A composite image featuring a globe with a DNA double helix structure wrapped around it. To the right of the globe, there is a stylized blue 'G' logo surrounded by concentric dashed lines, suggesting a molecular or genetic theme. The background is a dark space with stars.

*"Science may set limits to knowledge,
but should not set limits to imagination" - Bertrand Russell*



GUFIC
BIOSCIENCES LIMITED

26TH ANNUAL REPORT 2009-2010

Why settle for just napkins, when there's Shapers
for Unexpected days • Heavy days • Spotting days

Presenting

Shapers
natural feel

SANITARY NAPKINS

3in1 Protection Pack

1 Emergency Pack
for unexpected days

7 Regular Napkins
for bhari & regular days

2 Panty Shields
for halke & spotting days

Complete protection for those 5 days



Roll-on[®]

HERBAL TREATMENT FOR SEVERE COLDS

Contains:

- Nilgiri Ka Tel • Pudina Ka Tel
- Pudina Ka Phool • Karpura

**Effective Treatment
for Cold**

BOARD OF DIRECTORS

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

COMPANY SECRETARY & MANAGER LEGAL

Mr. Hitesh P. Mutha

AUDITOR

Mayur Chokshi & Co.
Chartered Accountant

BANKERS

State Bank Of India
ICICI Bank
Corporation Bank
Bank of Baroda

REGISTERED OFFICE ADDRESS

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.
Tel.: 91- 22- 67261000. Email : gufic@guficbio.com
Website : www.guficbio.com

PLANT

National Highway No. 8, Near Grid,
Kabilpore Navsari, Gujarat 396 424
Tel.: 91 - 02637 - 239946 / 329424

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) 2594 6970
Fax (022) 2594 6969
Email: rnt.helpdesk@linkintime.co.in

26th Annual General Meeting

DAY & DATE

Thursday, 30th September, 2010

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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₹ = Indian Rupee

GUFIC BIOSCIENCES LIMITED

Chairman's Message



Dear Shareholder,

The year 2009-10 was progressive year for our Company, both exciting and rewarding. Your Company is steadily advancing to consolidate its position in the pharmaceutical industry. We are focusing on to create our niche market for our innovative high end products, strengthening our established product lines and revitalising core competence of the Company using its expertise to pursue growth opportunities.

Indian pharma sector combated the recession with relative ease and recorded impressive growth in fiscal 2010. Inelastic demand for therapeutic drugs and healthcare facilities has driven the growth for the pharma Industry. The Government's Vision 2015 statement indicates an 18% plus CAGR for the pharma sector, meaning a doubling of revenues over the next five years.

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. Moreover taking a social responsibility we expanded our capabilities and have become one of the largest manufacturer of Lyophilized Injectable at very economical cost.

The total revenue of the Company grew by 19% to ₹ 6333.21 Lakhs. Our strategies of diverting focus on core competence, capability building, Product Development, introduction of new drug products and extensive marketing efforts collectively brought about the robust performance of Company and sales of the Company increased by 22% to ₹ 6288.64 Lakhs.

With innovative product line, effective progress made in contract manufacturing services and marketing sales of Formulation Division increased by 29% and profit further increased by 14%. Sales for our herbal product for muscular pains 'Sallaki' seen impressive jump and introduction of Basket Sallaki is received well by consumers. Despite adverse Rupee -US Dollar equations sales of Bulk Drug Division increased by 17%, but profit raised by 6%. As result of strong products line and marketing efforts sales of Consumer Division increase by 19% and profit by 20%.

The Company made further progress in restructuring and diverting focus on the core competence through step-by-step closing off of Chemical and Agro Segments. As consequence loss could be recorded in coming years as inventory are disposed off and subsequently written off from the books of accounts.

In no other Industry segment innovative R&D is as critical as in Pharma industry. We have invested a lot of our time and energy in our R&D. This year we have already received permission for Dextrabeprazole injectable and Lornoxicam in tablet combination, which are firsts in the industry. Number of New Drug Products in the form of new formulations and combinations in the field of Congestive Heart Treatment, Life Saving Drugs, Hospital Care, and Pain Management are in pipeline. It will help the Company to create own niche market for its products and to have edge over competitors.

The Company has made significant growth in the Contract Manufacturing and striving to enter into the CRAMS (Contract Research and Manufacturing

Services) by entering in tie-ups at concept stage with clients and then to develop, apply, carry out trials and registrations and manufacture.

Herbal Division is something very close to the Company's heart. We believe our traditional Ayurvedic studies and references have a rich content of information waiting to be explored and our aim is to provide these Ayurvedic Gems to the consumer via modern delivery systems. We are making sincere efforts to offer more and more standardised forms of our Indian Ayurvedic drugs to help the doctors achieve a consistent result in their treatment.

Inflation is the biggest enemy said RBI Deputy Governor. Food price inflation and consumer price inflation remain at elevated levels is big cause of worry. Tightening the monetary policy is something which may have to be done and cascading effect of this will reflect on financial charges in coming year.

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

The Board appreciates 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.

Yours truly,



Jayesh P. Choksi
Chairman & Managing Director

GUFIC BIOSCIENCES LIMITED

DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting the Twenty Sixth Annual Report of the Company, together with the Audited Accounts for the financial year ended 31st March, 2010.

FINANCIAL SUMMARY:

₹ in ,000

	2009-10	2008-09
Sales and Other Income	633,321	531,667
Earnings Before Interest, Depreciation and Tax Amortisation (EBITA)	56,285	60,147
Interest	22,724	26,246
Depreciation	16,625	16,725
Profit Before Tax (PBT)	16,936	17,176
Provision for Tax	6,100	(2,320)
Fringe Benefit Tax	---	956
Excess Provision Written Back	(1,571)	(7,414)
Provision for Deferred Taxation	129	12,950
Profit After Tax (PAT)	12,278	8,364
Surplus Brought Frd.	74,397	70,558
Balance Available for Appropriation	86,674	78,921
Appropriations:		
Dividend		
Tax on dividend	3,868	3,868
Transfer to General Res.	642	657
Surplus Carried Forward	82,165	74,397

FINANCIAL HIGHLIGHT:

The total revenue of the Company grew by 19.12% to ₹ 633.21 lakhs. During the year under review the sales increased from ₹ 516,841 thousand in comparison to previous year to ₹ 628,864 thousand an increase of 21.67 %. Reduction in sales of Chemical Segment and gradual loss in Agro Segments reflected and had their effects on total earning of the Company. EBITA reduced by 6.42%. PBT decreased by 1.42 %. PAT increased by 46.79.

DIVIDEND:

The Directors are pleased to recommend a Dividend of 5 % per equity share of ₹ 1 each for the financial year ended 31st March 2010.

LISTING:

Your Company is listed with the Bombay 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 2010- 2011 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, 2010 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 along with 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. Ashok M. Tarale, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible offer him for reappointment.

Mr. Pranav J. Choksi, Director of the Company, retires at the ensuing Annual General Meeting and offers him 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.

COST EFFECTIVENESS AND EFFICIENCY:

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.

APPRECIATION:

Your Directors would like to place on record their sincere gratitude to the Shareholders, Bankers, Business Associates, Medical Professionals, Customers, Government, and 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
30th August 2010

MANAGEMENT DISCUSSION & ANALYSIS REPORT:

INDUSTRY OVERVIEW & OPPORTUNITIES

India pharmaceutical industry ranks high amongst the fast paced growing industries in the country with wide ranging capabilities in the complex fields of drug manufacture and technology.

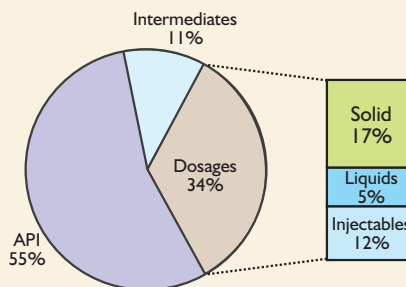
Indian pharma sector has combated the recession of 2008-09, with relative ease, drawing support largely from the inelastic demand for therapeutic drugs and healthcare facilities. The domestic pharma industry continues to at 13-14%. Improvement in productivity has prevented margins pressures, notwithstanding the intensifying competitive landscape domestically. The Government's Vision 2015 statement indicates an 18% plus CAGR for the pharma sector, meaning a doubling of revenues over the next five years.

Indian pharma market is second largest producer by volume and 13th by value, accounting for around eight percent of global production, and is highly fragmented. It employs around 5,00,000 people.

In no other Industry segment innovative R&D is as critical as in Pharma industry. Here, the New Drug Discovery Research (NDDR) has to keep pace with the emerging pattern of diseases as well as responses in managing existing diseases where target organisms are becoming resistant to existing drugs. The NDDR is also an expensive activity.

The CRAMS (Contract Research and Manufacturing Services) segment continues to enjoy the benefits of a low base effect. India is a fast growing manufacturing outsourcing market and growing at a rate of more than 40%, which is thrice the rate of global market growth rate.

**Break up of
Indian Contract Manufacturing Market**



Source: Frost & Sullivan

The rural market has tremendous growth potential for injectables and pain management drugs for several reasons. While the concept of injectables was revolutionary when discovered, the innovation in this segment has been evolutionary. Drug delivery systems with various biotechnology drugs have brought new innovations in the industry. The domestic injectable market is estimated to have grown at more than 20 % in the last three years.

Indian focused pharma companies will continue to benefit from steady domestic growth, with a subsequent overall growth in volumes and capacity utilisation. Also there will be price erosion due to the high generics competition both from existing players as well as new entrants into the generics space primarily with regards to approvals for new products and any tightening in quality control.

Indian herbal market is registering an extremely significant growth because of their wide biological activities, higher safety of margin than the synthetic drugs and lesser costs. The herbal market has an annual and compounded growth rate of 20 and 25 per cent, respectively. India is followed by China as the largest producer of medicinal plants having more than 40 per cent global diversity. The OTC pharma market in India is likely grow at a higher rate compared to the overall pharma market.

Bulk drugs market will continues to grow at around 20% rate in both foreign and domestic markets with increasing demands for high quality drugs. India ranks 3rd in terms of volume bulk drugs, among the top 15 drug manufacturing countries worldwide. Indian companies have the distinction of developing cost-effective technologies for manufacturing bulk drugs and intermediates, conforming to global standards.

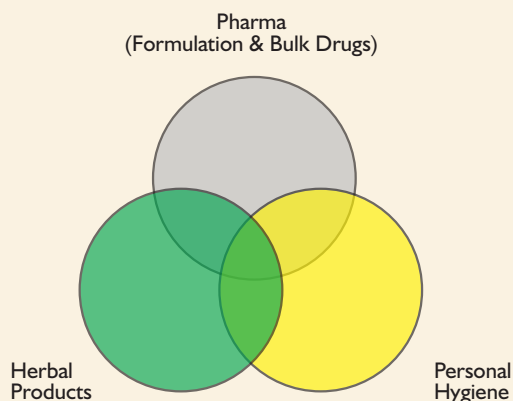
Niche specialty healthcare market is likely to become more attractive since they have the greatest unmet needs and R&D efforts, particularly through the biotech stream, are likely to be more productive in these areas.

The Indian pharma companies, for moving to next level and ensuring sustained growth, they will have to focus on innovation as well as a means of creating a distinct identity and value for their business. The pharma Industry is also increasingly turning towards academic institutions for R&D collaborations so that they can initiate truly innovative approaches and remain cost-effective.

Indian focused pharma companies will continue to benefit from steady domestic growth, with a subsequent overall growth in volumes and capacity utilisation. Also there will be price erosion due to the high generics competition both from existing players as well as new entrants into the generics space primarily with regards to approvals for new products and any tightening in quality control.

COMPANY OUTLOOK

Your Company is well positioned to further consolidate its position in pharmaceutical industry. Recent streamlining process has allowed us to focus on our core competency which is ethical medicines manufacturing, herbal products, and personal hygiene products and has leverage our capability to provide better results and to increase yield and profit of the Company.



We have successfully developed several high end formulations in the field of injectables and orals and hoping to start manufacturing the same in coming year.

The Company is making significant growth in the Contract Manufacturing and striving to enter into Contract Research Services by entering in tie-ups at concept stage with clients and then to develop, apply, carry out trials and do registrations. The CRAMS (Contract Research and Manufacturing Services) bound to drive the growth of the company in coming years.

Initiative and prominence is taken in establishing state of art manufacturing facility, receipt of WHO GMP certifications, building of manufacturing facility made your Company one of the hot pursuits for Contract Manufacturing.

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.



In the herbal space we are making a sincere effort to offer more and more standardized forms of our Indian Ayurvedic drugs to help the doctors achieve a consistent result in their treatment. We believe our traditional Ayurvedic studies and references have a rich content of information waiting to be explored and our aim is to provide these Ayurvedic gems to the consumer via the modern delivery systems.

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



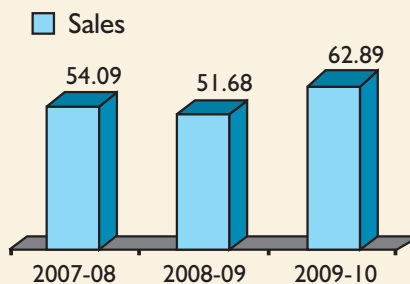
Consumer segments to widen the horizons of the Company.

As expected, due to streamlining process, the revenues from Chemical fallen and loss recorded. In Agro and Chemical segments piled up inventory are disposed off and subsequently written off from the books. We expect the revenue may decline further in these segments and even incur disposing cost before these divisions are completely closed off.

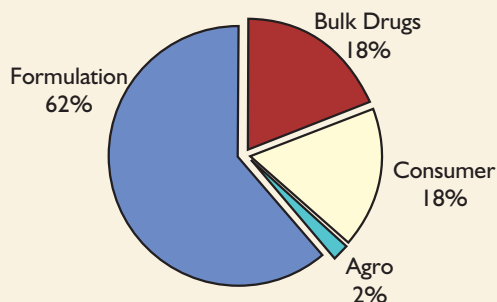
COMPANY PERFORMANCE

Company has shown constant improvements in its performance

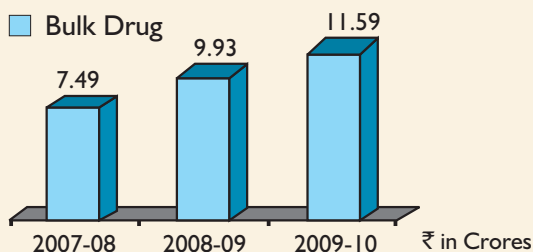
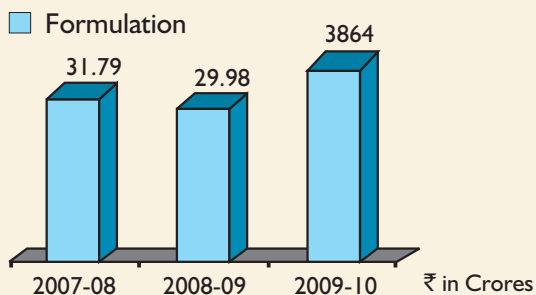
- Sales of the Company increased by 22%.
- Sales of Formulation Division increased by 29%.
- Sales of Bulk Drug Division increased by 17%.
- Sales of Consumer Division increase by 19%.



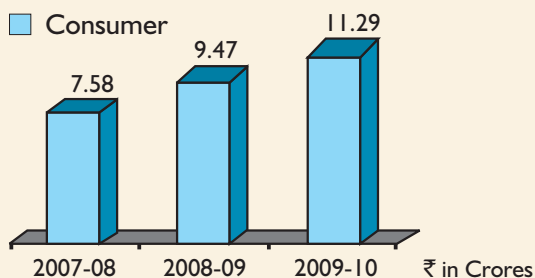
SEGMENT WISE PERFORMANCE



Sales		₹ in '000	
Segment	2009-10 (A)	2008-09 (B)	2007-08
Pharma			
A. Formulation	386370	299804	317901
B. Bulk Drugs	115936	99317	74867
Consumer	112933	94693	75827
Chemicals	--	15830	30661
Agro Products	13625	7197	41687
Total	628864	516841	540943



GUFIC BIOSCIENCES LIMITED



RESEARCH & DEVELOPMENT

The Company has always remained one of the few entities in the pharma industry to contribute significantly



to New Products. In last couple of years the Company has intensified its quest for New Drug Formulations and has invested a lot of our time and energy in New Product Development activities. As result of these efforts some important New Drug Products have been introduced and number of other New Drug Combinations and Formulations are in pipelines, which expected to give competitive edge to Company by creating its own niche market for its drugs.

CHALLENGES AND THREATS & CONCERNS

The Herbal manufacturers have to stress on various standardization processes to establish their products in the global markets. Standardization starting from production of quality materials, analysis of raw materials for authentication, foreign matter, organoleptic evaluation, microscopic examination, extractive values, chromatographic profiles, pesticides residue, heavy metal detection etc. are necessary for standardization of drugs. Similarly, the standardization methods of medicinal plants and its extracts have great importance in the fields of cosmetics and nutraceuticals, which are emerging as two most important segments in the global markets.

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.

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.

Counterfeit drugs, India have the dubious distinction of being not just one of the largest producers of generic medicines, but also a major hub of spurious drug activities. The estimated percentage of spurious drugs that allegedly originate from India is always said to be anywhere between 25 to 35 percent of the global spurious drugs. These numbers are huge and also a worry to Indian pharma companies and government officials.

HUMAN RESOURCES DEVELOPMENT

The Company assigns the highest degree of importance to its human resources which are very critical like ours. The company is striving to create grooming atmosphere

