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GUJARAT THEMIS BIOSYN LIMITED

17TH ANNUAL REPORT
1997-98

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BOARD OF DIRECTORS

C.K. KOSHY, I.A.S. *CHAIRMAN*
S.J. KIM
S.I. SUH
J.K. CHA
D.S. KIM
SURENDRA S. SOMANI
PANKAJ R. PATEL
N.I. GANDHI
DR. DINESH S. PATEL
ANANT THAKORE *MANAGING DIRECTOR*

VICE PRESIDENT & COMPANY SECRETARY

SUBODH B. GOKHALE

AUDITORS

M/S. KHANDELWAL JAIN & CO.,
CHARTERED ACCOUNTANTS

COST AUDITORS

M/S. B.J.D. NANABHOY & CO.,
COST ACCOUNTANTS

BANKERS

UNION BANK OF INDIA

REGISTERED OFFICE & PLANT

69/C. GIDC INDUSTRIAL ESTATE,
VAPI - 396 195, DIST. VALSAD,
GUJARAT.

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NOTICE TO THE MEMBERS

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of Gujarat Themis Biosyn Limited will be held at 11.00 a.m. on Friday, the 25th September, 1998 at 69/C, GIDC Industrial Estate, Vapi- 396 195, Dist. Valsad, Gujarat, to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 1998 and the Profit and Loss Account of the Company for the year ended on that date, and the Reports of the Board of Directors and the Auditors.

2. To appoint a Director in place of Shri. N.I. Gandhi, who retires by rotation and being eligible, offers himself for reappointment.

3. To appoint a Director in place of Dr. Dinesh Patel, who retires by rotation and being eligible, offers himself for reappointment.

4. To appoint a Director in place of Shri. S.J. Kim, who retires by rotation and being eligible, offers himself for reappointment.

5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

6. To consider, and if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution "RESOLVED that Shri. J.K. Cha be and is hereby appointed as a Director of the Company".

NOTES :

a) The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of the Special Business set out in the Notice is annexed hereto.

b) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. AN INSTRUMENT APPOINTING A PROXY OR ANY OTHER DOCUMENT NECESSARY TO SHOW THE VALIDITY OR OTHERWISE RELATING TO THE APPOINTMENT OF A PROXY IN ORDER THAT THE APPOINTMENT MAY BE EFFECTIVE AT THE MEETING MUST BE FILED WITH THE COMPANY AT ITS REGISTERED OFFICE NOT LATER THAN FORTY EIGHT HOURS BEFORE THE MEETING.

c) The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, the 24th September, 1998 to Thursday, the 8th October, 1998, both days inclusive.

d) Request to Members : Members are requested to bring their copies of the Annual Report to the meeting since it will not be possible for the Company to distribute additional copies of the Annual Report at the Annual General Meeting.

By order of the Board of Directors
For **GUJARAT THEMIS BIOSYN LIMITED**

SUBODH GOKHALE
Vice President &
Company Secretary

Mumbai : 14th August, 1998

Registered Office :
69/C, GIDC Industrial Estate,
Vapi - 396 195, Dist. Valsad,
Gujarat.

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ANNEXURE TO THE NOTICE

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

In respect of Item No. 6

Shri. J.K. Cha has been nominated by M/s. Yuhan Corporation, South Korea on the Board of Directors of the Company in place of Shri. T.H. Kim, pursuant to the provisions of the Foreign Collaboration Agreement entered into between the Company and M/s. Yuhan Corporation, South Korea. The Board of Directors of the Company have appointed Shri. J.K. Cha, the nominee of M/s. Yuhan Corporation, South Korea as Additional Director of the Company with effect from 18th November 1997.

Shri. J.K. Cha holds office as Director upto the date of the ensuing Annual General Meeting and he is eligible for appointment as Director of the Company. The Company has received notices from some of the members of the Company proposing his candidature for the office of Director of the Company. The Board of Directors recommend the Ordinary Resolution as set out at item no. 6 of the Notice, for approval of the Members.

Except Shri. J.K. Cha, who may be regarded as interested in the said resolution, since it concerns his appointment, no other Director of the Company is interested or concerned in the said Resolution.

By order of the Board of Directors
For **GUJARAT THEMIS BIOSYN LIMITED**

SUBODH GOKHALE
Vice President &
Company Secretary

Mumbai : 14th August, 1998

Registered Office :
69/C, GIDC Industrial Estate,
Vapi - 396 195, Dist. Valsad,
Gujarat.

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REPORT OF THE DIRECTORS

Your Directors are pleased to present to members the 17th Annual Report together with Audited Accounts of the Company for the year ended 31st March, 1998.

1. **FINANCIAL RESULTS**

	Year ended 31.03.98 Rs.in lakhs	Year ended 31.03.97 Rs.in lakhs
Total Income	**6279.88**	6479.38
Operating Profit	**742.91**	769.54
Interest & Finance charges	**235.15**	279.18
Profit before depreciation, amortisation & write off	**507.76**	490.36
Depreciation, amortisation & Write off	**335.18**	324.41
Profit for the Year	**172.58**	165.95
Surplus/(Deficit) brought forward	**120.96**	(44.99)
Surplus carried forward to Balance Sheet	**293.54**	120.96

Your Directors are pleased to inform that the Board for Industrial & Financial Reconstruction (BIFR) has deregistered the Company from the purview of the Sick Industrial Companies (Special Provisions) Act, 1985.

2. **OPERATIONS**

Your Company's operations during the year under review, have been generally smooth. The Company's sales for the year amounted to Rs. 6,279.88 lakhs as compared to Rs. 6,479.38 lakhs during the previous year. The operating profit for the year is Rs. 742.91 lakhs as compared to Rs. 769.54 lakhs for the previous year. The net profit recorded by the Company for the year is Rs.172.57 lakhs as compared to Rs. 165.95 lakhs in the previous year.

During the year under review, the Company has initiated cost reduction measures which has resulted in substantial reduction in cost of production.

The plant operations during the current year have proceeded smoothly. Sales during the period from April 98 to July 98 are Rs. 2,250.93 lakhs as compared to Rs. 2,164.76 lakhs in the corresponding period of the previous year.

The Company will continue to consolidate its position in the Rifampicin market in the current financial year and will strive for achieving further improvement in operations.

3. **EXPANSION AND DIVERSIFICATION**

The Company has identified few products for diversification, which would be soon implemented. Also, capacity expansion of existing product has been planned which would result into further reduction in cost of production and increase in the turnover. The Company will create additional facilities which the Company would be able to use for any product, depending on the market situation.

The Company is already exploring various avenues to raise necessary funds for which the necessary approvals from shareholders have been taken in the past.

4. **FINANCE**

Pursuant to the One-Time Settlement (OTS) Scheme approved by the Board for Industrial & Financial Reconstruction (BIFR) in November 1995, the Company has completed repayments of all its dues to the financial institutions during the year under review and subsequently the Company has been deregistered from BIFR.

5. **GOVERNMENT POLICY**

During February 98, the Ministry of Chemicals & Fertilisers, Government of India has reduced the maximum selling price of Rifampicin from Rs. 5,220/- per kg. to Rs. 4,707/- per kg. The Company has filed a review application to the Ministry and we expect the revised price to be notified soon. The Company has also filed a petition with the High Court at New Delhi against the price order and the matter is still pending.

6. **PHARMACEUTICAL DIVISION** :

The operations of the pharmaceutical division of the Company have been progressing satisfactorily. The Company has already launched sales operations in the states of Maharashtra, Rajasthan and Uttar Pradesh. The Company has drawn up strategic plans for expanding operations of the pharmaceutical division to other states/territories in India and also for introduction of additional products.

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7. **EXPORTS :**

The Company has recorded an increase in exports, during the year under review. The Company's exports during the year were Rs. 758 lakhs as compared to Rs. 592 lakhs during the previous year (values are including export benefits). The Company will further continue to explore export possibilities in the current year.

8. **RESEARCH & DEVELOPMENT :**

The Company has created independent facilities for Research & Development. The Company is continuing its concerted efforts in the area of research and development. The main activities of the R & D facility are being directed towards upgradation of technology and development of new products in the area of human healthcare.

9. **DIRECTORS :**

The Industrial Development Bank of India (IDBI) has withdrawn the nomination of Shri. P. Abraham, as Director on the Board of Directors of the Company, w.e.f. 16th October 1997.

Yuhan Corporation, South Korea, foreign collaborators of the Company have nominated Shri. J.K. Cha as Director on the Board of Directors of the Company, in place of Shri. T.H. Kim, w.e.f. 18th November 1997.

The Board for Industrial & Financial Reconstruction (BIFR) has withdrawn the nomination of Dr. Jagjit Singh, as Special Director on the Board of Directors of the Company, w.e.f. 13th May 1998.

Your Directors place on record their sense of appreciation for the valuable guidance, advice and co-operation received from Shri. P. Abraham, Shri. T.H. Kim and Dr. Jagjit Singh during their tenure as Directors of the Company.

Shri. N.I. Gandhi, Dr. Dinesh Patel and Shri. S.J. Kim retire at the forthcoming Annual General Meeting pursuant to Article 9 of the Articles of Association of the Company and being eligible offer themselves for reappointment.

10. **INDUSTRIAL RELATIONS**

Relations with employees, at all levels, during the year under review, were, by and large, cordial. The Charter of Demands submitted by the Labour Union was referred by the Company to the Labour Tribunal for consideration. In the meanwhile, a group of workers had resorted to unfair labour practices during the pendency of the consideration of demands before the Labour Tribunal. The Government authority have already prosecuted few workmen and the Union Leader in this regard and the Charter of Demands raised by the Union has also been quashed by the Labour Tribunal.

The Labour Union has been deregistered by the Government Authority which was upheld by the Labour Tribunal but has been stayed by the High Court. The Company has kept open the re-joining option to the workers not attending work and some of the workers have already rejoined. The Company is monitoring the developments closely and has taken necessary steps to ensure plant safety and continuity of production.

11. **AUDITORS**

Messrs. Khandelwal Jain & Co., Chartered Accountants, Statutory Auditors of the Company, retire at the forthcoming Annual General Meeting and offer themselves for reappointment. As regards remarks in the Auditors' Report, the notes, wherever referred to, are self-explanatory.

12. **OTHER INFORMATION**

The details of employees in accordance with Section 217 (2A) as amended, of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given in Annexure I hereto.

13. **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

Additional information on conservation of energy and technology absorption etc. as required to be disclosed in terms of Section 217 (1)(e) of the Companies Act, 1956, is furnished in the Annexure II hereto.

14. **ACKNOWLEDGEMENT**

Your Directors have pleasure to place on record their sincere appreciation for the continued cooperation and support extended to the Company by Financial Institutions, Union Bank of India, all the Employees, Yuhan Corporation, the State Government of Gujarat, Dept. of Chemicals & Petrochemicals and various other Government authorities.

For and on behalf of the Board of Directors

ANANT THAKORE
Managing Director

Mumbai : 14th August, 1998

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ANNEXURE I

STATEMENT PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES,1975 AND FORMING PART OF DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH, 1998.

Sr. No.	Name of Employees	Designation	Qualifi-cations	Experi-ence (Years)	Date of Commen-cement	Remunera-tion received Rs.	Age (Years)	Particulars of Last Employment
	FOR THE FULL YEAR : -							
[1]	Subodh B. Gokhale	Vice President & Company Secretary	B.Sc., B.Com., L.L.B., F.C.S., M.B.I.M.	20	01-09-91	504708	48	Company Secretary & General Manager, Star Industries & Textile Enterprises Limited.
[2]	P.D.Khedkar	General Manager - Works	M.Sc.	24	01-09-91	624489	50	Asst.General Manager, Torrent Pharmaceuticals Limited.
[3]	A.S.Mehra	Business Development Manager.	B.Pharm., M.M.S.	13	01-03-95	306183	39	Marketing Manager, Olive Intermediates Pvt. Ltd.
	FOR PART OF THE YEAR : -							
[4]	J.A.Rana	General Manager-Commercial	B.E.	19	19-06-92	159600	41	General Manager, Vista Organics Pvt.Ltd.

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ANNEXURE II

INFORMATION AS PER SECTION 217 (1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT.

I. **CONSERVATION OF ENERGY** :

(a) Energy conservation measures taken :-

The Company is continuing its efforts to ensure optimum conservation of electricity and fuel at the plant by regular monitoring of consumption.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :-

The Company has introduced improved operational methods, improved maintenance systems and rationalisation to bring about a saving in power consumption.

(c) Impact of measures at (a) and (b) above for reduction of energy comsumption and consequent impact on the cost of production of goods :-

The adoption of energy conservation measures stated above is expected to help in saving to the Company on fuel and energy cost.

(d) Total energy consumption and energy consumption per unit of production as per Form A of the Annexure to the Rules in repsect of Industries specified in the schedule thereto :-

The Company has invested substantial amount in the Plant and equipment to reduce energy consumption and the Company will continue in its efforts to improve methods of energy conservation and utilisation.

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		1997-98	1996-97
A.	**POWER AND FUEL CONSUMPTION**		
1)	**Electricity**		
a)	Purchased :		
	Units	**17,732,623**	16,546,439
	Total Amount (Rs.)	**74,654,345**	58,163,353
	Rate/Unit (Rs.)	**4.21**	3.52
b)	Own Generation :		
	Through Diesel Generators (KwH)	**205,518**	362,850
	Diesel Consumed (Litres)	**97,402**	171,967
	Units/Litre of Diesel Oil (KwH)	**2.11**	2.11
	Total Amount (Rs.)	**931,166**	1,289,894
	Cost/Unit (Rs/KwH)	**4.53**	3.55
	Through Steam :		
	Turbine/Generator Units	**Nil**	Nil
	Units/Litre of Fuel/Oil/Gas	**Nil**	Nil
2)	**Furnace Oil**		
	Quantity (Litres)	**2,472,579**	2,038,377
	Total Amount (Rs.)	**15,700,878**	12,835,456
	Average Rate (Rs/litre)	**6.35**	6.30
B.	**CONSUMPTION PER UNIT OF FINISHED GOODS PRODUCED**		
	Rifampicin Production (MT)	**104.720**	114.100
	Electricity per MT (Rs.)	**712,895**	509,758
	Furnace Oil per MT (Rs.)	**149,932**	112,493
	Diesel Oil per MT (Rs.)	**8,892**	11,305

II. **TECHNOLOGY ABSORPTION**

Efforts made in technology absorption as per Form-B of the Annexure to the Rules :

1. **Research & Development (R & D)**

(a) Specific areas in which R & D carried out by the Company :

The Company conducts regular R & D activities in the inhouse laboratory to seek for improvement in the quality of the existing products and upgradation of production process. The activities of the R & D lab are also directed towards development of new products, identified by the Company.

(b) Benefits derived as a result of the above R & D :

The R & D activities of the Company have resulted in improved quality of the product and in production process with better yield and cost containment.

(c) Future Plan of action :

The research activity will continue to concentrate on new product development, process development and import substitution.

(d) Expenditure on R & D :

		Rs. lakhs
i)	Capital	217.51
ii)	Recurring	16.55
iii)	Total	234.06
iv)	Total R & D expenditure as a percentage of total turnover	3.95%

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