

COLINZ LABORATORIES LIMITED

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Colinz

20th
A N N U A L
R E P O R T
2005-2006

20th Annual Report 2005-2006**BOARD OF DIRECTORS**

DR. L. S. MANI	<i>Chairman & Managing Director</i>
SHRI. N. K. MENON	<i>Whole-Time Director</i>
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.

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COLINZ LABORATORIES LIMITED**NOTICE**

Notice is hereby given that the 20th 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 Friday, 29th September, 2006, at 12.30 P. M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2006, 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. Michael D'Souza, who retires by rotation and being eligible offers himself for reappointment.
3. 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.

Regd. Office:
A-101, Pratik Ind. Estate
Mulund-Goregaon Link Road
Mumbai - 400 078.
Date : 31-07-2006.

For Colinz Laboratories Limited

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, 22nd September, 2006 to 29th September, 2006. (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.

20th Annual Report 2005-2006**DIRECTORS' REPORT 2005-2006**

To
The Shareholders,

Your Directors have the pleasure in presenting their 20th Annual Report and audited Accounts of your Company, for the year ended 31st March, 2006.

FINANCIAL RESULTS

	2005-2006 (Rs. in Lacs)	2004-2005 (Rs. in Lacs)
Profit before Interest and Depreciation	30.16	32.85
Less: Bank Charges and Interest	9.79	8.42
Depreciation	16.10	15.89
Profit before Taxation	4.27	8.54
Less: Provision for Current Tax	—	0.58
Provision for Deferred Tax	0.70	3.32
Fringe Benefit Tax	2.00	—
Profit after Taxation	1.57	4.64

OPERATIONS

During the year under review, the turnover of the company was Rs. 553.99 lacs compared to Rs. 636.14 lacs for the Financial Year 2004-05. The operations of the Company during the year 2005-06 was affected due to the following main two reasons:-

[A] Floods of Mumbai on the night of 26th July 2005:

The entire finished goods, important records / documents including accounting records lying in our godown and the goods brought for booking from the Nasik factory (which could not be booked on 26th July 2005, due to heavy rains) stored in the godown, were washed out due to floods. We had, no doubt, full coverage of Insurance for our godown premises. However, the Insurance claim was settled only on the basis of cost of the material and negligible conversion costs, after deducting certain statutory deductions, as per the policy conditions. This affected the sales of the company for the next 2 / 3 months on account of;

- Sudden crippling of cash flow, due to loss of the Inventory and the delay in the settlement of Insurance claim.
- The time taken to prepare the documents for the Insurance claim and follow up with the Insurance company, police department, fire brigade etc.
- Destruction of the stocks and cleaning up operations.
- The time taken to organise materials and production of products one by one.
- Restoration of all possible accounting records.

[B] Strict implementation of Schedule 'M', to the Drugs and Cosmetics Act (applicable to all Pharma manufacturing units) with effect from 01.07.2005:

Government of India's (Ministry of Health and Family Welfare) notification dated 30.06.2005, specifying certain new norms with regard to Good Manufacturing Practices compelled us to shut down the plant with effect from 15th January 2006, for modifications, also resulted in production loss for about 2 – 2 ½ months, during the year under review and consequently loss in sales.

Thus, the production loss and the consequent sales loss for about 2 ½ months, affected the top line as well as the bottom line, during the year under review. Further the MRP based excise duty on the Company's products also 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 2006-07 has been paid on time.

PUBLIC DEPOSITS

The Company has not accepted or renewed during the year under review any deposits from the public within the meaning of Section 58A and 58AA of the Companies Act, 1956.

DIRECTORS

Mrs. Vijaya Mani, a Promoter Director of the Company since 06.10.1986 resigned as a Director of the Company w.e.f. 30.12.2005. The Board places on record its deep sense of appreciation of the invaluable contribution made by her during the tenure of her office as Director of the Company. At the forthcoming Annual General Meeting Mr. Michael

COLINZ LABORATORIES LIMITED

D'Souza retires by rotation and is 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, 2006 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.

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 20th 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, 2006.

Dr. L. S. Mani
Chairman & Managing Director

20th Annual Report 2005-2006**MANAGEMENT DISCUSSION AND ANALYSIS**

This Report includes Management Discussion and Analysis as appropriate, so that duplication and overlap between Director's 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 manufacturing 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.

Financial Year 2005-06, was an eventful year for the entire Pharma industry. The revised patent regime was put into force with effect from 01.01.05.

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 Revised Schedule 'M' (which was made mandatory with effect from 01.07.05) posed a major threat to the Company's survival. However, having managed the capital expenditure and making your company a Schedule 'M' compliant unit, new opportunities will open up to your Company. This is because with the strict implementation of Revised Schedule 'M', will see several small players being forced to exit.

With regard to the Patent regime and the consequences forced upon the entire Indian Pharma Industry, your Company's management had foreseen these changes and has been preparing for them, since long. Your Company has addressed this issue, by increasingly focusing on those off patent products.

C) OUT LOOK

Barring unforeseen deterrents, the Company does not foresee any major threats in its growth, except the impact of the plant shut down, for modifications / alterations, as stated in the Directors Report.

D) FINANCIAL PERFORMANCE

As stated aforesaid, there was financial strains on account of the floods, capital expenditure on Revised Schedule 'M' implementation etc. However, inspite of all these constraints the Financial performance during the year under Review has been satisfactory, in view of your Company Management's prudent and timely decisions and actions.

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 31-03-2006 was 140. 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 31-03-2006 :

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
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 31-03-2006, 6 Board Meetings were held on 30-06-2005, 30-07-2005, 31-10-2005, 30-12-2005, 31-01-2006 & 03.03.2006.

(c) Directors' attendance record :

Name of the Director	Board Meetings attended during the year	Whether attended last AGM
Dr. L. S. Mani	6	Yes
Shri. N. K. Menon	6	Yes
Shri. Vasant K. Bhat	6	Yes
Shri. Michael D'Souza	6	Yes
Smt. Vijaya Mani	4	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. 292A 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	6
Shri. Michael D'Souza	Member	Non-Executive, Independent	6
Dr. L. S. Mani	Member	Executive, Promoter	6

(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.

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The details of the remuneration paid to the Executive Directors for the year ended 31-03-2006 are as follows.

Name	Salary
Dr. L. S. Mani	Rs. 5,42,500
Shri. N. K. Menon	Rs. 4,52,500

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 31.03.2006 - 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
2004-05	29-09-2005	1.00 PM	A-101, Pratik Ind. Estate, Mulund-Goregaon Link Road, Bhandup (W), Mumbai – 400 078.
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.

(d) Postal Ballot :

For the year ended 31-03-2006, there have been no ordinary or special resolutions passed by the Company's Shareholders through postal ballot.