MANAGEMENT DISCUSSION AND ANALYSIS

a)Industry Structure And Developments

Global Pharmaceutical Industry

The growth of the pharmaceutical market is increasing year over year. It is also one of the world's fastest growing industries and among the biggest contributors to the world economy. Pharmaceutical sector will remain one of the fastest growing industries in the world. It is one of the biggest contributors of the world economy. As per the market research firm Evaluate Pharma, gobal growth rate for the pharma industry is projected at 6.3% CAGR through 2022, up from the 5% CAGR it predicted last year for the 2014-2020 period.

As per the Global Use of Medicine Report from the IQVIA Institute for Human Data Science, the global market for pharmaceuticals reached to $1.2 trillion in the year 2018 and is expected to reach $1.5 trillion in the year 2023, thus growing by 4-5% CAGR. In the year of 2018, Global economic activity softened amidst an increase in trade tensions and tariff hikes between US and China, weak intra trade in euro area countries, tightening of financial conditions and higher uncertainty of fiscal policy in the wake of policy actions across all economies.

In the year of 2018, the spending in United States was $485 billion, up 5.2% as compared to the previous year 2017, and the 2023 spending is expected to be $625-655 billion, representing a 4-7% CAGR over the five-year period. The net revenue in US is expected to have risen 1.3% during 2018, and at a 0-3% rate over the next five years. In the year 2018, spending in China, which is the now the world's second largest market in pharmaceutical is at $137 billion and is expected to project growth at 3-6% CAGR through 2023[1].

Also, according to a current market report by the Quintiles IMS Institute, in the year 2021, globally the expenses for drugs will amount to 1.5 trillion U.S. dollars, which equals to an average annual growth rate of between four and seven percent in medication expenses or three percent in doses.

Growth over past decades means that North America and Western Europe still account for 56% of the global market, but Asia Pacific has overtaken Western Europe as the second largest region. Growth in Asia Pacific is fueled by increased afford ability of drugs resulting from the launch of low-priced generics. Other factors that are positive for growth in Asia Pacific are the rise of GDP per capita in the region, government programs to support healthcare, and rapid urbanization, which brings both doctors and pharmacies within easy reach of increasing proportions of growing populations. Pharma sales in Asia Pacific will grow at 8.4% a year to 2021[2]

As per the market research and study, in the year of 2017, the largest segment in the global pharmaceutical drugs market is Musculoskeletal Disorders Drugs which accounted for about 14% of the market. Metabolic Disorders Drugs had the highest CAGR of 11.6% during 2013-2017; this segment is expected to grow at a CAGR of 9% during 2017-2021. Other segments covered in the report include cardiovascular drugs, oncology drugs, anti-infective drugs, central nervous system drugs, genito-urinary drugs, respiratory diseases drugs, gastrointestinal drugs, hematoloty drugs, dermatology drugs, ophthalmology drugs[3].

Global health is poised to meet a series of key turning points, and changes seen in 2018 will mark the key inflections that drive the outlook for the next five years and beyond. The types of medicines being developed, the way technology contributes to health, and how the value of healthcare is calculated are all markedly changing. Innovation is a key theme, including the way regulators of medicine and applicants filing for approval will increasingly support clinical submissions with real world data. A wave of cell and gene therapies are bending the definition of what constitutes a drug, both clinically, and in terms of expectations of outcomes, duration of treatment and costs. Technology itself can be a treatment, and mobile apps are newly appearing in treatment guidelines as a key feature of future care paradigms. Furthermore, mobile technology can be an enabler of telehealth communication that brings providers and patients together at substantially lower costs than traditional consultations. In recent years, concerns about escalating medicine costs have captured significant attention. In 2018, some of the key drivers of medicine spending growth appear to be slowing spending rather than driving it upward. The causes of slowing growth are directly linked to payers concerns about budgets and to newly emerging mechanisms to adjudicate value and thus limit the potential for out-of-control spending growth[4].

The pharmaceutical industry is majorly dependent on Research & Development. Some pharmaceutical companies invest around 20% or more of their revenues in R & D measures. This share is increased in the case of small research based companies. US is a traditional stronghold of pharmaceutical innovation. The improvisation of existing drugs and the invention of news drugs becomes vital mainly due to the steady loss of patent protection. The patent expiry results in revenue losses to the Company.

Indian Pharma Industry – an overview

Globally, the largest provider of generic drugs is India which accounts for 20% of the global exports in terms of volume. Indian

1.The IQVIA Institute Report of January, 2019 2. Market Research Blog by The Business Company in May 2018 3.Pharmaceutical Drugs Global Market Report 2018 4.The IQVIA Institute Report of March, 2019 pharmaceutical sector industry supplies over 50 per cent of global demand for various vaccines, 40 per cent of generic demand in the US and 25 per cent of all medicine in UK.

Around 70 to 80 % of the Indian pharmaceutical market are dominated by the branded generics. By 2022, India is likely to be the 9th largest market globally in absolute size. Indian pharmaceutical industry has contributed immensely not just to Indian but to global healthcare outcomes. India continues to play a material role in manufacturing various critical, high- quality and low-cost medicines for Indian and global markets. The country also has a large pool of scientists and engineers who have the potential to steer the industry ahead to an even higher level. Presently over 80 per cent of the antiretroviral drugs used globally to combat AIDS (Acquired Immuno Deficiency Syndrome) are supplied by Indian pharmaceutical firms

The pharmaceutical industry was valued at $ 36.7 bn in 2018. The market is expected to expand at a CAGR of 22.4% over 2015–20 to reach $ 55 bn. Generic drugs, with 71% market share, form the largest segment of the Pharmaceutical industry in India. The rise of exports of generics to the US will lead to further growth of generic drugs. Moreover, branded drugs worth $ 55 bn will become off-patent during 2017-2019. In the domestic market by revenue, Anti-Infectives (13.6%), Cardiac (12.4%) and Gastrointestinal (11.5%) had the biggest market share[5].

India's pharmaceutical exports stood at US$ 17.27 billion in FY18 and have reached US$ 19.14 billion in FY19. Pharmaceutical exports include bulk drugs, intermediates, drug formulations, biologicals, Ayush & herbal products and surgicals. In the year of 2017, the US Food and Drug Administration (USFDA) approved 304 Abbreviated New Drug Application (ANDA) submitted by Indian companies. The country accounts for around 30 per cent (by volume) and about 10 per cent (value) in the US$ 70-80 billion US generics market. India's biotechnology industry comprising bio-pharmaceuticals, bio-services, bio-agriculture, bio-industry and bio informatics is expected grow at an average growth rate of around 30 per cent a year and reach US$ 100 billion by 2025[6].

As per IQVIA, in the financial year 2018- 2019, the Indian Pharmaceutical Market (IPM) stood at about USD 19.5 billion, growing at 10.5%, growth being contributed almost equally by volume, price and new launches. The IPM hitherto considered immune to economic downturns, seems to be defying the trend and has slowed down in tandem with the broader economy. Analysis of IPM's growth drivers indicates slowdown from 13.5% to 10% over the past three years. There are various external forces impacting the IPM at present.

Also, The Indian Pharma Market ("IPM") is forecast to grow at a Compounded Annual Growth Rate (CAGR) of 10.2%* (+/- 3.0%) over the next four years to reach Rs. 2255.5 billion by 2023. However it continues to be a highly fragmented and a competitive market with a large number of players spread across therapeutic segments.

By 2020, India is likely to be among the top three pharmaceutical markets by incremental growth and 6th largest market globally in absolute size. Increase in the size of middle class households coupled with the improvement in medical infrastructure and increase in the penetration of health insurance in the country will also influence in the growth of pharmaceuticals sector[7].

Indian pharma companies are capitalising on export opportunities in regulated and semi-regulated markets. The Government of India plans to set up a US$ 640 million venture capital fund to boost drug discovery and strengthen pharmaceutical infrastructure. The 'Pharma Vision 2020' by the government's Department of Pharmaceuticals aims to make India a major hub for end-to-end drug discovery[8].

The Indian Pharmaceutical Industry has been extremely growing in the recent years, and the Ministry of Health targets the development of new technologies in the coming years to treat diseases, such as cancer and tuberculosis. The Union Cabinet has given its nod for the amendment of the existing Foreign Direct Investment (FDI) policy in the pharmaceutical sector in order to allow FDI up to 100 per cent under the automatic route for manufacturing of medical devices subject to certain conditions. The drugs and pharmaceuticals sector attracted cumulative FDI inflows worth US$ 15.98 billion between April 2000 and March 2019, according to data released by the Department of Industrial Policy and Promotion (DIPP).

According to Indian Brand Equity Foundation, Indian Pharma witnessed 39 PE investments worth US $217 millions between July to September, 2018, investment in research & development increased to 8.5% in the financial year 2017-18 as compared to 5.3% in the financial year 2011-12.

The cost of manufacturing formulations in India remains 30-40 percent lower than other comparative manufacturing hubs such as China and Eastern Europe, notwithstanding low productivity levels. This is driven by lower labour costs vis-à-vis other geographies. Despite inflationary trends, India's labour cost advantage will sustain in the medium to long term, especially if Indian companies can improve productivity through operational excellence and digital initiatives. The supply of local talent into the pharma industry (e.g., B.Pharm, M.Pharm, B.Sc.) is stronger than in countries such as China. Indian pharma companies are foraying into complex products (e.g., microspheres, liposomes, emulsions), building capabilities in R&D and the manufacturing of these products while still ensuring the required quality.

OPPORTUNITIES AND CHALLENGES

5.Website of Invest India, National Promotion & Faculty Agency 6. IBEF India Brand Equity Foundation, July 2019 7. IBEF India Brand Equity Foundation, June 2018 8. FICCI – Trends & Opportunities for Indian Pharma

The Indian pharmaceuticals market has characteristics that make it unique. First, branded generics dominate, making up for 70 to 80 per cent of the retail market. Second, local players have enjoyed a dominant position driven by formulation development capabilities and early investments. Third, price levels are low, driven by intense competition. While India ranks tenth globally in terms of value, it is ranked third in volumes. These characteristics present their own opportunities and challenges.

The pharmaceutical industry is one of the biggest and fastest growing industries in India as well as abroad. The Indian pharmaceutical market size is expected to grow to US$ 100 billion by 2025, driven by increasing consumer spending, rapid urbanization, and raising healthcare insurance among others.

With rising income levels, growing health awareness and better access to healthcare, emerging markets offer significant growth potential for the pharmaceutical industry. In recent times, there is an increase in occurrence of non-communicable diseases such as cardiovascular illnesses, diabetes, and oncologic disorders. It is estimated that incidence of diabetes and oncologic diseases will grow by around 20% by 2030.

India is among the leaders in the clinical trial market. Due to a genetically diverse population and availability of skilled doctors, India has the potential to attract huge investments to its clinical trial market. From 2009 to 2015, 3043 clinical trial has been carried out in India. As of June 2017, the Clinical Trials Registry – India had 8,950 trials registered. Due to increasing population and income levels, demand for high-end drugs is expected to rise. Growing demand could open up the market for production of high-end drugs in India. With 70 per cent of India's population residing in rural areas, pharma companies have immense opportunities to tap this market. Demand for generic medicines in rural markets has seen a sharp growth. Various companies are investing in the distribution network in rural areas[9].

As the industry aspires to become the world's largest supplier by volume, the next wave of growth could come from increasing exports to large and traditionally underpenetrated markets such as Japan, China, Africa, Indonesia and Latin America. For example, the Japanese pharma market was worth over USD 85 billion in 2018, with Indian pharmaceutical companies having a share of less than one percent[10]

As the industry expands in different geographies and concerns on the quality of imported drugs increase globally, there will be greater scrutiny from regulators on quality norms. India has faced the highest number of USFDA inspections since 2009. The industry will need to continuously invest in upgrading quality standards to keep its promise of a 'high quality reliable' supplier of medicines to the world.

The Indian Pharma sector faces uncertainty in generic pricing. According to a study, The profit margins of Indian pharma industries which are selling generics in the United States will remain in pressure in 2018 with channel consolidation and USFDA fast tracking approvals through Generic Drug User Fee Act (GDUFA). Also compliances of current good manufacturing practices (cGMP) by USFDA are a challenge. The Indian pharma company selling in US shall comply with the cGMP and any non-compliance would lead to loss of market value, fresh approvals getting stuck and cost of remediation.

The industry is facing several challenges in supplying to export markets, which must be addressed going forward. The increasing pricing pressure in the regulated market is squeezing margins and profitability. Key drivers include customer consolidation, greater competition in commoditized, easy-to- manufacture products with increased ANDA approvals, and a slowdown in new launches. Another key challenge stems from compliance issues affecting the reliability of supply. While many Indian companies have fared well in regulatory audits over the last year and seem to be emerging out of remediation, others continue to face challenges. India continues to rely on imports of key starting materials, intermediates and API's for, China with the share of dependence increasing over time. This potentially exposes us to raw material supply disruptions and pricing volatility.

Access to healthcare in India is inadequate in comparison to the size of the population. The inability to pay for healthcare bills is another challenge that Indians face. Indian government's expenditure on healthcare is low (about 1 percent of GDP) compared to 2.5 to 3 percent of GDP of other developing economies such as China, Malaysia and Thailand[11]. As a result, they must make tough trade-offs between their healthcare needs, and other necessities. Such challenges need innovative digital interventions to mitigate accessibility shortcomings at optimal costs

REGULATORY DEVELOPMENTS AND GOVERNMENT INITIATIVES IN INDIA:

During the year, India regulatory environment saw several initiatives announced by the government to expand access to medicines. These initiatives can have a significant impact on how companies operate in the market including pricing their products, detailing them to doctors and distributing them through various channels.

- In the year 2018, government initiatives to promote the pharmaceutical sector in India involves (i) announcement by Uttar Pradesh Government for setting up of six pharma parks in the state for which they have received investment commitment of more than Rs. 5,000 crores, (ii) planning of setting up electronic platform to regulate online pharmacies under a new policy, in order to stop any misuse due to easy availability ((iii)) introducing of mechanism such as Drug Price Control Order and the National Pharmaceutical Pricing Authority to deal with the issue of affordability and availability of medicines.

9.IBEF February 2018 10.Predictions and areas to watch in global Pharma market head, 2019-23, IQVIA, PHARMEXCIL

Also, The Pradhan Mantri Jan ArogyaYojana (PMJAY), the national health protection scheme under 'Ayushman Bharat', was launched in September 2018. Once fully implemented, PMJAY is expected to provide health insurance coverage for secondary and tertiary care to 500 million poor and vulnerable people thereby expanding healthcare reach of the country. The proposed e-pharmacy regulation, if implemented properly, could boost growth for the industry by streamlining the supply chain.

The Government of India to create opportunities for Indian Pharma Sector has taken many initiatives such as starting a single window facility to provide consents and approvals to give a push to the Make in India initiative, unveiling of "Pharma Vision 2020" that aims at making India a global leader in manufacturing of pharmaceutical products and introduced mechanism to deal with the issue of affordability and availability of medicines

MARKET OF INTEREST FOR GUFIC

Gufic foresees the healthcare business in India changing. Trade will always be the majority but at the onset of a lot of investment in Hospitals especially in tier 1 and 2 towns, the healthcare channel for the people will be serviced via speciality centres, nursing homes or primary, secondary and tertiary hospitals. Also medical tourism being on the rise, this channel will be more prominent in the years to come. Gufic would like to forge a strength in this channel as a specialty healthcare provider and via a launch of a new division every year provide a complete basket of medical needs.

Also Gufic expects that the healthcare market in the Africa (Kenya, Nigeria, Tanzania, Egypt and Francophone) South east Asia, CIS, South Africa, Australia, Canada and Middle East will mature a lot and apart from generics, a market will open for high end lifesaving products which is a great opportunity to be targeted. Gufic via its innovation would like to provide high end injections to these markets at a fraction of the price thereby making the treatment affordable and increase access to a higher base of population.

Apart from above Gufic's export growth is expected to be led by increasing generic penetration in the regulated markets Like Europe, UK, Canada, Australia, Brazil, Russia and South Africa on the back of enhanced focus on the niche and complex product segments, targeting molecules where patents are expiring and enabling licensing agreement with pharmaceutical companies.

During the year under review, Gufic got the regulatory nod for the merger of Gufic Stridden Bio-Pharma Private Limited, a full export based company. With the amalgamation being effective, door to more export countries havebeenopened for Gufic. However, Gufic's main focus shall always lie with the domestic market.

Gufic also aims to make its presence felt in the field of oncology, diabetes segment and dermatology.

In dermatology, Gufic has tied up with a US based Company to launch Botulinum Neurotoxin in India, for which regulatory approvals have been duly sought. Gufic is the indigenous manufacturing company to launch such project in India with a robust and inherent world class infrastructure which will help Gufic to bring the cost effective option of this toxin to India and also expand them to middle east, East and Southeast Asia.

Research & Development (R&D)

Research & Development is essential in all industries and when it comes to the pharmaceutical research industry, R&D services not only generates income for the companies involved in the research but it often brings results in lives being saved, or at least enhancement in patient's lives.

Gufic has a full-fledged R&D division continuously engaged in research on new products and process improvement on existing products as part of continuous improvement. Gufic's R &D team believes in continuous advancement via innovation and it focuses on developing new products using new formulations, updating and improving the processes used for existing products, strategic collaboration with independent teams for introducing new products and strategies, developing and focusing new technologies for enhancing efficacy, bio-availability and the potency of the existing as well as new products. The Company in the recent years has filed multiple Process Patents for many life-saving drugs injections.

During the year under review,Gufic developed and launched about 10 new products andhave in its pipieline more than 32 products.

Gufic's continues to work on new drug delivery system by focusing on dosage accuracy and budget friendly product. This includes dual chamber, oral mouth dissolve and ready to useliquid injection.

COMPANY OVERVIEW

Over the past many years, Gufic has been known and respected for innovative and high quality pharmaceutical and herbal products along with a wide range of Active Pharmaceutical Ingredients (APIs). Gufic is one of the largest manufacturers of Lyophilized injections in India and have a fully automated lyophilization plant. Its lyophilized product includes Antibiotic, Antifungal, Cardiac, Infertility, Antiviral and proton-pump inhibitor segments. Gufic is now augmenting its global focus by deepening its presence in the priority markets of India, Germany, Switzerland, South Africa, Russia, Europe and key countries

WHO Global Health Observatory data repository, Domestic general government health expenditure (GGHE-D) as percentage of gross domestic product (GDP) (%): China: 3.2%, Thailand: 2.9%, Malaysia: 2.1%

within the emerging market territories. Gufic aims at providing lifesaving drugs to people at affordable prices with no compromise in its quality.

GUFIC offers a varied therapeutic basket in its Bulk drugs/API division. The categories of API's manufactured are anti-fungals, anti-bacterials, anesthetics and intermediates for anti-fungals.

Gufic's products are widely circulated across 1,500+ hospital chains and have leading medical facilities through an extensive network of 1000+ marketing representatives across India.

Gufic has entered the Top 100 company ranking (source IQVMI) for the MAT sales as per June 2019 by reaching a position of 98. Also the standalone rank for the month of June 2019 is 88. ORG IMS also records the company's domestic growth of approximately 33%.

The Company operates in four division i.e., Healthcare, Criticare & Criticare Life, Ferticare & Ferticare Life and Spark.

Healthcare :

This division was first named as "Herbal" and is in existence since inception of the Company. Gufic is the leading manufacturer of specialized herbal medicines in India. The manufacturing unit of herbal products are situated in Belgaum, Karnataka. The flagship brand of the division is Sallaki and its extensions which has been the frontrunner for more than 35 years in India and many European countries. Its sole turnover for the year is more than ₹. 28 crores. Also, There are more than 40 papers published in peer reviewed medical journals, 6 articles published in JIRA issue, two TV broadcasts on German network and six symposiums on Boswellia serrata in the 'GA' annual conferences.

Spark :

It is one of the oldest division of the Company. It a high thrust division with more than two hundred of dedicated field representatives and caters of 25,000 General/Clinical practitioners, Pediatrician and Gynecologists. This division gave many first time launchers in India such as Cough syrup with oral dosing syringe ,Sertaconazole in ointment and Lactic Acid Gel with unique applicator.

Criticare & Criticare Life

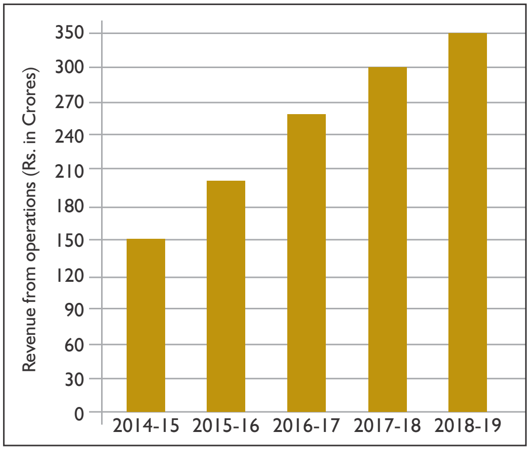
With an aim to manufacture affordable top-end Lyophilised injectable antibiotics, this division was initiated in the year 2015. This division contributes to around 40% of the Company's turnover and has penetration over more than 900 hospitals. It is the fastest growing Criticare divisions and is a third largest supplier of injectable antibiotics in India.

Ferticare & Ferticare Life

This division was formed in the year 2016. It provides comprehensive fertility care through innovative, high-quality products and caters to manufacturing of hormonal products for 60% of Indian companies. Gufic is the first Indian Company to launch Gufigest SR capsules, used for correcting menstral disorders caused due to the deficiency of this hormone in the body.

Financial performance with respect to operational performance :

During the year under review, the total revenue increased to ₹.35,494.18 lakhs in comparison to previous year's ₹.31,160.15 Lakhs, thus registering a growth of about 13.91% and net profit after tax increased to ₹. 2,194.07 lakhs from Rs. 1,647.62 lakhs, in previous year, a percentage increase of 33.17%.



The total revenue of the company for the financial year 2018-19 constituted to around 91.2% of its domestic business consisting of branded business sales, of contract manufacturing, sale of Active Pharmaceutical Ingredients and the balance 8.8 % to exports. The Company has made a significant progress in the export market by making a growth of about 25.72%. This is mainly because of the Company getting many Marketing Authorizations and export registrations transferred in its name, after the merger with Gufic Stridden Bio-Pharma Private Limited becoming effective.

The Company, during the year, launched about 10 new products in the market, which also boosted the sales of the Company. Due to launch of new products, improvisation made to the existing products and providing medicine at affordable prices to the consumer without compromising on the quality of the product, the Company has able to achieve the target of achieving a turnover of ₹. 350.76 crores. During the year under review, the total expenses of the Company increased by 12.84%.

On the domestic front, we have an extensive range of branded and generic formulations which enjoy extensive market share. Currently, we have well-established brands under therapies like Anti-bacterials , Anti-fungals , Proton pump inhibitors , Cardiovascular , Muscle Relaxants ,Protom Pump Inhibitors, Cardiovascular, Anti-fungals etc.

On international front, the Company is well positioned in the international space by having GMP approvals from FDA-Philippines, MOH Cambodia, MOH-Thailand, MOH-Vietnam, NMRA- Srilanka, DDANepal, PPB-Kenya and NAFDAC –Nigeria. the Company is having approximately 63 Marketing Authorizations and awaiting around 86 more approvals in various countries covering South East Asia, Africa, Latin, Syria America and Central America. In order to mark its global presence, the Company expanded its wings to Sterile Injections Products by submitting dossiers to countries like Germany, Austria, Ethiopia, Columbia and Ukraine.

Key Financial Indicators

PARTICULARS	Unit	2018-19	2017-18	Variance(%)
Operating profit margin (%)	%	12.97	12.06	7.55
Net profit margin (%)	%	6.25	5.33	17.24
Debtors turnover ratio	Times	3.81	4.57	(16.62)
Current ratio	Times	1.25	1.18	6.11
Return on Net Worth	%	29.09	30.40	(4.30)
Inventory turnover ratio	Times	3.72	3.92	(4.99)
Interest coverage ratio	Times	4.94	4.69	5.26
Debt equity ratio	Times	1.30	1.47	(11.84)

HUMAN RESOURCES DEVELOPMENT

"I am convinced that nothing we do is more important than hiring and developing people. At the end of the day, you bet on people not on strategies."

– Lawrence Bossidy

The backbone of any successful company is its Human Resource (HR). Employees as rightly said are the Company's most important and valuable assets. HR of Gufic has its complete focus on organizational development and employee engagement. Gufic is built on the strong foundation of its people. The performance of the Company has a direct relationship with that of the performance of its employees.

Gufic strives to make better workplace for its employees by taking various initiatives mentioned as hereunder:

a. Employee engagement

Gufic has a "Together Team" consisting of Guficians from various departments, that changes on half yearly basis, for organizing different events for Guficians, by coming up with innovative and unique ideas.

Every year, the HR organises one week of fun activities for Guficians followed by the Annual day. This year, Gufician celebrates its Annual day at ND's Film World, Karjat.

b. Marathon

Gufic contributes in Corporate Marathon to encourage its employees towards physical fitness and distress and their social well being. Symbolising the zeal and spirit of Gufic, 25 Guficians participated in the Tata Mumbai Marathon 2019, covering a distance of 6 kms, during the year under review.

C. Awards & Recognitions

At Gufic, we appreciate and admire the contribution of the employees towards the success and growth of the organization. There are various categories and parameters set up for recognizing and rewarding the efforts of its employees viz. Employee of the month, Long years of service awards (those employees who have Completed 5,10,15,20 and 25 years of services.)

D. Other key HR initiatives

- Flexi Working Hours
- Medical Insurance
- Suggestion or Grievances box
- Training Programmes to update with the new opportunities and challenges
- Seminar programmes for enhancing their knowledge in their field
- Sponsorship to the deserving employees
- Internal Complaints Committee (The Committee has constituted under The Sexual Harassment Of Women At Workplace (Prevention, Prohibition And Redressal) Act, 2013) to lodge complaints if such unfortunate incident took place

Gufic gives its employees a work culture that motivates people to give their best performance for the Company's growth and also enhance their skill sets. Gufic always believes in team spirit and focus on enhancing the same. The employees have helped the Company to scale new heights and success over the years. No material developments in Human Resources/ Industrial Relations front have occurred during the year under review.

During the year under review, the employees' strength of your Company increased to 1091 as compared to 1060, in the previous year.

Internal Control Framework

At Gufic, we continuously strive to integrate the entire organisation from strategic support functions like finance, information technology, human resources, and regulatory affairs to core operations like research, manufacturing and supply chain. It is integral to the principle of governance and freedom is allowed to be exercised within a system of checks and balances. The internal audit function is further strengthened in consultation with Statutory Auditors for monitoring statutory and operational issues.

The internal controls and governance process are duly reviewed for their adequacy and effectiveness through periodic audits by the Internal Auditors of the Company. The issues relating to the working of the internal financial control of the Company, reported by the Auditors are addressed and looked upon , from time to time. Gufic assures maintenance of a system that provides reasonable assurance regarding the effectiveness and efficacy of operations, adequacy of safeguarding of assets, preventions and detection of frauds and so on.

Outlook

Projections growth in India for Medicine spending is 9-12 per cent over the next five years, leading India to become one of the top 10 countries in terms of medicine spending. Going forward, better growth in domestic sales would also depend on the ability of companies to align their product portfolio towards chronic therapies for diseases such as such as cardiovascular, anti-diabetes, anti-depressants and anti-cancers that are on the rise. The Indian government has taken many steps to reduce costs and bring down healthcare expenses. Speedy introduction of generic drugs into the market has remained in focus and is expected to benefit the Indian pharmaceutical companies. In addition, the thrust on rural health programmes, lifesaving drugs and preventive vaccines also augurs well for the pharmaceutical companies.[12]

Despite concerns about a trade war between the US and China, it is not a surprise that China is still viewed as a huge market opportunity for the pharmaceutical industry China has a large population with a growing middle class and it has become a leader in R&D innovation for medicine, particularly regenerative medicine and perhaps even gene editing based on the news from late 2018. The big challenge that companies will face is how to best navigate the Chinese regulatory and commercial landscape.

Global Data Pharma's 2019 industry outlook survey reveals that more than 50% of global industry respondents believe that drug pricing and reimbursement constraints will have the greatest negative impact on the pharmaceutical sector in 2019.

Of late, consolidation has become an important characteristic of the Indian pharmaceutical market as the industry is highly fragmented. The Indian pharmaceutical market is expected to grow exceptionally by 2025 on the back of increasing consumer spending, raising healthcare insurance and rapid urbanization. Government effort steps to reduce costs and bring down healthcare expenses too will help the sector in coming time. Moreover, government's steps to reduce India's dependence on large scale import of active pharmaceutical ingredients and increasing production of active ingredients used in drugs to meet the country's need also augurs well for the pharmaceutical companies. Significant increase in exports and well controlled imports will also provide strength to the sector, supported by government's several initiatives to boost exports and domestic production. Moreover, higher spending on research and development by pharmaceutical companies too will support the sector in coming time.

Threats, Risks & Concerns

The risk and concerns is associated with the pharmaceutical industries both in India and internationally with the volume and

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complexity of change having greatly intensified the implication of risk. Be it regulatory risk, competitive risk, new product developmental risk or litigation risk, pharma sector is associated with many concerns The Government of India is encouraging use of generic products through various initiatives. This change will definitely help people to buy medicines at affordable price but at the same time is a challenge for pharma industry to ensure access and affordability of medicines without compromising on its quality.

Gufic has its comprehensive risk management policy, which is periodically reviewed and amended by the Board of Directors of the Company. However, the risks associated with the business cannot be wholly eliminated, it can be mitigated with the precautionary measures.

During the year under review, the Management had identified the risks and measures to mitigate or minimize them as mentioned hereunder:

Sr. No.	Risks	Measures to mitigate/minimize risks
1	Competitive Risk	Gufic strives to meet the challenges by delighting our customers with product quality, timely supplies, best industrial practices in providing better services.
2	Legal/Regulatory Risk	Gufic has a strong quality assurance mechanism and compliance monitoring checklist that ensures strict compliance at every level. Also, regular training for its employees to update them on new developments is an integral part of this process.
3	Foreign Exchange Risk	Gufic keeps a close watch on forex market, its trend and reviews the movements regularly to mitigate the risk
4	Economical and Political Risk	Gufic focuses on Due diligence, ongoing research and political risk analysis to predict such events and plans accordingly.
5	Market Risk	Demand and Supply are external factors on which company has no control, however the Company plans its production and sales from the experience gained in the past and on-going study and appraisal of the market dynamics, movement by competition, economic policies and growth patterns of different segments of users of Company's products.
6	Concentration Risk	Gufic derives revenues from multiple products, multiple customers across geographic regions. Thus, the Company will endeavor to remain diversified and mitigate concentration risk.
7	Price Risk	Gufic produces and sales some products competing with numbers of players in India & abroad. Increasing competition puts pressure on our realizations. Gufic regularly works on cost control, improved yields etc.,to maintain our margins.

CAUTIONARY STATEMENT

Certain statements in the Management & Discussion Analysis describing the Company's objectives, goals, current expectations or projections may be 'forward looking statements” within the definition of applicable laws and regulations in force. The results of the statement may vary due to the risk and uncertainties involved with these statements. These risk factors include but are not limited to changes in local and global economic conditions, volatility of interest rates, new Governmental regulatory policies, the market acceptance of and demand for the product and the Company's ability to implement the strategy. Important factors that could make a difference to the Company's operations include economic and political condition in India and in the countries in which the Company operates, volatility in currency rates, changes in government regulations and policies, tax laws, statutes and other incidental factors.