

Twelfth Annual Report
2002 - 2003

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CAPLIN POINT LABORATORIES LIMITED



CAPLIN POINT

LABORATORIES LIMITED

TWELTH ANNUAL REPORT

BOARD OF DIRECTORS

MR. C.C. PAARTHIPAN
Managing Director

MR. S. KARUNAKARAN
Director

MR. T. PALANISAMY
Director

MR. D.P. VENKATESAN
Director

MR. N. RANGARAJ
Director

MR. P.T. BABY THOMAS
Director

MR. R. BALAKRISHNAN
Director

MR. V. THIRUMALAI
Director

MR. P. MOHAMED KASIM
Director

MR. PADAM C BANSAL
Director

MR. J. NIRMAL KUMAR
(Alternate Director)
MR. P.T. BABY THOMAS

AUDITORS

M/s. HARI AND ESWARAN
Chartered Accountants
17, Stonedged Towers, I Floor,
I Avenue, Ashok Nagar,
Chennai - 600 083.

BANKERS

BANK OF INDIA
Industrial Finance Branch
Chennai - 600 002.

KARNATAKA BANK LIMITED

171, Thambu Chetty Street
Chennai - 600 001.

REGISTERED AND CORPORATE OFFICE

No.9, C Wing, 4th Floor,
Parsn Manere, 602, Anna Salai,
Chennai - 600 006.

FACTORY

85/3, Suthukeny Village
Mannadipet Commune Panchayat
Pondicherry.

NOTICE

NOTICE is hereby given that the Twelfth Annual General Meeting of the Company will be held at the South Indian Artistes Association (Swamy Sankaradoss Kalai Arangam), 16, Habibullah Road, T. Nagar, Chennai - 600 017 on Tuesday the 30th September, 2003 at 2.30 p.m. to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March 2003 and the Balance Sheet as on that date and the Report of the Directors and the Auditors thereon.
2. To appoint a Director in the place of Mr. S. Karunakaran, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr. T. Palanisamy, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

M/s. Hari & Eswaran, Chartered Accountants, retire at the conclusion of this Annual General Meeting and are eligible for re-appointment.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modifications, the following as an ORDINARY RESOLUTION :

"RESOLVED that Mr. N. Rangaraj, who was appointed as an Additional Director of the Company by the Board of Directors in their Meeting held on March 15, 2003 and who holds office upto the date of this Annual General Meeting of the Company under Section 260 of the Companies Act, 1956, and in respect of whom, the Company has received a notice in writing under section 257 of the Companies Act, 1956 from a member signifying his intention to propose him as a Director of the Company be and is hereby appointed as a Director of the Company liable to retire by rotation."

By order of the Board
for **CAPLIN POINT LABORATORIES LIMITED**

Place : Chennai
Date : 30.08.2003

C.C. PAARTHIPAN
Managing Director

NOTES (Forming part of the Notice) :

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/ herself and such proxy need not be a member of the Company. The proxies in order to be valid, should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting.
2. Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Item No. 5 of the notice set out above is annexed hereto.
3. All documents referred in the Notice are open for inspection at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day prior to the date of the Annual General Meeting.
4. The Register of Members and the Share Transfer Books of the Company shall remain closed from 25.09.2003 to 30.09.2003 (both days inclusive).
5. Members are requested to intimate to the Company change of addresses, if any.

Caplin Point Laboratories Limited

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM No. 5

Mr. N. Rangaraj was appointed as Additional Director of the Company on 15th March 2003, and he holds office till the conclusion of this Annual General Meeting. As required by section 257 of the Companies Act, 1956 a notice has been received from a member signifying his intention to propose his appointment as Director alongwith a deposit of Rupees five hundred. The Board considers it desirable that the Company should continue to avail itself of his services.

None of the Directors except Mr. N. Rangaraj is interested in the resolution.

By order of the Board
for **CAPLIN POINT LABORATORIES LIMITED**

Place : Chennai
Date : 30.08.2003

C.C. PAARTHIPAN
Managing Director



*Caplin Point Laboratories Limited***DIRECTORS' REPORT****To the Shareholders**

The Directors have pleasure in presenting the Twelfth Annual Report together with the Audited Accounts for the year ended 31st March 2003.

Financial Performance

	2002-2003	(Rupees in lacs) 2001-2002
Sales and Other Income	488.89	254.74
Profit / (Loss) before Interest and Tax	65.06	(192.44)
Profit / (Loss) after Tax before Interest	65.06	(192.44)

DIVIDEND

In view of the carry forward losses, your Directors have decided not to recommend any dividend for the year under review.

OPERATIONS & OUTLOOK

In the absence of any positive response to our restructuring proposal from our Bankers, the Company continues to focus only on contract manufacturing thereby keeping the machinery and workforce active. The Company also acted as supporting manufacturers for export orders thereby continue to remain as GMP unit so as to meet with export quality products as and when the company re-emerges itself in the export market. Both the Company's bankers have now initiated Debt Recovery proceedings.

As per Company's accounting policy, provision has been made for obsolete Inventory and doubtful Receivables.

With the experience gained by employees from the technical collaboration with local manufacturers, on acceptance of our proposal for one time settlement by bankers we are confident that the Company will be able to embark on a revival plan which will result in better performance in the coming years.

Management Discussion and Analysis Report**Industry structure and Development / Opportunity - Threat**

A number of initiatives have commenced consequent to the technical collaboration with various manufacturers for contract manufacturing to improve process skills of the manufacturing staff which will be effectively used as and when the company embarks upon its export plan once the restructuring proposal to our bankers are accepted.

The advent of product Patent Protection in 2005 will present an opportunity for your Company for contract manufacturing as your company has the capacity to manufacture all type of formulations.

Though, the pharma industry grew by 8.3% in 2002 as per ORG Report, your Company could not take advantage of the situation due to financial and other constraints.

However, the major thrust of your company is in West African / East African and South American Markets. We are better placed in the said territories in view of our long-term presence and knowledge of the market.

The recent negotiations under the WTO for cheaper drugs to African countries throw up a lot of opportunities. However these opportunities pose a threat of other manufacturers entering these sectors but with the advantage of your company as aforesaid, the company will be able to ward off its threat subject to the acceptance of our restructuring proposal by our Bankers.

Risk & Concerns

The external risk of WTO, Patent Protection from 2005 and the proposed negotiation on supplies of cheaper drugs to African Countries with WTO, though poses as a threat and concern to pharma industry, internally the ongoing recovery proceedings by the Bankers and the delay in non-acceptance of our restructuring proposal is causing greater concern to the company as, the company's growth and survival hinges on the outcome of the settlement which not only stifles our growth and sustenance but even affects our ability to convert our long standing receivables.

Internal Control Systems and their Adequacy

The company maintains a system of Internal control, including suitable monitoring procedures and the same needs to be strengthened and with the support of the principal manufacturers the system and procedure are being strengthened despite the difficult financial position of the Company. Significant issues are also brought to the attention of the Audit Committee.

Outlook for the year 2003 - 04

With the growth of 8.3% in pharma sector as indicated by ORG, though there were continuous slow down in growth over the last several years, your Company may turn around the corner and look for a revival plan with growth path in the next year however subject to our completion of financial restructuring plan.

Cautionary Note

Certain statements in the "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 future performance and outlook.

DIRECTORS

Mr. N. Rangaraj was co-opted as Additional Director on 15.03.2003. He will hold office upto the ensuing Annual General Meeting in accordance with section 260 of the Companies Act, 1956.

As required by section 257 of the Companies Act, 1956 the Company has received notice from a member signifying his intention to propose Mr.N.Rangaraj as candidate for the office of Director.

At the close of the year, Mr. S. Karunakaran, Mr. T. Palanisamy and Mr. D.P. Venkatesan were ceased to be Wholetime directors in view of the financial position of the company, however they continue to be Directors.

Mr.S.Karunakaran and Mr.T.Palanisamy, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors, in accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, confirm that:

- 1) Applicable accounting standards have been followed in the preparation of the Annual Accounts;
- 2) The Directors have adopted such accounting policies and have applied them consistently and have made judgements and estimates in a reasonable and prudent manner so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year, and of the profit of the Company for the year.
- 3) Proper and sufficient care has been taken 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 prevention and detection of fraud and other irregularities.
- 4) The annual accounts have been prepared on a going concern basis.

*Caplin Point Laboratories Limited***FIXED DEPOSITS**

The Company has not accepted any Fixed Deposits from the public.

AUDITORS

The Auditors, M/s.Hari & Eswaran, Chartered Accountants, Chennai, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Addendum to Auditors Report :

With reference to Auditors Comments

- a) The Company is considering implementation of an appropriate gratuity scheme. Meanwhile, the company has taken adequate care for payment of gratuity as and when it arises. No eligible employee retired / resigned during the year.
- b) Pending approval of the restructuring scheme by the bankers, no interest was charged by the bankers and hence no provision for interest has been made for the year under consideration.
- c) The delay in remittance of Provident Fund and Employee State Insurance during the year under consideration were due to the cash flow constraints.

CORPORATE GOVERNANCE

A separate section on Corporate Governance is included in the Annual Report and the certificate from the Company's Auditors confirming the compliance of conditions on Corporate Governance as stipulated under Clause 49 of the Listing Agreement of the Stock Exchanges is annexed thereto.

INDUSTRIAL RELATIONS

Industrial relations with the employees of the Company continued to be stable, cordial and satisfactory during the year.

PARTICULARS UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956

The information required in terms of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 is not applicable to this Company, since none of the employees were in receipt of remuneration higher than the limits fixed in the said section.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information required under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure forming part of this report.

ACKNOWLEDGEMENT

Your Directors wish to place on record their grateful appreciation of the valuable assistance and support extended by its buyers, suppliers, bankers, corporates and other statutory authorities. Your Directors also wish to place on record their appreciation for the services rendered by the employees at all levels, which gives confidence to plan for greater achievements in the current financial year.

By order of the Board
for **CAPLIN POINT LABORATORIES LIMITED**

C.C. PAARTHIPAN
Managing Director

Place : Chennai
Date : 30.08.2003

ANNEXURE TO DIRECTORS' REPORT

The information as required under Section 217(1)(e) read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

A. CONSERVATION OF ENERGY

- a. Energy Conservation measures taken : NIL
- b. Additional investments and proposals, if any, being implemented for reduction of steam and energy : NIL
- c. Impact of the measures of (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods : Not applicable
- d. Total energy consumption and energy per unit of production are given below.

B. Details on efforts made in technology absorption are given in the Annexure.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(Rupees in lacs)

	Current Year	Previous Year
Foreign Exchange Earnings	NIL	NIL
Foreign Exchange Outflow	NIL	0.37

D. POWER AND FUEL CONSUMPTION

	Current Year		Previous Year	
1) Electricity	Chennai	Pondicherry	Chennai	Pondicherry
a) Purchased Units	33262	872579	42,175	8,28,451
b) Total Amount (Rs.)	108158	2493859	1,15,661	20,14,072
c) Rate Per Unit (Rs.)	3.25	2.86	2.74	2.43

Consumption of Electricity per unit of Production	Current Year		Previous Year	
a) Tablets	13,041	13,041	Nos.	
b) Capsules	9,447	9,447	Nos.	
c) Ointments	825	825	Tubes	
d) Liquids	132	132	Bottles	
e) Injections	76	76	Vials/ Ampoules	

FORM FOR DISCLOSURE OF TECHNOLOGY ABSORPTION**A) Research & Development (R&D)**

Product Development activities are being implemented to ensure development of many generic and brand formulations.

B) Technology absorption, adaptation and innovation

The Company is continuously looking into best process methods relating to manufacturing to result cost reduction of the final product.

*Caplin Point Laboratories Limited***REPORT ON CORPORATE GOVERNANCE****Company's Philosophy on Corporate Governance**

Your Company has implemented and continuously strives to improve the Corporate Governance practices which attempt to enhance shareholder's value, maintain transparency, gain credibility and trust, comply with statutory regulations and maintain steady growth.

Board of Directors**(a) Composition and Category of Directors**

During the year under review, the Board of Directors consisted of ten directors among which all the Directors excepting the Managing Director and Three Wholetime Directors were Non-Executive Independent Directors. The Non-Executive Directors are eminent professionals, drawn from amongst persons with experience in business, industry etc. The composition, category of the Board of Directors and outside Directorships for the year under review is furnished hereunder:

<u>Name of Directors</u>	<u>Category</u>	<u>No. of outside Directorships held</u>
Shri.C.C.Paarthipan	Managing Director	—
Shri.S.Karunakaran	Executive	—
Shri.T.Palanisamy	Executive	—
Shri.D.P.Venkatesan	Executive	—
Shri.N.Rangaraj	Independent – Non-Executive	—
Shri.R.Balakrishnan	Independent – Non-Executive	—
Shri.P.Mohamed Kasim	Independent – Non-Executive	—
Shri.Padam C Bansal	Independent – Non-Executive	—
Shri.V.Thirumalai	Independent – Non-Executive	—
Shri.P.T.Baby Thomas	Independent – Non-Executive	—

Alternate Director : Shri.J.Nirmal Kumar is the alternate independent non-executive director for Shri.P.T.Baby Thomas.

Board Meeting held during the year 2002 - 03

During the financial year 2002 - 2003, seven meetings of the Board of Directors were held on 30th April 2002, 31st July 2002, 30th August 2002, 31st October 2002, 31st January 2003, 15th March 2003 and 29th March, 2003. The Attendance of Directors at the Board Meetings and last AGM is as follows :

<u>Name of the Director</u>	<u>No. of Board Meetings attended</u>	<u>Attendance at last AGM held on 27/09/2002</u>
Shri. C.C.Paarthipan	6	Yes
Shri. N.Rangaraj *	1	—
Shri. J.Nirmal Kumar **	4	—
Shri. V.Thirumalai ***	—	—
Shri. S.Karunakaran	3	Yes
Shri. R.Balakrishnan ***	—	—
Shri. T.Palanisamy	6	Yes
Shri. P.Mohamed Kasim ***	—	—
Shri. D.P.Venkatesan	3	—
Shri. Padam C Bansal ***	—	—