



ANNUAL REPORT 2012 - 13



DENIS
CHEM LAB LIMITED



CORPORATE INFORMATION

Board of Directors :

Mr. Dinesh B. Patel	<i>Chairman</i>
Dr. Himanshu C. Patel	<i>Managing Director</i>
Mr. Priyavadan C. Randeria	<i>Director</i>
Mr. Chinubhai N. Munshaw	<i>Director</i>
Dr. Gaurang K. Dalal	<i>Director</i>
Ms. Anar H. Patel	<i>Director</i>
Mr. Janak G. Nanavaty	<i>Director</i>

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
Bank of India, 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

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NOTICE

NOTICE is hereby given that the **32ND ANNUAL GENERAL MEETING** of the members of **DENIS CHEM LAB LIMITED** will be held as scheduled below:

Date : 6th September, 2013

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 Statement of Profit and Loss for the year ended 31st March, 2013 and the Balance Sheet as on that date along with Directors' Report thereon.
2. To declare dividend for the year ended on 31st March, 2013.
3. To appoint a Director in place of Dr. Gaurang K. Dalal who retires by rotation and, being eligible, offers himself for re appointment.
4. To appoint a Director in place of Mr. Priyavadan C. Randeria, 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 pass with or without modification, the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Janak G. Nanavaty be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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. 24.79 Crores (Rupees twenty four crores seventy nine lacs 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 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 Bank of India (the Bank) to secure Financial Assistance up to Rs. 12 Crores (Rupees twelve crores 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.”

9. 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 any Bank, Financial Institution or any other lender to secure Financial Assistance up to Rs. 100 Crores (Rupees one hundred crores only) that may be lent/advanced to the Company by such Bank, Financial Institution or such other lender together with interest thereon at the rate, compound interest, additional interest, liquidated damages, costs, charges, expenses and other monies payable by the Company to Bank, Financial Institution or any such lender under Financial Assistance Agreement 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, Financial Institution or any such lender 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.”

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

“RESOLVED THAT in super session of all the earlier resolutions passed at the Board Meeting/ General Meeting if any, pursuant to the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 and the Articles of Association of the Company consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow any sums of money, from time to time from any one or more of the Company's bankers and/or from any other persons, firms, bodies corporate or financial institutions whether by way of cash credit, advance or deposits, loans, debentures or bill discounting or otherwise whether



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unsecured or secured so that the moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from Company's Bankers in the ordinary course of business) will or may exceed the aggregate of the paid up capital of the Company and its free reserves, however that the total amount up to which the moneys may be borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs. 100 Crores (Rupees one hundred crores only)."

Registered Office:

Block No. 457, Village: Chhatral,

Tal : Kalol (N.G.),

Dist : Gandhinagar - 382 729

Date : 26th July, 2013

By Order of the Board,

Dinesh B. Patel

Chairman

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 10 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 31st August, 2013 to Friday, the 6th September, 2013 (both days inclusive) for the purpose of deciding the right of entitlement of dividend on Equity Shares for the year 2012 13. The dividend, if declared by the members, will be paid on or after 9th September, 2013.
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 10 of the accompanying notice dated 26th July, 2013 and should be taken as forming part of the notice.

In respect of Item No. 6:

The Board of Directors of the Company in their meeting held on 29th October, 2012 appointed Mr. Janak G. Nanavaty as Director of the Company. As per the Articles of Association of the Company and section 260 of the Companies Act, 1956, he will hold the office up to the date of this General Meeting.

As required under the provisions of Section 257 of the Companies Act, 1956, notice has been received from some of the members signifying their intention to propose him as candidate for office of the Director.

Mr. Janak G. Nanavaty is concerned or interested in the said business, since it relates to his appointment as Director of the Company. Except him, none of the Directors are in any way concerned or interested in the said business.

In respect of Item No. 7:

Axis Bank Limited (the Bank) has sanctioned Financial Assistance of Rs. 24.79 Crores (Rupees twenty four crores and seventy nine lacs only) to the Company which is 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.

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.

In respect of Item No. 8:

Bank of India (the Bank) has sanctioned Financial Assistance of Rs. 12 Crores (Rupees twelve crores only) to the Company which is 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.



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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.

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.

In respect of Item No. 9:

The Company is planning to borrow funds from Bank, Financial Institution or any other lender to meet its short term and long term financial requirements. Normally such Financial Assistance are to be secured by 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 properties of the Company with intent to create a security in favour of such Bank, Financial Institution or such other lender on such terms and conditions.

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.

Copy of Draft Financial Assistance Agreement and correspondence of the Company with such Bank, Financial Institution or such other lender 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.

In respect of Item No. 10:

The proposed increase in the borrowing power of the Board is required in view of certain borrowing proposed to be made by the Company from Financial Institution/Banks/other lender. The Board of Directors feel that the limit be raised to Rs. 100 crores. The Resolution at item No.10 is of an enabling nature and would authorise the Directors to borrow from time to time sums not exceeding Rs. 100 crores. The Resolution would be in the super session of the earlier resolution passed at the Board of Directors meeting of the Company, if any.

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

Registered Office:

Block No. 457, Village: Chhatral,
Tal : Kalol (N.G.),
Dist : Gandhinagar - 382 729
Date : 26th July, 2013

By Order of the Board,

Dinesh B. Patel
Chairman

DIRECTORS' REPORT

Dear Shareholders,

The Directors have pleasure in presenting the THIRTY-SECOND ANNUAL REPORT together with the Audited Statement of Accounts for the Financial Year 2012-13 ended 31st March, 2013.

1. FINANCIAL RESULTS:

(Rs. In Lacs)

Particulars	2012-13	2011-12
Operating Profit (Before Interest & Depreciation)	595.93	446.84
Less : Interest	212.52	186.94
Profit before Depreciation	383.41	259.90
Less : Depreciation	129.48	136.90
Profit before Tax	253.93	123.00
Less : Provision for Tax	95.00	49.00
Less/(Add) : Deferred Tax Liability/ (Assets)	(0.30)	(5.04)
(Add) : Excess provision of tax relating to earlier years	(9.15)	—
Profit after Tax	168.38	79.04
Balance brought forward from previous year	237.62	195.21
Surplus available for appropriation	406.00	274.25
Appropriations:		
Proposed Dividend	30.14	22.91
Corporate Dividend Tax	5.12	3.72
Transfer to General Reserve	13.00	10.00
Balance carried to Balance Sheet	357.74	237.62
Total	406.00	274.25

2. DIVIDEND:

The operating profit for the year ended on 31st March, 2013 is Rs. 595.93 Lacs as compared to Rs. 446.84 Lacs for the year 2011-12. The net profit before tax for the year 2012-13 is Rs. 253.93 Lacs as compared to profit of Rs. 123.00 Lacs for the year 2011-12. The net profit after tax for the year 2012-13 is Rs. 168.38 Lacs as compared to Rs. 79.04 Lacs for the year 2011-12. The surplus available for appropriation stands at Rs. 406.00 Lacs.

In view of this, your Directors are pleased to recommend a dividend of Rs. 2.00 per Equity Share of Rs. 10/- each (Rs. 1.60 per Equity Share for previous year) for the year 2012-13 subject to statutory approvals as may be required. The total dividend to be distributed will be thus Rs. 30.14 Lacs. The dividend will be tax free in the hands of shareholders.

3. OPERATIONS:

The production of the Company in transfusion solution in Bottles and Plastic Bottles is increased by 26% for the year 2012-13 as compared to 2011-12. The facility was inspected by Food and Drug Control Administration (FDCA), Gandhinagar in April, 2012 for the renewal of its World Health Organization-Good Manufacturing Practices (WHO-GMP) certification and manufacturing license renewal which was satisfactorily completed. The Company's manufacturing license is valid till

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December 2017. During 2012-13, the export market was explored in more detail and I.V. products in plastic bottles were exported to new destinations. Further efforts are underway for increasing exports to various countries.

The manufacturing costs have been largely controlled for 2011-12 except for the freight cost which has recorded a significant increase due to higher sales and due to further increase in cost of diesel.

4. FUTURE PLANS:

The Management has envisaged an increased demand for various I. V. fluids in India for the future considering the development of health related instrument and steady population increase.

The Company is proposing to expand its existing facilities of manufacturing Intravenous Fluids. It has identified a new process of manufacturing plastic bottles. The Bottles will be manufactured through single stage Stretch Blow moulding technology as compared to technologies used at present i.e. Blow Fill Seal (BFS) and Form Fill and Seal (FFS).

This product has a distinct advantage over the existing FFS technology. It is more compact, more transparent and the fluids can be sterilized up to 121 Degree centigrade, which is recommended by EMEA also. It has a stopper attached to it, so there are less leakages and superior quality as compared to FFS. Hence, the Company is proposing for raising of resources by way of project term loan as well as from promoter and existing shareholders' contribution by way of proceeds of the Rights Issue aggregating up to Rs. 34.50 Crores.

The Company plans to increase its mfg. capacity for plastic bottles during 2013-14 & steps are being taken for implementation of the same. The Company plans to register its products in various countries for increasing its exports.

5. RIGHTS ISSUE OF EQUITY SHARES:

In view of the projects envisaged as shown in paragraph 4 above, the Directors have felt it prudent to raise funds to part finance the project through Rights Issue up to an amount not exceeding Rs. 12.00 Crores (approximately) inclusive of premium, if any, on the terms and conditions like entitlement ratio, quantum of shares, offer price etc. as may be determined in consultation with the Lead Manager / Advisor to the Rights Issue and such other authorities and agencies as may be required to be consulted by the Company.

6. DIRECTORS:

6.1 Two of your Directors viz. Dr. Gaurang K. Dalal and Mr. Priyavadan C. Randeria retire by rotation in terms of the Articles of Association of the Company. They, however, being eligible offers themselves for reappointment.

6.2 The Board of Directors in their meeting held on 29th October, 2012 had appointed Mr. Janak G. Nanavaty as Directors of the Company.

7. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement of Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at 31st March, 2013 being end of the Financial Year 2012-13 and the Profits of the Company for the year;
- (iii) that the Directors had taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors had prepared the annual accounts on a going concern basis.

8. ALLOTMENT OF 75,000 EQUITY SHARES OF RS. 10/- EACH AT PREMIUM OF RS. 29/- PER SHARE TO PROMOTERS ON PREFERENTIAL BASIS:

The Company, after obtaining necessary approvals, have allotted 75,000 Equity Shares of Rs. 10/- each at premium of Rs.29/- per Share to Promoters on Preferential Basis after complying guidelines under SEBI (Issue of Capital & Disclosure Requirement) Regulations, 2009. These shares have been listed at Ahmedabad Stock Exchange Limited.

9. AUDIT COMMITTEE:

The Board of Directors have constituted Audit Committee consisting of the following:

1. Mr. Chinubhai N. Munshaw Chairman
2. Dr. Gaurang K. Dalal Member
3. Mr. Dinesh B. Patel Member

10. REMUNERATION COMMITTEE:

The Board of Directors have constituted Remuneration Committee consisting of the following:

1. Mr. P.C. Randeria Chairman
2. Dr. Gaurang K. Dalal Member
3. Mr. C. N. Munshaw Member

11. SHAREHOLDERS' GRIEVANCE COMMITTEE:

The Board of Directors have constituted Shareholders' Grievance Committee consisting of the following:

1. Dr. Himanshu C. Patel Chairman
2. Ms. Anar H. Patel Member

12. APPOINTMENT OF COST AUDITOR:

The Board of Directors has appointed M/s. Kiran J. Mehta & Co., Cost Accountant, Ahmedabad as Cost Auditors to conduct cost audit for the years 2013-14.

13. INSURANCE:

The movable and immovable properties of the Company including plant and Machinery and stocks wherever necessary and to the extent required have been adequately insured against the risks of fire, riot, strike, malicious damage etc. as per the consistent policy of the Company.

14. COMPLIANCE CERTIFICATE UNDER THE COMPANIES ACT, 1956:

Your Company has obtained Compliance Certificate as required under the Proviso to Section 383A of the Companies Act, 1956 from M/s. Kashyap R. Mehta & Associates, Company Secretaries, Ahmedabad which is attached to the Directors' Report.

15. PARTICULARS OF EMPLOYEES:

None of the employees of the Company is drawing remuneration-requiring disclosure of information under Section 217(2 A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

16. FIXED DEPOSITS:

The Company has not accepted during the year under review any deposit as defined under the Companies (Acceptance of Deposits) Rules, 1975.

17. AUDITORS:

The present Auditors of the Company M/s. Shah & Shah Associates, Chartered Accounts, Ahmedabad will retire at the ensuing Annual General Meeting. The remarks of auditor and notes on accounts are self explanatory.