

GLOBAL WELLNESS



28TH ANNUAL REPORT 2011-2012

BOARD OF DIRECTORS

Mr. Jayesh P. Choksi	(Chairman & Managing Director)
Mr. Pranav J. Choksi	(Executive Whole time Director)
Dr. M. G. Dhapalapur	(Executive Whole time Director)
Mr. Sharat S. Gandhi	(Non-executive Independent Director)
Mr. Ashok M. Tarale	(Non-executive Independent Director)
Mr. Khantilal N. Sanghavi	(Non-executive Independent Director)

COMPANY SECRETARY AND COMPLIANCE OFFICER

Mr. Prakash Khulbe

AUDITOR

Mayur Chokshi & Co
Chartered Accountants, Ground Floor, Tibrewala House,
33, Swastik Society, N.S. Road No 3, JVPD Scheme, Mumbai – 400 056

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

28th Annual General Meeting

DAY & DATE

Friday, 24th August, 2012

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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GUFIC BIOSCIENCES LIMITED

Chairman's Message



Dear Shareholder,

During the year, Gufic registered a growth of 17.18 % in sales, despite the year being full of challenges. Economic slowdown, rising inflation and depreciation of rupee against the dollar, were the major challenges that the industry faced. It is widely envisaged that the global economy will face tough times if the Euro zone crisis is not resolved. On the Indian economic front, several reforms and policy initiatives are expected to put the growth engine back on track.

The domestic business registered a growth of 11.0 % at ₹ 3575.0 million as against ₹ 3219.6 million last year.

Gufic has a strong and dedicated sales network of 500 field staff covering 125000 doctors, 20 C&Fs, 1000 stockists & 300000 Retailers. Gufic has its presence throughout the length and breadth of the country. Through Gufic Stridden Biopharma Private Limited, export subsidiary of Gufic Biosciences Limited., we have started submitting 66 dossiers in 21 countries.

We have launched Relieve & Relax product in the consumer segment and initially this product is getting good response from the consumers.

Gufic has been the pioneer in technology of Lyophilization. Currently we have evolved as a leader in India and have 6 Lyophilizers catering to total capacity of 14.4 million vials per annum.

Gufic has world class manufacturing plants at 4 locations with 500 workforce with WHO GMP approved manufacturing facility.

As you are aware that Gufic operates in 3 segments namely (1) Formulation Division (2) Bulk Drug Division and (3) Consumer Product Division. The Company's main focus is on Formulation Division which has achieved a growth rate of more than 34% in sales from ₹ 507.01 million in fiscal year 2010-2011 to ₹ 680.75 million in the fiscal year 2011-2012. Growth of Bulk Drug Division has lowered by 12.75% from ₹ 130.64 million in fiscal year 2010-2011 to ₹ 113.98 million in the fiscal year 2011-2012. Due to change in governmental policies and increase in rates of taxation, our Consumer Product Division sales have come down considerably in last 2 years or so. Sales are lowered by 32% from ₹ 99.23 million in fiscal year 2010-2011 to ₹ 67.38 million in fiscal year 2011-2012.

We re-affirm our assurance to all our stakeholders of adhering to our core values which are inline with Gufic's vision and mission.

I would like to express my gratitude to all our stakeholders including shareholders, customers, bankers, vendors and the medical fraternity for their unstinted support. I thank all the Guficians for their contribution towards Gufic's success.

Yours truly,
For Gufic Biosciences Limited



Jayesh P. Choksi
Chairman & Managing Director

DIRECTORS' REPORT

The Members,

Your Directors have pleasure in presenting the Twenty Eighth Annual Report of the Company, together with the Audited Accounts for the financial year ended 31st March, 2012.

FINANCIAL SUMMARY:

	₹ in Lacs	
Particulars	2011-12	2010-11
Total Revenues	8393.28	7162.77
Profit Before Interest, Depreciation and Tax (PBITD)	748.20	608.28
Interest	263.07	190.58
Depreciation	188.12	180.66
Profit Before Tax (PBT)	296.01	237.04
Provision for Tax	125.50	60.41
Excess Provisions Written Back	29.18	1.69
Provision for Deferred Taxation	(10.38)	28.54
Profit After Tax (PAT)	152.71	146.40
Surplus Brought Forward	922.95	821.65
Balance Available for Appropriation	1075.66	968.05
Appropriations:		
Dividend	38.68	38.68
Tax on Dividend	6.27	6.42
Transfer to General Res.	—	—
Surplus Carried Forward	1030.71	922.95

FINANCIAL HIGHLIGHTS:

During the year under review the sales increased to ₹ 8393.28 Lacs in comparison to previous year's ₹ 7162.77 Lacs an increased of 17.18%. PBITD increased by 23% and PBT increased by 25.30%. PAT increased by 4.30%.

DIVIDEND:

The Directors are pleased to recommend a Dividend of 5 % per equity share of ₹.1 each for the financial year ended 31st March 2012.

LISTING:

Your Company is listed with the Bombay Stock Exchange Limited at P. J. Towers, Dalal Street, Mumbai 400 001, bearing Scrip Code No. 509079 and with the National Stock Exchange of India Limited at Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai 400 051 bearing Scrip Code GUFICBIO. The listing fees for the year 2012- 2013 has already been paid by the Company.

FIXED DEPOSITS:

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

GUFIC BIOSCIENCES LIMITED

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 judgments 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, 2012 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.

CORPORATE GOVERNANCE REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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.

Management Discussion and Analysis Report, as required under the Listing Agreements with the Stock Exchanges is given as a separate statement, which forms part of this Annual Report.

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

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.

PARTICULARS OF EMPLOYEES:

There are no employees whose information is required to be given under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

DIRECTORS:

As per the provisions of Companies Act, 1956 and Articles of Association, Mr. Sharat S. Gandhi and Mr. Pranav J. Choksi retires by rotation at the ensuing Annual General Meeting and being eligible offers themselves for reappointment.

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.

APPRECIATION:

Your Directors wish to place on record their sincere appreciation for the continuous support received from your Company's customers, its dealers and suppliers and from its bankers. Your directors also acknowledge with gratitude the encouragement and support extended by its valued shareholders.

For and on behalf of the Board of Directors,

Place: Mumbai
Date: 10th July, 2012

Jayesh Choksi
Chairman & Managing Director

CONSERVATION AND CONSUMPTION OF ENERGY, FOR FOREIGN EXCHANGE EARNINGS AND OUTGO

I. (A) CONSERVATION OF ENERGY

Details of conservation of energy are as follows:

Power & Fuel Consumption

		Year ended 31.03.12	Year ended 31.03.11
(a) Electricity			
Purchased Units	Kwh	2259182	2103803
Total amount	₹ in Lacs	136.47	121.25
Rate per unit (average)	₹	6.04	5.76
(b) Furnace Oil			
Quantity	Ltrs.	258444	262218
Total Cost	₹ in Lacs	92.52	73.01
Average Cost	₹	35.80	27.84

(B) CONSUMPTION PER UNIT OF PRODUCTION

Since the Company manufactures several formulations and bulk drugs in the same factory it is not practical to Apportion consumption of Electricity and Furnace Oil to unit of Product.

II. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange earning amounted to ₹ 871.38 Lacs and for the previous year it was ₹ 1141.67 Lacs and the total foreign exchange outgo amounted to ₹ 352.78 Lacs and for the previous year it was ₹ 373.89 Lacs.

For and on behalf of the Board of Directors

Jayesh.P. Choksi
Chairman & Managing Director
Mumbai : 10th July, 2012

MANAGEMENT DISCUSSION & ANALYSIS REPORT:

GLOBAL PHARMACEUTICAL MARKET

The world pharmaceutical market for 2011-12 was around USD 900 billion registering a growth of around 4-5%. Average revenue growth in established markets was around 3% while that in emerging markets was around 12%. The top five pharmaceutical markets in the world remained the US, Japan, Germany, France and China with the US representing 38.1% of global prescription pharmaceutical sales. For 2012-13, the estimated value of Pharmaceutical market is USD 920-950 billion giving an expected growth rate of around 3-5%.

INDIAN PHARMACEUTICAL MARKET

India ranks 10th globally in terms of value and 3rd in terms of volumes. Indian pharmaceutical market is dominated majorly by branded generics constituting nearly 70% to 80% (Source: IMS India Pharma Report) of market. Indian formulations market is currently valued at ` 555 billion and has grown at a CAGR of 15% (Source: ORG - IMS) over last 5 years.

Growing population, improving medical infrastructure, rising income levels, increasing health insurance coverage and increasing government spend on healthcare are driving the market growth. Indian market is witnessing gradual transition from acute diseases to lifestyle diseases and chronic therapies like Cardiology, Neurology, Psychiatry and Diabetes. With current demographic profile and growth prospects of the economy, Indian Pharmaceutical market could see continuing trend of transition towards chronic and super specialty therapies, with acute therapies retaining their market size.

Indian Pharma market is also witnessing shift of focus from Metro's and Tier I cities to rural areas. Currently Metro's and Tier I cities contribute majority to Indian formulations market which is growing at 15% p.a. Higher penetration, increasing per capita income and increased focus of Pharma companies into rural and Tier II to Tier VI markets is expected to out pace growth of these geographies compared to Metros and Tier I cities.

Over the coming years, patent laws will provide an impetus to the launch of patent protected products. The market for patented products is likely to be concentrated in therapeutic segments like Neuro-Psychiatry, Oncology, Anti-Infective, Gastro-Intestinal, and Cardiovascular. Such products have the potential to capture 10% of the overall market in the coming years.

India is one of the largest branded generic markets across globe primarily because of high influence of physicians in the country. This picture is distinctly different from other larger generics markets like US with balance of power entirely in favour of the trade.

Outlook for generics in India looks positive due to several factors. The current pipeline of the generics products that are either undergoing new process development or have been recently launched is strong. In addition, domestic players have the opportunity to develop new combinations and formulations of the products that are already in the market. Generics players continue to have a wide range of options for new generics launches from the basket of pre 1995 products. Currently, the prices of 74 drugs are controlled as per the mandate issued by the Drug Price Control Order, 1995 (DPCO). Currently 10% of company's revenues are from products covered by DPCO.

Given the above developments, companies need to focus on brand building and customize marketing approach to suit different customer segments. Medium term growth would be driven by therapy expansion and new product introductions.

INCREASING CONSUMPTION OF MEDICINES IN INDIA:

Indian Pharmaceutical Market (IPM) continued to grow at a scorching pace of around 15% registering a turnover of Rs 59,621 Crore during the year. (Source: Nov 2011 - AIOCD/AWACS).

Fast increasing consumption of medicines in the country continued to position IPM not just as another global success story, but also an emerging pharmaceutical force to reckon with, especially in the development and manufacturing of high quality and low cost generic pharmaceuticals together with its world-class Contract Research and Manufacturing Services (CRAMS). Indian pharmaceutical players now cater to about 20% of global requirements of high quality and affordable generic medicines of all types.

Like many other sectors, the pharmaceutical industry of India also witnessed the reform oriented policy paralysis of the government in 2011, barring some superficial, half-hearted and incomplete initiatives, as indicated above.

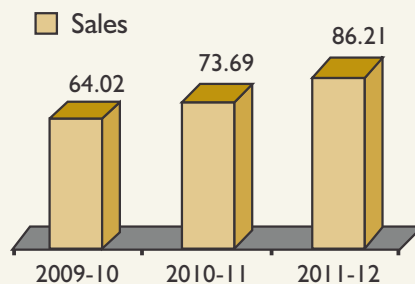
Key areas of general public health interest, encouraging innovation, fostering R&D and improving access to medicines to alleviate healthcare related problems of the common man and at the same time to propel the industry to the inclusive high growth trajectory, have still remained unanswered.

Faster recovery from reform-oriented policy paralysis of the government and effective translation into reality of the seemingly good intent of the policy makers, is now eagerly awaited in 2012-13

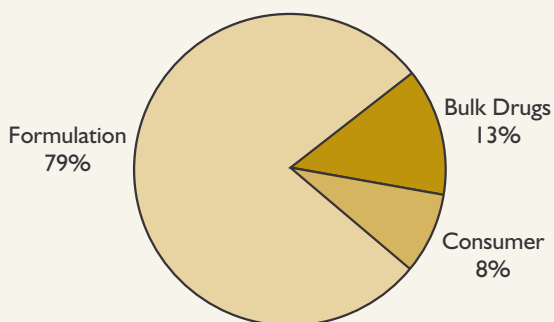
COMPANY PERFORMANCE

Highlights of financial year ended 2011-12

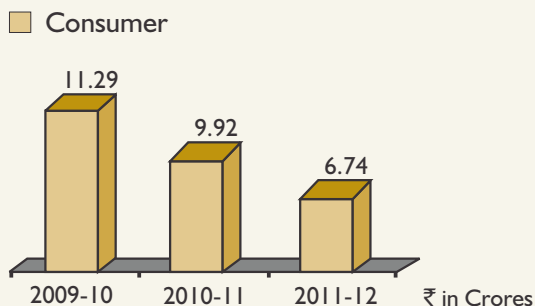
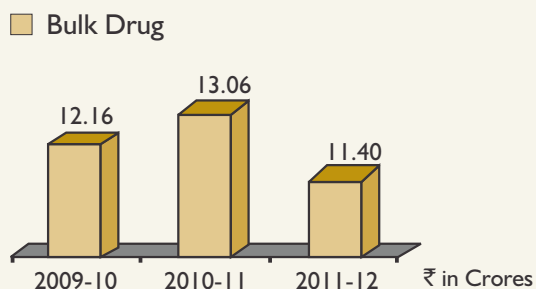
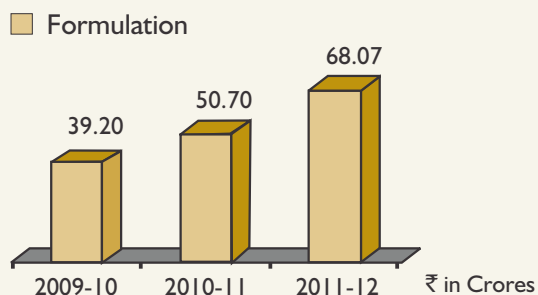
- Total revenues of the Company increased by 17.18%
- Sales of Formulation Division increased by over 34%
- Sales of Bulk Drug Division lowered by 12.75%
- Sales of Consumer Division lowered by 32%



SEGMENT WISE PERFORMANCE



Sales		₹ in Lacs		
Segment	2011-12	2010-11	2009-10	
Pharma				
A. Formulation	6807.51	5070.17	3919.99	
B. Bulk Drugs	1139.81	1306.36	1216.00	
Consumer	673.82	992.34	1129.33	
Agro Products	--	--	136.25	
Total	8621.14	7368.87	6401.56	



Human Resources Development



The backbone of any successful company is the HR department, and without a talented group of people to hire, culture, and inform employees, the company is doomed for failure.

The main role of HR is to act as a liaison between the management and workforce of the organization

Human resources are important to organizations in various areas, ranging from strategic planning to company image. HR in business who has well-rounded expertise provides a number of services to employees. The areas in which HR maintains control can enhance employees' perception of HR throughout the workforce when they believe HR considers employees to be its internal customers and renders services with that in mind.

HR improves the company's bottom line with its knowledge of how human capital affects organizational success. Leaders with expertise in HR strategic management participate in corporate decision-making that underlies current staffing assessments and projections for future workforce needs based on business demand.

In Gufic, Human Resource Department operates in 10 specific areas i.e.

1. **Strategy:** HR improves the company's bottom line with its knowledge of how human capital affects organizational success.
2. **Benefits:** HR can reduce the company's costs associated with turnover, attrition and hiring replacement workers.
3. **Safety:** HR engages employees in promoting awareness and safe handling of dangerous equipment and hazardous chemicals.
4. **Liability:** HR employees minimize the organization's exposure and liability related to allegations of unfair employment practices.
5. **Training and Development:** HR specialists coordinate new employee orientation, an essential step in forging a strong employer-employee relationship.
6. **Employee Satisfaction:** HR Employees help the organization achieve high performance, morale and satisfaction levels throughout the workforce, by creating ways to strengthen the employer-employee relationship.
7. **Recruitment:** HR recruiters manage the employment process from screening resumes to scheduling interviews to processing new employees.
8. **Selection:** HR professionals work closely with hiring managers / employees / workers to effect good hiring decisions, according to the organization's workforce needs.
9. **Compensation:** HR specialists develop realistic compensation structures that set company wages competitive with other businesses in the area, in the same industry or companies competing for employees with similar skills.
10. **Compliance:** HR ensures that the organization complies with all applicable laws relating to work force under PF ESIC Gratuity etc. They complete necessary paperwork and documentation so that the company's employees and their family members receive all the benefits that the employee is entitled to, under various laws.

Human Resource development continues to be a key focus area at Gufic and your Company takes great pride in the commitment, competence and vigor shown by its workforce in all realms of business.

Internal Control System

Integrated system of communication, control 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.

Disclaimer

This Annual Report has been prepared for the members of the Company and no one else. The Company, its Directors, employees or agents do not accept or assume responsibility to any other person in connection with this document and any such responsibility or liability is expressly disclaimed. This Annual Report contains certain forward-looking statements. By their nature, these statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The forward-looking statements reflect the knowledge and information available at the date of preparation of this Annual Report, and will not be updated during the year. Nothing in this Annual Report should be construed as a profit forecast.

CORPORATE GOVERNANCE REPORT

Corporate Governance and practices in accordance with the provisions of the Revised Clause 49 of the Listing Agreement:

THE COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's philosophy on corporate governance enshrines the goal of achieving the highest levels of transparency, accountability and equity in all spheres of its operations and in all its dealing with the shareholders, employees, the government and other parties. The company believes in the philosophy on code of corporate governance, which provides a structure by which the rights and responsibility of different constituents, such as the board, employees and shareholders are carved out. In carrying out this, it is ensured that the Company's objectives are well defined and performance against those objectives are adequately measured and monitored.

Corporate governance is considered as an important tool for shareholders protection and maximization of their long - term values. The cardinal principal such as accountability, responsibility, transparency and fair disclosure serve as the means for achieving this.

I. BOARD OF DIRECTORS:

(A) Composition and size of the Board

The Board of Directors comprises of Six (6) Directors. The Board has an optimum combination of 3 Executive and 3 Non-Executive Directors. The Chairman is an Executive Non-Independent Director and 3 Non-Executive Directors on the Board are holding Directorship in Independent capacity.

(B) Non executive directors' compensation and disclosures

No fees/compensation is paid to non-executive directors, including independent directors, which requires previous approval of shareholders in general meeting.

The Non-Executive Directors are entitled to payment of sitting fees only made within the limits prescribed under the Companies Act, 1956 without approval of the Central Government.

(C) Provisions as to Board & Committees

Five (5) Board Meetings were held during the financial year 2011 - 2012 and the gap between two Board Meetings did not exceed 4 months. The Board meetings were held on 12th May, 2011, 12th August, 2011, 31st August, 2011, 14th November, 2011 and 14th February, 2012. The names of members of the Board, No of Board Meeting held during the financial year 2011-2012, their attendance at the Company's Board Meetings, Last Annual General Meeting, the number of Directorship and Chairmanship / Membership in other Companies are given below:

Name of the Director	Category	No. of Board Meeting held attended during 2011-2012		Whether attended Last AGM	No. of Directorship Companies	No. of Chairmanship / Membership in other Companies	
		Held	Attended			Chairmanship	Membership
Mr. J. P. Choksi	Chairman & Managing Director	5	5	Yes	11	Nil	9
Mr. P. J. Choksi	Executive Non Independent Director	5	5	Yes	7	Nil	6
Dr. M. G. Dhapalapur	Executive Non Independent Director	5	5	Yes	Nil	Nil	Nil
Mr. A. M. Tarale	Non Executive Independent Director	5	5	Yes	Nil	Nil	Nil
Dr. Sharat S. Gandhi	Non Executive Independent Director	5	5	Yes	Nil	Nil	Nil
Mr. Khantil N. Sanghavi	Non Executive Independent Director	5	2	No	Nil	Nil	Nil

None of the Director 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.

As per the requirement of Clause 49 of the Listing Agreement the Company has held one Board meeting in every quarter and the maximum time gap between any two meetings were not more than four months.