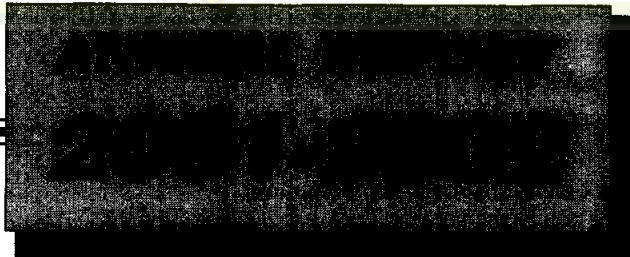




DENIS
CHEM LAB LIMITED

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DENIS CHEM LAB LIMITED

ANNUAL REPORT 2001-2002

| | | |
|---------------------------|--|---|
| Board of Directors | : Shri Dinesh B. Patel Dr. Himanshu C. Patel Dr. Tribhuvanbhai N. Patel Shri Priyavadan C. Randeria Shri Chinubhai N. Munshaw Shri Rajan R. Harivallabhdas Shri Paul Schoemaker Shri Laxmiraj M. Rathod Smt. Anar H. Patel | Chairman Managing Director Director Director Director Director Director Alternate Director Director |
|---------------------------|--|---|

Company Secretary : Shri M. S. Patel

Bankers : Bank of Baroda
Kalol (N.G.) - 382 721

Auditors : Shah & Shah Associates
Chartered Accountant
Ahmedabad

Registered Office & Factory : Block No. 457,
Village : Chhatral
Taluka : Kalol (N.G.) - 382 729
District: Gandhinagar

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NOTICE

NOTICE is hereby given that the **TWENTY FIRST** Annual General Meeting of the members of **DENIS CHEM LAB LIMITED** will be held at the Registered Office of the Company situated at Block No 457, Village : Chhatral, Tal.: Kalol (N.G), Dist.: Gandhinagar - 382 729 on Monday the 16th September, 2002 at 10.00 a.m to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2002, the Balance Sheet as at that date and the Report of the Board of Directors and Auditors thereon.
2. To declare dividend on equity shares, if any.
3. To appoint a Director in place of Shri Dinesh B. Patel, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri C. N. Munshaw, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

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 AT THE MEETING AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. The Register of Members and Share Transfer Books of the Company will remain closed from 07th September, 2002 to 16th September, 2002 (both days inclusive).
3. The Dividend on shares as recommended by the Directors for the financial year ended 31st March, 2002, if declared, at the meeting will be made payable at all branches of Bank of Baroda, from 26th October, 2002 by Dividend Warrants for a period of three months during banking hours to those members whose name appears on the Register of Members on 16th September, 2002.
4. The Company has transferred the Unclaimed Dividend to the General Revenue Account of the Central Government for and upto the financial year 1994-95. Concerned shareholders are being informed about the particulars of such transfer.
5. Members holding more than one share certificates to the same name under different ledger folios are requested to apply for consolidation of such folios and send relevant share certificates.
6. Members are requested to notify change in address, if any, immediately to the Company at its Registered Office quoting their Folio Numbers.
7. Members are requested to bring their copies of the Annual Report along with them to the Annual General Meeting.

Registered Office :
Block No. 457,
Village : Chhatral,
Tal. : Kalol (N.G.)
Dist.: Gandhinagar
Date : 25th June, 2002

By Order of the Board
For Denis Chem Lab Ltd.

(M. S. Patel)
Company Secretary

DENIS CHEM LAB LIMITED

DIRECTOR'S REPORT

To

Dear Shareholders,

Your Directors have pleasure in presenting before you the 21st Annual Report and the Audited Accounts for the year ended 31st March, 2002.

FINANCIAL RESULTS :

| | <i>For the year 2001-02</i> | <i>(Rs. in lacs) Previous year 2000-01</i> |
|--|-------------------------------------|--|
| GROSS PROFIT BEFORE INTEREST, DEPRECIATION AND TAX & EXTRA ORDINARY ITEMS | 95.27 | 84.10 |
| Less : Interest | 32.82 | 31.51 |
| PROFIT BEFORE DEPRECIATION & TAX | 62.45 | 52.59 |
| Less : Depreciation | 32.23 | 30.07 |
| PROFIT BEFORE TAX | 30.22 | 22.52 |
| Less : Extra Ordinary Items | | |
| (a) Voluntary Retirement Compensation amortised | 13.00 | — |
| (b) Loss on sale of units of Mutual Funds | 14.38 | — |
| Less : Provision for Taxation | 04.50 | 05.50 |
| Add : Deferred Tax Assets for the year | (06.72) | — |
| PROFIT AFTER INTEREST DEPRECIATION AND TAX | 05.06 | 17.02 |
| Less : Short Provision for Tax of Prior period w/o. | 00.83 | — |
| Profit for the year | 04.23 | 17.02 |
| Add : Balance brought forward from previous year | 60.95 | 53.84 |
| SURPLUS AVAILABLE FOR APPROPRIATION | 65.18 | 70.86 |

APPROPRIATIONS :

| | | |
|---------------------------------------|--------------|--------------|
| (1) Proposed Dividend | 08.99 | 08.99 |
| (2) Provision for Dividend Tax | — | 00.92 |
| (3) General Reserve | 03.75 | — |
| (4) Balance carried to Balance Sheet. | 52.44 | 60.95 |
| Total | 65.18 | 70.86 |

**ANNUAL REPORT 2001-2002****DIVIDEND :**

The Gross Profit of Rs. 95.27 lacs for the year ended 31st March, 2002 is higher by 34% over last year. The net profit before tax for the noted period is Rs. 30.22 lacs as compared with Rs. 22.52 lacs. The surplus available for appropriation is Rs.65.18 lacs which is lower than Rs. 70.86 lacs of previous period. Your Directors are pleased to recommend a dividend of Rs. 00.80 per equity share which is the same as the previous year subject to statutory approvals as may be required. The total dividend outgo will thus be about Rs. 08.99 lacs.

REVIEW OF OPERATIONS :

During the period 2001-02, the company has achieved a sales turnover, including job work, totaling to Rs.1001.08 lacs that is 07.50% lower than the comparable figure for the same period of last year. The Production and Sales have been adversely affected due to the riots in Gujarat during March, 2002. Gross Profit, i.e. Profit before Interest and Depreciation for the noted period was Rs. 95.27 lacs. The Company has increased its product range during the period 2001-02 and is planing new products introduction during the current year also so as to increase its sales turnover.

As per Accounting Standard 22 the Company has provided the deferred tax liability on the timing difference of depreciation on Fixed Assets upto 31st March 2001, amounting to Rs. 37.09 lacs. from the General Reserve. During the year under review, the deferred tax Assets created amounted to Rs.(6.72) lacs. Thus the overall effect on the surplus in Profit & Loss account is Rs. 30.37 lacs towards deferred tax liability.

FUTURE PLAN

The Company has consolidated its sales for the range of imported Surgical products from Sweden. The Company has started new manufacturing activity for other reputed Pharma concerns during the year. The Company hopes to have increased sales from these products during 2002-2003. The Company is planing to modernize and enhance its production capacity so as to meet the growing demands of its products as well as to accomodate the increasing business of contract manufacturing for various reputed Pharmaceuticals Companies.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to Section 217(2AA) of the Companies Act, the Directors' confirm that;

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (b) appropriate accounting policies have been selected and applied consistently and judgements and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2002 and the profit and loss account for the year ended 31st March, 2002.
- (c) proper and sufficient care has been taken for the maintenance of adequate accounting record in accordance with provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) the annual accounts have been prepared on a going concern basis.

DENIS CHEM LAB LIMITED**DIRECTORATE**

Shri Dinesh B. Patel and Shri C.N. Munshaw, retires from the Board by rotation in accordance with Article 60 of the Articles of Association of the Company, and being eligible, offers themselves for re-appointment.

FIXED DEPOSITS

As at the end of financial year under review, no fixed deposits due for repayment, remained unclaimed by the deposit holders.

INSURANCE

All the properties of the Company and insurable interest are adequately insured against the risks of fire, riot, strike, malicious damage etc. as per the consistent policy of the Company.

PERSONNEL

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

The particulars as required under the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 are given in the Annexure attached to the Report.

AUDITORS

M/s. Shah & Shah Associates, the Auditors of the Company will retire at the ensuing Annual General Meeting but as they are eligible for re-appointment, your Directors recommend their re-appointment as Auditors of the Company for the year 2002-2003 at such remuneration as may be fixed by the shareholders.

INDUSTRIAL RELATIONS

Your Directors are happy to report that Industrial relations remained satisfactory during the year under review.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation for the services of the staff, officers and executives for sustaining the operations of the Company during year under review.

Your Directors also acknowledge with gratitude the Co-operation, assistance and support to the company given by bankers and financial institutions during the year. Your Directors also express their thanks to company's stockists, retailers and other customers for their continued patronage and to the shareholders for their confidence reposed in the Company.

Place : Ahmedabad
Date : 25th June, 2002

For and on behalf of the Board
Dinesh B. Patel
Chairman



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ANNEXURE TO THE DIRECTORS' REPORT

Particulars required to be reported as per Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988.

(A) CONSERVATION OF ENERGY :**(a) ENERGY CONSERVATION MEASURES TAKEN :**

The Company has installed Multi Column Distillation Still which was fully operated during the year. This has enabled the Company to reduce the consumption of steam substantially. This will lead to utilisation of boiler generated energy for more efficient uses.

(b) ADDITIONAL INVESTMENT AND PROPOSALS FOR REDUCTION OF CONSUMPTION OF ENERGY :

The Company has installed Ignifluid Bed Boiler and D.G. Set and this has helped in using energy efficiently and at a lower cost. Explorations in new areas for reduction in energy consumption have been taken up wherever possible.

(c) IMPACT OF THE ABOVE MEASURES :

The measures taken above will help in considerable saving in cost per unit of energy generated and reduction in requirement of steam consumption.

(d) TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION

Details of total energy consumption and energy consumption per unit of production as per FORM - A prescribed in the rules is as under.

| (1) Power & Fuel Consumption : | | 2001-02 | 2000-01 |
|---|----------------------|------------------|----------------|
| (i) Electricity : | | | |
| (a) Purchased Unit (KWH) | | 5,05,584 | 5,16,856 |
| Total Amount (Rs.) | | 25,57,974 | 25,64,089 |
| Rate/Unit (Rs.in per kwh) | | 5.06 | 4.96 |
| (b) Own Generation | | | |
| Through Diesel Generation Unit(KWH) | | 73,538 | 98,498 |
| Total Litres | | 20,075 | 28,725 |
| Units per Ltr.of Diesel Oil | | 3.66 | 3.43 |
| Cost/Unit (Rs.) | | 5.34 | 5.17 |
| (ii) Furnace / Diesel Oil | | | |
| Qty.(K.Ltrs.) | | 2,49,105 | 2,91,655 |
| Total Amount (Rs.) | | 27,50,461 | 37,20,085 |
| Avg.Rate (in Rs.per Litre) | | 11.04 | 12.76 |
| (2) Consumption per unit of Production : | | | |
| | Standard Unit | 2001-02 | 2000-01 |
| (i) Electricity (in Units) | | | |
| I.V. Solution | Bottle | 0.06 | 00.09 |
| Bulk Drugs | Kgs | 0.45 | 00.43 |
| (ii) Furnace/Diesel Oil (in ltrs) | | | |
| I.V. Solution | Bottle | 0.03 | 0.08 |
| Bulk Drugs | Kgs | 1.30 | 1.35 |

DENIS CHEM LAB LIMITED**(B) TECHNOLOGY ABSORPTION**

Efforts made in Research and Development and Technology Absorption as per FORM-B prescribed in the Rules is as under.

(i) Research & Development (R&D)

- (a) Specific areas in which R&D carried out by the Company. : New product development and improvement in Quality.
- (b) Benefits derived as a result of the above R&D : Increase in the range of products and its volume of contribution in increased sales turnover
- (c) Future plan of action : To maintain improved quality of products through quality control.
- (d) Expenditure on R&D : Marginal
- (ii) Technology absorption, adoption and innovation. : The Company does not envisage any technology absorption.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO : F.O.B Value : Rs. NIL lacs. of Export
Import value : Rs.12.06 lacs. of C.I.F.**(D) STATEMENT OF PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956.**

(a) Employed throughout the Accounting year under review and were in receipt of remuneration for the Accounting year in aggregate of not less than Rs. 6,00,000/-

| Sr. No | Name of the Employee | Designation and nature of duties | Gross Remuneration (Rs.) | Qualification Experience (Years) | Date of Commencement of employment | Age (Year) | Last Employment |
|--------|----------------------|--|--------------------------|----------------------------------|------------------------------------|------------|-----------------|
| 01. | Dr. H. C. Patel | Managing Director Management of affairs of the Company. | 6,00,000/- | B.E., M.S. Ph. D. (18) | 1984 | 48 | — |

Place : Ahmedabad
Date : 25th June, 2002

For and on behalf of the Board
Dinesh B. Patel
Chairman



AUDITORS' REPORT

To,
The Members of
DENIS CHEM LAB LIMITED

We have audited the attached Balance Sheet of M/S. DENIS CHEM LAB LIMITED as at 31st March, 2002 and also the annexed Profit & Loss Account of the Company for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that :

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of accounts as required by law have been kept by the Company, so far as appears from our examination of the books.
3. The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account.
4. In our opinion the said Profit & Loss Account and Balance Sheet comply with the accounting standards as referred to in Sub Section (3C) of Section 211 of the Companies Act, 1956 except what is stated in para 6(a) and (b) below.
5. Based on representation made by the directors of the company as per information and explanation given to us, none of the directors of the company are, prima facie, as at 31st March, 2002, disqualified from being appointed as directors of the company in terms of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanation given to us, the account read with and subject to notes thereon forming Part of accounts in Schedule 17 and in particular;
 - a. Note No.06 : regarding non-provision of gratuity of Rs. 8,45,000/-
 - b. Note No.12 : regarding accounting for leave encashment as and when claimed by the employees.
 - c. Note No.07 : regarding confirmation of balances.
 - d. Note No.09 : regarding non-provision for diminution in the value of investments;
 give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view;
 - (i). In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2002.
and
 - (ii). In the case of Profit & Loss Account, of the Profit for the year ended on that date.

As required by the Manufacturing and other Companies (Auditor's Report) order, 1988 issued by the Central Government and on the basis of such checks as we considered appropriate and as per the information and explanations given to us, we further state that;

1. The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. As explained to us, major part of the fixed assets other than laboratory equipments and Furniture and Fixtures including data processing equipments have been physically verified during the year by the management and no discrepancy was noticed between book record and physical inventory.
2. None of the fixed assets of the Company has been revalued during the year.
3. Physical verification of stocks of raw materials, stores, spare-parts, finished goods and traded goods has been conducted by the management at reasonable intervals during the year.
4. In our opinion and according to the information and explanations given to us, the procedures of physical

DENIS CHEM LAB LIMITED

- verification of the stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
5. Discrepancies noticed on physical verification of stocks as compared to book records were not material and the same have been properly dealt with in the books of account.
 6. In our opinion, valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
 7. The Company has not obtained unsecured loans from parties listed in the register maintained under Section 301 of the Companies Act, 1956 during the under review. In our opinion, the rate of interest and other terms and conditions on which such unsecured loans have been obtained are not prima facie prejudicial to the interest of the company.
 8. The company has not granted any loans, secured or unsecured, to the Companies, firms or other parties listed in the register maintained under Section 301 and/or to Companies under the same management as defined under Sub-Section (1B) of Section 370 of the Companies Act, 1956.
 9. Interest free loans have been given to employees of the Company who are generally regular in repayment of the same wherever stipulated.
 10. In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials, traded goods including components, plant and machinery, equipment and other assets and for the sale of goods.
 11. In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000/- or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices at which transactions for similar goods or services have been made with other parties.
 12. As explained to us, the company has regular procedure for determination of unserviceable or damaged stores, raw materials, traded goods or finished goods. However, we are informed that no unserviceable or damaged stores or raw materials were determined during the year under review.
 13. In case of public deposits received, the company has complied with the provisions of Section 58A of the Companies Act, 1956 and the rules framed there under.
 14. The Company has maintained reasonable records for the sale and disposal of scrap. The Company has no by-products.
 15. The Company has appointed a firm of chartered accountants to carry out internal audit, to scope of which is required to be increased so as to make it the internal audit system commensurate with the size and nature of the business of the company.
 16. As explained to us, the maintenance of cost records has been prescribed by the Central Government under Section 209 (1)(d) of the Companies Act, 1956 for formulations manufactured by the company. We are informed that the Company is still in the process of installing adequate system for the same.
 17. As informed to us, the Company is generally regular in depositing Provident Fund and Employees' State Insurance Scheme dues with the appropriate authorities.
 18. There are no undisputed amounts payable in respect of Income Tax, Sales Tax, Custom Duty and Excise Duty outstanding as at 31st March, 2002 for a period of more than six months from the date they became payable.
 19. According to the information and explanations give to us, no personal expenses of employees or Directors have been charged to revenue accounts, other than those payable under contractual obligations or in accordance with generally accepted business practices.
 20. The company is not a sick industrial company within the meaning of clause (o) of Sub-Section (1) of the Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
 21. According to the information and explanations give to us, there were no damaged goods in respect of goods purchased for resale.

For **SHAH & SHAH ASSOCIATED**
Chartered Accountants
NIMISH B. SHAH
Partner

Place : Ahmedabad
Date : 25th June, 2002