

Thirteenth Annual Report
2003 - 2004

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CAPLIN POINT LABORATORIES LIMITED



CAPLIN POINT

LABORATORIES LIMITED

THIRTEENTH ANNUAL REPORT

BOARD OF DIRECTORS

Mr.C.C.PAARTHIPAN

Managing Director

Mr.S.KARUNAKARAN

Whole Time Director

Mr.T.PALANISAMY

Whole Time Director

Mr.D.P.VENKATESAN

Whole Time Director

Mr.N.RANGARAJ

Whole Time Director

Mr.P.T.BABY THOMAS

Director

Mr.R.BALAKRISHNAN

Director

Mr.V.THIRUMALAI

Director

Mr.P.MOHAMED KASIM

Director

Mr. J. NIRMAL KUMAR

(Alternate Director)

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 Thirteenth 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 Wednesday the 29th September, 2004 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 2004 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.R.Balakrishnan, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr.P.T.Baby Thomas, 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, Chennai, 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 pursuant to the provisions of the applicable provisions of the Companies Act, 1956 read with Schedule XIII of the Companies Act, 1956, consent of the Members be and is hereby accorded to the appointment of Sri.S.Karunakaran as Wholetime Director with effect from 1st October, 2003 on a remuneration by way of salary of Rs.20,000/- per month besides an allowance of Rs.20,000/- per month.

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

"RESOLVED that pursuant to the provisions of the applicable provisions of the Companies Act, 1956 read with Schedule XIII of the Companies Act, 1956, consent of the Members be and is hereby accorded to the appointment of Sri.T.Palanisamy as Wholetime Director with effect from 1st October, 2003 on a remuneration by way of salary of Rs.20,000/- per month besides an allowance of Rs.20,000/- per month.

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

"RESOLVED that pursuant to the provisions of the applicable provisions of the Companies Act, 1956 read with Schedule XIII of the Companies Act, 1956, consent of the Members be and is hereby accorded to the appointment of Sri.D.P.Venkatesan as Wholetime Director with effect from 1st October, 2003 on a remuneration by way of salary of Rs.20,000/- per month besides an allowance of Rs.20,000/- per month.

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

"RESOLVED that pursuant to the provisions of the applicable provisions of the Companies Act, 1956 read with Schedule XIII of the Companies Act, 1956, consent of the Members be and is hereby accorded to the appointment of Sri.N.Rangaraj as Wholetime Director with effect from 1st October, 2003 on a remuneration by way of salary of Rs.15,000/- per month besides an allowance of Rs.15,000/- per month.

By Order of the Board
for CAPLIN POINT LABORATORIES LIMITED

Place: Chennai
Date : 03.09.2004

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. 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.
3. The Register of Members and the Share Transfer Books of the Company shall remain closed from 23.09.2004 to 29.09.2004 (both days inclusive).
4. Members are requested to intimate to the Company change of addresses, if any.

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ANNEXURE TO NOTICE

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

ITEM NOS. 5 TO 8

Taking into consideration of the expertise in the Pharmaceutical Industry and their valuable services to the Company consent of the Board was sought for the appointment of Sri.S.Karunakaran, Sri.T.Palanisamy, Sri.D.P.Venkatesan and Sri.N.Rangaraj as Wholetime Directors of the Company with effect from 1st October, 2003 on the above said remuneration. Hence the approval of the Members for the resolution is sought.

None of the Directors except Mr.S.Karunakaran, Mr.T.Palanisamy, Mr.D.P.Venkatesan and Mr.N.Rangaraj are interested in the resolution.

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

Place: Chennai
Date : 03.09.2004

C.C.PAARTHIPAN
Managing Director



DIRECTORS' REPORT**To the Shareholders**

The Directors have pleasure in presenting the Thirteenth Annual Report together with the Audited Accounts for the year ended 31st March, 2004.

Financial Performance

	(Rupees in lacs)	
	2003-2004	2002-2003
Sales and Other Income	845.37	488.89
Profit/(Loss) before Interest and Tax	22.42	65.06
Profit/(Loss) after Tax before Interest	22.42	65.06

DIVIDEND

Keeping in view of the need to conserve resources, your Directors after careful consideration, have decided not to recommend any dividend for the financial year ended 31st March, 2004.

OPERATIONS & OUTLOOK

As the company's restructuring proposal with the bankers remain unsettled, in order to utilize the men and the machinery, the company remains as a contract/supporting manufacturers for exports. In view of the policy of various large Pharma Companies to outsource their requirements, and the commission earned on export orders procured, the company could increase its revenue in this segment and thus was able to meet its expenses besides making marginal profit before interest. Necessary provision has been made for obsolete inventory and doubtful receivables.

As the company could achieve a break even before interest, as and when our proposal for settlement is accepted by the company's bankers, the company could achieve better performance in its export areas.

Management Discussion and Analysis Report**Industry Structure and Development/Opportunity – Threat**

As India is being seen as a global destination for drug research and manufacturing, several Indian companies have decided to outsource their manufacturing requirements concentrating only on Research. Further, the infrastructure created with the facility for manufacture of various pharma products at a historically low cost, your company will be in a position to offer very attractive pricing policy for exports as well as for contract manufacturing.

The major risk in our export front is the lack of our presence in the past two years in view of the financial position of the Company and this void has been filled by the competitors. But given the past relationship and the aggressive pricing for reasons stated above, the company, as and when it addresses the export market on its own, will be able to achieve substantial share in the said market.

Risk & Concerns

Though there is potential in the market to expand, the lack of working capital and term loan facility hampers our growth as we are not able to scale up the operations nor able to invest in new machineries to improve the processes to meet the increasing demand. Our long term survival and growth depends solely on the resumption of our financial limits and the settlement with the bankers.

*Caplin Point Laboratories Limited***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 2004-05

Though the company could achieve a growth in the contract manufacturing front and in meeting the fixed expenses obligations, in order to improve its overall performance, the need for settlement of our plans with the bankers is crucial.

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.P.T.Baby Thomas and Mr.R.Balakrishnan, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr.S.Karunakaran, Mr.D.P.Venkatesan, Mr.T.Palanisamy and Mr.N.Rangaraj were appointed as Wholtime Directors with effect from 1st October, 2003.

During the year Mr. Padam C. Bansal resigned from the Board.

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.

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 the Auditor's comments:

- a) The delay in remittance of Provident Fund and Employees State Insurance dues during the year under consideration were due to cash flow constraints. As regards unclaimed dividend / unclaimed application money, the Company is still pursuing with the Bankers for issuance of drafts.
- b) Regarding Bank interest and Provision for Gratuity not provided , please refer Notes on Accounts No. 8 (c & e) which is self explanatory
- c) Regarding the case filed by the Bankers with DRT and the proceeding by the Enforcement Directorate under FEMA, please refer Note No. 9 and 10 which is self explanatory.

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 Exchange 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

Place: Chennai
Date : 03.09.2004

C.C.PAARTHIPAN
Managing Director

AUDITORS' REPORT

To The Members of
The A.P.Mahesh Co-operative urban Bank Ltd.,

We have audited the attached Balance Sheet of THE A.P. MAHESH CO-OPERATIVE URBAN BANK LIMITED AS AT 31st March 2004, the Profit and Loss Account and also the Cash Flow Statement of the Bank for the year ended on that date annexed thereto. These financial statements are the responsibility of the Bank's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- 1) The schedule giving the particulars referred to in sub-rule (3) of Rule 27 of the Multi-State Co-operative Societies Rules, 2002, to the extent applicable are attached to this report.
- 2) Further to our comments and observations in the annexure referred to above, we report that:
 - i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit,
 - ii) in our opinion, proper books of account, as required by the Multi-State Co-operative Societies Act, 2002, Rule 27 of the Multi-State Co-operative Societies Rules, 2002 and Bye-laws of the Bank, have been kept by the Bank so far as it appears from the examination of those books,
 - iii) the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account maintained by the Bank,
 - iv) to the best of our information and according to the explanations given to us, there has been no material impropriety or irregularity in the expenditure or in the realization of money due to the Bank,
 - v) to the best of our information and according to the explanations given to us, the transactions of the Bank, which have come to our notice, have been within the competence of the Bank and adhere to the guidelines issued by the Reserve Bank of India, as applicable to Multi-State Co-operative Bank,
 - vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with Significant Accounting Policies and Notes forming part of accounts give all the information as required by the Multi-State Co-operative Societies Act, 2002 and rules made there under, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India ;
- a) in the case of the Balance Sheet, of the state of the affairs of the Bank as at 31st March, 2004,
- b) in the case of the Profit and Loss Account, of the PROFIT for the year ended on that date, and
- c) in the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

for **NATARAJA IYER & CO.,**
Chartered Accountants

Place : Hyderabad
Date : 17th August 2004

Sd/-
E.S.RANGANATH
Partner
M No.13924



RM 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.

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