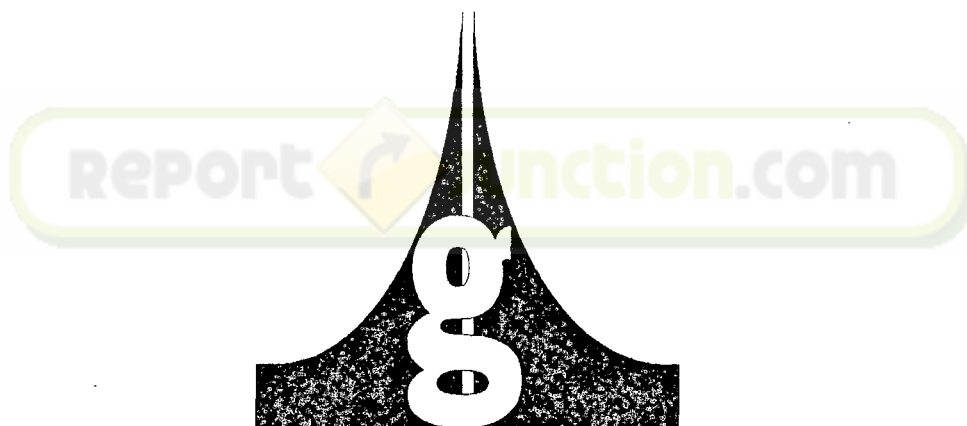


GUJARAT TERCE LABORATORIES LIMITED



TWENTY FORTH ANNUAL REPORT 2008-2009

BOARD OF DIRECTORS

Shri Natwarbhai P. Prajapati
Chairman & Managing Director

Shri Amrutbhai P. Prajapati
Whole Time Director (CFO)

Shri Sureshbhai P. Prajapati
Director

Shri Gordhan G. Patel
Director

Shri Kanubhai S. Patel
Director

Shri Jayanti S. Prajapati
Director

Ms. Heta Shroff
Company Secretary

REGISTERED OFFICE/FACTORY :

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

ADMINISTRATIVE OFFICE :

6th Floor, Arjun Towers, Opposite Deepkala Junction, Near Chiripal House, Shivranjani Cross Road, Satellite, Ahmedabad – 380 015

AUDITORS :

M/S. GOENKA TAPADIYA & ASSOCIATES
CHARTERED ACCOUNTANTS

SECRETARIAL AUDITOR:

Pinakin Shah
Practicing Company Secretary
C-103, Panchdhara Plaza, Satellite Road, Ahmedabad - 380015.

BANKERS :

BANK OF BARODA
Ellisbridge Branch, Ahmedabad.

REGISTRAR & SHARE TRANSFER AGENT:

Pinnacle Shares Registry Pvt. Ltd.
Nr. Ashoka Mills, Naroda Road, Naroda, Ahmedabad - 380025.

Gujarat Terce Laboratories Limited**NOTICE**

Notice is hereby given that the Twenty Forth Annual General Meeting of the Members of Gujarat Terce Laboratories Limited will be held on Wednesday, 30th September, 2009 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 31st March 2009, the Profit & Loss Account 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 P. Prajapati, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint Auditors in place of retiring auditor and fix their remuneration.

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 of the Company, in place of M/s. Goenka Tapadiya & Associates, Chartered Accountants, Ahmedabad, the retiring Auditors of the Company, who do not offer themselves for reappointment, to hold office from conclusion of this Annual General Meeting up to conclusion of next Annual General Meeting of the Company on such remuneration as may be fixed by the Board of Directors of the Company."

SPECIAL BUSINESS:

4. To consider & if thought fit to pass with or without modifications the following resolution as a Special Resolution.

"RESOLVED THAT pursuant to provisions of section-31 and other applicable provisions of the Companies Act, 1956, if any, a new set of Articles of Association amended as placed before the meeting and initialed by the Chairman for identification purpose be & is hereby approved."

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

"RESOLVED THAT Shri Gordhan G. Patel whose term of office as an Additional Director of the Company expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a Member proposing the candidature of Shri Gordhan G. Patel for the office of Director, be and is hereby appointed as Director of the Company."

6. To consider & if thought fit to pass with or without modifications the following resolution as an ordinary resolution.

"RESOLVED THAT Shri Kanubhai S. Patel whose term of office as an Additional Director of the Company expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a Member proposing the candidature of Shri Kanubhai S. Patel for the office of Director, be and is hereby appointed as Director of the Company."

7. To consider & if thought fit to pass with or without modifications the following resolution as an ordinary resolution.

"RESOLVED THAT Shri Jayanti S. Prajapati whose term of office as an Additional Director of the Company expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a Member proposing the candidature of Shri Jayanti S. Prajapati for the office of Director, be and is hereby appointed as Director of the Company."

By Order of the Board of Directors

30th June, 2009

Registered office:

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

N.P. Prajapati

Chairman & 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. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
3. Share transfer documents and all correspondence relating thereto, should be addressed to Registrar and Share Transfer Agents of the Company, M/s Pinnacle Shares Registry Private Ltd., Nr. Ashoka Mills, Naroda Road, Naroda, Ahmedabad-380 025, Tel.: 079-22204226, 22200591, 22200582, Fax: +91-79-2220 29 63 E-mail girish.patel@psrpl.com.
4. Members who hold shares in physical form are requested to notify immediately any changes in their addresses to the Registrar and Share Transfer Agents at the above address and to their depository participants, in case shares are held in electronic mode.
5. Shareholders/proxies are requested to produce the attendance slip at the entrance of the Meeting Hall.
6. The Register of Members and Transfer Book of the Company will be closed from Wednesday, 23/09/2009 to Wednesday, 30/09/2009 [Both days inclusive].
7. 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.
8. An Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 in respect of Special Business is annexed hereto.
9. At the ensuing Annual General Meeting, Shri Sureshbhai P. Prajapati shall retire by rotation and being eligible, offers himself for reappointment. Shri Gordhan G. Patel, Shri Kanubhai S. Patel and Shri Jayanti S. Prajapati whose term of office as Additional Directors of the Company also expire at ensuing Annual General Meeting and also offer themselves for reappointment.

Pursuant to Clause 49 of the Listing Agreement, the particulars of Directors to be reappointed are given below:

NAME	AGE	QUALIFICATION .	OTHER MEMBERSHIP
Shri Sureshbhai P. Prajapati (Businessman)	47 Years	B.Sc.	NIL
Shri Gordhan G. Patel	50 Years	Commerce Graduate	NIL
Shri Kanubhai S. Patel	49 Years	M.Com. , B.Ed.	NIL
Shri Jayanti S. Prajapati	58 Years	M.Com. , B.Ed.	NIL

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

Item no 4

The present Articles of Association of the Company was based on the Companies Act, 1956, as amended till that point of time. The Act has since been amended several times. Moreover certain other Acts also have affected various provisions of the Companies Act, 1956.

The directors of the Company believe that it is desirable that the Articles of Association of the Company be revised so that they fully reflect not only the law governing the company and rules and regulations made thereunder, but must also be in conformity with modern secretarial practices and must also comply with the requirements of the listing agreements of the stock exchanges on which the company's shares are listed.

Since the proposed alterations, deletions, insertions etc. to the present Articles of Association are numerous, it is more convenient to adopt an altogether new set of articles of association incorporating all the proposed alterations.

Gujarat Terce Laboratories Limited

Your directors commend the proposed resolution for your consideration and adoption of the new set of Articles of Association of the Company to replace of the existing Articles of Association of the company.

None of the Directors of the Company is concerned or interested in the said Resolution.

Item no 5, 6 & 7

Shri Gordhan G. Patel, Shri Kanubhai S. Patel and Shri Jayanti S. Prajapati were appointed by the Board of Directors as Additional Directors of the Company on 01/04/2009 and hold office up to the date of this Annual General Meeting under Section 260 of the Companies Act, 1956. Shri Gordhan G. Patel, Shri Kanubhai S. Patel and Shri Jayanti S. Prajapati are eligible for reappointment and in respect of whom the Company has received notice in writing under Section 257 of the Companies Act, 1956 from a Member proposing their candidature for the Office of Director.

The Board commends the Resolution in the interest of the Company.

None of the Directors of the Company, except Shri Gordhan G. Patel, Shri Kanubhai S. Patel and Shri Jayanti S. Prajapati, are concerned or interested in the said Resolution.

By Order of the Board of Directors

30th June, 2009

Registered office:

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

N.P. Prajapati

Chairman & Managing Director

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DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the Twenty Forth Annual Report together with the Audited Statement of Accounts of the Company for the year ended on 31st March, 2009.

FINANCIAL RESULTS:

	2008-09 (Rs. in Lac)	2007-08 (Rs. in Lac)
Gross Income	1687.54	1330.64
Profit before Depreciation & Tax	23.49	30.81
Depreciation	17.03	15.08
Profit after Depreciation	6.46	15.73
Tax- Current	5.84	6.12
Deferred	-2.22	-5.21
Profit after tax	2.84	14.82
Profit brought forward from previous year.	46.91	32.09
Balance Carried To Balance Sheet	49.74	46.91

CORPORATE GOVERNANCE

A detailed Report on Corporate Governance system of the Company is provided in the Annual Report.

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 Pharmaceutical Industry today is in the front rank of India's science-based industries with wide ranging capabilities in the field of drug manufacture and technology. A highly organized sector, the Indian Pharma Industry is estimated to be worth \$ 4.5 billion, growing at about 8-9 % annually. It ranks very high in the third world, in terms of technology, quality and range of medicines manufactured. From simple headache pills to sophisticated antibiotics and complex cardiac compounds, almost every type of medicine is now made indigenously.

The Indian Pharmaceutical Industry has advantage of Competent workforce, Cost-effective chemical synthesis, solid Legal & strong Financial Framework, Information & Technology and Free Market Economy & Globalisation.

In order to stay competitive, Indian companies have to focus on how well it markets its products to several regions and distributes risks, forward and backward integration capabilities, R&D, consolidation through mergers and acquisitions, co-marketing and licensing agreements.

Opportunities & threats

Factors favouring the company are a strong marketing set up, low price and the advantage of the English language. The company operates in select states and vast market is yet to be tapped.

The company continues to carry risks of competition in the industry. The company needs to attain the right product-mix for sustained future growth. It is an extremely fragmented market with severe price competition and government price control.

Operational & Financial Performance

The Company has only one business segment namely formulations. During the year 2008-09 net sales increased by 26.82% i.e. from Rs 1330.64 lac in 2007-08 to Rs 1687.54 in 2008-09. The profit of the Company has come down because of written off of Deferred Revenue Expenditure of Rs.22.59 lacs and Product Launching expenditure of Rs.5.65 lacs. Moreover the expenses towards employees have increased by 50 % due to launching of Company in Madhya Pradesh and Uttar Pradesh.

Capital

During the year under review the Company has issued 10,25, 000 Equity Shares of Rs. 10 each for cash at par on preferential basis to promoters and persons not associated with promoters. The said Shares are under lock-in as per Clause 13.3.1 of SEBI

Gujarat Terce Laboratories Limited

guidelines for preferential issues. The Mumbai Stock Exchange has listed the said Shares wide letter dated 22/10/2008 and issued Trading permission wide notice dated 16/12/2008 . The proceeds of the issue are utilised to meet long term working capital requirement.

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 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.

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.

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 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;
- (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.

DIRECTORS

Shri Sunil H. Talati, Shri Devang Nanavati and Dr Rupesh Mehta resigned from the Directorship w.e.f. 01/04/2009 due to their personal reasons. The Board is grateful to them for services rendered by them.

Shri Harisingh L. Chaudhary ceased to be director w.e.f. 30/06/2009 due to his sudden death. The Board expresses sincere condolences and recognizes his valued services to the Company.

Shri Gordhan G. Patel, Shri Kanubhai S. Patel and Shri Jayanti S. Prajapati were appointed as Additional Directors on 01/04/2009 and hold position till next Annual General Meeting. They being eligible for reappointment, offer themselves for reappointment. The company has received notice in writing under Section 257 of the Companies Act, 1956 from member/s proposing their candidature for the office of Director.

Shri Suresh P. Prajapati retires by rotation at the ensuing Annual General Meeting and, being eligible, offers himself for reappointment.



AUDITORS AND AUDITORS' REPORT:

The retiring auditors M/s Goenka Tapadiya & Associates, Chartered Accountants, Ahmedabad have desired that they would like to continue as auditors of the Company under their associate concern M/s Pary & Co., Chartered Accountants, Ahmedabad. It is proposed to appoint M/s Pary & Co., Chartered Accountants, Ahmedabad as auditors of the Company till the conclusion of Twenty Fifth Annual General Meeting. The Company has received certificate from M/s Pary & Co. auditors to the effect that the reappointment if made, would be within prescribed limit under Section 224 (1-B) of the Companies Act, 1956.

EXPLANATION TO COMMENTS OF AUDITORS' REPORT:

The auditors have qualified their report in respect of retirement benefits, foreign currency transaction, doubtful debts and non-provisions for the diminution of market value of investment.

- The gratuity liability could not be worked out since company is not having the availability of actuary services.
- The management has not considered the profit of exchange rate fluctuation under the principles of conservatism.
- The provision for bad & doubtful debt is not made as the matter is under dispute.
- The amount of diminution is small and it does not affect the true and fair view of the Annual Accounts and hence no provision for diminution of market value of investment is made.

FIXED DEPOSITS:

The Company has not accepted any deposits from the public.

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 :

I. Electricity	Current Year	Previous Year
• Purchased		
Unit	12420	25625
Total Amount	96218	181440
Average Cost	7.75	7.08
Per unit of Production	0.0388	0.0096
• Own generation : 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. 2.11 Lac by way of exports in the year 2008-09 and no amount was spent on 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, 1975 as amended from time to time is nil.

ACKNOWLEDGMENTS:

The Board expresses its 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.

For and on behalf of Board of Directors

30th June, 2009

Registered office:

122/2 Ravi Estate,

Bileshwarpura, Chhatral Dist: Gandhinagar

N.P. Prajapati

Chairman & Managing Director

Gujarat Terce Laboratories Limited

REPORT ON CORPORATE GOVERNANCE

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

MANDATORY REQUIREMENTS

1. Company's Philosophy & Code of Governance

The Company believes in setting good and ethical corporate governance practices. The Company is managed by the Managing Director under the supervision and control of Board of Directors.

Your Company's corporate governance policy is directed towards

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

2. Board of Directors

Composition of Board:

The composition of the Board is in conformity with clause 49 of the Listing Agreement. The Board consists of 6 [Six] members. The Company has Executive Chairman and half of the Board consists of Independent Directors. 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 31/03/2009 was as under:

Directors	Category	Attendance Particulars			Other Committee Membership	
		Board Meeting	Last AGM	Other Directorships	Member	Chairman
Shri Natwarbhai P. Prajapati	CM & MD Executive	7	YES	NIL	NIL	NIL
Shri Sureshbhai P. Prajapati	DIR-IND	6	YES	NIL	NIL	NIL
Shri Amrutbhai P. Prajapati	WTD-FINANCE CFO	7	YES	NIL	NIL	NIL
Shri Sunil H. Talati*	CM & DIR- IND	1	NO	3	NIL	NIL
Shri Devang S. Nanavati*	DIR-IND	0	NO	NIL	NIL	NIL
Shri Kanubhai S. Patel **	DIR-IND	0	NO	NIL	NIL	NIL
Shri Dr Rupesh Mehta *	DIR-IND	1	NO	2	NIL	NIL
Shri Gordhanbhai G. Patel **	DIR- IND	0	NO	NIL	NIL	NIL
Shri Harisingh L. Chaudhary ***	DIR-IND	0	NO	NIL	NIL	NIL
Shri Jayanti S. Prajapati**	DIR-IND	0	NO	NIL	NIL	NIL

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

* Resigned w.e.f. 01/04/2009.

** Appointed w.e.f. 01/04/2009

*** Ceased due to death w.e.f. 30/06/2009

Details of Board Meetings held during the year 2008-09

7 (Seven) 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
01/05/2008	4
30/06/2008	3
15/07/2008	3
31/07/2008	3
23/10/2008	3
26/12/2008	3
31/01/2009	3

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



3. AUDIT COMMITTEE

The terms of reference, role and scope to this Committee, inter-alia, covers all the matters specified under section 292A of the Companies Act, 1956 and also all the matters listed under Clause 49 of the Listing Agreement with Stock Exchanges such as oversight of Company's financial reporting process, recommending the appointment/re-appointment of statutory auditors; reviewing with the management annual financial statements, quarterly financial statements and other matters as covered under role of audit committee in Clause 49. The Audit Committee has powers, inter-alia, to investigate any activity within its terms of reference and to seek information from any employee of the Company as well as seek outside legal and professional advice.

Composition:

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 Audit Committee met four times during the year under review on 30/06/2008, 31/07/2008, 23/10/2008 and 31/01/2009. Company Secretary was present at all the meetings.

Name	Position	Category	Attendance
Shri Sunil H. Talati	Chairman	Non executive Chairman Independent Director	4
Shri Harisingh L. Chaudhary	Member	Non executive Independent Director	4
Shri Devang S. Nanavati	Member	Non executive Independent Director	4

4. REMUNERATION OF DIRECTORS

Terms of Reference:

- Reviewing the overall compensation policy, service agreements and other employment conditions of Managing/ Whole Time Directors.
- Reviewing performance of the Managing /Whole Time Director and recommending to the Board, the quantum of annual increments and annual commission.

Composition:

Its composition is as under:

Name of The Director	Position	Category
Shri Sunil H. Talati	Chairman	Non Executive Independent Chairman
Shri Devang S. Nanavati	Member	Independent- Non Executive
Shri Harisingh L. Chaudhary	Member	Independent- Non Executive

The Committee met on 31/07/2008 where all the members attended the meetings.

Remuneration policy:

The appointment of Managing Director is governed by the resolution passed by the Board of Directors and shareholders of the Company, which covers the terms of such appointment. Payment of remuneration to Managing Director is governed by the respective agreements executed between them and the Company. Remuneration paid to Managing Director is recommended by Remuneration Committee, approved by the Board and is within the limit. Remuneration package of Managing Director comprises of salary, perquisites and allowances as approved. Annual increments are linked to performance and to be decided by remuneration committee.

Presently, the Company does not have a scheme for grant for stock options or performance linked incentives for its Directors.

Details of remuneration to all the Directors for the year ended 31/03/2009.

Name of the Director	Salary [RS]	Service contract
Shri N. P. Prajapati, Managing Director	18,00,000/-	11/01/2008 to 11/01/2012
Shri Amrutbhai P. Prajapati, Whole Time Director – Finance	1,92,000/-	1/08/2006 to 1/08/2011

The Non-Executive Directors are paid fees of Rs. 2,000 for every meeting of the Board attended by them.