

**26<sup>th</sup>**  
**ANNUAL REPORT**  
**2010-2011**



***GUJARAT TERCE LABORATORIES LTD.***

**BOARD OF DIRECTORS**

Shri Natwarbhai P. Prajapati  
Chairman & Managing Director

Shri Amrutbhai P. Prajapati  
Whole Time Director (CFO)

Shri Sureshbhai P. Prajapati  
Director

Shri Gordhanbhai G. Patel  
Director

Shri Kanubhai S. Patel  
Director

Shri Jayantibhai S. Prajapati  
Director

Shri Paresh D. Patel  
Managing Director (w.e.f. 01.06.2011)

**REGISTERED OFFICE/FACTORY :**

122/2, Ravi Estate, Bileshwarpura, Chhatral, 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

**SECRETARIAL AUDITOR:**

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

**BANKERS :**

BANK OF BARODA  
Ellisbridge Branch, Ahmedabad.

**REGISTRAR & SHARE TRANSFER AGENT:**

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

**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors are pleased to present the Twenty Sixth Annual Report together with the Audited Statement of Accounts of the Company for the year ended on 31st March, 2011.

**FINANCIAL RESULTS:**

	2010-11 (Rs. in Lac)	2009-10 (Rs. in Lac)
Gross Income	3590.58	1872.42
Profit before Depreciation & Tax	90.67	48.29
Depreciation	19.17	18.74
Profit after Depreciation	71.50	29.55
Tax- Current	<del>27.36</del>	4.28
Deferred	<del>0.00</del>	12.26
Profit after tax	41.42	13.02
Profit brought forward from previous year.	62.76	49.74
Balance Carried To Balance Sheet	104.18	62.76

**PERFORMANCE REVIEW**

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

**PHARMACEUTICAL DIVISION:**

There is a marginal decrease in sales due to restructuring of marketing setup. The restructuring yielded in better profitability and the profit of the Company was Rs 36.74 Lacs before providing for bad debts. The Company has written off Rs 88.50 Lacs recoverable from certain parties after filing legal suits against them.

**METAL RECYCLING DIVISION:**

The Company put up metal recycling plant to manufacture Copper Sulphate at a cost of Rs 406 Lacs which was financed through the preferential issue of warrants of Rs 400 Lacs. The commercial production commenced on 1/01/2011.

**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 41.42 Lacs has been retained in Profit and Loss Account.

**LISTING OF SHARES**

The Company's share continues to remain listed with The Stock Exchange, Mumbai, where the share is actively traded. Listing of 2500,000 Equity Shares of Rs 10/- each issued at a premium of Rs 6/- per share and allotted against exercise of warrants issued to promoters and non promoters on preferential basis, were listed on BSE w. e. f 25/07/2011

**RIGHTS ISSUE**

In the last Annual General Meeting it was proposed to issue 32,64,932 equity shares on rights basis at a premium of Rs 5/- per Equity Share. The proceeds of rights issue were to be utilized to put up a copper sulphate and detergent projects. The copper sulfate project was implemented through proceeds of 2500,000 warrants issued on a preferential basis. The Board has decided to cancel the rights issue for the time being.

**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 provide 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 Jayantibhai Prajapati and Shri Sureshbhai Prajapati retire by rotation at the ensuing Annual General Meeting and, being eligible, offers themselves for reappointment.

Your Board at its meeting held on 28/07/2011 recommended for the approval of the Members respectively:

re-appointment of Shri Amrutbhai Prajapati as a Whole time Director, not liable to retire by rotation, of your Company, for a period of five years from 1/8//2011.

Directors at its meeting held on 28/07/2011 appointed Miss Monica Patel, Mr M. N. Singh and Mr S. P. Pareek as additional Directors who will vacate their office at the ensuing Annual General Meeting. The Company has received notices from certain members seeking their re-appointment. The Board recommends their re-appointment.

## STATUTORY DISCLOSURES:

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

#### A. Conservation of Energy

I. 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.

II. Part A pertaining to conservation of energy is applicable to the Company.

Power and fuel consumption :

#### I. Electricity

	<u>Current Year</u>	<u>Previous Year</u>
• Purchased		
Unit	57165	27360
Total Amount	347078	194420
Average Cost	6.07	7.11
Per unit of Production	0.0056	0.0154
• 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 6.89 Lacs by way of exports in the year 2010-11 (7.21 Lacs P.Y) and no amount was spent on import of raw material, traveling 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.

## 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.**

### **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 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.

### **CASH FLOW**

A Cash Flow statement for the year ended March 31, 2011 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 Twenty Sixth 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.

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

The auditors have qualified their report in respect of retirement benefits, foreign currency transaction and doubtful debts.

- a) The gratuity liability could not be worked out since company is not having the availability of actuary services.
- b) The management has not considered the profit of exchange rate fluctuation under the principles of conservatism.
- c) The provision for bad & doubtful debt is not made as the matters are under dispute.
- d) The Company has not disclosed the total outstanding dues of Small & Micro Enterprises due to unavailability of data.

### **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.

For and on behalf of the Board of Directors

28th July, 2011

Registered office:

122/2, Ravi Estate,

Bileshwarpura, Chhatral Dist: Gandhinagar

**Shri 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 pharmaceutical industry currently ranks 3 in terms of volume of production (10% of global share) and 14 by value. India's Domestic Pharma Market offers immense potential, which is currently, valued at approximately 48,239 crores, reflecting strong growth of 15.3% for the twelve months ending March 2011. (IMS MAT March, 2011). As per the latest report of Pricewaterhouse Coopers (PwC) - 'India's Pharma Inc: Capitalising on India's growth potential', estimates that over the next 10 years, domestic market will grow to US\$ 49 billion @ CAGR of 15%, with the potential to reach US\$ 74 billion @ CAGR of 20%, if aggressive growth drivers kick in.

One of the drivers behind this potential growth expectation is that India's pharmaceutical industry has a favorable macro environment to grow in.: Indian economy has rebounded from the global economic downturn, with real gross domestic product (GDP) growth reaching 10.4% in 2010 (IMF World Economic Outlook April, 2011). Presently around 67% of India's population or 742 million people live in rural areas, but rural markets contribute to only 17% of the overall pharma market's sales. Further, this penetration represents a huge opportunity for the pharmaceutical companies to expand in the rural markets which are expected to be the growth drivers for the domestic pharma industry in the coming years.

Your company is considering shifting manufacturing facilities of copper sulphate from Kalol to some other place due to negative policy of Government of Gujarat on industries within the five kilometer radius of city population.

### OPPORTUNITIES

- Aging of the world population.
- Growing incomes.
- Growing attention for health.
- New diagnoses and new social diseases.

### THREATS

- Containment of rising health-care cost.
- High Cost of discovering new products and fewer discoveries.
- Stricter registration procedures.
- High entry cost in newer markets.
- High cost of sales and marketing.

### SEGMENT WISE REPORTING:

#### Pharmaceutical Division:

##### Sales:

The total sales amounted to 1833.79 Lacs in comparison to 1854.79 Lacs during the previous year. The marginal decrease in sales from previous year is due to restructuring of marketing setup.

##### Profit before tax and interest:

The profit/ (loss) before tax and interest but after writing off bad debts of Rs 88.50 Lacs amounted to (11.52) Lacs. The profit for the last Year was 48.93 Lacs as no bad debts were written off during the previous Year.

##### Employees Cost:

The Employees cost was Rs 422.58 lacs in comparison to 334.28 Lacs in the previous Year. The increase in employees cost is due to normal increments/promotions.

**GUJARAT TERCE LABORATORIES LTD.**

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**Metal Division:**

The commercial production of the division started in 2011 only. So no previous figures are available.

**Sales:**

The total sales of the division amounted to 1754.42 lacs.

**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.



## 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

Your Company is committed to achieve and maintain highest standards of corporate governance on a sustained basis so as to be an exemplary corporate citizen. It believes that corporate governance is not a destination but a continuous journey with an upward moving target. It firmly believes that good corporate governance does not mean a mere drafting a code of corporate governance but practicing it in the true spirit. The Company ensures adherence and enforcement of the principles of corporate governance with a focus on transparency, professionalism, fairness, trusteeship and accountability. Its actions are aligned and resources leveraged with a view to become one of the most valued and respected companies.

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 and Whistle Blower Policy have been implemented. Codes of business conduct, adopted by the directors and senior management personnel, are posted on the website of the Company ([www.gtll.in](http://www.gtll.in)).

All board members and senior management personnel have affirmed compliance with the respective codes of conduct for the year ended March 31, 2011. 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 and President - Finance & Planning 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 March 31, 2011 was six, of which, two are executive promoter directors, one is a non-executive promoter director and three 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 P. Prajapati	CM & MD Executive	10	YES	NIL	NIL	NIL
Shri Sureshbhai P. Prajapati	DIR-NON IND	10	YES	NIL	NIL	NIL
Shri Amrutbhai P. Prajapati	WTD-FINANCECFO	10	YES	NIL	NIL	NIL
Shri Kanubhai S. Patel	DIR-IND	10	YES	NIL	NIL	NIL
Shri Gordhanbhai G. Patel	DIR- IND	10	YES	NIL	NIL	NIL
Shri Jayantibhai S. Prajapati	DIR-IND	10	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 finalised 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 and Board meetings of subsidiaries of the Company are tabled at Board meetings.



**GUJARAT TERCE LABORATORIES LTD.****DETAILS OF BOARD MEETINGS**

In compliance with the provisions of Clause 49 of the Listing Agreement, the Board meetings are held atleast once every quarter and the time gap between two meetings is not more than four months. During the year, ten Board Meetings were held.

Date of Meeting	No. of Directors Present
29/05/2010	6
29/06/2010	6
12/07/2010	6
30/07/2010	6
13/10/2010	6
26/10/2010	6
19/01/2011	6
28/01/2011	6
04/02/2011	6
21/02/2011	6

**3. AUDIT COMMITTEE**

The Audit Committee comprises of following members:

Name	Position	Category	Attendance
Shri Jayantibhai S Prajapati	Chairman	Non executive Chairman Independent Director	4
Shri Kanubhai S Patel	Member	Non executive Independent Director	4
Shri Gordhanbhai G Patel	Member	Non executive Independent Director	4

The Audit Committee was re constituted as under in the Board meeting held on 28/07/2011:

Name	Position	Category
Shri M.N. Singh	Chairman	Non executive Chairman Independent Director
Shri Jayantibhai Prajapati	Member	Non executive Independent Director
Shri S. P. Pareek	Member	Non executive Independent Director

Compliance officer acts as the Secretary of the Committee. All the members of the Audit Committee are financially literate. The Chairman of the Committee attended the last Annual General Meeting of the Company held on August 13th, 2010. The meetings of the Audit Committee are attended by the finance head, representatives of accounts, statutory and internal auditors. The Audit Committee addresses matters pertaining to appropriateness of audit tests and checks, reliability of financial statements, adequacy of provisions for liabilities and internal controls. The Committee lays emphasis on adequate disclosures and compliance with all relevant statues. The Committee performs the functions enumerated in Clause 49 of the Listing Agreement, Section 292A of the Companies Act, 1956 and duties cast upon from time to time by the Ministry of Corporate Affairs through its circulars and notifications. The matters deliberated upon by the Committee include:-

Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible. Recommending to the Board, the appointment of statutory auditors, fixation of audit fees and approval of payments for any other services rendered by them. Reviewing with the management the quarterly and annual financial statements before submission to the Board for approval with particular reference to: - matters required to be included in the Directors' Responsibility Statement in terms of Clause (2AA) of Section 217 of the Companies Act, 1956; changes, if any, in accounting policies and practices and reasons for the same; major accounting entries involving estimates based on the exercise of judgment by management; significant adjustments made in the financial statements arising out of audit findings; compliance with listing and other legal requirements relating to financial



statements; disclosure of related party transactions; and qualifications in the draft audit report, if any. Reviewing with the management, the performance of statutory and internal auditors and adequacy of the internal control systems. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, its staffing, reporting structure, coverage and frequency of audits. Discussion with the internal auditors significant findings and follow-up thereon. Reviewing the findings of internal auditors and reporting them to the Board. Discussion with statutory auditors before the audit commences about the nature and scope of audit as also post-audit discussion to ascertain areas of concern.

#### **Details of Audit Committee Meetings:**

The Audit Committee met four times during the year under review on 29/6/10, 30/7/10, 26/10/10 & 28/1/11 and was attended by all members.

#### **4. REMUNERATION OF DIRECTORS**

The Remuneration Committee comprised of following members:

<b>Name of The Director</b>	<b>Position</b>	<b>Category</b>
Shri Jayantibhai S Prajapati	Chairman	Non Executive Independent Chairman
Shri Kanubhai S Patel	Member	Independent- Non Executive
Shri Gordhanbhai G Patel	Member	Independent- Non Executive

The Remuneration Committee was re constituted as under in the Board meeting held on 28/07/2011

<b>Name of The Director</b>	<b>Position</b>	<b>Category</b>
Shri S. P. Pareek	Chairman	Non Executive Independent Chairman
Shri Jayantibhai Prajapati	Member	Independent- Non Executive
Shri M. N. Singh	Member	Independent- Non Executive

The Committee performs functions enumerated in Clause 49 of the Listing Agreement as also Schedule XIII of the Companies Act, 1956 and recommends to the Board the remuneration payable to executive directors. The Committee recommends the remuneration package after considering factors such as experience, expertise, position, responsibilities to be shouldered by the individual, leadership qualities, the volume of Company's business and profits earned by it. Presently, the company does not have a scheme for grant for stock option or performance-linked incentives for its Directors.

#### **Details of Remuneration Committee Meetings:**

The Remuneration Committee met on 25/10/2010 and 31/12/2010 during the year under review and was attended by all members.

#### **5. SHAREHOLDERS/INVESTOR'S GRIEVANCES COMMITTEE**

The Investors' Grievances Committee comprises three directors, namely Shri Jayantilal Prajapati, Shri Kanubhai Patel and Shri Gordhanbhai Patel. Meetings of the Investors' Grievances Committee are also attended by the head of Investors' Services Department. The Committee oversees functioning of the Investors' Services Department covering all facets of the operations including transfer of shares in physical form, dematerialisation of shares and activities related to dividend and depository operations. The Committee also closely monitors investor grievance redressal system of the department. Your Company received and resolved 7(seven) complaints from shareholders during the year. As on March 31, 2011, no complaints remained pending/un-attended and no share transfers remained pending for over 30 days, during the year.

#### **Details of the Investors' Grievances Committee Meetings**

It met 24 times during the year on 15/04/2010, 30/04/2010, 15/05/2010, 31/05/2010, 15/06/2010, 30/06/2010, 15/07/2010, 30/07/2010, 16/08/2010, 31/08/2010, 15/09/2010, 30/09/2010, 13/10/2010, 26/10/2010, 15/11/2010, 30/11/2010, 15/12/2010, 31/12/2010, 15/01/2011, 28/01/2011, 15/02/2011, 28/02/2011, 15/03/2011, 31/03/2011 during the year and approved transfer of equity shares.