. Both these factors have lead to the pressure on the margins.

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 2005-06 has been paid on time.

PUBLIC DEPOSITS :

There is no unclaimed deposit which is due for repayment as on 31-3-2005.

DIRECTORS :

At the forthcoming Annual General Meeting Shri. Vasant K. Bhat and Smt. Vijaya Mani 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, 2005 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;
- VI. 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 direct 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 19th 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

Mumbai, 30th June, 2005.

Dr. L. S. Mani
Chairman & Managing Director

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 supplier 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 net-work.

The main threat to the Company is enactment of the Patents Bill amending the Patent Act, 1970, to conform to the requirement of TRIPS agreement of WTO. In view of this, the Company will not, like any other Indian pharmaceutical companies, henceforth be able to sell in India or elsewhere pharmaceutical products whose patents are recognized in India, unless and until these patents expire or are invalidated. This is addressed by the strategy of the Company to increasingly focus on recent off-patent products.

C) OUTLOOK :

Barring the aforesaid deterrents, 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 reasonable growth in the coming year.

D) FINANCIAL PERFORMANCE :

The financial performance during the year under review has been satisfactory. The Company's bottom line has been under strain due to escalation in material costs, MRP based excise duty and 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 31-03-2005 was 160. 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.

COLINZ LABORATORIES LIMITED**CORPORATE GOVERNANCE :****1) PHILOSOPHY :**

Colinz Laboratories Ltd., has always strived to attain highest levels of transparency and accountability in all its operation and in its interactions with Shareholders, Government depts. creditors etc. Hence the Company has taken all appropriate steps to comply with the provisions of the prescribed Corporate Governance Code within the stipulated time.

2) BOARD OF DIRECTORS :

(a) Composition, Category of Directors and their other directorships as on 31-03-2005 :

| Name of the Director | Category of Directorship | No. of Directorships in the public companies |
|-----------------------|---|--|
| Dr. L. S. Mani | Chairman & Managing Director (Executive, Promoter) | None |
| Shri. N. K. Menon | Whole-Time Director (Executive) | None |
| Smt. Vijaya Mani | Non-Executive, Promoter | None |
| Shri. Vasant K. Bhat | Non-Executive, Independent | None |
| Shri. Michael D'Souza | Non-Executive, Independent | None |

(b) Number of Board Meetings : During the year ended 31-03-2005, 7 Board Meetings were held on 30-04-2004, 30-06-2004, 31-07-2004, 15-09-2004, 30-10-2004, 30-11-2004, 31-01-2005.

(c) Directors' attendance record :

| Name of the Director | Board Meetings attended during the year. | Whether attended last AGM |
|-----------------------|--|---------------------------|
| Dr. L. S. Mani | 7 | Yes |
| Shri. N. K. Menon | 7 | Yes |
| Smt. Vijaya Mani | 7 | Yes |
| Shri. Vasant K. Bhat | 7 | Yes |
| Shri. Michael D'Souza | 7 | Yes |

3) COMMITTEES OF THE BOARD :

(a) Audit Committee

i) Terms of Reference :

Apart from all the matters provided in clause 49 of the listing agreement and Sec. 292-A of the Companies Act, 1956 the Audit Committee holds discussions with the Statutory Auditors of the Company concerning the accounts of the Company, internal control systems, scope of audit and observations of the Auditors. It also reviews major accounting policies followed by the Company.

ii) Composition.

The Composition of the Audit Committee is as follows :

| Name | Designation | Category of Directorship | Committee Meetings Attended |
|-----------------------|-------------|----------------------------|-----------------------------|
| Shri. Vasant K. Bhat | Chairman | Non-Executive, Independent | 5 |
| Shri. Michael D'Souza | Member | Non-Executive, Independent | 5 |
| Smt. Vijaya Mani | Member | Non-Executive, Promoter | 5 |

(b) Remuneration Committee and Policy :

The non-mandatory requirement of setting up of a remuneration committee for remuneration of executive directors has not been adopted considering the nature and the size of the Company. The Board of Directors determines the remuneration payable to the Executive Directors taking into account their qualifications,

experience, expertise and contribution.

The details of the remuneration paid to the Executive Directors for the year ended 31-03-2005 are as follows.

| Name | Salary |
|-------------------|--------------|
| Dr. L. S. Mani | Rs. 5,04,000 |
| Shri. N. K. Menon | Rs. 4,14,000 |

The Company pays sitting fees of Rs. 5,000/- per meeting to Non-Executive Directors.

(c) Investors Grievance Committee :

The Board has constituted an Investors Grievance Committee which looks into shareholders and investors grievances.

Following are the members of the Committee :

| Name | Designation | Category of Directorship |
|-----------------------|-------------|----------------------------|
| Shri. Michael D'Souza | Chairman | Non-Executive, Independent |
| Dr. L. S. Mani | Member | Executive, Promoter |

Compliance Officer : Shri. Vasant K. Bhat.

Number of complaints received from the shareholders during the year – 4 Nos.

Number of complaints redressed during the year – 4 Nos.

Number of complaints unsolved as on 31.03.2005 - Nil

4. SHAREHOLDERS :

(a) Means of Communication :

The quarterly, half yearly and annual audited financial results of the Company are sent to the stock exchanges immediately after they are approved by the Board. The results are published in accordance with the guidelines of the Stock Exchange.

(b) Share Transfers :

As per SEBI circular D &CC/FITTC/CIR-15/2002 dated 27-12-2002 the Company should have a common agency for share registry work. Accordingly, the Company has appointed M/s. Bigshare Services Pvt. Ltd., E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (E), Mumbai-400072, as Common Agency for share registry work.

(c) General Body Meetings :

Details of the last 3 Annual General Meetings are as under.

| Financial Year | Date | Time | Venue |
|----------------|------------|----------|--|
| 2003-04 | 27-09-2004 | 3.30 PM | A-101, Pratik Ind. Estate, Mulund-Goregaon Link Road, Bhandup (W), Mumbai – 400 078. |
| 2002-03 | 29-09-2003 | 11.30 AM | A-101, Pratik Ind. Estate, Mulund-Goregaon Link Road, Bhandup (W), Mumbai – 400 078. |
| 2001-02 | 27-09-2002 | 11.30 AM | 2 nd Floor, Copper Rollers Cpd. L. B. S. Marg, Bhandup, Mumbai – 400 078. |

(d) Postal Ballot :

For the year ended 31-03-2005, there have been no ordinary or special resolutions passed by the Company's Shareholders through postal ballot.