

Wintac LIMITED

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ANNUAL
REPORT
2004-2005



Winning Technologies

BOARD OF DIRECTORS

Shri S.T.R. Mady	Chairman
Shri S. Jayaprakash Mady	Managing Director
Shri H.R. Kedlaya	Director
Dr. K. Nagarajan	Director
Dr. C. Prakash	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 2004-05)

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 Fifteenth 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 29th September, 2005 at 10.00 am to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2005 and the Profit and Loss Account for the period ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place Dr.C.Prakash 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.

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

By Order of the Board of Directors
For Wintac Limited

Date : 22.08.2005
 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 and Section 205C of the Companies Act, 1956, the amount of dividend remaining unclaimed or unpaid for a period of seven years from the date of transfer to the Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund (the Fund) set up by the Government of India and no payments shall be made in respect of any such claims by the Fund. Members who have not yet encashed their dividend warrant(s) for the financial year ended 31st March, 1998 and thereafter, are requested to make their claims to the Company accordingly without any delay.

3. The Register of Members and the Share Transfer Books of the Company will remain closed on 28th & 29th September, 2005.
4. 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.
5. Members holding shares in physical form and desirous of making a nomination in respect of their share holding 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.
6. 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.
7. 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.C.Prakash

Dr.C.Prakash is 50 years old and is on the Board since the year 2000. He is a medical doctor (MBBS, MD (DGO)) with vast experience in his profession. He is the Chief Medical Officer in Sevakshetra Hospital, Bangalore. 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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Bangalore-560 004.

By Order of the Board of Directors
For Wintac Limited

Date : 22.08.2005
Place : Bangalore.

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

DIRECTORS' REPORT

To the Shareholders

The Directors have pleasure in presenting the Fifteenth Annual Report together with the Audited Accounts for the period ended 31st March, 2005.

FINANCIAL PERFORMANCE

	For the period ended 31 st March, 2005	Rs. Lakhs For the year ended 30 th June, 2004
Income from operations	902.54	1368.83
Other Income	31.27	58.34
Total Revenue	933.81	1427.17
Total Expenditure	951.46	1208.44
Operating Profit/(Loss)	(17.65)	218.73
Interest	58.06	88.83
Profit/(Loss) before Depreciation (PBDT)	(75.71)	129.90
Depreciation	76.78	97.25
Profit/(Loss) before Provisions/Prior period expenses	(152.49)	32.65
Provisions/Prior period expenses	12.55	11.55
Provision for Taxation	-	-
Profit/(Loss) after Tax	(165.04)	21.10
Balance brought down from previous year	0.84	(323.26)
Appropriations:		
Proposed final dividend	-	-
Transfer from General Reserve	-	303.00
Balance carried forward	(164.20)	0.84

OPERATIONS

The current financial year of the Company was for a period of nine months ending 31st March, 2005. The change in the financial year was effected for administrative reasons and also in consonance with the financial year under the Income Tax Act. In view of change in the accounting period, the current year financials are not comparable with that of the previous year. The performance of the Company during the period under review was not satisfactory mainly due to IR issues. Certain contract workmen were disrupting the normal manufacturing operations with some unreasonable demands during the month of August'04. In spite of extending various monetary benefits and additional facilities like subsidised food etc, the contract workmen continued to demand more and more. Number of appeals were made by the

Company to the Contractor to restore the normal work out-put. Left with no options, the Company had to discontinue the Contractor from the services and engage a new Contractor with new set of contract workmen after the appropriate approvals from the Government. As a consequence, the production suffered heavily during the four months period starting from September '04 to December '04. Further, the Central Excise notification in January '05 changing the basis of levy of duty on MRP and implementation of VAT also were the causes for decline in turnover and consequent losses. The sales turnover declined proportionately by about 12% to Rs.902.54 lakhs during the period resulting in operational loss of Rs.75.71 lakhs before depreciation. We are happy to mention that the current relationship with the new contract workers has been cordial. The operations during the first quarter of the financial year 2005-06 has been encouraging and reverted to profitability.

Your company made substantial capital investments during the year. A dedicated ophthalmic manufacturing facility meeting international standards was set up at a cost of Rs.215 lakhs. This facility is created to augment the production capacities to meet additional volumes from the existing customers. We also entered into a long-term contract with Alcon Laboratories Pvt. Ltd., a global leader in ophthalmics for the manufacture of sterile eye-drops. The commercial production of this facility is expected to commence during September, 2005 and it may take about 9 to 12 months to optimise the capacity utilisation.

Your Company received a prestigious export order from Aventis Pharma, USA for the supply of Ornidyl injections (Eflornithine HCL) under WHO contract. This warranted an approval of the manufacturing site from French Regulatory Authorities. In order to meet the standards as per European Union Guidelines of GMP, the manufacturing plant was upgraded during the year at a cost of Rs.150 lakhs. We are happy to inform you that your Company has successfully undergone the French Regulatory Inspection (AFSSAPS) and the formal approval is expected shortly. This would pave way for your Company for exporting all terminally sterilised products to European Union Countries. We have on hand a firm export order for supply of 1,00,000 units of Ornidyl Injections and we expect repeat orders for the same in the coming years as well. Further, with the AFSSAPS's approval, your Company is well poised to tap the potential export market as part of our long-term growth strategy.

Pursuant to the shareholders approval at the extra ordinary general meeting held on 6th June, 2005, your Company has allotted convertible equity warrants convertible into 5,50,000 equity shares of Rs.10 each at a price of Rs.30 per share to Synergia Consultants Pvt. Ltd., a strategic investor. Synergia is a specialised marketing firm and have vast experience in marketing of pharmaceutical products in the global market. Your Company plans to grow rapidly in the coming years by associating with Synergia with a special emphasis on export of our products to various countries.

DIRECTORS

Dr.C.Prakash, retires by rotation and being eligible offers himself for reappointment.

CORPORATE GOVERNANCE

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

DIRECTORS' RESPONSIBILITY STATEMENT

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



- in the preparation of the annual accounts for the year 2004-05, 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

Auditors have drawn attention to Notes No.5, 6(b), 6(c), 8(a), 8(c), 8(d) and 9 forming part of the accounts and expressed their reservation. The said notes to accounts 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 M/s. 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 : 22.08.2005
Place: Bangalore

S.T.R. MADY
CHAIRMAN

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 period ended 31st March, 2005.

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	2004-2005	2003-2004
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1. Electricity

a. Purchased units	KWH	8,08,850	12,34,365
Total Amount	Rs. Lakhs	39.09	58.05
Rate/Unit	Rupees	4.83	4.70

b. Own Generation

Through Diesel Generators:

Units	KWH	99,315	1,13,464
Cost/unit	Rupees	9.06	6.43

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)	36,121	37,014
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B. Consumption per unit of Production

	Capsules (Nos.)		Sterile Products	
	2004-2005	2003-2004	2004-2005	2003-2004
Total Production	487	757	1.92 Lakh	3.00 Lakh
	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 | : | Suspension containing Calcium and Vitamin D3 with two flavours were Developed. Product commercialised. |
| iii. Future plan of action | : | The above R&D activity will be continued. |
| iv. Expenditure on R&D | | |
| a. Capital | : | Rs. Nil |
| b. Recurring | : | Rs. 22.00 Lakhs |
| c. Total | : | Rs. 22.00 Lakhs |
| d. Total R&D expenditure as a percentage of total turnover | : | 2.4% |

Technology absorption, adaptation and innovation

- | | | |
|---|---|---|
| i. Efforts, in brief, made towards technology absorption, adaptation and innovation | : | Technology associated with the manufacture of Tobramycin Ophtha solution, HPMC Eye drops and Timolol Gel Forming Solution were absorbed and commercialised. |
| 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. 0.37 Lakhs |
| Foreign Exchange used | : | Rs. 9.13 Lakhs |

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS, OPPORTUNITIES, THREATS AND OUTLOOK

The Indian economy maintained its growth momentum during 2004-05. According to the Economic Survey 2004-05, the economy has grown at about 6.9 percent during 2004-05. The growth momentum has been maintained in both Services and Manufacturing sectors despite deficient monsoon and hardening of world oil prices. The world is recognizing that India will be a significant economic power in the coming years and many multinational companies intend to associate with Indian companies for outsourcing because of the cost and technology advantage.

The year 2004-05 may be marked as a historical landmark in the chronicles of the pharmaceutical industry in India. The onset of Product Patent Regime effective from 1st January 2005, introduction of excise duty on MRP, introduction VAT, implementation of Schedule M, creation of tax free zones are some of the major developments which indeed throws both challenges and opportunities for the Indian Pharmaceutical Industry.

The operations of your Company during the year has not been satisfactory due to labour issues. The turnover declined by 12% and incurred a loss of Rs.165 lakhs. However, the issue has since been resolved and the operations during the first quarter of 2005-06 has been good and reverted to profitability.

Your Company made substantial investments during the year 2004-05 for setting up of a new ophthalmic manufacturing facility and upgrading the plant to meet the international standards. These investments are made in conjunction with our strategy to focus on export sales revenues in regulated market. Your Company successfully undergone the French Regulatory Inspection and the formal approval is expected shortly. This will help the Company to tap the potential export market.

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 Company incurred a loss of Rs.165 lakhs during the year in conjunction with the reduction in turnover due to IR issues.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

As on 31st March 2005, there were 101 employees on the rolls of the Company. There were certain HR issues with regard to the contract workmen and the contractor was replaced with the necessary approvals from the concerned authorities. However, currently the relationship with the employees has been cordial.