



## BOARD OF DIRECTORS

Mr. Jayesh P. Choksi	-	Chairman & Managing Director
Mr. Khantilal N. Sanghavi	-	Director
Dr. Sharat S. Gandhi	-	Director
Mr. Ashok M. Tarale	-	Director
Mr. Vijay Agarwal	-	Director
Mr. Pranav J. Choksi	-	Director

## COMPANY SECRETARY

Mr. Tejas Pandya

## AUDITOR

S.H.R. & Co.

Chartered Accountant

## BANKERS

State Bank Of India

Commercial Branch, Vile Parle (E).

## REGISTERED OFFICE & SHARES DEPARTMENT

Gufic House ,

Subhash Road – A,

Vile Parle (E),

Mumbai – 400 057.

## REGISTRAR AND TRANSFER AGENTS

INTIME SPECTRUM REGISTRY LIMITED

C – 13, Panhalal Silk Mills Compound,

L.B.S. Road, Bhandup (W) , Mumbai 400 078.

Tel No. 55 55 54 54

## 21st Annual General Meeting

### DAY & DATE

Friday, 30<sup>th</sup> September, 2005

### TIME

2 PM.

### VENUE

Hotel Parle International,

B. N. Agarwal Market,

Next to Dinanath Mangeshkar Hall,

Vile Parle (E), Mumbai - 400 057.

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## Directors' Report

To,

The Members,

Your Directors have pleasure in presenting the Twenty First Annual Report, together with the Balance Sheet and Profit and Loss Account of the Company for the period ended 31<sup>st</sup> March, 2005.

### FINANCIAL RESULTS AND OPERATIONS:

	Rs. In '000 For the year 31 <sup>st</sup> March, 2005	Rs. In '000 For the year 31 <sup>st</sup> March, 2004
Net Sales	536,122	468,291
Profit before interest, depreciation and tax	78,845	62,041
Interest	24,614	25,889
Depreciation	10,839	9,992
Profit before Tax	43,392	26,160
Provision for tax	8,500	1,650
Provision for Deferred Taxation	3,056	6,955
Profit After Tax	31,836	17,555
Surplus brought forward	42,012	35,654
Tax – Earlier Year	(54)	1,205
Deferred Tax – Earlier Year	2,079	(1,183)
<b>Balance available for appreciation</b>	<b>75,873</b>	<b>53,231</b>
<b>A</b>		
Dividend	17,017	8,508
Tax on dividend	2,224	1,111
Transfer to General Reserve	3,100	1,600
Surplus carried forward	53,532	42,012

### FINANCIAL PERFORMANCE:

The year 2004-05 proved to be improved for the Company. During the year under review the Sales and Services increased from Rs. 468291 thousand in the previous year to Rs. 536122 thousand, an increase of 14.48 %. The Profit after Tax grew by 81.35 % from Rs. 17555 thousand in 2003-04 to Rs. 31836 thousand in 2004-05. The Company has been able to achieve this success despite various constraints, including rising input cost and intense market competition.

### DIVIDEND:

The Directors are pleased to recommend a Dividend of 22 % ( Rs. 0.22 ) per equity share for the financial year ended 31<sup>st</sup> March, 2005.

### LISTING:

Your Company is listed with the Mumbai Stock Exchange at P.J. Towers, Dalal Street, Mumbai – 400 001, bearing script code No. 509079 and with the \*National Stock Exchange of India Limited at Exchange Plaza, Bandra – Kurla Complex, Bandra (E), Mumbai – 400 051 bearing script code No. GUFICBIO. The listing fees for the year 2005 – 2006 has already been paid by the Company.

\* The shares of the Company were listed with National Stock Exchange of India Limited on 19<sup>th</sup> October, 2004

During the year under review, the Company has not accepted any deposit under section 58A of the Companies Act, 1956

In terms of provisions of Section 217(2AA) of the Companies Act, your Directors' confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- appropriate accounting policies have been selected and applied consistently and judgements and estimates made 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 ended 31<sup>st</sup> March, 2005 and of the profits of the Company for that period;
- proper and sufficient care has been taken 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;
- the annual accounts have been prepared on a going concern basis.

A Report on Corporate Governance alongwith a Certificate from the Auditors of the Company regarding compliances with the conditions of Corporate Governance pursuant to Clause 49 of the Listing Agreement is annexed hereto.

The information required 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 is annexed hereto and forms part of this Report.

There are no employees drawing remuneration above the limits specified under Section 217 (2A) of the Companies Act, 1956.

Dr. S. S. Gandhi, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible offer himself for reappointment.

Mr. Ashok Tarale, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible offer himself for reappointment.

Members are requested to appoint Auditors for the ensuing year. M/S. SHR. & Co., Chartered Accountants, retires and being eligible offer themselves for reappointment.

As required per proviso to Section 224(1) of the Companies Act, 1956, a written certificate has been obtained by the Company from the Auditors, M/S. SHR. & Co., Chartered Accountant, certifying that, if they are appointed Auditors of your Company, such appointment would be within the limits specified in Section 224(1)(B) of the Companies Act, 1956.

Your Directors would like to place on record their sincere gratitude to the Shareholders, Financial Institutions, Bankers, Business Associates, Medical Professionals, Customers, Government, other Regulatory Agencies for their continued support and faith in the Company. Your Directors are also happy to place on record their appreciation for the whole-hearted co-operation, commitment and contribution made by all the staff members of GUFIC FAMILY and look forward to their continued support.

By Order of the Board of Directors,

Report  Junction.com

**Jayesh P. Choksi**  
Managing Director

Mumbai, 1st September 2005

**Registered office:**

Gufic House,  
Subhash Road- A,  
Vile Parle (E),  
Mumbai 400 057.

## Management Discussion & Analysis Report:

### INDUSTRY STRUCTURE

Indian companies accounts for nearly eight per cent of the total pharmaceutical production in the world. The US manufacturing outsourcing market represent the most scalable opportunity for the Indian Pharmaceutical industry in a new product patent-respecting environment. Indian companies possess the requisite infrastructure to capture a growing proportion of this market. Though Indian companies possess the requisite infrastructure all pharmaceutical companies do not have the required R&D capabilities, this new patent regime is thus necessitating an increase in research and development spends. The combination drug segments have dominated the market and the highest contribution came from therapeutic groups such as Cardiac, anti-Diabetic and Vitamin. Our Company has established its credentials as a strong player in this fast growing segment.

The Indian Patents Third Amendment Bill 2005 re-establishes patent protection for pharmaceuticals products in India amending the Patent Act of 1970 which only recognized process patents. With this legislation, India has taken an important step towards complying with its TRIPS obligation.

Some of the salient features of the Patent Law, 2005, are extension of product patents to foods, drugs and chemicals with 20 years of exclusivity, compulsory licensing option under certain conditions (e.g. unaffordable price) has been retained, but the intent is to use it in limited cases, provision to allow both pre-grant and post-grant opposition to patents. It is expected that over a period of time, the new law will have a significant impact on the industry structure and the operating environment. Over the next 5-10 years, the influence of specialty and innovator companies is likely to increase, from the current highly fragmented industry structure dominated by local companies.

### OPPORTUNITIES AND THREATS

#### Opportunities

We have been introducing innovative products in niche segment such as gastroenterology, gynaecology, orthopaedics, anti-infectives, herbal, biotechnology, etc. The new products are introduced in a market which is minimum 50 crores and growing at a very high pace. Above all, biotechnology has a very good future. Lot of research is being undertaken for technology development. Globally, India is one of the lowest-cost manufacturing bases in the pharmaceutical industry. Indian manufacturers produce drugs at 40% to 50% of the cost incurred elsewhere due to cheap labour. Many neighbouring countries import medicines from India, which could help to develop the drug market.

#### Threats

All the major Pharma companies will be entering into biotechnology segment. So, price war will be high and maintaining the loyal customers will be very difficult. There has been continues pressure on prices. Price regulation affects Indian pharma companies as well. The National Pharma Pricing Authority (NPPA) sets the prices of different drugs, leading to a lower profitability for the companies. There has been an increase in unhealthy competition from the proliferation of small manufacturers using unethical methods which erodes margins and market shares.

Sales for last 2 years is as follows:

	Rs. in '000	Rs. in '000
	2004-05	2003-04
Formulation	183430	148992
Bulk Drugs	59216	63266
Consumer Products	94778	106381
Chemicals	102718	80227
Agro Products	118234	8808
<b>Total</b>	<b>558376</b>	<b>487674</b>



## **OUTLOOK**

Your Company has an ability to confront challenges and turn them into strengths. The Company also happens to improve its profitability from its existing business by minimizing cost. Our company will also focus on improving and widening the existing distribution network and prescription share through intensive training of its marketing team across all levels. The company's strong R&D team continues to focus on the development of new products through value-addition and improved dosage forms.

## **RISK AND CONCERN**

From January, 2005, the new product patent regime is in place. Due to this it will not be possible for Indian companies to launch products patented January 1, 1995 onwards. This could lead to slowdown in growth of domestic formulation revenues. Our industry is subject to Drug Price Control Order (DPCO). The new (DPCO), which has still not yet taken final shape, may have adverse effect on the prices of products marketed by the company.

## **INTERNAL CONTROL SYSTEM**

Your Company has adequate system of internal control which is commensurate with the nature and size of the organisation. Strong internal controls have been designed to prevent the fraud and misuse of the Company's resources and to protect shareholders' interests. The internal audit procedures constantly monitor the controls and any feedback, positive or negative, is communicated directly to the management. Any changes in the internal control that is recommended is studied and implemented.

## **HUMAN RESOURCES DEVELOPMENT**

Management considers personnel as vital part of the Company. Our Company has given emphasis to upgrading the skills of its technical and marketing personnel. Steps are being taken for effective use of the available manpower. The Company's HR policy is to attract and retain the best talent.



## CORPORATE GOVERNANCE REPORT

### 1. Company's Philosophy on Code of Governance:

The Company has always worked towards building trust with shareholders, employees, customers, suppliers, and diverse stake-holders on four key elements of corporate governance transparency, fairness, disclosure and accountability and would constantly endeavour to improve on these aspects.

### 2. Board of Directors:

The Board of Directors consists of 6 Directors, comprising of 1 Managing Director and remaining 5 directors are of Non – Executive category. The Managing Director of the Company is also the Chairman of the Board. The Chairman is an Executive Director and number of Independent Directors is more than One half of the total number of Directors. The size and compositions of the Board conforms to the requirements of the Corporate Governance code under the Listing Agreement with the Stock Exchange.

Ten Board Meetings were held in the year 2004 – 2005 on:

- |                                   |                                   |                                    |
|-----------------------------------|-----------------------------------|------------------------------------|
| 1. 1 <sup>st</sup> June 2004      | 2. 25 <sup>th</sup> June 2004     | 3. 1 <sup>st</sup> July 2004       |
| 4. 30 <sup>th</sup> July 2004     | 5. 30 <sup>th</sup> August 2004   | 6. 30 <sup>th</sup> September 2004 |
| 7. 29 <sup>th</sup> October 2004  | 8. 19 <sup>th</sup> November 2004 | 9. 17 <sup>th</sup> January 2005   |
| 10. 7 <sup>th</sup> February 2005 |                                   |                                    |

The details as to Composition, Status, Attendance at the Board Meetings, and the last Annual General Meeting, outside Directorship and other Committees membership are as follows:

Name of the Director	Status i.e Executive, Non – Executive and Independent Director	No. of Board Meetings attended out of 10 held	No. of membership in other Boards or Committees as a member or Chairman		Whether attended the last AGM
			Board	Committee	
Mr. Jayesh P. Choksi (Chairman & Managing Director)	Executive and Non – Independent	10	6	NIL	YES
Mrs. Vipula Choksi *	Non– Executive and Non – Independent	2	5	NIL	NA
Mr. K. N. Sanghavi	Non-Executive and Independent	10	NIL	NIL	YES
Dr. Sharat S. Gandhi	Non– Executive and Independent	10	NIL	NIL	YES
Mr. Ashok M. Tarale	Non– Executive and Independent	9	NIL	NIL	NO
Mr. Vijay Agarwal	Non– Executive and Independent	9	6- Member	1- Chairman & 2- Member	YES
Mr. Pranav J Choksi **	Non– Executive Non-Independent	3	3	NIL	NO

\* Mrs. Vipula J Choksi resigned from directorship w.e.f. 25<sup>th</sup> June 2004.

\*\* Mr. Pranav J Choksi, was appointed as Additional Director at the meeting of the Board of Directors held on 25<sup>th</sup> June 2004.



### 3. Audit Committee:

The Audit Committee, consists of three Directors, namely Mr. Vijay Agarwal (Chairman), Dr. S. S. Gandhi and Mr. K. N. Sanghavi, all of them are independent Director. The Managing Director, head of Finance along with auditors were invited to the audit committee meetings. Company Secretary acts as a Secretary to the Committee. The constitution, functions and the terms of the reference of the Audit Committee are those prescribed under clause 49 of the Listing Agreement as well as under Section 292 A of the Companies Act, 1956. During the year meetings were held on 29<sup>th</sup> June 2004, 12<sup>th</sup> August 2004, 27<sup>th</sup> August 2004 and 11<sup>th</sup> January 2005. The information on the meetings and attendance at the Audit Committee meetings during the year ended 31<sup>st</sup> March 2005 is as under.

Name of the Director \ member	No. of meeting attended out of 4 meetings held
Mr. Vijay Agarwal (Chairman)	4
Dr. S. S. Gandhi	4
Mr. K. N. Sanghavi	4

### 4. Remuneration Committee and Remuneration of the Directors :

The Remuneration Committee of the Company consists of Dr. S. S. Gandhi (Chairman), Mr. Vijay Agarwal and Mr. K. N. Sanghavi. All the members of the committee are Non—Executive Director. The Committee has power to determine the remuneration of the executive directors of the Company as per the provision of Clause 49 of the Listing Agreement and applicable provisions of the Companies Act, 1956. The details of the remuneration paid to the Director during the year ended 31<sup>st</sup> March 2005, is given below.

Directors.	Salary Rs.	Perquisites \ allowances Rs.	Commission Rs.	Total Rs.
Mr. Jayesh P. Choksi- Managing Director	9,66,000	Nil	4,38,286	14,04,286

### 5. Shareholders Grievances Committee :

The Company has constituted Shareholders Grievances Committee consisting of Mr. K. N. Sanghavi and Mr. Vijay Agarwal as member of the Committee and Company Secretary acts as Compliance Officer. During the year ended 31<sup>st</sup> March 2005, Company had received 4 complaints from the shareholders and all were resolved satisfactorily. There are no pending request for transfer, dematerialization or rematerialisation.

### 6. General Body Meetings

**The last three Annual general Meetings of the Company were held as under:**

Year	Location	Date	Time Passed	No. of Special Resolution
2001 – 2002	Hotel Parle International, Vile Parle (E)	27.09.02	10.00 a.m.	1
2002 – 2003	Hotel Atithi, 77 A & B, Orchid, Vile Parle (E)	29.09.03	10.30 a.m.	3
2003 – 2004	Hotel Parle International, Vile Parle (E)	28.09.04	10.30 a.m.	--

**7. Disclosures:**

- During the year under review besides the transactions reported in Notes to Accounts (Refer note No. 21) there were no other related transactions with the promoters, directors, management and subsidiaries that has potential conflict with the interest of the Company at large.
- During the last three years, there were no strictures or penalties imposed by SEBI or the Stock Exchange or any statutory authority go for non compliance of any matter related to capital markets.

**8. Means of Communication:**

• Half yearly results sent to each household of the shareholders	No
• Quarterly results	The results of the company are published in news papers
• News papers Quarterly results are published in	Free Press Journal and Nav Shakti
• Any web site on which quarterly results of the Company are displayed	None
• Presentation made to the institutional investors or the analysts	None
• Whether Management Discussion and Analysis Report is a part of the Annual Report	Yes

**9. General Shareholders Information:**

AGM: DATE, TIME AND VENUE	30 <sup>th</sup> September, 2005 at 2.00 p.m. at Hotel Parle International, Vile Parle (E) Mumbai 400 057
Financial calendar	First Quarter Results - Last week of July Second Quarter Results - Last week of October Third Quarter Results - Last week of January Last Quarter Results - Last week of April
Date of Book Closure	24 <sup>th</sup> September 2005 to 30 <sup>th</sup> September 2005 (Both days inclusive)
Dividend payment date	The dividend recommended, if declared at the forthcoming Annual General Meeting scheduled to be held on 30 <sup>th</sup> September, 2005, will be dispatched on or before 29 <sup>th</sup> October, 2005.
Listing on Stock Exchanges	The Stock Exchange, Mumbai (Stock Code: 509079) * National Stock Exchange of India Ltd. (Stock Code: GUFICBIO) * The shares of the Company were listed with the National Stock Exchange of India Ltd. on 19 <sup>th</sup> October, 2004.
Demat Arrangement with NSDL and CDSL – Demat ISIN	INE742B01025