

ANNUAL REPORT 2008 - 2009

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DENIS
CHEM LAB LIMITED

DENIS CHEM LAB LIMITED

ANNUAL REPORT 2008-2009

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

Bankers : The Kalupur Commercial Co. Op. Bank Ltd.
Stadium Road Branch, Navrangpura,
Ahmedabad - 380 009.

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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NOTICE

NOTICE is hereby given that the TWENTY EIGHTH 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 23rd September, 2009 at 10.30 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, 2009, 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 Smt. Anar H. Patel who retires by rotation and being eligible, offers herself for re-appointment.
- (3) To appoint a Director in place of Shri Paul Schoemaker, 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 declare dividend for the year ended on 31-03-2009 and to be approved.
- (6) To reappoint the Managing Director Shri Himanshu C. Patel and to fix his remuneration.
- (7) To appoint Nrupa Patel, Company Secretary, in whole time practice u/s. 383 of the Companies Act, 1956 as secretary to issue compliance certificate under said section for year 2009-10 and further to authorize Managing Director to fix their fees for the said work.

Registered Office :

Block No. 457,

Village : Chhatral,

Ta. : Kalol (N.G.)

Dist. : Gandhinagar

Date : 25.06.2009

By Order of the Board

For Denis Chem Lab Ltd.

Shri Dinesh B. Patel

Chairman

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 14-09-2009 to 23-09-2009 (both days inclusive).
- (3) The Company has transferred the Unclaimed Dividend to the General Revenue Account of the Central Government for and up to the financial year 2000-2001. 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.

- (4) 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.
- (5) 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 to :

- (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 :

Block No. 457,

Village : Chhatral,

Ta. : Kalol (N.G.)

Dist. : Gandhinagar

Date : 25.06.2009

By Order of the Board

For Denis Chem Lab Ltd.

Shri Dinesh B. Patel

Chairman

DENIS CHEM LAB LIMITED

DIRECTOR'S REPORT

To
Dear Shareholders,

Yours Directors have pleasure in presenting before you the 28th Annual Report and the Audited Accounts for the year ended 31st March, 2009.

Particulars	Current Accounting Year Ended 31-03-09	(Rs. in Lacs) Previous Accounting Year Ended 31-03-08
GROSS PROFIT BEFORE INTEREST, DEPRECIATION AND TAX (PBDIT) & EXTRA ORDINARY ITEMS.	328.23	292.93
Less: Interest	125.89	102.81
PROFIT BEFORE DEPRECIATION & TAX	202.34	190.12
Less: Depreciation	114.81	94.16
PROFIT BEFORE TAX	87.53	95.96
Less: Extra Ordinary Items		
(a) Provision for Tax	28.50	11.00
(b) Provision for Fringe Benefit Tax	2.00	2.25
(c) Deferred Tax Liability/ Assets for the year.	(13.91)	49.05
PROFIT/ LOSS AFTER DEPRECIATION, INTEREST AND TAX	70.94	33.65
Add: Balance brought forward from previous year	73.36	63.05
SURPLUS AVAILABLE FOR APPROPRIATION	144.30	96.70
APPROPRIATIONS:		
(1) Proposed Dividend	18.10	16.53
(2) Provision for Dividend Tax	3.08	2.81
(3) Final Dividend paid for the year 2007-08	0.78	—
(4) Corporate Dividend Tax paid on above	0.13	—
(5) General Reserve	4.00	4.00
(6) Balance Carried to Balance Sheet	118.21	73.36
Total	144.30	96.70

DIVIDEND:

The gross profit for the year ended 31st March, 2009 is Rs.328.23 Lacs and is more than last year's figure of Rs. 292.93 Lacs. The net profit before tax for the noted period is Rs. 87.53 Lacs as compared with a profit of Rs. 95.96 Lacs for last year due to higher depreciation. The surplus available for appropriation is Rs. 144.30 Lacs. In view of this, your Directors are pleased to recommend a dividend of Rs. 1.4 per equity share for the noted period subject to statutory approvals as may be required. The total dividend outgo will be thus about Rs. 18.10 Lacs.

**ANNUAL REPORT 2008-2009****REVIEW OF OPERATIONS:**

During the year 2008-09 the Company has achieved sales turnover (including job work) totaling Rs. 26.61 Crores that is 44.30 % higher than the comparable figure for last year, i.e. Rs. 18.44 crores. The production of the company has improved substantially for 2008-09. The manufacturing facility was inspected by Food and Drug Control Administration (FDCA), Gandhinagar in January, 2008 and was certified to be as per World Health Organization- Good Manufacturing Practices (WHO-GMP). The Company's manufacturing license has also been renewed till the year 2012. The company has received export business due to this certification and which will increase substantially in future. During 2008-09, due to the tight control on the manufacturing costs, the company was able to improve its profitability and further measures are still under implementation for a further reduction in the operating costs so that better profitability can be achieved for 2009-10.

FUTURE PLANS:

The Company has introduced I.V fluids in plastic bottles using Blow Fill Seal (BFS) technology and this new facility was commissioned in 2007-08. This has added to the company's turnover substantially with better margins. The company plans to double its mfg. capacity for plastic bottles during 2009-10 & steps are being taken for implementation of the same. The company is also planning to implement a project for manufacture of I.V.fluids using imported technology in which stretch blow molded P.P. bottles shall be used.

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 31-03-2009 and for the profit and loss account for the year ended on 31-03-2009.
- (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:

Smt.Anar H.Patel and Shri Paul Schoemaker 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.

GRATUITY:

The company has entered into an agreement with Life Insurance Corporation of India for covering its Gratuity liability and has thus provided for the same. A Gratuity Trust Fund has been created with Life

DENIS CHEM LAB LIMITED

Insurance Corporation of India and amount of gratuity liability up to 31-03-2009 has been deposited with this Gratuity Trust Fund .

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 2009-10 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.

For and on behalf of the Board

Date : 25.06.2009
Place : Ahmedabad

Shri Dinesh B. Patel
Chairman

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. The company has insulated all steam pipelines & vessels so as to minimize heat losses.

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

The Company is planning to install special servo motors for reducing electricity consumption.

(c) IMPACT OF THE ABOVE MEASURES:

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

(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.

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(1) Power & Fuel Consumption :	2008-09	2007-08
(i) Electricity:		
(a) Purchased Unit (KWH)	1526564	1017918
Total Amount (Rupees)	8525597	5057524
Rate / unit (Rs. in per KWH)	5.58	4.97
(b) Own Generation	25312	16433
Through Diesel General		
Total Litres.	5625	3885
Unit per Ltr of Diesel Oil	4.50	4.23
Cost/Unit (Rs.)	8.61	9.20
(ii) Lignight/Coal(kgs)	1915285	—
Total Amount (Rupees)	3917243	—
Avg. Rate (In Rs. Per Litre)	2.05	—

(2) Consumption per unit of Production:

	Standard Unit	2008-09	2007-08
(i) Electricity (in Units)			
I.V. Solution	Bottle	00.06	00.06
(ii) Diesel Oil (in Ltrs.)			
I.V. Solution	Bottle	00.0002	00.001
(iii) Lignite/Coal			
I.V. Solution	Bottle	00.16	—

(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. 16.47 Lacs of Import value.

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, 2009, 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. Based on the written representations received from the Directors and taken on record by the Board of Directors of the company and according to the information and explanation given to us, none of the Directors of the company are, prima-facie, as at 31st March, 2009, 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. 3: regarding accounting for leave encashment as and when claimed by the employees, the amount of which could not be ascertained;**
 - b) **Note No. 4: regarding confirmation of balances of debtors, creditors, Loans & Advances and some bank balances; and**

c) **Note No. 5: regarding non provision of doubtful debts of Rs. 24,58,597/-**

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, 2009;
- 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 (as amended) issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956 (the order) 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 in the process of compiling and preparing 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. However in the absence of records of fixed assets; material discrepancies, if any could not be found on such verification the said fixed assets. 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.
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 as per 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. On the basis of audit procedures performed by us and according to the information, explanations and representations given to us, we are of the opinion that,