

Seventeenth Annual Report

2007-2008



CAPLIN POINT LABORATORIES LIMITED

CAPLIN POINT LABORATORIES LIMITED

SEVENTEENTH 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. D.P. Mishra (w.e.f. 31-01-2008)
(Director)

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

AUDITORS

M/s. T. UDAYA RAJ & ASSOCIATES
Chartered Accountants
222/3, Varadammal Garden First Street,
Kellys,
Chennai – 600 010.

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, Chinnapuliur Village,
Sirupuzhalpet,
Gummidipoondi, Tamilnadu.
- 3) Khasra No. 435, Village Suraj Majra,
N.H. 21, Baddi,
Tehsil Nalagarh, Dist. Solan,
Himachalpradesh – 173 205.

NOTICE

NOTICE is hereby given that the Seventeenth Annual General Meeting of the Company will be held on Saturday the 27th day of December, 2008 at 10.30 a.m. at Sir P.T. Thiagarayar Hall, (Near Kannadasan Statue) G.N. Chetty Road T.Nagar, Chennai – 600 017 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Directors' Report and the Audited Profit and Loss Account for the Fifteen months ended 30th June 2008 and Balance Sheet as at that date and the Auditors' Report thereon.
2. To appoint a Director in the place of Mr. V Thirumalai, who retires by rotation and being eligible offers himself for re-appointment.

RESOLVED THAT Mr. V. Thirumalai, who retires by rotation and be and is hereby re-appointed as Director of the Company, liable to retire by rotation

3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and in this connection, to consider and if deemed fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

RESOLVED THAT Messrs. T Udayaraj & Associates, Chartered Accountants, Chennai be and are hereby reappointed 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 at a remuneration to be fixed by the Board on mutually agreed terms.

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

RESOLVED THAT Mr. D P Mishra who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and whose term of office as Director expires at this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of the Director and who has consented to such appointment, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of rotation.

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions if any of the Companies Act, 1956 consent of the Company be and is hereby accorded for appointment of Mr. M Jayapal as Managing Director of the Company for a period of three years with effect from 28th March 2008 at a remuneration of Rs.15,000/- p.m.

RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution the Board of Directors' or any Committee thereof be and is hereby authorised to do all such acts, deeds, matters as they may in their absolute discretion deem necessary, expedient, usual and proper in the best interest of the company.

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

RESOLVED THAT pursuant to the applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 (hereinafter referred to as the "Delisting Guidelines") and subject to the provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force), Securities Contracts (Regulation) Act, 1956 and the Rules framed thereunder, Listing Agreements, and all other applicable rules, regulations and guidelines and subject to the approval, consent, permission or sanction of the Securities and Exchange Board of India, Stock Exchanges where the shares of the Company are listed and any other appropriate authorities, institutions or regulators as may be necessary and subject to such conditions and modifications, if any, as may be prescribed or imposed by any authority while granting

such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any Committee thereof for the time being exercising the power conferred on the Board by this Resolution), the consent of the Company be and is hereby accorded to the Board to delist the equity shares of the Company from Ahmedabad Stock Exchange Limited and The Calcutta Stock Exchange Association Limited at such time or times as the Board may decide.

RESOLVED FURTHER THAT the Board of directors be and are hereby authorised to accept any terms and conditions as may be imposed by the Stock Exchanges, Central Listing Authority, SEBI or any regulating authorities and to settle all the questions, difficulties, doubts and other matters arising out of and incidental to the proposed voluntary delisting of the equity shares in its absolute discretion deem fit without being required to seek any further approval of the members otherwise to the end and intent that the members shall be deemed to have given their approval expressly by the authority of this resolution and to take all necessary steps including execution of all writings, which the Board may consider necessary, proper or expedient for giving effect to the above said resolution.

**By order of the Board
For Caplin Point Laboratories Limited**

Place: Chennai
Date: 24th November 2008

M Jayapal
Managing Director

NOTES:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. Proxy form, in order to be effective, must be deposited at the Registered Office of the Company not less than forty eight hours before the time fixed for holding the meeting.
2. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of the Special Business at Items 4 to 6 of the above Notice is annexed hereto. All documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on all working days (except Saturdays, Sundays and Public holidays) between 11.00 a.m. to 01.00 p.m. up to the date of the Annual General Meeting.
3. As per Clause 49 of the listing agreement with Stock Exchanges, the brief resume and functional expertise of the directors proposed for re-appointment are furnished below along with the details of Companies in which they are directors and the Board Committees of which they are members.

Details of shares held by Mr. V. Thirumalai in Caplin Point Laboratories Limited.

No. of shares held in the company	: 49963
Age	: 67 years
Qualification	: Graduate
Experience	: More than 30 years

Details of other directorship / Committee membership held by him are as follows:

Directorship	Committee memberships / Chairmanship
NIL	NIL

4. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 22-12-2008 to Saturday, 27-12-2008 (both days inclusive).
5. Members holding shares in physical forms are requested to notify, any change in their address, if any to the Company / Share Transfer Agents quoting Register Folio number.
6. Members holding shares in electronic form should update their details with their respective Depository Participants.

7. Under Section 109A of the Companies Act, 1956 shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form No.2B in duplicate (which will be made available on request) to M/s. Knack Corporate Services Private Limited.
8. Members desiring to seek any information on the annual accounts are requested to write to the Company Secretary at least seven days in advance of the meeting so that the information can be made readily available at the meeting.
9. All communications relating to shares may be addressed to Company's Share Transfer Agents (Physical and Electronic) at the following address: M/s. Knack Corporate Services Private Limited, New No.97 (Old No.43) 1st Floor, Veeraperumal Koil Street, Mylapore, Chennai – 600 004, Phone # 91-44-24986257; Fax # 91-44-43536180.
10. Corporate Members are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
11. Shareholders are requested to kindly bring their copies of Annual Report to the Meeting, as the distribution of the same will not be entertained at the meeting hall.

ANNEXURE TO NOTICE

Explanatory Statement under Section 173(2) of the Companies Act, 1956.

In conformity with the provisions of Section 173 of the Companies Act, 1956, the following Explanatory Statement sets out all the material facts relating to the Special Business mentioned in the accompanying Notice and should be taken as forming part of the Notice.

Item No.4 – Appointment of Mr. D P Mishra, as Director of the Company

Pursuant to Section 260 of the Companies Act, 1956, the Board of Directors of the Company appointed Mr. D P Mishra as an Additional Director of the Company with effect from 31st January 2008. In terms of the provisions of Section 260 of the Act, read with Articles of Association of the Company, Mr. D P Mishra holds office upto the date of this Annual General Meeting. The Company has received a notice in writing along with a deposit of Rs. 500/- from a member of the company under Section 257 of the Companies Act, 1956, signifying his intention to propose the appointment of Mr. D P Mishra as a Director of the Company. Hence the resolution is placed before the members for their approval.

Mr. D P Mishra is a Post Graduate in M.Sc. (Pharma Marketing) and his varied experience will benefit the Company. The Board of Directors recommends his appointment as Director of the Company.

Interest of Directors:

None of the Directors of the Company except Mr. D.P. Mishra is concerned or interested in the resolution.

Item No.5 – Appointment of Mr. M Jayapal as Managing Director

At the Fourteenth Annual General Meeting held on 27th December 2005 the members approved appointment of Mr. M Jayapal as Managing Director of the Company for the period of three years with effect from 28th March 2005 with a remuneration of Rs.15,000/- p.m. effective from 01.07.2005.

At the meeting of the Board of Directors of the Company held on 10th March, 2008, the Board has approved the appointment of Mr. M Jayapal as Managing Director for a further period of three years with effect from 28th March 2008 on a remuneration of Rs.15,000/- p.m.

An abstract of the terms of appointment of Mr. M Jayapal, Managing Director pursuant to Section 302 of the Companies Act, 1956 was sent to all the members.

Accordingly the Ordinary Resolution set out under Item No. 5 of the notice is recommended by the Board for the approval of the Members.

Interest of the directors

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

Item No.6 – Delisting of Securities

The Company's Equity Shares are enlisted with the Bombay Stock Exchange Limited, Madras Stock Exchange Limited, Ahmedabad Stock Exchange Limited and The Calcutta Stock Exchange Association Limited; there is no trading or negligible trading of equity shares since listing at the Ahmedabad Stock Exchange Limited and The Calcutta Stock Exchange Association Limited. However, the Company's shares are regularly being traded at the Bombay Stock Exchange Limited and Madras Stock Exchange Limited.

In terms of the SEBI (Delisting of Securities) Guidelines, 2003, the Companies have been permitted for voluntary delisting of shares, subject to the compliance of the terms and conditions of the said guidelines. The Board considered that the Bombay Stock Exchange Limited is having nationwide trading terminals and the investors have access to trade and deal in Company's shares across the country besides being listed in Madras Stock Exchange Limited.

The Equity shares of the Company listed on the Ahmedabad Stock Exchange Limited (ASE) and The Calcutta Stock Exchange Association Limited (CSE) are not providing any significant tangible advantage to the shareholders and investors of the Company.

Accordingly the Board at their meeting held on 24th November, 2008 has considered to recommend for voluntary delisting of the Company's Equity Shares from the Ahmedabad Stock Exchange Limited and The Calcutta Stock Exchange Association Limited and continue its listing with the Bombay Stock Exchange Limited and Madras Stock Exchange Limited to avoid unnecessary financial and administrative burden due to multiple compliance of the various clauses of the Listing Agreement from time to time and to provide better services to the investors through the nationwide Stock Exchange terminal. The delisting will take effect after all approvals, permissions and sanctions are obtained. The exact date of delisting of equity shares from ASE & CSE will be notified at that time.

Your directors recommend to pass the said resolution as Special Resolution as set out in Item No. 6 of the notice, for voluntarily delisting the Shares of the Company from said Stock Exchanges.

None of the directors are concerned or interested in the above said resolution, except as a member of the Company.

**By order of the Board
For Caplin Point Laboratories Limited**

**Place: Chennai
Date: 24th November 2008**

**M. Jayapal
Managing Director**

DIRECTORS' REPORT**To the Shareholders**

The Directors have pleasure in presenting the Seventeenth Annual Report together with the Audited Accounts for the Fifteen months period ended 30 th June, 2008

Financial Performance

	(Rupees in lacs)	
	2007-2008 (15 months)	2006-2007 (9 months)
Sales and Other Income	6416.80	3909.23
Profit before Tax	131.40	231.42
Profit after Tax	103.55	144.41

Key Financial Ratios

Net worth	2164.00	1399.00
Current Ratio	1.73	1.45
Debt Equity	0.50	0.45

Return on Net worth**Earnings per Share**

Basic	0.80	1.11
Diluted	0.69	1.11

The Financial performance for the Fifteen months ended 30th June, 2008 comprises of the merged entity viz Caplin Point Laboratories Limited and Malind Laboratories Private Limited.

AMALGAMATION OF MALIND LABORATORIES PRIVATE LIMITED

Pursuant to order dated 25th September 2008 of the Hon'ble High Court of Judicature at Madras, Malind Laboratories Private Limited was amalgamated with the Company with effect from 1st April 2007 (the Appointed Date). Malind is engaged in manufacture of Pharmaceutical formulations and the factory is located at Baddi, Himachal Pradesh, a Notified backward area.

Consequent to the Orders of the High Court of Judicature, Madras, the Shareholders of Malind Laboratories Private Limited were allotted 21,00,000 Equity Shares of Rs.10/- each at the Board Meeting held on 13th October, 2008, on the basis of 21 equity shares of Rs. 10/- each of Caplin Point Laboratories Limited for every one share of Malind Laboratories Private Limited, on the terms and conditions stipulated by the Orders of the High Court and the Stock Exchanges. As at the end of the accounting period under audit, an amount of Rs. 21,00,000 towards such allotment is being treated as "Amount pending allotment".

Subsequent to the close of the year, the Authorized Share Capital has been increased from Rs. 1500 Lakhs (1,50,00,000 equity shares of Rs. 10 each/-) to Rs. 1700 Lakhs (1,70,00,000 equity shares of Rs. 10/- each) at the Extraordinary General Meeting held on 18th August 2008.

OPERATIONS & OUTLOOK

Inspite of the disturbances in the production activities in the factory units at Pondicherry and Baddi, there has been only a marginal decline of 1.5% in the revenue earned on annualised basis for the period. The Company could

achieve an export turn over of 3,858.30 Lakhs during the period as compared to Rs.1,850.00 Lakhs in the previous year. This is mainly due to the continued focus in exploring the overseas markets. The Profit before depreciation and tax has also increased from 366.18 lacs to 377.84 lacs.

Though the Company's operations were affected due to the mob attack at our factory at Pondicherry and a Minor Fire at the factory at Baddi (Malind), due to stepped up production at our other Unit, by resorting to Contract manufacturing and also with the sourcing from abroad the Company could sustain the operations without much loss of time and money. While Malind has commenced its operations, several options are being explored with regard to the Pondicherry unit in view of the volatile situation and the technological changes in Pharma Manufacturing.

The Company is also planning to enhance its Research and Development and Quality Assurance initiatives in the coming years to improve its products and processes so as to become cost effective and at the same time meeting the international standards.

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 30th June, 2008.

PRODUCT REGISTRATION

The company has increased its product registrations and is presently registered in 21 countries. Also the total number of registrations has increased upto 1200 as of now. The Company's unique marketing strategies in these countries through Distributors who have an excellent reach in the market has resulted in the product acceptance and less credit risk which ensures prompt payment by these distributors and plan our production and shipment as well. The Company is also exploring new marketing strategies to address the wholesome pharma needs of the ultimate consumers in one shop which will result in the growth of the Company and at the same time de risk the operations.

The Company is also evolving its plans to set up a Plant at NOIDA, Special Economic Zone which may engage in manufacture of Pharma Products by adopting Suppository and Drinkable Ampoules Technologies for which there is a gap in the demand and supply in the South American, Central American and UAE Markets.

BIO TECHNOLOGY

The company has gained considerable experience in manufacturing certain Life saving products that are being produced only by large companies all these years by manufacturing its own products and in addition to the contract manufacturing of Biotech products for few major companies in India.

ANTI – RABIES VACCINE

The import and Distribution of Anti-Rabies Vaccine from a leading company from abroad has met with considerable success and has been accepted by most of the Government and Public Hospitals. However in view of the depreciation in the Rupee value there is an impact on the market with regard to pricing.

With the above initiatives and plans, 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. Your company continues to source products from vendors outside India so long as it is cost effective and at the same time meet the standards.

Management Discussion and Analysis Report

Industry Structure and Development/Opportunity – Threat, Risk & Concerns

The Company operates in the Pharmaceutical Industry in which climate and the territory are rapidly changing. The Company's generic business remains challenging due to increased competition and pressure on margins. It has inherent risks with regard to product liability, pricing pressure, compliance related issues.

In view of the number of patents due to expire in the years to come, sale of patent expiry drugs represent significant opportunity for all generic manufacturers.

Though Drug Pricing in India has its control through DPCO, it does not affect your company as the company is predominantly engaged in the Export Market.

There has been significant fluctuations in the US Dollar-Indian Rupee exchange Rate which has to some extent affected our Imports.

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. The management duly considers and takes appropriate action on recommendations made by the Statutory Auditors, internal auditors, and independent Audit Committee of the Board of Directors. 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 and efforts are on to integrate the ERP to all locations. In a very dynamic business environment in view of the traditional business model being exposed to volatility, every effort is being made to protect against any downward trends.

Outlook for the year 2008-09

The merged operations combined with cost effective marketing strategy, your company is poised for a robust revenue growth with a greater margin contribution. With the proposal to set up a Unit at NOIDA SEZ for product lines which have greater demand and with the tax benefits available to these units the bottom line is likely to increase. With the continued pursuance of both organic and inorganic growth to become more profitable we look forward for a rewarding 2008-09

Cautionary Statement

Statements in this "Management Discussion and Analysis" describing the company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actuals might differ materially from those either expressed or implied.

DIRECTORS

Re-Appointment

Mr. V. Thirumalai, Director, retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. A brief resume, expertise and details of other directorships is attached along with the Notice of the ensuing Annual General Meeting.

Appointment

Pursuant to Section 260 of the Companies Act, 1956, read with Articles of Association of the Company, the Board of Directors of the Company appointed Mr. D P Mishra as an Additional Director of the Company with effect from 31st January 2008. In terms of the provisions of Section 260 of the Act, Mr. D P Mishra holds office upto the date of this Annual General Meeting. The Company has received a notice in writing along with a deposit of Rs. 500/- from a member of the company under Section 257 of the Companies Act, 1956, signifying his intention to propose the appointment of Mr. D P Mishra as a Director of the Company. Hence the resolution is placed before the members for their approval.

Appointment of Mr. M Jayapal as Managing Director

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Accordingly the Ordinary Resolution is set out under Item No. 5 of the notice for the approval of the Members.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors' to the best of their knowledge and belief confirm that:

- 1) In the preparation of Profit and Loss Account for the period ended 30th June 2008 and the Balance Sheet as at that date ("financial statements") applicable accounting standards have been followed;
- 2) Appropriate accounting policies have been selected and applied consistently and such judgments and estimates that are reasonable and prudent have been made 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 for that 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. To ensure this, the company has established internal control systems, consistent with its size and nature of operations. In weighing the assurance provided by any such system internal controls its inherent limitations should be recognized. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurances of compliances with these systems;
- 4) The financial statements have been prepared on a going concern basis.

FIXED DEPOSITS

The Company has not accepted any fixed deposits from the public.

AUDITORS

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

The Board on recommendation of the Audit Committee, proposes that M/s.T.Udayarj & Associates, Chartered Accountants, Chennai be re-appointed as the Statutory Auditors of the Company to hold office till the conclusion of the next annual general meeting of the company. M/s. T Udayaraj & Associates, Chartered Accountants, Chennai have forwarded their certificate to the company, stating that their re-appointment, if made, will be within the limit specified in that behalf in sub-section(1B) of Section 224 of the Companies Act, 1956.

Addendum to Auditors Report:

With reference to the Auditor's comments:

- a) As regards the comments of the Auditors in their Audit Report drawing the attention on non provision for Exchange rate fluctuations with reference to Debtors outstanding for period exceeding 5 years, in respect of which approval has been obtained from the relevant statutory authority extending time for the realization of the proceeds, the Management is of the view that the ultimate realisation will not have any negative impact on the financials which require any provision or disclosure.
- b) As regards strengthening of internal control procedures mentioned in item 4 of the annexure to the Auditor's Report, most of the process has been automated so as to have better internal control through an integrated mini ERP system and presently steps are being taken to cover all locations to ensure compliance of system and processes.
- c) Internal Audit is being strengthened with more special audits in the areas of concern for improvement
- d) As regards the delay in remittance of Provident Fund and Employees State Insurance; these were during the period when there was a mob attack at one of our Unit /fire in the other unit which were beyond the control and were not due to cash flow constraints