

22ND ANNUAL REPORT 2002-2003



GUJARAT THEMIS BIOSYN LIMITED

GUJARAT THEMIS BIOSYN LIMITED

BOARD OF DIRECTORS

MR. D. RAJAGOPALAN
MR. ANANT THAKORE
DR. DINESH PATEL
MR. PANKAJ PATEL
MR. SURENDRA SOMANI
MR. C. S. PARK
MR. J. K. CHA
MR. C. B. PARK
MR. J. H. CHOI
MR. RAJNEESH ANAND

CHAIRMAN (*Nominee of GIIC*)

MANAGING DIRECTOR

AUDITORS

MESSRS. KHANDLWAL JAIN & CO.,
CHARTERED ACCOUNTANTS, MUMBAI

COST AUDITORS

MESSRS. B. J. D. NANABHOY & CO.,
COST ACCOUNTANTS, MUMBAI

BANKERS

UNION BANK OF INDIA

REGISTERED OFFICE AND WORKS

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

CORPORATE OFFICE

3RD FLOOR, ARVIND CHAMBERS
SAI SERVICE COMPOUND
WESTERN EXPRESS HIGHWAY
ANDHERI (EAST)
MUMBAI – 400 069

GUJARAT THEMIS BIOSYN LIMITED

NOTICE TO THE MEMBERS

NOTICE is hereby given that the 22nd Annual General Meeting of Gujarat Themis Biosyn Limited will be held on Saturday, 6th September, 2003, at 11 a. m., 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 as at 31st March, 2003 and Profit and Loss Account for the year ended on that date together with reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Anant Thakore, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. C. S. Park, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Jae Hyok Choi, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

Special Business

6. To consider and, if thought fit, to pass, with or without modification, the following Resolution as a **SPECIAL RESOLUTION**

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the requisite approval, if any, of the appropriate authorities, the regulations, a draft copy of which is placed before the meeting and, for the purpose of identification, subscribed by the Chairman, be and is hereby adopted as the Articles of Association of the Company in the place, stead, substitution and in lieu of the existing Articles of Association of the Company;

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do and perform all such acts, matters and things as may be necessary, desirable or appropriate to give effect to this resolution."

Registered Office

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

By order of the Board

Rajneesh Anand
Managing Director

Mumbai, 10th June, 2003

ANNUAL REPORT 2002-2003

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ONLY ON POLL INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. 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.

Members / Proxies should bring the enclosed attendance slip duly filled in, for attending the meeting.

2. The Register of Members and the Share Transfer Books of the Company will remain closed from 3rd September, 2003 to 5th September, 2003 (both days inclusive).
3. 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.
4. Members are requested to –
 - a) intimate to the Company's Registrar and share transfer agent, changes, if any, in their respective address along with Pin Code Number at an early date;
 - b) quote folio number in all their correspondence;
 - c) consolidate holdings into one folio in case of multiplicity of folios with names in identical order;
 - d) intimate their queries / requirements for clarifications on the annual report so as to reach the company on or before 3rd September, 2003 which will enable the company to furnish the replies at the Annual General Meeting.
5. Details of Directors seeking appointment/re-appointment in the 22nd Annual General Meeting, in pursuance of clause 49 of the Listing Agreements.

Name of Director	Anant Thakore	C. S. Park	Jae Hyok Choi*
Date of Birth	Jan 12, 1935	Dec. 3, 1946	April 18, 1958
Date of appointment	20.10.1991	31.01.2000	10.06.2003
Expertise in specific functional areas	Marketing/Manufacturing in Pharmaceutical Bulk Drugs and Speciality Chemicals	- Product Development - Production. - Overseas Business	Planning & Co-ordination, Overseas Business
Qualifications	LLB-Mumbai	- Bachelor's Degree in Pharmacy - Master's Degree in Business and Administration	- B. A
List of companies (excluding foreign and private Ltd. companies in which outside Directorships held as on 31st March, 2003	1) Avik Pharmaceutical Ltd. 2) Pharmaceutical Business Group (I) Ltd.	NONE	NONE
Chairman/Member of the Committees of the Board of the companies on which he is a director as on 31st March, 2003.	NONE	NONE	NONE

* (Appointed in place of Mr. S. I. Suh w. e. f 10th June, 2003)

GUJARAT THEMIS BIOSYN LIMITED

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956

ITEM NO. 6

The Company's Articles of Association, as adopted at the time of incorporation, has been subsequently modified from time to time. In the recent past the Companies Act, 1956, Securities Contract Regulations Act, 1956, Securities Exchange Board of India Act, 1992 and Rules and Regulations made thereunder have been amended and these amendments regulates/ restricts Company's activities and procedures, which needs to be authorised/provided in the Company's Articles of Association. Your Directors have therefore thought it fit to replace the current Articles of Association with new set of regulations, which are contemporary and in tune with the present Acts, Rules and Regulations.

This resolution was proposed in 21st Annual General Meeting held on 27th September, 2002 and it was decided by members in 21st Annual General Meeting to keep the same in abeyance and passed it in next Annual General Meeting. The Directors, therefore, recommends passing of the Special Resolutions set out at Item No. 6 of the Notice in accordance with Section 31 and other applicable provisions, if any, of the Companies Act, 1956.

None of the Directors may be considered to be concerned or interested in the proposed resolutions.

A copy of the existing Articles and the draft of the new set of regulations is available for inspection by the members of the Company at its Registered Office between 9.00 a.m. to 11.00 a.m. on any working day of the Company up to and including the date of the 22nd Annual General Meeting.

Registered Office

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

By order of the Board

Rajneesh Anand
Managing Director

Mumbai
10th June, 2003

Report  junction.com

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting herewith the 22nd Annual Report together with the Audited Accounts of the Company for the Financial Year ended 31st March, 2003.

FINANCIAL RESULTS

	Year ended 31.03.2003	(Rs. in Lakhs) Year ended 31.03.2002
Total Income	2806.72	2851.52
Operating Profit / (Loss)	(24.32)	226.59
Interest and Finance charge	164.62	207.99
Profit / (Loss) before depreciation, prior period adjustments & tax	(188.94)	18.60
Profit./ (loss) before tax	(364.48)	(176.99)
Provision for tax – Current	–	–
– Deferred	(150.45)	(65.04)
Income tax for earlier years	18.49	15.53
Profit/(Loss) after tax	(232.52)	(127.48)
Surplus/(Deficit) brought forward	173.86	493.93
Deferred tax liability (net) for earlier years	–	192.60
Surplus / (Deficit) carried forward to Balance Sheet	(58.66)	173.86

OPERATIONS

Your Company's operations during the year under review, have been generally smooth. The Company's sales for the year amounted to Rs.2798.89 lakhs as compared to Rs.2780.91 lakhs during the previous year. The operating loss for the year is Rs.24.32 lakhs as compared to operating profit Rs.226.59 lakhs for the previous year. The net loss recorded by the Company for the year is Rs.232.52 lakhs as compared to Rs. 127.48 lakhs in the previous year. The sales volume was not optimum for the size of the company to meet all the overheads; this has resulted in the losses. The main reasons for low sales are further decline of selling prices during the year in the international and domestic market.

MANAGEMENT DISCUSSIONS AND ANALYSIS**1. Industry Structure & Developments**

Over the past several years India has been developing very well in the field of Bulk Drugs. Majority of the bulk drugs required by the Indian Consumers are manufactured in India. Indian Bulk Drug Industry also happens to be a major exporter on the global scene. Indian bulk drug industry not only exports to the third world countries but some of the drugs are now being actually consumed in the European as well as US markets.

Your Company is in the business of manufacturing of bulk drug called "Rifampicin" produced by fermentation process. Indian fermentation industry is also quite sizeable. However it is small when compared to the drug industries manufacturing drugs by the synthetic route.

2. Opportunity and Threats

The drug industry in India had been protected industries to some extent since for many products earlier imports were not allowed. Foreign products were prevented from entry into India due to high custom duty. With India taking to GATT agreement, the customs duties have been gradually reduced over years and hence in the foreign bulk drugs have become far cheaper, leading to decline of prices in the Indian Market. All the Bulk Drugs have been now removed from the negative list. Rifampicin was in the restricted list up to 31/3/2003. Patent law will also be in place by the year 2005. Today Indian Companies are manufacturing products, which were currently under patent. These products are being marketed within the country and also in countries where the patent regime does not exist. This will not be possible after 2005 and these factors will force total restructuring of Indian Pharma Sector.

GUJARAT THEMIS BIOSYN LIMITED

3. Outlook

Your Company is manufacturing Rifampicin, which is an antibiotic drug for the treatment of tuberculosis and leprosy. This product has a massive growth potential, as TB is on the rise worldwide. The growth in this disease comes particularly from TB related to AIDS. However currently this market is being dominated by china leading to steep drop in the international prices. In fact currently the Chinese selling price is almost equal to variable cost of manufacture in India. Your Company is making all out efforts in developing new products.

4. Segment-wise or Product-wise Performance

Your Company is a single Product Company and hence segment-wise or product-wise comparison or discussion is not applicable.

5. Risks and concerns

As material of Chinese origin is available at a very low price, majority of Indian exporters are now purchasing Chinese bulk drugs against advance license. Thus the market of domestic producers is reducing. Further to this w.e.f. 1/4/2003 Rifampicin has been removed from the restricted list and therefore now free imports from china has started. China as a country is very strong in fermentation industry and therefore they manufacture majority of the products, which are fermentation based, and that makes the efforts to diversify much more difficulty for your Company. Your company is making all out efforts in reducing the cost of production on one hand and developing some new products/process on the other hand to face the Chinese onslaught.

6. Internal Control Systems and their adequacy.

The company has adequate internal control procedures commensurate with its size and nature of business. The internal control procedures and systems ensures efficient use and protection of resources and compliance with the policies, procedures and statutes.

7. Material Developments in Human Resources and Industrial Relations

Fermentation industry is a high technology Industry. Continuous efforts are being made in training the employees through In-house training programs to suit the Company's requirements. Industrial Relations have been generally cordial and healthy.

EXPORTS

The company has recorded declined in the exports during the year under review. The Company's export during the year were Rs.204.69 lakhs as compared to Rs.276.16 lakhs during the previous year (values are excluding export benefits). The Company will further continue to explore export possibilities in the current year. The export market of the company has declined due to very stiff competition from China.

Your Company is taking aggressive measures on the front of cost reduction through energy conservation and technology improvement to become cost effective at the international level.

DIRECTORS

Mr. D. Rajagopalan has been nominated by Gujarat Industrial Investment Corporation Limited (GIIC) on the Board on 19th September 2002 in place of Shri L. Mansingh. The Board Placed on record its appreciation of the valuable support extended by Mr. L Mansingh during his tenure as Director of the Company.

Mr. N. I. Gandhi, Director of the Company resigned on 25th October, 2002. The Board Placed on record its appreciation of the valuable support extended by Mr. N. I. Gandhi during his tenure as Director of the Company.

Mr. C. B. Park and Mr. J. H. Choi have been nominated by Yuhan Corporation w. e. f 10th June 2003 in place of Mr. S. J. Kim and Mr. S. I. Suh respectively. The Board Placed on record its appreciation of the valuable support extended by Mr. S. J. Kim and Mr. S. I. Suh during their tenure as Director of the Company.

Shri. Anant Thakore, Shri. C. S Park and Shri. J. H. Choi who was appointed in a casual vacancy created by the withdrawal of Mr. S. I. Suh by Yuhan Corporation, retires at the forthcoming 22nd Annual General Meeting and being eligible offer themselves for reappointment.

INDUSTRIAL RELATIONS

Relations between the Management and the workers generally remained cordial and peaceful.

AUDITORS

Messrs Khandelwal Jain & Co., Chartered Accountant, Statutory Auditors of the Company, retire at the forthcoming Annual General Meeting and offer themselves for reappointment. As regards remarks in the Auditor's Report, the Notes, wherever referred to, are self-explanatory. The Auditors have furnished to the Company the requisite Certificate under Section 224 (1B) of the Companies Act, 1956.

COST AUDITORS

Pursuant to the directives of the Central Government under the provisions of Section 233B of the Companies Act, 1956, qualified Cost Auditors appointed by the Company continues to conduct cost audit relating to Company's bulk drug division.

PARTICULARS OF EMPLOYEES

No Employees of the Company are drawing salary in excess of the limits specified under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

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

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 read with the Companies (Disclosure of Particulars in the Report of the Directors) Rules, 1988, are given in Annexure "A" to the Director's Report.

CORPORATE GOVERNANCE

Report of Directors on compliance of conditions on Corporate Governance as specified in Clause 49 of the Listing Agreement together with certificate issued by the Auditors of the Company thereon attached to this Report.

DIRECTORS RESPONSIBILITY

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Director's confirms that:

- i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- ii) The Directors 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 the end of the financial year and of the profit or loss of the Company for that period.
- iii) The Directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provision of this act for safeguarding the assets of the and for preventing and detecting fraud and other irregularities.
- iv) The Directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGMENT

Your Directors have pleasure to place on record their sincere appreciation for the continued co-operation support extended to the Company by Financial Institutions, Union Bank of India, all the Employees, Yuhon Corporation, the State Government of Gujarat, Dept. of Chemical & Petrochemical and various other Government authorities.

For and on behalf of the Board of Directors

Place : Mumbai
Date : 10th June, 2003

RAJNEESH ANAND
Managing Director

ANANT THAKORE
Director

DR. DINESH PATEL
Director

'ANNEXURE A' TO THE DIRECTORS REPORT

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.

CONSERVATION OF ENERGY

(a) Energy conservation measures taken: -

During the year under review, all possible efforts were made to ensure optimum conservation of electricity and fuel at the plant.

(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 consumption 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) The total energy consumption per unit of production as per Form A of the Annexure to the Rules in respect 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.

FORM - A

Form for disclosure of Particulars with respect to Conservation of Energy

A POWER AND FUEL CONSUMPTION

	2002-2003	2001-2002
1. Electricity :		
a) Purchase :		
Units	5,661,168	7,686,535
Total Amount	32,441,224	43,945,927
Rate/Unit (Rs.)	5.73	5.72
b) Own Generation :		
i) Through diesel / LDO Generators (KwH)	4,688,525	2,180,956
Diesel / LDO Consumed (Liters)	1,313,133	654,466
Units / Litre of Diesel /LDO (KwH)	3.57	3.33
Total Amount (Rs.)	16,015,010	7,551,967
Cost / Unit (Rs. / KwH)	3.42	3.46
ii) Through Steam:		
Turbine / Generator Units	Nil	Nil
Unit / Litres of Fuel / Oil / Gas	Nil	Nil
2. Furnace Oil :		
Quantity (Litres)	289,180	245,328
Total Amount (Rs)	2,954,639	2,031,490
Average Rate (Rs./Litre)	10.22	8.28
3. Coal :		
Quantity (Kgs)	2,894,690	2,118,570
Total Amount (Rs.)	6,439,628	4,888,018
Rate / Kgs (Rs.)	2.22	2.31
4. Bagasse :		
Quantity (Kgs)	6,497,095	6,126,490
Total Amount (Rs)	3,489,501	3,092,303
Rate / Kgs (Rs)	0.54	0.50

II. CONSUMPTION PER MT OF FINISHED GOODS PRODUCED

	2002-2003	2001-2002
Rifampicin Production (Kgs)	66,188	63,996
Electricity per MT (Rs)	490,138	686,698
Furnace Oil Per MT (Rs)	44,640	31,744
Diesel /LDO Per MT (Rs)	241,962	118,007
Coal / Lignite Per MT (Rs)	97,293	76,380
Bagasse Per MT (Rs)	52,721	48,320

B. TECHNOLOGY ABSORPTION

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

FORM B**Form for disclosure of Particulars with respect to absorption****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 in-house R&D Centre for improvement in the quality of the existing products and upgradation of 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, better recoveries leading to cost containment.
- (c) Future Plan of action:
The Research activity will continue to concentrate on new product development, process improvement and development and import substitution. The Company is working aggressively to scale up new product.
- (d) Expenditure on R & D:

	2002-2003	2001-2002
i) Capital	NIL	7.98
ii) Recurring	6.87	5.56
iii) Total	6.87	13.54
iv) Total R & D expenditure as a percentage of total turnover	0.25%	0.49%

2 Technology Absorption, Adaptation and Innovation:

- (a) Efforts in brief, made towards technology absorption, adaptation and innovation:
The Company has taken steps to increase the yields and productivity to bring down the cost of production.
- (b) Benefits derived as a result of the above efforts:
- Saving in Foreign Exchange through import substitution.
 - Reduction of production cost.
 - Improvement in product quality.

3. Activities related to exports, initiatives taken to increase exports, development of new export markets for products and services and export plan:
The Company is manufacturing 100% import substitute products and the production during the year has saved substantial foreign exchange to the country. The Company exports during the year have shown a declined due to very stiff competition from China. Efforts are being made to increase export quantum in the current year.

(C) Total foreign exchange used and earned**(Rs. In lakhs)**

- Total foreign exchange earned	204.69
- Total foreign exchange spent	91.88

For and on behalf of the Board of Directors

Place : Mumbai
Date : 10th June, 2003

RAJNEESH ANAND
Managing Director

ANANT THAKORE
Director

DR. DINESH PATEL
Director