

Fourteenth Annual Report
2004 - 2005

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CAPLIN POINT LABORATORIES LIMITED



CAPLIN POINT

LABORATORIES LIMITED

FOURTEENTH ANNUAL REPORT

BOARD OF DIRECTORS

Mr.C.C.PAARTHIPAN
Chairman

Mr.M.JAYAPAL
Managing Director

Mr.N.RANGARAJ
Wholetime Director

Mr.K.KANMANI PORTKO
Director

Mr.P.MOHAMED KASIM
Director

Mr.P.T.BABY THOMAS
Director

Mr.R.BALAKRISHNAN
Director

Mr.V.THIRUMALAI
Director

Mr.J.NIRMAL KUMAR
Alternate Director to Mr.P.T.Baby Thomas

AUDITORS

M/s.HARI AND ESWARAN
Chartered Accountants
17, Stonedge 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 -605 502.

NOTICE

NOTICE is hereby given that the Fourteenth Annual General Meeting of the Company will be held at Pasumpon Trust, 100 Habibullah Road, T.Nagar, Chennai 600 017 on Tuesday the 27th December, 2005 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 15 Months period ended 30th June, 2005 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.P.Mohamed Kasim, who retires by rotation, and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in the place of Mr.V.Thirumalai, 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 Mr.K.Kanmani Portko, who was appointed as an Additional Director of the Company by the Board of Directors in their Meeting held on 28th February, 2005 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."

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

"RESOLVED that consent of the Company be and is hereby accorded for the appointment of Mr.M.Jayapal as Managing Director of the Company for a period of three years with effect from 28th March 2005 with a remuneration of Rs.15,000/- per month to be effective from 1st July 2005.

Place: Chennai

By Order of the Board
for CAPLIN POINT LABORATORIES LIMITED

Date : 29.11.2005

M.JAYAPAL
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 20.12.2005 to 27.12.2005 (both days inclusive).
- 4) Members are requested to intimate to the Company change of addresses, if any.



EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956**ITEM NO.5**

Mr.K.Kanmani Portko was appointed as Additional Director of the Company on 28th February, 2005 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 the 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.K.Kanmani Portko is interested in the resolution.

ITEM NO. 6

Taking into consideration 30 years of rich experience in business and in particular the marketing side of the Industry consent of the Board was sought for the appointment of Mr.M.Jayapal as the Managing Director of the Company with effect from 28th March, 2005 for a period of three years on a monthly remuneration of Rs.15,000/- to be effective from 1st July 2005. Hence the approval of the Members for the resolution is sought.

None of the Directors except Mr.M.Jayapal is interested in the resolution.

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

Place: Chennai

Date : 29.11.2005

M.JAYAPAL
Managing Director

DIRECTORS' REPORT**To the Shareholders**

The Directors have pleasure in presenting the Fourteenth Annual Report together with the Audited Accounts for the 15 months period ended 30th June, 2005.

Financial Performance

	(Rupees in lacs)	
	2004-2005 15Months	2003-2004 12Months
Sales and Other Income	2631.06	845.37
Profit/(Loss) before Interest and Tax	70.59	22.42
Profit/(Loss) after Tax before Interest	63.39	22.42

OPERATIONS & OUTLOOK

The Company is still pursuing the Bankers for an early settlement of our proposal which if approved would result in not only consolidating the business with strategic alliances but also would enhance spiral growth in the coming years.

Pending settlement by the Bankers, the Company with its working capital limitations, focused mainly on contract manufacturing and marginal exports. The Company had to incur huge expenses in order to meet regulatory changes introduced by the Government of India. The introduction of the MRP based excise duty had a negative impact on the outsourced products due to increase in the excise duty.

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

There has been rapid improvements in the standards of quality and manufacturing at the international level. There is also an element of absence of coherent and convergent approach by the Government to bring the small, medium and large players. The WTO compliances and consequent increase of duty levels will result in threat to several products in the country.

Risk & Concerns

Any further delay/denial of the approval for restructuring by the bankers, will result in tremendous pressure on the company and with the threat as aforesaid unless we gear up to meet those challenges your Company's future is at stake.

Internal Control Systems and their Adequacy

The Company has been continuously improving its internal control systems and processes and has well defined roles and responsibilities with their limits and level of authority at various levels with effective feedback mechanism. The independent Audit committee also focuses on these system improvements and suggests further upgradation from time to time.

Outlook for the year 2005-06

The modification of the facility to meet the new government of India regulations to manufacture Schedule M drugs covering the entire facet of formulations will attract a larger share of outsourcing opportunities and also meeting the government stores requirement. Your Company is also discussing with various manufacturers outside the state to manufacture such of those drugs at a cost effective rate. The restructuring of the Company upon approval of the Bankers would also result in developing/reaching new export market territories.

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.Mohamed Kasim and Mr.V.Thirumalai, 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 resigned as Wholetime Directors with effect from 9th March, 2005.

The Board recalls of the invaluable services rendered by Mr.S.Karunakaran, Mr.D.P.Venkatesan, Mr.T.Palanisamy as Wholetime Directors of the Company.

Mr.K.Kanmaniportko was appointed as additional director with effect from 28th February 2005 and Notice has been received from a member proposing his appointment along with required deposit.

Mr.C.C.Paarthipan resigned as Managing Director of the Company with effect from 28th March, 2005 on health grounds but however remains as Director and has consented to act as Non Executive Chairman of the Company.

Mr.M.Jayapal was appointed as the Managing Director of the Company for a period of three years from 28th March 2005 on the terms enumerated in the Notice calling for the Annual General Meeting for seeking approval of the members.

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) They 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 period.
- 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) Regarding Bank interest, please refer Notes on Accounts No. 8(c) which is self explanatory.
- b) Regarding the case filed by the Bankers with DRT, please refer Note No. 9 of Schedule 15 which is self explanatory.
- c) Regarding the proceeding by the Enforcement Directorate under FEMA, please refer Note No. 10 of Schedule 15 which is self explanatory.
- d) As regards strengthening of internal control procedures mentioned in item 12 of the annexure to the Auditor's report, Company is in the process of evaluating adequate software system and are hopeful that the system of internal control would get strengthened with implementation.
- e) The occasional delays in remittance of Provident Fund, Employees State Insurance, Excise Duty and Cess 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.

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 : 29.11.2005

N. RANGARAJ
Director

M.JAYAPAL
Managing Director

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 Outgo	NIL	NIL

D. POWER AND FUEL CONSUMPTION

	Current Year		Previous Year	
	Chennai	Pondicherry	Chennai	Pondicherry
1) Electricity				
a) Purchased Units	2905	11,95,693	615	839854
b) Total Amount (Rs.)	17606	39,46,808	3626	2831508
c) Rate Per Unit (Rs.)	6.06	3.30	5.90	3.37

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

