

Wintac LIMITED

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ANNUAL
REPORT
2003-2004



Winning Technologies

BOARD OF DIRECTORS

Shri S.T.R. Mady
Shri S. Jayaprakash Mady
Shri H.R. Kedlaya
DR. K. Nagarajan
Dr. C. Prakash

Chairman
Managing Director
Director
Director
Director

G.M. (FINANCE) & SECRETARY

Shri B.P. Thyagaraj

BANKERS

UTI Bank Limited, M.G. Road, Bangalore.

AUDITORS

M/s. Rao & Swami
Chartered Accountants,
2/1, Connaught Road,
Bangalore-560 052.

SHARE TRANSFER AGENT

Canbank Computer Services Ltd.
4th Floor, Naveen Complex, 14,
M.G. Road, Bangalore - 560 001

SHARES LISTED AT

Bangalore Stock Exchange, Limited
Stock Exchange - Mumbai
(Listing fee paid for the year 2003-04)

REGISTERED OFFICE

16/2, OVH Road, Basavanagudi,
Bangalore - 560 004.

CORPORATE OFFICE

163, Reservoir Street, Basavanagudi,
Bangalore-560 004.
Phones : 080-26612792/26677027
Fax : 080-26522566

MANUFACTURING UNIT

54/1, NH4, Near 39th Mile Stone,
Boodihal Village, Nelamangala Taluk,
Bangalore District, Karnataka.



N O T I C E

Notice is hereby given that the Fourteenth Annual General Meeting of the members of Wintac Limited will be held at Pai Vijay Hall, 530/58, 33rd Cross, 11th Main, 4th Block, Jayanagar, Bangalore-560 011 on Thursday, the 9th December, 2004 at 10.00 am to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 30th June, 2004 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place Dr.K.Nagarajan who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint auditors to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

Regd.Office:
No.16/2, OVH Road,
Basavanagudi,
Bangalore-560 004.

By Order of the Board of Directors
For Wintac Limited

Date : 30.09.2004
Place: Bangalore.

B.P.THYAGARAJ
G.M.(FINANCE) & SECRETARY

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A 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 MEETING.**
2. Pursuant to the provisions of Section 205A of the Companies Act, 1956, dividend for the financial year ended 31st March, 1997 and thereafter, which remains unpaid or unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund of the Central Government. Members who have not encashed the dividend warrant(s) for the financial year ended 31st March, 1997 and onwards are requested to immediately forward the same to the Company for revalidation.
3. Members who have multiple folios in identical names are requested to send all their share certificates to the Company's Share Transfer Agent for consolidating all such share holdings into one account to facilitate better service.
4. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956 are requested to submit nomination in Form 2B to the Share Transfer Agents of the Company.

5. Members are requested to notify the change in their address to the Company's Share Transfer Agents – Canbank Computer Services Limited, R&T Centre, Naveen Complex, 4th Floor, No.14, M.G.Road, Bangalore-560 001.
6. Brief Resume, Expertise, Board Memberships in other companies and Committee positions thereof of Directors seeking re-appointment pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges.

Dr.K.Nagarajan

Dr.K.Nagarajan is 73 years old and is on the Board since 1993. He is a Doctorate with a very vast experience in pharmaceutical research and development. He has research experience of more than 4 decades and worked with reputed multinational companies. He is instrumental in discovery of several new molecules. He is the recipient of prestigious award of Dr.Bhatnagar for contributions in Medicinal Chemistry. He does not hold any Directorship/Committee membership in any other company. He retires by rotation and is eligible for reappointment. The Board recommends his re-appointment.

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By Order of the Board of Directors
For Wintac Limited

Date : 30.09.2004
Place: Bangalore.

B.P.THYAGARAJ
G.M.(FINANCE) & SECRETARY

DIRECTORS' REPORT

To the Shareholders

The Directors have pleasure in presenting the Fourteenth Annual Report together with the Audited Accounts for the year ended 30th June, 2004.

FINANCIAL PERFORMANCE

	For the year ended 30 th June, 2004	For the year ended 30 th June, 2003
Income from operations	1368.83	1101.17
Other Income	58.34	78.30
Total Revenue	1427.17	1179.47
Total Expenditure	1208.44	947.26
Operating Profit (PBDT)	218.73	232.21
Interest	88.83	93.90
Profit before Depreciation (PBDT)	129.90	138.31
Depreciation	97.25	92.47
Profit before Provisions/Prior period expenses	32.65	45.84
Provisions/Prior period expenses	11.55	370.00
Provision for Taxation	-	-
Profit/(Loss) after Tax	21.10	(324.16)
Balance brought down from previous year	(323.26)	1.00
Appropriations:		
Proposed final dividend	-	-
Transfer from General Reserve	303.00	-
Balance carried forward	0.84	(323.26)

OPERATIONS

During the year under review your Company witnessed a growth of 24% in sales. The sales turnover during the year was Rs.1369 lakhs against Rs.1101 lakhs during the previous year. However, the operating profit during the year declined (6%) to Rs.130 lakhs from Rs.138 lakh in spite of increase in the sales. This was mainly because of steep increase in prices of major inputs/costs such as Diesel, Power, Manpower and the increase on all these accounts were more than 30%. Manufacturing being the core activity of the Company, the increase in the conversion costs could not be obtained immediately which had its impact on the profitability. However, efforts are on to obtain increase in

the conversion costs, to improve productivity and contain costs to improve the profitability. Your Company also plans to tap the emerging export market in contract manufacturing and necessary actions have been taken to upgrade the plant to meet the international standards. Capital Expenditure of more than Rs.150 lakhs was incurred on the up-gradation of the plant during the year. Our emphasis is on the regulated markets and semi-regulated markets wherein the value addition is high. Necessary approvals are required from the respective regulatory authorities and we are in the process of obtaining the same. This would help us to tap the global market which would ensure a steady growth in the future years. The performance of the marketing operations, revived during the previous year, is also satisfactory. We expect to launch new products in the coming year to sustain the growth.

DIRECTORS

Dr.K.Nagarajan, retires by rotation and being eligible, offers himself for reappointment.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- they have selected such accounting policies and applied them consistently and made judgements 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 the end of the financial year and of the profit or loss of the company for that period;
- they have taken proper and sufficient care for the 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;
- they have prepared the annual accounts on a going concern basis.

AUDITORS OBSERVATION

Notes Nos. 5, 6(b), 6(c), 8(a), 8(b), 8(c), 8(d) & 9 are self-explanatory.

PERSONNEL

There were no employees drawing remuneration during the year in excess of the limits specified under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO

In pursuance of the provisions of Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo are annexed to the Report.

AUDITORS

The Auditors Messers Rao & Swami, Chartered Accountants retire at the forthcoming Annual General Meeting and being eligible offer for reappointment.

ACKNOWLEDGEMENT

The Board places on record its appreciation for the continued cooperation and support received from the Medical Profession, various Government Agencies, Shareholders, Business Associates, Employees, Depositors and Bankers.

For and on behalf of the Board of Directors

Date : 30.09.2004
Place: Bangalore

S.T.R. MADY
CHAIRMAN

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ANNEXURE TO THE DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended June 30, 2004.

I. CONSERVATION OF ENERGY

The Company continues to explore measures which will help in conservation and saving of energy.

FORM - A

A. Power and Fuel Consumption	2003-2004	2002-2003
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1. Electricity

a. Purchased units	KWH	12,34,365	13,07,640
Total Amount	Rs. Lakhs	58.05	59.38
Rate/Unit	Rupees	4.70	4.54
b. Own Generation			
Through Diesel Generators:			
Units	KWH	1,13,464	1,33,145
Cost/unit	Rupees	6.43	5.83

2. Coal Tonnes

Nil	Nil	
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3. Furnace Oil

Quantity	Kilolitre	Nil	Nil
Total Amount	Rs. Lakhs	-	-
Average Rate	Rs./KL	-	-

4. Other/Internal Generator (Diesel - Ltrs)

	37,014	39,160
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B. Consumption per unit of Production

Capsules (Nos.)		Sterile Products	
2002-2003	2001-2002	2002-2003	2001-2002
757	791	2.93 Lakhs	2.28 Lakhs
Lakhs	Lakhs	Ltrs	Ltrs

FORM - B

II RESEARCH AND DEVELOPMENT (R&D)

- | | | |
|--|---|--|
| i. Specific areas in which R&D carried out by the Company | : | 1. Formulations development on Contract basis.
2. Analytical methods development.
3. Stability studies as per ICH Guidelines to meet International Standards.
4. Process improvements to improve quality of formulations and reduce cost. |
| ii. Benefits derived as a result of the above R&D | : | 1. Sandoz Women Health, Sandoz Women Defence & Sandoz Strength chewable tablets were developed.
2. Otrivin C Aqueous and Otrivin Saline nasal spray were developed.
3. Gascid Granules an antacid formulation containing Magaldrate and Activated Dimethicone developed. |
| iii. Future plan of action | : | The above R&D activity will be continued. |
| iv. Expenditure on R&D | : | |
| a. Capital | : | Rs. - |
| b. Recurring | : | Rs. 30.42 |
| c. Total | : | Rs. 30.42 |
| d. Total R&D expenditure as a percentage of total turnover | : | 2.2% |

Technology absorption, adaptation and innovation

- | | | |
|---|---|---|
| i. Efforts, in brief, made towards technology absorption, adaptation and innovation | : | Technology associated with the manufacture of Otrivin C and Otrivin Saline nasal spray, Gascid Granules and Lamisol Cream were absorbed and stability batches were manufactured. |
| ii. Benefits derived as a result of the above efforts | : | Developed personnel with high technical abilities in the above areas.

Sustainability of our business as a manufacturing company is realised as the R&D efforts leads to commercialisation. |
| iii. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be given: | : | |
| Technology imported | : | Nil |
| Year of import | : | N.A. |
| Has technology been fully absorbed ? | : | N.A. |
| If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action | : | N.A. |

III FOREIGN EXCHANGE EARNINGS AND OUTGO

- | | | |
|-------------------------|---|----------------|
| Foreign Exchange earned | : | Rs.10.26 Lakhs |
| Foreign Exchange used | : | Rs.57.44 Lakhs |

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS, OPPORTUNITIES, THREATS AND OUTLOOK

Indian Pharmaceutical Industry is about Rs.197 bn in size. During the year, the domestic pharmaceutical market grew at 7%.

The turnover of the company during the year grew by 24% to Rs.1369 lakhs as compared to Rs.1101 lakhs in the previous year. Your company's operations consists mainly of contract manufacturing of Pharmaceutical formulations for multinational and domestic Pharma companies like Aventis Pharma, Novartis, Bayer, Cadila Healthcare, FDC Ltd., etc.

Our focus in the coming years will be to tap the export market for the contract manufacturing and we expect a strong growth in this segment in the coming years. The global pharma companies are looking to India for outsourcing the manufacturing activity to reduce costs. Your company has been in the business of contract manufacturing for large multinational companies and is well poised to take advantage of these growing opportunities. Keeping this in mind, your Company is upgrading the manufacturing plant at Nelamangala to International Standards at a capital expenditure of approx. Rs.135 lakhs. A dedicated ophthalmics manufacturing facility is also being created at a cost of Rs.150 lakhs to enhance the capacities. We are expecting a overseas regulatory approval during the year which should provide impetus to tap the export market where the value addition would be significantly higher.

The performance of the marketing operations in Oncology and Critical Care Division, revived during the previous year, is satisfactory. We plan to launch new products in the coming years to sustain growth. Critical care products command a niche place in the export market. Preparation and submissions of product dossiers for registration in several countries is underway.

INTERNAL CONTROL SYSTEMS

The Company has adequate Internal Control System commensurate with its size and nature of business. The Internal controls are regularly audited by an external firm of Chartered Accountants. The reports are discussed at all levels of Management and also at the Audit Committee. The Statutory Auditors and the Internal Auditors are invited to attend the Audit Committee meetings.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The operating profit during the year was lower by 6% as compared to last year in view of the increase in expenses.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

As on 30th June 2004, there were 91 employees on the rolls of the Company. The Relationship between the Employees and the Management has been cordial.