

COLINZ LABORATORIES LIMITED

Colinz

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|------------------|
| 24 th |
| A N N U A L |
| R E P O R T |
| 2009-2010 |

COLINZ LABORATORIES LIMITED

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 | <i>Director</i> |
| SHRI. KRISHNA KUMAR ATTRASSARY | <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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NOTICE

Notice is hereby given that the 24th 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, 30th September, 2010, 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, 2010, 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 Director in place of Mr. Krishnakumar Attrassary who retires by rotation and being eligible offers himself for re-appointment.
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.

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 : 29-05-2010

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, 23rd September, 2010 to 30th September, 2010. (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.

COLINZ LABORATORIES LIMITED

DIRECTORS' REPORT 2009-2010

To

The Shareholders,

Your Directors have the pleasure in presenting their 24th Annual Report and audited Accounts of your Company, for the year ended 31st March, 2010.

FINANCIAL RESULTS :

| | 2009-2010 (Rs. in Lacs) | 2008-2009 (Rs. in Lacs) |
|---|----------------------------|----------------------------|
| Earnings before Interest, Depreciation & Tax (EBITDA) | 49.99 | 56.29 |
| <u>Less:</u> Bank Charges and Interest | 17.68 | 23.86 |
| Depreciation | 25.70 | 26.24 |
| Profit before Taxation | 6.61 | 6.19 |
| <u>Less/ (Add):</u> Provision for Current Tax | 0.96 | 0.59 |
| Provision for Deferred Tax | (2.81) | 3.28 |
| Fringe Benefit Tax | - | 1.32 |
| Profit after Taxation | 8.46 | 1.00 |

OPERATIONS :

During the year under review, the total revenues of the company stood at Rs.566.00 lacs compared to 549.00 lacs. The Profit before Tax was Rs. 6.61 lacs. The net Profit after providing for income tax and Deferred Tax was Rs.8.46 lacs. The earnings before Interest, Depreciation and tax was lower at 49.99 lacs during the year under review compared to Rs. 56.29 in the previous due to increase in the employee cost, particularly incurred to retain the productive field staff.

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 2010-11 has been paid on time.

PUBLIC DEPOSITS :

The Company has not invited / received any fixed deposits during the year.

DIRECTORS:

The Board consists of Executive and Non-Executive directors, including independent Directors, who have wide and varied experience in different disciplines of corporate functioning. In accordance with the provisions of Companies Act, 1956, and Article of Association of the Company, Shri Krishnakumar Attrassary retires by rotation at the ensuring Annual General Meeting and being eligible offers himself for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT:

In terms of provisions of Section 217[2AA] of the Companies Act, 1956, your Directors confirm that:

- I. In the preparation of the annual accounts, the applicable accounting standards have been followed, along-with proper explanation relating to material departures, wherever applicable.
- II. 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, as at the end of the accounting year and of the profit of the company for that year;
- III. 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. 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:

During the year under review, Foreign exchange earned Rs.Nil, (Previous Year – Rs. NIL/-). Foreign exchange outgo was Rs. NIL, (Previous Year - Rs. 1,17,024/-).

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 24th Annual General Meeting and are eligible for reappointment.

ACKNOWLEDGEMENT:

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, 29th May, 2010

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.

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The Company follows fair, ethical and transparent governance practice by adopting high standard of professionalism, honesty, integrity and ethical behavior. The Company has a well defined set of guidelines for its internal governance based on business ethics, Legal Compliance and professional conduct. The Company also has an adequate internal control system.

The Company has complied with the provisions of clause 49 of the Listing Agreement with the Bombay Stock Exchange which deals with the compliance of Corporate Governance requirement.

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 still fragmented with over 20,000 players comprising of foreign multinationals, Indian multinationals, mid-size and small scale companies. Your Company falls under the SME sector. However, Colinz has established reputation as a quality supplier of medicines in the domestic market, wherever the Company has its operation.

B) OPPORTUNITIES, THREATS AND CONCERNS:

The Company's products are enjoying a good Brand image, particularly among gynaecologists. The Company has a potential to grow in future considering the fact that it is yet to open up its marketing operations in many states of the country, However, due to paucity of working capital, the company is unable to expand its marketing activities, to unrepresented areas.

The Company is a Revised Schedule 'M' complied unit, as per the requirement of D & C Act.

Your company, no doubt is focusing on those off patented products, and these products will have extended shelf life in the market, due to lesser discoveries of new molecules, considering the investment to be made and time and expenditure involved in developing such new molecules. However, the takeovers of bigger Indian Pharma Companies by foreign MNC's, is a serious cause of concern to the national sector of pharma industry, particularly to SME's.

C) OUT LOOK:

Barring unforeseen deterrents and the issues outlined above, the Company does not foresee any major threats in its survival and moderate growth. However, the margins are likely to be under heavy pressure due to high inflation prevailing in the country resulting in increase in all inputs / costs.

D) FINANCE:

The financial management and cash flow have been satisfactory, during the year under review.

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 is extended to the employees to motivate them. The total number of employees as on 31-03-2010 was 130. 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.

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 31-03-2010:

| 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. A. Krishna Kumar | Non-Executive, Independent | None |

(b) Number of Board Meetings: During the year ended 31-03-2010, 6 Board Meetings were held on 20-06-2009, 29-06-2009, 31-07-2009, 31-10-2009, 31-01-2010, 31-03-2010

(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. A. Krishnakumar | 6 | 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 | 6 |
| Shri. A. Krishnakumar | 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.

The details of the remuneration paid to the Executive Directors for the year ended 31-03-2010 are as follows.

| Name | Salary |
|-------------------|----------------|
| Dr. L. S. Mani | Rs. 6,69,500/- |
| Shri. N. K. Menon | Rs. 5,97,500/- |

COLINZ LABORATORIES LIMITED

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. Vasant K.Bhat | 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 – Nil

Number of complaints redressed during the year – Nil

Number of complaints unsolved as on 31.03.2010 - 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 |
|----------------|------------|----------|--|
| 2008-09 | 29-09-2009 | 12.30 PM | A-101, Pratik Ind. Estate, Mulund-Goregaon Link Road, Bhandup (W), Mumbai – 400 078. |
| 2007-08 | 26-09-2008 | 12.30 PM | A-101, Pratik Ind. Estate, Mulund-Goregaon Link Road, Bhandup (W), Mumbai – 400 078. |
| 2006-07 | 28-09-2007 | 12.30 PM | A-101, Pratik Ind. Estate, Mulund-Goregaon Link Road, Bhandup (W), Mumbai – 400 078. |

(d) Postal Ballot :

For the year ended 31-03-2010, there have been no ordinary or special resolutions passed by the Company's Shareholders through postal ballot.

(e) Details of Directors seeking re-appointment in 24th Annual General Meeting :

(In pursuance of Clause 49 of the Listing Agreement)

| | |
|---|--------------------|
| Name of the Director | Shri. Krishnakumar |
| Date of Birth | 27.08.1959 |
| Qualifications | BA, DMM |
| Date of Appointment | 31.01.2009 |
| Expertise in specific functional areas | HRD and Training |
| List of other companies in which Directorship held | None |
| Chairman/Member of the committees of the Board of Directors of other companies in which he/she is a Director. | None |