

Annual Report

2002-2003



DENIS
CHEM LAB LIMITED

DENIS CHEM LAB LIMITED

ANNUAL REPORT 2002-2003

Board of Directors	: Shri Dinesh B. Patel Dr. Himanshu C. Patel Dr. Tribhuvanbhai N. Patel Shri Priyavadan C. Randeria Shri Chinubhai N. Munshaw Shri Paul Schoemaker Shri Laxmiraj M. Rathod Smt. Anar H. Patel	Chairman Managing Director Director Director Director Director Alternate Director Director
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Bankers : Bank of Baroda
Kalol (N.G.) - 382 721

Auditors : Shah & Shah Associates
Chartered Accountants
Ahmedabad

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

Registrar & Share Transfer Agent : Pinnacle Shares Regisrty (P) Limited
Near Ashoka Mills, Naroda Road,
Ahmedabad - 380 025

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NOTICE

NOTICE is hereby given that the TWENTY SECOND 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, Ta. : Kalol (N.G), Dist. : Gandhinagar- 382729 on Monday the 29th September, 2003 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, 2003, 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 P. C. Randeria, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Smt. Anar H. Patel, who retires by rotation and being eligible, offers herself 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.

SPECIAL BUSINESS :

6. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Sections 269, 198, 309, 310 & 311 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act, as amended from time to time, the Company in General Meeting hereby approves the reappointment of Dr. Himanshu C. Patel, Managing Director of the Company for a period of 5 years from 01.04.2004 on the remuneration in such manner as the Board in their discretion deem fit and as acceptable to Dr. Himanshu C. Patel."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to enhance, enlarge, alter or vary the scope and quantum of remuneration and perquisites of Dr. Himanshu C. Patel which revision should be in conformity with any amendments to the relevant provisions of the Companies Act and/or the Rules and Regulations made thereunder and/or such guidelines as may be announced by the Central Government from time to time without further reference to the Company in General Meeting".

"RESOLVED FURTHER THAT the re-appointment of Dr. Himanshu C. Patel shall not be liable to determination by retirement of Directors by rotation."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such actions as may be necessary, to give full and final effect to the decision taken herein".

Registered Office :
Block No. 457,
Village : Chhatral,
Ta. : Kalol (N.G.)
Dist. : Gandhinagar
Date : 25th July 2003

By Order of the Board
For Denis Chem Lab Ltd.

Dinesh B. Patel
Chairman

DENIS CHEM LAB LIMITED

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 relevant Explanatory Statement pursuant to Section 173(2) of Companies Act, 1956 in respect of the aforesaid special business is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 20th September, 2003 to 29th September, 2003 (both days inclusive).
4. The Dividend on shares as recommended by the Directors for the financial year ended 31st March, 2003, if declared, at the meeting will be made payable at all branches of Bank of Baroda, from 28th October, 2003 by Dividend Warrants for a period of three months during banking hours to those members whose name appears on the Register of Members as on 29th September, 2003.
5. 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.

Consequent upon amendment in Section 205A of the Companies Act, 1956 and introduction of Section 205C, by the Companies (Amendment) Act, 1999, now the amount of dividend remaining unclaimed for a period of 7 years shall be transferred to the Investor Education and Protection Fund. It may also be noted that once the unclaimed dividend is transferred to the Central Government, as above, no claim shall lie in respect thereof.

6. Members desiring to seek any information on the Annual Accounts to be explained at the meeting are requested to send their queries in writing to the Company at the Regd. Office so as to reach at least 7 days before the date of the meeting to make the required information available.
7. In order to prevent the possibility of interception in transit & fraudulent encashment of Dividend Warrants sent to Members, Members are requested to inform Bank Account No. & Name of their Bankers, which would be incorporated in the Dividend Warrants. Information may be sent in this respect to the Registered Office of the Company at the earliest.

Members, who hold share in the de-materialised form, want to change/correct the bank account details should send the same immediately to the concerned Depository Participant. Members are also requested to give the MICR code of their Depository Participants. The Company will not entertain any direct request from members for deletion/change in the bank account details furnished by Depository Participants of the Company.

8. The Company has appointed M/s Pinnacle Shares Registry Pvt. Ltd., Ahmedabad as common agency for share registry work in terms of both physical and electronic pursuant to SEBI's circular No. D&CC/FITTC/CIR-15/2002 dated 27th December 2002 w.e.f 1st April 2003.
9. Members are requested to:
 - Bring their copy of the Annual Report to the Meeting as the practice of distributing copies of accounts in the meeting has been discontinued.
 - Intimate, if shares are held in the same name or in the same order and names but in more than one account to enable the Company to club the said accounts into one account.
 - Fill the attendance slip for attending the meeting (members as well as proxies)
 - Bring the Client ID and DP ID numbers for easy identification of attendance at the meeting for the members who hold shares in dematerialised form.
 - Notify immediately the change of address, if any, to the Registrar & Share Transfer Agent.



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

As required by Section 173(2) of the Companies Act, 1956 (the Act) the following explanatory statement sets out all material facts regarding Special Business mentioned in the accompanying notice dated 24th June, 1998 convening the Annual General Meeting of the Shareholders of the Company.

1. Regarding Resolution No.6.

Shareholders are aware that Dr. Himanshu C. Patel, B.E., M.S., Ph.D., (49) is the Managing Director of the Company, who is currently holding office for a period of 5 years till 01.04.2004 in terms of agreement dated 05.12.1994 as modified by agreement dated 28.06.1999. The terms of the appointment were approved by the Shareholders at the Annual General Meeting held on 27.08.1998 and the modified terms of remuneration payable to him were approved by the Shareholders at the Annual General Meeting held on 27.08.1998.

In accordance with the provisions of Section 198, 269, 309, 310 & 311 and other provisions of the Companies Act, 1956, read with Schedule XIII to the said Act, and subject to the approval of the Company in General Meeting and subject to approval of the Central Government if and wherever necessary, Dr. Himanshu. C. Patel, is hereby re-appointed as the Managing Director of the Company for a period of five years commencing from 1st April, 2004

The terms of remuneration for the five years of the new contract are as under;

- (a) Salary : Rs. 1,50,000/- per month (including perquisites)
- (b) Perquisites : The aggregate of total salary includes perquisites and allowance per annum. For this purpose perquisites are classified in category A, B & C are as follows.

Category - "A"**Housing :**

- (a) Expenditure by the Company on hiring furnished accommodation, subject to a ceiling of 60% of the salary over and above 10% payable by the Managing Director.
- (b) If the accommodation is owned by the Company 10% of the salary of Managing Director shall be deducted by the Company.
- (c) In case no accommodation is provided by the Company, Managing Director shall be entitled to House Rent Allowance not exceeding 60% of his Salary. Expenditure incurred by the Company on Gas, Electricity, Water and Furnishing shall be valued as per the Income-tax Rules, 1962, subject to a ceiling of 10% of Salary.

Medical Reimbursement :

Expenses incurred for the Managing Director and his family subject to a ceiling of one month salary in a year or three months salary over a period of three years.

Leave Travel Concession :

For the Managing Director and his family once in a year incurred in accordance with the Rules of the Company.

Personal Accident Insurance :

Personal Accident Insurance of an amount, the premium of which does not exceed Rs. 4000/- per annum.

Explanation :

For the purpose of Category "A", "Family" means the wife, dependent children and dependent parents of the Managing Director.

Category "B" :

Contribution to Provident Fund and Superannuation Fund will not be included in the computation of the ceiling on remuneration to the extent they are, either singly or put together not taxable under the Income-tax Act, 1961. Gratuity not exceeding half month salary for each completed

DENIS CHEM LAB LIMITED

year of service. Gratuity and encashment of leave shall not be included in the computation of the ceiling on the remuneration.

Category "C" :

The Company shall provide a Car with Driver and Telephone at residence . Provision of Car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Managing Director.

The Managing Director so long as they function as such shall not be paid any sitting fees for attending the meeting of the Board or Committees thereof.

MINIMUM REMUNERATION :

In the event of absence or inadequacy of profits in any financial year during the Managing Director's tenure, a cut of 10% shall be effected in his salary amount payable for that year, the perquisites remaining unchanged.

The Managing Director so long as they function as such shall not to paid any sitting fees for attending the meetings of the Board or Committees thereof.

The particulars set out above may be treated as an abstract of the terms of the contract for re-appointment of the Managing Director which is required to be given to every member under the provisions of Section 302 (2) of the Companies Act, 1956.

Shri Dineshbhai Patel and Smt. Anar H. Patel may be deemed to be concerned or interested in the resolution. Except this, no other Directors of the Company are interested or concerned in the said resolutions.

The draft of the agreement of re-appointment to be entered into with the Managing Director is available for inspection by the members of the company at the Registered Office of the Company between the hours of 11.00 a.m. and 1.00 p.m. or any working day prior to the date of the meeting.

The Ordinary Resolution is placed before the Members in General Meeting for their approval to the appointment and the terms of such appointment of the Managing Director in compliance with the provisions of Section 198, 296, 310 and 311 of the Companies Act, 1956.

Since the re-appointment of and remuneration payable to Dr. Himanshu C. Patel is in conformity with Schedule XIII of the Companies Act, 1956, no approval of the Central Government is required. However, if necessary, such an application will be made to Central Government for approval.

In the opinion of the Board, the terms of remuneration are fair and reasonable and commensurate with his long standing experience in management of industrial enterprises as Managing Director. As the reappointment is being made in accordance with the conditions and provisions of Schedule XIII, it would not be necessary to seek the approval of the Central Government to such reappointment.

The resolution placed before the Shareholders authorises the Board to execute the draft agreement with such modifications or variations as they may think fit. The other terms and conditions of the draft agreement are the usual terms and conditions in the existing agreement with the Managing Director.

Dr. Himanshu C. Patel, Managing Director is interested as it concerns his appointment. Shri Dinesh B. Patel and Smt. Anar H. Patel to whom Dr. Himanshu C. Patel is related may also be regarded as interested or concerned in the appointment of Dr. Himanshu C. Patel.

The above may also be treated as an abstract of the Board Resolution of reappointment.

Registered Office :

Block No. 457,

Village : Chhatral,

Ta. : Kalol (N.G.)

Dist. : Gandhinagar

Date : 25th July 2003

By Order of the Board
For Denis Chem Lab Ltd.

Dinesh B. Patel
Chairman



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DIRECTOR'S REPORT

To
Dear Shareholders,

Your Directors have pleasure in presenting before you the 22nd Annual Report and the Audited Accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS :

	(Rs. in lacs) <i>For the year 2002-03</i>	(Rs. in lacs) <i>Previous year 2001-02</i>
GROSS PROFIT BEFORE INTEREST, DEPRECIATION AND TAX (PBDIT) & EXTRA ORDINARY ITEMS	103.44	95.27
Less :-> Interest	38.87	32.82
PROFIT BEFORE DEPRECIATION & TAX	64.57	62.45
Less :-> Depreciation	30.48	32.23
PROFIT BEFORE TAX	34.09	30.22
Less :-> Extra Ordinary Items		
(a) Voluntary Retirement Compensation amortised	13.66	13.00
(b) Loss on sale of units of Mutual Funds	14.91	14.38
(c) Provision for Taxation (Net of Excess/Short Provision of earlier years)	04.76	05.33
Add :-> Deferred Tax Assets for the year	(07.59)	(06.72)
PROFIT AFTER DEPRECIATION, INTEREST AND TAX	08.35	04.23
Add :-> Balance brought forward from previous year	52.44	60.95
SURPLUS AVAILABLE FOR APPROPRIATION	60.79	65.18
APPROPRIATIONS :		
(1) Proposed Dividend	11.24	08.99
(2) Provision for Dividend Tax	1.41	—
(3) General Reserve	—	03.75
(4) Balance carried to Balance Sheet	48.14	52.44
Total	60.79	65.18

DENIS CHEM LAB LIMITED**DIVIDEND :**

The Gross Profit for the year ended 31st March, 2003 is Rs. 103.44 lacs which is an increase by 9% over last year. (Last year Rs. 95.27 lacs) The net profit before tax for the noted period is Rs. 34.09 lacs as compared with Rs. 30.22 lacs for last year The surplus available for appropriation is Rs.60.28 lacs. In view of this, your Directors are pleased to recommend a dividend of Rs. 1.00 per equity share subject to statutory approvals as may be required. The total dividend outgo will be thus about Rs.11.24 lacs.

REVIEW OF OPERATIONS :

During the period 2002-03, the company has achieved an increased sales turnover, including job work totaling to Rs. 1318.32 lacs that is 28% higher than the comparable figure for the same period of last year. The company has increased its production for the noted period by 19.78%. The gross profit, i.e. profit before interest and depreciation for the noted period was Rs. 103.44 lacs. The Company has increased its product range during the period 2002-03 and has planned new products introduction during the current year so as to increase its sales turnover.

FUTURE PLAN :

The Company has consolidated its sales in India for the range of imported Surgical products from Sweden and Stent Catheters from Guidant, U.S.A. The response for the products has been satisfactory and sales for these products is on the increase. The Company hopes to have increased sales for these products during 2003-2004. The Company is planning 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 its 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, 2003 and the profit and loss account for the year ended 31st March, 2003.
- (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.

DIRECTORATE

Shri P. C. Randeria and Smt. Anar H. Patel, retires from the Board by rotation in accordance with Article 60 of the Articles of Association of the Company, and being eligible offer themselves for re-appointment.

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Shri Rajan R. Harivallabhdas has resigned as Director of the Company from July 18, 2003. Your Directors wish to put on record their appreciation for the guidance tendered by him throughout his long association with the Company.

FIXED DEPOSITS :

As at the end of financial year under review, no fixed deposits were due for repayment, or 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 2003-2004 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 July, 2003

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

DENIS CHEM LAB LIMITED

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 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 :	2002-03	2001-02
(i) Electricity :		
(a) Purchased Unit (KWH)	5,36,180	5,05,584
Total Amount (Rupees)	25,66,411	25,57,974
Rate/Unit (Rs.in per kwh)	4.79	5.06
(b) Own Generation		
Through Diesel Generation Unit (KWH)	55,508	73,538
Total Litres	16,877	20,075
Units per Ltr.of Diesel Oil	4.00	3.66
Cost/Unit (Rs.)	6.51	5.34
(ii) Furnace / Diesel Oil		
Qty. (K.Ltrs.)	3,03,169	2,49,105
Total Amount (Rupees)	42,84,834	27,50,461
Avg. Rate (in Rs. per Litre)	14.13	11.04