

GEARED **2** GROW



GUFIC
BIOSCIENCES LIMITED

25TH ANNUAL REPORT 2008-2009

BOARD OF DIRECTORS

Mr. Jayesh P. Choksi	-	Chairman & Managing Director
Mr. Khantilal N. Sanghavi	-	Director
Dr. Sharat S. Gandhi	-	Director
Mr. Ashok M. Tarale	-	Director
Mr. Pranav J. Choksi	-	Director
Dr. M. G. Dhapalapur	-	Director

COMPANY SECRETARY

Mr. Hitesh P. Mutha

AUDITOR

Mayur Chokshi & Co.
Chartered Accountant

BANKERS

State Bank Of India
Commercial Branch, Vile Parle (E).

**REGISTERED OFFICE &
SHARES DEPARTMENT**

Subhash Road – A,
Vile Parle (E),
Mumbai – 400 057.

ADMINISTRATIVE OFFICE

Old Sanskar Jyot School Bldg.
2nd & 3rd Floor, (Above Bank Of Maharashtra)
S.V. Road, Andheri (W), Mumbai - 400 058.

PLANT

National Highway No. 8, Near Grid,
Kabilpore Navsari, Gujarat 396 424

REGISTRAR AND TRANSFER AGENTS

LINK INTIME INDIA PVT. LTD.
C – 13, Pannalal Silk Mills Compound,
L.B.S. Road, Bhandup (W) , Mumbai 400 078.
Tel No.: (022) 2596 3838

25th Annual General Meeting

DAY & DATE

Wednesday, 30th September, 2009

TIME

2.30 PM.

VENUE

Hotel Parle International,
B. N. Agarwal Market,
Next to Dinanath Mangeshkar Hall,
Vile Parle (E), Mumbai - 400 057.

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Chairman's Message

"From so simple a beginning endless forms most
beautiful and most wonderful have been,
and are being evolved."

- Charlie Darwin on the Origin of Species

Dear Shareholders,

Pharmaceutical Industry, in coming years, will require to heavily invest in new innovations and on improving the quality of products. To built a quality talent pool in line with our bench mark practices, we have to start where it all began. The Company is continuing its marathon run of progress and growth. Over the years your Company has grown into prosperous tree with presence all over country and number of foreign destinations. This growth and future prospects of your Company has created significant shareholders' value and trust. Gufic Family has prospered to become enticing Pharmaceutical Company.

In the year 2008-09 your Company saw the results of consolidation and integration process it has started three years back in terms of stability and strength in organisation. Number of overheads and expenses were written off, which incurred in the process of consolidation during the last year. The results of streamlining and diverting focus on the core competence could be seen more prominently in the coming years. The Company has drastically bought down the working expenses by doing away with number of overheads by reorganizing R & D Lab, implementation of Enterprise Resource Planning (ERP) system, cutting in top management cost to become efficient and responsive organisation.

World saw compelling recession in the year 2008-09. Though recession started in United States and then spread to Western Europe and United Kingdom, it has quickly taken whole world into its spiral. As result it bought lack of liquidity in the market, drying up of working capital and buyers' credit, leading to reduction in demand and the consequent inability of buyers to meet payments on promised dates. Indian Pharmaceutical Industry reacted well to the recessionary trends and remained largely unaffected to it, and by and large not shown the downward results but growth prospects has affected and consequently not able to make the expected growth.

Market of developed countries is severally affected due to recession and consequently number of pharma multinationals and Indian companies whose area of function was foreign

market had shifted their focus to Indian domestic market resulting severe competition; reduction of margin and thus affected profits of the Company. Good news is that the economic revival in India is beginning to take place faster than most people expected.

Your Company successfully remained aloof to downward spiral of world economic recession but its growth expectation has affected during the financial year 2008-09. Manufacturing contracts which we expected to enter were postponed by buyer companies and higher financial charges affected the profits of the Company.

During the year profits from Pharma Division sharply rose by 44 % due to reduction in operating expenses and increase of margins in newly introduced drugs. Sales of Bulk Drug recorded growth of 30%. This growth is rerecorded in the situation where downward trend has been witnessed by pharma industry in export segments.

As consequence of reorganisation process, as expected, the revenues from Chemical segment fallen and loss is recorded in Agro Segment as piled up inventory are disposed off and subsequently written off from the books of accounts. We expect the revenue may decline further in these segments and even incur disposing cost before these divisions are completely closed off.

Revenues from Consumer Division shown increase of 25 %, though actual profits from this segment declined due to reduction in margins of traded goods and increase in marketing expenses. Fruits of investment in marketing will materialise in coming years. The Financial charges also increased sharply due to rise in rate of interest and revision of terms by the Banks.

R & D Lab of the Company is committed for introduction of new drug formulations to create niche segments, so as to have edge on competitors. We have successfully developed several high end formulations in the field of injectables and orals and hoping to start manufacturing the same during second quarter of coming year. We are also excited about molecules such as Levosimendon, Lornoxicam and Thiocolchicoside combinations, Thiocolchicoside, Dexrabeprazole, Edaravone and certain infertility products, which expected to reach in their final stages of trials and will be ready for the manufacturing and trading. We are always concerned that the Company would lead the way on innovation, quality and safety.

We are happy to say that your Company has substantially contributed in manufacturing of Life Saving Drugs and established itself for the quality of its medicines and drugs.

Initiative and prominence is taken in establishing state of art manufacturing facility, receipt of WHO GNP certifications, building of oncology manufacturing facility made your Company one of the hot pursuits for third party basis contracts. Looking at the contracts in hand we hope to see promising results in the coming year.

The board and Senior Management of the Company are committed to ensure efficiency and cost effectiveness. The

Management is striving hard to improve yield and productivity of manufacturing and marketing processes. The Company is making highest possible efforts to maintain quality and therapeutic effectiveness of its products. Enterprises Resources Planning (ERP) system is effectively contributing for speedy and effective communication between different offices of the Company placed all over Country including Factory Premises, Administrative Office.

The company is striving to create grooming atmosphere in the organization, so as to nurture and develop its working force. We are trying to provide requisite background to initiate, to invent, to improve process, to increase diverse base and to implement effectively. Through creating responsive organisation by meeting the needs and requirements of working force the Management is hoping to create active work culture. At our R & D lab we are focusing and encouraging scientists to invent and introduce new drug formulations. The Management is committed to create and maintain motivated, satisfied and efficient work forces to built enduring Gufic Family.

With the dedicated R & D Lab, manufacturing facilities and through ever increasing presence and aggressive marketing strategy the Company is destined to reach higher altitude in coming future. With a large portfolio of new drug formulations, edge in contract manufacturing and strong consumer products line your Company is certain to grow and prosper in coming future.

The Board appreciate and thank for your continued support and faith in the management of the company. We also thank all Gufic Family for their dedication and commitment in pursuing goals of the Company. Thanking you,

Yours truly,



Jayesh P. Choksi
Chairman & Managing Director

Directors' Report

To,
The Members,
Your Directors have pleasure in presenting the Twenty Fifth Annual Report of the Company, together with the Audited Accounts for the financial year ended 31st March, 2009.

FINANCIAL RESULTS AND OPERATIONS:

	2008-09	2007-08
Rs. in,000		
Net Sales	516,841	540,943
Profit before interest, depreciation and tax	60,128	52,489
Interest	26,228	18,842
Depreciation	16,725	18,036
Profit before Tax	17,176	15,611
Provision for tax	(5,094)	18,664
Fringe Benefit Tax	956	376
Provision for Deferred Taxation	12,950	(12,200)
Profit After Tax	8,364	8,771
Surplus brought fwd.	70,558	66,312
Tax - Earlier Yr.	---	---
Deferred Tax - Earlier Yr.	---	---
Prior Period Expenses	---	---
Balance available for appropriation	78,921	75,082
Appropriations:		
Dividend	3,868	3,868
Tax on dividend	657	657
Transfer to General Res.	---	---
Surplus carried fwd.	74,397	70,558

FINANCIAL HIGHLIGHT:

During the year under review the sales decreased from Rs. 540,943,000 in comparison to previous year to Rs. 516,841,000 a decrease of 4.46%, reflecting the reduction in sale of Agro and chemicals segment

DIVIDEND:

The Directors are pleased to recommend a Dividend of 5 % per equity share of Re.1 each for the financial year ended 31st March, 2009.

LISTING:

Your Company is listed with the Mumbai Stock Exchange at P. J. Towers, Dalal Street, Mumbai 400 001, bearing script code no. 509079 and with the National Stock Exchange of India Limited at Exchange Plaza, Bandra

Kurla Complex, Bandra (E), Mumbai- 400 051 bearing script code no. GUFICBIO. The listing fees for the year 2009- 2010 has already been paid by the Company.

FIXED DEPOSITS:

During the year under review, your Company has not accepted any deposit from the public.

DIRECTORS' RESPONSIBILITY STATEMENT:

In terms of provisions of Section 217(2AA) of the Companies Act, your Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- appropriate accounting policies have been selected and applied consistently and judgements and estimates made 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 ended 31st March, 2009 and of the profits of the Company for that period;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- the annual accounts have been prepared on a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report for the year under review, as stipulated under clause 49 of the Listing Agreement is annexed hereto

CORPORATE GOVERNANCE:

A Report on Corporate Governance alongwith a Certificate from the Auditors of the Company regarding compliances with the conditions of Corporate Governance pursuant to Clause 49 of the Listing Agreement is annexed hereto.

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

The information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed hereto and forms part of this Report.

EMPLOYEES:

There are no employees drawing remuneration above.

The limits specified under Section 217 (2A) of the Companies Act, 1956.

DIRECTORS:

Mr. Sharat S. Gandhi, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible offer himself for reappointment.

Dr. M. G. Dhaplapur, Director of the Company, retires at the ensuing Annual General Meeting and offers himself for appointment.

AUDITORS:

Comments given by the Auditors in their Audit Report when read together with the notes to Accounts are self explanatory and needs no further comments.

Members are requested to appoint Auditors for the ensuing year. M/s. Mayur Chokshi & Co., Chartered Accountant, retires and being eligible offer themselves for appointment.

As required per proviso to Section 224(1) of the Companies Act, 1956, a written certificate has been obtained by the Company from the Auditors, M/s. Mayur Chokshi & Co., Chartered Accountant, certifying that, if they are appointed Auditors of your Company, such appointment would be within the limits specified in Section 224(1)(B) of the Companies Act, 1956.

APPRECIATION:

Your Directors would like to place on record their sincere gratitude to the Shareholders, Bankers, Business Associates, Medical Professionals, Customers, Government, other Regulatory Agencies for their continued support and faith in the Company. Your Directors are also happy to place on record their appreciation for the whole-hearted co-operation, commitment and contribution made by all the staff members of GUFIC FAMILY and look forward to their continued support.

By order of the Board of Directors,

Jayesh P. Choksi

Chairman & Managing Director

Mumbai - 28th August, 2009

Management Discussion & Analysis Report:**INDUSTRY OVERVIEW & OPPORTUNITIES**

The pharmaceutical industry remains to be a promising industry with the expected annual growth of 13 – 14 %. Indian pharma industry is going through change from one stage to another. Indian pharma industry earlier only known for cheaper and alternative drugs, now moving to next level of innovations and quality products. This has necessitated the extra focus on New Drugs Discover Research (NDDR) and quality manufacturing facilities. Further these high quality products are also required to aggressively marketed and distributed through extensive chain network. Though Indian pharma industry going through change it will continue to remain and identified for low cost production, low R & D costs and innovative scientist man power; having an edge over competing multinational companies.

Considering the ever increasing competition in generic products and high competition by multinational companies, introduction of new drug formulations and creation of niche segments will prove as driving factor in coming future. Domestic market is poised to grow with ever increasing consumption as result of economic growth, higher penetration of health insurance, increasing awareness of health series in rural areas.

Bulk drugs market will continues to grow in both foreign and domestic markets with increasing demands for high quality drugs. India ranks 4th in terms of volume bulk drugs, among the top 15 drug manufacturing countries worldwide. Nearly 70% of the bulk drugs, manufactured are exported to more than 50 countries. Indian bulk drugs market is projected to grow to about USD 6.54 billion and contract manufacturing to USD 1.5 billion. Indian companies have the distinction of developing cost-effective technologies for manufacturing bulk drugs and intermediates, conforming to global standards.

Indian herbal market is registering an extremely significant growth and is likely to reach Rs.14,500 crore by 2012 and exports to Rs.9,000 crore with a CAGR of 20% and 25% respectively, according to findings of the Associated Chambers of Commerce and Industry of India (Assocham).

Focusing on the core competence will prove as a key for success. Contract Manufacturing, creation of niche segments for the products to stay ahead of the competitors and the strong products line with improvised quality of products will be driving factors in coming years.

THREATS AND CONCERN

Indian pharma industry increasingly become highly competitive market with the number of entities entering to the market everyday, effectively reducing margins of the company.

In recent times pharma industry also facing intrusion from multinational companies who are trying to chunk away the share of domestic companies by infusing enormous amount capital in the market with the short term objectives. Multinational companies are muscling their way by violating trade marks of the domestic companies, and using lengthy legal process and high legal expenses as tool to suppress the domestic companies. We are one of the grievant of this attitude.

The Indian herbal drug exporters face the stringent quality norms imposed by the EU through the Traditional Herbal Medicinal Products Directive (THMPD), Food Supplement Directive (FSD) and these directives also encouraged the high quality products and subsequently the unorganized sectors sub-standard products are rejected by them.

OUTLOOK

The Company is holding competitive edge over competitors by introduction of new drug formulations in high-end injectables and life saving drugs in pharma and biological fields. We have successfully developed several high end formulations in the field of injectables and orals and hoping to start manufacturing the same during second quarter of coming year. We are also excited about molecules such as Levosimendon, Lornoxicam and Thiocolchicoside combinations, Thiocolchicoside, Dextrabeprazole, Edaravone and certain infertility products, which expected to reach in their final stages of trials and will be ready for the manufacturing and trading.

The Company is taking extra efforts to increase and revive its marketing base by infusing new strategies and involvements to create wider base of C&F agents and motivated and responsible field staff. We strive to increase the reach and effectiveness of marketing and distribution chain to make your Company one of the aggressive and competitive pharma and consumer product company. Early results of these changes are started to reflect in the result of the company.

The company has reorganized R & D lab at Navsari (Gujarat) and staffed it with motivated and innovative work force to contribute for introducing new drug formulations and to created niche segment.

The Company has built up state of art oncology manufacturing facility to produce complex oncology drugs and supplement. We have also made considerable progress in Human Therapeutic visa Biotechnology.

Initiative and prominence is taken in establishing state of art manufacturing facility, receipt of WHO GMP certifications, building of oncology manufacturing facility made your Company one of the hot pursuits for third party basis contracts. Looking at the contracts in hand we hope to see promising results in the coming year.

Bulk drug segment is moving steadily and efficiently to become one of the major contributor to profits of the company. Bulk drugs market shown growth in domestic as well as overseas market.

The Company is holding strong product line in consumer segment with brand loyalty for its product known for their quality and therapeutic effectiveness. The Company also have strong product line in herbal medicine segment and we are expected to increase our reach by aggressively marketing our products.

The Company has reorganized and restructured itself to focus on the core competence so as to become slick and responsive organisation to meet challenges and increasing competition in the industry. These all efforts are made to leverage our capability to provide better results and to increase yield and profit of the Company.

SEGMENTWISE PERFORMANCE

Sales for last 3 years is as follows:

Rs. in '000

Segment	2008-09	2007-08	2006-07
Pharma			
A. Formulation	304226	328755	333688
B. Bulk Drugs	102416	79046	73511
Consumer	94693	75827	69152
Chemicals	15830	30661	--
Agro	7197	41687	75744
Total	524362	555976	552095

Profits from Pharma division sharply rose by 44 % to Rs. 605 lacs. Sales of Bulk Drugs recorded growth of 30% and profits from Bulk Drugs rose by 123 %.

As consequence of reorganisation process, as expected, the revenues from Chemical segment fallen and loss is recorded in Agro Segment as piled up inventory are disposed off and subsequently written off from the books of accounts.

Revenues from Consumer Division shown increase of 25 %, though actual profits from this segment declined due to reduction in margins of traded goods and increase in marketing expenses.

INTERNAL CONTROL SYSTEM

Integrated system of communications, controls and reporting has given all requisite tools to the Management to manage effectively and efficiently. Internal controls are designed to ensure compliance with policies of the company, to comply with statutory requirements, to prevent any fraud or misuse of the resources and to protect shareholders' interest. Electronic internal control system, internal audit system has made possible to effectively manage stocks placed at the C & F agent and at the factory premises of the company.

HUMAN RESOURCES DEVELOPMENT

"At Gufic people are our greatest Asset's and we believe in transparent and open culture in regards to Recruitment, Career Development, Compensation & Benefits, Leaves, Learning & Development and Internal Employee related communication. "We support the creation of internal interactive platforms and forums to enhance knowledge, thanks to the involvement, engagement and enthusiastic people of Gufic".

We have made a strategic Endeavour focusing on "Employee-First" strategy. The needs of employees are placed before the needs of customer and in turn we have received greater customer satisfaction, better engagement, higher revenues and low attrition rate. In today's competitive world a satisfied workforce will be a strong competitive advantage. We believe that take good care of your employees, and they will, in turn take good care of your customers."

CORPORATE GOVERNANCE REPORT

1. INTRODUCTION:

Gufic Biosciences Limited (GBSL) is committed to pursue growth by adhering to the high level of standards of Corporate Governance. Good Governance practices stem from the culture and mindset of the organisation. The Company's philosophy on corporate governance envisages an attainment of the highest level of transparency, accountability and equity in all facets of its operations and in all interaction with its shareholders, employees, government and lenders.

In addition to complying with the statutory requirements, the Company is striving to establish effective governance systems and practices by improving transparency, disclosures, internal controls and promotion of ethics at work-place.

The Board with independent directors functions through various committees of corporate governance. The Board actions abide model code of conduct adopted by the Company. The Board is committed to effectively implement and uphold the highest principles of Corporate Governance consistent with the Company

goal to enhance shareholders value.

2. BOARD OF DIRECTORS:

Composition and size of the Board

The current strength of the Board of Directors of the Company is six. The Board has an optimum combination of executive and non-executive directors with not less than fifty percent of the Board of Directors comprising of non-executive directors. The Board consists of six Directors out of which three are Executive Directors and three are Non-Executive Directors. The Chairman is an Executive Director and three Directors on the Board are Independent Directors.

Board Meetings

Five Board Meetings were held during the financial year 2008 - 2009 and the gap between two Board Meetings did not exceed 4 months. The Board meetings were held on 30th April 2008, 31st July 2008, 30th October 2008, 14th November 2008 and 31st January 2009.

The names of members of the Board, their attendance at the Company's Board Meetings and last Annual General Meeting, the number of Directorship / Committee Membership in other Companies are given below:

Name of Director Category of Director	No. of Board Meeting attended during the year	Attendance at the last AGM (31.03.2009)	Number of Directorship in other Companies	No. of membership held in other Companies
Mr. J. P. Choksi (CMD)	5	Yes	8	NIL
Mr. P. J. Choksi (ED)	5	Yes	5	NIL
Mr. K. N. Sanghvi (NED (I))	5	No	NIL	NIL
Dr. S. S. Gandhi (NED (I))	5	Yes	NIL	NIL
Mr. A. M. Tarale (NED (I))	5	Yes	NIL	NIL
Dr. M. G. Dhapalapur (ED)	5	Yes	NIL	NI

Notes:

- Category of Directorship : CMD Chairman and Managing Director, ED Executive Director, NED (NI) Non-Executive and Non Independent, NED (I) Non-Executive and Independent
- Membership in only Audit Committee and Shareholders' Grievances Committee have been considered for committee positions as per Listing Agreement.
- None of the Directors is a member in more than 10 committees and is not a Chairman in more than 5 Committees across all companies in which he is a Director.

3. AUDIT COMMITTEE:

The Audit Committee, consists of three Directors, Non Executive and Independent. The representative from the Internal Auditor and Accounts Manager are invitees to the Committee meetings. The Company Secretary, acts as a Secretary to the Committee.

During the financial year under review, four meetings of the Audit Committee were held i.e. on 30th April 2008,

31st July 2008, 31st October 2008, 14th November 2008 and 31st January 2009. The following are the details of attendance:

Name of Director	Chairman / Member	Category	Meetings Attended
Mr. Kantilal Sanghvi	Chairman	NED (I)	4
Dr. Sharad Gandhi	Member	NED (I)	4
Mr. Ashok Tarale	Member	NED (I)	4

NED (I) - Non Executive and Independent Director

Terms of reference

The term of reference of Audit Committee are quite comprehensive and include all that is mandated under Clause 49 and section 292A of the Companies Act, 1956. The Committee focused its attention on overseeing and monitoring the financial reporting system within the Company, considering quarterly, half-yearly and annual financial results of the Company and submitting its observations to the Board of Directors before its adoption by the Board, annual internal audit plans, review of internal control system, audit methodology and process, major accounting policies and practices, compliance with accounting standards, risk management and risk disclosure policy. The Audit Committee also continued to advise the management on areas to be taken up for audit.

The Audit Committee reviews, besides other items, the Management Discussion and Analysis Report, report on significant related party transactions, internal controls and weaknesses of the statutory auditors, internal audit reports.

4. REMUNERATION COMMITTEE:

Terms of reference

The terms of reference to this committee include recommending or reviewing the terms of remuneration paid / payable to executive directors. Its scope of work ranges from nominating Directors on the Board, evaluating performance of Executive Director and laying down guidelines for their remuneration package or compensation.

Composition

The Remuneration Committee of the Company consists of

Name	Position held	Category
Dr. Sharad Gandhi	Chairman	NED (I)
Mr. Ashok Tarale	Member	NED (I)
Mr. Kantilal Sanghvi	Member	NED (I)

NED (I) - Non Executive and Independent Director

During the year 2008-09 the Remuneration Committee Meeting was held on 31st January, 2009. All the members of the Committee attended the Meeting.

Details of Remuneration to Directors

The details of the remuneration paid to the Managing Director & Executive Directors during the year ended 31st March 2009, is given below.

Name of Director	Mr. Jayesh P Choksi	Dr. M. G. Dhapalapur
Position	CMD	ED
Salary	6,00,000	NIL
Perquisites	3,60,000	NIL
Provident Fund	72, 000	NIL
Bonus	6,000	NIL
Commission	1,26,694	NIL
Performance linked	NIL	NIL
Sitting fees incentive	NIL	NIL
Director remuneration	NIL	6,00,000
Total	1,164,694	6,00,000

Notes:

- Dr. M. G. Dhapalapur is appointed as executive director with the effect from 1st May 2009.
- Mr. Pranav Choksi, executive director of the company not paid any compensation during the financial year 2008-09.

5. INDEPENDENT DIRECTORS:

None of the Independent Directors have any pecuniary relationship or transactions with the Company, its Promoters, its Directors, its senior management and/or associates companies as follows

Name of Directors	K. N. Sanghavi	S. S. Gandhi	A. M. Tarale
Commission	--	--	--
Sitting fees	30000	--	--
Profession fees	--	120000	--
Total	30000	120000	--

Note : The quantum of professional fees received by Dr. S. S. Gandhi forms a very small proportion of the associate company and therefore does not effect the independence of the Director.

6. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE:

Composition

The Shareholders/Investors Grievance & Transfer Committee comprises of the following: