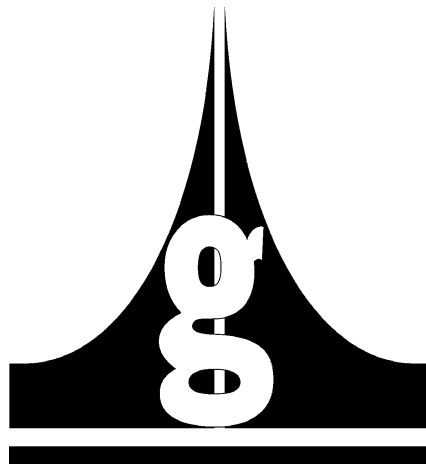


**28<sup>th</sup>**  
**ANNUAL REPORT**  
**2012-2013**



***GUJARAT TERCE LABORATORIES LTD.***

**BOARD OF DIRECTORS**

Mr. Natwarbhai P. Prajapati	<i>Chairman &amp; Managing Director</i>
Mr. Amrutbhai P. Prajapati	<i>Whole Time Director (CFO)</i>
Mr. Sureshbhai P. Prajapati	<i>Director</i>
Mr. Gordhanbhai G. Patel	<i>Director</i>
Mr. Kanubhai S. Patel	<i>Director</i>
Mr. Jayantibhai S. Prajapati	<i>Director</i>
Mr. Paresh D. Patel	<i>Managing Director</i>

**REGISTERED OFFICE & FACTORY :**

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

**METAL FACTORY :**

Block No. 140/P, Village - Ramnagar, Tal. Kalol, Dist. Gandhinagar (N.G.)

**ADMINISTRATIVE OFFICE :**

301 & 314, Akashrath Complex, Opp. National Handloom Corporation, Law Garden,  
Off. C.G. Road, Ahmedabad - 380009.

**AUDITORS :****M/S. P A R Y & CO.**

CHARTERED ACCOUNTANTS

S-10, Dimond Square, Nr. Navjivan Press,  
B/h. C.U. Shah College, Ashram Road,  
Ahmedabad-380014.

**SECRETARIAL AUDITOR:****Pinakin Shah & Co.**

Practicing Company Secretary

C-103, Panchdhara Plaza, Satellite Road, Ahmedabad - 380015.

**BANKER :**

BANK OF BARODA

Ellisbridge Branch,

Pritamnagar 1st Slop, Ellisbrdige, Ahmedabad-380006

**REGISTRAR & SHARE TRANSFER AGENT:**

Bigshare Services Pvt. Ltd.

E-2 & 3, Ansa Industrial Estate, Saki-Vihar Road, Sakinaka. Andheri(E), Mumbai - 400 072.

**NOTICE**

Notice is hereby given that the Twenty Eighth Annual General Meeting of the Members of Gujarat Terce Laboratories Limited will be held on Monday 30th September, 2013 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 audited Balance Sheet as at 31<sup>st</sup> March 2013, statement of Profit & Loss for the year ended on that date and the Reports of the Directors' & the Auditors' thereon.
2. To appoint a Director in place of Shri Sureshbhai Prajapati, who retires by rotation and being eligible, offers himself for reappointment.
3. To not to reappoint Director Miss Monika Patel, who retires by rotation but does not offer herself for reappointment
4. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.

RESOLVED THAT pursuant to provisions of section 224, 225 and other applicable provisions if any, of the Companies Act, 1956, M/s. Pary & Co., Chartered Accountants, Ahmedabad, be and are hereby appointed as the Statutory Auditors to hold office from conclusion of 28<sup>th</sup> Annual General Meeting up to conclusion of 29<sup>th</sup> Annual General Meeting of the Company on such remuneration as may be fixed by the Board of Directors of the Company.

**NOTES:**

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND THE MEETING AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- 2) The instrument appointing proxies, in order to be effective, must be received by the Company at the registered office, not less than 48 hours before the scheduled time of the meeting. A blank proxy form is annexed to this notice.
- 3) As required by Clause 49 of the Listing Agreement entered into with the BSE, the relevant details of Shri Sureshbhai Prajapati Director retiring by rotation and seeking re-appointment under Item No. 2 are annexed herewith.
- 4) Register of Members and Share Transfer Books of the Company will remain closed from Monday, the 23<sup>rd</sup> September, 2013 to, Monday, 30<sup>th</sup> September, 2013. (both days inclusive)
- 5) The Register of Directors' shareholding maintained under Section 307 of the Companies Act, 1956 will be available for inspection by members at the AGM.
- 6) The Register of Contracts, maintained under Section 301 of the Companies Act, 1956 will be available for inspection by the Members at the Registered Office of the Company.
- 7) As a Green Initiative in the Corporate Governance, the Ministry of Corporate Affairs ("MCA") vides its circular bearing nos. (i) 17/2011 dated April 21, 2011 and (ii) 18/2011 dated April 29, 2011 allowed the Companies to send various notices/ documents (including Notice conveying AGM, Audited Financial Statements, Auditors' Report, Directors Report and other related documents) to shareholders through electronic mode, to the registered email Id of the shareholders. Pursuant to said Green Initiative. The Company urges the members to communicate their email id to the Company and / or RTA, so that the Company can send future communications to these shareholders in electronic mode.
- 8) Members are requested to visit the website of the Company [www.gujaratterce.com](http://www.gujaratterce.com) for viewing the quarterly & annual financial results and for more information on the Company.
- 9) For any investor-related queries, communication may be sent by E-mail to [ho@gujaratterce.com](mailto:ho@gujaratterce.com)
- 10) Big Share Services Private Limited (Big Share) is the Registrar & Share Transfer Agent (R&T Agent) of the Company. All investor related communication may be addressed to Big Share at the following address;

Big Share Services Private Limited

E-2 & 3, Ansa Industrial Estate, Saki-Vihar Road, Sakinaka Andheri (E), Mumbai, 400 072

Tel: 91-22-28470652 / 40430200 / 28470653 Fax: 91-22-28475207, E Mail: [marketing@bigshareonline.com](mailto:marketing@bigshareonline.com)



- 11) For effecting changes in address/bank details/ECS (Electronic Clearing Service) mandate, members are requested to notify:
- (i) The R&T Agent of the Company, viz. Big Share, if shares are held in physical form; and
  - (ii) Their respective Depository Participant (DP), if shares are held in electronic form.
- 12) Members are requested to send their queries if any, to reach the Company at its Registered Office, at least 10 days before the meeting, so that the information can be compiled in advance.
- 13) Corporate Members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board Resolution/Power of Attorney authorizing their representative to attend and vote on their behalf at the meeting.
- 14) Details of the Directors seeking re-appointment in the Twenty Eight Annual General Meeting

[Pursuant to Clause 49 of Listing Agreement of Bombay Stock Exchange]

Particulars	Shri Sureshbhai Prajapati
Relationships with other Directors	Brother
Date of Appointment	13/6/2006
Expertise	Finance
Qualification	B.Com
No. of Equity Shares held in the Company	927150
List of other Companies in which directorship are held	None
List of committees of the Board of Directors(across all companies) in which Chairmanship/ Membership is held	None

Note: The Directorships held by Directors as mentioned above, do not include Directorships of Private Limited Companies.

By Order of the Board of Directors

Date : 07/08/2013  
Registered Office:  
122/2, Ravi Estate,  
Bileshwarpura, Chhatral  
Dist: Gandhinagar

**Shri N. P. Prajapati**  
*Chairman & Managing Director*

**DIRECTORS REPORT**

To  
Dear Shareholders,

Your Directors present the Twenty Eighth Annual Report together with the Audited Statement of Accounts of the Company for the year ended on 31<sup>st</sup> March, 2013.

**FINANCIAL RESULT**

	<b>2012-13</b>	<b>[Rs in Lacs]</b> 2011-12
Gross Income	<b>7907.56</b>	9870.66
Profit before Depreciation & Tax	<b>58.86</b>	46.32
Depreciation	<b>31.70</b>	29.25
Profit after Depreciation	<b>27.16</b>	17.07
Tax- Current	<b>5.18</b>	3.36
Deferred	<b>3.04</b>	0.66
Profit after tax	<b>18.94</b>	13.04

**OPERATIONS**

The Company has more than one business segments namely pharmaceutical formulations and metal recycling division.

**PHARMACEUTICAL DIVISION**

During the year under review, the revenue from operations increase to Rs.2045.93 lacs as compared to Rs.1925.56 lacs from last year and has written off bad debts to the tune of Rs 0.47 lacs as compared to Rs 16.91 lacs during previous year.

**METAL RECYCLING DIVISION**

During the year under review, the revenue from operations decreased from Rs.7940.40 lacs to Rs. 5855.64 lacs.

The Board has decided to stop operation of metal division in view of volatility in prices of raw material in international market and appropriate decision on sale/Demerger/slum Sale will be intimate to shareholders separately for their approval.

**APPROPRIATIONS**

The Company has not recommended any dividend and hence the Board has recommended a transfer of Rs. (NIL) to General Reserve and an amount of Rs.18.94 Lacs has been retained in statement of Profit and Loss.

**LISTING OF SHARES**

The Company's share continues to remain listed with the Bombay Stock Exchange, where the shares are actively traded.

**MANAGEMENT DISCUSSION & ANALYSIS**

Management Discussion and Analysis have been reviewed by the Audit Committee and the same is forming a part of this Annual Report.

**CORPORATE GOVERNANCE**

Pursuant to clause 49 of the listing agreement, a report on corporate governance along with auditors' certificate of its compliance is included as part of the annual report.

**DIRECTORS**

The Clause 65 of Articles of Association of the Company provides that at least two-thirds of our Directors shall be subject to retirement by rotation. One third of these retiring Directors must retire from office at each Annual General Meeting of the shareholders. A retiring Director is eligible for re-election.



Shri Sureshbhai Prajapati and Ms. Monika Patel, Directors will retire by rotation and Shri Sureshbhai Prajapati being eligible, offers himself for reappointment and Ms. Monika Patel, does not offer herself for reappointment.

Shri Surendra P. Pareek and Shri Mahesh N. Singh, Directors, vacated their offices on 07/08/2013 pursuant to Section 283(1) (g) of the Companies Act, 1956.

## STATUTORY DISCLOSURES

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

#### A. Conservation of Energy

- The company has not made any investment [for energy conservation] and taken any specific measures to reduce energy cost per unit. However, it intends to conserve energy for future generation.
- Part A pertaining to conservation of energy is applicable to the Company.

Power and fuel consumption: [Pharma Division]

##### I. Electricity

	<u>Current Year</u>	<u>Previous Year</u>
• Purchased		
Unit	60270	51370
Total Amount	421241	337990
Average Cost	6.99	6.58
• Own generation:	N.A	N.A

Power and fuel consumption: [ Metal Division]

##### II. Electricity

• Purchased		
Unit	9565	105610
Total Amount	109778	1214727
Average Cost	11.48	11.50
• Own generation:	N.A.	N.A

NOTE: The Company has not used coal/furnace oil as fuel during the year and has not generated electricity internally.

#### B. Technology Absorption

There is no Research and Development activity carried out by the Company.

#### C. Foreign Exchange Earnings and Outgo

The Company has earned total foreign exchange of Rs.7.24 Lacs by way of exports in the year 2012-13 (12.35 lacs P.Y).

## PARTICULARS OF EMPLOYEES:

The information as required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended from time to time is nil.

### Human Resource

The Human Resource plays an important and vital role in the growth and success of an organization. The Human Resource Development is an integral part of the Company's Corporate Philosophy. The Company is committed to provide career oriented training to its employees at all levels with an added impetus to build leaders. The company continues to have extremely cordial personnel relations.

## **GUJARAT TERCE LABORATORIES LTD.**

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### **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:

- In preparation of Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- We have 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 end of the financial year and of the profit or loss of the Company for that period;
- 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;
- We have prepared the annual accounts on a going concern basis.

### **CASH FLOW**

A cash flow statement for the year ended 31<sup>st</sup> March, 2013 is attached to the Balance Sheet.

### **AUDITORS AND AUDITORS' REPORT**

The retiring Auditor M/s Pary & Co, Chartered Accountants, Ahmedabad, has indicated their willingness to continue as auditor of the Company. It is proposed to reappoint M/s Pary & Co., Chartered Accountants, Ahmedabad, as auditors of the Company till the conclusion of 28<sup>th</sup> Annual General Meeting. The Company has received certificate from auditor to the effect that the reappointment if made, would be within prescribed limit under Section 224 (1-B) of the Companies Act, 1956.

### **COST AUDIT**

As per the requirement of the Central government and pursuant to Section 233-B of the Companies Act, the Audit of the cost accounts relating to Pharma Sector and Metal Sector is carried out. M/s Koushlya V. Melwani, Cost Accountants, Ahmedabad, was appointed as a cost auditor relating to Pharma division and Metal Division for the year ended on 31<sup>st</sup> March 2013.

### **EXPLANATION TO COMMENTS OF AUDITORS' REPORT**

The auditors have qualified their report in respect of delay in payment of certain statutory dues. It is always our endeavor to pay all statutory dues within the prescribed time limit. The delay, as reported was not intentional and was for few days.

### **FIXED DEPOSITS**

The Company has not accepted any deposits from the public.

### **INSURANCE**

The Company's assets are adequately insured against major risks.

### **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 thanks the Medical Profession, the Trade and Consumers for their patronage of the Company's products. The Board also records its deep appreciation of the creditable services rendered by the Company's employees at all levels.

Date-07/08/2013

**Registered Office:**

122/2, Ravi Estate,  
Bileshwarpura, Chhatral  
Dist: Gandhinagar

For and on behalf of the Board of Directors

**Shri N.P. Prajapati**  
Chairman & Managing Director



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## MANAGEMENT DISCUSSION & ANALYSIS

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

### Industry Structure & Development

Since the Company is going to operate in pharmaceutical segment in 2013-14, the following paragraphs speak on single segment only.

### PHARMACEUTICAL FORMULATIONS

The Pharmaceutical industry in India is the world's third-largest in terms of volume and stands 14th in terms of value. ICRA expects the industry to revert to a growth of 10-12 per cent in 2013-14. In 2012-13, operating profitability indicators of the pharma companies remained fairly stable in comparison to the prior year. While growth momentum in the domestic formulation industry slowed down in 2012-13 owing to a confluence of reasons, ICRA believes that the industry would revert to its long-term growth trajectory in the medium-term as structural growth drivers continue to remain impervious. The growth momentum has picked-up over the past few months and with pricing policy related matters behind us, The impact of new DPCO though expected to be limited, could also get offset by volume expansion and efforts of industry participants to take price hike in rest of the portfolio.

### Opportunities

**Supply** Higher for traditional therapeutic segments, which is typical of a developing market. Relatively lower for lifestyle segment.

**Demand** Very high for certain therapeutic segments. Will change as life expectancy, literacy increases.

**Barriers to entry** Licensing, distribution network, patents, plant approval by regulatory authority.

### Threats

ICRA study states that the margins of Indian pharma companies are currently sensitive to broadly four key factors – a) the implementation of the new pricing policy, b) relatively lower proportion of blockbuster generic opportunities in the US in CY 2013 compared to CY 2011 and CY 2012, c) expectation of increasing R&D spending and d) evolving regulatory reforms across many of the emerging markets which may impact margins. The sharp volatility in foreign exchange and the recent depreciation of INR vis-à-vis US\$ will also have influencing role to play given the dependence on international markets.

The drug price control order (DPCO) continues to be a menace for the industry. There are three tiers of regulations – on bulk drugs, on formulations and on overall profitability. This has made the profitability of the sector susceptible to the whims and fancies of the pricing authority.

### Segment Wise Reporting:

### PHARMACEUTICAL FORMULATIONS

#### Profit:

The profit before tax and interest but after writing off bad debts of Rs 0.47 lacs amounted to Rs 67.88 lacs as compared to Rs 51.91 lacs in the previous year. There was a financial costs of Rs 43.21 lacs.

#### Employees Cost:

The Employees cost was Rs 590.57 lacs in comparison to 515.86 Lacs in the previous Year. The increase in employees cost is due to normal increments/promotions.

### METAL RECYCLING

#### Profit:

The profit before tax of the division amounted to 2.49 Lacs as compared to Rs 8.90 lacs in the previous year.



**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.

**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 the economic conditions, the Government Policies & the other incidental/related factors.

Date-07/08/2013

**Registered Office:**

122/2, Ravi Estate,  
Bileshwarpura, Chhatral  
Dist: Gandhinagar

For and on behalf of the Board of Directors

**Shri N.P. Prajapati**  
*Chairman & Managing Director*



## REPORT ON CORPORATE GOVERNANCE

(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 Bombay Stock Exchange where the shares of the Company have been listed.

### 1. COMPANY'S PHILOSOPHY & CODE OF GOVERNANCE

Your Company believes that corporate governance is not a destination but a continuous journey with an upward moving target. The Company ensures adherence and enforcement of the principles of corporate governance with a focus on transparency, professionalism, fairness, trusteeship and accountability.

All mandatory requirements as also a few non-mandatory requirements prescribed by Clause 49 of the Listing Agreement have been implemented by the Company. Non-mandatory requirements such as formation of Remuneration Committee has been implemented. Codes of business conduct, adopted by the directors and senior management personnel, are posted on the website of the Company. [www.gujaratterce.com](http://www.gujaratterce.com)

All Board members and senior management personnel have affirmed compliance with the respective codes of conduct for the year ended 31<sup>st</sup> March, 2013. In terms of Clause 49 (I) (D) of the Listing Agreement, the Managing Director has given the requisite declaration to this effect. In terms of Clause 49 (V) of the Listing Agreement, the Managing Director(CEO) and Whole Time Director(CFO) have given the requisite certification to the Board of Directors in the prescribed format for the period under review.

### 2. BOARD OF DIRECTORS

#### Composition of board

The strength of the Board as on 31<sup>st</sup> March, 2013 was ten of which, three are executive promoter Directors, two are non-executive promoter Directors and five are independent directors. The requisite particulars are given below: -

Directors	Category	Attendance Particulars			Other Committee Membership	
		Board Meeting	Last AGM	Other Directorships	Member	Chairman
Shri Natwarbhai Prajapati	CM & MD Executive	4	YES	1	NIL	NIL
Shri Pareshbhai Patel	MD & Executive	1	NO	7	NIL	NIL
Shri Amrutbhai Prajapati	WTD-Finance CFO	4	YES	1	NIL	NIL
Shri Sureshbhai Prajapati	DIR-NON IND	4	YES	NIL	NIL	NIL
Ms. Monika Pareshkumar Patel	DIR-NON IND	—	NO	2	NIL	NIL
Shri Kanubhai S. Patel	DIR-IND	4	YES	NIL	NIL	NIL
Shri Gordhanbhai G. Patel	DIR- IND	4	YES	NIL	NIL	NIL
Shri Jayanti S. Prajapati	DIR-IND	4	YES	NIL	NIL	NIL

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

#### BOARD MEETINGS

The Board of Directors oversees management performance in order to ensure adherence to highest standards of corporate governance. The Board evaluates the strategic direction, management policies and their effectiveness and provides guidance and leadership to the management in achieving set goals. Board meeting dates are finalized in consultation with all directors. The Board is regularly apprised about important business related information and developments. Board members express opinions and bring up matters for discussion at its meetings. Board meeting minutes are circulated to all Directors in advance and confirmed at the subsequent Board meeting. Copies of signed minutes of the various Committees of the Board are tabled at Board meetings.