

Sixteenth Annual Report 2006 - 2007



CAPLIN POINT LABORATORIES LIMITED



CAPLIN POINT

LABORATORIES LIMITED
SIXTEENTH ANNUAL REPORT

BOARD OF DIRECTORS

Mr.C.C.PAARTHIPAN
Chairman

Mr.M.JAYAPAL
Managing Director

Mr.K.KANMANI PORTKO
Director

Mr.P.T.BABY THOMAS
(Director)

Mr.R.BALAKRISHNAN
(Director)

Mr.V.THIRUMALAI
(Director)

Mr.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

THE CATHOLIC SYRIAN BANK LTD

Mount Road Branch
Tarapore Towers
CHENNAI – 600 002.

REGISTERED AND CORPORATE OFFICE

"Narbavi" No. 3, Lakshmanan Street,
T. Nagar, CHENNAI – 600 017.

FACTORY

1) 85/3, Suthukeny Village
Mannadipet Commune Panchayat
Pondicherry

2) No. 19, Chinnapuliyur Village,
Sirupuzhalpet,
Gummidipoondi, Tamilnadu

NOTICE

NOTICE is hereby given that the Sixteenth 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 Thursday the 27th September, 2007 at 3.05 p.m. to transact the following business.

ORDINARY BUSINESS

- 1) To receive, consider and adopt the Profit and Loss Account for the period ended 31st March, 2007 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.T. Baby Thomas, who retires by rotation, and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in the place of Mr. K. Kanmani Portko who retires by rotation, and being eligible, offers himself for re-appointment.
- 4) To appoint Auditors and fix their remuneration.

The retiring Auditors, M/s.Hari & Eswaran, Chartered Accountants, Chennai have expressed their desire not to seek re-election.

The Special Notice dated 30th June 2007 received by the Company from a shareholder proposing the name of T.Udayaraj & Associates as Statutory Auditors for the year 2007-08 is enclosed. The Ordinary Resolution proposed to be moved is:

" RESOLVED that T.Udayaraj & Associates,Chartered Accountants,Chennai be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting in the place of retiring Auditors,Hari & Eswaran, Chartered Accountants, Chennai who are not seeking re-election and that the Board of Directors of the Company be and is hereby authorised to fix their remuneration.

- 5) To consider and if thought fit to pass the following resolution as an Ordinary Special Business Resolution with or without modification

RESOLVED THAT pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956 and in supersession of the resolution passed at the Extraordinary General Meeting held on 13th September 1995, the company accords its consent to the Board of Directors of the Company borrowing on behalf of the company, moneys from time to time by way of loans, advances, credits or otherwise, with or without security as the Board of Directors may consider proper, notwithstanding that the moneys so borrowed, together with the moneys already borrowed by the Company (apart from temporary loans obtained from the company's Bankers in the ordinary course of business), from one or more banks / financial institutions in India or abroad or from any bodies corporate or persons in India or abroad may exceed the aggregate of the Paid-up Capital and free reserves, that is to say, reserves not set apart for any specific purposes, provided that the total amount which may be so borrowed by the Board of Directors and outstanding at any time (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) shall not exceed Rs. 30.00 Crores (Rupees Thirty crores only) over and above the paid-up capital and free reserves of the Company.

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

**Place: Chennai
Date : 30.06.2007**

**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 24.09.2007 to 27.09.2007 (both days inclusive).
- 4) Members are requested to intimate to the Company change of addresses, if any.

Annexure to Notice

Explanatory Statement annexed to the Notice convening the Annual General Meeting of the Equity Shareholders.

Item 5

Under Section 293(1)(d) of the Companies Act, 1956, the Board of Directors can borrow moneys on behalf of the Company (apart from temporary loans obtained from the company's bankers in the ordinary course of business) in excess of the amount of the paid up capital and free reserves, only with the consent of the company in General Meeting and the resolution according such consent should specify the limit upto which the company can borrow beyond the paid up capital and free reserves. Towards this, consent of the company was obtained at the General Meeting held on 13th September 1995 for borrowing upto the limit of Rs.20.00 Crores over and above the paid-up capital and free reserves of the Company. Having regard to the projected increase in the volume of business, the Directors consider it desirable that this limit of Rs. 20.00 Crores be increased to Rs.30.00 Crores. Accordingly, an Ordinary Resolution set out in the Notice is placed before the shareholders for consideration and approval.

None of the Directors is interested in the resolution set out in the Notice.

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

Place: Chennai
Date : 30.06.2007

M.JAYAPAL
Managing Director

Date 30th June, 2007

From

C.C.Paarthipan
T 13/2, Kaveri Street,
Kalakshetra Colony,
Besant Nagar,
Chennai 600 090.

To

The Board of Directors,
Caplin Point Laboratories Limited
No.3 Lakshmanan Street
T.Nagar, Chennai 600 017.

Dear Sirs

I hereby give notice pursuant to Provisions of Section 190 read with Section 225 and other applicable provisions of the Companies Act 1956, that I intend to move the following resolution as an Ordinary Resolution at the forthcoming Annual General Meeting of the Company

RESOLVED that T. Udaya Raj & Associates, Chartered Accountants, Chennai be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting in the place of retiring Auditors, Hari and Eswaran, Chartered Accountants, Chennai who are not seeking re-election and that the Board of Director of the Company be and is hereby authorised to fix their remuneration.

C.C.PAARTHIPAN

DIRECTORS' REPORT**To the Shareholders**

The Directors have pleasure in presenting the Sixteenth Annual Report together with the Audited Accounts for the Nine months ended 31st March, 2007.

Financial Performance

	(Rupees in lacs)	
	2006-2007 (9 months)	2005-2006 (12 months)
Sales and Other Income	4537.78	3,238.03
Profit/(Loss) before Tax	231.42	258.38
Profit/(Loss) after Tax	144.41	227.18

Key Financial Ratios

Net worth (Rs. In Lakhs)	1399.00	1254.59
Current Ratio	1.45	1.45
Debt Equity	0.49	0.73
Earnings per Share	1.11	1.75

The Financial performance for the Nine months ended 31st March 2007 comprises of the merged entity viz Caplin Point Laboratories Limited and May India Laboratories Pvt Limited

DIVIDEND

Keeping in view the need to conserve resources, your Directors after careful consideration, have decided not to recommend any dividend for the period ended 31st March, 2007.

OPERATIONS & OUTLOOK

The Company could achieve a growth of 86% in terms of revenue as compared to previous year on annualized basis and has also recorded an export turn over of 1850.00 Lakhs during the period as compared to Rs.323.00 Lakhs in the previous year This is mainly due to merged operations. The Profit before depreciation and tax has increased from 301.15 lacs to 366.17 lacs and has wiped out all the carry forward losses

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

PRODUCT REGISTRATION

The company has completed product registrations in 21 countries. The total number of registrations are in the region of 720, as of now. They are mainly in countries that are mostly Spanish, French & Portuguese colonies where the competition is few and far between. Due to this unique positioning the company is poised to go for a quantum leap.

BIO TECHNOLOGY

The company has already made its foray into Biotech products which is the order of the day in the Indian Pharmaceutical Industry. The company has started manufacturing certain Life saving products that are being produced only by large companies all these years.

In addition to the contract manufacturing of Biotech products for few major companies in India, the company has also launched its brand marketing in the domestic market.

ANTI - RABIES VACCINE

Sensing the huge scope for the above vaccine, the company has entered into an agreement for the import of Anti-Rabies Vaccine from a leading company from abroad. The company has completed the necessary clinical trials and it is very much in an advanced stage to get the permission for import of the Anti-Rabies Vaccine for Indian market where the demand always exceeds supply.

With the revival of Export operations, the Registration of our Products in South American Countries and the initiatives as above, Revenue and Profitability is expected to grow in the coming years. Your Company is also exploring different marketing strategies to tap the market in these areas. In order to meet competition, your company is also sourcing products from cost effective vendors both within and outside India.

In order to meet the increased operations, the Company is also proposing to avail working capital limits in the form of Fund based/Non fund based from Company's Bankers. Accordingly resolution for increasing the Borrowing Power under Section 293(1)(d) of the Companies Act is proposed.

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

The Draft National Pharmaceuticals Policy 2006 had been circulated and addresses issues in relation to integration of drug regulatory bodies, IPR implementation, data protection in clinical trials, price negotiations for patented drugs, trade margins, government procurement, etc which has been under consideration with a Group of Ministers for review and recommendation..

Risk & Concerns

The introduction of VAT in all States has helped immensely the pharma industry. However the gradual phasing out of Central Sales Tax will further lead to simplification of the distribution chain and spur the growth in industry. The absence of a clear and objective and transparent policy on drug price control continues to impact the overall industry direction. Similarly the amended Patents Act does not have adequate clarity with respect to definition of patentable invention, data protection which has affected the industry growth and investment in Indian market. The strengthening of the rupee against dollar will also have an impact on the profitability.

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 systems and procedures are being strengthened. Significant issues are also brought to the attention of the Audit Committee. The Company has also implemented an integrated ERP package to improve the overall efficiency and compliances.

Outlook for the year 2007-08

The merged operations with thrust on exports in South American Countries, your company is poised for a substantial growth in the coming years. The Company is also devising various measures to meet the competition in these territories besides hedging exchange risk. The Company is also consciously moving away from the contract manufacturing in order to give preference to manufacture for exports in view of the revival of export market. The Marketing of Anti Rabies Vaccine in India during the later part of the year is also expected to increase the revenue.

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.K.Kanmani Portko., 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 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 have expressed their desire not to seek re-appointment. Notice has been received from a Member proposing the appointment of T.Udaya Raj & Associates, Chartered Accountants as Auditors of the Company to hold office till the conclusion of the next Annual General Meeting. T.Udayaraj & Associates have given their consent to be the Auditors of the company and have also confirmed that their appointment will be in accordance with the limits specified in Section 224(1-B) of the Companies Act 1956.

Accordingly the notice for appointment of T.Udayaraj & Associates have been proposed along with the letter received from a Member proposing their appointment as Statutory Auditors.

Addendum to Auditors Report:

With reference to the Auditor's comments:

- a) With regard to comments of the Auditors in Audit Report on provision for leave encashment, gratuity and note number 1 (f) to Schedule 15 is self explanatory and further subsequent to the close of the year, the Company had renewed the group policy for gratuity with LIC.
- b) 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 and an integrated mini ERP system is being implemented to ensure compliance of systems and processes.
- c) Internal Audit is being strengthened with more special audits in the areas of concern for improvement
- d) The delay in remittance of Provident Fund and Employees State Insurance, Excise Duty and Cess during the period under consideration were due to cash flow constraints during the commencement of the year prior to merger.

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, corporate 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: 30.06.2007

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

	Current Year	Previous Year
(Rupees in lacs)		
Foreign Exchange Earnings	1850.90	323.72
Foreign Exchange Outgo	733.44	116.64

D. POWER AND FUEL CONSUMPTION

	Current Year		Previous Year	
	Office	Factory	Office	Factory
1) Electricity				
a) Purchased Units	43510	901566	12682	1145794
b) Total Amount (Rs.)	285474	2942529	75860	3701278
c) Rate Per Unit (Rs.)	6.57	3.26	5.90	3.23

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