

GUJARAT TERCE LABORATORIES LIMITED



NINETEENTH ANNUAL REPORT 2003-2004

BOARD OF DIRECTORS

Shri Natwarbhai P. Prajapati	Chairman & Managing Director
Shri Ramsinhbhai N. Chaudhari	Whole Time Director
Shri Devang G. Chaudhari	Director
Shri Dineshbhai V. Chaudhari	Director
Shri Paresh M. Chaudhari	Director
Shri Ashok L. Prajapati	Director

REGISTERED OFFICE/FACTORY :

122/2, Ravi Estate,
Bileshwarpura, Chhatral,
Dist. : Gandhinagar (N.G.)

COMPLIANCE OFFICE :

209, "SAMIR",
Opp. Navrangpura Municipal Market,
Navrangpura, Ahmedabad - 380 009.


AUDITORS

M/S. SHREYANSH R. SHAH & CO.
CHARTERED ACCOUNTANTS,
A-11, Kailash Apartments,
Opp. Kiran Park, Nava Wadaj,
Ahmedabad - 380 013.

BANKERS :

BANK OF BARODA
Ellisbridge Branch,
Ahmedabad.

Shreyansh R. Shah





NOTICE

Notice is hereby given that the Nineteenth Annual General Meeting of the Members of Gujarat Terce Laboratories Limited will be held on Thursday, 30th September, 2004 at 10.00 a.m. at 122/2 Ravi Estate, Bileshwarpura, Chhatral Dist: Gandhinagar to transact the following business:

ORDINARY BUSINESS

1. To receive consider & adopt the Balance Sheet as at 31st March 2004, the Profit & Loss Account for the year ended on that date and the reports of the Directors' & Auditors' thereon.
2. To appoint a Director in place of Shri Dineshbhai V. Chaudhari, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Paresh M. Chaudhari, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint M/s Ujal S. Mehta & Associate, Chartered Accountants, Ahmedabad, as Auditors of the Company to hold office from conclusion of this Annual General Meeting till conclusion of next Annual General Meeting at a remuneration to be decided by the Board of Directors of the Company.

SPECIAL BUSINESS:

5. To consider & if thought fit to pass with or without modifications the following resolution as special resolution.

Resolved that pursuant to the provision of Section 61 & other applicable provisions of the Companies Act, 1956 (including statutory modifications, reenactment thereof for the time being in force & as may be enacted herein after) Securities Contract (Regulations) Act 1956, SEBI Act, 1992, & the rules framed thereunder, listing agreement clause 6.1 & other applicable provisions of SEBI (Delisting of securities) Guidelines, 2003 & all other applicable laws, rules, regulations & Guidelines & subject to such other approvals, permissions, & sanction as may be necessary & subject to such conditions & modifications as may be prescribed or imposed by any authority while granting such approvals, permissions & sanctions which may be agreed to by the Board of Directors of the company(herein after referred to as "the Board" which expression shall also include a committee thereof for the time being exercises the power conferred on the Board by this resolution) consent of the company be & is hereby accorded to the Board to delist the equity shares of the company from The Stock Exchange, Ahmedabad.

"RESOLVED FURTHER that the Board be and is hereby authorized to seek voluntary delisting of the Company's equity shares from the said Stock Exchanges and to take all necessary steps in this regard and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle all questions, difficulties, doubts that may arise in regard to delisting of the Equity Shares without being required to seek any further approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval expressly by the authority of this resolution."

"RESOLVED FURTHER that the Board be and is hereby authorized to execute all such deeds, documents, writings, as may be necessary, desirable or expedient and to take all necessary steps in this regard in order to comply with the legal and procedural formalities and further authorizes any of its Committees or any of its Directors to give effect to the aforesaid resolution."

By Order of the Board of Directors

30th June, 2004

Registered office:

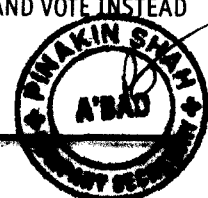
122/2 Ravi Estate,

Bileshwarpura, Chhatral Dist: Gandhinagar

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 AND PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Shareholders/proxies are requested to produce the attendance slip at the entrance of the Meeting Hall.

N.P. Prajapati
Managing Director



Gujarat Terce Laboratories Limited

3. The Register of Members and Transfer Book of the Company will be closed from Wednesday, 22/09/2004 to Thursday, 30/09/2004 both days inclusive.
4. Shareholders desiring any information as regards the Accounts are requested to write to the Company at least five days in advance of the annual general meeting to enable the Management to keep the information ready at the meeting.
5. An explanatory statement as required under Section 173(2) of the Companies Act, 1956 in respect of Special Business is annexed hereto.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item no 5

The Equity Shares of the Company are presently listed on The Stock Exchange, Ahmedabad (ASE) and The Stock Exchange, Mumbai (BSE). With the extensive network of BSE and the extension of BSE terminals to other cities as well, investors have access to online dealings in the Company's equity shares across the country. The compliance, reporting, and approvals under the listing agreements gets multiplied. The investors & the shareholders of the Company do not get any additional benefit by continuing the listing of the equity shares on the ASE. The proposed delisting from the ASE would further contribute to the reduction in administrative costs/efforts of the Company.

The proposed delisting of the Company's equity shares from the ASE, if and when it takes place will not therefore adversely affect any investor including the members located in the regions where the said Stock Exchange is situated as the equity shares shall continue to remain listed on BSE.

SEBI (Delisting of Securities) Guidelines, 2003 inter alia provides that a Company may seek voluntary delisting of its securities from all or some of the Stock Exchanges and further that an exit opportunity is not required to be provided in cases where such securities continue to be listed at the Stock Exchange having nationwide terminals i.e. BSE and NSE and any other Stock Exchange that may be specified by SEBI in this regard. There is no compulsion for companies to remain listed on any Stock Exchange merely because it is a regional Stock Exchange.

In view of the above, the Board of Directors of the Company at its meeting held on 30th June 2004 has approved the proposal to get Equity Shares of the Company voluntarily delisted from the said Stock Exchange, subject to the approval of the Members and in accordance with applicable laws, rules, regulations and guidelines.

Pursuant to the SEBI (Delisting of Securities) Guidelines, 2003, it is now proposed to seek the Members approval by way of a Special Resolution for the voluntary delisting of the Company's equity shares from the ASE as set out in the Resolution at item no 5 in terms of the said guidelines, as the Company's equity shares shall continue to remain listed on BSE, no exit option is required to be offered to the shareholders.

The exact date on which delisting will take effect will be suitably notified.

The proposed delisting is in the interest of the Company and the Board of Directors of the Company commends the Resolution to the members for their approval. None of the Directors of the Company is, in any way, concerned or interested in the said Resolution.

By Order of the Board of Directors

30th June, 2004
Registered office:
122/2 Ravi Estate,
Bileshwarpura, Chhatral Dist: Gandhinagar

N.P. Prajapati
Managing Director





DIRECTORS' REPORT

To
The Members

Your Directors presents their Nineteenth Annual Report together with the Audited Statement of Accounts of the Company for the year ended on 31st March, 2004.

FINANCIAL RESULTS :

	2003-04 (Rs. in Lac)	2002-03 (Rs. in Lac)
Gross Income	719.08	455.38
Profit before Depreciation & Tax	16.33	17.87
Depreciation	15.07	14.77
Profit after Depreciation	1.27	3.10
Tax - Current	0.53	0.39
Deferred	(0.05)	1.34
Profit after tax	0.79	0.66
Profit brought forward from previous year.	21.20	20.54
Balance Carried To Balance Sheet	21.99	21.20

CORPORATE GOVERNANCE :

A detailed report on Corporate Governance system of the company is provided in the annual report.

MANAGEMENT DISCUSSION & ANALYSIS :

A detailed report on Management Discussion & Analysis is provided in the annual report.

VOLUNTARY DELISTING OF THE COMPANY'S SHARES FROM STOCK EXCHANGE-AHMEDABAD :

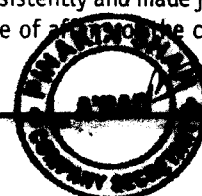
The Equity Shares of the Company are presently listed on The Stock Exchange, Ahmedabad (ASE) and The Stock Exchange, Mumbai (BSE). With the extensive network of BSE and the extension of BSE terminals to other cities as well, investors have access to online dealings in the Company's equity shares across the country. The investors & the shareholders of the Company do not get any additional benefit by continuing the listing of the equity shares on the ASE. The proposed delisting from the ASE would further contribute to the reduction in administrative costs/efforts of the Company. The proposed delisting of the Company's equity shares from the ASE, if and when it takes place will not therefore adversely affect any investor including the members located in the regions where the said Stock Exchanges are situated as the equity shares shall continue to remain listed on BSE.

As per SEBI (Delisting of Securities) Guidelines, 2003 there is no compulsion for companies to remain listed on any Stock Exchange merely because it is a regional Stock Exchange. A proposal in this respect is contained in the accompanying Notice of the forthcoming Annual General meeting.

DIRECTOR'S RESPONSIBILITY STATEMENT :

Pursuant to sub-Section (2AA) of Section 217 of Companies Act, 1956 the Board of Directors of the Company hereby State and confirm that:

- (i) in preparation of Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) We have selected such accounting policies and applied them consistently 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 end of the financial year and of the profit or loss of the company for that period;



Gujarat Terce Laboratories Limited

(iii) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(iv) We have prepared the annual accounts on a going concern basis.

AUDITORS AND AUDITORS' REPORT :

The retiring Auditors M/s Shreyansh R. Shah & Co, Chartered Accountants, Ahmedabad has indicated their unwillingness to continue as auditor of the Company due to their preoccupation elsewhere. It is proposed to appoint M/s Ujal S. Mehta & Associate, Chartered Accountants, Ahmedabad as auditors of the Company till the conclusion of twentieth Annual General Meeting. The Company has received certificate from the auditors to the effect that the appointment if made, would be within prescribed limit under Section 224 (1-B) of the Companies Act, 1956.

FIXED DEPOSITS :

The Company has not accepted any deposits from the public.

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

Particulars required to be furnished by the Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988:

- Part A and B pertaining to conservation and technology absorption is not applicable to the Company. The operations of the Company are not energy intensive. However the Company endeavored to conserve energy consumption wherever feasible. The details of power and fuel consumption are given below.

(a) Power and Fuel consumption: Units and Amount.

	UNITS		AMOUNT (Rs.)		AVERAGE COST (Rs.)	
	Current Year	Previous year	Current year	Previous year	Current year	Previous year
Electricity Purchased	81860	74320	432555	417609	5.28	5.62
Consumption Per Unit Of Production.						

	Current year	Previous year
Electricity In units	0.0022	0.0021

There are no specific standards since the product range consists of various products with different consumption.

- The Company has earned total foreign exchange of RS 49.37 Lac by way of exports in the year 2003-04 and spent RS 8.51 Lac by way of import of raw material, travelling expenses and other matters.

PARTICULARS OF EMPLOYEES :

The information as required under Section 217(2A) of the Companies ACT, 1956 read with Companies (Particulars of Employees) Rules, 1988 as amended from time to time is nil.

ACKNOWLEDGMENTS :

The Board expresses their appreciation for continued co-operation and support extended to the Company by Bank of Baroda and customers. The Board also records its deep appreciation of the creditable services rendered by the Company's employees at all levels.

For and on behalf of the Board Of Directors

30th June, 2004

Registered office:

122/2 Ravi Estate,

Bileshwarpur, Chhatral Dist: Gandhinagar

N.P. Prajapati
Managing Director

MANAGEMENT DISCUSSION & ANALYSIS

This report includes discussion on the following matters within the limits set by the company's competitive position:

INDUSTRY STRUCTURE & DEVELOPMENT

The Indian retail pharmaceutical market valued at Rs 192 billion for the calendar year 2003 witnessed a growth of 5%. The value growth in the market has come down from 11% in 2000 to 5% in 2003. The volume growth has been affected only in 2003 where it dipped to 6% from consistent 8% to 9% growth in previous three years. One must note that the pharmaceutical market is in a nascent stage in India. The per capita annual expenditure on pharmaceuticals in India remains low at Rs 220/- there is considerable scope for growth in domestic pharma market.

OPPORTUNITIES & THREATS

Opportunities:

The company will step up investment in market development activities. The stress on branded formulations business is going to be the key for success.

Threats:

The Company continues to carry risks of competition, litigation, and regulatory & legislative reforms in the industry.

OPERATIONAL & FINANCIAL PERFORMANCE

The company has only one business segment namely formulations. Net sales increased by 59% from Rs 438.91 lac in 2002-03 to Rs 698.43 in 2003-04.

RISK & CONCERNS

The company has adopted risk management approach with an objective to balance risk & cost. The policy lays down a detailed structure for risk management & control in the company. There are few risk factors that are relevant to the business of your Company. The company operates in a highly regulated industry & must comply with a broad range of dynamic regulatory controls, particularly in the regulated markets.

INTERNAL CONTROL SYSTEM

The internal control system of the company is adequate. The company has set up detailed systems & procedure in all-important areas which act as guideline to its employees. The recommendations of the auditors on the efficacy of the internal control are implemented. Audit committee constituted by the Board of Directors continuously reviews the reports of the internal audit team. The shortcomings observed in the system are regularly monitored for corrections as well as prevention.

HUMAN RESOURCE

The human resource development is an integral part of the company's corporate philosophy. The Company is committed to accelerate initiatives, career and success planning, with an added impetus to build leaders. The company continues to have extremely cordial personnel relations.

CAUTIONARY STATEMENT

Statement in the Management Discussion & Analysis Report describing the Company's objective, expectations or predictions may be forward looking within the meaning of applicable Securities Laws & Regulations. Actual performance may differ from those expressed or implied depending upon economic conditions, Government Policies & other incidental/related factors.

Gujarat Terce Laboratories Limited**CORPORATE GOVERNANCE-GUJARAT TERCE LABORATORIES LIMITED**

(As required by clause 49 of the Listing Agreement with the stock exchange)

This section on Corporate Governance forms part of the Directors' Report to the shareholders. This report is given in terms of clause 49 of the Listing Agreement entered with the Ahmedabad & Mumbai Stock Exchanges where the shares of the Company have been listed.

MANDATORY REQUIREMENTS**1. COMPANY'S PHILOSOPHY & CODE OF GOVERNANCE**

The Cornerstone of your company's corporate governance policy is directed towards:

1. Adherence to ethical business practices
2. Transparency in respect of board matters and disclosures to shareholders
3. Maximizing sustainable values to all its stakeholders including shareholders, customers, and employees.

2. Board of Directors**Composition of Board:**

The Board of Directors consists of 6 [Six] members, out of whom two are executive directors and four are non executive directors who bring in a wide range of skills and experience to the Board. The company has a executive Chairman and the number of independent directors is one half of the total number of directors. The composition of the Board is in conformity with clause 49 of the Listing Agreement.

None of the Directors on the Board is a member on more than 10 Committees and Chairman of more than 5 Committees (as specified in clause 49), across all the Companies in which he is a Director. The necessary disclosures regarding Committee positions have been made by the Directors.

The Composition of the Board as on 31st March 2004 was as under.

Directors	Category	Attendance Particulars		Other Director ships	Other Committee Membership	
		No. of Board Meeting	Last AGM		Member	Chairman
Shri Natwarbhai P. Prajapati	CM & MD Executive	4	YES	NIL	NIL	NIL
Shri Ramsinhbhai N. Chaudhari	WTD Executive	4	YES	NIL	NIL	NIL
Shri Devang G Chaudhari	DIR- IND	NIL	YES	NIL	NIL	NIL
Shri Ashokbhai Prajapati	DIR-IND	4	NO	NIL	NIL	NIL
Shri Dineshbhai V Chaudhari	DIR-IND	NIL	YES	NIL	NIL	NIL
Shri Paresh M Chaudhari	DIR-NON IND	4	YES	NIL	NIL	NIL

CM- Chairman DIR-IND- Director Independent MD- Managing Director WTD- Whole Time Director DIR-NON IND: Director Non Independent.

Details of Board Meetings held during the year 2003-04

4 (four) Board meetings were held during the year and the gap between two meetings did not exceed four months.

- Leave of absence was granted by the Board to the Directors who were absent at the respective Board Meeting(s).

Date of Meeting	No. of Directors Present
30/06/03	4
31/07/03	4
31/10/03	4
31/01/04	4

The information as required under annexure I to clause 49 is being made available to the Board.



3. REMUNERATION OF DIRECTORS

The company has not set up a remuneration committee. The remuneration of Managing Director & Whole Time Director was fixed by the Board & approved by the shareholders at the annual general meeting held on 30/9/2002 for a period of five years w.e.f. 11/01/02. The details of remuneration paid to Managing Director (M.D.) & Whole Time Director (W.T.D.) during the year 2003-04 are as under:

	Managing Director (Shri Natubhai P. Prajapati) Rs.	Whole Time Director (Shri Ramsinhbhai N. Chaudhari) Rs.
Salaries	162,000	162,000
Other Perquisites	1,585	1,585

The non-executive Directors are paid Rs 300/- sitting fees for every meeting of the Board/committee attended by them.

4. THE BRIEF PARTICULARS OF RETIRING DIRECTORS PROPOSED FOR REAPPOINTMENT ARE AS UNDER:

Name of the Director	Shri Devang G. Chaudhari	Shri Pares M. Chaudhari
Age	32 Years	37 Years
Expertise in specific functional areas	Marketing	Marketing
Qualifications	B.Pharm.	B.A.
Directorships held in other companies	NIL	NIL
Committee position held in other companies	NIL	NIL

5. AUDIT COMMITTEE

The Audit Committee comprises of 3 Non Executive Directors & majority of them is independent. The members of audit committee have adequate financial/accounting knowledge. The terms of reference, role and scope are in line with those prescribed by clause 49 of the Listing Agreement with the Stock Exchanges. The Company also complies with the provisions of Section 292A of the Companies Act 1956 pertaining to Audit committee and its functioning.

The Board delegated the following powers to the Audit Committee:

- To investigate any activity within its terms of reference
- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

The Board defined the role of Audit Committee as under:

- Overseeing the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommending the appointment/removal of external auditors, fixing audit fees and approving payments for any other services;
- Reviewing with the management the annual financial statements before submission to the board;
- Reviewing with the management external and internal auditors, the adequacy of Internal control system;
- Reviewing the adequacy of Internal Audit function, including the structure of the Internal Audit department, staffing and seniority of the official heading the department reporting structure coverage and frequency of internal audit;
- Discussing with internal auditors of any significant findings and follow up thereon;