

GUJARAT TERCE LABORATORIES LIMITED



TWENTIETH ANNUAL REPORT 2004-2005

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. UJAL S. MEHTA & ASSOCIATES
CHARTERED ACCOUNTANTS,
25, 2nd Floor, Avani Complex,
B/h. Navrangpura Police Station,
Navrangpura, Ahmedabad - 380 009.

BANKERS :

BANK OF BARODA
Ellisbridge Branch,
Ahmedabad.



NOTICE

Notice is hereby given that the Twentieth Annual General Meeting of the Members of Gujarat Terce Laboratories Limited will be held on Friday, 30th September, 2005 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 2005, 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 Ashok L Prajapati, who retires by rotation and being eligible, offers himself for reappointment.
3. To Reappoint 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

4. To consider, and if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution
 " **RESOLVED THAT** in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956. Mr. Ashwinbhai N. Shah in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director be and is hereby appointed as Director of the Company"
5. To consider, and if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution
 " **RESOLVED THAT** in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956. Mr. Kanubhai S. Patel in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director be and is hereby appointed as Director of the Company"

By Order of the Board of Directors

30th June, 2005
 Registered office:
 122/2 Ravi Estate,
 Bileshwarpura, Chhatral Dist: Gandhinagar

N.P. Prajapati
Managing Director

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.
3. The Register of Members and Transfer Book of the Company will be closed from Thursday, 22/9/2005 to Friday, 30/9/2005 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.

Gujarat Terce Laboratories Limited**EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956**

The following Explanatory Statement sets out all material facts relating to the Special Business at item 4 to 5 in the accompanying Notice.

Item No. 4

The Company has received a notice in writing from a member proposing the candidature of Mr. Ashwinbhai N. Shah for the Office of Director under the Provisions of Section 257 (I) of the Companies Act, 1956. Mr. Ashwinbhai Shah aged 45 years is B.Pharm and has vast experience of Pharma Industry.

The Directors recommend the Resolution set out at item No.4 of the Notice for approval of the Shareholders. None of the other Directors is in any way concerned or interested in the said Resolution.

Item No. 5

The Company has received a notice in writing from a member proposing the candidature of Mr. Kanubhai S. Patel for the Office of Director under the Provisions of Section 257 (I) of the Companies Act, 1956. Mr. Kanubhai S. Patel aged 45 years is M.Com B.Ed. and he has experience in Human Resource development.

The Directors recommend the Resolution set out at item No.5 of the Notice for approval of the Shareholders. None of the other Directors is in any way concerned or interested in the said Resolution.

By Order of the Board of Directors

30th June, 2005

Registered office:

122/2 Ravi Estate,

Bileshwarpura, Chhatral Dist: Gandhinagar

N.P. Prajapati
Managing Director

PROFILE OF THE DIRECTORS SEEKING APPOINTMENT/REAPPOINTMENT.

Name of the Director	ASHWINBHAI N. SHAH	KANUBHAI S. PATEL
Date of Birth	1st JUNE, 1954	1st JUNE, 1960
Expertise in specific functional areas	Pharmaceutical Manufacturing	H.R.D.
Qualifications	B.Pharm	M.Com. B.Ed.
Directorships held in other companies	NIL	NIL
Committee position held in other companies	NIL	NIL

DIRECTORS' REPORT

To
The Members

Your Directors presents their twentieth Annual Report together with the Audited Statement of Accounts of the Company for the year ended on 31st March, 2005.

FINANCIAL RESULTS:

	2004-05 (Rs. in Lac)	2003-04 (Rs. in Lac)
Gross Income	726.26	719.08
Profit before Depreciation & Tax	18.64	16.33
Depreciation	14.17	15.07
Profit after Depreciation	4.47	1.27
Tax - Current	2.68	0.53
Deferred	(2.91)	(0.05)
Profit after tax	4.65	0.79
Profit brought forward from previous year.	21.99	21.20
Balance Carried To Balance Sheet	26.64	21.99

MANAGEMENT DISCUSSION & ANALYSIS :

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

DIRECTORS

After the close of the accounting Year the company appointed Dr. Asha Ghaswala, Smt. Bhavna Barot and Yogini Brahmhatt as additional directors who will cease to be directors at the end of 20th Annual General Meeting.

Shri Devang G Chaudhari and Shri Dinesh Chaudhari resigned on 20.04.2005 after their long association with your company due to personal reasons. The Board placed on record their appreciation for their services and guidance provided during their tenure.

CORPORATE GOVERNANCE

A detailed report on Corporate Governance along with Auditor's Certificate on its compliance is attached as Annexure to this report.

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 have been followed along with proper explanation relating to material departures;
- (ii) We 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 end of the financial year and of the profit or loss of the company for that period;
- (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.

Gujarat Terce Laboratories Limited**AUDITORS AND AUDITORS' REPORT:**

It is proposed to reappoint M/s Ujal S. Mehta & Associate, Chartered Accountants, Ahmedabad as auditors of the Company till the conclusion of twenty first Annual General Meeting. The Company has received certificate from the auditors to the effect that the reappointment 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:

1. Part A and B pertaining to conservation and technology absorption are 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	80786	81860	427112	432555	5.29	5.28
Consumption Per Unit Of Production.						
					Current year	Previous year
Electricity In units					0.0025	0.0022

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

2. The Company has earned total foreign exchange of RS 79.13 Lac by way of exports in the year 2004-05 and spent RS 7.63 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, 2005

Registered office:

122/2 Ravi Estate,

Bileshwarpura, Chhatral Dist: Gandhinagar

N.P. Prajapati
Managing Director

MANAGEMENT DISCUSSION & ANALYSIS

The Company operates only in Pharmaceutical Formulations segment.

INDUSTRY STRUCTURE & DEVELOPMENT

The Indian pharmaceutical industry is expected to grow at around 11 per cent, from Rs. 396 billion in 2003-04 to Rs. 600 billion in 2007-08, driven primarily by exports to regulated markets like the US and Europe. The government has increased its focus on healthcare by increasing allocation under the National Rural Health Mission from Rs. 84.2 billion to Rs. 102.8 billion. The focus is now on increasing the supply of medicines and training medical personnel.

With the implementation of the product patent regime from January 1, 2005, the domestic formulations market will see a slowdown in growth, as the introduction of new products through the reverse engineering route will become difficult. In the domestic formulations market, the growth rate for the first 9 months in 2004-05 slipped to 5.5 per cent from 14.5 per cent in the corresponding period of 2003-04. CRIS INFAC expects the growth rate to stabilize at 5-6 per cent till 2006-07. This growth is expected to be sustained through the increase of prescription share in the market, though pricing is expected to be flattish to downwards. Thus, players focusing only on the Indian markets are expected to lose out in the race.

OPPORTUNITIES & THREATS

Opportunities:

With around \$65 billion worth of drugs going off patent by 2008-09, exports are expected to grow at around 18 per cent, from about Rs. 155 billion in 2003-04 to about Rs. 294 billion in 2007-08. The share of exports in 2003-04 was around 38 per cent and is expected to touch around 50 per cent in 2007-08. Thus, focusing on these generic markets are expected to benefit. The advantage of lower manufacturing costs vis-à-vis the international counterparts, are also expected to result into the generics and contract manufacturing businesses.

Threats:

- Risks of competition, litigation, and regulatory & legislative reforms in the industry.
- The increased regulatory uncertainty in terms of excise duty payments and the implementation of VAT.
- Decreasing prices, owing to competition among domestic formulations market players.

OPERATIONAL & FINANCIAL PERFORMANCE

The company has only one business segments namely formulations. Net sales increased by 0.68% from Rs. 698.43 lac in 2003-04 to Rs. 703.15 in 2004-05.

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)

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

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

2. BOARD OF DIRECTORS**Composition of Board:**

The Board of Directors consists of 6 [Six] members, out of whom two are executive director and four are non-executive directors. The company has an executive Chairman and the number of independent director 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 Directors have made the necessary disclosures regarding Committee positions.

The Composition of the Board as on 31st March 2005 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.

Resigned on 20.04.2005 Shri Devang G Chaudhari & Shri Dinesh Chaudhari

Details of Board Meetings held during the year 2004-05

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
30/06/04	4
31/07/04	4
31/10/04	4
31/01/05	4

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

3. AUDIT COMMITTEE

The Audit Committee comprises of 3 Non Executive Directors & majority of them are 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 Audit Committee met four times during the year under review on the following dates

30/6/04, 31/07/04, 31/10/04 & 31/01/05

The number of meeting attended by each member were as follows

Committee Member	Designation	Attendance
Shri Devang G. Chaudhari	Non executive Independent	NIL
Shri Paresh M. Chaudhari	Non executive	4
Shri Ashok L. Prajapati	Non executive Independent	4

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, the adequacy of Internal control system;
- Discussing with the external auditors before the audit commences, the nature and scope of audit as well as have post audit discussions to ascertain any area of concern;
- Reviewing the company's financial & risk management policies;
- To look into the reasons for substantial defaults in the payment to the creditors.

4. REMUNERATION COMMITTEE

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 2004 -2005 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	13,167	1,259

The non-executive Directors are paid Rs. 350/- sitting fees for every meeting of the Board attended by them.