



**CAPLIN POINT LABORATORIES LIMITED**

**/Certified True Copy/**

For CAPLIN POINT LABORATORIES LTD.

*M. Singh*  
[Redacted Signature]

**Nineteenth Annual Report  
2009 - 2010**

# **CAPLIN POINT LABORATORIES LIMITED**

## **NINETEENTH ANNUAL REPORT**

### **BOARD OF DIRECTORS**

**Mr.C.C.PAARTHIPAN**  
Chairman

**Mr.M.JAYAPAL**  
Managing Director

**Mr.P.T.BABY THOMAS**  
(Director)

**Mr.V.THIRUMALAI**  
(Director)

**Mr. D.P. MISHRA**  
(Director)

### **AUDITORS**

**M/s. M. RAGHUNATH & CO**  
Chartered Accountants  
4, Stringer Street, III Floor,  
Broadway  
Chennai 600 001

### **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. Sofan,  
Himachalpradesh – 173 205.

**NOTICE**

NOTICE is hereby given that the Nineteenth Annual General Meeting of the Company will be held on Tuesday the 28<sup>th</sup> day of December, 2010 at 11.00 a.m. at "TAG CENTRE" No. 69, T.T.K. Road, Alwarpet, Chennai - 600 018 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 30<sup>th</sup> June 2010 and Balance Sheet as at that date and the Auditors' Report thereon.

2. To declare a dividend.

A dividend of Re.1/- (per equity share of Rs.10/- each) has been recommended by the Board.

3. 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.

4. 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, bearing Registration No. 003347S, be and are hereby reappointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on a remuneration fixed by the Board of Directors in consultation with the auditor on mutually agreed terms and conditions."

**Special Business:**

5. 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 provisions of Section 314(1) and other applicable provisions if any, of the Companies Act, 1956, approval of the members be and is hereby accorded to the appointment of Mr. Vivek Siddharth, son of Mr. C C Paarthipan, Chairman of the Company, and his holding and continuing to hold office of profit, as an employee with effect from December 1, 2010, on a remuneration not exceeding Rs.50,000/- per month."

"RESOLVED FURTHER THAT the appointment shall be subject to all other terms and conditions of employment as may be applicable to the regular employees 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 provisions of Section 314(1) and other applicable provisions if any, of the Companies Act, 1956, approval of the members be and is hereby accorded to the appointment of Mrs. Krishnapriya Mishra, relative of Mr. D P Mishra, Director of the Company, and her holding and continuing to hold office of profit, as a Consultant for a period of 1 year with effect from December 1, 2010, on a remuneration of Rs.20,000/- per month."

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

**"RESOLVED THAT** pursuant to Section 163 and other applicable provisions of the Companies Act, 1956, the register of members, share transfer books and other related documents/registers of the Company be shifted from M/s .Knack Corporate Services Private Limited having its office at New No.2 (Old No.102) First Floor, Karpagam Avenue, 12<sup>th</sup> Cross Street, Mandaveli, Chennai - 600 028 to M/s Karvy Computershare Private Ltd. having office at G-1, Swati Court,22. Vijaya Raghava Road,T Nagar,Chennai 600 017, with effect from 1<sup>st</sup> March 2011"

**"RESOLVED FURTHER THAT** the Board of Directors be and are hereby authorised to do all such acts, deeds, matters and things that are necessary to give effect to this resolution."

On behalf of the Board

Place: Chennai  
Date : 22<sup>nd</sup> November 2010

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. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of the Special Business at Items 5, 6 & 7 of the above Notice is annexed hereto.**
- 3. Members are requested to bring their copies of Annual Report to the Meeting.**
- 4. The Securities and Exchange Board of India (SEBI) vide its Circular No MRU/Dop/COR-05/2007 dated April 27, 2007 made PAN the sole identification number for all participants transacting in the securities market, irrespective of the amount of such transaction. In continuation of the aforesaid circular, it is hereby clarified that for securities market transactions and off market / private transactions involving transfer of shares of the listed companies in physical form, it shall be mandatory for the transferee to furnish copy of PAN Card with the Company/RTA for registration for such transfer of shares.**
- 5. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, 22<sup>nd</sup> December, 2010 to Tuesday, 28<sup>th</sup> December, 2010 (both days inclusive).**
- 6. The Dividend when declared will be paid to those members, whose names appear in the Register of Members on 28<sup>th</sup> December, 2010 and in case of shares held in dematerialized form as per the details furnished by NSDL and CDSL. The dividend warrants will be posted on or before 28<sup>th</sup> January, 2011.**
- 7. 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.**
- 8. Members holding shares in electronic form should update their details with their respective Depository Participants.**
- 9. 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.**

10. Members are requested to fill up the ECS mandate form provided with this report and submit to M/s Karvy Computershare Private Ltd. having office at G-1, Swati Court, 22, Vijaya Raghava Road, T Nagar, Chennai 600 017, at the earliest for the purpose of Dividend credit.
11. 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, 12<sup>th</sup> Cross Street, Mandaveli, Chennai - 600 028, Phone # 91-44-42100092; Fax # 91-44-42100092.
12. 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.

#### ANNEXURE TO THE NOTICE

##### A. Information of Directors seeking appointment/ reappointment in the Annual General Meeting pursuant to Clause 49 of the Listing Agreement

###### Item No.3

Name	:	P T Baby Thomas
Age	:	57 years
Qualification	:	B.A.
Experience/ Expertise	:	More than 10 years in Administration
No. of shares held in the Company	:	15000

The details of his directorship / Committee membership in other companies as on 30.06.2010 are as follows:

Directorship	Committee memberships / Chairmanship
NIL	NIL

##### B. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

###### ITEM No.5

Mr. Vivek Siddharth is a Graduate in Bio Technology and was found competent to be appointed as an employee of the Company. Mr. Vivek Siddharth is the son of Mr C C Paarthipan, Chairman of the Company.

The Board of Directors of the Company at their meeting held on 22<sup>nd</sup> November, 2010 approved the appointment of Mr. Vivek Siddharth as an employee effective from December 1, 2010 and fixed his remuneration of not exceeding Rs.50,000/- per month, which under Section 314(1) of the Companies Act, 1956, can be approved by the Board, to a relative of a director, subject to the approval of the members by means of a special resolution at the Annual General Meeting held for the first time after such appointment.

Accordingly, the Special Resolution as set out under Item No. 5 is recommended by the Board for approval of the members.

###### Interest of Directors

Mr. C C Paarthipan, Chairman being relative of Mr. Vivek Siddharth is deemed to be directly interested in this item. None of the other Directors are interested or concerned in this resolution.

**ITEM No.6**

Mrs. Krishnapriya, Mishra, who happens to be relative of Mr., D.P. Mishra, Director, is a Graduate having more than 10 years of experience in the area of Customer Relations and she was found competent to hold the position of a consultant to the Company.

The Board of Directors of the Company at their meeting held on 22<sup>nd</sup> November, 2010 approved the appointment of Mrs. Krishnapriya Mishra as a consultant for a period of one year effective from December 1, 2010 and fixed her remuneration at Rs.20,000/- per month, which under Section 314(1) of the Companies Act, 1956, can be approved by the Board, to a relative of a director, subject to the approval of the members by means of a special resolution at the Annual General Meeting held for the first time after such appointment.

Accordingly, the Special Resolution as set out under Item No.6 is recommended by the Board for approval of the members.

**Interest of Directors**

Mr. D P Mishra, Director being relative of Mrs. Krishnapriya Mishra is deemed to be directly interested in this item. None of the other Directors are interested or concerned in this resolution.

**ITEM No.7**

In terms of Section 163 of the Companies Act, 1956, the Company is required to maintain the register of members, index of members, returns and copies of certificates at the registered office of the Company. However Section 163 provides that these documents can be kept in any other place within the city, town or village in which the registered office of the Company is situated, provided that the same is approved by the members at the general meeting by way of Special Resolution.

The Board of Directors at their Meeting held on 22<sup>nd</sup> November, 2010 recommended that the Company's Registrar and Share Transfer Agent be shifted from M/s. Knack Corporate Services Pvt Ltd to M/s Karvy Computershare Private Limited having its Head Office at Plot No.17-24, Vittalrao Nagar, Madhapur, Hyderabad - 500 081, with effect from 1<sup>st</sup> March 2011.

For administrative convenience and to meet the day to day requirements for shareholders queries and other activities relating to transfers etc, it is imperative that these documents are shifted to Company's new Registrar and Share Transfer Agents, Chennai Office address at -

M/s Karvy Computershare Private Limited,  
G-1, Swati Court,  
22, Vijaya Raghava Road,  
T Nagar,  
Chennai 600 017

Accordingly, the Special Resolution as set out under Item No.7 is submitted to the members for approval.

**Interest of Directors**

None of the Directors are interested or concerned in this resolution.

On behalf of the Board

Place: Chennai  
Date: 22<sup>nd</sup> November 2010

M Jayapal  
Managing Director

**DIRECTORS' REPORT****To the Shareholders**

The Directors have pleasure in presenting the Nineteenth Annual Report together with the Audited Accounts for the year ended 30<sup>th</sup> June 2010.

**Financial Performance**

	(Rupees in lacs)	
	2009-2010	2008-2009
Sales and Other Income	6246.00	6294.75
Profit before Tax	384.83	320.76
Profit after Tax	333.18	222.57

**Key Financial Ratios**

Net worth	2543.55	2386.57
Current Ratio	1.64	1.52
Debt Equity	0.41	0.36

**Return on Net worth**

Earnings per Share Basic & Diluted	2.21	1.47
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**OPERATIONS & OUTLOOK**

While the growth in Exports was marginal, the Profit before Tax is higher by about 10% for the year ended 30<sup>th</sup> June 2010. To fuel growth in sales in the coming years, several new areas of export and new product line are being explored. Taking advantage of the market presence in more than Seven South American countries, this company has taken several new market initiatives, strengthening of Brand Marketing, besides expanding market reach to about Eight more South American countries, which will not only ensure additional revenue for the company but will also shore up the bottom line as the fixed cost will be amortized to a larger share of revenue. The current level of registration of our products work out to almost 100 in each of the country as on the date of report and several applications are in the pipeline awaiting clearance at various stages. We are glad to inform you that subsequent to the close of the year, the company has commenced its operations in the Unit at Pondicherry, and hope to ramp up in the next twelve months.

In order for the company to move into more regulated market, the company has also embarked on an expansion plan by setting up a formulation unit compliance with the U.S.FDA/ U.K MHRA standards. Towards this the company has already acquired the land and hired senior technical professionals. The funding for the project will be from internal generation and term loans. The project is expected to be on stream in the next twenty four months.

The Company has also set up an Ointment and tablet facility at Baddi through a Limited Liability Partnership Firm and is expected to commence production before this calendar year.

**DIVIDEND**

The Board of Directors are pleased to recommend a dividend of Re 1/- per Equity Share of Rs' 10 each [10%] for the year ended June 30, 2010 subject to approval of the shareholders in the ensuing Annual General Meeting. The dividend if approved, at the Annual General Meeting will be tax free in the hands of the shareholders. The payment of dividend will entail a cash outflow of Rs'176.20 Lacs including dividend distribution tax of Rs' 25.10 Lacs .

**TRANSFER OF RESERVES**

In terms of Companies (Transfer of Profits to Reserves) Rules, 1975, a sum of Rs. 33,31,776/- was transferred to General Reserves during the financial year.

**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 and due to its unique marketing strategy, difficult terrain, is able to sustain its operations and with better efficiency and commercial terms are able to manage it more effectively. There has been significant fluctuations in the US Dollar-Indian Rupee Conversion of Export pricing from USD to Euro during the period under review has resulted in some positive contribution to the revenue realisation as against the erosion in the previous year.

**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 2010-11**

With the new market strategies and expansion plans, your company is poised for a higher revenue growth and contribution. With the proposed unit at Baddi for new 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 to continuous rewarding 2011.

**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, Director, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself 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 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 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, Messrs. M.Raghunath and Company, Chartered Accountants, Chennai, 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 Messrs.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. Messrs.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.

#### **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.

It is to be informed that our application for Dematerialization of the shares with NSDL has been accepted.

#### **INDUSTRIAL RELATIONS**

Generally the Industrial relations with the employees of the Company continued to be stable, cordial and satisfactory during the financial 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 at all levels, which gives confidence to plan for greater achievements in the current financial year.

**On behalf of the Board**

Place : Chennai  
Date : 22<sup>nd</sup> November 2010

**M. Jayapal**  
**MANAGING DIRECTOR**

**D.P.Mishra**  
**DIRECTOR**