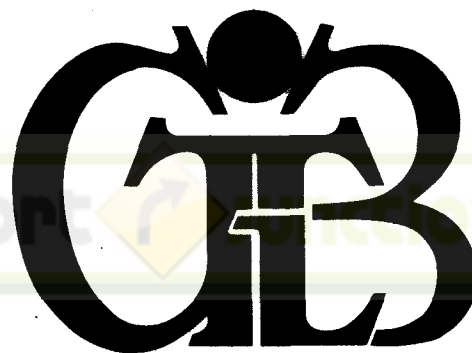


93rd Annual Report

2003 - 2004



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GUJARAT THEMIS BIOSYN LIMITED

BOARD OF DIRECTORS

MR. D. RAJAGOPALAN
MR. ANANT THAKORE
DR. DINESH PATEL
MR. PANKAJ R. 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. KHANDELWAL 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 23rd Annual General Meeting of Gujarat Themis Biosyn Limited will be held on Friday, 24th September, 2004, 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, 2004 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. Pankaj R. Patel, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. Surendra Somani, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. J. K. Cha, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

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

By order of the Board

RAJNEESH ANAND
Managing Director

Mumbai, 25th June, 2004

ANNUAL REPORT 2003-2004

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 21st September, 2004 to 23rd September, 2004 (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 21st September, 2004 which will enable the company to furnish the replies at the Annual General Meeting.
5. Details of Directors seeking appointment/re-appointment in the 23rd Annual General Meeting, in pursuance of clause 49 of the Listing Agreements.

Name of Director	Mr. Pankaj R. Patel	Mr. Surendra Somani	Mr. J. K. Cha
Date of Birth	16.03.1953	21.10.1954	20.08.1946
Date of appointment	21.10.1991	21.10.1991	18.11.1997
Expertise in specific functional areas	Pharmaceutical & Bulk Drugs	An Industrialist with more than 25 years of Experience in Pharmaceutical Industry.	- General Adm. in plant - Planning & Coordination General Adm. & Planning
Qualifications	Masters Degree in Pharmaceutical Science	B. Com	- Bachelor's Degree in Commercial Science - Master's Degree in Business and Administration at Barrington university in U.S
List of companies (excluding foreign and private Ltd. companies) in which outside Directorships held as on 31 st March, 2004	8	10	NONE
Chairman/Member of the Committees of the Board of the companies on which he is a director as on 31 st March, 2004.	5	3	NONE

GUJARAT THEMIS BIOSYN LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting herewith the 23rd Annual Report together with the Audited Accounts of the Company for the Financial Year ended 31st March, 2004.

FINANCIAL RESULTS

	Year ended 31.03.2004	(Rs. in Lakhs) Year ended 31.03.2003
Total Income	2519.36	2806.72
Operating Profit / (Loss)	184.34	(24.32)
Interest and Finance charge	153.48	164.62
Profit / (Loss) before depreciation, prior period adjustments & tax	30.86	(188.94)
Profit / (Loss) before tax	(153.26)	(364.48)
Provision for tax - Current	-	-
- Deferred	22.89	(150.45)
Income tax for earlier year	8.30	18.49
Profit / (Loss) after tax	(184.45)	(232.52)
Surplus / (Deficit) brought forward	(58.66)	173.86
Surplus / (Deficit) carried forward to Balance Sheet	(243.11)	(58.66)

OPERATIONS

Your Company's operations during the year under review, have been generally smooth. The Company's sales for the year amounted to Rs. 2500.53 lakhs as compared to Rs.2798.89 lakhs during the previous year. The operating profit for the year is Rs. 184.34 lakhs as compared to operating Loss Rs. 24.32 lakhs for the previous year. The net loss recorded by the Company for the year is Rs. 184.45 lakhs as compared to Rs.232.52 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. This year your company has diversified by starting manufacture of Lovastatin. This product is used for the treatment of cholesterol (Therapeutic category-Antihypercholesterolemic). It is also used as an input raw material for the manufacture of API Simvastatin which is also an API from the family of statins.

MANAGEMENT DISCUSSIONS AND ANALYSIS

1. Industry Structure & Developments

Over the past several years India has been developing very well in the field of Active pharmaceutical ingredients. Majority of the active pharmaceutical ingredients required by the Indian Consumers are manufactured in India. Indian Active pharmaceutical ingredient Industry also happens to be a major exporter on the global scene. Indian active pharmaceutical ingredient 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 active pharmaceutical ingredients namely "Rifampicin" and Lovastatin 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 active pharmaceutical ingredients have become far cheaper, leading to decline of prices in the Indian Market. All the Active pharmaceutical ingredients 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 exists. This will not be possible after 2005 and these factors will force total restructuring of Indian Pharma Sector.

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. This year your company has also started manufacture of the active pharmaceutical ingredient Lovastatin. This product is used for the treatment of cholesterol (Therapeutic category-Antihypercholesterolemic). It is also used as an input raw material for the manufacture of API Simvastatin which is also an API from the family of statins.

Segment-wise or Product-wise Performance

Your Company is producing active pharmaceutical ingredients like Rifampicin and Lovastatin which belong to the same segment of industry.

4. Risks and concerns

As material of Chinese origin is available at a very low price, majority of Indian exporters are now purchasing Chinese active pharmaceutical ingredients 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.

5. 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.

6. 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 decline in the exports during the year under review. The Company's export during the year were Rs. 56.20 lakhs as compared to Rs. 204.69 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 non lucrative selling prices in the international market.

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. 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.

Mr. Surendra Somani, Mr. Pankaj R. Patel & Mr. J. K. Cha retires at the forthcoming 23rd Annual General Meeting and being eligible offer themselves for reappointment.

INDUSTRIAL RELATIONS

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

GUJARAT THEMIS BIOSYN LIMITED

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 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 active pharmaceutical ingredient 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 of 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 and for preventing and detecting fraud and other irregularities.
- iv) The Directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

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, Yuhan 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 : 25th June, 2004

RAJNEESH ANAND
Managing Director

ANANT THAKORE
Director

DR. DINESH PATEL
Director

ANNUAL REPORT 2003-2004

'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) Your company has towards the end of year embarked on captive power generation. Your company is also in process of installing a co-generation captive power station, which will further reduce the energy cost of our product. The co-generation system is likely to be installed by the beginning of second quarter of next year.

(e) 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

	2003-2004	2002-2003
1. Electricity :		
a) Purchase :		
Units	10,044,916	5,661,168
Total Amount	51,680,194	32,441,224
Rate/Unit (Rs.)	5.14	5.73
b) Own Generation :		
i) Through diesel / LDO Generators (KwH)	647,852	4,688,525
Diesel / LDO Consumed (Liters)	284,997	1,313,133
Units / Litre of Diesel /LDO (KwH)	2.27	3.57
Total Amount (Rs.)	5,310,568	16,015,010
Cost / Unit (Rs. / KwH)	8.20	3.42
ii) Through Steam:		
Turbine / Generator Units	Nil	Nil
Unit / Litres of Fuel / Oil / Gas	Nil	Nil
2. Furnace Oil :		
Quantity (Litres)	307,125	289,180
Total Amount (Rs)	3,153,491	2,954,639
Average Rate (Rs./Litre)	10.27	10.22
3. Coal :		
Quantity (Kgs)	3,332,895	2,894,690
Total Amount (Rs.)	7,875,947	6,439,628
Rate / Kgs (Rs.)	2.36	2.22
4. Bagasse :		
Quantity (Kgs)	6,898,860	6,497,095
Total Amount (Rs)	3,692,290	3,489,501
Rate / Kgs (Rs)	0.54	0.54

GUJARAT THEMIS BIOSYN LIMITED

II. CONSUMPTION PER UNIT OF FINISHED GOODS PRODUCED*

	2003-2004	2002-2003
Electricity per MT (Rs)	1,085,435	490,138
Furnace Oil Per MT (Rs)	66,233	44,640
Diesel /LDO Per MT (Rs)	111,537	241,962
Coal / Lignite Per MT (Rs)	165,418	97,293
Bagasse Per MT (Rs)	77,549	52,721

* Figures are not comparable as during the current year two products were produced as against single product in previous year.

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:

	2003-2004	2002-2003
i) Capital	Nil	Nil
ii) Recurring	7.55	6.87
iii) Total	7.55	6.87
iv) Total R & D expenditure as a percentage of total turnover	0.30%	0.25%

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	56.20
- Total foreign exchange spent	59.50

For and on behalf of the Board of Directors

Place : Mumbai
Date : 25th June, 2004

RAJNEESH ANAND
Managing Director

ANANT THAKORE
Director

DR. DINESH PATEL
Director

ANNUAL REPORT 2003-2004

REPORT ON CORPORATE GOVERNANCE

To,

The Members,

The Directors of the Company are pleased to present report on corporate governance for the financial year ended 31st March, 2004.

PHILOSOPHY ON CODE OF GOVERNANCE

The philosophy underlying Corporate Governance seeks to create a system of "Checks and Balances" based on transparency, ensuring integrity, clarity and consistency in the dealing of the company with all its stakeholders. Good governance ensures that a company follows the best corporate practices. Implementation of good governance indicates not only the compliance of the laws and regulations of the land but also indicates the values, practices and culture of your organisation.

BOARD OF DIRECTORS

A) Composition of the Board

The Company's Board comprises an optimum combination of Executive and Non-Executive Directors in conformity with the provisions of the listing agreement on corporate governance. The Company also has the optimum number of Independent Directors in accordance with the criteria given in Clause 49 of the listing agreement. The Non-Executive Directors brings an external and wider perspective confirming therewith in depth business deliberations and decisions advantage. The Board represents an optimum mix of professionals, knowledge and expertise.

The Managing Director subject to the superintendents and direction of the Board of Directors manages the business of the Company. Details of Board of Directors and their directorship/membership in committees of other companies (excluding Private Limited and Foreign Companies) are as under:

Name of the Director	Category	Number of other directorships	Committee Memberships	
			Chairman	Member
Mr. D. Rajagopalan (Nominee of GIIC)	Non executive &Independent	10	-	-
Mr. Surendra Somani	Non executive &Independent	10	-	3
Mr. P. R. Patel	Non executive &Independent	8	4	1
Dr. Dinesh Patel	Non executive &Independent	4	-	1
Mr. Anant Thakore	Non executive &Independent	2	-	-
Mr. J. K. Cha	Non executive &Independent	-	-	-
Mr. C. S. Park	Non executive &Independent	-	-	-
Mr C. B. Park **	Non executive &Independent	-	-	-
Mr J. H. Choi **	Non executive &Independent	-	-	-
Mr. Rajneesh Anand (Managing Director)	Executive	1	-	-

** (Mr. C. B. Park and Mr. J. H. Choi appointed in place of Mr. S. J. Kim and Mr. S. I. Suh respectively w. e. f. 10th June 2003).