

# Annual Report 2011-2012



**DENIS**  
CHEM LAB LIMITED



## DENIS CHEM LAB LIMITED

### 31ST ANNUAL REPORT 2011-2012

#### Board of Directors :

Mr. Dinesh B. Patel	Chairman
Dr. Himanshu C. Patel	Managing Director
Mr. Priyavadan C. Randeria	Director
Mr. Chinubhai N. Munshaw	Director
Dr. Gaurang Dalal	Director
Ms. Anar H. Patel	Director

#### Registered Office & Factory :

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

#### Auditors :

M/s. Shah & Shah Associates,  
Chartered Accountants,  
Ahmedabad.

#### Company Law Consultants :

M/s. Kashyap R. Mehta & Associates,  
Company Secretaries,  
Ahmedabad.

#### Bankers :

Axis Bank Limited,  
Ahmedabad

#### Registrar & Share Transfer Agent :

Sharepro Services (India) Private Limited,  
13 AB, Samhita Warehousing Complex,  
2nd Floor, Sakinaka Tel. Exchange Lane,  
Off Andheri-Kurla Road, Sakinaka,  
Mumbai - 400 072

#### GREEN INITIATIVE

Dear Members,

As you know, the Ministry of Corporate Affairs has undertaken a 'Green Initiative in Corporate Governance' by allowing paperless compliances by companies through electronic mode, vide its Circular Nos. 17/2011 & 18/2011 dated 21st April, 2011 and 29th April, 2011, respectively.

Your Company proposes to deliver electronically various communication/documents such as Notice of General Meeting, Annual Reports, Postal Ballot documents and such other necessary communication/ documents from time to time to the Members, who have provided their email address to their Depository Participant (DP). Members holding shares in physical form and who are desirous of receiving the communication/documents in electronic form, are required to inform their email address to the Registrar and Transfer Agent of the Company.

Email addresses as registered in your respective DP accounts in the records of the Depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) which will be periodically downloaded, will be deemed to be your registered email address for serving the necessary communication/documents. Thus, the necessary communication would be sent in electronic form to the registered email address. Members, who wish to inform any updations/changes of their email address, are requested to promptly update the same with their DP/ the Registrar and Transfer Agent of the Company, as the case may be, from time to time.

As a member of the Company, you will be furnished, free of cost, a printed copy of the Annual Report of the Company, upon receipt of the requisition from you.

We request you to support this initiative and opt for the electronic mode of communication by submitting your email address to your DP or to the Company, as the case may be, in the interest of the environment.

#### CONTENTS

	Page No.
Notice of Annual General Meeting	01 to 09
Directors' Report	10 to 15
Compliance Certificate	16 to 20
Auditors' Report	21 to 23
Balance Sheet	24
Statement of Profit and Loss	25
Cash Flow Statement	26
Notes Forming part of Financial Statements	27 to 40



## NOTICE

**NOTICE** is hereby given that the **31<sup>ST</sup> ANNUAL GENERAL MEETING** of the members of **DENIS CHEM LAB LIMITED** will be held as scheduled below:

Date : 14<sup>th</sup> September, 2012

Day : Friday

Time : 10.00 A.M.

Place : Registered Office of the Company at:

Block No. 457, Village: Chhatral,

Tal: Kalol (N.G.), Dist: Gandhinagar - 382 729

to transact the following:

### **ORDINARY BUSINESS:**

1. To receive and adopt Audited Profit and Loss Account for the year ended 31st March, 2012 and the Balance Sheet as on that date along with Directors' Report thereon.
2. To declare dividend for the year ended on 31st March, 2012.
3. To appoint a Director in place of Mr. Dinesh B. Patel who retires by rotation and, being eligible, offers himself for re appointment.
4. To appoint a Director in place of Ms. Anar H. Patel, who retires by rotation and, being eligible, offers himself for re appointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

### **SPECIAL BUSINESS:**

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

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 314, 316 read with Para (B) of Section II of Part II of Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company do hereby accord its approval to the reappointment of Mr. Himanshu C. Patel as Managing Director of the Company for a period of three years with effect from 1<sup>st</sup> April, 2012 to 31<sup>st</sup> March, 2015, not liable to retire by rotation, on the terms and conditions (as approved by the 'Remuneration Committee') set out in the draft agreement of appointment submitted to this meeting duly initialled by the Chairman for identification and that he be paid remuneration by way of Salary and Perquisites not exceeding the amount thereof as set out in the accompanying explanatory statement which is permissible under Para (B) of Section II of Part II of Schedule XIII of the Companies Act, 1956 as may be decided by the Board of Directors of the Company from time to time."

"RESOLVED FURTHER THAT the extent and scope of Salary and Perquisites as specified in the Explanatory Statement be altered, enhanced, widened or varied by the Board of Directors in accordance with the relevant provisions of the Companies Act, 1956 for the payment of managerial remuneration in force during the tenure of the Managing Director without the matter being referred to the Company in General Meeting again."

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

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgage or charge by the Board of Directors of the Company of all the immovable and movable properties of the Company wheresoever situated, present and future, and/or conferring power to enter upon and to take possession of assets of the Company in certain events, to or in favour of Axis Bank Limited (the Bank) to secure Financial Assistance up to Rs. 1087.80 lacs (Rupees one thousand eighty

**DENIS CHEM LAB LIMITED .....**

seven lacs eighty thousand only) lent and advanced/agreed to be lent/advanced to the Company by the Bank together with interest thereon at the agreed rate, compound interest, additional interest, liquidated damages, costs, charges, expenses and other monies payable by the Company to the Bank under Financial Assistance Agreements entered into/ to be entered into by the Company in respect of the such Financial Assistance."

"RESOLVED FURTHER THAT the Board of Director of the Company be and is hereby authorised to finalise with the Bank the documents for creating aforesaid mortgage and/or the charge and to do all such acts and things as may be necessary for giving effect to the above resolution."

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

"RESOLVED THAT pursuant to Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re enactment thereof for the time being in force), provisions of the Memorandum and Articles of Association of the Company, and the Listing Agreement entered into by the Company with the Ahmedabad Stock Exchange where the securities of the Company are listed and subject to the approval, consent, permission and /or sanction, as may be necessary of Securities and Exchange Board of India (SEBI) and any other appropriate authority, institution or body and subject to such terms, condition, alterations, corrections, changes, variations and/ or modifications, if any, as may be prescribed by any one or more or all of them in granting such approval, consent, permission and / or sanction, consent of the Company be and is hereby accorded to the Board of Directors of the Company (herein after referred to as the "Board" which term shall be deemed to include any Committee duly constituted by the Board of Directors or any Committee which the Board of Directors may hereafter constitute, to exercise one or more of its powers including the powers conferred by this resolution):

to issue, offer and allot up to 75,000 Equity Shares of Rs. 10/- each @ premium of Rs. 29/- per Share aggregating to Rs. 39/- per Share which is in accordance with the SEBI Regulations for Preferential Issues to Ms. Anar H. Patel, Director (Promoter) on Preferential Basis."

"RESOLVED FURTHER THAT the 'Relevant Date' for the preferential issue, as per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 for the determination of applicable price for Equity Shares, is 14<sup>th</sup> August, 2012."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to accept any modifications in the proposal as may be required by the agencies involved in such issues but subject to such conditions as Securities and Exchange Board of India (SEBI) and / or such other appropriate authority may impose at the time of their approval as agreed by the Board."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot such number of Equity Shares as may be required to be issued and allotted in accordance with the terms of the offer and all such Equity Shares allotted shall rank pari passu with the existing equity shares of the Company in all respects."

"RESOLVED FURTHER THAT for the purpose of creating, issuing offering and allotting Equity Shares of the Company as aforesaid, the Board of Directors be and is hereby authorised to do and perform all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient, desirable or appropriate to give effect to this resolution in all respects and in particular, to settle any questions, difficulties or doubts that may arise with regard to the offering, issuing, allotting and utilising the issue proceeds of the Equity Shares of the Company, as it may, in its absolute discretion, deem fit and proper."

**Registered Office:**

Block No. 457, Village: Chhatral,  
Tal : Kalol (N.G.),  
Dist : Gandhinagar - 382 729  
Date : 25<sup>th</sup> July, 2012

**By Order of the Board,**

**Dinesh B. Patel**  
Chairman



## ANNUAL REPORT 2011-2012 .....

### NOTES:

1. The relevant Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Business at Item Nos. 6 to 8 as set out in the Notice is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME OF MEETING.
3. Pursuant to section 154 of the Companies Act, 1956, Register of Members and Shares Transfer Books of the Company will remain closed from Saturday, the 8<sup>th</sup> September, 2012 to Friday, the 14<sup>th</sup> September, 2012 (both days inclusive) for the purpose of deciding the right of entitlement of dividend on Equity Shares for the year 2011-12. The dividend, if declared by the members, will be paid **on or after 17<sup>th</sup> September, 2012.**
4. Members intending to require information about accounts at the meeting are requested to write to the Company at least 10 days in advance of the Annual General Meeting.
5. Members are requested to:
  - a) 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.
  - b) Notify immediately the Change if any, in the registered address, to the Company.

### ANNEXURE TO THE NOTICE

#### EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.

In conformity with the provisions of Section 173(2) of the Companies Act, 1956, following Explanatory Statement sets out all material facts relating to the Special Business mentioned at Item Nos. 6 to 8 of the accompanying notice dated 25<sup>th</sup> July, 2012 and should be taken as forming part of the notice.

#### In respect of Item No. 6:

Shareholders may recall that in the 28<sup>th</sup> Annual General Meeting held on 29<sup>th</sup> September, 2009, Mr. Himanshu C. Patel was appointed as Managing Directors of the Company for a period of three years from 1<sup>st</sup> April, 2009 to 31<sup>st</sup> March, 2012.

The Board of Directors, on the recommendation of Remuneration Committee, in their meeting held on 30<sup>th</sup> January, 2012 has reappointed Mr. Himanshu C. Patel as Managing Director for a further period of 3 years i.e. from 1<sup>st</sup> April, 2012 to 31<sup>st</sup> March, 2015.

The major terms and conditions of their reappointment are as under:

#### I. PERIOD:

The term of the Managing Director shall be for a period of three years from 1<sup>st</sup> April, 2012 to 31<sup>st</sup> March, 2015.

#### II. REMUNERATION:

##### A. SALARY:

The Managing Director shall be entitled to salary of Rs. 2,50,000/ per month.

## **DENIS CHEM LAB LIMITED .....**

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### **B. PERQUISITES:**

1. Contribution to Provident Fund, Superannuation Fund and Annuity Fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961.
2. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
3. Encashment of leave at the end of the tenure.
4. Free use of Company's car with driver for Company's business and free telephone facility at residence.

### **C. COMMISSION:**

The Managing Director shall be entitled to commission of 1 % of the net profits of the Company so that for any year of aggregate of salary, perquisites and commission shall not exceed the overall ceilings laid down under Section 198 and 309 of the Companies Act, 1956.

- III.** The Managing Director shall be entitled to reimbursement of expenses incurred by him in connection with the business of the Company.
- IV.** The Managing Director shall not, so long as he functions as such, become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the Company without the prior approval of the Central Government.

### **V. DUTIES:**

Subject to the superintendence, direction and control of the Board of Directors of the Company, the Managing Director Shall be entrusted with substantial powers of management and also such other duties and responsibilities as may be entrusted to him by the Board of Directors from time to time. The headquarter of the Managing Director shall be at Ahmedabad or at such place as the Board of Directors may decided from time to time.

### **VI. TERMINATION:**

The Managing Director may be removed from his office for gross negligence, breach of duty or trust if the Company in its General Meeting to that effect passes a special Resolution. The Managing Director may resign from his office by giving 90 days' notice to the Company.

### **VII. COMPENSATION:**

In the event of termination of office of Managing Director takes place before the expiration of tenure thereof, Managing Director Shall be entitled to receive compensation from the Company for loss of office to the extent and subject to limitation as provided under section 318 of the Companies Act, 1956.

The terms and conditions mentioned in the above explanatory statement may be treated as abstract of the terms of proposed contract under Section 302 of the Companies Act, 1956.

Resolution of the Board of Directors reappointing Mr. Himanshu C. Patel as Managing Director and Draft agreements of reappointment are open for inspection at the Registered Office of the Company between 11.00 A.M. to 1.00 P.M. on any working day prior to the date of the meeting.

Mr. Himanshu C. Patel is concerned or interested in the business since it relates to his appointment as Managing Directors of the Company. Mr. Dinesh B. Patel and Ms. Anar H. Patel are also concerned or interested in the business as Mr. Himanshu C. Patel is their relative. No other Director of the Company is deemed to be interested or concerned with the business.

**ANNUAL REPORT 2011-2012 .....**

The following are the information required under Para (B) of Section II of Part II of Schedule XIII of the Companies Act, 1956:

<b>Sr. No</b>	<b>Particulars</b>	<b>Information</b>
<b>I</b>	<b>GENERAL INFORMATION</b>	
1	Nature of industry	Manufacturing of Pharmaceuticals Formulations.
2	Date or expected date of commencement of commercial production	Existing
3	In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus	N.A.
4	Financial performance based on given indicators	Rs. 41.84 Crores turnover (2011-12)
5	Exports performance and net foreign exchange collaborations	Export of US \$ 48883/- (2011-12)
6	Foreign investments or collaborations, if any.	N.A.
<b>II</b>	<b>INFORMATION ABOUT THE APPOINTEE</b>	
1	Background details	B.E., M.S., Ph.D.
2	Past remuneration	Rs. 2.50 lacs p.m. + Perquisites
3	Recognition or awards	WHO - GMP
4	Job profile and his suitability	29 Years experience in the Pharmaceuticals field
5	Remuneration proposed	Same as existing remuneration i.e. Rs. 2.50 lacs p.m. + Perquisites
6	Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w. r. t the country of his origin.)	Remuneration is in commensurate with experience & qualifications. It is lower compared to industry standard formula.
7	Pecuniary relationship directly or indirectly with the company or relationship with the managerial personnel, if any	Mr. Himanshu C. Patel is the Managing Director of the Company.
<b>III</b>	<b>OTHER INFORMATION</b>	
1	Reasons of loss or inadequate profits	High Interest Cost High Market competition
2	Steps taken or proposed to be taken for improvement	Rationalisation of existing product Range and Opening new Markets
3	Expected increase in productivity and profits in measurable terms	Turnover expected to increase drastically

**DENIS CHEM LAB LIMITED .....**

<b>Sr. No</b>	<b>Particulars</b>	<b>Information</b>
<b>IV DISCLOSURES</b>		
1	The shareholders of the Company shall be informed of the remunerations package of the managerial person	The shareholders have been informed in the notice of 31st Annual General Meeting.
2	The following disclosure shall be mentioned in the Board of Director's report under the heading "Corporate Governance", if any, attached to the annual report:	N.A.
(i)	All elements of remuneration package such as salary, benefits, bonuses, stock, stock options, pension, etc, of all the directors;	No other Director is entitled for any remuneration.
(ii)	Details of fixed component and performance linked incentives along with the performance criteria;	No performance linked incentives.
(iii)	Service contracts, notice period, severance fees;	90 days' Notice.
(iv)	Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable;	No stock option have been offered.

**In respect of Item No. 7:**

As per the Financial Assistance Agreement with Axis Bank Limited (the Bank) the Financial Assistance of Rs.1087.80 lacs (Rupees One thousand eighty seven lacs eighty thousand only) sanctioned by the Bank are to be secured by mortgage/hypothecation/pledge of the Company's entire goods movables and other assets, present and future, including documents title to goods and other assets such as book-debts, outstanding moneys, receivables, claims, bills, invoices, documents, contracts, engagements, securities, investments and rights and all machinery, present and future, and are to be further secured by (a) deposit of all title deeds of the existing immovable/movable properties of the Company with intent to create a security in favour of the Bank on such terms and conditions as may be arranged by the Bank.

Section 293(1)(a) of the Companies Act, 1956 provides, inter alia, that the Board of Directors of a Public Company shall not, without the consent of such public in General Meeting sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole, of any such undertaking.

Since the mortgaging by the Company of its immovable and movable properties as aforesaid in favour of the Bank may be regarded as, disposal of the Company's properties/undertakings, it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956.



## **ANNUAL REPORT 2011-2012 .....**

Copy of Sanction Letter, Agreement, Deed of Hypothecation, correspondence of the Company with the Bank and copies of the relevant documents are open for inspection at the Registered Office of the Company between 11.00 A.M. to 1.00 P.M. on any working day prior to the date of the meeting.

None of the Directors is in any way concerned or interested in the aforesaid resolution.

Your Directors recommend the Resolutions.

### **In respect of Item No. 8:**

As per the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 the required details are furnished as under:

#### **1. OBJECT OF THE ISSUE:**

The Company needs funds for its increasing working capital requirements and to meet certain general corporate purposes. The Company, therefore, needs additional working capital/funds for general corporate purposes to the tune of Rs. 29.25 lacs for:

- smooth day to day operations
- building up of Stock of raw materials/finished goods
- general corporate purposes

Accordingly, the Company proposes to offer, issue and allot upto 75,000 Equity Shares of Rs. 10/- each @ premium of Rs. 29/- per Share aggregating to Rs. 39/- per Share aggregating to Rs. 29.25 lacs which is in accordance with the SEBI Regulations for Preferential Issues to Ms. Anar H. Patel, Promoter on Preferential Basis who has agreed to subscribe the same.

#### **2. PRICING:**

The issue of 75,000 Equity Shares of Rs. 10/- each on preferential basis is Rs. 39/- per Equity Share inclusive of Share premium of Rs. 29/- per share. The pricing of the issue has been arrived at by calculating Book Value, Profit Earning Capacity Value (PECV) method and Fair Value method. The price is/will be in compliance with the SEBI Pricing Norms. As the shares of the Company are listed only on Ahmedabad Stock Exchange (which is not in operation and no trading facility is available since last couple of years), the criteria for pricing under SEBI (ICDR) Regulations, 2009 would not apply, as there is no trading done on ASE. The Certificate of Auditors dated 25th July, 2012 is received by the Company.

The Company undertakes to re-compute the price in terms of the provisions of SEBI (ICDR) Regulations, 2009 where it is required to do so. In the event of re-computation of price, the shares shall remain locked-in till the allottee pays the recomputed price.

#### **3. PAYMENT TERMS:**

The entire amount towards the allotment of Equity Shares shall be paid before the date of Allotment of Equity Shares.

#### **4. RELEVANT DATE:**

'Relevant Date' for the purpose of this issue is 14<sup>th</sup> August, 2012 i.e. 30 days prior to the date of Annual General Meeting which is 14<sup>th</sup> September, 2012.

**DENIS CHEM LAB LIMITED .....****5. SHAREHOLDING PATTERN OF THE COMPANY BEFORE AND AFTER THE ISSUE:**

The Shareholding pattern of the Company before and after the issue is given below:

Sr. No.	Category	Pre Issue		Post Issue	
		No. of Shares	% of Shareholding	No. of Shares	% of Shareholding
<b>A</b>	<b>Promoters Holding</b>				
1.	Promoters				
	- Indian Promoters	677175	47.29	752175	49.91
	- Foreign Promoters				
2.	Persons acting in concert	-	-	-	-
<b>B</b>	<b>Non-Promoter Holding</b>				
3.	Institutional Inventors/ Mutual Funds/Banks/FI/FILs /Insurance Companies	-	-	-	-
4.	Others				
a.	Private Corporate Bodies	5445	0.38	5445	0.36
b.	Indian Public	343006	23.95	343006	22.76
c.	NRIs / OCBs	406340	28.38	406340	26.97
<b>Grand Total</b>		<b>1431966</b>	<b>100.00</b>	<b>1506966</b>	<b>100.00</b>

**6. PROPOSED TIME WITHIN WHICH THE ALLOTMENT SHALL BE COMPLETED:**

The Board proposes to allot the Equity Shares within a period of 15 days from the date of passing of this resolution by the Members or within 15 days from the date of approval of any regulatory authority which ever is later.

**7. THE IDENTITY OF THE PROMOTERS, PROPOSED ALLOTTEE AND THE PERCENTAGE OF SHARES THAT MAY BE HELD BY THEM (PRE & POST PREFERENTIAL ISSUE):**

Sr. No.	Name of the Promoters	Pre Issue holding	% of pre issue Capital	Equity Shares under Preferential Allotment	Post Issue Holding	% of Post issue Capital
1.	Dineshchandra B. Patel	8940	0.63	-	8940	0.59
2.	Himanshu C. Patel	288840	20.17	-	288840	19.17
3.	Anar H. Patel	90316	6.31	75000	165316	10.97
4.	Nirmal H. Patel	49314	3.44	-	49314	3.27
5.	Giraben J. Patel	3800	0.27	-	3800	0.25
6.	Jaykumar J. Patel	2200	0.15	-	2200	0.15
7.	Anar D. Patel	233765	16.32	-	233765	15.51
<b>Total</b>		<b>677175</b>	<b>47.29</b>	<b>75000</b>	<b>752175</b>	<b>49.91</b>