



DENIS
CHEM LAB LIMITED

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Annual Report
2006-2007

ANNUAL REPORT 2006-2007

Board of Directors	:	Dr. Himanshu C. Patel	Chairman & Managing Director
		Dr. Tribhuvanbhai N. Patel	Director
		Shri Priyavadan C. Randeria	Director
		Shri Chinubhai N. Munshaw	Director
		Shri Paul Schoemaker	Director
		Shri Laxmiraj M. Rathod	Alternate Director
		Smt. Anar H. Patel	Director

Bankers : Karur Vysya Bank Ltd.
Sattellite Road,
Ahmedabad - 380 015.

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 Registry (P) Limited
Near Ashoka Mills, Naroda Road,
Ahmedabad - 380 025

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**ANNUAL REPORT 2006-2007****NOTICE**

NOTICE is hereby given that the **TWENTY SIXTH** 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, Taluka: Kalol (N.G.), Dist. Gandhinagar - 382 729 on 20th August 2007 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, 2007, the Balance Sheet as at that date and the Report of the Board of Directors and Auditor thereon.
- (2) To appoint a Director in place of Shri T.N.Patel, who retires by rotation and being eligible, offers himself for re-appointment.
- (3) To appoint a Director in place of Shri Paul Schoemaker (Alternate Director Shri L.M.Rathod), who retires by rotation and being eligible, offers himself for re-appointment.
- (4) 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.
- (5) To appoint Shri Dineshbhai B. Patel as a Director and Chairman of the Company.

Registered Office : By Order of the Board
Block No. 457, **For Denis Chem Lab Ltd.**
Village : Chhatral,
Ta. : Kalol (N.G.) **Dr. Himanshu C. Patel**
Dist. : Gandhinagar *Chairman &*
Date : 27-04-2007 *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 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 11-08-2007 to 20-08-2007 (both days inclusive).
- (3) The Dividends on Shares as recommended by the Directors for the financial year ended 31st March 2007, if approved at the meeting will be made payable at branches of Karur Vysya Bank Ltd. from 18th September, 2005 by dividend warrants for a period of three months during banking hours to those members whose name appears on the Register of Members on 20th August, 2007.
- (4) The Company has transferred the Unclaimed Dividend to the General Revenue Account of the Central Government for and up to the financial year 1997-98. 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 seven years (7) shall be transferred to the Investors 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.

- (5) Members desiring to seek any information of 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 meeting to make the required information available.
- (6) In order to prevent the possibility of interception in transit and 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-materialized form and 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 participant. The Company will not entertain any direct request from members for deletion/changes in the bank account details furnished by Depository Participants of the Company.

Members are requested.

- (i) Bring their copy of the Annual Report to the Meeting as the practice of distributing copies of accounts in the meeting has been discontinued.
- (ii) 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.
- (iii) Fill the attendance slip for attending the meeting [members as well as proxies (if any)].
- (iv) Bring the Client ID DP ID Numbers for easy identification of attendance at the meeting for the members who hold shares in dematerialized form.

Notify immediately the change of address, if any, to the Registrar & Share Transfer Agent.

Registered Office : By Order of the Board
Block No. 457, **For Denis Chem Lab Ltd.**
Village : Chhatral,
Ta. : Kalol (N.G.) **Dr. Himanshu C. Patel**
Dist. : Gandhinagar *Chairman &*
Date : 27-04-2007 *Managing Director*

DENIS CHEM LAB LIMITED

DIRECTOR'S REPORT

To

Dear Shareholders,

Yours Directors have pleasure in presenting before you the 26th Annual Report and the Audited Accounts for the year ended 31st March, 2007.

Particulars	Current Accounting Year Ended 31-03-07	(Rs. in Lacs.) Previous Accounting Year Ended 31-03-06
GROSS PROFIT BEFORE INTEREST, DEPRECIATION AND TAX (PBDIT) & EXTRA ORDINARY ITEMS.	173.54	35.12
Less: Interest	52.81	36.68
PROFIT BEFORE DEPRECIATION & TAX	120.73	(1.56)
Less: Depreciation	38.50	33.02
PROFIT BEFORE TAX	82.23	(34.58)
Less: Extra Ordinary Items		
(a) V.R.S. amortised	0.66	13.66
(b) Provision for Tax	11.49	00.00
(c) Provision for Fringe Benefit Tax	2.10	02.25
(d) Deferred Tax Liability/Assets for the year.	17.81	(22.61)
PROFIT/ LOSS AFTER DEPRECIATION, INTEREST AND TAX	50.17	(27.88)
Add: Balance brought forward from previous year	26.03	53.91
SURPLUS AVAILABLE FOR APPROPRIATION	76.20	26.03
APPROPRIATIONS:		
(1) Proposed Dividend	11.24	00.00
(2) Provision for Dividend Tax	1.91	00.00
(3) Balance Carried to Balance Sheet	63.05	26.03
Total	76.20	26.03

DIVIDEND:

The gross profit for the year ended 31st March, 2007 is Rs. 173.54 Lacs which is substantially more than last year's figure of Rs. 35.12 Lacs. The net profit before tax for the noted period is Rs. 82.23 Lacs as compared with a loss of Rs. 34.58 Lacs for last year. The surplus available for appropriation is Rs. 76.20 Lacs. In view of this, your Directors are pleased to recommend a dividend of Rs. 1.00 Per equity share for the noted period 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 year 2006-07 the Company has achieved sales turnover (including job work) totaling Rs. 15.41 Crores that is 12.37 % higher than the comparable figure for last year, i.e. Rs. 13.71 Crores. The production of the company has improved substantially for 2006-07 and the manufacturing facility was



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approved by Food & Drug Control Administration (FDCA), Gandhinagar and certified to be as per revised Schedule M. The company has applied for World Health Organization-Good Manufacturing Practices (WHO-GMP) certification and expects this shortly and which will help it to get exports business. During 2006-07, due to the tight control on the manufacturing costs, the company was able to improve its profitability and further measures as still under implementation for a further reduction in the operating costs so that better profitability can be achieved for 2007-08.

FUTURE PLANS:

The Company has introduced I.V. fluids in plastic bottles using Blow Fill Seal (BFS) technology and this new facility commissioned in 2007-08 will improve the company's turnover substantially with better margins. It is also planning to install equipment for manufacturing Small Volume Parenterals (SVP) in plastic ampoules. Also, the further plant modernization will be carried out so as to enhance the current plant capacity and as well strengthen its Quality Assurance.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) of the Companies Act, the Directors', based on the representation received from the operating management, 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 judgments 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 financial year ended on 31-03-2007 and for the profit and loss account for the year ended on 31-03-2007
- (c) Proper and sufficient care has been taken for the maintenance of adequate accounting records 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.

DIRECTORS:

Shri T.N. Patel and Shri Paul Schoemaker (Alternate Director Shri L.M. Rathod) retire from the Board by rotation in accordance with Article 60 of the Articles of Association of the Company, and being eligible offer themselves for reappointment.

FIXED DEPOSITS:

As at the end of financial year under review, no fixed deposits which were 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 Section 217 (2A) of the Companies Act 1956 read with companies (Particulars of Employees) Rules 1975 as amended, there are no employees covered under the above provision.

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 Auditor 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 Auditor of the Company for the year 2007-08 at such remuneration as may be fixed by the shareholders.

DENIS CHEM LAB LIMITED**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.

For and on behalf of the Board

Place : Ahmedabad

Date : 27.04.2007

Dr. Himanshu C. Patel

Chairman & Managing Director

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 renovated the A.C. plant ducting to reduce the energy losses as well as insulated various storage vessels to prevent heat losses. The Company has installed Lignite / Coal based Boiler in place of furnace oil based boiler which will reduce fuel cost substantially.

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

The Company is planning to install modern A.C. plant and R.O. plant for reducing electricity & chemical consumption

(c) IMPACT OF THE ABOVE MEASURES:

The measures taken above will help in considerable saving in cost per unit of energy and reduction in chemical.

(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 :	2006-07	2005-06
(i) Electricity:		
(a) Purchased Unit (KWH)	676480	497562
Total Amount (Rupees)	3238175	2297940
Rate / unit (Rs. in per KWH)	04.78	04.62
(b) Own Generation	31513	12364
Through Diesel Generator Total Litres.	7450	2965
Unit per Ltr of Diesel Oil	04.22	04.17
Cost/Unit (Rs.)	9.10	07.91
(ii) Furnace / Diesel Oil Qty. (K. Ltrs.)	163650	213235
Total Amount (Rupees)	4147228	4151365
Avg. Rate (In Rs. Per Litre)	25.34	19.47

**ANNUAL REPORT 2006-2007****(2) Consumption per unit of Production:**

	<u>Standard Unit</u>	<u>2006-07</u>	<u>2005-06</u>
(i) Electricity (in Units)			
I.V. Solution	Bottle	00.06	00.06
Bulk Drugs	Kgs.	—	00.49
(ii) Furnace/Diesel Oil (in Ltrs.)			
I.V. Solution	Bottle	00.03	00.02
Bulk Drugs	Kgs.	—	01.30

(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 in 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 Value
C.I.F. Value : Rs. 11.25 Lacs of Import value.

Date : 27-04-2007

Place : Ahmedabad

DENIS CHEM LAB LIMITED

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, 2007 and also the Profit & Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. 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 have 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 are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. 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 purposes of our audit;
2. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of these books
3. The Balance sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
4. In our opinion, these financial statements have been prepared in compliance with the applicable accounting standards 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. According to the information and explanation given to us and on the basis of the written representations received from the Directors as on 31st March, 2007, none of the Directors of the company are, prima-facie, as at 31st March, 2007, disqualified from being appointed as directors of the Company in terms of clause (g) of sub-section (1) of section 274 of the Companies 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the accounts read with and subject to notes thereon of Schedule 18, and in particular;
 - a. Note No.4 : regarding non-provision of gratuity of Rs. 44,95,414/-.
 - b. Note No.4 : regarding accounting for leave encashment as and when claimed by the employees, the amount of which could not be ascertained.
 - c. Note No. 5 : regarding confirmation of balances of debtors, creditors and Loan & Advances.

give the information required by the companies Act, 1956 in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India;

 - (a) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
 - (b) in the case of Profit & Loss Account, of the profit for the year ended on that date and;
 - (c) in the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that :

- 1 The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. As per the explanation provided to us, the fixed assets have been physically verified by the management at the end of the year and no material discrepancies were noticed on such verification as compared to the above records has been found. The company did not dispose off its substantial part of fixed assets during the year.
 - 2 As per explanation provided to us, inventories have been physically verified by the management at regular intervals during the year.
- In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

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The company has maintained proper records of inventories. As explained to us, the discrepancies noticed on physical verification of inventory as compared to the book records were no material and the same have been properly dealt with in the books of account.

- 3 The company has neither granted nor taken unsecured loan, secured or unsecured to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly sub clauses (a),(b),(c),(d),(e) and (g) of clause 4 (iii) of the Order are not applicable.
- 4 In our opinion and explanation given to us, there is an adequate internal control procedure commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and also for the sale of goods. During the course of Audit, we have not observed any major weaknesses in the internal control system.
- 5 In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that needed to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- 6 The Company has accepted the deposits from the public and has complied with the provisions of Section 58A of the Companies Act, 1956 and rules framed there under. No order has been passed by the Company Law Board.
- 7 The company has appointed a firm of Chartered Accountants to carry out internal audit. Based on their report submitted to the management, in our opinion, the internal audit system of the Company is commensurate with its size and nature of its business.
- 8 The Central Government has prescribed maintenance of Cost Records 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.
- 9 Based on our audit procedure and according to information and explanation provided to us, the company is regular in depositing undisputed statutory dues of Sales Tax, Income Tax, Excise Duty and other statutory dues with the appropriate authority. According to information and explanation given to us, no undisputed amount payable in respect of the aforesaid dues were outstanding as at 31st March, 2007 for a period of more than six months from the date of becoming payable except in respect of Investor Education and Protection Fund amounting to Rs. 48,353/-.
According to information and explanation provided to us, there are no dues of undisputed Sales Tax, Income Tax, Custom duty, Wealth Tax, or Cess outstanding as at the end of the year, except;
Excise duty of Rs. 9,70,06,578/- for the period from 4th May, 2000 to 31st March, 2006, which is pending before CESTAT & Commissioner (Central Excise);
- 10 The company does not have any accumulated losses at the end of financial year and has not incurred cash losses during the financial year covered by our audit. The company has incurred cash losses during immediately preceding financial year.
- 11 Based on our audit procedure and according to the information and explanation given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions or banks.
- 12 The company has maintained proper records for the purchase of shares and debentures and timely entries for the same have been made therein. The company has held all the investment in shares and debentures in its own name.
- 13 The term loan raised during the year has been applied for the purpose for which it has been raised.
- 14 According to the information and explanations given to us and on an overall examination of the Balance sheet of the Company, we are of the opinion that the Company has not utilized its short term resources for the long term investments.
- 15 In our opinion and the information and explanation provided to us, no fraud on or by the company has been noticed or reported during the year, that causes the financial statements to be materially misstated.
- 16 Other clauses of the said order are not applicable to the company.

For SHAH & SHAH ASSOCIATES
Chartered Accountants

NIMISH B. SHAH
Partner

Place : Ahmedabad
Date : 27-04-2007

DENIS CHEM LAB LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2007

PARTICULARS	Schedule No.	Rupees	As at 31/03/07 Rupees	Rupees	As at 31/03/06 Rupees
SOURCES OF FUNDS :					
Shareholders' Funds					
Share Capital	1	11,243,180		11,243,180	
Reserves & Surplus	2	25,391,688		21,690,212	
			36,634,868		32,933,392
Loan Funds :					
Secured Loans	3	53,879,238		37,600,108	
Unsecured Loans	4	9,320,584	63,199,822	6,870,615	44,470,722
Deferred Tax Liability (Net)			2,077,484		296,201
Total			101,912,174		77,700,315
APPLICATION OF FUNDS:					
Fixed Assets :					
Gross Block (At cost)	5	87,153,300		64,307,587	
Less : Depreciation		43,620,283		39,833,227	
Net Block			43,533,017		24,474,360
Capital Work in Progress			22,939,125		12,437,821
Investments	6		18,192,570		18,242,277
Current Assets, Loans & Advances					
Inventories	7	18,336,319		14,234,896	
Sundry Debtors	8	42,229,678		34,800,196	
Cash & Bank Balance	9	4,158,515		3,642,350	
Loans & Advance	10	7,006,930		5,870,286	
		71,731,442		58,547,728	
Less :					
Current Liabilities & Provisions :					
Current Liabilities	11	52,208,584		35,832,872	
Provisions		2,275,396		235,000	
		54,483,980		36,067,872	
Net Current Assets			17,247,462		22,479,857
Miscellaneous Expenditure					
(To the extent not W/o. or adjusted)			0		66,000
Total			101,912,174		77,700,315
Significant Accounting Policies and Notes forming parts of accounts					
	18				

Signature to the Balance Sheet

As per our attached report of even date
For **SHAH & SHAH ASSOCIATES**
Chartered Accountants

Dr. Himanshu C. Patel
Chairman &
Managing Director

Dr. Tribhuvanbhai N. Patel
Chinubhai N. Munshaw
Priyavadan C. Randeria
Mrs. Anar H. Patel
Laxmiraj M. Rathod
Directors

Nimish B. Shah
Partner

Place : Ahmedabad.
Date : 27th April, 2007

Place : Ahmedabad.
Date : 27th April, 2007