

31st
ANNUAL REPORT
2011-2012



GUJARAT THEMIS BIOSYN LIMITED

BOARD OF DIRECTORS

DR. DINESH PATEL

Chairman

MR. RAJNEESH ANAND
(upto 02-03-2012)

Managing Director

MR. A. B SHAH
(Nominee of GLIC)

DR. SACHIN D. PATEL

MR. VIJAY AGARWAL

MR. HINESH DOSHI

MR. S.C KIM

MR. J.K CHA

MR. S. S. LEE

MR. J.H CHOI

MS. DHARMISHTA N RAVAL

MR. SUBHASH C. KAUSHIK

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

NOTICE TO THE MEMBERS

NOTICE is hereby given that the 31st Annual General Meeting of Gujarat Themis Biosyn Limited will be held on Friday, 28th September, 2012, 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, 2012 and the statements of Profit and Loss for the year ended on that date together with reports of the Auditors' and Directors thereon.
2. To appoint a Director in place of Mr. Hinesh Doshi, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. S. C Kim, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr. Dinesh S. Patel, 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

Place : Mumbai
Date : 14th August, 2012

Dr. Dinesh S. Patel
Chairman

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 Wednesday, 26th September, 2012 to Friday, 28th September, 2012 (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 25th September, 2012 which will enable the Company to furnish the replies at the Annual General Meeting.

5. Details of Directors seeking appointment/re-appointment in the 31st Annual General Meeting, in pursuance of clause 49 of the Listing Agreements.

Name of Director	Mr. Hinesh Doshi	Mr. S.C Kim	Dr. Dinesh S. Patel
Date of Birth	16-05-1967	15-09-1960	02-11-1948
Date of appointment	14-06-2006	14-06-2006	25-05-1992
Expertise in specific functional areas	Taxation	Planning and Coordination	Industrialist with expertise in Medicinal & Pharmaceutical Research, Fermentation Technology and Business Management.
Qualifications	B. Com, FCA	Master Degree in Business & Admin.	M.Sc. PHD. C. Chem., FRSC (Lon).
List of companies (excluding foreign and private Ltd. companies in which outside Directorships held as on 31st March, 2012)	None	None	Themis Medicare Ltd., Bank of Maharashtra
Chairman/ Member of the Committees of the Board of the companies on which he is a director as on 31st March, 2012	None	None	Member of Audit Committee of Themis Medicare Ltd.

Registered Office

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

Place : Mumbai

Date : 14th August, 2012

By order of the Board

Dr. Dinesh S. Patel
Chairman

DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting herewith the 31st Annual Report together with the Audited Accounts of the Company for the Financial Year ended 31st March, 2012

FINANCIAL RESULTS

	Year ended 31.03.2012	(Rs. in Lakhs) Year ended 31.03.2011
Total Income	914.05	1,369.60
Operating Profit / (Loss)	(185.48)	(89.62)
Finance Cost	(113.07)	(125.54)
Profit / (Loss) before depreciation, prior period adjustments & tax	(298.56)	(215.17)
Depreciation and amortization expenses	(110.29)	(107.00)
Exceptional item	568.36	—
Prior period adjustment	(0.83)	(4.36)
Profit / (Loss) after depreciation, exceptional item and prior period adjustments	158.68	(326.53)
Income tax for earlier year	—	1.15
Net Profit/(Loss) after tax	158.68	(327.68)
Surplus/(Deficit) brought forward	(2790.77)	(2463.09)
Surplus / (Deficit) carried forward to Balance Sheet	(2632.09)	(2790.77)

OPERATIONS

Your Company's operations during the year under review have declined due to reduction in job work activity done for fermentation activity.

However, Company has entered in to contract for supply of Rifa which has replaced the reduction in job work activity. The positive impact of the same will be seen in the next financial year.

Your Company's sales for the year ending 31st March, 2012 is Rs.731.76 Lacs (previous year Rs.0.40 lacs) and conversion charges for job work is Rs.188.96 lacs (previous year Rs.1337.81 Lacs). The operating loss for the year is Rs.185.48 lacs as compared to operating loss of Rs.89.62 lacs for the previous year. The net profit recorded by the Company for the year is Rs.158.68 lacs as compared to net loss of Rs.327.68 lacs in the previous year.

The Company proposes to carry the profit after tax of Rs.158.68 Lacs for adjustment against Reserves & Surplus.

In view of carry forward losses, no dividend is recommended for payment by the directors.

There are no material changes and commitments affecting the financial position of the Company between the end of the financial year and as on the date of the report which affect the Balance Sheet.

BIFR

Your Company was referred to the Board for Industrial and Financial Reconstruction (BIFR) under Sick Industrial Companies (Special Provisions) Act, 1985 on 2nd June, 2008 based on the negative net worth of the Company as at 31st March, 2007 and Registered under Case No. 67/2007.

The Board for Industrial and Financial Reconstruction (BIFR) has seen the viability of the Company based on the Rehabilitation Scheme submitted to them. The Scheme of Rehabilitation of the Company was approved by BIFR on 12th January, 2012. The main features of the Rehabilitation Scheme approved by BIFR are given below:

1. The Authorized and Paid up value of each share of the Company has been reduced from Rs.10/- per equity share to Rs. 5/- per equity share.
2. The reduction in the value of equity shares is to be utilized for writing off the accumulated losses of the Company.
3. The Authorized share capital is kept same with number of shares under equity shares and Unclassified shares increased from 1,36,00,000 & 1,11,00,000 to 2,72,00,000 & 2,22,00,000 respectively. Preference shares remaining the same as 30,000.
4. Themis Medicare Ltd. has been inducted as co-promoter of the Company and issued 2928702 Equity shares of Rs.5/- each fully paid-up at a premium of Rs.5/- each against cash / cash equivalent subject to lock-in period of 3 years.
5. Public shareholding to be brought to the minimum level of 25% in the financial year 2014.
6. Post increase in public share holding (F.Y. 2014) the holding of Yuhan Corporation will be maintained at 26% by acquiring shares from the existing promoters at a price to be determined in accordance with the then applicable laws.
7. Gujarat Industrial Investment Corporation (GIIC) to accept their unsecured loan amount of Rs.26 Lacs in 3 equal yearly instalments or alternatively the entire amount as would be decreed by the court will be payable by the Company before the end of the scheme in 2018.
8. The net worth of the Company to become positive by 2018.

Concession / Relief

As per the scheme sanctioned by BIFR on 12th January, 2012 certain reliefs and concessions were allowed by Bank, Income Tax Department, SEBI, Stock Exchange, Department of Company Affairs etc. as contained in the approved scheme.

Union Bank of India

Union Bank of India has sacrificed by giving refund of Rs.133.75 Lacs towards the concessional interest. The Bank has agreed to charge interest at concessional rate till the Net Worth become positive. Further the repayment of WCTL outstanding amount has been rescheduled for the further period of 84 equal monthly instalments from 1st November, 2011.

Promoters sacrifice

- a) M/s. Yuhan Corporation forego their claim of Rs.395.10 Lacs
- b) Shareholders have foregone Rs.5/- paid on equity shares thereby reducing the face value of the share to Rs. 5/- each from Rs. 10/- each.
- c) Themis Medicare Ltd. the new promoters to take shares of Rs. 5/- each at a premium of Rs.5/- per share.
- d) The new promoters Themis Medicare Ltd. funded unsecured loan amounting of Rs. 350 Lacs
- e) In case of any short fall, the promoters / co-promoters under take to bring the funds in the form of equity / unsecured interest free loan.

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

India has been making rapid strides in the field of Bulk Drugs and majority of these drugs required in India are manufactured in India. India also happens to be a major exporter of bulk drugs all over the globe, particularly to Europe and US markets.

2. Opportunity, Threats, Outlook, Risk and Concerns

The Indian fermentation industry does not have a level playing field as compared to China. The energy cost, labour cost and raw material cost are much lower in China, therefore the Company finds itself in a very difficult situation.

3. Segment-wise or Product-wise Performance

Your Company is engaged in manufacturing activities on Job Work basis. Your Company is also on look out for new products to support its activities and fixed costs.

4. Internal Control Systems and their adequacy.

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

5. Material Developments in Human Resources and Industrial Relations

Fermentation industry is a high technology Industry. Continues 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.

DIRECTORS

In terms of Article of Association of the Company as well as the requirement of the Companies Act, 1956, Mr. Hinesh Doshi, Mr. S.C Kim & Dr. Dinesh S. Patel retires by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Mr. Rajneesh Anand resigned as Managing Director w.e.f 2nd March, 2012. The board places on record their appreciation for the services rendered by him during his tenure as Managing Director of the Company. Subsequently, Mr. Rajneesh Anand is appointed as President & CEO of the Company.

INDUSTRIAL RELATIONS

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

AUDITORS

Messrs Khandelwal Jain & Co., Chartered Accountants, Statutory Auditors of the Company retires at the conclusion of the forthcoming Annual General Meeting and being eligible, offers themselves for re-appointment.

The Auditors have furnished to the Company the requisite Certificate under Section 224 (1B) of the Companies Act, 1956.

BOARD'S EXPLANATION ON STATUTORY AUDITOR'S OBSERVATIONS.**Point No. 2 (f) regarding maintaining of fixed assets records**

The management expects to carry out physical verification of fixed assets during the F.Y 2012-13. Considering that the production unit is in running condition, the physical existences of availability and running of fixed assets is established beyond doubt. The board does not expect any material discrepancy between fixed assets as per books and its physical availability.

Point no. 2 g(i) regarding preparation of financial statements on going concern basis.

After considering the viability of unit, BIFR has passed order for Rehabilitation Scheme. This shows that the operations of the Company are viable in short and long run. As regards brought forward losses and negative net worth, after giving effect of BIFR

directives, the same will considerably reduce. As regards working capital deficiency, the Company has entered in to a contract with a party for supply of material for which raw materials will be supplied by them. This will considerably reduce working capital burden of the Company and monthly billing is taking care of overhead funding. With this arrangement, the Company do not foresee any problem of working capital requirements. In the opinion of the board there is no doubt about the Company ability to continue as a going concern.

Point no. 2 g(ii) regarding confirmation of balances

The Company do not foresee any material variation in the balances of trade receivable, deposits, loans and advances, long term borrowings, liability for expenses, trade payables as per the balance as on 31-3-2012. Hence there will not be any material impact on the financial statements of the Company.

Regarding default / repayment of loans & interest from bank

In view of the value of sacrifices on account of interest on CC Limit, WCTL, Penal Interest amounting to Rs.133.75 Lacs as contained in the approved Rehabilitation Scheme which was agreed to by Union Bank of India who submitted the Rehabilitation Scheme to BIFR as Operating Agency. Had this refund of interest as agreed by the Bank credited timely to the Company's account, there would not have been default / delay in repayment of principal Term Loan & Interest to that extent.

As regards other remarks in the Auditors' Report, the notes wherever referred to, are self-explanatory.

INTERNAL AUDITOR

The Company has appointed M/s Gopalkrishnan Aiyer & Co., Chartered Accountants as Internal Auditors of the Company.

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 to conduct cost audit relating to Company's bulk drug division for the financial year ended 31st March, 2012.

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 Practicing Company Secretary thereon is attached to this Report.

DIRECTORS' RESPONSIBILITY

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Directors confirm that:

- i) In the preparation of the Annual Accounts, the applicable accounting standards have been followed.
- ii) The Directors 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 the end of the financial year and of the profit of the Company for the financial year under consideration.
- 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 Company 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, 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 : 14th August, 2012

Dr. Dinesh S Patel
Chairman

Dr. Sachin D. Patel
Director

Subhash C. Kaushik
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 Plant and equipment to reduce energy consumption and the Company will continue in its efforts to improve methods of energy conservation and utilization.

FORM - A
Form for disclosure of Particulars with respect to Conservation of Energy
A POWER AND FUEL CONSUMPTION

		2011-2012	2010-2011
1. Electricity :			
a) Purchase :			
Units		3026520	8685390
Total Amount		24502347	53391598
Rate/Unit (Rs.)		8.10	6.15
b) Own Generation :			
Through diesel / LDO Generators (KwH)		16472	116760
Diesel / LDO Consumed (Liters)		9600	51858
Units / Liter of Diesel /LDO (KwH)		1.72	2.25
Total Amount (Rs.)		439092	2162850
Cost / Unit (Rs. / KwH)		26.66	18.52
2. Furnace Oil :			
Quantity (Liters)		10000	315167
Total Amount (Rs)		379628	8281905
Average Rate (Rs./Liter)		37.96	26.28
3. Coal / Lignite :			
Quantity (Kgs)		2052130	7461990
Total Amount (Rs.)		12222432	37275691
Rate / Kgs (Rs.)		5.96	5.00

B. CONSUMPTION PER MT OF FINISHED GOODS PRODUCED *

	2011-2012	2010-2011
Electricity per MT (Rs)	527471	442790
Furnace Oil Per MT (Rs)	8172	68684
Diesel /LDO Per MT (Rs)	9452	17937
Coal / Lignite Per MT (Rs)	263117	309137

* Figures are not comparable as mix of two products were produced and use of substitute, also the per MT cost has been calculated excluding the finished goods used for captive consumption.

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:**

Since the Company is currently in the Job work business, the Company works on the development of processes and strains to improve productivity to increase its income/reduce losses.

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

The R & D activities of the Company have resulted in improved productivity and quality of the product, better yields and recoveries leading to cost containment.

(c) Future Plan of action:

The Research activity will continue to concentrate on new product development of products which the Company will identify in future, process improvement and development. The Company is working aggressively to scale up new product.

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 operation.

(b) Benefits derived as a result of the above efforts:

- Reduction of operation 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 in the job work business area only however the product made by the Company is used by the principals for manufacture of down stream API which is widely exported. This will help the country to gain good foreign exchange. Our Principals earlier were also importing the products manufactured by us from China. Thus our activity in a way is also helping the country to save foreign exchange.

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

- Total foreign exchange earned

NIL

- Total foreign exchange spent

NIL

For and on behalf of the Board of Directors

Place : Mumbai
Date : 14th August, 2012

Dr. Dinesh S Patel
Chairman

Dr. Sachin D. Patel
Director

Subhash C. Kaushik
Director

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, 2012.

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
Dr. Dinesh S. Patel	Non executive Promoter Director	3	–	1
Dr. Sachin Dinesh Patel	Non executive & Promoter Director	2	–	1
Mr. A. B Shah (Nominee of GIIC)	Non executive & Independent	4	–	2
Mr. J. K. Cha	Non executive Representative of Yuhan Corpn.	–	–	–
Mr. S. C. Kim	Non executive Representative of Yuhan Corpn.	–	–	–
Mr J. H. Choi	Non executive Representative of Yuhan Corpn.	–	–	–
Mr. S.S. Lee	Non executive Representative of Yuhan Corpn.	–	–	–
Mr Vijay Agarwal	Non executive & Independent	7	–	4
Mr Hinesh Doshi	Non executive & Independent	–	–	–
Mr. Rajneesh Anand (Managing Director) (upto 02-03-2012)	Executive	1		1
Ms. Dharmishta N Raval	Non executive & Independent	–	–	–
Mr. Subhash C Kaushik	Non executive & Promoter Director	1	–	–