

Fifteenth Annual Report 2005 - 2006

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CAPLIN POINT LABORATORIES LIMITED



CAPLIN POINT

LABORATORIES LIMITED

FIFTEENTH ANNUAL REPORT

BOARD OF DIRECTORS

Mr.C.C.PAARTHIPAN

Chairman

Mr.M.JAYAPAL

Managing Director

Mr.N.RANGARAJ

Director

Resigned W.e.f 31.01.07

Mr.K.KANMANI PORTKO

Director

Mr.P.MOHAMED KASIM

Director

Resigned W.e.f 31.01.07

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

17/71, Stonedge Towers, I Floor

I Avenue, Ashok Nagar

Chennai 600 083

BANKERS

BANK OF INDIA

Industrial Finance Branch

Chennai 600 002

THE CATHOLIC SYRIAN BANK LTD

Mount Road, Chennai 600 002

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 Fifteenth Annual General Meeting of the Company will be held at Bala Mandir German Hall, (Unit of Bala Mandir Kamaraj Trust) No.17, Prakasam Street, (Near Nadigar Sangam) T.Nagar, Chennai 600 017 on Saturday the 24th March, 2007 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 30th June, 2006 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.C.C.Parthipan, who retires by rotation, and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in the place of Mr.R.Balakrishnan 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.

By Order of the Board
for CAPLIN POINT LABORATORIES LIMITED

Place: Chennai
Date : 24 /02/2007

M.JAYAPAL
Managing Director

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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 20.03.2007 to 24.03.2007 (both days inclusive).
- 4) Members are requested to intimate to the Company change of addresses, if any.



DIRECTORS' REPORT**To the Shareholders**

The Directors have pleasure in presenting the Fifteenth Annual Report together with the Audited Accounts for the Year ended 30th June, 2006.

Financial Performance

	(Rupees in lacs)	
	2005-2006 12Months	2004-2005 15Months
Sales and Other Income	3238.03	2631.06
Profit/(Loss) before Tax	258.38	70.59
Profit/(Loss) after Tax	227.18	63.39

The Financial performance for the year 2005-06 includes Three months operations of May (India) Laboratories Private Limited(May India) consequent to the merger of May India with your Company with effect from 1st April 2006 by the Orders of the High Court of Judicature, Chennai

DIVIDEND

Keeping in view the need to conserve resources, your Directors after careful consideration, have decided not to recommend any dividend for the year ended 30th June, 2006.

OPERATIONS & OUTLOOK

The Company could achieve a growth of 54 % as compared to previous year with 3.5 times of Profit Before Tax. This is mainly due to increase in outsourcing opportunities as well as the revenue arising out of three months merged entity operations.

As stated in the earlier reports, subsequently to the close of the year, the Company was able to successfully complete the one time settlement with the Banks with the support of the strategic Investor who could mobilize additional resources to meet the settlement with the Bankers. The Company was able to seek waiver of Rs...183.95 lakhs towards interest provision made by the Banks as part of the one time settlement.

With the enhanced manufacturing capacity coupled with new markets and product range, consequent to the merger, the company will move from a major outsourcing company to an exporter in the coming years.

Necessary provision has been made for obsolete inventory and doubtful receivables.

Merger of May India Laboratories Private Limited

Consequent to the Orders of the High Court of Judicature, Chennai , May (India) Laboratories Private Limited merged with this Company with effect from 1st April 2006, and the Shareholders of May India were allotted 79,20,000 Equity Shares of Rs.10/- of your Company in consideration of the same, on the terms and conditions stipulated by the Orders of the High Court and the Stock Exchanges.

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

The Indian Pharmaceuticals market ranks 4th in the world in terms of volume and 13th in terms of value. The Government has taken a number of steps to fuel further growth in the sector such as export incentives, patent protection, import liberalization and increased outlay on health.MRP (Maximum Retail Price) based excise duty was made applicable to the pharmaceutical industry from January 2005. This caused many pharmaceutical companies to revisit their cost structure including your company

Risk & Concerns

Lack of clarity on the Governments future policy in relation to Price control continues to be a concern facing the industry .The introduction of VAT has also affected the demand due to the uncertainty on VAT as the implementation in several states are still under process. Though there is potential for your company in the market to expand, the lack of working capital and term loan facility was a major bottleneck in expanding our growth and with the merger of May India and resumption of working capital facilities it is planned to scale up the operations .The introduction of VAT in Tamil Nadu recently has resulted in increase in off take of pharma companies thus increasing our outsourcing opportunities.

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. But the past relationship and several steps which the Company has initiated including aggressive pricing to revive the export market on its own will yield better export performance in the coming years.

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. Significant issues are also brought to the attention of the Audit Committee.

Outlook for the year 2006-07

The company has now planned for a two pronged strategy namely on the one hand increase out sourcing opportunities of MNC's and renew the export opportunities which the company has not been pursuing in the past years owing to lack of working capital support thereby the revenue is expected to grow substantially. The Company is also exploring various new Product/Process technologies from overseas Research/Institutions to meet the local and export market in the niche segments. The Company is also planning to revive its market thrust in the South American countries where several of your products have already been registered.

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

Mr. N. Rangaraj, wholetime director, and Mr. P. Mohamed Kasim, Director resigned with effect from 31st January, 2007.

The Board wishes to place on record the invaluable services rendered by Mr. N. Rangaraj as Wholetime Director and Mr. P. Mohamed Kasim as Director of the Company.

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 judgments 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) Regarding the case filed by the Bankers with DRT, please refer Note No.8 of Schedule 15 which is self explanatory.
- b) Regarding the proceeding by the Enforcement Directorate under FEMA, please refer Note No. 9 of Schedule 15 which is self explanatory.
- c) As regards strengthening of internal control procedures mentioned in item 12 of the annexure to the Auditor's report, steps are taken to automate the process so as to have better internal control.
- d) 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.

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 :24.02.2007

K.KANMANI PORTKO
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	323.72	NIL
Foreign Exchange Outgo	122.25	NIL

D. POWER AND FUEL CONSUMPTION

	Current Year		Previous Year	
	Office	Factory	Office	Factory
1) Electricity				
a) Purchased Units	12682	11,45,794	2905	11,95,693
b) Total Amount (Rs.)	75860	37,01,278	3626	39,46,808
c) Rate Per Unit (Rs.)	5.90	3.23	6.06	3.30

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.

