



CAPLIN POINT LABORATORIES LIMITED



Eighteenth Annual Report

2008-2009

CAPLIN POINT LABORATORIES LIMITED**EIGHTEENTH ANNUAL REPORT****BOARD OF DIRECTORS**

Mr.C.C.PAARTHIPAN
Chairman

Mr.M.JAYAPAL
Managing Director

Mr.K.KANMANI PORTKO
(Whole Time Director upto 06.08.09)

Mr.P.T.BABY THOMAS
(Director)

Mr.R.BALAKRISHNAN
(Director upto July 2009)

Mr.V.THIRUMALAI
(Director)

Mr. D.P. Mishra
(Director)

Mr.J.Nirmal Kumar
(Alternate Director to
Mr.P.T. Baby Thomas
upto 21.07.08)

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

Unit I
85/3, Suthukeny Village
Mannadipet Commune Panchayat
Pondicherry

Unit II
No. 19, Chinnapuliyur Village,
Sirupuzhalpet,
Gummidipoondi, Tamilnadu

Unit III
Khasra No. 435, Village Suraj Majra,
N.H. 21, Baddi
Tehsil Nalagarh, Dist. Solan,
Himachalpradesh – 173 205.

CAPLIN POINT LABORATORIES LIMITED

NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Company will be held on Wednesday the 23rd day of December, 2009 at 3.00 p.m. at Pasumpon Trust (Pasumpon Thevar Mandapam) No.158, Habibullah 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 financial year ended 30th June 2009 and Balance Sheet as at that date and the Auditors' Report thereon.
2. To appoint a Director in the place of Mr. C.C. Paarhipan, who retires by rotation and being eligible offers himself for re-appointment.

RESOLVED THAT Mr. C.C. Paarhipan, who retires by rotation 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. M. Raghunath and Company, Chartered Accountants, Chennai be and are hereby appointed as Auditors of the Company in the place of the retiring Auditors M/s. T. Udaya Raj & Associates, Chartered Accountants, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on a remuneration fixed by the Board of Directors in consultation with the auditors on mutually agreed terms and conditions.

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 pursuant to the provisions of Sections 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and other approvals as may be required, approval be and is hereby given for payment of revised remuneration to Mr. M. Jayapal, Managing Director of the Company on the following terms for a period commencing from 1st January 2009 till 27th March 2011.

a. **Salary & Allowances**

Salary, allowances and perquisites not exceeding Rs.40,000/- per month with effect from 1st January 2009 till 27th March 2011.

b. **General**

i) Perquisites shall be valued in terms of actual expenditure incurred by the Company in providing benefit to the employees. However, in cases where the actual amount of expenditure cannot be ascertained with reasonable accuracy (including car provided for official and personal purposes) the perquisites shall be valued as per income tax rules.

ii) Mr. M. Jayapal would be subject to all other service conditions as applicable to any other employee of the Company.

RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year, the remuneration by way of salary, allowances, perquisites, amenities, facilities, incentive and retirement benefits to Mr. M. Jayapal, as may be determined by the Board, shall not, except with the approval of the Central Government, exceed the limits prescribed under the Companies Act, 1956 and rules made thereunder or any statutory modification or re-enactment thereof.

RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolution, the Board / Remuneration Committee be and are hereby authorised severally to take all such actions and give all such directions or do all such acts, deeds, matters and things as may be necessary in this regard.

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 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and other approvals as may be required, approval be and is hereby given for appointment and payment of remuneration to Mr. K. Kanmani Portko as Whole Time Director of the Company for a period from 1st January 2009 to 6th August 2009 on the following terms and conditions:-

a. Salary

Rs.20,000/- per month with effect from 1st January 2009 .

b. Allowances / Perquisites / Amenities

Allowances including Contribution to Provident Fund, Superannuation Fund, Gratuity, Encashment of leave, club fees / reimbursement of club bills and any other allowances as per the rules of the Company from time to time, not exceeding one month's salary

c. General

i) Perquisites shall be valued in terms of actual expenditure incurred by the Company in providing benefit to the employees. However, in cases where the actual amount of expenditure cannot be ascertained with reasonable accuracy (including car provided for official and personal purposes) the perquisites shall be valued as per income tax rules.

ii) Mr. K. Kanmani Portko would be subject to all other service conditions as applicable to any other employee of the Company.

RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year, the remuneration by way of salary, allowances, perquisites, amenities, facilities, incentive and retirement benefits to Mr. K. Kanmani Portko, as may be determined by the Board, shall not, except with the approval of the Central Government, exceed the limits prescribed under the Companies Act, 1956 and rules made thereunder or any statutory modification or re-enactment thereof.

RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolution, the Board / Remuneration Committee be and are hereby authorised severally to take all such actions and give all such directions or do all such acts, deeds, matters and things as may be necessary in this regard.

By order of the Board
For Caplin Point Laboratories Limited

Place: Chennai
Date : 25th November 2009

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 and 5 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. C.C. Paarthipan in Caplin Point Laboratories Limited.

No. of shares held in the company : 157512

Age : 57 years

Qualification : Graduate

Experience : More than 30 years

Details of other Directorship / Committee Membership held by him are as follows:

Directorship
NIL

Committee Memberships / Chairmanship
NIL

4. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, 18-12-2009 to Wednesday, 23-12-2009 (both days inclusive).
5. Members holding shares in physical forms are requested to notify, any change in their address 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. 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.2 (Old No.102) First Floor, Karpagam Avenue, 12th Cross Street, Mandaveli, Chennai - 600 028, Phone # 91-44-42100092; Fax # 91-44-42100092.
9. 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.

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

ITEM NO.4

The Board of Directors of the Company at their meeting held on 27.12.2008, upon recommendation of Remuneration Committee, had revised the remuneration payable to Mr. M. Jayapal, Managing Director of the Company on the terms of remuneration as stated in item no. 4 of the notice.

An abstract of the terms and conditions of remuneration payable to Mr. M. Jayapal pursuant to the provisions of Section 302 of the Companies Act, 1956 was sent to all the members.

The Board is of the view that his rich experience will be of immense benefit and value to the Company and therefore recommend to suitably remunerate him as Managing Director.

As per the provisions of the Act, approval of the members is sought for the increase in remuneration of Mr. M. Jayapal, Managing Director within the limits of Schedule XIII of the Companies Act, 1956 for a period from 1st January 2009 to 27th March 2011.

Accordingly, the Ordinary Resolution set out in Item No.4 of this Notice is submitted to the Meeting.

Interest of the directors:

Mr. M. Jayapal is interested in the said resolution as it relates to his own remuneration. No other Director is concerned or interested in the aforesaid resolution.

ITEM NO.5

The Board of Directors of the Company at their meeting held on 27.12.2008, had redesignated and appointed Mr. K. Kanmani Portko as the Whole Time Director of the Company upon recommendation of Remuneration Committee for a period of three years from 01.01.2009.

An abstract of the terms and conditions of appointment and payment of remuneration to Mr. K. Kanmani Portko pursuant to the provisions of Section 302 of the Companies Act, 1956 was sent to all the members.

Mr. K. Kanmani Portko has resigned as a Director of the Company with effect from 6th August 2009. As per the provisions of the Companies Act, 1956 approval of the members is required to be sought at the ensuing Annual General Meeting for the appointment and payment of remuneration to Mr. K. Kanmani Portko as Whole Time Director within the limits of Schedule XIII with effect from 1st January 2009 till 6th August 2009.

Accordingly, Ordinary Resolution set out in Item No.5 of this Notice is submitted to the Meeting.

Interest of the directors:

Since Mr.K. Kanmani Portko does not hold Directorship in the Board as on date, the question of interest of Director does not arise. No other Director is concerned or interested in the aforesaid resolution.

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

**Place: Chennai
Date : 25th November 2009**

**M Jayapal
Managing Director**

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DIRECTORS' REPORT**To the Shareholders**

The Directors have pleasure in presenting the Eighteenth Annual Report together with the Audited Accounts for the year ended 30th June 2009.

Financial Performance**(Rupees in lacs)**

	2008-2009 (12 months)	2007-2008 (15 months)
Sales and Other Income	6294.75	6416.80
Profit before Tax	320.76	131.40
Profit after Tax	222.57	103.55

Key Financial Ratios

Net worth	2386.57	2164.00
Current Ratio	1.52	1.74
Debt Equity	0.36	0.50

Return on Net worth

Earnings per Share.		
Basic	1.47	0.80
Diluted	1.47	0.69

The results for the financial years 2009 and 2008 are not comparable as the previous year's results (2008) are for a period of 15 months.

OPERATIONS & OUTLOOK

The growth in Exports was 58.07% and in Profit Before Tax and Exceptional Items was 205% for the year ended 30th June 2009 on a comparable basis. The growth in sales is due to new areas of Export Market tapped in the South/Central American and West African Countries together with registration of several new products in the existing market. Necessary provision has been made for obsolete inventory and doubtful receivables

With regard to the Unit at Pondichery, several options are being explored in the areas of injectibles and vaccines and this will be in place before the end of this year.

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 2009.

PRODUCT REGISTRATION

The company has been constantly applying and obtaining registration of new products in the countries where the company is currently operating with products registered in 21 countries and the total number of registrations has increased upto 1400 as of now. The Company continues to derive its benefits due to its unique marketing strategy in these countries, which has ensured product acceptance and prompt payment. The Company is evolving its plan for sale of medical and allied consumables in these markets to increase the contribution from these areas and also to meet rising input cost.

The Company is in the process of setting up a Plant in NOIDA, Special Economic Zone which will engage in manufacture of Pharma Products and this is expected to be operational during the current year.

ANTI - RABIES VACCINE

As stated in the previous year report, the company could make in roads in to the Anti Rabies Vaccine Market by having an exclusive arrangement with a government approved leading company from abroad. However in view of the large

requirement being in the Government Sector requiring huge support in the form of performance guarantees and obligations, the need for a large marketing force with working capital support and with margin being narrow due to exchange risks it has been decided to accept the request of the manufacturer to appoint a leading Pharma company to market the products in these sectors. However your company has ensured that till the validity of initial arrangement with the manufacturer, your company will be eligible for a commission from the manufacturer on sales made into this Territory resulting in increase in contribution at a minimum cost coupled with de-risking of the business.

With these measures, Revenue and Profitability is expected to grow in the coming years. Your Company is also exploring several new markets with 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 and especially the Company's generic business remains tough due to global economic recession, which has resulted in lesser offtake due to lack of funding by aid agencies in the territories where your company is operating. With the indication of economic revival world over, it is hoped that this phase will be soon over. It continues to have inherent risks with regard to product liability and compliance related issues. As your Company is engaged in export market the Drug Pricing in India which has its control through DPCO, will not affect your company. There has been significant fluctuations in the US Dollar-Indian Rupee exchange Rate which has to some extent affected our exports and to hedge these, your Company has opted for conversion of pricing into Euro wherever possible. The diminution of value of USD has also helped us to keep our imports under check.

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.

Outlook for the year 2009-10

The new market initiatives and registration of new products in the existing markets coupled with cost effective sourcing/manufacturing strategy, your company is poised for a higher revenue growth and contribution. With the existing unit at Baddi acquired by merger of Malind Laboratories Private Limited and setting up of a Unit at NOIDA SEZ for product lines which have greater demand and with the tax benefits available to these units the distributable profits is likely to increase and thus look forward for a rewarding 2010.

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

Re-Appointment

Mr. C.C. Paarhipan, Director, retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

At the meeting of the Board of Directors of the Company held on 27th December, 2008, the Board has approved the increase in remuneration of Mr. M. Jayapal from Rs. 15,000/- per month to Rs. 40,000/- per month for a period from 1st January, 2009 to 27th March 2011. Accordingly the Ordinary Resolution is set out under Item No. 4 of the notice for the approval of the Members.

At the meeting of the Board of Directors of the Company held on 27th December, 2008 the Board has approved the appointment of Mr. K. Kanmani Portko as Whole time Director for a period of three years with effect from 1st January, 2009 on a remuneration of Rs. 20,000/- p.m. Accordingly the Ordinary Resolution is set out under Item No. 5 of the notice for the approval of the Members.

Subsequent to the close of the year, Mr. K. Kanmani Portko resigned as a Director of the Company with effect from 6th August 2009.

Mr. J. Nirmal Kumar ceased to be an alternate director with effect from 21st July, 2008 and Mr. R. Balakrishnan ceased to be a director due to his sudden demise in July, 2009. The Board places on record its deep appreciation for the valuable services rendered by them during their tenure as directors 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, T.Udayaraj & Associates, Chartered Accountants, Chennai, retire at the conclusion of the ensuing Annual General Meeting and have expressed their inability to seek reappointment and hence notice has been received from a Member proposing the appointment of M/s M.Raghunath and Company as Auditors of the Company for the year 2009-2010.

The Board on recommendation of the Audit Committee, proposes that M/s M. Raghunath and Company, Chartered Accountants, Chennai be appointed as Statutory Auditors of the Company to hold office till the conclusion of the next Annual General Meeting of the Company. M/s M. Raghunath and Company, Chartered Accountants, Chennai have forwarded their certificate to the company stating that their 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 realization will not have any negative impact on the financials which require any provision or disclosure.
- b) Phased implementation of ERP application covering materials, exports are being implemented and plans are underway to have an intergerated package covering all locations during the current / next year which will augment the internal controls.
- c) During the current year, specific areas of improvement have been identified by the Internal Audit team and steps are taken to implement the same. It is also proposed to plan further areas for review by the Internal Audit for improvement.
- d) As the Company has multiple locations with independent Registration under PF / ESI, there has been delay on a few occassions due to flow of information. With the automation, there has not been delay in remittance during the current year.

CORPORATE GOVERNANCE

A separate section on Corporate Governance is included in the Annual Report and the Certificate from M/s R. Sridharan & Associates, Company Secretaries confirming the compliance of conditions on Corporate Governance as stipulated under Clause 49 of the Listing Agreement of the Stock Exchange is annexed thereto.

The Company has delisted its Shares from The Ahmedabad Stock Exchange Limited with effect from 01.10.2009 pursuant to the approval of the Members at the previous general meeting and the approval for delisting of its shares from The Calcutta Stock Exchange Association Limited is awaited.

INDUSTRIAL RELATIONS

Generally the 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, and corporate and other statutory authorities. Your Directors also wish to place on record their appreciation for the services rendered by the employees.

By Order of the Board
For CAPLIN POINT LABORATORIES LIMITED

Place: Chennai
Date : 25.11.2009

M. Jayapal
Managing Director

D.P. Mishra
Director