



R&D

PAR EXCELLENCE



GUFIC
BIOSCIENCES LIMITED

33RD ANNUAL REPORT 2016-2017

GUFIC CRITI CARE / CRITI CARE LIFE DIVISION PRODUCTS



BOARD OF DIRECTORS

Mr. Jayesh P. Choksi	(Chairman & Managing Director)
Mr. Pranav J. Choksi	(Whole-time Director & Chief Executive Officer)
Mr. Pankaj J. Gandhi	(Whole-time Director)
Mrs. Hemal Desai	(Chief Financial Officer & Whole-time Director)
Mr. Sharat S. Gandhi	(Independent Director)
Mr. Gopal M. Daptari	(Additional Independent Director)
Mr. Jagdish D. Shah	(Independent Director)
Mr. Shreyas Patel	(Independent Director)

COMPANY SECRETARY AND COMPLIANCE OFFICER

Ms. Ami N. Shah

STATUTORY AUDITOR

S H R & Co (FRN. 120491W)

COST AUDITOR

Kale & Associates (FRN. 101144)

SECRETARIAL AUDITOR

Gajanan Athavale (M. No. F9177)

BANKERS

The Saraswat Co-operative Bank Limited
State Bank of India
ICICI Bank
HDFC Bank
Bank of Baroda

REGISTERED OFFICE ADDRESS

37, First Floor, Kamala Bhavan II,
S. Nityanand Road, Andheri (East),
Mumbai – 400 069, Maharashtra, India.
• E-mail: info@guficbio.com • website: www.gufic.com
• CIN. L65990MH1984PLC033519

CORPORATE OFFICE

2nd Floor, 'Dorr Oliver' House, B. D. Sawant Marg,
Chakala, Andheri (East), Mumbai – 400 099, Maharashtra, India.
• Tel.: 022 – 6726 1000 • Fax: 022 – 6726 1067 / 68

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-101, 247 Park, L.B.S. Marg,
Vikhroli (West), Mumbai – 400 083.
Tel No.: (022) 4918 6270
Fax (022) 2594 6969
Email: rnt.helpdesk@linkintime.co.in

33rd Annual General Meeting

DAY & DATE

Tuesday, 5th September, 2017

TIME

2.30 PM.

VENUE

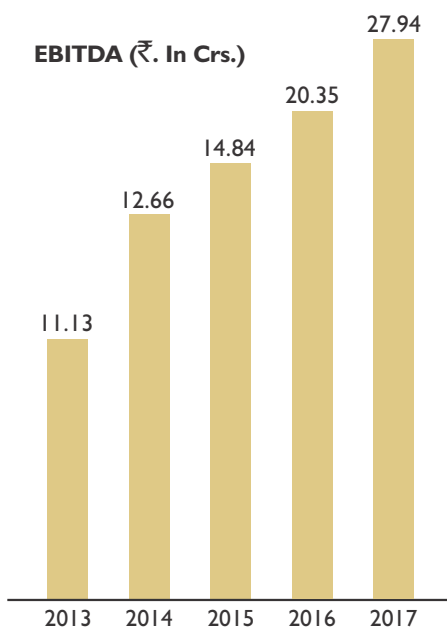
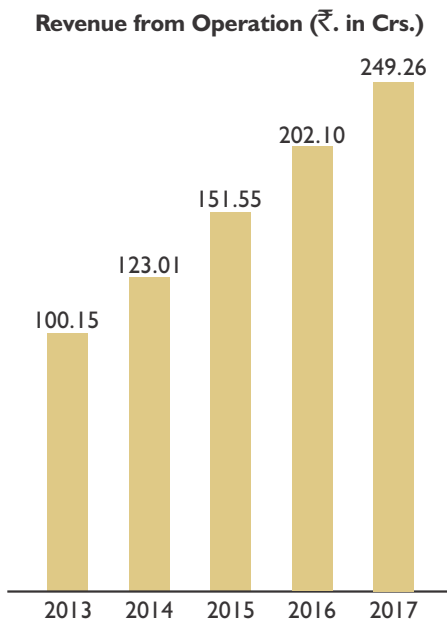
Hotel Parle International,
B. N. Agarwal Market,
Next to Dinanath Mangeshkar Hall,
Vile Parle (E), Mumbai - 400 057.
Maharashtra, India

Contents

Page No.

Chairman's Message	2
Directors' Report	3
Annexure to Directors Report	10
Corporate Governance Report	23
Management Discussion & Analysis Report	33
CEO/CFO Certifications	41
Auditors' Report on Corporate Governance	42
Independent Auditors' Report	43
Annexure to Auditors' Report	45
Balance Sheet	49
Profit & Loss Statement	50
Cash Flow	51
Notes to the Financial Statements	52

FINANCIAL HIGHLIGHTS



The above graph shows the performance of the Company in the last five years through its sales and Earnings before Interest, Depreciation and Amortization. The graph reflects the growth of the Company which is going upwards year over year and thus shows the commitment of the Company to grow high. With total revenue at ₹ 249.27 crores and EBITDA of ₹ 2794.59 crores, the Company have been able to post a growth of 23.28 % and 37.35 % respectively.

Chairman's Message

Dear Stakeholders,

It gives me immense pleasure to share that your Company Gufic has crossed the last year's record and achieved total revenue of about Rs. 250.00 crores and this was possible due to the proper planning, implementing of strategies at right time, employees' efforts and your tremendous support and trust on us.

Your belief in the Company, motivates us to outperform the targets year over year and bring the best in the Company.

This year was challenging for the pharma industry, including us, due to increase in competition, changes in Government regulations and geopolitical uncertainties. In this challenging business environment, your Company managed to deliver resilient performance during the financial year 2016-17. Revenue has crossed an all-time high of ₹ 250 crores. The total revenue increased by 23.35 % and PAT by 55.83 %, as compared to previous year, mainly as a result of effective launching of more than 34 new health care products and launch of two new divisions viz., CRITICARE LIFE and FERTICARE.

Your Company has invested towards enhancement and development of the Research & Development, in last many years which focuses towards development of new formulations and life-saving drugs and improvising and updating the process used for existing products. As a result, the Company in the financial year 2016-17, was granted with two process patents from the Intellectual Property India, The Patent Office, India for innovation of new formulations viz., Tigecycline and Anidulafungin. The Company is in the process of filing patents for these formulations in countries such as Russia, Europe and South Africa. The Company has applied for 4 more patents in this financial year and awaiting review from the IPR office. Apart from Patents, Gufic also uses its innovative R and D to improve efficiency, quality and purity whereby making healthcare affordable by launching molecules at a fraction of current market prices and hence increasing access to medicine.

To widen its reach and meet the health care needs of the people throughout the world, Gufic continues to enter into licensing agreements with both Indian and international companies. Gufic continues to provide life-saving drugs without compromising the quality of the product at affordable price both in India and international market.

Gufic believes in team building and team spirit and hence continues to nurture and upskill the human capital to prepare for the next level of growth and success. We are providing such a work culture for our employees which brings the best in them and that results in the growth of the Company.

Gufic believes in the concept of "Plan and Act" and following the same, no decision is made and no step is taken without proper planning and implementation. The growth of the Company is based on the accurate decision of the Management and proper implementation by the employees. The whole process is a group task and your Company is fortunate to yield better results year after year.

I would like to take this opportunity to thank each and every employee as well as those who work with us across the value chain for their unstinting support and hard work in the service of our Company. I would also like to thank you, our shareholders, for your continued trust in the business.

Last but not the least I would like to state that I am excited about the future of the Company, as there are many areas still to cover, many hearts still to touch and many lives still to save.

Yours truly,
For Gufic Biosciences Limited



Jayesh P. Choksi
Chairman & Managing Director

DIRECTORS' REPORT

The Members,

Your Directors have pleasure in presenting the 33rd Annual Report of the Company, together with the Audited Financial Statements for the financial year ended 31st March, 2017.

FINANCIAL SUMMARY :

The financial performance of the Company, for the year ended March 31, 2017 is summarized below :

₹ in Lakhs

Particulars	2016-17	2015-16
Total Revenue	25023.32	20286.01
Total Expenses	23221.58	19250.19
Profit Before Interest, Tax, Depreciation and Amortization (PBITDA)	2794.59	2034.62
Profit After Tax (PAT)	1141.35	732.43
Transfer to General Res.	134.71	134.71
Earning Per Share (EPS)	1.48	0.95

FINANCIAL HIGHLIGHTS :

During the year under review, the total revenue increased to ₹ 25,023.32 lakhs in comparison to the previous year revenue of ₹ 20,286.01 lakhs and net profit after tax increased to ₹ 1141.35 lakhs from ₹ 732.43 lakhs, in previous year.

During the year under review, your Company has posted a growth in terms of revenue by 23.35 % and profit after tax by 55.83 %. Your Company experienced success by achieving the target of ₹ 250 crores total revenue as on March 31, 2017.

The EBITDA of your Company increased from ₹ 2034.62 lakhs to ₹ 2794.59 lakhs, thus experiencing growth of 37.35 %. Your Company strives to ensure overwhelming results year after year.

TRANSFER TO RESERVES:

During the financial year 2016-17, ₹ 134.71 Lakhs was transferred to General Reserve.

DIVIDEND :

Your Directors are pleased to recommend an Equity Dividend of ₹ 0.05 (5%) per equity share of ₹.1 each for the financial year ended March 31, 2017, subject to the approval of the shareholders at the ensuing Annual General Meeting.

The dividend payout for the year under review has been formulated in accordance with the Company's policy to pay sustainable dividend linked with long term growth objectives of the Company to be met by internal cash accruals.

SHARE CAPITAL:

The paid up equity capital as on March 31, 2017 was ₹ 773.50 Lakhs. During the year under review, the company has not issued any shares with differential voting rights nor granted stock options nor sweat equity nor made any provision of money for purchase of its own shares by employees or by trustees for the benefit of employees.

The Board of Directors of the Company had approved scheme of amalgamation of M/s. Gufic Stridden Bio-Pharma Private Limited, a private limited Company registered under the Companies Act, 1956 with the Company. The Company received Observation Certificate from the Stock exchanges in which the shares of the Company are listed viz., Bombay Stock Exchange and National Stock Exchange. The Company is in the process of applying to the National Company Law Tribunal, for the further procedure for the Scheme of Amalgamation.

FINANCE:

Cash and cash equivalents as at March 31, 2017 was ₹ 552.46 lakhs. The company continues to focus on judicious management of its working capital, Receivables, inventories and other working capital parameters, which were kept under strict check through continuous monitoring.

MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY:

There have been no material changes affecting the financial position of the Company between the end of the financial year of the Company to which the financial statements relate and the date of this report. There has also been no change in the nature of business of the Company.

FIXED DEPOSITS :

Your Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:

The particulars of loans, guarantees and investments covered under section 186 of the Companies Act, 2013 have been

disclosed in the Notes to the financial statements forming part of the Annual Report.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Statutory Auditor of the Company has reported on the internal financial reporting system in Annexure B to the Independent Auditors' Report, which forms part of this Report. They have reported that the Company has maintained in all material respects except few material weaknesses, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2017, based on the criteria established by the Company considering the essential components of internal control stated in the Guidance Note of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

The Company is putting its best efforts to get in place an adequate internal financial control framework without any material weaknesses.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES:

In compliance with the requirements of Section 135 of the Companies Act, 2013, read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Board of Directors have constituted a Corporate Social Responsibility (CSR) Committee. The details of membership of the Committee & the meetings held are detailed in the Corporate Governance Report, forming part of this Report. The contents of the CSR Policy of the Company as approved by the Board of Directors on the recommendation of the CSR Committee is available on the website of the Company and can be accessed through the web link: <http://gufic.com/wp-content/uploads/2016/09/Corporate-Social-Responsibility-Policy.pdf>

Your Company's vision is to set a global benchmark in value creation and corporate citizenship and the Company's long-term Corporate Social Responsibility (CSR) objective is to improve the quality of life of the people. The details of the CSR activities undertaken by the Company during the year under review, is annexed to this report as "Annexure A".

LISTING:

Your Company is listed with the Bombay Stock Exchange Limited situated 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 2017-2018 has already been paid by the Company.

CONSERVATION OF ENERGY:

- Company ensures that the manufacturing operations are conducted in the manner whereby optimum utilization and maximum possible savings of energy is achieved.
- No specific investment has been made in reduction in energy consumption.
- As the impact of measures taken for conservation and optimum utilization of energy are not quantitative, its impact on cost cannot be stated accurately.

CONSERVATION AND CONSUMPTION OF ENERGY:

I. (A) CONSERVATION OF ENERGY		Year ended 31.03.17	Year ended 31.03.16
Details of conservation of energy are as follows: Power & Fuel Consumption			
(a) Electricity			
Purchased Units	Kwh	5455160	4008310
Total amount	₹ in Lakhs	217.85	230.33
Rate per unit (average)	₹	3.99	5.75
(b) Furnace Oil			
Quantity	Kgs	5700	NIL
Total Cost	₹. In Lakhs	1.70	NIL
Average Cost	₹	29.79	NIL
(c) Briquettes			
Quantity	Kgs	1563830	1802015
Total Cost	₹. In Lakhs	82.92	93.72
Average Cost	₹	5.30	5.21
(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.			

TECHNOLOGY ABSORPTION:

Company's products are manufactured by using in-house know how and no outside technology is being used for manufacturing activities. Therefore no technology absorption is required. The Company constantly strives for maintenance and improvement in quality of its products and entire Research & Development activities are directed to achieve the aforesaid goal.

FOREIGN EXCHANGE EARNINGS AND OUT-GO:

Earnings in foreign currency :	₹ 1485.07 lakhs
Out-go in foreign currency :	₹. 159.41 lakhs

DIRECTORS & KEY MANAGERIAL PERSONNEL:

During the year under review, Mr. Pankaj J. Gandhi (DIN 00001858) was re-appointed as a Whole Time Director of the Company w.e.f September 07, 2016 for a further period of five years and the same was confirmed and approved by the Members at the 32nd Annual General Meeting (AGM) held on September 28, 2016.

Mr. Ashok M. Tarale (DIN 00009948) , Independent Director resigned from the Board of Directors of the Company with effect from November 14, 2016, due to his health issues. The Board place on record their appreciation of the valuable services rendered by Mr. Tarale, during his tenure as a Director.

The Board of Directors appointed Mr. Gopal Daptari (DIN 07660662) as an Additional Independent Director of the Company at its meeting held on November 24, 2016, who holds office up to the ensuing Annual General Meeting of the Company. The Company has received a notice in writing from a Member, as required under Section 160 of the Companies Act, 2013, proposing his candidature for the office of Director. The Board of Directors recommends to the Members of the Company, appointment of Mr. Gopal Daptari as an Independent Director for a period of three years with effect from the first day of his appointment as a Director i.e, November 24, 2016.

In accordance with the provisions of the Section 152(6) of the Companies Act, 2013 read with the rules made thereunder and in terms of Articles of Association of the Company, Mrs. Hemal M. Desai (DIN 07014744) , Whole Time Director of the Company, will retire by rotation at the ensuing Annual General Meeting and being eligible, offers herself for re-appointment. The Board recommends her re-appointment.

DECLARATION BY INDEPENDENT DIRECTORS

The Company has received declaration from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013 and as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations, 2015") and that there is no change in the circumstances which may affect their status as Independent Director during the year.

FAMILIARIZATION PROGRAMME OF INDEPENDENT DIRECTORS :

In compliance with the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has put in place a familiarization programme for the Independent Directors to familiarize them with their roles, rights and responsibilities in the Company.

The details of the familiarization programme imparted to Independent Directors have been posted on the website of the Company. The link can be accessed at <http://gufic.com/wp-content/uploads/2016/08/Familiarisation-of-Independent-Director.pdf>

BOARD EVALUATION

The Board of Directors have laid down the manner for carrying out an annual evaluation of its own performance, its various Committees and individual Directors pursuant to the provisions of the Companies Act, 2013 read with the applicable Rules and the Corporate Governance requirements as prescribed by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015 ("SEBI Listing Regulations").

In a separate meeting of Independent directors, performance of non-independent directors, performance of the board as a whole and performance of the chairman was evaluated.

REMUNERATION POLICY

For the purpose of selection of any Director, the Nomination & Remuneration Committee identifies persons of integrity who possesses relevant expertise, experience and leadership qualities required for the position. The Committee also ensures that the incumbent fulfills such other criteria with regard to age and other qualifications as laid down under the Companies Act, 2013, SEBI Listing Regulations, 2015 or other applicable laws in force. The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection, appointment and remuneration of Directors & Senior Management. The summary of Remuneration Policy of the Company is disclosed in the Corporate Governance Report, which forms a part of this Report.

MEETINGS

During the year under review, five Board Meetings and five Audit Committee Meetings were convened and held. The details of which are given in the Corporate Governance Report, which forms part of this Report. The intervening gaps between the Meetings were within the period prescribed under the Companies Act, 2013 and the SEBI (Listing Obligation Disclosure Requirements) Regulations, 2015.

DIRECTORS' RESPONSIBILITY STATEMENT :

In terms of Section 134 (5) of the Companies Act, 2013, the directors would like to state 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 were 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 year under review.
- iii. The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions 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.
- v. The directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- vi. The directors had devised proper system to ensure compliance with the provisions of all applicable laws and that such system were adequate and operating effectively.

RELATED PARTY TRANSACTIONS :

In lines with the requirement of the Companies Act, 2013 and SEBI Listing Regulations, your Company has formulated a Policy on Related Party Transactions which is also available on Company's website at the link: <http://gufic.com/wp-content/uploads/2016/08/POLICY-ON-RELATED-PARTY-TRANSACTIONS.pdf>

Prior omnibus approval was obtained for Related Party Transactions from Audit Committee at the beginning of the financial year for transactions which are of repetitive nature and / or entered in the Ordinary Course of Business and are at Arm's Length. During the year under review, all Related Party Transactions were placed before the Audit Committee for review and approval.

The related party transactions entered into by the Company , for the financial year 2016-17, are well within the limits as approved by the members at the last Annual General Meeting held on September 28, 2016.

All related party transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of the business. There were no materially significant related party transactions made by the company with Promoters, Key Managerial Personnel or other designated persons which may have potential conflict with interest of the company at large and thus disclosure in Form AOC-2 is not required.

Your Company for its business transaction, have entered or may propose to enter into transactions relating to purchase, transfer or receipt of products, goods, active pharmaceuticals ingredients, materials, services, other obligations and also leasing of property with some of the Related Party as defined within the meaning of Section 2(76) of the Companies Act, 2013. The current and future transactions may be deemed to be 'material' in nature as defined in Regulation 23 of SEBI (Listing Obligation Disclosure Requirements) Regulations, 2015, as they may exceed 10 % of the annual turnover of the Company based on future business projections. Thus, in terms of Regulation 23(4) of SEBI (Listing Obligation Disclosure Requirement) Regulations, 2015, these transactions would require the approval of the members through Ordinary Resolution. A resolution for approval of the Related Party Transactions has been included in the Notice convening the ensuing AGM of the Company. Your Directors recommend to approve the same

SUBSIDIARY/ JOINT VENTURE /ASSOCIATE COMPANIES:

The Company does not have any holding , subsidiary, joint venture and associate company. Hence, the statement in Form AOC- I is not applicable to the Company.

CODE OF CONDUCT :

The Board of Directors has approved a Code of Conduct which is applicable to the Members of the Board and all employees in the course of day to day business operations of the company. The Company believes in "Zero Tolerance" against bribery, corruption and unethical dealings / behaviors of any form and the Board has laid down the directives to counter such acts. The Code has been posted on the Company's website www.gufic.com

The Code lays down the standard procedure of business conduct which is expected to be followed by the Directors and the designated employees in their business dealings and in particular on matters relating to integrity in the work place, in business

practices and in dealing with stakeholders.

All the Board Members and the Senior Management personnel have confirmed compliance with the Code. All Management Staff were given appropriate training in this regard.

VIGIL MECHANISM/WHISTLE BLOWER POLICY:

The Company has established a Vigil Mechanism policy i.e. Whistle Blower Policy that enables the Directors and employees to report genuine concerns, unethical behavior, irregularities, if any, that would adversely affect the operation of the Company. The details of the policy is made available on the website of the Company i.e. www.gufic.com

The Vigil Mechanism Policy provides for (a) adequate safeguards against victimization of persons and (b) direct access to the Chairperson of the Audit Committee of the Company in appropriate or exceptional cases.

During the year under review, the Company did not receive any complaint against any Director or Senior Management Official.

PREVENTION OF INSIDER TRADING:

The Company has adopted a Code of Conduct for Prevention of Insider Trading with a view to regulate trading in securities by the Directors and designated employees of the Company. The code can be accessed on the website of the Company at the web link : <http://gufic.com/wp-content/uploads/2016/08/Code-of-Conduct-Insider-Trading.pdf>.

The Code requires pre-clearance for dealing in the Company's shares and prohibits the purchase or sale of Company shares by the Directors and the designated employees while in possession of unpublished price sensitive information in relation to the Company and during the period when the Trading Window is closed. The Board is responsible for implementation of the Code.

All Board Directors and the designated employees have confirmed compliance with the Code.

AUDITORS:

a. STATUTORY AUDITOR:

M/s. S H R & Co., Chartered Accountants, Mumbai (FRN: 120491W), were appointed as the Statutory Auditor of the Company for a period of five years at the 30th Annual General Meeting of the Members of the Company. In terms of provisions of Section 139 (1) of the Companies Act, 2013, the continuation of their appointment as Statutory Auditors to audit the financials of the Company for the financial year 2017-18 shall be subject to ratification by the Members at the ensuing Annual General Meeting. They have confirmed that they are eligible for auditing the financials of the Company for the financial year 2017-18, as required under Section 141 of the Companies Act, 2013 and the Rules framed thereunder and have also confirmed that they hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India, as required under Regulation 33 of the Listing Regulations, 2015. The Board recommends the ratification of their appointment as Statutory Auditor of the Company for the financial year 2017-18.

b. COST AUDITOR:

M/s Kale & Associates, Cost Accountants, Mumbai, (Firm Registration No. 101144) were appointed as Cost Auditor to audit the cost records of the Company for the financial year 2016-17. The Cost Audit Report of the Company in XBRL format for the financial year 2016-17 was duly filed with the Ministry of Corporate Affairs.

Pursuant to provisions of Section 148(3) of the Companies Act, 2013 read with the Companies (Cost Records And Audit) Amendment Rules, 2014, the Company is required to appoint a Cost Auditor. The Board, has on recommendation of Audit Committee, appointed M/s. Kale & Associates, to audit the cost records of the Company for the financial year ending March 31, 2018. As required under the Act and the Rules made thereunder, the remuneration payable to the Cost Auditors is required to be placed before the Members at a general meeting for ratification. Accordingly, a resolution seeking ratification by members for the remuneration payable to M/s. Kale & Associates is included in the Notice convening 33rd Annual General Meeting. The Board recommends the ratification of their remuneration at the ensuing AGM.

c. SECRETARIAL AUDITOR:

Pursuant to provisions of section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed M/s. Gajanan D. Athavale, a Practicing Company Secretary to undertake the Secretarial Audit of the Company for the financial year 2016-17. The Secretarial Audit report is annexed herewith as "Annexure B"

d. INTERNAL AUDITOR:

M/s. B. Bhushan & Associates, Chartered Accountants were the internal auditors of the Company for financial year 2016-17.

On 19th May, 2017, M/s. B. Bhushan & Associates placed their resignation as Internal Auditors of the Company. The Board of Directors placed on record their appreciation for the valuable services during their tenure as Internal Auditors, which helped the Company to improve its internal financial control to its fullest.

The Board of Directors of the Company has appointed M/s. Mittal & Agarwal, Chartered Accountants (Firm Registration No.